

Improvement on the cards

Suominen has disappointed expectations several quarters in a row. The company now posted EUR 3.0m Q1 EBIT, a figure clearly above our EUR 2.0m estimate. The earnings beat was driven by improved gross margin; the product of price hikes and stabilizing raw materials costs. Volume outlook is still uncertain, yet in our view Suominen's earnings have now bottomed out. We increase our target price to EUR 2.85 (2.40) per share, while retaining our HOLD rating.

2019 volume outlook remains uncertain

The company has managed to improve its gross margin through price hikes, however this has meant losing volumes. We expected the company to lose Q1 volumes by around 5% y/y. Therefore the 9% Q1 volume decline we estimate from the disclosed figures came as a negative surprise. We had previously expected volume declines of around 8% for the remaining quarters of 2019, while estimating 7% volume decline for the whole year. We now expect 2019 volumes to decline by 9%.

History suggests 11-12% gross margin potential

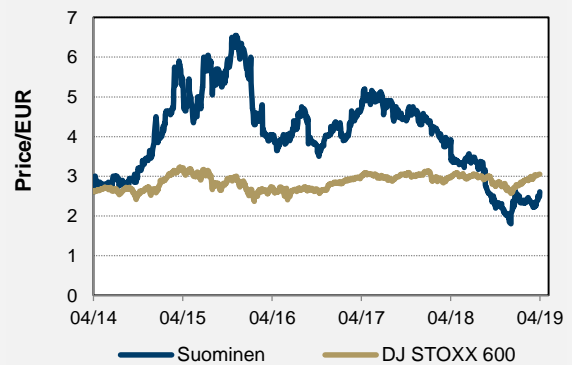
Suominen achieved an 8.1% Q1 gross margin (vs. our 7.0% expectation and 7.4% a year ago). The GM had previously touched the low of 6.2% in Q4'18. We expect the 2019 GM to improve to 8.7% as higher prices continue to pass through. We estimate Suominen to reach a roughly 11% GM by 2021 as the recent years' oversupply situation balances out. According to our analysis, this would imply an EBIT margin of ca. 5% in 2021E.

We increase our target price to EUR 2.85 per share

We expect Suominen to reach 3.1% EBIT margin in 2019, while estimating further margin upside to the tune of 200bps by 2021 on the back of stabilizing nonwovens market. In our view a 5% EBIT margin is a reasonable assumption in a long-term valuation context. However, given the company's recent challenges we are not yet ready to fully weight this long-term potential in our TP. We do note that the 5% margin assumption would justify a share price materially above EUR 3 per share. Suominen now trades at 6.1x EV/EBITDA '19e, a 20% discount to peer multiples.

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 2.61

Target price, EUR 2.85

Latest change in 01-Aug-18

Latest report on company 16-Apr-19

Research paid by issuer: YES

No. of shares outstanding, '000's 58,259

No. of shares fully diluted, '000's 58,259

Market cap, EURm 152

Free float, % -

Exchange rate EUR/USD 1.13

Reuters code SUY1V.HE

Bloomberg code SUY1V.FH

Average daily volume, EURm 0.1

Next interim report 07-Aug-19

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■ BUY ■ HOLD ■ SELL

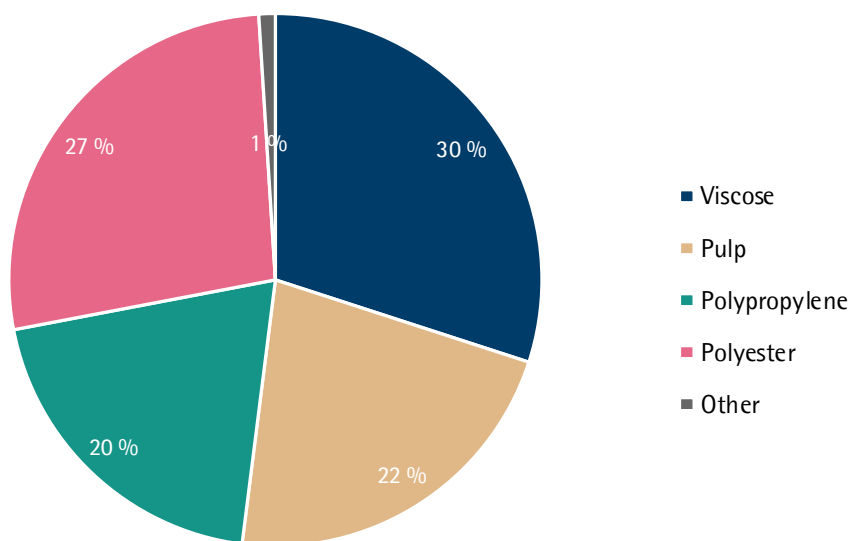
KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2017	426	15	3.5%	12	0.25	17.8	0.8	11.6	22.2	0.11
2018	431	5	1.1%	-1	-0.03	-69.4	0.5	3.7	44.8	0.00
2019E	436	13	3.1%	7	0.09	28.0	0.5	4.9	16.8	0.04
2020E	456	18	4.0%	14	0.18	14.2	0.5	4.4	11.2	0.09
2021E	472	24	5.1%	21	0.26	9.9	0.4	4.0	7.9	0.11
Market cap, EURm			152	BV per share 2019E, EUR		2.3	CAGR EPS 2018-21, %		n/m	
Net debt 2019E, EURm			72	Price/book 2019E		1.1	CAGR sales 2018-21, %		3.0	
Enterprise value, EURm			224	Dividend yield 2019E, %		1.5	ROE 2019E, %		4.1	
Total assets 2019E, EURm			325	Tax rate 2019E, %		26.0	ROCE 2019E, %		5.4	
Goodwill 2019E, EURm			15	Equity ratio 2019E, %		41.8	PEG, P/E 19/CAGR		0.6	

