

## Waiting for earnings to turn

Suominen has faced clear challenges in recent years and there is way to go to reach the historical earnings level. Own efforts and Bethune's improving outlook support the outlook for earnings gradually turning to the better. Valuation on 2019E multiples looks moderate, but evidence of earnings turning remains to be delivered. We retain "Hold" rating for Suominen's shares.

### Business has suffered in recent years

Capacity increases by competitors in certain product areas have had a clear negative impact on Suominen's business in 2016, 2017 and H1'18. Particularly price/mix and profitability have been key issues. Suominen addresses these via its 3P program. Some early results were delivered in H1'18. Bethune's increasing contribution should help in gradually turning price/mix to the better. We expect earnings in 2018E to remain modest, in line with guidance, but expect earnings to gradually improve in 2019-2020E, driven by both Bethune and Suominen ex-Bethune.

### Bethune's outlook seems to be finally improving

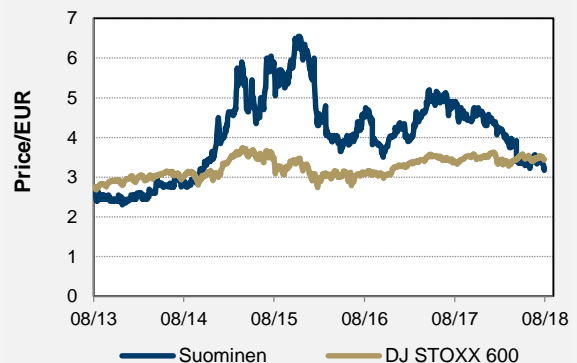
After a lengthy period of ramp-up troubles, Suominen's new production line in Bethune finally reached positive gross profit towards the end of Q2'18. Management indicated production volumes in July 2018 were good, which improves outlook for a gradual turn finally taking place. We expect Bethune to have a more significant topline impact from H2'18 and its gross profit contribution to turn to positive in H2'18.

### Waiting for earnings to turn - "Hold" reiterated

Suominen's valuation looks unattractive with 2018E multiples, but on 2019E multiples valuation looks much more moderate: on our 2019E estimates Suominen trades 5.4x EV/EBITDA, 10.3x EV/EBIT and 13.1x P/E, which are close to Suominen's historical multiples. While valuation does not look particularly challenging on 2019E estimates, evidence of earnings turning to better is needed to justify material upside. With 2019E multiples close to historical valuation we keep "Hold" rating intact with target price of EUR 3.4 (3.5). If Suominen was to move towards its financial targets, there would be clear upside to valuation.

## Rating

■ HOLD



Share price, EUR (Last trading day's closing price)	3.17
Target price, EUR	3.4
Latest change in recommendation	06-Aug-18
Latest report on company	06-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	185
Free float, %	100.0
Exchange rate EUR/USD	1.14
Reuters code	SUY1V.HE
Bloomberg code	SUY1V FH
Average daily volume, EURm	0.5
Next interim report	25-Oct-18
Web site	<a href="http://www.suominen.fi/en">http://www.suominen.fi/en</a>
Analyst	Joonas Häyhä
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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	436	14	3.2%	9	0.12	26.8	0.6	5.9	17.9	0.11
2019E	467	23	4.9%	19	0.24	13.1	0.5	5.0	10.3	0.12
2020E	485	29	5.9%	26	0.33	9.7	0.4	4.6	7.5	0.13
Market cap, EURm		185	BV per share 2018E, EUR		2.3	CAGR EPS 2017-20, %				9.4
Net debt 2018E, EURm		66	Price/book 2018E		1.4	CAGR sales 2017-20, %				4.5
Enterprise value, EURm		251	Dividend yield 2018E, %		3.5	ROE 2018E, %				5.1
Total assets 2018E, EURm		318	Tax rate 2018E, %		27.0	ROCE 2018E, %				5.8
Goodwill 2018E, EURm		15	Equity ratio 2018E, %		42.9	PEG, P/E 18/CAGR				0.5

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

## Investment Summary

Nonwovens as roll goods for wipes

Suominen produces nonwovens as roll goods primarily for wipes, but also to hygiene & medical applications at 8 locations in Finland, Italy, Spain, USA and Brazil. Suominen is the global market leader in nonwovens for wipes. 59% of total sales go to Americas, primarily to USA that represents about half of total sales. Remainder of sales goes to Europe. Potential expansion in Asia was introduced at 2017 CMD. Suominen's markets are estimated to grow by 3% p.a. on average.

Capacity increases in certain areas have had a clear negative impact on Suominen in recent years

Demand, competition, pricing, raw materials and FX are primary earnings drivers of Suominen's business. Capacity increases by competitors in certain product areas, especially baby wipes and flushables, have had a clear negative impact on Suominen's business in 2016, 2017 and H1'18. In 2016 demand/volumes disappointed and pricing suffered. In 2017 volumes turned to 4% growth, but price/mix weakened with continued price pressure, and with growing share of baby in the mix. Raw material prices also increased in 2017, although impact is limited contractually, as 50% of revenue comes from customers with whom raw materials pass through automatically. To address price/mix and profitability issues, Suominen has an ongoing 3P program (Pricing, Performance and Planning) focused on improving margins. Some early results were delivered in H1'18.

Bethune ramp-up has continuously disappointed with technical issues, but it finally reached positive gross profit towards the end of Q2'18

Suominen is currently ramping up a major EUR 50m+ tailor-made production line investment in Bethune, USA. The new production line will supply growing segments with a higher value-add focus. When fully ramped up sales should be 1.0-1.5x investment of EUR 50+m and EBIT-% should reach the company's targeted 10%. Production in Bethune started in small scale in Q2'17 but the ramp-up has continuously disappointed due to technical issues. Bethune had EUR 5m negative earnings impact in 2017. Earnings impact remained negative in H1'18, but as a positive surprise Bethune reached positive gross profit towards the end of Q2'18. Management indicated production volumes in July 2018 were good, which improves outlook for a gradual turn finally taking place after a period of ramp-up troubles. We expect Bethune to have a more significant topline impact from H2'18 and its gross profit contribution to turn to positive in H2'18.

We expect earnings to gradually improve in 2019-2020E, driven by both Bethune and Suominen ex Bethune

Overall see Suominen reaching EUR 14m adj. EBIT in 2018E vs. EUR 15m in 2017A. Guidance for adj. EBIT was cut in touch with Q2'18 earnings – Suominen now sees flat adj. EBIT in 2018E vs. increase previously. In our 2019-2020E estimates we expect Bethune's increasing production volume to support revenue growth and earnings in 2019-2020E. For Suominen ex Bethune we expect 2% growth and some improvement in the gross margin in 2019-2020E – however, we do not expect the gross margin to reach the 12-13% levels seen in 2014-2016. Overall, in our 2019-2020E estimates revenue and adj. EBIT growth is quite equally driven by Bethune and Suominen ex Bethune.

Hold" with target price of EUR 3.4 (3.5)

Suominen's valuation looks unattractive with 2018E multiples, with low earnings. On 2019E multiples valuation looks much more moderate: on our 2019E estimates Suominen trades 5.4x EV/EBITDA, 10.3x EV/EBIT and 13.1x P/E vs. 5-year historical 12m forward averages of 5.6x EV/EBITDA, 9.5x EV/EBIT and 13.8x P/E. We conclude valuation does not look particularly challenging on 2019E estimates, but more evidence of earnings turning to better is needed to justify material upside. With 2019E multiples close to historical valuation we keep "Hold" rating intact with TP of EUR 3.4 (3.5).

There would be clear upside to valuation if Suominen was to reach its financial targets.

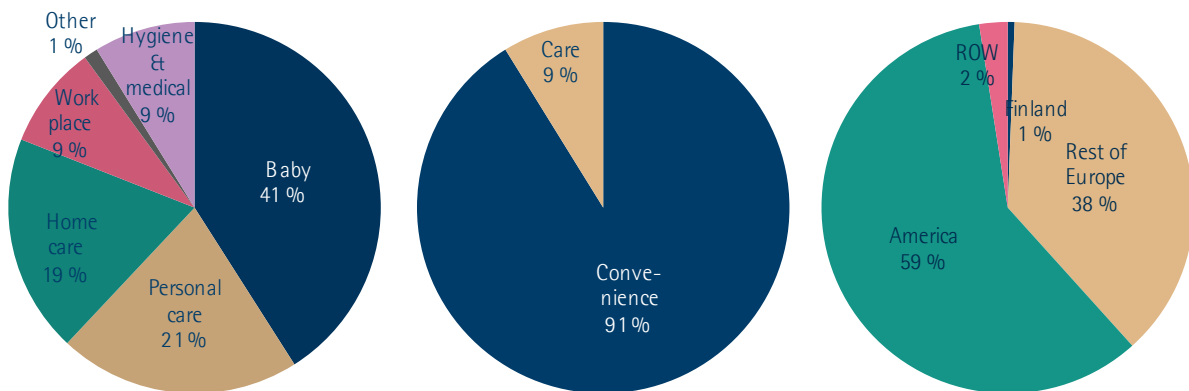
As financial targets Suominen aims for EUR 600m of sales with at least 10% EBIT margin by 2021E. Average ROI target is 15%, gearing 40-80% and dividend policy is at least 30% of net earnings. We see the targets as challenging especially for the 10% EBIT margin target. At present we expect Suominen to reach EUR ~500m revenue level by 2021. We expect the EBIT margin to improve gradually to 6.6% by 2021. If Suominen was to move towards and/or reach its targets, there would be clear upside to valuation.

