

Suominen

Company report

8/12/2024



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

✓ Inderes corporate customer

This report is a summary translation of the report "Tulostaso edelleen tahmea" published on 8/10/2024 at 11:05 am EEST

inde
res.

Earnings level still patchy

Suominen's Q2 results missed expectations but were better than the comparison period, and the company reiterated its guidance for adj. EBITDA improvement in 2024 vs. 2023. Our forecasts for this year and next year were substantially lowered due to the surprisingly persistent weak level of the company's results. In our view, the stock is already priced for a much better earnings level, which we believe the company will not reach until 2026 at the earliest. We reiterate our Reduce recommendation and lower our target price to EUR 2.4 (previous EUR 2.5) due to the lower forecasts.

Revenue turned to growth, result roughly in line with previous quarters

Suominen's Q2 revenue grew by 5%, while we only expected it to be flat year-on-year. The growth was driven by volume growth while average prices declined, although the improved sales mix provided some price support. Suominen's adj. EBITDA was 5.0 MEUR, better than the weak comparison period (2.7 MEUR). However, adj. EBITDA fell short of our and consensus expectations by about 6 MEUR, and the result was in the red on lines below EBIT. Earnings have now been at a level of around 5 MEUR in adj. EBITDA for four quarters in a row, thus repeatedly disappointing expectations of an upward earnings trend. The company said that the improvement in earnings, which has been mainly driven by efficiency measures, has also been slower than the company's own expectations.

Guidance for improving result unchanged, but forecasts continue to be revised downwards

Suominen reiterated its guidance for this year, i.e., it expects the comparable EBITDA for the whole year to increase (2023: 16 MEUR). Last year, the improvement based on the same wording was less than 1 MEUR and performance was weaker than expected throughout the year. The weaker than expected H1'24 was therefore a continuation of this trend. However, Suominen already improved its adj. EBITDA by 4 MEUR during H1, so no further improvement is needed in H2 to meet the guidance. Still, we expect a slight improvement in H2 compared to both H1 and the comparison period. We forecast full year adj. EBITDA to amount to 22 MEUR. Following the weaker-than-expected result, however, we have significantly lowered our earnings forecasts for both this year and the next.

Earnings turnaround may still be slower than expected

Suominen's result is weak for the third year in a row. We believe competition is tighter than before the COVID years, as the sector invested heavily in new capacity when demand was high. We believe that this is also reflected in price/margin pressure for Suominen. As Suominen's production is almost entirely in countries with higher cost levels, it is exposed to competition from cheaper production countries, too. Although the turnaround seems to have begun towards the end of 2023, it has not progressed in recent quarters (compared to previous quarters) and the earnings level is frail. We still see a risk of a slower-than-expected turnaround, which also increases uncertainty about Suominen's earnings potential.

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

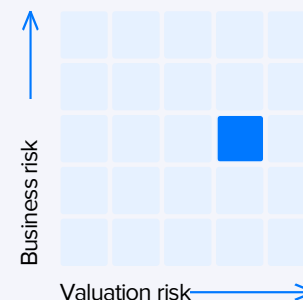
We now feel that Suominen's normal earnings level is around 20 MEUR, which we believe will materialize in 2026. Even at this earnings level, the company's valuation multiples are neutral or slightly high, so we see the earnings growth between 2024-26 being used to digest the multiples. Considering the limited competitive advantages, we do not believe that the company will be able to achieve a return on capital that is substantially above the required return in the long term, and thus the P/B ratio should be close to 1x, so the 1.3x of 2025 also seems high. The expected return will therefore be based solely on the dividend yield, which will remain below 5% in the coming years.

Recommendation

Reduce
(was Reduce)

EUR 2.45
(was EUR 2.50)

Share price:
2.65



Key figures

	2023	2024e	2025e	2026e
Revenue	451	466	475	480
growth-%	-9%	3%	2%	1%
EBIT adj.	-2.7	4.4	11.1	18.0
EBIT-% adj.	-0.6 %	1.0 %	2.3 %	3.7 %
Net Income	-12.8	-2.6	5.4	10.5
EPS (adj.)	-0.14	-0.01	0.09	0.18
P/E (adj.)	neg.	neg.	28.9	14.8
P/B	1.2	1.3	1.3	1.3
Dividend yield-%	3.8 %	3.7 %	3.7 %	4.1 %
EV/EBIT (adj.)	neg.	49.3	20.5	12.4
EV/EBITDA	17.6	10.7	7.4	5.8
EV/S	0.4	0.5	0.5	0.5

Source: Inderes

Guidance

(Unchanged)

