

## Volumes haven't stabilized yet

Suominen's Q4 results fell short of our expectations as volume pressure continued. We have cut our estimates, our updated TP is EUR 2.25 (2.50), rating still HOLD.

### Suominen's EUR 94.5m Q4 revenue missed our estimate

Suominen's Q4 revenue declined by 14% y/y and 12% short of our EUR 107.1m estimate. The decline was attributable to volume losses but also to lower prices (due to lower raw materials prices). Volumes were lost in the Americas, with revenue down by 6% to EUR 62m, but the drop was sharp in Europe as Q4 sales slid by 26% y/y to EUR 32m. Suominen's customer base is concentrated as the ten largest accounts make 65% of sales. Suominen lost volumes last year as the nonwovens price hikes became effective. Suominen says certain customer accounts might still be negatively affected. Suominen reported an 8.3% gross margin in Q4, in line with our estimates. The gross profit was thus EUR 7.8m while we expected EUR 9.0m. SGA, R&D and other items were as expected, and therefore the EUR 1.1m gap in EBIT relative to our estimate (EUR 1.4m vs EUR 2.5m) was due to the low sales figure and resulting weak absolute gross profit.

### Short-term growth uncertain, but EBIT should still improve

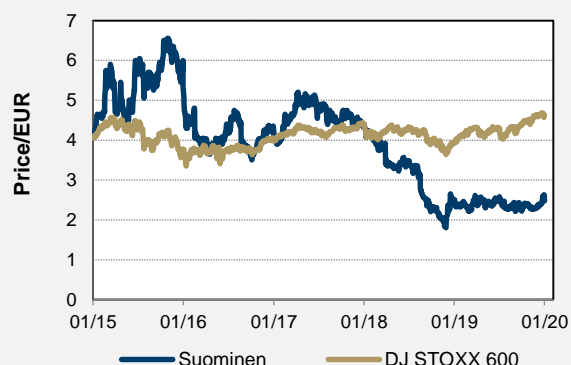
Although the Q4 sales shortfall was a disappointment relative to our expectations, the softness didn't fundamentally alter our view towards Suominen's wider picture as a high level of uncertainty continues to fog the outlook. Suominen doesn't guide sales outlook for FY '20 but expects EBIT to further improve from the FY '19 EUR 8.1m figure. We have cut our estimates for this year. We previously estimated Suominen to achieve 5% top line growth in '20. We now expect 3% growth. Our expectation for FY '20 EBIT is now EUR 12.0m (previously EUR 16.1m). Nonwovens demand is expected to grow at a CAGR of more than 4% in the markets where Suominen is present. Suominen targets to grow in excess of this rate in the long-term, however the oversupply problem seems to persist at least in the short-term.

### Long-term targets are hard to price in given uncertainty

In our view Suominen's valuation is neutral considering profitability has just bottomed out. However, it's hard to say when profitability reaches adequate levels; we retain our cautious stance. Our TP is now EUR 2.25 (2.50), rating HOLD.

## Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 2.48

Target price, EUR 2.25

Latest change in 08-Aug-19

Latest report on company 24-Jan-20

Research paid by issuer: YES

No. of shares outstanding, 58,259

No. of shares fully diluted, 58,259

Market cap, EURm 144

Free float, % -

Exchange rate EUR/USD 1.11

Reuters code SUY1V.HE

Bloomberg code SUY1V.FH

Average daily volume, EURm 0.1

Next interim report 23-Apr-20

Web site [www.suominen.fi/en/investors/](http://www.suominen.fi/en/investors/)

