

Outlook weakens

Raute downgraded its outlook for FY '20 ahead of the Q1 report, which the company releases on Wed, 29 Apr. We cut our estimates; TP now EUR 21 (25), rating still HOLD.

We expect FY '20 revenue down almost 20% y/y

Raute issued a profit warning. The company had previously guided flat revenue and decreasing operating profit for 2020 compared to 2019. The updated outlook guides declining top line as well as clearly weakening operating profit. The downgrade is not particularly surprising since Raute noted increasing uncertainty in the operating environment already last year due to cooling demand in the wake of major new capacity investments. There was a dearth of demand for mid-sized projects like modernizations. Raute saw demand for large and small orders at a good level, however it's always hard to anticipate when big investment decisions will receive green light and the current extraordinary macroeconomic environment will not help. Safety policies will also limit assembly, commissioning and maintenance works at plywood and LVL mills.

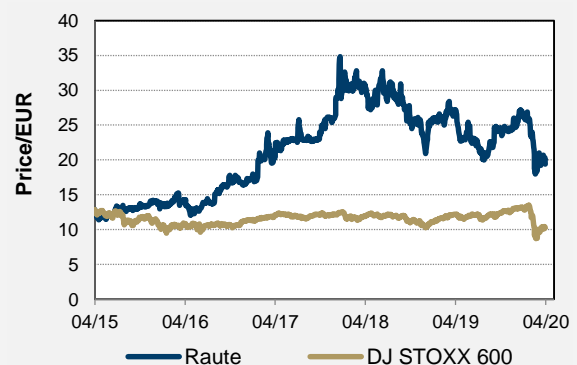
We estimate FY '20 EBIT falling close to 40% y/y

We cut our estimates for this year and next. We expect Raute's top line at EUR 123m in '20 (previously estimated EUR 142m) while we see EBIT down to EUR 5.2m (prev. EUR 7.6m). This year finds support from the record EUR 58m Segezha order, but extended weakness in order intake will mean next year revenue prospects will be under pressure as well. Should order intake begin to improve during the latter half of '20 we expect Raute to achieve rather stable development in '21. We now estimate '21 revenue at EUR 127m (prev. EUR 140m) and have revised '21 EBIT estimate down to EUR 7.4m (prev. EUR 9.3m). We don't see the pandemic hurting Raute's long-term competitive positioning as the market leader within its niche. If anything, in our view it's more likely that the opposite would be true.

We still view valuation neutral given competitive position

Raute trades some 7x EV/EBITDA and 12x EV/EBIT on our new estimates for '20. On our next year estimates the multiples stand at 5.5x and 8.5x, respectively. In our view current valuation falls within an acceptable range considering earnings have plenty of potential to rebound from the low level to be seen this year. Our new TP is EUR 21 (25), rating remains HOLD.

Rating



Share price, EUR (Last trading day's closing price) 19.40

Target price, EUR 21.0

Latest change in recommendation 01-Aug-19

Latest report on company 04-Mar-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 82

Free float, % -

Exchange rate -

Reuters code RAUTE.HE

Bloomberg code RAUTE:FH

Average daily volume, EURm 0.1

Next interim report 29-Apr-20

Web site www.raute.com/investors

Analyst Joonas Ilvonen

E-mail joonas.ilvonen@evli.com

Telephone +358 44 430 9071

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	123.0	5.2	4.2%	9.8	0.99	19.6	0.5	12.2	11.9	1.47
2021E	127.0	7.4	5.8%	6.8	1.39	14.0	0.5	8.5	8.3	1.50
2022E	132.0	9.1	6.9%	5.8	1.71	11.4	0.5	7.0	7.0	1.52
Market cap, EURm	82		Gearing 2020E, %	-40.0		CAGR EPS 2019-22, %		-1.7		
Net debt 2020E, EURm	-19		Price/book 2020E	1.7		CAGR sales 2019-22, %		-4.4		
Enterprise value, EURm	63		Dividend yield 2020E, %	7.6		ROE 2020E, %		8.7		
Total assets 2020E, EURm	82		Tax rate 2020E, %	19.2		ROCE 2020E, %		9.5		
Goodwill 2020E, EURm	1		Equity ratio 2020E, %	58.3		PEG, P/E 20/CAGR		0.9		