**Company and business overview**

Nonwovens for wipes in Americas and Europe – in the future also in Asia?

Suominen produces nonwovens as roll goods for two segments – convenience and care. Convenience refers to wipes for baby, personal care, household and workplace. Care segment is nonwoven products for hygiene and medical applications. Suominen had 8 production locations in Finland, Italy, Spain, USA and Brazil. 59% of sales go to Americas, primarily to USA that represents about half of total sales. Remainder of sales goes to Europe. Potential expansion in Asia was introduced at 2017 CMD. Suominen in its current form is largely built on Ahlstrom’s former Home & Personal unit.

**Sales by segment and geography, 2017**



Source: Suominen, Evli Research

Wiping products made of Suominen’s nonwovens include wet wipes for personal hygiene, baby care, and household and workplace wiping. Hygiene applications include sanitary pads, diapers and adult incontinence. Medical applications include surgical drapes and swabs.

Between fibre producer and brand owner in the value chain

In the value chain Suominen is located between fiber producers and end-product manufacturers and brand owners.

**Value chain description**

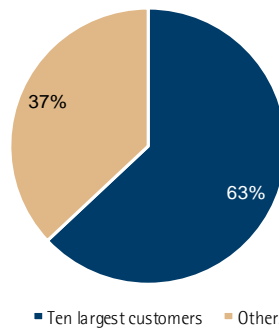


Source: Suominen

Large customers, long contracts

Suominen's customers include global manufacturers of consumer brands and private label products; manufacturers of medical and hygiene products; and regional further processors. Customer relationships often last more than ten years and are typically based on 2–3-year framework agreements. Suominen's customer base is fairly concentrated: in 2017 the ten largest customers accounted for 63% (63%) of the Group net sales. Key purchasing criteria include consistent quality, continuity and proximity. Market conditions and customers' inventory levels impact Suominen's net sales, i.e. Suominen is dependent on the performance of its customers' products vs. competing products.

Revenue by customers



Source: Suominen

Indicative customers



**Financial targets – revenue of EUR 600m with >10% EBIT margin**

In its strategic period in 2014-2017, Suominen's primary financial targets were ROI of 12% and organic growth exceeding the average growth rate of the industry. This growth rate was to increase Suominen's turnover to EUR 500m by end of 2017. Sales in 2017 in the end amounted to EUR 426m.

Suominen issued updated financial targets in spring 2017 for the strategy period 2017-2021. Suominen's current financial targets are:

- Revenue of EUR 600m by 2021 with an average annual growth rate of 6%. When issued the EUR 600m target was thought to be reached organically. Now Suominen allows for M&A as well. Target of EUR 600m would imply revenue CAGR of 9% in 2018-2021.
- EBIT margin of above 10% by 2021. EBIT-margin has been between 3.5-7.0% in 2012-2017. The 7% was reached in 2015, after which margins have deteriorated. The 10% is to be reached by changing the product mix towards higher value-added products, capacity enhancements and some SG&A savings. Bethune's new line is expected to have a notable role in reaching the 10%.
- Average ROI of 15%
- gearing in the range of 40-80%.

Suominen's financial targets look challenging

We see Suominen's financial targets as challenging especially for the 10% EBIT margin target. At present we expect Suominen to reach EUR ~500m revenue level by 2021. We expect the EBIT margin to improve gradually to 6.6% by 2021.

**Dividend policy – at least 30% of net profits**

Suominen aims to distribute at least 30% of its net profit in annual dividends. Future investment needs and the solidity of its financial position are taken into account.

**Market and competitor overview**

The fragmented global nonwovens market is estimated at over EUR 30bn

Suominen is the global market leader in nonowners for wipes with ~16% market share (our estimate)

Suominen's markets grow by 3% p.a. on average

The fragmented global nonwovens market is estimated at over EUR 30bn. Within this wiping is the primary segment relevant for Suominen, followed by medical and hygiene applications. Other applications in the nonwovens market that are not addressed by Suominen include upholstery, building/roofing, filtration, floor coverings and automotive.

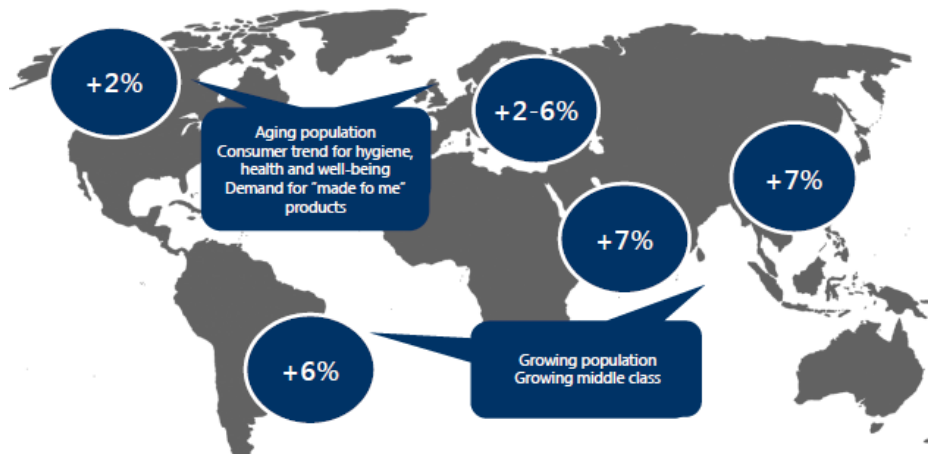
Wiping has represented some 8% of the total EUR 30m+ market, implying wiping market size of EUR ~2.4bn. Suominen addresses this via its Convenience business area which was 91% (EUR 389m) of Suominen's 2017 revenue (EUR 426m). We estimate Suominen's market share in nonwovens for wipes thus at around 16%. Suominen is the global leader in nonwovens for wipes. We understand Suominen's market shares in the medical and hygiene applications, addressed via the smaller Care business area, to be insignificant.

Demand for nonwovens for wiping, medical and hygiene applications is driven by the megatrends: population growth, growing global middle class, aging population, rising healthcare expenditure and increasing consciousness of health and well-being. Suominen's market segments are not very cyclical in nature and Suominen estimates them to grow at 3% per annum on average. The growth is slowest in baby (2%) where the market is relatively mature and Suominen is strategically looking to reduce share of this segment which is currently largest. North American markets for personal care incl. Flushables, household, workplace wiping promise growth of 5-7%.

Application	% of Suominen's 2017 revenue	Estimated growth rates		
		North America	Europe	South America
<b>Convenience</b>				
Baby wiping	41%	2%	2%	7%
Personal Care wiping	21%	6%	6%	65%*
Household wiping	19%	7%	2%	**
Workplace wiping	9%	5%	3%	**
<b>Care</b>				
Medical	7%***	3%	4-9%	8%
Hygiene	2%***	1%	0-5%	6%

\* Emerging market. High growth rate is a result of small amounts supplied. \*\*\* Evli estimates Source: Suominen  
\*\* At present, only commercially small amounts supplied.

**Growth rates for nonwovens for wiping, medical and hygiene**



Average growth rate for Suominen's main market, Americas and Europe, is 3%.

