



Commissioned Research
16 October 2024

Relais Group

Compounding in the Nordic independent vehicle aftermarket

Initiating Coverage

Fair value range:
EUR15.8–20.3

Share price:
EUR14.9

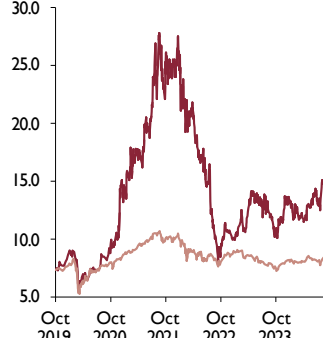
Relais Group is a sector specialist and acquisition platform in the independent vehicle aftermarket in the Nordic and Baltic countries. Since its listing in 2019, Relais has acquired more than 15 companies (two in 2024) following a buy-and-build approach, expanding its presence both geographically and into new product categories and service segments.

During 2020–23, Relais' net sales, gross profit and comparable EBITDA grew at 30%, 43% and 26% CAGR, respectively, clearly outgrowing its underlying markets. However, acquisitions have also led to increasing D&A and net financials (amplified by unfavourable FX rates and at the time increasing interest rates), so EPS growth during 2020–23 was muted. In 2024, we expect Relais to reach sales of EUR322m, up by 13% Y/Y (8% growth from M&A, 5% organic). We expect Relais to continue to improve profitability in H2(24) and beyond, mainly supported by better operational efficiency and price hikes, although we expect most of the pricing tailwinds are behind us. Our estimates for 2024–26 are slightly below FactSet consensus.

Relais aims to deliver strong earnings growth through organic sales growth, M&A and efficiency improvements in its portfolio. It aims for pro forma EBITA of EUR50m by the end of 2025, implying 30% CAGR during 2022–25. We do not include potential upcoming M&A in our forecasts, so to reach its target of EUR50m in pro forma EBITA by YE(25), we calculate that Relais would have to acquire sales of around EUR90m–120m to add EBITA of around EUR10m on top of our adjusted EBITA forecast for 2025. At the end of Q2(24), Relais' net debt/EBITDA ratio was 3x, which we find to be on the high side for making any larger acquisitions. Therefore, we would not be surprised to see Relais contemplating a share issue to increase its acquisition headroom and allow for a higher debt capacity.

We initiate coverage on Relais with a fair value range of EUR15.8–20.3 per share. Our range is based on a combination of a relative valuation using two peer groups and a discounted cash flow analysis. We apply a slight discount to the Nordic compounder peers (excluding the group of proven acquirers) on EV/EBITA(24e) and adj. P/E(24e) given Relais' higher leverage. We assign lesser weight to the group consisting of international vehicle service and parts companies due to their substantially larger size and lower profitability.

Research analysts:
Pia Rosqvist-Heinsalmi

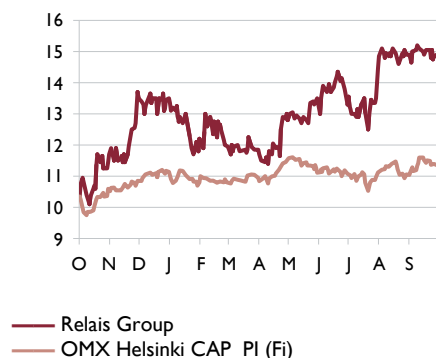
Changes in this report (EUR)				Key figures (EUR)				2023	2024e	2025e	2026e	Share price -5Y				
	From	To	Chg									 <div>Relais Group</div> <div>OMX Helsinki CAP_PI (Fi) (Rebased)</div>				
EPS adj. 2024e	n.a.	1.18	n.a.	Sales (m)		284	322	337	347							
EPS adj. 2025e	n.a.	1.34	n.a.	EBITDA (m)		44	51	55	59							
EPS adj. 2026e	n.a.	1.49	n.a.	EBIT (m)		25	33	37	40							
Upcoming events				EPS		0.73	1.02	1.19	1.34							
				EPS adj.		0.93	1.18	1.34	1.49							
				DPS		0.44	0.46	0.48	0.50							
				Sales growth Y/Y		9%	13%	5%	3%							
				EPS adj. growth Y/Y		11%	27%	14%	11%							
				EBIT margin		8.8%	10.2%	10.9%	11.6%							
				P/E adj.		16.1	12.7	11.1	10.0							
				EV/EBIT		16.1	13.1	11.4	10.1							
				EV/EBITA		14.2	12.0	10.6	9.4							
				EV/EBITDA		9.3	8.4	7.6	6.9							
				P/BV		2.5	2.3	2.1	1.9							
				Dividend yield		3.0%	3.1%	3.2%	3.4%							
				FCF yield		3.2%	3.2%	8.1%	9.2%							
				Equity/Total Assets		33.6%	34.6%	36.8%	39.0%							
				ROCE		8.6%	11.1%	11.8%	12.4%							
				ROE adj.		16.2%	19.1%	19.7%	19.6%							
				Net IB debt/EBITDA		3.4	3.0	2.5	2.1							
												High/Low (12M)				
												EUR15.2/10.1				
												Perf.				
												3M				
												Abs.				
												12M				
												YTD				
												Rel.				
												3M				
												6M				
												12M				
												YTD				

Source: Carnegie Research, FactSet, Millstream & company data

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Performance & Valuation

Price relative to market – 1Y



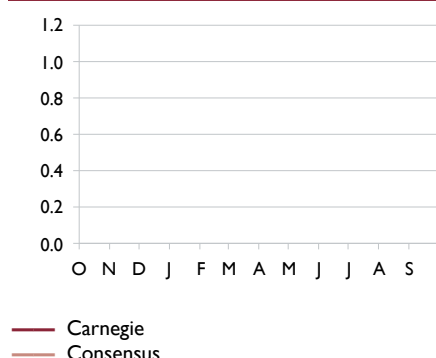
Source: FactSet

Price relative to sector – 1Y



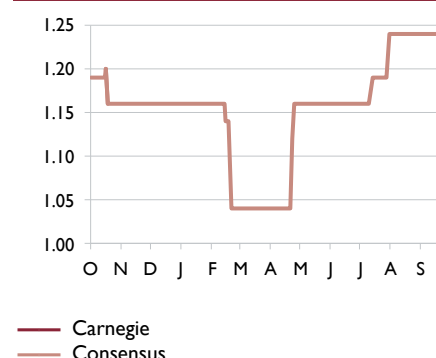
Source: FactSet

Adj. EPS expectations –2024e (EUR)



Source: Carnegie Research & FactSet

Adj. EPS expectations –2025e (EUR)



Source: Carnegie Research & FactSet

Major shareholders

Shareholders (%)	Capital	Votes
Ajanta / Ari Salmivuori	32.2%	32.2%
Nordic Industry Development	16.6%	16.6%
Evli Mutual Fund Company	6.1%	6.1%
Helander Holding	4.9%	4.9%
Kari Kauhanen	2.4%	2.4%
Nordea Bank	2.2%	2.2%

Source: FactSet

Company miscellaneous

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City	Helsinki

Source: Carnegie Research

Company description

Founded in 2010, Relais Group is a consolidator in the vehicle aftermarket in the Nordic and Baltic countries. During the past five years, the company has made around 15 acquisitions and more than tripled its turnover. In 2023, Relais had sales of EUR284m and an EBITA margin of 10%. Relais was listed on Nasdaq First North Growth Market in 2019 and moved to the official list of Nasdaq Helsinki in 2022.

Source: Carnegie Research & FactSet

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Investment case

Relais is a sector specialist and acquisition platform in the vehicle aftermarket in the Nordic and Baltic countries

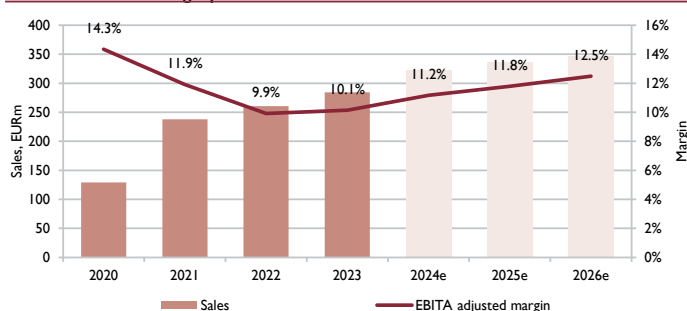
Relais' net sales, gross profit and comparable EBITDA grew at 30%, 43% and 26% CAGR in 2020–23

Relais in short

As opposed to a sector agnostic compounder, Relais Group is a sector specialist and acquisition platform in the vehicle aftermarket in the Nordic and Baltic countries. Since its listing in 2019, Relais has acquired more than 15 companies following a buy-and-build approach, expanding its presence both geographically and into new product categories and service segments. Relais generates revenue from sales of vehicle spare parts and equipment (including lighting), and from running maintenance and repair workshops for commercial vehicles.

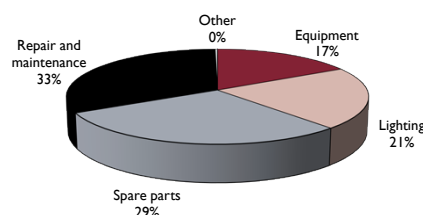
Between 2020 and 2023, Relais' net sales, gross profit and comparable EBITDA grew at 30%, 43% and 26% CAGR, respectively, clearly outgrowing its underlying markets, with net sales reaching EUR284m and EBITA margin at 10%. However, acquisitions have also led to increasing D&A and net financials (which have been burdened by unfavourable FX rates and at the time increasing interest rates), so EPS growth during 2020–23 was muted. Relais' business is mainly dependent on B2B sales and more than 60% of sales come from the commercial vehicle segment. Around two-thirds of Relais' sales are from technical wholesale and products, whereas one-third is from commercial vehicle repair and maintenance.

Relais - sales and margin profile



Source: Carnegie Research, Relais

Relais - sales split 2023



Source: Carnegie Research, Relais

Relais has acquired companies at around 6.6x EBITDA

Based on our calculations and assumptions, since 2020 Relais has acquired companies at 4–9x EBITDA, with the median valuation being 6.6x (excluding any potential adjustments for vendor notes etc.). Relais' own five-year historical average NTM EV/EBITDA multiple is close to 10x, so on paper, the acquisitions have been accretive, we conclude. Relais is a sector specialist, so along with organic growth opportunities through a broadened offering and synergies from scale in sourcing, NWC management and best practice sharing also contribute to profitability and value creation in the group. Therefore, we think that Relais can realise more value than just based on the multiple arbitrage.

The market

Relais' market is large, fragmented and defensive

The vehicle aftermarket in the Nordics and Baltics is characterised by its moderate growth and defensiveness. Relais focuses on the independent aftermarket (IAM), which is formed by independent wholesalers and repairers that offer products and services such as vehicle customisation, wholesale and retail of spare parts and equipment, and workshop and installation services. Relais estimates that its target market consists of around 19 million vehicles, representing sales of more than EUR20bn with an annual growth rate in line with GDP. The market is fragmented and competitive: Relais is competing with local, Nordic, European and global players.

We estimate that Relais' market share of the total IAM market in the Nordics and Baltics is around 1.5%, but it could reach 15–30% according to the company when looking at certain niches, subsegments or regions in the IAM segment. According to the Roland Berger report "Survival of the Fittest", the European automotive market is undergoing a significant transformation and rapid consolidation is a central theme. We see several possibilities for Relais to broaden its offering through M&A in e.g. lighting solutions, sensors, spare parts for plug-in hybrid vehicles or battery-powered fully electric cars, tyres or windshields. We consider Relais to be well positioned to benefit

from this trend given its successful history in M&A and established foothold in the industry.

Estimates

We expect Relais to grow sales by 13% Y/Y in 2024e, driven by both M&A and organic growth

In 2024, we expect Relais to reach sales of EUR322m, up by 13% Y/Y (8% growth from M&A, 5% organic). We expect Relais to continue to improve profitability in H2(24) and beyond, mainly supported by better operational efficiency and price hikes, although we expect that most of the pricing tailwinds are behind. For 2024, we expect Relais to report adjusted EBITA of EUR36m, implying a margin of 11.2%, up from 10.1% in 2023. Based on our estimates, Relais' adjusted EPS CAGR(23–26e) is 16%, clearly surpassing 4% CAGR(20–23). Our estimates for 2024–26e are slightly below Factset consensus.

Relais - key data

(EURm)	2020	2021	2022	2023	2024e	2025e	2026e
Sales	129.0	237.8	260.7	284.3	322.0	337.1	347.2
Gross profit	44.5	99.6	117.2	128.9	150.2	157.6	162.6
EBITA	18.3	25.7	23.0	28.6	35.9	39.8	43.3
EBITA adjusted	18.5	28.3	25.8	28.9	35.9	39.8	43.3
Net profit	13.2	14.3	10.0	13.7	19.2	22.4	25.2
EPS, adj. EUR	0.82	1.06	0.83	0.93	1.18	1.34	1.49
Sales growth Y/Y	30.4%	84.4%	9.6%	9.0%	13.3%	4.7%	3.0%
EBITA adj. growth Y/Y	n.a.	53.2%	-8.8%	11.6%	24.6%	10.6%	8.9%
EPS adj. Y/Y	n.a.	2.2%	-32.7%	35.8%	39.4%	16.6%	12.7%
Gross margin	34.5%	41.9%	45.0%	45.4%	46.6%	46.7%	46.8%
EBITA adj. margin	14.3%	11.9%	9.9%	10.1%	11.2%	11.8%	12.5%
Net debt, EURm	45.3	140.4	147.5	149.7	151.4	140.1	125.9
Net debt / EBITDA	2.1x	3.9x	4.0x	3.4x	3.0x	2.5x	2.1x
NWC, EURm	42.3	65.6	65.3	68.8	80.0	83.0	85.5
NWC to sales	36%	23%	25%	24%	23%	24%	24%
FCF, EURm	14.7	-0.8	11.0	8.8	8.9	22.7	25.9

Source: Carnegie Research, Relais

Financial targets

Relais aims to reach pro forma EBITA of EUR50m by the end of 2025, which is around EUR10m above our EBITA(25e) as we do not include potential M&A in our forecasts

Relais aims to deliver strong earnings growth through organic sales growth, M&A and efficiency improvements in its portfolio. Relais has not quantified what “strong” earnings growth means, but it aims for pro forma EBITA of EUR50m by the end of 2025, implying 30% CAGR during 2022–25. We do not include potential upcoming M&A in our forecasts, so to reach its target of EUR50m in pro forma EBITA by YE(25), we calculate that Relais would have to acquire sales of around EUR90m–120m to add EBITA of around EUR10m on top of our adjusted EBITA forecast for 2025.

At the end of Q2(24), Relais' net debt/EBITDA ratio was 3x, which we find to be on the high side for making any larger acquisitions. Therefore, we would not be surprised to see Relais contemplating a share issue to increase its acquisition headroom and allow for a higher debt capacity.

Positioning and valuation

For valuation, we compare Relais to a broad group of Swedish compounders and a group of international players in the vehicle aftermarket

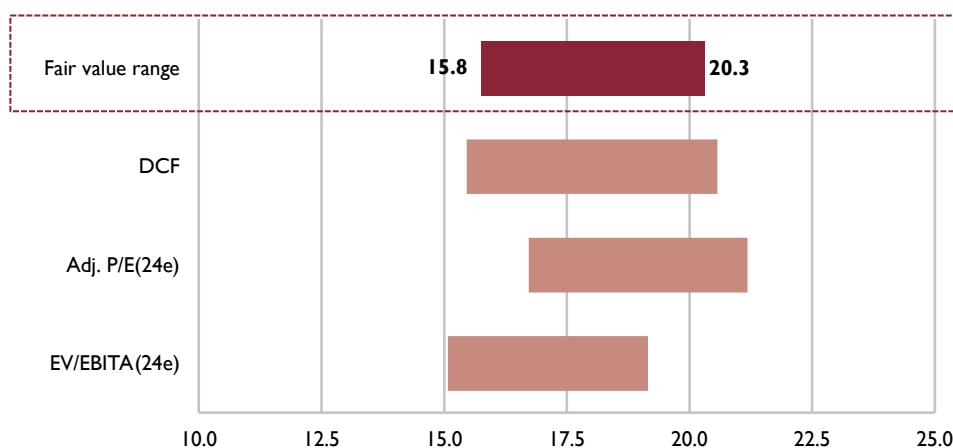
Based on the nature of its business, we compare Relais to two groups: one consisting of Swedish compounders, and another group of peers within the vehicle aftermarket wholesale, retail and maintenance services market in Europe and the US. In positioning Relais, we conclude that the company's historical growth track record is stronger than that of peers on average, but this growth was partly fuelled by the IPO proceeds and the company's smaller size. Profitability is close to the

Swedish compounders excluding the group of proven players, and historical return on equity capital employed is in line to slightly lower. Relais' balance sheet strength is weaker than that of our peer groups. To us, this implies similar quality (same level on profitability and return on capital) but slightly lower inorganic growth potential, at least near term due to higher than average leverage.

Based on relative valuation and our DCF model, we reach a fair value range of EUR 15.8–20.3 per share

We initiate coverage on Relais with a fair value range of EUR 15.8–20.3 per share. Our range is based on a combination of a relative valuation and a discounted cash flow analysis, where we apply the average of the low ends and high ends for our respective methods. We apply a slight discount to the Nordic compounder peers (excluding the group of proven acquirers) on EV/EBITA(24e) and adj. P/E(24e) given Relais' higher leverage. We assign lesser weight to the group consisting of international vehicle service and parts companies due to their substantially larger size and lower profitability. Our DCF model indicates a fair value range of EUR 15.5–20.6 per share.

Relais fair value range, EUR



Source: Carnegie Research

Risks

The largest upside potential to our investment case stems from stronger than expected underlying demand in Relais' home markets, larger operational efficiency gains, successful acquisitions that expand Relais' target market and faster than currently expected organic growth. The main downside risks to our investment case are a weakening economic environment or sudden geopolitical shocks or pandemics that impact demand negatively, increasing competitive pressures, supply chain constraints that affect delivery times and tie up NWC, shortages of e.g. vehicle mechanics, or low capacity utilisation. Unsuccessful M&A would also weigh on Relais' potential to meet its targets.

Company history and business overview

Relais Group is a consolidator and acquisition platform in the vehicle aftermarket in the Nordic and Baltic countries. Since its listing in 2019, Relais has acquired more than 15 companies following a buy-and-build approach, expanding its presence both geographically and into new product categories and service segments. Relais generates revenue from sales of vehicle spare parts and equipment (including lighting), and from running maintenance and repair workshops for commercial vehicles. Between 2020 and 2023, Relais' net sales and comparable EBITA grew at 30% and 16% CAGR, respectively, clearly outgrowing its underlying markets, with net sales reaching EUR284m and EBITA margin at 10%. Relais' business is mainly dependent on B2B sales and more than 60% of sales come from the commercial vehicle segment. Around two-thirds of Relais' sales are from technical wholesale and products, whereas one-third is from commercial vehicle repair and maintenance.

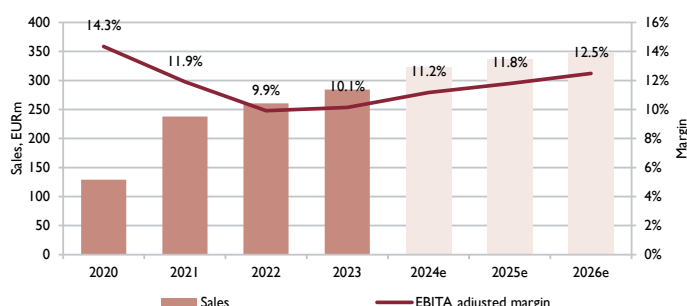
Relais is a compounder in the Nordic vehicle aftermarket with a clear tilt towards the commercial vehicle segment

Founded in Finland in 2010, Relais Group focuses on acquiring small to medium-sized companies in the Nordic and Baltic vehicle aftermarket, which is characterised by low cyclicality and economic resilience. Relais generates revenue from the sale of vehicle and repair shop equipment, including lighting, and automotive spare parts to retailers and repair shops. We estimate that more than 90% of Relais' sales are B2B. Relais employs over 1,000 people in six countries: Finland, Sweden, Norway, Denmark, Estonia and Latvia.

In 2021, Relais expanded into commercial vehicle repair and maintenance service through the acquisitions of Raskone (Finland) and STS Sydhamnens Trailer Service (Sweden), gaining the number one position in the independent segment in the respective countries. Since then, Relais has been able to grow repair and maintenance sales to larger fleet customers so that today, the top-20 customers in Sweden and Finland stand for 40% of the total repair and maintenance sales. In 2023, 55% of Relais' total sales were from Scandinavia, and 45% from Finland and the Baltics.

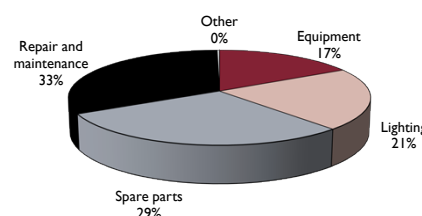
Relais reported under Finnish accounting standards (FAS) until 2021. In conjunction with its transfer to the Helsinki stock exchange main list in December 2022, Relais adopted IFRS accounting standards and has reported according to IFRS since 2021, with restated figures for 2020. Therefore, when looking at sales, profit and profitability trends, we focus on the periods starting in 2020. We discuss Relais' financials in detail in the section "Financials and forecasts" later in this report.

Relais - sales and margin profile



Source: Carnegie Research, Relais

Relais - sales split 2023



Source: Carnegie Research, Relais

Relais aims to grow faster than its market and to reach a comparable pro forma EBITA of EUR50m by YE(25)

Relais' strategy is focused on a buy-and-build approach, which involves acquiring companies that complement the company's existing operations and leveraging synergies to drive growth and efficiency. Relais aims to grow faster than its underlying market, supported by both organic and inorganic growth. Its long-term financial target is to reach comparable pro forma EBITA of EUR50m by the end of 2025. Its dividend policy is to pay annual dividends that exceed 30% of the average comparable earnings per share of the group. We discuss the targets in detail in the financial forecast section.

Background

Since 2011, Relais Group has acquired over 25 companies to bolster its market position as a key player in the Nordic and Baltic vehicle aftermarket sector

The origins of Relais Group can be traced back to the establishment of Startax Auto-Electronics Oy, an automobile and commercial vehicle electronics specialist, in Tampere, Finland, in 1996. The parent business, Relais Investment Oy, was founded in 2010 to support Startax's development and international expansion. In 2011, the business expanded into Estonia with the establishment of Startax AS. The group then acquired JA-Tools JA-Elektro Oy in Finland and Maskin-Teknisk AS in Norway in 2014. A merger in 2016 combined Startax Auto-Electronics Oy and JA-Tools JA-Elektro Oy into Startax Finland Oy.

For Relais, 2019 marked a clear step-change with increased presence in the equipment and parts business and a public listing

2019 marked a clear step-change for Relais: it completed two sizable deals in Sweden and was listed on the stock exchange in Helsinki. In May 2019, Relais merged with the Swedish companies AB Reservdelar and Huzells i Karlstad AB, becoming a leading provider of automotive electrical equipment and spare parts in the Nordic region. Relais acquired the companies from Nordic Industry Development AB, which today is Relais' second largest shareholder with a stake of close to 17%. Relais was listed on Nasdaq First North Growth Market Finland in October 2019.

Relais raised EUR20m in conjunction with the IPO in 2019

The IPO aimed at supporting the company's growth strategy by enhancing its ability to finance acquisitions and increase its visibility among customers, partners, potential acquisition targets, and investors. The offering was oversubscribed and resulted in approximately 2,000 new shareholders for the company. The IPO included a share issue of around EUR20m (gross) for Relais, alongside a share sale by existing shareholders of around EUR10m. The total valuation of the company following the IPO was around EUR120m based on the subscription price. The raised funds were earmarked to support the company's ongoing strategy of growth through targeted acquisitions and expansion in the Nordic and Baltic regions. Relais switched from Finnish accounting standards to IFRS in conjunction with its financial statements for 2021.

Relais' acquisitions in 2020–21 broadened its offering in vehicle lighting products and commercial vehicle repair

Relais' expansion in 2020–21 represented a significant leap forward, transforming it into a more sizable company with opportunities for economies of scale. In early 2020, Relais acquired SEC Scandinavia A/S in Denmark and TD Tunga Delar Sverige AB in Sweden. By 2021, the acquisition of Strands Group AB in Sweden further solidified Relais' position in the vehicle lighting aftermarket. At the beginning of 2021, Relais acquired Raskone Oy, the largest independent commercial vehicle repair chain in the Nordics, and Lumise Oy, an innovative vehicle lighting e-commerce operator. Later in 2021, Relais acquired STS Sydhammens Trailer Service AB, a commercial vehicle repair and maintenance business, and Trucknik Reservdelar AB, a wholesaler of spare parts for heavy commercial vehicles.

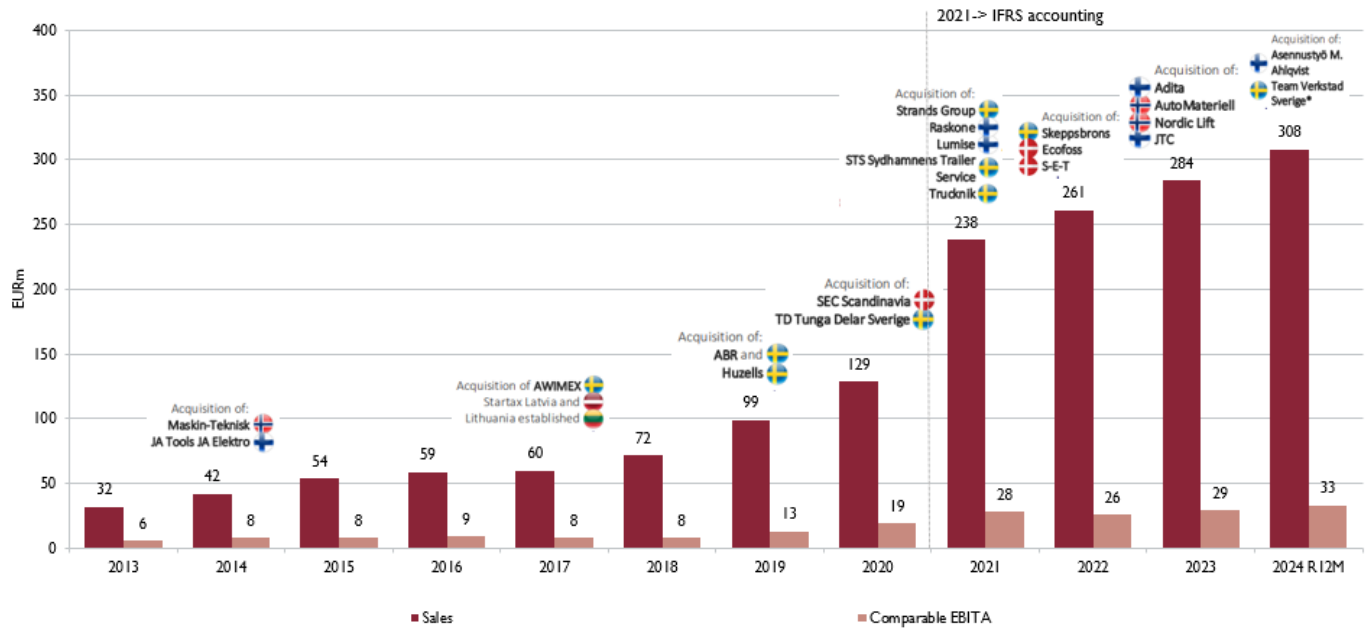
Relais moved to the Helsinki Stock Exchange main list in 2022

In 2022, Relais acquired Skeppsbrons Jönköping AB in Sweden and Ecofoss A/S, a Danish LED lighting technology company. Since 2022, most of Relais' sales have come from Scandinavia, and less than 50% is from Finland and the Baltics. On 1 December 2022, Relais transferred to the Nasdaq Helsinki stock exchange main list.

