

# Exel Composites

## Company report

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✓ Inderes corporate customer

This report is a summary translation of the report “Katseet pidempään peliin” published on 6/12/2024 at 8:20 am EEST

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# Eyes on the longer game

Exel's share issue was clearly oversubscribed based on the preliminary result. We had already included the issue in our forecasts, and thus the result did not put change pressure on our forecasts. Instead, we believe the outcome will lower Exel's risk profile as the uncertainty related to the financial position is removed and the capital raised brings degrees of freedom to strategy implementation. Reflecting this, the longer term potential and the stock price that was under pressure with the share issue, we raise our recommendation to Accumulate (was Reduce) and reiterate our target price of EUR 0.38. At the same time, we point out that an investor interested in the company before the share series are combined should observe any differences in the share series.

## The company received the funds it sought with the rights offering

Exel [announced](#) on Tuesday that based on the preliminary result, approximately 141% of the offered shares were subscribed for in the issue. Thus, the offering was clearly oversubscribed with support from secondary subscriptions. Reflecting this, the company will receive the targeted 21.8 MEUR gross assets and net assets of good 20 MEUR through the offering. At the same time, the new financing agreement, which was conditional on the full implementation of the issue, was also confirmed in this respect. The final result of the share issue will be published on around 6/13/2024 after Exel's Board of Directors has approved the subscriptions made in the issue. With the share issue, the company's number of shares will grow approximately 9-fold. The new shares are estimated to be registered in the Trade Register on 6/14/2024, which is also the last trading day for the temporary shares.

## We had already included the issue in our forecasts, and the financial position strengthens considerably

We already included the issue in our forecasts in connection with our previous [update](#), and we made no changes to our operational forecasts now either. As we stated in the previous report, we estimate that the company's financial position improves once and for all, supported by the share issue (2024e equity ratio 42%, net gearing 36%, net debt/EBITDA 1.5x). We expect this to provide a degree of freedom in strategy implementation, considering possible write-downs related to the strategic review of the factory network (e.g. the currently ongoing review of the factory in Belgium). As a whole, the strengthening of the financial position also gives the company leeway in case the demand recovery takes longer, although recently small glimpses of light have been seen in the industry. However, we consider it likely that an overall recovery will not occur until next year at the earliest, and we also estimate that the implementation of the company's ongoing change strategy will take time.

## 2024 valuation is challenging, but with the strengthened balance sheet eyes are on the longer game

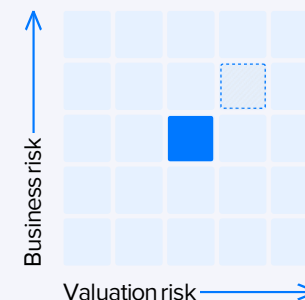
Looking at this year, the overall valuation picture is challenging (2024e P/E 38x, EV/EBIT 15x, EV/EBITDA 5x) despite the share price drop. However, with the significantly strengthened financial position, we believe that we can look beyond the current year with the elimination of balance sheet risks (incl. the financing agreement). Correspondingly, support for the valuation will come next year when the overall valuation picture is cautiously attractive (2025e: P/E 12x, EV/EBIT 8x, EV/EBITDA 4x). On the other hand, the still uncertain earnings turnaround and its timing, as well as the earnings level that has fluctuated strongly in recent years, limits the upside in the multiples for the time being, despite the decreased required return. These factors also further limit the willingness to rely on the longer-term potential of the company's much higher profitability (incl. the measures taken to reduce fixed costs) as indicated by our DCF model (EUR 0.5/share, was EUR 0.47).

## Recommendation

**Accumulate**  
(previous Reduce)

**EUR 0.38**  
(previous EUR 0.38)

**Share price:**  
0.33



## Key figures

	2023	2024e	2025e	2026e
<b>Revenue</b>	97	109	125	137
<b>growth-%</b>	-29%	13%	14%	10%
<b>EBIT adj.</b>	-2.4	3.3	6.3	8.2
<b>EBIT-% adj.</b>	-2.5 %	3.0 %	5.0 %	6.0 %
<b>Net Income</b>	-9.1	0.9	2.8	4.3
<b>EPS (adj.)</b>	-0.56	0.01	0.03	0.04

