Suominen

Company report

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Inderes corporate customer

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Good position when entering raw material turbulence

The Q1 report released by Suominen yesterday was operationally better than we expected. The outlook for the near term is strong in terms of demand but increasing raw material prices will act as a break in the next few quarters. We reiterate our Accumulate recommendation for Suominen and revise our target price to EUR 6.25 (previously EUR 6.00). We see the upside in the share's low valuation and 4% dividend yield offer a good expected return for investors even though we do not expect the result to grow from last year's high level in the next couple of years.

Year kicked off with record result

Suominen's revenue increased in Q1 by 5% to EUR 115 million, which was below our estimate. Sales was especially driven by higher volumes that were supported by continued strong demand in wiping products due to the COVID pandemic. Foreign exchange rates effect on revenue was clearly negative, while selling prices rose a bit mainly due to reasons related to the product mix. Suominen's operating profit increased significantly in Q1 from a moderate comparison period and amounted to EUR 13.6 million clearly exceeding our estimate. The beat was especially caused by a higher gross margin than expected (Q1: GM % 17.5%, +5.5 percentage points y-o-y), where the increase in raw material prices was visible more modestly than we expected. Financing costs were clearly positive as expected due to the Amerplast divestment, while the tax rate decreased only to 18% probably due to the improved profitability in Europe. Thus, Suominen's adjusted EPS exceeded our estimate clearly driven by the operational result.

Demand shows no signs of weakness but increasing raw material prices creates short term turbulence

Suominen reiterated its 2021 guidance in the Q1 report, according to which it expects 2021 adjusted EBITDA to be at the 2020 level (2020: adjusted EBITDA EUR 60.9 million). The company expects demand to remain strong but increasing volatility in raw material and transportation markets increases uncertainty and can have a negative effect on the result. Especially for Q2, the company warned of negative effects, while in terms of demand, the situation seems strong despite vaccinations progressing. The company also seems to be quite well prepared for raw material price increases, for example, by increasing mechanism-based contracts, so we expect Suominen's pricing to catch up with cost inflation with a 1-2 quarter lag. We keep our profit estimates unchanged for the ongoing and next couple of years after the Q1 report despite some changes in focus and expect the company to reach its guidance. Our estimates expect Suominen's earnings level to remain on a stable high level (cf. 2021E-2023e: adjusted EBITDA % 11.5-12.4% vs. 2020 actual 13.3% vs. financial target of over 12% by 2025), which reflects the positive long-term boost the pandemic has created for demand, the company's competitive product portfolio, and improved efficiency.

We feel the upside in valuation and good dividend yield still offer a healthy return expectation

Suominen's adjusted P/E ratios based on our estimates for 2021 and 2022 are around 13x and 14x. EV/EBITDA multiples that better reflect the company's strong cash flow are only 6x. The multiples are also below or on par with the company's five-year medians. Investors' risks in Suominen are, in our opinion, connected to the sustainability of the strong profit level instead of the multiples but considering the good outlook the risk is controlled. Thus, we feel that just upholding the current earnings level justifies a higher valuation for Suominen that compensates for the slight decrease in the result we are expecting. The slight slide in the result, upside in the valuation, and 4% dividend yield form, in our opinion, a still healthy 10% return expectation for the share for the next 12 months.

Recommendation

Accumulate
(prev. Accumulate)

EUR 6.25
(prev. EUR 6.00)

Share price:
5.87

Key indicators

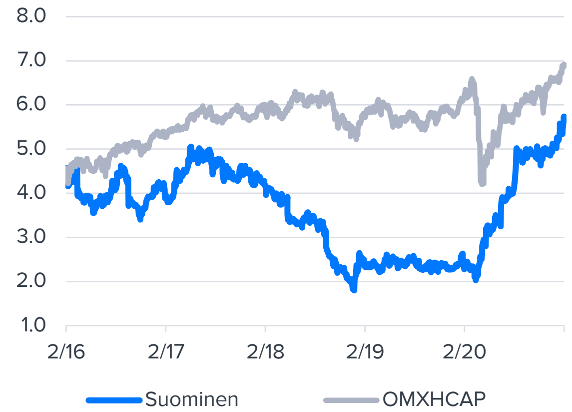
	2020	2021e	2022e	2023e
Revenue	458.9	474.6	491.2	502.0
growth %	12%	3%	3%	2%
EBIT adjusted	39.5	37.8	34.6	37.5
EBIT % adjusted	8.6%	8.0%	7.0%	7.5%
Net profit	30.1	29.8	23.5	25.3
EPS (adjusted)	0.52	0.47	0.41	0.44
P/E (adjusted)	9.7	12.6	14.3	13.3
P/B	2.0	2.1	1.9	1.8
Dividend yield %	3.9%	3.8%	4.1%	4.1%
EV/EBIT (adjusted)	8.5	9.4	9.8	8.6
EV/EBITDA	5.5	6.0	6.0	5.5
EV/Revenue	0.7	0.7	0.7	0.6

