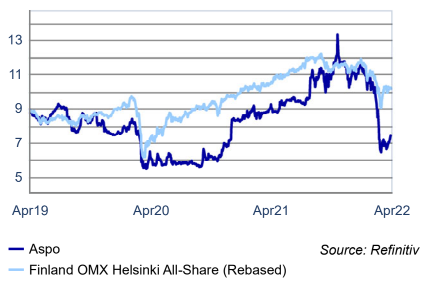
Aspo

Business Services
Finland

KEY DATA

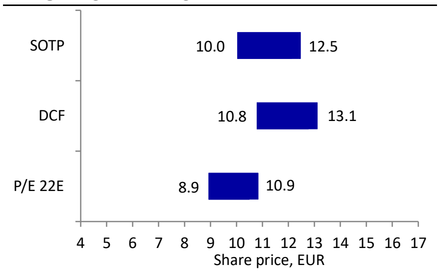
Stock country	Finland
Bloomberg	ASPO FH
Reuters	ASPO.HE
Share price (close)	EUR 7.57
Free Float	88%
Market cap. (bn)	EUR 0.24/EUR 0.24
Website	www.aspo.com
Next report date	04 May 2022

PERFORMANCE



Source: Refinitiv

VALUATION APPROACH



Source: Nordea estimates

ESTIMATE CHANGES

Year	2022E	2023E	2024E
Sales	-8%	-8%	-8%
EBIT (adj)	-26%	-14%	-8%

Source: Nordea estimates

Nordea Markets - Analysts
Pasi Väisänen
Senior Analyst

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Analyst

No total exit from Russia yet

A strong shipping market could have led Aspo to post a record year of earnings in 2022, but the Ukraine crisis changed the investment story. Around 26% of annual net sales are from Russia, Ukraine and other CIS countries. The most recent guidance indicates EUR 27-34m clean EBIT for 2022, which is not bad considering the current market environment, but valuation multiples could remain modest as long as Aspo maintains business in Russia. It has invested a lot in the country and a total exit could be a painful decision. After downgrading our estimates, we calculate a fair value range of EUR 9.9-12.2 (11.6-14.3) per share, equally weighting our DCF, P/E and SOTP valuations.

Aspo has invested a lot in Eastern European markets

The company shifted its growth focus to Western markets in December 2021 but is not yet ready to make a full exit from Russia. Leipurin has a combined 15 offices in Russia, Belarus and Ukraine. Telko distributes plastic resins and chemicals to Russia and about half of the segment's revenues come from Eastern markets. The ESL Shipping segment has at least suspended startup measures for its previously established Russian subsidiary, but operations in the Eastern markets will need to be adjusted and a permanent country-specific presence will be critically assessed.

The bright spot has been strong shipping markets

The Baltic Dry Index was 17% higher in Q1 than a year ago but 7% lower y/y in April 2022. We now forecast EUR 27m clean EBIT for the ESL Shipping segment in 2022, which is 78% of group level EBIT. The shipping market could thus be the main driver for earnings development this year. Our current clean EBIT forecast is on the upper end of the guidance range. The long-term target is an 8% group EBIT margin, which could be hard to achieve as long as the Russian operations remain under pressure.

Valuation multiples could stay below the historical average

The company's EPS potential is EUR 1.20 in the medium term if the market remains favourable, which is not currently the case. Risks related to Russia and Ukraine could also weigh on the valuation multiples that the market accepts for Aspo. We do not expect 2022E P/E to exceed 15x. Based on our new estimates, Aspo's 2022E EV/EBIT is 12.2x compared to its median EV/EBIT of 14.7x over the past 22 years.

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021	2022E	2023E	2024E
Total revenue	541	588	501	583	577	595	617
EBITDA (adj)	38	50	52	77	64	70	75
EBIT (adj)	27	21	19	44	34	40	43
EBIT (adj) margin	4.9%	3.6%	3.9%	7.6%	5.9%	6.8%	7.0%
EPS (adj, EUR)	0.58	0.42	0.38	1.07	0.82	1.04	1.12
EPS (adj) growth	-2.1%	-28.3%	-8.9%	182.2%	-23.2%	26.5%	7.7%
DPS (ord, EUR)	0.44	0.22	0.35	0.45	0.47	0.49	0.51
EV/Sales	0.8	0.7	0.9	0.9	0.7	0.7	0.7
EV/EBIT (adj)	16.2	20.9	22.5	11.9	12.3	10.4	9.6
P/E (adj)	13.7	18.3	22.1	10.6	9.2	7.3	6.8
P/BV	2.1	2.0	2.3	2.8	2.1	1.8	1.6
Dividend yield (ord)	5.5%	2.9%	4.2%	4.0%	6.2%	6.5%	6.7%
FCF Yield bef A&D, lease	-9.1%	13.9%	16.9%	3.7%	9.2%	5.9%	10.1%
Net debt	180	198	170	167	184	185	176
Net debt/EBITDA	4.9	4.0	3.3	2.5	3.1	2.6	2.3
ROIC after tax	8.4%	5.8%	5.6%	13.4%	10.7%	12.2%	12.4%

