

Exel Composites

Company report

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This report is a summary translation of the report "Roppakaupalla uusia tilauksia " published on 07/21/2021 at 7:30 am

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A raft of new orders

Exel published its Q2 report yesterday. Growth was clearly brisker than we expected, but the operating result was below our estimates. The key causes of joy in the report were undoubtedly related to excellently developed new orders, another record-high order book, and, thus, the short-term order situation looking better than before. Also looking further ahead there are a lot of opportunities and Exel's own structural characteristics do not, in our opinion, place any restrictions on utilizing these opportunities. We consider the annual risk-adjusted return expectation consisting of the expected earnings growth and small dividend good enough. We reiterate our Accumulate recommendation and EUR 11.50 target price.

Quarter of strong volume growth

In Q2, Exel's revenue grew by 23% to EUR 33.5 million, which exceeded our EUR 29.1 million estimate. Of the key customer industries, growth was very brisk in Building and infrastructure (+64%) and Equipment and other industries (+29%). In Wind power, volumes remained on par with the comparison period. We do, however, not see that this causes reason for any major dramatics considering the structure the order book indicated and typical timing issues of the wind power industry. In Q2, Exel generated EUR 2.5 million in adjusted EBIT, which was below our estimate. Strong volume development supported performance, but the benefits of growth were restricted due to the ramp-up of certain high-volume products and raw material inflation that had a bigger effect than our optimistic estimates indicated. No surprises occurred in the lower rows, however.

Only small revisions to estimates

As expected, Exel reiterated its 2021 guidance and thus expects revenue and adjusted operating profit to grow. Growth in new orders received in Q2 was furious and the company's order book again hit a record level of EUR 56.9 million. In line with this, the management's more detailed market comments, and the drivers of Exel's own product portfolio, we raised our revenue estimates for the rest of the year. In the full year, we expect Exel's revenue to grow by 14% to EUR 124 million driven by the good demand in key customer industries and a pick-up in industries that have suffered more from the pandemic. We expect adjusted EBIT to amount to EUR 10.2 million. The key driver of earnings growth in our opinion is volume growth but in H2 we also expect the effects related to material and logistics costs and own efficiency levels in H1 to alleviate. Next year we expect brisker operating result growth from the company considering the good outlook of key industries, own structural capabilities, and improving efficiency levels. The key risks in the next few years are still directed at the actual development of industrial end demand and chronically short visibility.

Valuation does not create a break

Exel's adjusted P/E ratios for 2021 and 2022 based on our estimates are 17x and 15x while the corresponding EV/EBITDA ratios are 10x and 8x. Relative to the neutral multiple range we estimate for the company, historical valuation levels, and better-quality performance in the big picture, we do not consider the valuation multiples to be too demanding. On the other hand, we do not see considerable upside in the multiples either. We believe Exel's earnings growth outlook is good, which together with a dividend of some 2% keeps the annual risk-adjusted return expectation on a good enough level. Thus, the incentives for owning the share are still in place.

Recommendation

Accumulate

(previous Accumulate)

EUR 11.50

(previous EUR 11.50)

Share price:

10.32



Key indicators

	2020	2021e	2022e	2023e
Revenue	109	124	129	134
growth %	5%	14%	4%	4%
EBIT adj.	9.7	10.2	12.1	13.1
EBIT % adj.	8.9%	8.2%	9.4%	9.8%
Net profit	5.4	7.0	8.5	9.3
EPS (adj.)	0.47	0.60	0.71	0.78
P/E (adj.)	15.7	17.2	14.5	13.2
P/B	3.0	3.6	3.1	2.7
Dividend yield %	2.7%	2.1%	2.3%	2.5%
EV/EBIT (adj.)	12.3	14.8	12.1	10.6
EV/EBITDA	7.8	9.8	8.1	7.3
EV/Sales	1.1	1.2	1.1	1.0

