

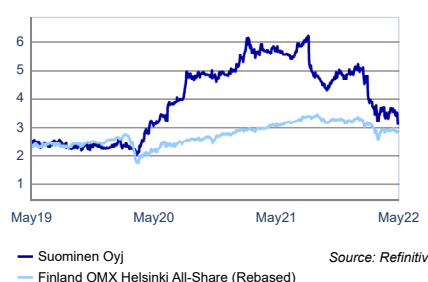
Suominen

Consumer Goods
Finland

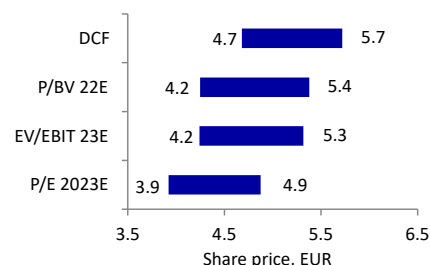
KEY DATA

Stock country	Finland
Bloomberg	SUY1V.FH
Reuters	SUY1V.HE
Share price (close)	EUR 3.12
Free Float	76%
Market cap. (bn)	EUR 0.18/EUR 0.18
Website	www.suominen.fi
Next report date	09 Aug 2022

PERFORMANCE



VALUATION APPROACH



Source: Nordea estimates

ESTIMATE CHANGES

Year	2022E	2023E	2024E
Sales	0%	1%	1%
EBIT (adj)	-8%	-1%	1%

Source: Nordea estimates

Nordea Markets - Analysts

Harri Taittonen
Director

Margin recovery postponed to H2

We revise down our comparable EBITDA estimates by 8% for 2022 and 4% for 2023, reflecting the lowered company guidance, as cost escalation and destocking in the US continue to hamper margins in Q2. Following the squeeze, we anticipate a margin recovery in H2 2022 and 2023.

EBITDA of EUR 3.3m slightly below consensus

Suominen's Q1 EBITDA of EUR 3.3m and margin of 3.0% were weak, as expected, due to the high inventory levels at some of the company's key customers in the US, along with the escalation in costs. Sales of EUR 110m were 4% below market expectations. Suominen has increased the use of pricing mechanisms to protect earnings against cost variations, but these have an impact on sales prices with a lag of approximately one quarter.

Outlook for 2022 lowered due to cost escalation and destocking

Suominen updated its outlook and now expects its comparable EBITDA for 2022 to decrease clearly (earlier: "will decrease") from EUR 47m in 2021 (Vara Research consensus EBITDA for 2022 is EUR 41m). The war in Ukraine has increased the already significant cost inflation. Also, while there has been progress with normalisation of customer inventory levels in the US, this has been somewhat slower than management expected. Suominen expects that demand for its products will improve in H2 2022.

Suominen is identifying measures to restore margins

COGS accounted for 89% of sales in 2021, compared to 85% in 2020. Cost inflation is likely to continue at a similar rate in Q2 as in Q1, with prices increasing for viscose and polyester in particular, but management sees signs that inflation will moderate/stabilise in H2. Suominen is reacting to the US customer inventory buildup in several ways, including by identifying new customers and transferring capacity to moist toilet tissue. However, Q2 continues to be affected by destocking.

EBITDA lowered by 8% for this year

We lower our EBITDA estimates by 8% for 2022 and by 4% for 2023 to reflect the new guidance and slower margin recovery in 2022 than previously expected. While cost increases are moderating after a steep inflationary period, sales prices are likely to rise in Q2 and H2. We estimate a fair value range of EUR 4.2-5.3, 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	476	503	515
EBITDA (adj)	26	34	61	47	38	48	54
EBIT (adj)	5	8	39	27	20	30	36
EBIT (adj) margin	1.1%	2.0%	8.6%	6.1%	4.2%	5.9%	6.9%
EPS (adj, EUR)	-0.03	0.00	0.52	0.36	0.23	0.37	0.45
EPS (adj) growth	-111.8%	113.1%	3,268.1%	-31.6%	-35.2%	59.0%	22.6%
DPS (ord, EUR)	0.00	0.05	0.20	0.20	0.15	0.20	0.21
EV/Sales	0.4	0.5	0.7	0.8	0.5	0.4	0.4
EV/EBIT (adj)	41.2	24.8	8.4	13.0	11.2	6.9	5.2
P/E (adj)	n.m.	n.m.	9.8	14.6	13.5	8.5	6.9
P/BV	0.9	1.0	2.0	1.8	1.1	1.0	0.9
Dividend yield (ord)	0.0%	2.2%	3.9%	3.9%	4.8%	6.4%	6.7%
FCF Yield bef A&D, lease	14.7%	14.6%	15.6%	-2.2%	9.0%	16.0%	18.0%
Net debt	71	69	37	50	45	25	4
Net debt/EBITDA	2.8	2.0	0.6	1.1	1.2	0.5	0.1
ROIC after tax	1.6%	2.9%	14.5%	9.7%	7.0%	10.6%	13.1%

