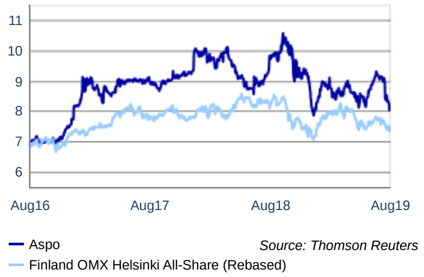
Aspo

Business Services
Finland

KEY DATA

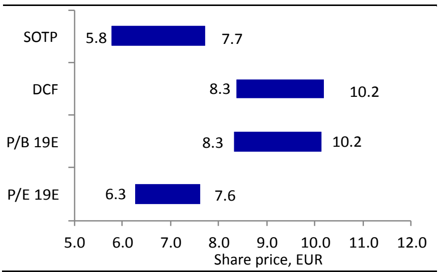
Stock country	Finland
Bloomberg	ASPO FH
Reuters	ASPO.HE
Share price (close)	EUR 8.04
Free Float	88%
Market cap. (bn)	EUR 0.25/EUR 0.25
Website	www.aspo.com
Next report date	29 Oct 2019

PERFORMANCE



Source: Thomson Reuters

VALUATION APPROACH



Source: Nordea estimates

ESTIMATE CHANGES

Year	2019E	2020E	2021E
Sales	3%	3%	3%
EBIT (adj)	-5%	-4%	-3%

Source: Nordea estimates

Nordea Markets - Analysts

Pasi Väisänen
Senior Analyst

Joni Sandvall
Analyst

Second quarter was weaker than we expected

Regardless of the downgraded guidance in the summer, the Q2 report fell short of the Thomson Reuters consensus. ESL Shipping has resolved the crane problems but weak volumes and loss-making Supramax vessels hampered EBIT margin. The company still expects moderate growth in its eastern market, although political risks remain. We remain cautious for the rest of the year and do not expect a fast recovery in Q3; we trim our 2019-21 EBIT estimates by 3-5% due to operational weakness in the Leipurin and Telko segments. We derive a new trading range of EUR 7.2-8.9, down from EUR 7.5-9.3.

Q2 was weak on all fronts

Low freight rates, weak cargo volumes together with several smaller problems weighed on profitability at ESL Shipping. Russian iron pellet transportation to Europe did not offer top line support in Q2 (EUR 3.2m a year ago). But at least the new ERP system is operational and should improve efficiency. The Telko segment continued to suffer from low plastic prices and slowing growth in its main markets. Profitability in the Leipurin segment continues to be burdened by the loss-making machinery business, which is expected to somewhat improve in Q4 2019.

We trim our 2019-21 estimates – debt remains above target

We raise our 2019-21 sales estimates by some 3% while we lower our EBIT estimates by 3-5% due to weaker profitability development at Leipurin and Telko. Full year EBIT guidance is challenging and we see increased uncertainties relating to political issues and note that profit warning risk remains for H2 2019. Aspo's net debt increased and remains elevated, with reported net gearing of 196%. We calculate that interest expenses already take some 12% from annual operating profit, but we forecast that free cash flow should allow EUR 10m in annual debt reduction starting from next year.

Valuation

We derive our fair value for Aspo using a combination of peer group, SOTP, and DCF analyses. By equally weighting four different valuation approaches (DCF, P/BV, SOTP, and P/E), we arrive at a fair value range of EUR 7.2-8.9 (previously 7.5-9.3). Aspo's dividend yield for 2019E-21E is ~6%, offering good support for the share.

SUMMARY TABLE - KEY FIGURES

EURm	2015	2016	2017	2018	2019E	2020E	2021E
Total revenue	446	457	502	541	596	623	649
EBITDA (adj)	33	32	36	38	52	60	63
EBIT (adj)	21	20	24	27	24	32	34
EBIT (adj) margin	4.6%	4.5%	4.7%	4.9%	4.1%	5.1%	5.3%
EPS (adj)	0.50	0.48	0.59	0.58	0.50	0.75	0.85
EPS (adj) growth	-17.5%	-2.4%	22.7%	-2.1%	-14.6%	51.9%	12.4%
DPS (ord)	0.41	0.41	0.43	0.44	0.46	0.48	0.50
EV/Sales	0.7	0.8	0.8	0.8	0.8	0.7	0.7
EV/EBIT (adj)	16.2	17.5	17.9	16.2	19.5	14.6	13.2
P/E (adj)	15.1	16.9	16.8	13.7	16.2	10.7	9.5
P/BV	2.2	2.2	2.8	2.1	2.1	2.0	1.8
Dividend yield (ord)	5.5%	5.0%	4.3%	5.5%	5.7%	6.0%	6.2%
FCF Yield bef A&D, lease	4.5%	3.9%	-0.1%	-9.1%	5.3%	9.2%	10.3%
Net debt	104	103	117	180	221	213	204
Net debt/EBITDA	3.1	3.2	3.3	4.9	4.2	3.5	3.2
ROIC after tax	8.2%	8.0%	8.9%	8.4%	6.5%	8.1%	8.7%

Source: Company data and Nordea estimates

Q2 results, revisions and detailed estimates

Aspo's second quarter net sales were slightly above our estimates and slightly below consensus expectations, but adjusted EBIT was below all expectations. The Q2 report did contain a EUR 0.2m non-recurring item relating to Telko's tax dispute with Finnish Customs. In addition, net financials contained a EUR 1.4m non-recurring item related to the same tax dispute. ESL Shipping did even beat our sales and EBIT estimates, while Leipurin and Telko missed our EBIT estimates in Q2. As Aspo lowered its guidance on 1 August, the full year guidance was then confirmed in the Q2 release. However, we see full year EBIT guidance of EUR 24-30m as somewhat challenging because we continue to see uncertainty in all operating segments for H2 2019.

