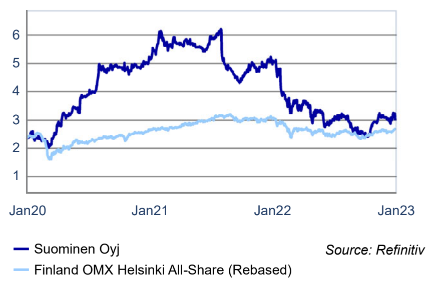
Suominen

Consumer Goods
Finland

KEY DATA

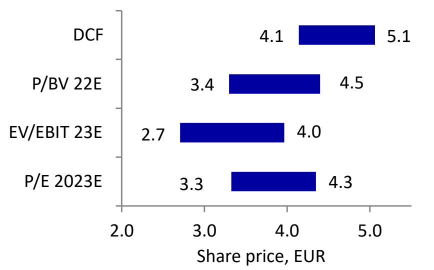
Stock country	Finland
Bloomberg	SUY1V FH
Reuters	SUY1V.HE
Share price (close)	EUR 3.00
Free Float	76%
Market cap. (bn)	EUR 0.17/EUR 0.17
Website	www.suominen.fi
Next report date	03 Feb 2023

PERFORMANCE



Source: Refinitiv

VALUATION APPROACH



Source: Nordea estimates

ESTIMATE CHANGES

Year	2022E	2023E	2024E
Sales	0%	-3%	-3%
EBIT (adj)	0%	2%	3%

Source: Nordea estimates

Nordea IB & Equity - Analysts
Harri Taittonen
Director

US recovering, European asset base restructured

Ahead of the full-year results, we note that the encouraging trends in the US, which we highlighted after the Q3 results, seem to have remained intact. Competitive pressure in the European standard nonwovens market has prompted Suominen to initiate the closure of a plant in Italy, Mozzate, during Q2 2023. This should result in an annualised EBITDA impact of EUR 3m and one-time costs of EUR 12m.

Volume recovery in the US

The encouraging trends in the US highlighted after the Q3 results seem to remain in place – demand has continued to recover and a substantial portion of the excess inventories hampering volumes earlier in 2022 have been digested. The more versatile production setup has helped increase shipments. Costs have peaked; polyester and viscose prices have declined and pulp costs are easing, albeit more slowly than costs for other materials. Energy costs continue to affect earnings negatively.

Planned closure of Mozzate site speeds up transition

In Europe, there has been an increase in imports from China and Turkey in the less-specialised, lower-value market segments. Suominen initiated a consultation process to close manufacturing at one of its two Mozzate plants in Italy in Q2 2023, amid high costs and tough competition for standard nonwovens wipes. Suominen expects a positive annualised EBITDA impact of EUR 3m, as the company steers from standard blended fibre products towards a more sustainable product range. It indicated a one-time cost of EUR 12m (EUR 9m in cash) related to the planned closure.

We raise comparable EBIT marginally to reflect planned closure

The potential positive EBITDA impact demonstrates the need to rationalise Suominen's asset base, and the planned closure of the Mozzate plant speeds up the transition from standard nonwovens to higher-value sustainable products. The market remains challenging, however, and it takes time to steer output towards segments with a stronger demand outlook, in our view. We raise our adjusted EBIT estimate for 2023 by 2% to reflect the planned closure and assume a margin recovery supported by higher volumes and easing cost inflation. We estimate a fair value range of EUR 3.3-4.4, based on a combination of our four valuation approaches (DCF, 2022E P/BV, 2023E EV/EBIT and 2023E P/E), with DCF suggesting a value at the upper end of the range and earnings multiples for 2023E pointing towards the lower end.