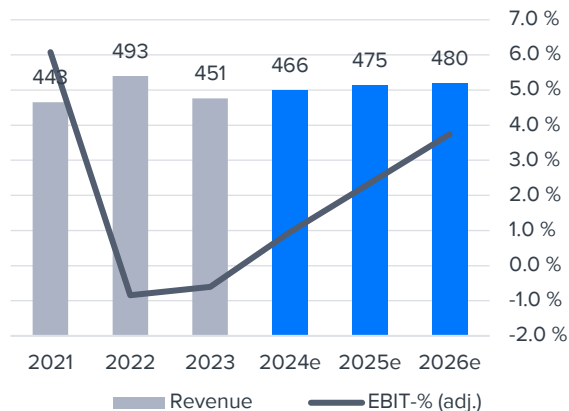
Suominen expects that its comparable EBITDA in 2024 will increase from 2023. In 2023, Suominen's comparable EBITDA was 15.8 MEUR.

Share price



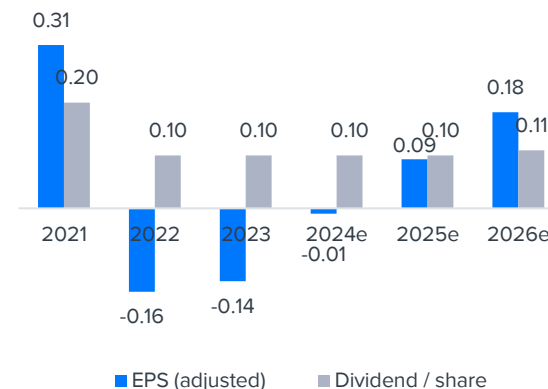
Source: Millistream Market Data AB

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	2024e	2025e	2026e
Share price	2.68	2.68	2.68
Number of shares, millions	57.7	57.7	57.7
Market cap	155	155	155
EV	219	228	223
P/E (adj.)	neg.	28.9	14.8
P/E	neg.	28.9	14.8
P/B	1.3	1.3	1.3
P/S	0.3	0.3	0.3
EV/Sales	0.5	0.5	0.5
EV/EBITDA	10.7	7.4	5.8
EV/EBIT (adj.)	49.3	20.5	12.4
Payout ratio (%)	neg.	108%	61%
Dividend yield-%	3.7 %	3.7 %	4.1 %

Source: Inderes

Result improved year-on-year, but missed expectations

Revenue grew nicely

Suominen's Q2 revenue grew by 5%, while we only expected it to be flat year-on-year. The growth was driven by volume growth while average prices declined, although the improved sales mix provided some price support. Both volume and sales mix growth were supported by a stabilized market and the company's responsible products. Growth came from the Americas (mainly the US), while revenue in EMEA was stable. Suominen has been saying for some time that the European market is generally more challenging.

Result improved year-on-year

Suominen's adjusted EBITDA was 5.0 MEUR, better than in the weak comparison period. However, the result fell short of our and consensus expectations and was in the red on lines below EBIT. Earnings have now been at a level of around 5 MEUR in adjusted EBITDA

for four quarters in a row, thus repeatedly disappointing expectations of an upward earnings trend.

Cash flow remained sluggish as in Q1

Cash flow from operations was 2 MEUR in Q2 and zero for the whole H1, compared to 10 MEUR in the comparison period. In addition to the weak result, cash flow was weighed down by an increase in working capital as the company has had to increase its inventories due to uncertainties in the supply chain. Suominen also freed up working capital significantly in the previous year, so the level for the comparison period was already quite good.

While the result remained sluggish, the company's indebtedness remained high. Net debt/adj. EBITDA was 2.8x, i.e. it has remained roughly at the same level this year. Given the maturity and earnings potential of the funding, we do not see this as a cause for concern, but

on the other hand, the company's investments are growing, which naturally requires financing.

Growing investments

Suominen is currently investing around 10 MEUR in its Bethune plant in the US and announced in the context of its Q2 report an investment of 20 MEUR in Alicante, Spain. The investments relate to the establishment/upgrading of production lines for the manufacture of responsible products. These investments are significant for Suominen, and the company expects the investment level to exceed the depreciation level this year and the next. This has also increased our investment forecasts. The ability to produce new products is a positive thing in itself, but we do not believe that the company will be able to achieve significant growth with them, as it also typically has older products where it is no longer competitive or which are being phased out of the market.

