

Anticipation seems overdone

Raute has good potential to perform strong in the coming years, however in our opinion valuation is now stretched too high. Our TP is now EUR 20 (18), rating SELL (HOLD).

We make some upward revisions to our estimates

Raute said it expects FY '20 revenue to amount to some EUR 115m. This implies Q4'20 top line at approximately EUR 39m. Raute previously expected the FY '20 figure to decrease y/y, and now the update guides a clear decrease. We don't view the update as substantial negative news and the preliminary ca. EUR 39m Q4'20 revenue figure is in fact somewhat above our previous EUR 33m estimate. We now estimate Q4 project deliveries revenue at EUR 26m (up 8% y/y) and that for technology services at EUR 13m (down 14% y/y). Raute didn't update profitability guidance. We previously estimated EUR 1.7m in Q4 EBIT and we revise the estimate up a bit to EUR 2.0m.

FY '21 EBIT yet unlikely to reach the highs seen in the past

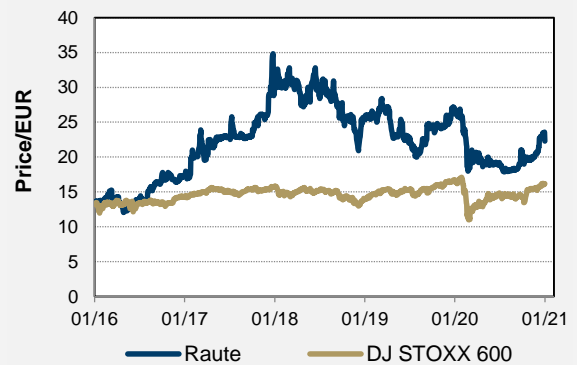
We now expect Q4 order intake at EUR 19m when excluding the large EUR 55m Russian project. We estimate the smaller project deliveries orders at EUR 7m, a figure which is clearly above the very low benchmark figures. We expect technology services order intake at EUR 12m, in other words slightly down y/y but meaningful improvement q/q. The past few reports have painted an overall muted business picture, however there is a decent chance the outlook is already improving. We nevertheless think the recent share price gains have made near-term multiples too dear as the overall uncertainty level remains very much elevated.

In our view recent gains make downside relatively likely

We expect Raute's top line to grow meaningfully, by ca. 15% y/y, in FY '21. We make small revisions to our FY '21 EBIT estimate, and now see the figure at EUR 6.4m (previously EUR 6.0m). This would still be far from the ca. EUR 11m EBIT that Raute averaged annually in 2016-19. Significant earnings potential remains for the coming years, but in our opinion the share has appreciated too steep considering all the uncertainty. We don't see upside on the current 8x EV/EBITDA and 13x EV/EBIT multiples on our FY '21 estimates. The valuation doesn't look that expensive relative to long-term potential and in terms of the respective FY '22 7.5x and 10x multiples, but we think this potential remains too far in the future. Our new TP is EUR 20 (18), rating SELL (HOLD).

Rating

SELL



Share price, EUR (Last trading day's closing price) 22.30

Target price, EUR 20.0

Latest change in recommendation	22-Jan-21
Latest report on company	30-Oct-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	95
Free float, %	-
Exchange rate	-
Reuters code	RAUTE.HE
Bloomberg code	RAUTE:FH
Average daily volume, EURm	0.1
Next interim report	12-Feb-21
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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
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	115.1	-0.7	-0.6%	6.2	-0.14	-154.8	0.7	-113.4	6.5	1.47
2021E	132.0	6.4	4.9%	4.2	1.21	18.5	0.6	12.7	4.4	1.50
2022E	137.0	8.4	6.1%	4.9	1.58	14.1	0.6	9.9	5.2	1.52
Market cap, EURm			95	Gearing 2020E, %		-36.0	CAGR EPS 2019-22, %			-4.1
Net debt 2020E, EURm			-15	Price/book 2020E		2.2	CAGR sales 2019-22, %			-3.3
Enterprise value, EURm			79	Dividend yield 2020E, %		6.6	ROE 2020E, %			-1.3
Total assets 2020E, EURm			75	Tax rate 2020E, %		-93.1	ROCE 2020E, %			-1.3
Goodwill 2020E, EURm			1	Equity ratio 2020E, %		57.2	PEG, P/E 20/CAGR			0.0

