

## Improving again after challenges

Suominen reports Q4 results on Feb 3. It's clear Q4 will be a lot better than previous quarters, while FY '23 profitability continues to improve. Many factors now support margins, but valuation also reflects better performance.

### US volumes recover while raw materials prices decline

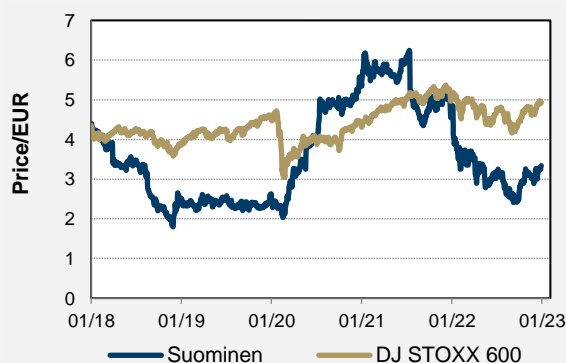
Suominen's Q3'22 top line recovered a lot even when its early part remained difficult in the US. We expect the continued rebound to have helped Suominen grow 21% y/y to EUR 140m in Q4 revenue. We estimate Suominen's raw materials prices to have declined by almost 10% q/q in Q4, which together with higher delivery volumes and relatively stable sales prices should have helped the company to a significant profitability improvement not only q/q but also y/y. We estimate Q4 EBITDA at EUR 11.8m. USD has lately weakened by some 10% against EUR but is still relatively strong compared to year ago. We therefore believe the US business to drive growth also this year.

### European volumes seem unlikely to grow much this year

Suominen plans to close another of its plants in Italy. European demand for traditional wipes is soft, while Turkish and Chinese imports have added a lot of supply within such segments, and the Mozzate plant isn't positioned to produce sustainable nonwovens. Italy's position is also challenging in terms of energy costs. The closure would result in EUR 9m in one-offs and EUR 3m in added annual EBITDA as utilization rates improve. Q4'22 and Q1'23 energy costs in Europe might prove to be a bit lower than feared due to the mild winter, whereas the situation in the US may have been more challenging relative to expectations. Suominen should guide at least some EBITDA improvement for this year as H1'22 comparison base is so weak, however the Q4 report might be a bit too early to give very strong guidance.

### Valuation neutral, uncertainties around improvement pace

The closure and lower USD represent some estimate headwinds, but we would still expect Suominen to grow by at least a few percentage points this year. Suominen's valuation (8x EV/EBIT on our FY '23 estimates) is not very challenging as profitability continues to improve from the lows, driven by higher top line and lower raw materials prices, but valuation already reflects improvement while a lot of uncertainty remains around its pace. We update our TP to EUR 3.5 (3.0); our rating is now HOLD (BUY).

 Rating 🟡 HOLD


Share price, EUR (Last trading day's closing price)	3.34
Target price, EUR	3.5

Latest change in	27-Jan-23
Latest report on company	27-Oct-22
Research paid by issuer:	YES
No. of shares outstanding,	58,259
No. of shares fully diluted,	58,259
Market cap, EURm	195
Free float, %	62.7
Exchange rate EUR/USD	1.09
Reuters code	SUY1V.HE
Bloomberg code	SUY1V.FH
Average daily volume, EURm	0.2
Next interim report	03-Feb-23
Web site	<a href="http://www.suominen.fi/en/investors/">www.suominen.fi/en/investors/</a>

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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	500.2	2.8	0.6%	25.2	0.00	-74,320.2	0.5	80.7	12.9	0.15
2023E	525.2	26.3	5.0%	22.9	0.34	9.8	0.4	8.1	11.8	0.20
2024E	535.7	36.2	6.8%	31.8	0.47	7.1	0.4	5.3	16.3	0.20
Market cap, EURm	195			Gearing 2022E, %	20.8			CAGR EPS 2021-24, %	9.8	
Net debt 2022E, EURm	31			Price/book 2022E	1.3			CAGR sales 2021-24, %	6.5	
Enterprise value, EURm	226			Dividend yield 2022E, %	4.5			ROE 2022E, %	0.0	
Total assets 2022E, EURm	323			Tax rate 2022E, %	100.1			ROCE 2022E, %	1.1	
Goodwill 2022E, EURm	15			Equity ratio 2022E, %	46.9			PEG, P/E 22/CAGR	0.0	