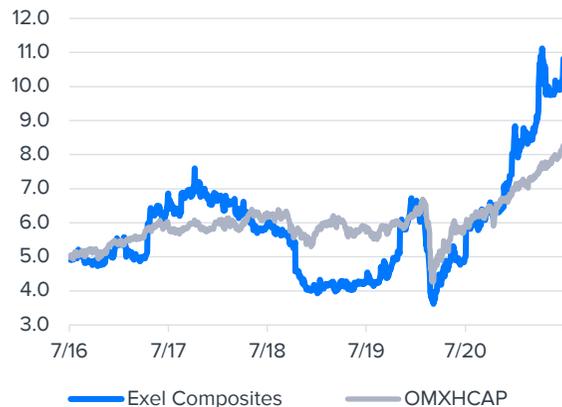
Source: Inderes

Guidance

(Unchanged)

Exel Composites expects revenue and adjusted operating profit in 2021 to increase compared to 2020.

Share price



Source: Thomson Reuters

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Growing composite market creates a good basis for organic growth
- Still room for improvement in profitability relative to the full potential
- Global production structure and relative economies of scale in production
- Boosting growth with acquisitions



Risk factors

- Somewhat cyclical and volatile demand
- Relatively fixed cost structure
- Concentrated customer portfolio
- Debt elevated in balance sheet
- Unsuccessful growth would depress acceptable valuation multiples
- Margin pressure caused by delivery chain problems and material costs in the short term

Valuation level	2021e	2022e	2023e
Share price	10.3	10.3	10.3
Number of shares, million	11.9	11.9	11.9
Market value	123	123	123
EV	151	145	139
P/E (adj.)	17.2	14.5	13.2
P/E	17.4	14.5	13.2
P/Cash flow	22.1	14.5	12.3
P/B	3.6	3.1	2.7
P/S	1.0	1.0	0.9
EV/Sales	1.2	1.1	1.0
EV/EBITDA (adj.)	9.8	8.1	7.3
EV/EBIT (adj.)	14.8	12.1	10.6
Dividend/earnings (%)	37.2%	33.6%	33.3%
Dividend yield %	2.1%	2.3%	2.5%

Source: Inderes

Estimates

Estimates MEUR / EUR	Q2'20	Q2'21	Q2'21e	Q2'21e	Consensus		Difference (%)	2021e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	27.2	33.5	29.1				15%	123.6
EBIT (adj.)	2.9	2.5	3.0				-19%	10.2
EBIT	2.8	2.4	3.0				-22%	10.1
EPS (adj.)	0.22	0.13	0.18				-26%	0.60
Revenue growth-%	2.9 %	23.1%	7.0 %				16.1 pp	13.8 %
EBIT-% (adj.)	10.6 %	7.3 %	10.3 %				-3 pp	8.2 %

Source: Inderes

Estimate revisions MEUR / EUR	2021e	2021e	Change	2022e	2022e	Change	2023e	2023e	Change
	Old	New	%	Old	New	%	Old	New	%
Revenue	116	124	6%	121	129	6%	126	134	6%
EBITDA	16.1	15.4	-4%	18.2	18.0	-1%	19.1	19.1	0%
EBIT (exc. NRIs)	10.8	10.2	-5%	12.3	12.1	-2%	13.0	13.1	1%
EBIT	10.7	10.1	-6%	12.3	12.1	-2%	13.0	13.1	1%
PTP	10.5	9.6	-9%	11.4	11.2	-2%	12.1	12.2	1%
EPS (excl. NRIs)	0.65	0.60	-7%	0.73	0.71	-2%	0.77	0.78	1%
DPS	0.22	0.22	0%	0.24	0.24	0%	0.26	0.26	0%

