

Additional improvement is not easy

Suominen reports Q4 results on Feb 4. Our Q4 estimates are intact but we make small revisions due to changes in EUR/USD. In our view Suominen can achieve flat top line in FY '21 while profitability faces headwinds after an extraordinary year. We retain our EUR 6 TP and BUY rating.

We expect gross margin to decline somewhat from now on

We estimate Americas and Europe to have continued to grow by 9% and 18% y/y respectively in Q4. These rates are very similar to the ones seen in Q3. We expect Q4 gross margin to have declined from the very high 17.1% Q3 figure to 15%, and thus estimate EBITDA down by EUR 4m q/q. USD has weakened by ca. 3% relative to EUR in the past three months and we update our estimates to incorporate the approximately EUR 10m headwind this represents to FY '21 Americas revenue. We consequently estimate EBITDA down by about EUR 6m in FY '21 due to pressure on gross margin. We would be surprised if Suominen guides profitability development to be better than flat.

Wipes demand is strong while input prices are recovering

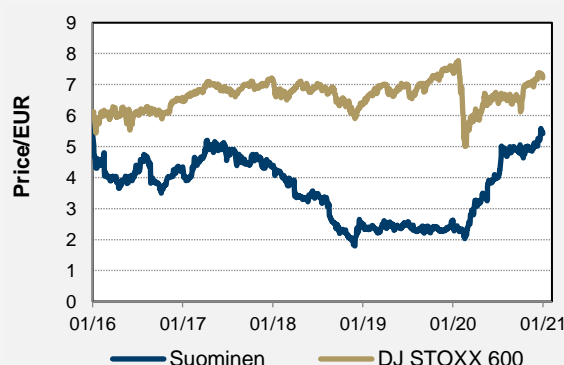
Raw materials prices found their lows in Q4; there wasn't yet any major spike. Prices have continued to climb so far this year, and this raises uncertainty regarding Suominen's H1'21 gross margins. There was already negative nonwovens pricing pressure in Q4'20, following the weak H1'20 raw materials prices with a lag. In a more ordinary environment such developments would represent a clear hit on Suominen's gross margin, however we see there's still a chance these adverse forces will be somewhat muted by the current extraordinary wipes demand situation. Double-digit top line y/y growth is on the cards for Q4'20 and Q1'21, but beyond that the respective comparison periods turn challenging. We expect only flattish development beyond Q1'21.

Earnings multiples are still very reasonable

Last year has left the bar very high. We estimate Suominen to have recorded more than EUR 60m in FY '20 EBITDA and some EUR 40m in EBIT. We don't see the company reaching such figures again any time soon, yet we expect EBITDA and EBIT to stabilize around ca. EUR 55m and EUR 35m during the next few years. On these estimates Suominen now trades around 6x EV/EBITDA and 10x EV/EBIT, a level which we continue to view attractive. We retain our EUR 6 TP and BUY rating.

Rating

BUY



Share price, EUR (Last trading day's closing price) 5.42

Target price, EUR 6.0

Latest change in 25-Jun-20

Latest report on company 28-Oct-20

Research paid by issuer: YES

No. of shares outstanding, 58,259

No. of shares fully diluted, 58,259

Market cap, EURm 316

Free float, % 62.7

Exchange rate EUR/USD 1.21

Reuters code SUY1V.HE

Bloomberg code SUY1V FH

Average daily volume, EURm 0.3

Next interim report 04-Feb-21

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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	453.8	39.7	8.7%	33.6	0.50	10.9	0.8	8.9	10.6	0.07
2021E	462.9	33.3	7.2%	32.2	0.42	13.0	0.7	9.8	10.2	0.17
2022E	474.0	33.2	7.0%	31.0	0.43	12.6	0.6	9.2	9.8	0.17
Market cap, EURm	316			Gearing 2020E, %	24.9			CAGR EPS 2019-22, %	400.1	
Net debt 2020E, EURm	39			Price/book 2020E	2.0			CAGR sales 2019-22, %	4.8	
Enterprise value, EURm	355			Dividend yield 2020E, %	1.3			ROE 2020E, %	20.2	
Total assets 2020E, EURm	322			Tax rate 2020E, %	12.4			ROCE 2020E, %	17.1	
Goodwill 2020E, EURm	15			Equity ratio 2020E, %	48.8			PEG, P/E 20/CAGR	-3.0	

