

# Suominen

## Company report

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✓ Inderes corporate customer

This report is a summary translation of the report "Tulos laahaa edelleen heikolla tasolla" published on 5/4/2023 at 7:02 pm

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# Earnings still trailing at a weak level

Suominen's Q1 was below both expectations and the comparison period. Although the full-year guidance was repeated, the situation early in the year seems clearly weaker than expected. Thus, we cut our 2023 estimates clearly and somewhat also for the coming years. We feel the share valuation already prices a normalizing performance, which we see only in 2024. Thus, the share's expected return is weak. We reiterate our Reduce recommendation and lower our target price to EUR 2.8 (previous EUR 3.0) due to lower estimates.

## Q1 was clearly below expectations and also the weak comparison period

Suominen's net sales grew by 6% from the comparison period due to higher sales prices and exchange rates. Sales volumes were at the level of the comparison period. In terms of volume, performance was lower than we expected and the market still seems to be at a somewhat lower level than normal/expected. Suominen's gross margin remained weak at last year's level at around 4% and was clearly below our expectations (8%). The combination of lower-than-expected EBIT and gross margin resulted in adjusted EBITDA being only EUR 2.6 million (Q122: 3.3 MEUR) and adjusted EBIT was EUR 2 million in the red (Q122: EUR -1.3 million), while the expectation was around EUR 2 million in the black. The company explained the weak profitability by the fact that destocking more expensive raw materials has taken longer than expected and there is a lag in the price mechanisms that compensate for higher costs.

## As expected, the company's guidance still indicates an earnings improvement in 2023

Suominen still expects that its comparable EBITDA in 2023 will increase from 2022 (15 MEUR). However, the company said that the second quarter also looks challenging and we believe earnings improvement from the comparison period is mainly expected in H223. The improvement should be supported by the margin improving when pricing "catches up with" decreasing raw material costs. In addition, benefits from the Mozzate plant that was shut down in spring, are expected to support the rest of the year. The company expects the closure of the plant to have an annual positive impact of EUR 3 million on EBITDA. The company is also more optimistic about the demand outlook for the rest of the year, as the prevailing uncertainty on the market is expected to ease up. Due to the weak result and near-term outlook, we cut our earnings estimates for 2023 by some EUR 10 million and by EUR 5 million for next year. However, we still expect the full year 2023 adjusted EBITDA to be better than in the comparison period, or EUR 27 million.

## The share is already pricing normal earnings, we feel the expected return is weak

With 2024-25 figures, which we consider a relatively normal earnings level for the company (around 20-25 MEUR), the valuation is neutral. P/E ratios are 12x and 11x and EV/EBIT ratios 10x and 9x. We see P/E ratios of around 10-12x as acceptable for Suominen in the current interest rate environment. Thus, the share is already pricing the clear earnings improvement we are expecting to a EUR 20-25 million EBIT level and therefore does not offer an interesting expected return. The P/B ratio for Suominen is 1.1-1.2x in 2023-25. With our estimates the company can generate around 10% return on capital starting from 2025 (remaining below it prior to that), which is on par or slightly above our required return, so we believe the correct P/B level is also around 1x or slightly above in the longer term. Considering the limited competitive advantages, we do not believe that Suominen is able to achieve a return on capital that is substantially above the required return in the long term. The expected return mainly relies on dividend yield, which with our estimates is 3-4% for the next few years and 5-6% in the longer term.

## Recommendation

**Reduce**

(previous Reduce)

**2.80 EUR**

(previous EUR 3.00)

**Share price:**

2.88



## Key figures

|                  | 2022   | 2023e | 2024e | 2025e |
|------------------|--------|-------|-------|-------|
| Revenue          | 493    | 476   | 471   | 476   |
| growth-%         | 11%    | -4%   | -1%   | 1%    |
| EBIT adj.        | -4.2   | 8.6   | 20.7  | 22.9  |
| EBIT-% adj.      | -0.8 % | 1.8 % | 4.4 % | 4.8 % |
| Net Income       | -13.9  | -0.7  | 10.9  | 15.3  |
| EPS (adj.)       | -0.16  | 0.07  | 0.24  | 0.27  |
| P/E (adj.)       | neg.   | 42.0  | 11.9  | 10.8  |
| P/B              | 1.2    | 1.2   | 1.1   | 1.1   |
| Dividend yield-% | 3.3 %  | 3.5 % | 5.2 % | 5.2 % |
| EV/EBIT (adj.)   | neg.   | 25.4  | 10.4  | 9.2   |
| EV/EBITDA        | 15.8   | 9.7   | 5.9   | 5.1   |
| EV/S             | 0.5    | 0.5   | 0.5   | 0.4   |