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■ BUY ■ HOLD ■ SELL

## KEY FIGURES

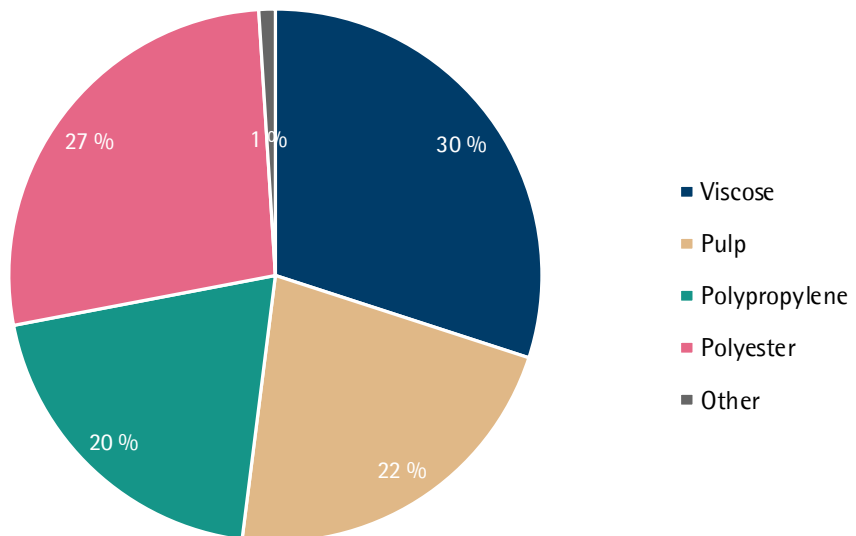
	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2018	431.1	4.6	1.1%	13.3	-0.03	-69.4	0.5	44.1	11.1	0.00
2019	411.4	8.1	2.0%	13.4	0.00	766.1	0.5	27.5	8.7	0.05
2020E	423.0	12.0	2.8%	15.4	0.07	36.1	0.5	16.8	10.6	0.07
2021E	438.8	16.9	3.8%	18.5	0.17	14.5	0.4	11.1	12.8	0.07
2022E	445.6	21.1	4.7%	19.1	0.23	10.7	0.4	8.2	13.2	0.09
Market cap, EURm		144	Gearing 2020E, %			43.5	CAGR EPS 2019-22, %			307.3
Net debt 2020E, EURm		57	Price/book 2020E			1.1	CAGR sales 2019-22, %			2.7
Enterprise value, EURm		202	Dividend yield 2020E, %			2.8	ROE 2020E, %			3.0
Total assets 2020E, EURm		307	Tax rate 2020E, %			33.3	ROCE 2020E, %			5.3
Goodwill 2020E, EURm		15	Equity ratio 2020E, %			42.9	PEG, P/E 20/CAGR			0.6

**Estimates**

SUOMINEN EURm	2013 FY	2014 FY	2015 FY	2016 FY	2017 FY	2018 FY	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2019 FY	2020E Q1E	2020E Q2E	2020E Q3E	2020E Q4E	2020E FY	2021E FY
<b>Sales</b>	<b>374</b>	<b>402</b>	<b>444</b>	<b>417</b>	<b>426</b>	<b>431</b>	<b>110</b>	<b>104</b>	<b>104</b>	<b>94</b>	<b>411</b>	<b>108</b>	<b>107</b>	<b>108</b>	<b>100</b>	<b>423</b>	<b>439</b>
Sales growth, %		8 %	11 %	-6 %	2 %	1 %	3 %	-6 %	-1 %	-14 %	-5 %	-2 %	3 %	4 %	6 %	3 %	4 %
<b>Geography</b>																	
Europe	150	153	172	171	174	171	42	39	37	32	150	39	39	38	33	148	155
Americas	224	249	272	246	252	260	68	65	66	62	261	69	68	70	67	274	284
COGS	-334	-352	-386	-365	-384	-400	-101	-94	-96	-87	-377	-99	-98	-98	-91	-387	-395
Gross Profit	40	50	58	52	42	31	8.9	9.7	7.7	7.8	34	9.2	9.3	9.7	9.0	37	44
Gross-%	10.7 %	12.4 %	13.1 %	12.5 %	9.9 %	7.3 %	8.1 %	9.3 %	7.4 %	8.3 %	8.3 %	8.5 %	8.7 %	9.0 %	9.0 %	8.8 %	10.0 %
SGA & R&D	-22.4	-24.6	-28.0	-27.9	-28.9	-29.2	-6.8	-7.4	-7.1	-6.6	-27.9	-6.8	-6.8	-6.8	-6.8	-27.2	-29.1
Other	1.7	0.8	1.8	1.3	1.7	2.5	0.8	0.4	0.5	0.2	1.9	0.5	0.5	0.5	0.5	2.0	2.1
EBIT	18.9	25.9	31.8	25.6	15.0	4.6	3.0	2.7	1.1	1.4	8.1	2.9	3.0	3.4	2.7	12.0	16.9
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
<b>EBIT ex IAC</b>	<b>19.4</b>	<b>26.9</b>	<b>31.2</b>	<b>25.6</b>	<b>15.0</b>	<b>4.6</b>	<b>3.0</b>	<b>2.7</b>	<b>1.1</b>	<b>1.4</b>	<b>8.1</b>	<b>2.9</b>	<b>3.0</b>	<b>3.4</b>	<b>2.7</b>	<b>12.0</b>	<b>16.9</b>
<b>EBIT-% ex IAC</b>	<b>5.2 %</b>	<b>6.7 %</b>	<b>7.0 %</b>	<b>6.1 %</b>	<b>3.5 %</b>	<b>1.1 %</b>	<b>2.7 %</b>	<b>2.6 %</b>	<b>1.0 %</b>	<b>1.5 %</b>	<b>2.0 %</b>	<b>2.7 %</b>	<b>2.8 %</b>	<b>3.2 %</b>	<b>2.7 %</b>	<b>2.8 %</b>	<b>3.8 %</b>
Depreciation	-13.9	-15.6	-17.7	-18.5	-19.4	-21.0	-6.3	-6.4	-6.7	-6.0	-25.5	-6.2	-6.2	-6.2	-6.2	-24.8	-23.5
<b>EBITDA ex IAC</b>	<b>33.3</b>	<b>42.5</b>	<b>48.9</b>	<b>44.2</b>	<b>34.3</b>	<b>25.6</b>	<b>9.3</b>	<b>9.1</b>	<b>7.8</b>	<b>7.4</b>	<b>33.6</b>	<b>9.1</b>	<b>9.2</b>	<b>9.6</b>	<b>8.9</b>	<b>36.8</b>	<b>40.4</b>
<b>EBITDA-% ex IAC</b>	<b>8.9 %</b>	<b>10.6 %</b>	<b>11.0 %</b>	<b>10.6 %</b>	<b>8.1 %</b>	<b>5.9 %</b>	<b>8.5 %</b>	<b>8.8 %</b>	<b>7.5 %</b>	<b>7.8 %</b>	<b>8.2 %</b>	<b>8.4 %</b>	<b>8.6 %</b>	<b>8.9 %</b>	<b>8.9 %</b>	<b>8.7 %</b>	<b>9.2 %</b>

