

## Improvement potential beyond H2'21

Suominen releases Q3 results on Oct 28. The company issued a negative profit warning just before the release of its Q2 report; we make no changes to our lowered estimates ahead of the Q3 report.

### We leave our estimates unchanged for now

Suominen's Q2 was still good in terms of revenue and profitability, although the US inventory pile-up already began to have an effect and led to some top line softness. Americas' Q2 revenue declined by 13% y/y and thus Suominen's EUR 114m top line fell short of the EUR 120m estimates (Europe still grew by 3% y/y). Suominen's gross margin however remained a strong 14.7%, which helped the company to reach EUR 15.3m in EBITDA, in other words somewhat above estimates. We revised our H2'21 as well as FY '22 estimates down, and we leave our estimates unchanged ahead of the report. We still expect Americas' Q3 revenue to have dipped by 24% y/y; we estimate 6% y/y drop for Europe. We estimate Q3 EBITDA at EUR 9.5m.

### Focus will be on the US volume recovery from Q4 onwards

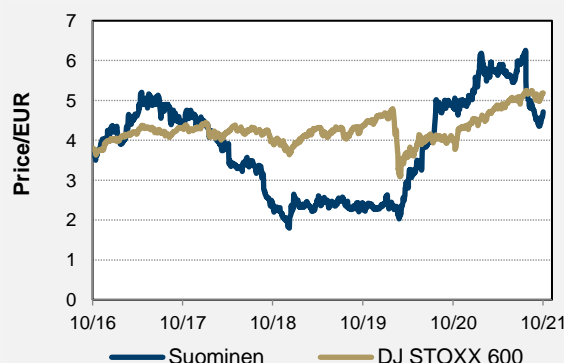
We see Suominen H2'21 revenue down by 16% y/y. The effect, when combined with our estimated ca. 400bps y/y softening in gross margin, is a EUR 12m y/y decrease in H2'21 EBITDA to EUR 19.6m. We find raw materials prices relevant for Suominen did not gain that much during Q3, at least compared to the surge seen in Q2. The Q3 report's focus will be on how the US inventory situation looks now and to what extent the supply jam can be expected to dissolve by the end of Q4. We also expect Suominen to have either completed or to be near completing the announced investments in Italy and the US.

### Some y/y softness in FY '22 EBITDA due to strong H1'21

We estimate FY '22 revenue at EUR 431m, which implies on average 13% higher quarterly revenue going forward from H2'21. We expect this growth to help operating margins up by ca. 100bps from our estimated Q4'21 levels, and we therefore estimate FY '22 EBITDA at EUR 48.5m, down by some EUR 5m y/y. Suominen is now valued around 5.5x EV/EBITDA and 9x EV/EBIT on our FY '21-22 estimates. We consider these levels very modest despite the uncertainties related to volumes and gross margins. We retain our EUR 6 TP and BUY rating.

Rating

**BUY**



Share price, EUR (Last trading day's closing price) 4.71  
Target price, EUR 6.0

Latest change in 25-Jun-20  
Latest report on company 16-Aug-21  
Research paid by issuer: YES  
No. of shares outstanding, 58,259  
No. of shares fully diluted, 58,259  
Market cap, EURm 274  
Free float, % 62.7  
Exchange rate EUR/USD 1.17  
Reuters code SUY1V.HE  
Bloomberg code SUY1V FH  
Average daily volume, EURm 0.2  
Next interim report 28-Oct-21  
Web site [www.suominen.fi/en/investors/](http://www.suominen.fi/en/investors/)

Analyst Joonas Ilvonen  
E-mail [joonas.ilvonen@evli.com](mailto: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	420.0	33.5	8.0%	39.9	0.45	10.5	0.7	8.4	14.6	0.11
2022E	431.0	28.0	6.5%	27.1	0.36	13.1	0.6	9.3	9.9	0.12
2023E	439.6	30.8	7.0%	27.6	0.41	11.6	0.5	7.8	10.1	0.13
Market cap, EURm	274		Gearing 2021E, %		3.5		CAGR EPS 2020-23, %		-7.6	
Net debt 2021E, EURm	6		Price/book 2021E		1.7		CAGR sales 2020-23, %		-1.4	
Enterprise value, EURm	280		Dividend yield 2021E, %		2.3		ROE 2021E, %		16.8	
Total assets 2021E, EURm	292		Tax rate 2021E, %		21.9		ROCE 2021E, %		14.9	
Goodwill 2021E, EURm	15		Equity ratio 2021E, %		56.9		PEG, P/E 21/CAGR		-58.8	

