

Suominen

Extended company report

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The roller coaster is turning to the uphill

We retain Suominen's target price of 3.30 EUR and recommendation to reduce. Suominen's profit history is bumpy from the last decade while the company has been suffering raw-material and supply chain driven margin issues during the last 12 months. Now the worst seems to be over in these fronts. We argue Suominen's valuation is moderate compared to the company's normalized profit potential, but uncertainty related to profit turnaround remains high in short-term. Thus, we estimate that Suominen's expected TSR does not yet beat the return requirement for the next 12 months and we continue to wait for a slightly more attractive risk/reward-ratio.

Suominen is a global manufacturing company that focuses on sustainable nonwovens

Suominen is a global manufacturing company that focuses on innovative and sustainable nonwovens in wiping segment. We argue sustainability focus launched by the current management in early 2020 has been a good choice as sustainability is fast rising consumer trend and the company has no strong cost advantages, which would enable other kind of focus. In addition, the strategy gives weight also on constant improvement of production efficiency while expansion to Asia (probably M&A) is a long-term option. The growth part of the strategy is also supported by the markets as Suominen's current main markets are expected to grow 3 % p.a in volume in North America and Europe over the long term. Suominen is a market leader in nonwovens for wiping with some 20 % global market share. We consider the company's main risks raw-material price inflation, fierce competition and centralized customer base. The last year has been difficult for Suominen due to raw-material and supply chain driven headwinds while the company has reached satisfactory over the cycle margin in our opinion.

The earnings should recover from the current low level during the next years

Suominen set an aim to grow above market growth, EBITDA-% of above 12 % by 2025 and 40-80 % gearing level as its financial targets for the strategy period of 2020-2025. Suominen is currently far from the margin target after the recent challenges (Q1'22 LTM EBITDA-& 7 %). We expect demand gradually to normalize as elevated stocks of certain customers melt down in US. The worst should be also over in raw-material side since Suominen's mostly mechanism-based pricing should catch up raw-material prices better as inflation rate is set to moderate soon. In addition, Suominen is well positioned to produce more challenging sustainable grades and bring new products to markets (25 % of sales came from new products in 2021). Given this big picture, we expect Suominen's profits to improve gradually from the current low level from Q3 onwards and reach close to its 5-year median levels in next years. However, our estimates are well below the company's somewhat challenging margin target.

Valuation is not demanding but we do not see expected TSR to beat the return requirement yet

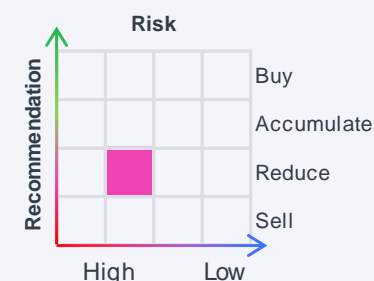
Suominen's P/E-ratios based on our estimates are 85x and 13x FY'21 and FY'22, while corresponding EV/EBITDA-ratios are 8x and 5x. Multiples are high for the current year due to weak profits. However, FY'23 multiples are below the company's 5-year medians and below or in line with our acceptable valuation range. Altogether, we see multiple based valuation to be on neutral currently given the opportunities and risks related to the profit trend. We also argue that P/B of 1,2x and EV/S of 0,5x do not yet give strong support for the share if the magnitude of the profit turnaround lags our expectations. We see profit growth and some 3-4 % p.a dividend yield to give expected TSR in line with the return requirement for the next 12 months. Our DCF model exceeds the share price clearly, but we expect the markets to focus on the short-term before the profit trend turns to uphill.

Recommendation

Reduce
(aik. Reduce)

3.30 EUR
(prev. 3.30 EUR)

Share price
3.14 EUR



Key indicators

	2021	2022e	2023e	2024e
Revenue	443	488	481	491
growth-%	-3 %	10 %	-1 %	2 %
EBIT adj.	26,9	8,2	21,6	26,1
EBIT-% adj.	6,1 %	1,7 %	4,5 %	5,3 %
Net Income	20,7	2,1	13,8	17,3
EPS (adj.)	0,31	0,04	0,24	0,30

P/E (adj.)	16,7	85,0	13,1	10,5
P/B	1,8	1,2	1,1	1,1
Dividend yield-%	3,9 %	3,2 %	4,1 %	5,1 %
EV/EBIT (adj.)	12,8	28,8	10,0	7,6
EV/EBITDA	7,3	8,3	5,1	4,2
EV/S	0,8	0,5	0,4	0,4

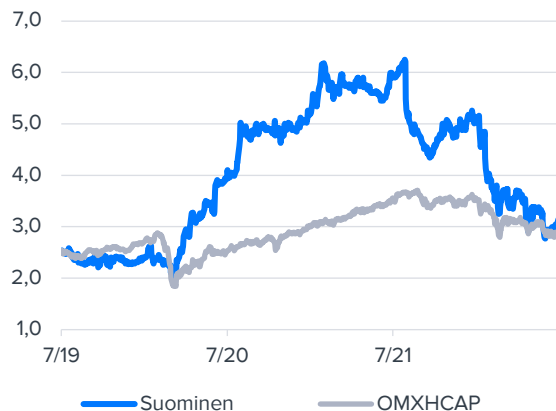
Source: Inderes

Guidance

(Intact)

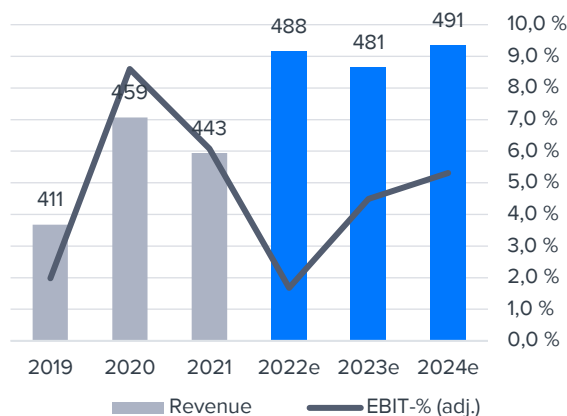
Suominen expects that its comparable EBITDA in 2022 will decrease clearly from 2021. In 2021, Suominen's comparable EBITDA was EUR 47.0 million.

Share price



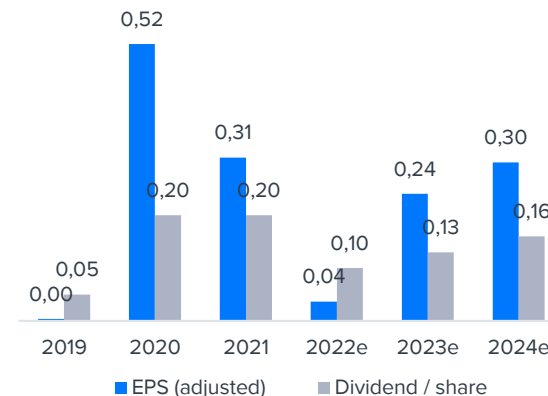
Source: Millistream Market

Net sales and EBIT-%



Source: Inderes

EPS and DPS



Source: Inderes



Value drivers

- Profitability turnaround with volume and pricing catch-up
- Gradual growth in demanding higher margin products (for example sustainable products)
- Healthy nonwoven demand growth above GDP level



Risk factors

- Fierce competition
- Weak pricing power
- Losing a major customer
- Raw-materials price risks

Valuation	2022e	2023e	2024e
Share price	3,14	3,14	3,14
Number of shares, million:	57,5	57,5	57,5
Market cap	180	180	180
EV	236	216	198
P/E (adj.)	85,0	13,1	10,5
P/E	85,0	13,1	10,5
P/FCF	25,3	6,5	6,6
P/B	1,2	1,1	1,1
P/S	0,4	0,4	0,4
EV/Sales	0,5	0,4	0,4
EV/EBITDA	8,3	5,1	4,2
EV/EBIT (adj.)	28,8	10,0	7,6
Payout ratio (%)	271 %	54 %	53 %
Dividend yield-%	3,2 %	4,1 %	5,1 %

Source: Inderes

Table of contents

Company description and business model	6-11
Investment profile, potential and risks	12-14
Strategy and financial targets	15-18
Nonwoven industry and competition	19-22
Financial position	23-224
Estimates	25-30
Valuation	31-36
Disclaimer and recommendation history	37

Suominen briefly

Suominen is a global market leader in wiping segment in the nonwovens industry.

1898

Founded

2011

M&A created "the new Suominen"

443 MEUR

Revenue 2021

47 MEUR (10.6 % of revenue)

EBITDA 2021

#1 Market position

In global markets of nonwovens for wiping

710

Employees on average at end of 2021

61 % / 38 % / 1 %

Revenue split between Americas / Europe / Other countries in 2021

66 % / 34 %

Share of sales to 10 biggest customers and other customers in 2021

Rebuilding 2011-2015

Suominen acquires Home&Personnel business from Ahlstrom at the end of 2011

Focus on cost savings, internal efficiency and mix improvement yields clear profit improvement 2011-2015

Divestment of noncore business in 2013/2014 makes Suominen pureplay nonwovens manufacturer

Investment phase 2016-2018

Product strategy remains but the company focuses on organic growth and diversifying from wipes to medical&hygiene

Significant organic CAPEX of 106 MEUR in 2015-2017 (mainly the new production line in Bethune)

Profitability deteriorates due to raw-material inflation, competitive pressures and delays in the start-up of the new line in Bethune

Mostly good cash flow keeps balance sheet related risks limited

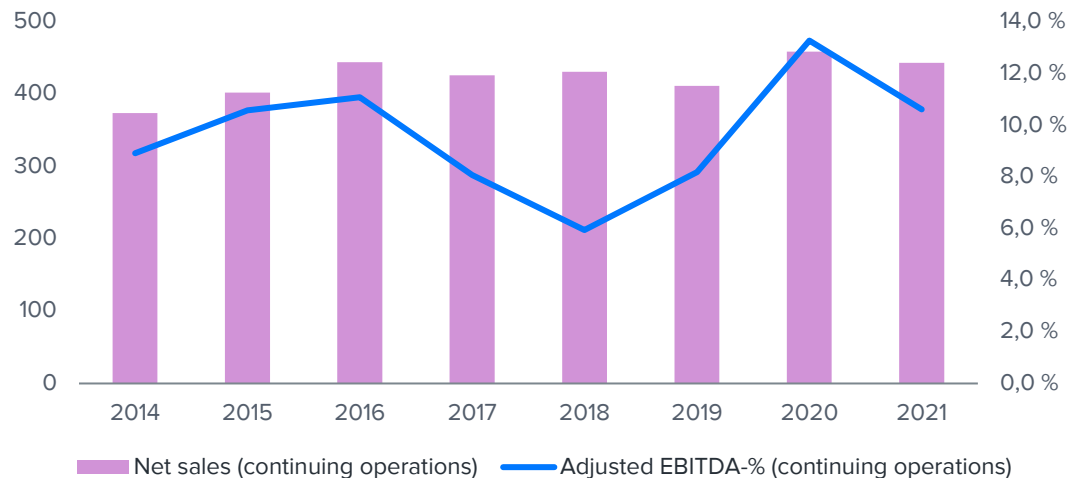
New start (2019-)

Change of the top management, new organizational model from H2'19 and new strategy in Q1'20

Focus on wipes, restoring profitability and profitable growth. Growth through sustainable and other new innovative products

Covid-19 gives tailwind in 2020 but raw-material and supply chain issues hinder in 2021

Suominen net sales (MEUR) and margins in 2013-2021



Company description and business model 1/4

Global leader in nonwovens for wiping products

Suominen is a manufacturer of nonwovens as roll goods and consists of two BA's, Americas and Europe. Both geographical areas manufacture mainly nonwovens for wiping products but also selected niches in hygiene and medical nonwovens. However, the company reports financial results only on the group level. The company has some 710 employees in 5 countries. In 2021 Suominen's net sales were 443 MEUR and comparable EBITDA 47 MEUR.

Suominen is the leading global producer in wiping and supplies a range of nonwovens roll goods, which the company manufactures in US, Spain, Italy, Brazil and Finland. Due to its manufacturing footprint, Suominen achieves significant sales in the North and South America as Americas bring over 60 % of the group's net sales, US being clearly the biggest single market by probably some 50 % of the group's net sales. The second major market is Europe (mostly Western Europe) representing almost 40 % of net sales. Net sales is low in other areas as overseas sales are typically relatively difficult in nonwovens business due to logistics (low value/volume-ratio of the products).

Sales come from various mostly consumer driven end uses

Suominen divided its sales to five revenue streams based on product type until 2020. End-use based reporting was stopped at that point as it does not illustrate the company's existing strategy. However, despite that we think it is important for investors to understand from where revenue

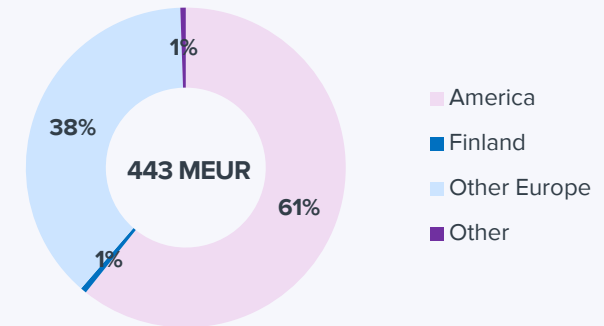
derives as basically all major wiping related end-uses are in the core of Suominen's current strategy. We also believe the end-use structure of the products has not yet faced major changes from the 2019.

Baby care wiping is probably the biggest segment for Suominen and its competition. We estimate it brings some 35-40 % of Suominen's sales. In big picture, baby care wipes is an extremely competitive low growth and high-volume value for money segment in developed North America and Europe (demand in baby care wiping reflect birth rates) under normal conditions. In emerging world (incl. South America) baby care is a well growing and profitable segment due to higher birth rates and lower penetration rate of nonwovens products.

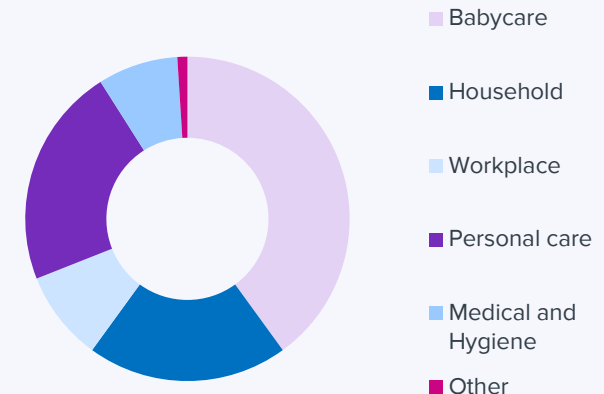
Personal care wiping such as wipes for facial cleaning, makeup removal, refreshing and intimate care, travel & catering end-use and flushable WC products constitutes some 20 % of group sales according to our analysis. Personal care is mostly a value-added (incl. sustainable products) segment that exists currently primarily in developed countries. Growth in personal care has recently slowed down due to fast commoditization and corresponding price erosion in flushable toilet products but recent changes in legislation in US have improved that big picture.

