

## We continue to wait for a better risk/reward

We retain Suominen's target price at 4.25 EUR and recommendation reduce after the company's weaker than expected Q4-report. We argue that Suominen's short term risk/reward-ratio is not attractive enough to purchase the share yet.

### Bethune, deteriorating mix and price erosion pushed the company on red in Q4

Suominen's net sales fell 1.7 % y-on-y to 99 MEUR in Q4 and went slightly below our forecast. We estimate Suominen managed to grow its volumes in favorable demand environment, but the volume growth came again from the low-price segment (i.e. baby care). In addition, FX (stronger EUR/USD) reduced reported topline growth by some 5 % in Q4. Suominen's EBIT went on red to -0.3 MEUR in Q4 missing clearly the comparison figure and our estimate. Weak topline development did not help but the gross-margin (GM) became the main negative profit driver in Q4. GM dropped almost 450 basis points to 6.4 % as 1) Bethune start-up 2) deteriorating product mix 3) intense price competition in baby care and in flushables burdened margins. SGAs stayed on a decent level at 6.7 % of sales, thus overheads have nothing to do with the company's problems. Net financing costs were around normalized levels at 1 MEUR while one-off like gains deriving from US tax reform raised taxes 7.5 MEUR positive in Q4. However, we estimate tax gain adjusted EPS was slightly negative in Q4. Despite overall weak 2017, the company aims to retain its DPS at 0.11 euro FY'17 as we expected.

### 2017 was the bottom but magnitude of recovery remains uncertain.

Suominen guided it expects net sales and comparable EBIT to improve in 2018 from last year. Suominen reported 426 MEUR net sales and 15 MEUR comparable EBIT in 2017. Nonwoven demand seems to remain healthy due to very high consumer confidence in US and good consumer confidence in Europe, which was in line with our expectations. On the other hand, fierce competition remains in (European) baby care and flushables. Regarding the new line in Bethune, the company retained its view that the line will contribute positively on GM in Q1, but it is still difficult to estimate the magnitude of the positive contribution on full year 2018 (2017 Bethune's new line burdened EBIT by 5 MEUR). We believe the company reached the bottom in Q4 but have cut estimates moderately FY'18-FY'20 due to the drivers that lead to weaker than expected Q4 and stronger EUR/USD. Especially the negative trend (competitive pressure likely to remain in baby care and flushables) of the "old portfolio" is worrying in our opinion as turnaround of Bethune's new line from clear loss of 2017 to decent profits in 2018 and full potential in 2019/2020 does alone not lift the groups result to satisfactory from an investor perspective.

### Valuation does not include margin of safety yet

Suominen's P/E-ratios based on our FY'18 and FY'19 estimates are 17x and 13x while corresponding EV/EBITDA-ratios are 7x and 6x. We argue Suominen's FY'18 multiples are slightly elevated while the company's recent development and does not justify putting more weight on medium term potential. In addition, moderate dividend yields below 3 % and high P/B of 1.9x cannot support the share if estimate risks realize. Therefore, we do not consider 12 months forward looking risk/reward ratio attractive enough to purchase the share now and we rather wait for a change in the profit trend.

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### Recommendation

**Reduce**

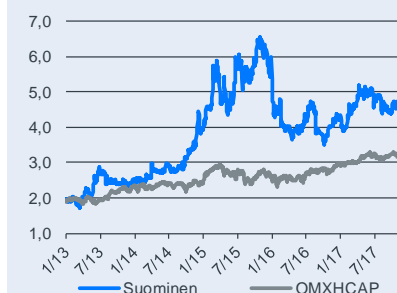


Previous:

**Target price**

**4,25 EUR**

Previous: 4,25



Source: ThomsonReuters

Last close

**4,40 EUR**

12 month range

**3,86-5,22 EUR**

Upside

**-3,4 %**

Watch CEO's video interview  
(in Finnish)



### Key figures

	Net sales	EBIT	EBIT-%	Pre-tax profit	EPS	DPS	EV/S	EV/EBITDA	EV/EBIT	P/E	Div. Yield
	MEUR	MEUR	%	MEUR	EUR	EUR	(x)	(x)	(x)	(x)	%
2016	417	25,6	6,1 %	22,4	0,30	0,11	0,7	6,2	10,5	14,0	2,7 %
2017	426	15,0	3,5 %	12,4	0,27	0,11	0,8	9,7	21,4	16,4	2,5 %
2018e	447	23,4	5,2 %	19,2	0,25	0,13	0,7	7,4	14,3	17,9	3,0 %
2019e	476	30,0	6,3 %	25,8	0,33	0,14	0,7	6,2	10,3	13,3	3,2 %
2020e	502	36,5	7,3 %	32,3	0,42	0,19	0,6	5,2	7,9	10,6	4,2 %
MCAP, MEUR			257	Equity / share 2018e, EUR			2,47	CAGR EPS, 2017-2020, %			15,4 %
Net debt 2018e, MEUR			70	P/B 2018e			1,8	CAGR growth, 2017-2020, %			5,6 %
EV, MEUR			327	Gearing 2018e, %			48,7 %	ROE 2018e, %			10,3 %
Balance sheet total 2018e, MEUR			326	Equity ratio 2018e, %			44,2 %	ROCE 2018e, %			9,6 %

