

EXEL COMPOSITES

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This is a summary translation of "Markkinanäkymät kiinnostuksen kohteena" report, published on 2/7/2025



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INDERES CORPORATE CUSTOMER

COMPANY REPORT



Market outlook in the spotlight

Exel will publish its Q4 report on Friday, February 14 at around 9.00 am EET. We expect the company's revenue to grow from the weak comparison period, reflecting a higher order book. In contrast, we estimate that operating performance levels will remain sluggish. While we have added the one-off costs of the Belgian factory closure to our forecasts, we have not made any material changes to our operational forecasts before the result. We are therefore awaiting more detailed comments, in particular on the demand outlook. We currently expect that a more pronounced pick-up in demand will have to wait until later in the year at the earliest. In view of this and the elevated valuation in the short term, we reiterate our Reduce recommendation and our target price of EUR 0.35.

Improvement expected from weak comparison period

In terms of the order book, the company had a slightly better starting position in Q4 than in the comparison period (Q3'24: 31 MEUR vs. Q3'23: 28 MEUR). Considering this and the weak comparison period, we expect the company's revenue to grow by as much as 15% and reach 25.4 MEUR. We estimate the operating result to have remained sluggish (adj. EBIT: 0.8 MEUR), but to have improved from the comparison period, supported by revenue performance and cost savings. However, we expect the reported EBIT to have fallen well below zero due to the one-off costs of 4.2 MEUR (of which 1.7 MEUR have cash flow effects) related to the closure of the Belgian factory, which we have now included in our forecasts. On the other hand, we estimate the lower lines to have been around the normal level and therefore the reported earnings per share to have settled at EUR -0.04. Given the negative result, we do not expect the company to pay a dividend.

Focus on current year's guidance and market outlook

We have made very minor revisions to our forecasts for the next few years and expect Exel's revenue to grow by 3% to 103 MEUR

this year (previously 104 MEUR) and the adjusted EBIT to improve to 4.3 MEUR (previously 4.1 MEUR). Thus, the company's guidance should indicate at least an increase in the operating result compared to last year (there is uncertainty about the underlying assumptions of the verbal guidance). Expectations for the current year are moderate, especially in terms of growth, given the recent order flow (cf. Q3'24: 21 MEUR) and the still subdued outlook. As a result, we expect that a more comprehensive recovery in demand will have to wait until at least the second half of this year. Similarly, given the moderate top-line growth we expect, we do not expect Exel to be in a position to achieve significant margin improvements, despite the cost savings and efficiency improvements that have been implemented. In terms of cost savings, we have only marginally taken into account the company's target of 1.8 MEUR per year in cost savings related to the closure of the Belgian factory. The company has previously commented that it expects some of these to be realized as early as H2'25. However, we are still waiting for more detailed comments on the rationale and a more detailed timeline in the Q4 report. We also believe that a more robust realization of savings will require a pick-up in the market, which would support volume development.

The valuation is twofold

The overall valuation picture for the stock this year is challenging (2025e: P/E 21x, EV/EBIT 12x, EV/EBITDA 5x) compared to our acceptable valuation range (P/E 10x-14x, EV/EBIT 8x-12x, EV/EBITDA 5x-8x). Meanwhile, looking ahead to next year, we see a slight upside in the valuation (2026e: P/E 9x, EV/EBIT 7x, EV/EBITDA 4x). With an earnings turnaround yet to be proven and volatile earnings levels in recent years, we see the acceptable valuation settling around the lower end of the range. At the same time, forecast risks are elevated due to uncertainty about the timing of the market turnaround and a lack of concrete signs. We therefore see the expected risk-adjusted return as slightly below the required return in the current situation.

