

Relais Group

Extensive report

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



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

✓ Inderes corporate customer

This report is a summary translation of the report “Ajoneuvojen jälkimarkkinan konsolidaattori” published on 6/5%2024 at 8:50 pm EEST

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Vehicle aftermarket consolidator

Relais' value creation model is based on owning and developing businesses, and consolidating the vehicle aftermarket. Raw material for this, i.e. cash flow, is produced by its current businesses, which, according to our estimate, will grow in the long run roughly at the pace of economic growth. We consider the current valuation of the stock moderate, whereas the risk level of the company's defensive business is quite reasonable in our opinion. Thus, we consider the share's risk/reward ratio attractive, and reiterate our EUR 15.0 target price and Buy recommendation.

Relais operates in the vehicle aftermarket

Relais Group persistently owns and develops companies that operate in the vehicle aftermarket and consolidates the aftermarket. Current Group companies are engaged in wholesale of spare parts, lighting and equipment and commercial vehicle repair and maintenance business in the Nordic and Baltic countries. Over the past good three years, Relais has grown with the help of more than ten acquisitions and we estimate faster organic growth than market growth. The company's financial target is to reach an operating result of 50 MEUR (pro forma EBITA) by the end of 2025, which requires significant earnings growth compared to the 2023 level (EBITA 28.6 MEUR). Reflecting this objective, we expect the company to continue to be active in the acquisition market in the near future.

The main drivers of profit growth are organic growth and allocating capital to acquisitions

Relais' target market grows mainly in line with the growth rate of the vehicle fleet, which we estimate is roughly in line with the economic growth rate in the medium and long term. Thus, reflecting revenue growth roughly in line with market growth and maintaining the achieved commendable efficiency, we expect earnings growth to be on average around 3% in the coming years (2024-2027). Relais' financial position, operating cash flow and the ability to use own shares as a trading tool enable inorganic growth, but we also consider collection of additional funding and acceleration of inorganic growth quite possible in the next few years. We estimate that the key driver of the expected return for a longer-term investor is the outcome of capital allocation to which the key risks are also primarily linked. Considering the quality and valuation levels of recent acquisitions, we believe that the track record of acquisition-driven growth is good.

We consider the valuation moderate

Adjusted P/E ratios for 2023 and 2024 based on our estimates are 12x and 11x the adjusted EV/EBITA ratios are 10x. We find these valuation multiples moderate for the current business entity and, on the other hand, they do not price the value creation of capital reallocation. In relative terms, Relais is valued at a discount to the peer companies with similar businesses, while relative to the peer group of serial consolidators the share is valued at a clear discount. In our opinion, Relais' justified valuation level is found in the middle ground of these peer groups. Examined with various valuation indicators we find the stock's current valuation moderate. Thus, we consider the stock's risk/reward ratio attractive.

Recommendation

Buy
(previous Buy)

EUR 15.00
(previous EUR 15.00)

Share price:
12.70



Key figures

	2023	2024e	2025e	2026e
Revenue	284.3	317.0	323.1	332.8
growth-%	9 %	12 %	2 %	3 %
EBIT adj.	28.6	33.9	33.6	34.9
EBIT-% adj.	10.0 %	10.7 %	10.4 %	10.5 %
Net Income	13.7	16.3	17.4	19.7
EPS (adj.)	0.95	1.08	1.16	1.26
P/E (adj.)	14.3	11.7	10.9	10.1
P/B	2.2	1.9	1.8	1.7
Dividend yield-%	3.3 %	3.5 %	3.6 %	3.8 %
EV/EBIT (adj.)	13.9	11.1	10.9	10.1
EV/EBITDA	9.1	7.6	7.4	6.9
EV/S	1.4	1.2	1.1	1.1

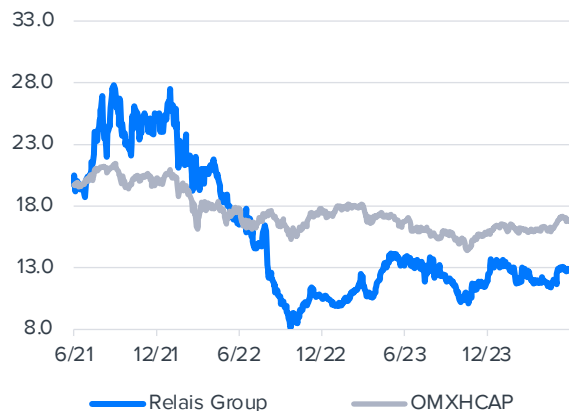
Source: Inderes

Guidance

(Unchanged)

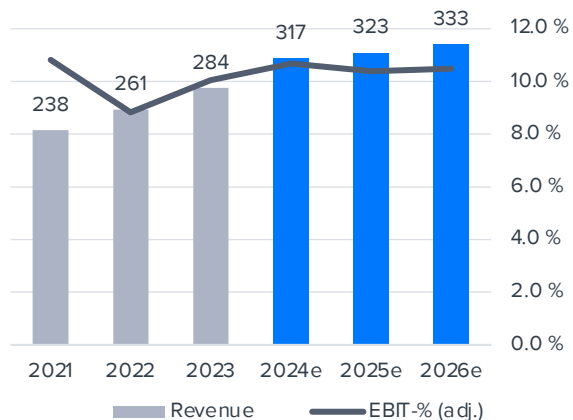
Relais does not provide numeric guidance for the financial year 2024.

Share price



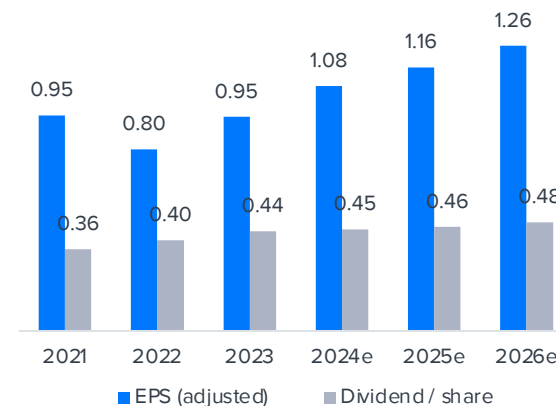
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

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



Risk factors

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

Valuation	2024e	2025e	2026e
Share price	12.70	12.70	12.70
Number of shares, million	18.2	18.3	18.4
Market cap	231	231	231
EV	375	365	354
P/E (adj.)	11.7	10.9	10.1
P/E	14.2	13.3	11.8
P/B	1.9	1.8	1.7
P/S	0.7	0.7	0.7
EV/Sales	1.2	1.1	1.1
EV/EBITDA	7.6	7.4	6.9
EV/EBIT (adj.)	11.1	10.9	10.1
Payout ratio (%)	50.3 %	48.3 %	44.8 %
Dividend yield-%	3.5 %	3.6 %	3.8 %

Source: Inderes

Contents

Company description and business model	5-11
Strategy and financial objectives	12-15
Markets and competitive landscape	16-20
Cost structure and financial situation	21-22
Investment profile	23-24
Estimates	25-29
Value determination	30-32
Appendices	33-41
Disclaimer and rating history	42

Relais Group in brief

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

2010

Year of establishment

284 MEUR (+ 9.0 %)

revenue 2023 (growth %)

25 % 2016-2023

Growth in reported revenue (CAGR-%)

28.9 MEUR (10.1% of revenue)

Adj. EBITA 2023 (EBITA-%)

1,089

Personnel at the end of 2023

Internationalization begins 2014-2018

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

Internationalization proceeded quickly with acquisitions

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

Capital for growth from the stock exchange 2019-2020

2019-2020

Listed on the First North marketplace in 2019

Three acquisitions in Sweden and one in Denmark

Acquisitions strengthen the Nordic foothold and diversify income flow geographically

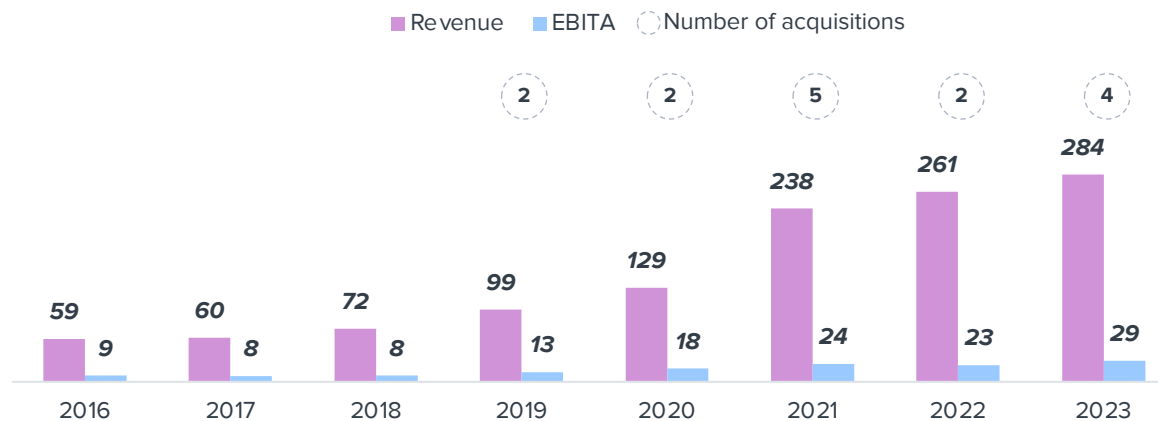
Acceleration of growth with acquisitions 2021-

2021-

Expansion to maintenance and repair business with Raskone and STS acquisitions

Faster organic growth than market growth

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



Company description and business model 1/5

Relais operates in the vehicle aftermarket

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

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

The Group is a growth platform for independent businesses

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

By utilizing the cash flows of the growing corporate cluster Relais Group aims to create value through acquisitions. Thus, the Group-level business model is that of a so-called serial consolidator, while the business models of the underlying businesses are more conventional wholesale, product and service companies' business models. Thus, at Group level,

the aim is to create value, especially through periodic M&A transactions, i.e., by allocating capital to growth. Under the Group, at company level, value creation relies on the normal business models of product and service companies.

Business structure

Relais reports its financial results by product group and geographical area. In 2023, 68% of reported revenue (2023 revenue 284 MEUR) consisted of wholesale of parts and equipment for utility and passenger vehicles, and wholesale and online sales of lighting and power management solutions and other accessories.

Correspondingly, repair and maintenance services for commercial vehicles accounted for about one-third of the reported revenue in 2023. It is worth noting that about half of the revenue from the repair and maintenance services comprises labor and half comprises the used spare parts, so much of the revenue in this segment comes from delivering spare parts.

Finland accounted for some 42 % of the reported revenue of the Group companies in 2023, while Sweden accounted for some 41 %. Correspondingly, Estonia, Norway, Denmark and the other Baltic countries combined accounted for some 17% of revenue.

RELAIS



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

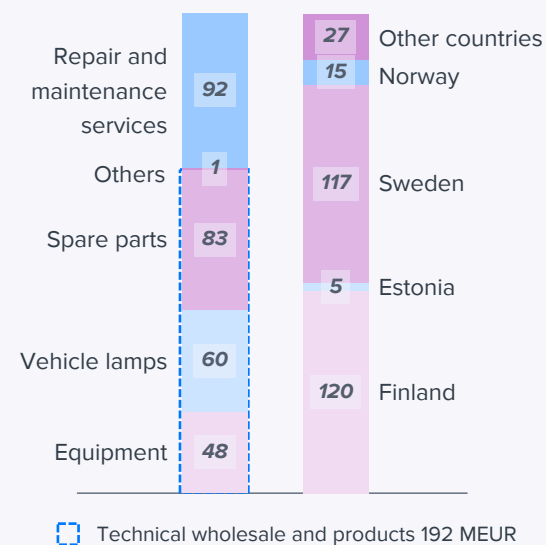


Repair and maintenance business for commercial vehicles in Finland and Sweden



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

Revenue distribution (2023, 284 MEUR)



Company description and business model 2/5

Extensive product range and supplier network

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

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

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

Significant share of own brands

Most of Relais' wholesale sales come from other brands' products, but we estimate the Group's own brands still account for around a quarter of sales which is significant. Own products consist mainly of

lighting products sold under several own brands. A small addition to the own brands is also the spare parts sold under the Nordic Product Development brand. In wholesale business, investing in own brands is typically supported by a slightly higher margin level, which is why we believe Relais also invests in their growth.

Customer base is highly fragmented

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

Revenue is further diversified by the large customer base of the service business, which consists of the local demand of repair and maintenance points. Raskone has 18 such points in Finland, STS has 14 and Skeppsbrons 1 in Sweden.

Considering this, we believe that Relais' revenue is rather well diversified. We believe that the ten largest customers generate roughly 5% of Relais' revenue at an annual level, so we also feel revenue continuity does not constitute an essential risk in terms of the largest customers either.

