

Longer perspective is warranted

Raute reports Q2 results on Thu, Jul 23. Order book stands at a decent level but Q2 must have been slow with respect to new orders. Raute issued two releases in Q2 which speak of the company's strategy proceeding according to plan; however, these news items will not immediately impact our estimates. In our view valuation is turning attractive on our unchanged estimates. Our TP is EUR 21, rating BUY (HOLD).

Order intake was likely low, but strategy appears on track

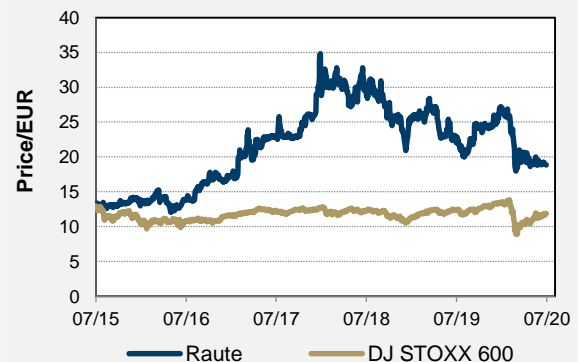
Raute didn't disclose any large orders in Q2, which in our view is unsurprising. However, the company did book an order for the delivery of modern veneer drying and automated lay-up lines to South China. Although the order is moderate in size, amounting to perhaps a few million euros, it may prove to hold significant reference value for Raute as the machinery represents the inaugural Chinese purchase of such advanced plywood production technology. The order will be delivered by the end of this year. In our view the order is an initial encouraging sign that the Chinese plywood market, by far the biggest, is gradually maturing towards higher quality standards. Raute has so far been unable to make meaningful inroads into the market and it remains to be seen in what time frame significant results might materialize. Raute also recently announced the acquisition of a Finnish software company specializing in demanding industrial solutions, including machine vision. From a financial perspective the deal has no impact on our current estimates but is consistent with Raute's strategy, according to which the company continues to invest in further developing its technological edge.

We see soft Q2 order intake, expect improvement in H2

We expect Raute to have booked EUR 19m in Q2 new orders i.e. about half the average quarterly level last year. As with so many other industries, the focus will be on comments regarding the changes and improvement in activity following the most acute weeks of the pandemic lockdown.

We view valuation low especially relative to peer multiples

This year will not be great in terms of profitability. On our estimates for next year Raute currently trades ca. 5.5x EV/EBITDA and 8.5x EV/EBIT; despite uncertainty regarding the sharpness of next year's profitability improvement we view these multiples attractive. Our TP remains EUR 21, rating now BUY (HOLD).

 Rating BUY

 Share price, EUR (Last trading day's closing price) 18.85

 Target price, EUR 21.0

 Latest change in recommendation 20-Jul-20

 Latest report on company 30-Apr-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 80

 Free float, % -

 Exchange rate -

 Reuters code RAUTE.HE

 Bloomberg code RAUTE:FH

 Average daily volume, EURm 0.1

 Next interim report 23-Jul-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	125.8	3.3	2.6%	8.4	0.77	24.6	0.5	18.9	10.5	1.47
2021E	127.0	7.4	5.8%	7.2	1.39	13.6	0.5	8.3	9.0	1.50
2022E	132.0	9.1	6.9%	5.8	1.71	11.1	0.5	6.8	7.3	1.52
Market cap, EURm	80			Gearing 2020E, %	-37.8			CAGR EPS 2019-22, %	-1.7	
Net debt 2020E, EURm	-18			Price/book 2020E	1.7			CAGR sales 2019-22, %	-4.4	
Enterprise value, EURm	62			Dividend yield 2020E, %	7.8			ROE 2020E, %	6.8	
Total assets 2020E, EURm	81			Tax rate 2020E, %	4.3			ROCE 2020E, %	6.1	
Goodwill 2020E, EURm	1			Equity ratio 2020E, %	57.3			PEG, P/E 20/CAGR	0.8	

