

Continued progress

Exel's Q2 results topped estimates and confirmed the company is advancing again after the recent profitability issues in the US.

Absolute profitability topped the previous record

Exel's top line grew 13.5% y/y to EUR 38.1m vs the EUR 36.8m/35.7m Evli/cons. estimates. Wind power customers developed soft relative to our estimate due to China and the local policies, but the shortfall was more than made up by Transportation where revenue grew by EUR 4.4m y/y to EUR 7.2m thanks to released pent up demand after the pandemic. The orders were attributable to old applications like train panels as well as a new aerospace application in North America, on the details of which Exel will elaborate later this year. Exel can already produce the application profitably even though it is only in the initial phases of its lifecycle. Q2 adj. EBIT reached EUR 3.1m, compared to the EUR 2.4m/2.2m Evli/cons. estimates. The 8.2% adj. EBIT margin was not bad, but Exel is still able to do better than that in the long-term assuming growth continues and the US unit keeps improving.

Progress is set to continue

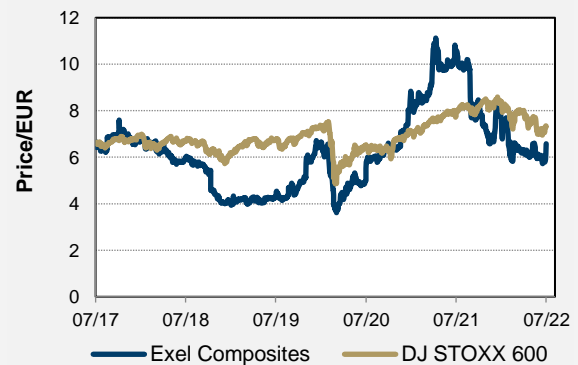
The US unit has already improved a lot in recent quarters yet still has EBIT upside potential. This is also reflected by the EUR 37.0m order intake, which developed flat q/q but declined by 15% y/y as there were certain US Wind power orders last year which were later cancelled due to production challenges. The Q2 report confirmed Exel's continued progress on its long-term track especially in that the company can find suitable high-volume customers and is not overly reliant on any one industry or application. The inflationary environment is not a major challenge given Exel's niche position in the value chain. Exel left its guidance unchanged for now due to the well-known global uncertainties, however an upgrade seems likely in the months ahead.

Valuation is unchallenging as potential materializes

We make only very marginal updates to our estimates. We expect 10% growth for this year while we estimate a 7.4% adj. EBIT margin. The EUR 11m adj. EBIT translates to a valuation multiple of 10x, which would continue to decrease to 8x EV/EBIT on our FY '23 estimates. We retain our EUR 8.5 TP and BUY rating.

Rating

+ BUY



Share price, EUR (Last trading day's closing price) 6.58

Target price, EUR 8.5

Latest change in recommendation 20-Jul-21

Latest report on company 02-May-22

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 1.00

Reuters code EXL1V.HE

Bloomberg code EXL1V FH

Average daily volume, EURm 0.1

Next interim report 03-Nov-22

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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 |
|--------------------------|---------------|--------------|-----------|-------------------------|------------|------------|-----------------|-----------------------|----------------|------------|
| 2020 | 108.6 | 9.4 | 8.7% | 0.5 | 0.45 | 16.4 | 1.1 | 12.5 | 0.6 | 0.20 |
| 2021 | 134.4 | 3.7 | 2.8% | -6.2 | 0.14 | 57.0 | 1.0 | 34.9 | -6.5 | 0.20 |
| 2022E | 147.8 | 8.7 | 5.9% | 5.7 | 0.68 | 9.7 | 0.8 | 12.7 | 7.3 | 0.25 |
| 2023E | 158.2 | 13.4 | 8.5% | 7.6 | 0.80 | 8.2 | 0.7 | 7.9 | 9.7 | 0.30 |
| 2024E | 166.1 | 16.6 | 10.0% | 10.3 | 1.00 | 6.6 | 0.6 | 6.0 | 13.2 | 0.32 |
| Market cap, EURm | 78 | | | Gearing 2022E, % | 89.0 | | | CAGR EPS 2021-24, % | 93.2 | |
| Net debt 2022E, EURm | 33 | | | Price/book 2022E | 2.1 | | | CAGR sales 2021-24, % | 7.3 | |
| Enterprise value, EURm | 111 | | | Dividend yield 2022E, % | 3.8 | | | ROE 2022E, % | 23.7 | |
| Total assets 2022E, EURm | 125 | | | Tax rate 2022E, % | 24.6 | | | ROCE 2022E, % | 10.5 | |
| Goodwill 2022E, EURm | 13 | | | Equity ratio 2022E, % | 29.6 | | | PEG, P/E 22/CAGR | 0.4 | |

