

# Suominen

## Company report

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✓ Inderes corporate customer

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# Several methods suggest patience despite the setback

Suominen's Q2 result was better than we expected but due to the profit warning issued one day before the report the situation has clearly moved to the negative. Considering the estimate drops we lower our target price for Suominen to EUR 5.60 (previously EUR 6.25) but our recommendation remains at Accumulate. We do not find the share valuation to be high despite estimate cuts. In addition, 4 % dividend yield encourages to look behind temporarily challenges.

## Q2 still relatively good and inflation has been compensated for

Suominen's net sales decreased 7% in Q2 to EUR 114 million which was clearly below our estimate. Volumes dropped in Q2 from a very high comparison period and the effect of currencies on net sales was clearly negative, while sales prices rose with raw material prices. Suominen's EBITDA decreased in Q2 from an excellent comparison period 15 % to EUR 15.3 million and exceeded our estimate notably. The overshoot was caused especially by a higher gross margin than expected (Q2: GM-% 14.7%,-1.3 %-points y-o-y), which the increase in raw material and logistics prices gnawed on clearly less than expected. This drives from working pricing model and efficiency gains. At the lower lines financing costs and taxes exceeded our estimates slightly but also EPS beat clearly our estimates in Q2.

## Demand has dropped surprisingly during summer especially on the key North American market

Suominen issued a profit warning on its 2021 EBITDA one day before the Q2 report. The company now expects that its comparable EBITDA in 2021 will decrease from 2020 due to a slowdown in the demand for nonwovens in H2'21, as well as some continuing volatility in the raw material and transportation markets (previously EBITDA will be at the 2020 level at EUR 60.9 million). Suominen sees the demand dip largely as temporary and expects the demand to recover starting from Q4. We trust that demand issue is temporarily but transparency to lengths of the problem remains very weak. In terms of raw material and logistics prices rising, the comments contained no surprises. We cut our H2 estimates clearly and expect the H2 result to remain weak due to volume problems and slight margin pressure from price/raw-material differential. We also lowered our high estimates for the next few years by 4-5% in terms of adjusted EBITDA as the demand pull from the pandemic is leveling off and starting from 2022, market balance will also loosen as investments made during the pandemic are completed. Thus, we expect Suominen's result in 2021 and the next few years to be below the high level of 2020 but apart for a temporary demand slump to achieve a good level thanks to healthy demand, the company's own development and efficiency measures, and calming inflation (2021e-2023e: adjusted EBITDA-% 11-13% vs. company target over 12% in 2025).

## The share is not expensive despite cuts in the estimates

Suominen's P/E ratios for 2021 and 2022 are around 14x and 15x. EV/EBITDA ratios that better describe the company's good cash flow are 6x. The multiples are on par with the company's 5-year medians. Thus, the valuation is not shabby and we believe investors' risks in Suominen are related to the robustness of the estimates rather than the multiples. Related to this, risks have quickly turned negative and we believe earnings growth drivers will not support the share for a year. However, we expect the market to accept the share slightly higher valuation within next 12 months when there will be visibility that demand slump is not structural. In addition, dividend yield will be around 4% due to the strong balance sheet and relatively good results on annual level, which supports expected TSR to climb above return requirement. Also, our DCF-model remains above the share price with moderate long-term assumptions.

## Recommendation

### Lisää

(aik. Lisää)

**5,60 EUR**

(aik. 6,25 EUR)

**Share price:**

5,27



## Key indicators

	2020	2021e	2022e	2023e
<b>Revenue</b>	459	425	459	477
<b>growth-%</b>	12 %	-7 %	8 %	4 %
<b>EBIT adj.</b>	39,5	32,5	31,3	34,7
<b>EBIT-% adj.</b>	8,6 %	7,6 %	6,8 %	7,3 %
<b>Net Income</b>	30,1	24,4	19,9	23,6
<b>EPS (adj.)</b>	0,52	0,37	0,35	0,41
<b>P/E (adj.)</b>	9,7	14,1	15,2	12,8
<b>P/B</b>	2,0	1,9	1,8	1,7
<b>Dividend yield-%</b>	3,9 %	3,8 %	4,2 %	4,6 %
<b>EV/EBIT (adj.)</b>	8,5	10,4	10,3	8,8
<b>EV/EBITDA</b>	5,5	6,4	6,0	5,5
<b>EV/S</b>	0,7	0,8	0,7	0,6

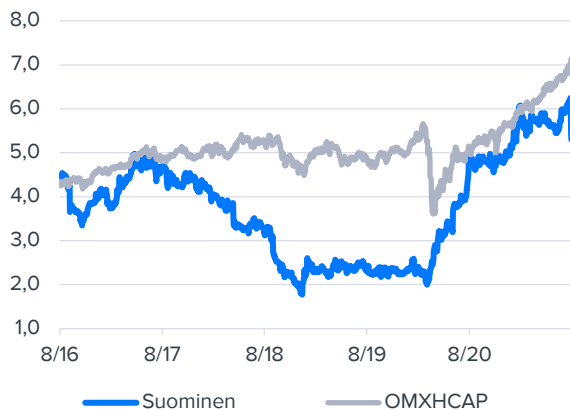
Source: Inderes

## Guidance

(Downgraded)