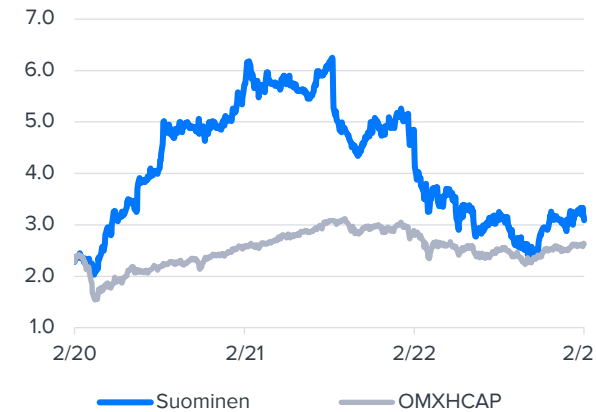
Source: Inderes

## Guidance

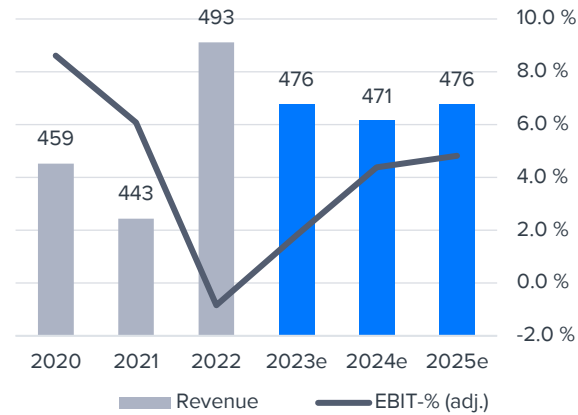
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Suominen expects that its comparable EBITDA in 2023 will increase from 2022. In 2022, Suominen's comparable EBITDA was EUR 15 million.

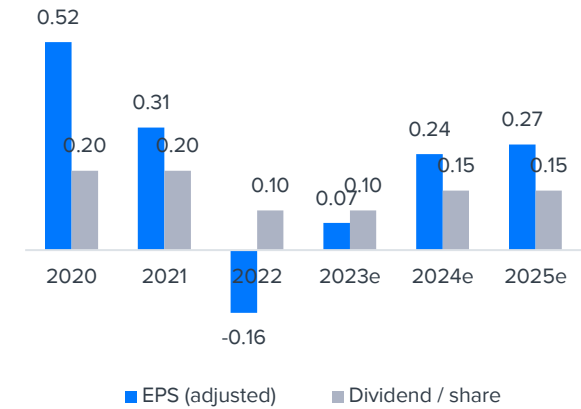
## Share price



## Revenue and EBIT %



## EPS and dividend



## Value drivers

- Earnings normalizing as cost inflation stabilizes
- Steady end demand for products
- Suominen's expertise and products in sustainable non-wovens



## Risk factors

- Tight competition in the industry
- Low pricing power
- Changes in raw material prices cause earnings fluctuation

| Valuation                  | 2023e | 2024e | 2025e |
|----------------------------|-------|-------|-------|
| Share price                | 2.88  | 2.88  | 2.88  |
| Number of shares, millions | 57.5  | 57.5  | 57.5  |
| Market cap                 | 166   | 166   | 166   |
| EV                         | 218   | 215   | 210   |
| P/E (adj.)                 | 42.0  | 11.9  | 10.8  |
| P/E                        | neg.  | 15.2  | 10.8  |
| P/FCF                      | 17.5  | 14.5  | 11.2  |
| P/B                        | 1.2   | 1.1   | 1.1   |
| P/S                        | 0.3   | 0.4   | 0.3   |
| EV/Sales                   | 0.5   | 0.5   | 0.4   |
| EV/EBITDA                  | 9.7   | 5.9   | 5.1   |
| EV/EBIT (adj.)             | 25.4  | 10.4  | 9.2   |
| Payout ratio (%)           | neg.  | 79%   | 56%   |
| Dividend yield-%           | 3.5 % | 5.2 % | 5.2 % |

Source: Inderes

# Result was far from expectations and also below the weak comparison period

## Net sales grew but was below expectations

Suominen's net sales grew by 6% from the comparison period due to higher sales prices and exchange rates. Sales volumes, on the other hand, were at the level of the comparison period. Strikes plagued Suominen during the quarter, but we do not believe the company actually lost net sales due to them. In terms of volumes, performance was lower than we expected and the market still seems to be at a somewhat lower level than normal/expected. The company continued to refer to adjustment from the high demand in the COVID era but also tightening competition and cost changes as reasons for the uncertain market. Net sales also decreased from Q322 and Q422 levels, which was a surprise, as we expected the market to improve rather than weaken this year.

## Result weakened from the comparison period and EBIT was still negative

Suominen's gross margin remained at last year's level (both Q122 and full-year 2022) at around 4% and was clearly below our expectations (8%). The combination of lower-than-expected EBIT and gross margin resulted in the adjusted EBITDA being only EUR 2.6 million (Q122: 3.3 MEUR) and adjusted EBIT was EUR 2 million in the red (Q122: EUR -1.3 million), while the expectation was around EUR 2 million in the black. The company explained the weak profitability by the fact that destocking more expensive raw materials has taken longer than expected. It said that the price mechanisms are working as such and compensate for changes in raw material costs through price changes. However, there is a longer lag here than expected. We note that Suominen's Q4 margin was already below our expectations largely for the same reason.

## Cash flow improved, but indebtedness remains high

Suominen's cash flow improved and the cash flow from operating activities was EUR 3.3 million positive (Q122 -2,7 MEUR) due to the release of working capital. Due to the weak earnings level, the company's net debt/adj. EBITDA is still highish, about 3.8x. This should not, however, cause immediate problems for the company, as its loans will only mature in 2025 (credit line) and 2027 (bond) and we expect cash flow to remain positive despite the poor earnings level. We expect the ratio to improve later in the year due to the improving result and positive cash flow.

