

Relais Group

Company report

08/15/2024 23:59 EEST



Petri Gostowski
+358 40 821 5982
petri.gostowski@inderes.fi



Tommi Saarinen
+358 400530573
tommi.saarinen@inderes.fi

✓ Inderes corporate customer

This report is a summary translation of the report “Ennätyksellinen alkuvuosi” published on 8/15/2024 at 11:59 pm EEST

**inde
res.**

A record H1

The Q2 report released by Relais on Thursday was better than we expected, with revenue and especially profitability exceeding our estimates. Against this backdrop, our raised profitability forecasts and a recent small acquisition, our estimates for this and next year increased. The stock valuation is not high, but we believe the recent price rise has dismantled the most blatant undervaluation. As a result, we raise our target price to EUR 16.5 (was EUR 15.0) but lower the recommendation to Accumulate (was Buy).

Organic growth and gross margin were the delights of Q2

Relais' Q2 revenue grew by 16% to 74.3 MEUR exceeding our estimate. The acquisitions carried out supported revenue slightly less than we expected, so the forecast overshoot came from very strong organic development. We believe the growth was still supported by the favorable weather conditions of Q1'24, but Relais seems also to have increased its market share. Relais' measures to improve the gross margin worked clearly better than we expected in Q2, which, together with higher-than-expected revenue pushed the EBITA of the period to 7.3 MEUR clearly above our 5.3 MEUR forecast. Reflecting the operational forecast overshoot, Q2's adjusted EPS of EUR 0.22 also exceeded our forecast.

Earnings forecasts increased, but we expect revenue growth to calm down from the pace of H1

Relais has not provided numerical guidance for the current financial year in line with its guidance policy. Thanks to strong organic growth, partly due to favorable weather conditions in the beginning of the year (H1'24: +10%), market share gains and acquisitions made, our 2024 revenue forecast expects a 13% increase to 320 MEUR. However, we estimate that the demand situation in H1, supported by weather conditions, has been stronger than the average year, so we expect organic growth to be tight in 2025, especially due to the strong comparison period for H1. Achieved market share gains strengthen our confidence in the company's competitiveness, but we wait for further proof before we are ready to include organic market share gains in our forecasts over the longer term. As a result, we expect organic revenue growth to stabilize in the next few years to the estimated growth of Relais' target market at around 3%. We included the small acquisition announced in July in our forecasts, which together with our increased gross margin forecasts raised our EBITA forecasts by 7-4% for 2024-2025.

We feel some of the undervaluation has been dismantled with the price rise

The P/E ratios (adj.) for 2024-2025 are 12x and the adjusted EV/EBITA ratios are 10x. In our view, the absolute valuation multiples for the coming years are on the favorable side. Compared to its business peers, the stock is valued at a discount of nearly 10%, whereas compared to the peer group of serial consolidators the stock is valued at a considerable discount. We believe the justified valuation level can be found between these peer groups. The value indicated by our cash flow model is EUR 16.5, which we consider to be a valid benchmark for the valuation of the existing business. In addition, we believe investors have a positive expected value from the value creation of the company's acquisition strategy. Overall, we consider the stock valuation attractive based on different valuation methods, although we believe that the recent price increase has dissolved some of the undervaluation.

Recommendation

Accumulate

(was Buy)

EUR 16.50

(was EUR 15.00)

Share price:

14.45



Key figures

	2023	2024e	2025e	2026e
Revenue	284.3	320.4	330.5	340.4
growth-%	9%	13%	3%	3%
EBIT adj.	28.6	36.1	35.0	35.0
EBIT-% adj.	10.0 %	11.3 %	10.6 %	10.3 %
Net Income	13.7	18.5	18.4	19.7
EPS (adj.)	0.95	1.18	1.22	1.26
P/E (adj.)	14.3	12.2	11.8	11.5
P/B	2.2	2.2	2.0	1.8
Dividend yield-%	3.3 %	3.1 %	3.2 %	3.3 %
EV/EBIT (adj.)	13.9	11.3	11.4	11.1
EV/EBITDA	9.1	7.9	7.9	7.6
EV/S	1.4	1.3	1.2	1.1

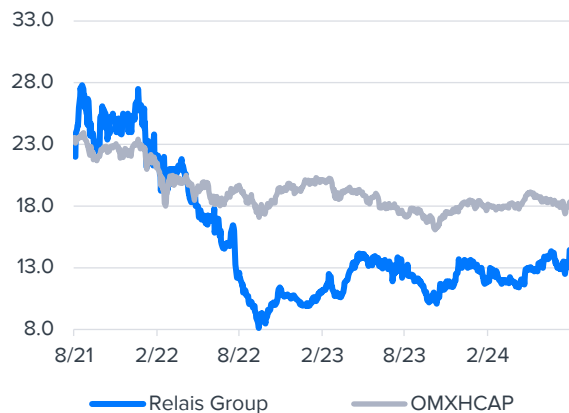
Source: Inderes

Guidance

(Unchanged)

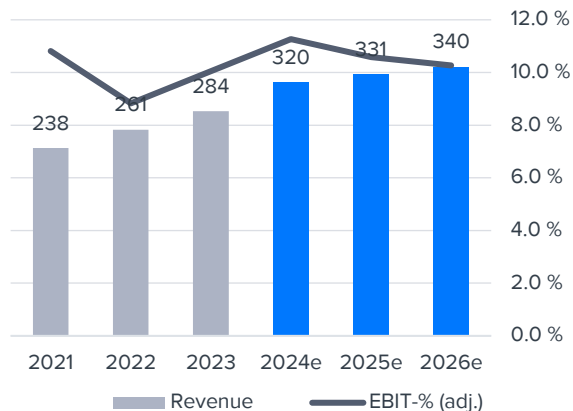
Relais does not provide numeric guidance for the financial year 2024.

Share price



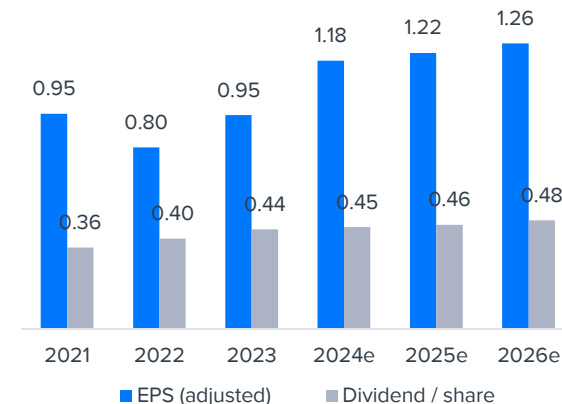
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- The stable and defensive market over time is huge relative to Relais' size class
- Plenty of room for consolidation on the fragmented vehicle aftermarket
- Serial consolidator business model's value creation potential and growth strategy is quite good
- Mutual sales synergies of the owned businesses support growth preconditions