Estimates MEUR / EUR	Q2'23	Q2'24	Q2'24e	Q2'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	113	119	113	116			5%	466
EBITDA (adj.)	2.7	5.0	6.1	5.8			-18%	22.5
EBIT (adj.)	-2.1	0.4	1.6	1.3			-75%	4.4
EBIT	-6.7	-0.8	0.6	-			-238%	2.4
EPS (reported)	-0.14	-0.03	-0.01	0.00			-161%	-0.04
Revenue growth-%	-4.5 %	5.3 %	0.0 %	2.9 %			5.3 pp	3.3 %
EBIT-% (adj.)	-1.9 %	-0.7 %	1.4 %	1.1 %			-2.1 pp	1.0 %

Source: Inderes & Bloomberg & Vara Research, 3 analystys (consensus)

Downward trend in forecasts continues

Guidance for improved performance reiterated, 2024 forecasts lowered

Suominen reiterated its guidance for this year, i.e., it expects the comparable EBITDA for the whole year to increase (2023: 16 MEUR). Last year, the improvement based on the same wording was less than 1 MEUR and performance was weaker than expected throughout the year.

2024 has also missed our initial expectations and the earnings improvement is likely to remain modest this year. Suominen already improved its adjusted EBITDA by 4 MEUR during H1, so no further improvement is needed in H2 to meet the guidance. Still, we expect a slight improvement in H2 compared to both H1 and the comparison period. We forecast full year adjusted EBITDA to amount to 22 MEUR.

Earnings improvement seems delayed, 2025 forecasts also lowered

The recovery of Suominen's result from the bottom level of a couple of years ago has been considerably slower than expected. As we move into the second half of the year, we do not see any clear signs of a significant turnaround in results. As a result, we have substantially lowered our forecasts for next year as well, although we still maintain a clear expectation of earnings growth.

Longer-term earnings outlook relatively unchanged

We believe that Suominen's competitive situation will be tougher in the coming years than it was before the pandemic years, as the industry invested heavily in new capacity when demand was high. Suominen has said that Europe is now facing import pressure. We believe that this is also reflected in price/margin

pressure for Suominen. As Suominen's production is almost entirely in countries with higher cost levels, it is also exposed to competition from cheaper production countries. Suominen has commented earlier this year that the market environment is not providing much traction, but it is not causing headwinds either.

We continue to believe that an EBIT level of around 20 MEUR is somewhat normal for Suominen, and we forecast it to reach this level in 2026.

Estimate revisions MEUR / EUR	2024e		Change %	2025e		Change %	2026e		Change %
	Old	New		Old	New		Old	New	
Revenue	456	466	2%	466	475	2%	475	480	1%
EBITDA	24.5	20.5	-16%	37.0	30.7	-17%	37.3	38.4	3%
EBIT (exc. NRIs)	8.2	4.4	-46%	18.9	11.1	-41%	19.2	18.0	-6%
EBIT	6.4	2.4	-62%	18.9	11.1	-41%	19.2	18.0	-6%
PTP	1.4	-2.2	-250%	14.9	7.1	-52%	16.2	14.0	-14%
EPS (excl. NRIs)	0.04	-0.01	-125%	0.19	0.09	-52%	0.21	0.18	-14%
DPS	0.10	0.10	0%	0.10	0.10	0%	0.11	0.11	0%

Source: Inderes

Valuation is already pricing a clear improvement

Recommendation at Reduce

Using earnings- and balance sheet-based multiples and supported by the DCF model, we reiterate our Reduce recommendation. The estimated earnings improvement will be digesting multiples in the next few years, which means that the investor's expected return mainly consists of dividend yield. Therefore, the expected return remains close to zero.

Valuation still expensive in 2025 figures

Due to the poor result, valuation multiples for 2022-24 cannot be calculated or they are high, and we feel the earnings level does not depict the company's normal level. We believe that the company's result will only reach the 20 MEUR EBIT level that we consider normal in 2026. For 2025, the company is valued at over 25x P/E and just over 7x EV/EBITDA. We feel Suominen's acceptable valuation multiples in the current interest rate environment are P/E around 10-12x and EV/EBITDA 5-6x. The multiples fall within this range in our projections only in 2026-27 and assume a significant earnings improvement.

Suominen's P/B multiple is around 1.3x for 2024-25. With our estimates the company can deliver a return on capital of around 10% starting from 2026, 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 2024-25, the return on capital is below our required return. We forecast a dividend yield of about 4% in 2024-25, which assumes that Suominen will maintain the dividend at the current level even if earnings in 2024 are lower than the dividend in our forecasts.

The value of the DCF model is around EUR 2.4

The value of the DCF model is around EUR 2.4, which is in line with our target price. The model assumes a longer-term EBIT-% of 4.5% and thus an EBIT of 20-25 MEUR. We use a WACC of 8.6% for Suominen, which results in a share capital value of approximately 140 MEUR.

Longer-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. However, the expected return in both the short and long term is below 10%, which is below our required return.