| Estimates        | Q1'22      | Q1'23      | Q1'23e  | Q1'23e    | Consensus | Difference (%) | 2023e   |
|------------------|------------|------------|---------|-----------|-----------|----------------|---------|
| MEUR / EUR       | Comparison | Actualized | Inderes | Consensus | Low       | High           | Inderes |
| Revenue          | 110        | 117        | 128     | 124       |           |                | 476     |
| EBITDA (adj.)    | 3.3        | 2.6        | 6.9     | -         |           |                | 27.1    |
| EBITDA           | 3.3        | 2.6        | 5.4     | 5.8       |           |                | 22.5    |
| EBIT (adj.)      | -1.3       | -2.0       | 2.3     | 1.8       |           |                | 8.6     |
| EBIT             | -1.3       | -2.1       | 0.8     | -         |           |                | 4.0     |
| EPS (reported)   | -0.04      | -0.07      | -0.01   | -0.01     |           |                | -0.01   |
| Revenue growth-% | -4.4 %     | 5.9 %      | 15.7 %  | 12.5 %    |           |                | -3.6 %  |
| EBIT-% (adj.)    | -1.1 %     | -1.8 %     | 1.8 %   | 1.5 %     |           |                | 1.8 %   |

Source: Inderes & Vara Research, 2 analysts (consensus)

# Estimates clearly down as result improvement is delayed

## Guidance of improving full-year adjusted EBITDA unchanged

Suominen repeated its guidance for 2023 that its comparable EBITDA in 2023 will increase from 2022 (15 MEUR). The company also said that the second quarter looks difficult, which we interpret to mean that no significant turn for the better is expected at that time either. However, for the second half of the year, the company sees better development. We believe that this is affected by both the assumption of demand picking-up and the margin support from declining raw material costs. However, pricing mechanisms also push sales prices downward with raw material prices but we believe decreasing prices will alleviate Suominen's margin pressure.

## Significant estimate cuts for 2023

Due to Q1 clearly being below our expectations and the poor Q2 outlook, our estimates for this year fell significantly.

Earnings estimates were cut by about EUR 10 million, which means an EBITDA of EUR 27 million and zero reported net earnings. Our estimates still expect a clear improvement from last year, so even within the guidance, the company's performance can be significantly weaker.

## Estimates for the coming years also cut

As both the market situation and Suominen's margin control seem weaker than our expectations, we also cut next year's estimates. Earnings estimates decreased by about EUR 4 million or 10-20%. The changes are smaller for 2025, about EUR 1.5 million or about 5% depending on the result line. We still see Suominen's normal EBIT level to be EUR 20-25 million and our 2024-25 estimates are still within this range.

## Competition has tightened as the demand/supply balance has changed

In our view, Suominen is operating in a difficult place in the value chain, squeezed by raw material prices and big customers. We find it difficult to achieve lasting competitive advantages in this sector. As Suominen's production is almost entirely in countries with higher cost levels, it is also exposed to competition from cheaper production countries. During the pandemic, demand was strong and the industry invested in new capacity. Now that there is unused capacity again, the pricing environment has tightened and weaker factories do not stand up to the competition. This is particularly true for certain basic products, while according to Suominen the situation is better for sustainable products. As the Mozzate plant in Italy focused on these basic products and could not produce them profitably anymore, the company decided to close it.

| Estimate revisions | 2023e | 2023e | Change | 2024e | 2024e | Change | 2025e | 2025e | Change |
|--------------------|-------|-------|--------|-------|-------|--------|-------|-------|--------|
| MEUR / EUR         | Old   | New   | %      | Old   | New   | %      | Old   | New   | %      |
| Revenue            | 495   | 476   | -4%    | 485   | 471   | -3%    | 490   | 476   | -3%    |
| EBITDA             | 33.1  | 22.5  | -32%   | 40.2  | 36.4  | -10%   | 43.0  | 41.5  | -4%    |
| EBIT (exc. NRIs)   | 19.2  | 8.6   | -55%   | 24.5  | 20.7  | -16%   | 24.4  | 22.9  | -6%    |
| EBIT               | 14.7  | 4.0   | -73%   | 21.5  | 17.7  | -18%   | 24.4  | 22.9  | -6%    |
| PTP                | 11.5  | 0.3   | -97%   | 19.0  | 15.2  | -20%   | 21.9  | 20.4  | -7%    |
| EPS (excl. NRIs)   | 0.22  | 0.07  | -69%   | 0.29  | 0.24  | -17%   | 0.29  | 0.27  | -7%    |
| DPS                | 0.10  | 0.10  | 0%     | 0.15  | 0.15  | 0%     | 0.15  | 0.15  | 0%     |

Source: Inderes

# Expected return is still weak

## Reduce recommendation unchanged

With earnings and balance sheet-based multiples and supported by our DCF model we lower our target price to EUR 2.8 target price and reiterate our Reduce recommendation.

## Valuation is quite neutral with 2024-25 figures

Due to poor performance, the valuation multiples for 2022 cannot be calculated or are high. With the lower estimates, 2023 key figures also remain very high, and we do not believe that the earnings level reflects the company's normal level. With 2024-25 figures, which we consider to be the normal earnings level for the company, the valuation is rather neutral. Adj. P/E ratios are 11-12x and EV/EBIT ratios are 10x and 9x. In the current interest rate environment we feel Suominen's acceptable valuation multiples are P/E about 10-12x, so Suominen's 2024 valuation is in the acceptable range. This, however, includes an expectation of a significant earnings improvement from the current loss-making EBIT level.

The P/B ratio for Suominen is 1.1-1.2x in 2023-24. With our estimates the company can deliver a return on capital of around 10% starting from 2025, which is on par or slightly above our required return, so the correct P/B level is around 1x or slightly above in the longer term. In 2023-24, the return on capital is below our required return. With our estimates the dividend yield is close on 4% for 2022-23 and 5-6% from 2024 onwards. However, we believe the dividend for this year may be at risk if the result/cash flow does not improve as expected in the second half of the year.

