

7 November 2024

Commissioned research: Relais Group Oyj – Lighting season started later this year – slight miss in Q3 despite solid organic growth

Marketing material commissioned by Relais Group Oyj

Relais reported Q3 adjusted EBITA of EUR 9.2m, 9% below LSEG Data & Analytics consensus. Organic sales growth was 4% y/y in Q3, in line with our expectation. Net sales were EUR 74.9m (up 7% y/y), 3% below consensus expectations. FX did not have an impact on EBITA level. Equipment and Lighting sales missed our estimates while other product groups beat. Lighting season has started 1-2 weeks later while the company note that sales have returned to normal levels after Q3. Sales increased 4% y/y (+5% organic growth) in Scandinavia and 10% y/y (+3% organic growth) in Finland-Baltics. Gross margin came 40bp above consensus expectations and was up 220bp y/y to 48.1%, supported by increased weight of Repair and Maintenance as well as improved sales margins in Technical Wholesale and Products. EPS of EUR 0.26 came 7% below consensus expectation of EUR 0.28. Operating cash flow was EUR 4.3m (EUR 4.5m a year ago) while leverage remained at 3.0x (3.0x at the end of Q2). Inventories were up 6% sequentially and up 14% y/y, mainly due to 1-2 week later start to lighting season. Hence, Q4 cash flows could be supported by shift from Q3 to Q4. Relais does not give short-term outlook for 2024 but sees stable market situation for Q4. On initial take, we believe consensus to trim 2024E estimates slightly due to Q3 while do not expect any material changes on 2025E-26E estimates.

RELAIS GROUP OYJ: DEVIATION TABLE

EURm	Actual	NDA est.	Deviation		Consensus	Deviation		Actual	Actual		
	Q3 2024	Q3 2024E	vs. actual	vs. actual	Q3 2024E	vs. actual	Q2 2024	q/q	Q3 2023	y/y	
Sales	74.9	78.1	-3	-4%	77.5	-3	-3%	74.3	1%	70.3	7%
Gross profit	36.0	37.4	-1.3	-4%	37	-1.0	-3%	35.4	2%	32.3	
Gross margin	48.1%	47.8%	0.3pp		47.7%	0.4pp		47.7%	0.4pp	45.9%	2.2pp
Adj. EBITA	9.2	10.1	(1.0)	-9%	10.1	-0.9	-9%	7.3	25%	8.6	7%
Adj. EBITA margin	12.2%	12.9%	-0.7pp		13.0%	-0.8pp		9.9%	2.4pp	12.2%	0.0pp
EBITA	9.1	10.1	-1.0	-10%	10.1	-1.0	-9%	7.3	25%	8.4	9%
EBITA margin	12.2%	12.9%	-0.7pp		13.0%	-0.8pp		9.8%	2.4pp	11.9%	0.3pp
EBIT	8.4	9.4	-1.0	-10%	9.0	-0.6	-7%	6.6	28%	7.6	11%
EBIT margin	11.2%	12.0%	-0.8pp		11.6%	-0.4pp		8.9%	2.3pp	10.8%	0.5pp
PTP	6.5	7.7	-1.1	-15%	7.5	-1.0	-13%	4.9	34%	6.0	9%
EPS	0.26	0.31	-0.05	-17%	0.28	-0.02	-7%	0.17		0.23	
Sales split											
Equipment	12.1	15.7	-3.6	-23%				13.1	-7%	13.3	-9%
Lighting	14.9	16.9	-2.0	-12%				11.2	33%	15.6	-5%
Spare parts	22.3	21.5	0.8	4%				23.6	-5%	20.7	8%
Repair and maintenance	25.4	24.0	1.4	6%				25.6	-1%	21.4	19%
Other	0.1	0.0	0.1					0.8	-87%	-0.8	-114%

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

Q3 organic growth in line with our estimate – later start of lighting season visible in EBITA

- Q3 net sales were EUR 74.9m, 3% below LSEG Data & Analytics consensus. Organic growth remained solid at 4% y/y in Q3 (+8% in Q2), in line with our expectation. Equipment and lighting missed our estimates while other product groups beat our sales estimates. We note 1-2 week later start of the lighting season compared to last year while the company notes that demand has recovered to normal levels after Q3.
- Adjusted EBITA of EUR 9.2m came 9% below consensus at EUR 10.1m. Q3 EBITA margin of 12.2% was 80bp below consensus. Gross margin was at a strong level of 48.1%, up 220bp y/y and 40bp above consensus. Later start of the lighting season is clearly visible in adjusted EBITA margin, we believe.
- EPS of EUR 0.26 came slightly below consensus of EUR 0.28. Net financial expenses were slightly above our estimate while tax rate of 28.9% was above our estimate of 21% and could indicate clearly lower rate for Q4E.
- Operating cash flow of EUR 4.3m was slightly down from EUR 4.5m a year ago. Inventories were up 14% y/y and up 6% q/q, burdened by later start of the lighting season. Depending of the lighting season, Q4 cash flow could be clearly supported by the shift of sales from Q3 to Q4, we believe. Leverage remained at 3.0x (3.0x at the end of Q2).

We expect consensus to trim estimates slightly – healthy M&A pipeline

Relais does not provide short-term numeric guidance (intact). Prior to the Q3 report, LSEG Data & Analytics consensus pencil in 13% sales growth growth in 2024E. Despite slight Q3 miss, we view CEO commentary of stable Q4 as supportive and expect consensus to make only slightly negative revisions for 2024E and leave 2025E-26E estimates largely intact.

Relais has ongoing negotiations with several potential M&A targets. Hence, we expect more bolt-on acquisitions in 2024-25 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/q3-2024>

SUMMARY TABLE - KEY FIGURES

EURm	2021	2022	2023	2024E	2025E	2026E
Total revenue	238	261	284	324	340	352
EBITDA (adj)	39	39	44	52	56	61
EBIT (adj)	26	22	25	34	38	42
EBIT (adj) margin	10.8%	8.6%	9.0%	10.4%	11.1%	12.0%
EPS (adj, EUR)	0.91	0.69	0.75	1.02	1.26	1.49
EPS (adj) growth	133.9%	-24.2%	8.8%	36.2%	24.0%	17.7%
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	12.3	10.6	9.1
P/E (adj)	29.0	14.8	18.1	13.7	11.1	9.4
P/BV	4.8	1.8	2.3	2.2	1.9	1.7
Dividend yield (ord)	1.4%	3.9%	3.3%	3.4%	3.7%	4.3%
FCF Yield bef A&D, lease adj	0.5%	7.5%	5.4%	4.4%	8.2%	10.2%
Net debt	140	143	149	151	138	121
Net debt/EBITDA	3.9	3.9	3.4	2.9	2.5	2.0
ROIC after tax	11.5%	7.0%	7.7%	9.9%	11.2%	12.4%

Source: Company data and Nordea estimates

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