In 2023, Relais expanded into the Nordic workshop equipment business

In 2023, Relais expanded into the Nordic workshop equipment business by acquiring e.g. Norwegian companies AutoMateriell and Nordic Lift. In 2024, Relais has continued to strengthen its maintenance and repair services for heavy commercial vehicles through the acquisitions of Asennustyö M. Ahlqvist in Finland and Team Verkstad in Sweden.

Relais' growth track



Source: Carnegie Research, Relais

We estimate that more than 90% of Relais' sales come from the B2B market

Relais Group operates in six countries – Sweden, Finland, Norway, Denmark, Estonia and Latvia – serving customers under several brands. Around two-thirds of Relais' sales stem from technical wholesale and products and one-third is from commercial vehicle repair and maintenance. We estimate that more than 60% of Relais' sales are from commercial vehicles, with the remainder from passenger cars.

Relais Group companies



Source: Relais Group

Business model and strategy

Relais Group is a consolidator and acquisition platform in the vehicle aftermarket in the Nordic and Baltic countries. The group focuses on technical wholesale, or vehicle lifecycle enhancement as the company defines it, supplying equipment, spare parts, and expert services for cars and commercial vehicles, as well as maintenance and repair services for commercial vehicles, through its group companies in the Nordic and Baltic regions.

A growth platform: decentralised and efficient operations

Relais' strategy is focused on a buy-and-build approach, which involves acquiring companies that complement the company's existing operations and leveraging synergies to drive growth and efficiency. To create shareholder value, Relais focuses on:

- Faster-than-market organic earnings growth;
- Growth through acquisitions; and
- Operational excellence.

Relais operates a decentralised model that allows for flexibility and responsiveness to local market needs. Relais sees its main function as serving as a growth platform for the firms it has bought in the vehicle aftermarket sector. It emphasises active ownership and supports the acquired companies with monthly business development meetings. While the group companies operate independently, they share the group's administrative resources and seek to leverage mutual growth synergies. Relais aims to create value through acquisitions by trying to capture top-line growth and utilising the cash flows of the expanding cluster. We typically find a decentralised business model attractive, as it ensures that the subsidiary's management remains responsible for the operational and strategic decisions after the acquisition, allowing for quick action time and closeness to both customers and employees.

Relais' acquisition strategy is a central component of its growth model, which focuses on expanding its presence in the vehicle aftermarket sector across the Nordic and Baltic regions. In its buy-and-build business model, Relais actively supports acquired companies in expanding their operations. Relais' ambition is to facilitate faster-than-market growth by leveraging its extensive knowledge of the vehicle aftermarket and nurturing synergies between the group companies.

Relais' acquisition framework



Source: Relais

The acquisition criteria focus on the target companies having a "healthy core": the strategic alignment of acquisition targets must be strong and their operational models and/or customer sectors should be similar, with no need for major restructuring. Also, the targets should have an established position in markets/regions, offering substantial synergy potential through cross-selling.

Relais strategy is based on a 'buy-and-build' approach

Relais has a decentralised model where its businesses operate independently but with scale benefits in e.g. sourcing and best practice sharing

Relais wants to acquire companies that have a healthy core with potential to scale the business within the group

We generally appreciate a decentralised M&A process. Involving the group's companies in the M&A agenda is advantageous as it aids cultural integration and potentially reduces risk. This approach also allows companies within the group to leverage their good market knowledge and deep understanding of the industry dynamics to identify strong acquisition targets.

Relais' acquisition multiples are typically 4–5x EBITDA for smaller companies, or 6–7x for larger deals

Relais has not set an explicit valuation requirement for its acquisition targets, allowing flexibility on the deal logic (e.g. add-on versus platform acquisitions). Relais targets acquisitions with an EBITDA multiple of 6–7x, only exceeding 7x if the fit is exceptionally good. Smaller companies are typically acquired at a multiple of 4–5x. The purchase structure often combines cash, shares, and occasionally vendor notes to facilitate transactions.

Relais Group acquisitions since 2020

Date	Acquisitions	Enterprise value (EURm)	EBITDA (EURm)	Financial year	EV/EBITDA (x)
Jan-20	SEC Scandinavia	0.8	0.2	FY19	4x
Feb-20	TD Tunga Delar.	13.6	1.9	FY19	7.2x
Jan-21	Strands Group	17.9	2.5	FY20e	7.3x
Jan-21	Raskone	30.7	4.7	FY20	6.5x
Mar-21	Lumise Oy	10.3	1.1	LTM 2/21	9.4x
Oct-21	STS (Sydhamnens Trailer Service AB)	11.0	1.2	FY21e	9.1x
Dec-21	Trucknik	2.0	0.3	FY21	6.6x
May-22	Skeppsbrons Jönköping	8.6	1.4	FY21	6.1x
Dec-22	S-E-T A/S	5.6	1.1	FY21	5.1x
Mar-23	Adita	1.4	0.2	FY22	8.3x
Aug-23	AutoMateriell & Nordic Lift AS	4.0	n.m	n.m	n/m
Oct-23	Jyväskylä Truck Center	0.6	0.1	FY22	5.6x
May-24	Asennustyö M Ahlqvist Oy	n/a	n/a	n/a	n/a
Jul-24	Team Verkstad Sverige	n/a	n/a	n/a	n/a
Average					6.8x
Median					6.6x

Source: Carnegie Research

Due to its small size, we have not included Ecofoss in the table above.

Relais mainly acquires companies using cash and its own shares

To our understanding, governance is a key strength that Relais brings to the acquired companies. The group conducts monthly business review meetings to ensure transparency and strong ownership while enhancing the governance practices of the acquired companies. In cases where a minority stake is retained, usually a three-year programme is implemented to align interests and ensure successful integration. The preferred approach, however, is to acquire 100% ownership and tie the acquisition to Relais' shares, ensuring a seamless and committed integration process.

Relais looks for companies with an EBITA of EUR2m–5m and operating margin of over 10%

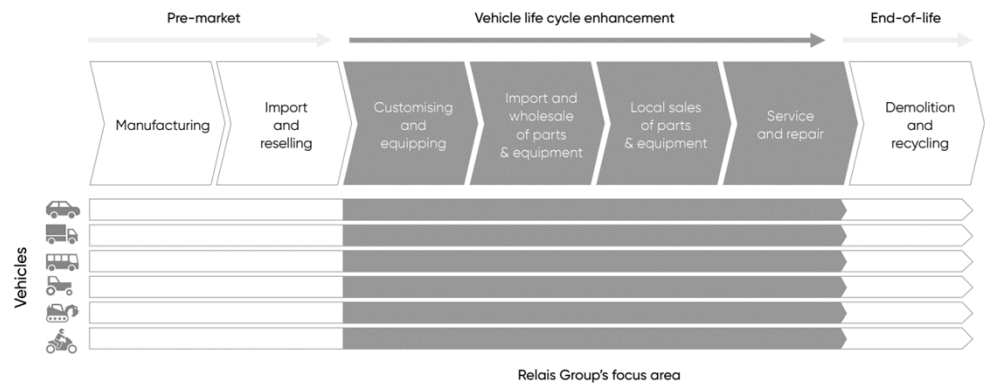
Relais looks mainly for M&A targets with an EBITA exceeding EUR2m, ideally within the EUR2m–5m range. However, in local bolt-on acquisitions, the EBITA levels can be much lower. Preferably, the target's profitability should be robust, with an operating profit margin above 10%. The geographic focus is mainly on the Nordic countries, and retaining the current management and key personnel is crucial for Relais. To our understanding, the integration of acquired companies is a smooth process as they continue operating under their own brands, focusing on revenue synergies rather than typical cost synergies.

According to Relais, its M&A funnel consists of around 10–20 active negotiations in different maturity stages. On top of this, Relais is continuously exploring growth opportunities in new product or service segments, or is on the lookout for smaller bolt-ons that would strengthen the company's presence in a specific region or product category.

Focus on vehicle life cycle enhancement market

Relais has divided the vehicle life cycle market into the following categories: 1) pre-market, 2) vehicle life cycle enhancement, and 3) end-of-life. The company focuses on the vehicle life cycle enhancement sector and on vehicles that typically are older than 3–5 years. Relais expects the market to grow at the same rate as GDP as its underlying markets (in the Nordic and Baltic countries), typically around 1-3% annually.

Relais' target market: Vehicle life cycle enhancement



Source: Relais

Relais reports sales in two segments: technical wholesale, and commercial vehicle repair and maintenance. In 2023, technical wholesale accounted for two-thirds of group sales and commercial vehicle repair and maintenance was one-third of sales.

For technical wholesale, Relais offers a broad range of replacement parts and accessories for vehicles, trucks, and heavy machines, among other vehicle types covering parts for the engine, electrical components, lights, brake systems, and more. The replacement components for commercial vehicles account for around half of technical wholesales' net sales. Relais ensures that the goods it offers meet or exceed OEM requirements.

In commercial vehicle repair and maintenance, Relais has a network of service centres and partner garages equipped with advanced diagnostic tools and staffed by trained technicians. The group aims to keep vehicles in optimal condition, preventing major breakdowns and extending their lifespan.

Commercial vehicles play a key role for Relais Group

We estimate that commercial vehicles stand for more than 60% of Relais' business

Commercial vehicles, such as trucks and trailers, vans, and buses, are integral to businesses for transporting goods and passengers. Their operation directly influences the operating company's revenue: a delivery company's income depends on the efficient and timely delivery of goods, which relies on the availability and functionality of its vehicles. These vehicles are used intensively, often running for long hours and covering significant distances. The high utilisation rate means that they are prone to wear and tear, requiring frequent maintenance and repairs.

For commercial vehicles, minimising downtime is critical. Every hour a commercial vehicle is out of service can result in lost revenue for the owner. For logistics companies, delays can lead to missed delivery deadlines, which can affect client relationships and contractual obligations. To maintain high operational efficiency, businesses must ensure their fleet is available and functional. This necessitates quick and efficient repair services to minimise downtime and keep the vehicles on the road.

According to Automotive Fleet, a US-based source for commercial fleet news, downtime costs can be split in two categories: 1) tangible costs, which e.g. include towing charges and temporary

Lighting products stood for around 20% of Relais' sales in 2023. This business brings growth potential also beyond Relais' home markets in the Nordics and Baltics

rental, and 2) soft costs, which include lost productivity and driver inactivity. 20% of fleet vehicles incur unplanned downtime due to accidents, according to SOTI, a company specialised in business mobility solutions.

Strong position in vehicle lighting

Whereas Relais currently is focused on the Nordic and Baltic markets in most of its technical wholesale and repair and maintenance business, we believe that the automotive lighting solutions market offers global opportunities for Relais. Through the strategic acquisitions of Strands and Lumise in 2021, Relais secured a stronger market position, increasing the share of the company's sales under its own brands. In addition, the acquisition of Strands also opened the door to growth outside the Nordic and Baltic countries: Strands delivers lighting products to Europe, North America and Australia.

The lighting of commercial vehicles and work machines significantly impacts work and traffic safety. Professionally designed and installed lighting solutions enhance the safety of various road users, as well as those working on e.g. construction sites. It also affects the well-being and ergonomics of machine operators and vehicle drivers, ensuring optimal use of equipment. In northern regions, where weather conditions, snow and darkness pose challenges, good lighting is essential for maintaining safety and efficiency. In urban areas, congestion and the high number of road users increase safety risks, but effective lighting can improve visibility and predictability in traffic and work zones.

For operators and drivers, whose workplace is often the cab or the vicinity of the vehicle or machine, proper lighting is crucial for ergonomics, work well-being, and safety. Good lighting design ensures that they can see their working environment clearly, which helps them observe where others are working or moving in relation to the machine or vehicle, thus reducing the risk of accidents. Overall, strategic lighting is vital for safety, ergonomics, and operational efficiency in various environments.

Relais group companies

Due to its buy-and-build strategy, Relais consists of several companies with various focus areas in the automotive aftermarket. Below is an overview of Relais' portfolio companies by segment (listed in alphabetical order).

Technical wholesale and products

Technical wholesale and products accounted for around two-thirds of Relais' net sales in 2023. Below is a list of companies included in the segment.



ABR, AB Reservdelar specialises in the wholesale distribution of spare parts and equipment for commercial vehicles in the Nordic countries. Its logistic centres in Stockholm and Malmö ensure quick deliveries locally and regionally in Sweden. Relais acquired ABR in May 2019.



Adita distributes spare parts and equipment for cars and marine use in the Helsinki region. Its store offers a selection of spare parts and accessories for cars, boats and other work machines. Relais acquired Adita in March 2023. At the time of the acquisition, Adita had an annual turnover of EUR5.6m. The acquisition significantly strengthened Relais' position in the Helsinki region.



AutoMateriell is a well-established actor in the Norwegian workshop equipment business, supplying workshop equipment solutions mainly for vehicle import and dealer chains, but also for e.g. the defence and marine sectors. AutoMateriell was acquired in August 2023 and had an annual turnover of EUR17.7m. Expanding into the workshop equipment business has allowed Relais to capitalise on the growing trend of converting to 'EV-ready' workshops, enabling it to offer customers a wider range of products and services.



Awimex is known for its range of automotive lighting solutions for commercial and heavy vehicles. Services cover power sources and equipment for the needs of vehicles, boats and industrial applications, from batteries to warning lights and camera systems. Awimex was acquired

by Relais in 2017 and the remaining 30% share was bought in December 2019.


DSM

Design by Scandinavian Metal (DSM) specialises in providing automotive and industrial lighting solutions. The company operates as a subsidiary for Lumise, which was acquired by Relais in April 2021.




Huzells Tunga Delar offers a selection of heavy-duty vehicle parts and equipment, servicing the commercial vehicle segment in Sweden. Relais acquired Tunga Delar in February 2020 and it was combined with Huzells, which Relais acquired in 2019. It had an annual turnover of EUR10m at the time of the acquisition.


LUMISE

Lumise specialises in advanced lighting solutions for vehicles, contributing to Relais' growing presence in the automotive lighting market. Lumise's online stores deliver to many countries, including the US and Australia. Relais acquired Lumise in April 2021. At the time of the acquisition, Lumise had an annual turnover of EUR11m and EBITDA of approximately EUR1.1m. The acquisition enabled Relais to accelerate its growth by leveraging digitalisation, e-commerce solutions, and data analytics.




Nordic Lift supplies lifting equipment and related services for vehicle workshops in Norway, ensuring safety and efficiency in vehicle maintenance operations. Relais acquired Nordic Lift in August 2023. At the time of the acquisition, Nordic Lift had an annual turnover of approximately EUR1.2m. The acquired business unit allows Relais Group to capitalise on Norway's advanced electrification progress, driving sales of workshop equipment, spare parts, and services. Today, Nordic Lift operates as a part of AutoMateriell.


ECOFOSS

SEC SET Ecofoss is a combination of three companies – SET, SEC, and Ecofoss – which were acquired in 2020–22. The company specialises in lighting, camera systems, and power supplies.


STARTAX

Startax distributes a wide range of automotive spare parts and accessories, catering to both the retail and wholesale markets in the Nordic and Baltic countries. Startax was acquired in 2010 and was the first acquisition of Relais Investment Oy. After the acquisition, the establishment of Startax AS in 2011 marked the expansion of the business from Finland to Estonia, and in 2014, new acquisitions were made (see company history).


strands

Strands Lighting Division is an automotive lighting brand operating globally. The company was acquired in December 2020 and had an annual turnover of around EUR15m at that time. The acquisition expanded Relais' range of lighting products and brands, and opened new geographic markets in Europe and beyond, further strengthening its position in the vehicle lighting aftermarket.




Trucknik Reservdelar AB is a wholesaler of spare parts and accessories specialised in heavy commercial vehicles. The company was acquired by Relais Group in December 2021. At the time of the acquisition, Trucknik had 10 employees and a turnover of approximately EUR2.5m. Since 2023, Trucknik has been incorporated into Huzells Tunga Delar.

Commercial vehicle and repair

The commercial vehicle and repair business stood for around one-third of Relais' net sales in 2023.


ahlqvist

Asennusyhtiö M. Ahlqvist provides maintenance and repair services for heavy commercial vehicles in southwest Finland. The company was acquired by Raskone (part of Relais) in May 2021; annual net sales were EUR8.7m and operating profit was EUR0.6m.




Jyväskylä Truck Center provides a wide range of heavy-duty vehicle maintenance services in Jyväskylä, Finland. Raskone (part of Relais) acquired the company in October 2022. In 2022, the business had net sales of about EUR1.7m and EBIT of around EUR0.1m.



Raskone is the largest independent maintenance and repair chain for commercial vehicles in the Nordic countries, offering extensive services for fleet operators. Raskone offers cost-effective solutions for maintenance compared to branded stores. The company was acquired in January 2021 and had an annual net sales of about EUR63m and an EBITDA of around EUR4.7m.



Skeppsbrons Jönköping is a repair and maintenance workshop for both heavy and light commercial vehicles in Sweden. The company was acquired in May 2022 and had annual net sales of approximately EUR7.6m and adjusted EBITDA of EUR1.5m.



STS Sydhammens Trailer Service provides maintenance and repair services for trailers in Sweden, supporting the logistics industry's need for reliable and efficient service solutions. The company was acquired in October 2021 and had annual net sales of about EUR23m and EBITDA of around EUR1.2m.



Team Verkstad Sverige AB provides maintenance and repair services for buses and other heavy commercial vehicles. Operations comprise one workshop and one damage repair workshop in Partille, near Gothenburg, Sweden. After carving out operations that were not part of the transaction scope, net sales in 2023 were around EUR52m, and operating profit around EUR1.7m.

Over 90% of Relais' sales is B2B

Sales channels and customer base

According to Relais, its customers are mainly dealers of spare parts and equipment in the wholesale business. In the repair and maintenance segment, customers mainly consist of big fleet customers and various transport companies of different sizes. In its listing prospectus in conjunction with the company's transfer to the Helsinki stock exchange main list in 2022, Relais estimated that large customers accounted for around 6–7% of its revenue. Although not explicitly stated by the company, our take is that Relais' customer base primarily consists of companies and dealerships, with the B2B sales channel accounting for over 90% of sales.

Automotive repair shops benefit from Relais' comprehensive range of spare parts and electrical equipment, which are essential for maintaining and repairing vehicles. Wholesalers and retailers, on the other hand, rely on Relais to supply a broad assortment of products that they can distribute further down the supply chain.

Relais group companies utilise electronic product catalogues in the wholesale of spare parts and accessories as well as in the sale of vehicle lighting. The electronic product catalogues contain all the essential information needed to identify spare parts and accessories, allowing customers to search, browse, and order products. Customers can choose to have products shipped to their location or pick them up from specific warehouses. In addition to sales occurring through electronic product catalogues, sales teams are in constant contact with customers, assisting them with orders and providing technical advice with the aim to offer excellent customer service and technical guidance. Relais has sought to strengthen the group's e-commerce expertise, supported by e.g. the acquisition of Lumise in 2021, which bolstered the company's sales channels and digital development efforts. However, we understand that sales through its e-commerce channel (mainly Lumise) have been weaker than what Relais assumed in conjunction with the acquisition, mainly due to the weaker than expected consumer sentiment in the Finnish market.

In the commercial vehicle maintenance and repair business group, customers can book service appointments for the repair shops via the website or by phone. For urgent repairs or maintenance, local repair shops strive to assist customers as quickly as possible, as maintaining a high utilisation rate of commercial vehicles is critically important to their owners.

Supply network and sourcing

Relais mainly sources from Asia, Europe and North America

Relais does not manufacture any of the products it sells and distributes, but sources them from a wide array of global suppliers in Europe, North America and Asia. In 2022, Relais estimated that around 22% of its sourcing was from China and Taiwan. Relais mainly sources from large well-managed OEM subcontractors but also from smaller suppliers, ensuring dual sourcing for critical parts and components. Sourcing is to some extent managed centrally regarding strategic suppliers

to set framework agreements on pricing, quality and delivery terms to gain synergies through scale. Relais group companies then source locally using group framework agreements as a base. Relais audits its supplier base and factory visits are carried out regularly. Relais is dependent on external logistics partners for distributing its products.

Its largest warehouses and logistics centres are in Finland and Sweden

Relais' largest warehouses and logistics centres are in Finland in Lempäälä (Startax) and in Sweden in Stockholm and Malmö (ABR), Karlstad (Huzells Tunga Delar), and Simrishamn (Awimex). All facilities are leased.

Relais personnel has mainly grown through M&A

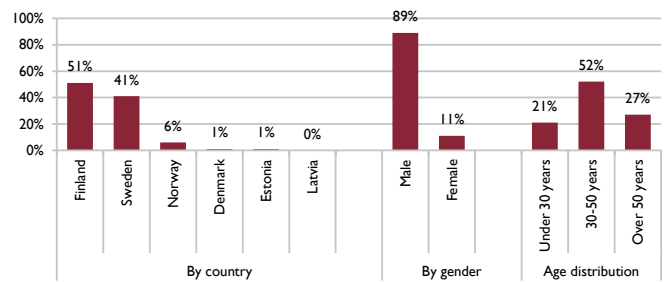
Relais employed 1,089 persons at the end of 2023, an increase of 81 persons due to M&A. 97% of its staff are permanent and full-time employees. Permanent employee turnover was 15%. We estimate that more than half of its employees work in the repair and maintenance segment.

Relais - number of employees, YE



Source: Carnegie Research, Relais

Relais - personnel distribution, 2023



Source: Carnegie Research, Relais

Market overview

The vehicle aftermarket in the Nordics and Baltics is characterised by its moderate growth and defensiveness. Relais focuses on the independent aftermarket (IAM), which is formed by independent wholesalers and repairers that offer products and services such as vehicle customisation, wholesale and retail of spare parts and equipment, and workshop and installation services. Relais estimates that its target market consists of around 19 million vehicles, representing sales of more than EUR20bn with an annual growth rate in line with GDP. The market is fragmented and competitive: Relais is competing with local, Nordic, European and global players. We estimate that Relais' market share of the total IAM market in the Nordics and Baltics is around 1.5%, but it could reach 15–30% according to the company when looking at certain niches, subsegments or regions in the IAM segment. According to the Roland Berger report "Survival of the Fittest", the European automotive market is undergoing a significant transformation and rapid consolidation is a central theme. We consider Relais to be well positioned to benefit from this trend given its successful history in M&A and established foothold in the industry.

Market overview

Car manufacturers, such as BMW, Volvo and Ford, generally make the body, frame and sometimes the main engine components for the cars they have designed. OEM (original equipment manufacturer) refers to the manufacturer of the original parts needed in their vehicles. An OES typically manufactures both genuine OEM parts, which are branded with the vehicle's logo, and spare parts (automotive aftermarket parts), which are without branding, but manufactured to the same quality as the genuine parts. The OES spare parts are sold at various wholesalers and in the independent aftermarket (IAM) by players such as Relais. The part wholesalers typically keep popular or fast-moving parts in their inventory, and therefore some parts might only be available from the dealership.

Spare automotive parts can also be manufactured by other players, with the difference being that they are not made fully to the OEM's specifications.

The market for spare parts is divided into original equipment players (OEM) and independent aftermarket companies (IAM), such as Relais

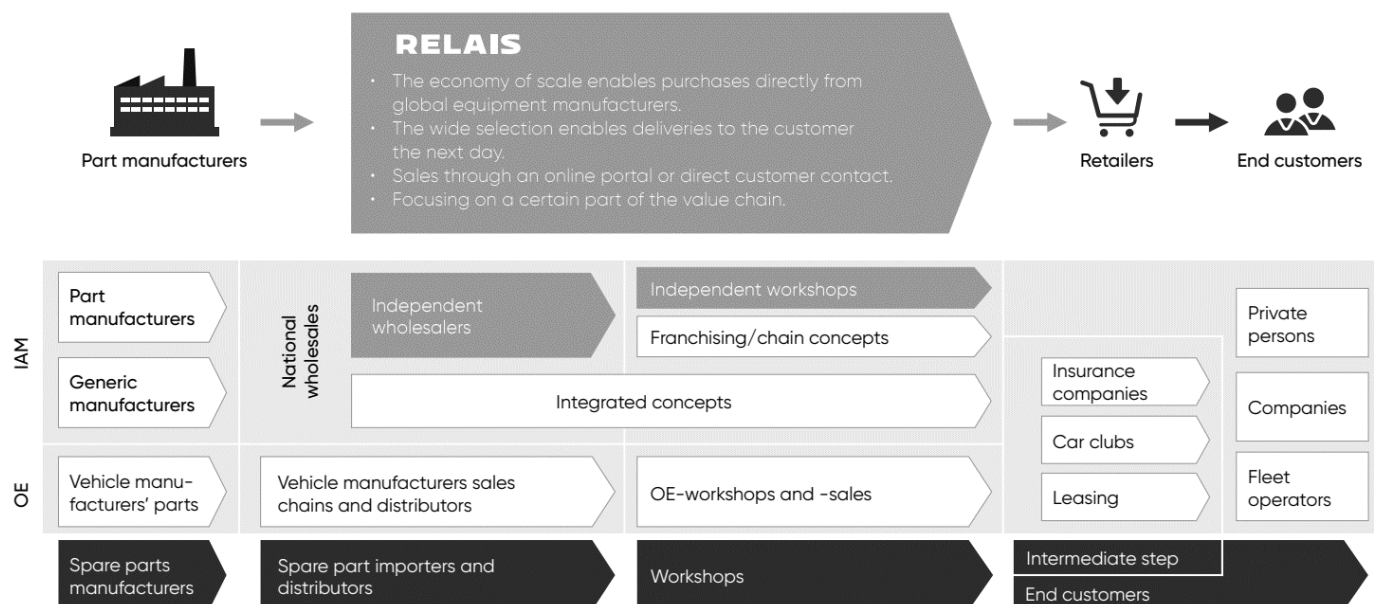
Hence, in short, the automotive aftermarket for spare parts and repair services can be roughly divided into two categories:

- 1) manufacturing, supply and distribution of original spare parts and equipment (OEM), and;
- 2) the independent aftermarket (IAM) formed by independent wholesalers, distributors and repairers who operate as self-standing businesses.

The IAM market is typically less cyclical than the OEM market

As a vehicle ages and goes out of warranty, it might be expensive to use the OEM for replacing parts and servicing. IAM is generally considered cheaper, and therefore in some cases a better alternative for older vehicles. Relais mainly operates in the IAM category. This sector is defensive and less cyclical; during periods of economic downturns, IAM has historically fared well, as consumers typically prefer more affordable parts and services compared to original equipment manufacturers. In the commercial vehicle segment, which Relais focuses on, the continuous need for maintenance further supports market growth.

