

Wind energy pushed top line

Exel Composites' Q1 exceeded our expectations. Actual revenues topped our estimate by 12%, and the company also surprised in terms of EBIT margin.

- Net sales totaled EUR 27.1m vs. our projected EUR 24.3m. Revenue grew by 26% y/y thanks to the Construction & Infrastructure segment, which was driven by wind energy. Organic growth was recorded at 8.3%.
- Growth in Construction & Infrastructure as well as Other Applications made up for the decline in Industrial Applications. The telecommunications market continued to be challenging.
- The wind energy growth and the consolidation of DSC contributed to higher Rest of the World and Asia-Pacific revenues. European sales remained roughly flat.
- EBIT amounted to EUR 2.0m, beating our EUR 1.4m estimate. EBIT margin was 7.2% vs. our 5.9% expectation. The improvement was due to operational leverage, but also owed to improved efficiency achieved with the help of the cost savings program.

Rating + BUY

Q1'19	Actual	Evli	Year ago	Q4'18
Net sales	27.1	24.3	21.5	26.7
EBIT	2.0	1.4	1.8	0.8
EBIT margin	7.2 %	5.9 %	8.3 %	2.9 %

Deviation	Actual	Evli	Year ago	Q4'18
Net sales		12 %	26 %	1 %
EBIT		43 %	11 %	150 %
EBIT margin		22 %	-13 %	148 %

Share price, EUR (Last trading day's closing price)	4.18
Target price, EUR	5.0
Latest change in recommendation	12-Apr-19
Latest report on company	12-Apr-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	50
Free float, %	100
Exchange rate EUR/USD	1.15
Reuters code	EXL1V.HE
Bloomberg code	EXL1V FH
Average daily volume, EURm	0.1
Next interim report	03-May-19
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+ BUY + HOLD - SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2017	86	6	7.1%	5	0.35	18.6	1.0	12.9	14.2	0.30
2018	97	2	2.4%	2	0.04	95.2	0.7	-17.0	31.5	0.18
2019E	103	6	6.1%	6	0.36	11.6	0.7	6.4	11.7	0.20
2020E	110	7	6.5%	6	0.42	10.0	0.7	5.9	10.2	0.20
2021E	117	8	7.1%	8	0.50	8.4	0.6	5.4	8.5	0.25
Market cap, EURm				50	BV per share 2019E, EUR		2.3	CAGR EPS 2018-21, %		128.1
Net debt 2019E, EURm				24	Price/book 2019E		1.8	CAGR sales 2018-21, %		6.6
Enterprise value, EURm				74	Dividend yield 2019E, %		4.8	ROE 2019E, %		16.0
Total assets 2019E, EURm				77	Tax rate 2019E, %		21.8	ROCE 2019E, %		11.4
Goodwill 2019E, EURm				13	Equity ratio 2019E, %		36.0	PEG, P/E 19/CAGR		0.9

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

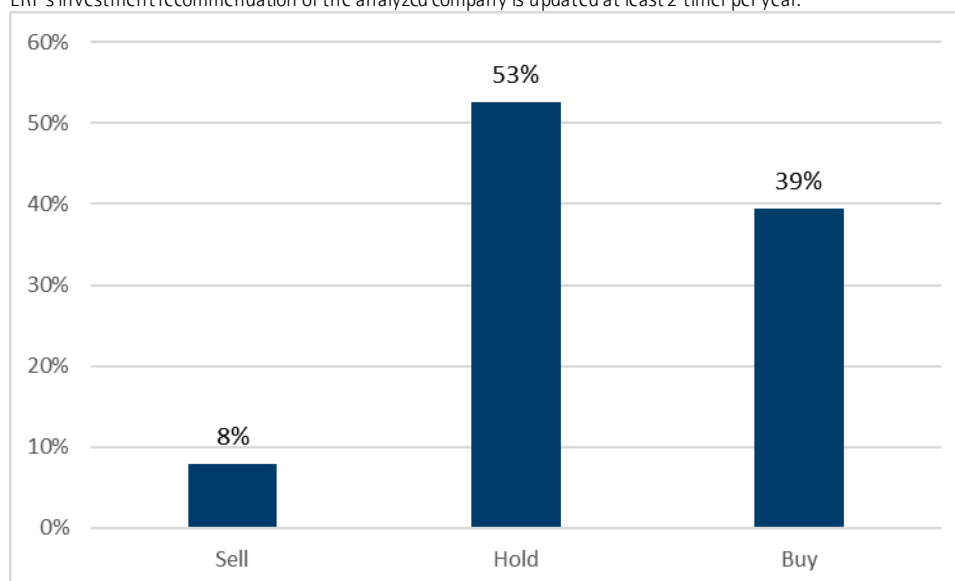
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Investment recommendations are defined as follows:

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

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



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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