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021	2022E	2023E	2024E
Total revenue	431	411	459	443	504	521	526
EBITDA (adj)	26	34	61	47	21	37	49
EBIT (adj)	5	8	39	27	2	18	30
EBIT (adj) margin	1.1%	2.0%	8.6%	6.1%	0.4%	3.5%	5.8%
EPS (adj, EUR)	-0.03	0.00	0.52	0.36	0.00	0.26	0.42
EPS (adj) growth	-111.8%	113.1%	3,268.1%	-31.6%	-99.9%	0,153.0%	63.4%
DPS (ord, EUR)	0.00	0.05	0.20	0.20	0.10	0.10	0.13
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	118.7	11.9	6.4
P/E (adj)	n.m.	n.m.	9.8	14.6	n.m.	11.7	7.2
P/BV	0.9	1.0	2.0	1.8	1.1	1.1	1.0
Dividend yield (ord)	0.0%	2.2%	3.9%	3.9%	3.3%	3.3%	4.3%
FCF Yield bef A&D, lease	14.7%	14.6%	15.6%	-2.2%	-0.7%	11.7%	16.7%
Net debt	71	69	37	50	59	44	21
Net debt/EBITDA	2.8	2.0	0.6	1.1	3.5	1.3	0.4
ROIC after tax	1.6%	2.9%	14.5%	9.7%	0.7%	6.2%	10.7%

Source: Company data and Nordea estimates

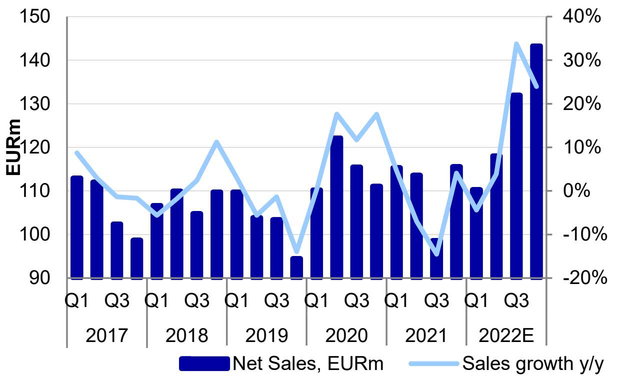
Q4 2022 and full-year estimates

OUR ESTIMATES AND VARA RESEARCH CONSENSUS (DPS AND EPS IN EUR)

	Nordea estimates				Consensus estimates				Difference %			
EURm	Q4 22E	2022E	2023E	2024E	Q4 22E	2022E	2023E	2024E	Q4 22E	2022E	2023E	2024E
Sales	143	504	521	526	142	502	535	540	1%	0%	-3%	-3%
Comparable EBITDA	10.8	21	37	49	10.0	20	43	52	8%	4%	-13%	-4%
EBITDA margin	8%	4%	7%	9%	7%	4%	8%	10%	0.5pp	0.1pp	-0.9pp	-0.2pp
Comparable op profit	5.9	2	18	30	4.5	1.0	23	31	n.m.	97%	-19%	-2%
Operating margin	4.1%	0.4%	3.5%	5.8%	3.2%	0.2%	4.2%	5.7%	1.0pp	0.2pp	-0.7pp	0.0pp
EPS	0.01	-0.08	0.18	0.37	0.05	-0.03	0.28	0.40	n.m.	156%	-36%	-8%
DPS		0.10	0.10	0.13		0.10	0.13	0.16		0%	-23%	-19%

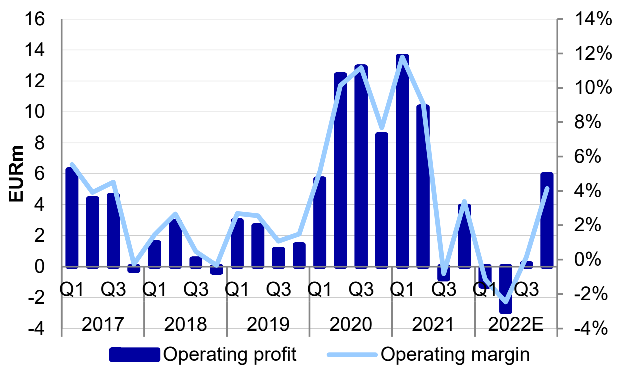
Source: Refinitiv and Nordea estimates

QUARTERLY SALES (EURm) AND SALES GROWTH Y/Y (%)



Source: Company data and Nordea estimates

COMPARABLE EBIT (EURm) AND OPERATING MARGIN (%)



