EVLI

RAUTE

Machinery/Finland, October 19, 2021
Preview

Order book reaches a record high

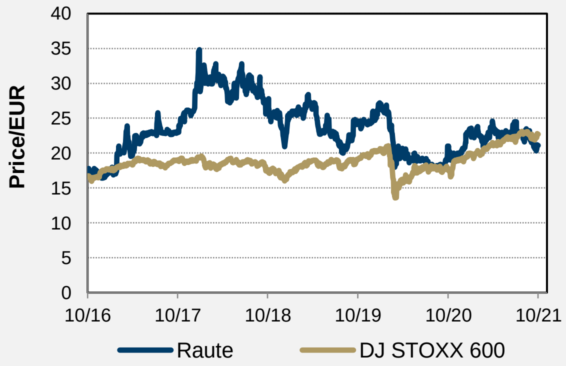
Raute reports Q3 results on Oct 22. We make only minor revisions to our estimates to reflect recent new orders and continue to expect strong earnings growth from here on.

We estimate Q3 order intake at EUR 63m
Raute's environment showed considerable signs of improvement already in Q2. The company booked one large EUR 30m Lithuanian order back then and the flow continued in Q3 with two meaningful Russian orders worth a total of EUR 34m. It will be of interest to hear Raute's comments on current Russian and Eastern European activity levels, not to mention the pace of potential recovery in other geographies, but the fact is Raute now has enough workload for the foreseeable future. The three mentioned orders will all be delivered next year and thus it's very clear both top line and profitability will continue to improve.

We make only minor order intake updates to our estimates
Raute began Q3 with an already very high EUR 129m order book and we estimate the figure to have increased further to EUR 156m by the end of the quarter. We understand this would be a new record high (Raute had a EUR 142m order book at the end of Q1'18) and thus the company is in an excellent position to achieve steep earnings growth during the next few years. We expect Raute to post EUR 1.4m in Q3 EBIT; this level is still far below potential since in our view Raute should be able to reach at least EUR 2-3m EBIT per good quarter. The company was able to post some EUR 3-4m quarterly levels during its previous boom cycle (Q3'18 was a record with EUR 5.6m in EBIT). We expect profitability will continue to improve from here on and estimate FY '22 EBIT at EUR 10.5m.

Valuation is modest at a point where figures are improving
In our view Raute is now valued at undemanding multiples after a period of few years during which both new orders and profitability came under pressure. There are still uncertainties e.g. to what extent the pandemic might bother business, but we reckon our steep earnings estimates for the coming years are reasonable considering Raute was able to achieve EUR 11-15m EBIT in FY '17-18. On this basis next year's multiples can be described on the low side, at around 7x EV/EBITDA and 9x EV/EBIT, and even more attractive beyond that point. We retain our EUR 26.5 TP and BUY rating.

Rating — BUY



Share price, EUR (Last trading day's closing price)	21.10
Target price, EUR	26.5
Latest change in recommendation	14-Jul-21
Latest report on company	26-Jul-21
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	90
Free float, %	-
Exchange rate	-
Reuters code	RAUTE.HE
Bloomberg code	RAUTE:FH
Average daily volume, EURm	0.1
Next interim report	22-Oct-21
Web site	www.raute.com/investors

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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
2019	151.3	8.4	5.6%	18.0	1.80	15.0	0.7	11.8	15.7	1.45
2020	115.0	-1.9	-1.7%	-0.7	-0.22	-101.6	0.8	-48.0	-0.7	0.80
2021E	135.3	-0.2	-0.1%	-4.8	-0.02	-896.6	0.7	-463.2	-5.4	0.85
2022E	162.7	10.5	6.5%	-1.3	1.98	10.6	0.6	9.3	-1.5	0.90
2023E	168.8	11.8	7.0%	6.3	2.22	9.5	0.6	8.0	7.1	0.95