RELAIS

Group companies

Parts and equipment for commercial vehicles



Parts and equipment for passenger cars



Repair and maintenance services of commercial vehicles



Lighting, power management and other equipment



Lighting and online sales



Company description and business model 3/5

Demand is continuous by nature

Relais' revenue do not have strong contract-based continuous elements, as revenue depend on orders from resellers and repair and maintenance needs of vehicles. However, wholesale operations are characterized by the fact that a supplier is the buyer's key operator and one-year contracts are signed with key customers where incentives are based on volume-related purchasing bonuses. Similarly, in the repair and maintenance business, we believe a moderate share of demand is generated by care agreements or brand representations for which Raskone and STS perform warranty service.

As a whole, we believe that the company's demand drivers are largely continuous, as demand for spare parts and repair and maintenance services is a natural consequence of vehicle consumption and their demand is also a vital condition for the long life of vehicles.

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

Core business operations

The production of Relais' Group companies' own brands is outsourced, so the Group does not have own manufacturing operations. Thus, in product businesses, the Group companies' core activities

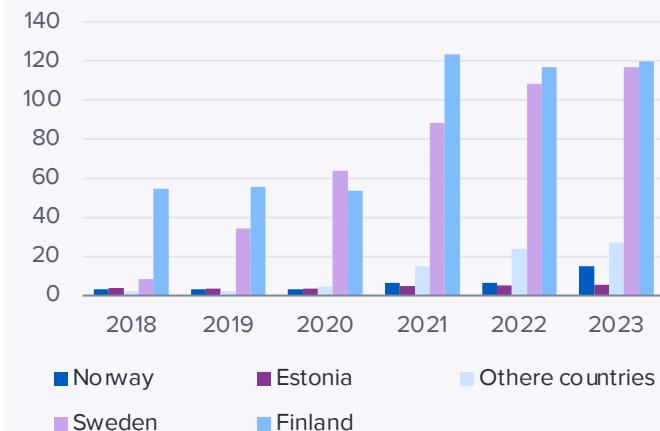
include the acquisition, sale and distribution of spare parts and equipment. This means the competitiveness of the businesses is built around the efficient sourcing and distribution of a broad range of products, which highlights the efficiency of logistics. The fixed elements of a product company's cost structure consist of logistics, which means the most important factor in the performance of the operations is the size class, or volume. Similarly, in the Group's service companies, the fixed element of the cost structure is the short-term fixed costs of the service points, which largely consists of the costs related to the personnel providing the services and the infrastructure of the offices. Therefore, the most critical driver for the profitability of the service business is the utilization rate of the service points.

Group activities

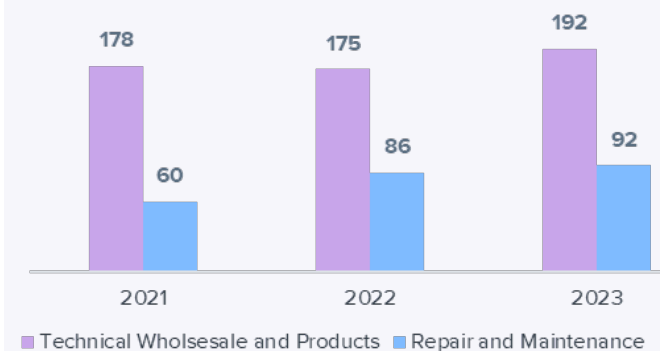
Relais' companies aim to preserve the independence of acquired businesses and to foster an entrepreneurial and owner-oriented culture. This can be seen, e.g., in the fact that the local management of acquired companies continues to perform their duties after the acquisition, and the daily management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

Similarly, Group-level activities concentrate mainly on activities where economies of scale can be utilized, such as purchasing activities, financing and information systems. Group-level is also responsible

Revenue by market area (MEUR)



Revenue distribution (MEUR)



Company description and business model 4/5

harmonizing and coordinating key policies (information security, risk management, ESG, etc.).

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

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

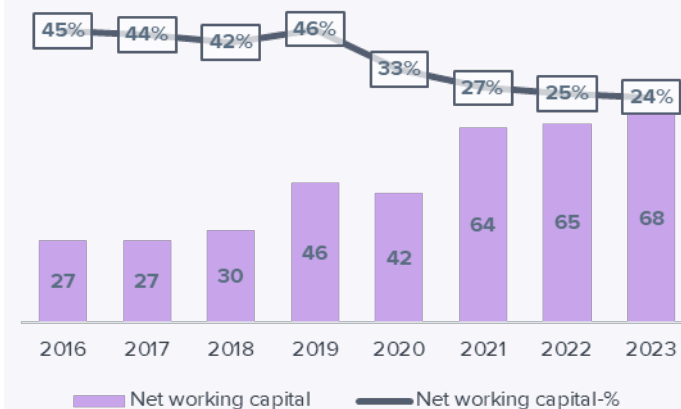
Business carries on without major investments

Relais' product business does not require major investment in tangible or intangible assets, which means that the average investment in 2018-2023 (excluding acquisitions) was only close on 1.5 MEUR. However, investments in 2021-2023 have been slightly higher, i.e. around 1.5-4.1 MEUR in line with increased equipment and system investments. We believe this reflects both the Group's increased size and, to some extent, the slightly increased investment needs caused by the repair business. Against this background, we estimate that Relais' annual organic investment needs in fixed assets in the current form are around EUR 2.5-3 million.

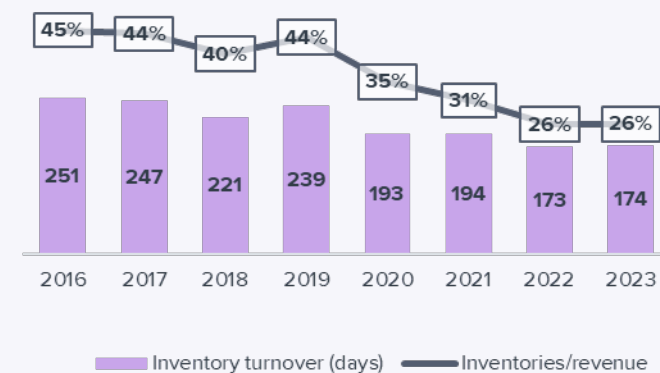
Inventories tie up capital

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

Capital commitment



Inventory development



Company description and business model 5/5

Relais' net working capital relative to its reported revenue in 2018-2023 has been about 24-41%. However, the relative share of working capital has turned downward, driven by the expansion through acquisitions into businesses where working capital commitment is more moderate, i.e., repair and maintenance services' increased share of the group's revenue.

In the financial year 2023, Relais managed to maintain the efficient working capital management achieved in 2022, and the ratio of working capital to revenue fell to 24%, the lowest level in our review history. Correspondingly, the ratio of inventories to revenue developed steadily and settled at 25%.

Operating cash flow is lower than the operating result

In recent years, Relais' operating cash flow has closely corresponded to the company's EBITDA. An exception to this is 2021, when more capital was committed to inventories as the company temporarily increased its inventory levels to prepare for disruptions in the supply chain. In 2018-2023, the cash-flow ratio (operating cash flow/EBITDA) reached 86% of EBITDA, reflecting a decent cash-flow profile of the business. With regard to the free cash flow, it should be noted that after the company's transition to IFRS accounting in 2022, the cash flow from operating activities no longer includes the repayments of lease liabilities (leasing payments), which in 2022–2023 were 11–12 MEUR.

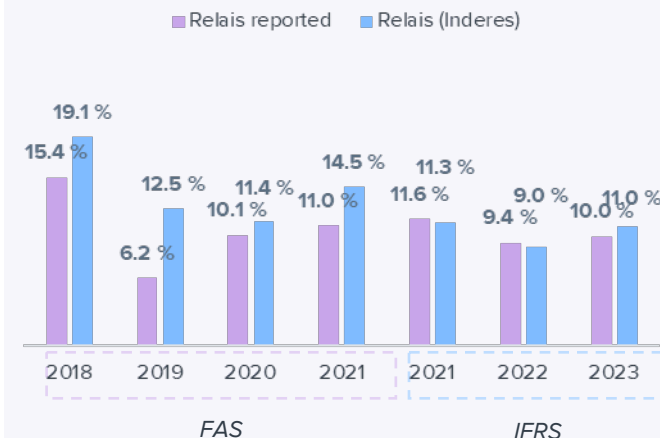
ROIC is the main indicator of strategy implementation

We believe the indicator that describes the value creation of Relais' business model and strategy quite well is ROIC-%. In 2018-2023 reported ROIC was 6.2-15.4%, with an average of 10.5%. We believe ROIC has on average been higher than the cost of capital and thus the growth strategy has created value.

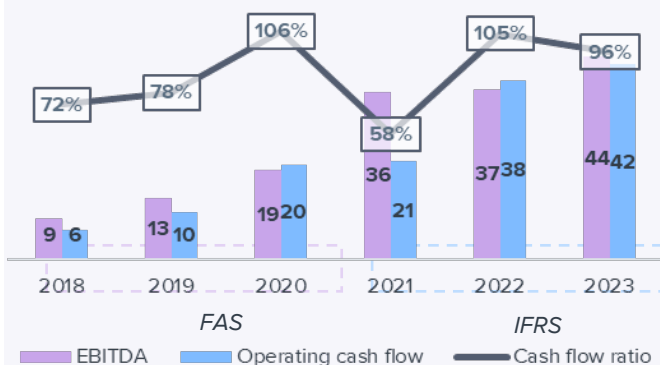
In the future, a key factor for ROIC is how efficiently the company can allocate capital to acquisitions, in other words, the valuation and return on invested capital at which the company carries out acquisitions. In addition, the long-term operational development and return on capital of already owned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

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

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

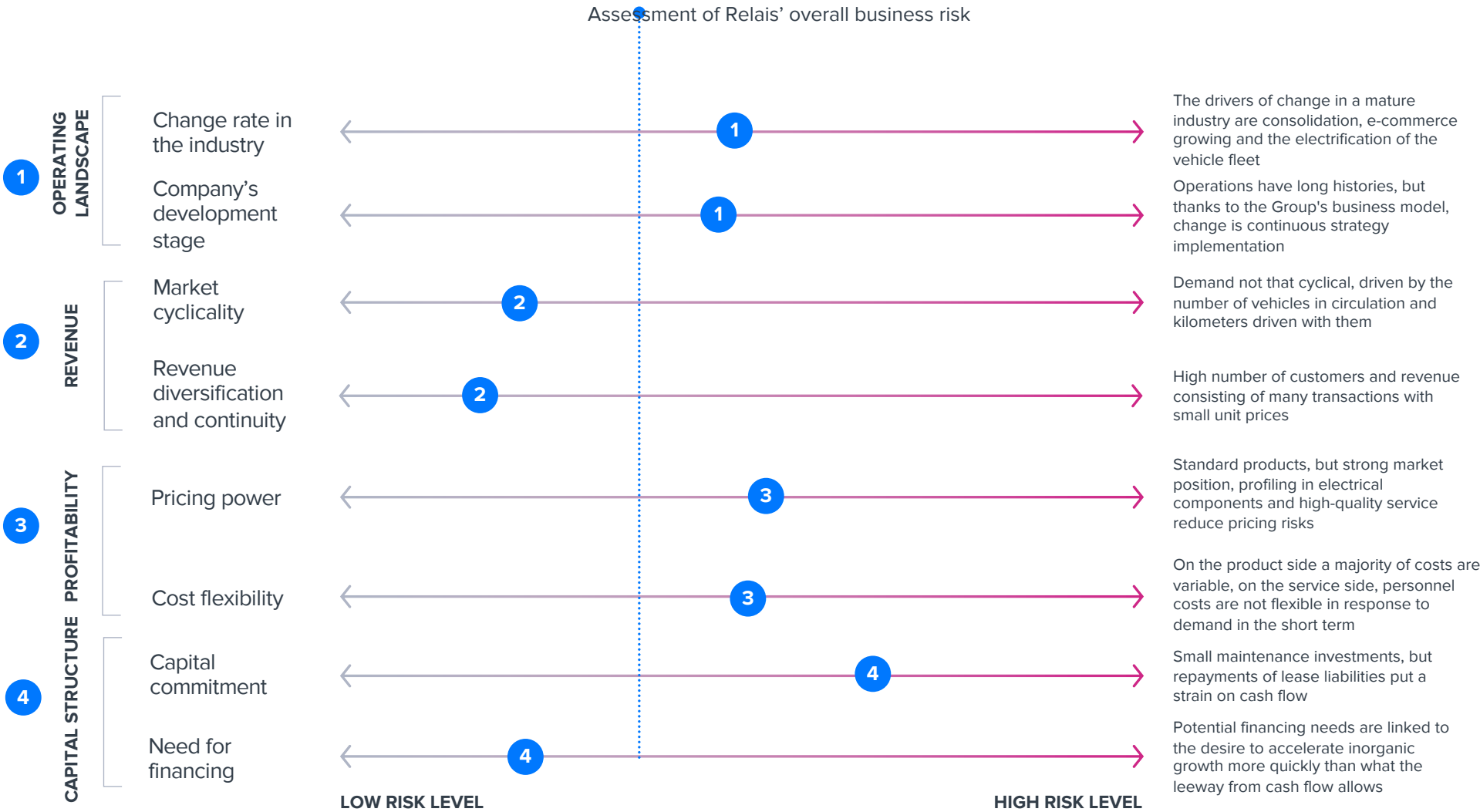


Cash flow development



Source: Relais, Inderes

Risk profile of the business model



Source: Inderes

Strategy and financial targets 1/3

Strategy emphasizes value creation through acquisitions

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

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

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

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

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

Targeted acquisitions and expansion in the value chain

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

In addition to add-on arrangements, Relais explores opportunities to expand to new businesses in the value chain typically through more significant and rarer Platform arrangements. An example of this is the purchase of repair and maintenance services carried out in 2021. Interest in Platform arrangements is particularly focused on expanding the target market creating a new growth base for add-on arrangements.

