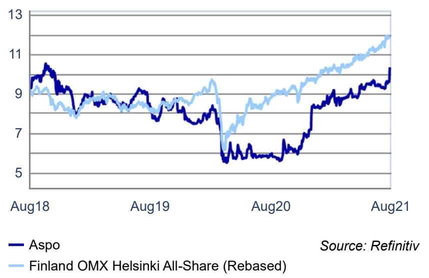
Aspo

Business Services
Finland

KEY DATA

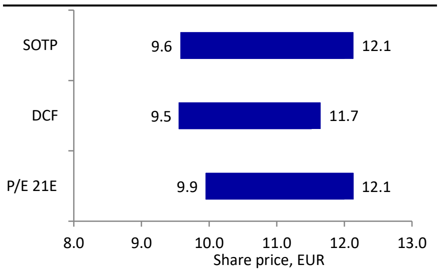
Stock country	Finland
Bloomberg	ASPO FH
Reuters	ASPO.HE
Share price (close)	EUR 10.40
Free Float	88%
Market cap. (bn)	EUR 0.33/EUR 0.33
Website	www.aspo.com
Next report date	11 Aug 2021

PERFORMANCE



Source: Refinitiv

VALUATION APPROACH



Source: Nordea estimates

ESTIMATE CHANGES

Year	2021E	2022E	2023E
Sales	1%	0%	1%
EBIT (adj)	9%	3%	1%

Source: Nordea estimates

Nordea Markets - Analysts
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Strong Q2 shipping market

A very good demand environment has led Aspo to upgrade its 2021 EBIT guidance to EUR 30-36m, the midpoint being 6.5% above market (Refinitiv) consensus. The company's EPS declined in 2018-20, but the tone has clearly changed and Aspo is fulfilling its earnings capability for the first time since the AtoB@C acquisition. We upgrade our 2021 EBIT forecast by 9%, putting our estimate (EUR 35m) close to the upper end of the guidance. Based on our new estimates, we calculate a fair value range of EUR 9.7-12.0 (9.0-11.2) per share.

The broad Baltic dry index is at a ten-year high

The ESL Shipping segment will likely be the biggest contributor to group operating profit in 2021. Due to a strong underlying market, ESL Shipping might report its best-ever operating profit of EUR 20m for 2021, we believe. However, SSAB guides for significantly lower steel shipments in Europe for Q3 than in Q2 due to maintenance, but overall demand for steel should remain strong in Q3. Due to SSAB's guidance, we forecast slightly lower EBIT for ESL Shipping for Q3 (EUR 4.6m) than for Q2 (EUR 5.3m). As a result of environmental equipment installations, there will also be some dockages in the third quarter for ESL Shipping.

Plastics prices should help Telko

Strong overall economic activity and high plastics prices have supported the Telko segment, but a weaker RUB versus the EUR will burden reported figures somewhat. The Leipurin segment has not been able to post the same improvement as the other segments due to the pandemic. Russia, other CIS countries and Ukraine continue to be a strategically important region for Aspo, but the Russian operations could still weigh on the valuation multiples the market accepts for the company.

Our new fair value range is EUR 9.7-12.0

Aspo is finally reaching its potential within its ESL Shipping and Telko segments, in our opinion. The company's debt-handling capacity is good, and gearing is nearing the target of 130%. We expect Aspo also to reach its long-term profitability and gearing targets before the end of 2023. The share price is still about the same as in 2018 despite EBIT being some 30% higher in 2021E than in 2018. We derive our fair value range of EUR 9.7-12.0 (9.0-11.2) by equally weighting our DCF, P/E and SOTP valuations.

