Relais Group

Extensive report

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Inderes corporate customer

This report is a summary translation of the report “Ajoneuvojen jälkimarkkinan konsolidaattori” published on 5/30/2023 at 8:30 am

Vehicle aftermarket consolidator

Relais' value creation model is based on owning and developing businesses, and consolidating the vehicle aftermarket. The company's track record of this is good for the past few years and we expect capital allocation to be a key value driver for the company also in the future. In our view, the current share valuation is moderate from several different angles. Thus, we consider the share's risk/return ratio good, and we reiterate our EUR 15.5 target price and Accumulate recommendation.

Relais operates in the vehicle aftermarket

Relais Group persistently owns and develops companies that operate in the vehicle aftermarket and consolidates the aftermarket. Current Group companies are engaged in wholesale of spare parts, lighting and equipment and commercial vehicle repair and maintenance business in the Nordic and Baltic countries. Over the past good three years, Relais has grown through acquisitions and we estimate faster organic growth than market growth. The company's financial objective is to almost double its operating result (pro forma) from last year's level by the end of 2025. We believe this will require several acquisitions, so in line with its value creation model, we expect Relais to continue to consolidate the vehicle aftermarket, which is huge on Relais' scale, also in the future.

Profitability improvement and likely acquisitions are the key drivers for earnings growth

Relais' target market grows mainly in line with the growth rate of the vehicle fleet, which we estimate is roughly in line with the economic growth rate in the medium and long term. Thus, net sales growth roughly in line with market growth, but considering profitability strengthening from the low 2022 level we expect the company's operational earnings growth to reach double-digit figures in the next few years (2022-2025e). Relais' financial position, operating cash flow and the ability to use own shares as a trading tool enable inorganic growth, but we also consider collection of additional funding and acceleration of inorganic growth quite possible in the next few years. We estimate that the key driver of the expected return for a longer-term investor is the outcome of capital allocation to which the key risks are also primarily linked. Considering the quality and valuation levels of recent acquisitions, we believe that the track record of acquisition-driven growth is good.

Expected return rises to a good level even without expectations of successful capital allocation

Adjusted P/E ratios for 2023 and 2024 based on our estimates are 13x and 12x the adjusted EV/EBITA ratios are 11x and 10x. We find these valuation multiples moderate for the current business entity and, on the other hand, they do not price the value creation of capital reallocation. In relative terms, Relais is valued almost in line with the peer companies with similar businesses, while relative to the peer group of serial consolidators the share is valued at a clear discount. In our opinion, Relais' justified valuation level is found in the middle ground of these peer groups. Examined with several valuation indicators we feel the share valuation is modest for the current business structure and it does not price the value creation of unimplemented M&A transactions. Thus, we find the share's risk/return ratio to be good.

Recommendation

Accumulate
(previous Accumulate)

15.50 EUR
(previous EUR 15.50)

Share price:
13.15

Key figures

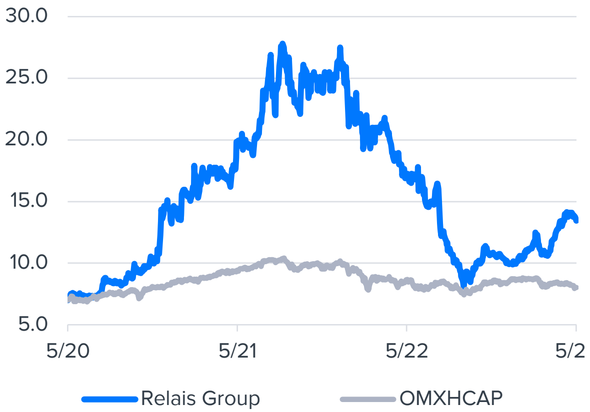
	2022	2023e	2024e	2025e
Revenue	260.7	277.5	289.6	298.3
growth-%	10%	6%	4%	3%
EBIT adj.	23.0	29.8	31.9	33.8
EBIT-% adj.	8.8 %	10.7 %	11.0 %	11.3 %
Net Income	10.1	14.5	16.9	18.6
EPS (adj.)	0.80	1.00	1.12	1.21
P/E (adj.)	12.7	13.2	11.7	10.9
P/B	1.8	2.2	2.0	1.8
Dividend yield-%	3.9 %	3.2 %	3.4 %	3.4 %
EV/EBIT (adj.)	14.3	12.5	11.3	10.4
EV/EBITDA	9.0	8.4	7.8	7.3
EV/S	1.3	1.3	1.3	1.2

Source: Inderes

Guidance (Unchanged)

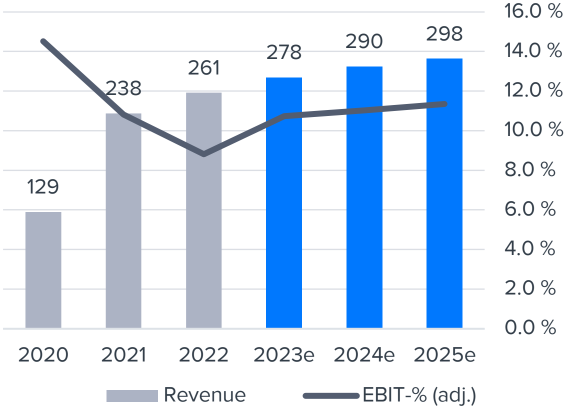
Relais does not provide numeric guidance for the financial year 2023.

Share price



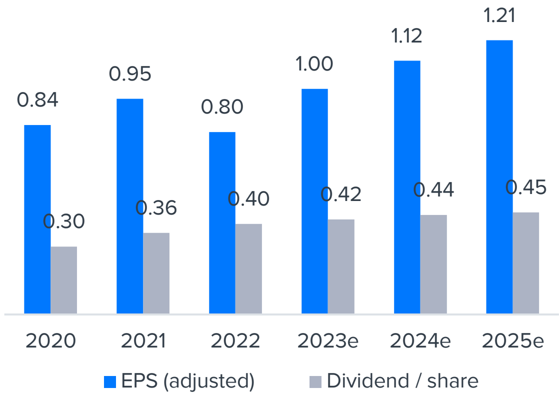
Source: Millistream Market Data AB

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

Valuation	2023e	2024e	2025e
Share price	13.15	13.15	13.15
Number of shares, millions	18.2	18.3	18.4
Market cap	239	239	239
EV	372	362	352
P/E (adj.)	13.2	11.7	10.9
P/E	16.5	14.3	13.0
P/B	2.2	2.0	1.8
P/S	0.9	0.8	0.8
EV/Sales	1.3	1.3	1.2
EV/EBITDA	8.4	7.8	7.3
EV/EBIT (adj.)	12.5	11.3	10.4
Payout ratio (%)	52.6 %	47.7 %	44.4 %
Dividend yield-%	3.2 %	3.4 %	3.4 %

Source: Inderes

Contents

Relais Group in brief

Relais Group is a group that owns, develops and consolidates companies operating in the vehicle aftermarket. The current group companies operate both in wholesale of parts and equipment and in maintenance and repair business for commercial vehicles.

2010
Year of establishment

260.7 MEUR (+ 9.6%)
Net sales 2022 (growth %)

28% 2016-2022
Growth in reported net sales (CAGR-%)

25.8 MEUR (9.9% of revenue)
Adj. EBITA 2022 (EBITA-%)

1,009
Personnel at the end of 2022

Internationalization begins
2014-2018

At the beginning of the period, the main focus of the business was on Finland

Internationalization proceeded quickly with acquisitions

During the period, the company expanded to Norway, the Baltic countries and Sweden

Capital for growth from the stock exchange
2019-2020

Listed on the First North marketplace in 2019

Three acquisitions in Sweden and one in Denmark

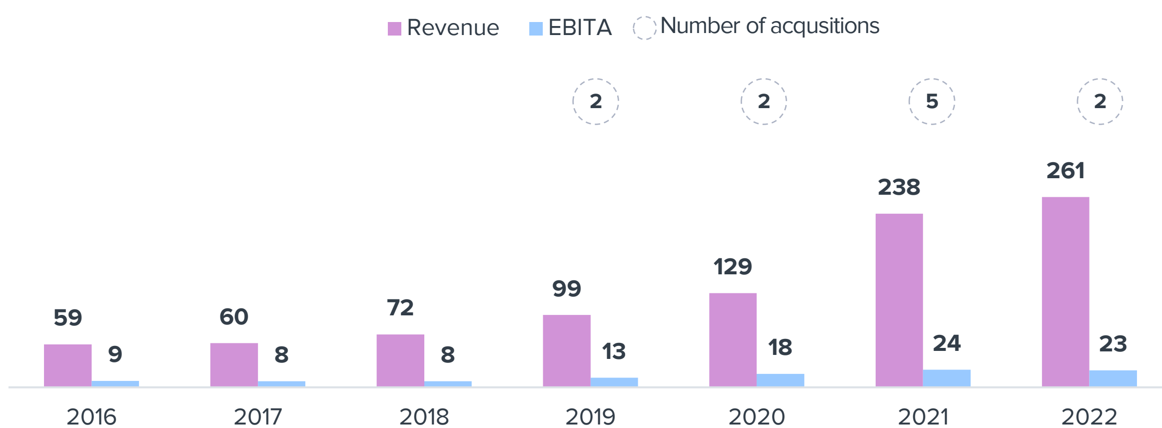
Acquisitions strengthen the Nordic foothold and diversify income flow geographically

Acceleration of growth with acquisitions
2021-

Expansion to maintenance and repair business with Raskone and STS acquisitions

Faster organic growth than market growth

Strengthening capabilities in M&A transactions and profiling as a serial consolidator



Source: Inderes

Company description and business model 1/5

Relais operates in the vehicle aftermarket

Relais Group is a long-term owner and developer of different businesses in the vehicle aftermarket that also actively consolidates the aftermarket. The Group's current operations consist of companies involved in wholesale of spare parts and equipment and commercial vehicle repair and maintenance business in the Nordic and Baltic countries.

In addition to organic business growth, inorganic growth is key in Relais' operations. In its acquisition strategy, Relais has historically first focused on spare part and equipment sales in the vehicle aftermarket, but the company has expanded in 2021 and 2022 also to the repair and maintenance business. The company currently examines its target market nearly throughout the entire vehicle aftermarket.

The Group is a growth platform for independent businesses

The Group's business operations are operationally independent and Relais' aim is to serve as a growth platform for the acquired companies that operate in the vehicle aftermarket. However, the companies share the Group's administrative resources and seek to benefit from mutual growth and sales synergies.

By utilizing the cash flows of the growing corporate cluster Relais Group aims to create value through acquisitions. Thus, the Group-level business model is that of a so-called serial consolidator, while the business models of the underlying businesses are more conventional wholesale, product and service companies' business models. Thus, at Group level, the aim is to create value, especially through periodic M&A transactions, i.e., through capital allocation. Under the Group, at company level, value creation relies on the normal business models of product and service companies.

Business structure

Relais reports its financial results by product group and geographical area. In 2022, 67% of reported net sales (2022 net sales 261 MEUR) consisted of wholesale of parts and equipment for utility and passenger vehicles, and wholesale and online sales of lighting and power management solutions and other accessories.

Correspondingly, repair and maintenance services for commercial vehicles accounted for about one-third of the reported net sales in 2022. It is worth noting that about half of the net sales from the repair and maintenance services comprises labor and half comprises the used spare parts, so much of the net sales in this segment comes from delivering spare parts.

Finland accounted for some 45% of the reported net sales of the Group companies in 2022, while Sweden accounted for some 42%. Correspondingly, Estonia, Norway, Denmark and the other Baltic countries combined accounted for some 15% of net sales.

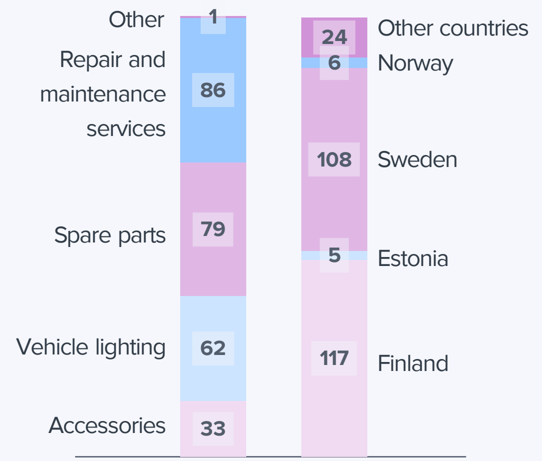
RELAIS

Wholesale of spare parts and equipment for vehicles in the Nordic and Baltic countries

Repair and maintenance business for commercial vehicles in Finland and Sweden

The Group is a growth platform for the owned companies, which are grown through periodic acquisitions

Revenue distribution
(2022, 261 MEUR)



Source: Relais and Inderes

Company description and business model 2/5

Extensive product range and supplier network

The product range of Relais' wholesale business is very wide, as it covers an estimated 150,000-200,000 inventory titles, which are divided into accessories, electrical equipment and spare parts for vehicles. Relais has special expertise especially in electrical equipment, spare parts and lighting solutions for vehicles, and, e.g., the following companies focus on these Strands, Awimex and Lumise.

The company purchases its product portfolio from a supplier network of several hundred suppliers, where the main rule is that individual products have several alternative suppliers. This lowers the risk profile related with the supplier network to moderate, although in a few individual specialty parts supply may be limited to one supplier.

Relais' position as a buyer is supported by its membership in the globally operating network of spare part and equipment wholesalers, Nexus. Nexus provides its members with economies of scale, including in purchasing from spare part manufacturers, help in building relationships with manufacturers, and provides support for quality assurance, logistics arrangements and training

Significant share of own brands

Most of Relais' wholesale sales come from other brands' products, but we estimate the Group's own brands still account for some 25% of sales which is significant. Own products consist mainly of lighting products sold under several own brands. A small addition to the own brands is also the spare parts sold under the Nordic Product Development brand. In wholesale business, investing in own brands is typically supported by a slightly higher margin level, which is why we believe Relais also invests in their growth.

Customer base is highly fragmented

In product businesses (including wholesale and online sales), the company's customers are mainly spare part and equipment resellers operating in the aftermarket that are local or regional distributors and retail chains, as well as vehicle equipment dealers. In addition, wholesale customers include vehicle repair shops, such as Raskone and STS that are part of the Group. Overall, the net sales of the product businesses consist of a very large customer base.

Net sales are further diversified by the large customer base of the service business, which consists of the local demand of repair and maintenance points. Raskone has 16 such points in Finland, STS has 15 and Skeppsbrons 1 in Sweden.

