

Suominen

Company update

28/10/2020

- We retain Suominen's accumulate recommendation and target price 5.40 EUR
- Record breaking Q3 performance beat clearly our estimates and short-term outlook remains still very favorable as the pandemic supports demand
- We made clear positive estimate revisions after the Q3 report and positive progress reduced also risks
- We argue Suominen's valuation is still very reasonable especially on cash flow basis and expected TSR of some 10 % driven by profit growth and dividends justify additional purchases despite the share's over 100 % rally YTD

Valuation has remained well on the earth

Suominen's Q3-report was very strong and clearly better than we expected. Furthermore, company's outlook for near-term future remained strong. Despite increased estimates, we retain our recommendation to accumulate and keep our target price at 5.40 EUR. We argue that Suominen's valuation is still moderate looking also beyond potential earnings peak in 2020. Thus, we consider next 12 months risk adjusted to be adequate to keep on purchasing the share.

Suominen broke records also in Q3

Suominen's revenue grew 12 % in Q3 and reached 115 MEUR, which exceeded our estimates significantly. Revenue was driven by improved volumes as coronavirus pandemic grew demand for the wiping products. FX rates had a clear negative impact for revenue and selling prices eroded as expected reflecting price declines of raw materials. Suominen's EBIT increased to 12.9 MEUR in Q3 (quarterly ATH), which clearly exceeded our estimates. Profit improvement was driven by high sales and excellent GM-% of 17.1 % (+8.5 % point y-on-y). GM-% development was result of high volumes (incl. high production efficiency and dilution of fixed costs) and raw-material prices that fell faster than sales prices. At the bottom lines of P&L financing costs were above our estimates due to FX related reasons and on the other hand taxes were below our estimates, which may derive from profit improvement in Europe. Thus, Suominen's Q3 EPS of 0.19 EUR exceeded our estimate clearly.

Strong demand seems to continue until early 2021 and we increased again our estimates

In Q3-report Suominen reiterated its FY20 guidance and expects its adjusted EBIT to improve significantly in 2020 compared to 2019 (2019: adj. EBIT 8.1 MEUR). Furthermore, company expects that high demand driven by the coronavirus pandemic will continue until H1'21 but normal seasonal factors will reduce volumes during Q4. Suominen will reach the guidance. After Q3-report we made some positive estimate revisions for Q4. In addition, we increased our adjusted EBIT estimates for the coming years by 7-15 %. We now expect Suominen's adjusted EBIT to be 39.0 MEUR for 2020 in this exceptionally favorable market environment (comp. 2020e: adj. EBITDA-% 13.5 % vs. Suominen's financial target over 12 % by 2025). However, we argue, that partly challenging nonwoven industry dynamics hasn't completely shifted upside down in 2020. Thus, we anticipate that Suominen's profitability will decrease from this year's record levels as demand normalized and/or supply increases and after the best tailwind regarding raw material prices calms down. Our estimates for the coming years anticipate absolute earnings level to remain good (comp. 2021e-2023e: adj. EBITDA 11-12 %), which reflects long-lasting positive effects that pandemic has brought for the demand, Suominen's actively developing portfolio (already likely over 25 % of revenue comes from new product carrying probably higher margins) and improved efficiency.

TSR is good as stock price doesn't lean on this year's record earnings

Suominen's FY20 and FY21 P/E ratios are 10x and 13x. Corresponding EV/EBITDA ratios, which we think reflects better company's strong cash flow (we estimate that CAPEX will stay below depreciation levels, albeit the company makes some moderate growth investments), are some 5x. Earnings multiples also FY'21 are below 5-year median levels. Therefore, we argue that investors don't carry sizable risk related to durability of company's earnings levels, but rather have an option, if strong market conditions remains. Thus, we see that upside in multiples and 3-4 % dividend yield will provide some 10 % expected TSR for next 12 months, which attracts to purchase the share.

Analysts



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Recommendation



Accumulate
(prev. Accumulate)
5.40 EUR
(Prev. 5.40 EUR)
Share price:
5.06 EUR

Key figures

	2019	2020e	2021e	2022e
Revenue	411,4	454,0	444,1	465,4
growth-%	-5 %	10 %	-2 %	5 %
EBIT adj.	8,1	39,3	33,5	32,4
EBIT-% adj.	2,0 %	8,7 %	7,5 %	7,0 %
Net Income	0,2	28,4	22,5	21,5
EPS (adj.)	0,00	0,49	0,39	0,37

P/E (adj.)	>100	10,2	12,9	13,5
P/B	1,0	1,8	1,7	1,6
Dividend yield-%	2,2 %	3,0 %	3,4 %	3,8 %
EV/EBIT (adj.)	25,1	8,4	9,2	9,0
EV/EBITDA	6,1	5,4	5,5	5,3
EV/S	0,5	0,7	0,7	0,6

