

Another exceptional quarter

Suominen's Q3 figures continued to defy our expectations as marginal profitability increased further q/q despite being already exceptionally high in Q2.

- Suominen Q3 revenue amounted to EUR 115.4m (up 12% y/y), compared to our EUR 114.0m expectation.
- Europe top line was EUR 43.5m while we estimated EUR 41.0m. Americas posted EUR 71.9m, compared to our EUR 73.0m estimate.
- Gross profit amounted to EUR 19.7m vs our EUR 17.1m estimate. Gross margin was therefore 17.1% vs our 15.0% expectation. In our view the additional improvement in gross margin (which amounted to 16.0% in Q2'20) indicates Suominen was able to defend its nonwovens pricing in a favorable supply-demand environment, despite low raw materials prices. Suominen hinted at such an opportunity during its CMD, and our view proved too conservative in this respect.
- Suominen Q3 EBIT was EUR 12.9m, compared to our EUR 9.8m estimate. The beat was mostly due to the higher gross margin and resulting gross profit, however Suominen was also somewhat more efficient in terms of SG&A.

Rating + BUY

Q3'20	Actual	Evli	Year ago	Q2'20
Revenue	115.4	114.0	103.4	122.2
Gross profit	19.7	17.1	8.3	19.5
EBIT ex IAC	12.9	9.8	1.1	12.4
PTP	10.9	8.8	-0.1	10.6

Deviation	Actual	Evli	Year ago	Q2'20
Revenue		1 %	12 %	-6 %
Gross profit		15 %	137 %	1 %
EBIT ex IAC		32 %	1073 %	4 %
PTP		24 %		3 %

Share price, EUR (Last trading day's closing price) 4.88

Target price, EUR 5.5

Latest change in	25-Jun-20
Latest report on company	22-Oct-20
Research paid by issuer:	YES
No. of shares outstanding,	58,259
No. of shares fully diluted,	58,259
Market cap, EURm	284
Free float, %	62.7
Exchange rate EUR/USD	1.18
Reuters code	SUY1V.HE
Bloomberg code	SUY1V.FH
Average daily volume, EURm	0.2
Next interim report	27-Oct-20
Web site	www.suominen.fi/en/investors/

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+ BUY + HOLD - SELL

PRE-REPORT 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	11.7	0.7	9.2	10.3	0.07
2021E	467.0	33.8	7.2%	31.9	0.42	11.5	0.6	8.9	11.2	0.17
2022E	480.0	33.6	7.0%	30.9	0.43	11.3	0.6	8.3	10.9	0.17

Market cap, EURm	284	BV per share 2020E, EUR	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	328	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	4.7

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

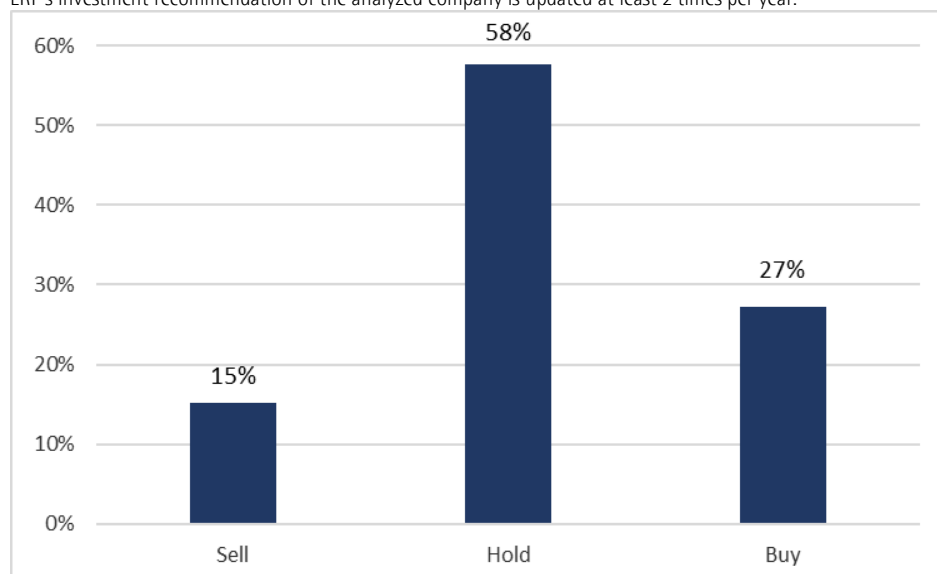
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Investment recommendations are defined as follows:

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

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The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

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