

Guides lower operating profit

Raute reported Q4 revenue above our expectations, however operating profit fell clearly short of our expectations as Raute discovered costs attributable to '18 workload. As expected, Raute guides flat sales development for '20, however we didn't expect the company to guide lower operating profit for the year.

- Raute reported EUR 39.3m Q4 sales (27% y/y decline) in comparison to our EUR 37.0m estimate. Project deliveries generated EUR 24.1m in sales.
- Q4 EBIT amounted to EUR 1.8m, while we had estimated EUR 3.0m. The figure was burdened by unforeseen costs stemming from record-high workload in '18. Apparently Raute discovered these issues not before late '19. Operating margin was thus 4.6% vs our 8.1% expectation.
- Q4 order intake was EUR 17m vs our EUR 19m expectation. Order intake thus decreased 39% y/y. Order book stood at EUR 88m (EUR 95m a year ago).
- The BoD's dividend proposal is EUR 1.45 per share.
- Raute guides flat sales development for this year (as expected) but expects operating profit to decrease due to adaption measures taken to respond to shifting markets as well as investments in marketing, product development and digitalization.

Rating				🟡 HOLD
Q4'19	Actual	Evli	Year ago	Q3'19
Net sales	39.3	37.0	54.2	33.7
-Project deliveries	24.1	20.0	37.6	16.5
-Technology services	15.2	17.0	16.6	17.2
Operating profit	1.8	3.0	3.4	1.7
Operating profit margin	4.6 %	8.1 %	6.3 %	5.0 %
Share price, EUR (Last trading day's closing price)				26.90
Target price, EUR				25.0
Latest change in recommendation				01-Aug-19
Latest report on company				10-Feb-20
Research paid by issuer:				YES
No. of shares outstanding, '000's				4,249
No. of shares fully diluted, '000's				4,249
Market cap, EURm				114
Free float, %				-
Exchange rate				-
Reuters code				RAUTE.HE
Bloomberg code				RAUTE:FH
Average daily volume, EURm				0.1
Next interim report				13-Feb-20
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🟢 BUY 🟡 HOLD 🔴 SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2017	148.6	11.6	7.8%	11.4	2.22	13.1	0.6	8.1	9.3	1.25
2018	181.1	14.9	8.2%	-11.2	2.76	7.7	0.5	5.7	-12.4	1.40
2019E	149.0	9.6	6.4%	14.0	1.85	14.5	0.7	10.5	12.2	1.40
2020E	148.6	11.1	7.5%	9.4	2.02	13.3	0.7	8.8	8.2	1.40
2021E	145.8	11.2	7.7%	9.7	2.05	13.1	0.6	8.3	8.5	1.40
Market cap, EURm	114		BV per share 2019E, EUR		-27.9		CAGR EPS 2018-21, %		-9.4	
Net debt 2019E, EURm	-13		Price/book 2019E		2.4		CAGR sales 2018-21, %		-7.0	
Enterprise value, EURm	101		Dividend yield 2019E, %		5.2		ROE 2019E, %		16.6	
Total assets 2019E, EURm	95		Tax rate 2019E, %		18.6		ROCE 2019E, %		17.6	
Goodwill 2019E, EURm	1		Equity ratio 2019E, %		50.9		PEG, P/E 19/CAGR		6.1	

All the important disclosures can be found on the last pages of this report.

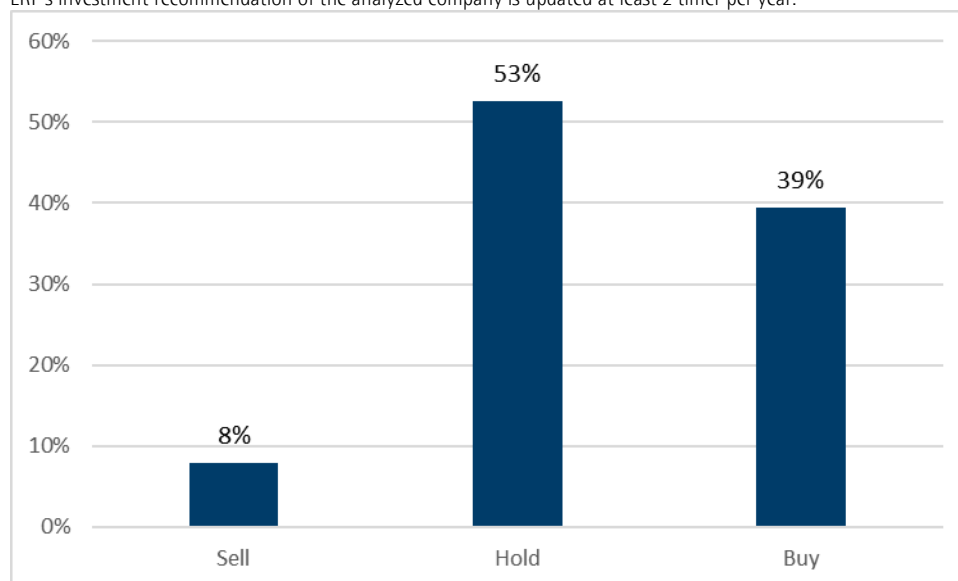
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Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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Name(s) of the analyst(s): Ilvonen

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