## The value of the DCF model is around EUR 3

The value of the DCF model is around EUR 3. This is somewhat above our target price, but as the company's earnings level is still weak and historically rather volatile, we look more at the multiples of the coming years than the long-term DCF value.

## Longer-term return potential is moderate

In the longer term, we believe that Suominen's return on capital will be roughly at the level of the required return. We believe that the company will be able to achieve small earnings growth, but in the absence of clear competitive advantages, with strong competition in the sector and volatile raw material prices swaying profitability, we do not believe in significant and sustainable earnings growth nor return on capital that exceeds the required return in the long-term. We expect that the company can pay good 5% dividend yield in the longer term compared to the current share price, which also supports the longer-term expected return of the share. However, the expected return in both the short and long term is 0-10% which is below our required return.

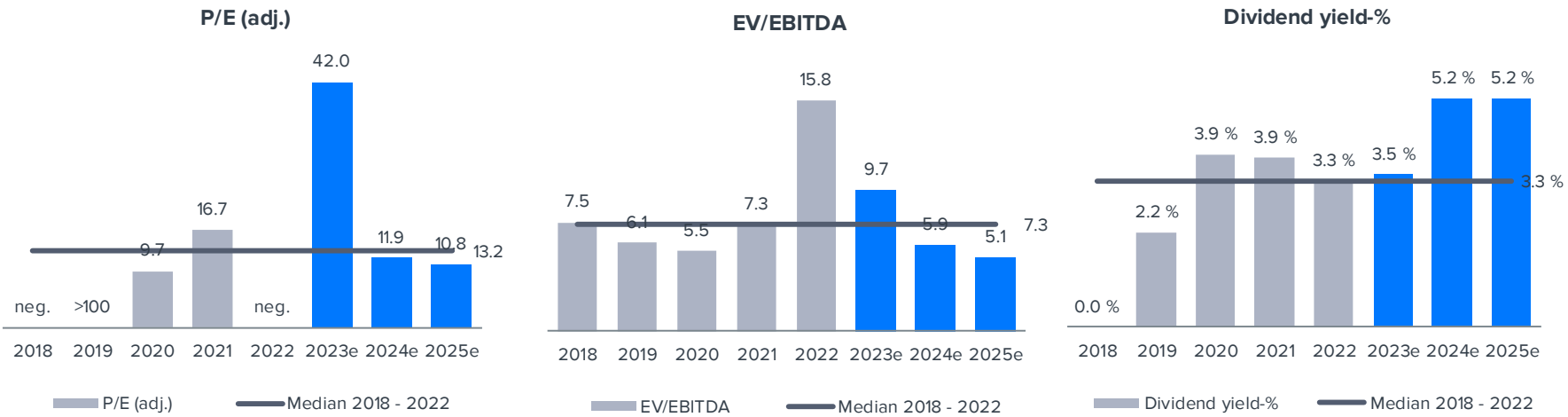
| Valuation                  | 2023e | 2024e | 2025e |
|----------------------------|-------|-------|-------|
| Share price                | 2.88  | 2.88  | 2.88  |
| Number of shares, millions | 57.5  | 57.5  | 57.5  |
| Market cap                 | 166   | 166   | 166   |
| EV                         | 218   | 215   | 210   |
| P/E (adj.)                 | 42.0  | 11.9  | 10.8  |
| P/E                        | neg.  | 15.2  | 10.8  |
| P/FCF                      | 17.5  | 14.5  | 11.2  |
| P/B                        | 1.2   | 1.1   | 1.1   |
| P/S                        | 0.3   | 0.4   | 0.3   |
| EV/Sales                   | 0.5   | 0.5   | 0.4   |
| EV/EBITDA                  | 9.7   | 5.9   | 5.1   |
| EV/EBIT (adj.)             | 25.4  | 10.4  | 9.2   |
| Payout ratio (%)           | neg.  | 79%   | 56%   |
| Dividend yield-%           | 3.5 % | 5.2 % | 5.2 % |

Source: Inderes

# Valuation table

| Valuation                  | 2018  | 2019     | 2020   | 2021   | 2022  | 2023e | 2024e  | 2025e  | 2026e  |
|----------------------------|-------|----------|--------|--------|-------|-------|--------|--------|--------|
| Share price                | 2.05  | 2.31     | 5.08   | 5.18   | 3.00  | 2.88  | 2.88   | 2.88   | 2.88   |
| Number of shares, millions | 57.5  | 57.5     | 57.5   | 57.5   | 57.5  | 57.5  | 57.5   | 57.5   | 57.5   |
| Market cap                 | 118   | 133      | 292    | 298    | 172   | 166   | 166    | 166    | 166    |
| EV                         | 192   | 204      | 334    | 345    | 226   | 218   | 215    | 210    | 205    |
| P/E (adj.)                 | neg.  | >100     | 9.7    | 16.7   | neg.  | 42.0  | 11.9   | 10.8   | 10.4   |
| P/E                        | neg.  | >100     | 9.7    | 14.4   | neg.  | neg.  | 15.2   | 10.8   | 10.4   |
| P/FCF                      | 5.5   | 6.3      | 5.8    | >100   | 22.4  | 17.5  | 14.5   | 11.2   | 11.4   |
| P/B                        | 0.9   | 1.0      | 2.0    | 1.8    | 1.2   | 1.2   | 1.1    | 1.1    | 1.0    |
| P/S                        | 0.3   | 0.3      | 0.6    | 0.7    | 0.3   | 0.3   | 0.4    | 0.3    | 0.3    |
| EV/Sales                   | 0.4   | 0.5      | 0.7    | 0.8    | 0.5   | 0.5   | 0.5    | 0.4    | 0.4    |
| EV/EBITDA                  | 7.5   | 6.1      | 5.5    | 7.3    | 15.8  | 9.7   | 5.9    | 5.1    | 5.0    |
| EV/EBIT (adj.)             | 41.7  | 25.1     | 8.5    | 12.8   | neg.  | 25.4  | 10.4   | 9.2    | 9.1    |
| Payout ratio (%)           | 0.0 % | 1282.8 % | 38.2 % | 55.4 % | neg.  | neg.  | 79.0 % | 56.4 % | 50.0 % |
| Dividend yield-%           | 0.0 % | 2.2 %    | 3.9 %  | 3.9 %  | 3.3 % | 3.5 % | 5.2 %  | 5.2 %  | 4.8 %  |