All the important disclosures can be found on the last pages of this report.

Estimates

SUOMINEN EURm	2013 FY	2014 FY	2015 FY	2016 FY	2017 FY	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2018E FY	2019E Q1E	2019E Q2E	2019E Q3E	2019E Q4E	2019E FY	2020E FY	2021E FY
Sales	374	402	444	417	426	107	110	105	110	431	110	113	105	108	436	456	472
Sales growth, %		8 %	11 %	-6 %	2 %	-6 %	-2 %	2 %	11 %	1 %	3 %	2 %	1 %	-2 %	1 %	5 %	3 %
FX			10 %	0 %	-1 %	-8 %	-5 %	1 %	2 %	-2 %	4 %	3 %	1 %	0 %	2 %	0 %	0 %
Price/mix (indicative)				-3 %	-1 %	0 %	4 %	4 %	9 %	4 %	8 %	9 %	8 %	6 %	8 %	2 %	1 %
Volume (indicative)				-3 %	4 %	2 %	-1 %	-2 %	0 %	-1 %	-9 %	-9 %	-9 %	-8 %	-9 %	3 %	2 %
Convenience	369	412	379	389	389	98	100	96	103	396	101	103	97	95	397	415	429
Baby	165	178	158	175	175	42	41	40	46	168	40	42	37	37	157	157	160
Personal care	84	98	104	89	89	25	25	24	21	95	25	25	22	24	96	98	99
Household	68	75	75	81	81	21	22	21	22	86	22	23	21	22	87	96	101
Workplace	44	49	36	38	38	10	10	9	10	39	11	12	13	14	48	55	59
Other	8	12	5	5	5	0	2	1	4	8	4	1	4	-1	9	9	9
Care	32	32	37	38	38	9	10	9	7	35	9	9	8	13	39	41	42
Hygiene & Medical	32	32	37	38	38	9	10	9	7	35	9	9	8	13	39	41	42
By geography																	
Finland	2	3	3	2	3	1	1	1	1	2	1	1	1	1	3	3	3
Rest of Europe	138	140	160	158	161	41	39	37	36	153	39	39	35	35	150	157	162
Americas	224	249	272	246	252	63	68	66	71	268	68	71	67	70	274	287	298
ROW	9	11	10	10	10	2	3	1	1	7	2	2	2	2	9	9	9
COGS	-334	-352	-386	-365	-384	-99	-100	-98	-103	-400	-101	-103	-96	-98	-398	-411	-420
Gross Profit	40	50	58	52	42	8	10	7	7	31	9	10	9	10	38	45	51
Gross-%	10.7 %	12.4 %	13.1 %	12.5 %	9.9 %	7.4 %	9.1 %	6.3 %	6.2 %	7.3 %	8.1 %	8.7 %	8.9 %	8.9 %	8.7 %	9.8 %	10.8 %
SGA & R&D	-22.4	-24.6	-28.0	-27.9	-28.9	-6.9	-7.7	-7.0	-7.5	-29.2	-6.8	-7.1	-6.4	-6.9	-27.2	-29.2	-29.7
Other	1.7	0.8	1.8	1.3	1.7	0.6	0.6	0.9	0.4	2.5	0.8	0.6	0.9	0.4	2.7	2.7	2.7
EBIT	18.9	25.9	31.8	25.6	15.0	1.5	2.9	0.5	-0.4	4.6	3.0	3.3	3.9	3.1	13.3	18.4	24.1
IAC	-0.5	-1.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT ex IAC	19.4	26.9	31.2	25.6	15.0	1.5	2.9	0.5	-0.4	4.6	3.0	3.3	3.9	3.1	13.3	18.4	24.1
EBIT-% ex IAC	5.2 %	6.7 %	7.0 %	6.1 %	3.5 %	1.5 %	2.7 %	0.5 %	####	1.1 %	2.7 %	2.9 %	3.7 %	2.9 %	3.0 %	4.0 %	5.1 %
Depreciation	-13.9	-15.6	-17.7	-18.5	-19.4	-5.0	-5.1	-5.3	-5.6	-21.0	-6.3	-5.5	-5.8	-6.0	-23.6	-21.4	-20.7
EBITDA ex IAC	33.3	42.5	48.9	44.2	34.3	6.5	8.0	5.8	5.2	25.6	9.3	8.8	9.7	9.1	36.9	39.8	44.8
EBITDA-% ex IAC	8.9 %	10.6 %	11.0 %	10.6 %	8.1 %	6.1 %	7.3 %	5.5 %	4.8 %	5.9 %	8.5 %	7.8 %	9.2 %	8.4 %	8.5 %	8.7 %	9.5 %

