

Profit ascent more elusive

Suominen's Q3 EBIT, at EUR 1.1m, missed our EUR 3.8m estimate by a wide mark. Suominen achieved rather stable volumes compared to our expectations, however this was achieved at the cost of margins. While the soft results were partly due to inventory reductions and reorganization costs, we turn slightly more cautious with respect to margin estimates. Our new TP is EUR 2.25 (2.50), reiterate HOLD.

Suominen sees nonwovens markets largely stable

Suominen posted EUR 103.4m in Q3 revenue (-1% y/y), close to our EUR 104.4m estimate. The figure was helped to the tune of 3% by the strengthening of USD relative to EUR. Volume losses were moderate, the pricing of Suominen's nonwovens remaining flat. Suominen's profitability improvement proved modest compared to our expectations as declining raw materials prices and significant inventory reductions during Q3 led to flat pricing. Suominen recorded a 7.4% gross margin, whereas we expected 9.9%. Suominen says the inventory reductions had a EUR 0.5m negative effect on profitability i.e. the gross margin would have amounted to roughly 8% without such reductions. The company says it is now close to the targeted inventory level. Operating profit was further strained by EUR 0.2m items related to the reorganization of business areas, as Suominen now reports business for the areas Americas and Europe. FX had a negative EUR 0.6m effect through raw materials purchases.

We have adjusted our margin estimates downwards

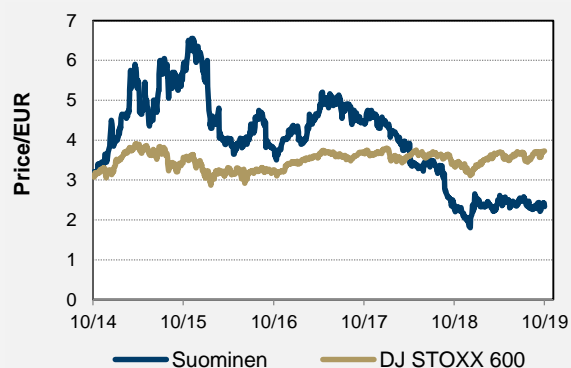
We remain cautious following the report as margin improvement is proving harder than we expected. In order to reach a 5% operating margin, a level where corresponding returns on capital could be deemed adequate, Suominen needs to achieve both improving (or at the minimum flat) volumes and gross margin north of 10%.

Current valuation reflects modest expectations

While Q3 volumes were better than we expected, we see the softness in margins as another source of uncertainty, and thus the steepness of Suominen's ongoing profit improvement remains clouded. We retain our HOLD rating, our new TP being EUR 2.25 (2.50).

Rating

HOLD



Share price, EUR (Last trading day's closing price) 2.33

Target price, EUR 2.25

Latest change in 08-Aug-19

Latest report on company 16-Oct-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 136

Free float, % -

Exchange rate EUR/USD 1.1

Reuters code SUY1V.HE

Bloomberg code SUY1V FH

Average daily volume, EURm 0.1

Next interim report 29-Jan-20

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BUY HOLD SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2017	426.0	15.0	3.5%	-14.3	0.25	17.8	0.8	22.2	-5.6	0.11
2018	431.1	4.6	1.1%	13.3	-0.03	-69.4	0.5	44.1	11.1	0.00
2019E	424.1	9.2	2.2%	14.0	0.04	62.4	0.5	22.2	10.3	0.04
2020E	447.5	16.1	3.6%	17.2	0.16	15.0	0.4	11.8	12.7	0.09
2021E	462.5	19.1	4.1%	18.8	0.20	11.6	0.4	9.2	13.8	0.08
Market cap, EURm		136	Gearing 2019E, %			52.1	CAGR EPS 2018-21, %			0.0
Net debt 2019E, EURm		69	Price/book 2019E			1.0	CAGR sales 2018-21, %			2.4
Enterprise value, EURm		205	Dividend yield 2019E, %			1.7	ROE 2019E, %			1.7
Total assets 2019E, EURm		320	Tax rate 2019E, %			40.2	ROCE 2019E, %			3.8
Goodwill 2019E, EURm		15	Equity ratio 2019E, %			41.4	PEG, P/E 19/CAGR			0.7

