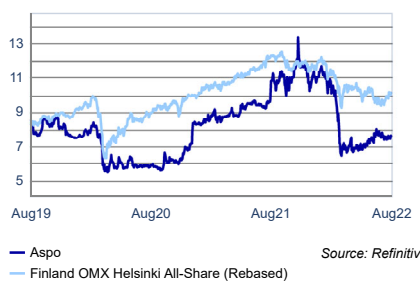


Nordea is acting as a Joint Lead Manager and Bookrunner in the new issue of Hybrid Capital securities for Aspo Oyj as announced 31 May

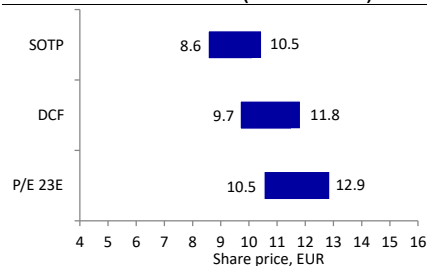
KEY DATA

Stock country	Finland
Bloomberg	ASPO.FH
Reuters	ASPO.HE
Share price (close)	EUR 7.60
Free Float	88%
Market cap. (bn)	EUR 0.24/EUR 0.24
Website	www.aspo.com
Next report date	10 Aug 2022

PERFORMANCE



VALUATION APPROACH (EUR/SHARE)



ESTIMATE CHANGES

Year	2022E	2023E	2024E
Sales	7%	15%	14%
EBIT (adj)	51%	4%	4%

Source: Nordea estimates

Nordea Markets - Analysts

Pasi Väisänen
Senior Analyst

Joni Sandvall
Analyst

Russian exit could reduce net sales by ~20%

We raise our full-year group clean EBIT forecast by ~50%. Previously, we expected the Telko segment to be loss-making in H2 2022 due to operational problems in Russia. Our new H2 2022 forecast for Telko's clean EBIT margin is 4%, but we also add EUR 15m in Russia-related costs to Q2 2022E as a one-off item related to Telko's problems in H2 2022E. We now calculate a fair value range of EUR 9.6-11.7 (9.0-11.2) per share for Aspo, based on an equal weighting of our DCF, P/E and SOTP valuations. Aspo could sell its Russian operations (~20% of sales) in H2 2022, leading to an upgrade for accepted valuation multiples. The company's P/E is currently 7x for 2023E, but we believe it could be more than 10x following an exit from Russia. The company will release its Q2 report on 10 August.

Our 2022 EBIT forecast is EUR 44.5m

We forecast clean EBIT of EUR 8.6m for ESL Shipping in Q2. The shipping market has been strong for the last 15 months, but sentiment is changing. The Baltic Dry index is now close to its six-year average, so it could be difficult for ESL Shipping to improve further during H2 2022. Our group clean EBIT forecast is EUR 12.1m for Q2. The divestment of Vulganus in July 2022 was worth EUR 2m according to our forecast. We also add new interest expenses from the hybrid loan (EUR 2.6m annually) to our future estimates. We assume that the company's full-year clean EBIT guidance of more than EUR 42.4m will remain unchanged.

Acquisition of Kobia offsets the majority of the sales decline

Aspo has invested heavily in Eastern European markets, so an exit from Russia would be difficult for the company. Eastern markets account for EUR 70-75m of Telko's annual net sales. Russia, other CIS countries and Ukraine have represented EUR 30-35m of Leipurin's annual net sales. We remove Russian revenue from our 2023 estimates, but the acquisition of the Swedish bakery industry distributor Kobia in Q3 2022 should offer a EUR 50m increase to annual revenue. Kobia is also the reason that we upgrade our revenue estimates by 14-15% for 2023-24. We estimate the acquisition price of Kobia was close to EUR 15m.

P/E valuation could exceed 10x following a Russian exit

Exiting Russia could occur without meaningful financial compensation, but at least the company's valuation multiples could increase afterward. Taking into account divestments and acquisitions, our new fair value range is EUR 9.6-11.7 (9.0-11.2) per share for Aspo.

