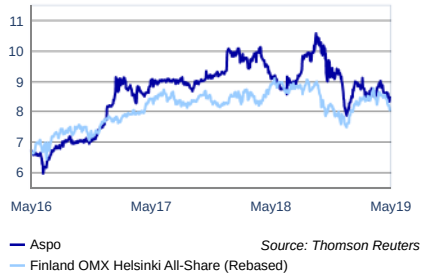
Aspo

Business Services
Finland

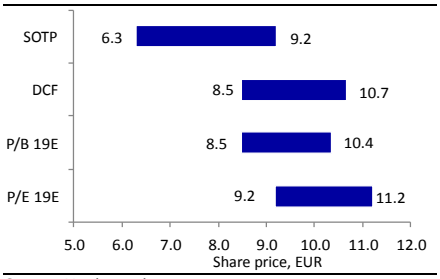
KEY DATA

Stock country	Finland
Bloomberg	ASPO FH
Reuters	ASPO.HE
Share price (close)	EUR 8.54
Free Float	88%
Market cap. (bn)	EUR 0.26/EUR 0.26
Website	www.aspo.com
Next report date	14 Aug 2019

PERFORMANCE



VALUATION APPROACH



Source: Nordea estimates

ESTIMATE CHANGES

Year	2019E	2020E	2021E
Sales	0%	-1%	0%
EBIT (adj)	-8%	-8%	-5%

Source: Nordea estimates

Nordea Markets - Analysts

Pasi Väisänen
Senior Analyst

Joni Sandvall
Analyst

Machine bottlenecks

Aspo's Q1 net sales were in line with our estimates and Thomson Reuters consensus, but operating profit was still burdened by crane problems for the new LNG vessels. In addition, the cyclicality of machinery deliveries resulted in weak profitability for the Leipurin segment. The company expects moderate growth in its eastern market, although political risks remain. The company's debt level remains high, and a divestment of assets might be needed to solve the issue. We trim our 2019-21 estimates down by 5-8% due to the crane issues in ESL Shipping and uncertainties in the eastern market.

Q1 showed headwinds for all segments

Aspo's ESL Shipping received two new LNG vessels in Q3 2018 and since then, Aspo has discovered problems with the vessels' crane systems. Most of the problems have now been solved under warranty, and the company expects the vessels to be profitable from Q2 onwards. In addition, the company has started the process implementing the new ERP system that should improve the efficiency of its operations. The ramp-up of the new system in Q2-Q3 could cause short-term interferences for ESL Shipping, we note. Telko continued its growth trend despite cooling macroeconomic growth and lower plastic prices, while Leipurin faced headwinds due to the timing of project deliveries and the eastern market.

We lower our 2019-21 EBIT estimates – debt is currently high

We trim our 2019-21 EBIT estimates down due to the less favourable market outlook for Telko and Leipurin. Telko suffers from low plastic prices, whereas Leipurin profitability is burdened by the machinery unit. For ESL, we make only small adjustments to reflect the weaker dry bulk market outlook and issues with LNG vessel cranes. Aspo's net debt will also remain elevated, with net gearing of 181%. Group level risks from Russia and other CIS countries, however, have been slightly reduced by acquisitions in Western Europe.

Valuation

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 8.1-10.4 (8.4-10.6) per share. Aspo's dividend yield for 2019E-21E is ~5.5%, offering good support for the share.

SUMMARY TABLE - KEY FIGURES

EURm	2015	2016	2017	2018	2019E	2020E	2021E
Total revenue	446	457	502	541	587	612	638
EBITDA (adj)	33	32	36	38	58	63	66
EBIT (adj)	21	20	24	27	30	35	38
EBIT (adj) margin	4.6%	4.5%	4.7%	4.9%	5.2%	5.7%	5.9%
EPS (adj)	0.50	0.48	0.59	0.58	0.69	0.82	0.90
EPS (adj) growth	-17.5%	-2.4%	22.7%	-2.1%	19.4%	18.2%	9.9%
DPS (ord)	0.41	0.41	0.43	0.44	0.46	0.48	0.50
EV/Sales	0.7	0.8	0.8	0.9	0.8	0.8	0.7
EV/EBIT (adj)	16.2	17.5	17.9	17.7	15.8	13.5	12.2
P/E (adj)	15.1	16.9	16.8	13.7	12.3	10.4	9.5
P/BV	2.2	2.2	2.8	2.1	2.2	2.0	1.8
Dividend yield (ord)	5.5%	5.0%	4.3%	5.5%	5.4%	5.6%	5.9%
FCF Yield bef acq & disp	4.5%	3.9%	-0.1%	-9.1%	6.6%	9.0%	9.9%
Net debt	104	103	117	218	214	204	193
Net debt/EBITDA	3.1	3.2	3.3	5.9	3.7	3.3	2.9
ROIC after tax	8.2%	8.0%	8.9%	7.8%	7.5%	8.6%	9.2%