Recommendation

Reduce

(was Reduce)

Target price:

EUR 0.35

(was EUR 0.35)

Share price:

EUR 0.32

Business risk



Valuation risk



	2023	2024e	2025e	2026e
Revenue	97	100	103	124
growth-%	-29%	3%	3%	20%
EBIT adj.	-2.4	2.4	4.3	7.2
EBIT-% adj.	-2.5 %	2.4 %	4.2 %	5.8 %
Net Income	-9.1	-5.5	1.6	3.8
EPS (adj.)	-0.56	-0.01	0.02	0.04
P/E (adj.)	neg.	neg.	20.9	8.9
P/B	1.7	1.1	1.0	0.9
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	neg.	21.3	11.8	7.3
EV/EBITDA	15.6	8.0	5.0	4.1
EV/S	0.7	0.5	0.5	0.4

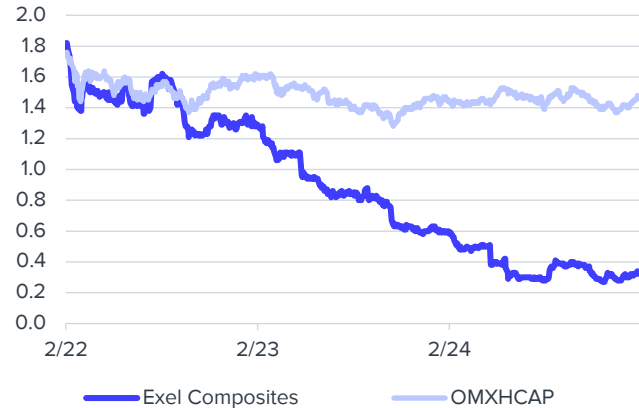
Source: Inderes

Guidance

(Unchanged)

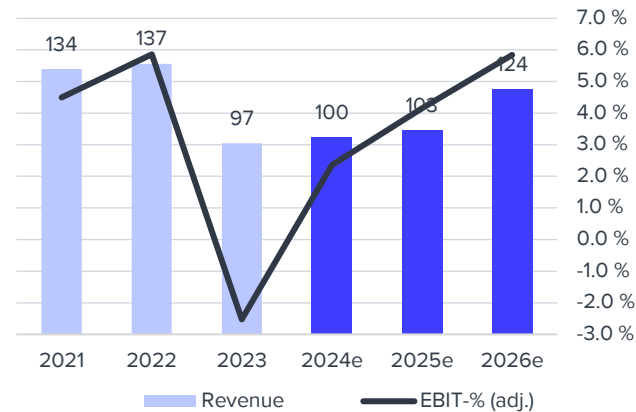
Exel Composites expects that revenue will increase in 2024 (2023: 97 MEUR) and adjusted operating profit will increase significantly compared to 2023 (2023: -2.4 MEUR).

Share price



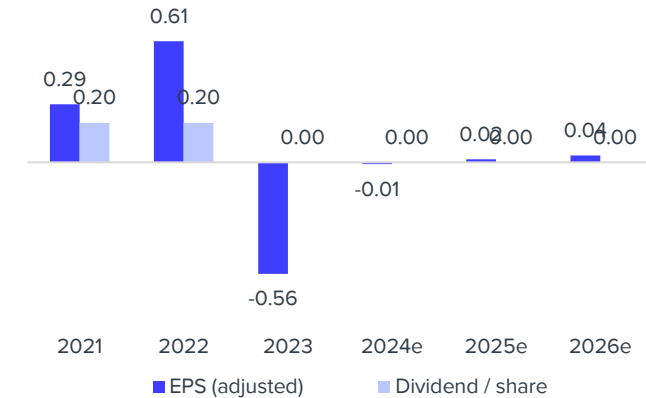
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Growing composite market creates a good base for organic growth
- Upside in profitability relative to full potential (incl. reduction in fixed costs)
- Materializing the global structure of production and relative economies of scale in a new, more focused strategy

Risk factors

- Failure in the implementation of the strategy
- Somewhat cyclical and volatile demand
- With a chronically short absolute order book, business opportunities can weaken relatively quickly
- The somewhat fixed nature of the cost structure creates sensitivity to changes in demand
- Customer portfolio is concentrated