Market cap, EURm	90	Gearing 2021E, %	8.1	CAGR EPS 2020-23, %	0.0
Net debt 2021E, EURm	3	Price/book 2021E	2.4	CAGR sales 2020-23, %	13.6
Enterprise value, EURm	93	Dividend yield 2021E, %	4.0	ROE 2021E, %	-0.3
Total assets 2021E, EURm	97	Tax rate 2021E, %	150.0	ROCE 2021E, %	-0.4
Goodwill 2021E, EURm	2	Equity ratio 2021E, %	38.0	PEG, P/E 21/CAGR	0.0

Estimates and valuation

Raute	2017	2018	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21	Q3'21e	Q4'21e	2021e
Order intake	155	166	148	25	13	11	70	119	30	65	63	39	197
Project deliveries	97	104	98	14	6	2	58	80	11	47	46	24	128
Technology services	58	62	50	11	7	9	12	39	19	18	17	15	69
Europe	60	76	21	8	3	5	7	23	10	41	12	11	73
Russia	50	30	89	13	3	1	57	74	5	8	40	13	66
North America	36	25	18	3	2	2	5	12	11	8	6	8	33
Latin America	8	12	12	1	1	2	1	5	2	3	2	3	10
Asia-Pacific	2	23	9	1	4	0	1	6	3	5	3	4	15
Order book	110	95	88	92	80	62	94	94	98	129	156	156	156
Revenue	148	181	151	24	24	28	39	115	25	35	36	39	135
Project deliveries	99	126	86	14	14	18	29	75	16	19	22	23	80
Technology services	49	55	66	10	10	10	10	40	8	16	15	16	55
Europe	82	77	51	6	6	6	7	25	4	8	8	9	30
Russia	35	48	47	10	12	16	25	63	15	17	17	20	69
North America	21	32	27	4	3	3	3	12	3	5	7	7	23
Latin America	6	6	14	3	2	1	2	8	1	2	2	2	7
Asia-Pacific	3	18	13	1	2	1	2	6	1	3	2	2	7
EBITDA	14	17	12	-2	0	2	2	2	-2	0	2	3	4
EBITDA margin	9.3 %	9.6 %	8.1 %	-9 %	0 %	9 %	5 %	1.9 %	-6 %	0 %	7 %	7 %	2.9 %
EBIT	11	15	8	-3	-1	1	1	-2	-2	-1	1	2	0
EBIT margin	7.5 %	8.2 %	5.6 %	-13 %	-4 %	5 %	2 %	-1.6 %	-10 %	-3 %	4 %	5 %	-0.1 %

Source: Evli Research

RAUTE PEER GROUP	MCAP MEUR	EV/EBITDA 21	EV/EBITDA 22	EV/EBITDA 23	EV/EBIT 21	EV/EBIT 22	EV/EBIT 23	EBIT-% 21	EBIT-% 22	EBIT-% 23
Alfa Laval AB	13793	17.7x	15.5x	14.2x	23.0x	19.4x	17.5x	15.5 %	16.3 %	16.8 %
Cargotec	2808	8.2x	7.2x	6.9x	11.9x	9.5x	8.9x	8.6 %	9.0 %	9.4 %
Glaston	109	8.8x	6.7x	5.8x	17.9x	10.6x	8.6x	3.9 %	5.7 %	6.5 %
Kone	30521	19.2x	18.2x	17.1x	22.7x	21.4x	19.9x	12.7 %	13.0 %	13.4 %
Konecranes Oyj	2800	8.9x	7.6x	6.9x	12.6x	10.1x	9.0x	8.3 %	9.6 %	10.1 %
Ponsse	1273	12.1x	11.5x	11.2x	15.7x	14.7x	14.2x	10.7 %	10.8 %	10.8 %
Sandvik	26592	11.4x	10.0x	9.4x	14.7x	12.8x	11.9x	19.2 %	19.5 %	19.8 %
Valmet	4847	9.4x	8.4x	8.0x	12.0x	10.7x	10.2x	10.0 %	10.4 %	10.9 %
Wartsila	6293	13.6x	10.8x	9.5x	19.5x	14.3x	12.0x	7.5 %	9.3 %	10.3 %
Peer Group Average	9893	**12.1x**	**10.7x**	**9.9x**	**16.7x**	**13.7x**	**12.5x**	**10.7 %**	**11.5 %**	**12.0 %**
Peer Group Median	4847	**11.4x**	**10.0x**	**9.4x**	**15.7x**	**12.8x**	**11.9x**	**10.0 %**	**10.4 %**	**10.8 %**
Raute (Evli est.)	**90**	**23.9x**	**7.0x**	**6.0x**	**-463.2x**	**9.3x**	**8.0x**	**-0.1 %**	**6.5 %**	**7.0 %**
Raute prem./disc. to peer median		*109 %*	*-30 %*	*-36 %*	*-3058 %*	*-28 %*	*-33 %*	*-101 %*	*-38 %*	*-35 %*

