

Suominen

Company report

5/05/2022 09:05



Antti Viljakainen
+358 44 591 2216
antti.viljakainen@inderes.fi

✓ Inderes corporate customer

This report is a summary translation of the report “Hinta ei ole paha, mutta tulos hakee vauhtia syvältä” published on 5/5/2022 at 09:05

inde
res.

Price is not bad, but drivers are still hidden

Suominen's Q1 report published yesterday turned to the negative, especially due to the guidance being lowered. We cut our estimates for Suominen significantly for 2022 and clearly also for the coming years. We reiterate our Reduce recommendation and lower our target price to EUR 3.30 (previously EUR 4.50) reflecting estimate cuts and a moderate increase in the required return. Although the share price starts to include a lot of negatives looking beyond this year, we are still waiting for result drivers to turn around and risks to decrease.

Clear loss to be made up from Q1

Suominen's net sales decreased by 4% in Q1 to EUR 110 million which was below our estimate. Suominen's volumes were still depressed by high inventories in certain of the most likely large customers and household products in the US. Sales prices rose more slowly than raw material prices and exchange rates had a positive effect on sales, but they were not enough to compensate for the volume decrease. Suominen's EBITDA plummeted in Q1 by over 80% from the excellent Q1'21 to EUR 3.3 million. The result was even below our estimates that we had cut in connection with the preliminary comment. The drop was still caused by the far too low gross margin (Q1: GM-% 6.0%, -11.5% points y-o-y) due to inflation in raw materials, energy and logistics. In the lower lines, financing expenses were slightly below our estimates, but the company recorded taxes as slightly negative, contrary to your expectations. Thus, Suominen's EUR - 0.04 EPS was eventually below our expectation with a lever.

2022 guidance was lowered and we cut our estimates further

In its Q1 report, Suominen lowered its 2022 guidance and according to the new guidance, the company's adjusted EBITDA in 2022 will decrease clearly from 2021 (2021: EBITDA 47 MEUR). According to the company, the war in Ukraine has exacerbated the already significant inflation in raw materials, energy and transport, and in addition, the normalization of customers' inventory levels in the US has progressed somewhat slower than expected. Lowering of the guidance was disappointing in relation to our expectations, even though the change drivers brought nothing new in themselves. After the report, we cut our EBITDA estimate for 2022 by 25% to EUR 31 million (-34% vs. 2021) due in particular to H1, which will be a miss and inflation extending to H2. We still believe the earnings bottom hit in Q1, as starting from Q2, the company's reallocation of production in the US and the European energy surcharges should start to revive profitability before the company begins to close the gap in the margins caused by inflation with sales prices starting in H2. But we also added a safety margin to our 2023 estimates (2023e: EBITDA 43 MEUR, -8%) due to lower consumer confidence and inflation risks.

Valuation reasonable in many respects, but uncertainty about depth of earnings slump does not support buying

Suominen's adjusted P/E ratios for 2022 and 2023 based on our estimates are around 44x and 13x. EV/EBITDA ratios that better describe the good cash flow potential are 7x and 5x. The 2022 multiples that are in focus are high while, with the more neutral 2023 result, the valuation is at the lower end of the acceptable valuation range. Thus, the valuation picture is contradictory, but the negative earnings trend and the 3-4% dividend yield are not yet enough to push the expected return above the COE requirement. In the long run, the DCF model that is quite clearly above the current price, indicates that the valuation of the share is cheap and balance sheet and volume-based valuation (2022e: P/B 1.1x and EV/S 0.5x) already hedge the share. We believe the market has focused on short-term challenges in the share and the long-term moderate valuation is not sufficient to drive the share up until the turn of the earnings trend materializes.

Recommendation

Reduce

(previous Reduce)

EUR 3.30

(previous EUR 4.50)

Share price:

3.12



Key figures

	2021	2022e	2023e	2024e
Revenue	443	488	483	493
growth-%	-3%	10%	-1%	2%
EBIT adj.	26.9	10.8	22.2	26.4
EBIT-% adj.	6.1 %	2.2 %	4.6 %	5.4 %
Net Income	20.7	4.1	14.3	17.5
EPS (adj.)	0.31	0.07	0.25	0.30

P/E (adj.)	16.7	43.6	12.5	10.2
P/B	1.8	1.1	1.1	1.0
Dividend yield-%	3.9 %	3.2 %	4.2 %	5.1 %
EV/EBIT (adj.)	12.8	21.1	9.6	7.4
EV/EBITDA	7.3	7.4	4.9	4.1
EV/S	0.8	0.5	0.4	0.4