Valuation	2024e	2025e	2026e
Share price	0.32	0.32	0.32
Number of shares, millions	106.7	106.7	106.7
Market cap	34	34	34
EV	50	51	53
P/E (adj.)	neg.	20.9	8.9
P/E	neg.	20.9	8.9
P/B	1.1	1.0	0.9
P/S	0.3	0.3	0.3
EV/Sales	0.5	0.5	0.4
EV/EBITDA	8.0	5.0	4.1
EV/EBIT (adj.)	21.3	11.8	7.3
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Q4 expectations and estimate revisions

Estimates MEUR / EUR	Q4'23	Q4'24	Q4'24e	Q4'24e	Consensus		2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Inderes
Revenue	22.1		25.4				99.9
EBIT (adj.)	-1.3		0.8				2.4
EBIT	-3.7		-3.4				-2.1
EPS (reported)	-0.47		-0.04				-0.05
DPS	0.00		0.00				0.00
Revenue growth-%	-28.8 %		15.0 %				3.2 %
EBIT-% (adj.)	-5.9 %		3.3 %				2.4 %

Source: Inderes

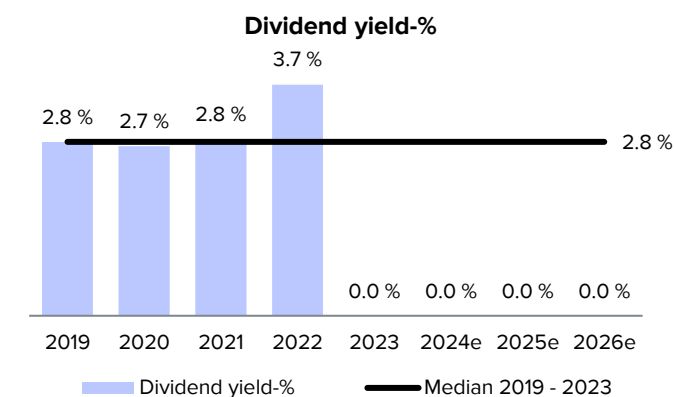
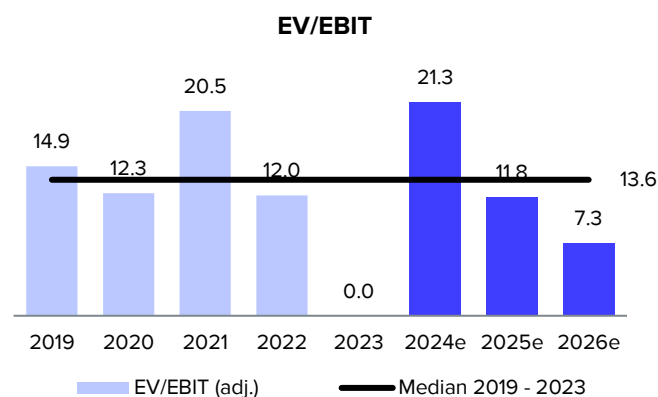
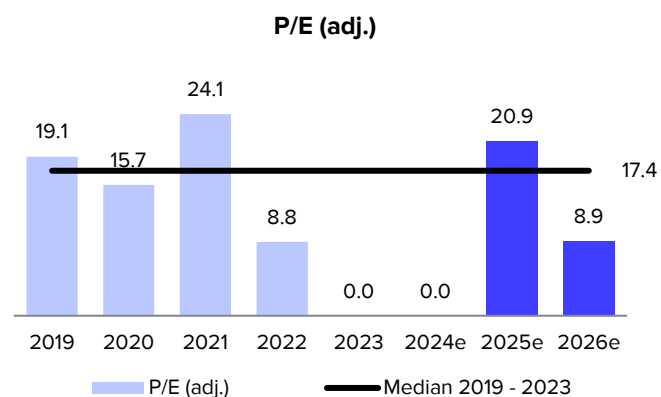
Estimate revisions MEUR / EUR	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
	Old	New	%	Old	New	%	Old	New	%
Revenue	100	100	0%	104	103	-1%	125	124	-1%
EBITDA	8.0	6.3	-21%	10.1	10.2	2%	12.7	12.9	2%
EBIT (excl. NRIs)	2.4	2.4	0%	4.1	4.3	4%	7.0	7.2	4%
EBIT	2.1	-2.1	-204%	4.1	4.3	4%	7.0	7.2	4%
PTP	-1.2	-5.4	-348%	2.4	2.6	7%	5.5	5.8	5%
EPS (excl. NRIs)	-0.01	-0.01	0%	0.01	0.02	9%	0.03	0.04	5%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	6.48	7.38	7.10	5.42	2.54	0.32	0.32	0.32	0.32
Number of shares, millions	11.9	11.9	11.9	11.9	11.9	106.7	106.7	106.7	106.7
Market cap	77	88	84	64	30	34	34	34	34
EV	107	119	124	97	63	50	51	53	51
P/E (adj.)	19.1	15.7	24.1	8.8	neg.	neg.	20.9	8.9	6.6
P/E	32.0	16.4	50.9	28.1	neg.	neg.	20.9	8.9	6.6
P/B	2.9	3.0	2.8	2.2	1.7	1.1	1.0	0.9	0.8
P/S	0.7	0.8	0.6	0.5	0.3	0.3	0.3	0.3	0.2
EV/Sales	1.0	1.1	0.9	0.7	0.7	0.5	0.5	0.4	0.4
EV/EBITDA	10.0	7.8	10.3	6.7	15.6	8.0	5.0	4.1	3.4
EV/EBIT (adj.)	14.9	12.3	20.5	12.0	neg.	21.3	11.8	7.3	5.6
Payout ratio (%)	88.8 %	44.3 %	143.3 %	103.8 %	0.0 %	0.0 %	0.0 %	0.0 %	20.9 %
Dividend yield-%	2.8 %	2.7 %	2.8 %	3.7 %	0.0 %	0.0 %	0.0 %	0.0 %	3.2 %

