

Positioned to improve with West

Raute's Q3 figures were encouraging, and although profitability may still be muted for a few quarters we view valuation conservative enough to leave adequate upside.

Some encouraging profitability development

Raute's Q3 revenue grew 10% y/y to EUR 42m, above our EUR 34m estimate. The beat was due to both projects and services, driven by Europe, and in our view the high EUR 19m service revenue also helped EBIT back to black (EUR 1.4m vs our EUR -0.3m estimate) as inflation has been more of a problem on the project front. Inflation eased a bit, but we believe Raute has also learned to better price in inflation within projects over the past year. The unwinding of the Russian book has had an adverse effect on working capital, hurting cash flow, but the issue is by nature temporary and Raute's overall workload situation is not too bad despite the fact that Russia was an important market.

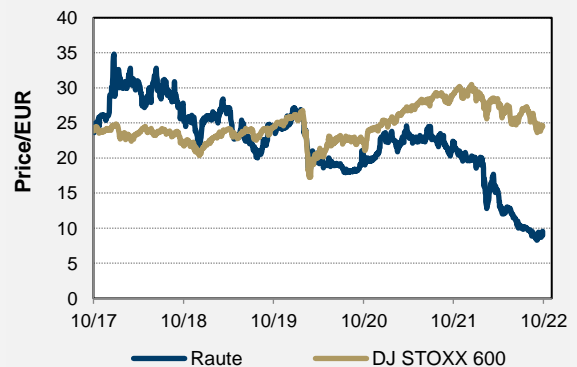
Top line may not grow next year without larger mill orders

Raute booked EUR 35m in new orders for the quarter, compared to our EUR 38m estimate. Services orders were soft compared to our estimate as modernization orders declined from the recent high figures, but we find it encouraging Raute has managed to gather solid order amounts for many quarters in a row without any larger mill orders. Smaller orders from North America are especially helpful at this point, while there's a bit more uncertainty around Europe, the current largest market, going forward. There's a need to add capacity in order to fill the gap left by the end to Russian imports. It's unclear how this trend continues to play out in the short-term, but demand for large mill projects remains in place along the Eastern flank of Europe. Latin America is also showing signs of improvement, although it's likely to remain a smallish market at least in the short-term.

We see more upside than downside from this point forward

Q4 is in our view still unlikely to be a great quarter in terms of profitability, but overall development appears favorable going towards next year, when the EUR 4-5m in cost efficiency measures should materialize, in addition to the benefits of the ERP project. Raute is valued around 6x EV/EBIT on our FY '23 estimates, which we don't view a challenging level considering our EUR 5.6m EBIT estimate is still far from long-term potential. We update our TP to EUR 11 (9); our new rating is BUY (HOLD).

Rating BUY



Share price, EUR (Last trading day's closing price) 9.56

Target price, EUR 11.0

Latest change in recommendation 24-Oct-22

Latest report on company 19-Oct-22

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 41

Free float, % -

Exchange rate -

Reuters code RAUTE.HE

Bloomberg code RAUTE:FH

Average daily volume, EURm 0.1

Next interim report

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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
2020	115.0	-2.8	-2.4%	-1.6	-0.44	-52.2	0.8	-32.6	-1.6	0.80
2021	142.2	-2.2	-1.5%	12.9	-0.41	-48.7	0.5	-32.0	15.4	0.00
2022E	150.6	-14.4	-9.6%	-12.4	-2.89	-3.3	0.3	-2.7	-30.6	0.00
2023E	140.9	5.6	4.0%	6.6	1.06	9.0	0.2	5.8	16.2	0.80
2024E	148.8	8.0	5.4%	4.1	1.50	6.4	0.2	4.0	10.1	0.90
Market cap, EURm	41			Gearing 2022E, %	-6.3			CAGR EPS 2021-24, %	0.0	
Net debt 2022E, EURm	-1			Price/book 2022E	1.9			CAGR sales 2021-24, %	1.5	
Enterprise value, EURm	39			Dividend yield 2022E, %	0.0			ROE 2022E, %	-44.0	
Total assets 2022E, EURm	115			Tax rate 2022E, %	14.6			ROCE 2022E, %	-31.7	
Goodwill 2022E, EURm	2			Equity ratio 2022E, %	19.0			PEG, P/E 22/CAGR	0.0	