Source: Company data and Nordea estimates

Revisions and detailed estimates

Aspo's Q1 net sales were in line with our estimates and consensus' expectations, but adjusted EBIT was below expectations. The Q1 report did not contain any non-recurring items. ESL Shipping and Telko slightly beat our sales estimates for Q1, but Leipurin missed due to a 50% decline in machine deliveries.

All segments missed our estimates

On the EBIT level, ESL missed our estimate by 30% (EUR 1.4m) with 2% (EUR 1m) higher sales. ESL did face margin pressure due to crane problems in its two new LNG vessels, and it seems that AtoB@C Shipping's margins are still lagging behind, as we expected. The company announced that it will deploy a new ERP system to ESL Shipping during Q2-Q3, which could hamper sales and margins in the short term. The crane issues should be mainly over, although the company indicated the need for two to three more docking days to finalise warranty repairs. The BADI index has been subdued during the first part of 2019, impacting two Supramax vessels, while the impact on other vessels is limited. We estimate new LNG vessels will turn EBIT positive during Q2, but the market for Supramax vessels might remain weak due to trade tensions.

Telko's EBIT missed our estimate by 13% (EUR 0.3m) as its operations were affected by lower material prices. The Kauko segment was reported under the Telko segment for the first time, and it contributed EUR 0.6m to Telko's EBIT, indicating only a minor improvement to Telko's EBIT, despite 14% higher sales. Telko made two minor acquisitions in Denmark during 2018, which might have affected operating profit.

Leipurin's EBIT was burdened by the highly cyclical machinery unit. The EBIT miss versus our estimates was EUR 0.3m (39%). The outlook for Leipurin seems unfavourable, as machinery sales depend highly on industrial investment levels, which are currently depressed.

Q1 DEVIATION TABLE

EURm	Actual Q1 2019	NDA est. Q1 2019	Deviation vs. actual		Consensus Q1 2019	Deviation vs. actual		Actual Q4 2018	q/q	Actual Q1 2018	y/y
Sales	141.5	142.9	-1	-1%	143.0	-2	-1%	157	-10%	115	23%
Adj. EBIT	4.9	6.9	-2	-29%	6.0	-1	-18%	8.3	-41%	3.7	32%
Adj. EBIT margin	3.5%	4.8%		-1.4pp	4.2%		-0.7pp	5.3%	-1.8pp	3.2%	0.3pp
EPS	0.10	0.14	-0.04	-31%	0.13	-0.03	-23%	0.02	424%	0.05	82%

Source: Company data, Nordea estimates and Thomson Reuters consensus

We make only minor changes to our 2019-21 net sales estimates but trim our adjusted EBIT estimates to match the slightly lower profitability expectations. Our estimate revisions in different segments are mainly driven by EBIT misses in Q1 and take into consideration the overall market outlook for different segments.

WE MAKE SLIGHT REVISIONS TO OUR ESTIMATES FOLLOWING THE Q4 RESULTS

	New estimates				Old estimates				Difference %			
EURm	Q2 2019E	2019E	2020E	2021E	Q2 2019E	2019E	2020E	2021E	Q2 2019E	2019E	2020E	2021E
Sales	**149**	**587**	**612**	**638**	**150**	**590**	**616**	**638**	**0%**	**0%**	**-1%**	**0%**
Adj. EBIT	**8.1**	**30**	**35**	**38**	**8.5**	**33**	**38**	**40**	**-5%**	**-8%**	**-8%**	**-5%**
Adj. EBIT margin	5.4%	5.2%	5.7%	5.9%	5.7%	5.6%	6.2%	6.2%	-0.3pp	-0.4pp	-0.5pp	-0.3pp
Adj. EPS	**0.17**	**0.69**	**0.82**	**0.90**	**0.18**	**0.75**	**0.91**	**0.96**	**-7%**	**-8%**	**-10%**	**-6%**

