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## Commissioned research: Suominen – Q2 continued to be affected by high cost and US inventory correction, improvement expected in H2 2022

Marketing material commissioned by Suominen

Suominen's operations continued to be affected by high cost and slow correction in the US consumer inventories, leaving adjusted EBITDA to EUR 1.9m. Cash flow was strong, however, owing to reduction in working capital. Given the continued high costs and slow progress in the US inventory reduction, we expect a material cut to H2 EBITDA consensus estimates.

### Q2 comparable EBITDA of EUR 1.9m misses estimates, cash flow boosted by working capital reduction

- Suominen reported Q2 22 comparable EBITDA of EUR 1.9m (consensus by Vara EUR 6.7m), as sales of EUR 118m were bang in line with consensus.
- Cash flow from operations of EUR 11.9m (1.2m), was clearly higher than we had factored in, due to reduction in working capital of EUR 11m.
- Guidance was unchanged for 2022, with management foreseeing 2022 comparable EBITDA to decrease clearly from EUR 47m in 2021 but to improve in H2 vs EUR 5.2m in H1. Consensus EBITDA for 2022 is EUR 33m, and implied H2 EBITDA consensus estimate is EUR 23m.
- 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 Suominen expected.
- Given the continued high costs and slow progress in the US inventory reduction, we expect a material cut to H2 EBITDA consensus estimates.

#### SUOMINEN: DEVIATION TABLE

	Actual	NDA est.	Deviation	Consensus	Deviation	Actual	Actual	Actual	
EURm	Q2 22	Q2 22E	vs. actual	Q2 22E	vs. actual	Q1 22	q/q	Q2 21	y/y
Sales	118.0	117.2	0.8 1%	118.4	-0.4 0%	110.3	7%	113.6	4%
Comparable EBITDA	1.9	7.5	-5.6 -75%	6.7	-4.8 -72%	3.3	-42%	15.3	-88%
EBITDA margin	1.6%	6.4%	-4.8pp	5.7%	-4.0pp	3.0%	-1.4pp	13.5%	-11.9pp
Operating profit	-2.9	3.0	-5.9 n.a.	1.3	-4.2 n.a.	-1.3	n.a.	10.3	n.a.
Operating margin	-2.5%	2.6%	-5.0pp	1.1%	-3.6pp	-1.1%	-1.3pp	9.1%	-11.5pp
EPS	-0.04	0.03	-0.07 n.a.	0.01	-0.05 n.a.	-0.04	n.a.	0.11	n.a.

Source: Company data, Vara Research and Nordea estimates

## SUOMINEN: CASH FLOW AND BALANCE SHEET

EURm	Actual	NDA est.	Deviation		Actual		Actual	
	Q2 22	Q2 22E	vs. actual		Q1 22	q/q	Q2 21	y/y
Profit for the period	-2.3	1.8			-2.3		6.1	
Adjustments	4.6	7.0			5.3		9.4	
Cash before WC	2.3	8.8			2.9		15.6	
Change in working capital	10.9	-5.0			-4.3		-9.7	
Financial items	-1.3	-0.7			-0.5		-1.2	
Income taxes	0.0	-0.5			-0.8		-3.5	
Cash flow from operations	11.9	2.7	9.2	345%	-2.7		1.2	
Investments	-2.3	-2.5			-2.2		-4.8	
Sales of property, plant, equip	0.0	0.0			0.0		0.0	
Sales of equity investments	0.0	0.0			0.0		0.0	
Cash from investments	-2.3	-2.5			-2.2		-4.8	
Free cash flow	9.7	0.2			-4.9		-3.7	
Dividends	-11.5	-11.5			0.0		-11.5	
Net debt	55.6	65.1	-9.5	-15%	53.8	3%	35.7	56%
Equity	143.9	143.8	0.0	0%	153.5	-6%	159.4	-10%
Net gearing	38.7	45.3	-6.6pp		35.0	3.6pp	22.4	16.3pp

Source: Company data and Nordea estimates

## SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022E	2023E	2024E
Total revenue	411	459	443	476	503	515
EBITDA (adj)	34	61	47	38	48	54
EBIT (adj)	8	39	27	20	30	36
EBIT (adj) margin	2.0%	8.6%	6.1%	4.2%	5.9%	6.9%
EPS (adj, EUR)	0.00	0.52	0.36	0.23	0.37	0.45
EPS (adj) growth	113.1%	13,268.1%	-31.6%	-35.2%	59.0%	22.6%
DPS (ord, EUR)	0.05	0.20	0.20	0.15	0.20	0.21
EV/Sales	0.5	0.7	0.8	0.5	0.4	0.4
EV/EBIT (adj)	24.8	8.4	13.0	11.4	7.0	5.3
P/E (adj)	n.m.	9.8	14.6	13.8	8.7	7.1
P/BV	1.0	2.0	1.8	1.1	1.0	1.0
Dividend yield (ord)	2.2%	3.9%	3.9%	4.7%	6.3%	6.6%
FCF Yield bef A&D, lease adj	14.6%	15.6%	-2.2%	8.8%	15.6%	17.6%
Net debt	69	37	50	45	25	4
Net debt/EBITDA	2.0	0.6	1.1	1.2	0.5	0.1
ROIC after tax	2.9%	14.5%	9.7%	7.0%	10.6%	13.1%

Source: Company data and Nordea estimates

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Nordea analyst: Harri Taittonen

**Harri Taittonen**  
Equity Research

**Nordea** | Markets | Equity Research FI  
Visit me: Aleksis Kiven katu 7, 00500 HELSINKI  
Write to me: Fleminginkatu 27, 00020 Nordea  
Tel: +358 9-5300 5184 | Mob: +358 50 349 2110  
E-mail: [harri.taittonen@nordea.com](mailto:harri.taittonen@nordea.com)  
Web: [nordeamarkets.com](http://nordeamarkets.com)

Nordea Bank Abp, Satamaradankatu 5, FI-00020 NORDEA, Finland, domicile Helsinki, Business ID 2858394-9

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