

Growth pursuit weighs EBIT this year

Raute's Q4 was mixed relative to our estimates. More important was Raute's commitment to pursue emerging markets growth. We retain our EUR 25 TP and HOLD rating.

Q4 put an end to a year following the record-high one

Raute reported EUR 39.3m in Q4 sales, above our EUR 37.0m estimate but down by 27% y/y. Project deliveries sales declined by 36% y/y to EUR 24.1m, while technology services top line was also soft at EUR 15.2m (down 10% y/y) owing to the low demand for cyclical modernization projects. We had expected Raute to post EUR 3.0m in Q4 EBIT as the company indicated Q4 would be the strongest in '19 in terms of profitability, however the figure was realized at EUR 1.8m due to certain unforeseen costs owing to the record-high workload in '18. With regards to order activity, Raute booked EUR 17m in new orders during Q4. The figure was slightly below our EUR 19m expectation and declined by 39% y/y. The EUR 4m project order intake was indeed low, while services orders dropped by 32% to EUR 13m due to lack of modernizations. In our view the cool market is not, at least for now, a major problem for Raute as the company should still be able to post relatively stable top line this year thanks to the EUR 58m Segezha project (and total EUR 88m order book).

Raute guides flat sales and lower EBIT for this year

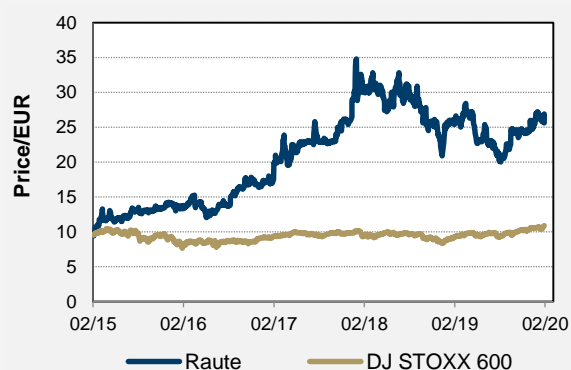
In our opinion Raute's decision to guide stable sales development for '20 wasn't a surprise. In practice Raute's guidance policy is rather loose and given the recent order flow we see sales slightly down this year. The picture could of course change swiftly should larger orders materialize. In our view the main takeaway was that Raute expects lower EBIT this year as the company is responding to the market shift by committing itself to increased efforts in R&D and marketing. As European activity remains low due to recent major investment cycle in new capacity, Raute aims to grow in emerging markets more seriously than before by segmenting its equipment to better reach lower price points.

We continue to view valuation neutral

In the long-term an expanded offering could have big financial potential. Still, the current picture is rather murky. We view Raute's valuation (8x EV/EBITDA and 12x EV/EBIT '20e) neutral in the current environment. Our TP is still EUR 25, rating HOLD.

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 25.60

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 109

Free float, % -

Exchange rate -

Reuters code RAUTE.HE

Bloomberg code RAUTE:FH

Average daily volume, EURm 0.1

Next interim report 29-Apr-20

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+ BUY ■ HOLD - SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2018	181.1	14.9	8.2%	-11.2	2.76	7.7	0.5	5.7	-12.4	1.40
2019	151.3	8.4	5.6%	18.0	1.80	15.0	0.7	11.8	15.7	1.45
2020E	141.8	7.8	5.5%	10.2	1.73	14.8	0.6	11.5	9.4	1.47
2021E	139.2	9.3	6.7%	8.5	1.68	15.2	0.6	9.4	7.8	1.50
2022E	144.2	10.4	7.2%	6.3	1.89	13.6	0.6	8.4	5.8	1.52
Market cap, EURm				109	Gearing 2020E, %		-38.3	CAGR EPS 2019-22, %		1.7
Net debt 2020E, EURm				-19	Price/book 2020E		2.1	CAGR sales 2019-22, %		-1.6
Enterprise value, EURm				89	Dividend yield 2020E, %		5.7	ROE 2020E, %		14.7
Total assets 2020E, EURm				89	Tax rate 2020E, %		14.0	ROCE 2020E, %		13.6
Goodwill 2020E, EURm				1	Equity ratio 2020E, %		56.7	PEG, P/E 20/CAGR		2.9

We update our estimates following the report

We have cut our estimates for this year as the market environment has remained cool. While we previously expected Raute's '20e revenue to amount to EUR 148.6m, we now expect EUR 141.8m. With regards to operating profit, we previously expected Raute to achieve EUR 11.1m this year. We now see the figure down to EUR 7.8m as Raute has decided to invest more in developing its offering more attractive for emerging markets. Raute used to spend some EUR 3m annually in R&D; looking at Raute's latest figures we think the company is on track to spend more than EUR 5m this year. Moreover, the large Segezha order makes up a significant portion of workload this year and thus its lower margin will restrict operating profit potential.

