

## Improvement potential still exists

Exel's Q4 EBIT failed our estimate due to one-off items. We believe the company remains on an improvement track. Our TP is now EUR 6.75 (6.00), new rating BUY (HOLD).

We continue to expect top line to grow at high single digits Q4 top line, at EUR 26.6m, was flat y/y and a little soft compared to our EUR 27.8m estimate. This was due to Construction & Infrastructure, where Q4 revenue declined by 2% y/y to EUR 12.6m, while we expected EUR 14.3m. Q4 was thus a relatively slow quarter for the segment, as y/y revenue growth had amounted to 12% in Q3. Exel says there have been no changes to e.g. wind energy demand; there can be wide variations in quarterly figures. Industrial Applications' Q4 revenue declined by 1% y/y to EUR 8.5m and so the figure was above our EUR 8.0m estimate. Other Applications' Q4 revenue was in line with our EUR 5.5m estimate. Although Exel's Q4 top line fell short of our estimate only slightly, adj. EBIT was only EUR 1.3m vs our EUR 2.3m estimate. The gap was due to other operating expenses, which were high at EUR 6.4m (had averaged EUR 5.4m in the last few quarters). Exel says the high expenses were due to items like temporary production plant overlap in China as well as certain production-related one-offs. We find no other surprises on the cost side as gross margin remained at a 60% level and employee expense share continued to decline (down by 200bps y/y to 28%). Order intake continued to increase by 9% y/y.

### Exel guides increasing revenue as well as adj. EBIT for '20

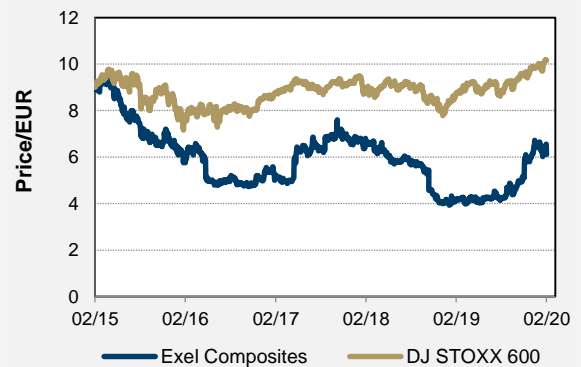
Exel will likely record some EUR 15m capex in '20 due to the production plant investment in Austria and residual payments related to a past Chinese acquisition. Overall, we continue to view Exel's volume outlook favorable. We expect wind energy to provide further strong uplift this year. Exel highlights good volume potential in applications such as cable cores and certain defense-related equipment. With regards to profitability, cost savings measures by themselves should contribute another EUR 1m this year, following the EUR 2m achieved last year.

### We see more upside as volume outlook remains good

Exel's valuation (ca. 8x EV/EBITDA and 13x EV/EBIT '20e) is still more than 20% below peer multiples. Although we believe some discount is warranted, we see upside from current levels. Our updated TP is EUR 6.75 (6.00), rating now BUY (HOLD).

Rating

BUY



Share price, EUR (Last trading day's closing price) 6.12

Target price, EUR 6.75

Latest change in recommendation 19-Feb-20

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 73

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 06-May-20

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BUY HOLD SELL

## KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2018	96.6	2.2	2.3%	-8.7	0.03	119.0	0.8	34.5	-18.3	0.18
2019	103.8	5.1	4.9%	0.7	0.20	32.5	1.0	21.0	0.9	0.18
2020E	109.6	8.7	8.0%	-6.5	0.46	13.2	1.0	12.7	-8.9	0.20
2021E	117.1	9.7	8.3%	5.1	0.51	12.0	0.9	11.2	7.0	0.25
2022E	124.1	10.5	8.5%	8.0	0.58	10.5	0.8	9.7	10.9	0.25
Market cap, EURm	73			Gearing 2020E, %	126.6			CAGR EPS 2019-22, %	42.5	
Net debt 2020E, EURm	38			Price/book 2020E	2.5			CAGR sales 2019-22, %	6.1	
Enterprise value, EURm	110			Dividend yield 2020E, %	3.3			ROE 2020E, %	19.7	
Total assets 2020E, EURm	99			Tax rate 2020E, %	22.5			ROCE 2020E, %	12.9	
Goodwill 2020E, EURm	13			Equity ratio 2020E, %	30.0			PEG, P/E 20/CAGR	1.2	

