

## Earnings multiples remain cautious

Suominen again topped expectations. We update our estimates, our TP is now EUR 6.0 (5.5) and rating still BUY.

### Another extension to a steep upward profitability trend

Suominen recorded EUR 115.4m in Q3 revenue, up by 12% y/y and down by 6% q/q, meeting our EUR 114.0m estimate. FX had a negative EUR 5.6m impact. Europe remained very strong (up by 17% y/y), and at EUR 43.5m topped our EUR 41.0m estimate. Americas grew by 9% y/y and at EUR 71.9m was close to our EUR 73.0m estimate. Suominen delivered high volumes and margins despite maintenance breaks, which will also take place in Q4. While the results were near our estimates in terms of top line, margins were again a positive surprise. Suominen achieved a 17.1% gross margin, gaining more on the 16.0% in Q2 and clearly higher than our 15% estimate. Low raw materials prices in general continue to exert pressure on nonwovens pricing, however the pricing clauses work with a lag and Suominen was also able to defend its pricing to some extent. Suominen has been very successfully achieving production cost efficiencies and says the variable cost optimization program continued to yield results on all sites. The company managed strong with SGA, R&D and other expenses as well since the total item was only EUR 6.8m, compared to our EUR 7.3m estimate. Suominen's EUR 12.9m Q3 EBIT thus clearly beat our EUR 9.8m estimate.

### We expect Q4 earnings to decline by some EUR 4m q/q

Although the company continues to perform strong not only due to a favorable environment but also thanks to in-house measures, we expect results to decline q/q in Q4. We now expect Q4 gross margin at 15% and continue to see some further pressure down next year. Raw materials prices have remained low for quite some time and hence are unlikely to support additional boost in profitability. On the positive side wiper demand should remain high for an extended time period.

### Multiples attractive despite margin pressure going forward

Suominen is now valued ca. 5.5x EV/EBITDA on our estimates for this year. Going forward, we see additional earnings gain hard next year. In our opinion somewhat low earnings multiples are warranted given the extraordinary environment, but we nevertheless continue to view the overall valuation picture attractive. Our TP is now EUR 6.0 (5.5) and rating remains BUY.

Rating

BUY



Share price, EUR (Last trading day's closing price) 5.06

Target price, EUR 6.0

Latest change in 25-Jun-20

Latest report on company 22-Oct-20

Research paid by issuer: YES

No. of shares outstanding, 58,259

No. of shares fully diluted, 58,259

Market cap, EURm 295

Free float, % 62.7

Exchange rate EUR/USD 1.18

Reuters code SUY1V.HE

Bloomberg code SUY1V FH

Average daily volume, EURm 0.2

Next interim report 04-Feb-21

 Web site [www.suominen.fi/en/investors/](http://www.suominen.fi/en/investors/)

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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	453.8	39.7	8.7%	33.6	0.50	10.1	0.7	8.4	11.4	0.07
2021E	472.0	34.5	7.3%	32.0	0.43	11.7	0.6	8.9	10.9	0.17
2022E	480.0	33.6	7.0%	31.7	0.43	11.6	0.6	8.5	10.8	0.17
Market cap, EURm				295	Gearing 2020E, %		24.9	CAGR EPS 2019-22, %		402.2
Net debt 2020E, EURm				39	Price/book 2020E		1.9	CAGR sales 2019-22, %		5.3
Enterprise value, EURm				334	Dividend yield 2020E, %		1.4	ROE 2020E, %		20.2
Total assets 2020E, EURm				322	Tax rate 2020E, %		12.4	ROCE 2020E, %		17.1
Goodwill 2020E, EURm				15	Equity ratio 2020E, %		48.8	PEG, P/E 20/CAGR		-3.1