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021	2022E	2023E	2024E
Total revenue	541	588	501	583	603	568	596
EBITDA (adj)	38	50	52	77	75	72	78
EBIT (adj)	27	21	19	44	45	41	44
EBIT (adj) margin	4.9%	3.6%	3.9%	7.6%	7.4%	7.2%	7.3%
EPS (adj, EUR)	0.58	0.42	0.38	1.07	1.16	1.06	1.16
EPS (adj) growth	-2.1%	-28.3%	-8.9%	182.2%	8.4%	-8.5%	8.7%
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	0.6
EV/EBIT (adj)	16.2	20.9	22.5	11.9	9.1	9.6	8.6
P/E (adj)	13.7	18.3	22.1	10.6	6.5	7.1	6.6
P/BV	2.1	2.0	2.3	2.8	1.7	1.5	1.3
Dividend yield (ord)	5.5%	2.9%	4.2%	4.0%	6.2%	6.4%	6.7%
FCF Yield bef A&D, lease	-9.1%	13.9%	16.9%	3.7%	8.4%	10.6%	12.4%
Net debt	180	198	170	167	166	153	136
Net debt/EBITDA	4.9	4.0	3.3	2.5	3.0	2.1	1.8
ROIC after tax	8.4%	5.8%	5.6%	13.4%	13.8%	12.3%	12.9%

Source: Company data and Nordea estimates

Segment estimates

ESTIMATES BY SEGMENT (EURm), QUARTERLY

	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	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	56.8	57.0	56.8	55.2
- sales growth	-2%	-23%	-27%	-9%	2%	40%	50%	33%	31%	24%	20%	1%
EBIT	2.3	0.6	-0.1	5.1	4.5	5.4	7.1	9.8	7.9	8.6	7.9	7.5
EBIT margin	5%	2%	0%	12%	10%	12%	15%	18%	14%	15%	14%	14%
Leipurin												
Sales	26.9	23.2	24.3	26.6	27.9	25.8	27.7	31.7	27.7	24.5	26.3	36.0
- sales growth	4%	-17%	-19%	-17%	4%	11%	14%	19%	-1%	-5%	-5%	13%
EBIT	0.6	0.3	0.3	0.2	0.3	0.3	0.6	0.7	0.7	0.6	0.5	0.7
EBIT margin	2%	1%	1%	1%	1%	1%	2%	2%	3%	2%	2%	2%
Telko												
Sales	63.6	59.5	62.5	65.7	61.0	71.1	73.0	73.6	75.9	64.0	62.1	60.4
- sales growth	-12%	-26%	-16%	-6%	-4%	19%	17%	12%	24%	-10%	-15%	-18%
EBIT	2.4	4.2	4.2	4.1	4.5	5.5	5.9	5.2	8.6	4.5	2.2	2.1
EBIT margin	4%	7%	7%	6%	7%	8%	8%	7%	11%	7%	4%	4%
Aspo Group												
Sales	133.2	115.6	118.4	133.5	132.3	142.9	148.0	160.0	160.4	145.5	145.1	151.6
- sales growth	-6%	-24%	-20%	-9%	-1%	24%	25%	20%	21%	2%	-2%	-5%
EBIT clean	4.0	4.1	3.6	7.9	7.9	9.6	12.8	13.8	15.0	12.1	8.9	8.5
EBIT margin	3.0%	3.5%	3.0%	5.9%	6.0%	6.7%	8.6%	8.6%	9.4%	8.3%	6.1%	5.6%
PTP clean	2.9	3.0	2.5	6.7	7.0	8.6	11.8	12.8	13.2	10.6	7.5	7.1
Net Profit clean	2.6	2.7	2.0	6.4	6.4	7.8	10.6	10.7	11.9	11.2	6.5	6.2
EPS clean, EUR	0.07	0.08	0.05	0.19	0.19	0.23	0.32	0.33	0.36	0.35	0.23	0.22
EPS reported, EUR	0.07	0.08	0.05	0.19	0.19	0.23	0.16	0.16	0.21	-0.13	0.23	0.22

