

# RAUTE

4/25/2025 10:00 pm EEST

This is a translated version of "Näemme osakkeessa yhä hinnoitteluvirheen" report, published on 4/21/2025



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# EXTENSIVE REPORT



# We still see a pricing error in the stock

We reiterate our Buy recommendation and EUR 18.00 target price for Raute. In 2024, Raute achieved a sharp turnaround in earnings after several difficult years thanks to growth and efficiency measures. We believe that the turnaround is on a solid footing, even though the support for the result from growth may fade this year and uncertainties related to the global economy and trade policy will dampen the company's partly investment-driven demand. Based on the low valuation, investors are quite skeptical about the company's ability to even roughly maintain the earnings level achieved as the implementation of the strategy progresses. Thus, we still see a clear pricing error in the stock.

## Raute has sustainable competitive advantages and a growth-oriented strategy

Raute is an engineering company serving especially the plywood and LVL industries. Drivers such as rising living standards and environmental concerns support wood construction, which in turn increases demand for Raute. We believe that Raute has a sustainable competitive advantage based on technology and a global sales and service network, as well as a solid market position, especially in the demanding high-end segment and in Europe. Around 70% of the company's revenue has been generated from cyclical equipment project deliveries, just over 20% from more stable services and the remaining 10% from analyzers.

Raute has implemented a growth-oriented strategy since 2023, and in 2024 the company achieved the highest revenue in its history, mainly driven by several large projects. Raute aims to grow notably in Western countries (incl. North America) and in the high-margin Services and Analyzers businesses, and partly also by expanding into wood product segments outside plywood and LVL (e.g. solid wood). Taking into account Raute's strengths and the already high market shares of its European businesses, the strategy's success is uncertain, especially in terms of sustainable growth, as the revenue support from several major projects like those in 2024 is not expected to continue. The roadmap to reach

the 250 MEUR revenue target of 2028 is also not yet clear. That said, we like the level of ambition of the strategy, and the strong earnings improvement in 2024 was an encouraging signal that the company's competitive advantages have been preserved and that the changes made by the current management are working.

## We expect Raute to be able to maintain its performance

Raute's order book remains high, providing the company exceptionally good visibility for the year, despite the uncertainties and weaknesses related to the global economy as well as trade and geopolitics. The current order book does not provide further support for 2026, but in the baseline scenario, a recovery in construction due to lower interest rates will gradually stimulate demand for Raute's products and services. We expect the company to maintain its adjusted EBITDA margin almost flat at relatively high levels, as growth in Services and Analyzers, efficiency measures and progress in strategy execution offset the pressure on the result via revenue due to the end of major projects in Wood Processing. We have lowered our 2026 estimates in this update for macro reasons, but otherwise the changes are small. Our forecasts are well below Raute's aggressive target levels (revenue of 250 MEUR and adj. EBITDA-% of more than 12% over the cycle in 2028), especially on growth. The main risks to our forecasts are demand volatility, project risks and the success of growth investments.

## Valuation is still very attractive

Based on our estimates for this year and next, Raute's adjusted P/E ratios are 8x and 9x, while the corresponding EV/EBIT ratios are around 5x. We find the EV valuation in particular very moderate for Raute, and the multiples are well below the ranges we have approved for the company. Our view that the stock is cheap is supported by a deep relative discount and a DCF at our target price level. As a result, the expected return on the valuation upside and dividend is still well above our required return, although we have also slightly increased our required return due to macro risks.