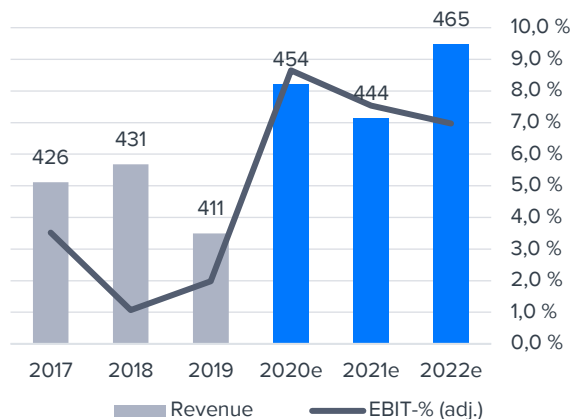
Source: Inderes

Share price development



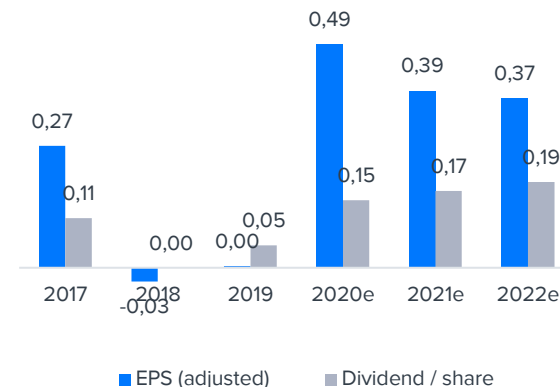
Lähde: Thomson Reuters

Net sales and EBIT-%



Lähde: Inderes

EPS and DPS



Lähde: Inderes



Value drivers

- Profitability turnaround with volume and value growth
- Gradual growth in demanding higher margin products (for example sustainable products)
- Healthy nonwoven demand growth above GDP level
- COVID-19 gives tailwind for demand



Risk factors

- Fierce competition
- Weak pricing power
- Losing a major customer
- Raw-materials price risks



Valuation

- Short term multiples are attractive especially on cash flow basis
- Balance sheet and volume-based valuation have increased but the levels are not alarming on short or long term
- Risk profile has decreased as company has shown its capability to generate good profits in 2020, which supports 12-month risk/reward-ratio
- Expected 12 month TSR is at some 10 % driven by 3 % dividend yield and increasing multiples

MCAP
291
MEUR

EV
332
MEUR

EV/EBIT
9,2
2021e

P/E (oik.)
12,9
2021e

Second record breaking quartile in a row

Suominen's strong momentum continued

Suominen's revenue grew 12 % to 115 MEUR in Q3 and exceeded our estimates. Revenue was driven up by improved volumes (could be +20 % y-on-y). The root cause behind strong demand was again coronavirus pandemics that consumers preserved by increasing attention on cleaning, disinfection and hygiene. FX rates had a clear negative impact on sales (-5.6 MEUR, especially due to depreciating USD and BRL during Q3). Selling prices decreased, but this was well expected as raw-material prices have trended down during the last 5-7 quartiles and selling prices will go to the same direction with certain time lag, even if Suominen has most likely managed to defend pricing in strong demand environment.

Geographically the report was more balanced than many other recent reports (as was Q2-report also). Americas grew some 16 % on reported basis (slightly more FX adjusted). In addition, European revenue grew some 5 %. This was a second strong quartile sequentially in European markets after several difficult or very difficult quartiles since 2016.

Therefore, the demand tailwind became extensively visible and Suominen managed to satisfy strong market conditions in all areas.

ATH adjusted EBIT through sales and GM-%

In Q3 Suominen's adjusted EBIT almost twelve folded y-on-y and increased to 12.9 MEUR. This is also new quarterly ATH and EBIT clearly exceeded our estimates. Profit improvement was driven by high sales and strong GM-% (record high level of 17.1%). GM-% improved as high volumes absorbed well fixed costs, full capacity utilization lead to high production efficiency and decreased raw material prices had positive impact to profitability more than lower sell prices eroded it. FX had only minor negative impact on EBIT in Q3. Suominen kept SGA-costs strictly under control as usual and the strong profit growth and the estimate beat came though from the upper lines of P&L

Excellent operating cash flow during Q3

At the bottom lines of P&L financing costs climbed above our estimates due to FX related reasons.

However, taxes were below our estimates, which may derive from profit improvement in Europe that allows the company to utilize existing losses. Thus, Suominen's EPS of 0.19 EUR exceeded our estimates clearly in Q3.