Source: Company data and Nordea estimates

ESTIMATES BY SEGMENT (EURm), ANNUAL

	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E
ESL Shipping										
Sales	85	76	71	79	120	175	148	191	226	215
- sales growth	10%	-11%	-6%	11%	51%	46%	-15%	29%	18%	-5%
EBIT	16	15	13	14	17	15	8	27	32	29
EBIT margin	19%	19%	18%	17%	14%	8%	5%	14%	14%	14%
Leipurin										
Sales	135	118	113	122	121	116	101	113	114	132
- sales growth	-1%	-12%	-5%	9%	-1%	-4%	-13%	12%	1%	15%
EBIT	4.4	2.4	2.0	3.6	3.3	3.0	1.4	1.9	2.5	3.4
EBIT margin	3%	2%	2%	3%	3%	3%	1%	2%	2%	3%
Telko										
Sales	227	215	240	262	266	297	251	279	262	221
- sales growth	-1%	-5%	12%	9%	2%	12%	-15%	11%	-6%	-16%
EBIT	10	10	10	11	12	8	15	21	17	14
EBIT margin	4%	5%	4%	4%	5%	3%	6%	8%	7%	7%
Aspo Group										
Sales	483	446	457	502	541	588	501	583	603	568
- sales growth	1%	-8%	3%	10%	8%	9%	-15%	16%	3%	-6%
EBIT clean	25	21	20	24	27	21	19	44	45	41
EBIT margin	5.2%	4.6%	4.5%	4.7%	4.9%	3.6%	3.9%	7.6%	7.4%	7.2%
PTP clean	19	17	17	20	21	17	15	40	38	35
Net Profit clean	19	15	15	18	18	13	12	34	37	33
EPS clean, EUR	0.60	0.50	0.48	0.59	0.58	0.42	0.38	1.07	1.16	1.06
EPS reported, EUR	0.60	0.60	0.48	0.57	0.42	0.47	0.38	0.75	0.54	1.06

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	603	568	596
Revenue growth	1.4%	-7.6%	2.5%	9.8%	7.7%	8.7%	-14.8%	16.5%	3.3%	-5.8%	5.0%
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	56	72	78
Depreciation and impairments PPE	-11	-13	-12	-12	-12	-29	-29	-30	-31	-32	-34
of which leased assets	0	0	0	0	0	-14	-13	-14	-16	-16	-16
EBITA	25	21	20	23	25	21	23	37	25	41	44
Amortisation and impairments	0	0	0	0	-5	0	-3	-3	0	0	0
EBIT	25	21	20	23	21	21	19	34	25	41	44
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	-6	-6	-6
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	19	35	38
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	16	31	34
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	17	33	36
EPS, EUR	0.60	0.60	0.48	0.57	0.42	0.47	0.38	0.75	0.54	1.06	1.16
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%	9.3%	12.8%	13.0%
EBITA	5.2%	4.6%	4.5%	4.6%	4.7%	3.6%	4.5%	6.4%	4.1%	7.2%	7.3%
EBIT	5.2%	4.6%	4.5%	4.6%	3.8%	3.6%	3.9%	5.8%	4.1%	7.2%	7.3%

Adjusted earnings

EBITDA (adj)	36	33	32	36	38	50	52	77	75	72	78
EBITA (adj)	25	21	20	24	26	21	23	47	45	41	44
EBIT (adj)	25	21	20	24	27	21	19	44	45	41	44
EPS (adj, EUR)	0.60	0.50	0.48	0.59	0.58	0.42	0.38	1.07	1.16	1.06	1.16

Adjusted profit margins in percent

EBITDA (adj)	7.5%	7.4%	7.0%	7.1%	7.0%	8.4%	10.3%	13.2%	12.5%	12.8%	13.0%
EBITA (adj)	5.2%	4.6%	4.5%	4.7%	4.9%	3.6%	4.5%	8.1%	7.4%	7.2%	7.3%
EBIT (adj)	5.2%	4.6%	4.5%	4.7%	4.9%	3.6%	3.9%	7.6%	7.4%	7.2%	7.3%

Performance metrics

CAGR last 5 years											
Net revenue	8.0%	2.4%	-0.8%	0.8%	2.6%	4.0%	2.3%	5.0%	3.7%	1.0%	0.3%
EBITDA	8.3%	4.9%	1.5%	10.3%	11.4%	6.6%	9.3%	15.9%	9.8%	14.3%	9.3%
EBIT	10.2%	2.8%	-1.0%	16.9%	13.8%	-3.3%	-1.3%	10.6%	1.4%	14.7%	15.6%
EPS	12.7%	8.8%	0.8%	10.4%	8.1%	-5.0%	-8.7%	9.0%	-1.3%	20.6%	20.0%
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%	4.2%	4.9%	5.7%
Average EBITDA margin	5.8%	6.0%	6.2%	6.7%	7.1%	7.4%	7.9%	8.9%	9.3%	10.4%	11.4%

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	6.5	7.1	6.6
EV/EBITDA (adj)	7.8	10.1	11.1	11.9	11.3	8.8	8.4	6.8	5.4	5.4	4.8
EV/EBITA (adj)	11.3	16.2	17.5	17.9	16.4	20.9	19.1	11.1	9.1	9.6	8.6
EV/EBIT (adj)	11.3	16.2	17.5	17.9	16.2	20.9	22.5	11.9	9.1	9.6	8.6

