

Aspo

Business Services
Finland

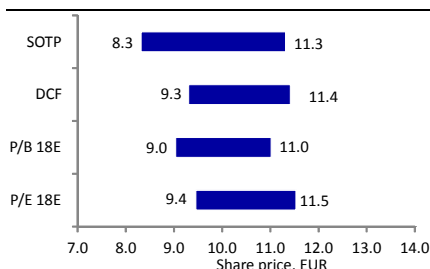
KEY DATA

Stock country	Finland
Bloomberg	ASPO.FH
Reuters	ASPO.HE
Share price (close)	EUR 9.28
Free Float	88%
Market cap. (bn)	EUR 0.29/EUR 0.29
Website	www.aspo.com
Next report date	14 Feb 2019

PERFORMANCE



VALUATION APPROACH



Source: Nordea estimates

ESTIMATE CHANGES

Year	2018E	2019E	2020E
Sales	0%	0%	0%
EBIT (adj)	0%	0%	0%

Source: Nordea estimates

Nordea Markets - Analysts

Pasi Väisänen
Senior AnalystManu Rimpelä
Senior Director

Entering the growth phase

Over the past 18 years, Aspo's EPS has moved more or less sideways, but we argue that this is about to change; we forecast record-high 30% EPS growth for next year. Its investments are starting to bear fruit, but the balance sheet has become somewhat stretched. As a conglomerate, Aspo's strategy is to create value from new investments and divestments – something we believe it is successful in – which is why we view high gearing as more of a tool than a problem for the company.

We do not yet expect Aspo to reach the 7% EBIT margin target

Aspo does not have a group-level revenue target, but it does have a 7% operating profit target by 2020. We currently forecast an EBIT margin of 6.2% in 2020. To be able to reach its profitability target, we believe Aspo may have to divest Kauko and the device business in Leipurin. In our opinion, Aspo has been able to create value through such structural changes, rewarding it with success in its strategy.

Strong expertise in Eastern European markets reduces risks

Eastern European markets generate around one-third of Aspo's net sales. Its operations in Russia increase the risk but have brought profitable growth options for Aspo. Although several Finnish companies have faced challenges in Russia, we do not see this or other CIS markets as a remarkable risk for Aspo as it has proved its winning strategy in Russia.

Balance sheet starting to become stretched

Investments have taken interest-bearing debt (including hybrids) to a high level of EUR 223m. Divestments are one way to reduce debt, but we calculate that the current cash flow from operations can return net gearing to 100% by 2020 without divestments.

Valuation approach

We derive a 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 9.0-11.3 per share. We note that the high gearing and the exposure to Russia somewhat increase the company-specific risk, but as we find the outlook for revenue growth and earnings growth to be very strong currently, we argue that Aspo should not trade at remarkably lower multiples than its peers or than the OMX Helsinki on average.

SUMMARY TABLE - KEY FIGURES

EURm	2014	2015	2016	2017	2018E	2019E	2020E
Total revenue	483	446	457	502	541	620	647
EBITDA (adj)	36	33	32	36	40	50	54
EBIT (adj)	25	21	20	24	28	36	40
EBIT (adj) margin	5.2%	4.6%	4.5%	4.7%	5.1%	5.9%	6.2%
EPS (adj)	0.60	0.50	0.48	0.59	0.68	0.89	1.01
EPS (adj) growth	112.6%	-17.5%	-2.4%	22.7%	14.9%	30.3%	13.2%
DPS (ord)	0.40	0.41	0.41	0.43	0.45	0.47	0.49
EV/Sales	0.6	0.7	0.8	0.8	0.9	0.7	0.7
EV/EBIT (adj)	11.3	16.2	17.5	17.9	16.7	12.6	11.1
P/E (adj)	9.5	15.1	16.9	16.8	13.6	10.4	9.2
P/BV	1.7	2.2	2.2	2.8	2.4	2.2	1.9
Dividend yield (ord)	7.0%	5.5%	5.0%	4.3%	4.8%	5.1%	5.3%
FCF Yield bef acq & disp	2.6%	4.5%	3.9%	-0.1%	-10.1%	6.5%	9.9%
Net debt	105	104	103	117	174	169	155
Net debt/EBITDA	2.9	3.1	3.2	3.3	4.5	3.4	2.9
ROIC after tax	9.9%	8.2%	8.0%	8.9%	8.9%	10.2%	11.0%

Source: Company data and Nordea estimates

Factors to consider when investing in Aspo

In our view, Aspo is a holding company whose success is dependent on how its current four subsidiaries can prosper on their own. Furthermore, we argue that the right M&A activity also plays a crucial part in how well Aspo can create value for its shareholders in the future. Currently, we find that the outlooks for Telko and ESL Shipping appear promising, but Leipurin and Kauko have not been able to reach the growth needed for profitability. Nevertheless, on a group level, Aspo is now making leaps in terms of sales and EPS growth. Its balance sheet is stretched, but as a holding company Aspo is used 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 30% EPS growth for next year.
- 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 58m, which is 50% of shareholder equity.
- In September 2018, net gearing including the EUR 25m hybrid debt stood at 177%, while the target is 100%.
- The accounting standard change in January 2019 (IFRS 16) could increase liabilities on the balance sheet further.
- 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 an understanding and managing of the bigger economic picture effectively. 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

So, we argue that the core strength of Aspo lies beyond its four 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 240m. So, in the previous ten-year period, the enterprise value for this investment has increased by EUR 16m per year, or 12% 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.

New financial targets set in November 2018

Aspo released new financial targets at its November 2018 CMD. According to our analysis, Aspo will try to reach average annual revenue growth of 6.2% and also improve its operating profit from EUR 29m to EUR 49m by 2020, we calculate.

We currently forecast 4.3% revenue growth and a 6.2% EBIT margin for 2020, with an operating profit of EUR 40m. So, it would be a clear positive surprise for the markets if the company can reach its financial targets, we argue.

In the table below, we adjust the financial targets for the Leipurin segment linearly for 2020 regardless of the targets having been set for 2022. Furthermore, we use a pro forma situation for the ESL Shipping segment to make the starting point more comparable for the targets set for 2020. We use the midpoints of the ESL Shipping and Telko revenue and EBIT targets for 2020 in our table.

FINANCIAL TARGETS VERSUS CURRENT SITUATION

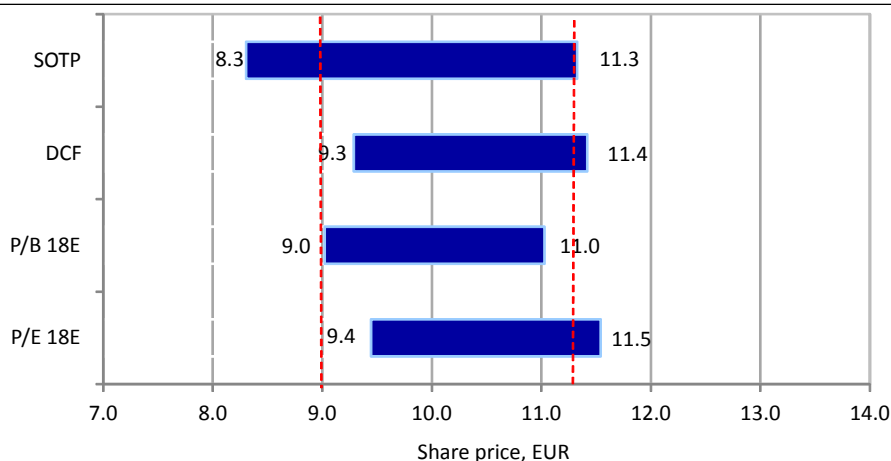
	ESL Shipping	Telko	Leipurin	Kauko	Group admin	Aspo Group
Current revenue, EURm	160	262	122	36	n.a.	580
Revenue target 2020, EURm	200	325	133	36	n.a.	694
Average annual growth	7.7%	7.4%	2.9%	0%	n.a.	6.2%
Current EBIT margin	11.0%	4.5%	3.0%	0%	n.a.	5.0%
EBIT margin target	13.5%	6.5%	4.2%	0%	n.a.	7.0%
Improvement, pp	2.5	2.0	1.2	0.0	n.a.	2.0
Current EBIT, EURm	17.6	11.8	3.7	0	-4.1	29.0
EBIT target, EURm	27.0	21.1	5.6	0	-5.1	48.6

Source: Company data and Nordea estimates

Our valuation range for Aspo is EUR 9.0-11.3 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 9.0-11.3 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 8.0-8.7%, we derive a fair value range of EUR 9.3-11.4 for Aspo. We calculate our P/E valuation range of EUR 9.4-11.5 per share for Aspo by taking our 2018 EPS forecast of EUR 0.68 and multiplying it by the accepted valuation multiple range of 13.7-16.8x, representing a midpoint of 15.4x. This P/E valuation range represents Nordea's view and has been derived from the company's previous year's figures and from the overall stock market. It also highlights the risks related to Eastern European markets.

Similarly, we calculate the P/B valuation range by taking the company's average book value from 2018-19 and multiplying it by the accepted P/B valuation range of 2.4-2.9x, indicating a mathematical midpoint of 2.6x. This calculation gives a valuation range of EUR 9.0-11.0 per share for Aspo, as seen in the previous chart.

Risk factors

There are several bigger and smaller risks related to Aspo. We believe the biggest risks are the political situation, end-demand variation, currency and possible new sanctions against Russia. Also, Aspo's high debt level is a risk factor if interest rates rise and the company is not able to reduce liabilities through divestments. However, the company is used to running its business with high gearing. Furthermore, Aspo has been able to make profitable business in Russia while other companies have faced problems.

Company overview

As a conglomerate, Aspo operates like a private equity investor. The company streamlines separate business units and tries to boost sales and brand value for exit purposes over the longer term. Currently, Aspo has four different business areas operating in the B2B segment. Subsidiaries are managed under their own management teams with the aim of producing the best possible shareholder returns. The largest is Telko, which delivers plastic raw materials and chemicals to the manufacturing industry, while Leipurin provides machines and raw materials for bakeries. Most of Aspo's profit is generated by ESL Shipping, which derives 60% of its cargo tonnes from the steel industry and 20% from the energy industry. The last, relatively small, business is Kauko. Aspo owns and develops its businesses mainly in Northern Europe and in growing markets, such as the CIS countries. Russia, the Baltic states, Ukraine and other CIS countries represent 33% of total revenue. Aspo has historically been a particularly good dividend payer thanks to its strong private ownership structure.

Group structure appears efficient

As is typical for a conglomerate, Aspo has full ownership of its subsidiaries, but these subsidiaries have their own boards and have full responsibility for their businesses. In addition to these business units, Aspo has a separate administration, financial and ICT service function, and a small number of other operations not covered by the business units. We find the current group structure very efficient. Furthermore, cost awareness is very good on a group level.

Aspo's current portfolio consists of four business units: ESL Shipping, Leipurin, Telko and Kauko, but from time to time there could be changes to the portfolio. The company's strategy is to own and develop its businesses in Northern Europe and selected growing markets with a focus on B2B customers. All businesses aim to be market leaders in their sectors.

ASPO: CORPORATE STRUCTURE

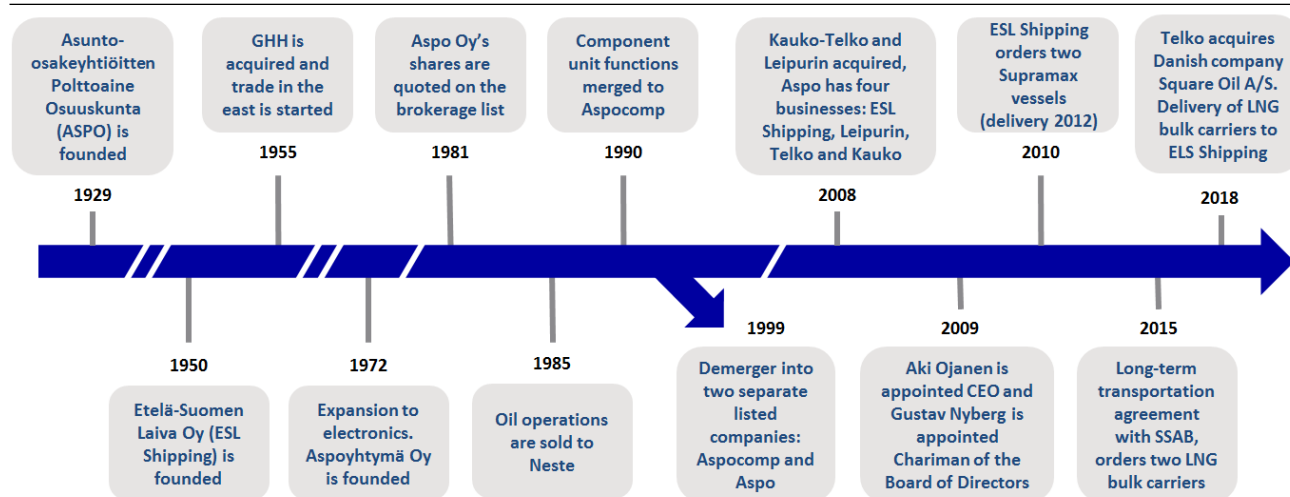


Source: Company data and Nordea

Company history

Aspo has a long history dating back to 1929, when Asunto-osakeyhtiöitten Polttoaine Osuuskunta was founded. Aspo was first listed in 1981 and another major event was in 1999, when Aspo divested its electronics business to a separate company. The current business structure was formed in 2008, when Aspo acquired the Telko, Kauko and Leipurin segments from Kesko. The shipping operations received a notable addition with the AtoB@C acquisition in the summer of 2018.