Estimates and valuation

Raute	2017	2018	Q1'19	Q2'19	Q3'19	Q4'19	2019	Q1'20e	Q2'20e	Q3'20e	Q4'20e	2020e	2021e
Order intake	155	166	32	26	73	17	148	15	10	33	40	98	139
Project deliveries	97	104	18	11	65	4	98	4	3	23	27	57	78
Technology services	58	62	14	15	8	13	50	11	7	10	13	41	61
Europe	60	76	5	4	5	6	21	4	2	11	13	30	39
Russia	50	30	18	8	60	2	89	6	4	15	17	42	41
North America	36	25	6	6	2	3	18	3	2	4	5	14	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	1	1	2	5	20
Order book	110	95	84	72	109	88	88	67	53	57	63	63	75
Revenue	148	181	41	37	34	39	151	36	24	29	34	123	127
Project deliveries	99	126	27	18	17	24	86	23	15	17	19	74	67
Technology services	49	55	15	19	17	15	66	13	9	12	15	49	60
Europe	82	77	19	15	9	8	51	7	5	6	6	24	32
Russia	35	48	11	10	14	13	47	20	15	17	21	73	47
North America	21	32	7	6	7	7	27	4	2	3	3	12	25
Latin America	6	6	3	4	3	4	14	3	1	2	2	8	11
Asia-Pacific	3	18	3	2	2	6	13	2	1	1	2	6	12
EBITDA	14	17	4	3	3	3	12	3	2	2	2	9	11
<i>EBITDA margin</i>	9.3 %	9.6 %	8.7 %	9.1 %	7.9 %	6.9 %	8.1 %	6.9 %	7.9 %	7.9 %	7.3 %	7.5 %	9.0 %
EBIT	11	15	3	2	2	2	8	2	1	1	2	5	7
<i>EBIT margin</i>	7.5 %	8.2 %	6.3 %	6.3 %	5.1 %	4.6 %	5.6 %	4.2 %	3.8 %	4.5 %	4.4 %	4.2 %	5.8 %

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	6495	11.8x	10.4x	10.0x	14.9x	13.9x	12.6x	15.4 %	13.7 %	15.0 %
Cargotec	1109	7.6x	8.5x	6.5x	11.0x	18.1x	10.9x	7.2 %	3.5 %	5.5 %
Glaston	55	9.1x	5.2x	3.9x	18.0x	9.9x	6.5x	3.4 %	4.1 %	5.9 %
Kone	27799	19.7x	20.6x	18.0x	23.3x	24.5x	21.2x	12.4 %	11.7 %	12.7 %
Konecranes Oyj	1411	7.6x	7.2x	5.4x	12.1x	11.5x	8.1x	7.1 %	6.0 %	8.1 %
Metso	3426	11.6x	7.6x	6.7x	13.9x	9.1x	7.8x	11.3 %	10.8 %	12.0 %
Outotec	626	7.9x	5.4x	4.9x	11.3x	7.4x	6.6x	8.9 %	8.8 %	9.3 %
Ponsse	619	10.4x	10.5x	8.5x	13.7x	16.1x	11.6x	10.1 %	7.3 %	9.2 %
Sandvik	16421	9.1x	11.2x	8.7x	17.9x	16.3x	11.3x	13.3 %	13.1 %	17.6 %
Valmet	2923	8.5x	7.3x	6.6x	11.3x	10.0x	8.7x	8.2 %	7.4 %	8.4 %
Wartsila	3717	11.0x	8.7x	7.8x	14.7x	12.2x	10.2x	9.0 %	8.1 %	9.7 %
Peer Group Average	5873	10.4x	9.3x	7.9x	14.7x	13.6x	10.5x	9.7 %	8.6 %	10.3 %
Peer Group Median	2923	9.1x	8.5x	6.7x	13.9x	12.2x	10.2x	9.0 %	8.1 %	9.3 %
Raute (Evli est.)	82	8.1x	6.9x	5.5x	11.8x	12.2x	8.5x	5.6 %	4.2 %	5.8 %

