

## Exceptional performance

Suominen's Q2 was way above our estimates. The major question now is where gross margin settles as the dance between nonwovens and raw materials prices plays out. We have upgraded our estimates, our new TP is EUR 5.50 (4.75) and we retain our BUY rating as multiples remain low.

### Q2 performance was in our view exceptionally strong

Suominen posted EUR 122.2m in Q2 revenue (up 18% y/y and compared to our EUR 115.0m estimate), a record high despite lower nonwovens prices (reflecting soft raw materials) as volumes grew considerably due to high wiping demand. Both Americas and Europe did brisk volumes and posted revenues respectively at EUR 77.2m (up 19% y/y) and EUR 45.0m (up 16% y/y). Gross margin also increased almost another 400bps q/q to 16.0%. We note this is a record figure (vs e.g. 14.7% GM back in Q3'14) and likely not sustainable long-term. Record revenue and gross margin led to EUR 19.5m gross profit vs our EUR 14.4m estimate. SG&A and R&D remained flat at EUR 7.8m and thus the EUR 12.4m EBIT trounced our EUR 6.8m estimate.

### We expect some softening in gross margin going forward

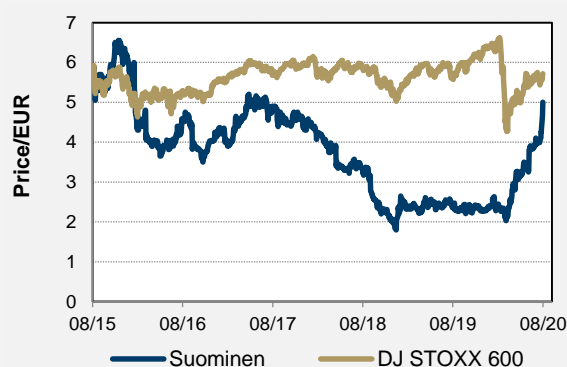
Suominen's H1 was unexpectedly strong as improving product mix, production efficiency and low raw materials prices led to big margin gains. The pandemic also helped business as demand for wipes increased and Suominen was able to meet the challenge. However, production volumes will be lower in H2 due to scheduled maintenance stoppages at several plants. We nevertheless continue to see the demand and volume outlook strong since the pandemic is unlikely to fade away soon. With respect to profitability we expect the gross margin to have topped out. We don't expect significant downward correction in the short-term as nonwovens and raw materials prices are in practice highly correlated. Given the current price data we expect Q3 gross margin at 15% and Q3 EBIT thus at EUR 9.8m.

### Multiples still quite reasonable on our updated estimates

Suominen also announced an EUR 8m investment in Cressa, Italy. The production line upgrade will enhance capacity and seems a straightforward measure to address growing demand. All in all, we see further upside potential despite sharp rerating this year. On our updated estimates Suominen now trades slightly below 6x EV/EBITDA FY '20. Our new TP is EUR 5.50 (4.75), rating BUY.

Rating

BUY



Share price, EUR (Last trading day's closing price) 5.00

Target price, EUR 5.50

Latest change in 25-Jun-20

Latest report on company 6-Aug-20

Research paid by issuer: YES

No. of shares outstanding, 58,259

No. of shares fully diluted, 58,259

Market cap, EURm 291

Free float, % -

Exchange rate EUR/USD 1.17

Reuters code SUY1V.HE

Bloomberg code SUY1V FH

Average daily volume, EURm 0.1

Next interim report 27-Oct-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	453.4	35.6	7.9%	29.4	0.42	11.9	0.7	9.4	10.1	0.07
2021E	467.0	33.8	7.2%	31.9	0.42	11.8	0.7	9.1	11.0	0.17
2022E	480.0	33.6	7.0%	30.9	0.43	11.6	0.6	8.5	10.6	0.17
Market cap, EURm	291			Gearing 2020E, %	28.4			CAGR EPS 2019-22, %	401.3	
Net debt 2020E, EURm	43			Price/book 2020E	1.9			CAGR sales 2019-22, %	5.3	
Enterprise value, EURm	335			Dividend yield 2020E, %	1.4			ROE 2020E, %	17.2	
Total assets 2020E, EURm	321			Tax rate 2020E, %	18.1			ROCE 2020E, %	15.3	
Goodwill 2020E, EURm	15			Equity ratio 2020E, %	47.4			PEG, P/E 20/CAGR	4.8	