Considering this, we believe that Relais' net sales is rather well diversified. We believe that roughly the ten largest customers generate some 10% of Relais' net sales at an annual level, so we also feel net sales continuity does not constitute an essential risk in terms of the largest customers either.

RELAIS

Group companies

Parts and equipment for commercial vehicles

TD Tunga Delar Sverige AB, Startax, Huzells, Trucknik Reservdelar AB, SETAS

Parts and equipment for passenger cars

ABR Reservdelar, Startax

Repair and maintenance services of commercial vehicles

Raskone, Skeppsbrons, STS

Lighting, power management and other equipment

strands, SEC, Startax, Awimex

Lighting and online sales

Lumise, DSM Design by Scandinavian Metal

Source: Relais and Inderes

Company description and business model 3/5

Demand is continuous by nature

Relais' net sales do not have strong contract-based continuous elements, as net sales depend on orders from resellers and repair and maintenance needs of vehicles. However, wholesale operations are characterized by the fact that a supplier is the buyer's key operator and one-year contracts are signed with key customers where incentives are based on volume-related purchasing bonuses. Similarly, in the repair and maintenance business, we believe a moderate share of demand is generated by care agreements or brand representations for which Raskone and STS perform warranty service.
As a whole, we believe that the company's demand drivers are largely continuous, as demand for spare parts and repair and maintenance services is a natural consequence of vehicle consumption and their demand is also a vital condition for the long life of vehicles.

The demand for Group companies is fairly evenly distributed over the year, although the weather conditions in the Nordic countries may cause mild seasonality. Seasonality is reinforced by winter conditions, which typically increase demand for both spare parts and repair and maintenance services. The intensity of this seasonality can vary depending on the severity of the winter, as shown, e.g., by 2021 (severe winter) and 2022 (milder winter).

Core business operations

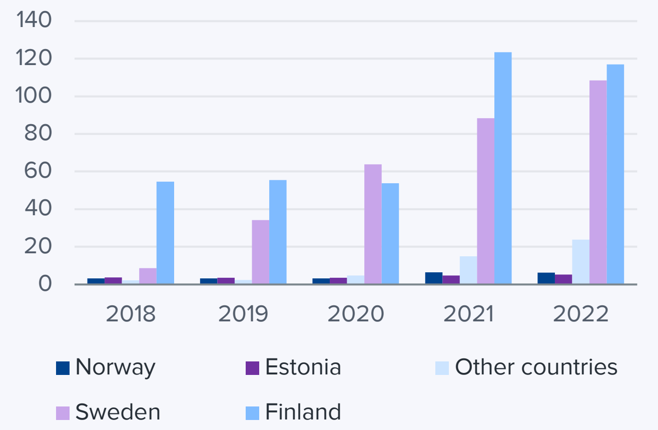
The production of Relais' Group companies' own brands is outsourced, so the Group does not have own manufacturing operations. Thus, in product businesses, the Group companies' core activities include the acquisition, sale and distribution of spare parts and equipment. This means the competitiveness of the businesses is built around the efficient sourcing and distribution of a broad range of products, which highlights the efficiency of logistics. The fixed elements of a product company's cost structure consist of logistics, which means the most important factor in the performance of the operations is the size class, or volume. Similarly, in the Group's service companies, the fixed element of the cost structure is the short-term fixed costs of the service points, which largely consists of the costs related to the personnel providing the services and the infrastructure of the offices. Therefore, the most critical driver for the profitability of the service business is the utilization rate of the service points.

Group activities

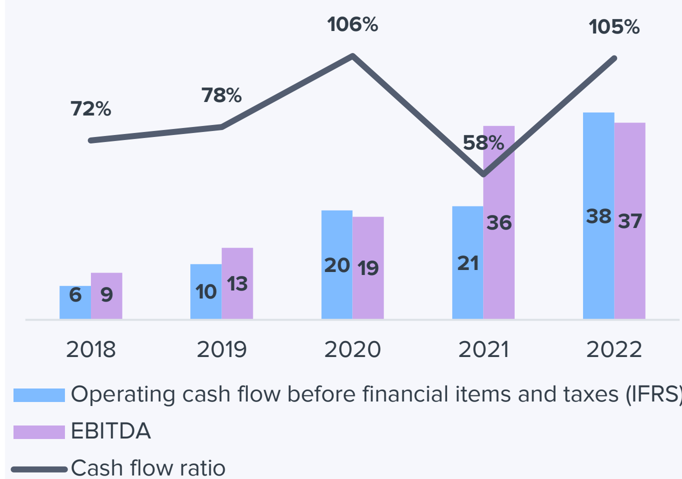
Relais' companies aim to preserve the independence of acquired businesses and to foster an entrepreneurial and owner-oriented culture. This can be seen, e.g., in the fact that the local management of acquired companies continues to perform their duties after the acquisition, and the daily management of Group companies is not directed by top management. Group-level management is involved in company-specific Boards to provide support to business operations and monitor the progress of the strategy.

Similarly, Group-level activities concentrate mainly on activities where economies of scale can be utilized, such as purchasing activities, financing and information systems. Group-level is also responsible for harmonizing and coordinating key policies (information security, risk management, ESG, etc.).

Net sales by market area (MEUR)



Cash flow development



Source: Relais and Inderes
Cash conversion: operating cash flow/ EBITDA

Company description and business model 4/5

One of the key functions of Relais' Group-level business model is the acquisitions that the Group's Management Team seeks and implements. Thus, acquisitions are the focus area for the CEO and the Business Development Manager in particular, but the CEOs of the Group companies and members of Relais' Board are also involved in identifying potential targets and promoting projects on a case-by-case basis. We believe acquisitions are mapped based on the Group's own search, but also based on observations from Group companies and suggestions from outside.

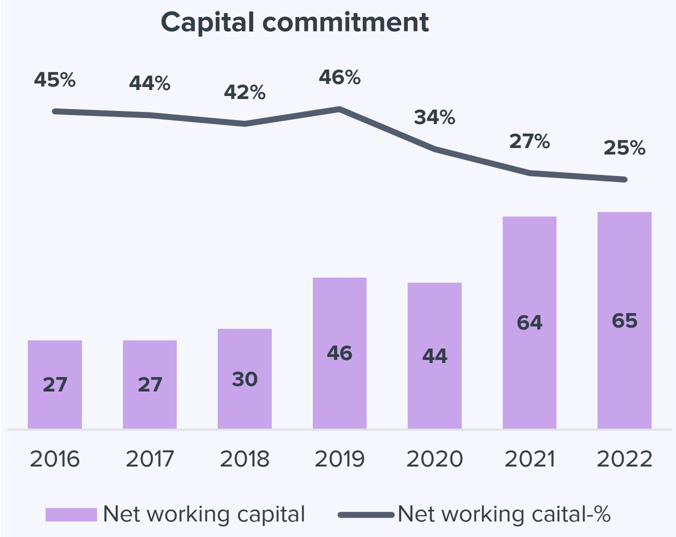
In acquisitions, Relais offers the target companies the opportunity to grow as part of a larger entity and exemption of the owner/entrepreneur from administrative tasks and the possibility to focus on the core business. Through greater size and synergies, part of the value promise is also the strive to increase the value of the acquired business as part of Relais. Therefore, the commitment of the selling entity and/or local management through share ownership or contract price mechanisms is an integral part of the acquisition. These arrangements are decided case by case and may be made either through minority holdings or arrangements that utilize Relais' own shares or additional purchase price arrangements.

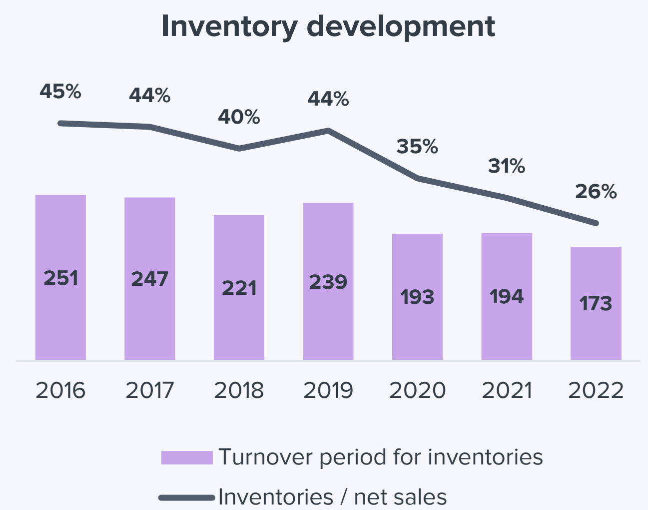
Business carries on without major investments

Relais' product business does not require major investment in tangible or intangible assets, which means that the average investment in 2018-2022 (excluding acquisitions) was only some EUR 1 million. However, investments in 2021-2022 have been slightly higher, i.e. around EUR 1.5-2.3 million in line with increased equipment and system investments. We believe this reflects both the Group's increased size and, to some extent, the slightly increased investment needs caused by the repair business. Against this background, we estimate that Relais' annual organic investment needs in fixed assets in the current form are around EUR 2.5-3 million.

Inventories tie up capital

In the business model, cash flow development is hampered by the commitment of working capital, which is mainly due to the large inventories of the product business. This is typical of wholesale operations, but we believe the value of inventories is also increased by certain strategic decisions such as the extensive offering, i.e., a high number of inventory titles. Large inventories enable short delivery times and a comprehensive product range, which we believe are essential elements for the company's long-term competitiveness. However, these will result in longer turnover of inventories, which in turn leads to capital commitment.





Source: Relais, Inderes

Company description and business model 5/5

Relais' net working capital relative to its reported net sales in 2018-2022 has been about 26-41%. However, the relative share of working capital has turned downward, driven by the expansion through acquisitions into businesses where working capital commitment is more moderate. Furthermore, the planned destocking initiated in H2'22 reduced the amount of working capital relatively quickly. Reflecting this, the company's net working capital decreased to 25% of net sales at the end of 2022. At the end of Q1'23, net working capital % (previous 12 months net sales) was just under 24%, which we estimate is a fairly normal level for the company. In the long run, the nature of the businesses in the Group's corporate cluster is decisive for capital commitment.

Operating cash flow is lower than the operating result

Reflecting the commitment of working capital, Relais' operating cash flow has been lower than the operating result in the financial years 2018-2022. Cash conversion (%) that describes this ratio has averaged 84% in recent history, i.e., in 2018-2022 (p 8). This illustrates how the business ties capital in the form of working capital

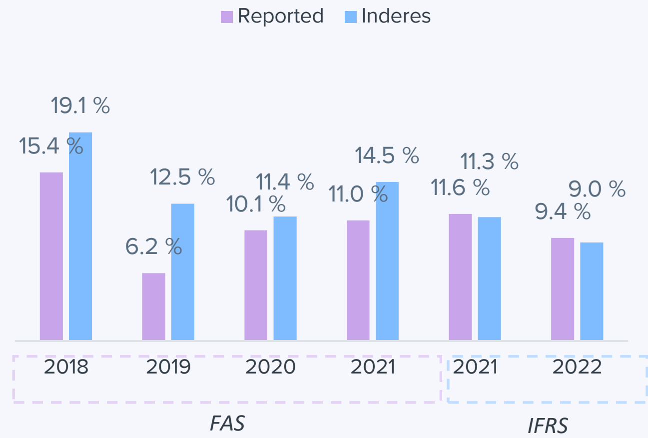
ROI is the main indicator of strategy implementation

We believe the indicator that describes the value creation of Relais' business model and strategy quite well is ROIC-%. In 2018-2022 reported ROIC has been 6.2-15.4%, with an average of 10.6%. We believe ROIC has on average been much higher than the cost of capital and, therefore, the growth strategy has created value.

In the future, a key factor for ROIC is how efficiently the company can allocate capital to acquisitions, in other words, the valuation and return on invested capital at which the company carries out acquisitions. In addition, the long-term operational development and return on capital of already owned and acquired businesses are key factors.

In recent history, Relais has bought companies with an EV/EBITDA ratio of approximately 7x. In static terms, this translates roughly to a double-digit ROIC if the business is relatively capital light. It should, however, be noted that under the current business structure, EBITDA provides a slightly too positive picture of the potential cash flow generation of the businesses, as current business ties capital, especially in working capital, and requires investments, even if the required level is reasonable.

Relais, return on invested capital
ROIC-% 2018-2022



ROIC methodology

Relais

EBIT
+
Other interest & financial income
-
Costs related to listing

Average for the financial year

Equity
+
Minority interest
+
Loans from financial institutions
+
Other loans
+
Capital loans
+
Convertible bond