Estimates and peer group multiples

| Exel Composites | 2019 | 2020 | Q1'21 | Q2'21 | Q3'21 | Q4'21 | 2021 | Q1'22 | Q2'22 | Q3'22e | Q4'22e | 2022e |
|--------------------------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Buildings and infrastructure | 23.5 | 23.5 | 7.0 | 9.5 | 8.1 | 8.4 | 32.9 | 7.7 | 8.9 | 8.3 | 8.1 | 33.0 |
| Equipment and other industries | 18.6 | 19.5 | 5.6 | 5.2 | 5.4 | 7.1 | 23.4 | 7.4 | 5.9 | 6.0 | 7.6 | 26.8 |
| Wind power | 23.6 | 28.1 | 7.4 | 7.8 | 8.6 | 8.3 | 32.1 | 6.8 | 6.5 | 8.0 | 7.2 | 28.5 |
| Machinery and electrical | 14.4 | 15.5 | 3.6 | 4.3 | 4.8 | 4.9 | 17.6 | 4.3 | 5.3 | 5.1 | 5.1 | 19.7 |
| Transportation | 13.1 | 10.2 | 2.5 | 2.7 | 2.1 | 2.9 | 10.2 | 3.1 | 7.2 | 5.3 | 5.1 | 20.7 |
| Defense | 2.3 | 5.3 | 2.2 | 1.8 | 2.2 | 2.5 | 8.7 | 2.1 | 1.6 | 2.3 | 2.8 | 8.8 |
| Telecommunications | 8.2 | 6.5 | 2.5 | 2.3 | 2.3 | 2.3 | 9.5 | 2.8 | 2.8 | 2.4 | 2.4 | 10.5 |
| Revenue | 103.8 | 108.6 | 31.0 | 33.5 | 33.4 | 36.5 | 134.4 | 34.2 | 38.1 | 37.5 | 38.2 | 147.8 |
| <i>y/y change, %</i> | <i>7 %</i> | <i>5 %</i> | <i>11 %</i> | <i>23 %</i> | <i>28 %</i> | <i>33 %</i> | <i>24 %</i> | <i>10 %</i> | <i>14 %</i> | <i>12 %</i> | <i>5 %</i> | <i>10 %</i> |
| Adjusted EBIT | 7.2 | 9.7 | 2.5 | 2.5 | 0.1 | 1.0 | 6.0 | 2.2 | 3.1 | 2.7 | 3.0 | 11.0 |
| EBIT | 5.1 | 9.4 | 2.4 | 2.4 | -1.7 | 0.6 | 3.7 | 0.0 | 3.0 | | | 8.7 |
| <i>-margin, %</i> | <i>6.9 %</i> | <i>8.9 %</i> | <i>7.9 %</i> | <i>7.3 %</i> | <i>0.3 %</i> | <i>2.8 %</i> | <i>4.5 %</i> | <i>6.4 %</i> | <i>8.2 %</i> | <i>7.2 %</i> | <i>7.9 %</i> | <i>7.4 %</i> |
| <i>-margin (reported), %</i> | <i>4.9 %</i> | <i>8.7 %</i> | <i>7.8 %</i> | <i>7.0 %</i> | <i>-5.1 %</i> | <i>1.8 %</i> | <i>2.8 %</i> | <i>0.1 %</i> | <i>7.9 %</i> | | | <i>5.9 %</i> |

