

15 August 2024

Commissioned research: Relais Group Oyj – Strong Q2 across the board

Marketing material commissioned by Relais Group Oyj

Relais reported Q2 adjusted EBITA of EUR 7.3m, 13% above LSEG Data & Analytics consensus. Organic sales growth was 8% y/y in Q2, clearly above our expectation of 4%. Net sales were EUR 74.3m (up 16% y/y), 3% above consensus expectations. FX did not have an impact on EBITA level. Q2 benefited from the good market demand, acquisition and successful commercial activities. Equipment sales missed our estimate while all other product groups beat. Sales increased 23% y/y (+12% organic growth) in Scandinavia and 8% y/y (+3% organic growth) in Finland-Baltics. Gross margin came 180bp above consensus expectations and was up 200bp y/y to 47.7%, supported by price increases, efficiency of workshops and effective purchasing. We note the company has continued to see strong demand from bigger fleet customers which we believe translates into sticky customer relationships. EPS of EUR 0.18 came clearly above consensus expectation of EUR 0.13. Operating cash flow was EUR 9.5m (EUR 6.7m a year ago) while leverage decreased to 3.0x from 3.2x at the end of Q1. Inventories were clearly up sequentially and y/y, related to acquisition and growth investments in lighting products. Relais does not give short-term outlook for 2024 but sees stable market situation for H2. On initial take, we believe consensus to take up its estimates to the tune of mid-single digits.

RELAIS GROUP OYJ: DEVIATION TABLE

| EURm | Actual | NDA est. | Deviation | | Consensus | Deviation | | Actual | Actual | | |
|------------------------|--------------|--------------|--------------|------------|--------------|--------------|------------|--------------|--------------|--------------|--------------|
| | Q2 2024 | Q2 2024E | vs. actual | % | Q2 2024E | vs. actual | % | Q1 2024 | q/q | Q2 2023 | y/y |
| Sales | 74.3 | 72.5 | 2 | 2% | 72.0 | 2 | 3% | 82.8 | -10% | 64.1 | 16% |
| Gross profit | 35.4 | 33.3 | 2.1 | 6% | 33 | 2.4 | 7% | 38.2 | -7% | 29.3 | |
| Gross margin | 47.7% | 46.0% | 1.7pp | | 45.8% | 1.8pp | | 46.2% | 1.5pp | 45.7% | 2.0pp |
| Adj. EBITA | 7.3 | 6.5 | 0.9 | 13% | 6.5 | 0.8 | 13% | 9.7 | -24% | 4.8 | 52% |
| Adj. EBITA margin | 9.9% | 8.9% | 1.0pp | | 9.0% | 0.8pp | | 11.7% | -1.8pp | 7.5% | 2.3pp |
| EBITA | 7.3 | 6.5 | 0.8 | 13% | 6.5 | 0.8 | 12% | 9.7 | -24% | 4.8 | 52% |
| EBITA margin | 9.8% | 8.9% | 0.9pp | | 9.0% | 0.8pp | | 11.7% | -1.9pp | 7.5% | 2.3pp |
| EBIT | 6.6 | 5.7 | 0.9 | 15% | 5.0 | 1.6 | 32% | 9.0 | -27% | 4.0 | 66% |
| EBIT margin | 8.9% | 7.9% | 1.0pp | | 6.9% | 1.9pp | | 10.8% | -2.0pp | 6.2% | 2.7pp |
| PTP | 4.9 | 3.9 | 1.0 | 24% | 3.0 | 1.9 | 62% | 5.8 | -17% | 1.1 | 329% |
| EPS | 0.18 | 0.15 | | 17% | 0.13 | 0.05 | 38% | 0.21 | | 0.01 | |
| Sales split | | | | | | | | | | | |
| Equipment | 13.1 | 16.1 | -3.1 | -19% | | | | 17.2 | -24% | 9.8 | 34% |
| Lighting | 11.2 | 9.4 | 1.9 | 20% | | | | 14.8 | -24% | 9.9 | 14% |
| Spare parts | 23.6 | 22.5 | 1.1 | 5% | | | | 24.4 | -3% | 20.9 | 13% |
| Repair and maintenance | 25.6 | 24.5 | 1.1 | 4% | | | | 25.9 | -1% | 22.8 | 12% |
| Other | 0.8 | 0.0 | 0.8 | | | | | 0.5 | 59% | 0.8 | 0% |