ASPO: TIMELINE



Source: Company data and Nordea

Strategy

Aspo reiterated its financial targets at its 2018 capital markets day

Aspo's current strategy period extends to 2020. It has a simple focus on owning and developing its businesses and group structure in order to create the best possible shareholder value without any predefined schedule. Aspo has set long-term financial targets that it is committed to reaching by 2020: an EBIT margin of 7%, return on equity of over 20% and gearing up to 100%.

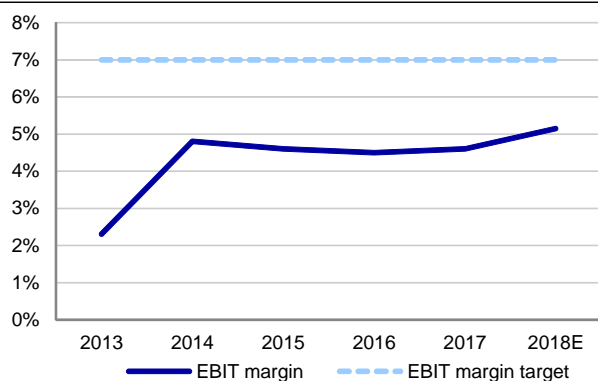
GROUP FINANCIAL TARGETS

	State as of				Target as of	Difference to 2017
	2015	2016	2017	2018E	2020	
EBIT margin	4.6%	4.5%	4.6%	5.1%	7%	-2.4pp
Return on equity	19.1%	14.6%	17.1%	17.2%	20%	-2.9pp
Gearing	101.4%	89.8%	103.9%	145.8%	100%	3.9pp

Source: Company data and Nordea estimates

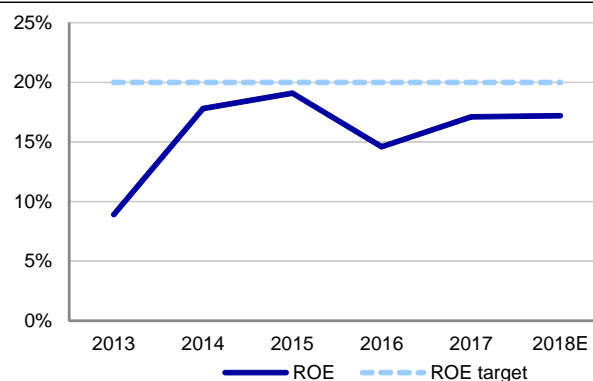
So far, the company has not met its EBIT margin and ROE targets. The EBIT margin has remained just below 5% for the past four years, while ROE has been 19% at best. We forecast a slight increase in the EBIT margin and a flat development in ROE in the near term.

EBIT MARGIN AND TARGET LEVEL



Source: Company data and Nordea estimates

RETURN ON EQUITY AND TARGET LEVEL

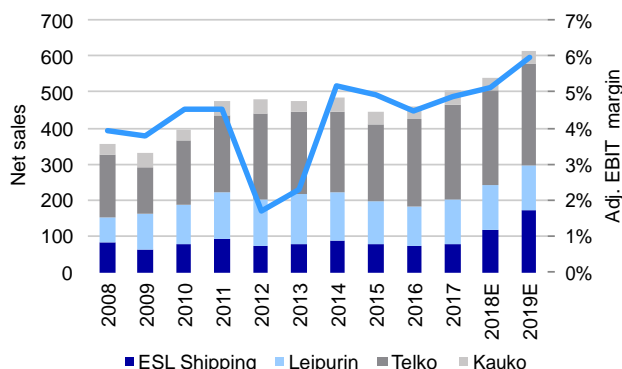


Source: Company data and Nordea estimates

Aspo does not have a group revenue growth target. Over the last six years, net sales have moved more or less sideways, but the recent investment in AtoB@C will take the top line close to EUR 600m, according to our estimates.

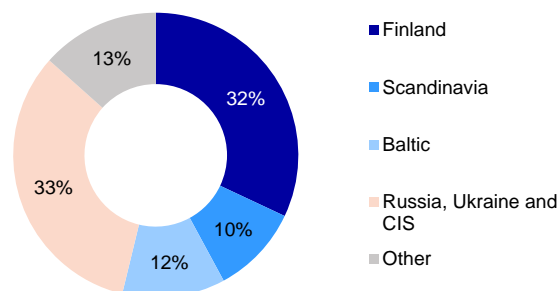
Last year, Finland was the single most important market, followed by Russia, Ukraine and other CIS countries. We forecast organic growth to be higher in Eastern European markets than in Finland, but the weakening RUB has reduced the reported EUR-denominated growth.

ASPO: NET SALES AND ADJUSTED EBIT MARGIN, EURm



Source: Company data and Nordea estimates

ASPO: NET SALES BREAKDOWN, 2017



Source: Company data



ESL Shipping

ESL Shipping: A dry bulk cargo company

ESL Shipping is, according to the company, the leading dry bulk cargo company in the Baltic Sea region. The company has a wide range of ice-strengthened and relatively shallow-draft vessels ranging from 3,000 to 56,000 deadweight tonnage (DWT). The fleet size is currently 20 units (not including AtoB@C), with a combined total deadweight tonnage of about 330,000 tonnes. ESL Shipping's main clients are the power generation, steel and chemical industries.

ESL SHIPPING'S FLEET EXPANDED WITH TWO NEW LNG VESSELS AND ATOB@C ACQUISITION

Type	Number of vessels	Build year
Ships (DWT)		
56,000	2	2012
25,000	2	2018
20,000	3	2001-2011
13,000	2	1995-1998
3,000	4	1996-1999
Ships total	13	
Pushers		
	2	1986-1987
Barges (DWT)		
14,000	4	1986-1987
9,000	1	1987
Barges total	5	
ESL Shipping fleet total	20	
AtoB@C ships (DWT), completed at the end of August 2018		
5,000	11	1989-2011
4,000	19	1992-2012
AtoB@C fleet total	30	

Source: Company data

Expanding with new vessels and an acquisition

As part of its growth strategy, ESL Shipping has taken delivery of two new 25,600 DWT vessels in 2018. Actually, we believe Aspo ordered these two vessels only because it was able to obtain a long-term delivery contract from SSAB, which needs to reduce the carbon intensity in its material flow chain. Indeed, the two newest ships are LNG-fuelled dry cargo vessels, and due to their energy efficiency, the company will receive EUR 5.9m in subsidies from the EU. In total, these two vessels cost some EUR 60m for Aspo, we note.

AtoB@C will increase Aspo's annual revenue by 16%, we calculate

In addition, at the end of June 2018, Aspo announced the acquisition of Swedish shipping company AtoB@C (the deal was completed at the end of August 2018). The acquisition provides ESL Shipping with access to 30 smaller vessels, with DWT between 4,000 and 5,000 tonnes. As part of the deal, the company received six fully owned ships, two partially (49%) owned ships and contracts for 22 rented vessels for a specific period of time (timechartered). We calculate that after the acquisition ESL Shipping has DWT of around 470,000 tonnes, some 40% higher than before. The AtoB@C acquisition will have a significant top-line effect, as we calculate that Aspo should see a 16% increase in annual revenue.

ARKADIA CLASS 56,000 DWT

Source: Company data

VIKKI CLASS 25,600 DWT

Source: Company data

EIRA CLASS 20,000 DWT

Source: Company data

PASILA CLASS 13,000 DWT

Source: Company data

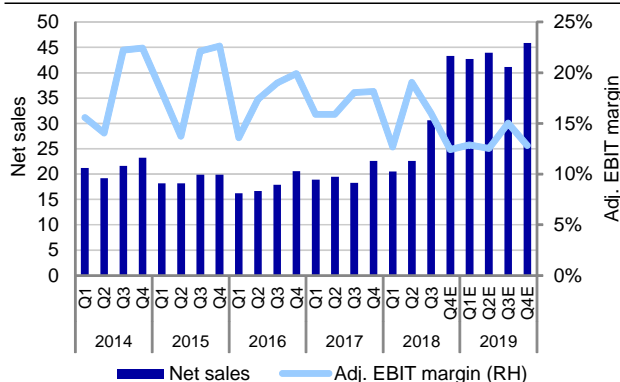
PUSHERS

Source: Company data

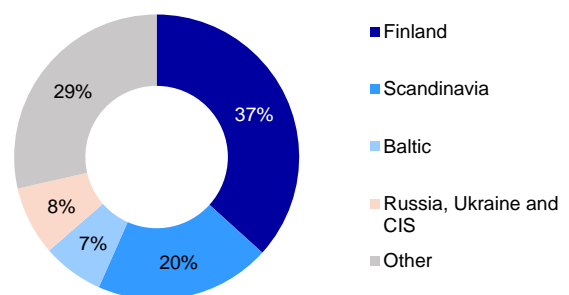
COASTER CLASS 3,000 DWT

Source: Company data

The new 25,000 DWT LNG vessels are intended to increase operational efficiency and profitability, particularly during the second half of the year, when there has typically been a shortage of capacity in the Baltic Rim area. In addition, the new vessels will reduce environmental loads through lower CO₂ emissions and are compliant with the new stricter environmental regulations, which may reduce the use of older vessels.

ESL: NET SALES AND ADJUSTED EBIT MARGIN, EURm

Source: Company data and Nordea estimates

ESL SHIPPING: NET SALES BREAKDOWN, 2017

Source: Company data

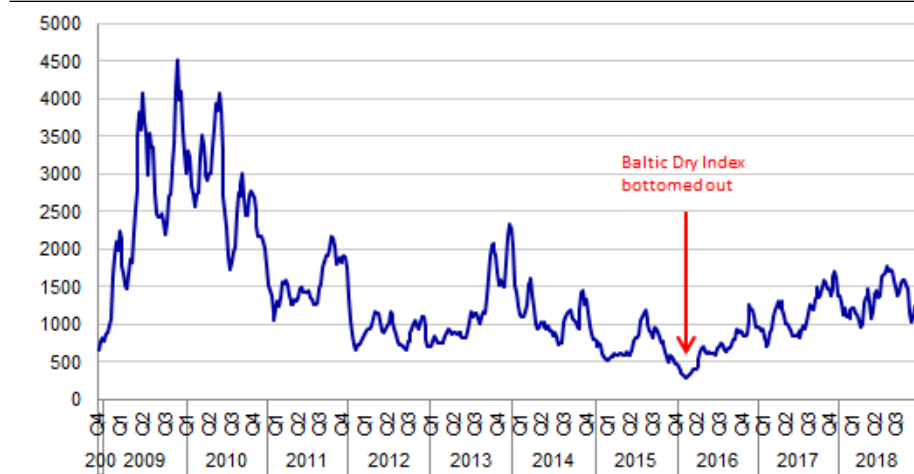
We believe the main rationale for Aspo acquiring smaller vessels from AtoB@C was the gradual decline in coal transport in the Nordic countries. Aspo has been shipping coal in the Baltic Sea region for decades, but the need for coal will, at some point, come to an end. This is one of the reasons Aspo needs to find other dry bulk material flows in its core market area.

The need for energy will remain, but in some cases can be fulfilled by woodchips or recycled fractions instead of coal, and these energy fractions need vessels smaller than 50,000 tonnes. Indeed, Aspo's Supramax ships are too big for such dry bulk biofuel shipments, we note. ESL's largest Supramax-class ships have already been facing operating profit challenges, although in 2017 they turned profitable. While the new mix is expected to increase operating profit in absolute terms, it will hamper the operating profit margin, we calculate.

ESL Shipping's margins stabilising

Although dry bulk transport prices have been subdued globally, ESL Shipping has been able to maintain good margins in a demanding market situation due to its niche market position. The company specialises in operating in harsh ice regions and unloading ships at sea.

The Baltic Dry Index, which follows the global rates for transporting basic materials such as iron ore, coal and grain, has been recovering steadily since bottoming out at the beginning of 2016. Due to this and a more diversified freight base, ESL Shipping's EBIT margin has stabilised in recent years, we argue.

BALTIC DRY INDEX, INDEX POINTS

Source: Thomson Reuters

Strategic targets for ESL Shipping were updated at the CMD

Aspo updated its targets for ESL Shipping at its CMD in November 2018. Its previous targets, with the old company structure, were to reach an operating profit margin of 20-24% by 2020 (the EBIT margin was 17% in 2017). The new targets, which take into account the acquisition of AtoB@C, are net sales of EUR 200m and an operating profit margin of 12-15%.

Combining the old ESL Shipping (with EUR 80m in revenue and a 17% EBIT margin) and AtoB@C (with EUR 80m in revenue and a 4% EBIT margin), we get a shipping company with EUR 160m in revenue and an 11% EBIT margin. So, the new targets imply a margin improvement of 1-4 pp, which we find realistic. However, the target of EUR 200m in revenue by 2020 implicitly expects 7.7% average annual revenue growth, we calculate. This could prove somewhat challenging.

ESL Shipping is aiming to reach its targets through increased transportation volumes as a result of the ongoing transition from coal to biofuels (coal has approximately seven times higher energy density than woodchips). In addition, the company indicated top-line and cost synergies at the CMD but did not specify any range for these.

**Telko: A distributor of plastics, chemicals and lubricants**

Telko's expertise is in the fields of plastics and industrial chemicals. Its operations can be divided into distribution and services. In more detail, Telko distributes plastic granulates, chemicals and lubricants, and offers a full range of raw materials required in the production and manufacturing of top-quality products, such as ice removal products for airplanes. In addition, Telko offers its expertise in services by providing innovative solutions for manufacturing processes in different fields of industry.

Telko acts as an intermediary; it sources materials from plastics and chemicals producers and distributes these materials to over 7,000 SME clients. Telko's main competitive edge relates to its distribution channel and the high entry barriers to the industry, as part of the business requires a licence to operate. The traditional distribution channel is enhanced by innovative solutions offered to clients, which strengthens customer relations and enables higher margins for Telko.

