

Some improvement to be seen

Suominen's Q3 profitability improved a bit from the recent lows but remained very modest and below our estimate as energy costs seem to have been a bigger challenge than we expected. Revenue topped estimates as sales volumes grew again in North America.

- Suominen Q3 revenue was up by 34% y/y to EUR 131.9m, compared to the EUR 123.0m/121.5m Evli/consensus estimates. Higher volumes and prices helped, while there was a currency tailwind of some EUR 11.1m. Americas amounted to EUR 80.3m vs our EUR 73.0m estimate, while Europe was EUR 51.7m vs our EUR 50.0m estimate.
- Gross profit landed at EUR 5.2m vs our EUR 9.2m estimate. Gross margin was hence 3.9% vs our 7.5% estimate, which implies energy costs in particular were higher than we expected.
- Q3 EBITDA amounted to EUR 5.1m, compared to our EUR 7.0m estimate, while EBIT was EUR 0.2m vs our EUR 2.0m estimate. Higher volumes had a positive effect on profitability, but sales prices could not entirely keep up with raw material and energy costs.
- Suominen guides comparable FY '22 EBITDA to decrease clearly from previous year (unchanged). Suominen sees further US demand recovery as well as easing in high raw materials prices during Q4.

Rating				BUY
Q3'22	Actual	Evli	Year ago	Q2'22
Revenue	131.9	123.0	98.7	118.0
Gross profit	5.2	9.2	5.5	5.0
EBITDA	5.1	7.0	4.2	1.9
EBIT	0.2	2.0	-0.8	-2.9
Deviation	Actual	Evli	Year ago	Q2'22
Revenue		7 %	34 %	12 %
Gross profit		-43 %	-5 %	4 %
EBITDA		-27 %	21 %	168 %
EBIT		-90 %	-125 %	-107 %
Share price, EUR (Last trading day's closing price)				2.53
Target price, EUR				3.0
Latest change in				25-Jun-20
Latest report on company				20-Oct-22
Research paid by issuer:				YES
No. of shares outstanding,				58,259
No. of shares fully diluted,				58,259
Market cap, EURm				147
Free float, %				62.7
Exchange rate EUR/USD				0.99
Reuters code				SUY1V.HE
Bloomberg code				SUY1V.FH
Average daily volume, EURm				0.1
Next interim report				26-Oct-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	480.3	6.1	1.3%	30.5	0.05	51.9	0.4	28.6	20.7	0.20
2023E	497.1	28.8	5.8%	26.0	0.38	6.7	0.3	5.5	17.6	0.20
2024E	509.5	35.7	7.0%	31.3	0.47	5.4	0.3	3.9	21.3	0.20
Market cap, EURm	147		BV per share 2022E, EUR		16.9	CAGR EPS 2021-24, %		9.5		
Net debt 2022E, EURm	26		Price/book 2022E		1.0	CAGR sales 2021-24, %		4.8		
Enterprise value, EURm	174		Dividend yield 2022E, %		7.9	ROE 2022E, %		1.8		
Total assets 2022E, EURm	316		Tax rate 2022E, %		44.5	ROCE 2022E, %		2.3		
Goodwill 2022E, EURm	15		Equity ratio 2022E, %		48.9	PEG, P/E 22/CAGR		0.4		

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

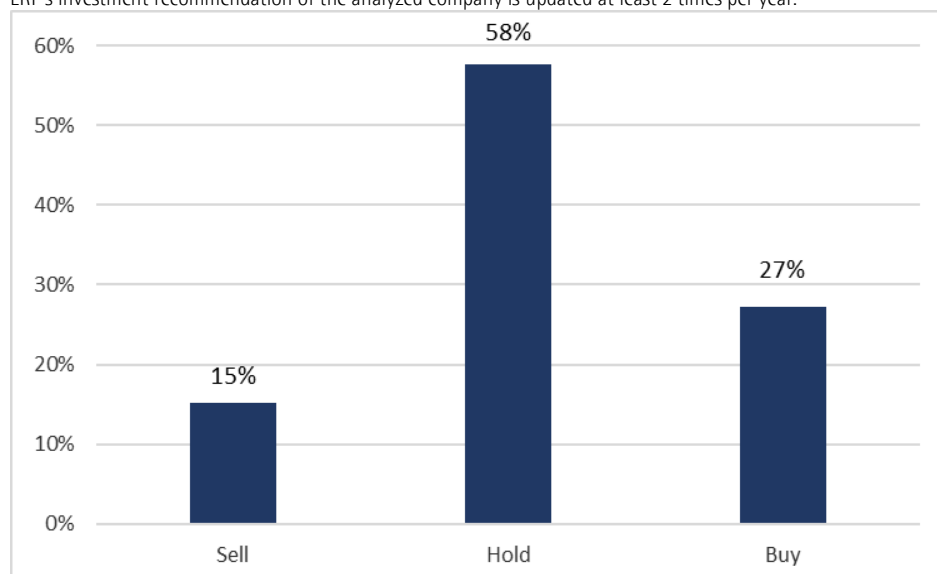
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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