Risk factors

- Working capital commitment in the wholesale business slows down cash flow
- Typical risks associated with acquisitions
- Long-term risks associated with limited pricing power and competitive situation
- Upward pressure on costs due to high inflation and a significant increase in the cost of financing
- Low liquidity of the share

Valuation	2024e	2025e	2026e
Share price	14.45	14.45	14.45
Number of shares, millions	18.2	18.3	18.4
Market cap	263	263	263
EV	408	398	387
P/E (adj.)	12.2	11.8	11.5
P/E	14.2	14.3	13.5
P/B	2.2	2.0	1.8
P/S	0.8	0.8	0.8
EV/Sales	1.3	1.2	1.1
EV/EBITDA	7.9	7.9	7.6
EV/EBIT (adj.)	11.3	11.4	11.1
Payout ratio (%)	44.3 %	45.6 %	44.8 %
Dividend yield-%	3.1 %	3.2 %	3.3 %

Source: Inderes

Positive surprises in terms of both growth and profitability

Organic growth pushed the revenue above forecasts

In Q2, Relais' revenue grew by 16% to 74.3 MEUR, which exceeded our 72.3 MEUR estimate. The acquisitions of AutoMateriell, Jyväskylä Truck Center and Asennustyö M. Ahlqvist supported revenue slightly less than we predicted, but the 8% organic growth clearly exceeded our expectations. Geographically, organic growth was fierce, especially in Scandinavia (+12%), while in Finland and the Baltic countries growth was around the level we expected (3%). The spare part demand peak in Q1'24 was also reflected more strongly than we expected in Q2, as the Technical Wholesale and Products segment achieved 9% organic growth. In the Technical Wholesale and Products segment, lighting sales that usually focus on the end of the year generated a positive surprise. The Repair and Maintenance

business also achieved faster organic growth than we expected (6%). We estimate that Relais' revenue has developed clearly faster than the target market and that the company gained market shares in H1. We consider this to be an encouraging sign of the company's competitiveness.

The gross margin surprised positively

Q2'24's EBITA was 7.3 MEUR, exceeding both our and consensus estimates. The forecast overshoot was based on a higher gross margin than we expected. We do not see a clear single driver for the strengthened gross margin but the improvement was based on several factors such as price increases, more cost-efficient procurement, the effect of acquisitions, and the improved efficiency of repair shops with the brisk growth. Reflecting the operational forecast overshoot, Q2's adjusted EPS of EUR 0.22 also exceeded our estimate.

Free cash flow is not parked in the balance sheet

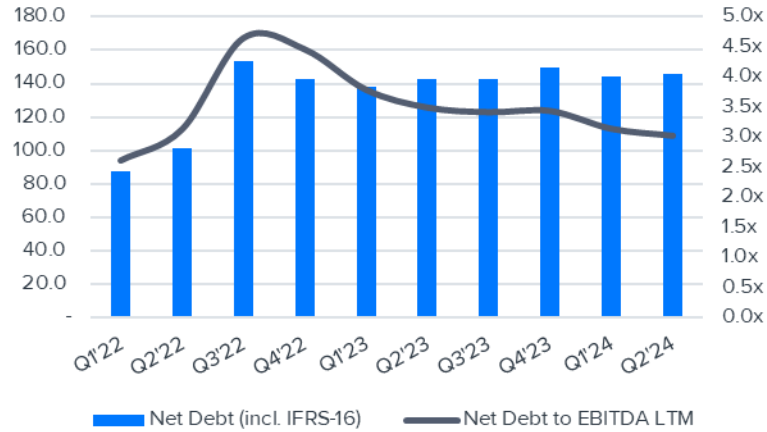
The better-than-expected result was also turned into cash flow in Q2'24 supported by the funds released from working capital. Working capital fell to a relatively low level compared to Relais' recent history (20% of revenue for previous 12 months). Free cash flow after repayment of lease liabilities (leasing payments) and investments was 6.3 MEUR in H1. Despite this, net debt developed steadily in H1, reflecting payment of dividends and purchase prices. With the clearly increased EBITDA, the ratio between EBITDA and net debt (including IFRS16 liabilities) continued to decline, reaching 3x, i.e. the balance sheet has significant leverage. Within the framework of Relais' financing agreement, the company has approximately 30 MEUR of firepower to continue acquisitions in line with its strategy.

Estimates MEUR / EUR	Q2'23	Q2'24	Q2'24e	Q2'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	64.1	74.3	72.3	73.1	72.3	74.4	3%	320
EBITA (oik.)	4.8	7.3	5.4	5.6	5.4	5.8	36%	36.1
PTP	1.2	4.9	2.3	-			109%	24.0
EPS (adj.)	0.06	0.22	0.15	0.15	0.14	0.16	45%	1.18
Revenue growth-%	9.4 %	15.8 %	12.8 %	14.0 %	12.8 %	16.1 %	3.1 pp	12.7 %
EBITA-%	7.5 %	9.8 %	7.4 %	7.7 %	7.5 %	7.8 %	2.4 pp	11.3 %

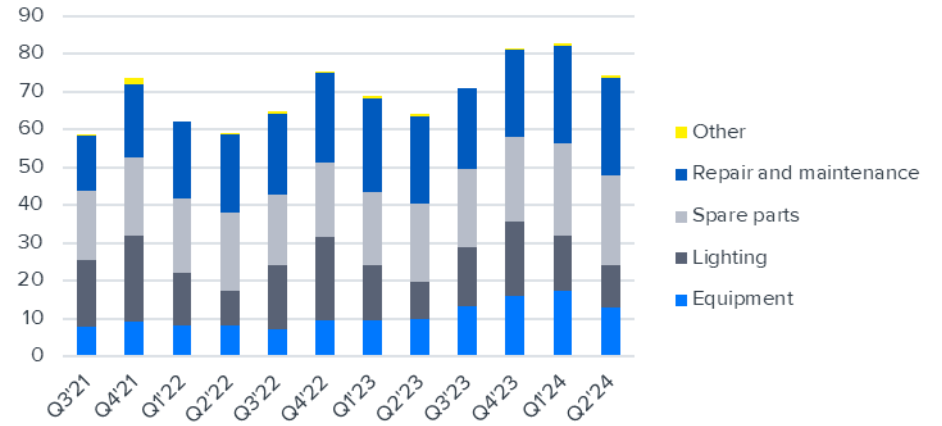
Source: Inderes & Bloomberg, 3 analysts (consensus)

