

**exel**  
COMPOSITES

**Q1-2023**

**BUSINESS REVIEW**  
JANUARY - MARCH 2023



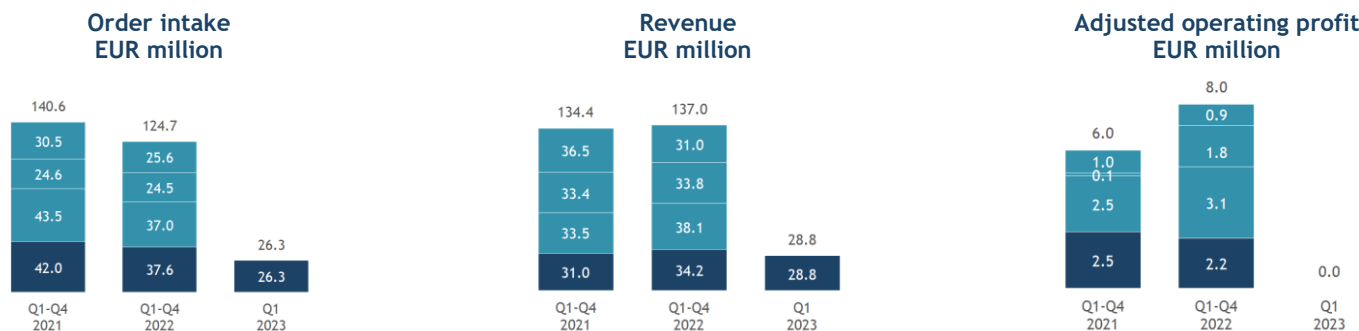
# Q1 2023 REVENUE EUR 28.8 MILLION AND ADJUSTED OPERATING PROFIT EUR 0.0 MILLION

## Q1 2023 in brief

- Order intake decreased by 30.0% to EUR 26.3 million (Q1 2022: 37.6)
- Revenue decreased by 15.7% to EUR 28.8 million (34.2)
- Operating profit declined to EUR -0.3 million (0.0), operating profit margin -1.0% (0.1%)
- Adjusted operating profit declined to EUR 0.0 million (2.2), operating profit margin 0.0% (6.4%)
- Earnings per share amounted to EUR -0.18 (0.00)

## Updated guidance for the full year 2023

Considering the current market environment Exel Composites has adjusted its guidance for the full year 2023: Exel Composites expects that revenue will decrease and adjusted operating profit will decrease significantly in 2023 compared to 2022. Previously Exel Composites expected that revenue in 2023 will be at last year's level and adjusted operating profit will increase compared to 2022.



# President and CEO, Paul Sohlberg

## Short-term demand impacted, mid- and long-term growth picture remains positive

The year 2023 started in a continued challenging global market environment with strained macroeconomics and increasing geopolitical tensions.

During the first quarter, Exel's order intake and revenue decreased by 30% and 16% respectively compared to the same period last year. Major reasons for this decline were a lower overall demand from our small- to mid-size customers as they reduced their inventories, and a softer than expected demand for equipment in the wind power industry. Our adjusted operating profit in the first quarter of 2023 stood at break-even level. This was due to lower revenue following also the lower starting order backlog for 2023, as previously noted in our 2022 Financial Statements Release. Our own costs remained generally in line with our expectations through this quarter.

At the same time, sales continued to develop positively in many of our other customer industries. The positive trend continued in the Transportation industry with higher revenue compared to the comparison period. Also Building & Infrastructure, Defense and Machinery & Electrical improved their performance compared to the equivalent period in 2022. Geographically, first quarter's revenue was slightly up in Europe, which is our largest region, but lower in other regions than in the first quarter of 2022.

I had the pleasure of starting as Exel Composites' President and CEO on 20 March 2023. Having begun familiarizing with the company, our people, and our operations, I am intrigued by the technical expertise, global reach, and customer intimacy which Exel offers. Our composite solutions solve significant challenges for our customers and contribute to the mitigation of climate change. We are confident that the composites market will benefit from the green energy transition. Similarly, our long-term demand outlook remains positive. The global composites market is estimated to continue to grow at

approximately 2-5% per year in the coming years, depending on the customer industry, region, production technology and end-use application.

## Recent development was not satisfactory and corrective actions initiated

The development of Exel's order intake, revenue, and profitability in Q1 2023 was not satisfactory - I am convinced we can do better. I have required our business units and operations to plan and expedite improvement measures. We have immediately begun taking decisions in this respect. In January we announced plans to evaluate the downsizing of our operations in Runcorn, United Kingdom. The decisions about downsizing have now been made. We will continue to serve our U.K. customers locally through a capable service center and sales team. We have also begun transferring the pultrusion production from Runcorn to other Exel factories. We are proceeding according to plan and expect to finalize the transfer during 2023. We expect significant cost savings from these activities, while preserving the capability to serve our local customers well. We have begun efforts to sell the Runcorn manufacturing site and expect the sale of the site to have a one-time positive impact on Group operating profit and cash flow, once finalized.