## Recommendation

**Buy**  
(was Buy)

## Target price:

**EUR 18.00**  
(was EUR 18.00)

## Share price:

**EUR 15.05**

## Business risk



## Valuation risk



	2024	2025e	2026e	2027e
<b>Revenue</b>	204.6	198.7	173.7	183.2
<b>growth-%</b>	41%	-3%	-13%	5%
<b>EBIT adj.</b>	14.4	15.0	13.3	14.7
<b>EBIT-% adj.</b>	7.1 %	7.6 %	7.6 %	8.0 %
<b>Net Income</b>	12.1	12.3	10.3	11.4
<b>EPS (adj.)</b>	2.06	1.92	1.60	1.81
<b>P/E (adj.)</b>	6.4	7.8	9.4	8.3
<b>P/B</b>	1.7	1.7	1.6	1.4
<b>Dividend yield-%</b>	4.2 %	4.0 %	4.3 %	4.7 %
<b>EV/EBIT (adj.)</b>	2.2	4.5	5.5	4.5
<b>EV/EBITDA</b>	1.6	3.4	3.9	3.3
<b>EV/S</b>	0.2	0.3	0.4	0.4

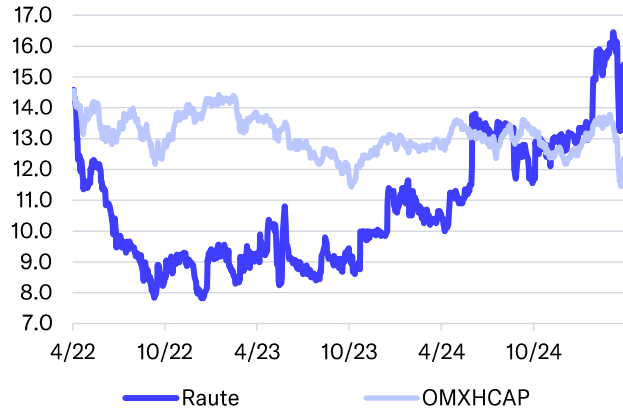
Source: Inderes

## Guidance

(Unchanged)

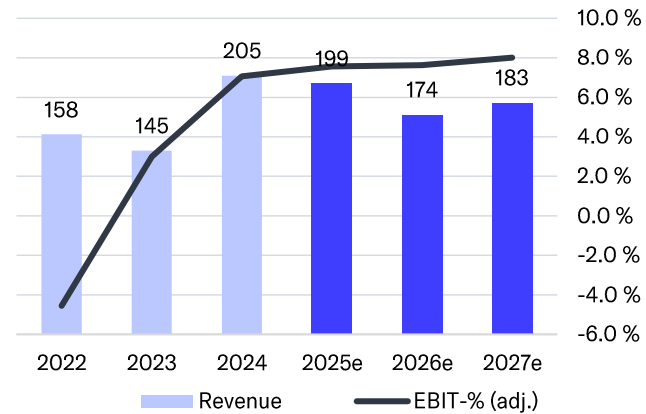
Raute's 2025 revenue is expected to be between 190–220 MEUR and comparable EBITDA to be between 17–24 MEUR.

## Share price



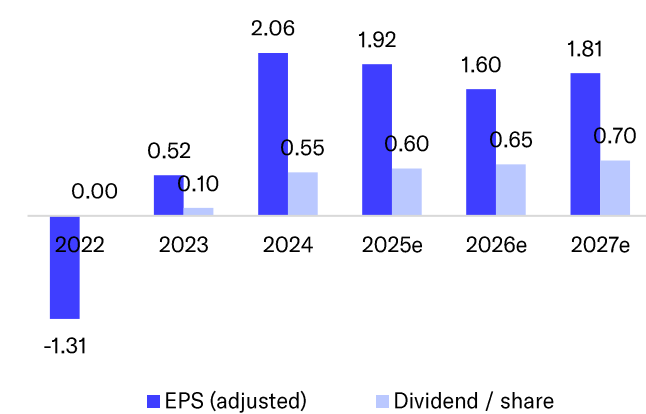
Source: Millstream Market Data AB

## Revenue and EBIT-% (adj.)



Source: Inderes

## EPS and dividend



Source: Inderes

## Value drivers

- The company has a solid and sustainable technological competitive advantage, especially in the high-end segment of plywood and LVL equipment
- Strong drivers supporting demand for wood products
- Profitability has not reached its full potential
- Mergers and acquisitions
- Controlled expansion into other wood product segments

