

Market uncertainty justifies caution

Raute reports Q2 results this week, on Wed, Jul 31. The company downgraded its FY 2019 guidance recently, on Jun 25. Raute had previously expected flat revenue and operating profit for FY 2019, but now expects revenue and EBIT to be lower than last year. We keep our target price at EUR 25.5 per share; our rating is now BUY (HOLD).

We expect strong Q2 EBIT margin due to inventory timings

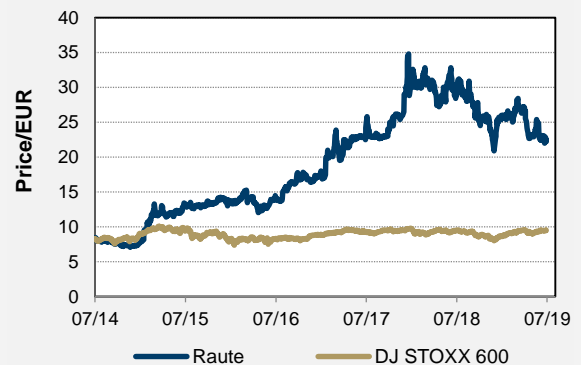
Even though Raute recently moderated its guidance for FY 2019, we expect Q2 to have been quite strong in terms of operating margin; Raute's Q1 operating margin amounted to a relatively weak 6.3% due to unfavorable timing of certain inventory-related line items, which the company said were some EUR 0.5–1.0m in magnitude. We therefore expect Q2 operating margin at 8.1% (vs 7.3% a year ago and 6.3% in Q1). Our EUR 35.6m revenue and EUR 2.9m EBIT estimates for Q2 compare to the respective EUR 38.2m and EUR 2.7m consensus estimates.

Lowered FY 2019 outlook as project deliveries were delayed

Raute lowered guidance on Jun 25 due to delayed schedules of certain challenging project deliveries and postponed negotiations concerning some larger orders not yet closed. Upon lowering its outlook, Raute said it continues to view the operating environment stable and sees healthy activity related to potential mill capacity expansion projects. However, Raute also cited elevated uncertainty due to increased share of smaller customers, whose decision-making is more unpredictable. We expect 2019 revenue to decrease by a double-digit percentage to EUR 158m (EUR 156m consensus) and EBIT to decline to EUR 11m (same as consensus) due to project uncertainties and slower order book development (EUR 84m Q1'19 vs. EUR 142m Q1'18).

Low multiples warranted due to outlook uncertainties

Raute trades around 4x EV/EBITDA and 5x EV/EBIT on our 2019 estimates. We leave our estimates unchanged for now and retain our EUR 25.5 target price. Our new rating is thus BUY (HOLD) as Raute's share price has declined since our previous update.

Rating BUY

 Share price, EUR (Last trading day's closing price) 22.20

 Target price, EUR 25.5

 Latest change in recommendation 26-Jul-19

 Latest report on company 26-Jun-19

 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 94

 Free float, % -

 Exchange rate -

 Reuters code RAUTE.HE

 Bloomberg code RAUTE:FH

 Average daily volume, EURm -

 Next interim report 31-Jul-19

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+ BUY □ HOLD - SELL

KEY FIGURES

| | Sales EURm | EBIT EURm | EBIT % | Ptx profit EURm | EPS EUR | P/E (x) | EV/Sales (x) | P/CF (x) | EV/EBIT (x) | DPS EUR |
|--------------------------|---------------|--------------|-------------------------|--------------------|------------|-----------------------|-----------------|-------------|----------------|------------|
| 2017 | 149 | 12 | 7.8% | 12 | 2.22 | 13.1 | 0.6 | 6.7 | 8.1 | 1.25 |
| 2018 | 181 | 15 | 8.2% | 15 | 2.76 | 7.7 | 0.3 | 6.2 | 3.8 | 1.40 |
| 2019E | 158 | 11 | 7.1% | 11 | 2.10 | 10.6 | 0.4 | 8.0 | 5.0 | 1.40 |
| 2020E | 122 | 9 | 7.3% | 9 | 1.68 | 13.2 | 0.4 | 9.8 | 6.1 | 1.40 |
| 2021E | 127 | 10 | 7.7% | 10 | 1.84 | 12.1 | 0.4 | 8.8 | 5.4 | 1.40 |
| Market cap, EURm | | 94 | BV per share 2019E, EUR | | 11.5 | CAGR EPS 2018-21, % | | -12.7 | | |
| Net debt 2019E, EURm | | -38 | Price/book 2019E | | 1.9 | CAGR sales 2018-21, % | | -11.2 | | |
| Enterprise value, EURm | | 57 | Dividend yield 2019E, % | | 6.3 | ROE 2019E, % | | 18.9 | | |
| Total assets 2019E, EURm | | 98 | Tax rate 2019E, % | | 20.0 | ROCE 2019E, % | | 22.9 | | |
| Goodwill 2019E, EURm | | 1 | Equity ratio 2019E, % | | 49.9 | PEG, P/E 19/CAGR | | -2.0 | | |

