

Profitability gains going forward

Raute's environment has improved faster than we expected, as seen in the recent signing of two large orders. We don't expect the ongoing year to be that great, but from here on profitability gains appear inevitable. In our view FY '22 results could already touch the previous record levels.

EUR 46m in larger disclosed orders set the stage for FY '22

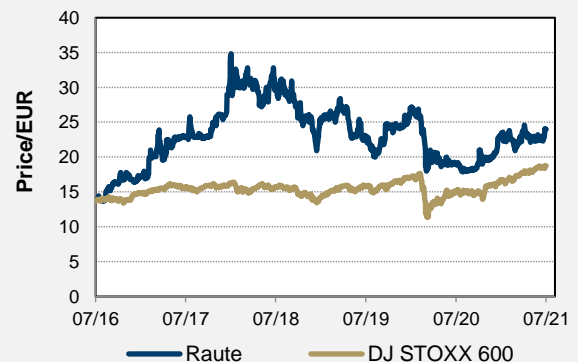
Raute has disclosed two new orders over the past couple of months, in total some EUR 46m worth of business for FY '22. Raute knows both customers well. The EUR 30m Lithuanian LVL mill order will be delivered before the end of Q3'22. The delivery schedule looks much the same for the EUR 16m Russian order. The projects didn't arrive as a complete surprise since we had already expected meaningful improvement in H2'21 orders, however we now see solid profitability potential for FY '22 and beyond. We do not expect Q2'21 to have been that great yet, what with EUR 36m in revenue and EUR 1.6m EBIT, but we see profitability can only improve from the recent lows.

We expect about EUR 160m top line for next year

The new orders will not affect Raute's FY '21 results. The previous guidance, according to which both top line and operating profit will improve, remains valid. We have made only minor revisions to our FY '21 profitability estimates. In our opinion annual operating profit will still not be great this year as revenue stays at a somewhat modest level while pandemic restrictions also remain a nuisance. The business is, for now, reliant on a large Russian order and the associated low margin profile limits profitability. We believe, however, that Raute is set to top EUR 10m in EBIT once again next year as the recent negative factors will remain no more. We revise our FY '22 revenue estimate from EUR 141m to EUR 159m, while our respective EBIT margin estimate increases from 5.6% to 7.0%. We thus see Raute reaching EUR 11m in EBIT, a figure close to that of FY '17.

Multiples turn attractive with EBIT north of EUR 10m

Our EUR 160m revenue estimate and corresponding 7% EBIT margin imply EBIT in the EUR 11-12m range, which translates to around 7x EV/EBITDA and 9x EV/EBIT multiples for FY '22-23. We also note Raute reached EUR 15m EBIT in FY '18, although that level would be difficult to pull off in a steady fashion. Our TP is now EUR 26.5 (21). Our new rating is BUY (HOLD).

 Rating BUY

 Share price, EUR (Last trading day's closing price) 24.00

 Target price, EUR 26.5

Latest change in recommendation	14-Jul-21
Latest report on company	30-Apr-21
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	102
Free float, %	-
Exchange rate	-
Reuters code	RAUTE.HE
Bloomberg code	RAUTE:FH
Average daily volume, EURm	0.1
Next interim report	23-Jul-21
Web site	www.raute.com/investors

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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
2019	151.3	8.4	5.6%	18.0	1.80	15.0	0.7	11.8	15.7	1.45
2020	115.0	-1.9	-1.7%	-0.7	-0.22	-101.6	0.8	-48.0	-0.7	0.80
2021E	133.8	2.8	2.1%	-2.6	0.40	60.0	0.8	37.4	-2.6	0.85
2022E	158.6	11.1	7.0%	0.3	2.09	11.5	0.7	9.5	0.3	0.90
2023E	164.4	11.8	7.2%	6.5	2.23	10.8	0.6	8.7	6.3	0.95
Market cap, EURm	102			Gearing 2021E, %	2.1			CAGR EPS 2020-23, %	0.0	
Net debt 2021E, EURm	1			Price/book 2021E	2.6			CAGR sales 2020-23, %	12.7	
Enterprise value, EURm	103			Dividend yield 2021E, %	3.5			ROE 2021E, %	4.3	
Total assets 2021E, EURm	96			Tax rate 2021E, %	39.1			ROCE 2021E, %	5.5	
Goodwill 2021E, EURm	2			Equity ratio 2021E, %	40.2			PEG, P/E 21/CAGR	0.7	

