

# Suominen

## Company report

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✓ Inderes corporate customer

This report is a summary translation of the report “Odotamme vielä signaaleja paremmasta” published on 8/10/2022 at 9:30 am

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# We are still waiting for signals of improvement

We feel the overall picture of Suominen's Q2 report published yesterday, was neutral, although the clear estimate undercut and weak gross margin in Q2 depressed our 2022 estimates. We reiterate our Reduce recommendation and our target price of EUR 3.30 after the report. Although clear weakness is already priced into the share even in a longer perspective, we still wait for certainty about the earning trend hitting rock bottom and the slope of the turnaround before considering revising our recommendation into the positive.

## Clearly negative Q2 result was a disappointment

Suominen's net sales grew by 4% in Q2 to EUR 118 million which was below our estimate. Volumes were still depressed by high inventories among some of the assumably large customers and household products in the US. Sales prices increased more slowly than expected and currency-adjusted net sales decreased slightly. The EBITDA plummeted in Q2 by close on 90% from the strong Q2'21 to EUR 1.9 million. The result was quite clearly below our estimate although a big drop was expected. Once again the problem was the gross margin, which continued to decline and settled at a too low level of 4.2% (Q2'21: 14.7%), as raw material prices rose more rapidly than sales prices, contrary to our expectations. From EBIT downward Suominen was clearly in red in Q2 with a larger operative loss than we expected although financial expenses exceptionally turned positive and the taxes were low. Positive in the report was the good cash flow achieved thanks to released working capital, but this was supported by a decrease in volume which is undesired as such.

## Essential estimate changes were minor in the big picture even though 2022 estimates decreased again

In its Q2 report, Suominen reiterated its 2022 guidance: the company's adjusted EBITDA in 2022 will decrease clearly from 2021 (2021: EBITDA 47 MEUR). According to the company, the war in Ukraine has exacerbated the already significant inflation in raw materials, energy and transport, and the normalization of customers' inventory levels in the US has progressed somewhat slower than expected. However, the company expects demand to recover in H2 and its own capacity management measures will support this. We cut our 2022 estimates by 21% to EUR 22 million, mainly due to Q2 miss and inflation extending to H2. We estimate that the result bottomed out in H1, but in absolute terms our H2 (and especially Q3) estimates are low due to the operating environment that is more challenging than expected. We made only minor changes to our estimates for the next few years. We expect Suominen's result to normalize in 2023-2024 as inflation calms down, pricing catches up with inflation, capacity reallocation measures take effect and demand for sustainable nonwovens at the core of the company's strategy increase with the consumer trend progressing.

## Price is okay, but the uncertainty concerning the depth of the earnings slump does not support buying

Suominen's adjusted EV/EBITDA ratios for 2022 and 2023 based on our estimates are approximately 10x and 5x, while the P/E ratio for 2023 is 13x. With the extremely weak 2022 result the multiples are high while, with the more neutral 2023 result, the valuation is at the lower end of or within the acceptable valuation range. Thus, the valuation picture is contradictory, but the valuation, the uncertainty related to the earnings trend turnaround and the 3-4% dividend yield do not push the expected return clearly above the required return. In the long run, the DCF model that is clearly above the current price indicates that the valuation of the share is cheap and balance sheet and volume-based valuation (2022e: P/B 1.1x and EV/S 0.5x) already support the share price. However, relying on these would require a concrete driver in the form of a progressing turnaround in the earnings trend, which was not yet achieved in Q2.

## Recommendation

### Reduce

(previous Reduce)

### EUR 3.30

(previous EUR 3.30)

### Share price:

EUR 3.09



## Key figures

	2021	2022e	2023e	2024e
<b>Revenue</b>	443	488	488	498
<b>growth-%</b>	-3 %	10 %	0 %	2 %
<b>EBIT adj.</b>	26.9	2.5	21.4	26.0
<b>EBIT-% adj.</b>	6.1 %	0.5 %	4.4 %	5.2 %
<b>Net Income</b>	20.7	-1.1	13.7	17.1
<b>EPS (adj.)</b>	0.31	-0.02	0.24	0.30
<b>P/E (adj.)</b>	16.7	neg.	13.0	10.4
<b>P/B</b>	1.8	1.2	1.1	1.1
<b>Dividend yield-%</b>	3.9 %	3.2 %	4.2 %	5.2 %
<b>EV/EBIT (adj.)</b>	12.8	89.1	10.3	7.8
<b>EV/EBITDA</b>	7.3	10.1	5.2	4.3
<b>EV/S</b>	0.8	0.5	0.5	0.4

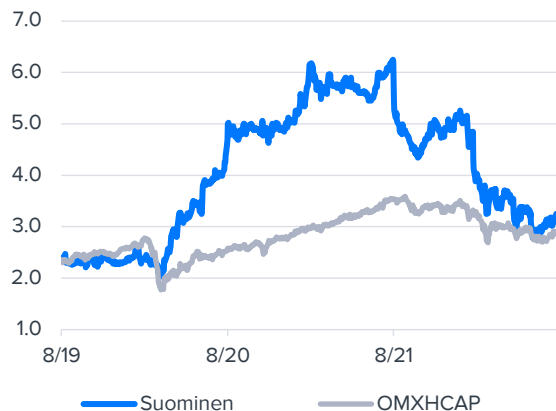
Source: Inderes

## Guidance

(Unchanged)

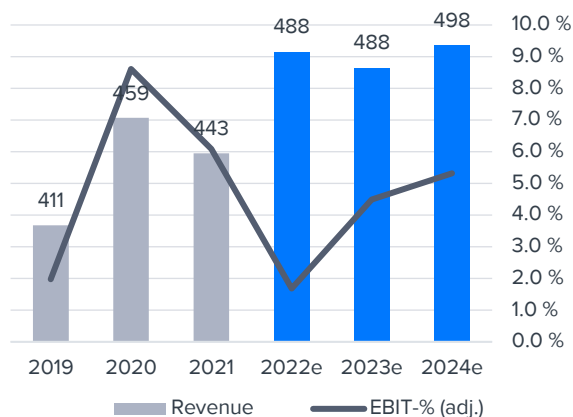
Suominen expects that its comparable EBITDA in 2022 will decrease clearly from 2021. In 2021, Suominen's EBITDA was EUR 47 million.