<b>P/E (adj.)</b>	neg.	38.0	12.5	8.2
<b>P/B</b>	1.7	0.9	0.9	0.8
<b>Dividend yield-%</b>	0.0 %	0.0 %	0.0 %	0.0 %
<b>EV/EBIT (adj.)</b>	neg.	15.1	8.0	5.9
<b>EV/EBITDA</b>	15.6	5.4	4.1	3.4
<b>EV/S</b>	0.7	0.4	0.4	0.4

Source: Inderes

## Guidance

(Unchanged)

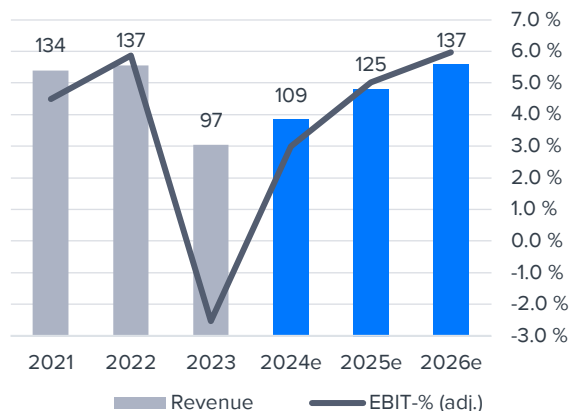
Exel Composites expects that revenue will increase in 2024 (2023: 97 MEUR) and adjusted operating profit will increase significantly compared to 2023 (2023: -2.4 MEUR).

### Share price



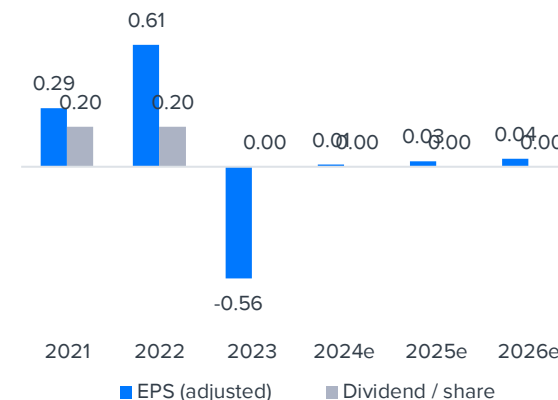
Source: Millstream Market Data AB

### 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 new 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
- Concentrated customer portfolio

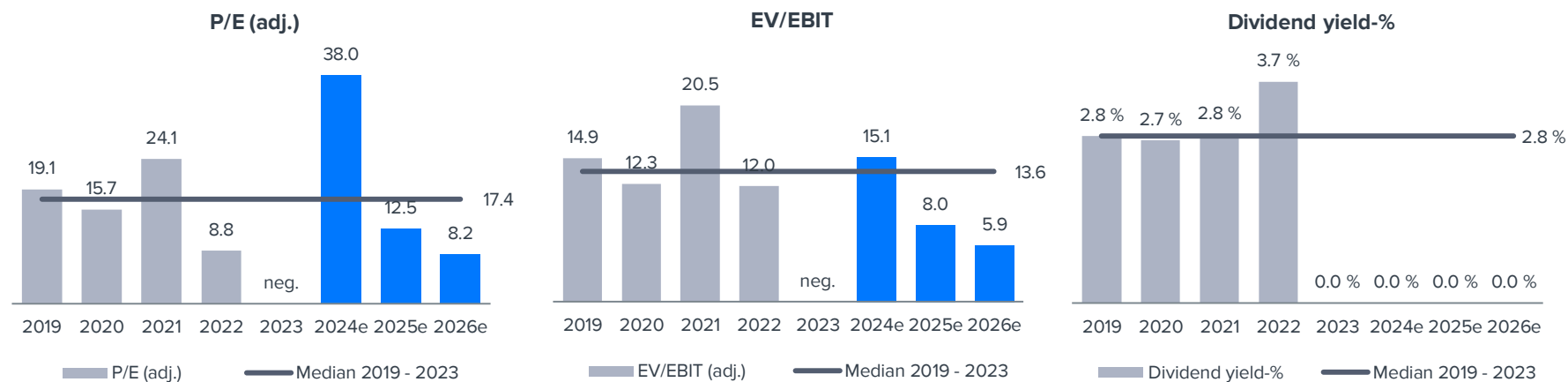
Valuation	2024e	2025e	2026e
Share price	0.33	0.33	0.33
Number of shares, millions	106.7	106.7	106.7
Market cap	35	35	35
EV	49	50	48
P/E (adj.)	38.0	12.5	8.2
P/E	38.0	12.5	8.2
P/B	0.9	0.9	0.8
P/S	0.3	0.3	0.3
EV/Sales	0.4	0.4	0.4
EV/EBITDA	5.4	4.1	3.4
EV/EBIT (adj.)	15.1	8.0	5.9
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

