

Decent profitability, low orders

Raute's Q3 revenue was meaningfully lower than we estimated, yet absolute profitability figures were still in line with our estimates as the company's improvement program has produced results. Order intake was quite a bit lower than we estimated, but we believe Q4 orders should show at least some q/q improvement.

- Raute Q3 revenue declined by 18.5% y/y to EUR 34.0m, compared to our EUR 39.2m estimate. Wood Processing came in at EUR 21.5m vs our EUR 24.7m estimate. Services amounted to EUR 8.0m, compared to our EUR 9.8m estimate, while Analyzers was EUR 4.6m vs our EUR 4.7m estimate. The new ERP system's implementation affected Wood Processing and Services sales.
- Comparable EBITDA was EUR 3.0m vs our EUR 3.0m estimate, whereas EBIT landed at EUR 1.4m vs our EUR 1.5m estimate. The profitability improvement program's progress supported profitability. The program should achieve EUR 4-5m annual cost savings by the end of this year.
- Q3 order intake amounted to EUR 19m, compared to our EUR 29m estimate. Order intake mainly consisted of after-sales services and modernization projects, while some orders were postponed to Q4. Increased short-term market uncertainty impacts the demand for single production lines and spare parts.
- Order book was EUR 192m at the end of Q3 (EUR 94m a year ago). Raute has no more order book left to be delivered to Russia.
- Raute guides FY '23 revenue to be in the range of EUR 140-150m and comparable EBITDA margin at above 6% (guidance updated on Oct 19).

Rating				BUY
Q3'23	Actual	Evli	Year ago	Q2'23
Revenue	34.0	39.2	41.8	29.3
Wood Processing	21.5	24.7	27.1	17.3
Services	8.0	9.8	9.9	6.5
Analyzers	4.6	4.7	4.8	5.5
Comparable EBITDA	3.0	3.0	6.0	0.7
EBIT	1.4	1.5	1.4	-1.0
Share price, EUR (Last trading day's closing price)				9.18
Target price, EUR				12.0
Latest change in recommendation				24-Oct-22
Latest report on company				20-Oct-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				56
Free float, %				-
Exchange rate				-
Reuters code				RAUTE.HE
Bloomberg code				RAUTE:FH
Average daily volume, EURm				0.1
Next interim report				26-Oct-23
Web site				www.raute.com/investors
Analyst				Joonas Ilvonen
E-mail				joonas.ilvonen@evli.com
Telephone				+358 44 430 9071

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
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	147.6	3.0	2.1%	4.0	0.33	27.4	0.3	13.5	7.2	0.20
2024E	180.0	8.5	4.7%	-1.2	1.06	8.7	0.2	5.1	-2.1	0.40
2025E	172.7	10.3	6.0%	9.9	1.29	7.1	0.2	3.5	17.6	0.50
Market cap, EURm	56		BV per share 2023E, EUR	-36.8		CAGR EPS 2022-25, %				0.0
Net debt 2023E, EURm	-15		Price/book 2023E	1.4		CAGR sales 2022-25, %				2.9
Enterprise value, EURm	41		Dividend yield 2023E, %	2.2		ROE 2023E, %				6.4
Total assets 2023E, EURm	105		Tax rate 2023E, %	21.4		ROCE 2023E, %				7.0
Goodwill 2023E, EURm	2		Equity ratio 2023E, %	39.4		PEG, P/E 23/CAGR				0.4

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

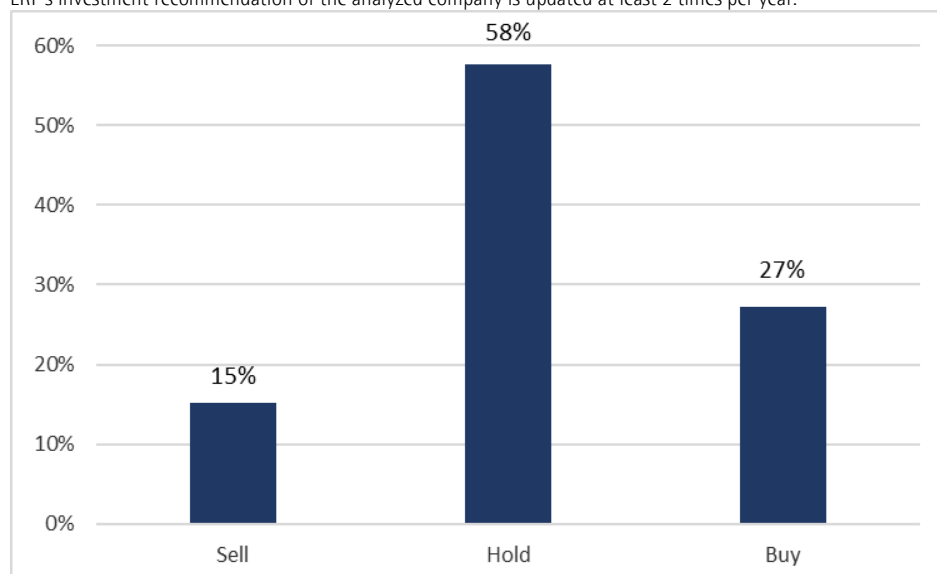
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Investment recommendations are defined as follows:

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

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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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Contact information

SALES, TRADING AND RESEARCH

Equity, ETF and Derivatives Sales

Joachim Dannberg +358 9 4766 9123
Ari Laine +358 9 4766 9115
Kimmo Lilja +358 9 4766 9130

Trading

Lauri Vehkaluoto (Head) +358 9 4766 9120
Pasi Väisänen +358 9 4766 9120
Antti Kässi +358 9 4766 9120
Miika Ronkanen +358 9 4766 9120

Structured Investments

Heikki Savijoki +358 9 4766 9726
Aki Lakkisto +358 9 4766 9123

Equity Research

Arttu Heikura +358 40 082 8098
Joonas Ilvonen +358 44 430 9071
Jerker Salokivi +358 9 4766 9149

Evli Investment Solutions

Johannes Asuja +358 9 4766 9205



EVLI PLC
Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Internet www.evli.com
E-mail firstname.lastname@evli.com

**EVLI PLC,
STOCKHOLMSFILIAL**
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000