Source: Inderes

Guidance (Unchanged)

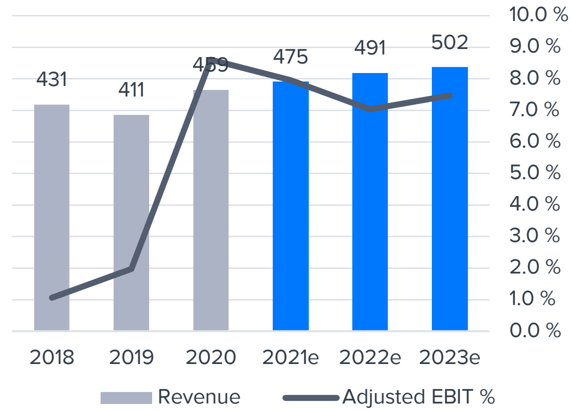
Suominen expects that its comparable EBITDA (earnings before interest, taxes, depreciation and amortization) in 2021 will be in line with 2020 (EBITDA 2020: EUR 60.9 million)

Share price



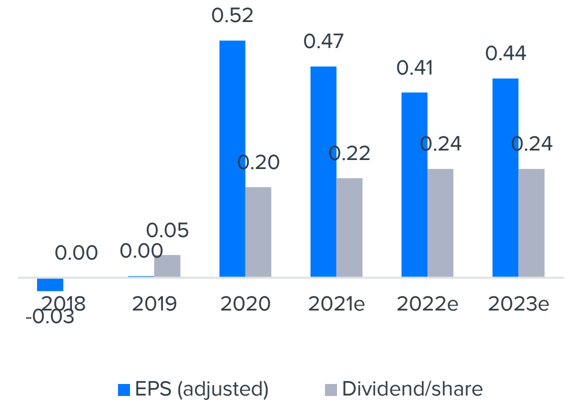
Source: Thomson Reuters

Net sales and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes

MCAP
337
EUR million

EV
354
EUR million

EV/EBIT
9.8
2022e

P/E (adjusted)
14.3
2022e

Value drivers

- Profitable growth through production volumes and value
- Gradual growth in demanding nonwoven products (e.g. sustainable nonwovens)
- Healthy market growth exceeding GDP growth
- Support for demand from the pandemic in the short and especially long-term

Risk factors

- Tight competition
- Weak historical pricing power
- Losing a major customer
- Increase in raw material prices
- Post-COVID demand development and new capacity entering the market in coming years

Valuation

- Short-term multiples are attractive especially on a cash flow basis
- Balance sheet and volume-based multiples not yet alarming
- Company’s risk level has decreased clearly over the past year
- Return expectation for the next 12 months around 10% consisting of some 4% dividend yield and slight upside in multiples

Q1 result clearly exceeded expectations

Demand continued as strong in Q1

Suominen's revenue grew by 5% in Q1 from the comparison period to EUR 115 million, which was below or estimate but in line with consensus. Revenue growth was driven in particular by higher volumes (we estimate +10% growth vs. Q1'20). The strong demand (wiping products) was still based on consumers' increased emphasis on cleaning, disinfecting and hygiene caused by COVID. Sales prices also rose a bit mainly supported by a better product mix. Currency exchange rates, however, caused clear headwind for revenue development during the quarter (Q1: EUR -8.1 million).

Examined by market area, we felt the report continued on the same positive trend as in Q2-Q4'20 and was a balanced whole. In Americas, revenue decreased by 2%, which we believe was strongly affected by exchange rates (stronger EUR/USD and EUR/BRL). Revenue in Europe that generated a fourth strong quarter in a row grew by nearly 19%. Therefore, it is clear that Suominen managed to respond to the strong tailwind in demand in all areas.

Profitability clearly exceeded estimates

Suominen's operating profit increased significantly in Q1 from a moderate comparison period and amounted to EUR 13.6 million clearly exceeding our estimate. The beat was especially caused by a higher gross margin than expected) Q1: GM % 17.5%, +5.5 percentage points y-o-y), where the increase in raw material prices was visible more modestly than we expected. In addition, the gross margin was further supported by improved production efficiency and the company's fixed cost structure that remained low was slightly below our estimates. Like for revenue, exchange rates had a negative effect also on profitability (Q1: exchange rates in result EUR -1.5 million).

Excellent cash flow considering seasonality

Suominen's financing costs were clearly positive as expected due to the sensible Amerplast divestment, while the tax rate decreased only to 18% probably due to the improved profitability in Europe. Thus, Suominen's adjusted EPS exceeded our estimate quite clearly, driven by the operational result.

