

Market uncertainty continues

Raute's Q3 missed our estimates, but overall a weak Q3 was as expected due to low order book. Raute sees Q4 a lot stronger, yet when it comes to the wider picture the report didn't offer us a reason to change our cautious view. We thus reiterate our EUR 25 TP and HOLD rating.

Elevated market risks continue to weigh on order intake

Raute's Q3 revenue decreased by 30% y/y to EUR 33.7m, and hence EBIT declined to EUR 1.7m from EUR 5.5m. Raute posted Q3 services revenue at EUR 17m, a figure in line with our estimate and an increase of 20% y/y. Raute says certain customers have seen deteriorating prices due to the recent boom in plywood and LVL mill investments and subsequent high capacity utilization rates. Raute sees the market currently polarized in the sense that a good level of demand remains for both large as well as small orders (in addition to services and spare parts demand), whereas activity for mid-sized orders such as mill modernizations is weak. The modernization softness was reflected in the very low EUR 8m (EUR 15m) Q3 services order intake. Elevated uncertainty continues to postpone major investment decisions.

Raute is in a good shape to weather further softening

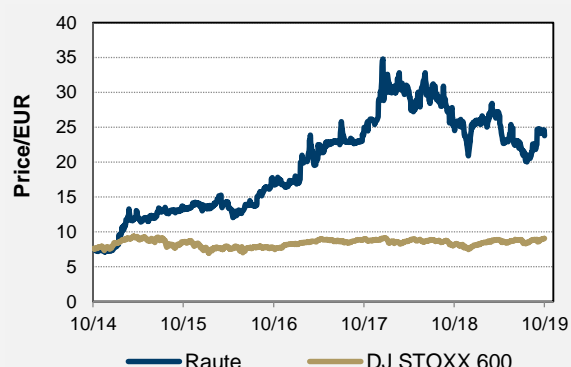
We don't make major updates to our estimates following the report. We note Raute expects Q4 to be strongest quarter of '19 in terms of EBIT, which we now expect at EUR 3.0m. In our view Raute is well-positioned for a cooling market environment due to its strong balance sheet and leading product offering. Next year will be greatly helped by the recently disclosed EUR 58m Russian project delivery. On the other hand, excluding the Segezha order the current EUR 109m order backlog implies only some EUR 50m in orders, a rather soft level. In other words, even if the big order alleviates concerns regarding next year, we want to see pick-up in orders before turning our view more positive.

We see valuation as neutral due to uncertainties

We view Raute's valuation, at ca. 7x EV/EBITDA and 9x EV/EBIT for '19e, as neutral. Valuation on '20e multiples could quickly turn attractive should orders pick-up, however visibility on next year's figures remains limited despite the good groundwork laid by the record order. We reiterate our EUR 25 TP and HOLD rating.

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 23.80

Target price, EUR 25.0

Latest change in recommendation 01-Aug-19

Latest report on company 02-Oct-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 101