## Share price



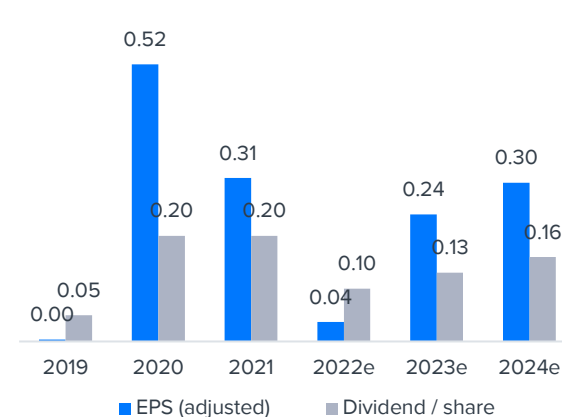
Source: Thomson Reuters

## Revenue and EBIT %



Source: Inderes

## EPS and dividend



Source: Inderes



## Value drivers

- Suominen is well positioned in the rising consumer trend of more sustainable nonwovens
- Healthy market growth above GDP growth under normal conditions
- The pull from the COVID pandemic in long-term demand
- Acquisition and investment opportunities created by the strong balance sheet



## Risk factors

- Typically tight competition in the industry
- Normally low pricing power
- Centralized customer structure
- Raw material price risks
- Prolonging of the demand slump that began in H2'21 caused by high inventory levels in the US

Valuation	2022e	2023e	2024e
Share price	3.09	3.09	3.09
Number of shares, millions	57.5	57.5	57.5
Market cap	178	178	178
EV	227	220	203
P/E (adj.)	Neg.	13.0	10.4
P/E	Neg.	13.0	10.4
P/FCF	15.1	12.0	6.5
P/B	1.2	1.1	1.1
P/S	0.4	0.4	0.4
EV/Sales	0.5	0.5	0.4
EV/EBITDA	10.1	5.2	4.3
EV/EBIT (adj.)	89.1	10.3	7.8
Payout ratio (%)	Neg.	55%	54%
Dividend yield-%	3.2 %	4.2 %	5.2 %

Source: Inderes

# The earnings slump is deeper than expected

## Net sales increased, volumes did not

Suominen's net sales grew by 4% to EUR 118 million in Q2. However, the sales volume in Q2 was lower than in the comparison period, but favorable exchange rates and sales price hikes had a positive impact on net sales. Sales volumes continue to suffer from high inventory levels among North American customers, that have recovered to normal levels more slowly than expected. Geographically, slightly atypically, Europe was Suominen's stronger market area, as sales volumes remained at the comparison period's level and sales price increases boosted net sales. In the Americas, volumes fell clearly y-on-y, as net sales were at the level of the comparison period despite price increases and support from exchange rates.

## Far from the strong comparison period

Suominen's EBITDA plummeted in Q2 by almost 90 % from the strong Q2'21 to EUR 1.9 million. Q2

EBITDA was clearly below the consensus and our estimates. The reasons for weak profitability were well known, as low volumes caused by North American customers' high inventory levels and high raw material cost inflation, which exceeded rate of sales price increases, pushed the gross margin to a very low level (Q2: gross margin 4.2%, -10.5% points y-o-y). In addition, the product mix was not probably the best. The biggest disappointment compared to our estimates in the income statement was also the gross margin. Sales volumes have also been very probably well below Suominen's manufacturing capacity, which depresses relative profitability when the fixed cost structure has not scaled optimally. Overheads were rising slightly, but the reason is purely currency-based and overheads were well under control.

## EPS was in the red

On the lower lines of the income statement

Suominen recognized EUR 0.7 million in positive net financial costs explained by revaluation of USD denominated assets, and thus were not cash-flow-based. The company recognized only slightly negative taxes in Q2 from the negative result. However, weaker than expected operational profitability pushed EPS to EUR -0.04, which was below all estimates included in the consensus.

Operating cash flow was EUR 12 million, explained by the assets released from working capital. Cash flow was, however, supported by an undesirable factor, i.e., a volume drop, and we expect the inventory to grow as the company's volume turns upward. Suominen's net gearing rose to 33% in Q2 (Q1'21: 22%) due to the weak earnings and cash flow development in the past year and dividend payment. The company's financial position is still on a good and stable footing and we feel that there are no significant risks associated with the balance sheet.