## Red Q4 ended the difficult year 2017 for Suominen

### FX drove the net sales down y-on-y

Suominen's net sales fell 1.7 % y-on-y to 99 MEUR on seasonally quiet Q4 and went slightly below our estimate. FX had a clear negative impact of some 5 %-points on the group's reported net sales in Q4 as average rate of EUR/USD appreciated clearly y-on-y at the end of the 2017. Geographically European sales was basically flat while Americas declined some 8 % due to FX (stronger EUR/USD). We estimate Suominen managed to grow its volumes decently 3-4 % in favorable demand conditions, but the growth came again from the low-price baby care segment. On-going start-up of the new line in Bethune supported volume growth slightly, but the impact remained weak due to challenges in production (technical downtime and low efficiency) in the line. Healthy volume growth was due to good demand of Suominen's customers' products, which reflects high consumer confidence in Suominen's main markets. However, there have been also price erosion in certain grades such as European baby care and globally flushables as recent capacity expansions leading to overcapacity has kept competition fierce in these grades despite healthy growing demand. We estimate that mix and price erosion diluted the company's growth with neutral FX clearly below volume growth on Q4.

### EBIT dropped to red in Q4

Suominen's EBIT went red to -0.3 MEUR in Q4 missing clearly the comparison figure and our estimate. Weak topline development did not help but gross-margin (GM) became the main negative profit driver on Q4. GM dropped almost 450 basis points to 6.4 % as 1) the start-up in Bethune 2) deteriorating product mix 3) intense price competition in baby care and in flushables burdened margins. We estimate that the main negative contribution came from Bethune where the company did still have certain technical problems despite progress during the quartile. Basically, we believe Suominen managed to produce grades that could have been sold with normal commercial terms in Q4, but time and material efficiency remained still very low as production was not yet smooth (this probably kept also

sold volumes fairly low in Q4), stable and optimized. In addition, full depreciation of the new line hit P&L and mostly GM on Q4. Product mix and pricing were the other main negative contributors in decline of GM-% as share of clearly less profitable baby care increased again and comparable prices slipped in baby care and flushables. However, FX did not have material impact on profits. The same goes most likely for the raw-materials even if raw-material prices remained on uphill track in Q4. SGAs were at 6.7 % of net sales on Q4, which was somewhat below our expectations. This was due to low administration costs and lower than expected increase in R&D and S&M costs. This confirms once again that the company has kept costs well in control and there are no challenges with SGAs.

Suominen's net financing costs were around normalized levels at 1 MEUR in Q4 while one-off gains (revaluation of tax liabilities and timing changes of depreciation charges) deriving from recently approved US tax reform pulled the company's taxes 7.5 MEUR positive in Q4. These items did not have impact on cash flow. However, we estimate tax gain adjusted EPS was slightly negative in Q4 due to weak operating performance. Cash flow from operations was 3.6 MEUR in Q4. This is also far from satisfactory even if Suominen's cash flow performed much better than P&L in Q4 and FY'17 (mostly due to slightly positive cash taxes for full year).

### Financial position is still solid

Despite overall weak 2017, the company aims to retain its DPS on 0.11 euro as we expected. Suominen can afford this payout level even if 2017 profitability declined and FCF fell clearly negative (CAPEX high at 34 MEUR due to investments in Bethune) in our opinion. However, weaker than expected progress with the profits and cost overruns in the investments project in Bethune have raised Suominen's gearing to 60 % (2016: 40 %). This is in the middle of the company's target range of 40-80 %. Thus, we argue Suominen's financial position has still remained solid but further increase in net debt (excluding seasonal variances) would be undesirable.

Estimates	Q4'16	Q4'17	Q4'17e	Q4'17e	Consensus	Difference (%)	2017
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes
Net sales	100	99	100				-1 %
EBIT	3,5	-0,3	1,8				-
PTP	2,4	-1,3	0,8				-
EPS (excl. NRIs)	0,03	-0,02	0,01				-
DPS	0,11	0,11	0,11				0 %
Net sales growth-%	-3,7 %	-1,7 %	-0,3 %				-1,4 %-yks.
EBIT-% (adjusted)	3,5 %	-0,3 %	1,8 %				-2,1 %-yks.
							TOT
							426
							15,0
							12,4
							0,27
							0,11

Source: Inderes

## Estimates went down again after Q4-report

### The management guided better 2018 as we expected

Suominen guided it expects net sales and comparable EBIT to improve in 2018 from last year. This was in line with our estimates. Suominen reported 426 MEUR net sales and 15 MEUR comparable EBIT in 2017. Nonwoven demand seems to remain healthy due to very high consumer confidence in US and good consumer confidence in Europe in the near future. However, recent capacity increases have kept competition fierce in baby care and flushables, which still dilutes positive impacts of good demand to manufacturers. This is worrying in our opinion as there are no signs that market dynamics will ease out in these grades in the near future and even further capacity increases remain in the pipeline. Basically, we consider worsening profitability of "the old portfolio" much more serious than temporarily delays in Bethune as the root causes could be structural. Household, workplace and medical&hygiene segments remain on good supply/demand balance and there have been no price erosion in 2017 but they cannot offset other segments with their current volumes.

### Positive GM contribution from Bethune's new line at the beginning of 2018

Suominen expects Bethune's new line to contribute positively on GM from Q1. This did not cause surprises to us and we believe the company has made gradual progress in Bethune in Q4 and in January. However, the start-up phase continues as only the part of the planned grades are in production right now on the line. Suominen commented again relatively positively on market demand for the products produced on the new line, which is cautiously promising regarding FY'18 and FY'19 in our opinion.