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	0.33	0.33	0.33	0.33
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	35	35	35	35
EV	107	119	124	97	63	49	50	48	44
P/E (adj.)	19.1	15.7	24.1	8.8	neg.	38.0	12.5	8.2	6.5
P/E	32.0	16.4	50.9	28.1	neg.	38.0	12.5	8.2	6.5
P/B	2.9	3.0	2.8	2.2	1.7	0.9	0.9	0.8	0.7
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	0.4	0.4	0.4	0.3
EV/EBITDA	10.0	7.8	10.3	6.7	15.6	5.4	4.1	3.4	2.7
EV/EBIT (adj.)	14.9	12.3	20.5	12.0	neg.	15.1	8.0	5.9	4.5
Payout ratio (%)	88.8 %	44.3 %	143.3 %	103.8 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Dividend yield-%	2.8 %	2.7 %	2.8 %	3.7 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Inderes



# Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
<b>Revenue</b>	<b>137</b>	<b>28.8</b>	<b>25.4</b>	<b>20.5</b>	<b>22.1</b>	<b>96.8</b>	<b>23.4</b>	<b>29.0</b>	<b>27.3</b>	<b>29.8</b>	<b>109</b>	<b>125</b>	<b>137</b>	<b>144</b>
Group	137	28.8	25.4	20.5	22.1	96.8	23.4	29.0	27.3	29.8	109	125	137	144
<b>EBITDA</b>	<b>10.1</b>	<b>1.5</b>	<b>1.5</b>	<b>1.1</b>	<b>-0.2</b>	<b>3.8</b>	<b>0.9</b>	<b>3.2</b>	<b>2.2</b>	<b>2.7</b>	<b>9.1</b>	<b>12.3</b>	<b>14.4</b>	<b>16.0</b>
Depreciation	-7.1	-1.8	-1.7	-1.7	-3.5	-8.7	-1.5	-1.5	-1.5	-1.5	-5.8	-6.1	-6.2	-6.3
<b>EBIT (excl. NRI)</b>	<b>8.0</b>	<b>0.0</b>	<b>0.1</b>	<b>-1.2</b>	<b>-1.3</b>	<b>-2.4</b>	<b>-0.6</b>	<b>1.8</b>	<b>0.8</b>	<b>1.3</b>	<b>3.3</b>	<b>6.3</b>	<b>8.2</b>	<b>9.8</b>
<b>EBIT</b>	<b>3.0</b>	<b>-0.3</b>	<b>-0.2</b>	<b>-0.7</b>	<b>-3.7</b>	<b>-4.9</b>	<b>-0.6</b>	<b>1.8</b>	<b>0.8</b>	<b>1.3</b>	<b>3.3</b>	<b>6.3</b>	<b>8.2</b>	<b>9.8</b>
Net financial items	0.6	-1.2	-0.4	0.2	-2.0	-3.4	-0.1	-0.7	-0.6	-0.6	-2.0	-2.0	-1.8	-1.8
<b>PTP</b>	<b>3.6</b>	<b>-1.5</b>	<b>-0.7</b>	<b>-0.4</b>	<b>-5.7</b>	<b>-8.3</b>	<b>-0.6</b>	<b>1.1</b>	<b>0.2</b>	<b>0.7</b>	<b>1.3</b>	<b>4.3</b>	<b>6.4</b>	<b>8.0</b>
Taxes	-1.5	-0.7	-0.2	-0.2	0.1	-1.1	0.0	-0.2	0.0	-0.1	-0.4	-1.2	-1.7	-2.1
Minority interest	0.1	0.0	0.0	0.1	0.0	0.2	0.1	0.0	0.0	0.0	0.0	-0.3	-0.4	-0.5
<b>Net earnings</b>	<b>2.3</b>	<b>-2.1</b>	<b>-0.9</b>	<b>-0.6</b>	<b>-5.6</b>	<b>-9.1</b>	<b>-0.5</b>	<b>0.8</b>	<b>0.1</b>	<b>0.5</b>	<b>0.9</b>	<b>2.8</b>	<b>4.3</b>	<b>5.4</b>
<b>EPS (adj.)</b>	<b>0.61</b>	<b>-0.15</b>	<b>-0.05</b>	<b>-0.10</b>	<b>-0.27</b>	<b>-0.56</b>	<b>-0.01</b>	<b>0.01</b>	<b>0.00</b>	<b>0.00</b>	<b>0.01</b>	<b>0.03</b>	<b>0.04</b>	<b>0.05</b>
<b>EPS (rep.)</b>	<b>0.19</b>	<b>-0.18</b>	<b>-0.07</b>	<b>-0.05</b>	<b>-0.47</b>	<b>-0.77</b>	<b>-0.01</b>	<b>0.01</b>	<b>0.00</b>	<b>0.00</b>	<b>0.01</b>	<b>0.03</b>	<b>0.04</b>	<b>0.05</b>
<b>Key figures</b>	<b>2022</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>Q3'23</b>	<b>Q4'23</b>	<b>2023</b>	<b>Q1'24</b>	<b>Q2'24e</b>	<b>Q3'24e</b>	<b>Q4'24e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>
<b>Revenue growth-%</b>	1.9 %	-15.7 %	-33.3 %	-39.2 %	-28.8 %	-29.3 %	-18.9 %	14.0 %	33.0 %	35.0 %	13.0 %	14.0 %	10.0 %	5.0 %
<b>Adjusted EBIT growth-%</b>	33.0 %	-99.7 %	-97.9 %	-166.5 %	-242.7 %	-130.5 %		2630.8 %	-164.2 %	-197.1 %	-233.6 %	91.5 %	30.9 %	19.3 %
<b>EBITDA-%</b>	7.4 %	5.1 %	5.8 %	5.2 %	-0.8 %	4.0 %	3.9 %	11.2 %	8.2 %	9.2 %	8.3 %	9.9 %	10.5 %	11.1 %
<b>Adjusted EBIT-%</b>	5.9 %	0.0 %	0.3 %	-5.9 %	-5.9 %	-2.5 %	-2.4 %	6.1 %	2.8 %	4.3 %	3.0 %	5.0 %	6.0 %	6.8 %
<b>Net earnings-%</b>	1.7 %	-7.3 %	-3.5 %	-2.8 %	-25.2 %	-9.4 %	-2.3 %	2.9 %	0.4 %	1.7 %	0.8 %	2.3 %	3.1 %	3.8 %