Acquisition criteria are not set in stone

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

Financial targets and dividend policy

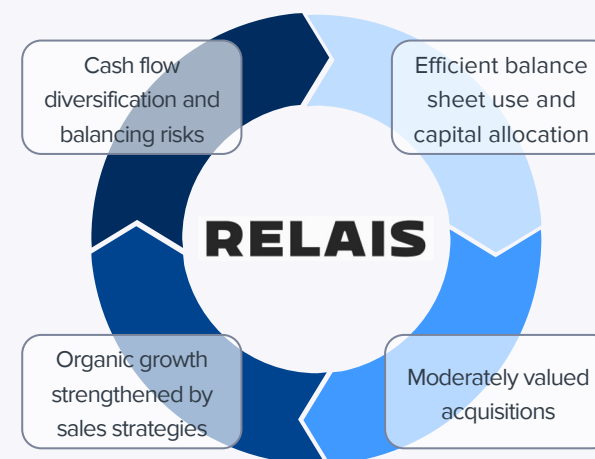
Financial objective:

- 50 MEUR pro forma EBITA by the end of 2025.

Dividend policy

- Annual dividend over 30% of the group's average comparable result, considering cyclical fluctuations

Reference framework for growth strategy value creation



Strategy and financial targets 2/3

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

Light integration lowers the risk level

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

Growth strategy in line with value drivers

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

The cash-flow profile of the acquired businesses supports the inorganic growth strategy, which means that Relais will get a business that generates positive

cash-flow from the start. This, in turn, improves the Group's ability to make new arrangements and diversify its income flow.

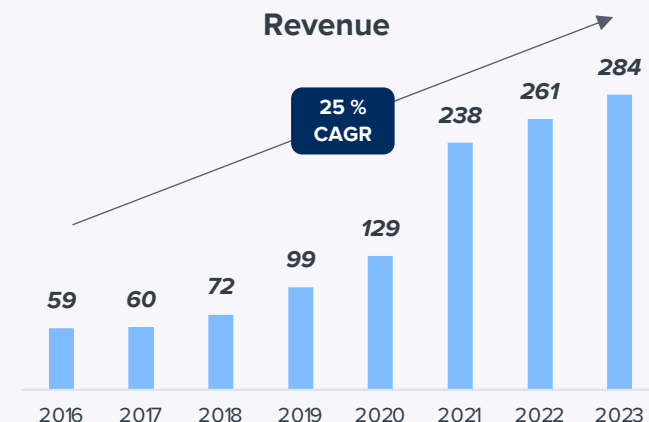
Return on capital is a key indicator for assessing the strategy

Relais' financial target is to reach pro forma EBITA of EUR 50 million by the end of 2025. This means roughly doubling EBITA from the 2023 level, when the company's adjusted EBITA was EUR 28.8 million.

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

Risk-taking willingness determines the pace

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



Acquisitions 2020-2023

Acquired company	Revenue ¹	EBITDA ¹	Valuation ²	Time
Asennustyö M Ahlqvist Oy	8.7	0.7	N/A	5/24
Jyväskylä Truck Center	1.7	0.1	N/A	11/23
AutoMateriell & Nordic Lift AS	17.7	-	5.0x	8/23
Adita	5.6	0.2	4.1x	3/23
S-E-T A/S	4	1.1	5.1x	12/22
Skeppsbrons J.	7.3	1.4	6.0x	5/22
Trucknik	2.4	0.3	9.9x	12/21
STS	23	1.2	8.1x	10/21
Lumise	11	1.1	9.4x	3/21
Raskone	63	4.7	6.5x	1/21
Strands	15.6	2.4	7.4x	1/21
TD Tunga D.	8.9	1.9	7.4x	2/20
Median	8.1	1.1	6.5x	

¹ Last known reporting line

² EV/EBITDA incl. ³ Inderes' estimate of net debt if deal price has not been announced

Strategy and financial targets 3/3

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

Considering the defensive nature of the business and the company's historical track record, we do not believe that the company's financial position limits the implementation of the growth strategy, especially in view of the opportunities to use its own share as part of the acquisitions. Depending on the valuation of acquisitions, we believe these tools would be sufficient to finance the achievement of the financial objective. However, we also consider it quite possible that the company will finance and accelerate the implementation of its growth strategy by collecting equity financing. When considering the sensibility of using own shares or acquiring equity financing one should consider the current valuation of the share, which has an impact on the value creation of inorganic growth.

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

Long-term value creation of serial consolidators is strongly linked to the efficiency of the acquisition

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

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

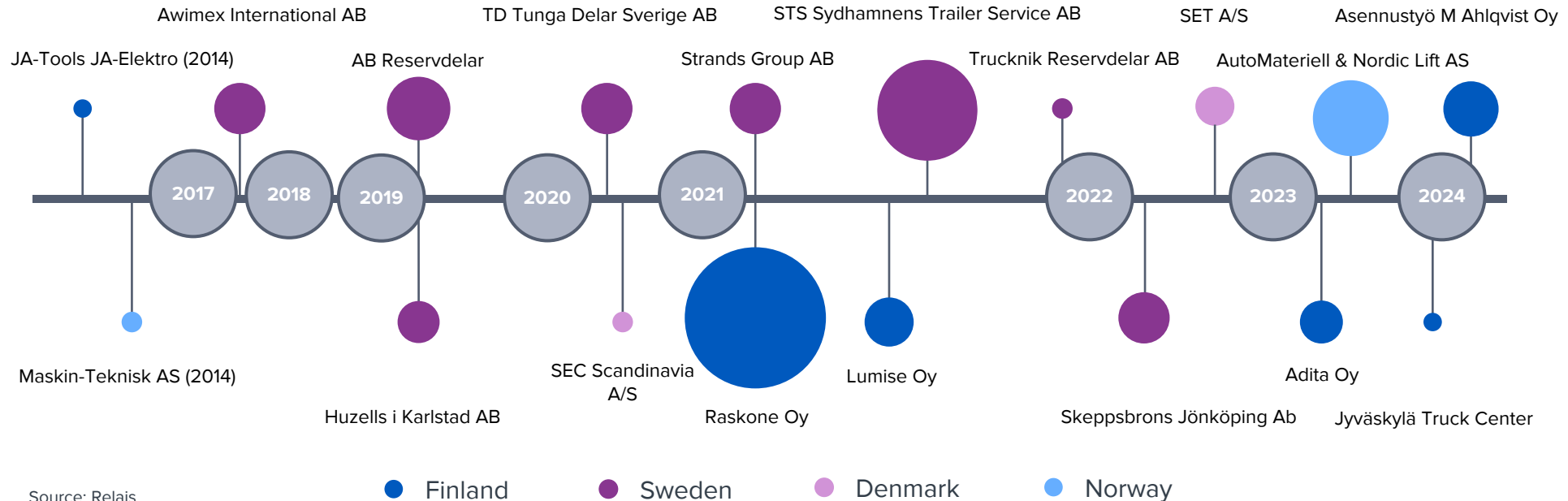
Dividend policy in line with the growth company profile

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

We feel the moderate payout ratio reflects the company's growth orientation and the growth company profile. Although the dividend policy only

sets an indicative minimum level for the payout ratio, we believe that the company will focus on growth instead of profit distribution in capital allocation. At the current development stage we welcome moderate profit distribution, assuming that Relais can allocate capital to high-quality acquisitions with sensible financial criteria.

Relais' acquisitions in recent history and acquisition strategy



Relais' acquisition strategy

Criteria of Relais' acquisitions:

- The strategic compatibility of the acquisition targets must be good. The operating model and/or customer sectors are similar and there is no need for large reorganizations in the targets
- The acquisition targets are strong players in their regions
- Good synergy potential through cross-selling
- Relais has not set a precise target size for its acquisition targets and it may vary depending on the logic of the arrangement (add-on arrangements vs. platform acquisitions)
- The profitability of the target should be good, i.e., the EBIT margin should preferably be double-digit
- Geographical focus on Nordic countries
- It is important for Relais that the operating management and key personnel continue at the acquisition target
- The integration process of Relais' acquisition targets is light, as the targets continue under their own brand. Synergy potential is sought at revenue level and typical hard synergies are not sought on the cost side

Markets and competitive landscape 1/5

Relevant target market expands through acquisitions

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

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

Some 22 million vehicles in the target market

The company's target market is the combined passenger car and commercial vehicle fleet of Finland, Sweden, Norway, Denmark and the Baltic countries that stood at around 22 million vehicles at the end of 2023. Of the fleet, 19 million (86%) were passenger cars and 3.0 million (14%) were commercial vehicles, i.e., vans, trucks and buses.

In theory, the markets of the product and service businesses built around this fleet form the entire

target market of Relais' growth strategy. Relais has estimated this market potential to be around 20 billion, which seems a credible estimate to us.

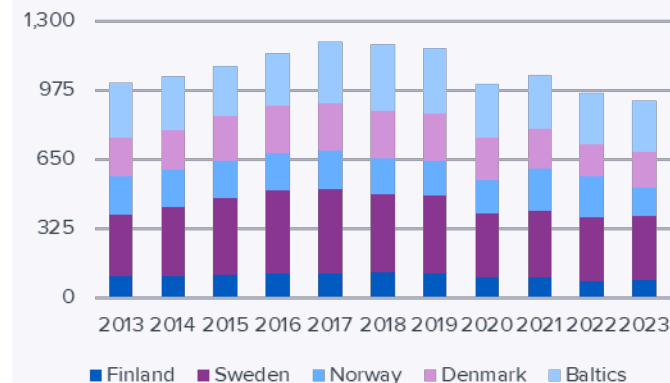
However, we believe Relais has examined the more limited segments of the target market and the companies operating there from the point of view of their attractiveness (market growth, profitability potential, etc.), which has allowed it to limit some parts of the non-organic growth target list. This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

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

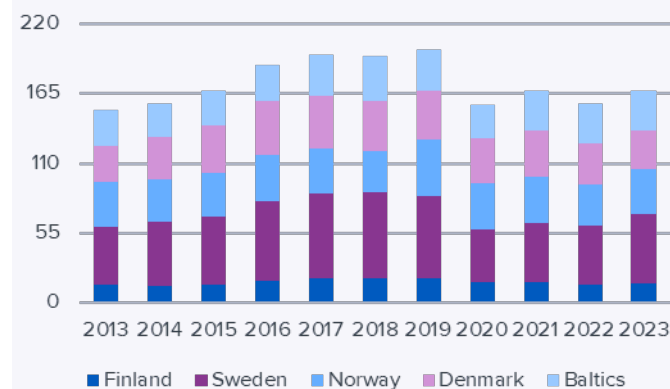
The market for new vehicles is either durable goods trade (passenger cars) or investment (commercial vehicles) and therefore quite cyclical. For example, the number of passenger car registrations fell by 2% in the target market countries in 2012 and after the COVID outbreak in 2020 the registrations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

After the outbreak of the pandemic, the number of car registrations has not increased to 2016-2019 levels and long-term development has been stable. In 2013-2023 the average annual growth rate (CAGR) was 1.4 % for passenger cars and 1.7 % for commercial vehicles.

Passenger car registrations, 1,000 cars, 2010-2023



Commercial vehicle registrations, 1,000 vehicles, 2010-2023



Markets and competitive landscape 2/5

The above (first) registration figures do not include the number of imported used cars. In Finland, for example, good 87,000 passenger cars were first registered in addition to which some 38,000 used passenger cars were imported so the latter group represented around one-third of all registrations. The share is clearly higher in the Baltic countries.

Used imported cars also increase Relais' target market. Against this background, the number of vehicles in use may increase even if the market for new vehicles would shrink as the life of the vehicles extends. In total, the combined passenger car fleet of Finland, Sweden, Norway, Denmark and the Baltic States has grown at an average rate of 1.4%, while the fleet of commercial vehicles has grown at a rate of 1.7% (CAGR) in 2021-2023.