Estimates and valuation

Raute	2017	2018	2019	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	Q4'22e	2022e
Order intake	155	166	148	119	30	65	58	50	203	36	40	35	38	149
Project deliveries	97	104	98	80	11	47	37	36	131	16	21	24	22	83
Technology services	58	62	50	39	19	18	21	14	72	20	19	11	16	66
Europe	60	76	21	23	10	41	5	14	69	13	26	17	20	77
Russia	50	30	89	74	5	8	36	30	79	3	0	0	0	3
North America	36	25	18	12	11	8	13	4	37	15	6	16	13	50
Latin America	8	12	12	5	2	3	3	0	8	3	1	2	3	9
Asia-Pacific	2	23	9	6	3	5	2	1	10	3	7	0	2	12
Order book	110	95	88	94	98	129	150	158	158	152	104	94	94	94
Revenue	148	181	151	115	25	35	38	44	142	41	30	42	38	151
Project deliveries	99	126	86	75	16	19	23	29	88	26	13	23	23	85
Technology services	49	55	66	40	8	16	15	15	54	15	17	19	15	66
Europe	82	77	51	25	4	8	10	12	35	15	14	21	17	68
Russia	35	48	47	63	15	17	19	19	70	14	2	6	4	26
North America	21	32	27	12	3	5	5	7	20	9	9	9	10	37
Latin America	6	6	14	8	1	2	2	2	8	2	2	3	4	11
Asia-Pacific	3	18	13	6	1	3	3	4	10	2	2	3	3	10
EBIT	11	15	8	-3	-3	-2	2	1	-2	-1	-15	1	1	-14
<i>EBIT margin</i>	7.5 %	8.2 %	5.6 %	-2.4 %	-11 %	-5 %	5 %	1 %	-1.6 %	-4 %	-51 %	3 %	2 %	-9.5 %

Source: Evli Research

RAUTE PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		22	23	24	22	23	24	22	23	24
Alfa Laval AB	10388	12.8x	11.1x	10.6x	16.5x	13.7x	12.9x	14.9 %	15.9 %	16.3 %
Cargotec	2212	6.8x	5.7x	5.7x	9.1x	7.4x	7.4x	7.9 %	8.9 %	8.9 %
Glaston	75	5.7x	4.4x	3.9x	9.7x	7.0x	6.0x	4.6 %	5.8 %	6.5 %
Kone	20401	15.3x	13.4x	12.4x	18.7x	16.1x	14.7x	10.0 %	11.2 %	11.9 %
Konecranes Oyj	1761	7.1x	5.9x	5.6x	9.7x	7.9x	7.3x	7.7 %	8.6 %	9.3 %
Ponsse	666	8.8x	7.9x	7.2x	13.4x	11.3x	9.9x	6.9 %	8.1 %	8.8 %
Sandvik	19321	9.7x	9.1x	8.7x	13.3x	12.0x	11.1x	17.4 %	18.4 %	19.3 %
Valmet	4249	6.6x	5.9x	5.6x	9.5x	8.0x	7.2x	8.7 %	9.8 %	10.6 %
Wartsila	4177	7.6x	7.4x	6.3x	11.2x	9.4x	7.8x	7.2 %	8.2 %	9.3 %
Peer Group Average	7028	8.9x	7.9x	7.3x	12.3x	10.3x	9.4x	9.5 %	10.6 %	11.2 %
Peer Group Median	4177	7.6x	7.4x	6.3x	11.2x	9.4x	7.8x	7.9 %	8.9 %	9.3 %
Raute (Evli est.)	41	-4.0x	3.4x	2.7x	-2.7x	5.8x	4.0x	-9.6 %	4.0 %	5.4 %

Raute prem./disc. to peer median

-153 % -54 % -58 % -124 % -38 % -49 % -221 % -55 % -42 %

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	9.56 PV of Free Cash Flow	32 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	21.46 PV of Horizon value	45 WACC, %	9.2 Market risk premium, %	5.8
Share price potential, %	124.4 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	23.0 Marketable securities	24 Minimum WACC, %	8.7 Equity beta coefficient	1.25
Minimum value	20.1 Debt - dividend	-11 Maximum WACC, %	9.7 Target debt ratio, %	20
Horizon value, %	58.1 Value of stock	91 Nr of shares, Mn	4.2 Effective tax rate, %	20

