



**2023**

**BUSINESS REVIEW**  
JANUARY - SEPTEMBER



# Q3 2023 REVENUE EUR 20.5 MILLION AND ADJUSTED OPERATING PROFIT EUR -1.2 MILLION

## Q3 2023 in brief

- Order intake decreased by 6.7% to EUR 22.8 million (Q3 2022: 24.5)
- Revenue decreased by 39.2% to EUR 20.5 million (33.8)
- Adjusted operating profit decreased to EUR -1.2 million (1.8) and adjusted operating profit margin to -5.9% (5.4%)
- Operating profit decreased to EUR -0.7 million (1.7) and operating profit margin to -3.2% (5.0%)
- Earnings per share amounted to EUR -0.05 (0.18)

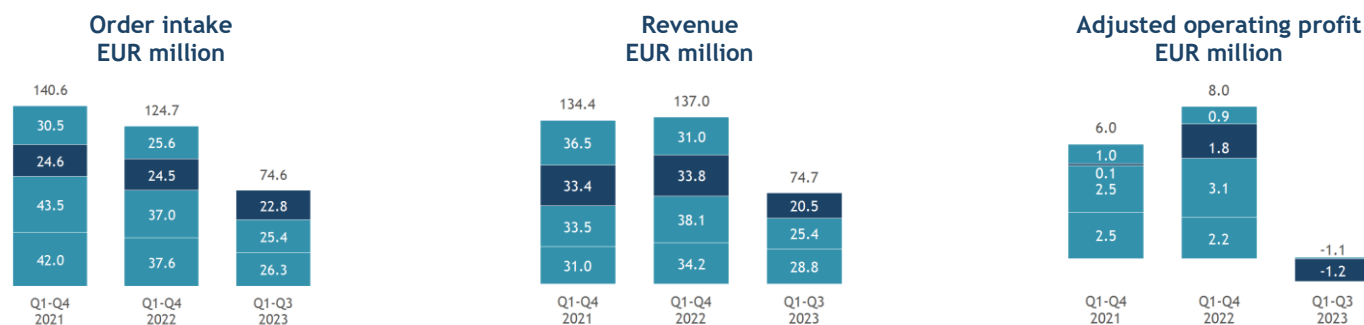
## Q1-Q3 2023 in brief

- Order intake decreased by 24.8% to EUR 74.6 million (Q1-Q3 2022: 99.1)
- Revenue decreased by 29.5% to EUR 74.7 million (106.0)
- Adjusted operating profit decreased to EUR -1.1 million (7.1) and adjusted operating profit margin to -1.5% (6.7%)
- Operating profit decreased to EUR -1.2 million (4.7) and operating profit margin to -1.6% (4.4%)
- Earnings per share amounted to EUR -0.30 (0.51)

## Guidance for the full year 2023

Exel Composites lowered its full year 2023 guidance for revenue on 19 October 2023. The change in guidance was due to the continuation of a challenging market environment and soft demand for many composites products and solutions in the second half of 2023. Exel Composites expects that revenue and adjusted operating profit will decrease significantly in

2023 compared to 2022. Previously Exel Composites expected that revenue in 2023 will decrease and adjusted operating profit will decrease significantly in 2023 compared to 2022.



# President and CEO, Paul Sohlberg

## Weak market conditions impacted revenue

During the third quarter, our revenue decreased by 39% to EUR 20.5 million (33.8) compared to same period in 2022. Revenue decline was due to the continued absence of large orders in the wind power market in North America, and the overall slowdown of the global markets affecting many of our customers in general. The same trend was visible in almost all geographical regions and customer industries.

After showing some positive signs during the summer, we expected customers to resume more active ordering of goods. However, the supply side of the global manufacturing sector continued to face headwinds in the third quarter.

While customer activity has increased in the second half, the overall macroeconomic environment has weighed on the timing of order placement and on the schedules of certain large project orders. Consequently, our order intake declined by 6.7% during the third quarter compared to the same period last year and slow order intake is expected to continue until the end of the year.

## Positive cash flow despite negative adjusted operating profit

In the third quarter of 2023, our adjusted operating profit decreased to EUR -1.2 million (1.8) due to the lower level of revenue. The implementation of cost management activities continued. Fixed costs decreased from the comparison period due to lower personnel costs following rigorous rightsizing activities during 2023.

We have successfully continued to reduce our working capital and inventories resulting in a positive quarterly cash flow of EUR 1.2 million from operating activities.

## Continued progress with operative actions

Construction of the new facility in India, which we have communicated earlier, progressed well with erection of the building starting in line with schedule. The new facility will be optimized for serving wind power industry customers in India and globally. We continue to work closely with our customers and suppliers to secure timely customer commitments and ensure readiness for initiating production.

