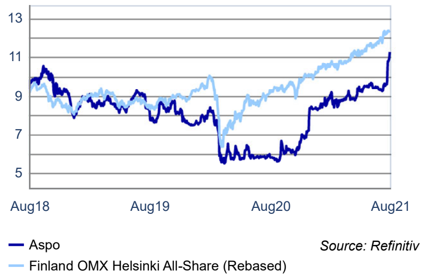
Aspo

Business Services
Finland

KEY DATA

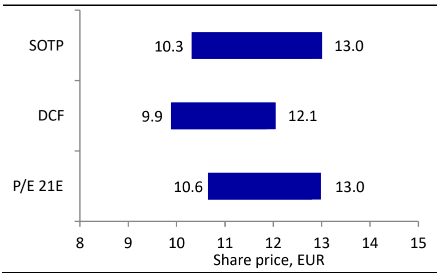
Stock country	Finland
Bloomberg	ASPO FH
Reuters	ASPO.HE
Share price (close)	EUR 11.32
Free Float	88%
Market cap. (bn)	EUR 0.36/EUR 0.36
Website	www.aspo.com
Next report date	27 Oct 2021

PERFORMANCE



Source: Refinitiv

VALUATION APPROACH



Source: Nordea estimates

ESTIMATE CHANGES

Year	2021E	2022E	2023E
Sales	2%	2%	1%
EBIT (adj)	3%	2%	1%

Source: Nordea estimates

Nordea Markets - Analysts
Pasi Väisänen
Senior Analyst

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Analyst

Good market environment should continue

Q2 operating profit and full-year guidance were already pre-announced, eliminating any major excitement from the earnings report on 11 August, but the market environment has been favourable for Aspo and the outlook for H2 2021 is strong. The shipping market has been healthy and the Telko segment improved significantly, hence we forecast a 90% y/y improvement for operating profit this year. After a few challenging years, Aspo is finally reaching its potential within its ESL Shipping and Telko segments. The Leipurin segment has not yet recovered from the pandemic but it should be able to reach EUR 4m annual operating profit in a positive scenario. Based on our new estimates, we calculate a fair value range of EUR 10.3-12.7 (9.7-12.0) per share.

We expect Aspo to raise its guidance midpoint in H2 2021

Net sales amounted to EUR 143m in Q2, 6% above Infront consensus. Operating profit was EUR 9.6m, in line with consensus for Q2. Product mix has been the key to EBIT margin improvements in the Telko segment, but a further margin improvement for Telko may not be on the cards. The company confirmed its full-year guidance and expects EBIT to be EUR 30-36m in 2021; our new EBIT estimate is EUR 36m. Due to a healthy shipping market, the company will likely raise the lower end of its guidance range before the end of the year.

Annual free cash flow could be EUR 45m on average for 2022-23

The company's cash flow was not very strong in Q1 but improved in Q2, despite sales growth and changes in working capital. Cash flow should be better in H2 2021 than it was in H1. Net debt was EUR 167m at the end of June but is not a risk factor. Net gearing will fall below the target of 130% before 2023. Annual EBITDA could be EUR 70m in the future. Taxes, interest expenses, investments, working capital and dividends will take EUR 40m, leaving EUR 30m for debt reduction or additional growth investments.

The valuation does not look challenging in our view

Aspo has already reached its long-term EBIT margin target of 6% and ROE target of 20%, but there is still some room left for a positive surprises in the ESL and Leipurin segments, hence earnings momentum can remain positive. We derive our new fair value range of EUR 10.3-12.7 (9.7-12.0) by equally weighting our DCF, P/E and SOTP valuations. The company's EV/EBIT is 14x 2022E based on our estimates.

