

## Extended uncertainty for now

Raute's Q3 results didn't meet our estimates as the pandemic continued to interfere with business more than we expected. Our new TP is EUR 18 (20), rating still HOLD.

### The pandemic continued to hurt top line and order intake

Raute reported EUR 27.9m in Q3 revenue, down by 17% y/y and up 14% q/q, missing our EUR 34.0m estimate. The 4.8% operating margin also fell short of our 6.2% estimate. Although revenue grew q/q order intake nevertheless continued to slide, and the EUR 11m Q3 figure missed our EUR 21m estimate largely because project orders touched a low of EUR 2m, whereas we expected some recovery to EUR 10m. Services orders, at EUR 9m, were also lower than our EUR 11m estimate.

### We revise our estimates slightly down

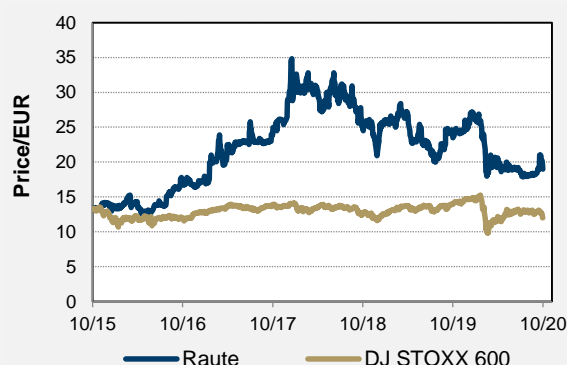
We still wait for signs of acceleration in smaller equipment as well as relatively large-sized modernization orders (the latter are recognized under services). Europe was digesting investments in new production capacity already before the pandemic, and right now it's quite unclear when actual orders might begin to pick up again. Russia remains an important market and Raute describes local demand still active, however uncertainty continues to plague decision making there as well. It's still early to talk much about China, although the market seems to be maturing and thus developing favorably from Raute's point of view. The market is a big opportunity for Raute, however in our opinion the prospect should be valued cautiously. We revise our top line estimate for FY '21 down to EUR 132m from EUR 139m and EBIT estimate down to EUR 6.0m from EUR 6.6m.

### It seems profitability is unlikely to be high next year either

Raute's competitive positioning remains intact and earnings are bound to gain significantly in the coming years from this year's low point. However, next year's profitability outlook still appears quite modest and hence earnings multiples seem to be on the high side of the acceptable range. In our view Raute's valuation is now full unless there's imminent recovery in smaller equipment orders and services. Such a pick-up in orders could happen quickly but we are cautious towards this prospect as uncertainty currently shows no signs of fading. Raute is trading at 6.8x EV/EBITDA and 11.4x EV/EBIT on our updated estimates for next year. Our TP is now EUR 18 (20), rating still HOLD.

Rating

■ HOLD



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

Target price, EUR 18.0

Latest change in recommendation 24-Jul-20

Latest report on company 20-Oct-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 12-Feb-21

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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	109.1	-1.0	-0.9%	6.8	-0.21	-88.5	0.6	-64.8	8.4	1.47
2021E	132.0	6.0	4.5%	2.9	1.12	16.9	0.5	11.4	3.6	1.50
2022E	137.0	8.4	6.1%	4.9	1.58	12.0	0.5	8.3	6.1	1.52
Market cap, EURm	81		Gearing 2020E, %	-37.6		CAGR EPS 2019-22, %	-4.1			
Net debt 2020E, EURm	-16		Price/book 2020E	1.9		CAGR sales 2019-22, %	-3.3			
Enterprise value, EURm	65		Dividend yield 2020E, %	7.7		ROE 2020E, %	-2.0			
Total assets 2020E, EURm	73		Tax rate 2020E, %	-47.8		ROCE 2020E, %	-1.9			
Goodwill 2020E, EURm	1		Equity ratio 2020E, %	58.2		PEG, P/E 20/CAGR	0.0			