Source: Evli Research

| EXEL COMPOSITES PEER GROUP | MCAP MEUR | EV/EBITDA | | | EV/EBIT | | | EBIT-% | | |
|------------------------------------|--------------|--------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|---------------|
| | | 22 | 23 | 24 | 22 | 23 | 24 | 22 | 23 | 24 |
| Gurit Holding | 443 | 12.5x | 9.1x | 7.8x | 18.7x | 13.4x | 11.4x | 5.7 % | 7.0 % | 7.7 % |
| Hexagon Composites | 570 | | | | | | | -7.6 % | -4.0 % | 0.1 % |
| Hexcel | 4723 | 18.4x | 14.3x | 12.5x | 34.2x | 22.6x | 18.8x | 10.4 % | 13.7 % | 15.2 % |
| Avient | 3829 | 8.4x | 7.8x | 7.4x | 11.1x | 10.1x | 10.0x | 9.4 % | 10.3 % | 11.0 % |
| SGL Carbon | 819 | 7.2x | 6.6x | 5.9x | 12.9x | 10.9x | 9.7x | 7.4 % | 8.4 % | 8.8 % |
| TPI Composites | 443 | 18.7x | 8.9x | 5.6x | | 23.1x | 9.3x | -1.2 % | 1.8 % | 4.0 % |
| Peer Group Average | 1804 | 13.0x | 9.3x | 7.9x | 19.2x | 16.0x | 11.8x | 4.0 % | 6.2 % | 7.8 % |
| Peer Group Median | 694 | 12.5x | 8.9x | 7.4x | 15.8x | 13.4x | 10.0x | 6.6 % | 7.7 % | 8.2 % |
| Exel Composites (Evli est.) | 78 | 7.2x | 5.2x | 4.2x | 12.7x | 7.9x | 6.0x | 5.9 % | 8.5 % | 10.0 % |

Exel Composites prem./disc. to peer median

-43 % -41 % -43 % -20 % -41 % -40 % -10 % 10 % 22 %

Source FactSet, Evli Research

| VALUATION RESULTS | BASE CASE DETAILS | VALUATION ASSUMPTIONS | ASSUMPTIONS FOR WACC | |
|--------------------------|----------------------------|------------------------|--------------------------------|------|
| Current share price | 6.58 PV of Free Cash Flow | 84 Long-term growth, % | 1.5 Risk-free interest rate, % | 2.25 |
| DCF share value | 12.92 PV of Horizon value | 108 WACC, % | 8.5 Market risk premium, % | 5.8 |
| Share price potential, % | 96.3 Unconsolidated equity | 0 Spread, % | 0.5 Debt risk premium, % | 3.3 |
| Maximum value | 14.2 Marketable securities | 16 Minimum WACC, % | 8.0 Equity beta coefficient | 1.00 |
| Minimum value | 11.8 Debt - dividend | -54 Maximum WACC, % | 9.0 Target debt ratio, % | 10 |
| Horizon value, % | 56.3 Value of stock | 154 Nr of shares, Mn | 11.9 Effective tax rate, % | 21 |