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	14.2	7.1	6.6
EV/Sales	0.58	0.75	0.78	0.85	0.80	0.74	0.87	0.90	0.67	0.69	0.63
EV/EBITDA	7.8	10.1	11.1	12.2	11.6	8.8	8.4	7.8	7.3	5.4	4.8
EV/EBITA	11.3	16.2	17.5	18.5	16.9	20.7	19.1	14.1	16.3	9.6	8.6
EV/EBIT	11.3	16.2	17.5	18.5	20.9	20.7	22.5	15.5	16.3	9.6	8.6
Dividend yield (ord.)	7.0%	5.5%	5.0%	4.3%	5.5%	2.9%	4.2%	4.0%	6.2%	6.4%	6.7%
FCF yield	2.7%	6.7%	3.9%	-0.1%	-13.9%	18.8%	21.1%	7.6%	9.7%	17.3%	19.2%
FCF Yield bef A&D, lease adj	2.6%	4.5%	3.9%	-0.1%	-9.1%	13.9%	16.9%	3.7%	8.4%	10.6%	12.4%
Payout ratio	66.6%	82.6%	84.7%	72.4%	75.7%	52.8%	92.1%	42.0%	40.4%	46.1%	44.1%

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	173	184	196	197
of which leased assets	0	0	0	0	0	8	7	4	4	4	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	231	243	244
Inventory	47	48	57	61	71	56	42	69	69	63	66
Accounts receivable	56	58	60	66	78	75	63	74	76	71	74
Short-term leased assets	0	0	0	0	0	13	14	16	16	16	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	24	32	39
Total current assets	123	131	139	147	168	168	152	177	185	182	196
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	416	425	440
Shareholders equity	104	103	115	112	117	122	114	129	140	159	180
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	30	30	30
Minority interest	0	0	0	0	0	0	0	0	0	0	0
Total Equity	104	103	115	112	117	122	114	129	140	159	180
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	144	142	135
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	5	5	5
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	155	153	146
Short-term provisions	0	0	1	1	0	0	0	0	0	0	0
Accounts payable	62	68	64	67	76	61	65	78	80	76	80
Current lease debt	0	0	0	0	0	13	13	14	16	16	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	24	21	18
Total current liabilities	111	81	74	96	105	133	111	114	121	113	114
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	416	425	440
Balance sheet and debt metrics											
Net debt	105	104	103	117	180	198	170	167	166	153	136
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	65	58	61
Invested capital	216	212	222	234	304	312	274	285	296	301	305
Capital employed	229	231	240	249	316	344	316	315	330	344	355
ROE	17.9%	17.8%	13.8%	15.6%	11.4%	12.3%	10.1%	19.3%	12.5%	22.4%	21.5%
ROIC	9.9%	8.2%	8.0%	8.9%	8.4%	5.8%	5.6%	13.4%	13.8%	12.3%	12.9%
ROCE	11.0%	11.1%	8.7%	9.7%	9.4%	6.3%	5.9%	14.0%	13.8%	12.2%	12.5%
Net debt/EBITDA	2.9	3.1	3.2	3.3	4.9	4.0	3.3	2.5	3.0	2.1	1.8
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%	33.7%	37.3%	40.8%
Net gearing	101.0%	101.4%	89.8%	103.9%	154.5%	162.3%	149.7%	129.4%	118.5%	96.4%	75.8%

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	56	72	78
Paid taxes	-2	-2	-2	-3	-2	-3	-3	-4	-3	-4	-4
Net financials	-4	-3	-3	-4	-3	-3	-3	-4	-6	-6	-6
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	47	62	68
Change in NWC	-8	-4	-11	-13	-11	9	23	-22	0	7	-3
Cash flow from operations (CFO)	22	25	16	17	20	53	65	44	47	69	65
Capital expenditure	-17	-15	-6	-18	-43	-5	-7	-17	-11	-28	-19
Free cash flow before A&D	5	10	10	0	-23	47	58	27	36	41	46
Proceeds from sale of assets	0	0	0	0	1	1	3	1	2	0	0
Acquisitions	0	5	0	0	-13	-3	-5	-1	-15	0	0
Free cash flow	5	15	10	0	-35	45	56	27	23	41	46
Free cash flow bef A&D, lease adj	5	10	10	0	-23	33	45	13	20	25	30
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	5	-5	-10
Other financing adjustments	0	0	0	0	-2	-2	-2	-2	-16	-13	-14
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	6	8	7
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%	1.8%	4.9%	3.2%
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	239	239	239
Enterprise value	280	333	356	426	430	438	434	524	405	392	375
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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