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	2020 Q3	2020E Q4E	2020E FY	2021E FY
Revenue	374	402	444	417	426	431	110	104	104	94	411	110	122	115	106	454	463
growth, %		8 %	11 %	-6 %	2 %	1 %	3 %	-6 %	-1 %	-14 %	-5 %	0 %	18 %	11 %	12 %	10 %	2 %
Geography																	
Europe	150	153	172	171	174	171	42	39	37	32	150	37	45	44	38	164	174
Americas	224	249	272	246	252	260	68	65	66	62	262	73	77	72	68	290	289
COGS	-334	-352	-386	-365	-384	-400	-101	-94	-96	-86	-377	-97	-103	-96	-90	-385	-400
Gross Profit	40	50	58	52	42	31	9.6	10.5	8.3	8.5	36.9	13.3	19.5	19.7	15.9	68	62
Gross-%	10.7 %	12.4 %	13.1 %	12.5 %	9.9 %	7.3 %	8.8 %	10.1 %	8.0 %	9.0 %	9.0 %	12.1 %	16.0 %	17.1 %	15.0 %	15.1 %	13.5 %
SGA & R&D	-22.4	-24.6	-28.0	-27.9	-28.9	-29.2	-7.5	-8.1	-7.7	-7.3	-30.6	-7.8	-7.8	-7.3	-7.4	-30.2	-30.0
Other	1.7	0.8	1.8	1.3	1.7	2.5	0.8	0.3	0.6	0.2	1.8	0.2	0.7	0.5	0.2	1.5	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	12.9	8.7	39.7	33.3
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	4.6	3.0	2.7	1.1	1.4	8.1	5.7	12.4	12.9	8.7	39.7	33.3
EBIT-% ex IAC	5.2 %	6.7 %	7.0 %	6.1 %	3.5 %	1.1 %	2.7 %	2.6 %	1.1 %	1.4 %	2.0 %	5.2 %	10.1 %	11.2 %	8.2 %	8.8 %	7.2 %
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	-5.2	-5.4	-21.8	-22.0
EBITDA ex IAC	33.3	42.5	48.9	44.2	34.3	25.6	9.3	9.1	7.8	7.4	33.6	11.3	18.0	18.1	14.1	61.5	55.3
EBITDA-% ex IAC	8.9 %	10.6 %	11.0 %	10.6 %	8.1 %	5.9 %	8.5 %	8.8 %	7.5 %	7.8 %	8.2 %	10.3 %	14.7 %	15.7 %	13.3 %	13.6 %	11.9 %

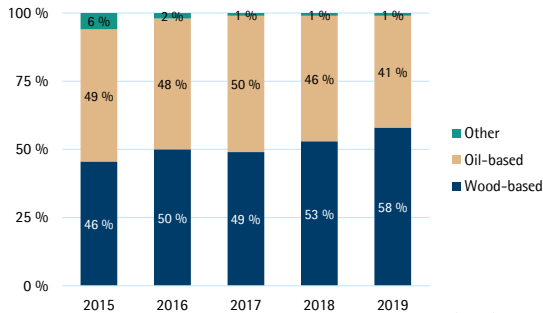
Source: Suominen, Evli Research

SUOMINEN PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		20	21	22	20	21	22	20	21	22
Ahlstrom-Munksjo	2051	9.0x	7.7x	7.5x	19.2x	14.0x	13.0x	5.9 %	7.5 %	8.0 %
Berry Global Group	5447	8.1x	7.6x	7.4x	13.2x	12.3x	11.8x	11.3 %	11.1 %	11.3 %
Kimberly-Clark	38839	12.4x	12.5x	12.2x	15.2x	15.5x	15.1x	18.7 %	18.0 %	18.2 %
N.R. Spuntech Industries	168									
Neenah	726	11.8x	8.6x			13.4x		-1.0 %	9.3 %	
Glatfelter	599	8.4x	8.4x	7.5x	14.5x	14.6x	12.3x	7.6 %	7.2 %	8.3 %
PFNonwovens	257									
Peer Group Average	6870	10.0x	9.0x	8.6x	15.5x	14.0x	13.0x	8.5 %	10.6 %	11.5 %
Peer Group Median	726	9.0x	8.4x	7.5x	14.8x	14.0x	12.6x	7.6 %	9.3 %	9.8 %
Suominen (Evli est.)	316	5.8x	5.9x	5.7x	8.9x	9.8x	9.2x	8.7 %	7.2 %	7.0 %

