

SUOMINEN

Paper & Forest Products/Finland, August 9, 2022 News Flash

Profitability fell very low

Suominen's Q2 profitability fell clearly below estimates as cost inflation continued again relatively strong. Profitability will nevertheless improve in Q3 and especially in Q4.

- Suominen Q2 revenue grew by 4% y/y to EUR 118.0m vs the EUR 116.0m/118.4m Evli/consensus estimates. The impact of currencies was EUR 8.0m. Americas landed at EUR 64.2m, compared to our EUR 67.0m estimate, while Europe amounted to EUR 53.8m vs our EUR 49.0m estimate. Overall sales volumes improved slightly q/q but remained well below y/y. Suominen has widened its product portfolio in the US for the production lines suffering from inventory imbalances and expects improved demand in H2'22 based on new contracted volumes.
- Gross profit came in at EUR 5.0m, compared to our EUR 9.3m estimate. Gross margin was 4.2% vs our 8.0% estimate. Q2 did not see an improvement in demand for the hard surface disinfectant products which have caused trouble in the US supply chain. Cost inflation also continued in Q2, especially in Europe.
- Q2 adjusted EBITDA was EUR 1.9m vs the EUR 7.0m/6.7m Evli/consensus estimates, while EBIT was EUR -2.9m vs our EUR 2.0m estimate. Fixed cost savings had a small positive impact on the result.
- Suominen guides comparable EBITDA to decrease clearly in 2022 (unchanged).

Rating				■ BUY		
Q2'22	Actual	Evli	Year ago	Q1'22		
Revenue	118.0	116.0	113.6	110.3		
Gross profit	5.0	9.3	16.7	6.6		
EBITDA	1.9	7.0	15.3	3.3		
EBIT	-2.9	2.0	10.3	-1.3		
Deviation	Actual	Evli	Year ago	Q1'22		
Revenue		2 %	4 %	7 %		
Gross profit		-46 %	-70 %	-24 %		
EBITDA		-73 %	-88 %	-42 %		
EBIT		-245 %	-128 %	123 %		
Share price, I		3.20				
Target price, EUR						
Latest change	e in		25-Jun-20			
Latest report	on company		04-Aug-22			
Research paid	by issuer:		YES			
No. of shares	outstanding.		58,259			
No. of shares	fully diluted.		58,259			
Market cap, E	'		186			
Free float, %	011111		62.7			
Exchange rate	ELID/LICD		1.02			
Reuters code	LUNIUSD			SUY1V.HE		
Bloomberg co				SUY1V FH		
Average daily		lm		0.1		
Next interim	report			09-Aug-22		
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■ BUY □ HOLD ■ SELL

PRE-REPORT KEY FIGURES										
	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2020	458.9	39.5	8.6%	38.3	0.52	9.8	0.7	8.5	12.9	0.20
2021	443.2	26.9	6.1%	3.5	0.36	14.6	0.8	12.9	1.2	0.20
2022E	469.3	14.1	3.0%	38.2	0.15	20.9	0.4	14.5	20.5	0.20
2023E	483.4	29.0	6.0%	26.3	0.38	8.5	0.4	6.6	14.1	0.20
2024E	495.5	34.7	7.0%	30.5	0.45	7.1	0.3	4.9	16.4	0.20
Market ca	Market cap, EURm 186 BV per share 2022E, EUR 11.5 CAGR EPS 2021–24, %				4, %	8.4				
Net debt 2	.022E, EURm		19 P	Price/book 2022E		1.2 CAGR sales 2021-24, %			3.8	
Enterprise	value, EURm		205 D	Dividend yield 2022E, %		6.3 ROE 2022E, %			5.5	
Total asset	s 2022E, EURn	n	312 T	Tax rate 2022E, %			26.0 ROCE 2022E, %			5.4
Goodwill 2	Goodwill 2022E, EURm 15 Equity ratio 2022E, %		51.5 PEG, P/E 22/CAGR			0.4				

All the important disclosures can be found on the last pages of this report.

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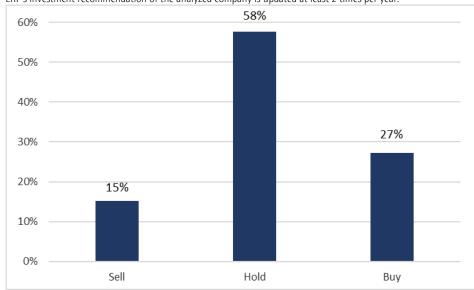
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Target price compared to share price Recommendation

< -10 % SELL -10 - (+10) % HOLD > 10 % BUY

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