ESL beat our lowered estimates while Telko missed

Against lowered expectations, ESL beat our Q2 EBIT estimate by 39% (EUR 0.7m) with 3% (EUR 1.1m) higher sales. ESL did face tough market conditions as the main segments (steel industry) transport volumes dropped markedly y/y. During the first part of 2019, two Supramax vessels turned in an operating loss of EUR 0.5m. The main reason for decreased volumes was the total absence of Russian iron pellet transportation to Europe. In addition, one of Aspo's major customers noted in its own mid-year report that its steel shipments declined y/y by 5% in Q2.

A key issue for Aspo is of course how steel deliveries will develop in the future, especially since Aspo's two new LNG vessels were purchased, to our knowledge, specifically to meet steel delivery demand. During Q2, the dockings together with customer maintenance breaks even led to a EUR 0.5m negative effect in operating profit. Today, all ships should be in operations we note. Furthermore, the BADI index was at USD 670-1,450 during Q2, while it has remained between USD 1,450-2,190 during the first half of Q3 2019.

Telko's EBIT missed our estimate by 36% (EUR 1.3m) as its operations were affected by lower material prices, intensified price competition and more cautious customers. The Kauko segment was reported under the Telko segment for the second time, and it contributed EUR 8.7m (+21% y/y) to Telko's sales, indicating flat sales growth for Telko's plastic and chemical operations. Eastern market growth slowed, especially in the important Ukraine market, and the company continues to see unchanged or decreasing demand in the eastern markets.

Leipurin's EBIT was again burdened by the highly cyclical machinery unit which was loss-making during the quarter. Net sales of the machinery unit dropped by more than 50% in Q2 (after a 50% drop in Q1). Leipurin's EBIT miss versus our estimate was EUR 0.3m (29%). The outlook for Leipurin seems unfavourable in the long term, as machinery sales depend highly on industrial investment levels, which are depressed.

Q2 DEVIATION TABLE

	Actual	NDA est.	Deviation		Consensus	Deviation		Actual		Actual	
EURm	Q2 2019	Q2 2019	vs. actual		Q2 2019	vs. actual		Q1 2019	q/q	Q2 2018	y/y
Sales	151	147	4	3%	154	-3	-2%	142	7%	133	14%
Adj. EBIT	3.9	5.1	-1	-19%	5.1	-1	-20%	4.9	-16%	7.1	-42%
Adj. EBIT margin	2.7%	3.5%		-0.7pp	3.3%		-0.6pp	3.5%	-0.8pp	5.4%	-2.6pp
EPS	0.12	0.08	0.04	42%	0.12	0.00	3%	0.10	20%	0.16	-27%

Source: Company data, Nordea estimates and Thomson Reuters consensus

Estimate revisions

We trim our 2019-21 estimates on the back of the Q2 result. Our estimate revisions in different segments are mainly driven by sales and EBIT deviations in Q2, but we also lower our profitability expectations for Leipurin and Telko.

REVISIONS TO OUR ESTIMATES FOLLOWING THE Q2 RESULTS

	New estimates				Old estimates				Difference %			
EURm	**Q3 2019E**	**2019E**	**2020E**	**2021E**	**Q3 2019E**	**2019E**	**2020E**	**2021E**	**Q3 2019E**	**2019E**	**2020E**	**2021E**
Sales	**145**	**596**	**623**	**649**	**141**	**580**	**605**	**631**	**3%**	**3%**	**3%**	**3%**
Adj. EBIT	**7.3**	**24**	**32**	**34**	**7.5**	**26**	**33**	**36**	**-2%**	**-5%**	**-4%**	**-3%**
Adj. EBIT margin	5.0%	4.1%	5.1%	5.3%	5.3%	4.4%	5.5%	5.7%	-0.3pp	-0.3pp	-0.3pp	-0.3pp
Adj. EPS	**0.15**	**0.50**	**0.75**	**0.85**	**0.17**	**0.54**	**0.77**	**0.87**	**-10%**	**-8%**	**-1%**	**-2%**