Free float, % -

Exchange rate -

Reuters code RAUTE.HE

Bloomberg code RAUTE:FH

Average daily volume, EURm 0.1

Next interim report 13-Feb-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 |
|--------------------------|---------------|--------------|-------------------------|-------------|------------|------------|-----------------------|----------------|----------------|------------|
| 2017 | 148.6 | 11.6 | 7.8% | 11.4 | 2.22 | 13.1 | 0.6 | 8.1 | 9.3 | 1.25 |
| 2018 | 181.3 | 14.9 | 8.2% | -12.5 | 2.76 | 7.7 | 0.5 | 5.7 | -13.9 | 1.40 |
| 2019E | 149.0 | 9.6 | 6.4% | 14.0 | 1.84 | 12.9 | 0.6 | 9.2 | 13.8 | 1.40 |
| 2020E | 148.6 | 11.1 | 7.5% | 9.4 | 2.03 | 11.7 | 0.6 | 7.6 | 9.3 | 1.40 |
| 2021E | 145.7 | 11.2 | 7.7% | 9.7 | 2.04 | 11.7 | 0.6 | 7.2 | 9.6 | 1.40 |
| Market cap, EURm | | 101 | Gearing 2019E, % | | | -27.9 | CAGR EPS 2018-21, % | | | -9.6 |
| Net debt 2019E, EURm | | -13 | Price/book 2019E | | | 2.1 | CAGR sales 2018-21, % | | | -7.0 |
| Enterprise value, EURm | | 88 | Dividend yield 2019E, % | | | 5.9 | ROE 2019E, % | | | 16.5 |
| Total assets 2019E, EURm | | 95 | Tax rate 2019E, % | | | 18.7 | ROCE 2019E, % | | | 17.6 |
| Goodwill 2019E, EURm | | 1 | Equity ratio 2019E, % | | | 50.9 | PEG, P/E 19/CAGR | | | 5.2 |

| RAUTE PEER GROUP | MCAP MEUR | EV/EBITDA | | | EV/EBIT | | | EBIT-% | | |
|--------------------------|--------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|---------------|---------------|
| | | 19 | 20 | 21 | 19 | 20 | 21 | 19 | 20 | 21 |
| Glaston | 94 | 10.7x | 5.9x | 5.0x | 16.3x | 10.4x | 8.1x | 3.9 % | 5.3 % | 6.3 % |
| Sandvik | 20060 | 9.8x | 9.6x | 9.2x | 12.7x | 12.0x | 11.5x | 17.8 % | 18.5 % | 18.9 % |
| Outotec | 1086 | 9.5x | 7.3x | 6.6x | 14.5x | 10.3x | 9.0x | 6.6 % | 8.1 % | 8.6 % |
| Valmet | 3166 | 8.6x | 7.9x | 7.7x | 11.5x | 10.3x | 10.0x | 8.0 % | 8.2 % | 8.4 % |
| Ponsse | 784 | 8.9x | 8.5x | 8.1x | 11.4x | 10.8x | 10.2x | 10.8 % | 11.2 % | 11.3 % |
| Metso | 5263 | 10.7x | 9.6x | 9.3x | 12.6x | 11.2x | 10.7x | 12.2 % | 12.4 % | 12.5 % |
| Peer Group Average | 5075 | 9.7x | 8.1x | 7.7x | 13.2x | 10.8x | 9.9x | 9.9 % | 10.6 % | 11.0 % |
| Peer Group Median | 2126 | 9.6x | 8.2x | 7.9x | 12.7x | 10.6x | 10.1x | 9.4 % | 9.7 % | 10.0 % |
| Raute (Evli est.) | 101 | 6.7x | 5.9x | 5.7x | 9.2x | 7.6x | 7.2x | 6.4 % | 7.5 % | 7.7 % |

