Aspo

Business Services
Finland

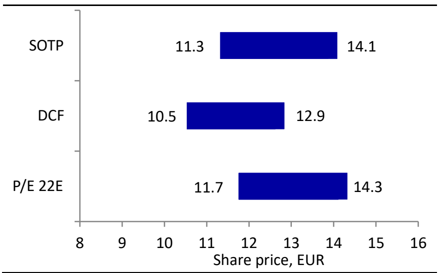
KEY DATA

Stock country	Finland
Bloomberg	ASPO FH
Reuters	ASPO.HE
Share price (close)	EUR 10.78
Free Float	88%
Market cap. (bn)	EUR 0.34/EUR 0.34
Website	www.aspo.com
Next report date	16 Feb 2022

PERFORMANCE

Source: Refinitiv

VALUATION APPROACH



Source: Nordea estimates

ESTIMATE CHANGES

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

Source: Nordea estimates

Nordea Markets - Analysts
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Sales growth set as a focus area

At its CMD event on 1 December, Aspo kept its 2021 EBIT guidance unchanged but upgraded its long-term EBIT margin guidance to 8% (6% previously). A sales growth target, which has been missing from guidance, was also introduced at 5-10%. Small acquisitions will be used to support revenue growth in Telko. Aspo is also seeking a new business segment that can offer an organic growth platform in the long term. Based on our estimates, we calculate a fair value range of EUR 11.2-13.8 per share based on equally weighted DCF, P/E and SOTP valuations.

Acquisitions will be made in Western Europe

Eastern markets are now 26% of revenue and declining. Dividends could take priority over growth investments, however, which means that potential M&A firepower could be only EUR 20-40m. Net gearing including the hybrid is already 147%, putting a limit on a compounder story, and we have not included unannounced acquisitions in our estimates. ESL Shipping has set its focus on smaller vessels, hence two Supramax vessels could be sold to acquire resources for growth investments. The divestments of Kauko and Vulganus are not enough to solve the debt issue.

ESL Shipping is the stronghold

Growth investments will go to ESL Shipping and Telko. The Leipurin segment will concentrate on reaching a 5% operating profit margin, which may not happen in the near future. Continuous margin improvements at Telko could be tough because the operating profit margin is already 8%, but the ESL Shipping segment is on its way to reaching its full potential. High utilisation ratios can hinder growth, so ESL Shipping has ordered new vessels. The financing of new vessels (EUR 70m) could partly happen via ownership pooling, leaving resources for other group-level investments.

We expect positive momentum will remain in the short term

The Baltic Dry Index has come down but is still higher than the historic average. We do not believe Aspo's clean EBIT guidance for 2021 is challenging. The company's EPS potential is easily EUR 1.20 in the medium-term if restructuring projects and growth investments materialise. We derive our current fair value range of EUR 11.2-13.8 by equally weighting our DCF, P/E and SOTP valuations. The company's EV/EBIT is 12x 2022E based on our estimates.

SUMMARY TABLE - KEY FIGURES

EURm	2017	2018	2019	2020	2021E	2022E	2023E
Total revenue	502	541	588	501	575	617	637
EBITDA (adj)	36	38	50	52	74	72	74
EBIT (adj)	24	27	21	19	41	41	43
EBIT (adj) margin	4.7%	4.9%	3.6%	3.9%	7.1%	6.7%	6.7%
EPS (adj, EUR)	0.59	0.58	0.42	0.38	1.01	1.04	1.14
EPS (adj) growth	22.7%	-2.1%	-28.3%	-8.9%	165.0%	3.2%	9.8%
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	0.8	0.8
EV/EBIT (adj)	17.9	16.2	20.9	22.5	12.1	12.4	11.9
P/E (adj)	16.8	13.7	18.3	22.1	10.7	10.4	9.5
P/BV	2.8	2.1	2.0	2.3	2.6	2.7	2.3
Dividend yield (ord)	4.3%	5.5%	2.9%	4.2%	4.3%	4.5%	4.6%
FCF Yield bef A&D, lease	-0.1%	-9.1%	13.9%	16.9%	6.8%	6.2%	5.2%
Net debt	117	180	198	170	160	175	172
Net debt/EBITDA	3.3	4.9	4.0	3.3	2.3	2.4	2.3
ROIC after tax	8.9%	8.4%	5.8%	5.6%	12.6%	14.5%	14.3%