Source: Nordea estimates

QUARTERLY SEGMENT ESTIMATES

	Q1 17	**Q2 17**	**Q3 17**	**Q4 17**	**Q1 18**	**Q2 18**	**Q3 18**	**Q4 18**	**Q1 19**	**Q2 19**	**Q3 19E**	**Q4 19E**
ESL Shipping												
Sales	18.9	19.5	18.3	22.6	20.5	22.6	30.6	46.4	43.7	42.6	41.1	46.4
- sales growth	17%	17%	2%	10%	8%	16%	67%	105%	113%	88%	34%	0%
EBIT	3.0	3.1	3.3	4.1	2.6	4.3	4.9	5.1	3.2	2.6	4.7	5.1
EBIT margin	16%	16%	18%	18%	13%	19%	16%	11%	7%	6%	12%	11%
Leipurin												
Sales	29.4	30.1	29.9	32.9	30.2	31.2	28.0	31.6	25.9	28.0	26.6	33.2
- sales growth	12%	5%	11%	7%	3%	4%	-6%	-4%	-14%	-10%	-5%	5%
EBIT	0.4	0.6	1.4	1.2	0.8	0.9	0.8	0.8	0.5	0.6	0.7	0.9
EBIT margin	1%	2%	5%	4%	3%	3%	3%	3%	2%	2%	3%	3%
Telko												
Sales	63.6	65.7	67.3	65.6	57.7	71.7	67.3	69.5	71.9	80.6	77.4	78.8
- sales growth	29%	6%	5%	1%	-9%	9%	0%	6%	25%	12%	15%	13%
EBIT	2.3	2.4	3.5	3.2	2.2	3.6	2.9	3.4	2.4	2.1	3.0	3.5
EBIT margin	4%	4%	5%	5%	4%	5%	4%	5%	3%	3%	4%	4%
Kauko												
Sales	7.1	8.5	11.7	11.3	6.9	7.2	10.4	9.1	n.a.	n.a.	n.a.	n.a.
- sales growth	6%	0%	23%	36%	-3%	-15%	-11%	-19%	n.a.	n.a.	n.a.	n.a.
EBIT	-0.2	0.1	0.2	0.0	-0.6	-0.4	0.7	0.4	n.a.	n.a.	n.a.	n.a.
EBIT margin	-3%	1%	2%	0%	-9%	-6%	7%	4%	n.a.	n.a.	n.a.	n.a.
Aspo Group												
Sales	119.0	123.8	127.2	132.4	115.3	132.7	136.3	156.6	141.5	151.2	145.1	158.4
- sales growth	21%	7%	8%	6%	-3%	7%	7%	18%	23%	14%	6%	1%
EBIT clean	4.7	5.1	7.5	7.2	3.7	7.1	8.1	8.3	4.9	3.9	7.3	8.2
EBIT margin	3.9%	4.1%	5.9%	5.4%	3.2%	5.4%	5.9%	5.3%	3.5%	2.6%	5.0%	5.2%
PTP clean	4.4	2.7	6.8	6.8	2.2	5.8	6.9	6.1	3.9	3.0	5.9	6.7
Net Profit clean	4.1	2.4	6.3	6.2	1.7	5.1	6.6	2.8	3.5	2.5	5.2	5.9
EPS clean, EUR	0.13	0.08	0.20	0.20	0.05	0.16	0.21	0.09	0.10	0.07	0.15	0.18
EPS reported, EUR	0.13	0.08	0.19	0.18	0.05	0.16	0.18	0.02	0.10	0.12	0.15	0.18

Source: Company data and Nordea estimates

YEARLY SEGMENT ESTIMATES

	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019E**	**2020E**	**2021E**
ESL Shipping										
Sales	72	78	85	76	71	79	120	174	182	191
- sales growth	-22%	8%	10%	-11%	-6%	11%	51%	45%	5%	4%
EBIT	1	8	16	15	13	14	17	16	21	22
EBIT margin	2%	10%	19%	19%	18%	17%	14%	9%	11%	11%
Leipurin										
Sales	131	137	135	118	113	122	121	114	118	122
- sales growth	2%	4%	-1%	-12%	-5%	9%	-1%	-6%	4%	3%
EBIT	4.0	5.2	4.4	2.4	2.0	3.6	3.3	2.8	3.4	3.9
EBIT margin	3%	4%	3%	2%	2%	3%	3%	2%	3%	3%
Telko										
Sales	238	230	227	215	240	262	266	309	323	337
- sales growth	12%	-3%	-1%	-5%	12%	9%	2%	16%	4%	4%
EBIT	8	6	10	10	10	11	12	11	12	14
EBIT margin	4%	3%	4%	5%	4%	4%	5%	4%	4%	4%
Kauko										
Sales	41	32	36	37	33	39	34	0	0	0
- sales growth	-7%	-21%	13%	1%	-10%	17%	-13%	n.a.	n.a.	n.a.
EBIT	-0.6	-3.6	0.1	0.1	-0.1	0.1	0.1	n.a.	n.a.	n.a.
EBIT margin	-1%	-11%	0%	0%	0%	0%	0%	n.a.	n.a.	n.a.
Aspo Group										
Sales	482	476	483	446	457	502	541	596	623	649
- sales growth	1%	-1%	1%	-8%	3%	10%	8%	10%	5%	4%
EBIT clean	8	11	25	21	20	24	27	24	32	34
EBIT margin	2%	2%	5%	5%	4%	5%	5%	4%	5%	5%
PTP clean	5	7	19	17	17	20	21	19	28	32
Net Profit clean	8	9	19	15	15	18	18	16	24	27
EPS clean, EUR	0.27	0.28	0.60	0.50	0.48	0.59	0.58	0.50	0.75	0.85
EPS reported, EUR	0.35	0.28	0.60	0.60	0.48	0.57	0.42	0.55	0.75	0.85