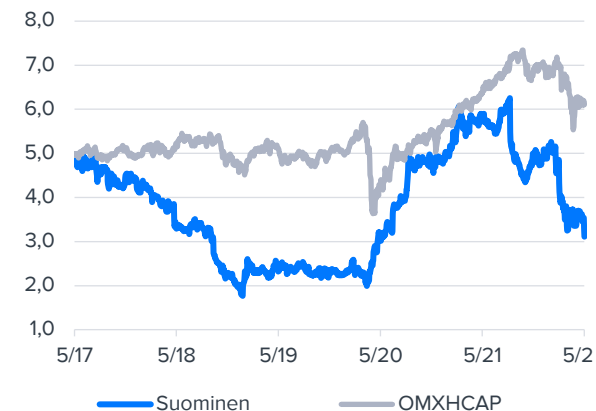
Source: Inderes

Guidance

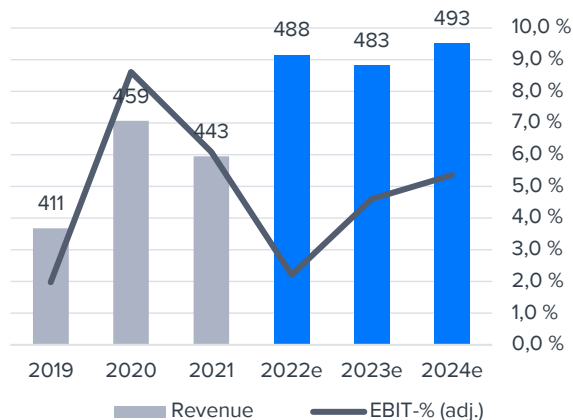
(Lowered)

Suominen expects that its comparable EBITDA in 2022 will decrease clearly from 2021. In 2021, Suominen's comparable EBITDA was EUR 47.0 million.

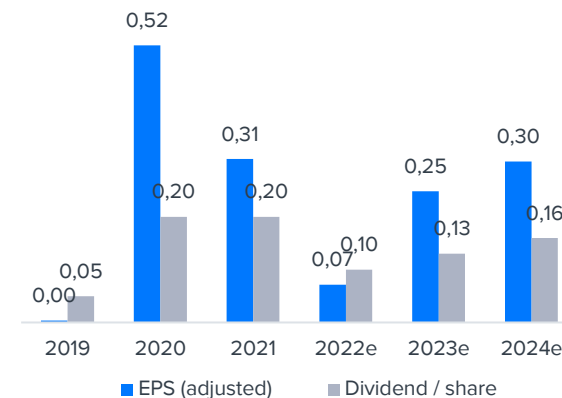
Share price



Revenue and EBIT %



EPS and dividend



Value drivers

- Profitability turnaround with volume and pricing catch-up
- Gradual growth in demanding higher margin products (for example sustainable products)
- Healthy nonwoven demand growth above GDP level
- M&A



Risk factors

- Fierce competition
- Weak pricing power
- Losing a major customer
- Raw-materials price risks
- Prolonged demand issues due to customers' high inventory levels

Valuation	2022e	2023e	2024e
Share price	3.12	3.12	3.12
Number of shares, millions	57.5	57.5	57.5
Market cap	179	179	179
EV	228	212	195
P/E (adj.)	43.6	12.5	10.2
P/E	43.6	12.5	10.2
P/FCF	13.3	7.7	6.5
P/B	1.1	1.1	1.0
P/S	0.4	0.4	0.4
EV/Sales	0.5	0.4	0.4
EV/EBITDA	7.4	4.9	4.1
EV/EBIT (adj.)	21.1	9.6	7.4
Payout ratio (%)	140.0 %	52.3 %	52.6 %
Dividend yield-%	3.2 %	4.2 %	5.1 %

Source: Inderes

Result slipped into red in a very difficult operating landscape

Sales decreased due to volumes (in the US)

Suominen's net sales decreased by 4% in Q1 to EUR 110 million which was below our estimate. The high inventory levels of certain customers and supply chain problems continued to depress Suominen's demand in the US and in certain large customers. Sales prices increased with raw material prices in both areas and the effect of currencies on sales was some 4 percentage points positive. Geographically, Suominen's European sales developed significantly better than Americas, which was expected as some major customers in the US have suffered from inventory problems. In Europe, we estimate that Suominen has not had volume problems so far, but in addition to raw materials, the problem in Europe is energy.

