

Hexcel Corp.

HXL: Built to Last, Steady Growth, Initiating Coverage at Market Perform

Market Perform/V/\$85

Chemicals
Market Weight

Initiation of Coverage

Our Chemical Call: We are initiating coverage on Hexcel – NYSE (Ticker: HXL) with a Market Perform rating and establishing a 12-month price target of \$85.00 based on a 2020E EV/EBITDA of ~13.5x or 2020E P/E of ~22.0x. While we believe it is a high quality aerospace/industrial company that has consistently generated double digit EPS growth driven by strong organic sales growth, HXL is highly leveraged to a large backlog of commercial and military aircrafts and wind energy as well as a secular-trends, where carbon fiber composites are increasing its content on aircrafts.

Key Investment Points

- **Near Term Earnings Outlook – Strong:** We are establishing our EPS and adjusted EBITDA outlook for 2019E at \$3.50 (+15%) and \$581 million (+17% Y/Y) which demonstrates its resilient and steady portfolio which is seeing growth despite the headwind from the Boeing 737-max re-certification delay. We see ~11% sales growth where the bulk is organic coming in all three major end markets where industrial/wind is expected to increase mid-teens and Commercial Aerospace up ~8%.
- **2020E Outlook – Positive:** We are establishing our adjusted EPS and adjusted EBITDA outlook for 2020E at \$3.85 (+10% Y/Y) and \$628 million (+8.0% Y/Y). For Commercial Aerospace, we see MSD sales growth leveraged to new aircraft platforms (A350, B787, B777X, A320 NEO) with upside potential if the B737 Max certification issues are resolved at some point next year.
- **Driver #1 – Commercial Aerospace Leveraged to a Large Backlog:** The backlog of single aisle and widebody aircrafts for Boeing & Airbus remain sizable nearing 13,000 aircrafts which is worth over \$9 billion in sales to Hexcel. Over the last 5 years, HXL has grown sales ~7% annually (2014 – 2018). HXL's 3-year sale CAGR goal for this segment is 4 – 7% (2018 through 2021).
- **Driver #2 – Space and Defense Steady:** The Space and Defense segment benefits from consistent demand for carbon fiber which is an industry standard. ~40% of sales are Rotocraft where adoption of composites into helicopter blades continue to increase. We believe there is a strong backlog of military aircraft particularly the JSF, which is expected to produce 170+ by 2022 versus ~131 in 2019 and 91 in 2018. This segment is expected to grow sales 11% – 13% annually (2018 – 2021).
- **Driver #3 – Industrial Leverage to Large Vestas Backlog:** Wind energy comprises ~60% of the segment's sales and has multi-year contract with Vestas where its current backlog of wind turbines is ~15.9B Euro as of 2Q19. Automotive markets are also accelerating composite adoption. Sales growth is expected to CAGR 10%+ through 2021. *Continued on next page.*

Please see page 19 for rating definitions, important disclosures and required analyst certifications. All estimates/forecasts are as of 10/15/19 unless otherwise stated. 10/15/19 13:34:57 ET

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\$	2018A	2019E	2020E
EPS		Curr. Prior	Curr. Prior
Q1 (Mar.)	0.68	0.84 A	NC NE NC
Q2 (June)	0.75	0.94 A	NC NE NC
Q3 (Sep.)	0.80	0.85	NE NE NC
Q4 (Dec.)	0.82	0.87	NE NE NC
FY	3.05	3.50	NE 3.85 NE
CY	3.05	3.50	3.85
FY P/EPS	25.2x	21.9x	19.9x
Rev.(MM)	2,189	2,425	2,559

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful
V = Volatile
Non-GAAP measures exclude "non-GAAP adjustments" such as but are not limited to cost reduction actions, impairment charges, and gains on transactions.

Ticker	HXL
Price Target/Prior:	\$85/NC
Price (10/15/2019)	\$76.77
52-Week Range:	\$53-87
Shares Outstanding: (MM)	86.0
Market Cap.: (MM)	\$6,597.5
S&P 500:	2,996.70
Avg. Daily Vol.:	456,322
Dividend/Yield:	\$0.00/0.0%
LT Debt: (MM)	\$1,123.0
LT Debt/Total Cap.:	45.0%
ROE:	19.0%
3-5 Yr. Est. Growth Rate:	10.0%
CY 2019 Est. P/E-to-Growth:	2.2x
Last Reporting Date:	07/28/2019

NC = No Change

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

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Together we'll go far



- **Balance Sheet/FCF:** At the end of 2Q19, HXL has total debt at ~\$1.1B and \$55M in cash where net debt to EBITDA sits around ~1.9x. We believe
- **Valuation:** HXL is trading at a 2020 EV/EBITDA of ~12.0x versus its 5-year historical low to high EV/EBITDA average range of ~11.0x to ~14.0x. We expect FCF generation ~\$250M in 2019.
- **Risks:** Risks that could impede the stock from achieving our price target include, but are not limited to: a global economic downturn; rapidly rising energy/raw material costs; a slowdown in commercial aerospace markets; production delays on new aircraft platforms; and the loss of key customers.

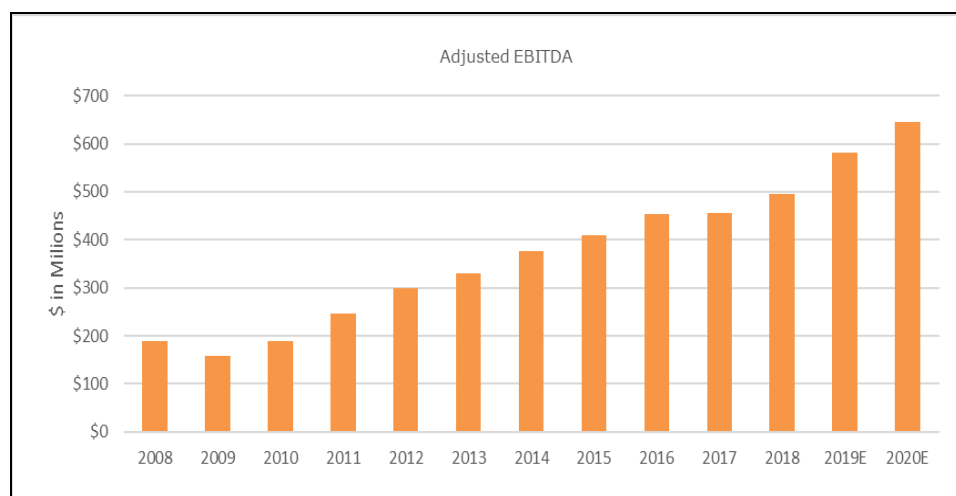
INVESTMENT RECOMMENDATION

We are initiating coverage on Hexcel (Ticker: HXL) with a Market Perform rating where the stock is trading at a 2020E EV/EBITDA of ~12.0x versus its 7-year average low to high range of ~11.0x to 14.0x. We believe HXL is one of the higher quality aerospace/industrial companies and carries a steady core growth story tied to secular demand for increased use of carbon fiber composites replacing other materials in aerospace, military and industrial/wind energy applications. With that said, we believe a good chunk of the near-term positives are discounted in the stock, which is trading at the high end of its multiple range. While several industrial companies are struggling in 2019, HXL is poised to generate strong mid-teens EPS growth and over 10% sales growth while generating solid free cash flow of \$250+MM. For 2020E, we do expect sales growth to remain positive but at a lower rate than the last 2 years as new aircraft momentum slows versus prior years, which could limit further multiple expansion from current levels. Longer term, we believe HXL is still one of the more-attractive growth stories in the aerospace/industrial space and see three key drivers. 1) Commercial aerospace represents nearly 2/3rds of sales where the Company is the global leader in providing carbon fiber composites to new aircraft platforms. We believe steady demand is driven by a sizable backlog of aircrafts for Boeing and Airbus which approaches 13,000 new aircrafts expected to be delivered over the next 7 – 8 years. Through 2021, Commercial Aerospace should generate 4 – 7% annually. 2) While Space and Defense is just under 20% of sales, the segment has good secular growth driven by a steady increase in the JSF, A400M and several helicopter platforms which should drive 11 – 13% sales growth annually through 2021. 3) While the Industrial/Wind segment is HXL's smallest, it is poised to generate double digit sales growth annually (10%+) driven by a large backlog in wind energy via Vestas. In total, HXL appears to be positioned to generate 6 – 9% sales growth annually and double-digit EPS growth (2018 – 2021) while posting positive free cash flow.

KEY INVESTMENT POINTS

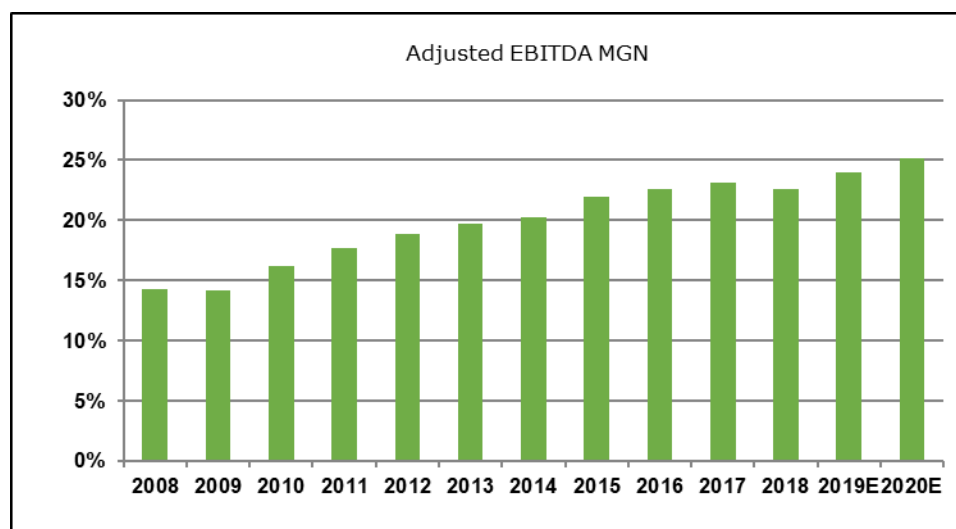
Near Term Earnings Outlook – Positive Growth: We are establishing our EPS and adjusted EBITDA outlook for 2019E at \$3.50 (+15%) and \$581 million (+17% Y/Y) which is impressive given several industrial companies are struggling. Underpinning strong Y/Y EPS growth is ~11% sales growth with 10% coming from organic growth, 2% from acquisitions and offset by 1% in FX. All three end market segments are generating strong growth with Industrial/Wind expected to be up high teens Y/Y and Space and Defense up 22% which includes +13.5% from acquisitions. Commercial Aerospace should generate solid 8% organic sales growth where 1H19 posted ~10% Y/Y growth and 2H19 is expected to slow to +6% y/y. The stronger operating leverage to the bottom line is driven by operational improvements where its expansion in France is more productive and a more favorable/hedge raw material pricing. While free cash flow was neutral to negative earlier parts of this decade as the Company had to rapidly expand capacity to meet new aircraft programs, FCF going forward is gaining momentum expecting ~\$250+ million in 2019.

Figure 1: HXL EBITDA Steady Growth for the last Decade



Source: Wells Fargo Securities, LLC estimates, company data

Figure 2: Adjusted EBITDA Margins Show Consistent Improvement



Source: Wells Fargo Securities, LLC estimates, company data

2020E Outlook – Positive: We are establishing our adjusted EPS and Adjusted EBITDA outlook for 2020E at \$3.85 (+10%) and \$628 million (+8.0%) which is a modest deceleration from 2018 and 2019 where EPS growth was in the mid-teens Y/Y as new aircraft momentum moderates but note there could be upside if the 737 Max is certified and deliveries can get back on track to prior goals of 57 per month from a run rate now ~42. With that said, we still see solid growth from Commercial Aerospace at 5% where the A320 neo, A350 and B777X should support growth. We believe Space & Defense will return to MSD% growth driven by the JSF and new rotocraft platforms. For Industrial/Wind, we still see double-digit sales growth ~10% driven by a strong backlog for Vestas.