| DCF valuation, EURm | 2021 | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | Horizon |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net sales | 134 | 148 | 158 | 166 | 171 | 175 | 179 | 182 | 186 | 190 | 193 | 196 |
| <i>Sales growth, %</i> | <i>23.7</i> | <i>10.0</i> | <i>7.0</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>2.0</i> | <i>1.5</i> | <i>1.5</i> |
| Operating income (EBIT) | 4 | 9 | 13 | 17 | 18 | 18 | 19 | 20 | 21 | 22 | 22 | 22 |
| <i>Operating income margin, %</i> | <i>2.8</i> | <i>5.9</i> | <i>8.5</i> | <i>10.0</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> | <i>11.5</i> |
| + Depreciation+amort. | 8 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| EBITDA | 12 | 15 | 20 | 24 | 25 | 26 | 25 | 27 | 28 | 29 | 29 | |
| - Paid taxes | -3 | -2 | -3 | -4 | -4 | -5 | -5 | -5 | -5 | -5 | -5 | -5 |
| - Change in NWC | -5 | -2 | -1 | -1 | -1 | -1 | 0 | 0 | 0 | 0 | -1 | 0 |
| <i>NWC / Sales, %</i> | <i>12.7</i> | <i>12.8</i> | <i>12.8</i> | <i>12.8</i> | <i>12.9</i> | <i>12.9</i> | <i>12.9</i> | <i>12.9</i> | <i>12.9</i> | <i>12.9</i> | <i>12.9</i> | <i>12.9</i> |
| + Change in other liabs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Operative CAPEX | -10 | -6 | -6 | -6 | -6 | -7 | -7 | -7 | -7 | -7 | -7 | -7 |
| <i>opCAPEX / Sales, %</i> | <i>8.2</i> | <i>4.9</i> | <i>4.7</i> | <i>4.5</i> | <i>4.4</i> | <i>4.4</i> | <i>4.0</i> | <i>4.0</i> | <i>4.0</i> | <i>4.0</i> | <i>4.0</i> | <i>3.9</i> |
| - Acquisitions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| + Divestments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Other items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| = FCFF | -5 | 5 | 9 | 12 | 13 | 14 | 14 | 15 | 15 | 16 | 16 | 235 |
| = Discounted FCFF | | 5 | 8 | 10 | 10 | 10 | 9 | 9 | 8 | 8 | 7 | 108 |
| = DFCF min WACC | | 5 | 8 | 10 | 10 | 10 | 9 | 9 | 9 | 8 | 8 | 122 |
| = DFCF max WACC | | 5 | 8 | 10 | 10 | 9 | 8 | 8 | 8 | 8 | 7 | 97 |

INTERIM FIGURES

| EVLI ESTIMATES, EURm | 2021Q1 | 2021Q2 | 2021Q3 | 2021Q4 | 2021 | 2022Q1 | 2022Q2 | 2022Q3E | 2022Q4E | 2022E | 2023E | 2024E |
|--------------------------------------|-------------|-------------|--------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net sales | 31.0 | 33.5 | 33.4 | 36.5 | 134.4 | 34.2 | 38.1 | 37.5 | 38.2 | 147.8 | 158.2 | 166.1 |