Estimates	Q2'21	Q2'22	Q2'22e	Q2'22e	Consensus		Diff. (%)	2022e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Actual. vs. Inderes	Inderes
Revenue	114	118	122	118	116	- 122	-3 %	488
EBITDA	15.3	1.9	5.6	7.0	5.6	- 8.0	-67 %	22.5
EBIT	10.3	-2.9	0.6	1.5	0.6	- 2.0		2.5
EPS (adj.)	0.11	-0.04	-0.01	0.01	-0.01	- 0.02		-0.02
Revenue growth %	-6.9 %	3.8 %	7.6 %	4.1 %	2.0 %	- 7.3 %	-3.8 pp.	10.1 %
EBIT % (adj.)	9.1 %	-2.5 %	0.5 %	1.3 %	0.5 %	- 1.6 %	-3 pp.	0,5 %

Source: Inderes & Reuters (consensus)

# Estimate changes were moderate, except for 2022

## Guidance unchanged, the company expects recovery in H2

In its Q2 report, Suominen reiterated its 2022 guidance according to which the company's adjusted EBITDA in 2022 will decrease clearly from 2021 (2021 EBITDA 47 MEUR). According to the company, the war in Ukraine has exacerbated the already significant inflation in raw materials, energy and transport. In addition, the normalization of customers' inventory levels in the US has progressed somewhat slower than expected. However, the company expects demand to recover in H2. This is also supported by Suominen's own capacity management measures, i.e. capacity allocation from an unbalanced product segment (hard surface disinfection wipes) to a strong product segment (flushable wipes) in US.

With regard to raw materials, the company said it is still seeing signs of inflation slowing down in H2, although energy in particular maintains the

uncertainty concerning inflation. In terms of demand, there was nothing negative in the comments, although we still see a chance that plummeted consumer confidence causes pressure in H2 for Suominen at least regarding the product mix

## We cut our estimates especially for 2022

We cut our 2022 estimates by 21% to EUR 22 million, mainly due to Q2 miss and inflation extending to H2. We estimate that the result bottomed out in H1, but in absolute terms our H2 (and especially Q3) estimates are also low due to the operating environment that remains more challenging than expected. We expect that toward the end of the year, prices will catch up to raw material inflation and the volumes of the new product segment already agreed on will revive utilization rates by the end of the year in product lines facing difficulties (Q3 is more or less of a ramp-up quarter).

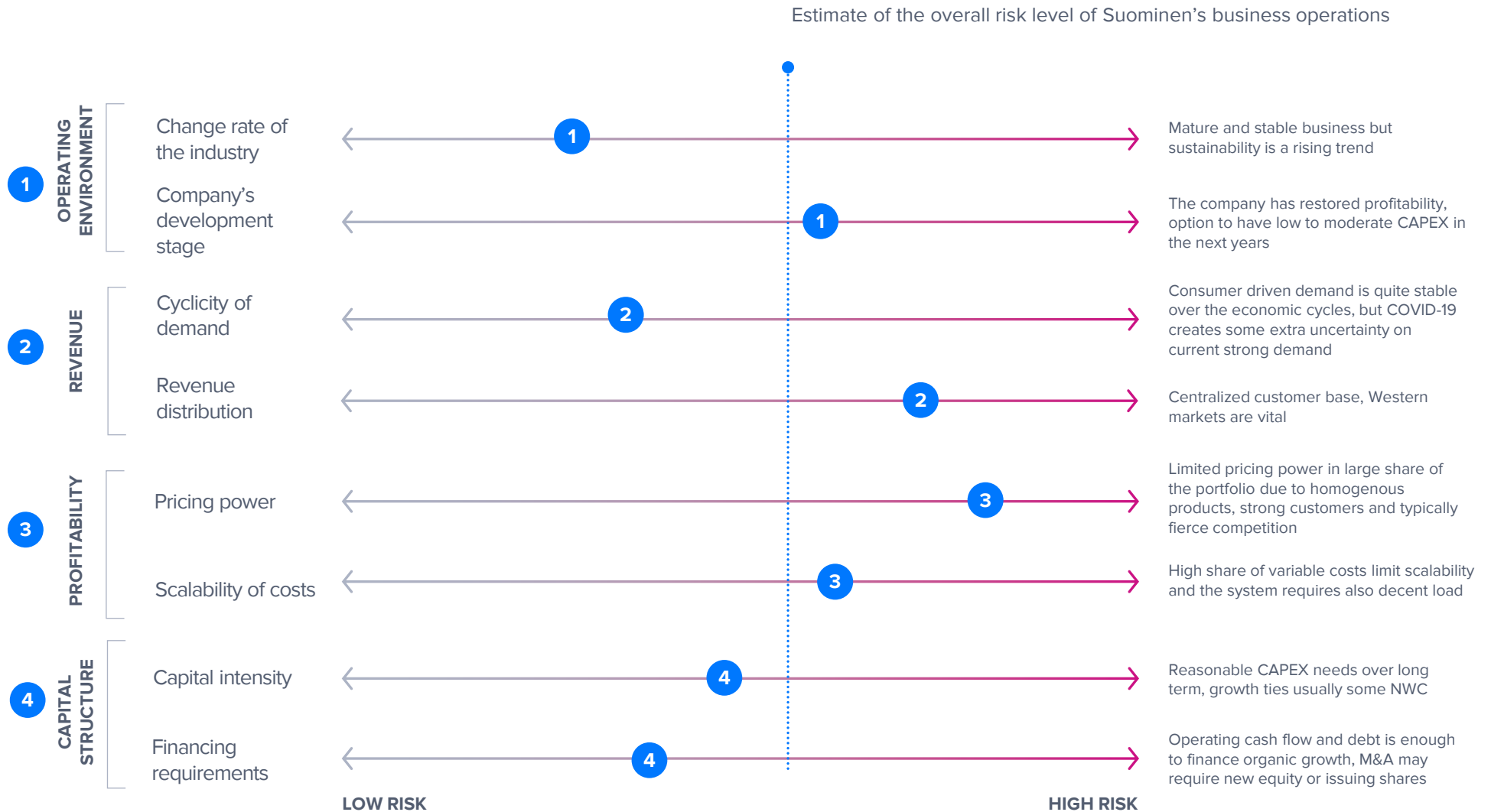
We expect Suominen's profitability to return to reasonable level despite the deep slump in H2'21 and H1'22 thanks to healthy demand, the company's own development and efficiency measures, and calming inflation in the next years (2022e-2025e: adjusted EBITDA-% 9-10% vs. company target over 12% in 2025). Our margin expectations are slightly above the company's 5-year average (adj. EBITDA% around 9%), which is mainly based on the progress of Suominen's strategy for sustainable nonwovens with a better margin structure and improved overall efficiency but the prolonged inflation and short-term demand challenges have lowered our margin estimates during this year.