**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	2020 Q2	2020 Q3	2020E Q4E	2020E FY	2021E FY
<b>Revenue</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>122</b>	<b>115</b>	<b>106</b>	<b>454</b>	<b>472</b>
Revenue growth, %		8 %	11 %	-6 %	2 %	1 %	3 %	-6 %	-1 %	-14 %	-5 %	0 %	18 %	11 %	12 %	10 %	4 %
<b>Geography</b>																	
Europe	150	153	172	171	174	171	42	39	37	32	150	37	45	44	38	164	174
Americas	224	249	272	246	252	260	68	65	66	62	262	73	77	72	68	290	298
COGS	-334	-352	-386	-365	-384	-400	-101	-94	-96	-86	-377	-97	-103	-96	-90	-385	-408
Gross Profit	40	50	58	52	42	31	9.6	10.5	8.3	8.5	36.9	13.3	19.5	19.7	15.9	68	64
Gross-%	10.7 %	12.4 %	13.1 %	12.5 %	9.9 %	7.3 %	8.8 %	10.1 %	8.0 %	9.0 %	9.0 %	12.1 %	16.0 %	17.1 %	15.0 %	15.1 %	13.5 %
SGA & R&D	-22.4	-24.6	-28.0	-27.9	-28.9	-29.2	-7.5	-8.1	-7.7	-7.3	-30.6	-7.8	-7.8	-7.3	-7.4	-30.2	-30.0
Other	1.7	0.8	1.8	1.3	1.7	2.5	0.8	0.3	0.6	0.2	1.8	0.2	0.7	0.5	0.2	1.5	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	12.4	12.9	8.7	39.7	34.5
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>12.4</b>	<b>12.9</b>	<b>8.7</b>	<b>39.7</b>	<b>34.5</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>1.1 %</b>	<b>1.4 %</b>	<b>2.0 %</b>	<b>5.2 %</b>	<b>10.1 %</b>	<b>11.2 %</b>	<b>8.2 %</b>	<b>8.8 %</b>	<b>7.3 %</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	-5.6	-5.2	-5.4	-21.8	-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>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>18.0</b>	<b>18.1</b>	<b>14.1</b>	<b>61.5</b>	<b>56.5</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>14.7 %</b>	<b>15.7 %</b>	<b>13.3 %</b>	<b>13.6 %</b>	<b>12.0 %</b>

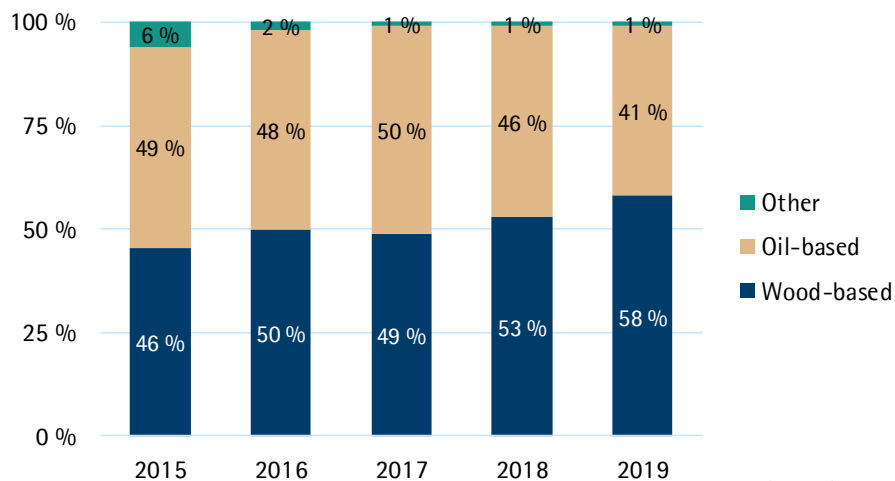
Source: Suominen, Evli Research

SUOMINEN PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		19	20	21	19	20	21	19	20	21
Ahlstrom-Munksjo	2054	8.5x	9.4x	8.0x	18.7x	20.6x	14.5x	4.7 %	5.6 %	7.4 %
Berry Global Group	5286	10.6x	7.9x	7.7x	17.3x	13.1x	12.5x	10.6 %	10.8 %	11.1 %
Kimberly-Clark	38736	13.2x	12.0x	11.7x	18.6x	14.9x	14.6x	16.2 %	18.9 %	18.9 %
N.R. Spuntech Industries	187									
Neenah	530	11.2x	9.4x	7.6x	16.8x		12.3x	8.9 %	-2.0 %	8.0 %
Glatfelter	524	9.7x	7.6x	7.3x	18.3x	15.0x	12.5x	6.2 %	6.6 %	7.6 %
PFNonwovens	245									
Peer Group Average	6795	10.6x	9.3x	8.5x	17.9x	15.9x	13.3x	9.3 %	8.0 %	10.6 %
Peer Group Median	530	10.6x	9.4x	7.7x	18.3x	15.0x	12.5x	8.9 %	6.6 %	8.0 %
Suominen (Evli est.)	295	6.6x	5.4x	5.4x	27.5x	8.4x	8.9x	2.0 %	8.7 %	7.3 %