Source FactSet, Evli Research

VALUATION RESULTS		BASE CASE DETAILS		VALUATION ASSUMPTIONS		ASSUMPTIONS FOR WACC	
Current share price	21.10	PV of Free Cash Flow	40	Long-term growth, %	2.0	Risk-free interest rate, %	2.25
DCF share value	26.66	PV of Horizon value	68	WACC, %	9.2	Market risk premium, %	5.8
Share price potential, %	26.4	Unconsolidated equity	0	Spread, %	0.5	Debt risk premium, %	2.8
Maximum value	28.9	Marketable securities	12	Minimum WACC, %	8.7	Equity beta coefficient	1.25
Minimum value	24.7	Debt - dividend	-6	Maximum WACC, %	9.7	Target debt ratio, %	20
Horizon value, %	63.2	Value of stock	113	Nr of shares, Mn	4.2	Effective tax rate, %	20

DCF valuation, EURm	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Horizon
Net sales	115	135	163	169	175	179	184	188	192	196	200	204
Sales growth, %	*-24.0*	*17.7*	*20.2*	*3.7*	*3.7*	*2.5*	*2.3*	*2.3*	*2.3*	*2.3*	*2.0*	*2.0*
Operating income (EBIT)	-2	0	11	12	13	13	13	13	13	15	15	15
Operating income margin, %	*-1.7*	*-0.1*	*6.5*	*7.0*	*7.5*	*7.0*	*7.0*	*7.0*	*7.0*	*7.5*	*7.5*	*7.5*
+ Depreciation+amort.	4	4	3	4	4	5	5	5	5	5	5	
EBITDA	2	4	14	16	18	17	18	18	18	20	20	
- Paid taxes	-1	0	-2	-2	-3	-3	-3	-3	-3	-3	-3	
- Change in NWC	1	-4	-6	-1	-1	-1	-1	-1	-1	-1	-1	
NWC / Sales, %	*8.3*	*10.4*	*12.4*	*12.7*	*13.1*	*13.3*	*13.5*	*13.7*	*13.8*	*14.0*	*14.2*	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-4	-3	-6	-5	-5	-5	-5	-5	-5	-5	-6	
opCAPEX / Sales, %	*3.0*	*3.2*	*4.4*	*3.4*	*3.1*	*2.9*	*2.9*	*2.9*	*2.9*	*2.9*	*2.9*	
- 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	-2	-4	0	7	8	9	9	9	9	10	11	153
= Discounted FCFF		-4	0	5	6	6	6	5	5	5	5	68
= DFCF min WACC		-4	0	6	6	6	6	5	5	5	5	77
= DFCF max WACC		-4	0	5	6	6	6	5	5	5	5	61

INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	23.8	24.4	27.9	38.9	115.0	24.8	35.5	36.0	39.0	135.3	162.7	168.8
EBITDA	-2.0	-0.1	2.4	1.8	2.1	-1.5	0.1	2.4	2.9	3.9	14.0	15.8
EBITDA margin (%)	*-8.6*	*-0.3*	*8.7*	*4.6*	*1.9*	*-6.2*	*0.3*	*6.7*	*7.4*	*2.9*	*8.6*	*9.3*
EBIT	-3.0	-1.0	1.3	0.8	-1.9	-2.5	-1.0	1.4	1.9	-0.2	10.5	11.8
EBIT margin (%)	*-12.6*	*-4.1*	*4.7*	*2.1*	*-1.7*	*-10.1*	*-2.8*	*3.9*	*4.9*	*-0.1*	*6.5*	*7.0*
Net financial items	0.1	0.3	-0.1	-0.1	0.3	0.0	0.4	0.0	0.0	0.4	0.0	0.0
Pre-tax profit	-2.9	-0.7	1.2	0.7	-1.6	-2.5	-0.6	1.4	1.9	0.2	10.5	11.8
Tax	0.7	-0.2	-0.5	0.6	0.6	0.0	0.4	-0.3	-0.4	-0.3	-2.1	-2.4
Tax rate (%)	*22.5*	*-25.3*	*39.1*	*-86.2*	*40.1*	*-1.6*	*62.5*	*20.0*	*20.0*	*150.0*	*20.0*	*20.0*
Net profit	-2.2	-0.8	0.8	1.4	-0.9	-2.5	-0.2	1.1	1.5	-0.1	8.4	9.4
EPS	-0.53	-0.19	0.18	0.32	-0.22	-0.59	-0.06	0.26	0.36	-0.02	1.98	2.22
EPS adjusted (diluted no. of shares)	-0.53	-0.19	0.18	0.32	-0.22	-0.59	-0.06	0.26	0.36	-0.02	1.98	2.22
Dividend per share	0.00	0.00	0.00	0.00	0.80	0.00	0.00	0.00	0.00	0.85	0.90	0.95
SALES, EURm												
Project deliveries	14.0	14.4	18.1	28.6	75.1	16.4	19.2	21.5	23.0	80.1	102.5	105.6
Technology services	9.8	10.0	9.8	10.3	39.9	8.4	16.3	14.5	16.0	55.2	60.2	63.2
Total	23.8	24.4	27.9	38.9	115.0	24.8	35.5	36.0	39.0	135.3	162.7	168.8
SALES GROWTH, Y/Y %												
Project deliveries	*-47.8*	*-20.9*	*9.7*	*18.7*	*-12.3*	*17.1*	*33.3*	*18.8*	*-19.6*	*6.7*	*28.0*	*3.0*
Technology services	*-32.4*	*-46.8*	*-43.0*	*-32.2*	*-39.3*	*-14.3*	*63.0*	*48.0*	*55.3*	*38.3*	*9.0*	*5.0*
Total	*-42.4*	*-34.1*	*-17.2*	*-1.0*	*-24.0*	*4.2*	*45.5*	*29.0*	*0.3*	*17.7*	*20.2*	*3.7*
EBIT, EURm												
Project deliveries	-3.6	-1.4	0.5	0.3	-4.2	-3.1	-1.2	0.7	0.8	-2.8	5.1	5.8
Technology services	0.6	0.4	0.8	0.5	2.3	0.6	0.2	0.7	1.1	2.6	5.4	6.0
Total	-3.0	-1.0	1.3	0.8	-1.9	-2.5	-1.0	1.4	1.9	-0.2	10.5	11.8
EBIT margin, %												
Project deliveries	*-25.7*	*-9.7*	*2.8*	*1.0*	*-5.6*	*-18.9*	*-6.2*	*3.3*	*3.5*	*-3.5*	*5.0*	*5.5*
Technology services	*6.1*	*4.0*	*8.2*	*4.9*	*5.8*	*7.1*	*1.2*	*4.8*	*6.9*	*4.7*	*9.0*	*9.5*
Total	*-12.6*	*-4.1*	*4.7*	*2.1*	*-1.7*	*-10.1*	*-2.8*	*3.9*	*4.9*	*-0.1*	*6.5*	*7.0*

