

Higher volumes to support margins

Suominen reports Q3 results on Oct 26. We make only minor estimate revisions ahead of the report as we continue to expect improvement over the coming quarters.

H1 profitability was very weak, but H2 is set to be better

Suominen's Q2 profitability proved a lot worse than we expected as margins continued to decline. Higher raw materials and energy prices hurt while there was still no remarkable recovery in US volumes. In our view US volumes are no more such a big problem in H2, whereas the cost side developments are twofold. Raw materials prices seem to have already reached their peak, while it's far from clear how much higher energy costs may climb over the coming winter months.

Higher margins driven by volumes and cost compensation

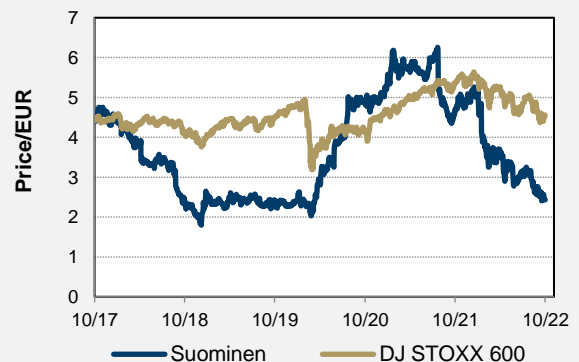
We find Suominen's raw materials prices (a composite including pulp, polyester, and polypropylene) declined by a couple of percentage points q/q in Q3. The development helps H2 margins as Suominen's mechanism pricing continues to catch up with the price inflation seen earlier this year. Meanwhile energy costs, especially for the two Italian plants but also in other locations including the US, have continued to soar. Suominen has also implemented additional energy surcharges in Q3 which will help profitability over the coming winter months. Q3 profitability will nevertheless remain very much subdued; we make only minor estimate revisions ahead of the report, and now estimate Q3 revenue at EUR 123m (prev. EUR 121m) and EBITDA at EUR 7.0m (prev. EUR 7.4m). We expect Americas' revenue to have grown by 28% y/y, helped by strong USD as well as a recovery in volumes (partly thanks to production line conversions to better address current demand) and higher sales prices. We estimate line upgrades in Italy to have helped Europe to a 20% y/y growth.

US volume recovery is a key value driver from now on

Mechanism pricing and energy surcharges mean Suominen's margins adjust to inflation incrementally and hence will rebound from the lows. US volume recovery is thus the crucial operational profitability driver from now on. In our view nonwovens wipes' consumable nature helps their demand to stick high after the initial pandemic boost. Suominen's valuation remains undemanding, some 3x EV/EBITDA and 5.5x EV/EBIT on our FY '23 estimates. Our new TP is EUR 3.0 (3.5); we retain our BUY rating.

Rating

+ BUY



Share price, EUR (Last trading day's closing price) 2.43

Target price, EUR 3.0

Latest change in 25-Jun-20

Latest report on company 10-Aug-22

Research paid by issuer: YES

No. of shares outstanding, 58,259

No. of shares fully diluted, 58,259

Market cap, EURm 142

Free float, % 62.7

Exchange rate EUR/USD 0.99

Reuters code SUY1V.HE

Bloomberg code SUY1V FH

Average daily volume, EURm 0.1

Next interim report 26-Oct-22

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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 | 480.3 | 6.1 | 1.3% | 30.5 | 0.05 | 49.8 | 0.3 | 27.7 | 21.6 | 0.20 | |
| 2023E | 497.1 | 28.8 | 5.8% | 26.0 | 0.38 | 6.4 | 0.3 | 5.3 | 18.3 | 0.20 | |
| 2024E | 509.5 | 35.7 | 7.0% | 31.3 | 0.47 | 5.2 | 0.3 | 3.7 | 22.1 | 0.20 | |
| Market cap, EURm | | | 142 | Gearing 2022E, % | | | 16.9 | CAGR EPS 2021-24, % | | | 9.5 |
| Net debt 2022E, EURm | | | 26 | Price/book 2022E | | | 0.9 | CAGR sales 2021-24, % | | | 4.8 |
| Enterprise value, EURm | | | 168 | Dividend yield 2022E, % | | | 8.2 | ROE 2022E, % | | | 1.8 |
| Total assets 2022E, EURm | | | 316 | Tax rate 2022E, % | | | 44.5 | ROCE 2022E, % | | | 2.3 |
| Goodwill 2022E, EURm | | | 15 | Equity ratio 2022E, % | | | 48.9 | PEG, P/E 22/CAGR | | | 0.4 |