Operating cash flow was also on an excellent level of 0.35 EUR per share due to reduce of NWC by 6.4 MEUR from Q2 levels. Strong cash flow in Q3 didn't come as a surprise to us, as Suominen's record sales in Q2 increased NWC (increased receivables) and we expected that company could release some NWC during H2 through receivable payments and seasonal factors. Good cash flow (including only minor investments during Q2) and strong net profit pushed Suominen's gearing to below of the target range (the company aims at 40-80 % gearing) to 30 % at end of Q3. Therefore, we believe the company begins gradually to have some financial flexibility in the balance sheet. This naturally enables to look for a strategic growth (especially M&A in Asia) if opportunities arise in the next years.

Estimates	Q3'19	Q3'20	Q3'20e	Q3'20e	Consensus		Difference (%)	2020e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	103	115	109				6 %	454
EBIT	1,1	12,9	8,2				58 %	39,3
PTP	0,0	11,1	6,9				63 %	32,5
EPS (reported)	0,00	0,19	0,09				121 %	0,49
Revenue growth-%	-1,4 %	11,7 %	5,4 %				6,3 pp	10,4 %
EBIT-% (adj.)	1,1 %	11,2 %	7,5 %				3,7 pp	8,7 %

Source: Inderes

CEO's interview:



We upgraded our estimates especially on the short term

Guidance remained intact, strong demand seem to continue at least until early 2021

In Q3-report Suominen reiterated its guidance FY'20 (upgraded in June) and expects its adjusted EBIT to improve significantly in 2020 compared to 2019 (2019: adj. EBIT 8.1 MEUR). Furthermore, company expects that high demand driven by the coronavirus pandemic will continue until early 2021 but some seasonal factors (annual maintenance stops in plants and seasonally quiet December) will reduce volumes during Q4. After Suominen's year to date stellar performance and improved (but still weak) visibility achieving the guidance should be obvious. In addition, good trading environment could remain in 2021 as not many factors suggest that the world could get a rid of pandemics quickly even if commercial vaccine was launched at the end of this year or early next year.

Estimates went clearly up again

After Q3-report we made some positive estimate revisions for Q4. These changes and major beat in Q3 drove FY'20 estimates up by 27 % on EBIT level and even more on the last line as we cut also our estimates on taxes. In addition, we increased our adjusted EBIT estimates for the coming years by 7-15 %.

We now expect Suominen's adjusted EBIT to be 39.0 MEUR for 2020 in this exceptionally favorable market environment (comp. 2020e: adj. EBITDA-% 13,5 % vs. Suominen's financial target over 12 % by 2025). We argue, that partly challenging long term business dynamics in nonwoven industry hasn't completely shifted upside down, despite Suominen's this year's tailwind. Thus, we anticipate that Suominen's profitability will decrease from this year's record levels as demand normalizes or supply increases (or partially both) and after the best tailwind regarding raw material prices calms down. However, we see a

chance that it may take time that tailwind fades away. This would be naturally very good outcome for Suominen as every strong quarter deleverages the company and makes possible to finance investments or pay dividends.

Even if we remain cautious related to Suominen's profit growth potential beyond exceptional 2020 our estimates for the coming years anticipate absolute earnings level to remain good (comp. 2021e-2023e: adj. EBITDA 11-12 %). These reflects long-lasting positive effects that pandemic has brought for the demand (consumers' increasing attention on cleaning, disinfection and hygiene), Suominen's actively developing portfolio (already over 25 % of revenue comes from new products carrying very likely high margins) and improved efficiency. The most significant risks related to our estimates are industry's intense competition, company's limited pricing power and increase of raw-material prices.

Estimate revisions	2020e	2020e	Change	2021e	2021e	Change	2022e	2022e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	438	454	4 %	440	444	1 %	454	465	3 %
EBIT (exc. NRIs)	30,8	39,3	27 %	29,2	33,5	15 %	30,4	32,4	7 %
EBIT	30,8	39,3	27 %	29,2	33,5	15 %	30,4	32,4	7 %
PTP	25,0	32,5	30 %	24,5	28,7	17 %	25,9	28,0	8 %
EPS (excl. NRIs)	0,33	0,49	52 %	0,34	0,39	16 %	0,35	0,37	8 %
DPS	0,13	0,15	15 %	0,16	0,17	6 %	0,19	0,19	0 %

Source: Inderes

No miracles are needed to justify the share price

Cash flow-based valuation is still very reasonable

Suominen's P/E ratios for FY20 and FY21 are 10x and 13x and corresponding EV/EBITDA ratios 5x. The multiples are still below the company's 5-year median and 2015-2016 levels (even if EV/EBITDA has got some IFRS 16 tailwind). We argued in our last extensive report (published 5/2020) that Suominen should be valued at P/E 13x-15x and EV/EBITDA 6x-7x. Therefore, we consider also multiples FY'21 cheap and the share is not priced by FY'20 multiples, which may represent a value trap due to exceptionally good profit level. We estimate CAPEX to remain below heavy depreciation in the next years despite recently announced CAPEX projects and also paid taxes could stay below P&L taxes in the next years. Thus, Suominen's FCFE yield is currently 8-10 % p.a., which we find attractive in current zero interest rate environment.