During the quarter we also completed the sales process of the real estate related to the closed Nanjing China manufacturing facility. Production was, as earlier communicated, transferred to our current site in the Nanjing area, already in the first half of 2022.

Furthermore, we have taken actions to adjust capacity at our US and other factories in line with the overall outlook for 2023. We continue active discussions with customers and are closely following market developments to determine to what extent further cost-reduction measures are needed. On a positive note, raw material costs continued to stabilize during the first quarter thanks to

more balanced supply and demand, for example in the chemical industry.

## Outlook for 2023 and updated guidance

Looking forward, we reiterate our view that demand for Exel's products and solutions is expected to improve in the second half of 2023 and later driven by opportunities for equipment in the wind power market. Short-term visibility is currently limited, and uncertainty in short-term demand is expected to continue. Customer de-stocking and question marks associated with global economic development contribute to this picture. The same is reflected in our order backlog, which continues to be lower than a year ago. We expect upward price pressures for certain carbon materials to remain due to continued shortage of materials. Overall, we expect availability of raw materials to improve or remain flat, while the visibility into how raw material costs will develop continues to be limited. In line with the previous observations on short-term demand and raw material cost development, we have adjusted our full year guidance 2023.

## Major development program started to capture attractive opportunities in wind power market

We are undertaking major planning and business development actions to prepare Exel for wind power market that is expected to surge. The updated guidance we gave today considers more than 1 million euros of costs in 2023 allocated for these purposes. In line with signals from our customers and suppliers, we believe that demand for equipment in the wind power market will recover and turn to attractive growth in 2024 and 2025, and that the weaker demand we are seeing in 2023 is temporary. In addition, we are also considering further investments to strengthen Exel's position and capabilities, to be able to better respond to the opportunities the wind power market presents.

In addition to wind, there is attractive long-term growth potential for Exel to address in multiple customer industries driven by the need for more sustainable solutions, for example in Transportation and Building & Infrastructure.

### **New long-term opportunities to be captured in Exel's refreshed strategy**

Having had opportunity thus far to listen to part of our customers and partners and to many Exel co-workers from all levels of the organization, I am excited about what the future holds for our company and what we can make out of that. We have initiated the process to review and refresh Exel's strategy and operating model. Looking beyond the short-term picture, we believe there is a good opportunity to further align Exel's offering and operating model with global trends and direction of the business environment over the longer term, to generate consistent and desired cash flow and profitability.

As part of this strategy work, we will take the opportunity to review with an open mind what existing and prospective options and ways of working we want to pursue. One of the questions I have is what the optimal customer and product mix would look like for Exel. For example, having joined Exel from a company and industry, where serving very large and often global or multilocal customers is the norm, I note that Exel may gain from

developing its approach in this area. My impression of the characteristics of our business and the production methods of Exel suggests that developing a good mix of work also from larger customer accounts is likely to benefit us in many ways. In my previous roles I have been well exposed to what working with large and leading companies may entail. Requirements on quality, timeliness and perhaps considerations such as working capital are heightened, while this environment offers the smaller partner opportunities for rapid learning and improvement of its own business.

At the time of writing, we continue to hold active discussions with various large equipment manufacturers in the wind power market. We want to continue and deepen these discussions and seek to do more of the same across our other segments as well.

In the meantime, while our strategy work progresses, we will continue ensuring that we are serving all our current and prospective customers in the most appropriate manner, irrespective of their size.

I look forward to meeting and cooperating with our customers, partners, shareholders, and other stakeholders and wish you a safe and prosperous summer 2023!

Sincerely,

Paul Sohlberg



## Consolidated key figures

EUR thousand	Q1 2023	Q1 2022	Change %
Revenue	28,803	34,150	-15.7
Operating profit	-283	27	-1157.8
% of revenue	-1.0	0.1	
Adjusted operating profit 1)	6	2,173	-99.7
% of revenue	0.0	6.4	
Profit before tax	-1,475	517	-385.2
% of revenue	-5.1	1.5	
Profit for the period	-2,138	-70	-2960.0
% of revenue	-7.4	-0.2	
Profit for the period excluding non-controlling interest	-2,090	-40	-5075.4
% of revenue	-7.3	-0.1	
Shareholders' equity	28,029	29,261	-4.2
Interest-bearing liabilities	49,255	52,564	-6.3
Cash and cash equivalents	14,746	14,362	2.7
Net interest-bearing liabilities	34,509	38,202	-9.7
Capital employed	77,284	81,825	-5.5
Return on equity, %	-29.3	-0.9	-3066.3
Return on capital employed, %	-1.4	0.1	-1161.9
Equity ratio, %	26.4	24.7	6.9
Net gearing, %	123.1	130.6	-5.7
Net cash flow from operating activities	-2,790	293	-1051.7
Net cash flow from investing activities	-479	-1,575	-69.6
Capital expenditure	761	1,282	-40.6
% of revenue	2.6	3.8	
Research and development costs	948	761	24.5
% of revenue	3.3	2.2	
Order intake 2)	26,331	37,606	-30.0
Order backlog	26,488	44,884	-41.0
Earnings per share, diluted and undiluted, EUR	-0.18	0.00	-5072.5
Equity per share, EUR	2.33	2.42	-3.68
Average share price, EUR	5.08	7.03	-27.7
Average number of shares, diluted and undiluted, 1,000 shares	11,854	11,838	0.1
Employees, average	723	752	-3.9
Employees, end of period	728	730	-0.3