Therefore, we remain confident the line will contribute positively on the group's EBIT in 2018 (2017: -5 MEUR negative

contribution on EBIT). However, magnitude of the improvement remains very uncertain. We argue the line must reach optimal product mix (all products are not in production yet) and find new customers to reach its full profit potential (potentially 10-12 % ROCE-% for over 60 MEUR investment). Run-rate for this may well be too challenging to reach at the end of 2018, thus the start-up requires still patience from investors.

### 2017 should be the bottom and 2018 is make or break for the company

We have cut Suominen's net sales estimates 2-3 % due to slightly lower volume and price expectations and stronger EUR/USD FY'18-FY20. Correspondingly we reduced EBIT estimates 6-8 % driven by the same factors. EPS estimates increased 1-3 % as US tax reform will cut Suominen's normalized tax rate from 35 % to somewhere around 25 % according to our calculations. However, we argue the markets will focus on Suominen's operating performance in the near future while significant reduction in the company's long term tax burden earns focus only when operating profits are on an uphill track.

We expect Suominen reaches 447 MEUR sales and 23.4 MEUR EBIT in 2018. This includes moderate positive EBIT contribution from Bethune's new line (comes mostly on H2), slight improvement of "the old portfolio", currency headwind of some 25 MEUR on sales and some 2 MEUR on EBIT and slight raw-material head wind on H1. Therefore, we expect Suominen to reach its guidance FY'18 but there are still major uncertainties regarding the magnitude of the improvement and part of the profit drivers are external (i.e. out of control of the company). FY'19-FY'20 we still expect fairly fast profit growth from the company despite cuts in the estimates. However, 2018 is make or break for Suominen: clear step change is required to keep medium term profit growth estimates alive. Therefore, major estimate revisions may well take place during the year.

Estimate revisions	2017e	2017	Change	2018e	2018e	Change	2019e	2019e	Change
MEUR / EUR	Old	TOT	%	Old	New	%	Old	New	%
Net sales	427	426	0 %	462	447	-3 %	485	476	-2 %
EBITDA	36,8	34,3	-7 %	47,8	45,0	-6 %	54,2	50,3	-7 %
EBIT (exc. NRIs)	17,1	15,0	-12 %	25,4	23,4	-8 %	32,2	30,0	-7 %
EBIT	17,1	15,0	-12 %	25,4	23,4	-8 %	32,2	30,0	-7 %
PTP	14,5	12,4	-14 %	21,2	19,2	-9 %	28,0	25,8	-8 %
EPS (excl. NRIs)	0,16	0,27	67 %	0,24	0,25	1 %	0,32	0,33	3 %
DPS	0,11	0,11	0 %	0,13	0,13	0 %	0,14	0,14	0 %

Source: Inderes

## Valuation is not attractive enough to compensate high risk profile

### 2018 multiples elevated, 2019 multiples close to neutral

Suominen's P/E-ratios based on our estimates FY'18 and FY'19 are 17x and 13x while corresponding EV/EBITDA-ratios reflecting better Suominen's good cash flow potential are 7x and 6x. The latter multiple FY'18 is above the company's 5-year median while the same multiple FY'19 lays around the median (P/E is less comparable to history due to US tax reform). Therefore, we consider income statement based valuation still too high as visibility to 2019 remains limited and we are not willing to look that far after Suominen's recent challenges. Estimated dividend yields are in the range of around 3 % for the current share price for the next years and balance sheet based P/B has climbed to a high level of 1.9x. Therefore, dividend and the balance sheet cannot support the share yet and don't compensate estimate risks. This reduces the risk/reward-ratio of the share and we do not consider short term risk/reward attractive enough to purchase the share yet. Indicative peer group valuation (loosely related peers) has dropped on discount FY'18 and FY'19 but in our opinion a certain discount is justified due to the company's negative profit trend and correspondingly higher risk profile.

Thus, we continue to wait for clear signs of a turnaround in the profitability trend and progress in Bethune and/or more margin of safety before considering an upgrade for Suominen's recommendation

### Positive scenario in the long-term does not attract to stretch valuation in the short-term

We still argue there is clear medium-term potential in a positive scenario in Suominen. We estimate Suominen should make over 0.70 EUR EPS in 2021 if the company reaches targets of 600 MEUR net sales and 10 % EBIT-% in 2021 (net financing costs 0.5-1.0 % of sales and tax-rate 25 %). With this impressive track-record in 2021, Suominen could be easily valued by P/E 15x. This would give a share price of over 10 EUR at the end of 2021. As the share currently trades at 4.40 euro, an investor would get almost a 150 % share price appreciation and dividends of four years if the positive scenario realizes. This TSR potential for four-year investment corresponds to an IRR around 20 % per annum. That would be a very attractive upside, but profit growth risks are concrete, and we are not yet willing to stretch short-term multiples because of this potential.