Source: Nordea estimates

QUARTERLY SEGMENT ESTIMATES

	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 19	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	46.4	43.7	44.0	41.1	49.2
- sales growth	-11%	-8%	-10%	4%	17%	17%	2%	10%	8%	16%	67%	105%	113%	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	5.1	3.2	4.6	5.8	5.6
EBIT margin	14%	17%	19%	20%	16%	16%	18%	18%	13%	19%	16%	11%	7%	11%	14%	11%
Leipurin																
Sales	26.2	28.8	27.0	30.7	29.4	30.1	29.9	32.9	30.2	31.2	28.0	31.6	25.9	31.2	28.9	32.6
- sales growth	-7%	-3%	-5%	-3%	12%	5%	11%	7%	3%	4%	-6%	-4%	-14%	0%	3%	3%
EBIT	0.5	0.4	0.4	0.7	0.4	0.6	1.4	1.2	0.8	0.9	0.8	0.8	0.5	0.9	0.9	0.9
EBIT margin	2%	1%	1%	2%	1%	2%	5%	4%	3%	3%	3%	3%	2%	3%	3%	3%
Telko																
Sales	49.4	62.2	63.8	64.9	63.6	65.7	67.3	65.6	57.7	71.7	67.3	69.5	71.9	74.1	71.4	73.5
- sales growth	-1%	13%	13%	21%	29%	6%	5%	1%	-9%	9%	0%	6%	25%	3%	6%	6%
EBIT	2.3	3.0	2.3	2.5	2.3	2.4	3.5	3.2	2.2	3.6	2.9	3.4	2.4	3.8	3.1	3.6
EBIT margin	5%	5%	4%	4%	4%	4%	5%	5%	4%	5%	4%	5%	3%	5%	4%	5%
Telko from Q1																
Sales	6.7	8.5	9.5	8.3	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	22%	20%	40%	-51%	6%	0%	23%	36%	-3%	-15%	-11%	-19%	n.a.	n.a.	n.a.	n.a.
EBIT	-0.3	-0.3	0.5	0.0	-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	-4%	-4%	5%	0%	-3%	1%	2%	0%	-9%	-6%	7%	4%	n.a.	n.a.	n.a.	n.a.
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	156.6	141.5	149.2	141.4	155.3
- sales growth	-3%	5%	6%	2%	21%	7%	8%	6%	-3%	7%	7%	18%	23%	12%	4%	-1%
EBIT clean	3.3	4.8	6.0	6.3	4.7	5.1	7.5	7.2	3.7	7.1	8.1	8.3	4.9	8.1	8.7	8.8
EBIT margin	3.4%	4.1%	5.1%	5.1%	3.9%	4.1%	5.9%	5.4%	3.2%	5.4%	5.9%	5.3%	3.5%	5.4%	6.1%	5.7%
PTP clean	2.6	3.9	5.2	4.8	4.4	2.7	6.8	6.8	2.2	5.8	6.9	6.1	3.9	6.0	7.3	7.3
Net Profit clean	2.3	3.4	5.0	4.3	4.1	2.4	6.3	6.2	1.7	5.1	6.6	2.8	3.5	5.3	6.5	6.5
EPS clean, EUR	0.07	0.09	0.16	0.14	0.13	0.08	0.20	0.20	0.05	0.16	0.21	0.09	0.11	0.17	0.21	0.21
EPS reported, EUR	0.07	0.09	0.16	0.14	0.13	0.08	0.19	0.18	0.05	0.16	0.18	0.02	0.11	0.17	0.21	0.21

