SUOMINEN

Paper & Forest Products/Finland, August 6, 2018
Spot comment

Upgraded to "Hold"

Suominen's Q2 earnings and updated 2018E guidance were marginally ahead our expectations. Bethune's turn proceeded and its outlook seems to be finally improving. With somewhat higher estimates for 2018-2019E we upgrade to "Hold" ("Sell"). Valuation does not look particularly challenging on 2019E estimates, but more evidence of earnings turning to better is needed to justify material upside.

Q2: volumes marginally down, average sales price up

Suominen's Q2 revenue EUR 110m vs. EUR 112m las year. Weaker USD against EUR had EUR -5m negative impact on revenue. Sales volumes were down marginally, while average sales price improved, driven by both price and mix. Prices increased partly contractually (50% of revenue comes from customer contracts with automatic raw material adjustments) but also via negotiating increases. Bethune's increasing production volume and higher value-added focus may have also contributed slightly to the improving average sales price.

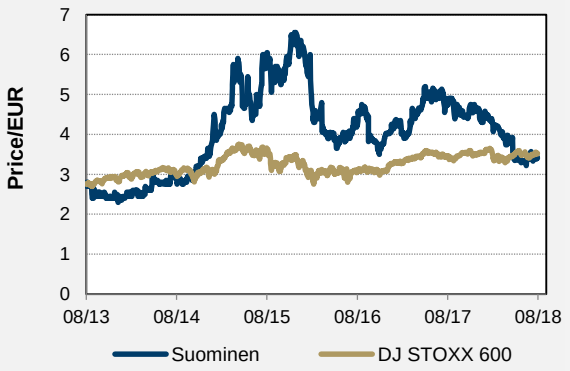
Bethune's gross profit turned positive towards the end of Q2

As a positive surprise Suominen's new production line in Bethune reached positive gross profit towards the end of Q2, although contribution in the full quarter remained negative as we expected. Management indicated production volumes in July were good, which improves outlook for a gradual turn finally taking place after a period of ramp-up troubles. We have slightly increased estimates for Bethune's contribution for H2 and 2019E.

Upgraded to "Hold" ("Sell") with TP of EUR 3.5 (3.0)

Suominen cut its 2018E guidance in touch with Q2, but slightly less than we expected. Guidance implies adj. EBIT will need to improve notably y/y in H2 after weakening y/y in H1. With somewhat higher estimates for 2018-2019E we upgrade to "Hold" ("Sell") with TP of EUR 3.5 (3.0). Valuation does not look particularly challenging on 2019E estimates, but more evidence of earnings turning to better is needed to justify material upside.

Rating HOLD



Share price, EUR (Last trading day's closing price)	3.40
Target price, EUR	3.5
Latest change in recommendation	6-Aug-18
Latest report on company	3-Aug-18
Research paid by issuer:	Yes
No. of shares outstanding, '000's	58,259
No. of shares fully diluted, '000's	58,259
Market cap, EURm	198
Free float, %	100.0
Exchange rate EUR/USD	1.16
Reuters code	SUY1V.HE
Bloomberg code	SUY1V FH
Average daily volume, EURm	0.5
Next interim report	25-Oct-18
Web site	http://www.suominen.fi/en

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BUY HOLD SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2016	417	26	6.1%	22	0.29	14.0	0.7	7.5	11.2	0.11
2017	426	15	3.5%	12	0.25	17.8	0.8	11.6	22.2	0.11
2018E	434	14	3.2%	9	0.12	28.9	0.6	6.3	18.9	0.11
2019E	462	23	4.9%	19	0.24	14.1	0.5	5.3	10.9	0.12
2020E	481	29	6.0%	26	0.32	10.5	0.5	4.9	8.0	0.13

Market cap, EURm	198	BV per share 2018E, EUR	2.3	CAGR EPS 2017-20, %	9.3
Net debt 2018E, EURm	66	Price/book 2018E	1.5	CAGR sales 2017-20, %	4.1
Enterprise value, EURm	264	Dividend yield 2018E, %	3.2	ROE 2018E, %	5.0
Total assets 2018E, EURm	318	Tax rate 2018E, %	27.0	ROCE 2018E, %	5.8
Goodwill 2018E, EURm	15	Equity ratio 2018E, %	43.0	PEG, P/E 18/CAGR	0.6

All the important disclosures can be found on the last pages of this report.