Telko might need more diverse revenue sources

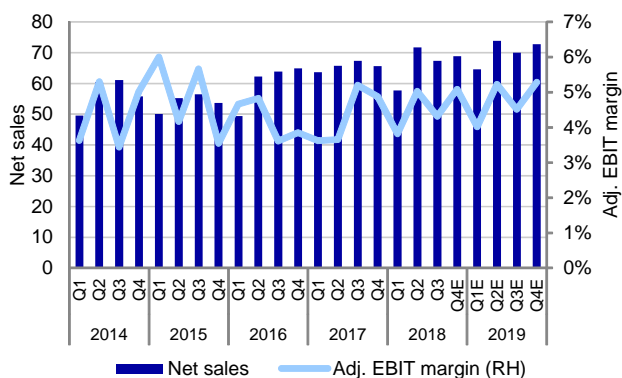
Telko has subsidiaries in Finland, the Baltic countries, Scandinavia, Poland, Russia, Belarus, Ukraine, Kazakhstan, Azerbaijan and China. Currently, it is benefiting from the growing Russian economy, where the prices of technical plastics in particular have been increasing, as availability has been subdued due to sanctions.

Telko's revenue from Russia, Ukraine and other CIS countries is ~50% of its total

Telko's revenue from Russia, Ukraine and other CIS countries is ~50% of its total, so we believe a somewhat broader geographical view might benefit the company. We see increasing risks in Russia owing to potential new sanctions after the US elections in November. Actually, Telko has already decided to expand its operations to Romania, one of the fastest-growing economies in the EU, as one of its major customers moved part of its production there. Romania has low cost levels, making it an attractive target for foreign investment.

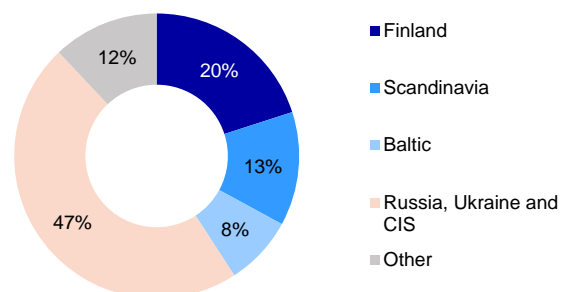
In addition, Telko has acquired the business of Danish company Square Oil, which will support its offering in lubricants (mainly BP Castrol). The addition of Square Oil will not have a major impact on Telko's results in 2018, as it has net sales of only around EUR 3m. The acquisition could generate a small amount of synergies, as Telko has a similar long-standing cooperation in industrial lubricants with BP Castrol in Finland, Sweden and Norway. Furthermore, Aspo announced at the end of November 2018 that it will acquire the whole business of H H plastkombi in Denmark. The transaction is estimated to close at the beginning of 2019. The company distributes engineering plastics, master batches and BOY injection machines in Denmark. H H plastkombi's net sales are around EUR 3m.

TELKO: NET SALES AND ADJUSTED EBIT MARGIN, EURm



Source: Company data

TELKO: NET SALES BREAKDOWN, 2017



Source: Company data

Strategic targets for Telko were unchanged at the CMD

Aspo reiterated Telko's targets at the CMD. We were actually waiting for some news concerning a divestment of Telko, but it actually seems that Aspo will remain an active owner of Telko. Indeed, Telko aims to expand its businesses into new markets to accelerate growth and to improve its profitability through many ongoing development projects concerning acquisitions, pricing and logistics. As a consequence, it targets a net sales level of EUR 300-350m (EUR 262m in 2017) with an EBIT margin of 6-7% (4.1% in 2017) by 2020.

If Telko were to achieve EUR 300m in net sales in 2020 with a 6% operating profit margin, its valuation could be EUR 180m, applying an EV/EBIT multiple of 10x, we calculate. However, we do not expect Telko to reach a 6% EBIT margin in the near term.



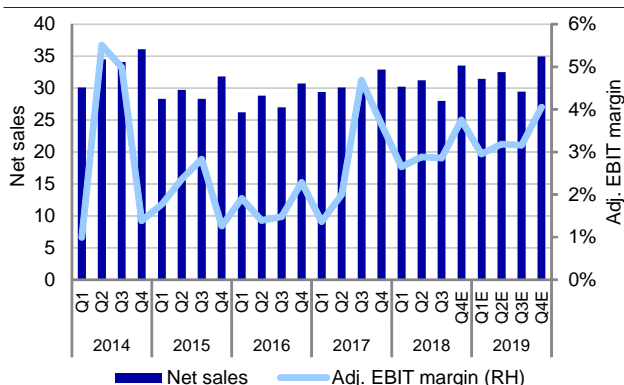
Leipurin: Supplies raw materials and machines to bakeries

Leipurin provides solutions for bakery and confectionery products, the food industry and the out-of-home (OOH) market. Its solutions vary from product development, recipes, raw materials, training and equipment all the way to the design of sales outlets. The company acts as an intermediary between international manufacturers and end-users. Leipurin also designs, delivers and maintains production lines for the baking industry, baking units and other machinery and equipment required in the food industry.

Leipurin operates in Finland, Russia, the Baltic countries, Poland, Ukraine, Kazakhstan and Belarus. Machine deliveries account for about 20% of revenue and raw materials for about 80%, we estimate. It does not sell finished products (such as bread) or produce its own ingredients. The highest margins are achieved for speciality products, and although basic flour deliveries make up the bulk of sales, they are not very profitable. The segment's growth story seems to stem from the Eastern European markets, where quality standards and appetite for western types of bread are increasing. Leipurin currently foresees about 20% annual growth in the region. The size

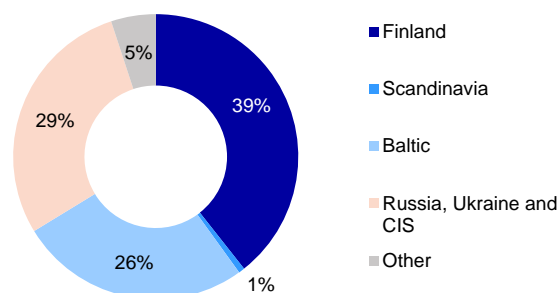
of Russia's baking raw material market is about EUR 800m and its equipment market roughly EUR 500m, we believe. Overall, there are around 280 large baking companies in Russia and hypermarkets have also started up in-house baking facilities.

LEIPURIN: NET SALES AND ADJUSTED EBIT MARGIN, EURm



Source: Company data and Nordea estimates

LEIPURIN: NET SALES BREAK-DOWN, 2017



Source: Company data

The Ukraine crisis affected Leipurin and depressed the operating profit margin during 2015-16. The development turned positive again in 2017, although we do not expect the segment to reach a 4% operating profit margin in 2018-19. As the first attempt to list Leipurin was unsuccessful, we do not expect Aspo to try this again. However, Leipurin could still be sold to a private equity or industrial owner, we note.

Strategic targets for Leipurin were introduced at the CMD

At the 2018 CMD, Aspo introduced new targets for Leipurin. The company is aiming to reach EUR 7m in EBIT with a 5% EBIT margin in 2022, indicating a net sales target of EUR 140m (EUR 122m in 2017). Net sales of EUR 140m in 2022 should be reachable with a ~3% CAGR during 2017-22E, we calculate. Leipurin aims to improve its profitability through internal actions and by divesting loss-making businesses. In addition, it aims to evaluate the role of its own machinery manufacturing. Indeed, we note that the machinery business is project-based and thus the company having its own manufacturing may result in inefficient capital usage.

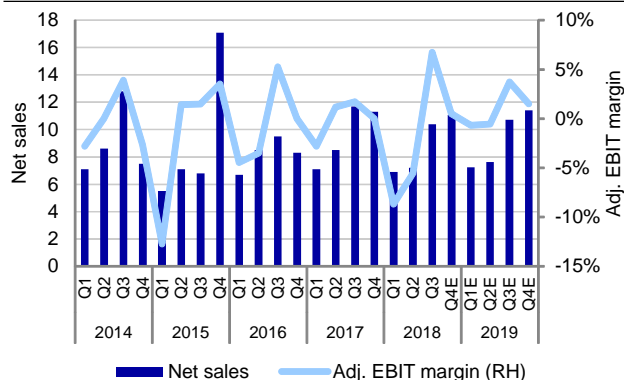


Kauko: Supporting critical activities in society

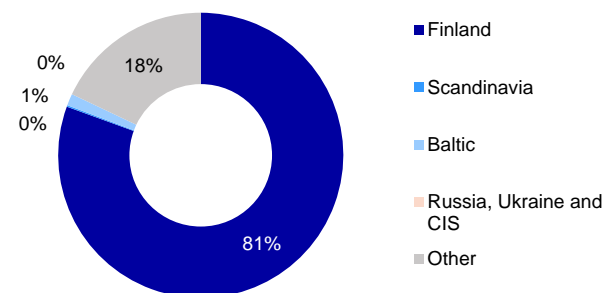
Kauko was acquired from Kesko in 2008 together with Telko. Over the years, the company has sold a wide variety of devices, such as energy-saving lamps, heat pumps and laptop computers. Since divesting its Industrial business unit in 2015, Kauko has been concentrating on mobile knowledge work.

Today, Kauko is involved in digitalising the work of public authorities and improving efficiency in sectors important to society. Kauko focuses on mobile IT work solutions that aim to reduce customers' environmental load.

Aspo has had problems finding the right operating model and product portfolio for Kauko. In recent years, the strategy has been changed several times. Furthermore, the company has seen several managers and periods of restructuring of operations, but its profitability is not at a satisfactory level yet, in our view. Interestingly, Aspo did not include Kauko on its list of actively owned businesses at the CMD, which could be interpreted as an early sign that it is up for divestment, we note.

KAUKO: NET SALES AND ADJUSTED EBIT MARGIN, EURm

Source: Company data and Nordea estimates

KAUKO: NET SALES BREAKDOWN, 2017

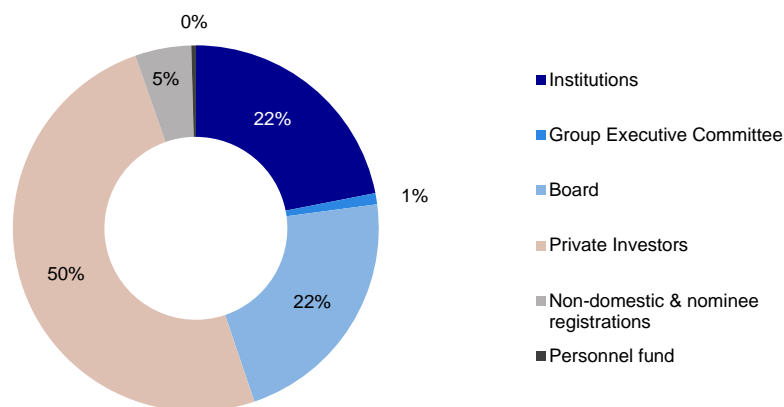
Source: Company data

Shares and shareholders

The number of outstanding shares is 31 million and we calculate the free float to be 88% of the total. The average daily trading volume during 2017-18 has been 0.86 million, which is 2.8% of the shares outstanding.

Aspo has one share series and it has a dividend policy to annually increase the amount of dividends.

The ten largest shareholders hold ~40% of the shares, and the board has a noticeably high share of ownership (22%) in the company through direct and indirect arraignments. The largest owner, Havsudden Oy AB, has a strategy to maintain its ownership in Aspo above 10% in the long term. Havsudden is a Nyberg family-owned investment company. Gustav Nyberg is the previous CEO and current chairman of the board of Aspo. Another board member-related investment company among the major shareholders is Procurator Holding Oy, a Pöyry family-owned investment company.

DISTRIBUTION OF OWNERSHIP AS OF 30 JUNE 2018

Source: Company data

There is a need to increase foreign ownership, we argue

Aspo is mainly a domestic owned company; at the end of 2017, only 0.3% of the shares were held by foreign entities, and non-domestic and nominee-registered shares accounted for only ~5% of the total number of shares at the end of June 2018.