SUMMARY TABLE - KEY FIGURES

EURm	2017	2018	2019	2020	2021E	2022E	2023E
Total revenue	502	541	588	501	562	597	617
EBITDA (adj)	36	38	50	48	66	69	71
EBIT (adj)	24	27	21	19	36	38	40
EBIT (adj) margin	4.7%	4.9%	3.6%	3.9%	6.4%	6.4%	6.5%
EPS (adj, EUR)	0.59	0.58	0.42	0.38	0.85	0.95	1.05
EPS (adj) growth	22.7%	-2.1%	-28.3%	-8.9%	123.7%	11.6%	10.4%
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	14.5	13.6	12.6
P/E (adj)	16.8	13.7	18.3	22.1	13.3	11.9	10.8
P/BV	2.8	2.1	2.0	2.3	2.8	2.9	2.5
Dividend yield (ord)	4.3%	5.5%	2.9%	4.2%	4.1%	4.2%	4.4%
FCF Yield bef A&D, lease	-0.1%	-9.1%	13.9%	16.9%	5.7%	8.4%	10.0%
Net debt	117	180	198	170	162	169	148
Net debt/EBITDA	3.3	4.9	4.0	3.5	2.5	2.4	2.1
ROIC after tax	8.9%	8.4%	5.8%	5.6%	10.9%	13.6%	14.1%

Source: Company data and Nordea estimates

Segment estimates

ESTIMATES BY SEGMENT (EURm), QUARTERLY

	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	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	46.0	45.5	46.1
- sales growth	113%	88%	42%	-2%	-2%	-23%	-27%	-9%	2%	40%	44%	12%
EBIT	3.2	2.6	4.4	4.4	2.3	0.6	-0.1	5.1	4.5	5.4	5.0	5.6
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	25.8	26.3	27.1
- sales growth	-14%	-10%	7%	1%	4%	-17%	-19%	-17%	4%	11%	8%	2%
EBIT	0.5	0.6	0.8	1.1	0.6	0.3	0.3	0.2	0.3	0.3	0.4	0.4
EBIT margin	2%	2%	3%	3%	2%	1%	1%	1%	1%	1%	2%	1%
Telko												
Sales	71.9	80.6	74.7	69.8	63.6	59.5	62.5	65.7	61.0	71.1	71.3	71.0
- sales growth	25%	12%	11%	0%	-12%	-26%	-16%	-6%	-4%	19%	14%	8%
EBIT	2.4	2.1	2.4	0.9	2.4	4.2	4.2	4.1	4.5	5.5	5.1	4.8
EBIT margin	3%	3%	3%	1%	4%	7%	7%	6%	7%	8%	7%	7%
Aspo Group												
Sales	141.5	151.2	148.0	147.0	133.2	115.6	118.4	133.5	132.3	142.9	143.0	144.2
- sales growth	23%	14%	9%	-6%	-6%	-24%	-20%	-9%	-1%	24%	21%	8%
EBIT clean	4.9	3.9	6.7	5.4	4.0	4.1	3.6	7.9	7.9	9.6	9.1	9.2
EBIT margin	3.5%	2.6%	4.5%	3.7%	3.0%	3.5%	3.0%	5.9%	6.0%	6.7%	6.3%	6.4%
PTP clean	3.9	3.0	5.4	4.6	2.9	3.0	2.5	6.7	7.0	8.6	7.9	8.0
Net Profit clean	3.5	2.5	4.9	3.8	2.6	2.7	2.0	6.4	6.4	7.8	7.1	7.2
EPS clean, EUR	0.10	0.07	0.15	0.10	0.07	0.08	0.05	0.19	0.19	0.23	0.21	0.21
EPS reported, EUR	0.10	0.12	0.15	0.10	0.07	0.08	0.05	0.19	0.19	0.23	0.21	0.21

