

## Growth to continue long-term

Raute reports Q2 results on Aug 25. We see Q2 a bit soft but growth is set to continue next year with large orders.

### Q2 may see some softening relative to the preceding ones

Raute has already shown encouraging profitability development in the past year or so even when it has lacked volumes due to the rapid shift away from Russia. The company completed its EUR 18m financing in June and is now positioned for growth according to its new strategy, which likely includes Analyzers M&A. We expect Q2 results to be a bit modest compared to the 3 previous quarters (but no deep losses as in Q2'22) as we estimate soft Wood Processing revenue, in addition to which the new ERP system has caused challenges. We estimate top line to have grown at a modest 6% y/y rate from the low comparison period and see EBIT at EUR 0.4m. Raute's guidance is still quite loose, and we believe H2 figures are likely to specify it upwards.

### Large projects to drive growth, short-term more uncertain

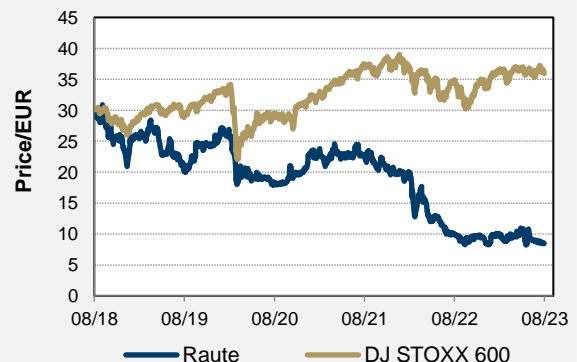
Raute has already bagged three large orders, worth a total of EUR 125m, to be delivered in FY '24-25. These by themselves are likely to push annual revenue well above EUR 150m in the coming years even if smaller order flows prove softer than they have recently been. The three projects do not even include Finland, where Metsä Group has lately confirmed its EUR 300m LVL factory investment; the mill will not be ready until late '26, its construction probably beginning next spring, but in our view Raute is more likely than not to sign an order of some EUR 50m for the project (the delivery of which could be timed around FY '25-26 and hence fitting nicely with Raute's current backlog). Raute's short-term market outlook and customer demand picture may continue to be somewhat mixed as many industrial end-uses should still fare better than construction activity.

### Valuation unchallenging especially in the light of potential

Many Nordic capital goods companies' valuations have declined over the past few months, however in our view Raute does not have any particularly relevant listed peers. FY '23 revenue will still be rather modest and bottom line not representative of potential. We continue to estimate 7% FY '24 EBITDA margin, a very conservative assumption considering Raute managed 7.7% already in Q1. On that basis Raute is valued 5x EV/EBIT on our FY '24 estimates. We retain our EUR 12.0 TP and BUY rating.

## Rating

**BUY**



Share price, EUR (Last trading day's closing price) 8.50

Target price, EUR 12.0

Latest change in recommendation	24-Oct-22
Latest report on company	25-May-23
Research paid by issuer:	YES
No. of shares outstanding, '000's	6,120
No. of shares fully diluted, '000's	6,120
Market cap, EURm	52
Free float, %	-
Exchange rate	-
Reuters code	RAUTE.HE
Bloomberg code	RAUTE:FH
Average daily volume, EURm	0.1
Next interim report	25-Aug-23
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
2021	142.2	-2.2	-1.5%	12.9	-0.41	-48.7	0.5	-32.0	15.4	0.00
2022	158.3	-14.6	-9.2%	-18.0	-2.70	-3.1	0.3	-2.8	-51.4	0.00
2023E	151.3	3.0	2.0%	3.1	0.30	28.8	0.2	12.7	6.1	0.20
2024E	185.9	8.3	4.5%	-2.3	1.03	8.2	0.2	5.0	-4.5	0.40
2025E	178.8	10.3	5.8%	9.8	1.29	6.6	0.2	3.3	18.9	0.50
Market cap, EURm			52	Gearing 2023E, %		-34.8	CAGR EPS 2022-25, %			0.0
Net debt 2023E, EURm			-14	Price/book 2023E		1.3	CAGR sales 2022-25, %			4.1
Enterprise value, EURm			38	Dividend yield 2023E, %		2.4	ROE 2023E, %			5.6
Total assets 2023E, EURm			107	Tax rate 2023E, %		27.4	ROCE 2023E, %			6.7
Goodwill 2023E, EURm			2	Equity ratio 2023E, %		38.4	PEG, P/E 23/CAGR			0.3

