Suominen

Extensive report

18.9.2023 18:35

Rauli Juva
+358 50 588 0092
rauli.juva@inderes.fi

Inderes corporate customer

inderes.

Markets will remain challenging for some time

Suominen's earnings should finally start to improve in H223 and onwards. However, the oversupply in the markets is likely to hinder Suominen at least through 2024 as well, and we only see a more normalized earnings level in 2025, which is still way below the company's targets. We feel the valuation is on the high side compared to the earnings potential. We maintain our EUR 2.6 target price and Sell recommendation.

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 the wiping segment. Suominen is a market leader in nonwovens for wipes. The market is growing above GDP rates in the longer-term, although recently it has been suffering from weaker development in the aftermath of the COVID-driven demand boom. This has also led to overcapacity in the industry, which is expected to weigh on the company also in the next few years. Suominen is aiming to grow and improve profitability by product innovations, especially in sustainable products. While this is an effective way, the company has some difficulties remaining competitive in more bulk-like products, where lower-cost competition can dwarf Suominen. This hinders the total growth of the company. We consider the company's main risks to be raw-material price inflation, fierce competition and a centralized customer base.

Earnings should recover from the current low level during H223-2025, but margin remains far from target

Suominen expects that its comparable EBITDA in 2023 will increase from 2022 (15 MEUR). For H1, the result was at the level of the comparison period, and Suominen expects to show improvement seen especially in H2. This is influenced by the company's efficiency measures, e.g., closing the Mozzate plant and typical seasonality of the market. In terms of adjusted EBITDA, our estimate is EUR 20 million. Suominen has 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. Although we expect a gradual recovery in earnings, we see the company's normalized EBITDA-margin being clearly lower, at around 8%, which we forecast for 2025-26. This will be driven by efficiency improvements and the market finding a better supply-demand balance over time. We haven't made any estimate changes in this report.

The share is already pricing normalized earnings, we feel the expected return is weak

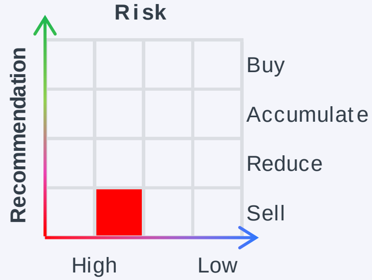
We feel Suominen's normal earnings level is around EUR 20 million, which we believe will materialize in 2025. Even with this expectation we feel that the company's valuation is only neutral, or even slightly high still in 2025 (P/E 13x, EV/EBIT 11x), so we find the expected return weak. Considering the limited competitive advantages, we do not believe that the company will be able to achieve a return on capital that is at least substantially above the required return in the long term, and thus the P/B ratio should be close to 1x, so the P/B of 1.2-1.3x for 2024-25 also seem slightly high. When considering dividends, we believe the total expected return is around zero annually. In the longer term, we believe that Suominen's return on capital will be roughly at the level of the required return and longer-term shareholder return will consists mostly of the dividends of 5%+.

Recommendation

Sell
(previous Sell)

2,60 EUR
(previous 2,60 EUR)

Share price:
2,84



Key indicators

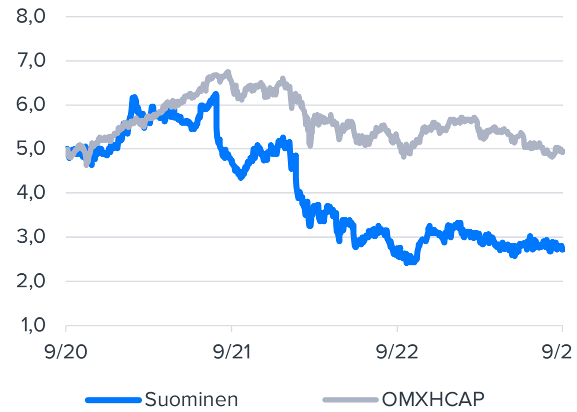
	2022	2023e	2024e	2025e
Revenue	493	466	462	466
growth-%	11 %	-5 %	-1 %	1 %
EBIT adj.	-4,2	1,3	15,0	20,0
EBIT-% adj.	-0,8 %	0,3 %	3,2 %	4,3 %
Net Income	-13,9	-9,5	5,7	12,8
EPS (adj.)	-0,16	-0,08	0,15	0,22
P/E (adj.)	neg.	neg.	18,7	12,8
P/B	1,2	1,2	1,2	1,2
Dividend yield-%	3,3 %	3,5 %	5,3 %	5,3 %
EV/EBIT (adj.)	neg.	>100	14,6	10,8
EV/EBITDA	15,8	14,1	7,3	5,8
EV/S	0,5	0,5	0,5	0,5

Source: Inderes

Guidance (Unchanged)

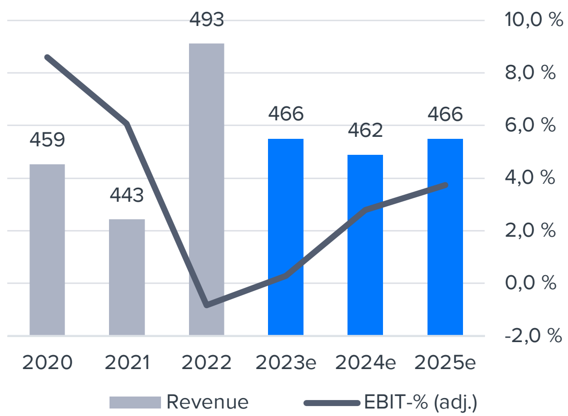
Suominen expects that its comparable EBITDA in 2023 will increase from 2022. In 2022, Suominen's comparable EBITDA was EUR 15 million..

Share price



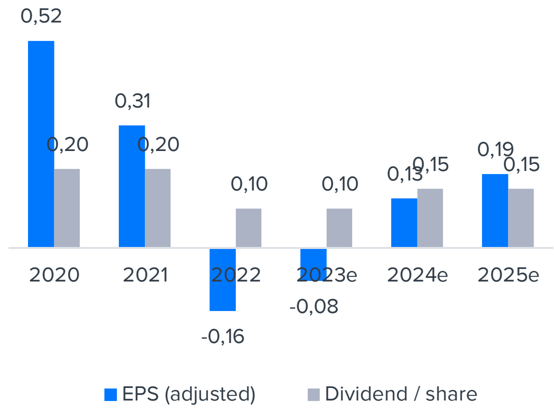
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Earnings normalizing as cost inflation stabilizes
- Steady end demand for products
- Suominen's expertise and products in sustainable non-wovens

Risk factors

- Tight competition in the industry
- Low pricing power
- Changes in raw material prices cause earnings fluctuation

Valuation	2023e	2024e	2025e
Share price	2,84	2,84	2,84
Number of shares, millions	57,5	57,5	57,5
Market cap	163	163	163
EV	216	218	217
P/E (adj.)	neg.	18,7	12,8
P/E	neg.	28,5	12,8
P/FCF	12,6	26,2	14,1
P/B	1,2	1,2	1,2
P/S	0,4	0,4	0,4
EV/Sales	0,5	0,5	0,5
EV/EBITDA	14,1	7,3	5,8
EV/EBIT (adj.)	>100	14,6	10,8
Payout ratio (%)	neg.	150 %	68 %
Dividend yield-%	3,5 %	5,3 %	5,3 %

Source: Inderes

Table of contents

Suominen in brief

Suominen is a global market leader in the wiping segment in the nonwovens industry, and among the largest spunlace nonwovens producers in the world.

1898
Year of establishment

2011
M&A created "the new Suominen"

493 MEUR **(+11% vs. 2021)**
Net sales 2022

15,3 MEUR **(3% of net sales)**
EBITDA 2022

707
Personnel (FTE) at end of 2022

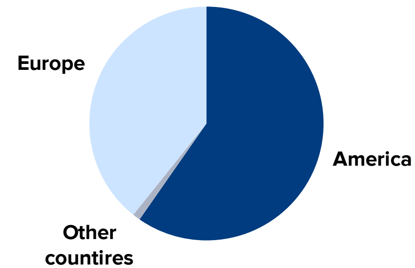
60% / 39% / 1%
Net sales split between Americas / Europe / Other countries in 2022

64% / 36%
Share of sales to 10 biggest customers and other customers in 2022

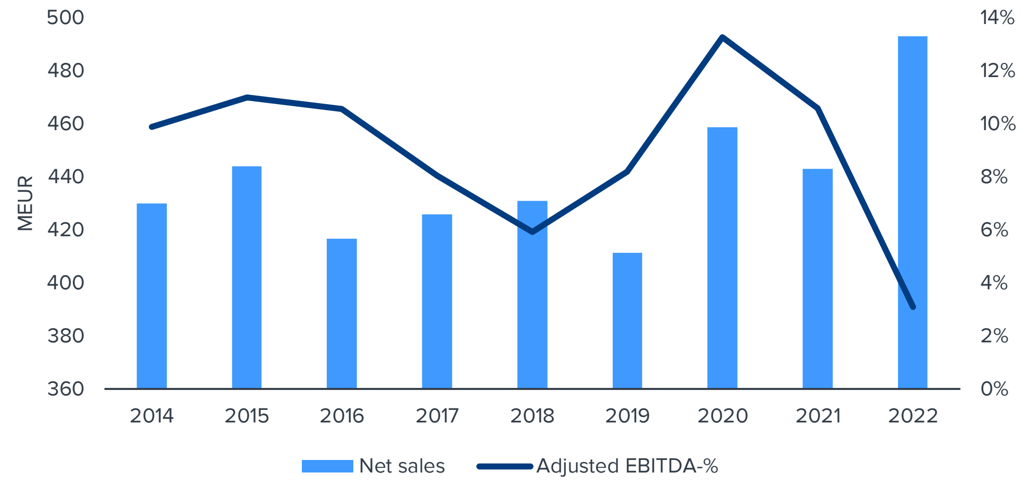
Customer structure (2022)

19% Customer #1	29% Customer #3-10
16% Customer #2	36% The rest

Net sales split (2022)



Net sales and profitability development



Source: Suominen, Inderes

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 group level. The company has some 710 employees in 5 countries. In 2022 Suominen's net sales were 493 MEUR and comparable EBITDA 15 MEUR.

Suominen is the leading global producer in wiping and supplies a range of nonwovens roll goods, which the company manufactures in the US, Spain, Italy, Brazil and Finland. Due to its manufacturing footprint, Suominen achieves significant sales in North and South America as Americas bring over 60% of the group's net sales, the US being clearly the biggest single market with 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

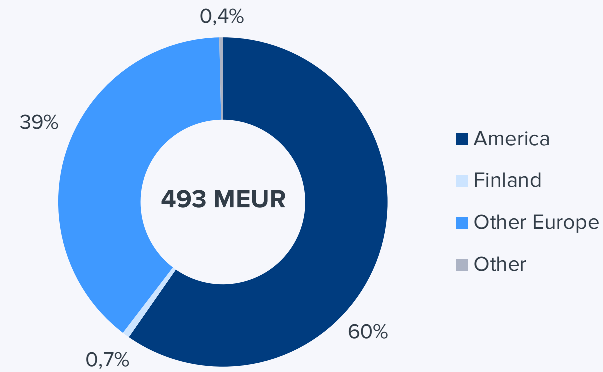
Suominen divided its sales into five revenue streams based on product type until 2020. End-use based reporting was stopped at that point as it does not illustrate the company's existing strategy. However, despite this, we think it is important for investors to understand where revenue derives from, as basically all major wiping related end-uses are at the core of Suominen's current strategy. We also believe the end-use structure of the products has not yet faced major changes from 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 the 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 the 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.

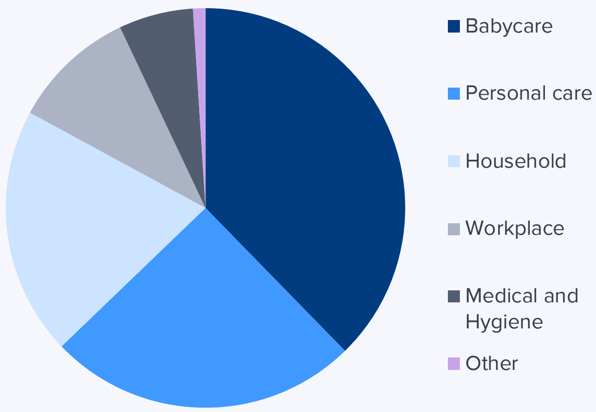
Personal care wiping such as wipes for facial cleaning, makeup removal, refreshing and intimate care, travel & catering end-use, and flushable WC products constitutes some 25% of group sales to our understanding. Personal care is mostly a value-added (incl. sustainable products) segment that exists currently primarily in developed countries.