| EBITDA | 4.0 | 3.9 | 0.0 | 4.1 | 11.9 | 1.8 | 4.8 | 4.3 | 4.6 | 15.4 | 20.4 | 23.6 |
| <i>EBITDA margin (%)</i> | <i>13.0</i> | <i>11.7</i> | <i>-0.1</i> | <i>11.1</i> | <i>8.9</i> | <i>5.2</i> | <i>12.5</i> | <i>11.5</i> | <i>12.0</i> | <i>10.4</i> | <i>12.9</i> | <i>14.2</i> |
| EBIT | 2.4 | 2.4 | -1.7 | 0.6 | 3.7 | 0.0 | 3.0 | 2.7 | 3.0 | 8.7 | 13.4 | 16.6 |
| <i>EBIT margin (%)</i> | <i>7.8</i> | <i>7.0</i> | <i>-5.1</i> | <i>1.8</i> | <i>2.8</i> | <i>0.1</i> | <i>7.9</i> | <i>7.2</i> | <i>7.9</i> | <i>5.9</i> | <i>8.5</i> | <i>10.0</i> |
| Net financial items | 0.5 | -0.5 | 0.4 | 0.0 | 0.4 | 0.5 | 1.9 | -0.2 | -0.2 | 2.0 | -0.8 | -0.8 |
| Pre-tax profit | 2.9 | 1.9 | -1.3 | 0.7 | 4.2 | 0.5 | 4.9 | 2.5 | 2.8 | 10.7 | 12.6 | 15.8 |
| Tax | -0.9 | -0.5 | -0.9 | -0.2 | -2.5 | -0.5 | -1.0 | -0.5 | -0.6 | -2.6 | -3.1 | -3.9 |
| <i>Tax rate (%)</i> | <i>30.8</i> | <i>25.4</i> | <i>-68.9</i> | <i>31.2</i> | <i>60.2</i> | <i>104.4</i> | <i>20.0</i> | <i>21.0</i> | <i>21.0</i> | <i>24.6</i> | <i>24.6</i> | <i>24.6</i> |
| Net profit | 2.0 | 1.4 | -2.2 | 0.5 | 1.7 | 0.0 | 3.9 | 2.0 | 2.2 | 8.1 | 9.5 | 11.9 |
| EPS | 0.17 | 0.12 | -0.19 | 0.04 | 0.14 | 0.00 | 0.33 | 0.17 | 0.19 | 0.68 | 0.80 | 1.00 |
| EPS adjusted (diluted no. of shares) | 0.17 | 0.12 | -0.19 | 0.04 | 0.14 | 0.00 | 0.33 | 0.17 | 0.19 | 0.68 | 0.80 | 1.00 |
| 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 | 31.0 | 33.5 | 33.4 | 36.5 | 134.4 | 34.2 | 38.1 | 37.5 | 38.2 | 147.8 | 158.2 | 166.1 |
| Total | 31.0 | 33.5 | 33.4 | 36.5 | 134.4 | 34.2 | 38.1 | 37.5 | 38.2 | 147.8 | 158.2 | 166.1 |
| SALES GROWTH, Y/Y % | | | | | | | | | | | | |
| Exel Composites | 11.3 | 23.3 | 28.0 | 32.6 | 23.7 | 10.3 | 13.5 | 12.2 | 4.5 | 10.0 | 7.0 | 5.0 |
| Total | 11.3 | 23.3 | 28.0 | 32.6 | 23.7 | 10.3 | 13.5 | 12.2 | 4.5 | 10.0 | 7.0 | 5.0 |
| EBIT, EURm | | | | | | | | | | | | |
| Exel Composites | 2.4 | 2.4 | -1.7 | 0.6 | 3.7 | 0.0 | 3.0 | 2.7 | 3.0 | 8.7 | 13.4 | 16.6 |
| Total | 2.4 | 2.4 | -1.7 | 0.6 | 3.7 | 0.0 | 3.0 | 2.7 | 3.0 | 8.7 | 13.4 | 16.6 |
| EBIT margin, % | | | | | | | | | | | | |
| Exel Composites | 7.8 | 7.0 | -5.1 | 1.8 | 2.8 | 0.1 | 7.9 | 7.2 | 7.9 | 5.9 | 8.5 | 10.0 |
| Total | 7.8 | 7.0 | -5.1 | 1.8 | 2.8 | 0.1 | 7.9 | 7.2 | 7.9 | 5.9 | 8.5 | 10.0 |