Estimates and valuation

Raute	2017	2018	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21e	Q3'21e	Q4'21e	2021e
Order intake	155	166	148	25	13	11	70	119	30	55	44	39	168
Project deliveries	97	104	98	14	6	2	58	80	11	42	29	25	107
Technology services	58	62	50	11	7	9	12	39	19	13	15	14	61
Europe	60	76	21	8	3	5	7	23	10	37	10	10	67
Russia	50	30	89	13	3	1	57	74	5	6	22	14	47
North America	36	25	18	3	2	2	5	12	11	7	7	8	33
Latin America	8	12	12	1	1	2	1	5	2	2	2	3	9
Asia-Pacific	2	23	9	1	4	0	1	6	3	3	3	4	13
Order book	110	95	88	92	80	62	94	94	98	117	126	127	127
Revenue	148	181	151	24	24	28	39	115	25	36	35	38	134
Project deliveries	99	126	86	14	14	18	29	75	16	24	22	22	84
Technology services	49	55	66	10	10	10	10	40	8	12	13	16	49
Europe	82	77	51	6	6	6	7	25	4	7	7	8	26
Russia	35	48	47	10	12	16	25	63	15	19	17	20	71
North America	21	32	27	4	3	3	3	12	3	6	7	7	23
Latin America	6	6	14	3	2	1	2	8	1	2	2	2	7
Asia-Pacific	3	18	13	1	2	1	2	6	1	2	2	2	6
EBITDA	14	17	12	-2	0	2	2	2	-2	3	3	3	7
<i>EBITDA margin</i>	9.3 %	9.6 %	8.1 %	-9 %	0 %	9 %	5 %	1.9 %	-6 %	7 %	8 %	8 %	5.0 %
EBIT	11	15	8	-3	-1	1	1	-2	-2	2	2	2	3
<i>EBIT margin</i>	7.5 %	8.2 %	5.6 %	-13 %	-4 %	5 %	2 %	-1.6 %	-10 %	4 %	5 %	5 %	2.1 %

Source: Evli Research

RAUTE PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%			
		21	22	23	21	22	23	21	22	23	
Alfa Laval AB	13007	16.8x	15.2x	14.0x	21.7x	18.8x	16.9x	15.4 %	16.3 %	16.8 %	
Cargotec	2943	8.4x	8.1x	7.6x	12.8x	10.7x	9.9x	8.4 %	9.0 %	9.3 %	
Glaston	85	7.5x	6.1x	5.4x	15.2x	10.1x	8.3x	4.0 %	5.4 %	6.2 %	
Kone	36516	23.1x	21.7x	20.5x	27.3x	25.5x	23.9x	12.9 %	13.2 %	13.5 %	
Konecranes Oyj	2922	8.6x	7.7x	7.2x	12.1x	10.5x	9.6x	8.9 %	9.6 %	10.0 %	
Ponsse	1121	10.9x	10.3x	10.0x	14.3x	13.2x	12.7x	10.5 %	10.8 %	10.9 %	
Sandvik	27986	11.9x	10.7x	10.2x	15.4x	13.7x	12.8x	19.6 %	20.1 %	20.5 %	
Valmet	5471	10.6x	10.1x	9.8x	13.7x	12.7x	12.2x	10.1 %	10.4 %	10.8 %	
Wartsila	7615	16.1x	13.1x	11.4x	22.9x	17.2x	14.4x	7.8 %	9.5 %	10.5 %	
Peer Group Average	10852	12.7x	11.4x	10.7x	17.3x	14.7x	13.4x	10.8 %	11.6 %	12.1 %	
Peer Group Median	5471	10.9x	10.3x	10.0x	15.2x	13.2x	12.7x	10.1 %	10.4 %	10.8 %	
Raute (Evli est.)	102	15.3x	7.3x	6.6x	37.4x	9.5x	8.7x	2.1 %	7.0 %	7.2 %	
<i>Raute prem./disc. to peer median</i>			40 %	-29 %	-34 %	147 %	-28 %	-31 %	-80 %	-33 %	-34 %