Market drivers now and in the future

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

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

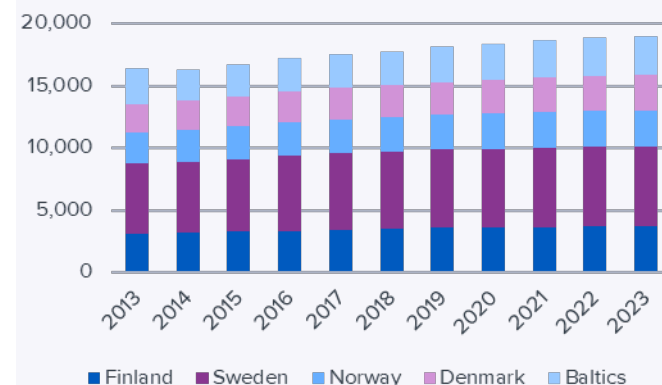
This expectation may seem worrying for Relais, but the flip side is that electric cars becoming more

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

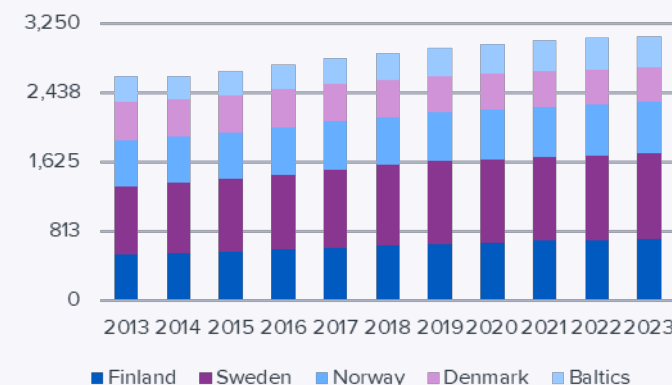
Car dealers' response to the competition. Many importers and car dealers offer more comprehensive and longer-term fixed-price private leasing services where the leasing provider is responsible for the maintenance of the vehicle. The Volkswagen Direct Express service and Volvo Essential service with original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

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

Registered passenger cars, 1,000 cars, 2010-2023



Registered commercial vehicles, 1,000 vehicles, 2010-2023



Markets and competitive landscape 3/5

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

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

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

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

The fleet of vehicles in use in Relais' target market is quite old. The average age of passenger cars in use in Finland is 13.2 years, 10.7 years in Sweden, 10.8 years in Norway, 8.9 years in Denmark and 14-17 years in the Baltic countries (source: The Finnish Information Centre of Automobile Sector). In

addition, the average age of the car fleet in Finland, for example, has increased rather than decreased. The high average age of the fleet increases the risk of faults and the need for spare parts.

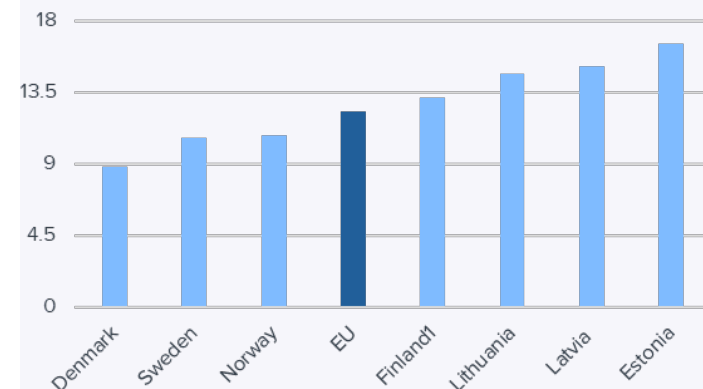
In its own product offering, Relais has focused on vehicles aged 4-10 that correspond to 30-40% of the total fleet in Finland, Sweden and Norway and therefore the potential in this segment is considerable. For cars aged 0-3 years, importers and dealerships mostly cover spare part needs and, by contrast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

Summary of the growth outlook

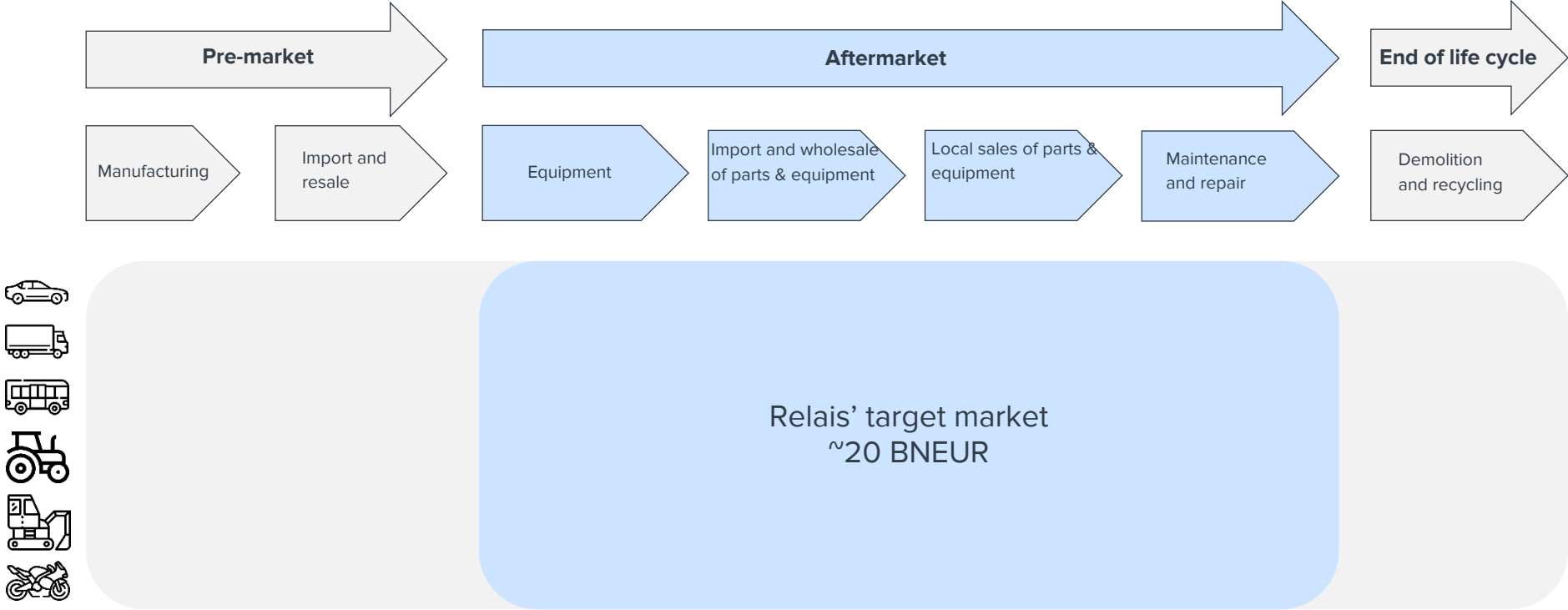
We estimate that the long-term organic growth potential of Relais' current business is built on the growth of the registered vehicle fleet, which is roughly in line with the long-term general economic growth picture. Thus, in the longer term, we expect market growth to be roughly 0-5%.

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

Average age of passenger cars, years (2022)



Markets and competitive landscape 4/5



Inderes' comments on the target market

- The aftermarket consists of the product and service businesses built around some 22 million vehicles in the geographic target markets
- The number of companies operating in the target market is calculated in several thousands
- The market is huge considering the drivers of Relais' growth strategy, i.e. organic and inorganic growth
- In our opinion, the size of the market does not limit the chances of implementing the company's growth strategy in the foreseeable future
- In addition to the brand-independent market of around 20 BNEUR, the relatively similar-sized OE market roughly doubles the potential target market

Markets and competitive landscape 5/5

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

The market is fragmented

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

Threshold to enter the market is not high

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

Online retailers have entered the competition

A significant change in the competitive field of wholesale trade of spare parts and equipment in recent years is the entry into the competition of pure online players, such as autodoc.fi and Polish Inter Cars that mainly delivers parts to independent repair shops. Autodoc.fi operates in 27 European countries and its revenue exceeded 1 BNEUR in 2022. Inter Cars' 2023 revenue was 4 BNEUR and it operates in 18 European countries. We believe that the moderate fixed cost structure of online retailers allows them to compete with price, maintaining a tight pricing environment.

Competition in the repair and maintenance market

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

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

Cost structure and financial situation 1/2

Sales margin development has turned upward

The largest single item in Relais' cost structure is materials and services reflecting the earnings logic of wholesale trade and its relative revenue share. These costs are completely variable and therefore not scalable. Relative to revenue, the share of materials and services was 55-67% in 2018-2023, but as the distribution of revenue changed due to the increase in the share of the repair business, it fell to 55% in 2022. Thus, the company's gross margin has been around 45% during the last financial years. If the company can increase the relative share of its own products in revenue, we estimate it would have a positive impact on the development of the sales margin as the margin levels of these products are typically somewhat higher.

Other costs have some scaling potential

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

Other operating costs consist of warehousing costs in addition to normal sales, marketing and administration costs. We estimate that these costs are mainly fixed, although they contain variable elements, for example in terms of sales and marketing. However, we believe logistics and administrative costs should have some scalability and

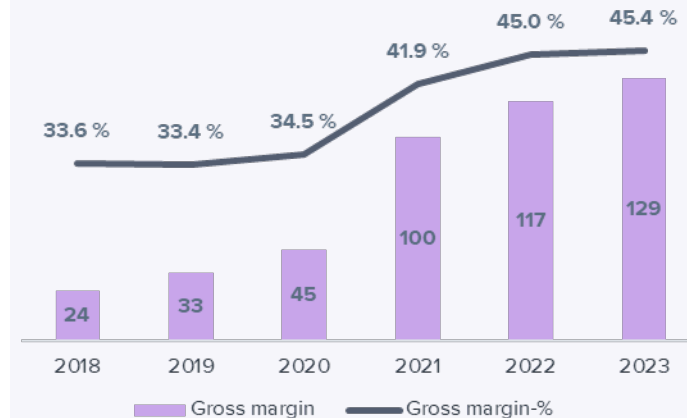
therefore their relative share should decrease as efficiency improves. Although in the medium term, their relative development is essentially linked to the acquisition-driven expansion, efficiency and optimization of delivery times.

Cost structure is quite flexible

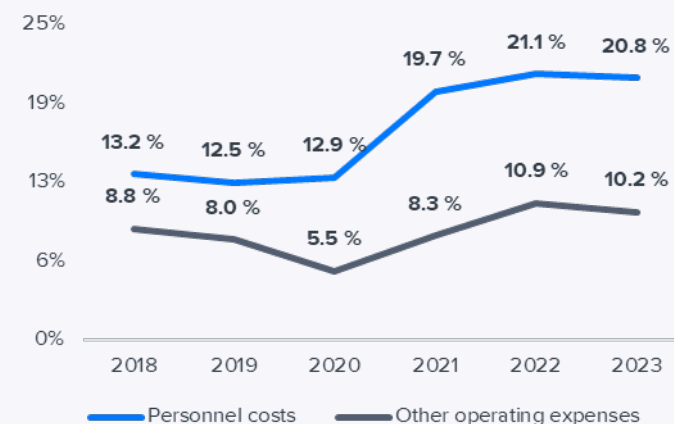
We feel Relais' overall cost structure is very flexible, as most of the costs are variable material and service costs. We estimate that roughly 2/3 of the company's costs are variable in the short term while the share of fixed costs is explained by the fact that the company does not have its own production and related fixed costs.

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

Gross margin development



Cost structure development



Cost structure and financial situation 2/2

Inorganic growth strategy reflected in goodwill

At the end of Q1'24, Relais' balance sheet total was EUR 324 million. Reflecting the business model, growth strategy and especially inorganic growth, long-term assets in the balance sheet consist mainly of intangible assets, which stood at EUR 129 million at the end of the year. Intangible assets consist mainly of goodwill (117 MEUR) arising from several acquisitions carried out by Relais in recent years. At the end of Q1'24, the company had some EUR 62.5 million in long-term tangible assets in its balance sheet of which most (57.4 MEUR) were right-of-use assets, i.e., the rental premises of repair shops. The company itself only owned EUR 5.1 million in fixed assets.

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

A majority of current assets in the balance sheet were inventories EUR 73 million, which is significant both relative to the balance sheet (23 % of the balance sheet) and to the size of the business (25% of reported revenue in the past 12 months). The relatively significant size of inventories is a structural element of Relais' wholesale business based on the aim to be able to provide customers with a wide product range with fast delivery times.