Source: Company data and Nordea estimates

ESTIMATES BY SEGMENT (EURm), YEARLY

	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
ESL Shipping										
Sales	85	76	71	79	120	175	148	181	196	201
- sales growth	10%	-11%	-6%	11%	51%	46%	-15%	22%	8%	3%
EBIT	16	15	13	14	17	15	8	20	23	24
EBIT margin	19%	19%	18%	17%	14%	8%	5%	11%	12%	12%
Leipurin										
Sales	135	118	113	122	121	116	101	107	114	118
- sales growth	-1%	-12%	-5%	9%	-1%	-4%	-13%	6%	6%	3%
EBIT	4.4	2.4	2.0	3.6	3.3	3.0	1.4	1.4	2.0	2.1
EBIT margin	3%	2%	2%	3%	3%	3%	1%	1%	2%	2%
Telko										
Sales	227	215	240	262	266	297	251	274	288	298
- sales growth	-1%	-5%	12%	9%	2%	12%	-15%	9%	5%	3%
EBIT	10	10	10	11	12	8	15	20	20	21
EBIT margin	4%	5%	4%	4%	5%	3%	6%	7%	7%	7%
Aspo Group										
Sales	483	446	457	502	541	588	501	562	597	617
- sales growth	1%	-8%	3%	10%	8%	9%	-15%	12%	6%	3%
EBIT clean	25	21	20	24	27	21	19	36	38	40
EBIT margin	5.2%	4.6%	4.5%	4.7%	4.9%	3.6%	3.9%	6.4%	6.4%	6.5%
PTP clean	19	17	17	20	21	17	15	31	35	37
Net Profit clean	19	15	15	18	18	13	12	27	30	33
EPS clean, EUR	0.60	0.50	0.48	0.59	0.58	0.42	0.38	0.85	0.95	1.05
EPS reported, EUR	0.60	0.60	0.48	0.57	0.42	0.47	0.38	0.85	0.95	1.05

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**	**562**	**597**	**617**
Revenue growth	-1.1%	1.4%	-7.6%	2.5%	9.8%	7.7%	8.7%	-14.8%	12.3%	6.2%	3.3%
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	66	69	71
Depreciation and impairments PPE	-11	-11	-13	-12	-12	-12	-29	-29	-30	-30	-31
of which leased assets	0	0	0	0	0	0	-14	-13	-14	-14	-14
EBITA	11	25	21	20	23	25	21	19	36	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	36	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	-4	-3	-3
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**	**31**	**35**	**37**
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	28	32	33
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	27	30	33
EPS, EUR	**0.28**	**0.60**	**0.60**	**0.48**	**0.57**	**0.42**	**0.47**	**0.38**	**0.85**	**0.95**	**1.05**
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%	11.5%	11.5%
EBITA	2.3%	5.2%	4.6%	4.5%	4.6%	4.7%	3.6%	3.9%	6.4%	6.4%	6.5%
EBIT	2.3%	5.2%	4.6%	4.5%	4.6%	3.8%	3.6%	3.9%	6.4%	6.4%	6.5%
Adjusted earnings											
EBITDA (adj)	22	36	33	32	36	38	50	48	66	69	71
EBITA (adj)	11	25	21	20	24	26	21	19	36	38	40
EBIT (adj)	11	25	21	20	24	27	21	19	36	38	40
EPS (adj, EUR)	0.28	0.60	0.50	0.48	0.59	0.58	0.42	0.38	0.85	0.95	1.05
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%	11.5%	11.5%
EBITA (adj)	2.3%	5.2%	4.6%	4.5%	4.7%	4.9%	3.6%	3.9%	6.4%	6.4%	6.5%
EBIT (adj)	2.3%	5.2%	4.6%	4.5%	4.7%	4.9%	3.6%	3.9%	6.4%	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%	4.2%	3.5%	2.7%
EBITDA	-2.8%	8.3%	4.9%	1.5%	10.3%	11.4%	6.6%	7.9%	15.5%	14.5%	13.8%
EBIT	-5.2%	10.2%	2.8%	-1.0%	16.9%	13.8%	-3.3%	-1.3%	11.9%	10.8%	14.1%
EPS	1.2%	12.7%	8.8%	0.8%	10.4%	8.1%	-5.0%	-8.7%	11.9%	10.7%	20.2%
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%	8.8%	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	13.3	11.9	10.8
EV/EBITDA (adj)	13.2	7.8	10.1	11.1	11.9	11.3	8.8	9.0	7.9	7.6	7.1
EV/EBITA (adj)	26.4	11.3	16.2	17.5	17.9	16.4	20.9	22.5	14.5	13.6	12.6
EV/EBIT (adj)	26.4	11.3	16.2	17.5	17.9	16.2	20.9	22.5	14.5	13.6	12.6