Source: Company data and Nordea estimates

Segment estimates

ESTIMATES BY SEGMENT, QUARTERLY (EURm)

	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22E	Q2 22E	Q3 22E	Q4 22E
ESL Shipping												
Sales	42.7	32.9	31.6	41.2	43.4	46.0	47.3	54.7	51.6	51.1	50.6	50.3
- sales growth	-2%	-23%	-27%	-9%	2%	40%	50%	33%	19%	11%	7%	-8%
EBIT	2.3	0.6	-0.1	5.1	4.5	5.4	7.1	9.8	7.2	6.6	6.1	6.8
EBIT margin	5%	2%	0%	12%	10%	12%	15%	18%	14%	13%	12%	14%
Leipurin												
Sales	26.9	23.2	24.3	26.6	27.9	25.8	27.7	31.7	25.1	23.2	29.1	30.1
- sales growth	4%	-17%	-19%	-17%	4%	11%	14%	19%	-10%	-10%	5%	-5%
EBIT	0.6	0.3	0.3	0.2	0.3	0.3	0.6	0.7	0.1	0.0	0.4	0.5
EBIT margin	2%	1%	1%	1%	1%	1%	2%	2%	1%	0%	1%	2%
Telko												
Sales	63.6	59.5	62.5	65.7	61.0	71.1	73.0	73.6	62.2	64.0	69.4	69.9
- sales growth	-12%	-26%	-16%	-6%	-4%	19%	17%	12%	2%	-10%	-5%	-5%
EBIT	2.4	4.2	4.2	4.1	4.5	5.5	5.9	5.2	2.5	2.6	3.5	4.2
EBIT margin	4%	7%	7%	6%	7%	8%	8%	7%	4%	4%	5%	6%
Aspo Group												
Sales	133.2	115.6	118.4	133.5	132.3	142.9	148.0	160.0	139.0	138.3	149.0	150.4
- sales growth	-6%	-24%	-20%	-9%	-1%	24%	25%	20%	5%	-3%	1%	-6%
EBIT clean	4.0	4.1	3.6	7.9	7.9	9.6	12.8	13.8	8.3	7.7	8.4	9.9
EBIT margin	3.0%	3.5%	3.0%	5.9%	6.0%	6.7%	8.6%	8.6%	6.0%	5.5%	5.6%	6.6%
PTP clean	2.9	3.0	2.5	6.7	7.0	8.6	11.8	12.8	7.3	6.6	7.4	8.9
Net Profit clean	2.6	2.7	2.0	6.4	6.4	7.8	10.6	10.7	7.0	6.0	6.6	8.0
EPS clean, EUR	0.07	0.08	0.05	0.19	0.19	0.23	0.32	0.33	0.22	0.19	0.21	0.25
EPS reported, EUR	0.07	0.08	0.05	0.19	0.19	0.23	0.16	0.16	0.08	0.19	0.21	0.25

Source: Company data and Nordea estimates

ESTIMATES BY SEGMENT, ANNUAL (EURm)

	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E
ESL Shipping										
Sales	85	76	71	79	120	175	148	191	204	211
- sales growth	10%	-11%	-6%	11%	51%	46%	-15%	29%	6%	3%
EBIT	16	15	13	14	17	15	8	27	27	28
EBIT margin	19%	19%	18%	17%	14%	8%	5%	14%	13%	14%
Leipurin										
Sales	135	118	113	122	121	116	101	113	108	110
- sales growth	-1%	-12%	-5%	9%	-1%	-4%	-13%	12%	-5%	2%
EBIT	4.4	2.4	2.0	3.6	3.3	3.0	1.4	1.9	1.0	1.9
EBIT margin	3%	2%	2%	3%	3%	3%	1%	2%	1%	2%
Telko										
Sales	227	215	240	262	266	297	251	279	265	275
- sales growth	-1%	-5%	12%	9%	2%	12%	-15%	11%	-5%	3%
EBIT	10	10	10	11	12	8	15	21	13	16
EBIT margin	4%	5%	4%	4%	5%	3%	6%	8%	5%	6%
Aspo Group										
Sales	483	446	457	502	541	588	501	583	577	595
- sales growth	1%	-8%	3%	10%	8%	9%	-15%	16%	-1%	3%
EBIT clean	25	21	20	24	27	21	19	44	34	40
EBIT margin	5.2%	4.6%	4.5%	4.7%	4.9%	3.6%	3.9%	7.6%	5.9%	6.8%
PTP clean	19	17	17	20	21	17	15	40	30	36
Net Profit clean	19	15	15	18	18	13	12	34	26	33
EPS clean, EUR	0.60	0.50	0.48	0.59	0.58	0.42	0.38	1.07	0.82	1.04
EPS reported, EUR	0.60	0.60	0.48	0.57	0.42	0.47	0.38	0.75	0.68	1.04