Estimates and valuation

Raute	2017	2018	Q1'19	Q2'19	Q3'19	Q4'19	2019	Q1'20	Q2'20	Q3'20	Q4'20e	2020e	2021e
Order intake	155	166	32	26	73	17	148	25	13	11	74	123	136
Project deliveries	97	104	18	11	65	4	98	14	6	2	62	84	84
Technology services	58	62	14	15	8	13	50	11	7	9	12	39	52
Europe	60	76	5	4	5	6	21	8	3	5	7	23	39
Russia	50	30	18	8	60	2	89	13	3	1	59	76	51
North America	36	25	6	6	2	3	18	3	2	2	3	10	18
Latin America	8	12	1	7	0	3	12	1	1	2	2	6	11
Asia-Pacific	2	23	1	1	5	2	9	1	4	0	3	8	17
Order book	110	95	84	72	109	88	88	92	80	62	97	97	101
Revenue	148	181	41	37	34	39	151	24	24	28	39	115	132
Project deliveries	99	126	27	18	17	24	86	14	14	18	26	73	79
Technology services	49	55	15	19	17	15	66	10	10	10	13	43	53
Europe	82	77	19	15	9	8	51	6	6	6	8	26	32
Russia	35	48	11	10	14	13	47	10	12	16	21	59	65
North America	21	32	7	6	7	7	27	4	3	3	5	14	14
Latin America	6	6	3	4	3	4	14	3	2	1	2	8	9
Asia-Pacific	3	18	3	2	2	6	13	1	2	1	3	8	12
EBITDA	14	17	4	3	3	3	12	-2	0	2	3	3	10
<i>EBITDA margin</i>	9.3 %	9.6 %	9 %	9 %	8 %	7 %	8.1 %	-9 %	0 %	9 %	8 %	2.9 %	7.9 %
EBIT	11	15	3	2	2	2	8	-3	-1	1	2	-1	6
<i>EBIT margin</i>	7.5 %	8.2 %	6 %	6 %	5 %	5 %	5.6 %	-13 %	-4 %	5 %	5 %	-0.6 %	4.9 %

Source: Evli Research

RAUTE PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		20	21	22	20	21	22	20	21	22
Alfa Laval AB	9890	12.2x	13.3x	12.6x	16.3x	17.2x	15.6x	14.7 %	15.2 %	15.9 %
Cargotec	2410	9.9x	9.4x	8.4x	14.8x	13.5x	11.5x	6.3 %	7.3 %	8.0 %
Glaston	67	10.5x	7.0x	5.9x	33.3x	14.6x	10.1x	2.0 %	4.0 %	5.3 %
Kone	34193	23.5x	21.4x	20.3x	27.8x	25.3x	23.7x	12.4 %	12.9 %	13.2 %
Konecranes Oyj	2567	9.2x	8.9x	8.0x	14.2x	13.2x	11.3x	6.9 %	8.1 %	9.0 %
Ponsse	890	10.0x	10.6x	9.7x	13.9x	14.4x	12.7x	10.3 %	10.0 %	10.4 %
Sandvik	27112	13.2x	12.1x	11.0x	22.8x	15.9x	14.2x	13.0 %	18.8 %	19.6 %
Valmet	3969	9.1x	9.8x	9.4x	12.3x	12.7x	12.1x	8.3 %	8.9 %	9.2 %
Wartsila	5237	12.1x	11.4x	10.0x	17.8x	16.3x	13.2x	6.7 %	8.1 %	9.4 %
Peer Group Average	9593	12.2x	11.5x	10.6x	19.2x	15.9x	13.8x	8.9 %	10.4 %	11.1 %
Peer Group Median	3969	10.5x	10.6x	9.7x	16.3x	14.6x	12.7x	8.3 %	8.9 %	9.4 %
Raute (Evli est.)	95	23.8x	7.8x	7.3x	-113.4x	12.7x	9.9x	-0.6 %	4.9 %	6.1 %

Raute prem./disc. to peer median

126 % -27 % -25 % -798 % -13 % -22 % -107 % -45 % -35 %

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	22.30 PV of Free Cash Flow	43 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	23.80 PV of Horizon value	47 WACC, %	9.6 Market risk premium, %
Share price potential, %	6.7 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	25.3 Marketable securities	21 Minimum WACC, %	9.1 Equity beta coefficient
Minimum value	22.5 Debt - dividend	-5 Maximum WACC, %	10.1 Target debt ratio, %
Horizon value, %	52.2 Value of stock	105 Nr of shares, Mn	4.2 Effective tax rate, %

