

Earnings not yet out of the woods

Raute reports Q3 results on Thu, Oct 29. Many issues point how order levels and profitability might have bottomed out, yet we continue to view valuation neutral. We retain our EUR 20 per share target price and HOLD rating.

A very large Russian order raises confidence on next year

While Q3 order intake likely remained at a subdued level Raute disclosed on Oct 16 the signing of a complete plywood mill project delivery. The EUR 55m Russian greenfield is worth close to the record EUR 58m Segezha order now on delivery. Raute begins delivering the new order next year and the mill is set to start production in '22. Even though the order is very large such a project delivery announcement is not that surprising given Raute's Russian plywood mill track record. As usual with such big projects, Raute's margin potential is likely quite limited. The order raises our confidence on next year's workload. We now expect FY '21 revenue at EUR 139m (prev. EUR 127m). With regards to FY '21 EBIT we now estimate EUR 6.6m (prev. EUR 7.4m).

Long-term potential remains strong, short-term still hazy

While the pandemic has negatively affected Raute's business it's worth bearing in mind the investment cycle was cooling already well before this year. Although the pandemic and related uncertainty now only seem to prolong themselves by the day, we nevertheless view the prospect of wider plywood and LVL sector investment upturn entirely plausible. We see a reasonable chance Raute's order intake will bottom out during H2'20. Another positive is the high likelihood of Raute emerging from the pandemic even stronger relative to competition. On the negative side is the extended short-term pressure on profitability. While it is clear this year's valuation multiples should be overlooked, next year could still fall meaningfully short of long-term potential. In our opinion Raute does not face long-term profitability challenges, but on the other hand the sector's cyclical nature means long-term outlook should be valued cautiously.

We expect improvement, but multiples aren't yet attractive

Now that a big project has been secured, we focus on smaller scale equipment orders and services in the Q3 report. Raute is currently trading some 7x EV/EBITDA and 11x EV/EBIT on our estimates for next year. We view these multiples quite neutral in the current context. We retain our EUR 20 TP and HOLD rating.

Rating

HOLD



Share price, EUR (Last trading day's closing price) 20.40

Target price, EUR 20.0

Latest change in recommendation 24-Jul-20

Latest report on company 24-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 87

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 | 0.7 | 0.6% | 6.5 | 0.24 | 83.7 | 0.6 | 101.4 | 7.5 | 1.47 |
| 2021E | 139.0 | 6.6 | 4.7% | 4.5 | 1.24 | 16.5 | 0.5 | 11.0 | 5.2 | 1.50 |
| 2022E | 144.4 | 9.1 | 6.3% | 5.1 | 1.72 | 11.8 | 0.5 | 8.1 | 5.9 | 1.52 |
| Market cap, EURm | 87 | | | Gearing 2020E, % | -35.4 | | | CAGR EPS 2019-22, % | -1.4 | |
| Net debt 2020E, EURm | -16 | | | Price/book 2020E | 2.0 | | | CAGR sales 2019-22, % | -1.6 | |
| Enterprise value, EURm | 71 | | | Dividend yield 2020E, % | 7.2 | | | ROE 2020E, % | 2.2 | |
| Total assets 2020E, EURm | 78 | | | Tax rate 2020E, % | 9.8 | | | ROCE 2020E, % | 1.3 | |
| Goodwill 2020E, EURm | 1 | | | Equity ratio 2020E, % | 56.6 | | | PEG, P/E 20/CAGR | 0.9 | |

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 | 21 | 84 | 143 | 154 |
| Project deliveries | 97 | 104 | 18 | 11 | 65 | 4 | 98 | 14 | 6 | 10 | 71 | 101 | 93 |
| 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 | 7 | 9 | 27 | 44 |
| Russia | 50 | 30 | 18 | 8 | 60 | 2 | 89 | 13 | 3 | 8 | 66 | 89 | 51 |
| 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 | 67 | 110 | 110 | 125 |
| Revenue | 148 | 181 | 41 | 37 | 34 | 39 | 151 | 24 | 24 | 34 | 41 | 123 | 139 |
| Project deliveries | 99 | 126 | 27 | 18 | 17 | 24 | 86 | 14 | 14 | 21 | 25 | 74 | 79 |
| 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 | 65 |
| North America | 21 | 32 | 7 | 6 | 7 | 7 | 27 | 4 | 3 | 2 | 3 | 12 | 19 |
| 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 % | 9.2 % | 8.8 % | 3.7 % | 7.6 % |
| 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 % | 6.2 % | 6.3 % | 0.6 % | 4.7 % |