## Risk factors

- Demand is extremely cyclical
- Project and product development risks
- Limited (price) competitiveness in the low-end segment
- Closure of the Russian market
- Risks associated with potential acquisitions
- Competitiveness in other wood product segments
- Improving the profitability of Wood Processing, which has been weak for years

Valuation	2025e	2026e	2027e
<b>Share price</b>	15.1	15.1	15.1
<b>Number of shares, millions</b>	6.23	6.33	6.33
<b>Market cap</b>	94	95	95
<b>EV</b>	68	72	67
<b>P/E (adj.)</b>	7.8	9.4	8.3
<b>P/E</b>	7.8	9.4	8.3
<b>P/B</b>	1.7	1.6	1.4
<b>P/S</b>	0.5	0.5	0.5
<b>EV/Sales</b>	0.3	0.4	0.4
<b>EV/EBITDA</b>	3.4	3.9	3.3
<b>EV/EBIT (adj.)</b>	4.5	5.5	4.5
<b>Payout ratio (%)</b>	30.5 %	39.8 %	38.8 %
<b>Dividend yield-%</b>	4.0 %	4.3 %	4.7 %

Source: Inderes

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# Raute in breaf

Raute is the world's leading supplier of equipment and services related to veneer, plywood and LVL production technology.

## The 1930s

Manufacture of plywood machines begins

## 1994

IPO on the Helsinki Stock Exchange

## # 1 market share

Global market share for plywood and LVL machines

## 205 MEUR (+41% vs. 2023)

Revenue in 2024

## 19.8 MEUR (9.7% of revenue)

Adjusted EBITDA in 2024

## 782 (+3,7% vs. 2023)

Personnel (FTE) at the end of the 2024

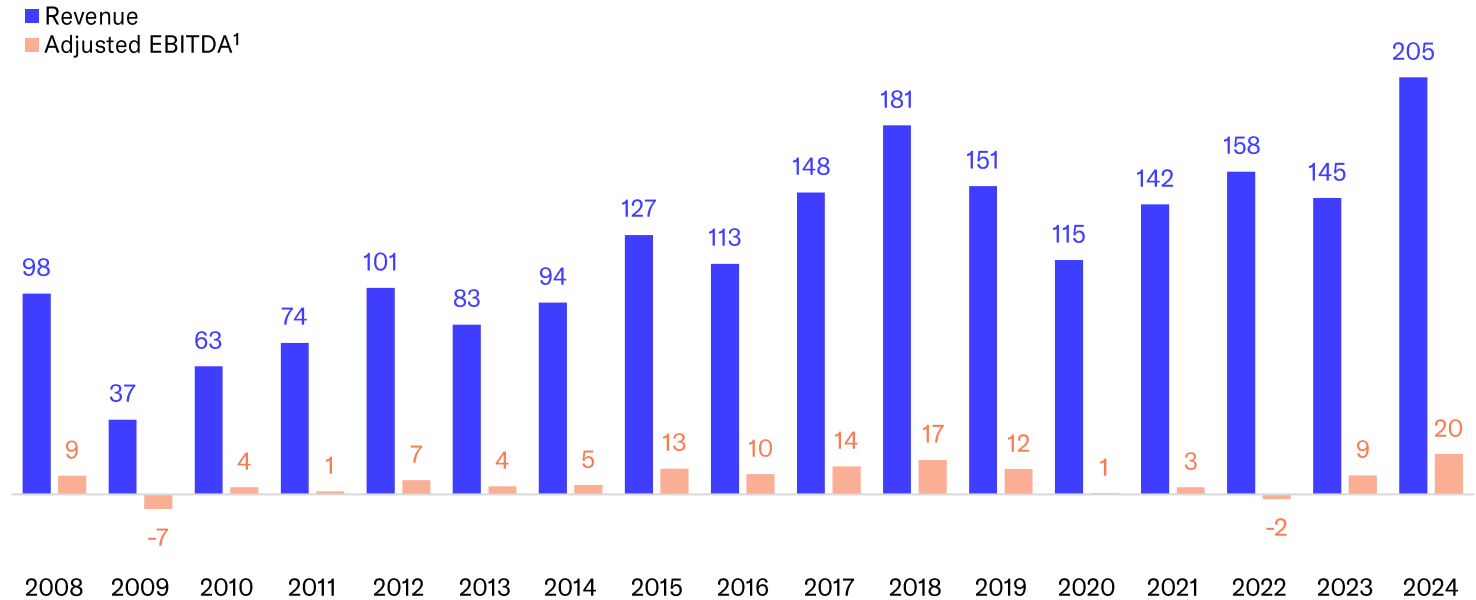


- Financial crisis leads to slump in company's revenue and pushes result deep into the red in 2009
- Project demand remains sluggish in 2010-2014 in core markets (excl. South America 2012), services develop better
- Making the cost structure more flexible

- From summer 2014, European investment starts to pick up as the economy recovers and the drivers for wood construction remain unchanged
- Profitability improves in line with revenue growth in 2015-2018
- Small acquisition of Metriguard in 2018

- The company goes negative during the COVID crisis and in early 2022, Russia's invasion of Ukraine and inflation exacerbate losses
- New management takes over in H2'22 and updates strategy, strengthens balance sheet and implements savings measures during 2022-2023
- Large orders in 2023 and efficiency measures boost revenue and result to record levels in 2024
- Long-term drivers supporting wood construction are strong

Revenue and profitability development (MEUR)



Source: Raute, Inderes  
<sup>1</sup>The company started reporting adjusted EBITDA in 2022