Far from the excellent comparison figures

Suominen's EBITDA plummeted in Q1 by over 80% from the excellent Q1'21 to EUR 3.3 million. The result

was even below our estimates that we cut in connection with the preliminary comment. The drop was still caused by the far too low gross margin (Q1: GM-% 6.0%, -11.5% points y-o-y) due to inflation in raw materials, energy and logistics. Overheads were rising, but the reason is purely currency-based, i.e. the weaker EUR/USD (cf. net sales also increased due to currencies) and overheads were still well under control.

We believe the main reason for the weak gross margin was the increase in raw material prices that still remained above the sales price hikes, as well as drastically increased energy costs in Europe. Naturally the low volume in the US did not help either. New products again accounted for over 30% of sales, but massive inflation now also buries this factor in the formation of gross margins.

EPS was also below our estimate

In the lower lines, financing expenses were slightly

below our estimates, but Suominen recorded taxes as slightly negative, contrary to your expectations. Thus, Suominen's EUR -0.04 EPS was eventually below our expectation with a small lever relative to the operating result. Cash flow that was negative in Q1, was depressed by working capital commitment as we expected. We believe this was mainly due to inflation. However, investments were low and this year is hardly going to be a particularly active investment year for Suominen.

Suominen's net gearing rose to 35% in Q1 (Q1'21: 13%) due to the weak earnings and cash flow development in the past year and dividend payment. The company's financial position is still on a good and stable footing and we feel that there are no significant risks associated with the balance sheet.

Estimates	Q1'21	Q1'22	Q1'22e	Q1'22e	Consensus	Difference (%)	2022e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Inderes
Revenue	115	110	118				488
EBITDA	18.5	3.3	4.8				30.9
EBIT	13.6	-1.3	-0.7				10.8
EPS (adj.)	0.19	-0.04	-0.02				0.07
Revenue growth-%	4.6 %	-4.4 %	2.4 %				10.1 %
EBIT-% (adj.)	11.8 %	-1.1 %	1.4 %				2.2 %

Source: Inderes

Estimates fell further when the guidance was lowered

Lowered guidance was a sad affair

In its Q1 report, Suominen lowered its 2022 guidance and according to the updated guidance, the company's adjusted EBITDA in 2022 will decrease clearly from 2021 (2021 EBITDA 47 MEUR). According to the company, the war in Ukraine has exacerbated the already significant inflation in raw materials, energy and transport. In addition, the normalization of customers' inventory levels in the US has progressed somewhat slower than expected. The downward revision of the guidance was disappointing relative to our expectations, although the risks that led to it were known as such.

With regard to raw materials, the company said it saw signs of a slowing inflation rate in H2. In terms of demand, there was nothing negative in the comments, although we still see a chance that lower

consumer confidence causes pressure in H2 for Suominen at least regarding the product mix

We cut our estimates especially for 2022

After the report, we cut our EBITDA estimate for 2022 by 25% to EUR 31 million, especially due to the difficult operating environment in H1 and prolonged inflation at least into H2. We still believe the earnings bottom hit in Q1, as starting from Q2, the company's reallocation of production in the US and the European energy surcharges should start to revive profitability before the company begins to close the gap in the margins caused by inflation with sales prices starting in H2.

In 2022-2023, we estimate that a number of production lines will be completed, construction of which started after the COVID outbreak, and the launch of which may disturb the market balance for a

short period of time. Suominen would not be immune to this, even though the company's product portfolio secures a fairly good position if the competition tightens.

We expect Suominen's profitability to reach a reasonable level despite the deep slump in H2'21 and H1'22 thanks to healthy demand, the company's own development and efficiency measures, and calming inflation in 2023 (2022e-2025e: adjusted EBITDA-% 9-10% vs. company target over 12% in 2025). Our margin expectations are slightly above the company's 5-year average (adj. EBITDA% around 9%), which is mainly based on the progress of Suominen strategy for sustainable nonwovens with a better margin structure and improved overall efficiency but the prolonged inflation and short-term challenges have lowered our margin estimates.