LARGEST SHAREHOLDERS AS OF 30 SEPTEMBER 2018

Shareholders	Share (%)	Shareholders	Share (%)
Havsudden Oy Ab	10.00	Laakkonen Mikko Kalervo	0.95
Vehmas Tatu Antti Aleksi	7.34	Ingman Finance Oy Ab	0.80
Varma Mutual Pension Insurance Company	4.58	Estlander Peter	0.76
Vehmas Tapio	4.38	Aminoff Maria	0.76
Ilmarinen Mutual Pension Insurance Company	3.18	Private Entrepreneur Foundation	0.69
Robinson Joanna	2.40	Timgren Veronica	0.68
Nyberg Gustav	2.33	Rysti Eva Ann-Marie	0.64
Nordea Nordic Small Cap Fund	2.29	Arteva Heidi	0.59
Mandatum Life Unit-Linked	1.64	OP Life Assurance Company Ltd	0.57
Procurator-Holding Oy	1.50	Aspo Oyj:n Henkilöstörahasto Hr	0.56
Madremar Ab	1.41	Lehtinen Lassi Olavi	0.55
Nordea Bank Ab (Publ), Suomen Sivuliike	1.33	Salo Risto Severi	0.53
Ac Invest Oy	1.13	Arteva Henri Emil	0.51
Svenska Folkskolans Vänner Rf	1.08	Päivikki and Sakari Sohlberg Foundation	0.51
Skandinaviska Enskilda Banken AB	1.04	Others	44.32
Aspo Oyj	0.97	Sum	100.00

Source: Company data

Detailed estimates

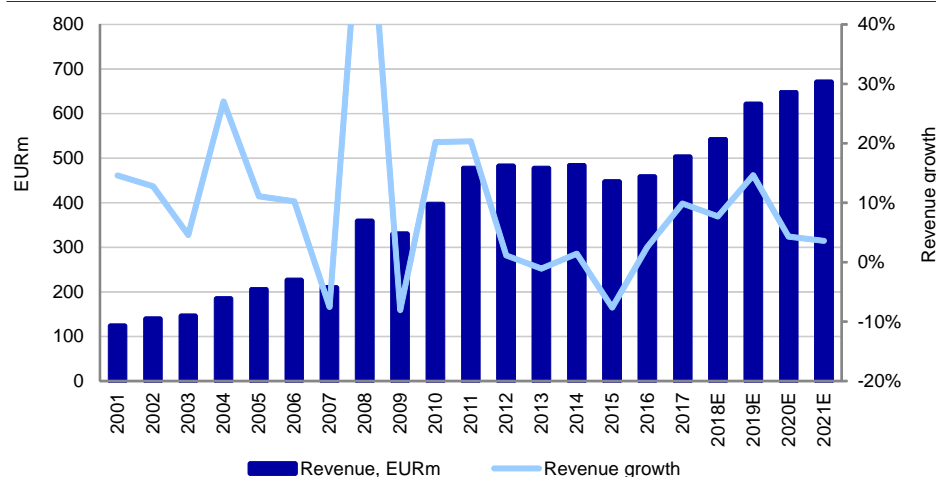
Over the last 18 years, Aspo's EPS has more or less plateaued at around EUR 0.50, but we believe the trend is about to change. We forecast substantial EPS growth of 30% for next year and expect 2019 revenue growth to trump the performance of the last seven years. The company's operating profit margin is not under pressure and we therefore assume that the increasing top line should bolster earnings per share. Even though AtoB@C does not have the same profitability as ESL Shipping, we calculate that it would still have a positive effect on annual earnings. Total interest expenses wipe some 14% off 2019E EBIT, but Sweden and Finland have the same tonnage taxation. As a result, we argue that the group's tax rate should stay close to 10% in the future. We forecast the cash flow from operations to be EUR 33m next year, from which dividends will take EUR 14m and investments EUR 13m, leaving EUR 6m for debt reduction. This also means that it will likely take several years to achieve net gearing of under 100%, we believe.

Our revenue growth forecast is 14% for 2019

Aspo has not issued guidance or set a target for net sales growth because net sales can vary dramatically depending on currencies and raw material prices, such as plastic prices. Furthermore, acquisitions and divestments on a group level have a material effect on the top line, and this is why we argue that it would be pointless for the company to announce a fixed EUR-denominated target for a three- to five-year period.

Our forecast for this year's revenue growth is 8%, but we expect this to surge to 15% next year, which would be the best performance in seven years. One of the main reasons we expect such growth is AtoB@C's integration into the group.

NET SALES AND SALES GROWTH



Source: Company data and Nordea estimates

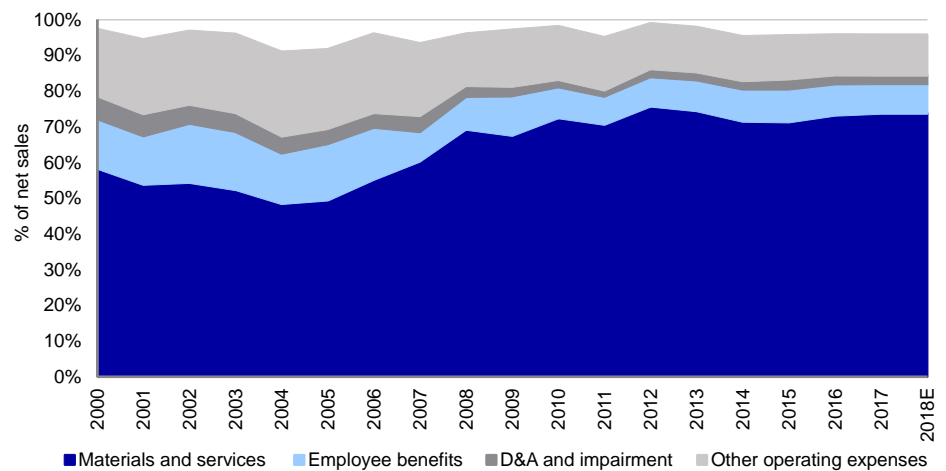
Cost awareness is at a decent level

Most of the costs come from the business operations and the group's overheads are relatively small, coming in at only a few million euros a year. We also believe that the administration's cost discipline is very good.

Materials and services accounted for 70% of all costs in the group in 2017. The Telko segment sells plastic raw materials and industrial chemicals but does not have its own petrochemical plants. This means that most of the costs and revenue come from purchases and sales of granulates. The biggest cost items in ESL Shipping, excluding financing, are fuel and maintenance.

Personnel costs do not make up a very material part of Telko's or ESL Shipping's costs. For example, a handysize dry-bulk vessel can be operated by fewer than 20 people. Overall, we forecast personnel costs of EUR 45m for 2018.

COST BREAKDOWN



Source: Company data and Nordea estimates

LNG OFFERS 30% FUEL SAVING



Source: Nordea

ESL Shipping has 20 vessels and this is the reason why marine fuel oil is the segment's biggest cost item. The annual marine fuel need is some 29,000 tonnes, costing around EUR 20m per year. New, modern LNG ships could help to reduce the unit's shipping costs, but LNG engines are also more expensive to build.

We forecast that the LNG engines for new handysize vessels cost some EUR 5m more than ordinary engines but also offer a 25-30% reduction in fuel costs. This also means that the payback time for one LNG engine investment is less than three years, according to our calculations.

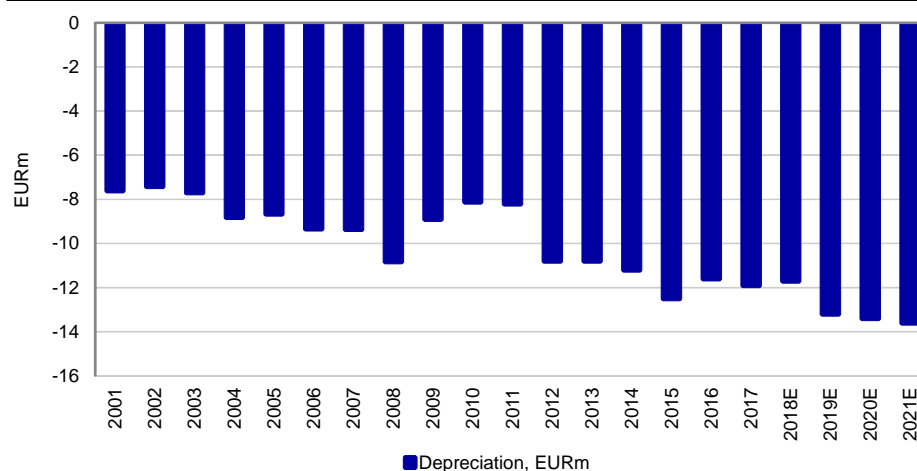
That said, we argue that it does not make sense for Aspo to order more LNG ships at a time when there is overcapacity in the shipping markets. This would mean that fuel saving was not the reason for Aspo ordering two LNG vessels. It did so to service its long-term contract with SSAB for shipments in the Baltic Sea. We believe that SSAB was keen to lower the CO₂ emissions across its total value chain, and LNG ships' 50% CO₂ reduction compared with older vessels made a sizeable contribution to its target.

Depreciation is 2.3% of sales

Based on the current group structure, depreciation has been a steady 2-3% of revenues, in line with annual investments. We expect the company to maintain this even with the AtoB@C acquisition and we therefore calculate that depreciation will amount to about EUR 13m next year.

The company does not have regular amortisation or depreciation of intangibles. Today, the balance sheet includes some EUR 56m in goodwill and other intangibles. Based on our current growth and profitability estimates, we do not expect impairment tests to lead to a writedown. A possible total writedown of intangibles would drop equity from EUR 117m to EUR 61m, leading to a P/BV of over 4x in 2018E.

ANNUAL DEPRECIATION, EURm



Source: Company data and Nordea estimates

Group EBIT margin target is 7%

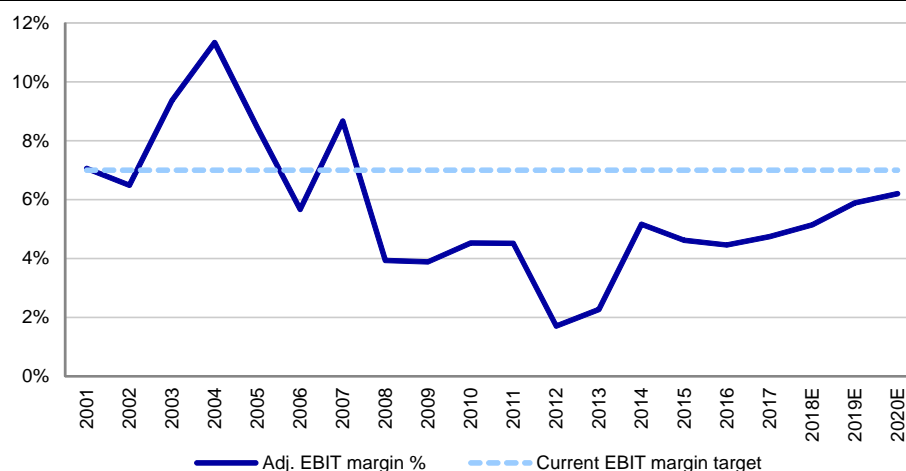
Ten years ago, Aspo divested its Autotank business and acquired Leipurin and Kauko. The impact of this was also visible in the group's operating profit margin, as shown in the next graph. The recent AtoB@C acquisition lowered the ESL Shipping segment's EBIT margin, but Aspo still kept its group level target of 7% unchanged in November 2018.

Alongside its CMD, Aspo reaffirmed its EBIT margin target of 7% by 2020

Previously, ESL Shipping had an EBIT margin target of 20-24%, but taking into account the lower profitability in Sweden, the segment now has a new target of 12-15%. The operating margin target for the Telko segment remains at 6-7%. We consider this target for Telko realistic but not easily achievable. Telko is a raw material distributor, which is why we argue it is difficult to expect a margin of close to 10%. In some cases Telko's customers have the possibility of purchasing the same material directly from the chemical companies, without a facilitator in the middle of the trade.

We calculate that the company's long-term average EBIT margin has been 5.6%. For this year, our operating profit margin forecast is 5.1%. For next year, we expect the EBIT margin to be 6.0%.

GROUP-LEVEL CLEAN OPERATING PROFIT MARGIN



Source: Company data and Nordea estimates

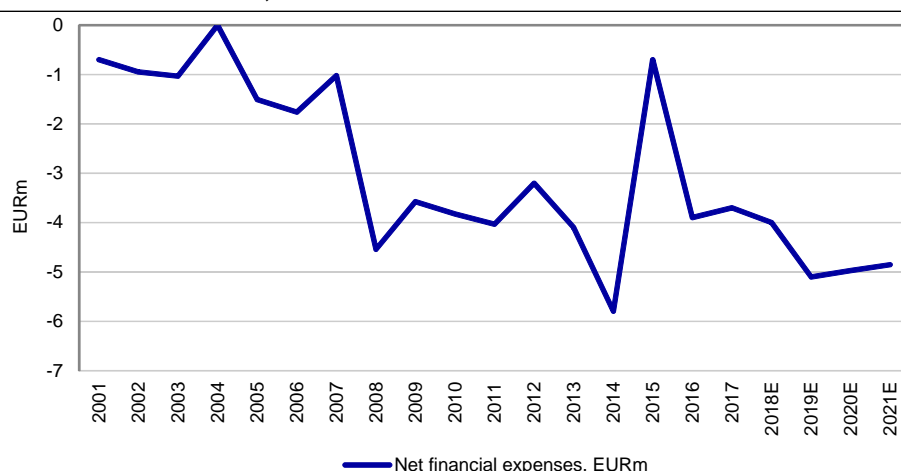
Financial expenses are 14% of EBIT

Ordinary financial expenses have been around EUR 3m per year. We also include EUR 0.9m in interest expense from the hybrid loan in the total financial costs to get comparable EPS for our valuation purposes.

The recent acquisition will increase interest expenses by around EUR 1m and so we forecast total expenses to be almost EUR 5m going forward, as shown in the graph below. This would mean that interest expenses account for 14% of annual operating profit in 2019, we estimate.

The average interest rate is relatively low, at 1.6%. If the interest rate doubles to 3.2%, we calculate that this would take annual expenses to EUR 9.3m. Extraordinarily low financial expenses in 2015 were a result of the EUR 4.9m sales gain from the Ålandia shares.

