

Temporary profitability challenges

Exel's margins take a hit this year, but we see Exel's favorable positioning will remain intact and next year's results should more than make up for the interim dip.

The negative factors have been discussed earlier

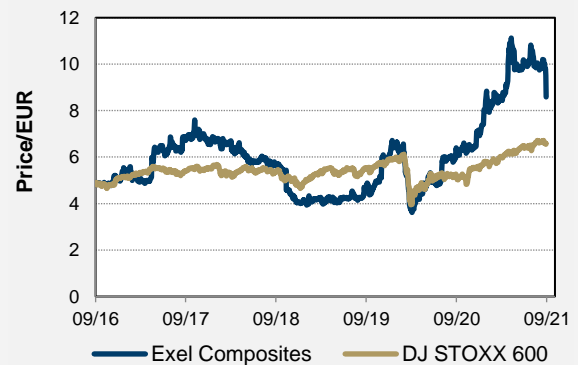
Exel issued a negative profit warning yesterday. The company's earlier outlook guided revenue as well as adj. EBIT to increase, whereas the updated guidance says revenue is to increase significantly while adj. EBIT is to decrease. We don't view the revenue update a major surprise but the FY '21 profitability downgrade is negative news. According to Exel raw material availability has weakened, and both material as well as logistics costs have increased. Exel also says certain high volume carbon fiber Wind power customer applications have generated low margins during their ramp-up phase. These negative factors were discussed already over the spring and summer, but we expected margin improvement in H2 after some softness seen in Q2.

We expect profitability back to high levels in FY '22

We already expected strong top line growth for this year and thus we revise our estimate only a bit, from EUR 124.9m to EUR 125.8m. Our previous adj. EBIT estimate for FY '21 was EUR 10.8m, which we now revise down to EUR 8.9m. We estimate 17% y/y revenue growth for Q3 (Exel grew 23% y/y in Q2). We now expect EUR 1.9m in Q3 adj. EBIT (prev. EUR 2.7m), a bit below the EUR 2.0m comparison figure. We therefore estimate Q3 EBIT margin to have softened to 6.3%. We now expect 6.8% margin for Q4, in other words EUR 2.1m EBIT (prev. EUR 3.2m). In our view Exel's composites pricing will adjust to higher raw materials prices going forward and hence the company should be able to make up for the interim profitability drop next year when the raw materials and logistics markets have normalized.

We still consider valuation not very demanding

Our FY '22 revenue estimate is EUR 139.0m (prev. EUR 137.4m), while we revise our EBIT estimate down to EUR 12.4m (prev. EUR 13.5m). The 8.9% EBIT margin estimate is in line with the figure seen last year while our corresponding top line estimate is 28% above the EUR 108.6m in FY '20 revenue. Exel is valued 9x EV/EBITDA and 15x EV/EBIT on our FY '21 estimates. These levels are not that low but turn attractive at ca. 7x and 10x on our FY '22 estimates. Our new TP is EUR 10.0 (11.5); retain BUY rating.

 Rating BUY


Share price, EUR (Last trading day's closing price)	8.59
Target price, EUR	10.0

Latest change in recommendation	21-Jul-21
Latest report on company	21-Jul-21
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	102
Free float, %	100.0
Exchange rate EUR/USD	1.18
Reuters code	EXL1V.HE
Bloomberg code	EXL1V FH
Average daily volume, EURm	0.1
Next interim report	04-Nov-21
Web site	www.exelcomposites.com

Analyst	Joonas Ilvonen
E-mail	joonas.ilvonen@evli.com
Telephone	+358 44 430 9071

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
2019	103.8	5.1	4.9%	0.7	0.20	32.5	1.0	21.0	0.9	0.18
2020	108.6	9.4	8.7%	0.5	0.45	16.4	1.1	12.5	0.6	0.20
2021E	125.8	8.8	7.0%	3.2	0.50	17.1	1.0	15.0	3.2	0.25
2022E	139.0	12.4	8.9%	6.5	0.73	11.8	0.9	10.3	6.4	0.30
2023E	149.5	14.6	9.8%	8.6	0.88	9.8	0.8	8.4	8.4	0.32
Market cap, EURm				102	Gearing 2021E, %			90.5	CAGR EPS 2020-23, %	24.7
Net debt 2021E, EURm				29	Price/book 2021E			3.2	CAGR sales 2020-23, %	11.2
Enterprise value, EURm				131	Dividend yield 2021E, %			2.9	ROE 2021E, %	19.6
Total assets 2021E, EURm				105	Tax rate 2021E, %			25.6	ROCE 2021E, %	12.3
Goodwill 2021E, EURm				13	Equity ratio 2021E, %			30.7	PEG, P/E 21/CAGR	0.7