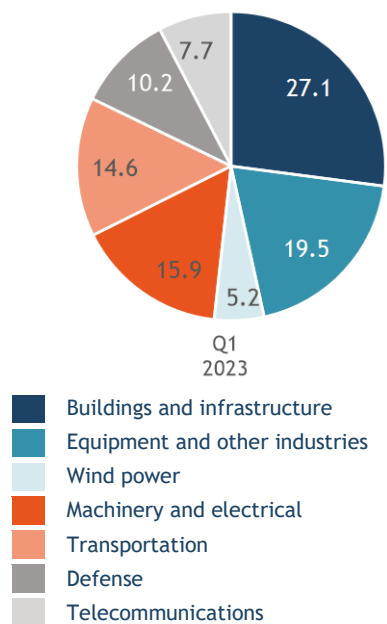
1) Excluding material items affecting comparability, such as restructuring costs, impairment losses and reversals, and costs related to planned or realized business acquisitions or disposals

2) Can include order cancellations during the quarter

## Revenue by customer industry

EUR thousand	Q1	Q1	Change %
	2023	2022	
Buildings and infrastructure	7,797	7,723	1.0
Equipment and other industries	5,611	7,356	-23.7
Wind power	1,501	6,767	-77.8
Machinery and electrical	4,566	4,268	7.0
Transportation	4,197	3,133	34.0
Defense	2,924	2,062	41.8
Telecommunications	2,207	2,842	-22.3
<b>Total</b>	<b>28,803</b>	<b>34,150</b>	<b>-15.7</b>

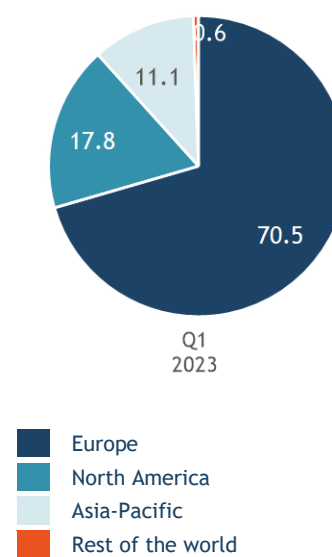
### Share of revenue by customer industry %



## Revenue by region<sup>1)</sup>

EUR thousand	Q1	Q1	Change %
	2023	2022	
Europe	20,315	19,731	3.0
North America	5,116	8,198	-37.6
Asia-Pacific	3,207	5,178	-38.1
Rest of the world	165	1,044	-84.2
<b>Total</b>	<b>28,803</b>	<b>34,150</b>	<b>-15.7</b>

### Share of revenue by region<sup>1)</sup> %



<sup>1)</sup> Revenue by customer location



## Changes in the Group Management Team

Paul Sohlberg started as President and CEO on 20 March 2023.

## Events during the reporting period

### Sale of the closed manufacturing facility in China

Exel Composites has completed the sales process of the real estate related to its closed manufacturing facility located in Nanjing, China. The sale of the manufacturing site had a one-time impact of EUR 3.6 million on operating profit in Q1 2023.

### Downsizing of the operations in the United Kingdom

The decisions about downsizing of the operations in the United Kingdom have been made. Exel maintains a service center and sales team in the United Kingdom to serve customers

locally. The company has begun transferring the pultrusion production from Runcorn to other Exel factories. The measures to shutdown pultrusion production in Runcorn are proceeding according to plan and are expected to be finalized during 2023. A provision for a one-time cash cost of EUR 2.9 million and a one-time non-cash asset write-down of EUR 0.9 million were recorded in the first quarter 2023 as items affecting comparability. The sales process of the manufacturing site has been started. The sale of the manufacturing site is expected to have a one-time positive impact on Group operating profit and cash flow, once finalized.

Vantaa, 2 May 2023

**Exel Composites Plc**  
Board of Directors



At Exel Composites, we use over 60 years' experience to solve challenges and help customers save resources. Our forward-thinking composite solutions made with continuous manufacturing technologies serve customers in a wide range of industries around the world. You can find our products used in applications from wind power and transportation to building and infrastructure.

Our collaborative approach and global footprint set us apart from our competition. We use our expertise to help customers reduce weight, improve performance and energy efficiency and decrease total lifetime costs. We want to be the first choice for sustainable composite solutions globally.

Headquartered in Finland, Exel Composites employs approximately 700 forward-thinking professionals around the world and is listed on Nasdaq Helsinki. To find out more about our offering and company please visit [www.exelcomposites.com](http://www.exelcomposites.com).