NET FINANCIAL EXPENSES, EURm



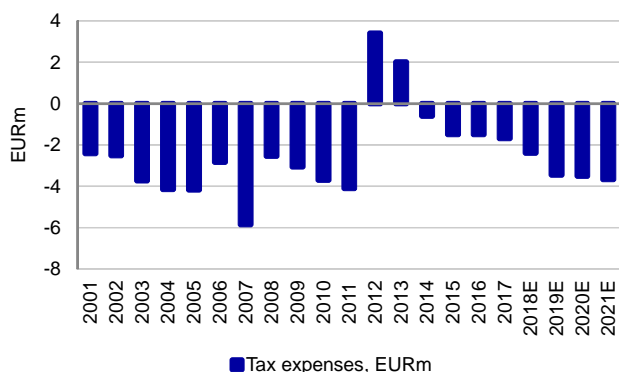
Source: Company data and Nordea estimates

Tax rate has been low due to tonnage taxation

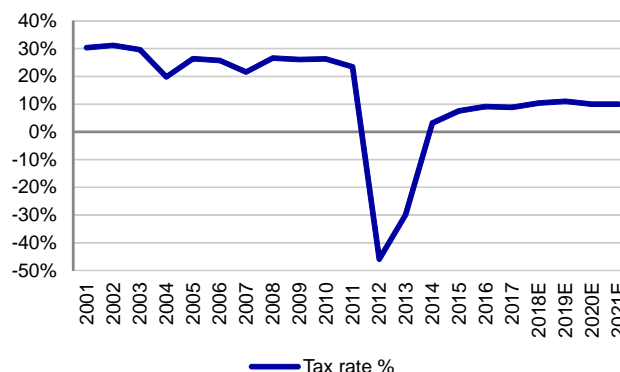
Aspo benefited from the new tax legislation that Finland ratified in 2012. According to the Tonnage Tax Act, Finnish shipping companies do not pay ordinary income tax. For a ship with net tonnage of 20,000 tonnes, for example, a daily taxable income is only EUR 122 for a ship. For one ship, the yearly taxable income would then be EUR 44,530 subject to the 20% corporate income tax rate. The total tonnage tax payable for that 20,000-tonne ship would be EUR 8.906 per year irrespective of its actual profits. The objective of this very favourable tonnage tax is to strengthen the operating conditions of shipping. It allows Finnish vessels to compete on the global market, safeguarding Finnish shipping and the security of supply. Sweden introduced a similar tonnage taxation system in 2017.

We forecast a group tax rate of about 10% going forward, corresponding to EUR 3-4m in annual tax expenses. Looking at the graph to the left below, we note that the unusual tax gain in 2012-13 was related to a legislative change that allowed tax benefits to be accumulated on a pro forma basis. This led to positive results for tax expenses during these years.

Tax percentage changed permanently in 2012

ANNUAL TAX EXPENSE, EURm

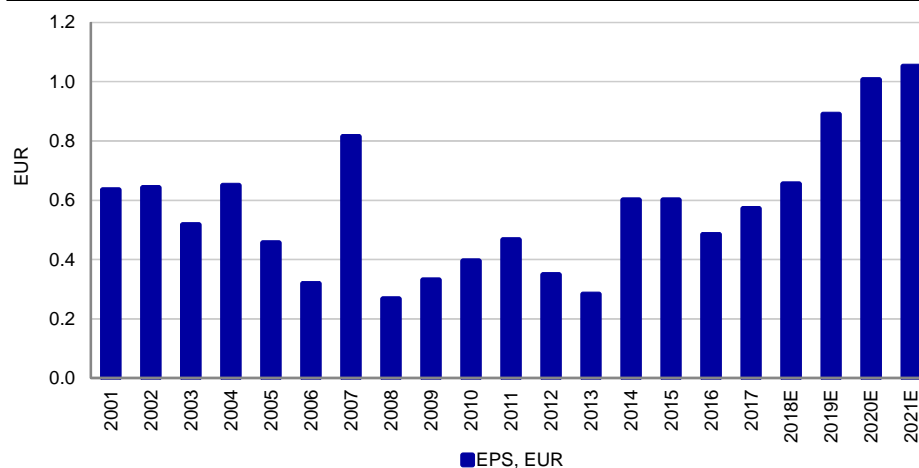
Source: Company data and Nordea estimates

GROUP-LEVEL TAX RATE FORECAST

Source: Company data and Nordea estimates

EPS growth could surge to 30% next year

In the last 18 years, the average annual earnings per share landed at EUR 0.46. Last year's EPS was even lower than in 2014-15. However, we believe that the trend is about to change. We forecast substantial EPS growth for 2018-20 and our estimates do not even include the 5%-plus EBIT margin assumption for Telko. Our EPS forecast for 2018 is EUR 0.65 and EUR 0.89 for 2019E.

ANNUAL EPS FORECAST

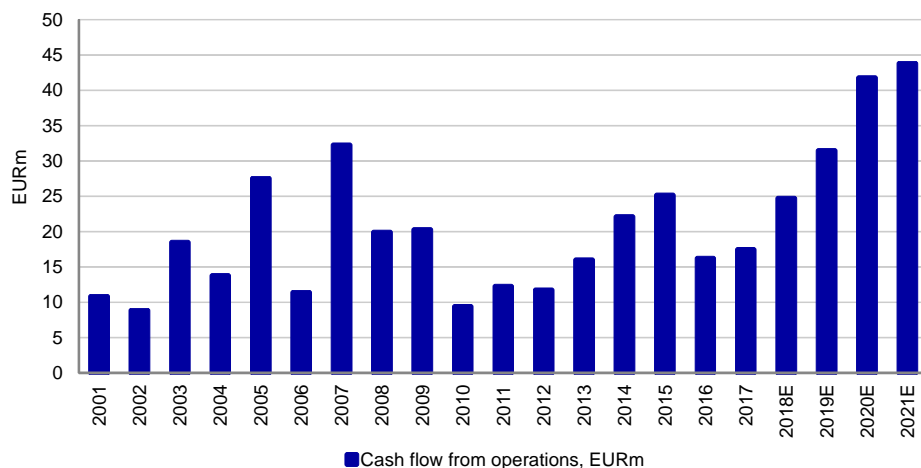
Source: Company data and Nordea estimates

We forecast record-high EPS for next year

We forecast EUR 25-31m in annual cash flow from operations in 2018-19

Average annual cash flow from operations has been EUR 19m for the past five years, but we expect this to improve. We expect to see around EUR 25-31m in cash flow from business operations in 2018-19. Ordinary investments represent EUR 12m of this, leaving EUR 19m in annual free cash flow in 2019E.

We expect annual dividend payments of EUR 14m. This leaves the company with EUR 5m per year for debt reduction or additional growth investments.

FREE CASH FLOW FROM OPERATIONS

Source: Company data and Nordea estimates

Ordinary investments account for almost 3% of revenue

For this year, we estimate that investments will amount to 10% of net sales whereas the corresponding median figure for the last 15 years has been 3%.

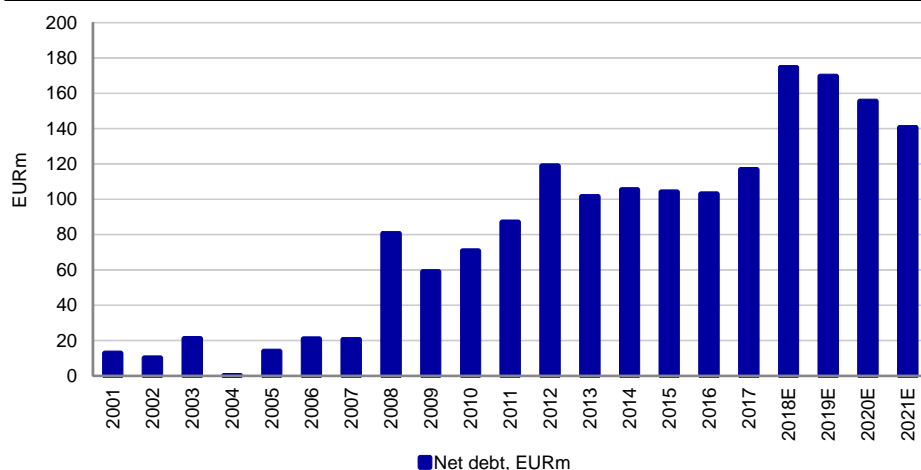
We believe that Aspo is very selective about its investments and does not overinvest in the business operations. However, the company is willing to spend a significant amount of money for investments when it identifies value-accretive options.

We expect ordinary investments to amount to roughly EUR 13m going forward. In the last 16 years, cumulative investments have been EUR 275m, the cumulative net result has been EUR 216m and paid dividends EUR 178m. At the same time, net debt has risen from EUR 21m to around EUR 174m in 2018E.

Debt handling capability will be around EUR 15m in 2020E

For quite some time, Aspo was reluctant to incur interest-bearing debt but this policy changed in 2008. The company started to run up high gearing for its businesses to exploit the plummeting interest rates and the value-accretive opportunities on the market. In the same time, Aki Ojanen took up the helm as CEO and Gustav Nyberg became the chairman of the board.

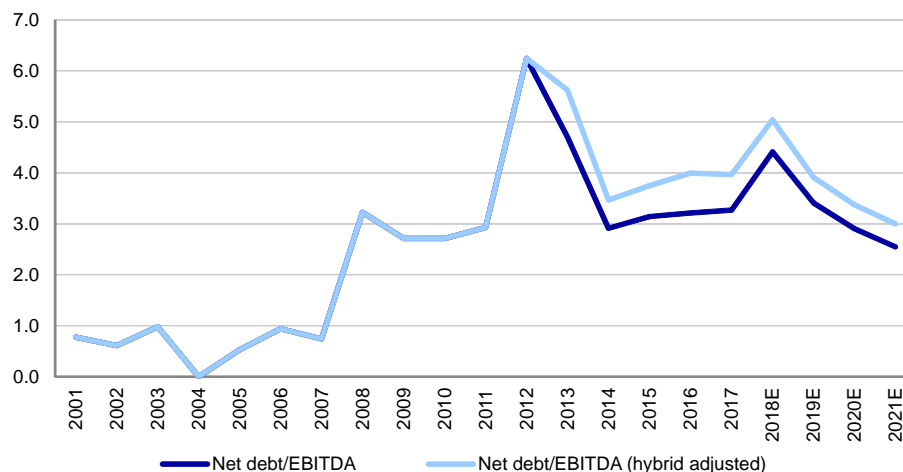
We believe that net debt will reach a record high of roughly EUR 175m. We consider debt and the increased uncertainty in Russia as the main risks for the company in the near future. However, we estimate that the company's annual debt handling capability will reach EUR 15m by 2020.

ASPO'S NET DEBT TREND

Source: Company data and Nordea estimates

Adjusted net debt/EBITDA was 4x in 2016-17, which is high compared with all other Finnish-listed companies. The two reasons for the current debt situation are the unsuccessful divestment of Leipuri and the sizeable investments in ESL Shipping. We estimate that net debt/EBITDA will fall below 3x by 2021 but a lot depends on the potential actions the company takes to address its tight balance sheet issues.

ASPO'S NET DEBT/EBITDA



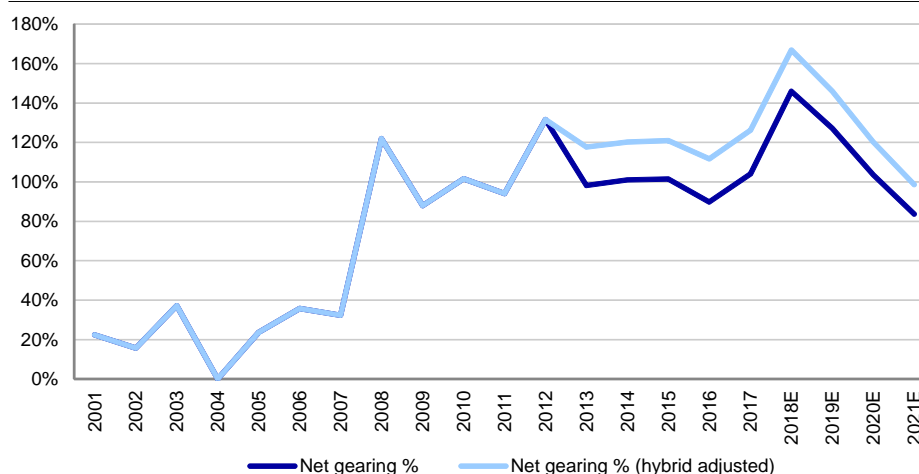
Source: Company data and Nordea estimates

Aspo reaffirmed its net gearing target of 100% at its CMD

The company explained that it can bear higher gearing than the average for listed Finnish companies because Aspo is a conglomerate. The company expects its four different businesses to balance the overall market risks, so that the combined debt handling capability remains in place under all circumstances. We believe gearing is high because the main owner wants to maximise return on equity. In the last 18 years, the average return on equity has been 15%. Our ROI forecast is 17% for this year and 21% for 2019.

In September 2018, net gearing – including the EUR 25m hybrid debt – was 177%. There is even a possibility that the IFRS 16 accounting standard will increase the amount of debt in the balance sheet by several million euros in January 2019, we find. However, in our view, the company should be able to achieve a cash flow of EUR 15m after dividend payments in the coming years, which should take gearing down to 100% by 2020 at the latest. As a result, we argue that gearing is high but that Aspo should be able to cope with this.

NET GEARING



Source: Company data and Nordea estimates

Gearing is high, but we expect that Aspo should be able to cope with this

Valuation

As a holding company, the key for Aspo in creating value for shareholders is the right capital allocation. We argue that Aspo has been successful in this regard. We calculate that based on its new financial targets, Aspo aims to reach EUR 694m in group net sales by 2020, indicating 6.2% average annual revenue growth. Our revenue growth forecast is lower than this, leaving room for positive surprises. However, we suspect that it might be hard for the company to reach the operating margin target of 7% in the near future. That said, Aspo has impressive cost control and we do not expect it to encounter problems with its profits, even if the economic outlook weakens in Russia. We suggest that the company could improve its group margins by divesting the Kauko segment. Our DCF-based fair value for the current group structure is EUR 9.3-11.4 per share. Based on a 2018E P/E of 13.7-16.8x, we believe the share price should be around EUR 9.4-11.5. Aspo is still a relatively small company and its liquidity is low, which might lead to slightly lower valuation multiples than the stock market average.

We forecast in line with consensus estimates for 2019

Consensus versus our estimates

A possible weakening of the RUB and political uncertainty might affect net sales in Q4 2018, but growth reaped from the AtoB@C acquisition could prove a positive surprise. Our operating profit forecast for Q4 2018 is almost in line with Thomson Reuters consensus but we expect EPS to be 3% lower than consensus as we account for increased interest expenses after the acquisition.

