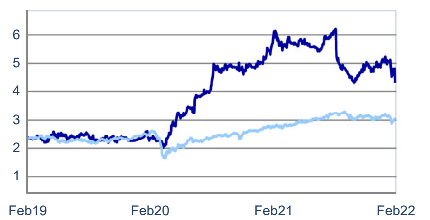
Suominen

Consumer Goods
Finland

KEY DATA

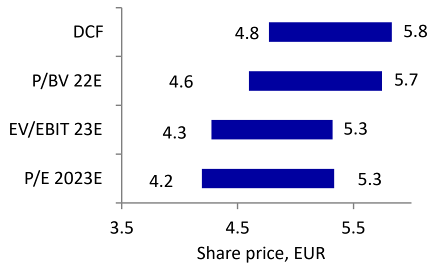
Stock country	Finland
Bloomberg	SUY1V FH
Reuters	SUY1V.HE
Share price (close)	EUR 4.33
Free Float	76%
Market cap. (bn)	EUR 0.25/EUR 0.25
Website	www.suominen.fi
Next report date	04 May 2022

PERFORMANCE



Suominen Oyj
Finland OMX Helsinki All-Share (Rebased)
Source: Refinitiv

VALUATION APPROACH



Source: Nordea estimates

ESTIMATE CHANGES

Year	2022E	2023E	2024E
Sales	-1%	1%	2%
EBIT (adj)	-35%	-16%	6%

Source: Nordea estimates

Nordea Markets - Analysts
Harri Taittonen
Director

Weak Q1 likely followed by margin recovery

We cut our 2022 EBITDA estimate by 20% to reflect company guidance that Q1 will be affected by destocking and high costs. Following the squeeze, we anticipate a margin recovery in Q2 and H2 2022.

Q4 EBITDA of EUR 9m, affected by increase in costs

Suominen's Q4 2021 comparable EBITDA of EUR 9.0m improved clearly from the previous quarter but came in 28% below consensus (Vara Research) of EUR 12.6m. EBITDA was affected by higher cost escalation than expected, as sales of EUR 116m were slightly ahead of consensus of EUR 113m. Organic growth was 2%, showing an improvement from the negative growth of 14% in Q3. Organic growth for the full year was -1%, in contrast to the rapid growth in 2020 during the first phase of the pandemic. A dividend of EUR 0.20 was proposed (consensus: EUR 0.17).

Guidance for lower EBITDA in 2022 due to destocking in Q1

Suominen introduced guidance for 2022 comparable EBITDA to decrease from EUR 47m in 2021 (consensus EBITDA for 2022 was EUR 53m before the results were published). Inventory levels are still high for some customers, mainly in the US, and supply chain challenges will affect earnings in Q1 2022 in particular. However, management expects the demand for Suominen's products to stabilise from Q2 2022, as it expects end-consumer demand to remain above pre-pandemic levels.

Cost increases continue to affect Q1 2022

COGS accounted for 89% of sales in 2021, compared to 85% in 2020. Earnings will continue to be affected by the lag in sales prices compared to the rising costs of raw material, energy and logistics in Q1 2022. So far this year, costs are still rising, especially for logistics. Pulp costs are stabilising or easing, while viscose prices are still appreciating.

2022E EBITDA cut by 20%

We lower our EBITDA estimates by 20% for 2022 and by 9% for 2023 to reflect the new guidance and as we assume a margin recovery after the weak start to the year. While cost increases are moderating after a steep inflationary period, sales prices are likely to rise with a lag of three to six months from changes in costs. We estimate a fair value range of EUR 4.3-5.5, based on a combination of our four valuation approaches (DCF, 2022E P/BV, 2023E EV/EBIT and 2023E P/E).