DCF valuation, EURm	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Horizon
Net sales	151	115	132	137	142	147	150	154	157	161	164	167
<i>Sales growth, %</i>	-16.5	-23.9	14.7	3.8	3.8	3.0	2.5	2.3	2.3	2.3	2.0	2.0
Operating income (EBIT)	8	-1	6	8	9	11	10	10	10	10	11	11
<i>Operating income margin, %</i>	5.6	-0.6	4.9	6.1	6.5	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	3	10	11	13	14	14	14	14	15	15	
- Paid taxes	-1	0	-1	-2	-2	-2	-2	-2	-2	-2	-2	
- Change in NWC	10	3	-1	0	0	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	7.0	6.6	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	
- Operative CAPEX	-3	-2	-3	-4	-4	-4	-4	-4	-4	-4	-4	
<i>opCAPEX / Sales, %</i>	2.1	0.2	2.7	3.2	3.3	2.9	2.9	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	16	4	5	5	6	8	7	7	8	8	8	107
= Discounted FCFF		4	5	4	4	5	5	4	4	4	4	47
= DFCF min WACC		4	5	4	4	5	5	4	4	4	4	52
= DFCF max WACC		4	5	4	4	5	4	4	4	4	3	42

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3	2020Q4E	2020E	2021E	2022E
Net sales	41.3	37.0	33.7	39.3	151.3	23.8	24.4	27.9	39.0	115.1	132.0	137.0
EBITDA	3.6	3.2	2.6	2.9	12.3	-2.0	-0.1	2.4	3.0	3.3	10.4	11.3
<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>-8.6</i>	<i>-0.3</i>	<i>8.7</i>	<i>7.7</i>	<i>2.9</i>	<i>7.9</i>	<i>8.3</i>
EBIT	2.6	2.3	1.7	1.8	8.4	-3.0	-1.0	1.3	2.0	-0.7	6.4	8.4
<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>-12.6</i>	<i>-4.1</i>	<i>4.7</i>	<i>5.1</i>	<i>-0.6</i>	<i>4.9</i>	<i>6.1</i>
Net financial items	0.1	0.0	0.0	0.7	0.8	0.1	0.3	-0.1	0.0	0.4	0.0	0.0
Pre-tax profit	2.7	2.3	1.7	2.5	9.2	-2.9	-0.7	1.2	2.0	-0.3	6.4	8.4
Tax	-0.6	-0.4	-0.3	-0.3	-1.6	0.7	-0.2	-0.5	-0.3	-0.3	-1.3	-1.7
<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>22.5</i>	<i>-25.3</i>	<i>39.1</i>	<i>15.0</i>	<i>-93.1</i>	<i>20.0</i>	<i>20.0</i>
Net profit	2.1	1.9	1.4	2.2	7.6	-2.2	-0.8	0.8	1.7	-0.6	5.1	6.7
EPS	0.49	0.45	0.33	0.53	1.80	-0.53	-0.19	0.18	0.40	-0.14	1.21	1.58
EPS adjusted (diluted no. of shares)	0.49	0.45	0.33	0.53	1.80	-0.53	-0.19	0.18	0.40	-0.14	1.21	1.58
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	14.0	14.4	18.1	26.0	72.5	79.0	81.4
Technology services	14.5	18.8	17.2	15.2	65.7	9.8	10.0	9.8	13.0	42.6	53.0	55.7
Total	41.3	37.0	33.7	39.3	151.3	23.8	24.4	27.9	39.0	115.1	132.0	137.0
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>-47.8</i>	<i>-20.9</i>	<i>9.7</i>	<i>7.9</i>	<i>-15.3</i>	<i>9.0</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>-32.4</i>	<i>-46.8</i>	<i>-43.0</i>	<i>-14.5</i>	<i>-35.2</i>	<i>24.4</i>	<i>5.0</i>
<i>Total</i>	<i>17.1</i>	<i>-15.3</i>	<i>-29.7</i>	<i>-27.5</i>	<i>-16.5</i>	<i>-42.4</i>	<i>-34.1</i>	<i>-17.2</i>	<i>-0.8</i>	<i>-23.9</i>	<i>14.7</i>	<i>3.8</i>
EBIT, EURm												
Project deliveries	1.1	0.5	0.2	0.3	2.1	-3.6	-1.4	0.5	0.8	-3.7	1.4	2.8
Technology services	1.5	1.8	1.5	1.5	6.3	0.6	0.4	0.8	1.2	3.0	5.0	5.6
Total	2.6	2.3	1.7	1.8	8.4	-3.0	-1.0	1.3	2.0	-0.7	6.4	8.4
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>-25.7</i>	<i>-9.7</i>	<i>2.8</i>	<i>3.1</i>	<i>-5.1</i>	<i>1.8</i>	<i>3.5</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>6.1</i>	<i>4.0</i>	<i>8.2</i>	<i>9.2</i>	<i>7.0</i>	<i>9.5</i>	<i>10.0</i>
<i>Total</i>	<i>6.3</i>	<i>6.2</i>	<i>5.0</i>	<i>4.6</i>	<i>5.6</i>	<i>-12.6</i>	<i>-4.1</i>	<i>4.7</i>	<i>5.1</i>	<i>-0.6</i>	<i>4.9</i>	<i>6.1</i>