We highlight some uncertainty in our estimates for 2019-20 owing to the contribution of two new LNG vessels, the AtoB@C acquisition and the overall economic environment in Russia.

OUR ESTIMATES VERSUS CONSENSUS

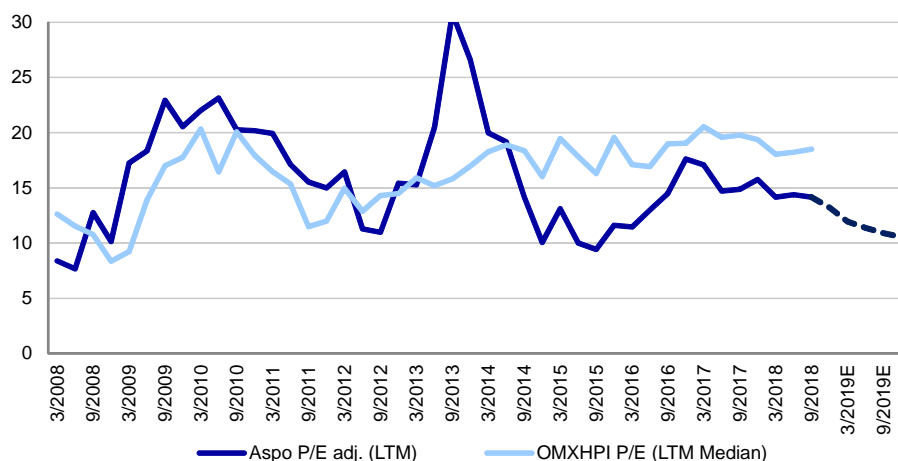
EURm	Nordea estimates				Consensus estimates				Difference %			
	Q4 2018E	2018E	2019E	2020E	Q4 2018E	2018E	2019E	2020E	Q4 2018E	2018E	2019E	2020E
Sales	157	541	620	647	160	541	624	653	-2%	0%	-1%	-1%
Adj. EBIT	8.9	27.8	36.5	40.1	9.0	27.0	36.5	40.0	-1%	3%	0%	0%
Adj. EBIT margin	5.7%	5.1%	5.9%	6.2%	5.6%	5.0%	5.8%	6.1%	0.1pp	0.1pp	0.0pp	0.1pp
Adj. EPS	0.23	0.68	0.89	1.01	0.24	0.67	0.88	0.98	-3%	3%	1%	3%

Source: Thomson Reuters and Nordea estimates

The company's P/E is lower than the OMX Helsinki median

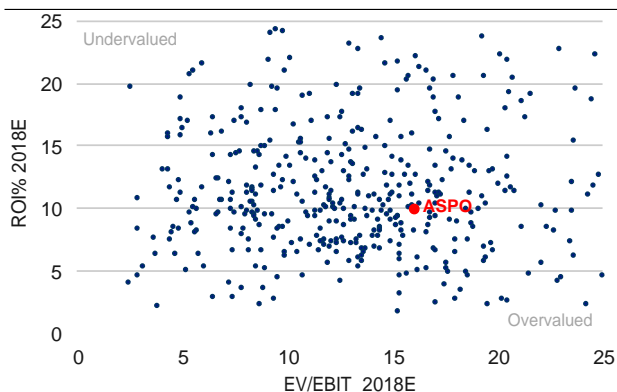
Aspo does not look expensive when looking at its P/E multiples. Based on our estimates, it is trading at a 2018E P/E of 13.7x and only a 10.5x for 2019E. However, the difference between Aspo's P/E and that of the stock market median is higher than is the case for EV/EBITDA because of the tonnage taxation. We note that a favourable taxation regime for the ESL Shipping business supports group EPS.

If the company's 2018E P/E were the same as the stock market's average, the share price would then be EUR 12.0, we calculate.

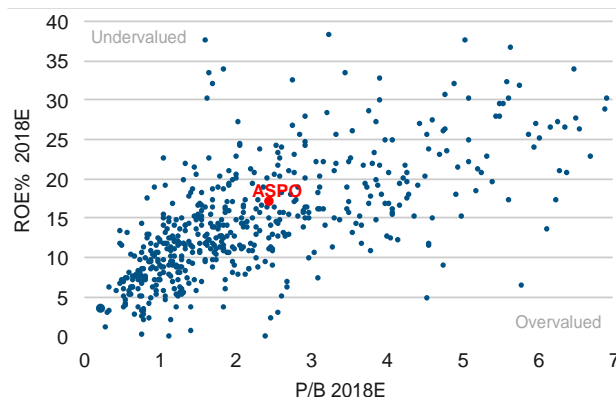
ASPO'S P/E

Source: Thomson Reuters and Nordea estimates

Aspo has several different business operations and this is why we argue that the company can be compared with the overall stock market. In the two graphs below, we use all of the EuroStoxx600 companies and made a regression analysis using the return on invested capital versus EV/EBIT and the return on equity versus P/BV multiples. From this analysis, we see that Aspo is slightly overvalued in EV/EBIT metrics but in line with the market on P/BV.

EUROSTOX600 EV/EBIT AND ROI% REGRESSION ANALYSIS

Source: Thomson Reuters and Nordea estimates

EUROSTOX600 P/BV AND ROE% REGRESSION ANALYSIS

Source: Thomson Reuters and Nordea estimates

Sum-of-the-parts analysis supports EUR 8.3-11.3 share price

In our sum-of-the-parts analysis for Aspo, we split the enterprise value among the existing businesses. We arrive at our EV/EBIT multiples for the different business lines through relevant peer group analyses. We show the 2019E EV/EBIT ranges and our 2019 EBIT estimates below. After calculating the value of Aspo's own operations, we add other sellable securities and deduct the net cash position as of the end of Q3 2018. Our SOTP analysis indicates a value range of EUR 8.3-11.3 per share for Aspo.

SUM-OF-THE-PARTS VALUATION FOR ASPO, EURm and x

Business	EV, low	EV/share, low	EV, high	EV/share, high	% of EV	EBIT '19E	EV/EBIT '19
ESL-Shipping	254	8.1	305	9.7	58-57%	23.1	11-13.2
Telko	151	4.8	181	5.8	34%	13.4	11.2-13.5
Leipurin	65	2.1	78	2.5	15-14%	4.3	15-18.1
Kauko	4	0.1	5	0.2	1%	0.5	9-11
Group eliminations and other	-34	-1.1	-34	-1.1	(8-6%)	-5.0	7
EV from operations	441	14.0	536	17.0			
Other sellable securities (as end of Q3 2018)	1	0.0	1	0.0			
Total EV	442	14.1	537	17.1			
Net cash (as end of Q3 2018)	-181	-5.8	-181	-5.8			
Equity value	261	8.3	356	11.3			
Current market value (as of 6.12.2018)		9.32		9.32			

Source: Company data and Nordea estimates

DCF valuation range is EUR 9.3-11.4

One of the most common ways to value the attractiveness of an investment opportunity is the discounted cash flow (DCF) method. A DCF model discounts all available cash flows for equity, bond and non-equity holders at the weighted average cost of capital (WACC). In other words, WACC represents a blended cost of capital for all invested capital in the company. In fundamental terms, a DCF framework is built on three parts: 1) discounting the company's free cash flow at WACC; 2) identifying the value of debt and other non-equity claims on the enterprise value; and 3) deducting all claims to determine the value of the common equity.

The fair value per share is then simply calculated by dividing the equity value by the number of outstanding shares. A DCF valuation is commonly considered among academics and practitioners to be the best way to capture the underlying fundamental drivers of a company such as cost of capital, growth rates, reinvestment rates, etc. If applied correctly, it represents the best way to approximate the true intrinsic value of a company. The main appeal of a DCF framework compared with other valuation methodologies is that it also focuses on streams of cash rather than accounting earnings. Its main disadvantage is its relative sensitivity to changes in input values.

Annual cash flow from Aspo's operations has been some EUR 30m in the past, but we expect this to improve. We expect to see more than EUR 40m in cash flow from business operations after 2018, from which investments would subtract about EUR 13m, leaving about EUR 30m in annual free cash flow in 2019-20.

Based on the assumption that Aspo can deliver broadly in line with our forecasts, with variations in sales growth, EBIT margin and WACC assumptions of 8.0-8.7%, we arrive at a fair DCF-based equity value range of EUR 9.3-11.4 per share. In the terminal period, we model 2.5% growth.

WACC ASSUMPTIONS

WACC components	
Risk-free interest rate	1.5%
Market risk premium	5.5%
Forward looking asset beta	n.m.
Debt beta	0.15
Equity beta	1.5-1.7
Cost of equity	9.8-10.9%
Cost of debt	4.5%
Tax-rate used in WACC	15.0%
Equity weight	70.0%
WACC	8-8.7%

Source: Nordea estimates

DCF VALUATION, EURm and EUR

DCF value	Value	Per share
NPV FCFF	368-449	12.2-14.2
(Net debt)	-117	-3.8
Market value of associates	0	0.0
(Market value of minorities)	0	0.0
Surplus values	0	0.0
(Market value preference shares)	0	0.0
Share based adjustments	0	0.0
Other adjustments	0	0.0
Time value	28	0.9
DCF Value	279-361	9.3-11.4

Source: Nordea estimates

To highlight the sensitivity of the DCF valuation, we also provide sensitivity matrices modelling variations in revenue growth and margin assumptions. The sensitivities in our WACC are outlined in the following tables.

WACC VERSUS EBIT MARGIN, EUR PER SHARE

		WACC				
		6.5%	7.5%	8.5%	9.5%	10.5%
EBIT marg. change	+2.0pp	23.6	18.4	14.7	11.9	9.8
	+1.0pp	19.9	15.6	12.5	10.2	8.4
		16.1	12.8	10.3	8.4	6.9
	-1.0pp	12.3	9.9	8.1	6.7	5.5
	-2.0pp	8.6	7.1	5.9	4.9	4.1

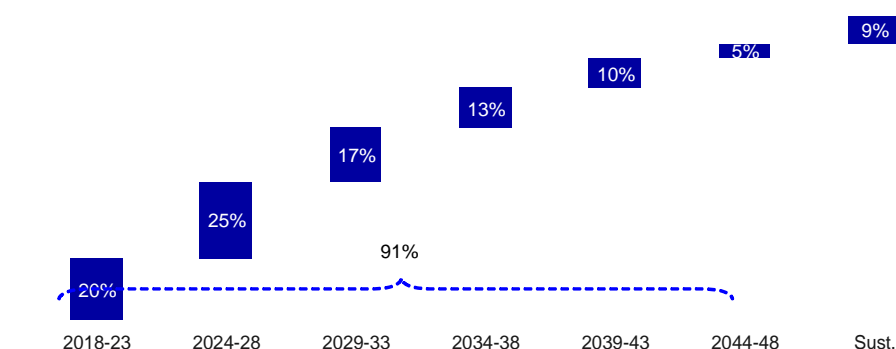
Source: Nordea estimates

WACC VERSUS SALES GROWTH, EUR PER SHARE

		WACC				
		6.5%	7.5%	8.5%	9.5%	10.5%
Sales gr. change	+2.0pp	20.0	15.5	12.3	10.0	8.1
	+1.0pp	17.9	14.0	11.3	9.2	7.5
		16.1	12.8	10.3	8.4	6.9
	-1.0pp	14.6	11.7	9.5	7.8	6.5
	-2.0pp	13.3	10.7	8.8	7.3	6.0

Source: Nordea estimates

We use a stringent valuation framework setting ROIC below WACC in the terminal period, which prevents the model from extrapolating above-market returns in perpetuity. A little under half of the value (45%) is distributed in the coming ten years, and 91% within our 30-year estimate cycle, according to our calculations.

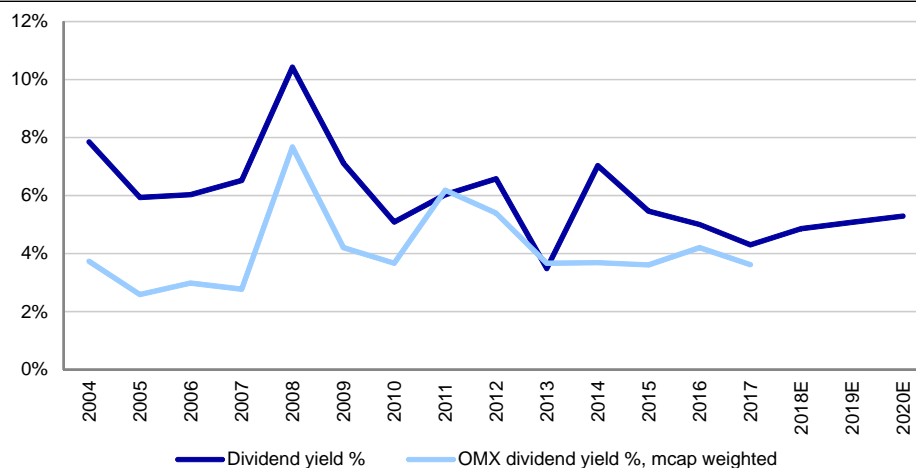
DCF VALUE DISTRIBUTION TIMELINE

Source: Nordea estimates

Aspo is a dividend company, in our view

New dividend guidance promises steadily rising EUR-denominated dividend payments for the coming years. Previously, Aspo's target was to distribute at least half of its annual profit in dividends.