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 | 8003 | 11.8x | 10.7x | 11.0x | 14.9x | 13.9x | 14.1x | 15.4 % | 14.9 % | 14.8 % |
| Cargotec | 2100 | 7.6x | 9.8x | 8.8x | 11.0x | 15.1x | 13.2x | 7.2 % | 6.0 % | 6.7 % |
| Glaston | 58 | 9.8x | 8.2x | 5.6x | 19.4x | 23.8x | 11.0x | 3.3 % | 2.2 % | 4.4 % |
| Kone | 38703 | 19.7x | 26.6x | 24.1x | 23.3x | 31.6x | 28.4x | 12.4 % | 12.3 % | 13.0 % |
| Konecranes Oyj | 2341 | 7.6x | 9.6x | 8.3x | 12.1x | 16.4x | 12.5x | 7.1 % | 6.1 % | 7.9 % |
| Ponsse | 672 | 10.4x | 10.7x | 9.2x | 13.7x | 16.3x | 12.7x | 10.1 % | 8.0 % | 9.2 % |
| Sandvik | 21162 | 9.3x | 12.0x | 9.9x | 17.9x | 18.4x | 13.0x | 13.3 % | 14.0 % | 18.7 % |
| Valmet | 3101 | 8.5x | 7.4x | 6.6x | 11.3x | 9.9x | 8.7x | 8.2 % | 7.9 % | 8.8 % |
| Wartsila | 4289 | 11.0x | 10.8x | 9.4x | 14.7x | 15.6x | 13.0x | 9.0 % | 6.6 % | 8.3 % |
| Peer Group Average | 8936 | 10.6x | 11.8x | 10.3x | 15.4x | 17.9x | 14.1x | 9.6 % | 8.7 % | 10.2 % |
| Peer Group Median | 3101 | 9.8x | 10.7x | 9.2x | 14.7x | 16.3x | 13.0x | 9.0 % | 7.9 % | 8.8 % |
| Raute (Evli est.) | 87 | 8.1x | 15.4x | 6.9x | 11.8x | 101.4x | 11.0x | 5.6 % | 0.6 % | 4.7 % |
| <i>Raute prem./disc. to peer median</i> | | -18 % | 45 % | -25 % | -20 % | 523 % | -15 % | -38 % | -93 % | -46 % |

Source FactSet, Evli Research

| VALUATION RESULTS | BASE CASE DETAILS | VALUATION ASSUMPTIONS | ASSUMPTIONS FOR WACC | |
|--------------------------|----------------------------|------------------------|--------------------------------|------|
| Current share price | 20.40 PV of Free Cash Flow | 45 Long-term growth, % | 2.0 Risk-free interest rate, % | 2.25 |
| DCF share value | 25.54 PV of Horizon value | 48 WACC, % | 9.6 Market risk premium, % | 5.8 |
| Share price potential, % | 25.2 Unconsolidated equity | 0 Spread, % | 0.5 Debt risk premium, % | 2.8 |
| Maximum value | 27.1 Marketable securities | 22 Minimum WACC, % | 9.1 Equity beta coefficient | 1.35 |
| Minimum value | 24.2 Debt - dividend | -7 Maximum WACC, % | 10.1 Target debt ratio, % | 20 |
| Horizon value, % | 52.0 Value of stock | 109 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 | 139 | 144 | 150 | 154 | 158 | 162 | 166 | 169 | 173 | 176 |
| <i>Sales growth, %</i> | -16.5 | -18.6 | 12.8 | 3.9 | 3.9 | 3.0 | 2.5 | 2.3 | 2.3 | 2.3 | 2.0 | 2.0 |
| Operating income (EBIT) | 8 | 1 | 7 | 9 | 10 | 11 | 10 | 11 | 11 | 11 | 11 | 11 |
| <i>Operating income margin, %</i> | 5.6 | 0.6 | 4.7 | 6.3 | 6.6 | 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 | 5 | 11 | 12 | 13 | 15 | 14 | 15 | 15 | 15 | 15 | 15 |
| - Paid taxes | -1 | 0 | -1 | -2 | -2 | -2 | -2 | -2 | -2 | -2 | -2 | -2 |
| - Change in NWC | 10 | 2 | -1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>NWC / Sales, %</i> | 7.0 | 6.7 | 6.8 | 6.9 | 6.9 | 7.0 | 7.0 | 7.0 | 7.1 | 7.1 | 7.1 | 7.1 |
| + Change in other liabs | -2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Operative CAPEX | -3 | -2 | -3 | -4 | -5 | -4 | -4 | -4 | -4 | -4 | -4 | -5 |
| <i>opCAPEX / Sales, %</i> | 2.1 | 0.6 | 2.5 | 3.2 | 3.2 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 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 | 5 | 5 | 6 | 8 | 8 | 8 | 8 | 8 | 8 | 113 |
| = Discounted FCFF | | 5 | 5 | 4 | 5 | 6 | 5 | 4 | 4 | 4 | 4 | 48 |
| = DFCF min WACC | | 5 | 5 | 4 | 5 | 6 | 5 | 5 | 4 | 4 | 4 | 54 |
| = DFCF max WACC | | 5 | 5 | 4 | 5 | 5 | 5 | 4 | 4 | 4 | 3 | 44 |