Relais' view of the vehicle aftermarket value chain



Source: Relais

Relais' target market is around EUR20bn annually

Relais estimates that its target market consists of around 19 million vehicles, representing annual sales of more than EUR20bn. The market is fragmented, according to Relais and other companies in the market, but we have not been able to quantify the number of players.

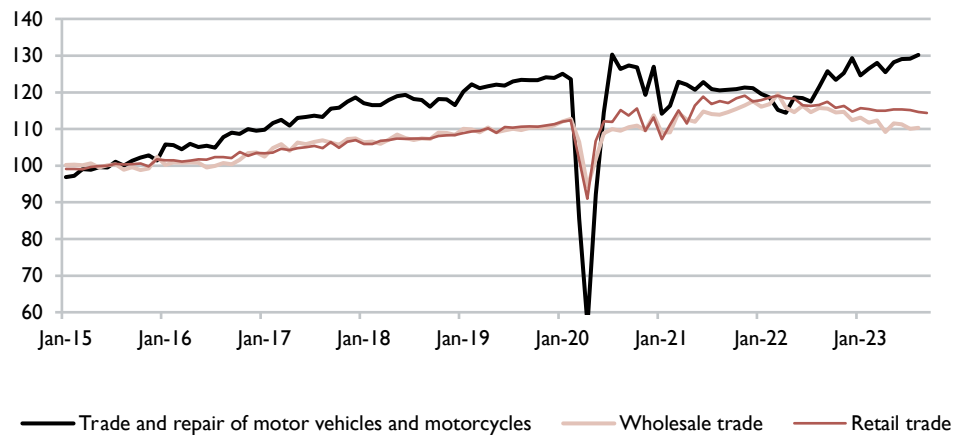
IAM market growth is impacted by vehicle age and the number of vehicles on the road

Relais focuses on commercial vehicles and passenger cars that are older than 3–5 years. Relais' target market growth is impacted by vehicle age (as vehicles age, they require more frequent repairs and parts) and the number of vehicles on the road (the greater the number of vehicles, the higher the demand for maintenance and parts.) Based on statistics from the World Economic Forum, we estimate that the number of vehicles could increase by around 2% annually over the next few years, primarily driven by broader economic factors such as economic growth and consumer spending power.

Since 2015, the market for trade and repair of motor vehicles in the EU has grown faster than overall wholesale and retail trade

As illustrated in the chart below, the trade and repair of motor vehicles in the EU has grown faster than the overall wholesale and retail trade. According to Eurostat, the retail trade volume in the EU rose gradually but steadily after the financial crisis of 2008–09. The coronavirus pandemic caused an unprecedented decline in retail sales, but these recovered to pre-crisis levels quite quickly. Since 2015, the trade and repair of motor vehicles has grown by around 4% CAGR, compared to overall wholesale and retail trade, which have grown at 1% and 2%, respectively.

Retail and wholesale trade in EU (2015=100)



Source: Eurostat, Carnegie Research

Growth of the target market

Relais' market growth is driven by fundamental transportation needs, the number of vehicles and technological innovations, vehicle stock and age, vehicle utilisation, and the introduction of new vehicles, which increases demand for updated aftermarket products. We discuss these more in detail in the appendix.

The global car market is expected to grow by 2% annually until 2040

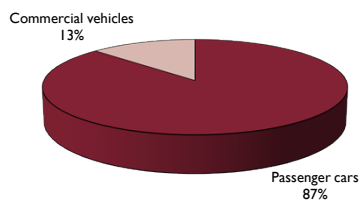
According to the World Economic Forum, the number of cars worldwide is set to double in 2040. This would mean growth of approximately 2% per annum, correlating to the expected GDP growth, indicating a gradually growing target market for Relais.

Growth of the automotive aftermarket in Europe

The European vehicle fleet has grown by 2% CAGR 2012–22

The European vehicle fleet in 2021 amounted to 286 million units, of which 87% were passenger cars and the remaining 13% commercial vehicles (light, medium and heavy commercial vehicles, and buses and coaches), according to the European Automobile Manufacturers' Association (ACEA). The market has grown by around 2% annually over the past ten years, as illustrated in the lower-right chart.

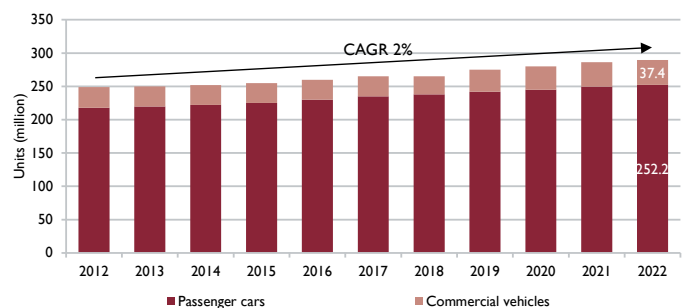
EU vehicle fleet split



2022: 290 million units

Source: ACEA, Carnegie Research

EU vehicle fleet: size and distribution

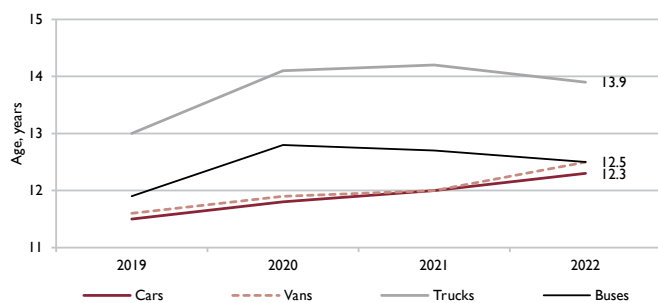


Source: ACEA, Carnegie Research

The average age of cars and trucks in the EU is around 12 and 14 years, respectively

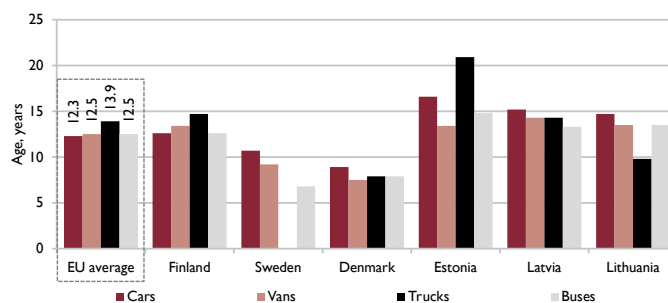
Due to muted new registrations after the pandemic, the average age of passenger cars in the EU has increased to slightly more than 12 years (lower left chart), whereas the average age of trucks and buses declined slightly in 2022.

The average age of EU fleet



Source: ACEA, Carnegie Research

Average age of vehicle fleet in EU, 2022



Source: ACEA, Carnegie Research

Relais expects the vehicle life cycle enhancement market to grow on par with GDP

Growth and growth drivers of the automotive aftermarket in the Nordics

Relais expects the vehicle life cycle enhancement market to grow at the same rate as GDP. In its Q4(23) report, Relais stated that it sees every vehicle as a revenue platform.

Macroeconomic factors significantly impact the independent vehicle aftermarket in the Nordic region. As private consumption increases, so does the need for transportation. An active economy leads to more goods and materials being transported, more efficient use of construction machinery, and heightened demand for services. The growth rate of the car market in the Nordic countries often mirrors overall GDP growth. This correlation is due to the interdependence of economic growth and consumer spending on durable goods like vehicles. Oxford Economics highlights that increasing domestic demand and economic confidence drive regional growth, indicating that as GDP rises, so does car demand. Higher demand for mobility also boosts the need for vehicles, leading to increased maintenance and repairs, thus driving the demand for spare parts. For instance, Statistics Finland reports that the average age of vehicles on Nordic roads is rising, with Finland's average vehicle age exceeding 12 years, underscoring the growing need for aftermarket services and components.

In economic downturns, the IAM market has fared better thanks to consumers' focus on cost efficiency

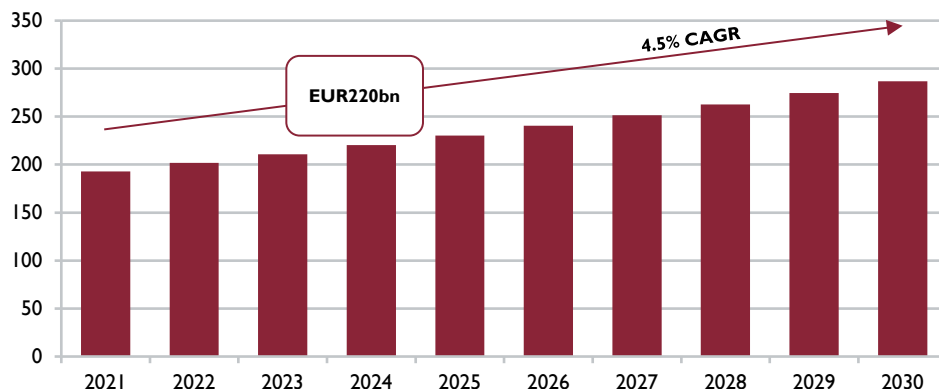
Conversely, during economic downturns, consumers tend to reduce spending on new vehicles and accessories, while existing vehicles still require maintenance. For example, the recent economic slowdown in the Nordic countries has led to lower new vehicle sales, increasing reliance on older vehicles needing repairs. Despite potential delays in maintenance during downturns, essential repairs for safe vehicle operation, such as functioning lights and brakes, remain necessary. Relais maintains a strong presence in all these product segments. Additionally, fuel price fluctuations affect the mobility of goods and people, impacting the vehicle aftermarket. Lower fuel prices enhance transportation affordability and mobility, whereas higher prices have the opposite effect.

MEKO expects the European automotive aftermarket to grow by 4.5% CAGR 2021–30

How other players assess market growth

While Relais focuses on the Nordic, we have also looked at what the company's peers say about the expected market growth in Europe. The Nordic automotive aftermarket player MEKO presented its view on the European automotive aftermarket during its CMD earlier in 2024. It projects a CAGR of 4.5% for 2021–30, as illustrated in the chart below. The growth is driven by several factors, including increased vehicle ownership, rising demand for maintenance and repair services, and technological advancements in automotive parts and services.

The European automotive aftermarket, EURbn



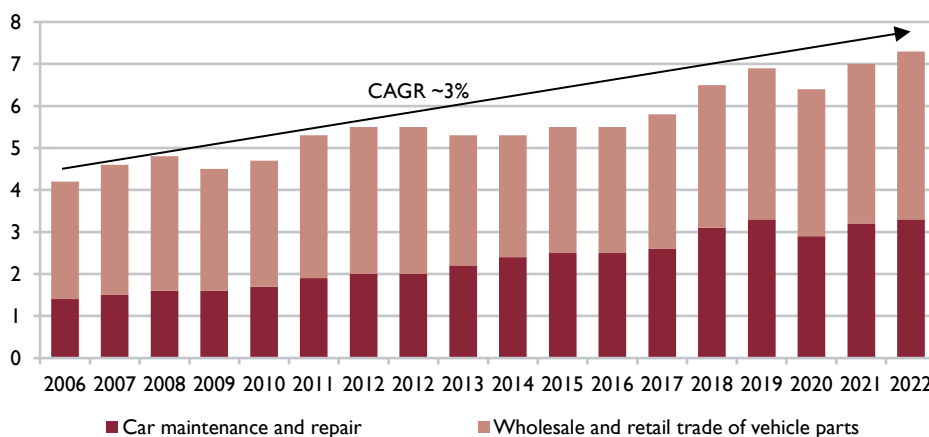
Source: Carnegie Research, MEKO

Inter Cars expects the market in Europe to grow by 2–8% annually

Inter Cars, a leading automotive aftermarket player based in Poland, estimates the growth of the automotive aftermarket in Europe to be 2–8% in the coming years. However, we do not know the exact timeframe the company refers to.

Regarding the local markets, Statistics Finland estimates that the Finnish vehicle aftermarket grew by ~3% CAGR during 2006–22 and amounted to around EUR7bn in 2022 (see chart below). Based on Relais' sales in 2022, we estimate the company's market share in Finland was ~1.5%.

Relais target market in Finland (in EURbn)



Source: Carnegie Research, Statistics Finland

Market trends

Relais and its peers are affected by several trends in the aftermarket sector, creating both opportunities and challenges for the players. These trends include:

- the consolidation of the vehicle aftermarket in the Nordics;
- the electrification of powertrains;
- the increasing complexity and value of vehicle components;
- the rise of digitalisation and e-commerce, and;
- the growing importance of data generated by vehicles, or 'Big Data'.

We discuss these in more detail below.

Consolidation of the vehicle aftermarket in the Nordics

The vehicle aftermarket in the Nordic region is fragmented and consolidation has continued in recent years, according to MEKO. Smaller independent players are merging or being acquired by larger companies, leading to fewer but stronger entities with greater market power. This consolidation trend enables companies like Relais and MEKO to expand their market presence, improve operational efficiencies, and leverage economies of scale. By consolidating, aftermarket companies can offer a broader range of products and services, improve supply chain management, and enhance their competitive positioning in the market.

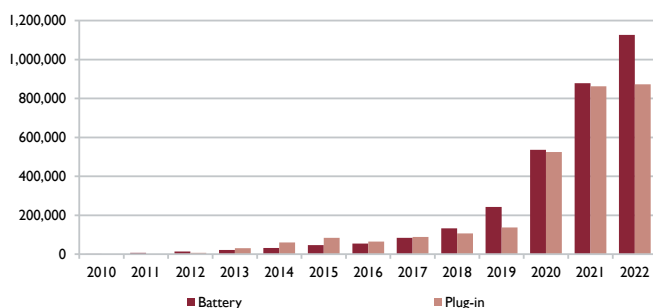
Rise in the number of EVs increases demand for EV components

The adoption of electric cars and vans in the EU has continued to increase, according to the European Environment Agency (EEA). In 2022, EVs stood for around 22% of new car registrations, amounting to nearly two million EV registrations for the year, up from 1.7 million in 2021. The number of electric vans on European roads has also continued to rise, reaching a 5.5% share of new registrations in 2022. In 2022, the number of newly registered BEVs increased by 25%, while the number of plug-in hybrid cars remained stable. According to the EEA, Norway led the way in new registrations of electric passenger cars, with around 90% of all car registrations being EVs. Electric cars (plug-in and battery) represented around 60% of all car registrations in Sweden, and around 40% of all car registrations in Finland.

We expect market consolidation to continue with Relais being one of the gainers of this trend

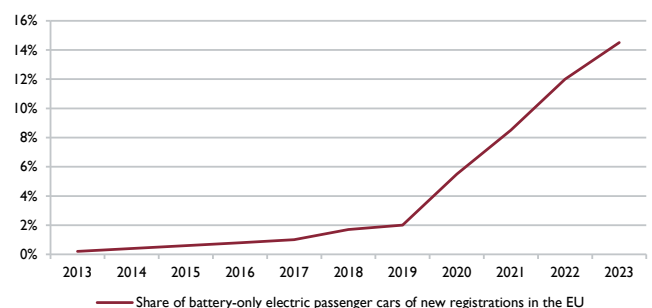
The increase of EVs and electric commercial vehicles adds complexity to the technical wholesale and service businesses. Relais recent acquisitions has strengthened the company's offering also for electric vehicles

New registrations of electric cars in the EU



Source: European Environment Agency, Carnegie Research

Share of battery-only electric passenger cars of new registrations, EU



Source: Eurostat, Carnegie Research

According to the EEA, starting in 2025, Regulation (EU) 2019/631 mandates stricter EU-wide CO2 fleet targets: a 15% reduction for both cars and vans by 2025, and by 2030, a 50% reduction for vans and a 55% reduction for cars, all compared to a 2021 baseline. Additionally, it establishes a zero-CO2 emission target for all new cars and vans beginning in 2035. Achieving these goals will require a substantial increase in the adoption of electric vehicles.

Furthermore, as the number of electric vehicles rises rapidly, so does the demand for EV components and accessories, such as advanced battery management systems, electric motors, and charging infrastructure components. Leading automotive part suppliers in the market, such as Bosch, Continental and Magna, focus on developing EV-specific parts and systems to capitalise on the expanding EV market and position themselves as key players in the future of automotive technology.

However, the trend towards vehicle electrification also presents challenges for the market. EVs typically require fewer traditional spare parts, particularly those associated with internal combustion engines. Additionally, EV components tend to have longer lifespans and require less frequent maintenance. To mitigate this shift and adapt to the changing landscape, market players must diversify their offerings or invest in the EV market.

Vehicles are becoming increasingly complex. We think Relais can be on top of this trend thanks to its capacity to invest and develop services to meet demand

Digitalisation and increasing complexity and value of vehicle components

Modern vehicles are becoming increasingly complex, with advanced technologies and high-value components such as sophisticated electronics, advanced driver-assistance systems (ADAS), and interconnected vehicle systems, and this is also driving the spare parts market. The growing complexity and value of the components mean that there is higher demand for specialised knowledge and high-quality replacement parts in the aftermarket. According to Relais, the company can capitalise on this trend by investing in training, technology, and an inventory that caters to these advanced components, ensuring it can meet the needs of modern vehicle owners.

Data generated by vehicles (Big Data)

The increase in connected vehicles generates vast amounts of data, often referred to as 'Big Data' according to Relais. This data includes information on vehicle performance, usage patterns, maintenance needs, and more. By harnessing Big Data, aftermarket companies can gain valuable insights into customer behaviour, predictive maintenance, and inventory management. Relais can use this data to enhance its service offerings, optimise supply chains, and develop data-driven strategies to improve customer satisfaction and operational efficiency.

Sourcing and pricing are key to ensuring profitability, in our view. We see evidence that Relais is able to utilise its scale in this regard

Pricing in wholesale trading and efficiency of working capital

In the context of wholesale trading, pricing is crucial for maintaining profitability and market positioning. One of the significant risks is setting prices too low, which can impact margins and undermine the perceived value of products.

Efficient management of working capital is another critical aspect. For Relais, maintaining high service levels necessitates the ability to respond quickly to customer demands and market changes. This agility requires a certain amount of capital to be readily available, committed to inventory, receivables, and other short-term assets essential for smooth operations.

Moreover, enhancing operational capacity is a key focus for the company. This involves investing in new technologies, expanding facilities, and optimising current processes to handle increased volume efficiently and effectively. By focusing on these areas, Relais aims to strengthen its market position and sustain growth in the competitive vehicle life cycle enhancement sector.

Online retailing is a growing trend. Relais focuses mostly on commercial vehicles, where online is in lesser focus and technical sales and support are more important

The importance of online marketplaces in the automotive aftermarket for spare parts

The global automotive aftermarket e-retailing market size is forecast to grow at a CAGR of around 3.6% in 2022–27, according to Technavio, a global market research and advisory firm. This trend is visible in the market, with some large global players focusing almost solely on their online marketplaces. According to Relais, the rise of online shopping boosts the demand for efficient 'last mile' delivery solutions, subsequently driving the need for the repair and maintenance of light commercial vehicles, along with the need for improved power management and lighting.

According to Vaimo, a consulting firm specialising in digital commerce and customer experience, the automotive aftermarket, like many other industries, has been and continues to be transformed by technology. A growing number of automotive customers, accustomed to shopping on their mobile phones, now expect the same ease and flexibility when purchasing parts. Modern customers want to research parts, compare prices, and check reviews before making a purchase. This places pressure on parts distributors and manufacturers to meet these expectations. Traditionally, the aftermarket has focused on the necessary maintenance and upkeep of vehicles. However, this is changing. Today's aftermarket not only aims to keep cars running, but also to personalise and enhance their appearance and feel.

Competitive landscape

Relais operates in a fragmented and competitive industry, facing pressure from various importers and distributors of spare parts and accessories, as well as from service and repair providers for commercial vehicles. Additionally, online retailers of vehicle parts and accessories, known for their competitive pricing and convenience, are also competing with Relais.

In the future, Relais may encounter even stronger competition if rivals adopt aggressive pricing

strategies, expand their distribution networks, launch extensive marketing campaigns, offer more attractive products or services, or adapt more quickly to changes in customer preferences and trends. Also, some new online discount shops compete primarily on price and might expand into the Nordic and Baltic regions to challenge local players.

We estimate Relais' market share to be ~1.5% of the EUR20bn market for vehicle aftersales products and services

In the technical wholesale and products market, Relais' main peers are KGK and MEKO

In lighting products, Relais competes with e.g. the Transport Solutions segment of Axel Jonson International

In the market for commercial vehicle repair and maintenance, Relais competes with e.g. Malte Månson in Sweden and Wetteri Power in Finland

Relais Group has shown both a strong net sales CAGR and a strong average EBIT margin in the past five years, compared to key competitors in the automotive aftermarket sector

Based on Relais' sales in 2023 and an estimated Nordic and Baltic vehicle aftermarket of EUR20bn, we estimate the company has a ~1.5% market share. Based on discussions with the company, however, we understand that its market position by sub-segment varies.

Excluding the OEM market, Relais' market share could be 10–15% of the spare part wholesale market in Finland and Sweden. However, Relais is present in different segments by market: Relais is relatively strong in electrical spare parts and components in Finland, whereas the company has a similar share of the vehicle brake system parts market in Sweden. The spare parts market also consists of players that have integrated both wholesale and retail sales, such as **MEKO** or **KG Knutsson (KGK)**, so this makes it more complicated to get the full picture.

In the market for lighting products (excluding products that are part of the factory configuration set-up), Relais' market share could be up to 30%. Relais competes with other large players in the field of lighting products such as the Transport Solutions segment within **Axel Johnson International**, which considers itself the market leader in the Nordic vehicle lights and components market.

In the market for service, repair and maintenance, around 80% of the market is held by OEMs, whereas the market for independent service providers is ~20%. Relais is one of the largest independent players in the service market in Finland and Sweden, whereas Denmark and Norway are white areas for the company. Relais competes with e.g. **Malte Månson**, which claims it is the largest independent workshop chain for trucks with 30 facilities in Sweden. In 2023, Malte Månson had sales of around EUR35m (SEK400m). Like Relais, Malte Månson is also consolidating the market – so far in 2024 it has completed three acquisitions. Malte Månson is owned by Accent Equity, a private equity fund investing in Nordic private companies.

In repair and maintenance of commercial vehicles, Relais also competes with companies like **Wetteri Power** (part of the listed vehicle sales and service company Wetteri) in the northern parts of Finland.

Illustration of Relais' key competitors and players in the independent automotive aftermarket



Source: Carnegie Research, Factset

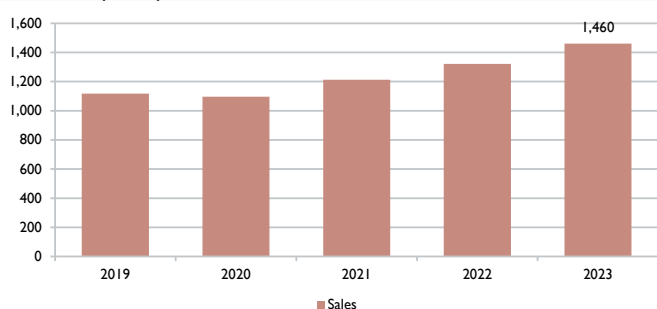
Below we describe some of Relais' larger peers in the Nordics and beyond.



MEKO

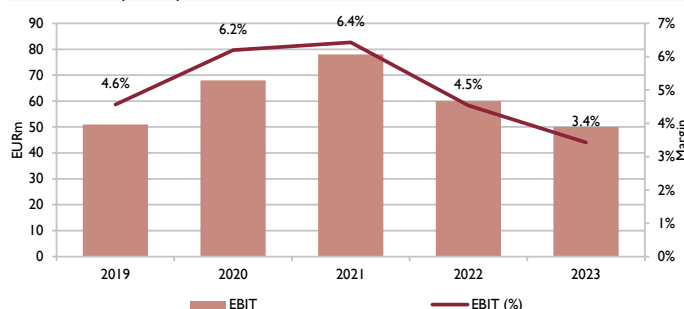
MEKO operates in the automobile aftermarket in northern Europe. It is active in eight countries and has 600 shops, 20,000 workshop customers, and 4,300 workshops running under its own brands. 96% of MEKO's net sales are from product sales to external customers. Workshop services and yearly and licence fees to linked branches and workshops account for the remaining 4% of net sales. Below is an overview of MEKO's key figures. In 2023, it had sales of EUR1.46bn and an EBIT margin of 3.4%.

MEKO Sales (EURm)



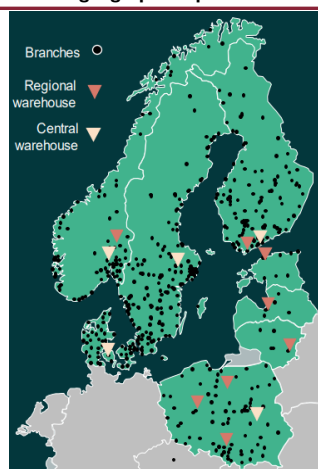
Source: Carnegie Research, Factset

MEKO EBIT (EURm)



Source: Carnegie Research, Factset

MEKO - geographical presence



Source: MEKO

Over the past decade, MEKO has made several strategic acquisitions in Sweden, Norway, Denmark, Poland, Finland, Estonia, Latvia, and Lithuania. MEKO has experience in refining and streamlining operations, aiming to integrate them into an optimal context where they reach their full potential. Acquisitions are a central component of MEKO's profitable growth.

In July 2022, MEKO acquired Koivunen Oy, a provider of automotive spare parts and related services in Finland and Estonia, with operations also in Latvia and Lithuania. The enterprise value was SEK1,280m on cash and debt-free basis. At the time, Koivunen had net sales of around SEK1,740m and EBIT of around SEK98m, implying a deal valuation of EV/Sales 0.7x and EV/EBIT 13x. MEKO expected the acquisition to generate annual synergies of SEK40m with full effect during 2024.

Key acquisitions & investments

08-Jul-24	Acquired Automeister , 14 facilities across Estonia
10-May-24	Acquired Elit Polska from LKQ Corporation
15-Apr-24	BilXtra partnership investment, established in 2019 to challenge retail and wholesale businesses
01-Dec-22	MEKO's Danish subsidiary FTZ acquired 70 percent of the leading car accessories company Avant Denmark
01-Jun-22	Meko acquired Koivunen , the leading provider of automotive spare parts and related services in Finland and Estonia
10-Mar-22	Acquired 20.5 percent of the Swedish service company Omnicar Holding AB , which offers mobile car services and digital sales of electric cars.
03-Sep-18	Acquisition of FTZ and Inter-Team

Source: Carnegie Research, MEKO

KGK - geographical presence



Source: KGK

KG Knutsson (KGK)

KGK is a privately held distributor focused on the automotive industry in the Nordic and Baltic countries. In Sweden, the company resells accessories, spare parts and equipment components for motor vehicles and machinery. KGK also repairs gearboxes and shafts. In Finland, Estonia, Latvia and Lithuania, the business mainly consists of the sale of car spare parts and car accessories. In Norway, KGK sells and repairs gearboxes and axles, in addition to selling car service parts and accessories.

KGS's sales in 2023 were about EUR290m (SEK3,340m). The company employs around 1,300 people and claims its product and service range is the broadest in the industry.