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	142	151	141	149	154	157	161	164	168	172	175	179
<i>Sales growth, %</i>	<i>23.7</i>	<i>5.9</i>	<i>-6.4</i>	<i>5.6</i>	<i>3.3</i>	<i>2.3</i>	<i>2.3</i>	<i>2.3</i>	<i>2.3</i>	<i>2.3</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	-2	-14	6	8	11	12	11	12	12	12	12	13
<i>Operating income margin, %</i>	<i>-1.5</i>	<i>-9.6</i>	<i>4.0</i>	<i>5.4</i>	<i>7.2</i>	<i>7.5</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>
+ Depreciation+amort.	4	5	4	4	4	4	4	5	5	5	5	4
EBITDA	2	-10	10	12	15	16	16	16	16	17	16	
- Paid taxes	-1	2	-1	-2	-2	-2	-2	-2	-2	-2	-2	
- Change in NWC	21	-1	1	-1	-1	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	<i>-8.3</i>	<i>-7.3</i>	<i>-8.5</i>	<i>-7.5</i>	<i>-6.9</i>	<i>-6.5</i>	<i>-6.2</i>	<i>-5.8</i>	<i>-5.4</i>	<i>-5.1</i>	<i>-4.8</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-6	-3	-4	-5	-5	-5	-5	-5	-5	-3	-6	
<i>opCAPEX / Sales, %</i>	<i>7.3</i>	<i>2.6</i>	<i>2.1</i>	<i>3.7</i>	<i>3.3</i>	<i>3.2</i>	<i>3.2</i>	<i>3.2</i>	<i>3.2</i>	<i>2.0</i>	<i>3.8</i>	
- 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	17	-12	6	5	8	9	8	8	9	11	7	100
= Discounted FCFF		-12	5	4	6	6	5	5	5	5	3	45
= DFCF min WACC		-12	5	4	6	6	5	5	5	5	3	50
= DFCF max WACC		-12	5	4	6	6	5	5	4	5	3	40