Source: Inderes



# Peer group valuation

| Peer group valuation | Market cap | EV    | EV/EBIT |       | EV/EBITDA |       | EV/S  |       | P/E   |       | Dividend yield-% |       | P/B   |
|----------------------|------------|-------|---------|-------|-----------|-------|-------|-------|-------|-------|------------------|-------|-------|
| Company              | MEUR       | MEUR  | 2023e   | 2024e | 2023e     | 2024e | 2023e | 2024e | 2023e | 2024e | 2023e            | 2024e | 2023e |
| Huhtamäki            | 3709       | 5263  | 13.3    | 12.7  | 8.6       | 8.2   | 1.2   | 1.1   | 14.2  | 13.2  | 3.2              | 3.4   | 1.9   |
| Duni                 | 379        | 529   | 11.9    | 10.3  | 7.6       | 7.0   | 0.8   | 0.8   | 10.2  | 8.9   | 5.8              | 6.0   | 1.6   |
| Sealed Air           | 7433       | 10532 | 11.5    | 10.7  | 9.1       | 8.5   | 2.0   | 1.9   | 13.7  | 12.2  | 1.4              | 1.5   | 10.1  |
| Riverstone           | 711        | 438   | 6.8     | 6.0   | 5.7       | 5.1   | 1.7   | 1.5   | 13.4  | 12.4  | 18.0             | 18.5  | 1.7   |
| Berry Plastics       | 7256       | 14426 | 11.6    | 11.1  | 7.5       | 7.3   | 1.1   | 1.1   | 8.7   | 7.9   | 1.5              | 1.5   | 2.4   |
| Glatfelter           | 193        | 853   | 15.8    |       | 7.4       |       | 0.6   |       | 13.9  |       |                  |       |       |
| Suominen (Inderes)   | 166        | 218   | 25.4    | 10.4  | 9.7       | 5.9   | 0.5   | 0.5   | 42.0  | 11.9  | 3.5              | 5.2   | 1.2   |
| Average              |            |       | 11.8    | 10.2  | 7.7       | 7.2   | 1.2   | 1.3   | 12.4  | 10.9  | 6.0              | 6.2   | 3.5   |
| Median               |            |       | 11.7    | 10.7  | 7.6       | 7.3   | 1.2   | 1.1   | 13.6  | 12.2  | 3.2              | 3.4   | 1.9   |
| Diff-% to median     |            |       | 116%    | -3%   | 28%       | -19%  | -60%  | -60%  | 209%  | -3%   | 7%               | 51%   | -39%  |

Source: Refinitiv / Inderes

# Income statement

| Income statement    | 2021  | Q1'22 | Q2'22 | Q3'22 | Q4'22 | 2022  | Q1'23 | Q2'23e | Q3'23e | Q4'23e | 2023e | 2024e | 2025e | 2026e |
|---------------------|-------|-------|-------|-------|-------|-------|-------|--------|--------|--------|-------|-------|-------|-------|
| Revenue             | 443   | 110   | 118   | 132   | 133   | 493   | 117   | 119    | 122    | 118    | 476   | 471   | 476   | 480   |
| EBITDA              | 47.0  | 3.3   | 1.9   | 5.1   | 4.0   | 14.3  | 2.6   | 2.2    | 8.5    | 9.2    | 22.5  | 36.4  | 41.5  | 41.2  |
| Depreciation        | -20.1 | -4.6  | -4.8  | -4.9  | -9.0  | -23.2 | -4.7  | -4.6   | -4.6   | -4.6   | -18.5 | -18.7 | -18.6 | -18.5 |
| EBIT (excl. NRI)    | 26.9  | -1.3  | -2.9  | 0.2   | -0.2  | -4.2  | -2.0  | 0.1    | 4.9    | 5.6    | 8.6   | 20.7  | 22.9  | 22.7  |
| EBIT                | 26.9  | -1.3  | -2.9  | 0.2   | -5.0  | -9.0  | -2.1  | -2.4   | 3.9    | 4.6    | 4.0   | 17.7  | 22.9  | 22.7  |
| Net financial items | -0.4  | -0.9  | 0.7   | -0.1  | -2.6  | -2.9  | -1.5  | -1.0   | -0.6   | -0.6   | -3.7  | -2.5  | -2.5  | -1.4  |
| PTP                 | 26.6  | -2.2  | -2.2  | 0.1   | -7.6  | -11.9 | -3.6  | -3.4   | 3.3    | 4.0    | 0.3   | 15.2  | 20.4  | 21.2  |
| Taxes               | -5.8  | -0.1  | -0.1  | -0.5  | -1.2  | -2.0  | -0.3  | 1.0    | -0.7   | -0.9   | -1.0  | -4.2  | -5.1  | -5.3  |
| 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   |
| Net earnings        | 20.7  | -2.3  | -2.3  | -0.4  | -8.8  | -13.9 | -3.9  | -2.4   | 2.5    | 3.1    | -0.7  | 10.9  | 15.3  | 15.9  |
| EPS (adj.)          | 0.31  | -0.04 | -0.04 | -0.01 | -0.07 | -0.16 | -0.07 | 0.00   | 0.06   | 0.07   | 0.07  | 0.24  | 0.27  | 0.28  |
| EPS (rep.)          | 0.36  | -0.04 | -0.04 | -0.01 | -0.15 | -0.24 | -0.07 | -0.04  | 0.04   | 0.05   | -0.01 | 0.19  | 0.27  | 0.28  |