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 21	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	47.3	49.2
- sales growth	113%	88%	42%	-2%	-2%	-23%	-27%	-9%	2%	40%	50%	20%
EBIT	3.2	2.6	4.4	4.4	2.3	0.6	-0.1	5.1	4.5	5.4	7.1	6.9
EBIT margin	7%	6%	10%	10%	5%	2%	0%	12%	10%	12%	15%	14%
Leipurin												
Sales	25.9	28.0	29.9	31.9	26.9	23.2	24.3	26.6	27.9	25.8	27.7	28.5
- sales growth	-14%	-10%	7%	1%	4%	-17%	-19%	-17%	4%	11%	14%	7%
EBIT	0.5	0.6	0.8	1.1	0.6	0.3	0.3	0.2	0.3	0.3	0.6	0.3
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	73.0	74.2
- sales growth	25%	12%	11%	0%	-12%	-26%	-16%	-6%	-4%	19%	17%	13%
EBIT	2.4	2.1	2.4	0.9	2.4	4.2	4.2	4.1	4.5	5.5	5.9	5.2
EBIT margin	3%	3%	3%	1%	4%	7%	7%	6%	7%	8%	8%	7%
Aspo Group												
Sales	141.5	151.2	148.0	147.0	133.2	115.6	118.4	133.5	132.3	142.9	148.0	151.9
- sales growth	23%	14%	9%	-6%	-6%	-24%	-20%	-9%	-1%	24%	25%	14%
EBIT clean	4.9	3.9	6.7	5.4	4.0	4.1	3.6	7.9	7.9	9.6	12.8	10.8
EBIT margin	3.5%	2.6%	4.5%	3.7%	3.0%	3.5%	3.0%	5.9%	6.0%	6.7%	8.6%	7.1%
PTP clean	3.9	3.0	5.4	4.6	2.9	3.0	2.5	6.7	7.0	8.6	11.8	9.6
Net Profit clean	3.5	2.5	4.9	3.8	2.6	2.7	2.0	6.4	6.4	7.8	10.6	8.6
EPS clean, EUR	0.10	0.07	0.15	0.10	0.07	0.08	0.05	0.19	0.19	0.23	0.32	0.26
EPS reported, EUR	0.10	0.12	0.15	0.10	0.07	0.08	0.05	0.19	0.19	0.23	0.16	0.26

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	186	203	209
- sales growth	10%	-11%	-6%	11%	51%	46%	-15%	25%	9%	3%
EBIT	16	15	13	14	17	15	8	24	25	26
EBIT margin	19%	19%	18%	17%	14%	8%	5%	13%	12%	12%
Leipurin										
Sales	135	118	113	122	121	116	101	110	115	119
- sales growth	-1%	-12%	-5%	9%	-1%	-4%	-13%	9%	5%	3%
EBIT	4.4	2.4	2.0	3.6	3.3	3.0	1.4	1.5	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	279	299	309
- sales growth	-1%	-5%	12%	9%	2%	12%	-15%	11%	7%	3%
EBIT	10	10	10	11	12	8	15	21	21	21
EBIT margin	4%	5%	4%	4%	5%	3%	6%	8%	7%	7%
Aspo Group										
Sales	483	446	457	502	541	588	501	575	617	637
- sales growth	1%	-8%	3%	10%	8%	9%	-15%	15%	7%	3%
EBIT clean	25	21	20	24	27	21	19	41	41	43
EBIT margin	5.2%	4.6%	4.5%	4.7%	4.9%	3.6%	3.9%	7.1%	6.7%	6.7%
PTP clean	19	17	17	20	21	17	15	37	38	40
Net Profit clean	19	15	15	18	18	13	12	32	33	36
EPS clean, EUR	0.60	0.50	0.48	0.59	0.58	0.42	0.38	1.01	1.04	1.14
EPS reported, EUR	0.60	0.60	0.48	0.57	0.42	0.47	0.38	0.84	1.04	1.14

