

## Profitability outlook is now strong

Suominen reports Q2 results on Wed, Aug 12. We have slightly lowered our revenue estimates due to a currency headwind, while on the other hand we now expect gross margin to have improved modestly q/q also in Q2. Our new TP is EUR 4.75 (4.25), and thus we reiterate our BUY rating.

### Raw materials prices imply gross margin should hold high

Suominen posted a big gross margin jump in Q1 as the figure gained almost 400bps q/q to 12.1%. Improved product mix and production efficiency as well as low raw materials prices fueled the rise. Moreover, Suominen upgraded FY '20 outlook in June by changing the wording from clear to significant improvement in comparable EBIT. The update had only a minor impact on our estimates since we changed our FY '20 EBIT estimate from EUR 23.1m to EUR 24.0m. Perhaps more important was the fact that Suominen removed the previous disclaimer according to which estimating the result for H2 was hard due to the pandemic. It seems Suominen's strategy is proceeding according to plan and financial performance is on a solid upward trend thanks to strong outlook for value-add end-uses such as household and workplace wipes. With respect to raw materials prices Suominen is unlikely to suffer cost inflation pressure for a while. We see the outlook for pulp prices muted, while the same is only true at best for oil-based inputs polyester and polypropylene. In fact, raw materials prices have developed so soft Suominen faces some negative pressure on nonwovens pricing. We expect gross margin further improved modestly to 12.5% in Q2, and see the figure settling on this level in the short-term.

### Recent dollar weakness a (small) negative for top line

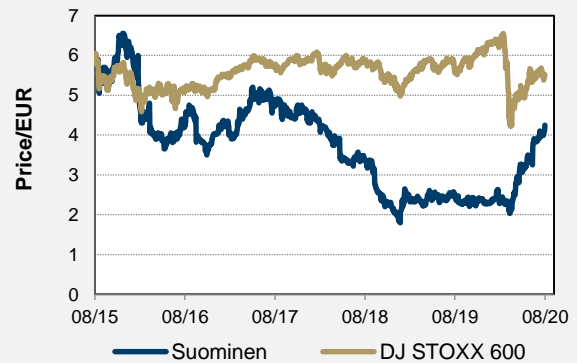
The dollar has lately declined by some 5% against the euro, the implication being a negative translation impact on US revenue. We update our estimates to reflect the headwind, which we estimate at some EUR 10m on an annual level. The overall result of our update is that we now estimate Q2 EBIT at EUR 6.8m (previously EUR 6.2m). We now see FY '20 EBIT at EUR 24.4m.

### Multiples are low while figures are on a solid trend up

Suominen trades some 6x EV/EBITDA on our estimates for this year while the multiple for next year is about 5.5x. We view these multiples attractive now that profitability is on a steep improvement path. Our TP is now EUR 4.75 (4.25), remain BUY.

Rating

BUY



Share price, EUR (Last trading day's closing price) 4.25

Target price, EUR 4.75

Latest change in	25-Jun-20
Latest report on company	25-Jun-20
Research paid by issuer:	YES
No. of shares outstanding,	58,259
No. of shares fully diluted,	58,259
Market cap, EURm	248
Free float, %	-
Exchange rate EUR/USD	1.17
Reuters code	SUY1V.HE
Bloomberg code	SUY1V.FH
Average daily volume, EURm	0.1
Next interim report	12-Aug-20
Web site	<a href="http://www.suominen.fi/en/investors/">www.suominen.fi/en/investors/</a>

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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
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%	14.2	0.00	766.1	0.5	27.5	9.2	0.05
2020E	437.2	24.4	5.6%	25.7	0.30	14.3	0.7	12.1	10.4	0.07
2021E	445.9	26.5	6.0%	28.2	0.32	13.2	0.6	10.2	11.4	0.13
2022E	455.0	29.6	6.5%	27.4	0.37	11.3	0.6	8.5	11.1	0.15
Market cap, EURm	248			Gearing 2020E, %	32.4			CAGR EPS 2019-22, %	377.8	
Net debt 2020E, EURm	47			Price/book 2020E	1.7			CAGR sales 2019-22, %	3.4	
Enterprise value, EURm	295			Dividend yield 2020E, %	1.6			ROE 2020E, %	12.5	
Total assets 2020E, EURm	314			Tax rate 2020E, %	8.8			ROCE 2020E, %	10.6	
Goodwill 2020E, EURm	15			Equity ratio 2020E, %	46.2			PEG, P/E 20/CAGR	1.5	