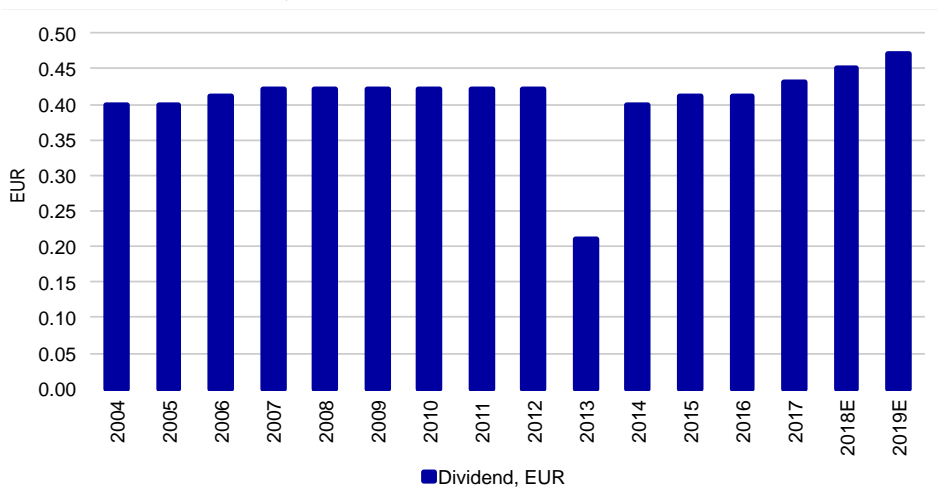
The average dividend yield in 2006-17 was 6.1%. Irrespective of the currently high debt position, we note that steady dividend payments are almost certain in the future. The dividend has been unexpectedly low only once, in 2013, when the company was unable to extract money from the Leipurin business. The timing of the Leipurin listing was somewhat unfortunate as a result of the Ukrainian crisis starting in 2014.

ASPO'S DIVIDEND YIELD

Source: Thomson Reuters, company data and Nordea estimates

Even though we consider Aspo a dividend company, it has not been able to raise its absolute dividend payments. Besides 2013, the dividend per share was between EUR 0.40 and EUR 0.43 in 2004-17. We suggest that Aspo must have recognised these issues when it upgraded its dividend guidance in November 2018.

ANNUAL DIVIDEND PAYMENT, EUR



Aspo needs to raise absolute dividend payments to support the share price, we argue

Source: Company data and Nordea estimates

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 and to possible Russian sanctions. For example, new economic sanctions could affect Aspo either directly through import sanctions or indirectly through reduced cargoes and restricted cross-border transfer 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 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 September 2018) stands at 155%. Including the hybrid debt component, we calculate net gearing at 177%. Including rent and lease liabilities from AtoB@C according to IFRS 16 in January 2019, the situation could become even tighter. The company's target gearing level is 100%, and so it might need to address its debt issue.

Aspo's short-term capital needs were secured in October with a new EUR 30m loan agreement. In 2019-20, the company will need to renegotiate approximately EUR 120m 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 2017.

We see increasing risks in Russia owing to potential new sanctions after the US mid-term elections in November 2018. In the event of new sanctions, 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) 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 20% 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.

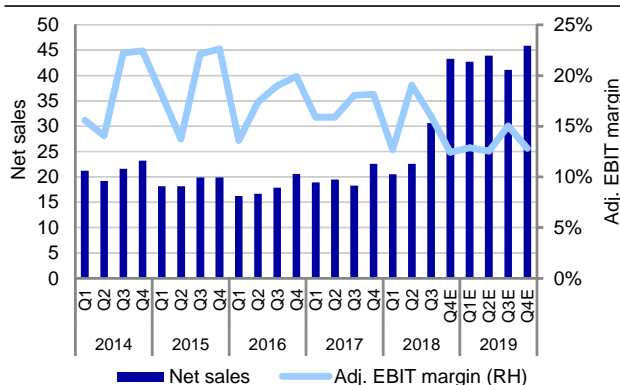
Quarterly segment estimates

QUARTERLY SEGMENT ESTIMATES, EURm

	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18E	Q1 19E	Q2 19E	Q3 19E	Q4 19E
ESL Shipping																
Sales	16.2	16.7	17.9	20.6	18.9	19.5	18.3	22.6	20.5	22.6	30.6	43.3	42.7	44.0	41.1	45.9
- sales growth	-11%	-8%	-10%	4%	17%	17%	2%	10%	8%	16%	67%	91%	108%	94%	34%	6%
EBIT	2.2	2.9	3.4	4.1	3.0	3.1	3.3	4.1	2.6	4.3	4.9	5.4	5.5	5.5	6.2	5.9
EBIT margin	14%	17%	19%	20%	16%	16%	18%	18%	13%	19%	16%	12%	13%	13%	15%	13%
Leipurin																
Sales	26.2	28.8	27.0	30.7	29.4	30.1	29.9	32.9	30.2	31.2	28.0	33.6	31.5	32.5	29.5	35.0
- sales growth	-7%	-3%	-5%	-3%	12%	5%	11%	7%	3%	4%	-6%	2%	4%	4%	5%	4%
EBIT	0.5	0.4	0.4	0.7	0.4	0.6	1.4	1.2	0.8	0.9	0.8	1.3	0.9	1.0	0.9	1.4
EBIT margin	2%	1%	1%	2%	1%	2%	5%	4%	3%	3%	3%	4%	3%	3%	3%	4%
Telko																
Sales	49.4	62.2	63.8	64.9	63.6	65.7	67.3	65.6	57.7	71.7	67.3	68.9	64.6	73.9	70.0	72.7
- sales growth	-1%	13%	13%	21%	29%	6%	5%	1%	-9%	9%	0%	5%	12%	3%	4%	5%
EBIT	2.3	3.0	2.3	2.5	2.3	2.4	3.5	3.2	2.2	3.6	2.9	3.5	2.6	3.9	3.2	3.8
EBIT margin	5%	5%	4%	4%	4%	4%	5%	5%	4%	5%	4%	5%	4%	5%	5%	5%
Kauko																
Sales	6.7	8.5	9.5	8.3	7.1	8.5	11.7	11.3	6.9	7.2	10.4	11.1	7.2	7.6	10.7	11.4
- sales growth	22%	20%	40%	-51%	6%	0%	23%	36%	-3%	-15%	-11%	-2%	5%	6%	3%	3%
EBIT	-0.3	-0.3	0.5	0.0	-0.2	0.1	0.2	0.0	-0.6	-0.4	0.7	0.1	-0.1	0.0	0.4	0.2
EBIT margin	-4%	-4%	5%	0%	-3%	1%	2%	0%	-9%	-6%	7%	1%	-1%	-1%	4%	2%
Aspo Group																
Sales	98.5	116.2	118.2	124.5	119.0	123.8	127.2	132.4	115.3	132.7	136.3	156.8	146.1	157.9	151.3	164.9
- sales growth	-3%	5%	6%	2%	21%	7%	8%	6%	-3%	7%	7%	18%	27%	19%	11%	5%
EBIT clean	3.3	4.8	6.0	6.3	4.7	5.1	7.5	7.2	3.7	7.1	8.1	8.9	7.7	9.1	9.5	10.1
EBIT margin	3.4%	4.1%	5.1%	5.1%	3.9%	4.1%	5.9%	5.4%	3.2%	5.4%	5.9%	5.7%	5.3%	5.8%	6.3%	6.1%
PTP clean	2.6	3.9	5.2	4.8	4.4	2.7	6.8	6.8	2.5	6.1	7.2	8.0	6.2	7.3	8.6	9.2
Net Profit clean	2.3	3.4	5.0	4.3	4.1	2.4	6.3	6.2	2.0	5.4	6.9	7.2	5.6	6.5	7.7	8.2
EPS clean, EUR	0.07	0.09	0.16	0.14	0.13	0.08	0.20	0.20	0.06	0.17	0.22	0.23	0.18	0.21	0.24	0.26
EPS reported, EUR	0.07	0.09	0.16	0.14	0.13	0.08	0.19	0.18	0.06	0.17	0.19	0.23	0.18	0.21	0.24	0.26

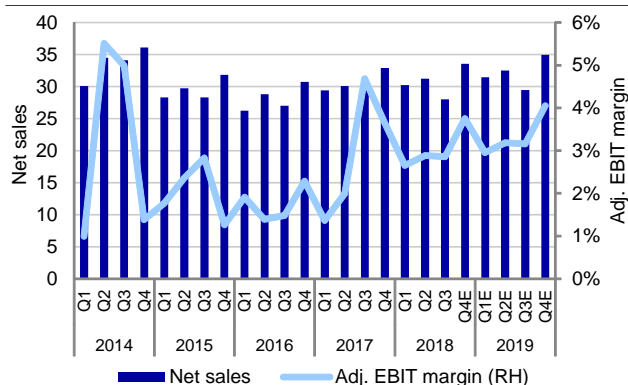
Source: Company data and Nordea estimates

ESL SHIPPING



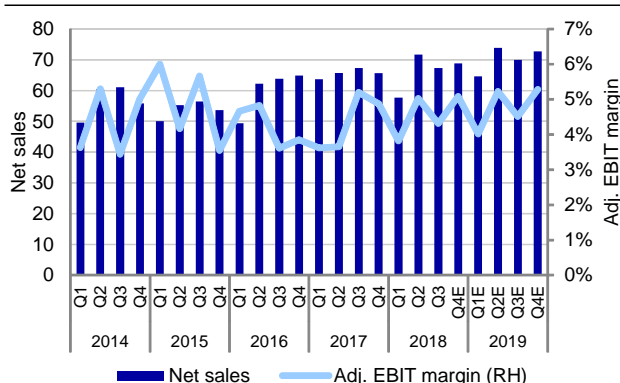
Source: Company data and Nordea estimates

LEIPURIN



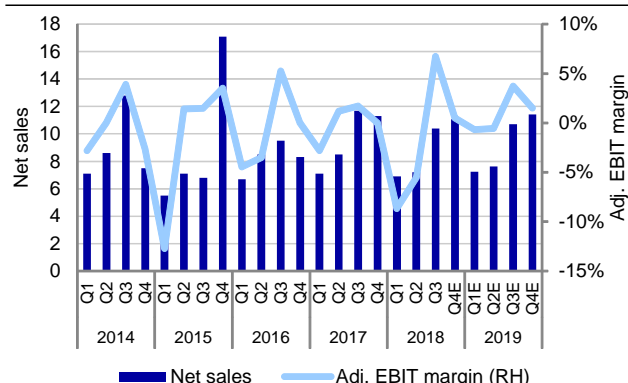
Source: Company data and Nordea estimates

TELKO



Source: Company data and Nordea estimates

KAUKO



Source: Company data and Nordea estimates

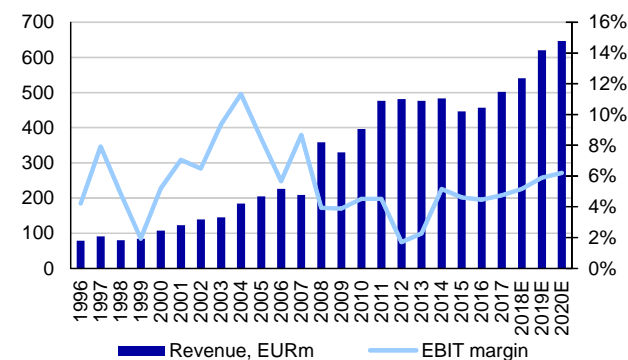
Yearly segment estimates

YEARLY SEGMENT ESTIMATES, EURm

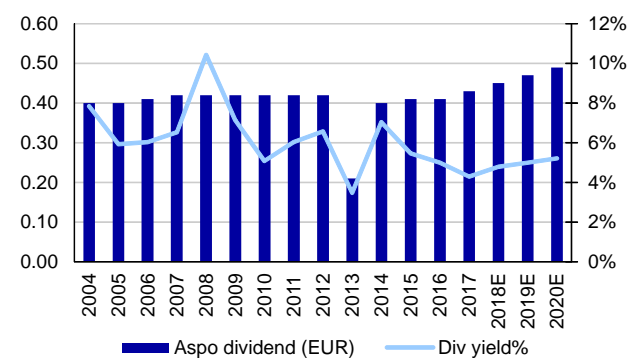
	2010	2011	2012	2013	2014	2015	2016	2017	2018E	2019E
ESL Shipping										
Sales	80	93	72	78	85	76	71	79	117	174
- sales growth	25%	17%	-22%	8%	10%	-11%	-6%	11%	48%	48%
EBIT	12	11	1	8	16	15	13	14	17	23
EBIT margin	14%	11%	2%	10%	19%	19%	18%	17%	15%	13%
Leipurin										
Sales	109	128	131	137	135	118	113	122	123	128
- sales growth	9%	18%	2%	4%	-1%	-12%	-5%	9%	1%	4%
EBIT	3.6	5.7	4.0	5.2	4.4	2.4	2.0	3.6	3.8	4.3
EBIT margin	3%	4%	3%	4%	3%	2%	2%	3%	3%	3%
Telko										
Sales	175	212	238	230	227	215	240	262	266	281
- sales growth	36%	21%	12%	-3%	-1%	-5%	12%	9%	1%	6%
EBIT	7	9	8	6	10	10	10	11	12	13
EBIT margin	4%	4%	4%	3%	4%	5%	4%	4%	5%	5%
Kauko										
Sales	33	43	41	32	36	37	33	39	36	37
- sales growth	-10%	34%	-7%	-21%	13%	1%	-10%	17%	-8%	4%
EBIT	0.6	1.4	-0.6	-3.6	0.1	0.1	-0.1	0.1	-0.2	0.5
EBIT margin	2%	3%	-1%	-11%	0%	0%	0%	0%	-1%	1%
Aspo Group										
Sales	396	476	482	476	483	446	457	502	541	620
- sales growth	20%	20%	1%	-1%	1%	-8%	3%	10%	8%	15%
EBIT clean	18	22	8	11	25	21	20	24	28	36
EBIT margin	5%	5%	2%	2%	5%	5%	4%	5%	5%	6%
PTP clean	14	17	5	7	19	17	17	20	24	31
Net Profit clean	10	13	8	9	19	15	15	18	21	28
EPS clean, EUR	0.39	0.47	0.27	0.28	0.60	0.50	0.48	0.59	0.68	0.89
EPS reported, EUR	0.39	0.47	0.35	0.28	0.60	0.60	0.48	0.57	0.65	0.89