Estimates

SUOMINEN EURm	2013 FY	2014 FY	2015 FY	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2016 FY	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2017 FY	2018 Q1	2018 Q2	2018 Q3E	2018 Q4E	2018E FY	2019E FY	2020E FY
Sales	**374**	**402**	**444**	**104**	**109**	**104**	**100**	**417**	**113**	**112**	**102**	**99**	**426**	**107**	**110**	**109**	**108**	**434**	**462**	**481**
Sales growth, %		0.0751	10.5 %	-7 %	-4 %	-10 %	-4 %	-6 %	9 %	3 %	-1 %	-2 %	2 %	-6 %	-2 %	6%	10%	2%	7%	4%
FX			10.5 %	0 %	-1 %	0 %	1 %	0 %	2 %	1 %	-3 %	-5 %	-1 %	-8 %	-5 %	-1%	0%	-4%	1%	0%
Price (indicative)				-4 %	-2 %	0 %	-2 %	-3 %	0 %	-2 %	-1 %	-1 %	-1 %	0%	4%	3%	3%	3%	2%	2%
Volume (indicative)				-4 %	0 %	-10 %	-2 %	-3 %	6 %	3 %	3 %	4 %	4 %	2%	-1%	4%	7%	3%	4%	2%
COGS	-334	-352	-386	-92	-94	-89	-89	-365	-99	-100	-92	-92	-384	-99	-100	-98	-98	-394	-414	-426
COGS-%	-89%	-88%	-87%	-89%	-86%	-86%	-89%	-87%	-88%	-89%	-90%	-94%	-90%	-93%	-91%	-90%	-91%	-91%	-89%	-89%
Gross Profit	40.1	49.7	58.0	11.8	15.0	14.5	11.0	52.2	13.7	11.9	10.3	6.3	42.2	7.8	10.1	11.2	10.3	39.4	48.7	54.7
Gross-%	10.7 %	12.4 %	13.1 %	11.4 %	13.8 %	14.0 %	10.9 %	12.5 %	12.1 %	10.6 %	10.0 %	6.4 %	9.9 %	7.4 %	9.1 %	10.3 %	9.5 %	9.1 %	10.5 %	11.4 %
SGA & R&D	-22.4	-24.6	-28.0	-6.9	-6.7	-6.7	-7.5	-27.9	-7.8	-8.1	-6.1	-6.9	-28.9	-6.9	-7.7	-5.9	-6.8	-27.3	-27.5	-27.5
Other	1.7	0.8	1.8	0.7	0.4	0.1	0.0	1.3	0.4	0.6	0.4	0.3	1.7	0.6	0.6	0.4	0.3	1.9	1.5	1.5
EBIT	18.9	25.9	31.8	5.5	8.7	7.9	3.5	25.6	6.3	4.4	4.6	-0.3	15.0	1.5	2.9	5.7	3.8	13.9	22.7	28.7
IAC	-0.5	-1.0	0.5	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
EBIT ex IAC	**19.4**	**26.9**	**31.2**	**5.5**	**8.7**	**7.9**	**3.5**	**25.6**	**6.3**	**4.4**	**4.6**	**-0.3**	**15.0**	**1.5**	**2.9**	**5.7**	**3.8**	**13.9**	**22.7**	**28.7**
EBIT-% ex IAC	**5.2 %**	**6.7 %**	**7.0 %**	**5.3 %**	**8.0 %**	**7.6 %**	**3.5 %**	**6.1 %**	**5.5 %**	**3.9 %**	**4.5 %**	**####**	**3.5 %**	**1.5 %**	**2.7 %**	**5.2 %**	**3.5 %**	**3.2 %**	**4.9 %**	**6.0 %**
Depreciation	-13.9	-15.6	-17.7	-5.0	-4.1	-4.7	-4.7	-18.5	-4.7	-4.6	-4.8	-5.4	-19.4	-5.0	-5.1	-5.0	-5.0	-20.1	-20.6	-20.4
EBITDA ex IAC	**33.3**	**42.5**	**48.9**	**10.5**	**12.8**	**12.6**	**8.2**	**44.2**	**10.9**	**8.9**	**9.4**	**5.1**	**34.3**	**6.5**	**8.0**	**10.7**	**8.8**	**34.1**	**43.3**	**49.1**
EBITDA-% ex IAC	**8.9 %**	**10.6 %**	**11.0 %**	**10.1 %**	**11.8 %**	**12.1 %**	**8.2 %**	**10.6 %**	**9.7 %**	**8.0 %**	**9.2 %**	**5.2 %**	**8.1 %**	**6.1 %**	**7.3 %**	**9.8 %**	**8.1 %**	**7.9 %**	**9.4 %**	**####**

