

## Improvement gradient still uncertain

Suominen reports Q4 results on Wed, Jan 29. Our estimates stand unchanged. We expect positive FY '20 guidance given '19 figures represent a rather soft comparison base. Our TP is now EUR 2.50 (2.25), rating remains HOLD.

### Expect a stable Q4 result compared to preceding quarters

We note nonwovens demand unchanged since Q3, and thus leave our estimates intact. We estimate Q4 revenue at EUR 107m i.e. down by few percent y/y due to volume losses. All the nonwovens' raw materials prices basically flatlined during Q4 and so we expect gross margin stable at 8.4%. We also expect other costs to have remained in control and thus see EBIT at EUR 2.5m (EUR -0.4m a year ago). We see stabilizing prices and volumes helping Suominen to continued improvement with FY '20e EBIT at EUR 16.1m (compared to '19e EUR 9.2m).

### FY '20 guidance should be positive for both sales and EBIT

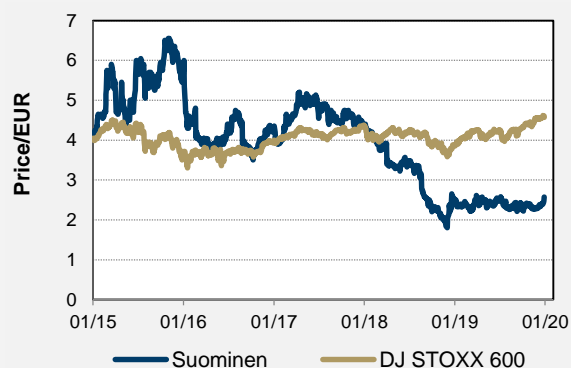
Although Suominen's FY '19 figures will likely translate to an EBIT twice that of '18, the company's profitability is still far off from satisfactory. We thus expect continued meaningful profitability improvement this year. Suominen recently published its new strategy and financial targets for 2020-25. The targets were moderated; Suominen now aims for sales growth above that of the relevant market. As Suominen's markets grow ca. 3% p.a. we would expect this to imply a CAGR of some 3-5%. In order to reach the targeted above 12% EBITDA margin (which would imply an EBIT margin close to 8%) by '25, Suominen not only needs to achieve improved operational efficiency but also robust sales growth. We look forward to Suominen commenting on the outlook for the two currently reported geographies, Europe and Americas, as well as any color on the possible Asia expansion (about which the company has talked over the years). We would also like to hear about turning customer relationships stickier since the nonwovens markets are still well-supplied.

### We update our TP but remain HOLD due to uncertainty

Our updated TP is EUR 2.50 (2.25) as peer multiples have gained in recent months. Our rating is still HOLD. Valuation starts to look attractive longer term ('21e EV/EBITDA ~4.5x and EV/EBIT 10x) yet in our view there's too much uncertainty. We expect Suominen to declare EUR 0.04 dividend per share for '19.

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 2.57

Target price, EUR 2.50

Latest change in recommendation 08-Aug-19

Latest report on company 23-Oct-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 150