Source: Inderes



Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Revenue	137	28.8	25.4	20.5	22.1	96.8	23.4	26.6	24.6	25.4	99.9	103	124	135
Konserni	137	28.8	25.4	20.5	22.1	96.8	23.4	26.6	24.6	25.4	99.9	103	124	135
EBITDA	10.1	1.5	1.5	1.1	-0.2	3.8	0.9	2.6	2.2	0.6	6.3	10.2	12.9	14.9
Depreciation	-7.1	-1.8	-1.7	-1.7	-3.5	-8.7	-1.5	-1.4	-1.6	-4.0	-8.5	-5.9	-5.7	-5.9
EBIT (excl. NRI)	8.0	0.0	0.1	-1.2	-1.3	-2.4	-0.6	1.4	0.7	0.8	2.4	4.3	7.2	9.1
EBIT	3.0	-0.3	-0.2	-0.7	-3.7	-4.9	-0.6	1.2	0.6	-3.4	-2.1	4.3	7.2	9.1
Net financial items	0.6	-1.2	-0.4	0.2	-2.0	-3.4	-0.1	-0.3	-2.4	-0.5	-3.3	-1.7	-1.5	-1.5
PTP	3.6	-1.5	-0.7	-0.4	-5.7	-8.3	-0.6	0.8	-1.8	-3.9	-5.4	2.6	5.8	7.6
Taxes	-1.5	-0.7	-0.2	-0.2	0.1	-1.1	0.0	-0.3	-0.1	-0.1	-0.4	-0.7	-1.6	-2.0
Minority interest	0.1	0.0	0.0	0.1	0.0	0.2	0.1	0.1	0.1	0.1	0.3	-0.3	-0.4	-0.5
Net earnings	2.3	-2.1	-0.9	-0.6	-5.6	-9.1	-0.5	0.7	-1.7	-3.9	-5.5	1.6	3.8	5.1
EPS (adj.)	0.61	-0.15	-0.05	-0.10	-0.27	-0.56	-0.01	0.01	-0.02	0.00	-0.01	0.02	0.04	0.05
EPS (rep.)	0.19	-0.18	-0.07	-0.05	-0.47	-0.77	-0.01	0.01	-0.02	-0.04	-0.05	0.02	0.04	0.05

