

Wait to see improving volumes

Suominen's Q2 unfolded without surprises in terms of prices and input costs i.e. margins were stable. Yet volume losses were larger than we expected, and thus the EUR 104m in Q2 sales missed our EUR 113m estimate and EBIT fell short. We have revised our estimates slightly down; our TP is now EUR 2.50 (2.85), rating HOLD (BUY).

Margins continued stable, volume losses were larger in Q2

Suominen's Q2 revenue, at EUR 104m, declined by 6% y/y and missed our estimate by 8%. Strong USD added some 3% y/y, and considering the implemented price increases, we estimate ca. 15% of delivery volumes were lost y/y (we estimate the losses to have amounted to ca. 10% in Q1). We expect Suominen to lose 10% of volumes in '19 (expect FY revenue to decline by 1%). We expect stable GM for the rest of '19, and hence EBIT at EUR 12m. Suominen guides flat revenue and improving EBIT for FY '19.

Suominen changes its business area structure

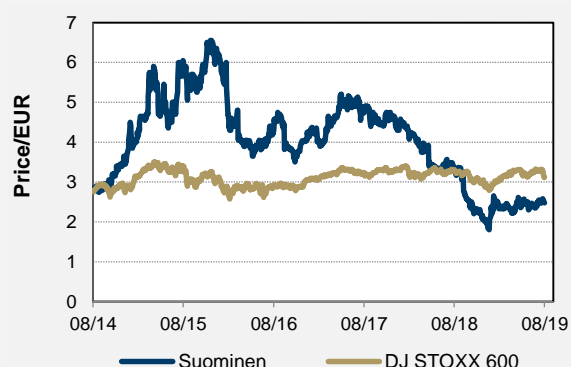
Suominen has reorganized its business areas, opting for a geographical split (Americas and Europe) instead of the previous application-based reporting (Convenience and Care). The new structure will be effective from Q3 onwards. Suominen says the new organizational model should further help improve efficiency especially when it comes to optimizing regional capacity utilization. There was scant news about Bethune, although the company said the China-US trade war could potentially help Suominen's competitive positioning in the US market as Chinese imports are hurt by tariffs. Suominen also noted the EUR 6m capacity improvement investment in its Green Bay, WI, plant will support additional volumes from Q3 onwards. Regarding the European market, Suominen says competition among nonwovens producers remains tight but stable.

We wait to see evidence of stabilizing (improving) volumes

Although Suominen's valuation is not demanding (ca. 6x EV/EBITDA '19e vs. 6.5x historically), volume uncertainty still remains. As the price hikes pass through during '19, we are waiting to see evidence of stabilizing (and improving) volumes that would lead to further EBIT improvement in '20. We lower our TP to EUR 2.50 (2.85) due to volume uncertainty, and thus our rating is now HOLD (BUY).

Rating

HOLD



Share price, EUR (Last trading day's closing price) 2.48

Target price, EUR 2.50

Latest change in 07-Aug-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 144

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 22-Oct-19

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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
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	425	12	2.9%	6	0.08	31.8	0.5	4.6	17.8	0.04
2020E	448	18	3.9%	14	0.17	14.2	0.4	4.3	11.3	0.09
2021E	463	23	5.0%	20	0.25	9.8	0.4	3.9	7.9	0.10
Market cap, EURm	144		BV per share 2019E, EUR		2.3		CAGR EPS 2018-21, %		0.0	
Net debt 2019E, EURm	71		Price/book 2019E		1.1		CAGR sales 2018-21, %		2.4	
Enterprise value, EURm	216		Dividend yield 2019E, %		1.6		ROE 2019E, %		3.4	
Total assets 2019E, EURm	321		Tax rate 2019E, %		26.0		ROCE 2019E, %		5.0	
Goodwill 2019E, EURm	15		Equity ratio 2019E, %		42.1		PEG, P/E 19/CAGR		0.6	