RAUTE PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		19	20	21	19	20	21	19	20	21
Alfa Laval AB	10252	11.8x	12.8x	12.7x	14.9x	16.2x	15.9x	15.4 %	15.6 %	15.6 %
Cargotec	2127	7.4x	8.0x	7.4x	11.0x	11.1x	10.1x	7.2 %	7.4 %	8.0 %
Glaston	96	9.1x	6.3x	5.2x	18.0x	10.7x	8.4x	3.4 %	5.2 %	6.1 %
Kone	29745	19.7x	17.8x	16.8x	23.3x	20.9x	19.5x	12.4 %	12.9 %	13.2 %
Konecranes Oyj	2553	7.6x	7.7x	7.2x	12.4x	11.2x	10.1x	6.9 %	8.1 %	8.8 %
Metso	4981	10.9x	8.6x	8.2x	13.3x	10.1x	9.6x	11.8 %	12.5 %	12.7 %
Outotec	975	7.9x	5.9x	5.4x	11.2x	7.8x	7.0x	8.9 %	10.4 %	10.7 %
Ponsse	914	9.7x	9.9x	9.3x	12.5x	12.5x	11.7x	10.8 %	11.2 %	11.4 %
Sandvik	22241	9.2x	10.2x	9.8x	17.8x	13.1x	12.3x	13.5 %	18.7 %	19.4 %
Valmet	3588	8.5x	8.0x	7.7x	11.3x	10.4x	9.7x	8.2 %	8.7 %	9.2 %
Wartsila	6610	10.8x	10.4x	9.9x	14.6x	13.1x	12.4x	9.0 %	10.8 %	11.2 %
Peer Group Average	7644	10.2x	9.6x	9.1x	14.6x	12.5x	11.5x	9.8 %	11.0 %	11.5 %
Peer Group Median	3588	9.2x	8.6x	8.2x	13.3x	11.2x	10.1x	9.0 %	10.8 %	11.2 %
Raute (Evli est.)	110	8.1x	7.7x	7.0x	11.8x	11.7x	9.6x	5.6 %	5.5 %	6.7 %
<i>Raute prem./disc. to peer median</i>		-12 %	-10 %	-15 %	-11 %	5 %	-5 %	-39 %	-49 %	-40 %

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	25.60 PV of Free Cash Flow	51 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	26.18 PV of Horizon value	45 WACC, %	9.6 Market risk premium, %	5.8
Share price potential, %	2.3 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	27.7 Marketable securities	22 Minimum WACC, %	9.1 Equity beta coefficient	1.35
Minimum value	24.8 Debt - dividend	-7 Maximum WACC, %	10.1 Target debt ratio, %	20
Horizon value, %	47.3 Value of stock	111 Nr of shares, Mn	4.2 Effective tax rate, %	20

DCF valuation, EURm	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Horizon
Net sales	151	142	139	144	149	154	158	161	165	169	172	175
<i>Sales growth, %</i>	-16.5	-6.3	-1.8	3.6	3.6	3.0	2.5	2.3	2.3	2.3	2.0	2.0
Operating income (EBIT)	8	8	9	10	11	11	10	10	11	11	11	11
<i>Operating income margin, %</i>	5.6	5.5	6.7	7.2	7.4	7.2	6.5	6.5	6.5	6.5	6.5	6.5
+ Depreciation+amort.	4	4	3	3	3	4	4	4	4	4	4	4
EBITDA	12	12	13	13	15	15	14	15	15	15	16	
- Paid taxes	-1	-1	-2	-2	-2	-2	-2	-2	-2	-2	-2	
- Change in NWC	10	1	0	0	0	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	7.0	6.9	6.8	6.9	6.9	7.0	7.0	7.0	7.1	7.1	7.1	
+ Change in other liabs	-2	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-3	-2	-2	-4	-5	-4	-4	-4	-4	-5	-5	
<i>opCAPEX / Sales, %</i>	2.1	1.3	1.7	3.0	3.3	2.9	2.8	2.8	2.8	2.8	2.8	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	16	9	9	7	7	8	8	8	8	8	8	112
= Discounted FCFF		8	7	5	5	5	4	4	4	4	3	45
= DFCF min WACC		8	7	5	5	5	5	4	4	4	4	51
= DFCF max WACC		8	7	5	5	5	4	4	4	3	3	41