We expect Suominen to pay a 3 % dividend yield for the current share price. Therefore, we estimate around 3 % dividend yield and upside in multiples (Q3'20 LTM P/E around 13x and EV/EBITDA 6x are low) to give a good (some 10-12 %) TSR for the next 12 months even if we do not expect annual EBIT level to increase in 2021 (in our estimates Suominen's rolling 12-month EBIT peaks at the end of Q1'21). This TSR beats clearly our return requirement and attracts to purchase the share.

P/B and EV/S reflect higher expectations, but they are not overheated yet

The balance sheet-based P/B is 1,8x while volume-based EV/S is at 0.7x (2020e). Both figures are above 5-year medians, which reflects that the share price rally has increased expectations. However, neither metric is intolerable high, and they are below 2015-2016 levels. We do not expect these to prevent our

expected TSR materializing or worsen long term risk/reward-ratio significantly.

Peer group valuation does not drive the share

Indicative peer group valuation (loosely related peers) is mixed but neither does this relative metric suggest overvaluation. However, we do not see that relative valuation drives the share. Our DCF-model is in line with our target price of some 5.5 EUR and indicates also some upside. We have decreased risk free return from 3.0 % to 2.0 % in the model, which reflects the recent central bank policies that likely keep interest rates low to foreseeable future. However, we do not believe that general interest rate is, however, a major driver for Suominen's share.

Long-term potential is not fully priced in yet

We still argue Suominen should reach some 0.50 EUR EPS in 2025 should the company reach its financial targets of exceeding market growth and 12 % EBITDA-% by 2025 . We argue Suominen could be valued by some P/E 15x after this kind of improvement, which would correspond to a share price of some 7.00-7.50 EUR in 2025. Given time lag of some four years, reaching the targets could mean some 8-12 % per annum IRR potential (including growing roughly 3-4 % p.a. dividend) for an investor that invest in Suominen now. Therefore, some long-term upside remains in the share even if the share's YTD rally has diminished this potential.

In addition, Suominen has relatively quickly fixed its profitability and strengthened their balance sheet, thus we believe the M&A-option is not only a distant target in the strategy brochure. We are not willing to lean on this M&A-option but the opportunity to look for strategic growth is something nice to have.

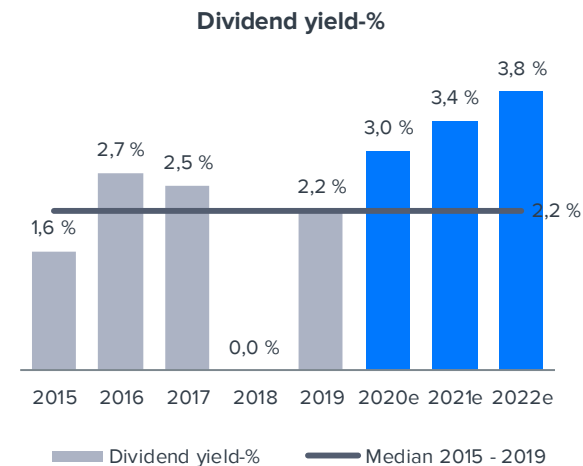
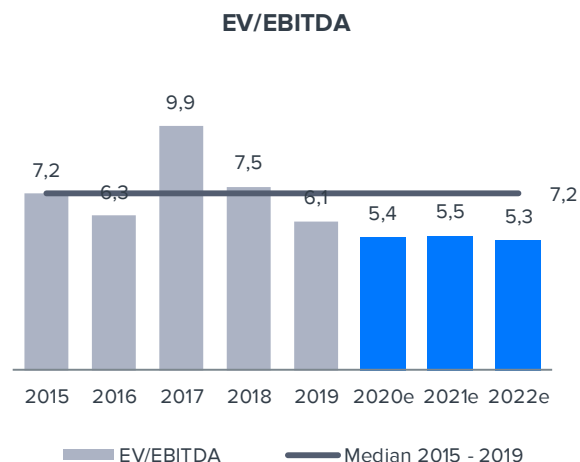
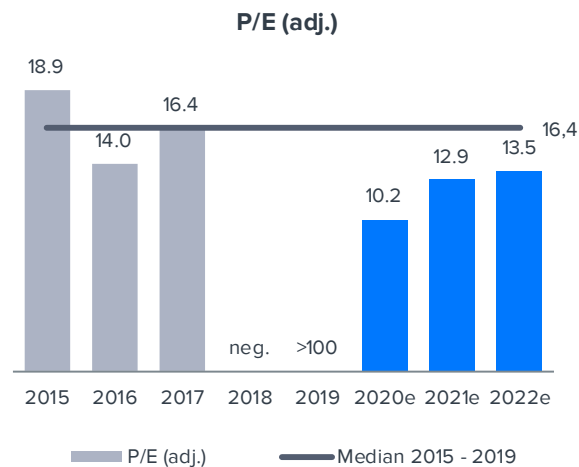
Valuation	2020e	2021e	2022e
Share price	5,06	5,06	5,06
Number of shares, millions	57,5	57,5	57,5
Market cap	291	291	291
EV	332	309	292
P/E (adj.)	10,2	12,9	13,5
P/E	10,2	12,9	13,5
P/FCF	7,5	8,2	9,5
P/B	1,8	1,7	1,6
P/S	0,6	0,7	0,6
EV/Sales	0,7	0,7	0,6
EV/EBITDA	5,4	5,5	5,3
EV/EBIT (adj.)	8,4	9,2	9,0
Payout ratio (%)	30,3 %	43,3 %	50,7 %
Dividend yield-%	3,0 %	3,4 %	3,8 %

