

## Miss due to low sales

Suominen's top line missed our estimate as Q4 sales declined by 14% y/y due to lower volumes as well as prices. Suominen expects operating profit to improve this year compared to FY '19 (EUR 8.1m).

- Q4 revenue amounted to EUR 94.5m, compared to our EUR 107.1m estimate. The miss was due to higher-than-expected volume losses. Declining raw materials prices also had a negative effect.
- Gross profit was EUR 7.8m vs our EUR 9.0m expectation. The resulting 8.3% gross margin was close to our 8.4% estimate.
- Q4 EBIT was recorded at EUR 1.4m, whereas we expected EUR 2.5m. SG&A and R&D were basically as expected, so the earnings miss was attributable to low gross profit, which was due to weak top line.
- The BoD's dividend proposal for FY '19 is EUR 0.05 per share; our expectation was EUR 0.04 per share.
- Suominen guides FY '20 EBIT will improve compared to '19 (EUR 8.1m). Suominen will no longer provide sales guidance on annual level, which in our view is understandable given the recent struggles with volumes. Suominen targets long-term sales growth above that of the relevant market.

**Rating** 🟡 HOLD

Q4'19	Actual	Evli	Year ago	Q3'19
Revenue	94.5	107.1	109.8	103.4
Gross profit	7.8	9.0	6.8	7.7
EBIT ex IAC	1.4	2.5	-0.4	1.1
PTP	-1.2	1.0	-2.0	0.0

Deviation	Actual	Evli	Year ago	Q3'19
Revenue		-12 %	-14 %	-9 %
Gross profit		-13 %	15 %	1 %
EBIT ex IAC		-44 %	-450 %	27 %
PTP		-220 %	-40 %	

 Share price, EUR (Last trading day's closing price) 2.63

 Target price, EUR 2.50

 Latest change in 08-Aug-19

 Latest report on company 24-Jan-20

 Research paid by issuer: YES

 No. of shares outstanding, 58,259

 No. of shares fully diluted, 58,259

 Market cap, EURm 153

 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

 Web site www.suominen.fi/en/investors/

 Analyst Joonas Ilvonen

 E-mail joonas.ilvonen@evli.com

 Telephone +358 44 430 9071
+ 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	424.1	9.2	2.2%	14.0	0.04	70.4	0.5	24.1	9.1	0.04
2020E	447.5	16.1	3.6%	17.2	0.16	17.0	0.5	12.9	11.3	0.08
2021E	462.5	19.1	4.1%	18.8	0.20	13.1	0.4	10.1	12.2	0.08

Market cap, EURm	153	BV per share 2019E, EUR	52.1	CAGR EPS 2018-21, %	0.0
Net debt 2019E, EURm	69	Price/book 2019E	1.2	CAGR sales 2018-21, %	2.4
Enterprise value, EURm	222	Dividend yield 2019E, %	1.5	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	0.8

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

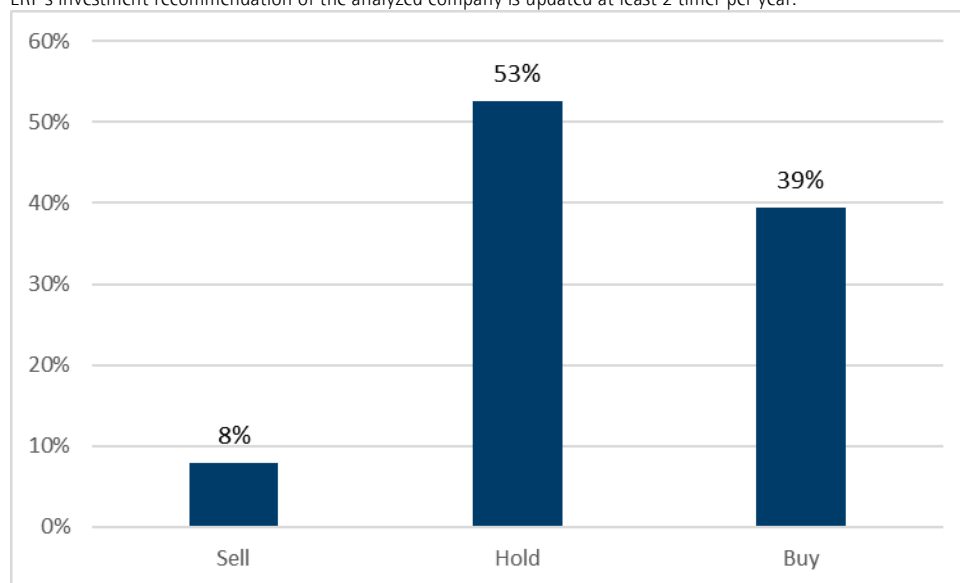
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Investment recommendations are defined as follows:

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

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

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**Contact information**

**SALES, TRADING AND RESEARCH**

**Equity Sales**

Ari Laine +358 9 4766 9115  
Lauri Ahokanto +358 9 4766 9117  
Niclas Henelius +358 9 4766 9116

**Trading**

Lauri Vehkaluoto (Head) +358 9 4766 9120  
Pasi Väisänen +358 9 4766 9120  
Antti Kässi +358 9 4766 9120  
Miika Roankanen +358 9 4766 9120

**ETFs and Derivatives**

Joachim Dannberg +358 9 4766 9123  
Kimmo Lijja +358 9 4766 9130

**Structured Investments**

Heikki Savijoki +358 9 4766 9726  
Aki Lakkisto +358 9 4766 9123

**Equity Research**

Jonas Forslund +358 9 4766 9314  
Joonas Ilvonen +358 44 430 9071  
Jerker Salokivi +358 9 4766 9149  
Anna-Liisa Rissanen +358 40 157 9919

**Evli Investment Solutions**

Johannes Asuja +358 9 4766 9205  
Markku Reinikainen +358 9 4766 9669



**EVLI BANK PLC**  
Aleksanterinkatu 19 A  
P.O. Box 1081  
FIN-00101 Helsinki, FINLAND  
Phone +358 9 476 690  
Fax +358 9 634 382  
Internet www.evli.com  
E-mail firstname.lastname@evli.com

**EVLI BANK PLC,  
STOCKHOLMSFILIAL**  
Regeringsgatan 67 P.O. Box 16354  
SE-103 26 Stockholm  
Sverige  
stockholm@evli.com  
Tel +46 (0)8 407 8000  
Fax +46 (0)8 407 8001