**Estimates and peer group valuation**

SUOMINEN EURm	2013 FY	2014 FY	2015 FY	2016 FY	2017 FY	2018 FY	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2019 FY	2020 Q1	2020E Q2E	2020E Q3E	2020E Q4E	2020E FY	2021E FY
<b>Sales</b>	<b>374</b>	<b>402</b>	<b>444</b>	<b>417</b>	<b>426</b>	<b>431</b>	<b>110</b>	<b>104</b>	<b>104</b>	<b>94</b>	<b>411</b>	<b>110</b>	<b>115</b>	<b>107</b>	<b>105</b>	<b>437</b>	<b>446</b>
Sales growth, %		8 %	11 %	-6 %	2 %	1 %	3 %	-6 %	-1 %	-14 %	-5 %	0 %	11 %	3 %	11 %	6 %	2 %
<b>Geography</b>																	
Europe	150	153	172	171	174	171	42	39	37	32	150	37	42	41	40	160	165
Americas	224	249	272	246	252	260	68	65	66	62	262	73	73	66	65	277	281
COGS	-334	-352	-386	-365	-384	-400	-101	-94	-96	-86	-377	-97	-101	-94	-92	-383	-390
Gross Profit	40	50	58	52	42	31	9.6	9.7	7.7	7.8	35	13.3	14.4	13.4	13.1	54	56
Gross-%	10.7 %	12.4 %	13.1 %	12.5 %	9.9 %	7.3 %	8.8 %	9.3 %	7.4 %	8.3 %	8.4 %	12.1 %	12.5 %	12.5 %	12.5 %	12.4 %	12.5 %
SGA & R&D	-22.4	-24.6	-28.0	-27.9	-28.9	-29.2	-7.5	-7.4	-7.1	-6.6	-28.5	-7.8	-7.8	-7.5	-7.5	-30.6	-30.0
Other	1.7	0.8	1.8	1.3	1.7	2.5	0.8	0.4	0.5	0.2	1.9	0.2	0.2	0.2	0.2	0.8	0.8
EBIT	18.9	25.9	31.8	25.6	15.0	4.6	3.0	2.7	1.1	1.4	8.1	5.7	6.8	6.1	5.8	24.4	26.5
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>4.6</b>	<b>3.0</b>	<b>2.7</b>	<b>1.1</b>	<b>1.4</b>	<b>8.1</b>	<b>5.7</b>	<b>6.8</b>	<b>6.1</b>	<b>5.8</b>	<b>24.4</b>	<b>26.5</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>1.1 %</b>	<b>2.7 %</b>	<b>2.6 %</b>	<b>1.0 %</b>	<b>1.5 %</b>	<b>2.0 %</b>	<b>5.2 %</b>	<b>5.9 %</b>	<b>5.7 %</b>	<b>5.5 %</b>	<b>5.6 %</b>	<b>6.0 %</b>
Depreciation	-13.9	-15.6	-17.7	-18.5	-19.4	-21.0	-6.3	-6.4	-6.7	-6.0	-25.5	-5.6	-6.0	-6.0	-6.0	-23.6	-23.5
<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>25.6</b>	<b>9.3</b>	<b>9.1</b>	<b>7.8</b>	<b>7.4</b>	<b>33.6</b>	<b>11.3</b>	<b>12.8</b>	<b>12.1</b>	<b>11.8</b>	<b>48.0</b>	<b>50.0</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>5.9 %</b>	<b>8.5 %</b>	<b>8.8 %</b>	<b>7.5 %</b>	<b>7.8 %</b>	<b>8.2 %</b>	<b>10.3 %</b>	<b>11.1 %</b>	<b>11.3 %</b>	<b>11.3 %</b>	<b>11.0 %</b>	<b>11.2 %</b>