Estimates and valuation

Raute	2017	2018	Q1'19	Q2'19	Q3'19	Q4'19	2019	Q1'20	Q2'20e	Q3'20e	Q4'20e	2020e	2021e
Order intake	155	166	32	26	73	17	148	25	19	28	34	106	139
Project deliveries	97	104	18	11	65	4	98	14	9	17	21	61	78
Technology services	58	62	14	15	8	13	50	11	10	11	13	45	61
Europe	60	76	5	4	5	6	21	8	5	9	11	33	39
Russia	50	30	18	8	60	2	89	13	9	13	14	49	41
North America	36	25	6	6	2	3	18	3	2	3	4	12	23
Latin America	8	12	1	7	0	3	12	1	1	2	3	7	16
Asia-Pacific	2	23	1	1	5	2	9	1	2	1	2	6	20
Order book	110	95	84	72	109	88	88	92	82	76	71	71	83
Revenue	148	181	41	37	34	39	151	24	29	34	39	126	127
Project deliveries	99	126	27	18	17	24	86	14	19	21	23	77	67
Technology services	49	55	15	19	17	15	66	10	10	13	16	49	60
Europe	82	77	19	15	9	8	51	6	6	7	8	27	32
Russia	35	48	11	10	14	13	47	10	19	21	22	72	47
North America	21	32	7	6	7	7	27	4	2	3	4	13	25
Latin America	6	6	3	4	3	4	14	3	1	2	2	8	11
Asia-Pacific	3	18	3	2	2	6	13	1	1	1	3	6	12
EBITDA	14	17	4	3	3	3	12	-2	2	3	4	7	11
<i>EBITDA margin</i>	9.3 %	9.6 %	8.7 %	9.1 %	7.9 %	6.9 %	8.1 %	-8.6 %	7.9 %	9.7 %	9.5 %	5.8 %	9.0 %
EBIT	11	15	3	2	2	2	8	-3	1	2	3	3	7
<i>EBIT margin</i>	7.5 %	8.2 %	6.3 %	6.3 %	5.1 %	4.6 %	5.6 %	-12.6 %	4.5 %	6.8 %	6.9 %	2.6 %	5.8 %

Source: Evli Research

RAUTE PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		19	20	21	19	20	21	19	20	21
Alfa Laval AB	8231	11.8x	12.5x	12.2x	14.9x	16.4x	15.6x	15.4 %	13.9 %	14.6 %
Cargotec	1645	7.6x	10.8x	8.1x	11.0x	20.0x	13.0x	7.2 %	3.9 %	5.9 %
Glaston	58	9.8x	10.0x	5.8x	19.4x	35.7x	10.3x	3.3 %	1.4 %	4.4 %
Kone	33301	19.7x	24.2x	21.5x	23.3x	28.7x	25.1x	12.4 %	11.9 %	12.8 %
Konecranes Oyj	1724	7.6x	9.3x	7.2x	12.1x	18.2x	11.2x	7.1 %	4.6 %	7.2 %
Ponsse	727	10.4x	12.2x	9.8x	13.7x	18.7x	13.5x	10.1 %	7.3 %	9.2 %
Sandvik	21461	9.1x	12.6x	10.4x	17.9x	18.7x	13.6x	13.3 %	14.1 %	18.3 %
Valmet	3388	8.5x	8.7x	7.7x	11.3x	11.8x	10.0x	8.2 %	7.3 %	8.4 %
Wartsila	4445	11.0x	10.9x	9.5x	14.7x	15.2x	12.6x	9.0 %	7.1 %	8.8 %
Peer Group Average	8331	10.6x	12.3x	10.2x	15.4x	20.4x	13.9x	9.6 %	7.9 %	10.0 %
Peer Group Median	3388	9.8x	10.9x	9.5x	14.7x	18.7x	13.0x	9.0 %	7.3 %	8.8 %
Raute (Evli est.)	80	8.1x	8.6x	5.4x	11.8x	18.9x	8.3x	5.6 %	2.6 %	5.8 %