Operational cash flow in the typically capital tying Q1 rising to EUR 16 million (Q1'20: EUR 9.4 million) was also positive in the report. Strong cash flow (incl. repatriated Amerplast receivables in cash flows from financing activities) and thanks to the result, Suominen's net gearing fell clearly below the company's target level to 13% (target 40-80%). Therefore, we feel the leeway in the balance sheet enables the company to consider strategic growth (especially M&A transactions in Asia) in coming years.

Estimates	Q1'20	Q1'21	Q1'21e	Q1'21e	Consensus			Difference (%)	2021e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low		High	Act. vs. inderes	Inderes
Revenue	110	115	120	115	106	-	120	-4%	475
EBITDA	11.3	18.5	16.0	15.2	14.2	-	16.0	15%	58.7
EBIT	5.7	13.6	10.8	9.8	8.9	-	10.8	26%	37.8
EPS (adj.)	0.06	0.19	0.13	0.14	0.11	-	0.17	40%	0.47
Revenue growth-%	0.4 %	4.6 %	9.3 %	3.9 %	-3.5 %	-	8.9 %	-4.7 pp	3.4 %
EBIT-% (adj.)	5.2 %	11.8 %	9.0 %	0.0 %	0.0 %	-	0.0 %	2.8 pp	8.0 %

Source: Inderes & Vara Research (consensus)

Profit estimates almost unchanged

We expect the company to reach its guidance

As expected, Suominen reiterated its 2021 guidance in connection with the Q1 report, according to which it expects 2021 adjusted EBITDA to be at the 2020 level (2020: adjusted EBITDA EUR 60.9 million). The company also expects demand to remain strong but increasing volatility in raw material and transportation markets increases uncertainty and can have a negative effect on the result. Especially for Q2, the company warned of negative effects.

The demand situation seems very strong despite vaccinations progressing and we estimate that the demand/supply dynamics in the industry will remain tight this year. The company also seems to be quite well prepared for raw material price increases, for example, by increasing mechanism-based contracts in Europe, so we expect Suominen's pricing to catch up with cost inflation with a 1-2 quarter lag. Based on this, we expect the company to reach its guidance this year.

Estimates practically unchanged

We practically kept our estimates unchanged for the ongoing and next couple of years based on the Q1 report and comments despite some changes in focus at quarterly level. In 2021, we expect Suominen's revenue to grow by 2% to EUR 470 million and adjusted EBITDA to decrease slightly to EUR 59 million. This corresponds with a 12.5% EBITDA margin that is a bit below the comparison period (EBITDA % 2020: 13.3%) considering cost inflation, which Suominen is not able to immediately transfer to its selling prices.

Our estimates for the next couple of years expect Suominen's absolute earnings level to remain on a stable high level (cf. 2021E-2023e: adjusted EBITDA % 11.5-12.4% vs. 2020 actual 13.3% vs. financial target of over 12% by 2025), which reflects the positive long-term effects the pandemic has created for demand, the company's competitive product portfolio, and improved efficiency. In order to maintain its competitiveness, Suominen must constantly develop its portfolio. Recent signs of this have been quite encouraging as some 25% of Suominen's 2020 revenue came from new product sales whose margins we expect to be high.

The key estimate risks for Suominen in the near term are, in our opinion, connected to raw material prices, demand dynamics in post-COVID times, and tightening competition as new capacity enters the market over the next couple of years. If these risks materialize clearly, we believe there may be pressure directed at the company's currently high profitability and there could be downside in the estimates.

Estimate revisions	2021e	2021e	Change	2022e	2022e	Change	2023e	2023e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	472	475	0%	473	491	4%	479	502	5%
EBITDA	59.0	58.7	0%	56.5	56.7	0%	58.1	58.3	0%
EBIT (exc. NRIs)	37.2	37.8	2%	34.5	34.6	0%	37.4	37.5	0%
EBIT	37.2	37.8	2%	34.5	34.6	0%	37.4	37.5	0%
PTP	32.4	37.4	16%	30.1	30.1	0%	33.2	33.3	0%
EPS (excl. NRIs)	0.44	0.47	5%	0.40	0.41	1%	0.44	0.44	0%
DPS	0.22	0.22	0%	0.24	0.24	0%	0.24	0.24	0%

Source: Inderes

We feel there is upside in the valuation

Cash flow-based valuation is still attractive

Suominen's adjusted P/E ratios based on our estimates for 2021 and 2022 are around 13x and 14x (11x with 2019 result) and EV/EBITDA multiples that better reflect the company's strong cash flow are around 6x. The multiples are close to the five-year medians for the company (also considering the positive effect of the IFRS-16 standard on the EV/EBITDA multiple). In our previous extensive report (5/2020), we estimated that Suominen's acceptable valuation multiples are P/E 13x-15x and EV/EBITDA 6x-7x. Due to the company's positive outlook and reasonable risk level, we feel that just upholding the current earnings level justifies a higher valuation for Suominen.