Company	MCAP	EV	EV/EBIT		EV/EBITDA		EV/Sales		P/E		Dividend yield-%		P/B
	MEUR	MEUR	2018e	2019e	2018e	2019e	2018e	2019e	2018e	2019e	2018e	2019e	2018e
Suominen	254	337	19,1	12,3	8,9	6,5	0,8	0,7	24,7	16,1	2,5		1,7
Huhtamäki	3666	4449	16,4	14,1	11,2	9,7	1,5	1,3	18,6	16,5	2,2	2,6	2,9
Duni	567	654	13,9	12,1	10,1	8,9	1,4	1,4	17,0	14,9	4,3	4,5	2,1
Sealed Air	7066	8682	17,3	15,9	13,9	13,1	2,6	2,5	26,9	18,2	1,3	1,5	13,0
Riverstone	508	485									2,1	2,5	
Pegas	302	469		12,5		8,6		1,9		11,7		3,9	
Halyard	1887	2222	14,9	13,9	11,4	12,3	1,6	1,5	24,0	23,4			2,0
Glatfelter	831	1142	17,6	11,9	8,6	7,0	0,9	0,8	20,8	14,8	2,1	2,1	1,4
Ahlstrom-Munksjö	1726	2133	15,6	12,1	8,0	6,9	1,0	0,9	17,0	14,3	3,1	3,3	1,6
Berry Plastics	6241	10552	15,1	13,8	9,5	8,8	1,8	1,7	19,4	16,7			8,3
<b>Suominen (Inderes)</b>	<b>257</b>	<b>327</b>	<b>14,3</b>	<b>10,3</b>	<b>7,4</b>	<b>6,2</b>	<b>0,7</b>	<b>0,7</b>	<b>17,9</b>	<b>13,3</b>	<b>3,0</b>	<b>3,2</b>	<b>1,8</b>
<b>Average</b>			<b>16,2</b>	<b>13,2</b>	<b>10,2</b>	<b>9,1</b>	<b>1,4</b>	<b>1,4</b>	<b>21,0</b>	<b>16,3</b>	<b>2,5</b>	<b>2,9</b>	<b>4,1</b>
<b>Median</b>			<b>16,0</b>	<b>12,5</b>	<b>9,8</b>	<b>8,8</b>	<b>1,4</b>	<b>1,4</b>	<b>20,1</b>	<b>16,1</b>	<b>2,2</b>	<b>2,6</b>	<b>2,1</b>
<b>Premium/discount -% vs. mediaan</b>			<b>-10 %</b>	<b>-18 %</b>	<b>-25 %</b>	<b>-30 %</b>	<b>-49 %</b>	<b>-52 %</b>	<b>-11 %</b>	<b>-18 %</b>	<b>34 %</b>	<b>20 %</b>	<b>-13 %</b>

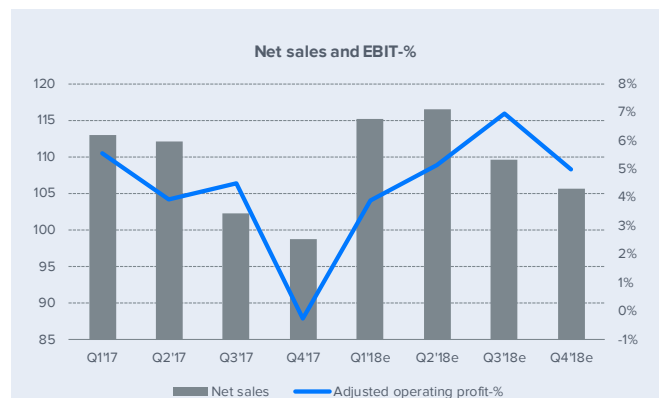
Source: Bloomberg / Inderes. Notification: Inderes' MCAP does not include treasury shares