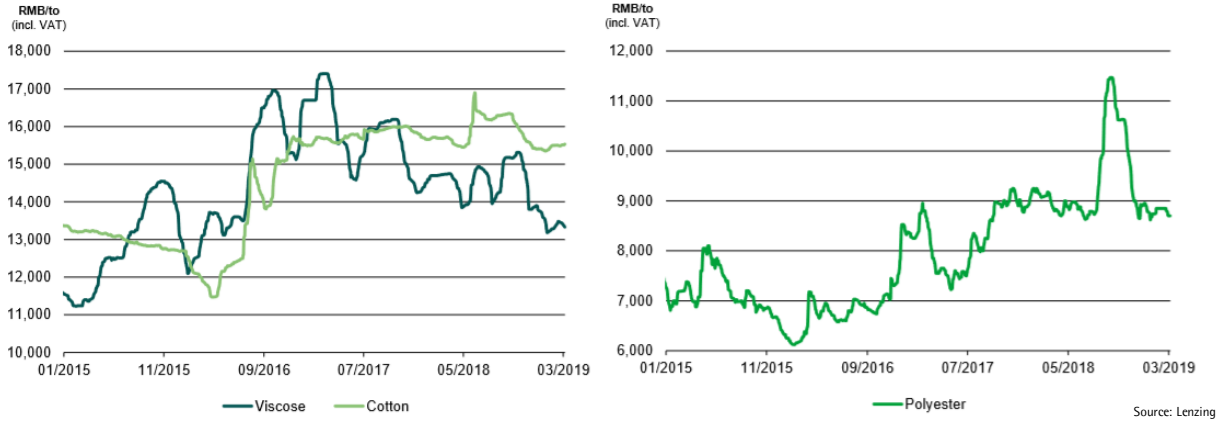
Note: Suominen restated 2016 figures which have a slight impact on the product groups' absolute numbers.
Source: Suominen, Evli Research
Raw material mix (in tonnes)


Total raw material consumption 134kt (2018)