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	127.3	113.1	148.6	181.1	151.3	115.1	132.0	137.0
<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>-23.9</i>	<i>14.7</i>	<i>3.8</i>
EBITDA	11.6	10.9	14.2	17.4	12.3	3.3	10.4	11.3
<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>2.9</i>	<i>7.9</i>	<i>8.3</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	-0.7	6.4	8.4
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	-0.7	6.4	8.4
<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>-0.6</i>	<i>4.9</i>	<i>6.1</i>
Reported EBIT	8.1	8.6	11.6	14.9	8.4	-0.7	6.4	8.4
<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>-0.6</i>	<i>4.9</i>	<i>6.1</i>
Net financials	0.1	0.0	0.0	0.0	0.8	0.4	0.0	0.0
Pre-tax profit	8.2	8.6	11.6	14.9	9.2	-0.3	6.4	8.4
Taxes	-1.4	-1.5	-2.1	-3.2	-1.6	-0.3	-1.3	-1.7
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	-0.6	5.1	6.7
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	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	5	6	6
Inventory	10	10	11	14	12	9	11	11
Receivables	35	24	30	52	32	24	28	29
Liquid funds	7	24	31	13	22	21	20	20
Total assets	62	70	87	103	91	75	78	82
Liabilities								
Shareholder's equity	30	34	39	47	50	43	42	42
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	5	6	6
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	2	3	1	1	2	0	0	2
Non-interest bearing current liabilities	28	29	43	46	31	24	27	28
Other interest-free debt	0	1	1	1	3	3	3	3
Total liabilities	62	70	87	103	91	75	78	82
CASH FLOW, EURm								
+ EBITDA	12	11	14	17	12	3	10	11
- Net financial items	2	17	7	0	1	0	0	0
- Taxes	-1	0	-3	-3	-1	0	-1	-2
- Increase in Net Working Capital	-3	12	6	-23	10	3	-1	0
+/- Other	-3	-19	-6	0	0	0	0	0
= Cash flow from operations	8	21	18	-8	21	6	8	9
- Capex	-2	-3	-7	-4	-3	0	-4	-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	6	4	5
+/- 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	-2	1	2
Change in cash	2	17	7	-17	9	-2	-1	1