| INCOME STATEMENT, EURm | 2017 | 2018 | 2019 | 2020 | 2021 | 2022E | 2023E | 2024E |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Sales | 86.3 | 96.6 | 103.8 | 108.6 | 134.4 | 147.8 | 158.2 | 166.1 |
| <i>Sales growth (%)</i> | <i>18.1</i> | <i>11.9</i> | <i>7.5</i> | <i>4.6</i> | <i>23.7</i> | <i>10.0</i> | <i>7.0</i> | <i>5.0</i> |
| EBITDA | 9.3 | 7.7 | 10.7 | 15.3 | 11.9 | 15.4 | 20.4 | 23.6 |
| <i>EBITDA margin (%)</i> | <i>10.8</i> | <i>8.0</i> | <i>10.3</i> | <i>14.1</i> | <i>8.9</i> | <i>10.4</i> | <i>12.9</i> | <i>14.2</i> |
| Depreciation | -3.2 | -5.5 | -5.6 | -5.8 | -8.2 | -6.7 | -6.9 | -7.0 |
| EBITA | 6.1 | 2.2 | 5.1 | 9.4 | 3.7 | 8.7 | 13.4 | 16.6 |
| Goodwill amortization / writedown | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT | 6.1 | 2.2 | 5.1 | 9.4 | 3.7 | 8.7 | 13.4 | 16.6 |
| <i>EBIT margin (%)</i> | <i>7.1</i> | <i>2.3</i> | <i>4.9</i> | <i>8.7</i> | <i>2.8</i> | <i>5.9</i> | <i>8.5</i> | <i>10.0</i> |
| Reported EBIT | 6.1 | 2.2 | 5.1 | 9.4 | 3.7 | 8.7 | 13.4 | 16.6 |
| <i>EBIT margin (reported) (%)</i> | <i>7.1</i> | <i>2.3</i> | <i>4.9</i> | <i>8.7</i> | <i>2.8</i> | <i>5.9</i> | <i>8.5</i> | <i>10.0</i> |
| Net financials | -0.7 | -0.5 | -1.2 | -2.3 | 0.4 | 2.0 | -0.8 | -0.8 |
| Pre-tax profit | 5.4 | 1.7 | 3.9 | 7.1 | 4.2 | 10.7 | 12.6 | 15.8 |
| Taxes | -1.2 | -1.3 | -1.5 | -1.7 | -2.5 | -2.6 | -3.1 | -3.9 |
| Minority shares | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net profit | 4.2 | 0.4 | 2.4 | 5.4 | 1.7 | 8.1 | 9.5 | 11.9 |
| Cash NRIs | 0.0 | 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 | 16 | 21 | 23 | 30 | 34 | 34 | 34 | 35 |
| Goodwill | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Right of use assets | 0 | 5 | 5 | 3 | 3 | 3 | 4 | 4 |
| Inventory | 12 | 15 | 17 | 16 | 24 | 26 | 28 | 30 |
| Receivables | 15 | 20 | 20 | 21 | 26 | 29 | 31 | 32 |
| Liquid funds | 8 | 5 | 7 | 12 | 16 | 17 | 18 | 19 |
| Total assets | 64 | 79 | 85 | 97 | 118 | 125 | 130 | 135 |
| Liabilities | | | | | | | | |
| Shareholder's equity | 29 | 26 | 26 | 29 | 31 | 37 | 43 | 52 |
| Minority interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Convertibles | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lease liabilities | 0 | 3 | 4 | 2 | 2 | 3 | 4 | 4 |
| Deferred taxes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest bearing debt | 16 | 30 | 32 | 40 | 50 | 47 | 43 | 37 |
| Non-interest bearing current liabilities | 18 | 18 | 21 | 24 | 32 | 35 | 38 | 40 |
| Other interest-free debt | 0 | 2 | 2 | 2 | 3 | 3 | 3 | 3 |
| Total liabilities | 64 | 79 | 85 | 97 | 118 | 125 | 130 | 135 |
| CASH FLOW, EURm | | | | | | | | |
| + EBITDA | 9 | 8 | 11 | 15 | 12 | 15 | 20 | 24 |
| - Net financial items | -1 | 0 | -1 | -2 | 0 | 2 | -1 | -1 |
| - Taxes | -1 | -2 | -2 | -2 | -3 | -3 | -3 | -4 |
| - Increase in Net Working Capital | -3 | -4 | 1 | 3 | -5 | -2 | -1 | -1 |
| +/- Other | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| = Cash flow from operations | 5 | 1 | 8 | 13 | 5 | 13 | 15 | 18 |
| - Capex | -3 | -10 | -8 | -13 | -11 | -7 | -7 | -8 |
| - Acquisitions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| + Divestments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| = Free cash flow | 1 | -9 | 1 | 0 | -6 | 6 | 8 | 10 |
| +/- New issues/buybacks | -1 | 0 | 0 | -1 | 3 | 0 | 0 | 0 |
| - Paid dividend | -1 | -4 | -2 | -2 | -2 | -2 | -3 | -4 |
| +/- Other | 1 | 9 | 3 | 7 | 9 | -2 | -3 | -6 |
| Change in cash | 0 | -3 | 2 | 5 | 4 | 2 | 1 | 1 |

