

Inventory reductions strained profit

Suominen's Q3 revenue came close to our expectations. However, gross margin fell clearly short of our estimate and consequently operating profit improved only rather modestly in absolute terms relative to the weak comparison period a year ago. Suominen says cash flow was strong during the quarter due to inventory reductions, however this had a negative effect on the operating result.

- Q3 revenue stood at EUR 103.4m vs our EUR 104.4m estimate. The strengthening of USD compared to EUR contributed a positive EUR 2.7m, or 2.6%.
- Gross profit amounted to EUR 7.7m vs our estimate of EUR 10.3m. The 7.4% gross margin was clearly below our 9.9% expectation.
- Q3 EBIT was EUR 1.1m, whereas we expected EUR 3.8m. In other words, Suominen posted a 1.1% operating margin, compared to our 3.6% expectation.
- Suominen cites significant inventory reductions during the quarter having had a positive impact on cash flow but a negative impact on the result.
- Suominen reiterates its 2019 outlook, expecting flat sales and improving operating profit compared to 2018.

Rating 🟡 HOLD

Q3'19	Actual	Evli	Year ago	Q2'19
Revenue	103.4	104.4	104.8	103.8
Gross profit	7.7	10.3	6.6	9.7
EBIT ex IAC	1.1	3.8	0.5	2.7
PTP	0.0	2.3	-1.1	1.1

Deviation	Actual	Evli	Year ago	Q4'18
Revenue		-1 %	-1 %	0 %
Gross profit		-25 %	17 %	-21 %
EBIT ex IAC		-71 %	120 %	-59 %
PTP		-100 %	-100 %	-100 %

Share price, EUR (Last trading day's closing price) 2.42

Target price, EUR 2.50

Latest change in 08-Aug-19

Latest report on company 08-Aug-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 141

Free float, % -

Exchange rate EUR/USD 1.1

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

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2017	426.0	15.0	3.5%	-14.3	0.25	17.8	0.8	22.2	-5.6	0.11
2018	431.1	4.6	1.1%	13.3	-0.03	-69.4	0.5	44.1	11.1	0.00
2019E	425.1	14.0	3.3%	17.1	0.10	23.7	0.5	14.7	12.1	0.04
2020E	448.3	20.1	4.5%	20.5	0.21	11.6	0.4	9.4	14.6	0.09
2021E	463.2	23.3	5.0%	22.1	0.26	9.4	0.4	7.4	15.7	0.10

Market cap, EURm	141	BV per share 2019E, EUR	48.4	CAGR EPS 2018-21, %	0.0
Net debt 2019E, EURm	66	Price/book 2019E	1.0	CAGR sales 2018-21, %	2.4
Enterprise value, EURm	207	Dividend yield 2019E, %	1.7	ROE 2019E, %	4.5
Total assets 2019E, EURm	321	Tax rate 2019E, %	26.0	ROCE 2019E, %	5.8
Goodwill 2019E, EURm	15	Equity ratio 2019E, %	42.5	PEG, P/E 19/CAGR	0.5

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

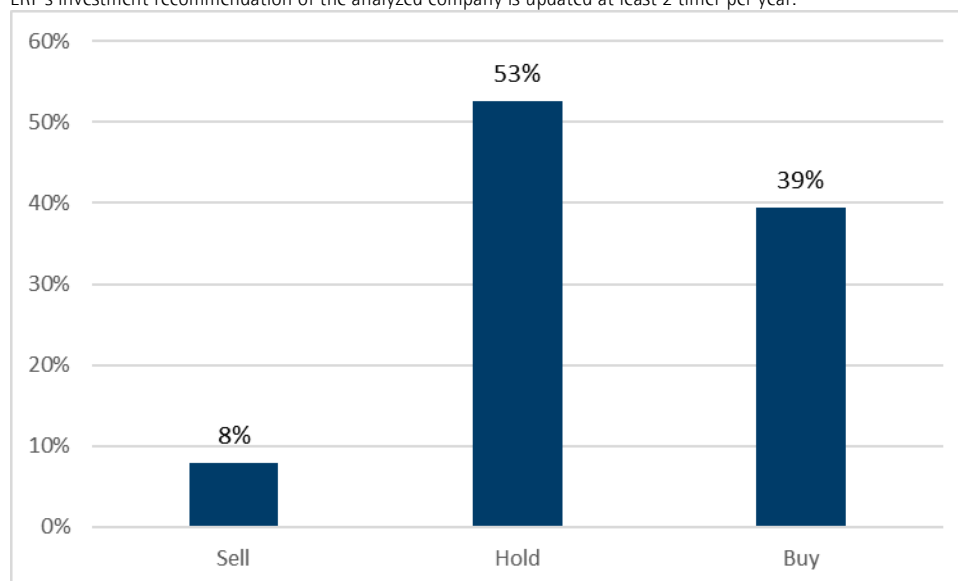
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Investment recommendations are defined as follows:

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

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