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	**483**	**446**	**457**	**502**	**541**	**588**	**501**	**583**	**577**	**595**	**617**
Revenue growth	1.4%	-7.6%	2.5%	9.8%	7.7%	8.7%	-14.8%	16.5%	-1.1%	3.2%	3.6%
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	36	33	32	35	37	50	52	67	59	70	75
Depreciation and impairments PPE	-11	-13	-12	-12	-12	-29	-29	-30	-29	-29	-32
of which leased assets	0	0	0	0	0	-14	-13	-14	-15	-15	-15
EBITA	25	21	20	23	25	21	23	37	30	40	43
Amortisation and impairments	0	0	0	0	-5	0	-3	-3	0	0	0
EBIT	25	21	20	23	21	21	19	34	30	40	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	-6	-1	-4	-4	-5	-3	-5	-4	-4	-4	-4
of which lease interest	0	0	0	0	0	-1	-1	-1	-1	-1	-1
Changes in value, net	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	**19**	**20**	**17**	**19**	**15**	**18**	**15**	**30**	**26**	**36**	**39**
Reported taxes	-1	-2	-2	-2	-2	-2	-1	-5	-3	-4	-4
Net profit from continued operations	19	18	15	18	13	16	13	25	23	33	35
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	19	18	15	18	13	15	12	23	21	33	35
EPS, EUR	**0.60**	**0.60**	**0.48**	**0.57**	**0.42**	**0.47**	**0.38**	**0.75**	**0.68**	**1.04**	**1.12**
DPS, EUR	0.40	0.41	0.41	0.43	0.44	0.22	0.35	0.45	0.47	0.49	0.51
of which ordinary	0.40	0.41	0.41	0.43	0.44	0.22	0.35	0.45	0.47	0.49	0.51
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	7.5%	7.4%	7.0%	7.0%	6.9%	8.5%	10.3%	11.5%	10.3%	11.7%	12.2%
EBITA	5.2%	4.6%	4.5%	4.6%	4.7%	3.6%	4.5%	6.4%	5.2%	6.8%	7.0%
EBIT	5.2%	4.6%	4.5%	4.6%	3.8%	3.6%	3.9%	5.8%	5.2%	6.8%	7.0%
Adjusted earnings											
EBITDA (adj)	36	33	32	36	38	50	52	77	64	70	75
EBITA (adj)	25	21	20	24	26	21	23	47	34	40	43
EBIT (adj)	25	21	20	24	27	21	19	44	34	40	43
EPS (adj, EUR)	0.60	0.50	0.48	0.59	0.58	0.42	0.38	1.07	0.82	1.04	1.12
Adjusted profit margins in percent											
EBITDA (adj)	7.5%	7.4%	7.0%	7.1%	7.0%	8.4%	10.3%	13.2%	11.0%	11.7%	12.2%
EBITA (adj)	5.2%	4.6%	4.5%	4.7%	4.9%	3.6%	4.5%	8.1%	5.9%	6.8%	7.0%
EBIT (adj)	5.2%	4.6%	4.5%	4.7%	4.9%	3.6%	3.9%	7.6%	5.9%	6.8%	7.0%
Performance metrics											
CAGR last 5 years											
Net revenue	8.0%	2.4%	-0.8%	0.8%	2.6%	4.0%	2.3%	5.0%	2.8%	1.9%	1.0%
EBITDA	8.3%	4.9%	1.5%	10.3%	11.4%	6.6%	9.3%	15.9%	11.1%	13.5%	8.6%
EBIT	10.2%	2.8%	-1.0%	16.9%	13.8%	-3.3%	-1.3%	10.6%	5.2%	14.4%	15.4%
EPS	12.7%	8.8%	0.8%	10.4%	8.1%	-5.0%	-8.7%	9.0%	3.5%	20.1%	19.2%
DPS	-1.0%	-0.5%	-0.5%	0.5%	15.9%	-11.3%	-3.1%	1.9%	1.8%	2.2%	18.3%
Average last 5 years											
Average EBIT margin	3.7%	3.7%	3.7%	4.2%	4.5%	4.2%	4.0%	4.3%	4.5%	5.1%	5.8%
Average EBITDA margin	5.8%	6.0%	6.2%	6.7%	7.1%	7.4%	7.9%	8.9%	9.5%	10.5%	11.2%