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3	2022Q4E	2022E	2023E	2024E
Net sales	24.8	35.5	37.8	44.1	142.2	41.3	29.6	41.7	38.0	150.6	140.9	148.8
EBITDA	-1.8	-0.6	2.8	1.7	2.1	-0.3	-13.8	2.6	1.7	-9.8	9.6	12.0
<i>EBITDA margin (%)</i>	<i>-7.4</i>	<i>-1.7</i>	<i>7.4</i>	<i>3.9</i>	<i>1.5</i>	<i>-0.6</i>	<i>-46.7</i>	<i>6.3</i>	<i>4.5</i>	<i>-6.5</i>	<i>6.8</i>	<i>8.0</i>
EBIT	-2.8	-1.7	1.7	0.6	-2.2	-1.5	-15.1	1.4	0.8	-14.4	5.6	8.0
<i>EBIT margin (%)</i>	<i>-11.3</i>	<i>-4.8</i>	<i>4.5</i>	<i>1.4</i>	<i>-1.5</i>	<i>-3.6</i>	<i>-51.0</i>	<i>3.4</i>	<i>2.1</i>	<i>-9.6</i>	<i>4.0</i>	<i>5.4</i>
Net financial items	0.0	0.4	0.0	0.1	0.5	0.3	-0.3	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	-2.8	-1.3	1.7	0.7	-1.7	-1.2	-15.4	1.4	0.8	-14.4	5.6	8.0
Tax	0.0	0.4	-0.5	0.2	0.0	-0.1	2.5	-0.1	-0.2	2.1	-1.1	-1.6
<i>Tax rate (%)</i>	<i>-1.4</i>	<i>29.9</i>	<i>31.2</i>	<i>-25.9</i>	<i>0.0</i>	<i>-5.1</i>	<i>16.0</i>	<i>9.6</i>	<i>20.0</i>	<i>14.6</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-2.8	-0.9	1.2	0.8	-1.7	-1.2	-12.9	1.2	0.6	-12.3	4.5	6.4
EPS	-0.66	-0.22	0.28	0.20	-0.41	-0.29	-3.04	0.29	0.15	-2.89	1.06	1.50
EPS adjusted (diluted no. of shares)	-0.66	-0.22	0.28	0.20	-0.41	-0.29	-3.04	0.29	0.15	-2.89	1.06	1.50
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.80	0.90
SALES, EURm												
Project deliveries	16.4	19.2	23.1	29.1	87.8	26.4	12.7	22.8	23.0	84.9	78.5	83.2
Technology services	8.4	16.3	14.7	15.0	54.4	14.9	16.9	18.9	15.0	65.7	62.4	65.5
Total	24.8	35.5	37.8	44.1	142.2	41.3	29.6	41.7	38.0	150.6	140.9	148.8
SALES GROWTH, Y/Y %												
<i>Project deliveries</i>	<i>17.1</i>	<i>33.3</i>	<i>27.6</i>	<i>1.7</i>	<i>16.9</i>	<i>61.0</i>	<i>-33.9</i>	<i>-1.3</i>	<i>-21.0</i>	<i>-3.3</i>	<i>-7.5</i>	<i>6.0</i>
<i>Technology services</i>	<i>-14.3</i>	<i>63.0</i>	<i>50.0</i>	<i>45.6</i>	<i>36.3</i>	<i>77.4</i>	<i>3.7</i>	<i>28.6</i>	<i>0.0</i>	<i>20.8</i>	<i>-5.0</i>	<i>5.0</i>
Total	4.2	45.5	35.5	13.4	23.7	66.5	-16.6	10.3	-13.8	5.9	-6.4	5.6
EBIT, EURm												
Project deliveries	-3.3	-1.9	1.4	0.3	-3.5	-1.9	-15.2	0.4	0.2	-16.5	1.3	2.1
Technology services	0.5	0.2	0.3	0.3	1.3	0.4	0.1	1.0	0.6	2.1	4.4	5.9
Total	-2.8	-1.7	1.7	0.6	-2.2	-1.5	-15.1	1.4	0.8	-14.4	5.6	8.0
EBIT margin, %												
<i>Project deliveries</i>	<i>-20.1</i>	<i>-9.9</i>	<i>6.1</i>	<i>1.0</i>	<i>-4.0</i>	<i>-7.2</i>	<i>-119.7</i>	<i>1.8</i>	<i>0.9</i>	<i>-19.4</i>	<i>1.6</i>	<i>2.5</i>
<i>Technology services</i>	<i>6.0</i>	<i>1.2</i>	<i>2.0</i>	<i>2.0</i>	<i>2.4</i>	<i>2.7</i>	<i>0.6</i>	<i>5.3</i>	<i>4.0</i>	<i>3.2</i>	<i>7.0</i>	<i>9.0</i>
Total	-11.3	-4.8	4.5	1.4	-1.5	-3.6	-51.0	3.4	2.1	-9.6	4.0	5.4