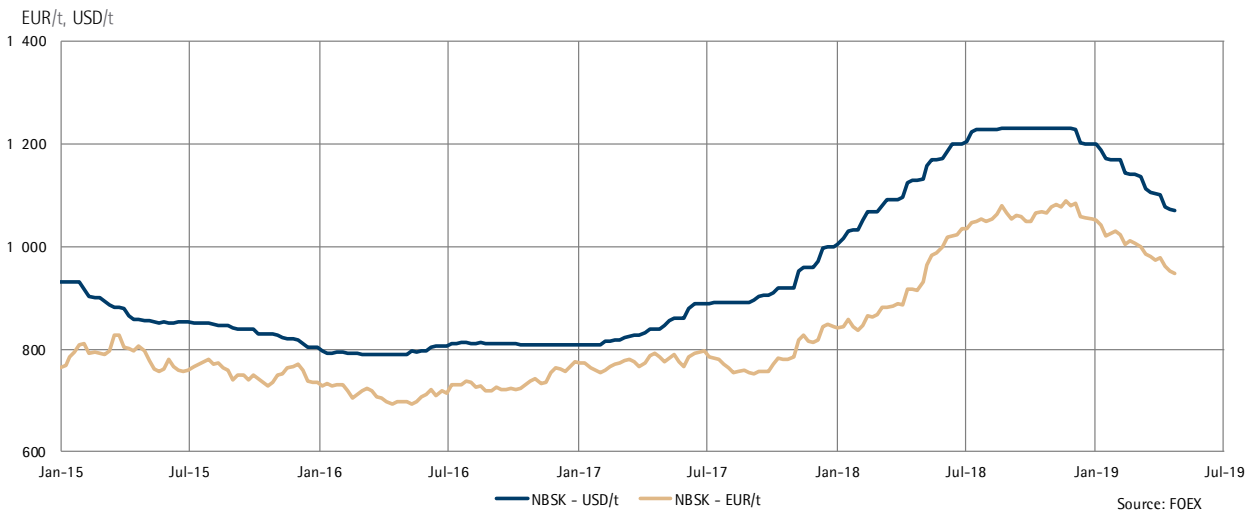
Source: Suominen

Raw material price development

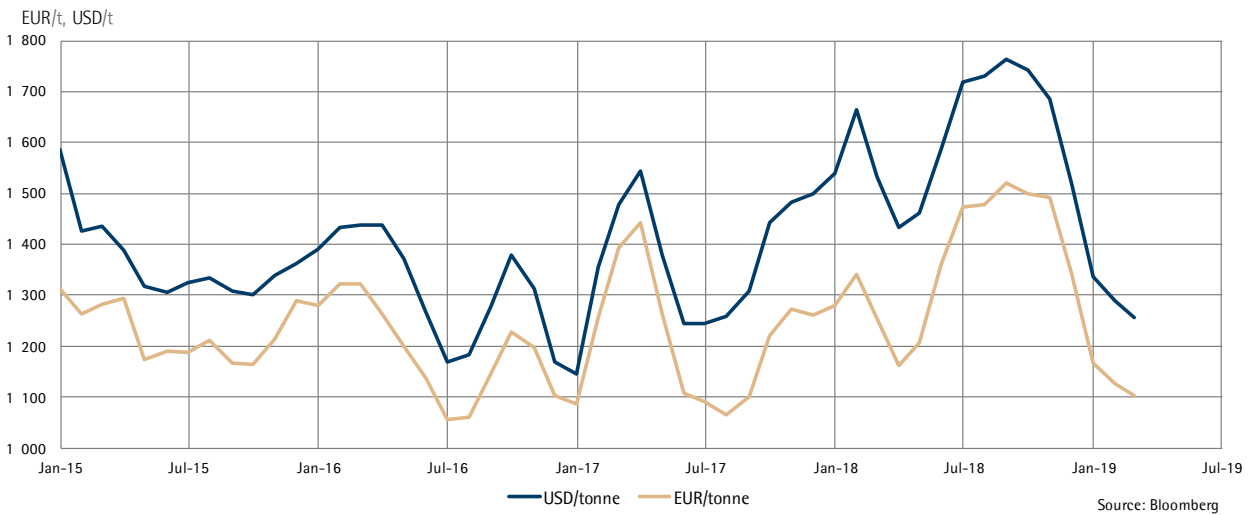
Fiber prices in China have declined by 10–20% from their 2018 highs



European pulp prices have been soft so far in 2019



Polypropylene prices have also developed favorably from Suominen's viewpoint



Valuation

Note: EV-based comparisons are currently challenging to carry out, as peer multiples may not yet reflect the impact of IFRS 16. We have accounted for IFRS 16 in our estimates for Suominen – the company estimates that the carrying amounts of lease liabilities and right-of-use assets arising from IFRS 16 will be about EUR 15-17m.

SUOMINEN PEER GROUP	MCAP	EV/EBITDA	EV/EBITDA	EV/EBITDA	EV/EBIT	EV/EBIT	EV/EBIT	P/E	P/E	P/E
	local FX	19	20	21	19	20	21	19	20	21
Ahlstrom-Munksjo Oyj	1639	7.2x	5.9x	5.5x	12.6x	9.8x	8.9x	12.5x	10.0x	9.2x
Berry Global Group Inc	7551	8.4x	7.9x	7.5x	13.1x	12.2x	11.5x	15.0x	14.2x	13.3x
Kimberly-Clark Corporation	42768	12.0x	11.6x	11.3x	15.4x	14.8x	14.3x	18.6x	17.7x	16.8x
Low & Bonar PLC	104	4.7x	4.4x	3.9x	9.3x	7.3x	6.3x	4.9x	6.7x	5.8x
Neenah Inc	1107							17.6x	14.7x	
P. H. Glatfelter Company	650	7.8x	6.5x	5.7x	14.2x	10.6x	9.0x	21.1x	14.8x	12.0x
PFNonwovens a.s.	6625							10.0x	9.6x	9.1x
Peer Group Median		7.8x	6.5x	5.7x	13.1x	10.6x	9.0x	15.0x	14.2x	10.6x
Peer Group Average		8.0x	7.3x	6.8x	12.9x	11.0x	10.0x	14.2x	12.5x	11.0x
Suominen (Evli est)		6.1x	5.0x	4.2x	16.8x	11.2x	7.9x	28.0x	14.2x	9.9x
<i>Suominen discount/premium to peer group median</i>		<i>-23 %</i>	<i>-23 %</i>	<i>-27 %</i>	<i>29 %</i>	<i>6 %</i>	<i>-12 %</i>	<i>87 %</i>	<i>0 %</i>	<i>-7 %</i>