Autodoc

Autodoc is a private, prominent online retailer of automotive parts and accessories, operating primarily in Europe. Apollo Global Management, among others, has invested in the company and is one of the owners. Founded in 2008 and headquartered in Berlin, Germany, the company has grown significantly, establishing itself as a leader in the online automotive aftermarket. Autodoc offers a vast selection of products, including parts for passenger cars, trucks, and motorcycles. Its inventory includes tires, brake systems, engines, engine oil, filters, tools, and accessories. The company has a presence in various European countries: Germany, Austria, Switzerland, Spain, Italy, the UK, and France.

The company serves a broad customer base, ranging from individual vehicle owners to professional repair shops. Autodoc's business model leverages e-commerce platforms to provide easy access to over 5.8 million products from 172 car brands, 23 truck brands, and 154 motorcycle brands. This extensive range, coupled with competitive pricing and efficient delivery services, positions Autodoc as a convenient and reliable choice for automotive parts. The company operates 27 online shops across Europe.

In 2023, Autodoc reported sales of more than EUR1.3bn with a CAGR of 26% during 2018–23, demonstrating its robust market presence and successful expansion strategies. The company operates multiple distribution centres across Europe, enhancing its logistics capabilities and ensuring prompt service to its customers.

Genuine Parts Company (GPC)

GPC is a global, listed service organisation engaged in the distribution of automotive and industrial replacement parts, office products, and electrical/electronic materials. Founded in 1928 and headquartered in Atlanta, Georgia, US, GPC operates primarily through four segments: Automotive Parts Group, Industrial Parts Group, Business Products Group, and Electrical/Electronic Materials Group.



Genuine Parts Company is one of the biggest companies in the automotive aftermarket sector and has historically made several acquisitions in Europe

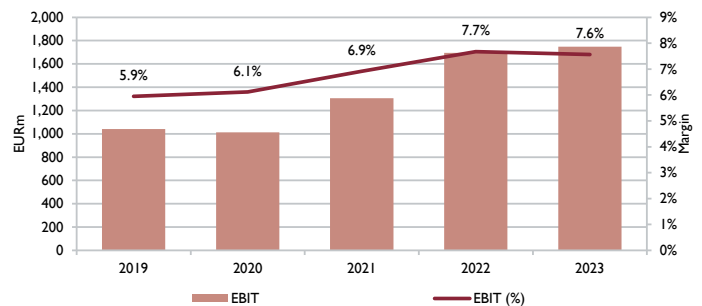
In 2023, GPC recorded annual revenue of approximately USD21bn, marking a significant presence in the global distribution industry. GPC's 2023 net income was around USD1.3bn, reflecting its solid profitability and efficient operations. The company's financial strength is supported by its network of distribution centres and a broad portfolio of products.

GPC Sales (USDm)



Source: Carnegie Research, Factset

GPC EBIT (USDm)



Source: Carnegie Research, Factset

Genuine Parts Company has a wide global footprint that is bolstered by its network of over 3,600 operations and more than 50,000 employees. This network allows GPC to serve a diverse customer base, providing parts and services across various industries.

To expand its market presence and enhance its service offerings, GPC has made several strategic acquisitions. Notably, in Europe, it acquired Alliance Automotive Group (AAG) in October 2017, with a purchase price of approximately USD2bn. This acquisition expanded GPC's footprint in the European automotive aftermarket. AAG is a distributor of light and commercial vehicle parts in the UK, France, Germany, and Poland. In 2019 GPC acquired Inenco Group, based in Australia and New Zealand. Inenco Group added an industrial parts distribution network to GPC's portfolio, further diversifying its operations and extending its global reach.

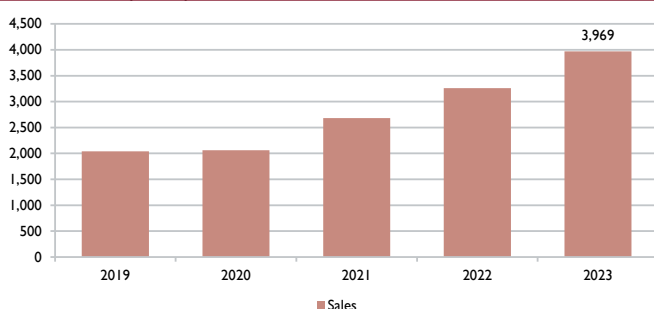


Inter Cars

Inter Cars, founded in 1990, is a public Polish company specialising in imports and distribution of automotive spare parts. The company serves a broad range of customers, including private individuals, businesses, and vehicle fleets. Products include spare parts for passenger cars, trucks, motorcycles, and marine vehicles, as well as garage equipment, car accessories, lubricants, batteries, and more.

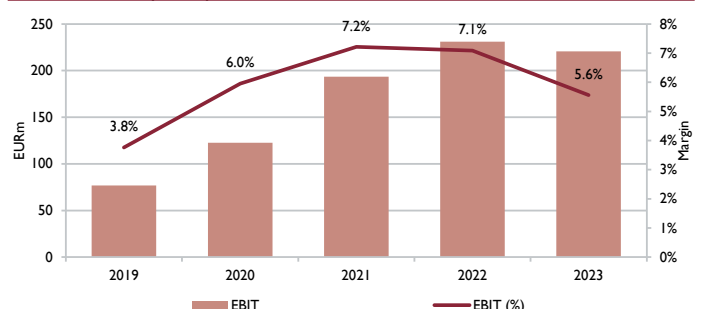
Inter Cars' 2023 sales were EUR4bn and EBIT was around EUR220m, reaching an EBIT margin of about 6%.

Inter Cars Sales (EURm)



Source: Carnegie Research, Factset

Inter Cars EBIT (EURm)



Source: Carnegie Research, Factset

Inter Cars operates a broad network of distribution centres across Europe. The company has logistics centres in several countries, including Poland, Romania, Bulgaria, Hungary, the Czech Republic, Ukraine and Latvia.

In addition to automotive parts, Inter Cars also offers specialised services, such as vehicle maintenance and repair, real estate development and leasing for commercial properties, and marketing activities. The company has presence in the e-commerce sector, enabling both B2B and B2C customers to purchase vehicle parts and accessories online.

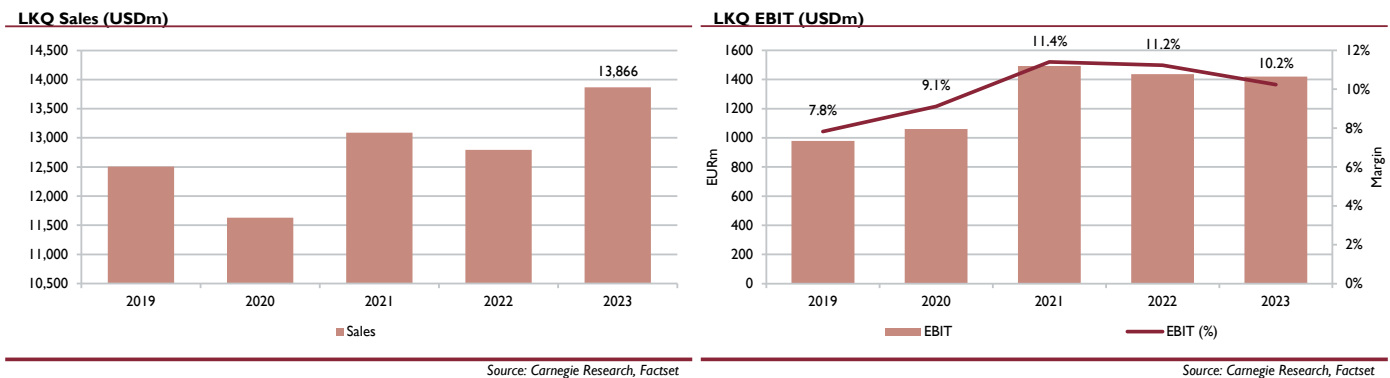
LKQ Corporation is among the largest companies globally in the automotive aftermarket sector.



LKQ Corporation

LKQ Corporation is a listed prominent player in the global automotive aftermarket industry, specialising in the distribution of replacement parts, including collision parts, mechanical parts, and accessories. Founded in 1998 and headquartered in Chicago, Illinois, US, LKQ operates across various segments of the automotive parts industry, providing products through its network of operations worldwide.

In March 2024, LKQ reported LTM revenue of about USD14bn. The company's net income for the same period was around USD1.1bn. The company's financial performance highlights its significant role in the automotive parts sector.



LKQ's has operations mainly in North America and Europe. In Europe, LKQ has expanded its presence through strategic acquisitions. Notable acquisitions in the European market include the purchase of Eurocar Parts, which is a distributor of automotive parts and accessories in the UK. Another significant acquisition is Rhiag Group, an Italian automotive parts distributor that further strengthened LKQ's foothold in the European market. LKQ owns approximately 30% of MEKO, giving LKQ a significant indirect foothold also in the Nordic markets. Additionally, LKQ has acquired Sator Beheer, a Dutch automotive parts distributor, enhancing its market presence in the Benelux region.

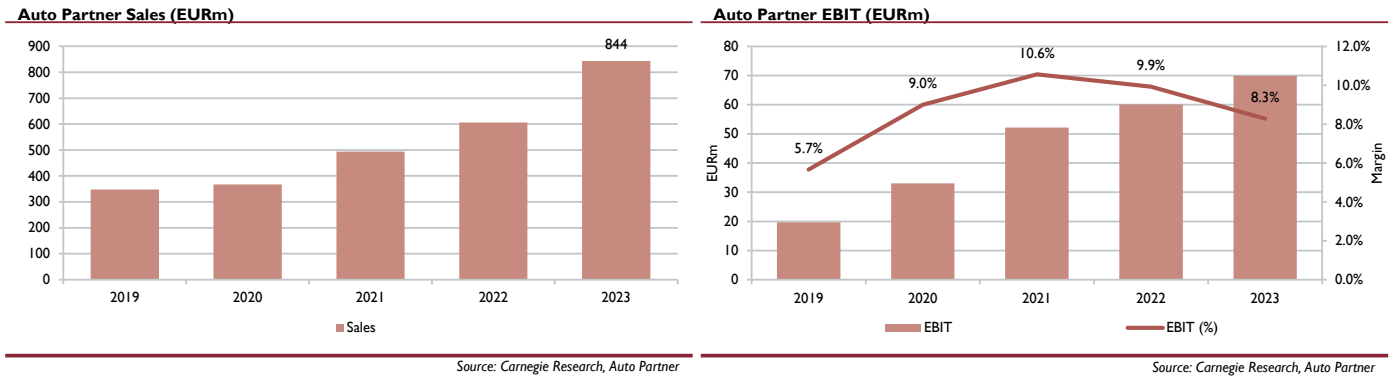
Auto Partner



Auto Partner is one of the largest importers and distributors of car parts for light commercial vehicles, vans and motorcycles in Poland, with a market share of close to 10%. Roughly half of Auto Partner's sales are from Poland, with the rest coming from other European countries. Auto Partner's sales in 2023 reached around EUR844m and it had an EBIT margin of 8%. Around 20% of the company's sales come from private label brands.

Auto Partner cooperates with over 350 aftermarket spare parts suppliers and global OEM distributors, supplying over 250,000 products. Auto Partner belongs to the international purchasing group GlobalOne Automotive, which consists of leading international players in the aftermarket. Recognising the growing importance of repair shops, the Auto Partner Group is building a chain of repair shops in Poland under the MaXserwis brand, currently consisting of 500 independent repair shops.

Auto Partner has been listed on the Warsaw stock exchange since 2016. The company's founder holds ~44% in the company.



Other players

In addition to the competitors described above, we closely follow players that potentially can change the market or disrupt the value chain. One example is **Autocirc**, which is the biggest company in northern Europe in the reuse of car parts, with more than 60 acquisitions since its foundation in 2019. Autocirc's pro forma net sales (LTM 2023) were around EUR200m and EBITA margin close to 7%. Most of Autocirc's sales are from passenger car parts, but recent acquisitions have expanded its offering into used original parts of heavy vehicles and salvage and car transport services. Autocirc is owned by Nordic Capital.

M&A landscape: Survival of the fittest

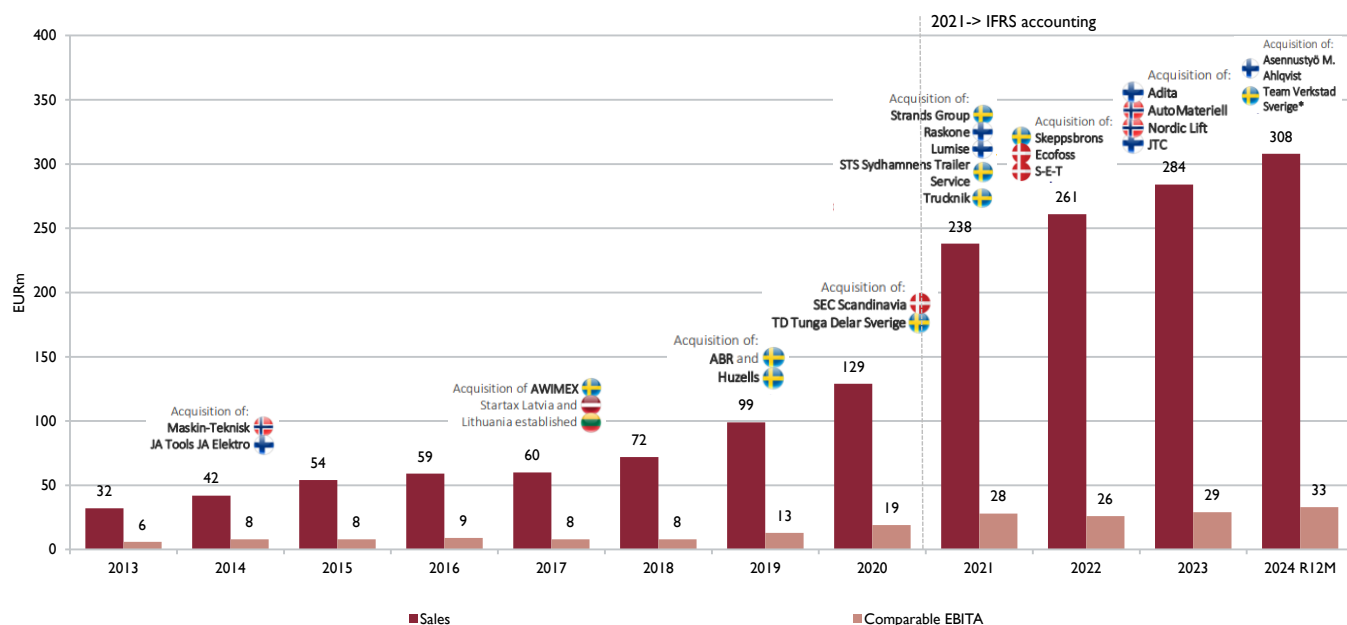
The Roland Berger report "Survival of the Fittest" discusses significant transformations within the European automotive aftermarket. One of the central themes is the rapid consolidation occurring in the industry. Mergers and acquisitions are on the rise, driven by new entrants with innovative business models and the increasing digitalisation of the sector.

The vehicle aftermarket is fragmented in the Nordics and Baltics. Despite our belief that Relais is one of the leading companies in its field, we estimate its market share at only around 1.5%. Competition is tight with companies like MEKO, Malte Månson and Inter Cars, who also are consolidating the market through acquisitions. This competitive landscape creates a race for market share through inorganic growth strategies, we conclude.

Financials and forecasts

In this section we discuss Relais' financials and how we view the company's sales and earnings outlook and capacity to continue to grow. Since 2020, one year after Relais' stock-exchange listing (with restated financial according to IFRS accounting standards), the company has grown sales, gross profit and adjusted EBITDA at 30%, 43% and 26% CAGR(20–23), respectively. However, acquisitions have also led to increasing D&A and net financials (which have been burdened by unfavourable FX rates), meaning EPS growth in 2020–23 was muted. In 2024 we expect Relais to reach sales of EUR322m, up by 13% Y/Y (8% growth from M&A, 5% organic). We expect Relais to continue to improve profitability in H2(24) and beyond, mainly supported by better operational efficiency and price hikes, although we think most of the pricing tailwinds are behind it. For 2024, we expect Relais to report adjusted EBITA of EUR36m, implying a margin of 11.2%, up from 10.1% in 2023. Relais aims to deliver strong earnings growth through organic sales growth, M&A and efficiency improvements in its portfolio. Relais has not quantified what "strong" earnings growth means, but it aims for a pro forma EBITA of EUR50m by the end of 2025, implying a 30% CAGR(22–25). We do not include potential upcoming M&A in our forecasts. Therefore, to reach its target of EUR50m in pro forma EBITA by YE(25), we calculate that Relais would have to acquire sales of around EUR90–120m to add EBITA of around EUR10m on top of our adjusted EBITA forecast for 2024. At the end of Q2(24), Relais' net debt/EBITDA ratio was 3x, which to us is on the high side to make any larger acquisitions. Therefore, we would not be surprised to see Relais contemplate a share issue to increase its acquisition headroom and allow for a higher debt capacity. Our estimates for 2024–26e are slightly below Factset consensus.

Relais growth track I)



I) 2013-2020 FAS, 2021-2024 IFRS, * signed in July, closed in October 2024

Source: Relais, Carnegie Research

Sales by region

In 2023, the majority of Relais' sales came from outside Finland: 42% of Relais sales came from Finland, 41% from Sweden and 5% from Norway

Relais has a strong foothold in the Nordic market: in 2023, 42% of sales came from Finland, 41% from Sweden and the rest from the other Nordic and Baltic countries (lower-left chart). Relais' sales development by country since 2020 is illustrated in the lower-right chart. Relais sales growth in 2020 was particularly strong in Sweden, driven by ABR and Huzells, which were acquired in 2019. According to Relais, the company was able to leverage on synergies, particularly by

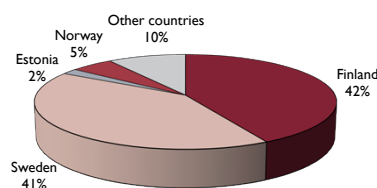
expanding the distribution of its own lighting products in the Swedish market. In H1(20), Relais was negatively impacted in Finland by the exceptionally warm winter and the shutdowns related to the coronavirus pandemic. However, in H2(20) Relais' sales growth picked up and was faster than the market's average growth rate.

Relais sales in 2021 in both Finland and Sweden were boosted by acquisitions: Raskone and Lumise in Finland and Strands, STS and Trucknik in Sweden. According to Relais, the market situation had normalised, but the effects of the coronavirus pandemic were still visible in a significant increase in delivery times of purchase orders and challenges related to delivery logistics and costs. In response to this, Relais had significantly increased inventory levels, especially for lighting products and certain spare parts, compared to the normal situation.

In 2022–23, sales in Sweden and Norway have grown clearly faster than in Finland, where the market has been challenged by a weaker macro environment

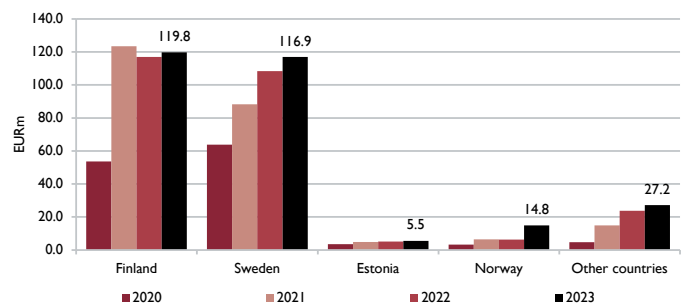
In 2022, sales grew mainly driven by M&A. Relais sales grew clearly in Scandinavia, whereas sales in Finland were challenged by the weak consumer confidence and relatively mild winter conditions in Q4. In 2023, Relais was able to grow sales organically, particularly in Sweden and Norway, supported by implemented sales price increases in response to the significantly weakened SEK/EUR exchange rate. In Finland and the Baltics, organic sales declined Y/Y, mainly due to the heavy competition in the spare parts market and weak consumer demand. The online business in Finland was particularly negatively impacted.

Relais - sales by country, 2023



Source: Carnegie Research, Relais

Relais - sales by country



Source: Carnegie Research, Relais

Two-thirds of Relais sales come from spare parts, lighting and equipment, whereas one-third comes from commercial vehicle repair and maintenance

Sales by product/service category

Relais' sales by product or service category since 2020 are illustrated in the lower-right chart. In 2023, around two-thirds of Relais' sales came from technical wholesales and products (spare parts, lighting and equipment) while one-third came from commercial vehicle repair and maintenance.

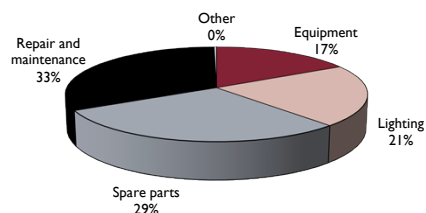
In 2020, Relais sales grew by 30% Y/Y, mainly driven by the acquisitions of ABR and Huzells in 2019 and by SEC and TD Tunga Delar, which were acquired in early 2020. Sales growth was driven by good demand for spare parts, especially in Sweden, but also by record-high sales in the lighting products category in all of Relais' operating countries. In 2021, sales were driven by a good market situation and the acquisitions made in 2020. According to Relais, the group's ability to grow sales faster than the average market growth was due to cross sales, especially in the vehicle lighting segment.

In early 2022, Relais was impacted by the coronavirus (the Omicron variant), which caused a lot of sick leave, lowering service capacity in Relais' commercial vehicle maintenance and repair chains. In addition, the mild winter conditions reduced the demand for certain electrical spare parts and accessories (batteries, chargers, and starter motors) as compared to the exceptionally strong demand in Q1(21). The sales of discretionary lighting products to consumer customers suffered from the low consumer confidence and the reduced purchasing power caused by extremely high energy prices and inflation. This was especially visible in the online sales of lighting products to the consumers, which led to an increased spending in online marketing and other operational expenditure in that sector. Sales of lighting products to professional B2B customers were stable.

In 2023, Relais' sales growth in the repair and maintenance business came from good demand and improved sales to fleet customers. Sales in the wholesale business grew thanks to price hikes in Sweden

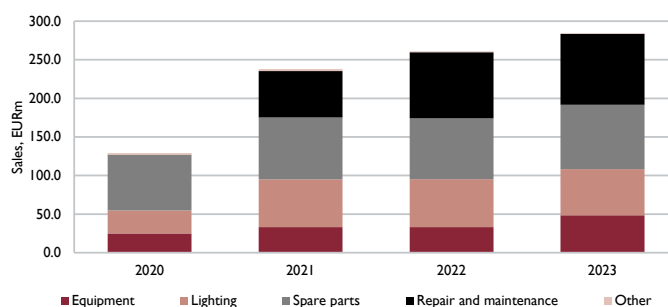
In 2023, Relais' sales of the commercial vehicle repair and maintenance business grew organically by 7% thanks to strong customer demand and efficiency measures. Sales of the technical wholesale and products business grew by 4% Y/Y organically supported by price hikes in Sweden. In Finland and the Baltics Relais' sales were below last year's level, mainly due to the heavy competition in the spare parts market and weak consumer demand. The online business in Finland was particularly negatively impacted.

Relais - sales split 2023



Source: Carnegie Research, Relais

Relais - sales by product



Source: Carnegie Research, Relais

Material costs and gross margin

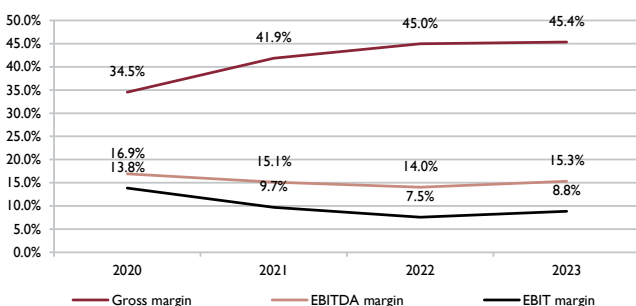
Relais' main cost items as share of sales and the company's profit margins are illustrated in the chart below. Relais does not publish profit margins for its segments but might comment on the development verbally.

The increasing share of the commercial vehicle repair and maintenance business acquired in 2021–22 led to a shift in Relais' cost structure

Relais' gross margin has improved steadily since 2020, despite increased sourcing costs and a weakening SEK/EUR exchange rate since 2022. The increase has been supported by an increasing share of the commercial vehicle repair and maintenance business, where the gross margin is relatively higher than in Relais' technical wholesale and products business, which simultaneously has suffered from heavy competition and weak consumer demand in Finland and the Baltics. In addition, Relais' efficiency improvement measures have improved the profitability of the commercial vehicle repair and maintenance business. Since 2022, inflation and a strengthening USD/EUR exchange rate has created upward pressure on import product prices from the Far East. However, Relais' has been able to mitigate higher input prices by additional price increases towards its customers.

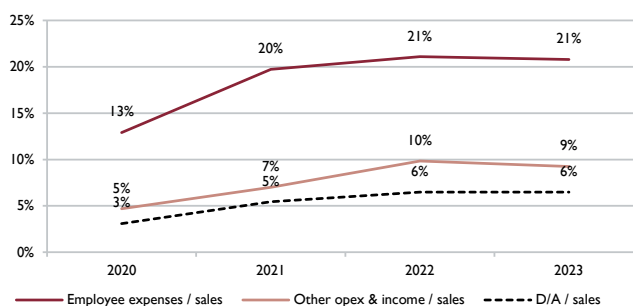
The increasing proportion of the commercial vehicle repair and maintenance business acquired in 2021–22 led to a shift in Relais' cost structure. The relatively high sales margin of the maintenance and repair business is offset by proportionally higher personnel and other operating expenses, when compared to the technical wholesale and products business area. Aside from this mainly business mix-driven increase in the company's personnel and other operating expenses, the cost increases were moderate, according to Relais.

Relais - profit margins



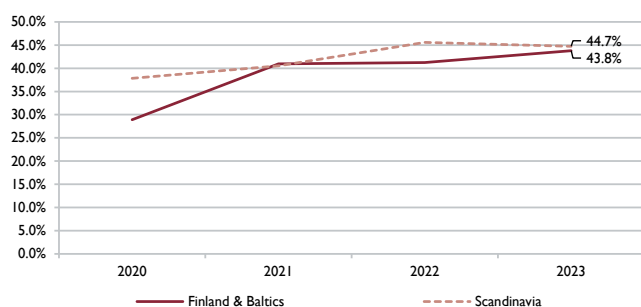
Source: Carnegie Research, Relais

Relais - costs as share of sales



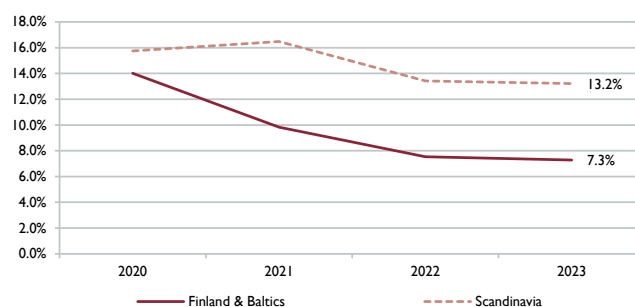
Source: Carnegie Research, Relais

Relais - gross margin by segment



Source: Carnegie Research, Relais

Relais - EBIT margin by segment



Source: Carnegie Research, Relais

Relais' long-term target, dividend policy and guidance

Long-term financial targets

Relais' strategy aims at delivering strong earnings growth through:

1. **Organic growth**, which translates into faster than market average earnings growth thanks to synergies across Relais' portfolio
2. **Growth by acquisitions** by compounding companies in the Nordic vehicle after-market sector
3. **Operational excellence** to ensure efficiency improvements to grow earnings and cash flow

Relais aims to reach comparable pro forma EBITA of EUR50m by YE(25e)

Relais has not quantified what "strong" earnings growth means. However, in March 2023, Relais updated its long-term financial targets, aiming for pro forma EBITA of EUR50m by the end of 2025, implying 30% CAGR during 2022–25. Previously, the company's goal was to achieve pro forma net sales of EUR500m by the end of 2026.