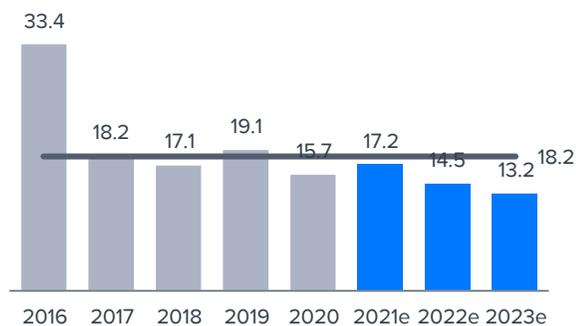
Source: Inderes

Valuation table

Valuation	2016	2017	2018	2019	2020	2021e	2022e	2023e	2024e
Share price	5.02	6.57	4.00	6.48	7.38	10.3	10.3	10.3	10.3
Number of shares, millions	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9
Market cap	60	78	48	77	88	123	123	123	123
EV	63	87	72	107	119	151	145	139	133
P/E (adj.)	33.4	18.2	17.1	19.1	15.7	17.2	14.5	13.2	12.3
P/E	>100	18.4	>100	32.0	16.4	17.4	14.5	13.2	12.3
P/FCF	48.3	neg.	neg.	20.1	24.2	22.1	14.5	12.3	12.3
P/B	2.2	2.7	1.8	2.9	3.0	3.6	3.1	2.7	2.3
P/S	0.8	0.9	0.5	0.7	0.8	1.0	1.0	0.9	0.9
EV/Sales	0.9	1.0	0.7	1.0	1.1	1.2	1.1	1.0	1.0
EV/EBITDA	16.0	9.3	7.8	10.0	7.8	9.8	8.1	7.3	6.6
EV/EBIT (adj.)	24.3	13.8	14.4	14.9	12.3	14.8	12.1	10.6	9.5
Payout ratio (%)	502.0 %	84.1 %	554.7 %	88.8 %	44.3 %	37.2 %	33.6 %	33.3 %	33.5 %
Dividend yield-%	2.0 %	4.6 %	4.5 %	2.8 %	2.7 %	2.1 %	2.3 %	2.5 %	2.7 %

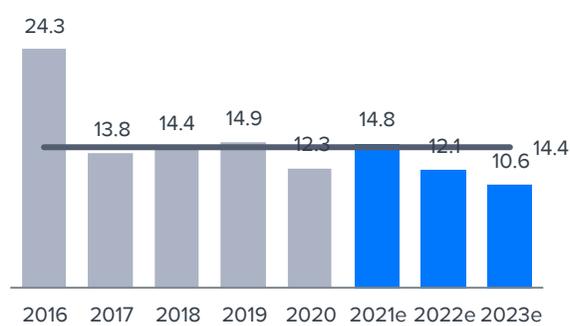
Source: Inderes

P/E (adj.)