All the important disclosures can be found on the last pages of this report.

| RAUTE PEER GROUP | MCAP MEUR | EV/EBITDA | | | EV/EBIT | | | EBIT-% | | |
|--------------------|--------------|-------------|-------------|-------------|--------------|-------------|-------------|---------------|---------------|---------------|
| | | 19 | 20 | 21 | 19 | 20 | 21 | 19 | 20 | 21 |
| Glaston | 106 | 6.6x | 3.1x | 2.2x | 7.5x | 4.8x | 3.6x | 5.2 % | 6.5 % | 7.8 % |
| Sandvik | 18425 | 9.0x | 8.7x | 8.4x | 11.5x | 10.8x | 10.3x | 17.9 % | 18.7 % | 19.0 % |
| Outotec | 945 | 8.7x | 6.8x | 6.2x | 12.7x | 9.1x | 8.0x | 6.7 % | 8.2 % | 8.7 % |
| Valmet | 2717 | 6.9x | 6.3x | 6.1x | 9.1x | 8.1x | 7.8x | 7.9 % | 8.2 % | 8.5 % |
| Ponsse | 811 | 8.8x | 7.9x | 7.8x | 11.2x | 9.8x | 9.5x | 10.4 % | 11.1 % | 11.3 % |
| Metso | 5320 | 10.7x | 9.5x | 9.1x | 12.5x | 11.0x | 10.5x | 12.2 % | 12.2 % | 12.4 % |
| Peer Group Average | 4721 | 8.4x | 7.1x | 6.6x | 10.8x | 8.9x | 8.3x | 10.1 % | 10.8 % | 11.3 % |
| Peer Group Median | 1831 | 8.7x | 7.4x | 7.0x | 11.4x | 9.4x | 8.7x | 9.2 % | 9.7 % | 10.0 % |
| Raute (Evli est.) | 94 | 3.9x | 4.6x | 4.2x | 5.0x | 6.1x | 5.4x | 7.1 % | 7.3 % | 7.7 % |

Raute prem./disc. to peer median

-55 % -37 % -40 % -56 % -35 % -38 % -22 % -24 % -23 %

Source FactSet, Evli Research

| VALUATION RESULTS | BASE CASE DETAILS | VALUATION ASSUMPTIONS | ASSUMPTIONS FOR WACC | |
|--------------------------|----------------------------|------------------------|--------------------------------|------|
| Current share price | 22.20 PV of Free Cash Flow | 52 Long-term growth, % | 2.0 Risk-free interest rate, % | 2.25 |
| DCF share value | 29.13 PV of Horizon value | 44 WACC, % | 9.6 Market risk premium, % | 5.8 |
| Share price potential, % | 31.2 Unconsolidated equity | 0 Spread, % | 0.5 Debt risk premium, % | 2.8 |
| Maximum value | 30.6 Marketable securities | 38 Minimum WACC, % | 9.1 Equity beta coefficient | 1.35 |
| Minimum value | 27.9 Debt - dividend | -9 Maximum WACC, % | 10.1 Target debt ratio, % | 20 |
| Horizon value, % | 45.6 Value of stock | 124 Nr of shares, Mn | 4.2 Effective tax rate, % | 20 |