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

Source: Suominen, Evli Research

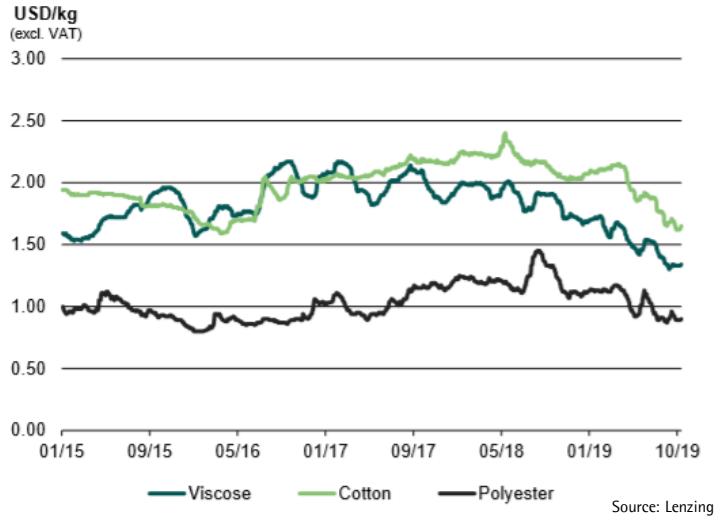
**Raw material mix (in tonnes)**


Total raw material consumption 134kt (2018)