**Estimates and valuation**

Raute	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e
<b>Order intake</b>	203	36	40	35	28	139	67	95	32	28	222
Europe	69	13	26	17	9	65	11	81	12	10	114
Russia	79	3	0	0	1	3	0	0	0	0	0
North America	37	15	6	16	15	51	3	9	15	13	40
Latin America	8	3	1	2	3	8	52	3	3	3	61
Asia-Pacific	10	3	7	0	1	11	1	2	2	2	7
<b>Order book</b>	158	152	104	94	84	84	121	185	178	162	162
<b>Revenue</b>	142	41	30	42	46	158	37	31	39	44	151
Wood Processing	97	31	17	27	33	108	24	19	25	31	99
Services	30	8	9	10	9	36	8	9	10	9	35
Analyzers	15	3	3	5	4	15	4	4	5	4	17
Europe	35	15	14	21	18	69	18	16	18	21	73
Russia	70	14	2	6	11	33	6	1	1	1	9
North America	20	9	9	9	12	39	10	8	12	13	43
Latin America	8	2	2	3	3	10	1	3	5	6	15
Asia-Pacific	10	2	2	3	3	9	3	3	3	3	12
<b>Comparable EBITDA</b>	3	0	-11	6	3	-2	3	2	2	2	9
Wood Processing	-5	-1	-12	2	1	-10	1	0	1	1	3
Services	5	1	1	3	1	6	1	1	1	1	4
Analyzers	4	0	0	2	1	2	1	1	1	1	2
<b>EBIT</b>	-2	-1	-15	1	1	-15	1	0	1	1	3
<i>EBIT margin</i>	-1.6 %	-4 %	-50 %	3 %	1 %	-9.2 %	2 %	1 %	2 %	2 %	2.0 %

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	13271	14.8x	14.4x	12.8x	19.8x	17.9x	15.4x	13.4 %	15.1 %	16.2 %
Cargotec	2764	6.3x	5.3x	6.3x	9.6x	6.2x	7.7x	7.8 %	11.2 %	9.9 %
Glaston	69	5.5x	4.9x	4.5x	9.1x	7.9x	7.9x	4.6 %	5.2 %	5.1 %
Kone	22562	18.1x	15.3x	13.8x	21.9x	18.5x	16.3x	9.9 %	11.2 %	12.5 %
Konecranes Oyj	2439	7.9x	6.0x	5.6x	10.2x	7.5x	7.0x	8.7 %	10.4 %	10.4 %
Ponsse	868	9.9x	10.3x	9.7x	15.6x	14.7x	14.0x	6.2 %	7.7 %	8.0 %
Sandvik	21595	10.4x	10.0x	9.7x	14.9x	13.1x	12.4x	16.6 %	18.6 %	19.2 %
Valmet	4252	7.8x	6.7x	6.5x	11.0x	8.9x	8.6x	8.9 %	9.8 %	10.4 %
Wartsila	6488	9.0x	10.7x	9.1x	16.2x	14.1x	11.4x	5.4 %	7.9 %	9.1 %
Duerr	1895	6.8x	5.6x	5.0x	9.9x	8.0x	6.9x	5.4 %	6.0 %	6.8 %
Peer Group Average	7620	<b>9.6x</b>	<b>8.9x</b>	<b>8.3x</b>	<b>13.8x</b>	<b>11.7x</b>	<b>10.8x</b>	<b>8.7 %</b>	<b>10.3 %</b>	<b>10.8 %</b>
Peer Group Median	3508	<b>8.4x</b>	<b>8.4x</b>	<b>7.8x</b>	<b>12.9x</b>	<b>11.0x</b>	<b>10.0x</b>	<b>8.2 %</b>	<b>10.1 %</b>	<b>10.1 %</b>
<b>Raute (Evli est.)</b>	<b>52</b>	<b>-4.2x</b>	<b>4.8x</b>	<b>3.1x</b>	<b>-2.8x</b>	<b>12.7x</b>	<b>5.0x</b>	<b>-9.2 %</b>	<b>2.0 %</b>	<b>4.5 %</b>