Key indicators of Relais' business

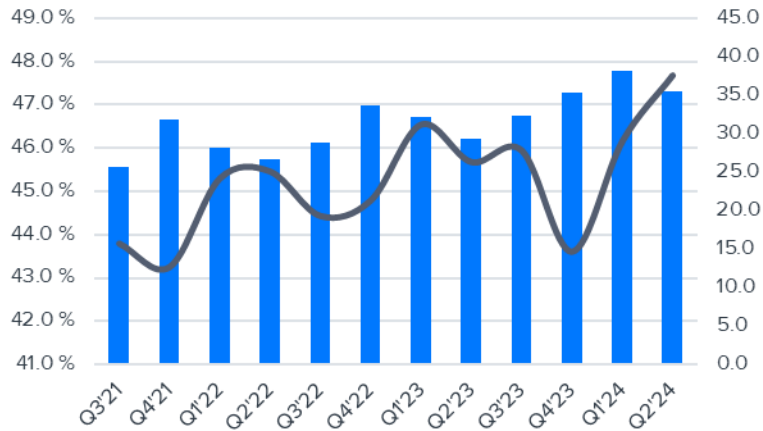
Net debt (MEUR) and Net debt to EBITDA



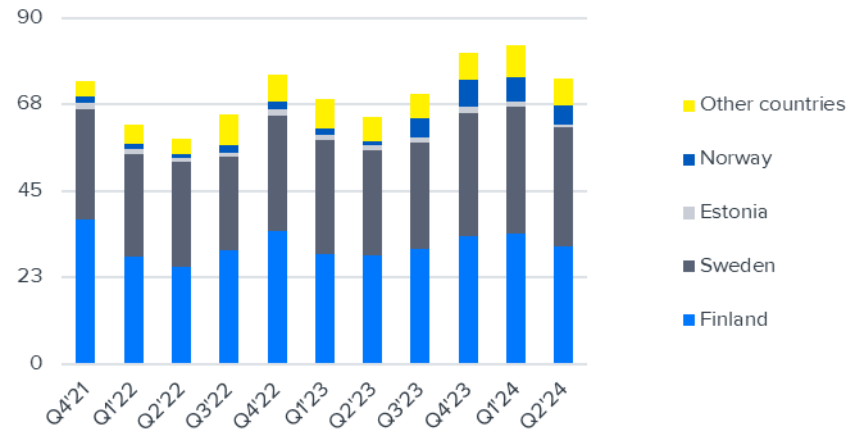
Revenue split by product line



Gross profit (MEUR) and Gross margin



Revenue split by geographical area



Profitability forecasts on a rise

Estimate revisions 2024e-2026e

- We fine-tuned our organic revenue forecast for 2024, while we expect the organic revenue growth rate for the coming years to remain unchanged
- We do not expect the demand peak caused by the winter of 2023-24 to be repeated in the coming winter, so we forecast slowing growth in H2'24 and next year's revenue growth to be difficult due to the strong comparison period for H1
- We raised our 2024-2025 EBITA forecasts by 7-4%, as our expectations of the achievable EBITDA margin in the next few years increased after the strong H1'24
- We added the acquisition of the commercial vehicle repair shops in the Gothenburg region announced by Relais in July to our forecasts from the beginning of Q4'24. We commented on the acquisition more extensively [here](#).
- The effect of the acquired repair shops on 2024 was negligible, while the impact on the revenue forecasts for 2025–2026 was +2% and +1% on the adjusted EBITDA forecasts

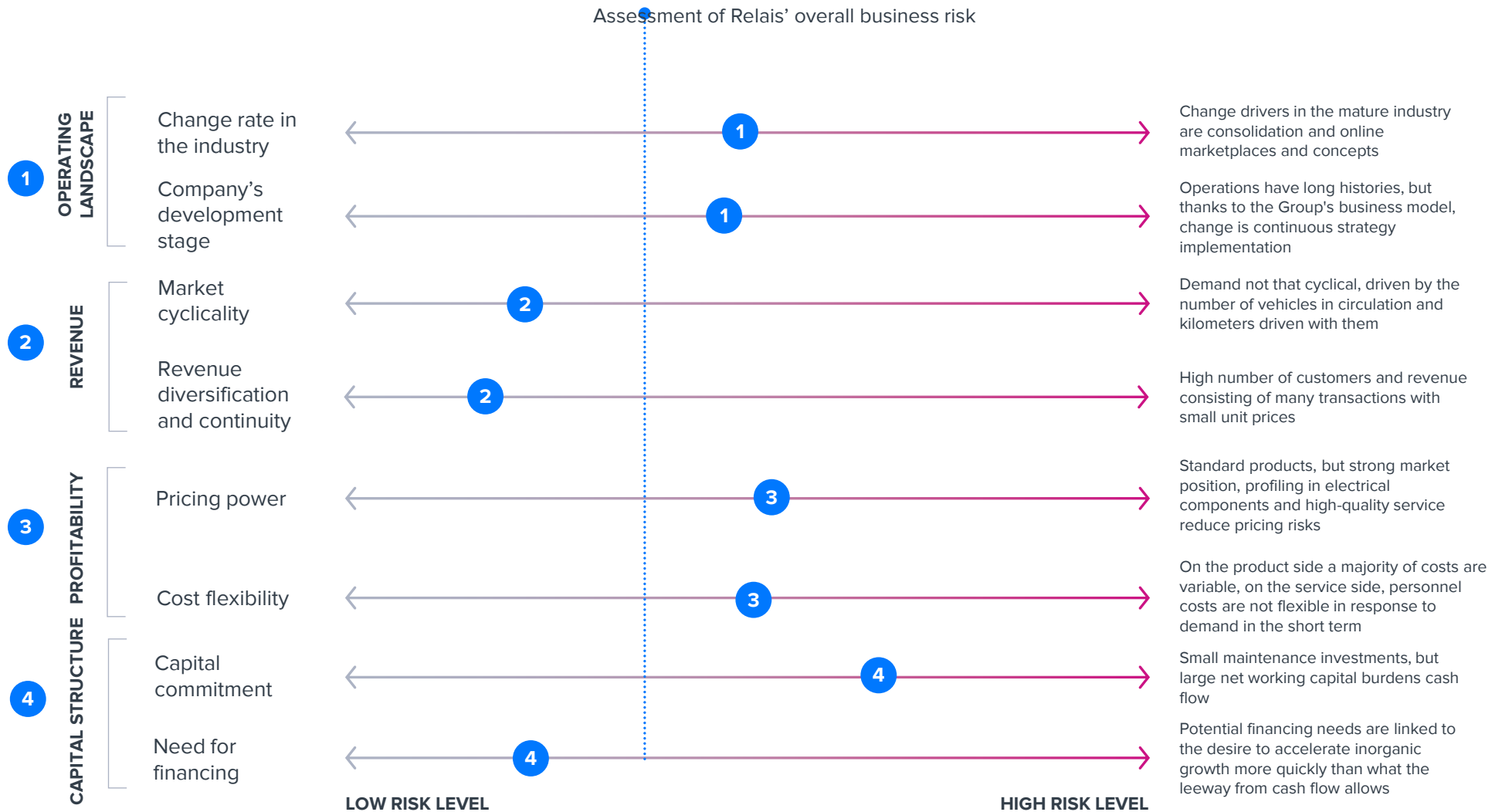
Operational earnings drivers 2024-2026e:

- We expect Relais' 2024 revenue to grow by close on 13%
- Roughly half of the growth consists of organic growth and half of acquisitions
- The EBITA margin for the full year rises from 10.0% in 2023 to 11.3% driven by the strong H1.
- In 2025, we expect completed acquisitions to bring 2% growth, but with the favorable weather conditions in the 2024 comparison period, we expect organic growth to remain at 1%.
- We estimate that the scalability potential of the business model's EBIT is moderate at the current good level, and thus in our forecasts, profitability grows at the rate of revenue
- Relais is aiming for 50 MEUR pro forma EBITA by the end of 2025, the achievement of which we believe requires additional equity funding to ensure sufficient inorganic growth.