**Estimates and 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	2022 Q3	2022E Q4E	2022E 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>459</b>	<b>115</b>	<b>114</b>	<b>99</b>	<b>116</b>	<b>443</b>	<b>110</b>	<b>118</b>	<b>132</b>	<b>140</b>	<b>500</b>
growth, %		8 %	11 %	-6 %	2 %	1 %	-5 %	12 %	5 %	-7 %	-14 %	4 %	-3 %	-4 %	4 %	34 %	21 %	13 %
<b>Geography</b>																		
Europe	150	153	172	171	174	171	150	170	43	46	42	47	178	49	54	52	56	210
Americas	224	249	272	246	252	260	262	289	72	67	57	69	265	62	64	80	84	290
COGS	-334	-352	-386	-365	-384	-400	-377	-389	-95	-97	-93	-107	-392	-104	-113	-127	-126	-469
Gross Profit	40	50	58	52	42	31	37	70	20.2	16.7	5.5	8.4	51	6.6	5.0	5.2	14.0	31
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 %	3.9 %	10.0 %	6.1 %
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	-7.7	-7.3	-31.3
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	2.7	0.0	3.4
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	0.2	6.8	2.8
<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>39.5</b>	<b>13.6</b>	<b>10.3</b>	<b>-0.8</b>	<b>3.9</b>	<b>26.9</b>	<b>-1.3</b>	<b>-2.9</b>	<b>0.2</b>	<b>6.8</b>	<b>2.8</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>8.6 %</b>	<b>11.8 %</b>	<b>9.1 %</b>	<b>-0.9 %</b>	<b>3.4 %</b>	<b>6.1 %</b>	<b>-1.1 %</b>	<b>-2.5 %</b>	<b>0.1 %</b>	<b>4.8 %</b>	<b>0.6 %</b>
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	-4.9	-5.0	-19.3
<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>60.9</b>	<b>18.5</b>	<b>15.3</b>	<b>4.2</b>	<b>9.0</b>	<b>47.0</b>	<b>3.3</b>	<b>1.9</b>	<b>5.1</b>	<b>11.8</b>	<b>22.0</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>13.3 %</b>	<b>16.1 %</b>	<b>13.5 %</b>	<b>4.3 %</b>	<b>7.8 %</b>	<b>10.6 %</b>	<b>3.0 %</b>	<b>1.6 %</b>	<b>3.9 %</b>	<b>8.4 %</b>	<b>4.4 %</b>

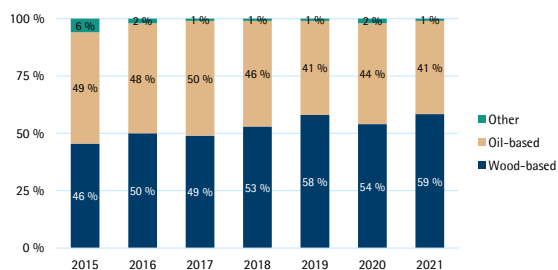
Source: Suominen, Evli Research

SUOMINEN PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		22	23	24	22	23	24	22	23	24
Berry Global Group	6657	7.8x	7.7x	7.4x	12.6x	11.8x	11.2x	9.1 %	9.9 %	10.2 %
Kimberly-Clark	40506	16.1x	14.3x	13.1x	20.3x	18.2x	16.4x	13.3 %	14.1 %	15.3 %
N.R. Spuntech Industries	66									
Mativ Holdings	1331	8.5x	6.9x	6.3x	11.6x	9.7x	8.5x	9.9 %	10.0 %	10.9 %
Glatfelter	167									
Peer Group Average	9745	<b>10.8x</b>	<b>9.7x</b>	<b>9.0x</b>	<b>14.8x</b>	<b>13.2x</b>	<b>12.0x</b>	<b>10.7 %</b>	<b>11.3 %</b>	<b>12.2 %</b>
Peer Group Median	1331	<b>8.5x</b>	<b>7.7x</b>	<b>7.4x</b>	<b>12.6x</b>	<b>11.8x</b>	<b>11.2x</b>	<b>9.9 %</b>	<b>10.0 %</b>	<b>10.9 %</b>
Suominen (Evli est.)	<b>194</b>	<b>10.2x</b>	<b>4.6x</b>	<b>3.3x</b>	<b>80.6x</b>	<b>8.1x</b>	<b>5.3x</b>	<b>0.6 %</b>	<b>5.0 %</b>	<b>6.8 %</b>