SUMMARY TABLE - KEY FIGURES

EURm	2017	2018	2019	2020	2021E	2022E	2023E
Total revenue	502	541	588	501	550	587	610
EBITDA (adj)	36	38	50	48	64	68	70
EBIT (adj)	24	27	21	19	35	38	40
EBIT (adj) margin	4.7%	4.9%	3.6%	3.9%	6.3%	6.4%	6.5%
EPS (adj, EUR)	0.59	0.58	0.42	0.38	0.79	0.91	1.02
EPS (adj) growth	22.7%	-2.1%	-28.3%	-8.9%	109.1%	14.9%	11.7%
DPS (ord, EUR)	0.43	0.44	0.22	0.35	0.46	0.48	0.50
EV/Sales	0.8	0.8	0.7	0.9	0.9	0.9	0.8
EV/EBIT (adj)	17.9	16.2	20.9	22.5	14.3	13.2	12.1
P/E (adj)	16.8	13.7	18.3	22.1	13.1	11.4	10.2
P/BV	2.8	2.1	2.0	2.3	2.6	2.7	2.4
Dividend yield (ord)	4.3%	5.5%	2.9%	4.2%	4.4%	4.6%	4.8%
FCF Yield bef A&D, lease	-0.1%	-9.1%	13.9%	16.9%	4.6%	9.7%	10.5%
Net debt	117	180	198	170	168	172	153
Net debt/EBITDA	3.3	4.9	4.0	3.5	2.6	2.5	2.2
ROIC after tax	8.9%	8.4%	5.8%	5.6%	10.5%	13.2%	13.9%

Source: Company data and Nordea estimates

Segment estimates

QUARTERLY ESTIMATES BY SEGMENT (EURm)

	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21E	Q3 21E	Q4 21E
ESL Shipping												
Sales	43.7	42.6	43.4	45.3	42.7	32.9	31.6	41.2	43.4	44.1	41.8	45.5
- sales growth	113%	88%	42%	-2%	-2%	-23%	-27%	-9%	2%	34%	32%	10%
EBIT	3.2	2.6	4.4	4.4	2.3	0.6	-0.1	5.1	4.5	5.3	4.6	5.4
EBIT margin	7%	6%	10%	10%	5%	2%	0%	12%	10%	12%	11%	12%
Leipurin												
Sales	25.9	28.0	29.9	31.9	26.9	23.2	24.3	26.6	27.9	25.3	26.5	26.9
- sales growth	-14%	-10%	7%	1%	4%	-17%	-19%	-17%	4%	9%	9%	1%
EBIT	0.5	0.6	0.8	1.1	0.6	0.3	0.3	0.2	0.3	0.5	0.6	0.5
EBIT margin	2%	2%	3%	3%	2%	1%	1%	1%	1%	2%	2%	2%
Telko												
Sales	71.9	80.6	74.7	69.8	63.6	59.5	62.5	65.7	61.0	67.8	69.4	70.3
- sales growth	25%	12%	11%	0%	-12%	-26%	-16%	-6%	-4%	14%	11%	7%
EBIT	2.4	2.1	2.4	0.9	2.4	4.2	4.2	4.1	4.5	4.9	4.3	4.2
EBIT margin	3%	3%	3%	1%	4%	7%	7%	6%	7%	7%	6%	6%
Aspo Group												
Sales	141.5	151.2	148.0	147.0	133.2	115.6	118.4	133.5	132.3	137.2	137.7	142.6
- sales growth	23%	14%	9%	-6%	-6%	-24%	-20%	-9%	-1%	19%	16%	7%
EBIT clean	4.9	3.9	6.7	5.4	4.0	4.1	3.6	7.9	7.9	9.6	8.5	8.7
EBIT margin	3.5%	2.6%	4.5%	3.7%	3.0%	3.5%	3.0%	5.9%	6.0%	7.0%	6.1%	6.1%
PTP clean	3.9	3.0	5.4	4.6	2.9	3.0	2.5	6.7	7.0	8.4	7.3	7.4
Net Profit clean	3.5	2.5	4.9	3.8	2.6	2.7	2.0	6.4	6.4	7.4	6.4	6.5
EPS clean, EUR	0.10	0.07	0.15	0.10	0.07	0.08	0.05	0.19	0.19	0.22	0.19	0.19
EPS reported, EUR	0.10	0.12	0.15	0.10	0.07	0.08	0.05	0.19	0.19	0.22	0.19	0.19