Estimate revisions MEUR / EUR	2024e			2025e			2026e		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
Revenue	317	320	1%	323	331	2%	333	340	2%
EBITDA	49.5	51.6	4%	49.3	50.7	3%	51.1	51.0	0%
EBIT (exc. NRIs)	33.9	36.1	7%	33.6	35.0	4%	34.9	35.0	0%
EBIT	30.4	33.0	8%	29.8	31.1	5%	31.4	31.5	0%
PTP	21.0	24.0	14%	22.3	23.7	6%	25.2	25.2	0%
EPS (excl. NRIs)	1.08	1.18	9%	1.16	1.22	5%	1.26	1.26	0%
DPS	0.45	0.45	0%	0.46	0.46	0%	0.48	0.48	0%

Source: Inderes

Risk profile of the business model



Investment profile

1.

Growth orientation and preconditions to create value through acquisitions

2.

Significant growth potential of the target market

3.

Flexible cost structure and mainly stable performance history

4.

Business model ties up working capital, which limits growth investment

5.

In the long term, the expected return is mainly generated through successful implementation of the acquisition strategy

Strengths



- Demand drivers are not susceptible to cyclical fluctuations, so demand is defensive
- If Relais is a successful serial consolidator it has good preconditions to generate ROI that exceeds the cost of equity in the long run
- In a large and fragmented market the number of potential acquisition targets is huge
- Cost structure is flexible in the medium term

Risks



- The business requires significant inventories that tie up working capital and puts the brakes on cash flow
- Usual risks associated with the implementation of an inorganic growth strategy
- No identifiable sources of strong and sustainable competitive advantages in the business
- Low liquidity of the share

The valuation is still moderate

Absolute valuation multiples

We forecast an EV/EBITA adjusted for IFRS16 effects in 2024 of 10x, while the corresponding P/E ratio is 12x. The corresponding valuation multiples for 2025 are at the same level. In our view, the value creation potential of Relais, in line with its business model, consists of two components: These are the existing businesses while the value creation potential of the acquisition strategy is another component. We consider the current valuation of the existing businesses to be moderate and believe that the above-mentioned earnings-based valuation multiples are near the bottom of the justified valuation range. In addition, under the current financing agreement, we calculate that the company has about 30 MEUR in financial reserves, which the company could allocate to inorganic growth. The current borrowing power of the business allows for additional debt of this magnitude, although the indebtedness would then be at the upper end of the comfort limit. Thus, we still see reasonable possibilities for the company to create value inorganically, the conditions of which are constantly improved by cash flow.

Relative valuation

We have assembled two peer groups for Relais, one consisting of companies operating with a similar business model. The second peer group consists of so-called serial consolidators. The business models of the latter group rely in particular on value creation through active inorganic growth, based especially on the successful allocation of capital over the long term. We believe it is relevant to compare Relais' valuation to these two peer groups, as we do not believe that a valuation based on operational business alone gives value to the company's inorganic growth strategy.

Relais is valued at an average discount of nearly 10% on key metrics relative to the median of key earnings-based valuation multiples for the next few years for the peer group of companies operating mainly in the international automotive aftermarket the valuation of which we feel is at a sensible level overall.

Compared to a peer group of so-called serial consolidators, the share is valued at a discount of around 50% using valuation multiples for the coming years. In our view, Relais should be valued at a discount to its peer group of serial consolidators, as the group has experienced more rapid value creation in recent years, as can be seen in their clearly higher median returns on capital. In addition, we believe that the valuation multiples of serial consolidators are quite high at the median level. However, we feel that the clear valuation difference to both peer groups supports our view of the upside in the stock's valuation.

DCF model above the current share price

Our updated DCF model indicates a share value of EUR 16.5. The weakness of the cash flow model is that the model does not consider inorganic growth. However, the model is well-suited for valuing existing businesses. Thus, we believe this valuation metric indicates that the current share valuation does not include expectations of value creation from future M&A and that the pure valuation of the current business portfolio is moderate.

Valuation	2024e	2025e	2026e
Share price	14.45	14.45	14.45
Number of shares, millions	18.2	18.3	18.4
Market cap	263	263	263
EV	408	398	387
P/E (adj.)	12.2	11.8	11.5
P/E	14.2	14.3	13.5
P/B	2.2	2.0	1.8
P/S	0.8	0.8	0.8
EV/Sales	1.3	1.2	1.1
EV/EBITDA	7.9	7.9	7.6
EV/EBIT (adj.)	11.3	11.4	11.1
Payout ratio (%)	44.3 %	45.6 %	44.8 %
Dividend yield-%	3.1 %	3.2 %	3.3 %