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021	2022E	2023E	2024E
Total revenue	431	411	459	443	474	498	509
EBITDA (adj)	26	34	61	47	43	50	55
EBIT (adj)	5	8	39	27	23	30	35
EBIT (adj) margin	1.1%	2.0%	8.6%	6.1%	4.8%	6.1%	7.0%
EPS (adj, EUR)	-0.03	0.00	0.52	0.36	0.27	0.38	0.45
EPS (adj) growth	-111.8%	113.1%	3,268.1%	-31.6%	-23.6%	40.1%	19.3%
DPS (ord, EUR)	0.00	0.05	0.20	0.20	0.20	0.22	0.23
EV/Sales	0.4	0.5	0.7	0.8	0.6	0.6	0.5
EV/EBIT (adj)	41.2	24.8	8.4	13.0	12.9	9.1	7.2
P/E (adj)	n.m.	n.m.	9.8	14.6	15.9	11.4	9.5
P/BV	0.9	1.0	2.0	1.8	1.5	1.4	1.3
Dividend yield (ord)	0.0%	2.2%	3.9%	3.9%	4.6%	5.1%	5.3%
FCF Yield bef A&D, lease	14.7%	14.6%	15.6%	-2.2%	7.7%	11.3%	13.7%
Net debt	71	69	37	50	42	25	3
Net debt/EBITDA	2.8	2.0	0.6	1.1	1.0	0.5	0.1
ROIC after tax	1.6%	2.9%	14.5%	9.7%	7.9%	10.8%	13.0%

Source: Company data and Nordea estimates

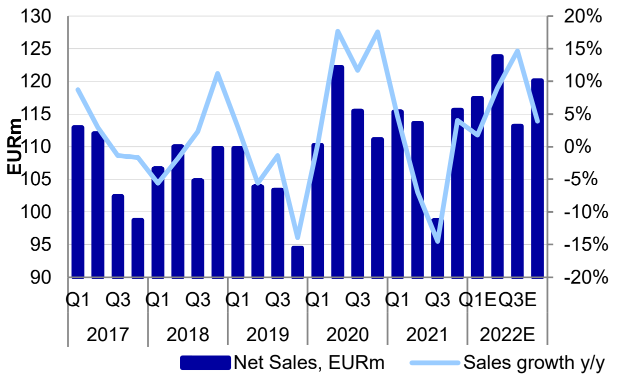
Q4 2021 results

Q4 2021 RESULTS VS EXPECTATIONS

	Actual	NDA est.	Deviation		Consensus	Deviation		Actual		Actual	
EURm	Q4 21	Q4 21E	vs. actual		Q4 21E	vs. actual		Q3 21	q/q	Q4/20	y/y
Sales	115.6	122.4	-6.8	-6%	113.1	2.5	2%	98.7	17%	111.1	4%
Comparable EBITDA	9.0	11.7	-2.7	-23%	12.6	-3.6	-28%	4.2	114%	13.5	-34%
EBITDA margin	7.8%	9.5%		-1.8pp	11.1%		-3.3pp	4.3%	3.5pp	12.2%	-4.4pp
Comparable operating profit	3.9	6.6	-2.7	n.a.	7.1	-3.2	-45%	-0.8	n.a.	8.5	-54%
Operating margin	3.4%	5.4%		-2.0pp	6.2%		-2.9pp	-0.8%	4.2pp	7.7%	-4.3pp
EPS	0.04	0.08	-0.04	n.a.	0.09	-0.04	-50%	-0.03	n.a.	0.13	n.a.

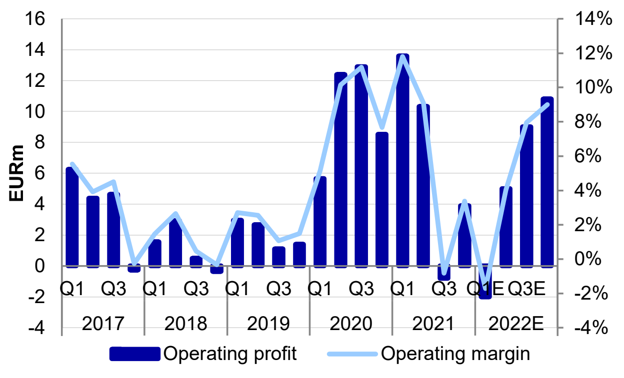
Source: Vara Research and Nordea estimates