Source: Company data and Nordea estimates

YEARLY SEGMENT ESTIMATES

	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E
ESL Shipping										
Sales	72	78	85	76	71	79	120	178	186	194
- sales growth	-22%	8%	10%	-11%	-6%	11%	51%	48%	4%	4%
EBIT	1	8	16	15	13	14	17	19	22	23
EBIT margin	2%	10%	19%	19%	18%	17%	14%	11%	12%	12%
Leipurin										
Sales	131	137	135	118	113	122	121	119	123	126
- sales growth	2%	4%	-1%	-12%	-5%	9%	-1%	-2%	3%	3%
EBIT	4.0	5.2	4.4	2.4	2.0	3.6	3.3	3.2	3.7	4.2
EBIT margin	3%	4%	3%	2%	2%	3%	3%	3%	3%	3%
Telko										
Sales	238	230	227	215	240	262	266	291	304	318
- sales growth	12%	-3%	-1%	-5%	12%	9%	2%	9%	5%	4%
EBIT	8	6	10	10	10	11	12	13	14	15
EBIT margin	4%	3%	4%	5%	4%	4%	5%	4%	5%	5%
from Q1 2019)										
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	587	612	638
- sales growth	1%	-1%	1%	-8%	3%	10%	8%	9%	4%	4%
EBIT clean	8	11	25	21	20	24	27	30	35	38
EBIT margin	2%	2%	5%	5%	4%	5%	5%	5%	6%	6%
PTP clean	5	7	19	17	17	20	21	24	29	32
Net Profit clean	8	9	19	15	15	18	18	22	26	28
EPS clean, EUR	0.27	0.28	0.60	0.50	0.48	0.59	0.58	0.69	0.82	0.90
EPS reported, EUR	0.35	0.28	0.60	0.60	0.48	0.57	0.42	0.69	0.82	0.90

Source: Company data and Nordea estimates

Factors to consider when investing in Aspo

Aspo is a holding company whose success, in our view, is dependent on how its current four 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. The outlooks for both Telko and ESL Shipping appear promising to us, 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 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 30% 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 May 2019, net gearing including the EUR 25m hybrid debt stood at 202%, 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.

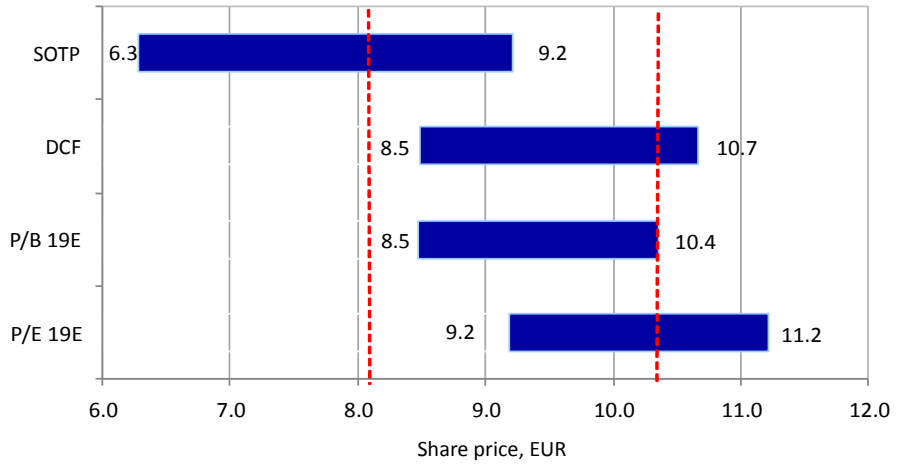
For example, Aspo paid Kesko EUR 76m for the Leipurin, Kauko and Telko segments in 2008. Today, the combined value of these three business areas in our sum-of-the-parts calculation is around EUR 210m. In the previous ten-year period, the enterprise value for this investment has increased by EUR 13m per year, or 11% 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 8.1-10.4 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 8.1-10.4 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 8.5-10.7 for Aspo. We calculate our P/E valuation range of EUR 9.2-11.2 per share for Aspo by taking our 2019 EPS forecast of EUR 0.69 and multiplying it by the accepted valuation multiple range of 13.2-16.2x, representing a midpoint of 14.7x. 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 2.2-2.6x, indicating a mathematical midpoint of 2.4x. This calculation gives a valuation range of EUR 8.5-10.4 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 and 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 Q1 2019) stands at 181%. Including the hybrid debt component, we calculate net gearing at 202%. 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 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 2018.