Free float, % -

Exchange rate EUR/USD 1.11

Reuters code SUY1V.HE

Bloomberg code SUY1V FH

Average daily volume, EURm 0.1

Next interim report 29-Jan-20

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+ BUY ■ HOLD - SELL

## KEY FIGURES

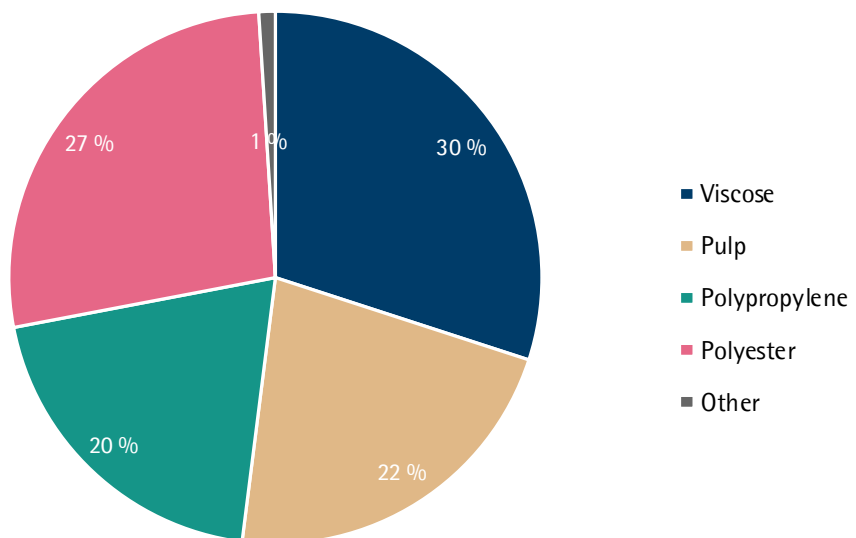
	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2017	426.0	15.0	3.5%	-14.3	0.25	17.8	0.8	22.2	-5.6	0.11
2018	431.1	4.6	1.1%	13.3	-0.03	-69.4	0.5	44.1	11.1	0.00
2019E	424.1	9.2	2.2%	14.0	0.04	68.8	0.5	23.8	9.3	0.04
2020E	447.5	16.1	3.6%	17.2	0.16	16.6	0.5	12.7	11.5	0.08
2021E	462.5	19.1	4.1%	18.8	0.20	12.8	0.4	9.9	12.5	0.08
Market cap, EURm		150	Gearing 2019E, %			52.1	CAGR EPS 2018-21, %			0.0
Net debt 2019E, EURm		69	Price/book 2019E			1.1	CAGR sales 2018-21, %			2.4
Enterprise value, EURm		219	Dividend yield 2019E, %			1.6	ROE 2019E, %			1.7
Total assets 2019E, EURm		320	Tax rate 2019E, %			40.2	ROCE 2019E, %			3.8
Goodwill 2019E, EURm		15	Equity ratio 2019E, %			41.4	PEG, P/E 19/CAGR			0.7

**Estimates**

SUOMINEN EURm	2013 FY	2014 FY	2015 FY	2016 FY	2017 FY	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2018 FY	2019 Q1	2019 Q2	2019 Q3	2019E Q4E	2019E FY	2020E FY	2021E FY
<b>Sales</b>	<b>374</b>	<b>402</b>	<b>444</b>	<b>417</b>	<b>426</b>	<b>107</b>	<b>110</b>	<b>105</b>	<b>110</b>	<b>431</b>	<b>110</b>	<b>104</b>	<b>104</b>	<b>107</b>	<b>424</b>	<b>448</b>	<b>462</b>
Sales growth, %		8 %	11 %	-6 %	2 %	-6 %	-2 %	2 %	11 %	1 %	3 %	-6 %	-1 %	-2 %	-2 %	5 %	3 %
FX			10 %	0 %	-1 %	-8 %	-5 %	1 %	2 %	-2 %	4 %	3 %	3 %	0 %	2 %	0 %	0 %
Price/mix (indicative)				-3 %	-1 %	0 %	4 %	4 %	9 %	4 %	8 %	6 %	0 %	0 %	4 %	2 %	1 %
Volume (indicative)				-3 %	4 %	2 %	-1 %	-2 %	0 %	-1 %	-9 %	-15 %	-4 %	-3 %	-7 %	3 %	2 %
<b>Convenience</b>		<b>369</b>	<b>412</b>	<b>379</b>	<b>389</b>	<b>98</b>	<b>100</b>	<b>96</b>	<b>103</b>	<b>396</b>	<b>101</b>	<b>97</b>	<b>96</b>	<b>97</b>	<b>391</b>	<b>413</b>	<b>423</b>
Baby		165	178	158	175	42	41	40	46	168	45	44	43	44	176	185	192
Personal care		84	98	104	89	25	25	24	21	95	20	18	20	20	78	85	86
Household		68	75	75	81	21	22	21	22	86	25	24	24	23	96	99	100
Workplace		44	49	36	38	10	10	9	10	39	10	10	9	9	37	40	41
Other		8	12	5	5	0	2	1	4	8	1	1	1	1	4	4	4
<b>Care</b>		<b>32</b>	<b>32</b>	<b>37</b>	<b>38</b>	<b>9</b>	<b>10</b>	<b>9</b>	<b>7</b>	<b>35</b>	<b>9</b>	<b>8</b>	<b>8</b>	<b>9</b>	<b>33</b>	<b>35</b>	<b>40</b>
Hygiene & Medical		32	32	37	38	9	10	9	7	35	9	8	8	9	33	35	40
<b>Geography</b>																	
Europe	150	153	172	171	174	43	43	41	39	166	42	39	37	39	157	161	165
Americas	224	249	272	246	252	63	67	64	71	265	68	65	66	68	267	287	297
COGS	-334	-352	-386	-365	-384	-99	-100	-98	-103	-400	-101	-94	-96	-98	-389	-405	-416
Gross Profit	40	50	58	52	42	7.8	10.1	6.6	6.8	31	8.9	9.7	7.7	9.0	35	43	46
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 %	7.4 %	8.4 %	8.3 %	9.5 %	10.0 %
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	-7.1	-6.9	-28.2	-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	1.1	2.5	9.2	16.1	19.1
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
<b>EBIT ex IAC</b>	<b>19.4</b>	<b>26.9</b>	<b>31.2</b>	<b>25.6</b>	<b>15.0</b>	<b>1.5</b>	<b>2.9</b>	<b>0.5</b>	<b>-0.4</b>	<b>4.6</b>	<b>3.0</b>	<b>2.7</b>	<b>1.1</b>	<b>2.5</b>	<b>9.2</b>	<b>16.1</b>	<b>19.1</b>
<b>EBIT-% ex IAC</b>	<b>5.2 %</b>	<b>6.7 %</b>	<b>7.0 %</b>	<b>6.1 %</b>	<b>3.5 %</b>	<b>1.5 %</b>	<b>2.7 %</b>	<b>0.5 %</b>	<b>-0.3 %</b>	<b>1.1 %</b>	<b>2.7 %</b>	<b>2.6 %</b>	<b>1.0 %</b>	<b>2.3 %</b>	<b>2.2 %</b>	<b>3.6 %</b>	<b>4.1 %</b>
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	-6.7	-6.2	-25.7	-23.1	-22.0
<b>EBITDA ex IAC</b>	<b>33.3</b>	<b>42.5</b>	<b>48.9</b>	<b>44.2</b>	<b>34.3</b>	<b>6.5</b>	<b>8.0</b>	<b>5.8</b>	<b>5.2</b>	<b>25.6</b>	<b>9.3</b>	<b>9.1</b>	<b>7.8</b>	<b>8.7</b>	<b>34.9</b>	<b>39.2</b>	<b>41.1</b>
<b>EBITDA-% ex IAC</b>	<b>8.9 %</b>	<b>10.6 %</b>	<b>11.0 %</b>	<b>10.6 %</b>	<b>8.1 %</b>	<b>6.1 %</b>	<b>7.3 %</b>	<b>5.5 %</b>	<b>4.8 %</b>	<b>5.9 %</b>	<b>8.5 %</b>	<b>8.8 %</b>	<b>7.5 %</b>	<b>8.1 %</b>	<b>8.2 %</b>	<b>8.8 %</b>	<b>8.9 %</b>