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**	**575**	**617**	**637**
Revenue growth	-1.1%	1.4%	-7.6%	2.5%	9.8%	7.7%	8.7%	-14.8%	14.9%	7.3%	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	52	69	72	74
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	23	39	41	43
Amortisation and impairments	0	0	0	0	0	-5	0	-3	-3	0	0
EBIT	11	25	21	20	23	21	21	19	36	41	43
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**	**32**	**38**	**40**
Reported taxes	2	-1	-2	-2	-2	-2	-2	-1	-4	-4	-4
Net profit from continued operations	9	19	18	15	18	13	16	13	28	34	36
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	26	33	36
EPS, EUR	**0.28**	**0.60**	**0.60**	**0.48**	**0.57**	**0.42**	**0.47**	**0.38**	**0.84**	**1.04**	**1.14**
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%	10.3%	12.0%	11.6%	11.5%
EBITA	2.3%	5.2%	4.6%	4.5%	4.6%	4.7%	3.6%	4.5%	6.8%	6.7%	6.7%
EBIT	2.3%	5.2%	4.6%	4.5%	4.6%	3.8%	3.6%	3.9%	6.2%	6.7%	6.7%
Adjusted earnings											
EBITDA (adj)	22	36	33	32	36	38	50	52	74	72	74
EBITA (adj)	11	25	21	20	24	26	21	23	44	41	43
EBIT (adj)	11	25	21	20	24	27	21	19	41	41	43
EPS (adj, EUR)	0.28	0.60	0.50	0.48	0.59	0.58	0.42	0.38	1.01	1.04	1.14
Adjusted profit margins in percent											
EBITDA (adj)	4.5%	7.5%	7.4%	7.0%	7.1%	7.0%	8.4%	10.3%	12.9%	11.6%	11.5%
EBITA (adj)	2.3%	5.2%	4.6%	4.5%	4.7%	4.9%	3.6%	4.5%	7.7%	6.7%	6.7%
EBIT (adj)	2.3%	5.2%	4.6%	4.5%	4.7%	4.9%	3.6%	3.9%	7.1%	6.7%	6.7%
Performance metrics											
CAGR last 5 years											
Net revenue	5.9%	8.0%	2.4%	-0.8%	0.8%	2.6%	4.0%	2.3%	4.7%	4.2%	3.3%
EBITDA	-2.8%	8.3%	4.9%	1.5%	10.3%	11.4%	6.6%	9.3%	16.6%	15.4%	14.7%
EBIT	-5.2%	10.2%	2.8%	-1.0%	16.9%	13.8%	-3.3%	-1.3%	12.0%	12.4%	15.9%
EPS	1.2%	12.7%	8.8%	0.8%	10.4%	8.1%	-5.0%	-8.7%	11.7%	12.7%	22.3%
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%	4.9%	5.5%
Average EBITDA margin	5.7%	5.8%	6.0%	6.2%	6.7%	7.1%	7.4%	7.9%	9.0%	9.9%	10.8%

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	10.7	10.4	9.5
EV/EBITDA (adj)	13.2	7.8	10.1	11.1	11.9	11.3	8.8	8.4	6.7	7.2	6.9
EV/EBITA (adj)	26.4	11.3	16.2	17.5	17.9	16.4	20.9	19.1	11.2	12.4	11.9
EV/EBIT (adj)	26.4	11.3	16.2	17.5	17.9	16.2	20.9	22.5	12.1	12.4	11.9