# Company description and business model 1/5

## Global market leader in a niche sector

Raute is an engineering company focused on serving producers of veneer, plywood and laminated veneer lumber (LVL). Raute's technology offering covers machinery and equipment for the customer's entire production process, as well as related services. In its core areas, the company is the global market leader in its narrow niche segment. Raute is also the only operator in the world that can supply the production machinery required for a complete plywood or LVL mill. This is in clear contrast to competitors whose businesses, at least for the time being, are focused on machines for specific sub-processes. We believe that the breadth and high technology of Raute's product range, as well as its global sales and service network, are its competitive advantages and that these are sustainable. In addition to the traditional core areas, Raute's new strategy is to expand in a controlled manner into other segments of the wood products sector (e.g. solid wood, particle board and other boards).

With production facilities in Finland, China, Canada and the USA, Raute has a global sales and service network covering all continents. The Raute Group has more than 780 employees and its revenue in recent years has been around 150 MEUR. As is typical for a project company, Raute's geographical revenue accumulation varies dramatically from year to year, but over time the company's largest market has been Europe. Russia has also been a very important market for the company, which is why the war in Ukraine hit Raute hard in 2022.

## Business structure

The Raute Group, consisting of the parent company and its wholly owned subsidiaries, reports its revenue and

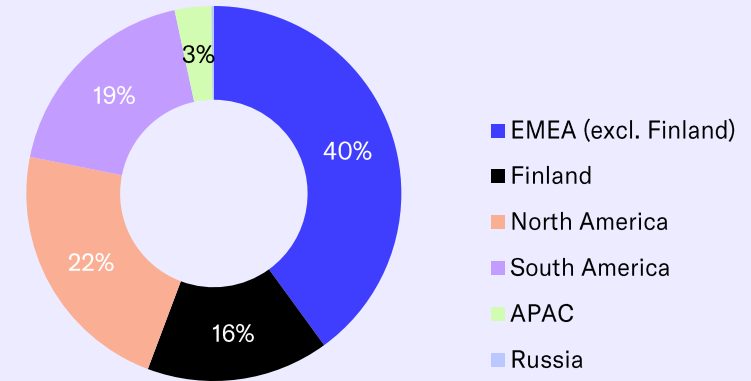
operating result (adj. EBITDA) by three divisions. New orders and order book are reported at group level.

**Wood Processing** includes the sale of equipment for the production of veneer, plywood, LVL and later other engineered wood products on a project basis (i.e. order/delivery basis). The size of the projects can vary significantly, with individual equipment for veneer, plywood and LVL processes costing from ~0.5 MEUR to ~5 MEUR depending on the equipment and delivery. The value of a complete production line or mill is typically between 20 and 70 MEUR, depending on the quality and scope of delivery. Thus, Raute's largest projects are significant in proportion to the size of the company.