Inderes

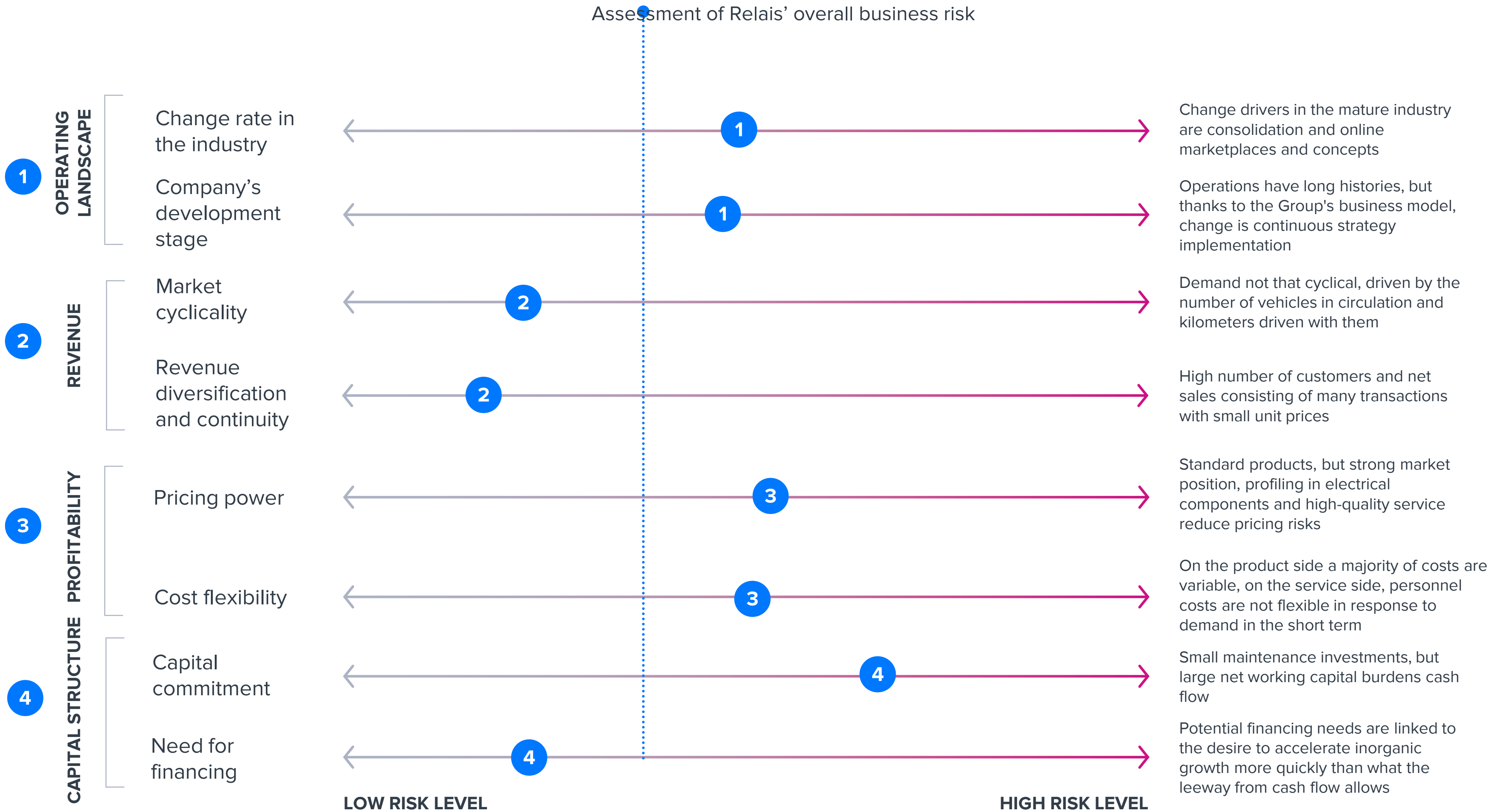
EBITA
*
(1 tax rate)

Average for the financial year

Adjusted equity[1]
+
Minority interest
+
Loans from financial institutions
+
Other loans
+
Capital loans
+
Convertible bonds

Source: Relais, Inderes
[1]Goodwill amortization added back to goodwill

Risk profile of the business model



Source: Inderes

Strategy and financial objectives 1/3

Strategy emphasizes value creation through acquisitions

In its strategy, Relais focuses on value creation throughout the vehicle life cycle on the aftermarket independent of vehicle manufacturers. The company's strategy is based on the following three mutually supportive factors:

Acquisitions: a key tool for value creation in the business model is reallocation of the cash flow generated by the owned businesses. Therefore, we also think it is natural that the company's strategy focuses on acquisitions.

Synergies: by focusing on the aftermarket for vehicles, the company aims to consolidate companies operating in the same industry and to find synergies between them. In the current business operations, we believe that these are mainly sought through sales, i.e. net sales, because, e.g., the Group's repair and maintenance services can concentrate their purchases to the Group's product companies to some extent.

Operational efficiency. We believe the key operational performance indicators vary slightly by business. For example, in wholesale operations, the core of efficiency is working capital cycles and margins, while a high 'invoicing rate' of employees plays a major role in the service business. At Group level, we believe that operational efficiency reflects the fact that acquired companies are being developed as part of Relais Group.

The company's financial objective is to reach EUR 50 million EBITA (pro forma) by the end of 2025.

Targeted acquisitions and expansion in the value chain

In the acquisition strategy, Relais looks for add-on arrangements to support the current offering, such as arrangements to expand the size and width of the wholesale and product business. In these arrangements the strategic and industrial logic is based especially on the fact that the acquisition target and Relais' business will be more valuable after the arrangement, e.g., thanks to realized sales synergies and improved investment capacity.

In addition to add-on arrangements, Relais seeks opportunities to expand in the value chain to new businesses through Platform arrangements. An example of this is the purchase of repair and maintenance services carried out in 2021. Interest in Platform arrangements is particularly focused on expanding the target market, thereby creating a new growth base for add-on arrangements. In the future, we consider smaller add-on arrangements acquired to accompany existing businesses more likely than larger Platform acquisitions.

Acquisition criteria are not set in stone

In our opinion, the required criteria of acquisition targets (e.g. size, profitability, etc.) are not set in stone, as the targets are examined from a strategic viewpoint. This means that when selecting acquisition targets Relais assesses, e.g., the market position of the target, the quality of net sales, the growth outlook, profitability of operations, and ROIC.

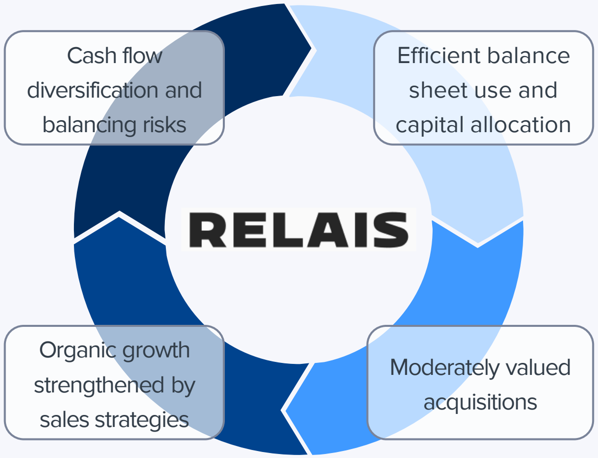
Key elements of the strategy:

- Acquisitions
- Synergies
- Operational efficiency

Financial objective:

- EUR 50 million pro forma EBITA by the end of 2025.

Reference framework for growth strategy value creation



Source: Relais and Inderes

Strategy and financial objectives 2/3

However, we believe no precise limits have been decided on, but the targets are examined on a case-by-case basis.

Light integration lowers the risk level

The way Relais integrates the acquisition targets is superficial, which means that the purchased companies normally continue under their own brand and operations continue largely unchanged. However, common policies and support functions are shared among Group companies. Synergies on the cost side do not play an important role in the arrangements, the pursuit of synergies is based on sales synergies. We believe that this lowers the risk level of the acquisition strategy, since the pursuit of cost synergies is often the sore spot of M&A transactions than growth synergies.

Growth strategy in line with value drivers

Our view is that the company's strategic priorities support the preconditions for value creation in the business model and are complementary. This is based on the fact that long-term value creation at Group level relies on successful cash flow allocation from the owned businesses. This cash flow enables value added creation to customers through the current product and service offering, which is further strengthened by the synergies between the acquired targets. In addition, synergies can increase the value of acquired objects.

The cash-flow profile of the acquired businesses supports the inorganic growth strategy, which means that Relais will get a business that generates positive cash-flow from the start. This, in turn, improves the Group's ability to make new arrangements and diversify its income flow.

Return on capital is a key indicator for assessing the strategy

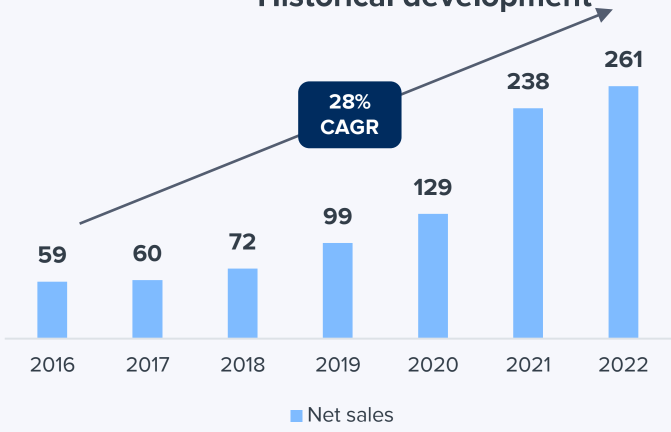
Relais' financial target is to reach pro forma EBITA of EUR 50 million by the end of 2025. This means roughly doubling EBITA from the 2022 level, when the company's adjusted EBITA was EUR 25.8 million.

We believe one of the best indicators to measure the value creation of the strategy is return on capital that measures the company's success in capital allocation, i.e., implementing the acquisition strategy and also the efficiency of existing businesses and their development over time. We feel that from the investor's perspective the ROIC at which earnings growth is achieved is more important than the absolute earnings level in the strategy period. At the same time, however, the targeted EBITA level of EUR 50 million reflects the company's objective to maintain fast growth in the future.

Risk-taking willingness determines the pace

Relais has no financial targets for the balance sheet structure or indebtedness. Thus, the main restriction of the company's financial leeway is the covenants set by the financers (not published) and the company's risk-taking willingness.

Historical development



M&A transactions

Q1'20-Q1'23 (MEUR)

Acquired company	Price[3]	Revenue[1]	EBITDA[1]	Valuation[2]
Adita	1.0	5.6	0.2	4.1x
S-E-T A/S	5.3	4.0	1.1	5.1x
Skeppsbrons J.	7.8	7.3	1.4	6.0x
Trucknik	2.8	2.4	0.3	9.9x
STS	9.7	23.0	1.2	8.1x
Lumise	10.3	11.0	1.1	9.4x
Raskone	30.7	63.0	4.7	6.5x
Strands	17.8	15.6	2.4	7.4x
TD Tunga D.	14.3	8.9	1.9	7.4x
SEC	0.8	1.5	0.2	4.0x
Median				**7.0x**

[1] Last known reporting line
[2] EV/EBITDA incl. Inderes' estimate of net liabilities
[3] Inderes' estimate if deal price has not been announced

Source: Inderes

Strategy and financial objectives 3/3

We feel the defensive nature of the company's business allows the company to operate at a roughly 3x net debt/EBITDA level over time without the risk increasing too much. We do not consider the ratio set in stone, especially in the short term, and it should also be noted that already through acquisitions the company’s forward-looking earnings and cash flow level is strengthened. Therefore, the level of backward-looking reported figures does not fully reflect its current borrowing capacity if acquisitions have been made in the previous 12 months.

Considering the defensive nature of the business and the company's historical track record, we do not believe that the company's financial position limits the implementation of the growth strategy, especially in view of the opportunities to use its own share as part of the acquisitions. Depending on the valuation of acquisitions, we believe these tools would be sufficient to finance the achievement of the financial objective. However, we also consider it quite possible that the company will finance and accelerate the implementation of its growth strategy by collecting equity financing.

As the size class grows, business model's scalability becomes emphasized

Long-term value creation of serial consolidators is strongly linked to the efficiency of the acquisition processes, as when the size of the Group grows and the value increases, the effect of individual and typically smaller arrangements will decrease relative to the Group value. In other words, a single arrangement has a marginal utility that decreases over time, since by increasing the size of transactions, their valuations tend to increase. The pace of value creation is then substantially linked to the number of smaller transactions, which in turn is dependent on the personnel implementing the transactions.

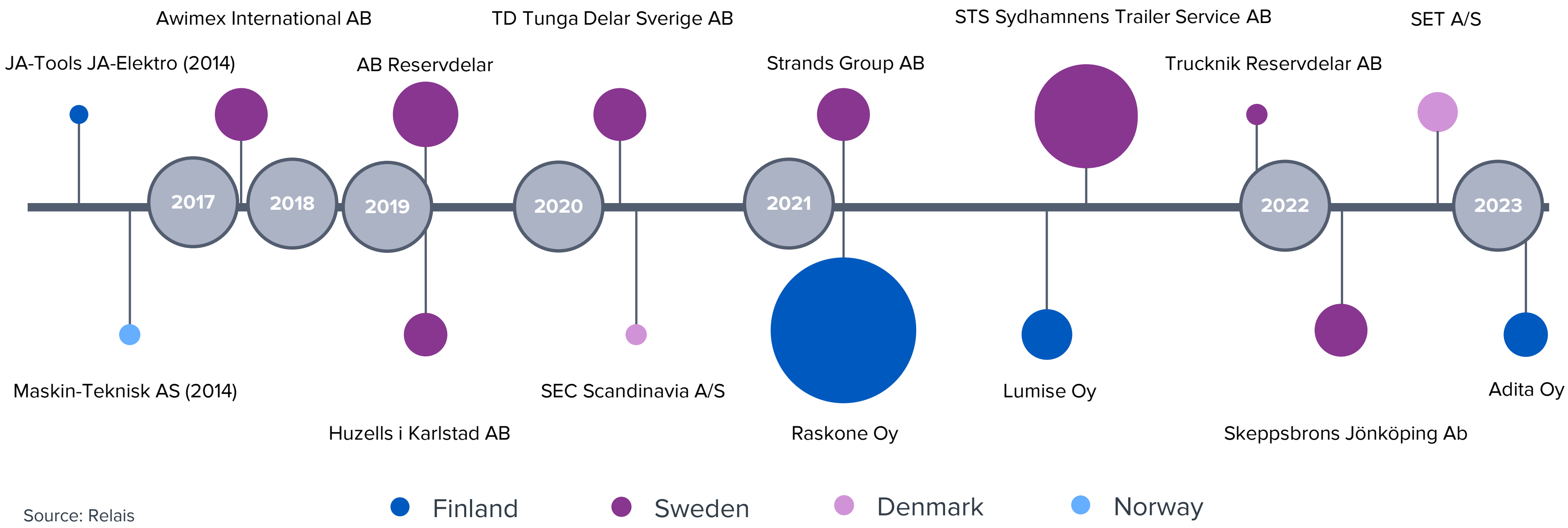
We feel that in the long term Relais must be able to start implementing the acquisition process increasingly even at a lower level in the Group's organization, as senior management’s ability to implement the arrangements is not scalable. Successful implementation would enable repeated add-on arrangements in more business branches and thus a stable value creation rate in the long term. Implementing the acquisition expertise and value creation models more strongly into business branches would also help enhance the search for new targets thanks to deeper understanding of the local market and competitive landscape.

Dividend policy in line with the growth company profile

Relais’ dividend policy is to distribute on average at least 30% of the Group's average comparable result considering cyclical fluctuations

We feel the moderate payout ratio reflects the company's growth orientation and the growth company profile. Although the dividend policy only sets an indicative minimum level for the payout ratio, we believe that the company will focus on growth instead of profit distribution in capital allocation. At the current development stage we welcome moderate profit distribution, assuming that Relais can allocate capital to high-quality acquisitions with sensible financial criteria.