*Raute prem./disc. to peer median*

-150 %   -43 %   -60 %   -121 %   16 %   -50 %   -212 %   -81 %   -56 %

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	8.50 PV of Free Cash Flow	61 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	18.22 PV of Horizon value	56 WACC, %	9.2 Market risk premium, %
Share price potential, %	114.4 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	19.6 Marketable securities	8 Minimum WACC, %	8.7 Equity beta coefficient
Minimum value	17.0 Debt - dividend	-13 Maximum WACC, %	9.7 Target debt ratio, %
Horizon value, %	47.5 Value of stock	112 Nr of shares, Mn	6.1 Effective tax rate, %

DCF valuation, EURm	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Horizon
Net sales	158	151	186	179	186	191	195	199	204	208	212	217
<i>Sales growth, %</i>	<i>11.3</i>	<i>-4.4</i>	<i>22.9</i>	<i>-3.8</i>	<i>4.2</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)	-15	3	8	10	14	15	17	18	18	19	19	20
<i>Operating income margin, %</i>	<i>-9.2</i>	<i>2.0</i>	<i>4.5</i>	<i>5.8</i>	<i>7.5</i>	<i>8.0</i>	<i>8.5</i>	<i>9.0</i>	<i>9.0</i>	<i>9.0</i>	<i>9.0</i>	<i>9.0</i>
+ Depreciation+amort.	5	5	5	6	6	6	6	6	6	5	4	
EBITDA	-10	8	13	16	19	21	22	24	24	24	23	
- Paid taxes	0	-1	-2	-2	-3	-3	-3	-4	-4	-4	-4	
- Change in NWC	-5	1	-3	1	-1	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	<i>-4.6</i>	<i>-5.2</i>	<i>-2.5</i>	<i>-3.0</i>	<i>-2.5</i>	<i>-2.2</i>	<i>-2.0</i>	<i>-1.7</i>	<i>-1.5</i>	<i>-1.3</i>	<i>-1.0</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-7	-5	-9	-5	-6	-6	-6	-7	-3	-3	-10	
<i>opCAPEX / Sales, %</i>	<i>2.5</i>	<i>2.8</i>	<i>5.5</i>	<i>2.5</i>	<i>3.7</i>	<i>3.4</i>	<i>3.4</i>	<i>3.4</i>	<i>1.7</i>	<i>1.7</i>	<i>4.8</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	-22	3	0	10	10	11	12	13	17	16	9	126
= Discounted FCFF		3	0	8	7	8	8	8	9	8	4	56
= DFCF min WACC		3	0	8	7	8	8	8	9	8	4	62
= DFCF max WACC		3	0	8	7	8	7	7	9	7	4	50