Source: Company data and Nordea estimates

Factors to consider when investing in Aspo

Aspo is a holding company whose success, in our view, depends on how its four current subsidiaries can prosper on their own. The right M&A activity also plays a crucial part in how well Aspo can create value for its shareholders in the future. Despite the short-term problems, the outlook for Telko and ESL Shipping appears promising to us in the long term. Leipurin, however, has not been able to reach the growth level needed for profitability, and the positive momentum in group earnings, which lasted two years, will likely be lost in this year. Its balance sheet is also stretched but, as a holding company, Aspo is accustomed to high leverage. Its high exposure to Russia could burden accepted valuation multiples, but Aspo has already proved successful in Eastern European markets, even during the tougher years.

We consider the following factors key when evaluating an investment in Aspo:

- The acquisition of AtoB@C was made with low valuation multiples and the value-creation opportunity for Aspo with these new 30 ships is very good.
- Cost discipline is tight and the risk of Aspo making a loss barely exists, we argue.
- Telko has grown a lot and improved its profitability, which is why it could be the next divestment target for Aspo. As a holding company, the value for shareholders is created with these kinds of structural arrangements.
- Over the last 18 years, EPS has moved more or less sideways, but the tone is about to change, we believe. We forecast as much as 27% EPS CAGR for 2018-21.
- Eastern European markets have offered good growth options for the company regardless of the volatile economic outlook in Russia and the other CIS countries.
- Aspo is a dividend company; at its CMD, management even guided for growing dividend payments in the future.
- Its track record of long-term value creation is good and we believe the company will maintain this strength.

Key risk factors:

- Weaker consumer confidence, increasing political uncertainty and possible tighter sanctions in Russia could hinder growth and restrict Aspo's earnings improvement capabilities in the country.
- Coal shipments will decline in the Baltic Rim and could reduce the utilisation ratios for ESL Shipping.
- Goodwill and other intangibles in the balance sheet are EUR 51m, which is ~50% of shareholder equity.
- In Q2 2019, net gearing including the EUR 25m hybrid debt stood at 281% (reported net gearing was 196%), while the new target after implementation of IFRS 16 is 130%.
- Net debt/EBITDA has been over 4x in 2016-18, according to our estimates.
- Aspo is a conglomerate; by definition, it should trade under the combined value of its businesses. Equity investors should create the needed diversification in their own portfolio by themselves, rather than via listed companies.

Aspo has been successful in value creation

We have identified that the core strength of the company is effectively understanding and managing the bigger economic picture. For example, Aspo divested Aspocomp before the IT downturn that started in 2000. Furthermore, the company has looked for steady and resistant areas like energy delivery and the bakery business to secure dividend payments. When interest rates dropped after the financial crisis in 2008, Aspo started to invest heavily in business operations because money was almost free and offered a good yield from its main segments.

We believe the company should keep its core strength and be value-accretive in the coming years as well

We argue that the core strength of Aspo lies beyond its three business segments – the right capital allocation, divestments and investments create the true competitive edge and core strength of the company. Ownership has not been faceless and a strong commitment by the principal owners has enabled the long-standing strategy, which is value creation. Since 2000, Aspo's share price (including dividends) has yielded 16% per year on average. Regardless of the increased uncertainty in Russia and the tight balance sheet, we believe the company will keep its core strength and be value-accretive in the coming years as well.

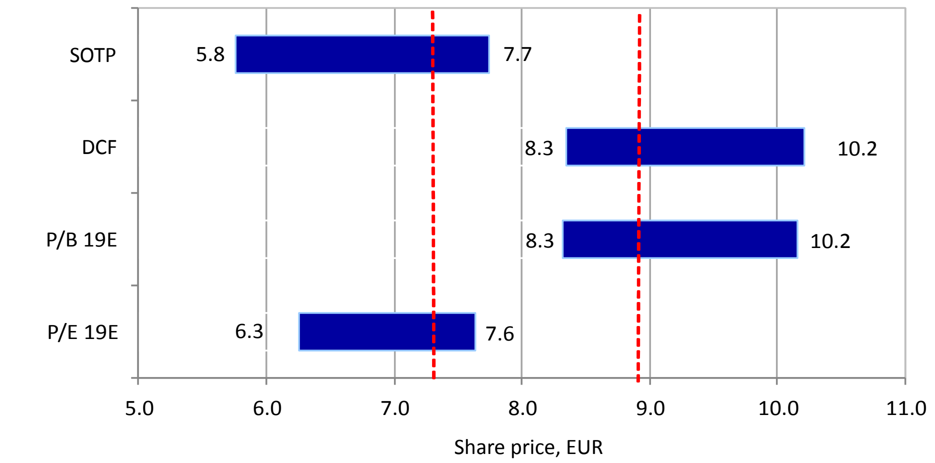
For example, Aspo paid Kesko EUR 76m for the Leipurin, Kauko and Telko segments in 2008. Today, the combined value of these three business areas in our sum-of-the-parts calculation is around EUR 180m. In the previous ten-year period, the enterprise value for this investment has increased by EUR 10m per year, or 9% per year on average, excluding dividends. Most likely, in our view, Aspo will try to do the same again with its summer 2018 acquisition of AtoB@C.