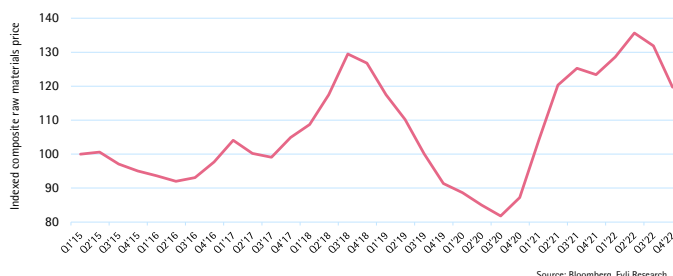
Suominen prem./disc. to peer median

21 %   -41 %   -55 %   540 %   -31 %   -53 %   -94 %   -50 %   -38 %

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	3.34 PV of Free Cash Flow	227 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	7.22 PV of Horizon value	253 WACC, %	7.9 Market risk premium, %
Share price potential, %	116.1 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	7.9 Marketable securities	40 Minimum WACC, %	7.4 Equity beta coefficient
Minimum value	6.6 Debt - dividend	-71 Maximum WACC, %	8.4 Target debt ratio, %
Horizon value, %	52.7 Value of stock	435 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	500	525	536	541	552	563	574	586	597	609	622
<i>Sales growth, %</i>	-3.4	12.9	5.0	2.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	27	3	26	36	41	41	42	43	44	45	46	47
<i>Operating income margin, %</i>	6.1	0.6	5.0	6.8	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	22	46	58	61	61	62	63	64	65	66	
- Paid taxes	-3	-2	-6	-8	-9	-9	-9	-9	-9	-9	-10	
- Change in NWC	-25	21	-2	-1	0	-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	8.4	8.4	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	-26	
<i>opCAPEX / Sales, %</i>	3.6	3.0	2.8	3.1	3.4	3.7	3.6	3.6	3.5	3.4	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	28	25	33	34	32	32	33	34	34	29	499
= Discounted FCFF		28	23	29	27	24	22	21	20	19	15	253
= DFCF min WACC		28	23	29	28	24	23	22	21	19	15	288
= DFCF max WACC		28	23	29	27	23	22	20	19	18	14	224

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3	2022Q4E	2022E	2023E	2024E
Net sales	115.3	113.7	98.6	115.6	443.2	110.3	118.0	131.9	140.0	500.2	525.2	535.7
EBITDA	18.5	15.3	4.3	8.9	47.0	3.3	1.9	5.1	11.8	22.1	46.3	57.8
<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>3.9</i>	<i>8.4</i>	<i>4.4</i>	<i>8.8</i>	<i>10.8</i>
EBIT	13.6	10.3	-0.8	3.8	26.9	-1.3	-2.9	0.2	6.8	2.8	26.3	36.2
<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>0.2</i>	<i>4.9</i>	<i>0.6</i>	<i>5.0</i>	<i>6.8</i>
Net financial items	3.3	-1.6	-1.0	-1.1	-0.4	-0.9	0.7	-0.1	-0.4	-0.7	-1.0	-1.5
Pre-tax profit	16.9	8.7	-1.8	2.7	26.5	-2.2	-2.2	0.1	6.4	2.1	25.3	34.7
Tax	-3.1	-2.6	0.1	-0.2	-5.8	-0.1	-0.1	-0.5	-1.4	-2.2	-5.3	-7.3
<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>427.9</i>	<i>21.0</i>	<i>100.1</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	-0.4	5.1	0.0	20.0	27.4
EPS	0.24	0.10	-0.03	0.04	0.36	-0.04	-0.04	-0.01	0.09	0.00	0.34	0.47
EPS adjusted (diluted no. of shares)	0.24	0.10	-0.03	0.04	0.36	-0.04	-0.04	-0.01	0.09	0.00	0.34	0.47
Dividend per share	0.00	0.00	0.00	0.00	0.20	0.00	0.00	0.00	0.00	0.15	0.20	0.20
<b>SALES, EURm</b>												
Group	115.3	113.7	98.6	115.6	443.2	110.3	118.0	131.9	140.0	500.2	525.2	535.7
Total	115.3	113.7	98.6	115.6	443.2	110.3	118.0	131.9	140.0	500.2	525.2	535.7
<b>SALES GROWTH, Y/Y %</b>												
Group	4.6	-7.0	-14.6	4.1	-3.4	-4.3	3.8	33.8	21.1	12.9	5.0	2.0
Total	4.6	-7.0	-14.6	4.1	-3.4	-4.3	3.8	33.8	21.1	12.9	5.0	2.0
<b>EBIT, EURm</b>												
Group	13.6	10.3	-0.8	3.8	26.9	-1.3	-2.9	0.2	6.8	2.8	26.3	36.2
Total	13.6	10.3	-0.8	3.8	26.9	-1.3	-2.9	0.2	6.8	2.8	26.3	36.2
<b>EBIT margin, %</b>												
Group	11.8	9.1	-0.8	3.3	6.1	-1.2	-2.5	0.2	4.9	0.6	5.0	6.8
Total	11.8	9.1	-0.8	3.3	6.1	-1.2	-2.5	0.2	4.9	0.6	5.0	6.8