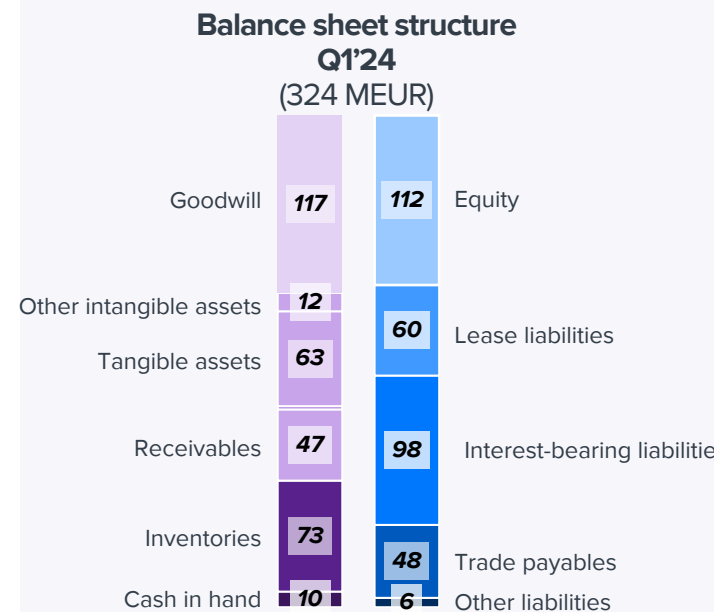
Another significant source of short-term assets is accounts receivable, which at the end of Q1' 24 were EUR 47 million. The company had EUR 10 million in cash and cash equivalents at the end of Q1'24. We

consider the balance sheet assets to be current and we do not believe they involve significant write-down risks thanks to healthy Group-level profitability.

Balance sheet offers leverage

Relais' has utilized debt leverage in its acquisition strategy, which has resulted in a satisfactory average gearing in 2018-2023. At the end of Q1'24, the Group's gearing was 76% (excluding lease liabilities) and bank loans amounted to some 95 MEUR. Thus, the ratio of the company's net debt (excluding lease liabilities) to EBITDA of the previous four quarters was 1.9x (3.2x incl. lease liabilities). Under the financing agreement renewed by Relais in early 2024, the total capacity of the company's bank loan is 126.7 MEUR. We believe these levels are within the company's comfort zone and consider the use of debt leverage to be justified considering the defensive nature of cash flows. It should also be noted that the balance sheet at the end of Q1'24 reflects the balance sheet effects of the acquisitions carried out, but these were not similarly reflected in the result of the past four quarters.

The company had approximately EUR 54 million in non-interest-bearing liabilities in its balance sheet, of which accounts payable represented some EUR 48 million at the end of Q1'24. Other non-interest-bearing liabilities are normal accrued liabilities and other liabilities.



Investment profile

Relais is a growth company

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

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

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

Positive value drivers and opportunities

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

Acquisition machinery: Relais has grown strongly in recent years and in 2020-2023 the company carried out 12 acquisitions (13 incl. an acquisition in early 2024). The acquisitions have complemented

distribution and wholesale business activities, so acquisitions generate slight synergy in revenue and boost organic growth. In addition, the company has expanded to commercial vehicle repair and maintenance business, which enables new complementing acquisitions. The acquisitions have been carried out with reasonable valuation multiples, which gives good conditions for value creation.

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

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

Weaknesses and risk factors

We believe Relais' main weaknesses and risks are:

Lack of competitive advantage and pricing power in businesses: Although spare parts and equipment, as well as repair and maintenance

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

Business model that ties up working capital: The business model and extensive product offering require significant inventories. As a result of this, the lease liabilities of the repair and maintenance business, and the considerable burden of interest rate costs, operating cash flow is typically lower than the operating result, which we believe slows down the conditions for implementing the inorganic growth strategy to some extent.

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

Investment profile

1.

Growth orientation and preconditions to create value through acquisitions

2.

Significant growth potential of the target market

3.

Flexible cost structure and mainly stable performance history

4.

Business model ties up working capital, which limits growth investment

5.

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

Strengths



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

Risks



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

Estimates 1/3

Estimate model

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

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

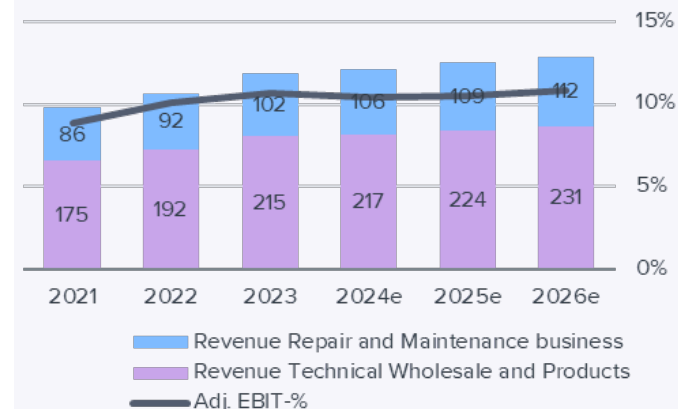
2024 got a flying start in Q1

As usual, Relais did not provide numerical guidance for 2024. In its Q1'24 business review, the company assesses the potential of continuing implementing its strategy despite increased interest rates and weak consumer purchasing power. The company estimates that the macroeconomic headwinds will have less impact on demand in the Scandinavian market, where the majority of the company's revenue is generated, while the difficulties will hit harder in the Finnish and Baltic markets.

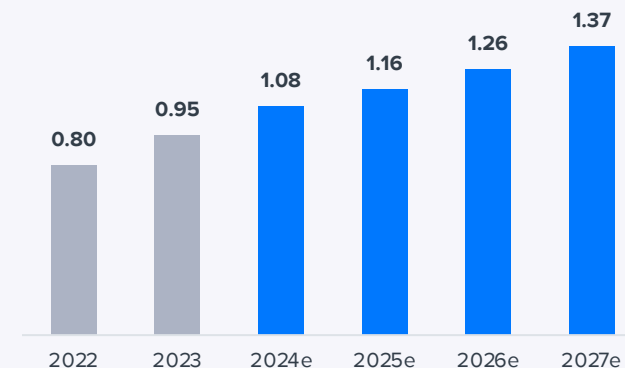
We estimate that Relais' 2024 revenue will grow by good 11 % to EUR 317 million. Growth is roughly evenly distributed between organic and inorganic growth. Our organic growth estimate is based on the assumption that the growth of the maintenance and spare parts market will return to around the long-term trend after Q1 supported by exceptionally favorable weather conditions (cold winter), i.e., about in line with GDP growth. Our inorganic growth forecast is based on the completed acquisitions of S-E-T, AutoMateriell, Jyväskylä Truck Center and Asennustyö M. Ahlqvist, which we expect to generate 15–20 MEUR inorganic support to revenue in 2024.

We predict that Relais's EBITA will increase to 33.9 MEUR driven by revenue (10.7% EBITA-%), as the cost structure grows roughly proportionally with revenue. We believe Relais' operations are well-tuned and its maintenance and repair business has a good level of 'utilization rates', which makes it difficult to achieve greater efficiency improvements. With the very strong Q1, we expect Q1 to be the strongest quarter for EBITA in 2024. In line with the financing costs that follow the debt level and the tax burden of the historical or normal Finnish corporate tax rate of 23% we estimate that the net result in 2024 is 16.3 MEUR, which corresponds to an EPS of EUR 1.08 adjusted for PPA depreciation.

Revenue and profitability



EPS (adj.)



Estimates 2/3

In line with the dividend distribution policy, we expect the company to raise its dividend to EUR 0.45 per share from EUR 0.44 last year.

A demanding comparison period slows down growth in 2025

We expect interest rate cuts to support economic activity in 2025 and better economic growth than in the current year, but in our forecast, we expect Relais' revenue to fall below this rate and only grow by 1%. This is due in particular to the rock-solid comparison period in Q1'24, which was supported by the high demand for spare parts and maintenance, accelerated by the heavy frost periods. The comparison period is particularly demanding in the Technical Wholesale and Products segment that grew by 16% organically. In addition to organic development, growth in 2025 is still slightly supported by the Asennustyö M. Ahlqvist acquisition completed in the first quarter of 2024.

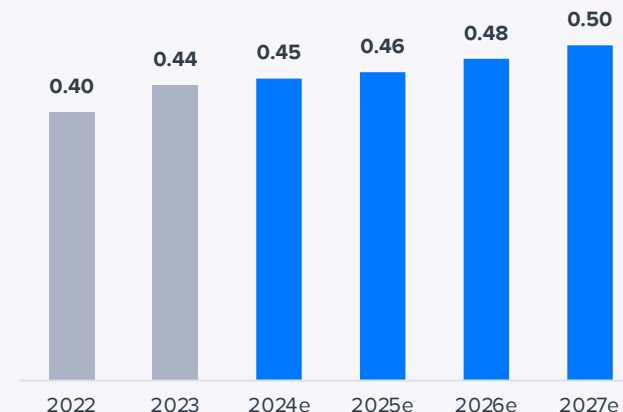
With efficiency remaining at a good level, we expect the cost structure to remain unchanged relative to revenue, which also means that we expect 2025 EBITA to develop fairly steadily and reach 33.6 MEUR (10.4% EBITA%). Reducing financial expenses as a result of loan repayment and modestly decreasing interest rates and in line with the typical tax rate, we expect a 17.4 MEUR net profit in 2025 and an adjusted EPS of EUR 1.16. We expect Relais' to again increase its dividend in 2025 by one cent to EUR 0.45 per share.

Development of cash flow and balance sheet position

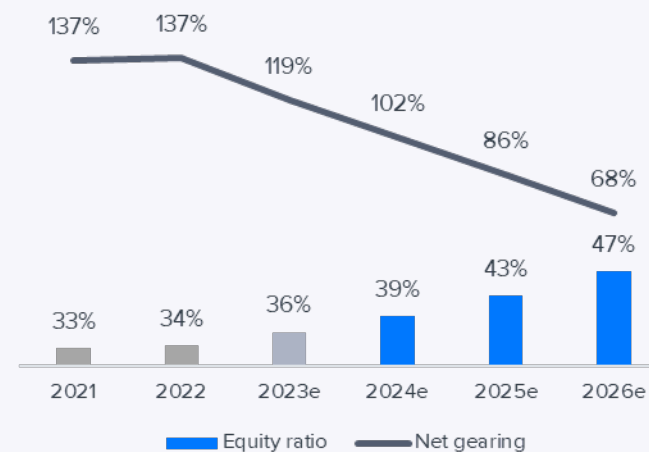
Relais' relative net working capital has decreased in recent years, which is a result of growth in the Repair and Maintenance businesses, that tie up less working capital. With the current business structure, we expect net working capital to be 22-23% of revenue, i.e. to achieve organic revenue of 4-5 MEUR, the company will have to invest around 1 MEUR in net working capital. Reflecting this, we forecast that the company's cash conversion (operational cash flow/EBITDA) will on average be around 80% in our 2024-2027 forecasts. Free cash flow from operations in line with the moderate investment needs of some 3 MEUR but substantial IFRS16 debt payments (lease payments) will be clearly below the EBITDA, on average close to 50% of EBITDA.

Considering our estimates that rely purely on organic growth, the company's financial position strengthens in the coming years in our estimates and remains at a relatively good level. Net debt at the end of Q1'24 (~ 85 MEUR excl. IFRS 16) and our EBITDA estimate for the 2024 financial period, we estimate that Relais' financial position enables implementation of the roughly 28 MEUR debt capacity growth strategy if the 3x net debt/EBITDA ratio is considered as the gearing target*. On the other hand, under the company's current financing agreement, we calculate the debt capacity is approximately 30 MEUR.

DPS



Balance sheet position



Source: Inderes

*Net debt does not include IFRS16 and EBITDA repayments of lease liabilities have been deducted

Estimates 3/3

By utilizing its balance sheet we believe the company has good preconditions to continue growing through acquisitions, and these conditions are further supported by the possibilities to utilize own shares.

Forecasting risks are proportionate

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

Considering the recurring nature of the demand for the services business and the low share of discretionary demand, we feel Relais' demand risks should be limited, despite the modest economic growth outlook. On the other hand, the demand for some companies' products is affected by winter weather conditions, which creates a demand risk in both directions. However, we also feel the profitability of the Service business is sensitive to changes in demand as personnel costs constitute a significant part of its costs. This increases the risks related to the profitability level somewhat.