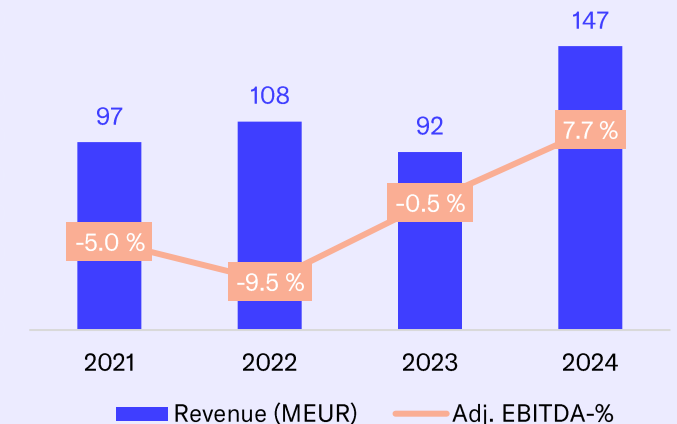
It should be noted, however, that even Raute's largest projects only include machinery, equipment and related services, and the company does not offer EPC deliveries on a turnkey basis. The demand for investment-driven project deliveries is highly cyclical and Raute's project revenue fluctuates significantly on an annual basis with the cycles, e.g. over the last 10 years the volume of project deliveries has fluctuated between 57 MEUR and 147 MEUR. In a "normal situation" and over a longer period of time, project deliveries have accounted for 60-70% of Raute's revenue.

In 2024, Wood Processing achieved an adjusted EBITDA of 11 MEUR on revenue of 147 MEUR after three years of losses. The profitability challenges faced by Raute prior to 2024 were in fact largely due to low workloads in Wood Processing, an excessively high cost structure, a decline in the Russian order book, and inflation. Typical for equipment deliveries in the engineering sector, we estimate that Wood Processing's margin potential is well below that of the group's aftermarket units. We believe that even a high single-digit adjusted EBITDA-% would be a reasonable achievement for the unit over the cycle.

Revenue distribution by market area (2024)



Wood Processing revenue and adjusted EBITDA-%



# Company description and business model 2/5

**Services** includes the sale of spare parts, maintenance and process development services. We estimate that the vast majority of Services' sales are goods trade. Pure service sales are a minority, although in recent years the company has entered into comprehensive maintenance contracts with certain customers and developed new digital service models based on data and artificial intelligence. However, service sales play a role in supporting the high-margin spare parts trade. In 2024, Services generated an adjusted EBITDA of 7 MEUR on a revenue of 42 MEUR, making it a very profitable business, which is typical of the service trade in Nordic engineering companies. In principle, Services is also a relatively stable business, as the demand for services is mainly linked to the customers' production volume (i.e. factory utilization rates) and not to investments. Nevertheless, economic cycles also have an impact on service sales, as most of Raute's customers operate in cyclical value chains in the construction and transport sectors.

**Analyzers** includes the sale of measurement technology for sorting veneer, plywood and LVL, as well as special measurement equipment for sawn timber. The products of the division can also be used to collect a significant amount of data from various production processes, which can be used by the company's customers to improve the efficiency of their production processes (incl. data services in Services). Many measurement technology solutions are based on a very high-tech solution such as machine vision (comparable to artificial intelligence). Analyzers is Raute's smallest business, with revenue of 15 MEUR last year. In this business, product margins are inherently high, which often makes Analyzers the most profitable unit in Raute, although profitability fluctuates strongly on a quarterly basis, depending on the volume achieved and the product

mix. In 2024, Analyzers' adjusted EBITDA was 1.5 MEUR, as the decrease in revenue had a negative impact on the unit's profitability. Selling mainly small equipment in the tens and hundreds of thousands of euros, Analyzers is still an investment-driven and volatile business, but its growth potential and scalability are among the best in the group.