Source: Inderes

Valuation

Valuation	2015	2016	2017	2018	2019	2020e	2021e	2022e	2023e
Share price	6,20	4,14	4,42	2,05	2,31	5,06	5,06	5,06	5,06
Number of shares, millions	50,5	51,2	53,6	57,5	57,5	57,5	57,5	57,5	57,5
Market cap	313	212	258	118	133	291	291	291	291
EV	354	277	341	192	204	332	309	292	277
P/E (adj.)	18,9	14,0	16,4	neg.	>100	10,2	12,9	13,5	14,3
P/E	18,4	14,0	16,4	neg.	>100	10,2	12,9	13,5	14,3
P/FCF	36,9	neg.	43,5	5,5	6,3	7,5	8,2	9,5	10,2
P/B	2,5	1,5	1,9	0,9	1,0	1,8	1,7	1,6	1,5
P/S	0,7	0,5	0,6	0,3	0,3	0,6	0,7	0,6	0,6
EV/Sales	0,8	0,7	0,8	0,4	0,5	0,7	0,7	0,6	0,6
EV/EBITDA	7,2	6,3	9,9	7,5	6,1	5,4	5,5	5,3	5,3
EV/EBIT (adj.)	11,3	10,8	22,7	41,7	25,1	8,4	9,2	9,0	8,9
Payout ratio (%)	29,7 %	37,1 %	44,3 %	0,0 %	1282,8 %	30,3 %	43,3 %	50,7 %	60,0 %
Dividend yield-%	1,6 %	2,7 %	2,5 %	0,0 %	2,2 %	3,0 %	3,4 %	3,8 %	4,2 %

Source: Inderes



Peer group valuation

Peer group valuation	Share price	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company		MEUR	MEUR	2020e	2021e	2020e	2021e	2020e	2021e	2020e	2021e	2020e	2021e	2020e
Huhtamäki	42,34	4597	5602	18,1	16,1	11,4	10,4	1,6	1,5	21,9	19,2	2,2	2,4	3,2
Duni	85,00	386	517	38,3	12,3	10,9	7,1	1,2	1,1	49,9	12,5	5,9	6,3	1,5
Sealed Air	40,50	5368	8338	11,7	11,1	9,2	8,8	2,0	1,9	13,9	13,2	1,6	1,7	
Riverstone	3,59	1658	1605	13,7	10,0	12,4	9,1	4,8	3,7	18,5	15,2	2,2	2,6	7,7
Glatfelter	14,17	537	766							18,4	16,8			1,1
Ahlstrom-Munksjo	17,86	2070	2960	19,0	13,7	8,9	7,4	1,1	1,0	24,3	16,7	2,9	3,0	1,6
Berry	47,09	5422	13769	12,7	11,6	7,7	7,1	1,4	1,3	10,8	9,8			3,0
Suominen (Inderes)	5,06	291	332	8,4	9,2	5,4	5,5	0,7	0,7	10,2	12,9	3,0	3,4	1,8
Average				18,9	12,5	10,1	8,3	2,0	1,7	22,5	14,8	2,9	3,2	3,0
Median				15,9	12,0	10,0	8,1	1,5	1,4	18,5	15,2	2,2	2,6	2,3
Diff-% to median				-47 %	-23 %	-46 %	-32 %	-52 %	-50 %	-45 %	-15 %	36 %	31 %	-21 %