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

Source: Suominen, Evli Research

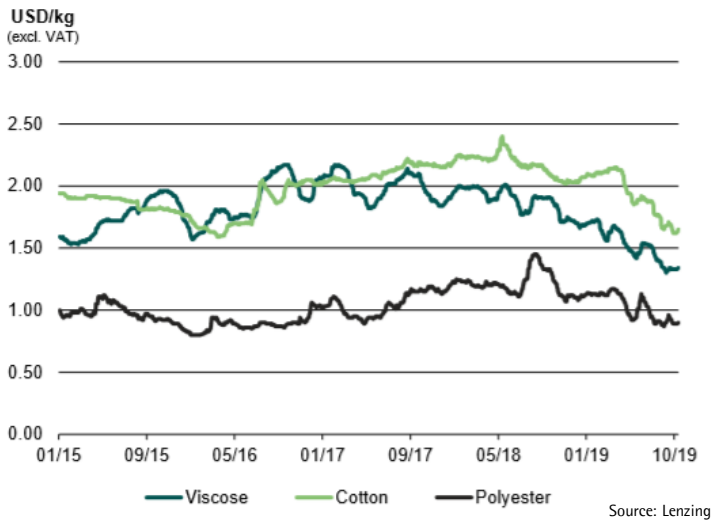
**Raw material mix (in tonnes)**


Total raw material consumption 134kt (2018)