QUARTERLY SALES (EURm) AND SALES GROWTH Y/Y (%)



Source: Company data and Nordea estimates

QUARTERLY EBIT (EURm) AND OPERATING MARGIN (%)



Source: Company data and Nordea estimates

OPERATING PROFIT BRIDGE (EURm), 2022-24E

Bridge

	2022E	2023E	2024E
EURm			
Previous EBIT	26.9	22.8	30.5
Volume	0.6	3.7	2.0
Price	17.7	12.4	5.0
Cost inflation	-23.7	-8.4	-2.0
Currency	0.7	0.0	0.0
Structural	0.0	0.0	0.0
Savings through efficiencies	0.5	0.0	0.0
Change in EBIT	-4.1	7.6	5.0
Current year EBIT	22.8	30.5	35.5
Change y/y	8%	34%	16%

Source: Nordea estimates

EARNINGS REVISIONS

	2021 actual and new estimates				Old estimates				Difference %			
EURm	Q4 21	2021	2022E	2023E	Q4 21E	2021E	2022E	2023E	Q4 21E	2021E	2022E	2023E
Sales	116	443	474	498	122	450	486	510	-6%	-2%	-2%	-2%
Comparable EBITDA	9	47	43	50	12	50	53	55	-23%	-5%	-20%	-9%
EBITDA margin	8%	11%	9%	10%	10%	11%	11%	11%	-1.8pp	-0.4pp	-1.9pp	-0.7pp
Comparable op profit	4	27	23	30	7	30	35	36	-41%	-9%	-35%	-16%
Operating margin	3.4%	6.1%	4.8%	6.1%	5.4%	6.6%	6.9%	6.9%	-2.0pp	-0.5pp	-2.0pp	-0.8pp
Pre-tax profit	3	27	20	28	6	30	32	34	-52%	-10%	-36%	-17%
EPS	0.04	0.36	0.27	0.38	0.08	0.39	0.43	0.46	-45%	-9%	-36%	-17%
DPS		0.20	0.20	0.22		0.20	0.20	0.20		0%	0%	10%
Sales volume growth	-2%	-2%	0%	2%	6%	-2%	2%	2%	-7.6pp	0.0pp	-2.0pp	0.6pp
ASP growth	4%	1%	4%	3%	3%	2%	4%	2%	0.2pp	-1.9pp	0.4pp	0.6pp
Structural growth		0%	0%	0%		0%	0%	0%	0.0pp	0.0pp	0.0pp	0.0pp
Currency		-2%	3%	0%		-3%	2%	1%		0.4pp	0.7pp	-1.0pp
Raw material price inflation		6.4 %	7.7 %	2.0 %		6.4 %	5.4 %	3.0 %		0.0pp	2.3pp	-1.0pp