We do not include potential upcoming M&A in our forecasts. Therefore, to reach its target of EUR50m in pro forma EBITA by YE(25), we calculate that Relais would have to acquire sales of around EUR90m–120m to add EBITA of around EUR10m on top of our adjusted EBITA forecast for 2025. Based on Relais' acquisition track, this could imply 2–3 larger acquisitions, or up to ten smaller acquisitions. We do not rule out Relais acquiring one very large entity, but that would most likely imply a capital raise to finance the deal.

Relais financial target* & dividend policy

	Target	2023	2024e	2025e	2026e
Sales	No target	284.3	322.0	337.1	347.2
	- implied sales growth Y/Y (CARE)	9%	9%	9%	9%
Pro-forma EBITA	EUR50m by YE(25)	28.9	35.9	39.8	43.3
	- implied EBITA growth Y/Y (CARE)	12%	25%	11%	9%
	- implied EBITA margin (CARE)	10.1%	11.2%	11.8%	12.5%
Dividends	Annual pay-out ratio >30% **	60%	45%	40%	37%
	- implied DPS	0.44	0.46	0.48	0.50
	- implied DPS change Y/Y	10%	5%	4%	4%

** of the average comparable EPS over a business cycle, taking into account the company's M&A opportunities and financing

* Target set in March 2023

Source: Relais, Carnegie Research

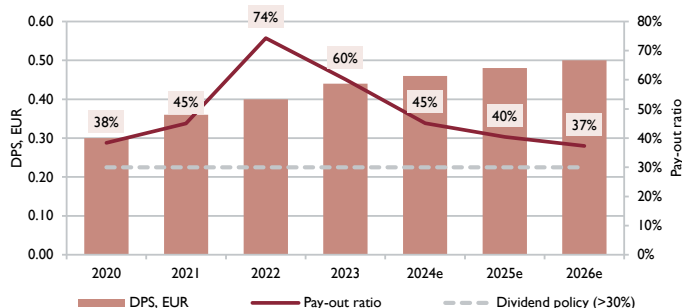
Dividend policy

Relais' pay-out ratio target is more than 30% of comparable EPS

Relais' dividend policy is to distribute annual dividends of more than 30% of its average comparable earnings per share over a business cycle. When proposing dividends, the Board of Directors considers the group's equity, acquisition opportunities, financing needs and liquidity position, among other things. In 2023, Relais' pay-out ratio was 60%. We expect a modest increase in dividends over the forecast horizon, although it is not clear to us if it would be in the best

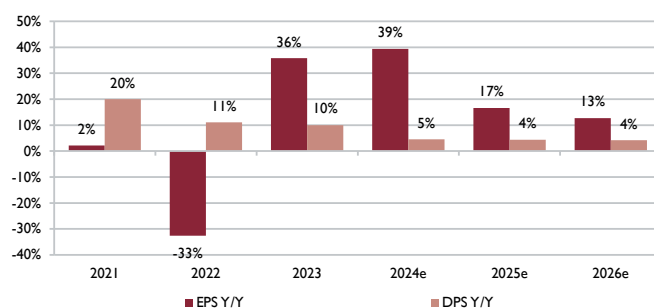
interest of Relais' shareholders that the company allocate most of its FCF to M&A and lower its dividend and dividend pay-out ratio for the foreseeable future, or continue on the current path where management has balanced annually growing dividends with continued M&A.

Relais - Dividend pay-out ratio



Source: Carnegie Research, Relais

Relais - EPS and DPS growth Y/Y



Source: Carnegie Research, Relais

Relais has no explicit leverage target. At the end of 2023, its net debt/EBITDA ratio was 3.4x (3.0x at the end of June 2024), leaving little room for M&A, we think.

2024 guidance

Like in previous years, Relais has not provided numerical guidance for 2024. However, after strong performance in H1(24), when sales grew by 18% Y/Y and comparable EBITA by 37% Y/Y, Relais said the outlook for H2(24) looked "stable", provided that the good market demand stays unchanged. Typically, Relais generates most of its profits in H2 and is particularly dependent on new product launches and commercial activities for its vehicle lighting products during the peak season in August-December. In conjunction with its Q2 report, Relais reiterated earlier comments that the main uncertainties in its markets stem from Finland, where consumer purchasing power has been subdued for a while.

Acquisition track record

In the table below, we have listed Relais' M&A track since 2020. Based on our calculations and assumptions, Relais' has acquired companies at 4-9x EBITDA, with the median valuation being 6.6x (excluding any potential adjustments for vendor notes etc.). Relais' own five-year historical average NTM EV/EBITDA multiple is close to 10x, meaning that on paper the acquisitions have been accretive, we conclude.

Relais is a sector specialist (as opposed to a sector-agnostic compounder) so with organic growth opportunities through a broadened offering and synergies from scale in sourcing, NWC management, and sharing of best practises also contribute to the profitability and value creation of the group. Therefore, we think that Relais can realise more value than just based on multiple arbitrage.

Relais does not provide financial guidance for 2024

Relais' acquisition track record points to a median deal valuation of 6.6x EBITDA

Relais Group acquisitions since 2020

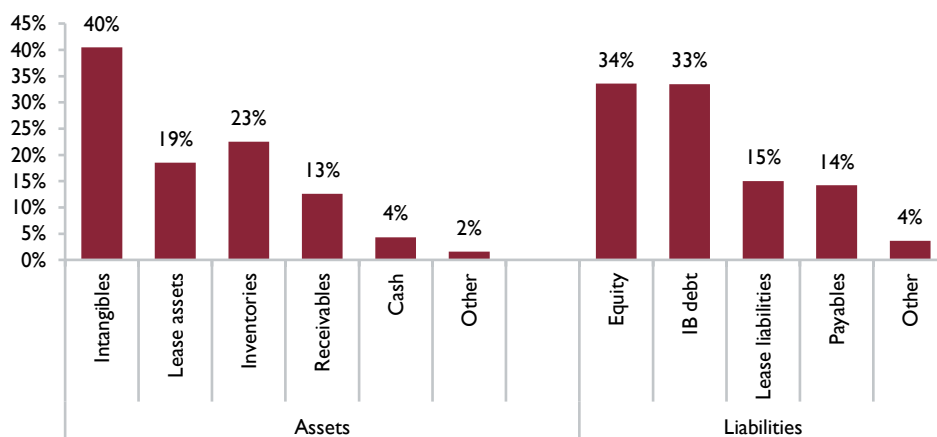
Date	Acquisitions	EV (EURm)	EBITDA (EURm)	Financial year	EV/EBITDA (x)
Jan-20	SEC Scandinavia	0.8	0.2	FY19	4x
Feb-20	TD Tunga Delar.	13.6	1.9	FY19	7.2x
Jan-21	Strands Group	17.9	2.5	FY20e	7.3x
Jan-21	Raskone	30.7	4.7	FY20	6.5x
Mar-21	Lumise Oy	10.3	1.1	LTM 2/21	9.4x
Oct-21	STS (Sydhavnens Trailer Service AB)	11.0	1.2	FY21e	9.1x
Dec-21	Trucknik	2.0	0.3	FY21	6.6x
May-22	Skeppsbrons Jönköping	8.6	1.4	FY21	6.1x
Dec-22	S-E-T A/S	5.6	1.1	FY21	5.1x
Mar-23	Adita	1.4	0.2	FY22	8.3x
Aug-23	AutoMateriell & Nordic Lift AS	4.0	n.m	n.m	n/m
Oct-23	Jyväskylä Truck Center	0.6	0.1	FY22	5.6x
May-24	Asennustyö M Ahlqvist Oy	n/a	n/a	n/a	n/a
Jul-24	Team Verkstad Sverige	n/a	n/a	n/a	n/a
Average					6.8x
Median					6.6x

Source: Carnegie Research, Relais

Balance sheet, capex and cash flow

At the end of 2023, Relais' assets and liabilities amounted to EUR329m. We think Relais' balance sheet is relatively straightforward, as illustrated in the chart below.

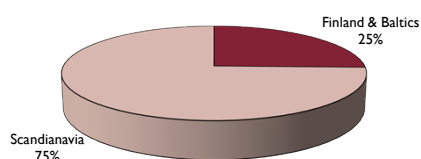
Relais - balance sheet structure, 2023



Source: Relais

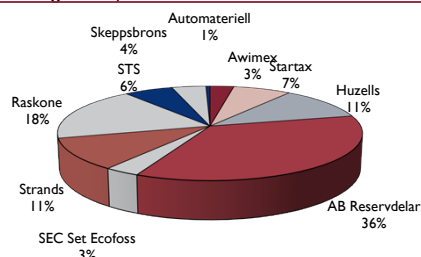
In 2023, intangibles stood for 40% of total assets. Of this, goodwill amounted to EUR120m and other intangibles were EUR13m. Most of the goodwill stems from Relais' expansion in Scandinavia, as illustrated in the charts below. Relais performs regular impairment tests and has not recorded goodwill write-downs in recent years.

Relais - composition of goodwill, 2023



Source: Relais

Relais - composition of goodwill, 2023



Source: Relais

Relais' lease assets were around EUR63m (19% of total assets) at the end of 2023. Relais leases its premises (warehouses and service shops), vehicles and other machinery and equipment used in its business operations. The cash flow impact related to leases was around EUR12m in 2023.

Inventories stood for around 23% of total assets and receivables of 13%. At the end of 2023, Relais' cash position stood at around EUR10m (EUR9m at the end of June 2024), corresponding to around 4% of its total assets.

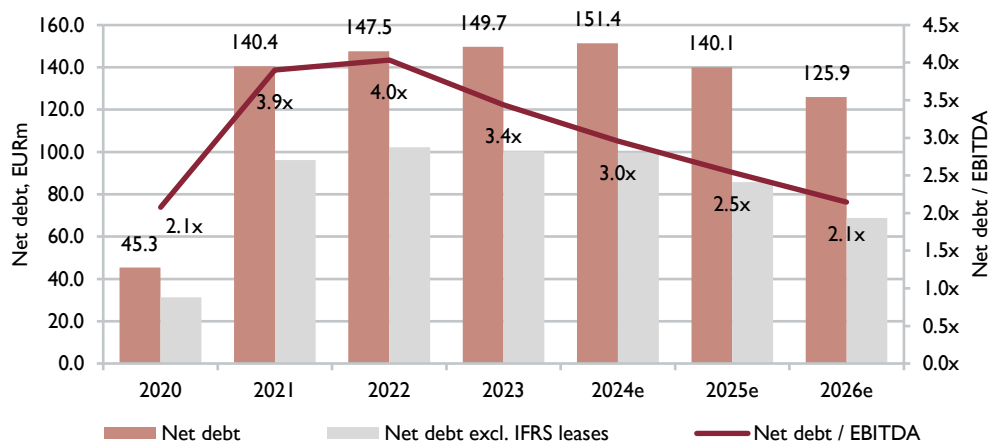
In 2023, 34% of Relais' liabilities related to shareholders' equity, while lease liabilities and payables stood for 14–15% each. At the end of 2023 and H1(24), Relais had EUR89m of interest-bearing bank debt (excluding IFRS16 debt), corresponding to 27% of its total liabilities.

Relais issued no new shares in 2023. In 2022, Relais completed two small share issues to partly finance the acquisition of Lumise (EUR1.3m corresponding to 64,407 shares) and Skeppsbrons Jönköping (EUR1.1m corresponding to 68,118 shares).

Relais loans mature in 2026

In April 2024, Relais extended the maturity of its loan agreement (consisting of a senior term loan and multicurrency revolving facilities) by one year (on top of an extension agreed upon in February 2023). The maximum financial exposure remained unchanged at EUR127m with a nominal interest rate based on EURIBOR6M + 2.1%, currently totalling 5.3%. The loan facilities mature in May 2026. Relais has not published covenants related to the loan facilities, other than commenting that they are "customary" to the sector.

Relais - net debt and leverage ratio



Source: Carnegie Research, Relais

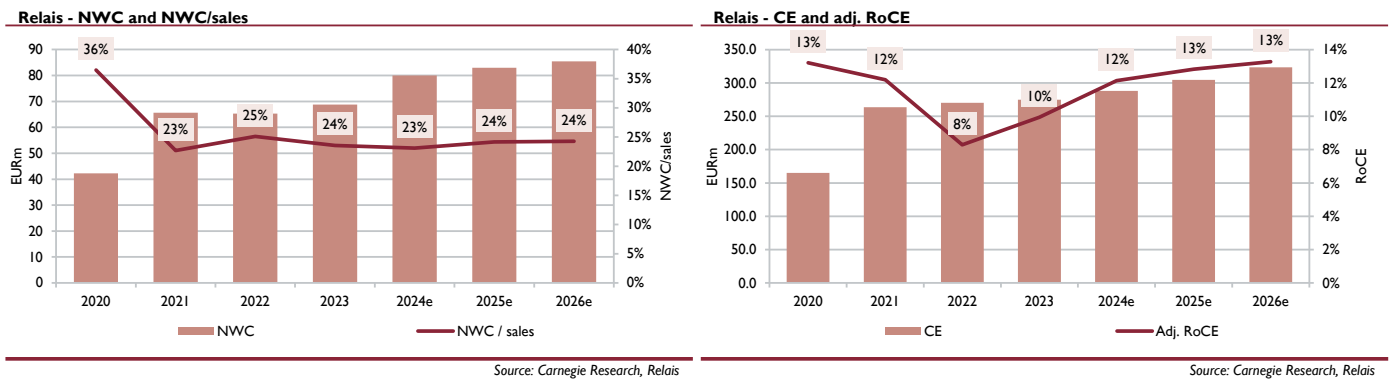
To us, Relais' leverage is on the high side and hold the company back from making larger

acquisitions. Therefore, we would not be surprised to see Relais contemplate a share issue to increase its acquisition headroom and allow for a higher debt capacity. Relais' BoD has authorisation to issue a maximum of 3.6m shares (slightly under 20% of current shares outstanding) to, e.g., finance potential acquisitions. At the current share price, this would give Relais around EUR50m in acquisition headroom.

In May 2024, Relais launched a share buyback programme with the purpose to "optimise the company's capital structure". To us, the Relais' stock is quite illiquid, so we believe the company wants to offer smaller shareholders an option to sell their shares. The share buyback programme is small (under 0.5% of the total shares outstanding) at a maximum of EUR1m.

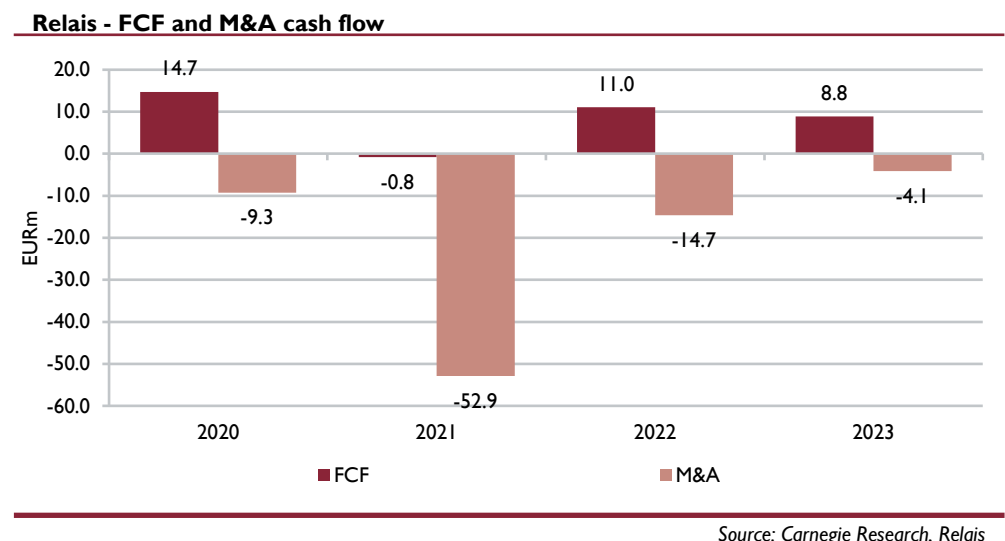
NWC and capital employed

Relais' NWC to sales ratio during 2021–23 was 24%, on average (varying between around 23–25%). Due to supply chain constraints during and after the pandemic, Relais increased its inventories to ensure its delivery capacity. Since 2023, the company has increased focus on capital efficiency, partly resulting in lower NWC to sales ratio in 2023–24e.



FCF

In the recent years, Relais FCF has been consumed for M&A and dividend payments.



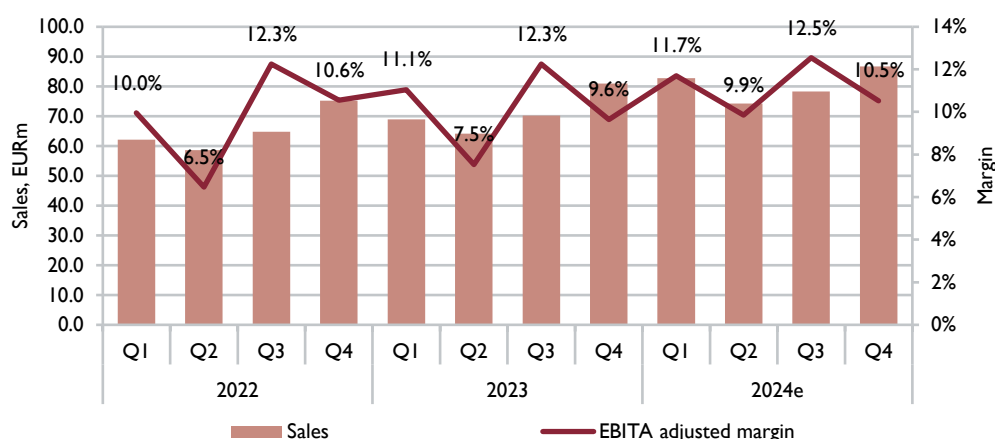
Seasonal variation and quarterly numbers

According to Relais, its business is somewhat affected by seasonal fluctuations, although the commercial vehicle market is less seasonal than passenger cars. Changes in temperature and seasonal variations impact the demand for lighting products, batteries, starter motors, and alternators, as well as the need for vehicle air conditioning and heating.

During a typical Nordic winter (when temperatures stay above -20°C), products such as spare parts, starter batteries, generators, heaters, battery boosters etc., are not affected. However, during cold spikes that last for several days (when temperatures fall below -20°C), sales of these products increase sharply. Relais' sales of electrical spare parts are also affected by the weather. In the summer, very warm days increase sales of e.g. air conditioning products.

In short, we conclude that Relais sales in Q1 are somewhat sensitive to the winter weather conditions, whereas Q3 and Q4 are the lighting product sales season, which typically has a favourable impact on Relais sales and earnings. However, lighting products are also sold to passenger cars (particularly in Q4), so consumer sentiment and purchasing power might affect the demand positively/negatively.

Relais - quarterly sales and margin trend



Source: Carnegie Research, Relais

Sales and earnings model and forecasts

Our sales and cost forecasts are shown in the table below. Our model is based on Relais reporting faster than market growth with tailwinds from price hikes in 2024 combined with sales from the acquisition announced in the past year. Based on Relais' current sales mix, we expect only moderate gross margin improvement over the forecast horizon, even though Relais is working on improving inventory turnover, combined with some potential from minor price hikes. We think input costs are stabilising at the current level. We expect slight positive operating leverage in 2024–26e.

On our estimates, Relais would report sales of EUR322m in 2024e and reach EUR347m in 2026e. This implies a CAGR of 7% in 2023–26e. During the same period, we expect Relais to be able to grow its EBITA at a 15% CAGR and report an EBITA margin of 12.5% in 2026e, compared to 10.0% in 2023. Based on our estimates, Relais' adjusted EPS CAGR(23–26e) is 17%, clearly surpassing the 4% CAGR reported in 2020–23.

Financial tables

Relais P&L

EURm	Q1(23)	Q2(23)	Q3(23)	Q4(23)	Q1(24)	Q2(24)	Q3(24e)	Q4(24e)	2020	2021	2022	2023	2024e	2025e	2026e
Sales	69.0	64.1	70.3	80.9	82.8	74.3	78.3	86.7	129.0	237.8	260.7	284.3	322.0	337.1	347.2
Material and services	-36.9	-34.8	-38.0	-45.7	-44.6	-38.9	-40.7	-47.7	-84.5	-138.2	-143.5	-155.3	-171.8	-179.5	-184.5
Gross profit	32.1	29.3	32.3	35.3	38.2	35.4	37.6	39.0	44.5	99.6	117.2	128.9	150.2	157.6	162.6
Employee expenses	-14.3	-14.6	-14.0	-16.2	-16.9	-17.0	-16.5	-18.0	-16.6	-46.9	-55.0	-59.1	-68.5	-71.5	-72.5
Other operating income & expense	-6.6	-6.1	-6.1	-7.4	-7.7	-7.3	-7.4	-8.0	-6.0	-16.6	-25.6	-26.3	-30.5	-31.0	-31.5
- of which NRI	-0.1	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	-0.2	-2.6	-2.8	-0.3	-0.1	0.0	0.0
EBITDA	11.1	8.6	12.1	11.7	13.5	11.1	13.7	13.0	21.8	36.0	36.6	43.5	51.2	55.1	58.6
Depreciation	-3.6	-3.8	-3.7	-3.9	-3.8	-3.8	-3.9	-3.9	-3.5	-10.3	-13.6	-15.0	-15.3	-15.3	-15.3
EBITA	7.5	4.8	8.4	7.8	9.7	7.3	9.8	9.1	18.3	25.7	23.0	28.6	35.9	39.8	43.3
Amortisations of acquisitions	-0.9	-0.8	-0.8	-0.8	-0.7	-0.7	-0.7	-0.7	-0.5	-2.7	-3.3	-3.4	-2.9	-2.9	-2.9
EBIT	6.6	4.0	7.6	7.0	9.0	6.6	9.1	8.4	17.9	23.0	19.7	25.1	33.0	36.9	40.4
Net financial items	-2.2	-2.8	-1.5	-1.0	-3.1	-1.7	-1.5	-1.5	-1.6	-4.6	-6.5	-7.4	-7.8	-7.8	-7.7
PTP	4.5	1.2	6.0	6.0	5.8	4.9	7.6	6.9	16.2	18.5	13.1	17.7	25.1	29.0	32.7
Tax	-1.6	-1.0	-1.7	0.2	-2.0	-1.6	-1.7	-0.7	-3.1	-4.1	-3.1	-4.0	-6.0	-6.7	-7.5
Net profit	2.9	0.2	4.4	6.2	3.9	3.3	5.8	6.2	13.2	14.4	10.0	13.7	19.2	22.4	25.2
Minorities	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	0.0
Net profit to parent company	2.9	0.2	4.4	6.2	3.9	3.3	5.8	6.2	13.2	14.3	10.0	13.7	19.2	22.4	25.2
Shares, weighted avg., million	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8	16.8	17.9	18.6	18.8	18.8	18.8	18.8
EPS (diluted)	0.16	0.01	0.23	0.33	0.21	0.17	0.31	0.33	0.78	0.80	0.54	0.73	1.02	1.19	1.34
EPS adjusted (diluted)	0.29	0.11	0.38	0.36	0.35	0.30	0.35	0.37	0.82	1.06	0.83	0.93	1.18	1.34	1.49
Growth Y/Y (%)	Q1(23)	Q2(23)	Q3(23)	Q4(23)	Q1(24)	Q2(24)	Q3(24e)	Q4(24e)	2020	2021	2022	2023	2024e	2025e	2026e
Sales	11.0%	9.4%	8.5%	7.7%	20.0%	15.8%	11.4%	7.1%	30.4%	84.4%	9.6%	9.0%	13.3%	4.7%	3.0%
EBITDA	25.2%	30.7%	9.5%	16.5%	21.7%	28.8%	12.7%	10.5%	n.a.	64.9%	1.6%	19.0%	17.6%	7.6%	6.5%
EBIT	33.6%	55.7%	10.9%	30.6%	34.9%	65.8%	19.9%	20.1%	n.a.	29.1%	-14.6%	27.8%	31.2%	11.8%	9.6%
EPS Y/Y	7.3%	7.3%	317.6%	58.3%	15.1%	79.0%	44.7%	-0.8%	n.a.	2.2%	-32.7%	35.8%	39.4%	16.6%	12.7%
Profitability (%)	Q1(23)	Q2(23)	Q3(23)	Q4(23)	Q1(24)	Q2(24)	Q3(24e)	Q4(24e)	2020	2021	2022	2023	2024e	2025e	2026e
Gross margin	46.5%	45.7%	45.9%	43.6%	46.2%	47.7%	48.0%	45.0%	34.5%	41.9%	45.0%	45.4%	46.6%	46.7%	46.8%
EBITA margin	10.9%	7.5%	12.0%	9.6%	11.7%	9.8%	12.5%	10.5%	14.2%	10.8%	8.8%	10.0%	11.1%	11.8%	12.5%
EBIT margin	9.6%	6.2%	10.8%	8.6%	10.8%	8.9%	11.6%	9.7%	13.8%	9.7%	7.5%	8.8%	10.2%	10.9%	11.6%
Adjusted numbers, EURm	Q1(23)	Q2(23)	Q3(23)	Q4(23)	Q1(24)	Q2(24)	Q3(24e)	Q4(24e)	2020	2021	2022	2023	2024e	2025e	2026e
Adj. EBITA	7.6	4.8	8.6	7.8	9.7	7.3	9.8	9.1	18.5	28.3	25.8	28.9	35.9	39.8	43.3
Adj. EBIT	6.7	4.0	7.8	7.0	9.0	6.6	9.1	8.4	18.0	25.6	22.5	25.4	33.0	36.9	40.4
Adj. net profit	5.5	2.0	7.1	6.8	6.6	5.6	6.6	6.9	13.8	19.1	15.5	17.4	22.1	25.3	28.1
Adj. EBITA margin	11.1%	7.5%	12.3%	9.6%	11.7%	9.9%	12.5%	10.5%	14.3%	11.9%	9.9%	10.1%	11.2%	11.8%	12.5%
Adj. EBIT margin	9.8%	6.2%	11.0%	8.6%	10.8%	8.9%	11.6%	9.7%	14.0%	10.8%	8.6%	9.0%	10.3%	10.9%	11.6%

Source: Carnegie Research, Relais

Sales by product line

EURm	Q1(23)	Q2(23)	Q3(23)	Q4(23)	Q1(24)	Q2(24)	Q3(24e)	Q4(24e)	2020	2021	2022	2023	2024e	2025e	2026e
Equipment	9.4	9.8	13.3	16.0	17.2	13.1	15.2	16.5	24.9	33.2	33.1	48.4	61.9	63.8	65.7
Lighting	14.8	9.9	15.6	19.5	14.8	11.2	15.8	19.7	29.9	61.9	62.1	59.8	61.5	63.3	65.2
Spare parts	19.3	20.9	20.7	22.4	24.4	23.6	21.3	23.1	71.8	80.1	78.9	83.2	92.4	95.1	98.0
Repair and maintenance	24.7	22.8	21.4	23.1	25.9	25.6	25.9	27.4	0.2	60.0	85.6	91.9	104.8	113.4	116.8
Other	0.8	0.8	-0.8	0.0	0.5	0.8	0.1	0.1	2.1	2.6	1.0	0.8	1.5	1.5	1.5
Total	69.0	64.1	70.3	80.9	82.8	74.3	78.3	86.7	129.0	237.8	260.7	284.3	322.0	337.1	347.2
Y/Y change (%)	Q1(23)	Q2(23)	Q3(23)	Q4(23)	Q1(24)	Q2(24)	Q3(24e)	Q4(24e)	2020	2021	2022	2023	2024e	2025e	2026e
Equipment	13%	21%	83%	68%	83%	34%	14%	3%	n.a.	33%	0%	46%	28%	3%	3%
Lighting	7%	7%	-8%	-11%	0%	14%	1%	1%	n.a.	107%	0%	-4%	3%	3%	3%
Spare parts	-2%	1%	11%	12%	27%	13%	3%	3%	n.a.	11%	-1%	5%	11%	3%	3%
Repair and maintenance	22%	11%	1%	-2%	5%	12%	21%	19%	n.a.	n.m.	43%	7%	14%	8%	3%
Other	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.a.	24%	-62%	-16%	77%	0%	0%
Total	11%	9%	8%	8%	20%	16%	11%	7%	n.a.	84%	10%	9%	13%	5%	3%

Source: Carnegie Research, Relais

Consensus estimates

Factset consensus is thin with just three contributors. Our sales estimates for 2024–26e are in line with the market, whereas we are 2–4% below consensus on EBITA(24–26e).