Home wiping is a value-added segment that we estimate brings another some 20 % of Suominen's sales. This segment includes cleaning related wiping products that are used in developed.

Geographical sales mix in 2021



Estimated product based sales mix



Company description and business model 2/4

western world at homes. Thus, home wiping is mostly value-added business

Workplace wiping contains of Suominen's wiping products to B2B end-customers, which we believe generates some 10 % of Suominen's sales. These products are used from fast food restaurants to factories. Thus, the portfolio consists of a wide range of value-added products. The main markets are US and Europe.

Medical&Hygiene is probably smallest of Suominen's end uses and it makes less than 10 % of the company's sales currently. Unlike other segments Medical&Hygiene does not include any wiping products but solely nonwovens components to other products. In this segment, Suominen has focused on certain niche areas, where its technology is competitive. Thus, the company does not try to be all over in the large hygiene and medical market. We believe this strategy have not changed even if medical markets got tailwind from Covid-19 in the last years. Currently, the main markets of Medical&Hygiene locate in North America and Europe.

As illustrated, Suominen's products end up mostly to consumer related end uses and they can be characterized to either staples or discretionary. The relatively defensive nature of the wiping demand is a positive factor from investors' point of view in our opinion.

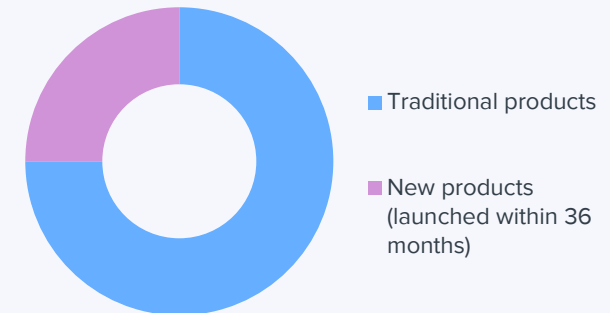
Suominen is a traditional manufacturing company

Suominen operates in the manufacturing industry,

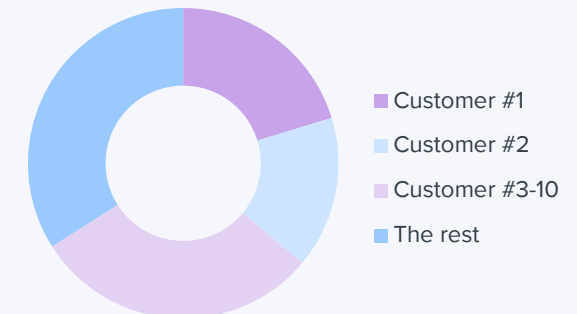
which transforms fiber materials to nonwovens. In addition to manufacturing, the company takes internally care of product development, marketing and sales. Therefore, the business model is typical for a company in this type of manufacturing industry. Raw-materials (i.e. especially viscose and polyester but also pulp and polypropylene) the company purchases from the market. Suominen's most important raw-material markets such as viscose and polyester are driven by huge textile industry. We believe that Suominen has various suppliers for its raw materials from different continents. This distributes risks as pandemics and strong demand have disturbed severely global supply chains and limited raw-material availability since early 2021. Suominen is naturally price taker in terms of raw-materials.

Nonwovens can be produced by several technologies, but Suominen utilizes mostly spunlace technology in its production. In addition, the newest line in Bethune (US) and both lines in Windsor Locks (US) are based on wet-laid technology resembling somewhat the paper-making process. We consider these technological choices adequate as spunlace and wet-laid technologies enable production of soft, smooth, stretch, absorbent, resilient, plastic free and/or liquid repellent products. These are some key characteristics in sustainable and correspondingly high value-added grades where demand is moving for. In addition, other major production technology spunbond can only produce plastic-based nonwovens. We do not believe Suominen aims to expand into new technologies soon but is

Revenue distribution in 2021



Customer structure in 2021



Company description and business model 3/4

determined to develop its current technology portfolio.

Consumers drive the business, customer base is centralized

The company's key customers are global brand owners and private label trademarks, which sell converted nonwovens products to consumers with their brands or private label trademarks. Thus, Suominen sells only B2B even if consumers are the end-users of the converted products. As a consumer driven business, demand of nonwovens is also quite stable over the economic cycles. Traditionally consumers do not stop using nonwovens products during economic slowdown or recession but tend to switch their products to lower quality (i.e. lower price), from brand product to private label (i.e. lower price) and reduce used quantity (i.e. smaller packages). Thus, economic cycles have some impact on Suominen from value and volume perspective even if the most expensive product is not always the most profitable (i.e. private label client can be more profitable business than brand house). However, changes in raw-material prices have intensified volatility in earnings. In addition, economic cycles, COVID-19 has most likely given a boost for demand also in long run as the pandemics increased clearly consumers' interest in cleaning, hygiene and disinfection.

The biggest 10 key accounts brought 66 % of Suominen's sales in 2021 (67 % in 2020). Given the size of the key accounts (global sourcing) and the company's centralized customer base, we argue

that Suominen and other nonwovens manufacturers have limited pricing power against their clients under normal circumstances. Mostly homogeneous nature of the products (especially in products with traditional synthetic raw-material mix) do not aid in this sense as tangible differentiation is difficult excluding certain value-added segments. On the other hand, raw-material prices are determined by supply, which is controlled by few large players, and demand in global markets, thus there is neither pricing power to the opposite side of the value chain.

Despite imbalanced distribution of pricing power in the value chain, typical supplier-client relationships between nonwovens manufacturers and brand houses or retailers are relatively long, up to 10-15 years. This indicates that brand owners and retailers are not very keen to change their suppliers despite their pricing power, which could be due to the indirect costs (i.e. product qualifications) and/or uncertainty (delivery reliability and product qualifications) that changes in well-established relationships with suppliers can cause. Also, the delivery contracts are long, typically 2-3 years. Therefore, customers are not continuously bidding their contracts despite the pricing power advantage.

Nonwovens are not very capital intensive in the scale of manufacturing industry

Due to characteristics of the industry, Suominen's GM-% is low. However, the company is efficient as the rebuilding phase (in 2011-2015) pushed SGA-costs down and the management has kept SGA

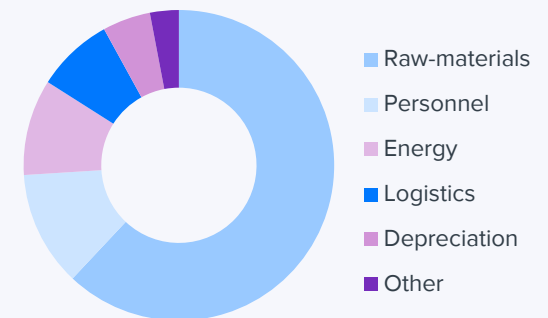
Customers*

Hundreds of brand houses or retailers



Source: Inderes, Suominen *Inderes' estimates of Suominen's potential customers, Suominen has not disclosed its customers

Estimated cost structure



Company description and business model 4/4

very well in control. We argue that some 20-25 % of costs are fixed and 75-80 % variable. We estimate that raw-materials (variable) consists of some 70 % of total costs. The other main variable items are energy and logistics equaling some 10 % of each in normal circumstances. However, due to recent increases in energy prices and especially in natural gas in Europe, share of energy has gone very likely somewhat up. Suominen has introduced energy surcharges to its deliveries in Europe from 3/2022 onwards, which should help at least partially to compensate extraordinary energy costs from Q2'22 onwards. The main fixed items (on the short term) are personnel (some 10 %), depreciation (some 5 %) and other costs such as administration (below 5 %). Thus, there is reasonable flexibility in the cost structure but also some operational leverage against net sales growth.

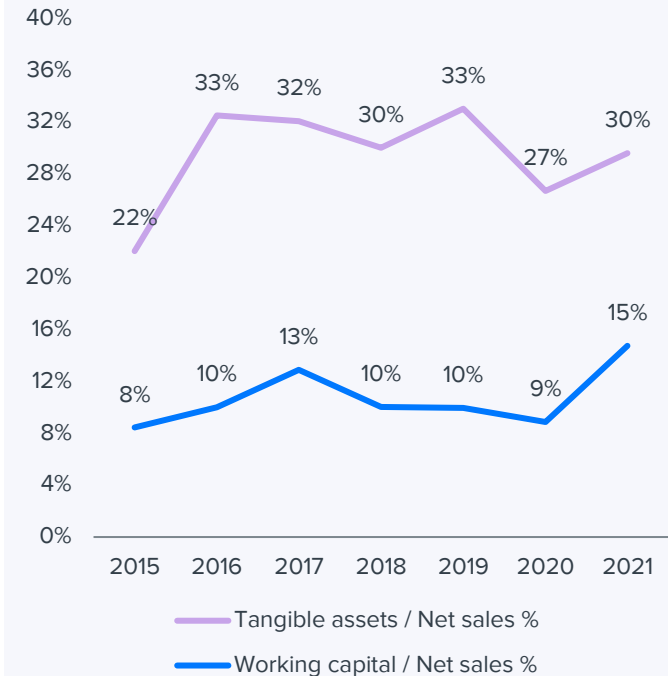
Capacity utilization and product mix are key factors

In general, effective capacity utilization is one of the key factors in nonwovens industry as in every manufacturing business. Effective capacity utilizations includes sufficient load and reasonably large production lots but also decent product mix. Therefore, the company must reach a good combination of volume and value to reach reasonable margins from group but also production line perspective. Usually, large lines require more volume while smaller lines are more flexible to grade changes in this type of business. Suominen's production portfolio includes both

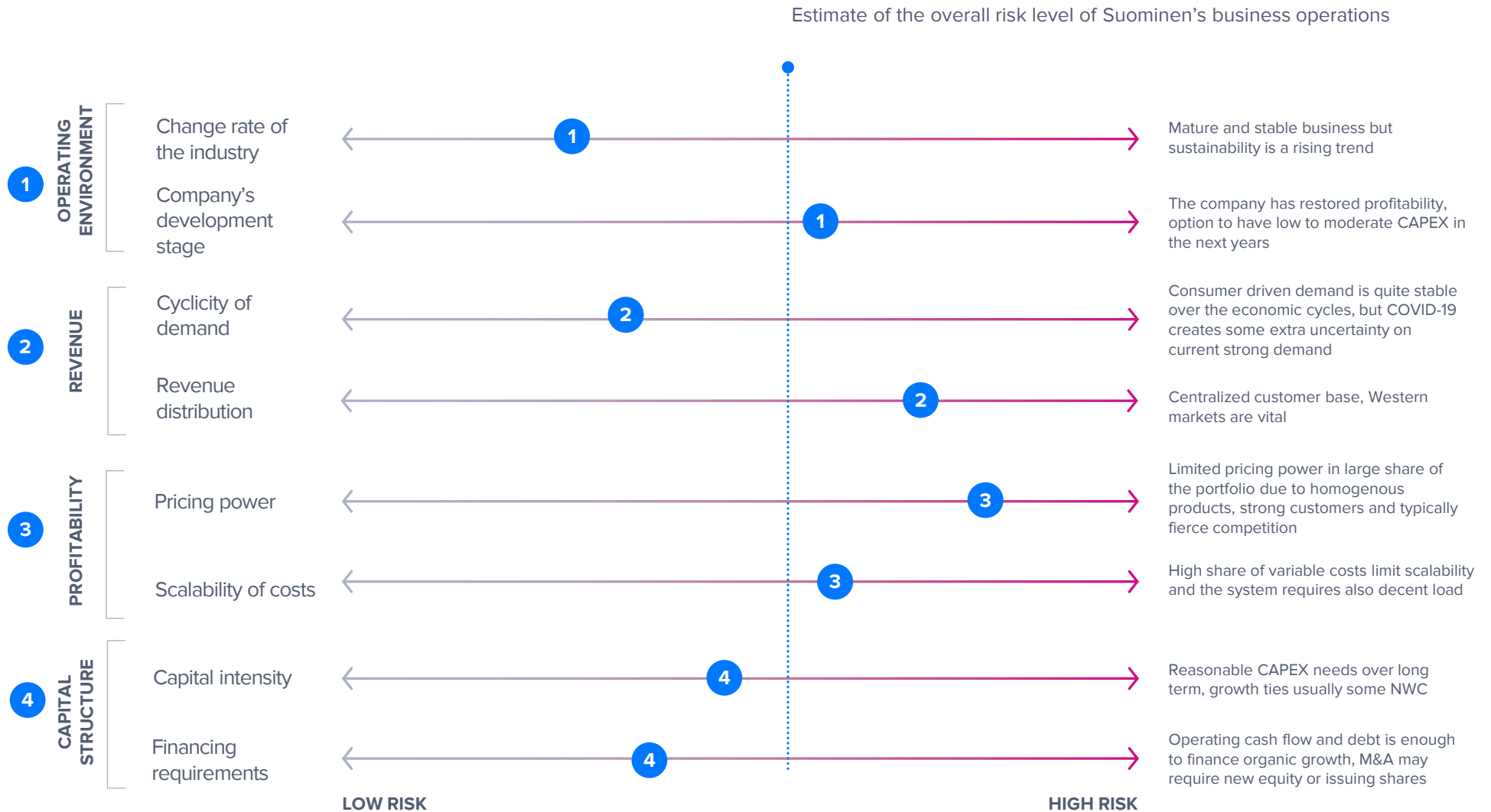
type of lines now.

Suominen's tangible assets to net sales -ratio was 30 % at the end of 2021. The ratio has been driven slightly up by IFRS 16 standard since beginning of 2019 but in the last years the ratio improved demand filled all lines and boosted sales. Sales prices have also increased since the last year. Therefore, the ratio should be close to normal. We argue the nonwovens business is not very capital intensive compared to certain other manufacturing industries (i.e. steel, pulp). This enables quite high (double digit) ROCE-% or ROI-% with high single digit EBIT-% and decent payout potential to shareholders. However, growth is never free in manufacturing industry. Thus, growth and competitiveness require new machines and plants in the long run (i.e. business model is not very scalable) In addition, Suominen's net sales to NWC -ratio has been 8-12 % recently while at the end of the last year the figure was on the elevated side at 15 % due to global supply chain issues and inflation. Thus, neither NWC, which consists mostly of inventory, ties significant amount of capital in the business but naturally the growth is never completely working capital free in the manufacturing industry.

Capital intensity to net sales



Risk profile of Suominen's business model



Investment profile, potential and risks 1/3

Suominen is a value to growth case

We argue profiles as Suominen a value and/or growth company from investors' point of view despite recent challenges with profitability. The company's current strategy and nonwovens market's long-term growth above GDP growth support the growth profile while low valuation and low historical growth suggest the value profile. In addition, the market does not offer rapid growth potential over time.

Typically, growth requires certain CAPEX and ties some NWC in the manufacturing industry. However, Suominen's capital needs seem limited for the next years and the company's gearing at the lower end of the target range after strong cash flow in 2020-2021 cash flow and limited CAPEX in 2018-2022. Thus, the company should be able to return some of cash to investors in next years, but payout depends on profit level and strategic investment decisions. However, Suominen should not be considered as a dividend stock.