Source: Company data and Nordea estimates

YEARLY ESTIMATES BY SEGMENT (EURm)

	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
ESL Shipping										
Sales	85	76	71	79	120	175	148	175	191	198
- sales growth	10%	-11%	-6%	11%	51%	46%	-15%	18%	9%	4%
EBIT	16	15	13	14	17	15	8	20	22	23
EBIT margin	19%	19%	18%	17%	14%	8%	5%	11%	12%	12%
Leipurin										
Sales	135	118	113	122	121	116	101	107	113	117
- sales growth	-1%	-12%	-5%	9%	-1%	-4%	-13%	6%	6%	4%
EBIT	4.4	2.4	2.0	3.6	3.3	3.0	1.4	1.8	2.4	2.6
EBIT margin	3%	2%	2%	3%	3%	3%	1%	2%	2%	2%
Telko										
Sales	227	215	240	262	266	297	251	269	283	295
- sales growth	-1%	-5%	12%	9%	2%	12%	-15%	7%	5%	4%
EBIT	10	10	10	11	12	8	15	18	19	19
EBIT margin	4%	5%	4%	4%	5%	3%	6%	7%	7%	6%
Aspo Group										
Sales	483	446	457	502	541	588	501	550	587	610
- sales growth	1%	-8%	3%	10%	8%	9%	-15%	10%	7%	4%
EBIT clean	25	21	20	24	27	21	19	35	38	40
EBIT margin	5.2%	4.6%	4.5%	4.7%	4.9%	3.6%	3.9%	6.3%	6.4%	6.5%
PTP clean	19	17	17	20	21	17	15	30	34	36
Net Profit clean	19	15	15	18	18	13	12	25	29	32
EPS clean, EUR	0.60	0.50	0.48	0.59	0.58	0.42	0.38	0.79	0.91	1.02
EPS reported, EUR	0.60	0.60	0.48	0.57	0.42	0.47	0.38	0.79	0.91	1.02