Raute prem./disc. to peer median

-18 % -21 % -43 % -20 % 1 % -36 % -38 % -64 % -34 %

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	18.85 PV of Free Cash Flow	46 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	24.62 PV of Horizon value	43 WACC, %	9.6 Market risk premium, %	5.8
Share price potential, %	30.6 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	26.0 Marketable securities	22 Minimum WACC, %	9.1 Equity beta coefficient	1.35
Minimum value	23.4 Debt - dividend	-7 Maximum WACC, %	10.1 Target debt ratio, %	20
Horizon value, %	48.5 Value of stock	105 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	126	127	132	137	141	145	148	151	155	158	161
<i>Sales growth, %</i>	-16.5	-16.9	1.0	3.9	4.0	3.0	2.5	2.3	2.3	2.3	2.0	2.0
Operating income (EBIT)	8	3	7	9	9	10	9	10	10	10	10	10
<i>Operating income margin, %</i>	5.6	2.6	5.8	6.9	6.9	7.2	6.5	6.5	6.5	6.5	6.5	6.5
+ Depreciation+amort.	4	4	4	3	3	4	4	4	4	4	4	4
EBITDA	12	7	11	12	13	14	13	13	14	14	14	14
- Paid taxes	-1	0	-1	-2	-2	-2	-2	-2	-2	-2	-2	-2
- Change in NWC	10	2	0	0	0	0	0	0	0	0	0	0
<i>NWC / Sales, %</i>	7.0	6.7	6.7	6.8	6.8	6.9	6.9	6.9	7.0	7.0	7.0	7.0
+ Change in other liabs	-2	0	0	0	0	0	0	0	0	0	0	0
- Operative CAPEX	-3	-2	-3	-4	-4	-4	-4	-4	-4	-4	-4	-4
<i>opCAPEX / Sales, %</i>	2.1	0.7	2.0	2.9	3.3	2.9	2.8	2.8	2.8	2.8	2.8	2.8
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	0
- Other items	0	0	0	0	0	0	0	0	0	0	0	0
= FCFF	16	7	7	6	6	7	7	7	7	7	8	103
= Discounted FCFF		7	6	5	4	5	4	4	4	3	3	43
= DFCF min WACC		7	6	5	4	5	4	4	4	4	3	48
= DFCF max WACC		7	6	5	4	5	4	4	4	3	3	39

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2E	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	41.3	37.0	33.7	39.3	151.3	23.8	29.0	34.0	39.0	125.8	127.0	132.0
EBITDA	3.6	3.2	2.6	2.9	12.3	-2.0	2.3	3.3	3.7	7.3	11.4	11.9
<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>-8.6</i>	<i>7.9</i>	<i>9.7</i>	<i>9.5</i>	<i>5.8</i>	<i>9.0</i>	<i>9.0</i>
EBIT	2.6	2.3	1.7	1.8	8.4	-3.0	1.3	2.3	2.7	3.3	7.4	9.1
<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>-12.6</i>	<i>4.5</i>	<i>6.8</i>	<i>6.9</i>	<i>2.6</i>	<i>5.8</i>	<i>6.9</i>
Net financial items	0.1	0.0	0.0	0.7	0.8	0.1	0.0	0.0	0.0	0.1	0.0	0.0
Pre-tax profit	2.7	2.3	1.7	2.5	9.2	-2.9	1.3	2.3	2.7	3.4	7.4	9.1
Tax	-0.6	-0.4	-0.3	-0.3	-1.6	0.7	-0.2	-0.3	-0.3	-0.1	-1.5	-1.8
<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>22.5</i>	<i>15.4</i>	<i>13.0</i>	<i>11.1</i>	<i>4.3</i>	<i>20.0</i>	<i>20.0</i>
Net profit	2.1	1.9	1.4	2.2	7.6	-2.2	1.1	2.0	2.4	3.3	5.9	7.2
EPS	0.49	0.45	0.33	0.53	1.80	-0.53	0.26	0.47	0.56	0.77	1.39	1.71
EPS adjusted (diluted no. of shares)	0.49	0.45	0.33	0.53	1.80	-0.53	0.26	0.47	0.56	0.77	1.39	1.71
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	14.0	19.0	21.0	23.0	77.0	67.0	69.0
Technology services	14.5	18.8	17.2	15.2	65.7	9.8	10.0	13.0	16.0	48.8	60.0	63.0
Total	41.3	37.0	33.7	39.3	151.3	23.8	29.0	34.0	39.0	125.8	127.0	132.0
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>-47.8</i>	<i>4.4</i>	<i>27.3</i>	<i>-4.6</i>	<i>-10.0</i>	<i>-13.0</i>	<i>3.0</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>-32.4</i>	<i>-46.8</i>	<i>-24.4</i>	<i>5.3</i>	<i>-25.7</i>	<i>23.0</i>	<i>5.0</i>
<i>Total</i>	<i>17.1</i>	<i>-15.3</i>	<i>-29.7</i>	<i>-27.5</i>	<i>-16.5</i>	<i>-42.4</i>	<i>-21.6</i>	<i>0.9</i>	<i>-0.8</i>	<i>-16.9</i>	<i>1.0</i>	<i>3.9</i>
EBIT, EURm												
Project deliveries	1.1	0.5	0.2	0.3	2.1	-3.6	0.2	0.8	1.1	-1.5	1.7	2.8
Technology services	1.5	1.8	1.5	1.5	6.3	0.6	1.1	1.5	1.6	4.8	5.7	6.3
Total	2.6	2.3	1.7	1.8	8.4	-3.0	1.3	2.3	2.7	3.3	7.4	9.1
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>-25.7</i>	<i>1.1</i>	<i>3.8</i>	<i>4.8</i>	<i>-1.9</i>	<i>2.5</i>	<i>4.0</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>6.1</i>	<i>11.0</i>	<i>11.5</i>	<i>10.0</i>	<i>9.8</i>	<i>9.5</i>	<i>10.0</i>
<i>Total</i>	<i>6.3</i>	<i>6.2</i>	<i>5.0</i>	<i>4.6</i>	<i>5.6</i>	<i>-12.6</i>	<i>4.5</i>	<i>6.8</i>	<i>6.9</i>	<i>2.6</i>	<i>5.8</i>	<i>6.9</i>