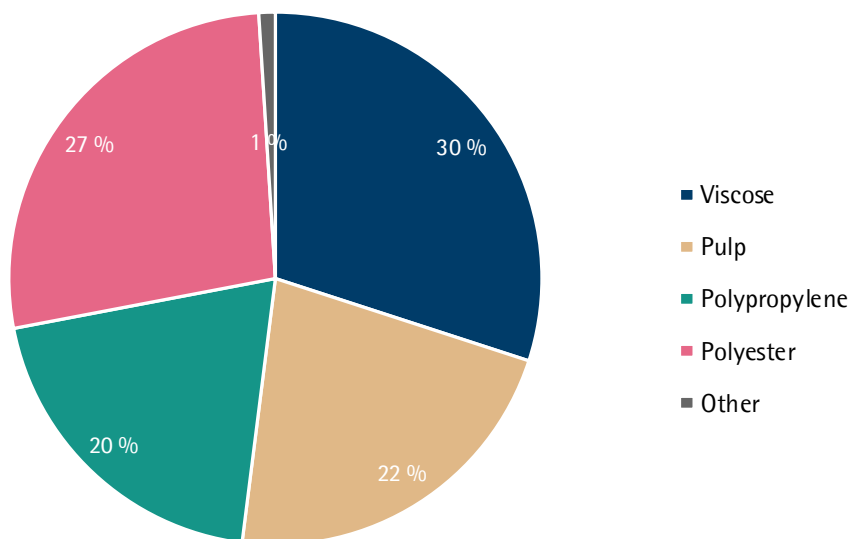
Estimates

SUOMINEN EURm	2013 FY	2014 FY	2015 FY	2016 FY	2017 FY	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2018E FY	2019 Q1	2019 Q2	2019 Q3	2019E Q4E	2019E FY	2020E FY	2021E FY
Sales	374	402	444	417	426	107	110	105	110	431	110	104	104	107	424	448	462
Sales growth, %		8 %	11 %	-6 %	2 %	-6 %	-2 %	2 %	11 %	1 %	3 %	-6 %	-1 %	-2 %	-2 %	5 %	3 %
FX			10 %	0 %	-1 %	-8 %	-5 %	1 %	2 %	-2 %	4 %	3 %	3 %	0 %	2 %	0 %	0 %
Price/mix (indicative)				-3 %	-1 %	0 %	4 %	4 %	9 %	4 %	8 %	6 %	0 %	0 %	4 %	2 %	1 %
Volume (indicative)				-3 %	4 %	2 %	-1 %	-2 %	0 %	-1 %	-9 %	-15 %	-4 %	-3 %	-7 %	3 %	2 %
Convenience		369	412	379	389	98	100	96	103	396	101	97	96	97	391	413	423
Baby		165	178	158	175	42	41	40	46	168	45	44	43	44	176	185	195
Personal care		84	98	104	89	25	25	24	21	95	20	18	20	20	78	85	85
Household		68	75	75	81	21	22	21	22	86	25	24	24	23	96	99	99
Workplace		44	49	36	38	10	10	9	10	39	10	10	9	9	37	40	40
Other		8	12	5	5	0	2	1	4	8	1	1	1	1	4	4	4
Care		32	32	37	38	9	10	9	7	35	9	8	8	9	33	35	40
Hygiene & Medical		32	32	37	38	9	10	9	7	35	9	8	8	9	33	35	40
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	38	37	37	152	159	163
Americas	224	249	272	246	252	63	68	66	71	268	68	65	66	68	268	287	297
ROW	9	11	10	10	10	2	3	1	1	7	2	0	0	0	2	0	0
COGS	-334	-352	-386	-365	-384	-99	-100	-98	-103	-400	-101	-94	-96	-98	-389	-405	-416
Gross Profit	40	50	58	52	42	7.8	10.1	6.6	6.8	31	8.9	9.7	7.7	9.0	35	43	46
Gross-%	10.7 %	12.4 %	13.1 %	12.5 %	9.9 %	7.4 %	9.1 %	6.3 %	6.2 %	7.3 %	8.1 %	9.3 %	7.4 %	8.4 %	8.3 %	9.5 %	10.0 %
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	-7.4	-7.1	-6.9	-28.2	-28.6	-29.1
Other	1.7	0.8	1.8	1.3	1.7	0.6	0.6	0.9	0.4	2.5	0.8	0.4	0.5	0.4	2.1	2.1	2.1
EBIT	18.9	25.9	31.8	25.6	15.0	1.5	2.9	0.5	-0.4	4.6	3.0	2.7	1.1	2.5	9.2	16.1	19.1
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	2.7	1.1	2.5	9.2	16.1	19.1
EBIT-% ex IAC	5.2 %	6.7 %	7.0 %	6.1 %	3.5 %	1.5 %	2.7 %	0.5 %	-0.3 %	1.1 %	2.7 %	2.6 %	1.0 %	2.3 %	2.2 %	3.6 %	4.1 %
Depreciation	-13.9	-15.6	-17.7	-18.5	-19.4	-5.0	-5.1	-5.3	-5.6	-21.0	-6.3	-6.4	-6.7	-6.2	-25.7	-23.1	-22.0
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	9.1	7.8	8.7	34.9	39.2	41.1
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 %	8.8 %	7.5 %	8.1 %	8.2 %	8.8 %	8.9 %