Source: Company data and Nordea estimates

Reported numbers and forecasts

INCOME STATEMENT											
EURm	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**
Total revenue	**476**	**483**	**446**	**457**	**502**	**541**	**588**	**501**	**550**	**587**	**610**
Revenue growth	-1.1%	1.4%	-7.6%	2.5%	9.8%	7.7%	8.7%	-14.8%	9.8%	6.7%	4.0%
of which organic	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
of which FX	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	22	36	33	32	35	37	50	48	64	68	70
Depreciation and impairments PPE	-11	-11	-13	-12	-12	-12	-29	-29	-30	-30	-30
of which leased assets	0	0	0	0	0	0	-14	-13	-13	-13	-14
EBITA	11	25	21	20	23	25	21	19	35	38	40
Amortisation and impairments	0	0	0	0	0	-5	0	0	0	0	0
EBIT	11	25	21	20	23	21	21	19	35	38	40
of which associates	0	0	0	0	0	0	0	0	0	0	0
Associates excluded from EBIT	0	0	0	0	0	0	0	0	0	0	0
Net financials	-4	-6	-1	-4	-4	-5	-3	-5	-5	-4	-4
of which lease interest	0	0	0	0	0	0	-1	-1	-1	0	0
Changes in value, net	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	**7**	**19**	**20**	**17**	**19**	**15**	**18**	**15**	**30**	**34**	**36**
Reported taxes	2	-1	-2	-2	-2	-2	-2	-1	-3	-4	-4
Net profit from continued operations	9	19	18	15	18	13	16	13	27	30	32
Discontinued operations	0	0	0	0	0	0	0	0	0	0	0
Minority interests	0	0	0	0	0	0	0	0	0	0	0
Net profit to equity	9	19	18	15	18	13	15	12	25	29	32
EPS, EUR	**0.28**	**0.60**	**0.60**	**0.48**	**0.57**	**0.42**	**0.47**	**0.38**	**0.79**	**0.91**	**1.02**
DPS, EUR	0.21	0.40	0.41	0.41	0.43	0.44	0.22	0.35	0.46	0.48	0.50
of which ordinary	0.21	0.40	0.41	0.41	0.43	0.44	0.22	0.35	0.46	0.48	0.50
of which extraordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit margin in percent											
EBITDA	4.5%	7.5%	7.4%	7.0%	7.0%	6.9%	8.5%	9.6%	11.7%	11.6%	11.5%
EBITA	2.3%	5.2%	4.6%	4.5%	4.6%	4.7%	3.6%	3.9%	6.3%	6.4%	6.5%
EBIT	2.3%	5.2%	4.6%	4.5%	4.6%	3.8%	3.6%	3.9%	6.3%	6.4%	6.5%
Adjusted earnings											
EBITDA (adj)	22	36	33	32	36	38	50	48	64	68	70
EBITA (adj)	11	25	21	20	24	26	21	19	35	38	40
EBIT (adj)	11	25	21	20	24	27	21	19	35	38	40
EPS (adj, EUR)	0.28	0.60	0.50	0.48	0.59	0.58	0.42	0.38	0.79	0.91	1.02
Adjusted profit margins in percent											
EBITDA (adj)	4.5%	7.5%	7.4%	7.0%	7.1%	7.0%	8.4%	9.6%	11.7%	11.6%	11.5%
EBITA (adj)	2.3%	5.2%	4.6%	4.5%	4.7%	4.9%	3.6%	3.9%	6.3%	6.4%	6.5%
EBIT (adj)	2.3%	5.2%	4.6%	4.5%	4.7%	4.9%	3.6%	3.9%	6.3%	6.4%	6.5%
Performance metrics											
CAGR last 5 years											
Net revenue	5.9%	8.0%	2.4%	-0.8%	0.8%	2.6%	4.0%	2.3%	3.8%	3.2%	2.4%
EBITDA	-2.8%	8.3%	4.9%	1.5%	10.3%	11.4%	6.6%	7.9%	14.9%	14.2%	13.6%
EBIT	-5.2%	10.2%	2.8%	-1.0%	16.9%	13.8%	-3.3%	-1.3%	11.1%	10.4%	13.9%
EPS	1.2%	12.7%	8.8%	0.8%	10.4%	8.1%	-5.0%	-8.7%	10.4%	9.8%	19.6%
DPS	-12.9%	-1.0%	-0.5%	-0.5%	0.5%	15.9%	-11.3%	-3.1%	2.3%	2.2%	2.6%
Average last 5 years											
Average EBIT margin	3.5%	3.7%	3.7%	3.7%	4.2%	4.5%	4.2%	4.0%	4.4%	4.8%	5.4%
Average EBITDA margin	5.7%	5.8%	6.0%	6.2%	6.7%	7.1%	7.4%	7.8%	8.7%	9.7%	10.6%

VALUATION RATIOS - ADJUSTED EARNINGS											
EURm	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**
P/E (adj)	21.3	9.5	15.1	16.9	16.8	13.7	18.3	22.1	13.1	11.4	10.2
EV/EBITDA (adj)	13.2	7.8	10.1	11.1	11.9	11.3	8.8	9.0	7.7	7.4	6.9
EV/EBITA (adj)	26.4	11.3	16.2	17.5	17.9	16.4	20.9	22.5	14.3	13.2	12.1
EV/EBIT (adj)	26.4	11.3	16.2	17.5	17.9	16.2	20.9	22.5	14.3	13.2	12.1

VALUATION RATIOS - REPORTED EARNINGS											
EURm	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**
P/E	21.3	9.5	12.5	16.9	17.5	19.1	16.4	22.1	13.1	11.4	10.2
EV/Sales	0.60	0.58	0.75	0.78	0.85	0.80	0.74	0.87	0.90	0.85	0.79
EV/EBITDA	13.2	7.8	10.1	11.1	12.2	11.6	8.8	9.0	7.7	7.4	6.9
EV/EBITA	26.4	11.3	16.2	17.5	18.5	16.9	20.7	22.5	14.3	13.2	12.1
EV/EBIT	26.4	11.3	16.2	17.5	18.5	20.9	20.7	22.5	14.3	13.2	12.1
Dividend yield (ord.)	3.5%	7.0%	5.5%	5.0%	4.3%	5.5%	2.9%	4.2%	4.4%	4.6%	4.8%
FCF yield	6.8%	2.7%	6.7%	3.9%	-0.1%	-13.9%	18.8%	21.1%	8.6%	13.8%	14.7%
FCF Yield bef A&D, lease adj	6.6%	2.6%	4.5%	3.9%	-0.1%	-9.1%	13.9%	16.9%	4.6%	9.7%	10.5%
Payout ratio	74.3%	66.6%	68.3%	84.7%	75.2%	105.6%	47.3%	92.1%	57.9%	52.6%	49.0%

