

Another record amid turbulence

Suominen reached very high margins once again. We expect margins to settle in H2'21 and continue to view earnings multiples attractive on such stabilized levels.

Suominen once again topped previous profitability records

Suominen's EUR 115.3m Q1 revenue was close to expectations while the EUR 18.5m EBITDA topped the EUR 15.3m/15.2m Evli/cons. estimates. Gross margin hit a record due to high volumes and improved production as well as raw materials efficiency. Favorable sales mix helped pricing levels to improve a bit y/y. There were some raw materials and logistics challenges, especially in the US, which had a negative impact on production. The Texan winter disrupted oil-based raw materials' supply, but in our view the effect on overall results wasn't that big. Suominen carries some raw materials inventories, which in part explains why the raw materials price spike didn't yet have any notable negative effect on profitability.

Suominen has increased its mechanism pricing exposure

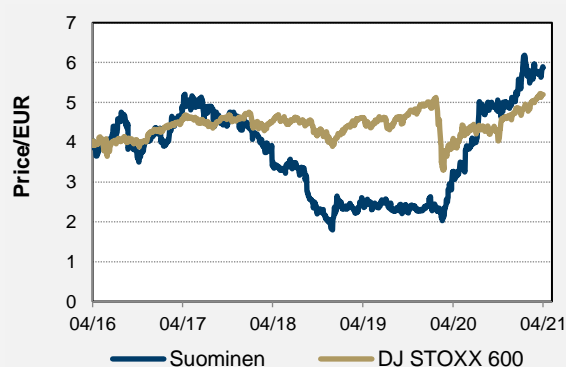
The pandemic led to a wipes demand bump on both sides of the Atlantic; although the US is ahead of Europe in vaccination rates the higher demand shows very little signs of abatement. The raw materials inflation picture also looks similar on both continents. Suominen increased its share of mechanism pricing clauses already last year to protect itself against raw materials price inflation. These measures, coupled with strong wiping demand and improved sales mix, enhance our confidence regarding H2'21 gross margin, which we now expect to settle around 13-14%. Suominen expects to complete the three announced investments in H2'21. Two of these will add capabilities to existing lines while one restarts and modernizes an idle line and so adds capacity.

We expect gross margin to settle around 13-14% in H2'21

Suominen is set to reach EUR 60m EBITDA this year even when raw materials inflation begins to erode margins. This year is also proving extraordinary in its own way as the raw material and logistics markets have been outright chaotic. In our view H2'21 results should show stable gross margin levels. We estimate ca. 14% GM for H2'21 that translates to some 12% EBITDA and 7.5% EBIT margins. We expect Suominen to reach such figures in FY '22. Suominen is valued below 6x EV/EBITDA on our FY '21-22 estimates. We retain our EUR 6.5 TP as well as our BUY rating.

Rating

BUY



Share price, EUR (Last trading day's closing price)	5.87
Target price, EUR	6.5

Latest change in	25-Jun-20
Latest report on company	22-Apr-21
Research paid by issuer:	YES
No. of shares outstanding,	58,259
No. of shares fully diluted,	58,259
Market cap, EURm	342
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	13-Aug-21
Web site	www.suominen.fi/en/investors/

Analyst	Joonas Ilvonen
E-mail	joonas.ilvonen@evli.com
Telephone	+358 44 430 9071

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	462.3	40.9	8.8%	42.9	0.59	10.0	0.7	8.4	12.5	0.11
2022E	471.0	35.3	7.5%	33.4	0.46	12.7	0.7	9.0	9.8	0.12
2023E	480.4	36.0	7.5%	31.7	0.48	12.3	0.6	8.1	9.3	0.13
Market cap, EURm		342	Gearing 2021E, %			1.6	CAGR EPS 2020-23, %			-2.5
Net debt 2021E, EURm		3	Price/book 2021E			2.0	CAGR sales 2020-23, %			1.5
Enterprise value, EURm		345	Dividend yield 2021E, %			1.9	ROE 2021E, %			21.4
Total assets 2021E, EURm		307	Tax rate 2021E, %			19.9	ROCE 2021E, %			17.9
Goodwill 2021E, EURm		15	Equity ratio 2021E, %			56.8	PEG, P/E 21/CAGR			-1.6