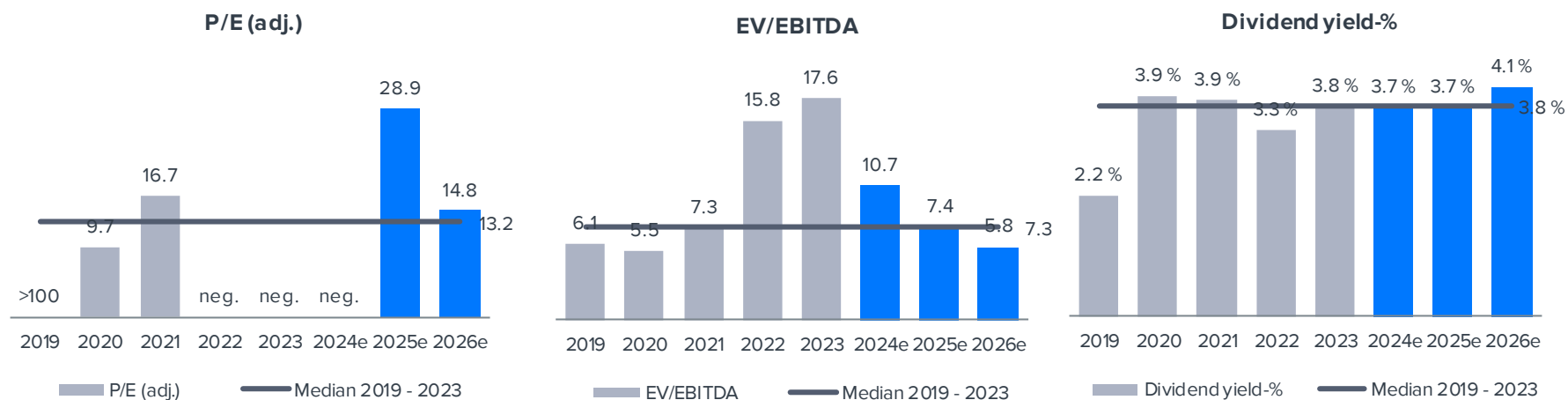
Valuation	2024e	2025e	2026e
Share price	2.68	2.68	2.68
Number of shares, millions	57.7	57.7	57.7
Market cap	155	155	155
EV	219	228	223
P/E (adj.)	neg.	28.9	14.8
P/E	neg.	28.9	14.8
P/B	1.3	1.3	1.3
P/S	0.3	0.3	0.3
EV/Sales	0.5	0.5	0.5
EV/EBITDA	10.7	7.4	5.8
EV/EBIT (adj.)	49.3	20.5	12.4
Payout ratio (%)	neg.	108%	61%
Dividend yield-%	3.7 %	3.7 %	4.1 %

Source: Inderes

Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	2.31	5.08	5.18	3.00	2.66	2.68	2.68	2.68	2.68
Number of shares, millions	57.5	57.5	57.5	57.5	57.7	57.7	57.7	57.7	57.7
Market cap	133	292	298	172	153	155	155	155	155
EV	204	334	345	226	197	219	228	223	217
P/E (adj.)	>100	9.7	16.7	neg.	neg.	neg.	28.9	14.8	13.7
P/E	>100	9.7	14.4	neg.	neg.	neg.	28.9	14.8	13.7
P/B	1.0	2.0	1.8	1.2	1.2	1.3	1.3	1.3	1.2
P/S	0.3	0.6	0.7	0.3	0.3	0.3	0.3	0.3	0.3
EV/Sales	0.5	0.7	0.8	0.5	0.4	0.5	0.5	0.5	0.4
EV/EBITDA	6.1	5.5	7.3	15.8	17.6	10.7	7.4	5.8	5.5
EV/EBIT (adj.)	25.1	8.5	12.8	neg.	neg.	49.3	20.5	12.4	11.6
Payout ratio (%)	1282.8 %	38.2 %	55.4 %	neg.	neg.	neg.	107.8 %	60.6 %	50.0 %
Dividend yield-%	2.2 %	3.9 %	3.9 %	3.3 %	3.8 %	3.7 %	3.7 %	4.1 %	3.6 %