Source: Suominen, Evli Estimates

Valuation

SUOMINEN PEER GROUP	MCAP local FX	EV/EBITDA 18	EV/EBITDA 19	EV/EBITDA 20	EV/EBIT 18	EV/EBIT 19	EV/EBIT 20	P/E 18	P/E 19	P/E 20	P/B 18	P/B 19	P/B 20
Ahlstrom-Munksjo Oyj	1593	8.1x	6.5x	5.6x	14.4x	10.5x	8.6x	13.9x	10.6x	9.1x	1.5x	1.3x	1.2x
Berry Global Group Inc	6324	8.2x	7.5x	6.9x	13.0x	11.6x	10.4x	13.9x	12.2x	11.1x	4.2x	3.2x	2.5x
Kimberly-Clark Corporation	40573	11.7x	11.5x	11.1x	14.7x	14.4x	13.8x	17.4x	16.7x	15.8x	163.5x	249.4x	113.1x
Low & Bonar PLC	155	5.5x	4.9x	4.4x	8.9x	7.8x	7.0x	8.4x	7.3x	6.7x	0.9x	0.9x	0.9x
Neenah Inc	1503	11.4x	9.7x		14.8x	12.3x		19.9x	17.0x		3.4x	3.0x	
P. H. Glatfelter Company	742	8.0x	5.6x	5.1x	17.3x	9.6x	8.7x	18.7x	11.1x	11.8x	1.0x	1.0x	0.9x
PFNonwovens a.s.	7905												
Peer Group Median		**8.2x**	**7.0x**	**5.6x**	**14.6x**	**11.0x**	**8.7x**	**15.7x**	**11.7x**	**11.1x**	**2.4x**	**2.2x**	**1.2x**
Peer Group Average		**8.8x**	**7.6x**	**6.6x**	**13.9x**	**11.0x**	**9.7x**	**15.4x**	**12.5x**	**10.9x**	**29.1x**	**43.1x**	**23.7x**
Suominen (Evli est)		**7.8x**	**5.7x**	**4.7x**	**18.9x**	**10.9x**	**8.0x**	**28.9x**	**14.1x**	**10.5x**	**1.5x**	**1.4x**	**1.3x**
Suominen discount/premium to peer group median		*-5%*	*-18%*	*-16%*	*30%*	*-1%*	*-8%*	*84%*	*21%*	*-6%*	*-41%*	*-36%*	*6%*