Potential

Volume growth. Nonwovens demand has traditionally somewhat exceeded GDP growth in terms of volume in developed Western countries. In emerging markets, the gap is even wider as wiping products can be considered as discretionary. Therefore, the market gives a solid foundation to grow revenue through volume growth unless COVID-19 boost would totally fade out. The company has also some new free capacity from investment in Italy in H2'21 while recently capacity utilization rate has probably not

been at maximum. In addition, Suominen has financial ability to increase capacity further. Higher volumes would leverage the company's fixed cost structure and support margins when available capacity is fully utilized. In addition to general demand growth, innovation especially on more sustainable products should help Suominen gain some volumes as sustainability is a fast-rising trend in all consumer related business currently.

Value growth. Certain sustainable value-added grades, which are in Suominen's focus, grow even faster than the market on average. In addition, sustainable grades are more difficult to produce due to raw-material related technical issues, which could limit competitive pressures. The company should have a competitive and constantly developing product portfolio after recent R&D and commercial work. The share of new products was over 25 % of sales in 2021, which is a very impressive figure compared to other companies in the manufacturing industry. New products usually carry clearly higher GM-% than traditional and / or value for money grades, thus high share of new products should support the company's profitability in the long run and over the cycle.

We believe Suominen has new products and sustainable products in all product end use groups as illustrated earlier. From profitability perspective, value growth should improve GM-%. We estimate Suominen must keep share of new products above 20 % of sales and increase share of demanding sustainable products to reach its target of higher than 12 % EBITDA-% in 2025 as industry remains very competitive by nature.

Low to moderate CAPEX needs. Even if Suominen aims to grow in the coming years, we believe there is no major short-term need for CAPEX. Suominen has completed recently 3 low to medium size investments in Italy and US that have increased slightly capacity and improve product quality from H1'22 onwards. In addition, Suominen went through heavy CAPEX in 2015-2017 and the company executes product or innovation driven strategy. In addition, competitiveness and capabilities of the old asset base can be improved by moderate modifications (i.e 6 MEUR quality and/or flexibility investment Suominen announced in June 2022 is such an investment) in machinery and more effective use of assets (i.e. production planning). Thus, we expect Suominen's CAPEX to remain below or in line with fast depreciation rate during 2022-2024. This should lead to solid free cash flow (exceeding net earnings in P&L) unless NWC changes significantly. Despite low to moderate needs, we see an option that the company will seek higher growth and build a new brownfield line in 2024-2025. This should be easily financed by cash flow from operations and debt capacity.

Valuation potential. Suominen's volume and balance sheet based valuation multiples have dropped to historical lows due recent profitability issues and depressed multiples in equity markets. Thus, we see at least some valuation upside in the company at least in medium to long term. This requires, however, that the company can improve and stabilize profit levels in the next few years.

Investment profile, potential and risks 2/3

Risks

Raw material price risk. As raw materials form a vast majority of Suominen's COGS, the company is always carrying raw material price risks. Most recently this headwind began in the H1'21 and is still blowing (raw-materials caused problems also in the last cycle in 2018). Suominen has been tackling this issue through raw material price clauses in sales contracts. The clauses have historically impacted on half of net sales, which likely consists of mostly large key accounts in US. The company has increased clause-based pricing also in Europe in the last years. The lag between price increases varies from 2 to 5 months depending on the customer (around a quarter is an average). Overall, the lag between the raw material price development and the actual price increases is quite long and can hurt the margins badly in the short term if raw-material prices increase steeply like it has been recently. Once the pricing manages to catch up, the clauses should shield Suominen reasonably well as there has been no disrespect to the clauses.

The rest of the contracts do not include raw-material clauses. We believe Suominen has not pushed to include raw material clauses in deliveries where cost of its product represents only a small part of total costs of the customer's product. In this type of deliveries, the customer's awareness of Suominen's raw-material price development may not be the best and the customers' resistance against price increases are not the most severe. In addition, some clients may also refuse the clauses.

Energy has not been included in any clauses as energy price has been relatively stable before 2021. Energy is neither large part of Suominen's COGS under normal circumstances, but its recent huge energy inflation has burdened clearly the company's margins in Europe. Thus, Suominen must have renegotiated contracts to notice current energy prices (Suominen took energy surcharge in use in Europe in 3/2022). The process has had lags and we expect lags are unavoidable also in the future.

Losing a major customer. Suominen's two largest clients brought 20 % and 16 % of net sales in 2021 while 10 key customers accounted for 66 % of total net sales. Therefore, losing any one of these key customers would cause a significant short-term drop in sales, which would have also an impact on profits. However, the average customer relationship of Suominen is around 15 years, which implies very low customer turnover. Thereby, we see the overall risk of losing a major customer quite small. However, large global brand houses and retailers rarely give all their orders to one supplier but use 2-3 manufacturers. Customers' growth and/or order allocation to suppliers may also vary, which may also create pressure on Suominen's sales even if the customer is not lost.

Overcapacity. Growing and local nature of the business and step-like capacity increases result a risk of local oversupply. Magnitude of the overcapacity would depend on the amount of new capacity and demand growth rate of the product segment. Usually, overcapacity leads to price erosion and/or higher unit costs in production.

Overcapacity has occurred in baby care and flushables in Europe in 2017-2019. There are some capacity increases that has come or are coming online in 2022-2023 as different players decided to respond pandemics driven demand boost by investments in 2020-2021. However, this risk remains actual for the company as supply could increase just too quickly and cause issues that usually do not fade away fast.

Sensitivity to EUR/USD. FX is a risk for Suominen as the company generates over 50 % of its sales and probably an even greater share of EBIT from US under normal circumstances. However, the company purchases most likely some raw-materials to Europe and Brazil in USD. This makes group level sensitivity analysis challenging but stronger EUR/USD usually burdens sales more and EBIT slightly and vice versa. We believe EUR/USD has a minor impact on US' operations from operational perspective but translation from US' operations deviate group level P&L. This is difficult to control. On the other hand, sensitivity of European and Brazilian units is directly linked to the company's purchasing strategy (transactional FX risks are mitigated also by raw-material clauses in sales contracts) and tactics. We consider in general FX driven earnings volatility slightly negative from an investors' perspective.

Regulation. Authorities may become a long-term risk as Suominen manufactures products from synthetic raw-materials and some nonwovens products are difficult to recycle. The company could use solely renewable raw-materials if end users were willing to pay higher prices (up to

Investment profile, potential and risks 3/3

20-30 % in relative manner but only tens of cents per one consumer unit). This would help to tackle changes if use of Suominen's raw-materials and/or products were regulated unfavorably. In general, we believe Suominen is well positioned to take advantage of rising demand of sustainable products with its technology and production portfolio. Thus, we see sustainability more like an opportunity than threat for the company. For the first example, EUs single-use plastic directive has not caused setbacks for Suominen due to favorable classification of plastics in the standard. Second, recent regulation in US has opened to Suominen new business opportunities as moist toilet tissue (MTT) quality qualifications were tightened in 2022. Suominen product passes through the current standards and the company has also build the capabilities to use large Bethune 4 production line to produce MTT products in the near future.

Investment profile

1. Organic volume and value growth

2. Improve over the cycle profitability

3. New increasingly sustainable products

4. Low to moderate CAPEX cycle in base case

5. M&A (+/-)

Potential



- Profit improvement through volume and value growth
- Certain new investments increase capacity and product quality from H1'22 onwards
- Growing and developing nonwovens markets support growth efforts in the long run
- The company's technology and product portfolio adapt well to raising sustainability standards and Suominen has focused on its R&D well in time to improve sustainability
- Potential long-term expansion to Asia through M&A
- Changes in regulation

Risks



- Raw-material price risk, which is very acute currently
- Overcapacity / Increasing competition
- Losing a major customer and/or step backs in customer order allocation
- FX driven earnings volatility
- Changes in regulation

Strategy and financial targets 1/4

Strategy adjusted recently

Suominen had been executing its strategy that leaned on global footprint, organic growth and increasing share of value-added products from 2012 to 2019. The rationale of the strategy was straightforward as value-added products are carrying clearly higher GM-% and they are less vulnerable to competition compared to value for money products.

However, the new management that took charge during 2019 and launched new strategy at the beginning of 2020. The current strategy is for the strategy period of 2020-2025. It did not cause a total turn around in direction as the company still focuses on organic growth through innovation and sustainable products. However, the new strategy gives also a bit more weight on efficiency and competitiveness in all end uses (including baby care). This has already yielded results in 2019-2020 and has probably at least slightly shielded the company against inflationary pressures in 2021-2022. Also, geographical expansion remains on Suominen's radar during this strategy period.

Suominen is the market leader in wiping, has a strong market position in Western markets and is serving global customers. We argue the company's organizational reshaping from product line organization to regional organization made in 2019 realigned focus on core competences, which are all over in wiping. The change should also support efficiency as regional organization improves accountability especially in commercial front in our opinion. Therefore, the existing organizational structure supports execution of the new strategy.

We see strategy consist of five cornerstones

- Efficiency
- Sustainability
- Innovation and commercial excellence
- Personnel and workplace
- Dual operating model

These cornerstones describe capabilities, which are required to drive growth and profitability improvement. Basically, the cornerstones underline focus on understanding consumers' (i.e the customers' customer) needs but also how to manufacture these products in an economically feasible way given the industry and its very competitive dynamics. We believe innovation is core of the strategy as Suominen has resources and capabilities to be a leader in this front and the company does not have sustainable cost advantages that would support leaning strongly on cost leadership. In addition, we believe Suominen has kept SGA costs well in control and we see limited room to improve SGA-% ratio from current low level by direct cost savings. Therefore, focus on efficiency side was set on COGS and production efficiency in plants. The efficiencies seem to have improved since the takeover of the current management, but the target is also naturally moving.

All end uses have its role in portfolio

Different characteristics of value added and value for money business require a different approach to the businesses. That is why we believe Suominen tries to operate at least internally with a dual operating

model. We believe that value for money side puts more focus on production efficiency including effective asset utilization (sufficient volume, large enough production lots, minimizing waste, reducing manufacturing costs by product design). On the other hand, Suominen puts emphasis on innovation and commercial excellence and production flexibility in value added business and/or sustainable grades.

We would like to remind that baby care and some other value for money businesses still have a vital role in Suominen's portfolio despite over the cycle weak to moderate margin potential as their high volumes give critical load for the production system. This is important from efficiency perspective and these volumes cover also fixed costs. We believe the aim is to grow in line with markets in baby care and other value for money business, but most of the growth expectations lay on value added sustainable products. In non-wiping business Suominen focuses on personal hygiene while growth outlook and the company's market position (incl. technologies) is weaker in medical.

The company develops new products and improves existing products in co-operation with the customers in order to share value of innovations or improvements. This requires also commercial excellence so that Suominen gets a fair share of created value through higher price. Close co-operation with customers should also make it harder to replace Suominen as a supplier. Product development and customer co-operations but also efficiency require skilled and committed personnel, which is why we believe staff has become a strategic cornerstone.

Strategy and financial targets 2/4

R&D focuses mostly on new products

Suominen's R&D-team consists of some 20 members in the US and in Finland. R&D spending has remained below 1% of net sales, which in our opinion is slightly below a good level in this type of industry. However, we argue the company has adequate human and financial capacity to drive product development and correspondingly keep product portfolio competitive. The company has also strong track-record on R&D as share of new products has climbed to impressive over 25% of sales and with some 25 new product launches in 2020-2021. We believe Suominen still focuses on key areas like sustainability, texture & patterning, disinfecting & sanitation, dispersibility & flushability, performance superiority and cost innovation in order to improve current products and create totally new products.

The strategy does not require large CAPEX

The company has disclosed that execution of current strategy requires some investments for which Suominen has decent financial capacity available. Suominen allocated 8 MEUR to restart idled production line in Italy and this line has increased somewhat the company's capacity from late 2021 onwards. This capacity is unlikely to be fully utilized. Suominen has also rebuilt one line in Italy and one in US to improve product quality and/or flexibility with combined 10 MEUR investment. Also, these investments were completed at the end of 2021 in time and budget. The company announced also similar kind of 6 MEUR investment in Finland in June 2022. However, if end-demand remains well growing we believe Suominen may invest in new

line in 2023-2024 (production 2025-2026 onwards). This would be probably brownfield investment with cost of 30-50 MEUR.

Annual maintenance CAPEX is somewhere around 4-8 MEUR (1-2% of sales) and committed investments are small to medium in scale. Therefore, we believe Suominen can keep its investments below or at maximum in line with depreciation during the strategy period of 2020-2025. Low to moderate CAPEX base case outlook means also that Suominen is not looking to expand into new manufacturing technologies but rather focuses on developing its current technologies and add adjacent technologies to the portfolio.

Asian expansion remains on the drawing table

Suominen disclosed in the strategy update, that they still examine opportunities to expand business to Asia (probably China or South-East Asia). Asia is the fastest growing nonwovens market (some 7% p.a.). The expansion would support Suominen's global position. In addition, if sustainability requirements begin to rise fast also in Asia, Suominen could get a faster lane to scale its modern and competitive product portfolio of sustainable products to the new and emerging market. Thus, it was very unsurprising that the company kept the radar on in this sense.

Suominen could execute the expansion through greenfield investment or M&A. We believe that the latter has become a primary option as M&A enables positive cash flows faster. In addition, M&A brings also new customers in the portfolio to which the company could add potentially some new volumes from the current globally operating key accounts. This could give a decent load and mix for the M&A-

target fast while the greenfield on a new market would require years of patience. On the other hand, a greenfield investment would give the company more degree of freedom with technology and geographical location, but these factors do most likely not offset advantages of M&A. The potential M&A-target should be a reasonable technological fit to take advantage of Suominen's product portfolio and be financially healthy, which are some of the key elements in the potential Asian expansion.

We expect no major investment short term

We argue Suominen has gained decent a headroom to execute Asian M&A if opportunities arise. After recent mostly good cash flow, Suominen has created financial flexibility on balance sheet even if the management seems to be conservative with leverage. Raising equity or other equity instruments is always an option even if current share price does not support use of equity currently. Therefore, we think that Suominen has some tens of millions euros debt capacity in its balance sheet assuming earnings recover, which would allow a medium size deal and some step-up in sales in our opinion. However, finding a good target may be bigger obstacle for a deal than financial headroom when the management considers the timing is right.

Despite decent headroom, we believe the company would like to restore and stabilize its profitability and see its asset utilization level in more stable operating environment post COVID-19 before M&A or brownfield CAPEX. Thus, we do not expect any major expansive projects from the company in the short term while brownfield CAPEX and M&A remain more as medium to long term options.

Strategy and financial targets 3/4

The strategy is clear

We believe Suominen's recent strategy update gave efficiency a slightly larger role. We see this as a back-to-basics step for a manufacturing company and this was vital given Suominen's at maximum satisfactory over the cycle profitability. We consider Suominen's updated strategy adequate, and we believe the company's competitive edge should be in product portfolio and supply chain management efficiency as the company has no sustainable cost advantages. Suominen should also have resources and capabilities to execute the strategy but neither the best strategy is fully immune to competitive environment and trading conditions.