## Estimates and peer group multiples

Exel Composites	2017	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19	2019	Q1/'20E	Q2/'20E	Q3/'20E	Q4/'20E	2020E	2021E
Industrial Applications	48.2	39.9	9.3	9.5	7.9	8.5	35.3	9.3	9.7	8.1	8.9	36.1	37.9
Construction & Infrastructure	21.3	36.9	11.3	10.9	10.9	12.6	45.7	11.9	12.0	12.0	13.8	49.8	54.8
Other Applications	16.7	19.9	6.5	6.0	4.8	5.5	22.8	6.8	6.3	5.0	5.7	23.7	24.4
<b>Revenue</b>	<b>86.3</b>	<b>96.6</b>	<b>27.1</b>	<b>26.5</b>	<b>23.6</b>	<b>26.6</b>	<b>103.8</b>	<b>27.9</b>	<b>28.0</b>	<b>25.2</b>	<b>28.5</b>	<b>109.6</b>	<b>117.1</b>
<i>change, %</i>	<i>18 %</i>	<i>12 %</i>	<i>26 %</i>	<i>5 %</i>	<i>2 %</i>	<i>0 %</i>	<i>7 %</i>	<i>3 %</i>	<i>6 %</i>	<i>7 %</i>	<i>7 %</i>	<i>6 %</i>	<i>7 %</i>
<b>Gross profit</b>	<b>52.1</b>	<b>57.8</b>	<b>16.1</b>	<b>16.7</b>	<b>13.6</b>	<b>15.9</b>	<b>62.4</b>	<b>16.8</b>	<b>16.8</b>	<b>15.1</b>	<b>17.1</b>	<b>65.7</b>	<b>69.7</b>
<i>-margin, %</i>	<i>60.4 %</i>	<i>59.9 %</i>	<i>59.4 %</i>	<i>63.2 %</i>	<i>57.6 %</i>	<i>59.9 %</i>	<i>60.1 %</i>	<i>60.0 %</i>	<i>60.0 %</i>	<i>60.0 %</i>	<i>60.0 %</i>	<i>60.0 %</i>	<i>59.5 %</i>
<b>EBITDA</b>	<b>9.3</b>	<b>7.8</b>	<b>1.8</b>	<b>3.5</b>	<b>2.8</b>	<b>2.6</b>	<b>10.7</b>	<b>3.6</b>	<b>3.6</b>	<b>3.4</b>	<b>3.8</b>	<b>14.3</b>	<b>15.7</b>
<i>-margin, %</i>	<i>10.8 %</i>	<i>8.0 %</i>	<i>6.5 %</i>	<i>13.3 %</i>	<i>11.8 %</i>	<i>9.8 %</i>	<i>10.3 %</i>	<i>12.8 %</i>	<i>12.8 %</i>	<i>13.5 %</i>	<i>13.3 %</i>	<i>13.1 %</i>	<i>13.4 %</i>
<b>Adjusted EBIT</b>	<b>6.3</b>	<b>5.0</b>	<b>2.0</b>	<b>2.2</b>	<b>1.7</b>	<b>1.3</b>	<b>7.2</b>	<b>2.2</b>	<b>2.2</b>	<b>2.0</b>	<b>2.4</b>	<b>8.7</b>	<b>9.7</b>
EBIT	6.1	2.2	0.4	2.1	1.5	1.1	5.1						
<i>-margin, %</i>	<i>7.3 %</i>	<i>5.2 %</i>	<i>7.2 %</i>	<i>8.5 %</i>	<i>7.0 %</i>	<i>4.9 %</i>	<i>6.9 %</i>	<i>7.8 %</i>	<i>7.8 %</i>	<i>7.9 %</i>	<i>8.3 %</i>	<i>8.0 %</i>	<i>8.3 %</i>
<i>-margin (reported), %</i>	<i>7.0 %</i>	<i>2.3 %</i>	<i>1.5 %</i>	<i>8.1 %</i>	<i>6.2 %</i>	<i>4.1 %</i>	<i>4.9 %</i>						