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	2021 Q1	2021E Q2E	2021E Q3E	2021E Q4E	2021E FY
Revenue	374	402	444	417	426	431	411	110	122	115	111	459	115	119	116	112	462
growth, %		8 %	11 %	-6 %	2 %	1 %	-5 %	0 %	18 %	11 %	18 %	12 %	5 %	-3 %	1 %	1 %	1 %
Geography																	
Europe	150	153	172	171	174	171	150	37	45	44	44	170	43	44	45	45	177
Americas	224	249	272	246	252	260	262	73	77	72	67	289	72	75	71	67	285
COGS	-334	-352	-386	-365	-384	-400	-377	-97	-103	-96	-94	-389	-95	-102	-100	-97	-393
Gross Profit	40	50	58	52	42	31	37	13.3	19.5	19.7	17.3	70	20.2	17.3	16.2	15.1	69
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 %	17.5 %	14.5 %	14.0 %	13.5 %	14.9 %
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	-7.2	-7.3	-7.3	-7.3	-29.1
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	0.6	0.3	0.3	0.0	1.2
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	13.6	10.3	9.2	7.8	40.9
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
EBIT ex IAC	19.4	26.9	31.2	25.6	15.0	4.6	8.1	5.7	12.4	12.9	8.5	39.5	13.6	10.3	9.2	7.8	40.9
EBIT-% ex IAC	5.2 %	6.7 %	7.0 %	6.1 %	3.5 %	1.1 %	2.0 %	5.2 %	10.1 %	11.2 %	7.7 %	8.6 %	11.8 %	8.6 %	8.0 %	7.0 %	8.8 %
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	-4.9	-5.0	-5.0	-5.0	-19.9
EBITDA ex IAC	33.3	42.5	48.9	44.2	34.3	25.6	33.6	11.3	18.0	18.1	13.5	60.9	18.5	15.3	14.2	12.8	60.8
EBITDA-% ex IAC	8.9 %	10.6 %	11.0 %	10.6 %	8.1 %	5.9 %	8.2 %	10.3 %	14.7 %	15.7 %	12.2 %	13.3 %	16.1 %	12.8 %	12.3 %	11.4 %	13.2 %

Source: Suominen, Evli Research

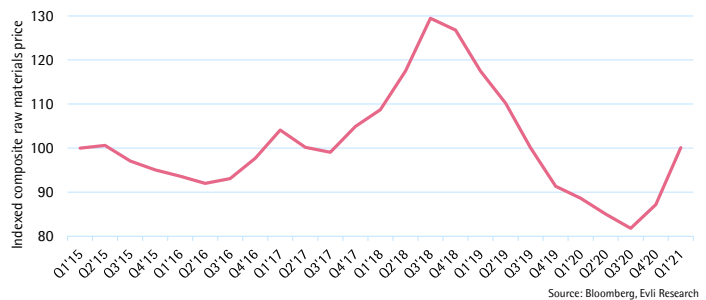
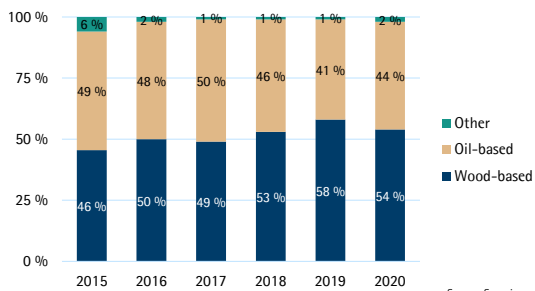
SUOMINEN PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		20	21	22	20	21	22	20	21	22
Ahlstrom-Munksjo	2038	8.5x	7.8x	7.3x	18.2x	14.7x	12.5x	6.1 %	7.0 %	8.0 %
Berry Global Group	6872	8.0x	8.2x	7.9x	13.0x	13.1x	12.5x	11.2 %	10.9 %	11.3 %
Kimberly-Clark	36184	12.5x	12.5x	11.9x	15.4x	15.6x	14.8x	18.7 %	17.2 %	17.7 %
N.R. Spuntech Industries	151									
Neenah	738	11.3x	8.4x	6.6x	17.2x	15.5x	11.2x	8.1 %	7.7 %	10.1 %
Glatfelter	567	7.8x	7.6x	6.7x	13.3x	14.3x	11.4x	7.7 %	6.8 %	8.0 %
PFNonwovens										
Peer Group Average	7758	9.6x	8.9x	8.1x	15.4x	14.6x	12.5x	10.4 %	9.9 %	11.0 %
Peer Group Median	1388	8.5x	8.2x	7.3x	15.4x	14.7x	12.5x	8.1 %	7.7 %	10.1 %
Suominen (Evli est.)	342	5.5x	5.7x	5.7x	8.5x	8.4x	9.0x	8.6 %	8.8 %	7.5 %