## Income statement and quarterly estimates

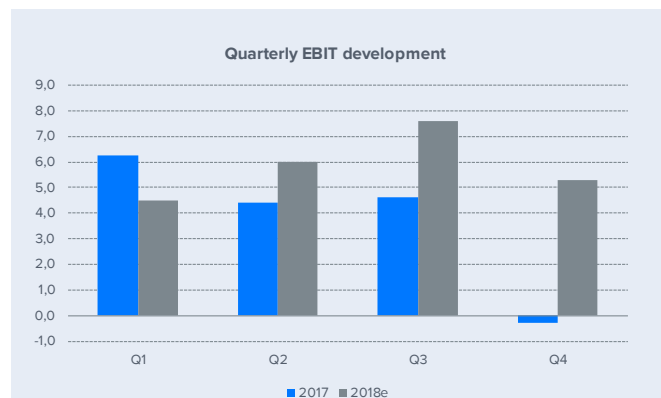
Quarterly earnings	2016	Q1'17	Q2'17	Q3'17	Q4'17	2017	Q1'18e	Q2'18e	Q3'18e	Q4'18e	2018e	2019e	2020e
<b>Net sales</b>	<b>416,9</b>	<b>112,9</b>	<b>112,1</b>	<b>102,3</b>	<b>98,7</b>	<b>426,0</b>	<b>115,2</b>	<b>116,5</b>	<b>109,5</b>	<b>105,6</b>	<b>446,8</b>	<b>475,9</b>	<b>502,0</b>
Nonwovens	416,9	112,9	112,1	102,3	98,7	426,0	115,2	116,5	109,5	105,6	446,8	475,9	502,0
<b>EBITDA</b>	<b>44,1</b>	<b>10,9</b>	<b>8,9</b>	<b>9,4</b>	<b>5,1</b>	<b>34,3</b>	<b>9,9</b>	<b>11,4</b>	<b>13,0</b>	<b>10,7</b>	<b>45,0</b>	<b>50,3</b>	<b>54,4</b>
Depreciation	-18,5	-4,7	-4,6	-4,8	-5,4	-19,3	-5,4	-5,4	-5,4	-5,4	-21,6	-20,3	-19,2
<b>EBIT (excl. NRI)</b>	<b>25,6</b>	<b>6,3</b>	<b>4,4</b>	<b>4,6</b>	<b>-0,3</b>	<b>15,0</b>	<b>4,5</b>	<b>6,0</b>	<b>7,6</b>	<b>5,3</b>	<b>23,4</b>	<b>30,0</b>	<b>35,2</b>
<b>EBIT</b>	<b>25,6</b>	<b>6,3</b>	<b>4,4</b>	<b>4,6</b>	<b>-0,3</b>	<b>15,0</b>	<b>4,5</b>	<b>6,0</b>	<b>7,6</b>	<b>5,3</b>	<b>23,4</b>	<b>30,0</b>	<b>35,2</b>
Nonwovens	25,6	6,3	4,4	4,6	-0,3	15,0	4,5	6,0	7,6	5,3	23,4	30,0	35,2
NRI	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 financial items	-3,2	-0,2	-0,3	-1,1	-1,0	-2,6	-1,1	-1,1	-1,1	-1,1	-4,2	-4,2	-4,2
<b>PTP</b>	<b>22,4</b>	<b>6,1</b>	<b>4,1</b>	<b>3,5</b>	<b>-1,3</b>	<b>12,4</b>	<b>3,4</b>	<b>4,9</b>	<b>6,6</b>	<b>4,2</b>	<b>19,2</b>	<b>25,8</b>	<b>31,1</b>
Taxes	-7,2	-1,9	-2,0	-1,7	7,6	2,0	-0,9	-1,2	-1,6	-1,1	-4,8	-6,4	-7,8
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
<b>Net earnings</b>	<b>15,2</b>	<b>4,2</b>	<b>2,1</b>	<b>1,8</b>	<b>6,3</b>	<b>14,5</b>	<b>2,6</b>	<b>3,7</b>	<b>4,9</b>	<b>3,2</b>	<b>14,4</b>	<b>19,3</b>	<b>23,3</b>
<b>EPS (adj.)</b>	<b>0,30</b>	<b>0,08</b>	<b>0,04</b>	<b>0,03</b>	<b>0,12</b>	<b>0,27</b>	<b>0,04</b>	<b>0,06</b>	<b>0,08</b>	<b>0,05</b>	<b>0,25</b>	<b>0,33</b>	<b>0,40</b>
<b>EPS (rep.)</b>	<b>0,06</b>	<b>0,08</b>	<b>0,04</b>	<b>0,03</b>	<b>0,12</b>	<b>0,06</b>	<b>0,05</b>	<b>0,07</b>	<b>0,09</b>	<b>0,06</b>	<b>0,25</b>	<b>0,33</b>	<b>0,40</b>

Key figures	2016	Q1'17	Q2'17	Q3'17	Q4'17	2017	Q1'18e	Q2'18e	Q3'18e	Q4'18e	2018e	2019e	2020e
Revenue growth-%	-6,1 %	8,7 %	3,0 %	-1,4 %	-1,7 %	2,2 %	2,0 %	3,9 %	7,1 %	7,0 %	4,9 %	6,5 %	5,5 %
Adjusted EBIT growth-%	-18,2 %	12,9 %	-49,3 %	-41,4 %	-107,6 %	-41,4 %	-28,2 %	36,3 %	64,9 %	-2074,6 %	55,8 %	28,3 %	17,5 %
EBITDA-%	10,6 %	9,7 %	8,0 %	9,2 %	5,2 %	8,1 %	8,6 %	9,8 %	11,9 %	10,1 %	10,1 %	10,6 %	10,8 %
Adjusted operating profit-%	6,1 %	5,5 %	3,9 %	4,5 %	-0,3 %	3,5 %	3,9 %	5,1 %	7,0 %	5,0 %	5,2 %	6,3 %	7,0 %
Net profit-%	3,6 %	3,8 %	1,9 %	1,8 %	6,4 %	3,4 %	2,2 %	3,2 %	4,5 %	3,0 %	3,2 %	4,1 %	4,6 %

