

## Long-term story gains more ground

Suominen's Q1 revenue only slightly exceeded our estimate but as gross margin improved close to 400bps EBIT came in almost double our estimate. Suominen upgraded FY '20 EBIT guidance. We have updated our estimates, and our new TP is EUR 3.25 (2.50), rating now HOLD (SELL).

Profitability would have jumped even without the pandemic Suominen reported flat y/y Q1 revenue at EUR 110.2m, while our estimate was EUR 108.0m. Suominen says its sustainable products sales are developing well (new products contributed more than 25% of sales vs 20% previously). The investment in Green Bay, WI plant helped volumes and contributed to a more favorable i.e. higher quality product mix. The pandemic also began to have a positive effect on volumes towards the end of Q1. Especially cleaning and disinfection applications demand has increased. Nonwovens demand in general has received a boost due to applications like surgical drapes and face masks, however such products represent relatively small business for Suominen. New products, improved production and raw material efficiency as well as low raw material prices together lifted gross margin almost 400bps (we had expected only slight improvement), and thus EBIT amounted to EUR 5.7m vs our EUR 2.9m estimate.

### We now expect FY '20 EBIT at EUR 23m (prev. EUR 12m)

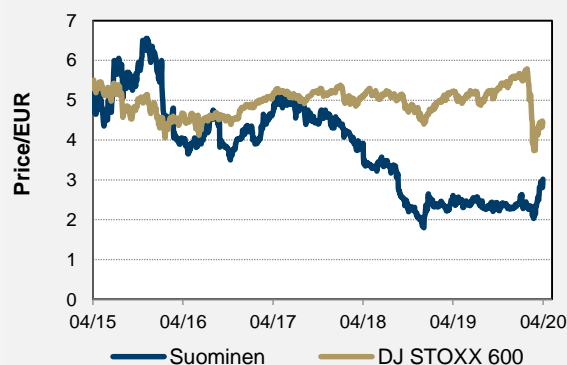
Suominen sees Q2 another strong quarter, and thus updated FY '20 guidance, now guiding clear EBIT improvement (previously improving) even if there's much uncertainty with regards to H2'20 as the demand surge induced by the pandemic may cool down. Nonwovens prices will adjust with a few months' time lag to accommodate changes in raw materials prices. We see some downward pressure on Q2 gross margin due to lower nonwovens prices, expecting a 60bps decline to 11.5%. So far Suominen's operations have run basically normal. There could be raw material shortages and Suominen or its customers might have to close plants due to the pandemic.

### Long-term story receives a boost, yet uncertainty still high

Suominen trades 5x EV/EBITDA and 10x EV/EBIT on our estimates for '20. In our view these are attractive levels, yet much depends on the gross margin going forward. Although new products sell well, the size of the pandemic's positive impact is still hard to gauge. Our TP is now EUR 3.25 (2.50), rating HOLD (SELL).

Rating

HOLD



Share price, EUR (Last trading day's closing price) 3.02

Target price, EUR 3.25

Latest change in 24-Apr-20

Latest report on company 20-Apr-20

Research paid by issuer: YES

No. of shares outstanding, 58,259

No. of shares fully diluted, 58,259

Market cap, EURm 176

Free float, % -

Exchange rate EUR/USD 1.10

Reuters code SUY1V.HE

Bloomberg code SUY1V FH

Average daily volume, EURm 0.1

Next interim report 12-Aug-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%	14.2	0.00	766.1	0.5	27.5	9.2	0.05
2020E	454.4	23.1	5.1%	21.8	0.26	11.7	0.5	9.8	12.4	0.07
2021E	467.8	26.9	5.8%	27.7	0.32	9.3	0.4	7.5	15.7	0.13
2022E	475.0	28.5	6.0%	26.4	0.36	8.5	0.4	6.5	15.0	0.14
Market cap, EURm	176			Gearing 2020E, %	35.6			CAGR EPS 2019-22, %	370.0	
Net debt 2020E, EURm	51			Price/book 2020E	1.2			CAGR sales 2019-22, %	4.9	
Enterprise value, EURm	227			Dividend yield 2020E, %	2.3			ROE 2020E, %	11.0	
Total assets 2020E, EURm	319			Tax rate 2020E, %	10.1			ROCE 2020E, %	10.0	
Goodwill 2020E, EURm	15			Equity ratio 2020E, %	44.7			PEG, P/E 20/CAGR	0.7	