Raute prem./disc. to peer median

-12 % -18 % -17 % -15 % 0 % -16 % -38 % -48 % -38 %

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	19.40 PV of Free Cash Flow	46 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	24.41 PV of Horizon value	42 WACC, %	9.6 Market risk premium, %	5.8
Share price potential, %	25.8 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	25.8 Marketable securities	22 Minimum WACC, %	9.1 Equity beta coefficient	1.35
Minimum value	23.2 Debt - dividend	-7 Maximum WACC, %	10.1 Target debt ratio, %	20
Horizon value, %	48.0 Value of stock	104 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	127	132	137	141	145	148	151	155	158	161
<i>Sales growth, %</i>	-16.5	-18.7	3.3	3.9	4.0	3.0	2.5	2.3	2.3	2.3	2.0	2.0
Operating income (EBIT)	8	5	7	9	9	10	9	10	10	10	10	10
<i>Operating income margin, %</i>	5.6	4.2	5.8	6.9	6.9	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	9	11	12	13	14	13	13	14	14	14	14
- Paid taxes	-1	-1	-1	-2	-2	-2	-2	-2	-2	-2	-2	-2
- Change in NWC	10	2	0	0	0	0	0	0	0	0	0	0
<i>NWC / Sales, %</i>	7.0	6.7	6.7	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	0
- Operative CAPEX	-3	-2	-3	-4	-4	-4	-4	-4	-4	-4	-4	-4
<i>opCAPEX / Sales, %</i>	2.1	0.6	2.2	3.0	3.3	2.9	2.8	2.8	2.8	2.8	2.8	2.8
- 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	9	7	6	6	7	7	7	7	7	8	103
= Discounted FCFF		8	6	5	4	5	4	4	4	3	3	42
= DFCF min WACC		8	6	5	4	5	4	4	4	4	3	47
= DFCF max WACC		8	6	5	4	5	4	4	3	3	3	38

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1E	2020Q2E	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	41.3	37.0	33.7	39.3	151.3	36.0	24.0	29.0	34.0	123.0	127.0	132.0
EBITDA	3.6	3.2	2.6	2.9	12.3	2.5	1.9	2.3	2.5	9.2	11.4	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>6.9</i>	<i>7.9</i>	<i>7.9</i>	<i>7.4</i>	<i>7.5</i>	<i>9.0</i>	<i>9.1</i>
EBIT	2.6	2.3	1.7	1.8	8.4	1.5	0.9	1.3	1.5	5.2	7.4	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>4.2</i>	<i>3.8</i>	<i>4.5</i>	<i>4.4</i>	<i>4.2</i>	<i>5.8</i>	<i>6.9</i>
Net financial items	0.1	0.0	0.0	0.7	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	2.7	2.3	1.7	2.5	9.2	1.5	0.9	1.3	1.5	5.2	7.4	9.1
Tax	-0.6	-0.4	-0.3	-0.3	-1.6	-0.2	-0.2	-0.3	-0.3	-1.0	-1.5	-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>13.3</i>	<i>22.2</i>	<i>23.1</i>	<i>20.0</i>	<i>19.2</i>	<i>20.0</i>	<i>20.0</i>
Net profit	2.1	1.9	1.4	2.2	7.6	1.3	0.7	1.0	1.2	4.2	5.9	7.2
EPS	0.49	0.45	0.33	0.53	1.80	0.31	0.16	0.24	0.28	0.99	1.39	1.71
EPS adjusted (diluted no. of shares)	0.49	0.45	0.33	0.53	1.80	0.31	0.16	0.24	0.28	0.99	1.39	1.71
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	23.0	15.0	17.0	19.0	74.0	67.0	69.0
Technology services	14.5	18.8	17.2	15.2	65.7	13.0	9.0	12.0	15.0	49.0	60.0	63.0
Total	41.3	37.0	33.7	39.3	151.3	36.0	24.0	29.0	34.0	123.0	127.0	132.0
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>-14.2</i>	<i>-17.6</i>	<i>3.0</i>	<i>-21.2</i>	<i>-13.6</i>	<i>-9.5</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>-10.3</i>	<i>-52.1</i>	<i>-30.2</i>	<i>-1.3</i>	<i>-25.4</i>	<i>22.4</i>	<i>5.0</i>
Total	17.1	-15.3	-29.7	-27.5	-16.5	-12.8	-35.1	-13.9	-13.5	-18.7	3.3	3.9
EBIT, EURm												
Project deliveries	1.1	0.5	0.2	0.3	2.1	0.3	0.2	0.3	0.3	1.1	1.7	2.8
Technology services	1.5	1.8	1.5	1.5	6.3	1.2	0.7	1.0	1.2	4.1	5.7	6.3
Total	2.6	2.3	1.7	1.8	8.4	1.5	0.9	1.3	1.5	5.2	7.4	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>1.3</i>	<i>1.3</i>	<i>1.8</i>	<i>1.6</i>	<i>1.5</i>	<i>2.5</i>	<i>4.0</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>9.2</i>	<i>7.8</i>	<i>8.3</i>	<i>8.0</i>	<i>8.4</i>	<i>9.5</i>	<i>10.0</i>
Total	6.3	6.2	5.0	4.6	5.6	4.2	3.8	4.5	4.4	4.2	5.8	6.9