Source: Company data and Nordea estimates

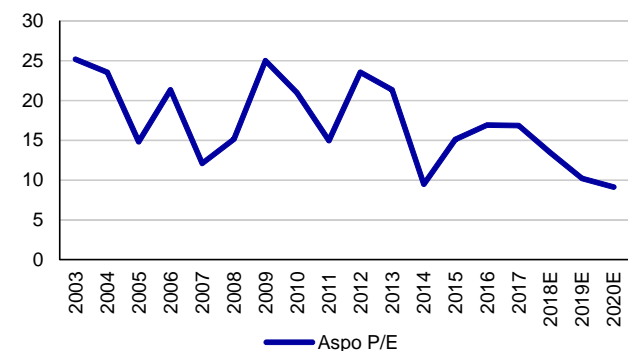
REVENUE AND EBIT MARGIN



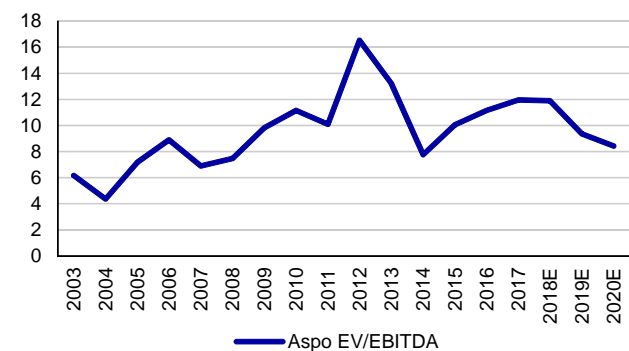
DIVIDEND AND DIVIDEND YIELD



YEAR-END P/E, x



YEAR-END EV/EBITDA, x



Source for all four charts: Company data and Nordea estimates

Reported numbers and forecasts

INCOME STATEMENT

EURm	2010	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Net revenue	396	476	482	476	483	446	457	502	541	620	647
Revenue growth	20.2%	20.3%	1.1%	-1.1%	1.4%	-7.6%	2.5%	9.8%	7.7%	14.6%	4.3%
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	26	30	21	22	36	33	32	35	39	50	54
Depreciation and impairments PPE	-8	-8	-11	-11	-11	-13	-12	-12	-12	-13	-13
EBITA	18	22	11	11	25	21	20	23	27	36	40
Amortisation and impairments	0	0	0	0	0	0	0	0	0	0	0
EBIT	18	22	11	11	25	21	20	23	27	36	40
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	-4	-3	-4	-6	-1	-4	-4	-4	-5	-5
Changes in value, net	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	14	17	7	7	19	20	17	19	23	31	35
Reported taxes	-4	-4	3	2	-1	-2	-2	-2	-2	-3	-4
Net profit from continued operations	10	13	11	9	19	18	15	18	21	28	32
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	10	13	11	9	19	18	15	18	21	28	32
EPS	0.39	0.47	0.35	0.28	0.60	0.60	0.48	0.57	0.65	0.89	1.01
DPS	0.42	0.42	0.42	0.21	0.40	0.41	0.41	0.43	0.45	0.47	0.49
of which ordinary	0.42	0.42	0.42	0.21	0.40	0.41	0.41	0.43	0.45	0.47	0.49
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	6.6%	6.2%	4.4%	4.5%	7.5%	7.4%	7.0%	7.0%	7.1%	8.0%	8.3%
EBITA	4.5%	4.5%	2.2%	2.3%	5.2%	4.6%	4.5%	4.6%	5.0%	5.9%	6.2%
EBIT	4.5%	4.5%	2.2%	2.3%	5.2%	4.6%	4.5%	4.6%	5.0%	5.9%	6.2%

Adjusted earnings

EBITDA (adj)	26	30	19	22	36	33	32	36	40	50	54
EBITA (adj)	18	22	8	11	25	21	20	24	28	36	40
EBIT (adj)	18	22	8	11	25	21	20	24	28	36	40
EPS (adj)	0.39	0.47	0.27	0.28	0.60	0.50	0.48	0.59	0.68	0.89	1.01

Adjusted profit margins in percent

EBITDA (adj)	6.6%	6.2%	3.9%	4.5%	7.5%	7.4%	7.0%	7.1%	7.3%	8.0%	8.3%
EBITA (adj)	4.5%	4.5%	1.7%	2.3%	5.2%	4.6%	4.5%	4.7%	5.1%	5.9%	6.2%
EBIT (adj)	4.5%	4.5%	1.7%	2.3%	5.2%	4.6%	4.5%	4.7%	5.1%	5.9%	6.2%

Performance metrics

CAGR last 5 years											
Net revenue	14.1%	16.1%	18.2%	5.9%	8.0%	2.4%	-0.8%	0.8%	2.6%	5.1%	7.7%
EBITDA	0.0%	6.1%	-10.6%	-2.8%	8.3%	4.9%	1.5%	10.3%	12.3%	6.6%	10.1%
EBIT	0.7%	10.9%	-17.7%	-5.2%	10.2%	2.8%	-1.0%	16.9%	20.1%	7.9%	14.3%
EPS	-2.8%	7.9%	-15.6%	1.2%	12.7%	8.8%	0.8%	10.4%	18.3%	8.1%	10.9%
DPS	1.0%	0.5%	0.0%	-12.9%	-1.0%	-0.5%	-0.5%	0.5%	16.5%	3.3%	3.6%
Average last 5 years											
Average EBIT margin	5.8%	5.5%	3.9%	3.5%	3.7%	3.7%	3.7%	4.2%	4.8%	5.0%	5.3%
Average EBITDA margin	8.9%	8.0%	6.2%	5.7%	5.8%	6.0%	6.2%	6.7%	7.2%	7.3%	7.5%

VALUATION RATIOS - ADJUSTED EARNINGS

EURm	2010	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
P/E (adj)	19.9	14.6	23.6	21.3	9.5	15.1	16.9	16.8	13.6	10.4	9.2
EV/EBITDA (adj)	10.7	9.9	16.5	13.2	7.8	10.1	11.1	11.9	11.8	9.3	8.4
EV/EBITA (adj)	15.6	13.7	38.3	26.4	11.3	16.2	17.5	17.9	16.7	12.6	11.1
EV/EBIT (adj)	15.7	13.8	39.6	26.4	11.3	16.2	17.5	17.9	16.7	12.6	11.1

VALUATION RATIOS - REPORTED EARNINGS

EURm	2010	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
P/E	19.9	14.6	18.3	21.3	9.5	12.5	16.9	17.5	14.2	10.4	9.2
EV/Sales	0.70	0.62	0.65	0.60	0.58	0.75	0.78	0.85	0.86	0.74	0.69
EV/EBITDA	10.8	10.0	14.9	13.2	7.8	10.1	11.1	12.2	12.1	9.3	8.4
EV/EBITA	15.7	13.8	30.4	26.4	11.3	16.2	17.5	18.5	17.3	12.6	11.1
EV/EBIT	15.7	13.8	30.4	26.4	11.3	16.2	17.5	18.5	17.3	12.6	11.1
Dividend yield (ord.)	5.4%	6.2%	6.6%	3.5%	7.0%	5.5%	5.0%	4.3%	4.8%	5.1%	5.3%
FCF yield	-1.0%	-14.0%	-7.2%	6.8%	2.7%	6.7%	3.9%	-0.1%	-15.2%	6.5%	9.9%
Payout ratio	106.5%	90.1%	120.4%	74.3%	66.6%	68.3%	84.7%	75.2%	68.8%	52.9%	48.7%

Source: Company data and Nordea estimates

BALANCE SHEET

EURm	2010	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Intangible assets	57	61	60	59	57	54	52	50	55	55	55
of which R&D	0	0	0	0	0	0	0	0	0	0	0
of which other intangibles	16	16	15	13	12	11	9	8	8	8	8
of which goodwill	41	45	45	45	44	43	43	42	47	47	47
Tangible assets	54	89	108	103	111	116	113	120	172	171	171
Shares associates	2	2	2	2	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	1	2	3	4	7	4	5	4	4	4	4
Total non-current assets	113	154	174	169	175	174	170	174	231	230	230
Inventory	45	43	51	48	47	48	57	61	69	79	83
Accounts receivable	47	58	65	58	56	58	60	66	76	87	91
Other current assets	0	0	0	0	0	0	0	0	0	0	0
Cash and bank	7	15	21	29	19	24	23	20	12	12	16
Total current assets	99	115	137	134	123	131	139	147	157	178	190
Assets held for sale	0	0	0	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total assets	213	269	311	303	298	305	310	321	388	409	419
Shareholders equity	69	92	90	103	104	103	115	112	120	133	150
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	1	0	0	0	0	0	0	0
Total Equity	69	92	90	103	104	103	115	112	120	133	150
Deferred tax	13	13	11	8	6	5	4	3	3	3	3
Long term interest bearing debt	65	93	84	85	77	116	117	109	139	139	134
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	1	2	1	1	0	1	0	1	1	1	1
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	79	108	96	94	83	121	121	113	143	143	138
Short-term provisions	0	0	0	0	0	0	1	1	1	2	2
Accounts payable	51	56	68	60	62	68	64	67	77	88	92
Other current liabilities	1	4	1	1	1	1	1	0	0	0	0
Short term interest bearing debt	13	9	56	45	48	12	9	27	47	42	37
Total current liabilities	65	68	125	105	111	81	74	96	126	132	131
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	213	269	311	303	298	305	310	321	388	409	419
Balance sheet and debt metrics											
Net debt	71	87	119	101	105	104	103	117	174	169	155
Working capital	40	41	47	45	41	38	52	60	68	78	81
Invested capital	154	195	221	213	216	212	222	234	299	308	311
Capital employed	148	201	187	197	187	224	236	226	263	277	288
ROE	15.4%	16.7%	11.9%	9.1%	17.9%	17.8%	13.8%	15.6%	17.7%	22.1%	22.3%
ROIC	10.4%	10.5%	3.4%	4.2%	9.9%	8.2%	8.0%	8.9%	8.9%	10.2%	11.0%
ROCE	12.1%	10.7%	5.7%	5.5%	13.3%	9.2%	8.7%	10.2%	10.2%	13.2%	13.9%
Net debt/EBITDA	2.7	2.9	5.5	4.7	2.9	3.1	3.2	3.3	4.5	3.4	2.9
Interest coverage	3.6	4.2	2.7	2.4	5.3	6.1	6.8	8.3	8.7	8.7	9.8
Equity ratio	32.3%	34.1%	28.8%	33.9%	34.9%	33.7%	37.0%	35.0%	30.8%	32.6%	35.8%
Net gearing	101.5%	94.1%	131.6%	98.2%	101.0%	101.4%	89.8%	103.9%	145.8%	127.1%	103.5%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

EURm	2010	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
EBITDA (adj) for associates	26	29	21	22	36	33	32	35	39	50	54
Paid taxes	-5	-3	-1	-3	-2	-2	-2	-3	-2	-3	-4
Net financials	-4	-4	-3	-3	-4	-3	-3	-4	-4	-5	-5
Change in provisions	0	0	0	0	0	0	1	1	0	0	0
Change in other LT non-IB	1	1	-3	-2	-3	3	-1	1	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	0	3	2	3	-2	1	0	0	0	0
Funds from operations (FFO)	18	23	18	16	30	29	27	30	32	41	45
Change in NWC	-9	-11	-6	0	-8	-4	-11	-13	-8	-10	-3
Cash flow from operations (CFO)	9	12	12	16	22	25	16	17	25	31	42
Capital expenditure	-12	-42	-30	-4	-17	-15	-6	-18	-54	-12	-13
Free cash flow before A&D	-3	-29	-18	12	5	10	10	0	-29	19	29
Proceeds from sale of assets	1	0	4	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	5	0	0	-15	0	0
Free cash flow	-2	-29	-14	13	5	15	10	0	-44	19	29
Dividends paid	-11	-11	-13	-13	-6	-12	-13	-13	-13	-14	-15
Equity issues / buybacks	-1	19	0	0	0	0	0	0	0	0	0
Net change in debt	9	24	37	-12	-8	2	1	7	50	-5	-10
Other financing adjustments	0	8	-3	20	0	0	0	0	0	0	0
Other non-cash adjustments	0	-3	0	-1	1	-1	1	4	0	0	0
Change in cash	-4	7	7	7	-9	5	-1	-3	-8	0	4

Cash flow metrics

Capex/D&A	147.2%	506.4%	276.7%	33.9%	156.0%	117.6%	54.3%	148.7%	461.5%	94.0%	96.6%
Capex/Sales	-3.0%	-8.7%	-6.2%	-0.8%	-3.6%	-3.3%	-1.4%	-3.5%	-10.0%	-2.0%	-2.0%

Key information

Share price year end (/current)	8	7	6	6	6	8	8	10	9	9	9
Market cap.	209	208	197	186	175	229	253	310	292	292	292
Enterprise value	279	294	314	286	280	333	356	426	466	461	447
Diluted no. of shares, year-end (m)	26.7	30.6	30.8	30.8	30.8	30.5	31.0	31.0	31.4	31.4	31.4

Source: Company data and Nordea estimates

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Completion Date

09 Dec 2018, 16:37 CET

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