Estimates

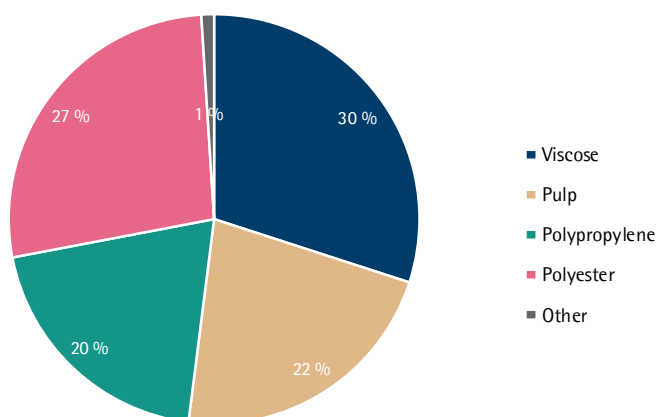
Suominen has achieved an earnings turnaround in '19 as improved pricing and stabilizing raw material costs have led to a clear improvement in gross margin from the lows of '18, when the margin was hit by significantly higher input costs. The implemented price increases have, however, led to volume losses. Even though profitability has improved lately, we expect FY '19 EBIT margin at a relatively low 2.9%. Going forward Suominen needs to achieve higher volumes in order to reach further improvement in EBIT margin. Following the Q2 report, we have revised our FY '19 EBIT estimate down to EUR 12m (previously EUR 13m), while our revenue estimate stands at EUR 425m (EUR 436m). For '20 we expect further improvement in EBIT margin (3.9%), assuming gradual improvement in delivery volumes.

SUOMINEN EURm	2013 FY	2014 FY	2015 FY	2016 FY	2017 FY	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2018E FY	2019 Q1	2019 Q2	2019E Q3E	2019E Q4E	2019E FY	2020E FY	2021E FY
Sales	374	402	444	417	426	107	110	105	110	431	110	104	104	107	425	448	463
Sales growth, %		8 %	11 %	-6 %	2 %	-6 %	-2 %	2 %	11 %	1 %	3 %	-6 %	0 %	-2 %	-1 %	5 %	3 %
FX			10 %	0 %	-1 %	-8 %	-5 %	1 %	2 %	-2 %	4 %	3 %	1 %	0 %	2 %	0 %	0 %
Price/mix (indicative)				-3 %	-1 %	0 %	4 %	4 %	9 %	4 %	8 %	6 %	7 %	6 %	7 %	2 %	1 %
Volume (indicative)				-3 %	4 %	2 %	-1 %	-2 %	0 %	-1 %	-9 %	-15 %	-9 %	-9 %	-10 %	3 %	2 %
Convenience		369	412	379	389	98	100	96	103	396	101	96	96	94	387	408	422
Baby		165	178	158	175	42	41	40	46	168	40	39	37	36	153	155	158
Personal care		84	98	104	89	25	25	24	21	95	25	23	22	24	94	96	97
Household		68	75	75	81	21	22	21	22	86	22	21	21	21	85	94	100
Workplace		44	49	36	38	10	10	9	10	39	11	11	13	14	47	54	58
Other		8	12	5	5	0	2	1	4	8	4	1	4	-1	9	9	9
Care		32	32	37	38	9	10	9	7	35	9	8	8	13	38	40	42
Hygiene & Medical		32	32	37	38	9	10	9	7	35	9	8	8	13	38	40	42
By geography																	
Finland	2	3	3	2	3	1	1	1	1	2	1	1	1	1	3	3	3
Rest of Europe	138	140	160	158	161	41	39	37	36	153	39	38	37	37	152	159	163
Americas	224	249	272	246	252	63	68	66	71	268	68	65	67	68	268	287	297
ROW	9	11	10	10	10	2	3	1	1	7	2	0	0	0	2	0	0
COGS	-334	-352	-386	-365	-384	-99	-100	-98	-103	-400	-101	-94	-95	-97	-387	-404	-413
Gross Profit	40	50	58	52	42	8	10	7	7	31	8.9	9.7	10	10	38	44	50
Gross-%	10.7 %	12.4 %	13.1 %	12.5 %	9.9 %	7.4 %	9.1 %	6.3 %	6.2 %	7.3 %	8.1 %	9.3 %	9.2 %	9.2 %	9.0 %	9.8 %	10.9 %
SGA & R&D	-22.4	-24.6	-28.0	-27.9	-28.9	-6.9	-7.7	-7.0	-7.5	-29.2	-6.8	-7.4	-7.0	-6.9	-28.1	-28.6	-29.1
Other	1.7	0.8	1.8	1.3	1.7	0.6	0.6	0.9	0.4	2.5	0.8	0.4	0.5	0.4	2.1	2.1	2.1
EBIT	18.9	25.9	31.8	25.6	15.0	1.5	2.9	0.5	-0.4	4.6	3.0	2.7	3.1	3.4	12.2	17.6	23.3
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
EBIT ex IAC	19.4	26.9	31.2	25.6	15.0	1.5	2.9	0.5	-0.4	4.6	3.0	2.7	3.1	3.4	12.2	17.6	23.3
EBIT-% ex IAC	5.2 %	6.7 %	7.0 %	6.1 %	3.5 %	1.5 %	2.7 %	0.5 %	-0.3 %	1.1 %	2.7 %	2.6 %	3.0 %	3.2 %	2.9 %	3.9 %	5.0 %
Depreciation	-13.9	-15.6	-17.7	-18.5	-19.4	-5.0	-5.1	-5.3	-5.6	-21.0	-6.3	-6.4	-5.8	-6.0	-24.6	-21.2	-20.5
EBITDA ex IAC	33.3	42.5	48.9	44.2	34.3	6.5	8.0	5.8	5.2	25.6	9.3	9.1	8.9	9.4	36.8	38.8	43.8
EBITDA-% ex IAC	8.9 %	10.6 %	11.0 %	10.6 %	8.1 %	6.1 %	7.3 %	5.5 %	4.8 %	5.9 %	8.5 %	8.8 %	8.6 %	8.8 %	8.7 %	8.7 %	9.5 %