Note: Suominen restated 2016 figures, which will have a slight impact on the product groups' absolute numbers.

Source: Suominen, Evli Research

Raw material mix (in tonnes)

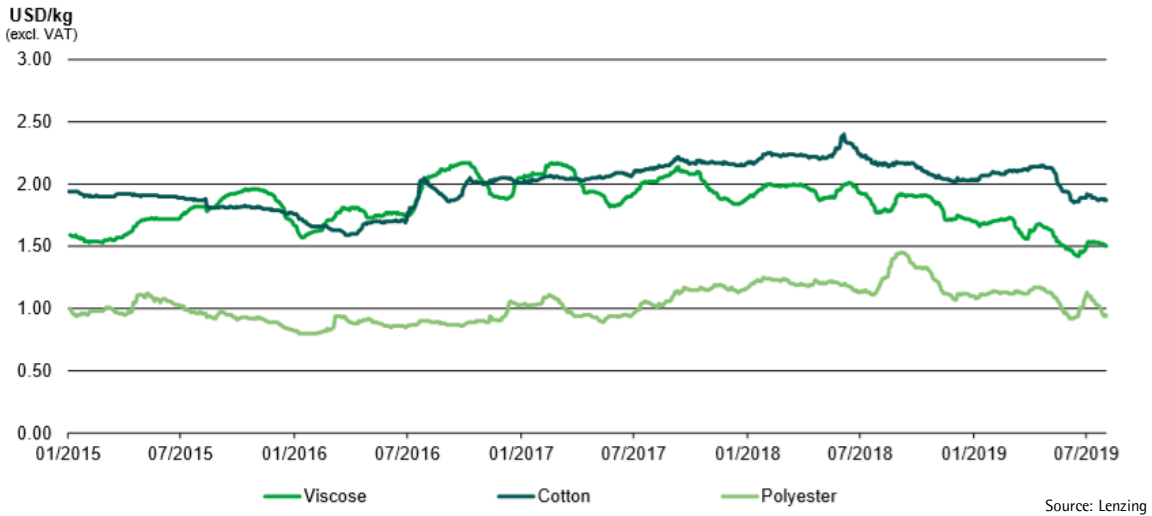


Total raw material consumption 134kt (2018)