Source: Company data and Nordea estimates

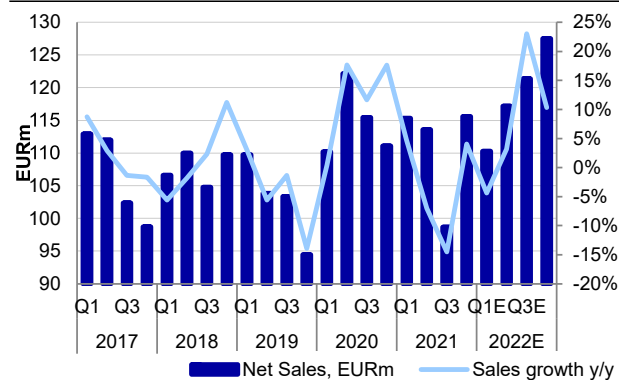
Q1 2022 results

Q1 2022 RESULTS VS EXPECTATIONS

	Actual	NDA est.	Deviation	Consensus	Deviation	Actual	Actual
EURm	Q1 22	Q1 22E	vs. actual	Q1 22E	vs. actual	Q4 21	Q1 21
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.

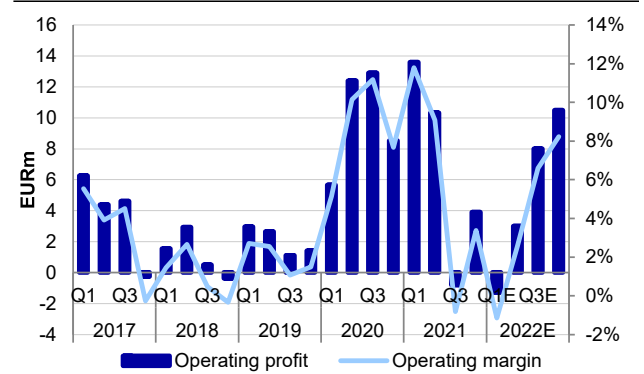
Source: Vara Research and Nordea estimates

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

QUARTERLY EARNINGS FOR 2020-2022E

EURm	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22E	Q3 22E	Q4 22E
Sales	110.2	122.2	115.4	111.1	115.3	113.6	98.7	115.6	110.3	117.2	121.4	127.5
growth y/y	0.4%	17.7%	11.7%	17.6%	4.7%	-7.0%	-14.5%	4.1%	-4.4%	3.1%	23.0%	10.3%
- Americas	73.2	77.2	71.9	66.8	71.9	67.4	57.0	68.9	61.7	67.6	76.0	80.0
- Europe	37.1	45.0	43.5	44.3	43.4	46.3	41.6	46.7	48.5	49.5	45.3	47.7
- Other/eliminations	0.0	0.0	-0.1	0.0	0.0	-0.1	0.1	0.0	0.1	0.0	0.0	0.0
Comparable EBITDA	11.3	18.0	18.1	13.5	18.5	15.3	4.2	9.0	3.3	7.5	12.5	15.1
- margin	10.2%	14.7%	15.7%	12.2%	16.1%	13.5%	4.3%	7.8%	3.0%	6.4%	10.3%	11.9%

Source: Company data and Nordea estimates

OPERATING PROFIT BRIDGE (EURm), 2022-24E

	2022E	2023E	2024E
EURm			
Previous EBIT	26.9	20.2	29.9
Volume	-4.7	4.5	2.0
Price	26.6	9.5	5.0
Cost inflation	-30.4	-4.6	-1.3
Currency	1.2	0.1	0.0
Structural	0.0	0.0	0.0
Savings through efficiencies	0.5	0.0	0.0
Change in EBIT	-6.7	9.7	5.7
Current year EBIT	20.2	29.9	35.6
Change y/y	-25%	48%	19%