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

Geographical sales mix (2022)



Estimated product based sales mix



Source: Suominen, Inderes

Company description and business model 2/4

Workplace wiping contains 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 the US and Europe.

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

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

Innovative products are key for differentiation

From a competitive point of view, the key for Suominen is more the product split between so-called standard product or a specialty (value for money vs. value-added), rather than the between the different product groups. Standard products are rather bulk and hence competition and price pressure there is high. In this category, Suominen has more difficulties to compete given their production footprint is mainly in high-cost countries.

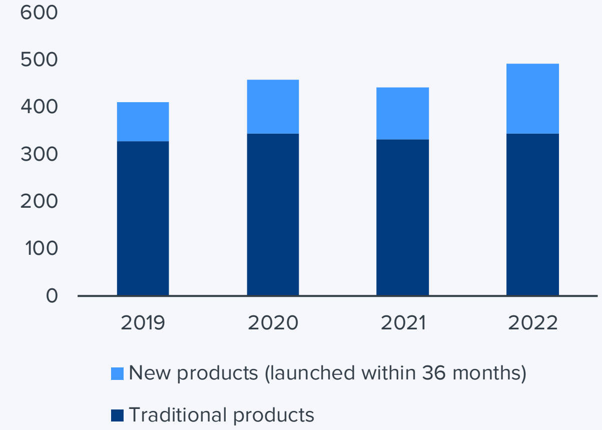
In specialty products, however, Suominen has some innovations or other novel products, which competitors (or as many) cannot produce. A proxy of these specialty products is the amount of new products, which Suominen reports and which was over 35% of sales in H1. The challenge for Suominen is that these novelties typically commoditize over time and hence the company is in a constant race to bring new products to the market while deciding in which standard products it still remains competitive enough and which it should discontinue.

Suominen is a traditional manufacturing company

Suominen operates in the manufacturing industry, which transforms fiber materials to nonwovens. In addition to manufacturing, the company internally handles product development, marketing and sales. Therefore, the business model is typical for a company in this type of manufacturing industry. The company purchases raw-materials (i.e. viscose, polyester, pulp and polypropylene) from the market.

Suominen's most important raw-material markets such as viscose and polyester are driven by the huge textile industry. We believe that Suominen has various suppliers for its raw materials from different continents. Suominen is naturally a price taker in terms of raw-materials.

Net sales distribution



Locations of manufacturing plants

USA: Green Bay, Windsor Locks, Bethune
Italy: Cressa
Finland: Nakkila, Helsinki (headquarters)
Spain: Alicante
Brazil: Paulínia

Source: Suominen, Inderes

Company description and business model 3/4

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 the paper-making process to some extent. 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. In addition, other major production technology spunbond can only produce plastic-based nonwovens. We do not believe Suominen aims to expand into new production technologies, although the company is looking for some new technologies in the after-processing.

Customer base is concentrated to large B2B clients

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 economic cycles. Traditionally, consumers do not stop using nonwovens products during economic slowdown or recession but tend to switch to lower quality products (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 a value and volume perspective even if the most expensive product is not always the most profitable. Consumers might also increasingly look for sustainable alternative, where raw material-base is plastic-free. However, changes in raw-material prices have intensified volatility in earnings. In addition, COVID-19 gave a huge boost to the demand, which has since almost fully faded away.

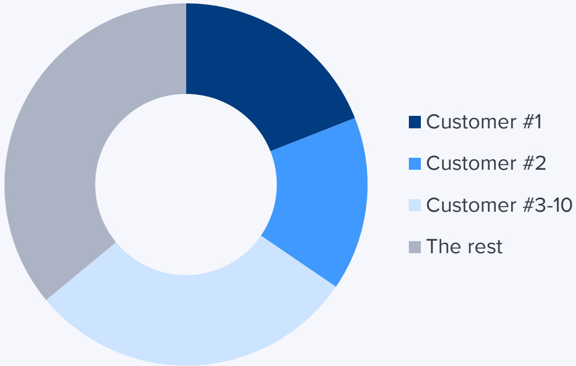
The biggest 10 key accounts brought 64% of Suominen's sales in 2022 (66% in 2021). Given the size of the key accounts (global sourcing) and the company's centralized customer base, we argue that Suominen and other nonwovens manufacturers have limited pricing power against their clients under normal circumstances. The mostly homogeneous nature of the products (especially in the standard 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 a few large players, and demand in global markets, thus there is not pricing power to the opposite side of the value chain either.

Despite imbalanced distribution of pricing power in the value chain, typical supplier-client relationships between nonwovens manufacturers and brand houses or retailers are long, up to 10-15 years.

Hundreds of brands houses or retailers as customers*

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

Customer structure (2022)



Source: Suominen, Inderes

Company description and business model 4/4

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, although there's no volume commitments. Even so, we believe Suominen's customers are keeping a fairly tight price pressure if there's available supply in the markets, as is currently the situation.

Large main owners

Suominen's ownership is centralized as the largest owner Ahlstrom Capital (investment company for the Ahlstrom family) has 24% of shares while Etola Group and Etra Invest have 13% and 12% respectively. Both are controlled by Mr. Erkki Etola, who hence has in total some 25% of the shares. The rest of the larger owners are mostly Finnish institutional investors. Foreign owners have only a marginal 2% of shares.

Largest shareholder Ahlstrom also has a representative on the Board, Mr. Andreas Ahlström, who has been on the Board since 2015 and Vice Chairman since 2020. The Chairman is Mr. Jaakko Eskola since 2021, who made his career at Wärtsilä. Three of six Board members are non-Finnish, which we view as positive. Most members of the Board have around 20,000 shares in the company, not a large amount but still decent in our view.

Several management changes during 2022

Suominen's top management is in a turmoil as both the CEO and CFO started in Q2. Furthermore, the head of Americas left Suominen in August. The CEO is Mr. Tommi Björnman who has a long background in the nonwover industry. Most recently he was the CEO of Israeli Avgol Nonvowens and prior to that worked at Mada Nonwoven, Walki and for a longer period at Ahlstrom from which a large part of Suominen's current operations originate. Hence, we believe Mr. Björnman is a very good fit to head Suominen as well. The CFO is Mr. Janne Silonsaari who has been previously working mostly in various roles at Kemira. In addition to the CEO and CFO, the management group currently includes four members.

Mr. Björnman bought some 30,000 Suominen shares during the summer, which were part of a compensation scheme, where Suominen can give Mr. Björnman up to 60,000 shares for free. Also other members, except the CFO who just joined in June, hold some tens of thousands of shares. Suominen has not disclosed the terms of this new compensation scheme for the CEO. The basis for the long-term compensation scheme for the previous CEO was based on total shareholder return compared to Nasdaq Helsinki companies, the target being over 60% relative rating. Short-term compensation is more tilted to earnings metrics and ESG and personal goals. These goals seem fairly good to us, even if some kind of return on capital component would also be good in our view.

Largest shareholders	31.8.
Ahlstrom Capital	24 %
Etola Group	13 %
Etra Invest	12 %
OP-Henkivakuutus	7 %
Nordea Nordic Small Cap	6 %
Mandatum Henkivakuutusosakeyhtiö	5 %
Ilmarinen	3 %
Varma	3 %
H. Kuningas & Co. Oy	2 %
Nordea Henkivakuutus Suomi	2 %

Source: Inderes

Investment profile 1/2

Suominen is currently a turnaround case

We currently profile Suominen as a turnaround case given its low earnings level. It has some elements of a value case and markets are growing overall, but we wouldn't categorize Suominen as a growth case in light of historical performance.

Strengths and potential

Volume growth. Nonwovens demand has typically exceeded GDP growth in developed Western countries, and the gap is even wider in emerging markets. This provides solid potential for revenue growth. Suominen can increase capacity, leverage fixed costs, and benefit from innovation in sustainable products to gain volumes amid the growing trend of sustainability in consumer businesses.

Value growth. Certain sustainable value-added grades in Suominen's focus grow even faster than the market on average. Also, sustainable grades are more difficult to produce due the technical challenges related to raw materials, which might limit competitive pressures. In 2022, over 30% of sales came from new products (in H123 even over 35%), which is an impressive figure. We estimate that Suominen must maintain a fairly high new product share and increase sustainable products to notably improve its profitability towards its target

Profitability improvement potential. Suominen's profitability has been very weak for the past 1.5 years. We believe that with the closure of the Mozzate plant and other turnaround measures likely to be implemented by the new management, Suominen should be able to achieve improving profitability over the coming years.

Weaknesses and risks

Raw material price risk. Suominen faces raw material price risks, forming a significant portion of COGS. Historically, raw material clauses in sales contracts impact about half of net sales, mainly large key accounts in the US. Clause-based pricing has also increased in Europe in the last years. The lag between price increases varies from 2 to 5 months depending on the customer. This lag can negatively impact margins during sharp raw-material price increases. Once the pricing manages to catch up, the clauses should shield Suominen reasonably well as the clauses have not been disrespected.

Losing a major customer. Losing any key customer would significantly impact short-term sales and profits. However, the average customer relationship lasting around 15 years results in low customer turnover and a relatively small overall risk of losing a major customer. Yet, large global brand houses and retailers usually use 2-3 manufacturers, creating potential sales/price pressure due to varying growth and order allocation, even without losing a customer.

Overcapacity. The market is currently clearly oversupplied due to capacity increases made on the back of the COVID-19 driven demand boom. Overcapacity leads to price erosion and/or higher production unit costs, as well as increases the risk of customers or potential customers doing business with a competitor.

Sensitivity to EUR/USD. FX is a risk for Suominen as over 50% of sales and likely an even greater share of EBIT (we believe) come from the US. Purchasing some raw materials from Europe and Brazil in USD complicates sensitivity analysis. A stronger EUR/USD burdens sales and EBIT slightly, and vice versa. Translation from US operations affects group-level P&L, making it difficult to control. European and Brazilian units' sensitivity depends on the company's purchasing strategy. In general, we consider FX driven earnings volatility slightly negative from an investor's perspective.

Regulation. Authorities pose long-term risks as Suominen relies partly on synthetic raw materials, some of which are hard to recycle. Switching to renewable raw materials could be an option with slightly higher prices, but it would help address unfavorable regulations. Overall, we believe Suominen is well-positioned to meet rising demand for sustainable products with its technology and production portfolio.

Investment profile 2/2

1. **Organic volume and value growth**
2. **Improve profitability**
3. **New increasingly sustainable products**
4. **Industry currently oversupplied and heavily competed**
5. **M&A (+/-)**

Potential

- Profit improvement through volume and value growth
- 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 geographical expansion (organic or M&A)