| DCF valuation, EURm | 2018 | 2019E | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | Horizon |
|---------------------------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| Net sales | 181 | 158 | 122 | 127 | 132 | 136 | 140 | 144 | 147 | 150 | 153 | 157 |
| Sales growth, % | 22.0 | -12.9 | -22.5 | 3.7 | 3.6 | 3.6 | 3.0 | 2.5 | 2.3 | 2.3 | 2.0 | 2.0 |
| Operating income (EBIT) | 15 | 11 | 9 | 10 | 9 | 10 | 10 | 9 | 10 | 10 | 10 | 10 |
| EBIT margin, % | 8.2 | 7.1 | 7.3 | 7.7 | 7.2 | 7.4 | 7.2 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 |
| + Depreciation+amort. | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| - Income taxes | -3 | -2 | -2 | -2 | -2 | -2 | -2 | -2 | -2 | -2 | -2 | -2 |
| - Change in NWC | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NWC/Sales, % | -1.7 | -1.7 | -1.9 | -1.9 | -1.8 | -1.8 | -1.8 | -1.8 | -1.8 | -1.8 | -1.7 | |
| + Change in other liabs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| - Capital Expenditure | -5 | -2 | -2 | -3 | -3 | -3 | -3 | -3 | -3 | -4 | -4 | -4 |
| Investments/Sales, % | 2.5 | 1.3 | 1.5 | 2.0 | 2.5 | 2.4 | 2.4 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 |
| - Other items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| = Unlevered Free CF (FCF) | 10 | 10 | 8 | 8 | 7 | 8 | 8 | 7 | 7 | 8 | 8 | 104 |
| = Discounted FCF (DFCF) | | 9 | 7 | 6 | 5 | 5 | 5 | 4 | 4 | 3 | 3 | 44 |

| | | | | | | | | | | | | |
|-----------------|--|---|---|---|---|---|---|---|---|---|---|----|
| = DFCF min WACC | | 9 | 7 | 7 | 5 | 5 | 5 | 4 | 4 | 4 | 3 | 49 |
| = DFCF max WACC | | 9 | 7 | 6 | 5 | 5 | 5 | 4 | 4 | 3 | 3 | 39 |