Financial targets and dividend policy

Suominen revised its financial targets for the on-going strategy period of 2020-2025 in the strategy update in January 2020. They are:

Growth: Above relevant market growth

Profitability: EBITDA-% above 12% by 2025

Leverage: Net gearing between 40-80 %

Suominen has a dividend policy to pay out at least 30 % of profits for the period.

Growth target has been distant recently but beating market growth is not utopia

Suominen's relevant markets (Europe and Americas) are expected to grow some 3-4 % p.a. in volume in the coming years. Historically the company has beaten organic market growth in 2013 but was left clearly behind the target in 2014-2019 (in 2015 Suominen's strong growth was FX driven). In 2020

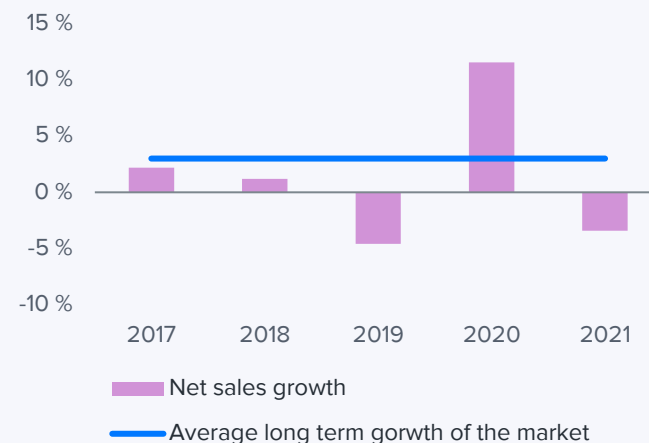
the market demand jumped significantly (could be up to 15 %), and we believe Suominen grew in line with the market in comparable currencies and prices. In 2021 we expect the total market declined slightly as did Suominen's sales. However, long term picture of market growth and Suominen topline performance describes that the target sets the bar high. We believe mostly weak progress of topline has derived from increasing competitive pressure, cost competition issues in value for money business in 2014-2018, delay in start-up in Bethune and some quality and delivery issues in other plants and most recently inventory issues of some large key accounts in US. However, Suominen should be clearly better positioned for growth as the company has improved delivery reliability, efficiencies and product offering in 2019-2021.

We argue that Suominen should aim for volume growth that is at least in line with the market in order to reach the target level. The rest must come from value side as increasing share of value-added and/or sustainable products increases average prices and boost reported growth. However, part of mix improvement will probably offset price pressure, which the bulkiest products has faced historically and will face over the long term. We believe the growth target is achievable for Suominen, but organic growth potential of the current business structure is limited to 3-4 % p.a. over the long term. The on-going inflation will boost the reported growth in near future.

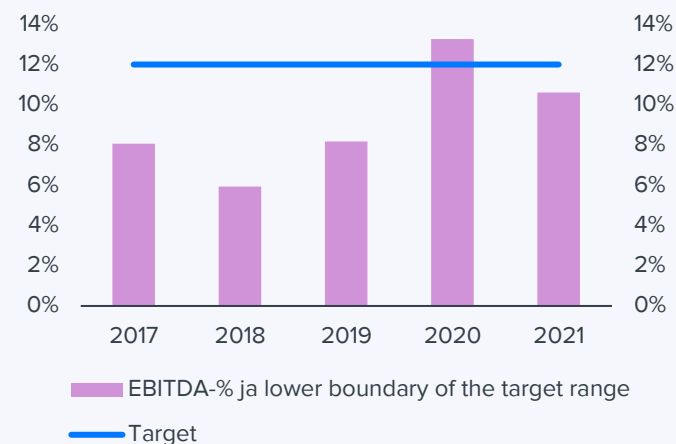
12 % EBITDA-% is a good target in the industry

EBITDA-% target of over 12 % is not easy to reach in in this type of industry in our opinion. To illustrate the height of the bar, Suominen reached 13 % EBITDA-%

Net sales growth and long term growth of relevant market



EBITDA-% ja lower boundary of the target range



Strategy and financial targets 4/4

in extremely good trading conditions (incl. strong demand and low raw-material prices) in 2020, 10.6 % EBITDA-% in 2021 and averaged 9.4 % in 2016-2021. Neither has many of its competitors reached the targeted margin level sustainably. Over 12 % EBITDA-% would lead to 7-8 % EBIT-% and correspondingly double-digit ROI-% and ROE-% in normal circumstances. These returns would beat clearly Suominen's WACC-% and cost of equity. Therefore, we consider the target to be challenging over the business cycles but on the other hand realistic in a normal to good trading environment.

Suominen's profitability is well below target currently, but we consider the target is reachable at the end of the strategy period when volume and value growth have increased topline and GM-% has been restored to more normal level. We do not expect major contribution from SGA leverage as Suominen has already reached pretty good 6-7 % SGA-% of sales.

Balance sheet is in the decent shape now

Due to Suominen's position in the value chain, we believe that it is businesswise necessary to maintain a strong balance sheet. However, the company operates in a somewhat capital-intensive manufacturing industry, where certain leverage is required to ensure minimal cost of capital and optimal return on equity. Therefore, we consider Suominen's current target range for leverage adequate and we argue the company's sweet spot is somewhere at the lower end of the target range. However, we would not be surprised if Suominen went to the upper end of the range or slightly above the range temporarily. This could be possible if the company has a good reason (i.e. attractive M&A) to

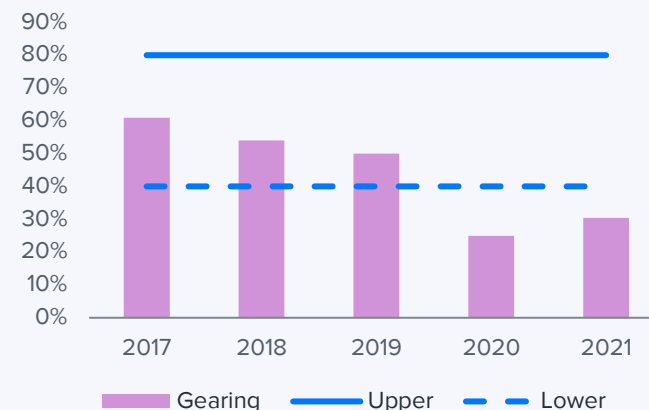
exceed the target and the return to the range is in the company's hands.

Currently Suominen is around the lower end of the range even if the last quarters have been difficult in terms of profitability and NWC control. The company stayed within the range despite profitability issues in 2017-2019 and complying IFRS 16 standard, which increased reported net debt. This was due to then healthy and also recently reasonable cash flow that the company has been able to deliver. In addition, strong profits and cash flow in Q1'20-Q2'21 improved the balance sheet between the challenges.

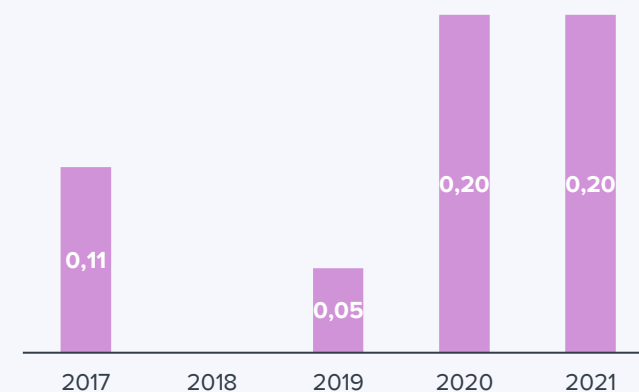
Therefore, the company's financial position is solid right now and the balance sheet gives the management a lot of leeway to develop the company. However, we do not expect that Suominen aims to deploy aggressively capital to investment or payout in order to reach the target range. Therefore, we would not be surprised at all if Suominen remained somewhat well capitalized or even overcapitalized over extended time period.

Suominen left shareholders without dividend only in the spring of 2019 (dividend from the year 2018) but otherwise the company has met its dividend target. Given Suominen's strong balance sheet structure and limited CAPEX needs in the base case, we believe that Suominen should be able to meet its cautious payout target in the future. However, amount of dividends will depend strongly on profit level as we believe the management and the board intend to prioritize company development (investments for the future) over payout in their capital allocation decisions.

Gearing and target range boundaries



DPS



Nonwovens industry and competition 1/4

Suominen's main market consists of nonwovens for wiping

Suominen operates in a global nonwovens market and the overall market size was estimated to be 26 billion USD before the pandemics and market size went probably clearly up if extraordinary years of 2020 and 2021 are combined. This is of course divided between various segments. Suominen operates in wiping and on selected niches in medical and hygiene segment and the company is not present at all in other segments of the market.

According to Suominen, wiping (incl. sub-segments of baby care, workplace, household, personal hygiene) was globally a market worth of some 2.1 billion USD before the pandemics. However, we believe the market has become significantly bigger in 2020. We believe market size went up to 15-20 % in volume and slightly less in value due to raw-material pricing in 2020 while in 2021 volume may have been flat or slightly down but higher prices increased monetary value of the market. Suominen is present all over the wiping market. Medical is a small market worth less than 1 billion USD but hygiene is the largest single segment in the nonwovens market worth of some quarter of the total market. In medical & hygiene Suominen is focusing only on selected products and does not even try to compete all over the segments as Suominen's focused technology portfolio supports sharp focus areas.

Nonwovens is a local business

As the nonwovens are products with high volume and low unit cost, they are unable to carry significant

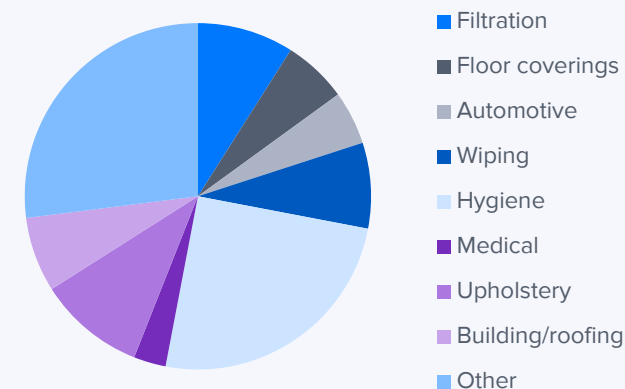
logistics costs. Currently overseas sales is even more difficult than normally as cost of logistics is extremely high. Thus, nonwovens business is mostly local by nature and production must be continental or in certain cases even more local. More expensive value-added products can carry higher logistics costs than the cheapest value for money products, which slightly expands the potential market area at the high end. Difficulties related to overseas sales are proved also by Suominen's geographical sales split as only less than 1 % of net sales came from the regions in which the company did not have production in 2021. However, at least Chinese players have exported nonwovens to US and Europe to some extent during demand boost in 2020 but this has not broken the pattern sustainably.

Locality reduces somewhat Suominen's global operational synergies and ability to utilize its key accounts consisting of large brand companies without expanding its plant portfolio geographically. However, unsustainably high transportation costs shield European and North American markets from Asian low-cost exports (other shields are quality requirements and customers' brands). This limits competitive pressure in Suominen's main markets. Therefore, the local nature of the industry is a two-edged sword for Suominen.

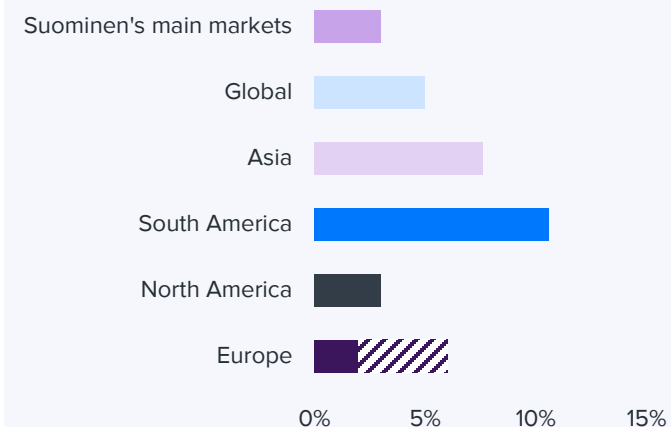
Historical market growth exceeds GDP growth

Demand for nonwovens products has grown historically 2-4 %-points faster than GDP in developed US and European markets. This has been driven by several sustainable trends such as population growth and aging, increasing

Segments in nonwovens industry



Expected long term CAGR in wiping



Nonwovens industry and competition 2/4

consumption on personal health and urbanization. In the future, these trends will be increasingly present in developing markets, which have a clear impact on market growth expectations in the future. In addition to these traditional trends, COVID-19 increased consumer's interest in cleaning, hygiene and disinfection. Combined market statistics are not available yet, but we believe the market took a level jump somewhat above trend growth line in these years. As the situation normalizes, we expect the growth continues its trend-like growth from somewhat higher base as consumers usually do not quit using nonwovens once starting the use. However, consumer behavior is very difficult to estimate in current very fast changing environment.

Long term growth estimates were made before the pandemic

According to Euromonitor's latest 5-year market outlook, demand for nonwovens in wiping is expected to grow with CAGR off around 3 % in North America, 3-6 % in Europe, 11 % in South America, 8 % in Asia and 5 % globally. These are expected long term growth rates for volume. However, as said, it is possible but not sure that demand growth continues just from higher level after the pandemic if changes in consumer behavior become permanent. We argue that value of the market should grow slightly faster than volume (or at least in line with volume) as value added and sustainable grades grow the fastest (Europe is a front runner in this sense), which could offset long term price pressure of value for money grades. Also, in short-term rising or high raw-material costs boost market growth in monetary terms but this may partially revert once raw-material markets cool.

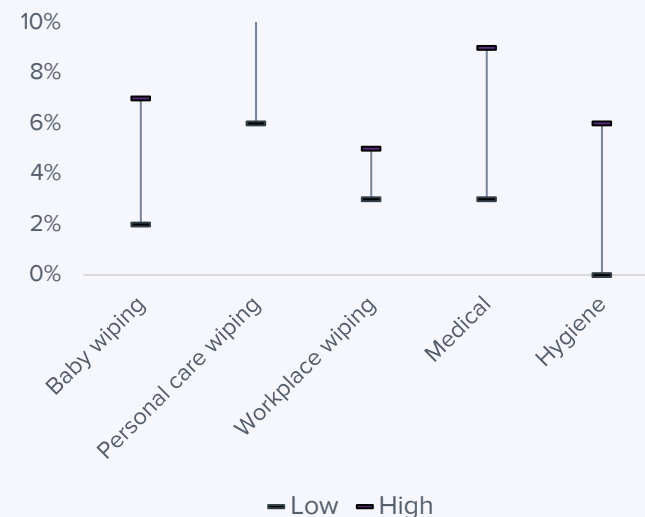
The figures equal approximately 3 % expected CAGR for Suominen's main markets (Europe and Americas) and some 5 % globally over longer term. Short term, however, declining real wages and decreasing consumer confidence cause mostly negative risks.