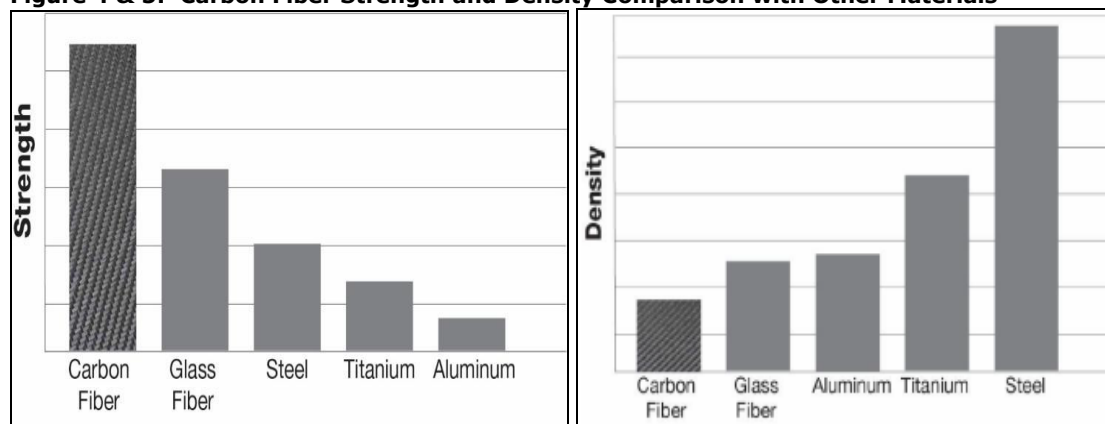
Figure 3: Earnings Outlook by Segment

Hexcel - Earnings Outlook							
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019E</u>	<u>2020E</u>
WellsFargo EPS	\$2.16	\$2.32	\$2.58	\$2.68	\$3.05	\$3.50	\$3.85
Consensus EPS						\$3.54	\$3.92
Total Sales	\$1,856	\$1,861	\$2,004	\$1,973	\$2,189	\$2,425	\$2,559
Sales Y/Y%		0.3%	7.7%	-1.5%	10.9%	10.8%	5.5%
Total EBITDA	\$377	\$409	\$453	\$456	\$496	\$580.6	\$627.9
Consensus EBITDA						\$586.0	\$627.0
Commercial Aerospace							
Sales	\$1,215	\$1,286	\$1,429	\$1,410	\$1,525	\$1,636	\$1,718
Sales Y/Y%		5.8%	11.2%	-1.4%	8.2%	7.3%	5.0%
Space & Defense							
Sales	\$376	\$337	\$322	\$344	\$370	\$452	\$470
Sales Y/Y%		-10.2%	-4.6%	6.8%	7.7%	22.1%	4.0%
Industrials/Wind							
Sales	\$264	\$238	\$253	\$220	\$294	\$338	\$371
Sales Y/Y%		-10.0%	6.4%	-13.2%	33.8%	14.8%	10.0%

Source: Wells Fargo Securities, LLC estimates, company data, FactSet

Driver #1 – Commercial Aerospace Leveraged to a Large Backlog: The commercial aerospace industry is the largest consumer of advanced composites. This end market represents ~2/3rds of HXL's sales and approximately 87% of the segment sales can be identified as sales to Airbus, Boeing and their subcontractors. The biggest driver in the commercial aero market is growth in new BA and Airbus platforms (A380, B747-8, B787, A350, A320neo and B 737 MAX) in particular, with the BA 787 and Airbus A350 leading the way the last couple years. We believe HXL is one of the more attractive secular growth stories with good visibility due to strong positions on new aircraft platforms, which carry more carbon fiber composites (A350, B787) than prior models. Underpinning the growth for Commercial Aerospace fundamentally is carbon fiber composites are simply stronger, lighter and tougher than other materials. Carbon fiber is 5x stronger and 30% lighter than aluminum where the Company can create products that are tougher, stiffer and more durable with lower lifecycle costs.

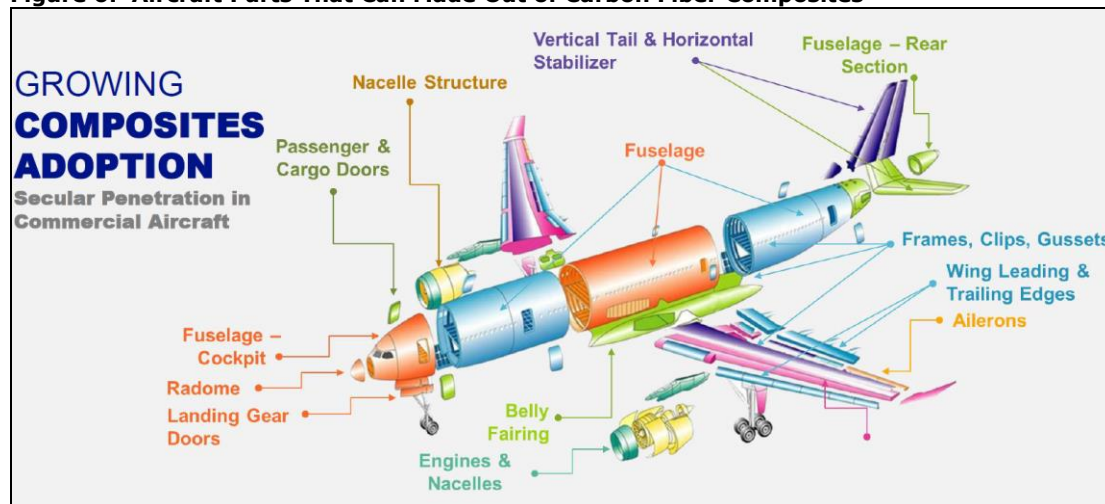
Figure 4 & 5: Carbon Fiber Strength and Density Comparison with Other Materials



Source for both: Company Presentations

In addition, the backlog of single aisle and widebody aircrafts for Boeing & Airbus remain sizable, nearing 13,000 aircraft, which is worth over \$9 billion in sales to Hexcel as shown in Figure 7 below. Over the last 5 years, HXL has grown sales ~7% annually (2014 – 2018). HXL's 3-year sale CAGR goal for this segment is 4 – 7% (2018 through 2021). Figure 6 below shows the areas where carbon fiber has replaced other materials.

Figure 6: Aircraft Parts That Can Made Out of Carbon Fiber Composites



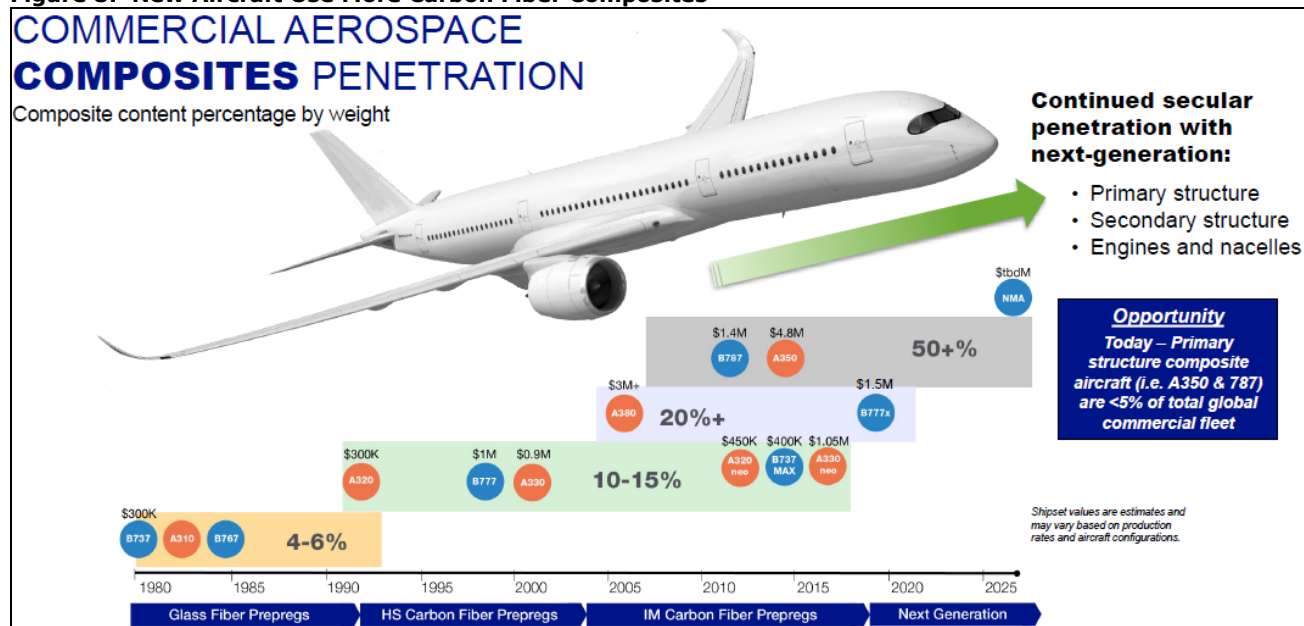
Source: Company Presentations

Figure 7: Airbus and Boeing's Current Backlog

<u>Airbus</u>		<u>Backlog</u>
A220/A320	Single	
Aisle		6,344
A330 twin aisle		275
A350 twin aisle		605
A380 twin-aisle		17
Total Airbus		7,241
<u>Boeing</u>		<u>Backlog</u>
737 single aisle		4,601
747 twin-aisle		20
767 twin aisle		99
777, 777X twin aisle		431
787 twin aisle		582
Total Boeing		5,733
Total Boeing & Airbus		12,974

Source: Company Presentations

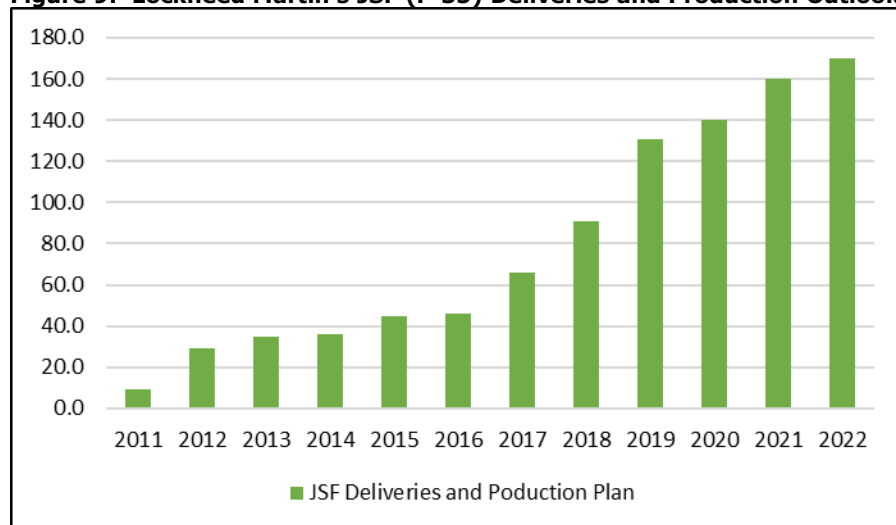
Given the weight and cost benefits of carbon fiber composites, the commercial aerospace industry has adopted more composites, accelerated with the A380, B787 and A350. The A350 is HXL's largest program where it has \$4.8M of content per shipset. B787 is another important platform with \$1.4M per shipset. The A320 neo and B737 Max content per shipset have moved up a bit where engines and nacelles are now using more carbon fiber composites which is expected to grow 12% per annum (2018 – 2023).

Figure 8: New Aircraft Use More Carbon Fiber Composites

Source: Company Presentations

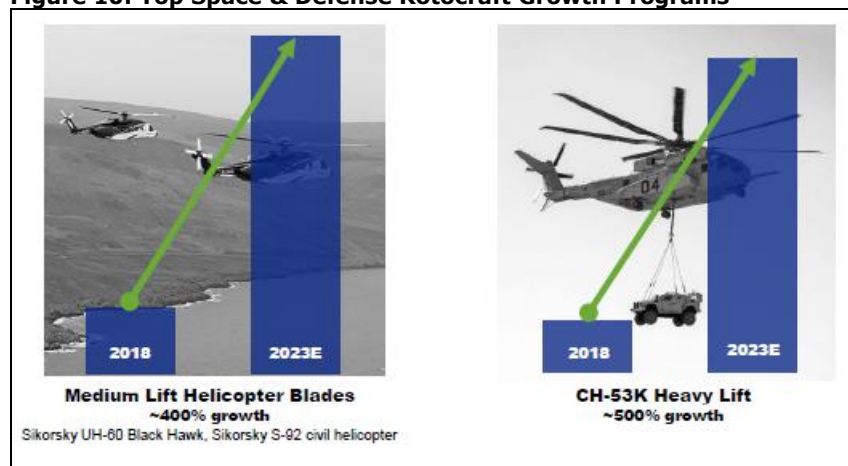
Driver #2 – Space and Defense Steady: Demand in the Space & Defense market is primarily driven by procurement of military aircraft that utilize advanced composites by the U.S. and certain European governments, including both commercial and military helicopters. HXL is qualified to supply materials to a broad range of helicopters, military aircraft and space programs including the F-35, B V-22 Osprey tilt rotocraft, Black Hawk and Airbus A400M military program. No one program accounts for more than 12% of sales. On a secular basis, there is potential for further penetration of composites in helicopter blades where new helicopter programs have increased utilization of Composite Materials. Carbon fiber composites have been the industry standard given its performance characteristics and stealth capabilities. We note that ~40% of sales are Rotocraft where adoption of composites into helicopter blades continue to increase. We believe there is a strong backlog of military aircraft particularly the JSF which is expected to produce 170+ by 2022 versus ~131 in 2019 and 91 in 2018 as shown in Figure 9 below. This segment is expected to grow sales 11% - 13% annually (2018 – 2021). Aside from the JSF, the military helicopter market should provide strong growth as shown in Figure 10 where medium lift helicopter blades and the CH-53K supports strong growth through 2023E.

