

Uncertainty continues to run high

Raute reported Q2 results below our expectations. We turn slightly more cautious as uncertainty remains quite elevated. Our TP is now EUR 20 (21), rating HOLD (BUY).

Uncertainty is high as many regions grapple with the crisis
Raute posted EUR 24m in Q2 revenue vs our EUR 29m estimate. Services revenue was as expected (EUR 10m) while project deliveries were EUR 5m below our EUR 19m expectation. Russian revenue, at EUR 12m, was EUR 7m lower than we estimated, and the low figure is explained by order book timing with regards to the large EUR 58m Russian order to be delivered mostly this year. Order book timing as well as the pandemic (which complicated installations and services) meant profitability was weak also in Q2 as the company recorded EBIT at EUR -1.0m vs our EUR 1.3m estimate. Order intake, at EUR 13m, was also lower than we expected (EUR 19m) and was due to softness in both machinery and services orders. Order intake declined by half y/y as the pandemic postponed project decisions. Russian orders were lower in Q2 than we expected (EUR 3m vs our EUR 9m estimate). Although no major projects were initiated during the quarter Raute says cancellations are unlikely and many investment decisions could receive green light when the situation stabilizes.

We make minor estimate changes

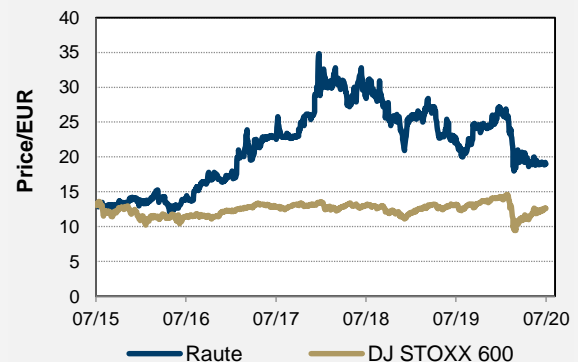
According to Raute activity levels are still good in Russia and China, and customers are planning some big strategic investment projects but for now there's no way to reliably estimate a time frame during which the leads might translate to actual orders for Raute. We expect Q2 to prove the slowest quarter for Raute in terms of order intake, but there's significant uncertainty as to how rapidly order intake might improve in H2.

Long-term strategy intact yet short-term outlook hazy

We continue to view Raute's prospects beyond this year's weak results. A significant pick up in order activity would likely follow the operating environment's inevitable normalization, but this might take some time to be reflected in the order book. We view Raute well positioned to capture large plywood and LVL machinery orders in the coming years once the sector is ready to commit itself to new capacity investments. However, in the current uncertain environment we see the overall valuation picture neutral. Our new TP is EUR 20 (21), rating HOLD (BUY).

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 19.00

Target price, EUR 20.0

Latest change in recommendation 24-Jul-20

Latest report on company 20-Jul-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 81

Free float, % -

Exchange rate -

Reuters code RAUTE.HE

Bloomberg code RAUTE:FH

Average daily volume, EURm 0.1

Next interim report 29-Oct-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	123.2	1.0	0.8%	6.8	0.31	60.4	0.5	64.7	8.4	1.47
2021E	127.0	7.4	5.8%	6.8	1.39	13.7	0.5	8.7	8.5	1.50
2022E	132.0	9.1	6.9%	5.9	1.71	11.1	0.5	7.1	7.3	1.52
Market cap, EURm	81		Gearing 2020E, %	-35.8		CAGR EPS 2019-22, %	-1.7			
Net debt 2020E, EURm	-16		Price/book 2020E	1.8		CAGR sales 2019-22, %	-4.4			
Enterprise value, EURm	65		Dividend yield 2020E, %	7.7		ROE 2020E, %	2.8			
Total assets 2020E, EURm	79		Tax rate 2020E, %	7.7		ROCE 2020E, %	1.9			
Goodwill 2020E, EURm	1		Equity ratio 2020E, %	56.7		PEG, P/E 20/CAGR	0.8			