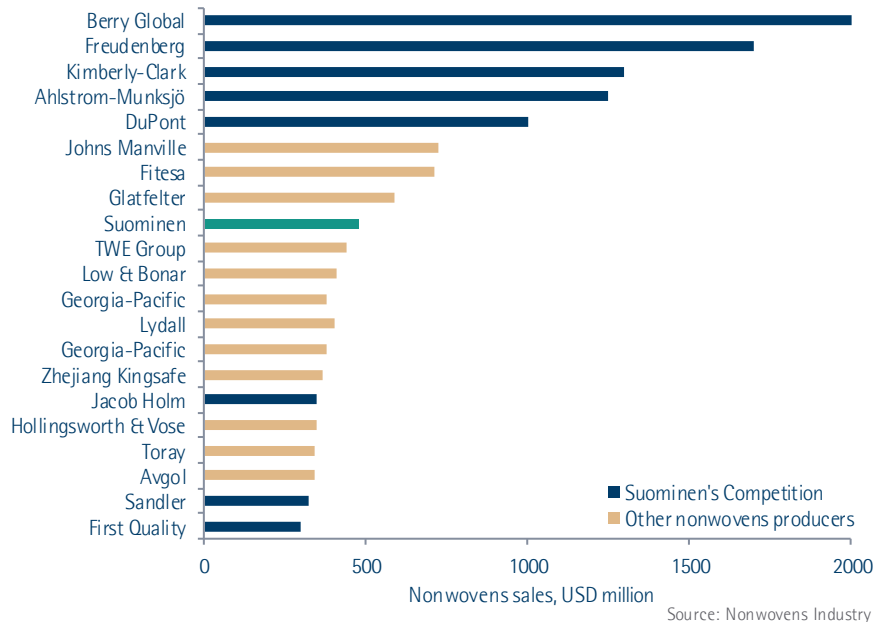
Source: Suominen

The industry in the wiping application is fragmented

Suominen is the ninth-largest nonwovens supplier in the world and it has numerous regional, national and international competitors. According to Suominen's own assessment its main competitors in the wiping application include Sandler, Jacob Holm, Berry Global and Kimberly-Clark. Sandler and Jacob Holm are key non-integrated competitors. Kimberly-Clark is a key integrated competitor. Together the four main competitors have previously held around ~30% market share within the wiping application. As Suominen is the market leader with ~16% market share (our estimate), the remaining 50+% of the wiping market is held by smaller players. The market is thus fragmented.

In the medical and hygiene applications Suominen sees its main competitors to include Kimberly-Clark, Ahlstrom-Munksjö, Berry Global, Freudenberg, DuPont, Fiberweb, First Quality Nonwovens and Pegas Nonwovens. Of these the last two are in the process in merging and the name will change to PF Nonwovens.

**Industry structure in nonwovens, 2016**



Capacity increases, especially in baby and flushables (within personal care) have had a negative impact on Suominen's business in recent years

Suominen has faced strong competition in certain product groups, especially baby wipes and flushables, in recent years due to capacity increases by competitors. Both Sandler and Jacob Holm, for example, have added capacity in recent years which has had a negative impact on Suominen's volumes and pricing. In its analysis of risk Suominen notes in relation to competition, that "there is currently oversupply in some product groups in both of Suominen's principal regions (USA + EU). Products based on new technologies and imports from countries of lower production costs may reduce Suominen's competitive edge. If Suominen is not able to compete with an attractive product offering, it may lose some of its market share. Competition may lead to increased pricing pressure on the company's products."

Suominen sees some opportunities to convert capacity into other use, although to a limited degree we understand

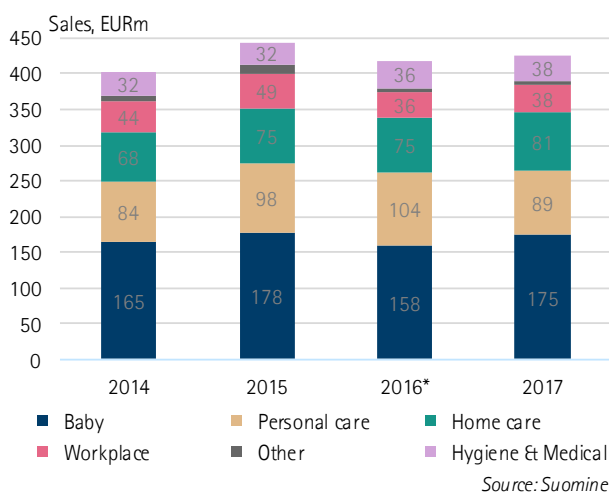
Due to capacity increases Suominen has characterized baby wipes and flushables (within personal care) to have become commodities with low value-add. The new line in Bethune was originally supposed to produce flushables, but with capacity increases by competitors Suominen gave up this idea and converted the capacity into other use. Overall Suominen sees some opportunities to convert capacity into other use, although to a limited degree we understand. Suominen is looking to reduce exposure in the low added-value segments by growing in the higher value-add segments. Bethune's new line will have a major role in changing to sales mix.

## Financial performance

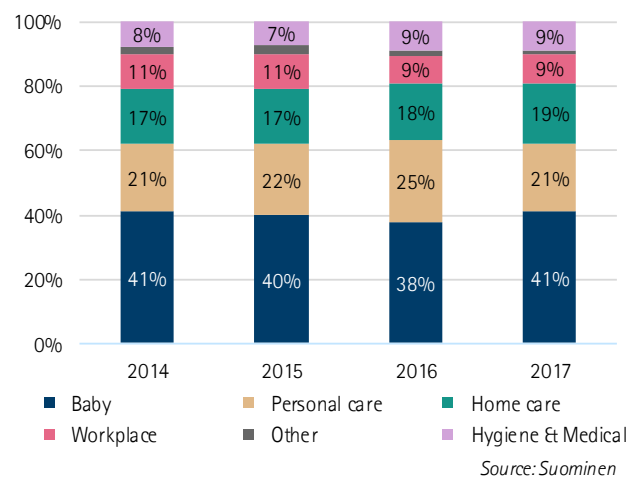
Suominen targets growth in value-added segments

Home Care and Workplace are the primary segments where Suominen sees opportunities for higher added value and those segments are primarily targeted for growth. Some growth has been seen in Home Care while in Workplace such performance has not been witnessed. Sales in Baby have remained rather stable with some fluctuation. Personal Care has become increasingly commoditised with stiff competition, particularly for flushable toilet tissue, and attractiveness for Suominen has become more limited. In 2017 product mix did not develop in line with Suominen's plans as share of higher added value products decreased.

Sales by segment, 2014-2017



Sales mix development, 2014-2017

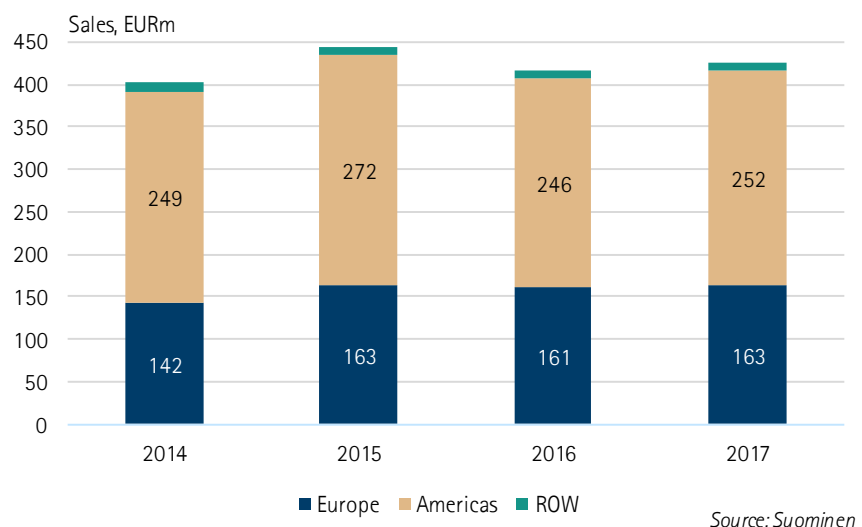


\*Note: Suominen restated 2016 figures which have a slight impact on the product groups' absolute numbers.

USA dominates with 50% of sales

Americas has a significant role for Suominen with 60% of sales. Share of USA is about 50%. Suominen also has operations in Brazil. Sales in Europe have remained largely stable with sales to Americas fluctuating mostly with FX.

Sales by geography, 2014-2017

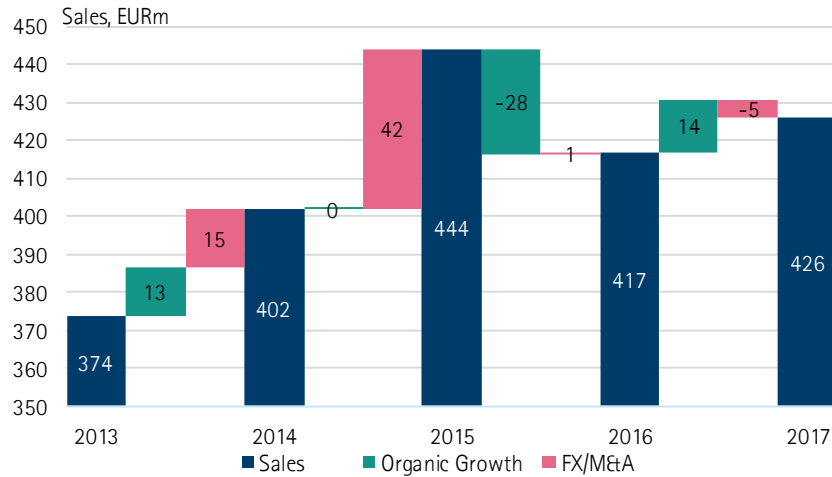




Organic growth has been muted in last years

Overall, it looks like organic growth in 2013-2017 has been limited. While organic growth of 3.5% was reported in 2014, growth in 2015 was only driven by FX. Volumes and prices declined in 2016. In 2017 USD had EUR 5m negative impact, implying organic growth of some EUR 14m or ~3%. Volumes reportedly were up by 4% in 2017, but price/mix had a slight negative impact.