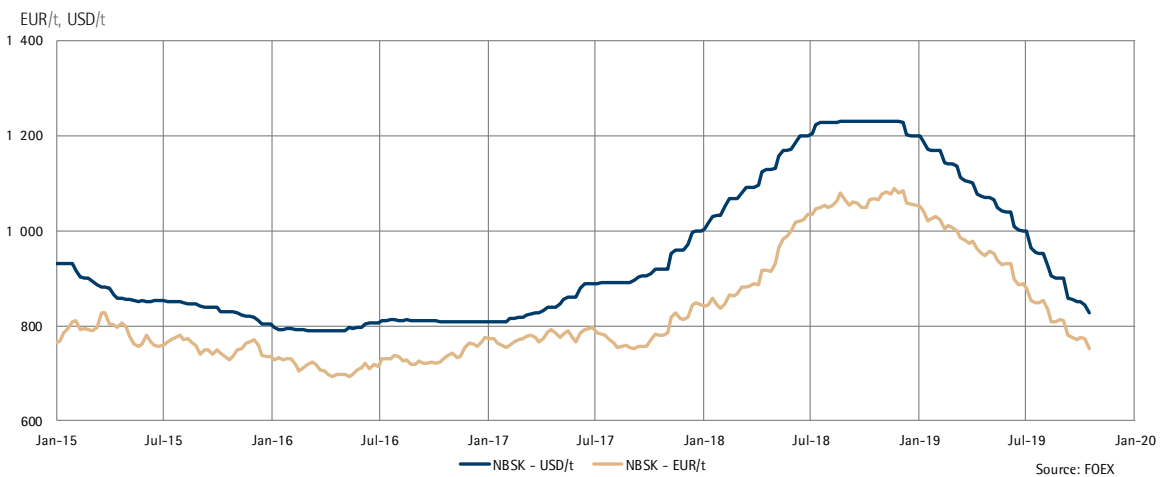
Source: Suominen

Raw material price development

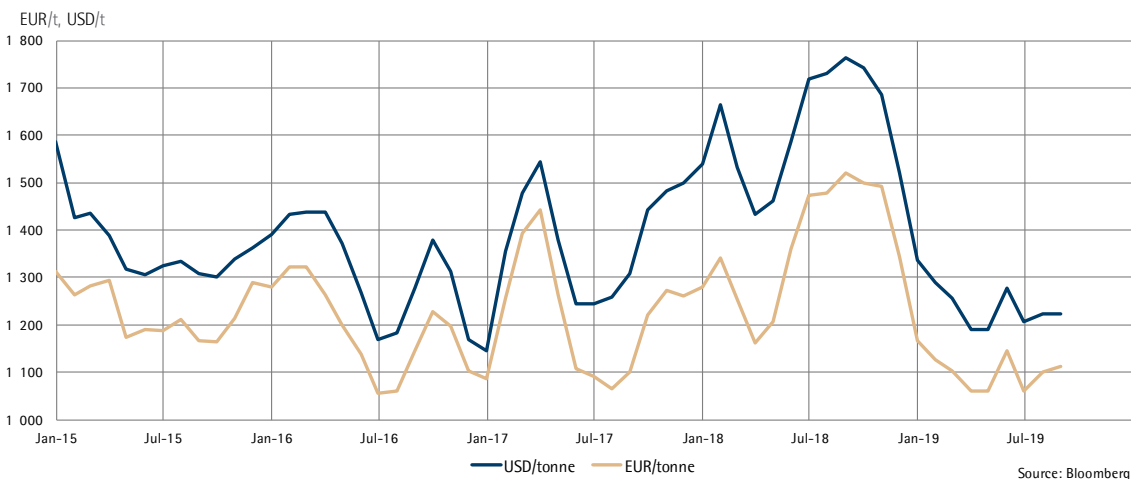
Fiber prices in China have declined by 25-35% from their 2018 highs



European softwood pulp prices have fallen by 30% during the last twelve months



Polypropylene prices are also down by more than 25% from their last-autumn highs



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 local FX	EV/EBITDA			EV/EBIT			P/E			P/B		
		19	20	21	19	20	21	19	20	21	19	20	21
Ahlstrom-Munksjo Oyj	1644	7.9x	6.2x	5.6x	15.6x	10.6x	9.4x	15.8x	10.5x	9.6x	1.4x	1.3x	1.2x
Berry Global Group Inc	5310	10.5x	7.3x	6.7x	17.7x	12.9x	11.5x	12.4x	10.5x	9.0x	3.6x	2.7x	2.1x
Kimberly-Clark Corporation	44533	12.3x	11.9x	11.4x	15.8x	15.0x	14.4x	18.9x	17.9x	16.9x			210.3x
Low & Bonar PLC	98	7.4x	5.6x	4.6x	16.4x	9.5x	7.0x	25.4x	9.7x	6.5x			
Neenah Inc	1048							18.7x	16.0x				
P. H. Glatfelter Company	675	8.1x	6.3x	5.5x	14.8x	10.1x	8.7x	21.5x	14.9x	12.5x	1.2x	1.2x	1.1x
PFNonwovens a.s.	6222												
Peer Group Median		8.1x	6.3x	5.6x	15.8x	10.6x	9.4x	18.8x	12.7x	9.6x	1.4x	1.3x	1.6x
Peer Group Average		9.2x	7.4x	6.8x	16.1x	11.6x	10.2x	18.8x	13.3x	10.9x	2.1x	1.7x	53.7x
Suominen (Evli est)		5.9x	4.8x	4.3x	22.2x	11.8x	9.2x	62.4x	15.0x	11.6x	1.0x	1.0x	0.9x
<i>Suominen discount/premium to peer group median</i>		<i>-27 %</i>	<i>-23 %</i>	<i>-24 %</i>	<i>41 %</i>	<i>11 %</i>	<i>-2 %</i>	<i>232 %</i>	<i>18 %</i>	<i>21 %</i>	<i>-27 %</i>	<i>-25 %</i>	<i>-43 %</i>