We expect the company's investment level to be below the large depreciation mass in the next couple of years despite the announced investments in Italy and the US. We also estimate that paid taxes may be below the amount of taxes recoded in the income statement. Therefore, we estimate that Suominen's free cash flow return will be 8-10% in the next few years, which we find quite attractive in a zero interest rate environment. Ability to generate strong cash flow also lowers the company's risk profile. We estimate that Suominen's dividend yield with the current share price is around 4% in the next few years and thus generates moderate basic return for shareholders. Thus, a slight decrease in the performance capacity and the upside in the valuation together with the dividend yield still generate a return expectation of around 10% for the next 12 months, exceeding the cost of capital.

P/B and EV/S reflect higher expectations

The balance sheet-based P/B ratio is 2.1x and volume-based EV/S ratio is 0.7 x (2021e). Both ratios are above five-year medians, which reflects the higher expectations caused by the share price increase over the past year. We feel neither multiple is unreasonably high, and both are below the 2015-2016 levels. We do not believe these would prevent the return expectation from materializing or weaken the long-term return/risk ratio.

Peer group does not act as a share price driver

Relative to a loosely related peer group, Suominen's share is valued at a discount on EV basis. We do not, however, feel that the relative valuation would act as a share price driver for Suominen. Our DCF model (EUR 6.5 per share) that is built on cautious assumptions especially on terminal also indicates an upside.

Long-term potential not fully priced in

We still argue that Suominen should reach some 0.50 EUR EPS in 2025 if the company reaches its financial targets (exceeding market growth and 12 % EBITDA %) by 2025. We feel that Suominen's acceptable valuation measured by P/E could be around 15x after this development, which would correspond to a share price of some EUR 7.00-7.50 in 2025 This, in turn, would correspond with some 8-10 % per annum IRR potential (including growing annual dividend yield of some 4%) for an investor investing in Suominen now. Thus, we still see long-term potential in the share, even though the share price rally of the past 12 months has dissolved some of the undervaluation. In addition, Suominen's improved profitability and strong balance sheet position have, in our opinion, increased the likelihood of an acquisition option in future, even though we do not base our recommendation or estimates on this.

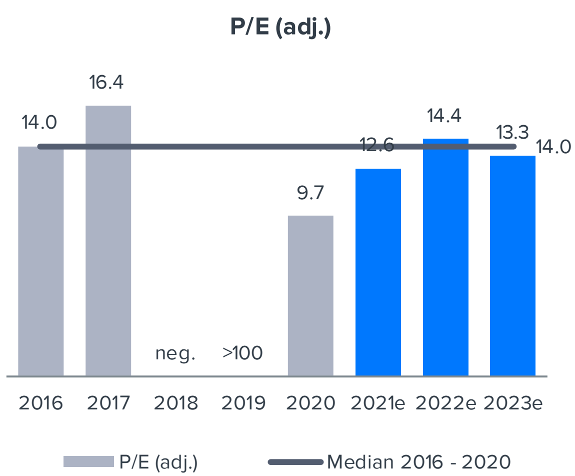
Valuation	2021e	2022e	2023e
Share price	5.87	5.87	5.87
Number of shares, millions	57.5	57.5	57.5
Market cap	337	337	337
EV	354	338	321
P/E (adj.)	12.6	14.4	13.3
P/E	11.3	14.4	13.3
P/FCF	9.1	10.3	10.1
P/B	2.1	1.9	1.8
P/S	0.7	0.7	0.7
EV/Sales	0.7	0.7	0.6
EV/EBITDA	6.0	6.0	5.5
EV/EBIT (adj.)	9.4	9.8	8.6
Payout ratio (%)	42.5 %	58.7 %	54.6 %
Dividend yield-%	3.7 %	4.1 %	4.1 %