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	24.00 PV of Free Cash Flow	41 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	26.27 PV of Horizon value	65 WACC, %	9.2 Market risk premium, %	5.8
Share price potential, %	9.5 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	28.4 Marketable securities	12 Minimum WACC, %	8.7 Equity beta coefficient	1.25
Minimum value	24.4 Debt - dividend	-6 Maximum WACC, %	9.7 Target debt ratio, %	20
Horizon value, %	61.1 Value of stock	112 Nr of shares, Mn	4.2 Effective tax rate, %	20

DCF valuation, EURm	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Horizon
Net sales	115	134	159	164	170	175	179	183	187	191	195	199
<i>Sales growth, %</i>	-24.0	16.3	18.5	3.7	3.7	2.5	2.3	2.3	2.3	2.3	2.0	2.0
Operating income (EBIT)	-2	3	11	12	13	12	13	13	13	14	15	15
<i>Operating income margin, %</i>	-1.7	2.1	7.0	7.2	7.4	7.0	7.0	7.0	7.0	7.5	7.5	7.5
+ Depreciation+amort.	4	4	3	4	4	4	4	5	5	5	5	
EBITDA	2	7	15	16	17	17	17	17	18	19	19	
- Paid taxes	-1	-1	-2	-2	-3	-2	-3	-3	-3	-3	-3	
- Change in NWC	1	-4	-5	-1	-1	-1	-1	-1	-1	-1	-1	
<i>NWC / Sales, %</i>	8.3	10.2	12.1	12.5	12.8	13.0	13.2	13.4	13.6	13.8	14.0	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-4	-3	-5	-5	-5	-5	-5	-5	-5	-5	-5	
<i>opCAPEX / Sales, %</i>	3.0	3.1	4.1	3.3	3.0	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	-2	-2	2	7	8	8	9	9	9	10	10	149
= Discounted FCFF		-2	1	5	6	6	5	5	5	5	5	65
= DFCF min WACC		-2	1	6	6	6	6	5	5	5	5	73
= DFCF max WACC		-2	1	5	6	6	5	5	5	5	4	58

INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2E	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	23.8	24.4	27.9	38.9	115.0	24.8	36.0	35.0	38.0	133.8	158.6	164.4
EBITDA	-2.0	-0.1	2.4	1.8	2.1	-1.5	2.6	2.7	3.0	6.7	14.5	15.6
<i>EBITDA margin (%)</i>	<i>-8.6</i>	<i>-0.3</i>	<i>8.7</i>	<i>4.6</i>	<i>1.9</i>	<i>-6.2</i>	<i>7.2</i>	<i>7.6</i>	<i>7.9</i>	<i>5.0</i>	<i>9.2</i>	<i>9.5</i>
EBIT	-3.0	-1.0	1.3	0.8	-1.9	-2.5	1.6	1.7	2.0	2.8	11.1	11.8
<i>EBIT margin (%)</i>	<i>-12.6</i>	<i>-4.1</i>	<i>4.7</i>	<i>2.1</i>	<i>-1.7</i>	<i>-10.1</i>	<i>4.4</i>	<i>4.7</i>	<i>5.3</i>	<i>2.1</i>	<i>7.0</i>	<i>7.2</i>
Net financial items	0.1	0.3	-0.1	-0.1	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	-2.9	-0.7	1.2	0.7	-1.6	-2.5	1.6	1.7	2.0	2.8	11.1	11.8
Tax	0.7	-0.2	-0.5	0.6	0.6	0.0	-0.3	-0.3	-0.4	-1.1	-2.2	-2.4
<i>Tax rate (%)</i>	<i>22.5</i>	<i>-25.3</i>	<i>39.1</i>	<i>-86.2</i>	<i>40.1</i>	<i>-1.6</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>39.1</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-2.2	-0.8	0.8	1.4	-0.9	-2.5	1.3	1.3	1.6	1.7	8.9	9.5
EPS	-0.53	-0.19	0.18	0.32	-0.22	-0.59	0.30	0.31	0.38	0.40	2.09	2.23
EPS adjusted (diluted no. of shares)	-0.53	-0.19	0.18	0.32	-0.22	-0.59	0.30	0.31	0.38	0.40	2.09	2.23
Dividend per share	0.00	0.00	0.00	0.00	0.80	0.00	0.00	0.00	0.00	0.85	0.90	0.95
SALES, EURm												
Project deliveries	14.0	14.4	18.1	28.6	75.1	16.4	24.0	22.0	22.0	84.4	105.5	108.7
Technology services	9.8	10.0	9.8	10.3	39.9	8.4	12.0	13.0	16.0	49.4	53.1	55.8
Total	23.8	24.4	27.9	38.9	115.0	24.8	36.0	35.0	38.0	133.8	158.6	164.4
SALES GROWTH, Y/Y %												
<i>Project deliveries</i>	<i>-47.8</i>	<i>-20.9</i>	<i>9.7</i>	<i>18.7</i>	<i>-12.3</i>	<i>17.1</i>	<i>66.7</i>	<i>21.5</i>	<i>-23.1</i>	<i>12.4</i>	<i>25.0</i>	<i>3.0</i>
<i>Technology services</i>	<i>-32.4</i>	<i>-46.8</i>	<i>-43.0</i>	<i>-32.2</i>	<i>-39.3</i>	<i>-14.3</i>	<i>20.0</i>	<i>32.7</i>	<i>55.3</i>	<i>23.8</i>	<i>7.5</i>	<i>5.0</i>
Total	-42.4	-34.1	-17.2	-1.0	-24.0	4.2	47.5	25.4	-2.3	16.3	18.5	3.7
EBIT, EURm												
Project deliveries	-3.6	-1.4	0.5	0.3	-4.2	-3.1	0.7	0.7	0.8	-0.9	5.8	6.2
Technology services	0.6	0.4	0.8	0.5	2.3	0.6	0.9	1.0	1.2	3.7	5.3	5.6
Total	-3.0	-1.0	1.3	0.8	-1.9	-2.5	1.6	1.7	2.0	2.8	11.1	11.8
EBIT margin, %												
<i>Project deliveries</i>	<i>-25.7</i>	<i>-9.7</i>	<i>2.8</i>	<i>1.0</i>	<i>-5.6</i>	<i>-18.9</i>	<i>2.9</i>	<i>3.0</i>	<i>3.6</i>	<i>-1.1</i>	<i>5.5</i>	<i>5.8</i>
<i>Technology services</i>	<i>6.1</i>	<i>4.0</i>	<i>8.2</i>	<i>4.9</i>	<i>5.8</i>	<i>7.1</i>	<i>7.5</i>	<i>7.7</i>	<i>7.5</i>	<i>7.5</i>	<i>10.0</i>	<i>10.0</i>
Total	-12.6	-4.1	4.7	2.1	-1.7	-10.1	4.4	4.7	5.3	2.1	7.0	7.2