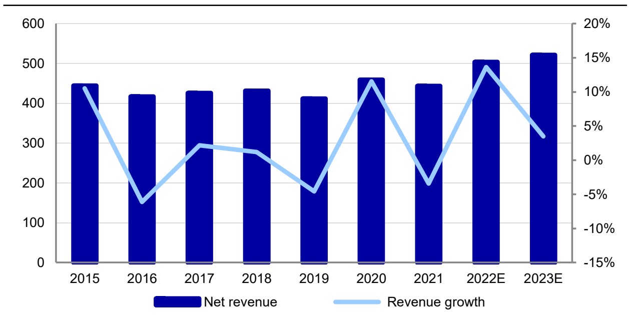
Source: Company data and Nordea estimates

QUARTERLY EARNINGS 2020-22E

EURm	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22E
Sales	110.2	122.2	115.4	111.1	115.3	113.6	98.7	115.6	110.3	118.0	131.9	143.3
growth y/y	0.4%	17.7%	11.7%	17.6%	4.7%	-7.0%	-14.5%	4.1%	-4.4%	3.9%	33.7%	24.0%
- Americas	73.2	77.2	71.9	66.8	71.9	67.4	57.0	68.9	61.7	64.2	80.3	89.1
- Europe	37.1	45.0	43.5	44.3	43.4	46.3	41.6	46.7	48.5	53.8	51.7	54.3
- Other/eliminations	0.0	0.0	-0.1	0.0	0.0	-0.1	0.1	0.0	0.1	0.0	-0.1	0.0
Comparable EBITDA	11.3	18.0	18.1	13.5	18.5	15.3	4.2	9.0	3.3	1.9	5.1	10.8
- margin	10.2%	14.7%	15.7%	12.2%	16.1%	13.5%	4.3%	7.8%	3.0%	1.6%	3.9%	7.5%

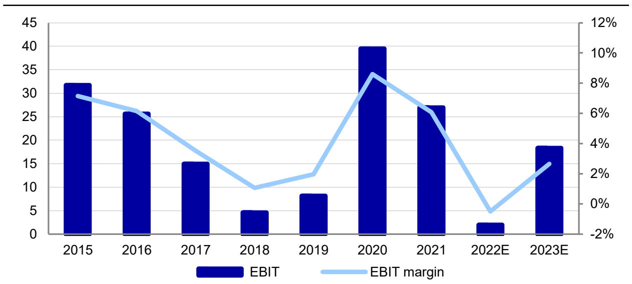
Source: Company data and Nordea estimates

ANNUAL SALES (EURm) AND SALES GROWTH Y/Y (%)



Source: Company data and Nordea estimates

COMPARABLE EBIT (EURm) AND MARGIN (%) 2015-23E



Source: Company data and Nordea estimates

OPERATING PROFIT BRIDGE (EURm), 2022E-24E

Bridge			
	2022E	2023E	2024E
EURm			
Previous EBIT	26.9	2.0	18.3
Volume	-4.5	4.4	4.1
Price	43.5	5.0	-8.3
Cost inflation	-66.3	5.9	15.2
Currency	1.8	0.0	0.0
Structural	0.0	0.0	0.0
Savings through efficiencies	0.5	1.0	1.0
Change in EBIT	-25.0	16.4	12.0
Current year EBIT	2.0	18.3	30.4
Change y/y	-93%	832%	66%