Our estimates for 2022 are roughly at the same level as in the extensive report published in July 2022. For more detailed comments on the background of estimates read the extensive report [here](#).

Estimate revisions	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	488	488	0 %	481	488	1 %	491	498	1 %
EBITDA	28.3	22.5	-21 %	42.7	42.5	0 %	47.3	47.3	0 %
EBIT (excl. NRIs)	8.2	2.5	-69 %	21.6	21.4	-1 %	26.1	26.0	0 %
EBIT	8.2	2.5	-69 %	21.6	21.4	-1 %	26.1	26.0	0 %
PTP	3.7	0.3	-91 %	18.4	18.2	-1 %	23.0	22.8	-1 %
EPS (excl. NRIs)	0.04	-0.02	-153 %	0.24	0.24	-1 %	0.30	0.30	-1 %
DPS	0.10	0.10	0 %	0.13	0.13	0 %	0.16	0.16	0 %

Source: Inderes

# Risk profile of Suominen's business model



# The price tag is not yet garishly cheap

## The valuation picture is contradictory

Suominen's 2022 P/E ratio cannot be calculated and with our 2023 estimates it is 13x. The EV/EBITDA ratio that better reflects the company's in practice good cash flow potential (investments in the next few years are below depreciation) is about 10x and 5x for 2022 and 2023. The multiples are above the company's 5-year medians due to the modest performance in 2022. In our previous [extensive report](#) (7/2022) we estimated that Suominen's acceptable valuation multiples are P/E 13x-15x and EV/EBITDA 6x-7x. Therefore, next year's multiples are already moderate, which makes the share's valuation picture very contradictory. However, we estimate that the market will require concrete evidence of clearly improved gross margins from the company before relying on next year's estimates, which is why we are still taking a cautious approach and not relying too strongly on next year.

We expect Suominen's dividend yield at the current share price to be 3-4% in the next few years and offer investors a reasonable base return. The earnings growth driver, on the other hand, starts to support the share from Q3 (Q3'21 comparable figures are very weak), but we do not consider the support strong enough considering that the slope of the earnings turnaround remains open and with the actualized result the share's valuation is very pricey at the beginning of the positive profit cycle. Therefore, we feel the expected return does not yet exceed the required return.

However, we believe the P/B ratio that has fallen to 1.2x and the 0.5x EV/S are already starting to support the share. The P/B is not, however, significantly cheap in the current market situation when compared to the

company's average ROE of about 9% over the last 5 years. This is one of the reasons why we are not grabbing on to the low looking valuation and start waiting for better time.

## DCF is still above the share price

Relative to the loosely linked peer group, Suominen's share is valued at a premium with the 2022 multiples while our estimates for 2023 indicate a discount. However, we do not see that the relative valuation would act as a share price driver for Suominen, as the peer group is only loosely linked to Suominen.

Our DCF model (around EUR 4.4 per share) still indicates a slight upside for the share. We also feel the terminal model is rather conservative (terminal weight 50%). We feel the DCF model describes Suominen's fair value quite well, but we do not necessarily see drivers for realization of the fair value within 12 months before the earnings trend turnaround is proven.

## Long-term potential is still there

We still believe that Suominen should reach an EPS of around EUR 0.50 in 2025 if the company reaches its financial objectives (exceeds market growth and 12% EBTIDA-%) by 2025. We feel that Suominen's acceptable valuation level measured by P/E could be around 15x thanks to this development, which would mean a share price of around EUR 7.0-7.5 in 2025. This, in turn, would correspond with around 25% annual IRR potential (including annually stable around 3- 5% dividend yield) for an investor that would invest in Suominen now. We therefore believe that the share still has considerable long-term potential, but even partial reliance on this requires a reversal of the annual earnings trend, as we believe that for the time being the market's sights remains much closer.