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1	2023Q2E	2023Q3E	2023Q4E	2023E	2024E	2025E
Net sales	41.3	29.6	41.8	45.7	158.3	36.8	31.4	39.1	44.0	151.3	185.9	178.8
EBITDA	-0.2	-13.8	2.6	1.8	-9.6	2.0	1.6	2.1	2.2	7.9	13.1	16.0
<i>EBITDA margin (%)</i>	<i>-0.6</i>	<i>-46.8</i>	<i>6.3</i>	<i>4.0</i>	<i>-6.1</i>	<i>5.4</i>	<i>5.1</i>	<i>5.4</i>	<i>5.0</i>	<i>5.2</i>	<i>7.0</i>	<i>9.0</i>
EBIT	-1.5	-15.1	1.4	0.6	-14.6	0.9	0.4	0.8	0.9	3.0	8.3	10.3
<i>EBIT margin (%)</i>	<i>-3.6</i>	<i>-51.1</i>	<i>3.4</i>	<i>1.3</i>	<i>-9.2</i>	<i>2.3</i>	<i>1.3</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>4.5</i>	<i>5.8</i>
Net financial items	0.3	-0.3	0.0	0.8	0.8	-0.1	-0.2	-0.1	-0.1	-0.5	-0.4	-0.4
Pre-tax profit	-1.2	-15.4	1.4	1.4	-13.8	0.8	0.2	0.7	0.8	2.5	7.9	9.9
Tax	-0.1	2.5	-0.1	0.0	2.3	-0.3	0.0	-0.1	-0.2	-0.7	-1.6	-2.0
<i>Tax rate (%)</i>	<i>-5.2</i>	<i>16.0</i>	<i>9.6</i>	<i>-2.4</i>	<i>16.7</i>	<i>43.5</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>27.4</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-1.2	-12.9	1.2	1.5	-11.5	0.4	0.2	0.6	0.6	1.8	6.3	7.9
EPS	-0.29	-3.05	0.29	0.34	-2.70	0.07	0.03	0.09	0.10	0.30	1.03	1.29
EPS adjusted (diluted no. of shares)	-0.29	-3.05	0.29	0.34	-2.70	0.07	0.03	0.09	0.10	0.30	1.03	1.29
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.20	0.40	0.50
<b>SALES, EURm</b>												
Wood Processing	30.5	17.1	27.1	33.3	108.0	24.4	18.9	24.7	31.2	99.2	131.9	122.7
Services	7.9	9.2	9.9	8.7	35.8	8.3	8.7	9.7	8.6	35.3	36.4	37.3
Analyzers	2.8	3.2	4.8	3.7	14.5	4.1	3.8	4.7	4.2	16.8	17.6	18.9
Total	41.3	29.6	41.8	45.7	158.3	36.8	31.4	39.1	44.0	151.3	185.9	178.8
<b>SALES GROWTH, Y/Y %</b>												
Wood Processing	84.4	-26.3	2.2	7.2	11.0	-20.1	10.4	-8.8	-6.3	-8.2	33.0	-7.0
Services	27.0	9.7	33.7	8.2	18.8	4.9	-5.8	-2.5	-0.9	-1.3	3.0	2.5
Analyzers	43.9	-14.6	19.6	-26.7	-1.5	44.2	17.5	-1.1	13.4	15.6	5.0	7.0
Total	66.7	-16.5	10.2	3.6	11.3	-10.8	6.1	-6.4	-3.7	-4.4	22.9	-3.8
<b>EBIT, EURm</b>												
Total	-1.5	-15.1	1.4	0.6	-14.6	0.9	0.4	0.8	0.9	3.0	8.3	10.3
Total	-1.5	-15.1	1.4	0.6	-14.6	0.9	0.4	0.8	0.9	3.0	8.3	10.3
<b>EBIT margin, %</b>												
Total	-3.6	-51.1	3.4	1.3	-9.2	2.3	1.3	2.0	2.0	2.0	4.5	5.8

INCOME STATEMENT, EURm	2018	2019	2020	2021	2022	2023E	2024E	2025E
Sales	181.1	151.3	115.0	142.2	158.3	151.3	185.9	178.8
<i>Sales growth (%)</i>	<i>21.9</i>	<i>-16.5</i>	<i>-24.0</i>	<i>23.7</i>	<i>11.3</i>	<i>-4.4</i>	<i>22.9</i>	<i>-3.8</i>
EBITDA	17.4	12.3	1.2	2.1	-9.6	7.9	13.1	16.0
<i>EBITDA margin (%)</i>	<i>9.6</i>	<i>8.1</i>	<i>1.1</i>	<i>1.5</i>	<i>-6.1</i>	<i>5.2</i>	<i>7.0</i>	<i>9.0</i>
Depreciation	-2.5	-3.9	-4.0	-4.3	-5.0	-4.9	-4.8	-5.7
EBITA	14.9	8.4	-2.8	-2.2	-14.6	3.0	8.3	10.3
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	14.9	8.4	-2.8	-2.2	-14.6	3.0	8.3	10.3
<i>EBIT margin (%)</i>	<i>8.2</i>	<i>5.6</i>	<i>-2.4</i>	<i>-1.5</i>	<i>-9.2</i>	<i>2.0</i>	<i>4.5</i>	<i>5.8</i>
Reported EBIT	14.9	8.4	-2.8	-2.2	-14.6	3.0	8.3	10.3
<i>EBIT margin (reported) (%)</i>	<i>8.2</i>	<i>5.6</i>	<i>-2.4</i>	<i>-1.5</i>	<i>-9.2</i>	<i>2.0</i>	<i>4.5</i>	<i>5.8</i>
Net financials	0.0	0.8	0.3	0.5	0.8	-0.5	-0.4	-0.4
Pre-tax profit	14.9	9.2	-2.5	-1.7	-13.8	2.5	7.9	9.9
Taxes	-3.2	-1.6	0.6	0.0	2.3	-0.7	-1.6	-2.0
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	11.7	7.6	-1.8	-1.7	-11.5	1.8	6.3	7.9
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
<b>BALANCE SHEET, EURm</b>								
<b>Assets</b>								
Fixed assets	15	16	17	19	22	21	25	24
Goodwill	1	1	2	2	2	2	2	2
Right of use assets	7	7	6	10	7	7	9	8
Inventory	14	12	15	22	17	16	20	19
Receivables	52	32	34	32	32	31	38	36
Liquid funds	13	22	12	24	8	26	32	30
Total assets	103	91	86	111	92	107	129	125
<b>Liabilities</b>								
Shareholder's equity	47	50	40	34	23	41	46	52
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	7	5	4	8	6	7	9	8
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	1	2	2	2	7	4	12	4
Non-interest bearing current liabilities	46	31	23	39	34	32	40	38
Other interest-free debt	1	3	16	27	22	22	22	22
Total liabilities	103	91	86	111	92	107	129	125
<b>CASH FLOW, EURm</b>								
+ EBITDA	17	12	1	2	-10	8	13	16
- Net financial items	0	1	0	0	1	0	0	0
- Taxes	-3	-1	-1	-1	-1	-1	-2	-2
- Increase in Net Working Capital	-23	10	1	21	-5	1	-3	1
+/- Other	0	0	0	0	0	0	0	0
= Cash flow from operations	-8	21	2	23	-14	7	8	14
- Capex	-4	-3	-3	-10	-4	-4	-10	-4
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-11	18	-2	13	-18	3	-2	10
+/- New issues/buybacks	1	1	-1	-1	0	16	0	0
- Paid dividend	-5	-6	-6	-3	0	0	-1	-2
+/- Other	-2	-4	-2	5	1	-2	9	-9
Change in cash	-17	9	-11	13	-17	18	6	-1