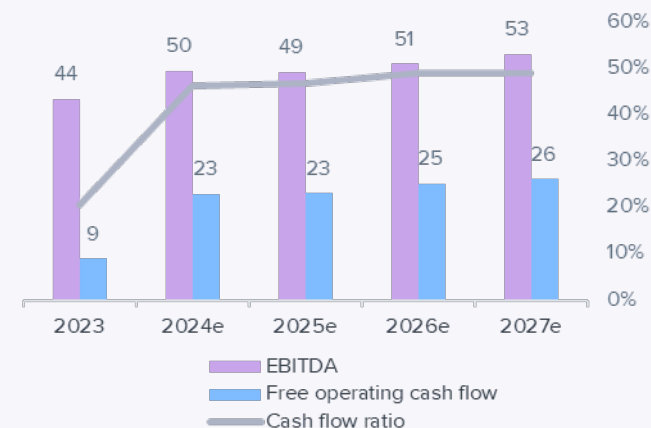
Achieving the economic objective requires larger moves on the acquisition front

We expect Relais to continue consistently implementing its growth strategy also after the 2025 financial period. Our medium- and long-term growth estimates are based on the market growth we expect, which means they are at 2.5-3 %. The EBITA

target (pro forma) of 50 MEUR set for the end of 2025 will not be reached based on our organic growth estimates. We also estimate that the EBITA target will not be within the company's reach, even if the company's debt capacity available for acquisitions and income financing are considered. Our 2025 EBITA estimate is about EUR 34 million and therefore achieving EUR 50 million EBITA would require EUR 16 million in inorganic EBITA growth. With the estimated median valuation multiple (7x EV/EBITDA) of realized acquisitions the target would be reached with acquisitions worth some EUR 100-120 million during the estimate period. For example, by using equity financing, the objective can be achieved, but then the value creation of the arrangement depends largely on the quality of the acquisition target, return on capital and the purchase price, in addition to the advantageousness of the financial arrangement. In terms of value creation, we do not find it necessary to achieve this goal. The value creation of the company relies on the quality of capital allocation rather than quantity and on maintaining the performance of the existing business.

We expect Relais' EBITA margin to be around 11% in the long term. This is based on our assessment of the moderate scalability potential in the business model and the profitability potential of the current form of business.

Cash flow development



Estimate revisions

Estimate revisions 2024e-2026e

- We have not made many changes to the forecasts in connection with this extensive report, as the forecast changes for the next few years amount to 0-1%
- We have updated our modeling at revenue level to consider separately reported Technical Wholesale and Products and Repair and Maintenance business.

Estimate revisions	2024e	2024	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	317	317	0%	322	323	0%	332	333	0%
EBITDA	49.6	49.5	0%	49.2	49.3	0%	51.0	51.1	0%
EBIT (exc. NRIs)	33.9	33.9	0%	33.5	33.6	0%	34.8	34.9	0%
EBIT	30.5	30.4	0%	29.7	29.8	0%	31.3	31.4	0%
PTP	21.2	21.0	-1%	22.2	22.3	0%	25.1	25.2	0%
EPS (excl. NRIs)	1.09	1.08	0%	1.16	1.16	0%	1.26	1.26	0%
DPS	0.45	0.45	0%	0.46	0.46	0%	0.48	0.48	0%

Source: Inderes

Quarterly estimates

<i>Income statement</i>	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	260.7	69.0	64.1	70.3	80.9	284	82.8	72.3	76.4	85.5	317	323	333	343
Technical Wholesale and Products	175	44.3	41.3	48.9	57.9	192	56.9	47.0	51.8	59.6	215	217	224	231
Repair and Maintenance services	85.6	24.7	22.8	21.4	23.1	91.9	25.9	25.3	24.5	25.9	102	106	109	112
EBITDA	36.6	11.1	8.6	12.1	11.8	43.5	13.5	9.3	13.6	13.2	49.5	49.3	51.1	53.3
Depreciation	-16.9	-4.5	-4.6	-4.6	-4.8	-18.4	-4.5	-4.9	-4.9	-4.9	-19.1	-19.6	-19.7	-19.6
EBIT (excl. NRI)	23.0	7.5	4.8	8.4	7.8	28.6	9.7	5.4	9.6	9.2	33.9	33.6	34.9	37.0
EBIT	19.7	6.6	4.0	7.5	7.0	25.1	9.0	4.5	8.7	8.3	30.4	29.8	31.4	33.6
Relais Group	19.7	6.6	4.0	7.5	7.0	25.1	9.0	4.5	8.7	8.3	30.4	29.8	31.4	33.6
Net financial items	-6.5	-2.2	-2.8	-1.5	-1.0	-7.4	-3.1	-2.1	-2.1	-2.1	-9.4	-7.4	-6.2	-5.7
PTP	13.1	4.5	1.2	6.0	6.0	17.7	5.8	2.3	6.6	6.2	21.0	22.3	25.2	28.0
Taxes	-3.1	-1.6	-1.0	-1.7	0.2	-4.0	-2.0	-0.5	-1.2	-1.1	-4.7	-4.9	-5.5	-6.2
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	10.0	2.9	0.2	4.3	6.3	13.7	3.9	1.9	5.4	5.1	16.3	17.4	19.7	21.8
EPS (adj.)	0.80	0.21	0.06	0.29	0.39	0.9	0.25	0.15	0.35	0.33	1.08	1.16	1.26	1.37
EPS (rep.)	0.55	0.16	0.01	0.24	0.35	0.76	0.21	0.10	0.30	0.28	0.90	0.95	1.07	1.18
Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	9.6 %	11.0 %	9.4 %	8.5 %	7.7 %	9.0 %	20.0 %	12.8 %	8.7 %	5.7 %	11.5 %	1.9 %	3.0 %	3.0 %
Adjusted EBIT growth-%	-10.6 %	31.0 %	41.4 %	9.7 %	26.0 %	24.1 %	28.4 %	11.6 %	14.6 %	17.6 %	18.6 %	-0.8 %	3.9 %	6.1 %
EBITDA-%	14.0 %	16.1 %	13.4 %	17.2 %	14.5 %	15.3 %	16.3 %	12.9 %	17.8 %	15.4 %	15.6 %	15.3 %	15.4 %	15.5 %
Adjusted EBIT-%	8.8 %	10.9 %	7.5 %	11.9 %	9.7 %	10.0 %	11.7 %	7.4 %	12.6 %	10.8 %	10.7 %	10.4 %	10.5 %	10.8 %
Net earnings-%	3.8 %	4.3 %	0.3 %	6.2 %	7.8 %	4.8 %	4.7 %	2.6 %	7.1 %	6.0 %	5.1 %	5.4 %	5.9 %	6.4 %

Source: Inderes

NB! EBIT excl. NRIs is the EBITA reported by the company

Valuation 1/3

We approach the valuation on earnings basis

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

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

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

Factors influencing valuation

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

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

Valuation	2024e	2025e	2026e
Share price	12.70	12.70	12.70
Number of shares. million	18.2	18.3	18.4
Market cap	231	231	231
EV	375	365	354
P/E (adj.)	11.7	10.9	10.1
P/E	14.2	13.3	11.8
P/B	1.9	1.8	1.7
P/S	0.7	0.7	0.7
EV/Sales	1.2	1.1	1.1
EV/EBITDA	7.6	7.4	6.9
EV/EBIT (adj.)	11.1	10.9	10.1
Payout ratio (%)	50.3 %	48.3 %	44.8 %
Dividend yield-%	3.5 %	3.6 %	3.8 %

Source: Inderes

Valuation 2/3

Total expected return

With the result of the past 12 months, Relais is valued at an adjusted P/E ratio of 13x and EV/EBITA ratio of 11x. As a whole, we find these valuation multiples moderate and see a slight upside in them.

Based on our estimates, adjusted P/E ratios for 2024 and 2025 are 12x and 11x while the corresponding adjusted EV/EBITA ratios are 10x. We consider these valuation multiples moderate relative to Relais' return on capital and also in the context of the general valuation levels of the stock exchange. Thus we feel that based on absolute valuation multiples there is upside in the share that is built on the valuation multiples falling with earnings growth.

We expect Relais' earnings growth to reach about 9 % in Q1'24-2026e (CAGR%) thanks to organic growth and already materialized inorganic growth. We expect relative profitability to remain fairly stable in the coming years.

We estimate that the 2023-2025 dividend yield with the current share price level close on 4% in the next few years. With the realized result, we feel that the valuation of existing businesses is rather reasonable. Thus, the expected return consisting of earnings growth and annual dividend yield rises to a double-digit level, in addition to which we believe there is a slight upside in the valuation. We believe that this means that good expected return in the coming years does not require capital allocation to acquisitions. Considering these factors, we find the

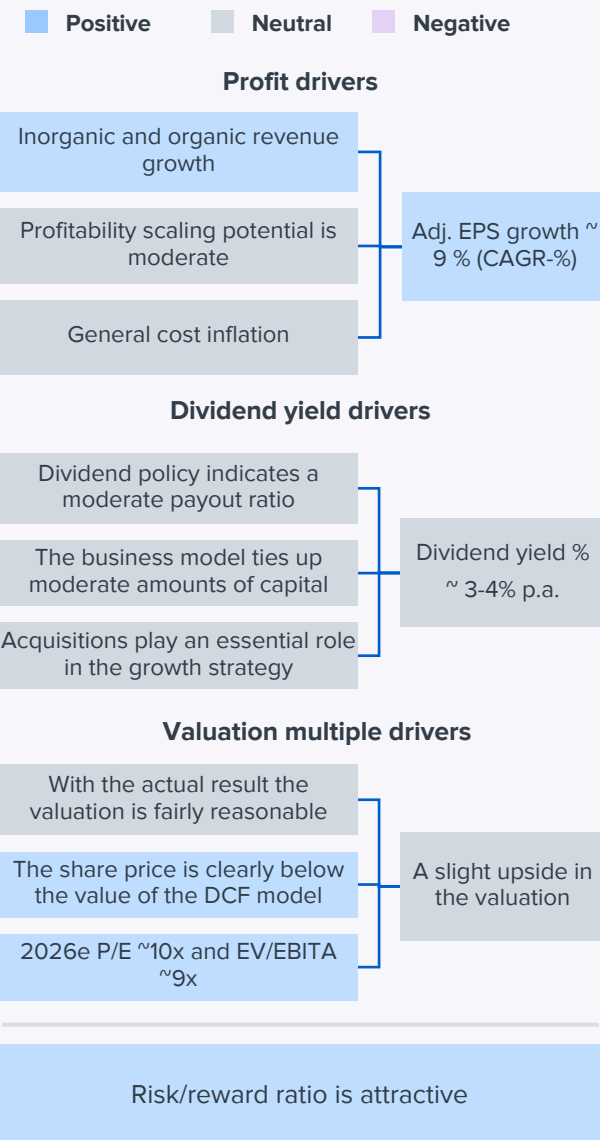
share's risk/reward ratio to be good as we expect the reallocation of capital to strengthen the expected return, even if we do not model it in our estimates.

Peer group and relative valuation

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

The second peer group consists of serial consolidators whose business model is similar to that of Relais at Group level, i.e. it is based on continuous acquisitions. The businesses owned by the serial consolidators differ, but the value creation of all of them is largely based on successful capital allocation to inorganic growth. We feel that the peer groups provide a good framework for Relais' valuation. We consider the valuation level of the first peer group to be a rough minimum level for Relais' valuation and believe that it reflects a justified valuation of the businesses owned by Relais. We feel the valuation level of serial consolidators, in turn, illustrates how Relais can be priced if the company succeeds in capital allocation to acquisitions that creates value in the long run. However, we do not consider it justified

TSR drivers LTM Q1'24-2026e



Valuation 3/3

to value Relais at the median level of the serial consolidators as the company's historical return on capital has been clearly below the return on capital of serial consolidators.

With key earnings-based multiples for the coming years, Relais will be valued with a slight average discount of 10% compared to peers with similar businesses, whose valuation we find reasonable on the median level. Relative to the peer group of serial consolidators, Relais is valued at a significant discount of up to good 50%. We find the valuation multiples for this peer group high, although we believe that players with a long track record of high ROE earn far higher valuation multiples than the average market valuation level. Nevertheless, the relative valuation difference may also narrow through this decrease in the median valuation of the peer group, as their valuation levels are high in absolute terms.