Estimates and peer group multiples

Exel Composites	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21	Q3'21e	Q4'21e	2021e
Buildings and infrastructure	23.5	6.2	5.3	4.9	7.0	23.5	7.0	8.7	6.8	7.9	30.4
Equipment and other industries	18.6	6.1	4.0	4.3	5.1	19.5	5.6	5.2	4.7	5.4	20.9
Wind power	23.6	5.8	7.9	7.8	6.6	28.1	7.4	7.8	9.0	7.6	31.7
Machinery and electrical	14.4	3.8	4.8	3.3	3.7	15.5	3.7	5.1	3.5	4.0	16.2
Transportation	13.1	3.4	2.8	2.2	1.9	10.2	2.5	2.7	2.3	2.0	9.5
Defense	2.3	1.3	0.8	1.9	1.4	5.3	2.2	1.8	2.2	2.0	8.2
Telecommunications	8.2	1.2	1.7	1.7	1.8	6.5	2.5	2.3	1.9	2.1	8.8
Revenue	103.8	27.8	27.2	26.0	27.5	108.6	31.0	33.5	30.4	31.0	125.8
<i>y/y change, %</i>	<i>7 %</i>	<i>3 %</i>	<i>3 %</i>	<i>10 %</i>	<i>3 %</i>	<i>5 %</i>	<i>11 %</i>	<i>23 %</i>	<i>17 %</i>	<i>13 %</i>	<i>16 %</i>
Adjusted EBIT	7.2	2.1	2.9	2.0	2.7	9.7	2.5	2.5	1.9	2.1	8.9
EBIT	5.1	1.9	2.8	2.0	2.7	9.4	2.4	2.4			8.8
<i>-margin, %</i>	<i>6.9 %</i>	<i>7.5 %</i>	<i>10.6 %</i>	<i>7.8 %</i>	<i>9.9 %</i>	<i>8.9 %</i>	<i>7.9 %</i>	<i>7.3 %</i>	<i>6.3 %</i>	<i>6.8 %</i>	<i>7.1 %</i>
<i>-margin (reported), %</i>	<i>4.9 %</i>	<i>6.7 %</i>	<i>10.2 %</i>	<i>7.8 %</i>	<i>9.9 %</i>	<i>8.7 %</i>	<i>7.8 %</i>	<i>7.0 %</i>			<i>7.0 %</i>

Source: Evli Research

EXEL COMPOSITES PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		20	21	22	20	21	22	20	21	22
Gurit Holding	768		14.8x	12.7x		20.0x	16.1x	11.1 %	8.5 %	10.0 %
Hexagon Composites	623	58.0x	79.4x	42.8x				-1.9 %	-5.0 %	-3.0 %
Hexcel	4162	26.6x	29.3x	18.3x	351.9x	110.6x	32.2x	0.9 %	3.8 %	11.0 %
Avient	3645	13.0x	9.8x	9.0x	18.9x	13.4x	12.0x	8.1 %	9.3 %	9.8 %
SGL Carbon	1264	7.2x	12.1x	10.0x		26.8x	18.3x	-10.9 %	5.7 %	7.9 %
TPI Composites	1111	22.7x	20.7x	12.3x	85.8x		26.2x	1.5 %	0.0 %	3.3 %
Peer Group Average	1929	25.5x	27.7x	17.5x	152.2x	42.7x	20.9x	1.5 %	3.7 %	6.5 %
Peer Group Median	1188	22.7x	17.8x	12.5x	85.8x	23.4x	18.3x	1.2 %	4.8 %	8.9 %
Exel Composites (Evli est.)	102	7.7x	8.8x	7.0x	12.5x	15.0x	10.3x	8.7 %	7.0 %	8.9 %