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	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Huhtamäki	3843	5207	12.8	11.7	8.3	7.8	1.3	1.2	14.5	13.1	3.1	3.4	1.9
Duni	412	543	10.1	8.1	7.0	5.9	0.8	0.8	11.8	9.2	4.5	5.2	1.2
Sealed Air	4749	8700	11.3	10.5	8.6	8.2	1.8	1.7	12.3	11.1	2.3	2.3	6.1
Riverstone	945	793	10.2	9.7	8.8	8.3	3.4	3.1	15.2	14.7	6.3	6.5	0.6
Berry Plastics	6666	14175	12.0	11.1	7.5	7.2	1.3	1.2	8.4	7.7	1.7	1.8	2.1
Glatfelter	70	849											
Suominen (Inderes)	155	219	49.3	20.5	10.7	7.4	0.5	0.5	-267.2	28.9	3.7	3.7	1.3
Average			11.3	10.2	8.0	7.5	1.7	1.6	12.4	11.1	3.6	3.9	2.4
Median			11.3	10.5	8.3	7.8	1.3	1.2	12.3	11.1	3.1	3.4	1.9
Diff-% to median			335%	94%	28%	-4%	-63%	-61%	#####	161%	19%	9%	-30%

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	493	117	113	106	115	451	114	119	114	120	466	475	480	489
EBITDA	14.3	2.6	-1.9	5.0	5.5	11.2	4.7	3.7	6.0	6.2	20.5	30.7	38.4	39.1
Depreciation	-23.2	-4.7	-4.8	-4.4	-4.8	-18.7	-4.6	-4.5	-4.5	-4.5	-18.1	-19.6	-20.4	-20.4
EBIT (excl. NRI)	-4.2	-2.0	-2.1	0.7	0.7	-2.7	-0.1	0.4	2.0	2.2	4.4	11.1	18.0	18.8
EBIT	-9.0	-2.1	-6.7	0.6	0.7	-7.5	0.1	-0.8	1.5	1.7	2.4	11.1	18.0	18.8
Net financial items	-2.9	-1.5	-1.3	-1.2	-2.0	-6.0	-0.8	-1.1	-1.2	-1.5	-4.6	-4.0	-4.0	-3.8
PTP	-11.9	-3.6	-8.0	-0.6	-1.3	-13.5	-0.7	-1.9	0.3	0.2	-2.2	7.1	14.0	15.0
Taxes	-2.0	-0.3	-0.2	1.3	-0.1	0.7	-0.3	0.0	-0.1	0.0	-0.4	-1.8	-3.5	-3.7
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	-13.9	-3.9	-8.2	0.8	-1.4	-12.8	-1.0	-1.9	0.2	0.1	-2.6	5.4	10.5	11.2
EPS (adj.)	-0.16	-0.07	-0.06	0.01	-0.02	-0.14	-0.02	-0.01	0.01	0.01	-0.01	0.09	0.18	0.19
EPS (rep.)	-0.24	-0.07	-0.14	0.01	-0.02	-0.22	-0.02	-0.03	0.00	0.00	-0.04	0.09	0.18	0.19
Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	11.3 %	5.9 %	-4.5 %	-19.4 %	-13.7 %	-8.6 %	-2.7 %	5.3 %	7.1 %	4.0 %	3.3 %	2.0 %	1.0 %	2.0 %
Adjusted EBIT growth-%	-115.4 %	57.7 %	-27.7 %	246.5 %	-456.0 %	-34.6 %	-95%	-119%	184%	218%	-263%	150%	61.3 %	4.6 %
EBITDA-%	2.9 %	2.2 %	-1.7 %	4.7 %	4.8 %	2.5 %	4.1 %	3.1 %	5.3 %	5.2 %	4.4 %	6.5 %	8.0 %	8.0 %
Adjusted EBIT-%	-0.8 %	-1.7 %	-1.9 %	0.7 %	0.6 %	-0.6 %	-0.1 %	0.3 %	1.7 %	1.8 %	1.0 %	2.3 %	3.7 %	3.8 %
Net earnings-%	-2.8 %	-3.3 %	-7.3 %	0.7 %	-1.2 %	-2.8 %	-0.9 %	-1.6 %	0.2 %	0.1 %	-0.6 %	1.1 %	2.2 %	2.3 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	154	148	155	160	160
Goodwill	15.5	15.5	15.5	15.5	15.5
Intangible assets	9.7	6.1	6.2	6.3	6.4
Tangible assets	128	124	131	136	136
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	0.7	2.0	1.7	1.7	1.7
Current assets	189	168	140	145	146
Inventories	63.3	37.9	41.9	45.1	45.6
Other current assets	9.6	9.4	9.4	9.4	9.4
Receivables	66.6	62.3	60.6	61.8	62.4
Cash and equivalents	49.5	58.8	27.9	28.5	28.8
Balance sheet total	343	316	294	305	306