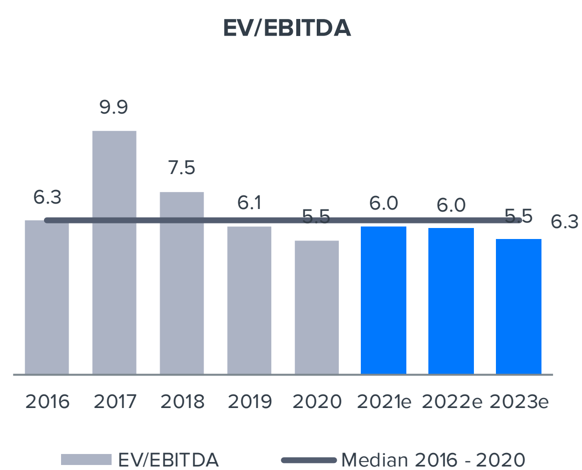
Source: Inderes

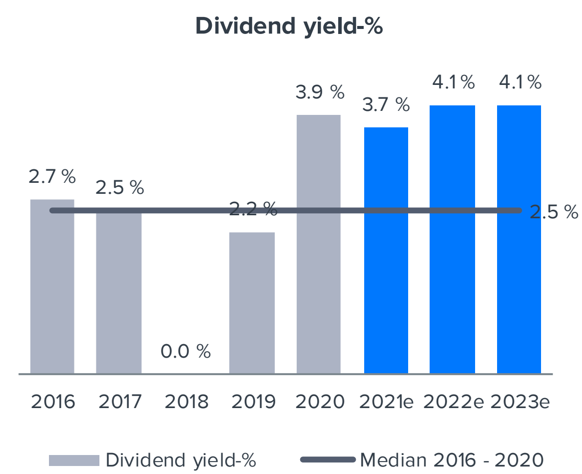
Valuation table

Valuation	2016	2017	2018	2019	2020	2021e	2022e	2023e	2024e
Share price	4.14	4.42	2.05	2.31	5.08	**5.87**	**5.87**	**5.87**	**5.87**
Number of shares, millions	51.2	53.6	57.5	57.5	57.5	**57.5**	**57.5**	**57.5**	**57.5**
Market cap	212	258	118	133	292	**337**	**337**	**337**	**337**
EV	277	341	192	204	334	**354**	**338**	**321**	**306**
P/E (adj.)	14.0	16.4	neg.	>100	9.7	**12.6**	**14.4**	**13.3**	**12.2**
P/E	14.0	16.4	neg.	>100	9.7	**11.3**	**14.4**	**13.3**	**12.2**
P/FCF	neg.	43.5	5.5	6.3	5.8	**9.1**	**10.3**	**10.1**	**10.7**
P/B	1.5	1.9	0.9	1.0	2.0	**2.1**	**1.9**	**1.8**	**1.7**
P/S	0.5	0.6	0.3	0.3	0.6	**0.7**	**0.7**	**0.7**	**0.7**
EV/Sales	0.7	0.8	0.4	0.5	0.7	**0.7**	**0.7**	**0.6**	**0.6**
EV/EBITDA	6.3	9.9	7.5	6.1	5.5	**6.0**	**6.0**	**5.5**	**5.1**
EV/EBIT (adj.)	10.8	22.7	41.7	25.1	8.5	**9.4**	**9.8**	**8.6**	**7.6**
Payout ratio (%)	37.1 %	44.3 %	0.0 %	1282.8 %	38.2 %	**42.5 %**	**58.7 %**	**54.6 %**	**60.0 %**
Dividend yield-%	2.7 %	2.5 %	0.0 %	2.2 %	3.9 %	**3.7 %**	**4.1 %**	**4.1 %**	**4.9 %**

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**	**2021e**	**2022e**	**2021e**	**2022e**	**2021e**	**2022e**	**2021e**	**2022e**	**2021e**	**2022e**	**2021e**
Huhtamäki	41.42	4540	5541	16.3	15.0	10.5	9.9	1.5	1.4	19.5	18.1	2.3	2.5	2.9
Duni	104.20	479	614	17.9	11.1	8.9	6.4	1.1	1.0	22.1	12.9	5.1	5.3	1.7
Sealed Air	43.70	5634	8478	11.9	11.0	9.5	8.8	2.0	1.9	13.5	12.7	1.7	1.6	20.0
Riverstone	1.45	1343	1288	10.7	8.3	9.7	7.3	4.4	2.6	7.9	12.7	4.9	3.2	3.7
Glatfelter	15.97	589	815	2.6		1.5		0.2			16.8			
Ahlstrom-Munksjo	17.82	2061	2877	13.1	11.3	7.3	6.5	1.0	0.9	13.4	12.8	3.0	3.2	1.5
Berry	51.76	5759	13642	11.4	10.3	7.0	6.4	1.3	1.2	9.6	8.9			2.3
Suominen (Inderes)	**5.87**	**337**	**354**	**9.4**	**9.8**	**6.0**	**6.0**	**0.7**	**0.7**	**12.6**	**14.4**	**3.7**	**4.1**	**2.1**
Average				**12.0**	**11.2**	**7.8**	**7.6**	**1.6**	**1.5**	**14.3**	**13.5**	**3.4**	**3.2**	**5.4**
Median				**11.9**	**11.1**	**8.9**	**6.9**	**1.3**	**1.3**	**13.5**	**12.8**	**3.0**	**3.2**	**2.6**
Diff-% to median				***-21%***	***-12%***	***-32%***	***-14%***	***-41%***	***-47%***	***-7%***	***12%***	***26%***	***29%***	***-22%***

