

Improving after weak Q1

Suominen reports Q1 results on May 4. We revise our H1'22 profitability estimates down a bit due to higher raw materials and energy prices, yet we continue to expect significant improvement for H2'22.

Q1 wasn't great, but Q2 will already be much better

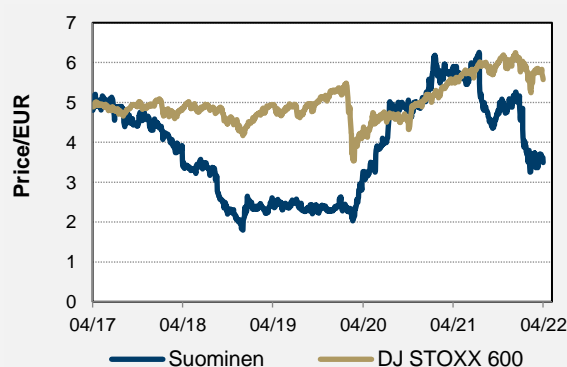
Suominen flagged in its Q4 report Q1 demand to be again on the low side as certain customers, particularly in the US, still suffer from destocking. We see no changes to this Q1 picture. Some logistics bottlenecks likely continue to persist, although in general pandemic disruptions are subsiding. We also believe wiping demand remains structurally above the pre-pandemic level, including in categories like hard surface disinfecting wipes and moist toilet tissue, and hence top line and margins should again improve after a muted Q1. Margins are to rebound from the recent lows as Suominen has in the past few years tilted towards mechanism pricing, which helps now when raw materials prices stay high. Suominen has had no meaningful Russian sales or sourcing, but the war affects the European plants' profitability through higher energy costs. Suominen has implemented an energy surcharge on all European products (there have been no major energy issues in the US). This will not save Q1 results, but we understand the customers have accepted the surcharge well and it supports margins from Q2 onwards.

We estimate significant profitability improvement for H2

We make only small estimate changes on an annual level. We now expect FY '22 revenue to top the record FY '20 figure; we however estimate profitability to be some EUR 20m below the respective figure especially due to muted H1. We revise our Q1 EBITDA estimate to EUR 4.8m (prev. EUR 5.8m) as Suominen's mechanism pricing and energy surcharge lag the inflation seen early this year. We see H1'22 EBITDA down by 57% y/y, however we estimate H2'22 EBITDA to increase by 92% y/y and 75% h/h.

Valuation is by no means challenging on our estimates

Suominen is valued 5.5x EV/EBITDA and 11x EV/EBIT on our FY '22 estimates. In our view these aren't very high levels and would be down to about 4x and 6.5x in FY '23 if profitability continues to improve as we expect. We revise our TP down to EUR 4 (5) as higher raw materials and energy prices have elevated uncertainty around the estimates, but we retain our BUY rating.

 Rating BUY

 Share price, EUR (Last trading day's closing price) 3.49

 Target price, EUR 4.0

 Latest change in 25-Jun-20

 Latest report on company 04-Feb-22

 Research paid by issuer: YES

 No. of shares outstanding, 58,259

 No. of shares fully diluted, 58,259

 Market cap, EURm 203

 Free float, % 62.7

 Exchange rate EUR/USD 1.07

 Reuters code SUY1V.HE

 Bloomberg code SUY1V FH

 Average daily volume, EURm 0.2

 Next interim report 04-May-22

 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 |
|--------------------------|---------------|--------------|-----------|-------------------------|------------|------------|-----------------|-----------------------|----------------|------------|
| 2020 | 458.9 | 39.5 | 8.6% | 38.3 | 0.52 | 9.8 | 0.7 | 8.5 | 12.9 | 0.20 |
| 2021 | 443.2 | 26.9 | 6.1% | 3.5 | 0.36 | 14.6 | 0.8 | 12.9 | 1.2 | 0.20 |
| 2022E | 462.0 | 19.8 | 4.3% | 45.0 | 0.25 | 14.0 | 0.5 | 10.9 | 22.1 | 0.20 |
| 2023E | 475.9 | 30.9 | 6.5% | 27.8 | 0.40 | 8.7 | 0.4 | 6.4 | 13.7 | 0.20 |
| 2024E | 487.8 | 34.1 | 7.0% | 30.3 | 0.45 | 7.8 | 0.4 | 5.3 | 14.9 | 0.20 |
| Market cap, EURm | 203 | | | Gearing 2022E, % | 7.0 | | | CAGR EPS 2021-24, % | 8.1 | |
| Net debt 2022E, EURm | 12 | | | Price/book 2022E | 1.2 | | | CAGR sales 2021-24, % | 3.2 | |
| Enterprise value, EURm | 215 | | | Dividend yield 2022E, % | 5.7 | | | ROE 2022E, % | 8.8 | |
| Total assets 2022E, EURm | 308 | | | Tax rate 2022E, % | 21.0 | | | ROCE 2022E, % | 7.6 | |
| Goodwill 2022E, EURm | 15 | | | Equity ratio 2022E, % | 53.8 | | | PEG, P/E 22/CAGR | 0.5 | |