Source: Nordea estimates

EARNINGS REVISIONS

EURm	Q1 actual and new estimates				Old estimates				Difference %			
	Q1 22	2022E	2023E	2024E	Q1 22E	2022E	2023E	2024E	Q1 22E	2022E	2023E	2024E
Sales	110	476	503	515	117	474	498	509	-6%	0%	1%	1%
Comparable EBITDA	3	38	48	54	4	42	50	55	-18%	-8%	-4%	-3%
EBITDA margin	3%	8%	10%	10%	3%	9%	10%	11%	-0.4pp	-0.8pp	-0.5pp	-0.4pp
Comparable op profit	-1	20	30	36	-1	22	30	35	27%	-8%	-1%	1%
Operating margin	-1.1%	4.2%	5.9%	6.9%	-0.9%	4.6%	6.1%	6.9%	-0.3pp	-0.4pp	-0.1pp	0.0pp
Pre-tax profit	-2	17	27	34	-2	19	28	34	29%	-11%	-3%	0%
EPS	-0.04	0.23	0.37	0.45	-0.02	0.26	0.38	0.45	76%	-11%	-3%	0%
DPS		0.15	0.20	0.21		0.20	0.22	0.23		-25%	-9%	-9%
Sales volume growth	-16%	-3%	3%	1%	-5%	0%	2%	1%	-10.2pp	-3.5pp	0.6pp	0.0pp
ASP growth	7%	6%	2%	1%	3%	4%	3%	1%	3.8pp	2.0pp	-0.6pp	0.0pp
Structural growth		0%	0%	0%		0%	0%	0%	0.0pp	0.0pp	0.0pp	0.0pp
Currency		5%	1%	0%		3%	0%	0%		1.9pp	0.7pp	0.0pp
Raw material price inflation		10.0 %	1.0 %	0.0 %		8.0 %	1.8 %	0.0 %		2.0pp	-0.8pp	0.0pp

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	476	503	515
Revenue growth	-9.4%	10.5%	-6.1%	2.2%	1.2%	-4.6%	11.5%	-3.4%	7.5%	5.7%	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	38	48	54
Depreciation and impairments PPE	-16	-18	-18	-19	-21	-26	-21	-20	-18	-18	-18
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
EBITA	26	32	26	15	5	8	39	27	20	30	36
Amortisation and impairments	0	0	0	0	0	0	0	0	0	0	0
EBIT	26	32	26	15	5	8	39	27	20	30	36
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	-3	-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	17	27	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	13	21	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	13	21	26
EPS, EUR	0.10	0.34	0.30	0.25	-0.03	0.00	0.52	0.36	0.23	0.37	0.45
DPS, EUR	0.01	0.02	0.11	0.11	0.00	0.05	0.20	0.20	0.15	0.20	0.21
of which ordinary	0.01	0.02	0.11	0.11	0.00	0.05	0.20	0.20	0.15	0.20	0.21
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%	8.1%	9.5%	10.4%
EBITA	6.4%	7.1%	6.1%	3.5%	1.1%	2.0%	8.6%	6.1%	4.2%	5.9%	6.9%
EBIT	6.4%	7.1%	6.1%	3.5%	1.1%	2.0%	8.6%	6.1%	4.2%	5.9%	6.9%

Adjusted earnings

EBITDA (adj)	41	49	44	34	26	34	61	47	38	48	54
EBITA (adj)	26	32	26	15	5	8	39	27	20	30	36
EBIT (adj)	26	32	26	15	5	8	39	27	20	30	36
EPS (adj, EUR)	0.10	0.34	0.30	0.25	-0.03	0.00	0.52	0.36	0.23	0.37	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%	8.1%	9.5%	10.4%
EBITA (adj)	6.4%	7.1%	6.1%	3.5%	1.1%	2.0%	8.6%	6.1%	4.2%	5.9%	6.9%
EBIT (adj)	6.4%	7.1%	6.1%	3.5%	1.1%	2.0%	8.6%	6.1%	4.2%	5.9%	6.9%

Performance metrics

CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	-1.3%	-0.6%	0.5%	0.7%	1.2%	2.3%	3.2%	4.6%
EBITDA	n.m.	n.m.	n.m.	3.8%	-5.4%	-4.1%	4.3%	1.3%	2.3%	13.4%	9.8%
EBIT	n.a.	n.a.	n.a.	6.3%	-23.3%	-20.7%	4.5%	1.0%	6.2%	45.4%	34.3%
EPS	n.a.	n.a.	n.a.	n.m.	n.m.	-47.9%	9.0%	3.5%	-1.8%	n.m.	158.5%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	0.0%	14.9%	12.7%	6.4%	n.m.	33.2%
Average last 5 years											
Average EBIT margin	n.a.	n.a.	5.2%	5.4%	4.9%	4.0%	4.3%	4.3%	4.5%	5.4%	6.3%
Average EBITDA margin	n.a.	n.a.	9.1%	9.5%	9.2%	8.8%	9.3%	9.3%	9.3%	9.9%	10.4%