**Sales - Indicative split for organic growth and FX\***



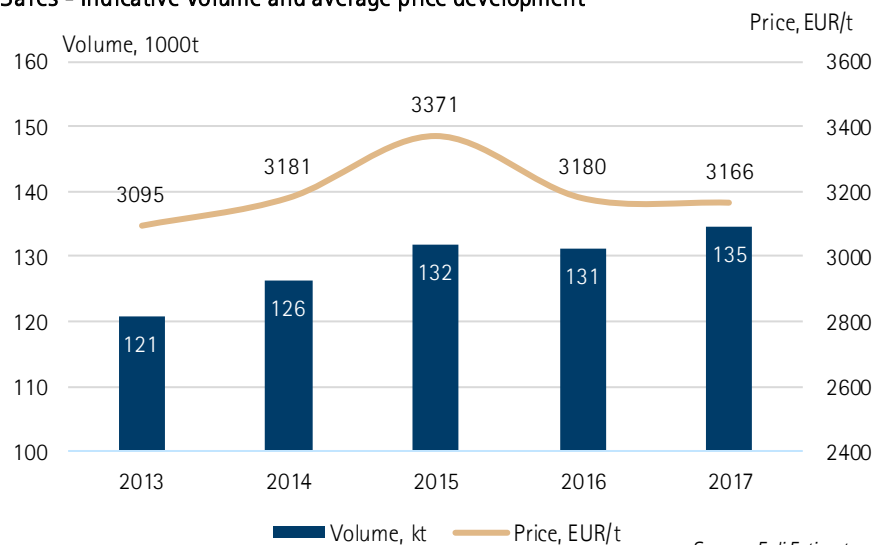
Source: Suominen, Evli Estimates

\*Note: The FX impact refers to USD only; Suominen has exposure to other currencies including the BRL, but the exposures are very limited and their impact is not reported.

ESG data indicates volume growth of 3% in 2013-2017

While Suominen does not release sales volumes or prices, ESG data on volume would imply volume CAGR of 3% in 2013-2017. Average sales prices in euro move with FX, but it looks clear that price/mix has come down from 2015 with limited negative FX impact in 2016-2017. Pricing was impacted by tough competition in Personal Care as well as increasing share of Baby in mix.

**Sales - Indicative Volume and average price development**



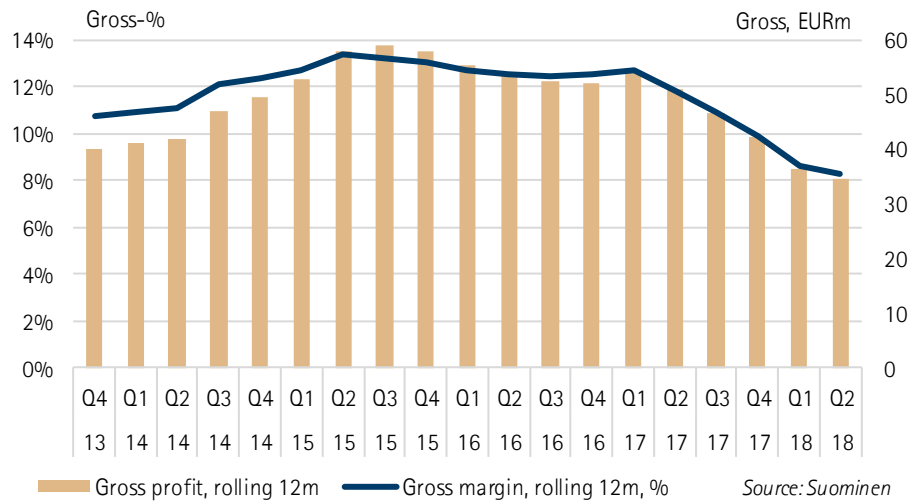
Source: Evli Estimates



Gross-margin burdened by pricing, raw materials and Bethune

Trailing 12-month gross margin peaked in Q3 2015 at EUR 59m and has declined to EUR 35m by Q2 2018. Tough competitive situation and mix have had a negative impact on pricing. Bethune has had a negative impact also on gross margin with negative EBIT impact of EUR 5m in 2017. Raw material price increases were not mentioned in 2017 but negative earnings impact from raw materials was flagged in Q1 2018.

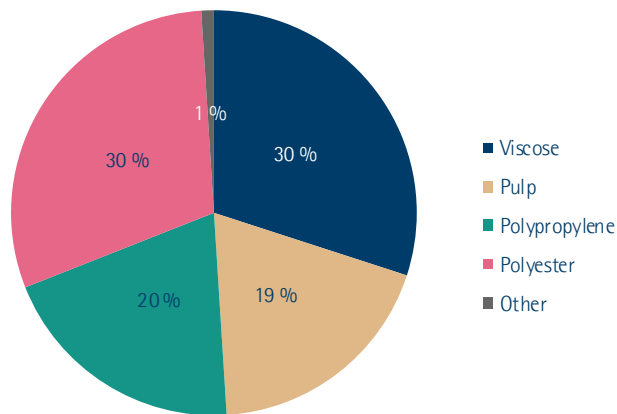
**Gross profit and -margin development, rolling last 12 months**



50% of Suominen's revenue comes from customer contracts which include automatic raw material adjustments

Suominen's raw materials are primarily pulp- and oil-based in close to even proportions with some 50% of raw materials originating from renewable resources in 2017. Total raw material consumption amounted to 140,000t in 2017. Raw materials are the largest cost item for operations representing 60-70% of expenses. Purchases of raw materials and services amounted to EUR 314m in 2017. Rapid changes in raw material prices have an impact on Suominen's profitability, as stocks equal 2-4 weeks consumption and passing on price changes of takes 2-5 months. 50% of Suominen's revenue comes from customer contracts which include automatic raw material adjustments. In 2017 price of pulp moved up significantly in H2 and increase continued in H1 of 2018.

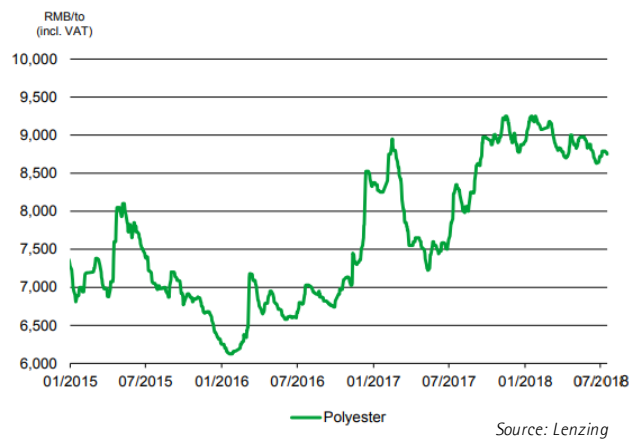
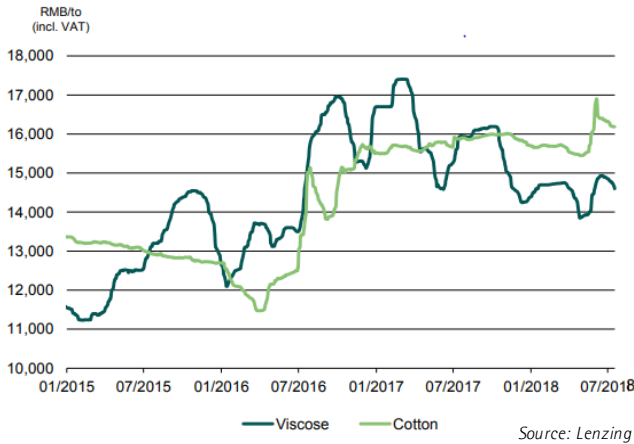
**Raw material mix (in tonnes)**