Suominen prem./disc. to peer median

-37 %   -42 %   -29 %   50 %   -44 %   -29 %   -78 %   34 %   -9 %

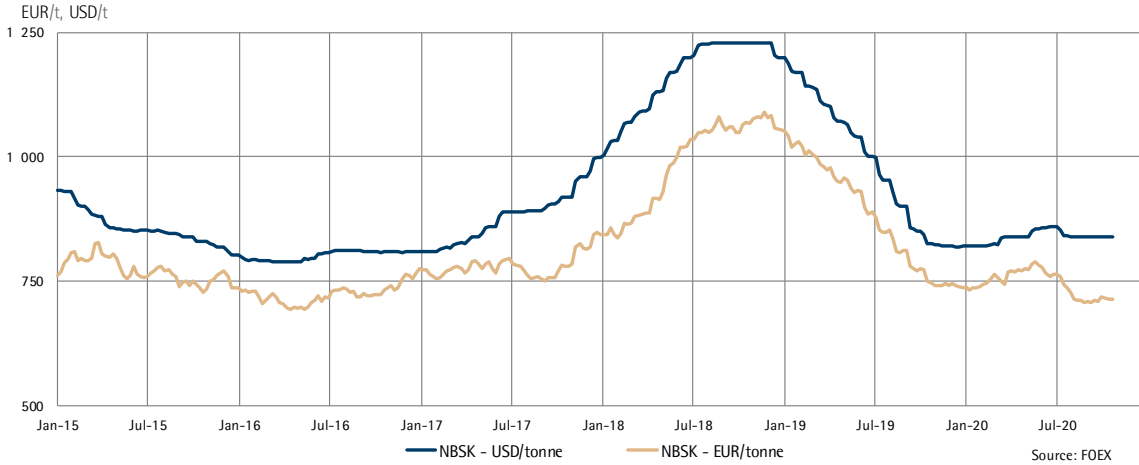
Source FactSet, Evli Research

**Suominen raw materials mix development**


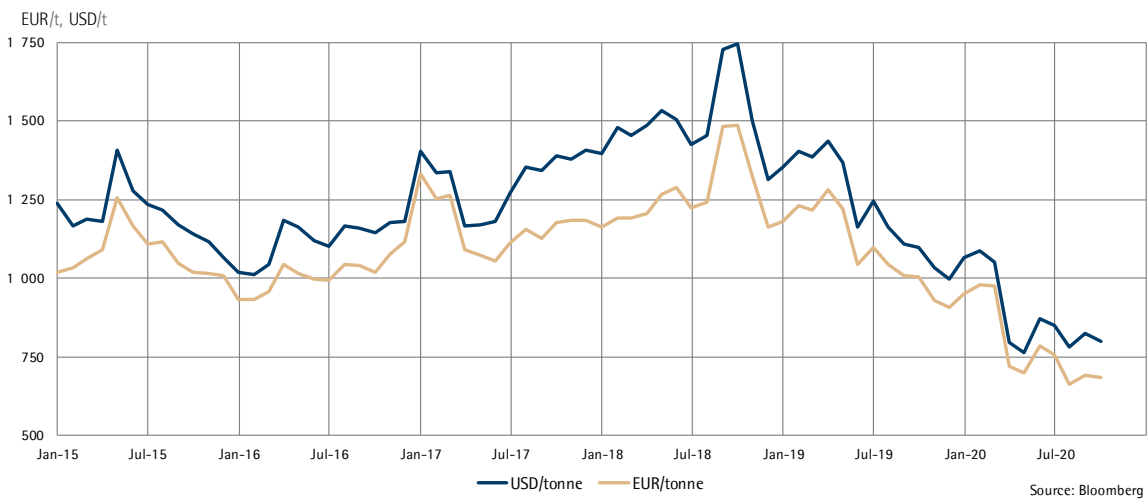
Source: Suominen

### Raw materials price development

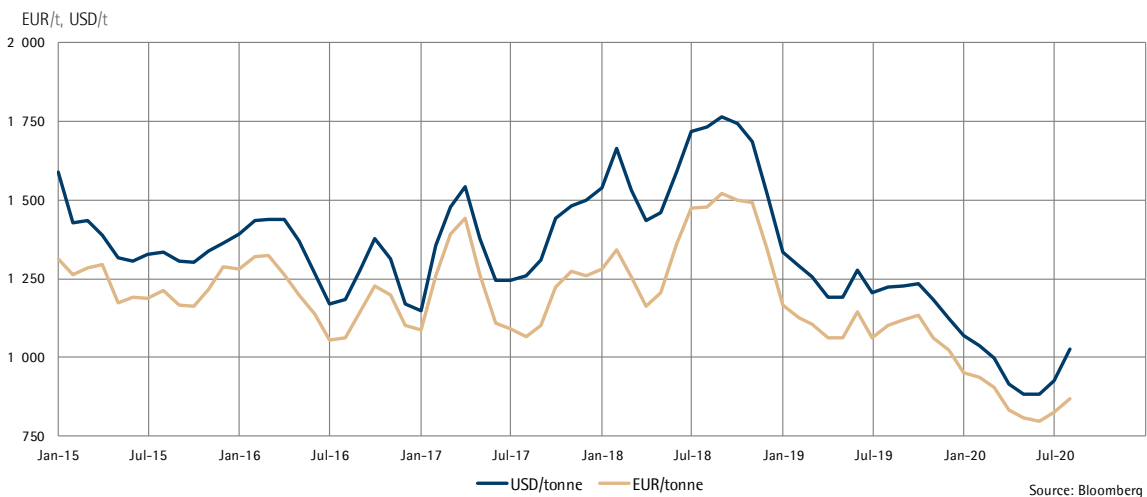
Outlook for pulp prices remains subdued as inventories are still high globally



Chinese polyester prices have not recovered at all



Prices for oil-based polypropylene remain low in the US



VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	5.06 PV of Free Cash Flow	223 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	6.53 PV of Horizon value	227 WACC, %	7.9 Market risk premium, %	5.8
Share price potential, %	29.0 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	7.1 Marketable securities	33 Minimum WACC, %	7.4 Equity beta coefficient	1.00
Minimum value	6.0 Debt - dividend	-103 Maximum WACC, %	8.4 Target debt ratio, %	20