Exel Composites prem./disc. to peer median

-66 % -51 % -44 % -85 % -36 % -43 % 613 % 47 % 0 %

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	8.59 PV of Free Cash Flow	78 Long-term growth, %	1.5 Risk-free interest rate, %	2.25
DCF share value	12.41 PV of Horizon value	102 WACC, %	8.5 Market risk premium, %	5.8
Share price potential, %	44.5 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	3.3
Maximum value	13.6 Marketable securities	12 Minimum WACC, %	8.0 Equity beta coefficient	1.00
Minimum value	11.4 Debt - dividend	-44 Maximum WACC, %	9.0 Target debt ratio, %	10
Horizon value, %	56.6 Value of stock	148 Nr of shares, Mn	11.9 Effective tax rate, %	21

DCF valuation, EURm	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Horizon
Net sales	109	126	139	149	157	162	166	169	172	176	178	181
<i>Sales growth, %</i>	<i>4.6</i>	<i>15.9</i>	<i>10.5</i>	<i>7.5</i>	<i>5.0</i>	<i>3.0</i>	<i>2.5</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>1.5</i>	<i>1.5</i>
Operating income (EBIT)	9	9	12	15	16	17	17	18	19	20	21	21
<i>Operating income margin, %</i>	<i>8.7</i>	<i>7.0</i>	<i>8.9</i>	<i>9.8</i>	<i>10.2</i>	<i>10.5</i>	<i>10.5</i>	<i>10.5</i>	<i>11.0</i>	<i>11.5</i>	<i>11.5</i>	<i>11.5</i>
+ Depreciation+amort.	6	6	6	6	6	6	6	5	5	5	5	6
EBITDA	15	15	18	21	22	23	23	23	24	26	26	
- Paid taxes	-3	-2	-3	-4	-4	-4	-4	-5	-5	-5	-5	
- Change in NWC	3	-2	-2	-1	-1	-1	0	0	0	0	0	
<i>NWC / Sales, %</i>	<i>11.2</i>	<i>11.3</i>	<i>11.4</i>	<i>11.4</i>	<i>11.5</i>	<i>11.5</i>	<i>11.5</i>	<i>11.5</i>	<i>11.5</i>	<i>11.6</i>	<i>11.6</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-13	-5	-5	-5	-5	-5	-5	-5	-5	-5	-5	
<i>opCAPEX / Sales, %</i>	<i>11.9</i>	<i>5.4</i>	<i>4.6</i>	<i>4.3</i>	<i>4.1</i>	<i>3.9</i>	<i>3.9</i>	<i>3.4</i>	<i>3.4</i>	<i>3.4</i>	<i>3.3</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	2	5	8	10	12	13	13	13	14	15	15	218
= Discounted FCFF		5	8	9	9	9	9	8	8	7	7	102
= DFCF min WACC		5	8	9	9	9	9	8	8	8	7	114
= DFCF max WACC		5	7	9	9	9	8	8	7	7	7	91

INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	27.8	27.2	26.1	27.5	108.6	31.0	33.5	30.4	31.0	125.8	139.0	149.5
EBITDA	3.4	4.3	3.5	4.1	15.3	4.0	3.9	3.4	3.6	14.9	18.2	20.5
<i>EBITDA margin (%)</i>	<i>12.1</i>	<i>15.8</i>	<i>13.5</i>	<i>14.8</i>	<i>14.1</i>	<i>13.0</i>	<i>11.7</i>	<i>11.2</i>	<i>11.6</i>	<i>11.9</i>	<i>13.1</i>	<i>13.7</i>
EBIT	1.9	2.8	2.0	2.7	9.4	2.4	2.4	1.9	2.1	8.8	12.4	14.6
<i>EBIT margin (%)</i>	<i>6.7</i>	<i>10.3</i>	<i>7.8</i>	<i>9.9</i>	<i>8.7</i>	<i>7.8</i>	<i>7.0</i>	<i>6.3</i>	<i>6.8</i>	<i>7.0</i>	<i>8.9</i>	<i>9.8</i>
Net financial items	-0.6	0.2	-0.7	-1.2	-2.3	0.5	-0.5	-0.4	-0.4	-0.8	-0.7	-0.6
Pre-tax profit	1.3	2.9	1.3	1.5	7.1	2.9	1.9	1.5	1.7	8.0	11.6	14.0
Tax	-0.6	-0.4	-0.2	-0.4	-1.7	-0.9	-0.5	-0.3	-0.4	-2.1	-3.0	-3.6
<i>Tax rate (%)</i>	<i>49.4</i>	<i>15.3</i>	<i>15.1</i>	<i>29.4</i>	<i>24.6</i>	<i>30.8</i>	<i>25.4</i>	<i>21.0</i>	<i>21.0</i>	<i>25.6</i>	<i>25.6</i>	<i>25.6</i>
Net profit	0.7	2.5	1.1	1.1	5.4	2.0	1.4	1.2	1.3	6.0	8.7	10.4
EPS	0.06	0.21	0.09	0.09	0.45	0.17	0.12	0.10	0.11	0.50	0.73	0.88
EPS adjusted (diluted no. of shares)	0.06	0.21	0.09	0.09	0.45	0.17	0.12	0.10	0.11	0.50	0.73	0.88
Dividend per share	0.00	0.00	0.00	0.00	0.20	0.00	0.00	0.00	0.00	0.25	0.30	0.32
SALES, EURm												
Exel Composites	27.8	27.2	26.1	27.5	108.6	31.0	33.5	30.4	31.0	125.8	139.0	149.5
Total	27.8	27.2	26.1	27.5	108.6	31.0	33.5	30.4	31.0	125.8	139.0	149.5
SALES GROWTH, Y/Y %												
Exel Composites	2.6	2.6	10.5	3.4	4.6	11.3	23.3	16.3	12.7	15.9	10.5	7.5
Total	2.6	2.6	10.5	3.4	4.6	11.3	23.3	16.3	12.7	15.9	10.5	7.5
EBIT, EURm												
Exel Composites	1.9	2.8	2.0	2.7	9.4	2.4	2.4	1.9	2.1	8.8	12.4	14.6
Total	1.9	2.8	2.0	2.7	9.4	2.4	2.4	1.9	2.1	8.8	12.4	14.6
EBIT margin, %												
Exel Composites	6.7	10.3	7.8	9.9	8.7	7.8	7.0	6.3	6.8	7.0	8.9	9.8
Total	6.7	10.3	7.8	9.9	8.7	7.8	7.0	6.3	6.8	7.0	8.9	9.8

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	73.1	86.3	96.6	103.8	108.6	125.8	139.0	149.5
<i>Sales growth (%)</i>	<i>-8.9</i>	<i>18.1</i>	<i>11.9</i>	<i>7.5</i>	<i>4.6</i>	<i>15.9</i>	<i>10.5</i>	<i>7.5</i>
EBITDA	3.8	9.3	7.7	10.7	15.3	14.9	18.2	20.5
<i>EBITDA margin (%)</i>	<i>5.2</i>	<i>10.8</i>	<i>8.0</i>	<i>10.3</i>	<i>14.1</i>	<i>11.9</i>	<i>13.1</i>	<i>13.7</i>
Depreciation	-3.2	-3.2	-5.5	-5.6	-5.8	-6.2	-5.8	-5.9
EBITA	0.6	6.1	2.2	5.1	9.4	8.8	12.4	14.6
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	0.6	6.1	2.2	5.1	9.4	8.8	12.4	14.6
<i>EBIT margin (%)</i>	<i>0.8</i>	<i>7.1</i>	<i>2.3</i>	<i>4.9</i>	<i>8.7</i>	<i>7.0</i>	<i>8.9</i>	<i>9.8</i>
Reported EBIT	-1.2	6.1	2.2	5.1	9.4	8.8	12.4	14.6
<i>EBIT margin (reported) (%)</i>	<i>-1.6</i>	<i>7.1</i>	<i>2.3</i>	<i>4.9</i>	<i>8.7</i>	<i>7.0</i>	<i>8.9</i>	<i>9.8</i>
Net financials	-0.1	-0.7	-0.5	-1.2	-2.3	-0.8	-0.7	-0.6
Pre-tax profit	0.5	5.4	1.7	3.9	7.1	8.0	11.6	14.0
Taxes	-0.2	-1.2	-1.3	-1.5	-1.7	-2.1	-3.0	-3.6
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	-1.4	4.2	0.4	2.4	5.4	6.0	8.7	10.4
Cash NRIs	-1.8	0.0	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
BALANCE SHEET, EURm								
Assets								
Fixed assets	17	16	21	23	30	30	30	31
Goodwill	10	13	13	13	13	13	13	13
Right of use assets	0	0	5	5	3	4	4	4
Inventory	9	12	15	17	16	19	21	22
Receivables	10	15	20	20	21	24	27	29
Liquid funds	7	8	5	7	12	14	15	16
Total assets	54	64	79	85	97	105	112	117
Liabilities								
Shareholder's equity	27	29	26	26	29	32	38	45
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	3	4	2	4	4	4
Deferred taxes	1	0	0	0	0	0	0	0
Interest bearing debt	14	16	30	32	40	39	37	33
Non-interest bearing current liabilities	12	18	18	21	24	28	31	33
Other interest-free debt	1	0	2	2	2	2	2	2
Total liabilities	54	64	79	85	97	105	112	117
CASH FLOW, EURm								
+ EBITDA	4	9	8	11	15	15	18	21
- Net financial items	0	-1	0	-1	-2	-1	-1	-1
- Taxes	0	-1	-2	-2	-2	-2	-3	-4
- Increase in Net Working Capital	1	-3	-4	1	3	-2	-2	-1
+/- Other	-1	1	0	0	0	0	0	0
= Cash flow from operations	3	5	1	8	13	10	13	15
- Capex	-3	-3	-10	-8	-13	-7	-6	-6
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	0	1	-9	1	0	3	6	9
+/- New issues/buybacks	0	-1	0	0	-1	0	0	0
- Paid dividend	-3	-1	-4	-2	-2	-2	-3	-4
+/- Other	2	1	9	3	7	1	-2	-4
Change in cash	-1	0	-3	2	5	2	1	1