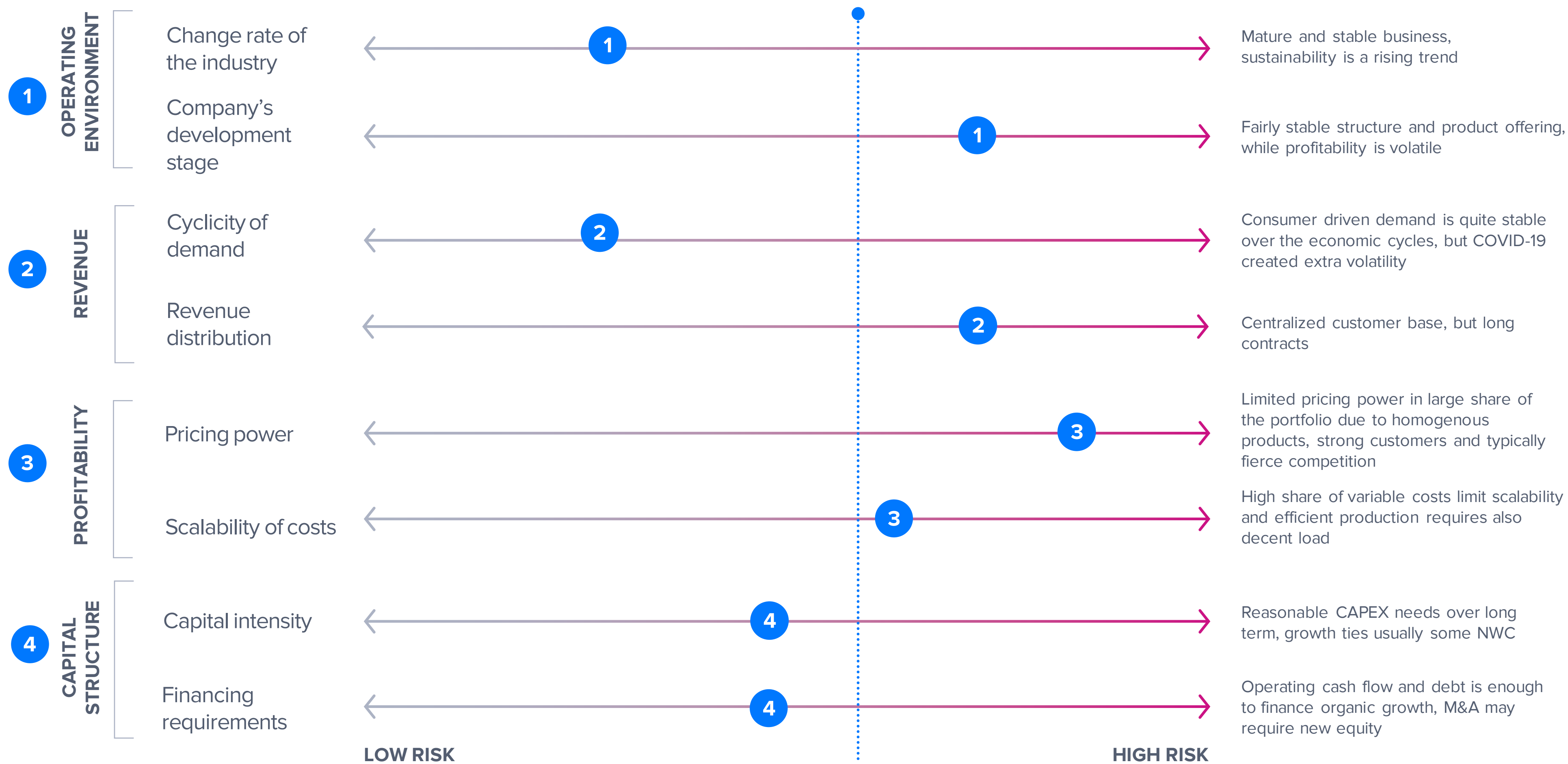
Risks

- Raw-material price risk
- Overcapacity / tight competition
- Losing a major customer and/or setbacks in customer order allocation
- FX driven earnings volatility

Source: Inderes

Risk profile of Suominen's business model

Estimate of the overall risk level of Suominen's business operations



Source: Inderes

Nonwovens industry and competition 1/3

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 USD 26 billion before the pandemic. The market size increased clearly driven by COVID-19 during 2020-21, but we believe the pre-pandemic level is a fair proxy of the current market. This is of course divided between various segments. Suominen operates in wiping and in selected niches in the medical and hygiene segment and the company has no presence in other segments of the market.

According to Suominen, the global wiping (incl. sub-segments of baby care, workplace, household, personal hygiene) market was worth of some USD 2.1 billion before the pandemic. Suominen is present across the wiping market. Medical is a small market worth less than USD 1 billion but hygiene is the largest single segment in the nonwovens market worth around a quarter of the total market. In medical & hygiene Suominen only focuses on selected products and does not even try to compete in all 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. 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 2022.

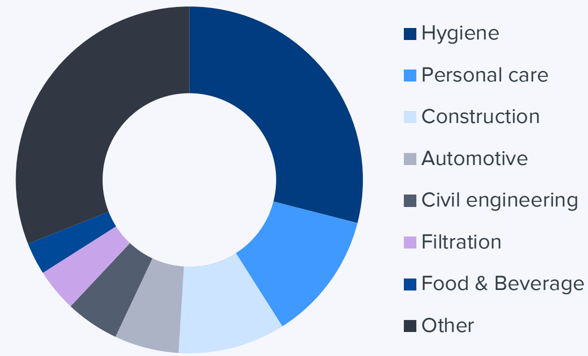
Locality somewhat reduces Suominen's global operational synergies and ability to utilize its key accounts consisting of large brand companies without expanding its plant portfolio geographically. However, unsustainably high transportation costs shield European and North American markets from Asian low-cost exports (other shields are quality requirements and customers' brands). This limits competitive pressure in Suominen's main markets. However, due to increased supply we believer there is currently some imports coming to Europe even from India and China. Overall, the local nature of the industry is a two-edged sword for Suominen, providing some protection but also limiting growth possibilities, in our view.

Market growth exceeds GDP growth

Demand for nonwovens products have historically grown 2-4% above GDP growth in the developed US and European markets. This has been driven by several sustainable trends such as population growth and aging, increasing consumption on personal health and urbanization. Market development obviously took a leap during COVID-19, which has since subsided.

In the future, these trends will be increasingly present in developing markets, which has a clear impact on market growth expectations in the future. We expect trend-like growth to continue.

Nonwoven segments (2019)



Source: Edana

Suominen in the value chain

Source: Suominen

Nonwovens industry and competition 2/3

No detailed market forecasts are currently available, but according to management the markets typically grows around double the GDP growth rates, which in Suominen's market areas should translate to growth rates of 3-8%. We believe the lower end is more valid for Europe and North America, while the higher end for Latin America. There are, however, differences also in product segments in addition to geographical differences stemming more from macroeconomic factors. These are longer-term assumptions for volume development. These figures represent the overall growth for nonwovens demand while growth varies greatly between end-use segments. Generally, value added categories, which include sustainable nonwovens made from natural fibers, have a better growth outlook than value for money products. Suominen's competitor Glatfelter sees its spunlace markets growing somewhat slower though, with growth rates of only around 1-4%.

The increasing focus on sustainability might bring better growth in the specialty/value-added products, which would support the value growth of the market. However, as we mentioned earlier, the products tend to commoditize over time and hence the total market value might not benefit as much even if new sustainable products continue to be brought into the market. In the short-term, the weakened purchasing power has shifted consumption more to private labels, which tend to be lower in price and hence negative for the overall market value.

Suominen aims to exceed market growth, which we believe is driven by the new/sustainable products (especially in the shorter-term), as well as geographical expansion (more in the mid/long-term).

Overall, there is clear growth potential in the markets, even if the competitive environment and characteristics of the industry do not make it easy to capitalize on these opportunities.

Fragmented markets on a global scale

According to Suominen, it has around 7% market share in the relevant nonwoven market. This is, however, highly dependent on the definition of the market, but we still note Suominen is clearly one of the larger players globally in the rather fragmented nonwoven industry. Suominen has earlier indicated that it had a 20% market share in wiping, where it is the global market leader. Glatfelter says it has a 10% share in wipes and key players in wipes besides Suominen and Glatfelter are Spanish Aralar and Turkish Asnonwovens (both private companies). German Sandler is also a key competitor in wipes. We feel the fragmented market structure feeds competitive pressure in the business.

COVID-19 driven capacity increases have oversupplied the market

The whole wiping business was suffering from overcapacity before the pandemic in Europe, which was mostly built during the 2000s. The most pressurized segments have been baby care and from mid 2010s also flushables. The North American market has been more balanced. COVID-19 basically caused undersupply in all geographical areas as demand increased fast in cleaning, disinfecting and hygiene-related end uses and grew the total market clearly despite some headwinds in industrial and consumers' away from home categories.

Nonwoven can be produced with various technologies

Technology	Application
Spunmelt	Hygiene, drapes, gowns
Needlepunch	Auto trunk liner
Spunlace	Wipes
Carded	Hygiene
Airlaid	Hygiene
Wet laid	Tea bag, filtration, moist toilet tissue

Source: Suominen

Nonwovens industry and competition 3/3

This led to many players in the industry, including Suominen, to invest in new capacity. As demand cooled off during H2'21 and 2022, we believe the market has been left clearly oversupplied. This is particularly the case in Europe, where low-cost capacity from Turkey and even from Asia are impacting the markets negatively.

The company expects that with estimated growth rates, it will take 2-3 years to get the markets to a more balanced state from the current oversupply situation. Hence, the impact of the COVID-19 demand boom will have a quite long tail in the industry.

We also note that traditionally the most competitive companies/plants are the newest ones, so the big influx of new capacity has also made it harder for older/less recently upgraded plants to be competitive. So, in addition to the actual overcapacity problem, there may also be a competitive problem for the older plants. We understand this was one of the reasons to close Suominen's Mozzate plant, while its obviously also a measure to reduce the overcapacity in the company/industry.

However, progress of the sustainability trend may bend the balance towards the better 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 the size of global supply if/when the share of cellulosic fibers increases in the total fiber furnish of the industry.

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 the entire industry in 2020 and 2021. After a spike due to the COVID-19 pandemic, margins has been down recently. However, margins have deviated a lot during the last decade. 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 2022. Thus, we find the recent relative progress decent.

10-year average of peer groups' EBIT-% is 5.3% (4.3% excl. Spuntech), which gives some impression of the long-term margin potential in the business (4-6% EBIT-% usually corresponds to some 8-10% EBITDA-% in nonwovens industry). Suominen's 10-year average EBIT-% of 4.2% drops slightly short of the peers, thus the company's historical performance does not suggest that Suominen has strong competitive advantages. In addition, Spuntech's exceptional long-term performance 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.

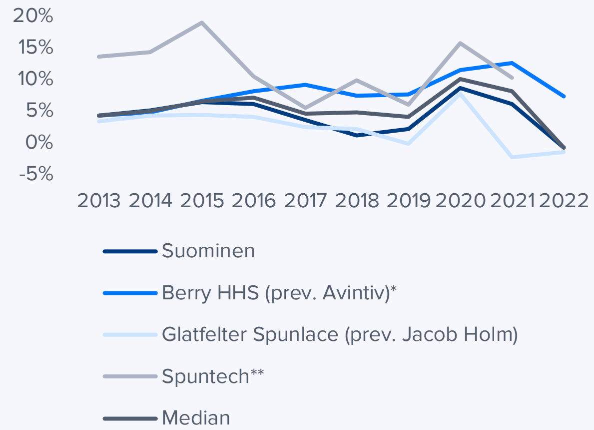
Selected competitors

GLATFELTER

Berry

SPUNTECH

Suominen EBIT-% vs. peers 2013-2022



*accounting period is not full calendar year

**Spuntech has not reported the figures for 2022

Source: Inderes, CapitalIQ, Berry, Glatfelter, Jacob Holm

Historical performance 1/3

A brief history of Suominen's development

Suominen was originally founded in 1898 when it started its operations in Nakkila, Finland. Suominen Group was established in 2001 as a result of the demerger of Lassila & Tikanoja.

Suominen focused on rebuilding efforts during 2011-2015. At the end of 2011, Suominen acquired the Home and Personal wipes fabrics business area from Ahlstrom, which gave rise to "the new Suominen." Through this acquisition, Suominen became a global market leader in nonwoven fabrics for wipes. In 2013-2014, the company divested its non-core business, making Suominen a specialized nonwovens manufacturer.

During 2016-2018, Suominen was in an investment phase, where the product strategy remained unchanged, but the company focused on organic growth and diversification from wipes to the medical and hygiene sectors. In 2019, Suominen underwent a change in top management and implemented a new organizational model, followed by a new strategy in 2020. The main focus has since been on wipes, restoring profitability, and achieving profitable growth. Growth has been pursued through sustainable and other new innovative products. COVID-19 provided tailwind in 2020, but raw material and supply chain issues have slowed the company down from 2021 onwards.

Sales have grown on average in line with the market

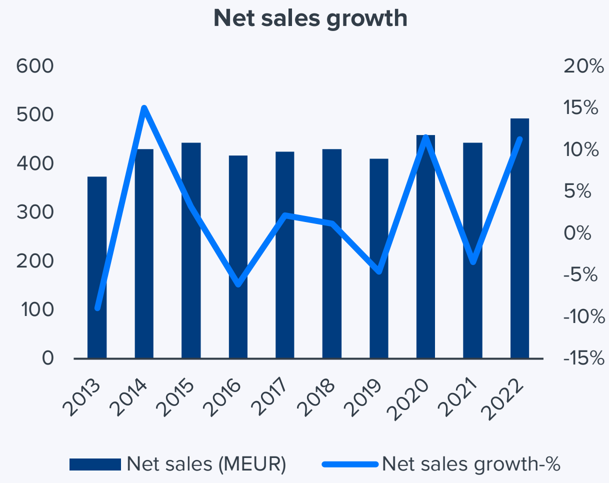
Suominen's sales have grown at an average annual rate of approximately 3% (CAGR) during the period from 2013 to 2022, and this growth has been organic. Suominen's relevant markets (Europe and Americas) have historically grown at a rate of 2-4% per year in volume. Historically, Suominen exceeded organic market growth in 2013 but fell significantly behind the target in 2014-2019. In 2015, Suominen's strong growth was driven by currency exchange rate changes.

We believe the mostly weak progress of topline has derived from increasing competitive pressure, cost competition in value for money business in 2014-2018, a delay in start-up in Bethune and some quality and delivery issues in other plants, as well as inventory issues of some large key accounts in the US.