Figure 9: Lockheed Martin's JSF (F-35) Deliveries and Production Outlook



Source: Lockheed Martin

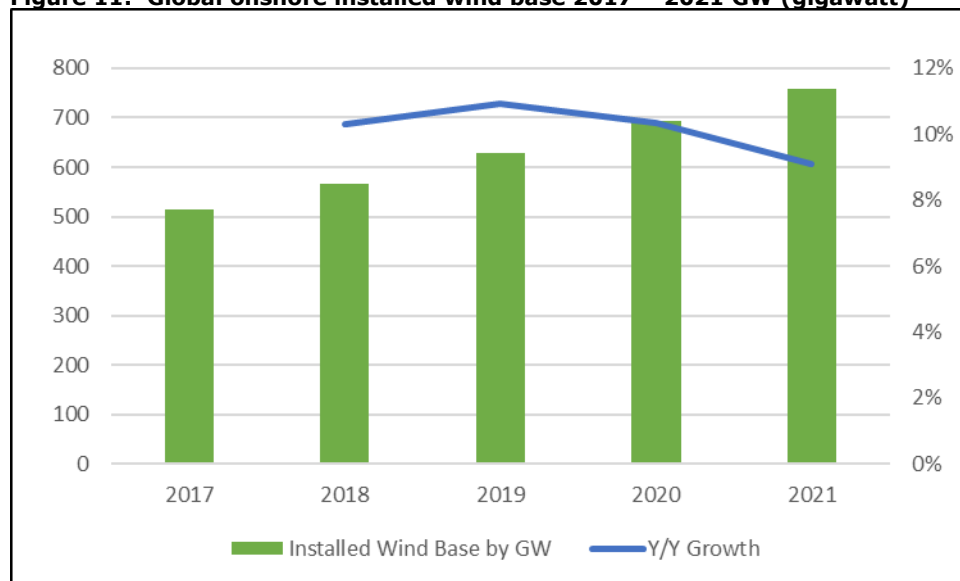
Figure 10: Top Space & Defense Rotocraft Growth Programs



Source: HXL Investor Day Presentation

Driver #3 – Industrial Leverage to Large Vestas Backlog: Sales from this market includes wind turbine blades, automotive, a wide variety of recreational products and other industrial applications. Wind energy comprises the largest submarket. The segment also serves general industrial applications, transportations (i.e. automobiles, mass transit and high-speed rail and marine applications) and recreational equipment (i.e. skis, snowboards, bicycles and hockey sticks). Automotive markets are accelerating composite adoption. Wind energy comprises ~60% of the segment's sales and has multi-year contract with Vestas. Vestas current backlog of wind turbines is ~15.9B Euro as of 2Q19.

Figure 11: Global onshore installed wind base 2017 – 2021 GW (gigawatt)



Source: Vestas Investor Presentation, Capital Markets Day 2018

Figure 12: HXL Mid Term Goals 2018 - 2021

MID TERM GUIDANCE	3 yr: 2018 - 2021
Total Sales CAGR	6 - 9%
Commercial Aerospace	4% - 7%
Space & Defense	11% - 13%
Industrial	10%+ CAGR
Adjusted EPS	Double Digit CAGR
Cap-Ex (2019 - 2021)	\$500 - \$550M
Free Cash Flow (5 Yr, 2019 - 2023)	\$1.8 billion
Shareholder Return	>50% of net income

Source: Company Reports

Valuation: HXL's stock has significantly outperformed YTD3Q19 (ending 9/30/19) up ~43% versus the S&P 500 up 19% driven by fundamentally a strong year both on the top line and bottom line. At the end of 3Q19 (9/30/19), the stock was trading at a 2020E EV/EBITDA of ~13.0x versus 7-year historical low to high EV/EBITDA average range of ~10.5x to ~13.0x. We are establishing our 12-month price target at \$85.00 based on a 2020E EV/EBITDA of ~13.5x. On a PE basis (9/30/19), HXL is trading at a 2020E PE of ~22.0x versus its historical range (7 years) of ~15.0x to ~22.0x and our 12-month price target implied 2020E PE is ~22.0x.

Figure 13: Wells Fargo Chemical Universe

Company Name	Ticker	Price 12/31/2018	Price 9/30/2019	% Chg YTD	Market Cap (\$ billions)	9/30/2019 EV/EBITDA FY20E	9/30/2019 P/E FY20E	EBITDA Margin FY20E
S&P 500	SPX	\$2,507	\$2,977	18.7%				
Wells Fargo Chemical Coverage Universe								
Albemarle	ALB	\$77.07	\$69.52	-9.8%	\$7,367	8.5x	11.1x	27.3%
Air Products	APD	\$160.05	\$221.86	38.6%	\$48,888	13.0x	23.9x	39.7%
Ashland (Sept)	ASH	\$70.96	\$77.05	8.6%	\$4,663	11.2x	23.3x	21.8%
Axalta Coating Systems	AXTA	\$23.42	\$30.15	28.7%	\$7,034	10.7x	15.9x	20.8%
Celanese Corporation	CE	\$89.97	\$122.29	35.9%	\$15,132	9.2x	11.4x	29.6%
Eastman Chemical	EMN	\$73.11	\$73.83	1.0%	\$10,111	7.4x	8.8x	22.7%
Ferro	FOE	\$15.68	\$11.86	-24.4%	\$972	7.3x	8.8x	16.0%
FMC Corp	FMC	\$64.09	\$87.68	36.8%	\$11,436	11.6x	13.7x	26.8%
Hexcel	HXL	\$57.34	\$82.13	43.2%	\$6,981	13.1x	21.3x	24.4%
Huntsman	HUN	\$19.29	\$23.26	20.6%	\$5,320	8.5x	11.9x	10.1%
Ingevity Corp.	NGVT	\$83.69	\$84.84	1.4%	\$3,550	11.3x	15.4x	30.3%
Int'l Flavors & Fragrances	IFF	\$134.27	\$122.69	-8.6%	\$13,100	15.6x	19.2x	21.8%
Linde	LIN	\$156.04	\$193.72	24.1%	\$104,871	13.3x	24.2x	30.0%
Lyondell	LYB	\$83.16	\$89.47	7.6%	\$33,139	6.8x	8.1x	17.1%
Olin Corp	OLN	\$20.11	\$18.72	-6.9%	\$3,076	5.9x	12.5x	16.1%
Polyone	POL	\$28.60	\$32.65	14.2%	\$2,510	10.0x	18.7x	10.6%
PPG	PPG	\$102.23	\$118.51	15.9%	\$28,003	12.2x	17.6x	17.3%
RPM Inc. (May)	RPM	\$58.78	\$68.81	17.1%	\$8,923	14.2x	20.9x	14.2%
Westlake	WLK	\$66.17	\$65.52	-1.0%	\$8,404	7.1x	13.1x	17.6%
W. R. Grace	GRA	\$64.91	\$66.76	2.9%	\$4,454	10.1x	13.9x	29.6%
Average:				12.3%	Average:	10.3x	15.7x	22.2%

Source: Wells Fargo Securities, LLC estimates and fact set

RISKS

As with any industrial stock, there are certain risks that could impede HXL stock from reaching our price target. These risks include, but are not limited to, a global economic slowdown, rapidly rising raw material costs, a downturn in commercial aerospace markets and the loss of a key customer.

- **Deteriorating Economic Conditions:** Commercial aerospace is a cyclical industry that typically tracks overall GDP-type levels. A prolonged challenging global economic environment could contribute to a slowdown in the aerospace industry. In the past, HXL's top line has suffered during such contractions as aerospace accounts for over half of total sales. A recessionary environment in the United States and/or Europe could expand to other regions, adversely impacting sales. In addition, the subprime crisis and the resulting liquidity crunch could potentially adversely affect business and leisure travel, which could ultimately increase backlog risks for HXL's largest customers, Boeing and Airbus.
- **Rising Raw Material Costs:** Higher commodity costs, specifically natural gas and crude oil, translate into higher raw material and energy prices. Rising fuel prices may also result in partial fleet consolidation by airlines around the globe, which could adversely impact new orders and profitability. Generally, HXL is able to mitigate raw material risks by entering into long-term purchasing contracts, allowing the Company to pass along costs to customers.
- **Loss of a Key Customer:** Boeing and Airbus (and subcontractors) collectively accounted for 87% of the Commercial segment's sales. The loss of (or a significant reduction in) sales to Boeing, Airbus and Vestas (or any other significant customer) could materially impact results going forward.

**Michael J. Sison, Managing Director, Equity Research-Chemicals:
CHEMICAL BRIEF: HEXCEL CORPORATION (HXL)**

Company Description: Hexcel Corporation (HXL-NYSE) is a leading supplier of advanced composite materials used in commercial aerospace, space & defense and industrial applications. Hexcel's array of advanced materials is offered through two business segments, Composite Materials and Engineered Products. The Composite Materials segment (78% of sales) manufactures and markets carbon fibers, fabrics and specialty reinforcements, prepreps and other fiber-reinforced matrix materials, structural adhesives, honeycomb, molding compounds, tooling materials, polyurethane systems and laminates that are incorporated into many applications, including military and commercial aircraft, wind turbine blades, recreational products, transport (cars, boats, trains) and other industrial applications. The Engineered Products segment (19% of sales) manufactures and markets composite structures and precision machined honeycomb parts, such as aerodynamic fairings, wing panels, rotor blades, engine nacelles, carbon fiber mold tools, and other components used in the aerospace industry. The Company employs a unique vertical integration strategy in which it consumes over 70%+ (by value) of the carbon fiber it produces and are converted to carbon fiber composites. The Company serves international markets through manufacturing and sales offices located in the United States, Europe, and Asia with nearly half of total sales coming from international regions.

Portfolio of Businesses Brief

Mid Term Outlook (2018 - 2021): We believe HXL has attractive medium term goals focused on maintaining double digit EPS growth driven by mid single to high single digit organic sales growth. The key driver will be strong top-line growth annually of 6 - 9%, which HXL should lever to 25%+ incremental operating income leverage. Commercial Aerospace will in our view lead the way given it's the Company's largest segment where new aircraft platforms where HXL has won strong positions should continue to support steady MSD to HSD growth. Key platforms near term are the A350, the A320neo, B737MAX, B777X and modest growth from other new programs and narrow body production increases. With that said, Space & Defense and Industrial will be strong contributors both with potential of double digit sales growth.

Composite Heavy Commercial Platforms Should Still Support Attractive Growth: The commercial aerospace industry is the largest consumer of advanced composites and represents ~70% of HXL's sales and approximately 87% of the segment sales can be identified as sales to Airbus, Boeing and their subcontractors. The biggest driver in the commercial aero market is growth in new BA and Airbus platforms (A380, B747-8, B787, A350, A320neo and B 737 MAX) in particular, with the BA 787 and Airbus A350 leading the way. We believe HXL is one of the more attractive secular growth stories with good visibility due to strong positions on new aircraft platforms, which carry more carbon fiber composites (A350, B787) than prior models. We sense HXL is positioned to drive HSD top-line growth for years to come as production ramps up on new generation aircraft (B787, A350, A380), HXL supplies composites directly to these platforms as well as to sub-contractors who supply components used in production. HXL is the primary provider of carbon fiber for the entire A350 family of aircraft (53% composites content by weight).

Space & Defense Segment Poised For Double Digit Growth: Demand in the Space & Defense market is primarily driven by procurement of military aircraft that utilize advanced composites by the U.S. and certain European governments, including both commercial and military helicopters. HXL is qualified to supply materials to a broad range of helicopters, military aircraft and space programs including the F-35, B V-22 Osprey tilt rotorcraft, Black Hawk and Airbus A400M military program. No one program accounts for more than 12% of sales. On a secular basis, there is potential for further penetration of composites in helicopter blades where new helicopter programs have increased utilization of Composite Materials. As a result of a strong backlog of military aircraft and further penetration of helicopter blades, we see the potential for double digit sales growth annually (2018 - 2021).

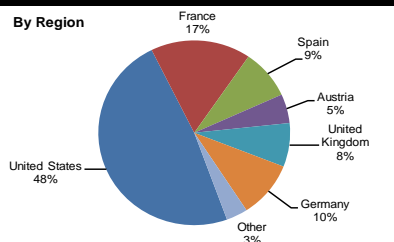
Industrial Segment: Sales from this market includes wind turbine blades, automotive, a wide variety of recreational products and other industrial applications. Wind energy comprises the largest submarket (60% of segment sales and the segment's primary customers is Vestas Wind Systems. The segment also serves general industrial applications, transportations (i.e. automobiles, mass transit and high speed rail and marine applications) and recreational equipment (i.e. skis, snowboards, bicycles and hockey sticks).

A Pure Composite Company: HXL's portfolio makes it a pure advanced composites play. The Company concentrates on markets with the most attractive growth opportunities (aerospace, defense, wind, and a more recent emphasis on high end auto applications within the industrial segment). HXL's focused portfolio of products is complemented by a unique vertical integration and capacity expansion strategy which should drive profitability improvement and operational excellence. Given a strong backlog of wind energy projects primarily from Vestas as well as automotive accelerating composite adoptions, we see double digit sales growth potential annually (2018 - 2021).

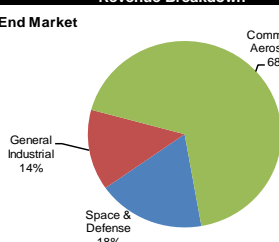
Attractive Industry Dynamics: The carbon composites market is dominated by three global players: HXL, Solvay, and Toray Industries with high barriers to entry. The performance products these companies provide require significant process technology and expertise. Additionally, there is a lengthy and expensive qualification process for military and commercial aerospace applications.