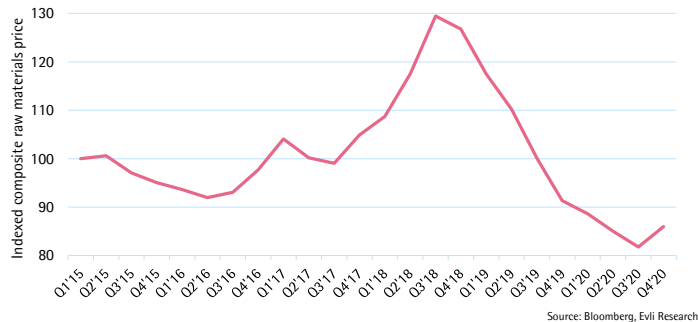
Suominen prem./disc. to peer median

Source FactSet, Evli Research

-36 % -30 % -24 % -40 % -30 % -27 % 15 % -22 % -29 %

Suominen raw materials mix and composite price development


Source: Suominen



Source: Bloomberg, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	5.42 PV of Free Cash Flow	225 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	6.44 PV of Horizon value	231 WACC, %	7.9 Market risk premium, %
Share price potential, %	18.9 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	7.1 Marketable securities	36 Minimum WACC, %	7.4 Equity beta coefficient
Minimum value	5.9 Debt - dividend	-75 Maximum WACC, %	8.4 Target debt ratio, %
Horizon value, %	50.6 Value of stock	386 Nr of shares, Mn	58.3 Effective tax rate, %

DCF valuation, EURm	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Horizon
Net sales	411	454	463	474	483	493	503	513	523	534	544	555
<i>Sales growth, %</i>	-4.6	10.3	2.0	2.4	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	8	40	33	33	34	35	35	36	37	37	38	39
<i>Operating income margin, %</i>	2.0	8.7	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	62	55	54	53	52	53	53	55	56	57	
- Paid taxes	-4	-5	-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	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	3.7	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	41	35	33	31	28	26	25	26	27	26	456
= Discounted FCFF		41	32	28	25	21	18	16	15	15	13	231
= DFCF min WACC		41	32	28	25	21	19	16	16	15	14	263
= DFCF max WACC		41	32	28	24	21	18	16	15	14	13	204

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3	2020Q4E	2020E	2021E	2022E
Net sales	109.8	103.8	103.4	94.5	411.4	110.2	122.2	115.4	106.0	453.8	462.9	474.0
EBITDA	9.3	9.0	7.8	7.4	33.6	11.3	18.0	18.1	14.1	61.5	55.3	53.6
<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>15.7</i>	<i>13.3</i>	<i>13.6</i>	<i>11.9</i>	<i>11.3</i>
EBIT	3.0	2.6	1.1	1.4	8.1	5.7	12.4	12.9	8.7	39.7	33.3	33.2
<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>11.2</i>	<i>8.2</i>	<i>8.7</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	-1.7	-1.0	-6.5	-2.5	-1.5
Pre-tax profit	1.5	1.1	0.0	-0.5	2.1	3.8	10.5	11.2	7.7	33.2	30.8	31.7
Tax	-0.5	-0.6	-0.1	-0.7	-1.9	-0.2	-2.2	-0.2	-1.5	-4.1	-6.5	-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>2.0</i>	<i>19.5</i>	<i>12.4</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	11.0	6.2	29.1	24.3	25.0
EPS	0.02	0.01	0.00	-0.02	0.00	0.06	0.14	0.19	0.11	0.50	0.42	0.43
EPS adjusted (diluted no. of shares)	0.02	0.01	0.00	-0.02	0.00	0.06	0.14	0.19	0.11	0.50	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
SALES, EURm												
Group	109.8	103.8	103.4	94.5	411.4	110.2	122.2	115.4	106.0	453.8	462.9	474.0
Total	109.8	103.8	103.4	94.5	411.4	110.2	122.2	115.4	106.0	453.8	462.9	474.0
SALES GROWTH, Y/Y %												
Group	<i>3.0</i>	<i>-5.6</i>	<i>-1.4</i>	<i>-13.9</i>	<i>-4.6</i>	<i>0.4</i>	<i>17.7</i>	<i>11.7</i>	<i>12.2</i>	<i>10.3</i>	<i>2.0</i>	<i>2.4</i>
Total	<i>3.0</i>	<i>-5.6</i>	<i>-1.4</i>	<i>-13.9</i>	<i>-4.6</i>	<i>0.4</i>	<i>17.7</i>	<i>11.7</i>	<i>12.2</i>	<i>10.3</i>	<i>2.0</i>	<i>2.4</i>
EBIT, EURm												
Group	3.0	2.6	1.1	1.4	8.1	5.7	12.4	12.9	8.7	39.7	33.3	33.2
Total	3.0	2.6	1.1	1.4	8.1	5.7	12.4	12.9	8.7	39.7	33.3	33.2
EBIT margin, %												
Group	<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>11.2</i>	<i>8.2</i>	<i>8.7</i>	<i>7.2</i>	<i>7.0</i>
Total	<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>11.2</i>	<i>8.2</i>	<i>8.7</i>	<i>7.2</i>	<i>7.0</i>

