

Strong EBIT and updated guidance

Suominen reported Q1 revenue slightly above our estimate, while EBIT came in double our estimate. The beat was driven by higher gross margin. Suominen updates its guidance for FY '20, expecting EBIT to improve clearly (previously improve).

- Q1 revenue amounted to EUR 110.2m vs our EUR 108.0m estimate. EUR 37m was attributable to Europe and EUR 73m to Americas. Nonwovens volumes increased while prices decreased along with raw materials. Suominen says the pandemic helped volumes towards the end of Q1 (for all markets) and expects extended strong demand in the short-term. In the long-term the pandemic may lead to continued increased demand for nonwovens in cleaning and disinfection applications. For now the company's operations have been running basically normal, and nonwovens production has been classified essential.
- Gross profit stood at EUR 13.3m while our expectation was EUR 9.2m. This means gross margin was 12.1% vs our 8.5% estimate.
- Q1 EBIT was EUR 5.7m, compared to our EUR 2.9m estimate. The strong figure was due to higher volumes, improved production and raw materials efficiency as well as favorable raw materials prices.
- Suominen updates its guidance, and now expects FY '20 EBIT to improve clearly (previously improve) but notes the result estimate for H2'20 is uncertain due to the pandemic.

Rating ■ SELL

Q1'20	Actual	Evli	Year ago	Q4'19
Revenue	110.2	108.0	109.8	94.5
Gross profit	13.3	9.2	8.9	7.8
EBIT ex IAC	5.7	2.9	3.0	1.4
PTP	3.5	0.9	1.1	-1.2

Deviation	Actual	Evli	Year ago	Q4'19
Revenue		2 %	0 %	17 %
Gross profit		45 %	49 %	71 %
EBIT ex IAC		97 %	90 %	307 %
PTP		289 %	218 %	-392 %

Share price, EUR (Last trading day's closing price) 2.82

Target price, EUR 2.50

Latest change in 20-Apr-20

Latest report on company 20-Apr-20

Research paid by issuer: YES

No. of shares outstanding, 58,259

No. of shares fully diluted, 58,259

Market cap, EURm 164

Free float, % -

Exchange rate EUR/USD 1.10

Reuters code SUY1V.HE

Bloomberg code SUY1V FH

Average daily volume, EURm 0.1

Next interim report 23-Apr-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
2018	431.1	4.6	1.1%	13.3	-0.03	-69.4	0.5	44.1	11.1	0.00
2019	411.4	8.1	2.0%	13.4	0.00	766.1	0.5	27.5	8.7	0.05
2020E	423.0	12.0	2.8%	15.4	0.07	41.1	0.5	18.5	9.3	0.07
2021E	438.8	16.9	3.8%	18.5	0.17	16.4	0.5	12.3	11.3	0.07
2022E	445.6	21.1	4.7%	19.1	0.23	12.2	0.4	9.1	11.6	0.09

Market cap, EURm	164	BV per share 2020E, EUR	43.5	CAGR EPS 2019-22, %	307.3
Net debt 2020E, EURm	57	Price/book 2020E	1.2	CAGR sales 2019-22, %	2.7
Enterprise value, EURm	222	Dividend yield 2020E, %	2.5	ROE 2020E, %	3.0
Total assets 2020E, EURm	307	Tax rate 2020E, %	33.3	ROCE 2020E, %	5.3
Goodwill 2020E, EURm	15	Equity ratio 2020E, %	42.9	PEG, P/E 20/CAGR	0.7

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

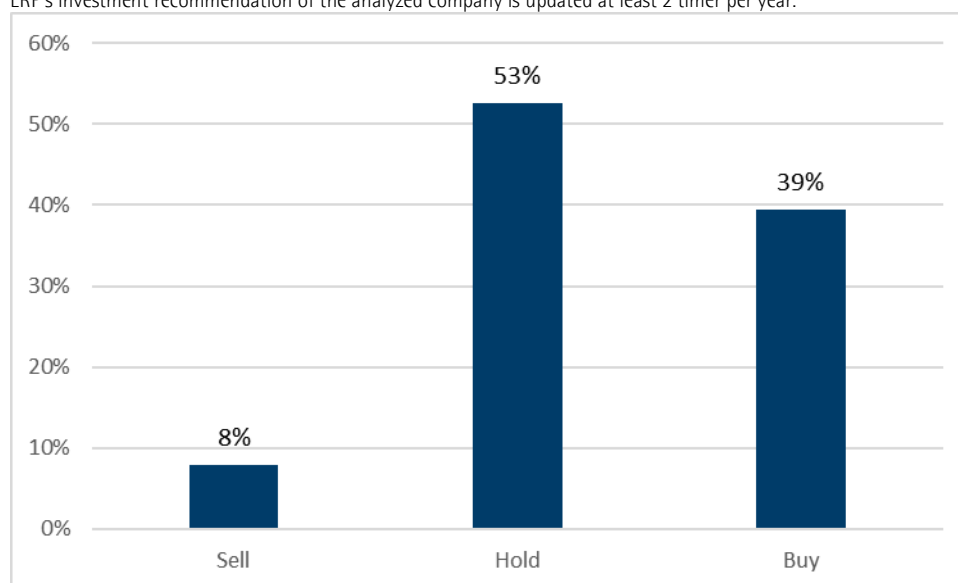
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Investment recommendations are defined as follows:

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 Kässä +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