**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	2021 Q2	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>115</b>	<b>114</b>	<b>96</b>	<b>95</b>	<b>420</b>
growth, %		8 %	11 %	-6 %	2 %	1 %	-5 %	0 %	18 %	11 %	18 %	12 %	5 %	-7 %	-17 %	-14 %	-8 %
<b>Geography</b>																	
Europe	150	153	172	171	174	171	150	37	45	44	44	170	43	46	41	40	171
Americas	224	249	272	246	252	260	262	73	77	72	67	289	72	67	55	55	249
COGS	-334	-352	-386	-365	-384	-400	-377	-97	-103	-96	-94	-389	-95	-97	-84	-83	-359
Gross Profit	40	50	58	52	42	31	37	13.3	19.5	19.7	17.3	70	20.2	16.7	11.5	12.4	61
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 %	14.7 %	12.0 %	13.0 %	14.5 %
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	-7.5	-7.3	-7.3	-29.3
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	1.1	0.3	0.0	2.0
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	4.5	5.1	33.4
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>13.6</b>	<b>10.3</b>	<b>4.5</b>	<b>5.1</b>	<b>33.4</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>11.8 %</b>	<b>9.1 %</b>	<b>4.7 %</b>	<b>5.3 %</b>	<b>8.0 %</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	-4.9	-5.0	-5.0	-5.0	-19.9
<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>18.5</b>	<b>15.3</b>	<b>9.5</b>	<b>10.1</b>	<b>53.4</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>16.1 %</b>	<b>13.5 %</b>	<b>9.9 %</b>	<b>10.6 %</b>	<b>12.7 %</b>

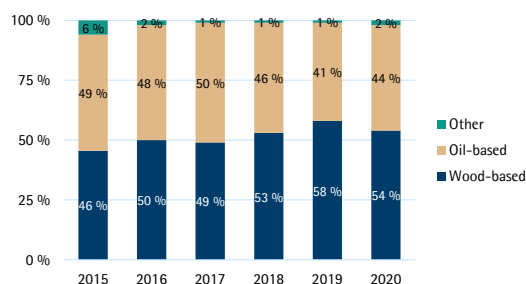
Source: Suominen, Evli Research

SUOMINEN PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		20	21	22	20	21	22	20	21	22
Ahlstrom-Munksjo		8.5x			18.2x			6.1 %		
Berry Global Group	7667	8.0x	8.1x	7.9x	12.9x	12.9x	12.4x	11.1 %	10.4 %	10.7 %
Kimberly-Clark	38058	12.5x	13.8x	12.5x	15.4x	17.6x	15.8x	18.7 %	15.7 %	17.0 %
N.R. Spuntech Industries	145									
Neenah	726	11.3x	10.5x	7.7x	17.2x	94.4x	10.9x	8.1 %	1.4 %	11.2 %
Glatfelter	621	7.8x	8.8x	7.9x	13.3x	16.3x	13.5x	7.7 %	6.9 %	8.0 %
PFNonwovens										
Peer Group Average	9443	9.6x	10.3x	9.0x	15.4x	35.3x	13.1x	10.4 %	8.6 %	11.7 %
Peer Group Median	726	8.5x	9.6x	7.9x	15.4x	16.9x	12.9x	8.1 %	8.7 %	11.0 %
<b>Suominen (Evli est.)</b>	<b>274</b>	<b>5.5x</b>	<b>5.3x</b>	<b>5.3x</b>	<b>8.5x</b>	<b>8.4x</b>	<b>9.3x</b>	<b>8.6 %</b>	<b>8.0 %</b>	<b>6.5 %</b>