Source: Inderes

# Balance sheet

Assets	2022	2023	2024e	2025e	2026e
<b>Non-current assets</b>	<b>47.9</b>	<b>39.6</b>	<b>38.9</b>	<b>39.8</b>	<b>40.7</b>
Goodwill	13.0	12.6	12.6	12.6	12.6
Intangible assets	2.2	1.7	1.7	1.8	1.8
Tangible assets	30.9	24.7	23.9	24.8	25.6
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
<b>Current assets</b>	<b>65.2</b>	<b>45.4</b>	<b>53.6</b>	<b>60.4</b>	<b>63.0</b>
Inventories	23.4	16.9	19.2	21.2	22.6
Other current assets	1.1	0.5	0.5	0.5	0.5
Receivables	23.3	17.0	20.8	23.7	26.1
Cash and equivalents	17.4	11.0	13.1	15.0	13.7
<b>Balance sheet total</b>	<b>113</b>	<b>85.0</b>	<b>92.5</b>	<b>100</b>	<b>104</b>

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
<b>Equity</b>	<b>30.4</b>	<b>17.7</b>	<b>38.7</b>	<b>41.5</b>	<b>45.8</b>
Share capital	2.1	2.1	2.1	2.1	2.1
Retained earnings	21.0	9.5	10.5	13.3	17.6
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
<b>Non-current liabilities</b>	<b>15.4</b>	<b>6.0</b>	<b>12.2</b>	<b>14.2</b>	<b>14.3</b>
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	10.6	12.6	12.7
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
<b>Current liabilities</b>	<b>67.3</b>	<b>61.3</b>	<b>41.6</b>	<b>44.5</b>	<b>43.5</b>
Interest bearing debt	35.0	39.4	16.4	17.0	14.0
Payables	26.2	21.9	25.2	27.4	29.5
Other current liabilities	6.1	0.0	0.0	0.0	0.0
<b>Balance sheet total</b>	<b>113</b>	<b>85.0</b>	<b>92.5</b>	<b>100</b>	<b>104</b>