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

Source: Suominen, Evli Research

Raw material mix (in tonnes)

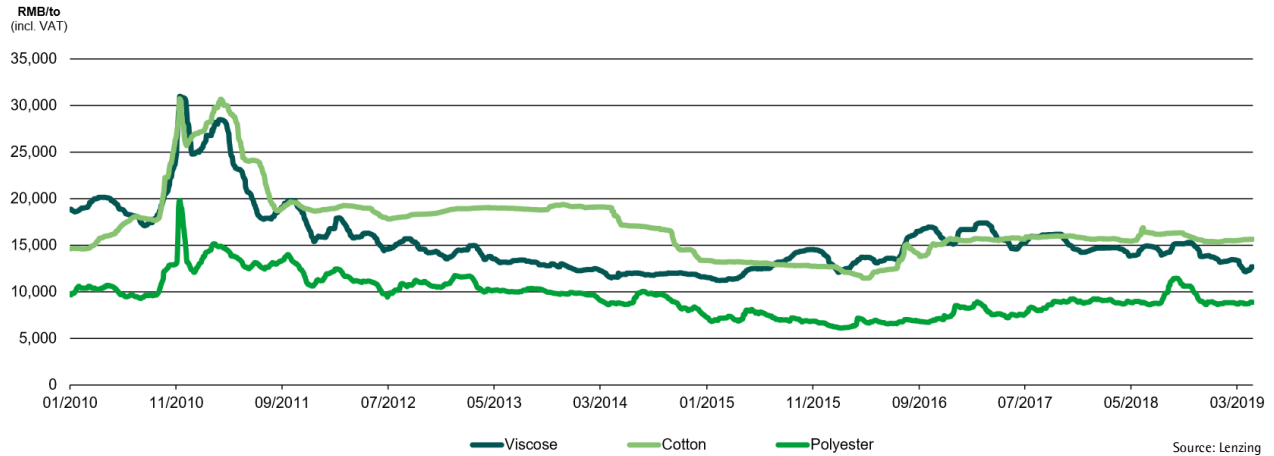


Total raw material consumption 134kt (2018)