Source: 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**	**504**	**521**	**526**
Revenue growth	-9.4%	10.5%	-6.1%	2.2%	1.2%	-4.6%	11.5%	-3.4%	13.6%	3.5%	1.0%
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	17	33	46
Depreciation and impairments PPE	-16	-18	-18	-19	-21	-26	-21	-20	-19	-19	-19
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
EBITA	26	32	26	15	5	8	39	27	-3	14	27
Amortisation and impairments	0	0	0	0	0	0	0	0	0	0	0
EBIT	26	32	26	15	5	8	39	27	-3	14	27
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	-1	-1	0
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**	**-4**	**13**	**27**
Reported taxes	-8	-9	-7	2	-1	-2	-4	-6	-1	-3	-6
Net profit from continued operations	10	17	15	14	-2	0	30	21	-4	10	21
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	-4	10	21
EPS, EUR	**0.10**	**0.34**	**0.30**	**0.25**	**-0.03**	**0.00**	**0.52**	**0.36**	**-0.08**	**0.18**	**0.37**
DPS, EUR	0.01	0.02	0.11	0.11	0.00	0.05	0.20	0.20	0.10	0.10	0.13
of which ordinary	0.01	0.02	0.11	0.11	0.00	0.05	0.20	0.20	0.10	0.10	0.13
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%	3.3%	6.3%	8.8%
EBITA	6.4%	7.1%	6.1%	3.5%	1.1%	2.0%	8.6%	6.1%	-0.5%	2.7%	5.2%
EBIT	6.4%	7.1%	6.1%	3.5%	1.1%	2.0%	8.6%	6.1%	-0.5%	2.7%	5.2%
Adjusted earnings											
EBITDA (adj)	41	49	44	34	26	34	61	47	21	37	49
EBITA (adj)	26	32	26	15	5	8	39	27	2	18	30
EBIT (adj)	26	32	26	15	5	8	39	27	2	18	30
EPS (adj, EUR)	0.10	0.34	0.30	0.25	-0.03	0.00	0.52	0.36	0.00	0.26	0.42
Adjusted profit margins in percent											
EBITDA (adj)	10.3%	11.1%	10.6%	8.1%	5.9%	8.2%	13.3%	10.6%	4.2%	7.2%	9.4%
EBITA (adj)	6.4%	7.1%	6.1%	3.5%	1.1%	2.0%	8.6%	6.1%	0.4%	3.5%	5.8%
EBIT (adj)	6.4%	7.1%	6.1%	3.5%	1.1%	2.0%	8.6%	6.1%	0.4%	3.5%	5.8%
Performance metrics											
CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	-1.3%	-0.6%	0.5%	0.7%	1.2%	3.4%	3.9%	5.1%
EBITDA	n.m.	n.m.	n.m.	3.8%	-5.4%	-4.1%	4.3%	1.3%	-13.6%	5.2%	6.7%
EBIT	n.a.	n.a.	n.a.	6.3%	-23.3%	-20.7%	4.5%	1.0%	n.m.	24.7%	27.5%
EPS	n.a.	n.a.	n.a.	n.m.	n.m.	-47.9%	9.0%	3.5%	n.m.	n.m.	148.2%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	0.0%	14.9%	12.7%	-1.9%	n.m.	21.1%
Average last 5 years											
Average EBIT margin	n.a.	n.a.	5.2%	5.4%	4.9%	4.0%	4.3%	4.3%	3.4%	3.7%	4.3%
Average EBITDA margin	n.a.	n.a.	9.1%	9.5%	9.2%	8.8%	9.3%	9.3%	8.2%	8.2%	8.3%

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	n.m.	11.7	7.2
EV/EBITDA (adj)	5.7	7.0	6.1	9.7	7.4	6.0	5.5	7.5	11.1	5.8	4.0
EV/EBITA (adj)	9.2	10.9	10.5	22.3	41.2	24.8	8.4	13.0	118.7	11.9	6.4
EV/EBIT (adj)	9.2	10.9	10.5	22.3	41.2	24.8	8.4	13.0	118.7	11.9	6.4

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	n.m.	16.8	8.2
EV/Sales	0.59	0.78	0.64	0.79	0.44	0.49	0.73	0.79	0.46	0.42	0.37
EV/EBITDA	5.7	7.0	6.1	9.7	7.4	6.0	5.5	7.5	14.1	6.6	4.2
EV/EBITA	9.2	10.9	10.5	22.3	41.2	24.8	8.4	13.0	n.m.	15.8	7.1
EV/EBIT	9.2	10.9	10.5	22.3	41.2	24.8	8.4	13.0	n.m.	15.8	7.1
Dividend yield (ord.)	1.2%	1.6%	2.7%	2.5%	0.0%	2.2%	3.9%	3.9%	3.3%	3.3%	4.3%
FCF yield	5.1%	1.6%	-10.0%	-4.6%	14.7%	14.6%	15.6%	-1.4%	-0.7%	11.7%	16.7%
FCF Yield bef A&D, lease adj	14.7%	1.6%	-10.0%	-4.6%	14.7%	14.6%	15.6%	-2.2%	-0.7%	11.7%	16.7%
Payout ratio	49.5%	29.6%	36.6%	43.6%	0.0%	1,284.7%	38.4%	56.2%	n.m.	39.1%	31.1%