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	127.3	113.1	148.6	181.1	151.3	123.0	127.0	132.0
<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>-18.7</i>	<i>3.3</i>	<i>3.9</i>
EBITDA	11.6	10.9	14.2	17.4	12.3	9.2	11.4	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>7.5</i>	<i>9.0</i>	<i>9.1</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	5.2	7.4	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	5.2	7.4	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>4.2</i>	<i>5.8</i>	<i>6.9</i>
Reported EBIT	8.1	8.6	11.6	14.9	8.4	5.2	7.4	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>4.2</i>	<i>5.8</i>	<i>6.9</i>
Net financials	0.1	0.0	0.0	0.0	0.8	0.0	0.0	0.0
Pre-tax profit	8.2	8.6	11.6	14.9	9.2	5.2	7.4	9.1
Taxes	-1.4	-1.5	-2.1	-3.2	-1.6	-1.0	-1.5	-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	4.2	5.9	7.2
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	14
Goodwill	0	0	1	1	1	1	1	1
Right of use assets	0	0	0	7	7	6	6	6
Inventory	10	10	11	14	12	10	10	11
Receivables	35	24	30	52	32	26	27	28
Liquid funds	7	24	31	13	22	25	25	25
Total assets	62	70	87	103	91	82	82	84
Liabilities								
Shareholder's equity	30	34	39	47	50	48	47	48
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	6
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	2	3	1	1	2	0	0	0
Non-interest bearing current liabilities	28	29	43	46	31	25	26	27
Other interest-free debt	0	1	1	1	3	3	3	3
Total liabilities	62	70	87	103	91	82	82	84
CASH FLOW, EURm								
+ EBITDA	12	11	14	17	12	9	11	12
- Net financial items	2	17	7	0	1	0	0	0
- Taxes	-1	0	-3	-3	-1	-1	-1	-2
- Increase in Net Working Capital	-3	12	6	-23	10	2	0	0
+/- Other	-3	-19	-6	0	0	0	0	0
= Cash flow from operations	8	21	18	-8	21	11	10	10
- Capex	-2	-3	-7	-4	-3	-1	-3	-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	10	7	6
+/- 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	0	0
Change in cash	2	17	7	-17	9	2	1	0

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	70	123	91	114	82	82	82
Net debt (excl. convertibles)	-21	-29	-5	-15	-19	-20	-19
Enterprise value	50	94	85	99	63	63	63
Sales	113	149	181	151	123	127	132
EBITDA	11	14	17	12	9	11	12
EBIT	9	12	15	8	5	7	9
Pre-tax	9	12	15	9	5	7	9
Earnings	7	9	12	8	4	6	7
Equity book value (excl. minorities)	34	39	47	50	48	47	48
Valuation multiples							
EV/sales	0.4	0.6	0.5	0.7	0.5	0.5	0.5
EV/EBITDA	4.6	6.6	4.9	8.1	6.9	5.5	5.3
EV/EBITA	5.8	8.1	5.7	11.8	12.2	8.5	7.0
EV/EBIT	5.8	8.1	5.7	11.8	12.2	8.5	7.0
EV/OCF	2.3	5.1	-11.2	4.7	6.0	6.6	6.5
EV/FCFF	2.7	7.4	-7.2	6.3	7.5	9.0	10.5
P/FCFE	3.9	10.8	-8.1	6.4	8.4	12.1	14.2
P/E	10.0	13.1	7.7	15.0	19.6	14.0	11.4
P/B	2.1	3.1	1.9	2.3	1.7	1.7	1.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	7.6	6.1	5.9
Target EV/EBIT	0.0	0.0	0.0	0.0	13.5	9.4	7.8
Target EV/FCF	0.0	0.0	0.0	0.0	7.2	10.2	12.1
Target P/B	0.0	0.0	0.0	0.0	1.9	1.9	1.9
Target P/E	0.0	0.0	0.0	0.0	21.2	15.1	12.3
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	0.99	1.39	1.71
Operating cash flow per share	5.05	4.33	-1.79	4.96	2.48	2.25	2.29
Free cash flow per share	4.33	2.68	-2.64	4.23	2.31	1.60	1.36
Book value per share	8.13	9.27	10.95	11.65	11.19	11.11	11.31
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	148.7	108.0	89.1
Dividend yield, %	6.0	4.3	6.6	7.5	7.6	7.7	7.8
FCF yield, %	25.9	9.3	-12.4	15.7	11.9	8.3	7.0
Efficiency measures							
ROE	22.1	25.6	27.3	15.9	8.7	12.5	15.2
ROCE	25.0	29.7	31.3	15.1	9.5	13.9	16.9
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	6.7	6.8
Operative CAPEX/sales, %	2.7	4.7	2.0	2.1	0.6	2.2	3.0
CAPEX/sales (incl. acquisitions), %	2.7	4.7	2.0	2.1	0.6	2.2	3.0
FCFF/EBITDA	1.7	0.9	-0.7	1.3	0.9	0.6	0.5
Net debt/EBITDA, book-weighted	-1.9	-2.1	-0.3	-1.3	-2.1	-1.7	-1.6
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	58.3	57.4	57.0
Gearing, %	-60.3	-74.4	-11.8	-31.0	-40.0	-41.5	-39.5