VALUATION RATIOS - ADJUSTED EARNINGS

EURm	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
P/E (adj)	9.5	15.1	16.9	16.8	13.7	18.3	22.1	10.6	9.2	7.3	6.8
EV/EBITDA (adj)	7.8	10.1	11.1	11.9	11.3	8.8	8.4	6.8	6.6	6.1	5.5
EV/EBITA (adj)	11.3	16.2	17.5	17.9	16.4	20.9	19.1	11.1	12.3	10.4	9.6
EV/EBIT (adj)	11.3	16.2	17.5	17.9	16.2	20.9	22.5	11.9	12.3	10.4	9.6

VALUATION RATIOS - REPORTED EARNINGS

EURm	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
P/E	9.5	12.5	16.9	17.5	19.1	16.4	22.1	15.2	11.1	7.3	6.8
EV/Sales	0.58	0.75	0.78	0.85	0.80	0.74	0.87	0.90	0.73	0.71	0.67
EV/EBITDA	7.8	10.1	11.1	12.2	11.6	8.8	8.4	7.8	7.1	6.1	5.5
EV/EBITA	11.3	16.2	17.5	18.5	16.9	20.7	19.1	14.1	14.2	10.4	9.6
EV/EBIT	11.3	16.2	17.5	18.5	20.9	20.7	22.5	15.5	14.2	10.4	9.6
Dividend yield (ord.)	7.0%	5.5%	5.0%	4.3%	5.5%	2.9%	4.2%	4.0%	6.2%	6.5%	6.7%
FCF yield	2.7%	6.7%	3.9%	-0.1%	-13.9%	18.8%	21.1%	7.6%	15.6%	12.2%	16.6%
FCF Yield bef A&D, lease adj	2.6%	4.5%	3.9%	-0.1%	-9.1%	13.9%	16.9%	3.7%	9.2%	5.9%	10.1%
Payout ratio	66.6%	82.6%	84.7%	72.4%	75.7%	52.8%	92.1%	42.0%	57.1%	47.0%	45.5%

Source: Company data and Nordea estimates

BALANCE SHEET

EURm	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
Intangible assets	57	54	52	50	52	51	55	46	46	46	46
of which R&D	0	0	0	0	0	0	0	0	0	0	0
of which other intangibles	12	11	9	8	9	8	8	1	1	1	1
of which goodwill	44	43	43	42	43	43	47	45	45	45	45
Tangible assets	111	116	113	120	175	189	176	174	178	197	206
of which leased assets	0	0	0	0	0	8	7	5	5	5	4
Shares associates	0	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	7	4	5	4	4	2	2	2	2	2	2
Total non-current assets	175	174	170	174	231	242	233	221	225	245	254
Inventory	47	48	57	61	71	56	42	69	66	66	69
Accounts receivable	56	58	60	66	78	75	63	74	73	74	77
Short-term leased assets	0	0	0	0	0	13	14	15	15	15	16
Other current assets	0	0	0	0	0	0	0	0	0	0	0
Cash and bank	19	24	23	20	19	24	32	18	8	7	6
Total current assets	123	131	139	147	168	168	152	176	162	163	167
Assets held for sale	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8	n.a.	n.a.	n.a.
Total assets	**298**	**305**	**310**	**321**	**400**	**410**	**385**	**406**	**388**	**408**	**421**
Shareholders equity	104	103	115	112	117	122	114	129	115	133	152
Of which preferred stocks	0	0	0	0	0	0	0	0	0	0	0
Of which equity part of hybrid debt	20	20	25	25	25	25	20	22	0	0	0
Minority interest	0	0	0	0	0	0	0	0	0	0	0
Total Equity	104	103	115	112	117	122	114	129	115	133	152
Deferred tax	6	5	4	3	0	0	0	0	0	0	0
Long term interest bearing debt	77	116	117	109	171	142	149	142	152	155	148
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	0	1	0	1	7	5	5	6	6	6	6
Non-current lease debt	0	0	0	0	0	9	7	7	6	6	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	83	121	121	113	178	155	161	155	164	167	160
Short-term provisions	0	0	1	1	0	0	0	0	0	0	0
Accounts payable	62	68	64	67	76	61	65	78	75	78	80
Current lease debt	0	0	0	0	0	13	13	14	15	15	16
Other current liabilities	1	1	1	0	0	0	0	0	0	0	0
Short term interest bearing debt	48	12	9	27	29	58	33	21	18	15	12
Total current liabilities	111	81	74	96	105	133	111	114	109	108	108
Liabilities for assets held for sale	0	0	0	0	0	0	0	7	0	0	0
Total liabilities and equity	**298**	**305**	**310**	**321**	**400**	**410**	**385**	**405**	**388**	**408**	**421**
Balance sheet and debt metrics											
Net debt	105	104	103	117	180	198	170	167	184	185	176
of which lease debt	0	0	0	0	0	22	21	21	21	21	21
Working capital	41	38	52	60	73	70	41	65	64	63	65
Invested capital	216	212	222	234	304	312	274	286	289	308	318
Capital employed	229	231	240	249	316	344	316	315	307	325	335
ROE	17.9%	17.8%	13.8%	15.6%	11.4%	12.3%	10.1%	19.3%	17.5%	26.5%	24.7%
ROIC	9.9%	8.2%	8.0%	8.9%	8.4%	5.8%	5.6%	13.4%	10.7%	12.2%	12.4%
ROCE	11.0%	11.1%	8.7%	9.7%	9.4%	6.3%	5.9%	14.0%	11.0%	12.8%	13.1%
Net debt/EBITDA	2.9	3.1	3.2	3.3	4.9	4.0	3.3	2.5	3.1	2.6	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	34.9%	33.7%	37.0%	35.0%	29.2%	29.8%	29.5%	31.9%	29.6%	32.5%	36.2%
Net gearing	101.0%	101.4%	89.8%	103.9%	154.5%	162.3%	149.7%	129.4%	160.4%	139.3%	115.5%