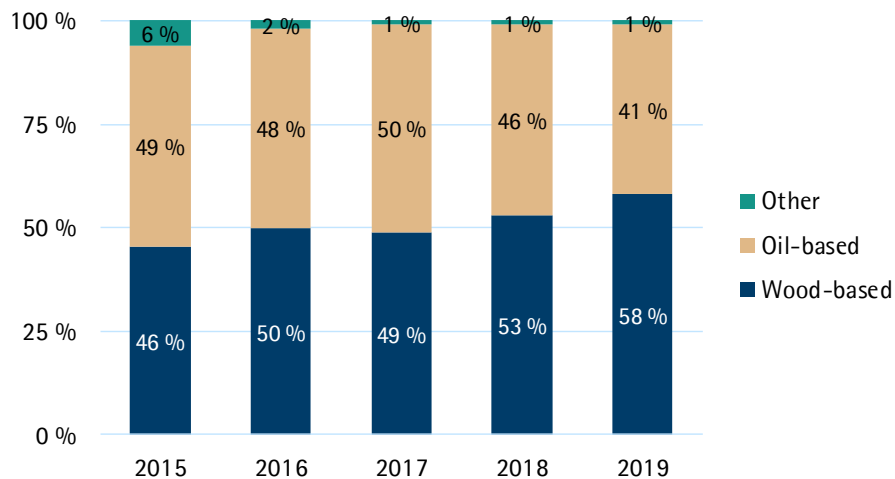
Source: Suominen, Evli Research

SUOMINEN PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		19	20	21	19	20	21	19	20	21
Ahlstrom-Munksjo	1587	8.5x	8.0x	6.7x	18.7x	17.4x	12.3x	4.7 %	5.6 %	7.4 %
Berry Global Group	5914	10.6x	8.3x	8.1x	17.3x	13.9x	13.2x	10.6 %	10.7 %	11.1 %
Kimberly-Clark	44729	13.2x	13.4x	13.1x	18.6x	16.7x	16.3x	16.2 %	19.3 %	19.6 %
N.R. Spuntech Industries	179									
Neeah	644	11.2x	10.9x	8.8x	16.8x	68.7x	14.6x	8.9 %	1.8 %	7.9 %
P. H. Glatfelter	597	9.7x	8.4x	8.1x	18.3x	16.6x	13.8x	6.2 %	6.6 %	7.6 %
PFNonwovens	232									
Peer Group Average	7697	10.6x	9.8x	9.0x	17.9x	26.7x	14.0x	9.3 %	8.8 %	10.7 %
Peer Group Median	644	10.6x	8.4x	8.1x	18.3x	16.7x	13.8x	8.9 %	6.6 %	7.9 %
Suominen (Evli est.)	248	6.6x	6.1x	5.4x	27.5x	12.1x	10.2x	2.0 %	5.6 %	6.0 %