SUOMINEN PEER GROUP	Ticker	Div yield			EBIT-%			ROCE-%			ROE-%		
		19	20	21	19	20	21	19	20	21	19	20	21
Ahlstrom-Munksjo Oyj	AM1-FI	3.7%	4.0%	4.3%	5.7%	7.8%	8.2%	6.8%	9.5%	10.0%	8.8%	12.3%	12.4%
Berry Global Group Inc	BERY-US	0.0%	0.0%	0.0%	10.1%	9.8%	10.3%	8.0%	10.6%	9.8%	29.0%	26.0%	23.2%
Kimberly-Clark Corporation	KMB-US	3.2%	3.3%	3.5%	17.8%	18.5%	18.9%	40.6%	41.6%	42.1%			1246.0%
Low & Bonar PLC	LWB-GB	0.0%	0.0%	6.0%	3.3%	5.3%	6.8%						
Neenah Inc	NP-US				7.9%	9.5%		10.4%	12.6%				
P. H. Glatfelter Company	GLT-US	3.4%	3.4%	3.4%	6.3%	8.1%	8.3%	5.6%	7.6%		5.7%	8.0%	9.0%
PFNonwovens a.s.	PEGAS-CZ				12.1%	12.5%	12.6%						
Peer Group Median		3.2%	3.3%	3.5%	7.9%	9.5%	9.3%	8.0%	10.6%	10.0%	8.8%	12.3%	17.8%
Peer Group Average		2.1%	2.1%	3.4%	9.0%	10.2%	10.9%	14.3%	16.4%	20.6%	14.5%	15.4%	322.7%
Suominen (Evli est)	SUY1V-FI	1.7%	3.9%	3.4%	2.2%	3.6%	4.1%	3.8%	6.9%	8.4%	1.7%	6.6%	8.2%

Source: FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	2.33 PV of Free Cash Flow	139 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	3.32 PV of Horizon value	138 WACC, %	7.9 Market risk premium, %
Share price potential, %	42.6 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	-115 Maximum WACC, %	8.4 Target debt ratio, %
Horizon value, %	49.9 Value of stock	194 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	424	448	462	474	483	493	503	513	523	533	544
<i>Sales growth, %</i>	<i>1.2</i>	<i>-1.6</i>	<i>5.5</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	9	16	19	24	24	25	25	26	26	27	27
<i>Operating income margin, %</i>	<i>1.1</i>	<i>2.2</i>	<i>3.6</i>	<i>4.1</i>	<i>5.1</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	26	23	22	20	19	18	17	17	18	18	
EBITDA	26	35	39	41	44	43	42	42	43	44	45	
- Paid taxes	4	-4	-4	-5	-6	-6	-6	-7	-7	-7	-7	
- Change in NWC	6	-2	-2	-1	-1	-1	-1	-1	-1	-1	-1	
<i>NWC / Sales, %</i>	<i>8.5</i>	<i>9.0</i>	<i>9.0</i>	<i>9.0</i>	<i>9.0</i>	<i>9.0</i>	<i>9.0</i>	<i>8.9</i>	<i>8.9</i>	<i>8.9</i>	<i>8.9</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-15	-12	-12	-13	-13	-14	-16	-18	-20	-20	-21	
<i>opCAPEX / Sales, %</i>	<i>3.5</i>	<i>2.9</i>	<i>2.9</i>	<i>2.9</i>	<i>2.8</i>	<i>3.0</i>	<i>3.3</i>	<i>3.7</i>	<i>4.0</i>	<i>3.9</i>	<i>4.0</i>	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	-3	0	0	0	0	0	0	0	0	0	0	
= FCFF	17	17	21	22	24	22	19	17	16	16	16	278
= Discounted FCFF		17	19	18	19	16	13	11	9	9	8	138
= DFCF min WACC		17	19	19	19	16	13	11	9	9	8	157
= DFCF max WACC		17	19	18	18	15	13	10	9	8	8	122