INTERIM FIGURES

| EVLI ESTIMATES, EURm | 2018Q1 | 2018Q2 | 2018Q3 | 2018Q4 | 2018 | 2019Q1 | 2019Q2E | 2019Q3E | 2019Q4E | 2019E | 2020E | 2021E |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|-------------|
| Net sales | 35 | 44 | 48 | 55 | 181 | 41 | 36 | 38 | 43 | 158 | 122 | 127 |
| EBITDA | 3 | 4 | 6 | 4 | 17 | 3 | 4 | 4 | 4 | 14 | 12 | 13 |
| <i>EBITDA margin (%)</i> | <i>9.8</i> | <i>8.8</i> | <i>12.8</i> | <i>7.3</i> | <i>9.6</i> | <i>8.2</i> | <i>10.2</i> | <i>9.5</i> | <i>8.6</i> | <i>9.1</i> | <i>9.7</i> | <i>9.9</i> |
| EBIT | 3 | 3 | 6 | 3 | 15 | 3 | 3 | 3 | 3 | 11 | 9 | 10 |
| <i>EBIT margin (%)</i> | <i>7.9</i> | <i>7.3</i> | <i>11.5</i> | <i>6.2</i> | <i>8.2</i> | <i>6.3</i> | <i>8.1</i> | <i>7.5</i> | <i>6.8</i> | <i>7.1</i> | <i>7.3</i> | <i>7.7</i> |
| Net financial items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Pre-tax profit | 3 | 3 | 6 | 3 | 15 | 3 | 3 | 3 | 3 | 11 | 9 | 10 |
| Tax | -1 | -1 | -1 | -1 | -3 | -1 | -1 | -1 | -1 | -2 | -2 | -2 |
| <i>Tax rate (%)</i> | <i>22.3</i> | <i>24.9</i> | <i>21.4</i> | <i>17.6</i> | <i>21.4</i> | <i>20.0</i> | <i>20.0</i> | <i>20.0</i> | <i>20.0</i> | <i>20.0</i> | <i>20.0</i> | <i>20.0</i> |
| Net profit | 2 | 2 | 4 | 3 | 12 | 2 | 2 | 2 | 2 | 9 | 7 | 8 |
| EPS | 0.54 | 0.53 | 1.03 | 0.66 | 2.76 | 0.48 | 0.54 | 0.54 | 0.54 | 2.10 | 1.68 | 1.84 |
| EPS adjusted (diluted no. of shares) | 0.54 | 0.53 | 1.03 | 0.66 | 2.76 | 0.48 | 0.54 | 0.54 | 0.54 | 2.10 | 1.68 | 1.84 |
| Dividend per share | 0.00 | 0.00 | 0.00 | 0.00 | 1.40 | 0.00 | 0.00 | 0.00 | 0.00 | 1.40 | 1.40 | 1.40 |
| SALES, EURm | | | | | | | | | | | | |
| Project deliveries | 25 | 31 | 33 | 39 | 127 | 26 | 23 | 24 | 28 | 102 | 64 | 65 |
| Technology services | 11 | 13 | 14 | 16 | 54 | 15 | 12 | 14 | 15 | 56 | 59 | 62 |
| Total | 35 | 44 | 48 | 55 | 181 | 41 | 36 | 38 | 43 | 158 | 122 | 127 |
| SALES GROWTH, Y/Y % | | | | | | | | | | | | |
| <i>Project deliveries</i> | <i>-7.2</i> | <i>30.4</i> | <i>47.8</i> | <i>47.0</i> | <i>28.7</i> | <i>6.5</i> | <i>-23.5</i> | <i>-27.4</i> | <i>-27.3</i> | <i>-19.9</i> | <i>-37.7</i> | <i>2.5</i> |
| <i>Technology services</i> | <i>5.8</i> | <i>12.2</i> | <i>0.0</i> | <i>16.8</i> | <i>8.6</i> | <i>41.8</i> | <i>-6.8</i> | <i>-1.5</i> | <i>-8.5</i> | <i>3.6</i> | <i>5.4</i> | <i>5.0</i> |
| <i>Total</i> | <i>-3.6</i> | <i>24.4</i> | <i>29.2</i> | <i>36.7</i> | <i>22.0</i> | <i>17.1</i> | <i>-18.6</i> | <i>-19.6</i> | <i>-21.8</i> | <i>-12.9</i> | <i>-22.5</i> | <i>3.7</i> |
| EBIT, EURm | | | | | | | | | | | | |
| Project deliveries | 2 | 2 | 4 | 2 | 10 | 1 | 1 | 2 | 1 | 5 | 5 | 5 |
| Technology services | 1 | 1 | 1 | 2 | 5 | 2 | 2 | 1 | 1 | 6 | 4 | 5 |
| Total | 3 | 3 | 6 | 3 | 15 | 3 | 3 | 3 | 3 | 11 | 9 | 10 |
| EBIT margin, % | | | | | | | | | | | | |
| <i>Project deliveries</i> | <i>6.9</i> | <i>6.2</i> | <i>12.3</i> | <i>4.7</i> | <i>7.5</i> | <i>4.2</i> | <i>5.7</i> | <i>6.5</i> | <i>5.2</i> | <i>5.4</i> | <i>7.3</i> | <i>7.7</i> |
| <i>Technology services</i> | <i>10.4</i> | <i>10.0</i> | <i>9.7</i> | <i>10.1</i> | <i>10.0</i> | <i>10.0</i> | <i>12.7</i> | <i>9.2</i> | <i>9.8</i> | <i>10.3</i> | <i>7.3</i> | <i>7.7</i> |
| <i>Total</i> | <i>7.9</i> | <i>7.3</i> | <i>11.5</i> | <i>6.2</i> | <i>8.2</i> | <i>6.3</i> | <i>8.1</i> | <i>7.5</i> | <i>6.8</i> | <i>7.1</i> | <i>7.3</i> | <i>7.7</i> |