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	**36**	**33**	**32**	**35**	**37**	**50**	**52**	**67**	**59**	**70**	**75**
Paid taxes	-2	-2	-2	-3	-2	-3	-3	-4	-3	-4	-4
Net financials	-4	-3	-3	-4	-3	-3	-3	-4	-4	-4	-4
Change in provisions	0	0	1	1	-1	0	0	0	0	0	0
Change in other LT non-IB	-3	3	-1	1	7	0	0	1	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	3	-2	1	0	-6	0	-3	5	0	0	0
Funds from operations (FFO)	**30**	**29**	**27**	**30**	**31**	**43**	**42**	**66**	**52**	**62**	**67**
Change in NWC	-8	-4	-11	-13	-11	9	23	-22	1	1	-2
Cash flow from operations (CFO)	**22**	**25**	**16**	**17**	**20**	**53**	**65**	**44**	**54**	**63**	**65**
Capital expenditure	-17	-15	-6	-18	-43	-5	-7	-17	-17	-34	-25
Free cash flow before A&D	**5**	**10**	**10**	**0**	**-23**	**47**	**58**	**27**	**37**	**29**	**39**
Proceeds from sale of assets	0	0	0	0	1	1	3	1	0	0	0
Acquisitions	0	5	0	0	-13	-3	-5	-1	0	0	0
Free cash flow	5	15	10	0	-35	45	56	27	37	29	39
Free cash flow bef A&D, lease adj	5	10	10	0	-23	33	45	13	22	14	24
Dividends paid	-6	-12	-13	-13	-13	-14	-7	-11	-14	-15	-15
Equity issues / buybacks	0	0	0	0	0	0	0	0	0	0	0
Net change in debt	-8	2	1	7	50	-27	-31	-30	7	0	-10
Other financing adjustments	0	0	0	0	-2	-2	-2	-2	-17	-15	-15
Other non-cash adjustments	1	-1	-4	4	-1	1	-2	-1	0	0	0
Change in cash	-9	5	-1	-3	-1	4	9	-15	-9	-1	-1
Cash flow metrics											
Capex/D&A	n.m.	n.m.	54.3%	n.m.	n.m.	18.9%	22.2%	51.1%	n.m.	n.m.	n.m.
Capex/Sales	3.6%	3.3%	1.4%	3.5%	8.0%	0.9%	1.4%	2.9%	2.9%	5.7%	4.1%
Key information											
Share price year end (/current)	6	8	8	10	8	8	8	11	8	8	8
Market cap.	175	229	253	310	250	240	264	357	238	238	238
Enterprise value	280	333	356	426	430	438	434	524	422	423	414
Diluted no. of shares, year-end (m)	30.8	30.5	31.0	31.0	31.4	31.4	31.4	31.4	31.4	31.4	31.4

Source: Company data and Nordea estimates

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