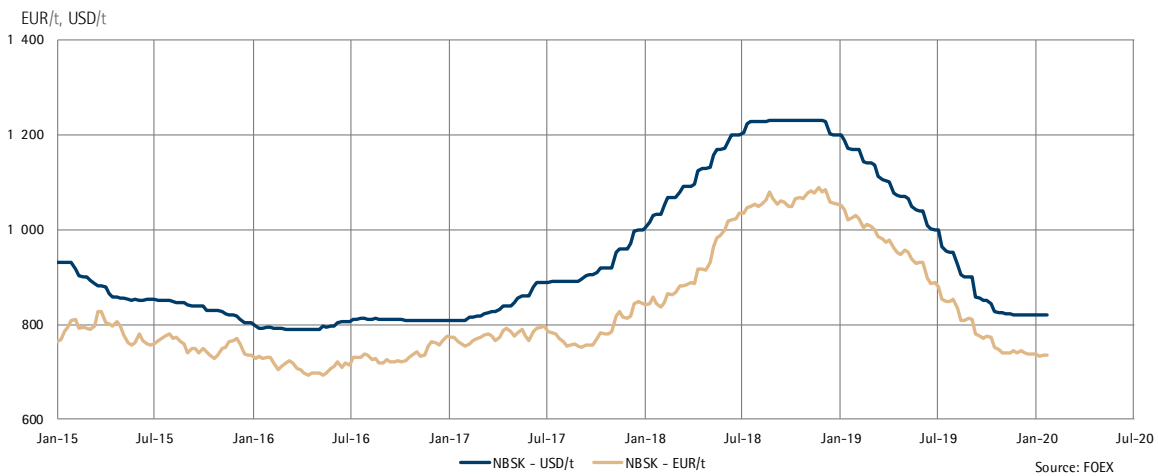
Source: Suominen

Raw material price development

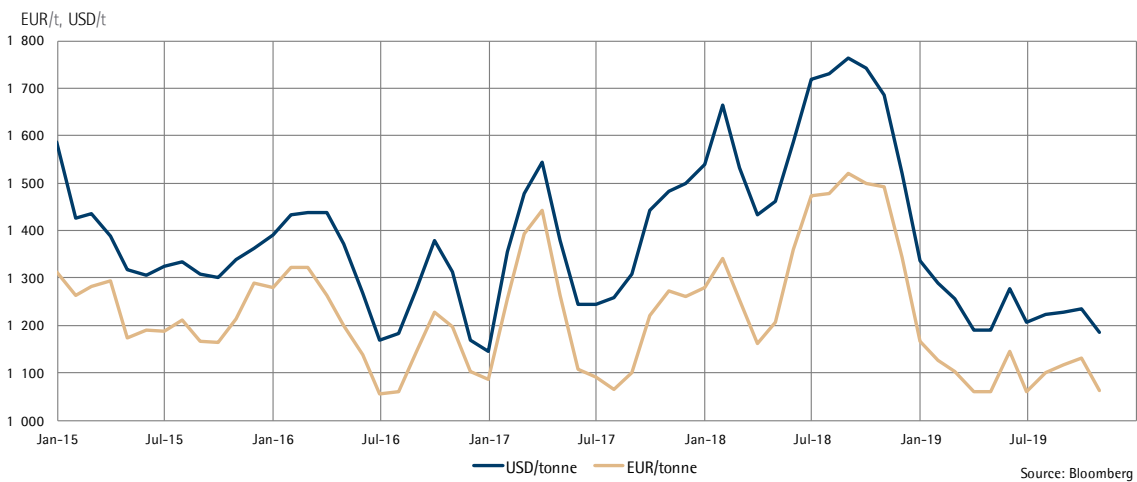
Chinese fiber prices have not bounced back



European softwood pulp prices have flatlined since the end of Q3'19



Polypropylene prices remained at low levels in late 2019



## 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 MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		19	20	21	19	20	21	19	20	21
Ahlstrom-Munksjo	1722	8.4x	7.0x	6.7x	17.7x	12.3x	11.3x	5.1 %	7.5 %	8.0 %
Berry Global Group	5538	10.2x	7.8x	7.7x	16.8x	13.3x	12.8x	10.4 %	10.3 %	10.6 %
Kimberly-Clark	44633	13.1x	12.9x	12.5x	18.4x	16.5x	15.9x	16.2 %	18.6 %	19.0 %
Low & Bonar	100									
Neenah	1037	11.4x	10.1x		18.5x	14.5x		8.0 %	9.9 %	
P. H. Glatfelter	676	9.9x	8.1x	7.1x	18.7x	13.2x	11.1x	6.5 %	8.1 %	9.0 %
PFNonwovens	242									
Peer Group Average	7707	10.6x	9.2x	8.5x	18.0x	14.0x	12.8x	9.2 %	10.9 %	11.7 %
Peer Group Median	1037	10.2x	8.1x	7.4x	18.4x	13.3x	12.0x	8.0 %	9.9 %	9.8 %
Suominen (Evli est.)	144	6.6x	5.5x	4.6x	27.5x	16.8x	11.1x	2.0 %	2.8 %	3.8 %