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), 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**	**587**	**612**	**638**
Revenue growth	20.3%	1.1%	-1.1%	1.4%	-7.6%	2.5%	9.8%	7.7%	8.6%	4.2%	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	58	63	66
Depreciation and impairments PPE	-8	-11	-11	-11	-13	-12	-12	-12	-28	-28	-28
of which leased assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITA	22	11	11	25	21	20	23	25	30	35	38
Amortisation and impairments	0	0	0	0	0	0	0	-5	0	0	0
EBIT	22	11	11	25	21	20	23	21	30	35	38
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	-6	-6	-6
of which lease interest	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
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**	**24**	**29**	**32**
Reported taxes	-4	3	2	-1	-2	-2	-2	-2	-3	-3	-4
Net profit from continued operations	13	11	9	19	18	15	18	13	22	26	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	22	26	28
EPS	**0.47**	**0.35**	**0.28**	**0.60**	**0.60**	**0.48**	**0.57**	**0.42**	**0.69**	**0.82**	**0.90**
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%	9.9%	10.2%	10.3%
EBITA	4.5%	2.2%	2.3%	5.2%	4.6%	4.5%	4.6%	4.7%	5.2%	5.7%	5.9%
EBIT	4.5%	2.2%	2.3%	5.2%	4.6%	4.5%	4.6%	3.8%	5.2%	5.7%	5.9%
Adjusted earnings											
EBITDA (adj)	30	19	22	36	33	32	36	38	58	63	66
EBITA (adj)	22	8	11	25	21	20	24	26	30	35	38
EBIT (adj)	22	8	11	25	21	20	24	27	30	35	38
EPS (adj)	0.47	0.27	0.28	0.60	0.50	0.48	0.59	0.58	0.69	0.82	0.90
Adjusted profit margins in percent											
EBITDA (adj)	6.2%	3.9%	4.5%	7.5%	7.4%	7.0%	7.1%	7.0%	9.9%	10.2%	10.3%
EBITA (adj)	4.5%	1.7%	2.3%	5.2%	4.6%	4.5%	4.7%	4.9%	5.2%	5.7%	5.9%
EBIT (adj)	4.5%	1.7%	2.3%	5.2%	4.6%	4.5%	4.7%	4.9%	5.2%	5.7%	5.9%
Performance metrics											
CAGR last 5 years											
Net revenue	16.1%	18.2%	5.9%	8.0%	2.4%	-0.8%	0.8%	2.6%	4.0%	6.5%	6.9%
EBITDA	6.1%	-10.6%	-2.8%	8.3%	4.9%	1.5%	10.3%	11.4%	10.0%	13.6%	15.5%
EBIT	10.9%	-17.7%	-5.2%	10.2%	2.8%	-1.0%	16.9%	13.8%	4.1%	11.2%	13.1%
EPS	7.9%	-15.6%	1.2%	12.7%	8.8%	0.8%	10.4%	8.1%	2.9%	6.4%	13.2%
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%	4.5%	4.8%	5.1%
Average EBITDA margin	8.0%	6.2%	5.7%	5.8%	6.0%	6.2%	6.7%	7.1%	7.7%	8.3%	9.0%

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	12.3	10.4	9.5
EV/EBITDA (adj)	9.9	16.5	13.2	7.8	10.1	11.1	11.9	12.3	8.3	7.6	7.0
EV/EBITA (adj)	13.7	38.3	26.4	11.3	16.2	17.5	17.9	17.8	15.8	13.5	12.2
EV/EBIT (adj)	13.8	39.6	26.4	11.3	16.2	17.5	17.9	17.7	15.8	13.5	12.2

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	12.3	10.4	9.5
EV/Sales	0.62	0.65	0.60	0.58	0.75	0.78	0.85	0.87	0.82	0.77	0.72
EV/EBITDA	10.0	14.9	13.2	7.8	10.1	11.1	12.2	12.6	8.3	7.6	7.0
EV/EBITA	13.8	30.4	26.4	11.3	16.2	17.5	18.5	18.4	15.8	13.5	12.2
EV/EBIT	13.8	30.4	26.4	11.3	16.2	17.5	18.5	22.7	15.8	13.5	12.2
Dividend yield (ord.)	6.2%	6.6%	3.5%	7.0%	5.5%	5.0%	4.3%	5.5%	5.4%	5.6%	5.9%
FCF yield	-14.0%	-7.2%	6.8%	2.7%	6.7%	3.9%	-0.1%	-13.9%	6.6%	9.0%	9.9%
FCF yield, adjusted for leases	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Payout ratio	90.1%	120.4%	74.3%	66.6%	68.3%	84.7%	75.2%	105.6%	66.3%	58.5%	55.4%