Estimates and peer group valuation

| Suominen EURm | 2013 FY | 2014 FY | 2015 FY | 2016 FY | 2017 FY | 2018 FY | 2019 FY | 2020 FY | 2021 Q1 | 2021 Q2 | 2021 Q3 | 2021 Q4 | 2021E FY | 2022E Q1E | 2022E Q2E | 2022E Q3E | 2022E Q4E | 2022E FY |
|------------------------|--------------|---------------|---------------|---------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|--------------|---------------|---------------|--------------|---------------|---------------|--------------|
| Revenue | 374 | 402 | 444 | 417 | 426 | 431 | 411 | 459 | 115 | 114 | 99 | 116 | 443 | 109 | 119 | 114 | 120 | 462 |
| growth, % | | 8 % | 11 % | -6 % | 2 % | 1 % | -5 % | 12 % | 5 % | -7 % | -14 % | 4 % | -3 % | -5 % | 5 % | 16 % | 4 % | 4 % |
| Geography | | | | | | | | | | | | | | | | | | |
| Europe | 150 | 153 | 172 | 171 | 174 | 171 | 150 | 170 | 43 | 46 | 42 | 47 | 178 | 45 | 49 | 47 | 49 | 190 |
| Americas | 224 | 249 | 272 | 246 | 252 | 260 | 262 | 289 | 72 | 67 | 57 | 69 | 265 | 64 | 70 | 67 | 71 | 272 |
| COGS | -334 | -352 | -386 | -365 | -384 | -400 | -377 | -389 | -95 | -97 | -93 | -107 | -392 | -102 | -107 | -100 | -104 | -413 |
| Gross Profit | 40 | 50 | 58 | 52 | 42 | 31 | 37 | 70 | 202 | 167 | 55 | 84 | 51 | 71 | 119 | 143 | 156 | 49 |
| Gross-% | 10.7 % | 12.4 % | 13.1 % | 12.5 % | 9.9 % | 7.3 % | 9.0 % | 15.2 % | 17.5 % | 14.7 % | 5.5 % | 7.3 % | 11.5 % | 6.5 % | 10.0 % | 12.5 % | 13.0 % | 10.6 % |
| SGA & R&D | -22.4 | -24.6 | -28.0 | -27.9 | -28.9 | -29.2 | -30.6 | -30.7 | -7.2 | -7.5 | -6.7 | -7.5 | -28.9 | -7.3 | -7.3 | -7.3 | -7.3 | -29.0 |
| Other | 1.7 | 0.8 | 1.8 | 1.3 | 1.7 | 2.5 | 1.8 | 0.4 | 0.6 | 1.1 | 0.4 | 2.9 | 5.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT | 18.9 | 25.9 | 31.8 | 25.6 | 15.0 | 4.6 | 8.1 | 39.5 | 13.6 | 10.3 | -0.8 | 3.9 | 26.9 | -0.2 | 4.7 | 7.0 | 8.4 | 19.8 |
| 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 | 0.0 |
| EBIT ex IAC | 19.4 | 26.9 | 31.2 | 25.6 | 15.0 | 4.6 | 8.1 | 39.5 | 13.6 | 10.3 | -0.8 | 3.9 | 26.9 | -0.2 | 4.7 | 7.0 | 8.4 | 19.8 |
| EBIT-% ex IAC | 5.2 % | 6.7 % | 7.0 % | 6.1 % | 3.5 % | 1.1 % | 2.0 % | 8.6 % | 11.8 % | 9.1 % | -0.9 % | 3.4 % | 6.1 % | -0.2 % | 3.9 % | 6.1 % | 7.0 % | 4.3 % |
| Depreciation | -13.9 | -15.6 | -17.7 | -18.5 | -19.4 | -21.0 | -25.5 | -21.4 | -4.9 | -5.0 | -5.1 | -5.1 | -20.1 | -5.0 | -5.0 | -5.0 | -5.0 | -20.0 |
| EBITDA ex IAC | 33.3 | 42.5 | 48.9 | 44.2 | 34.3 | 25.6 | 33.6 | 60.9 | 18.5 | 15.3 | 4.2 | 9.0 | 47.0 | 4.8 | 9.7 | 12.0 | 13.4 | 39.8 |
| EBITDA-% ex IAC | 8.9 % | 10.6 % | 11.0 % | 10.6 % | 8.1 % | 5.9 % | 8.2 % | 13.3 % | 16.1 % | 13.5 % | 4.3 % | 7.8 % | 10.6 % | 4.4 % | 8.1 % | 10.5 % | 11.1 % | 8.6 % |