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	444.0	416.9	426.0	431.1	411.4	453.8	462.9	474.0
<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>10.3</i>	<i>2.0</i>	<i>2.4</i>
EBITDA	48.9	44.1	34.3	25.6	33.6	61.5	55.3	53.6
<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>13.6</i>	<i>11.9</i>	<i>11.3</i>
Depreciation	-17.7	-18.5	-19.3	-21.0	-25.5	-21.8	-22.0	-20.4
EBITA	31.2	25.6	15.0	4.6	8.1	39.7	33.3	33.2
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	39.7	33.3	33.2
<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>8.7</i>	<i>7.2</i>	<i>7.0</i>
Reported EBIT	31.8	25.6	15.0	4.6	8.1	39.7	33.3	33.2
<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>8.7</i>	<i>7.2</i>	<i>7.0</i>
Net financials	-5.3	-3.2	-2.6	-5.6	-6.0	-6.5	-2.5	-1.5
Pre-tax profit	25.9	22.4	12.4	-1.0	2.1	33.2	30.8	31.7
Taxes	-9.5	-7.2	2.0	-0.8	-1.9	-4.1	-6.5	-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	29.1	24.3	25.0
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
BALANCE SHEET, EURm								
Assets								
Fixed assets	122	160	160	156	143	133	124	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	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	322	316	313
Liabilities								
Shareholder's equity	108	126	136	131	131	157	177	192
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	57	29	9
Non-interest bearing current liabilities	56	65	63	75	66	73	74	76
Other interest-free debt	2	2	1	3	3	3	3	3
Total liabilities	292	316	326	338	316	322	316	313
CASH FLOW, EURm								
+ EBITDA	49	44	34	26	34	62	55	54
- Net financial items	-5	-3	-3	-6	-6	-7	-2	-2
- Taxes	-8	-6	0	6	-2	-4	-6	-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	47	46	44
- Capex	-22	-50	-34	-15	-11	-14	-13	-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	34	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	-27	-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	316	316	316
Net debt (excl. convertibles)	57	76	83	70	39	11	-10
Enterprise value	287	333	203	223	355	327	305
Sales	417	426	431	411	454	463	474
EBITDA	44	34	26	34	62	55	54
EBIT	26	15	5	8	40	33	33
Pre-tax	22	12	-1	2	33	31	32
Earnings	15	14	-2	0	29	24	25
Equity book value (excl. minorities)	126	136	131	131	157	177	192
Valuation multiples							
EV/sales	0.7	0.8	0.5	0.5	0.8	0.7	0.6
EV/EBITDA	6.5	9.7	7.9	6.6	5.8	5.9	5.7
EV/EBITA	11.2	22.2	44.1	27.5	8.9	9.8	9.2
EV/EBIT	11.2	22.2	44.1	27.5	8.9	9.8	9.2
EV/OCF	10.9	17.3	7.2	8.9	7.5	7.2	6.9
EV/FCFF	-15.6	-29.4	11.7	12.3	8.7	9.5	9.4
P/FCFE	-9.4	-18.0	9.0	10.8	9.4	9.8	10.2
P/E	14.0	17.8	-69.4	766.1	10.9	13.0	12.6
P/B	1.7	1.9	0.9	1.2	2.0	1.8	1.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	6.3	6.5	6.3
Target EV/EBIT	0.0	0.0	0.0	0.0	9.8	10.8	10.2
Target EV/FCF	0.0	0.0	0.0	0.0	11.6	11.2	10.9
Target P/B	0.0	0.0	0.0	0.0	2.2	2.0	1.8
Target P/E	0.0	0.0	0.0	0.0	12.0	14.4	14.0
Per share measures							
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	0.50	0.42	0.43
Operating cash flow per share	0.51	0.33	0.48	0.43	0.81	0.78	0.76
Free cash flow per share	-0.44	-0.25	0.23	0.24	0.58	0.55	0.53
Book value per share	2.44	2.34	2.24	2.24	2.69	3.04	3.30
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	14.0	40.0	40.0
Dividend yield, %	2.7	2.5	0.0	0.9	1.3	3.1	3.2
FCF yield, %	-10.6	-5.6	11.1	9.2	10.6	10.2	9.8
Efficiency measures							
ROE	13.0	11.0	-1.3	0.2	20.2	14.6	13.5
ROCE	11.4	6.2	1.9	3.4	17.1	14.6	14.9
Financial ratios							
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	0.7	0.6	0.6
Net debt/EBITDA, book-weighted	1.3	2.2	3.2	2.1	0.6	0.2	-0.2
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	48.8	56.1	61.6
Gearing, %	39.6	55.6	63.7	53.3	24.9	6.2	-5.4