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	78	48	78	88	102	102	102
Net debt (excl. convertibles)	9	28	29	30	29	26	21
Enterprise value	87	76	107	118	131	128	123
Sales	86	97	104	109	126	139	149
EBITDA	9	8	11	15	15	18	21
EBIT	6	2	5	9	9	12	15
Pre-tax	5	2	4	7	8	12	14
Earnings	4	0	2	5	6	9	10
Equity book value (excl. minorities)	29	26	26	29	32	38	45
Valuation multiples							
EV/sales	1.0	0.8	1.0	1.1	1.0	0.9	0.8
EV/EBITDA	9.3	9.9	10.0	7.7	8.8	7.0	6.0
EV/EBITA	14.2	34.5	21.0	12.5	15.0	10.3	8.4
EV/EBIT	14.2	34.5	21.0	12.5	15.0	10.3	8.4
EV/OCF	17.7	84.3	12.9	8.8	13.1	9.9	8.2
EV/FCFF	-28.4	-6.6	32.5	52.9	24.0	15.3	11.8
P/FCFE	55.8	-5.5	110.9	179.1	31.6	15.7	11.9
P/E	18.6	119.0	32.5	16.4	17.1	11.8	9.8
P/B	2.7	1.8	3.0	3.1	3.2	2.7	2.3
Target EV/EBITDA	0.0	0.0	0.0	0.0	9.9	7.9	6.8
Target EV/EBIT	0.0	0.0	0.0	0.0	16.9	11.7	9.5
Target EV/FCF	0.0	0.0	0.0	0.0	45.9	22.3	16.2
Target P/B	0.0	0.0	0.0	0.0	3.7	3.1	2.7
Target P/E	0.0	0.0	0.0	0.0	19.9	13.7	11.4
Per share measures							
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	0.35	0.03	0.20	0.45	0.50	0.73	0.88
Operating cash flow per share	0.41	0.08	0.70	1.12	0.84	1.08	1.26
Free cash flow per share	0.12	-0.73	0.06	0.04	0.27	0.55	0.72
Book value per share	2.42	2.16	2.21	2.41	2.72	3.19	3.77
Dividend per share	0.30	0.18	0.18	0.20	0.25	0.30	0.32
Dividend payout ratio, %	85.0	535.4	89.2	44.3	49.8	41.2	36.5
Dividend yield, %	4.6	4.5	2.7	2.7	2.9	3.5	3.7
FCF yield, %	1.8	-18.3	0.9	0.6	3.2	6.4	8.4
Efficiency measures							
ROE	15.2	1.5	9.2	19.5	19.6	24.6	25.1
ROCE	14.6	4.5	8.6	14.4	12.3	16.3	18.5
Financial ratios							
Inventories as % of sales	13.5	15.7	16.3	14.9	14.9	14.9	14.9
Receivables as % of sales	17.1	20.8	19.2	19.2	19.2	19.2	19.2
Non-interest bearing liabilities as % of sales	21.4	19.2	20.2	22.0	22.0	22.0	22.0
NWC/sales, %	9.3	16.1	14.1	11.2	11.3	11.4	11.4
Operative CAPEX/sales, %	4.1	9.9	7.3	11.9	5.4	4.6	4.3
CAPEX/sales (incl. acquisitions), %	4.1	9.9	7.3	11.9	5.4	4.6	4.3
FCFF/EBITDA	-0.3	-1.5	0.3	0.1	0.4	0.5	0.5
Net debt/EBITDA, book-weighted	0.9	3.7	2.7	2.0	2.0	1.4	1.0
Debt/equity, market-weighted	0.2	0.6	0.4	0.5	0.4	0.4	0.3
Equity ratio, book-weighted	44.7	32.5	30.8	29.7	30.7	34.0	38.3
Gearing, %	30.3	109.9	110.2	104.7	90.5	67.7	46.1

