

Results below our expectations

Raute's Q2 results were clearly below our expectations with respect to revenue and profitability as well as order intake.

- Q2 revenue amounted to EUR 24.4m vs our EUR 29.0m estimate. The shortfall was attributable to project deliveries.
- EBIT was EUR -1.0m, compared to our EUR 1.3m expectation. Order book timing affected the results negatively.
- Q2 order intake stood at EUR 13m (EUR 26m a year ago) while we expected EUR 19m. Order intake for both project deliveries and technology services declined by about half y/y. The pandemic postpones investment decisions but Raute says project cancellations are unlikely and the situation could normalize quickly.
- Order book amounted to EUR 80m at the end of the quarter (EUR 72m a year ago), which we view a rather good figure.

Rating				BUY
Q2'20	Actual	Evli	Year ago	Q1'20
Net sales	24.4	29.0	37.0	23.8
-Project deliveries	14.4	19.0	18.1	14.0
-Technology services	10.0	10.0	18.9	9.8
Operating profit	-1.0	1.3	2.3	-3.0
Operating profit margin	-4.2 %	4.5 %	6.2 %	-12.6 %
Share price, EUR (Last trading day's closing price)				19.10
Target price, EUR				21.0
Latest change in recommendation				20-Jul-20
Latest report on company				20-Jul-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				23-Jul-20
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BUY HOLD SELL

PRE-REPORT 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	125.8	3.3	2.6%	8.4	0.77	24.9	0.5	19.3	10.4	1.47
2021E	127.0	7.4	5.8%	7.2	1.39	13.8	0.5	8.5	8.9	1.50
2022E	132.0	9.1	6.9%	5.8	1.71	11.2	0.5	7.0	7.2	1.52
Market cap, EURm	81		BV per share 2020E, EUR	-37.8		CAGR EPS 2019-22, %				-1.7
Net debt 2020E, EURm	-18		Price/book 2020E	1.7		CAGR sales 2019-22, %				-4.4
Enterprise value, EURm	64		Dividend yield 2020E, %	7.7		ROE 2020E, %				6.8
Total assets 2020E, EURm	81		Tax rate 2020E, %	4.3		ROCE 2020E, %				6.1
Goodwill 2020E, EURm	1		Equity ratio 2020E, %	57.3		PEG, P/E 20/CAGR				0.8

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

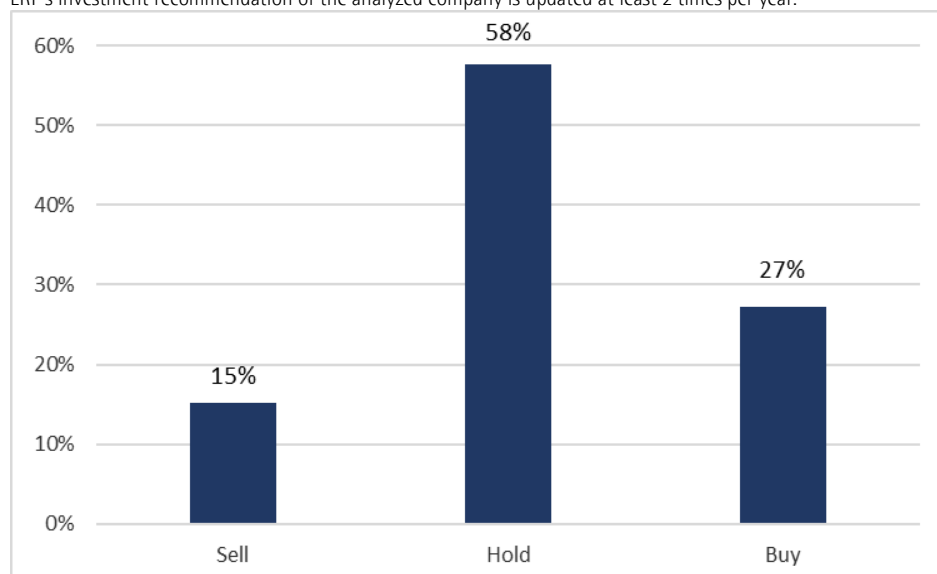
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Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.



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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