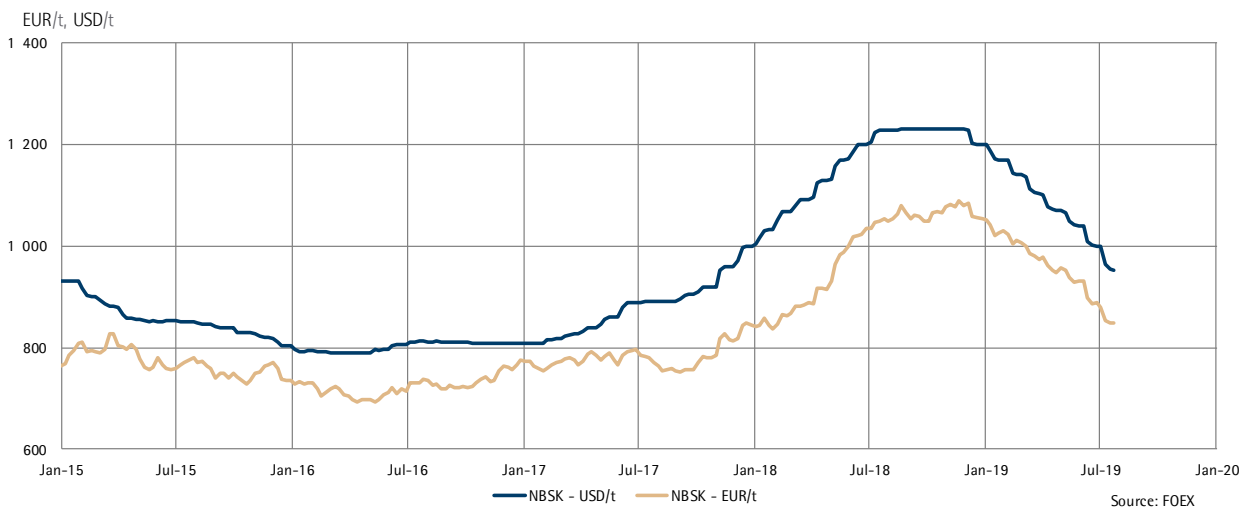
Source: Suominen

Raw material price development

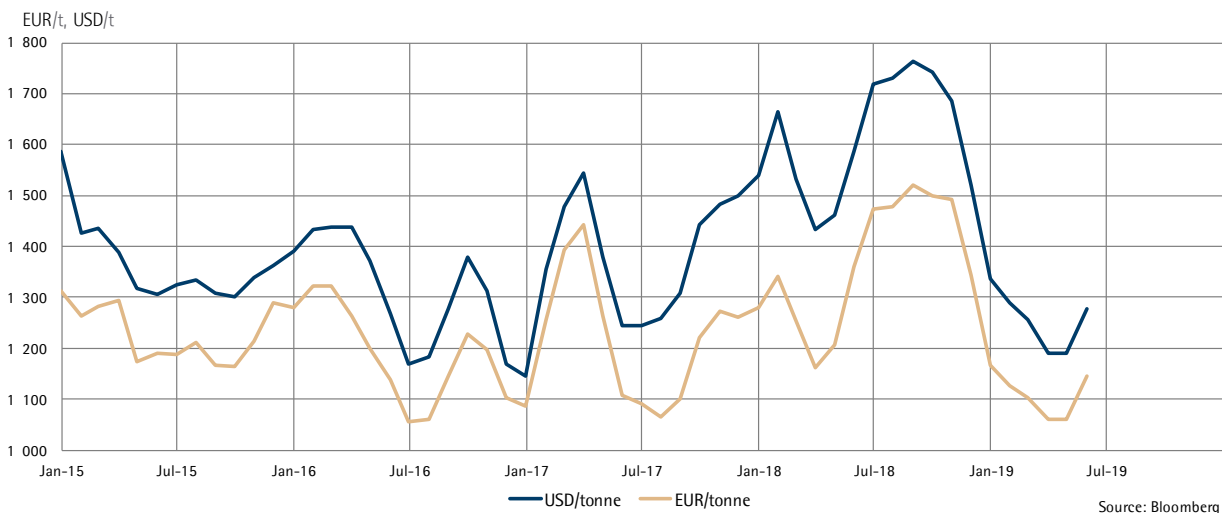
Fiber prices in China have declined by 10-20% from their 2018 highs but remained stable during spring



European softwood pulp prices have declined further so far this year



Polypropylene prices developed favorably from Suominen's perspective during the Q4'18-Q1'19 period



Valuation

Note: EV-based comparisons are currently challenging to carry out, as peer multiples may not yet reflect the impact of IFRS 16. We have accounted for IFRS 16 in our estimates for Suominen – the company estimates that the carrying amounts of lease liabilities and right-of-use assets arising from IFRS 16 will be about EUR 15-17m.