SUOMINEN PEER GROUP	Ticker	Div yield 18	Div yield 19	Div yield 20	EBIT-% 18	EBIT-% 19	EBIT-% 20	ROCE-% 18	ROCE-% 19	ROCE-% 20	ROE-% 18	ROE-% 19	ROE-% 20
Ahlstrom-Munksjo Oyj	AM1-FI	3.3%	3.7%	4.1%	6.6%	8.1%	9.0%	7.1%	10.3%	10.6%	10.6%	12.7%	13.1%
Berry Global Group Inc	BERY-US	0.0%	0.0%	0.0%	11.3%	11.8%	12.1%	11.3%	11.8%	12.0%	30.1%	26.4%	22.5%
Kimberly-Clark Corporation	KMB-US	3.4%	3.6%	3.8%	17.6%	18.0%	18.4%	39.5%	39.7%	40.3%	937.6%	1492.9%	716.8%
Low & Bonar PLC	LWB-GB	6.5%	6.7%	6.9%	7.3%	7.9%	8.2%	9.9%	11.1%	11.8%	10.8%	11.9%	12.9%
Neenah Inc	NP-US	1.8%	1.8%		11.0%	12.1%		14.6%	16.1%		17.1%	17.5%	
P. H. Glatfelter Company	GLT-US	2.9%	2.9%	2.8%	4.2%	6.3%	6.4%	5.2%	8.5%		5.6%	8.9%	8.0%
PFNonwovens a.s.	PEGAS-CZ				14.1%	13.7%	13.4%						
Peer Group Median		**3.1%**	**3.2%**	**3.8%**	**11.0%**	**11.8%**	**10.5%**	**10.6 %**	**11.5 %**	**11.9 %**	**13.9%**	**15.1%**	**13.1%**
Peer Group Average		**3.0%**	**3.1%**	**3.5%**	**10.3%**	**11.1%**	**11.3%**	**14.6 %**	**16.3 %**	**18.7 %**	**168.6%**	**261.7%**	**154.7%**
Suominen (Evli est)	SUY1V-FI	**3.2%**	**3.5%**	**3.8%**	**3.2%**	**4.9%**	**6.0%**	**5.8 %**	**9.7 %**	**12.6 %**	**5.0%**	**10.0%**	**12.6%**

Source: Factset, Evli Research

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Spot comment

VALUATION RESULTS		BASE CASE DETAILS		VALUATION ASSUMPTIONS		ASSUMPTIONS FOR WACC	
Current share price	3.40	PV of Free Cash Flow	167	Long-term growth, %	2.0	Risk-free interest rate, %	2.25
DCF share value	4.03	PV of Horizon value	143	WACC, %	7.9	Market risk premium, %	5.8
Share price potential, %	18.6	Unconsolidated equity	0	Spread, %	0.5	Debt risk premium, %	2.8
Maximum value	4.4	Marketable securities	35	Minimum WACC, %	7.4	Equity beta coefficient	1.00
Minimum value	3.7	Debt - dividend	-110	Maximum WACC, %	8.4	Target debt ratio, %	20
Horizon value, %	46.2	Value of stock	235	Nr of shares, Mn	58.3	Effective tax rate, %	28

DCF valuation, EURm	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	Horizon
Net sales	426	434	462	481	500	510	520	530	541	552	563	574
Sales growth, %	*2.2*	*1.8*	*6.6*	*4.0*	*3.9*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*
Operating income (EBIT)	15	14	23	29	33	31	31	32	32	28	28	29
EBIT margin, %	*3.5*	*3.2*	*4.9*	*6.0*	*6.6*	*6.0*	*6.0*	*6.0*	*6.0*	*5.0*	*5.0*	*5.0*
+ Depreciation+amort.	19	20	21	20	19	18	17	16	16	17	17	
- Income taxes	1	-4	-6	-7	-9	-8	-8	-8	-8	-7	-7	
- Change in NWC	-8	1	0	-2	-2	-1	-1	-1	-1	-1	-1	
NWC / Sales, %	*11.1*	*10.7*	*10.1*	*10.0*	*10.0*	*9.9*	*9.9*	*9.9*	*9.8*	*9.8*	*9.8*	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-34	-12	-12	-12	-12	-12	-14	-16	-18	-20	-20	-20
Investments / Sales, %	*7.9*	*2.8*	*2.6*	*2.5*	*2.4*	*2.4*	*2.7*	*3.0*	*3.3*	*3.6*	*3.6*	*3.6*
- Other items	-5	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	-11	19	25	28	30	28	25	23	21	16	17	294
= Discounted FCF (DFCF)		19	23	23	23	20	17	14	12	8	8	143

= DFCF min WACC		19	23	24	23	20	17	15	13	9	9	164
= DFCF max WACC		19	23	23	23	19	16	14	12	8	8	127