Source: Thomson Reuters / Inderes

NB: The market cap Inderes uses does not consider own shares held by the company

Income statement

Income statement	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21e	Q3'21e	Q4'21e	2021e	2022e	2023e	2024e
Revenue	**411**	**110**	**122**	**115**	**111**	**459**	**115**	**123**	**120**	**116**	**475**	**491**	**502**	**515**
Nonwovens	411	110	122	115	111	459	115	123	120	116	475	491	502	515
EBITDA	**33.7**	**11.3**	**18.0**	**18.1**	**13.5**	**60.9**	**18.5**	**12.0**	**15.2**	**13.0**	**58.7**	**56.7**	**58.3**	**59.7**
Depreciation	-25.5	-5.6	-5.6	-5.2	-5.0	-21.4	-4.9	-5.0	-5.4	-5.6	-20.9	-22.1	-20.8	-19.7
EBIT (excl. NRI)	**8.1**	**5.7**	**12.4**	**12.9**	**8.5**	**39.5**	**13.6**	**7.0**	**9.8**	**7.4**	**37.8**	**34.6**	**37.5**	**40.0**
EBIT	**8.1**	**5.7**	**12.4**	**12.9**	**8.5**	**39.5**	**13.6**	**7.0**	**9.8**	**7.4**	**37.8**	**34.6**	**37.5**	**40.0**
Nonwovens	8.1	5.7	12.4	12.9	8.5	39.5	13.6	7.0	9.8	7.4	37.8	34.6	37.5	40.0
Net financial items	-6.0	-1.9	-1.8	-1.8	-0.1	-5.6	3.3	-1.2	-1.2	-1.2	-0.3	-4.4	-4.2	-3.0
PTP	**2.1**	**3.8**	**10.5**	**11.1**	**8.5**	**33.9**	**16.9**	**5.8**	**8.6**	**6.2**	**37.4**	**30.1**	**33.3**	**37.0**
Taxes	-1.9	-0.2	-2.2	-0.3	-1.2	-3.8	-3.1	-1.2	-1.9	-1.6	-7.7	-6.6	-8.0	-9.2
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	**0.2**	**3.6**	**8.4**	**10.9**	**7.3**	**30.1**	**13.8**	**4.6**	**6.7**	**4.7**	**29.8**	**23.5**	**25.3**	**27.7**
EPS (adj.)	**0.00**	**0.06**	**0.15**	**0.19**	**0.13**	**0.52**	**0.19**	**0.08**	**0.12**	**0.08**	**0.47**	**0.41**	**0.44**	**0.48**
EPS (rep.)	**0.00**	**0.06**	**0.15**	**0.19**	**0.13**	**0.52**	**0.24**	**0.08**	**0.12**	**0.08**	**0.52**	**0.41**	**0.44**	**0.48**

Key figures	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21e	Q3'21e	Q4'21e	2021e	2022e	2023e	2024e
Revenue growth-%	-4.6 %	0.4 %	17.7 %	11.7 %	17.6 %	11.5 %	4.6 %	0.6 %	3.9 %	4.9 %	3.4 %	3.5 %	2.2 %	2.6 %
Adjusted EBIT growth-%	76.9 %	92.5 %	365.3 %	1064.9 %	507.1 %	385.8 %	138.5 %	-43.5 %	-24.2 %	-13.1 %	-4.3 %	-8.5 %	8.5 %	6.7 %
EBITDA-%	8.2 %	10.3 %	14.7 %	15.7 %	12.2 %	13.3 %	16.0 %	9.8 %	12.7 %	11.2 %	12.4 %	11.5 %	11.6 %	11.6 %
Adjusted EBIT-%	2.0 %	5.2 %	10.1 %	11.2 %	7.7 %	8.6 %	11.8 %	5.7 %	8.2 %	6.4 %	8.0 %	7.0 %	7.5 %	7.8 %
Net earnings-%	0.1 %	3.2 %	6.8 %	9.4 %	6.6 %	6.6 %	11.9 %	3.8 %	5.6 %	4.0 %	6.3 %	4.8 %	5.0 %	5.4 %

Source: Inderes

Balance sheet

Assets	2019	2020	2021e	2022e	2023e
Non-current assets	**178**	**164**	**157**	**150**	**144**
Goodwill	15.5	15.5	15.5	15.5	15.5
Intangible assets	20.0	16.7	16.8	16.9	17.0
Tangible assets	136	122	120	112	107
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.8	0.8	0.8	0.8	0.8
Other non-current assets	3.7	4.0	0.0	0.0	0.0
Deferred tax assets	2.1	4.0	4.0	4.0	4.0
Current assets	**132**	**154**	**152**	**172**	**190**
Inventories	39.3	35.4	45.1	46.7	47.7
Other current assets	8.4	9.4	5.9	5.9	5.9
Receivables	46.7	51.1	52.9	54.7	55.9
Cash and equivalents	37.7	57.9	47.9	64.5	80.9
Balance sheet total	**310**	**317**	**309**	**322**	**334**