Raute prem./disc. to peer median

-31 % -29 % -28 % -28 % -29 % -28 % -32 % -23 % -23 %

Source FactSet, Evli Research

| VALUATION RESULTS | BASE CASE DETAILS | VALUATION ASSUMPTIONS | ASSUMPTIONS FOR WACC | |
|--------------------------|----------------------------|------------------------|--------------------------------|------|
| Current share price | 23.80 PV of Free Cash Flow | 60 Long-term growth, % | 2.0 Risk-free interest rate, % | 2.25 |
| DCF share value | 25.52 PV of Horizon value | 49 WACC, % | 9.6 Market risk premium, % | 5.8 |
| Share price potential, % | 7.2 Unconsolidated equity | 0 Spread, % | 0.5 Debt risk premium, % | 2.8 |
| Maximum value | 27.1 Marketable securities | 13 Minimum WACC, % | 9.1 Equity beta coefficient | 1.35 |
| Minimum value | 24.1 Debt - dividend | -14 Maximum WACC, % | 10.1 Target debt ratio, % | 20 |
| Horizon value, % | 44.7 Value of stock | 108 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 | 149 | 149 | 146 | 151 | 156 | 161 | 165 | 169 | 173 | 176 | 180 |
| <i>Sales growth, %</i> | <i>22.0</i> | <i>-17.8</i> | <i>-0.3</i> | <i>-2.0</i> | <i>3.6</i> | <i>3.6</i> | <i>3.0</i> | <i>2.5</i> | <i>2.3</i> | <i>2.3</i> | <i>2.0</i> | <i>2.0</i> |
| Operating income (EBIT) | 15 | 10 | 11 | 11 | 11 | 12 | 12 | 11 | 11 | 11 | 11 | 12 |
| <i>Operating income margin, %</i> | <i>8.2</i> | <i>6.4</i> | <i>7.5</i> | <i>7.7</i> | <i>7.2</i> | <i>7.4</i> | <i>7.2</i> | <i>6.5</i> | <i>6.5</i> | <i>6.5</i> | <i>6.5</i> | <i>6.5</i> |
| + Depreciation+amort. | 3 | 4 | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| EBITDA | 17 | 13 | 14 | 14 | 14 | 15 | 15 | 15 | 15 | 15 | 15 | 16 |
| - Paid taxes | -3 | -2 | -2 | -2 | -2 | -2 | -2 | -2 | -2 | -2 | -2 | -2 |
| - Change in NWC | -23 | 4 | 0 | 0 | -1 | -1 | -1 | 0 | 0 | 0 | 0 | 0 |
| <i>NWC / Sales, %</i> | <i>11.1</i> | <i>10.9</i> | <i>10.9</i> | <i>10.9</i> | <i>10.9</i> | <i>11.0</i> | <i>11.0</i> | <i>11.0</i> | <i>11.0</i> | <i>11.0</i> | <i>11.0</i> | <i>11.0</i> |
| + Change in other liabs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Operative CAPEX | -4 | -2 | -2 | -2 | -6 | -4 | -4 | -4 | -4 | -5 | -5 | -5 |
| <i>opCAPEX / Sales, %</i> | <i>2.4</i> | <i>0.8</i> | <i>1.7</i> | <i>1.6</i> | <i>3.9</i> | <i>2.8</i> | <i>2.8</i> | <i>2.7</i> | <i>2.7</i> | <i>2.7</i> | <i>2.7</i> | <i>2.7</i> |
| - 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 | -12 | 13 | 10 | 10 | 5 | 8 | 8 | 8 | 8 | 8 | 8 | 113 |
| = Discounted FCFF | | 13 | 9 | 8 | 4 | 6 | 5 | 4 | 4 | 4 | 4 | 49 |
| = DFCF min WACC | | 13 | 9 | 8 | 4 | 6 | 5 | 5 | 4 | 4 | 4 | 54 |
| = DFCF max WACC | | 13 | 9 | 8 | 4 | 5 | 5 | 4 | 4 | 4 | 3 | 44 |