## Business model typical for a Nordic engineering company

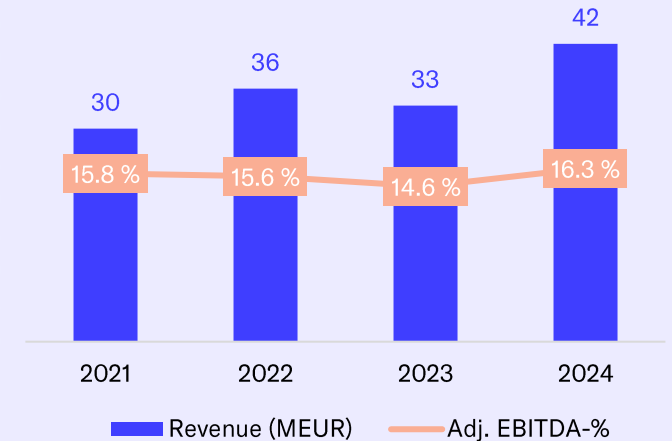
Raute's full-service concept is based on total product lifecycle management, as in addition to a broad range of equipment, Raute's solutions cover technological services ranging from spare parts deliveries to regular maintenance and equipment modernization, as well as continuous improvement of production efficiency. The company offers this comprehensive service to its customers globally. The core processes in Raute's business are product development, design and production as well as marketing and sales. Part of the design and production has been outsourced to subcontractors in order to make the cost structure more flexible.

Raute's business model is thus largely typical of a Nordic engineering company with a focus on high technology in its field, although there may be differences in the business models for specific products (e.g. service concepts based on sharing customer savings). Also in the other wood product segments Raute operates, at least for the time being, with a business model that is clearly more narrowly focused than in the plywood and LVL segments, i.e. based on individual equipment and analyzers.

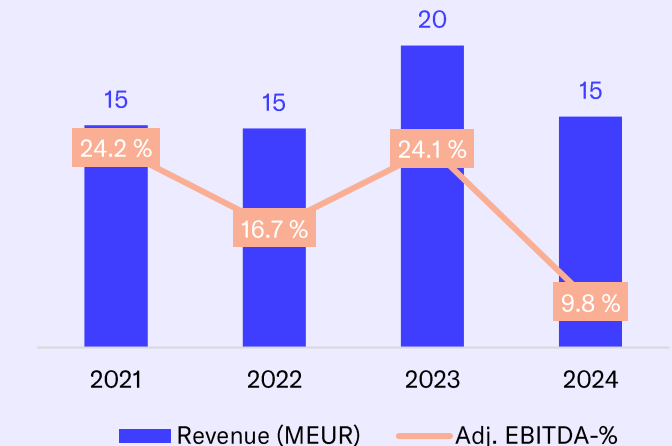
## Raute relies on customized products

Raute customizes its products largely on a project-by-project basis, which in practice means that the equipment is designed at a relatively early stage to meet the customer's needs and requirements.

## Services revenue and adjusted EBITDA-%



## Analyzers revenue and adjusted EBITDA-%



# Company description and business model 3/5

This makes it possible to take customer-specific needs into account, but on the other hand the repeatability of projects is low, which contributes to higher costs. However, we believe that this strategic choice was partly forced on the company by circumstances, as the sizes of plywood and LVL lines, the raw materials used, the automation needs and some other factors are so different that we believe it is difficult to build a modular product offering in this sector that would allow repeatable deliveries and thus better cost efficiency.

## Pricing on a case-by-case basis

Due to the customized offering, the company's pricing is largely project-specific and no list pricing exists, with the exception of certain spare parts. At the time of submitting binding quotations, Raute is, under normal inflationary conditions, well aware of the current manufacturing costs of the product, and the floor of the company's pricing model is ultimately the cost level plus an acceptable margin. The starting level of the bids is of course based on other factors, but thanks to the floor pricing structure, the pricing model is in our view a very traditional cost-based model, with the exception of certain slightly different types of service concepts, which are still small within the group as a whole.