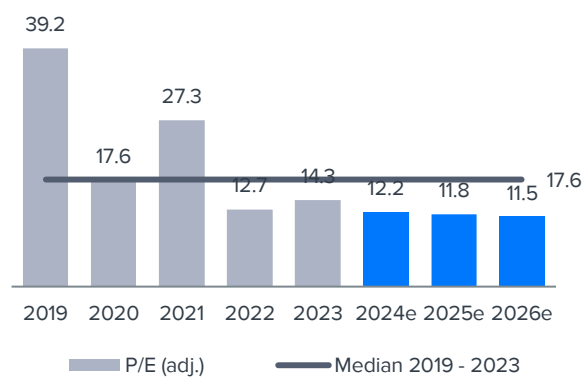
Source: Inderes

Valuation table

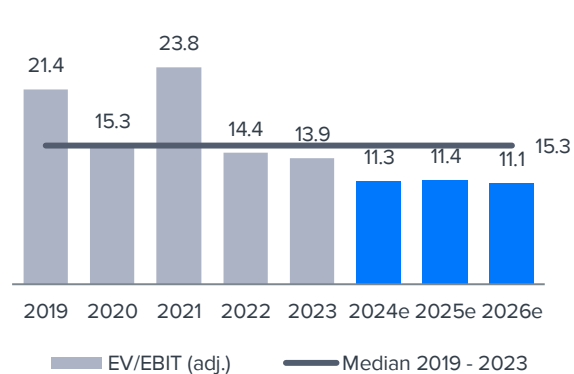
Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	8.25	14.7	26.0	10.2	13.5	14.45	14.45	14.45	14.45
Number of shares, millions	16.2	17.4	17.9	18.1	18.1	18.2	18.3	18.4	18.4
Market cap	134	256	466	185	245	263	263	263	263
EV	168	285	613	332	396	408	398	387	374
P/E (adj.)	39.2	17.6	27.3	12.7	14.3	12.2	11.8	11.5	10.5
P/E	>100	36.9	32.5	18.4	17.8	14.2	14.3	13.5	12.1
P/B	2.1	3.6	4.5	1.8	2.2	2.2	2.0	1.8	1.7
P/S	1.4	2.0	2.0	0.7	0.9	0.8	0.8	0.8	0.8
EV/Sales	1.7	2.2	2.6	1.3	1.4	1.3	1.2	1.1	1.1
EV/EBITDA	12.6	14.9	17.0	9.1	9.1	7.9	7.9	7.6	7.0
EV/EBIT (adj.)	21.4	15.3	23.8	14.4	13.9	11.3	11.4	11.1	10.0
Payout ratio (%)	421.1 %	75.3 %	44.9 %	72.3 %	58.1 %	44.3 %	45.6 %	44.8 %	41.8 %
Dividend yield-%	1.2 %	2.0 %	1.4 %	3.9 %	3.3 %	3.1 %	3.2 %	3.3 %	3.5 %

Source: Inderes

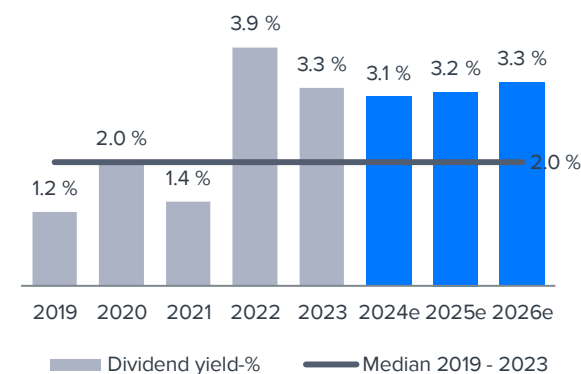
P/E (adj.)



EV/EBIT



Dividend yield-%



Peer group valuation (1/2)

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
			2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Inter Cars SA	1719	2343	8.5	7.5	7.3	6.4	0.5	0.4	9.0	7.9	0.2	0.3	1.4
Advance Auto Parts Inc	3269	4480	13.5	12.1	7.3	6.8	0.4	0.4	16.8	14.0	2.6	2.9	1.3
Duell	36	66		12.1	16.6	7.8	0.5	0.5				5.7	0.7
Auto Partner SA	696	771	9.6	7.8	8.5	6.9	0.8	0.6	10.9	8.8	0.9	0.9	
Genuine Parts Co	17321	20349	12.2	11.0	10.3	9.6	1.0	0.9	14.6	13.5	2.9	3.1	3.9
LKQ Corp	9397	13054	9.7	9.1	8.0	7.6	1.0	1.0	11.0	9.8	3.1	3.3	1.6
O'Reilly Automotive Inc	59359	64119	21.3	19.9	18.7	17.7	4.2	4.0	27.4	24.6			
Autozone Inc	49484	57387	16.4	16.0	14.4	13.9	3.4	3.3	21.1	19.5			
Bapcor Ltd	1006	1387	13.2	12.3	8.5	8.0	1.2	1.1	17.8	16.0	3.4	3.5	1.5
Mekonomen AB	515	953	11.3	9.7	6.0	5.5	0.6	0.6	8.8	7.8	3.8	4.1	0.9
Relais Group (Inderes)	263	408	11.3	11.4	7.9	7.9	1.3	1.2	12.2	11.8	3.1	3.2	2.2
Average			12.9	11.7	10.5	9.0	1.4	1.3	15.3	13.5	2.4	3.0	1.6
Median			12.2	11.5	8.5	7.7	0.9	0.8	14.6	13.5	2.9	3.2	1.4
Diff-% to median			-8%	-1%	-7%	2%	48%	55%	-17%	-12%	7%	1%	56%

Source: Refinitiv / Inderes

Peer group valuation (2/2)

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B 2024e
			2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	
Indutrade AB	9749	10575	28.9	26.3	21.3	19.7	3.7	3.4	37.3	32.7	1.0	1.1	6.9
Bergman & Beving AB	706	836	23.6	22.6	14.6	13.2	2.0	1.9	35.6	30.6	1.3	1.4	3.4
Momentum Group AB	733	789	31.3	28.8	21.1	19.7	3.1	2.9	35.2	31.7	0.8	1.0	11.3
Bufab AB (publ)	1337	1619	20.2	18.6	16.5	15.5	2.3	2.3	27.2	22.7	1.4	1.4	4.0
Addtech AB	7697	8135	38.5	34.0	29.1	26.1	4.6	4.3	52.2	46.2	0.8	1.0	13.6
Beijer Ref AB (publ)	7526	8409	26.5	23.6	20.9	18.8	2.7	2.4	36.9	30.7	0.9	1.0	3.7
Beijer Alma AB	1058	1299	15.3	13.4	11.1	10.2	2.0	1.9	19.9	16.3	2.0	2.2	2.9
Lifco AB (publ)	11334	12152	28.3	25.5	21.3	19.4	5.4	5.0	42.4	38.4	0.7	0.8	8.0
Lagercrantz Group AB	3378	3626	33.1	29.3	24.5	21.7	5.0	4.5	38.1	35.2	1.1	1.2	9.4
Volati Ab	836	1078	19.4	15.9	13.2	11.4	1.6	1.4	24.7	18.4	1.2	1.6	4.6
Boreo	50	109	18.2	15.6	10.9	9.5	0.8	0.8		33.7		1.2	1.0
AddLife AB	1614	2061	33.0	28.8	15.5	14.4	2.3	2.2	72.0	45.8	0.5	1.0	3.6
Addnode Group AB	1205	1276	25.4	21.3	15.3	14.3	1.9	2.2	35.8	27.8	1.2	1.4	5.8
Instalco AB	1180	1531	18.9	16.5	12.3	11.4	1.2	1.2	22.3	18.0	1.4	1.6	3.7
Seafire AB	23	43	23.5	11.7	6.5	5.3	0.5	0.5		22.1			0.4
Sdiptech AB	1010	1010	12.5	11.1	9.1	8.2	2.1	1.9	24.1	20.1			2.7
Fasadgruppen Group AB	243	363	10.9	8.1	8.1	6.4	0.8	0.7	12.6	7.9	3.0	3.7	1.2
Relais Group (Inderes)	263	408	11.3	11.4	7.9	7.9	1.3	1.2	12.2	11.8	3.1	3.2	2.2
Average			24.3	20.9	16.1	14.6	2.5	2.4	35.1	28.8	1.2	1.4	5.1
Median			24.5	21.9	15.4	14.3	2.2	2.2	35.7	30.7	1.1	1.2	3.7
Diff-% to median			-54%	-48%	-49%	-45%	-42%	-45%	-66%	-61%	194%	164%	-41%

Source: Refinitiv / Inderes. NB! The market cap used by Inderes does not consider own shares held by the company.