INTERIM FIGURES

EVLI ESTIMATES, EURm	2017Q1	2017Q2	2017Q3	2017Q4	2017	2018Q1	2018Q2	2018Q3E	2018Q4E	2018E	2019E	2020E
Net sales	113	112	102	99	426	107	110	109	108	434	462	481
EBITDA	11	9	9	5	34	7	8	11	9	34	43	49
EBITDA margin (%)	*9.7*	*8.0*	*9.2*	*5.1*	*8.1*	*6.1*	*7.3*	*9.8*	*8.1*	*7.9*	*9.4*	*10.2*
EBIT	6	4	5	0	15	2	3	6	4	14	23	29
EBIT margin (%)	*5.5*	*3.9*	*4.5*	*-0.3*	*3.5*	*1.5*	*2.7*	*5.2*	*3.5*	*3.2*	*4.9*	*6.0*
Net financial items	0	0	-1	-1	-3	-2	-1	-1	-1	-5	-4	-3
Pre-tax profit	6	4	4	-1	12	0	2	5	3	9	19	26
Tax	-2	-2	-2	8	2	0	-1	-1	-1	-3	-5	-7
Tax rate (%)	*30.5*	*48.4*	*47.6*	*587.3*	*-16.5*	*-13.4*	*24.5*	*26.0*	*26.0*	*27.0*	*26.0*	*26.0*
Net profit	4	2	2	6	14	0	2	3	2	7	14	19
EPS	0.07	0.04	0.03	0.11	0.25	-0.01	0.03	0.06	0.03	0.12	0.24	0.32
EPS adjusted (diluted no. of shares)	0.06	0.03	0.03	0.10	0.22	-0.01	0.03	0.06	0.03	0.12	0.24	0.32
Dividend per share	0.00	0.00	0.00	0.00	0.11	0.00	0.00	0.00	0.00	0.11	0.12	0.13
SALES, EURm												
Group	113	112	102	99	426	107	110	109	108	434	462	481
Total	113	112	102	99	426	107	110	109	108	434	462	481
SALES GROWTH, Y/Y %												
Group	*8.7*	*2.9*	*-1.4*	*-1.7*	*2.2*	*-5.6*	*-1.8*	*6.4*	*9.8*	*1.8*	*6.6*	*4.0*
Total	*8.7*	*2.9*	*-1.4*	*-1.7*	*2.2*	*-5.6*	*-1.8*	*6.4*	*9.8*	*1.8*	*6.6*	*4.0*
EBIT, EURm												
Group	6	4	5	0	15	2	3	6	4	14	23	29
Total	6	4	5	0	15	2	3	6	4	14	23	29
EBIT margin, %												
Group	*5.5*	*3.9*	*4.5*	*-0.3*	*3.5*	*1.5*	*2.7*	*5.2*	*3.5*	*3.2*	*4.9*	*6.0*
Total	*5.5*	*3.9*	*4.5*	*-0.3*	*3.5*	*1.5*	*2.7*	*5.2*	*3.5*	*3.2*	*4.9*	*6.0*