SUOMINEN PEER GROUP	MCAP local FX	EV/EBITDA			EV/EBIT			P/E			P/B		
		19	20	21	19	20	21	19	20	21	19	20	21
Ahlstrom-Munksjo Oyj	1646	7.9x	6.3x	5.7x	15.6x	10.9x	9.5x	15.9x	10.9x	9.7x	1.4x	1.3x	1.2x
Berry Global Group Inc	5585	11.1x	7.5x	6.7x	18.0x	12.9x	10.8x	12.4x	10.4x	8.3x	3.6x	3.2x	2.3x
Kimberly-Clark Corporation	46856	12.8x	12.4x	12.0x	16.5x	15.7x	15.1x	19.9x	18.8x	17.9x			205.7x
Low & Bonar PLC	46	4.5x	3.8x	3.4x	10.9x	7.8x	6.2x	9.6x	5.3x	4.0x			
Neenah Inc	1171							19.8x	16.7x				
P. H. Glatfelter Company	644	7.8x	6.1x	5.1x	14.3x	9.6x	7.8x	20.1x	13.8x	11.0x	1.2x	1.1x	1.1x
PFNonwovens a.s.	6135												
Peer Group Median		7.9x	6.3x	5.7x	15.6x	10.9x	9.5x	17.9x	12.3x	9.7x	1.4x	1.3x	1.8x
Peer Group Average		8.8x	7.2x	6.6x	15.0x	11.4x	9.9x	16.3x	12.6x	10.2x	2.1x	1.9x	52.6x
Suominen (Evli est)		5.9x	4.9x	4.1x	17.8x	11.3x	7.9x	31.8x	14.2x	9.8x	1.1x	1.0x	0.9x
<i>Suominen discount/premium to peer group median</i>		<i>-26 %</i>	<i>-22 %</i>	<i>-28 %</i>	<i>14 %</i>	<i>3 %</i>	<i>-17 %</i>	<i>78 %</i>	<i>15 %</i>	<i>0 %</i>	<i>-23 %</i>	<i>-22 %</i>	<i>-47 %</i>
SUOMINEN PEER GROUP	Ticker	Div yield			EBIT-%			ROCE-%			ROE-%		
		19	20	21	19	20	21	19	20	21	19	20	21
Ahlstrom-Munksjo Oyj	AM1-FI	3.7%	4.0%	4.3%	5.7%	7.6%	8.1%	6.8%	9.3%	10.0%	8.8%	12.0%	12.4%
Berry Global Group Inc	BERY-US	0.0%	0.0%	0.0%	10.3%	9.9%	10.9%	8.2%	10.8%	10.6%	28.9%	31.0%	28.3%
Kimberly-Clark Corporation	KMB-US	3.0%	3.1%	3.3%	17.8%	18.3%	18.6%	38.0%	38.8%	39.3%			1150.0%
Low & Bonar PLC	LWB-GB	2.0%	3.0%	8.2%	3.3%	4.4%	5.3%						
Neenah Inc	NP-US				8.3%	9.8%		11.0%	13.2%				
P. H. Glatfelter Company	GLT-US	3.6%	3.6%	3.6%	6.3%	7.8%	8.7%	5.7%	7.8%		5.9%	8.2%	9.7%
PFNonwovens a.s.	PEGAS-CZ												
Peer Group Median		3.0%	3.1%	3.6%	7.3%	8.8%	8.7%	8.2%	10.8%	10.6%	8.8%	12.0%	20.4%
Peer Group Average		2.5%	2.7%	3.9%	8.6%	9.6%	10.3%	14.0%	16.0%	19.9%	14.5%	17.0%	300.1%
Suominen (Evli est)	SUY1V-FI	1.6%	3.6%	4.1%	2.9%	3.9%	5.0%	5.0%	7.4%	10.1%	3.4%	7.3%	10.0%

Source: FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	2.48 PV of Free Cash Flow	144 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	3.35 PV of Horizon value	138 WACC, %	7.9 Market risk premium, %	5.8
Share price potential, %	35.2 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	3.7 Marketable securities	32 Minimum WACC, %	7.4 Equity beta coefficient	1.00
Minimum value	3.0 Debt - dividend	-118 Maximum WACC, %	8.4 Target debt ratio, %	20
Horizon value, %	48.9 Value of stock	195 Nr of shares, Mn	58.3 Effective tax rate, %	28

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	431	425	448	463	474	484	494	503	513	524	534	545
<i>Sales growth, %</i>	<i>1.2</i>	<i>-1.4</i>	<i>5.5</i>	<i>3.3</i>	<i>2.4</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	5	12	18	23	26	24	25	25	26	26	27	27
<i>EBIT margin, %</i>	<i>1.1</i>	<i>2.9</i>	<i>3.9</i>	<i>5.0</i>	<i>5.5</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>
+ Depreciation+amort.	21	25	23	21	21	19	18	18	18	18	19	
- Income taxes	4	-3	-5	-6	-7	-6	-6	-7	-7	-7	-7	
- Change in NWC	6	-2	-2	-1	-1	-1	-1	-1	-1	-1	-1	
<i>NWC / Sales, %</i>	<i>9.1</i>	<i>9.7</i>	<i>9.6</i>	<i>9.6</i>	<i>9.6</i>	<i>9.5</i>	<i>9.5</i>	<i>9.5</i>	<i>9.5</i>	<i>9.5</i>	<i>9.4</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-15	-12	-12	-13	-13	-14	-16	-18	-20	-20	-21	-21
<i>Investments / Sales, %</i>	<i>3.4</i>	<i>2.8</i>	<i>2.7</i>	<i>2.8</i>	<i>2.7</i>	<i>2.9</i>	<i>3.2</i>	<i>3.6</i>	<i>3.9</i>	<i>3.8</i>	<i>3.9</i>	<i>3.9</i>
- Other items	-3	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	17	20	22	24	26	22	19	17	16	17	16	282
= Discounted FCF (DFCF)		19	20	20	20	16	13	11	9	9	8	138
= DFCF min WACC		19	20	20	20	16	13	11	9	9	8	157
= DFCF max WACC		19	20	20	20	15	13	10	9	8	8	122