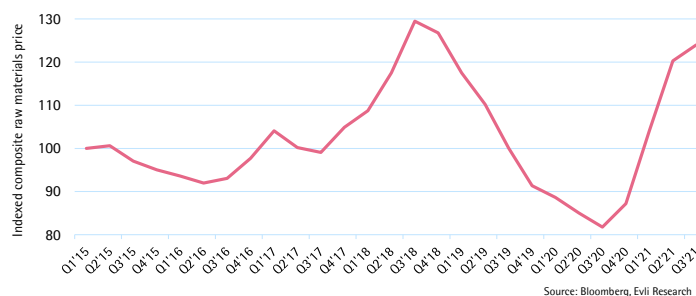
Suominen prem./disc. to peer median

-35 %   -45 %   -33 %   -45 %   -50 %   -28 %   6 %   -8 %   -41 %

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	4.71 PV of Free Cash Flow	202 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	6.90 PV of Horizon value	242 WACC, %	7.9 Market risk premium, %
Share price potential, %	46.4 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	7.5 Marketable securities	58 Minimum WACC, %	7.4 Equity beta coefficient
Minimum value	6.3 Debt - dividend	-98 Maximum WACC, %	8.4 Target debt ratio, %
Horizon value, %	54.5 Value of stock	405 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	420	431	440	448	457	467	476	485	495	505	515
<i>Sales growth, %</i>	<i>11.5</i>	<i>-8.5</i>	<i>2.6</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	33	28	31	34	34	35	36	36	37	38	39
<i>Operating income margin, %</i>	<i>8.6</i>	<i>8.0</i>	<i>6.5</i>	<i>7.0</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	53	49	50	52	52	53	54	55	56	57	
- Paid taxes	-5	-7	-6	-6	-7	-7	-7	-7	-8	-8	-8	
- Change in NWC	-1	5	-1	-1	-1	-1	-1	-1	-1	-1	-1	
<i>NWC / Sales, %</i>	<i>8.3</i>	<i>7.8</i>	<i>7.8</i>	<i>7.8</i>	<i>7.8</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>	
+ 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	-19	
<i>opCAPEX / Sales, %</i>	<i>2.6</i>	<i>2.7</i>	<i>3.1</i>	<i>3.3</i>	<i>3.6</i>	<i>4.0</i>	<i>4.4</i>	<i>4.3</i>	<i>4.2</i>	<i>4.1</i>	<i>3.9</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	29	29	28	26	24	26	26	27	29	495
= Discounted FCFF		37	26	24	21	19	16	16	15	14	14	242
= DFCF min WACC		37	26	24	22	19	17	16	16	15	15	276
= DFCF max WACC		37	26	24	21	18	16	15	15	14	13	214

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	110.2	122.2	115.4	111.1	458.9	115.3	113.7	96.0	95.0	420.0	431.0	439.6
EBITDA	11.3	18.0	18.1	13.5	60.9	18.5	15.3	9.5	10.1	53.4	48.5	49.7
<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>13.4</i>	<i>9.9</i>	<i>10.6</i>	<i>12.7</i>	<i>11.3</i>	<i>11.3</i>
EBIT	5.7	12.4	12.9	8.5	39.5	13.6	10.3	4.5	5.1	33.5	28.0	30.8
<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>9.1</i>	<i>4.7</i>	<i>5.3</i>	<i>8.0</i>	<i>6.5</i>	<i>7.0</i>
Net financial items	-1.9	-1.9	-1.7	-0.1	-5.6	3.3	-1.6	-1.0	-0.6	0.1	-1.5	-0.7
Pre-tax profit	3.8	10.5	11.2	8.4	33.9	16.9	8.7	3.5	4.5	33.5	26.5	30.0
Tax	-0.2	-2.2	-0.2	-1.2	-3.8	-3.1	-2.6	-0.7	-0.9	-7.3	-5.6	-6.3
<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>29.7</i>	<i>21.0</i>	<i>21.0</i>	<i>21.9</i>	<i>21.0</i>	<i>21.0</i>
Net profit	3.6	8.3	11.0	7.2	30.1	13.8	6.1	2.8	3.5	26.2	21.0	23.7
EPS	0.06	0.14	0.19	0.12	0.52	0.24	0.10	0.05	0.06	0.45	0.36	0.41
EPS adjusted (diluted no. of shares)	0.06	0.14	0.19	0.12	0.52	0.24	0.10	0.05	0.06	0.45	0.36	0.41
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	115.3	113.7	96.0	95.0	420.0	431.0	439.6
Total	110.2	122.2	115.4	111.1	458.9	115.3	113.7	96.0	95.0	420.0	431.0	439.6
<b>SALES GROWTH, Y/Y %</b>												
Group	0.4	17.7	11.7	17.6	11.5	4.6	-7.0	-16.8	-14.5	-8.5	2.6	2.0
Total	0.4	17.7	11.7	17.6	11.5	4.6	-7.0	-16.8	-14.5	-8.5	2.6	2.0
<b>EBIT, EURm</b>												
Group	5.7	12.4	12.9	8.5	39.5	13.6	10.3	4.5	5.1	33.5	28.0	30.8
Total	5.7	12.4	12.9	8.5	39.5	13.6	10.3	4.5	5.1	33.5	28.0	30.8
<b>EBIT margin, %</b>												
Group	5.2	10.1	11.2	7.7	8.6	11.8	9.1	4.7	5.3	8.0	6.5	7.0
Total	5.2	10.1	11.2	7.7	8.6	11.8	9.1	4.7	5.3	8.0	6.5	7.0