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INCOME STATEMENT, EURm	2013	2014	2015	2016	2017	2018E	2019E	2020E
Sales	374	402	444	417	426	434	462	481
Sales growth (%)	*-17.9*	*7.5*	*10.5*	*-6.1*	*2.2*	*1.8*	*6.6*	*4.0*
Costs	-340	-359	-395	-373	-392	-400	-419	-432
Reported EBITDA	33	42	49	44	34	34	43	49
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
EBITDA margin (%)	*8.9*	*10.6*	*11.0*	*10.6*	*8.1*	*7.9*	*9.4*	*10.2*
Depreciation	-14	-16	-18	-19	-19	-20	-21	-20
EBITA	19	27	31	26	15	14	23	29
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	19	27	31	26	15	14	23	29
EBIT margin (%)	*5.2*	*6.7*	*7.0*	*6.1*	*3.5*	*3.2*	*4.9*	*6.0*
Net financials	-6	-8	-5	-3	-3	-5	-4	-3
Pre-tax profit	14	19	26	22	12	9	19	26
Extraordinary items	0	-6	1	0	0	0	0	0
Taxes	-7	-8	-9	-7	2	-3	-5	-7
Minority shares	0	0	0	0	0	0	0	0
Net profit	6	5	17	15	14	7	14	19
BALANCE SHEET, EURm								
Assets								
Fixed assets	113	114	122	160	160	152	143	135
% of sales	*30*	*28*	*28*	*38*	*37*	*35*	*31*	*28*
Goodwill	15	15	15	15	15	15	15	15
% of sales	*4*	*4*	*3*	*4*	*4*	*4*	*3*	*3*
Inventory	32	32	33	43	44	43	44	46
% of sales	*9*	*8*	*7*	*10*	*10*	*10*	*10*	*10*
Receivables	55	50	53	56	66	67	71	74
% of sales	*15*	*13*	*12*	*14*	*16*	*16*	*15*	*15*
Liquid funds	18	47	64	38	35	35	37	38
% of sales	*5*	*12*	*14*	*9*	*8*	*8*	*8*	*8*
Total assets	239	265	292	316	326	318	316	313
Liabilities								
Equity	79	90	108	126	136	137	144	156
% of sales	*21*	*22*	*24*	*30*	*32*	*31*	*31*	*32*
Deferred taxes	7	9	11	11	15	15	15	15
% of sales	*2*	*2*	*2*	*3*	*3*	*3*	*3*	*3*
Interest bearing debt	93	103	115	111	110	101	87	70
% of sales	*25*	*26*	*26*	*27*	*26*	*23*	*19*	*15*
Non-interest bearing current liabilities	57	60	56	65	63	64	68	71
% of sales	*15*	*15*	*13*	*16*	*15*	*15*	*15*	*15*
Other interest free debt	3	2	2	2	1	1	1	1
% of sales	*1*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Total liabilities	239	265	292	316	326	318	316	313
CASH FLOW, EURm								
+ EBITDA	33	42	49	44	34	34	43	49
- Net financial items	-6	-8	-5	-3	-3	-5	-4	-3
- Taxes	-6	-7	-8	-6	0	-3	-5	-7
- Increase in Net Working Capital	6	6	-8	-6	-8	1	0	-2
+/- Other	-8	2	-1	0	-2	0	0	0
= Cash flow from operations	21	35	26	28	22	28	34	38
- Capex	-6	-8	-22	-50	-34	-12	-12	-12
- Acquisitions	0	-19	0	0	0	0	0	0
+ Divestments	4	5	0	0	0	0	0	0
= Net cash flow	19	13	4	-21	-11	16	22	26
+/- Change in interest-bearing debt	-17	10	11	-4	-1	-9	-14	-17
+/- New issues/buybacks	-23	7	3	8	1	0	0	0
- Paid dividend	0	0	-2	-5	-6	-6	-6	-7
+/- Change in loan receivables	0	0	0	0	0	0	0	0
Change in cash	-21	30	16	-21	-17	0	2	1