Market demand surged significantly in 2020, up to 15%, due to the impact of COVID-19. We believe Suominen grew in line with the market in comparable currencies and prices. However, in 2021, the overall market started to decline slightly, and Suominen's sales followed the same trend, while in 2022 growth was driven by higher prices (following raw materials) and FX tailwind. Meanwhile volumes actually dropped. We note that overall Suominen's sales have been fairly stable through the past decade despite investments in additional capacity, which is quite discouraging.

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

Suominen's total costs have increased at an average annual rate of about 4% in 2013-2022. The company has not been able to improve its



Historical performance 2/3

productivity over the past decade, as expenses have grown faster than revenue (CAGR: 3%). Due to characteristics of the industry, Suominen's gross margin is low.

We argue that some 25% of costs are fixed and 75% variable. We estimate that raw-materials (variable) consists of some 60% of total costs. The other main variable items are energy and logistics equaling some 10% each under normal circumstances. The increases in energy prices (especially European natural gas) lifted this in mid-22 and early-23, but we believe the situation has already normalized and/or been compensated for with higher prices.

The main fixed items are personnel (13%), depreciation (4%) and other costs such as administration (~5%). In addition, there are some fixed costs in manufacturing such as outsourced services, reported under COGS.

Thus, there is reasonable flexibility in the cost structure but also some operational leverage against net sales growth. We see the company's fixed cost structure as fairly efficient as the rebuilding phase (in 2011-2015) pushed SG&A-costs down and the management has kept SG&A very well in control during the past years.

Profitability has been cyclical over the past decade

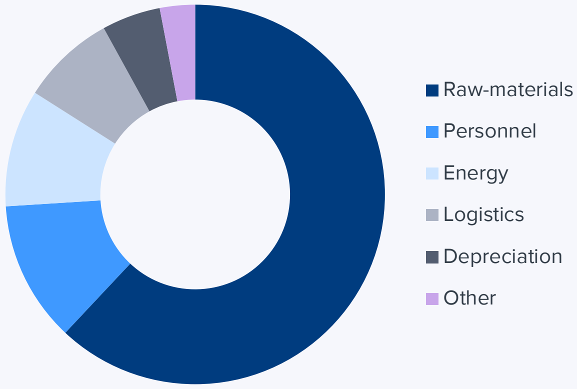
Suominen's profit history has been fairly unstable since the last decade. During 2011-2015, the company's primary focus was on cost savings, internal efficiency, and mix improvements. These factors combined significantly improved Suominen's financial results. However, Suominen's profitability declined between 2016 and 2018 due to raw material inflation, intensified competitive pressures, and delays in launching the new production line in Bethune. COVID-19 provided a boost in 2020, leading to a surge in demand, and industry players, including Suominen, invested in new capacity. In 2021, the company's operations were hindered by issues related to raw materials and supply chains and volatile demand.

As the pandemic receded, earlier investments in new capacity remained underutilized, tightening the pricing environment across the entire industry. Weaker facilities can no longer compete, especially in certain standard products, which Suominen's Mozzate factory in Italy, for instance, had been focused on. The factory could no longer produce products profitably, prompting the company to decide on its closure in April 2023. Suominen has stated that the situation is comparatively better for sustainable products than for standard products.

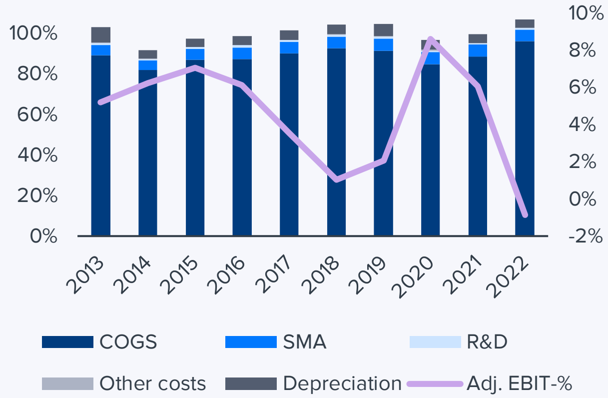
Investment needs have been moderate and mainly focused on improving operations

Suominen's investment needs have been fairly moderate over the last decade. The company's capital expenditure has averaged around 4% of annual sales between 2013 and 2022. The company's most significant organic investment was EUR 106 million between 2015 and 2017, primarily related to a new production line in Bethune.

Estimated cost structure



Reported cost structure and adjusted EBIT of net sales



Historical performance 3/3

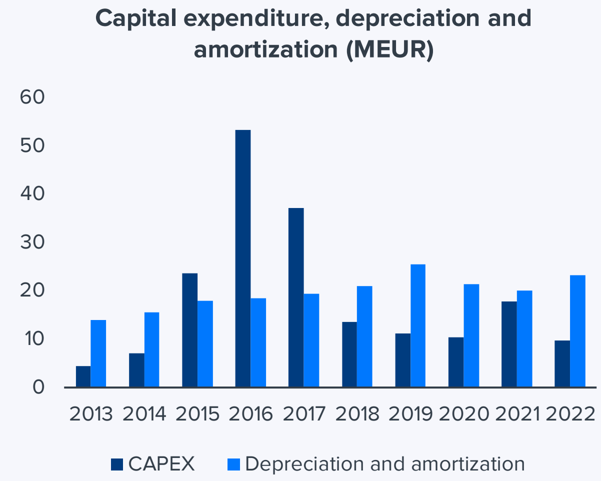
Asset base could produce higher volumes, but also needs constant upgrading

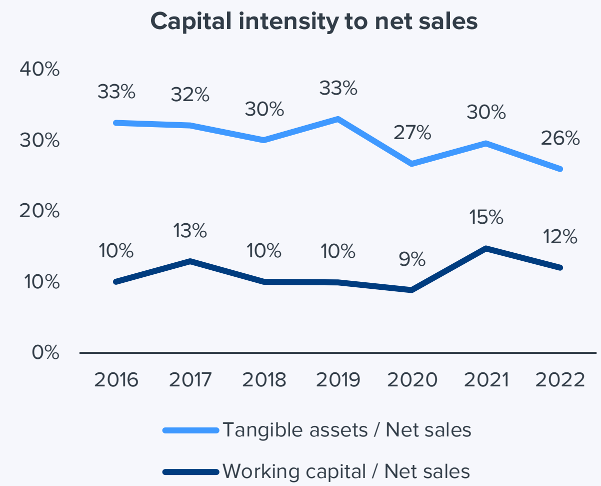
In general, effective capacity utilization is one of the key factors in the nonwovens industry as in all manufacturing business. Effective capacity utilization includes sufficient load and reasonably large production lots but also decent product mix. Therefore, the company must reach a good combination of volume and value to reach reasonable margins from a group but also a 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 types of lines. We understand that after closing the Mozzate site, Suominen's capacity utilization is at a decent level, but it can definitely clearly increase its volumes with the current production set-up.

Suominen's tangible assets to net sales ratio was 26% at the end of 2022. The ratio has been driven slightly up by the IFRS 16 standard since the beginning of 2019 but in the last years the ratio improved as demand filled all lines and boosted sales. The ratio has been driven down by higher sales in the past few years, even if Suominen has made some investments. Hence, we see the current level as representative.

We argue that 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-%. Reaching such a level does not look easy though as past 15-year average adj. EBIT-% is only 3%. Moreover, 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). We understand that Suominen currently has some clear investment needs to upgrade and improve its production efficiency.

In addition, Suominen's net sales to NWC ratio has been 9-13% recently and was in line with that at 12% also in 2022. Thus, NWC, which consists mostly of inventory, does not tie significant amount of capital in the business either but naturally growth is never completely working capital free in the manufacturing industry.





Financial position

Asset base looks solid

The largest part of Suominen's assets in the balance sheet consists of tangible assets, i.e., mostly manufacturing facilities and machinery. In addition, working capital items (receivables and inventory) account for close to 40%. The amount of intangibles and goodwill is limited and hence even if Suominen would need to write down the goodwill (15 MEUR), it wouldn't have a major impact to the balance sheet position, in our view. Suominen also had quite large cash position at year end-22, which we believe will be smaller going forward.

Limited amount of debt

The liability side is close to half of equity, indicating a healthy equity ratio. Its main financial liability is a EUR 50 million bond, which was issued in summer 2021 and carries an interest of 1.5%. Suominen was successful with the timing of this bond as the company's performance started to deteriorate soon after and then interests rose as well. The bond matures only in 2027. Total debt, including IFRS 16 liabilities, is only 25% of the balance sheet with non-interest-bearing liabilities amounting to 25%. In addition, the company has a EUR 100 million revolving credit facility, part of which has been recently utilized. We believe Suominen aims to have the facility fully unused, once its cash flow improves.

NWC slightly elevated

The volatile demand and supply chain issues during 2021-22 increased Suominen's working capital. Its inventory remained higher than average in end-22 (close to 13% vs. sales compared to previous 6-year average of around 10%). Hence there should be some ability to release working capital to support cash flow, which Suominen has been able to do during H1'23 to some extent. Suominen also utilizes some factoring to speed up turnover of receivables and this should be relatively cheap for them as most of Suominen's key accounts have very low credit risk profiles.

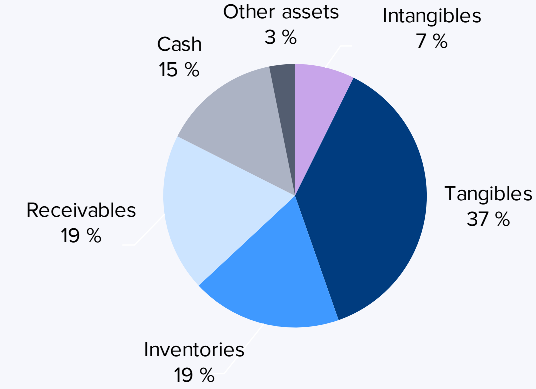
Gearing good, net debt/EBITDA high

Suominen's gearing was 43% at the end of Q2'23. Gearing is thus within the company's target range of 40-80%. Net debt/EBITDA -ratio is however over 3.5x, which is quite high. Suominen has a covenant related to this in its RCF, but the level of the covenant is not disclosed. However, the figure is depressed by low EBITDA, which should improve in H2'23.

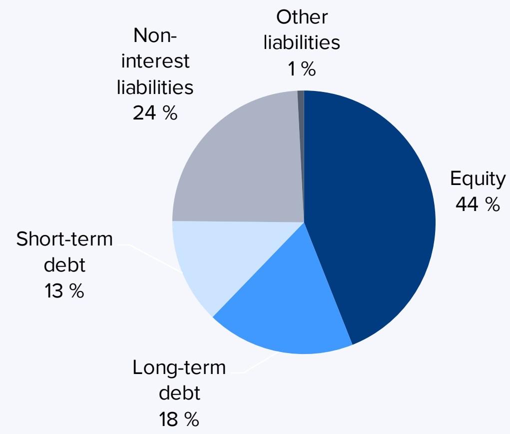
Thus, we argue that Suominen's balance sheet is overall in a decent shape, assuming profitability starts to recover. The company also stressed that they need to improve profitability and only then go for larger investments or M&A. Hence, such moves are likely to be still someway out in the future. The company wants to remain opportunistic however, if the current weak state of the industry offers, e.g., acquisition potential.

We argue that Suominen needs certain leverage to keep WACC-% reasonable and to boost return on equity as returns on capital are structurally low. We argue the company's sweet spot should be around the lower end of the current target range, where the company currently is. However, we believe the company cannot take on more debt until the earnings improve.

Assets (2022)



Liabilities (2022)



Source: Suominen, Inderes

Strategy

Vision and purpose

Suominen's vision is to be frontrunner in innovative and sustainable nonwovens. The company's purpose is to help its customers succeed by creating high-quality nonwovens. The strategy aims at growth and profitability improvement through sustainability, customer-centricity, and efficiency. The main markets are Europe and the Americas, with the company also exploring opportunities in Asia.

Aim to pursue growth by offering innovative and responsible products

Suominen's current strategy period covers 2020-2025. During this strategy period, the company aims to pursue growth by offering innovative and sustainable nonwovens to its customers while improving profitability through operational efficiency. We believe Suominen aims 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 is weaker in medical. We argue that the company's organizational reshaping in 2019 realigned focus on core competences, which cover all of wiping.

Innovation and personnel are the cornerstone

Different characteristics of value added and value for money business require a different approach which is why we believe Suominen tries to operate with a dual operating model. We consider that the value for money side puts more focus on production efficiency including effective asset utilization. In our opinion innovation is the core of the strategy as the company has the resources and capabilities to be a leader in this area. Skilled personnel is essential for product development, customer cooperation, and efficiency, which is why we believe personnel has become a strategic cornerstone.