Source: Thomson Reuters / Inderes

Profit and loss statement

Income statement	2018	Q1'19	Q2'19	Q3'19	Q4'19	2019	Q1'20	Q2'20	Q3'20	Q4'20e	2020e	2021e	2022e	2023e
Revenue	431	110	104	103	94,5	411	110	122	115	106	454	444	465	479
Nonwovens	431	110	104	103	94,5	411	110	122	115	106	454	444	465	479
EBITDA	25,6	9,3	9,1	7,8	7,4	33,7	11,3	18,0	18,1	13,9	61,3	56,5	55,0	52,2
Depreciation	-21,0	-6,3	-6,4	-6,7	-6,0	-25,5	-5,6	-5,6	-5,2	-5,6	-22,0	-23,0	-22,5	-21,2
EBIT (excl. NRI)	4,6	3,0	2,7	1,1	1,4	8,1	5,7	12,4	12,9	8,3	39,3	33,5	32,4	31,0
EBIT	4,6	3,0	2,7	1,1	1,4	8,1	5,7	12,4	12,9	8,3	39,3	33,5	32,4	31,0
Nonwovens	4,6	3,0	2,7	1,1	1,4	8,1	5,7	12,4	12,9	8,3	39,3	33,5	32,4	31,0
Net financial items	-5,6	-1,3	-1,7	-1,1	-1,9	-6,0	-1,9	-1,8	-1,8	-1,3	-6,8	-4,8	-4,4	-4,2
PTP	-1,0	1,7	1,0	0,0	-0,5	2,1	3,8	10,5	11,1	7,0	32,5	28,7	28,0	26,8
Taxes	-0,8	-0,5	-0,6	-0,1	-0,7	-1,9	-0,2	-2,2	-0,3	-1,4	-4,0	-6,1	-6,4	-6,4
Minority interest	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
Net earnings	-1,7	1,1	0,4	-0,1	-1,2	0,2	3,6	8,4	10,9	5,6	28,4	22,5	21,5	20,3
EPS (adj.)	-0,03	0,02	0,01	0,00	-0,02	0,00	0,06	0,15	0,19	0,10	0,49	0,39	0,37	0,35
EPS (rep.)	-0,03	0,02	0,01	0,00	-0,02	0,00	0,06	0,15	0,19	0,10	0,49	0,39	0,37	0,35

Key figures	2018	Q1'19	Q2'19	Q3'19	Q4'19	2019	Q1'20	Q2'20	Q3'20	Q4'20e	2020e	2021e	2022e	2023e
Revenue growth-%	1,2 %	3,0 %	-5,6 %	-1,4 %	-13,9 %	-4,6 %	0,4 %	17,7 %	11,7 %	12,4 %	10,4 %	-2,2 %	4,8 %	2,9 %
Adjusted EBIT growth-%	-69,4 %	91,3 %	-9,0 %	126,6 %	-489,2 %	76,9 %	92,5 %	365,3 %	1064,9 %	492,8 %	383,3 %	-14,8 %	-3,1 %	-4,4 %
EBITDA-%	5,9 %	8,5 %	8,8 %	7,6 %	7,9 %	8,2 %	10,3 %	14,7 %	15,7 %	13,1 %	13,5 %	12,7 %	11,8 %	10,9 %
Adjusted EBIT-%	1,1 %	2,7 %	2,6 %	1,1 %	1,5 %	2,0 %	5,2 %	10,1 %	11,2 %	7,8 %	8,7 %	7,5 %	7,0 %	6,5 %
Net earnings-%	-0,4 %	1,0 %	0,4 %	-0,1 %	-1,3 %	0,1 %	3,2 %	6,8 %	9,4 %	5,3 %	6,3 %	5,1 %	4,6 %	4,2 %

Source: Inderes

Balance sheet

Assets	2018	2019	2020e	2021e	2022e
Non-current assets	174	178	170	165	157
Goodwill	15,5	15,5	15,5	15,5	15,5
Intangible assets	21,2	20,0	20,1	20,2	20,3
Tangible assets	129	136	127	122	114
Associated companies	0,0	0,0	0,0	0,0	0,0
Other investments	0,8	0,8	0,8	0,8	0,8
Other non-current assets	4,7	3,7	3,7	3,7	3,7
Deferred tax assets	2,5	2,1	2,5	2,5	2,5
Current assets	147	132	133	148	170
Inventories	51,6	39,3	45,4	42,2	44,2
Other current assets	9,1	8,4	8,4	8,4	8,4
Receivables	58,1	46,7	51,6	50,4	52,9
Cash and equivalents	27,8	37,7	27,2	46,7	64,2
Balance sheet total	321	310	302	312	327