| Key figures            | 2021    | Q1'22    | Q2'22    | Q3'22    | Q4'22    | 2022     | Q1'23  | Q2'23e | Q3'23e | Q4'23e  | 2023e  | 2024e  | 2025e  | 2026e  |
|------------------------|---------|----------|----------|----------|----------|----------|--------|--------|--------|---------|--------|--------|--------|--------|
| Revenue growth-%       | -3.4 %  | -4.4 %   | 3.8 %    | 33.7 %   | 15.1 %   | 11.3 %   | 5.9 %  | 0.9 %  | -7.9 % | -11.0 % | -3.6 % | -1.0 % | 1.0 %  | 1.0 %  |
| Adjusted EBIT growth-% | -31.8 % | -109.3 % | -128.1 % | -124.0 % | -104.9 % | -115.4 % | 58%    | -105%  | 2301%  | -3043%  | -307%  | 140%   | 10.8 % | -1.0 % |
| EBITDA-%               | 10.6 %  | 3.0 %    | 1.6 %    | 3.9 %    | 3.0 %    | 2.9 %    | 2.2 %  | 1.9 %  | 7.0 %  | 7.8 %   | 4.7 %  | 7.7 %  | 8.7 %  | 8.6 %  |
| Adjusted EBIT-%        | 6.1 %   | -1.1 %   | -2.5 %   | 0.2 %    | -0.1 %   | -0.8 %   | -1.7 % | 0.1 %  | 4.0 %  | 4.7 %   | 1.8 %  | 4.4 %  | 4.8 %  | 4.7 %  |
| Net earnings-%         | 4.7 %   | -2.1 %   | -2.0 %   | -0.3 %   | -6.6 %   | -2.8 %   | -3.3 % | -2.0 % | 2.1 %  | 2.6 %   | -0.1 % | 2.3 %  | 3.2 %  | 3.3 %  |

Source: Inderes

# Balance sheet

| Assets                     | 2021       | 2022       | 2023e      | 2024e      | 2025e      |
|----------------------------|------------|------------|------------|------------|------------|
| <b>Non-current assets</b>  | <b>162</b> | <b>154</b> | <b>152</b> | <b>151</b> | <b>151</b> |
| Goodwill                   | 15.5       | 15.5       | 15.4       | 15.4       | 15.4       |
| Intangible assets          | 13.2       | 9.7        | 9.8        | 9.9        | 10.0       |
| Tangible assets            | 131        | 128        | 125        | 124        | 123        |
| Associated companies       | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| Other investments          | 0.5        | 0.5        | 0.5        | 0.5        | 0.5        |
| Other non-current assets   | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| Deferred tax assets        | 1.7        | 0.7        | 1.7        | 1.7        | 1.7        |
| <b>Current assets</b>      | <b>225</b> | <b>189</b> | <b>150</b> | <b>153</b> | <b>155</b> |
| Inventories                | 49.8       | 63.3       | 54.7       | 54.2       | 54.7       |
| Other current assets       | 8.0        | 9.6        | 9.6        | 9.6        | 9.6        |
| Receivables                | 65.5       | 66.6       | 61.9       | 61.2       | 61.8       |
| Cash and equivalents       | 101        | 49.5       | 23.8       | 28.3       | 28.5       |
| <b>Balance sheet total</b> | <b>387</b> | <b>343</b> | <b>302</b> | <b>305</b> | <b>306</b> |

Source: Inderes

| Liabilities & equity           | 2021        | 2022        | 2023e       | 2024e       | 2025e       |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Equity</b>                  | <b>163</b>  | <b>146</b>  | <b>140</b>  | <b>145</b>  | <b>151</b>  |
| Share capital                  | 11.9        | 11.9        | 11.9        | 11.9        | 11.9        |
| Retained earnings              | 56.5        | 30.7        | 24.3        | 29.5        | 36.1        |
| 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                   | 94.8        | 103         | 103         | 103         | 103         |
| Minorities                     | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Non-current liabilities</b> | <b>78.8</b> | <b>74.6</b> | <b>84.6</b> | <b>85.2</b> | <b>81.5</b> |
| Deferred tax liabilities       | 13.9        | 11.7        | 11.7        | 11.7        | 11.7        |
| Provisions                     | 1.9         | 2.0         | 2.0         | 2.0         | 2.0         |
| Long term debt                 | 62.3        | 60.5        | 70.6        | 71.1        | 67.5        |
| Convertibles                   | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Other long term liabilities    | 0.7         | 0.4         | 0.4         | 0.4         | 0.4         |
| <b>Current liabilities</b>     | <b>145</b>  | <b>123</b>  | <b>77.8</b> | <b>74.8</b> | <b>72.7</b> |
| Short term debt                | 86.8        | 42.9        | 6.2         | 6.2         | 5.8         |
| Payables                       | 57.2        | 79.8        | 71.4        | 68.3        | 66.6        |
| Other current liabilities      | 0.7         | 0.3         | 0.3         | 0.3         | 0.3         |
| <b>Balance sheet total</b>     | <b>387</b>  | <b>344</b>  | <b>302</b>  | <b>305</b>  | <b>306</b>  |