Source: Evli Research

EXEL COMPOSITES PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		19	20	21	19	20	21	19	20	21
Gurit Holding	697	10.7x	10.5x	10.8x	14.3x	13.4x	14.0x	9.4 %	10.0 %	9.9 %
Hexagon Composites	648	26.2x	17.6x	13.6x	134.1x	31.4x	21.0x	1.7 %	5.9 %	7.4 %
Hexcel	5689	12.8x	12.6x	11.7x	17.1x	16.9x	15.4x	18.1 %	18.2 %	18.8 %
PolyOne	2206	10.0x	8.3x	7.5x	12.7x	11.1x	9.5x	9.0 %	8.3 %	8.8 %
SGL Carbon	499	9.9x	6.8x	6.4x	18.2x	20.3x	15.5x	4.3 %	3.6 %	4.5 %
TPI Composites	793	10.2x	9.4x	6.8x	32.4x	21.3x	12.0x	1.8 %	3.1 %	5.0 %
Peer Group Average	1755	13.3x	10.9x	9.5x	38.1x	19.1x	14.6x	7.4 %	8.2 %	9.1 %
Peer Group Median	745	10.4x	10.0x	9.2x	17.7x	18.6x	14.7x	6.7 %	7.1 %	8.1 %
Exel Composites (Evli est.)	73	10.0x	7.7x	6.8x	21.0x	12.7x	11.2x	4.9 %	8.0 %	8.3 %

Exel Composites prem./disc. to peer median

-4 % -23 % -25 % 19 % -32 % -24 % -26 % 12 % 2 %

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	6.12 PV of Free Cash Flow	55 Long-term growth, %	1.5 Risk-free interest rate, %	2.25
DCF share value	7.90 PV of Horizon value	68 WACC, %	8.5 Market risk premium, %	5.8
Share price potential, %	29.2 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	3.3
Maximum value	8.8 Marketable securities	7 Minimum WACC, %	8.0 Equity beta coefficient	1.00
Minimum value	7.2 Debt - dividend	-36 Maximum WACC, %	9.0 Target debt ratio, %	10
Horizon value, %	55.2 Value of stock	94 Nr of shares, Mn	11.9 Effective tax rate, %	21