**Estimates and peer group valuation**

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	2020 Q2	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>122</b>	<b>114</b>	<b>107</b>	<b>453</b>	<b>467</b>
Sales growth, %		8 %	11 %	-6 %	2 %	1 %	3 %	-6 %	-1 %	-14 %	-5 %	0 %	18 %	10 %	13 %	10 %	3 %
<b>Geography</b>																	
Europe	150	153	172	171	174	171	42	39	37	32	150	37	45	41	38	161	170
Americas	224	249	272	246	252	260	68	65	66	62	262	73	77	73	69	292	297
COGS	-334	-352	-386	-365	-384	-400	-101	-94	-96	-86	-377	-97	-103	-97	-92	-388	-404
Gross Profit	40	50	58	52	42	31	9.6	9.7	7.7	7.8	35	13.3	19.5	17.1	15.0	65	63
Gross-%	10.7 %	12.4 %	13.1 %	12.5 %	9.9 %	7.3 %	8.8 %	9.3 %	7.4 %	8.3 %	8.4 %	12.1 %	16.0 %	15.0 %	14.0 %	14.3 %	13.5 %
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	0.7	0.2	0.2	1.3	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	12.4	9.8	7.7	35.6	33.8
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>12.4</b>	<b>9.8</b>	<b>7.7</b>	<b>35.6</b>	<b>33.8</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>10.1 %</b>	<b>8.6 %</b>	<b>7.2 %</b>	<b>7.9 %</b>	<b>7.2 %</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	-5.6	-5.5	-5.5	-22.2	-22.0
<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>18.0</b>	<b>15.3</b>	<b>13.2</b>	<b>57.8</b>	<b>55.8</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>14.7 %</b>	<b>13.4 %</b>	<b>12.3 %</b>	<b>12.7 %</b>	<b>12.0 %</b>