Relais’ acquisitions in recent history and acquisition strategy



Source: Relais

Relais' acquisition strategy

Criteria of Relais’ acquisitions:

- The strategic compatibility of the acquisition targets must be good. The operating model and/or customer sectors are similar and there is no need for large reorganizations in the targets
- The acquisition targets are strong players in their regions
- Good synergy potential through cross-selling

- Relais has not set a precise target size for its acquisition targets and it may vary depending on the logic of the arrangement (add-on arrangements vs. platform acquisitions)
- The profitability of the target should be good, i.e., the EBIT margin should preferably be double-digit
- Geographical focus on Nordic countries
- It is important for Relais that the operating management and key personnel continue at the acquisition target

- The integration process of Relais' acquisition targets is light, as the targets continue under their own brand. Synergy potential is sought at net sales level and typical hard synergies are not sought on the cost side

Source: Inderes, Relais

Markets and competitive landscape 1/5

Relevant target market expands through acquisitions

The relevant market potential of Relais' current businesses consists of the market for vehicle aftermarket wholesale trade and repair and maintenance services in its geographic target market. We believe, however, that these are relevant indicators only for the Group's organic growth, because the playing field of the inorganic growth strategy is practically the entire vehicle aftermarket value chain ending before the end-of-life of the vehicle, i.e., demolition and recycling in which the company is not currently interested.

Focusing the target market only on wholesale and repair and maintenance services is, in our view, a limited view, given that the company is looking for inorganic growth in a more extensive value chain. Thus, we examine the company's potential target market at the level of the entire value chain and at the level of the target market of existing businesses.

Some 22 million vehicles in the target market

The company's target market is the combined passenger car and commercial vehicle fleet of Finland, Sweden, Norway, Denmark and the Baltic countries that stood at around 21.8 million vehicles at the end of 2022. Of the fleet, 18.8 million (86%) were passenger cars and 3.0 million (14%) were commercial vehicles, i.e., vans, trucks and buses.

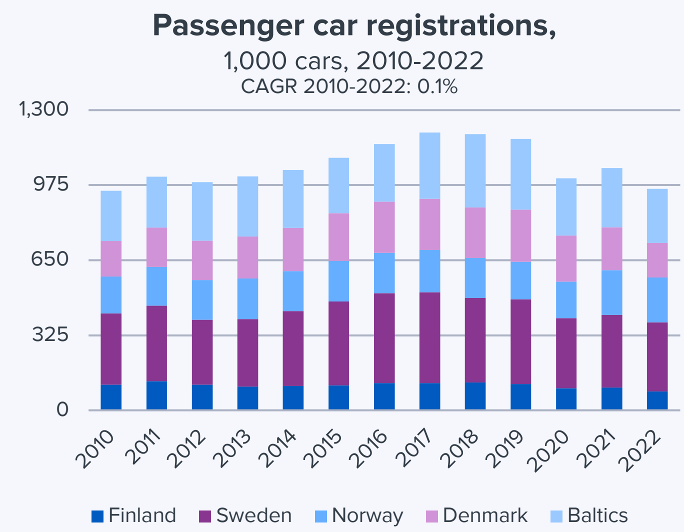
In theory, the markets of the product and service businesses built around this fleet form the entire target market of Relais' growth strategy. Relais has estimated this market potential to be around 20 billion, which seems a credible estimate to us.

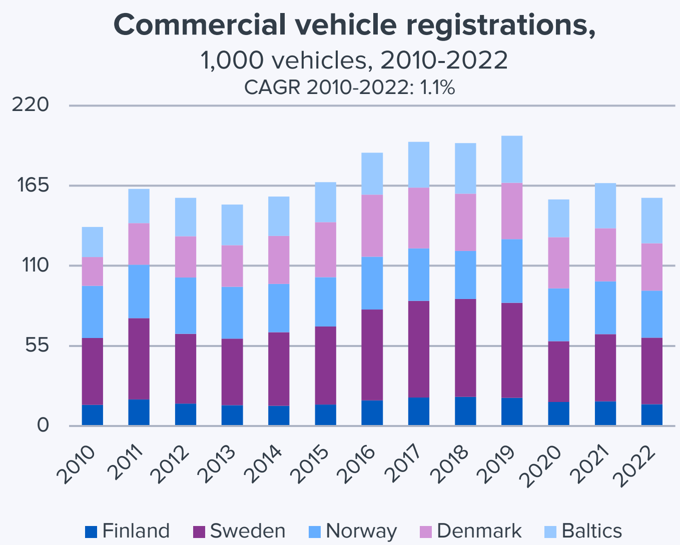
However, we believe Relais has examined the more limited segments of the target market and the companies operating there from the point of view of their attractiveness (market growth, profitability potential, etc.), which has allowed it to limit some parts of the non-organic growth target list. This limits the market potential to some extent but does not change the overall picture that the market potential is huge in relation to the company's current size class.

Number of vehicles in use increases by close on 2% p.a.

The market for new vehicles is either durable goods trade (passenger cars) or investment (commercial vehicles) and therefore quite cyclical. For example, the number of passenger car registrations fell by 2% in the target market countries in 2012 and after the COVID outbreak in 2020 the registrations decreased by as much as 15% (statistics on the following page).

After the outbreak of the pandemic, the number of car registrations has not increased to 2016-2019 levels and long-term development has been stable. In 2010-2022 the average annual growth rate (CAGR) was 1.7% for passenger cars and 2% for commercial vehicles.





Source: Statistics Finland, SCB, SSB, Statistics Denmark, Statistics Estonia, Central Statistical Bureau of Latvia, Statistics Lithuania

Markets and competitive landscape 2/5

By limiting the examination period to the time before the COVID pandemic (2010-2019), the corresponding figures are 1.1% and 2%.

The above (first) registration figures do not include the number of imported used cars. In Finland, for example, nearly 82,000 passenger cars were first registered in 2022, in addition to which some 41,000 used passenger cars were imported so the latter group represented around one-third of all registrations. The share is clearly higher in the Baltic countries.

Used imported cars also increase Relais' target market. Against this background, the number of vehicles in use may increase even if the market for new vehicles would shrink as the life of the vehicles extends. In total, the passenger car fleet in Finland, Sweden, Norway, Denmark and the Baltic countries, as well as the commercial vehicle fleet, have grown by 1.7% per year (CAGR) in 2010-2022.

Market drivers now and in the future

The main drivers in the vehicle spare parts and equipment market and in the maintenance and repair market are the number of vehicles in use, their age and the kilometers driven. There are also other drivers in the market that will become more important in the future. The most important of them are:

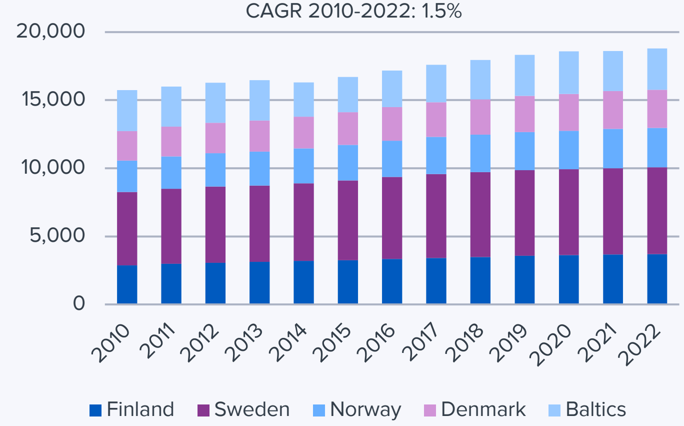
Electrification of the vehicle fleet. The focus of new vehicle sales shifting toward electric cars is a slow but certain structural change in the spare parts and equipment market.

This expectation may seem worrying for Relais, but the flip side is that electric cars becoming more common will increase the need for the equipment and spare parts range, as well as the need for new skills on the maintenance and repair side. In addition, we believe that the product offering linked solely to the number of internal combustion engines is not significant for Relais. It is also noteworthy that roughly 2/3 of the company's net sales currently comes from products and services related to commercial vehicles, where we expect the electrification trend will not progress as quickly as in passenger cars. We therefore consider the transition that takes place in the medium and long-term to be manageable.

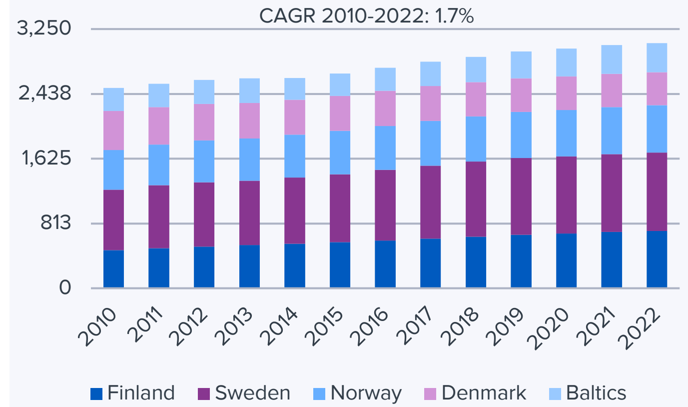
Car dealers' response to the competition. Many importers and car dealers offer more comprehensive and longer-term fixed-price private leasing services where the leasing provider is responsible for the maintenance of the vehicle. The Volkswagen Direct Express service and Volvo Essential service with original spare parts that are offered for vehicles over 5-6 years old, are also examples of car dealers' growing supply in the aftermarket.

Digital marketplaces. Internet-based product directories and related digital customer services have already become highly popular thanks to their speed, ease of use and accessibility, and continue to grow rapidly. A wholesaler with the most versatile and accessible digital service offering can gain a competitive advantage in the market.

Registered passenger cars,
1,000 cars, 2010-2022



Registered commercial vehicles,
1,000 vehicles, 2010-2022



Source: Statistics Finland, SCB, SSB, Statistics Denmark, Statistics Estonia, Central Statistical Bureau of Latvia, Statistics Lithuania

Markets and competitive landscape 3/5

Price transparency and expansion of product and service offering. Digital marketplaces provide customers with an easy way to compare prices and service offerings. The development seen offers new companies and business models an opportunity to penetrate the market of traditional wholesalers.

Growth in e-commerce increases freight traffic and the number of vehicles. As e-commerce continues to grow, freight traffic will grow. The last transport kilometers of goods to the customer's door increases the need for light commercial vehicles in particular. This, in turn, will increase the need for continuous maintenance, customizing and equipping.

The complexity of spare parts is increasing. The complexity of spare parts and accessories for vehicles increases as the technologies in vehicles develop. In particular, the increase in the number of electric car parts and their complexity has contributed significantly to the euro-denominated growth of the market and will, according to our estimates, continue to do so in the future. Therefore, choosing electrical components as a focus area for Relais has been justified.

Vehicle fleet is old, which increases the need for spare parts and repairs

The fleet of vehicles in use in Relais' target market is quite old. The average age of passenger cars in use in Finland is 12.6 years, 10.4 years in Sweden, 10.7 years in Norway, 8.5 years in Denmark and 14-17 years in the Baltic countries (source: ACEA). In addition, the average age of the car fleet in Finland, for example, has increased rather than decreased. The high average age of the fleet increases the risk of faults and the need for spare parts.

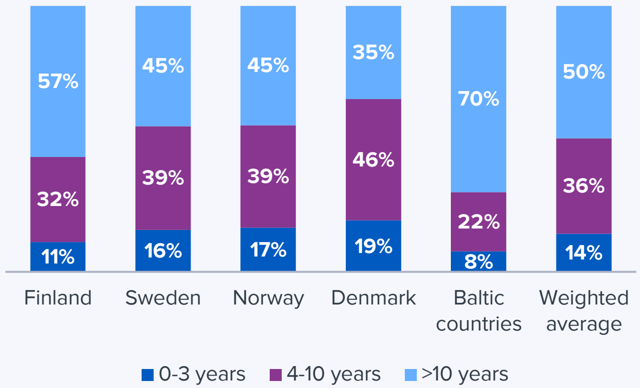
In its own product offering, Relais has focused on vehicles aged 4-10 that correspond to 30-40% of the total fleet in Finland, Sweden and Norway and therefore the potential in this segment is considerable. For cars aged 0-3 years, importers and dealerships mostly cover spare part needs and, by contrast for cars over 10 years of age, owners' maintenance motivation and often also financial preconditions are lower than for newer vehicles. However, rather strict vehicle inspection regulations in Relais' operating countries maintain the need to invest in the vehicle maintenance.

Summary of the growth outlook

We estimate that the long-term organic growth potential of Relais' current business is built on the growth of the registered vehicle fleet, which is roughly in line with the long-term general economic growth picture. Thus, in the longer term, we expect market growth to be roughly 0-5%.

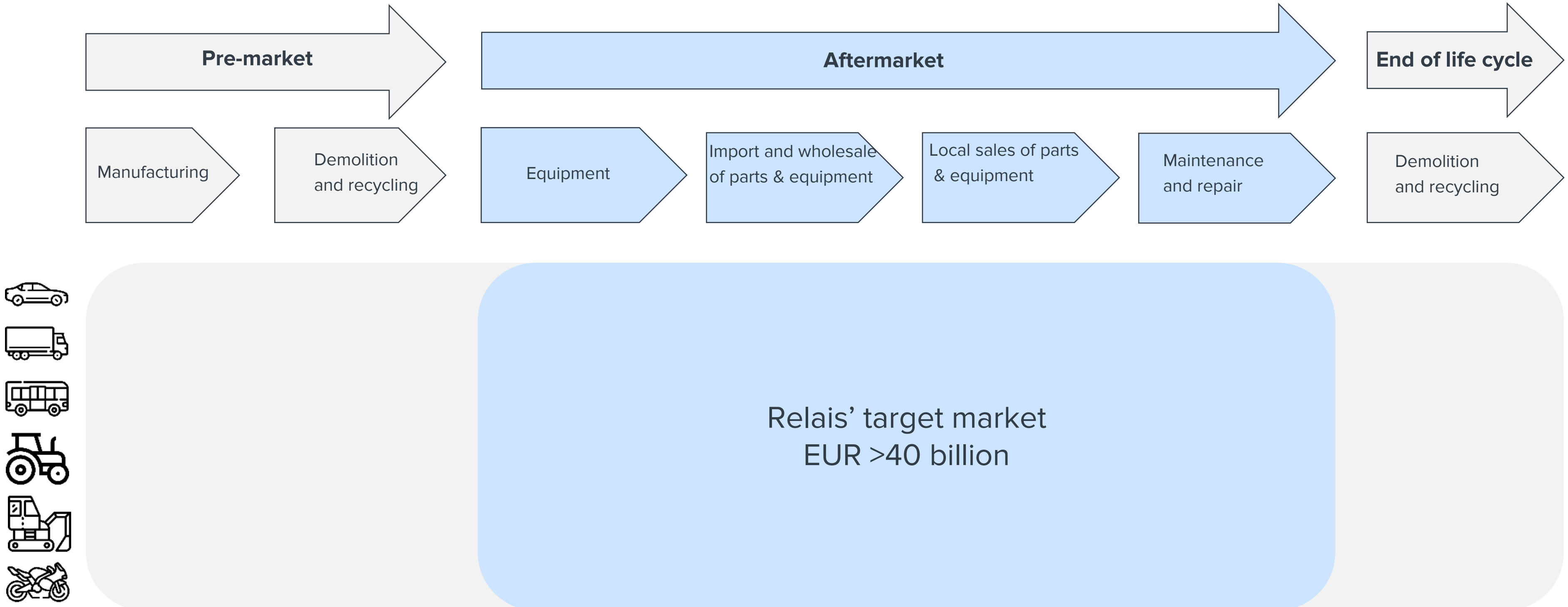
However, in the short and medium term, the organic growth rate of the company may be slightly higher than expected market growth in the wake of the sales synergies of the acquired businesses, as in recent years.