Estimates and valuation

Raute	2017	2018	Q1'19	Q2'19	Q3'19	Q4'19	2019	Q1'20	Q2'20	Q3'20e	Q4'20e	2020e	2021e
Order intake	155	166	32	26	73	17	148	25	13	24	34	96	139
Project deliveries	97	104	18	11	65	4	98	14	6	13	21	54	78
Technology services	58	62	14	15	8	13	50	11	7	11	13	42	61
Europe	60	76	5	4	5	6	21	8	3	8	11	30	39
Russia	50	30	18	8	60	2	89	13	3	10	14	39	41
North America	36	25	6	6	2	3	18	3	2	2	2	9	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	4	2	4	11	20
Order book	110	95	84	72	109	88	88	92	80	70	63	63	75
Revenue	148	181	41	37	34	39	151	24	24	34	41	123	127
Project deliveries	99	126	27	18	17	24	86	14	14	21	25	74	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	12	21	24	67	47
North America	21	32	7	6	7	7	27	4	3	2	3	12	25
Latin America	6	6	3	4	3	4	14	3	2	2	2	9	11
Asia-Pacific	3	18	3	2	2	6	13	1	2	2	4	9	12
EBITDA	14	17	4	3	3	3	12	-2	0	3	4	5	11
<i>EBITDA margin</i>	9.3 %	9.6 %	8.7 %	9.1 %	7.9 %	6.9 %	8.1 %	-8.6 %	-0.4 %	9.7 %	9.0 %	4.0 %	9.0 %
EBIT	11	15	3	2	2	2	8	-3	-1	2	3	1	7
<i>EBIT margin</i>	7.5 %	8.2 %	6.3 %	6.3 %	5.1 %	4.6 %	5.6 %	-12.6 %	-4.2 %	6.8 %	6.6 %	0.8 %	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	9141	11.8x	12.4x	12.5x	14.9x	16.0x	15.8x	15.4 %	14.7 %	15.1 %
Cargotec	1621	7.6x	8.8x	7.7x	11.0x	13.8x	11.9x	7.2 %	5.6 %	6.4 %
Glaston	60	9.8x	10.1x	5.9x	19.4x	36.2x	10.5x	3.3 %	1.4 %	4.4 %
Kone	35199	19.7x	24.8x	22.4x	23.3x	29.5x	26.3x	12.4 %	12.1 %	12.9 %
Konecranes Oyj	1788	7.6x	9.6x	7.4x	12.1x	18.6x	11.5x	7.1 %	4.6 %	7.2 %
Ponsse	732	10.4x	12.3x	9.9x	13.7x	18.9x	13.6x	10.1 %	7.3 %	9.2 %
Sandvik	21053	9.1x	12.3x	10.2x	17.9x	18.2x	13.3x	13.3 %	14.1 %	18.3 %
Valmet	3386	8.5x	8.3x	7.5x	11.3x	11.2x	9.8x	8.2 %	7.7 %	8.6 %
Wartsila	4548	11.0x	11.0x	9.7x	14.7x	15.4x	13.1x	9.0 %	7.0 %	8.7 %
Peer Group Average	8614	10.6x	12.2x	10.4x	15.4x	19.8x	14.0x	9.6 %	8.3 %	10.1 %
Peer Group Median	3386	9.8x	11.0x	9.7x	14.7x	18.2x	13.1x	9.0 %	7.3 %	8.7 %
Raute (Evli est.)	81	8.1x	13.2x	5.6x	11.8x	64.7x	8.7x	5.6 %	0.8 %	5.8 %

Raute prem./disc. to peer median

-18 % 20 % -42 % -20 % 255 % -33 % -38 % -89 % -33 %

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	19.00 PV of Free Cash Flow	44 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	24.14 PV of Horizon value	43 WACC, %	9.6 Market risk premium, %	5.8
Share price potential, %	27.1 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	25.6 Marketable securities	22 Minimum WACC, %	9.1 Equity beta coefficient	1.35
Minimum value	22.9 Debt - dividend	-7 Maximum WACC, %	10.1 Target debt ratio, %	20
Horizon value, %	49.7 Value of stock	103 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	123	127	132	137	141	145	148	151	155	158	161
<i>Sales growth, %</i>	-16.5	-18.6	3.1	3.9	4.0	3.0	2.5	2.3	2.3	2.3	2.0	2.0
Operating income (EBIT)	8	1	7	9	9	10	9	10	10	10	10	10
<i>Operating income margin, %</i>	5.6	0.8	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	3	4	4	4	4	4	4
EBITDA	12	5	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	0.6	2.2	2.9	3.2	2.8	2.8	2.8	2.8	2.8	2.7	2.7
- 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	5	7	6	6	7	7	7	7	7	8	103
= Discounted FCFF		5	6	5	4	5	4	4	4	3	3	43
= DFCF min WACC		5	6	5	4	5	4	4	4	4	3	48
= DFCF max WACC		5	6	5	4	5	4	4	4	3	3	39