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 | 2021 FY | 2022 Q1 | 2022 Q2 | 2022E Q3E | 2022E Q4E | 2022E FY |
|------------------------|--------------|---------------|---------------|---------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|--------------|---------------|---------------|---------------|--------------|---------------|--------------|
| Revenue | 374 | 402 | 444 | 417 | 426 | 431 | 411 | 459 | 115 | 114 | 99 | 116 | 443 | 110 | 118 | 123 | 129 | 480 |
| growth, % | | 8 % | 11 % | -6 % | 2 % | 1 % | -5 % | 12 % | 5 % | -7 % | -14 % | 4 % | -3 % | -4 % | 4 % | 25 % | 12 % | 8 % |
| Geography | | | | | | | | | | | | | | | | | | |
| Europe | 150 | 153 | 172 | 171 | 174 | 171 | 150 | 170 | 43 | 46 | 42 | 47 | 178 | 49 | 54 | 50 | 55 | 207 |
| Americas | 224 | 249 | 272 | 246 | 252 | 260 | 262 | 289 | 72 | 67 | 57 | 69 | 265 | 62 | 64 | 73 | 74 | 273 |
| COGS | -334 | -352 | -386 | -365 | -384 | -400 | -377 | -389 | -95 | -97 | -93 | -107 | -392 | -104 | -113 | -114 | -114 | -444 |
| Gross Profit | 40 | 50 | 58 | 52 | 42 | 31 | 37 | 70 | 20.2 | 16.7 | 5.5 | 8.4 | 51 | 6.6 | 5.0 | 9.2 | 15.5 | 36 |
| 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 % | 6.0 % | 4.2 % | 7.5 % | 12.0 % | 7.5 % |
| 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 | -8.0 | -8.4 | -7.3 | -7.3 | -30.9 |
| 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 | 0.2 | 0.5 | 0.0 | 0.0 | 0.7 |
| 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 | -1.3 | -2.9 | 2.0 | 8.2 | 6.1 |
| 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 | -1.3 | -2.9 | 2.0 | 8.2 | 6.1 |
| 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 % | -1.1 % | -2.5 % | 1.6 % | 6.4 % | 1.3 % |
| 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 | -4.6 | -4.8 | -5.0 | -5.0 | -19.3 |
| 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 | 3.3 | 1.9 | 7.0 | 13.2 | 25.4 |
| 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 % | 3.0 % | 1.6 % | 5.7 % | 10.3 % | 5.3 % |