R&D spending has remained below 1% of net sales, which we believe is slightly below the industry standard. However, we argue that the company has enough human and financial resources to drive product development and maintain a competitive product portfolio. The company has a strong track record in R&D, with over 30% of new products of net sales. Suominen lacks sustainable cost advantages to strongly rely on cost leadership. We believe SGA costs have been well controlled, leaving limited room for improvement in SGA-% ratio through direct cost savings. Thus, the focus on efficiency is directed towards COGS and production efficiency in plants.

Geographical expansion still considered

Geographical expansion is still a consideration for Suominen during this strategy period. Suominen will explore expansion opportunities in Asia, which is the fastest-growing nonwovens market. If sustainability demands increase rapidly in Asia, Suominen could scale its portfolio of sustainable products in the new market. Suominen could expand through greenfield investment or M&A. We believe M&A is the primary option as it generates positive cash flows faster and brings new customers to the portfolio. Like we mentioned before, this is likely to be relevant only after profitability is restored.

Strategy period 2020-2025

1. Providing growth by offering innovative and sustainable nonwovens to customers
2. Improving profitability through more efficient operations and high performance culture
3. Focusing on wiping products
4. Strengthening profitability capabilities in Europe and America, evaluating opportunities in Asia

Strategic focus areas

Operational excellence	Sustainability leadership
Great place to work	Dual operating model
Differentiate with innovation and commercial excellence	

Financial targets

Financial targets (updated January 2020)

Growth	Profitability	Leverage
Above relevant market growth	**EBITDA-% above 12% by 2025**	**Net gearing between 40-80%**

Growth

- Suominen's relevant markets are expected to grow 3-4% p.a. in volume in the coming years
- The growth target is achievable but organic growth potential is limited to 3-4% p.a. in the long term
- We also note a fairly flattish topline over time as the company has exited some products, while new ones are introduced
- To reach the target level, the company should aim for volume growth in line with the market, with the rest coming from value-added and/or sustainable products

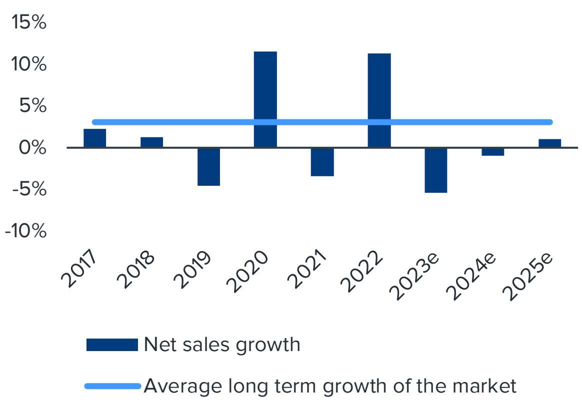
Profitability

- EBITDA-% target of over 12% is not easy to reach in this type of industry in our opinion and competitors have also struggled to sustainably achieve the targeted margin level
- To illustrate the height of the bar, Suominen reached 13% EBITDA-% in extremely good conditions in 2020 and averaged 9% in 2008-2022
- Suominen's profitability is currently well below the target, and we believe it is challenging to achieve the target during the current strategy period due to increased competition and challenging target level to begin with

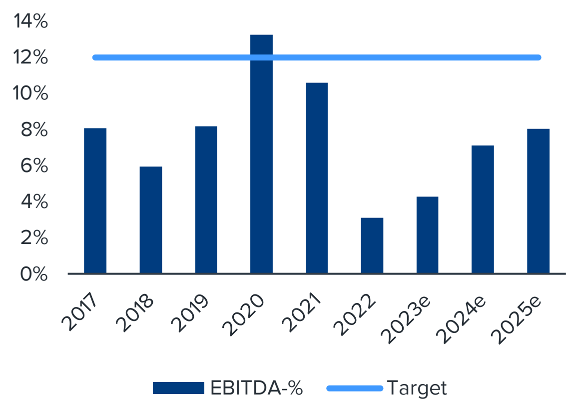
Leverage

- We consider the current target range for leverage adequate, and we argue the sweet spot is likely at the lower end of the target range. The company may temporarily exceed the target range for valid reasons (i.e., M&A)
- Despite recent profitability and NWC control challenges, Suominen is currently around the lower end of the target range and the financial position is solid in that respect
- With the weak earnings, net/EBITDA is high even if gearing is at healthy levels, meaning Suominen can't currently add any debt, we believe, until earnings recover

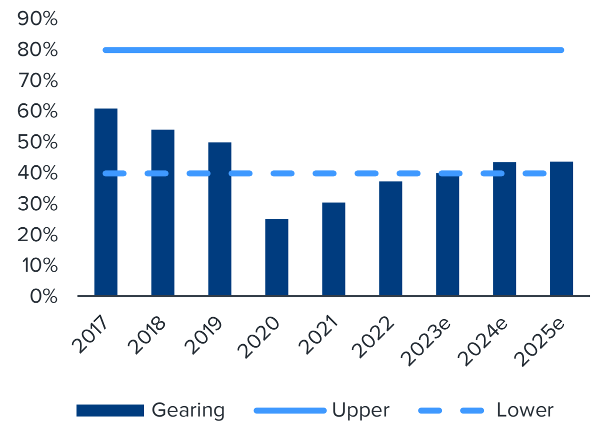
Net sales growth and long term growth of relevant market



EBITDA-% and lower boundary of the target range



Gearing and target range boundaries



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 gross margin-% and SGA-% structure quarterly and on an annual basis 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 consider potential M&A in our estimate.

Suominen's earnings do not have a strong seasonality so we believe quarters can be compared to previous ones, in addition to the comparison period a year ago. There is however slight tendency for the market to be higher in H2 vs. H1.

Profitability has remained low in H1'23

Suominen's earnings in 2022 was weak with adj. EBITDA of EUR 15 million and negative adj. EBIT. H1'23 didn't show much improvement as earnings were flat y/y and on adj. EBIT level. remained negative

Surprisingly to us, the clear decrease in raw materials prices has not given any tangible support for Suominen's profitability and as selling prices were already declining in Q2, it might be that this won't be the case in the future either. It would be temporary in any case, since pricing follows raw material costs over time.

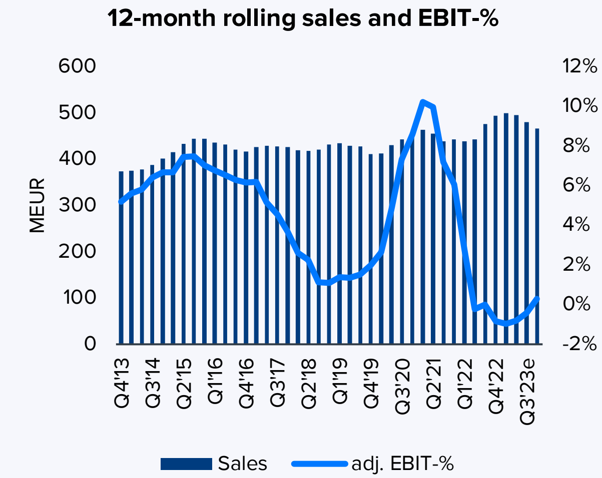
...while the guidance suggests improvement in H2, which we also expect

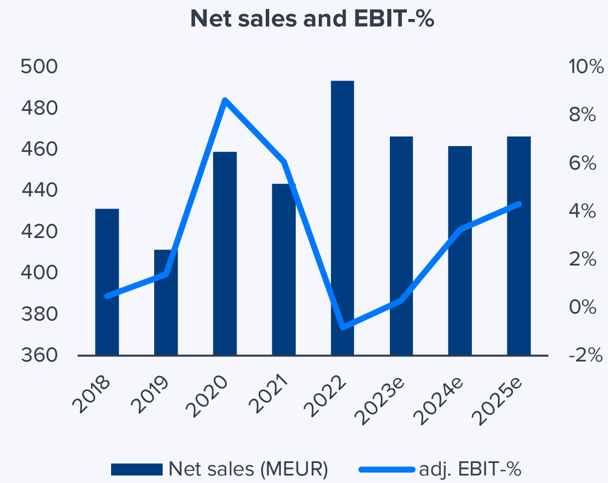
Suominen's full-year guidance is that adj. EBITDA will improve from 2022. As H1 was essentially flat, this means improvement in H2. This should be driven by efficiency measures, of which the clearest is the closure of the Mozzate plant during Q2, which is expected to create EUR 3 million annual savings. We believe the company also has other efficiency measures ongoing, which it hasn't publicly opened in detail. Also, the seasonality should slightly support H2 under normal circumstances, but this is not a major driver in our view.

Our forecasts expect quarterly sales in H2 to remain roughly on the level of H1, but down y/y due to lower prices and FX, while volumes remain flattish. We expect the efficiency measure to support gross margin and drive adj. EBIT to positive levels in H2 and just over zero for the full-year. Our full-year adj. EBITDA forecast is EUR 20 million.

Clear improvement in the estimates for 2024

We forecast essentially flat sales for 2024 with slight volume growth, but lower prices following lower raw material costs (this component could obviously change if raw material costs turn up, but profitability impact is limited over time). We forecast the efficiency measures that already support H2'23 to drive also 2024 when they have an effect for the full-year, and we believe the new top management will also continue driving efficiency.





Source: Inderes

Estimates 2/4

We expect the gross margin to improve to 10% (vs. 6% in 2023. With opex/sales and depreciation remaining fairly flat, this drives a similar EBIT-% improvement from around zero in 2023 to 3.2% in 2024.

We expect a slight decrease in financials with an increase in taxes following the profitable results. In total, we expect a positive reported net profit of EUR 6 million in 2024, after two clearly loss-making years. In adj. EPS terms this means 0.15 EUR/share.

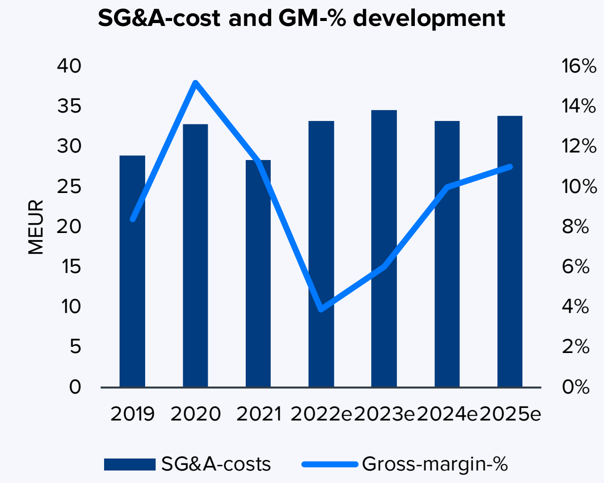
In terms of capex, we expect to see an increase in the maintenance/improvement capex as Suominen postponed some investments during the pandemic when focus was on maximizing production. In 2024 and onwards, we see the capex at EUR 15-20 million, roughly at the level of depreciation.

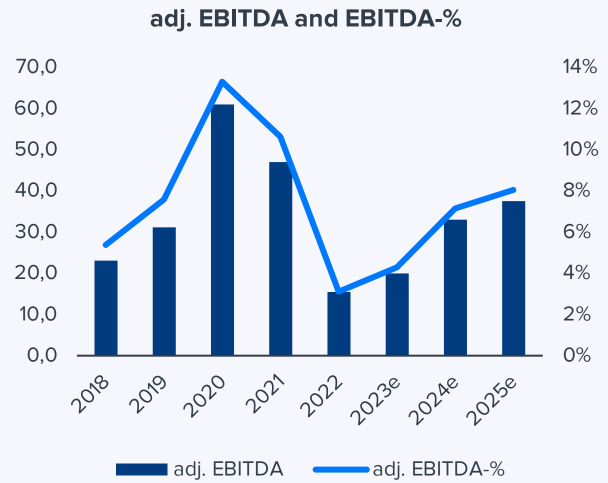
2025-26 estimates

We are quite cautious in our growth estimates and model only 1% volume growth in 2025-26. This stems from the fact that we believe Suominen will exit some lower-margin / heavily competed standard products, while simultaneously introducing new specialty products, especially in sustainable products. Also, some of the recent novelties will commoditize over time, putting margin pressure on those products. Hence, we see a continuous rotation in the product portfolio rather than Suominen being able to maintain its current business stable and add some higher-margin new products on top. We do not model price changes in 2025-26, although there will most likely be some following raw material prices, in particular. We do not forecast FX changes either, as usual.