We have now shut down most production lines in Runcorn, United Kingdom and the remaining measures related to relocation of pultrusion production will be finalized in the next few weeks. The sale of the production facility is progressing well, and we expect it to be completed during 2024.

## Outlook for 2023

As communicated earlier, we have adjusted our guidance for the year 2023. Exel now expects that revenue will decrease significantly and adjusted operating profit will decrease significantly compared to 2022. This change was due to the overall lower order intake across our businesses, as well as the postponement of certain large orders in various segments, including wind power.

## Exel's new strategy received positive feedback and implementation already underway

On 2 October 2023, Exel Composites launched a transformative strategy based on sustainability, customer value and a high ambition in execution. During implementation, Exel will become a more integrated designer and manufacturer of pultruded composite solutions for volume and customer-specific applications. This strategy is ambitious and will enable us to reach over EUR 200 million in annual revenue and double digit adjusted operating profit margin within the next five years.



Our new strategy rests on four central pillars, and on our selected attractive growth areas.

Our first pillar is to capture organic profitable growth from large and fast-growing applications driven by decarbonization and sustainability. We are seeing strong demand for products needed for electrification, the mitigation of climate change effects as well as energy-efficiency in buildings and transportation. To capture these opportunities, we will leverage Exel's strengths which are in composites know-how, agility, independence and wide pultrusion applications exposure.

As a second strategic pillar we will focus on increasing our customer value by helping them choose composites for their applications by offering engineering support, productization and post-processing.

Our third pillar is to reorganize Exel for profitability. We will be taking swift and determined steps to transform this company. This is an industry where growth can be coupled with premium margins, and we have examples of that within Exel already today.

The main profitability driver in pultruded composites is ensuring that we have the right skills, focus and rightsized capacity to match customer demand. This ensures we

keep feeding raw materials through the machines every hour while applying our unique skills to this whole process.

As part of the third pillar, we will also implement a new operating model that organizes our company into two business units, tailored and volume applications. This will simplify our structure tremendously and provide dedicated resources, focus, and speed within these businesses.

We also announced that we will be revisiting our production philosophy and that three existing sites will be placed under strategic review.

Our fourth strategic pillar is high ambition and rigorous execution. On 19 October, we announced we had already completed the first of such strategic reviews concerning the transformation of our US operations and factory. With this significant restructuring, fixed cost reduction and refocusing, expected to capture more orders in the world's largest composites market, leveraging Exel's strong capabilities in composites tubes, electrical products as well as applications in the building and infrastructure sectors.

Our new strategy has been well received by employees, customers, and investors. This reinforces our commitment to execute it efficiently.

We look forward to seeing you at our Capital Markets Day on 13 November 2023 to discuss Exel's new strategy and our exciting future in more detail.

Sincerely,

Paul Sohlberg

## Consolidated key figures

EUR thousand	Q3 2023	Q3 2022	Change %	Q1-Q3 2023	Q1-Q3 2022	Change %	Q1-Q4 2022
Revenue	20,538	33,789	-39.2	74,741	106,004	-29.5	136,988
Operating profit	-655	1,683	-138.9	-1,187	4,717	-125.2	3,002
% of revenue	-3.2	5.0		-1.6	4.4		2.2
Adjusted operating profit 1)	-1,206	1,815	-166.5	-1,136	7,111	-116.0	8,029
% of revenue	-5.9	5.4		-1.5	6.7		5.9
Profit before tax	-421	3,225	-113.1	-2,593	8,676	-129.9	3,600
% of revenue	-2.1	9.5		-3.5	8.2		2.6
Profit for the period	-639	2,052	-131.2	-3,712	5,971	-162.2	2,145
% of revenue	-3.1	6.1		-5.0	5.6		1.6
Profit for the period excluding non-controlling interest	-581	2,086	-127.9	-3,564	6,074	-158.7	2,293
% of revenue	-2.8	6.2		-4.8	5.7		1.7
Shareholders' equity	23,578	34,894	-32.4	23,578	34,894	-32.4	30,385
Interest-bearing liabilities	50,475	47,607	6.0	50,475	47,607	6.0	48,498
Cash and cash equivalents	17,823	10,012	78.0	17,823	10,012	78.0	17,397
Net interest-bearing liabilities	32,652	37,595	-13.1	32,652	37,595	-13.1	31,101
Capital employed	74,053	82,501	-10.2	74,053	82,501	-10.2	78,883
Return on equity, %	-10.7	24.3	-144.1	-18.3	24.1	-176.1	7.0
Return on capital employed, %	-3.3	8.1	-141.1	-1.9	7.6	-125.5	3.7
Equity ratio, %	23.3	31.0	-25.0	23.3	31.0	-25.0	26.9
Net gearing, %	138.5	107.7	28.5	138.5	107.7	28.5	102.4
Net cash flow from operating activities	1,172	2,590	-54.8	3,692	2,406	53.4	6,767
Net cash flow from investing activities	-614	143	-529.1	-2,211	-1,949	13.4	2,018
Capital expenditure	633	1,527	-58.6	2,708	3,441	-21.3	4,592
% of revenue	3.1	4.5		3.6	3.2		3.4
Research and development costs	813	865	-6.0	2,745	2,576	6.6	3,426
% of revenue	4.0	2.6		3.7	2.4		2.5
Order intake 2)	22,834	24,475	-6.7	74,559	99,090	-24.8	124,735
Order backlog	28,474	34,607	-17.7	28,474	34,607	-17.7	29,110
Earnings per share, diluted and undiluted, EUR	-0.05	0.18	-127.9	-0.30	0.51	-158.7	0.19
Equity per share, EUR	1.96	2.90	-32.22	1.96	2.90	-32.22	2.53
Average share price, EUR	3.47	6.19	-44.0	4.03	6.63	-39.2	6.30
Average number of shares, diluted and undiluted, 1,000 shares	11,854	11,854	0.0	11,854	11,849	0.0	11,850
Employees, average	642	720	-10.9	679	736	-7.7	732
Employees, end of period	639	724	-11.7	639	724	-11.7	721