SUOMINEN PEER GROUP	Ticker	Div yield	Div yield	Div yield	EBIT-%	EBIT-%	EBIT-%	ROCE-%	ROCE-%	ROCE-%
		19	20	21	19	20	21	19	20	21
Ahlstrom-Munksjo Oyj	AM1-FI	3.8%	4.0%	4.3%	6.6%	7.8%	8.0%	8.0%	9.6%	10.0%
Berry Global Group Inc	BERY-US	0.0%	0.0%	0.0%	11.6%	11.7%	11.9%	12.5%	13.3%	
Kimberly-Clark Corporation	KMB-US	3.3%	3.4%	3.6%	17.6%	18.0%	18.2%	40.4%	40.7%	43.0%
Low & Bonar PLC	LWB-GB	5.5%	6.0%	6.2%	5.2%	6.1%	6.6%			
Neenah Inc	NP-US				8.8%	10.2%		12.2%	13.9%	
P. H. Glatfelter Company	GLT-US	3.2%	3.2%	3.2%	6.1%	7.3%	8.0%	5.3%	6.9%	
PFNonwovens a.s.	PEGAS-CZ	0.0%	0.0%	0.0%	13.7%	13.6%	13.7%			
Peer Group Median		3.3%	3.3%	3.4%	8.8%	10.2%	9.9%	12.2 %	13.3 %	26.5 %
Peer Group Average		2.6%	2.8%	2.9%	9.9%	10.7%	11.1%	15.7 %	16.9 %	26.5 %
Suominen (Evli est)	SUY1V-FI	1.5%	3.4%	4.1%	3.1%	4.0%	5.1%	5.4%	7.7%	10.4%

Source: FactSet, Evli Research

Valuation approach	Implied equity value per share
Peer EV/EBIT ('19-21e median)	2.0
Peer EV/EBITDA ('19-21e median)	3.3
DCF	3.3
Target price (EUR)	2.85

Source: FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	2.61 PV of Free Cash Flow	143 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	3.34 PV of Horizon value	138 WACC, %	7.9 Market risk premium, %
Share price potential, %	28.0 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	3.7 Marketable securities	32 Minimum WACC, %	7.4 Equity beta coefficient
Minimum value	3.0 Debt - dividend	-118 Maximum WACC, %	8.4 Target debt ratio, %
Horizon value, %	49.1 Value of stock	195 Nr of shares, Mn	58.3 Effective tax rate, %

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	431	436	456	472	483	492	502	512	523	533	544	555
<i>Sales growth, %</i>	<i>1.2</i>	<i>1.1</i>	<i>4.7</i>	<i>3.3</i>	<i>2.4</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	5	13	18	24	27	25	25	26	26	27	27	28
<i>EBIT margin, %</i>	<i>1.1</i>	<i>3.1</i>	<i>4.0</i>	<i>5.1</i>	<i>5.6</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>
+ Depreciation+amort.	21	24	23	21	21	19	18	18	18	18	19	
- Income taxes	4	-3	-5	-6	-7	-6	-7	-7	-7	-7	-7	
- Change in NWC	6	-3	-2	-1	-1	-1	-1	-1	-1	-1	-1	
<i>NWC / Sales, %</i>	<i>9.1</i>	<i>9.6</i>	<i>9.6</i>	<i>9.6</i>	<i>9.5</i>	<i>9.5</i>	<i>9.5</i>	<i>9.5</i>	<i>9.5</i>	<i>9.4</i>	<i>9.4</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-15	-12	-12	-13	-13	-14	-16	-18	-20	-20	-21	-21
<i>Investments / Sales, %</i>	<i>3.4</i>	<i>2.8</i>	<i>2.6</i>	<i>2.8</i>	<i>2.7</i>	<i>2.8</i>	<i>3.2</i>	<i>3.5</i>	<i>3.8</i>	<i>3.8</i>	<i>3.9</i>	<i>3.9</i>
- Other items	-3	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	17	19	23	25	27	22	20	18	16	17	17	289
= Discounted FCF (DFCF)		18	20	20	20	16	13	11	9	9	8	138
= DFCF min WACC		18	20	21	21	16	13	11	9	9	8	158
= DFCF max WACC		18	20	20	20	15	12	10	9	8	8	122