DCF valuation, EURm	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Horizon
Net sales	104	110	117	124	132	138	142	146	149	152	154	156
<i>Sales growth, %</i>	<i>7.5</i>	<i>5.6</i>	<i>6.8</i>	<i>6.0</i>	<i>6.0</i>	<i>5.0</i>	<i>3.0</i>	<i>2.5</i>	<i>2.0</i>	<i>2.0</i>	<i>1.5</i>	<i>1.5</i>
Operating income (EBIT)	5	9	10	11	11	12	12	12	13	13	13	13
<i>Operating income margin, %</i>	<i>4.9</i>	<i>8.0</i>	<i>8.3</i>	<i>8.5</i>	<i>8.5</i>	<i>8.5</i>	<i>8.5</i>	<i>8.5</i>	<i>8.5</i>	<i>8.5</i>	<i>8.5</i>	<i>8.5</i>
+ Depreciation+amort.	6	6	6	8	8	7	7	7	6	5	5	
EBITDA	11	14	16	19	19	19	19	19	18	18	19	
- Paid taxes	-2	-2	-2	-2	-3	-3	-3	-3	-3	-3	-3	
- Change in NWC	1	-1	-1	-1	-1	-1	-1	-1	0	0	0	
<i>NWC / Sales, %</i>	<i>14.1</i>	<i>14.2</i>	<i>14.3</i>	<i>14.3</i>	<i>14.4</i>	<i>14.4</i>	<i>14.4</i>	<i>14.5</i>	<i>14.5</i>	<i>14.5</i>	<i>14.5</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-6	-15	-4	-4	-4	-5	-5	-5	-5	-5	-5	
<i>opCAPEX / Sales, %</i>	<i>7.3</i>	<i>15.2</i>	<i>5.1</i>	<i>4.8</i>	<i>4.7</i>	<i>4.6</i>	<i>4.4</i>	<i>4.3</i>	<i>3.6</i>	<i>3.6</i>	<i>3.6</i>	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	3	-4	8	11	11	11	11	11	10	10	11	152
= Discounted FCFF		-4	7	9	8	7	7	6	5	5	5	68
= DFCF min WACC		-4	7	9	8	7	7	7	6	5	5	76
= DFCF max WACC		-3	7	8	8	7	7	6	5	5	4	61

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1E	2020Q2E	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	27.1	26.5	23.6	26.6	103.8	27.9	28.0	25.2	28.5	109.6	117.1	124.1
EBITDA	1.8	3.4	2.9	2.6	10.7	3.6	3.6	3.4	3.8	14.3	15.8	18.7
<i>EBITDA margin (%)</i>	<i>6.6</i>	<i>13.0</i>	<i>12.1</i>	<i>9.8</i>	<i>10.3</i>	<i>12.7</i>	<i>12.8</i>	<i>13.5</i>	<i>13.3</i>	<i>13.1</i>	<i>13.5</i>	<i>15.0</i>
EBIT	0.4	2.1	1.5	1.1	5.1	2.2	2.2	2.0	2.4	8.7	9.7	10.5
<i>EBIT margin (%)</i>	<i>1.5</i>	<i>7.9</i>	<i>6.4</i>	<i>4.1</i>	<i>4.9</i>	<i>7.7</i>	<i>7.8</i>	<i>7.9</i>	<i>8.4</i>	<i>8.0</i>	<i>8.3</i>	<i>8.5</i>
Net financial items	-0.2	-0.2	0.0	-0.8	-1.2	-0.4	-0.4	-0.4	-0.4	-1.6	-1.6	-1.6
Pre-tax profit	0.2	1.9	1.5	0.3	3.9	1.8	1.8	1.6	2.0	7.1	8.1	9.0
Tax	-0.6	-0.3	-0.7	0.1	-1.5	-0.4	-0.4	-0.4	-0.4	-1.6	-2.0	-2.0
<i>Tax rate (%)</i>	<i>300.0</i>	<i>15.8</i>	<i>46.7</i>	<i>-33.3</i>	<i>38.5</i>	<i>22.9</i>	<i>22.6</i>	<i>25.0</i>	<i>20.0</i>	<i>22.5</i>	<i>24.8</i>	<i>22.5</i>
Net profit	-0.4	1.6	0.8	0.4	2.4	1.4	1.4	1.2	1.6	5.5	6.1	6.9
EPS	-0.03	0.13	0.07	0.03	0.20	0.11	0.12	0.10	0.13	0.46	0.51	0.58
EPS adjusted (diluted no. of shares)	-0.03	0.13	0.07	0.03	0.20	0.11	0.12	0.10	0.13	0.46	0.51	0.58
Dividend per share	0.00	0.00	0.00	0.00	0.18	0.00	0.00	0.00	0.00	0.20	0.25	0.25
<b>SALES, EURm</b>												
Exel Composites	27.1	26.5	23.6	26.6	103.8	27.9	28.0	25.2	28.5	109.6	117.1	124.1
Total	27.1	26.5	23.6	26.6	103.8	27.9	28.0	25.2	28.5	109.6	117.1	124.1
<b>SALES GROWTH, Y/Y %</b>												
Exel Composites	26.0	4.7	2.2	-0.4	7.5	3.0	5.7	6.8	7.1	5.6	6.8	6.0
Total	26.0	4.7	2.2	-0.4	7.5	3.0	5.7	6.8	7.1	5.6	6.8	6.0
<b>EBIT, EURm</b>												
Exel Composites	0.4	2.1	1.5	1.1	5.1	2.2	2.2	2.0	2.4	8.7	9.7	10.5
Total	0.4	2.1	1.5	1.1	5.1	2.2	2.2	2.0	2.4	8.7	9.7	10.5
<b>EBIT margin, %</b>												
Exel Composites	1.5	7.9	6.4	4.1	4.9	7.7	7.8	7.9	8.4	8.0	8.3	8.5
Total	1.5	7.9	6.4	4.1	4.9	7.7	7.8	7.9	8.4	8.0	8.3	8.5