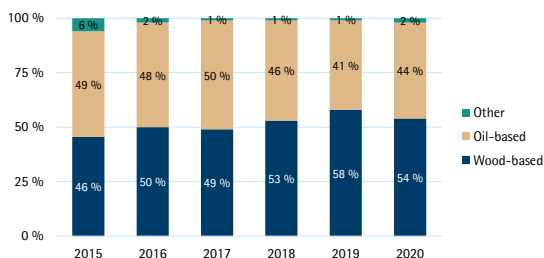
Source: Suominen, Evli Research

| SUOMINEN PEER GROUP | MCAP MEUR | EV/EBITDA | | | EV/EBIT | | | EBIT-% | | |
|--------------------------|-----------|-----------|-------|-------|---------|-------|-------|--------|--------|--------|
| | | 22 | 23 | 24 | 22 | 23 | 24 | 22 | 23 | 24 |
| Ahlstrom-Munksjo | 7048 | 7.6x | 7.2x | 7.0x | 11.8x | 10.6x | 10.4x | 9.7 % | 10.7 % | 10.8 % |
| Berry Global Group | 44030 | 15.8x | 14.0x | 13.1x | 20.5x | 17.5x | 16.4x | 13.6 % | 15.5 % | 16.1 % |
| Kimberly-Clark | 117 | | | | | | | | | |
| N.R. Spuntech Industries | 575 | 7.9x | 6.2x | | 12.1x | 8.9x | | 8.0 % | 10.4 % | |
| Nee Nah | 472 | 7.8x | 5.4x | | 16.9x | 9.2x | | 4.6 % | 8.1 % | |
| Glatfelter | | | | | | | | | | |
| PFNonwovens | | | | | | | | | | |
| Peer Group Average | 10449 | 9.8x | 8.2x | 10.0x | 15.3x | 11.6x | 13.4x | 9.0 % | 11.2 % | 13.4 % |
| Peer Group Median | 575 | 7.8x | 6.7x | 10.0x | 14.5x | 9.9x | 13.4x | 8.9 % | 10.5 % | 13.4 % |
| Suominen (Evli est.) | 203 | 5.4x | 3.9x | 3.2x | 10.8x | 6.4x | 5.3x | 4.3 % | 6.5 % | 7.0 % |

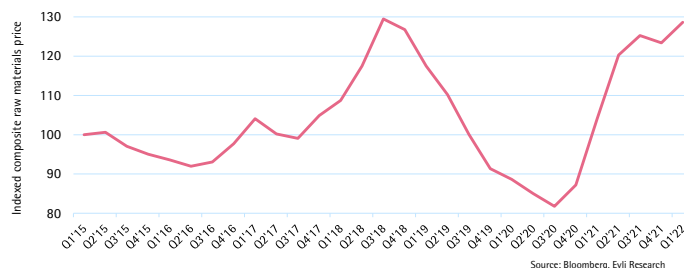
Suominen prem./disc. to peer median

-31 % -42 % -68 % -25 % -35 % -61 % -52 % -38 % -48 %

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 | 3.49 PV of Free Cash Flow | 224 Long-term growth, % | 2.0 Risk-free interest rate, % | 2.25 |
| DCF share value | 6.97 PV of Horizon value | 227 WACC, % | 7.9 Market risk premium, % | 5.8 |
| Share price potential, % | 99.7 Unconsolidated equity | 0 Spread, % | 0.5 Debt risk premium, % | 2.8 |
| Maximum value | 7.6 Marketable securities | 101 Minimum WACC, % | 7.4 Equity beta coefficient | 1.00 |
| Minimum value | 6.4 Debt - dividend | -146 Maximum WACC, % | 8.4 Target debt ratio, % | 20 |
| Horizon value, % | 50.4 Value of stock | 406 Nr of shares, Mn | 58.3 Effective tax rate, % | 28 |