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2E	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	107	110	105	110	431	110	113	105	108	436	456	472
EBITDA	7	8	6	5	26	9	9	10	9	37	41	45
<i>EBITDA margin (%)</i>	<i>6.1</i>	<i>7.3</i>	<i>5.5</i>	<i>4.7</i>	<i>5.9</i>	<i>8.5</i>	<i>7.8</i>	<i>9.2</i>	<i>8.4</i>	<i>8.5</i>	<i>9.1</i>	<i>9.6</i>
EBIT	2	3	0	0	5	3	3	4	3	13	18	24
<i>EBIT margin (%)</i>	<i>1.5</i>	<i>2.7</i>	<i>0.5</i>	<i>-0.4</i>	<i>1.1</i>	<i>2.7</i>	<i>2.9</i>	<i>3.7</i>	<i>2.9</i>	<i>3.1</i>	<i>4.0</i>	<i>5.1</i>
Net financial items	-2	-1	-2	-2	-6	-1	-1	-1	-1	-6	-4	-3
Pre-tax profit	0	2	-1	-2	-1	2	2	2	2	7	14	21
Tax	0	-1	0	0	-1	0	0	-1	0	-2	-4	-5
<i>Tax rate (%)</i>	<i>-13.4</i>	<i>24.5</i>	<i>-0.6</i>	<i>-5.6</i>	<i>-78.6</i>	<i>26.0</i>	<i>26.0</i>	<i>26.0</i>	<i>26.0</i>	<i>26.0</i>	<i>26.0</i>	<i>26.0</i>
Net profit	0	2	-1	-2	-2	1	1	2	1	5	11	15
EPS	-0.01	0.03	-0.02	-0.04	-0.03	0.02	0.02	0.03	0.02	0.09	0.18	0.26
EPS adjusted (diluted no. of shares)	-0.01	0.03	-0.02	-0.04	-0.03	0.02	0.02	0.03	0.02	0.09	0.18	0.26
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.09	0.11
SALES, EURm												
Group	107	110	105	110	431	110	113	105	108	436	456	472
Total	107	110	105	110	431	110	113	105	108	436	456	472
SALES GROWTH, Y/Y %												
Group	-5.6	-1.8	2.3	11.2	1.2	3.0	2.4	0.6	-1.5	1.1	4.7	3.3
Total	-5.6	-1.8	2.3	11.2	1.2	3.0	2.4	0.6	-1.5	1.1	4.7	3.3
EBIT, EURm												
Group	2	3	0	0	5	3	3	4	3	13	18	24
Total	2	3	0	0	5	3	3	4	3	13	18	24
EBIT margin, %												
Group	1.5	2.7	0.5	-0.4	1.1	2.7	2.9	3.7	2.9	3.1	4.0	5.1
Total	1.5	2.7	0.5	-0.4	1.1	2.7	2.9	3.7	2.9	3.1	4.0	5.1