Our valuation range for Aspo is EUR 7.2-8.9 per share

We use a relative valuation and a DCF-based fair value calculation in our analysis. We believe that segment-specific peer group multiples are informative and give a relevant view of Aspo's subsidiaries in the SOTP analysis. However, we also derive a relative valuation analysis for Aspo on a group level.

Based on the assumption that the company can deliver revenue growth and an operating profit margin in line with our expectations, we derive a fair value range of EUR 7.2-8.9 per share, which is an equally-weighted range based on our four different valuation approaches (DCF, P/B, SOTP and P/E). The red lines in the following chart show this valuation range.

VALUATION APPROACH FOR ASPO



Source: Company data and Nordea estimates

Based on our DCF framework and WACC assumptions of 7.7-8.2%, we derive a fair value range of EUR 8.3-10.2 for Aspo. We calculate our P/E valuation range of EUR 6.3-7.6 per share for Aspo by taking our 2019 adjusted EPS forecast of EUR 0.50 and multiplying it by the accepted valuation multiple range of 12.6-15.4x, representing a midpoint of 14.0x. This P/E valuation range represents Nordea's view and has been derived by looking at peer groups for ESL Shipping, Telko, and Leipurin. It also highlights the risks related to Eastern European markets.

Similarly, we calculate the P/B valuation range for Aspo by using the accepted valuation multiple range of 2.2-2.7x, indicating a mathematical midpoint of 2.4x. This calculation gives a valuation range of EUR 8.3-10.2 per share for Aspo, as seen in the previous chart.

Risk factors

There are several major and minor risks associated with the Aspo investment case. We believe the biggest risks currently relate to the company's financial position, possible Russian sanctions, and steel and coal shipments in the Baltic Rim. For example, new economic sanctions against Russia could affect Aspo either directly through import sanctions or indirectly through reduced cargoes and restricted cross-border transfers of money. Aspo's balance sheet is currently stretched due to investments, but we acknowledge that the company should survive this challenge even without divestments due to increasing cash flows. Furthermore, it has a track record from its operations in Russia and good knowledge of the country, which reduces the risks related to possible market turbulence there.

Financial position and capital needs
Aspo's reported net gearing currently (end of Q2 2019) stands at 196%. Including the hybrid debt component, we calculate net gearing at 281%. IFRS 16 increased net gearing by around 30 pp, hence the company's new target gearing level is 130% (previously 100%) and it might need to address its debt issue.

Aspo's short-term capital needs were secured in May and June with new EUR 15m term loan facility and EUR 20m revolving credit facility. In 2019-20, the company will need to renegotiate approximately EUR 90m worth of loans and revolving credit facilities, including the outstanding EUR 25m hybrid bond, as that has early redemption rights exercisable in 2020.

General economy and specifically the Russian economy
Aspo's companies are highly exposed to the general economic development, and thus rapid changes in the general economic outlook would have an impact on demand for their services. In addition, Aspo is highly exposed to Eastern European economies, especially Russia. Russia, Ukraine and other CIS countries accounted for one-third of group revenue in 2018.

In the event of possible new sanctions against or from Russia, consumer confidence and industrial activity in the country could be affected – and Telko, together with Leipurin, could face a weaker end-demand environment.

Expansion strategy
Aspo is investing to expand its Telko and ESL Shipping operations. The acquisitions of Square Oil (Telko), H H plastkombi (Telko) and AtoB@C (ESL Shipping) are part of this strategy. Further expansions in the fleet could lead to lower utilisation rates, causing integration problems for Aspo and its subsidiaries.

Change in flow of goods
ESL Shipping mainly operates in the Baltic Sea region, and changes to energy production structures may alter the flow of goods in the Baltic Sea, possibly reducing the need for transportation offered by ESL Shipping.

Coal represents some 10% of ESL Shipping's transport tonnage today. There is a possibility for Aspo to replace coal shipments with wood chips, but this material can already be found in Finland and there is therefore no need to transport it from abroad, as for thermal coal.

Competition
Aspo faces different competition in each of its companies. ESL Shipping may face fiercer competition as ice-free winters become more common and if the flow of goods changes in the Baltic Sea. Telko operates in a highly fragmented market and consolidation here could intensify competition. Also, chemical companies such as Dow and BASF could increase their own sales channels, leaving less room for raw material distributors such as Telko.

Currency exposure

Aspo has operations using 12 different currencies, of which the Russian rouble is the most significant foreign currency. The main currency risks are associated with trade receivables and payables, and translation risks related to foreign investments and exchange rate changes. A weakening of the Russian rouble would have an impact on Telko and Leipurin, as increasingly significant share of their net sales originates from Russia. The company does not hedge the translation effects of its subsidiaries abroad.

Environmental issues related to ESL Shipping

ESL Shipping's environmental risks relate to possible accidents, fuel leakages or environmental damage caused by bunkering or washing cargo holds. If any of these environmental risks were to occur, it could lead to compensation liability for ESL Shipping. In addition, stricter environmental legislation would cause unexpected investment expenditure for ESL Shipping. However, the safety standard in ESL Shipping is very good and accidents per working hours are far lower than for peers or for Finnish industrial companies on average.