Estimate revisions	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	471	488	4%	485	483	0%	495	493	0%
EBITDA	41.4	30.9	-25%	47.0	43.3	-8%	52.0	47.6	-8%
EBIT (exc. NRIs)	19.4	10.8	-44%	24.8	22.2	-10%	30.6	26.4	-14%
EBIT	19.4	10.8	-44%	24.8	22.2	-10%	30.6	26.4	-14%
PTP	14.8	6.4	-57%	21.6	19.0	-12%	27.5	23.3	-15%
EPS (excl. NRIs)	0.19	0.07	-63%	0.28	0.25	-12%	0.36	0.30	-15%
DPS	0.20	0.10	-50%	0.20	0.13	-35%	0.20	0.16	-20%

Source: Inderes

Valuation is contradictory, but we are still waiting

The depth of the earnings slump is decisive

Suominen's P/E ratios for 2022 and 2023 based on our estimates are around 44x and 13x and EV/EBITDA ratios that better describe the company's good cash flow potential (depreciation in next few years is below investments) are around 7x and 5x. The multiples are above the company's 5-year medians due to the modest performance in 2022. In our previous [extensive report](#) (6/2021) we estimated that Suominen's acceptable valuation multiples are P/E 13x-15x and EV/EBITDA 6x-7x. Therefore, next year's multiples are already moderate, which makes the share's valuation picture very contradictory. However, we estimate that the market will require concrete evidence of clearly improved gross margins from the company before relying on next year's estimates, which is why we are still taking a cautious approach and not relying too strongly on next year.

We cut our short-term dividend estimates with earnings estimates and thus expect dividend yield at the current share price to be 3-4% in the next few years and offer investors a reasonable base return. The earnings growth driver, on the other hand, only starts to support the share from Q3, and we do not consider the support strong enough considering that with the actualized result the share's valuation is pricey when earnings growth starts. Therefore, the expected return is still below the required return. However, we believe the P/B ratio that has fallen to 1.1x and the 0.5x EV/S are already starting to support the share. The P/B is not, however, significantly cheap in the current market situation when compared to the company's average ROE of about 9% over the last 5 years. This is one of the reasons why we are not grabbing on to the low valuation and start waiting for a better time.

DCF is still above the share price

Relative to the loosely linked peer group, Suominen's share is valued at a premium with the 2022 multiples while our estimates for 2023 indicate a discount. However, we do not see that the relative valuation would act as a share price driver for Suominen, as the peer group is only loosely linked to Suominen.

Our DCF model (some EUR 4.4 per share) still indicates an upside for the share despite decreased estimates and continuing company risks despite the higher required return. We also feel the terminal model is rather conservative (terminal weight 50%). We feel the DCF model describes Suominen's fair value quite well, but we do not necessarily see drivers for full realization of the fair value within 12 months due to the uncertainty related to the depth of the earnings slump.

Long-term potential is still there

We still believe that Suominen should reach an EPS of around EUR 0.50 in 2025 if the company reaches its financial objectives (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 25% annual IRR potential (including annually stable around 3- 5% dividend yield) for an investor that would invest in Suominen now. We therefore believe that the share still has considerable long-term potential, but even partial reliance on this requires a reversal of the annual earnings trend, as we believe that for the time being the market's sights are set much closer.