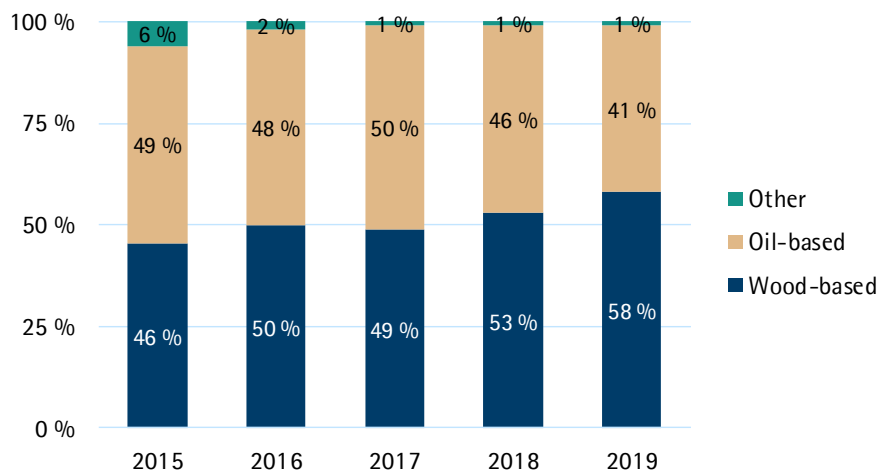
Source: Suominen, Evli Research

SUOMINEN PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		19	20	21	19	20	21	19	20	21
Ahlstrom-Munksjo	1582	8.5x	8.0x	6.7x	18.7x	17.4x	12.3x	4.7 %	5.6 %	7.4 %
Berry Global Group	6101	10.6x	8.4x	8.1x	17.3x	14.1x	13.3x	10.6 %	10.7 %	11.1 %
Kimberly-Clark	45891	13.2x	13.6x	13.3x	18.6x	17.0x	16.6x	16.2 %	19.3 %	19.6 %
N.R. Spuntech Industries	191									
Neeah	713	11.2x	11.7x	9.5x	16.8x		15.5x	8.9 %	-1.8 %	8.0 %
P. H. Glatfelter	628	9.7x	8.6x	8.4x	18.3x	17.1x	14.2x	6.2 %	6.6 %	7.6 %
PFNonwovens	230									
Peer Group Average	7905	10.6x	10.1x	9.2x	17.9x	16.4x	14.4x	9.3 %	8.1 %	10.7 %
Peer Group Median	713	10.6x	8.6x	8.4x	18.3x	17.1x	14.2x	8.9 %	6.6 %	8.0 %
Suominen (Evli est.)	291	6.6x	5.8x	5.5x	27.5x	9.4x	9.1x	2.0 %	7.9 %	7.2 %