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	416.9	426.0	431.1	411.4	458.9	420.0	431.0	439.6
<i>Sales growth (%)</i>	-6.1	2.2	1.2	-4.6	11.5	-8.5	2.6	2.0
EBITDA	44.1	34.3	25.6	33.6	60.9	53.4	48.5	49.7
<i>EBITDA margin (%)</i>	10.6	8.1	5.9	8.2	13.3	12.7	11.3	11.3
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	33.5	28.0	30.8
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	33.5	28.0	30.8
<i>EBIT margin (%)</i>	6.1	3.5	1.1	2.0	8.6	8.0	6.5	7.0
Reported EBIT	25.6	15.0	4.6	8.1	39.5	33.5	28.0	30.8
<i>EBIT margin (reported) (%)</i>	6.1	3.5	1.1	2.0	8.6	8.0	6.5	7.0
Net financials	-3.2	-2.6	-5.6	-6.0	-5.6	0.1	-1.5	-0.7
Pre-tax profit	22.4	12.4	-1.0	2.1	33.9	33.5	26.5	30.0
Taxes	-7.2	2.0	-0.8	-1.9	-3.8	-7.3	-5.6	-6.3
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	26.2	21.0	23.7
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	119	112	107
Goodwill	15	15	15	15	15	15	15	15
Right of use assets	0	0	17	16	18	16	17	17
Inventory	43	44	52	45	35	46	47	48
Receivables	56	66	63	61	61	57	58	60
Liquid funds	38	35	32	33	58	34	34	53
Total assets	316	326	338	316	317	292	288	304
Liabilities								
Shareholder's equity	126	136	131	131	146	166	181	198
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	16	17	17
Deferred taxes	11	15	12	12	13	13	13	13
Interest bearing debt	94	110	102	86	83	23	3	0
Non-interest bearing current liabilities	65	63	75	66	55	67	69	70
Other interest-free debt	2	1	3	3	3	3	3	3
Total liabilities	316	326	338	316	317	292	288	304
<b>CASH FLOW, EURm</b>								
+ EBITDA	44	34	26	34	61	53	49	50
- Net financial items	-3	-3	-6	-6	-6	0	-1	-1
- Taxes	-6	0	6	-2	-4	-7	-6	-6
- Increase in Net Working Capital	-6	-8	6	-1	-1	5	-1	-1
+/- Other	-2	-5	-3	0	0	0	0	0
= Cash flow from operations	26	19	28	25	50	51	41	42
- Capex	-50	-34	-15	-11	-12	-11	-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	40	27	28
+/- 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	-20	-2
Change in cash	-26	-3	-3	1	25	-24	1	18

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	258	119	153	296	274	274	274
Net debt (excl. convertibles)	76	83	70	40	6	-15	-36
Enterprise value	333	203	223	336	280	259	239
Sales	426	431	411	459	420	431	440
EBITDA	34	26	34	61	53	49	50
EBIT	15	5	8	40	33	28	31
Pre-tax	12	-1	2	34	34	27	30
Earnings	14	-2	0	30	26	21	24
Equity book value (excl. minorities)	136	131	131	146	166	181	198
<b>Valuation multiples</b>							
EV/sales	0.8	0.5	0.5	0.7	0.7	0.6	0.5
EV/EBITDA	9.7	7.9	6.6	5.5	5.3	5.3	4.8
EV/EBITA	22.2	44.1	27.5	8.5	8.4	9.3	7.8
EV/EBIT	22.2	44.1	27.5	8.5	8.4	9.3	7.8
EV/OCF	17.3	7.2	8.9	6.7	5.4	6.4	5.7
EV/FCFF	-29.4	11.7	12.3	7.4	7.3	9.0	8.4
P/FCFE	-18.0	9.0	10.8	7.7	6.9	10.1	9.9
P/E	17.8	-69.4	766.1	9.8	10.5	13.1	11.6
P/B	1.9	0.9	1.2	2.0	1.7	1.5	1.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	6.7	6.9	6.3
Target EV/EBIT	0.0	0.0	0.0	0.0	10.6	11.9	10.2
Target EV/FCF	0.0	0.0	0.0	0.0	8.9	12.3	11.4
Target P/B	0.0	0.0	0.0	0.0	2.1	1.9	1.8
Target P/E	0.0	0.0	0.0	0.0	13.4	16.7	14.7
<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	0.45	0.36	0.41
Operating cash flow per share	0.33	0.48	0.43	0.86	0.88	0.70	0.72
Free cash flow per share	-0.25	0.23	0.24	0.66	0.69	0.47	0.47
Book value per share	2.34	2.24	2.24	2.50	2.85	3.10	3.39
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	24.5	33.3	31.9
Dividend yield, %	2.5	0.0	1.9	2.0	2.3	2.5	2.8
FCF yield, %	-5.6	11.1	9.2	12.9	14.6	9.9	10.1
<b>Efficiency measures</b>							
ROE	11.0	-1.3	0.2	21.8	16.8	12.1	12.5
ROCE	6.2	1.9	3.4	16.6	14.9	13.8	14.8
<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	7.8	7.8	7.8
Operative CAPEX/sales, %	7.9	3.5	2.6	2.6	2.7	3.1	3.3
CAPEX/sales (incl. acquisitions), %	7.9	3.5	2.6	2.6	2.7	3.1	3.3
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	-0.3	-0.7
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	56.9	62.7	65.0
Gearing, %	55.6	63.7	53.3	27.3	3.5	-8.3	-18.0