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	426.0	431.1	411.4	458.9	443.2	500.2	525.2	535.7
<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>12.9</i>	<i>5.0</i>	<i>2.0</i>
EBITDA	34.3	25.6	33.6	60.9	47.0	22.1	46.3	57.8
<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>4.4</i>	<i>8.8</i>	<i>10.8</i>
Depreciation	-19.3	-21.0	-25.5	-21.4	-20.1	-19.2	-20.0	-21.7
EBITA	15.0	4.6	8.1	39.5	26.9	2.8	26.3	36.2
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	2.8	26.3	36.2
<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>0.6</i>	<i>5.0</i>	<i>6.8</i>
Reported EBIT	15.0	4.6	8.1	39.5	26.9	2.8	26.3	36.2
<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>0.6</i>	<i>5.0</i>	<i>6.8</i>
Net financials	-2.6	-5.6	-6.0	-5.6	-0.4	-0.7	-1.0	-1.5
Pre-tax profit	12.4	-1.0	2.1	33.9	26.5	2.1	25.3	34.7
Taxes	2.0	-0.8	-1.9	-3.8	-5.8	-2.2	-5.3	-7.3
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	0.0	20.0	27.4
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	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	18	19	19
Inventory	44	52	45	35	50	55	58	59
Receivables	66	63	61	61	73	70	73	75
Liquid funds	35	32	33	58	101	40	42	43
Total assets	326	338	316	317	387	323	326	324
Liabilities								
Shareholder's equity	136	131	131	146	163	152	163	179
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	18	19	19
Deferred taxes	15	12	12	13	14	14	14	14
Interest bearing debt	110	102	86	83	133	54	41	21
Non-interest bearing current liabilities	63	75	66	55	57	80	84	86
Other interest-free debt	1	3	3	3	3	3	3	3
Total liabilities	326	338	316	317	387	323	326	324
<b>CASH FLOW, EURm</b>								
+ EBITDA	34	26	34	61	47	22	46	58
- Net financial items	-3	-6	-6	-6	0	-1	-1	-1
- Taxes	0	6	-2	-4	-3	-2	-5	-7
- Increase in Net Working Capital	-8	6	-1	-1	-25	21	-2	-1
+/- Other	-5	-3	0	0	0	0	0	0
= Cash flow from operations	19	28	25	50	19	40	38	48
- Capex	-34	-15	-11	-12	-16	-15	-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	25	23	32
+/- New issues/buybacks	1	3	0	-12	8	0	0	0
- Paid dividend	-6	-6	0	-3	-12	-12	-9	-12
+/- Other	16	-12	-13	2	43	-75	-12	-19
Change in cash	-3	-3	1	25	43	-61	2	1