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	146	125	117	116	121
Share capital	11.9	11.9	11.9	11.9	11.9
Retained earnings	30.7	12.3	3.9	3.5	8.2
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	103	101	101	101	101
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	74.6	69.4	96.3	105	101
Deferred tax liabilities	11.7	9.4	9.4	9.4	9.4
Provisions	2.0	0.6	2.0	2.0	2.0
Interest bearing debt	60.5	59.2	84.7	93.2	89.3
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.4	0.2	0.2	0.2	0.2
Current liabilities	123	122	81.6	84.0	84.2
Interest bearing debt	42.9	43.1	7.7	8.7	8.3
Payables	79.8	75.1	69.9	71.3	72.0
Other current liabilities	0.3	4.0	4.0	4.0	4.0
Balance sheet total	344	317	294	305	306

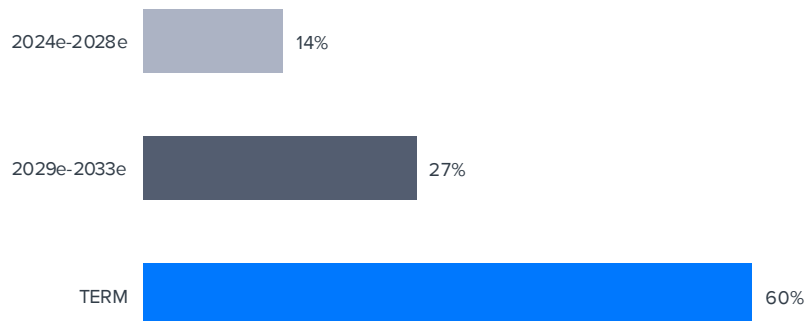
DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-8.6 %	3.3 %	2.0 %	1.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %
EBIT-%	-1.7 %	0.5 %	2.3 %	3.7 %	3.8 %	4.5 %	4.5 %	4.5 %	4.5 %	4.5 %	4.5 %	4.5 %
EBIT (operating profit)	-7.5	2.4	11.1	18.0	18.8	22.5	22.9	23.4	23.8	24.3	24.8	
+ Depreciation	18.7	18.1	19.6	20.4	20.4	20.0	19.7	19.4	18.7	18.3	18.2	
- Paid taxes	-2.9	0.0	-1.8	-3.5	-3.7	-4.7	-4.9	-5.1	-5.3	-5.4	-5.6	
- Tax, financial expenses	-0.3	0.9	-1.0	-1.0	-0.9	-0.9	-0.8	-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	28.9	-7.5	-3.0	-0.4	-0.7	-0.7	-0.7	-0.8	-0.8	-0.8	-0.8	
Operating cash flow	36.8	13.9	24.9	33.5	33.7	36.1	36.1	36.2	35.8	35.7	36.0	
+ Change in other long-term liabilities	-1.6	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-10.8	-25.1	-25.1	-20.1	-18.1	-18.1	-18.1	-15.6	-16.0	-18.2	-20.9	
Free operating cash flow	24.4	-9.8	-0.2	13.4	15.6	18.0	18.0	20.7	19.8	17.5	15.1	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	24.4	-9.8	-0.2	13.4	15.6	18.0	18.0	20.7	19.8	17.5	15.1	242
Discounted FCFF		-9.5	-0.1	11.1	11.9	12.6	11.7	12.3	10.9	8.9	7.1	113
Sum of FCFF present value		190	200	200	189	177	164	153	140	129	121	113
Enterprise value DCF		190										
- Interest bearing debt		-102										
+ Cash and cash equivalents		59										
-Minorities		0.0										
-Dividend/capital return		-5.8										
Equity value DCF		141										
Equity value DCF per share		2.4										

