

## Earnings multiples are undemanding

Suominen reports Q1 results on Wed, Apr 28. We leave our operative estimates unchanged ahead of the report and retain our EUR 6.5 TP and BUY rating.

### Demand remains strong but costs are also rising

Suominen's FY '21 outlook, issued in February, guides flat comparable EBITDA development y/y. We didn't find this guidance surprising and revised our FY '21 EBITDA estimate up only a tad from EUR 55.3m to EUR 56.5m (Suominen posted EUR 60.9m in FY '20 EBITDA). The guidance however contained a disclaimer with respect to the present uncertainty in the raw materials and cargo markets. Suominen had assumed pricier raw materials going forward, but the recent ca. 20% quarterly level gains seen in inputs such as pulp, polyester and polypropylene may have been larger than the company expected. It's also unclear how e.g. the Suez Canal blockage might have disrupted the relevant supply chains.

### We expect gross margin declines over the year

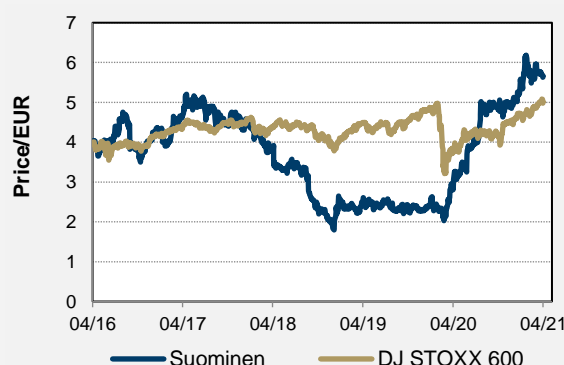
The recent raw materials price gains exert clear negative pressure on Suominen's gross margin for their part, but on the other hand the company should still be able to defend its own nonwovens pricing to some extent. The pricing dynamics will also register with a certain lag. We leave our operative estimates unchanged ahead of the Q1 report. We continue to expect gradual decrease in gross margin throughout the year. We estimate Q1'21 gross margin at 14.5% and arrive at EUR 15.3m EBITDA with our revenue and operative cost assumptions. Suominen recently announced the sale of its minority stake in Amerplast, a plastic packaging business, and the transaction will have a positive EUR 3.7m impact on financial items. The sale is not all that meaningful in the big picture given the fact that Suominen divested the majority share already in 2014 to focus on nonwovens. It will however further strengthen the already strong balance sheet.

### Cautious earnings multiples following the record year

Suominen remains valued at modest multiples of around 6x EV/EBITDA and 10x EV/EBIT on our estimates for this year. We continue to see upside on these levels as Suominen's earnings are stabilizing and cash flow generation is strong. We retain our EUR 6.5 TP and BUY rating.

Rating

BUY



Share price, EUR (Last trading day's closing price) 5.66

Target price, EUR 6.5

Latest change in	25-Jun-20
Latest report on company	05-Feb-21
Research paid by issuer:	YES
No. of shares outstanding,	58,259
No. of shares fully diluted,	58,259
Market cap, EURm	330
Free float, %	62.7
Exchange rate EUR/USD	1.20
Reuters code	SUY1V.HE
Bloomberg code	SUY1V.FH
Average daily volume, EURm	0.3
Next interim report	28-Apr-21
Web site	<a href="http://www.suominen.fi/en/investors/">www.suominen.fi/en/investors/</a>