On the margin side, we expect continuous efficiency improvements and focus on specialty products to support further improvement in the gross margin to 11% in 2025-26, which is also the historic average (11-years with the current company structure). This translates to around 8% in adj. EBITDA (vs. company's target of 12%) and 4-4.5% EBIT-%. In absolute terms, we forecast adj. EBIT of around EUR 20 million, which we see as a normalized level for the company. 11-year average is at similar level, EUR 19 million.

As cash flow improves, Suominen should not need any debt except its EUR 50 million bond, where annual interest is below EUR 1 million. Hence, we expect a gradual decline in financial costs during 2025-26. When the bond will eventually be refinanced in 2026-27, the financials are likely to go up as the interest rate for the debt will clearly increase at least with current interest levels. All in all, this translates into an EPS of EUR 0.22 in 2025 and EUR 0.26 for 2026. We see the result around EUR 0.25 also for years to come.





Source: Inderes

Estimates 3/4

Long term estimates

From 2027 onwards, we expect growth to be around 2%, which represents the average growth rate of the industry and GDP growth in the main markets over the long-term. We estimate the margin to remain at 2026 level through the following years and also in the terminal period in our DCF-model. This means an EBITDA margin around 8% (correspondingly EBIT-% 4.5%). Thus, our long-term estimates stay below the company's long-term targets but are quite well in line with Suominen's historical performance.

These estimates are based on organic growth even if we believe that Suominen will make M&A transactions in the long term. Thus, potential transactions could have a 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. Capex remains around depreciation through this decade and is slightly higher in the terminal period to cater for growth.

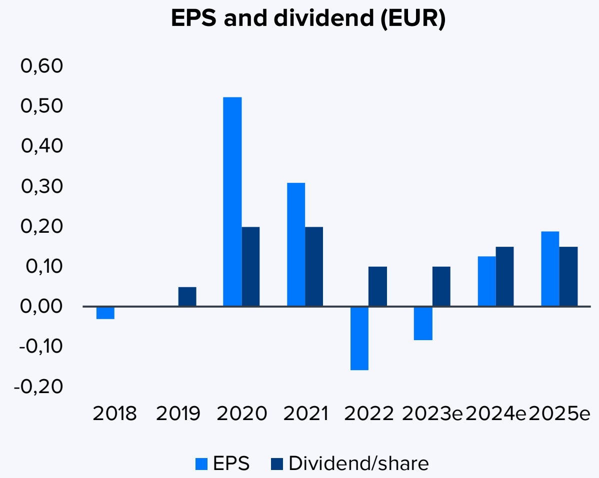
Dividends were paid even for loss-making 2022

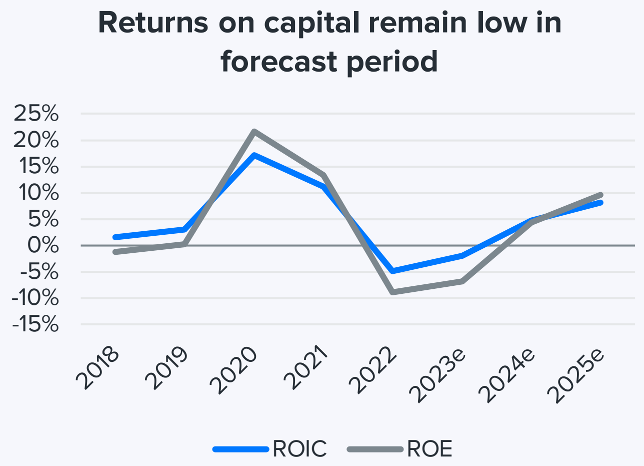
Suominen has a target dividend payout ratio of at least 30%. Suominen left shareholders without dividend in the spring of 2019 (dividend from the year 2018) but otherwise the company has met its dividend target. Suominen paid a dividend for 2022, even if the result was negative. Hence, even if we believe the result is negative also in 2023, we expect a similar dividend. This, however, requires the improvement trend in earnings to start in H2, otherwise the dividend could be cut to zero to protect the balance sheet.

Given Suominen's expected improvement in the coming years in the neutral scenario, we believe that Suominen should be able to meet its cautious payout target in the future. However, the amount of dividends will depend strongly on the profit level, as well as potential larger investment and M&A decisions.

Return on capital is adequate at best in our forecasts

Suominen's return on capital peaked along with profits in 2020-21, reaching clearly double digits. With our profitability forecasts and limited changes in the balance sheet structure, we expect the returns on capital will only reach high-single-digits in 2025 and onwards, when we forecast Suominen to reach its normalized profitability level. This is barely in line with our cost of capital (WACC). Hence, growth does not necessarily add value for Suominen, although we note that additional volumes from the current asset base should bring fairly good incremental profit and hence support the returns on capital as well.





Source: Inderes

Estimates 4/4

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Sales	**410**	**374**	**430**	**444**	**417**	**426**	**431**	**411**	**459**	**443**	**493**	**466**	**462**	**466**	**471**
Cost of goods sold	-376	-334	-352	-386	-365	-384	-400	-377	-389	-393	-474	-438	-415	-415	-418
Gross margin -%	8,3 %	10,7 %	18,11 %	13,1 %	12,5 %	9,9 %	7,3 %	8,4 %	15,2 %	11,3 %	3,9 %	6,0 %	10,0 %	11,0 %	11,3 %
Sales & Marketing	-6,9	-5,6	-6,3	-7,8	-7,4	-7,3	-7,0	-7,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other income	6,8	2,5	2,7	2,6	1,9	1,8	2,5	2,9	2,6	4,4	5,7	3,1	3,0	3,0	3,0
Research & Development	-3,6	-3,1	-2,9	-3,5	-4,3	-4,7	-3,5	-3,4	-2,8	-2,7	-3,5	-3,8	-3,5	-3,6	-3,6
Administration	-16,9	-13,7	-14,1	-16,7	-16,2	-16,9	-17,6	-17	-27,9	-26,2	-28,9	-28,2	-26,8	-26,8	-27,3
Other costs	-0,6	-0,8	-2,2	-0,9	-0,6	-0,1	-1,1	-1,0	-2,15	0,6	-0,8	-2,6	-0,9	-0,9	-1
EBITDA excl. NRI					**42,1**	**32,8**	**23,1**	**31,1**	**60,9**	**47,0**	**15,3**	**19,9**	**32,9**	**37,5**	**38,8**
EBITDA-% excl. NRI					**10,1 %**	**7,7 %**	**5,3 %**	**7,6 %**	**13,3 %**	**10,6 %**	**3,1 %**	**4,3 %**	**7,1 %**	**8,0 %**	**8,2 %**
Depreciation					-18,5	-19,3	-21,0	-25,5	-21,4	-20,1	-19,4	-18,6	-17,9	-17,5	-17,6
EBIT (excl. NRI)	**13,7**	**16,9**	**26,9**	**28,7**	**23,6**	**13,4**	**2,0**	**5,6**	**39,5**	**26,9**	**-4,1**	**1,3**	**15,0**	**20,0**	**21,2**
EBIT-% (excl. NRI)	**3,3 %**	**4,5 %**	**6,3 %**	**6,5 %**	**5,7 %**	**3,1 %**	**0,5 %**	**1,4 %**	**8,6 %**	**6,1 %**	**-0,8 %**	**0,3 %**	**3,2 %**	**4,3 %**	**4,5 %**
Non-recurring items	-12,8	-0,5	0	0,5	0	0	0	0	0	0	-4,8	-4,7	-3	0	0
EBIT	1,0	16,4	26,9	29,2	23,6	13,4	2,0	5,6	39,5	26,9	-9,0	-3,4	12,0	20,0	21,2
EBIT -%	0,2 %	4,4 %	6,3 %	6,6 %	5,7 %	3,1 %	0,5 %	1,4 %	8,6 %	6,1 %	-1,8 %	-0,7 %	2,6 %	4,3 %	4,5 %
Financials	-10,4	-5,8	-5,3	-5,1	-3,2	-2,6	-5,6	-6,0	-5,6	-0,9	-2,9	-4,8	-4,0	-3,0	-2,5
PTP	-8,7	10,7	20,6	24,1	20,4	10,8	-3,5	-0,4	33,9	26,0	-11,9	-8,2	8,0	17,0	18,7
Tax-rate (%)		70 %	-5 %	38 %	35 %	-19 %	-22 %	-238 %	11 %	22 %	-17 %	-16 %	28 %	24 %	24 %
Taxes	-2,4	-7,4	1,0	-9,2	-7,2	2,0	-0,8	-1,0	-3,8	-5,8	-2,0	-1,3	-2,2	-4,1	-4,5
Net profit	-11,9	3,2	21,6	15,0	13,2	12,9	-4,3	-1,4	30,1	20,2	-13,9	-9,5	5,7	12,9	14,2

Source: Inderes

Valuation 1/2

Valuation needs to take into account a normalized earnings level

Suominen's earnings have historically been volatile and currently its in a low point of the earnings cycle. Hence, we believe the valuation should take into account a normalized earnings level, rather than just looking at the current earnings multiples. Keeping this in mind, we see all the usual valuation multiples like P/E, EV/EBIT and P/B combined to ROE as relevant valuation methods for Suominen. DCF is suitable as well, but there one needs to use a longer-term average as the long-term profitability estimate rather than any low or high point of the margins.

As a summary, we see the earnings multiples to be very high currently and fair only in several years when the earnings reaches a normalized level in our estimates. The P/B of over 1x also seems high compared to the ROE level, which we expect to be just slightly above the required return with normalized earnings. Our recommendation for Suominen is Reduce.

Valuation multiples

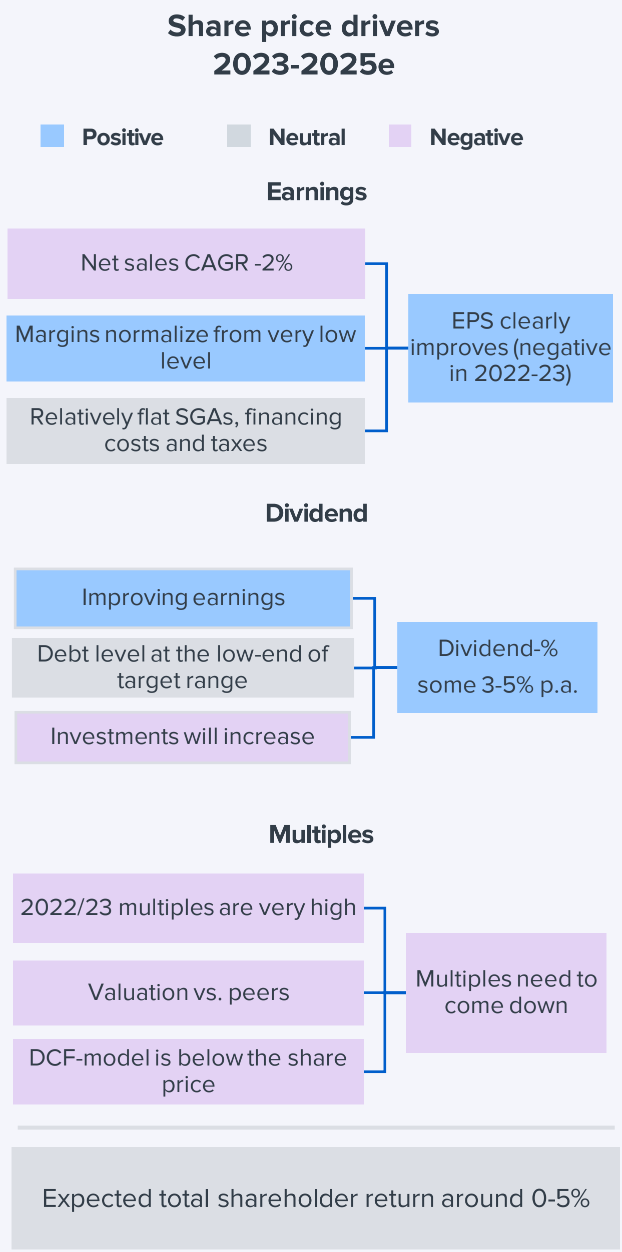
Suominen's P/E-ratio FY'23 is negative and FY'24 based on our estimates is 17x while corresponding EV/EBITDA-ratios are 14x and 8x. These are high multiples, but also the earnings level is likely to be below Suominen's potential in these years. We see earnings reaching a more normal level in 2025, when the multiples are 13x (P/E) and 6x (EV/EBITDA), while the EV/EBITDA average for 2018-22 is 6.5x. This is pushed up by the very high multiple in 2022.

We believe an acceptable P/E multiple for Suominen is 10-12x and EV/EBITDA 5-6x. Hence, the 2025 multiples look close to fair, but those are still 1-2 years away and require a clear turnaround in earnings. Suominen's peer Jacob Holm was acquired in 2021 by Glatfelter with an EV/EBITDA of 7x, while some earlier deals in the industry have been around 6x. Given these were made in a lower interest rate environment and the takeout valuations are likely to be slightly higher than the acceptable stand-alone valuation, we see these to be inline with our estimate of the acceptable valuation.

