

Profitability remains very decent

Suominen reports Q2 results on Fri, Aug 13. We make only small adjustments to our estimates and continue to view valuation not too demanding.

There's downward pressure from the late profitability peak
Suominen's Q1 marked a record high profitability despite raw materials and logistics challenges. Raw materials prices began to spike in Q1, but inventories and nonwovens pricing dynamics meant the negative effect was not yet large. Raw materials prices however continued to surge in Q2, and we now expect Suominen's Q2 gross margin to have declined by 350bps q/q to 14%. We estimate Q2 revenue at EUR 120m, down by 2% y/y, and EBITDA at EUR 14.8m. Raw materials prices have shown some cooling signs over the summer and we continue to expect gross margin to settle around 13.5% going forward.

Additional investments appear forthcoming

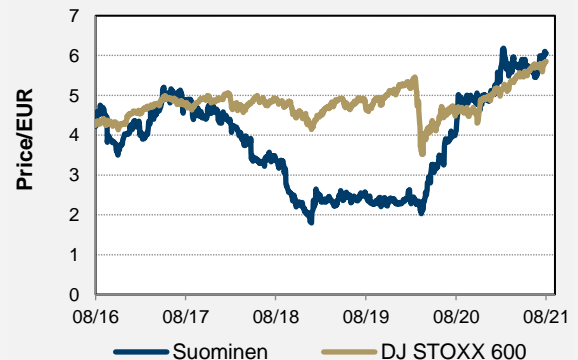
Suominen's business has received a pandemic boost, but high demand seems to persist. The company has also sharpened its own operational performance. Suominen recently issued a EUR 50m bond to be used for general corporate purposes. In our opinion the company had more than ample liquidity already before the transaction, and thus we see the extended financing hinting at growth plans. Suominen may be planning organic investments, but M&A is not off the table and we believe new geographies, in particular Asia, are now on the radar screen.

We still see some upside to current valuation multiples

Glatfelter, which in our view is the most relevant listed Suominen peer, has just announced the acquisition of Jacob Holm for an EV of USD 308m. Glatfelter estimates Jacob Holm's Jun-21 LTM EBITDA of USD 45m includes pandemic demand benefit to the tune of USD 10-15m and expects to realize some USD 20m in annual cost synergies within 24 months of closing. These figures suggest, in the most optimistic scenario where the pandemic benefits persist and synergies are fully realized, an EV/EBITDA as low as 4.7x. If the benefits vanish the synergized multiple settles between 5.6x and 6.2x. Suominen is now valued around 6x EV/EBITDA and 9x EV/EBIT on our estimates; these levels are somewhat below those of Glatfelter and other peers. In our opinion Suominen's valuation still appears conservative. Our new TP is EUR 6.8 (6.5) per share; we retain our BUY rating.

Rating

BUY



Share price, EUR (Last trading day's closing price) 6.05

Target price, EUR 6.8

Latest change in	25-Jun-20
Latest report on company	29-Apr-21
Research paid by issuer:	YES
No. of shares outstanding,	58,259
No. of shares fully diluted,	58,259
Market cap, EURm	352
Free float, %	62.7
Exchange rate EUR/USD	1.19
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/

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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	463.3	39.9	8.6%	41.3	0.56	10.7	0.8	8.9	11.7	0.11
2022E	473.0	35.5	7.5%	33.2	0.46	13.1	0.7	9.3	9.4	0.12
2023E	482.5	36.2	7.5%	31.8	0.48	12.6	0.6	8.4	9.0	0.13
Market cap, EURm	352		Gearing 2021E, %	2.6		CAGR EPS 2020-23, %		-2.4		
Net debt 2021E, EURm	4		Price/book 2021E	2.0		CAGR sales 2020-23, %		1.7		
Enterprise value, EURm	357		Dividend yield 2021E, %	1.8		ROE 2021E, %		20.6		
Total assets 2021E, EURm	308		Tax rate 2021E, %	19.9		ROCE 2021E, %		17.4		
Goodwill 2021E, EURm	15		Equity ratio 2021E, %	56.2		PEG, P/E 21/CAGR		-2.4		

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	120	116	112	463
growth, %		8 %	11 %	-6 %	2 %	1 %	-5 %	0 %	18 %	11 %	18 %	12 %	5 %	-2 %	1 %	1 %	1 %
Geography																	
Europe	150	153	172	171	174	171	150	37	45	44	44	170	43	45	45	45	178
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	-103	-100	-97	-396
Gross Profit	40	50	58	52	42	31	37	13.3	19.5	19.7	17.3	70	20.2	16.8	15.7	15.1	68
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 %	14.0 %	13.5 %	13.5 %	14.6 %
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	9.8	8.7	7.8	39.9
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	9.8	8.7	7.8	39.9
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 %	8.2 %	7.5 %	7.0 %	8.6 %
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	14.8	13.7	12.8	59.8
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 %	12.3 %	11.8 %	11.4 %	12.9 %