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	402	444	417	426	431	436	456	472
<i>Sales growth (%)</i>	<i>7.5</i>	<i>10.5</i>	<i>-6.1</i>	<i>2.2</i>	<i>1.2</i>	<i>1.1</i>	<i>4.7</i>	<i>3.3</i>
Costs	-359	-395	-373	-392	-406	-399	-415	-426
Reported EBITDA	42	49	44	34	26	37	41	45
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	<i>10.6</i>	<i>11.0</i>	<i>10.6</i>	<i>8.1</i>	<i>5.9</i>	<i>8.5</i>	<i>9.1</i>	<i>9.6</i>
Depreciation	-16	-18	-19	-19	-21	-24	-23	-21
EBITA	27	31	26	15	5	13	18	24
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	27	31	26	15	5	13	18	24
<i>EBIT margin (%)</i>	<i>6.7</i>	<i>7.0</i>	<i>6.1</i>	<i>3.5</i>	<i>1.1</i>	<i>3.1</i>	<i>4.0</i>	<i>5.1</i>
Net financials	-8	-5	-3	-3	-6	-6	-4	-3
Pre-tax profit	19	26	22	12	-1	7	14	21
Extraordinary items	-6	1	0	0	0	0	0	0
Taxes	-8	-9	-7	2	-1	-2	-4	-5
Minority shares	0	0	0	0	0	0	0	0
Net profit	5	17	15	14	-2	5	11	15
BALANCE SHEET, EURm								
Assets								
Fixed assets	114	122	160	160	172	160	150	141
<i>% of sales</i>	<i>28</i>	<i>28</i>	<i>38</i>	<i>37</i>	<i>40</i>	<i>37</i>	<i>33</i>	<i>30</i>
Goodwill	15	15	15	15	15	15	15	15
<i>% of sales</i>	<i>4</i>	<i>3</i>	<i>4</i>	<i>4</i>	<i>4</i>	<i>4</i>	<i>3</i>	<i>3</i>
Inventory	32	33	43	44	52	48	50	52
<i>% of sales</i>	<i>8</i>	<i>7</i>	<i>10</i>	<i>10</i>	<i>12</i>	<i>11</i>	<i>11</i>	<i>11</i>
Receivables	50	53	56	66	63	64	67	69
<i>% of sales</i>	<i>13</i>	<i>12</i>	<i>14</i>	<i>16</i>	<i>15</i>	<i>15</i>	<i>15</i>	<i>15</i>
Liquid funds	47	64	38	35	32	35	37	38
<i>% of sales</i>	<i>12</i>	<i>14</i>	<i>9</i>	<i>8</i>	<i>7</i>	<i>8</i>	<i>8</i>	<i>8</i>
Total assets	265	292	316	326	337	325	321	318
Liabilities								
Equity	90	108	126	136	131	136	144	154
<i>% of sales</i>	<i>22</i>	<i>24</i>	<i>30</i>	<i>32</i>	<i>30</i>	<i>31</i>	<i>32</i>	<i>33</i>
Deferred taxes	9	11	11	15	12	12	12	12
<i>% of sales</i>	<i>2</i>	<i>2</i>	<i>3</i>	<i>3</i>	<i>3</i>	<i>3</i>	<i>3</i>	<i>3</i>
Interest bearing debt	103	115	111	110	118	107	91	75
<i>% of sales</i>	<i>26</i>	<i>26</i>	<i>27</i>	<i>26</i>	<i>27</i>	<i>25</i>	<i>20</i>	<i>16</i>
Non-interest bearing current liabilities	60	56	65	63	75	70	73	75
<i>% of sales</i>	<i>15</i>	<i>13</i>	<i>16</i>	<i>15</i>	<i>17</i>	<i>16</i>	<i>16</i>	<i>16</i>
Other interest free debt	2	2	2	1	0	0	0	0
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Total liabilities	265	292	316	326	337	325	321	318
CASH FLOW, EURm								
+ EBITDA	42	49	44	34	26	37	41	45
- Net financial items	-8	-5	-3	-3	-6	-6	-4	-3
- Taxes	-7	-8	-6	0	6	-2	-4	-5
- Increase in Net Working Capital	6	-8	-6	-8	6	-3	-2	-1
+/- Other	2	-1	0	-2	1	0	0	0
= Cash flow from operations	35	26	28	22	32	26	32	35
- Capex	-8	-22	-50	-34	-15	-12	-12	-13
- Acquisitions	-19	0	0	0	0	0	0	0
+ Divestments	5	0	0	0	0	0	0	0
= Net cash flow	13	4	-21	-11	17	14	20	22
+/- Change in interest-bearing debt	10	11	-4	-1	8	-11	-16	-16
+/- New issues/buybacks	7	3	8	1	3	0	0	0
- Paid dividend	0	-2	-5	-6	-6	0	-2	-5
+/- Change in loan receivables	0	0	0	0	0	0	0	0
Change in cash	30	16	-21	-17	21	3	2	1

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	312	214	258	119	152	152	152
Net debt	50	73	76	87	72	55	37
Enterprise value	362	287	333	206	224	207	190
Sales	444	417	426	431	436	456	472
EBITDA	49	44	34	26	37	41	45
EBIT	31	26	15	5	13	18	24
Pre-tax	26	22	12	-1	7	14	21
Earnings	16	15	14	-2	5	11	15
Book value	108	126	136	131	136	144	154
Valuation multiples							
EV/sales	0.8	0.7	0.8	0.5	0.5	0.5	0.4
EV/EBITDA	7.4	6.5	9.7	8.0	6.1	5.0	4.2
EV/EBITA	11.6	11.2	22.2	44.8	16.8	11.2	7.9
EV/EBIT	11.6	11.2	22.2	44.8	16.8	11.2	7.9
EV/operating cash flow	13.7	10.1	15.0	6.4	7.3	5.9	5.0
EV/cash earnings	9.7	8.2	9.4	10.5	7.7	6.1	5.2
P/E	19.0	14.0	17.8	-69.4	28.0	14.2	9.9
P/E excl. goodwill	19.0	14.0	17.8	-69.4	28.0	14.2	9.9
P/B	2.9	1.7	1.9	0.9	1.1	1.1	1.0
P/sales	0.7	0.5	0.6	0.3	0.3	0.3	0.3
P/CF	11.8	7.5	11.6	3.7	4.9	4.4	4.0
Target EV/EBIT	0.0	0.0	0.0	0.0	17.9	12.0	8.4
Target P/E	0.0	16.6	23.8	374.2	30.6	15.5	10.8
Target P/B	0.0	0.0	0.0	0.0	1.2	1.2	1.1
Per share measures							
Number of shares	50,302	51,666	58,259	58,259	58,259	58,259	58,259
Number of shares (diluted)	50,302	51,666	65,259	58,259	58,259	58,259	58,259
EPS	0.33	0.29	0.25	-0.03	0.09	0.18	0.26
EPS excl. goodwill	0.33	0.29	0.25	-0.03	0.09	0.18	0.26
Cash EPS	0.74	0.68	0.61	0.34	0.50	0.58	0.63
Operating cash flow per share	0.52	0.55	0.38	0.55	0.53	0.60	0.65
Capital employed per share	3.15	3.86	3.64	3.73	3.57	3.42	3.29
Book value per share	2.15	2.44	2.34	2.24	2.33	2.48	2.65
Book value excl. goodwill	1.84	2.14	2.07	1.97	2.07	2.21	2.39
Dividend per share	0.10	0.11	0.11	0.00	0.04	0.09	0.11
Dividend payout ratio, %	30.6	37.3	44.3	0.0	42.9	49.1	40.0
Dividend yield, %	1.6	2.7	2.5	0.0	1.5	3.4	4.1
Efficiency measures							
ROE	16.6	13.0	11.0	-1.3	4.1	7.6	10.3
ROCE	15.0	11.4	6.2	1.9	5.4	7.7	10.4
Financial ratios							
Capex/sales, %	5.0	11.8	7.9	3.4	2.8	2.6	2.8
Capex/depreciation excl. goodwill,%	125.5	265.0	173.4	70.7	50.7	52.3	60.9
Net debt/EBITDA, book-weighted	1.0	1.7	2.2	3.4	2.0	1.3	0.8
Debt/equity, market-weighted	0.4	0.5	0.4	1.0	0.7	0.6	0.5
Equity ratio, book-weighted	37.0	40.0	41.8	38.8	41.8	45.0	48.6
Gearing	0.46	0.58	0.56	0.66	0.53	0.38	0.24
Number of employees, average	614	614	614	614	614	614	614
Sales per employee, EUR	723,195	678,928	693,805	702,132	709,997	743,333	767,971
EBIT per employee, EUR	50,814	41,730	24,430	7,482	21,714	29,981	39,310