| INCOME STATEMENT, EURm | 2014 | 2015 | 2016 | 2017 | 2018 | 2019E | 2020E | 2021E |
|------------------------------------------|-------------|-------------|--------------|-------------|-------------|--------------|--------------|------------|
| Sales | 94 | 127 | 113 | 149 | 181 | 158 | 122 | 127 |
| <i>Sales growth (%)</i> | <i>12.9</i> | <i>35.4</i> | <i>-11.1</i> | <i>31.4</i> | <i>22.0</i> | <i>-12.9</i> | <i>-22.5</i> | <i>3.7</i> |
| Costs | -89 | -116 | -102 | -134 | -164 | -144 | -111 | -114 |
| Reported EBITDA | 5 | 12 | 11 | 14 | 17 | 14 | 12 | 13 |
| Extraordinary items in EBITDA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>EBITDA margin (%)</i> | <i>4.9</i> | <i>9.1</i> | <i>9.6</i> | <i>9.6</i> | <i>9.6</i> | <i>9.1</i> | <i>9.7</i> | <i>9.9</i> |
| Depreciation | -2 | -2 | -2 | -3 | -2 | -3 | -3 | -3 |
| EBITA | 3 | 9 | 9 | 12 | 15 | 11 | 9 | 10 |
| Goodwill amortization / writedown | 0 | -1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reported EBIT | 3 | 8 | 9 | 12 | 15 | 11 | 9 | 10 |
| <i>EBIT margin (%)</i> | <i>2.8</i> | <i>6.4</i> | <i>7.6</i> | <i>7.8</i> | <i>8.2</i> | <i>7.1</i> | <i>7.3</i> | <i>7.7</i> |
| Net financials | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Pre-tax profit | 3 | 8 | 9 | 12 | 15 | 11 | 9 | 10 |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Taxes | 0 | -1 | -2 | -2 | -3 | -2 | -2 | -2 |
| Minority shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net profit | 2 | 7 | 7 | 9 | 12 | 9 | 7 | 8 |
| BALANCE SHEET, EURm | | | | | | | | |
| Assets | | | | | | | | |
| Fixed assets | 12 | 11 | 12 | 13 | 15 | 14 | 13 | 13 |
| <i>% of sales</i> | <i>13</i> | <i>8</i> | <i>10</i> | <i>9</i> | <i>9</i> | <i>9</i> | <i>11</i> | <i>10</i> |
| Goodwill | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 |
| <i>% of sales</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>1</i> | <i>1</i> | <i>1</i> | <i>1</i> | <i>1</i> |
| Inventory | 8 | 10 | 10 | 11 | 13 | 12 | 9 | 9 |
| <i>% of sales</i> | <i>8</i> | <i>8</i> | <i>9</i> | <i>7</i> | <i>7</i> | <i>7</i> | <i>7</i> | <i>7</i> |
| Receivables | 28 | 35 | 24 | 30 | 37 | 32 | 25 | 26 |
| <i>% of sales</i> | <i>30</i> | <i>27</i> | <i>22</i> | <i>20</i> | <i>21</i> | <i>21</i> | <i>21</i> | <i>21</i> |
| Liquid funds | 4 | 7 | 24 | 31 | 38 | 38 | 40 | 42 |
| <i>% of sales</i> | <i>5</i> | <i>5</i> | <i>21</i> | <i>21</i> | <i>21</i> | <i>24</i> | <i>32</i> | <i>33</i> |
| Total assets | 53 | 62 | 70 | 87 | 105 | 98 | 89 | 92 |
| Liabilities | | | | | | | | |
| Equity | 24 | 30 | 34 | 39 | 46 | 49 | 50 | 52 |
| <i>% of sales</i> | <i>26</i> | <i>23</i> | <i>30</i> | <i>26</i> | <i>25</i> | <i>31</i> | <i>41</i> | <i>41</i> |
| Deferred taxes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>% of sales</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> |
| Interest bearing debt | 3 | 2 | 3 | 1 | 3 | 0 | 0 | 0 |
| <i>% of sales</i> | <i>3</i> | <i>1</i> | <i>3</i> | <i>1</i> | <i>2</i> | <i>0</i> | <i>0</i> | <i>0</i> |
| Non-interest bearing current liabilities | 23 | 28 | 29 | 43 | 53 | 46 | 36 | 37 |
| <i>% of sales</i> | <i>24</i> | <i>22</i> | <i>26</i> | <i>29</i> | <i>29</i> | <i>29</i> | <i>29</i> | <i>29</i> |
| Other interest free debt | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 |
| <i>% of sales</i> | <i>0</i> | <i>0</i> | <i>1</i> | <i>1</i> | <i>0</i> | <i>1</i> | <i>1</i> | <i>1</i> |
| Total liabilities | 53 | 62 | 70 | 87 | 105 | 98 | 89 | 92 |
| CASH FLOW, EURm | | | | | | | | |
| + EBITDA | 5 | 12 | 11 | 14 | 17 | 14 | 12 | 13 |
| - Net financial items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Taxes | -1 | -1 | 0 | -3 | -3 | -2 | -2 | -2 |
| - Increase in Net Working Capital | -7 | -3 | 12 | 6 | 0 | 0 | 0 | 0 |
| +/- Other | 2 | -1 | -2 | 1 | 0 | 0 | 0 | 0 |
| = Cash flow from operations | -2 | 7 | 21 | 18 | 15 | 12 | 10 | 11 |
| - Capex | -1 | -2 | -3 | -7 | -5 | -2 | -2 | -3 |
| - Acquisitions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| + Divestments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| = Net cash flow | -3 | 5 | 18 | 11 | 10 | 10 | 8 | 8 |
| +/- Change in interest-bearing debt | -3 | -1 | 2 | -2 | 2 | -3 | 0 | 0 |
| +/- New issues/buybacks | -1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| - Paid dividend | -1 | -2 | -3 | -4 | -5 | -6 | -6 | -6 |
| +/- Change in loan receivables | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| Change in cash | -8 | 3 | 17 | 7 | 7 | 0 | 2 | 2 |