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	113.1	148.6	181.1	151.3	115.0	135.3	162.7	168.8
Sales growth (%)	*-11.1*	*31.4*	*21.9*	*-16.5*	*-24.0*	*17.7*	*20.2*	*3.7*
EBITDA	10.9	14.2	17.4	12.3	2.1	3.9	14.0	15.8
EBITDA margin (%)	*9.6*	*9.6*	*9.6*	*8.1*	*1.9*	*2.9*	*8.6*	*9.3*
Depreciation	-2.3	-2.6	-2.5	-3.9	-4.0	-4.1	-3.5	-4.0
EBITA	8.6	11.6	14.9	8.4	-1.9	-0.2	10.5	11.8
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	8.6	11.6	14.9	8.4	-1.9	-0.2	10.5	11.8
EBIT margin (%)	*7.6*	*7.8*	*8.2*	*5.6*	*-1.7*	*-0.1*	*6.5*	*7.0*
Reported EBIT	8.6	11.6	14.9	8.4	-1.9	-0.2	10.5	11.8
EBIT margin (reported) (%)	*7.6*	*7.8*	*8.2*	*5.6*	*-1.7*	*-0.1*	*6.5*	*7.0*
Net financials	0.0	0.0	0.0	0.8	0.3	0.4	0.0	0.0
Pre-tax profit	8.6	11.6	14.9	9.2	-1.6	0.2	10.5	11.8
Taxes	-1.5	-2.1	-3.2	-1.6	0.6	-0.3	-2.1	-2.4
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	7.0	9.4	11.7	7.6	-0.9	-0.1	8.4	9.4
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	13	15	16	17	16	19	20
Goodwill	0	1	1	1	2	2	2	2
Right of use assets	0	0	7	7	6	7	8	9
Inventory	10	11	14	12	15	18	21	22
Receivables	24	30	52	32	34	40	48	49
Liquid funds	24	31	13	22	12	14	16	17
Total assets	70	87	103	91	86	97	115	120
Liabilities								
Shareholder's equity	34	39	47	50	40	37	42	47
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	7	5	4	7	8	9
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	3	1	1	2	2	10	16	14
Non-interest bearing current liabilities	29	43	46	31	23	27	33	34
Other interest-free debt	1	1	1	3	16	16	16	16
Total liabilities	70	87	103	91	86	97	115	120
CASH FLOW, EURm								
+ EBITDA	11	14	17	12	2	4	14	16
- Net financial items	17	7	0	1	0	0	0	0
- Taxes	0	-3	-3	-1	-1	0	-2	-2
- Increase in Net Working Capital	12	6	-23	10	1	-4	-6	-1
+/- Other	-19	-6	0	0	0	0	0	0
= Cash flow from operations	21	18	-8	21	3	-1	6	12
- Capex	-3	-7	-4	-3	-3	-4	-7	-6
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	18	11	-11	18	-1	-5	-1	6
+/- New issues/buybacks	1	0	1	1	-2	0	0	0
- Paid dividend	-3	-4	-5	-6	-6	-3	-4	-4
+/- Other	2	0	-2	-4	-2	10	8	-2
Change in cash	17	7	-17	9	-11	2	3	1

