

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, EUR (Last trading day's closing price) 3.20

Target price, EUR 3.5

Latest change 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, EURm	186
Free float, %	62.7
Exchange rate EUR/USD	1.02
Reuters code	SUY1V.HE
Bloomberg code	SUY1V.FH
Average daily volume, EURm	0.1
Next interim report	09-Aug-22
Web site	www.suominen.fi/en/investors/

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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 cap, EURm	186	BV per share 2022E, EUR	11.5	CAGR EPS 2021-24, %	8.4
Net debt 2022E, EURm	19	Price/book 2022E	1.2	CAGR sales 2021-24, %	3.8
Enterprise value, EURm	205	Dividend yield 2022E, %	6.3	ROE 2022E, %	5.5
Total assets 2022E, EURm	312	Tax rate 2022E, %	26.0	ROCE 2022E, %	5.4
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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Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

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