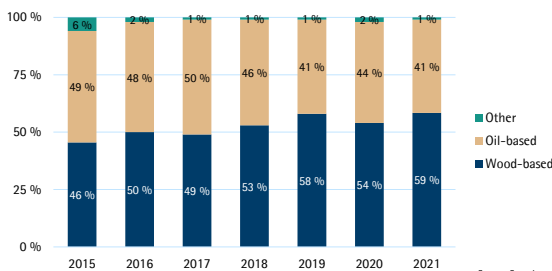
Source: Suominen, Evli Research

| SUOMINEN PEER GROUP | MCAP MEUR | EV/EBITDA | | | EV/EBIT | | | EBIT-% | | |
|--------------------------|-----------|-----------|-------|-------|---------|-------|-------|--------|--------|--------|
| | | 22 | 23 | 24 | 22 | 23 | 24 | 22 | 23 | 24 |
| Berry Global Group | 6062 | 7.4x | 7.2x | 6.9x | 11.9x | 10.8x | 10.3x | 9.2 % | 10.2 % | 10.5 % |
| Kimberly-Clark | 39637 | 13.9x | 12.4x | 11.8x | 18.1x | 15.9x | 14.8x | 13.1 % | 14.8 % | 15.7 % |
| N.R. Spuntech Industries | 78 | | | | | | | | | |
| Neenah | | | | | | | | | | |
| Glatfelter | 118 | 7.4x | 5.8x | | 18.6x | 11.4x | | 3.0 % | 4.7 % | |
| Peer Group Average | 11473 | 9.6x | 8.5x | 9.4x | 16.2x | 12.7x | 12.5x | 8.4 % | 9.9 % | 13.1 % |
| Peer Group Median | 3090 | 7.4x | 7.2x | 9.4x | 18.1x | 11.4x | 12.5x | 9.2 % | 10.2 % | 13.1 % |
| Suominen (Evli est.) | 141 | 6.6x | 3.1x | 2.3x | 27.6x | 5.3x | 3.7x | 1.3 % | 5.8 % | 7.0 % |

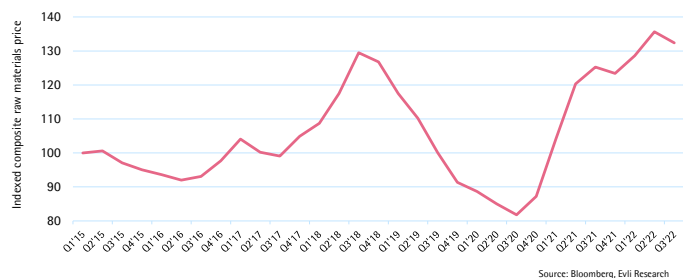
Suominen prem./disc. to peer median

-11 % -57 % -75 % 53 % -53 % -70 % -86 % -43 % -47 %

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 | 2.43 PV of Free Cash Flow | 223 Long-term growth, % | 2.0 Risk-free interest rate, % |
| DCF share value | 7.21 PV of Horizon value | 242 WACC, % | 7.9 Market risk premium, % |
| Share price potential, % | 196.8 Unconsolidated equity | 0 Spread, % | 0.5 Debt risk premium, % |
| Maximum value | 7.9 Marketable securities | 101 Minimum WACC, % | 7.4 Equity beta coefficient |
| Minimum value | 6.7 Debt - dividend | -146 Maximum WACC, % | 8.4 Target debt ratio, % |
| Horizon value, % | 52.0 Value of stock | 420 Nr of shares, Mn | 58.3 Effective tax rate, % |

| DCF valuation, EURm | 2021 | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | Horizon |
|-----------------------------------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| Net sales | 443 | 480 | 497 | 510 | 520 | 530 | 541 | 552 | 563 | 574 | 585 | 597 |
| <i>Sales growth, %</i> | -3.4 | 8.4 | 3.5 | 2.5 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Operating income (EBIT) | 27 | 6 | 29 | 36 | 39 | 40 | 41 | 41 | 42 | 43 | 44 | 45 |
| <i>Operating income margin, %</i> | 6.1 | 1.3 | 5.8 | 7.0 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 |
| + Depreciation+amort. | 20 | 19 | 20 | 22 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| EBITDA | 47 | 25 | 49 | 57 | 59 | 60 | 61 | 61 | 62 | 63 | 64 | |
| - Paid taxes | -3 | -3 | -6 | -7 | -8 | -8 | -9 | -9 | -9 | -9 | -9 | |
| - Change in NWC | -25 | 23 | -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 | 8.4 | |
| + 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 | 2.9 | 3.2 | 3.5 | 3.8 | 3.8 | 3.7 | 3.6 | 3.6 | 4.4 | |
| - 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 | 33 | 27 | 33 | 32 | 30 | 31 | 32 | 32 | 33 | 28 | 488 |
| = Discounted FCFF | | 32 | 25 | 28 | 25 | 22 | 21 | 20 | 19 | 18 | 14 | 242 |
| = DFCF min WACC | | 32 | 25 | 28 | 26 | 23 | 21 | 20 | 19 | 18 | 15 | 276 |
| = DFCF max WACC | | 32 | 25 | 27 | 25 | 22 | 20 | 19 | 18 | 17 | 13 | 214 |