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	%
Skandinaviska Enskilda Banken AB	1,464,492	12.580	12.3%
Nordea Bank ABP	1,018,305	8.747	8.6%
Sijoitusrahasto Taaleritehdas Mikro Markka	800,000	6.872	6.7%
OP-Finland Small Firms Fund	598,259	5.139	5.0%
Danske Invest Finnish Equity Fund	520,000	4.467	4.4%
Op-Suomi Mikroyhtiöt -Erikoissijoitusrahasto	450,000	3.866	3.8%
Phoebus Fund	311,348	2.674	2.6%
Säästöpankki Pienyhtiöt	288,710	2.480	2.4%
Ilmarinen Mutual Pension Insurance	242,733	2.085	2.0%
Veritas Pension Insurance Company Ltd.	226,163	1.943	1.9%
Ten largest	5,920,010	50.853	50%
Residual	5,976,833	51.341	50%
Total	11,896,843	102.194	100%

EARNINGS CALENDAR

November 04, 2021

Q3 report

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Riku Kytömäki

Mäkituvantie 5 01510 Vantaa

CFO: Mikko Kettunen

Tel: +358 20 7541 200

IR: Noora Koikkalainen

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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

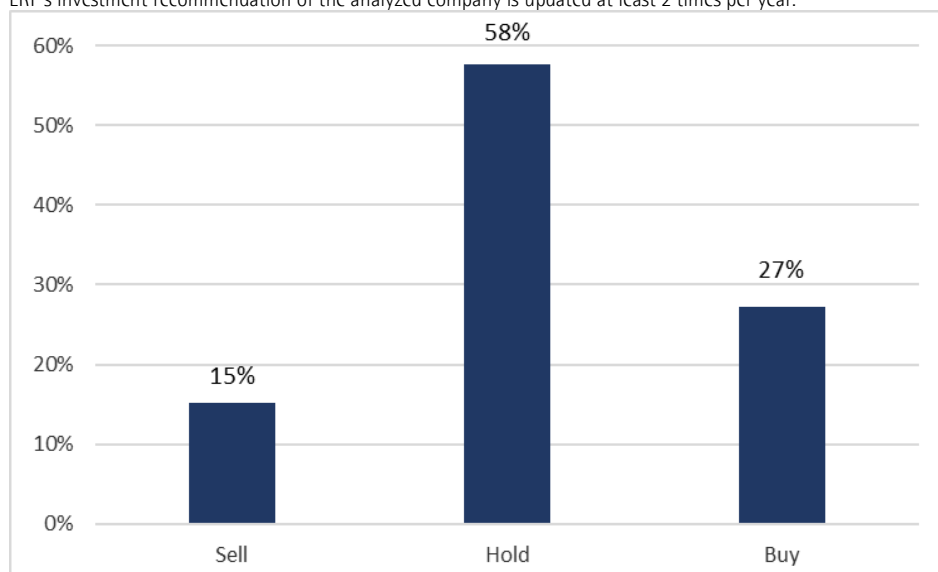
Important Disclosures

Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at [Analysts' recommendations and ratings revisions](#).