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	107	110	105	110	431	110	104	104	107	425	448	463
EBITDA	7	8	6	5	26	9	9	9	9	37	40	44
<i>EBITDA margin (%)</i>	<i>6.1</i>	<i>7.3</i>	<i>5.5</i>	<i>4.7</i>	<i>5.9</i>	<i>8.5</i>	<i>8.7</i>	<i>8.6</i>	<i>8.8</i>	<i>8.6</i>	<i>9.0</i>	<i>9.6</i>
EBIT	2	3	0	0	5	3	3	3	3	12	18	23
<i>EBIT margin (%)</i>	<i>1.5</i>	<i>2.7</i>	<i>0.5</i>	<i>-0.4</i>	<i>1.1</i>	<i>2.7</i>	<i>2.5</i>	<i>3.0</i>	<i>3.2</i>	<i>2.9</i>	<i>3.9</i>	<i>5.0</i>
Net financial items	-2	-1	-2	-2	-6	-1	-1	-1	-1	-6	-4	-3
Pre-tax profit	0	2	-1	-2	-1	2	1	2	2	6	14	20
Tax	0	-1	0	0	-1	0	0	0	0	-2	-4	-5
<i>Tax rate (%)</i>	<i>-13.4</i>	<i>24.5</i>	<i>-0.6</i>	<i>-5.6</i>	<i>-78.6</i>	<i>26.0</i>	<i>26.0</i>	<i>26.0</i>	<i>26.0</i>	<i>26.0</i>	<i>26.0</i>	<i>26.0</i>
Net profit	0	2	-1	-2	-2	1	1	1	1	5	10	15
EPS	-0.01	0.03	-0.02	-0.04	-0.03	0.02	0.01	0.02	0.02	0.08	0.17	0.25
EPS adjusted (diluted no. of shares)	-0.01	0.03	-0.02	-0.04	-0.03	0.02	0.01	0.02	0.02	0.08	0.17	0.25
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.09	0.10
SALES, EURm												
Group	107	110	105	110	431	110	104	104	107	425	448	463
Total	107	110	105	110	431	110	104	104	107	425	448	463
SALES GROWTH, Y/Y %												
Group	-5.6	-1.8	2.3	11.2	1.2	3.0	-5.6	-0.4	-2.4	-1.4	5.5	3.3
Total	-5.6	-1.8	2.3	11.2	1.2	3.0	-5.6	-0.4	-2.4	-1.4	5.5	3.3
EBIT, EURm												
Group	2	3	0	0	5	3	3	3	3	12	18	23
Total	2	3	0	0	5	3	3	3	3	12	18	23
EBIT margin, %												
Group	1.5	2.7	0.5	-0.4	1.1	2.7	2.5	3.0	3.2	2.9	3.9	5.0
Total	1.5	2.7	0.5	-0.4	1.1	2.7	2.5	3.0	3.2	2.9	3.9	5.0