Carnegie vs consensus											
EURm/EUR	Q3(24e)			2024e			2025e			2026e	
	CAR	Cons	Diff. (%)	CAR	Cons	Diff. (%)	CAR	Cons	Diff. (%)	CAR	Cons Diff. (%)
Sales	78.3	77.8	1%	322.0	322.5	0%	337.1	337.5	0%	347.2	349.5 -1%
EBITDA	13.7	13.9	-2%	51.1	51.8	-1%	55.1	54.6	1%	58.6	57.6 2%
EBITA	9.8	10.1	-3%	35.9	36.5	-2%	39.8	41.3	-4%	43.3	45.3 -4%
EBIT	9.1	9.5	-5%	33.0	34.5	-4%	36.9	37.1	-1%	40.4	39.8 1%
PTP	7.6	7.3	4%	25.2	24.9	1%	29.0	28.3	3%	32.7	31.9 3%
Net profit	5.8	5.6	5%	19.2	18.8	2%	22.4	21.8	2%	25.2	24.7 2%
EPS	0.31	0.32	-2%	1.02	1.06	-4%	1.19	1.24	-4%	1.34	1.38 -3%
DPS				0.46	0.46	0%	0.48	0.48	0%	0.50	0.52 -3%
Sales growth	11.4%	10.7%		13.3%	13.4%		4.7%	4.7%		3.0%	3.5%
EBIT growth	20.1%	26.2%		31.4%	37.3%		11.6%	7.4%		9.6%	7.4%
EBITDA margin	17.4%	17.9%		15.9%	16.1%		16.3%	16.2%		16.9%	16.5%
EBIT margin	11.6%	12.3%		10.3%	10.7%		10.9%	11.0%		11.6%	11.4%

Source: Carnegie Research, FactSet

Positioning and valuation

Based on the nature of its business, we compare Relais to two groups: 1) Swedish compounders; and 2) peers in the vehicle aftermarket wholesale, retail and maintenance services markets in Europe and the US. In positioning Relais we conclude that the company's historical growth track record is stronger than that of peers, on average, but this growth was partly fuelled by the IPO proceeds and the company's smaller size. Relais' profitability is similar to the Swedish compounders', excluding the group of proven players, while historical return on equity capital employed is in line to slightly lower. Relais' balance sheet strength is weaker than that of our peer groups. To us, this implies similar quality (same level on profitability and return on capital) but slightly lower inorganic growth potential, at least in the near term due to higher than average leverage. We initiate coverage on Relais with a fair value range of EUR15.8–20.3 per share. Our range is based on a combination of relative valuation and discounted cash flow analysis, where we apply the average of the low ends and high ends for our respective methods. We apply a slight discount to the Nordic compounder peers (excluding the group of proven companies) on EV/EBITA(24e) and adj. P/E(24e) due to Relais' higher leverage. We assign lesser weight to the group consisting of international vehicle service and parts companies due to their substantially larger size and lower profitability. Our DCF model yields a fair value range of EUR15.5–20.6 per share.

Positioning

For relative valuation, we compare Relais to Swedish compounders...

Based on the nature of its business, we compare Relais' to two groups: one consisting of Swedish compounders such as **AddLife**, **Addnode**, **Addtech**, **Beijer Alma**, **Beijer Ref**, **Bufab**, **Indutrade**, **Lagercrantz**, **Lifco**, **NCAB**, **Norva24**, **Sdiptech**, **Storskogen**, and **Volati**. These companies all have a business model that is partly dependent on acquisitions: on average about two-thirds of sales and earnings growth comes from M&A.

Within this group, **Addtech**, **Indutrade**, **Lagercrantz**, and **Lifco** have proven long and strong track records of mid-to-high teens earnings growth, earnings stability and resilience, which are reflected in their premium valuation compared to the broader group. Despite the recent trend of slowing organic growth, acquisitions have contributed nicely and margins have held up well, leading to total EBITA growth of high single digit to low teens. We consider this solid performance in a period of market headwinds.

... and to a group of international vehicle aftermarket companies

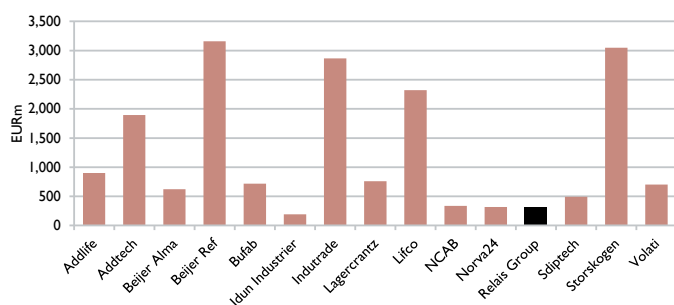
We also compare Relais to a group of peers within the vehicle aftermarket wholesale, retail and maintenance services market in Europe and the US. **Inter Cars**, **Auto Partner**, **Duell** and **Meko** are based in Europe, whereas **Genuine Parts Co** and **LKQ** are US-based but with operations in Europe too. **Advance Auto Parts** mainly has operations in the US and Canada.

To position Relais, we compare the company's historical and forecast growth, profitability and return on equity and capital employed with our peer groups. We also look at the balance sheet strength to assess Relais' acquisition headroom versus our peer groups.

Sales

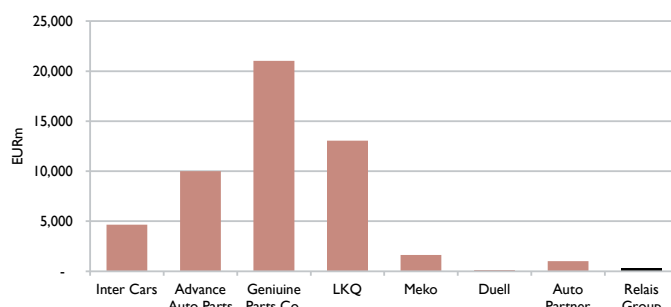
In terms of size, as measured by 2024e sales in EURm, Relais is among the smaller companies in our reference groups, as illustrated below. When comparing to the Swedish compounders, Relais' turnover is larger than that of Idun Industrier, on par with NCAB and Norva24 and only slightly smaller than Sdiptech. Looking at the group of international vehicle service and parts companies, Relais is among the smaller players.

Sales(24e) EURm



Source: Carnegie Research

Sales(24e) EURm



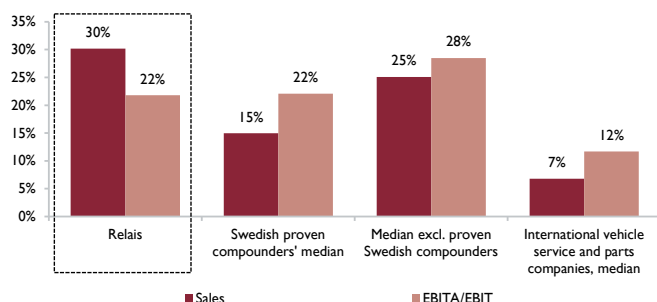
Source: Carnegie Research, Factset

Historical and forecast sales and earnings growth

Relais' smaller size and acquisitive growth strategy is naturally reflected in its historical and forecast sales growth rates, which are higher than the median of our peer groups, as illustrated in the charts below.

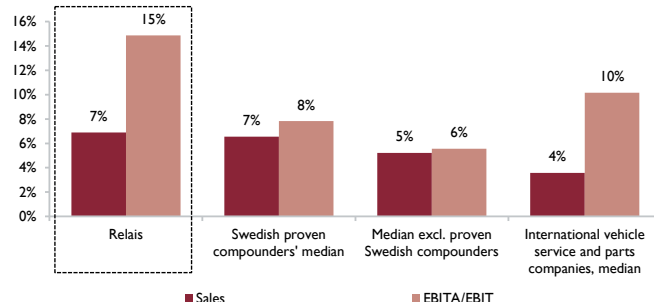
Relais' earnings growth, measured as EBITA CAGR(19–23) of 22% is slightly lower than the Nordic compounder median of 28%. Based on our projections, we expect Relais' earnings growth to stand out compared to our reference groups, mainly driven by the company's strong gross margin progression in 2024e.

Sales and EBITA/EBIT CAGR 2019-23



Source: Carnegie Research, Factset

Sales and EBITA/EBIT CAGR 2023-26e

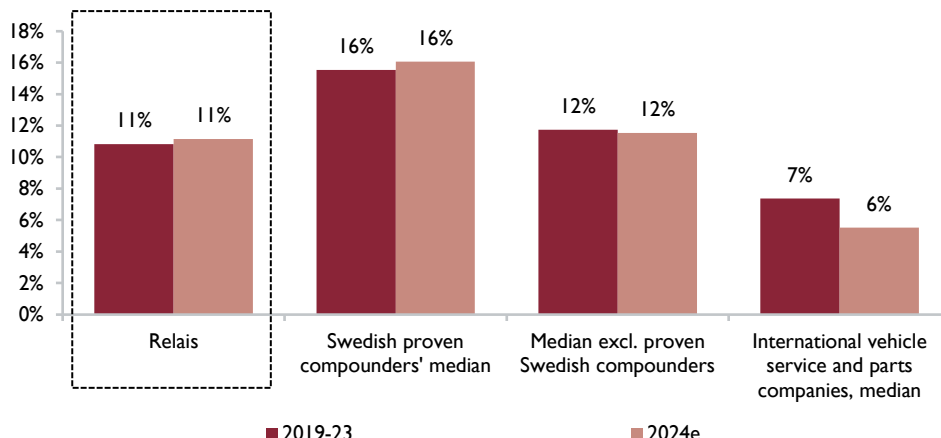


Source: Carnegie Research, Factset

Historical and forecast EBITA/EBIT margins

Although we compare the profitability of our peer groups, we do not place much weight on this as the companies operate in different industries. However, we conclude that Relais' profitability is close to the broader group of Swedish compounders, whereas it is clearly below the group of Swedish proven compounders, which generated an EBITA margin of 16% in 2019–23. Relais is clearly more profitable than our peer group of international vehicle service and parts companies, as illustrated below.

EBITA/EBIT margin 2019-23 and 2024e

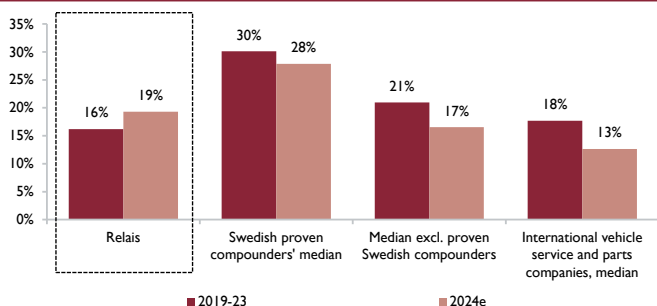


Source: Carnegie Research, Factset

Historical and forecast return on equity and capital employed

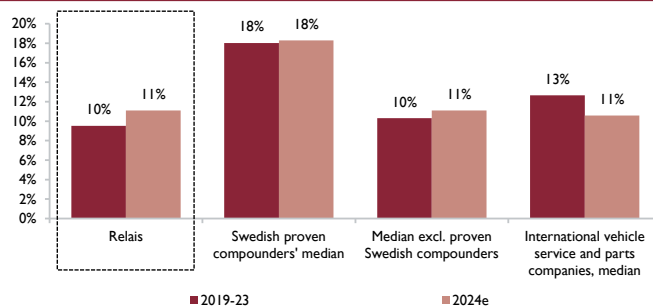
Relais' median ROE in 2019–23 was 16%, below its peer groups. However, when looking at ROCE, Relais performed in line with the Swedish compounders, excluding the proven companies' group, which clearly stands out. Based on our forecasts, we expect Relais' ROE and ROCE for 2024 to roughly be on par with our Swedish compounder group.

ROE 2019-23 and 2024e



Source: Carnegie Research, Factset

ROCE 2019-23 and 2024e



Source: Carnegie Research, Factset

Measuring returns on M&A

To understand how Relais' 'buy and build' strategy has paid off, we benchmark the company against our Swedish compounder peer group. We measure return on incremental capital employed (ROICE) during 2019–23 by comparing three ratios:

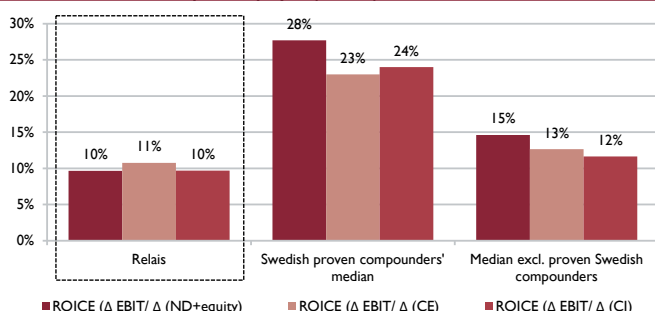
- ROICE measured as the absolute change in EBIT during 2019-23 to the absolute change in net debt and equity during 2019-23;
- ROICE measured as the absolute change in EBIT during 2019-23 to the absolute change in capital employed during 2019-23; and
- ROICE measured as the absolute change in EBIT during 2019-23 to the absolute change in capital invested during 2019-23.

In a simplistic setup, the ROICE is the inverse of the multiple paid. Based on the comparisons above, Relais' return on incremental capital employed during 2019–23 was 10–11%, which is slightly below our peer group that excludes the proven compounders.

Relais' capacity to generate return on incremental capital employed during 2019–24e is on par with Swedish compounders (excluding the proven companies)

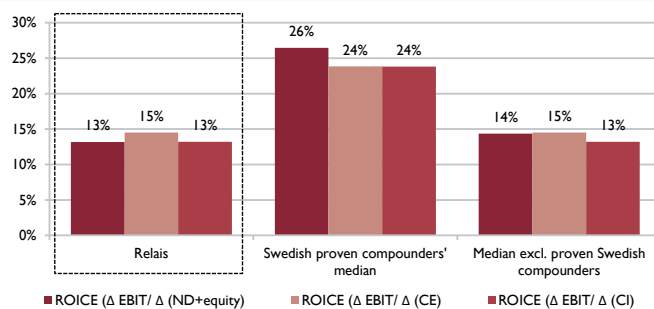
However, with organic growth coming into the mix, and with the potential for improved operational performance once the acquisitions have been consolidated, ROICE can improve over time. Relais profit growth in the past 12 months has been strong, so when we extend the comparisons to include 2024e, Relais' ROICE for 2019–24e is on par with our broader compounder peer group that excludes the proven companies. To us, this is evidence that Relais has the capacity to improve the value of its acquisitions over time.

Return of incremental capital employed (ROICE) 2019-23



Source: Carnegie Research

Return of incremental capital employed (ROICE) 2019-24e



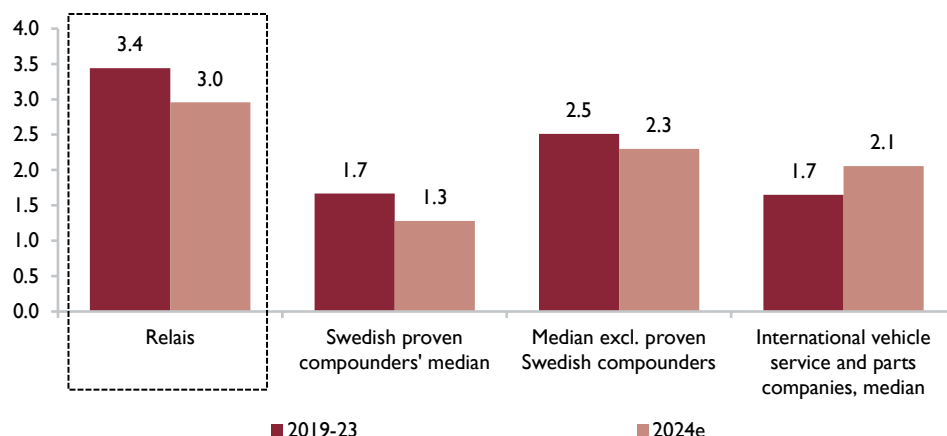
Source: Carnegie Research

Relais' leverage is on the high side, we think

Historical and forecast net debt/EBITDA ratio

Finally, to assess Relais' capacity to continue to grow compared to our peer groups, we look at the net debt/EBITDA ratio for 2019–23 and 2024e. Although Relais' leverage has come down in recent years, and we expect the trend to continue, the company's net debt/EBITDA ratio is higher than the median of our peer groups, as illustrated below.

Net debt / EBITDA ratio 2019-23 and 2024e



Source: Carnegie Research, Factset

In positioning Relais we conclude that the company's historical growth track record is stronger than that of peers, on average, but that this growth was partly fuelled by the IPO proceeds and the company's smaller size. Profitability is close to the Swedish compounders, excluding the group of proven players, and historical return on equity capital employed is in line to slightly lower. Relais' balance sheet strength is weaker than that of our peer groups. To us, this implies similar quality (same level on profitability and return on capital) but slightly lower inorganic growth potential, at least in the near term due to higher than average leverage.

Peer valuation

In the table below, we have illustrated the current valuation multiples for 2024–25e based on sales and earnings estimates for our peer groups. Based on EV/EBITA and P/E for 2024e, Relais trades at a clear discount to our primary peer group, which consists of Swedish compounders excluding the group of proven companies.

Relais - Peer group valuation

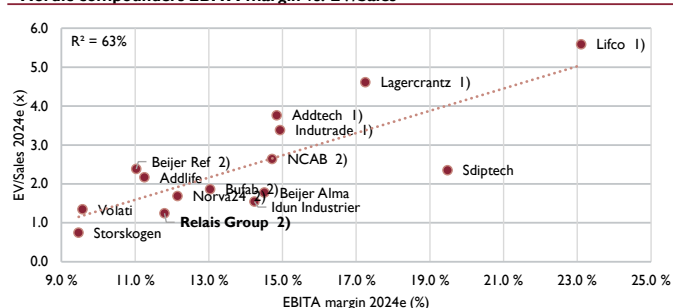
Company	Mkt cap EURm	Perf (%) YTD	EV/S (x)		EV/EBITA (x)		P/E adj. (x)		Sales growth		EBITA margin		ROCE		PBV		Yield 2024e	
			2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	FCF	Div.
Nordic compounders																		
Addlife	1,707	51%	2.4	2.2	21.2	19.3	29.3	23.2	6%	6%	11.2%	11.3%	7%	8%	3.9	3.6	4%	0%
Addtech 1)	6,965	39%	4.0	3.8	27.1	25.4	35.2	32.7	8%	6%	15.0%	14.8%	20%	20%	11.1	9.6	3%	1%
Beijer Alma	873	-1%	1.9	1.8	13.2	12.3	16.9	15.7	3%	3%	14.3%	14.5%	13%	13%	2.7	2.4	5%	2%
Beijer Ref 2)	7,145	26%	2.7	2.4	24.9	21.6	33.9	28.9	12%	11%	10.8%	11.0%	9%	10%	3.7	3.4	3%	1%
Bufab 2)	1,202	-6%	2.0	1.9	16.1	14.3	21.4	18.0	-6%	2%	12.3%	13.0%	13%	15%	3.6	3.2	9%	2%
Idun Industrier	180	47%	1.7	1.5	12.0	10.9	20.4	19.9	7%	5%	13.9%	14.2%	10%	12%	5.8	5.5	7%	0%
Indutrade 1)	9,789	18%	3.6	3.4	25.2	22.6	32.8	28.9	2%	5%	14.4%	14.9%	16%	18%	6.8	6.1	3%	1%
Lagercrantz 1)	3,371	44%	4.8	4.6	28.1	26.7	36.3	34.2	7%	3%	17.2%	17.2%	20%	20%	9.8	8.6	3%	1%
Lifco 1)	12,543	37%	6.1	5.6	26.6	24.2	34.7	31.4	8%	7%	22.9%	23.1%	17%	19%	8.6	7.4	3%	1%
NCAB 2)	1,003	-15%	3.1	2.6	22.4	17.9	28.0	23.3	-6%	16%	13.9%	14.7%	17%	22%	7.7	6.5	4%	2%
Norva24 2)	493	30%	1.9	1.7	16.8	13.9	21.3	17.7	17%	10%	11.5%	12.1%	9%	10%	2.5	2.2	4%	0%
Relais Group 2)	270	12%	1.3	1.2	12.0	10.6	12.7	11.1	13%	5%	11.1%	11.8%	11%	12%	2.3	2.1	3%	3%
Sdiptech	944	7%	2.6	2.3	13.3	12.1	17.1	14.8	16%	6%	19.4%	19.5%	12%	12%	2.6	2.3	4%	0%
Storskogen	1,200	-3%	0.8	0.7	9.7	7.9	8.6	7.5	-4%	2%	8.3%	9.5%	4%	7%	0.8	0.7	6%	1%
Volati	737	-3%	1.4	1.3	16.1	14.1	21.4	17.7	2%	6%	9.0%	9.6%	12%	13%	5.6	5.0	8%	2%
Total median	1,200	18%	2.4	2.2	16.8	14.3	21.4	19.9	7%	6%	13.9%	14.2%	12%	13%	3.9	3.6	4%	1%
Median of proven compounders		38%	4.4	4.2	26.9	24.8	34.9	32.0	7%	6%	16.1%	16.1%	18%	20%	9.2	8.0	3%	1%
Median excl. proven compounders		7%	1.9	1.8	16.1	13.9	21.3	17.7	6%	6%	11.5%	12.1%	11%	12%	3.6	3.2	4%	1%
Median of sector specialist compounders		10%	2.3	2.1	19.6	16.1	24.7	20.6	3%	10%	11.9%	12.6%	11%	13%	3.6	3.3	4%	1%
1) proven compounders; 2) sector specialists																		
International vehicle service and parts companies																		
Inter Cars	1,697	-15%	0.5	0.4	9.0	7.9	9.7	8.3	10%	12%	5.4%	5.5%	16%	16%	1.4	1.2	n.a.	0%
Advance Auto Parts	2,158	-34%	0.5	0.5	25.4	27.2	18.1	15.1	-1%	1%	2.0%	1.9%	4%	4%	0.9	0.9	5%	3%
Geniune Parts Co.	17,798	3%	1.0	0.9	12.7	11.5	14.8	13.8	2%	4%	7.6%	7.9%	16%	17%	4.0	3.5	5%	3%
LKQ	9,476	-16%	1.0	0.9	9.5	8.6	13.4	11.7	5%	2%	10.5%	11.0%	12%	13%	1.7	1.5	8%	n.a.
Meko	709	32%	0.7	0.6	9.6	8.4	11.3	9.9	9%	6%	6.8%	7.1%	9%	10%	1.3	1.2	9%	3%
Duell	48	35%	0.5	0.5	10.0	7.4	27.6	21.2	5%	4%	5.3%	6.6%	n.a.	n.a.	0.9	0.9	1%	0%
Auto Partner	692	-12%	0.8	0.7	11.8	10.1	13.4	11.4	18%	18%	6.8%	7.1%	19%	19%	2.4	2.0	n.m.	1%
Median	1,697	-12%	0.7	0.6	10.0	8.6	13.4	11.7	5%	4%	6.8%	7.1%	14%	14%	1.4	1.2	5%	2%
Total median	1,200	9%	1.8	1.6	14.7	13.1	20.8	17.7	6%	5%	11.2%	11.5%	12%	13%	3.1	2.8	4%	1%

Table and data updated on: 15-Oct-24

Source: Carnegie Research, FactSet

We also compare Relais to our group of Swedish compounders on EBITA margin to EV/Sales and ROCE to P/BV for 2024e, as illustrated below. Relais trades at a slight discount to the broader peer group, which we think reflects its slightly softer historical track record.

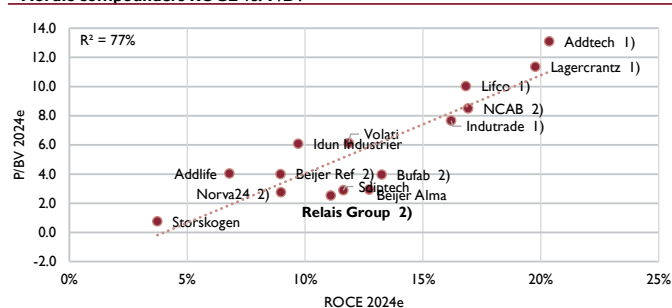
Nordic compounders EBITA margin vs. EV/Sales



1) proven compounders; 2) sector specialists

Source: Carnegie Research, Factset

Nordic compounders ROCE vs. P/BV



1) proven compounders; 2) sector specialists

Source: Carnegie Research, Factset

Discounted cash flows

We also use a discounted cash flow model (DCF) in our valuation approach. Our DCF model uses 17 years of forecasts on top of our explicit forecast period 2024–26e and the terminal year is used to forecast the perpetuity. For 2027–43e, we apply a growth rate of 3% annually for Relais, assuming the company grows in line (or slightly faster than) with the underlying market and reaches a steady-state EBIT margin of 12.5%. We apply a growth rate of 2% in the terminal period. We use a discount rate for Relais of 8.5%, slightly above our peer group consisting of Nordic compounder companies (8%). Please see our assumptions below.