Source: Inderes

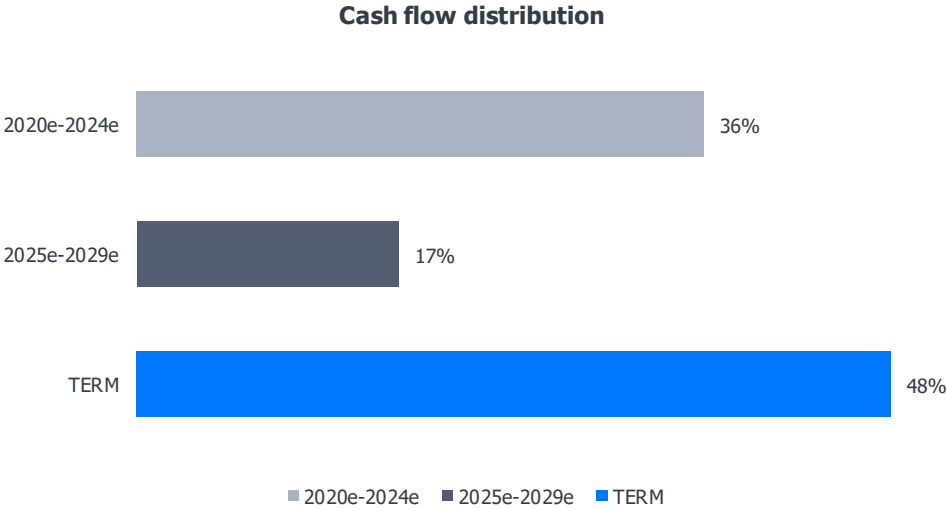
Liabilities & equity	2018	2019	2020e	2021e	2022e
Equity	131	132	158	172	184
Share capital	11,9	11,9	11,9	11,9	11,9
Retained earnings	13,2	13,7	39,3	53,2	65,0
Hybrid bonds	0,0	0,0	0,0	0,0	0,0
Revaluation reserve	0,0	0,0	0,0	0,0	0,0
Other equity	105	107	107	107	107
Minorities	0,0	0,0	0,0	0,0	0,0
Non-current liabilities	93,9	107	79,6	77,5	77,5
Deferred tax liabilities	12,4	12,8	14,0	15,0	15,0
Provisions	0,0	1,6	1,6	1,6	1,6
Long term debt	80,7	92,2	63,1	60,0	60,0
Convertibles	0,0	0,0	0,0	0,0	0,0
Other long term liabilities	0,9	0,8	0,9	0,9	0,9
Current liabilities	96,3	70,4	64,5	62,9	65,6
Short term debt	20,8	17,0	5,3	5,0	5,0
Payables	75,4	53,3	59,0	57,7	60,5
Other current liabilities	0,1	0,1	0,1	0,1	0,1
Balance sheet total	321	310	302	312	327

DCF

DCF model	2019	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	TERM
EBIT (operating profit)	8,1	39,3	33,5	32,4	31,0	33,5	33,5	32,5	31,3	30,0	30,6	
+ Depreciation	25,5	22,0	23,0	22,5	21,2	20,0	19,5	18,8	19,1	19,2	19,4	
- Paid taxes	-1,0	-3,3	-5,1	-6,4	-6,4	-7,6	-7,6	-7,4	-7,1	-6,7	-6,9	
- Tax, financial expenses	-1,5	-0,8	-1,0	-1,0	-1,0	-0,8	-0,8	-0,8	-0,8	-0,8	-0,8	
+ Tax, financial income	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
- Change in working capital	2,3	-5,2	3,0	-1,7	-1,1	-1,1	-1,2	-1,2	-1,2	-1,3	-0,9	
Operating cash flow	33,5	52,0	53,4	45,8	43,6	44,0	43,4	42,0	41,3	40,4	41,4	
+ Change in other long-term liabilities	1,5	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
- Gross CAPEX	-29,8	-13,1	-18,1	-15,1	-15,1	-17,1	-19,1	-20,1	-20,1	-20,1	-22,7	
Free operating cash flow	5,2	38,9	35,3	30,7	28,5	26,9	24,3	21,9	21,2	20,3	18,8	
+/- Other	16,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
FCFF	21,2	38,9	35,3	30,7	28,5	26,9	24,3	21,9	21,2	20,3	18,8	358
Discounted FCFF		38,4	32,4	26,3	22,8	20,0	16,8	14,1	12,7	11,4	9,8	186
Sum of FCFF present value		391	352	320	294	271	251	234	220	207	196	186
Enterprise value DCF		391										
- Interesting bearing debt		-109,2										
+ Cash and cash equivalents		37,7										
-Minorities		0,0										
-Dividend/capital return		-2,9										
Equity value DCF		316										
Equity value DCF per share		5,51										

Wacc	
Tax-% (WACC)	25,0 %
Target debt ratio (D/(D+E))	20,0 %
Cost of debt	4,0 %
Equity Beta	1,05
Market risk premium	4,75 %
Liquidity premium	1,50 %
Risk free interest rate	2,0 %
Cost of equity	8,5 %
Weighted average cost of capital (WACC)	7,4 %