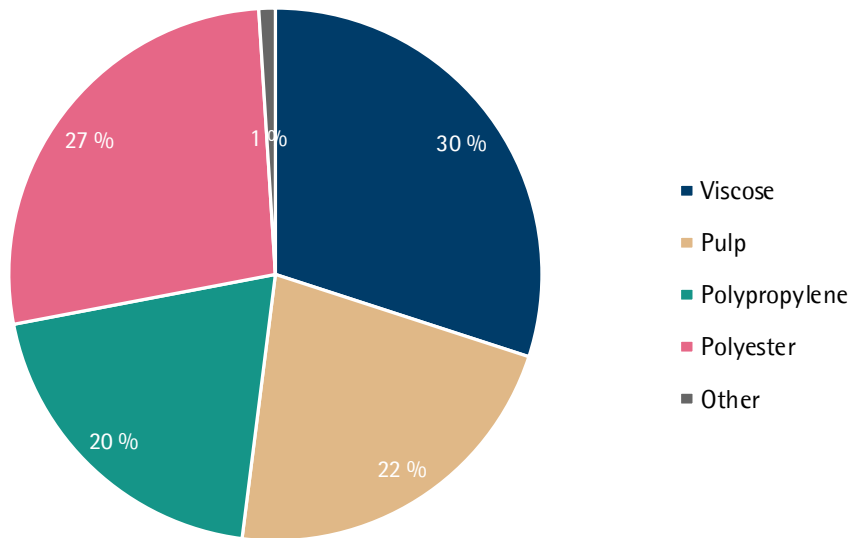
## Estimates

SUOMINEN EURm	2013 FY	2014 FY	2015 FY	2016 FY	2017 FY	2018 FY	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2019 FY	2020 Q1	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>110</b>	<b>119</b>	<b>113</b>	<b>112</b>	<b>454</b>	<b>468</b>
Sales growth, %		8 %	11 %	-6 %	2 %	1 %	3 %	-6 %	-1 %	-14 %	-5 %	0 %	15 %	9 %	19 %	10 %	3 %
<b>Geography</b>																	
Europe	150	153	172	171	174	171	42	39	37	32	150	37	43	41	40	161	165
Americas	224	249	272	246	252	260	68	65	66	62	262	73	76	72	72	293	303
COGS	-334	-352	-386	-365	-384	-400	-101	-94	-96	-87	-377	-97	-105	-100	-99	-401	-412
Gross Profit	40	50	58	52	42	31	9.6	9.7	7.7	7.8	35	13.3	13.7	13.0	12.9	53	56
Gross-%	10.7 %	12.4 %	13.1 %	12.5 %	9.9 %	7.3 %	8.7 %	9.3 %	7.4 %	8.3 %	8.4 %	12.1 %	11.5 %	11.5 %	11.5 %	11.6 %	12.0 %
SGA & R&D	-22.4	-24.6	-28.0	-27.9	-28.9	-29.2	-7.5	-7.4	-7.1	-6.6	-28.5	-7.8	-7.8	-7.5	-7.5	-30.6	-30.0
Other	1.7	0.8	1.8	1.3	1.7	2.5	0.8	0.4	0.5	0.2	1.9	0.2	0.2	0.2	0.2	0.8	0.8
EBIT	18.9	25.9	31.8	25.6	15.0	4.6	3.0	2.7	1.1	1.4	8.1	5.7	6.1	5.7	5.6	23.1	26.9
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>5.7</b>	<b>6.1</b>	<b>5.7</b>	<b>5.6</b>	<b>23.1</b>	<b>26.9</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>5.2 %</b>	<b>5.1 %</b>	<b>5.0 %</b>	<b>5.0 %</b>	<b>5.1 %</b>	<b>5.8 %</b>
Depreciation	-13.9	-15.6	-17.7	-18.5	-19.4	-21.0	-6.3	-6.4	-6.7	-6.0	-25.5	-5.6	-6.2	-6.2	-6.2	-24.2	-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>11.3</b>	<b>12.3</b>	<b>11.9</b>	<b>11.8</b>	<b>47.3</b>	<b>50.4</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>10.3 %</b>	<b>10.3 %</b>	<b>10.5 %</b>	<b>10.5 %</b>	<b>10.4 %</b>	<b>10.8 %</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)