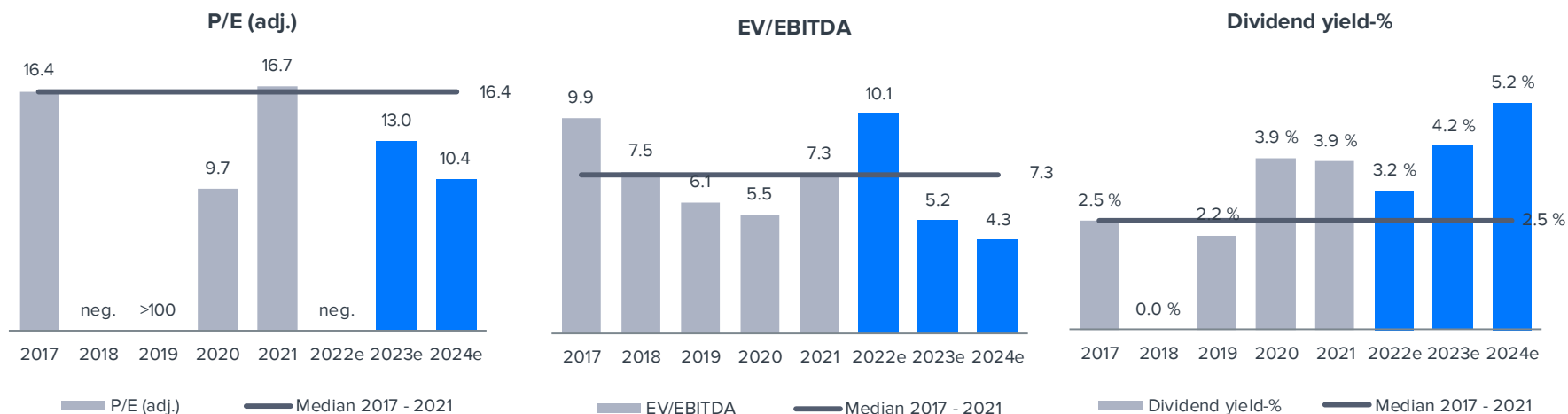
## Share price drivers Q2'2022 LTM-2024e



# Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	4.42	2.05	2.31	5.08	5.18	3.09	3.09	3.09	3.09
Number of shares, millions	53.6	57.5	57.5	57.5	57.5	57.5	57.5	57.5	57.5
Market cap	258	118	133	292	298	178	178	178	178
EV	341	192	204	334	345	227	220	203	185
P/E (adj.)	16.4	neg.	>100	9.7	16.7	neg.	13.0	10.4	8.9
P/E	16.4	neg.	>100	9.7	14.4	neg.	13.0	10.4	8.9
P/FCF	43.5	5.5	6.3	5.8	neg.	15.1	12.0	6.5	6.2
P/B	1.9	0.9	1.0	2.0	1.8	1.2	1.1	1.1	1.0
P/S	0.6	0.3	0.3	0.6	0.7	0.4	0.4	0.4	0.3
EV/Sales	0.8	0.4	0.5	0.7	0.8	0.5	0.4	0.4	0.4
EV/EBITDA	9.9	7.5	6.1	5.5	7.3	10.1	5.2	4.3	3.6
EV/EBIT (adj.)	22.7	41.7	25.1	8.5	12.8	89.1	10.3	7.8	6.2
Payout ratio (%)	44.3 %	0.0 %	1282.8 %	38.2 %	55.4 %	neg.	54.6 %	53.9 %	51.8 %
Dividend yield-%	2.5 %	0.0 %	2.2 %	3.9 %	3.9 %	3.2 %	4.2 %	5.2 %	5.8 %

Source: Inderes





# Peer group valuation

Peer group valuation	Share price	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield %		P/B
Company		MEUR	MEUR	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e
Huhtamäki		4111	5824	15.0	14.4	9.9	9.4	1.3	1.3	15.3	14.7	2.7	2.9	2.4
Duni		410	579	15.9	12.1	7.9	7.0	0.9	0.8	13.5	10.3	5.5	5.9	1.4
Sealed Air		8119	11432	11.8	11.3	9.5	9.1	2.0	2.0	13.8	12.9	1.4	1.5	22.4
Riverstone		844	473	4.4	4.7	3.9	4.0	1.4	1.3	11.2	10.7	12.1	12.3	1.6
Berry Plastics		6880	15665	11.5	10.6	7.5	7.2	1.1	1.1	7.6	7.1			2.2
Glatfelter		232	958	21.3	13.1	8.4	6.7	0.6	0.6		10.6			
<b>Suominen (Inderes)</b>	<b>3.09</b>	<b>178</b>	<b>227</b>	<b>89.1</b>	<b>10.3</b>	<b>10.1</b>	<b>5.2</b>	<b>0.5</b>	<b>0.5</b>	<b>-158.9</b>	<b>13.0</b>	<b>3.2</b>	<b>4.2</b>	<b>1.2</b>
<b>Average</b>				<b>13.3</b>	<b>11.0</b>	<b>7.8</b>	<b>7.2</b>	<b>1.2</b>	<b>1.2</b>	<b>12.3</b>	<b>11.0</b>	<b>5.4</b>	<b>5.6</b>	<b>6.0</b>
<b>Median</b>				<b>13.4</b>	<b>11.7</b>	<b>8.2</b>	<b>7.1</b>	<b>1.2</b>	<b>1.2</b>	<b>13.5</b>	<b>10.6</b>	<b>4.1</b>	<b>4.4</b>	<b>2.2</b>
<b>Diff-% to median</b>				<b>566 %</b>	<b>-12 %</b>	<b>24 %</b>	<b>-27 %</b>	<b>-61 %</b>	<b>-62 %</b>	<b>#####</b>	<b>22 %</b>	<b>-21 %</b>	<b>-4 %</b>	<b>-47 %</b>

