

6 November 2024

## Commissioned research: Suominen – Soft Q3 partly explained by operational issues – guidance requires resolving of operational issues

Marketing material commissioned by Suominen

Suominen's results turned into sequential decline in Q3 due to operational issues and fell short of Vara Research consensus expectations. The company expects its target market to remain stable in the short term although some uncertainties related to global economic sentiment remain. Sales volumes, prices and margins increased y/y in Q3, while FX had a negative impact. Americas sales were weaker than we had anticipated while EMEA came above our expectations. Guidance of improving comparable EBITDA was maintained intact, while consensus has modelled EUR 24.4m in 2024E after EUR 15.8m in 2023. We note operational issues in Q3 while we do not know if the company has been able to resolve these during the quarter. Initially, we anticipate consensus to take down 2024 estimates more than 10% with more muted revisions for 2025E. In order to reach its guidance, Suominen has to deliver above EUR 3m comparable EBITDA in Q4, while we have anticipated EUR 6.6m.

### SUOMINEN: DEVIATION TABLE

	Actual	NDA est.	Deviation	Consensus	Deviation	Actual	Actual	Actual	
EURm	Q3 24	Q3 24E	vs. actual	Q3 24E	vs. actual	Q2 24	q/q	Q3 23	y/y
Sales	111.6	111.0	0.6 1%	115.7	-4.1 -4%	118.7	-6%	106.4	5%
Comparable EBITDA	3.3	6.1	-2.8 -46%	7.1	-3.8 -54%	5.0	-34%	5.2	-37%
EBITDA margin	3.0%	5.5%	-2.5pp	6.1%	-3.2pp	4.2%	-1.2pp	4.9%	-1.9pp
Comparable operating profit	-1.5	1.5	-3.0 -201%	2.6	-4.1 -158%	0.4	-468%	0.7	-325%
Operating margin	-1.3%	1.3%	-2.7pp	2.2%	-3.6pp	0.3%	-1.7pp	0.6%	-2.0pp
EPS	-0.06	0.01	-0.07 n.m.	0.02	-0.08 -400%	-0.03	80%	0.01	-550%

Source: Company data, Vara Research and Nordea estimates

### Q3 comparable EBITDA of EUR 3.3m, burdened by EUR ~3m due to operational issues

- Suominen Q3 comparable EBITDA of EUR 3.3m came 54% below Vara Research consensus at EUR 7.1m. Q3 comparable EBITDA was burdened by EUR ~3m due to major operational issues, while we do not know if the company has been able to resolve this issues during the Q3.
- Q3 sales of EUR 112m came 4% below consensus expectations. According to Suominen, sales volumes and prices increased y/y. Americas sales of EUR 70m came below our estimate of EUR 74m while EMEA sales of EUR 42m came above of our EUR 37m estimate.
- Cash flow was weaker than we had anticipated. Q3 cash flow from operations was EUR -2.6m compared to our estimate of EUR 5.4m, burdened by EUR -2.7m change in working capital while we anticipated EUR 1m positive impact. Net debt increased to EUR 63.3m (EUR 56.6m at the end Q2 2024), corresponding to net gearing of 57.1% and leverage of 3.5x.

### Guidance for 2024 reiterated – consensus to revise 2024 estimates down clearly

- Suominen expects comparable EBITDA to increase in 2024 from EUR 15.8m in 2023. Pre-Q3 Vara consensus expects EUR 24.4m comparable EBITDA in 2024E.
- The company does not expect any major changes in the target market in near term.
- Initially, we expect consensus to revise down its 2024E comparable EBITDA by more than 10% while foresee slightly more muted revisions for 2025E. However, we note uncertainty over the major operational issues during Q3 which we expect the company to comment in the earnings call.

### SUMMARY TABLE - KEY FIGURES

EURm	2021	2022	2023	2024E	2025E	2026E
Total revenue	443	493	451	458	485	502
EBITDA (adj)	47	15	16	22	33	37
EBIT (adj)	27	-4	-3	4	13	17
EBIT (adj) margin	6.1%	-0.8%	-0.6%	0.8%	2.8%	3.4%
EPS (adj, EUR)	0.36	-0.16	-0.14	-0.01	0.14	0.20
EPS (adj) growth	-31.6%	-143.7%	11.5%	93.9%	1,767.0%	40.0%
DPS (ord, EUR)	0.20	0.10	0.10	0.00	0.10	0.11
EV/Sales	0.8	0.5	0.5	0.4	0.4	0.4
EV/EBIT (adj)	13.0	n.m.	n.m.	51.8	15.3	11.5
P/E (adj)	14.6	n.m.	n.m.	n.m.	17.9	12.8
P/BV	1.8	1.2	1.3	1.2	1.2	1.1
Dividend yield (ord)	3.9%	3.3%	3.5%	0.0%	4.0%	4.4%
FCF Yield bef A&D, lease adj	-2.2%	2.4%	9.9%	-2.5%	-4.8%	10.3%
Net debt	50	55	44	53	60	51
Net debt/EBITDA	1.1	3.8	3.9	2.5	1.8	1.4
ROIC after tax	9.7%	-1.5%	-1.1%	1.7%	5.7%	7.0%

Source: Company data and Nordea estimates

**Completion date: 06/11/2024 09:02:59 CET**

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