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	13.5	8.5	6.9
EV/EBITDA (adj)	5.7	7.0	6.1	9.7	7.4	6.0	5.5	7.5	5.9	4.3	3.4
EV/EBITA (adj)	9.2	10.9	10.5	22.3	41.2	24.8	8.4	13.0	11.2	6.9	5.2
EV/EBIT (adj)	9.2	10.9	10.5	22.3	41.2	24.8	8.4	13.0	11.2	6.9	5.2

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	13.5	8.5	6.9
EV/Sales	0.59	0.78	0.64	0.79	0.44	0.49	0.73	0.79	0.48	0.41	0.36
EV/EBITDA	5.7	7.0	6.1	9.7	7.4	6.0	5.5	7.5	5.9	4.3	3.4
EV/EBITA	9.2	10.9	10.5	22.3	41.2	24.8	8.4	13.0	11.2	6.9	5.2
EV/EBIT	9.2	10.9	10.5	22.3	41.2	24.8	8.4	13.0	11.2	6.9	5.2
Dividend yield (ord.)	1.2%	1.6%	2.7%	2.5%	0.0%	2.2%	3.9%	3.9%	4.8%	6.4%	6.7%
FCF yield	5.1%	1.6%	-10.0%	-4.6%	14.7%	14.6%	15.6%	-1.4%	9.0%	16.0%	18.0%
FCF Yield bef A&D, lease adj	14.7%	1.6%	-10.0%	-4.6%	14.7%	14.6%	15.6%	-2.2%	9.0%	16.0%	18.0%
Payout ratio	49.5%	29.6%	36.6%	43.6%	0.0%	1,284.7%	38.4%	56.2%	65.1%	54.6%	46.7%

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	123	115	107
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	154	146	138
Inventory	32	33	43	44	52	39	35	50	52	52	53
Accounts receivable	52	52	54	58	58	47	51	65	70	74	76
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	91	96	102
Total current assets	130	150	137	145	147	132	154	225	222	231	240
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	376	377	378
Shareholders equity	109	126	143	136	131	132	146	163	165	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	165	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	65	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	150	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	376	377	378
Balance sheet and debt metrics											
Net debt	38	34	58	81	71	69	37	50	45	25	4
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	69	70	71
Invested capital	165	180	220	235	217	219	204	228	223	215	209
Capital employed	194	223	237	247	232	242	246	312	299	297	296
ROE	5.3%	14.5%	11.4%	10.4%	-1.3%	0.2%	21.6%	13.4%	8.2%	12.5%	14.2%
ROIC	12.3%	14.4%	10.0%	5.1%	1.6%	2.9%	14.5%	9.7%	7.0%	10.6%	13.1%
ROCE	14.1%	15.2%	11.1%	6.2%	1.9%	3.4%	16.2%	9.6%	6.6%	10.0%	12.0%
Net debt/EBITDA	0.9	0.7	1.3	2.4	2.8	2.0	0.6	1.1	1.2	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%	43.9%	47.1%	50.8%
Net gearing	35.3%	26.6%	40.7%	59.6%	54.7%	51.9%	25.4%	30.4%	27.3%	14.0%	2.0%

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	38	48	54
Paid taxes	-8	-9	-7	2	6	-1	-2	-7	-4	-6	-7
Net financials	-8	-5	-3	-3	-5	-5	-4	-5	-3	-3	-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	30	40	44
Change in NWC	6	-8	-6	-8	6	2	-1	-25	-3	0	-2
Cash flow from operations (CFO)	37	27	29	22	32	30	57	11	26	39	43
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	16	29	33
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	16	29	33
Free cash flow bef A&D, lease adj	29	5	-21	-12	17	19	46	-7	16	29	33
Dividends paid	0	-3	-5	-6	-6	0	-3	-12	-12	-9	-12
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	-10	5	6
Cash flow metrics											
Capex/D&A	49.7%	n.m.	n.m.	n.m.	70.6%	41.2%	50.8%	87.9%	54.9%	56.0%	56.0%
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	3	3	3
Market cap.	199	312	210	254	118	133	296	302	181	181	181
Enterprise value	238	345	268	335	189	202	333	351	226	206	185
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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