INTERIM FIGURES

| EVLI ESTIMATES, EURm | 2018Q1 | 2018Q2 | 2018Q3 | 2018Q4 | 2018 | 2019Q1 | 2019Q2 | 2019Q3 | 2019Q4E | 2019E | 2020E | 2021E |
|--------------------------------------|-------------|-------------|-------------|-------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net sales | 35.3 | 43.7 | 47.9 | 54.5 | 181.3 | 41.3 | 37.0 | 33.7 | 37.0 | 149.0 | 148.6 | 145.7 |
| EBITDA | 3.5 | 3.8 | 6.1 | 4.0 | 17.4 | 3.6 | 3.2 | 2.6 | 3.7 | 13.1 | 14.4 | 14.2 |
| <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>8.7</i> | <i>8.6</i> | <i>7.7</i> | <i>10.1</i> | <i>8.8</i> | <i>9.7</i> | <i>9.7</i> |
| EBIT | 2.8 | 3.2 | 5.5 | 3.4 | 14.9 | 2.6 | 2.3 | 1.7 | 3.0 | 9.6 | 11.1 | 11.2 |
| <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>6.2</i> | <i>5.0</i> | <i>8.0</i> | <i>6.4</i> | <i>7.5</i> | <i>7.7</i> |
| Net financial items | 0.2 | -0.2 | 0.1 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | -0.3 | -0.3 |
| Pre-tax profit | 3.0 | 3.0 | 5.6 | 3.4 | 14.9 | 2.7 | 2.3 | 1.7 | 2.9 | 9.6 | 10.8 | 10.8 |
| Tax | -0.7 | -0.7 | -1.2 | -0.6 | -3.2 | -0.6 | -0.4 | -0.3 | -0.5 | -1.8 | -2.2 | -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>22.2</i> | <i>17.4</i> | <i>17.6</i> | <i>17.0</i> | <i>18.7</i> | <i>20.0</i> | <i>20.0</i> |
| Net profit | 2.3 | 2.3 | 4.4 | 2.8 | 11.7 | 2.1 | 1.9 | 1.4 | 2.4 | 7.8 | 8.6 | 8.7 |
| EPS | 0.54 | 0.53 | 1.03 | 0.66 | 2.76 | 0.49 | 0.45 | 0.33 | 0.57 | 1.84 | 2.03 | 2.04 |
| EPS adjusted (diluted no. of shares) | 0.54 | 0.53 | 1.03 | 0.66 | 2.76 | 0.49 | 0.45 | 0.33 | 0.57 | 1.84 | 2.03 | 2.04 |
| 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 | 24.7 | 30.7 | 33.4 | 38.6 | 127.4 | 26.3 | 19.0 | 16.3 | 20.0 | 81.6 | 78.0 | 71.5 |
| Technology services | 10.6 | 13.0 | 14.4 | 15.9 | 53.9 | 15.0 | 18.0 | 17.4 | 17.0 | 67.4 | 70.6 | 74.2 |
| Total | 35.3 | 43.7 | 47.9 | 54.5 | 181.3 | 41.3 | 37.0 | 33.7 | 37.0 | 149.0 | 148.6 | 145.7 |
| 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>-38.0</i> | <i>-51.3</i> | <i>-48.2</i> | <i>-35.9</i> | <i>-4.4</i> | <i>-8.3</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>38.5</i> | <i>20.7</i> | <i>6.9</i> | <i>25.0</i> | <i>4.8</i> | <i>5.0</i> |
| Total | -3.6 | 24.4 | 29.2 | 36.7 | 22.0 | 17.1 | -15.3 | -29.6 | -32.1 | -17.8 | -0.3 | -2.0 |
| EBIT, EURm | | | | | | | | | | | | |
| Project deliveries | 1.7 | 1.9 | 4.1 | 1.8 | 9.5 | 1.1 | 0.5 | 0.4 | 1.2 | 3.2 | 3.5 | 3.0 |
| Technology services | 1.1 | 1.3 | 1.4 | 1.6 | 5.4 | 1.5 | 1.8 | 1.3 | 1.8 | 6.4 | 7.6 | 8.2 |
| Total | 2.8 | 3.2 | 5.5 | 3.4 | 14.9 | 2.6 | 2.3 | 1.7 | 3.0 | 9.6 | 11.1 | 11.2 |
| 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>2.6</i> | <i>2.5</i> | <i>6.0</i> | <i>3.9</i> | <i>4.5</i> | <i>4.2</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>10.0</i> | <i>7.5</i> | <i>10.4</i> | <i>9.4</i> | <i>10.8</i> | <i>11.0</i> |
| Total | 7.9 | 7.3 | 11.5 | 6.2 | 8.2 | 6.3 | 6.2 | 5.0 | 8.0 | 6.4 | 7.5 | 7.7 |