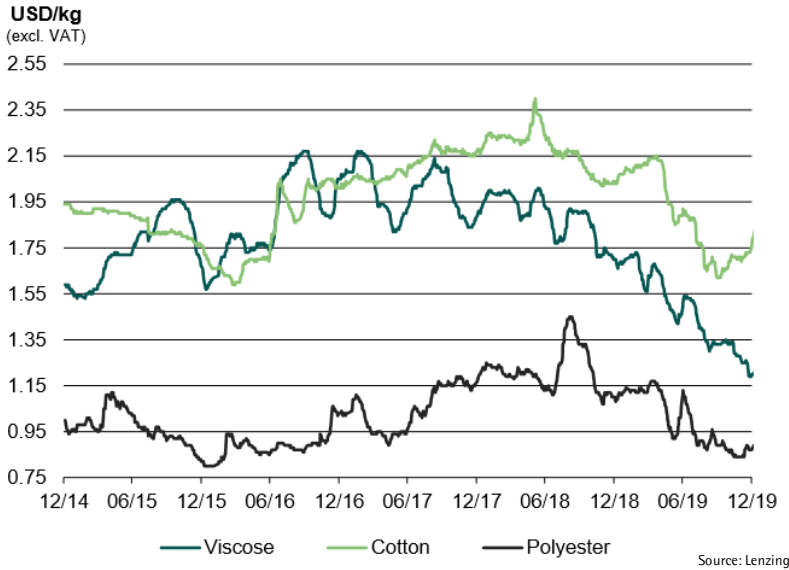


Total raw material consumption 134kt (2018)