| KEY FIGURES | 2018 | 2019 | 2020 | 2021 | 2022E | 2023E | 2024E |
|--|--------|--------|--------|--------|--------|--------|--------|
| M-cap | 48 | 78 | 88 | 94 | 78 | 78 | 78 |
| Net debt (excl. convertibles) | 28 | 29 | 30 | 36 | 33 | 28 | 21 |
| Enterprise value | 76 | 107 | 118 | 131 | 111 | 106 | 100 |
| Sales | 97 | 104 | 109 | 134 | 148 | 158 | 166 |
| EBITDA | 8 | 11 | 15 | 12 | 15 | 20 | 24 |
| EBIT | 2 | 5 | 9 | 4 | 9 | 13 | 17 |
| Pre-tax | 2 | 4 | 7 | 4 | 11 | 13 | 16 |
| Earnings | 0 | 2 | 5 | 2 | 8 | 10 | 12 |
| Equity book value (excl. minorities) | 26 | 26 | 29 | 31 | 37 | 43 | 52 |
| Valuation multiples | | | | | | | |
| EV/sales | 0.8 | 1.0 | 1.1 | 1.0 | 0.8 | 0.7 | 0.6 |
| EV/EBITDA | 9.9 | 10.0 | 7.7 | 10.9 | 7.2 | 5.2 | 4.2 |
| EV/EBITA | 34.5 | 21.0 | 12.5 | 34.9 | 12.7 | 7.9 | 6.0 |
| EV/EBIT | 34.5 | 21.0 | 12.5 | 34.9 | 12.7 | 7.9 | 6.0 |
| EV/OCF | 84.3 | 12.9 | 8.8 | 27.2 | 8.6 | 7.1 | 5.6 |
| EV/FCFF | -6.6 | 32.5 | 52.9 | -26.0 | 21.5 | 11.4 | 8.3 |
| P/FCFE | -5.5 | 110.9 | 179.1 | -15.3 | 13.6 | 10.3 | 7.6 |
| P/E | 119.0 | 32.5 | 16.4 | 57.0 | 9.7 | 8.2 | 6.6 |
| P/B | 1.8 | 3.0 | 3.1 | 3.0 | 2.1 | 1.8 | 1.5 |
| Target EV/EBITDA | 0.0 | 0.0 | 0.0 | 0.0 | 8.7 | 6.3 | 5.2 |
| Target EV/EBIT | 0.0 | 0.0 | 0.0 | 0.0 | 15.3 | 9.6 | 7.4 |
| Target EV/FCF | 0.0 | 0.0 | 0.0 | 0.0 | 23.3 | 17.0 | 11.8 |
| Target P/B | 0.0 | 0.0 | 0.0 | 0.0 | 2.7 | 2.3 | 2.0 |
| Target P/E | 0.0 | 0.0 | 0.0 | 0.0 | 12.5 | 10.6 | 8.5 |
| 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 | 0.03 | 0.20 | 0.45 | 0.14 | 0.68 | 0.80 | 1.00 |
| Operating cash flow per share | 0.08 | 0.70 | 1.12 | 0.40 | 1.09 | 1.27 | 1.50 |
| Free cash flow per share | -0.73 | 0.06 | 0.04 | -0.52 | 0.48 | 0.64 | 0.87 |
| Book value per share | 2.16 | 2.21 | 2.41 | 2.62 | 3.10 | 3.66 | 4.36 |
| Dividend per share | 0.18 | 0.18 | 0.20 | 0.20 | 0.25 | 0.30 | 0.32 |
| Dividend payout ratio, % | 535.4 | 89.2 | 44.3 | 143.7 | 36.8 | 37.5 | 31.9 |
| Dividend yield, % | 4.5 | 2.7 | 2.7 | 2.5 | 3.8 | 4.6 | 4.9 |
| FCF yield, % | -18.3 | 0.9 | 0.6 | -6.5 | 7.3 | 9.7 | 13.2 |
| Efficiency measures | | | | | | | |
| ROE | 1.5 | 9.2 | 19.5 | 5.5 | 23.7 | 23.7 | 25.0 |
| ROCE | 4.5 | 8.6 | 14.4 | 5.1 | 10.5 | 13.8 | 15.7 |
| Financial ratios | | | | | | | |
| Inventories as % of sales | 15.7 | 16.3 | 14.9 | 17.8 | 17.8 | 17.8 | 17.8 |
| Receivables as % of sales | 20.8 | 19.2 | 19.2 | 19.6 | 19.6 | 19.6 | 19.6 |
| Non-interest bearing liabilities as % of sales | 19.2 | 20.2 | 22.0 | 23.8 | 23.8 | 23.8 | 23.8 |
| NWC/sales, % | 16.1 | 14.1 | 11.2 | 12.7 | 12.8 | 12.8 | 12.8 |
| Operative CAPEX/sales, % | 9.9 | 7.3 | 11.9 | 8.2 | 4.9 | 4.7 | 4.5 |
| CAPEX/sales (incl. acquisitions), % | 9.9 | 7.3 | 11.9 | 8.2 | 4.9 | 4.7 | 4.5 |
| FCFF/EBITDA | -1.5 | 0.3 | 0.1 | -0.4 | 0.3 | 0.5 | 0.5 |
| Net debt/EBITDA, book-weighted | 3.7 | 2.7 | 2.0 | 3.0 | 2.1 | 1.4 | 0.9 |
| Debt/equity, market-weighted | 0.6 | 0.4 | 0.5 | 0.5 | 0.6 | 0.5 | 0.5 |
| Equity ratio, book-weighted | 32.5 | 30.8 | 29.7 | 26.5 | 29.6 | 33.4 | 38.5 |
| Gearing, % | 109.9 | 110.2 | 104.7 | 115.9 | 89.0 | 64.9 | 41.4 |