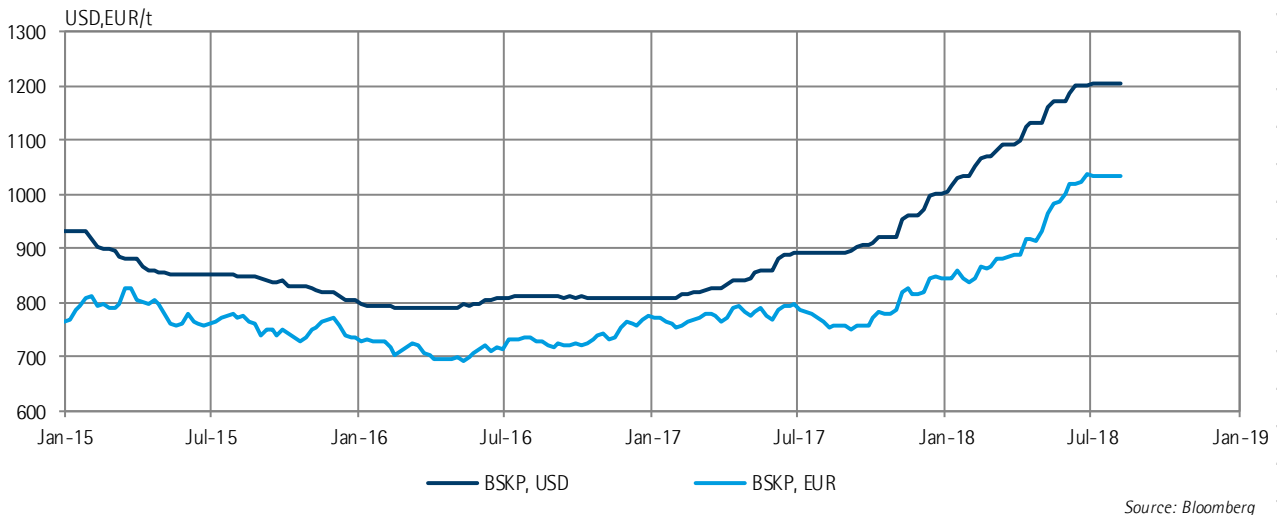
Raw material consumption 140,000t in 2017

Source: Suominen

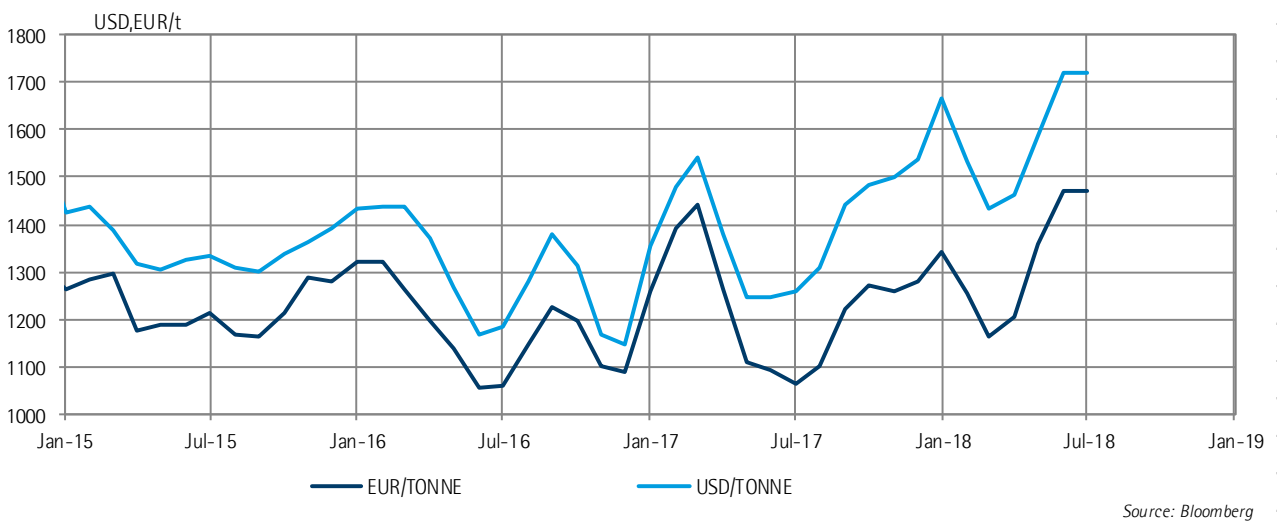
**Staple fiber prices in China**



**European Pulp Price**



**Polypropylene price**



Disappointing start for EUR 50+m investment in Bethune, USA

Suominen launched a EUR 30-50m growth investment program focused on nonwovens of higher added value in late 2014, and expanded the program to EUR 60m in September 2015. The principal part of this is an investment of over EUR 50m in a new tailor-made wetlaid nonwovens line in Bethune, USA, supplied by Andritz. The new production line will supply growing segments with a higher- value-add focus. In North America Suominen estimated growth rates for household wiping at 7%, workplace wiping at 5%, personal care wiping at 6%, flushable wipes at 7% and medical products at 5%. When fully ramped up sales should be 1.0-1.5x investment of EUR 50+m and EBIT-% should reach the company's targeted 10%.

First signs of Bethune finally turning were seen in Q2'18

The production line was installed in H2 2016 and saleable production was expected in Q1 2017. With some delay the new line started and first invoiced products were delivered to customers in Q2 2017 but volume and sales were still insignificant. Delay along with price/mix issues prompted a profit warning in July 2017. Technical issues continued in H2 2017 and line was guided to be gross-margin positive in Q1 2018. However, this target was missed and no guidance is at present given on when positive margin is to be reached. However, as a positive surprise Bethune reached positive gross profit towards the end of Q2'18, although contribution in the full quarter remained negative as we expected. Management indicated production volumes in July 2018 were good, which improves outlook for a gradual turn finally taking place after a period of ramp-up troubles. We expect Bethune to have a more significant topline impact from H2'18 and its gross profit contribution to turn to positive in H2'18.

Earnings weakened in 2016-2017

Demand, competition, pricing, raw materials and FX are primary earnings drivers of Suominen's business. In 2016 competitors added capacity, demand/volumes disappointed and pricing suffered. In 2017 volumes turned to 4% growth, but price/mix weakened with continued price pressure especially in baby and flushables, and with growing share of baby in the mix. Bethune's technical problems continued throughout 2017 and the line had EUR 5m negative EBIT impact in 2017. Raw material prices also increased in 2017.

Price/mix issues are addressed via the 3P program

To address price/mix and profitability issues witnessed in 2016-2017, Suominen initiated a 3P program in the end of 2017. The program focuses on improving margins through Pricing, Performance and Planning. Pricing refers to efforts to increase the average sales price. Performance looks to refer mainly to successfully ramping up the new production line in Bethune. Planning refers mainly to Group-wide renewal of ICT systems. Some early results were delivered in H1'18. Average sales price improved slightly in Q1'18. In Q2'18 average sales price improved, driven by both price and mix. Prices increased partly contractually in Q2, but also via negotiating increases. However, despite Bethune's increasing production volume especially in Q2, Suominen's volume growth looked limited in H1'18.

**Estimates**

We expect organic growth and the gross margin to improve in H2'18

We expect Bethune's gradual turn to positive gross profit to continue. We expect Bethune's gross profit contribution in Q3'18 to be only marginally positive, but expect a more pronounced impact in Q4'18. We expect Bethune's increasing production volume to support volume growth in H2'18, although acknowledge that this could be held back somewhat by price increases. Price increases and Bethune's increasing volume should support the price/mix component in H2. Overall we expect organic growth of 7% and 10% in Q3 and Q4. We expect the gross margin to gradually recover in H2 and see Suominen reaching EUR 14m adj. EBIT in 2018E vs. EUR 15m in 2017A. Guidance for adj. EBIT was cut in touch with Q2'18 earnings – Suominen now sees flat adj. EBIT in 2018E vs. increase previously.

In our 2019-2020E estimates revenue and adj. EBIT growth is quite equally driven by Bethune and Suominen ex Bethune

In our 2019-2020E estimates we expect Bethune's increasing production volume to support revenue growth and earnings in 2019-2020E. For Suominen ex Bethune we expect 2% growth and some improvement in the gross margin in 2019-2020E – however, we do not expect the gross margin to reach the 12-13% levels seen in 2014-2016. Overall, in our 2019-2020E estimates revenue and adj. EBIT growth is quite equally driven by Bethune and Suominen ex Bethune.