| INCOME STATEMENT, EURm | 2014 | 2015 | 2016 | 2017 | 2018 | 2019E | 2020E | 2021E |
|--|-------------|-------------|--------------|-------------|-------------|--------------|-------------|-------------|
| Sales | 94.0 | 127.3 | 113.1 | 148.6 | 181.3 | 149.0 | 148.6 | 145.7 |
| <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>-17.8</i> | <i>-0.3</i> | <i>-2.0</i> |
| EBITDA | 4.6 | 11.6 | 10.9 | 14.2 | 17.4 | 13.1 | 14.4 | 14.2 |
| <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>8.8</i> | <i>9.7</i> | <i>9.7</i> |
| Depreciation | -2.0 | -2.1 | -2.3 | -2.6 | -2.5 | -3.6 | -3.2 | -3.0 |
| EBITA | 2.6 | 9.5 | 8.6 | 11.6 | 14.9 | 9.6 | 11.1 | 11.2 |
| Goodwill amortization / writedown | 0.0 | -1.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT | 2.6 | 8.1 | 8.6 | 11.6 | 14.9 | 9.6 | 11.1 | 11.2 |
| <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>6.4</i> | <i>7.5</i> | <i>7.7</i> |
| Reported EBIT | 2.6 | 8.1 | 8.6 | 11.6 | 14.9 | 9.6 | 11.1 | 11.2 |
| <i>EBIT margin (reported) (%)</i> | <i>2.8</i> | <i>6.4</i> | <i>7.6</i> | <i>7.8</i> | <i>8.2</i> | <i>6.4</i> | <i>7.5</i> | <i>7.7</i> |
| Net financials | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | -0.3 | -0.3 |
| Pre-tax profit | 2.8 | 8.2 | 8.6 | 11.6 | 14.9 | 9.6 | 10.8 | 10.8 |
| Taxes | -0.4 | -1.4 | -1.5 | -2.1 | -3.2 | -1.8 | -2.2 | -2.2 |
| Minority shares | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net profit | 2.4 | 6.7 | 7.0 | 9.4 | 11.7 | 7.8 | 8.6 | 8.7 |
| 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 |
| BALANCE SHEET, EURm | | | | | | | | |
| Assets | | | | | | | | |
| Fixed assets | 12 | 11 | 12 | 13 | 15 | 14 | 13 | 12 |
| Goodwill | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 |
| Right of use assets | 0 | 0 | 0 | 0 | 7 | 6 | 6 | 6 |
| Inventory | 8 | 10 | 10 | 11 | 14 | 12 | 12 | 12 |
| Receivables | 28 | 35 | 24 | 30 | 52 | 43 | 43 | 42 |
| Liquid funds | 4 | 7 | 24 | 31 | 13 | 19 | 23 | 27 |
| Total assets | 53 | 62 | 70 | 87 | 103 | 95 | 98 | 99 |
| Liabilities | | | | | | | | |
| Shareholder's equity | 24 | 30 | 34 | 39 | 47 | 48 | 51 | 54 |
| Minority interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Convertibles | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lease liabilities | 0 | 0 | 0 | 0 | 7 | 6 | 6 | 6 |
| Deferred taxes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest bearing debt | 3 | 2 | 3 | 1 | 1 | 0 | 0 | 0 |
| Non-interest bearing current liabilities | 23 | 28 | 29 | 43 | 46 | 37 | 37 | 37 |
| Other interest-free debt | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 |
| Total liabilities | 53 | 62 | 70 | 87 | 103 | 95 | 98 | 99 |
| CASH FLOW, EURm | | | | | | | | |
| + EBITDA | 5 | 12 | 11 | 14 | 17 | 13 | 14 | 14 |
| - Net financial items | -8 | 2 | 17 | 7 | 0 | 0 | 0 | 0 |
| - Taxes | -1 | -1 | 0 | -3 | -3 | -2 | -2 | -2 |
| - Increase in Net Working Capital | -7 | -3 | 12 | 6 | -23 | 4 | 0 | 0 |
| +/- Other | 10 | -3 | -19 | -6 | 0 | 0 | 0 | 0 |
| = Cash flow from operations | -2 | 8 | 21 | 18 | -8 | 15 | 12 | 12 |
| - Capex | -1 | -2 | -3 | -7 | -4 | -1 | -2 | -2 |
| - Acquisitions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| + Divestments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| = Free cash flow | -3 | 5 | 18 | 11 | -13 | 14 | 9 | 10 |
| +/- New issues/buybacks | -1 | 0 | 1 | 0 | 1 | 0 | 0 | 0 |
| - Paid dividend | -1 | -2 | -3 | -4 | -5 | -6 | -6 | -6 |
| +/- Other | -3 | -2 | 2 | 0 | 0 | -2 | 0 | 0 |
| Change in cash | -8 | 2 | 17 | 7 | -17 | 6 | 3 | 4 |