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2	2019Q3	2019Q4E	2019E	2020E	2021E
Net sales	106.6	110.0	104.8	109.7	431.1	109.8	103.8	103.4	107.1	424.1	447.5	462.5
EBITDA	6.5	8.1	5.8	5.2	25.6	9.3	9.0	7.8	8.7	34.9	39.2	41.1
<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>8.7</i>	<i>7.6</i>	<i>8.1</i>	<i>8.2</i>	<i>8.8</i>	<i>8.9</i>
EBIT	1.5	3.0	0.5	-0.4	4.6	3.0	2.6	1.1	2.5	9.2	16.1	19.1
<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>2.5</i>	<i>1.1</i>	<i>2.3</i>	<i>2.2</i>	<i>3.6</i>	<i>4.1</i>
Net financial items	-1.9	-0.5	-1.6	-1.5	-5.6	-1.5	-1.5	-1.1	-1.5	-5.6	-3.9	-3.4
Pre-tax profit	-0.3	2.4	-1.1	-1.9	-1.0	1.5	1.1	0.0	1.0	3.6	12.2	15.8
Tax	0.0	-0.6	0.0	-0.1	-0.8	-0.5	-0.6	-0.1	-0.3	-1.5	-3.2	-4.1
<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>35.9</i>	<i>51.0</i>	<i>357.1</i>	<i>26.0</i>	<i>40.2</i>	<i>26.0</i>	<i>26.0</i>
Net profit	-0.4	1.8	-1.1	-2.0	-1.7	1.0	0.5	-0.1	0.7	2.2	9.0	11.7
EPS	-0.01	0.03	-0.02	-0.04	-0.03	0.02	0.01	0.00	0.01	0.04	0.16	0.20
EPS adjusted (diluted no. of shares)	-0.01	0.03	-0.02	-0.04	-0.03	0.02	0.01	0.00	0.01	0.04	0.16	0.20
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	0.08
SALES, EURm												
Group	106.6	110.0	104.8	109.7	431.1	109.8	103.8	103.4	107.1	424.1	447.5	462.5
Total	106.6	110.0	104.8	109.7	431.1	109.8	103.8	103.4	107.1	424.1	447.5	462.5
SALES GROWTH, Y/Y %												
Group	-5.6	-1.8	2.3	11.2	1.2	3.0	-5.6	-1.4	-2.4	-1.6	5.5	3.3
Total	-5.6	-1.8	2.3	11.2	1.2	3.0	-5.6	-1.4	-2.4	-1.6	5.5	3.3
EBIT, EURm												
Group	1.5	3.0	0.5	-0.4	4.6	3.0	2.6	1.1	2.5	9.2	16.1	19.1
Total	1.5	3.0	0.5	-0.4	4.6	3.0	2.6	1.1	2.5	9.2	16.1	19.1
EBIT margin, %												
Group	1.5	2.7	0.5	-0.4	1.1	2.7	2.5	1.1	2.3	2.2	3.6	4.1
Total	1.5	2.7	0.5	-0.4	1.1	2.7	2.5	1.1	2.3	2.2	3.6	4.1

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	401.8	444.0	416.9	426.0	431.1	424.1	447.5	462.5
<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>-1.6</i>	<i>5.5</i>	<i>3.3</i>
EBITDA	42.5	48.9	44.1	34.3	25.6	34.9	39.2	41.1
<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>8.2</i>	<i>8.8</i>	<i>8.9</i>
Depreciation	-15.6	-17.7	-18.5	-19.3	-21.0	-25.7	-23.1	-22.0
EBITA	26.9	31.2	25.6	15.0	4.6	9.2	16.1	19.1
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	26.9	31.2	25.6	15.0	4.6	9.2	16.1	19.1
<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>2.2</i>	<i>3.6</i>	<i>4.1</i>
Reported EBIT	20.7	31.8	25.6	15.0	4.6	9.2	16.1	19.1
<i>EBIT margin (reported) (%)</i>	<i>5.2</i>	<i>7.2</i>	<i>6.1</i>	<i>3.5</i>	<i>1.1</i>	<i>2.2</i>	<i>3.6</i>	<i>4.1</i>
Net financials	-8.1	-5.3	-3.2	-2.6	-5.6	-5.6	-3.9	-3.4
Pre-tax profit	18.8	25.9	22.4	12.4	-1.0	3.6	12.2	15.8
Taxes	-7.6	-9.5	-7.2	2.0	-0.8	-1.5	-3.2	-4.1
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	5.0	17.0	15.2	14.5	-1.7	2.2	9.0	11.7
Cash NRIs	-6.2	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	114	122	160	160	156	142	131	122
Goodwill	15	15	15	15	15	15	15	15
Right of use assets	0	0	0	0	17	17	18	18
Inventory	32	33	43	44	52	47	49	51
Receivables	50	53	56	66	63	62	66	68
Liquid funds	47	64	38	35	32	34	36	37
Total assets	265	292	316	326	338	320	318	314
Liabilities								
Shareholder's equity	90	108	126	136	131	133	139	146
Minority interest	0	0	0	0	0	0	0	0
Convertibles	18	18	17	0	0	0	0	0
Lease liabilities	0	0	0	0	13	17	18	18
Deferred taxes	9	11	11	15	12	12	12	12
Interest bearing debt	85	97	94	110	102	86	72	59
Non-interest bearing current liabilities	60	56	65	63	75	68	72	74
Other interest-free debt	2	2	2	1	3	3	3	3
Total liabilities	265	292	316	326	338	320	318	314
CASH FLOW, EURm								
+ EBITDA	42	49	44	34	26	35	39	41
- Net financial items	-8	-5	-3	-3	-6	-6	-4	-3
- Taxes	-7	-8	-6	0	6	-1	-3	-4
- Increase in Net Working Capital	6	-8	-6	-8	6	-2	-2	-1
+/- Other	-2	-4	-2	-5	-3	0	0	0
= Cash flow from operations	31	23	26	19	28	26	30	32
- Capex	-8	-22	-50	-34	-15	-12	-13	-14
- Acquisitions	-19	0	0	0	0	0	0	0
+ Divestments	5	0	0	0	0	0	0	0
= Free cash flow	8	1	-23	-14	13	14	17	19
+/- New issues/buybacks	7	3	8	1	3	0	0	0
- Paid dividend	0	-2	-5	-6	-6	0	-2	-5
+/- Other	14	16	-7	16	-12	-12	-13	-12
Change in cash	29	17	-26	-3	-3	2	2	1