Revenue Breakdown

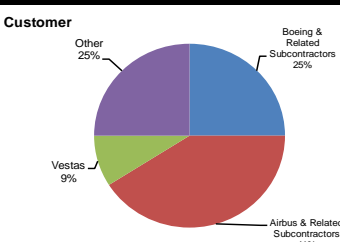
By Region



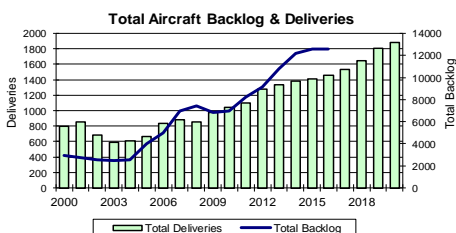
By End Market



By Customer



Total Aircraft Backlog/Deliveries (Boeing + Airbus)



Mid Term Guidance (2018 - 2021)

Commercial Aerospace	4 -7% cagr
Space & Defense	11 - 13% cagr
Industrial	>10% cagr
Total Organic Sales Growth	6 -9%
EPS Growth	double-digit cagr
FCF	~\$1.8B in cumulative FCF (2019 - 2023)

Relative Composite Content Per Plane - Key Aircraft

Platform	Comp. Content By Weight	Est. HXL Content Per Plane (\$M)
A350	50%+	\$4.8
A380	20%+	\$3.0+
B787	50%	\$1.4
A330	10-15%	\$0.9
JSF	N/A	\$0.5 - \$1.0
A330neo	10-15%	\$1.05
A320neo	10-15%	\$0.450
B737MAX	10-15%	\$0.400
B777	10-15%	\$1.0

Notes: HXL Primary Provider Prepreg for A350 through 2025; We estimate new Aircraft now represent over ~30% of HXL Commercial Aerospace Sales

Sources: HXL Investor Presentation, KBCM Estimates

Raw Materials

Raw materials account for approx. 50-60% of COGS. Raw materials are largely petrochemical based and fluctuate with the price of oil and natural gas. Primary raw materials include acrylonitrile, epoxy & phenolic resins, aluminum foil, fiberglass yarn, aramid paper and carbon fiber. Carbon fiber is produced internally as well as externally sourced as a raw material. Acrylonitrile is the primary raw material in carbon fiber. HXL can typically recover higher raw material costs subject to a pass through lag.

Management

President, Chairman & CEO: Nick L. Stange
EVP & CFO: Patrick Winterlich
Vice President of IR: Kurt Goddard
Headquarters: Stamford, CT

Competitive Landscape

Product	Key Competitors
Carbon Fiber	Cytec, Toray, Teijin, SGL Carbon
Carbon Prepreps	Cytec, Toray, Gurit, SGL Carbon
Glass Prepreps	Gurit, Umeco
Reinforcements	JPS Industries & Private Companies
Honeycomb	Various Private Companies
Engineered Products	SGL Carbon, Customers & Various Private Companies

Risks

Key risks: a global economic downturn; rapidly rising energy/raw material costs; a slowdown in commercial aerospace markets; and the loss of a key customer.

Source: Wells Fargo Securities, LLC estimates and company data

Hexcel Corporation
VALUATION MODEL

Fiscal Year Ending December 31

(\$ in millions, except per share data)

(\$ In millions, except per share data)																						
YEAR	PRICE RANGE			EV/EBITDA			P/E RANGE			ADJUSTED EBITDA	EBITDA YOY %	EBITDA MGN %	D&A	Sales	Sales Y/Y%	Adjusted EPS	Adjusted EPS Y/Y%	Yr. End Shares (millions)	TOTAL DEBT	CASH	NET DEBT	DEBT TO EBITDA
	HIGH	LOW	Yr End	HIGH	LOW	Yr End	HIGH	LOW	Yr End													
1999	\$11	\$5	\$6	7.7x	6.1x	6.3x	-17.9x	-7.5x	-8.7x	\$150.3	-15.2%	13.1%	\$61.3	\$1,152		-\$0.64		36.4	\$746.8	\$0.2	\$746.6	5.0x
2000	\$15	\$5	\$9	8.8x	5.8x	7.0x	11.7x	3.6x	6.8x	\$145.0	-3.5%	13.7%	\$58.7	\$1,056	-8.3%	\$1.32	-306.5%	41.0	\$649.2	\$5.1	\$644.1	4.5x
2001	\$13	\$2	\$3	10.2x	6.5x	6.9x	-1.1x	-0.2x	-0.3x	\$114.5	-21.0%	11.3%	\$63.2	\$1,009	-4.4%	-\$11.54	-973.0%	37.6	\$685.9	\$11.6	\$674.3	6.0x
2002	\$5	\$1	\$3	7.5x	6.2x	6.8x	-14.7x	-3.8x	-8.6x	\$107.9	-5.8%	12.7%	\$47.2	\$851	-15.7%	-\$0.35	-97.0%	38.4	\$621.7	\$8.2	\$613.5	5.8x
2003	\$8	\$3	\$7	6.3x	4.6x	6.2x	-14.1x	-4.8x	-13.7x	\$117.5	8.9%	13.1%	\$55.7	\$897	5.4%	-\$0.54	54.3%	38.6	\$483.4	\$41.7	\$441.7	4.1x
2004	\$18	\$7	\$15	7.5x	4.4x	6.6x	887.5x	340.5x	725.0x	\$150.0	27.7%	14.0%	\$55.3	\$1,075	19.8%	\$0.02	-103.7%	42.1	\$431.4	\$57.2	\$374.2	2.9x
2005	\$20	\$14	\$18	13.3x	10.2x	12.3x	13.3x	9.5x	12.1x	\$171.5	14.3%	14.8%	\$49.3	\$1,161	8.1%	\$1.49	7350.0%	95.0	\$419.8	\$21.0	\$398.8	2.4x
2006	\$24	\$14	\$17	16.3x	10.1x	12.3x	34.8x	19.3x	24.9x	\$166.2	-3.1%	13.9%	\$45.0	\$1,193	2.7%	\$0.70	-53.0%	95.5	\$412.3	\$25.7	\$386.6	2.5x
2007	\$27	\$16	\$24	16.5x	10.7x	15.1x	40.6x	24.9x	36.8x	\$174.6	5.1%	14.9%	\$39.8	\$1,171	-1.8%	\$0.66	-5.7%	96.5	\$315.9	\$28.1	\$287.8	1.8x
2008	\$26	\$6	\$7	15.5x	4.8x	5.6x	32.2x	7.0x	9.0x	\$189.4	8.5%	14.3%	\$43.9	\$1,325	13.1%	\$0.82	24.7%	97.6	\$394.6	\$50.9	\$343.7	2.1x
2009	\$14	\$5	\$13	10.2x	4.8x	9.9x	21.8x	7.6x	20.8x	\$157.8	-16.7%	14.2%	\$46.6	\$1,108	-16.3%	\$0.62	-24.3%	98.2	\$392.3	\$110.1	\$282.2	2.5x
2010	\$19	\$10	\$18	11.2x	6.4x	10.6x	25.7x	13.5x	24.2x	\$190.0	20.4%	16.2%	\$63.5	\$1,174	5.9%	\$0.75	20.1%	99.7	\$332.2	\$117	\$215.0	1.7x
2011	\$25	\$18	\$25	11.2x	8.2x	10.9x	20.4x	14.4x	19.8x	\$246.5	29.7%	17.7%	\$62.4	\$1,392	18.6%	\$1.24	65.8%	100.8	\$250.9	\$49	\$201.4	1.0x
2012	\$28	\$23	\$27	10.2x	8.4x	10.0x	17.8x	14.4x	17.3x	\$298.5	21.1%	18.9%	\$60.3	\$1,578	13.3%	\$1.56	25.7%	102.0	\$256.6	\$33	\$224.0	0.9x
2013	\$45	\$25	\$45	14.6x	8.4x	14.6x	24.3x	13.5x	24.3x	\$330.2	10.6%	19.7%	\$59.3	\$1,678	6.3%	\$1.85	18.7%	101.9	\$295.0	\$65	\$229.5	0.9x
2014	\$46	\$37	\$41	13.1x	10.6x	11.8x	21.5x	17.1x	19.2x	\$376.5	14.0%	20.3%	\$71.2	\$1,856	10.6%	\$2.16	16.7%	98.8	\$416.3	\$71	\$345.4	1.1x
2015	\$54	\$40	\$46	14.3x	10.9x	12.3x	23.5x	17.4x	20.0x	\$408.8	8.6%	22.0%	\$76.4	\$1,861	0.3%	\$2.32	7.3%	97.3	\$576.5	\$52	\$524.7	1.4x
2016	\$50	\$37	\$51	11.8x	9.1x	12.1x	19.4x	14.4x	20.0x	\$453.0	10.8%	22.6%	\$93.3	\$2,004	7.7%	\$2.58	11.1%	94.2	\$688.7	\$35	\$653.5	1.5x
2017	\$64	\$50	\$62	14.5x	11.7x	14.1x	23.8x	18.6x	23.1x	\$455.8	0.6%	23.1%	\$105.2	\$1,973	-1.5%	\$2.68	4.0%	92.0	\$809.9	\$60	\$749.8	1.8x
2018	\$73	\$54	\$57	15.0x	11.5x	12.2x	23.9x	17.6x	18.8x	\$495.9	8.8%	22.7%	\$124.7	\$2,189	10.9%	\$3.05	13.8%	89.0	\$956.8	\$33	\$924.1	1.9x
2019E										\$580.6	17.1%	23.9%	\$147.6	\$2,425	10.8%	\$3.50	14.7%	86.2	\$1,123.4	\$175	\$948.7	1.9x
2020E										\$627.9	8.2%	24.5%	\$155.6	\$2,559	5.5%	\$3.85	10.0%	85.2	\$1,123.4	\$299	\$824.2	1.8x
2021E										\$691.8	10.2%	25.6%	\$163.6	\$2,701	5.5%	\$4.40	14.3%	84.2	\$1,123.4	\$533	\$590.6	1.6x
PRICE TARGET MODEL										Most Recent Balance Sheet Data												
2019 2020 2021										2Q19												
Price Potential: \$85 \$85 \$85										St Debt \$9.7												
% Change from Current Price: 10% 11% 10%										LT Debt \$1,123.4												
Implied EV/E on Price Potential: 14.5x 13.5x 12.5x										Total Debt \$1,133.1												
P/E on Price Potential: 24.3x 22.2x 19.3x										Cash \$55.4												
										Net Debt \$1,077.7												
Current Price (10/14/19): \$77 \$77 \$77										S-Out 86.2												
EV/EBITDA on Current Price: 13.3x 12.3x 11.5x																						
P/E on Current Price: 22.0x 22.0x 22.0x																						
EBITDA Outlook: \$580.6 \$627.9 \$671.9										Net Debt/EBITDA 1.9x												
EBITDA YOY %: 17.1% 8.2% 7.0%																						
Net Debt: 1077.7 1077.7 1077.7																						
Total Debt: 1133.1 1133.1 1133.1																						
Cash: 55.4 55.4 55.4																						
S-Out 86.2 86.2 86.2																						
Adjusted EPS: \$3.50 \$3.85 \$4.40																						
Adjusted EPS Y/Y%: 14.7% 10.0% 10.0%																						