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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
2019	411.4	8.1	2.0%	14.2	0.00	766.1	0.5	27.5	9.2	0.05
2020	458.9	39.5	8.6%	38.3	0.52	9.8	0.7	8.5	12.9	0.10
2021E	462.0	34.5	7.5%	38.9	0.49	11.7	0.7	9.8	11.8	0.11
2022E	471.0	35.3	7.5%	32.9	0.46	12.2	0.7	8.8	10.0	0.12
2023E	480.4	36.0	7.5%	31.3	0.48	11.8	0.6	7.9	9.5	0.13
Market cap, EURm	330			Gearing 2021E, %	4.0			CAGR EPS 2020-23, %	-2.5	
Net debt 2021E, EURm	7			Price/book 2021E	2.0			CAGR sales 2020-23, %	1.5	
Enterprise value, EURm	337			Dividend yield 2021E, %	1.9			ROE 2021E, %	18.0	
Total assets 2021E, EURm	305			Tax rate 2021E, %	21.0			ROCE 2021E, %	15.1	
Goodwill 2021E, EURm	15			Equity ratio 2021E, %	55.2			PEG, P/E 21/CAGR	55.3	

**Estimates and peer group valuation**

Suominen EURm	2013 FY	2014 FY	2015 FY	2016 FY	2017 FY	2018 FY	2019 FY	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2020 FY	2021E Q1E	2021E Q2E	2021E Q3E	2021E Q4E	2021E FY
<b>Revenue</b>	<b>374</b>	<b>402</b>	<b>444</b>	<b>417</b>	<b>426</b>	<b>431</b>	<b>411</b>	<b>110</b>	<b>122</b>	<b>115</b>	<b>111</b>	<b>459</b>	<b>117</b>	<b>117</b>	<b>116</b>	<b>112</b>	<b>462</b>
growth, %		8 %	11 %	-6 %	2 %	1 %	-5 %	0 %	18 %	11 %	18 %	12 %	6 %	-4 %	1 %	1 %	1 %
<b>Geography</b>																	
Europe	150	153	172	171	174	171	150	37	45	44	44	170	45	45	45	45	180
Americas	224	249	272	246	252	260	262	73	77	72	67	289	72	72	71	67	282
COGS	-334	-352	-386	-365	-384	-400	-377	-97	-103	-96	-94	-389	-100	-101	-100	-97	-398
Gross Profit	40	50	58	52	42	31	37	13.3	19.5	19.7	17.3	70	17.0	16.4	15.7	14.6	64
Gross-%	10.7 %	12.4 %	13.1 %	12.5 %	9.9 %	7.3 %	9.0 %	12.1 %	16.0 %	17.1 %	15.6 %	15.2 %	14.5 %	14.0 %	13.5 %	13.0 %	13.8 %
SGA & R&D	-22.4	-24.6	-28.0	-27.9	-28.9	-29.2	-30.6	-7.8	-7.8	-7.3	-7.8	-30.7	-7.5	-7.5	-7.5	-7.5	-30.0
Other	1.7	0.8	1.8	1.3	1.7	2.5	1.8	0.2	0.7	0.5	-0.9	0.4	0.3	0.3	0.3	0.0	0.9
EBIT	18.9	25.9	31.8	25.6	15.0	4.6	8.1	5.7	12.4	12.9	8.5	39.5	9.8	9.2	8.5	7.1	34.5
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>8.1</b>	<b>5.7</b>	<b>12.4</b>	<b>12.9</b>	<b>8.5</b>	<b>39.5</b>	<b>9.8</b>	<b>9.2</b>	<b>8.5</b>	<b>7.1</b>	<b>34.5</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>2.0 %</b>	<b>5.2 %</b>	<b>10.1 %</b>	<b>11.2 %</b>	<b>7.7 %</b>	<b>8.6 %</b>	<b>8.3 %</b>	<b>7.8 %</b>	<b>7.3 %</b>	<b>6.3 %</b>	<b>7.5 %</b>
Depreciation	-13.9	-15.6	-17.7	-18.5	-19.4	-21.0	-25.5	-5.6	-5.6	-5.2	-5.0	-21.4	-5.5	-5.5	-5.5	-5.5	-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>33.6</b>	<b>11.3</b>	<b>18.0</b>	<b>18.1</b>	<b>13.5</b>	<b>60.9</b>	<b>15.3</b>	<b>14.7</b>	<b>14.0</b>	<b>12.6</b>	<b>56.5</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>8.2 %</b>	<b>10.3 %</b>	<b>14.7 %</b>	<b>15.7 %</b>	<b>12.2 %</b>	<b>13.3 %</b>	<b>13.0 %</b>	<b>12.5 %</b>	<b>12.0 %</b>	<b>11.2 %</b>	<b>12.2 %</b>