Suominen prem./disc. to peer median

-35 % -31 % -22 % -45 % -42 % -28 % 6 % 14 % -26 %

Source FactSet, Evli Research

Suominen raw materials mix and composite price development



VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	5.87 PV of Free Cash Flow	219 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	7.33 PV of Horizon value	248 WACC, %	7.9 Market risk premium, %
Share price potential, %	24.9 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	8.0 Marketable securities	58 Minimum WACC, %	7.4 Equity beta coefficient
Minimum value	6.8 Debt - dividend	-98 Maximum WACC, %	8.4 Target debt ratio, %
Horizon value, %	53.0 Value of stock	427 Nr of shares, Mn	58.3 Effective tax rate, %

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	41	35	36	37	37	38	39	40	41	41	42
<i>Operating income margin, %</i>	<i>8.6</i>	<i>8.8</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	20	21	19	18	18	18	18	19	19	19	
EBITDA	61	61	56	55	55	55	56	57	58	59	60	
- Paid taxes	-5	-8	-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	41	35	33	30	28	27	28	29	30	30	518
= Discounted FCFF		39	31	27	23	20	17	17	16	15	14	248
= DFCF min WACC		40	31	27	23	20	18	17	17	16	15	283
= DFCF max WACC		39	30	26	22	19	17	16	16	15	14	218

INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2E	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	110.2	122.2	115.4	111.1	458.9	115.3	119.0	116.0	112.0	462.3	471.0	480.4
EBITDA	11.3	18.0	18.1	13.5	60.9	18.5	15.3	14.2	12.8	60.8	55.8	55.0
<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>16.1</i>	<i>12.9</i>	<i>12.2</i>	<i>11.4</i>	<i>13.2</i>	<i>11.9</i>	<i>11.4</i>
EBIT	5.7	12.4	12.9	8.5	39.5	13.6	10.3	9.2	7.8	40.9	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>11.8</i>	<i>8.7</i>	<i>7.9</i>	<i>7.0</i>	<i>8.8</i>	<i>7.5</i>	<i>7.5</i>
Net financial items	-1.9	-1.9	-1.7	-0.1	-5.6	3.3	-0.5	-0.4	-0.4	2.0	-1.2	-0.7
Pre-tax profit	3.8	10.5	11.2	8.4	33.9	16.9	9.8	8.8	7.4	42.9	34.2	35.3
Tax	-0.2	-2.2	-0.2	-1.2	-3.8	-3.1	-2.1	-1.8	-1.6	-8.5	-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>18.3</i>	<i>21.0</i>	<i>21.0</i>	<i>21.0</i>	<i>19.9</i>	<i>21.0</i>	<i>21.0</i>
Net profit	3.6	8.3	11.0	7.2	30.1	13.8	7.7	7.0	5.8	34.3	27.0	27.9
EPS	0.06	0.14	0.19	0.12	0.52	0.24	0.13	0.12	0.10	0.59	0.46	0.48
EPS adjusted (diluted no. of shares)	0.06	0.14	0.19	0.12	0.52	0.24	0.13	0.12	0.10	0.59	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
SALES, EURm												
Group	110.2	122.2	115.4	111.1	458.9	115.3	119.0	116.0	112.0	462.3	471.0	480.4
Total	110.2	122.2	115.4	111.1	458.9	115.3	119.0	116.0	112.0	462.3	471.0	480.4
SALES GROWTH, Y/Y %												
Group	0.4	17.7	11.7	17.6	11.5	4.6	-2.6	0.5	0.8	0.7	1.9	2.0
Total	0.4	17.7	11.7	17.6	11.5	4.6	-2.6	0.5	0.8	0.7	1.9	2.0
EBIT, EURm												
Group	5.7	12.4	12.9	8.5	39.5	13.6	10.3	9.2	7.8	40.9	35.3	36.0
Total	5.7	12.4	12.9	8.5	39.5	13.6	10.3	9.2	7.8	40.9	35.3	36.0
EBIT margin, %												
Group	5.2	10.1	11.2	7.7	8.6	11.8	8.7	7.9	7.0	8.8	7.5	7.5
Total	5.2	10.1	11.2	7.7	8.6	11.8	8.7	7.9	7.0	8.8	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	462.3	471.0	480.4
<i>Sales growth (%)</i>	<i>-6.1</i>	<i>2.2</i>	<i>1.2</i>	<i>-4.6</i>	<i>11.5</i>	<i>0.7</i>	<i>1.9</i>	<i>2.0</i>
EBITDA	44.1	34.3	25.6	33.6	60.9	60.8	55.8	55.0
<i>EBITDA margin (%)</i>	<i>10.6</i>	<i>8.1</i>	<i>5.9</i>	<i>8.2</i>	<i>13.3</i>	<i>13.2</i>	<i>11.9</i>	<i>11.4</i>
Depreciation	-18.5	-19.3	-21.0	-25.5	-21.4	-19.9	-20.5	-18.9
EBITA	25.6	15.0	4.6	8.1	39.5	40.9	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	40.9	35.3	36.0
<i>EBIT margin (%)</i>	<i>6.1</i>	<i>3.5</i>	<i>1.1</i>	<i>2.0</i>	<i>8.6</i>	<i>8.8</i>	<i>7.5</i>	<i>7.5</i>
Reported EBIT	25.6	15.0	4.6	8.1	39.5	40.9	35.3	36.0
<i>EBIT margin (reported) (%)</i>	<i>6.1</i>	<i>3.5</i>	<i>1.1</i>	<i>2.0</i>	<i>8.6</i>	<i>8.8</i>	<i>7.5</i>	<i>7.5</i>
Net financials	-3.2	-2.6	-5.6	-6.0	-5.6	2.0	-1.2	-0.7
Pre-tax profit	22.4	12.4	-1.0	2.1	33.9	42.9	34.2	35.3
Taxes	-7.2	2.0	-0.8	-1.9	-3.8	-8.5	-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	34.3	27.0	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
BALANCE SHEET, EURm								
Assets								
Fixed assets	160	160	156	143	126	119	112	107
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	42	68
Total assets	316	326	338	316	317	307	308	330
Liabilities								
Shareholder's equity	126	136	131	131	146	174	195	216
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	22	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	307	308	330
CASH FLOW, EURm								
+ EBITDA	44	34	26	34	61	61	56	55
- Net financial items	-3	-3	-6	-6	-6	2	-1	-1
- Taxes	-6	0	6	-2	-4	-9	-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	56	47	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	43	33	32
+/- 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	-58	-22	0
Change in cash	-26	-3	-3	1	25	-21	6	25

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	258	119	153	296	342	342	342
Net debt (excl. convertibles)	76	83	70	40	3	-24	-49
Enterprise value	333	203	223	336	345	318	293
Sales	426	431	411	459	462	471	480
EBITDA	34	26	34	61	61	56	55
EBIT	15	5	8	40	41	35	36
Pre-tax	12	-1	2	34	43	34	35
Earnings	14	-2	0	30	34	27	28
Equity book value (excl. minorities)	136	131	131	146	174	195	216
Valuation multiples							
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	5.7	5.7	5.3
EV/EBITA	22.2	44.1	27.5	8.5	8.4	9.0	8.1
EV/EBIT	22.2	44.1	27.5	8.5	8.4	9.0	8.1
EV/OCF	17.3	7.2	8.9	6.7	6.2	6.8	6.4
EV/FCFF	-29.4	11.7	12.3	7.4	8.3	9.2	9.0
P/FCFE	-18.0	9.0	10.8	7.7	8.0	10.2	10.8
P/E	17.8	-69.4	766.1	9.8	10.0	12.7	12.3
P/B	1.9	0.9	1.2	2.0	2.0	1.8	1.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	6.3	6.3	6.0
Target EV/EBIT	0.0	0.0	0.0	0.0	9.3	10.0	9.2
Target EV/FCF	0.0	0.0	0.0	0.0	8.9	10.6	10.4
Target P/B	0.0	0.0	0.0	0.0	2.2	1.9	1.8
Target P/E	0.0	0.0	0.0	0.0	11.0	14.0	13.6
Per share measures							
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	0.59	0.46	0.48
Operating cash flow per share	0.33	0.48	0.43	0.86	0.96	0.80	0.79
Free cash flow per share	-0.25	0.23	0.24	0.66	0.74	0.57	0.54
Book value per share	2.34	2.24	2.24	2.50	2.99	3.35	3.70
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	18.7	25.9	27.2
Dividend yield, %	2.5	0.0	1.9	1.7	1.9	2.0	2.2
FCF yield, %	-5.6	11.1	9.2	12.9	12.5	9.8	9.3
Efficiency measures							
ROE	11.0	-1.3	0.2	21.8	21.4	14.6	13.6
ROCE	6.2	1.9	3.4	16.6	17.9	16.5	16.1
Financial ratios							
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	0.0	-0.4	-0.9
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	56.8	63.4	65.3
Gearing, %	55.6	63.7	53.3	27.3	1.6	-12.4	-22.7