COMPANY DESCRIPTION: Suominen is the globally leading producer of nonwovens for wipes. The company has operations in Europe, United States and Brazil.

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
AC Invest two B.V.	13,953,357	36.418	24.0%
Oy Etra Invest Ab	7,770,000	20.280	13.3%
Varma Mutual Pension Insurance Company	4,500,000	11.745	7.7%
Nordea Bank Ab (Publ), Suomen Sivuliike	3,909,815	10.205	6.7%
Ilmarinen Mutual Pension Insurance Company	3,546,892	9.257	6.1%
Elo Pension Company	3,024,651	7.894	5.2%
Oy H. Kuningas Et Co Ab	1,500,000	3.915	2.6%
Nordea Life Assurance Finland Ltd.	1,112,000	2.902	1.9%
Evald and Hilda Nissi's Foundation	1,000,000	2.610	1.7%
Nordea Nordic Small Cap Fund	989,909	2.584	1.7%
Ten largest	41,306,624	107.810	71%
Residual	16,952,595	44.246	29%
Total	58,259,219	152.057	100%

EARNINGS CALENDAR

August 07, 2019
October 22, 2019

Q2 report
Q3 report

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Petri Helsky
CFO: Tapio Engström
IR: Emilia Peltola

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DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/Sales	$\frac{\text{Market cap}}{\text{Sales}}$	DPS	Dividend for the financial period per share
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	CEPS	$\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$
P/CF	$\frac{\text{Price per share}}{\text{Operating cash flow per share}}$	EV/Share	$\frac{\text{Enterprise value}}{\text{Number of shares}}$
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	Sales/Share	$\frac{\text{Sales}}{\text{Number of shares}}$
Net debt	Interest bearing debt – financial assets	EBITDA/Share	$\frac{\text{Earnings before interest, tax, depreciation and amortisation}}{\text{Number of shares}}$
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	EBIT/Share	$\frac{\text{Operating profit}}{\text{Number of shares}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortisation}}$	EAFI/Share	$\frac{\text{Pretax profit}}{\text{Number of shares}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Capital employed/Share	$\frac{\text{Total assets} - \text{non interest bearing debt}}{\text{Number of shares}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Total assets	Balance sheet total
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Interest coverage (x)	$\frac{\text{Operating profit}}{\text{Financial items}}$
Net cash/Share	$\frac{\text{Financial assets} - \text{interest bearing debt}}{\text{Number of shares}}$	Asset turnover (x)	$\frac{\text{Turnover}}{\text{Balance sheet total (average)}}$
ROA, %	$\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balance sheet total} - \text{interest free short term debt} - \text{long term advances received and accounts payable (average)}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non interest bearing debt (average)}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest free loans}}$
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year

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Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 - (+10) %	HOLD
> 10 %	BUY

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.

Recommendation	Percentage
Sell	8%
Hold	53%
Buy	39%

The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Ilvonen

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