| KEY FIGURES | 2015 | 2016 | 2017 | 2018 | 2019E | 2020E | 2021E |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|
| M-cap | 58 | 70 | 123 | 91 | 94 | 94 | 94 |
| Net debt | -5 | -21 | -29 | -34 | -38 | -40 | -42 |
| Enterprise value | 53 | 50 | 94 | 56 | 57 | 55 | 53 |
| Sales | 127 | 113 | 149 | 181 | 158 | 122 | 127 |
| EBITDA | 12 | 11 | 14 | 17 | 14 | 12 | 13 |
| EBIT | 8 | 9 | 12 | 15 | 11 | 9 | 10 |
| Pre-tax | 8 | 9 | 12 | 15 | 11 | 9 | 10 |
| Earnings | 7 | 7 | 9 | 12 | 9 | 7 | 8 |
| Book value | 30 | 34 | 39 | 46 | 49 | 50 | 52 |
| Valuation multiples | | | | | | | |
| EV/sales | 0.4 | 0.4 | 0.6 | 0.3 | 0.4 | 0.4 | 0.4 |
| EV/EBITDA | 4.6 | 4.6 | 6.6 | 3.2 | 3.9 | 4.6 | 4.2 |
| EV/EBITA | 5.6 | 5.8 | 8.1 | 3.8 | 5.0 | 6.1 | 5.4 |
| EV/EBIT | 6.5 | 5.8 | 8.1 | 3.8 | 5.0 | 6.1 | 5.4 |
| EV/operating cash flow | 7.1 | 2.3 | 5.1 | 3.9 | 4.8 | 5.7 | 4.9 |
| EV/cash earnings | 5.2 | 5.3 | 8.0 | 4.0 | 4.7 | 5.4 | 5.0 |
| P/E | 8.6 | 10.0 | 13.1 | 7.7 | 10.6 | 13.2 | 12.1 |
| P/E excl. goodwill | 7.2 | 10.0 | 13.1 | 7.7 | 10.6 | 13.2 | 12.1 |
| P/B | 2.0 | 2.1 | 3.1 | 2.0 | 1.9 | 1.9 | 1.8 |
| P/sales | 0.5 | 0.6 | 0.8 | 0.5 | 0.6 | 0.8 | 0.7 |
| P/CF | 7.8 | 3.3 | 6.7 | 6.2 | 8.0 | 9.8 | 8.8 |
| Target EV/EBIT | 0.0 | 0.0 | 0.0 | 0.0 | 6.3 | 7.7 | 6.8 |
| Target P/E | 0.0 | 0.0 | 0.0 | 9.8 | 12.1 | 15.2 | 13.9 |
| Target P/B | 0.0 | 0.0 | 0.0 | 0.0 | 2.2 | 2.2 | 2.1 |
| Per share measures | | | | | | | |
| Number of shares | 4,112 | 4,206 | 4,249 | 4,249 | 4,249 | 4,249 | 4,249 |
| Number of shares (diluted) | 4,112 | 4,206 | 4,249 | 4,249 | 4,249 | 4,249 | 4,249 |
| EPS | 1.64 | 1.68 | 2.22 | 2.76 | 2.10 | 1.68 | 1.84 |
| EPS excl. goodwill | 1.97 | 1.68 | 2.22 | 2.76 | 2.10 | 1.68 | 1.84 |
| Cash EPS | 2.49 | 2.21 | 2.76 | 3.35 | 2.83 | 2.37 | 2.50 |
| Operating cash flow per share | 1.82 | 5.05 | 4.34 | 3.43 | 2.78 | 2.27 | 2.51 |
| Capital employed per share | 6.01 | 3.23 | 2.37 | 2.76 | 2.60 | 2.45 | 2.38 |
| Book value per share | 7.22 | 8.13 | 9.27 | 10.78 | 11.47 | 11.76 | 12.19 |
| Book value excl. goodwill | 7.22 | 8.13 | 9.02 | 10.53 | 11.23 | 11.51 | 11.95 |
| Dividend per share | 0.80 | 1.00 | 1.25 | 1.40 | 1.40 | 1.40 | 1.40 |
| Dividend payout ratio, % | 48.8 | 59.7 | 56.4 | 50.7 | 66.7 | 83.2 | 76.3 |
| Dividend yield, % | 5.7 | 6.0 | 4.3 | 6.6 | 6.3 | 6.3 | 6.3 |
| Efficiency measures | | | | | | | |
| ROE | 24.9 | 22.1 | 25.6 | 27.5 | 18.9 | 14.5 | 15.3 |
| ROCE | 27.8 | 25.0 | 29.7 | 33.1 | 22.9 | 18.1 | 19.2 |
| Financial ratios | | | | | | | |
| Capex/sales, % | 1.9 | 2.7 | 4.7 | 2.5 | 1.3 | 1.5 | 2.0 |
| Capex/depreciation excl. goodwill,% | 48.2 | 131.9 | 226.6 | 182.4 | 67.9 | 64.5 | 91.6 |
| Net debt/EBITDA, book-weighted | -0.4 | -1.9 | -2.1 | -2.0 | -2.6 | -3.3 | -3.3 |
| Debt/equity, market-weighted | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Equity ratio, book-weighted | 48.1 | 49.0 | 45.3 | 43.6 | 49.9 | 56.4 | 56.5 |
| Gearing | -0.17 | -0.60 | -0.74 | -0.74 | -0.77 | -0.79 | -0.80 |
| Number of employees, average | 624 | 643 | 682 | 748 | 748 | 748 | 748 |
| Sales per employee, EUR | 203,970 | 175,894 | 217,911 | 242,380 | 211,177 | 163,732 | 169,793 |
| EBIT per employee, EUR | 13,010 | 13,330 | 17,009 | 19,920 | 15,033 | 11,950 | 13,031 |