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	81.906	24.0%
Oy Etra Invest Ab	7,770,000	45.610	13.3%
Euroclear Bank Sa/Nv	3,182,604	18.682	5.5%
Ilmarinen Mutual Pension Insurance Company	3,046,892	17.885	5.2%
Elo Mutual Pension Insurance Company	3,024,651	17.755	5.2%
Varma Mutual Pension Insurance Company	2,189,751	12.854	3.8%
Mandatum Life Insurance Company Limited	2,002,536	11.755	3.4%
Nordea Life Assurance Finland Ltd.	1,812,000	10.636	3.1%
Oy H. Kuningas Et Co Ab	1,567,416	9.201	2.7%
Skandinaviska Enskilda Banken AB	1,161,138	6.816	2.0%
Ten largest	39,710,345	233.100	68%
Residual	18,548,874	108.882	32%
Total	58,259,219	341.982	100%

EARNINGS CALENDAR

August 13, 2021

Q2 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

CEO: Petri Helsky

Karvaamokuja 2 B, FI-00380 Helsinki

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

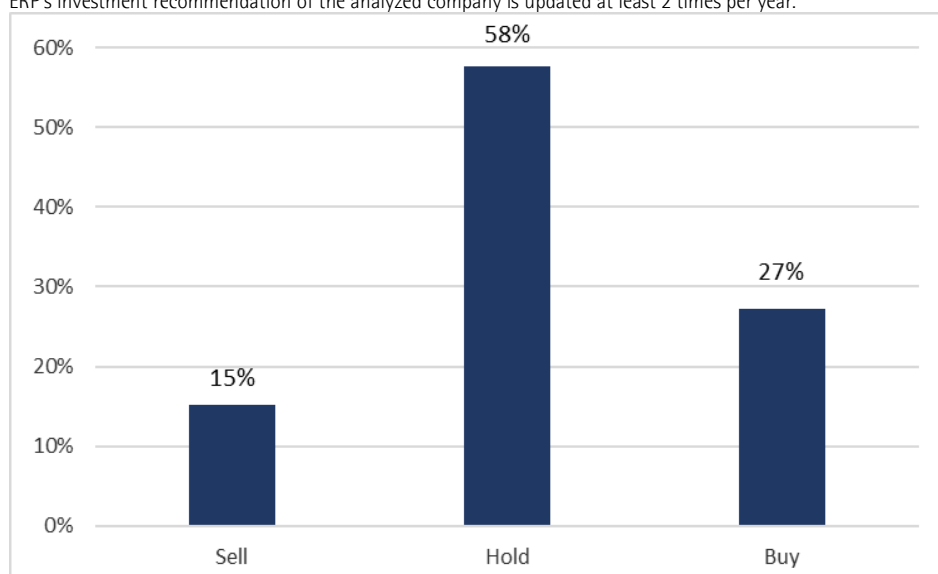
Important Disclosures

Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at [Analysts' recommendations and ratings revisions](#).

Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.



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.

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

This research report has been prepared by Evli Research Partners Plc ("ERP" or "Evli Research"). ERP is a subsidiary of Evli Bank Plc. Production of the investment recommendation has been concluded on [29.4.2021, 8:35]. This report has been published on [29.4.2021, 8:50].

None of the analysts contributing to this report, persons under their guardianship or corporations under their control have a position in the shares of the company or related securities.

The date and time for any price of financial instruments mentioned in the recommendation refer to the previous trading day's closing price(s) unless otherwise stated in the report.

