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Commissioned research: Suominen – Q4 comparable EBITDA fell short of expectations – expects improving EBITDA in 2024

Marketing material commissioned by Suominen

Suominen's result were largely in line with Q3 and fell short of Vara Research consensus expectations. Management continues to see positive signals in its business environment, despite the weak global economy. Dividend proposal stands at EUR 0.10, slightly above consensus at EUR 0.08. We anticipate consensus to revise down 2024 estimates to the tune of 10%, while we note solid cash flow and slightly higher-than-anticipated DPS proposal.

Q4 comparable EBITDA of EUR 5.3m, 25% below consensus expectations

- Suominen Q4 comparable EBITDA of EUR 5.3m came 25% below Vara Research consensus at EUR 7m.
- Q4 sales of EUR 115m were 3% below consensus expectations. According to Suominen, sales volumes increases slightly y/y while sales prices decreased clearly owing to lower raw material prices. FX impacted net sales negatively by EUR 3.5m.
- Cash flow was stronger than we had anticipated due to positive change in working capital. Q4 free cash flow was EUR 10.1m while cash flow from operations was EUR 13.1m. Net debt declined to EUR 44.1m (EUR 51.8m at the end of Q3 2023), corresponding to net gearing of 35.3.
- DPS proposal stands at EUR 0.10 slightly above consensus at EUR 0.08.

Positive guidance for 2024 – positive signs from the market

- Suominen expects comparable EBITDA to increase in 2024 from EUR 15.8m in 2023. Pre-Q4 consensus expects EUR 32.6m comparable EBITDA in 2024E.
- Despite the challenging global economy, Suominen continues to see positive signs in its business environment for 2024, and continues to execute its improvement action plan.

SUOMINEN: DEVIATION TABLE

EURm	Actual	NDA est.	Deviation		Consensus	Deviation		Actual	Actual		
	Q4 23	Q4 23E	vs. actual		Q4 23E	vs. actual		Q3 23	q/q	Q4 22	y/y
Sales	114.9	110.0	4.9	4%	112.0	2.9	3%	106.4	8%	133.1	-14%
Comparable EBITDA	5.3	7.1	-1.9	-26%	7.0	-1.7	-25%	5.2	1%	5.0	6%
EBITDA margin	4.6%	6.5%	-1.9pp		6.3%	-1.7pp		4.9%	-0.3pp	3.7%	0.9pp
Comparable operating profit	0.7	2.6	-1.9	n.a.	2.4	-1.7	-72%	0.7	1%	-0.2	-445%
Operating margin	0.6%	2.4%	-1.8pp		2.1%	-1.6pp		0.6%	0.0pp	-0.1%	0.7pp
EPS	-0.02	0.02	-0.04	n.a.	0.02	-0.04	n.a.	0.01	-250%	-0.15	n.a.

Source: Company data, Vara Research and Nordea estimates

SUOMINEN: CASH FLOW AND BALANCE SHEET

EURm	Actual	NDA est.	Deviation		Actual		Actual	
	Q4 23	Q4 23E	vs. actual		Q3 23	q/q	Q3 22	y/y
Profit for the period	-1.4	1.1			0.8		-8.8	
Adjustments	7.5	6.2			4.7		12.5	
Cash before WC	6.1	7.3			5.5		3.7	
Change in working capital	9.1	3.0			4.5		15.0	
Financial items	-1.1	-1.2			-1.0		-2.7	
Income taxes	-1.0	-0.3			-1.0		-0.4	
Cash flow from operations	13.1	8.8	4.2		8.0		15.6	
Investments	-3.0	-2.9			-4.4		-2.3	
Sales of property, plant, equipr	0.0	0.0			0.0		0.0	
Sales of equity investments	0.0	0.0			0.0		0.0	
Cash from investments	-3.0	-3.0			-4.4		-2.3	
Free cash flow	10.1	5.9	4.2		3.6		13.3	
Dividends	0.0	0.0			0.0		0.0	
Net debt	44.1	46.4	-2.3	-5%	52.2	-16%	54.6	-19%
Equity	124.9	131.4	-6.5	-5%	130.3	-4%	145.9	-14%
Net gearing	35.3	35.3	0.0pp		40.1	-4.8pp	37.4	-2.1pp

Source: Company data and Nordea estimates

SUMMARY TABLE - KEY FIGURES

EURm	2020	2021	2022	2023E	2024E	2025E
Total revenue	459	443	493	446	460	479
EBITDA (adj)	61	47	15	18	29	35
EBIT (adj)	39	27	-4	-1	10	17
EBIT (adj) margin	8.6%	6.1%	-0.8%	-0.2%	2.2%	3.5%
EPS (adj, EUR)	0.52	0.36	-0.16	-0.10	0.08	0.19
EPS (adj) growth	13,268.1%	-31.6%	-143.7%	38.3%	187.4%	120.9%
DPS (ord, EUR)	0.20	0.20	0.10	0.10	0.10	0.14
EV/Sales	0.7	0.8	0.5	0.5	0.4	0.4
EV/EBIT (adj)	8.4	13.0	n.m.	n.m.	19.9	11.8
P/E (adj)	9.8	14.6	n.m.	n.m.	32.3	14.6
P/BV	2.0	1.8	1.2	1.2	1.2	1.2
Dividend yield (ord)	3.9%	3.9%	3.3%	3.7%	3.7%	5.2%
FCF Yield bef A&D, lease adj	15.6%	-2.2%	2.4%	7.6%	4.3%	7.0%
Net debt	37	50	55	48	47	41
Net debt/EBITDA	0.6	1.1	3.8	3.7	1.6	1.2
ROIC after tax	14.5%	9.7%	-1.5%	-0.4%	4.3%	7.1%

Source: Company data and Nordea estimates

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