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 11th of May 2020. If recommendation is not given, it is not mentioned here.

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

This research report has been prepared by Evli Research Partners Plc ("ERP" or "Evli Research"). ERP is a subsidiary of Evli Bank Plc. Production of the investment recommendation has been concluded on [17.9.2021, 9:30]. This report has been published on [17.9.2021, 9:45].

None of the analysts contributing to this report, persons under their guardianship or corporations under their control have a position in the shares of the company or related securities.

The date and time for any price of financial instruments mentioned in the recommendation refer to the previous trading day's closing price(s) unless otherwise stated in the report.

Each analyst responsible for the content of this report assures that the expressed views accurately reflect the personal views of each analyst on the covered companies and securities. Each analyst assures that (s)he has not been, nor are or will be, receiving direct or indirect compensation related to the specific recommendations or views contained in this report.

Companies in the Evli Group, affiliates or staff of companies in the Evli Group, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report.

Neither ERP nor any company within the Evli Group have managed or co-managed a public offering of the company's securities during the last 12 months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the research report.

ERP has signed an agreement with the issuer of the financial instruments mentioned in the recommendation, which includes production of research reports. This assignment has a limited economic and financial impact on ERP and/or Evli. Under the assignment ERP performs services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP or another company within the Evli Group does not have an agreement with the company to perform market making or liquidity providing services.

For the prevention and avoidance of conflicts of interests with respect to this report, there is an information barrier (Chinese wall) between Investment

Research and Corporate Finance units concerning unpublished investment banking services to the company. The remuneration of the analyst(s) is not tied directly or indirectly to investment banking transactions or other services performed by Evli Bank Plc or any company within Evli Group.

This report has not been disclosed to the company prior to its dissemination.

This report is provided and intended for informational purposes only and may not be used or considered under any circumstances as an offer to sell or buy any securities or as advice to trade any securities.

This report is based on sources ERP considers to be correct and reliable. The sources include information providers Reuters and Bloomberg, stock-exchange releases from the companies and other company news, Statistics Finland and articles in newspapers and magazines. However, ERP does not guarantee the materialization, correctness, accuracy or completeness of the information, opinions, estimates or forecasts expressed or implied in the report. In addition, circumstantial changes may have an influence on opinions and estimates presented in this report. The opinions and estimates presented are valid at the moment of their publication and they can be changed without a separate announcement. Neither ERP nor any company within the Evli Group are responsible for amending, correcting or updating any information, opinions or estimates contained in this report. Neither ERP nor any company within the Evli Group will compensate any direct or consequential loss caused by or derived from the use of the information represented in this publication.

All information published in this report is for the original recipient's private and internal use only. ERP reserves all rights to the report. No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any retrieval system of any nature, without the written permission of ERP.

This report or its copy may not be published or distributed in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore or South Africa. The publication or distribution of this report in certain other jurisdictions may also be restricted by law. Persons into whose possession this report comes are required to inform themselves about and to observe any such restrictions.

Evli Bank Plc is not registered as a broker-dealer with the U. S. Securities and Exchange Commission ("SEC"), and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Evli Bank is not a member of the Financial Industry Regulatory Authority ("FINRA"). It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest. This research report is only being offered in U.S. by Auerbach Grayson & Company, LLC (Auerbach Grayson) to Major U.S. Institutional Investors and is not available to, and should not be used by, any U.S. person or entity that is not a Major U.S. Institutional Investor. Auerbach Grayson is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of the FINRA. U.S. entities seeking more information about any of the issuers or securities discussed in this report should contact Auerbach Grayson. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements.

ERP is not a supervised entity but its parent company Evli Bank Plc is supervised by the Finnish Financial Supervision Authority.

Contact information**SALES, TRADING AND RESEARCH****Equity, ETF and Derivatives Sales**

Joachim Dannberg	+358 9 4766 9123
Ari Laine	+358 9 4766 9115
Kimmo Lilja	+358 9 4766 9130

Trading

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

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
Teemu Reiman	+358 40 352 6175

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