| DCF valuation, EURm | 2021 | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | Horizon |
|-----------------------------------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| Net sales | 443 | 462 | 476 | 488 | 498 | 507 | 518 | 528 | 539 | 549 | 560 | 571 |
| <i>Sales growth, %</i> | -3.4 | 4.2 | 3.0 | 2.5 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Operating income (EBIT) | 27 | 20 | 31 | 34 | 37 | 38 | 39 | 40 | 40 | 41 | 42 | 43 |
| <i>Operating income margin, %</i> | 6.1 | 4.3 | 6.5 | 7.0 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 |
| + Depreciation+amort. | 20 | 20 | 20 | 22 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| EBITDA | 47 | 40 | 51 | 56 | 58 | 58 | 59 | 60 | 60 | 61 | 62 | |
| - Paid taxes | -3 | -4 | -6 | -7 | -8 | -8 | -8 | -8 | -8 | -9 | -9 | |
| - Change in NWC | -25 | 24 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | |
| <i>NWC / Sales, %</i> | 14.1 | 8.3 | 8.3 | 8.3 | 8.3 | 8.3 | 8.3 | 8.3 | 8.3 | 8.3 | 8.3 | |
| + Change in other liabs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| - Operative CAPEX | -18 | -13 | -14 | -16 | -18 | -20 | -20 | -20 | -20 | -20 | -25 | |
| <i>opCAPEX / Sales, %</i> | 3.6 | 3.0 | 3.0 | 3.4 | 3.7 | 4.0 | 3.9 | 3.9 | 3.8 | 3.7 | 4.5 | |
| - 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 | 2 | 47 | 29 | 31 | 31 | 29 | 30 | 30 | 31 | 32 | 28 | 475 |
| = Discounted FCFF | | 44 | 26 | 26 | 23 | 20 | 19 | 18 | 17 | 16 | 13 | 227 |
| = DFCF min WACC | | 45 | 26 | 26 | 24 | 21 | 20 | 19 | 18 | 17 | 14 | 260 |
| = DFCF max WACC | | 44 | 26 | 25 | 23 | 20 | 19 | 18 | 17 | 16 | 13 | 200 |