**Suominen - Operating model and estimates**

SUOMINEN EURm	2013 FY	2014 FY	2015 FY	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
<b>Sales</b>	<b>374</b>	<b>402</b>	<b>444</b>	<b>417</b>	<b>113</b>	<b>112</b>	<b>102</b>	<b>99</b>	<b>426</b>	<b>107</b>	<b>110</b>	<b>110</b>	<b>109</b>	<b>436</b>	<b>467</b>	<b>485</b>
Sales growth, %		8%	11%	-6%	9%	3%	-1%	-2%	2%	-6%	-2%	7%	11%	2%	7%	4%
FX			10%	0%	2%	1%	-3%	-5%	-1%	-8%	-5%	0%	1%	-3%	1%	0%
Price (indicative)				-3%	0%	-2%	-1%	-1%	-1%	0%	4%	3%	3%	3%	2%	2%
Volume (indicative)				-3%	6%	3%	3%	4%	4%	2%	-1%	4%	7%	3%	4%	2%
<b>Convenience</b>		<b>369</b>	<b>412</b>	<b>379</b>	<b>102</b>	<b>103</b>	<b>93</b>	<b>91</b>	<b>389</b>	<b>98</b>	<b>100</b>	<b>99</b>	<b>100</b>	<b>396</b>	<b>425</b>	<b>442</b>
Baby		165	178	158	44	48	42	40	175	42	41	42	42	166	168	167
Personal care		84	98	104	24	21	20	24	89	25	25	25	25	100	103	104
Household		68	75	75	21	24	17	19	81	21	22	19	21	83	93	102
Workplace		44	49	36	10	10	9	9	38	10	10	11	11	41	51	58
Other		8	12	5	3	0	4	-1	5	0	2	3	1	7	9	10
<b>Care</b>		<b>32</b>	<b>32</b>	<b>37</b>	<b>11</b>	<b>9</b>	<b>9</b>	<b>8</b>	<b>38</b>	<b>9</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>39</b>	<b>42</b>	<b>44</b>
Hygiene & Medical		32	32	37	11	9	9	8	38	9	10	10	10	39	42	44
<b>By geography</b>																
Finland	2	3	3	2	1	1	1	1	3	1	1	1	1	3	3	3
Rest of Europe	138	140	160	158	40	41	39	40	161	41	39	41	40	161	166	170
Americas	224	249	272	246	68	68	61	55	252	63	68	66	66	263	289	303
ROW	9	11	10	10	4	2	2	3	10	2	3	2	2	9	9	10
COGS	-334	-352	-386	-365	-99	-100	-92	-92	-384	-99	-100	-98	-99	-396	-418	-431
Gross Profit	40	50	58	52	14	12	10	6	42	8	10	11	10	39	49	55
Gross-%	10.7%	12.4%	13.1%	12.5%	12.1%	10.6%	10.0%	6.4%	9.9%	7.4%	9.1%	10.2%	9.5%	9.1%	10.4%	11.3%
SGA & R&D	-22.4	-24.6	-28.0	-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	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	25.6	6.3	4.4	4.6	-0.3	15.0	1.5	2.9	5.7	3.9	14.0	22.8	28.8
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
<b>EBIT ex IAC</b>	<b>19.4</b>	<b>26.9</b>	<b>31.2</b>	<b>25.6</b>	<b>6.3</b>	<b>4.4</b>	<b>4.6</b>	<b>-0.3</b>	<b>15.0</b>	<b>1.5</b>	<b>2.9</b>	<b>5.7</b>	<b>3.9</b>	<b>14.0</b>	<b>22.8</b>	<b>28.8</b>
<b>EBIT-% ex IAC</b>	<b>5.2%</b>	<b>6.7%</b>	<b>7.0%</b>	<b>6.1%</b>	<b>5.5%</b>	<b>3.9%</b>	<b>4.5%</b>	<b>####</b>	<b>3.5%</b>	<b>1.5%</b>	<b>2.7%</b>	<b>5.2%</b>	<b>3.5%</b>	<b>3.2%</b>	<b>4.9%</b>	<b>5.9%</b>
Depreciation	-13.9	-15.6	-17.7	-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
<b>EBITDA ex IAC</b>	<b>33.3</b>	<b>42.5</b>	<b>48.9</b>	<b>44.2</b>	<b>10.9</b>	<b>8.9</b>	<b>9.4</b>	<b>5.1</b>	<b>34.3</b>	<b>6.5</b>	<b>8.0</b>	<b>10.7</b>	<b>8.9</b>	<b>34.1</b>	<b>43.3</b>	<b>49.2</b>
<b>EBITDA-% ex IAC</b>	<b>8.9%</b>	<b>10.6%</b>	<b>11.0%</b>	<b>10.6%</b>	<b>9.7%</b>	<b>8.0%</b>	<b>9.2%</b>	<b>5.2%</b>	<b>8.1%</b>	<b>6.1%</b>	<b>7.3%</b>	<b>9.7%</b>	<b>8.1%</b>	<b>7.8%</b>	<b>9.3%</b>	<b>####</b>

Source: Suominen, Evli Estimates

\*Note: Suominen restated 2016 figures which have a slight impact on the product groups' absolute numbers.

**Valuation – “Hold” with target price of EUR 3.4 (3.5)**

5-year historical multiples:  
 EV/EBITDA 5.6x (12m fwd)  
 EV/EBIT 9.5x (12m fwd)  
 P/E 13.8x (12m fwd)

While Suominen has not been broadly covered and historical multiples are not fully available, its 12m forward EV/EBITDA multiple has been broadly speaking in the range of 4-7x with an average of 5.6x in 8/2013 – 8/2018. Corresponding EV/EBIT has been in the range of 7-16x with an average of 9.5x in 8/2013 – 8/2018. Corresponding P/E has varied between 10-19x with an average of 13.8x in 8/2013 – 8/2018.

On our 2019E estimates:  
 EV/EBITDA 5.4x  
 EV/EBIT 10.3x  
 P/E 13.1x

Suominen’s valuation looks unattractive with 2018E multiples, with low earnings. On 2019E multiples valuation looks much more moderate: on our 2019E estimates Suominen trades 5.4x EV/EBITDA, 10.3x EV/EBIT and 13.1x P/E vs. 5-year historical 12m forward averages of 5.6x EV/EBITDA, 9.5x EV/EBIT and 13.8x P/E. Current 2019E multiples are thus close to historical 12m forward valuation with EV/EBITDA and P/E. Compared to the peer group Suominen’s valuation look attractive with 2019-2020E multiples, but we give limited weight to relative valuation as good listed peers with similar business profiles are difficult to find.

“Hold” retained with TP of  
 EUR 3.4 (3.5)

We conclude valuation does not look particularly challenging on 2019E estimates, but more evidence of earnings turning to better is needed to justify material upside. With 2019E multiples close to historical valuation we keep “Hold” rating intact with target price of EUR 3.4 (3.5). Valuation looks attractive on 2020E multiples – however evidence of Bethune’s turn to positive gross profit is still very early. Also, evidence of Suominen ex Bethune improving its gross margin has not been delivered so far, which justifies cautiousness before concrete evidence is delivered, in our view. If Suominen’s indicated CAPEX level of EUR 12m in upcoming years holds, Suominen is set to markedly improve its FCF generation if earnings recover as projected.

**Suominen – peer group**

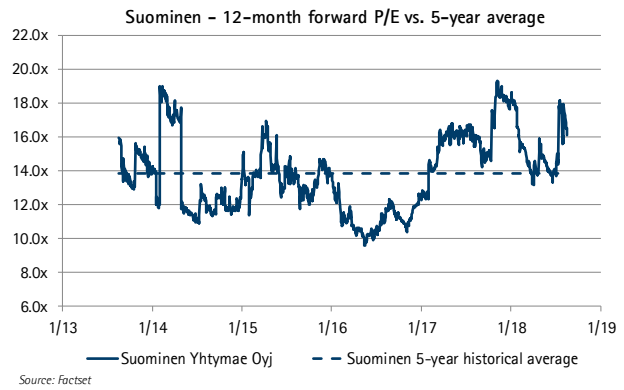
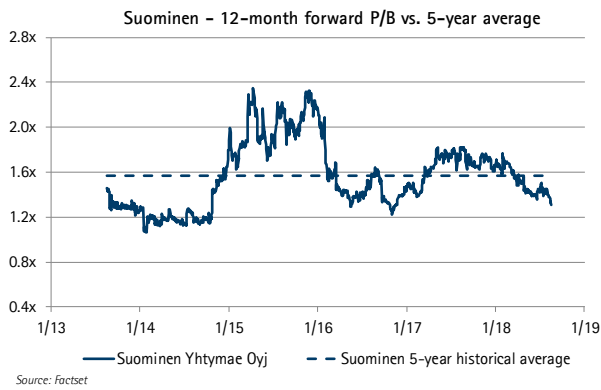
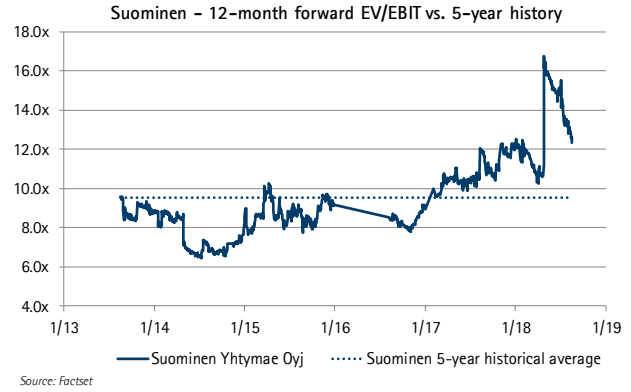
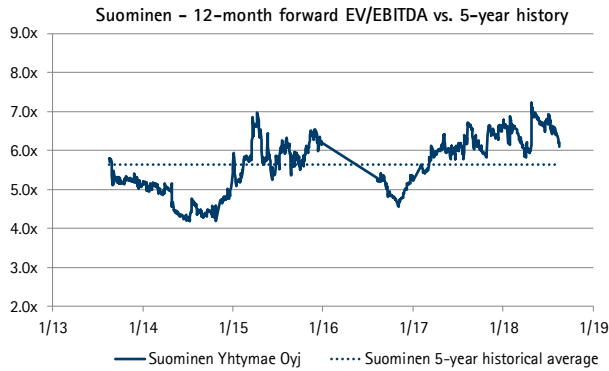
SUOMINEN PEER GROUP	MCAP local FX	EV/EBITDA			EV/EBIT			P/E			P/B		
		18	19	20	18	19	20	18	19	20	18	19	20
Ahlstrom-Munksjo Oyj	1553	8.0x	6.4x	5.5x	14.2x	10.3x	8.4x	13.6x	10.3x	8.9x	1.4x	1.3x	1.2x
Berry Global Group Inc	6026	8.1x	7.4x	6.9x	12.9x	11.6x	10.5x	13.6x	12.0x	11.0x	4.2x	3.4x	2.7x
Kimberly-Clark Corporation	41115	11.9x	11.6x	11.2x	14.9x	14.5x	13.9x	17.7x	16.9x	15.9x	174.2x	251.9x	110.5x
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							20.3x	17.3x				
P. H. Glatfelter Company	720	7.7x	5.4x	4.5x	16.7x	9.1x	7.7x	18.2x	10.8x	11.4x	1.0x	1.0x	0.9x
PFNonwovens a.s.	7817												
<b>Peer Group Median</b>		<b>8.0x</b>	<b>6.4x</b>	<b>5.5x</b>	<b>14.2x</b>	<b>10.3x</b>	<b>8.4x</b>	<b>15.7x</b>	<b>11.4x</b>	<b>11.0x</b>	<b>1.4x</b>	<b>1.3x</b>	<b>1.2x</b>
<b>Peer Group Average</b>		<b>8.2x</b>	<b>7.1x</b>	<b>6.5x</b>	<b>13.5x</b>	<b>10.6x</b>	<b>9.5x</b>	<b>15.3x</b>	<b>12.4x</b>	<b>10.8x</b>	<b>36.4x</b>	<b>51.7x</b>	<b>23.2x</b>
<b>Suominen (Evli est)</b>		<b>7.3x</b>	<b>5.4x</b>	<b>4.4x</b>	<b>17.9x</b>	<b>10.3x</b>	<b>7.5x</b>	<b>26.8x</b>	<b>13.1x</b>	<b>9.7x</b>	<b>1.4x</b>	<b>1.3x</b>	<b>1.2x</b>
<i>Suominen discount/premium to peer group median</i>		-8%	-15%	-20%	26%	0%	-11%	71%	15%	-11%	-6%	-2%	1%