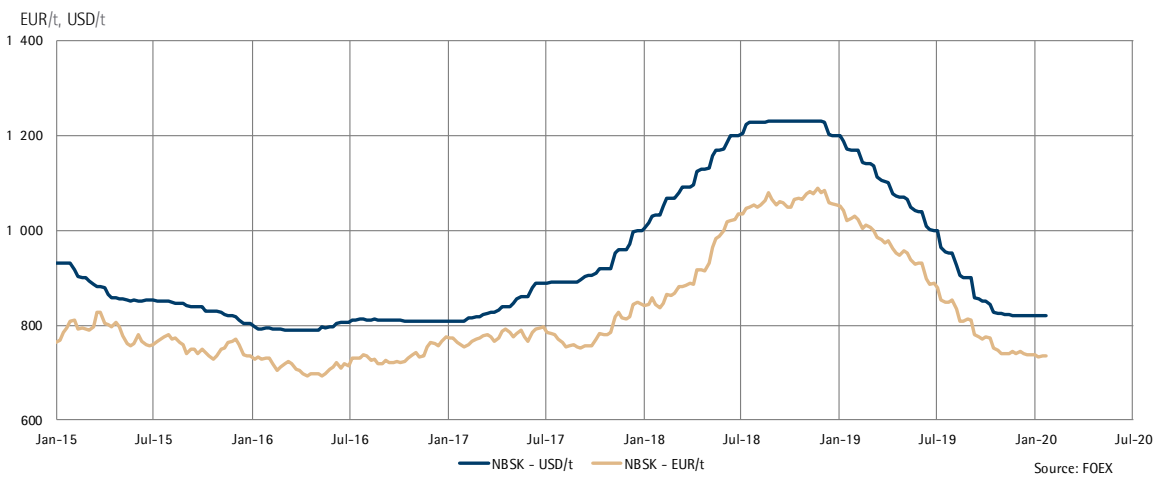
Source: Suominen

**Raw material price development**

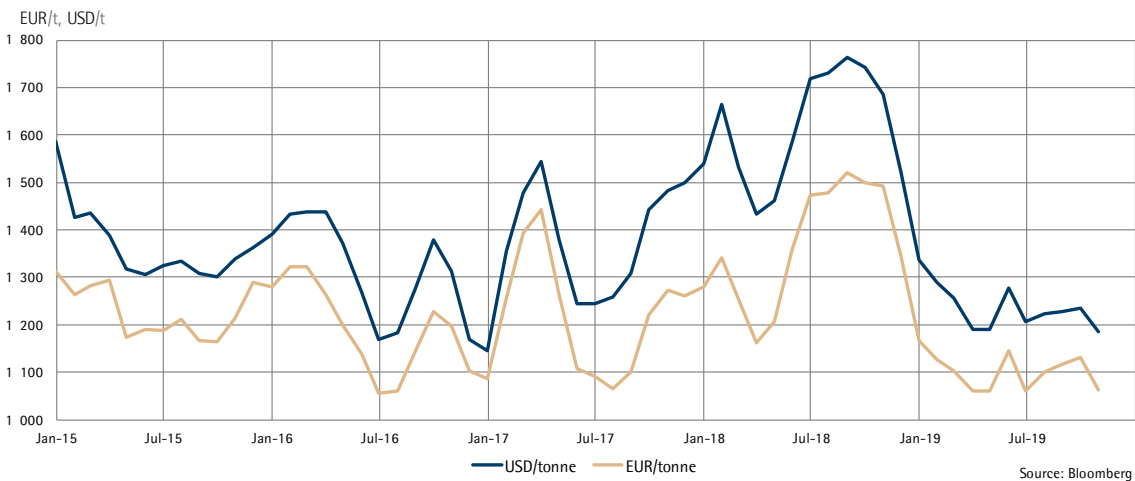
Chinese fiber prices have not bounced back