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 recent challenges with nonwovens' gross margins and delivery volumes are no longer present. In our view the demand outlook for household wiping products is especially strong. Suominen also seems to be making good progress with sustainable wiping products, meaning the company is increasingly able to replace synthetic raw materials with wood-based fibers. Although supply will no doubt grow in the long-term, the surge in wiping demand has nevertheless turned the current supply-demand balance much more favorable also from a nonwovens manufacturer's point of view. We view Suominen's long-term financial targets realistic.

OWNERSHIP STRUCTURE	SHARES	EURm	%
AC Invest two B.V.	13,953,357	75.627	24.0%
Oy Etra Invest Ab	7,770,000	42.113	13.3%
Euroclear Bank Sa/Nv	3,182,604	17.250	5.5%
Ilmarinen Mutual Pension Insurance Company	3,046,892	16.514	5.2%
Elo Mutual Pension Insurance Company	3,024,651	16.394	5.2%
Varma Mutual Pension Insurance Company	2,189,751	11.868	3.8%
Mandatum Life Insurance Company Limited	2,002,536	10.854	3.4%
Nordea Life Assurance Finland Ltd.	1,812,000	9.821	3.1%
Oy H. Kuningas Et Co Ab	1,567,416	8.495	2.7%
Skandinaviska Enskilda Banken AB	1,161,138	6.293	2.0%
Ten largest	39,710,345	215.230	68%
Residual	18,548,874	100.535	32%
Total	58,259,219	315.765	100%

EARNINGS CALENDAR

February 04, 2021	FY 2020 Results
April 28, 2021	Q1 report
August 13, 2021	Q2 report

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

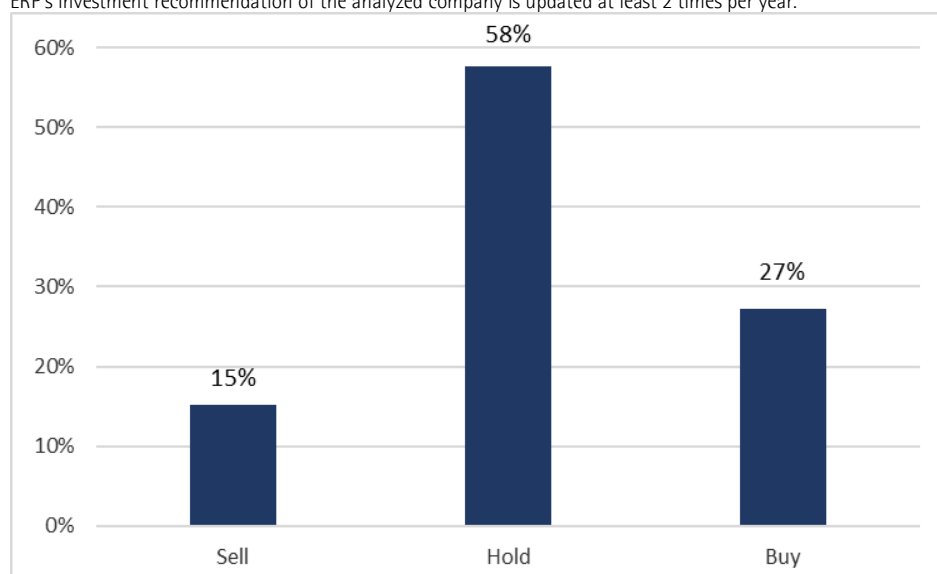
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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