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	1.9 %	-15.7 %	-33.3 %	-39.2 %	-28.8 %	-29.3 %	-18.9 %	4.7 %	19.7 %	15.0 %	3.2 %	3.4 %	20.0 %	9.0 %
Adjusted EBIT growth-%	33.0 %	-99.7 %	-97.9 %	-166.5 %	-242.7 %	-130.5 %		2013.8 %	-158.6 %	-163.7 %	-196.5 %	81.9 %	68.6 %	25.3 %
EBITDA-%	7.4 %	5.1 %	5.8 %	5.2 %	-0.8 %	4.0 %	3.9 %	9.8 %	8.9 %	2.5 %	6.3 %	9.9 %	10.4 %	11.0 %
Adjusted EBIT-%	5.9 %	0.0 %	0.3 %	-5.9 %	-5.9 %	-2.5 %	-2.4 %	5.2 %	2.9 %	3.3 %	2.4 %	4.2 %	5.8 %	6.7 %
Net earnings-%	1.7 %	-7.3 %	-3.5 %	-2.8 %	-25.2 %	-9.4 %	-2.3 %	2.5 %	-7.0 %	-15.4 %	-5.5 %	1.6 %	3.1 %	3.8 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	47.9	39.6	36.2	36.3	37.0
Goodwill	13.0	12.6	10.1	10.1	10.1
Intangible assets	2.2	1.7	1.7	1.8	1.8
Tangible assets	30.9	24.7	23.7	23.8	24.4
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	1.8	0.6	0.6	0.6	0.6
Current assets	65.2	45.4	49.0	51.2	60.1
Inventories	23.4	16.9	17.5	18.1	21.7
Other current assets	1.1	0.5	0.5	0.5	0.5
Receivables	23.3	17.0	19.0	20.2	25.4
Cash and equivalents	17.4	11.0	12.0	12.4	12.4
Balance sheet total	113	85.0	85.2	87.5	97.1

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	30.4	17.7	32.3	33.9	37.7
Share capital	2.1	2.1	2.1	2.1	2.1
Retained earnings	21.0	9.5	4.0	5.6	9.4
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	6.8	5.8	25.9	25.9	25.9
Minorities	0.4	0.2	0.2	0.2	0.2
Non-current liabilities	15.4	6.0	12.6	14.1	16.0
Deferred tax liabilities	0.6	0.3	0.3	0.3	0.3
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	13.5	4.4	11.0	12.5	14.4
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	1.2	1.3	1.3	1.3	1.3
Current liabilities	67.3	61.3	40.3	39.5	43.3
Interest bearing debt	35.0	39.4	17.4	16.8	16.7
Payables	26.2	21.9	23.0	22.7	26.7
Other current liabilities	6.1	0.0	0.0	0.0	0.0
Balance sheet total	113	85.0	85.2	87.5	97.1