Source: Wells Fargo Securities, LLC estimates and company data

Michael J. Sison: HEXCEL CORPORATION QUARTERLY INCOME STATEMENT																				
(\$ in millions, except per share amounts)																				
QUARTERLY INCOME STATEMENT	1Q (Jan - Mar)					2Q (Apr - Jun)					3Q (Jul - Sep)					4Q (Oct - Dec)				
	1Q15	1Q16	1Q17	1Q18	1Q19	2Q15	2Q16	2Q17	2Q18	2Q19	3Q15	3Q16	3Q17	3Q18	3Q19E	4Q15	4Q16	4Q17	4Q18	4Q19E
Segment Sales																				
Composite Materials Net Sales	\$367.4	\$395.8	\$404.6	\$463.8	\$506.9	\$373.5	\$425.3	\$412.4	\$466.1	\$505.5	\$347.4	\$398.2	\$398.9	\$432.8	\$473.5	\$362.0	\$405.1	\$413.4	\$447.3	\$487.6
Engineered Products Net Sales	\$104.4	\$101.9	\$91.3	\$96.5	\$122.3	\$102.2	\$97.3	\$94.0	\$101.7	\$125.0	\$101.4	\$102.3	\$92.6	\$107.7	\$119.1	\$102.9	\$92.9	\$98.3	\$113.7	\$126.1
Corporate and Other				(\$19.2)	(\$19.3)				(\$20.3)	(\$21.5)										
Total Net Sales	\$471.8	\$497.7	\$495.9	\$540.1	\$609.9	\$475.7	\$522.6	\$506.4	\$567.8	\$609.0	\$448.8	\$500.5	\$491.5	\$540.5	\$592.6	\$464.9	\$498.0	\$511.7	\$561.0	\$613.7
Adjusted Segment Operating Income																				
Composite Materials Op Income	\$89.2	\$90.8	\$81.9	\$91.0	\$112.5	\$91.2	\$101.6	\$92.1	\$93.1	\$111.8	\$74.1	\$88.8	\$90.0	\$92.5	\$103.2	\$81.7	\$87.1	\$95.4	\$97.2	\$114.4
Engineered Products Op Income	\$14.7	\$12.3	\$13.0	\$9.9	\$14.8	\$14.4	\$11.7	\$12.1	\$15.9	\$16.3	\$14.2	\$12.9	\$12.1	\$15.5	\$16.5	\$12.5	\$13.2	\$11.5	\$9.3	\$10.0
Total Segment Operating Income	\$103.9	\$103.1	\$94.9	\$100.9	\$127.3	\$105.6	\$113.3	\$104.2	\$109.0	\$128.1	\$88.3	\$101.7	\$102.1	\$108.0	\$119.7	\$94.2	\$100.3	\$106.9	\$106.5	\$124.4
Corporate and Other	(\$21.3)	(\$19.2)	(\$16.3)	(\$18.5)	(\$24.5)	(\$15.0)	(\$13.2)	(\$14.5)	(\$12.5)	(\$13.0)	(\$10.3)	(\$12.6)	(\$13.0)	(\$11.5)	(\$13.0)	(\$13.0)	(\$13.3)	(\$13.7)	(\$10.7)	(\$16.0)
Adjusted Operating Income	\$82.6	\$83.9	\$78.6	\$82.4	\$102.8	\$90.6	\$100.1	\$89.7	\$96.5	\$115.1	\$78.0	\$89.1	\$89.1	\$96.5	\$106.7	\$81.2	\$87.0	\$93.2	\$95.8	\$108.4
Net Revenue	\$471.8	\$497.7	\$478.8	\$540.1	\$609.9	\$475.7	\$522.6	\$491.3	\$547.5	\$609.0	\$448.8	\$500.5	\$491.5	\$540.5	\$592.6	\$464.9	\$483.5	\$511.7	\$561.0	\$613.7
Cost of Products Sold	\$330.0	\$354.7	\$344.7	\$397.5	\$442.7	\$336.6	\$372.3	\$351.4	\$402.7	\$440.2	\$324.7	\$364.8	\$355.9	\$397.5	\$431.4	\$337.1	\$347.9	\$369.5	\$410.6	\$446.6
Gross Profit	\$141.8	\$143.0	\$134.1	\$142.6	\$167.2	\$139.1	\$150.3	\$139.9	\$144.8	\$168.8	\$124.1	\$135.7	\$135.6	\$143.0	\$161.2	\$127.8	\$135.6	\$142.2	\$150.4	\$167.1
Selling, Distribution and Administrative	\$46.7	\$47.4	\$42.9	\$46.4	\$49.5	\$38.1	\$38.6	\$38.1	\$35.3	\$39.5	\$35.5	\$35.1	\$34.7	\$32.6	\$38.5	\$35.8	\$36.5	\$36.1	\$31.7	\$41.7
Research & Technology Expenses	\$12.5	\$11.7	\$12.6	\$13.8	\$14.9	\$10.4	\$11.6	\$12.1	\$13.0	\$14.2	\$10.6	\$11.5	\$11.8	\$13.9	\$16.0	\$10.8	\$12.1	\$12.9	\$15.2	\$17.0
Business Consolidation & Restructuring Exp	\$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	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$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	\$0.0	\$0.0	\$0.0	\$0.0	\$7.7	\$0.0
Operating Income	\$82.6	\$83.9	\$78.6	\$82.4	\$102.8	\$90.6	\$100.1	\$89.7	\$96.5	\$115.1	\$78.0	\$89.1	\$89.1	\$96.5	\$106.7	\$81.2	\$87.0	\$93.2	\$95.8	\$108.4
Operating Income (ex-specials)	\$82.6	\$83.9	\$78.6	\$82.4	\$102.8	\$90.6	\$100.1	\$89.7	\$96.5	\$115.1	\$78.0	\$89.1	\$89.1	\$96.5	\$106.7	\$81.2	\$87.0	\$93.2	\$95.8	\$108.4
Interest Expense, Net	\$1.9	\$5.6	\$6.2	\$8.0	\$12.0	\$2.5	\$5.7	\$6.8	\$8.7	\$11.9	\$4.6	\$5.5	\$7.0	\$10.6	\$11.5	\$5.2	\$5.3	\$7.4	\$10.4	\$11.0
Other (Income) Loss, Net	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.4	\$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
Pre-Tax Income	\$80.7	\$78.3	\$72.4	\$74.4	\$90.8	\$88.1	\$94.0	\$82.9	\$87.8	\$103.2	\$73.4	\$83.6	\$82.1	\$85.9	\$95.2	\$76.0	\$81.7	\$85.8	\$85.4	\$97.4
Tax	\$24.5	\$22.7	\$8.6	\$14.1	\$20.6	\$27.0	\$28.7	\$22.1	\$20.0	\$23.6	\$20.7	\$16.1	\$13.6	\$7.8	\$22.8	\$22.4	\$22.8	(\$1.8)	\$20.6	\$23.4
Net Income from Operations Before Equity Earnings	\$56.2	\$55.6	\$63.8	\$60.3	\$70.2	\$61.1	\$65.3	\$60.8	\$67.8	\$79.6	\$52.7	\$67.5	\$68.5	\$78.1	\$72.4	\$53.6	\$58.9	\$87.6	\$64.8	\$74.0
Equity Earnings in Affiliated Companies	\$0.3	\$0.4	\$0.8	\$1.3	\$2.0	\$0.6	\$0.8	\$0.8	\$1.0	\$1.3	\$0.8	\$0.7	\$1.5	\$2.0	\$1.0	\$0.3	\$0.6	\$0.5	\$1.3	\$1.0
Net Income from Continuing Operations	\$56.5	\$56.0	\$64.6	\$61.6	\$72.2	\$61.7	\$66.1	\$61.6	\$68.8	\$80.9	\$53.5	\$68.2	\$70.0	\$80.1	\$73.4	\$53.9	\$59.5	\$88.1	\$66.1	\$75.0
Discontinued Operations	\$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			\$0.0
Net Income	\$56.5	\$56.0	\$64.6	\$61.6	\$72.2	\$61.7	\$66.1	\$61.6	\$68.8	\$80.9	\$53.5	\$68.2	\$70.0	\$80.1	\$73.4	\$53.9	\$59.5	\$88.1	\$66.1	\$75.0
Deemed preferred dividends and accretion			(\$9.1)			\$0.0	\$0.0	\$0.0	(\$1.3)		\$0.0	(\$6.6)	(\$4.8)	(\$9.6)	\$0.0	\$0.0	\$0.0	(\$24.4)	\$5.4	\$0.0
Net Income available to Common Shr. Holders	\$56.5	\$56.0	\$55.5	\$61.6	\$72.2	\$61.7	\$66.1	\$61.6	\$67.5	\$80.9	\$53.5	\$61.6	\$65.2	\$70.5	\$73.4	\$53.9	\$59.5	\$63.7	\$71.5	\$75.0
Special Items Per Share	\$0.00	\$0.00	(\$0.10)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$0.01)	\$0.00	\$0.00	(\$0.07)	(\$0.05)	(\$0.11)	\$0.00	\$0.00	\$0.00	(\$0.27)	\$0.06	\$0.00
Basic EPS (Common)	\$0.59	\$0.60	\$0.71	\$0.68	\$0.85	\$0.64	\$0.71	\$0.68	\$0.77	\$0.95	\$0.56	\$0.74	\$0.78	\$0.92	\$0.86	\$0.57	\$0.65	\$0.71	\$0.83	\$0.88
Diluted EPS (Common)	\$0.58	\$0.59	\$0.70	\$0.68	\$0.84	\$0.63	\$0.70	\$0.67	\$0.77	\$0.94	\$0.55	\$0.72	\$0.77	\$0.91	\$0.85	\$0.56	\$0.64	\$0.70	\$0.82	\$0.87
Basic EPS (Operations)	\$0.59	\$0.60	\$0.61	\$0.68	\$0.85	\$0.64	\$0.71	\$0.68	\$0.76	\$0.95	\$0.56	\$0.66	\$0.72	\$0.81	\$0.86	\$0.57	\$0.65	\$0.71	\$0.83	\$0.88
Diluted EPS (Operations)	\$0.58	\$0.59	\$0.60	\$0.68	\$0.84	\$0.63	\$0.70	\$0.67	\$0.75	\$0.94	\$0.55	\$0.65	\$0.71	\$0.80	\$0.85	\$0.56	\$0.64	\$0.70	\$0.82	\$0.87
Consensus																				
Diluted EPS (Adjusted for Special Items)	\$0.50		\$0.60			\$0.63	\$0.70				\$0.55	\$0.65	\$0.71	\$0.80	\$0.85	\$0.56	\$0.64	\$0.43	\$0.88	\$0.87
Shares Out (Basic)	96.2	93.4	91.4	90.0	85.0	96.6	93.1	90.7	88.8	85.2	95.8	92.7	90.1	87.0	85.2	94.4	91.8	90.0	85.9	85.2
Shares Out (Diluted)	97.9	94.8	92.9	91.2	86.2	98.2	94.6	92.0	89.9	86.2	97.3	94.1	91.4	88.1	86.2	95.8	93.3	91.5	86.9	86.2

Source: Wells Fargo Securities, LLC estimates and company data

Michael J. Sison: HEXCEL CORPORATION QUARTERLY INCOME STATEMENT SUPPLEMENT																				
(\$ in millions, except per share amounts)																				
REVENUE ANALYSIS	1Q15	1Q16	1Q17	1Q18	1Q19	2Q15	2Q16	2Q17	2Q18	2Q19	3Q15	3Q16	3Q17	3Q18	3Q19E	4Q15	4Q16	4Q17	4Q18	4Q19E
Composite Materials YoY % Change	3.1%	7.7%	2.2%	14.6%	9.3%	3.3%	13.9%	-3.0%	13.0%	8.5%	1.3%	14.6%	0.2%	8.5%	9.4%	0.5%	11.9%	2.0%	8.2%	9.0%
Engineered Products YoY % Change	-0.9%	-2.4%	-10.4%	4.6%	28.1%	-5.8%	-4.8%	-3.4%	8.2%	22.9%	-7.0%	0.9%	-9.5%	16.3%	10.6%	-7.9%	-9.7%	5.8%	15.7%	10.9%
Total Sales YoY % Change	2.2%	5.5%	-3.8%	12.8%	12.9%	1.2%	9.9%	-6.0%	11.4%	11.2%	-0.7%	11.5%	-1.8%	10.0%	9.6%	-1.5%	4.0%	5.8%	9.6%	9.4%
Segment Operating Margins																				
Composite Materials	24.3%	22.9%	20.2%	19.6%	22.2%	24.4%	23.9%	22.3%	20.0%	22.1%	21.3%	22.3%	22.6%	21.4%	21.8%	22.6%	21.5%	23.1%	21.7%	23.5%
Engineered Products	14.1%	12.1%	14.2%	10.4%	12.1%	14.1%	12.0%	12.9%	15.6%	13.0%	14.0%	12.6%	13.1%	14.4%	13.9%	12.1%	14.2%	11.7%	8.2%	7.9%
Corporate and Other	(4.5%)	(3.9%)	(3.3%)	(3.4%)	(4.0%)	(3.2%)	(2.5%)	(2.9%)	(2.2%)	(2.1%)	(2.3%)	(2.5%)	(2.6%)	(2.1%)	(2.2%)	(2.8%)	(2.7%)	(2.7%)	(1.9%)	(2.6%)
Segment OI YOY %																				
Composite Materials	17.5%	1.8%	(9.8%)	11.1%	23.6%	14.3%	11.4%	(9.4%)	1.1%	20.1%	(0.4%)	19.8%	1.4%	2.8%	11.6%	3.8%	6.6%	9.5%	1.9%	17.7%
Engineered Products	(10.4%)	(16.3%)	5.7%	(23.8%)	49.5%	(18.2%)	(18.8%)	3.4%	31.4%	2.5%	(15.0%)	(9.2%)	(6.2%)	28.1%	6.5%	(23.3%)	5.6%	(12.9%)	(19.1%)	7.5%
Total Operating Profit	\$82.6	\$83.9	\$78.6	\$82.4	\$102.8	\$90.6	\$100.1	\$89.7	\$96.5	\$115.1	\$78.0	\$89.1	\$89.1	\$96.5	\$106.7	\$81.2	\$87.0	\$93.2	\$95.8	\$108.4
Total Operating Margin	17.5%	16.9%	16.4%	15.3%	16.9%	19.0%	19.2%	18.3%	17.6%	18.9%	17.4%	17.8%	18.1%	17.9%	18.0%	17.5%	18.0%	18.2%	17.1%	17.7%
Adjusted Operating Profit	\$82.6	\$83.9	\$78.6	\$82.4	\$102.8	\$90.6	\$100.1	\$89.7	\$96.5	\$115.1	\$78.0	\$89.1	\$89.1	\$96.5	\$106.7	\$81.2	\$87.0	\$93.2	\$103.5	\$108.4
Adjusted Operating Margin	17.5%	16.9%	16.4%	15.3%	16.9%	19.0%	19.2%	18.3%	17.6%	18.9%	17.4%	17.8%	18.1%	17.9%	18.0%	17.5%	18.0%	18.2%	17.1%	17.7%
Total YoY Operating Profit Change	10.7%	1.6%	-6.3%	4.8%	24.8%	20.6%	10.5%	-10.4%	7.6%	19.3%	-1.3%	14.2%	0.0%	8.3%	10.6%	5.3%	7.1%	7.1%	2.8%	13.2%
Adjusted Operating Profit Y/Y%	10.7%	1.6%	-6.3%	4.8%	24.8%	11.7%	10.5%	-10.4%	7.6%	19.3%	-1.3%	14.2%	0.0%	8.3%	10.6%	5.3%	7.1%	7.1%	11.1%	4.7%
Total Contribution Margin	79.2%	5.0%	28.0%	6.2%	29.2%	276.8%	20.3%	33.2%	12.1%	30.2%	32.3%	21.5%	0.0%	15.1%	19.6%	-59.4%	31.2%	22.0%	5.3%	23.9%
Total Adjusted Contribution Margin	79.2%	5.0%	28.0%	6.2%	29.2%	169.6%	20.3%	33.2%	12.1%	30.2%	32.3%	21.5%	0.0%	15.1%	19.6%	-59.4%	31.2%	22.0%	5.3%	23.9%
Diluted EPS (First Call)	\$0.580	\$0.590	\$0.600	\$0.680	\$0.840	\$0.628	\$0.699	\$0.670	\$0.750	\$0.939	\$0.550	\$0.650	\$0.710	\$0.800	\$0.851	\$0.560	\$0.638	\$0.700	\$0.820	\$0.870
Margins																				
CGS/Net Revenues	69.9%	71.3%	72.0%	73.6%	72.6%	70.8%	71.2%	71.5%	73.6%	72.3%	72.3%	72.9%	72.4%	73.5%	72.8%	72.5%	72.0%	72.2%	73.2%	72.8%
Gross Margin	30.1%	28.7%	28.0%	26.4%	27.4%	29.2%	28.8%	28.5%	26.4%	27.7%	27.7%	27.1%	27.6%	26.5%	27.2%	27.5%	28.0%	27.8%	26.8%	27.2%
SD&A/Sales	9.9%	9.5%	9.0%	8.6%	8.1%	8.0%	7.4%	7.8%	6.4%	6.5%	7.9%	7.0%	7.1%	6.0%	6.5%	7.7%	7.5%	7.1%	5.7%	6.8%
Research & Tech	3.8%	3.3%	3.7%	3.5%	3.4%	3.1%	3.1%	3.4%	3.2%	3.2%	3.3%	3.2%	3.3%	3.5%	3.7%	3.2%	3.5%	3.5%	3.7%	3.8%
MEMO: Depreciation and Amortization/Sales	3.9%	4.5%	5.1%	5.6%	6.4%	4.0%	4.5%	5.1%	5.5%	5.7%	4.3%	4.7%	5.6%	5.9%	6.2%	4.3%	5.0%	5.5%	5.8%	6.0%
Operating Margin	17.5%	16.9%	16.4%	15.3%	16.9%	19.0%	19.2%	18.3%	17.6%	18.9%	17.4%	17.8%	18.1%	17.9%	18.0%	17.5%	18.0%	18.2%	17.1%	17.7%
Operating Margin (ex-specials)	17.5%	16.9%	16.4%	15.3%	16.9%	19.0%	19.2%	18.3%	17.6%	18.9%	17.4%	17.8%	18.1%	17.9%	18.0%	17.5%	18.0%	18.2%	17.1%	17.7%
Tax Rate	30.4%	29.0%	11.9%	19.0%	22.7%	30.6%	30.5%	26.7%	22.8%	22.9%	28.2%	19.3%	16.6%	9.1%	24.0%	29.5%	27.9%	-2.1%	24.1%	24.0%
Adjusted EBITDA	\$100.9	\$106.1	\$103.0	\$112.5	\$141.8	\$109.5	\$123.4	\$114.8	\$126.7	\$149.7	\$97.3	\$112.6	\$116.5	\$128.2	\$143.7	\$101.1	\$111.3	\$121.5	\$136.2	\$145.4
Adjusted EBITDA Margin	21.4%	21.3%	21.5%	20.8%	23.2%	23.0%	23.6%	23.4%	23.1%	24.6%	21.7%	22.5%	23.7%	23.7%	24.3%	21.7%	23.0%	23.7%	24.3%	23.7%
Adjusted EBITDA Y/Y%	10.0%	5.2%	-2.9%	9.2%	26.0%	10.8%	12.7%	-7.0%	10.4%	18.2%	0.5%	15.7%	3.5%	10.0%	12.1%	5.6%	10.1%	9.2%	12.1%	6.8%