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	213	210	207	205
of which leased assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
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	269	266	264	261
Inventory	43	51	48	47	48	57	61	71	77	81	84
Accounts receivable	58	65	58	56	58	60	66	78	84	88	92
Short-term leased assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
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	18	18	19
Total current assets	115	137	134	123	131	139	147	168	180	187	195
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**	**437**	**446**	**450**	**456**
Shareholders equity	92	90	103	104	103	115	112	117	124	135	147
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	124	135	147
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	209	209	204	197
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	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
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	216	216	211	204
Short-term provisions	0	0	0	0	0	1	1	0	0	0	0
Accounts payable	56	68	60	62	68	64	67	76	83	86	90
Current lease debt	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
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	106	105	105
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**	**437**	**446**	**450**	**456**
Balance sheet and debt metrics											
Net debt	87	119	101	105	104	103	117	218	214	204	193
of which lease debt	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Working capital	41	47	45	41	38	52	60	73	79	82	86
Invested capital	195	221	213	216	212	222	234	342	345	346	347
Capital employed	201	187	197	187	224	236	226	333	340	345	351
ROE	16.7%	11.9%	9.1%	17.9%	17.8%	13.8%	15.6%	11.4%	18.1%	20.0%	20.1%
ROIC	10.5%	3.4%	4.2%	9.9%	8.2%	8.0%	8.9%	7.8%	7.5%	8.6%	9.2%
ROCE	10.7%	5.7%	5.5%	13.3%	9.2%	8.7%	10.2%	6.2%	9.0%	10.1%	10.7%
Net debt/EBITDA	2.9	5.5	4.7	2.9	3.1	3.2	3.3	5.9	3.7	3.3	2.9
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%	26.7%	27.8%	29.9%	32.2%
Net gearing	94.1%	131.6%	98.2%	101.0%	101.4%	89.8%	103.9%	186.7%	172.6%	151.8%	131.1%

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**	**58**	**63**	**66**
Paid taxes	-3	-1	-3	-2	-2	-2	-3	-2	-3	-3	-4
Net financials	-4	-3	-3	-4	-3	-3	-4	-3	-6	-6	-6
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	-1	-1	-1
Funds from operations (FFO)	**23**	**18**	**16**	**30**	**29**	**27**	**30**	**31**	**49**	**53**	**56**
Change in NWC	-11	-6	0	-8	-4	-11	-13	-11	-6	-3	-3
Cash flow from operations (CFO)	**12**	**12**	**16**	**22**	**25**	**16**	**17**	**20**	**42**	**49**	**52**
Capital expenditure	-42	-30	-4	-17	-15	-6	-18	-43	-25	-25	-26
Free cash flow before A&D	**-29**	**-18**	**12**	**5**	**10**	**10**	**0**	**-23**	**18**	**24**	**26**
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	18	24	26
Free cash flow, adjusted for leases	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
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	-5	-10	-10
Other financing adjustments	8	-3	20	0	0	0	0	-2	0	0	0
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	-1	0	1
Cash flow metrics											
Capex/D&A	n.m.	n.m.	33.9%	n.m.	n.m.	54.3%	n.m.	n.m.	89.7%	91.5%	91.9%
Capex/Sales	8.7%	6.2%	0.8%	3.6%	3.3%	1.4%	3.5%	8.0%	4.2%	4.1%	4.0%
Key information											
Share price year end (/current)	7	6	6	6	8	8	10	8	9	9	9
Market cap.	208	197	186	175	229	253	310	250	268	268	268
Enterprise value	294	314	286	280	333	356	426	468	482	473	461
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

Disclaimer and legal disclosures

Origin of the report
This publication or report originates from: Nordea Bank Abp, including its branches Nordea Danmark, Filial af Nordea Bank Abp, Finland, Nordea Bank Abp, filial i Norge and Nordea Bank Abp, filial i Sverige (together "Nordea") acting through their unit Nordea Markets.