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	41.3	37.0	33.7	39.3	151.3	23.8	24.4	34.0	41.0	123.2	127.0	132.0
EBITDA	3.6	3.2	2.6	2.9	12.3	-2.0	-0.1	3.3	3.7	4.9	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>-0.3</i>	<i>9.7</i>	<i>9.0</i>	<i>4.0</i>	<i>9.0</i>	<i>9.0</i>
EBIT	2.6	2.3	1.7	1.8	8.4	-3.0	-1.0	2.3	2.7	1.0	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>-4.1</i>	<i>6.8</i>	<i>6.6</i>	<i>0.8</i>	<i>5.8</i>	<i>6.9</i>
Net financial items	0.1	0.0	0.0	0.7	0.8	0.1	0.3	0.0	0.0	0.4	0.0	0.0
Pre-tax profit	2.7	2.3	1.7	2.5	9.2	-2.9	-0.7	2.3	2.7	1.4	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>-25.3</i>	<i>13.0</i>	<i>11.1</i>	<i>7.7</i>	<i>20.0</i>	<i>20.0</i>
Net profit	2.1	1.9	1.4	2.2	7.6	-2.2	-0.8	2.0	2.4	1.3	5.9	7.2
EPS	0.49	0.45	0.33	0.53	1.80	-0.53	-0.19	0.47	0.56	0.31	1.39	1.71
EPS adjusted (diluted no. of shares)	0.49	0.45	0.33	0.53	1.80	-0.53	-0.19	0.47	0.56	0.31	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	14.4	21.0	25.0	74.4	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	24.4	34.0	41.0	123.2	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>-20.9</i>	<i>27.3</i>	<i>3.7</i>	<i>-13.1</i>	<i>-9.9</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>-34.1</i>	<i>0.9</i>	<i>4.3</i>	<i>-18.6</i>	<i>3.1</i>	<i>3.9</i>
EBIT, EURm												
Project deliveries	1.1	0.5	0.2	0.3	2.1	-3.6	-1.4	1.0	1.2	-2.8	1.7	2.8
Technology services	1.5	1.8	1.5	1.5	6.3	0.6	0.4	1.3	1.5	3.8	5.7	6.3
Total	2.6	2.3	1.7	1.8	8.4	-3.0	-1.0	2.3	2.7	1.0	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>-9.7</i>	<i>4.8</i>	<i>4.8</i>	<i>-3.8</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>4.0</i>	<i>10.0</i>	<i>9.4</i>	<i>7.8</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>-4.1</i>	<i>6.8</i>	<i>6.6</i>	<i>0.8</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	123.2	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>-18.6</i>	<i>3.1</i>	<i>3.9</i>
EBITDA	11.6	10.9	14.2	17.4	12.3	4.9	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>4.0</i>	<i>9.0</i>	<i>9.0</i>
Depreciation	-2.1	-2.3	-2.6	-2.5	-3.9	-3.9	-4.0	-2.9
EBITA	9.5	8.6	11.6	14.9	8.4	1.0	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	1.0	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>0.8</i>	<i>5.8</i>	<i>6.9</i>
Reported EBIT	8.1	8.6	11.6	14.9	8.4	1.0	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>0.8</i>	<i>5.8</i>	<i>6.9</i>
Net financials	0.1	0.0	0.0	0.0	0.8	0.4	0.0	0.0
Pre-tax profit	8.2	8.6	11.6	14.9	9.2	1.4	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	1.3	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	22	22	22
Total assets	62	70	87	103	91	79	79	81
Liabilities								
Shareholder's equity	30	34	39	47	50	45	44	45
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	25	26	27
Other interest-free debt	0	1	1	1	3	3	3	3
Total liabilities	62	70	87	103	91	79	79	81
CASH FLOW, EURm								
+ EBITDA	12	11	14	17	12	5	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	8	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	7	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	81	81	81
Net debt (excl. convertibles)	-21	-29	-5	-15	-16	-17	-16
Enterprise value	50	94	85	99	65	64	65
Sales	113	149	181	151	123	127	132
EBITDA	11	14	17	12	5	11	12
EBIT	9	12	15	8	1	7	9
Pre-tax	9	12	15	9	1	7	9
Earnings	7	9	12	8	1	6	7
Equity book value (excl. minorities)	34	39	47	50	45	44	45
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	13.2	5.6	5.4
EV/EBITA	5.8	8.1	5.7	11.8	64.7	8.7	7.1
EV/EBIT	5.8	8.1	5.7	11.8	64.7	8.7	7.1
EV/OCF	2.3	5.1	-11.2	4.7	8.6	6.7	6.7
EV/FCFF	2.7	7.4	-7.2	6.3	12.7	9.1	10.6
P/FCFE	3.9	10.8	-8.1	6.4	11.8	11.8	13.7
P/E	10.0	13.1	7.7	15.0	60.4	13.7	11.1
P/B	2.1	3.1	1.9	2.3	1.8	1.8	1.8
Target EV/EBITDA	0.0	0.0	0.0	0.0	14.1	6.0	5.8
Target EV/EBIT	0.0	0.0	0.0	0.0	69.0	9.3	7.6
Target EV/FCF	0.0	0.0	0.0	0.0	10.1	10.0	11.7
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	63.6	14.4	11.7
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	0.31	1.39	1.71
Operating cash flow per share	5.05	4.33	-1.79	4.96	1.77	2.26	2.28
Free cash flow per share	4.33	2.68	-2.64	4.23	1.60	1.61	1.39
Book value per share	8.13	9.27	10.95	11.65	10.51	10.43	10.64
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	467.5	108.0	89.1
Dividend yield, %	6.0	4.3	6.6	7.6	7.7	7.9	8.0
FCF yield, %	25.9	9.3	-12.4	15.7	8.4	8.5	7.3
Efficiency measures							
ROE	22.1	25.6	27.3	15.9	2.8	13.3	16.2
ROCE	25.0	29.7	31.3	15.1	1.9	14.7	17.9
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	21.1	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	0.6	2.2	2.9
CAPEX/sales (incl. acquisitions), %	2.7	4.7	2.0	2.1	0.6	2.2	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	-3.3	-1.5	-1.4
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	55.9	55.5
Gearing, %	-60.3	-74.4	-11.8	-31.0	-35.8	-37.5	-35.7