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	113.1	148.6	181.1	151.3	115.0	133.8	158.6	164.4
<i>Sales growth (%)</i>	<i>-11.1</i>	<i>31.4</i>	<i>21.9</i>	<i>-16.5</i>	<i>-24.0</i>	<i>16.3</i>	<i>18.5</i>	<i>3.7</i>
EBITDA	10.9	14.2	17.4	12.3	2.1	6.7	14.5	15.6
<i>EBITDA margin (%)</i>	<i>9.6</i>	<i>9.6</i>	<i>9.6</i>	<i>8.1</i>	<i>1.9</i>	<i>5.0</i>	<i>9.2</i>	<i>9.5</i>
Depreciation	-2.3	-2.6	-2.5	-3.9	-4.0	-4.0	-3.4	-3.8
EBITA	8.6	11.6	14.9	8.4	-1.9	2.8	11.1	11.8
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	8.6	11.6	14.9	8.4	-1.9	2.8	11.1	11.8
<i>EBIT margin (%)</i>	<i>7.6</i>	<i>7.8</i>	<i>8.2</i>	<i>5.6</i>	<i>-1.7</i>	<i>2.1</i>	<i>7.0</i>	<i>7.2</i>
Reported EBIT	8.6	11.6	14.9	8.4	-1.9	2.8	11.1	11.8
<i>EBIT margin (reported) (%)</i>	<i>7.6</i>	<i>7.8</i>	<i>8.2</i>	<i>5.6</i>	<i>-1.7</i>	<i>2.1</i>	<i>7.0</i>	<i>7.2</i>
Net financials	0.0	0.0	0.0	0.8	0.3	0.0	0.0	0.0
Pre-tax profit	8.6	11.6	14.9	9.2	-1.6	2.8	11.1	11.8
Taxes	-1.5	-2.1	-3.2	-1.6	0.6	-1.1	-2.2	-2.4
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	7.0	9.4	11.7	7.6	-0.9	1.7	8.9	9.5
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	12	13	15	16	17	16	18	20
Goodwill	0	1	1	1	2	2	2	2
Right of use assets	0	0	7	7	6	7	8	8
Inventory	10	11	14	12	15	17	21	22
Receivables	24	30	52	32	34	39	46	48
Liquid funds	24	31	13	22	12	13	16	17
Total assets	70	87	103	91	86	96	112	117
Liabilities								
Shareholder's equity	34	39	47	50	40	39	44	50
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	7	5	4	7	8	8
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	3	1	1	2	2	7	12	10
Non-interest bearing current liabilities	29	43	46	31	23	27	32	33
Other interest-free debt	1	1	1	3	16	16	16	16
Total liabilities	70	87	103	91	86	96	112	117
CASH FLOW, EURm								
+ EBITDA	11	14	17	12	2	7	15	16
- Net financial items	17	7	0	1	0	0	0	0
- Taxes	0	-3	-3	-1	-1	-1	-2	-2
- Increase in Net Working Capital	12	6	-23	10	1	-4	-5	-1
+/- Other	-19	-6	0	0	0	0	0	0
= Cash flow from operations	21	18	-8	21	3	2	7	12
- Capex	-3	-7	-4	-3	-3	-4	-7	-5
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	18	11	-11	18	-1	-3	0	6
+/- New issues/buybacks	1	0	1	1	-2	0	0	0
- Paid dividend	-3	-4	-5	-6	-6	-3	-4	-4
+/- Other	2	0	-2	-4	-2	8	6	-2
Change in cash	17	7	-17	9	-11	2	3	1

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	123	91	114	96	102	102	102
Net debt (excl. convertibles)	-29	-5	-15	-5	1	4	1
Enterprise value	94	85	99	91	103	106	103
Sales	149	181	151	115	134	159	164
EBITDA	14	17	12	2	7	15	16
EBIT	12	15	8	-2	3	11	12
Pre-tax	12	15	9	-2	3	11	12
Earnings	9	12	8	-1	2	9	9
Equity book value (excl. minorities)	39	47	50	40	39	44	50
Valuation multiples							
EV/sales	0.6	0.5	0.7	0.8	0.8	0.7	0.6
EV/EBITDA	6.6	4.9	8.1	42.6	15.3	7.3	6.6
EV/EBITA	8.1	5.7	11.8	-48.0	37.4	9.5	8.7
EV/EBIT	8.1	5.7	11.8	-48.0	37.4	9.5	8.7
EV/OCF	5.1	-11.2	4.7	32.7	68.2	15.5	8.7
EV/FCFF	7.4	-7.2	6.3	-42.6	-60.0	66.0	15.3
P/FCFE	10.8	-8.1	6.4	-140.2	-38.5	308.1	15.8
P/E	13.1	7.7	15.0	-101.6	60.0	11.5	10.8
P/B	3.1	1.9	2.3	2.4	2.6	2.3	2.1
Target EV/EBITDA	0.0	0.0	0.0	0.0	16.9	8.0	7.3
Target EV/EBIT	0.0	0.0	0.0	0.0	41.2	10.5	9.6
Target EV/FCF	0.0	0.0	0.0	0.0	-42.8	352.6	17.7
Target P/B	0.0	0.0	0.0	0.0	2.9	2.6	2.3
Target P/E	0.0	0.0	0.0	0.0	66.2	12.7	11.9
Per share measures							
Number of shares	4,249	4,249	4,249	4,249	4,249	4,249	4,249
Number of shares (diluted)	4,249	4,249	4,249	4,249	4,249	4,249	4,249
EPS	2.22	2.76	1.80	-0.22	0.40	2.09	2.23
Operating cash flow per share	4.33	-1.79	4.96	0.66	0.35	1.61	2.81
Free cash flow per share	2.68	-2.64	4.23	-0.16	-0.62	0.08	1.52
Book value per share	9.27	10.95	11.65	9.52	9.12	10.36	11.69
Dividend per share	1.25	1.40	1.45	0.80	0.85	0.90	0.95
Dividend payout ratio, %	56.4	50.7	80.7	-358.2	212.5	43.0	42.7
Dividend yield, %	4.3	6.6	5.4	3.3	3.5	3.8	4.0
FCF yield, %	9.3	-12.4	15.7	-0.7	-2.6	0.3	6.3
Efficiency measures							
ROE	25.6	27.3	15.9	-2.1	4.3	21.5	20.2
ROCE	29.7	31.3	15.1	-3.7	5.5	19.0	17.9
Financial ratios							
Inventories as % of sales	7.4	7.9	8.2	13.1	13.1	13.1	13.1
Receivables as % of sales	20.5	28.9	20.9	29.2	29.2	29.2	29.2
Non-interest bearing liabilities as % of sales	29.1	25.2	20.5	20.2	20.2	20.2	20.2
NWC/sales, %	-1.8	11.1	7.0	8.3	10.2	12.1	12.5
Operative CAPEX/sales, %	4.7	2.0	2.1	3.0	3.1	4.1	3.3
CAPEX/sales (incl. acquisitions), %	4.7	2.0	2.1	3.0	3.1	4.1	3.3
FCFF/EBITDA	0.9	-0.7	1.3	-1.0	-0.3	0.1	0.4
Net debt/EBITDA, book-weighted	-2.1	-0.3	-1.3	-2.5	0.1	0.3	0.1
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Equity ratio, book-weighted	45.3	45.1	54.6	46.9	40.2	39.2	42.4
Gearing, %	-74.4	-11.8	-31.0	-13.0	2.1	9.3	3.0

