

EBIT miss driven by elevated costs

Exel Composites reported Q4 revenue slightly below our expectations, while adjusted operating profit fell short of our estimate more dramatically, by about EUR 1.0m, as other operating expenses were higher than we had estimated.

- Q4 revenue amounted to EUR 26.6m, compared to EUR 27.8m/27.7m Evli/consensus estimates.
- Construction & Infrastructure top line was EUR 12.6m (EUR 12.9m a year ago) vs our EUR 14.3m estimate.
- Industrial Applications generated EUR 8.5m (EUR 8.6m) sales, whereas we expected EUR 8.0m.
- Other Applications top line amounted to EUR 5.5m (EUR 5.2m), in line with our EUR 5.5m expectation.
- Q4 adjusted EBIT was EUR 1.3m, compared to EUR 2.3m/2.2m Evli/consensus estimates. The figure missed our expectation as other operating expenses were about EUR 1.0m higher than we had estimated.
- The BoD proposes EUR 0.18 (0.18) dividend per share be distributed, while we had expected EUR 0.20.
- Exel Composites guides revenue and adjusted operating profit to increase in 2020 compared to 2019, which is as we expected. The company says the coronavirus will have an impact on its Chinese production volumes in Q1 yet is not ready to estimate the impact in more detail.

Rating				🟡 HOLD
Q4'19	Actual	Evli	Year ago	Q3'19
Revenue	26.6	27.8	26.7	23.6
Adj. EBIT	1.3	2.3	0.8	1.7
Adj. EBIT margin	4.9 %	8.1 %	2.9 %	7.0 %
Deviation				Q3'19
Revenue		-4 %	0 %	13 %
Adj. EBIT		-43 %	63 %	-24 %
Adj. EBIT margin		-40 %	69 %	-30 %
Share price, EUR (Last trading day's closing price)				6.56
Target price, EUR				6.0
Latest change in recommendation				22-Nov-19
Latest report on company				22-Nov-19
Research paid by issuer:				YES
No. of shares outstanding, '000's				11,897
No. of shares fully diluted, '000's				11,897
Market cap, EURm				78
Free float, %				100.0
Exchange rate EUR/USD				1.10
Reuters code				EXL1V.HE
Bloomberg code				EXL1V FH
Average daily volume, EURm				0.1
Next interim report				18-Feb-20
Web site				www.exelcomposites.com
Analyst				Joonas Ilvonen
E-mail				joonas.ilvonen@evli.com
Telephone				+358 44 430 9071

🟢 BUY 🟡 HOLD 🔴 SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2017	86.3	6.1	7.1%	1.4	0.35	18.6	1.0	14.2	1.8	0.30
2018	96.6	2.2	2.3%	-3.9	0.03	119.0	0.8	34.5	-8.2	0.18
2019E	105.0	6.3	6.0%	2.1	0.34	19.5	1.0	16.9	2.7	0.20
2020E	112.4	9.2	8.2%	4.6	0.52	12.7	0.9	11.3	5.9	0.20
2021E	120.2	10.0	8.3%	4.9	0.57	11.6	0.8	10.2	6.3	0.25
Market cap, EURm		78	BV per share 2019E, EUR		102.7	CAGR EPS 2018-21, %		156.4		
Net debt 2019E, EURm		28	Price/book 2019E		2.8	CAGR sales 2018-21, %		7.6		
Enterprise value, EURm		106	Dividend yield 2019E, %		3.0	ROE 2019E, %		15.0		
Total assets 2019E, EURm		83	Tax rate 2019E, %		27.3	ROCE 2019E, %		10.7		
Goodwill 2019E, EURm		13	Equity ratio 2019E, %		33.2	PEG, P/E 19/CAGR		0.9		

All the important disclosures can be found on the last pages of this report.

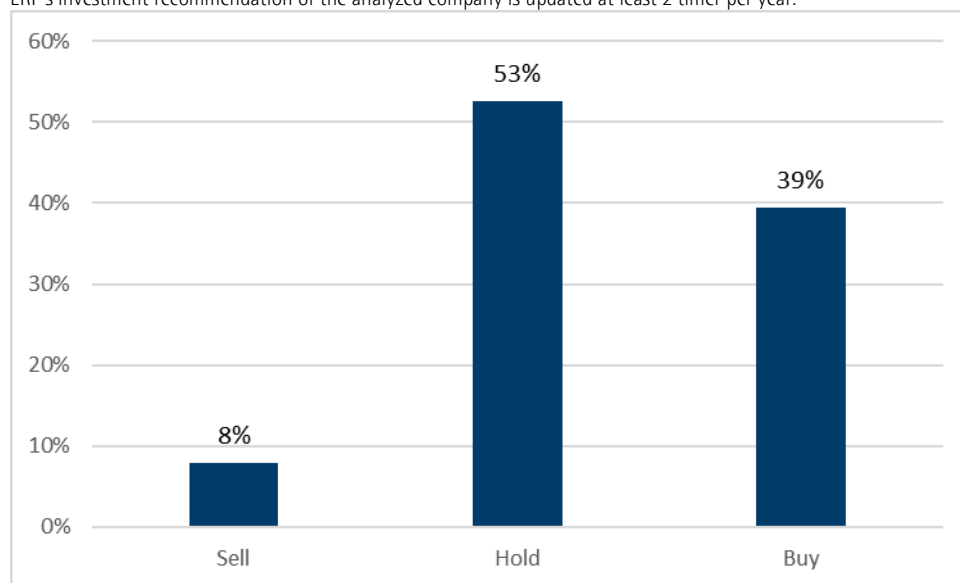
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Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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Name(s) of the analyst(s): Ilvonen

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Contact information

SALES, TRADING AND RESEARCH

Equity Sales

Ari Laine +358 9 4766 9115
Lauri Ahokanto +358 9 4766 9117
Niclas Henelius +358 9 4766 9116

Trading

Lauri Vehkaluoto (Head) +358 9 4766 9120
Pasi Väisänen +358 9 4766 9120
Antti Kässi +358 9 4766 9120
Miika Roankanen +358 9 4766 9120

ETFs and Derivatives

Joachim Dannberg +358 9 4766 9123
Kimmo Lijja +358 9 4766 9130

Structured Investments

Heikki Savijoki +358 9 4766 9726
Aki Lakkisto +358 9 4766 9123

Equity Research

Jonas Forslund +358 9 4766 9314
Joonas Ilvonen +358 44 430 9071
Jerker Salokivi +358 9 4766 9149
Anna-Liisa Rissanen +358 40 157 9919

Evli Investment Solutions

Johannes Asuja +358 9 4766 9205
Markku Reinikainen +358 9 4766 9669



EVLI BANK PLC
Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Fax +358 9 634 382
Internet www.evli.com
E-mail firstname.lastname@evli.com

**EVLI BANK PLC,
STOCKHOLMSFILIAL**
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000
Fax +46 (0)8 407 8001