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	123	91	114	96	90	90	90
Net debt (excl. convertibles)	-29	-5	-15	-5	3	8	5
Enterprise value	94	85	99	91	93	98	95
Sales	149	181	151	115	135	163	169
EBITDA	14	17	12	2	4	14	16
EBIT	12	15	8	-2	0	11	12
Pre-tax	12	15	9	-2	0	11	12
Earnings	9	12	8	-1	0	8	9
Equity book value (excl. minorities)	39	47	50	40	37	42	47
Valuation multiples							
EV/sales	0.6	0.5	0.7	0.8	0.7	0.6	0.6
EV/EBITDA	6.6	4.9	8.1	42.6	23.9	7.0	6.0
EV/EBITA	8.1	5.7	11.8	-48.0	-463.2	9.3	8.0
EV/EBIT	8.1	5.7	11.8	-48.0	-463.2	9.3	8.0
EV/OCF	5.1	-11.2	4.7	32.7	-180.2	16.7	7.9
EV/FCFF	7.4	-7.2	6.3	-42.6	-22.7	926.6	14.3
P/FCFE	10.8	-8.1	6.4	-140.2	-18.7	-68.7	14.2
P/E	13.1	7.7	15.0	-101.6	-896.6	10.6	9.5
P/B	3.1	1.9	2.3	2.4	2.4	2.1	1.9
Target EV/EBITDA	*0.0*	*0.0*	*0.0*	*0.0*	*29.8*	*8.6*	*7.5*
Target EV/EBIT	*0.0*	*0.0*	*0.0*	*0.0*	*-577.9*	*11.4*	*10.0*
Target EV/FCF	*0.0*	*0.0*	*0.0*	*0.0*	*-24.1*	*-92.4*	*18.7*
Target P/B	*0.0*	*0.0*	*0.0*	*0.0*	*3.0*	*2.7*	*2.4*
Target P/E	*0.0*	*0.0*	*0.0*	*0.0*	*-1,126.1*	*13.4*	*11.9*
Per share measures							
Number of shares	4,249	4,249	4,249	4,249	4,249	4,249	4,249
Number of shares (diluted)	4,249	4,249	4,249	4,249	4,249	4,249	4,249
EPS	2.22	2.76	1.80	-0.22	-0.02	1.98	2.22
Operating cash flow per share	4.33	-1.79	4.96	0.66	-0.12	1.38	2.84
Free cash flow per share	2.68	-2.64	4.23	-0.16	-1.13	-0.31	1.49
Book value per share	9.27	10.95	11.65	9.52	8.70	9.83	11.16
Dividend per share	1.25	1.40	1.45	0.80	0.85	0.90	0.95
Dividend payout ratio, %	56.4	50.7	80.7	-358.2	-3,611.9	45.3	42.7
Dividend yield, %	4.3	6.6	5.4	3.8	4.0	4.3	4.5
FCF yield, %	9.3	-12.4	15.7	-0.7	-5.4	-1.5	7.1
Efficiency measures							
ROE	25.6	27.3	15.9	-2.1	-0.3	21.4	21.2
ROCE	29.7	31.3	15.1	-3.7	-0.4	17.6	17.4
Financial ratios							
Inventories as % of sales	7.4	7.9	8.2	13.1	13.1	13.1	13.1
Receivables as % of sales	20.5	28.9	20.9	29.2	29.2	29.2	29.2
Non-interest bearing liabilities as % of sales	29.1	25.2	20.5	20.2	20.2	20.2	20.2
NWC/sales, %	-1.8	11.1	7.0	8.3	10.4	12.4	12.7
Operative CAPEX/sales, %	4.7	2.0	2.1	3.0	3.2	4.4	3.4
CAPEX/sales (incl. acquisitions), %	4.7	2.0	2.1	3.0	3.2	4.4	3.4
FCFF/EBITDA	0.9	-0.7	1.3	-1.0	-1.1	0.0	0.4
Net debt/EBITDA, book-weighted	-2.1	-0.3	-1.3	-2.5	0.8	0.6	0.3
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.1	0.2	0.2
Equity ratio, book-weighted	45.3	45.1	54.6	46.9	38.0	36.3	39.4
Gearing, %	-74.4	-11.8	-31.0	-13.0	8.1	18.9	11.4