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	260.7	69.0	64.1	70.3	80.9	284	82.8	74.3	76.6	86.8	320	331	340	351
Technical Trade and Products	175	44.3	41.3	48.9	57.9	192	56.9	48.7	51.8	59.6	217	218	225	231
Repair and Maintenance business	85.6	24.7	22.8	21.4	23.1	91.9	25.9	25.6	24.7	27.2	103	112	116	119
EBITDA	36.6	11.1	8.6	12.1	11.8	43.5	13.5	11.1	13.6	13.4	51.6	50.7	51.0	53.2
Depreciation	-16.9	-4.5	-4.6	-4.6	-4.8	-18.4	-4.5	-4.5	-4.8	-4.8	-18.6	-19.5	-19.5	-19.2
EBIT (excl. NRI)	23.0	7.5	4.8	8.4	7.8	28.6	9.7	7.3	9.6	9.5	36.1	35.0	35.0	37.4
EBIT	19.7	6.6	4.0	7.5	7.0	25.1	9.0	6.6	8.8	8.6	33.0	31.1	31.5	34.0
Relais Group	19.7	6.6	4.0	7.5	7.0	25.1	9.0	6.6	8.8	8.6	33.0	31.1	31.5	34.0
Net financial items	-6.5	-2.2	-2.8	-1.5	-1.0	-7.4	-3.1	-1.7	-2.1	-2.1	-9.0	-7.5	-6.3	-5.7
PTP	13.1	4.5	1.2	6.0	6.0	17.7	5.8	4.9	6.8	6.6	24.0	23.7	25.2	28.3
Taxes	-3.1	-1.6	-1.0	-1.7	0.2	-4.0	-2.0	-1.6	-2.0	0.0	-5.5	-5.2	-5.5	-6.2
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	10.0	2.9	0.2	4.3	6.3	13.7	3.9	3.3	4.8	6.6	18.5	18.4	19.7	22.0
EPS (adj.)	0.80	0.21	0.06	0.29	0.39	0.9	0.25	0.22	0.31	0.41	1.18	1.22	1.26	1.38
EPS (rep.)	0.55	0.16	0.01	0.24	0.35	0.76	0.21	0.18	0.26	0.36	1.02	1.01	1.07	1.20

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	9.6 %	11.0 %	9.4 %	8.5 %	7.7 %	9.0 %	20.0 %	15.8 %	9.0 %	7.3 %	12.7 %	3.1 %	3.0 %	3.0 %
Adjusted EBIT growth-%	-10.6 %	31.0 %	41.4 %	9.7 %	26.0 %	24.1 %	28.4 %	52.2 %	14.8 %	21.1 %	26.4 %	-3.1 %	0.0 %	6.9 %
EBITDA-%	14.0 %	16.1 %	13.4 %	17.2 %	14.5 %	15.3 %	16.3 %	14.9 %	17.7 %	15.5 %	16.1 %	15.3 %	15.0 %	15.2 %
Adjusted EBIT-%	8.8 %	10.9 %	7.5 %	11.9 %	9.7 %	10.0 %	11.7 %	9.8 %	12.6 %	10.9 %	11.3 %	10.6 %	10.3 %	10.7 %
Net earnings-%	3.8 %	4.3 %	0.3 %	6.2 %	7.8 %	4.8 %	4.7 %	4.4 %	6.2 %	7.6 %	5.8 %	5.6 %	5.8 %	6.3 %

Source: Inderes

NB! Revenue excluding non-recurring items is EBITA reported by the company

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	194	200	201	197	194
Goodwill	118	120	123	123	123
Intangible assets	15.0	13.1	11.5	9.6	7.8
Tangible assets	60.3	65.8	66.2	64.6	63.0
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.7	0.9	0.1	0.1	0.1
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	119	129	135	140	145
Inventories	67.8	74.1	81.1	84.3	87.5
Other current assets	4.1	4.0	4.0	4.0	4.0
Receivables	32.8	41.4	40.4	41.6	42.9
Cash and equivalents	13.9	9.7	9.6	9.9	10.2
Balance sheet total	313	329	336	337	339

Source: Inderes

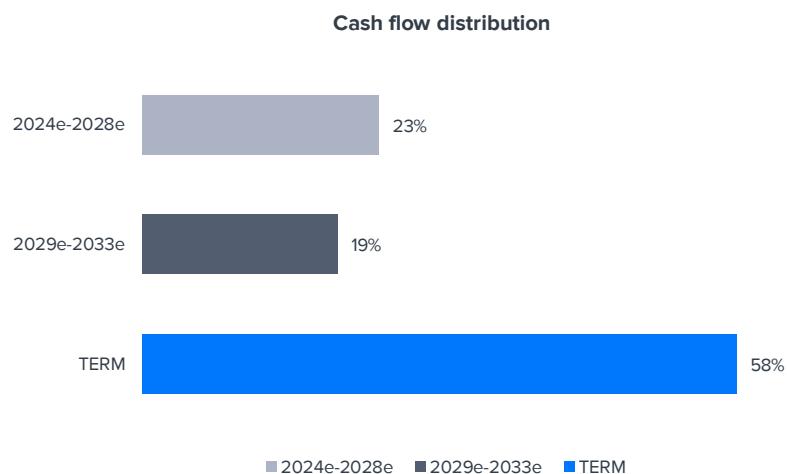
Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	104	111	121	131	143
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	35.6	42.0	52.5	62.8	74.1
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	68.2	68.5	68.5	68.5	68.5
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	148	145	125	105	95.3
Deferred tax liabilities	5.8	5.2	5.2	5.2	5.2
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	142	140	120	100.0	90.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.1	0.1	0.1	0.1	0.1
Current liabilities	61.0	73.3	89.5	101	101
Interest bearing debt	19.1	20.8	34.1	45.2	43.9
Payables	35.3	46.8	49.7	49.6	51.1
Other current liabilities	6.6	5.7	5.7	5.7	5.7
Balance sheet total	313	329	336	337	339