The P/B ratio for Suominen is 1.2-1.3x in 2023-25. With our estimates the company can deliver a return on capital of around 10% starting from 2025, which is on par or slightly above our required return, so the correct P/B level is around 1x or slightly above in the longer term. In 2023-24, the return on capital is below our required return. Even with this indicator, the valuation is highish. With our estimates the dividend yield is close to 4% for 2022-23 and 6% from 2024 onwards. However, we believe the dividend for this year may be at risk if the result/cash flow does not develop as expected in the second half of the year.

Expected return is close to zero

As we described above, the improving earnings during 2024-25 should only drive the current very high multiples down and hence they do not contribute to the share price/shareholder returns in our view. Hence, the only positive driver is the dividend, which we estimate to be 3-5% p.a. However, we estimate that even part of this return could be absorbed by lower multiples. In total, we see the shareholder return to be around 0-5% for 2023-25, being lower than our required rate of return.



Valuation 2/2

Relative valuation is only an indication

As Suominen's direct competitors in the 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, our peer group includes companies from other sectors, which have a similar business model (manufacturing), type of products (not branded consumer related goods) and value chain position to Suominen. However, the group is far from good in terms of size and type of peers, thus we keep its weigh limited in our valuation.

Given Suominen's high multiples, its unsurprisingly valued with a premium to peers in 2023-24 with all earnings multiples. With EV/EBITDA 2024 the gap is smallest, only some 10%, while other premiums are huge. The peer multiples for 2024 are P/E 11x and EV/EBITDA 7.5x. We argue some discount is justified for Suominen as its business portfolio is smaller and less widely spread than the peer group on average, which makes its risk profile somewhat higher. Thus, we feel the peer group related valuation relays the same main message, i.e. that the valuation is decent only with the normalized earnings levels we expect in 2025. However, we do not believe loosely related peer group valuation will drive Suominen's share clearly in any direction.

DCF-valuation supports a cautious view

We explained the long-term assumptions for our DCF-model already in the estimates section. The weight of terminal value is reasonable at 50% in the model despite the weak short-term performance, thus the model is quite conservative in that respect. WACC-% of the model is at 8.7 % and cost of equity at 10.2 %. Our DCF model arrives at an EV of slightly above 200 MEUR, which indicates an equity value of some 150 MEUR, or 2.6 per share.

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

Suominen targets a 12% EBITDA margin in 2025. Although we view this as very challenging as commented earlier, we can calculate that with our sales estimates, the EBITDA would be some 55 MEUR. Valuing this with an 5.5x EV/EBITDA , we would arrive at a share value of 4-4.5 per share, giving some 50% upside to the current share price. We view this scenario as quite unlikely, however.

Long-term return potential is moderate

In the longer term, we believe that Suominen's return on capital will be roughly at the level of the required return. We believe that the company will be able to achieve small earnings growth, but in the absence of clear competitive advantages, with strong competition in the sector and volatile raw material prices swaying profitability, we do not believe in significant and sustainable earnings growth nor return on capital that exceeds the required return in the long-term. We expect that the company can pay good 5% dividend yield in the longer term compared to the current share price, which also supports the longer-term expected return of the share. However, the expected return will be 0-10% in the longer-term which is below our required return.

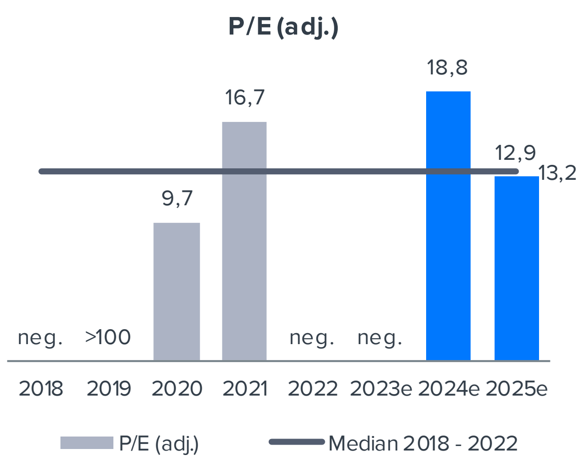
Valuation	2023e	2024e	2025e
Share price	2,84	2,84	2,84
Number of shares, millions	57,5	57,5	57,5
Market cap	163	163	163
EV	216	218	217
P/E (adj.)	neg.	18,7	12,8
P/E	neg.	28,5	12,8
P/FCF	12,6	26,2	14,1
P/B	1,2	1,2	1,2
P/S	0,4	0,4	0,4
EV/Sales	0,5	0,5	0,5
EV/EBITDA	14,1	7,3	5,8
EV/EBIT (adj.)	>100	14,6	10,8
Payout ratio (%)	neg.	150 %	68 %
Dividend yield-%	3,5 %	5,3 %	5,3 %

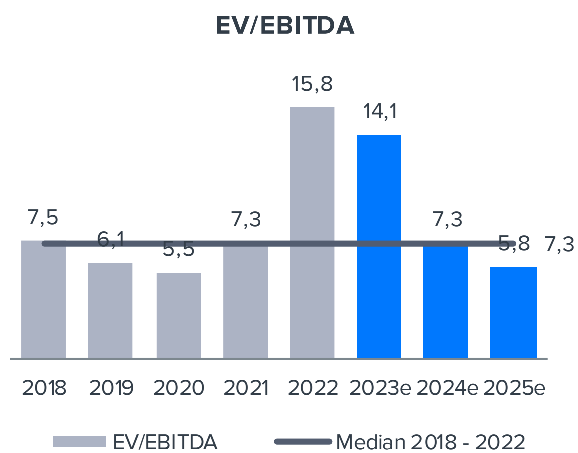
Source: Inderes

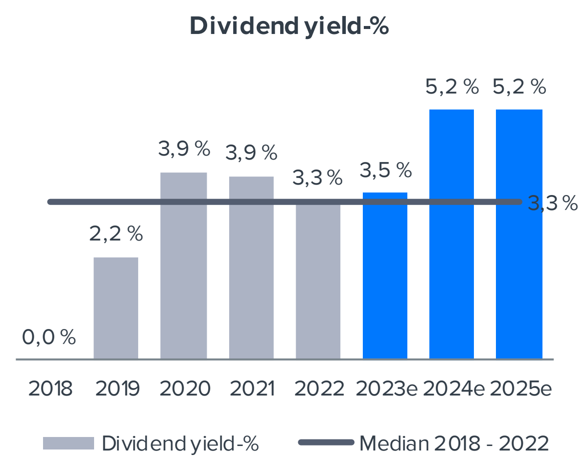
Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	2,05	2,31	5,08	5,18	3,00	**2,86**	**2,86**	**2,86**	**2,86**
Number of shares, millions	57,5	57,5	57,5	57,5	57,5	**57,5**	**57,5**	**57,5**	**57,5**
Market cap	118	133	292	298	172	**164**	**164**	**164**	**164**
EV	192	204	334	345	226	**217**	**219**	**218**	**216**
P/E (adj.)	neg.	>100	9,7	16,7	neg.	**neg.**	**18,8**	**12,9**	**11,2**
P/E	neg.	>100	9,7	14,4	neg.	**neg.**	**28,7**	**12,9**	**11,2**
P/FCF	5,5	6,3	5,8	>100	22,4	**12,7**	**26,3**	**14,2**	**13,1**
P/B	0,9	1,0	2,0	1,8	1,2	**1,3**	**1,3**	**1,2**	**1,2**
P/S	0,3	0,3	0,6	0,7	0,3	**0,4**	**0,4**	**0,4**	**0,3**
EV/Sales	0,4	0,5	0,7	0,8	0,5	**0,5**	**0,5**	**0,5**	**0,5**
EV/EBITDA	7,5	6,1	5,5	7,3	15,8	**14,1**	**7,3**	**5,8**	**5,6**
EV/EBIT (adj.)	41,7	25,1	8,5	12,8	neg.	**>100**	**14,6**	**10,9**	**10,2**
Payout ratio (%)	0,0 %	1282,8 %	38,2 %	55,4 %	neg.	**neg.**	**150,4 %**	**67,5 %**	**50,0 %**
Dividend yield-%	0,0 %	2,2 %	3,9 %	3,9 %	3,3 %	**3,5 %**	**5,2 %**	**5,2 %**	**4,5 %**

Source: Inderes







Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**
Huhtamäki	3351	4903	13,4	12,1	8,5	8,0	1,2	1,1	14,2	12,8	3,3	3,7	1,7
Duni	387	533	10,3	8,8	7,3	6,5	0,8	0,8	12,7	10,6	3,6	4,6	1,3
Sealed Air	4754	9147	11,6	10,5	8,9	8,2	1,8	1,7	12,2	10,7	2,3	2,3	8,1
Riverstone	618	439	8,6	7,4	7,1	6,2	2,1	1,8	14,5	13,1	5,5	5,1	1,7
Berry Plastics	7059	15102	12,3	11,3	7,9	7,5	1,3	1,2	8,7	8,0	1,6	1,6	2,3
Glatfelter	111	866	15,7		7,3		0,6		7,7				
Suominen (Inderes)	**164**	**217**	**162,6**	**14,6**	**14,1**	**7,3**	**0,5**	**0,5**	**-34,6**	**18,8**	**3,5**	**5,2**	**1,3**
Average			**12,0**	**10,0**	**7,8**	**7,3**	**1,3**	**1,3**	**11,7**	**11,0**	**3,3**	**3,4**	**3,0**
Median			**11,9**	**10,5**	**7,6**	**7,5**	**1,2**	**1,2**	**12,4**	**10,7**	**3,3**	**3,7**	**1,7**
Diff-% to median			***1264 %***	***39 %***	***86 %***	***-2 %***	***-61 %***	***-62 %***	***-378 %***	***75 %***	***8 %***	***44 %***	***-26 %***

Source: Refinitiv / Inderes

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	**443**	**110**	**118**	**132**	**133**	**493**	**117**	**113**	**118**	**119**	**466**	**462**	**466**	**471**
EBITDA	**47,0**	**3,3**	**1,9**	**5,1**	**4,0**	**14,3**	**2,6**	**-1,9**	**6,7**	**7,9**	**15,3**	**29,9**	**37,5**	**38,8**
Depreciation	-20,1	-4,6	-4,8	-4,9	-9,0	-23,2	-4,7	-4,8	-4,6	-4,6	-18,7	-17,9	-17,5	-17,6
EBIT (excl. NRI)	**26,9**	**-1,3**	**-2,9**	**0,2**	**-0,2**	**-4,2**	**-2,0**	**-2,1**	**2,1**	**3,3**	**1,3**	**15,0**	**20,0**	**21,2**
EBIT	**26,9**	**-1,3**	**-2,9**	**0,2**	**-5,0**	**-9,0**	**-2,1**	**-6,7**	**2,1**	**3,3**	**-3,4**	**12,0**	**20,0**	**21,2**
Net financial items	-0,4	-0,9	0,7	-0,1	-2,6	-2,9	-1,5	-1,3	-1,0	-1,0	-4,8	-4,0	-3,0	-1,6
PTP	**26,6**	**-2,2**	**-2,2**	**0,1**	**-7,6**	**-11,9**	**-3,6**	**-8,0**	**1,1**	**2,3**	**-8,2**	**8,0**	**17,0**	**19,6**
Taxes	-5,8	-0,1	-0,1	-0,5	-1,2	-2,0	-0,3	-0,2	-0,3	-0,5	-1,3	-2,2	-4,3	-4,9
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	**20,7**	**-2,3**	**-2,3**	**-0,4**	**-8,8**	**-13,9**	**-3,9**	**-8,2**	**0,9**	**1,8**	**-9,5**	**5,7**	**12,8**	**14,7**
EPS (adj.)	**0,31**	**-0,04**	**-0,04**	**-0,01**	**-0,07**	**-0,16**	**-0,07**	**-0,06**	**0,02**	**0,03**	**-0,08**	**0,15**	**0,22**	**0,26**
EPS (rep.)	**0,36**	**-0,04**	**-0,04**	**-0,01**	**-0,15**	**-0,24**	**-0,07**	**-0,14**	**0,02**	**0,03**	**-0,16**	**0,10**	**0,22**	**0,26**