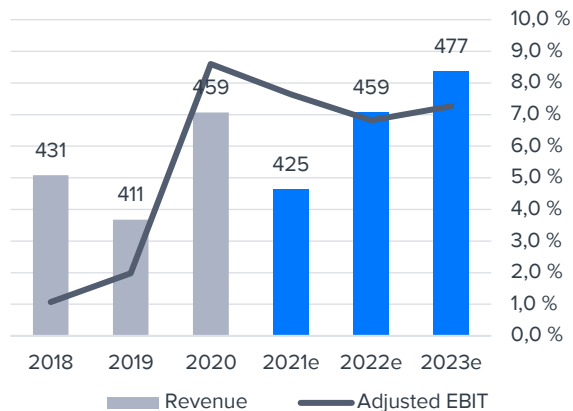
Suominen expects that its comparable EBITDA in 2021 will decrease from 2020 due to the slowdown in the demand for nonwovens in the second half of 2021 as well as some continuing volatility in the raw material and transportation markets. In 2020, Suominen's comparable EBITDA was EUR 60.9 million. million.

## Share price



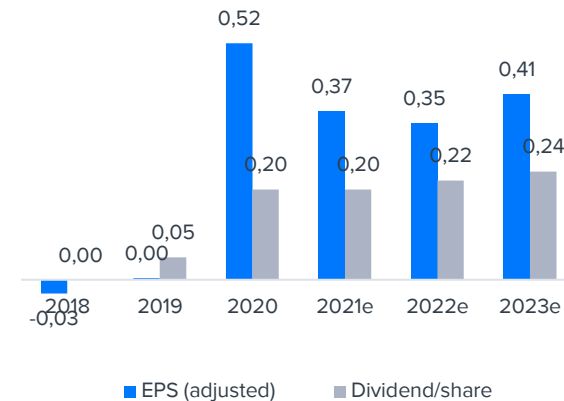
Lähde: Thomson Reuters

## 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	2021e	2022e	2023e
Share price	5,27	5,27	5,27
Number of shares, millions	57,5	57,5	57,5
Market cap	303	303	303
EV	338	323	305
P/E (adj.)	14,1	15,2	12,8
P/E	12,4	15,2	12,8
P/FCF	15,8	10,1	9,1
P/B	1,9	1,8	1,7
P/S	0,7	0,7	0,6
EV/Sales	0,8	0,7	0,6
EV/EBITDA	6,4	6,0	5,5
EV/EBIT (adj.)	10,4	10,3	8,8
Payout ratio (%)	47,0 %	63,5 %	58,3 %
Dividend yield-%	3,8 %	4,2 %	4,6 %

Source: Inderes

# Q2 result still managed to clearly exceed our estimates

## Sales took a turn already in Q2

Suominen's net sales fell by 7% in Q2 from the comparison period to EUR 114 million, which was slightly below our and consensus estimates. The net sales drop was driven especially by volumes that decreased from the extremely high comparison period spurred on by the early stages of the pandemic (we believe a drop of some 7-8% vs. Q2'20). Sales prices rose a bit mainly reflecting the increase in raw material prices. By contrast, exchange rates caused a clear headwind in net sales development during the quarter (Q2: EUR -6.5 million).

By market area, the report was a bit atypical for Suominen. In the Americas, net sales decreased by 13% on which we believe exchange rates (strengthened EUR/USD and EUR/BRL) had a considerable effect. Net sales in Europe, however, grew by close on 7%. In recent years, Suominen has

been relatively stronger in the Americas but in Q2, development in Europe was better. We do not, however, see that there are any longer-term reasons behind these figures.

## Profitability clearly exceeded estimates

Suominen's EBITDA decreased in Q2 from an excellent comparison period to EUR 15.3 million and exceeded our estimate notably. The overshoot was caused especially by a higher gross margin than expected (Q2: GM-% 14.7%,-1.3 %-points y-o-y), which the increase in raw material and logistics prices gnawed on less than expected. Exchange rates also burdened EBITDA with EUR 1.7 million in Q2. As a whole, the 13.4% EBITDA margin reached in Q2 was a good performance in our view and also shows the company has been able to adjust to raw material and logistics inflation relatively well thus far. Here we believe a big driver has been the increased share of provision-based sales contracts.

## Cash flow dipped due to inventory reasons, but the balance sheet is strong

Financing costs were elevated as expected due to loan facilities (Suominen issued a EUR 50 million bond in Q2). By contrast, rose back to 30% probably in reflection of the geographically uneven generation of results.

Negative in the report was operational cash flow dropping to EUR 1.2 million (Q2'20 EUR 9.6 million). Cash flow was especially depressed by the amount (ensuring deliverability) and value (increased inflation) of inventories. We do, however, expect that some capital will be released next year at the latest. Suominen's net gearing remained clearly below the company's target level at 22% (target 40-80%). The leeway in the balance sheet enables the company to examine the possibility of strategic growth (especially M&A transactions in Asia) over the next couple of years.