Source: Company data and Nordea estimates

BALANCE SHEET											
EURm	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**
Intangible assets	59	57	54	52	50	52	51	55	55	55	55
of which R&D	0	0	0	0	0	0	0	0	0	0	0
of which other intangibles	13	12	11	9	8	9	8	8	8	8	8
of which goodwill	45	44	43	43	42	43	43	47	47	47	47
Tangible assets	103	111	116	113	120	175	189	176	173	168	163
of which leased assets	0	0	0	0	0	0	8	7	7	7	6
Shares associates	2	0	0	0	0	0	0	0	0	0	0
Interest bearing assets	0	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	0	0	0	0	0	0	0	0	0	0	0
Other non-IB non-current assets	0	0	0	0	0	0	0	0	0	0	0
Other non-current assets	4	7	4	5	4	4	2	2	2	2	2
Total non-current assets	169	175	174	170	174	231	242	233	230	225	220
Inventory	48	47	48	57	61	71	56	42	55	59	61
Accounts receivable	58	56	58	60	66	78	75	63	71	76	79
Short-term leased assets	0	0	0	0	0	0	13	13	13	14	14
Other current assets	0	0	0	0	0	0	0	0	0	0	0
Cash and bank	29	19	24	23	20	19	24	32	25	10	19
Total current assets	134	123	131	139	147	168	168	151	164	158	173
Assets held for sale	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total assets	**303**	**298**	**305**	**310**	**321**	**400**	**410**	**384**	**394**	**383**	**393**
Shareholders equity	103	104	103	115	112	117	122	114	127	122	139
Of which preferred stocks	0	0	0	0	0	0	0	0	0	0	0
Of which equity part of hybrid debt	20	20	20	25	25	25	25	20	20	0	0
Minority interest	1	0	0	0	0	0	0	0	0	0	0
Total Equity	103	104	103	115	112	117	122	114	127	122	139
Deferred tax	8	6	5	4	3	0	0	0	0	0	0
Long term interest bearing debt	85	77	116	117	109	171	142	149	142	135	128
Pension provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term liabilities	1	0	1	0	1	7	5	5	5	5	5
Non-current lease debt	0	0	0	0	0	0	9	7	7	7	7
Convertible debt	0	0	0	0	0	0	0	0	0	0	0
Shareholder debt	0	0	0	0	0	0	0	0	0	0	0
Hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Total non-current liabilities	94	83	121	121	113	178	155	161	154	147	139
Short-term provisions	0	0	0	1	1	0	0	0	0	0	0
Accounts payable	60	62	68	64	67	76	61	64	70	75	78
Current lease debt	0	0	0	0	0	0	13	13	13	14	14
Other current liabilities	1	1	1	1	0	0	0	0	0	0	0
Short term interest bearing debt	45	48	12	9	27	29	58	33	30	27	24
Total current liabilities	105	111	81	74	96	105	133	110	113	115	115
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	**303**	**298**	**305**	**310**	**321**	**400**	**410**	**384**	**394**	**383**	**393**
Balance sheet and debt metrics											
Net debt	101	105	104	103	117	180	198	170	168	172	153
of which lease debt	0	0	0	0	0	0	22	21	21	21	21
Working capital	45	41	38	52	60	73	70	42	56	60	62
Invested capital	213	216	212	222	234	304	312	275	286	285	282