Nordea Bank Abp is supervised by the European Central Bank and the Finnish Financial Supervisory Authority and the branches are supervised by the European Central Bank and the Finnish Financial Supervisory Authority and the Financial Supervisory Authorities in their respective countries.

Content of report
This report has been prepared solely by Nordea Markets.

Opinions or suggestions from Nordea Markets credit and equity research may deviate from one another or from opinions presented by other departments in Nordea. This may typically be the result of differing time horizons, methodologies, contexts or other factors.

The information provided herein is not intended to constitute and does not constitute investment advice nor is the information intended as an offer or solicitation for the purchase or sale of any financial instrument. The information contained herein has no regard to the specific investment objectives, the financial situation or particular needs of any particular recipient. Relevant and specific professional advice should always be obtained before making any investment or credit decision

Opinions or ratings are based on one or more methods of valuation, for instance cash flow analysis, use of multiples, behavioural technical analyses of underlying market movements in combination with considerations of the market situation and the time horizon. Key assumptions of forecasts or ratings in research cited or reproduced appear in the research material from the named sources. The date of publication appears from the research material cited or reproduced. Opinions and estimates may be updated in subsequent versions of the report, provided that the relevant company/issuer is treated anew in such later versions of the report.

Validity of the report
All opinions and estimates in this report are, regardless of source, given in good faith, and may only be valid as of the stated date of this report and are subject to change without notice.

No individual investment or tax advice
The report is intended only to provide general and preliminary information to investors and shall not be construed as the basis for any investment decision. This report has been prepared by Nordea Markets as general information for private use of investors to whom the report has been distributed, but it is not intended as a personal recommendation of particular financial instruments or strategies and thus it does not provide individually tailored investment advice, and does not take into account the individual investor's particular financial situation, existing holdings or liabilities, investment knowledge and experience, investment objective and horizon or risk profile and preferences. The investor must particularly ensure the suitability of an investment as regards his/her financial and fiscal situation and investment objectives. The investor bears the risk of losses in connection with an investment.

Before acting on any information in this report, it is recommendable to consult (without being limited to) one's financial, legal, tax, accounting, or regulatory advisor in any relevant jurisdiction.

The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. Each investor shall make his/her own appraisal of the tax and other financial merits of his/her investment.

Sources
This report may be based on or contain information, such as opinions, estimates and valuations which emanate from: Nordea Markets' analysts or representatives, publicly available information, information from other units of Nordea, or other named sources.

To the extent this publication or report is based on or contain information emanating from other sources ("Other Sources") than Nordea Markets ("External Information"), Nordea Markets has deemed the Other Sources to be reliable but neither Nordea, others associated or affiliated with Nordea nor any other person, do guarantee the accuracy, adequacy or completeness of the External Information.

Limitation of liability
Nordea or other associated and affiliated companies assume no liability as regards to any investment, divestment or retention decision taken by the investor on the basis of this report. In no event will Nordea or other associated and affiliated companies be liable for direct, indirect or incidental, special or consequential damages (regardless of whether being considered as foreseeable or not) resulting from the information in this report.

Risk information
The risk of investing in certain financial instruments, including those mentioned in this report , is generally high, as their market value is exposed to a lot of different factors such as the operational and financial conditions of the relevant company, growth prospects, change in interest rates, the economic and political environment, foreign exchange rates, shifts in market sentiments etc. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. Past performance is not a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. When investing in individual shares, the investor may lose all or part of the investments.

Conflicts of interest
Readers of this document should note that Nordea Markets has received remuneration from the company mentioned in this document for the production of the report. The remuneration is not dependent on the content of the report.

Nordea, affiliates or staff in Nordea, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the report.

To limit possible conflicts of interest and counter the abuse of inside knowledge, the analysts of Nordea Markets are subject to internal rules on sound ethical conduct, the management of inside information, handling of unpublished research material, contact with other units of Nordea and personal account dealing. The internal rules have been prepared in accordance with applicable legislation and relevant industry standards. The object of the internal rules is for example to ensure that no analyst will abuse or cause others to abuse confidential information. It is the policy of Nordea Markets that no link exists between revenues from capital markets activities and individual analyst remuneration. Nordea and the branches are members of national stockbrokers' associations in each of the countries in which Nordea has head offices. Internal rules have been developed in accordance with recommendations issued by the stockbrokers associations. This material has been prepared following the Nordea Conflict of Interest Policy, which may be viewed at www.nordea.com/mifid.