Source: Company data and Nordea estimates

Reported numbers and forecasts

INCOME STATEMENT											
EURm	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
Total revenue	**402**	**444**	**417**	**426**	**431**	**411**	**459**	**443**	**474**	**498**	**509**
Revenue growth	-9.4%	10.5%	-6.1%	2.2%	1.2%	-4.6%	11.5%	-3.4%	7.1%	5.0%	2.2%
of which organic	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%
of which FX	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%
EBITDA	41	49	44	34	26	34	61	47	43	50	55
Depreciation and impairments PPE	-16	-18	-18	-19	-21	-26	-21	-20	-20	-20	-20
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
EBITA	26	32	26	15	5	8	39	27	23	30	35
Amortisation and impairments	0	0	0	0	0	0	0	0	0	0	0
EBIT	26	32	26	15	5	8	39	27	23	30	35
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	-8	-5	-3	-3	-6	-6	-6	0	-3	-2	-2
of which lease interest	0	0	0	0	0	0	0	0	0	0	0
Changes in value, net	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	**18**	**26**	**22**	**12**	**-1**	**2**	**34**	**27**	**20**	**28**	**34**
Reported taxes	-8	-9	-7	2	-1	-2	-4	-6	-4	-6	-7
Net profit from continued operations	10	17	15	14	-2	0	30	21	16	22	26
Discontinued operations	-5	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	5	17	15	14	-2	0	30	21	16	22	26
EPS, EUR	**0.10**	**0.34**	**0.30**	**0.25**	**-0.03**	**0.00**	**0.52**	**0.36**	**0.27**	**0.38**	**0.45**
DPS, EUR	0.01	0.02	0.11	0.11	0.00	0.05	0.20	0.20	0.20	0.22	0.23
of which ordinary	0.01	0.02	0.11	0.11	0.00	0.05	0.20	0.20	0.20	0.22	0.23
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	10.3%	11.1%	10.6%	8.1%	5.9%	8.2%	13.3%	10.6%	9.0%	10.1%	10.9%
EBITA	6.4%	7.1%	6.1%	3.5%	1.1%	2.0%	8.6%	6.1%	4.8%	6.1%	7.0%
EBIT	6.4%	7.1%	6.1%	3.5%	1.1%	2.0%	8.6%	6.1%	4.8%	6.1%	7.0%
Adjusted earnings											
EBITDA (adj)	41	49	44	34	26	34	61	47	43	50	55
EBITA (adj)	26	32	26	15	5	8	39	27	23	30	35
EBIT (adj)	26	32	26	15	5	8	39	27	23	30	35
EPS (adj, EUR)	0.10	0.34	0.30	0.25	-0.03	0.00	0.52	0.36	0.27	0.38	0.45
Adjusted profit margins in percent											
EBITDA (adj)	10.3%	11.1%	10.6%	8.1%	5.9%	8.2%	13.3%	10.6%	9.0%	10.1%	10.9%
EBITA (adj)	6.4%	7.1%	6.1%	3.5%	1.1%	2.0%	8.6%	6.1%	4.8%	6.1%	7.0%
EBIT (adj)	6.4%	7.1%	6.1%	3.5%	1.1%	2.0%	8.6%	6.1%	4.8%	6.1%	7.0%
Performance metrics											
CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	-1.3%	-0.6%	0.5%	0.7%	1.2%	2.2%	2.9%	4.4%
EBITDA	n.m.	n.m.	n.m.	3.8%	-5.4%	-4.1%	4.3%	1.3%	4.5%	14.5%	10.5%
EBIT	n.a.	n.a.	n.a.	6.3%	-23.3%	-20.7%	4.5%	1.0%	8.7%	46.0%	34.2%
EPS	n.a.	n.a.	n.a.	n.m.	n.m.	-47.9%	9.0%	3.5%	1.5%	n.m.	159.1%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	0.0%	14.9%	12.7%	12.7%	n.m.	35.7%
Average last 5 years											
Average EBIT margin	n.a.	n.a.	5.2%	5.4%	4.9%	4.0%	4.3%	4.3%	4.6%	5.6%	6.5%
Average EBITDA margin	n.a.	n.a.	9.1%	9.5%	9.2%	8.8%	9.3%	9.3%	9.5%	10.3%	10.8%

VALUATION RATIOS - ADJUSTED EARNINGS											
EURm	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
P/E (adj)	40.1	18.4	13.8	17.5	n.m.	n.m.	9.8	14.6	15.9	11.4	9.5
EV/EBITDA (adj)	5.7	7.0	6.1	9.7	7.4	6.0	5.5	7.5	6.9	5.5	4.6
EV/EBITA (adj)	9.2	10.9	10.5	22.3	41.2	24.8	8.4	13.0	12.9	9.1	7.2
EV/EBIT (adj)	9.2	10.9	10.5	22.3	41.2	24.8	8.4	13.0	12.9	9.1	7.2