Age distrbution of passenger cars
2021



Source: Statistics Finland, SCB, SSB, Statistics Denmark, Statistics Estonia, Central Statistical Bureau of Latvia, Statistics Lithuania, ACEA, Traficom

Markets and competitive landscape 4/5



Inderes’ comments on the target market

- The aftermarket consists of the product and service businesses built around some 22 million vehicles in the geographic target markets
- The number of companies operating in the target market is calculated in several thousands
- The market is huge considering the drivers of Relais’ growth strategy, i.e. organic and inorganic growth
- In our opinion, the size of the market does not limit the chances of implementing the company's growth strategy in the foreseeable future
- The market is divided roughly in half into the EUR 20 billion OE market and EUR 20 billion make-independent market

Source: Inderes, Relais

Markets and competitive landscape 5/5

However, as a result of the acquisition strategy, we do not see the overall market growth as slowing down the growth potential of the company through a combination of organic and inorganic growth in any realistic scenario. We therefore believe that the overall market offers the company considerable growth potential considering the inorganic component of the growth strategy.

The market is fragmented

The market for spare parts and equipment is fragmented, which means that many small and medium-sized players are active on the market. For example, the number of companies selling spare parts either on the wholesale or retail markets is over 1,000 in Finland and over 2,000 in Sweden. However, the numbers include companies where spare parts and accessories sales represent only a small part of total net sales and who do not report vehicle spare parts sales (like Puuilo) as a main business. Such companies are not particularly important competitors for Relais that is a wholesaler operating with an extensive product range, although they take a small share of the total market. In addition, in the competitive field, companies can be both competitors and customers (like Motonet), as they may not have the ability to maintain corresponding inventories in terms of size and scope.

Threshold to enter the market is not high

We estimate that the high number of competitors reflects the low threshold to enter the market and they do not have identifiable strong and sustainable sources of competitive advantage. This is mainly due to the moderate initial investment demand and flexible cost structure of wholesale activities, which means that entry does not require much capital. As a result, the characteristics of the market are reasonably tight pricing and competition conditions. At the same time, however, it should be noted that offering a wide and credible product range, timely delivery to customers and good customer support is already significantly more challenging and requires major investments. In this category, the number of competitors is more limited than the number of companies that make up the entire industry suggests.

Online retailers have entered the competition

A significant change in the competitive field of wholesale trade of spare parts and equipment in recent years is the entry into the competition of pure online players, such as autodoc.fi and Polish Inter Cars that mainly delivers parts to independent repair shops. Autodoc.fi operates in 27 European countries and its net sales were over EUR 1 billion in 2022. Inter Cars' annual net sales are close on EUR 3.5 billion and it operates in 18 European countries. We believe that the moderate fixed cost structure of online retailers allows them to compete with price, maintaining a tight pricing environment.

Competition in the repair and maintenance market

Based on numbers alone, the number of players on the repair and maintenance markets is huge in Finland and Sweden (i.e. thousands). However, it should be noted that the number is increased by companies operating in the passenger car market and authorized service centers. Thus, we believe the number of make-independent commercial vehicle repair shops is clearly lower. Players providing repair services for commercial vehicles are also in most cases concentrated on lighter vehicles such as Fixus and Atoy.

We believe, Finland does not have a brand-independent national competitor for Raskone. However, in the case of repair and maintenance services, it should be noted that competition is mainly local, although the size class gives credibility to the player. As a result, Raskone typically competes with small local players. We believe the competitive dynamics are similar in Sweden, where, among large players, STS competes with Malte Månson and Mekonomen, who have extensive geographical coverage thanks to several service points. In make-independent repair and maintenance business, we believe the quality image acts as a competitive factor but as a whole we do not believe there are any significant elements that strengthen relative competitiveness.

Cost structure and financial situation 1/2

Sales margin development has turned upward

The largest single item in Relais' cost structure is materials and services reflecting the earnings logic of wholesale trade and its relative net sales share. These costs are completely variable and therefore not scalable. Relative to net sales, the share of materials and services was about 55-67% in 2018-2022, but as the distribution of net sales changed due to the increase in the share of the repair business, it fell to 55% in 2022. As a result, the company's sales margin increased to about 45% in 2022 (2021: ~42%). If the company can increase the relative share of its own products in net sales, we estimate it would have a positive impact on the development of the sales margin as the margin levels of these products are typically somewhat higher.

Other costs have some scaling potential

The company's second and third largest cost items are personnel expenses and other operating expenses. We estimate that personnel costs are mostly fixed in the short term, but variable in the longer term. The significant increase in their relative share over the last two years reflects the increased staff intensity resulting from the growth in the repair and maintenance business.

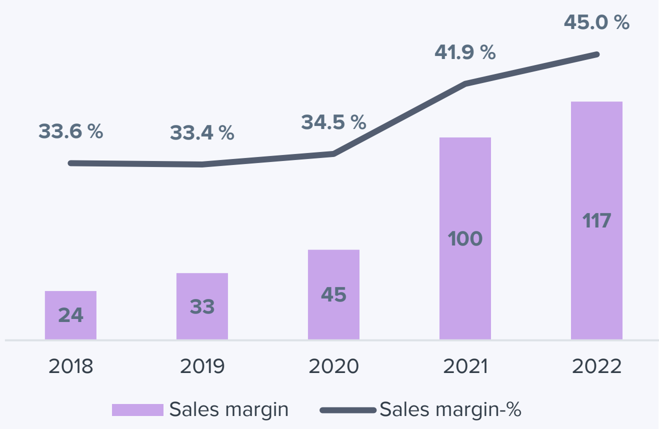
Other operating costs consist of warehousing costs in addition to normal sales, marketing and administration costs. We estimate that these costs are mainly fixed, although they contain variable elements, for example in terms of sales and marketing. However, we believe logistics and administrative costs should have some scalability and therefore their relative share should decrease as efficiency improves. Although in the medium term, their relative development is essentially linked to the acquisition-driven expansion, efficiency and optimization of delivery times.

Cost structure is quite flexible

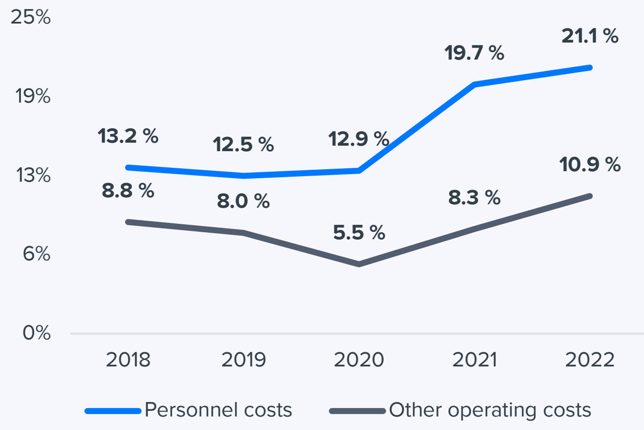
We feel Relais' overall cost structure is very flexible, as most of the costs are variable material and service costs. We estimate that about 60-65% of total company costs are variable in the short term, while fixed costs account for about 35-40%. The reasonable proportion of fixed costs is explained by the fact that the company does not have its own production and related fixed costs.

Due to the flexible cost structure, the scalability potential of the cost structure is moderate. The key elements that leverage net sales growth to profitability are personnel costs related to wholesale business sales and efficiency improvement in logistics through volume growth. Correspondingly, in the service business the key element is the utilization of the service points, i.e. invoicing/hours of the manual staff.

Sales margin development



Cost structure development



Source: Relais and Inderes

Cost structure and financial situation 2/2

Inorganic growth strategy reflected in goodwill

At the end of Q1'23, Relais' balance sheet total was EUR 317 million. Reflecting the business model, growth strategy and especially inorganic growth, long-term assets in the balance sheet consist mainly of intangible assets, which stood at EUR 132 million at the end of the year. Intangible assets consist mainly of goodwill (118 MEUR) arising from several acquisitions carried out by Relais in recent years. At the end of Q1'23, the company had some EUR 58.8 million in long-term tangible assets in its balance sheet of which most (54.4 MEUR) were right-of-use assets, i.e., the rental premises of repair shops. The company itself only owned EUR 4.4 million in fixed assets.

Short-term asset structure is typical for wholesale and repair services

A majority of current assets in the balance sheet were inventories EUR 66 million, which is significant both relative to the balance sheet (21% of the balance sheet) and to the size of the business (25% of reported net sales in the past 12 months). The relatively significant size of inventories is a structural element of Relais' wholesale business based on the aim to be able to provide customers with a wide product range with fast delivery times.

Another significant source of short-term assets is accounts receivable, which at the end of Q1' 23 were EUR 36 million. The company had EUR 20 million in cash and cash equivalents at the end of Q1'23. We consider the balance sheet assets to be current and we do not believe they involve significant write-down risks thanks to healthy Group-level profitability.

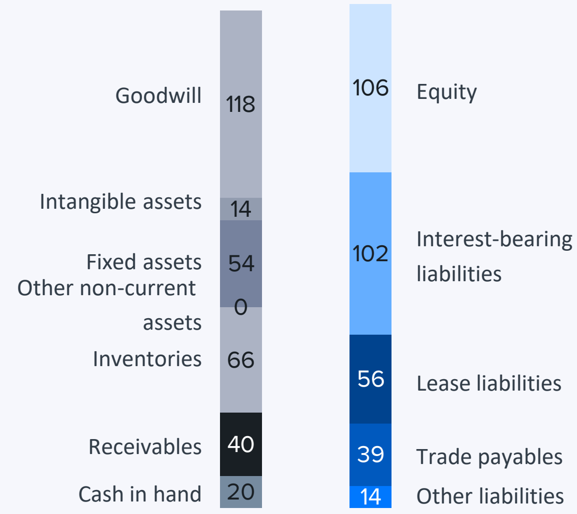
Balance sheet offers leverage

Relais' has utilized debt leverage in its acquisition strategy, which has resulted in a satisfactory average gearing in 2018-2022. At the end of Q1'23, the Group's gearing was 79% (excluding lease liabilities) and interest-bearing debt amounted to some EUR 102 million. Thus, the ratio of the company's net debt to the EBITDA of the previous four quarters was 2.2x.

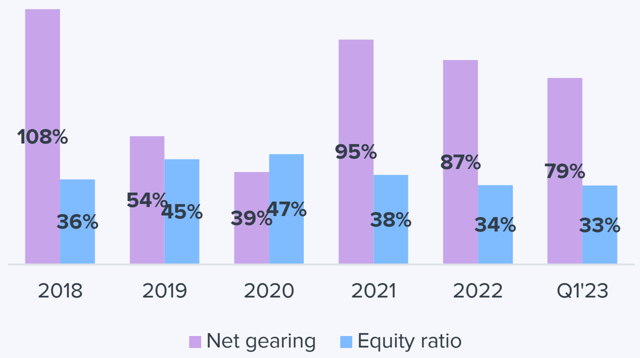
We believe these levels are within the company's comfort zone and consider the use of debt leverage to be justified considering the defensive nature of cash flows. It should also be noted that the balance sheet at the end of Q1'23 reflects the balance sheet effects of the acquisitions carried out, but these were not similarly reflected in the result of the past four quarters.

The company had approximately EUR 50 million in non-interest-bearing liabilities in its balance sheet, of which accounts payable represented some EUR 39 million at the end of Q1'23. Other non-interest-bearing liabilities are normal accrued liabilities and other liabilities.

Balance sheet structure Q1'23
(317 MEUR)



Solvency
2018-Q1'23



Source: Relais and Inderes

Investment profile

Relais is a growth company

At Group level, Relais has in recent years been profiled as a company that buys, owns and develops business operations over a long period of time. In addition, the company's business model revolves around allocating the cash flow generated by the owned businesses to acquisitions. Thus, at Group level, Relais has moved toward a serial consolidator business model from the previous business model, which was built purely around wholesale activities.

We believe that thanks to its target markets Relais still has a lot of opportunities to grow and feel that investing in growth is also the right choice for investors if it generates value. Considering the growth strategy and organic growth outlook of the market, we expect growth to continue to be mainly driven by acquisitions.

Considering the value creation potential of the company's strategy and inorganic growth and the moderate profit distribution policy in line with this, we believe that the role of dividends is to support the investor's expected return. Similarly, we believe the key component for the expected return is value creation through acquisitions.

Positive value drivers and opportunities

In our view the main strengths and value drivers of the company are:

Acquisition machinery: Relais has grown strongly in recent years and in 2020-2022 the company carried out nine acquisitions. The acquisitions have complemented distribution and wholesale business activities, so acquisitions generate slight synergy in net sales and boost organic growth. In addition, the company has expanded to new commercial vehicle repair and maintenance business, which enables new complementing acquisitions. The acquisitions have been carried out with reasonable valuation multiples, which gives good conditions for value creation.

Market potential of vehicle aftermarket: Relais' target market is huge relative to the company's own size class. We estimate that the company has significant room to grow, considering that the company looks for potential target markets also outside the current business areas. This will further increase the number of potential acquisition targets. Thus, we do not see that the size of the target market would limit the possibilities of implementing the growth strategy in the foreseeable future.

Cash flow defensiveness: The profitability profile of Relais' businesses is good, and the development of the vehicle aftermarket is quite stable over time. Thus, demand fluctuation is typically moderate, which means cash flow performance will also remain somewhat stable over time. This creates preconditions to implement the inorganic growth strategy evenly over economic cycles.