Estimates	Q2'20	Q2'21	Q2'21e	Q2'21e	Consensus		Difference (%)	2021e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
MEUR / EUR								
Revenue	122	114	119	121	119	123	-5 %	425
EBITDA	18,0	15,3	11,7	14,1	11,7	15,3	31 %	53,0
EBIT	12,4	10,3	6,7	9,1	6,7	10,0	54 %	32,5
EPS (adj.)	0,15	0,11	0,08	0,11	0,08	0,13	47 %	0,37
Revenue growth-%	17,7 %	-7,0 %	-2,3 %	-0,7 %	-2,6 %	0,7 %	-4,7 pp	-7,4 %
EBIT-% (adj.)	10,1 %	9,1 %	5,6 %	0,0 %	0,0 %	0,0 %	3,5 pp	7,6 %

Source: Inderes & Vara Research (consensus)

# Demand scaled already in summer and H2 will be weak

## Profit warning a day before the Q2 report

Suominen issued a profit warning concerning its 2021 EBITDA one day before the Q2 report. The company now expects that its comparable EBITDA in 2021 will decrease from 2020 due to a slowdown in the demand for nonwovens in H2'21, as well as some continuing volatility in the raw material and transportation markets (previously EBITDA will be at the 2020 level at EUR 60.9 million).

The reason behind the profit warning was especially a sudden slowdown in demand probably especially on the more profitable North American market, which was, on the other hand, due to the increased inventories throughout the supply chain caused by the pandemic. Less drastic disturbances also in Europe (incl. ramp-down of inventories in the supply chain due to the SUP directive), while in Brazil, the supply chain remained unchanged.

Suominen largely considers the demand slump as temporary and expects demand to recover starting from Q4 and the company reiterated its view of a long-term positive effect on the demand of nonwovens. We do, however, find the risk related to the first assessment as high due to weak transparency to supply chain and consumer behavior. We are more confident about demand in the long term as many players from value chain have given similar long-term effects from pandemics as Suominen. Comments concerning the rise of raw material and logistics prices did not in our opinion provide any surprises but when demand softens, managing these challenges does not become at least any easier in our view.

## We cut our estimates clearly after the warning

We cut our H2 estimates clearly after the warning and expect the H2 result to remain weak due to volume problems and slight margin pressure caused

by quicker increases in costs than in sales prices. We now estimate that Suominen's 2021 EBITDA will decrease by 13% from 2020 to EUR 53 million. This is still a historically high level thanks to the strong H1.

We also lowered our absolute high estimates for Suominen for the next few years slightly as the demand pull from the pandemic can be leveling off and, starting from 2022, market balance will also loosen to some extent as investments made during the pandemic are completed for production. Thus, we expect Suominen's result in 2021 and the next few years to be below the high level in 2020 but apart for the surprising temporary demand slump in H2 to achieve a good level thanks to healthy demand, the company's own development and efficiency measures (incl. efficiency improvements and new product launches), and calming inflation (2021e-2023e: adjusted EBITDA-% 11-13% vs. company target over 12% in 2025).

Estimate revisions	2021e	2021e	Change	2022e	2022e	Change	2023e	2023e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	472	425	-10 %	489	459	-6 %	502	477	-5 %
EBITDA	58,6	53,0	-10 %	56,4	53,5	-5 %	58,0	55,5	-4 %
EBIT (exc. NRIs)	37,7	32,5	-14 %	34,2	31,3	-9 %	37,2	34,7	-7 %
EBIT	37,7	32,5	-14 %	34,2	31,3	-9 %	37,2	34,7	-7 %
PTP	37,0	31,5	-15 %	29,5	26,6	-10 %	34,0	31,5	-7 %
EPS (excl. NRIs)	0,46	0,37	-19 %	0,40	0,35	-14 %	0,45	0,41	-9 %
DPS	0,22	0,20	-9 %	0,24	0,22	-8 %	0,26	0,24	-8 %

Source: Inderes

# Valuation picture remains attractive

## Valuation remains low

Suominen's P/E ratios for 2021 and 2022 based on our estimates are around 14x and 15x and EV/EBITDA ratios that better describe the company's good cash flow are around 6x. The multiples are on par with the company's 5-year medians (also considering the positive effect the IFRS 16 standard has on the EV/EBITDA ratio). In our previous [extensive report](#) (6/2021) we estimated that the acceptable valuation multiples are P/E 13x-15x and EV/EBITDA 6x-7x. We do not feel the valuation is high and believe the risks related to the multiples remain still limited. Thus, investors mainly carry risks related to the robustness of the estimates. We see upside in multiples when the markets have visibility that the on-going demand issue is not structural. This should happen within 12 months in our opinion (however, possibly only in H1'22).

We expect the company's investment level to be below the huge mass of depreciation in the next few years despite announced investments in Italy and the US (upgrade and restart of existing production line in Italy will be completed in Q3 and two other investments later in 2021). Therefore, Suominen's free cash flow return can be 10% after 2021. This is also attractive in a zero-interest environment and suggest to be patient with the short-term challenges.

We expect Suominen's dividend yield at the current share price to be around 4% in the next few years and thus offer investors a reasonable base return. Even if we do not expect earnings growth from the company until a year from now (H2 will be weak and H1 comparison figures are high) dividend yield and upside in multiples pull expected TSR to some 10 % and above return requirement. Thus, we see reason to purchase the stock despite the recent setback that cut short term upside.