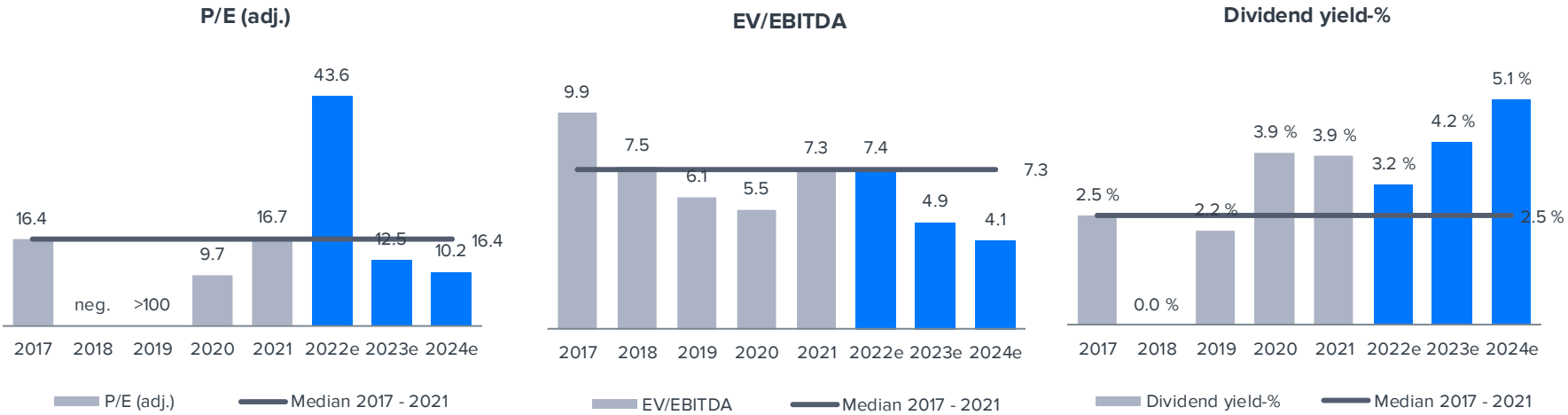
Valuation	2022e	2023e	2024e
Share price	3.12	3.12	3.12
Number of shares, millions	57.5	57.5	57.5
Market cap	179	179	179
EV	228	212	195
P/E (adj.)	43.6	12.5	10.2
P/E	43.6	12.5	10.2
P/FCF	13.3	7.7	6.5
P/B	1.1	1.1	1.0
P/S	0.4	0.4	0.4
EV/Sales	0.5	0.4	0.4
EV/EBITDA	7.4	4.9	4.1
EV/EBIT (adj.)	21.1	9.6	7.4
Payout ratio (%)	140.0 %	52.3 %	52.6 %
Dividend yield-%	3.2 %	4.2 %	5.1 %

Source: Inderes

Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	4.42	2.05	2.31	5.08	5.18	3.12	3.12	3.12	3.12
Number of shares, millions	53.6	57.5	57.5	57.5	57.5	57.5	57.5	57.5	57.5
Market cap	258	118	133	292	298	179	179	179	179
EV	341	192	204	334	345	228	212	195	177
P/E (adj.)	16.4	neg.	>100	9.7	16.7	43.6	12.5	10.2	8.9
P/E	16.4	neg.	>100	9.7	14.4	43.6	12.5	10.2	8.9
P/FCF	43.5	5.5	6.3	5.8	neg.	13.3	7.7	6.5	6.2
P/B	1.9	0.9	1.0	2.0	1.8	1.1	1.1	1.0	1.0
P/S	0.6	0.3	0.3	0.6	0.7	0.4	0.4	0.4	0.4
EV/Sales	0.8	0.4	0.5	0.7	0.8	0.5	0.4	0.4	0.4
EV/EBITDA	9.9	7.5	6.1	5.5	7.3	7.4	4.9	4.1	3.4
EV/EBIT (adj.)	22.7	41.7	25.1	8.5	12.8	21.1	9.6	7.4	5.9
Payout ratio (%)	44.3 %	0.0 %	1282.8 %	38.2 %	55.4 %	140.0 %	52.3 %	52.6 %	51.2 %
Dividend yield-%	2.5 %	0.0 %	2.2 %	3.9 %	3.9 %	3.2 %	4.2 %	5.1 %	5.8 %

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	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e
Huhtamäki	35.0	3799	5466	13.9	12.9	9.1	8.5	1.2	1.2	14.0	13.5	3.1	3.3	2.2
Duni	89.0	398	563	15.0	11.3	8.4	7.2	0.9	0.8	16.7	11.9		6.0	1.4
Sealed Air	65.6	9105	12097	12.7	11.5	10.1	9.3	2.1	2.0	15.8	14.4	1.2	1.3	16.6
Riverstone	0.8	983	631	5.1	5.2	4.5	4.5	1.6	1.4	12.5	12.7	3.5	3.5	1.8
Berry	57.7	7425	15836	10.7	9.4	7.2	6.5	1.1	1.0	8.0	7.3			2.1
Suominen (Inderes)	3.1	179	228	21.1	9.6	7.4	4.9	0.5	0.4	43.6	12.5	3.2	4.2	1.1
Average				11.5	10.1	7.9	7.2	1.4	1.3	13.4	12.0	2.6	3.5	4.8
Median				12.7	11.3	8.4	7.2	1.2	1.2	14.0	12.7	3.1	3.4	2.1
Diff-% to median				67%	-15%	-13%	-32%	-62%	-62%	211%	-2%	4%	23%	-46%