**Estimates and valuation**

Raute	2017	2018	Q1'19	Q2'19	Q3'19	Q4'19	2019	Q1'20	Q2'20	Q3'20	Q4'20e	2020e	2021e
<b>Order intake</b>	155	166	32	26	73	17	148	25	13	11	71	120	136
Project deliveries	97	104	18	11	65	4	98	14	6	2	60	82	84
Technology services	58	62	14	15	8	13	50	11	7	9	11	38	52
Europe	60	76	5	4	5	6	21	8	3	5	7	23	39
Russia	50	30	18	8	60	2	89	13	3	1	58	75	51
North America	36	25	6	6	2	3	18	3	2	2	2	9	18
Latin America	8	12	1	7	0	3	12	1	1	2	2	6	11
Asia-Pacific	2	23	1	1	5	2	9	1	4	0	2	7	17
<b>Order book</b>	110	95	84	72	109	88	88	92	80	62	100	100	104
<b>Revenue</b>	148	181	41	37	34	39	151	24	24	28	33	109	132
Project deliveries	99	126	27	18	17	24	86	14	14	18	22	69	79
Technology services	49	55	15	19	17	15	66	10	10	10	11	41	53
Europe	82	77	19	15	9	8	51	6	6	6	7	25	32
Russia	35	48	11	10	14	13	47	10	12	16	19	57	65
North America	21	32	7	6	7	7	27	4	3	3	3	12	14
Latin America	6	6	3	4	3	4	14	3	2	1	2	8	9
Asia-Pacific	3	18	3	2	2	6	13	1	2	1	2	7	12
<b>EBITDA</b>	14	17	4	3	3	3	12	-2	0	2	3	3	10
<i>EBITDA margin</i>	9.3 %	9.6 %	8.7 %	9.1 %	7.9 %	6.9 %	8.1 %	-8.6 %	-0.4 %	8.9 %	8.2 %	2.8 %	7.6 %
<b>EBIT</b>	11	15	3	2	2	2	8	-3	-1	1	2	-1	6
<i>EBIT margin</i>	7.5 %	8.2 %	6.3 %	6.3 %	5.1 %	4.6 %	5.6 %	-12.6 %	-4.2 %	4.8 %	5.2 %	-0.9 %	4.5 %

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	7229	11.8x	9.6x	10.0x	14.9x	12.6x	12.9x	15.4 %	15.1 %	14.9 %
Cargotec	1827	7.6x	8.8x	7.8x	11.0x	13.2x	11.3x	7.2 %	6.3 %	7.2 %
Glaston	50	9.8x	7.8x	5.4x	19.4x	22.5x	10.7x	3.3 %	2.2 %	4.6 %
Kone	35593	19.7x	24.4x	22.3x	23.3x	28.9x	26.2x	12.4 %	12.3 %	13.0 %
Konecranes Oyj	2034	7.6x	8.3x	7.4x	12.1x	13.5x	10.9x	7.1 %	6.7 %	8.1 %
Ponsse	767	10.4x	9.4x	9.2x	13.7x	13.1x	12.5x	10.1 %	10.3 %	10.0 %
Sandvik	19267	9.3x	10.9x	9.1x	17.9x	16.7x	11.9x	13.3 %	14.1 %	18.6 %
Valmet	2979	8.5x	7.9x	7.2x	11.3x	10.6x	9.4x	8.2 %	8.3 %	9.0 %
Wartsila	3993	11.0x	10.4x	9.1x	14.7x	15.3x	12.8x	9.0 %	6.5 %	8.0 %
<b>Peer Group Average</b>	8193	<b>10.6x</b>	<b>10.8x</b>	<b>9.7x</b>	<b>15.4x</b>	<b>16.2x</b>	<b>13.2x</b>	<b>9.6 %</b>	<b>9.1 %</b>	<b>10.4 %</b>
<b>Peer Group Median</b>	2979	<b>9.8x</b>	<b>9.4x</b>	<b>9.1x</b>	<b>14.7x</b>	<b>13.5x</b>	<b>11.9x</b>	<b>9.0 %</b>	<b>8.3 %</b>	<b>9.0 %</b>
<b>Raute (Evli est.)</b>	<b>81</b>	<b>8.1x</b>	<b>21.3x</b>	<b>6.8x</b>	<b>11.8x</b>	<b>-64.8x</b>	<b>11.4x</b>	<b>5.6 %</b>	<b>-0.9 %</b>	<b>4.5 %</b>