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	80.2	73.1	86.3	96.6	103.8	109.6	117.1	124.1
<i>Sales growth (%)</i>	<i>1.1</i>	<i>-8.9</i>	<i>18.1</i>	<i>11.9</i>	<i>7.5</i>	<i>5.6</i>	<i>6.8</i>	<i>6.0</i>
EBITDA	7.3	3.8	9.3	7.7	10.7	14.3	15.8	18.7
<i>EBITDA margin (%)</i>	<i>9.1</i>	<i>5.2</i>	<i>10.8</i>	<i>8.0</i>	<i>10.3</i>	<i>13.1</i>	<i>13.5</i>	<i>15.0</i>
Depreciation	-2.9	-3.2	-3.2	-5.5	-5.6	-5.6	-6.1	-8.1
EBITA	4.4	0.6	6.1	2.2	5.1	8.7	9.7	10.5
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	4.4	0.6	6.1	2.2	5.1	8.7	9.7	10.5
<i>EBIT margin (%)</i>	<i>5.5</i>	<i>0.8</i>	<i>7.1</i>	<i>2.3</i>	<i>4.9</i>	<i>8.0</i>	<i>8.3</i>	<i>8.5</i>
Reported EBIT	4.0	-1.2	6.1	2.2	5.1	8.7	9.7	10.5
<i>EBIT margin (reported) (%)</i>	<i>5.0</i>	<i>-1.6</i>	<i>7.1</i>	<i>2.3</i>	<i>4.9</i>	<i>8.0</i>	<i>8.3</i>	<i>8.5</i>
Net financials	-0.2	-0.1	-0.7	-0.5	-1.2	-1.6	-1.6	-1.6
Pre-tax profit	4.2	0.5	5.4	1.7	3.9	7.1	8.1	9.0
Taxes	-1.4	-0.2	-1.2	-1.3	-1.5	-1.6	-2.0	-2.0
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	2.4	-1.4	4.2	0.4	2.4	5.5	6.1	6.9
Cash NRIs	-0.4	-1.8	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>BALANCE SHEET, EURm</b>								
<b>Assets</b>								
Fixed assets	15	17	16	21	23	33	33	30
Goodwill	10	10	13	13	13	13	13	13
Right of use assets	0	0	0	5	5	5	5	6
Inventory	10	9	12	15	17	18	19	20
Receivables	12	10	15	20	20	21	23	24
Liquid funds	8	7	8	5	7	7	8	8
Total assets	54	54	64	79	85	99	102	103
<b>Liabilities</b>								
Shareholder's equity	31	27	29	26	26	30	33	37
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	3	4	5	5	6
Deferred taxes	1	1	0	0	0	0	0	0
Interest bearing debt	8	14	16	30	32	40	37	33
Non-interest bearing current liabilities	14	12	18	18	21	22	24	25
Other interest-free debt	1	1	0	2	2	2	2	2
Total liabilities	54	54	64	79	85	99	102	103
<b>CASH FLOW, EURm</b>								
+ EBITDA	7	4	9	8	11	14	16	19
- Net financial items	0	0	-1	0	-1	-2	-2	-2
- Taxes	-2	0	-1	-2	-2	-2	-2	-2
- Increase in Net Working Capital	-2	1	-3	-4	1	-1	-1	-1
+/- Other	1	-1	1	0	0	0	0	0
= Cash flow from operations	3	3	5	1	8	10	11	14
- Capex	-4	-3	-3	-10	-8	-17	-6	-6
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-1	0	1	-9	1	-6	5	8
+/- New issues/buybacks	1	0	-1	0	0	0	0	0
- Paid dividend	-2	-3	-1	-4	-2	-2	-2	-3
+/- Other	2	2	1	9	3	9	-2	-5
Change in cash	0	-1	0	-3	2	0	0	0