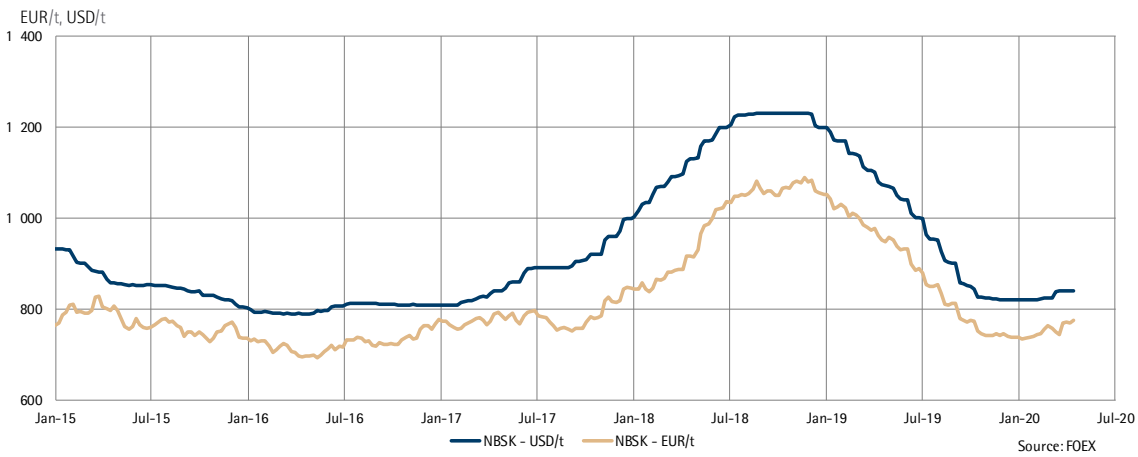
Source: Suominen

**Raw material price development**

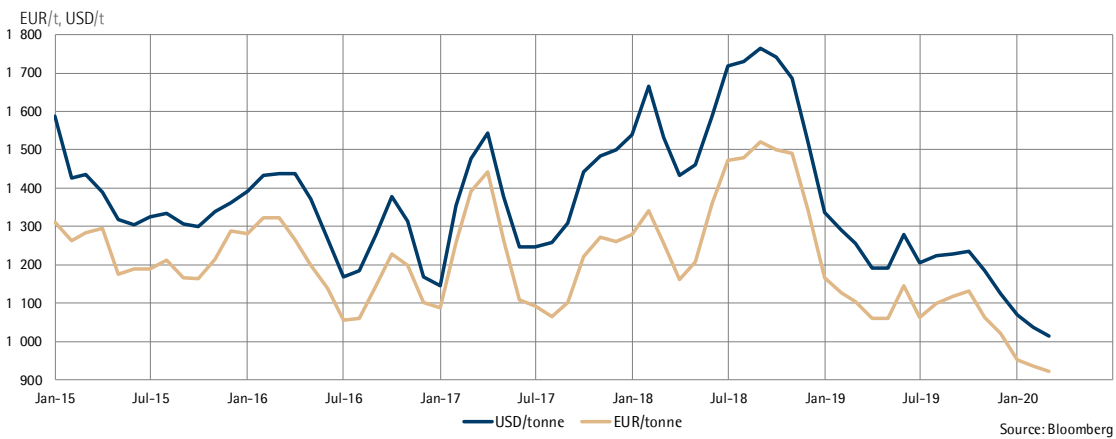
Chinese fiber prices were rather low before the pandemic



European softwood pulp prices have yet to rebound



Polypropylene prices also continued soft even before the pandemic



## 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	1444	8.5x	7.5x	6.4x	18.7x	15.6x	11.5x	4.7 %	5.5 %	7.2 %
Berry Global Group	4430	10.7x	7.7x	7.5x	17.5x	13.1x	12.5x	10.4 %	10.3 %	10.8 %
Kimberly-Clark	44144	13.2x	12.6x	12.3x	18.6x	15.8x	15.4x	16.2 %	19.2 %	19.7 %
Low & Bonar	118									
Neenah	671	11.2x	8.1x	7.7x	16.8x	12.6x	11.7x	8.9 %	8.4 %	8.8 %
P. H. Glatfelter	532	9.7x	6.8x	6.4x	18.3x	11.6x	10.5x	6.2 %	7.3 %	7.8 %
PFNonwovens	196									
Peer Group Average	7362	<b>10.6x</b>	<b>8.5x</b>	<b>8.0x</b>	<b>18.0x</b>	<b>13.7x</b>	<b>12.3x</b>	<b>9.3 %</b>	<b>10.1 %</b>	<b>10.9 %</b>
Peer Group Median	671	<b>10.7x</b>	<b>7.7x</b>	<b>7.5x</b>	<b>18.3x</b>	<b>13.1x</b>	<b>11.7x</b>	<b>8.9 %</b>	<b>8.4 %</b>	<b>8.8 %</b>
Suominen (Evli est.)	<b>176</b>	<b>6.6x</b>	<b>4.8x</b>	<b>4.0x</b>	<b>27.5x</b>	<b>9.8x</b>	<b>7.5x</b>	<b>2.0 %</b>	<b>5.1 %</b>	<b>5.8 %</b>
<i>Suominen prem./disc. to peer median</i>		<i>-38 %</i>	<i>-38 %</i>	<i>-46 %</i>	<i>50 %</i>	<i>-25 %</i>	<i>-35 %</i>	<i>-78 %</i>	<i>-40 %</i>	<i>-35 %</i>

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	3.02 PV of Free Cash Flow	190 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	5.78 PV of Horizon value	217 WACC, %	7.9 Market risk premium, %	5.8
Share price potential, %	91.5 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	6.4 Marketable securities	33 Minimum WACC, %	7.4 Equity beta coefficient	1.00
Minimum value	5.3 Debt - dividend	-103 Maximum WACC, %	8.4 Target debt ratio, %	20
Horizon value, %	53.3 Value of stock	337 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	454	468	475	485	494	504	514	524	535	546	557
<i>Sales growth, %</i>	-4.6	10.4	3.0	1.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	8	23	27	29	31	32	35	36	37	37	38	39
<i>Operating income margin, %</i>	2.0	5.1	5.8	6.0	6.5	6.5	7.0	7.0	7.0	7.0	7.0	7.0
+ Depreciation+amort.	26	24	24	20	18	17	17	17	18	18	19	
EBITDA	34	47	50	48	50	49	52	53	55	56	57	
- Paid taxes	-4	-2	-6	-6	-7	-7	-7	-8	-8	-8	-8	
- Change in NWC	-1	-4	-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	8.9	8.9	8.9	8.9	8.9	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-11	-12	-13	-13	-14	-16	-18	-20	-20	-20	-22	
<i>opCAPEX / Sales, %</i>	2.6	3.0	2.9	2.8	3.0	3.3	3.6	4.0	3.9	3.8	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	18	29	31	28	28	26	26	25	26	27	26	453
= Discounted FCFF		28	27	23	21	18	17	15	14	14	13	217
= DFCF min WACC		28	27	23	22	18	17	15	15	14	13	247
= DFCF max WACC		28	27	23	21	18	16	14	14	13	12	191

