

Sales miss, profitability stable

Suominen reported Q2 results with revenue missing our estimate by 8%. However, the company managed a 9.3% gross margin, which was clearly above our 8.7% estimate. At first glance we see no major surprises in the sense that margins have stabilized at higher levels, yet significant nonwovens delivery volumes were also lost. Suominen also reorganized its business areas into a new geographical reporting structure (Americas and Europe).

- Q2 revenue amounted to EUR 103.8m vs our EUR 112.7m estimate. Revenue declined by 6% compared to previous year. USD strengthening relative to EUR contributed a positive EUR 3.4m.
- Gross profit stood at EUR 9.7m vs our EUR 9.8m expectation. Suominen thus managed a 9.3% gross margin, whereas we expected 8.7%.
- EBIT amounted to EUR 2.7m in Q2 vs our EUR 3.3m estimate i.e. Suominen posted a 2.6% EBIT margin (compared to our 2.9% projection).
- Until Jun 30, Suominen's business areas were Convenience and Care. Since Jul 1, Suominen's business areas are Americas and Europe. More than 60% of Q2 sales were attributable to Americas.
- Suominen reiterates its 2019 outlook, expecting 2019 sales at 2018 level while guiding improving operating profit.

Rating BUY

Q2'19	Actual	Evli	Year ago	Q1'19
Net sales	103.8	112.7	110.0	109.8
Gross profit	9.7	9.8	10.1	8.9
EBIT ex IAC	2.7	3.3	2.9	3.0
PTP	0.4	1.3	1.8	1.1

Deviation	Actual	Evli	Year ago	Q4'18
Net sales		-8 %	-6 %	-5 %
Gross profit		-1 %	-4 %	9 %
EBIT ex IAC		-18 %	-7 %	-10 %
PTP		-69 %	-78 %	-64 %

Share price, EUR (Last trading day's closing price) 2.49

Target price, EUR 2.85

Latest change in 29-Jul-19

Latest report on company 30-Jul-19

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 145

Free float, % -

Exchange rate EUR/USD 1.13

Reuters code SUY1V.HE

Bloomberg code SUY1V.FH

Average daily volume, EURm 0.1

Next interim report 07-Aug-19

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BUY HOLD SELL

PRE-REPORT 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
2017	426	15	3.5%	12	0.25	17.8	0.8	11.6	22.2	0.11
2018	431	5	1.1%	-1	-0.03	-69.4	0.5	3.7	44.8	0.00
2019E	436	13	3.1%	7	0.09	26.7	0.5	4.7	16.3	0.04
2020E	456	18	4.0%	14	0.18	13.6	0.4	4.2	10.9	0.09
2021E	472	24	5.1%	21	0.26	9.4	0.4	3.8	7.6	0.11

Market cap, EURm	145	BV per share 2019E, EUR	2.3	CAGR EPS 2018-21, %	0.0
Net debt 2019E, EURm	72	Price/book 2019E	1.1	CAGR sales 2018-21, %	3.0
Enterprise value, EURm	217	Dividend yield 2019E, %	1.6	ROE 2019E, %	4.1
Total assets 2019E, EURm	325	Tax rate 2019E, %	26.0	ROCE 2019E, %	5.4
Goodwill 2019E, EURm	15	Equity ratio 2019E, %	41.8	PEG, P/E 19/CAGR	0.5

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

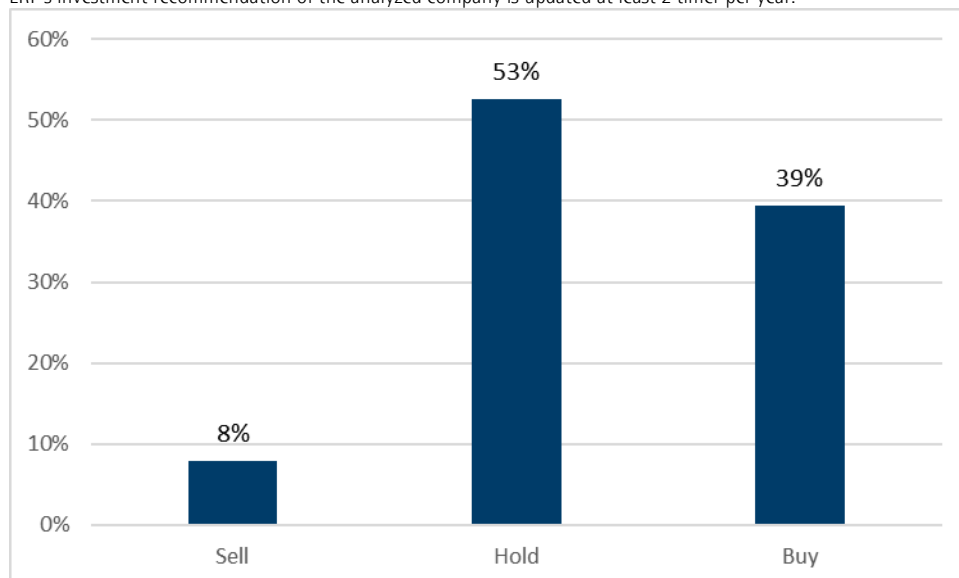
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Investment recommendations are defined as follows:

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 1st of February 2019. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Ilvonen

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