INTERIM FIGURES

| EVLI ESTIMATES, EURm | 2021Q1 | 2021Q2 | 2021Q3 | 2021Q4 | 2021 | 2022Q1 | 2022Q2 | 2022Q3E | 2022Q4E | 2022E | 2023E | 2024E |
|--------------------------------------|-------------|-------------|-------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net sales | 115.3 | 113.7 | 98.6 | 115.6 | 443.2 | 110.3 | 118.0 | 123.0 | 129.0 | 480.3 | 497.1 | 509.5 |
| EBITDA | 18.5 | 15.3 | 4.3 | 8.9 | 47.0 | 3.3 | 1.9 | 7.0 | 13.2 | 25.4 | 48.8 | 57.3 |
| <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>3.0</i> | <i>1.6</i> | <i>5.7</i> | <i>10.3</i> | <i>5.3</i> | <i>9.8</i> | <i>11.3</i> |
| EBIT | 13.6 | 10.3 | -0.8 | 3.8 | 26.9 | -1.3 | -2.9 | 2.0 | 8.2 | 6.1 | 28.8 | 35.7 |
| <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>-1.2</i> | <i>-2.5</i> | <i>1.6</i> | <i>6.4</i> | <i>1.3</i> | <i>5.8</i> | <i>7.0</i> |
| Net financial items | 3.3 | -1.6 | -1.0 | -1.1 | -0.4 | -0.9 | 0.7 | -0.4 | -0.4 | -0.9 | -1.0 | -1.3 |
| Pre-tax profit | 16.9 | 8.7 | -1.8 | 2.7 | 26.5 | -2.2 | -2.2 | 1.7 | 7.9 | 5.1 | 27.8 | 34.4 |
| Tax | -3.1 | -2.6 | 0.1 | -0.2 | -5.8 | -0.1 | -0.1 | -0.3 | -1.7 | -2.3 | -5.8 | -7.2 |
| <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>-6.2</i> | <i>-6.4</i> | <i>21.0</i> | <i>21.0</i> | <i>44.5</i> | <i>21.0</i> | <i>21.0</i> |
| Net profit | 13.8 | 6.1 | -1.6 | 2.5 | 20.7 | -2.4 | -2.3 | 1.3 | 6.2 | 2.8 | 22.0 | 27.2 |
| EPS | 0.24 | 0.10 | -0.03 | 0.04 | 0.36 | -0.04 | -0.04 | 0.02 | 0.11 | 0.05 | 0.38 | 0.47 |
| EPS adjusted (diluted no. of shares) | 0.24 | 0.10 | -0.03 | 0.04 | 0.36 | -0.04 | -0.04 | 0.02 | 0.11 | 0.05 | 0.38 | 0.47 |
| 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 | 110.3 | 118.0 | 123.0 | 129.0 | 480.3 | 497.1 | 509.5 |
| Total | 115.3 | 113.7 | 98.6 | 115.6 | 443.2 | 110.3 | 118.0 | 123.0 | 129.0 | 480.3 | 497.1 | 509.5 |
| SALES GROWTH, Y/Y % | | | | | | | | | | | | |
| Group | 4.6 | -7.0 | -14.6 | 4.1 | -3.4 | -4.3 | 3.8 | 24.7 | 11.6 | 8.4 | 3.5 | 2.5 |
| Total | 4.6 | -7.0 | -14.6 | 4.1 | -3.4 | -4.3 | 3.8 | 24.7 | 11.6 | 8.4 | 3.5 | 2.5 |
| EBIT, EURm | | | | | | | | | | | | |
| Group | 13.6 | 10.3 | -0.8 | 3.8 | 26.9 | -1.3 | -2.9 | 2.0 | 8.2 | 6.1 | 28.8 | 35.7 |
| Total | 13.6 | 10.3 | -0.8 | 3.8 | 26.9 | -1.3 | -2.9 | 2.0 | 8.2 | 6.1 | 28.8 | 35.7 |
| EBIT margin, % | | | | | | | | | | | | |
| Group | 11.8 | 9.1 | -0.8 | 3.3 | 6.1 | -1.2 | -2.5 | 1.6 | 6.4 | 1.3 | 5.8 | 7.0 |
| Total | 11.8 | 9.1 | -0.8 | 3.3 | 6.1 | -1.2 | -2.5 | 1.6 | 6.4 | 1.3 | 5.8 | 7.0 |