Weaknesses and risk factors

We believe Relais' main weaknesses and risks are:

Lack of competitive advantage and pricing power in businesses: Although spare parts and equipment, as well as repair and maintenance services are critical elements for vehicles, differentiation from competitors is challenging in the target market in the long run. We, therefore, believe it is difficult to create a structural and thus sustainable competitive advantage in wholesale and repair businesses, which would strengthen pricing power. These factors, together with a cost structure consisting largely of variable costs, limit the profitability potential of the business in the long term.

Business model that ties up working capital: The business model and extensive product offering require significant inventories. As a result, operating cash flow is typically lower than the operating result, which we believe will slow down the conditions for implementing the inorganic growth strategy to some extent. In addition, it should be noted that in the current inflationary environment, a business model that ties up working capital may temporarily significantly reduce cash flow.

The failure of acquisitions is an essential risk if acquisitions are carried out with high valuations and/or the assessment of the acquisition target's quality fails. The valuation of the transactions is essential because, in general, the organic growth outlook of the aftermarket is not particularly strong in the long run.

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 depress 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
- Relatively low liquidity of the share

Source: Inderes

Estimates 1/3

Estimate model

We estimate Relais' net sales development in the short and medium term primarily based on expected market growth, estimated sales synergies and already realized acquisitions. In assessing short-term profitability, we model the relative and absolute development of the company's sales margin and cost structure at quarterly and annual level and in the medium-term at annual level.

Our longer-term estimates for growth are based on target market growth and for profitability on historical profitability levels and profitability levels that we deem sustainable in the longer term. Our estimates do not consider unimplemented acquisitions as their detailed prediction is practically impossible.

We expect a clear profitability improvement in 2023

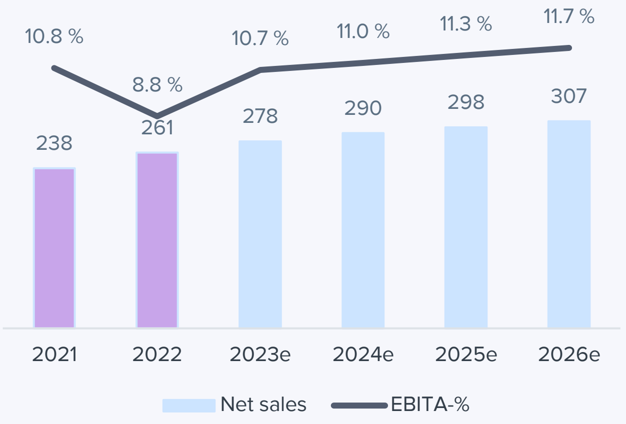
Relais has not provided numerical guidance for 2023, and it has also been very brief in commenting on the 2023 outlook. According to the company, its current financial situation provides a good starting point for implementing the acquisition-driven strategy in the current market situation.

We estimate that Relais' 2023 net sales will grow by good 6% to EUR 278 million. Growth is largely based on inorganic growth, which in our estimates generates a good 4% increase from the comparison period. Our organic growth estimate is based on the assumption that the growth of the maintenance and spare parts market is at around the long-term trend, i.e., about in line with GDP growth. To counterbalance the slight decrease in volumes, we expect growth will be supported by price increases at around the inflation rate. Our inorganic growth estimate is based on the growth generated by the Skeppsbrons and S-E-T acquisitions in 2022 and the Adita acquisition in early 2023.

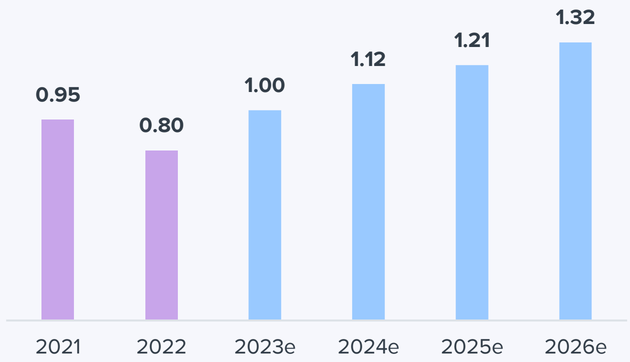
Driven by, .e.g., net sales growth, we expect the company's EBIT excluding goodwill depreciation (EBITA or adjusted EBIT) to increase to EUR 29.8 million. This corresponds to a stronger operating result growth than net sales growth and 10.7% EBITA-%. Most of the profitability increase we forecast is explained by the weakness of the comparison period, especially in H1'22, where mechanics' availability challenges and sick leaves burdened profitability. As a result, the majority of the growth in both the result and net sales will concentrate on H1 in 2023. In Q1'23, the company's net sales increased by 11%, of which around 5% was organic growth and the rest inorganic growth. At the same time, the company's EBITA increased to EUR 7.5 million (up by 31% vs. Q1'22) and the EBITA margin was 10.9% (Q1'22: 9.2%).

In line with the financing costs that follow the debt level but have increased with the interest rate levels and the tax burden of the historical or normal Finnish corporate tax rate of 23% we estimate that the net result in 2023 is EUR 14.5 million, which corresponds to an EPS adjusted for PPA depreciation of EUR 1.00. In line with the dividend distribution policy, we expect the company to raise its dividend to EUR 0.42 per share from EUR 0.40 last year.

Net sales and profitability



EPS (adj.)



Source: Inderes

Estimates 2/3

Moderate growth and slight earnings growth in 2024

In 2024, we expect Relais' net sales to grow organically by 4%. This growth is still slightly supported by the Adita acquisition carried out in the first quarter of 2023. We expect that the profitability pressure that hit transport companies will strengthen the demand for make-independent service business compared to branded service with a higher price point. We also expect the defensive market to survive even in weaker economic development, even though our estimates do not include a recession. Thus, we expect the company to achieve healthy organic growth and our 2024 net sales estimate is EUR 290 million.

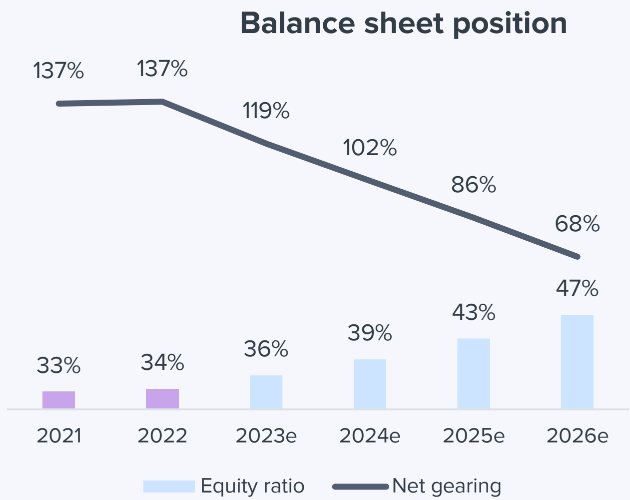
With price increases slightly higher than cost inflation and good operational efficiency we expect EBITA to be EUR 33.8 million in 2024 and the adjusted EBITA-% to rise slightly to 11.0%. A slight reduction in financial expenses due to loan repayment and in line with the company's typical tax rate, we expect a EUR 16.9 million net profit in 2024 and an adjusted EPS of EUR 1.12. We expect Relais' to again increase its dividend in 2024 to EUR 0.44 per share.

Development of cash flow and balance sheet position

In line with the moderate net sales and already seen normalization of inventory levels and thus also net working capital, we expect the company's cash conversion to be on average around 80% in our 2023-2026 estimates. Free cash flow from operations in line with the moderate investment needs of some EUR 2.5 million but substantial IFRS16 debt payments (rent payments) will be clearly below the EBITDA, on average 50% of EBITDA.

Considering this and our estimates that rely purely on organic growth, the company's financial position strengthens in the coming years in our estimates and remains at a relatively good level.

With the net debt at the end of Q1'23 and our EBITDA estimate for the next 12 months, we estimate that Relais' financial position will enable implementation of the roughly EUR 50 million debt capacity growth strategy if the forward-looking 3x net debt/EBITDA ratio is considered as the gearing target. Thus, simply by utilizing its balance sheet we believe the company has good preconditions to continue growing through acquisitions, and these conditions are further supported by the possibilities to utilize own shares.



Source: Inderes

Estimates 3/3

Key uncertainties related to estimates

It should be noted that our estimates do not consider acquisitions that are likely already in the short term. Thus, we believe that the role of estimates beyond the short term relative to Relais' value creation is much more limited than the average.

Considering the recurring nature of the demand for the services business and the low share of discretionary demand, we feel Relais' demand risks should be limited, despite the weak economic growth outlook. On the other hand, the demand for some companies' products is affected by winter weather conditions, which creates a demand risk in both directions.

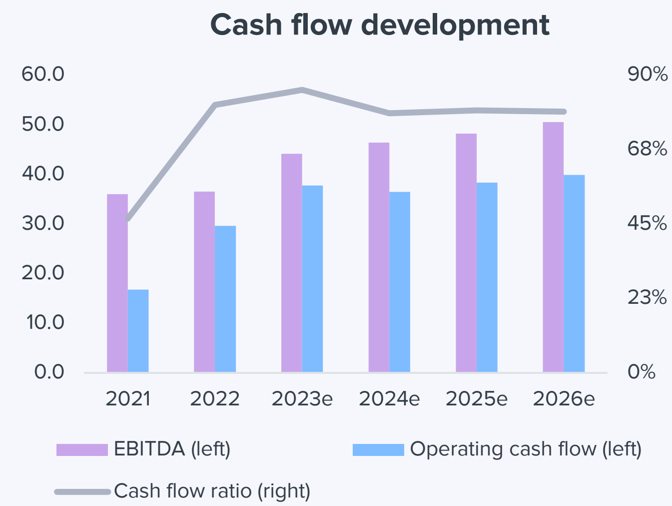
However, it is worth noting that the profitability of the Service business is very sensitive to changes in demand as personnel costs constitute a significant part of its costs. This increases the risks related to the profitability level somewhat.

Long term estimates

We expect Relais to continue consistently implementing its growth strategy also after the 2024 financial period. Our medium- and long-term growth estimates are based on the market growth we expect, which means they are at 2.5-3.5%. The EBITA target of EUR 50 million set for the end of 2025 will not be reached based on our organic growth estimates. Considering the firepower in the company's balance sheet for acquisitions and the valuation levels that have fallen with increased interest rates, we believe that the EUR 50 million EBITA can be achieved by the end of 2025. Our 2025 EBITA estimate is about EUR 34 million and therefore achieving EUR 50 million EBITA would require EUR 16 million in inorganic EBITA growth. With the estimated median valuation multiple (7x EV/EBITDA) of realized acquisitions the target would be reached with acquisitions worth some EUR 100-120 million during the estimate period.

In terms of value creation, we do not consider achieving the target key as the value drivers are the moderate valuation of acquisitions and the business quality of the acquisition targets, which are key factors for successful capital allocation.

We expect Relais' EBITA margin to be around 11-11.5% in the long term. This is based on our assessment of the moderate scalability potential in the business model and the profitability potential of the current form of business. With the Group-level business model and growth strategy that emphasizes inorganic growth, we believe the role of long-term estimates in the share's value creation is limited and their main role is to support our DCF model.



Source: Inderes

Estimate revisions

Estimate revisions 2023e-2025e

- In connection with this extensive report update, we made very marginal estimate changes to our estimates for the next few years, driven by revisions to our cost structure estimates
- The drivers for 2023 estimate changes are the slightly higher personnel cost estimates for Q2. However, the impact of these changes was reduced by a slight increase in our earnings estimate for H2'23.
- We also made minor adjustments to our depreciation estimates for the next few years, while our estimates otherwise remained largely unchanged.

Estimate revisions	2023ee	2023	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	278	278	0%	290	290	0%	298	298	0%
EBITDA	45.1	44.2	-2%	46.9	46.4	-1%	48.3	48.3	0%
EBIT (exc. NRIs)	30.5	29.8	-2%	32.2	31.9	-1%	33.5	33.8	1%
EBIT	26.6	26.2	-1%	28.2	28.3	0%	29.8	30.2	1%
PTP	19.3	19.0	-2%	21.5	21.6	0%	23.5	23.8	1%
EPS (excl. NRIs)	1.03	1.00	-3%	1.14	1.12	-2%	1.20	1.21	1%
DPS	0.42	0.42	0%	0.44	0.44	0%	0.45	0.45	0%

Source: Inderes

Quarterly estimates

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	**237.8**	**62.1**	**58.6**	**64.8**	**75.2**	**261**	**69.0**	**63.5**	**67.4**	**77.6**	**278**	**290**	**298**	**307**
Relais Group	238	62.1	58.6	64.8	75.2	261	69.0	63.5	67.4	77.6	278	290	298	307
EBITDA	**36.0**	**8.9**	**6.6**	**11.1**	**10.1**	**36.6**	**11.1**	**8.6**	**12.0**	**12.4**	**44.2**	**46.4**	**48.3**	**50.6**
Depreciation	-13.0	-3.9	-4.0	-4.3	-4.8	-16.9	-4.5	-4.5	-4.5	-4.5	-18.0	-18.1	-18.0	-16.3
EBIT (excl. NRI)	**25.7**	**5.7**	**3.4**	**7.7**	**6.2**	**23.0**	**7.5**	**5.0**	**8.4**	**8.8**	**29.8**	**31.9**	**33.8**	**35.8**
EBIT	**23.0**	**5.0**	**2.6**	**6.8**	**5.3**	**19.6**	**6.6**	**4.1**	**7.5**	**7.9**	**26.2**	**28.3**	**30.2**	**34.2**
Relais Group	23.0	5.0	2.6	6.8	5.3	19.6	6.6	4.1	7.5	7.9	26.2	28.3	30.2	34.2
Net financial items	-4.6	-1.2	-1.9	-1.7	-1.6	-6.5	-2.1	-1.7	-1.7	-1.7	-7.2	-6.7	-6.4	-5.2
PTP	**18.5**	**3.8**	**0.7**	**5.1**	**3.7**	**13.2**	**4.5**	**2.4**	**5.8**	**6.2**	**19.0**	**21.6**	**23.8**	**29.0**
Taxes	-4.1	-1.1	-0.7	-1.4	0.1	-3.1	-1.6	-0.5	-1.2	-1.2	-4.5	-4.8	-5.2	-6.4
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	**14.4**	**2.7**	**0.0**	**3.7**	**3.7**	**10.1**	**2.9**	**2.0**	**4.7**	**5.0**	**14.5**	**16.9**	**18.6**	**22.7**
EPS (adj.)	**0.95**	**0.19**	**0.05**	**0.25**	**0.32**	**0.80**	**0.21**	**0.16**	**0.31**	**0.32**	**1.00**	**1.12**	**1.21**	**1.32**
EPS (rep.)	**0.80**	**0.15**	**0.00**	**0.20**	**0.21**	**0.56**	**0.16**	**0.11**	**0.26**	**0.27**	**0.80**	**0.92**	**1.01**	**1.23**

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	84.5 %	16.2 %	12.5 %	10.3 %	2.3 %	9.6 %	11.0 %	8.4 %	4.1 %	3.2 %	6.4 %	4.4 %	3.0 %	3.0 %
Adjusted EBIT growth-%	37.5 %	-6.3 %	-15.0 %	1.1 %	-23.0 %	-10.7 %	31.0 %	49.0 %	9.8 %	42.6 %	29.7 %	7.2 %	5.9 %	5.8 %
EBITDA-%	15.1 %	14.3 %	11.2 %	17.1 %	13.4 %	14.0 %	16.1 %	13.6 %	17.8 %	16.0 %	15.9 %	16.0 %	16.2 %	16.5 %
Adjusted EBIT-%	10.8 %	9.2 %	5.8 %	11.8 %	8.2 %	8.8 %	10.9 %	7.9 %	12.5 %	11.4 %	10.7 %	11.0 %	11.3 %	11.7 %
Net earnings-%	6.0 %	4.3 %	0.0 %	5.7 %	5.0 %	3.9 %	4.3 %	3.1 %	6.9 %	6.4 %	5.2 %	5.8 %	6.2 %	7.4 %

Source: Inderes

NB! Revenue excl. NRI is the EBITA reported by the company

Valuation 1/3

We approach the valuation on earnings basis

We prefer earnings-based price multiples in our valuation for Relais. In our opinion, the best earnings multiples are the net profit-based adjusted P/E ratio and the EV/EBITA ratios adjusted by PPA depreciation and IFRS16 liabilities that take the company's balance sheet structure better into consideration which we examine in absolute terms. In relative valuation we primarily use the EV/EBITDA ratio. We examine the valuation primarily with valuation multiples for the current and next year.