Suominen prem./disc. to peer median

-37 %   -33 %   -34 %   50 %   -45 %   -36 %   -78 %   20 %   -10 %

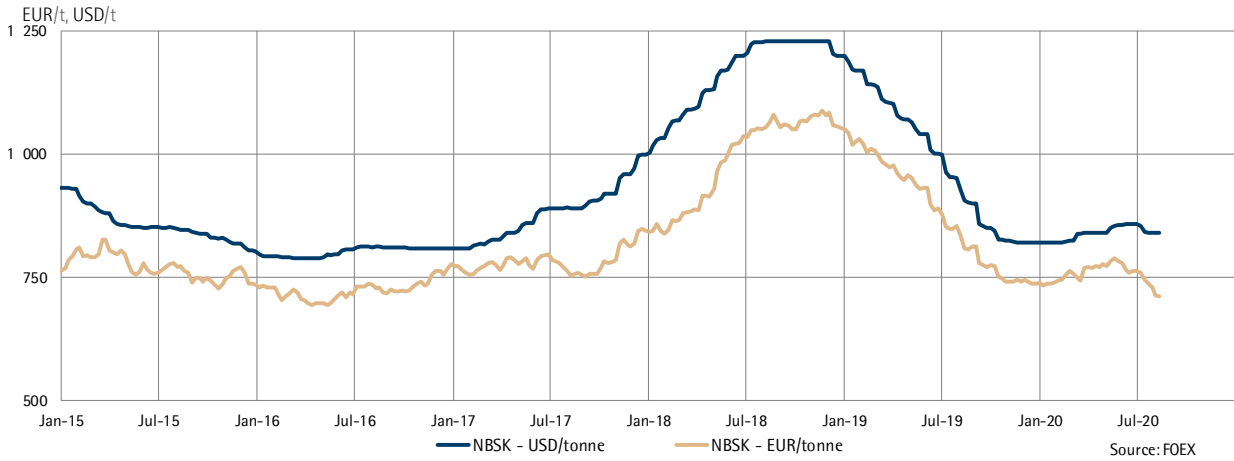
Source FactSet, Evli Research

**Raw materials mix development (volumes)**


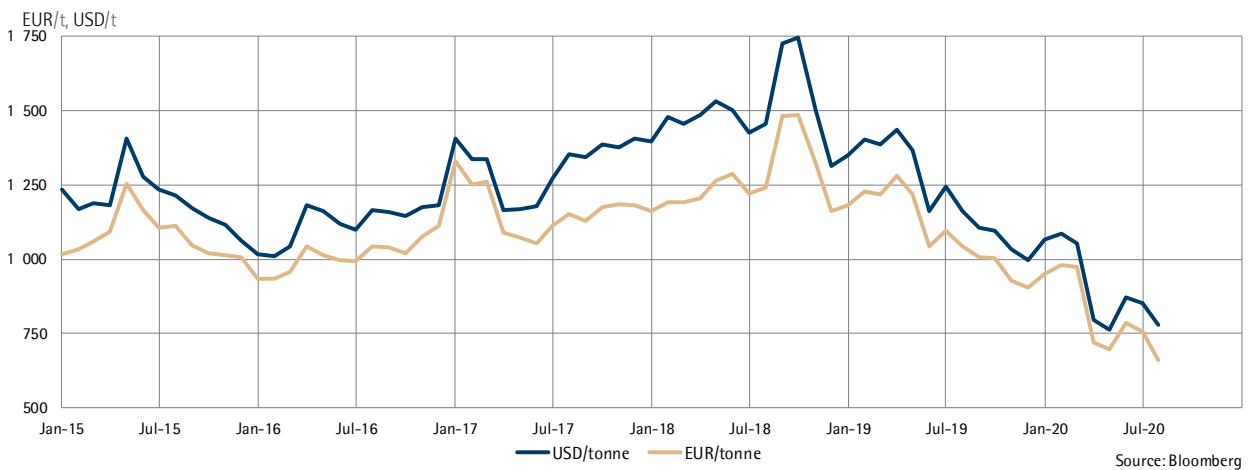
Source: Suominen

Raw materials price development

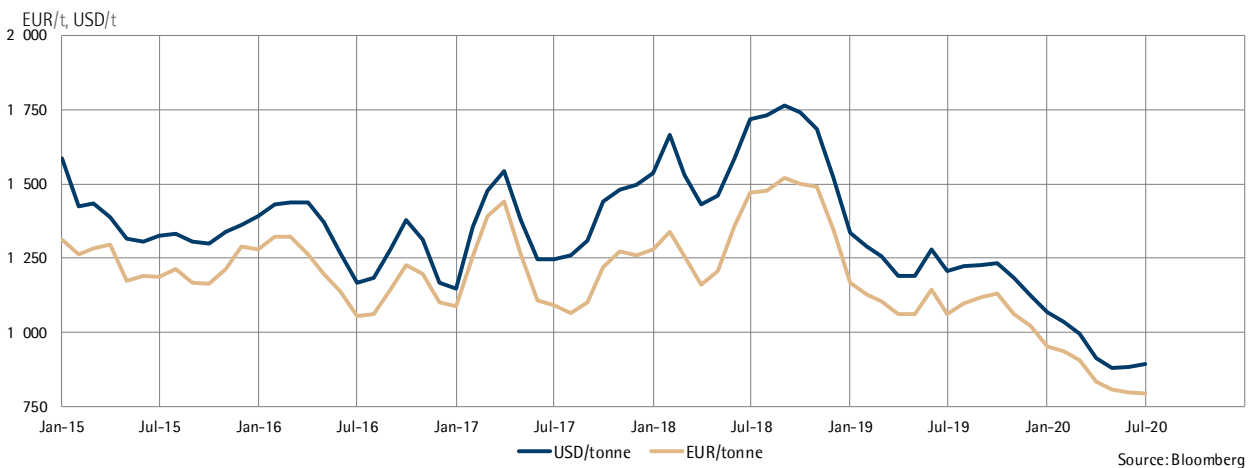
All quiet on the pulp front



Polyester prices have reached very low levels



With stabilizing oil there are tentative signs of polypropylene prices having bottomed out



VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	5.00 PV of Free Cash Flow	213 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	6.30 PV of Horizon value	224 WACC, %	7.9 Market risk premium, %	5.8
Share price potential, %	26.1 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	6.9 Marketable securities	33 Minimum WACC, %	7.4 Equity beta coefficient	1.00
Minimum value	5.8 Debt - dividend	-103 Maximum WACC, %	8.4 Target debt ratio, %	20
Horizon value, %	51.2 Value of stock	367 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	453	467	480	490	499	509	520	530	541	551	562
<i>Sales growth, %</i>	-4.6	10.2	3.0	2.8	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	8	36	34	34	34	35	36	36	37	38	39	39
<i>Operating income margin, %</i>	2.0	7.9	7.2	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
+ Depreciation+amort.	26	22	22	20	19	18	17	18	18	18	18	19
EBITDA	34	58	56	54	53	53	53	54	55	56	57	
- Paid taxes	-4	-6	-7	-7	-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	8.9	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	2.9	3.3	3.6	3.9	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	36	35	33	31	29	27	25	26	27	27	457
= Discounted FCFF		35	31	27	24	20	18	16	15	14	13	224
= DFCF min WACC		35	31	28	24	21	18	16	16	15	14	255
= DFCF max WACC		35	31	27	24	20	17	15	15	14	12	197