| INCOME STATEMENT, EURm | 2017 | 2018 | 2019 | 2020 | 2021 | 2022E | 2023E | 2024E |
|--|------------|------------|-------------|-------------|-------------|------------|------------|-------------|
| Sales | 426.0 | 431.1 | 411.4 | 458.9 | 443.2 | 480.3 | 497.1 | 509.5 |
| <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>8.4</i> | <i>3.5</i> | <i>2.5</i> |
| EBITDA | 34.3 | 25.6 | 33.6 | 60.9 | 47.0 | 25.4 | 48.8 | 57.3 |
| <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>5.3</i> | <i>9.8</i> | <i>11.3</i> |
| Depreciation | -19.3 | -21.0 | -25.5 | -21.4 | -20.1 | -19.3 | -20.0 | -21.7 |
| EBITA | 15.0 | 4.6 | 8.1 | 39.5 | 26.9 | 6.1 | 28.8 | 35.7 |
| 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 | 6.1 | 28.8 | 35.7 |
| <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>1.3</i> | <i>5.8</i> | <i>7.0</i> |
| Reported EBIT | 15.0 | 4.6 | 8.1 | 39.5 | 26.9 | 6.1 | 28.8 | 35.7 |
| <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>1.3</i> | <i>5.8</i> | <i>7.0</i> |
| Net financials | -2.6 | -5.6 | -6.0 | -5.6 | -0.4 | -0.9 | -1.0 | -1.3 |
| Pre-tax profit | 12.4 | -1.0 | 2.1 | 33.9 | 26.5 | 5.1 | 27.8 | 34.4 |
| Taxes | 2.0 | -0.8 | -1.9 | -3.8 | -5.8 | -2.3 | -5.8 | -7.2 |
| 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 | 2.8 | 22.0 | 27.2 |
| 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 | 123 | 117 | 111 |
| Goodwill | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Right of use assets | 0 | 17 | 16 | 18 | 16 | 17 | 18 | 18 |
| Inventory | 44 | 52 | 45 | 35 | 50 | 53 | 55 | 56 |
| Receivables | 66 | 63 | 61 | 61 | 73 | 67 | 70 | 71 |
| Liquid funds | 35 | 32 | 33 | 58 | 101 | 38 | 40 | 41 |
| Total assets | 326 | 338 | 316 | 317 | 387 | 316 | 316 | 315 |
| Liabilities | | | | | | | | |
| Shareholder's equity | 136 | 131 | 131 | 146 | 163 | 154 | 165 | 180 |
| 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 | 17 | 18 | 18 |
| Deferred taxes | 15 | 12 | 12 | 13 | 14 | 14 | 14 | 14 |
| Interest bearing debt | 110 | 102 | 86 | 83 | 133 | 48 | 34 | 15 |
| Non-interest bearing current liabilities | 63 | 75 | 66 | 55 | 57 | 77 | 80 | 82 |
| Other interest-free debt | 1 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Total liabilities | 326 | 338 | 316 | 317 | 387 | 316 | 316 | 315 |
| CASH FLOW, EURm | | | | | | | | |
| + EBITDA | 34 | 26 | 34 | 61 | 47 | 25 | 49 | 57 |
| - Net financial items | -3 | -6 | -6 | -6 | 0 | -1 | -1 | -1 |
| - Taxes | 0 | 6 | -2 | -4 | -3 | -2 | -6 | -7 |
| - Increase in Net Working Capital | -8 | 6 | -1 | -1 | -25 | 23 | -1 | -1 |
| +/- Other | -5 | -3 | 0 | 0 | 0 | 0 | 0 | 0 |
| = Cash flow from operations | 19 | 28 | 25 | 50 | 19 | 45 | 41 | 48 |
| - Capex | -34 | -15 | -11 | -12 | -16 | -14 | -15 | -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 | 31 | 26 | 31 |
| +/- 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 | -82 | -13 | -19 |
| Change in cash | -3 | -3 | 1 | 25 | 43 | -63 | 1 | 1 |