# DCF calculation

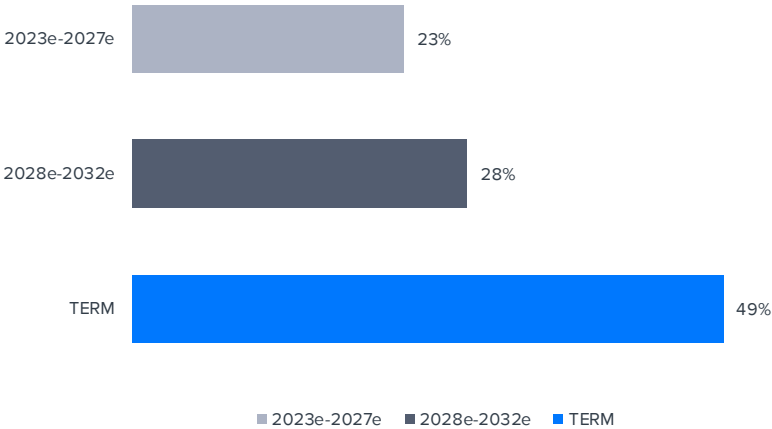
| DCF model                               | 2022        | 2023e       | 2024e       | 2025e       | 2026e       | 2027e       | 2028e       | 2029e       | 2030e       | 2031e       | 2032e       | TERM       |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|
| Revenue growth-%                        | 11.3 %      | -3.6 %      | -1.0 %      | 1.0 %       | 1.0 %       | 2.0 %       | 2.0 %       | 2.0 %       | 2.0 %       | 2.0 %       | 2.0 %       | 2.0 %      |
| EBIT-%                                  | -1.8 %      | 0.8 %       | 3.7 %       | 4.8 %       | 4.7 %       | 5.0 %       | 5.0 %       | 5.0 %       | 5.0 %       | 5.0 %       | 5.0 %       | 5.0 %      |
| <b>EBIT (operating profit)</b>          | <b>-9.0</b> | <b>4.0</b>  | <b>17.7</b> | <b>22.9</b> | <b>22.7</b> | <b>24.5</b> | <b>25.0</b> | <b>25.5</b> | <b>26.0</b> | <b>26.5</b> | <b>27.1</b> |            |
| + Depreciation                          | 23.2        | 18.5        | 18.7        | 18.6        | 18.5        | 18.4        | 18.4        | 18.3        | 18.3        | 12.5        | 12.7        |            |
| - Paid taxes                            | -3.2        | -1.9        | -4.2        | -5.1        | -5.3        | -5.5        | -5.6        | -5.7        | -5.9        | -6.0        | -6.1        |            |
| - Tax, financial expenses               | 0.7         | -0.9        | -0.7        | -0.6        | -0.4        | -0.7        | -0.7        | -0.7        | -0.7        | -0.7        | -0.7        |            |
| + 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             | 6.0         | 4.9         | -1.9        | -2.8        | -2.9        | -1.1        | -1.1        | -1.1        | -1.1        | -1.1        | -1.2        |            |
| <b>Operating cash flow</b>              | <b>17.7</b> | <b>24.6</b> | <b>29.5</b> | <b>32.9</b> | <b>32.6</b> | <b>35.8</b> | <b>36.0</b> | <b>36.3</b> | <b>36.6</b> | <b>31.2</b> | <b>31.8</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                           | -9.8        | -15.1       | -18.1       | -18.1       | -18.1       | -18.1       | -18.1       | -18.1       | 17.7        | -14.4       | -14.7       |            |
| <b>Free operating cash flow</b>         | <b>7.7</b>  | <b>9.4</b>  | <b>11.4</b> | <b>14.8</b> | <b>14.5</b> | <b>17.7</b> | <b>17.9</b> | <b>18.2</b> | <b>54.3</b> | <b>16.8</b> | <b>17.1</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                                    | 7.7         | 9.4         | 11.4        | 14.8        | 14.5        | 17.7        | 17.9        | 18.2        | 54.3        | 16.8        | 17.1        | 261        |
| <b>Discounted FCFF</b>                  |             | <b>8.9</b>  | <b>9.9</b>  | <b>11.9</b> | <b>10.7</b> | <b>12.0</b> | <b>11.2</b> | <b>10.4</b> | <b>28.6</b> | <b>8.2</b>  | <b>7.6</b>  | <b>116</b> |
| Sum of FCFF present value               |             | 236         | 227         | 217         | 205         | 194         | 182         | 171         | 161         | 132         | 124         | 116        |
| <b>Enterprise value DCF</b>             |             | <b>236</b>  |             |             |             |             |             |             |             |             |             |            |
| - Interesting bearing debt              |             | -103.4      |             |             |             |             |             |             |             |             |             |            |
| + Cash and cash equivalents             |             | 49.5        |             |             |             |             |             |             |             |             |             |            |
| -Minorities                             |             | 0.0         |             |             |             |             |             |             |             |             |             |            |
| -Dividend/capital return                |             | -5.7        |             |             |             |             |             |             |             |             |             |            |
| <b>Equity value DCF</b>                 |             | <b>176</b>  |             |             |             |             |             |             |             |             |             |            |
| <b>Equity value DCF per share</b>       |             | <b>3.06</b> |             |             |             |             |             |             |             |             |             |            |