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	12.8	10.4	9.5
EV/Sales	0.60	0.58	0.75	0.78	0.85	0.80	0.74	0.87	0.87	0.83	0.80
EV/EBITDA	13.2	7.8	10.1	11.1	12.2	11.6	8.8	8.4	7.2	7.2	6.9
EV/EBITA	26.4	11.3	16.2	17.5	18.5	16.9	20.7	19.1	12.7	12.4	11.9
EV/EBIT	26.4	11.3	16.2	17.5	18.5	20.9	20.7	22.5	13.9	12.4	11.9
Dividend yield (ord.)	3.5%	7.0%	5.5%	5.0%	4.3%	5.5%	2.9%	4.2%	4.3%	4.5%	4.6%
FCF yield	6.8%	2.7%	6.7%	3.9%	-0.1%	-13.9%	18.8%	21.1%	10.8%	10.2%	9.3%
FCF Yield bef A&D, lease adj	6.6%	2.6%	4.5%	3.9%	-0.1%	-9.1%	13.9%	16.9%	6.8%	6.2%	5.2%
Payout ratio	74.3%	66.6%	68.3%	84.7%	75.2%	105.6%	47.3%	92.1%	54.6%	46.2%	43.9%

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	52	52	52
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	5	5	5
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	178	194
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	226	232	248
Inventory	48	47	48	57	61	71	56	42	55	62	64
Accounts receivable	58	56	58	60	66	78	75	63	76	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	24	15	18
Total current assets	134	123	131	139	147	168	168	151	169	170	178
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**	**395**	**402**	**426**
Shareholders equity	103	104	103	115	112	117	122	114	129	127	148
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	127	148
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	120	130	133
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	131	141	144
Short-term provisions	0	0	0	1	1	0	0	0	0	0	0
Accounts payable	60	62	68	64	67	76	61	64	78	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	43	40	37
Total current liabilities	105	111	81	74	96	105	133	110	134	134	133
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**	**395**	**402**	**426**
Balance sheet and debt metrics											
Net debt	101	105	104	103	117	180	198	170	160	175	172
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	60	62
Invested capital	213	216	212	222	234	304	312	274	279	293	310
Capital employed	233	229	231	240	249	316	344	316	312	317	338
ROE	9.1%	17.9%	17.8%	13.8%	15.6%	11.4%	12.3%	10.1%	21.9%	25.5%	26.1%
ROIC	4.2%	9.9%	8.2%	8.0%	8.9%	8.4%	5.8%	5.6%	12.6%	14.5%	14.3%
ROCE	5.0%	11.0%	11.1%	8.7%	9.7%	9.4%	6.3%	5.9%	13.1%	13.2%	13.1%
Net debt/EBITDA	4.7	2.9	3.1	3.2	3.3	4.9	4.0	3.3	2.3	2.4	2.3
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%	32.7%	31.6%	34.8%
Net gearing	98.2%	101.0%	101.4%	89.8%	103.9%	154.5%	162.3%	149.7%	123.7%	137.4%	116.3%

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**	**52**	**69**	**72**	**74**
Paid taxes	-3	-2	-2	-2	-3	-2	-3	-3	-4	-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	-3	0	0	0
Funds from operations (FFO)	**16**	**30**	**29**	**27**	**30**	**31**	**43**	**42**	**61**	**65**	**66**
Change in NWC	0	-8	-4	-11	-13	-11	9	23	-11	-8	-2
Cash flow from operations (CFO)	**16**	**22**	**25**	**16**	**17**	**20**	**53**	**65**	**50**	**57**	**64**
Capital expenditure	-4	-17	-15	-6	-18	-43	-5	-7	-14	-22	-33
Free cash flow before A&D	**12**	**5**	**10**	**10**	**0**	**-23**	**47**	**58**	**37**	**35**	**32**
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	37	35	32
Free cash flow bef A&D, lease adj	12	5	10	10	0	-23	33	45	23	21	18
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	-19	7	0
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	-9	-8	3
Cash flow metrics											
Capex/D&A	33.9%	n.m.	n.m.	54.3%	n.m.	n.m.	18.9%	22.2%	40.8%	n.m.	n.m.
Capex/Sales	0.8%	3.6%	3.3%	1.4%	3.5%	8.0%	0.9%	1.4%	2.3%	3.6%	5.1%
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	339	339	339
Enterprise value	286	280	333	356	426	430	438	434	498	514	511
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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