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 | % |
|--|------------|--------|------|
| Sijoitusrahasto Taaleritehdas Mikro Markka | 800,000 | 5.264 | 6.7% |
| OP-Finland Small Firms Fund | 590,119 | 3.883 | 5.0% |
| Ilmarinen Mutual Pension Insurance | 496,547 | 3.267 | 4.2% |
| Op-Suomi Mikroyhtiöt -Erikoissijoitusrahasto | 420,000 | 2.764 | 3.5% |
| Phoebus Fund | 370,000 | 2.435 | 3.1% |
| Säästöpankki Pienyhtiöt | 288,710 | 1.900 | 2.4% |
| Nelimarkka Heikki Antero | 213,545 | 1.405 | 1.8% |
| Veritas Pension Insurance Company Ltd. | 207,479 | 1.365 | 1.7% |
| Säästöpankki Kotimaa | 132,680 | 0.873 | 1.1% |
| Sumato Oy | 131,821 | 0.867 | 1.1% |
| Ten largest | 3,650,901 | 24.023 | 31% |
| Residual | 8,245,942 | 54.258 | 69% |
| Total | 11,896,843 | 78.281 | 100% |

EARNINGS CALENDAR

November 03, 2022

Q3 report

OTHER EVENTS

COMPANY MISCELLANEOUS

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

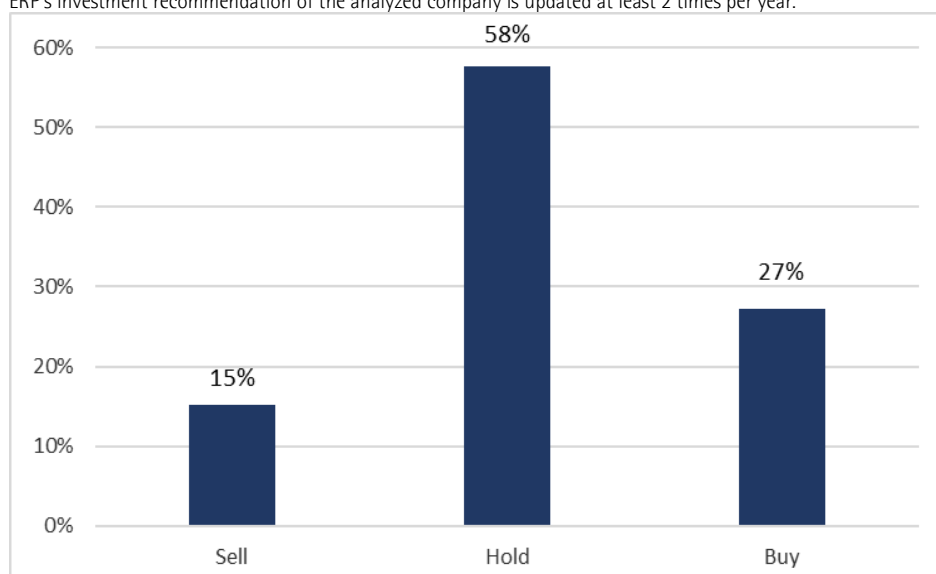
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Investment recommendations are defined as follows:

| 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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