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

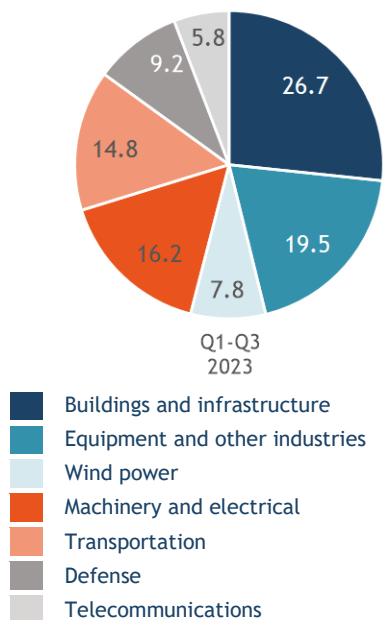
2) Can include order cancellations during the quarter

# Revenue

## Revenue by customer industry

	Q3	Q3	Change	Q1-Q3	Q1-Q3	Change	Q1-Q4
EUR thousand	2023	2022	%	2023	2022	%	2022
Buildings and infrastructure	5,671	7,808	-27.4	19,929	24,397	-18.3	32,456
Equipment and other industries	3,972	5,567	-28.7	14,581	18,781	-22.4	23,127
Wind power	2,129	8,031	-73.5	5,865	21,273	-72.4	26,765
Machinery and electrical	3,432	4,952	-30.7	12,112	14,522	-16.6	19,705
Transportation	3,138	3,743	-16.2	11,035	14,046	-21.4	17,380
Defense	1,379	1,954	-29.4	6,880	5,598	22.9	7,524
Telecommunications	818	1,735	-52.9	4,339	7,387	-41.3	10,031
<b>Total</b>	<b>20,539</b>	<b>33,790</b>	<b>-39.2</b>	<b>74,741</b>	<b>106,004</b>	<b>-29.5</b>	<b>136,988</b>

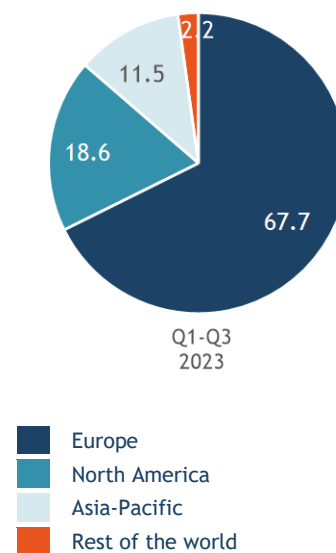
Share of revenue by customer industry, %



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

	Q3	Q3	Change	Q1-Q3	Q1-Q3	Change	Q1-Q4
EUR thousand	2023	2022	%	2023	2022	%	2022
Europe	12,961	18,056	-28.2	50,592	58,390	-13.4	76,651
North America	4,270	9,764	-56.3	13,918	29,630	-53.0	37,272
Asia-Pacific	2,545	5,734	-55.6	8,577	15,887	-46.0	20,930
Rest of the world	763	236	222.9	1,654	2,097	-21.1	2,135
<b>Total</b>	<b>20,539</b>	<b>33,790</b>	<b>-39.2</b>	<b>74,741</b>	<b>106,004</b>	<b>-29.5</b>	<b>136,988</b>

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



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

## Operating profit

In the third quarter of 2023, the Group's operating profit decreased to EUR -0.7 million (1.7). Operating profit margin was -3.2% (5.0%). Adjusted operating profit was EUR -1.2 million (1.8) and adjusted operating profit margin was -5.9% (5.4%). Reversal of provisions related to Runcorn improved operating profit compared to adjusted operating profit in the third quarter of 2023.