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	-3,4 %	-4,4 %	3,8 %	33,7 %	15,1 %	11,3 %	5,9 %	-4,5 %	-10,7 %	-10,6 %	-5,5 %	-1,0 %	1,0 %	1,0 %
Adjusted EBIT growth-%	-31,8 %	-109,3 %	-128,1 %	-124,0 %	-104,9 %	-115,4 %	58 %	-28 %	951 %	-1833 %	-132 %	1023 %	33,8 %	6,1 %
EBITDA-%	10,6 %	3,0 %	1,6 %	3,9 %	3,0 %	2,9 %	2,2 %	-1,7 %	5,7 %	6,6 %	3,3 %	6,5 %	8,0 %	8,2 %
Adjusted EBIT-%	6,1 %	-1,1 %	-2,5 %	0,2 %	-0,1 %	-0,8 %	-1,7 %	-1,9 %	1,8 %	2,8 %	0,3 %	3,2 %	4,3 %	4,5 %
Net earnings-%	4,7 %	-2,1 %	-2,0 %	-0,3 %	-6,6 %	-2,8 %	-3,3 %	-7,3 %	0,7 %	1,5 %	-2,0 %	1,2 %	2,7 %	3,1 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	**162**	**154**	**147**	**144**	**145**
Goodwill	15,5	15,5	15,4	15,4	15,4
Intangible assets	13,2	9,7	9,8	9,9	10,0
Tangible assets	131	128	120	117	117
Associated companies	0,0	0,0	0,0	0,0	0,0
Other investments	0,5	0,5	0,5	0,5	0,5
Other non-current assets	0,0	0,0	0,0	0,0	0,0
Deferred tax assets	1,7	0,7	1,7	1,7	1,7
Current assets	**225**	**189**	**149**	**150**	**152**
Inventories	49,8	63,3	51,3	53,1	53,6
Other current assets	8,0	9,6	9,6	9,6	9,6
Receivables	65,5	66,6	60,6	60,0	60,6
Cash and equivalents	101	49,5	27,7	27,7	28,0
Balance sheet total	**387**	**343**	**296**	**294**	**296**

Source: Inderes

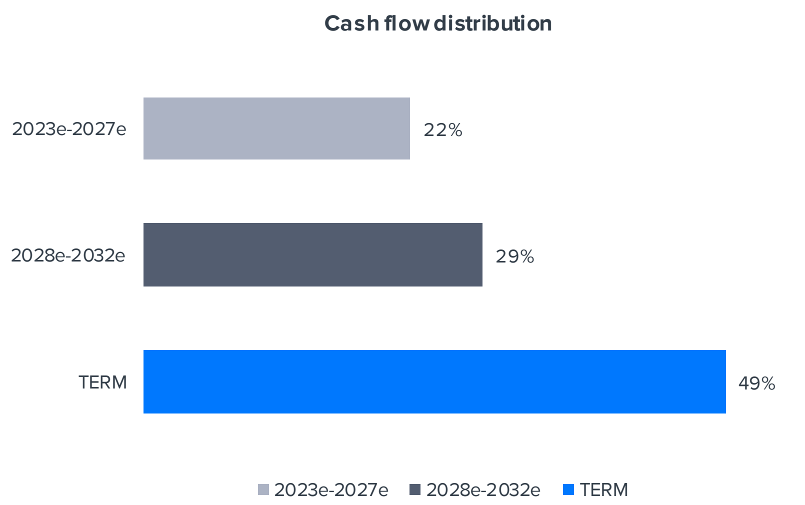
Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	**163**	**146**	**131**	**131**	**135**
Share capital	11,9	11,9	11,9	11,9	11,9
Retained earnings	56,5	30,7	15,5	15,5	19,6
Hybrid bonds	0,0	0,0	0,0	0,0	0,0
Revaluation reserve	0,0	0,0	0,0	0,0	0,0
Other equity	94,8	103	103	103	103
Minorities	0,0	0,0	0,0	0,0	0,0
Non-current liabilities	**78,8**	**74,6**	**75,1**	**89,7**	**89,3**
Deferred tax liabilities	13,9	11,7	11,7	11,7	11,7
Provisions	1,9	2,0	3,0	2,0	2,0
Long term debt	62,3	60,5	60,0	75,6	75,2
Convertibles	0,0	0,0	0,0	0,0	0,0
Other long term liabilities	0,7	0,4	0,4	0,4	0,4
Current liabilities	**145**	**123**	**90,2**	**74,0**	**72,3**
Short term debt	86,8	42,9	20,0	6,7	6,7
Payables	57,2	79,8	69,9	66,9	65,3
Other current liabilities	0,7	0,3	0,3	0,3	0,3
Balance sheet total	**387**	**344**	**296**	**294**	**296**

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	11,3 %	-5,5 %	-1,0 %	1,0 %	1,0 %	2,0 %	2,0 %	2,0 %	2,0 %	2,0 %	2,0 %	2,0 %
EBIT-%	-1,8 %	-0,7 %	2,6 %	4,3 %	4,5 %	4,5 %	4,5 %	4,5 %	4,5 %	4,5 %	4,5 %	4,5 %
EBIT (operating profit)	**-9,0**	**-3,4**	**12,0**	**20,0**	**21,2**	**21,6**	**22,0**	**22,5**	**22,9**	**23,4**	**23,9**	
+ Depreciation	23,2	18,7	17,9	17,5	17,6	17,6	17,7	17,7	17,8	12,2	12,5	
- Paid taxes	-3,2	-2,3	-2,2	-4,3	-4,9	-4,6	-4,8	-4,9	-5,1	-5,2	-5,3	
- Tax, financial expenses	0,7	0,8	-1,1	-0,8	-0,4	-0,8	-0,7	-0,7	-0,7	-0,7	-0,7	
+ 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	6,0	8,1	-4,2	-2,8	-2,8	-1,0	-1,1	-1,1	-1,1	-1,1	-1,2	
Operating cash flow	**17,7**	**22,0**	**22,3**	**29,7**	**30,6**	**32,8**	**33,2**	**33,5**	**33,9**	**28,7**	**29,2**	
+ Change in other long-term liabilities	-0,2	1,1	-1,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
- Gross CAPEX	-9,8	-10,1	-15,1	-18,1	-18,1	-18,1	-18,1	-18,1	16,8	-14,1	-14,4	
Free operating cash flow	**7,7**	**12,9**	**6,2**	**11,6**	**12,5**	**14,7**	**15,1**	**15,4**	**50,7**	**14,5**	**14,8**	
+/- Other	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
FCFF	7,7	12,9	6,2	11,6	12,5	14,7	15,1	15,4	50,7	14,5	14,8	225
Discounted FCFF		**12,6**	**5,6**	**9,6**	**9,5**	**10,3**	**9,7**	**9,1**	**27,5**	**7,3**	**6,8**	**104**
Sum of FCFF present value		212	199	193	184	174	164	154	145	118	110	104
Enterprise value DCF		**212**										
- Interest bearing debt		-103,4										
+ Cash and cash equivalents		49,5										
-Minorities		0,0										
-Dividend/capital return		-5,7										
Equity value DCF		**152**										
Equity value DCF per share		**2,64**										

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	2,5 %
Cost of equity	**10,2 %**
Weighted average cost of capital (WACC)	**8,7 %**

Source: Inderes



Summary

Income statement	2020	2021	2022	2023e	2024e
Revenue	458,9	443,2	493,3	**466,3**	**461,6**
EBITDA	60,9	47,0	14,3	**15,3**	**29,9**
EBIT	39,5	26,9	-9,0	**-3,4**	**12,0**
PTP	33,9	26,6	-11,9	**-8,2**	**8,0**
Net Income	30,1	20,7	-13,9	**-9,5**	**5,7**
Extraordinary items	0,0	0,0	-4,8	**-4,7**	**-3,0**

Balance sheet	2020	2021	2022	2023e	2024e
Balance sheet total	317,4	386,7	343,5	**296,1**	**294,5**
Equity capital	145,9	163,2	146,0	**130,8**	**130,7**
Goodwill	15,5	15,5	15,5	**15,4**	**15,4**
Net debt	42,4	47,8	53,9	**52,3**	**54,7**

Cash flow	2020	2021	2022	2023e	2024e
EBITDA	60,9	47,0	14,3	**15,3**	**29,9**
Change in working capital	0,3	-24,7	6,0	**8,1**	**-4,2**
Operating cash flow	55,4	19,4	17,7	**22,0**	**22,3**
CAPEX	-5,0	-17,6	-9,8	**-10,1**	**-15,1**
Free cash flow	50,5	1,8	7,7	**12,9**	**6,2**

Per share data	2020	2021	2022	2023e	2024e
EPS (reported)	0,52	0,36	-0,24	**-0,16**	**0,10**
EPS (adj.)	0,52	0,31	-0,16	**-0,08**	**0,15**
OCF / share	0,96	0,34	0,31	**0,38**	**0,39**
FCF / share	0,88	0,03	0,13	**0,22**	**0,11**
Book value / share	2,54	2,84	2,54	**2,28**	**2,28**
Dividend / share	0,20	0,20	0,10	**0,10**	**0,15**

Growth and profitability	2020	2021	2022	2023e	2024e
Revenue growth-%	12 %	-3 %	11 %	**-5 %**	**-1 %**
EBITDA growth-%	81 %	-23 %	-70 %	**7 %**	**95 %**
EBIT (adj.) growth-%	386 %	-32 %	-115 %	**-132 %**	**1023 %**
EPS (adj.) growth-%	13345 %	-41 %	-151 %	**-47 %**	**-284 %**
EBITDA-%	13,3 %	10,6 %	2,9 %	**3,3 %**	**6,5 %**
EBIT (adj.)-%	8,6 %	6,1 %	-0,8 %	**0,3 %**	**3,2 %**
EBIT-%	8,6 %	6,1 %	-1,8 %	**-0,7 %**	**2,6 %**
ROE-%	21,6 %	13,4 %	-9,0 %	**-6,8 %**	**4,4 %**
ROI-%	16,2 %	9,7 %	-3,2 %	**-1,5 %**	**5,6 %**
Equity ratio	46,0 %	42,2 %	42,5 %	**44,2 %**	**44,4 %**
Gearing	29,1 %	29,3 %	36,9 %	**40,0 %**	**41,8 %**

Source: Inderes

Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

Buy The 12-month risk-adjusted expected shareholder 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

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
8.8.2019	Reduce	2,40 €	2,48 €
23.10.2019	Reduce	2,25 €	2,33 €
30.1.2020	Reduce	2,35 €	2,48 €
24.4.2020	Accumulate	3,25 €	3,02 €
13.5.2020	Accumulate	3,40 €	3,17 €
18.6.2020	Accumulate	4,00 €	3,69 €
13.8.2020	Accumulate	5,40 €	5,00 €
28.10.2020	Accumulate	5,40 €	5,06 €
5.2.2021	Accumulate	6,00 €	5,74 €
29.4.2021	Accumulate	6,25 €	5,87 €
24.6.2021	Accumulate	6,25 €	5,45 €
16.8.2021	Accumulate	5,60 €	5,27 €
29.10.2021	Accumulate	5,25 €	4,72 €
4.2.2022	Reduce	4,50 €	4,33 €
5.5.2022	Reduce	3,30 €	3,12 €
15.7.2022	Reduce	3,30 €	3,12 €
10.8.2022	Reduce	3,30 €	3,18 €
	Analyst changed		
27.10.2022	Accumulate	3,00 €	2,48 €
14.12.2022	Reduce	3,00 €	3,10 €
11.1.2023	Reduce	3,00 €	3,00 €
6.2.2023	Reduce	3,00 €	3,08 €
5.5.2023	Reduce	2,80 €	2,88 €
10.8.2023	Sell	2,60 €	2,94 €
20.9.2023	Sell	2,60 €	2,84 €

inde
res.

Inderes connects investors and listed companies. We help over 400 listed companies to better serve their investors. Our community is home to over 70 000 active investors.

Our social objective is to democratize information in the financial markets.

We build solutions for listed companies that enable seamless and effective investor relations. Majority of our revenue comes from services to listed companies, including Commissioned Research, Virtual Events, AGM services, and IR technology and consultation.

Inderes is listed on Nasdaq First North growth market and operates in Finland, Sweden, Norway and Denmark.

Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at **inderes.fi**

STARMINE ANALYST AWARDS FROM REFINITIV

THOMSON REUTERS ANALYST AWARDS

Juha Kinnunen
2012, 2016, 2017, 2018, 2019, 2020

Mikael Rautanen
2014, 2016, 2017, 2019

Sauli Vilén
2012, 2016, 2018, 2019, 2020

Antti Viljakainen
2014, 2015, 2016, 2018, 2019, 2020

Olli Koponen
2020

Joni Grönqvist
2019, 2020

Erkki Vesola
2018, 2020

Petri Gostowski
2020

Atte Riikola
2020

Research belongs
to everyone.