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 | 139.0 | 144.4 |
| EBITDA | 3.6 | 3.2 | 2.6 | 2.9 | 12.3 | -2.0 | -0.1 | 3.1 | 3.6 | 4.6 | 10.6 | 12.0 |
| <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>9.1</i> | <i>8.8</i> | <i>3.7</i> | <i>7.6</i> | <i>8.3</i> |
| EBIT | 2.6 | 2.3 | 1.7 | 1.8 | 8.4 | -3.0 | -1.0 | 2.1 | 2.6 | 0.7 | 6.6 | 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>6.2</i> | <i>6.3</i> | <i>0.6</i> | <i>4.7</i> | <i>6.3</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 | 2.1 | 2.6 | 1.1 | 6.6 | 9.1 |
| Tax | -0.6 | -0.4 | -0.3 | -0.3 | -1.6 | 0.7 | -0.2 | -0.3 | -0.3 | -0.1 | -1.3 | -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>14.3</i> | <i>11.5</i> | <i>9.8</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 | 1.8 | 2.3 | 1.0 | 5.3 | 7.3 |
| EPS | 0.49 | 0.45 | 0.33 | 0.53 | 1.80 | -0.53 | -0.19 | 0.42 | 0.54 | 0.24 | 1.24 | 1.72 |
| EPS adjusted (diluted no. of shares) | 0.49 | 0.45 | 0.33 | 0.53 | 1.80 | -0.53 | -0.19 | 0.42 | 0.54 | 0.24 | 1.24 | 1.72 |
| 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 | 79.0 | 81.4 |
| 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 | 139.0 | 144.4 |
| 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>6.2</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> |
| Total | 17.1 | -15.3 | -29.7 | -27.5 | -16.5 | -42.4 | -34.1 | 0.9 | 4.3 | -18.6 | 12.8 | 3.9 |
| EBIT, EURm | | | | | | | | | | | | |
| Project deliveries | 1.1 | 0.5 | 0.2 | 0.3 | 2.1 | -3.6 | -1.4 | 1.0 | 1.2 | -2.8 | 1.2 | 2.8 |
| Technology services | 1.5 | 1.8 | 1.5 | 1.5 | 6.3 | 0.6 | 0.4 | 1.1 | 1.4 | 3.5 | 5.4 | 6.3 |
| Total | 2.6 | 2.3 | 1.7 | 1.8 | 8.4 | -3.0 | -1.0 | 2.1 | 2.6 | 0.7 | 6.6 | 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>1.5</i> | <i>3.5</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>8.5</i> | <i>8.8</i> | <i>7.2</i> | <i>9.0</i> | <i>10.0</i> |
| Total | 6.3 | 6.2 | 5.0 | 4.6 | 5.6 | -12.6 | -4.1 | 6.2 | 6.3 | 0.6 | 4.7 | 6.3 |