DCF assumptions - Summary	2024e	2025e	2026e	Average year			Terminal	
				4-5	6-10	11-15	16-20	period
Total sales growth	13.3%	4.7%	3.0%	3.0%	3.0%	3.0%	3.0%	2.0%
EBITDA margin	15.9%	16.3%	16.9%	16.9%	16.9%	16.9%	16.9%	16.9%
Depreciation % of sales	-4.8%	-4.5%	-4.4%	-4.4%	-4.4%	-4.4%	-4.4%	-4.4%
EBITA margin	11.1%	11.8%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
Amortisations % of sales	-0.9%	-0.9%	-0.8%	-0.8%	-0.8%	-0.8%	-0.8%	0.0%
EBIT margin	10.2%	10.9%	11.6%	11.6%	11.6%	11.6%	11.6%	11.6%
Capex % of sales	-5.3%	-5.2%	-5.1%	-5.1%	-5.1%	-5.1%	-5.1%	-5.1%
Paid tax rate	-23.7%	-23.0%	-23.0%	-23.0%	-23.0%	-23.0%	-23.0%	-23.0%
NWC to sales	24.8%	24.6%	24.6%	24.6%	24.6%	24.6%	24.6%	24.6%
Sales	322	337	347	363	403	466	540	584
EBITDA	51	55	59	61	68	79	91	99
Capex	-17	-18	-18	-19	-21	-24	-28	-26
Taxes	-6	-7	-8	-10	-12	-13	-16	17
Other	-16	-3	-2	-3	-3	-3	-4	653
Free cash flow	12	28	31	30	33	38	44	742
Discounted FCF	12	25	25	21	18	14	11	152
Share of total discounted FCF	3%	5%	5%	9%	19%	15%	11%	32%

Valuation	(curr.)m	Per share	WACC assumptions	
EV (discounted FCF)	469	24.9	Risk free interest rate	4.0%
- Net debt (2023)	-150	-8.0	Debt risk premium	2.0%
+ Associates	0	0.0	Equity risk premium	4.0%
- Minority interest	0	0.0	Equity beta	1.23
- Outstanding warrants	0	0.0	Cost of Equity	8.9%
Other debt adjustments	0	0.0	Tax rate	23.0%
ESG penalty	0	0.0	After tax cost of debt	4.6%
Equity value at YE (23)	319	17.0	Equity weight	90%
Time adjustment	22	1.2	WACC	8.5%
Dividend	-8	-0.4		
Current equity value	333	17.7		

Source: Carnegie Research

Fair value sensitivity based on terminal growth and WACC

		WACC						
		7.0%	7.5%	8.0%	8.5%	9.0%	9.5%	10.0%
Terminal growth	0.5%	23.9	21.2	18.9	16.8	15.1	13.5	12.1
	1.0%	24.6	21.7	19.2	17.1	15.2	13.6	12.2
	1.5%	25.3	22.2	19.6	17.4	15.5	13.8	12.3
	2.0%	26.1	22.8	20.0	17.7	15.7	14.0	12.5
	2.5%	27.2	23.5	20.6	18.1	16.0	14.2	12.6
	3.0%	28.5	24.5	21.2	18.5	16.3	14.4	12.8
	3.5%	30.2	25.6	22.0	19.1	16.7	14.7	13.0

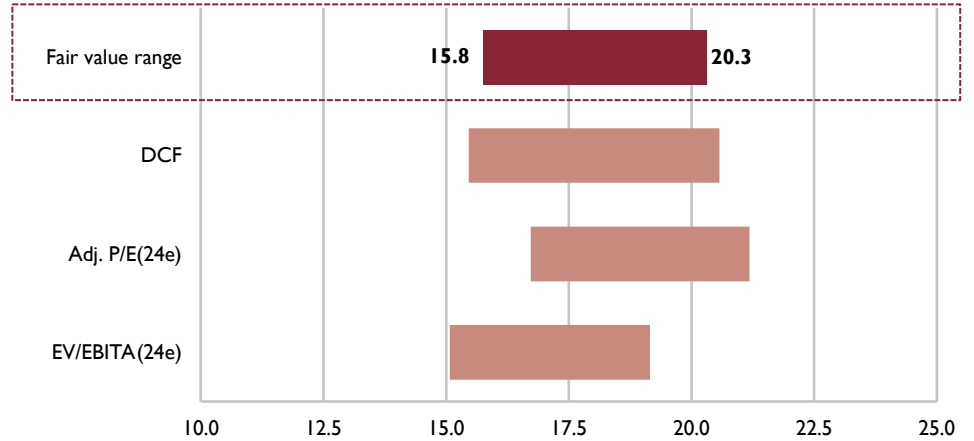
Source: Carnegie Research

We arrive at a fair value range of EUR15.8–20.3 per share for Relais

Based on our conclusions above, we arrive at a fair value range of EUR15.8–20.3 per share. Our range is based on a combination of relative valuation and discounted cash flow analysis, where we apply the average of the low ends and high ends for our respective methods. We apply a slight discount to the Nordic compounder peers (excluding the group of proven companies) on EV/EBITA(24e) and adj. P/E(24e) given Relais' higher leverage. We assign lesser weight to the group consisting of international vehicle service and parts companies. Based on relative valuation,

our fair value for Relais points to EUR15.1–21.2 per share. Our DCF model, with a WACC of 8–9% implies a fair value range of EUR15.5–20.6 per share.

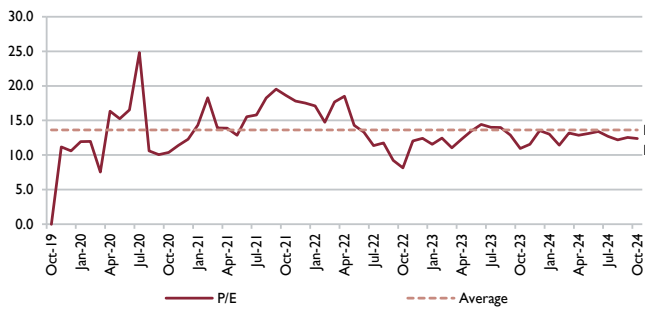
Relais fair value range, EUR



Source: Carnegie Research

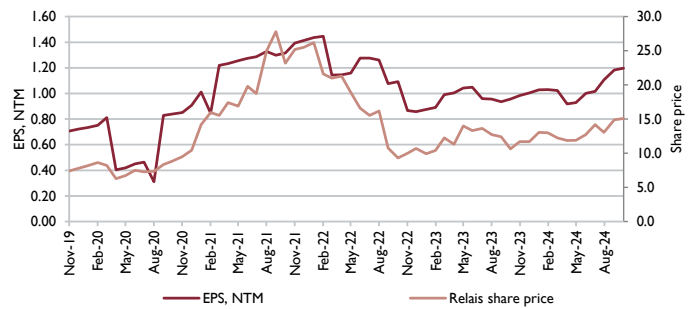
Relais' own historical valuation range and EPS momentum

Relais - 12 month forward rolling P/E (x)



Source: Factset

Relais - EPS NTM and share price, EUR



Source: Factset

Total shareholder return

Relais' total shareholder return (share price appreciation and dividends) during the past one and four years is on a par with the Swedish compounder excluding the group of proven companies, as illustrated below. Relais' share price declined strongly during 2022, leading to lower than median returns on a two- and three-year horizon historically.

Total shareholder return

Swedish compounders

	-1Y	-2Y	-3Y	-4Y	-5Y
Addlife	175%	48%	-50%	18%	193%
Addtech *	82%	139%	90%	149%	419%
Beijer Alma	1%	27%	-8%	66%	67%
Beijer Ref	63%	34%	7%	85%	148%
Bergman & Beving	121%	296%	121%	307%	322%
Bufab	41%	73%	5%	164%	287%
Idun Industrier	41%	22%	-20%	n.a.	n.a.
Indutrade *	54%	79%	29%	91%	257%
Lagercrantz *	80%	149%	86%	223%	402%
Lifco *	80%	127%	40%	166%	285%
Momentum Group	92%	224%	n.a.	n.a.	n.a.
NCAB	22%	49%	5%	143%	505%
Norva24	63%	-1%	n.a.	n.a.	n.a.
Relais Group	47%	77%	-37%	86%	n.a.
Sdiptech	51%	43%	-40%	81%	401%
Storskogen	24%	22%	n.a.	n.a.	n.a.
Volati	18%	13%	-25%	73%	242%
Average	62%	84%	15%	127%	294%
Swedish compounders median	54%	49%	5%	91%	286%
Median excl. proven compounders *	47%	43%	-14%	85%	264%
Relais vs median	0%	34%	-23%	0%	n.a.

International vehicle service and parts peers

	-1Y	-2Y	-3Y	-4Y	-5Y
Inter Cars	-5%	39%	12%	126%	167%
Advance Auto Parts	-21%	-75%	-80%	-72%	-72%
Genuine Parts Co.	-2%	-5%	18%	53%	65%
LKQ	-19%	-17%	-23%	36%	37%
Meko	58%	45%	0%	63%	90%
Duell	21%	-72%	n.a.	n.a.	n.a.
Auto Partner	-1%	101%	67%	231%	437%
Average	4%	2%	-1%	73%	121%
International vehicle service peers	-2%	-5%	6%	58%	78%
Relais vs median	49%	82%	-43%	27%	n.a.

OMX Helsinki	7%	0%	-20%	-3%	8%
Relais vs. OMX Helsinki	40%	77%	-17%	88%	n.a.

Source: Factset

Risks

Here we highlight some of the key risks that could affect Relais Group's financial performance and valuation. Please note that this section is not a complete list of all the risks to which the company may be exposed.

Relais is subject to several risks and uncertainties. Major external risks and uncertainties relate to the general state of the economy, market structural shifts, or the availability and favourable valuation of suitable acquisition targets, competitive pressures, pandemics, cybersecurity risks, and geopolitical uncertainties. Internal risks are e.g. the capacity to efficiently manage working capital and reliance on suppliers and customers.

Changes in the overall economy and market

The demand for Relais' products and services is significantly affected by macroeconomic factors beyond the company's control. These factors include pandemics, geopolitical uncertainties, economic trends in the regions in which the company operates, and conditions in global capital markets. If these factors deteriorate in the markets in which Relais is active, it could negatively affect the company's financial position and earnings.

Moreover, Relais operates in a competitive and fragmented market in certain business areas. The future may bring increased competition and market consolidation, which could weaken Relais' market position. Relais' operations and financial performance may also be affected by new or amended laws and regulations that impact its markets. Additionally, failing to meet customers' stricter environmental requirements could have a negative impact on sales.

Relais is also required to abide by the numerous sanctions and restrictive measures that e.g. the US and EU have placed on Russia. Non-compliance would have consequences for the company's business and reputation.

Additionally, Relais' business is dependent on working capital to have a sizeable product inventory. The business may suffer financial setbacks if it is unable to properly manage its product lines or predict demand.

Supplier network and customers

Relais depends on third-party suppliers to fulfil commitments regarding product supply volume, quality, and schedule. Delivery errors, delays, or misses can have a negative effect on Relais' profits and financial standing. Additionally, the reputation of Relais and its subsidiaries depends on suppliers maintaining high business ethics, including compliance with laws and regulations, respect for human rights, good working conditions, and environmental responsibility. According to Relais, all critical suppliers must commit to Relais' code of conduct to minimise risks and enhance cooperation.

The consequences of the coronavirus pandemic on Relais' markets varied. For example, while the level of bus transit decreased, the demand for relevant replacement parts, and delays in the delivery of new vehicles increased demand for equipment goods. Relais' supply channels were also affected by disruptions in global supply chains. In response, the company increased inventory levels in key product categories to guarantee availability. The pandemic also led to an increase in the number of sick days, reducing demand for equipment and replacement parts.

Cyber risks and IT security

Relais depends on various IT systems and technologies to manage and develop its business. Unplanned outages and cybersecurity incidents, such as hacking, viruses, sabotage, and other cybercrimes, can result in revenue loss and damage the company's reputation. IT or cyber incidents affecting third parties, such as suppliers or customers, can also impact Relais' delivery and earning capacity.

Relais mitigates these risks through its decentralised organisational model, where different

subsidiaries use individual solutions and separate IT infrastructures. Additionally, Relais' subsidiaries employ external cybersecurity experts to ensure security measures are kept up to date and aligned with prevailing threats and customers' growing cybersecurity requirements.

Capacity to attract and maintain employees

Relais' personnel play a crucial role in its business success. During the coronavirus pandemic, Relais was challenged by an increase in personnel turnover and suffered partially from labour shortages, particularly in its service and maintenance business. By developing its HR operations, the company has been able to keep current staff and attract new.

Seasonal effects

Sales of vehicle lighting products in the second half of the year constitute a significant portion of Relais' revenue and cash flow. Typically, sales to consumers peak in Q4. Weather conditions also have an effect on Relais' sales; e.g. extremely cold weather boosts spare parts sales, causing sales fluctuations across seasons. Furthermore, holiday periods typically imply lower sales for Relais. The number of sales days in a quarter also affects sales, leading to variations between reporting periods.

Risks related to leasing agreements and associated lease obligations

Relais leases all its premises from external lessors. At the end of June 2024, its lease liabilities under IFRS 16 leases amounted to around EUR61m (~40% of its net debt). If Relais could not terminate the leases of unproductive or vacant properties, or if terminating or modifying leases would incur significant costs, these could have a clear negative effect on the company's business, financial position, operating results, and outlook.

Acquisitions and goodwill

Relais has made numerous acquisitions in recent years, and strategically, acquisitions continue to play a crucial role in its growth. At the end of June 2024, Relais' had around EUR133m of goodwill and other intangibles on its balance sheet (~40% of total assets). Although Relais' acquisition track record is good, we cannot exclude the risk for goodwill write-downs, should a business unit underperform relative to the assumptions made during valuation. Other risks associated with acquisitions include integration challenges and exposure to unknown liabilities.

Financial risks

Relais faces currency risk from FX fluctuations impacting the company's financial position and earnings. Transaction exposure arises from FX payments and receipts. Additionally, Relais encounters financing and interest rate risks, entailing potential challenges or increased costs in securing capital. To manage these risks effectively, Relais aims for structured and efficient financial risk management to minimise their impact on earnings.

The company also faces standard risks of damage, which are mitigated through insurance coverage for loss or damage, third-party liability insurance, and business interruption insurance.

Sustainability

Relais operates in the vehicle life cycle enhancement sector in the automotive value chain, providing spare parts and repair and maintenance services for vehicles to enhance their life cycle. With its group companies, Relais strives to enable sustainable transport and road safety through its businesses. In 2024, Relais has continued to prepare for the Sustainability Reporting Directive (CSRD) and will report on its sustainability efforts based on the principle of double materiality (from financial risks and opportunities) in its financial statements for 2024.

Sustainability as a business driver

The production of new cars and commercial vehicles is a major source of automotive emissions. Relais' focus is on the vehicle life cycle enhancement industry. The company offers replacement components to increase the longevity of vehicles, which reduces demand for new manufacture and frequent replacements. Relais prioritises low-emission sources, energy efficiency, and efficient logistics while emphasising sustainable sourcing practices. It also prioritises training, equal opportunity, worker well-being, and safety (including product, workplace, and road safety).

Sustainability targets and achievements

In 2023, Relais advanced its sustainability programme by focusing on defining its core themes. Scheduled for completion in 2024, the programme adheres to traditional ESG principles, emphasising environmental responsibility, social accountability, and robust governance practices tailored to the specifics of Relais' industry.

Relais started calculating group-wide emissions in 2023, concentrating on Scope 1 and Scope 2, and started evaluating Scope 3 emissions for certain categories. The calculation included 71% of emissions for Scope 2 and 65% of turnover for Scope 1 among its group companies. In the future, Relais intends to record and monitor its CO2 emissions and environmental effect more thoroughly, both in its own activities and throughout its value chain. Currently, Relais is improving its emissions computation methodology.

In 2023, 42% of Relais' group companies were using the ISO 14001 environmental management system, which allows for the monitoring of energy use and the implementation of proactive measures to minimise it.

Sustainability risks and past incidents

Relais conducts business in several countries with varying environmental laws and standards, so it is important to adhere to these to prevent penalties and legal complications. We are not aware of Relais being involved in any disputes or trials that would have a significant impact on the company.

Regulation changes may call for expensive modifications to procedures and goods. Relais is also exposed to risks relating to the labour and environmental standards of its suppliers due to its reliance on a worldwide supply chain. Materials such as metals and polymers, which are vulnerable to shortages and price swings, are vital to the automobile aftermarket. Developing alternatives and using sustainable sourcing practices are essential to Relais' risk management.

Board of directors and management

Relais' management team consists of nine members, six of whom joined the company in 2022 or later. Three of the five members of the Board of Directors (BoD) are independent of the company and the company's significant shareholders. The BoD and management team control around 22% of the shares in Relais.

Board of Directors

Jesper Otterbeck

Chairman of the Board of Directors

Member of the Board of Directors since 2019

Born in 1966, Swedish

BSc, MSc

Primary work experience: Chairman of the Board at Springlake Invest AB (which has invested in Relais Group's portfolio companies Huzells and AB Rerservdelar, among others), Founder and Managing Director of AutoScout24, several positions at McKinsey & Company (Stockholm and New York)

Relais Group shares: 3,024,450 shares

Independent of Relais

Anders Borg

Member of the Board of Directors since 2022

Born in 1976, Swedish

MSc Eng. Physics

Primary work experience: Managing Director and Head of Nordics at KKR, Partner at TDR Capital, and several other positions in companies such as Nestlé and Bain & Company

Relais Group shares: 60,000 shares

Independent of Relais and its major shareholders

Olli-Pekka Kallasvuo

Member of the Board of Directors since 2019

Born in 1953, Finnish

LLM.

Primary work experience: Leadership positions at Nokia group (1982-2010), including acting as the Group CEO, as the Group CFO and as the President of the Mobile Phones -business operations

Relais Group shares: 84,300 shares

Independent of Relais and its major shareholders

Katri Nygård

Member of the Board of Directors since 2019

Chairman of the Board of Directors during 2015–19

Born in 1976, Finnish

MSc (Econ), LLM

Primary work experience: International tax and legal advisory services in various positions at EY (2010–13), KPMG New York (2008–09), KPMG Finland (2006–10), Roschier (2004–06)

Relais Group shares: 106,500 shares and 383,450 options

Dependent of Relais and its major shareholders

Lars Wilsby

Member of the Board of Directors since 2022

Born in 1962, Swedish

MSc, MBA

Primary work experience: Partner at CHORD AB (since 2018), various leading positions incl. Head of Global Automotive Aftermarket and member of the Group Management at AB SKF (2005–15)

Relais Group shares: 30,000 shares
Independent of Relais and its major shareholders

CEO and the management team



Arni Ekholm

Group CEO

Member of the Management Team since 2015

Born in 1964, Finnish

MSc (International Marketing)

Primary work experience: Over 30 years of experience in various leadership roles in international corporations, e.g. Olympus and Gillette Group

Relais Group shares: 67,450 shares and 40,000 options



Johan Carlos

Managing Director, Strands group AB

Member of the Management Team since August 2022

Born in 1990, Swedish

Primary work experience: Managing Director of Strands group since 2017 and prior to that had various positions in sales and marketing at the company since 2010

Relais Group shares: 6,888 shares and 20,000 options



Thomas Ekström

Group CFO

Member of the Management Team since April 2023

Born in 1967, Finnish

MSc (Econ)

Primary work experience: Over 20 years of experience in CFO and financial manager roles, e.g. Rettig Group, Marimekko, Algol and M-real (currently Metsä Board)

Relais Group shares: 14,500 options



Juan Garcia

Regional Managing Director, Scandinavia, PMO

Member of the Management Team since 2019

Born in 1970, Swedish

Primary work experience: CEO at ABR 2011–22, CEO at Huzells 2017–20, previously e.g. 11 years at Freudenberg Group

Relais Group shares: 62,050 shares and 27,500 options



Ville Mikkonen

Managing Director Finland and Baltic

Member of the Management Team since 2019

Born in 1977, Finnish

Primary work experience: Various management positions at Startax since 2007, over 20 years of experience from automotive aftermarket

Relais Group shares: 174,800 shares and 12,500 options



Jan Popov

Managing Director, Raskone Oy

Member of the Management Team since August 2022

Born in 1989, Finnish

LLM

Primary work experience: CEO at Raskone since 2018, previously M&A lawyer at Eversheds Sutherland

Relais Group shares: 67,823 shares and 22,500 options


Sebastian Seppänen

Director M&A and Business Development

Member of the Management Team since August 2022

Born in 1990, Finnish

BSc (Finance)

Primary work experience: M&A Manager at Tietoevry Oyj (2021–22), Investment Banker, Evli Plc (2014–21)

Relais Group shares: 1,000 shares and 12,500 options


Jon Strand

Director Marketing and Sales Development (interim)

Member of the Management Team since August 2022

Born in 1976, Swedish

Primary work experience: Founder of Strands Group and CEO of the company from 2002 to 2017. Since then, Jon has continued investment and entrepreneurial activities.

Relais Group shares: 382,163 shares


Juri Viitaniemi

Director Compliance, Legal and HR

Member of the Management Team since May 2024

Born in 1988, Finnish

LL.M.

Primary work experience: Viitaniemi has previously acted as an attorney at Roschier and Eversheds Sutherland. He has also experience of acting as a lawyer in various Finnish public companies.

Relais Group shares: 0 shares

Share holding of BoD and key management

Board of Directors	Shares	Of all	
		shares	Options
Jesper Otterbeck	3,024,450	17%	0
Anders Borg	60,000	0%	0
Olli-Pekka Kallasvuo	84,300	0%	0
Katri Nygård	106,050	1%	383,450
Lars Wilsby	30,000	0%	0
BoD, total	3,304,800	18%	383,450

Management team	Shares	Of all	
		shares	Options
Arni Ekholm	67,450	0%	40,000
Johan Carlos	6,688	0%	20,000
Thomas Ekström	0	0%	14,500
Juan Garcia	62,050	0%	27,500
Ville Mikkonen	174,800	1%	12,500
Jan Popov	62,050	0%	27,500
Sebastian Seppänen	1,000	0%	12,500
Jon Strand	382,163	2%	0
Juri Viitaniemi	0	0%	0
Management, total	756,201	4%	154,500

Source: Relais, Carnegie Research

Ownership structure and shareholders

Relais Group's largest owner is Ari Salmivuori, who owns more than 32% of the shares. Mr Salmivuori has founded Ajanta Oy, a Finnish family-owned investment company. Jesper Otterbeck, who acts as the Chairman of the Board of Relais, partly owns Nordic Industry Development, which is the second largest shareholder in Relais. Non-Finnish ownership was close to 56% in August 2024.

The three largest shareholders and their holdings (Mr Salmivuori, Nordic Industry Development and Helander Holding) have remain unchanged since the end of 2022.

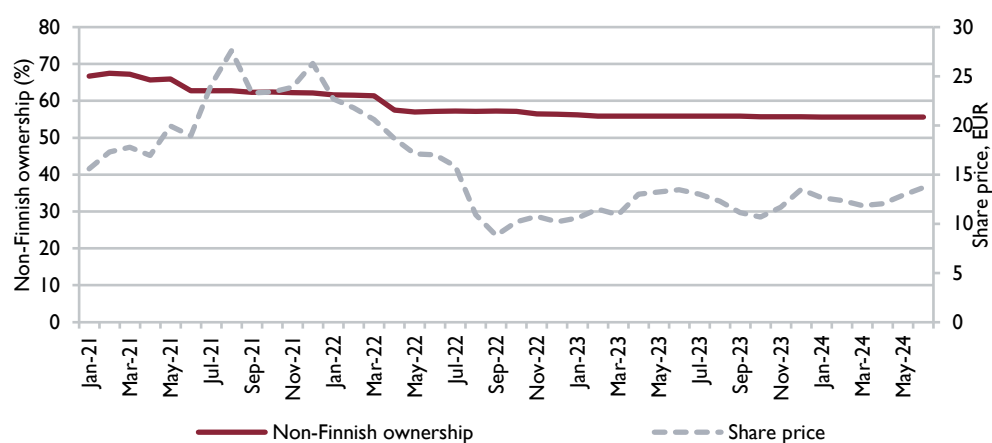
Largest shareholders

	Aug-24
Ajanta Oy /Ari Salmivuori	32.2%
Nordic Industry Development AB (Jesper Otterbeck)	16.6%
Evli Mutual Fund Company	6.1%
Helander Holding Oy	4.9%
Kari Ilmari Kauhanen	2.4%
Nordea Bank ABP	2.2%
Elo Mutual Pension Insurance Company	2.0%
Rausanne Oy	1.7%
Kari Stadig	1.6%
Danske Invest	1.4%
Other	28.9%
Non-Finnish owners	55.7%

Source: Relais, Euroclear

Relais' non-Finnish ownership has remained relatively stable at around 55% of all shares during the past few years.

Relais Group foreign ownership and share price



Source: Relais, Euroclear, Carnegie Research

Appendix I: Classifying compounders

When an investor starts to analyse a compounder, we think it is important to start by classifying what type of serial acquirer it is. We divide compounders into three categories: roll-ups, platforms, and accumulators. Each type is exposed to different opportunities and risks. Opinions might differ as to whether a company belongs to one category or another (as it is not an exact science), but we think a classification makes it easier for investors to identify the pros and cons of the various M&A stories. We consider Relais a combination of a roll-up and a platform compounder.

Roll-ups

A roll-up compounder acts in a single, large total addressable market (TAM) that is larger than the many individual TAMs in which platforms and accumulators operate. One could argue that roll-up compounders are the sector expert of the serial acquirer world, whereas accumulators and platforms are generalists.

As roll-ups are present in only a single industry and/or country, the companies that they buy are quite homogeneous and very similar to their existing business. This makes it easier for roll-ups to conduct accurate due diligence and evaluate industry KPIs, as well as verify important qualitative factors. In contrast, platforms and accumulators which acts in more dynamic market environments need to constantly expand their circle of competence to create new TAM for themselves. Given the uniformity for the buyer and the target business, the companies can be integrated quickly. The level of integration also tends to be higher for roll-ups than for platforms and accumulators. Additionally, roll-ups are often looking to realise scale-driven synergies.

Due to the factors highlighted above, one key benefit of the roll-up structure compared to platforms and accumulators is that it is relatively easy to scale the M&A deal volume, which should bring the fastest acquisition-related growth for the business during first few years of consolidation as long the TAM stays highly fragmented.

The key risk is that the roll-ups generally see earlier transaction multiple escalation than platforms and accumulators. When more people recognise a suitable market for a roll-up, more companies will participate in the market consolidation, which over time will bid up transaction multiples and eventually reduce the number of available acquisition targets. Thus, we argue that it is important for investors in roll-ups to keep track of the market shares of the top 3–5 consolidators in the market. The company's ability and track record of expanding its TAM through platform acquisition internationally is another important consideration.

Roll-ups in Carnegie's coverage include AFRY, Sweco, Bravida, Instalco, Fasadgruppen, Bufab, Nordisk Bergteknik, NCAB, Beijer Ref, Cary Group, Hexpol, BICO, Byggfakta, Lindab, Balco, Coor, and Inwido.