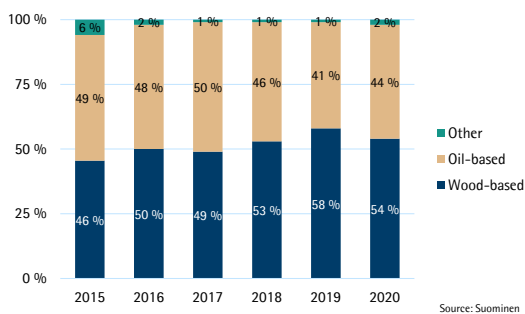
Source: Suominen, Evli Research

SUOMINEN PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		20	21	22	20	21	22	20	21	22
Ahlstrom-Munksjo	2058	8.5x			18.2x			6.1 %		
Berry Global Group	7423	8.0x	8.1x	7.9x	12.9x	12.8x	12.3x	11.2 %	11.0 %	11.4 %
Kimberly-Clark	38516	12.5x	13.9x	12.8x	15.4x	17.8x	16.1x	18.7 %	16.0 %	17.1 %
N.R. Spuntech Industries	156									
Neenah	711	11.3x	8.0x	6.0x	17.2x	14.6x	8.5x	8.1 %	7.1 %	11.4 %
Glatfelter	588	7.8x	9.2x	8.1x	13.3x	17.7x	13.9x	7.7 %	6.8 %	8.2 %
PFNonwovens										
Peer Group Average	8242	9.6x	9.8x	8.7x	15.4x	15.7x	12.7x	10.4 %	10.2 %	12.0 %
Peer Group Median	1385	8.5x	8.6x	8.0x	15.4x	16.1x	13.1x	8.1 %	9.1 %	11.4 %
Suominen (Evli est.)	352	5.5x	6.0x	5.9x	8.5x	8.9x	9.3x	8.6 %	8.6 %	7.5 %

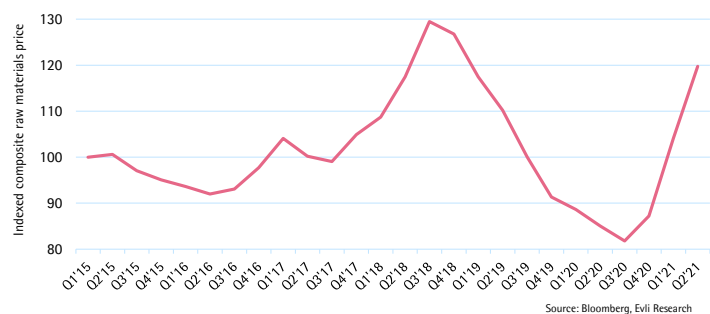
Suominen prem./disc. to peer median

-35 % -31 % -26 % -45 % -45 % -29 % 6 % -5 % -34 %

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	6.05 PV of Free Cash Flow	224 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	7.50 PV of Horizon value	253 WACC, %	7.9 Market risk premium, %
Share price potential, %	24.0 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	8.2 Marketable securities	58 Minimum WACC, %	7.4 Equity beta coefficient
Minimum value	6.9 Debt - dividend	-98 Maximum WACC, %	8.4 Target debt ratio, %
Horizon value, %	53.1 Value of stock	437 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	463	473	482	492	502	512	522	533	543	554	565
<i>Sales growth, %</i>	<i>11.5</i>	<i>1.0</i>	<i>2.1</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	40	35	36	37	38	38	39	40	41	42	42
<i>Operating income margin, %</i>	<i>8.6</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>
+ Depreciation+amort.	21	20	21	19	18	18	18	18	19	19	19	
EBITDA	61	60	56	55	55	55	56	57	58	60	61	
- 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	519
= Discounted FCFF		39	31	27	23	20	18	17	17	16	15	253
= DFCF min WACC		39	31	28	24	21	18	18	17	16	15	289
= DFCF max WACC		39	31	27	23	20	17	17	16	15	14	223