*Suominen prem./disc. to peer median*

-35 %   -32 %   -37 %   49 %   26 %   -8 %   -75 %   -71 %   -61 %

*Source FactSet, Evli Research*

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	2.48 PV of Free Cash Flow	124 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	3.21 PV of Horizon value	133 WACC, %	7.9 Market risk premium, %	5.8
Share price potential, %	29.6 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	3.6 Marketable securities	33 Minimum WACC, %	7.4 Equity beta coefficient	1.00
Minimum value	2.9 Debt - dividend	-103 Maximum WACC, %	8.4 Target debt ratio, %	20
Horizon value, %	51.8 Value of stock	187 Nr of shares, Mn	58.3 Effective tax rate, %	28

DCF valuation, EURm	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Horizon
Net sales	411	423	439	446	455	464	473	482	492	502	512	522
<i>Sales growth, %</i>	-4.6	2.8	3.7	1.6	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	8	12	17	21	23	23	24	24	25	25	26	26
<i>Operating income margin, %</i>	2.0	2.8	3.8	4.7	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
+ Depreciation+amort.	26	25	24	19	18	17	17	17	18	18	19	
EBITDA	34	37	40	41	41	40	41	41	42	43	44	
- Paid taxes	-4	-4	-4	-5	-6	-6	-6	-6	-6	-7	-7	
- Change in NWC	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	
<i>NWC / Sales, %</i>	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	8.9	8.9	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-12	-12	-13	-13	-14	-16	-18	-20	-20	-20	-20	
<i>opCAPEX / Sales, %</i>	2.8	2.9	3.1	3.0	3.2	3.5	3.9	4.2	4.1	4.1	4.0	
- 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	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	17	20	22	21	20	18	16	14	15	16	16	284
= Discounted FCFF		18	19	17	15	12	10	8	8	8	8	133
= DFCF min WACC		19	19	17	15	12	10	9	9	8	8	152
= DFCF max WACC		18	19	17	15	12	10	8	8	8	7	117

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1E	2020Q2E	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	109.8	103.8	103.4	94.5	411.4	108.0	107.0	108.0	100.0	423.0	438.8	445.6
EBITDA	9.3	9.0	7.8	7.4	33.6	9.1	9.2	9.6	8.9	36.8	40.4	40.5
<i>EBITDA margin (%)</i>	<i>8.5</i>	<i>8.7</i>	<i>7.6</i>	<i>7.8</i>	<i>8.2</i>	<i>8.4</i>	<i>8.6</i>	<i>8.9</i>	<i>8.9</i>	<i>8.7</i>	<i>9.2</i>	<i>9.1</i>
EBIT	3.0	2.6	1.1	1.4	8.1	2.9	3.0	3.4	2.7	12.0	16.9	21.1
<i>EBIT margin (%)</i>	<i>2.7</i>	<i>2.5</i>	<i>1.1</i>	<i>1.5</i>	<i>2.0</i>	<i>2.7</i>	<i>2.8</i>	<i>3.1</i>	<i>2.7</i>	<i>2.8</i>	<i>3.8</i>	<i>4.7</i>
Net financial items	-1.5	-1.5	-1.1	-1.9	-6.0	-1.5	-1.5	-1.5	-1.5	-6.0	-3.4	-2.8
Pre-tax profit	1.5	1.1	0.0	-0.5	2.1	1.4	1.5	1.9	1.2	6.0	13.5	18.3
Tax	-0.5	-0.6	-0.1	-0.7	-1.9	-0.5	-0.5	-0.5	-0.5	-2.0	-3.5	-4.7
<i>Tax rate (%)</i>	<i>35.9</i>	<i>51.0</i>	<i>357.1</i>	<i>-132.6</i>	<i>90.5</i>	<i>35.7</i>	<i>33.3</i>	<i>26.3</i>	<i>41.7</i>	<i>33.3</i>	<i>26.0</i>	<i>26.0</i>
Net profit	1.0	0.5	-0.1	-1.2	0.2	0.9	1.0	1.4	0.7	4.0	10.0	13.5
EPS	0.02	0.01	0.00	-0.02	0.00	0.02	0.02	0.02	0.01	0.07	0.17	0.23
EPS adjusted (diluted no. of shares)	0.02	0.01	0.00	-0.02	0.00	0.02	0.02	0.02	0.01	0.07	0.17	0.23
Dividend per share	0.00	0.00	0.00	0.00	0.05	0.00	0.00	0.00	0.00	0.07	0.07	0.09
<b>SALES, EURm</b>												
Group	109.8	103.8	103.4	94.5	411.4	108.0	107.0	108.0	100.0	423.0	438.8	445.6
Total	109.8	103.8	103.4	94.5	411.4	108.0	107.0	108.0	100.0	423.0	438.8	445.6
<b>SALES GROWTH, Y/Y %</b>												
Group	3.0	-5.6	-1.4	-13.9	-4.6	-1.6	3.1	4.5	5.9	2.8	3.7	1.6
Total	3.0	-5.6	-1.4	-13.9	-4.6	-1.6	3.1	4.5	5.9	2.8	3.7	1.6
<b>EBIT, EURm</b>												
Group	3.0	2.6	1.1	1.4	8.1	2.9	3.0	3.4	2.7	12.0	16.9	21.1
Total	3.0	2.6	1.1	1.4	8.1	2.9	3.0	3.4	2.7	12.0	16.9	21.1
<b>EBIT margin, %</b>												
Group	2.7	2.5	1.1	1.5	2.0	2.7	2.8	3.1	2.7	2.8	3.8	4.7
Total	2.7	2.5	1.1	1.5	2.0	2.7	2.8	3.1	2.7	2.8	3.8	4.7