| INCOME STATEMENT, EURm | 2015 | 2016 | 2017 | 2018 | 2019 | 2020E | 2021E | 2022E |
|--|-------------|--------------|-------------|-------------|--------------|--------------|-------------|------------|
| Sales | 127.3 | 113.1 | 148.6 | 181.1 | 151.3 | 123.2 | 139.0 | 144.4 |
| <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>12.8</i> | <i>3.9</i> |
| EBITDA | 11.6 | 10.9 | 14.2 | 17.4 | 12.3 | 4.6 | 10.6 | 12.0 |
| <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>3.7</i> | <i>7.6</i> | <i>8.3</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 | 0.7 | 6.6 | 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 | 0.7 | 6.6 | 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>0.6</i> | <i>4.7</i> | <i>6.3</i> |
| Reported EBIT | 8.1 | 8.6 | 11.6 | 14.9 | 8.4 | 0.7 | 6.6 | 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>0.6</i> | <i>4.7</i> | <i>6.3</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 | 1.1 | 6.6 | 9.1 |
| Taxes | -1.4 | -1.5 | -2.1 | -3.2 | -1.6 | -0.1 | -1.3 | -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 | 1.0 | 5.3 | 7.3 |
| 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 | 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 | 10 | 11 | 12 |
| Receivables | 35 | 24 | 30 | 52 | 32 | 26 | 29 | 30 |
| Liquid funds | 7 | 24 | 31 | 13 | 22 | 21 | 21 | 21 |
| Total assets | 62 | 70 | 87 | 103 | 91 | 78 | 82 | 86 |
| Liabilities | | | | | | | | |
| Shareholder's equity | 30 | 34 | 39 | 47 | 50 | 44 | 43 | 44 |
| 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 | 2 |
| Non-interest bearing current liabilities | 28 | 29 | 43 | 46 | 31 | 25 | 28 | 30 |
| Other interest-free debt | 0 | 1 | 1 | 1 | 3 | 3 | 3 | 3 |
| Total liabilities | 62 | 70 | 87 | 103 | 91 | 78 | 82 | 86 |
| 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 | -1 | 0 |
| +/- Other | -3 | -19 | -6 | 0 | 0 | 0 | 0 | 0 |
| = Cash flow from operations | 8 | 21 | 18 | -8 | 21 | 7 | 8 | 10 |
| - Capex | -2 | -3 | -7 | -4 | -3 | -1 | -4 | -5 |
| - 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 | 4 | 5 |
| +/- 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 | 1 | 2 |
| Change in cash | 2 | 17 | 7 | -17 | 9 | -1 | -1 | 1 |

| KEY FIGURES | 2016 | 2017 | 2018 | 2019 | 2020E | 2021E | 2022E |
|--|-------|-------|-------|-------|-------|-------|-------|
| M-cap | 70 | 123 | 91 | 114 | 87 | 87 | 87 |
| Net debt (excl. convertibles) | -21 | -29 | -5 | -15 | -16 | -14 | -13 |
| Enterprise value | 50 | 94 | 85 | 99 | 71 | 73 | 74 |
| Sales | 113 | 149 | 181 | 151 | 123 | 139 | 144 |
| 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 | 5 | 7 |
| Equity book value (excl. minorities) | 34 | 39 | 47 | 50 | 44 | 43 | 44 |
| Valuation multiples | | | | | | | |
| EV/sales | 0.4 | 0.6 | 0.5 | 0.7 | 0.6 | 0.5 | 0.5 |
| EV/EBITDA | 4.6 | 6.6 | 4.9 | 8.1 | 15.4 | 6.9 | 6.2 |
| EV/EBITA | 5.8 | 8.1 | 5.7 | 11.8 | 101.4 | 11.0 | 8.1 |
| EV/EBIT | 5.8 | 8.1 | 5.7 | 11.8 | 101.4 | 11.0 | 8.1 |
| EV/OCF | 2.3 | 5.1 | -11.2 | 4.7 | 9.8 | 9.1 | 7.6 |
| EV/FCFF | 2.7 | 7.4 | -7.2 | 6.3 | 14.7 | 14.0 | 13.8 |
| P/FCFE | 3.9 | 10.8 | -8.1 | 6.4 | 13.3 | 19.4 | 17.0 |
| P/E | 10.0 | 13.1 | 7.7 | 15.0 | 83.7 | 16.5 | 11.8 |
| P/B | 2.1 | 3.1 | 1.9 | 2.3 | 2.0 | 2.0 | 2.0 |
| Target EV/EBITDA | 0.0 | 0.0 | 0.0 | 0.0 | 15.1 | 6.7 | 6.0 |
| Target EV/EBIT | 0.0 | 0.0 | 0.0 | 0.0 | 99.0 | 10.8 | 7.9 |
| Target EV/FCF | 0.0 | 0.0 | 0.0 | 0.0 | 10.6 | 15.9 | 14.2 |
| Target P/B | 0.0 | 0.0 | 0.0 | 0.0 | 1.9 | 2.0 | 1.9 |
| Target P/E | 0.0 | 0.0 | 0.0 | 0.0 | 82.0 | 16.1 | 11.6 |
| 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 | 0.24 | 1.24 | 1.72 |
| Operating cash flow per share | 5.05 | 4.33 | -1.79 | 4.96 | 1.70 | 1.88 | 2.29 |
| Free cash flow per share | 4.33 | 2.68 | -2.64 | 4.23 | 1.53 | 1.05 | 1.20 |
| Book value per share | 8.13 | 9.27 | 10.95 | 11.65 | 10.44 | 10.21 | 10.44 |
| 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 | 602.9 | 121.0 | 88.3 |
| Dividend yield, % | 6.0 | 4.3 | 6.6 | 7.1 | 7.2 | 7.4 | 7.5 |
| FCF yield, % | 25.9 | 9.3 | -12.4 | 15.7 | 7.5 | 5.2 | 5.9 |
| Efficiency measures | | | | | | | |
| ROE | 22.1 | 25.6 | 27.3 | 15.9 | 2.2 | 12.0 | 16.7 |
| ROCE | 25.0 | 29.7 | 31.3 | 15.1 | 1.3 | 13.2 | 17.8 |
| 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 | 6.8 | 6.9 |
| Operative CAPEX/sales, % | 2.7 | 4.7 | 2.0 | 2.1 | 0.6 | 2.5 | 3.2 |
| CAPEX/sales (incl. acquisitions), % | 2.7 | 4.7 | 2.0 | 2.1 | 0.6 | 2.5 | 3.2 |
| FCFF/EBITDA | 1.7 | 0.9 | -0.7 | 1.3 | 1.0 | 0.5 | 0.4 |
| Net debt/EBITDA, book-weighted | -1.9 | -2.1 | -0.3 | -1.3 | -3.4 | -1.3 | -1.1 |
| 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 | 56.6 | 53.2 | 51.7 |
| Gearing, % | -60.3 | -74.4 | -11.8 | -31.0 | -35.4 | -32.1 | -28.6 |