| KEY FIGURES | 2018 | 2019 | 2020 | 2021 | 2022E | 2023E | 2024E |
|--|--------|---------|--------|--------|--------|--------|--------|
| M-cap | 119 | 153 | 296 | 302 | 142 | 142 | 142 |
| Net debt (excl. convertibles) | 83 | 70 | 40 | 45 | 26 | 12 | -8 |
| Enterprise value | 203 | 223 | 336 | 347 | 168 | 153 | 134 |
| Sales | 431 | 411 | 459 | 443 | 480 | 497 | 510 |
| EBITDA | 26 | 34 | 61 | 47 | 25 | 49 | 57 |
| EBIT | 5 | 8 | 40 | 27 | 6 | 29 | 36 |
| Pre-tax | -1 | 2 | 34 | 27 | 5 | 28 | 34 |
| Earnings | -2 | 0 | 30 | 21 | 3 | 22 | 27 |
| Equity book value (excl. minorities) | 131 | 131 | 146 | 163 | 154 | 165 | 180 |
| Valuation multiples | | | | | | | |
| EV/sales | 0.5 | 0.5 | 0.7 | 0.8 | 0.3 | 0.3 | 0.3 |
| EV/EBITDA | 7.9 | 6.6 | 5.5 | 7.4 | 6.6 | 3.1 | 2.3 |
| EV/EBITA | 44.1 | 27.5 | 8.5 | 12.9 | 27.7 | 5.3 | 3.7 |
| EV/EBIT | 44.1 | 27.5 | 8.5 | 12.9 | 27.7 | 5.3 | 3.7 |
| EV/OCF | 7.2 | 8.9 | 6.7 | 18.0 | 3.7 | 3.8 | 2.8 |
| EV/FCFF | 11.7 | 12.3 | 7.4 | 195.7 | 5.2 | 5.6 | 4.1 |
| P/FCFE | 9.0 | 10.8 | 7.7 | 86.1 | 4.6 | 5.5 | 4.5 |
| P/E | -69.4 | 766.1 | 9.8 | 14.6 | 49.8 | 6.4 | 5.2 |
| P/B | 0.9 | 1.2 | 2.0 | 1.8 | 0.9 | 0.9 | 0.8 |
| Target EV/EBITDA | 0.0 | 0.0 | 0.0 | 0.0 | 7.9 | 3.8 | 2.9 |
| Target EV/EBIT | 0.0 | 0.0 | 0.0 | 0.0 | 33.2 | 6.5 | 4.7 |
| Target EV/FCF | 0.0 | 0.0 | 0.0 | 0.0 | 6.6 | 7.2 | 5.3 |
| Target P/B | 0.0 | 0.0 | 0.0 | 0.0 | 1.1 | 1.1 | 1.0 |
| Target P/E | 0.0 | 0.0 | 0.0 | 0.0 | 61.5 | 7.9 | 6.4 |
| 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 | 0.05 | 0.38 | 0.47 |
| Operating cash flow per share | 0.48 | 0.43 | 0.86 | 0.33 | 0.77 | 0.70 | 0.82 |
| Free cash flow per share | 0.23 | 0.24 | 0.66 | 0.06 | 0.52 | 0.45 | 0.54 |
| Book value per share | 2.24 | 2.24 | 2.50 | 2.80 | 2.65 | 2.83 | 3.09 |
| 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 | 410.3 | 53.0 | 42.9 |
| Dividend yield, % | 0.0 | 1.9 | 3.9 | 8.2 | 8.2 | 8.2 | 8.2 |
| FCF yield, % | 11.1 | 9.2 | 12.9 | 1.2 | 21.6 | 18.3 | 22.1 |
| Efficiency measures | | | | | | | |
| ROE | -1.3 | 0.2 | 21.8 | 13.4 | 1.8 | 13.8 | 15.8 |
| ROCE | 1.9 | 3.4 | 16.6 | 9.7 | 2.3 | 13.2 | 16.6 |
| 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 | 14.0 | 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 | 2.9 | 3.2 |
| CAPEX/sales (incl. acquisitions), % | 3.5 | 2.6 | 2.6 | 3.6 | 3.0 | 2.9 | 3.2 |
| FCFF/EBITDA | 0.7 | 0.5 | 0.7 | 0.0 | 1.3 | 0.6 | 0.6 |
| Net debt/EBITDA, book-weighted | 3.2 | 2.1 | 0.7 | 1.0 | 1.0 | 0.2 | -0.1 |
| Debt/equity, market-weighted | 0.9 | 0.6 | 0.3 | 0.4 | 0.3 | 0.2 | 0.1 |
| Equity ratio, book-weighted | 38.7 | 41.4 | 46.0 | 42.2 | 48.9 | 52.2 | 57.3 |
| Gearing, % | 63.7 | 53.3 | 27.3 | 27.6 | 16.9 | 7.2 | -4.3 |