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	148.6	181.1	151.3	115.0	142.2	150.6	140.9	148.8
<i>Sales growth (%)</i>	<i>31.4</i>	<i>21.9</i>	<i>-16.5</i>	<i>-24.0</i>	<i>23.7</i>	<i>5.9</i>	<i>-6.4</i>	<i>5.6</i>
EBITDA	14.2	17.4	12.3	1.2	2.1	-9.8	9.6	12.0
<i>EBITDA margin (%)</i>	<i>9.6</i>	<i>9.6</i>	<i>8.1</i>	<i>1.1</i>	<i>1.5</i>	<i>-6.5</i>	<i>6.8</i>	<i>8.0</i>
Depreciation	-2.6	-2.5	-3.9	-4.0	-4.3	-4.6	-4.0	-4.0
EBITA	11.6	14.9	8.4	-2.8	-2.2	-14.4	5.6	8.0
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	11.6	14.9	8.4	-2.8	-2.2	-14.4	5.6	8.0
<i>EBIT margin (%)</i>	<i>7.8</i>	<i>8.2</i>	<i>5.6</i>	<i>-2.4</i>	<i>-1.5</i>	<i>-9.6</i>	<i>4.0</i>	<i>5.4</i>
Reported EBIT	11.6	14.9	8.4	-2.8	-2.2	-14.4	5.6	8.0
<i>EBIT margin (reported) (%)</i>	<i>7.8</i>	<i>8.2</i>	<i>5.6</i>	<i>-2.4</i>	<i>-1.5</i>	<i>-9.6</i>	<i>4.0</i>	<i>5.4</i>
Net financials	0.0	0.0	0.8	0.3	0.5	0.0	0.0	0.0
Pre-tax profit	11.6	14.9	9.2	-2.5	-1.7	-14.4	5.6	8.0
Taxes	-2.1	-3.2	-1.6	0.6	0.0	2.1	-1.1	-1.6
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	9.4	11.7	7.6	-1.8	-1.7	-12.3	4.5	6.4
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	13	15	16	17	19	18	17	18
Goodwill	1	1	1	2	2	2	2	2
Right of use assets	0	7	7	6	10	11	10	11
Inventory	11	14	12	15	22	23	22	23
Receivables	30	52	32	34	32	34	31	33
Liquid funds	31	13	22	12	24	26	24	25
Total assets	87	103	91	86	111	115	108	114
Liabilities								
Shareholder's equity	39	47	50	40	34	22	26	29
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	7	5	4	8	11	10	11
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	1	1	2	2	2	14	6	6
Non-interest bearing current liabilities	43	46	31	23	39	41	38	40
Other interest-free debt	1	1	3	16	27	27	27	27
Total liabilities	87	103	91	86	111	115	108	114
CASH FLOW, EURm								
+ EBITDA	14	17	12	1	2	-10	10	12
- Net financial items	7	0	1	0	0	0	0	0
- Taxes	-3	-3	-1	-1	-1	2	-1	-2
- Increase in Net Working Capital	6	-23	10	1	21	-1	1	-1
+/- Other	-6	0	0	0	0	0	0	0
= Cash flow from operations	18	-8	21	2	23	-9	9	10
- Capex	-7	-4	-3	-3	-10	-4	-3	-5
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	11	-11	18	-2	13	-12	7	4
+/- New issues/buybacks	0	1	1	-1	-1	0	0	0
- Paid dividend	-4	-5	-6	-6	-3	0	0	-3
+/- Other	0	-2	-4	-2	5	14	-8	1
Change in cash	7	-17	9	-11	13	1	-2	1

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	91	114	96	84	41	41	41
Net debt (excl. convertibles)	-5	-15	-5	-14	-1	-8	-9
Enterprise value	85	99	91	70	39	33	32
Sales	181	151	115	142	151	141	149
EBITDA	17	12	1	2	-10	10	12
EBIT	15	8	-3	-2	-14	6	8
Pre-tax	15	9	-2	-2	-14	6	8
Earnings	12	8	-2	-2	-12	5	6
Equity book value (excl. minorities)	47	50	40	34	22	26	29
Valuation multiples							
EV/sales	0.5	0.7	0.8	0.5	0.3	0.2	0.2
EV/EBITDA	4.9	8.1	73.6	33.3	-4.0	3.4	2.7
EV/EBITA	5.7	11.8	-32.6	-32.0	-2.7	5.8	4.0
EV/EBIT	5.7	11.8	-32.6	-32.0	-2.7	5.8	4.0
EV/OCF	-11.2	4.7	48.2	3.0	-4.6	3.5	3.4
EV/FCFF	-7.2	6.3	-30.2	4.2	-3.3	5.6	6.9
P/FCFE	-8.1	6.4	-60.7	6.5	-3.3	6.2	9.9
P/E	7.7	15.0	-52.2	-48.7	-3.3	9.0	6.4
P/B	1.9	2.3	2.4	2.5	1.9	1.5	1.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	-4.6	4.1	3.2
Target EV/EBIT	0.0	0.0	0.0	0.0	-3.2	6.9	4.8
Target EV/FCF	0.0	0.0	0.0	0.0	-3.6	5.9	9.3
Target P/B	0.0	0.0	0.0	0.0	2.1	1.8	1.6
Target P/E	0.0	0.0	0.0	0.0	-3.8	10.4	7.3
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	2.76	1.80	-0.44	-0.41	-2.89	1.06	1.50
Operating cash flow per share	-1.79	4.96	0.45	5.50	-2.01	2.23	2.25
Free cash flow per share	-2.64	4.23	-0.37	3.04	-2.93	1.54	0.96
Book value per share	10.95	11.65	9.52	8.02	5.12	6.18	6.89
Dividend per share	1.40	1.45	0.80	0.00	0.00	0.80	0.90
Dividend payout ratio, %	50.7	80.7	-183.9	0.0	0.0	75.5	59.9
Dividend yield, %	6.6	5.4	3.5	0.0	0.0	8.4	9.4
FCF yield, %	-12.4	15.7	-1.6	15.4	-30.6	16.2	10.1
Efficiency measures							
ROE	27.3	15.9	-4.1	-4.6	-44.0	18.7	23.0
ROCE	31.3	15.1	-5.4	-4.8	-31.7	12.7	18.0
Financial ratios							
Inventories as % of sales	7.9	8.2	13.1	15.5	15.5	15.5	15.5
Receivables as % of sales	28.9	20.9	29.2	22.3	22.3	22.3	22.3
Non-interest bearing liabilities as % of sales	25.2	20.5	20.2	27.1	27.1	27.1	27.1
NWC/sales, %	11.1	7.0	8.3	-8.3	-7.3	-8.5	-7.5
Operative CAPEX/sales, %	2.0	2.1	3.0	7.3	2.6	2.1	3.7
CAPEX/sales (incl. acquisitions), %	2.0	2.1	3.0	7.3	2.6	2.1	3.7
FCFF/EBITDA	-0.7	1.3	-2.4	7.9	1.2	0.6	0.4
Net debt/EBITDA, book-weighted	-0.3	-1.3	-4.2	-6.5	0.1	-0.8	-0.7
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.3	0.2	0.2
Equity ratio, book-weighted	45.1	54.6	46.9	30.8	19.0	24.3	25.7
Gearing, %	-11.8	-31.0	-13.0	-40.5	-6.3	-30.2	-29.5