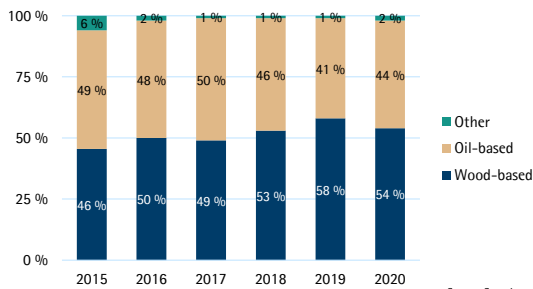
Source: Suominen, Evli Research

SUOMINEN PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		20	21	22	20	21	22	20	21	22
Ahlstrom-Munksjo	2044	8.5x	7.8x	7.3x	18.2x	14.7x	12.5x	6.1 %	7.0 %	8.0 %
Berry Global Group	7038	8.0x	8.2x	8.0x	13.0x	13.2x	12.6x	11.2 %	10.9 %	11.3 %
Kimberly-Clark	39754	12.5x	13.0x	12.5x	15.4x	16.2x	15.5x	18.7 %	17.8 %	18.1 %
N.R. Spuntech Industries	149									
Neenah	748	11.3x	8.5x	6.6x	17.2x	15.6x	11.3x	8.1 %	7.7 %	10.1 %
Glatfelter	584	7.8x	7.7x	6.8x	13.3x	14.6x	11.6x	7.7 %	6.8 %	8.0 %
PFNonwovens	282									
Peer Group Average	7229	9.6x	9.1x	8.2x	15.4x	14.9x	12.7x	10.4 %	10.0 %	11.1 %
Peer Group Median	748	8.5x	8.2x	7.3x	15.4x	14.7x	12.5x	8.1 %	7.7 %	10.1 %
Suominen (Evli est.)	330	5.5x	6.0x	5.6x	8.5x	9.8x	8.8x	8.6 %	7.5 %	7.5 %

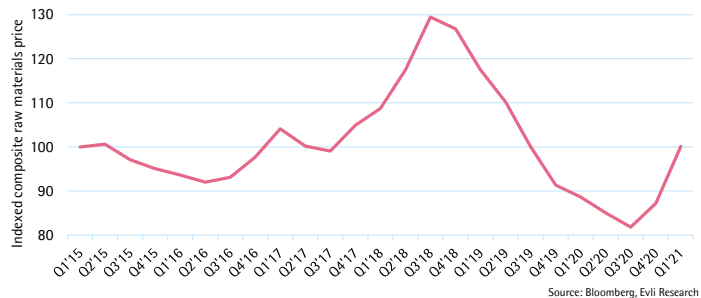
Suominen prem./disc. to peer median

-35 %   -28 %   -23 %   -45 %   -34 %   -30 %   6 %   -4 %   -26 %

Source FactSet, Evli Research

**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	5.66 PV of Free Cash Flow	215 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	7.23 PV of Horizon value	247 WACC, %	7.9 Market risk premium, %	5.8
Share price potential, %	27.8 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	7.9 Marketable securities	58 Minimum WACC, %	7.4 Equity beta coefficient	1.00
Minimum value	6.7 Debt - dividend	-98 Maximum WACC, %	8.4 Target debt ratio, %	20
Horizon value, %	53.5 Value of stock	421 Nr of shares, Mn	58.3 Effective tax rate, %	28