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	444.0	416.9	426.0	431.1	411.4	423.0	438.8	445.6
<i>Sales growth (%)</i>	<i>10.5</i>	<i>-6.1</i>	<i>2.2</i>	<i>1.2</i>	<i>-4.6</i>	<i>2.8</i>	<i>3.7</i>	<i>1.6</i>
EBITDA	48.9	44.1	34.3	25.6	33.6	36.8	40.4	40.5
<i>EBITDA margin (%)</i>	<i>11.0</i>	<i>10.6</i>	<i>8.1</i>	<i>5.9</i>	<i>8.2</i>	<i>8.7</i>	<i>9.2</i>	<i>9.1</i>
Depreciation	-17.7	-18.5	-19.3	-21.0	-25.5	-24.8	-23.5	-19.4
EBITA	31.2	25.6	15.0	4.6	8.1	12.0	16.9	21.1
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	31.2	25.6	15.0	4.6	8.1	12.0	16.9	21.1
<i>EBIT margin (%)</i>	<i>7.0</i>	<i>6.1</i>	<i>3.5</i>	<i>1.1</i>	<i>2.0</i>	<i>2.8</i>	<i>3.8</i>	<i>4.7</i>
Reported EBIT	31.8	25.6	15.0	4.6	8.1	12.0	16.9	21.1
<i>EBIT margin (reported) (%)</i>	<i>7.2</i>	<i>6.1</i>	<i>3.5</i>	<i>1.1</i>	<i>2.0</i>	<i>2.8</i>	<i>3.8</i>	<i>4.7</i>
Net financials	-5.3	-3.2	-2.6	-5.6	-6.0	-6.0	-3.4	-2.8
Pre-tax profit	25.9	22.4	12.4	-1.0	2.1	6.0	13.5	18.3
Taxes	-9.5	-7.2	2.0	-0.8	-1.9	-2.0	-3.5	-4.7
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	17.0	15.2	14.5	-1.7	0.2	4.0	10.0	13.5
Cash NRIs	0.6	0.0	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
<b>BALANCE SHEET, EURm</b>								
Assets								
Fixed assets	122	160	160	156	143	130	119	113
Goodwill	15	15	15	15	15	15	15	15
Right of use assets	0	0	0	17	16	17	18	18
Inventory	33	43	44	52	45	47	48	49
Receivables	53	56	66	63	61	62	64	65
Liquid funds	64	38	35	32	33	34	35	36
Total assets	292	316	326	338	316	307	303	299
Liabilities								
Shareholder's equity	108	126	136	131	131	132	138	147
Minority interest	0	0	0	0	0	0	0	0
Convertibles	18	17	0	0	0	0	0	0
Lease liabilities	0	0	0	13	16	17	18	18
Deferred taxes	11	11	15	12	12	12	12	12
Interest bearing debt	97	94	110	102	86	74	60	46
Non-interest bearing current liabilities	56	65	63	75	66	68	70	71
Other interest-free debt	2	2	1	3	3	3	3	3
Total liabilities	292	316	326	338	316	307	303	299
<b>CASH FLOW, EURm</b>								
+ EBITDA	49	44	34	26	34	37	40	41
- Net financial items	-5	-3	-3	-6	-6	-6	-3	-3
- Taxes	-8	-6	0	6	-2	-2	-4	-5
- Increase in Net Working Capital	-8	-6	-8	6	-1	-1	-1	-1
+/- Other	-4	-2	-5	-3	0	0	0	0
= Cash flow from operations	23	26	19	28	25	28	32	32
- Capex	-22	-50	-34	-15	-12	-12	-14	-13
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	1	-23	-14	13	13	15	19	19
+/- New issues/buybacks	3	8	1	3	0	0	0	0
- Paid dividend	-2	-5	-6	-6	0	-3	-4	-4
+/- Other	16	-7	16	-12	-12	-12	-13	-15
Change in cash	17	-26	-3	-3	1	1	1	1