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	119	153	296	302	195	195	195
Net debt (excl. convertibles)	83	70	40	45	31	17	-3
Enterprise value	203	223	336	347	226	212	192
Sales	431	411	459	443	500	525	536
EBITDA	26	34	61	47	22	46	58
EBIT	5	8	40	27	3	26	36
Pre-tax	-1	2	34	27	2	25	35
Earnings	-2	0	30	21	0	20	27
Equity book value (excl. minorities)	131	131	146	163	152	163	179
<b>Valuation multiples</b>							
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	10.3	4.6	3.3
EV/EBITA	44.1	27.5	8.5	12.9	80.7	8.1	5.3
EV/EBIT	44.1	27.5	8.5	12.9	80.7	8.1	5.3
EV/OCF	7.2	8.9	6.7	18.0	5.6	5.6	4.0
EV/FCFF	11.7	12.3	7.4	195.7	8.2	8.6	5.7
P/FCFE	9.0	10.8	7.7	86.1	7.7	8.5	6.1
P/E	-69.4	766.1	9.8	14.6	-74,320.2	9.8	7.1
P/B	0.9	1.2	2.0	1.8	1.3	1.2	1.1
Target EV/EBITDA	0.0	0.0	0.0	0.0	10.7	4.8	3.5
Target EV/EBIT	0.0	0.0	0.0	0.0	84.1	8.4	5.6
Target EV/FCF	0.0	0.0	0.0	0.0	9.3	9.6	6.3
Target P/B	0.0	0.0	0.0	0.0	1.3	1.3	1.1
Target P/E	0.0	0.0	0.0	0.0	-77,880.4	10.2	7.4
<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)	58,259	58,259	58,259	58,259	58,259	58,259	58,259
EPS	-0.03	0.00	0.52	0.36	0.00	0.34	0.47
Operating cash flow per share	0.48	0.43	0.86	0.33	0.69	0.65	0.83
Free cash flow per share	0.23	0.24	0.66	0.06	0.43	0.39	0.55
Book value per share	2.24	2.24	2.50	2.80	2.60	2.79	3.06
Dividend per share	0.00	0.05	0.20	0.20	0.15	0.20	0.20
Dividend payout ratio, %	0.0	1,456.5	38.7	56.3	-333,773.3	58.4	42.5
Dividend yield, %	0.0	1.9	3.9	6.0	4.5	6.0	6.0
FCF yield, %	11.1	9.2	12.9	1.2	12.9	11.8	16.3
<b>Efficiency measures</b>							
ROE	-1.3	0.2	21.8	13.4	0.0	12.7	16.1
ROCE	1.9	3.4	16.6	9.7	1.1	11.8	16.4
<b>Financial ratios</b>							
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	2.8	3.1
CAPEX/sales (incl. acquisitions), %	3.5	2.6	2.6	3.6	3.0	2.8	3.1
FCFF/EBITDA	0.7	0.5	0.7	0.0	1.3	0.5	0.6
Net debt/EBITDA, book-weighted	3.2	2.1	0.7	1.0	1.4	0.4	0.0
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	46.9	49.9	55.1
Gearing, %	63.7	53.3	27.3	27.6	20.8	10.6	-1.6

**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	46.604	24.0%
Oy Etra Invest Ab	8,700,000	29.058	14.9%
Nordea Nordic Small Cap Fund	3,435,147	11.473	5.9%
Ilmarinen Mutual Pension Insurance Company	3,046,892	10.177	5.2%
Etola Group Oy	2,900,000	9.686	5.0%
Nordea Life Assurance Finland Ltd.	2,882,300	9.627	4.9%
Mandatum Life Insurance Company Limited	2,881,547	9.624	4.9%
Elo Mutual Pension Insurance Company	1,944,651	6.495	3.3%
Varma Mutual Pension Insurance Company	1,689,751	5.644	2.9%
OP Life Assurance Company Ltd	1,688,830	5.641	2.9%
Ten largest	43,122,475	144.029	74%
Residual	15,136,744	50.557	26%
Total	58,259,219	194.586	100%

**EARNINGS CALENDAR**

February 03, 2023	FY 2022 Results
May 04, 2023	Q1 report
August 09, 2023	Q2 report
October 27, 2023	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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		



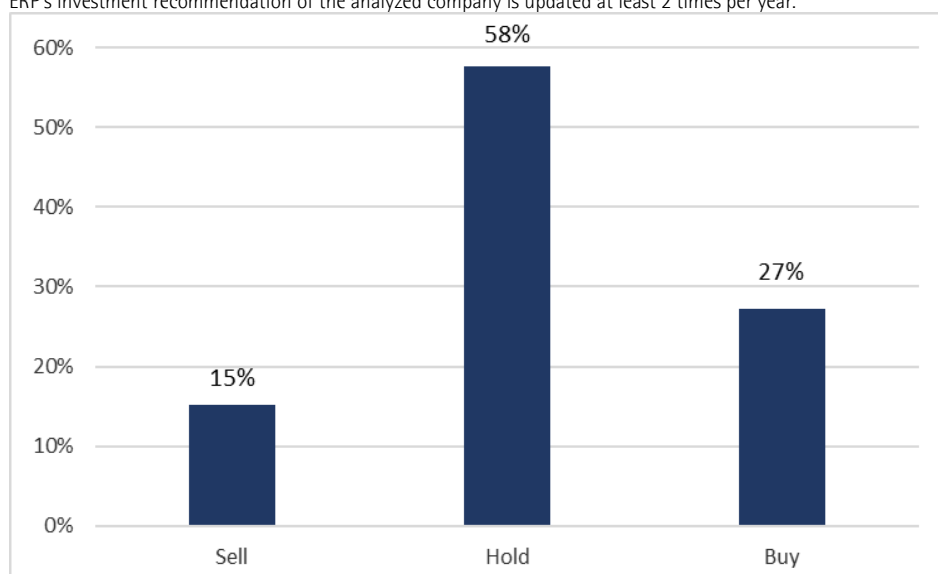
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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