European softwood pulp prices have flatlined since the end of Q3'19



Polypropylene prices remained at low levels in late 2019



## 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	1766	8.3x	6.7x	6.1x	17.6x	11.8x	10.3x	21.8x	12.5x	11.1x	1.5x	1.4x	1.3x
Berry Global Group Inc	6243	11.1x	7.5x	6.9x	17.9x	12.9x	11.5x	13.9x	11.6x	10.2x	3.9x	2.9x	2.3x
Kimberly-Clark Corporation	49587	12.8x	12.9x	12.4x	18.0x	16.5x	15.8x	21.0x	19.9x	18.8x			
Low & Bonar PLC	84												
Neenah Inc	1132							19.7x	17.8x				
P. H. Glatfelter Company	776							24.1x	18.0x	13.8x			
PFNonwovens a.s.	6170												
<b>Peer Group Median</b>		<b>11.1x</b>	<b>7.5x</b>	<b>6.9x</b>	<b>17.9x</b>	<b>12.9x</b>	<b>11.5x</b>	<b>21.0x</b>	<b>17.8x</b>	<b>12.5x</b>	<b>2.7x</b>	<b>2.2x</b>	<b>1.8x</b>
<b>Peer Group Average</b>		<b>10.7x</b>	<b>9.0x</b>	<b>8.5x</b>	<b>17.8x</b>	<b>13.7x</b>	<b>12.5x</b>	<b>20.1x</b>	<b>15.9x</b>	<b>13.5x</b>	<b>2.7x</b>	<b>2.2x</b>	<b>1.8x</b>
<b>Suominen (Evli est)</b>		<b>6.3x</b>	<b>5.2x</b>	<b>4.6x</b>	<b>23.8x</b>	<b>12.7x</b>	<b>9.9x</b>	<b>68.8x</b>	<b>16.6x</b>	<b>12.8x</b>	<b>1.1x</b>	<b>1.1x</b>	<b>1.0x</b>
<i>Suominen discount/premium to peer group median</i>		<i>-44 %</i>	<i>-31 %</i>	<i>-33 %</i>	<i>32 %</i>	<i>-2 %</i>	<i>-14 %</i>	<i>228 %</i>	<i>-7 %</i>	<i>3 %</i>	<i>-58 %</i>	<i>-51 %</i>	<i>-43 %</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	3.5%	3.6%	3.9%	5.1%	7.5%	8.0%	6.1%	9.0%	9.7%	7.0%	11.5%	12.1%
Berry Global Group Inc	BERY-US	0.0%	0.0%	0.0%	10.6%	10.1%	10.6%	8.5%	11.4%	9.4%	28.0%	25.4%	22.4%
Kimberly-Clark Corporation	KMB-US	2.8%	2.9%	3.1%	16.2%	18.6%	19.0%	35.8%	39.8%	39.6%			
Low & Bonar PLC	LWB-GB												
Neenah Inc	NP-US				8.0%	9.9%		10.1%	12.2%				
P. H. Glatfelter Company	GLT-US				6.5%	8.1%	9.0%	5.5%	7.3%				
PFNonwovens a.s.	PEGAS-CZ												
<b>Peer Group Median</b>		<b>2.8%</b>	<b>2.9%</b>	<b>3.1%</b>	<b>8.0%</b>	<b>9.9%</b>	<b>9.8%</b>	<b>8.5%</b>	<b>11.4%</b>	<b>9.7%</b>	<b>17.5%</b>	<b>18.5%</b>	<b>17.2%</b>
<b>Peer Group Average</b>		<b>2.1%</b>	<b>2.2%</b>	<b>2.3%</b>	<b>9.3%</b>	<b>10.8%</b>	<b>11.7%</b>	<b>13.2%</b>	<b>15.9%</b>	<b>19.6%</b>	<b>17.5%</b>	<b>18.5%</b>	<b>17.2%</b>
<b>Suominen (Evli est)</b>	SUY1V-FI	<b>1.6%</b>	<b>3.1%</b>	<b>3.1%</b>	<b>2.2%</b>	<b>3.6%</b>	<b>4.1%</b>	<b>3.8%</b>	<b>6.9%</b>	<b>8.4%</b>	<b>1.7%</b>	<b>6.6%</b>	<b>8.2%</b>

Source: FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	2.57 PV of Free Cash Flow	141 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	3.35 PV of Horizon value	141 WACC, %	7.9 Market risk premium, %
Share price potential, %	30.5 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	3.7 Marketable securities	34 Minimum WACC, %	7.4 Equity beta coefficient
Minimum value	3.0 Debt - dividend	-103 Maximum WACC, %	8.4 Target debt ratio, %
Horizon value, %	49.9 Value of stock	199 Nr of shares, Mn	58.3 Effective tax rate, %

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	431	424	448	462	474	483	493	503	513	523	533	544
<i>Sales growth, %</i>	<i>1.2</i>	<i>-1.6</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	9	16	19	24	24	25	25	26	26	27	27
<i>Operating income margin, %</i>	<i>1.1</i>	<i>2.2</i>	<i>3.6</i>	<i>4.1</i>	<i>5.1</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	26	23	22	20	19	18	17	17	18	18	
EBITDA	26	35	39	41	44	43	42	42	43	44	45	
- Paid taxes	4	-4	-4	-5	-6	-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>8.5</i>	<i>9.0</i>	<i>9.0</i>	<i>9.0</i>	<i>9.0</i>	<i>9.0</i>	<i>9.0</i>	<i>8.9</i>	<i>8.9</i>	<i>8.9</i>	<i>8.9</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-15	-12	-12	-13	-13	-14	-16	-18	-20	-20	-21	
<i>opCAPEX / Sales, %</i>	<i>3.5</i>	<i>2.9</i>	<i>2.9</i>	<i>2.9</i>	<i>2.8</i>	<i>3.0</i>	<i>3.3</i>	<i>3.7</i>	<i>4.0</i>	<i>3.9</i>	<i>4.0</i>	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	-3	0	0	0	0	0	0	0	0	0	0	
= FCFF	17	17	21	22	24	22	19	17	16	16	16	278
= Discounted FCFF		18	20	19	19	16	13	11	9	9	8	141
= DFCF min WACC		18	20	19	19	16	13	11	9	9	9	160
= DFCF max WACC		18	20	19	19	16	13	11	9	9	8	125