Source: Wells Fargo Securities, LLC estimates and company data

Michael J. Sison: HEXCEL CORPORATION																									
QUARTERLY CASH FLOW STATEMENT																									
(\$ in millions, except per share amounts)																									
STATEMENT OF CASH FLOW						1Q15	1Q16	1Q17	1Q18	1Q19	2Q15	2Q16	2Q17	2Q18	2Q19	3Q15	3Q16	3Q17	3Q18	3Q19E	4Q15	4Q16	4Q17	2018	4Q19E
Funds from Operations																									
Net Income from Continuing Operations						\$68.1	\$56.0	\$64.6	\$61.6	\$72.2	\$61.7	\$66.1	\$61.6	\$68.8	\$80.9	\$53.5	\$68.2	\$69.7	\$80.1	\$72.4	\$53.9	\$59.5	\$88.1	\$66.1	\$74.0
Depreciation & Amortization						\$18.3	\$22.2	\$24.4	\$30.1	\$39.0	\$18.9	\$23.3	\$25.1	\$30.2	\$34.6	\$19.3	\$23.5	\$27.4	\$31.7	\$37.0	\$19.9	\$24.3	\$28.3	\$32.7	\$37.0
Deferred Income Taxes						\$11.3	\$13.1	(\$5.1)	\$10.1	\$4.2	\$11.7	\$11.5	\$7.1	\$2.6	\$2.6	\$16.3	\$25.9	\$13.1	\$14.8	\$10.0	\$13.9	\$12.3	(\$11.3)	\$1.8	\$0.0
Business Consolidation and Restructuring expenses						\$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	\$0.0	\$0.0	\$0.0	\$0.0	\$7.7	\$0.0
Business Consolidation and Restructuring Payments						\$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	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Equity in (Earnings) from affiliated companies						(\$0.3)	(\$0.4)	(\$0.8)	(\$1.3)	(\$2.0)	(\$0.6)	(\$0.8)	(\$0.8)	(\$1.0)	(\$1.3)	(\$0.8)	(\$0.7)	(\$1.2)	(\$2.0)	\$0.0	(\$0.3)	(\$0.6)	(\$0.5)	(\$1.3)	\$0.0
Other						\$0.6	\$10.8	\$11.3	\$9.9	\$11.1	\$5.7	\$3.1	\$2.4	\$2.1	\$2.4	\$0.5	\$1.1	\$1.8	\$2.0	\$4.0	\$3.0	\$2.8	\$2.1	\$2.2	\$3.5
Change in Working Capital						(\$112.6)	(\$91.4)	(\$40.2)	(\$47.8)	(\$78.6)	(\$32.6)	\$21.4	\$32.8	(\$8.1)	(\$7.9)	\$25.3	\$33.9	\$15.3	(\$5.4)	\$25.0	\$46.3	\$16.3	\$13.5	\$33.8	\$25.0
Funds from Operations						(\$14.6)	\$10.3	\$54.2	\$62.6	\$45.9	\$64.8	\$124.6	\$128.2	\$94.6	\$111.3	\$114.1	\$151.9	\$126.1	\$121.2	\$148.4	\$136.7	\$114.6	\$143.0	\$120.2	\$143.0
Check YTD CFO						(\$14.6)	\$10.3	\$54.2	\$62.6	\$45.9	\$50.2	\$134.9	\$182.4	\$157.2	\$157.2	\$164.3	\$286.8	\$308.5	\$278.4	\$148.4	\$301.0	\$401.4	\$428.7	\$421.4	\$139.5
Investing Activities																									
Capital Expenditures						(\$95.0)	(\$85.4)	(\$85.5)	(\$59.5)	(\$61.1)	(\$71.3)	(\$70.6)	(\$83.2)	(\$42.4)	(\$38.2)	(\$83.0)	(\$75.8)	(\$52.1)	(\$48.3)	(\$45.0)	(\$56.0)	(\$96.1)	(\$56.8)	(\$33.9)	(\$45.0)
Net Proceeds from Discontinued Operations						\$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	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Investment in affiliated companies						\$0.0	\$0.0	(\$10.0)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$2.0)	(\$0.7)	\$0.0	\$0.0	(\$30.0)	(\$64.0)	(\$2.7)	\$0.0
Other						\$0.0	(\$8.6)	\$0.0	\$0.0	(\$158.4)	\$0.0	(\$25.0)	\$0.0	\$0.0	\$158.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$25.0	\$0.0	\$0.0	\$0.0
Funds from Investing						(\$95.0)	(\$94.0)	(\$95.5)	(\$59.5)	(\$219.5)	(\$71.3)	(\$95.6)	(\$83.7)	(\$42.4)	(\$43.0)	(\$83.0)	(\$75.8)	(\$54.1)	(\$49.0)	(\$45.0)	(\$56.0)	(\$101.1)	(\$120.8)	(\$36.6)	(\$45.0)
Check YTD CIO						(\$95.0)	(\$94.0)	(\$95.5)	(\$59.5)	(\$219.5)	(\$166.3)	(\$189.6)	(\$179.2)	(\$101.9)	(\$262.5)	(\$249.3)	(\$265.4)	(\$233.3)	(\$150.9)	(\$45.0)	(\$305.3)	(\$366.5)	(\$354.1)	(\$187.5)	(\$45.0)
Financing Activities																									
Proceeds from Borrowings						\$65.0	\$111.0	\$445.7	\$133.0	\$289.0	\$27.8	\$12.1	(\$47.4)	\$246.0	\$434.0	\$207.2	(\$32.7)	\$39.6	(\$198.2)	\$0.0	\$0.0	\$11.3	\$4.1	(\$180.8)	\$0.0
Redemption of Borrowings/other						(\$1.1)	(\$6.9)	(\$283.8)	(\$105.0)	(\$77.0)	\$1.1	\$6.9	(\$16.2)	(\$143.2)	(\$479.4)	(\$119.8)	(\$2.1)	\$9.6	\$248.5	\$0.0	(\$20.0)	\$0.4	(\$29.2)	\$147.5	\$0.0
Activity under stock plans, including excess tax benefits on SBC						\$10.4	(\$5.0)	(\$0.3)	\$0.0	(\$0.2)	\$0.6	\$0.3	\$5.9	(\$0.7)	\$0.7	(\$97.8)	(\$81.2)	(\$120.8)	(\$281.7)	(\$25.0)	(\$46.0)	(\$25.2)	(\$22.9)	(\$74.3)	(\$25.0)
Dividends						(\$9.6)	(\$9.3)	(\$10.1)	(\$11.2)	(\$12.7)	(\$9.6)	(\$10.3)	(\$10.0)	(\$11.2)	(\$12.8)	(\$9.7)	(\$10.1)	(\$11.2)	(\$13.1)	(\$14.4)	(\$9.4)	(\$10.1)	(\$11.3)	(\$12.9)	(\$14.2)
Other						\$0.0	(\$34.9)	(\$63.7)	(\$32.3)	(\$14.2)	(\$1.1)	(\$21.9)	(\$17.3)	(\$148.7)	\$0.8	\$1.1	\$56.8	\$81.0	\$181.0	\$0.0	\$0.0	\$26.7	\$0.0	\$0.0	\$0.0
Funds from Financing						\$64.7	\$54.9	\$87.8	(\$15.5)	\$184.9	\$18.8	(\$12.9)	(\$85.0)	(\$57.8)	(\$56.7)	(\$19.0)	(\$69.3)	(\$1.8)	(\$63.5)	(\$39.4)	(\$75.4)	(\$19.5)	(\$59.3)	(\$120.5)	(\$39.2)
Check YTD CFF						\$64.7	\$54.9	\$87.8	(\$15.5)	\$184.9	\$83.5	\$42.0	\$2.8	(\$73.3)	\$128.2	\$64.5	(\$27.3)	\$1.0	(\$136.8)	(\$39.4)	(\$10.9)	(\$46.8)	(\$58.3)	(\$257.3)	(\$39.2)
Net cash used for operating activities, discontinued ops						\$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	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net cash used for investing activities, discontinued ops						\$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	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Effect of exchange rate						(\$3.3)	\$1.2	\$0.4	\$2.1	(\$0.3)	\$0.3	(\$1.4)	\$3.9	(\$5.1)	\$0.1	(\$4.2)	\$0.0	\$7.7	(\$0.6)	\$0.0	\$3.3	(\$4.5)	(\$3.4)	(\$0.4)	\$0.0
Net (decrease) increase in cash						(\$48.2)	(\$27.6)	\$46.9	(\$10.3)	\$11.0	\$12.6	\$14.7	(\$36.6)	(\$10.7)	\$11.7	\$7.9	\$6.8	\$77.9	\$8.1	\$63.9	\$8.6	(\$10.5)	(\$63.3)	(\$14.5)	\$55.3
Cash Beg						\$70.9	\$51.8	\$35.2	\$60.1	\$32.7	\$22.7	\$24.2	\$82.1	\$49.8	\$43.7	\$35.3	\$38.9	\$45.5	\$39.1	\$55.4	\$43.2	\$45.7	\$123.4	\$47.2	\$119.3
Cash End						\$22.7	\$24.2	\$82.1	\$49.8	\$43.7	\$35.3	\$38.9	\$45.5	\$39.1	\$55.4	\$43.2	\$45.7	\$123.4	\$47.2	\$119.3	\$51.8	\$35.2	\$60.1	\$32.7	\$174.7
Check Cash Balance						\$22.7	\$24.2	\$82.1	\$49.8	\$43.7	\$35.3	\$38.9	\$45.5	\$39.1	\$55.4	\$43.2	\$45.7	\$119.1	\$47.2		\$51.8	\$35.2	\$60.1	\$32.7	
Free Cash Flow (CFO-CAPX) Per Company						(\$109.6)	(\$75.1)	(\$31.3)	\$3.1	(\$15.2)	(\$6.5)	\$54.0	\$44.5	\$52.2	\$73.1	\$31.1	\$76.1	\$74.0	\$72.9	\$103.4	\$80.7	\$18.5	\$63.4	\$109.1	\$94.5
Free Cash Flow (CFO-CAPX-DIV)						(\$119.2)	(\$84.4)	(\$41.4)	(\$8.1)	(\$27.9)	(\$16.1)	\$43.7	\$34.5	\$41.0	\$60.3	\$21.4	\$66.0	\$62.8	\$59.8	\$88.9	\$71.3	\$8.4	\$52.1	\$96.2	\$80.3