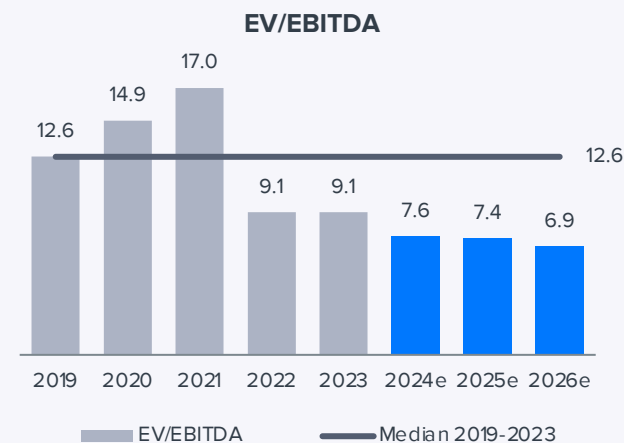
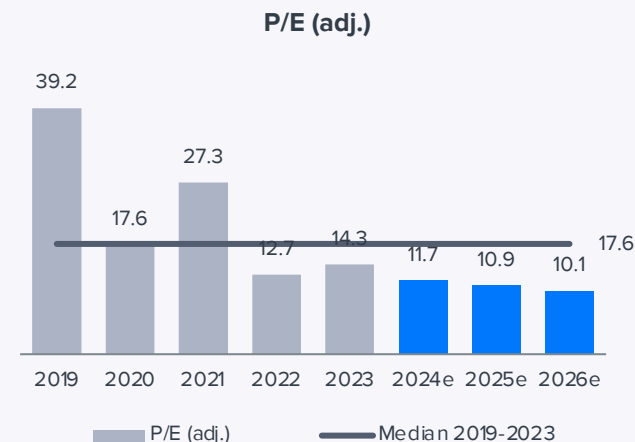
Considering the historical track record we believe that Relais' justified valuation level can be found in the middle ground of these two peer groups. At the same time, the relative valuation compared to both peer groups seems to act as a barometer of the extent to which the share's valuation level contains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

DCF model

The value our DCF calculation indicates for Relais' share is EUR 15.3 per share. In addition to our estimates for the next few years, our DCF model is based on our long-term estimates. Thus, the DCF model ignores the value creation potential of inorganic growth and acts as a yardstick, especially for the current entity. In our model, the weight of the terminal period is a reasonable 57%. In the model, the cost of equity used is 9.0% while the average cost of capital (WACC-%) is 8.0%.

Target price and investment view

We reiterate our EUR 15.0 target price and Buy recommendation for Relais. In our view, the share valuation is quite reasonable with several indicators and thus the expected return for the next few years rises to a good level even without the value creation of M&A transactions. However, we expect that the company will continue to allocate capital to inorganic growth, where we feel the company has a good track record in recent years. We believe the fair value of a share is EUR 14-16.5 per share. Considering this, we find the overall risk/reward ratio attractive.



Peer group 1/2

Peer group valuation Company	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Inter Cars SA	1793	2415	8.9	7.9	7.5	6.7	0.5	0.5	9.3	8.1	0.2	0.3	1.5
Advance Auto Parts Inc	3573	4802	14.1	12.5	7.7	7.1	0.5	0.5	17.8	14.9	2.5	2.7	1.4
Duell	40	70	23.2	11.6	10.7	7.0	0.6	0.6				5.2	0.8
Auto Partner SA	722	796	9.5	7.8	8.3	6.8	0.8	0.7	11.3	9.2	0.8	0.8	
Genuine Parts Co	18535	21146	11.7	10.8	10.2	9.5	1.0	0.9	14.6	13.5	2.8	2.9	4.1
LKQ Corp	10318	13920	9.5	8.8	8.0	7.5	1.0	1.0	10.7	9.7	2.9	3.0	1.7
O'Reilly Automotive Inc	52523	57302	18.4	17.3	16.2	15.3	3.7	3.5	23.0	20.7			
Autozone Inc	43978	51994	14.7	14.3	12.9	12.4	3.1	3.0	18.4	17.0			
Bapcor Ltd	873	1262	11.8	11.0	7.6	7.1	1.0	1.0	15.0	13.6	4.0	4.2	1.3
Mekonomen AB	606	1049	12.3	10.6	6.5	6.0	0.6	0.6	10.3	9.1	3.2	3.6	1.1
Relais Group (Inderes)	235	378	11.2	11.0	7.6	7.5	1.2	1.1	11.9	11.1	3.5	3.6	2.0
Average			13.4	11.3	9.6	8.5	1.3	1.2	14.5	12.8	2.3	2.8	1.7
Median			12.1	10.9	8.2	7.1	0.9	0.8	14.6	13.5	2.8	3.0	1.4
Diff-% to median			-7%	1%	-6%	5%	36%	45%	-18%	-18%	26%	20%	42%

Source: Refinitiv/Inderes

Peer group 2/2

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B 2024e
			2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	
Indutrade AB	8569	9315	27.0	24.8	19.1	18.0	3.3	3.1	33.9	30.3	1.2	1.3	6.0
Bergman & Beving AB	665	806	22.5	21.2	13.9	12.4	1.9	1.8	33.1	28.4	1.4	1.5	3.2
Momentum Group AB	795	841	34.3	31.8	23.4	22.0	3.4	3.2	38.9	35.2	0.8	0.9	11.8
Bufab AB (publ)	1273	1563	17.0	16.1	14.7	13.8	2.1	2.0	23.1	19.7	1.4	1.5	3.7
Christian Berner Tech Trade AB	50	61	9.7	8.7	6.5	6.1	0.7	0.7	12.4	10.7	3.3	3.7	2.4
Addtech AB	5855	6244	29.2	27.4	22.1	20.8	3.5	3.4	39.2	36.7	1.1	1.2	10.2
Beijer Ref AB (publ)	7223	7965	25.0	22.5	19.9	18.0	2.5	2.3	34.7	29.8	0.9	1.0	3.5
Beijer Alma AB	1110	1349	15.9	14.5	11.4	10.8	2.2	2.0	20.6	18.0	1.9	2.1	3.0
Lifco AB (publ)	10386	11077	27.0	23.9	20.2	18.3	4.9	4.6	39.2	35.3	0.8	0.8	7.3
Lagercrantz Group AB	3556	4102	37.0	32.8	27.4	24.4	5.6	5.1	39.6	34.5	1.0	1.3	9.8
Volati Ab	894	1139	19.9	16.1	13.5	11.8	1.6	1.5	25.0	18.6	1.2	1.4	4.8
Boreo	56	107	24.5	12.9	10.5	8.8	0.7	0.7	14.1	11.6		0.7	1.2
AddLife AB	1217	1680	27.6	23.7	12.9	11.7	1.9	1.8	56.1	33.1	0.7	1.3	2.7
Addnode Group AB	1366	1437	27.1	23.1	16.6	15.3	2.0	2.2	37.2	29.9	1.1	1.3	6.5
Instalco AB	910	1264	15.4	13.4	10.0	9.3	1.0	1.0	17.0	13.7	1.9	2.1	2.8
Seafire AB	22	42	21.9	11.2	6.3	5.1	0.5	0.5		19.2			0.4
Sdiptech AB	1084	1084	13.5	12.1	9.9	9.1	2.3	2.1	24.9	21.2			3.0
Fasadgruppen Group AB	297	418	11.4	9.2	8.6	7.2	0.9	0.8	13.3	9.5	2.5	3.1	1.4
Relais Group (Inderes)	231	375	11.1	10.9	7.6	7.4	1.2	1.1	11.7	10.9	3.5	3.6	1.9
Average			22.7	19.4	14.9	13.6	2.3	2.2	29.8	24.5	1.4	1.6	4.6
Median			24.5	21.2	13.9	12.4	2.1	2.0	33.5	28.4	1.1	1.3	3.2
Diff-% to median			-55%	-49%	-46%	-40%	-43%	-44%	-65%	-62%	209%	189%	-39%

Source: Refinitiv/Inderes. NB! Market cap used by Inderes does not consider treasury shares held by the company.

Value creation of the peers

Company	Revenue growth 2015-2023 (CAGR)	Operating result growth 2015-2023 (CAGR)	ROIC-% 2015-2023	RONIC-% 2015-2023
Indutrade	11 %	15 %	20 %	19 %
Bergman & Beving	-7 %	-1 %	9 %	-
Bufab	18 %	22 %	13 %	16 %
Christian Berner	11 %	13 %	20 %	12 %
Addtech	16 %	19 %	20 %	26 %
Beijer Ref	18 %	22 %	14 %	10 %
Beijer Alma	7 %	5 %	18 %	8 %
Lifco	12 %	20 %	19 %	26 %
Lagercrantz Group	11 %	18 %	23 %	20 %
Volati	17 %	14 %	13 %	23 %
Relais Group *	22 %	15 %	13 %	9 %
VBG Group	20 %	23 %	12 %	21 %
AddLife	33 %	31 %	16 %	10 %
Addnode Group	18 %	14 %	15 %	17 %
Instalco	36 %	44 %	17 %	16 %
Sdiptech	38 %	47 %	11 %	12 %
Fasadgruppen*	24 %	15 %	13 %	9 %
Teqnion*	32 %	34 %	20 %	15 %
Solwers*	15 %	10 %	13 %	4 %
Boreo	21 %	19 %	18 %	10 %

Source: Companies and Inderes

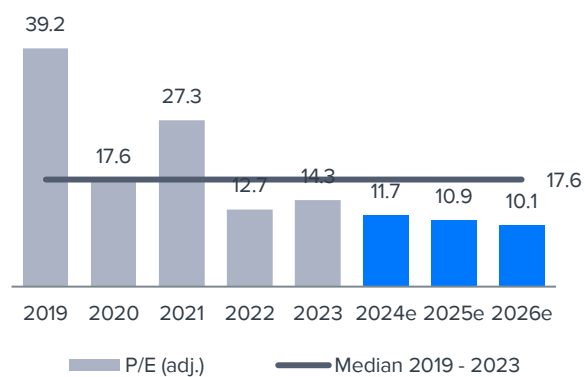
*Different periods: Teqnion, Relais 2016-2023, Solwers 2018-2023, Fasadgruppen 2019-2023

Valuation table

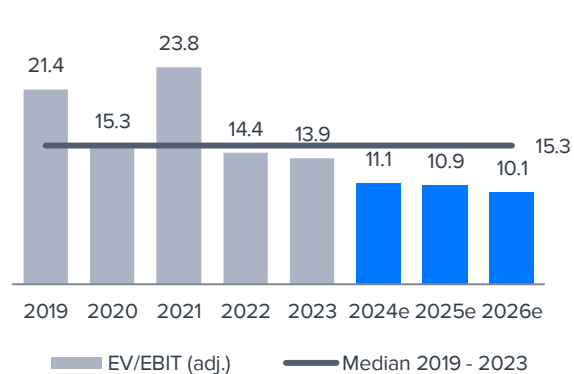
Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	8.25	14.7	26.0	10.2	13.5	12.70	12.70	12.70	12.70
Number of shares, millions	16.2	17.4	17.9	18.1	18.1	18.2	18.3	18.4	18.4
Market cap	134	256	466	185	245	231	231	231	231
EV	168	285	613	332	396	375	365	354	341
P/E (adj.)	39.2	17.6	27.3	12.7	14.3	11.7	10.9	10.1	9.3
P/E	>100	36.9	32.5	18.4	17.8	14.2	13.3	11.8	10.7
P/B	2.1	3.6	4.5	1.8	2.2	1.9	1.8	1.7	1.5
P/S	1.4	2.0	2.0	0.7	0.9	0.7	0.7	0.7	0.7
EV/Sales	1.7	2.2	2.6	1.3	1.4	1.2	1.1	1.1	1.0
EV/EBITDA	12.6	14.9	17.0	9.1	9.1	7.6	7.4	6.9	6.4
EV/EBIT (adj.)	21.4	15.3	23.8	14.4	13.9	11.1	10.9	10.1	9.2
Payout ratio (%)	421.1 %	75.3 %	44.9 %	72.3 %	58.1 %	50.3 %	48.3 %	44.8 %	42.2 %
Dividend yield-%	1.2 %	2.0 %	1.4 %	3.9 %	3.3 %	3.5 %	3.6 %	3.8 %	4.0 %

Source: Inderes

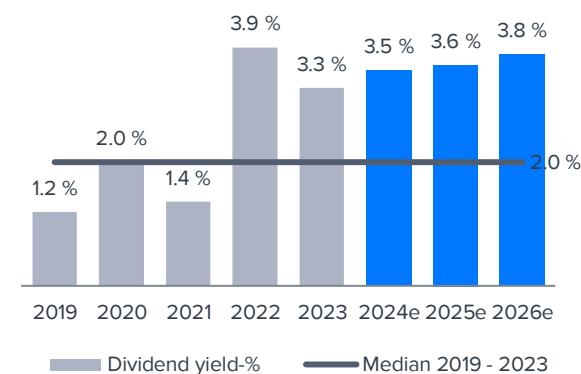
P/E (adj.)



