

Positive development continued

Exel Composites reported Q2 revenue at EUR 26.5m, in line with our expectations. Adjusted operating profit, at EUR 2.2m, was above our estimate. The company's cost savings program is delivering good results.

- Q2 revenue amounted to EUR 26.5m vs our EUR 26.7m estimate (consensus at EUR 27.4m).
- Q2 adjusted operating profit stood at EUR 2.2m vs our EUR 1.7m expectation (consensus at EUR 1.8m). The 8.5% adjusted operating margin was clearly above our 6.3% estimate, as well as the consensus.
- The 4.8% increase in revenue y/y was mainly attributable to the acquisition of DSC (completed in May 2018). The wind energy industry continued to support volumes. The telecommunications sector remained weak.
- The acquisition of DSC was reflected in the increase in revenue within the Rest of the World region. Asia-Pacific revenues declined due to telecommunications volumes. European revenue remained flat y/y.
- The cost savings program is proceeding according to plan. The company expects to fully realize the EUR 3m annual savings target in 2020. DSC remained in the red during Q2.
- Guidance for full year 2019 remains unchanged as the company expects revenue and adjusted operating profit to increase compared to previous year.

Rating BUY

Q2'19	Actual	Evli	Year ago	Q1'19
Net sales	26.5	26.7	25.3	27.1
EBIT	2.2	1.7	2.0	2.0
EBIT margin	8.5 %	6.3 %	7.8 %	7.4 %

Deviation	Actual	Evli	Year ago	Q4'18
Net sales		-1 %	5 %	-2 %
EBIT		29 %	10 %	10 %
EBIT margin		35 %	9 %	15 %

Share price, EUR (Last trading day's closing price) 4.35

Target price, EUR 5.0

Latest change in recommendation 20-Feb-19

Latest report on company 6-May-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 52

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 23-Jul-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	106	7	6.4%	6	0.40	10.8	0.7	6.6	11.2	0.20
2020E	113	7	6.5%	7	0.44	9.9	0.7	6.0	10.2	0.20
2021E	120	9	7.1%	8	0.52	8.3	0.6	5.4	8.5	0.25
Market cap, EURm		52		BV per share 2019E, EUR		2.4		CAGR EPS 2018-21, %		132.0
Net debt 2019E, EURm		24		Price/book 2019E		1.8		CAGR sales 2018-21, %		7.5
Enterprise value, EURm		76		Dividend yield 2019E, %		4.6		ROE 2019E, %		17.7
Total assets 2019E, EURm		79		Tax rate 2019E, %		20.0		ROCE 2019E, %		12.2
Goodwill 2019E, EURm		13		Equity ratio 2019E, %		36.1		PEG, P/E 19/CAGR		1.0

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

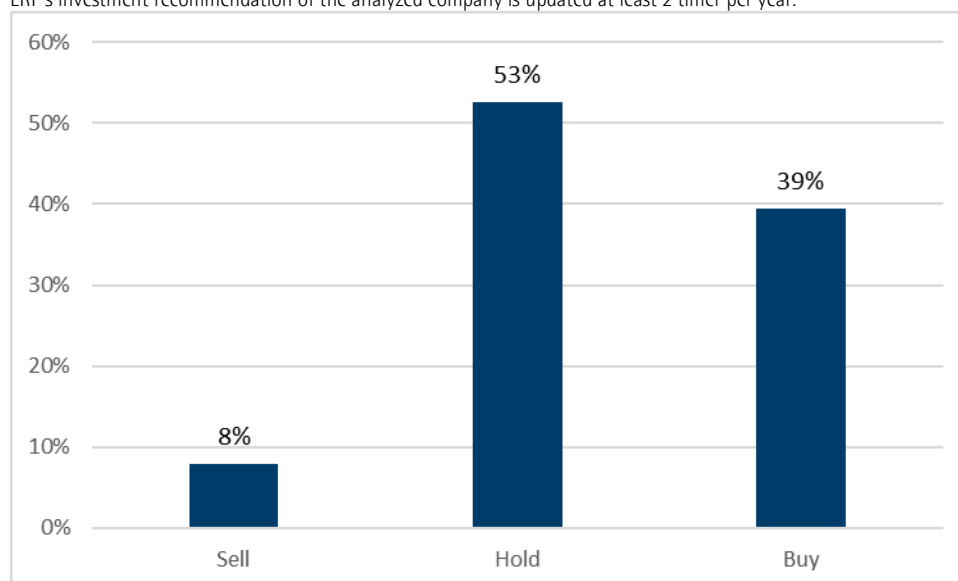
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Investment recommendations are defined as follows:

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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