Source: Thomson Reuters / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

Income statement

Income statement	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Revenue	459	115	114	98.7	116	443	110	122	126	130	488	483	493	503
Nonwovens	459	115	114	98.7	116	443	110	122	126	130	488	483	493	503
EBITDA	60.9	18.5	15.3	4.2	9.0	47.0	3.3	6.8	10.4	10.5	30.9	43.3	47.6	51.6
Depreciation	-21.4	-4.9	-5.0	-5.1	-5.1	-20.1	-4.6	-5.0	-5.2	-5.4	-20.2	-21.1	-21.2	-21.6
EBIT (excl. NRI)	39.5	13.6	10.3	-0.8	3.9	26.9	-1.3	1.8	5.2	5.1	10.8	22.2	26.4	30.0
EBIT	39.5	13.6	10.3	-0.8	3.9	26.9	-1.3	1.8	5.2	5.1	10.8	22.2	26.4	30.0
Nonwovens	39.5	13.6	10.3	-0.8	3.9	26.9	-1.3	1.8	5.2	5.1	10.8	22.2	26.4	30.0
Net financial items	-5.6	3.3	-1.6	-1.0	-1.1	-0.4	-0.9	-1.2	-1.2	-1.2	-4.4	-3.2	-3.1	-3.1
PTP	33.9	16.9	8.7	-1.8	2.8	26.6	-2.2	0.6	4.0	3.9	6.4	19.0	23.3	26.9
Taxes	-3.8	-3.1	-2.6	0.1	-0.3	-5.8	-0.1	-0.2	-1.0	-1.0	-2.3	-4.8	-5.8	-6.7
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	30.1	13.8	6.1	-1.7	2.5	20.7	-2.3	0.5	3.0	3.0	4.1	14.3	17.5	20.2
EPS (adj.)	0.52	0.19	0.11	-0.03	0.04	0.31	-0.04	0.01	0.05	0.05	0.07	0.25	0.30	0.35
EPS (rep.)	0.52	0.24	0.11	-0.03	0.04	0.36	-0.04	0.01	0.05	0.05	0.07	0.25	0.30	0.35

Key figures	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Revenue growth-%	11.5 %	4.6 %	-6.9 %	-14.5 %	4.1 %	-3.4 %	-4.4 %	7.6 %	27.4 %	12.4 %	10.1 %	-1.0 %	2.0 %	2.0 %
Adjusted EBIT growth-%	385.8 %	138.5 %	-16.5 %	-106.5 %	-54.6 %	-31.8 %	-109.3 %	-82.7 %	-713.3 %	31.4 %	-60.0 %	106.2 %	18.9 %	13.6 %
EBITDA-%	13.3 %	16.0 %	13.5 %	4.3 %	7.8 %	10.6 %	3.0 %	5.5 %	8.2 %	8.1 %	6.3 %	9.0 %	9.7 %	10.3 %
Adjusted EBIT-%	8.6 %	11.8 %	9.1 %	-0.9 %	3.4 %	6.1 %	-1.1 %	1.5 %	4.1 %	3.9 %	2.2 %	4.6 %	5.4 %	6.0 %
Net earnings-%	6.6 %	11.9 %	5.4 %	-1.7 %	2.2 %	4.7 %	-2.1 %	0.4 %	2.4 %	2.3 %	0.8 %	3.0 %	3.5 %	4.0 %

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	164	162	155	149	145
Goodwill	15.5	15.5	15.5	15.5	15.5
Intangible assets	16.7	13.2	13.3	13.4	13.5
Tangible assets	122	131	124	118	114
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.8	0.5	0.5	0.5	0.5
Other non-current assets	4.0	0.0	0.0	0.0	0.0
Deferred tax assets	4.0	1.7	1.7	1.7	1.7
Current assets	154	225	159	158	173
Inventories	35.4	49.8	58.6	58.0	56.7
Other current assets	9.4	8.0	8.0	8.0	8.0
Receivables	51.1	65.5	63.5	60.4	59.2
Cash and equivalents	57.9	101	29.3	31.6	49.5
Balance sheet total	317	387	314	307	318

Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	146	163	156	164	174
Share capital	11.9	11.9	11.9	11.9	11.9
Retained earnings	42.0	56.5	49.2	57.7	67.7
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	92.1	94.8	94.8	94.8	94.8
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	114	78.8	88.7	76.5	76.5
Deferred tax liabilities	13.3	13.9	13.9	13.9	13.9
Provisions	1.8	1.9	1.9	1.9	1.9
Long term debt	97.8	62.3	72.2	60.0	60.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.8	0.7	0.7	0.7	0.7
Current liabilities	57.8	145	69.8	66.1	67.3
Short term debt	2.5	86.8	5.6	5.0	5.0
Payables	54.6	57.2	63.5	60.4	61.6
Other current liabilities	0.7	0.7	0.7	0.7	0.7
Balance sheet total	317	387	314	307	318