DCF-calculation

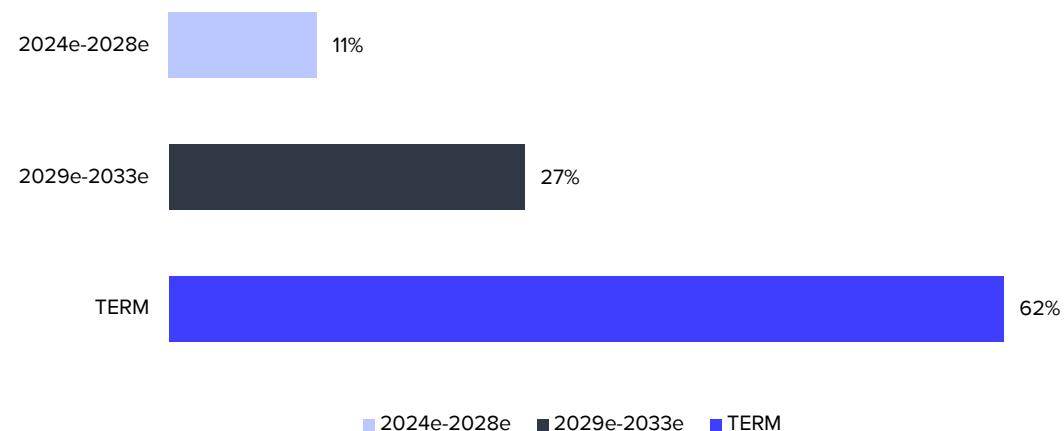
DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-29.3 %	3.2 %	3.4 %	20.0 %	9.0 %	7.0 %	5.0 %	4.0 %	3.0 %	2.0 %	2.0 %	2.0 %
EBIT-%	-5.0 %	-2.1 %	4.2 %	5.8 %	6.7 %	6.6 %	6.4 %	6.2 %	6.0 %	5.8 %	5.8 %	5.8 %
EBIT (operating profit)	-4.9	-2.1	4.3	7.2	9.1	9.5	9.7	9.8	9.8	9.6	9.8	
+ Depreciation	8.7	8.5	5.9	5.7	5.9	6.0	6.2	6.3	6.5	6.6	6.8	
- Paid taxes	-0.2	-0.4	-0.7	-1.6	-2.0	-2.1	-2.1	-2.1	-2.1	-2.1	-2.2	
- Tax, financial expenses	0.4	0.5	-0.5	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	2.9	-1.5	-2.0	-5.0	-2.5	-1.6	-1.2	-1.0	-0.8	-0.6	-0.6	
Operating cash flow	7.0	4.8	7.1	6.0	10.0	11.5	12.2	12.6	12.9	13.2	13.5	
+ Change in other long-term liabilities	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-1.6	-5.1	-6.1	-6.4	-6.6	-6.9	-6.9	-7.1	-7.2	-7.2	-7.1	
Free operating cash flow	5.5	-0.2	1.0	-0.3	3.5	4.6	5.3	5.5	5.8	6.1	6.4	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	5.5	-0.2	1.0	-0.3	3.5	4.6	5.3	5.5	5.8	6.1	6.4	82.3
Discounted FCFF		-0.2	0.9	-0.3	2.7	3.2	3.3	3.2	3.0	2.9	2.7	35.5
Sum of FCFF present value		57.0	57.2	56.3	56.5	53.9	50.7	47.3	44.2	41.2	38.3	35.5
Enterprise value DCF		57.0										
- Interest bearing debt		-43.8										
+ Cash and cash equivalents		31.1										
-Minorities		-0.3										
-Dividend/capital return		0.0										
Equity value DCF		44.0										
Equity value DCF per share		0.41										

WACC

Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E))	22.0 %
Cost of debt	7.5 %
Equity Beta	1.50
Market risk premium	4.75%
Liquidity premium	1.40%
Risk free interest rate	2.5 %
Cost of equity	11.0 %
Weighted average cost of capital (WACC)	9.9 %