## P/B and EV/S reflect increased expectations

The balance sheet -based P/B ratio is 1.9x and volume-based EV/S is 0.8x (2021e). Especially the first ratio is above 5-year medians, which reflects the raised expectations caused by the price increase over the past 18 months.. However, P/B is basically the only red flag in Suominen's valuation currently while EV/S is low and only slightly above long-term median. This supports in our opinion positive approach with the company even if we do not feel the share is supported by these ratios yet if estimate risks would materialize

## Peer group does not work as a share price driver

Relative to the loosely linked peer group, Suominen's share is valued at a discount to its peers on an EV-basis. We do not, however, see that the relative valuation would work as a share price driver for Suominen. Our DCF model (EUR 5.8 per share) also indicates a slight upside for the share. In addition, the model includes relatively moderate long-term assumptions and therefore we believe the model reflects rather well fair value of the share.

## Long-term potential not fully priced

We still believe that Suominen should reach an EPS of around EUR 0.50 by 2025 if the company reaches its financial target (exceeds market growth and 12% EBITDA-%) by 2025. We feel that Suominen's acceptable valuation level measured by P/E could be around 15x thanks to this development, which would mean a share price of around EUR 7.0-7.5 in 2025. This, in turn, would correspond with around 10-12% annual IRR potential (including annually growing around 4% dividend yield) for an investor that would invest in Suominen now. Thus, we believe the share has good longer-term potential. Altogether, several valuation methods suggest to be patient with despite sudden negative surprise from trading environment.

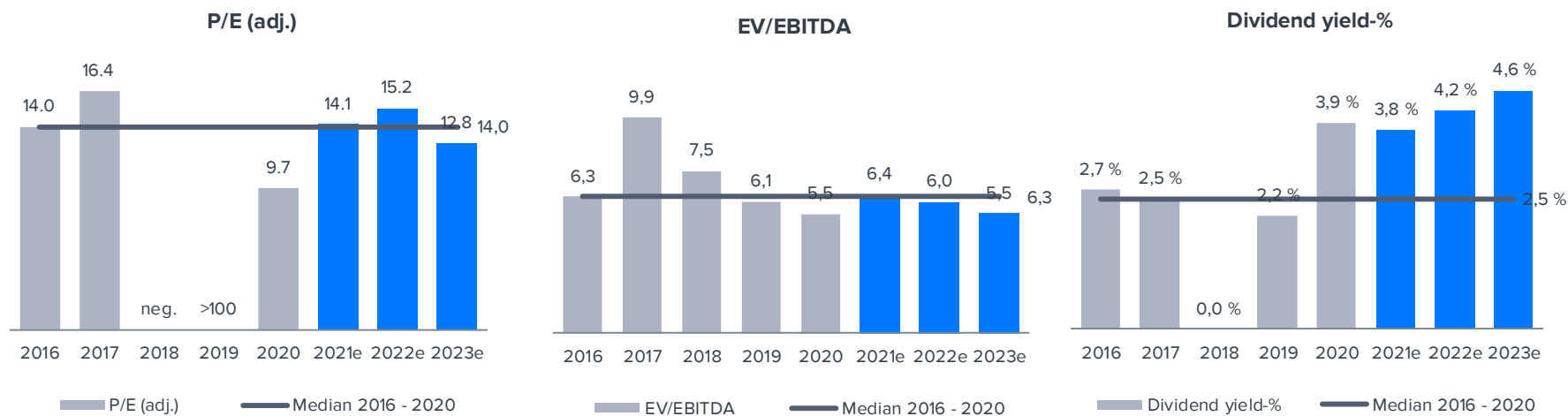
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P/E	12,4	15,2	12,8
P/FCF	15,8	10,1	9,1
P/B	1,9	1,8	1,7
P/S	0,7	0,7	0,6
EV/Sales	0,8	0,7	0,6
EV/EBITDA	6,4	6,0	5,5
EV/EBIT (adj.)	10,4	10,3	8,8
Payout ratio (%)	47,0 %	63,5 %	58,3 %
Dividend yield-%	3,8 %	4,2 %	4,6 %