These figures represent the overall growth for nonwovens demand while growth varies greatly between end-use segments. This gives Suominen the opportunity to focus on the most interesting and fastest growing segments. Generally, value added categories, which include sustainable nonwovens made from natural fibers, have a better growth outlook than value for money products. In other words, some 60 % of the company's current offering are expected to exceed the average market growth. Thus, the company should have room to exceed overall market growth in its probably most profitable product categories, which support Suominen's aim to exceed market growth and to improve profitability. The results will depend on the company's success in strategy execution, but the demand outlook is supportive in the long term while pandemic and on going consumer squeeze can still cause some short-term fluctuation.

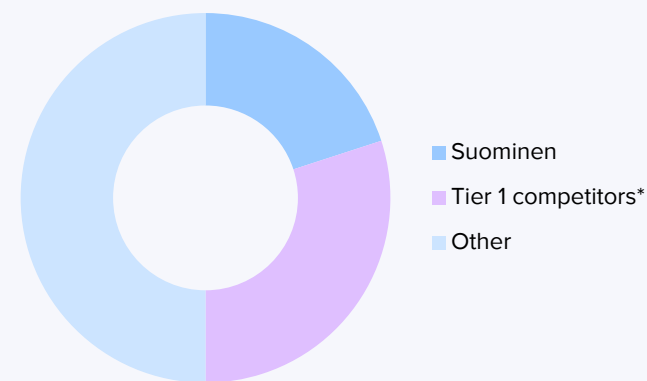
Fragmented markets in global scale

Given Suominen's sales and market size, Suominen has a 20 % market share in wiping, which makes the company a global market leader in the segment. Overall, the wiping market is very fragmented globally. The four biggest tier 1 wiping competitors (Berry Plastics, Kimberly-Clark, Glatfelter, Sandler) have together some 30 % market share, thus the five biggest hold only slightly above half of the market.

Suominen end-uses' expected CAGR



Suominen's market share



*Tier1 competitors (global players): Berry HHS, Kimberly-Clark, Glatfelter SL, Sandler

Nonwovens industry and competition 3/4

The other half is controlled by small local players. The fragmented market structure feed competitive pressures in the business in our opinion. Glatfelter is a new player in the business as it acquired Jacob Holm in 2021. We believe that is slightly positive move from industry dynamics and Glatfelter must as listed company to digest its debt, which requires profitability and disciplined capital allocation.

As discussed, in medical and hygiene Suominen is a minor player. Thus, the company does not have any material market share in global or even local markets in these segments.

Supply/demand varies between segments

The whole wiping business had been suffering overcapacity before the pandemic in Europe, which was mostly built during 2000s. The most pressurized segments have been baby care and from mid 2010s also flushables. North American market has been more balanced. According to our analysis, COVID-19 made basically all geographical areas undersupplied as demand increased fast in cleaning, disinfecting and hygiene related end uses and grew total market clearly despite some headwinds in industrial and consumers' away from home categories. However, the new normalized balance may have not been reached yet as signs of undersupply have cooled visibly since summer 2021 due to several factors which magnitude is difficult to characterize.

We believe the market is under normal circumstances somewhat tighter in North America than in Europe currently. This also has been the case over long term while recent supply chain and inventory issues have touched more North American

market. However, the future depends naturally on demand level and amount of new capacity additions. Negative progress in either demand or supply could loosen now relatively good-looking market balance to more challenging position. We see Asia is suffering with overcapacity currently, but this issue has limited impact on Suominen.

Sustainability trend may bend the balance

In addition, progress of sustainability trend may bend the balance in the future. This derives from the fact that the current nonwovens lines need to be run some 10-15 % slower if raw-material is changed from synthetic fibers to cellulosic fibers. This limits size of global supply if/when share of cellulosic fibers increase in the total fiber furnish of the industry.

South America offers potential for Suominen

In addition to main markets in North America and Europe, South America is a developing market and Suominen is basically launching value-added grades (incl. sustainable grades) to the market after rebuilding was completed in Paulinia plant in 2015. Therefore, it will take time to reach significant value-added sales in Brazil on group level, but the region could be a source of strategic growth for Suominen. Recently, Brazilian nonwovens markets remained relatively robust during the last decade despite reoccurring challenges with the economy. This confirms the defensive nature of the business. We believe Suominen should be operating in good environment in South America right now.

Capacity increases are inevitable

Capacity increases are natural and inevitable as the

Some announced capacity adding spunlace investments in Suominen's markets

Company	Country	CAPEX (if published)	Capacity (if published)	Starting (if published)
Suominen	Italy	8 MEUR	-	H2'21
Jacob Holm	US		-	Q4'21
Minet S.A.	Romania		10,000 tons	Q2'22
Berry	Europe		300 million sqm.	Q3'22
Berry	US	70 MUSD		Q1'23
Fitesa	Brazil			Q1'22
Fibertex	Europe	50 MUSD		
Fibertex	US	50 MUSD		
Biosphere	Europe		26000 tons	H1'23

Nonwovens industry and competition 4/4

markets went clearly undersupplied in 2020, are partially changing (from synthetic fibers to natural fibers) and are growing (potentially even from higher base). Given the backgrounds, several players have decided to invest in new capacity in Europe and US and 2-3 new lines per continent will enter in the market in 2022-2023. Capacity additions have usually impact on the market balance at least in the short term. For example, we argue the capacity additions in 2015-2017 in US and Europe was one factor that has kept Suominen's volumes stable or declining in 2014-2019 and pushed sales prices clearly down in 2016-2018. This reflects the competitive environment in the industry, which is fierce under normal circumstances.

We argue that one typical new production line in Europe or North America will raise up local production capacity some 2-3 % on wiping level. Given the size of the market, one line per continent annually is required to meet demand growth. More may be needed if we assume growth continues from higher level after the pandemic and speed of lines will reduce slightly. Therefore, we believe market is able to absorb committed investments if demand does not prevail and change in fiber mix begins to materialize. Continuously several new lines per annum would create market pressure if old capacity was not simultaneously closed according to our analysis. This is the big picture on overall market conditions while there may be significant deviations in sub-segments and geographically. However, we believe that value added grades and sustainable grades (more difficult to manufacture) will be better balanced than technically easier value for money business. Anyhow, investments of the industry and

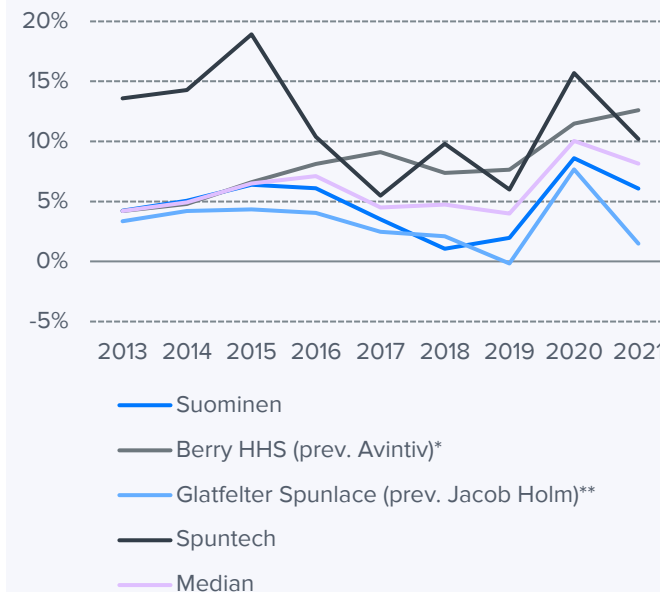
supply/demand-balances are a factor to follow in nonwovens business.

Performance versus sector peers*

It is difficult to compare Suominen's financial performance to other players directly due to fact that competitors are private entities or parts of big corporations, which have different businesses that reduce comparability. In addition, different product segments can reduce comparability. However, we have benchmarked Suominen's financial performance against certain peers, which compete with Suominen at least to some extent.

Tailwind from markets gave a major boost for entire industry in 2020 and also 2021 was a good year for the industry. However, margins have deviated a lot during the last 9 years and the direction has been down recently. Suominen's performance has been better than Glatfelter's (prev. Jacob Holm), which is a direct competitor, while Suominen has fallen short of Berry HHS' margins on average and in 2021. Thus, recent relative progress is decent in our opinion. 9-year average of peer groups' EBIT-% is 6.9 % (5.4 % excl. Spuntech), which gives some impression on the long-term margin potential in the business (4-6 % EBIT-% corresponds usually to some 8-10 % EBITDA-% in nonwovens industry). Suominen's 9-year average EBIT-% of 4.8 % drops slightly short of the peers, thus historical performance of the company does not suggest that Suominen has strong competitive advantages. In addition, exceptional long-term performance of Spuntech illustrates profit potential of value-added niches as the company used to be a very focused niche player at least it the beginning of the past decade.

Suominen EBIT-% vs. peers



*accounting period is not full calendar year

** 2021 is estimate based on Glatfelter's and Jacob Holm's reported quarterly figures

Financial position 1/2

Non-current asset values seems to be relevant

The majority of Suominen's non-current assets consist of tangible assets, which are mostly plants (land and properties) and machinery. At the end of Q1'22 tangible assets were 132 MEUR (incl. right-of-use assets) consisting mostly of machinery. At the end of Q1'21 the balance sheet contained some 15 MEUR of goodwill representing 10 % of equity attributable to shareholders. Other intangible assets were 13 MEUR.

We consider asset values to be relevant as the company depreciates its assets relatively fast and units carrying goodwill have been generating positive cash flow in the last years. Therefore, we see no major write-down risks in the assets and the company has also made no write-downs in the near history. Write-down risks were in our opinion reduced also in Q1'21 as the company managed to dispose all its assets (receivables and equity) related to Amerplast. This was in our opinion a good move as the assets were totally just legacy from Flexibles BA divestment in 2014 and totally non core. We argue also divestment price was good if not very good as Amerplast's business fluctuated a lot.

Cash position covers maturing bond

On the current asset side, the three biggest items were inventories (49 MEUR), trade receivables (67 MEUR) and cash (97 MEUR) at the end of Q1'21. Suominen issued a new 50 MEUR bond in June 2021, which appeared to be a very good timing as interest rates and margins have increased since then notably. Thus, the company is ready to pay back its older 85 MEUR bond, which matures at the end of

October 2022.

NWC has turned to uphill recently

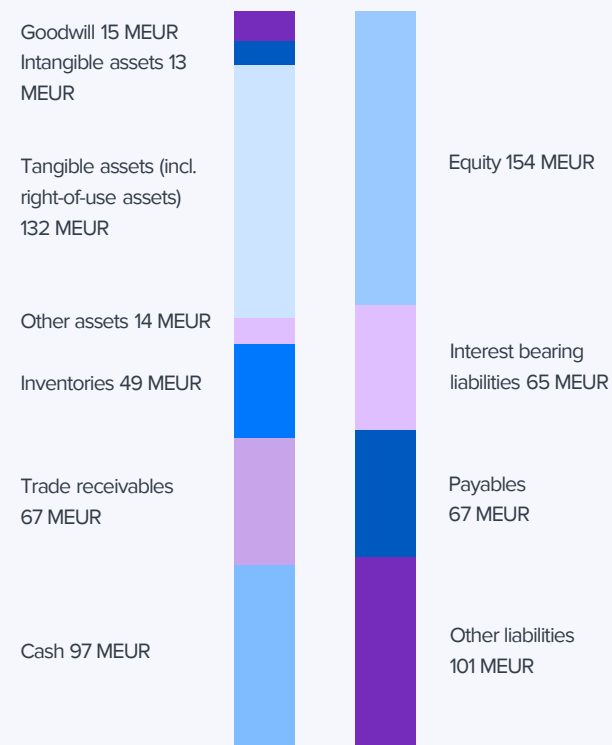
Suominen has trimmed its NWC last few years, but inflation and volumes issues turned NWC to uphill during the year of 2021. At the end of Q1'22 NWC was some at 15 % of net sales, which is above 5-year average of 11 %. Suominen utilizes also some factoring to speed up turnover of receivables and this should be cheap for them as most of Suominen's key accounts have very low credit risk profile. We believe that the current NWC level is elevated for Suominen. If current commodity and end-product prices normalize, we believe Suominen should be able to push its NWC-% back to historical levels but staying below 10 % may be difficult over the business cycles. Other items in current assets have quite limited significance on group level.

Freedom to execute strategy from liabilities perspective

Suominen has 154 MEUR of equity attributable to owners of the parent company. In addition to P&L, FX (EUR/USD) driven asset revaluation or devaluation maybe have impact on Suominen's equity. However, in practice this kind of non-cash fluctuation does not have any real implications on investors in our opinion.

Suominen's non-current liabilities included a 49 MEUR bond finance (carrying amount). This consists of a five-year 50 MEUR bond (nominal) issued in June 2022. The difference between the carrying amount and sum of nominal values is valuation difference.

Balance sheet at the end of Q1'22



Financial position 2/2

The 50 MEUR senior bond has a coupon rate of 1.5 %. In addition, old 85 MEUR bond (with carrying value of 84 MEUR) that matures in 2022 is included in the current liabilities. We estimate that Suominen pays old bond from its cash position at the end of October this year, thus the company is basically refinanced. The financing structure guarantees also a low cost of finance for the company for the next few years.

In addition, the company has 100 MEUR RCF (RCF expires 7/2025), which had not been used 15th of June 2022. In our estimation this should be cheap money for the company. In addition, the company had 15 MEUR liabilities related to long term rents (IFRS 16) and 3 MEUR short term rents. Altogether, we consider the cost of the company's debt finance very reasonable given current market conditions in debt market, which have become more challenging very fast during the last 12 months.

Current liabilities include also payables of 67 MEUR, which is slightly atypically below receivables. Payables should increase slightly when the company can overcome its on-going volume issue. Other items in current or non-current liabilities are small. Total assets were at 386 MEUR at the end of Q1'21 but current level is probably some 50 MEUR elevated due to excess cash position / completed refinance. Altogether, Suominen operates with reasonably light balance sheet given the scale of the business in our opinion.

Balance sheet is currently in good shape, which enables investments and medium scale M&A

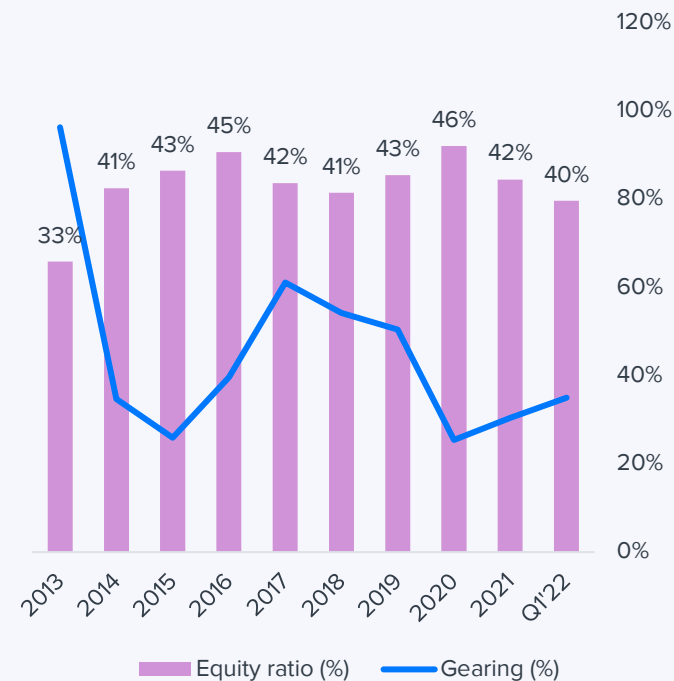
Suominen's gearing was 35 % and equity ratio 40 % at the end of Q1'22. Gearing is slightly below the

company's target range of 40-80 % and direction should stabilize as trading outlook is improving after 3 difficult quartiles and there are no major investment projects under execution. Net debt/EBITDA -ratio was on a satisfactory level of 1,7x at the end of Q1'21, which we consider to be at the higher end of the company's comfort zone. However, the figure is depressed by low EBITDA and current low point of the profit cycle rather than unsustainably high net debt.