Source: Inderes

Cash flow distribution



Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	134.4	137.0	96.8	99.9	103.4	EPS (reported)	0.14	0.19	-0.77	-0.05	0.02
EBITDA	11.9	10.1	3.8	6.3	10.2	EPS (adj.)	0.29	0.61	-0.56	-0.01	0.02
EBIT	3.7	3.0	-4.9	-2.1	4.3	OCF / share	0.41	0.99	0.59	0.05	0.07
PTP	4.2	3.6	-8.3	-5.4	2.6	FCF / share	-0.61	0.74	0.46	0.00	0.01
Net Income	1.7	2.3	-9.1	-5.5	1.6	Book value / share	2.57	2.52	1.47	0.30	0.32
Extraordinary items	-2.3	-5.0	-2.4	-4.5	0.0	Dividend / share	0.20	0.20	0.00	0.00	0.00
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	117.7	113.1	85.0	85.2	87.5	Revenue growth-%	24%	2%	-29%	3%	3%
Equity capital	31.2	30.4	17.7	32.3	33.9	EBITDA growth-%	-22%	-15%	-62%	65%	62%
Goodwill	12.8	13.0	12.6	10.1	10.1	EBIT (adj.) growth-%	-38%	33%	-130%	-197%	82%
Net debt	37.4	31.1	32.8	16.4	16.9	EPS (adj.) growth-%	-38%	109%	-192%	-98%	-264%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	8.9 %	7.4 %	4.0 %	6.3 %	9.9 %
EBITDA	11.9	10.1	3.8	6.3	10.2	EBIT (adj.)-%	4.5 %	5.9 %	-2.5 %	2.4 %	4.2 %
Change in working capital	-4.8	2.8	2.9	-1.5	-2.0	EBIT-%	2.8 %	2.2 %	-5.0 %	-2.1 %	4.2 %
Operating cash flow	4.8	11.8	7.0	4.8	7.1	ROE-%	5.6 %	7.6 %	-38.5 %	-22.3 %	4.9 %
CAPEX	-12.2	-3.2	-1.6	-5.1	-6.1	ROI-%	4.8 %	3.7 %	-6.9 %	-3.5 %	7.0 %
Free cash flow	-7.2	8.8	5.5	-0.2	1.0	Equity ratio	26.5 %	26.9 %	20.9 %	37.9 %	38.7 %
						Gearing	119.9 %	102.4 %	185.7 %	50.7 %	49.8 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	0.9	0.7	0.7	0.5	0.5						
EV/EBITDA	10.3	6.7	15.6	8.0	5.0						
EV/EBIT (adj.)	20.5	12.0	neg.	21.3	11.8						
P/E (adj.)	24.1	8.8	neg.	neg.	20.9						
P/B	2.8	2.2	1.7	1.1	1.0						
Dividend-%	2.8 %	3.7 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

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Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

