11 August 2021

Commissioned research: Aspo – Expects strong market situation to continue

Marketing material commissioned by Aspo

In line with pre-released figures, Aspo reported Q2 EBIT of EUR 9.6m. Net sales amounted to EUR 143m, 6% above Infront consensus. Cargo market returned to nearly normal level during Q2. Demand for Telko's products was at a good level in all markets, while volume development was hindered by availability in certain product categories. Improved availability towards end of the quarter has caused some categories price levels to decrease. The outlook for a cargo market remains favourable and the company expects significantly higher transportation volumes y/y in H2. Operating cash flow stood at EUR 15.6m in Q2 (EUR 16.6m a year ago). The company reiterated its full year guidance (upgraded on 4 August) and expects EBIT to be EUR 30-36m in 2021 (from EUR 19.3m in 2020). For 2021, pre-Q2 Infront consensus has already been expecting operating profit of EUR 35m.

Q2 was strong with high demand in ESL-Shipping and Telko

- Aspo reported Q2 net sales of EUR 143m, 6% above Infront consensus and 4% above Nordea.
    - ESL Shipping net sales were EUR 46m, 4% above our estimate of EUR 44.1m. Sales increased 40% y/y with significantly higher volumes y/y (3.7 tonnes versus 3.1 tonnes a year ago). Demand and transportation volumes among all ESL Shipping's main customers remained at the expected strong level during the Q2. Demand for loading and unloading of vessels at sea was at a good level, while strong fluctuations in demand hindered efficiency.
    - Telko's net sales were EUR 71.1m, 5% above our estimate of EUR 67.8m and supported by strong demand and high market prices. Telko has succeeded in creating organic growth in higher value-added products in particular.
    - Leipurin net sales were EUR 25.8m, 2% above our estimate of EUR 25.3m.
- Pre-released EBIT of EUR 9.6m was supported by ESL Shipping and Telko.
    - ESL Shipping EBIT was EUR 5.4m, 2% above our estimate of EUR 5.3m.
    - Telko EBIT was EUR 5.5m, 12% above our estimate of EUR 4.9m and benefited from improved product mix and higher prices.
    - Leipurin EBIT was EUR 0.3m, 34% below our of EUR 0.5m estimate.
- Operating cash flow stood at EUR 15.6m (EUR 16.6m a year ago).

Guidance reiterated
Aspo reiterated its upgraded guidance (on 4 August) for 2021 and expects EBIT to be in the range of EUR 30-36m (EUR 19.3m in 2020). Pre-Q2 Infront consensus is at EUR 35.1m.

Segment outlooks:

- **ESL Shipping**: The transportation volume forecasts for the various customer segments for the rest of the year are higher than in the comparative period and ESL Shipping expects total transportation volumes to increase significantly from the previous year. Extensive demand in the steel industry, which is important for the shipping company, will continue at a good level. The general development of cargo markets will continue to have the highest impact on the performance of the shipping company's largest Supramax vessels during the last quarter of the year. In the late summer and fall, these vessels will operate in Canada and the Northeast Passage in the Arctic region. Considering the trend in recent years, the cargo prices of large vessels are now at a high level. The price level of renewed time-chartering agreements in the smaller vessel category will increase significantly. During 2021, significant environmental investments of around EUR 8 million will be made in the shipping company's fleet. Around six larger vessel units and two smaller units will be docked during the second half of the year. These vessels will be out of service for a total of approximately 130 days during the second half of the year.

- **Telko:** Demand in Telko's main market is quite good, and is expected to remain strong. Product availability is expected to improve in the coming months, but there are still significant availability challenges in several product categories. With the availability situation normalizing, Telko's volumes are expected to increase, and prices are expected to decrease from the current high level. The production volumes of several of Telko's key industrial customers decreased significantly during 2020. Demand has picked up considerably during 2021, but production volumes continue to be below the pre-pandemic level in most customer segments. Telko's goal is to maintain the relative profitability level achieved during 2020.

- **Leipurin:** The markets and the circumstances of Leipurin's customers are expected to normalize, provided that restrictions will to be lifted. The impacts of the pandemic on global supply chains are highlighted, and affect the price levels and availability of certain raw materials and possibly even delivery times. Leipurin will continue to invest in growth in eastern markets. The production unit for bakery raw materials in St. Petersburg will be developed further, and the offering will be developed in response to the new market and price situation. With a weaker Russian ruble, the competitiveness of local Russian production has improved considerably in relation to imported raw materials

ASPO: DEVIATION TABLE

EURm	Actual Q2 2021	NDA est. Q2 2021E	Deviation vs. actual		Consensus Q2 2021E	Deviation vs. actual		Actual Q1 2021	q/q	Actual Q2 2020	y/y
Sales	143	137	5.7	4%	135	8	6%	132	8%	116	24%
Adj. EBIT	9.6	9.6	0.0	0%	9.6	0	0%	7.9	22%	4.1	134%
Adj. EBIT margin	6.7%	7.0%		-0.3pp	7.1%		-0.4pp	6.0%	0.7pp	3.5%	3.2pp
EPS	0.24	0.22	0.02	9%	0.24	0.00	1%	0.19	27%	0.08	220%
Divisional											
Sales											
ESL	46.0	44.1	1.9	4%				43.4	6%	32.9	40%
Leipurin	25.8	25.3	0.5	2%				27.9	-8%	23.2	11%
Telko	71.1	67.8	3.3	5%				61.0	17%	59.5	19%
Adj. EBIT											
ESL	5.4	5.3	0.1	2%				4.5	20%	0.6	800%
Leipurin	0.3	0.5	-0.2	-34%				0.3	0%	0.3	0%
Telko	5.5	4.9	0.6	12%				4.5	22%	4.2	31%

Source: Infront, company data and Nordea estimates

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021E	2022E	2023E
Total revenue	541	588	501	550	587	610
EBITDA (adj)	38	50	48	64	68	70
EBIT (adj)	27	21	19	35	38	40
EBIT (adj) margin	4.9%	3.6%	3.9%	6.3%	6.4%	6.5%
EPS (adj, EUR)	0.58	0.42	0.38	0.79	0.91	1.02
EPS (adj) growth	-2.1%	-28.3%	-8.9%	109.1%	14.9%	11.7%
DPS (ord, EUR)	0.44	0.22	0.35	0.46	0.48	0.50
EV/Sales	0.8	0.7	0.9	0.9	0.9	0.8
EV/EBIT (adj)	16.2	20.9	22.5	14.8	13.7	12.6
P/E (adj)	13.7	18.3	22.1	13.8	12.0	10.8
P/BV	2.1	2.0	2.3	2.7	2.8	2.5
Dividend yield (ord)	5.5%	2.9%	4.2%	4.2%	4.4%	4.6%
FCF Yield bef A&D, lease adj	-9.1%	13.9%	16.9%	4.4%	9.1%	10.0%
Net debt	180	198	170	168	172	153
Net debt/EBITDA	4.9	4.0	3.5	2.6	2.5	2.2
ROIC after tax	8.4%	5.8%	5.6%	10.5%	13.2%	13.9%

Source: Company data and Nordea estimates

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