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	12.000	11.8%
Mandatum Life Unit-Linked	138,302	3.319	3.3%
Laakkonen Mikko Kalervo	119,919	2.878	2.8%
Suominen Pekka	110,429	2.650	2.6%
Siivonen Osku Pekka	104,179	2.500	2.5%
Kirmo Kaisa Marketta	104,021	2.497	2.4%
Suominen Tiina Sini-Maria	100,856	2.421	2.4%
Keskiaho Kaija Leena	84,716	2.033	2.0%
Mustakallio Mika Tapani	83,270	1.998	2.0%
Särkijärvi Anna Riitta	82,489	1.980	1.9%
Ten largest	1,428,181	34.276	34%
Residual	2,821,067	67.706	66%
Total	4,249,248	101.982	100%

EARNINGS CALENDAR	
July 23, 2021	Q2 report
October 22, 2021	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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

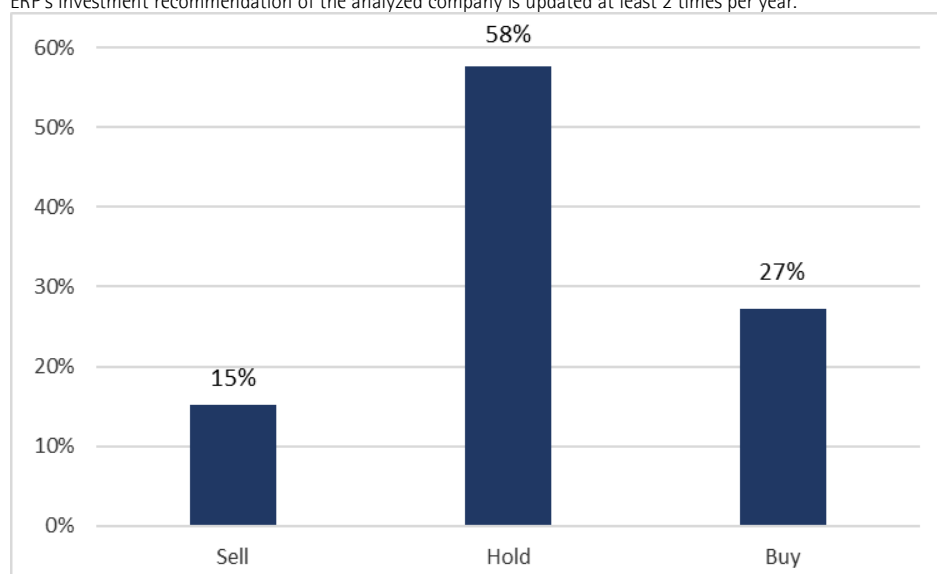
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Investment recommendations are defined as follows:

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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