DCF valuation, EURm	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Horizon
Net sales	459	462	471	480	490	500	510	520	530	541	552	563
<i>Sales growth, %</i>	<i>11.5</i>	<i>0.7</i>	<i>1.9</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	40	35	35	36	37	37	38	39	40	41	41	42
<i>Operating income margin, %</i>	<i>8.6</i>	<i>7.5</i>	<i>7.5</i>	<i>7.5</i>	<i>7.5</i>	<i>7.5</i>	<i>7.5</i>	<i>7.5</i>	<i>7.5</i>	<i>7.5</i>	<i>7.5</i>	<i>7.5</i>
+ Depreciation+amort.	21	22	20	19	18	17	17	18	18	19	19	
EBITDA	61	57	55	55	54	55	56	57	58	59	60	
- Paid taxes	-5	-7	-7	-8	-8	-8	-8	-8	-8	-9	-9	
- Change in NWC	-1	2	-1	-1	-1	-1	-1	-1	-1	-1	-1	
<i>NWC / Sales, %</i>	<i>8.3</i>	<i>7.9</i>	<i>7.9</i>	<i>7.9</i>	<i>7.9</i>	<i>7.9</i>	<i>7.9</i>	<i>7.9</i>	<i>7.9</i>	<i>8.0</i>	<i>8.0</i>	
+ Change in other liabs	1	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-10	-13	-13	-14	-16	-18	-20	-20	-20	-20	-21	
<i>opCAPEX / Sales, %</i>	<i>2.6</i>	<i>2.8</i>	<i>2.8</i>	<i>3.0</i>	<i>3.3</i>	<i>3.7</i>	<i>4.0</i>	<i>3.9</i>	<i>3.8</i>	<i>3.8</i>	<i>3.8</i>	
- 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	46	38	34	32	30	28	27	28	29	30	30	516
= Discounted FCFF		36	30	26	23	20	17	17	16	15	14	247
= DFCF min WACC		36	30	27	23	20	18	17	17	16	15	282
= DFCF max WACC		36	30	26	22	19	17	16	16	15	14	217

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1E	2021Q2E	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	110.2	122.2	115.4	111.1	458.9	117.0	117.0	116.0	112.0	462.0	471.0	480.4
EBITDA	11.3	18.0	18.1	13.5	60.9	15.3	14.7	14.0	12.6	56.5	55.4	54.6
<i>EBITDA margin (%)</i>	<i>10.3</i>	<i>14.7</i>	<i>15.7</i>	<i>12.2</i>	<i>13.3</i>	<i>13.0</i>	<i>12.5</i>	<i>12.1</i>	<i>11.3</i>	<i>12.2</i>	<i>11.8</i>	<i>11.4</i>
EBIT	5.7	12.4	12.9	8.5	39.5	9.8	9.2	8.5	7.1	34.5	35.3	36.0
<i>EBIT margin (%)</i>	<i>5.2</i>	<i>10.1</i>	<i>11.2</i>	<i>7.7</i>	<i>8.6</i>	<i>8.3</i>	<i>7.8</i>	<i>7.3</i>	<i>6.3</i>	<i>7.5</i>	<i>7.5</i>	<i>7.5</i>
Net financial items	-1.9	-1.9	-1.7	-0.1	-5.6	3.1	-0.6	-0.6	-0.6	1.3	-1.2	-0.7
Pre-tax profit	3.8	10.5	11.2	8.4	33.9	12.9	8.5	7.9	6.5	35.8	34.1	35.3
Tax	-0.2	-2.2	-0.2	-1.2	-3.8	-2.7	-1.8	-1.7	-1.4	-7.5	-7.2	-7.4
<i>Tax rate (%)</i>	<i>4.6</i>	<i>21.1</i>	<i>2.0</i>	<i>14.0</i>	<i>11.2</i>	<i>21.0</i>	<i>21.0</i>	<i>21.0</i>	<i>21.0</i>	<i>21.0</i>	<i>21.0</i>	<i>21.0</i>
Net profit	3.6	8.3	11.0	7.2	30.1	10.2	6.7	6.2	5.1	28.3	26.9	27.9
EPS	0.06	0.14	0.19	0.12	0.52	0.17	0.12	0.11	0.09	0.49	0.46	0.48
EPS adjusted (diluted no. of shares)	0.06	0.14	0.19	0.12	0.52	0.17	0.12	0.11	0.09	0.49	0.46	0.48
Dividend per share	0.00	0.00	0.00	0.00	0.10	0.00	0.00	0.00	0.00	0.11	0.12	0.13
<b>SALES, EURm</b>												
Group	110.2	122.2	115.4	111.1	458.9	117.0	117.0	116.0	112.0	462.0	471.0	480.4
Total	110.2	122.2	115.4	111.1	458.9	117.0	117.0	116.0	112.0	462.0	471.0	480.4
<b>SALES GROWTH, Y/Y %</b>												
Group	0.4	17.7	11.7	17.6	11.5	6.2	-4.3	0.5	0.8	0.7	1.9	2.0
Total	0.4	17.7	11.7	17.6	11.5	6.2	-4.3	0.5	0.8	0.7	1.9	2.0
<b>EBIT, EURm</b>												
Group	5.7	12.4	12.9	8.5	39.5	9.8	9.2	8.5	7.1	34.5	35.3	36.0
Total	5.7	12.4	12.9	8.5	39.5	9.8	9.2	8.5	7.1	34.5	35.3	36.0
<b>EBIT margin, %</b>												
Group	5.2	10.1	11.2	7.7	8.6	8.3	7.8	7.3	6.3	7.5	7.5	7.5
Total	5.2	10.1	11.2	7.7	8.6	8.3	7.8	7.3	6.3	7.5	7.5	7.5