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 | 33.907 | 24.0% |
| Oy Etra Invest Ab | 8,700,000 | 21.141 | 14.9% |
| Nordea Nordic Small Cap Fund | 3,435,147 | 8.347 | 5.9% |
| Ilmarinen Mutual Pension Insurance Company | 3,046,892 | 7.404 | 5.2% |
| Etola Group Oy | 2,900,000 | 7.047 | 5.0% |
| Nordea Life Assurance Finland Ltd. | 2,882,300 | 7.004 | 4.9% |
| Mandatum Life Insurance Company Limited | 2,881,547 | 7.002 | 4.9% |
| Elo Mutual Pension Insurance Company | 1,944,651 | 4.726 | 3.3% |
| Varma Mutual Pension Insurance Company | 1,689,751 | 4.106 | 2.9% |
| OP Life Assurance Company Ltd | 1,688,830 | 4.104 | 2.9% |
| Ten largest | 43,122,475 | 104.788 | 74% |
| Residual | 15,136,744 | 36.782 | 26% |
| Total | 58,259,219 | 141.570 | 100% |

EARNINGS CALENDAR

October 26, 2022

Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

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

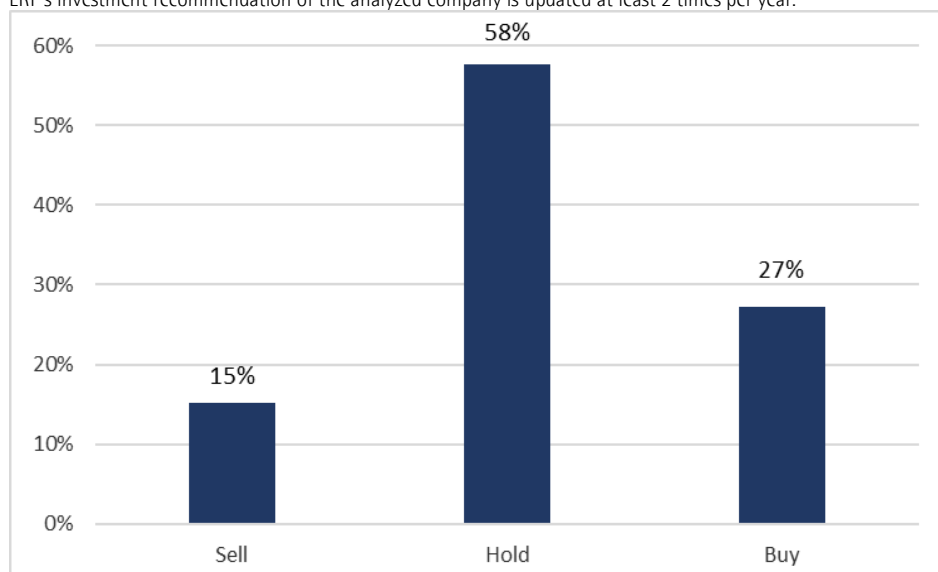
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Investment recommendations are defined as follows:

| 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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