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2E	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	109.8	103.8	103.4	94.5	411.4	110.2	119.1	113.0	112.1	454.4	467.8	475.0
EBITDA	9.3	9.0	7.8	7.4	33.6	11.3	12.3	11.9	11.8	47.3	50.4	48.1
<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>10.3</i>	<i>10.3</i>	<i>10.5</i>	<i>10.5</i>	<i>10.4</i>	<i>10.8</i>	<i>10.1</i>
EBIT	3.0	2.6	1.1	1.4	8.1	5.7	6.1	5.7	5.6	23.1	26.9	28.5
<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>5.2</i>	<i>5.1</i>	<i>5.0</i>	<i>5.0</i>	<i>5.1</i>	<i>5.8</i>	<i>6.0</i>
Net financial items	-1.5	-1.5	-1.1	-1.9	-6.0	-1.9	-1.5	-1.5	-1.5	-6.4	-3.0	-2.2
Pre-tax profit	1.5	1.1	0.0	-0.5	2.1	3.8	4.6	4.2	4.1	16.7	23.9	26.3
Tax	-0.5	-0.6	-0.1	-0.7	-1.9	-0.2	-0.5	-0.5	-0.5	-1.7	-5.0	-5.5
<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>4.6</i>	<i>10.9</i>	<i>11.9</i>	<i>12.2</i>	<i>10.1</i>	<i>21.0</i>	<i>21.0</i>
Net profit	1.0	0.5	-0.1	-1.2	0.2	3.6	4.1	3.7	3.6	15.0	18.9	20.8
EPS	0.02	0.01	0.00	-0.02	0.00	0.06	0.07	0.06	0.06	0.26	0.32	0.36
EPS adjusted (diluted no. of shares)	0.02	0.01	0.00	-0.02	0.00	0.06	0.07	0.06	0.06	0.26	0.32	0.36
Dividend per share	0.00	0.00	0.00	0.00	0.05	0.00	0.00	0.00	0.00	0.07	0.13	0.14
<b>SALES, EURm</b>												
Group	109.8	103.8	103.4	94.5	411.4	110.2	119.1	113.0	112.1	454.4	467.8	475.0
Total	109.8	103.8	103.4	94.5	411.4	110.2	119.1	113.0	112.1	454.4	467.8	475.0
<b>SALES GROWTH, Y/Y %</b>												
Group	3.0	-5.6	-1.4	-13.9	-4.6	0.4	14.7	9.3	18.7	10.4	3.0	1.5
Total	3.0	-5.6	-1.4	-13.9	-4.6	0.4	14.7	9.3	18.7	10.4	3.0	1.5
<b>EBIT, EURm</b>												
Group	3.0	2.6	1.1	1.4	8.1	5.7	6.1	5.7	5.6	23.1	26.9	28.5
Total	3.0	2.6	1.1	1.4	8.1	5.7	6.1	5.7	5.6	23.1	26.9	28.5
<b>EBIT margin, %</b>												
Group	2.7	2.5	1.1	1.5	2.0	5.2	5.1	5.0	5.0	5.1	5.8	6.0
Total	2.7	2.5	1.1	1.5	2.0	5.2	5.1	5.0	5.0	5.1	5.8	6.0