*Raute prem./disc. to peer median*

-18 %    128 %    -25 %    -20 %    -581 %    -4 %    -38 %    -111 %    -50 %

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	19.00 PV of Free Cash Flow	42 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	24.23 PV of Horizon value	46 WACC, %	9.6 Market risk premium, %	5.8
Share price potential, %	27.5 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	25.7 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, %	52.6 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	109	132	137	142	147	150	154	157	161	164	167
<i>Sales growth, %</i>	-16.5	-27.9	21.0	3.8	3.8	3.0	2.5	2.3	2.3	2.3	2.0	2.0
Operating income (EBIT)	8	-1	6	8	9	11	10	10	10	10	11	11
<i>Operating income margin, %</i>	5.6	-0.9	4.5	6.1	6.5	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	3	10	11	13	14	14	14	14	15	15	
- Paid taxes	-1	0	-1	-2	-2	-2	-2	-2	-2	-2	-2	
- Change in NWC	10	3	-2	0	0	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	7.0	6.5	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	
- Operative CAPEX	-3	-2	-3	-4	-4	-4	-4	-4	-4	-4	-4	
<i>opCAPEX / Sales, %</i>	2.1	-0.2	3.0	3.2	3.3	2.9	2.9	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	5	4	5	6	8	7	7	8	8	8	107
= Discounted FCFF		4	4	4	4	5	4	4	4	4	3	46
= DFCF min WACC		4	4	4	4	5	5	4	4	4	4	51
= DFCF max WACC		4	4	4	4	5	4	4	4	4	3	41

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3	2020Q4E	2020E	2021E	2022E
Net sales	41.3	37.0	33.7	39.3	151.3	23.8	24.4	27.9	33.0	109.1	132.0	137.0
EBITDA	3.6	3.2	2.6	2.9	12.3	-2.0	-0.1	2.4	2.7	3.0	10.0	11.3
<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>8.7</i>	<i>8.2</i>	<i>2.8</i>	<i>7.5</i>	<i>8.3</i>
EBIT	2.6	2.3	1.7	1.8	8.4	-3.0	-1.0	1.3	1.7	-1.0	6.0	8.4
<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>-12.6</i>	<i>-4.1</i>	<i>4.7</i>	<i>5.2</i>	<i>-0.9</i>	<i>4.5</i>	<i>6.1</i>
Net financial items	0.1	0.0	0.0	0.7	0.8	0.1	0.3	-0.1	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	1.2	1.7	-0.6	6.0	8.4
Tax	-0.6	-0.4	-0.3	-0.3	-1.6	0.7	-0.2	-0.5	-0.3	-0.3	-1.2	-1.7
<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>39.1</i>	<i>17.6</i>	<i>-47.8</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	0.8	1.4	-0.9	4.8	6.7
EPS	0.49	0.45	0.33	0.53	1.80	-0.53	-0.19	0.18	0.33	-0.21	1.12	1.58
EPS adjusted (diluted no. of shares)	0.49	0.45	0.33	0.53	1.80	-0.53	-0.19	0.18	0.33	-0.21	1.12	1.58
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
<b>SALES, EURm</b>												
Project deliveries	26.8	18.2	16.5	24.1	85.6	14.0	14.4	18.1	22.0	68.5	79.0	81.4
Technology services	14.5	18.8	17.2	15.2	65.7	9.8	10.0	9.8	11.0	40.6	53.0	55.7
Total	41.3	37.0	33.7	39.3	151.3	23.8	24.4	27.9	33.0	109.1	132.0	137.0
<b>SALES GROWTH, Y/Y %</b>												
<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>9.7</i>	<i>-8.7</i>	<i>-20.0</i>	<i>15.3</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>-43.0</i>	<i>-27.6</i>	<i>-38.2</i>	<i>30.5</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>-17.2</i>	<i>-16.0</i>	<i>-27.9</i>	<i>21.0</i>	<i>3.8</i>
<b>EBIT, EURm</b>												
Project deliveries	1.1	0.5	0.2	0.3	2.1	-3.6	-1.4	0.5	0.7	-3.8	1.2	2.8
Technology services	1.5	1.8	1.5	1.5	6.3	0.6	0.4	0.8	1.0	2.8	4.8	5.6
Total	2.6	2.3	1.7	1.8	8.4	-3.0	-1.0	1.3	1.7	-1.0	6.0	8.4
<b>EBIT margin, %</b>												
<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>2.8</i>	<i>3.2</i>	<i>-5.5</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>8.2</i>	<i>9.1</i>	<i>6.9</i>	<i>9.0</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>4.7</i>	<i>5.2</i>	<i>-0.9</i>	<i>4.5</i>	<i>6.1</i>