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	109.8	103.8	103.4	94.5	411.4	110.2	122.2	114.0	107.0	453.4	467.0	480.0
EBITDA	9.3	9.0	7.8	7.4	33.6	11.3	18.0	15.3	13.2	57.8	55.8	53.9
<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>14.7</i>	<i>13.4</i>	<i>12.3</i>	<i>12.7</i>	<i>12.0</i>	<i>11.2</i>
EBIT	3.0	2.6	1.1	1.4	8.1	5.7	12.4	9.8	7.7	35.6	33.8	33.6
<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>10.1</i>	<i>8.6</i>	<i>7.2</i>	<i>7.9</i>	<i>7.2</i>	<i>7.0</i>
Net financial items	-1.5	-1.5	-1.1	-1.9	-6.0	-1.9	-1.9	-1.0	-1.0	-5.8	-2.6	-1.7
Pre-tax profit	1.5	1.1	0.0	-0.5	2.1	3.8	10.5	8.8	6.7	29.8	31.2	31.9
Tax	-0.5	-0.6	-0.1	-0.7	-1.9	-0.2	-2.2	-1.5	-1.5	-5.4	-6.6	-6.7
<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>4.6</i>	<i>21.1</i>	<i>17.0</i>	<i>22.4</i>	<i>18.1</i>	<i>21.0</i>	<i>21.0</i>
Net profit	1.0	0.5	-0.1	-1.2	0.2	3.6	8.3	7.3	5.2	24.4	24.6	25.2
EPS	0.02	0.01	0.00	-0.02	0.00	0.06	0.14	0.13	0.09	0.42	0.42	0.43
EPS adjusted (diluted no. of shares)	0.02	0.01	0.00	-0.02	0.00	0.06	0.14	0.13	0.09	0.42	0.42	0.43
Dividend per share	0.00	0.00	0.00	0.00	0.05	0.00	0.00	0.00	0.00	0.07	0.17	0.17
<b>SALES, EURm</b>												
Group	109.8	103.8	103.4	94.5	411.4	110.2	122.2	114.0	107.0	453.4	467.0	480.0
Total	109.8	103.8	103.4	94.5	411.4	110.2	122.2	114.0	107.0	453.4	467.0	480.0
<b>SALES GROWTH, Y/Y %</b>												
Group	3.0	-5.6	-1.4	-13.9	-4.6	0.4	17.7	10.3	13.3	10.2	3.0	2.8
Total	3.0	-5.6	-1.4	-13.9	-4.6	0.4	17.7	10.3	13.3	10.2	3.0	2.8
<b>EBIT, EURm</b>												
Group	3.0	2.6	1.1	1.4	8.1	5.7	12.4	9.8	7.7	35.6	33.8	33.6
Total	3.0	2.6	1.1	1.4	8.1	5.7	12.4	9.8	7.7	35.6	33.8	33.6
<b>EBIT margin, %</b>												
Group	2.7	2.5	1.1	1.5	2.0	5.2	10.1	8.6	7.2	7.9	7.2	7.0
Total	2.7	2.5	1.1	1.5	2.0	5.2	10.1	8.6	7.2	7.9	7.2	7.0

