26 October 2022

Commissioned research: Suominen – Adjusted EBITDA of EUR 5.1m falls short of consensus despite strong sales growth

Marketing material commissioned by Suominen

Suominen reported stronger than expected sales growth of 34% y/y and 12% q/q, but EBITDA of EUR 5.1m fell short of consensus (Vara) estimates, and cash flow was strained by a substantial increase in working capital in Q2.

Strong sales growth but worse than expected margin squeeze

- Suominen Q3 22 comparable EBITDA came in at EUR 5.1m, quite in line with our estimate but below consensus by Vara of EUR 7.5m. EBITDA corresponds to 3.9% margin, on sales of EUR 132m (which was 6% above consensus estimate).

- Suominen maintains its guidance for 2022, and foresees 2022 comparable EBITDA to decrease clearly from EUR 47m in 2021, due to cost inflation and normalisation in US inventories. Consensus EBITDA for 2022 is already factoring in a decrease, and amounts to EUR 23m.

- Suominen continues to see H2 demand to improve from H1 once US destocking is over.

- Cash flow was weak, strained by a EUR 14m increase in working capital, taking cash flow from operations to EUR -11m and net debt to EUR 66m (EUR 54m end of Q2) and net gearing to 40% (34% end of Q2).

SUOMINEN: DEVIATION TABLE

	Actual	NDA est.	Deviation		Consensus	Deviation		Actual		Actual	
EURm	Q3 22	Q3 22E	vs. actual		Q3 22E	vs. actual		Q2 22	q/q	Q3 21	y/y
Sales	131.9	114.5	17.4	15%	125.0	6.9	6%	118.0	12%	98.7	34%
Comparable EBITDA	5.1	5.6	-0.5	-9%	7.5	-2.4	-32%	1.9	174%	4.2	21%
EBITDA margin	3.9%	4.9%		-1.0pp	6.0%		-2.1pp	1.6%	2.3pp	4.3%	-0.4pp
Operating profit	0.2	1.0	-0.8	n.a.	2.4	-2.2	n.a.	-2.9	n.a.	-0.8	n.a.
Operating margin	0.2%	0.9%		-0.7pp	1.9%		-1.8pp	-2.5%	2.6pp	-0.8%	1.0pp
EPS	-0.01	0.00	-0.01	n.a.	0.02	-0.03	n.a.	-0.04	n.a.	-0.03	n.a.

Source: Company data, Vara Research and Nordea estimates

SUOMINEN: CASH FLOW AND BALANCE SHEET

	Actual	NDA est.	Deviation		Actual		Actual	
EURm	**Q3 22**	**Q3 22E**	**vs. actual**		**Q2 22**	**q/q**	**Q3 21**	**y/y**
Profit for the period	-0.4	0.2			-2.3		-1.0	
Adjustments	5.7	5.0			4.6		6.4	
Cash before WC	5.3	5.2			2.3		5.4	
Change in w orking capital	-13.9	1.0			10.9		-8.4	
Financial items	-0.2	-0.7			-1.3		-0.8	
Income taxes	-1.9	-0.1			0.0		-1.4	
Cash flow from operations	-10.8	5.5	-16.3	-297%	11.9		-5.2	
Investments	-2.9	-2.5			-2.3		-4.5	
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	-2.9	-2.5			-2.3		-4.5	
Free cash flow	-13.7	3.0			9.7		-9.7	
Dividends	0.0	0.0			-11.5		0.0	
Net debt	65.8	50.6	15.2	30%	53.6	23%	48.2	37%
Equity	165.2	158.3	6.8	4%	158.1	4%	159.7	3%
Net gearing	39.9	32.0		7.9pp	33.9	5.9pp	30.2	9.7pp

Source: Company data and Nordea estimates

SUMMARY TABLE - KEY FIGURES

EURm	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
Total revenue	411	459	443	463	497	513
EBITDA (adj)	34	61	47	21	35	47
EBIT (adj)	8	39	27	2	17	28
EBIT (adj) margin	2.0%	8.6%	6.1%	0.5%	3.4%	5.5%
EPS (adj, EUR)	0.00	0.52	0.36	0.01	0.21	0.37
EPS (adj) growth	113.1%	13,268.1%	-31.6%	-97.6%	2,370.4%	78.0%
DPS (ord, EUR)	0.05	0.20	0.20	0.10	0.10	0.13
EV/Sales	0.5	0.7	0.8	0.4	0.4	0.3
EV/EBIT (adj)	24.8	8.4	13.0	89.2	10.5	5.3
P/E (adj)	n.m.	9.8	14.6	n.m.	12.0	6.8
P/BV	1.0	2.0	1.8	1.0	0.9	0.8
Dividend yield (ord)	2.2%	3.9%	3.9%	4.0%	4.0%	5.1%
FCF Yield bef A&D, lease adj	14.6%	15.6%	-2.2%	13.3%	13.7%	19.4%
Net debt	69	37	50	42	27	5
Net debt/EBITDA	2.0	0.6	1.1	2.0	0.8	0.1
ROIC after tax	2.9%	14.5%	9.7%	0.8%	6.4%	11.4%

Source: Company data and Nordea estimates

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