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	444.0	416.9	426.0	431.1	411.4	454.4	467.8	475.0
<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>10.4</i>	<i>3.0</i>	<i>1.5</i>
EBITDA	48.9	44.1	34.3	25.6	33.6	47.3	50.4	48.1
<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>10.4</i>	<i>10.8</i>	<i>10.1</i>
Depreciation	-17.7	-18.5	-19.3	-21.0	-25.5	-24.2	-23.5	-19.6
EBITA	31.2	25.6	15.0	4.6	8.1	23.1	26.9	28.5
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	23.1	26.9	28.5
<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>5.1</i>	<i>5.8</i>	<i>6.0</i>
Reported EBIT	31.8	25.6	15.0	4.6	8.1	23.1	26.9	28.5
<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>5.1</i>	<i>5.8</i>	<i>6.0</i>
Net financials	-5.3	-3.2	-2.6	-5.6	-6.0	-6.4	-3.0	-2.2
Pre-tax profit	25.9	22.4	12.4	-1.0	2.1	16.7	23.9	26.3
Taxes	-9.5	-7.2	2.0	-0.8	-1.9	-1.7	-5.0	-5.5
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	15.0	18.9	20.8
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>								
<b>Assets</b>								
Fixed assets	122	160	160	156	143	130	120	113
Goodwill	15	15	15	15	15	15	15	15
Right of use assets	0	0	0	17	16	18	19	19
Inventory	33	43	44	52	45	50	51	52
Receivables	53	56	66	63	61	66	68	69
Liquid funds	64	38	35	32	33	36	37	38
Total assets	292	316	326	338	316	319	314	310
<b>Liabilities</b>								
Shareholder's equity	108	126	136	131	131	143	158	171
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	18	19	19
Deferred taxes	11	11	15	12	12	12	12	12
Interest bearing debt	97	94	110	102	86	69	46	27
Non-interest bearing current liabilities	56	65	63	75	66	73	75	76
Other interest-free debt	2	2	1	3	3	3	3	3
Total liabilities	292	316	326	338	316	319	314	310
<b>CASH FLOW, EURm</b>								
+ EBITDA	49	44	34	26	34	47	50	48
- Net financial items	-5	-3	-3	-6	-6	-6	-3	-2
- Taxes	-8	-6	0	6	-2	-2	-5	-6
- Increase in Net Working Capital	-8	-6	-8	6	-1	-4	-1	-1
+/- Other	-4	-2	-5	-3	0	0	0	0
= Cash flow from operations	23	26	19	28	25	36	41	40
- Capex	-22	-50	-34	-15	-11	-14	-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	14	22	28	26
+/- New issues/buybacks	3	8	1	3	0	0	0	0
- Paid dividend	-2	-5	-6	-6	0	-3	-4	-8
+/- Other	16	-7	16	-12	-13	-15	-23	-18
Change in cash	17	-26	-3	-3	1	3	1	1

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	214	258	119	153	176	176	176
Net debt (excl. convertibles)	57	76	83	70	51	27	8
Enterprise value	287	333	203	223	227	203	184
Sales	417	426	431	411	454	468	475
EBITDA	44	34	26	34	47	50	48
EBIT	26	15	5	8	23	27	29
Pre-tax	22	12	-1	2	17	24	26
Earnings	15	14	-2	0	15	19	21
Equity book value (excl. minorities)	126	136	131	131	143	158	171
<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	4.8	4.0	3.8
EV/EBITA	11.2	22.2	44.1	27.5	9.8	7.5	6.5
EV/EBIT	11.2	22.2	44.1	27.5	9.8	7.5	6.5
EV/OCF	10.9	17.3	7.2	8.9	6.4	4.9	4.6
EV/FCFF	-15.6	-29.4	11.7	12.3	7.7	6.6	6.5
P/FCFE	-9.4	-18.0	9.0	10.8	8.1	6.4	6.7
P/E	14.0	17.8	-69.4	766.1	11.7	9.3	8.5
P/B	1.7	1.9	0.9	1.2	1.2	1.1	1.0
Target EV/EBITDA	0.0	0.0	0.0	0.0	5.1	4.3	4.1
Target EV/EBIT	0.0	0.0	0.0	0.0	10.4	8.0	6.9
Target EV/FCF	0.0	0.0	0.0	0.0	11.0	7.8	7.5
Target P/B	0.0	0.0	0.0	0.0	1.3	1.2	1.1
Target P/E	0.0	0.0	0.0	0.0	12.6	10.0	9.1
<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	0.26	0.32	0.36
Operating cash flow per share	0.51	0.33	0.48	0.43	0.61	0.71	0.68
Free cash flow per share	-0.44	-0.25	0.23	0.24	0.37	0.48	0.45
Book value per share	2.44	2.34	2.24	2.24	2.45	2.70	2.93
Dividend per share	0.11	0.11	0.00	0.05	0.07	0.13	0.14
Dividend payout ratio, %	37.3	44.3	0.0	1,456.5	27.2	40.0	40.0
Dividend yield, %	2.7	2.5	0.0	1.7	2.3	4.3	4.7
FCF yield, %	-10.6	-5.6	11.1	9.2	12.4	15.7	15.0
<b>Efficiency measures</b>							
ROE	13.0	11.0	-1.3	0.2	11.0	12.6	12.6
ROCE	11.4	6.2	1.9	3.4	10.0	11.9	13.0
<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	14.6	14.6	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	2.6	3.0	2.9	2.8
CAPEX/sales (incl. acquisitions), %	11.9	7.9	3.5	2.6	3.0	2.9	2.8
FCFF/EBITDA	-0.4	-0.3	0.7	0.5	0.6	0.6	0.6
Net debt/EBITDA, book-weighted	1.3	2.2	3.2	2.1	1.1	0.5	0.2
Debt/equity, market-weighted	0.4	0.4	0.9	0.6	0.4	0.3	0.2
Equity ratio, book-weighted	45.3	41.8	38.7	41.4	44.7	50.2	55.1
Gearing, %	39.6	55.6	63.7	53.3	35.6	17.3	4.9