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	214	258	119	153	144	144	144
Net debt (excl. convertibles)	57	76	83	70	57	43	28
Enterprise value	287	333	203	223	202	187	172
Sales	417	426	431	411	423	439	446
EBITDA	44	34	26	34	37	40	41
EBIT	26	15	5	8	12	17	21
Pre-tax	22	12	-1	2	6	13	18
Earnings	15	14	-2	0	4	10	14
Equity book value (excl. minorities)	126	136	131	131	132	138	147
<b>Valuation multiples</b>							
EV/sales	0.7	0.8	0.5	0.5	0.5	0.4	0.4
EV/EBITDA	6.5	9.7	7.9	6.6	5.5	4.6	4.2
EV/EBITA	11.2	22.2	44.1	27.5	16.8	11.1	8.2
EV/EBIT	11.2	22.2	44.1	27.5	16.8	11.1	8.2
EV/OCF	10.9	17.3	7.2	8.9	7.3	5.8	5.3
EV/FCFF	-15.6	-29.4	11.7	12.9	10.2	8.7	8.0
P/FCFE	-9.4	-18.0	9.0	11.5	9.4	7.8	7.6
P/E	14.0	17.8	-69.4	766.1	36.1	14.5	10.7
P/B	1.7	1.9	0.9	1.2	1.1	1.0	1.0
Target EV/EBITDA	0.0	0.0	0.0	0.0	5.1	4.3	3.9
Target EV/EBIT	0.0	0.0	0.0	0.0	15.7	10.3	7.5
Target EV/FCF	0.0	0.0	0.0	0.0	12.3	9.4	8.3
Target P/B	0.0	0.0	0.0	0.0	1.0	1.0	0.9
Target P/E	0.0	0.0	0.0	0.0	32.8	13.1	9.7
<b>Per share measures</b>							
Number of shares	51,666	58,259	58,259	58,259	58,259	58,259	58,259
Number of shares (diluted)	51,666	65,259	58,259	58,259	58,259	58,259	58,259
EPS	0.29	0.25	-0.03	0.00	0.07	0.17	0.23
Operating cash flow per share	0.51	0.33	0.48	0.43	0.48	0.55	0.56
Free cash flow per share	-0.44	-0.25	0.23	0.23	0.26	0.32	0.33
Book value per share	2.44	2.34	2.24	2.24	2.26	2.36	2.53
Dividend per share	0.11	0.11	0.00	0.05	0.07	0.07	0.09
Dividend payout ratio, %	37.3	44.3	0.0	1,456.5	102.0	40.0	40.0
Dividend yield, %	2.7	2.5	0.0	2.0	2.8	2.8	3.7
FCF yield, %	-10.6	-5.6	11.1	8.7	10.6	12.8	13.2
<b>Efficiency measures</b>							
ROE	13.0	11.0	-1.3	0.2	3.0	7.4	9.5
ROCE	11.4	6.2	1.9	3.4	5.3	7.7	9.9
<b>Financial ratios</b>							
Inventories as % of sales	10.2	10.4	12.0	11.0	11.0	11.0	11.0
Receivables as % of sales	13.5	15.6	14.7	14.7	14.7	14.7	14.6
Non-interest bearing liabilities as % of sales	15.7	14.8	17.5	16.0	16.0	16.0	16.0
NWC/sales, %	8.0	11.1	8.5	9.0	9.0	9.0	9.0
Operative CAPEX/sales, %	11.9	7.9	3.5	2.8	2.9	3.1	3.0
CAPEX/sales (incl. acquisitions), %	11.9	7.9	3.5	2.8	2.9	3.1	3.0
FCFF/EBITDA	-0.4	-0.3	0.7	0.5	0.5	0.5	0.5
Net debt/EBITDA, book-weighted	1.3	2.2	3.2	2.1	1.6	1.1	0.7
Debt/equity, market-weighted	0.4	0.4	0.9	0.6	0.5	0.4	0.3
Equity ratio, book-weighted	45.3	41.8	38.7	41.4	42.9	45.5	49.3
Gearing, %	39.6	55.6	63.7	53.3	43.5	31.1	18.8