SUOMINEN

Paper & Forest Products/Finland, August 6, 2018
Spot comment

KEY FIGURES	2014	2015	2016	2017	2018E	2019E	2020E
M-cap	197	312	214	258	198	198	198
Net debt	56	50	73	76	66	50	31
Enterprise value	254	362	287	333	264	248	229
Sales	402	444	417	426	434	462	481
EBITDA	42	49	44	34	34	43	49
EBIT	27	31	26	15	14	23	29
Pre-tax	19	26	22	12	9	19	26
Earnings	11	16	15	14	7	14	19
Book value	90	108	126	136	137	144	156
Valuation multiples							
EV/sales	0.6	0.8	0.7	0.8	0.6	0.5	0.5
EV/EBITDA	6.0	7.4	6.5	9.7	7.8	5.7	4.7
EV/EBITA	9.4	11.6	11.2	22.2	18.9	10.9	8.0
EV/EBIT	9.4	11.6	11.2	22.2	18.9	10.9	8.0
EV/operating cash flow	7.2	13.7	10.1	15.0	8.5	6.7	5.7
EV/cash earnings	8.9	9.7	8.2	9.4	9.8	7.2	5.8
P/E	17.7	19.0	14.0	17.8	28.9	14.1	10.5
P/E excl. goodwill	17.7	19.0	14.0	17.8	28.9	14.1	10.5
P/B	2.2	2.9	1.7	1.9	1.5	1.4	1.3
P/sales	0.5	0.7	0.5	0.6	0.5	0.4	0.4
P/CF	5.6	11.8	7.5	11.6	6.3	5.3	4.9
Target EV/EBIT	*0.0*	*0.0*	*0.0*	*0.0*	*19.3*	*11.2*	*8.2*
Target P/E	*0.0*	*0.0*	*0.0*	*0.0*	*29.7*	*14.5*	*10.8*
Target P/B	*0.0*	*0.0*	*0.0*	*0.0*	*1.5*	*1.4*	*1.3*
Per share measures							
Number of shares	49,226	50,302	51,666	58,259	58,259	58,259	58,259
Number of shares (diluted)	49,226	50,302	51,666	65,259	58,259	58,259	58,259
EPS	0.23	0.33	0.29	0.25	0.12	0.24	0.32
EPS excl. goodwill	0.23	0.33	0.29	0.25	0.12	0.24	0.32
Cash EPS	0.58	0.74	0.68	0.61	0.46	0.59	0.67
Operating cash flow per share	0.72	0.52	0.55	0.38	0.54	0.64	0.69
Capital employed per share	2.98	3.15	3.86	3.64	3.48	3.34	3.22
Book value per share	1.83	2.15	2.44	2.34	2.34	2.48	2.68
Book value excl. goodwill	1.52	1.84	2.14	2.07	2.08	2.21	2.41
Dividend per share	0.05	0.10	0.11	0.11	0.11	0.12	0.13
Dividend payout ratio, %	22.0	30.6	37.3	44.3	93.5	49.8	40.0
Dividend yield, %	1.2	1.6	2.7	3.2	3.2	3.5	3.8
Efficiency measures							
ROE	13.2	16.6	13.0	11.0	5.0	10.0	12.6
ROCE	14.7	15.0	11.4	6.2	5.8	9.7	12.6
Financial ratios							
Capex/sales, %	5.5	5.0	11.8	7.9	2.8	2.6	2.5
Capex/depreciation excl. goodwill,%	142.6	125.5	265.0	173.4	59.6	58.4	58.8
Net debt/EBITDA, book-weighted	1.3	1.0	1.7	2.2	1.9	1.2	0.6
Debt/equity, market-weighted	0.5	0.4	0.5	0.4	0.5	0.4	0.4
Equity ratio, book-weighted	34.1	37.0	40.0	41.8	43.0	45.6	49.8
Gearing	0.62	0.46	0.58	0.56	0.48	0.35	0.20
Number of employees, average	591	614	614	614	614	614	614
Sales per employee, EUR	679,800	723,195	678,928	693,805	706,632	753,198	783,246
EBIT per employee, EUR	45,516	50,814	41,730	24,430	22,753	37,030	46,743

SUOMINEN

Paper & Forest Products/Finland, August 6, 2018
Spot comment

COMPANY DESCRIPTION: Suominen is the globally leading producer of nonwovens for wipes. The company has operations in Europe, United States and Brazil.

INVESTMENT CASE: Suominen in its current form was created when Suominen acquired Ahlstroms Home & Personal business area in 2011 and subsequently divested all other businesses. Profitability has improved clearly in the new Suominen vs. old Ahlstrom Wipes business.