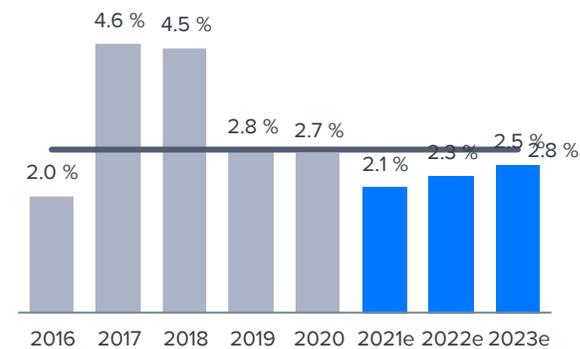
■ P/E (adj.) — Median 2016 - 2020

EV/EBIT



■ EV/EBIT (adj.) — Median 2016 - 2020

Dividend yield %



■ Dividend yield-% — Median 2016 - 2020

Income statement

Income statement	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21	Q3'21e	Q4'21e	2021e	2022e	2023e	2024e
Revenue	104	27.8	27.2	26.0	27.5	108.6	31.0	33.5	29.2	30.0	123.6	128.6	133.7	139.1
Group	104	27.8	27.2	26.0	27.5	109	31.0	33.5	29.2	30.0	123.6	128.6	133.7	139.1
Adjusting items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	10.7	3.2	3.8	3.3	4.9	15.3	3.8	3.7	3.6	4.4	15.4	18.0	19.1	20.0
Depreciation	-5.6	-1.3	-1.0	-1.4	-2.2	-5.9	-1.3	-1.3	-1.3	-1.3	-5.3	-5.9	-6.0	-6.0
EBIT (excl. NRI)	7.2	2.1	2.9	2.0	2.7	9.7	2.5	2.5	2.3	3.0	10.2	12.1	13.1	14.0
EBIT	5.1	1.9	2.8	2.0	2.7	9.4	2.4	2.4	2.3	3.0	10.1	12.1	13.1	14.0
Adjusting items	-2.1	-0.2	-0.1	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial items	-1.2	-0.6	0.2	-0.6	-1.3	-2.3	0.5	-0.5	-0.2	-0.2	-0.4	-0.9	-0.9	-0.9
PTP	3.9	1.3	3.0	1.3	1.5	7.1	2.9	1.9	2.0	2.8	9.6	11.2	12.2	13.1
Taxes	-1.5	-0.6	-0.4	-0.3	-0.4	-1.8	-1.0	-0.4	-0.5	-0.7	-2.6	-2.7	-2.9	-3.1
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	2.4	0.7	2.5	1.1	1.1	5.4	2.0	1.5	1.5	2.1	7.0	8.5	9.3	9.9
EPS (adj.)	0.34	0.07	0.22	0.09	0.09	0.47	0.17	0.13	0.13	0.18	0.60	0.71	0.78	0.84
EPS (rep.)	0.20	0.06	0.21	0.09	0.09	0.45	0.17	0.12	0.13	0.18	0.59	0.71	0.78	0.84

Key figures	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21	Q3'21e	Q4'21e	2021e	2022e	2023e	2024e
Revenue growth-%	7.4 %	2.6 %	2.9 %	10.2 %	3.4 %	4.6 %	11.3 %	23.1 %	12.0 %	9.0 %	13.8 %	4.0 %	4.0 %	4.0 %
Adjusted EBIT growth-%	43.5 %	7.4 %	29.2 %	19.4 %	103.7 %	34.9 %	17.0 %	-15.0 %	13.4 %	10.6 %	4.9 %	18.4 %	8.6 %	6.8 %
EBITDA-%	10.3 %	11.5 %	13.9 %	12.8 %	18.0 %	14.1 %	12.1 %	11.0 %	12.3 %	14.5 %	12.4 %	14.0 %	14.3 %	14.4 %
Adjusted EBIT-%	6.9 %	7.6 %	10.6 %	7.6 %	9.9 %	8.9 %	7.9 %	7.3 %	7.7 %	10.1 %	8.2 %	9.4 %	9.8 %	10.1 %
Net earnings-%	2.3 %	2.5 %	9.3 %	4.1 %	3.9 %	4.9 %	6.4 %	4.4 %	5.2 %	7.0 %	5.7 %	6.6 %	6.9 %	7.2 %

Source: Inderes

Balance sheet

Assets	2019	2020	2021e	2022e	2023e
Non-current assets	41.6	47.8	47.1	47.2	47.2
Goodwill	13.0	12.6	12.6	12.6	12.6
Intangible assets	4.3	3.9	4.0	4.0	4.1
Tangible assets	22.8	29.4	30.1	30.2	30.1
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	0.1	0.0	0.1	0.1	0.1
Deferred tax assets	1.4	1.7	0.3	0.3	0.3
Current assets	43.8	49.0	48.8	50.8	54.8
Inventories	16.9	16.2	17.3	18.0	18.1
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	20.0	20.9	22.9	23.8	24.7
Cash and equivalents	6.9	12.0	8.7	9.0	12.0
Balance sheet total	85.4	96.8	95.9	98.0	102