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	9.500	11.8%
Mandatum Life Unit-Linked	138,302	2.628	3.3%
Laakkonen Mikko Kalervo	119,919	2.278	2.8%
Suominen Pekka	110,429	2.098	2.6%
Siivonen Osku Pekka	104,179	1.979	2.5%
Kirmo Kaisa Marketta	104,021	1.976	2.4%
Suominen Tiina Sini-Maria	100,856	1.916	2.4%
Keskiaho Kaija Leena	84,716	1.610	2.0%
Mustakallio Mika Tapani	83,270	1.582	2.0%
Särkijärvi Anna Riitta	82,489	1.567	1.9%
Ten largest	1,428,181	27.135	34%
Residual	2,821,067	53.600	66%
Total	4,249,248	80.736	100%

EARNINGS CALENDAR	
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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

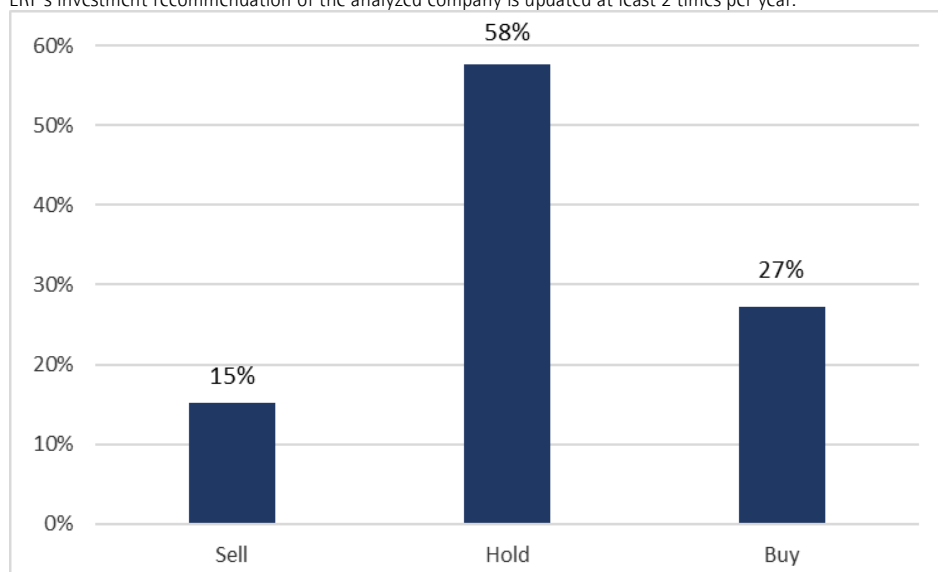
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Investment recommendations are defined as follows:

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

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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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