04 May 2022

Commissioned research: Suominen – Lowering 2022 guidance, as cost escalation and high inventories in the US continue to weigh on result

Marketing material commissioned by Suominen

Suominen's Q1 EBITDA was weak, as expected, due to the high inventory levels at some of Suominen's key customers in the US, along with escalation in costs which will feed through to sales prices with a lag. Suominen updated its outlook and now expects its comparable EBITDA 2022 to decrease clearly (earlier: "will decrease") from EUR 47m in 2021 (consensus EBITDA for 2022 is EUR 41m). Whilst consensus was already anticipating a meaningful decline in earnings, the new guidance is likely to push down estimates, we find.

EBITDA of EUR 3.3m slightly below consensus as margin declines to 3.0% (16% a year ago)

- Suominen Q1 22 comparable EBITDA declined to EUR 3.3m (somewhat below consensus by Vara of EUR 4.4m), as sales of EUR 110m was 4% below market expectation.
- The beginning of the year was affected by high inventory levels at some of Suominen's key customers, and costs increased. Suominen has increased the use of pricing mechanisms to protect itself against cost variations, but they have an impact on sales prices with a lag.
- Cash flow from operations was EUR -2.7m (16.0), weighed by the lower result and a seasonal increase in working capital of EUR 4.3m. Net debt was EUR 53.8m (20.2m) and gearing ratio amounted to 35%.

Outlook lowered due to cost inflation and slower than expected normalisation in US consumer inventories

- Suominen updated its outlook and now expects its comparable EBITDA 2022 to decrease clearly (earlier: "will decrease") from EUR 47m in 2021 (consensus EBITDA for 2022 is EUR 41m).
- Suominen updated its outlook for 2022, as the war in Ukraine has increased the already significant cost inflation in raw materials, energy and transportation. Also, while there has been progress in the normalisation of the customer inventory levels in the US, it has been somewhat slower than management expected.
- Management expects that the demand for Suominen's products will improve in H2 2022.
- Suominen has launched an EBITDA improvement program to identify both new sales opportunities and cost savings initiatives.

SUOMINEN: DEVIATION TABLE

	Actual	NDA est.	Deviation		Consensus	Deviation		Actual		Actual	
EURm	**Q1 22**	**Q1 22E**	**vs. actual**		**Q1 22E**	**vs. actual**		**Q4 21**	**q/q**	**Q1 21**	**y/y**
Sales	110.3	117.4	-7.1	-6%	114.7	-4.4	-4%	115.6	-5%	115.3	-4%
Comparable EBITDA	3.3	4.0	-0.7	-18%	4.4	-1.1	-25%	9.0	-63%	18.5	-82%
EBITDA margin	3.0%	3.4%		-0.4pp	3.8%		-0.8pp	7.8%	-4.8pp	16.0%	-13.0pp
Comparable operating profit	-1.3	-1.0	-0.3	n.a.	-0.6	-0.7	117%	3.9	n.a.	13.6	n.a.
Operating margin	-1.2%	-0.9%		-0.3pp	-0.5%		-0.7pp	3.4%	-4.6pp	11.8%	-13.0pp
EPS	-0.04	-0.02	-0.02	n.a.	-0.02	-0.03	167%	0.04	n.a.	0.24	n.a.

Source: Company data, Vara Research and Nordea estimates

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022E	2023E	2024E
Total revenue	411	459	443	474	498	509
EBITDA (adj)	34	61	47	42	50	55
EBIT (adj)	8	39	27	22	30	35
EBIT (adj) margin	2.0%	8.6%	6.1%	4.6%	6.1%	6.9%
EPS (adj, EUR)	0.00	0.52	0.36	0.26	0.38	0.45
EPS (adj) growth	113.1%	13,268.1%	-31.6%	-26.9%	45.0%	19.5%
DPS (ord, EUR)	0.05	0.20	0.20	0.20	0.22	0.23
EV/Sales	0.5	0.7	0.8	0.5	0.4	0.4
EV/EBIT (adj)	24.8	8.4	13.0	10.7	7.2	5.6
P/E (adj)	n.m.	9.8	14.6	12.6	8.7	7.3
P/BV	1.0	2.0	1.8	1.1	1.1	1.0
Dividend yield (ord)	2.2%	3.9%	3.9%	6.1%	6.7%	7.0%
FCF Yield bef A&D, lease adj	14.6%	15.6%	-2.2%	9.8%	14.8%	18.0%
Net debt	69	37	50	43	26	4
Net debt/EBITDA	2.0	0.6	1.1	1.0	0.5	0.1
ROIC after tax	2.9%	14.5%	9.7%	7.6%	10.7%	12.9%

Source: Company data and Nordea estimates

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