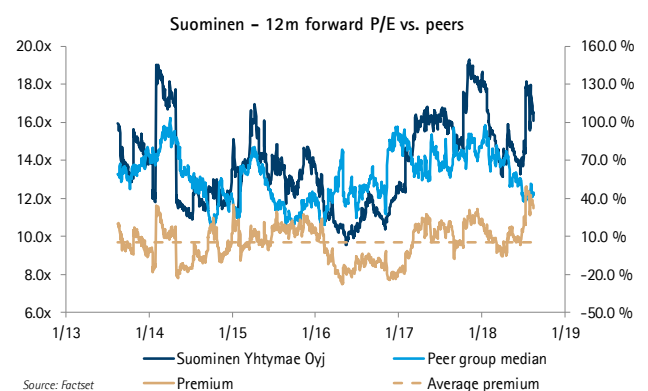
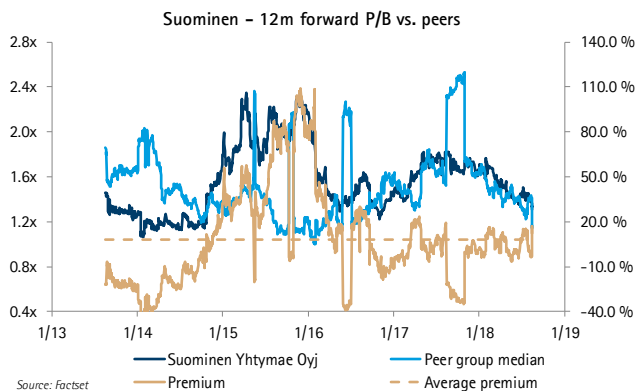
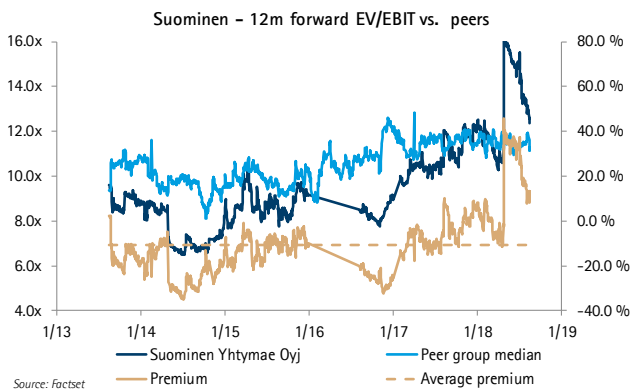
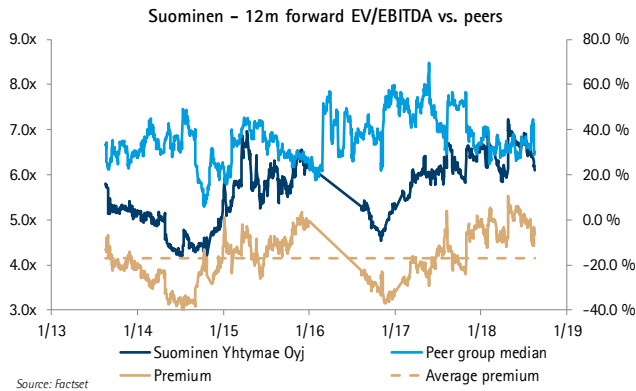
SUOMINEN PEER GROUP	Ticker	Div yield			EBIT-%			ROCE-%			ROE-%		
		18	19	20	18	19	20	18	19	20	18	19	20
Ahlstrom-Munksjo Oyj	AM1-FI	3.4%	3.8%	4.2%	6.6%	8.1%	9.0%	7.1%	10.3%	10.6%	10.6%	12.7%	13.1%
Berry Global Group Inc	BERY-US	0.0%	0.0%	0.0%	11.2%	11.6%	12.0%	11.3%	11.7%	11.7%	31.2%	28.0%	24.6%
Kimberly-Clark Corporation	KMB-US	3.4%	3.5%	3.7%	17.6%	18.0%	18.5%	39.5%	39.8%	40.3%	983.5%	1490.8%	693.4%
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%		8.6%	11.3%		11.8%	15.6%				
P. H. Glatfelter Company	GLT-US	3.0%	3.0%	2.9%	4.2%	6.4%	6.6%	5.2%	8.5%		5.6%	8.9%	8.0%
PFNonwovens a.s.	PEGAS-CZ				14.1%	13.7%	13.4%						
<b>Peer Group Median</b>		<b>3.2%</b>	<b>3.3%</b>	<b>3.7%</b>	<b>8.6%</b>	<b>11.3%</b>	<b>10.5%</b>	<b>10.6%</b>	<b>11.4%</b>	<b>11.8%</b>	<b>10.8%</b>	<b>12.7%</b>	<b>13.1%</b>
<b>Peer Group Average</b>		<b>3.0%</b>	<b>3.1%</b>	<b>3.5%</b>	<b>9.9%</b>	<b>11.0%</b>	<b>11.3%</b>	<b>14.1%</b>	<b>16.2%</b>	<b>18.6%</b>	<b>208.3%</b>	<b>310.4%</b>	<b>150.4%</b>
<b>Suominen (Evli est)</b>	SUY1V-FI	<b>3.5%</b>	<b>3.8%</b>	<b>4.1%</b>	<b>3.2%</b>	<b>4.9%</b>	<b>5.9%</b>	<b>5.8%</b>	<b>9.7%</b>	<b>12.5%</b>	<b>5.1%</b>	<b>10.0%</b>	<b>12.6%</b>

Source: Factset, Evli Research

Historical 5-year valuation (12m forward-looking multiples on Factset consensus estimates)



Historical relative valuation (12m forward-looking multiples on Factset consensus estimates)



VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	3.17 PV of Free Cash Flow	168 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	4.09 PV of Horizon value	145 WACC, %	7.9 Market risk premium, %	5.8
Share price potential, %	28.9 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	4.5 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, %	46.4 Value of stock	238 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	436	467	485	504	514	525	535	546	557	568	579
<i>Sales growth, %</i>	2.2	2.3	7.2	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	33	28	28	29
<i>EBIT margin, %</i>	3.5	3.2	4.9	5.9	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	-9	-7	-7	
- Change in NWC	-8	1	0	-2	-2	-1	-1	-1	-1	-1	-1	
<i>NWC/Sales, %</i>	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
<i>Investments/Sales, %</i>	7.9	2.8	2.6	2.5	2.4	2.3	2.7	3.0	3.3	3.6	3.5	3.5
- 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	22	16	17	297
= Discounted FCF (DFCF)		19	23	23	23	20	17	14	12	9	8	145
= DFCF min WACC		19	23	24	24	20	17	15	13	9	9	166
= DFCF max WACC		19	22	23	23	20	16	14	12	8	8	128