EV/EBIT



Dividend yield-%

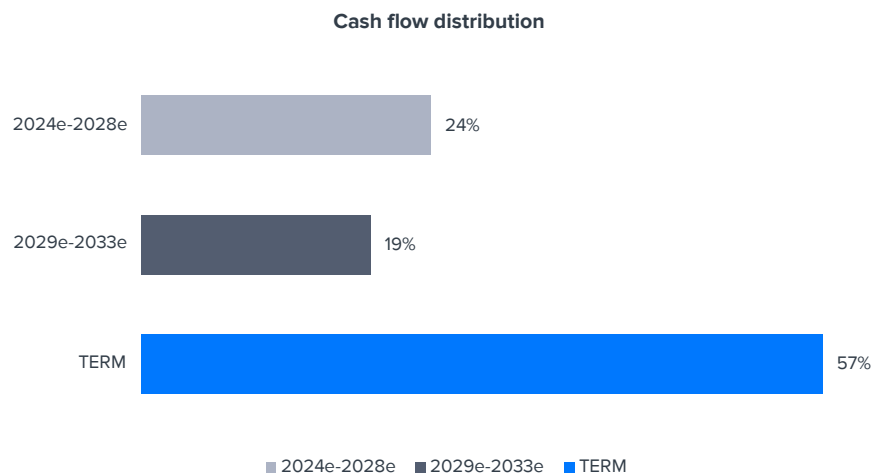


DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	9.0 %	11.5 %	1.9 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	2.5 %	2.5 %	2.0 %	2.0 %
EBIT-%	8.8 %	9.6 %	9.2 %	9.4 %	9.8 %	11.0 %	11.0 %	11.0 %	10.5 %	10.5 %	10.5 %	10.5 %
EBIT (operating profit)	25.1	30.4	29.8	31.4	33.6	38.8	40.0	41.2	40.3	41.3	42.2	
+ Depreciation	18.4	19.1	19.6	19.7	19.6	19.3	17.0	16.9	16.9	16.9	16.9	
- Paid taxes	-4.6	-4.7	-4.9	-5.5	-6.2	-7.6	-7.9	-8.1	-7.9	-8.2	-8.3	
- Tax, financial expenses	-1.7	-2.1	-1.6	-1.4	-1.2	-1.0	-0.9	-0.9	-0.9	-0.9	-0.9	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-4.3	-2.2	-3.6	-2.9	-3.4	-2.4	-2.5	-2.6	-2.2	-2.3	-1.9	
Operating cash flow	33.0	40.4	39.1	41.3	42.5	47.1	45.7	46.5	46.1	46.9	47.9	
+ Change in other long-term liabilities	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-24.1	-17.5	-16.0	-16.2	-16.3	-16.5	-16.9	-17.0	-17.0	-17.1	-17.9	
Free operating cash flow	9.0	22.9	23.1	25.1	26.2	30.6	28.8	29.5	29.1	29.8	30.0	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	9.0	22.9	23.1	25.1	26.2	30.6	28.8	29.5	29.1	29.8	30.0	512
Discounted FCFF	21.9	20.5	20.6	19.9	21.6	18.8	17.8	16.3	15.4	14.4	14.4	246
Sum of FCFF present value	433	411	390	370	350	328	310	292	276	260	246	
Enterprise value DCF	433											
- Interest bearing debt	-161											
+ Cash and cash equivalents	9.7											
-Minorities	0.0											
-Dividend/capital return	-8.0											
Equity value DCF	274											
Equity value DCF per share	15.3											

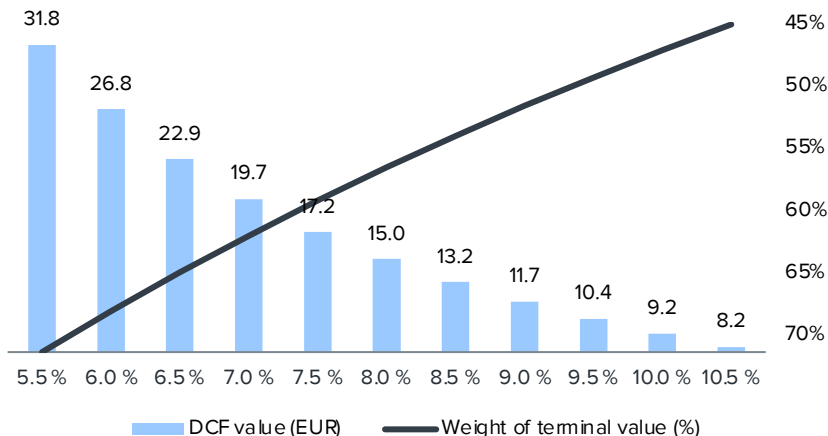
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	5.0 %
Equity Beta	1.1
Market risk premium	4.75%
Liquidity premium	1.10%
Risk free interest rate	2.5 %
Cost of equity	9.0 %
Weighted average cost of capital (WACC)	8.0 %

Source: Inderes

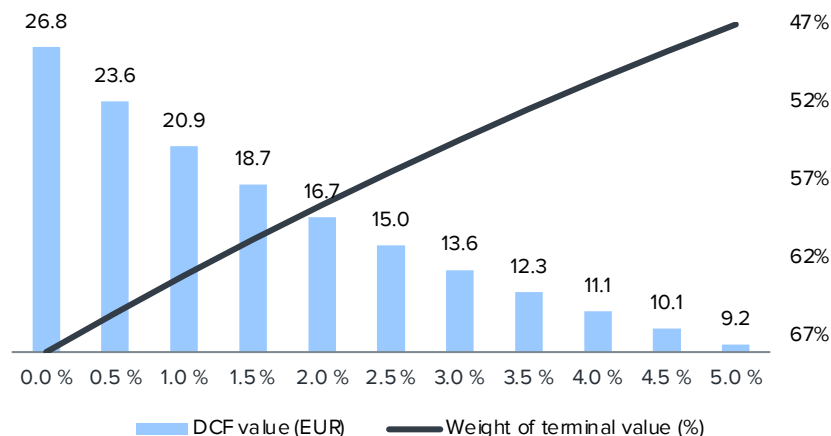


DCF sensitivity calculations and key assumptions in graphs

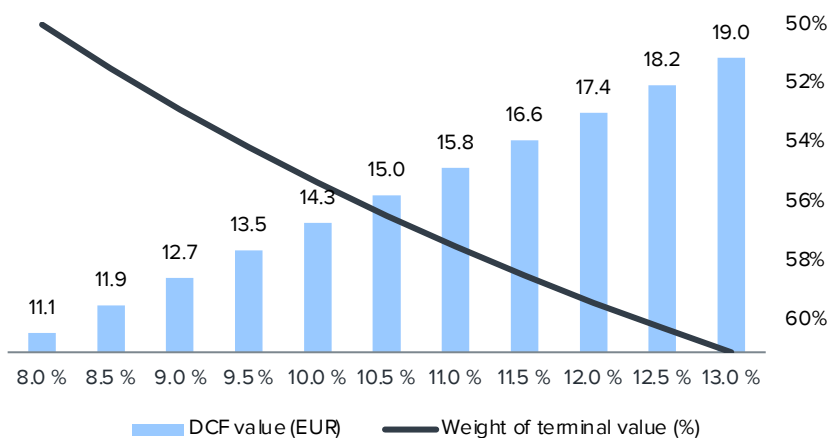
Sensitivity of DCF to changes in the WACC-%



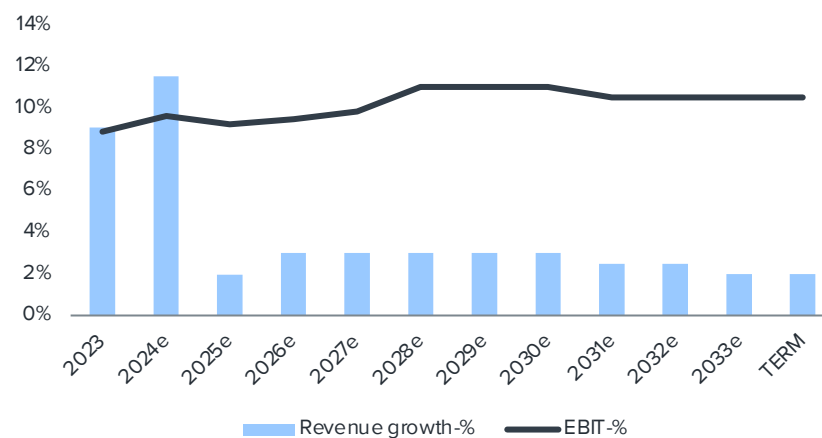
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



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

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	194	200	198	195	191
Goodwill	118	120	122	122	122
Intangible assets	15.0	13.1	11.2	8.8	6.9
Tangible assets	60.3	65.8	65.0	63.8	62.3
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.7	0.9	0.1	0.1	0.1
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	119	129	134	137	141
Inventories	67.8	74.1	80.2	82.4	85.5
Other current assets	4.1	4.0	4.0	4.0	4.0
Receivables	32.8	41.4	39.9	40.7	41.9
Cash and equivalents	13.9	9.7	9.5	9.7	10.0
Balance sheet total	313	329	332	332	333

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	104	111	119	128	139
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	35.6	42.0	50.4	59.6	70.8
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	68.2	68.5	68.5	68.5	68.5
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	148	145	125	105	95.3
Deferred tax liabilities	5.8	5.2	5.2	5.2	5.2
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	142	140	120	100.0	90.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.1	0.1	0.1	0.1	0.1
Current liabilities	61.0	73.3	87.7	98.1	98.1
Interest bearing debt	19.1	20.8	32.9	44.0	42.4
Payables	35.3	46.8	49.1	48.5	49.9
Other current liabilities	6.6	5.7	5.7	5.7	5.7
Balance sheet total	313	329	332	332	333

Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	237.8	260.7	284.3	317.0	323.1	EPS (reported)	0.80	0.55	0.76	0.90	0.95
EBITDA	36.0	36.6	43.5	49.5	49.3	EPS (adj.)	0.95	0.80	0.95	1.08	1.16
EBIT	23.0	19.7	25.1	30.4	29.8	OCF / share	0.98	1.64	1.82	2.22	2.14
PTP	18.5	13.1	17.7	21.0	22.3	FCF / share	-7.28	0.72	0.49	1.26	1.26
Net Income	14.4	10.0	13.7	16.3	17.4	Book value / share	5.80	5.73	6.10	6.54	7.01
Extraordinary items	-2.7	-3.3	-3.4	-3.4	-3.8	Dividend / share	0.36	0.40	0.44	0.45	0.46
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	314.0	312.8	329.1	332.0	331.7	Revenue growth-%	84%	10%	9%	12%	2%
Equity capital	104.4	103.9	110.7	119.0	128.2	EBITDA growth-%	88%	2%	19%	14%	0%
Goodwill	116.6	118.2	120.1	122.1	122.1	EBIT (adj.) growth-%	38%	-11%	24%	19%	-1%
Net debt	144.8	147.2	151.0	143.4	134.3	EPS (adj.) growth-%	14%	-16%	18%	14%	7%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	15.1 %	14.0 %	15.3 %	15.6 %	15.3 %
EBITDA	36.0	36.6	43.5	49.5	49.3	EBIT (adj.)-%	10.8 %	8.8 %	10.0 %	10.7 %	10.4 %
Change in working capital	-17.0	-1.8	-4.3	-2.2	-3.6	EBIT-%	9.7 %	7.5 %	8.8 %	9.6 %	9.2 %
Operating cash flow	17.6	29.8	33.0	40.4	39.1	ROE-%	16.3 %	9.6 %	12.8 %	14.2 %	14.1 %
CAPEX	-148.6	-16.1	-24.1	-17.5	-16.0	ROI-%	11.6 %	7.5 %	9.4 %	11.2 %	10.9 %
Free cash flow	-130.6	13.1	9.0	22.9	23.1	Equity ratio	33.2 %	33.2 %	33.6 %	35.8 %	38.7 %
						Gearing	138.7 %	141.7 %	136.5 %	120.5 %	104.7 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	2.6	1.3	1.4	1.2	1.1						
EV/EBITDA	17.0	9.1	9.1	7.6	7.4						
EV/EBIT (adj.)	23.8	14.4	13.9	11.1	10.9						
P/E (adj.)	27.3	12.7	14.3	11.7	10.9						
P/B	4.5	1.8	2.2	1.9	1.8						
Dividend-%	1.4 %	3.9 %	3.3 %	3.5 %	3.6 %						

Source: Inderes

ESG

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

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

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

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

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

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

Businesses have a social element

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

The company is working on environmental reporting

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

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

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

Climate

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

*the figures are not comparable due to taxonomy development

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

Accumulate The 12-month risk-adjusted expected shareholder return of the share is attractive

Reduce The 12-month risk-adjusted expected shareholder return of the share is weak

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

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

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
5/13/2022	Accumulate	20.00 €	18.00 €
8/9/2022	Accumulate	14.50 €	13.25 €
8/12/2022	Accumulate	14.00 €	12.20 €
11/9/2022	Buy	13.00 €	10.45 €
11/11/2022	Buy	13.50 €	10.95 €
3/1/2023	Accumulate	13.50 €	11.50 €
3/3/2023	Accumulate	13.50 €	12.50 €
5/5/2023	Accumulate	15.50 €	14.00 €
5/30/2023	Accumulate	15.50 €	13.15 €
8/11/2023	Accumulate	15.50 €	13.15 €
11/3/2023	Buy	15.50 €	11.35 €
3/7/2024	Buy	15.00 €	12.65 €
5/9/2024	Buy	15.00 €	12.50 €
6/5/2024	Buy	15.00 €	12.70 €



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Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

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