**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:** 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	42.139	24.0%
Oy Etra Invest Ab	7,770,000	23.465	13.3%
Varma Mutual Pension Insurance Company	4,500,000	13.590	7.7%
Nordea Bank ABP	3,729,456	11.263	6.4%
Ilmarinen Mutual Pension Insurance Company	3,046,892	9.202	5.2%
Elo Mutual Pension Insurance Company	3,024,651	9.134	5.2%
Mandatum Life Insurance Company Limited	1,876,957	5.668	3.2%
Oy H. Kuningas & Co Ab	1,567,416	4.734	2.7%
Nordea Life Assurance Finland Ltd.	1,272,000	3.841	2.2%
Evald and Hilda Nissi's Foundation	1,000,000	3.020	1.7%
Ten largest	41,740,729	126.057	72%
Residual	16,518,490	49.886	28%
Total	58,259,219	175.943	100%

EARNINGS CALENDAR	
August 12, 2020	Q2 report
October 22, 2020	Q3 report
OTHER EVENTS	
May 26, 2020	CMD

COMPANY MISCELLANEOUS	
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CFO: Toni Tamminen	Tel: +358 (0)10 214 300
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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

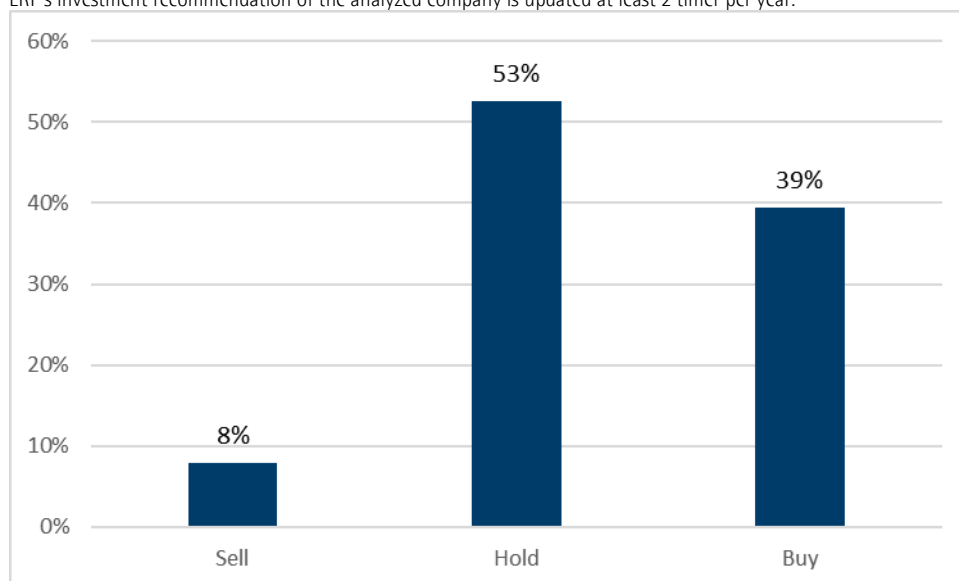
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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