INTERIM FIGURES

| EVLI ESTIMATES, EURm | 2021Q1 | 2021Q2 | 2021Q3 | 2021Q4 | 2021 | 2022Q1E | 2022Q2E | 2022Q3E | 2022Q4E | 2022E | 2023E | 2024E |
|--------------------------------------|-------------|-------------|-------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net sales | 115.3 | 113.7 | 98.6 | 115.6 | 443.2 | 109.0 | 119.0 | 114.0 | 120.0 | 462.0 | 475.9 | 487.8 |
| EBITDA | 18.5 | 15.3 | 4.3 | 8.9 | 47.0 | 4.8 | 9.7 | 12.0 | 13.4 | 39.8 | 50.9 | 55.7 |
| <i>EBITDA margin (%)</i> | <i>16.1</i> | <i>13.4</i> | <i>4.4</i> | <i>7.7</i> | <i>10.6</i> | <i>4.4</i> | <i>8.2</i> | <i>10.5</i> | <i>11.1</i> | <i>8.6</i> | <i>10.7</i> | <i>11.4</i> |
| EBIT | 13.6 | 10.3 | -0.8 | 3.8 | 26.9 | -0.2 | 4.7 | 7.0 | 8.4 | 19.8 | 30.9 | 34.1 |
| <i>EBIT margin (%)</i> | <i>11.8</i> | <i>9.1</i> | <i>-0.8</i> | <i>3.3</i> | <i>6.1</i> | <i>-0.2</i> | <i>3.9</i> | <i>6.1</i> | <i>7.0</i> | <i>4.3</i> | <i>6.5</i> | <i>7.0</i> |
| Net financial items | 3.3 | -1.6 | -1.0 | -1.1 | -0.4 | -0.4 | -0.4 | -0.4 | -0.4 | -1.5 | -1.2 | -1.0 |
| Pre-tax profit | 16.9 | 8.7 | -1.8 | 2.7 | 26.5 | -0.6 | 4.3 | 6.6 | 8.0 | 18.3 | 29.7 | 33.1 |
| Tax | -3.1 | -2.6 | 0.1 | -0.2 | -5.8 | 0.1 | -0.9 | -1.4 | -1.7 | -3.8 | -6.2 | -7.0 |
| <i>Tax rate (%)</i> | <i>18.3</i> | <i>29.7</i> | <i>6.6</i> | <i>9.2</i> | <i>21.9</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 | 13.8 | 6.1 | -1.6 | 2.5 | 20.7 | -0.4 | 3.4 | 5.2 | 6.3 | 14.5 | 23.5 | 26.2 |
| EPS | 0.24 | 0.10 | -0.03 | 0.04 | 0.36 | -0.01 | 0.06 | 0.09 | 0.11 | 0.25 | 0.40 | 0.45 |
| EPS adjusted (diluted no. of shares) | 0.24 | 0.10 | -0.03 | 0.04 | 0.36 | -0.01 | 0.06 | 0.09 | 0.11 | 0.25 | 0.40 | 0.45 |
| Dividend per share | 0.00 | 0.00 | 0.00 | 0.00 | 0.20 | 0.00 | 0.00 | 0.00 | 0.00 | 0.20 | 0.20 | 0.20 |
| SALES, EURm | | | | | | | | | | | | |
| Group | 115.3 | 113.7 | 98.6 | 115.6 | 443.2 | 109.0 | 119.0 | 114.0 | 120.0 | 462.0 | 475.9 | 487.8 |
| Total | 115.3 | 113.7 | 98.6 | 115.6 | 443.2 | 109.0 | 119.0 | 114.0 | 120.0 | 462.0 | 475.9 | 487.8 |
| SALES GROWTH, Y/Y % | | | | | | | | | | | | |
| Group | 4.6 | -7.0 | -14.6 | 4.1 | -3.4 | -5.5 | 4.7 | 15.6 | 3.8 | 4.2 | 3.0 | 2.5 |
| Total | 4.6 | -7.0 | -14.6 | 4.1 | -3.4 | -5.5 | 4.7 | 15.6 | 3.8 | 4.2 | 3.0 | 2.5 |
| EBIT, EURm | | | | | | | | | | | | |
| Group | 13.6 | 10.3 | -0.8 | 3.8 | 26.9 | -0.2 | 4.7 | 7.0 | 8.4 | 19.8 | 30.9 | 34.1 |
| Total | 13.6 | 10.3 | -0.8 | 3.8 | 26.9 | -0.2 | 4.7 | 7.0 | 8.4 | 19.8 | 30.9 | 34.1 |
| EBIT margin, % | | | | | | | | | | | | |
| Group | 11.8 | 9.1 | -0.8 | 3.3 | 6.1 | -0.2 | 3.9 | 6.1 | 7.0 | 4.3 | 6.5 | 7.0 |
| Total | 11.8 | 9.1 | -0.8 | 3.3 | 6.1 | -0.2 | 3.9 | 6.1 | 7.0 | 4.3 | 6.5 | 7.0 |