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	416.9	426.0	431.1	411.4	458.9	462.0	471.0	480.4
<i>Sales growth (%)</i>	-6.1	2.2	1.2	-4.6	11.5	0.7	1.9	2.0
EBITDA	44.1	34.3	25.6	33.6	60.9	56.5	55.4	54.6
<i>EBITDA margin (%)</i>	10.6	8.1	5.9	8.2	13.3	12.2	11.8	11.4
Depreciation	-18.5	-19.3	-21.0	-25.5	-21.4	-22.0	-20.1	-18.6
EBITA	25.6	15.0	4.6	8.1	39.5	34.5	35.3	36.0
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	25.6	15.0	4.6	8.1	39.5	34.5	35.3	36.0
<i>EBIT margin (%)</i>	6.1	3.5	1.1	2.0	8.6	7.5	7.5	7.5
Reported EBIT	25.6	15.0	4.6	8.1	39.5	34.5	35.3	36.0
<i>EBIT margin (reported) (%)</i>	6.1	3.5	1.1	2.0	8.6	7.5	7.5	7.5
Net financials	-3.2	-2.6	-5.6	-6.0	-5.6	1.3	-1.2	-0.7
Pre-tax profit	22.4	12.4	-1.0	2.1	33.9	35.8	34.1	35.3
Taxes	-7.2	2.0	-0.8	-1.9	-3.8	-7.5	-7.2	-7.4
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	15.2	14.5	-1.7	0.2	30.1	28.3	26.9	27.9
Cash NRIs	0.0	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	160	160	156	143	126	117	110	106
Goodwill	15	15	15	15	15	15	15	15
Right of use assets	0	0	17	16	18	18	18	19
Inventory	43	44	52	45	35	51	52	53
Receivables	56	66	63	61	61	63	64	65
Liquid funds	38	35	32	33	58	37	38	63
Total assets	316	326	338	316	317	305	302	324
Liabilities								
Shareholder's equity	126	136	131	131	146	168	189	210
Minority interest	0	0	0	0	0	0	0	0
Convertibles	17	0	0	0	0	0	0	0
Lease liabilities	0	0	13	16	15	18	18	19
Deferred taxes	11	15	12	12	13	13	13	13
Interest bearing debt	94	110	102	86	83	26	0	0
Non-interest bearing current liabilities	65	63	75	66	55	74	75	77
Other interest-free debt	2	1	3	3	3	3	3	3
Total liabilities	316	326	338	316	317	305	302	324
<b>CASH FLOW, EURm</b>								
+ EBITDA	44	34	26	34	61	57	55	55
- Net financial items	-3	-3	-6	-6	-6	1	-1	-1
- Taxes	-6	0	6	-2	-4	-8	-7	-7
- Increase in Net Working Capital	-6	-8	6	-1	-1	2	-1	-1
+/- Other	-2	-5	-3	0	0	0	0	0
= Cash flow from operations	26	19	28	25	50	52	46	46
- Capex	-50	-34	-15	-11	-12	-13	-13	-14
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-23	-14	13	14	38	39	33	31
+/- New issues/buybacks	8	1	3	0	-12	0	0	0
- Paid dividend	-5	-6	-6	0	-3	-6	-6	-7
+/- Other	-7	16	-12	-13	2	-54	-25	0
Change in cash	-26	-3	-3	1	25	-21	1	25