## 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	110	109	436	467	485
EBITDA	11	9	9	5	34	7	8	11	9	34	43	49
<i>EBITDA margin (%)</i>	9.7	8.0	9.2	5.1	8.1	6.1	7.3	9.7	8.1	7.8	9.3	10.1
EBIT	6	4	5	0	15	2	3	6	4	14	23	29
<i>EBIT margin (%)</i>	5.5	3.9	4.5	-0.3	3.5	1.5	2.7	5.2	3.5	3.2	4.9	5.9
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
<i>Tax rate (%)</i>	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	0.04	0.12	0.24	0.33
EPS adjusted (diluted no. of shares)	0.06	0.03	0.03	0.10	0.22	-0.01	0.03	0.06	0.04	0.12	0.24	0.33
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
<b>SALES, EURm</b>												
Group	113	112	102	99	426	107	110	110	109	436	467	485
Total	113	112	102	99	426	107	110	110	109	436	467	485
<b>SALES GROWTH, Y/Y %</b>												
Group	8.7	2.9	-1.4	-1.7	2.2	-5.6	-1.8	7.1	10.8	2.3	7.2	4.0
Total	8.7	2.9	-1.4	-1.7	2.2	-5.6	-1.8	7.1	10.8	2.3	7.2	4.0
<b>EBIT, EURm</b>												
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
<b>EBIT margin, %</b>												
Group	5.5	3.9	4.5	-0.3	3.5	1.5	2.7	5.2	3.5	3.2	4.9	5.9
Total	5.5	3.9	4.5	-0.3	3.5	1.5	2.7	5.2	3.5	3.2	4.9	5.9

INCOME STATEMENT, EURm	2013	2014	2015	2016	2017	2018E	2019E	2020E
Sales	374	402	444	417	426	436	467	485
<i>Sales growth (%)</i>	-17.9	7.5	10.5	-6.1	2.2	2.3	7.2	4.0
Costs	-340	-359	-395	-373	-392	-401	-424	-436
Reported EBITDA	33	42	49	44	34	34	43	49
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	8.9	10.6	11.0	10.6	8.1	7.8	9.3	10.1
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
<i>EBIT margin (%)</i>	5.2	6.7	7.0	6.1	3.5	3.2	4.9	5.9
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
<b>BALANCE SHEET, EURm</b>								
Assets								
Fixed assets	113	114	122	160	160	152	143	135
<i>% of sales</i>	30	28	28	38	37	35	31	28
Goodwill	15	15	15	15	15	15	15	15
<i>% of sales</i>	4	4	3	4	4	4	3	3
Inventory	32	32	33	43	44	44	44	46
<i>% of sales</i>	9	8	7	10	10	10	10	10
Receivables	55	50	53	56	66	68	72	74
<i>% of sales</i>	15	13	12	14	16	16	15	15
Liquid funds	18	47	64	38	35	35	37	39
<i>% of sales</i>	5	12	14	9	8	8	8	8
Total assets	239	265	292	316	326	318	317	315
Liabilities								
Equity	79	90	108	126	136	137	144	156
<i>% of sales</i>	21	22	24	30	32	31	31	32
Deferred taxes	7	9	11	11	15	15	15	15
<i>% of sales</i>	2	2	2	3	3	3	3	3
Interest bearing debt	93	103	115	111	110	101	88	70
<i>% of sales</i>	25	26	26	27	26	23	19	15
Non-interest bearing current liabilities	57	60	56	65	63	64	69	72
<i>% of sales</i>	15	15	13	16	15	15	15	15
Other interest free debt	3	2	2	2	1	1	1	1
<i>% of sales</i>	1	0	0	0	0	0	0	0
Total liabilities	239	265	292	316	326	318	317	315
<b>CASH FLOW, EURm</b>								
+ 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	-13	-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	3	1

KEY FIGURES	2014	2015	2016	2017	2018E	2019E	2020E
M-cap	197	312	214	258	185	185	185
Net debt	56	50	73	76	66	50	32
Enterprise value	254	362	287	333	251	235	216
Sales	402	444	417	426	436	467	485
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
<b>Valuation multiples</b>							
EV/sales	0.6	0.8	0.7	0.8	0.6	0.5	0.4
EV/EBITDA	6.0	7.4	6.5	9.7	7.3	5.4	4.4
EV/EBITA	9.4	11.6	11.2	22.2	17.9	10.3	7.5
EV/EBIT	9.4	11.6	11.2	22.2	17.9	10.3	7.5
EV/operating cash flow	7.2	13.7	10.1	15.0	8.1	6.4	5.4
EV/cash earnings	8.9	9.7	8.2	9.4	9.3	6.8	5.5
P/E	17.7	19.0	14.0	17.8	26.8	13.1	9.7
P/E excl. goodwill	17.7	19.0	14.0	17.8	26.8	13.1	9.7
P/B	2.2	2.9	1.7	1.9	1.4	1.3	1.2
P/sales	0.5	0.7	0.5	0.6	0.4	0.4	0.4
P/CF	5.6	11.8	7.5	11.6	5.9	5.0	4.6
Target EV/EBIT	0.0	0.0	0.0	0.0	18.8	10.9	8.0
Target P/E	0.0	0.0	0.0	0.0	28.7	14.1	10.5
Target P/B	0.0	0.0	0.0	0.0	1.4	1.4	1.3
<b>Per share measures</b>							
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	0.33
EPS excl. goodwill	0.23	0.33	0.29	0.25	0.12	0.24	0.33
Cash EPS	0.58	0.74	0.68	0.61	0.46	0.59	0.68
Operating cash flow per share	0.72	0.52	0.55	0.38	0.53	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	2.42
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	92.9	49.7	40.0
Dividend yield, %	1.2	1.6	2.7	3.5	3.5	3.8	4.1
<b>Efficiency measures</b>							
ROE	13.2	16.6	13.0	11.0	5.1	10.0	12.6
ROCE	14.7	15.0	11.4	6.2	5.8	9.7	12.5
<b>Financial ratios</b>							
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	0.5	0.4
Equity ratio, book-weighted	34.1	37.0	40.0	41.8	42.9	45.5	49.6
Gearing	0.62	0.46	0.58	0.56	0.49	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	709,419	760,464	790,657
EBIT per employee, EUR	45,516	50,814	41,730	24,430	22,856	37,090	46,849

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

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
AC Invest two B.V.	13,953,357	44.232	24.0%
Oy Etra Invest Ab	6,009,167	19.049	10.3%
Varma Mutual Pension Insurance Company	4,500,000	14.265	7.7%
Nordea Bank Ab (Publ), Suomen Sivuliike	4,221,721	13.383	7.2%
Ilmarinen Mutual Pension Insurance Company	3,596,892	11.402	6.2%
Elo Pension Company	3,024,651	9.588	5.2%
OP-Finland Value Fund	1,976,760	6.266	3.4%
Evald and Hilda Nissi's Foundation	1,000,000	3.170	1.7%
Oy H. Kuningas & Co Ab	1,000,000	3.170	1.7%
Bergholm Heikki	979,841	3.106	1.7%
Ten largest	40,262,389	127.632	69%
Residual	17,996,830	57.050	31%
Total	58,259,219	184.682	100%

#### EARNINGS CALENDAR

October 25, 2018 Q3 report

#### OTHER EVENTS

March 15, 2018 AGM

#### COMPANY MISCELLANEOUS

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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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<https://research.evli.com/JasperAllModels.action?authParam=key:461&authParam=x:G3rNagWrtf7K&authType=3>

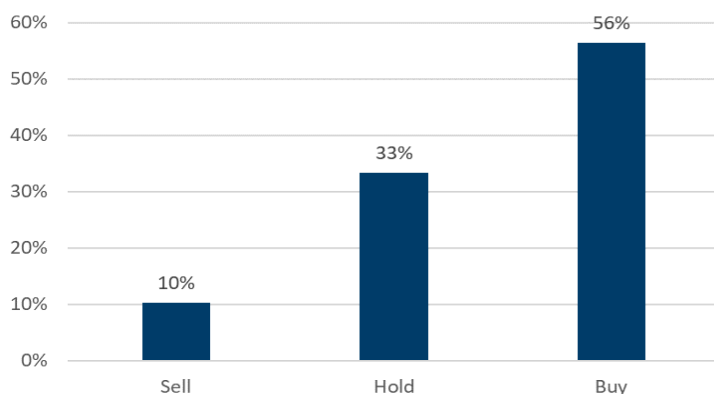
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Investment recommendations are defined as follows:

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

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The graph above shows the distribution of ERP's recommendations of companies under coverage in 16th of April 2018. If recommendation is not given, it is not mentioned here.

## Name(s) of the analyst(s): Häyhä

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