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	4.780	11.8%
Mandatum Life Unit-Linked	138,302	1.322	3.3%
Laakkonen Mikko Kalervo	119,919	1.146	2.8%
Suominen Pekka	110,429	1.056	2.6%
Siivonen Osku Pekka	104,179	0.996	2.5%
Kirmo Kaisa Marketta	104,021	0.994	2.4%
Suominen Tiina Sini-Maria	100,856	0.964	2.4%
Keskiaho Kaija Leena	84,716	0.810	2.0%
Mustakallio Mika Tapani	83,270	0.796	2.0%
Särkijärvi Anna Riitta	82,489	0.789	1.9%
Ten largest	1,428,181	13.653	34%
Residual	2,821,067	26.969	66%
Total	4,249,248	40.623	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Mika Saariaho

CFO: Minna Yrjönmäki

IR:

Rautetie 2, FI-15550 Nastola

Tel: +358 3, 82,911

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

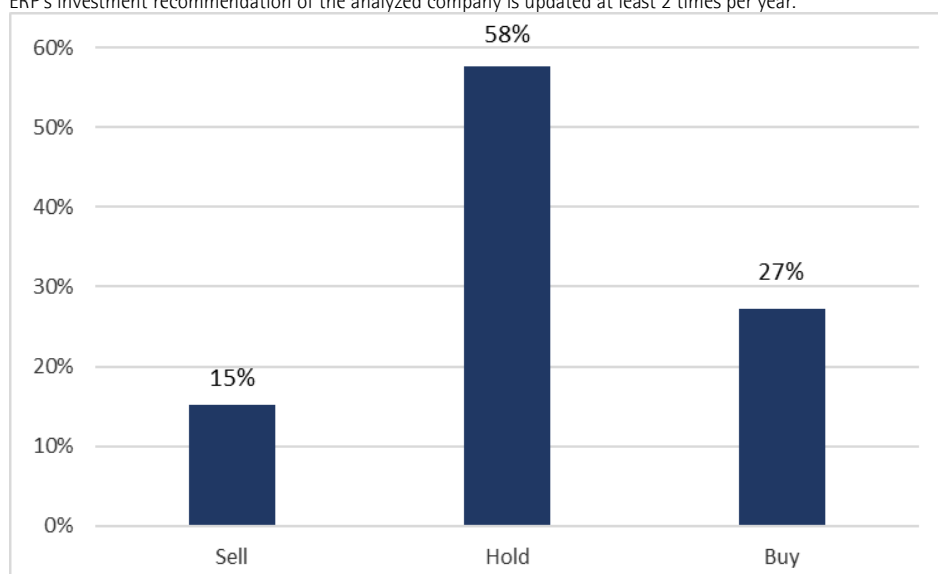
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Investment recommendations are defined as follows:

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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