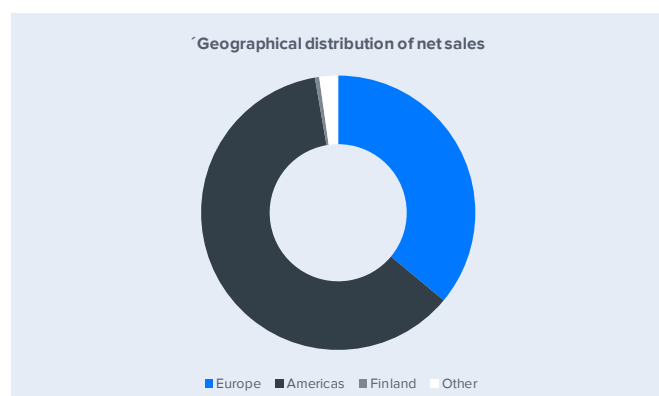
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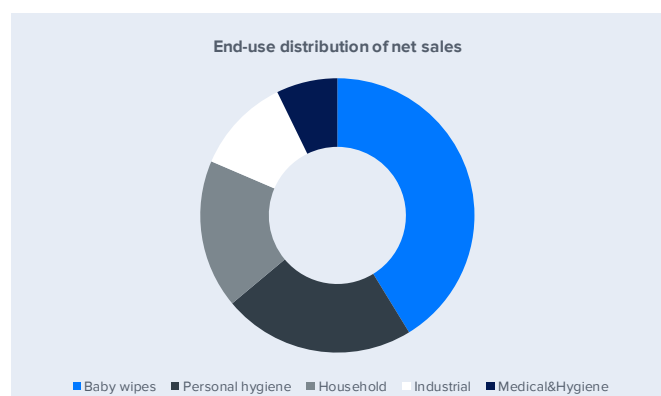
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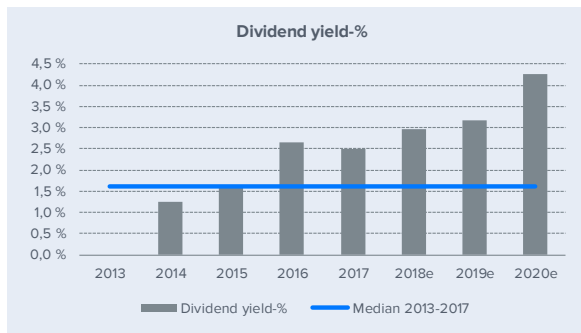
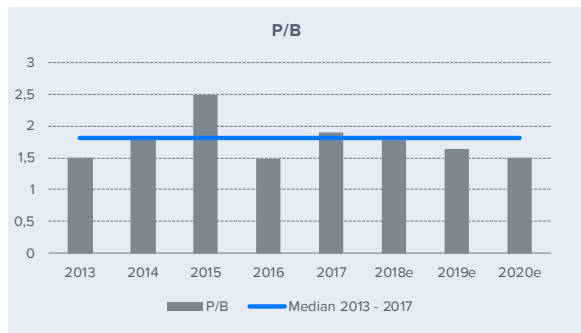
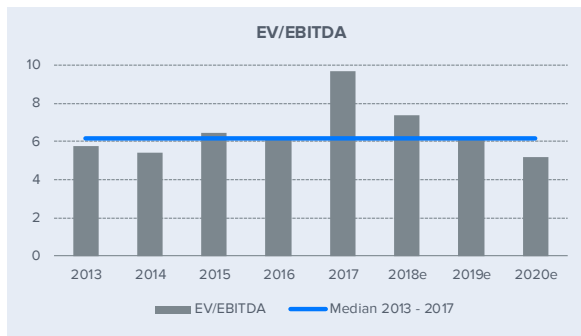
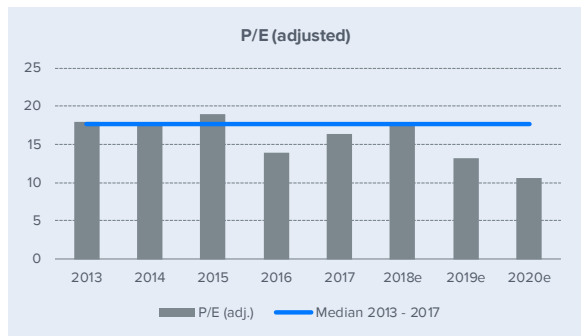


Source: Inderes

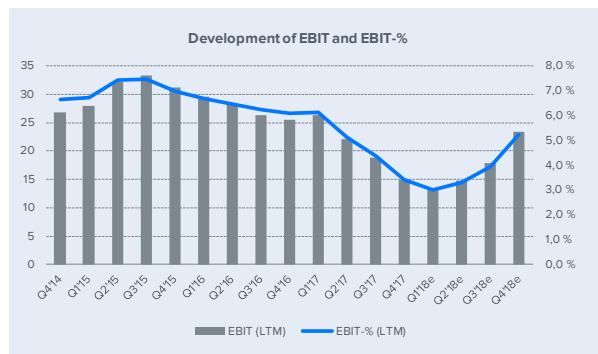
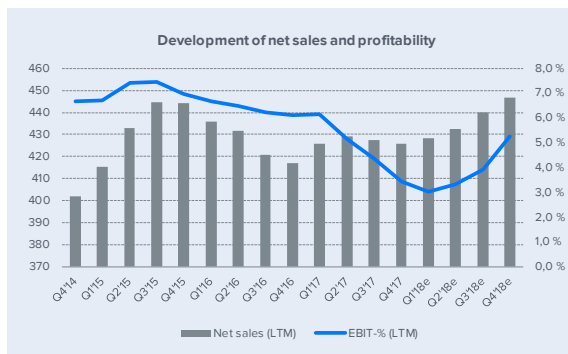
## Valuation

Valuation	2013	2014	2015	2016	2017	2018e	2019e	2020e
Share price	2,40	4,00	6,20	4,14	4,42	4,40	4,40	4,40
MCAP	118	197	313	212	258	257	257	257
EV	194	243	354	277	341	327	310	288
P/E (adj.)	17,9	17,7	18,9	14,0	16,4	17,9	13,3	10,6
P/E	20,7	19,3	18,4	14,0	16,4	17,9	13,3	10,6
P/FCF	4,3	12,5	36,9	-9,1	43,5	11,3	9,2	7,8
P/B	1,5	1,8	2,5	1,5	1,9	1,8	1,6	1,5
P/S	0,3	0,5	0,7	0,5	0,6	0,6	0,5	0,5
EV/S	0,5	0,6	0,8	0,7	0,8	0,7	0,7	0,6
EV/EBITDA	5,8	5,4	6,4	6,2	9,7	7,4	6,2	5,2
EV/EBIT	9,8	8,2	9,5	10,5	21,4	14,3	10,3	7,9
Payout (%)	0,0 %	24,2 %	29,7 %	37,1 %	44,3 %	52,8 %	42,2 %	45,0 %
Dividend yield-%	0,0 %	1,3 %	1,6 %	2,7 %	2,5 %	3,0 %	3,2 %	4,2 %