Horizon value, %	50.5 Value of stock	380 Nr of shares, Mn	58.3 Effective tax rate, %	28

DCF valuation, EURm	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Horizon
Net sales	411	454	472	480	490	499	509	520	530	541	551	562
<i>Sales growth, %</i>	-4.6	10.3	4.0	1.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	8	40	35	34	34	35	36	36	37	38	39	39
<i>Operating income margin, %</i>	2.0	8.7	7.3	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
+ Depreciation+amort.	26	22	22	20	19	18	17	18	18	18	18	19
EBITDA	34	62	57	54	53	53	53	54	55	56	57	
- Paid taxes	-4	-5	-7	-7	-7	-7	-7	-8	-8	-8	-8	
- Change in NWC	-1	-4	-2	-1	-1	-1	-1	-1	-1	-1	-1	
<i>NWC / Sales, %</i>	9.0	9.0	9.0	9.0	9.0	8.9	8.9	8.9	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	-22	
<i>opCAPEX / Sales, %</i>	2.6	3.0	2.9	2.8	2.9	3.3	3.6	3.9	3.9	3.8	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	41	35	33	31	29	27	25	26	27	27	457
= Discounted FCFF		40	32	28	24	21	18	16	15	15	13	227
= DFCF min WACC		40	32	28	25	21	18	16	16	15	14	259
= DFCF max WACC		40	32	28	24	20	18	15	15	14	13	201