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2	2019Q3	2019Q4E	2019E	2020E	2021E
Net sales	106.6	110.0	104.8	109.7	431.1	109.8	103.8	103.4	107.1	424.1	447.5	462.5
EBITDA	6.5	8.1	5.8	5.2	25.6	9.3	9.0	7.8	8.7	34.9	39.2	41.1
<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>7.6</i>	<i>8.1</i>	<i>8.2</i>	<i>8.8</i>	<i>8.9</i>
EBIT	1.5	3.0	0.5	-0.4	4.6	3.0	2.6	1.1	2.5	9.2	16.1	19.1
<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>1.1</i>	<i>2.3</i>	<i>2.2</i>	<i>3.6</i>	<i>4.1</i>
Net financial items	-1.9	-0.5	-1.6	-1.5	-5.6	-1.5	-1.5	-1.1	-1.5	-5.6	-3.9	-3.3
Pre-tax profit	-0.3	2.4	-1.1	-1.9	-1.0	1.5	1.1	0.0	1.0	3.6	12.2	15.8
Tax	0.0	-0.6	0.0	-0.1	-0.8	-0.5	-0.6	-0.1	-0.3	-1.5	-3.2	-4.1
<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>35.9</i>	<i>51.0</i>	<i>357.1</i>	<i>26.0</i>	<i>40.2</i>	<i>26.0</i>	<i>26.0</i>
Net profit	-0.4	1.8	-1.1	-2.0	-1.7	1.0	0.5	-0.1	0.7	2.2	9.0	11.7
EPS	-0.01	0.03	-0.02	-0.04	-0.03	0.02	0.01	0.00	0.01	0.04	0.16	0.20
EPS adjusted (diluted no. of shares)	-0.01	0.03	-0.02	-0.04	-0.03	0.02	0.01	0.00	0.01	0.04	0.16	0.20
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.08	0.08
<b>SALES, EURm</b>												
Group	106.6	110.0	104.8	109.7	431.1	109.8	103.8	103.4	107.1	424.1	447.5	462.5
Total	106.6	110.0	104.8	109.7	431.1	109.8	103.8	103.4	107.1	424.1	447.5	462.5
<b>SALES GROWTH, Y/Y %</b>												
Group	-5.6	-1.8	2.3	11.2	1.2	3.0	-5.6	-1.4	-2.4	-1.6	5.5	3.3
Total	-5.6	-1.8	2.3	11.2	1.2	3.0	-5.6	-1.4	-2.4	-1.6	5.5	3.3
<b>EBIT, EURm</b>												
Group	1.5	3.0	0.5	-0.4	4.6	3.0	2.6	1.1	2.5	9.2	16.1	19.1
Total	1.5	3.0	0.5	-0.4	4.6	3.0	2.6	1.1	2.5	9.2	16.1	19.1
<b>EBIT margin, %</b>												
Group	1.5	2.7	0.5	-0.4	1.1	2.7	2.5	1.1	2.3	2.2	3.6	4.1
Total	1.5	2.7	0.5	-0.4	1.1	2.7	2.5	1.1	2.3	2.2	3.6	4.1