We also rely on the expected total shareholder return of the next few years and the DCF model that depicts the framework of the valuation. However, their weakness is that they do not consider the potential for value creation of inorganic growth, which is why we believe they are best suited to value the current business mix. We feel the share's valuation relative to the justified valuation level of the current business entity reflects the extent to which the valuation relies on the potential value creation of future M&A transactions.

We believe that the pursuit of inorganic growth is the priority in capital allocation and, therefore, feel dividends should be primarily seen as a component that moderately supports the expected return.

Factors influencing valuation

We believe the key factors supporting and depressing Relais' valuation are:

- **Growth and capital allocation:** We believe that Relais' key value driver is growth through M&A transactions, i.e. capital reallocation. In light of the development in recent years, we consider the reallocation of capital successful. As we do not model acquisitions, we take them into account as part of our valuation.
- **A defensive and moderately growing market** reduces demand-related risk levels, but also means that the company must be able to maintain inorganic growth if it wants to continue growing in the medium and long term.
- **Company's cash flow profile and capital intensity:** Relais' cash flow has historically been relatively good. The free cash flow and, thus, strategy implementation are limited by the working capital commitment of wholesale operations and the costs of repair and maintenance facilities (mainly lease liabilities shown in cash flow from financing). We, therefore, estimate that the company's free cash flow will be lower than the operating profit, limiting the reallocation of capital.
- In our opinion, **the lack of strong competitive advantages** may affect the competitive dynamics of the industry in the long run. This also limits the pricing power of players and thus the profitability potential.

Valuation	2023e	2024e	2025e
Share price	13.15	13.15	13.15
Number of shares, millions	18.2	18.3	18.4
Market cap	239	239	239
EV	372	362	352
P/E (adj.)	13.2	11.7	10.9
P/E	16.5	14.3	13.0
P/B	2.2	2.0	1.8
P/S	0.9	0.8	0.8
EV/Sales	1.3	1.3	1.2
EV/EBITDA	8.4	7.8	7.3
EV/EBIT (adj.)	12.5	11.3	10.4
Payout ratio (%)	52.6 %	47.7 %	44.4 %
Dividend yield-%	3.2 %	3.4 %	3.4 %

Source: Inderes

Valuation 2/3

Total expected return

With the result of the past 12 months, Relais is valued at an adjusted P/E ratio of 16x and EV/EBITA ratio of 13x. We find these valuation multiples rather neutral or slightly elevated relative to the justified level as a whole.

Adjusted P/E ratios for 2023 and 2024 based on our estimates are 13x and 12x while the corresponding adjusted EV/EBITA ratios are 11x and 10x. We consider these valuation multiples moderate relative to Relais' return on capital and also in the context of the general valuation levels of the stock exchange. Thus we feel that based on absolute valuation multiples there is upside in the share that is built on the valuation multiples falling with earnings growth.

We expect Relais' earnings growth to reach about 10-15% in Q1'23-2025e (CAGR%) thanks to moderate organic growth and improved profitability. We expect relative profitability to remain fairly stable in the coming years, but still above the subdued level of the previous 12 months.

We estimate that the 2023-2025 dividend yield with the current share price level is good 3% in the next few years. With the realized result, we feel that the valuation of existing businesses is rather neutral. Thus, the expected return consisting of earnings growth and annual dividend yield reaches a double-digit level. We believe that this means that good expected return in the coming years does not require capital allocation to acquisitions. Considering these factors, we find the share's risk/return ratio to be good as we expect the reallocation of capital to strengthen the expected return, even if we do not model it in our estimates.

Peer group and relative valuation

We have created two peer groups for Relais, consisting of companies involved in the international vehicle aftermarket and Nordic serial consolidators. The players in the first peer group are, as a whole, very similar to Relais' operational businesses. Most or a considerable share of the players' business comes from distribution in addition to which several players also have expanded into service business. Thus, their businesses have quite similar characteristics as the businesses owned by Relais (competitiveness elements, earnings model and risk profile).

The second peer group consists of serial consolidators whose business model is similar to that of Relais at Group level, i.e. it is based on continuous acquisitions. The businesses owned by the serial consolidators differ, but the value creation of all of them is largely based on successful capital allocation to inorganic growth. We feel that the peer groups provide a good framework for Relais' valuation. We consider the valuation level of the first peer group to be a rough minimum level for Relais' valuation and believe that it reflects a justified valuation of the businesses owned by Relais.

TSR drivers
LTM Q1'23-2025e

Positive Neutral Negative

Profit drivers

- Inorganic and organic net sales growth
- We expect fairly stable profitability development
- Increase in costs caused by high inflation

→ Adj. EPS growth ~ 10-15% (CAGR-%)

Dividend yield drivers

- Dividend policy indicates a moderate payout ratio
- The business model ties up moderate amounts of capital
- Acquisitions play an essential role in the growth strategy

→ Dividend yield % ~3% p.a.

Valuation multiple drivers

- With the realized result the valuation is rather neutral
- The share price is slightly below the value of the DCF model
- 2025e P/E ~11x and EV/EBITA ~9x

→ Valuation is rather neutral

The market does not price the value creation of future M&A transactions

Source: Inderes

Valuation 3/3

We feel the valuation level of serial consolidators, in turn, illustrates how Relais can be priced if the company succeeds in capital allocation to acquisitions that creates value in the long run. However, we do not consider it justified to value Relais at the median level of the serial consolidators as the company's historical return on capital has been clearly below the average return on capital of serial consolidators (p.35).

With key earnings-based multiples in the next few years, Relais is valued roughly in line with its peers with similar businesses, while the valuation of the entire peer group is at a sensible level. Relative to the peer group of serial consolidators, Relais is valued at a significant discount of up to nearly 45%. The valuation multiples for this peer group are highish, but we believe that players with a long track record of high ROE earn far higher valuation multiples than the average market valuation level.

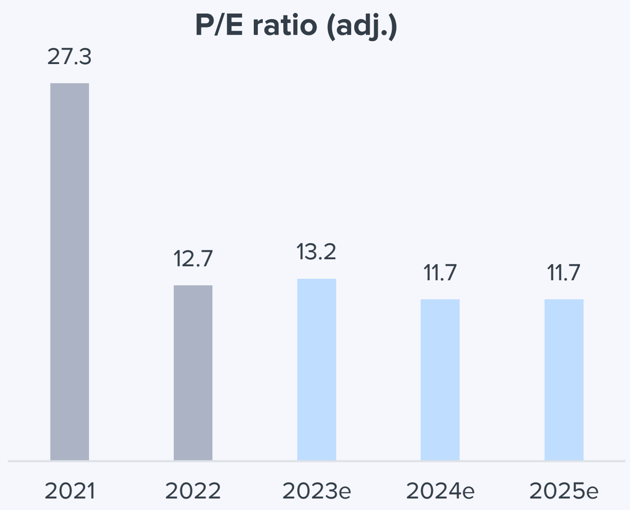
Considering the historical track record we believe that Relais' justified valuation level can be found in the middle ground of these two peer groups. At the same time, the relative valuation compared to both peer groups seems to act as a barometer of the extent to which the share's valuation level contains assumptions about the value creation of inorganic growth. We do not believe that the current valuation of Relais' share includes much expectations of the value creation of acquisitions, as the relative valuation is in line with the first peer group.

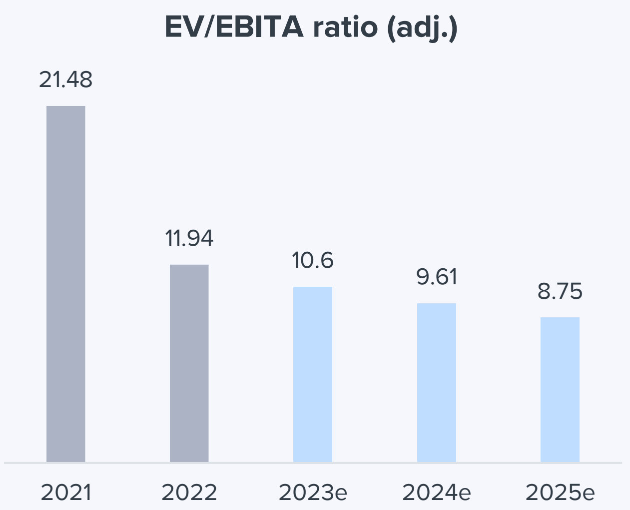
DCF model

The value our DCF calculation indicates for Relais' share is EUR 14.8 per share. In addition to our estimates for the next few years, our DCF model is based on our long-term estimates. Thus, the DCF model ignores the value creation potential of inorganic growth and acts as a yardstick, especially for the current entity. In our model, the weight of the terminal period is a reasonable 57%. In the model, the cost of equity used is 9.0% while the average cost of capital (WACC-%) is 8.0%.

Target price and investment view

We reiterate our EUR 15.50 target price and Accumulate recommendation for Relais. In our view, the share valuation is quite reasonable with several indicators and thus the expected return for the next few years rises to a good level even without the value creation of M&A transactions. However, we expect that the company will continue to allocate capital to inorganic growth, where we feel the company has a good track record in recent years. In light of this, we consider the risk/return ratio attractive as a whole.





Source: Inderes

Peer group 1/2

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**
Indutrade AB	8115	8929	25.9	25.8	19.1	18.8	3.4	3.3	33.7	33.0	1.2	1.2	6.4
Bergman & Beving AB	372	510	17.5	15.7	10.5	9.6	1.2	1.2	18.5	18.1	2.3	2.4	2.0
Momentum Group AB	423	439	24.3	23.5	17.7	17.2	2.6	2.5	27.8	26.6	1.2	1.4	8.1
Bufab AB (publ)	1187	1493	17.6	16.5	13.9	13.6	2.0	1.9	22.5	20.7	1.4	1.4	3.9
Christian Berner Tech Trade AB	37	53	10.2	9.6	6.7	6.0	0.6	0.6	12.0	11.0	3.4	3.6	2.0
Addtech AB	5284	5639	32.0	28.2	24.1	21.4	3.6	3.2	42.3	37.7	0.8	1.1	11.7
Beijer Ref AB (publ)	7013	7636	26.1	23.4	20.6	18.3	2.7	2.5	36.8	30.4	0.9	1.1	3.7
Beijer Alma AB	1277	1486	18.4	17.1	13.5	12.9	2.6	2.5	24.5	21.5	1.9	2.1	3.7
Lifco AB (publ)	8609	9263	24.3	24.4	19.3	19.4	4.5	4.4	34.8	34.4	0.9	0.9	6.9
Lagercrantz Group AB	2683	2879	31.8	27.5	23.4	20.3	4.6	4.0	37.4	34.2	1.1	1.3	9.9
Volati Ab	846	1045	17.6	16.1	11.6	10.8	1.5	2.1	21.9	19.1	1.7	1.7	4.7
Boreo	106	156	16.8	14.3	14.3	11.1	0.8	0.8	22.1	17.8	1.1	1.2	2.9
AddLife AB	1434	1884	30.2	29.0	15.0	14.9	2.3	2.2	40.2	37.7	1.0	1.1	3.2
Addnode Group AB	1382	1423	29.9	25.7	18.5	16.9	2.3	2.1	41.4	36.2	0.8	1.0	7.1
Instalco AB	1267	1946	23.8	21.0	16.3	15.1	1.6	1.5	22.1	18.8	1.4	1.5	4.2
Seafire AB	60	56	7.4	5.7	4.5	3.7	0.6	0.5	24.0	9.8			0.8
Sdiptech AB	794	794	12.1	10.4	9.4	8.3	2.1	1.9	20.8	17.6			2.6
Fasadgruppen Group AB	388	498	11.2	10.7	9.0	8.7	1.1	1.0	13.1	11.6	2.0	2.3	1.9
Relais Group (Inderes)	**239**	**372**	**12.5**	**11.3**	**8.4**	**7.8**	**1.3**	**1.3**	**13.2**	**11.7**	**3.2**	**3.4**	**2.2**
Average			**21.1**	**19.3**	**15.0**	**13.9**	**2.3**	**2.1**	**27.9**	**24.5**	**1.4**	**1.6**	**4.8**
Median			**23.8**	**21.0**	**15.0**	**14.9**	**2.3**	**2.1**	**24.5**	**21.5**	**1.2**	**1.3**	**3.7**
Diff-% to median			***-48%***	***-46%***	***-44%***	***-48%***	***-42%***	***-42%***	***-46%***	***-45%***	***173%***	***162%***	***-42%***