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3	2020Q4E	2020E	2021E	2022E
Net sales	109.8	103.8	103.4	94.5	411.4	110.2	122.2	115.4	106.0	453.8	472.0	480.0
EBITDA	9.3	9.0	7.8	7.4	33.6	11.3	18.0	18.1	14.1	61.5	56.5	54.0
<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>14.7</i>	<i>15.7</i>	<i>13.3</i>	<i>13.6</i>	<i>12.0</i>	<i>11.2</i>
EBIT	3.0	2.6	1.1	1.4	8.1	5.7	12.4	12.9	8.7	39.7	34.5	33.6
<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>10.1</i>	<i>11.2</i>	<i>8.2</i>	<i>8.7</i>	<i>7.3</i>	<i>7.0</i>
Net financial items	-1.5	-1.5	-1.1	-1.9	-6.0	-1.9	-1.9	-1.7	-1.0	-6.5	-2.5	-1.5
Pre-tax profit	1.5	1.1	0.0	-0.5	2.1	3.8	10.5	11.2	7.7	33.2	32.0	32.1
Tax	-0.5	-0.6	-0.1	-0.7	-1.9	-0.2	-2.2	-0.2	-1.5	-4.1	-6.7	-6.7
<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>21.1</i>	<i>2.0</i>	<i>19.5</i>	<i>12.4</i>	<i>21.0</i>	<i>21.0</i>
Net profit	1.0	0.5	-0.1	-1.2	0.2	3.6	8.3	11.0	6.2	29.1	25.3	25.3
EPS	0.02	0.01	0.00	-0.02	0.00	0.06	0.14	0.19	0.11	0.50	0.43	0.43
EPS adjusted (diluted no. of shares)	0.02	0.01	0.00	-0.02	0.00	0.06	0.14	0.19	0.11	0.50	0.43	0.43
Dividend per share	0.00	0.00	0.00	0.00	0.05	0.00	0.00	0.00	0.00	0.07	0.17	0.17
<b>SALES, EURm</b>												
Group	109.8	103.8	103.4	94.5	411.4	110.2	122.2	115.4	106.0	453.8	472.0	480.0
Total	109.8	103.8	103.4	94.5	411.4	110.2	122.2	115.4	106.0	453.8	472.0	480.0
<b>SALES GROWTH, Y/Y %</b>												
Group	3.0	-5.6	-1.4	-13.9	-4.6	0.4	17.7	11.7	12.2	10.3	4.0	1.7
Total	3.0	-5.6	-1.4	-13.9	-4.6	0.4	17.7	11.7	12.2	10.3	4.0	1.7
<b>EBIT, EURm</b>												
Group	3.0	2.6	1.1	1.4	8.1	5.7	12.4	12.9	8.7	39.7	34.5	33.6
Total	3.0	2.6	1.1	1.4	8.1	5.7	12.4	12.9	8.7	39.7	34.5	33.6
<b>EBIT margin, %</b>												
Group	2.7	2.5	1.1	1.5	2.0	5.2	10.1	11.2	8.2	8.7	7.3	7.0
Total	2.7	2.5	1.1	1.5	2.0	5.2	10.1	11.2	8.2	8.7	7.3	7.0