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	127.3	113.1	148.6	181.1	151.3	109.1	132.0	137.0
<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>-27.9</i>	<i>21.0</i>	<i>3.8</i>
EBITDA	11.6	10.9	14.2	17.4	12.3	3.0	10.0	11.3
<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>2.8</i>	<i>7.5</i>	<i>8.3</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	-1.0	6.0	8.4
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	-1.0	6.0	8.4
<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>-0.9</i>	<i>4.5</i>	<i>6.1</i>
Reported EBIT	8.1	8.6	11.6	14.9	8.4	-1.0	6.0	8.4
<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>-0.9</i>	<i>4.5</i>	<i>6.1</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	-0.6	6.0	8.4
Taxes	-1.4	-1.5	-2.1	-3.2	-1.6	-0.3	-1.2	-1.7
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	-0.9	4.8	6.7
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
<b>BALANCE SHEET, EURm</b>								
<b>Assets</b>								
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	5	6	6
Inventory	10	10	11	14	12	9	11	11
Receivables	35	24	30	52	32	23	28	29
Liquid funds	7	24	31	13	22	21	20	20
Total assets	62	70	87	103	91	73	78	82
<b>Liabilities</b>								
Shareholder's equity	30	34	39	47	50	42	41	41
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	5	6	6
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	2	3	1	1	2	0	1	3
Non-interest bearing current liabilities	28	29	43	46	31	22	27	28
Other interest-free debt	0	1	1	1	3	3	3	3
Total liabilities	62	70	87	103	91	73	78	82
<b>CASH FLOW, EURm</b>								
+ EBITDA	12	11	14	17	12	3	10	11
- 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	3	-2	0
+/- Other	-3	-19	-6	0	0	0	0	0
= Cash flow from operations	8	21	18	-8	21	7	7	9
- Capex	-2	-3	-7	-4	-3	0	-4	-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	3	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	-2	2	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	81	81	81
Net debt (excl. convertibles)	-21	-29	-5	-15	-16	-13	-11
Enterprise value	50	94	85	99	65	68	70
Sales	113	149	181	151	109	132	137
EBITDA	11	14	17	12	3	10	11
EBIT	9	12	15	8	-1	6	8
Pre-tax	9	12	15	9	-1	6	8
Earnings	7	9	12	8	-1	5	7
Equity book value (excl. minorities)	34	39	47	50	42	41	41
<b>Valuation multiples</b>							
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	21.3	6.8	6.1
EV/EBITA	5.8	8.1	5.7	11.8	-64.8	11.4	8.3
EV/EBIT	5.8	8.1	5.7	11.8	-64.8	11.4	8.3
EV/OCF	2.3	5.1	-11.2	4.7	9.8	9.9	7.5
EV/FCFF	2.7	7.4	-7.2	6.3	14.3	17.1	13.5
P/FCFE	3.9	10.8	-8.1	6.4	11.9	27.5	16.4
P/E	10.0	13.1	7.7	15.0	-88.5	16.9	12.0
P/B	2.1	3.1	1.9	2.3	1.9	2.0	2.0
Target EV/EBITDA	0.0	0.0	0.0	0.0	19.9	6.4	5.8
Target EV/EBIT	0.0	0.0	0.0	0.0	-60.5	10.7	7.8
Target EV/FCF	0.0	0.0	0.0	0.0	9.0	21.7	13.3
Target P/B	0.0	0.0	0.0	0.0	1.8	1.9	1.9
Target P/E	0.0	0.0	0.0	0.0	-83.9	16.1	11.4
<b>Per share measures</b>							
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	-0.21	1.12	1.58
Operating cash flow per share	5.05	4.33	-1.79	4.96	1.55	1.62	2.17
Free cash flow per share	4.33	2.68	-2.64	4.23	1.59	0.69	1.16
Book value per share	8.13	9.27	10.95	11.65	9.99	9.64	9.72
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	-684.9	133.8	96.0
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	3.6	6.1
<b>Efficiency measures</b>							
ROE	22.1	25.6	27.3	15.9	-2.0	11.4	16.4
ROCE	25.0	29.7	31.3	15.1	-1.9	12.5	17.1
<b>Financial ratios</b>							
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	6.5	6.8	6.8
Operative CAPEX/sales, %	2.7	4.7	2.0	2.1	-0.2	3.0	3.2
CAPEX/sales (incl. acquisitions), %	2.7	4.7	2.0	2.1	-0.2	3.0	3.2
FCFF/EBITDA	1.7	0.9	-0.7	1.3	1.5	0.4	0.5
Net debt/EBITDA, book-weighted	-1.9	-2.1	-0.3	-1.3	-5.2	-1.3	-1.0
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	58.2	52.5	50.6
Gearing, %	-60.3	-74.4	-11.8	-31.0	-37.6	-30.9	-27.0