Source: Refinitiv / Inderes

Peer group 2/2

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield %		P/B
Company	**MEUR**	**MEUR**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**
Indutrade AB	8115	8929	25.9	25.8	19.1	18.8	3.4	3.3	33.7	33.0	1.2	1.2	6.4
Bergman & Beving AB	372	510	17.5	15.7	10.5	9.6	1.2	1.2	18.5	18.1	2.3	2.4	2.0
Momentum Group AB	423	439	24.3	23.5	17.7	17.2	2.6	2.5	27.8	26.6	1.2	1.4	8.1
Bufab AB (publ)	1187	1493	17.6	16.5	13.9	13.6	2.0	1.9	22.5	20.7	1.4	1.4	3.9
Christian Berner Tech Trade AB	37	53	10.2	9.6	6.7	6.0	0.6	0.6	12.0	11.0	3.4	3.6	2.0
Addtech AB	5284	5639	32.0	28.2	24.1	21.4	3.6	3.2	42.3	37.7	0.8	1.1	11.7
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Instalco AB	1267	1946	23.8	21.0	16.3	15.1	1.6	1.5	22.1	18.8	1.4	1.5	4.2
Seafire AB	60	56	7.4	5.7	4.5	3.7	0.6	0.5	24.0	9.8			0.8
Sdiptech AB	794	794	12.1	10.4	9.4	8.3	2.1	1.9	20.8	17.6			2.6
Fasadgruppen Group AB	388	498	11.2	10.7	9.0	8.7	1.1	1.0	13.1	11.6	2.0	2.3	1.9
Relais Group (Inderes)	**239**	**372**	**12.5**	**11.3**	**8.4**	**7.8**	**1.3**	**1.3**	**13.2**	**11.7**	**3.2**	**3.4**	**2.2**
Average			**21.1**	**19.3**	**15.0**	**13.9**	**2.3**	**2.1**	**27.9**	**24.5**	**1.4**	**1.6**	**4.8**
Median			**23.8**	**21.0**	**15.0**	**14.9**	**2.3**	**2.1**	**24.5**	**21.5**	**1.2**	**1.3**	**3.7**
Diff-% to. median			***-48 %***	***-46 %***	***-44 %***	***-48 %***	***-42 %***	***-42 %***	***-46 %***	***-45 %***	***173 %***	***162 %***	***-42 %***

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

Value creation of peers

Company	Revenue growth 2015-2022 (CAGR)	operational earnings growth 2015-2022 (CAGR)	ROIC-% 2015-2022	RONIC-% 2015-2022
Indutrade	9 %	15 %	20 %	26 %
Bergman & Beving	-7 %	-3 %	9 %	-
Bufab	18 %	24 %	13 %	14 %
Addtech	14 %	19 %	19 %	21 %
Beijer Ref	12 %	18 %	14 %	19 %
Beijer Alma	5 %	5 %	18 %	7 %
Lifco	12 %	20 %	19 %	27 %
Lagercrantz Group	10 %	17 %	23 %	18 %
Volati	17 %	16 %	13 %	28 %
Relais Group *	38 %	32 %	11 %	10 %
VBG Group	16 %	19 %	11 %	12 %
AddLife	32 %	37 %	17 %	10 %
Addnode Group	15 %	19 %	15 %	22 %
Instalco	33 %	48 %	17 %	16 %
Sdiptech	32 %	51 %	10 %	13 %
Fasadgruppen *	60 %	48 %	14 %	11 %
Teqnion	36 %	44 %	20 %	24 %
Boreo	21 %	20 %	19 %	8 %
Median	**16 %**	**20 %**	**16 %**	**16 %**

*Deviating review period

Lähde: Inderes

Valuation summary

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price			14.7	26.0	10.2	**13.15**	**13.15**	**13.15**	**13.15**
Number of shares, millions			17.4	17.9	18.1	**18.2**	**18.3**	**18.4**	**18.4**
Market cap			256	466	185	**239**	**239**	**239**	**239**
EV			285	608	328	**372**	**362**	**352**	**339**
P/E (adj.)			17.6	27.3	12.7	**13.2**	**11.7**	**10.9**	**10.0**
P/E			36.9	32.5	18.4	**16.5**	**14.3**	**13.0**	**10.7**
P/B			3.6	4.6	1.8	**2.2**	**2.0**	**1.8**	**1.6**
P/S			2.0	2.0	0.7	**0.9**	**0.8**	**0.8**	**0.8**
EV/Sales			2.2	2.6	1.3	**1.3**	**1.3**	**1.2**	**1.1**
EV/EBITDA			14.9	16.9	9.0	**8.4**	**7.8**	**7.3**	**6.7**
EV/EBIT (adj.)			15.3	23.6	14.3	**12.5**	**11.3**	**10.4**	**9.5**
Payout ratio (%)			75.3 %	44.9 %	72.0 %	**52.6 %**	**47.7 %**	**44.4 %**	**37.4 %**
Dividend yield-%			2.0 %	1.4 %	3.9 %	**3.2 %**	**3.4 %**	**3.4 %**	**3.5 %**

Source: Inderes

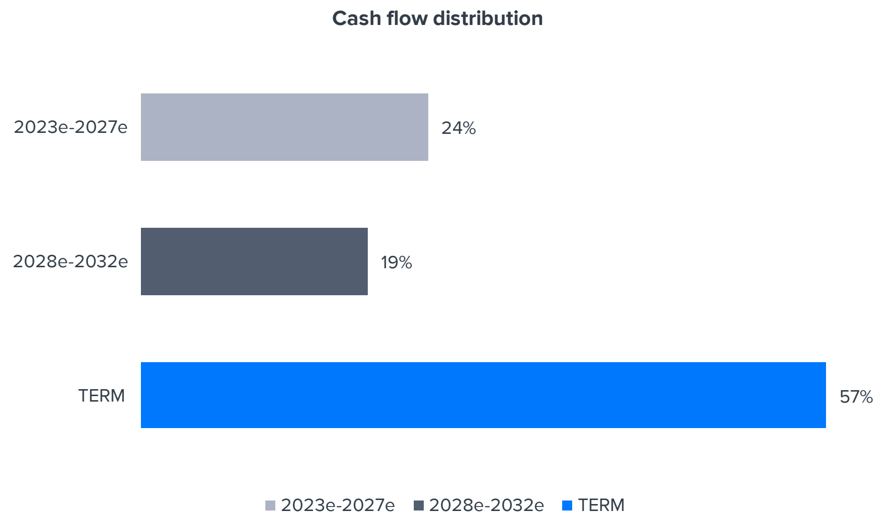
Lähde: Inderes

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	9.6 %	6.4 %	4.4 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	2.5 %	2.0 %	2.0 %
EBIT-%	7.5 %	9.4 %	9.8 %	10.1 %	11.1 %	11.5 %	11.5 %	11.5 %	11.5 %	11.0 %	11.0 %	11.0 %
EBIT (operating profit)	**19.6**	**26.2**	**28.3**	**30.2**	**34.2**	**36.4**	**37.5**	**38.6**	**39.8**	**39.0**	**39.8**	
+ Depreciation	16.9	18.0	18.1	18.0	16.3	16.6	15.2	15.1	15.1	15.1	15.0	
- Paid taxes	-3.3	-4.5	-4.8	-5.2	-6.4	-7.0	-7.3	-7.6	-7.8	-7.7	-7.8	
- Tax, financial expenses	-1.5	-1.7	-1.5	-1.4	-1.1	-1.1	-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	-2.1	-0.2	-3.7	-3.3	-3.1	-2.3	-2.3	-2.4	-2.5	-2.1	-1.7	
Operating cash flow	**29.6**	**37.8**	**36.5**	**38.4**	**39.9**	**42.7**	**42.1**	**42.8**	**43.6**	**43.3**	**44.3**	
+ Change in other long-term liabilities	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-18.3	-14.3	-14.5	-14.5	-14.6	-14.7	-14.8	-15.0	-15.0	-15.0	-15.1	
Free operating cash flow	**10**	**23.5**	**22.0**	**23.9**	**25.3**	**28.0**	**27.3**	**27.8**	**28.6**	**28.3**	**29.3**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	10.2	23.5	22.0	23.9	25.3	28.0	27.3	27.8	28.6	28.3	29.3	499
Discounted FCFF		**22.5**	**19.4**	**19.5**	**19.2**	**19.7**	**17.8**	**16.8**	**16.0**	**14.7**	**14.0**	**239**
Sum of FCFF present value		419	396	377	357	338	318	301	284	268	253	239
Enterprise value DCF		**419**										
- Interest bearing debt		-156										
+ Cash and cash equivalents		13.5										
-Minorities		0.0										
-Dividend/capital return		-7.3										
Equity value DCF		**269**										
Equity value DCF per share		**14.8**										

WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	20.0 %
Cost of debt	5.0 %
Equity Beta	1.13
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



Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	**189**	**191**	**187**	**183**	**180**
Goodwill	114	118	118	118	118
Intangible assets	15.1	15.0	11.4	7.8	4.2
Tangible assets	59.0	56.8	56.7	56.7	56.8
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.1	0.1	0.1	0.1	0.1
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.8	0.6	0.6	0.6	0.6
Current assets	**119**	**119**	**122**	**126**	**128**
Inventories	73.4	67.8	69.4	73.3	76.7
Other current assets	0.0	4.5	4.5	4.5	4.5
Receivables	33.8	32.8	35.0	36.5	37.6
Cash and equivalents	11.8	13.5	12.9	12.0	8.9
Balance sheet total	**308**	**309**	**309**	**310**	**307**

Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	**102**	**104**	**111**	**120**	**131**
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	34.2	35.7	43.0	52.2	62.7
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	67.7	68.2	68.2	68.2	68.2
Minorities	0.3	0.0	0.0	0.0	0.0
Non-current liabilities	**143**	**144**	**137**	**127**	**107**
Deferred tax liabilities	6.2	5.8	5.8	5.8	5.8
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	135	137	130	120	100.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2.3	1.1	1.1	1.1	1.1
Current liabilities	**62.8**	**61.0**	**60.5**	**62.2**	**69.6**
Short term debt	16.7	19.1	15.0	15.0	21.2
Payables	46.1	35.3	38.9	40.5	41.8
Other current liabilities	0.0	6.6	6.6	6.6	6.6
Balance sheet total	**308**	**309**	**309**	**310**	**307**

Summary

Income statement	2020	2021	2022	2023e	2024e
Revenue	128.9	237.8	260.7	**277.5**	**289.6**
EBITDA	19.1	36.0	36.6	**44.2**	**46.4**
EBIT	11.1	23.0	19.6	**26.2**	**28.3**
PTP	10.4	18.5	13.2	**19.0**	**21.6**
Net Income	6.9	14.4	10.1	**14.5**	**16.9**
Extraordinary items	-7.6	-2.7	-3.3	**-3.6**	**-3.6**

Balance sheet	2020	2021	2022	2023e	2024e
Balance sheet total	154.6	308.4	309.2	**308.6**	**309.5**
Equity capital	72.3	102.3	104.0	**111.3**	**120.5**
Goodwill	58.2	114.5	118.2	**118.2**	**118.2**
Net debt	28.3	139.7	142.9	**132.1**	**123.0**

Cash flow	2020	2021	2022	2023e	2024e
EBITDA	19.1	36.0	36.6	**44.2**	**46.4**
Change in working capital	1.3	-17.0	-2.1	**-0.2**	**-3.7**
Operating cash flow	20.3	16.8	29.6	**37.8**	**36.5**
CAPEX	-12.4	-142.2	-18.3	**-14.3**	**-14.5**
Free cash flow	8.1	-123.5	10.2	**23.5**	**22.0**

Valuation multiples	2020	2021	2022	2023e	2024e
EV/S	2.2	2.6	1.3	**1.3**	**1.3**
EV/EBITDA (adj.)	14.9	16.9	9.0	**8.4**	**7.8**
EV/EBIT (adj.)	15.3	23.6	14.3	**12.5**	**11.3**
P/E (adj.)	17.6	27.3	12.7	**13.2**	**11.7**
P/B	3.6	4.6	1.8	**2.2**	**2.0**
Dividend-%	2.0 %	1.4 %	3.9 %	**3.2 %**	**3.4 %**

Source: Inderes

Per share data	2020	2021	2022	2023e	2024e
EPS (reported)	0.40	0.80	0.56	**0.80**	**0.92**
EPS (adj.)	0.84	0.95	0.80	**1.00**	**1.12**
OCF / share	1.17	0.94	1.64	**2.08**	**1.99**
FCF / share	0.46	-6.88	0.56	**1.29**	**1.20**
Book value / share	4.13	5.68	5.73	**6.11**	**6.59**
Dividend / share	0.30	0.36	0.40	**0.42**	**0.44**

Growth and profitability	2020	2021	2022	2023e	2024e
Revenue growth-%	30%	84%	10%	**6%**	**4%**
EBITDA growth-%	43%	88%	2%	**21%**	**5%**
EBIT (adj.) growth-%	138%	38%	-11%	**30%**	**7%**
EPS (adj.) growth-%	298%	14%	-15%	**24%**	**12%**
EBITDA-%	14.8 %	15.1 %	14.0 %	**15.9 %**	**16.0 %**
EBIT (adj.)-%	14.5 %	10.8 %	8.8 %	**10.7 %**	**11.0 %**
EBIT-%	8.6 %	9.7 %	7.5 %	**9.4 %**	**9.8 %**
ROE-%	10.2 %	16.5 %	9.8 %	**13.5 %**	**14.6 %**
ROI-%	8.4 %	11.8 %	7.6 %	**10.1 %**	**11.1 %**
Equity ratio	46.7 %	33.2 %	33.6 %	**36.1 %**	**38.9 %**
Gearing	39.2 %	136.5 %	137.4 %	**118.7 %**	**102.1 %**

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
05-11-21	Reduce	26.00 €	25.20 €
04-03-22	Accumulate	24.00 €	22.00 €
	Analyst changed		
04-04-22	Accumulate	24.00 €	21.00 €
13-05-22	Accumulate	20.00 €	18.00 €
09-08-22	Accumulate	14.50 €	13.25 €
12-08-22	Accumulate	14.00 €	12.20 €
09-11-22	Buy	13.00 €	10.45 €
11-11-22	Buy	13.50 €	10.95 €
01-03-23	Accumulate	13.50 €	11.50 €
03-03-23	Accumulate	13.50 €	12.50 €
05-05-23	Accumulate	15.50 €	14.00 €
30-05-23	Accumulate	15.50 €	13.15 €

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