| INCOME STATEMENT, EURm | 2017 | 2018 | 2019 | 2020 | 2021 | 2022E | 2023E | 2024E |
|--|------------|------------|-------------|-------------|-------------|------------|-------------|-------------|
| Sales | 426.0 | 431.1 | 411.4 | 458.9 | 443.2 | 462.0 | 475.9 | 487.8 |
| <i>Sales growth (%)</i> | <i>2.2</i> | <i>1.2</i> | <i>-4.6</i> | <i>11.5</i> | <i>-3.4</i> | <i>4.2</i> | <i>3.0</i> | <i>2.5</i> |
| EBITDA | 34.3 | 25.6 | 33.6 | 60.9 | 47.0 | 39.8 | 50.9 | 55.7 |
| <i>EBITDA margin (%)</i> | <i>8.1</i> | <i>5.9</i> | <i>8.2</i> | <i>13.3</i> | <i>10.6</i> | <i>8.6</i> | <i>10.7</i> | <i>11.4</i> |
| Depreciation | -19.3 | -21.0 | -25.5 | -21.4 | -20.1 | -20.0 | -20.0 | -21.5 |
| EBITA | 15.0 | 4.6 | 8.1 | 39.5 | 26.9 | 19.8 | 30.9 | 34.1 |
| Goodwill amortization / writedown | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT | 15.0 | 4.6 | 8.1 | 39.5 | 26.9 | 19.8 | 30.9 | 34.1 |
| <i>EBIT margin (%)</i> | <i>3.5</i> | <i>1.1</i> | <i>2.0</i> | <i>8.6</i> | <i>6.1</i> | <i>4.3</i> | <i>6.5</i> | <i>7.0</i> |
| Reported EBIT | 15.0 | 4.6 | 8.1 | 39.5 | 26.9 | 19.8 | 30.9 | 34.1 |
| <i>EBIT margin (reported) (%)</i> | <i>3.5</i> | <i>1.1</i> | <i>2.0</i> | <i>8.6</i> | <i>6.1</i> | <i>4.3</i> | <i>6.5</i> | <i>7.0</i> |
| Net financials | -2.6 | -5.6 | -6.0 | -5.6 | -0.4 | -1.5 | -1.2 | -1.0 |
| Pre-tax profit | 12.4 | -1.0 | 2.1 | 33.9 | 26.5 | 18.3 | 29.7 | 33.1 |
| Taxes | 2.0 | -0.8 | -1.9 | -3.8 | -5.8 | -3.8 | -6.2 | -7.0 |
| Minority shares | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net profit | 14.5 | -1.7 | 0.2 | 30.1 | 20.7 | 14.5 | 23.5 | 26.2 |
| 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 | 156 | 143 | 126 | 129 | 122 | 116 | 111 |
| Goodwill | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Right of use assets | 0 | 17 | 16 | 18 | 16 | 16 | 17 | 17 |
| Inventory | 44 | 52 | 45 | 35 | 50 | 51 | 52 | 54 |
| Receivables | 66 | 63 | 61 | 61 | 73 | 65 | 67 | 68 |
| Liquid funds | 35 | 32 | 33 | 58 | 101 | 37 | 38 | 40 |
| Total assets | 326 | 338 | 316 | 317 | 387 | 308 | 307 | 308 |
| Liabilities | | | | | | | | |
| Shareholder's equity | 136 | 131 | 131 | 146 | 163 | 166 | 178 | 192 |
| Minority interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Convertibles | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lease liabilities | 0 | 13 | 16 | 15 | 13 | 16 | 17 | 17 |
| Deferred taxes | 15 | 12 | 12 | 13 | 14 | 14 | 14 | 14 |
| Interest bearing debt | 110 | 102 | 86 | 83 | 133 | 32 | 17 | 0 |
| Non-interest bearing current liabilities | 63 | 75 | 66 | 55 | 57 | 74 | 76 | 78 |
| Other interest-free debt | 1 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Total liabilities | 326 | 338 | 316 | 317 | 387 | 308 | 307 | 308 |
| CASH FLOW, EURm | | | | | | | | |
| + EBITDA | 34 | 26 | 34 | 61 | 47 | 40 | 51 | 56 |
| - Net financial items | -3 | -6 | -6 | -6 | 0 | -1 | -1 | -1 |
| - Taxes | 0 | 6 | -2 | -4 | -3 | -4 | -6 | -7 |
| - Increase in Net Working Capital | -8 | 6 | -1 | -1 | -25 | 24 | -1 | -1 |
| +/- Other | -5 | -3 | 0 | 0 | 0 | 0 | 0 | 0 |
| = Cash flow from operations | 19 | 28 | 25 | 50 | 19 | 59 | 42 | 47 |
| - Capex | -34 | -15 | -11 | -12 | -16 | -14 | -14 | -16 |
| - Acquisitions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| + Divestments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| = Free cash flow | -14 | 13 | 14 | 38 | 4 | 45 | 28 | 30 |
| +/- New issues/buybacks | 1 | 3 | 0 | -12 | 8 | 0 | 0 | 0 |
| - Paid dividend | -6 | -6 | 0 | -3 | -12 | -12 | -12 | -12 |
| +/- Other | 16 | -12 | -13 | 2 | 43 | -98 | -15 | -16 |
| Change in cash | -3 | -3 | 1 | 25 | 43 | -64 | 1 | 2 |