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	444.0	416.9	426.0	431.1	411.4	453.4	467.0	480.0
<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>10.2</i>	<i>3.0</i>	<i>2.8</i>
EBITDA	48.9	44.1	34.3	25.6	33.6	57.8	55.8	53.9
<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>12.7</i>	<i>12.0</i>	<i>11.2</i>
Depreciation	-17.7	-18.5	-19.3	-21.0	-25.5	-22.2	-22.0	-20.3
EBITA	31.2	25.6	15.0	4.6	8.1	35.6	33.8	33.6
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	35.6	33.8	33.6
<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>7.9</i>	<i>7.2</i>	<i>7.0</i>
Reported EBIT	31.8	25.6	15.0	4.6	8.1	35.6	33.8	33.6
<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>7.9</i>	<i>7.2</i>	<i>7.0</i>
Net financials	-5.3	-3.2	-2.6	-5.6	-6.0	-5.8	-2.6	-1.7
Pre-tax profit	25.9	22.4	12.4	-1.0	2.1	29.8	31.2	31.9
Taxes	-9.5	-7.2	2.0	-0.8	-1.9	-5.4	-6.6	-6.7
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	24.4	24.6	25.2
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	132	123	116
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	53
Receivables	53	56	66	63	61	66	68	70
Liquid funds	64	38	35	32	33	36	37	38
Total assets	292	316	326	338	316	321	317	314
<b>Liabilities</b>								
Shareholder's equity	108	126	136	131	131	152	173	188
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	61	34	14
Non-interest bearing current liabilities	56	65	63	75	66	73	75	77
Other interest-free debt	2	2	1	3	3	3	3	3
Total liabilities	292	316	326	338	316	321	317	314
<b>CASH FLOW, EURm</b>								
+ EBITDA	49	44	34	26	34	58	56	54
- Net financial items	-5	-3	-3	-6	-6	-6	-3	-2
- Taxes	-8	-6	0	6	-2	-5	-7	-7
- 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	43	45	44
- Capex	-22	-50	-34	-15	-11	-14	-14	-14
- 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	29	32	31
+/- New issues/buybacks	3	8	1	3	0	0	0	0
- Paid dividend	-2	-5	-6	-6	0	-3	-4	-10
+/- Other	16	-7	16	-12	-13	-23	-27	-20
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	291	291	291
Net debt (excl. convertibles)	57	76	83	70	43	15	-6
Enterprise value	287	333	203	223	335	307	286
Sales	417	426	431	411	453	467	480
EBITDA	44	34	26	34	58	56	54
EBIT	26	15	5	8	36	34	34
Pre-tax	22	12	-1	2	30	31	32
Earnings	15	14	-2	0	24	25	25
Equity book value (excl. minorities)	126	136	131	131	152	173	188
<b>Valuation multiples</b>							
EV/sales	0.7	0.8	0.5	0.5	0.7	0.7	0.6
EV/EBITDA	6.5	9.7	7.9	6.6	5.8	5.5	5.3
EV/EBITA	11.2	22.2	44.1	27.5	9.4	9.1	8.5
EV/EBIT	11.2	22.2	44.1	27.5	9.4	9.1	8.5
EV/OCF	10.9	17.3	7.2	8.9	7.8	6.7	6.4
EV/FCFF	-15.6	-29.4	11.7	12.3	9.4	8.9	8.7
P/FCFE	-9.4	-18.0	9.0	10.8	9.9	9.1	9.4
P/E	14.0	17.8	-69.4	766.1	11.9	11.8	11.6
P/B	1.7	1.9	0.9	1.2	1.9	1.7	1.5
Target EV/EBITDA	0.0	0.0	0.0	0.0	6.3	6.0	5.8
Target EV/EBIT	0.0	0.0	0.0	0.0	10.2	9.9	9.4
Target EV/FCF	0.0	0.0	0.0	0.0	12.4	10.5	10.2
Target P/B	0.0	0.0	0.0	0.0	2.1	1.9	1.7
Target P/E	0.0	0.0	0.0	0.0	13.1	13.0	12.7
<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	0.42	0.42	0.43
Operating cash flow per share	0.51	0.33	0.48	0.43	0.74	0.78	0.76
Free cash flow per share	-0.44	-0.25	0.23	0.24	0.50	0.55	0.53
Book value per share	2.44	2.34	2.24	2.24	2.61	2.97	3.23
Dividend per share	0.11	0.11	0.00	0.05	0.07	0.17	0.17
Dividend payout ratio, %	37.3	44.3	0.0	1,456.5	16.7	40.0	40.0
Dividend yield, %	2.7	2.5	0.0	1.0	1.4	3.4	3.5
FCF yield, %	-10.6	-5.6	11.1	9.2	10.1	11.0	10.6
<b>Efficiency measures</b>							
ROE	13.0	11.0	-1.3	0.2	17.2	15.2	14.0
ROCE	11.4	6.2	1.9	3.4	15.3	14.8	15.1
<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	0.7	0.3	-0.1
Debt/equity, market-weighted	0.4	0.4	0.9	0.6	0.2	0.1	0.0
Equity ratio, book-weighted	45.3	41.8	38.7	41.4	47.4	54.5	59.8
Gearing, %	39.6	55.6	63.7	53.3	28.4	8.9	-3.0