Suominen prem./disc. to peer median

-37 %   -27 %   -33 %   50 %   -28 %   -26 %   -78 %   -15 %   -25 %

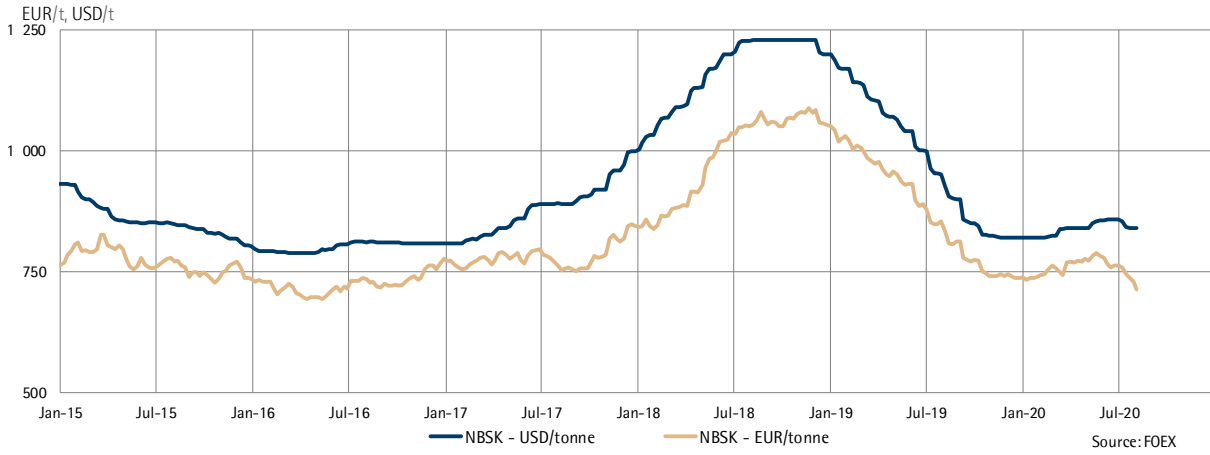
Source FactSet, Evli Research

**Raw materials mix development**


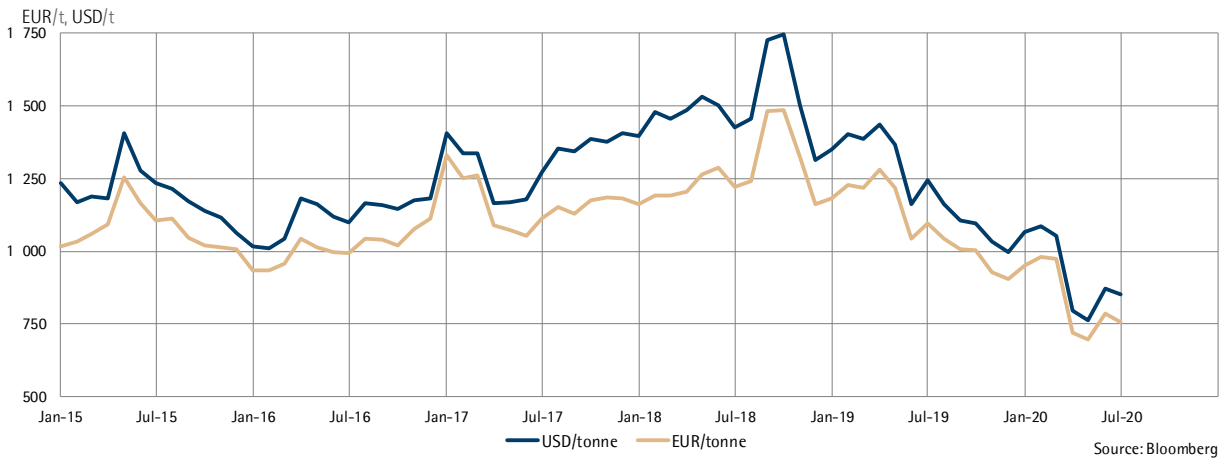
Source: Suominen

**Raw materials price development**

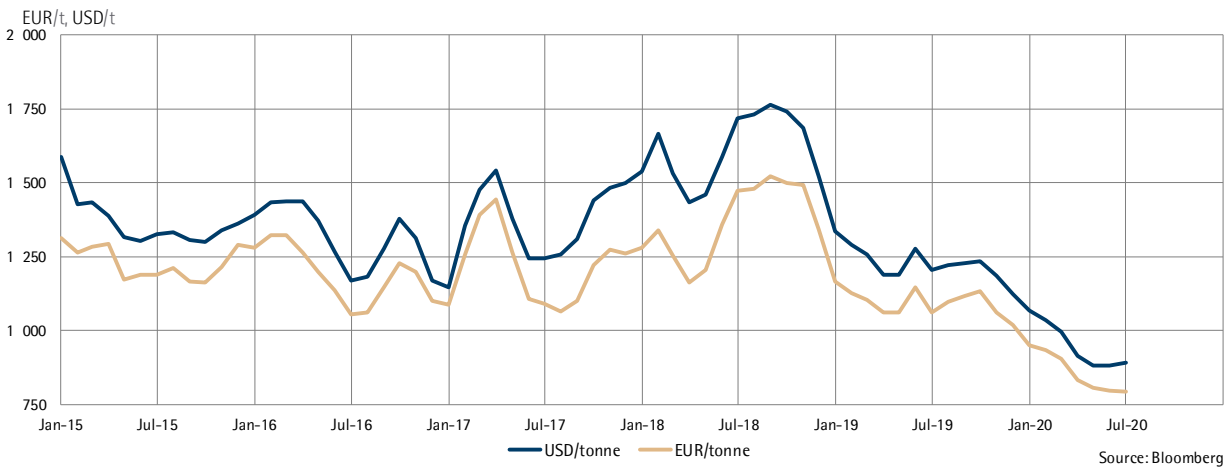
Meaningful pulp price hikes are unlikely as inventories remain high globally