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	401.8	444.0	416.9	426.0	431.1	424.1	447.5	462.5
<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>-1.6</i>	<i>5.5</i>	<i>3.3</i>
EBITDA	42.5	48.9	44.1	34.3	25.6	34.9	39.2	41.1
<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>8.2</i>	<i>8.8</i>	<i>8.9</i>
Depreciation	-15.6	-17.7	-18.5	-19.3	-21.0	-25.7	-23.1	-22.0
EBITA	26.9	31.2	25.6	15.0	4.6	9.2	16.1	19.1
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	26.9	31.2	25.6	15.0	4.6	9.2	16.1	19.1
<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>2.2</i>	<i>3.6</i>	<i>4.1</i>
Reported EBIT	20.7	31.8	25.6	15.0	4.6	9.2	16.1	19.1
<i>EBIT margin (reported) (%)</i>	<i>5.2</i>	<i>7.2</i>	<i>6.1</i>	<i>3.5</i>	<i>1.1</i>	<i>2.2</i>	<i>3.6</i>	<i>4.1</i>
Net financials	-8.1	-5.3	-3.2	-2.6	-5.6	-5.6	-3.9	-3.3
Pre-tax profit	18.8	25.9	22.4	12.4	-1.0	3.6	12.2	15.8
Taxes	-7.6	-9.5	-7.2	2.0	-0.8	-1.5	-3.2	-4.1
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	5.0	17.0	15.2	14.5	-1.7	2.2	9.0	11.7
Cash NRIs	-6.2	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>BALANCE SHEET, EURm</b>								
Assets								
Fixed assets	114	122	160	160	156	142	131	122
Goodwill	15	15	15	15	15	15	15	15
Right of use assets	0	0	0	0	17	17	18	18
Inventory	32	33	43	44	52	47	49	51
Receivables	50	53	56	66	63	62	66	68
Liquid funds	47	64	38	35	32	34	36	37
Total assets	265	292	316	326	338	320	318	314
Liabilities								
Shareholder's equity	90	108	126	136	131	133	139	146
Minority interest	0	0	0	0	0	0	0	0
Convertibles	18	18	17	0	0	0	0	0
Lease liabilities	0	0	0	0	13	17	18	18
Deferred taxes	9	11	11	15	12	12	12	12
Interest bearing debt	85	97	94	110	102	86	72	59
Non-interest bearing current liabilities	60	56	65	63	75	68	72	74
Other interest-free debt	2	2	2	1	3	3	3	3
Total liabilities	265	292	316	326	338	320	318	314
<b>CASH FLOW, EURm</b>								
+ EBITDA	42	49	44	34	26	35	39	41
- Net financial items	-8	-5	-3	-3	-6	-6	-4	-3
- Taxes	-7	-8	-6	0	6	-1	-3	-4
- Increase in Net Working Capital	6	-8	-6	-8	6	-2	-2	-1
+/- Other	-2	-4	-2	-5	-3	0	0	0
= Cash flow from operations	31	23	26	19	28	26	30	32
- Capex	-8	-22	-50	-34	-15	-12	-13	-14
- Acquisitions	-19	0	0	0	0	0	0	0
+ Divestments	5	0	0	0	0	0	0	0
= Free cash flow	8	1	-23	-14	13	14	17	19
+/- New issues/buybacks	7	3	8	1	3	0	0	0
- Paid dividend	0	-2	-5	-6	-6	0	-2	-5
+/- Other	14	16	-7	16	-12	-12	-13	-13
Change in cash	29	17	-26	-3	-3	2	2	1