| KEY FIGURES | 2015 | 2016 | 2017 | 2018 | 2019E | 2020E | 2021E |
|--|-------|-------|-------|-------|-------|-------|-------|
| M-cap | 58 | 70 | 123 | 91 | 101 | 101 | 101 |
| Net debt (excl. convertibles) | -5 | -21 | -29 | -5 | -13 | -17 | -21 |
| Enterprise value | 53 | 50 | 94 | 85 | 88 | 84 | 80 |
| Sales | 127 | 113 | 149 | 181 | 149 | 149 | 146 |
| EBITDA | 12 | 11 | 14 | 17 | 13 | 14 | 14 |
| EBIT | 8 | 9 | 12 | 15 | 10 | 11 | 11 |
| Pre-tax | 8 | 9 | 12 | 15 | 10 | 11 | 11 |
| Earnings | 7 | 7 | 9 | 12 | 8 | 9 | 9 |
| Equity book value (excl. minorities) | 30 | 34 | 39 | 47 | 48 | 51 | 54 |
| Valuation multiples | | | | | | | |
| EV/sales | 0.4 | 0.4 | 0.6 | 0.5 | 0.6 | 0.6 | 0.6 |
| EV/EBITDA | 4.6 | 4.6 | 6.6 | 4.9 | 6.7 | 5.9 | 5.7 |
| EV/EBITA | 5.6 | 5.8 | 8.1 | 5.7 | 9.2 | 7.6 | 7.2 |
| EV/EBIT | 6.5 | 5.8 | 8.1 | 5.7 | 9.2 | 7.6 | 7.2 |
| EV/OCF | 7.1 | 2.3 | 5.1 | -10.4 | 5.8 | 7.1 | 6.7 |
| EV/FCFF | 10.3 | 2.7 | 7.4 | -6.8 | 6.7 | 8.7 | 8.2 |
| P/FCFE | 11.3 | 3.9 | 10.8 | -7.2 | 7.2 | 10.7 | 10.4 |
| P/E | 8.6 | 10.0 | 13.1 | 7.7 | 12.9 | 11.7 | 11.7 |
| P/B | 2.0 | 2.1 | 3.1 | 1.9 | 2.1 | 2.0 | 1.9 |
| Target EV/EBITDA | 0.0 | 0.0 | 0.0 | 0.0 | 7.1 | 6.2 | 6.0 |
| Target EV/EBIT | 0.0 | 0.0 | 0.0 | 0.0 | 9.7 | 8.0 | 7.7 |
| Target EV/FCF | 0.0 | 0.0 | 0.0 | 0.0 | 6.6 | 9.5 | 8.8 |
| Target P/B | 0.0 | 0.0 | 0.0 | 0.0 | 2.2 | 2.1 | 2.0 |
| Target P/E | 0.0 | 0.0 | 0.0 | 0.0 | 13.6 | 12.3 | 12.3 |
| 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 | 1.84 | 2.03 | 2.04 |
| Operating cash flow per share | 1.83 | 5.05 | 4.33 | -1.92 | 3.57 | 2.80 | 2.83 |
| Free cash flow per share | 1.25 | 4.33 | 2.68 | -2.95 | 3.29 | 2.22 | 2.28 |
| Book value per share | 7.22 | 8.13 | 9.27 | 10.95 | 11.39 | 12.02 | 12.66 |
| 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 | 75.9 | 69.0 | 68.6 |
| Dividend yield, % | 5.7 | 6.0 | 4.3 | 6.6 | 5.9 | 5.9 | 5.9 |
| FCF yield, % | 8.8 | 25.9 | 9.3 | -13.9 | 13.8 | 9.3 | 9.6 |
| Efficiency measures | | | | | | | |
| ROE | 24.9 | 22.1 | 25.6 | 27.3 | 16.5 | 17.3 | 16.5 |
| ROCE | 27.8 | 25.0 | 29.7 | 31.3 | 17.6 | 19.9 | 19.1 |
| Financial ratios | | | | | | | |
| Inventories as % of sales | 7.5 | 8.6 | 7.4 | 7.9 | 7.9 | 7.9 | 7.9 |
| Receivables as % of sales | 27.4 | 21.6 | 20.5 | 28.8 | 28.8 | 28.8 | 28.8 |
| Non-interest bearing liabilities as % of sales | 22.3 | 26.1 | 29.1 | 25.2 | 25.2 | 25.2 | 25.2 |
| NWC/sales, % | 12.6 | 3.1 | -1.8 | 11.1 | 10.9 | 10.9 | 10.9 |
| Operative CAPEX/sales, % | 1.9 | 2.7 | 4.7 | 2.4 | 0.8 | 1.7 | 1.6 |
| CAPEX/sales (incl. acquisitions), % | 1.9 | 2.7 | 4.7 | 2.4 | 0.8 | 1.7 | 1.6 |
| FCFF/EBITDA | 0.4 | 1.7 | 0.9 | -0.7 | 1.0 | 0.7 | 0.7 |
| Net debt/EBITDA, book-weighted | -0.4 | -1.9 | -2.1 | -0.3 | -1.0 | -1.2 | -1.5 |
| 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 | 45.1 | 50.9 | 52.3 | 54.1 |
| Gearing, % | -16.8 | -60.3 | -74.4 | -11.8 | -27.9 | -33.2 | -38.5 |