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1E	2020Q2E	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	41.3	37.0	33.7	39.3	151.3	39.5	39.8	33.3	29.2	141.8	139.2	144.2
EBITDA	3.6	3.2	2.6	2.9	12.3	2.8	3.3	2.9	2.8	11.8	12.7	13.5
<i>EBITDA margin (%)</i>	<i>8.7</i>	<i>8.6</i>	<i>7.7</i>	<i>7.3</i>	<i>8.1</i>	<i>7.2</i>	<i>8.2</i>	<i>8.6</i>	<i>9.5</i>	<i>8.3</i>	<i>9.1</i>	<i>9.3</i>
EBIT	2.6	2.3	1.7	1.8	8.4	1.8	2.3	1.9	1.8	7.8	9.3	10.4
<i>EBIT margin (%)</i>	<i>6.3</i>	<i>6.2</i>	<i>5.0</i>	<i>4.6</i>	<i>5.6</i>	<i>4.6</i>	<i>5.7</i>	<i>5.6</i>	<i>6.0</i>	<i>5.5</i>	<i>6.7</i>	<i>7.2</i>
Net financial items	0.1	0.0	0.0	0.7	0.8	0.2	0.2	0.2	0.2	0.8	-0.4	-0.4
Pre-tax profit	2.7	2.3	1.7	2.5	9.2	2.0	2.5	2.1	2.0	8.6	8.9	10.0
Tax	-0.6	-0.4	-0.3	-0.3	-1.6	-0.3	-0.3	-0.3	-0.3	-1.2	-1.8	-2.0
<i>Tax rate (%)</i>	<i>22.2</i>	<i>17.4</i>	<i>17.6</i>	<i>10.6</i>	<i>17.0</i>	<i>14.8</i>	<i>12.1</i>	<i>14.5</i>	<i>15.3</i>	<i>14.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	2.1	1.9	1.4	2.2	7.6	1.7	2.2	1.8	1.7	7.4	7.1	8.0
EPS	0.49	0.45	0.33	0.53	1.80	0.41	0.51	0.42	0.39	1.73	1.68	1.89
EPS adjusted (diluted no. of shares)	0.49	0.45	0.33	0.53	1.80	0.41	0.51	0.42	0.39	1.73	1.68	1.89
Dividend per share	0.00	0.00	0.00	0.00	1.45	0.00	0.00	0.00	0.00	1.47	1.50	1.52
SALES, EURm												
Project deliveries	26.8	18.2	16.5	24.1	85.6	24.7	20.0	15.2	13.3	73.2	67.2	69.7
Technology services	14.5	18.8	17.2	15.2	65.7	14.8	19.8	18.1	16.0	68.6	72.0	74.6
Total	41.3	37.0	33.7	39.3	151.3	39.5	39.8	33.3	29.2	141.8	139.2	144.2
SALES GROWTH, Y/Y %												
<i>Project deliveries</i>	<i>8.5</i>	<i>-40.7</i>	<i>-50.7</i>	<i>-35.6</i>	<i>-32.2</i>	<i>-8.0</i>	<i>10.0</i>	<i>-7.6</i>	<i>-44.9</i>	<i>-14.5</i>	<i>-8.2</i>	<i>3.6</i>
<i>Technology services</i>	<i>37.0</i>	<i>44.6</i>	<i>18.5</i>	<i>-9.5</i>	<i>19.7</i>	<i>2.0</i>	<i>5.1</i>	<i>5.0</i>	<i>5.0</i>	<i>4.4</i>	<i>5.0</i>	<i>3.6</i>
Total	17.1	-15.3	-29.7	-27.5	-16.5	-4.5	7.5	-1.2	-25.6	-6.3	-1.8	3.6
EBIT, EURm												
Project deliveries	1.1	0.5	0.2	0.3	2.1	0.5	0.5	0.3	0.3	1.5	2.0	5.0
Technology services	1.5	1.8	1.5	1.5	6.3	1.3	1.8	1.6	1.5	6.3	7.3	5.4
Total	2.6	2.3	1.7	1.8	8.4	1.8	2.3	1.9	1.8	7.8	9.3	10.4
EBIT margin, %												
<i>Project deliveries</i>	<i>4.1</i>	<i>2.7</i>	<i>1.2</i>	<i>1.2</i>	<i>2.5</i>	<i>2.0</i>	<i>2.5</i>	<i>1.6</i>	<i>1.9</i>	<i>2.0</i>	<i>3.0</i>	<i>7.2</i>
<i>Technology services</i>	<i>10.3</i>	<i>9.6</i>	<i>8.7</i>	<i>9.9</i>	<i>9.6</i>	<i>9.0</i>	<i>9.0</i>	<i>9.0</i>	<i>9.5</i>	<i>9.1</i>	<i>10.1</i>	<i>7.2</i>
Total	6.3	6.2	5.0	4.6	5.6	4.6	5.7	5.6	6.0	5.5	6.7	7.2