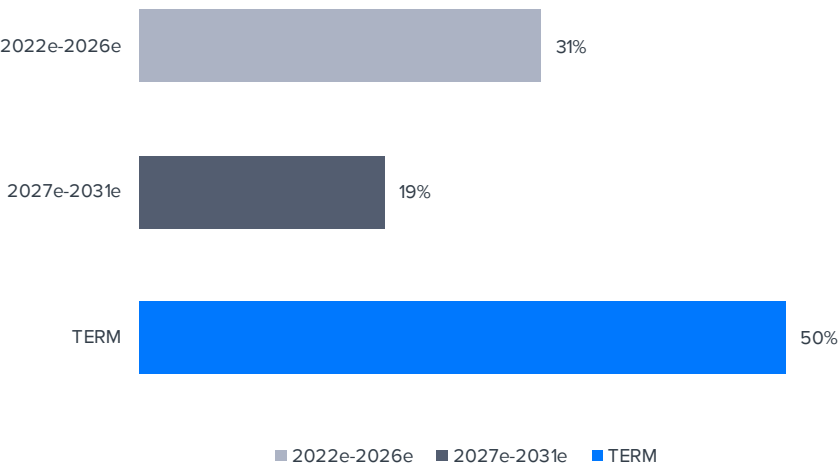
DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
EBIT (operating profit)	26.9	10.8	22.2	26.4	30.0	36.3	34.7	33.0	28.3	29.2	29.8	
+ Depreciation	20.1	20.2	21.1	21.2	21.6	20.6	19.9	19.9	19.9	19.9	20.0	
- Paid taxes	-2.8	-2.3	-4.8	-5.8	-6.7	-8.3	-7.9	-7.5	-6.3	-6.5	-6.7	
- Tax, financial expenses	-0.1	-1.6	-0.8	-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	-24.7	-0.5	0.6	3.8	3.9	1.1	-1.5	-1.5	-1.6	-1.6	-1.1	
Operating cash flow	19.4	26.6	38.3	44.8	48.0	48.8	44.4	43.1	39.6	40.2	41.1	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-21.0	-13.1	-15.1	-17.1	-19.1	-20.1	-20.1	-20.1	-20.1	-20.1	-20.3	
Free operating cash flow	-1.6	13.5	23.2	27.7	28.9	28.7	24.3	23.0	19.5	20.1	20.9	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-1.6	13.5	23.2	27.7	28.9	28.7	24.3	23.0	19.5	20.1	20.9	339
Discounted FCFF		12.8	20.3	22.4	21.6	19.8	15.5	13.5	10.6	10.1	9.6	156
Sum of FCFF present value		313	300	279	257	235	216	200	187	176	166	156
Enterprise value DCF		313										
- Interesting bearing debt		-149.1										
+ Cash and cash equivalents		101										
-Minorities		0.0										
-Dividend/capital return		-11.5										
Equity value DCF		253										
Equity value DCF per share		4.41										

Wacc	
Tax-% (WACC)	25.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	4.0 %
Equity Beta	1.35
Market risk premium	4.75%
Liquidity premium	1.25%
Risk free interest rate	2.0 %
Cost of equity	9.7 %
Weighted average cost of capital (WACC)	8.3 %

