28 October 2021

Commissioned research: Suominen – Q3 result weak, but full-year guidance suggests small upside to Q4 expectations as demand recovering

Marketing material commissioned by Suominen

In the quarter affected by destocking-driven slowdown in demand and high input costs, Suominen EBITDA declined to EUR 4.2m, to a lower level than EUR 9m expected by consensus, but the company started to see recovery towards the end of the quarter and sees Q4 volumes to be back at reasonable levels. With EBITDA guidance calibrated to EUR 47-53m for this year, there could be some downside to full-year consensus 2021, but taking into account the shortfall in Q3, the mid-point of guidance of EUR 50m for 2021 means a small (EUR 2m) upside to Q4 expectations.

Q3 comparable EBITDA sank to EUR 4m as demand was affected by destocking

- Suominen reported Q3 21 comparable EBITDA EUR 4m of, below Vara consensus of EUR 9m, as sales of EUR 99m were in line with consensus. Q3 was affected by destocking in nonwovens and volatility in input and transport costs.

- Management gave a more defined guidance, and foresees 2021 comparable EBITDA to amount to EUR 47–53m (earlier Suominen guided EBITDA to decline from EUR 60.9m in 2020; consensus EBITDA for 2021 is EUR 53m). The slowdown in nonwovens demand appears to have been short-term, as management anticipated, as demand started to recover towards the end of Q3, which is encouraging.

- Suominen foresees Q4 volumes to be slightly lower than in Q2 2021, but clearly above the pre-pandemic levels. Consensus for this year likely to decrease by some 5%, but it is encouraging that the earnings look to be on a recovery mode.

SUOMINEN: DEVIATION TABLE

EURm	Actual Q3 21	NDA est. Q3 21E	Deviation vs. actual		Consensus Q3 21E	Deviation vs. actual		Actual Q2 21	q/q	Actual Q3/20	y/y
Sales	98.7	108.1	-9.4	-9%	100.0	-1.3	-1%	113.6	-13%	115.4	-14%
Comparable EBITDA	4.2	8.9	-4.7	-53%	9.0	-4.8	-54%	15.3	-73%	18.1	-77%
EBITDA margin	4.3%	8.2%		-4.0pp	9.0%		-4.8pp	13.5%	-9.2pp	15.7%	-11.4pp
Comparable operating profit	-0.8	3.8	-4.6	n.a.	4.0	-4.8	n.a.	10.3	n.a.	12.9	n.a.
Operating margin	-0.8%	3.5%		-4.3pp	4.0%		-4.8pp	9.1%	-9.9pp	11.2%	-12.0pp
EPS	-0.03	0.04	-0.07	n.a.	0.04	-0.07	n.a.	0.11	n.a.	0.19	n.a.

Source: Company data, Vara Research and Nordea estimates

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021E	2022E	2023E
Total revenue	431	411	459	450	478	495
EBITDA (adj)	26	34	61	53	55	56
EBIT (adj)	5	8	39	32	35	36
EBIT (adj) margin	1.1%	2.0%	8.6%	7.2%	7.3%	7.4%
EPS (adj, EUR)	-0.03	0.00	0.52	0.44	0.45	0.47
EPS (adj) growth	-111.8%	113.1%	13,268.1%	-16.3%	2.7%	6.0%
DPS (ord, EUR)	0.00	0.05	0.20	0.20	0.20	0.20
EV/Sales	0.4	0.5	0.7	0.7	0.6	0.5
EV/EBIT (adj)	41.2	24.8	8.4	9.1	8.0	7.1
P/E (adj)	n.m.	n.m.	9.8	11.0	10.7	10.1
P/BV	0.9	1.0	2.0	1.8	1.6	1.5
Dividend yield (ord)	0.0%	2.2%	3.9%	4.2%	4.2%	4.2%
FCF Yield bef A&D, lease adj	14.7%	14.6%	15.6%	7.2%	10.8%	11.7%
Net debt	71	69	37	17	-2	-23
Net debt/EBITDA	2.8	2.0	0.6	0.3	0.0	-0.4
ROIC after tax	1.6%	2.9%	14.5%	12.7%	14.3%	15.3%

Source: Company data and Nordea estimates

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