Source: Inderes

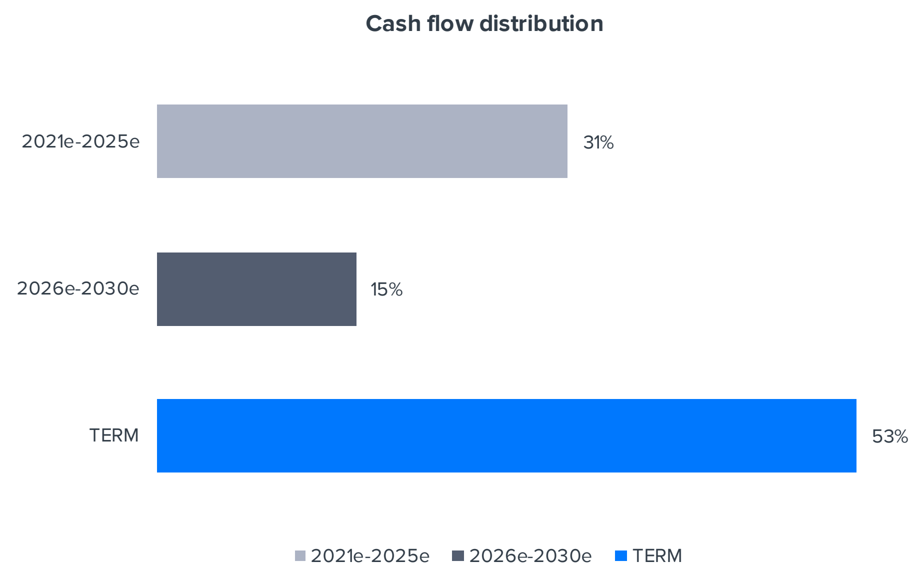
Liabilities & equity	2019	2020	2021e	2022e	2023e
Equity	**132**	**146**	**164**	**175**	**186**
Share capital	11.9	11.9	11.9	11.9	11.9
Retained earnings	13.7	42.0	60.2	71.1	82.6
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	107	92.1	92.1	92.1	92.1
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**107**	**114**	**77.6**	**77.6**	**77.6**
Deferred tax liabilities	12.8	13.3	15.0	15.0	15.0
Provisions	1.6	1.8	1.8	1.8	1.8
Long term debt	92.2	97.8	60.0	60.0	60.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.8	0.8	0.8	0.8	0.8
Current liabilities	**70.4**	**57.8**	**66.8**	**69.0**	**70.4**
Short term debt	17.0	2.5	5.0	5.0	5.0
Payables	53.3	54.6	61.7	63.9	65.3
Other current liabilities	0.1	0.7	0.1	0.1	0.1
Balance sheet total	**310**	**317**	**309**	**322**	**334**

DCF calculation

DCF model	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TERM
EBIT (operating profit)	**39.5**	**37.8**	**34.6**	**37.5**	**40.0**	**35.0**	**33.9**	**32.6**	**31.3**	**32.2**	**32.9**	
+ Depreciation	21.4	20.9	22.1	20.8	19.7	19.2	18.7	18.9	19.1	19.3	19.4	
- Paid taxes	-5.2	-6.0	-6.6	-8.0	-9.2	-8.0	-7.7	-7.4	-7.1	-7.3	-7.5	
- Tax, financial expenses	-0.6	-0.1	-1.0	-1.0	-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	0.3	-1.4	-1.3	-0.8	-1.0	-1.2	-1.2	-1.3	-1.3	-1.3	-0.9	
Operating cash flow	**55.4**	**51.2**	**47.8**	**48.5**	**48.7**	**44.3**	**42.9**	**42.1**	**41.3**	**42.1**	**43.1**	
+ 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	-5.0	-14.1	-15.1	-15.1	-17.1	-19.1	-20.1	-20.1	-20.1	-20.1	-20.4	
Free operating cash flow	**50.5**	**37.1**	**32.7**	**33.4**	**31.6**	**25.2**	**22.8**	**22.0**	**21.2**	**22.0**	**22.7**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	50.5	37.1	32.7	33.4	31.6	25.2	22.8	22.0	21.2	22.0	22.7	450
Discounted FCFF		**35.4**	**29.1**	**27.7**	**24.5**	**18.2**	**15.3**	**13.9**	**12.4**	**12.1**	**11.6**	**230**
Sum of FCFF present value		430	395	366	338	314	295	280	266	254	242	230
Enterprise value DCF		**430**										
- Interesting bearing debt		-100.3										
+ Cash and cash equivalents		57.9										
-Minorities		0.0										
-Dividend/capital return		-11.5										
Equity value DCF		**376**										
Equity value DCF per share		**6.55**										