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	127.3	113.1	148.6	181.1	151.3	141.8	139.2	144.2
<i>Sales growth (%)</i>	<i>35.4</i>	<i>-11.1</i>	<i>31.4</i>	<i>21.9</i>	<i>-16.5</i>	<i>-6.3</i>	<i>-1.8</i>	<i>3.6</i>
EBITDA	11.6	10.9	14.2	17.4	12.3	11.8	12.7	13.5
<i>EBITDA margin (%)</i>	<i>9.1</i>	<i>9.6</i>	<i>9.6</i>	<i>9.6</i>	<i>8.1</i>	<i>8.3</i>	<i>9.1</i>	<i>9.3</i>
Depreciation	-2.1	-2.3	-2.6	-2.5	-3.9	-4.0	-3.4	-3.1
EBITA	9.5	8.6	11.6	14.9	8.4	7.8	9.3	10.4
Goodwill amortization / writedown	-1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	8.1	8.6	11.6	14.9	8.4	7.8	9.3	10.4
<i>EBIT margin (%)</i>	<i>6.4</i>	<i>7.6</i>	<i>7.8</i>	<i>8.2</i>	<i>5.6</i>	<i>5.5</i>	<i>6.7</i>	<i>7.2</i>
Reported EBIT	8.1	8.6	11.6	14.9	8.4	7.8	9.3	10.4
<i>EBIT margin (reported) (%)</i>	<i>6.4</i>	<i>7.6</i>	<i>7.8</i>	<i>8.2</i>	<i>5.6</i>	<i>5.5</i>	<i>6.7</i>	<i>7.2</i>
Net financials	0.1	0.0	0.0	0.0	0.8	0.8	-0.4	-0.4
Pre-tax profit	8.2	8.6	11.6	14.9	9.2	8.6	8.9	10.0
Taxes	-1.4	-1.5	-2.1	-3.2	-1.6	-1.2	-1.8	-2.0
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	6.7	7.0	9.4	11.7	7.6	7.4	7.1	8.0
Cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	11	12	13	15	16	15	14	15
Goodwill	0	0	1	1	1	1	1	1
Right of use assets	0	0	0	7	7	6	6	7
Inventory	10	10	11	14	12	12	11	12
Receivables	35	24	30	52	32	30	29	30
Liquid funds	7	24	31	13	22	26	28	28
Total assets	62	70	87	103	91	89	90	93
Liabilities								
Shareholder's equity	30	34	39	47	50	51	52	53
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	7	5	6	6	7
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	2	3	1	1	2	0	0	0
Non-interest bearing current liabilities	28	29	43	46	31	29	28	30
Other interest-free debt	0	1	1	1	3	3	3	3
Total liabilities	62	70	87	103	91	89	90	93
CASH FLOW, EURm								
+ EBITDA	12	11	14	17	12	12	13	13
- Net financial items	2	17	7	0	1	1	0	0
- Taxes	-1	0	-3	-3	-1	-1	-2	-2
- Increase in Net Working Capital	-3	12	6	-23	10	1	0	0
+/- Other	-3	-19	-6	0	0	0	0	0
= Cash flow from operations	8	21	18	-8	21	12	11	11
- Capex	-2	-3	-7	-4	-3	-2	-2	-4
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	5	18	11	-11	18	10	8	6
+/- New issues/buybacks	0	1	0	1	1	0	0	0
- Paid dividend	-2	-3	-4	-5	-6	-6	-6	-6
+/- Other	-2	2	0	-2	-4	-1	0	0
Change in cash	2	17	7	-17	9	4	2	0