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	70	123	91	114	95	95	95
Net debt (excl. convertibles)	-21	-29	-5	-15	-15	-13	-12
Enterprise value	50	94	85	99	79	81	83
Sales	113	149	181	151	115	132	137
EBITDA	11	14	17	12	3	10	11
EBIT	9	12	15	8	-1	6	8
Pre-tax	9	12	15	9	0	6	8
Earnings	7	9	12	8	-1	5	7
Equity book value (excl. minorities)	34	39	47	50	43	42	42
Valuation multiples							
EV/sales	0.4	0.6	0.5	0.7	0.7	0.6	0.6
EV/EBITDA	4.6	6.6	4.9	8.1	23.8	7.8	7.3
EV/EBITA	5.8	8.1	5.7	11.8	-113.4	12.7	9.9
EV/EBIT	5.8	8.1	5.7	11.8	-113.4	12.7	9.9
EV/OCF	2.3	5.1	-11.2	4.7	12.4	10.5	9.0
EV/FCFF	2.7	7.4	-7.2	6.3	18.8	16.4	16.1
P/FCFE	3.9	10.8	-8.1	6.4	15.3	22.7	19.3
P/E	10.0	13.1	7.7	15.0	-154.8	18.5	14.1
P/B	2.1	3.1	1.9	2.3	2.2	2.3	2.3
Target EV/EBITDA	0.0	0.0	0.0	0.0	20.8	6.9	6.5
Target EV/EBIT	0.0	0.0	0.0	0.0	-99.4	11.2	8.7
Target EV/FCF	0.0	0.0	0.0	0.0	11.2	17.2	14.9
Target P/B	0.0	0.0	0.0	0.0	2.0	2.0	2.0
Target P/E	0.0	0.0	0.0	0.0	-138.9	16.6	12.6
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	-0.14	1.21	1.58
Operating cash flow per share	5.05	4.33	-1.79	4.96	1.50	1.82	2.17
Free cash flow per share	4.33	2.68	-2.64	4.23	1.46	0.98	1.16
Book value per share	8.13	9.27	10.95	11.65	10.06	9.79	9.88
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	-1,020.7	124.2	96.0
Dividend yield, %	6.0	4.3	6.6	6.5	6.6	6.7	6.8
FCF yield, %	25.9	9.3	-12.4	15.7	6.5	4.4	5.2
Efficiency measures							
ROE	22.1	25.6	27.3	15.9	-1.3	12.2	16.1
ROCE	25.0	29.7	31.3	15.1	-1.3	13.4	17.1
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	6.6	6.8	6.8
Operative CAPEX/sales, %	2.7	4.7	2.0	2.1	0.2	2.7	3.2
CAPEX/sales (incl. acquisitions), %	2.7	4.7	2.0	2.1	0.2	2.7	3.2
FCFF/EBITDA	1.7	0.9	-0.7	1.3	1.3	0.5	0.5
Net debt/EBITDA, book-weighted	-1.9	-2.1	-0.3	-1.3	-4.6	-1.3	-1.0
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	57.2	53.3	51.4
Gearing, %	-60.3	-74.4	-11.8	-31.0	-36.0	-32.0	-28.2

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	11.150	11.8%
Mandatum Life Unit-Linked	138,302	3.084	3.3%
Laakkonen Mikko Kalervo	119,919	2.674	2.8%
Suominen Pekka	110,429	2.463	2.6%
Siivonen Osku Pekka	104,179	2.323	2.5%
Kirmo Kaisa Marketta	104,021	2.320	2.4%
Suominen Tiina Sini-Maria	100,856	2.249	2.4%
Keskiahho Kaija Leena	84,716	1.889	2.0%
Mustakallio Mika Tapani	83,270	1.857	2.0%
Särkijärvi Anna Riitta	82,489	1.840	1.9%
Ten largest	1,428,181	31.848	34%
Residual	2,821,067	62.910	66%
Total	4,249,248	94.758	100%

EARNINGS CALENDAR	
February 12, 2021	FY 2020 Results
April 29, 2021	Q1 report
July 23, 2021	Q2 report
October 22, 2021	Q3 report
OTHER EVENTS	
March 31, 2021	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	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

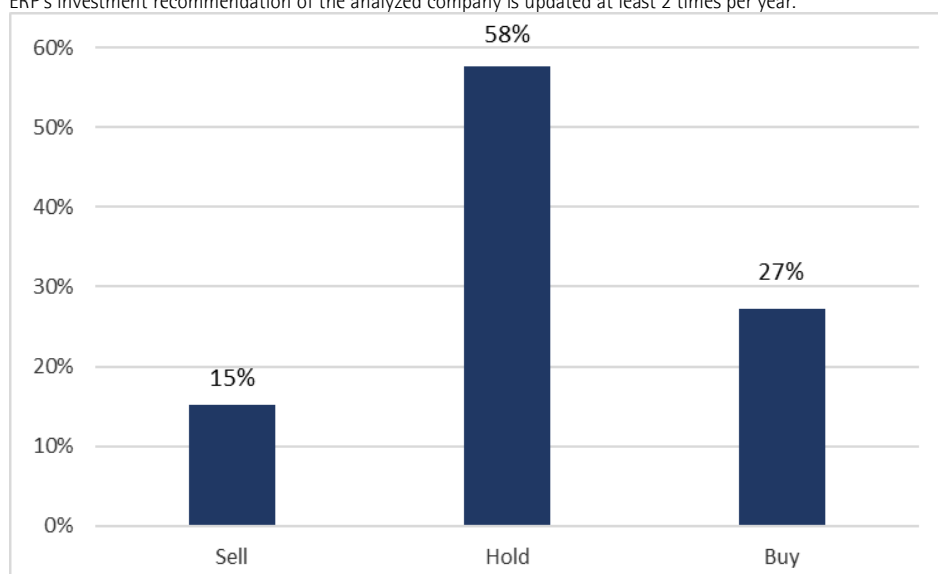
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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