12 August 2021

Commissioned research: Suominen - reducing its outlook for 2021

Marketing material commissioned by Suominen

Suominen lowered its outlook for this year due to a slower market and temporary imbalance in nonwovens materials, especially in North America, following the extraordinary peak in demand during the early stages of the pandemic. Also, the volatility in raw materials (which as such is not new information) is a reason for guidance downgrade.

Outlook lowered as demand slows and costs are high

- Suominen lowered its EBITDA outlook for this year due to slowdown in demand for nonwovens and volatility in raw materials prices. The company expects EBITDA to decline from last year (EUR 60.9m).
- Towards the end of Q2, especially among its North American customer base, Suominen claims it started to experience a sudden deceleration of demand, which in combination with extraordinary stockpiling throughout the entire supply chain has created an imbalance of inventories. This has impacted also Suominen's orders. Suominen expects that the demand for its products will recover once this temporary imbalance is cleared, and it anticipates that the recovery will start in Q4.
- Suominen previously expected EBITDA to remain flat. Consensus (Vara Research) EBITDA of EUR 60m is in line with guidance, although we note that the risk has been on the downside due to the steep increase in prices for pulp and other raw materials.
- The steepness in the slowdown in the nonwoven market comes as new information, even if there were indications of demand normalising from extraordinary levels during the pandemic. Raw material cost volatility is as such not new information, we find.
- Suominen will report its Q2 result tomorrow, 13 August, at approximately 09:30 EET.

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021E	2022E	2023E
Total revenue	431	411	459	478	508	526
EBITDA (adj)	26	34	61	61	58	59
EBIT (adj)	5	8	39	41	38	39
EBIT (adj) margin	1.1%	2.0%	8.6%	8.5%	7.4%	7.4%
EPS (adj, EUR)	-0.03	0.00	0.52	0.57	0.48	0.51
EPS (adj) growth	-111.8%	113.1%	13,268.1%	9.2%	-15.0%	5.1%
DPS (ord, EUR)	0.00	0.05	0.20	0.20	0.20	0.20
EV/Sales	0.4	0.5	0.7	0.8	0.7	0.6
EV/EBIT (adj)	41.2	24.8	8.4	9.0	9.2	8.3
P/E (adj)	n.m.	n.m.	9.8	10.9	12.9	12.2
P/BV	0.9	1.0	2.0	2.2	2.0	1.8
Dividend yield (ord)	0.0%	2.2%	3.9%	3.2%	3.2%	3.2%
FCF Yield bef A&D, lease adj	14.7%	14.6%	15.6%	9.0%	9.0%	9.6%
Net debt	71	69	37	5	-16	-39
Net debt/EBITDA	2.8	2.0	0.6	0.1	-0.3	-0.7
ROIC after tax	1.6%	2.9%	14.5%	16.0%	15.5%	16.4%

Source: Company data and Nordea estimates

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