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	13.3	11.9	10.8
EV/Sales	0.60	0.58	0.75	0.78	0.85	0.80	0.74	0.87	0.92	0.88	0.82
EV/EBITDA	13.2	7.8	10.1	11.1	12.2	11.6	8.8	9.0	7.9	7.6	7.1
EV/EBITA	26.4	11.3	16.2	17.5	18.5	16.9	20.7	22.5	14.5	13.6	12.6
EV/EBIT	26.4	11.3	16.2	17.5	18.5	20.9	20.7	22.5	14.5	13.6	12.6
Dividend yield (ord.)	3.5%	7.0%	5.5%	5.0%	4.3%	5.5%	2.9%	4.2%	4.1%	4.2%	4.4%
FCF yield	6.8%	2.7%	6.7%	3.9%	-0.1%	-13.9%	18.8%	21.1%	9.5%	12.3%	13.9%
FCF Yield bef A&D, lease adj	6.6%	2.6%	4.5%	3.9%	-0.1%	-9.1%	13.9%	16.9%	5.7%	8.4%	10.0%
Payout ratio	74.3%	66.6%	68.3%	84.7%	75.2%	105.6%	47.3%	92.1%	54.1%	50.6%	47.7%

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	6	6	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	53	60	62
Accounts receivable	58	56	58	60	66	78	75	63	75	79	82
Short-term leased assets	0	0	0	0	0	0	13	14	14	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	30	14	24
Total current assets	134	123	131	139	147	168	168	151	172	167	182
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**	**401**	**391**	**402**
Shareholders equity	103	104	103	115	112	117	122	114	129	125	142
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	129	125	142
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	6
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	153	146	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	75	80	83
Current lease debt	0	0	0	0	0	0	13	13	14	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	119	120	120
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**	**401**	**391**	**402**
Balance sheet and debt metrics											
Net debt	101	105	104	103	117	180	198	170	162	169	148
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	53	59	61
Invested capital	213	216	212	222	234	304	312	274	282	284	281
Capital employed	233	229	231	240	249	316	344	316	321	307	315
ROE	9.1%	17.9%	17.8%	13.8%	15.6%	11.4%	12.3%	10.1%	22.0%	23.5%	24.7%
ROIC	4.2%	9.9%	8.2%	8.0%	8.9%	8.4%	5.8%	5.6%	10.9%	13.6%	14.1%
ROCE	5.0%	11.0%	11.1%	8.7%	9.7%	9.4%	6.3%	5.9%	11.2%	12.3%	12.8%
Net debt/EBITDA	4.7	2.9	3.1	3.2	3.3	4.9	4.0	3.5	2.5	2.4	2.1
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%	32.2%	31.8%	35.4%
Net gearing	98.2%	101.0%	101.4%	89.8%	103.9%	154.5%	162.3%	149.7%	125.7%	135.4%	104.1%

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**	**66**	**69**	**71**
Paid taxes	-3	-2	-2	-2	-3	-2	-3	-3	-3	-4	-4
Net financials	-3	-4	-3	-3	-4	-3	-3	-3	-4	-3	-3
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**	**58**	**62**	**64**
Change in NWC	0	-8	-4	-11	-13	-11	9	23	-11	-6	-2
Cash flow from operations (CFO)	**16**	**22**	**25**	**16**	**17**	**20**	**53**	**65**	**47**	**56**	**62**
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**	**34**	**44**	**49**
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	34	44	49
Free cash flow bef A&D, lease adj	12	5	10	10	0	-23	33	45	20	30	36
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	-3	-16	10
Cash flow metrics											
Capex/D&A	33.9%	n.m.	n.m.	54.3%	n.m.	n.m.	18.9%	24.8%	45.2%	n.m.	n.m.
Capex/Sales	0.8%	3.6%	3.3%	1.4%	3.5%	8.0%	0.9%	1.4%	2.4%	2.0%	2.0%
Key information											
Share price year end (/current)	6	6	8	8	10	8	8	8	11	11	11
Market cap.	186	175	229	253	310	250	240	264	356	356	356
Enterprise value	286	280	333	356	426	430	438	434	518	524	504
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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