Wacc	
Tax-% (WACC)	25.0 %
Target debt ratio (D/(D+E)	20.0 %
Cost of debt	4.0 %
Equity Beta	1.05
Market risk premium	4.75%
Liquidity premium	1.25%
Risk free interest rate	2.0 %
Cost of equity	**8.2 %**
Weighted average cost of capital (WACC)	**7.2 %**

Source: Inderes



Summary

Income statement	2018	2019	2020	2021e	2022e
Revenue	431.1	411.4	458.9	**474.6**	**491.2**
EBITDA	25.6	33.7	60.9	**58.7**	**56.7**
EBIT	4.6	8.1	39.5	**37.8**	**34.6**
PTP	-1.0	2.1	33.9	**37.4**	**30.1**
Net Income	-1.7	0.2	30.1	**29.8**	**23.5**
Extraordinary items	0.0	0.0	0.0	**0.0**	**0.0**

Per share data	2018	2019	2020	2021e	2022e
EPS (reported)	-0.03	0.00	0.52	**0.52**	**0.41**
EPS (adj.)	-0.03	0.00	0.52	**0.47**	**0.41**
OCF / share	0.63	0.58	0.96	**0.89**	**0.83**
FCF / share	0.37	0.37	0.88	**0.65**	**0.57**
Book value / share	2.27	2.31	2.54	**2.86**	**3.05**
Dividend / share	0.00	0.05	0.20	**0.22**	**0.24**

Balance sheet	2018	2019	2020	2021e	2022e
Balance sheet total	320.7	310.1	317.4	**308.6**	**321.6**
Equity capital	130.5	132.5	145.9	**164.1**	**175.0**
Goodwill	15.5	15.5	15.5	**15.5**	**15.5**
Net debt	73.7	71.4	42.4	**17.1**	**0.5**

Cash flow	2018	2019	2020	2021e	2022e
EBITDA	25.6	33.7	60.9	**58.7**	**56.7**
Change in working capital	5.6	2.3	0.3	**-1.4**	**-1.3**
Operating cash flow	36.3	33.5	55.4	**51.2**	**47.8**
CAPEX	-15.0	-29.8	-5.0	**-14.1**	**-15.1**
Free cash flow	21.5	21.2	50.5	**37.1**	**32.7**

Growth and profitability	2018	2019	2020	2021e	2022e
Revenue growth-%	1%	-5%	12%	**3%**	**3%**
EBITDA growth-%	-25%	31%	81%	**-4%**	**-3%**
EBIT (adj.) growth-%	-69%	77%	386%	**-4%**	**-9%**
EPS (adj.) growth-%	-111%	-113%	13345%	**-11%**	**-12%**
EBITDA-%	5.9 %	8.2 %	13.3 %	**12.4 %**	**11.5 %**
EBIT (adj.)-%	1.1 %	2.0 %	8.6 %	**8.0 %**	**7.0 %**
EBIT-%	1.1 %	2.0 %	8.6 %	**8.0 %**	**7.0 %**
ROE-%	-1.3 %	0.2 %	21.6 %	**19.2 %**	**13.9 %**
ROI-%	1.9 %	3.4 %	16.2 %	**15.9 %**	**14.8 %**
Equity ratio	40.7 %	42.7 %	46.0 %	**53.2 %**	**54.4 %**
Gearing	56.5 %	53.9 %	29.1 %	**10.4 %**	**0.3 %**

Largest shareholders	% of shares
AC Invest two B.V	24.0 %
Oy Etra Invest Ab	13.3 %
Varma Mutual Pension Insurance Company	7.7 %
Triton	5.8 %
Ilmarinen Mutual Pension Insurance Company	5.2 %

Valuation multiples	2018	2019	2020	2021e	2022e
EV/S	0.4	0.5	0.7	**0.7**	**0.7**
EV/EBITDA (adj.)	7.5	6.1	5.5	**6.0**	**6.0**
EV/EBIT (adj.)	41.7	25.1	8.5	**9.4**	**9.8**
P/E (adj.)	neg.	>100	9.7	**12.6**	**14.4**
P/B	0.9	1.0	2.0	**2.1**	**1.9**
Dividend-%	0.0 %	2.2 %	3.9 %	**3.7 %**	**4.1 %**

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 price	Share price
11-05-17	Reduce	5.10 €	5.00 €
22-06-17	Reduce	5.10 €	4.87 €
24-07-17	Reduce	4.70 €	4.81 €
09-08-17	Reduce	4.70 €	4.90 €
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 €

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