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	120.0	116.0	112.0	463.3	473.0	482.5
EBITDA	11.3	18.0	18.1	13.5	60.9	18.5	14.8	13.7	12.8	59.8	56.0	55.1
<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>12.3</i>	<i>11.8</i>	<i>11.4</i>	<i>12.9</i>	<i>11.8</i>	<i>11.4</i>
EBIT	5.7	12.4	12.9	8.5	39.5	13.6	9.8	8.7	7.8	39.9	35.5	36.2
<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>8.2</i>	<i>7.5</i>	<i>7.0</i>	<i>8.6</i>	<i>7.5</i>	<i>7.5</i>
Net financial items	-1.9	-1.9	-1.7	-0.1	-5.6	3.3	-1.0	-0.6	-0.6	1.1	-1.5	-0.7
Pre-tax profit	3.8	10.5	11.2	8.4	33.9	16.9	8.8	8.1	7.2	41.0	34.0	35.4
Tax	-0.2	-2.2	-0.2	-1.2	-3.8	-3.1	-1.8	-1.7	-1.5	-8.1	-7.1	-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	7.0	6.4	5.7	32.8	26.8	28.0
EPS	0.06	0.14	0.19	0.12	0.52	0.24	0.12	0.11	0.10	0.56	0.46	0.48
EPS adjusted (diluted no. of shares)	0.06	0.14	0.19	0.12	0.52	0.24	0.12	0.11	0.10	0.56	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	120.0	116.0	112.0	463.3	473.0	482.5
Total	110.2	122.2	115.4	111.1	458.9	115.3	120.0	116.0	112.0	463.3	473.0	482.5
SALES GROWTH, Y/Y %												
Group	0.4	17.7	11.7	17.6	11.5	4.6	-1.8	0.5	0.8	1.0	2.1	2.0
Total	0.4	17.7	11.7	17.6	11.5	4.6	-1.8	0.5	0.8	1.0	2.1	2.0
EBIT, EURm												
Group	5.7	12.4	12.9	8.5	39.5	13.6	9.8	8.7	7.8	39.9	35.5	36.2
Total	5.7	12.4	12.9	8.5	39.5	13.6	9.8	8.7	7.8	39.9	35.5	36.2
EBIT margin, %												
Group	5.2	10.1	11.2	7.7	8.6	11.8	8.2	7.5	7.0	8.6	7.5	7.5
Total	5.2	10.1	11.2	7.7	8.6	11.8	8.2	7.5	7.0	8.6	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	463.3	473.0	482.5
<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>1.0</i>	<i>2.1</i>	<i>2.0</i>
EBITDA	44.1	34.3	25.6	33.6	60.9	59.8	56.0	55.1
<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>12.9</i>	<i>11.8</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	39.9	35.5	36.2
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	39.9	35.5	36.2
<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>8.6</i>	<i>7.5</i>	<i>7.5</i>
Reported EBIT	25.6	15.0	4.6	8.1	39.5	39.9	35.5	36.2
<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>8.6</i>	<i>7.5</i>	<i>7.5</i>
Net financials	-3.2	-2.6	-5.6	-6.0	-5.6	1.1	-1.5	-0.7
Pre-tax profit	22.4	12.4	-1.0	2.1	33.9	41.0	34.0	35.4
Taxes	-7.2	2.0	-0.8	-1.9	-3.8	-8.1	-7.1	-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	32.8	26.8	28.0
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	41	66
Total assets	316	326	338	316	317	308	306	329
Liabilities								
Shareholder's equity	126	136	131	131	146	173	193	214
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	24	0	0
Non-interest bearing current liabilities	65	63	75	66	55	74	76	77
Other interest-free debt	2	1	3	3	3	3	3	3
Total liabilities	316	326	338	316	317	308	306	329
CASH FLOW, EURm								
+ EBITDA	44	34	26	34	61	60	56	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	54	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	41	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	-56	-23	0
Change in cash	-26	-3	-3	1	25	-21	4	25