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	312	214	258	119	150	150	150
Net debt (excl. convertibles)	32	57	76	83	69	54	40
Enterprise value	362	287	333	203	219	204	190
Sales	444	417	426	431	424	448	462
EBITDA	49	44	34	26	35	39	41
EBIT	31	26	15	5	9	16	19
Pre-tax	26	22	12	-1	4	12	16
Earnings	16	15	14	-2	2	9	12
Equity book value (excl. minorities)	108	126	136	131	133	139	146
<b>Valuation multiples</b>							
EV/sales	0.8	0.7	0.8	0.5	0.5	0.5	0.4
EV/EBITDA	7.4	6.5	9.7	7.9	6.3	5.2	4.6
EV/EBITA	11.6	11.2	22.2	44.1	23.8	12.7	9.9
EV/EBIT	11.6	11.2	22.2	44.1	23.8	12.7	9.9
EV/OCF	15.7	10.9	17.3	7.2	8.4	6.8	5.9
EV/FCFF	75.6	-15.6	-29.4	11.7	12.5	9.7	8.7
P/FCFE	371.1	-9.4	-18.0	9.0	10.7	8.7	8.0
P/E	19.0	14.0	17.8	-69.4	68.8	16.6	12.8
P/B	2.9	1.7	1.9	0.9	1.1	1.1	1.0
Target EV/EBITDA	0.0	0.0	0.0	0.0	6.2	5.1	4.5
Target EV/EBIT	0.0	0.0	0.0	0.0	23.3	12.4	9.7
Target EV/FCF	0.0	0.0	0.0	0.0	15.4	11.6	9.9
Target P/B	0.0	0.0	0.0	0.0	1.1	1.0	1.0
Target P/E	0.0	0.0	0.0	0.0	67.0	16.1	12.5
<b>Per share measures</b>							
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	0.04	0.16	0.20
Operating cash flow per share	0.46	0.51	0.33	0.48	0.45	0.52	0.56
Free cash flow per share	0.02	-0.44	-0.25	0.23	0.24	0.30	0.32
Book value per share	2.15	2.44	2.34	2.24	2.28	2.39	2.51
Dividend per share	0.10	0.11	0.11	0.00	0.04	0.08	0.08
Dividend payout ratio, %	30.6	37.3	44.3	0.0	107.1	51.6	40.0
Dividend yield, %	1.6	2.7	2.5	0.0	1.6	3.1	3.1
FCF yield, %	0.3	-10.6	-5.6	11.1	9.3	11.5	12.5
<b>Efficiency measures</b>							
ROE	16.6	13.0	11.0	-1.3	1.7	6.6	8.2
ROCE	15.0	11.4	6.2	1.9	3.8	6.9	8.4
<b>Financial ratios</b>							
Inventories as % of sales	7.3	10.2	10.4	12.0	11.0	11.0	11.0
Receivables as % of sales	11.9	13.5	15.6	14.7	14.7	14.6	14.6
Non-interest bearing liabilities as % of sales	12.7	15.7	14.8	17.5	16.0	16.0	16.0
NWC/sales, %	6.5	8.0	11.1	8.5	9.0	9.0	9.0
Operative CAPEX/sales, %	5.0	11.9	7.9	3.5	2.9	2.9	2.9
CAPEX/sales (incl. acquisitions), %	5.0	11.9	7.9	3.5	2.9	2.9	2.9
FCFF/EBITDA	0.1	-0.4	-0.3	0.7	0.5	0.5	0.5
Net debt/EBITDA, book-weighted	0.7	1.3	2.2	3.2	2.0	1.4	1.0
Debt/equity, market-weighted	0.3	0.4	0.4	0.9	0.6	0.5	0.4
Equity ratio, book-weighted	43.1	45.3	41.8	38.7	41.4	43.9	46.6
Gearing, %	25.9	39.6	55.6	63.7	52.1	38.9	27.4



**COMPANY DESCRIPTION:** Suominen manufactures nonwovens for global consumer brands on eight production plants located on three continents. The company sources the raw materials from fiber producers and sells the output as roll goods to global consumer brand manufacturers. Suominen's nonwovens are mainly used in wiping products such as wet wipes for baby care, personal hygiene, and household and workplace wiping. Other end-uses include hygiene and medical applications such as sanitary pads, diapers, and surgical drapes and swabs.

**INVESTMENT CASE:** Suominen's profitability took a hit as raw material price inflation ate into the company's gross margin. Suominen decided to respond by raising nonwovens delivery prices, a move which improved margins but also led to delivery volume losses. Recently raw material prices have stabilized, however Suominen still needs to work on improving margins and, even more importantly, achieve higher delivery volumes. Long-term demand outlook for nonwovens is positive, yet the market looks well supplied in the short-term.

OWNERSHIP STRUCTURE	SHARES	EURm	%
AC Invest two B.V.	13,953,357	35.860	24.0%
Oy Etra Invest Ab	7,770,000	19.969	13.3%
Varma Mutual Pension Insurance Company	4,500,000	11.565	7.7%
Nordea Bank ABP	3,729,456	9.585	6.4%
Ilmarinen Mutual Pension Insurance Company	3,046,892	7.831	5.2%
Elo Mutual Pension Insurance Company	3,024,651	7.773	5.2%
Mandatum Life Insurance Company Limited	1,876,957	4.824	3.2%
Oy H. Kuningas & Co Ab	1,567,416	4.028	2.7%
Nordea Life Assurance Finland Ltd.	1,272,000	3.269	2.2%
Evald and Hilda Nissi's Foundation	1,000,000	2.570	1.7%
Ten largest	41,740,729	107.274	72%
Residual	16,518,490	42.453	28%
Total	58,259,219	149.726	100%

EARNINGS CALENDAR	
January 29, 2020	FY 2019 Results
April 23, 2020	Q1 report
August 12, 2020	Q2 report
October 22, 2020	Q3 report
OTHER EVENTS	
March 19, 2020	AGM

COMPANY MISCELLANEOUS	
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## DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	DPS	Dividend for the financial period per share
Market cap	Price per share * Number of shares	OCF (Operating cash flow)	EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow)	Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, %	$\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital	Current assets – current liabilities
Net debt	Interest bearing debt – financial assets	Capital employed/Share	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
Total assets	Balance sheet total	Gearing	$\frac{\text{Net debt}}{\text{Equity}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

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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 times 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.

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