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	258	119	153	296	330	330	330
Net debt (excl. convertibles)	76	83	70	40	7	-20	-44
Enterprise value	333	203	223	336	337	310	286
Sales	426	431	411	459	462	471	480
EBITDA	34	26	34	61	57	55	55
EBIT	15	5	8	40	35	35	36
Pre-tax	12	-1	2	34	36	34	35
Earnings	14	-2	0	30	28	27	28
Equity book value (excl. minorities)	136	131	131	146	168	189	210
<b>Valuation multiples</b>							
EV/sales	0.8	0.5	0.5	0.7	0.7	0.7	0.6
EV/EBITDA	9.7	7.9	6.6	5.5	6.0	5.6	5.2
EV/EBITA	22.2	44.1	27.5	8.5	9.8	8.8	7.9
EV/EBIT	22.2	44.1	27.5	8.5	9.8	8.8	7.9
EV/OCF	17.3	7.2	8.9	6.7	6.5	6.7	6.3
EV/FCFF	-29.4	11.7	12.3	7.4	8.8	9.1	8.9
P/FCFE	-18.0	9.0	10.8	7.7	8.5	10.0	10.5
P/E	17.8	-69.4	766.1	9.8	11.7	12.2	11.8
P/B	1.9	0.9	1.2	2.0	2.0	1.7	1.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	6.8	6.5	6.1
Target EV/EBIT	0.0	0.0	0.0	0.0	11.2	10.2	9.3
Target EV/FCF	0.0	0.0	0.0	0.0	9.9	10.9	10.7
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	13.4	14.1	13.6
<b>Per share measures</b>							
Number of shares	58,259	58,259	58,259	58,259	58,259	58,259	58,259
Number of shares (diluted)	65,259	58,259	58,259	58,259	58,259	58,259	58,259
EPS	0.25	-0.03	0.00	0.52	0.49	0.46	0.48
Operating cash flow per share	0.33	0.48	0.43	0.86	0.89	0.79	0.78
Free cash flow per share	-0.25	0.23	0.24	0.66	0.67	0.56	0.54
Book value per share	2.34	2.24	2.24	2.50	2.89	3.24	3.60
Dividend per share	0.11	0.00	0.05	0.10	0.11	0.12	0.13
Dividend payout ratio, %	44.3	0.0	1,456.5	19.4	22.7	26.0	27.2
Dividend yield, %	2.5	0.0	1.9	1.8	1.9	2.1	2.3
FCF yield, %	-5.6	11.1	9.2	12.9	11.8	10.0	9.5
<b>Efficiency measures</b>							
ROE	11.0	-1.3	0.2	21.8	18.0	15.1	14.0
ROCE	6.2	1.9	3.4	16.6	15.1	16.9	16.6
<b>Financial ratios</b>							
Inventories as % of sales	10.4	12.0	11.0	7.7	11.0	11.0	11.0
Receivables as % of sales	15.6	14.7	14.7	13.2	13.6	13.6	13.6
Non-interest bearing liabilities as % of sales	14.8	17.5	16.0	11.9	16.0	16.0	16.0
NWC/sales, %	11.1	8.5	9.0	8.3	7.9	7.9	7.9
Operative CAPEX/sales, %	7.9	3.5	2.6	2.6	2.8	2.8	3.0
CAPEX/sales (incl. acquisitions), %	7.9	3.5	2.6	2.6	2.8	2.8	3.0
FCFF/EBITDA	-0.3	0.7	0.5	0.7	0.7	0.6	0.6
Net debt/EBITDA, book-weighted	2.2	3.2	2.1	0.7	0.1	-0.4	-0.8
Debt/equity, market-weighted	0.4	0.9	0.6	0.3	0.1	0.0	0.0
Equity ratio, book-weighted	41.8	38.7	41.4	46.0	55.2	62.6	64.7
Gearing, %	55.6	63.7	53.3	27.3	4.0	-10.5	-21.0