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	258	119	153	296	352	352	352
Net debt (excl. convertibles)	76	83	70	40	4	-22	-47
Enterprise value	333	203	223	336	357	330	305
Sales	426	431	411	459	463	473	482
EBITDA	34	26	34	61	60	56	55
EBIT	15	5	8	40	40	35	36
Pre-tax	12	-1	2	34	41	34	35
Earnings	14	-2	0	30	33	27	28
Equity book value (excl. minorities)	136	131	131	146	173	193	214
Valuation multiples							
EV/sales	0.8	0.5	0.5	0.7	0.8	0.7	0.6
EV/EBITDA	9.7	7.9	6.6	5.5	6.0	5.9	5.5
EV/EBITA	22.2	44.1	27.5	8.5	8.9	9.3	8.4
EV/EBIT	22.2	44.1	27.5	8.5	8.9	9.3	8.4
EV/OCF	17.3	7.2	8.9	6.7	6.6	7.1	6.6
EV/FCFF	-29.4	11.7	12.3	7.4	8.8	9.5	9.3
P/FCFE	-18.0	9.0	10.8	7.7	8.5	10.6	11.1
P/E	17.8	-69.4	766.1	9.8	10.7	13.1	12.6
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	6.7	6.7	6.3
Target EV/EBIT	0.0	0.0	0.0	0.0	10.0	10.5	9.6
Target EV/FCF	0.0	0.0	0.0	0.0	9.7	11.3	11.0
Target P/B	0.0	0.0	0.0	0.0	2.3	2.0	1.8
Target P/E	0.0	0.0	0.0	0.0	12.1	14.8	14.1
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	0.56	0.46	0.48
Operating cash flow per share	0.33	0.48	0.43	0.86	0.93	0.80	0.79
Free cash flow per share	-0.25	0.23	0.24	0.66	0.71	0.57	0.55
Book value per share	2.34	2.24	2.24	2.50	2.97	3.32	3.68
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	19.5	26.0	27.0
Dividend yield, %	2.5	0.0	1.9	1.7	1.8	2.0	2.1
FCF yield, %	-5.6	11.1	9.2	12.9	11.7	9.4	9.0
Efficiency measures							
ROE	11.0	-1.3	0.2	21.8	20.6	14.7	13.7
ROCE	6.2	1.9	3.4	16.6	17.4	16.7	16.3
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	0.1	-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	56.2	63.1	65.1
Gearing, %	55.6	63.7	53.3	27.3	2.6	-11.6	-22.0

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	%
Ahlstrom Capital Bv	13,953,357	84.418	24.0%
Oy Etra Invest Ab	8,700,000	52.635	14.9%
Nordea Nordic Small Cap Fund	3,415,147	20.662	5.9%
Ilmarinen Mutual Pension Insurance Company	3,046,892	18.434	5.2%
Mandatum Life Insurance Company Limited	2,834,508	17.149	4.9%
Nordea Life Assurance Finland Ltd.	2,462,591	14.899	4.2%
Tiiviste-Group Oy	2,100,000	12.705	3.6%
Elo Mutual Pension Insurance Company	1,944,651	11.765	3.3%
Varma Mutual Pension Insurance Company	1,689,751	10.223	2.9%
Oy H. Kuningas & Co Ab	1,567,416	9.483	2.7%
Ten largest	41,714,313	252.372	72%
Residual	16,544,906	100.097	28%
Total	58,259,219	352.468	100%

EARNINGS CALENDAR

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

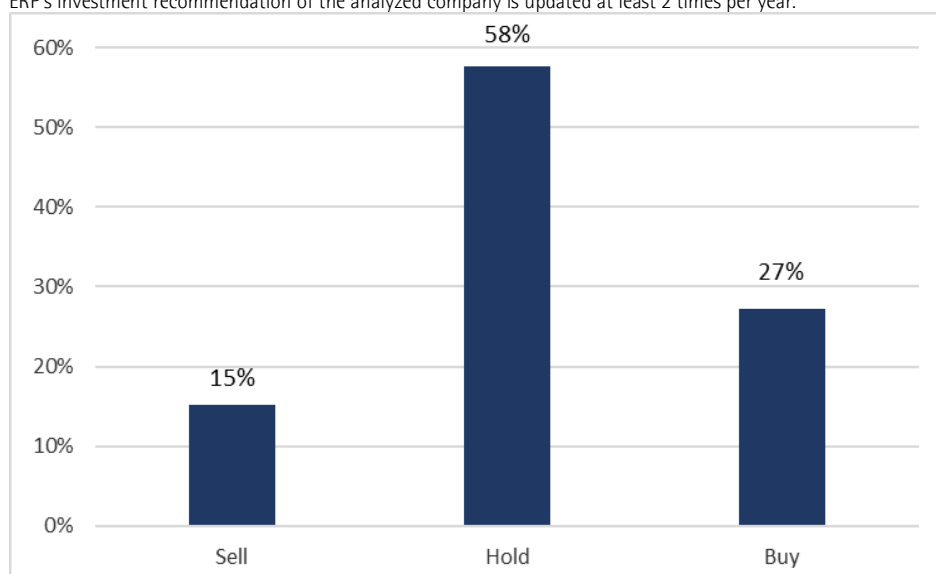
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Investment recommendations are defined as follows:

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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