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	402	444	417	426	431	425	448	463
<i>Sales growth (%)</i>	<i>7.5</i>	<i>10.5</i>	<i>-6.1</i>	<i>2.2</i>	<i>1.2</i>	<i>-1.4</i>	<i>5.5</i>	<i>3.3</i>
Costs	-359	-395	-373	-392	-406	-388	-408	-419
Reported EBITDA	42	49	44	34	26	37	40	44
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	<i>10.6</i>	<i>11.0</i>	<i>10.6</i>	<i>8.1</i>	<i>5.9</i>	<i>8.6</i>	<i>9.0</i>	<i>9.6</i>
Depreciation	-16	-18	-19	-19	-21	-25	-23	-21
EBITA	27	31	26	15	5	12	18	23
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	27	31	26	15	5	12	18	23
<i>EBIT margin (%)</i>	<i>6.7</i>	<i>7.0</i>	<i>6.1</i>	<i>3.5</i>	<i>1.1</i>	<i>2.9</i>	<i>3.9</i>	<i>5.0</i>
Net financials	-8	-5	-3	-3	-6	-6	-4	-3
Pre-tax profit	19	26	22	12	-1	6	14	20
Extraordinary items	-6	1	0	0	0	0	0	0
Taxes	-8	-9	-7	2	-1	-2	-4	-5
Minority shares	0	0	0	0	0	0	0	0
Net profit	5	17	15	14	-2	5	10	15
BALANCE SHEET, EURm								
Assets								
Fixed assets	114	122	160	160	172	160	149	141
<i>% of sales</i>	<i>28</i>	<i>28</i>	<i>38</i>	<i>37</i>	<i>40</i>	<i>38</i>	<i>33</i>	<i>30</i>
Goodwill	15	15	15	15	15	15	15	15
<i>% of sales</i>	<i>4</i>	<i>3</i>	<i>4</i>	<i>4</i>	<i>4</i>	<i>4</i>	<i>3</i>	<i>3</i>
Inventory	32	33	43	44	52	47	49	51
<i>% of sales</i>	<i>8</i>	<i>7</i>	<i>10</i>	<i>10</i>	<i>12</i>	<i>11</i>	<i>11</i>	<i>11</i>
Receivables	50	53	56	66	63	62	66	68
<i>% of sales</i>	<i>13</i>	<i>12</i>	<i>14</i>	<i>16</i>	<i>15</i>	<i>15</i>	<i>15</i>	<i>15</i>
Liquid funds	47	64	38	35	32	34	36	37
<i>% of sales</i>	<i>12</i>	<i>14</i>	<i>9</i>	<i>8</i>	<i>7</i>	<i>8</i>	<i>8</i>	<i>8</i>
Total assets	265	292	316	326	337	321	318	314
Liabilities								
Equity	90	108	126	136	131	135	143	152
<i>% of sales</i>	<i>22</i>	<i>24</i>	<i>30</i>	<i>32</i>	<i>30</i>	<i>32</i>	<i>32</i>	<i>33</i>
Deferred taxes	9	11	11	15	12	12	12	12
<i>% of sales</i>	<i>2</i>	<i>2</i>	<i>3</i>	<i>3</i>	<i>3</i>	<i>3</i>	<i>3</i>	<i>3</i>
Interest bearing debt	103	115	111	110	118	105	91	75
<i>% of sales</i>	<i>26</i>	<i>26</i>	<i>27</i>	<i>26</i>	<i>27</i>	<i>25</i>	<i>20</i>	<i>16</i>
Non-interest bearing current liabilities	60	56	65	63	75	68	72	74
<i>% of sales</i>	<i>15</i>	<i>13</i>	<i>16</i>	<i>15</i>	<i>17</i>	<i>16</i>	<i>16</i>	<i>16</i>
Other interest free debt	2	2	2	1	0	0	0	0
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Total liabilities	265	292	316	326	337	321	318	314
CASH FLOW, EURm								
+ EBITDA	42	49	44	34	26	37	40	44
- Net financial items	-8	-5	-3	-3	-6	-6	-4	-3
- Taxes	-7	-8	-6	0	6	-2	-4	-5
- Increase in Net Working Capital	6	-8	-6	-8	6	-2	-2	-1
+/- Other	2	-1	0	-2	1	0	0	0
= Cash flow from operations	35	26	28	22	32	27	31	35
- Capex	-8	-22	-50	-34	-15	-12	-12	-13
- Acquisitions	-19	0	0	0	0	0	0	0
+ Divestments	5	0	0	0	0	0	0	0
= Net cash flow	13	4	-21	-11	17	15	19	22
+/- Change in interest-bearing debt	10	11	-4	-1	8	-13	-15	-15
+/- New issues/buybacks	7	3	8	1	3	0	0	0
- Paid dividend	0	-2	-5	-6	-6	0	-2	-5
+/- Change in loan receivables	0	0	0	0	0	0	0	0
Change in cash	30	16	-21	-17	21	2	2	1