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	444.0	416.9	426.0	431.1	411.4	453.8	472.0	480.0
<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>10.3</i>	<i>4.0</i>	<i>1.7</i>
EBITDA	48.9	44.1	34.3	25.6	33.6	61.5	56.5	54.0
<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>13.6</i>	<i>12.0</i>	<i>11.2</i>
Depreciation	-17.7	-18.5	-19.3	-21.0	-25.5	-21.8	-22.0	-20.4
EBITA	31.2	25.6	15.0	4.6	8.1	39.7	34.5	33.6
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	39.7	34.5	33.6
<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>8.7</i>	<i>7.3</i>	<i>7.0</i>
Reported EBIT	31.8	25.6	15.0	4.6	8.1	39.7	34.5	33.6
<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>8.7</i>	<i>7.3</i>	<i>7.0</i>
Net financials	-5.3	-3.2	-2.6	-5.6	-6.0	-6.5	-2.5	-1.5
Pre-tax profit	25.9	22.4	12.4	-1.0	2.1	33.2	32.0	32.1
Taxes	-9.5	-7.2	2.0	-0.8	-1.9	-4.1	-6.7	-6.7
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	29.1	25.3	25.3
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>								
Assets								
Fixed assets	122	160	160	156	143	133	124	116
Goodwill	15	15	15	15	15	15	15	15
Right of use assets	0	0	0	17	16	18	19	19
Inventory	33	43	44	52	45	50	52	53
Receivables	53	56	66	63	61	66	69	70
Liquid funds	64	38	35	32	33	36	38	38
Total assets	292	316	326	338	316	322	319	315
Liabilities								
Shareholder's equity	108	126	136	131	131	157	178	193
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	18	19	19
Deferred taxes	11	11	15	12	12	12	12	12
Interest bearing debt	97	94	110	102	86	57	30	9
Non-interest bearing current liabilities	56	65	63	75	66	73	76	77
Other interest-free debt	2	2	1	3	3	3	3	3
Total liabilities	292	316	326	338	316	322	319	315
<b>CASH FLOW, EURm</b>								
+ EBITDA	49	44	34	26	34	62	57	54
- Net financial items	-5	-3	-3	-6	-6	-7	-2	-2
- Taxes	-8	-6	0	6	-2	-4	-7	-7
- Increase in Net Working Capital	-8	-6	-8	6	-1	-4	-2	-1
+/- Other	-4	-2	-5	-3	0	0	0	0
= Cash flow from operations	23	26	19	28	25	47	46	45
- Capex	-22	-50	-34	-15	-11	-14	-14	-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	34	32	32
+/- New issues/buybacks	3	8	1	3	0	0	0	0
- Paid dividend	-2	-5	-6	-6	0	-3	-4	-10
+/- Other	16	-7	16	-12	-13	-27	-27	-21
Change in cash	17	-26	-3	-3	1	3	1	1

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	214	258	119	153	295	295	295
Net debt (excl. convertibles)	57	76	83	70	39	11	-10
Enterprise value	287	333	203	223	334	306	284
Sales	417	426	431	411	454	472	480
EBITDA	44	34	26	34	62	57	54
EBIT	26	15	5	8	40	35	34
Pre-tax	22	12	-1	2	33	32	32
Earnings	15	14	-2	0	29	25	25
Equity book value (excl. minorities)	126	136	131	131	157	178	193
<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	5.4	5.4	5.3
EV/EBITA	11.2	22.2	44.1	27.5	8.4	8.9	8.5
EV/EBIT	11.2	22.2	44.1	27.5	8.4	8.9	8.5
EV/OCF	10.9	17.3	7.2	8.9	7.1	6.7	6.3
EV/FCFF	-15.6	-29.4	11.7	12.3	8.2	8.8	8.6
P/FCFE	-9.4	-18.0	9.0	10.8	8.8	9.2	9.3
P/E	14.0	17.8	-69.4	766.1	10.1	11.7	11.6
P/B	1.7	1.9	0.9	1.2	1.9	1.7	1.5
Target EV/EBITDA	0.0	0.0	0.0	0.0	6.3	6.4	6.3
Target EV/EBIT	0.0	0.0	0.0	0.0	9.8	10.5	10.1
Target EV/FCF	0.0	0.0	0.0	0.0	11.6	11.3	10.7
Target P/B	0.0	0.0	0.0	0.0	2.2	2.0	1.8
Target P/E	0.0	0.0	0.0	0.0	12.0	13.8	13.8
<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	0.50	0.43	0.43
Operating cash flow per share	0.51	0.33	0.48	0.43	0.81	0.79	0.77
Free cash flow per share	-0.44	-0.25	0.23	0.24	0.58	0.55	0.54
Book value per share	2.44	2.34	2.24	2.24	2.69	3.06	3.32
Dividend per share	0.11	0.11	0.00	0.05	0.07	0.17	0.17
Dividend payout ratio, %	37.3	44.3	0.0	1,456.5	14.0	40.0	40.0
Dividend yield, %	2.7	2.5	0.0	1.0	1.4	3.4	3.4
FCF yield, %	-10.6	-5.6	11.1	9.2	11.4	10.9	10.8
<b>Efficiency measures</b>							
ROE	13.0	11.0	-1.3	0.2	20.2	15.1	13.6
ROCE	11.4	6.2	1.9	3.4	17.1	15.0	15.0
<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	14.6	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	2.9	2.8
CAPEX/sales (incl. acquisitions), %	11.9	7.9	3.5	2.6	3.0	2.9	2.8
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	0.6	0.2	-0.2
Debt/equity, market-weighted	0.4	0.4	0.9	0.6	0.2	0.1	0.0
Equity ratio, book-weighted	45.3	41.8	38.7	41.4	48.8	55.8	61.4
Gearing, %	39.6	55.6	63.7	53.3	24.9	6.2	-5.4