Each analyst responsible for the content of this report assures that the expressed views accurately reflect the personal views of each analyst on the covered companies and securities. Each analyst assures that (s)he has not been, nor are or will be, receiving direct or indirect compensation related to the specific recommendations or views contained in this report.

Companies in the Evli Group, affiliates or staff of companies in the Evli Group, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report.

Neither ERP nor any company within the Evli Group have managed or co-managed a public offering of the company's securities during the last 12 months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the research report.

ERP has signed an agreement with the issuer of the financial instruments mentioned in the recommendation, which includes production of research reports. This assignment has a limited economic and financial impact on ERP and/or Evli. Under the assignment ERP performs services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP or another company within the Evli Group does not have an agreement with the company to perform market making or liquidity providing services.

For the prevention and avoidance of conflicts of interests with respect to this report, there is an information barrier (Chinese wall) between Investment

Research and Corporate Finance units concerning unpublished investment banking services to the company. The remuneration of the analyst(s) is not tied directly or indirectly to investment banking transactions or other services performed by Evli Bank Plc or any company within Evli Group.

This report has not been disclosed to the company prior to its dissemination.

This report is provided and intended for informational purposes only and may not be used or considered under any circumstances as an offer to sell or buy any securities or as advice to trade any securities.

This report is based on sources ERP considers to be correct and reliable. The sources include information providers Reuters and Bloomberg, stock-exchange releases from the companies and other company news, Statistics Finland and articles in newspapers and magazines. However, ERP does not guarantee the materialization, correctness, accuracy or completeness of the information, opinions, estimates or forecasts expressed or implied in the report. In addition, circumstantial changes may have an influence on opinions and estimates presented in this report. The opinions and estimates presented are valid at the moment of their publication and they can be changed without a separate announcement. Neither ERP nor any company within the Evli Group are responsible for amending, correcting or updating any information, opinions or estimates contained in this report. Neither ERP nor any company within the Evli Group will compensate any direct or consequential loss caused by or derived from the use of the information represented in this publication.

All information published in this report is for the original recipient's private and internal use only. ERP reserves all rights to the report. No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any retrieval system of any nature, without the written permission of ERP.

This report or its copy may not be published or distributed in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore or South Africa. The publication or distribution of this report in certain other jurisdictions may also be restricted by law. Persons into whose possession this report comes are required to inform themselves about and to observe any such restrictions.

Evli Bank Plc is not registered as a broker-dealer with the U. S. Securities and Exchange Commission ("SEC"), and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Evli Bank is not a member of the Financial Industry Regulatory Authority ("FINRA"). It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest. This research report is only being offered in U.S. by Auerbach Grayson & Company, LLC (Auerbach Grayson) to Major U.S. Institutional Investors and is not available to, and should not be used by, any U.S. person or entity that is not a Major U.S. Institutional Investor. Auerbach Grayson is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of the FINRA. U.S. entities seeking more information about any of the issuers or securities discussed in this report should contact Auerbach Grayson. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements.

ERP is not a supervised entity but its parent company Evli Bank Plc is supervised by the Finnish Financial Supervision Authority.

Contact information**SALES, TRADING AND RESEARCH****Equity, ETF and Derivatives Sales**

Joachim Dannberg	+358 9 4766 9123
Ari Laine	+358 9 4766 9115
Kimmo Lilja	+358 9 4766 9130

Trading

Lauri Vehkaluoto (Head)	+358 9 4766 9120
Pasi Väisänen	+358 9 4766 9120
Antti Kässi	+358 9 4766 9120
Miika Ronkanen	+358 9 4766 9120

Structured Investments

Heikki Savijoki	+358 9 4766 9726
Aki Lakkisto	+358 9 4766 9123

Equity Research

Jonas Forslund	+358 9 4766 9314
Joonas Ilvonen	+358 44 430 9071
Jerker Salokivi	+358 9 4766 9149
Anna-Liisa Rissanen	+358 40 157 9919
Teemu Reiman	+358 40 352 6175

Evli Investment Solutions

Johannes Asuja	+358 9 4766 9205
Markku Reinikainen	+358 9 4766 9669



EVLI BANK PLC
Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Fax +358 9 634 382
Internet www.evli.com
E-mail firstname.lastname@evli.com

**EVLI BANK PLC,
STOCKHOLMSFILIAL**
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000
Fax +46 (0)8 407 8001