Source: Inderes

Cash flow distribution



Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	411.4	458.9	443.2	488.1	483.2	EPS (reported)	0.00	0.52	0.36	0.07	0.25
EBITDA	33.7	60.9	47.0	30.9	43.3	EPS (adj.)	0.00	0.52	0.31	0.07	0.25
EBIT	8.1	39.5	26.9	10.8	22.2	OCF / share	0.58	0.96	0.34	0.46	0.67
PTP	2.1	33.9	26.6	6.4	19.0	FCF / share	0.37	0.88	-0.03	0.23	0.40
Net Income	0.2	30.1	20.7	4.1	14.3	Book value / share	2.31	2.54	2.84	2.71	2.86
Extraordinary items	0.0	0.0	0.0	0.0	0.0	Dividend / share	0.05	0.20	0.20	0.10	0.13
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	310.1	317.4	386.7	314.3	306.9	Revenue growth-%	-5%	12%	-3%	10%	-1%
Equity capital	132.5	145.9	163.2	155.8	164.3	EBITDA growth-%	31%	81%	-23%	-34%	40%
Goodwill	15.5	15.5	15.5	15.5	15.5	EBIT (adj.) growth-%	77%	386%	-32%	-60%	106%
Net debt	71.4	42.4	47.8	48.5	33.4	EPS (adj.) growth-%	-113%	13345%	-41%	-77%	248%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	8.2 %	13.3 %	10.6 %	6.3 %	9.0 %
EBITDA	33.7	60.9	47.0	30.9	43.3	EBIT (adj.)-%	2.0 %	8.6 %	6.1 %	2.2 %	4.6 %
Change in working capital	2.3	0.3	-24.7	-0.5	0.6	EBIT-%	2.0 %	8.6 %	6.1 %	2.2 %	4.6 %
Operating cash flow	33.5	55.4	19.4	26.6	38.3	ROE-%	0.2 %	21.6 %	13.4 %	2.6 %	8.9 %
CAPEX	-29.8	-5.0	-21.0	-13.1	-15.1	ROI-%	3.4 %	16.2 %	9.7 %	4.0 %	9.6 %
Free cash flow	21.2	50.5	-1.6	13.5	23.2	Equity ratio	42.7 %	46.0 %	42.2 %	49.6 %	53.5 %
						Gearing	53.9 %	29.1 %	29.3 %	31.2 %	20.4 %

Source: Inderes

Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

Buy The 12-month risk-adjusted expected shareholder return of the share is very attractive

Accumulate The 12-month risk-adjusted expected shareholder return of the share is attractive

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

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
30-10-17	Reduce	4.50 €	4.42 €
14-12-17	Reduce	4.25 €	4.43 €
31-01-18	Reduce	4.25 €	4.40 €
06-04-18	Reduce	4.00 €	3.88 €
27.4..2018	Reduce	3.50 €	3.55 €
04-07-18	Reduce	3.50 €	3.40 €
06-08-18	Reduce	3.30 €	3.40 €
14-09-18	Sell	2.85 €	3.10 €
26-10-18	Reduce	2.20 €	2.30 €
01-02-18	Reduce	2.40 €	2.50 €
25-04-19	Reduce	2.50 €	2.60 €
08-08-19	Reduce	2.40 €	2.48 €
23-10-19	Reduce	2.25 €	2.33 €
30-01-20	Reduce	2.35 €	2.48 €
24-04-20	Accumulate	3.25 €	3.02 €
13-05-20	Accumulate	3.40 €	3.17 €
18-06-20	Accumulate	4.00 €	3.69 €
13-08-20	Accumulate	5.40 €	5.00 €
28-10-20	Accumulate	5.40 €	5.06 €
05-02-21	Accumulate	6.00 €	5.74 €
29.4..2021	Accumulate	6.25 €	5.87 €
24-06-21	Accumulate	6.25 €	5.45 €
16-08-21	Accumulate	5.60 €	5.27 €
29-10-21	Accumulate	5.25 €	4.72 €
04-02-22	Reduce	4.50 €	4.33 €
05-05-22	Reduce	3.30 €	3.12 €



Inderes' mission is to connect listed companies and investors. We produce high-quality research and content for the needs of our extensive investor community.

At Inderes we believe that open data is every investor's fundamental right. We guarantee investors' access to award-winning research, insightful video content and an active investor community.

For listed companies we ensure that there is always high-quality information available on the company for investors and shareholders for decision making, and that data collected from investors can be utilized by the companies.

Over 100 Finnish listed companies want to serve their shareholders and investors through us by utilizing our company research services, data driven IR services, content creation and consulting.

Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at inderes.fi



**STARMINE
ANALYST AWARDS
FROM REFINITIV**



THOMSON REUTERS
ANALYST AWARDS



Juha Kinnunen
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen
2014, 2016, 2017, 2019



Sauli Vilén
2012, 2016, 2018, 2019, 2020



Antti Viljakainen
2014, 2015, 2016, 2018, 2019, 2020



Petri Kajaani
2017, 2019, 2020



Joni Grönqvist
2019, 2020



Erkki Vesola
2018, 2020



Petri Gostowski
2020



Atte Riikola
2020



Olli Koponen
2020

**Research belongs
to everyone.**