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 entire plywood and LVL production lines. Raute delivers most of its equipment in a project-driven fashion to a global customer base consisting of hundreds of sawmills. 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:

| OWNERSHIP STRUCTURE | SHARES | EURm | % |
|---------------------------|-----------|---------|-------|
| Sundholm Göran Wilhelm | 500,000 | 11.900 | 11.8% |
| Mandatum Life Unit-Linked | 131,396 | 3.127 | 3.1% |
| Laakkonen Mikko Kalervo | 119,919 | 2.854 | 2.8% |
| Suominen Pekka | 110,429 | 2.628 | 2.6% |
| Siivonen Osku Pekka | 104,179 | 2.479 | 2.5% |
| Kirmo Kaisa Marketta | 104,021 | 2.476 | 2.4% |
| Suominen Tiina Sini-Maria | 100,856 | 2.400 | 2.4% |
| Keskiaho Kaija Leena | 84,716 | 2.016 | 2.0% |
| Mustakallio Mika Tapani | 83,270 | 1.982 | 2.0% |
| Särkijärvi Anna Riitta | 82,489 | 1.963 | 1.9% |
| Ten largest | 1,421,275 | 33.826 | 33% |
| Residual | 2,827,973 | 67.306 | 67% |
| Total | 4,249,248 | 101.132 | 100% |