Chinese polyester prices are testing new lows



Oil-based polypropylene is also priced at modest levels



VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	4.25 PV of Free Cash Flow	193 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	5.88 PV of Horizon value	219 WACC, %	7.9 Market risk premium, %
Share price potential, %	38.3 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	6.5 Marketable securities	33 Minimum WACC, %	7.4 Equity beta coefficient
Minimum value	5.4 Debt - dividend	-103 Maximum WACC, %	8.4 Target debt ratio, %
Horizon value, %	53.1 Value of stock	342 Nr of shares, Mn	58.3 Effective tax rate, %

DCF valuation, EURm	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Horizon
Net sales	411	437	446	455	464	473	483	493	502	512	523	533
<i>Sales growth, %</i>	-4.6	6.3	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	8	24	27	30	30	31	34	34	35	36	37	37
<i>Operating income margin, %</i>	2.0	5.6	6.0	6.5	6.5	6.5	7.0	7.0	7.0	7.0	7.0	7.0
+ Depreciation+amort.	26	24	24	20	18	17	17	17	18	18	19	
EBITDA	34	48	50	49	48	48	51	52	53	54	55	
- Paid taxes	-4	-2	-6	-6	-6	-6	-7	-7	-7	-8	-8	
- Change in NWC	-1	-2	-1	-1	-1	-1	-1	-1	-1	-1	-1	
<i>NWC / Sales, %</i>	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	8.9	8.9	8.9	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-11	-12	-13	-13	-14	-16	-18	-20	-20	-20	-21	
<i>opCAPEX / Sales, %</i>	2.6	3.0	3.0	2.9	3.1	3.5	3.8	4.1	4.1	4.0	4.0	
- 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	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	18	32	31	29	27	25	25	24	25	26	26	448
= Discounted FCFF		31	28	24	21	18	17	15	14	14	13	219
= DFCF min WACC		31	28	25	21	18	17	15	15	14	13	250
= DFCF max WACC		31	27	24	21	17	16	14	14	13	12	193

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2E	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	109.8	103.8	103.4	94.5	411.4	110.2	115.0	107.0	105.0	437.2	445.9	455.0
EBITDA	9.3	9.0	7.8	7.4	33.6	11.3	12.8	12.1	11.8	48.0	50.0	49.3
<i>EBITDA margin (%)</i>	<i>8.5</i>	<i>8.7</i>	<i>7.6</i>	<i>7.8</i>	<i>8.2</i>	<i>10.3</i>	<i>11.1</i>	<i>11.3</i>	<i>11.2</i>	<i>11.0</i>	<i>11.2</i>	<i>10.8</i>
EBIT	3.0	2.6	1.1	1.4	8.1	5.7	6.8	6.1	5.8	24.4	26.5	29.6
<i>EBIT margin (%)</i>	<i>2.7</i>	<i>2.5</i>	<i>1.1</i>	<i>1.5</i>	<i>2.0</i>	<i>5.2</i>	<i>5.9</i>	<i>5.7</i>	<i>5.5</i>	<i>5.6</i>	<i>6.0</i>	<i>6.5</i>
Net financial items	-1.5	-1.5	-1.1	-1.9	-6.0	-1.9	-1.5	-1.0	-1.0	-5.4	-2.8	-2.0
Pre-tax profit	1.5	1.1	0.0	-0.5	2.1	3.8	5.3	5.1	4.8	19.0	23.7	27.6
Tax	-0.5	-0.6	-0.1	-0.7	-1.9	-0.2	-0.5	-0.5	-0.5	-1.7	-5.0	-5.8
<i>Tax rate (%)</i>	<i>35.9</i>	<i>51.0</i>	<i>357.1</i>	<i>-132.6</i>	<i>90.5</i>	<i>4.6</i>	<i>9.4</i>	<i>9.8</i>	<i>10.4</i>	<i>8.8</i>	<i>21.0</i>	<i>21.0</i>
Net profit	1.0	0.5	-0.1	-1.2	0.2	3.6	4.8	4.6	4.3	17.3	18.7	21.8
EPS	0.02	0.01	0.00	-0.02	0.00	0.06	0.08	0.08	0.07	0.30	0.32	0.37
EPS adjusted (diluted no. of shares)	0.02	0.01	0.00	-0.02	0.00	0.06	0.08	0.08	0.07	0.30	0.32	0.37
Dividend per share	0.00	0.00	0.00	0.00	0.05	0.00	0.00	0.00	0.00	0.07	0.13	0.15
<b>SALES, EURm</b>												
Group	109.8	103.8	103.4	94.5	411.4	110.2	115.0	107.0	105.0	437.2	445.9	455.0
Total	109.8	103.8	103.4	94.5	411.4	110.2	115.0	107.0	105.0	437.2	445.9	455.0
<b>SALES GROWTH, Y/Y %</b>												
Group	<i>3.0</i>	<i>-5.6</i>	<i>-1.4</i>	<i>-13.9</i>	<i>-4.6</i>	<i>0.4</i>	<i>10.8</i>	<i>3.5</i>	<i>11.2</i>	<i>6.3</i>	<i>2.0</i>	<i>2.0</i>
Total	<i>3.0</i>	<i>-5.6</i>	<i>-1.4</i>	<i>-13.9</i>	<i>-4.6</i>	<i>0.4</i>	<i>10.8</i>	<i>3.5</i>	<i>11.2</i>	<i>6.3</i>	<i>2.0</i>	<i>2.0</i>
<b>EBIT, EURm</b>												
Group	3.0	2.6	1.1	1.4	8.1	5.7	6.8	6.1	5.8	24.4	26.5	29.6
Total	3.0	2.6	1.1	1.4	8.1	5.7	6.8	6.1	5.8	24.4	26.5	29.6
<b>EBIT margin, %</b>												
Group	<i>2.7</i>	<i>2.5</i>	<i>1.1</i>	<i>1.5</i>	<i>2.0</i>	<i>5.2</i>	<i>5.9</i>	<i>5.7</i>	<i>5.5</i>	<i>5.6</i>	<i>6.0</i>	<i>6.5</i>
Total	<i>2.7</i>	<i>2.5</i>	<i>1.1</i>	<i>1.5</i>	<i>2.0</i>	<i>5.2</i>	<i>5.9</i>	<i>5.7</i>	<i>5.5</i>	<i>5.6</i>	<i>6.0</i>	<i>6.5</i>

