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Commissioned research: Suominen - Comparable EBITDA below consensus expectations in Q1 – positive signs of demand recovery

Marketing material commissioned by Suominen

Suominen's result were down slightly from Q4 and fell short of Vara Research consensus expectations. Despite challenging business environment, the management notes positive signals of demand recovery in the market. Sales volumes increased y/y in Q1 (especially in EMEA), while sale prices were down. Guidance of improving comparable EBITDA was maintained intact, while consensus has modelled EUR 30.3m in 2024E after EUR 15.8m in 2023. Initially, we anticipate consensus to revise down 2024 estimates to the tune of mid- to high-single digits.

SUOMINEN: DEVIATION TABLE

EURm	Actual	NDA est.	Deviation		Consensus	Deviation			Actual		Actual
	Q1 24	Q1 24E	vs. actual		Q1 24E	vs. actual			Q4 23	q/q	Q1 23
Sales	113.6	119.4	-5.8	-5%	113.2	0.4	0%	114.9	-1%	116.8	-3%
Comparable EBITDA	4.5	6.0	-1.5	-26%	6.3	-1.8	-29%	5.3	-15%	2.6	69%
EBITDA margin	3.9%	5.1%	-1.1pp		5.6%	-1.6pp		4.6%	-0.6pp	2.3%	1.7pp
Comparable operating profit	-0.1	1.4	-1.5	n.a.	1.8	-1.9	-105%	0.7	-113%	-2.0	-96%
Operating margin	-0.1%	1.2%	-1.2pp		1.6%	-1.7pp		0.6%	-0.7pp	-1.7%	1.6pp
EPS	-0.02	0.00	-0.02	n.a.	0.00	-0.02	n.a.	-0.02	-18%	-0.07	n.a.

Source: Company data, Vara Research and Nordea estimates

SUOMINEN: CASH FLOW AND BALANCE SHEET

EURm	Actual	NDA est.	Deviation		Actual		Actual	
	Q1 24	Q1 24E	vs. actual		Q4 23	q/q	Q1 23	y/y
Profit for the period	-1.0	0.1			-1.4		-8.8	
Adjustments	5.8	5.0			7.5		12.5	
Cash before WC	4.8	5.1			6.1		3.7	
Change in working capital	-5.8	1.0			9.1		15.0	
Financial items	-1.1	-1.3			-1.1		-2.7	
Income taxes	-0.1	0.0			-1.0		-0.4	
Cash flow from operations	-2.2	4.7	-7.0		13.1		15.6	
Investments	-2.7	-2.0			-3.0		-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	
Cash from investments	-2.7	-2.0			-3.0		-2.3	
Free cash flow	-4.9	2.7	-7.7		10.1		13.3	
Net debt	49.2	46.6	2.6	6%	44.1	12%	54.6	-10%
Equity	126.0	119.2	6.9	6%	124.9	1%	145.9	-14%
Net gearing	39%	39.1%	-0.1pp		35%	3.7pp	37%	1.6pp

Source: Company data and Nordea estimates

Q1 comparable EBITDA of EUR 4.5m, 29% below consensus expectations

- Suominen Q1 comparable EBITDA of EUR 4.5m came 29% below Vara Research consensus at EUR 6.3m.
- Q1 sales of EUR 114m were in line with consensus expectations. According to Suominen, sales volumes increases y/y while sales prices decreased.
- Cash flow was weaker than we had anticipated due to negative change in working capital. Q1 free cash flow was EUR -4.9m while cash flow from operations was EUR -2.2m. Net debt increased to EUR 49.2m (EUR 44.1m at the end of 2023), corresponding to net gearing of 39.0%.

Guidance for 2024 reiterated – positive signs of demand recovery

- Suominen expects comparable EBITDA to increase in 2024 from EUR 15.8m in 2023. Pre-Q1 consensus expects EUR 30.3m comparable EBITDA in 2024E.
- Despite the challenging business environment, Suominen continues to see positive signs of demand recovery. The company is expecting gradual improvements, especially in production performance and line efficiencies going forward.

SUMMARY TABLE - KEY FIGURES

EURm	2021	2022	2023	2024E	2025E	2026E
Total revenue	443	493	451	468	488	500
EBITDA (adj)	47	15	16	26	34	36
EBIT (adj)	27	-4	-3	8	15	18
EBIT (adj) margin	6.1%	-0.8%	-0.6%	1.6%	3.1%	3.5%
EPS (adj, EUR)	0.36	-0.16	-0.14	0.05	0.16	0.20
EPS (adj) growth	-31.6%	-143.7%	11.5%	132.7%	260.5%	25.8%
DPS (ord, EUR)	0.20	0.10	0.10	0.10	0.12	0.13
EV/Sales	0.8	0.5	0.5	0.4	0.4	0.4
EV/EBIT (adj)	13.0	n.m.	n.m.	24.7	12.1	9.9
P/E (adj)	14.6	n.m.	n.m.	56.8	15.8	12.5
P/BV	1.8	1.2	1.3	1.2	1.2	1.1
Dividend yield (ord)	3.9%	3.3%	3.5%	3.9%	4.7%	5.1%
FCF Yield bef A&D, lease adj	-2.2%	2.4%	9.9%	6.3%	8.3%	8.9%
Net debt	50	55	44	40	33	27
Net debt/EBITDA	1.1	3.8	3.9	1.5	1.0	0.7
ROIC after tax	9.7%	-1.5%	-1.1%	3.4%	7.1%	8.4%

Source: Company data and Nordea estimates

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