Distribution restrictions
The securities referred to in this report may not be eligible for sale in some jurisdictions. This report is not intended for, and must not be distributed to private customers in the UK or the US. This research report is intended only for, and may be distributed only to, accredited investors, expert investors or institutional investors in Singapore who may contact Nordea Bank, Singapore Branch of 138 Market Street, #09-01 CapitaGreen, Singapore 048946.

This report may be distributed by Nordea Bank Luxembourg S.A., 562 rue de Neudorf, L-2015 Luxembourg which is subject to the supervision of the Commission de Surveillance du Secteur Financier.

This publication or report may be distributed by Nordea Bank Abp Singapore Branch, which is subject to the supervision of the European Central Bank, the Finnish Financial Supervisory Authority and the Monetary Authority of Singapore.

This publication or report may be distributed in the UK to institutional investors by Nordea Bank Abp London Branch of 6th Floor, 5 Aldermanbury Square, London, EC2V 7AZ, which is under supervision of the European Central Bank, Finanssivalvonta (Financial Supervisory Authority) in Finland and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom. Details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request.

Analyst Shareholding

Nordea Markets analysts do not hold shares in the companies that they cover. No holdings or other affiliations by analysts or associates.

Fair value sensitivity

We calculate our fair values by weighting DCF, DDM, SOTP, asset-based and other standard valuation methods. When applicable, we set a 12-month target price by applying an appropriate premium/discount and/or other relevant adjustment to our fair value to reflect the share price potential we see within the coming 12 months. Our fair values are sensitive to changes in valuation assumptions, of which growth, margins, tax rates, working capital ratios, investment-to-sales ratios and cost of capital are typically the most sensitive.
It should be noted that our fair values would change by a disproportionate factor if changes are made to any or all valuation assumptions, owing to the non-linear nature of the standard valuation models applied (mentioned above). As a consequence of the standard valuation models we apply, changes of 1-2 percentage points in any single valuation assumption can change the derived fair value by as much as 30% or more. Dividend payouts are included in the target price. All research is produced on an ad hoc basis and will be updated when the circumstances require it.

Marketing Material

This research report should be considered marketing material, as it has been commissioned and paid for by the subject company, and has not been prepared in accordance with the regulations designed to promote the independence of investment research and it is not subject to any legal prohibition on dealing ahead of the dissemination of the report. However, Nordea Markets analysts are according to internal policies not allowed to hold shares in the companies/sectors that they cover.

Where applicable, recommendation changes are available at: https://research.nordea.com/compliance#equity-changes.

Market-making obligations and other significant financial interest

Nordea Markets has market-making obligations in Aspo

Investment banking transactions

In view of Nordea's position in its markets readers should assume that the bank may currently or may in the coming three months and beyond be providing or seeking to provide confidential investment banking services to the company/companies

Issuer Review

This report has not been reviewed by the Issuer prior to publication.

Completion Date

09 May 2019, 00:42 CET

Nordea Bank Abp

Nordea Markets Division, Research
Visiting address:
Aleksis Kiven katu 7, Helsinki
FI-00020 Nordea
Finland

Tel: +358 9 1651
Fax: +358 9 165 59710

Reg.no. 2858394-9
Satamaradankatu 5
Helsinki

Nordea Bank Abp, filial i Sverige

Nordea Markets Division, Research
Visiting address:
Smålandsgatan 17
SE-105 71 Stockholm
Sweden

Tel: +46 8 614 7000
Fax: +46 8 534 911 60

Nordea Danmark, Filial af Nordea Bank Abp, Finland

Nordea Markets Division, Research
Visiting address:
Grønjordsvej 10
DK-2300 Copenhagen S
Denmark

Tel: +45 3333 3333
Fax: +45 3333 1520

Nordea Bank Abp, filial i Norge

Nordea Markets Division, Research
Visiting address:
Essendropsgate 7
N-0107 Oslo
Norway

Tel: +47 2248 5000
Fax: +47 2256 8650