## 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                        | 2.5 %         |
| <b>Cost of equity</b>                          | <b>10.2 %</b> |
| <b>Weighted average cost of capital (WACC)</b> | <b>8.7 %</b>  |

Source: Inderes

## Cash flow distribution



# Summary

| Income statement          | 2020  | 2021  | 2022  | 2023e | 2024e | Per share data           | 2020   | 2021   | 2022   | 2023e  | 2024e  |
|---------------------------|-------|-------|-------|-------|-------|--------------------------|--------|--------|--------|--------|--------|
| Revenue                   | 458.9 | 443.2 | 493.3 | 475.8 | 471.0 | EPS (reported)           | 0.52   | 0.36   | -0.24  | -0.01  | 0.19   |
| EBITDA                    | 60.9  | 47.0  | 14.3  | 22.5  | 36.4  | EPS (adj.)               | 0.52   | 0.31   | -0.16  | 0.07   | 0.24   |
| EBIT                      | 39.5  | 26.9  | -9.0  | 4.0   | 17.7  | OCF / share              | 0.96   | 0.34   | 0.31   | 0.43   | 0.51   |
| PTP                       | 33.9  | 26.6  | -11.9 | 0.3   | 15.2  | FCF / share              | 0.88   | 0.03   | 0.13   | 0.16   | 0.20   |
| Net Income                | 30.1  | 20.7  | -13.9 | -0.7  | 10.9  | Book value / share       | 2.54   | 2.84   | 2.54   | 2.43   | 2.52   |
| Extraordinary items       | 0.0   | 0.0   | -4.8  | -4.6  | -3.0  | Dividend / share         | 0.20   | 0.20   | 0.10   | 0.10   | 0.15   |
| Balance sheet             | 2020  | 2021  | 2022  | 2023e | 2024e | Growth and profitability | 2020   | 2021   | 2022   | 2023e  | 2024e  |
| Balance sheet total       | 317.4 | 386.7 | 343.5 | 302.0 | 304.7 | Revenue growth-%         | 12%    | -3%    | 11%    | -4%    | -1%    |
| Equity capital            | 145.9 | 163.2 | 146.0 | 139.6 | 144.7 | EBITDA growth-%          | 81%    | -23%   | -70%   | 58%    | 62%    |
| Goodwill                  | 15.5  | 15.5  | 15.5  | 15.4  | 15.4  | EBIT (adj.) growth-%     | 386%   | -32%   | -115%  | -307%  | 140%   |
| Net debt                  | 42.4  | 47.8  | 53.9  | 53.0  | 49.1  | EPS (adj.) growth-%      | 13345% | -41%   | -151%  | -144%  | 253%   |
| Cash flow                 | 2020  | 2021  | 2022  | 2023e | 2024e | EBITDA-%                 | 13.3 % | 10.6 % | 2.9 %  | 4.7 %  | 7.7 %  |
| EBITDA                    | 60.9  | 47.0  | 14.3  | 22.5  | 36.4  | EBIT (adj.)-%            | 8.6 %  | 6.1 %  | -0.8 % | 1.8 %  | 4.4 %  |
| Change in working capital | 0.3   | -24.7 | 6.0   | 4.9   | -1.9  | EBIT-%                   | 8.6 %  | 6.1 %  | -1.8 % | 0.8 %  | 3.7 %  |
| Operating cash flow       | 55.4  | 19.4  | 17.7  | 24.6  | 29.5  | ROE-%                    | 21.6 % | 13.4 % | -9.0 % | -0.5 % | 7.7 %  |
| CAPEX                     | -5.0  | -17.6 | -9.8  | -15.1 | -18.1 | ROI-%                    | 16.2 % | 9.7 %  | -3.2 % | 1.7 %  | 8.1 %  |
| Free cash flow            | 50.5  | 1.8   | 7.7   | 9.4   | 11.4  | Equity ratio             | 46.0 % | 42.2 % | 42.5 % | 46.2 % | 47.5 % |
|                           |       |       |       |       |       | Gearing                  | 29.1 % | 29.3 % | 36.9 % | 38.0 % | 33.9 % |

Source: Inderes

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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

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## Recommendation history (>12 mo)

| Date     | Recommendation  | Target | Share price |
|----------|-----------------|--------|-------------|
| 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 €      |
| 29-04-21 | 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 €      |
| 15-07-22 | Reduce          | 3.30 € | 3.12 €      |
| 10-08-22 | Reduce          | 3.30 € | 3.18 €      |
|          | Analyst changed |        |             |
| 27-10-22 | Accumulate      | 3.00 € | 2.48 €      |
| 14-12-22 | Reduce          | 3.00 € | 3.10 €      |
| 11-01-23 | Reduce          | 3.00 € | 3.00 €      |
| 06-02-23 | Reduce          | 3.00 € | 3.08 €      |
| 05-05-23 | Reduce          | 2.80 € | 2.88 €      |



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