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	60	78	48	78	73	73	73
Net debt (excl. convertibles)	6	9	28	29	38	35	30
Enterprise value	66	87	76	107	110	108	103
Sales	73	86	97	104	110	117	124
EBITDA	4	9	8	11	14	16	19
EBIT	1	6	2	5	9	10	11
Pre-tax	1	5	2	4	7	8	9
Earnings	0	4	0	2	6	6	7
Equity book value (excl. minorities)	27	29	26	26	30	33	37
<b>Valuation multiples</b>							
EV/sales	0.9	1.0	0.8	1.0	1.0	0.9	0.8
EV/EBITDA	17.3	9.3	9.9	10.0	7.7	6.8	5.5
EV/EBITA	109.9	14.2	34.5	21.0	12.7	11.2	9.7
EV/EBIT	109.9	14.2	34.5	21.0	12.7	11.2	9.7
EV/OCF	21.3	17.7	84.3	12.9	10.8	9.7	7.3
EV/FCFF	-38.8	-28.4	-6.6	32.5	-29.3	13.5	9.5
P/FCFE	0.0	55.8	-5.5	110.9	-11.3	14.4	9.1
P/E	164.3	18.6	119.0	32.5	13.2	12.0	10.5
P/B	2.2	2.7	1.8	3.0	2.5	2.2	2.0
Target EV/EBITDA	0.0	0.0	0.0	0.0	8.2	7.3	5.9
Target EV/EBIT	0.0	0.0	0.0	0.0	13.5	11.9	10.4
Target EV/FCF	0.0	0.0	0.0	0.0	-18.2	22.7	13.8
Target P/B	0.0	0.0	0.0	0.0	2.7	2.4	2.2
Target P/E	0.0	0.0	0.0	0.0	14.5	13.3	11.6
<b>Per share measures</b>							
Number of shares	11,897	11,897	11,897	11,897	11,897	11,897	11,897
Number of shares (diluted)	11,897	11,897	11,897	11,897	11,897	11,897	11,897
EPS	0.03	0.35	0.03	0.20	0.46	0.51	0.58
Operating cash flow per share	0.26	0.41	0.08	0.70	0.86	0.93	1.18
Free cash flow per share	0.00	0.12	-0.73	0.06	-0.54	0.43	0.67
Book value per share	2.24	2.42	2.16	2.21	2.49	2.80	3.14
Dividend per share	0.10	0.30	0.18	0.18	0.20	0.25	0.25
Dividend payout ratio, %	327.2	85.0	535.4	89.2	43.1	49.1	42.8
Dividend yield, %	2.0	4.6	4.5	2.9	3.3	4.1	4.1
FCF yield, %	0.0	1.8	-18.3	0.9	-8.9	7.0	10.9
<b>Efficiency measures</b>							
ROE	1.3	15.2	1.5	9.2	19.7	19.2	19.7
ROCE	1.8	14.6	4.5	8.6	12.9	13.0	14.1
<b>Financial ratios</b>							
Inventories as % of sales	12.0	13.5	15.7	16.3	16.3	16.3	16.3
Receivables as % of sales	14.0	17.1	20.8	19.2	19.2	19.2	19.2
Non-interest bearing liabilities as % of sales	17.0	21.4	19.2	20.2	20.2	20.2	20.2
NWC/sales, %	9.0	9.3	16.1	14.1	14.2	14.3	14.3
Operative CAPEX/sales, %	4.2	4.1	9.9	7.3	15.2	5.1	4.8
CAPEX/sales (incl. acquisitions), %	4.2	4.1	9.9	7.3	15.2	5.1	4.8
FCFF/EBITDA	-0.4	-0.3	-1.5	0.3	-0.3	0.5	0.6
Net debt/EBITDA, book-weighted	1.6	0.9	3.7	2.7	2.6	2.2	1.6
Debt/equity, market-weighted	0.2	0.2	0.6	0.4	0.5	0.5	0.4
Equity ratio, book-weighted	49.5	44.7	32.5	30.8	30.0	32.7	36.3
Gearing, %	23.3	30.3	109.9	110.2	126.6	104.6	80.1