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	444.0	416.9	426.0	431.1	411.4	437.2	445.9	455.0
<i>Sales growth (%)</i>	<i>10.5</i>	<i>-6.1</i>	<i>2.2</i>	<i>1.2</i>	<i>-4.6</i>	<i>6.3</i>	<i>2.0</i>	<i>2.0</i>
EBITDA	48.9	44.1	34.3	25.6	33.6	48.0	50.0	49.3
<i>EBITDA margin (%)</i>	<i>11.0</i>	<i>10.6</i>	<i>8.1</i>	<i>5.9</i>	<i>8.2</i>	<i>11.0</i>	<i>11.2</i>	<i>10.8</i>
Depreciation	-17.7	-18.5	-19.3	-21.0	-25.5	-23.6	-23.5	-19.7
EBITA	31.2	25.6	15.0	4.6	8.1	24.4	26.5	29.6
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	31.2	25.6	15.0	4.6	8.1	24.4	26.5	29.6
<i>EBIT margin (%)</i>	<i>7.0</i>	<i>6.1</i>	<i>3.5</i>	<i>1.1</i>	<i>2.0</i>	<i>5.6</i>	<i>6.0</i>	<i>6.5</i>
Reported EBIT	31.8	25.6	15.0	4.6	8.1	24.4	26.5	29.6
<i>EBIT margin (reported) (%)</i>	<i>7.2</i>	<i>6.1</i>	<i>3.5</i>	<i>1.1</i>	<i>2.0</i>	<i>5.6</i>	<i>6.0</i>	<i>6.5</i>
Net financials	-5.3	-3.2	-2.6	-5.6	-6.0	-5.4	-2.8	-2.0
Pre-tax profit	25.9	22.4	12.4	-1.0	2.1	19.0	23.7	27.6
Taxes	-9.5	-7.2	2.0	-0.8	-1.9	-1.7	-5.0	-5.8
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	17.0	15.2	14.5	-1.7	0.2	17.3	18.7	21.8
Cash NRIs	0.6	0.0	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>								
<b>Assets</b>								
Fixed assets	122	160	160	156	143	131	121	114
Goodwill	15	15	15	15	15	15	15	15
Right of use assets	0	0	0	17	16	17	18	18
Inventory	33	43	44	52	45	48	49	50
Receivables	53	56	66	63	61	64	65	67
Liquid funds	64	38	35	32	33	35	36	36
Total assets	292	316	326	338	316	314	306	303
<b>Liabilities</b>								
Shareholder's equity	108	126	136	131	131	145	160	174
Minority interest	0	0	0	0	0	0	0	0
Convertibles	18	17	0	0	0	0	0	0
Lease liabilities	0	0	0	13	16	17	18	18
Deferred taxes	11	11	15	12	12	12	12	12
Interest bearing debt	97	94	110	102	86	64	41	21
Non-interest bearing current liabilities	56	65	63	75	66	70	71	73
Other interest-free debt	2	2	1	3	3	3	3	3
Total liabilities	292	316	326	338	316	314	306	303
<b>CASH FLOW, EURm</b>								
+ EBITDA	49	44	34	26	34	48	50	49
- Net financial items	-5	-3	-3	-6	-6	-5	-3	-2
- Taxes	-8	-6	0	6	-2	-2	-5	-6
- Increase in Net Working Capital	-8	-6	-8	6	-1	-2	-1	-1
+/- Other	-4	-2	-5	-3	0	0	0	0
= Cash flow from operations	23	26	19	28	25	39	42	41
- Capex	-22	-50	-34	-15	-11	-13	-13	-13
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	1	-23	-14	13	14	26	28	27
+/- New issues/buybacks	3	8	1	3	0	0	0	0
- Paid dividend	-2	-5	-6	-6	0	-3	-4	-7
+/- Other	16	-7	16	-12	-13	-21	-23	-19
Change in cash	17	-26	-3	-3	1	2	1	1