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	114	96	84	35	52	52	52
Net debt (excl. convertibles)	-15	-5	-14	5	-14	-11	-18
Enterprise value	99	91	70	40	38	41	34
Sales	151	115	142	158	151	186	179
EBITDA	12	1	2	-10	8	13	16
EBIT	8	-3	-2	-15	3	8	10
Pre-tax	9	-2	-2	-14	2	8	10
Earnings	8	-2	-2	-11	2	6	8
Equity book value (excl. minorities)	50	40	34	23	41	46	52
<b>Valuation multiples</b>							
EV/sales	0.7	0.8	0.5	0.3	0.2	0.2	0.2
EV/EBITDA	8.1	73.6	33.3	-4.2	4.8	3.1	2.1
EV/EBITA	11.8	-32.6	-32.0	-2.8	12.7	5.0	3.3
EV/EBIT	11.8	-32.6	-32.0	-2.8	12.7	5.0	3.3
EV/OCF	4.7	48.2	3.0	-2.9	5.1	5.2	2.4
EV/FCFF	6.3	-30.2	4.2	-1.9	11.9	-113.1	3.4
P/FCFE	6.4	-60.7	6.5	-1.9	16.5	-22.5	5.3
P/E	15.0	-52.2	-48.7	-3.1	28.8	8.2	6.6
P/B	2.3	2.4	2.5	1.5	1.3	1.1	1.0
Target EV/EBITDA	0.0	0.0	0.0	0.0	7.5	4.8	3.4
Target EV/EBIT	0.0	0.0	0.0	0.0	20.0	7.5	5.4
Target EV/FCF	0.0	0.0	0.0	0.0	18.8	-27.1	5.6
Target P/B	0.0	0.0	0.0	0.0	1.8	1.6	1.4
Target P/E	0.0	0.0	0.0	0.0	40.7	11.6	9.3
<b>Per share measures</b>							
Number of shares	4,249	4,249	4,249	4,249	6,120	6,120	6,120
Number of shares (diluted)	4,249	4,249	4,249	4,249	6,120	6,120	6,120
EPS	1.80	-0.44	-0.41	-2.70	0.30	1.03	1.29
Operating cash flow per share	4.96	0.45	5.50	-3.30	1.21	1.29	2.34
Free cash flow per share	4.23	-0.37	3.04	-4.24	0.51	-0.38	1.61
Book value per share	11.65	9.52	8.02	5.39	6.73	7.57	8.46
Dividend per share	1.45	0.80	0.00	0.00	0.20	0.40	0.50
Dividend payout ratio, %	80.7	-183.9	0.0	0.0	67.8	38.7	38.6
Dividend yield, %	5.4	3.5	0.0	0.0	2.4	4.7	5.9
FCF yield, %	15.7	-1.6	15.4	-51.4	6.1	-4.5	18.9
<b>Efficiency measures</b>							
ROE	15.9	-4.1	-4.6	-40.3	5.6	14.4	16.2
ROCE	15.1	-5.4	-4.8	-36.3	6.7	13.9	15.1
<b>Financial ratios</b>							
Inventories as % of sales	8.2	13.1	15.5	10.6	10.6	10.6	10.6
Receivables as % of sales	20.9	29.2	22.3	20.2	20.2	20.2	20.2
Non-interest bearing liabilities as % of sales	20.5	20.2	27.1	21.4	21.4	21.4	21.4
NWC/sales, %	7.0	8.3	-8.3	-4.6	-5.2	-2.5	-3.0
Operative CAPEX/sales, %	2.1	3.0	7.3	2.5	2.8	5.5	2.5
CAPEX/sales (incl. acquisitions), %	2.1	3.0	7.3	2.5	2.8	5.5	2.5
FCFF/EBITDA	1.3	-2.4	7.9	2.2	0.4	0.0	0.6
Net debt/EBITDA, book-weighted	-1.3	-4.2	-6.5	-0.6	-1.8	-0.8	-1.1
Debt/equity, market-weighted	0.0	0.0	0.0	0.2	0.1	0.2	0.1
Equity ratio, book-weighted	54.6	46.9	30.8	24.9	38.4	35.8	41.5
Gearing, %	-31.0	-13.0	-40.5	23.6	-34.8	-23.3	-35.1