Source: Company data, LSEG Data & Analytics and Nordea estimates

Q2 beating on all fronts – positive demand trend within bigger fleet customers continue

- Q2 net sales were EUR 74.3m, 3% above LSEG Data & Analytics consensus. Organic growth was strong at 8% y/y in Q2 (+12% in Q1), clearly above our expectation of 4%. Equipment missed our estimate while all other product groups beat our sales estimates. We note continued positive demand trend among bigger fleet customers which likely bodes well for future as we believe these customer relationships are sticky in nature.
- Adjusted EBITA of EUR 7.3m came 13% above consensus at EUR 6.5m. Q2 EBITA margin of 9.9% was 80bp above consensus, supported by 47.7% gross margin (180bp above consensus).
- EPS of EUR 0.18 came clearly above consensus of EUR 0.13. Net financial expenses were slightly below our estimate while tax rate of 32.6% was above our estimate of 21%.
- Operating cash flow of EUR 9.5m was up from EUR 6.7m a year ago. Inventories were up 15% y/y driven by acquisitions and growth investments in Lighting products. Leverage was 3.0x, down from 3.2x at the end of Q1.

We expect consensus to raise its estimates – healthy M&A pipeline

Relais does not provide short-term numeric guidance (intact). Prior to the Q2 report, LSEG Data & Analytics consensus pencil in 12% sales growth and 24% adjusted EBITA growth in 2024E. Following Q2 beat and stable to positive market comments from the management, we expect consensus to raise its EBITA estimates by some mid-single digits.

We note company's comments of several interesting M&A targets with a good strategic fit. Hence, we expect more bolt-on acquisitions in 2024 while larger acquisition likely require equity like financing due to the current leverage level.

Relais will arrange a webcast at 10:00 EET, accessible through following link:

<https://relais.videosync.fi/q2-2024>

SUMMARY TABLE - KEY FIGURES

| EURm | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
|------------------------------|--------|--------|------|-------|-------|-------|
| Total revenue | 238 | 261 | 284 | 319 | 336 | 347 |
| EBITDA (adj) | 39 | 39 | 44 | 51 | 55 | 59 |
| EBIT (adj) | 26 | 22 | 25 | 32 | 36 | 40 |
| EBIT (adj) margin | 10.8% | 8.6% | 9.0% | 10.1% | 10.8% | 11.6% |
| EPS (adj, EUR) | 0.91 | 0.69 | 0.75 | 0.94 | 1.20 | 1.42 |
| EPS (adj) growth | 133.9% | -24.2% | 8.8% | 25.2% | 28.2% | 18.7% |
| DPS (ord, EUR) | 0.36 | 0.40 | 0.44 | 0.48 | 0.52 | 0.60 |
| EV/Sales | 2.7 | 1.3 | 1.4 | 1.3 | 1.2 | 1.1 |
| EV/EBIT (adj) | 24.6 | 14.9 | 15.8 | 12.6 | 10.8 | 9.3 |
| P/E (adj) | 29.0 | 14.8 | 18.1 | 14.4 | 11.3 | 9.5 |
| P/BV | 4.8 | 1.8 | 2.3 | 2.1 | 1.9 | 1.7 |
| Dividend yield (ord) | 1.4% | 3.9% | 3.3% | 3.6% | 3.9% | 4.4% |
| FCF Yield bef A&D, lease adj | 0.5% | 7.5% | 5.3% | 4.5% | 8.1% | 10.1% |
| Net debt | 140 | 143 | 149 | 151 | 140 | 123 |
| Net debt/EBITDA | 3.9 | 3.9 | 3.4 | 3.0 | 2.5 | 2.1 |
| ROIC after tax | 11.5% | 7.0% | 7.7% | 9.5% | 10.8% | 11.9% |

Source: Company data and Nordea estimates

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