Source: Inderes



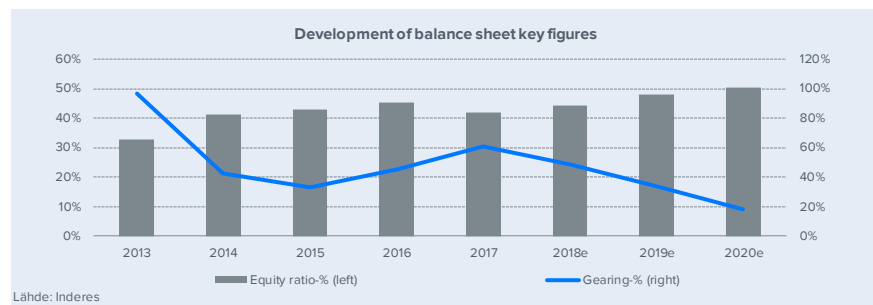
## Earnings trend (rolling 12 months)



## Balance sheet and cash flow statement

### Balance sheet

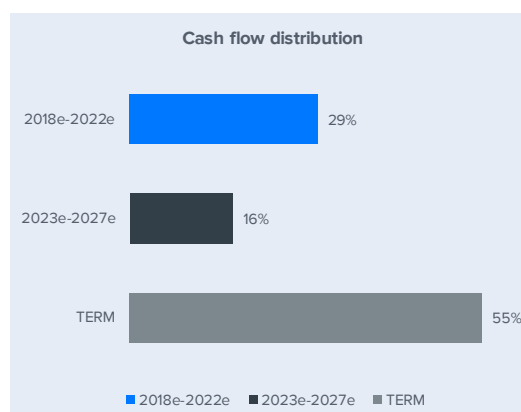
Assets (MEUR)	2015	2016	2017	2018e	2019e	Liabilities (MEUR)	2015	2016	2017	2018e	2019e
<b>Non-current assets</b>	<b>142</b>	<b>179</b>	<b>180</b>	<b>171</b>	<b>164</b>	<b>Equity</b>	<b>126</b>	<b>143</b>	<b>136</b>	<b>144</b>	<b>156</b>
Goodwill	15	15	15	15	15	Share capital	12	12	12	12	12
Intangible assets	13	14	17	18	18	Retained earnings	66	77	15	23	35
Tangible assets	98	136	137	127	120	Shares repurchased	0	0	0	0	0
Associated companies	0	0	0	0	0	Revaluation reserve	0	0	0	0	0
Other investments	1	1	1	1	1	Other equity	47	54	109	109	109
Other non-current assets	10	9	5	5	5	Minorities	0	0	0	0	0
Deferred tax assets	4	3	5	5	5	<b>Non-current debt</b>	<b>106</b>	<b>99</b>	<b>111</b>	<b>110</b>	<b>94</b>
<b>Current assets</b>	<b>150</b>	<b>137</b>	<b>145</b>	<b>155</b>	<b>161</b>	Deferred tax liabilities	11	11	15	15	15
Inventories	33	43	44	49	51	Provisions	0	0	0	0	0
Other current assets	10	11	16	16	16	Long term debt	93	87	95	94	78
Receivables	52	54	58	60	64	Convertibles	0	0	0	0	0
Cash and equivalents	56	30	27	29	29	Other long term liabilities	2	1	1	1	1
<b>Balance sheet total</b>	<b>292</b>	<b>316</b>	<b>326</b>	<b>326</b>	<b>324</b>	<b>Current debt</b>	<b>60</b>	<b>74</b>	<b>78</b>	<b>72</b>	<b>74</b>
						Short term debt	3	8	15	5	3
						Payables	56	65	63	66	71
						Other current liabilities	0	0	0	0	0
						<b>Balance sheet total</b>	<b>292</b>	<b>316</b>	<b>326</b>	<b>326</b>	<b>324</b>