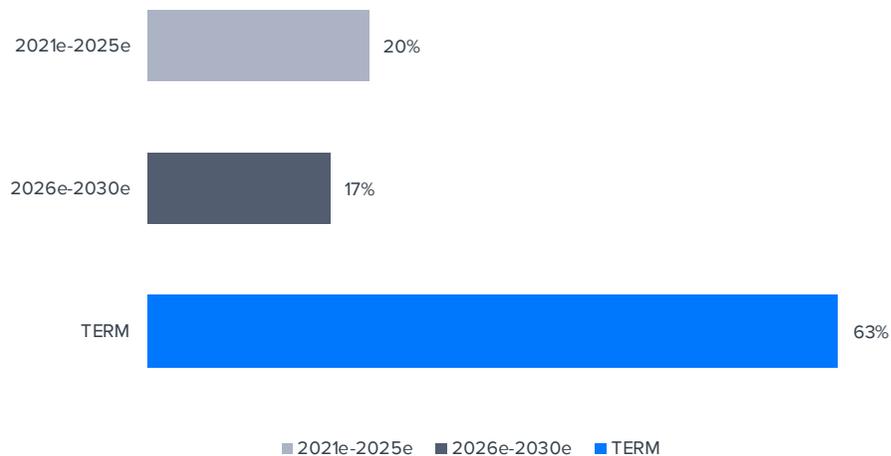
Source: Inderes

Liabilities & equity	2019	2020	2021e	2022e	2023e
Equity	26.3	28.9	34.0	39.9	46.3
Share capital	2.1	2.1	2.1	2.1	2.1
Retained earnings	19.0	22.2	26.9	32.8	39.2
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	5.2	4.5	5.0	5.0	5.0
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	15.6	14.1	20.4	18.0	16.9
Deferred tax liabilities	0.3	0.2	0.2	0.2	0.2
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	14.8	12.9	19.7	17.3	16.2
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.6	0.9	0.5	0.5	0.5
Current liabilities	43.4	53.9	41.4	40.0	38.8
Short term debt	22.4	30.3	16.7	14.3	12.1
Payables	21.0	23.6	24.7	25.7	26.7
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	85.4	96.8	95.9	98.0	102

DCF calculation

DCF model	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TERM
EBIT (operating profit)	9.4	10.1	12.1	13.1	14.0	13.6	14.0	14.4	14.9	14.5	14.9	
+ Depreciation	5.9	5.3	5.9	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	
- Paid taxes	-2.2	-1.1	-2.7	-2.9	-3.1	-3.1	-3.2	-3.4	-3.7	-3.6	-3.7	
- Tax, financial expenses	-0.6	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	
+ 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	2.4	-2.0	-0.6	0.0	-0.6	0.2	-0.5	-0.5	-0.5	-0.5	-0.6	
Operating cash flow	14.9	12.1	14.5	16.0	16.0	16.6	16.2	16.5	16.6	16.3	16.7	
+ Change in other long-term liabilities	0.4	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-11.7	-6.1	-6.1	-6.1	-6.1	-6.1	-6.1	-6.1	-6.1	-6.0	-6.2	
Free operating cash flow	3.6	5.6	8.4	10.0	10.0	10.5	10.1	10.4	10.6	10.3	10.5	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	3.6	5.6	8.4	10.0	10.0	10.5	10.1	10.4	10.6	10.3	10.5	230
Discounted FCFF		5.4	7.6	8.3	7.7	7.6	6.8	6.5	6.1	5.5	5.2	114
Sum of FCFF present value		181	175	168	160	152	144	137	131	125	119	114
Enterprise value DCF		181										
- Interesting bearing debt		-43.1										
+ Cash and cash equivalents		12.0										
-Minorities		0.0										
-Dividend/capital return		-2.4										
Equity value DCF		147										
Equity value DCF per share		12.4										

Cash flow distribution



Wacc	
Tax-% (WACC)	25.0 %
Target debt ratio (D/(D+E))	25.0 %
Cost of debt	5.0 %
Equity Beta	1.25
Market risk premium	5.00%
Liquidity premium	0.75%
Risk free interest rate	2.0 %
Cost of equity	9.0 %
Weighted average cost of capital (WACC)	7.7 %