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	9.0 %	12.7 %	3.1 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	2.5 %	2.5 %	2.0 %	2.0 %
EBIT-%	8.8 %	10.3 %	9.4 %	9.3 %	9.7 %	11.0 %	11.0 %	11.0 %	10.5 %	10.5 %	10.5 %	10.5 %
EBIT (operating profit)	25.1	33.0	31.1	31.5	34.0	39.7	40.9	42.1	41.2	42.3	43.1	
+ Depreciation	18.4	18.6	19.5	19.5	19.2	19.5	17.3	17.0	17.0	17.0	17.0	
- Paid taxes	-4.6	-5.5	-5.2	-5.5	-6.2	-7.7	-8.1	-8.3	-8.1	-8.4	-8.6	
- Tax, financial expenses	-1.7	-2.1	-1.6	-1.4	-1.3	-1.0	-0.9	-0.9	-0.9	-0.9	-0.9	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-4.3	-3.0	-4.6	-3.0	-3.4	-2.5	-2.6	-2.6	-2.3	-2.3	-1.9	
Operating cash flow	33.0	41.0	39.2	41.1	42.3	48.0	46.7	47.3	46.9	47.6	48.7	
+ Change in other long-term liabilities	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-24.1	-19.5	-16.0	-16.2	-16.3	-16.5	-16.9	-17.0	-17.0	-17.1	-17.0	
Free operating cash flow	9.0	21.4	23.2	24.9	26.0	31.5	29.8	30.3	29.8	30.5	31.7	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	9.0	21.4	23.2	24.9	26.0	31.5	29.8	30.3	29.8	30.5	31.7	540
Discounted FCFF		20.8	20.9	20.8	20.0	22.5	19.7	18.6	16.9	16.0	15.4	263
Sum of FCFF present value		455	434	413	392	372	350	330	312	295	279	263
Enterprise value DCF		455										
- Interest bearing debt		-161										
+ Cash and cash equivalents		9.7										
-Minorities		0.0										
-Dividend/capital return		-8.0										
Equity value DCF		296										
Equity value DCF per share		16.5										

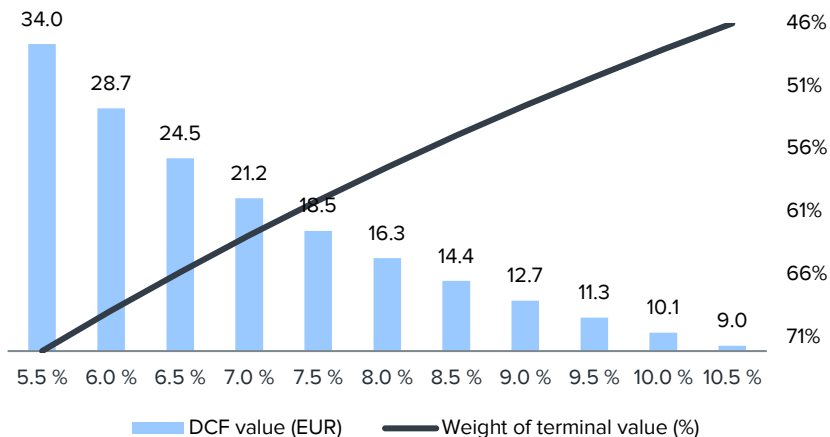
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	5.0 %
Equity Beta	1.1
Market risk premium	4.75%
Liquidity premium	1.10%
Risk free interest rate	2.5 %
Cost of equity	9.0 %
Weighted average cost of capital (WACC)	8.0 %

Source: Inderes

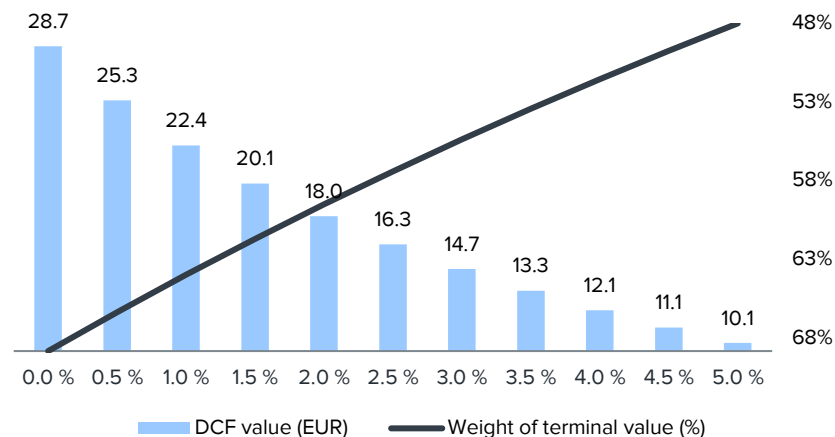


DCF sensitivity calculations and key assumptions in graphs

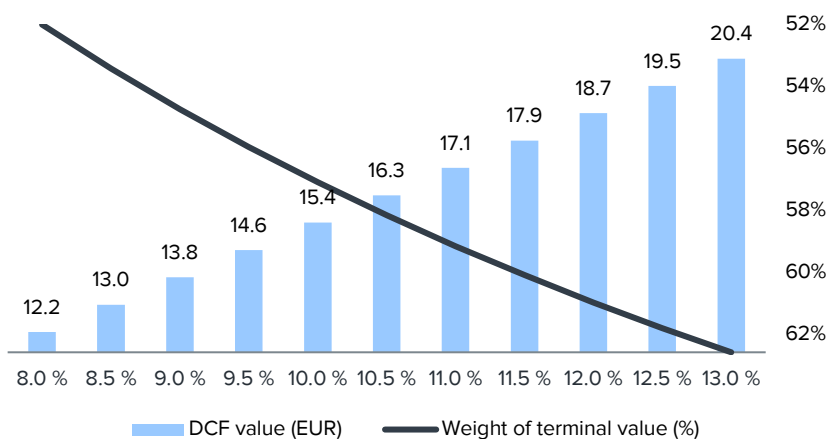
Sensitivity of DCF to changes in the WACC-%