OWNERSHIP STRUCTURE	SHARES	EURm	%
AC Invest two B.V.	13,953,357	47.441	24.0%
Oy Etra Invest Ab	5,909,167	20.091	10.1%
Varma Mutual Pension Insurance Company	4,500,000	15.300	7.7%
Ilmarinen Mutual Pension Insurance Company	4,071,892	13.844	7.0%
Elo Pension Company	3,024,651	10.284	5.2%
OP-Finland Value Fund	1,976,760	6.721	3.4%
Evald and Hilda Nissi's Foundation	1,000,000	3.400	1.7%
Bergholm Heikki	998,417	3.395	1.7%
Mandatum Life Unit-Linked	963,475	3.276	1.7%
Nordea Nordic Small Cap Fund	937,152	3.186	1.6%
Ten largest	37,334,871	126.939	64%
Residual	20,924,348	71.143	36%
Total	58,259,219	198.081	100%

EARNINGS CALENDAR

October 25, 2018	Q3 report

OTHER EVENTS

March 15, 2018	AGM

COMPANY MISCELLANEOUS

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CFO: Tapio Engström	Tel: +358 (0)10 214 300
IR: Anu Heinonen	

DEFINITIONS

P/E $\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/Sales $\frac{\text{Market cap}}{\text{Sales}}$	DPS Dividend for the financial period per share
P/BV $\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	CEPS $\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$
P/CF $\frac{\text{Price per share}}{\text{Operating cash flow per share}}$	EV/Share $\frac{\text{Enterprise value}}{\text{Number of shares}}$
EV (Enterprise value) Market cap + net debt + minority interest at market value − share of associated companies at market value	Sales/Share $\frac{\text{Sales}}{\text{Number of shares}}$
Net debt Interest bearing debt − financial assets	EBITDA/Share $\frac{\text{Earnings before interest, tax, depreciation and amortisation}}{\text{Number of shares}}$
EV/Sales $\frac{\text{Enterprise value}}{\text{Sales}}$	EBIT/Share $\frac{\text{Operating profit}}{\text{Number of shares}}$
EV/EBITDA $\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortisation}}$	EAFI/Share $\frac{\text{Pretax profit}}{\text{Number of shares}}$
EV/EBIT $\frac{\text{Enterprise value}}{\text{Operating profit}}$	Capital employed/Share $\frac{\text{Total assets} - \text{non interest bearing debt}}{\text{Number of shares}}$
Div yield, % $\frac{\text{Dividend per share}}{\text{Price per share}}$	Total assets Balance sheet total
Payout ratio, % $\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Interest coverage (x) $\frac{\text{Operating profit}}{\text{Financial items}}$
Net cash/Share $\frac{\text{Financial assets} - \text{interest bearing debt}}{\text{Number of shares}}$	Asset turnover (x) $\frac{\text{Turnover}}{\text{Balance sheet total (average)}}$
ROA, % $\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balance sheet total} - \text{interest free short term debt} - \text{long term advances received and accounts payable (average)}}$	Debt/Equity, % $\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
ROCE, % $\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non interest bearing debt (average)}}$	Equity ratio, % $\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest free loans}}$
ROE, % $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$	CAGR, % Cumulative annual growth rate = Average growth per year

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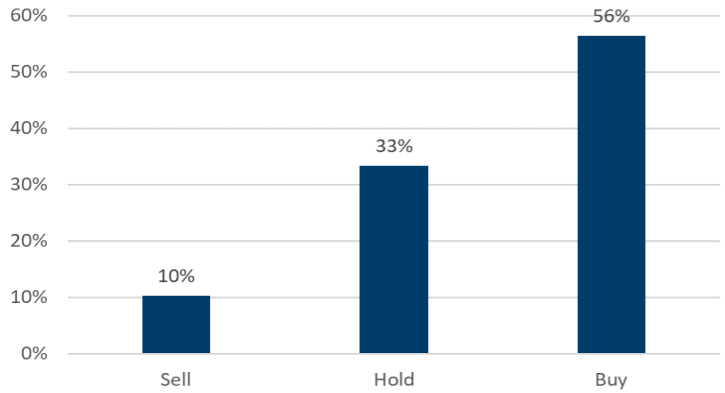
Detailed information about the valuation or methodology and the underlying assumptions is accessible via ERP: http://research.evli.com
Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

ERP's investment recommendation of the analyzed company is in general updated 2 – 4 per year.



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Name(s) of the analyst(s): Häyhä

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