COMPANY DESCRIPTION: Raute is a globally operating company that offers project deliveries (production lines and machinery) and technology services (maintenance, spare parts, consulting and modernizations) for the entire production process of veneer, plywood and LVL (laminated veneer lumber).

INVESTMENT CASE:

| OWNERSHIP STRUCTURE | SHARES | EURm | % |
|---------------------------|-----------|--------|-------|
| Sundholm Göran Wilhelm | 500,000 | 11.100 | 11.8% |
| Mandatum Life Unit-Linked | 131,396 | 2.917 | 3.1% |
| Laakkonen Mikko Kalervo | 119,919 | 2.662 | 2.8% |
| Suominen Pekka | 110,429 | 2.452 | 2.6% |
| Siivonen Osku Pekka | 104,179 | 2.313 | 2.5% |
| Kirmo Kaisa Marketta | 104,021 | 2.309 | 2.4% |
| Suominen Tiina Sini-Maria | 100,856 | 2.239 | 2.4% |
| Keskiaho Kaija Leena | 84,716 | 1.881 | 2.0% |
| Mustakallio Mika Tapani | 83,270 | 1.849 | 2.0% |
| Särkijärvi Anna Riitta | 82,489 | 1.831 | 1.9% |
| Ten largest | 1,421,275 | 31.552 | 33% |
| Residual | 2,827,973 | 62.781 | 67% |
| Total | 4,249,248 | 94.333 | 100% |