Source: Wells Fargo Securities, LLC estimates and company data

<div> <div>HEXCEL CORPORATION</div> <div>Michael J. Sison: ANNUAL INCOME STATEMENT</div> </div>												
(\$ in millions, except per share amounts)												
INCOME STATEMENT (Dec 31 FYE)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E
Segment Sales												
Composite Materials Net Sales	\$856.6	\$904.5	\$1,074.5	\$1,230.9	\$1,286.9	\$1,420.9	\$1,450.3	\$1,624.4	\$1,629.3	\$1,810.0	\$1,973.4	\$2,068.2
Engineered Products Net Sales	\$251.7	\$269.1	\$317.9	\$347.3	\$391.3	\$434.6	\$410.9	\$394.4	\$376.2	\$418.6	\$492.5	\$490.6
Total Net Sales	\$1,108.3	\$1,173.6	\$1,392.4	\$1,578.2	\$1,678.2	\$1,855.5	\$1,861.2	\$2,018.8	\$2,005.5	\$2,189.1	\$2,425.1	\$2,558.8
Adjusted Segment Operating Income												
Composite Materials Op Income	\$118.9	\$139.7	\$188.8	\$242.8	\$264.6	\$308.8	\$336.2	\$368.3	\$359.4	\$373.8	\$441.9	\$470.3
Engineered Products Op Income	\$36.1	\$45.8	\$51.6	\$50.6	\$58.9	\$67.0	\$55.8	\$50.1	\$48.7	\$50.6	\$57.6	\$65.0
Total Segment Operating Income	\$155.0	\$185.5	\$240.4	\$293.4	\$323.5	\$375.8	\$392.0	\$418.4	\$408.1	\$424.4	\$499.5	\$535.3
Corporate and Other	(\$43.8)	(\$52.2)	(\$51.4)	(\$54.1)	(\$64.3)	(\$70.0)	(\$59.6)	(\$58.3)	(\$57.5)	(\$53.2)	(\$66.5)	(\$63.0)
Adjusted Operating Income	\$111.2	\$133.3	\$189.0	\$239.3	\$259.2	\$305.8	\$332.4	\$360.1	\$350.6	\$371.2	\$433.0	\$472.3
Net Revenue	\$1,108.3	\$1,173.6	\$1,392.4	\$1,578.2	\$1,678.2	\$1,855.5	\$1,861.2	\$2,004.3	\$1,973.3	\$2,189.1	\$2,425.1	\$2,558.8
Cost of Products Sold	\$859.8	\$891.0	\$1,050.3	\$1,171.5	\$1,224.2	\$1,346.7	\$1,328.4	\$1,439.7	\$1,421.5	\$1,608.3	\$1,760.9	\$1,841.0
Gross Profit	\$248.5	\$282.6	\$342.1	\$406.7	\$454.0	\$508.8	\$532.8	\$564.6	\$551.8	\$580.8	\$664.3	\$717.7
Selling, Distribution and Administrative	\$107.2	\$118.5	\$120.5	\$130.7	\$141.4	\$149.1	\$156.1	\$157.6	\$151.8	\$146.0	\$169.2	\$179.1
Research & Technology Expenses	\$30.1	\$30.8	\$32.6	\$36.7	\$41.7	\$47.9	\$44.3	\$46.9	\$49.4	\$55.9	\$62.0	\$66.3
Business Consolidation & Restructuring Exp	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$7.5	\$3.5	(\$3.0)	(\$9.5)	\$0.0	\$6.0	\$0.0	\$0.0	\$0.0	\$7.7	\$0.0	\$0.0
Operating Income	\$103.7	\$129.8	\$192.0	\$248.8	\$270.9	\$305.8	\$332.4	\$360.1	\$350.6	\$371.2	\$433.0	\$472.3
Operating Income (ex-specials)	\$111.2	\$133.3	\$189.0	\$239.3	\$270.9	\$311.8	\$332.4	\$360.1	\$350.6	\$371.2	\$433.0	\$472.3
Interest Expense, Net	\$26.1	\$23.2	\$11.6	\$10.0	\$7.3	\$8.0	\$14.2	\$22.1	\$27.4	\$37.7	\$46.4	\$48.0
Other (Income) Loss, Net	\$0.0	\$6.8	\$4.9	\$1.1	\$1.0	\$0.5	\$0.0	\$0.4	\$0.0	\$0.0	\$0.0	\$0.0
Pre-Tax Income	\$77.6	\$99.8	\$175.5	\$237.7	\$262.6	\$297.3	\$318.2	\$337.6	\$323.2	\$333.5	\$386.6	\$424.3
Tax	\$22.0	\$22.9	\$41.6	\$74.1	\$76.0	\$89.3	\$94.6	\$90.3	\$42.5	\$62.5	\$90.4	\$101.8
Net Income from Operations Before Equity Earnings	\$55.6	\$76.9	\$133.9	\$163.6	\$186.6	\$208.0	\$223.6	\$247.3	\$280.7	\$271.0	\$296.2	\$322.5
Equity Earnings in Affiliated Companies	\$0.7	\$0.5	\$1.6	\$0.7	\$1.3	\$1.4	\$2.0	\$2.5	\$3.6	\$5.6	\$5.3	\$5.5
Net Income from Continuing Operations	\$56.3	\$77.4	\$135.5	\$164.3	\$187.9	\$209.4	\$225.6	\$249.8	\$284.3	\$276.6	\$301.5	\$328.0
Discontinued Operations	\$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 Income	\$56.3	\$77.4	\$135.5	\$164.3	\$187.9	\$209.4	\$225.6	\$249.8	\$284.3	\$276.6	\$301.5	\$328.0
Deemed preferred dividends and accretion	\$0.0	\$0.0	(\$11.3)	(\$5.3)	\$0.6	\$3.9	\$0.0	(\$6.6)	(\$38.3)	(\$5.5)	\$0.0	\$0.0
Net Income available to Common Shr. Holders	\$56.3	\$77.4	\$124.2	\$159.0	\$188.5	\$213.3	\$225.6	\$243.2	\$246.0	\$271.1	\$301.5	\$328.0
Special Items Per Share	\$0.05	(\$0.04)	(\$0.10)	(\$0.05)	\$0.01	\$0.04	\$0.00	(\$0.07)	(\$0.42)	(\$0.06)	\$0.00	\$0.00
Basic EPS (Common)	\$0.58	\$0.79	\$1.37	\$1.64	\$1.88	\$2.16	\$2.36	\$2.69	\$2.87	\$3.21	\$3.54	\$3.94
Diluted EPS (Common)	\$0.57	\$0.77	\$1.34	\$1.61	\$1.84	\$2.12	\$2.32	\$2.65	\$2.83	\$3.17	\$3.50	\$3.85
Basic EPS (Operations)	\$0.58	\$0.79	\$1.26	\$1.59	\$1.89	\$2.20	\$2.36	\$2.62	\$2.72	\$3.09	\$3.54	\$3.94
Diluted EPS (Operations)	\$0.57	\$0.78	\$1.23	\$1.56	\$1.85	\$2.16	\$2.32	\$2.58	\$2.68	\$3.05	\$3.50	\$3.85
Diluted EPS (Adjusted for Special Items)	\$0.62	\$0.78	\$1.22	\$1.56	\$1.86	\$2.20	\$2.24	\$1.99	\$1.74	\$1.68	\$1.72	\$3.85
Shares Out (Basic)	96.9	97.6	98.7	100.2	100.0	96.8	95.8	92.8	90.6	87.9	85.2	83.2
Shares Out (Diluted)	98.2	99.7	100.8	102.0	101.9	98.8	97.3	94.2	92.0	89.0	86.2	85.2

Source: Wells Fargo Securities, LLC estimates and company data

<div> <div>HEXCEL CORPORATION</div> <div>Michael J. Sison: ANNUAL INCOME STATEMENT SUPPLEMENT</div> </div>												
(\$ in millions, except per share amounts)												
REVENUE ANALYSIS	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E
Composite Materials YoY % Change	-20.3%	5.6%	18.8%	14.6%	4.5%	10.4%	2.1%	12.0%	0.3%	11.1%	9.0%	4.8%
Engineered Products YoY % Change	0.8%	6.9%	18.1%	9.2%	12.7%	11.1%	-5.5%	-4.0%	-4.6%	11.3%	17.7%	-0.4%
Total YoY % Change	-16.3%	5.9%	18.6%	13.3%	6.3%	10.6%	0.3%	7.7%	-1.5%	10.9%	10.8%	5.5%
Segment Operating Margins												
Composite Materials	13.9%	15.4%	17.6%	19.7%	20.6%	21.7%	23.2%	22.7%	22.1%	20.7%	22.4%	22.7%
Engineered Products	14.3%	17.0%	16.2%	14.6%	15.1%	15.4%	13.6%	12.7%	12.9%	12.1%	11.7%	13.2%
Corporate and Other	(4.0%)	(4.4%)	(3.7%)	(3.4%)	(3.8%)	(3.8%)	(3.2%)	(2.9%)	(2.9%)	(2.4%)	(2.7%)	(2.5%)
Segment OI YOY %												
Composite Materials	(25.1%)	17.5%	35.1%	28.6%	9.0%	16.7%	8.9%	9.5%	(2.4%)	4.0%	18.2%	6.4%
Engineered Products	35.2%	26.9%	12.7%	(1.9%)	16.4%	13.8%	(16.7%)	(10.2%)	(2.8%)	3.9%	13.8%	12.8%
Total Operating Profit	\$103.7	\$129.8	\$192.0	\$248.8	\$270.9	\$305.8	\$332.4	\$360.1	\$350.6	\$371.2	\$433.0	\$472.3
Total Operating Margin	9.4%	11.1%	13.8%	15.8%	16.1%	16.5%	17.9%	18.0%	17.8%	17.0%	17.9%	18.5%
Adjusted Operating Profit	\$111.2	\$133.3	\$189.0	\$239.3	\$270.9	\$311.8	\$332.4	\$360.1	\$350.6	\$378.9	\$433.0	\$472.3
Total Operating Margin X-Special Items	9.4%	11.1%	13.8%	15.8%	16.1%	16.5%	17.9%	18.0%	17.8%	17.0%	17.9%	18.5%
Total YoY Operating Profit Change	-20.8%	25.2%	47.9%	29.6%	8.9%	12.9%	8.7%	8.3%	-2.6%	5.9%	16.6%	9.1%
Adjusted Operating Profit Y/Y%	-23.3%	19.9%	41.8%	26.6%	13.2%	15.1%	6.6%	8.3%	-2.6%	8.1%	14.3%	9.1%
Total Contribution Margin	12.6%	40.0%	28.4%	30.6%	22.1%	19.7%	466.7%	19.4%	30.6%	9.5%	26.2%	13.7%
Total Adjusted Contribution Margin	13.9%	33.8%	25.5%	27.1%	31.6%	23.1%	361.4%	19.4%	30.6%	9.5%	26.2%	29.4%
Diluted EPS (First Call)	\$0.63	\$0.78	\$1.22	\$1.559	\$1.856	\$2.163	\$2.320	\$2.576	\$2.680	\$3.050	\$3.500	\$3.850
Margins												
CGS/ Net Revenues	77.6%	75.9%	75.4%	74.2%	72.9%	72.6%	71.4%	71.8%	72.0%	73.5%	72.6%	72.0%
Gross Margin	22.4%	24.1%	24.6%	25.8%	27.1%	27.4%	28.6%	28.2%	28.0%	26.5%	27.4%	28.1%
SD&A/Sales	9.7%	10.1%	8.7%	8.3%	8.4%	8.0%	8.4%	7.9%	7.7%	6.7%	7.0%	7.0%
Research & Tech	3.5%	3.5%	3.1%	3.1%	3.4%	3.6%	3.3%	3.3%	3.5%	3.5%	3.5%	3.6%
<u>MEMO: Depreciation and Amortization/Sales</u>	<u>4.2%</u>	<u>5.4%</u>	<u>4.5%</u>	<u>3.8%</u>	<u>3.5%</u>	<u>3.8%</u>	<u>4.1%</u>	<u>4.7%</u>	<u>5.3%</u>	<u>5.7%</u>	<u>6.1%</u>	<u>6.1%</u>
Operating Margin	9.4%	11.1%	13.8%	15.8%	16.1%	16.5%	17.9%	18.0%	17.8%	17.0%	17.9%	18.5%
Operating Margin (ex-specials)	10.0%	11.4%	13.6%	15.2%	16.1%	16.8%	17.9%	18.0%	17.8%	17.0%	17.9%	18.5%
Tax Rate	28.4%	22.9%	23.7%	31.2%	28.9%	30.0%	29.7%	26.7%	13.1%	18.7%	23.4%	24.0%
Adjusted EBITDA	\$157.8	\$196.8	\$251.4	\$299.6	\$330.2	\$383.0	\$408.8	\$453.4	\$455.8	\$503.6	\$580.6	\$627.9
Adjusted EBITDA Margin	14.2%	16.8%	18.1%	19.0%	19.7%	20.6%	22.0%	22.6%	23.1%	23.0%	23.9%	24.5%
Adjusted EBITDA Y/Y%	-16.5%	24.7%	27.7%	19.2%	10.2%	16.0%	6.7%	10.9%	0.5%	10.5%	15.3%	9.6%