**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 recent challenges with nonwovens' gross margins and delivery volumes are no longer present. In our view the demand outlook for household wiping products is especially strong. Suominen also seems to be making good progress with sustainable wiping products, meaning the company is increasingly able to replace synthetic raw materials with wood-based fibers. Although supply will no doubt grow in the long-term, the surge in wiping demand has nevertheless turned the current supply-demand balance much more favorable also from a nonwovens manufacturer's point of view. We view Suominen's long-term financial targets realistic.

OWNERSHIP STRUCTURE	SHARES	EURm	%
AC Invest two B.V.	13,953,357	70.604	24.0%
Oy Etra Invest Ab	7,770,000	39.316	13.3%
Varma Mutual Pension Insurance Company	4,500,000	22.770	7.7%
Euroclear Bank Sa/Nv	3,382,604	17.116	5.8%
Ilmarinen Mutual Pension Insurance Company	3,046,892	15.417	5.2%
Elo Mutual Pension Insurance Company	3,024,651	15.305	5.2%
Mandatum Life Insurance Company Limited	1,927,536	9.753	3.3%
Nordea Life Assurance Finland Ltd.	1,812,000	9.169	3.1%
Oy H. Kuningas Et Co Ab	1,567,416	7.931	2.7%
Evald and Hilda Nissi's Foundation	1,000,000	5.060	1.7%
Ten largest	41,984,456	212.441	72%
Residual	16,274,763	82.350	28%
Total	58,259,219	294.792	100%

**EARNINGS CALENDAR**

February 04, 2021	FY 2020 Results
April 28, 2021	Q1 report
August 13, 2021	Q2 report

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

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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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

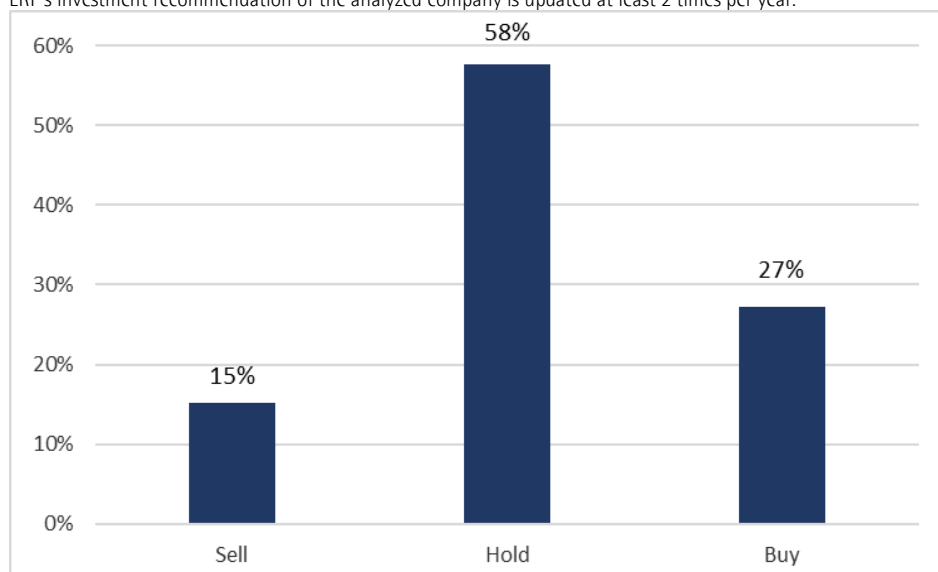
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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