Thus, we argue that Suominen's balance sheet is currently in good shape and enables company to consider strategic growth (including M&A transactions in Asia) in coming years if opportunities arise. On the other hand, if Suominen does not find any attractive M&A targets or investment projects and profits normalize, we argue that company could raise its payout ratio. Therefore, overcapitalizing, which in our opinion means holding significant amount of net cash, is unlikely in our opinion.

As mentioned, we argue that Suominen needs certain leverage to keep WACC-% reasonable and to boost return on equity. We argue the company's sweet spot should be around the lower end of the current target range. This is quite close to current metrics. Given these limits, we estimate that Suominen has now 50 MEUR net debt capacity available for CAPEX and/or M&A but the figure could be even higher if the management tolerates temporarily higher gearing-% or/and the company manages to trim NWC back to historical levels. The firepower would enable some step change in sales given typical EV/S valuations (< 1x) in the business in M&A deals.

Historical development of the balance sheet



Estimates 1/4

Model and cornerstones of our estimates

We model Suominen's net sales short and medium term based on estimated volume growth, price/mix-development and FX-impacts. Long term growth estimates are based on market growth and expected progress of the company's market share. We model the company's GM-% and SGA-% structure quarterly and on an annual basis in order to estimate short and medium-term profitability. Our long-term profitability estimates are based on historical performance and our estimate of margin potential. We do not take potential M&A into account in our estimate even if we believe Suominen will seek inorganic growth in the long term.

Suominen had a difficult start for the year of 2022

Suominen had difficult start for FY'22. The company's Q1 revenue declined some 4 % to 110 MEUR. Revenue was driven down by weaker volumes (Q1'21 was also extremely strong). FX rates had a negative impact on sales whereas selling prices increased in year-over-year comparison as they kept following raw-material inflation with the lag.

In Q1'22 Suominen's adjusted EBIT nosedived y-on-y and declined significantly to weak level of -1.3 MEUR. Profit downhill was driven by GM-% (over 11 %-point increase to 6 %) development when higher volumes, improved production efficiency and neutral price/input cost -ratio had positive impact on profitability. However, FX burdened EBIT by some 1.5 MEUR (most likely in US). Suominen kept SGA-costs strictly under control as usual. In the lower lines, financing expenses and taxes as net did not include

major surprises. Thus, Suominen's EPS dropped to -0,04 EUR driven by weak operating result. Cash flow that was negative in Q1, was depressed by working capital increase. We believe this was mainly due to supply chain issues and inflation.

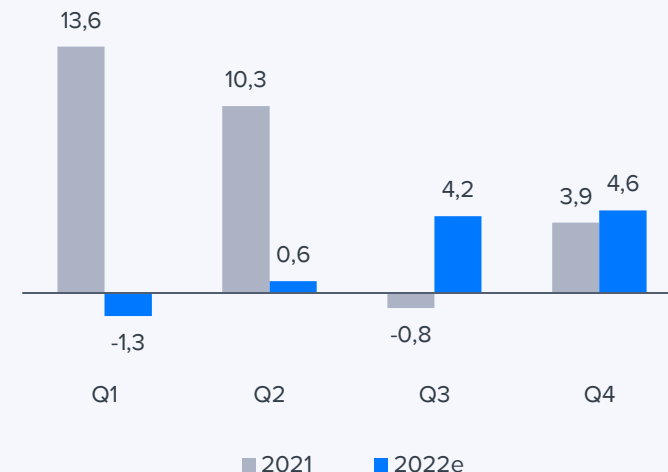
...and the guidance was downgraded

In its Q1 report, Suominen lowered its 2022 guidance and according to the updated guidance, the company's adjusted EBITDA in 2022 will decrease clearly from 2021 (prev. decrease from 2021). Suominen generated 47 MEUR EBITDA in 2021. According to the company, the war in Ukraine has exacerbated the already significant inflation in raw materials, energy and transport. In addition, normalization of customers' inventory levels in the US has progressed somewhat slower than expected. With regard to raw materials, the company said it saw signs of a slowing inflation rate in H2. In terms of demand, there was nothing negative in the comments even if we see a chance that lower consumer confidence decreasing purchasing power of the consumers causes pressure in H2 for Suominen at least regarding the product mix.

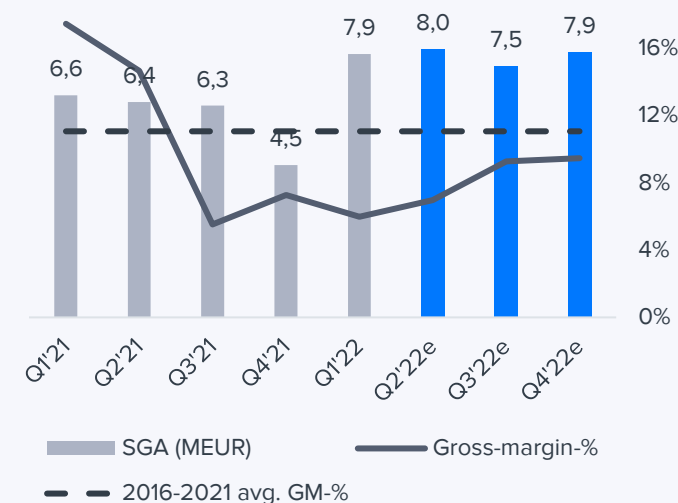
2022 estimates

Currently we estimate Suominen will grow 10 % and report 488 MEUR net sales in 2022. We expect volumes to remain flattish as supply chain and customer inventory issues have pushed deliveries clearly down in H1 despite new production capacity in Italy. We estimate volumes will turn uphill from Q3'22 onwards as comparable figures moderate, inventory issues at certain customers in US begin to

Adjusted EBIT Development



SGA-cost and GM-% development



Estimates 2/4

normalize and the company's corrective actions yield results. The latest include also some change in production capacity allocation as Suominen is now ready to increase its offering to well functioning MTT market and correspondingly reduce its capacity in recently struggling HSD segment in US. In addition, custom statistics confirm that Chinese nonwoven imports, which were resulting the supply chain and inventory issues, have not been there since summer 2021. This gives some confidence that inventory issue is temporary in US.

We expect prices to increase in lag with raw-material prices. Price versus production cost differential should according to our calculation turn to slightly positive in Q2 as increase rate of raw-materials has very slightly moderated and therefore pricing should be able to catch up a bit. Also, the energy surcharge should help a bit in Europe. We expect catching up becomes faster in H2 when raw-material increase rate is expected to slow further down. At this point we expect clearly positive impact from FX to reported sales in 2022.

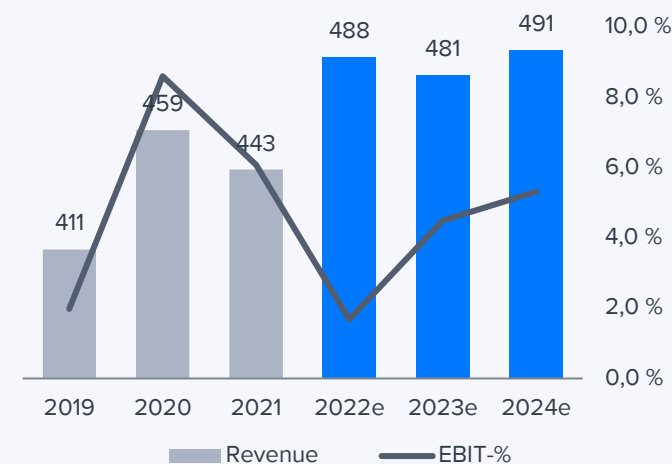
We estimate Suominen's GM-% to drop over 3 %-points to 8 %. This is clearly weak level for Suominen given its structure in SGA. This is driven by very negative price to raw-material differential and low volumes in H1, which improvements in both fronts can not compensate in H2. We estimate SGA-% to remain on good level at some 6 of sales % in 2022 due to strict cost control. We expect FX to have also a slightly positive impact on EBITDA and EBIT. Therefore, we forecast comparable EBITDA of 28 MEUR for 2022, which according to our

understanding is also in line with the company's existing guidance. We expect depreciation to remain basically flat at 21 MEUR. We have made some negative revisions on our estimates FY'22 due to recent declines in consumer confidence and higher than expected increases in raw-material and energy costs.

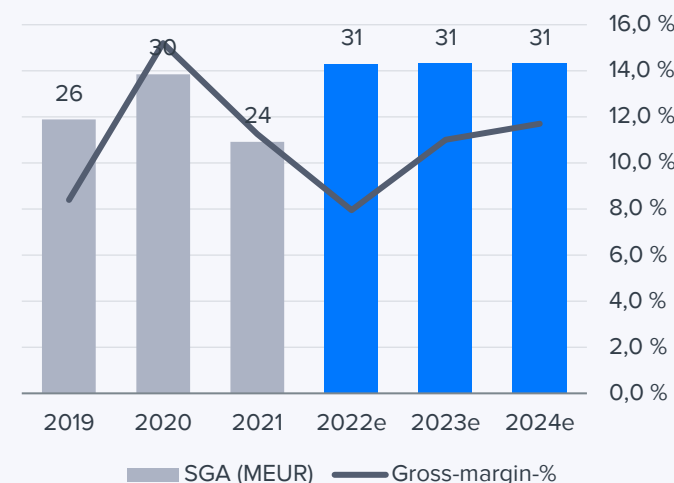
Below EBIT we forecast net financing costs to be at -4.4 MEUR in 2022. Financing costs should decrease in Q4 when the company pays back its old 85 MEUR bond from the existing cash reserves. We expect tax-rate to be 23 % in 2022, which is above the company's normalized level. This is due to probably from uneven profit generation on the geographical basis, which was visible also in Q1. In addition, The company did not have losses outside of the balance sheet any longer at the year end.

Altogether, we estimate EPS to decrease significantly to 0.04 euros. We estimate Suominen will pay a dividend of 0.10 EUR per share, which is above the company policy, but we argue company could afford this and avoid huge cut in the dividend. FCF should drop clearly to weak level in 2022. CAPEX remains very likely below depreciation, but current difficult market condition are likely to tie NWC especially in H1 and H2. Minor net profit and positive FCF should keep gearing under control. We expect year end gearing to be 36 % (changes in FX can deviate slightly equity and correspondingly gearing). Thus, Suominen's financial position should remain within the comfort zone despite very difficult operating environment.

Revenue and EBIT-% development



SGA-cost and GM-% development



Estimates 3/4

2023-2024 estimates

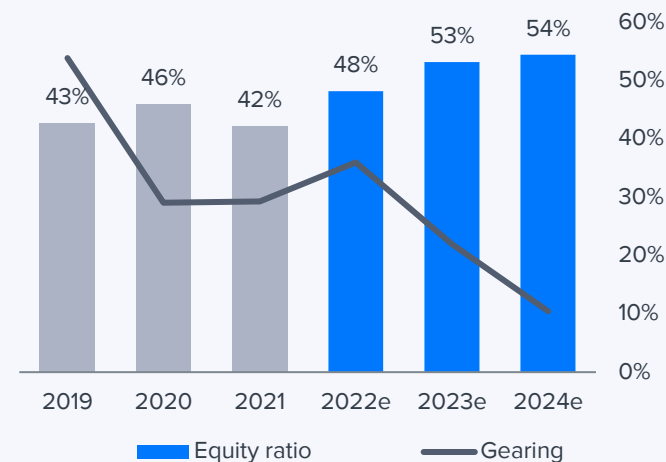
We expect coronavirus outbreak has no major direct negative impact on the business in 2023 as all voluntary people are vaccinated Suomenin's all main markets and restrictions are lifted. However, we expect tendency to clean grows permanently and demand for wiping begins to follow its long term demand patterns. Supply chains are also expected to operate somewhat better in the next year. However, growth of US and especially European GDP is in danger especially FY'23 due to on-going very high inflation rates that central banks are combatting with clearly tightening monetary policy. As a silver lining for Suomenin, potential global recession would probably cool down raw-material markets, which could would compensate possible volume and mix related setbacks.

As company specific drivers, Suomenin's developing product offering (i.e. new products and recent investments in product quality), gradually improving efficiency and the restarted line in Italy should support value and volume growth. Raw-materials represent still a risk as our base case expects somewhat declining commodity prices in 2023 (and pricing goes anyway to same direction with raw-materials). New capacity entries remain also a pricing risk but there should be no major problems if demand does not prevail. Sustainability trend gains pace in our estimate even if inflation and declining purchasing power may cause some hick-ups especially in US. Intensifying sustainability efforts should improve Suomenin's relative position in competition.

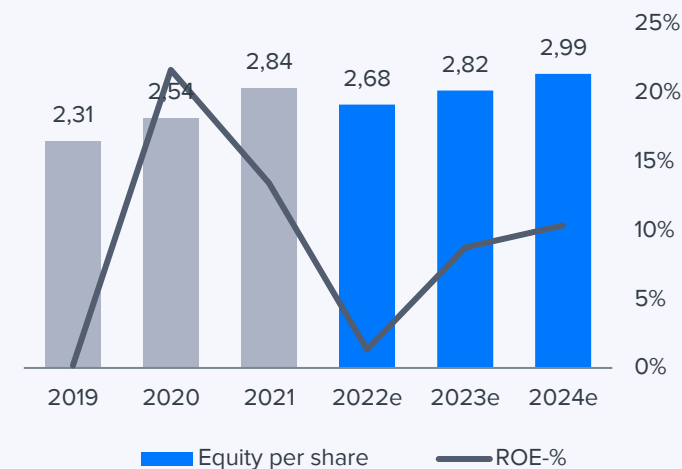
We estimate Suomenin's net sales to decrease 2 % to 481 MEUR in 2023 and increase 2 % to 491 MEUR in 2024. The main drivers are slight volume growth and product mix (sustainable and value-added grades) while we expect pricing to have slightly negative impact on 2023 and slightly positive in 2024. Our GM-% estimate for 2023 and 2024 are 11.0 % and 11.7 %, which are slightly above Suomenin's long term average. This reflects product mix transformation, efficiency improvement, mentioned raw-material/pricing-element development and normalizing competitive environment. We see that SGA will continue to face slight pressure upwards on absolute terms in 2020's but operating leverage should keep relative figure fairly flat at some 6 % %. Therefore, topline growth and good GM-% drive Suomenin's EBITDA to 43 MEUR in 2023 and to 47 MEUR in 2023. These figures begin to correspond a satisfactory EBITDA-% of 9-10 % which is above long-term industry average but clearly below to Suomenin's 2025 target. In addition, we expect Suomenin's ROCE-% of 9-11 % to beat WACC-% in 2023-2024. We have made no major changes in our estimate for 2023-2024.