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	127.3	113.1	148.6	181.1	151.3	125.8	127.0	132.0
<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>-16.9</i>	<i>1.0</i>	<i>3.9</i>
EBITDA	11.6	10.9	14.2	17.4	12.3	7.3	11.4	11.9
<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>5.8</i>	<i>9.0</i>	<i>9.0</i>
Depreciation	-2.1	-2.3	-2.6	-2.5	-3.9	-4.0	-4.0	-2.9
EBITA	9.5	8.6	11.6	14.9	8.4	3.3	7.4	9.1
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	3.3	7.4	9.1
<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>2.6</i>	<i>5.8</i>	<i>6.9</i>
Reported EBIT	8.1	8.6	11.6	14.9	8.4	3.3	7.4	9.1
<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>2.6</i>	<i>5.8</i>	<i>6.9</i>
Net financials	0.1	0.0	0.0	0.0	0.8	0.1	0.0	0.0
Pre-tax profit	8.2	8.6	11.6	14.9	9.2	3.4	7.4	9.1
Taxes	-1.4	-1.5	-2.1	-3.2	-1.6	-0.1	-1.5	-1.8
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	3.3	5.9	7.2
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	14	13	14
Goodwill	0	0	1	1	1	1	1	1
Right of use assets	0	0	0	7	7	6	6	6
Inventory	10	10	11	14	12	10	10	11
Receivables	35	24	30	52	32	26	27	28
Liquid funds	7	24	31	13	22	23	24	24
Total assets	62	70	87	103	91	81	81	83
Liabilities								
Shareholder's equity	30	34	39	47	50	47	46	47
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	6
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	26	26	27
Other interest-free debt	0	1	1	1	3	3	3	3
Total liabilities	62	70	87	103	91	81	81	83
CASH FLOW, EURm								
+ EBITDA	12	11	14	17	12	7	11	12
- Net financial items	2	17	7	0	1	0	0	0
- Taxes	-1	0	-3	-3	-1	0	-1	-2
- Increase in Net Working Capital	-3	12	6	-23	10	2	0	0
+/- Other	-3	-19	-6	0	0	0	0	0
= Cash flow from operations	8	21	18	-8	21	9	10	10
- Capex	-2	-3	-7	-4	-3	-1	-3	-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	8	7	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	1	1	0