Source: Inderes

# Valuation table

Valuation	2016	2017	2018	2019	2020	2021e	2022e	2023e	2024e
Share price	4,14	4,42	2,05	2,31	5,08	<b>5,27</b>	<b>5,27</b>	<b>5,27</b>	<b>5,27</b>
Number of shares, millions	51,2	53,6	57,5	57,5	57,5	<b>57,5</b>	<b>57,5</b>	<b>57,5</b>	<b>57,5</b>
Market cap	212	258	118	133	292	<b>303</b>	<b>303</b>	<b>303</b>	<b>303</b>
EV	277	341	192	204	334	<b>338</b>	<b>323</b>	<b>305</b>	<b>287</b>
P/E (adj.)	14,0	16,4	neg.	>100	9,7	<b>14,1</b>	<b>15,2</b>	<b>12,8</b>	<b>12,1</b>
P/E	14,0	16,4	neg.	>100	9,7	<b>12,4</b>	<b>15,2</b>	<b>12,8</b>	<b>12,1</b>
P/FCF	neg.	43,5	5,5	6,3	5,8	<b>15,8</b>	<b>10,1</b>	<b>9,1</b>	<b>8,7</b>
P/B	1,5	1,9	0,9	1,0	2,0	<b>1,9</b>	<b>1,8</b>	<b>1,7</b>	<b>1,6</b>
P/S	0,5	0,6	0,3	0,3	0,6	<b>0,7</b>	<b>0,7</b>	<b>0,6</b>	<b>0,6</b>
EV/Sales	0,7	0,8	0,4	0,5	0,7	<b>0,8</b>	<b>0,7</b>	<b>0,6</b>	<b>0,6</b>
EV/EBITDA	6,3	9,9	7,5	6,1	5,5	<b>6,4</b>	<b>6,0</b>	<b>5,5</b>	<b>5,1</b>
EV/EBIT (adj.)	10,8	22,7	41,7	25,1	8,5	<b>10,4</b>	<b>10,3</b>	<b>8,8</b>	<b>7,9</b>
Payout ratio (%)	37,1%	44,3%	0,0%	1282,8%	38,2%	<b>47,0%</b>	<b>63,5%</b>	<b>58,3%</b>	<b>55,1%</b>
Dividend yield-%	2,7%	2,5%	0,0%	2,2%	3,9%	<b>3,8%</b>	<b>4,2%</b>	<b>4,6%</b>	<b>4,6%</b>

Source: Inderes



# Peer group valuation

Peer group valuation Company	Share price	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B 2021e
				2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	
Huhtamäki	44,8	4829	5847	17,5	15,5	11,3	10,3	1,6	1,5	21,3	19,3	2,2	2,4	3,3
Duni	112,0	517	656	33,1	14,3	13,4	8,6	1,3	1,1	49,3	18,1		4,5	1,9
Sealed Air	60,3	7710	10662	13,3	11,8	10,5	9,5	2,2	2,0	17,0	15,0	1,3	1,4	19648,2
Riverstone	1,2	1177	909	2,3	6,8	2,2	4,8	1,4	2,3	4,0	9,6	9,6	4,2	2,6
Berry	65,8	7574	15154	12,2	11,0	7,7	7,0	1,3	1,2	11,4	10,3			2,9
<b>Suominen (Inderes)</b>	<b>5,3</b>	<b>303</b>	<b>338</b>	<b>10,4</b>	<b>10,3</b>	<b>6,4</b>	<b>6,0</b>	<b>0,8</b>	<b>0,7</b>	<b>14,1</b>	<b>15,2</b>	<b>3,8</b>	<b>4,2</b>	<b>1,9</b>
<b>Average</b>				<b>15,7</b>	<b>11,9</b>	<b>9,0</b>	<b>8,0</b>	<b>1,5</b>	<b>1,6</b>	<b>20,6</b>	<b>14,4</b>	<b>4,3</b>	<b>3,1</b>	<b>3931,8</b>
<b>Median</b>				<b>13,3</b>	<b>11,8</b>	<b>10,5</b>	<b>8,6</b>	<b>1,4</b>	<b>1,5</b>	<b>17,0</b>	<b>15,0</b>	<b>2,2</b>	<b>3,3</b>	<b>2,9</b>
<b>Diff-% to median</b>				<b>-21 %</b>	<b>-13 %</b>	<b>-39 %</b>	<b>-30 %</b>	<b>-42 %</b>	<b>-53 %</b>	<b>-17 %</b>	<b>1 %</b>	<b>75 %</b>	<b>27 %</b>	<b>-33 %</b>