Financing costs should be down in 2023-2024 as net debt level decreases with good profits and correspondingly healthy cash flow while average interest rate is quite tightly fixed (majority of financing is bond). We estimate Suomenin's tax-rate to reach more normalized level of 25 % in 2023-2024. This estimate does not include any changes in corporate taxation in any of Suomenin's production countries. Altogether, we expect Suomenin to make EPS of 0.24 euro in 2023 and 0.30 euro in 2024. Decent

Balance sheet key figures



Equity per share and ROE-%



Estimates 4/4

level of EPS should keep dividend on an uphill track, and we estimate Suominen to pay out 0.13 cents DPS in 2023 and 0.16 cents in 2024. These are above Suominen's dividend policy (2022e-2023e: 50-55 % payout) as according to our estimate, Suominen retains its gearing level below the lower boundary of its long-term target. Higher growth CAPEX (new lines) and M&A could, however, change the dividend expectations.

Long term estimates

From 2025 onwards we are expecting growth to be within 2-3 %, which represents the average growth rate of the industry and GDP growth in the main markets over the long-term. We estimate EBITDA margin to climb to 11 % in 2026 (correspondingly EBIT-% 6.5 %) and to decrease to 8-10 % (EBIT-% 5-6 %) over long term when competition intensifies. Thus, our long-term estimates stay below the company's long-term targets but are quite well in line with Suominen's historical performance. We have made no adjustments to our long-term estimates. Therefore, there could be upside in medium-term estimates if the company can demonstrate its ability to return margin levels that were reached during pandemic time in 2020-2021. However, the company's recent ups and downs and challenging historical industry dynamics advocate being cautious with the estimates over longer time frame at this point.

These estimates are based on organic growth even if we believe that Suominen will make M&As over the long term. Thus, potential transactions could have

significant impact on estimates, but their timing is naturally impossible to estimate. In addition, long term estimates are non-cyclical averages as timing of cycles is impossible to forecast.

EPS and DPS



Quarterly estimates and estimate changes

Income statement	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Revenue	459	115	114	98,7	116	443	110	122	126	130	488	481	491	502
Nonwovens	459	115	114	98,7	116	443	110	122	126	130	488	481	491	502
EBITDA	60,9	18,5	15,3	4,2	9,0	47,0	3,3	5,6	9,4	10,0	28,3	42,7	47,3	51,4
Depreciation	-21,4	-4,9	-5,0	-5,1	-5,1	-20,1	-4,6	-5,0	-5,2	-5,4	-20,2	-21,1	-21,2	-21,6
EBIT (excl. NRI)	39,5	13,6	10,3	-0,8	3,9	26,9	-1,3	0,6	4,2	4,6	8,2	21,6	26,1	29,8
EBIT	39,5	13,6	10,3	-0,8	3,9	26,9	-1,3	0,6	4,2	4,6	8,2	21,6	26,1	29,8
Nonwovens	39,5	13,6	10,3	-0,8	3,9	26,9	-1,3	0,6	4,2	4,6	8,2	21,6	26,1	29,8
Net financial items	-5,6	3,3	-1,6	-1,0	-1,1	-0,4	-0,9	-1,5	-1,3	-0,7	-4,4	-3,2	-3,1	-3,1
PTP	33,9	16,9	8,7	-1,8	2,8	26,6	-2,2	-0,9	2,9	3,9	3,7	18,4	23,0	26,7
Taxes	-3,8	-3,1	-2,6	0,1	-0,3	-5,8	-0,1	0,2	-0,7	-1,0	-1,6	-4,6	-5,8	-6,7
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	30,1	13,8	6,1	-1,7	2,5	20,7	-2,3	-0,6	2,2	2,9	2,1	13,8	17,3	20,0
EPS (adj.)	0,52	0,19	0,11	-0,03	0,04	0,31	-0,04	-0,01	0,04	0,05	0,04	0,24	0,30	0,35
EPS (rep.)	0,52	0,24	0,11	-0,03	0,04	0,36	-0,04	-0,01	0,04	0,05	0,04	0,24	0,30	0,35

Key figures	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Revenue growth-%	11,5 %	4,6 %	-6,9 %	-14,5 %	4,1 %	-3,4 %	-4,4 %	7,6 %	27,4 %	12,4 %	10,1 %	-1,5 %	2,1 %	2,2 %
Adjusted EBIT growth-%	385,8 %	138,5 %	-16,5 %	-106,5 %	-54,6 %	-31,8 %	-109,3 %	-93,8 %	-603,7 %	17,7 %	-69,6 %	164,2 %	20,8 %	14,2 %
EBITDA-%	13,3 %	16,0 %	13,5 %	4,3 %	7,8 %	10,6 %	3,0 %	4,6 %	7,5 %	7,7 %	5,8 %	8,9 %	9,6 %	10,2 %
Adjusted EBIT-%	8,6 %	11,8 %	9,1 %	-0,9 %	3,4 %	6,1 %	-1,1 %	0,5 %	3,4 %	3,5 %	1,7 %	4,5 %	5,3 %	5,9 %
Net earnings-%	6,6 %	11,9 %	5,4 %	-1,7 %	2,2 %	4,7 %	-2,1 %	-0,5 %	1,8 %	2,2 %	0,4 %	2,9 %	3,5 %	4,0 %

Source: Inderes

Estimate revisions	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	488	488	0 %	483	481	0 %	493	491	0 %
EBITDA	30,9	28,3	-8 %	43,3	42,7	-1 %	47,6	47,3	-1 %
EBIT (exc. NRIs)	10,8	8,2	-24 %	22,2	21,6	-3 %	26,4	26,1	-1 %
EBIT	10,8	8,2	-24 %	22,2	21,6	-3 %	26,4	26,1	-1 %
PTP	6,4	3,7	-41 %	19,0	18,4	-3 %	23,3	23,0	-1 %
EPS (excl. NRIs)	0,07	0,04	-48 %	0,25	0,24	-3 %	0,30	0,30	-1 %
DPS	0,10	0,10	0 %	0,13	0,13	0 %	0,16	0,16	0 %

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	164	162	155	149	145
Goodwill	15,5	15,5	15,5	15,5	15,5
Intangible assets	16,7	13,2	13,3	13,4	13,5
Tangible assets	122	131	124	118	114
Associated companies	0,0	0,0	0,0	0,0	0,0
Other investments	0,8	0,5	0,5	0,5	0,5
Other non-current assets	4,0	0,0	0,0	0,0	0,0
Deferred tax assets	4,0	1,7	1,7	1,7	1,7
Current assets	154	225	164	155	170
Inventories	35,4	49,8	63,5	57,7	56,5
Other current assets	9,4	8,0	8,0	8,0	8,0
Receivables	51,1	65,5	63,5	60,1	58,9
Cash and equivalents	57,9	101	29,3	29,4	47,0
Balance sheet total	317	387	319	304	315

Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	146	163	154	162	172
Share capital	11,9	11,9	11,9	11,9	11,9
Retained earnings	42,0	56,5	47,2	55,3	65,0
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	92,1	94,8	94,8	94,8	94,8
Minorities	0,0	0,0	0,0	0,0	0,0
Non-current liabilities	114	78,8	95,2	76,5	76,5
Deferred tax liabilities	13,3	13,9	13,9	13,9	13,9
Provisions	1,8	1,9	1,9	1,9	1,9
Long term debt	97,8	62,3	78,7	60,0	60,0
Convertibles	0,0	0,0	0,0	0,0	0,0
Other long term liabilities	0,8	0,7	0,7	0,7	0,7
Current liabilities	57,8	145	70,1	65,8	67,0
Short term debt	2,5	86,8	6,0	5,0	5,0
Payables	54,6	57,2	63,5	60,1	61,4
Other current liabilities	0,7	0,7	0,7	0,7	0,7
Balance sheet total	317	387	319	304	315

Valuation 1/3

Valuation cornerstones

Despite recent profitability challenges, investors categorize Suominen as a value or a (slow) growth company. Thus, Suominen is valued by income statement based valuation multiples like P/E, EV/EBITDA and EV/EBIT in the markets.

Correspondingly, cash flow based valuation by P/FCFE is also a feasible metric. In addition, P/B is always a good multiple in the manufacturing industry when it is combined to return on capital. However, in our opinion Suominen should not be directly valued by the balance sheet as the company operates in somewhat less capital intensive segment of manufacturing industry. Dividend yield is also a decent metrics for Suominen as investing with good returns is somewhat challenging in the industry. However, Suominen is not and will not probably be a dividend machine for which the dividend yield is the driving valuation metrics.

The following factors have positive or neutral impact on Suominen's valuation in our opinion:

Trends supporting nonwovens business and sustainable nonwovens give the company good organic growth outlook (above GDP growth) and correspondingly value creation potential.

Defensive nature of the consumer related business keep demand cyclicality of the company limited, which we consider positive from valuation perspective.

Position as a global leader supports the valuation even if the industry is fragmented.

Balance sheet of the company is in good shape and we see no additional balance sheet related risks at the moment.

The following factors have negative impact on Suominen's valuation in our opinion:

Revenue streams are quite centralized in customer and geographical sense, which elevates slightly risk premiums

Difficult value chain position and challenging competitive dynamics from pricing power perspective increases risk level to some extent

Margins have fluctuated quite a lot in the near history (mostly due to raw-material and competitive related reasons), which increases risk profile at this stage.

Free float and liquidity of the share have been recently limited, thus we argue extra liquidity premium is required for the stock

Given that background, we argue Suominen should be valued with a P/E-ratio of some 13x-15x in organic growth phase. Correspondingly, acceptable EV/EBITDA-ratio is somewhere between 6x-7x in our opinion. These figures slightly below the company's 5-year medians but we consider a slight discount acceptable as the last 5-year period is slightly skewed to weak profits rising multiples and interest rates have been basically zero in that period. Naturally, acceptable valuation depends also on profit growth speed and general valuations (incl. interest rates) in the global stock exchanges.

Valuation	2022e	2023e	2024e
Share price	3,14	3,14	3,14
Number of shares, million:	57,5	57,5	57,5
Market cap	180	180	180
EV	236	216	198
P/E (adj.)	85,0	13,1	10,5
P/E	85,0	13,1	10,5
P/FCF	25,3	6,5	6,6
P/B	1,2	1,1	1,1
P/S	0,4	0,4	0,4
EV/Sales	0,5	0,4	0,4
EV/EBITDA	8,3	5,1	4,2
EV/EBIT (adj.)	28,8	10,0	7,6
Payout ratio (%)	271 %	54 %	53 %
Dividend yield-%	3,2 %	4,1 %	5,1 %

Source: Inderes

Valuation 2/3

Acceptable EV-based valuation range is supported also by some M&A-activities in the sector since Blackstone sold Avintiv to Berry for LTM EV/EBITDA 8x in the summer of 2015 while few months earlier Mondi acquired Ascania for LTM EV/EBITDA 6x. Jacob Holm was valued by LTM EV/EBITDA 7x in the summer 2021, when Glatfelter acquired it. These deals give a good indication for valuation levels in the business even if several factors have impacted on transaction prices in M&A-cases.

Valuation multiples

Suominen's P/E-ratios FY'22 and FY'23 based on our estimates are 85x and 13x while corresponding EV/EBITDA-ratios are 8x and 5x. We give a bit more weight on EV/EBITDA as it reflects better Suominen's good cash flow (CAPEX below depreciation in the next few years). In addition, Suominen's P/FCFE ratios based on our estimates are single digit from FY'23 onwards while FY'22 multiple is high due to weak profit and increase in NWC. Given our valuation range for Suominen, multiples are undemanding FY'23 if the profit turnaround materializes expectedly from H2'22 onwards. However, we see multiple based valuation in general (incl. FY'22 and FY'23) to be rather neutral given the opportunities and risks related to the profit trend. In addition, EV/EBITDA with 5-year median EBITDA i at 6x. We consider the figure decent but not highly attractive. Thus, over the cycle valuation does not yet give strong signal to buy.

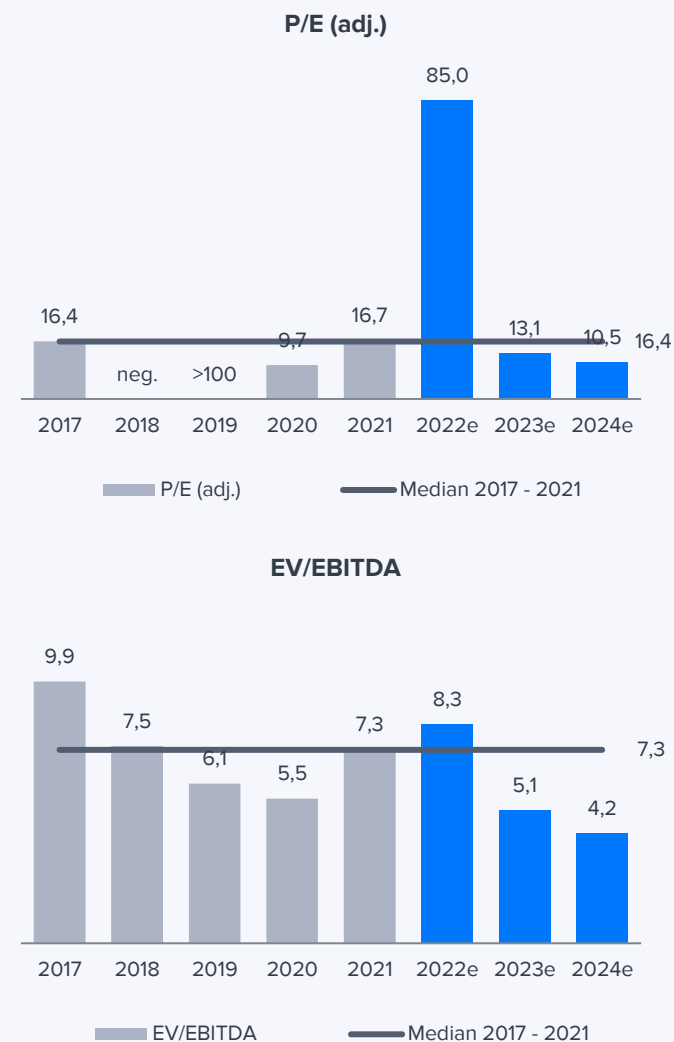
P/B-ratio is 1.2x while EV/S-multiple is 0.5x (2022e). These figures have dropped well below the company's 5-year averages and moderate on

absolute terms. Thus, we argue that very high long-term expectations are not priced in the share as share price has depreciated almost 50 % during the last 12 months. However, we see that balance sheet and volume-based valuation do not yet to give strong support for the share if profit turnaround lags our expectations. Suominen's ROCE-% and ROE-% have been broadly in line with long term return requirements during the last decade. Thus, we no reason to significant premium to book value or correspondingly P/B to drop below 1x permanently.