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	70	123	91	114	80	80	80
Net debt (excl. convertibles)	-21	-29	-5	-15	-18	-19	-18
Enterprise value	50	94	85	99	62	62	62
Sales	113	149	181	151	126	127	132
EBITDA	11	14	17	12	7	11	12
EBIT	9	12	15	8	3	7	9
Pre-tax	9	12	15	9	3	7	9
Earnings	7	9	12	8	3	6	7
Equity book value (excl. minorities)	34	39	47	50	47	46	47
Valuation multiples							
EV/sales	0.4	0.6	0.5	0.7	0.5	0.5	0.5
EV/EBITDA	4.6	6.6	4.9	8.1	8.6	5.4	5.2
EV/EBITA	5.8	8.1	5.7	11.8	18.9	8.3	6.8
EV/EBIT	5.8	8.1	5.7	11.8	18.9	8.3	6.8
EV/OCF	2.3	5.1	-11.2	4.7	6.7	6.3	6.4
EV/FCFF	2.7	7.4	-7.2	6.3	8.7	8.4	10.2
P/FCFE	3.9	10.8	-8.1	6.4	9.5	11.1	13.7
P/E	10.0	13.1	7.7	15.0	24.6	13.6	11.1
P/B	2.1	3.1	1.9	2.3	1.7	1.7	1.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	9.9	6.2	6.0
Target EV/EBIT	0.0	0.0	0.0	0.0	21.7	9.6	7.9
Target EV/FCF	0.0	0.0	0.0	0.0	8.5	9.8	12.2
Target P/B	0.0	0.0	0.0	0.0	1.9	1.9	1.9
Target P/E	0.0	0.0	0.0	0.0	27.4	15.1	12.3
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	0.77	1.39	1.71
Operating cash flow per share	5.05	4.33	-1.79	4.96	2.19	2.31	2.29
Free cash flow per share	4.33	2.68	-2.64	4.23	1.98	1.70	1.37
Book value per share	8.13	9.27	10.95	11.65	10.97	10.88	11.09
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	192.0	108.0	89.1
Dividend yield, %	6.0	4.3	6.6	7.7	7.8	8.0	8.1
FCF yield, %	25.9	9.3	-12.4	15.7	10.5	9.0	7.3
Efficiency measures							
ROE	22.1	25.6	27.3	15.9	6.8	12.7	15.5
ROCE	25.0	29.7	31.3	15.1	6.1	14.1	17.2
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	6.7	6.7	6.8
Operative CAPEX/sales, %	2.7	4.7	2.0	2.1	0.7	2.0	2.9
CAPEX/sales (incl. acquisitions), %	2.7	4.7	2.0	2.1	0.7	2.0	2.9
FCFF/EBITDA	1.7	0.9	-0.7	1.3	1.0	0.6	0.5
Net debt/EBITDA, book-weighted	-1.9	-2.1	-0.3	-1.3	-2.4	-1.6	-1.5
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	57.3	56.9	56.5
Gearing, %	-60.3	-74.4	-11.8	-31.0	-37.8	-40.2	-38.3

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 complete 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	9.425	11.8%
Mandatum Life Unit-Linked	138,302	2.607	3.3%
Laakkonen Mikko Kalervo	119,919	2.260	2.8%
Suominen Pekka	110,429	2.082	2.6%
Siivonen Osku Pekka	104,179	1.964	2.5%
Kirmo Kaisa Marketta	104,021	1.961	2.4%
Suominen Tiina Sini-Maria	100,856	1.901	2.4%
Keskiaho Kaija Leena	84,716	1.597	2.0%
Mustakallio Mika Tapani	83,270	1.570	2.0%
Särkijärvi Anna Riitta	82,489	1.555	1.9%
Ten largest	1,428,181	26.921	34%
Residual	2,821,067	53.177	66%
Total	4,249,248	80.098	100%

EARNINGS CALENDAR	
July 23, 2020	Q2 report
October 29, 2020	Q3 report
OTHER EVENTS	

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.

Recommendation	Percentage
Sell	15%
Hold	58%
Buy	27%

The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

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

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