Source: Inderes



Summary

Income statement	2017	2018	2019	2020e	2021e	Per share data	2017	2018	2019	2020e	2021e
Revenue	426,0	431,1	411,4	454,0	444,1	EPS (reported)	0,27	-0,03	0,00	0,49	0,39
EBITDA	34,3	25,6	33,7	61,3	56,5	EPS (adj.)	0,27	-0,03	0,00	0,49	0,39
EBIT	15,0	4,6	8,1	39,3	33,5	OCF / share	0,47	0,63	0,58	0,90	0,93
PTP	12,4	-1,0	2,1	32,5	28,7	FCF / share	0,11	0,37	0,37	0,68	0,61
Net Income	14,5	-1,7	0,2	28,4	22,5	Book value / share	2,54	2,27	2,31	2,75	2,99
Extraordinary items	0,0	0,0	0,0	0,0	0,0	Dividend / share	0,11	0,00	0,05	0,15	0,17
Balance sheet	2017	2018	2019	2020e	2021e	Growth and profitability	2017	2018	2019	2020e	2021e
Balance sheet total	325,7	320,7	310,1	302,1	312,3	Revenue growth-%	2 %	1 %	-5 %	10 %	-2 %
Equity capital	136,1	130,5	132,5	158,1	172,0	EBITDA growth-%	-22 %	-25 %	31 %	82 %	-8 %
Goodwill	15,5	15,5	15,5	15,5	15,5	EBIT (adj.) growth-%	-41 %	-69 %	77 %	383 %	-15 %
Net debt	83,2	73,7	71,4	41,2	18,3	EPS (adj.) growth-%	-9 %	-111 %	-113 %	12599 %	-21 %
Cash flow	2017	2018	2019	2020e	2021e	EBITDA-%	8,1 %	5,9 %	8,2 %	13,5 %	12,7 %
EBITDA	34,3	25,6	33,7	61,3	56,5	EBIT (adj.)-%	3,5 %	1,1 %	2,0 %	8,7 %	7,5 %
Change in working capital	-13,2	5,6	2,3	-5,2	3,0	EBIT-%	3,5 %	1,1 %	2,0 %	8,7 %	7,5 %
Operating cash flow	25,3	36,3	33,5	52,0	53,4	ROE-%	10,4 %	-1,3 %	0,2 %	19,6 %	13,7 %
CAPEX	-19,3	-15,0	-29,8	-13,1	-18,1	ROI-%	6,2 %	1,9 %	3,4 %	16,8 %	14,5 %
Free cash flow	5,9	21,5	21,2	38,9	35,3	Equity ratio	41,8 %	40,7 %	42,7 %	52,3 %	55,1 %
						Gearing	61,1 %	56,5 %	53,9 %	26,1 %	10,7 %
Largest shareholders	% of shares					Valuation multiples	2017	2018	2019	2020e	2021e
AC Invest two B.V	24,0 %					EV/S	0,8	0,4	0,5	0,7	0,7
Oy Etra Invest Ab	13,3 %					EV/EBITDA (adj.)	9,9	7,5	6,1	5,4	5,5
Varma Mutual Pension Insurance Company	7,7 %					EV/EBIT (adj.)	22,7	41,7	25,1	8,4	9,2
Triton	5,8 %					P/E (adj.)	16,4	neg.	>100	10,2	12,9
Ilmarinen Mutual Pension Insurance Company	5,2 %					P/B	1,9	0,9	1,0	1,8	1,7
						Dividend-%	2,5 %	0,0 %	2,2 %	3,0 %	3,4 %

Source: Inderes

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Buy	Stock's risk-adjusted expected return is very attractive
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Accumulate	Stock's risk-adjusted expected return is attractive
Reduce	Stock's risk-adjusted expected return is weak
Sell	Stock's risk-adjusted expected return is very weak

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
11.5.2017	Reduce	5,10 €	5,00 €
22.6.2017	Reduce	5,10 €	4,87 €
24.7.2017	Reduce	4,70 €	4,81 €
9.8.2017	Reduce	4,70 €	4,90 €
30.10.2017	Reduce	4,50 €	4,42 €
14.12.2017	Reduce	4,25 €	4,43 €
31.1.2018	Reduce	4,25 €	4,40 €
6.4.2018	Reduce	4,00 €	3,88 €
27.4.2018	Reduce	3,50 €	3,55 €
4.7.2018	Reduce	3,50 €	3,40 €
6.8.2018	Reduce	3,30 €	3,40 €
14.9.2018	Sell	2,85 €	3,10 €
26.10.2018	Reduce	2,20 €	2,30 €
1.2.2018	Reduce	2,40 €	2,50 €
25.4.2019	Reduce	2,50 €	2,60 €
8.8.2019	Reduce	2,40 €	2,48 €
23.10.2019	Reduce	2,25 €	2,33 €
30.1.2020	Reduce	2,35 €	2,48 €
24.4.2020	Accumulate	3,25 €	3,02 €
13.5.2020	Accumulate	3,40 €	3,17 €
18.6.2020	Accumulate	4,00 €	3,69 €
13.8.2020	Accumulate	5,40 €	5,00 €
28.10.2020	Accumulate	5,40 €	5,06 €



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2017
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2017
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2018
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