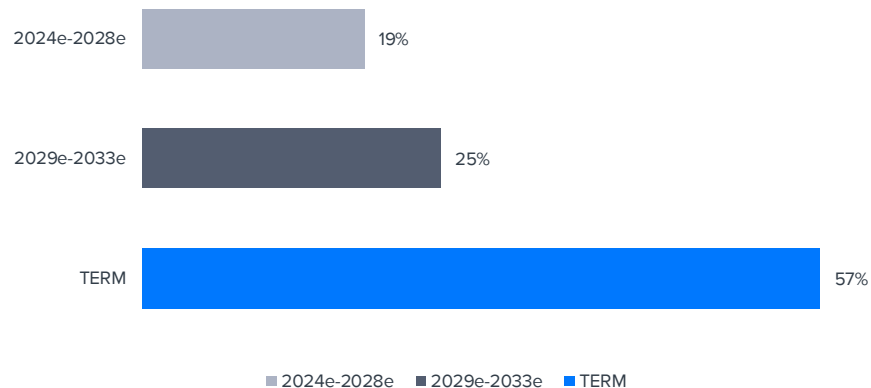
# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-29.3 %	13.0 %	14.0 %	10.0 %	5.0 %	4.0 %	3.0 %	2.5 %	2.0 %	2.0 %	2.0 %	2.0 %
EBIT-%	-5.0 %	3.0 %	5.0 %	6.0 %	6.8 %	6.2 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %
<b>EBIT (operating profit)</b>	<b>-4.9</b>	<b>3.3</b>	<b>6.3</b>	<b>8.2</b>	<b>9.8</b>	<b>9.3</b>	<b>9.3</b>	<b>9.5</b>	<b>9.7</b>	<b>9.9</b>	<b>10.1</b>	
+ Depreciation	8.7	5.8	6.1	6.2	6.3	6.4	6.6	6.7	6.8	6.8	6.8	
- Paid taxes	-0.2	-0.4	-1.2	-1.7	-2.1	-2.1	-2.2	-2.3	-2.3	-2.4	-2.5	
- Tax, financial expenses	0.4	-0.6	-0.5	-0.5	-0.5	-0.3	-0.2	-0.2	-0.2	-0.2	-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	2.9	-2.8	-2.7	-1.7	-0.2	0.0	0.2	-0.5	-0.4	-0.4	-0.4	
<b>Operating cash flow</b>	<b>7.0</b>	<b>5.3</b>	<b>8.0</b>	<b>10.4</b>	<b>13.3</b>	<b>13.3</b>	<b>13.6</b>	<b>13.2</b>	<b>13.6</b>	<b>13.7</b>	<b>13.8</b>	
+ 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	-7.1	-7.1	-7.1	-7.1	-7.1	-7.2	-6.9	-6.9	-7.0	
<b>Free operating cash flow</b>	<b>5.5</b>	<b>0.3</b>	<b>0.9</b>	<b>3.4</b>	<b>6.2</b>	<b>6.2</b>	<b>6.6</b>	<b>6.1</b>	<b>6.7</b>	<b>6.8</b>	<b>6.8</b>	
+/- 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	0.3	0.9	3.4	6.2	6.2	6.6	6.1	6.7	6.8	6.8	90.7
<b>Discounted FCFF</b>		<b>0.3</b>	<b>0.8</b>	<b>2.7</b>	<b>4.5</b>	<b>4.1</b>	<b>3.9</b>	<b>3.3</b>	<b>3.3</b>	<b>3.1</b>	<b>2.8</b>	<b>37.6</b>
Sum of FCFF present value		66.4	66.2	65.4	62.7	58.2	54.1	50.2	46.9	43.5	40.4	37.6
<b>Enterprise value DCF</b>		<b>66.4</b>										
- Interest bearing debt		-43.8										
+ Cash and cash equivalents		31.1										
-Minorities		-0.2										
-Dividend/capital return		0.0										
<b>Equity value DCF</b>		<b>53.5</b>										
<b>Equity value DCF per share</b>		<b>0.50</b>										