**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	69.767	24.0%
Oy Etra Invest Ab	7,770,000	38.850	13.3%
Varma Mutual Pension Insurance Company	4,500,000	22.500	7.7%
Euroclear Bank Sa/Nv	3,382,604	16.913	5.8%
Ilmarinen Mutual Pension Insurance Company	3,046,892	15.234	5.2%
Elo Mutual Pension Insurance Company	3,024,651	15.123	5.2%
Mandatium Life Insurance Company Limited	1,927,536	9.638	3.3%
Nordea Life Assurance Finland Ltd.	1,812,000	9.060	3.1%
Oy H. Kuningas Et Co Ab	1,567,416	7.837	2.7%
Evald and Hilda Nissi's Foundation	1,000,000	5.000	1.7%
Ten largest	41,984,456	209.922	72%
Residual	16,274,763	81.374	28%
Total	58,259,219	291.296	100%

EARNINGS CALENDAR	
October 27, 2020	Q3 report
<b>OTHER EVENTS</b>	
September 2, 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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

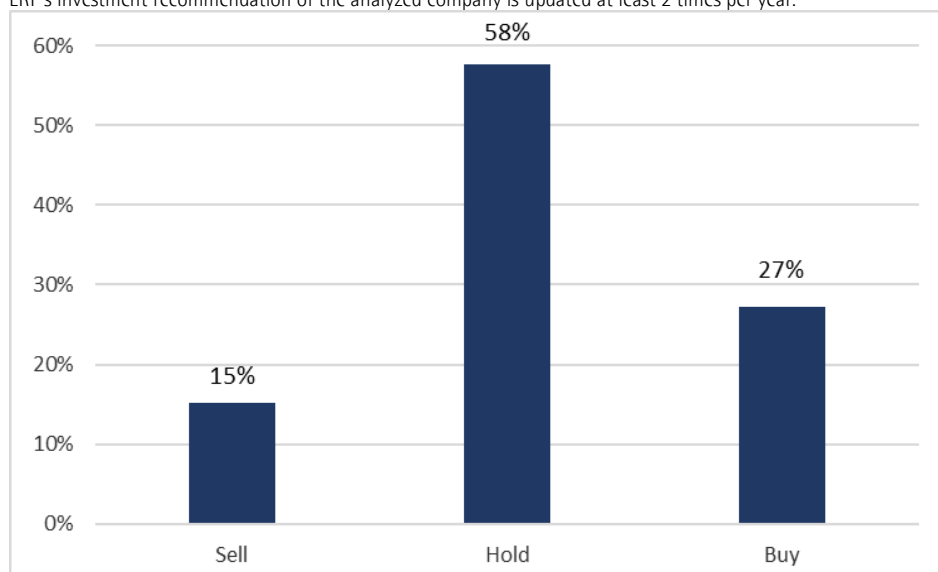
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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