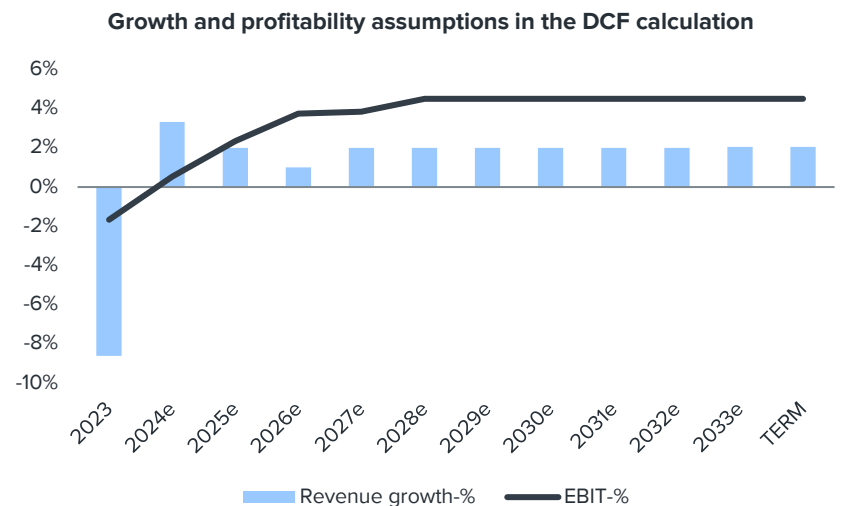
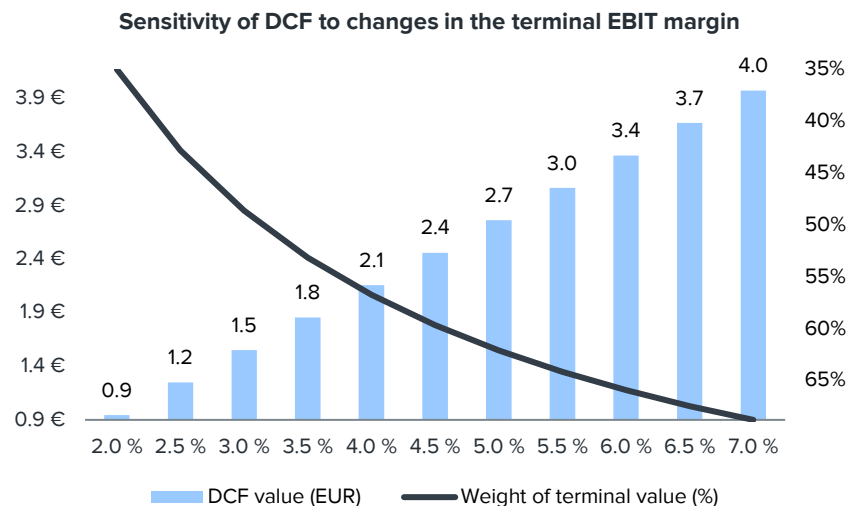
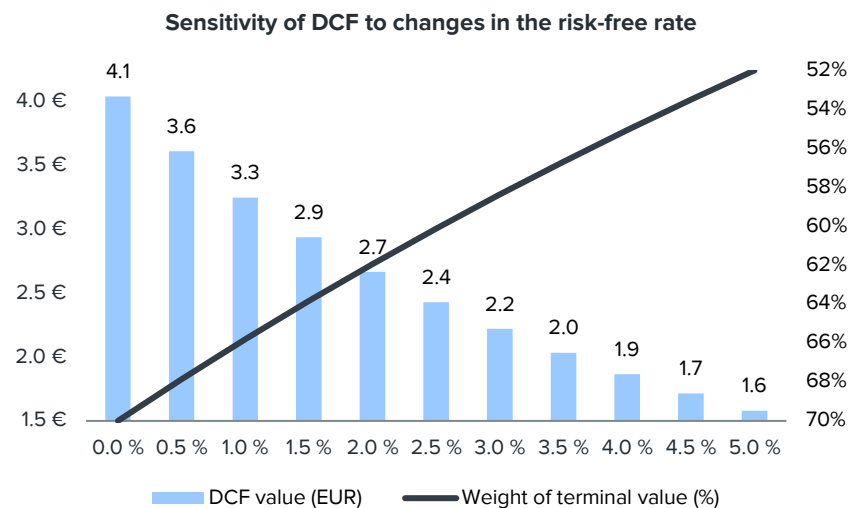
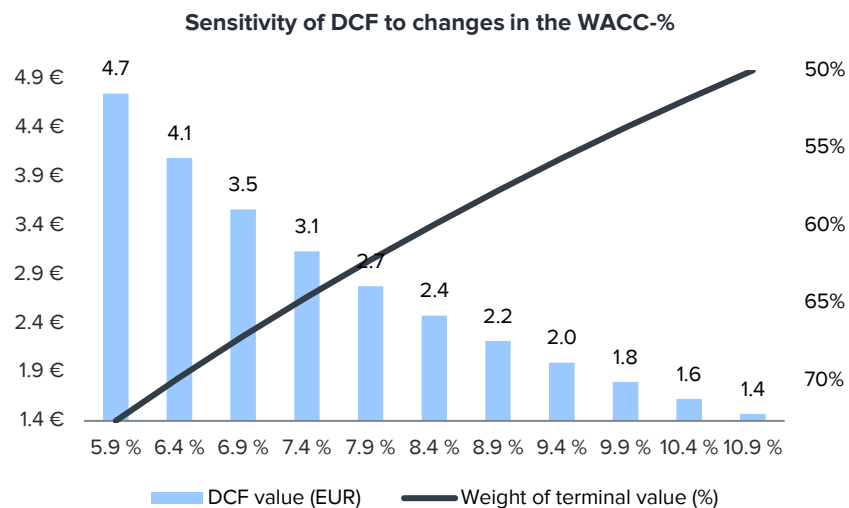
WACC	
Tax-% (WACC)	25.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	4.0 %
Equity Beta	1.32
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.5 %
Cost of equity	9.8 %
Weighted average cost of capital (WACC)	8.4 %