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

# Income statement

Income statement	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
<b>Revenue</b>	<b>459</b>	<b>115</b>	<b>114</b>	<b>98.7</b>	<b>116</b>	<b>443</b>	<b>110</b>	<b>118</b>	<b>127</b>	<b>132</b>	<b>488</b>	<b>488</b>	<b>498</b>	<b>508</b>
Nonwovens	459	115	114	98.7	116	443	110	118	127	132	488	488	498	508
<b>EBITDA</b>	<b>60.9</b>	<b>18.5</b>	<b>15.3</b>	<b>4.2</b>	<b>9.0</b>	<b>47.0</b>	<b>3.3</b>	<b>1.9</b>	<b>7.9</b>	<b>9.4</b>	<b>22.5</b>	<b>42.5</b>	<b>47.3</b>	<b>51.3</b>
Depreciation	-21.4	-4.9	-5.0	-5.1	-5.1	-20.1	-4.6	-4.8	-5.2	-5.4	-19.9	-21.1	-21.3	-21.6
<b>EBIT (excl. NRI)</b>	<b>39.5</b>	<b>13.6</b>	<b>10.3</b>	<b>-0.8</b>	<b>3.9</b>	<b>26.9</b>	<b>-1.3</b>	<b>-2.9</b>	<b>2.7</b>	<b>4.0</b>	<b>2.5</b>	<b>21.4</b>	<b>26.0</b>	<b>29.7</b>
<b>EBIT</b>	<b>39.5</b>	<b>13.6</b>	<b>10.3</b>	<b>-0.8</b>	<b>3.9</b>	<b>26.9</b>	<b>-1.3</b>	<b>-2.9</b>	<b>2.7</b>	<b>4.0</b>	<b>2.5</b>	<b>21.4</b>	<b>26.0</b>	<b>29.7</b>
Nonwovens	39.5	13.6	10.3	-0.8	3.9	26.9	-1.3	-2.9	2.7	4.0	2.5	21.4	26.0	29.7
Net financial items	-5.6	3.3	-1.6	-1.0	-1.1	-0.4	-0.9	0.7	-1.3	-0.7	-2.2	-3.2	-3.2	-3.1
<b>PTP</b>	<b>33.9</b>	<b>16.9</b>	<b>8.7</b>	<b>-1.8</b>	<b>2.8</b>	<b>26.6</b>	<b>-2.2</b>	<b>-2.2</b>	<b>1.4</b>	<b>3.3</b>	<b>0.3</b>	<b>18.2</b>	<b>22.8</b>	<b>26.6</b>
Taxes	-3.8	-3.1	-2.6	0.1	-0.3	-5.8	-0.1	-0.1	-0.3	-0.8	-1.5	-4.6	-5.7	-6.7
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net earnings</b>	<b>30.1</b>	<b>13.8</b>	<b>6.1</b>	<b>-1.7</b>	<b>2.5</b>	<b>20.7</b>	<b>-2.3</b>	<b>-2.3</b>	<b>1.0</b>	<b>2.5</b>	<b>-1.1</b>	<b>13.7</b>	<b>17.1</b>	<b>20.0</b>
<b>EPS (adj.)</b>	<b>0.52</b>	<b>0.19</b>	<b>0.11</b>	<b>-0.03</b>	<b>0.04</b>	<b>0.31</b>	<b>-0.04</b>	<b>-0.04</b>	<b>0.02</b>	<b>0.04</b>	<b>-0.02</b>	<b>0.24</b>	<b>0.30</b>	<b>0.35</b>
<b>EPS (rep.)</b>	<b>0.52</b>	<b>0.24</b>	<b>0.11</b>	<b>-0.03</b>	<b>0.04</b>	<b>0.36</b>	<b>-0.04</b>	<b>-0.04</b>	<b>0.02</b>	<b>0.04</b>	<b>-0.02</b>	<b>0.24</b>	<b>0.30</b>	<b>0.35</b>
<b>Key figures</b>	<b>2020</b>	<b>Q1'21</b>	<b>Q2'21</b>	<b>Q3'21</b>	<b>Q4'21</b>	<b>2021</b>	<b>Q1'22</b>	<b>Q2'22</b>	<b>Q3'22e</b>	<b>Q4'22e</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>
<b>Revenue growth-%</b>	11.5 %	4.6 %	-6.9 %	-14.5 %	4.1 %	-3.4 %	-4.4 %	3.8 %	29.2 %	14.6 %	10.1 %	0.0 %	2.0 %	2.0 %
<b>Adjusted EBIT growth-%</b>	385.8 %	138.5 %	-16.5 %	-106.5 %	-54.6 %	-31.8 %	-109.3 %	-128.1 %	-420.3 %	3.8 %	-90.6 %	740.7 %	21.5 %	14.2 %
<b>EBITDA-%</b>	13.3 %	16.0 %	13.5 %	4.3 %	7.8 %	10.6 %	3.0 %	1.6 %	6.2 %	7.1 %	4.6 %	8.7 %	9.5 %	10.1 %
<b>Adjusted EBIT-%</b>	8.6 %	11.8 %	9.1 %	-0.9 %	3.4 %	6.1 %	-1.1 %	-2.5 %	2.1 %	3.0 %	0.5 %	4.4 %	5.2 %	5.8 %
<b>Net earnings-%</b>	6.6 %	11.9 %	5.4 %	-1.7 %	2.2 %	4.7 %	-2.1 %	-2.0 %	0.8 %	1.9 %	-0.2 %	2.8 %	3.4 %	3.9 %