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	312	214	258	119	136	136	136
Net debt (excl. convertibles)	32	57	76	83	69	54	41
Enterprise value	362	287	333	203	205	190	176
Sales	444	417	426	431	424	448	462
EBITDA	49	44	34	26	35	39	41
EBIT	31	26	15	5	9	16	19
Pre-tax	26	22	12	-1	4	12	16
Earnings	16	15	14	-2	2	9	12
Equity book value (excl. minorities)	108	126	136	131	133	139	146
Valuation multiples							
EV/sales	0.8	0.7	0.8	0.5	0.5	0.4	0.4
EV/EBITDA	7.4	6.5	9.7	7.9	5.9	4.8	4.3
EV/EBITA	11.6	11.2	22.2	44.1	22.2	11.8	9.2
EV/EBIT	11.6	11.2	22.2	44.1	22.2	11.8	9.2
EV/OCF	15.7	10.9	17.3	7.2	7.8	6.3	5.5
EV/FCFF	75.6	-15.6	-29.4	11.7	11.7	9.0	8.1
P/FCFE	371.1	-9.4	-18.0	9.0	9.7	7.9	7.2
P/E	19.0	14.0	17.8	-69.4	62.4	15.0	11.6
P/B	2.9	1.7	1.9	0.9	1.0	1.0	0.9
Target EV/EBITDA	0.0	0.0	0.0	0.0	5.7	4.7	4.2
Target EV/EBIT	0.0	0.0	0.0	0.0	21.7	11.5	9.0
Target EV/FCF	0.0	0.0	0.0	0.0	14.3	10.7	9.2
Target P/B	0.0	0.0	0.0	0.0	1.0	0.9	0.9
Target P/E	0.0	0.0	0.0	0.0	60.3	14.5	11.2
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	0.04	0.16	0.20
Operating cash flow per share	0.46	0.51	0.33	0.48	0.45	0.52	0.56
Free cash flow per share	0.02	-0.44	-0.25	0.23	0.24	0.30	0.32
Book value per share	2.15	2.44	2.34	2.24	2.28	2.39	2.50
Dividend per share	0.10	0.11	0.11	0.00	0.04	0.09	0.08
Dividend payout ratio, %	30.6	37.3	44.3	0.0	107.1	58.0	40.0
Dividend yield, %	1.6	2.7	2.5	0.0	1.7	3.9	3.4
FCF yield, %	0.3	-10.6	-5.6	11.1	10.3	12.7	13.8
Efficiency measures							
ROE	16.6	13.0	11.0	-1.3	1.7	6.6	8.2
ROCE	15.0	11.4	6.2	1.9	3.8	6.9	8.4
Financial ratios							
Inventories as % of sales	7.3	10.2	10.4	12.0	11.0	11.0	11.0
Receivables as % of sales	11.9	13.5	15.6	14.7	14.7	14.6	14.6
Non-interest bearing liabilities as % of sales	12.7	15.7	14.8	17.5	16.0	16.0	16.0
NWC/sales, %	6.5	8.0	11.1	8.5	9.0	9.0	9.0
Operative CAPEX/sales, %	5.0	11.9	7.9	3.5	2.9	2.9	2.9
CAPEX/sales (incl. acquisitions), %	5.0	11.9	7.9	3.5	2.9	2.9	2.9
FCFF/EBITDA	0.1	-0.4	-0.3	0.7	0.5	0.5	0.5
Net debt/EBITDA, book-weighted	0.7	1.3	2.2	3.2	2.0	1.4	1.0
Debt/equity, market-weighted	0.3	0.4	0.4	0.9	0.6	0.5	0.4
Equity ratio, book-weighted	43.1	45.3	41.8	38.7	41.4	43.9	46.4
Gearing, %	25.9	39.6	55.6	63.7	52.1	38.9	27.9