Source: Thomson Reuters / Inderes



# Income statement

Income statement	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21	Q3'21e	Q4'21e	2021e	2022e	2023e	2024e
<b>Revenue</b>	<b>411</b>	<b>110</b>	<b>122</b>	<b>115</b>	<b>111</b>	<b>459</b>	<b>115</b>	<b>114</b>	<b>96,0</b>	<b>100</b>	<b>425</b>	<b>459</b>	<b>477</b>	<b>487</b>
Nonwovens	411	110	122	115	111	459	115	114	96,0	100	425	459	477	487
<b>EBITDA</b>	<b>33,7</b>	<b>11,3</b>	<b>18,0</b>	<b>18,1</b>	<b>13,5</b>	<b>60,9</b>	<b>18,5</b>	<b>15,3</b>	<b>8,6</b>	<b>10,6</b>	<b>53,0</b>	<b>53,5</b>	<b>55,5</b>	<b>56,2</b>
Depreciation	-25,5	-5,6	-5,6	-5,2	-5,0	-21,4	-4,9	-5,0	-5,0	-5,6	-20,5	-22,2	-20,9	-19,8
<b>EBIT (excl. NRI)</b>	<b>8,1</b>	<b>5,7</b>	<b>12,4</b>	<b>12,9</b>	<b>8,5</b>	<b>39,5</b>	<b>13,6</b>	<b>10,3</b>	<b>3,6</b>	<b>5,0</b>	<b>32,5</b>	<b>31,3</b>	<b>34,7</b>	<b>36,4</b>
<b>EBIT</b>	<b>8,1</b>	<b>5,7</b>	<b>12,4</b>	<b>12,9</b>	<b>8,5</b>	<b>39,5</b>	<b>13,6</b>	<b>10,3</b>	<b>3,6</b>	<b>5,0</b>	<b>32,5</b>	<b>31,3</b>	<b>34,7</b>	<b>36,4</b>
Nonwovens	8,1	5,7	12,4	12,9	8,5	39,5	13,6	10,3	3,6	5,0	32,5	31,3	34,7	36,4
Net financial items	-6,0	-1,9	-1,8	-1,8	-0,1	-5,6	3,3	-1,6	-1,3	-1,3	-0,9	-4,7	-3,1	-3,1
<b>PTP</b>	<b>2,1</b>	<b>3,8</b>	<b>10,5</b>	<b>11,1</b>	<b>8,5</b>	<b>33,9</b>	<b>16,9</b>	<b>8,7</b>	<b>2,3</b>	<b>3,7</b>	<b>31,5</b>	<b>26,6</b>	<b>31,5</b>	<b>33,4</b>
Taxes	-1,9	-0,2	-2,2	-0,3	-1,2	-3,8	-3,1	-2,6	-0,5	-0,9	-7,1	-6,6	-7,9	-8,3
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
<b>Net earnings</b>	<b>0,2</b>	<b>3,6</b>	<b>8,4</b>	<b>10,9</b>	<b>7,3</b>	<b>30,1</b>	<b>13,8</b>	<b>6,1</b>	<b>1,8</b>	<b>2,8</b>	<b>24,4</b>	<b>19,9</b>	<b>23,6</b>	<b>25,0</b>
<b>EPS (adj.)</b>	<b>0,00</b>	<b>0,06</b>	<b>0,15</b>	<b>0,19</b>	<b>0,13</b>	<b>0,52</b>	<b>0,19</b>	<b>0,11</b>	<b>0,03</b>	<b>0,05</b>	<b>0,37</b>	<b>0,35</b>	<b>0,41</b>	<b>0,44</b>
<b>EPS (rep.)</b>	<b>0,00</b>	<b>0,06</b>	<b>0,15</b>	<b>0,19</b>	<b>0,13</b>	<b>0,52</b>	<b>0,24</b>	<b>0,11</b>	<b>0,03</b>	<b>0,05</b>	<b>0,43</b>	<b>0,35</b>	<b>0,41</b>	<b>0,44</b>
<b>Key figures</b>	<b>2019</b>	<b>Q1'20</b>	<b>Q2'20</b>	<b>Q3'20</b>	<b>Q4'20</b>	<b>2020</b>	<b>Q1'21</b>	<b>Q2'21</b>	<b>Q3'21e</b>	<b>Q4'21e</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>
<b>Revenue growth-%</b>	-4,6 %	0,4 %	17,7 %	11,7 %	17,6 %	11,5 %	4,6 %	-6,9 %	-16,8 %	-9,9 %	-7,4 %	8,0 %	4,0 %	2,0 %
<b>Adjusted EBIT growth-%</b>	76,9 %	92,5 %	365,3 %	1064,9 %	507,1 %	385,8 %	138,5 %	-16,5 %	-72,4 %	-41,3 %	-17,8 %	-3,7 %	10,8 %	5,1 %
<b>EBITDA-%</b>	8,2 %	10,3 %	14,7 %	15,7 %	12,2 %	13,3 %	16,0 %	13,5 %	8,9 %	10,6 %	12,5 %	11,7 %	11,6 %	11,5 %
<b>Adjusted EBIT-%</b>	2,0 %	5,2 %	10,1 %	11,2 %	7,7 %	8,6 %	11,8 %	9,1 %	3,7 %	5,0 %	7,6 %	6,8 %	7,3 %	7,5 %
<b>Net earnings-%</b>	0,1 %	3,2 %	6,8 %	9,4 %	6,6 %	6,6 %	11,9 %	5,4 %	1,8 %	2,8 %	5,8 %	4,3 %	5,0 %	5,1 %

Source: Inderes

# Balance sheet

Assets	2019	2020	2021e	2022e	2023e
<b>Non-current assets</b>	<b>178</b>	<b>164</b>	<b>157</b>	<b>150</b>	<b>144</b>
Goodwill	15,5	15,5	15,5	15,5	15,5
Intangible assets	20,0	16,7	16,8	16,9	17,0
Tangible assets	136	122	120	113	107
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	3,7	4,0	0,0	0,0	0,0
Deferred tax assets	2,1	4,0	4,0	4,0	4,0
<b>Current assets</b>	<b>132</b>	<b>154</b>	<b>218</b>	<b>157</b>	<b>176</b>
Inventories	39,3	35,4	51,0	52,8	52,5
Other current assets	8,4	9,4	5,9	5,9	5,9
Receivables	46,7	51,1	51,0	54,2	55,4
Cash and equivalents	37,7	57,9	110	44,4	62,5
<b>Balance sheet total</b>	<b>310</b>	<b>317</b>	<b>375</b>	<b>307</b>	<b>321</b>