Capital employed	233	229	231	240	249	316	344	316	320	304	311
ROE	9.1%	17.9%	17.8%	13.8%	15.6%	11.4%	12.3%	10.1%	20.7%	23.0%	24.6%
ROIC	4.2%	9.9%	8.2%	8.0%	8.9%	8.4%	5.8%	5.6%	10.5%	13.2%	13.9%
ROCE	5.0%	11.0%	11.1%	8.7%	9.7%	9.4%	6.3%	5.9%	10.9%	12.1%	12.9%
Net debt/EBITDA	4.7	2.9	3.1	3.2	3.3	4.9	4.0	3.5	2.6	2.5	2.2
Interest coverage	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity ratio	33.9%	34.9%	33.7%	37.0%	35.0%	29.2%	29.8%	29.5%	32.3%	31.8%	35.3%
Net gearing	98.2%	101.0%	101.4%	89.8%	103.9%	154.5%	162.3%	149.7%	131.5%	141.5%	110.3%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT											
EURm	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**
EBITDA (adj) for associates	**22**	**36**	**33**	**32**	**35**	**37**	**50**	**48**	**64**	**68**	**70**
Paid taxes	-3	-2	-2	-2	-3	-2	-3	-3	-3	-4	-4
Net financials	-3	-4	-3	-3	-4	-3	-3	-3	-5	-4	-4
Change in provisions	0	0	0	1	1	-1	0	0	0	0	0
Change in other LT non-IB	-2	-3	3	-1	1	7	0	0	0	0	0
Cash flow to/from associates	0	0	0	0	0	0	0	0	0	0	0
Dividends paid to minorities	0	0	0	0	0	0	0	0	0	0	0
Other adj to reconcile to cash flow	2	3	-2	1	0	-6	0	0	0	0	0
Funds from operations (FFO)	**16**	**30**	**29**	**27**	**30**	**31**	**43**	**42**	**56**	**60**	**63**
Change in NWC	0	-8	-4	-11	-13	-11	9	23	-15	-4	-2
Cash flow from operations (CFO)	**16**	**22**	**25**	**16**	**17**	**20**	**53**	**65**	**42**	**57**	**60**
Capital expenditure	-4	-17	-15	-6	-18	-43	-5	-7	-14	-12	-12
Free cash flow before A&D	**12**	**5**	**10**	**10**	**0**	**-23**	**47**	**58**	**28**	**45**	**48**
Proceeds from sale of assets	0	0	0	0	0	1	1	3	0	0	0
Acquisitions	0	0	5	0	0	-13	-3	-5	0	0	0
Free cash flow	13	5	15	10	0	-35	45	56	28	45	48
Free cash flow bef A&D, lease adj	12	5	10	10	0	-23	33	45	15	32	34
Dividends paid	-13	-6	-12	-13	-13	-13	-14	-7	-11	-14	-15
Equity issues / buybacks	0	0	0	0	0	0	0	0	0	0	0
Net change in debt	-12	-8	2	1	7	50	-27	-19	-10	-10	-10
Other financing adjustments	0	0	0	0	0	-2	-2	-2	-15	-15	-14
Other non-cash adjustments	-1	1	-1	-4	4	-1	1	-2	0	0	0
Change in cash	7	-9	5	-1	-3	-1	4	9	-8	-15	9
Cash flow metrics											
Capex/D&A	33.9%	n.m.	n.m.	54.3%	n.m.	n.m.	18.9%	24.8%	45.6%	n.m.	n.m.
Capex/Sales	0.8%	3.6%	3.3%	1.4%	3.5%	8.0%	0.9%	1.4%	2.5%	2.0%	2.0%
Key information											
Share price year end (/current)	6	6	8	8	10	8	8	8	10	10	10
Market cap.	186	175	229	253	310	250	240	264	327	327	327
Enterprise value	286	280	333	356	426	430	438	434	495	499	480
Diluted no. of shares, year-end (m)	30.8	30.8	30.5	31.0	31.0	31.4	31.4	31.4	31.4	31.4	31.4

Source: Company data and Nordea estimates

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