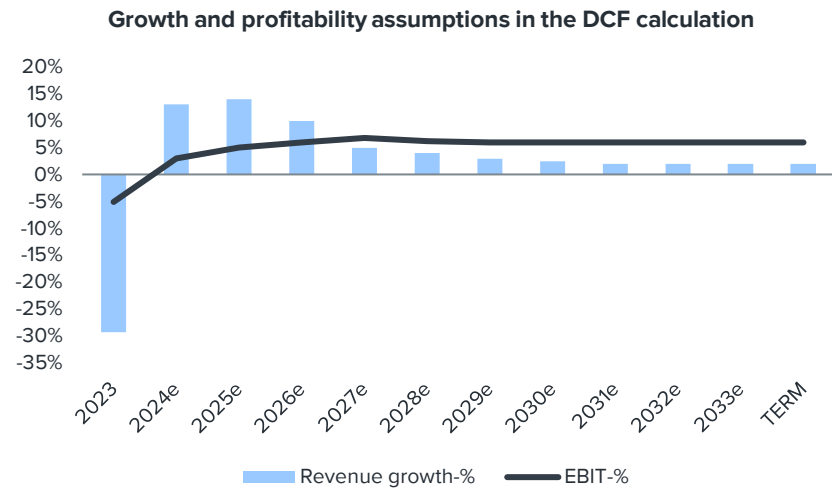
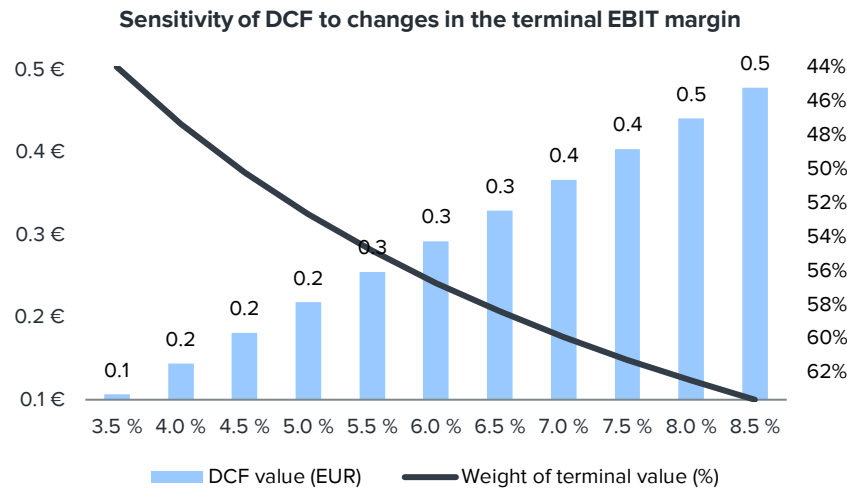
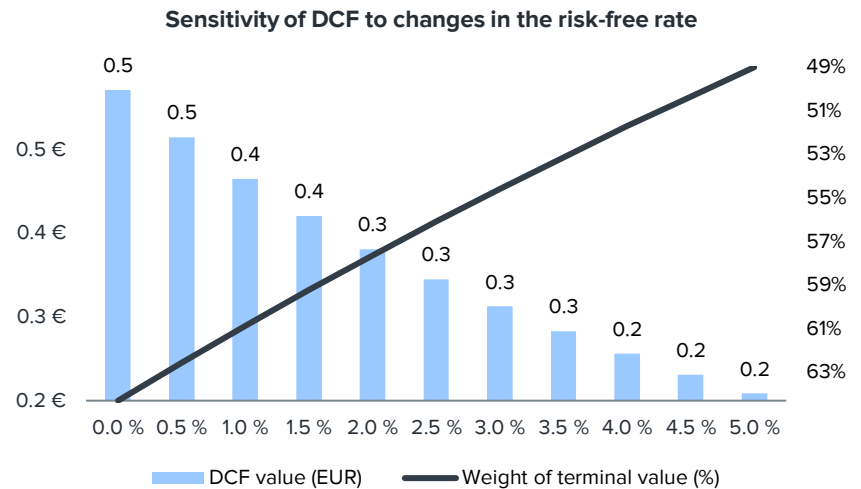
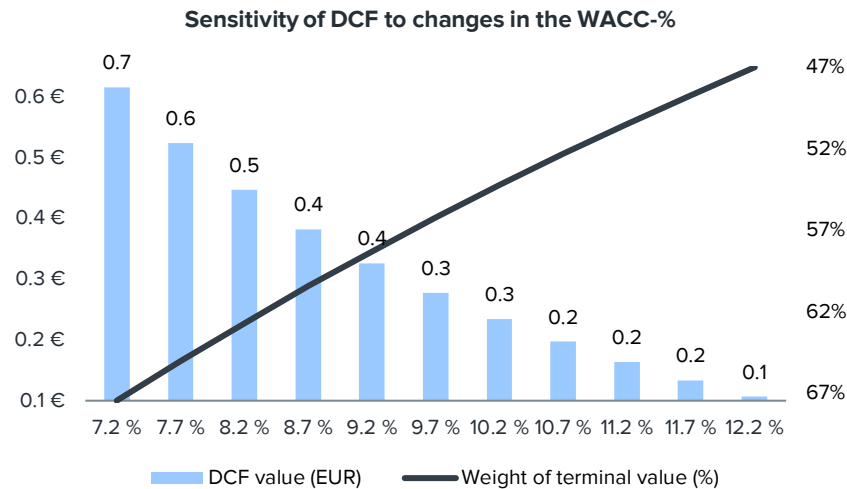
WACC	
Tax-% (WACC)	25.0 %
Target debt ratio (D/(D+E))	25.0 %
Cost of debt	7.0 %
Equity Beta	1.50
Market risk premium	4.75%
Liquidity premium	1.50%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>11.1 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>9.7 %</b>