COMPANY DESCRIPTION: Suominen manufactures nonwovens for global consumer brands on eight production plants located on three continents. The company sources the raw materials from fiber producers and sells the output as roll goods to global consumer brand manufacturers. Suominen's nonwovens are mainly used in wiping products such as wet wipes for baby care, personal hygiene, and household and workplace wiping. Other end-uses include hygiene and medical applications such as sanitary pads, diapers, and surgical drapes and swabs.

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
AC Invest two B.V.	13,953,357	32.511	24.0%
Oy Etra Invest Ab	7,770,000	18.104	13.3%
Varma Mutual Pension Insurance Company	4,500,000	10.485	7.7%
Nordea Bank ABP	3,911,332	9.113	6.7%
Ilmarinen Mutual Pension Insurance Company	3,546,892	8.264	6.1%
Elo Pension Company	3,024,651	7.047	5.2%
Oy H. Kuningas Et Co Ab	1,500,000	3.495	2.6%
Nordea Life Assurance Finland Ltd.	1,212,000	2.824	2.1%
Evald and Hilda Nissi's Foundation	1,000,000	2.330	1.7%
Nordea Nordic Small Cap Fund	989,909	2.306	1.7%
Ten largest	41,408,141	96.481	71%
Residual	16,851,078	39.263	29%
Total	58,259,219	135.744	100%

EARNINGS CALENDAR

OTHER EVENTS

March 19, 2020

AGM

COMPANY MISCELLANEOUS

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CFO: Toni Tamminen

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IR: Emilia Peltola

DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	DPS	Dividend for the financial period per share
Market cap	Price per share * Number of shares	OCF (Operating cash flow)	EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow)	Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, %	$\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital	Current assets – current liabilities
Net debt	Interest bearing debt – financial assets	Capital employed/Share	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
Total assets	Balance sheet total	Gearing	$\frac{\text{Net debt}}{\text{Equity}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

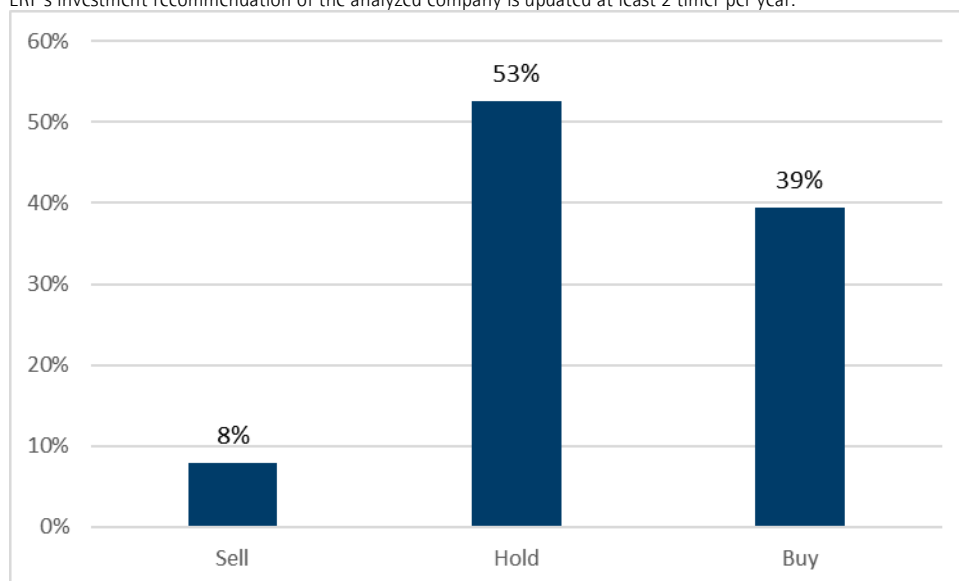
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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