EARNINGS CALENDAR

July 31, 2019 Q2 report
October 30, 2019 Q3 report

OTHER EVENTS

April 02, 2019 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 | $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$ |
| P/Sales | $\frac{\text{Market cap}}{\text{Sales}}$ | DPS | Dividend for the financial period per share |
| P/BV | $\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$ | CEPS | $\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$ |
| P/CF | $\frac{\text{Price per share}}{\text{Operating cash flow per share}}$ | EV/Share | $\frac{\text{Enterprise value}}{\text{Number of shares}}$ |
| EV (Enterprise value) | Market cap + net debt + minority interest at market value – share of associated companies at market value | Sales/Share | $\frac{\text{Sales}}{\text{Number of shares}}$ |
| Net debt | Interest bearing debt – financial assets | EBITDA/Share | $\frac{\text{Earnings before interest, tax, depreciation and amortisation}}{\text{Number of shares}}$ |
| EV/Sales | $\frac{\text{Enterprise value}}{\text{Sales}}$ | EBIT/Share | $\frac{\text{Operating profit}}{\text{Number of shares}}$ |
| EV/EBITDA | $\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortisation}}$ | EAFI/Share | $\frac{\text{Pretax profit}}{\text{Number of shares}}$ |
| EV/EBIT | $\frac{\text{Enterprise value}}{\text{Operating profit}}$ | Capital employed/Share | $\frac{\text{Total assets} - \text{non interest bearing debt}}{\text{Number of shares}}$ |
| Div yield, % | $\frac{\text{Dividend per share}}{\text{Price per share}}$ | Total assets | Balance sheet total |
| Payout ratio, % | $\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$ | Interest coverage (x) | $\frac{\text{Operating profit}}{\text{Financial items}}$ |
| Net cash/Share | $\frac{\text{Financial assets} - \text{interest bearing debt}}{\text{Number of shares}}$ | Asset turnover (x) | $\frac{\text{Turnover}}{\text{Balance sheet total (average)}}$ |
| ROA, % | $\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balance sheet total} - \text{interest free short term debt} - \text{long term advances received and accounts payable (average)}}$ | Debt/Equity, % | $\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$ |
| ROCE, % | $\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non interest bearing debt (average)}}$ | Equity ratio, % | $\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest free loans}}$ |
| ROE, % | $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$ | CAGR, % | Cumulative annual growth rate = Average growth per year |

Important Disclosures

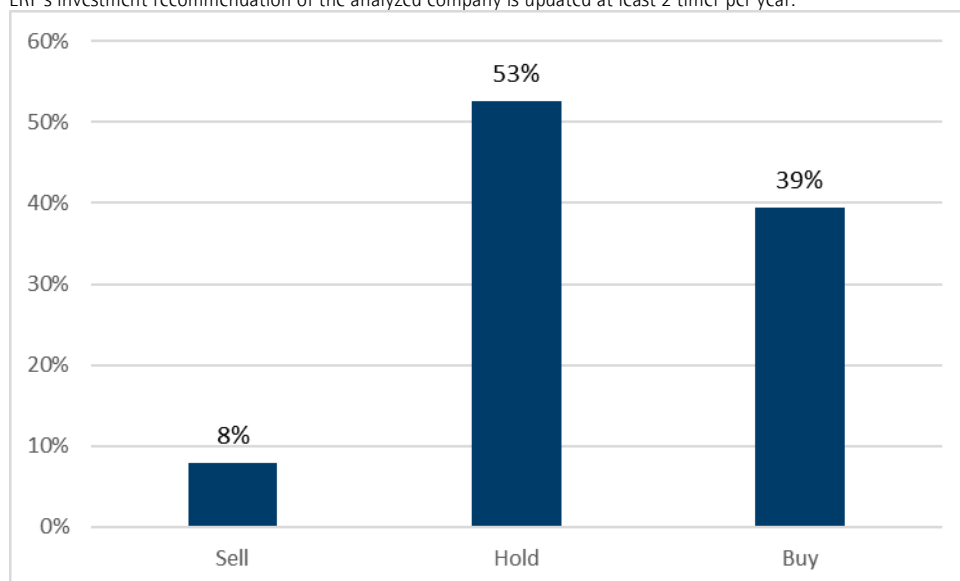
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Investment recommendations are defined as follows:

| 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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