| KEY FIGURES | 2018 | 2019 | 2020 | 2021 | 2022E | 2023E | 2024E |
|--|--------|---------|--------|--------|--------|--------|--------|
| M-cap | 119 | 153 | 296 | 302 | 203 | 203 | 203 |
| Net debt (excl. convertibles) | 83 | 70 | 40 | 45 | 12 | -5 | -23 |
| Enterprise value | 203 | 223 | 336 | 347 | 215 | 199 | 180 |
| Sales | 431 | 411 | 459 | 443 | 462 | 476 | 488 |
| EBITDA | 26 | 34 | 61 | 47 | 40 | 51 | 56 |
| EBIT | 5 | 8 | 40 | 27 | 20 | 31 | 34 |
| Pre-tax | -1 | 2 | 34 | 27 | 18 | 30 | 33 |
| Earnings | -2 | 0 | 30 | 21 | 14 | 23 | 26 |
| Equity book value (excl. minorities) | 131 | 131 | 146 | 163 | 166 | 178 | 192 |
| Valuation multiples | | | | | | | |
| EV/sales | 0.5 | 0.5 | 0.7 | 0.8 | 0.5 | 0.4 | 0.4 |
| EV/EBITDA | 7.9 | 6.6 | 5.5 | 7.4 | 5.4 | 3.9 | 3.2 |
| EV/EBITA | 44.1 | 27.5 | 8.5 | 12.9 | 10.9 | 6.4 | 5.3 |
| EV/EBIT | 44.1 | 27.5 | 8.5 | 12.9 | 10.9 | 6.4 | 5.3 |
| EV/OCF | 7.2 | 8.9 | 6.7 | 18.0 | 3.7 | 4.7 | 3.9 |
| EV/FCFF | 11.7 | 12.3 | 7.4 | 195.7 | 4.6 | 6.8 | 5.7 |
| P/FCFE | 9.0 | 10.8 | 7.7 | 86.1 | 4.5 | 7.3 | 6.7 |
| P/E | -69.4 | 766.1 | 9.8 | 14.6 | 14.0 | 8.7 | 7.8 |
| P/B | 0.9 | 1.2 | 2.0 | 1.8 | 1.2 | 1.1 | 1.1 |
| Target EV/EBITDA | 0.0 | 0.0 | 0.0 | 0.0 | 6.1 | 4.5 | 3.8 |
| Target EV/EBIT | 0.0 | 0.0 | 0.0 | 0.0 | 12.4 | 7.4 | 6.1 |
| Target EV/FCF | 0.0 | 0.0 | 0.0 | 0.0 | 5.4 | 8.2 | 6.9 |
| Target P/B | 0.0 | 0.0 | 0.0 | 0.0 | 1.4 | 1.3 | 1.2 |
| Target P/E | 0.0 | 0.0 | 0.0 | 0.0 | 16.1 | 9.9 | 8.9 |
| Per share measures | | | | | | | |
| Number of shares | 58,259 | 58,259 | 58,259 | 58,259 | 58,259 | 58,259 | 58,259 |
| Number of shares (diluted) | 58,259 | 58,259 | 58,259 | 58,259 | 58,259 | 58,259 | 58,259 |
| EPS | -0.03 | 0.00 | 0.52 | 0.36 | 0.25 | 0.40 | 0.45 |
| Operating cash flow per share | 0.48 | 0.43 | 0.86 | 0.33 | 1.01 | 0.73 | 0.80 |
| Free cash flow per share | 0.23 | 0.24 | 0.66 | 0.06 | 0.77 | 0.48 | 0.52 |
| Book value per share | 2.24 | 2.24 | 2.50 | 2.80 | 2.85 | 3.05 | 3.30 |
| Dividend per share | 0.00 | 0.05 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 |
| Dividend payout ratio, % | 0.0 | 1,456.5 | 38.7 | 56.3 | 80.5 | 49.6 | 44.5 |
| Dividend yield, % | 0.0 | 1.9 | 3.9 | 5.7 | 5.7 | 5.7 | 5.7 |
| FCF yield, % | 11.1 | 9.2 | 12.9 | 1.2 | 22.1 | 13.7 | 14.9 |
| Efficiency measures | | | | | | | |
| ROE | -1.3 | 0.2 | 21.8 | 13.4 | 8.8 | 13.7 | 14.1 |
| ROCE | 1.9 | 3.4 | 16.6 | 9.7 | 7.6 | 14.5 | 16.2 |
| Financial ratios | | | | | | | |
| Inventories as % of sales | 12.0 | 11.0 | 7.7 | 11.2 | 11.0 | 11.0 | 11.0 |
| Receivables as % of sales | 14.7 | 14.7 | 13.2 | 16.6 | 14.1 | 14.0 | 14.0 |
| Non-interest bearing liabilities as % of sales | 17.5 | 16.0 | 11.9 | 12.9 | 16.0 | 16.0 | 16.0 |
| NWC/sales, % | 8.5 | 9.0 | 8.3 | 14.1 | 8.3 | 8.3 | 8.3 |
| Operative CAPEX/sales, % | 3.5 | 2.6 | 2.6 | 3.6 | 3.0 | 3.0 | 3.4 |
| CAPEX/sales (incl. acquisitions), % | 3.5 | 2.6 | 2.6 | 3.6 | 3.0 | 3.0 | 3.4 |
| FCFF/EBITDA | 0.7 | 0.5 | 0.7 | 0.0 | 1.2 | 0.6 | 0.6 |
| Net debt/EBITDA, book-weighted | 3.2 | 2.1 | 0.7 | 1.0 | 0.3 | -0.1 | -0.4 |
| Debt/equity, market-weighted | 0.9 | 0.6 | 0.3 | 0.4 | 0.2 | 0.1 | 0.0 |
| Equity ratio, book-weighted | 38.7 | 41.4 | 46.0 | 42.2 | 53.8 | 57.8 | 62.5 |
| Gearing, % | 63.7 | 53.3 | 27.3 | 27.6 | 7.0 | -2.5 | -12.0 |