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	312	214	258	119	144	144	144
Net debt	50	73	76	87	71	55	38
Enterprise value	362	287	333	206	216	199	183
Sales	444	417	426	431	425	448	463
EBITDA	49	44	34	26	37	40	44
EBIT	31	26	15	5	12	18	23
Pre-tax	26	22	12	-1	6	14	20
Earnings	16	15	14	-2	5	10	15
Book value	108	126	136	131	135	143	152
Valuation multiples							
EV/sales	0.8	0.7	0.8	0.5	0.5	0.4	0.4
EV/EBITDA	7.4	6.5	9.7	8.0	5.9	4.9	4.1
EV/EBITA	11.6	11.2	22.2	44.8	17.8	11.3	7.9
EV/EBIT	11.6	11.2	22.2	44.8	17.8	11.3	7.9
EV/operating cash flow	13.7	10.1	15.0	6.4	6.8	5.9	4.9
EV/cash earnings	9.7	8.2	9.4	10.5	7.4	6.0	5.1
P/E	19.0	14.0	17.8	-69.4	31.8	14.2	9.8
P/E excl. goodwill	19.0	14.0	17.8	-69.4	31.8	14.2	9.8
P/B	2.9	1.7	1.9	0.9	1.1	1.0	0.9
P/sales	0.7	0.5	0.6	0.3	0.3	0.3	0.3
P/CF	11.8	7.5	11.6	3.7	4.6	4.3	3.9
Target EV/EBIT	0.0	0.0	0.0	0.0	17.9	11.4	7.9
Target P/E	0.0	16.6	23.8	374.2	32.1	14.3	9.9
Target P/B	0.0	0.0	0.0	0.0	1.1	1.0	1.0
Per share measures							
Number of shares	50,302	51,666	58,259	58,259	58,259	58,259	58,259
Number of shares (diluted)	50,302	51,666	65,259	58,259	58,259	58,259	58,259
EPS	0.33	0.29	0.25	-0.03	0.08	0.17	0.25
EPS excl. goodwill	0.33	0.29	0.25	-0.03	0.08	0.17	0.25
Cash EPS	0.74	0.68	0.61	0.34	0.50	0.57	0.62
Operating cash flow per share	0.52	0.55	0.38	0.55	0.54	0.58	0.64
Capital employed per share	3.15	3.86	3.64	3.73	3.54	3.39	3.27
Book value per share	2.15	2.44	2.34	2.24	2.32	2.45	2.62
Book value excl. goodwill	1.84	2.14	2.07	1.97	2.05	2.19	2.35
Dividend per share	0.10	0.11	0.11	0.00	0.04	0.09	0.10
Dividend payout ratio, %	30.6	37.3	44.3	0.0	51.3	51.6	40.0
Dividend yield, %	1.6	2.7	2.5	0.0	1.6	3.6	4.1
Efficiency measures							
ROE	16.6	13.0	11.0	-1.3	3.4	7.3	10.0
ROCE	15.0	11.4	6.2	1.9	5.0	7.4	10.1
Financial ratios							
Capex/sales, %	5.0	11.8	7.9	3.4	2.8	2.7	2.8
Capex/depreciation excl. goodwill,%	125.5	265.0	173.4	70.7	48.8	52.7	61.3
Net debt/EBITDA, book-weighted	1.0	1.7	2.2	3.4	1.9	1.4	0.9
Debt/equity, market-weighted	0.4	0.5	0.4	1.0	0.7	0.6	0.5
Equity ratio, book-weighted	37.0	40.0	41.8	38.8	42.1	45.0	48.5
Gearing	0.46	0.58	0.56	0.66	0.53	0.38	0.25
Number of employees, average	614	614	614	614	614	614	614
Sales per employee, EUR	723,195	678,928	693,805	702,132	692,309	730,098	754,472
EBIT per employee, EUR	50,814	41,730	24,430	7,482	19,773	28,724	37,892

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	34.604	24.0%
Oy Etra Invest Ab	7,770,000	19.270	13.3%
Varma Mutual Pension Insurance Company	4,500,000	11.160	7.7%
Nordea Bank ABP	3,914,182	9.707	6.7%
Ilmarinen Mutual Pension Insurance Company	3,546,892	8.796	6.1%
Elo Pension Company	3,024,651	7.501	5.2%
Oy H. Kuningas Et Co Ab	1,500,000	3.720	2.6%
Nordea Life Assurance Finland Ltd.	1,128,317	2.798	1.9%
Evald and Hilda Nissi's Foundation	1,000,000	2.480	1.7%
Nordea Nordic Small Cap Fund	989,909	2.455	1.7%
Ten largest	41,327,308	102.492	71%
Residual	16,931,911	41.991	29%
Total	58,259,219	144.483	100%

EARNINGS CALENDAR

October 22, 2019

Q3 report

OTHER EVENTS

COMPANY MISCELLANEOUS

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Karvaamokuja 2 B, FI-00380 Helsinki

CFO: Toni Tamminen

Tel: +358 (0)10 214 300

IR: Emilia Peltola

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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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 updated at least 2 timer per year.

Recommendation	Percentage
Sell	8%
Hold	53%
Buy	39%

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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