**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	756,250	6.428	12.4%
Laakkonen Mikko Kalervo	172,225	1.464	2.8%
eQ Nordic Small Cap Mutual Fund	138,000	1.173	2.3%
Mandatum Life Insurance Company Ltd.	130,105	1.106	2.1%
Stephen Industries Inc Oy	129,687	1.102	2.1%
Relander Pär-Gustaf	123,700	1.051	2.0%
Suominen Pekka Matias	117,329	0.997	1.9%
Siivonen Osku Pekka	106,901	0.909	1.7%
Kirimo Kaisa Marketta	105,421	0.896	1.7%
eQ Finland Investment Fund	105,000	0.893	1.7%
Ten largest	1,884,618	16.019	31%
Residual	4,235,382	36.001	69%
Total	6,120,000	52.020	100%

EARNINGS CALENDAR	
August 25, 2023	Q2 report
October 26, 2023	Q3 report
OTHER EVENTS	

COMPANY MISCELLANEOUS	
CEO: Mika Saariaho	Rautetie 2, FI-15550 Nastola
CFO: Ville Halttunen	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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		



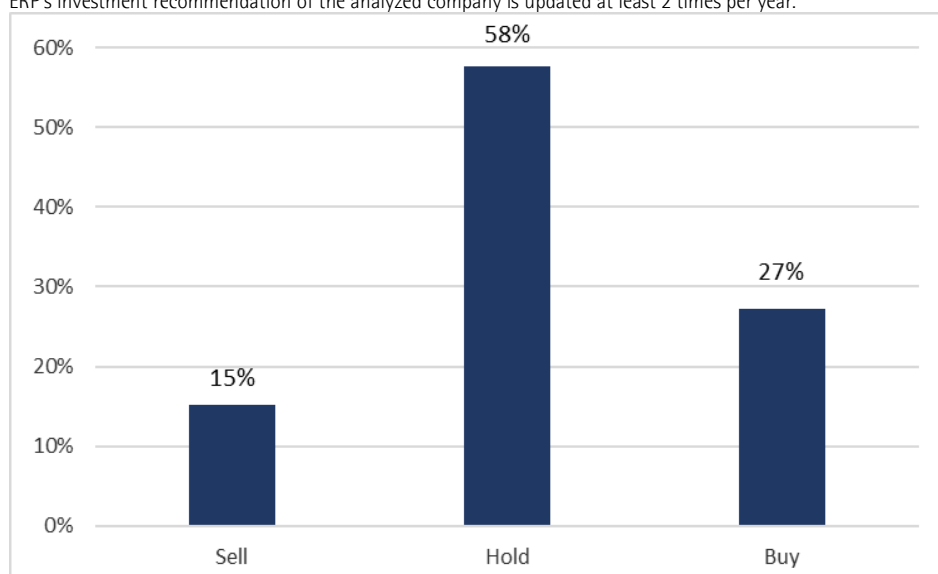
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Investment recommendations are defined as follows:

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 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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