## Financial position

Net cash flow from operating activities for January-September 2023 was EUR 3.7 million (2.4). Net cash flow from investing activities amounted to EUR -2.2 million (-1.9).

On 30 September 2023, the company had unused revolving credit facilities to fully secure the payment of commercial papers.

## Changes in the Group Management Team

Johanna Tuomisto, Senior Vice President, People and Culture, was appointed as a member of the Group Management Team as of 1 September 2023.

## Events during the reporting period

The majority of the measures to transfer pultrusion production from Runcorn, United Kingdom, were completed by the end of Q3 and the last measures will be finalized in the next few weeks. Efforts to sell the Runcorn production facility continued.

## Events after the reporting period

### New strategy

On 2 October 2023, Exel Composites announced transformative strategy to capture profitability growth. Exel's aim is to become a more integrated designer and manufacturer of pultruded composite solutions for volume and customer-specific applications. Exel will also organize its operations into two dedicated customer-centric business units, one concentrating on volume and the other on custom solutions. The factory footprint will be

organized to support the needs of the new business units. As part of the process to reassess the factory footprint, Exel is planning to start a strategic review in three factories to define their role and necessity in the new operating model. The new operating model with two distinct business units will be implemented from the beginning of 2024.

On 19 October 2023, Exel Composites announced that it has completed the strategic review for the first factory. Exel has decided to refocus its operations and factory in the United States to manufacturing of tailored pull-winding tubes and customized pultruded composite profiles for the North American markets. Reorganization of the operations in the United States is expected to result in annual cost savings of approximately EUR 3.0 million. Exel will record EUR 4.3 million asset write-down as an item affecting comparability in the fourth quarter 2023 result.

### Shareholders' Nomination Board

On 3 October 2023, Exel Composites announced that the following persons have been appointed as members of the Shareholders' Nomination Board: Markus Lindqvist (Aktia Mikro Markka), Kalle Saariaho (OP Fund Management Company), Esko Torsti (Ilmarinen Mutual Pension Insurance Company), Petteri Vaarnanen (Sp-Fund Management Company) and Jouni Heinonen (Chairman of the Board of Directors, Exel Composites Plc) as an expert member.

The largest shareholders entitled to appoint members to the Nomination Board were determined based on the registered holdings in the company's shareholder register held by Euroclear Finland Oy on 30 September 2023.

The Nomination Board prepares the proposals concerning Board of Directors' members and their remuneration for the following Annual General Meeting.

Vantaa, 3 November 2023

**Exel Composites Plc**  
Board of Directors

# CALCULATION OF KEY FIGURES

## Return on equity, %

$$\frac{\text{net income + provisions}}{\text{equity + minority interest + voluntary provisions}} \times 100$$

## Return on capital employed, %

$$\frac{\text{profit before provisions and income taxes + interest and other financial}}{\text{total assets less non-interest-bearing liabilities (average)}} \times 100$$

## Equity ratio, %

$$\frac{\text{equity + minority interest + voluntary provisions}}{\text{total assets less advances received}} \times 100$$

## Net gearing, %

$$\frac{\text{net interest-bearing liabilities (= interest-bearing liabilities less liquid assets)}}{\text{equity}} \times 100$$

## Earnings per share (EPS), EUR

$$\frac{\text{profit before provisions and income taxes less income taxes +/- minority}}{\text{average adjusted number of shares in the financial period}}$$

## Equity per share, EUR

$$\frac{\text{equity + voluntary provisions}}{\text{adjusted number of shares on closing date}}$$

## Dividend per share, EUR

$$\frac{\text{dividend for the financial period}}{\text{adjusted number of shares on closing date}}$$

## Payout ratio, %

$$\frac{\text{dividend per share}}{\text{earnings per share (EPS)}} \times 100$$

## Effective yield of shares, %

$$\frac{\text{dividend per share} \times 100}{\text{adjusted average share price at year end}} \times 100$$

## Price/earnings (P/E), %

$$\frac{\text{adjusted average share price at year end}}{\text{earnings per share}} \times 100$$

## Price to book ratio, (P/B)

$$\frac{\text{total number of shares on closing date excluding treasury shares} \times \text{share price at year end}}{\text{equity without non-controlling interests}}$$

## Adjusted operating profit

Operating profit - material items affecting comparability (restructuring costs, impairment losses and reversals, costs related to planned or realized business acquisitions or disposals, etc.)





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 650 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).