Platforms

In contrast to roll-ups, compounders are characterised as platforms consisting of a few specific groups of companies that have pooled together, where the companies within each platform are more tightly integrated and look very much like small roll-ups and where some synergies can be obtained.

Generally, the different platforms are each present in fairly fragmented industries. They also generally have independent management teams. Cost-related synergies are less common for platforms than for roll-ups. Primary synergies relate to improvement through knowledge sharing. There is generally also a clear product or service distinction between the various platforms.

Given that the various acquisition targets for a platform compounder are less homogenous compared to a single industry roll-up, this set-up requires expansion of the M&A organisation's circle of competence. Thus, it is tougher to scale the M&A organisation in a company

characterised as a platform than a roll-up, which in turn creates bottlenecks in deal flow for the company when it gets bigger. We believe a platform-type compounder should delegate as much of the bolt-on acquisition activity to the respective platforms, to enable scaling of the M&A organisation.

It is also important to consider how good the company management is at making opportunistic platform acquisitions, with great opportunities for bolt-on acquisitions in the future, at a reasonable price. Given that price tags for platform acquisitions tend to be higher than for smaller bolt-on acquisitions, we see a risk that the ROCE could be diluted if the company makes too many platform acquisitions in relation to bolt-on acquisitions and also generally higher risk if a higher share of overall M&A spend goes into platform acquisitions, as those should on average be more competitively priced than add-ons.

Platforms in Carnegie's coverage include Hexagon, Nibe, Assa Abloy, BHG, Vimian, Dometic, Nordic Waterproofing, Embracer Group, Stillfront Group, and Sinch.

Accumulators

Accumulators are generally sector-agnostic, and their main objective is just to find stable, high-quality businesses present in niche markets where the competitive environment is favourable and long-term earnings visibility is good.

In contrast to roll-ups and platforms, accumulators have low TAM constraints as they target niche markets in a wide variety of industries, usually also multinational. Additionally, accumulators generally do not seek to integrate the acquisition target, but instead generally run a highly decentralised structure, where day-to-day business decisions are the responsibility of the local managing directors, spurred on by common KPIs across the group, benchmarking and best practice sharing, a professional board of directors, and regular follow-up of financial KPIs. A key benefit of a decentralised business model is that it encourages subsidiaries to retain their entrepreneurial spirit so they can be driven forward in the way that has historically made them successful and profitable. The entrepreneurial spirit also allows accumulators' subsidiaries to be agile and flexible when market trends shift, and quick to act on good business opportunities. Another advantage of decentralised responsibility is that portfolio companies tend to be more cost cautious than bigger, centralised organisations.

From a portfolio theory perspective, incremental acquisitions in an accumulator can also, if done correctly, make the group more diversified and thus reduce the cyclicity risk of the group. Lower cyclicity and in turn lower earnings volatility are generally favoured by investors and can be one argument for higher valuation multiples. Risks that are significant at subsidiary level are less of a concern when part of a larger group, as they entail both upside and downside, and thus average out – a sort of portfolio theory parallel. Similarly, business development risks that may be considered too great to take on when operating separately may well be accepted once part of a larger group, which may lead to the smaller subsidiary developing and growing in a way that would have been almost impossible on a stand-alone basis, occasionally creating outsized returns for the serial acquirer.

As the critical business decisions are made far down the organisation, the role of the accumulators' top management is to be a central enabler by being a sounding board for entrepreneurs and supporting strategic initiatives, but more importantly to deploy the cash flow produced at subsidiary level. The capital allocation task in an accumulator is more demanding than for a roll-up and platform in which the M&A activity is more repetitive and homogeneous. In accumulators, the M&A organisation must be much more flexible and be ready to work harder on every deal to ensure that they understand all the important nuances of the industry and have not missed any issues beneath the surface. The work to assess potential acquisition targets requires significant analysis of qualitative factors, which takes time to learn. The knowledge transfer from a skilled capital allocator requires a lot from both the teacher and the student. In our view, this process requires hands-on experience, learning from mistakes, humility, and high integrity. Due to these factors the key bottleneck for an accumulator is that it is hard to scale the M&A organisation.

As the targets become bigger, making an IPO or selling to a private equity player become credible alternatives for the sellers, which tends to push up the price tags of targets, in turn diluting the ROIC. Additionally, the non-financial things that serial acquirers (especially accumulators) tend to pitch to sellers of a business (e.g. finding a stable long-term home for the business, selling to a buyer that is not looking for immediate cost synergies, seller staying on as manager with autonomy) are on average of more interest to sellers of smaller businesses than for those of larger businesses, who may be more detached from the business and its staff.

We see several ways to deal with this threat. One is simply to split the accumulator into two or three smaller companies, as was the case for the Swedish serial acquirers coming out of Bergman & Beving, where there are even some examples of spin-offs from the spin-offs. But there is also a need for a clear strategy of knowledge transfer from senior capital allocators to more recently hired individuals. We would also argue that it is generally favourable to delegate at least early phase M&A process activities in the organisation, in order to expand the group working with acquisitions, in turn increasing capacity in terms of the number of deals possible per year or volume of capital invested per year, while keeping with the same size and type of deal as in the past.

Accumulators in Carnegie's coverage include Lifco, Indutrade, Addtech, Volati, Sdiptech and Storskogen.

Appendix II: Market drivers

Relais' market growth is driven by fundamental transportation needs, the number of vehicles and technological innovations, vehicle stock and age, vehicle utilisation, and the introduction of new vehicles, which increases demand for updated aftermarket products. We dig deeper into these drivers here.

The need to get from A to B

The Nordic countries are characterised by long distances, making the transportation of people and goods essential to keep society functioning.

The number of vehicles and the development of innovations

The development of vehicles and related innovations has accelerated, and the number of vehicles has increased significantly over the past decades. According to the World Economic Forum, the global number of passenger cars was 0.5bn units in 2000, and is expected to grow to 1.5bn by 2025. Similarly, the number of trucks is projected to rise from 0.3bn units in 2015 to 0.5bn by 2025. Concurrently, the number of vehicle parts and accessories has grown significantly, becoming more complex and electrified. The average number of parts and accessories that need replacing during a vehicle's lifecycle has also increased substantially.

Vehicle stock

The total number of vehicles in the market, or vehicle stock, is a crucial driver for aftermarket demand. A larger vehicle stock means more potential customers for maintenance, repairs, and upgrades. In the Nordic region, the vehicle stock has been growing steadily, which bodes well for Relais' market potential.

Vehicle age

As vehicles age, they require more frequent and intensive maintenance. The average age of vehicles in the Nordic region has been increasing, which directly enhances the demand for aftermarket parts and services. Older vehicles tend to need more repairs and replacements, providing a stable revenue stream for Relais.

The share of the independent aftermarket in the overall market is growing as vehicles age, which benefits aftermarket operators like Relais.

Vehicle utilisation

How vehicles are used also affects the demand for aftermarket services. High utilisation rates, such as in commercial fleets, ride-sharing services, and logistics, lead to more wear and tear, necessitating regular maintenance and part replacements. Increased vehicle utilisation supports higher demand for Relais' offerings.

New vehicles

The introduction of new vehicles influences the aftermarket sector. New models often bring advanced technologies and new parts, creating demand for updated aftermarket products. Additionally, as new vehicles enter the market, older vehicles transition into the aftermarket phase, increasing the need for maintenance and repairs.

Interim figures

Relais P&L

EURm	Q1(23)	Q2(23)	Q3(23)	Q4(23)	Q1(24)	Q2(24)	Q3(24e)	Q4(24e)	2020	2021	2022	2023	2024e	2025e	2026e
Sales	62.1	58.6	64.8	75.2	69.0	64.1	70.3	80.9	129.0	237.8	260.7	284.3	322.0	337.1	347.2
Material and services	-34.0	-32.0	-36.0	-41.5	-36.9	-34.8	-38.0	-45.7	-84.5	-138.2	-143.5	-155.3	-171.8	-179.5	-184.5
Gross profit	28.1	26.6	28.8	33.7	32.1	29.3	32.3	35.3	44.5	99.6	117.2	128.9	150.2	157.6	162.6
Employee expenses	-13.7	-14.4	-12.2	-14.6	-14.3	-14.6	-14.0	-16.2	-16.6	-46.9	-55.0	-59.1	-68.5	-71.5	-72.5
Other operating income & expense	-5.5	-5.6	-5.5	-9.0	-6.6	-6.1	-6.1	-7.4	-6.0	-16.6	-25.6	-26.3	-30.5	-31.0	-31.5
- of which NRI	-0.1	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	-0.2	-2.6	-2.8	-0.3	-0.1	0.0	0.0
EBITDA	8.9	6.6	11.1	10.1	11.1	8.6	12.1	11.7	21.8	36.0	36.6	43.5	51.2	55.1	58.6
Depreciation	-3.4	-3.2	-3.4	-3.9	-3.6	-3.8	-3.7	-3.9	-3.5	-10.3	-13.6	-15.0	-15.3	-15.3	-15.3
EBITA	5.7	3.4	7.7	6.2	7.5	4.8	8.4	7.8	18.3	25.7	23.0	28.6	35.9	39.8	43.3
Amortisations of acquisitions	-0.5	-0.8	-0.9	-0.9	-0.9	-0.8	-0.8	-0.8	-0.5	-2.7	-3.3	-3.4	-2.9	-2.9	-2.9
EBIT	5.0	2.6	6.8	5.3	6.6	4.0	7.6	7.0	17.9	23.0	19.7	25.1	33.0	36.9	40.4
Net financial items	-1.2	-1.9	-1.7	-1.7	-2.2	-2.8	-1.5	-1.0	-1.6	-4.6	-6.5	-7.4	-7.8	-7.8	-7.7
PTP	3.8	0.7	5.1	3.6	4.5	1.2	6.0	6.0	16.2	18.5	13.1	17.7	25.1	29.0	32.7
Tax	-1.1	-0.7	-1.4	0.1	-1.6	-1.0	-1.7	0.2	-3.1	-4.1	-3.1	-4.0	-6.0	-6.7	-7.5
Net profit	2.7	0.0	3.7	3.7	2.9	0.2	4.4	6.2	13.2	14.4	10.0	13.7	19.2	22.4	25.2
Minorities	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	0.0
Net profit to parent company	2.7	0.0	3.7	3.7	2.9	0.2	4.4	6.2	13.2	14.3	10.0	13.7	19.2	22.4	25.2
Shares, weighted avg., million	18.7	18.7	18.8	18.8	18.8	18.8	18.8	18.8	16.8	17.9	18.6	18.8	18.8	18.8	18.8
EPS (diluted)	0.14	0.00	0.20	0.20	0.16	0.01	0.23	0.33	0.78	0.80	0.54	0.73	1.02	1.19	1.34
EPS adjusted (diluted)	0.25	0.10	0.33	0.33	0.29	0.11	0.38	0.36	0.82	1.06	0.83	0.93	1.18	1.34	1.49
Growth Y/Y (%)	Q1(23)	Q2(23)	Q3(23)	Q4(23)	Q1(24)	Q2(24)	Q3(24e)	Q4(24e)	2020	2021	2022	2023	2024e	2025e	2026e
Sales	16.1%	12.2%	10.5%	2.3%	11.0%	9.4%	8.5%	7.7%	30.4%	84.4%	9.6%	9.0%	13.3%	4.7%	3.0%
EBITDA	-30.5%	22.3%	27.2%	8.8%	25.2%	30.7%	9.5%	16.5%	n.a.	64.9%	1.6%	19.0%	17.6%	7.6%	6.5%
EBIT	8.2%	71.1%	-6.5%	-26.5%	33.6%	55.7%	10.9%	30.6%	n.a.	29.1%	-14.6%	27.8%	31.2%	11.8%	9.6%
EPS Y/Y	28.5%	-101.7%	-21.1%	165.6%	10.1%	3569.8%	18.0%	68.9%	n.a.	2.2%	-32.7%	35.8%	39.4%	16.6%	12.7%
Profitability (%)	Q1(23)	Q2(23)	Q3(23)	Q4(23)	Q1(24)	Q2(24)	Q3(24e)	Q4(24e)	2020	2021	2022	2023	2024e	2025e	2026e
Gross margin	45.3%	45.4%	44.4%	44.8%	46.5%	45.7%	45.9%	43.6%	34.5%	41.9%	45.0%	45.4%	46.6%	46.7%	46.8%
EBITDA margin	9.2%	5.8%	11.9%	8.3%	10.9%	7.5%	12.0%	9.6%	14.2%	10.8%	8.8%	10.0%	11.1%	11.8%	12.5%
EBIT margin	8.0%	4.4%	10.5%	7.1%	9.6%	6.2%	10.8%	8.6%	13.8%	9.7%	7.5%	8.8%	10.2%	10.9%	11.6%
Adjusted numbers, EURm	Q1(23)	Q2(23)	Q3(23)	Q4(23)	Q1(24)	Q2(24)	Q3(24e)	Q4(24e)	2020	2021	2022	2023	2024e	2025e	2026e
Adj. EBITA	6.2	3.8	7.9	7.9	7.6	4.8	8.6	7.8	18.5	28.3	25.8	28.9	35.9	39.8	43.3
Adj. EBIT	5.4	3.0	7.1	7.1	6.7	4.0	7.8	7.0	18.0	25.6	22.5	25.4	33.0	36.9	40.4
Adj. net profit	4.7	1.9	6.2	6.2	5.5	2.0	7.1	6.8	13.8	19.1	15.5	17.4	22.1	25.3	28.1
Adj. EBITA margin	10.0%	6.5%	12.3%	10.6%	11.1%	7.5%	12.3%	9.6%	14.3%	11.9%	9.9%	10.1%	11.2%	11.8%	12.5%
Adj. EBIT margin	8.7%	5.1%	10.9%	9.4%	9.8%	6.2%	11.0%	8.6%	14.0%	10.8%	8.6%	9.0%	10.3%	10.9%	11.6%

Source: Carnegie Research, Relais

Sales by product line

EURm	Q1(23)	Q2(23)	Q3(23)	Q4(23)	Q1(24)	Q2(24)	Q3(24e)	Q4(24e)	2020	2021	2022	2023	2024e	2025e	2026e
Equipment	8.3	8.1	7.3	9.5	9.4	9.8	13.3	16.0	24.9	33.2	33.1	48.4	61.9	63.8	65.7
Lighting	13.9	9.2	17.0	21.9	14.8	9.9	15.6	19.5	29.9	61.9	62.1	59.8	61.5	63.3	65.2
Spare parts	19.7	20.7	18.6	19.9	19.3	20.9	20.7	22.4	71.8	80.1	78.9	83.2	92.4	95.1	98.0
Repair and maintenance	20.3	20.5	21.1	23.6	24.7	22.8	21.4	23.1	0.2	60.0	85.6	91.9	104.8	113.4	116.8
Other	0.0	0.0	0.8	0.2	0.8	0.8	-0.8	0.0	2.1	2.6	1.0	0.8	1.5	1.5	1.5
Total	62.1	58.6	64.8	75.2	69.0	64.1	70.3	80.9	129.0	237.8	260.7	284.3	322.0	337.1	347.2
Y/Y change (%)	Q1(23)	Q2(23)	Q3(23)	Q4(23)	Q1(24)	Q2(24)	Q3(24e)	Q4(24e)	2020	2021	2022	2023	2024e	2025e	2026e
Equipment		2%	-8%	2%	13%	21%	83%	68%	n.a.	33%	0%	46%	28%	3%	3%
Lighting		-47%	-3%	-3%	7%	7%	-8%	-11%	n.a.	107%	0%	-4%	3%	3%	3%
Spare parts		12%	0%	-4%	-2%	1%	11%	12%	n.a.	11%	-1%	5%	11%	3%	3%
Repair and maintenance		42%	46%	22%	22%	11%	1%	-2%	n.a.	n.m.	43%	7%	14%	8%	3%
Other		n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.a.	24%	-62%	-16%	77%	0%	0%
Total		0%	10%	2%	11%	9%	8%	8%	n.a.	84%	10%	9%	13%	5%	3%

Source: Carnegie Research, Relais

Financial statements

Profit & loss (EURm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Sales	60	72	99	129	238	261	284	322	337	347
COGS	-40	-48	-66	-84	-138	-143	-155	-172	-180	-185
Gross profit	21	24	33	45	100	117	129	150	158	163
Other income & costs	-13	-16	-20	-23	-64	-81	-85	-99	-102	-104
Share in ass. operations and JV	0	0	0	0	0	0	0	0	0	0
EBITDA	8	9	13	22	36	37	44	51	55	59
Depreciation PPE	0	0	0	0	-1	-2	-2	-2	-1	-1
Depreciation lease assets	0	0	0	-3	-9	-12	-13	-14	-14	-14
Amortisation development costs	0	0	0	0	0	0	0	0	0	0
Amortisation other intangibles	0	0	0	0	0	0	0	0	0	0
Impairments / writedowns	0	0	0	0	0	0	0	0	0	0
EBITA	8	8	13	18	26	23	29	36	40	43
Amortization acquisition related	-2	-3	-5	0	-3	-3	-3	-3	-3	-3
Impairment acquisition related	0	0	0	0	0	0	0	0	0	0
EBIT	6	6	8	18	23	20	25	33	37	40
Share in ass. operations and JV	0	0	0	0	0	0	0	0	0	0
Net financial items	-1	-1	-5	-2	-5	-7	-7	-8	-8	-8
of which interest income/expenses	-1	-1	-5	-3	-2	-3	-6	-6	-6	-6
of which interest on lease liabilities	0	0	0	0	-1	-2	-2	-2	-2	-2
of which other items	0	0	0	1	-1	-2	0	0	0	0
Pre-tax profit	5	5	3	16	18	13	18	25	29	33
Taxes	-1	-2	-2	-3	-4	-3	-4	-6	-7	-8
Post-tax minorities interest	0	0	0	0	0	0	0	0	0	0
Discontinued operations	0	0	0	0	0	0	0	0	0	0
Net profit	4	3	1	13	14	10	14	19	22	25
Adjusted EBITDA	8	9	17	22	39	39	44	51	55	59
Adjusted EBITA	8	8	16	18	28	26	29	36	40	43
Adjusted EBIT	6	6	11	18	26	23	25	33	37	40
Adjusted net profit	6	6	6	14	19	16	17	22	25	28
Sales growth Y/Y	2.6%	19.9%	36.6%	30.4%	84.4%	9.6%	9.0%	13.3%	4.7%	3.0%
EBITDA growth Y/Y	-6.9%	4.7%	52.8%	63.7%	64.9%	1.6%	19.0%	17.6%	7.6%	6.5%
EBITA growth Y/Y	-5.3%	3.8%	54.6%	41.3%	40.3%	-10.5%	24.1%	25.7%	10.8%	8.9%
EBIT growth Y/Y	-10.2%	-6.8%	37.3%	127.2%	29.1%	-14.6%	27.8%	31.2%	11.8%	9.6%
EBITDA margin	13.8%	12.0%	13.5%	16.9%	15.1%	14.0%	15.3%	15.9%	16.3%	16.9%
EBITA margin	13.4%	11.6%	13.1%	14.2%	10.8%	8.8%	10.0%	11.1%	11.8%	12.5%
EBIT margin	10.2%	7.9%	7.9%	13.8%	9.7%	7.5%	8.8%	10.2%	10.9%	11.6%
Tax rate	26.8%	31.4%	76.5%	18.9%	22.2%	23.7%	22.4%	23.7%	23.0%	23.0%
Cash flow (EURm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
EBITDA	8	9	13	22	36	37	44	51	55	59
Paid taxes	-1	-2	-2	-3	-4	-3	-4	-6	-7	-8
Change in NWC	-2	-3	-19	10	-23	0	-4	-14	-3	-2
Non cash adjustments	0	-1	9	-9	5	-5	-6	0	0	0
Discontinued operations	0	0	0	0	0	0	0	0	0	0
Total operating activities	5	3	2	19	13	29	31	31	45	49
Capex tangible assets	0	0	0	0	-2	-2	-4	-4	-4	-4
Capitalised development costs	0	0	0	0	0	0	0	0	0	0
Capex - other intangible assets	0	0	0	0	0	0	0	0	0	0
Acquisitions/divestments	-6	-1	-65	-9	-53	-15	-4	-2	0	0
Other non-cash adjustments	0	0	0	0	0	0	0	0	0	0
Total investing activities	-6	-1	-64	-9	-55	-16	-8	-6	-4	-4
Net financial items	-1	-1	-5	-2	-5	-7	-7	-8	-8	-8
Lease payments	0	0	0	-3	-8	-11	-12	-13	-13	-13
Dividend paid and received	0	0	0	-2	-5	-6	-7	-8	-9	-9
Share issues & buybacks	0	0	48	0	1	0	0	0	0	0
Change in bank debt	1	-2	42	-1	32	9	-8	0	0	0
Other cash flow items	0	1	0	0	0	-2	0	0	0	0
Total financing activities	0	-1	85	-7	16	-16	-33	-27	-28	-28
Operating cash flow	5	3	2	19	13	29	31	31	45	49
Free cash flow	5	2	-4	15	-1	11	9	9	23	26
Net cash flow	0	1	22	3	-26	-3	-10	-1	14	17
Change in net IB debt	-1	3	-21	2	-60	-14	-5	-4	11	14
Capex / Sales	0.0%	0.3%	0.4%	0.2%	1.0%	0.6%	1.4%	1.1%	1.1%	1.1%
NWC / Sales	48.6%	43.6%	42.8%	36.5%	22.7%	25.1%	23.6%	23.1%	24.2%	24.3%

Source: Carnegie Research & company data

Financial statements, cont.

Balance sheet (EURm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Acquired intangible assets	7	5	54	66	117	118	120	120	117	114
Other fixed intangible assets	0	0	1	3	15	15	13	13	13	13
Capitalised development	0	0	0	0	0	0	0	0	0	0
Tangible assets	1	1	1	1	5	4	5	7	9	11
Lease assets	0	0	0	17	54	56	61	61	61	61
Other IB assets (1)	0	0	-1	1	1	0	0	0	0	0
Other non-IB assets	0	0	0	0	0	1	1	1	1	1
Fixed assets	8	6	54	88	192	194	200	201	201	200
Inventories (2)	27	29	43	45	73	68	74	84	88	91
Receivables (2)	7	8	15	16	31	33	41	52	51	52
Prepaid exp. & other NWC items (2)	0	0	0	0	0	0	0	0	0	0
IB current assets (1)	0	0	0	0	0	0	0	0	0	0
Other current assets	1	3	0	0	3	4	4	4	4	4
Cash & cash equivalents (1)	2	2	30	35	12	14	10	10	24	41
Current assets	37	42	88	95	119	119	129	150	167	188
Total assets	45	48	142	183	311	313	329	351	367	388
Shareholders' equity	11	17	64	80	104	104	111	122	135	151
Minorities	3	1	0	0	0	0	0	0	0	0
Other equity	0	0	0	0	0	0	0	0	0	0
Total equity	14	17	64	81	104	104	111	122	135	151
Deferred tax	0	0	2	3	6	6	5	5	5	5
LT IB debt (1)	11	14	60	58	92	97	89	89	89	89
Other IB provisions (1)	0	0	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	14	44	45	49	52	54	57
Other non-IB liabilities	0	2	0	0	1	0	0	0	0	0
LT liabilities	12	16	62	76	143	148	144	146	149	152
ST IB debt (1)	11	6	5	8	17	19	21	21	21	21
Payables (2)	4	4	7	18	39	35	47	55	55	57
Accrued exp. & other NWC items (2)	0	0	0	0	0	0	0	0	0	0
Other ST non-IB liabilities	5	5	6	0	7	7	7	7	7	7
Liabilities - assets held for sale	0	0	0	0	0	0	0	0	0	0
Current liabilities	19	15	18	26	63	61	74	83	83	85
Total equity and liabilities	45	48	143	183	311	313	329	351	367	388
Net IB debt (=1)	21	17	35	45	140	148	150	151	140	126
Net working capital (NWC) (=2)	30	33	52	42	66	65	69	80	83	85
Capital employed (CE)	36	37	130	165	264	270	275	288	305	323
Capital invested (CI)	38	39	107	129	256	259	268	280	283	285
Equity / Total assets	32%	36%	45%	44%	34%	33%	34%	35%	37%	39%
Net IB debt / EBITDA	2.5	2.0	2.7	2.1	3.9	4.0	3.4	3.0	2.5	2.1
Per share data (EUR)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Adj. no. of shares in issue YE (m)	0.00	9.06	16.21	17.40	18.48	18.76	18.81	18.81	18.81	18.81
Diluted no. of Shares YE (m)	0.00	9.06	16.21	17.40	18.48	18.76	18.81	18.81	18.81	18.81
EPS	na	0.73	0.05	0.78	0.80	0.54	0.73	1.02	1.19	1.34
EPS adj.	na	1.32	0.51	0.82	1.06	0.83	0.93	1.18	1.34	1.49
CEPS	na	1.40	0.48	0.87	1.13	0.92	1.16	1.39	1.56	1.71
DPS	0.00	0.00	0.10	0.30	0.36	0.40	0.44	0.46	0.48	0.50
BVPS	na	1.82	3.93	4.62	5.63	5.54	5.88	6.46	7.19	8.05
Performance measures	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
ROE	46.3%	24.4%	1.5%	18.3%	15.6%	9.6%	12.8%	16.5%	17.4%	17.6%
Adj. ROCE pre-tax	24.5%	23.3%	19.5%	13.2%	12.2%	8.3%	9.9%	12.1%	12.8%	13.3%
Adj. ROIC after-tax	16.5%	14.9%	5.2%	12.7%	11.4%	7.7%	8.5%	10.0%	10.9%	11.8%
Valuation	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
FCF yield	1.6%	0.8%	-1.4%	5.2%	-0.3%	3.9%	3.2%	3.2%	8.1%	9.2%
Dividend yield YE	na	na	1.2%	2.0%	1.4%	3.9%	3.3%	3.1%	3.2%	3.4%
Dividend payout ratio	na	0.0%	213.5%	38.3%	45.0%	74.3%	60.2%	45.1%	40.4%	37.3%
Dividend + buy backs yield YE	na	na	1.3%	2.0%	1.3%	3.8%	3.3%	3.1%	3.2%	3.4%
EV/Sales YE	na	na	1.72	2.34	2.64	1.30	1.42	1.34	1.25	1.17
EV/EBITDA YE	na	na	12.7	13.8	17.4	9.3	9.3	8.4	7.6	6.9
EV/EBITA YE	na	na	13.1	16.5	24.4	14.8	14.2	12.0	10.6	9.4
EV/EBITA adj. YE	na	na	10.5	16.3	22.1	13.1	14.0	12.0	10.6	9.4
EV/EBIT YE	na	na	21.6	16.9	27.2	17.3	16.1	13.1	11.4	10.1
P/E YE	na	na	>50	18.8	32.9	18.9	18.5	14.6	12.5	11.1
P/E adj. YE	na	na	16.1	17.9	24.8	12.2	14.6	12.7	11.1	10.0
P/BV YE	na	na	2.10	3.18	4.67	1.84	2.29	2.31	2.07	1.85
Share price YE (EUR)			8.25	14.7	26.3	10.2	13.5	14.9		

Source: Carnegie Research & company data

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