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 | 10.200 | 11.8% |
| Mandatum Life Unit-Linked | 138,302 | 2.821 | 3.3% |
| Laakkonen Mikko Kalervo | 119,919 | 2.446 | 2.8% |
| Suominen Pekka | 110,429 | 2.253 | 2.6% |
| Siivonen Osku Pekka | 104,179 | 2.125 | 2.5% |
| Kirmo Kaisa Marketta | 104,021 | 2.122 | 2.4% |
| Suominen Tiina Sini-Maria | 100,856 | 2.057 | 2.4% |
| Keskiahho Kaija Leena | 84,716 | 1.728 | 2.0% |
| Mustakallio Mika Tapani | 83,270 | 1.699 | 2.0% |
| Särkijärvi Anna Riitta | 82,489 | 1.683 | 1.9% |
| Ten largest | 1,428,181 | 29.135 | 34% |
| Residual | 2,821,067 | 57.550 | 66% |
| Total | 4,249,248 | 86.685 | 100% |

| EARNINGS CALENDAR | |
|-------------------|-----------------|
| February 12, 2021 | FY 2020 Results |
| April 29, 2021 | Q1 report |
| July 23, 2021 | Q2 report |
| October 22, 2021 | Q3 report |
| OTHER EVENTS | |
| March 31, 2021 | AGM |

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

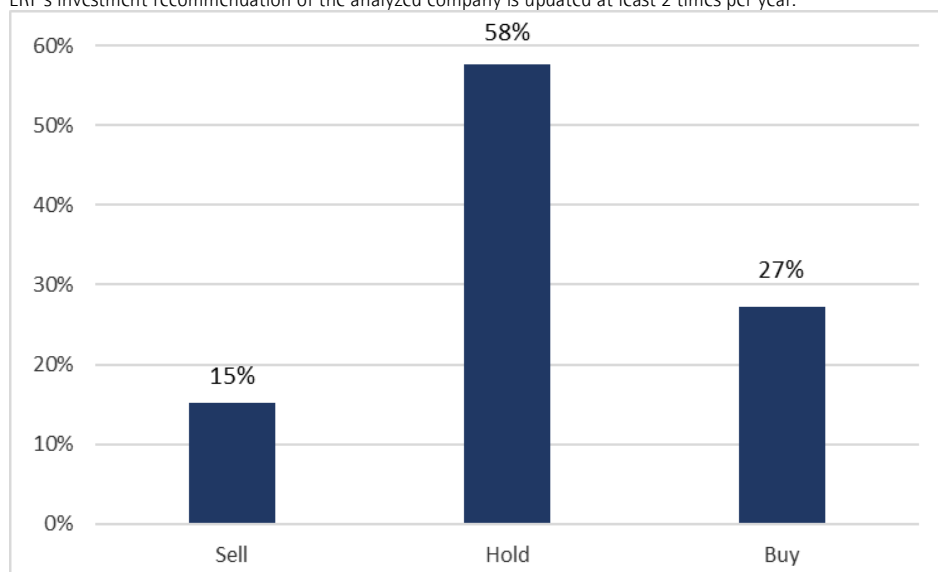
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Investment recommendations are defined as follows:

| 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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