Source: Inderes

Summary

Income statement	2018	2019	2020	2021e	2022e	Per share data	2018	2019	2020	2021e	2022e
Revenue	96.6	103.8	108.6	123.6	128.6	EPS (reported)	0.03	0.20	0.45	0.59	0.71
EBITDA	9.3	10.7	15.3	15.4	18.0	EPS (adj.)	0.23	0.34	0.47	0.60	0.71
EBIT	2.2	5.1	9.4	10.1	12.1	OCF / share	-0.11	0.83	1.26	1.02	1.22
PTP	1.7	3.9	7.1	9.6	11.2	FCF / share	-1.03	0.32	0.30	0.47	0.71
Net Income	0.4	2.4	5.4	7.0	8.5	Book value / share	2.17	2.21	2.43	2.86	3.35
Extraordinary items	-2.8	-2.1	-0.3	-0.1	0.0	Dividend / share	0.18	0.18	0.20	0.22	0.24
Balance sheet	2018	2019	2020	2021e	2022e	Growth and profitability	2018	2019	2020	2021e	2022e
Balance sheet total	74.6	85.4	96.8	95.9	98.0	Revenue growth-%	12%	7%	5%	14%	4%
Equity capital	25.8	26.3	28.9	34.0	39.9	EBITDA growth-%	-1%	15%	43%	1%	17%
Goodwill	12.8	13.0	12.6	12.6	12.6	EBIT (adj.) growth-%	-20%	44%	35%	5%	18%
Net debt	24.8	30.2	31.2	27.8	22.6	EPS (adj.) growth-%	-35%	45%	38%	28%	19%
Cash flow	2018	2019	2020	2021e	2022e	EBITDA-%	9.6 %	10.3 %	14.1 %	12.4 %	14.0 %
EBITDA	9.3	10.7	15.3	15.4	18.0	EBIT (adj.)-%	5.2 %	6.9 %	8.9 %	8.2 %	9.4 %
Change in working capital	-8.8	1.9	2.4	-2.0	-0.6	EBIT-%	2.3 %	4.9 %	8.7 %	8.1 %	9.4 %
Operating cash flow	-1.3	9.9	14.9	12.1	14.5	ROE-%	1.4 %	9.3 %	19.5 %	22.4 %	23.0 %
CAPEX	-10.9	-6.1	-11.7	-6.1	-6.1	ROI-%	4.4 %	8.6 %	13.9 %	14.1 %	17.0 %
Free cash flow	-12.3	3.8	3.6	5.6	8.4	Equity ratio	34.6 %	30.8 %	29.8 %	35.5 %	40.7 %
						Gearing	96.3 %	114.9 %	107.9 %	81.7 %	56.7 %
Valuation multiples	2018	2019	2020	2021e	2022e						
EV/S	0.7	1.0	1.1	1.2	1.1						
EV/EBITDA (adj.)	7.8	10.0	7.8	9.8	8.1						
EV/EBIT (adj.)	14.4	14.9	12.3	14.8	12.1						
P/E (adj.)	17.1	19.1	15.7	17.2	14.5						
P/E	1.8	2.9	3.0	3.6	3.1						
Dividend-%	4.5 %	2.8 %	2.7 %	2.1 %	2.3 %						

Source: Inderes

Disclaimer and recommendation history

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
24-07-19	Accumulate	5.00 €	4.52 €
31-10-19	Accumulate	5.30 €	4.80 €
22-11-19	Accumulate	6.30 €	5.76 €
18-02-20	Accumulate	6.50 €	6.14 €
16-03-20	Accumulate	4.10 €	3.96 €
07-05-20	Accumulate	5.10 €	4.80 €
22-07-20	Accumulate	6.00 €	5.52 €
02-11-20	Accumulate	6.80 €	6.40 €
08-12-20	Accumulate	7.00 €	6.50 €
19-02-21	Accumulate	9.20 €	8.76 €
02-05-21	Accumulate	11.50 €	10.88 €
21-07-21	Accumulate	11.50 €	10.32 €



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