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	70	123	91	114	109	109	109
Net debt (excl. convertibles)	-21	-29	-5	-15	-19	-22	-22
Enterprise value	50	94	85	99	89	87	87
Sales	113	149	181	151	142	139	144
EBITDA	11	14	17	12	12	13	13
EBIT	9	12	15	8	8	9	10
Pre-tax	9	12	15	9	9	9	10
Earnings	7	9	12	8	7	7	8
Equity book value (excl. minorities)	34	39	47	50	51	52	53
Valuation multiples							
EV/sales	0.4	0.6	0.5	0.7	0.6	0.6	0.6
EV/EBITDA	4.6	6.6	4.9	8.1	7.6	6.8	6.5
EV/EBITA	5.8	8.1	5.7	11.8	11.5	9.4	8.4
EV/EBIT	5.8	8.1	5.7	11.8	11.5	9.4	8.4
EV/OCF	2.3	5.1	-11.2	4.7	7.4	8.1	8.1
EV/FCFF	2.7	7.4	-7.2	6.3	9.8	10.1	12.7
P/FCFE	3.9	10.8	-8.1	6.4	10.6	12.9	17.2
P/E	10.0	13.1	7.7	15.0	14.8	15.2	13.6
P/B	2.1	3.1	1.9	2.3	2.1	2.1	2.0
Target EV/EBITDA	0.0	0.0	0.0	0.0	7.4	6.6	6.3
Target EV/EBIT	0.0	0.0	0.0	0.0	11.2	9.1	8.2
Target EV/FCF	0.0	0.0	0.0	0.0	8.5	10.0	13.4
Target P/B	0.0	0.0	0.0	0.0	2.1	2.1	2.0
Target P/E	0.0	0.0	0.0	0.0	14.5	14.9	13.2
Per share measures							
Number of shares	4,206	4,249	4,249	4,249	4,249	4,249	4,249
Number of shares (diluted)	4,206	4,249	4,249	4,249	4,249	4,249	4,249
EPS	1.68	2.22	2.76	1.80	1.73	1.68	1.89
Operating cash flow per share	5.05	4.33	-1.79	4.96	2.86	2.54	2.52
Free cash flow per share	4.33	2.68	-2.64	4.23	2.41	1.99	1.49
Book value per share	8.13	9.27	10.95	11.65	11.93	12.14	12.53
Dividend per share	1.00	1.25	1.40	1.45	1.47	1.50	1.52
Dividend payout ratio, %	59.7	56.4	50.7	80.7	85.0	89.2	80.5
Dividend yield, %	6.0	4.3	6.6	5.7	5.7	5.9	5.9
FCF yield, %	25.9	9.3	-12.4	15.7	9.4	7.8	5.8
Efficiency measures							
ROE	22.1	25.6	27.3	15.9	14.7	14.0	15.3
ROCE	25.0	29.7	31.3	15.1	13.6	16.1	17.6
Financial ratios							
Inventories as % of sales	8.6	7.4	7.9	8.2	8.2	8.2	8.2
Receivables as % of sales	21.6	20.5	28.9	20.9	21.0	21.0	21.0
Non-interest bearing liabilities as % of sales	26.1	29.1	25.2	20.5	20.5	20.5	20.5
NWC/sales, %	3.1	-1.8	11.1	7.0	6.9	6.8	6.9
Operative CAPEX/sales, %	2.7	4.7	2.0	2.1	1.3	1.7	3.0
CAPEX/sales (incl. acquisitions), %	2.7	4.7	2.0	2.1	1.3	1.7	3.0
FCFF/EBITDA	1.7	0.9	-0.7	1.3	0.8	0.7	0.5
Net debt/EBITDA, book-weighted	-1.9	-2.1	-0.3	-1.3	-1.7	-1.7	-1.6
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	49.0	45.3	45.1	54.6	56.7	57.5	57.5
Gearing, %	-60.3	-74.4	-11.8	-31.0	-38.3	-41.9	-40.5

COMPANY DESCRIPTION: Raute offers production lines, machinery and services for the entire production process of veneer and veneer-based products, which include plywood and laminated veneer lumber (LVL). The company's strategy is premised on a complementary offering of veneer production technology and services. Raute has differentiated itself through technological leadership and the ability to supply entire plywood and LVL production processes. Raute delivers most of its equipment in a tailored project-driven fashion to a global customer base consisting of hundreds of plywood and LVL mills. Raute has its main production plant in Lahti, Finland, however the company also operates a global sales and services network. Raute is a global leader in its niche market.