Source: Inderes

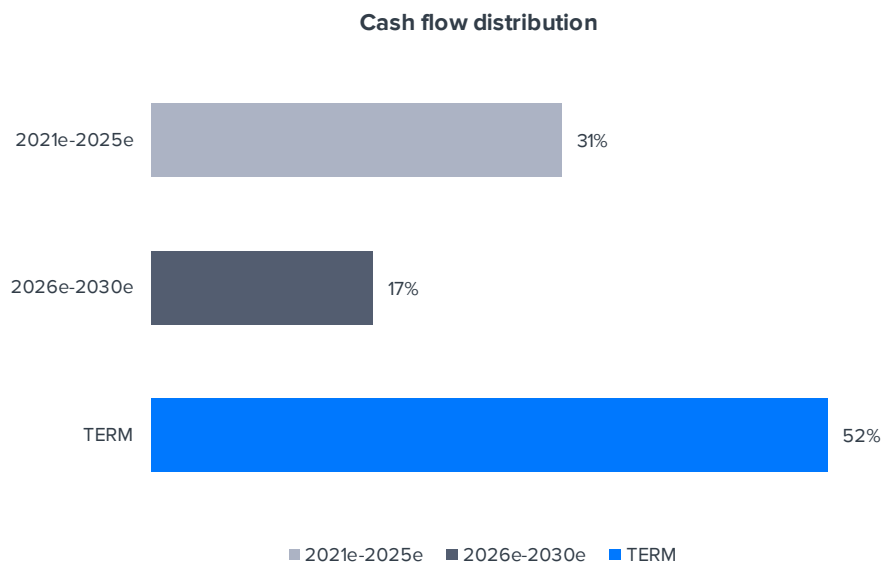
Liabilities & equity	2019	2020	2021e	2022e	2023e
<b>Equity</b>	<b>132</b>	<b>146</b>	<b>159</b>	<b>167</b>	<b>178</b>
Share capital	11,9	11,9	11,9	11,9	11,9
Retained earnings	13,7	42,0	54,9	63,3	74,3
Hybrid bonds	0,0	0,0	0,0	0,0	0,0
Revaluation reserve	0,0	0,0	0,0	0,0	0,0
Other equity	107	92,1	92,1	92,1	92,1
Minorities	0,0	0,0	0,0	0,0	0,0
<b>Non-current liabilities</b>	<b>107</b>	<b>114</b>	<b>148</b>	<b>77,6</b>	<b>77,6</b>
Deferred tax liabilities	12,8	13,3	15,0	15,0	15,0
Provisions	1,6	1,8	1,8	1,8	1,8
Long term debt	92,2	97,8	130	60,0	60,0
Convertibles	0,0	0,0	0,0	0,0	0,0
Other long term liabilities	0,8	0,8	0,8	0,8	0,8
<b>Current liabilities</b>	<b>70,4</b>	<b>57,8</b>	<b>68,3</b>	<b>62,5</b>	<b>64,8</b>
Short term debt	17,0	2,5	15,0	5,0	5,0
Payables	53,3	54,6	53,1	57,4	59,7
Other current liabilities	0,1	0,7	0,1	0,1	0,1
<b>Balance sheet total</b>	<b>310</b>	<b>317</b>	<b>375</b>	<b>307</b>	<b>321</b>

# DCF calculation

DCF model	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TERM
<b>EBIT (operating profit)</b>	<b>39,5</b>	<b>32,5</b>	<b>31,3</b>	<b>34,7</b>	<b>36,4</b>	<b>37,6</b>	<b>36,2</b>	<b>34,6</b>	<b>32,9</b>	<b>28,2</b>	<b>28,8</b>	
+ Depreciation	21,4	20,5	22,2	20,9	19,8	19,3	18,7	18,9	19,1	19,3	19,4	
- Paid taxes	-5,2	-5,4	-6,6	-7,9	-8,3	-8,6	-8,3	-7,9	-7,5	-6,3	-6,5	
- Tax, financial expenses	-0,6	-0,2	-1,2	-0,8	-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	0,3	-14,0	-0,7	1,4	4,9	-0,3	-1,3	-1,3	-1,4	-1,4	-1,0	
<b>Operating cash flow</b>	<b>55,4</b>	<b>33,3</b>	<b>45,0</b>	<b>48,2</b>	<b>52,0</b>	<b>47,2</b>	<b>44,5</b>	<b>43,5</b>	<b>42,4</b>	<b>39,0</b>	<b>40,0</b>	
+ Change in other long-term liabilities	0,2	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
- Gross CAPEX	-5,0	-14,1	-15,1	-15,1	-17,1	-19,1	-20,1	-20,1	-20,1	-20,1	-19,5	
<b>Free operating cash flow</b>	<b>50,5</b>	<b>19,2</b>	<b>29,9</b>	<b>33,1</b>	<b>34,9</b>	<b>28,1</b>	<b>24,4</b>	<b>23,4</b>	<b>22,3</b>	<b>18,9</b>	<b>20,5</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	50,5	19,2	29,9	33,1	34,9	28,1	24,4	23,4	22,3	18,9	20,5	392
<b>Discounted FCFF</b>		<b>18,7</b>	<b>27,1</b>	<b>28,0</b>	<b>27,4</b>	<b>20,6</b>	<b>16,6</b>	<b>14,9</b>	<b>13,2</b>	<b>10,4</b>	<b>10,5</b>	<b>201</b>
Sum of FCFF present value		389	370	343	315	287	267	250	235	222	212	201
<b>Enterprise value DCF</b>		<b>389</b>										
- Interesting bearing debt		-100,3										
+ Cash and cash equivalents		57,9										
-Minorities		0,0										
-Dividend/capital return		-11,5										
<b>Equity value DCF</b>		<b>335</b>										
<b>Equity value DCF per share</b>		<b>5,82</b>										