VALUATION RATIOS - REPORTED EARNINGS											
EURm	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
P/E	40.1	18.4	13.8	17.5	n.m.	n.m.	9.8	14.6	15.9	11.4	9.5
EV/Sales	0.59	0.78	0.64	0.79	0.44	0.49	0.73	0.79	0.62	0.56	0.50
EV/EBITDA	5.7	7.0	6.1	9.7	7.4	6.0	5.5	7.5	6.9	5.5	4.6
EV/EBITA	9.2	10.9	10.5	22.3	41.2	24.8	8.4	13.0	12.9	9.1	7.2
EV/EBIT	9.2	10.9	10.5	22.3	41.2	24.8	8.4	13.0	12.9	9.1	7.2
Dividend yield (ord.)	1.2%	1.6%	2.7%	2.5%	0.0%	2.2%	3.9%	3.9%	4.6%	5.1%	5.3%
FCF yield	5.1%	1.6%	-10.0%	-4.6%	14.7%	14.6%	15.6%	-1.4%	7.7%	11.3%	13.7%
FCF Yield bef A&D, lease adj	14.7%	1.6%	-10.0%	-4.6%	14.7%	14.6%	15.6%	-2.2%	7.7%	11.3%	13.7%
Payout ratio	49.5%	29.6%	36.6%	43.6%	0.0%	1,284.7%	38.4%	56.2%	73.5%	57.7%	50.6%