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 | 48.697 | 24.0% |
| Oy Etra Invest Ab | 8,700,000 | 30.363 | 14.9% |
| Nordea Nordic Small Cap Fund | 3,435,147 | 11.989 | 5.9% |
| Ilmarinen Mutual Pension Insurance Company | 3,046,892 | 10.634 | 5.2% |
| Etola Group Oy | 2,900,000 | 10.121 | 5.0% |
| Nordea Life Assurance Finland Ltd. | 2,882,300 | 10.059 | 4.9% |
| Mandatum Life Insurance Company Limited | 2,881,547 | 10.057 | 4.9% |
| Elo Mutual Pension Insurance Company | 1,944,651 | 6.787 | 3.3% |
| Varma Mutual Pension Insurance Company | 1,689,751 | 5.897 | 2.9% |
| OP Life Assurance Company Ltd | 1,688,830 | 5.894 | 2.9% |
| Ten largest | 43,122,475 | 150.497 | 74% |
| Residual | 15,136,744 | 52.827 | 26% |
| Total | 58,259,219 | 203.325 | 100% |

EARNINGS CALENDAR

| | |
|------------------|-----------|
| May 04, 2022 | Q1 report |
| August 09, 2022 | Q2 report |
| October 26, 2022 | Q3 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, % | $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$ | | |

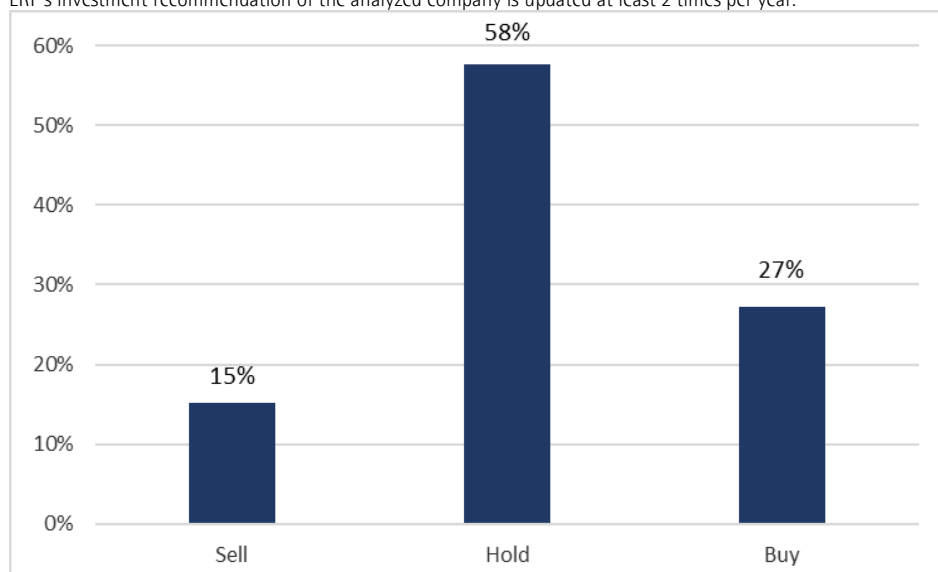
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Investment recommendations are defined as follows:

| 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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