INVESTMENT CASE: Raute is the most technologically sophisticated vendor and a market leader within its niche. In our view this set-up will not change as current competition lags quite far behind and larger capital goods companies are unlikely to enter the relatively small market. Predicting Raute's project delivery flow is not easy and a single large project can make up a significant portion of a given calendar year's activity. Services growth might help to smooth financial performance, however project deliveries will always remain crucially important for Raute's success.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Sundholm Göran Wilhelm	500,000	12.800	11.8%
Mandatum Life Unit-Linked	138,302	3.541	3.3%
Laakkonen Mikko Kalervo	119,919	3.070	2.8%
Suominen Pekka	110,429	2.827	2.6%
Siivonen Osku Pekka	104,179	2.667	2.5%
Kirmo Kaisa Marketta	104,021	2.663	2.4%
Suominen Tiina Sini-Maria	100,856	2.582	2.4%
Keskiaho Kaija Leena	84,716	2.169	2.0%
Mustakallio Mika Tapani	83,270	2.132	2.0%
Särkijärvi Anna Riitta	82,489	2.112	1.9%
Ten largest	1,428,181	36.561	34%
Residual	2,821,067	72.219	66%
Total	4,249,248	108.781	100%

EARNINGS CALENDAR	
April 29, 2020	Q1 report
July 23, 2020	Q2 report
October 29, 2020	Q3 report
OTHER EVENTS	
March 31, 2020	AGM

COMPANY MISCELLANEOUS	
CEO: Tapani Kiiski	Rautetie 2, FI-15550 Nastola
CFO: Tarja Järvinen	Tel: +358 3, 82,911
IR:	

DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	DPS	Dividend for the financial period per share
Market cap	Price per share * Number of shares	OCF (Operating cash flow)	EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow)	Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, %	$\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital	Current assets – current liabilities
Net debt	Interest bearing debt – financial assets	Capital employed/Share	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
Total assets	Balance sheet total	Gearing	$\frac{\text{Net debt}}{\text{Equity}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

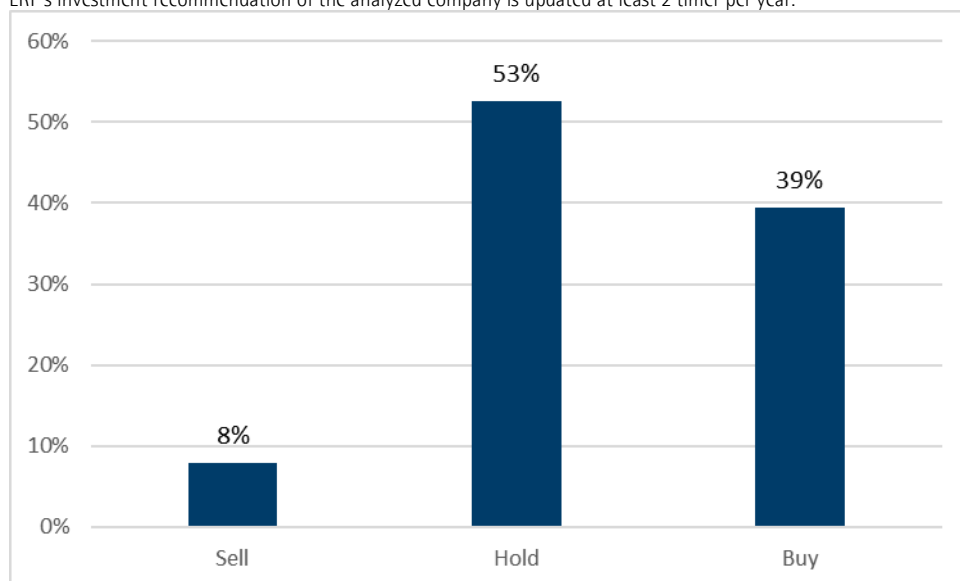
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Investment recommendations are defined as follows:

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

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The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. If recommendation is not given, it is not mentioned here.

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

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