**COMPANY DESCRIPTION:** Exel Composites manufactures composites profiles for various demanding, mainly industrial end-use, applications. Exel's customer base includes companies operating in industries such as wind energy, transportation and telecommunications. Exel Composites is one of the largest manufacturers of pultruded composites profiles globally and currently operates eight manufacturing plants on three continents.

**INVESTMENT CASE:** Our positive view is based on good long-term composites demand outlook, coupled with the fact that Exel Composites' current manufacturing footprint could support annual revenue in the EUR 150m ballpark i.e. there's still plenty of room to improve delivery volumes. Exel's rather high fixed cost base translates to meaningful operating leverage, and thus higher revenues should lead to improving operating margins. The company is also progressing well with its cost savings program. Operating profit could further significantly improve if good execution continues. Recently the wind energy sector has provided great lift for volumes; other attractive applications include e.g. transportation industry profiles.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Nordea Bank ABP (Nom. reg.)	2,238,572	13.700	18.8%
Skandinaviska Enskilda Banken AB (Nom. reg.)	761,521	4.661	6.4%
Sijoitusrahasto Taaleritehdas Mikro Markka	650,000	3.978	5.5%
OP-Finland Small Firms Fund	598,259	3.661	5.0%
Danske Invest Finnish Equity Fund	346,650	2.121	2.9%
Phoebus Fund	290,000	1.775	2.4%
Säästöpankki Pienyhtiöt	288,710	1.767	2.4%
Ilmarinen Mutual Pension Insurance Company	242,733	1.486	2.0%
Veritas Pension Insurance Company Ltd.	226,163	1.384	1.9%
Nelimarkka Heikki Antero	222,836	1.364	1.9%
Ten largest	5,865,444	35.897	49%
Residual	6,031,399	36.912	51%
Total	11,896,843	72.809	100%

#### EARNINGS CALENDAR

May 06, 2020	Q1 report
July 21, 2020	Q2 report
October 30, 2020	Q3 report

#### OTHER EVENTS

#### COMPANY MISCELLANEOUS

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## DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	DPS	Dividend for the financial period per share
Market cap	Price per share * Number of shares	OCF (Operating cash flow)	EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow)	Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, %	$\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital	Current assets – current liabilities
Net debt	Interest bearing debt – financial assets	Capital employed/Share	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
Total assets	Balance sheet total	Gearing	$\frac{\text{Net debt}}{\text{Equity}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		



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Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.

Recommendation	Percentage
Sell	8%
Hold	53%
Buy	39%

The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. If recommendation is not given, it is not mentioned here.

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

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