**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	65.720	24.0%
Oy Etra Invest Ab	8,700,000	40.977	14.9%
Nordea Nordic Small Cap Fund	3,415,147	16.085	5.9%
Ilmarinen Mutual Pension Insurance Company	3,046,892	14.351	5.2%
Mandatum Life Insurance Company Limited	2,834,508	13.351	4.9%
Nordea Life Assurance Finland Ltd.	2,462,591	11.599	4.2%
Tiiviste-Group Oy	2,100,000	9.891	3.6%
Elo Mutual Pension Insurance Company	1,944,651	9.159	3.3%
Varma Mutual Pension Insurance Company	1,689,751	7.959	2.9%
Oy H. Kuningas & Co Ab	1,567,416	7.383	2.7%
Ten largest	41,714,313	196.474	72%
Residual	16,544,906	77.927	28%
Total	58,259,219	274.401	100%

**EARNINGS CALENDAR**

October 28, 2021

Q3 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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		



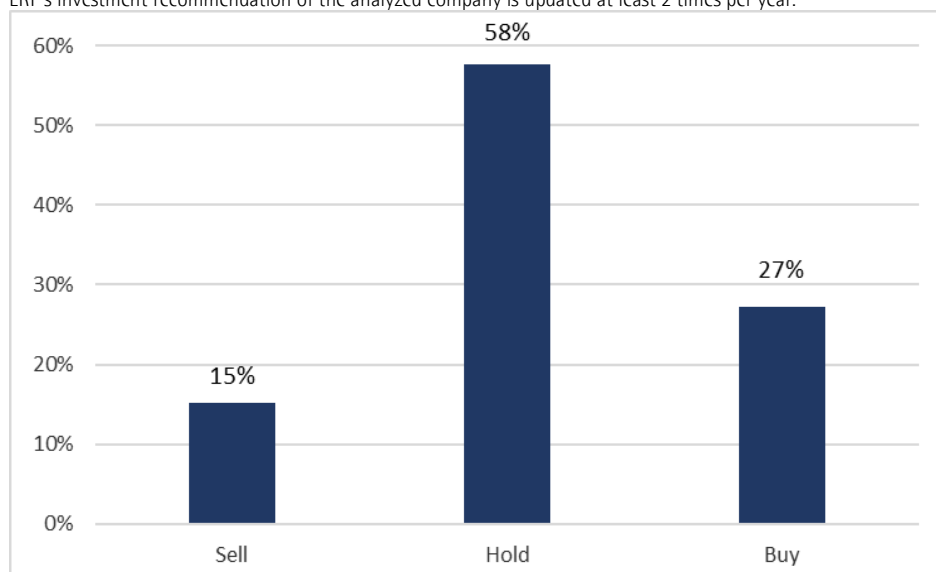
## Important Disclosures

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 [21.10.2021, 9:25]. This report has been published on [21.10.2021, 9:40].

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
Teemu Reiman	+358 40 352 6175

**Evli Investment Solutions**

Johannes Asuja	+358 9 4766 9205
----------------	------------------



**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