Source: Inderes

Cash flow distribution



DCF sensitivity calculations and key assumptions in graphs



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	443.2	493.3	450.8	465.8	475.1	EPS (reported)	0.36	-0.24	-0.22	-0.04	0.09
EBITDA	47.0	14.3	11.2	20.5	30.7	EPS (adj.)	0.31	-0.16	-0.14	-0.01	0.09
EBIT	26.9	-9.0	-7.5	2.4	11.1	OCF / share	0.34	0.31	0.64	0.24	0.43
PTP	26.6	-11.9	-13.5	-2.2	7.1	FCF / share	0.03	0.13	0.42	-0.17	0.00
Net Income	20.7	-13.9	-12.8	-2.6	5.4	Book value / share	2.84	2.54	2.17	2.02	2.01
Extraordinary items	0.0	-4.8	-4.8	-2.0	0.0	Dividend / share	0.20	0.10	0.10	0.10	0.10
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	386.7	343.5	316.4	294.5	305.0	Revenue growth-%	-3%	11%	-9%	3%	2%
Equity capital	163.2	146.0	124.9	116.6	116.1	EBITDA growth-%	-23%	-70%	-22%	84%	50%
Goodwill	15.5	15.5	15.5	15.5	15.5	EBIT (adj.) growth-%	-32%	-115%	-35%	-263%	150%
Net debt	47.8	53.9	43.5	64.5	73.4	EPS (adj.) growth-%	-41%	-151%	-12%	-93%	-1025%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	10.6 %	2.9 %	2.5 %	4.4 %	6.5 %
EBITDA	47.0	14.3	11.2	20.5	30.7	EBIT (adj.)-%	6.1 %	-0.8 %	-0.6 %	1.0 %	2.3 %
Change in working capital	-24.7	6.0	28.9	-7.5	-3.0	EBIT-%	6.1 %	-1.8 %	-1.7 %	0.5 %	2.3 %
Operating cash flow	19.4	17.7	36.8	13.9	24.9	ROE-%	13.4 %	-9.0 %	-9.4 %	-2.1 %	4.6 %
CAPEX	-17.6	-9.8	-10.8	-25.1	-25.1	ROI-%	9.7 %	-3.2 %	-3.2 %	1.1 %	5.2 %
Free cash flow	1.8	7.7	24.4	-9.8	-0.2	Equity ratio	42.2 %	42.5 %	39.5 %	39.6 %	38.1 %
						Gearing	29.3 %	36.9 %	34.8 %	55.3 %	63.2 %

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 €
10/23/2019	Reduce	2.25 €	2.33 €
1/30/2020	Reduce	2.35 €	2.48 €
4/24/2020	Accumulate	3.25 €	3.02 €
5/13/2020	Accumulate	3.40 €	3.17 €
6/18/2020	Accumulate	4.00 €	3.69 €
8/13/2020	Accumulate	5.40 €	5.00 €
10/28/2020	Accumulate	5.40 €	5.06 €
2/5/2021	Accumulate	6.00 €	5.74 €
4/29/2021	Accumulate	6.25 €	5.87 €
6/24/2021	Accumulate	6.25 €	5.45 €
8/16/2021	Accumulate	5.60 €	5.27 €
10/29/2021	Accumulate	5.25 €	4.72 €
2/4/2022	Reduce	4.50 €	4.33 €
5/5/2022	Reduce	3.30 €	3.12 €
7/15/2022	Reduce	3.30 €	3.12 €
8/10/2022	Reduce	3.30 €	3.18 €
	Analyst changed		
10/27/2022	Accumulate	3.00 €	2.48 €
12/14/2022	Reduce	3.00 €	3.10 €
1/11/2023	Reduce	3.00 €	3.00 €
2/6/2023	Reduce	3.00 €	3.08 €
5/5/2023	Reduce	2.80 €	2.88 €
8/10/2023	Sell	2.60 €	2.94 €
9/20/2023	Sell	2.60 €	2.84 €
10/30/2023	Reduce	2.60 €	2.66 €
2/7/2024	Reduce	2.50 €	2.66 €
5/8/2024	Reduce	2.50 €	2.56 €
8/12/2024	Reduce	2.45 €	2.68 €



Inderes democratizes investor information by connecting investors and listed companies.

We help over 400 listed companies better serve investors. Our investor community is home to over 70,000 active members.

We build solutions for listed companies that enable frictionless and effective investor relations. For listed companies, we offer Commissioned Research, IR Events, AGMs, and IR Software.

Inderes is listed on the 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](https://www.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

**Connecting investors
and listed companies.**