Plastic has received bad publicity in Europe. There is a possibility that investors will start to avoid plastic-related companies for sustainability reasons. Telko delivers plastics, and therefore might not look sufficiently sustainable for all investors, we note.

Reported numbers and forecasts

INCOME STATEMENT											
EURm	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019E**	**2020E**	**2021E**
Net revenue	**476**	**482**	**476**	**483**	**446**	**457**	**502**	**541**	**596**	**623**	**649**
Revenue growth	20.3%	1.1%	-1.1%	1.4%	-7.6%	2.5%	9.8%	7.7%	10.2%	4.5%	4.2%
of which organic	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
of which FX	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	30	21	22	36	33	32	35	37	53	60	63
Depreciation and impairments PPE	-8	-11	-11	-11	-13	-12	-12	-12	-28	-28	-29
of which leased assets	0	0	0	0	0	0	0	0	-14	-14	-15
EBITA	22	11	11	25	21	20	23	25	24	32	34
Amortisation and impairments	0	0	0	0	0	0	0	-5	0	0	0
EBIT	22	11	11	25	21	20	23	21	24	32	34
of which associates	0	0	0	0	0	0	0	0	0	0	0
Associates excluded from EBIT	0	0	0	0	0	0	0	0	0	0	0
Net financials	-4	-3	-4	-6	-1	-4	-4	-5	-4	-4	-3
of which lease interest	0	0	0	0	0	0	0	0	-1	-1	0
Changes in value, net	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	**17**	**7**	**7**	**19**	**20**	**17**	**19**	**15**	**21**	**28**	**32**
Reported taxes	-4	3	2	-1	-2	-2	-2	-2	-2	-3	-3
Net profit from continued operations	13	11	9	19	18	15	18	13	19	25	28
Discontinued operations	0	0	0	0	0	0	0	0	0	0	0
Minority interests	0	0	0	0	0	0	0	0	0	0	0
Net profit to equity	13	11	9	19	18	15	18	13	17	24	27
EPS	**0.47**	**0.35**	**0.28**	**0.60**	**0.60**	**0.48**	**0.57**	**0.42**	**0.55**	**0.75**	**0.85**
DPS	0.42	0.42	0.21	0.40	0.41	0.41	0.43	0.44	0.46	0.48	0.50
of which ordinary	0.42	0.42	0.21	0.40	0.41	0.41	0.43	0.44	0.46	0.48	0.50
of which extraordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit margin in percent											
EBITDA	6.2%	4.4%	4.5%	7.5%	7.4%	7.0%	7.0%	6.9%	8.8%	9.7%	9.8%
EBITA	4.5%	2.2%	2.3%	5.2%	4.6%	4.5%	4.6%	4.7%	4.1%	5.1%	5.3%
EBIT	4.5%	2.2%	2.3%	5.2%	4.6%	4.5%	4.6%	3.8%	4.1%	5.1%	5.3%
Adjusted earnings											
EBITDA (adj)	30	19	22	36	33	32	36	38	52	60	63
EBITA (adj)	22	8	11	25	21	20	24	26	24	32	34
EBIT (adj)	22	8	11	25	21	20	24	27	24	32	34
EPS (adj)	0.47	0.27	0.28	0.60	0.50	0.48	0.59	0.58	0.50	0.75	0.85
Adjusted profit margins in percent											
EBITDA (adj)	6.2%	3.9%	4.5%	7.5%	7.4%	7.0%	7.1%	7.0%	8.8%	9.7%	9.8%
EBITA (adj)	4.5%	1.7%	2.3%	5.2%	4.6%	4.5%	4.7%	4.9%	4.1%	5.1%	5.3%
EBIT (adj)	4.5%	1.7%	2.3%	5.2%	4.6%	4.5%	4.7%	4.9%	4.1%	5.1%	5.3%
Performance metrics											
CAGR last 5 years											
Net revenue	16.1%	18.2%	5.9%	8.0%	2.4%	-0.8%	0.8%	2.6%	4.3%	6.9%	7.3%
EBITDA	6.1%	-10.6%	-2.8%	8.3%	4.9%	1.5%	10.3%	11.4%	7.8%	12.7%	14.6%
EBIT	10.9%	-17.7%	-5.2%	10.2%	2.8%	-1.0%	16.9%	13.8%	-0.4%	9.1%	11.1%
EPS	7.9%	-15.6%	1.2%	12.7%	8.8%	0.8%	10.4%	8.1%	-1.9%	4.7%	11.9%
DPS	0.5%	0.0%	-12.9%	-1.0%	-0.5%	-0.5%	0.5%	15.9%	2.8%	3.2%	4.0%
Average last 5 years											
Average EBIT margin	5.5%	3.9%	3.5%	3.7%	3.7%	3.7%	4.2%	4.5%	4.3%	4.4%	4.6%
Average EBITDA margin	8.0%	6.2%	5.7%	5.8%	6.0%	6.2%	6.7%	7.1%	7.5%	8.0%	8.5%