Source: Inderes

# Balance sheet

Assets	2020	2021	2022e	2023e	2024e
<b>Non-current assets</b>	<b>164</b>	<b>162</b>	<b>155</b>	<b>149</b>	<b>145</b>
Goodwill	15.5	15.5	15.5	15.5	15.5
Intangible assets	16.7	13.2	13.3	13.4	13.5
Tangible assets	122	131	124	118	114
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.8	0.5	0.5	0.5	0.5
Other non-current assets	4.0	0.0	0.0	0.0	0.0
Deferred tax assets	4.0	1.7	1.7	1.7	1.7
<b>Current assets</b>	<b>154</b>	<b>225</b>	<b>159</b>	<b>159</b>	<b>168</b>
Inventories	35.4	49.8	58.6	58.6	57.3
Other current assets	9.4	8.0	8.0	8.0	8.0
Receivables	51.1	65.5	63.5	63.4	62.3
Cash and equivalents	57.9	101	29.3	29.3	40.0
<b>Balance sheet total</b>	<b>317</b>	<b>387</b>	<b>315</b>	<b>308</b>	<b>313</b>

Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
<b>Equity</b>	<b>146</b>	<b>163</b>	<b>151</b>	<b>159</b>	<b>168</b>
Share capital	11.9	11.9	11.9	11.9	11.9
Retained earnings	42.0	56.5	43.9	51.9	61.5
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	92.1	94.8	94.8	94.8	94.8
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>114</b>	<b>78.8</b>	<b>89.3</b>	<b>82.6</b>	<b>76.5</b>
Deferred tax liabilities	13.3	13.9	13.9	13.9	13.9
Provisions	1.8	1.9	1.9	1.9	1.9
Long term debt	97.8	62.3	72.7	66.1	60.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.8	0.7	0.7	0.7	0.7
<b>Current liabilities</b>	<b>57.8</b>	<b>145</b>	<b>74.7</b>	<b>67.3</b>	<b>67.9</b>
Short term debt	2.5	86.8	5.7	5.7	5.0
Payables	54.6	57.2	68.3	61.0	62.3
Other current liabilities	0.7	0.7	0.7	0.7	0.7
<b>Balance sheet total</b>	<b>317</b>	<b>387</b>	<b>315</b>	<b>308</b>	<b>313</b>

# DCF calculation

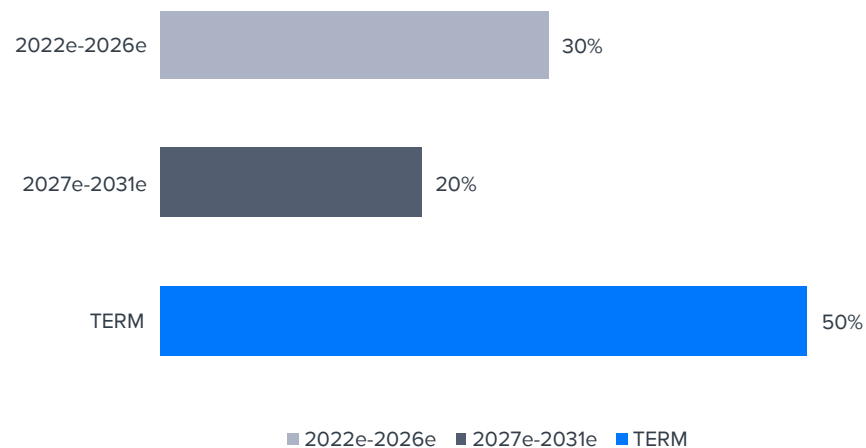
DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
<b>EBIT (operating profit)</b>	<b>26.9</b>	<b>2.5</b>	<b>21.4</b>	<b>26.0</b>	<b>29.7</b>	<b>36.6</b>	<b>35.0</b>	<b>33.3</b>	<b>28.6</b>	<b>29.4</b>	<b>30.0</b>	
+ Depreciation	20.1	19.9	21.1	21.3	21.6	20.6	19.9	19.9	19.9	20.0	20.0	
- Paid taxes	-2.8	-1.5	-4.6	-5.7	-6.7	-8.4	-8.0	-7.6	-6.4	-6.6	-..8	
- Tax, financial expenses	-0.1	-0.6	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-24.7	4.4	-7.3	3.7	3.9	1.0	-1.6	-1.6	-1.7	-1.7	-1.2	
<b>Operating cash flow</b>	<b>19.4</b>	<b>24.9</b>	<b>29.9</b>	<b>44.5</b>	<b>47.8</b>	<b>49.1</b>	<b>44.6</b>	<b>43.3</b>	<b>39.7</b>	<b>40.3</b>	<b>41.3</b>	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-21.0	-13.1	-15.1	-17.1	-19.1	-20.1	-20.1	-20.1	-20.1	-20.1	-21.8	
<b>Free operating cash flow</b>	<b>-1.6</b>	<b>11.8</b>	<b>14.8</b>	<b>27.4</b>	<b>28.7</b>	<b>29.0</b>	<b>24.5</b>	<b>23.2</b>	<b>19.6</b>	<b>20.2</b>	<b>19.5</b>	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-1.6	11.8	14.8	27.4	28.7	29.0	24.5	23.2	19.6	20.2	19.5	317
<b>Discounted FCFF</b>		<b>11.4</b>	<b>13.2</b>	<b>22.6</b>	<b>21.9</b>	<b>20.4</b>	<b>15.9</b>	<b>13.9</b>	<b>10.9</b>	<b>10.3</b>	<b>9.2</b>	<b>149</b>
Sum of FCFF present value		299	288	275	252	230	210	194	180	169	159	149
<b>Enterprise value DCF</b>		<b>299</b>										
- Interesting bearing debt		-149.1										
+ Cash and cash equivalents		101										
-Minorities		0.0										
-Dividend/capital return		-11.5										
<b>Equity value DCF</b>		<b>240</b>										
<b>Equity value DCF per share</b>		<b>4.17</b>										