Source: Wells Fargo Securities, LLC estimates and company data

HEXCEL CORPORATION												
Michael J. Sison: ANNUAL CASH FLOW STATEMENT												
(\$ in millions, except per share amounts)												
STATEMENT OF CASH FLOW	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E
Funds from Operations												
Net Income	\$56.3	\$77.4	\$135.5	\$164.3	\$187.9	\$209.4	\$237.2	\$249.8	\$284.0	\$276.6	\$299.5	\$322.5
Depreciation & Amortization	\$46.6	\$63.5	\$62.4	\$60.3	\$59.3	\$71.2	\$76.4	\$93.3	\$105.2	\$124.7	\$147.6	\$155.6
Deferred Income Taxes	\$19.6	\$16.1	\$23.4	\$30.9	\$16.4	\$39.7	\$53.2	\$62.8	\$3.8	\$29.3	\$16.8	\$0.0
Business Consolidation and Restructuring expenses	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$7.7	\$0.0	\$0.0
Business Consolidation and Restructuring Payments	(\$1.7)	(\$0.8)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Equity in (Earnings) from affiliated companies	(\$0.7)	(\$0.5)	(\$1.6)	(\$0.7)	(\$1.3)	(\$1.4)	(\$2.0)	(\$2.5)	(\$3.3)	(\$5.6)	(\$3.3)	\$0.0
Other	\$17.9	\$10.1	(\$0.3)	\$4.1	\$15.7	\$13.0	\$9.8	\$17.8	\$17.6	\$16.2	\$21.0	\$15.0
Change in Working Capital	\$34.8	(\$39.3)	(\$48.9)	(\$26.5)	(\$5.1)	(\$13.9)	(\$73.6)	(\$19.8)	\$21.4	(\$27.5)	(\$36.5)	\$0.0
Funds from Operations	\$172.8	\$126.5	\$170.5	\$232.4	\$272.9	\$318.0	\$301.0	\$401.4	\$428.7	\$421.4	\$445.1	\$493.1
Check YTD CFO												
Investing Activities												
Capital Expenditures	(\$98.4)	(\$48.8)	(\$158.0)	(\$263.7)	(\$194.9)	(\$260.1)	(\$305.3)	(\$327.9)	(\$278.1)	(\$184.1)	(\$189.3)	(\$210.0)
Net Proceeds from Discontinued Operations	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Investment in affiliated companies	(\$6.0)	\$0.0	\$0.0	\$0.0	\$0.0	(\$10.3)	\$0.0	(\$30.0)	(\$76.0)	(\$3.4)	(\$163.2)	\$0.0
Other	\$0.0	\$0.0	(\$5.2)	\$5.3	\$0.0	\$0.0	\$0.0	(\$8.6)	\$0.0	\$0.0	\$0.0	\$0.0
Funds from Investing	(\$104.4)	(\$48.8)	(\$163.2)	(\$258.4)	(\$194.9)	(\$270.4)	(\$305.3)	(\$366.5)	(\$354.1)	(\$187.5)	(\$352.5)	(\$210.0)
Check YTD CIO												
Financing Activities												
Proceeds from Borrowings	\$174.5	\$103.9	\$135.0	\$87.0	\$309.0	\$670.0	\$300.0	\$79.1	\$442.0	\$0.0	\$723.0	\$0.0
Redemption of Borrowings/others	(\$177.9)	(\$166.6)	(\$219.9)	(\$82.9)	(\$363.2)	(\$710.1)	(\$139.8)	(\$1.7)	(\$319.6)	\$147.8	(\$556.4)	\$0.0
Activity under stock plans, including excess tax benefits on SBC	\$0.7	\$0.0	\$10.5	\$4.1	\$7.0	\$3.2	(\$132.8)	(\$111.1)	(\$138.1)	(\$356.7)	(\$49.5)	(\$100.0)
Dividends	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$38.3)	(\$39.8)	(\$42.6)	(\$48.4)	(\$54.1)	(\$58.6)
Other	(\$10.0)	(\$2.5)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$26.7	\$0.0	\$0.0	(\$13.4)	\$0.0
Funds from Financing	(\$12.7)	(\$65.2)	(\$74.4)	\$8.2	(\$47.2)	(\$36.9)	(\$10.9)	(\$46.8)	(\$58.3)	(\$257.3)	\$49.6	(\$158.6)
Check YTD CFF												
Net cash used for operating activities, discontinued ops	\$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 cash used for investing activities, discontinued ops	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Effect of exchange rate	\$3.5	(\$5.4)	(\$0.6)	\$0.9	\$2.1	(\$5.3)	(\$3.9)	(\$4.7)	\$8.6	(\$4.0)	(\$0.2)	\$0.0
Net (decrease) increase in cash	\$59.2	\$7.1	(\$67.7)	(\$16.9)	\$32.9	\$5.4	(\$19.1)	(\$16.6)	\$24.9	(\$27.4)	\$142.0	\$124.5
Cash Beg	\$50.9	\$110.1	\$117.2	\$49.5	\$32.6	\$65.5	\$70.9	\$51.8	\$35.2	\$60.1	\$32.7	\$174.7
Cash End	\$110.1	\$117.2	\$49.5	\$32.6	\$65.5	\$70.9	\$51.8	\$35.2	\$60.1	\$32.7	\$174.7	\$299.2
Check Cash Balance	\$110.1	\$117.2	\$49.5	\$32.6	\$65.5	\$70.9	\$51.8					
Free Cash Flow (CFO-CAPX) Per Company	\$74.4	\$77.7	\$12.5	(\$31.3)	\$78.0	\$57.9	(\$4.3)	\$73.5	\$150.6	\$237.3	\$255.8	\$283.1
Free Cash Flow (CFO-CAPX-DIV)	\$74.4	\$77.7	\$12.5	(\$31.3)	\$78.0	\$57.9	(\$42.6)	\$33.7	\$108.0	\$188.9	\$201.7	\$224.5

Source: Wells Fargo Securities, LLC estimates and company data

Price Target

Price Target: \$85 from NC

Our 12-month price target is \$85.00 based on a 2020E EV/EBITDA of ~13.5x which is at the high end of its historical range. On a PE basis, our 12-month price target implies a 2020E PE of ~22.0x. As with any industrial stock, there are certain risks that could impede HXL stock from reaching our price target. These risks include, but are not limited to, a global economic slowdown, rapidly rising raw material costs, a downturn in commercial aerospace markets and the loss of a key customer.

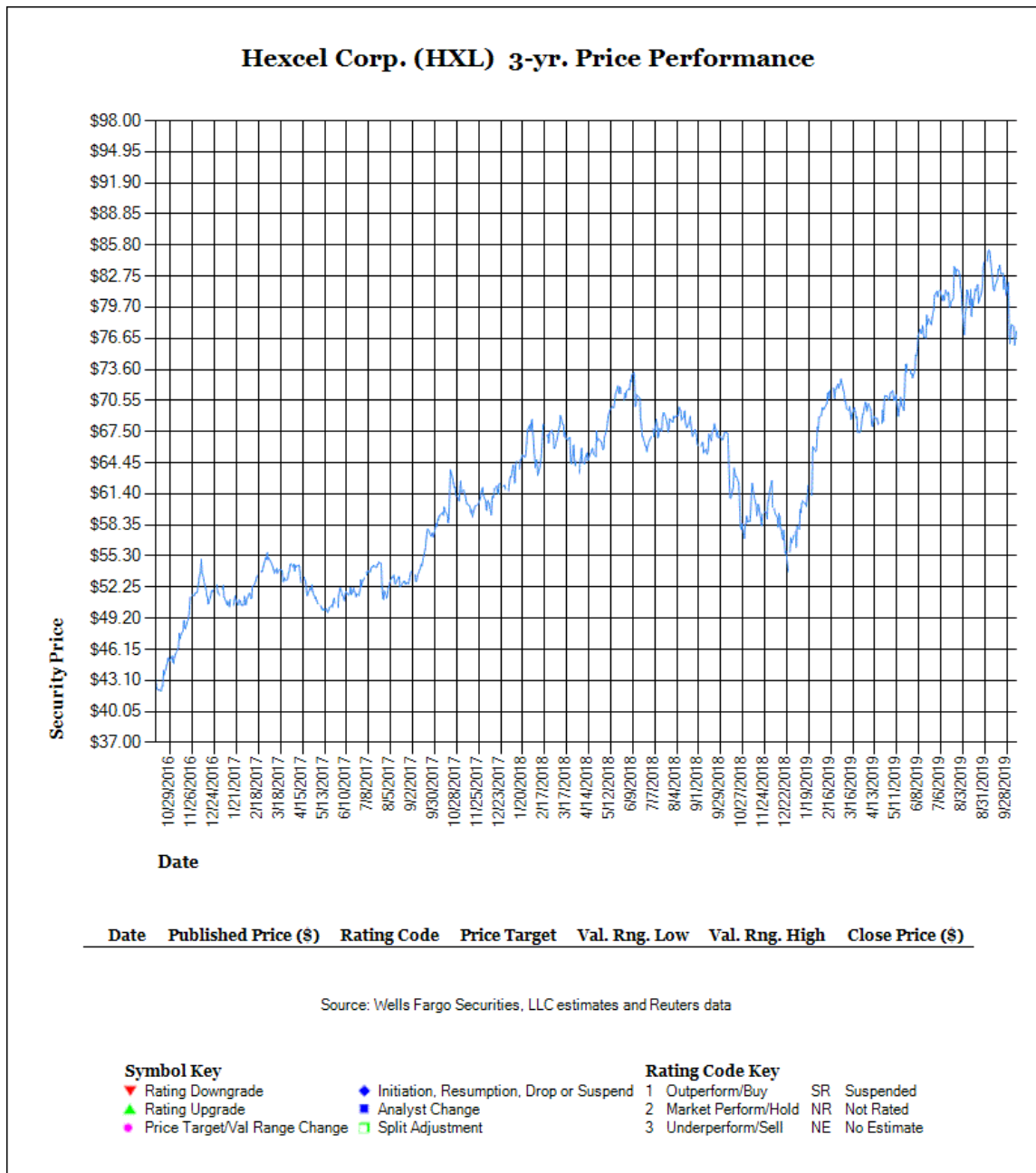
Investment Thesis

We believe a good chunk of the near-term positives are discounted in the stock, which is trading at the high end of its multiple range. Longer term, we believe HXL is still one of the more-attractive growth stories in the aerospace/industrial space and see three key drivers. 1) Commercial aerospace represents nears 2/3rds of sales where the Company is the global leader in providing carbon fiber composites to new aircraft platforms. We believe steady demand is driven by a sizable backlog of aircrafts for Boeing and Airbus which approaches 13,000 new aircrafts expected to be delivered over the next 7 - 8 years. Through 2021, Commercial Aerospace should generate 4 - 7% annually. 2) While Space and Defense is just under 20% of sales, the segment has good secular growth driven by a steady increase in the JSF, A400M and several helicopter platforms which should drive 11 - 13% sales growth annually through 2021. 3) While the Industrial/Wind segment is HXL's smallest, it is poised to generate double digit sales growth annually (10%+) driven by a large backlog in wind energy via Vestas. In total, HXL appears to be positioned to generate 6 - 9% sales growth annually and double-digit EPS growth (2018 - 2021) while posting positive free cash flow.

Company Description

Company Description: Hexcel Corporation (HXL-NYSE) is a leading supplier of advanced composite materials used in commercial aerospace, space & defense and industrial applications. Hexcel's array of advanced materials is offered through two business segments, Composite Materials and Engineered Products. The Composite Materials segment (78% of sales) manufactures and markets carbon fibers, fabrics and specialty reinforcements, prepregs and other fiber-reinforced matrix materials, structural adhesives, honeycomb, molding compounds, tooling materials, polyurethane systems and laminates that are incorporated into many applications, including military and commercial aircraft, wind turbine blades, recreational products, transport (cars, boats, trains) and other industrial applications. The Engineered Products segment (19% of sales) manufactures and markets composite structures and precision machined honeycomb parts, such as aerodynamic fairings, wing panels, rotor blades, engine nacelles, carbon fiber mold tools, and other components used in the aerospace industry. The Company employs a unique vertical integration strategy in which it consumes over 70%+ (by value) of the carbon fiber it produces and are converted to carbon fiber composites. The Company serves international markets through manufacturing and sales offices located in the United States, Europe, and Asia with nearly half of total sales coming from international regions.

Required Disclosures



Additional Information Available Upon Request

I certify that:

- 1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
- 2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

- Wells Fargo Securities, LLC and/or its affiliates, have beneficial ownership of 0.5% or more of any class of the common stock of Hexcel Corp..

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HXL: As with any industrial stock, there are certain risks that could impede HXL stock from reaching our price target. These risks include, but are not limited to, a global economic slowdown, rapidly rising raw material costs, a downturn in commercial aerospace markets and the loss of a key customer.

Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm, which includes, but is not limited to investment banking revenue.

STOCK RATING

1=Outperform: The stock appears attractively valued, and we believe the stock's total return will exceed that of the market over the next 12 months. BUY

2=Market Perform: The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD

3=Underperform: The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

SECTOR RATING

O=Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.

M=Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

U=Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

VOLATILITY RATING

V = A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: October 15, 2019

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Wells Fargo Securities, LLC has provided investment banking services for 28% of its Equity Research Market Perform-rated companies.

3% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Underperform.

Wells Fargo Securities, LLC has provided investment banking services for 16% of its Equity Research Underperform-rated companies.

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