Source: Company data and Nordea estimates

BALANCE SHEET

EURm	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
Intangible assets	28	29	30	33	37	36	32	29	29	29	29
of which R&D	0	0	0	0	0	0	0	0	0	0	0
of which other intangibles	13	13	14	17	21	20	17	13	13	13	13
of which goodwill	16	16	16	16	16	15	15	15	15	15	15
Tangible assets	89	98	136	137	129	136	122	131	121	111	102
of which leased assets	0	0	0	0	0	14	18	16	16	16	16
Shares associates	0	0	0	0	0	0	0	0	0	0	0
Interest bearing assets	8	8	7	3	3	4	4	0	0	0	0
Deferred tax assets	6	4	3	5	3	2	4	2	2	2	2
Other non-IB non-current assets	1	1	1	1	1	1	1	0	0	0	0
Other non-current assets	3	2	3	2	1	0	0	0	0	0	0
Total non-current assets	134	142	179	180	174	178	164	162	152	142	132
Inventory	32	33	43	44	52	39	35	50	53	56	57
Accounts receivable	52	52	54	58	58	47	51	65	70	74	75
Short-term leased assets	0	0	0	0	0	0	0	0	0	0	0
Other current assets	7	10	11	16	9	8	9	8	9	9	9
Cash and bank	38	56	30	27	28	38	58	101	94	96	103
Total current assets	130	150	137	145	147	132	154	225	226	234	244
Assets held for sale	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total assets	**264**	**292**	**316**	**326**	**321**	**310**	**317**	**387**	**378**	**377**	**377**
Shareholders equity	109	126	143	136	131	132	146	163	167	178	192
Of which preferred stocks	0	0	0	0	0	0	0	0	0	0	0
Of which equity part of hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0	0	0	0	0	0
Total Equity	109	126	143	136	131	132	146	163	167	178	192
Deferred tax	9	11	11	15	12	13	13	14	14	14	14
Long term interest bearing debt	82	94	87	95	81	82	83	49	34	19	4
Pension provisions	1	1	1	1	1	1	1	1	1	1	1
Other long-term provisions	0	0	0	0	0	0	2	2	0	0	0
Other long-term liabilities	0	0	0	0	0	2	0	0	0	0	0
Non-current lease debt	0	0	0	0	0	10	15	13	16	16	16
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	92	106	99	111	94	107	114	79	65	50	35
Short-term provisions	0	0	0	0	0	0	0	0	0	0	0
Accounts payable	60	56	65	63	75	53	55	57	61	64	66
Current lease debt	0	0	0	0	0	3	3	3	0	0	0
Other current liabilities	0	0	0	0	0	0	0	0	0	0	0
Short term interest bearing debt	3	3	8	15	21	14	0	84	84	84	84
Total current liabilities	64	60	74	78	96	70	58	145	146	149	151
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	**265**	**292**	**316**	**326**	**321**	**310**	**317**	**387**	**378**	**377**	**377**
Balance sheet and debt metrics											
Net debt	38	34	58	81	71	69	37	50	42	25	3
of which lease debt	0	0	0	0	0	13	17	16	16	16	16
Working capital	31	37	42	55	43	41	41	66	70	74	75
Invested capital	165	180	220	235	217	219	204	228	222	216	208
Capital employed	194	223	237	247	232	242	246	312	302	297	296
ROE	5.3%	14.5%	11.4%	10.4%	-1.3%	0.2%	21.6%	13.4%	9.6%	12.9%	14.3%
ROIC	12.3%	14.4%	10.0%	5.1%	1.6%	2.9%	14.5%	9.7%	7.9%	10.8%	13.0%
ROCE	14.1%	15.2%	11.1%	6.2%	1.9%	3.4%	16.2%	9.6%	7.4%	10.2%	12.0%
Net debt/EBITDA	0.9	0.7	1.3	2.4	2.8	2.0	0.6	1.1	1.0	0.5	0.1
Interest coverage	n.m.	n.m.	n.m.	n.m.	0.8	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity ratio	41.1%	43.1%	45.3%	41.8%	40.7%	42.7%	46.0%	42.2%	44.3%	47.2%	50.9%
Net gearing	35.3%	26.6%	40.7%	59.6%	54.7%	51.9%	25.4%	30.4%	25.1%	14.1%	1.7%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT											
EURm	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
EBITDA (adj) for associates	**41**	**49**	**44**	**34**	**26**	**34**	**61**	**47**	**43**	**50**	**55**
Paid taxes	-8	-9	-7	2	6	-1	-2	-7	-4	-6	-7
Net financials	-8	-5	-3	-3	-5	-5	-4	-5	-3	-2	-2
Change in provisions	1	0	0	0	0	0	2	0	-2	0	0
Change in other LT non-IB	-2	1	1	-1	3	3	-4	3	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	6	-1	0	-3	-3	-2	5	-1	0	0	0
Funds from operations (FFO)	**31**	**35**	**35**	**30**	**27**	**28**	**58**	**36**	**34**	**42**	**46**
Change in NWC	6	-8	-6	-8	6	2	-1	-25	-5	-4	-2
Cash flow from operations (CFO)	**37**	**27**	**29**	**22**	**32**	**30**	**57**	**11**	**29**	**39**	**45**
Capital expenditure	-8	-22	-50	-34	-15	-11	-11	-18	-10	-10	-10
Free cash flow before A&D	**29**	**5**	**-21**	**-12**	**17**	**19**	**46**	**-7**	**19**	**28**	**35**
Proceeds from sale of assets	0	0	0	0	0	0	0	2	0	0	0
Acquisitions	-19	0	0	0	0	0	0	0	0	0	0
Free cash flow	10	5	-21	-12	17	19	46	-4	19	28	35
Free cash flow bef A&D, lease adj	29	5	-21	-12	17	19	46	-7	19	28	35
Dividends paid	0	-3	-5	-6	-6	0	-3	-12	-12	-12	-13
Equity issues / buybacks	0	0	0	0	0	0	0	0	0	0	0
Net change in debt	0	0	0	0	-8	-10	-17	57	-15	-15	-15
Other financing adjustments	0	0	0	0	0	0	0	0	0	0	0
Other non-cash adjustments	10	15	0	15	-3	0	-6	3	0	0	0
Change in cash	20	17	-26	-2	1	10	20	43	-7	2	7
Cash flow metrics											
Capex/D&A	49.7%	n.m.	n.m.	n.m.	70.6%	41.2%	50.8%	87.9%	50.0%	51.0%	51.0%
Capex/Sales	1.9%	5.0%	11.9%	7.9%	3.4%	2.6%	2.4%	4.0%	2.1%	2.0%	2.0%
Key information											
Share price year end (/current)	4	6	4	4	2	2	5	5	4	4	4
Market cap.	199	312	210	254	118	133	296	302	252	252	252
Enterprise value	238	345	268	335	189	202	333	351	294	277	256
Diluted no. of shares, year-end (m)	49.2	50.3	50.8	57.4	57.5	57.5	58.3	58.3	58.3	58.3	58.3

Source: Company data and Nordea estimates

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