EARNINGS CALENDAR

| | |
|-------------------|-----------------|
| February 13, 2020 | FY 2019 Results |
| April 29, 2020 | Q1 report |
| July 23, 2020 | Q2 report |
| October 29, 2020 | Q3 report |

OTHER EVENTS**COMPANY MISCELLANEOUS**

| | |
|---------------------|------------------------------|
| CEO: Tapani Kiiski | Rautetie 2, FI-15550 Nastola |
| CFO: Tarja Järvinen | Tel: +358 3, 82,911 |
| IR: | |

DEFINITIONS

| | | | |
|-----------------------|--|---------------------------|---|
| P/E | $\frac{\text{Price per share}}{\text{Earnings per share}}$ | EPS | $\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$ |
| P/BV | $\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$ | DPS | Dividend for the financial period per share |
| Market cap | Price per share * Number of shares | OCF (Operating cash flow) | EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments |
| EV (Enterprise value) | Market cap + net debt + minority interest at market value – share of associated companies at market value | FCF (Free cash flow) | Operating cash flow – operative CAPEX – acquisitions + divestments |
| EV/Sales | $\frac{\text{Enterprise value}}{\text{Sales}}$ | FCF yield, % | $\frac{\text{Free cash flow}}{\text{Market cap}}$ |
| EV/EBITDA | $\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$ | Operative CAPEX/sales | $\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$ |
| EV/EBIT | $\frac{\text{Enterprise value}}{\text{Operating profit}}$ | Net working capital | Current assets – current liabilities |
| Net debt | Interest bearing debt – financial assets | Capital employed/Share | $\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$ |
| Total assets | Balance sheet total | Gearing | $\frac{\text{Net debt}}{\text{Equity}}$ |
| Div yield, % | $\frac{\text{Dividend per share}}{\text{Price per share}}$ | Debt/Equity, % | $\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$ |
| Payout ratio, % | $\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$ | Equity ratio, % | $\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$ |
| ROCE, % | $\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$ | CAGR, % | Cumulative annual growth rate = Average growth per year |
| ROE, % | $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$ | | |

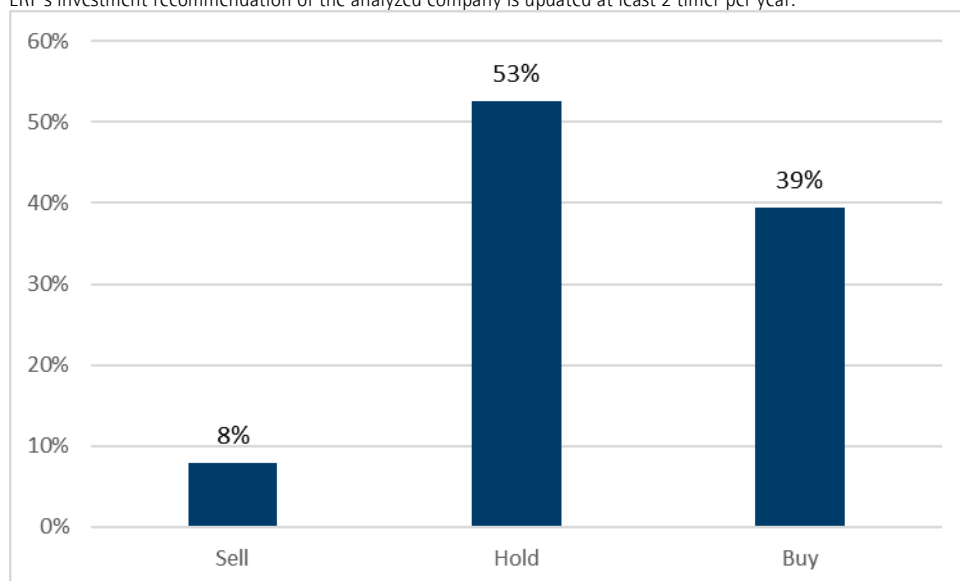
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Investment recommendations are defined as follows:

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

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

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