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	135	126	118
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	166	157	149
Inventory	32	33	43	44	52	39	35	50	67	65	66
Accounts receivable	52	52	54	58	58	47	51	65	64	67	67
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	74	73	81
Total current assets	130	150	137	145	147	132	154	225	214	214	224
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**	**380**	**372**	**373**
Shareholders equity	109	126	143	136	131	132	146	163	160	165	180
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	160	165	180
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	70	72	73
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	155	157	158
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**	**380**	**372**	**373**
Balance sheet and debt metrics											
Net debt	38	34	58	81	71	69	37	50	59	44	21
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	70	68	69
Invested capital	165	180	220	235	217	219	204	228	236	226	218
Capital employed	194	223	237	247	232	242	246	312	294	284	284
ROE	5.3%	14.5%	11.4%	10.4%	-1.3%	0.2%	21.6%	13.4%	-2.8%	6.4%	12.4%
ROIC	12.3%	14.4%	10.0%	5.1%	1.6%	2.9%	14.5%	9.7%	0.7%	6.2%	10.7%
ROCE	14.1%	15.2%	11.1%	6.2%	1.9%	3.4%	16.2%	9.6%	0.6%	6.3%	10.7%
Net debt/EBITDA	0.9	0.7	1.3	2.4	2.8	2.0	0.6	1.1	3.5	1.3	0.4
Interest coverage	3.2	6.0	8.1	5.8	0.8	1.4	7.1	69.1	-2.5	27.7	n.m.
Equity ratio	41.1%	43.1%	45.3%	41.8%	40.7%	42.7%	46.0%	42.2%	42.2%	44.3%	48.3%
Net gearing	35.3%	26.6%	40.7%	59.6%	54.7%	51.9%	25.4%	30.4%	36.6%	26.7%	11.5%

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**	**17**	**33**	**46**
Paid taxes	-8	-9	-7	2	6	-1	-2	-7	-1	-3	-6
Net financials	-8	-5	-3	-3	-5	-5	-4	-5	-1	-1	0
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**	**13**	**30**	**40**
Change in NWC	6	-8	-6	-8	6	2	-1	-25	-4	1	-1
Cash flow from operations (CFO)	**37**	**27**	**29**	**22**	**32**	**30**	**57**	**11**	**9**	**31**	**40**
Capital expenditure	-8	-22	-50	-34	-15	-11	-11	-18	-10	-10	-11
Free cash flow before A&D	**29**	**5**	**-21**	**-12**	**17**	**19**	**46**	**-7**	**-1**	**20**	**29**
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	-1	20	29
Free cash flow bef A&D, lease adj	29	5	-21	-12	17	19	46	-7	-1	20	29
Dividends paid	0	-3	-5	-6	-6	0	-3	-12	-12	-6	-6
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	-28	0	8
Cash flow metrics											
Capex/D&A	49.7%	n.m.	n.m.	n.m.	70.6%	41.2%	50.8%	87.9%	52.4%	53.9%	55.5%
Capex/Sales	1.9%	5.0%	11.9%	7.9%	3.4%	2.6%	2.4%	4.0%	2.0%	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	175	175	175
Enterprise value	238	345	268	335	189	202	333	351	233	219	195
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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Completion Date

10 Jan 2023, 22:34 CET

Nordea Bank Abp	Nordea Bank Abp, filial i Sverige	Nordea Danmark, Filial af Nordea Bank Abp, Finland	Nordea Bank Abp, filial i Norge
Nordea IB & Equity Division, Equity Research Visiting address: Aleksis Kiven katu 7, Helsinki FI-00020 Nordea Finland	**Nordea IB & Equity Division, Equity Research** Visiting address: Smålandsgatan 17 SE-105 71 Stockholm Sweden	**Nordea IB & Equity Division, EquityResearch** Visiting address: Grønjordsvej 10 DK-2300 Copenhagen S Denmark	**Nordea IB & Equity Division, Equity Research** Visiting address: Essendropsgate 7 N-0107 Oslo Norway
Tel: +358 9 1651 Fax: +358 9 165 59710	Tel: +46 8 614 7000 Fax: +46 8 534 911 60	Tel: +45 3333 3333 Fax: +45 3333 1520	Tel: +47 2248 5000 Fax: +47 2256 8650
Reg.no. 2858394-9 Satamaradankatu 5 Helsinki			