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	10.550	11.8%
Mandatum Life Unit-Linked	138,302	2.918	3.3%
Laakkonen Mikko Kalervo	119,919	2.530	2.8%
Suominen Pekka	110,429	2.330	2.6%
Siivonen Osku Pekka	104,179	2.198	2.5%
Kirmo Kaisa Marketta	104,021	2.195	2.4%
Suominen Tiina Sini-Maria	100,856	2.128	2.4%
Keskiaho Kaija Leena	84,716	1.788	2.0%
Mustakallio Mika Tapani	83,270	1.757	2.0%
Särkijärvi Anna Riitta	82,489	1.741	1.9%
Ten largest	1,428,181	30.135	34%
Residual	2,821,067	59.525	66%
Total	4,249,248	89.659	100%

EARNINGS CALENDAR	
October 22, 2021	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** $\frac{\text{Profit before extraord. items and taxes– income taxes + minority interest}}{\text{Number of shares}}$
P/BV $\frac{\text{Price per share}}{\text{Shareholders' equity + taxed provisions per share}}$	**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** $\frac{\text{Capital expenditure – divestments – acquisitions}}{\text{Sales}}$
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** $\frac{\text{Total assets – non-interest bearing debt}}{\text{Number of shares}}$
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, %** $\frac{\text{Interest bearing debt}}{\text{Shareholders' equity + minority interest + taxed provisions}}$
Payout ratio, % $\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes – income taxes + minority interest}}$	**Equity ratio, %** $\frac{\text{Shareholders' equity + minority interest + taxed provisions}}{\text{Total assets – interest-free loans}}$
ROCE, % $\frac{\text{Profit before extraordinary items + interest expenses+ other financial costs}}{\text{Balance sheet total – non-interest bearing debt (average)}}$	**CAGR, %** Cumulative annual growth rate = Average growth per year
ROE, % $\frac{\text{Profit before extraordinary items and taxes – income taxes}}{\text{Shareholder's equity + minority interest + taxed provisions (average)}}$	

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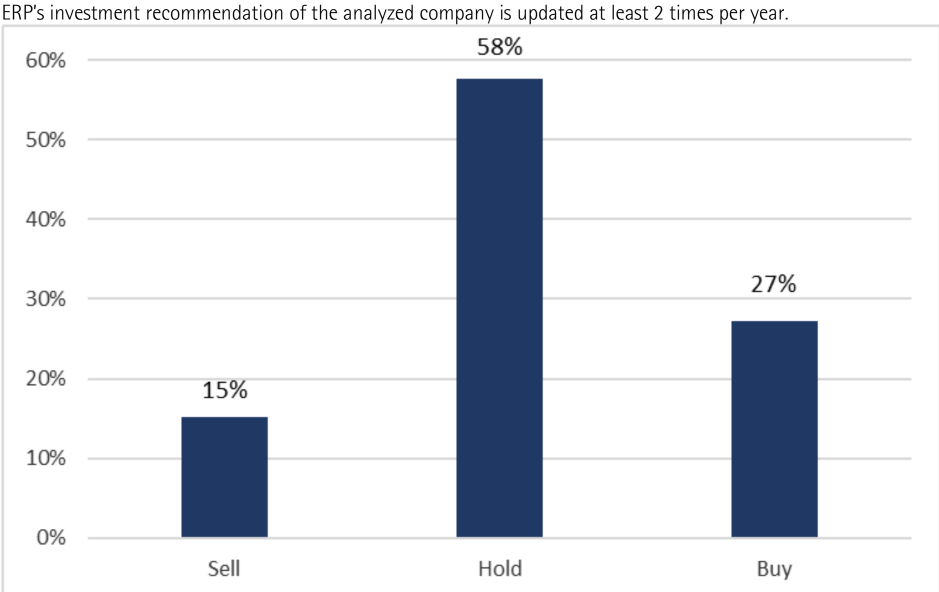
Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at Analysts' recommendations and ratings revisions.

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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