**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:** Suominen's profitability took a hit as raw material price inflation ate into the company's gross margin. Suominen decided to respond by raising nonwovens delivery prices, a move which improved margins but also led to delivery volume losses. Recently raw material prices have stabilized, however Suominen still needs to work on improving margins and, even more importantly, achieve higher delivery volumes. Long-term demand outlook for nonwovens is positive, yet the market looks well supplied in the short-term.

OWNERSHIP STRUCTURE	SHARES	EURm	%
AC Invest two B.V.	13,953,357	34.604	24.0%
Oy Etra Invest Ab	7,770,000	19.270	13.3%
Varma Mutual Pension Insurance Company	4,500,000	11.160	7.7%
Nordea Bank ABP	3,729,456	9.249	6.4%
Ilmarinen Mutual Pension Insurance Company	3,046,892	7.556	5.2%
Elo Mutual Pension Insurance Company	3,024,651	7.501	5.2%
Mandatum Life Insurance Company Limited	1,876,957	4.655	3.2%
Oy H. Kuningas & Co Ab	1,567,416	3.887	2.7%
Nordea Life Assurance Finland Ltd.	1,272,000	3.155	2.2%
Evald and Hilda Nissi's Foundation	1,000,000	2.480	1.7%
Ten largest	41,740,729	103.517	72%
Residual	16,518,490	40.966	28%
Total	58,259,219	144.483	100%

EARNINGS CALENDAR	
April 23, 2020	Q1 report
August 12, 2020	Q2 report
October 22, 2020	Q3 report
OTHER EVENTS	
March 19, 2020	AGM

COMPANY MISCELLANEOUS	
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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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

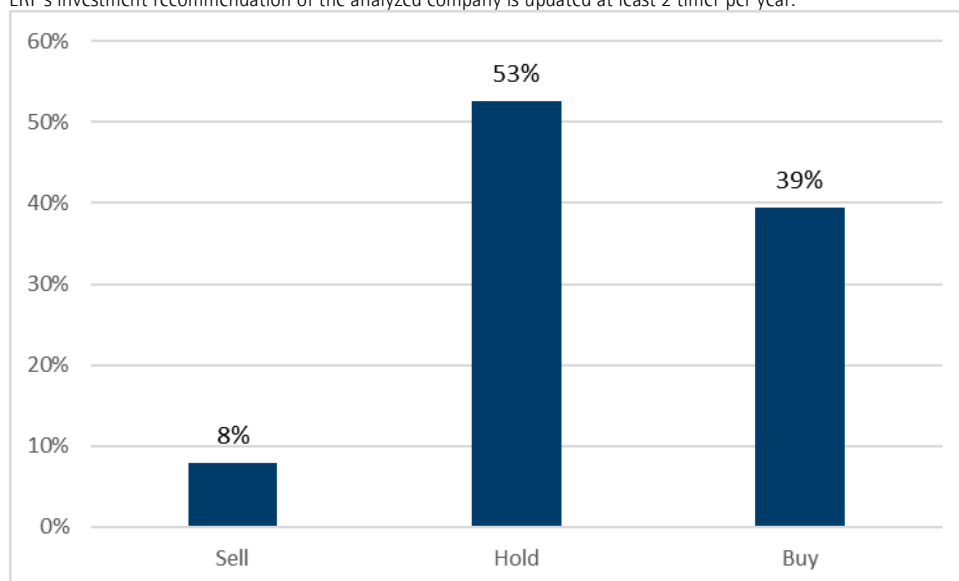
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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