Relative valuation is only an indication

As Suominen's direct competitors in wiping segment are private equity owned companies or parts of large corporations consisting of several business segments, valuing the share in relation to the peer group is challenging. However, we have collected a peer group, which includes a few listed companies from the other segments of nonwovens industry. On the other hand, we have included in the peer group companies from other sectors, which have similar business model (manufacturing), type of products (not branded consumer related goods) and value chain position to Suominen. However, the group is far from complete in terms of size and type of peers, thus we keep its weigh limited in our valuation.

Suominen is valued at clear premium compared to peer group by FY'22 income statement multiples due to weak profits. The situation is opposite with FY'23 estimates, where we estimate more normal profit level for Suominen. Balance sheet and income statement based multiples are at clear discount also



Valuation 3/3

FY'22, which is justified given the on-going profitability issues. Therefore, relative valuation seems to be decent if the big picture. However, we argue some discount over time is justified for the company as Suominen's business portfolio is smaller and less widely spread than the peer group on average, which makes its risk profile somewhat higher. Thus, we consider peer group related valuation to be also neutral. However, we do not believe loosely related peer group valuation will drive Suominen's share clearly to any direction.

DCF-valuation

We give a limited weight also on DCF-value in our valuation as the model is very sensitive to changes in parameters (especially at the terminal). DCF-model, based on our long-term estimates, gives a value of some 4.5 euro per share for Suominen. This reflects reasonably fair value potential of the share in our opinion, but we do not expect the markets to focus on the long-term until the company is able to generate increasing profits in more normal level. Weight of terminal value is also reasonable at 50 % in the model, thus the model is quite conservative.

WACC-% of the model is at 8.3 % and cost of equity at 9.7 %. The discounting parameters might be currently on the slightly elevated side in our opinion given the company's long-term opportunities and risks. We have increased the return requirement during the last 12 months due to profitability issues and rising market return requirements (i.e higher interest rates and tightening monetary policy) but we have made no changes in the return requirement in this update. Therefore, we see WACC-% and cost of equity to stay relatively flat or drop a bit over time but most of the upside and downside to the model come from the

estimates.

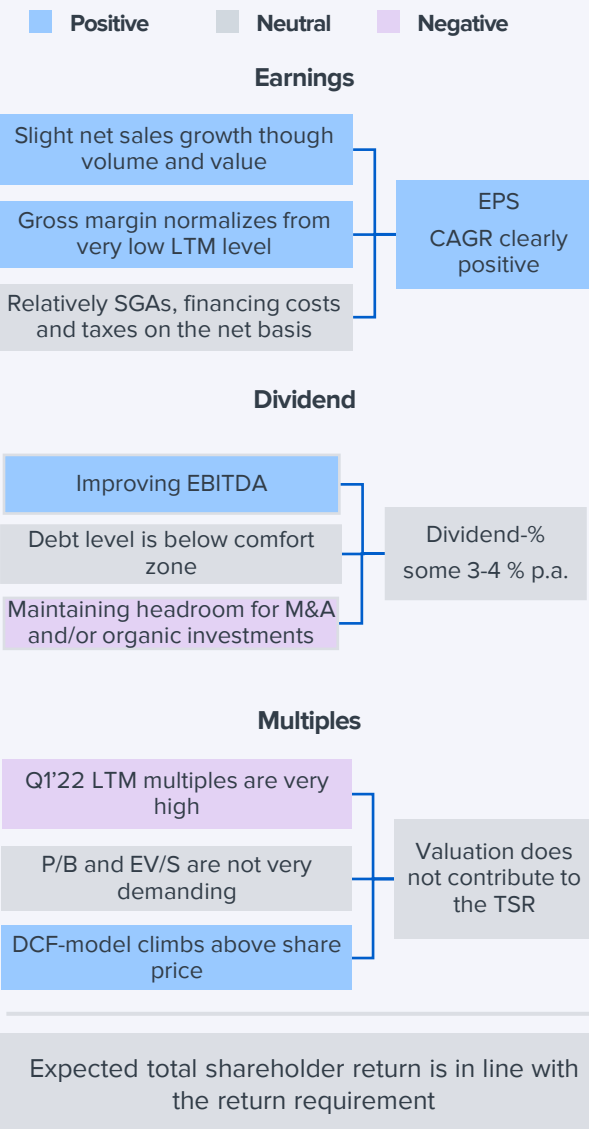
Medium-term potential is significant if the targets will be reached in 2025

We estimate Suominen should make some 0.45-0.50 EUR EPS in 2025 if the company reaches above market organic growth in 2021-2025 and EBITDA-margin of 12 % in 2025 (net financing costs some slightly below 1.0 % of sales % and tax-rate of 25-28 %). With this impressive track-record in 2025, Suominen could be easily valued by P/E 15x. This would give share price of some 7.0-7.5 euro per share at the end of 2025. As the share trades currently slightly at some 3.15 euros, investors would get over 100 % share price appreciation and dividends of four years if this scenario realizes. Thus, TSR for three and half year investment would correspond to excellent IRR of some 25-30 % p.a. Therefore, very good positive scenario is definitely an option with the share, but we do not base our estimates and recommendation on this very positive (and currently distant) scenario.

Target price and recommendation

We retain Suominen's target price of 3.30 EUR and upgrade our recommendation to reduce. Suominen has been suffering raw-material and supply chain driven profitability issues during the last 12 months but now the worst seems to be over in these fronts. We argue Suominen's valuation is moderate compared to the company's normalized profit potential, but uncertainty related to profit turnaround remains high in short-term. We estimate Suominen's expected TSR does not yet beat the return requirement for the next 12 months. Thus, at this point we continue to wait for a slightly more attractive risk/reward-ratio before purchasing the share.

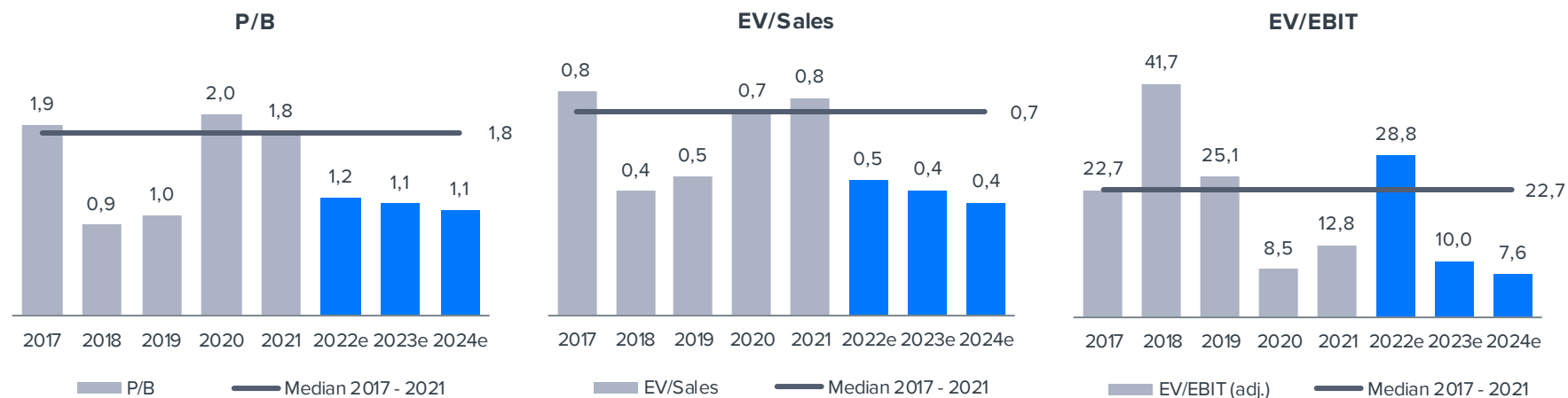
Share price drivers Q1'2022 LTM-2024e



Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	4,42	2,05	2,31	5,08	5,18	3,14	3,14	3,14	3,14
Number of shares, millions	53,6	57,5	57,5	57,5	57,5	57,5	57,5	57,5	57,5
Market cap	258	118	133	292	298	180	180	180	180
EV	341	192	204	334	345	236	216	198	181
P/E (adj.)	16,4	neg.	>100	9,7	16,7	85,0	13,1	10,5	9,0
P/E	16,4	neg.	>100	9,7	14,4	85,0	13,1	10,5	9,0
P/FCF	43,5	5,5	6,3	5,8	neg.	25,3	6,5	6,6	6,3
P/B	1,9	0,9	1,0	2,0	1,8	1,2	1,1	1,1	1,0
P/S	0,6	0,3	0,3	0,6	0,7	0,4	0,4	0,4	0,4
EV/Sales	0,8	0,4	0,5	0,7	0,8	0,5	0,4	0,4	0,4
EV/EBITDA	9,9	7,5	6,1	5,5	7,3	8,3	5,1	4,2	3,5
EV/EBIT (adj.)	22,7	41,7	25,1	8,5	12,8	28,8	10,0	7,6	6,1
Payout ratio (%)	44,3 %	0,0 %	1282,8 %	38,2 %	55,4 %	270,8 %	54,1 %	53,3 %	51,6 %
Dividend yield-%	2,5 %	0,0 %	2,2 %	3,9 %	3,9 %	3,2 %	4,1 %	5,1 %	5,7 %

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	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e
Huhtamäki		3990	5647	14,2	12,9	9,3	8,4	1,3	1,2	14,9	14,3	2,8	3,0	2,3
Duni		401	560	12,4	9,6	7,1	6,1	0,8	0,7	16,2	12,1	5,5	5,9	1,4
Sealed Air		8138	11523	12,3	11,3	9,8	9,1	2,1	1,9	13,6	12,4	1,5	1,5	17,3
Riverstone		801	433	10,5		9,3		3,3		10,3	10,0	13,1	12,9	1,5
Berry Plastics		6818	15744	10,9	9,6	7,2	6,6	1,0	1,0	7,2	6,6			2,0
Glatfelter		283	1002							58,2	6,0			
Suominen (Inderes)	3,14	180	236	28,8	10,0	8,3	5,1	0,5	0,4	85,0	13,1	3,2	4,1	1,2
Average				12,1	10,8	8,5	7,5	1,7	1,2	20,1	10,2	5,7	5,8	4,9
Median				12,3	10,4	9,3	7,5	1,3	1,1	14,3	11,0	4,2	4,4	2,0
Diff-% to median				135 %	-4 %	-10 %	-32 %	-62 %	-58 %	496 %	19 %	-24 %	-6 %	-41 %

Source: Thomson Reuters / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

DCF model

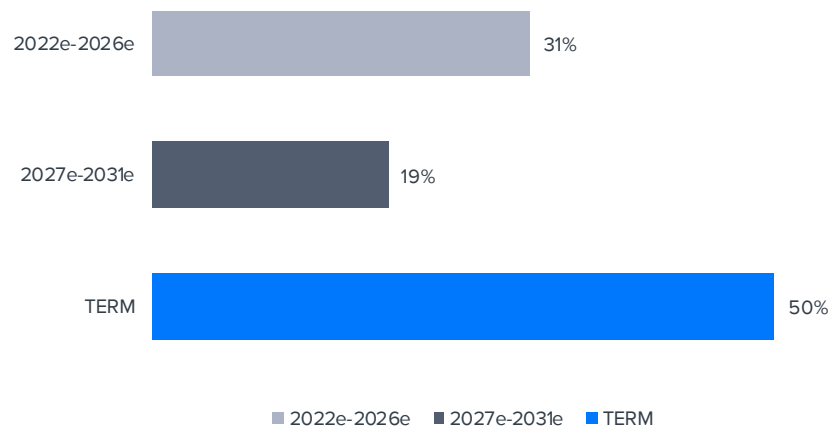
DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
EBIT (operating profit)	26,9	8,2	21,6	26,1	29,8	36,2	34,6	32,9	28,2	29,1	29,7	
+ Depreciation	20,1	20,2	21,1	21,2	21,6	20,6	19,9	19,9	19,9	19,9	20,0	
- Paid taxes	-2,8	-1,6	-4,6	-5,8	-6,7	-8,3	-7,9	-7,5	-6,3	-6,5	-6,7	
- Tax, financial expenses	-0,1	-1,1	-0,8	-0,8	-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	-24,7	-5,4	5,7	3,7	3,8	1,1	-1,5	-1,5	-1,6	-1,6	-1,1	
Operating cash flow	19,4	20,2	43,0	44,5	47,8	48,8	44,4	43,1	39,6	40,2	41,1	
+ Change in other long-term liabilities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
- Gross CAPEX	-21,0	-13,1	-15,1	-17,1	-19,1	-20,1	-20,1	-20,1	-20,1	-20,1	-20,3	
Free operating cash flow	-1,6	7,1	27,9	27,4	28,7	28,7	24,3	23,0	19,5	20,1	20,8	
+/- Other	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
FCFF	-1,6	7,1	27,9	27,4	28,7	28,7	24,3	23,0	19,5	20,1	20,8	338
Discounted FCFF		6,9	24,8	22,5	21,7	20,1	15,7	13,7	10,7	10,2	9,8	158
Sum of FCFF present value		314	308	283	260	239	218	203	189	178	168	158
Enterprise value DCF		314										
- Interesting bearing debt		-149,1										
+ Cash and cash equivalents		101										
-Minorities		0,0										
-Dividend/capital return		-11,5										
Equity value DCF		255										
Equity value DCF per share		4,44										

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	2,0 %
Cost of equity	9,7 %
Weighted average cost of capital (WACC)	8,3 %

Source: Inderes

Cash flow distribution



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return of the share is very attractive

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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Date	Recommendation	Target price	Share price
14/12/2017	Reduce	4,25 €	4,43 €
31/01/2018	Reduce	4,25 €	4,40 €
06/04/2018	Reduce	4,00 €	3,88 €
27.4..2018	Reduce	3,50 €	3,55 €
04/07/2018	Reduce	3,50 €	3,40 €
06/08/2018	Reduce	3,30 €	3,40 €
14/09/2018	Sell	2,85 €	3,10 €
26/10/2018	Reduce	2,20 €	2,30 €
01/02/2018	Reduce	2,40 €	2,50 €
25/04/2019	Reduce	2,50 €	2,60 €
08/08/2019	Reduce	2,40 €	2,48 €
23/10/2019	Reduce	2,25 €	2,33 €
30/01/2020	Reduce	2,35 €	2,48 €
24/04/2020	Accumulate	3,25 €	3,02 €
13/05/2020	Accumulate	3,40 €	3,17 €
18/06/2020	Accumulate	4,00 €	3,69 €
13/08/2020	Accumulate	5,40 €	5,00 €
28/10/2020	Accumulate	5,40 €	5,06 €
05/02/2021	Accumulate	6,00 €	5,74 €
29/04/2021	Accumulate	6,25 €	5,87 €
24/06/2021	Accumulate	6,25 €	5,45 €
16/08/2021	Accumulate	5,60 €	5,27 €
29/10/2021	Accumulate	5,25 €	4,72 €
04/02/2022	Reduce	4,50 €	4,33 €
05/05/2022	Reduce	3,30 €	3,12 €
15/07/2022	Reduce	3,30 €	3,12 €



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