VALUATION RATIOS - ADJUSTED EARNINGS											
EURm	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019E**	**2020E**	**2021E**
P/E (adj)	14.6	23.6	21.3	9.5	15.1	16.9	16.8	13.7	16.2	10.7	9.5
EV/EBITDA (adj)	9.9	16.5	13.2	7.8	10.1	11.1	11.9	11.3	9.0	7.7	7.2
EV/EBITA (adj)	13.7	38.3	26.4	11.3	16.2	17.5	17.9	16.4	19.5	14.6	13.2
EV/EBIT (adj)	13.8	39.6	26.4	11.3	16.2	17.5	17.9	16.2	19.5	14.6	13.2

VALUATION RATIOS - REPORTED EARNINGS											
EURm	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019E**	**2020E**	**2021E**
P/E	14.6	18.3	21.3	9.5	12.5	16.9	17.5	19.1	14.7	10.7	9.5
EV/Sales	0.62	0.65	0.60	0.58	0.75	0.78	0.85	0.80	0.79	0.75	0.70
EV/EBITDA	10.0	14.9	13.2	7.8	10.1	11.1	12.2	11.6	9.0	7.7	7.2
EV/EBITA	13.8	30.4	26.4	11.3	16.2	17.5	18.5	16.9	19.4	14.6	13.2
EV/EBIT	13.8	30.4	26.4	11.3	16.2	17.5	18.5	20.9	19.4	14.6	13.2
Dividend yield (ord.)	6.2%	6.6%	3.5%	7.0%	5.5%	5.0%	4.3%	5.5%	5.7%	6.0%	6.2%
FCF yield	-14.0%	-7.2%	6.8%	2.7%	6.7%	3.9%	-0.1%	-13.9%	10.9%	14.9%	16.1%
FCF Yield bef A&D, lease adj	-14.1%	-9.2%	6.6%	2.6%	4.5%	3.9%	-0.1%	-9.1%	5.3%	9.2%	10.3%
Payout ratio	90.1%	120.4%	74.3%	66.6%	68.3%	84.7%	75.2%	105.6%	84.3%	63.6%	58.9%