## Wacc

Tax-% (WACC)	25.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	4.0 %
Equity Beta	1.35
Market risk premium	4.75 %
Liquidity premium	1.25 %
Risk free interest rate	2.0 %
<b>Cost of equity</b>	<b>9.7 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>8.3 %</b>

Sorce: Inderes

## Cash flow distribution



# Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	411.4	458.9	443.2	<b>488.2</b>	<b>488.0</b>	EPS (reported)	0.00	0.52	0.36	<b>-0.02</b>	<b>0.24</b>
EBITDA	33.7	60.9	47.0	<b>22.5</b>	<b>42.5</b>	EPS (adj.)	0.00	0.52	0.31	<b>-0.02</b>	<b>0.24</b>
EBIT	8.1	39.5	26.9	<b>2.5</b>	<b>21.4</b>	OCF / share	0.58	0.96	0.34	<b>0.43</b>	<b>0.52</b>
PTP	2.1	33.9	26.6	<b>0.3</b>	<b>18.2</b>	FCF / share	0.37	0.88	-0.03	<b>0.20</b>	<b>0.26</b>
Net Income	0.2	30.1	20.7	<b>-1.1</b>	<b>13.7</b>	Book value / share	2.31	2.54	2.84	<b>2.62</b>	<b>2.76</b>
Extraordinary items	0.0	0.0	0.0	<b>0.0</b>	<b>0.0</b>	Dividend / share	0.05	0.20	0.20	<b>0.10</b>	<b>0.13</b>
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	310.1	317.4	386.7	<b>314.6</b>	<b>308.5</b>	Revenue growth-%	-5 %	12 %	-3 %	<b>10 %</b>	<b>0 %</b>
Equity capital	132.5	145.9	163.2	<b>150.6</b>	<b>158.5</b>	EBITDA growth-%	31 %	81 %	-23 %	<b>-52 %</b>	<b>89 %</b>
Goodwill	15.5	15.5	15.5	<b>15.5</b>	<b>15.5</b>	EBIT (adj.) growth-%	77 %	386 %	-32 %	<b>-91 %</b>	<b>741 %</b>
Net debt	71.4	42.4	47.8	<b>49.1</b>	<b>42.5</b>	EPS (adj.) growth-%	-113 %	13345 %	-41 %	<b>-106 %</b>	<b>-1323 %</b>
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	8.2 %	13.3 %	10.6 %	<b>4.6 %</b>	<b>8.7 %</b>
EBITDA	33.7	60.9	47.0	<b>22.5</b>	<b>42.5</b>	EBIT (adj.)-%	2.0 %	8.6 %	6.1 %	<b>0.5 %</b>	<b>4.4 %</b>
Change in working capital	2.3	0.3	-24.7	<b>4.4</b>	<b>-7.3</b>	EBIT-%	2.0 %	8.6 %	6.1 %	<b>0.5 %</b>	<b>4.4 %</b>
Operating cash flow	33.5	55.4	19.4	<b>24.9</b>	<b>29.9</b>	ROE-%	0.2 %	21.6 %	13.4 %	<b>-0.7 %</b>	<b>8.8 %</b>
CAPEX	-29.8	-5.0	-21.0	<b>-13.1</b>	<b>-15.1</b>	ROI-%	3.4 %	16.2 %	9.7 %	<b>1.0 %</b>	<b>9.3 %</b>
Free cash flow	21.2	50.5	-1.6	<b>11.8</b>	<b>14.8</b>	Equity ratio	42.7 %	46.0 %	42.2 %	<b>47.9 %</b>	<b>51.4 %</b>
						Gearing	53.9 %	29.1 %	29.3 %	<b>32.6 %</b>	<b>26.8 %</b>

Source: Inderes

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Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

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Date	Recommendation	Target price	Share price
14-12-17	Reduce	4.25 €	4.43 €
31-01-18	Reduce	4.25 €	4.40 €
06-04-18	Reduce	4.00 €	3.88 €
27.4..2018	Reduce	3.50 €	3.55 €
04-07-18	Reduce	3.50 €	3.40 €
06-08-18	Reduce	3.30 €	3.40 €
14-09-18	Sell	2.85 €	3.10 €
26-10-18	Reduce	2.20 €	2.30 €
01-02-18	Reduce	2.40 €	2.50 €
25-04-19	Reduce	2.50 €	2.60 €
08-08-19	Reduce	2.40 €	2.48 €
23-10-19	Reduce	2.25 €	2.33 €
30-01-20	Reduce	2.35 €	2.48 €
24-04-20	Accumulate	3.25 €	3.02 €
13-05-20	Accumulate	3.40 €	3.17 €
18-06-20	Accumulate	4.00 €	3.69 €
13-08-20	Accumulate	5.40 €	5.00 €
28-10-20	Accumulate	5.40 €	5.06 €
05-02-21	Accumulate	6.00 €	5.74 €
29-04-21	Accumulate	6.25 €	5.87 €
24-06-21	Accumulate	6.25 €	5.45 €
16-08-21	Accumulate	5.60 €	5.27 €
29-10-21	Accumulate	5.25 €	4.72 €
04-02-22	Reduce	4.50 €	4.33 €
05-05-22	Reduce	3.30 €	3.12 €
15-07-22	Reduce	3.30 €	3.12 €
10-08-22	Reduce	3.30 €	3.09 €



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