### DCF model

DCF model (MEUR)	2017	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	TERM
<b>EBIT (operating profit)</b>	<b>15,0</b>	<b>23,4</b>	<b>30,0</b>	<b>36,5</b>	<b>38,0</b>	<b>37,6</b>	<b>36,0</b>	<b>34,2</b>	<b>32,3</b>	<b>33,3</b>	<b>34,0</b>	
+ Depreciation	19,3	21,6	20,3	19,2	18,0	17,0	17,0	17,4	17,8	18,4	18,9	
- Paid taxes	3,7	-4,8	-6,4	-8,1	-8,7	-8,6	-8,2	-7,7	-7,3	-7,5	-7,7	
- Tax, financial expenses	0,4	-1,1	-1,1	-1,1	-0,8	-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	-13,2	-4,4	-1,9	-1,5	-0,8	0,2	0,2	0,3	0,4	-1,4	-1,0	
<b>Operating cash flow</b>	<b>25,3</b>	<b>34,7</b>	<b>40,9</b>	<b>45,0</b>	<b>45,7</b>	<b>45,5</b>	<b>44,3</b>	<b>43,3</b>	<b>42,4</b>	<b>41,9</b>	<b>43,4</b>	
+ Change in other long-term liabilities	-0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
- Gross CAPEX	-19,3	-12,1	-13,1	-12,1	-12,1	-17,1	-19,1	-20,1	-21,6	-21,6	-18,2	
<b>Free operating cash flow</b>	<b>5,9</b>	<b>22,6</b>	<b>27,8</b>	<b>32,9</b>	<b>33,6</b>	<b>28,4</b>	<b>25,2</b>	<b>23,2</b>	<b>20,8</b>	<b>20,3</b>	<b>25,2</b>	
+/- Other	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
FCFF	5,9	22,6	27,8	32,9	33,6	28,4	25,2	23,2	20,8	20,3	25,2	454,7
Discounted FCFF	21,2	24,2	26,5	25,1	19,7	16,2	13,9	11,6	10,5	12,1	218,1	
<b>Sum of FCFF present value</b>	<b>399,1</b>	<b>378,0</b>	<b>353,8</b>	<b>327,3</b>	<b>302,2</b>	<b>282,4</b>	<b>266,2</b>	<b>252,3</b>	<b>240,7</b>	<b>230,2</b>	<b>218,1</b>	
<b>Debt free DCF</b>	<b>399,1</b>											
- Interesting bearing debt		-110,5										
+ Cash and equivalents		27,2										
- Minorities		0,0										
- Dividend/capital return		0,0										
<b>Equity value DCF</b>	<b>315,9</b>											
<b>Equity value DCF per share</b>	<b>5,41</b>											

WACC	
Tax-% (WACC)	25,0 %
Target debt ratio (D/(D+E))	25,0 %
Cost of debt	5,0 %
Equity Beta	1,00
Market risk premium	4,75 %
Liquidity premium	1,25 %
Risk free interest rate	3,0 %
Cost of equity	9,0 %
Average cost of capital (WACC)	7,7 %





## Summary

Income statement	2015	2016	2017	2018e	2019e
Sales	444,0	416,9	426,0	446,8	475,9
EBITDA	49,5	44,1	34,3	45,0	50,3
EBITDA-%	11,1	10,6	8,1	10,1	10,6
EBIT	31,8	25,6	15,0	23,4	30,0
PTP	26,5	22,4	12,4	19,2	25,8
Net earnings	17,0	15,2	14,5	14,4	19,3
Non-recurring items	0,5	0,0	0,0	0,0	0,0

Balance sheet	2015	2016	2017	2018e	2019e
Balance sheet total	291,8	315,6	325,7	325,7	324,1
Equity	125,7	142,8	136,1	144,1	155,8
Goodwill	15,5	15,5	15,5	15,5	15,5
Interest-bearing debt	96,9	94,5	110,5	99,2	81,6

Cash flow	2015	2016	2017	2018e	2019e
EBITDA	49,5	44,1	34,3	45,0	50,3
Change in NWC	-7,9	-4,3	-13,2	-4,4	-1,9
Operating cash flow	30,7	33,0	25,3	34,7	40,9
Free cash flow	8,5	-23,4	5,9	22,6	27,8

Company description
Suominen supplies its industrial and retail customers with nonwovens products worldwide. Suominen is the global market leader in nonwovens for wipes. The company employs around 600 people in Europe and in the Americas.

Share based key figures	2015	2016	2017	2018e	2019e
EPS	0,34	0,30	0,27	0,25	0,33
EPS (adj.)	0,33	0,30	0,27	0,25	0,33
Oper. cash flow per share	0,61	0,64	0,47	0,60	0,70
Book value per share	2,49	2,79	2,54	2,47	2,67
Dividend per share	0,02	0,11	0,11	0,13	0,14
Payout ratio (%)	30	37	44	53	42
Dividend yield (%)	1,6	2,7	2,5	3,0	3,2

Key figures	2015	2016	2017	2018e	2019e
P/E	18,4	14,0	17,8	17,9	13,3
P/B	2,5	1,5	1,9	1,8	1,6
P/S	0,7	0,5	0,6	0,6	0,5
P/CF	10,2	6,4	10,2	7,4	6,3
EV/S	0,8	0,7	0,8	0,7	0,7
EV/EBITDA	7,2	6,3	9,9	7,3	6,2
EV/EBIT	11,1	10,8	22,7	14,0	10,3

Largest shareholders	% of shares
AC Invest two B.V	26,8 %
Oy Etra Invest Ab	9,9 %
Varma Mutual Pension Insurance Company	8,8 %
Ilmarinen Mutual Pension Insurance Company	6,4 %
Elo Pension Company	5,9 %

## Recommendation history, last 12 months

Date	Recommendation	Target price	Share price
29.4.2016	Accumulate	4,50 €	4,03 €
29.6.2016	Accumulate	4,50 €	3,93 €
9.8.2016	Reduce	4,80 €	4,58 €
21.9.2016	Accumulate	4,20 €	3,80 €
27.10.2016	Accumulate	4,60 €	4,34 €
1.2.2017	Accumulate	4,35 €	4,00 €
27.4.2017	Accumulate	5,10 €	4,77 €
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 €



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### Recommendation Upside potential\*

Buy	> 15 %
Accumulate	5 - 15 %
Reduce	-5 - 5 %
Sell	< -5 %

### Potential regarding to 12 month target price

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