Wacc	
Tax-% (WACC)	25,0 %
Target debt ratio (D/(D+E))	20,0 %
Cost of debt	4,0 %
Equity Beta	1,10
Market risk premium	4,75 %
Liquidity premium	1,25 %
Risk free interest rate	2,0 %
<b>Cost of equity</b>	<b>8,5 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>7,4 %</b>

Source: Inderes



# Summary

Income statement	2018	2019	2020	2021e	2022e	Per share data	2018	2019	2020	2021e	2022e
Revenue	431,1	411,4	458,9	<b>425,1</b>	<b>459,0</b>	EPS (reported)	-0,03	0,00	0,52	<b>0,43</b>	<b>0,35</b>
EBITDA	25,6	33,7	60,9	<b>53,0</b>	<b>53,5</b>	EPS (adj.)	-0,03	0,00	0,52	<b>0,37</b>	<b>0,35</b>
EBIT	4,6	8,1	39,5	<b>32,5</b>	<b>31,3</b>	OCF / share	0,63	0,58	0,96	<b>0,58</b>	<b>0,78</b>
PTP	-1,0	2,1	33,9	<b>31,5</b>	<b>26,6</b>	FCF / share	0,37	0,37	0,88	<b>0,33</b>	<b>0,52</b>
Net Income	-1,7	0,2	30,1	<b>24,4</b>	<b>19,9</b>	Book value / share	2,27	2,31	2,54	<b>2,76</b>	<b>2,91</b>
Extraordinary items	0,0	0,0	0,0	<b>0,0</b>	<b>0,0</b>	Dividend / share	0,00	0,05	0,20	<b>0,20</b>	<b>0,22</b>
Balance sheet	2018	2019	2020	2021e	2022e	Growth and profitability	2018	2019	2020	2021e	2022e
Balance sheet total	320,7	310,1	317,4	<b>374,7</b>	<b>307,3</b>	Revenue growth-%	1 %	-5 %	12 %	<b>-7 %</b>	<b>8 %</b>
Equity capital	130,5	132,5	145,9	<b>158,8</b>	<b>167,3</b>	EBITDA growth-%	-25 %	31 %	81 %	<b>-13 %</b>	<b>1 %</b>
Goodwill	15,5	15,5	15,5	<b>15,5</b>	<b>15,5</b>	EBIT (adj.) growth-%	-69 %	77 %	386 %	<b>-18 %</b>	<b>-4 %</b>
Net debt	73,7	71,4	42,4	<b>35,4</b>	<b>20,6</b>	EPS (adj.) growth-%	-111 %	-113 %	13345 %	<b>-29 %</b>	<b>-7 %</b>
Cash flow	2018	2019	2020	2021e	2022e	EBITDA-%	5,9 %	8,2 %	13,3 %	<b>12,5 %</b>	<b>11,7 %</b>
EBITDA	25,6	33,7	60,9	<b>53,0</b>	<b>53,5</b>	EBIT (adj.)-%	1,1 %	2,0 %	8,6 %	<b>7,6 %</b>	<b>6,8 %</b>
Change in working capital	5,6	2,3	0,3	<b>-14,0</b>	<b>-0,7</b>	EBIT-%	1,1 %	2,0 %	8,6 %	<b>7,6 %</b>	<b>6,8 %</b>
Operating cash flow	36,3	33,5	55,4	<b>33,3</b>	<b>45,0</b>	ROE-%	-1,3 %	0,2 %	21,6 %	<b>16,0 %</b>	<b>12,2 %</b>
CAPEX	-15,0	-29,8	-5,0	<b>-14,1</b>	<b>-15,1</b>	ROI-%	1,9 %	3,4 %	16,2 %	<b>11,8 %</b>	<b>11,7 %</b>
Free cash flow	21,5	21,2	50,5	<b>19,2</b>	<b>29,9</b>	Equity ratio	40,7 %	42,7 %	46,0 %	<b>42,4 %</b>	<b>54,4 %</b>
						Gearing	56,5 %	53,9 %	29,1 %	<b>22,3 %</b>	<b>12,3 %</b>

Source: Inderes

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Reduce The 12-month risk-adjusted expected shareholder return of the share is weak

Sell The 12-month risk-adjusted expected shareholder return of the share is very weak

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## Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
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 €
5.2.2021	Accumulate	6,00 €	5,74 €
29.4..2021	Accumulate	6,25 €	5,87 €
24.6.2021	Accumulate	6,25 €	5,45 €
16.8.2021	Accumulate	5,60 €	5,27 €



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