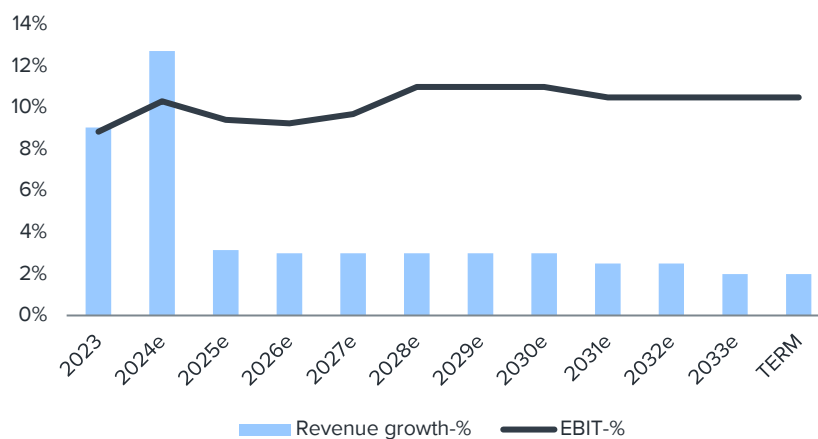
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	237.8	260.7	284.3	320.4	330.5	EPS (reported)	0.80	0.55	0.76	1.02	1.01
EBITDA	36.0	36.6	43.5	51.6	50.7	EPS (adj.)	0.95	0.80	0.95	1.18	1.22
EBIT	23.0	19.7	25.1	33.0	31.1	OCF / share	0.98	1.64	1.82	2.25	2.15
PTP	18.5	13.1	17.7	24.0	23.7	FCF / share	-7.28	0.72	0.49	1.18	1.27
Net Income	14.4	10.0	13.7	18.5	18.4	Book value / share	5.80	5.73	6.10	6.66	7.19
Extraordinary items	-2.7	-3.3	-3.4	-3.1	-3.8	Dividend / share	0.36	0.40	0.44	0.45	0.46
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	314.0	312.8	329.1	335.9	337.3	Revenue growth-%	84%	10%	9%	13%	3%
Equity capital	104.4	103.9	110.7	121.2	131.4	EBITDA growth-%	88%	2%	19%	18%	-2%
Goodwill	116.6	118.2	120.1	123.1	123.1	EBIT (adj.) growth-%	38%	-11%	24%	26%	-3%
Net debt	144.8	147.2	151.0	144.5	135.3	EPS (adj.) growth-%	14%	-16%	18%	25%	3%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	15.1 %	14.0 %	15.3 %	16.1 %	15.3 %
EBITDA	36.0	36.6	43.5	51.6	50.7	EBIT (adj.)-%	10.8 %	8.8 %	10.0 %	11.3 %	10.6 %
Change in working capital	-17.0	-1.8	-4.3	-3.0	-4.6	EBIT-%	9.7 %	7.5 %	8.8 %	10.3 %	9.4 %
Operating cash flow	17.6	29.8	33.0	41.0	39.2	ROE-%	16.3 %	9.6 %	12.8 %	16.0 %	14.6 %
CAPEX	-148.6	-16.1	-24.1	-19.5	-16.0	ROI-%	11.6 %	7.5 %	9.4 %	12.1 %	11.3 %
Free cash flow	-130.6	13.1	9.0	21.4	23.2	Equity ratio	33.2 %	33.2 %	33.6 %	36.1 %	39.0 %
Valuation multiples	2021	2022	2023	2024e	2025e	Gearing	138.7 %	141.7 %	136.5 %	119.2 %	103.0 %
EV/S	2.6	1.3	1.4	1.3	1.2						
EV/EBITDA	17.0	9.1	9.1	7.9	7.9						
EV/EBIT (adj.)	23.8	14.4	13.9	11.3	11.4						
P/E (adj.)	27.3	12.7	14.3	12.2	11.8						
P/B	4.5	1.8	2.2	2.2	2.0						
Dividend-%	1.4 %	3.9 %	3.3 %	3.1 %	3.2 %						

Source: Inderes

ESG

According to Relais' interpretation, only a small part of its businesses are included in reportable taxonomy industries. Currently, Relais' businesses eligible for taxonomy include

- Manufacturing of low-carbon transport technologies
- Installation, maintenance and repair of energy efficiency equipment
- Installation, maintenance and repair of charging stations for electric vehicles

These cover only a very small part of Relais' businesses.

The electrification of transport plays a major role in achieving EU's climate objectives, which means that Relais' activities supporting the use of electric vehicles are currently classified as eligible for taxonomy and aligned with taxonomy. Consequently, the repair and maintenance of the current commercial vehicle fleet and the wholesale of spare parts are excluded from the taxonomy. We also believe Relais is also aiming for a market share in the aftermarket for electric commercial vehicles. Therefore, as electric commercial vehicles become more common, we also expect the share of Relais' activities as eligible for taxonomy and aligned with taxonomy to increase in the future, even though electrification is still very early in the case of commercial vehicles.

We do not believe that low taxonomy rates put immediate upward pressure on, e.g., the company's cost or availability of financing, or pose other challenges to the business.

Relais has not commented on the potential impact of the carbon border adjustment mechanism (CBAM) on its business, so we wait for further information and possible links with future climate targets.

Businesses have a social element

We feel Relais' business has a certain social element, as the maintenance of heavy equipment plays a key role in promoting traffic safety and ensuring transport critical to society. Especially in terms of road safety, demand is driven by legislation obliging vehicle owners to carry out certain maintenance operations. We see the risks of legislation related to road safety as mainly positive for Relais, as we expect road safety legislation to tighten rather than develop in a less strict direction.

The company is working on environmental reporting

Relais continued to develop its sustainability program during 2023. In terms of objectives and indicators, the program will be complemented during 2024.

Taxonomy eligibility	2022	2023
Revenue	-	0%
OPEX	-	0%
CAPEX	-	6%

Taxonomy alignment	2022	2023
Revenue	-	0%
OPEX	-	0%
CAPEX	-	0%

Climate

Climate goal	No	No
Target according to Paris agreement (1.5 °C warming scenario)	No	No

Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
11/9/2022	Buy	13.00 €	10.45 €
11/11/2022	Buy	13.50 €	10.95 €
3/1/2023	Accumulate	13.50 €	11.50 €
3/3/2023	Accumulate	13.50 €	12.50 €
5/5/2023	Accumulate	15.50 €	14.00 €
5/30/2023	Accumulate	15.50 €	13.15 €
8/11/2023	Accumulate	15.50 €	13.15 €
11/3/2023	Buy	15.50 €	11.35 €
3/7/2024	Buy	15.00 €	12.65 €
5/9/2024	Buy	15.00 €	12.50 €
6/5/2024	Osta	15.00 €	12.70 €
8/15/2024	Accumulate	16.50 €	14.45 €



Inderes democratizes investor information by connecting investors and listed companies.

We help over 400 listed companies better serve investors. Our investor community is home to over 70,000 active members.

We build solutions for listed companies that enable frictionless and effective investor relations. For listed companies, we offer Commissioned Research, IR Events, AGMs, and IR Software.

Inderes is listed on the Nasdaq First North growth market and operates in Finland, Sweden, Norway, and Denmark.

Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at [inderes.fi](https://www.inderes.fi)



**STARMINE
ANALYST AWARDS
FROM REFINITIV**



THOMSON REUTERS
ANALYST AWARDS



Juha Kinnunen
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen
2014, 2016, 2017, 2019



Sauli Vilén
2012, 2016, 2018, 2019, 2020



Antti Viljakainen
2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen
2020



Joni Grönqvist
2019, 2020



Erkki Vesola
2018, 2020



Petri Gostowski
2020



Atte Riikola
2020

**Connecting investors
and listed companies.**