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	214	258	119	153	248	248	248
Net debt (excl. convertibles)	57	76	83	70	47	23	3
Enterprise value	287	333	203	223	295	271	251
Sales	417	426	431	411	437	446	455
EBITDA	44	34	26	34	48	50	49
EBIT	26	15	5	8	24	27	30
Pre-tax	22	12	-1	2	19	24	28
Earnings	15	14	-2	0	17	19	22
Equity book value (excl. minorities)	126	136	131	131	145	160	174
<b>Valuation multiples</b>							
EV/sales	0.7	0.8	0.5	0.5	0.7	0.6	0.6
EV/EBITDA	6.5	9.7	7.9	6.6	6.1	5.4	5.1
EV/EBITA	11.2	22.2	44.1	27.5	12.1	10.2	8.5
EV/EBIT	11.2	22.2	44.1	27.5	12.1	10.2	8.5
EV/OCF	10.9	17.3	7.2	8.9	7.6	6.5	6.2
EV/FCFF	-15.6	-29.4	11.7	12.3	9.3	8.8	8.6
P/FCFE	-9.4	-18.0	9.0	10.8	9.7	8.8	9.0
P/E	14.0	17.8	-69.4	766.1	14.3	13.2	11.3
P/B	1.7	1.9	0.9	1.2	1.7	1.5	1.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	6.7	6.0	5.7
Target EV/EBIT	0.0	0.0	0.0	0.0	13.3	11.3	9.5
Target EV/FCF	0.0	0.0	0.0	0.0	12.6	10.6	10.2
Target P/B	0.0	0.0	0.0	0.0	1.9	1.7	1.6
Target P/E	0.0	0.0	0.0	0.0	16.0	14.8	12.7
<b>Per share measures</b>							
Number of shares	51,666	58,259	58,259	58,259	58,259	58,259	58,259
Number of shares (diluted)	51,666	65,259	58,259	58,259	58,259	58,259	58,259
EPS	0.29	0.25	-0.03	0.00	0.30	0.32	0.37
Operating cash flow per share	0.51	0.33	0.48	0.43	0.66	0.71	0.70
Free cash flow per share	-0.44	-0.25	0.23	0.24	0.44	0.48	0.47
Book value per share	2.44	2.34	2.24	2.24	2.49	2.74	2.99
Dividend per share	0.11	0.11	0.00	0.05	0.07	0.13	0.15
Dividend payout ratio, %	37.3	44.3	0.0	1,456.5	23.6	40.0	40.0
Dividend yield, %	2.7	2.5	0.0	1.2	1.6	3.0	3.5
FCF yield, %	-10.6	-5.6	11.1	9.2	10.4	11.4	11.1
<b>Efficiency measures</b>							
ROE	13.0	11.0	-1.3	0.2	12.5	12.3	13.1
ROCE	11.4	6.2	1.9	3.4	10.6	11.9	13.7
<b>Financial ratios</b>							
Inventories as % of sales	10.2	10.4	12.0	11.0	11.0	11.0	11.0
Receivables as % of sales	13.5	15.6	14.7	14.7	14.7	14.6	14.6
Non-interest bearing liabilities as % of sales	15.7	14.8	17.5	16.0	16.0	16.0	16.0
NWC/sales, %	8.0	11.1	8.5	9.0	9.0	9.0	9.0
Operative CAPEX/sales, %	11.9	7.9	3.5	2.6	3.0	3.0	2.9
CAPEX/sales (incl. acquisitions), %	11.9	7.9	3.5	2.6	3.0	3.0	2.9
FCFF/EBITDA	-0.4	-0.3	0.7	0.5	0.7	0.6	0.6
Net debt/EBITDA, book-weighted	1.3	2.2	3.2	2.1	1.0	0.5	0.1
Debt/equity, market-weighted	0.4	0.4	0.9	0.6	0.3	0.2	0.1
Equity ratio, book-weighted	45.3	41.8	38.7	41.4	46.2	52.1	57.4
Gearing, %	39.6	55.6	63.7	53.3	32.4	14.3	1.7