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



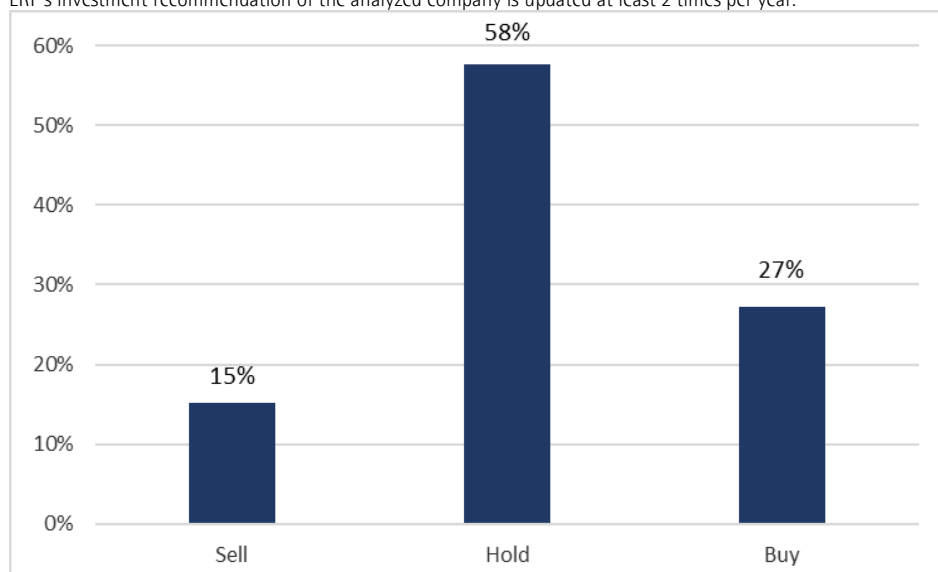
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Investment recommendations are defined as follows:

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

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

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