**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 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	78.976	24.0%
Oy Etra Invest Ab	7,770,000	43.978	13.3%
Euroclear Bank Sa/Nv	3,182,604	18.014	5.5%
Ilmarinen Mutual Pension Insurance Company	3,046,892	17.245	5.2%
Elo Mutual Pension Insurance Company	3,024,651	17.120	5.2%
Varma Mutual Pension Insurance Company	2,189,751	12.394	3.8%
Mandatum Life Insurance Company Limited	2,002,536	11.334	3.4%
Nordea Life Assurance Finland Ltd.	1,812,000	10.256	3.1%
Oy H. Kuningas Et Co Ab	1,567,416	8.872	2.7%
Skandinaviska Enskilda Banken AB	1,161,138	6.572	2.0%
Ten largest	39,710,345	224.761	68%
Residual	18,548,874	104.987	32%
Total	58,259,219	329.747	100%

**EARNINGS CALENDAR**

April 28, 2021

Q1 report

August 13, 2021

Q2 report

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



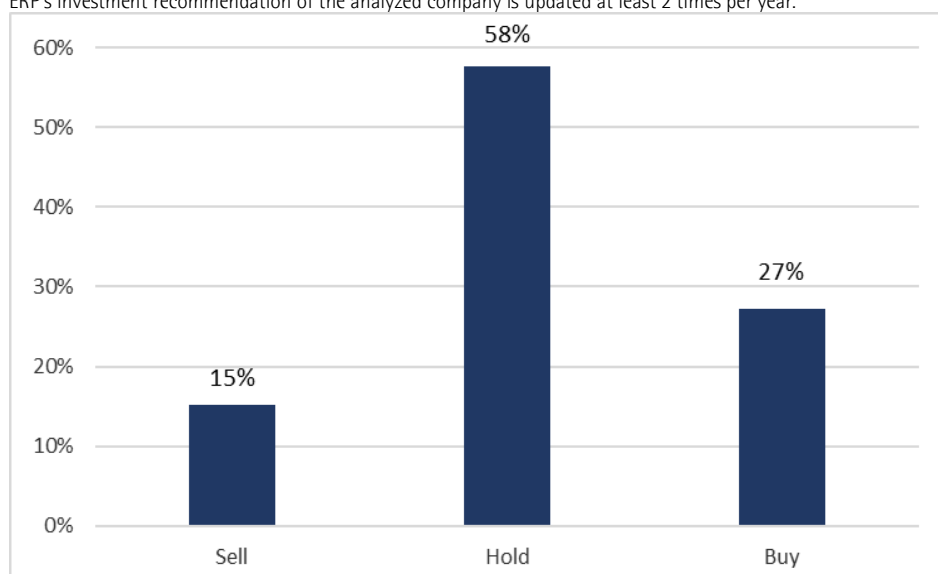
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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