Source: Inderes

Cash flow distribution



# DCF sensitivity calculations and key assumptions in graphs



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.



# Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	134.4	137.0	96.8	109.4	124.8	EPS (reported)	0.14	0.19	-0.77	0.01	0.03
EBITDA	11.9	10.1	3.8	9.1	12.3	EPS (adj.)	0.29	0.61	-0.56	0.01	0.03
EBIT	3.7	3.0	-4.9	3.3	6.3	OCF / share	0.41	0.99	0.59	0.05	0.07
PTP	4.2	3.6	-8.3	1.3	4.3	FCF / share	-0.61	0.74	0.46	0.00	0.01
Net Income	1.7	2.3	-9.1	0.9	2.8	Book value / share	2.57	2.52	1.47	0.36	0.39
Extraordinary items	-2.3	-5.0	-2.4	0.0	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	92.5	100.2	Revenue growth-%	24%	2%	-29%	13%	14%
Equity capital	31.2	30.4	17.7	38.7	41.5	EBITDA growth-%	-22%	-15%	-62%	137%	36%
Goodwill	12.8	13.0	12.6	12.6	12.6	EBIT (adj.) growth-%	-38%	33%	-130%	-234%	92%
Net debt	37.4	31.1	32.8	13.9	14.7	EPS (adj.) growth-%	-38%	109%	-192%	-102%	205%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	8.9 %	7.4 %	4.0 %	8.3 %	9.9 %
EBITDA	11.9	10.1	3.8	9.1	12.3	EBIT (adj.)-%	4.5 %	5.9 %	-2.5 %	3.0 %	5.0 %
Change in working capital	-4.8	2.8	2.9	-2.8	-2.7	EBIT-%	2.8 %	2.2 %	-5.0 %	3.0 %	5.0 %
Operating cash flow	4.8	11.8	7.0	5.3	8.0	ROE-%	5.6 %	7.6 %	-38.5 %	3.3 %	7.1 %
CAPEX	-12.2	-3.2	-1.6	-5.1	-7.1	ROI-%	4.8 %	3.7 %	-6.9 %	5.2 %	9.2 %
Free cash flow	-7.2	8.8	5.5	0.3	0.9	Equity ratio	26.5 %	26.9 %	20.9 %	41.9 %	41.4 %
Valuation multiples	2021	2022	2023	2024e	2025e	Gearing	119.9 %	102.4 %	185.7 %	35.8 %	35.4 %
EV/S	0.9	0.7	0.7	0.4	0.4						
EV/EBITDA	10.3	6.7	15.6	5.4	4.1						
EV/EBIT (adj.)	20.5	12.0	neg.	15.1	8.0						
P/E (adj.)	24.1	8.8	neg.	38.0	12.5						
P/B	2.8	2.2	1.7	0.9	0.9						
Dividend-%	2.8 %	3.7 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

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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

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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 €



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