Source: Company data and Nordea estimates

BALANCE SHEET

EURm	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Intangible assets	61	60	59	57	54	52	50	52	52	52	52
of which R&D	0	0	0	0	0	0	0	0	0	0	0
of which other intangibles	16	15	13	12	11	9	8	9	9	9	9
of which goodwill	45	45	45	44	43	43	42	43	43	43	43
Tangible assets	89	108	103	111	116	113	120	175	197	195	194
of which leased assets	0	0	0	0	0	0	0	0	24	24	24
Shares associates	2	2	2	0	0	0	0	0	0	0	0
Interest bearing assets	0	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	0	0	0	0	0	0	0	0	0	0	0
Other non-IB non-current assets	0	0	0	0	0	0	0	0	0	0	0
Other non-current assets	2	3	4	7	4	5	4	4	4	4	4
Total non-current assets	154	174	169	175	174	170	174	231	253	251	250
Inventory	43	51	48	47	48	57	61	71	79	82	86
Accounts receivable	58	65	58	56	58	60	66	78	86	90	93
Short-term leased assets	0	0	0	0	0	0	0	0	14	15	15
Other current assets	0	0	0	0	0	0	0	0	0	0	0
Cash and bank	15	21	29	19	24	23	20	19	17	14	14
Total current assets	115	137	134	123	131	139	147	168	196	201	208
Assets held for sale	0	0	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total assets	**269**	**311**	**303**	**298**	**305**	**310**	**321**	**400**	**449**	**452**	**458**
Shareholders equity	92	90	103	104	103	115	112	117	120	129	141
Of which preferred stocks	0	0	0	0	0	0	0	0	0	0	0
Of which equity part of hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Minority interest	1	1	1	0	0	0	0	0	0	0	0
Total Equity	92	90	103	104	103	115	112	117	120	129	141
Deferred tax	13	11	8	6	5	4	3	0	0	0	0
Long term interest bearing debt	93	84	85	77	116	117	109	171	176	171	164
Pension provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term liabilities	2	1	1	0	1	0	1	7	7	7	7
Non-current lease debt	0	0	0	0	0	0	0	0	24	24	24
Convertible debt	0	0	0	0	0	0	0	0	0	0	0
Shareholder debt	0	0	0	0	0	0	0	0	0	0	0
Hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Total non-current liabilities	108	96	94	83	121	121	113	178	207	202	195
Short-term provisions	0	0	0	0	0	1	1	0	0	0	0
Accounts payable	56	68	60	62	68	64	67	76	84	88	92
Current lease debt	0	0	0	0	0	0	0	0	14	15	15
Other current liabilities	4	1	1	1	1	1	0	0	0	0	0
Short term interest bearing debt	9	56	45	48	12	9	27	29	24	19	16
Total current liabilities	68	125	105	111	81	74	96	105	122	121	122
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	**269**	**311**	**303**	**298**	**305**	**310**	**321**	**400**	**449**	**452**	**458**
Balance sheet and debt metrics											
Net debt	87	119	101	105	104	103	117	180	221	213	204
of which lease debt	0	0	0	0	0	0	0	0	39	39	39
Working capital	41	47	45	41	38	52	60	73	80	84	87
Invested capital	195	221	213	216	212	222	234	304	333	335	337
Capital employed	201	187	197	187	224	236	226	295	327	331	336
ROE	16.7%	11.9%	9.1%	17.9%	17.8%	13.8%	15.6%	11.4%	14.5%	19.0%	19.8%
ROIC	10.5%	3.4%	4.2%	9.9%	8.2%	8.0%	8.9%	8.4%	6.5%	8.1%	8.7%
ROCE	10.7%	5.7%	5.5%	13.3%	9.2%	8.7%	10.2%	7.0%	7.5%	9.6%	10.3%
Net debt/EBITDA	2.9	5.5	4.7	2.9	3.1	3.2	3.3	4.9	4.2	3.5	3.2
Interest coverage	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity ratio	34.1%	28.8%	33.9%	34.9%	33.7%	37.0%	35.0%	29.2%	26.7%	28.6%	30.8%
Net gearing	94.1%	131.6%	98.2%	101.0%	101.4%	89.8%	103.9%	154.5%	183.9%	165.2%	145.0%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT											
EURm	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019E**	**2020E**	**2021E**
EBITDA (adj) for associates	**29**	**21**	**22**	**36**	**33**	**32**	**35**	**37**	**53**	**60**	**63**
Paid taxes	-3	-1	-3	-2	-2	-2	-3	-2	-2	-3	-3
Net financials	-4	-3	-3	-4	-3	-3	-4	-3	-4	-4	-3
Change in provisions	0	0	0	0	0	1	1	-1	0	0	0
Change in other LT non-IB	1	-3	-2	-3	3	-1	1	7	0	0	0
Cash flow to/from associates	0	0	0	0	0	0	0	0	0	0	0
Dividends paid to minorities	0	0	0	0	0	0	0	0	0	0	0
Other adj to reconcile to cash flow	0	3	2	3	-2	1	0	-6	0	0	0
Funds from operations (FFO)	**23**	**18**	**16**	**30**	**29**	**27**	**30**	**31**	**47**	**54**	**57**
Change in NWC	-11	-6	0	-8	-4	-11	-13	-11	-7	-4	-4
Cash flow from operations (CFO)	**12**	**12**	**16**	**22**	**25**	**16**	**17**	**20**	**39**	**50**	**54**
Capital expenditure	-42	-30	-4	-17	-15	-6	-18	-43	-12	-12	-13
Free cash flow before A&D	**-29**	**-18**	**12**	**5**	**10**	**10**	**0**	**-23**	**28**	**38**	**41**
Proceeds from sale of assets	0	4	0	0	0	0	0	1	0	0	0
Acquisitions	0	0	0	0	5	0	0	-13	0	0	0
Free cash flow	-29	-14	13	5	15	10	0	-35	28	38	41
Free cash flow bef A&D, lease adj	-29	-18	12	5	10	10	0	-23	13	23	26
Dividends paid	-11	-13	-13	-6	-12	-13	-13	-13	-14	-14	-15
Equity issues / buybacks	19	0	0	0	0	0	0	0	0	0	0
Net change in debt	24	37	-12	-8	2	1	7	50	0	-10	-10
Other financing adjustments	8	-3	20	0	0	0	0	-2	-16	-16	-16
Other non-cash adjustments	-3	0	-1	1	-1	1	4	-1	0	0	0
Change in cash	7	7	7	-9	5	-1	-3	-1	-2	-3	-1
Cash flow metrics											
Capex/D&A	n.m.	n.m.	33.9%	n.m.	n.m.	54.3%	n.m.	n.m.	42.3%	43.9%	45.1%
Capex/Sales	8.7%	6.2%	0.8%	3.6%	3.3%	1.4%	3.5%	8.0%	2.0%	2.0%	2.0%
Key information											
Share price year end (/current)	7	6	6	6	8	8	10	8	8	8	8
Market cap.	208	197	186	175	229	253	310	250	253	253	253
Enterprise value	294	314	286	280	333	356	426	430	473	466	457
Diluted no. of shares, year-end (m)	30.6	30.8	30.8	30.8	30.5	31.0	31.0	31.4	31.4	31.4	31.4

Source: Company data and Nordea estimates

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Nordea Bank Abp	Nordea Bank Abp, filial i Sverige	Nordea Danmark, Filial af Nordea Bank Abp, Finland	Nordea Bank Abp, filial i Norge
Nordea Markets Division, Research Visiting address: Aleksis Kiven katu 7, Helsinki FI-00020 Nordea Finland	**Nordea Markets Division, Research** Visiting address: Smålandsgatan 17 SE-105 71 Stockholm Sweden	**Nordea Markets Division, Research** Visiting address: Grønjordsvej 10 DK-2300 Copenhagen S Denmark	**Nordea Markets Division, Research** Visiting address: Essendropsgate 7 N-0107 Oslo Norway
Tel: +358 9 1651 Fax: +358 9 165 59710	Tel: +46 8 614 7000 Fax: +46 8 534 911 60	Tel: +45 3333 3333 Fax: +45 3333 1520	Tel: +47 2248 5000 Fax: +47 2256 8650
Reg.no. 2858394-9 Satamaradankatu 5 Helsinki			