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 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	9.700	11.8%
Mandatum Life Unit-Linked	138,302	2.683	3.3%
Laakkonen Mikko Kalervo	119,919	2.326	2.8%
Suominen Pekka	110,429	2.142	2.6%
Siivonen Osku Pekka	104,179	2.021	2.5%
Kirmo Kaisa Marketta	104,021	2.018	2.4%
Suominen Tiina Sini-Maria	100,856	1.957	2.4%
Keskiaho Kaija Leena	84,716	1.643	2.0%
Mustakallio Mika Tapani	83,270	1.615	2.0%
Särkijärvi Anna Riitta	82,489	1.600	1.9%
Ten largest	1,428,181	27.707	34%
Residual	2,821,067	54.729	66%
Total	4,249,248	82.435	100%

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

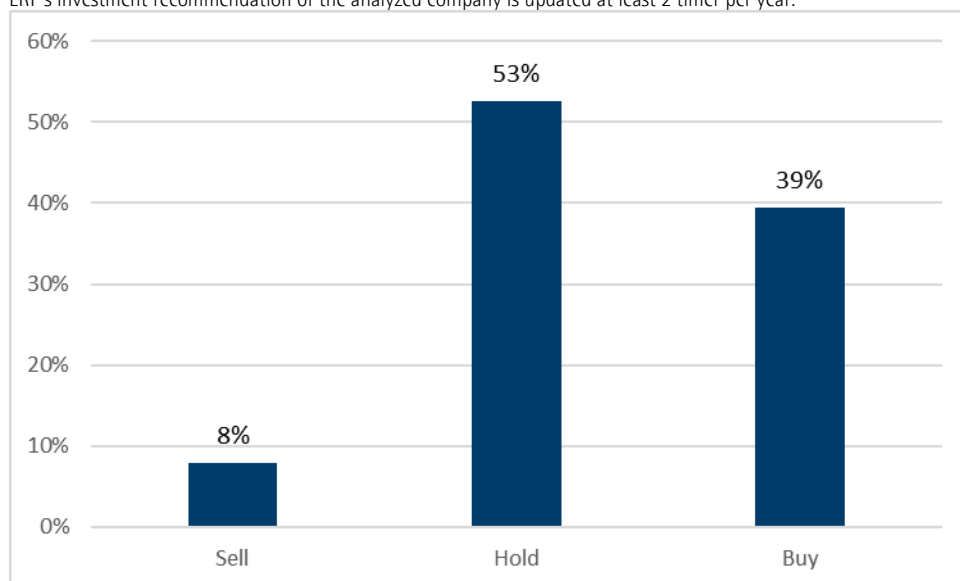
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Investment recommendations are defined as follows:

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

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The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. If recommendation is not given, it is not mentioned here.

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

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Contact information**SALES, TRADING AND RESEARCH****Equity Sales**

Ari Laine +358 9 4766 9115
Lauri Ahokanto +358 9 4766 9117
Niclas Henelius +358 9 4766 9116

Trading

Lauri Vehkaluoto (Head) +358 9 4766 9120
Pasi Väisänen +358 9 4766 9120
Antti Kässi +358 9 4766 9120
Miika Roankanen +358 9 4766 9120

ETFs and Derivatives

Joachim Dannberg +358 9 4766 9123
Kimmo Lijja +358 9 4766 9130

Structured Investments

Heikki Savijoki +358 9 4766 9726
Aki Lakkisto +358 9 4766 9123

Equity Research

Jonas Forslund +358 9 4766 9314
Joonas Ilvonen +358 44 430 9071
Jerker Salokivi +358 9 4766 9149
Anna-Liisa Rissanen +358 40 157 9919

Evli Investment Solutions

Johannes Asuja +358 9 4766 9205
Markku Reinikainen +358 9 4766 9669



EVLI BANK PLC
Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Fax +358 9 634 382
Internet www.evli.com
E-mail firstname.lastname@evli.com

**EVLI BANK PLC,
STOCKHOLMSFILIAL**
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000
Fax +46 (0)8 407 8001