**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	59.302	24.0%
Oy Etra Invest Ab	7,770,000	33.022	13.3%
Varma Mutual Pension Insurance Company	4,500,000	19.125	7.7%
Euroclear Bank Sa/Nv	3,382,604	14.376	5.8%
Ilmarinen Mutual Pension Insurance Company	3,046,892	12.949	5.2%
Elo Mutual Pension Insurance Company	3,024,651	12.855	5.2%
Mandatium Life Insurance Company Limited	1,927,536	8.192	3.3%
Nordea Life Assurance Finland Ltd.	1,812,000	7.701	3.1%
Oy H. Kuningas Et Co Ab	1,567,416	6.662	2.7%
Evald and Hilda Nissi's Foundation	1,000,000	4.250	1.7%
Ten largest	41,984,456	178.434	72%
Residual	16,274,763	69.168	28%
Total	58,259,219	247.602	100%

**EARNINGS CALENDAR**

August 12, 2020

Q2 report

October 22, 2020

Q3 report

**OTHER EVENTS****COMPANY MISCELLANEOUS**

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Tel: +358 (0)10 214 300

IR: Emilia Peltola



## DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

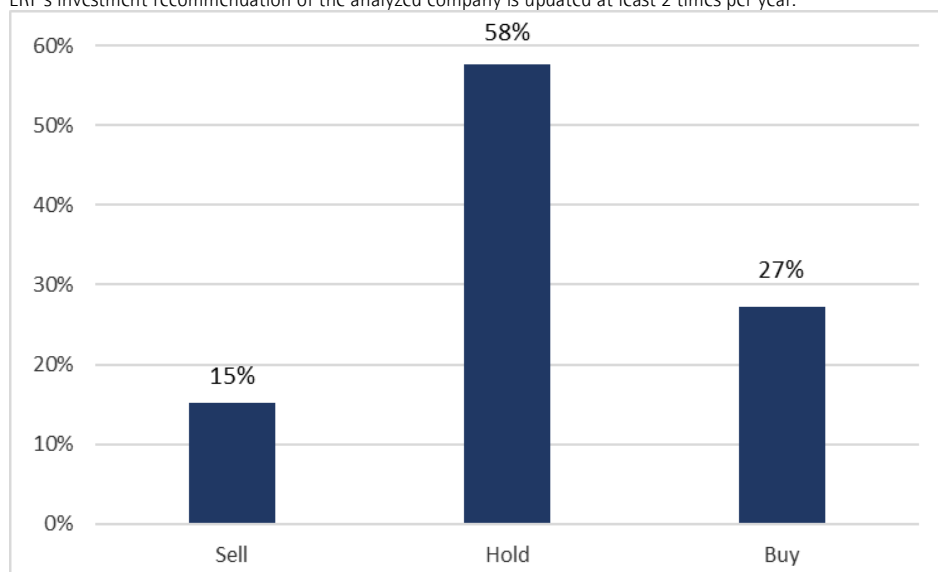
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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