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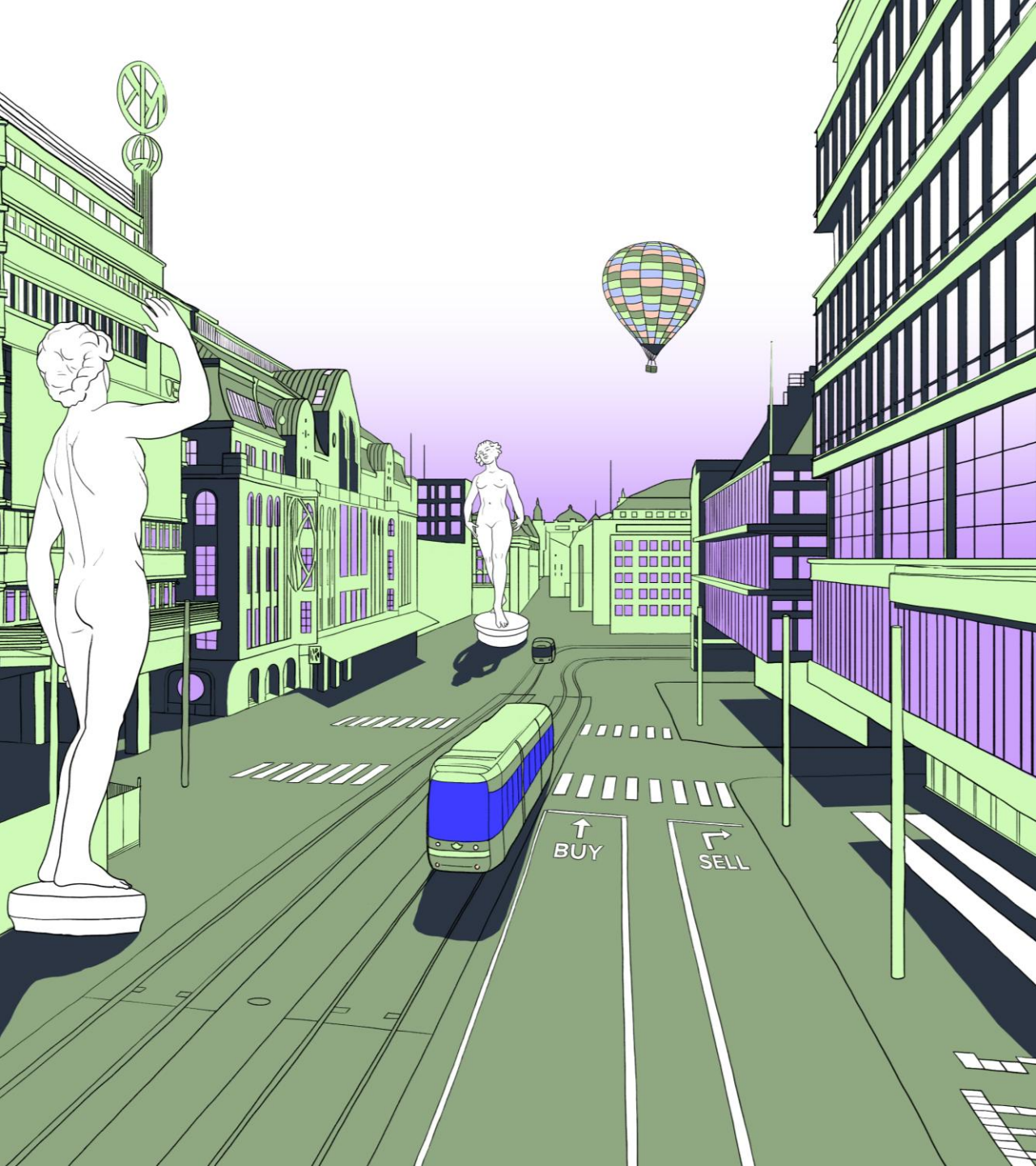
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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
2/19/2021	Accumulate	9.20 €	8.76 €
5/2/2021	Accumulate	11.50 €	10.88 €
7/21/2021	Accumulate	11.50 €	10.32 €
9/2/2021	Accumulate	11.50 €	9.95 €
9/17/2021	Accumulate	9.50 €	8.59 €
11/5/2021	Accumulate	8.40 €	7.52 €
2/16/2022	Reduce	7.50 €	7.15 €
5/2/2022	Accumulate	7.00 €	6.30 €
<i>Analyst changed</i>			
7/21/2022	Accumulate	7.00 €	6.58 €
9/28/2022	Accumulate	6.00 €	5.30 €
11/4/2022	Accumulate	6.00 €	5.20 €
2/15/2023	Accumulate	6.00 €	5.32 €
2/20/2023	Accumulate	6.00 €	5.10 €
5/3/2023	Accumulate	4.50 €	4.05 €
8/21/2023	Reduce	3.50 €	3.38 €
10/19/2023	Sell	2.50 €	3.04 €
11/6/2023	Reduce	2.50 €	2.67 €
2/19/2024	Reduce	2.20 €	2.29 €
4/26/2024	Reduce	1.60 €	1.74 €
5/20/2024	Reduce	0.38 €	1.62 €
6/12/2024	Accumulate	0.38 €	0.33 €
8/16/2024	Accumulate	0.38 €	0.32 €
10/8/2024	Reduce	0.38 €	0.39 €
11/1/2024	Reduce	0.35 €	0.35 €
2/7/2025	Reduce	0.35 €	0.32 €



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