Our assessment is that the pricing model works well during periods of normal cost inflation. However, the problem in the past has been the pressure to bend the minimum margin when an order "must" be won (e.g. low order book). Moreover, in the highly inflationary environment of 2021-2022, also Raute's pricing was in serious trouble, as the prices of production inputs could escalate in the window of weeks or even months (for large projects) between bid submission and fixing the price. Thus, inflation clearly played a role in the company's losses at least in 2022 and in the sluggish result in 2023. In addition, we estimate that the company has also experienced some less-than-ideal

practices in defining and allocating liabilities in the recent past, resulting in additional costs. We believe that contracts are already much better structured this year than in 2022 and that negative project surprise risks have not materialized, at least not visibly, for 2023-2024.

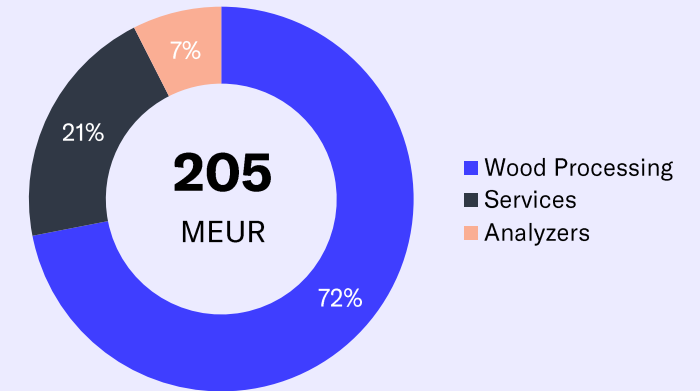
## Customers vary with projects

Demand for different equipment projects varies widely from year to year, depending on the level of investment in the industry. Investments are driven by the economically cycle-sensitive construction and investment goods sectors. Raute's largest customers also change from year to year with the projects, and the company does not have significant risks associated with individual large customers over time. We estimate that the company has more than 300 different customers each year. In the longer term, projects with the same key customers tend to recur, but the fragmented structure of the plywood and LVL sectors means that customer risks are low. In services, the company has more recurring sales to certain key customers, but we estimate that individual customers do not dominate Raute's service sales.

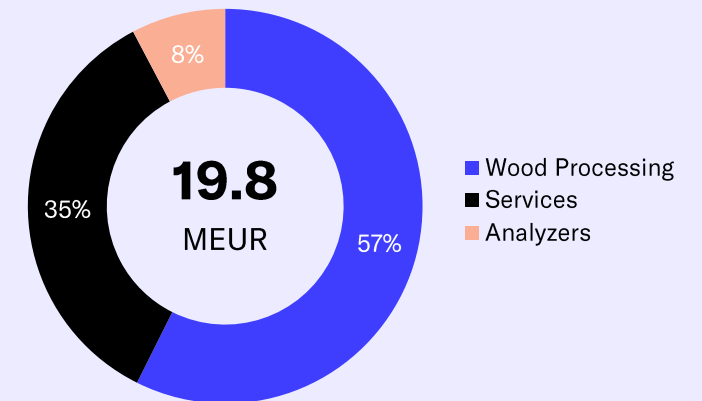
## Varying order book visibility, limited cost structure flexibility

Raute typically records projects in its order book after advance payment and services and analyzers in the contract stage (incl. longer service contracts on an annual basis). Raute's order book is usually quite fast-moving, as projects are largely completed within 2-24 months after order placement, and the majority of even large projects are usually converted into revenue within 12-18 months after order placement, depending on the size of the project. For services, and to some extent for analyzers, the cycle is much faster, averaging a few weeks.

## Revenue distribution by segment (2024)



## Adjusted EBITDA distribution by segment (2024)





# Company description and business model 4/5

However, the order book usually does not provide Raute with much more visibility than 6-12 months. In recent years, Raute's order book has varied radically between approximately 28 and 266 MEUR, reflecting the very high volatility of order flow and order book. In our view, an order book above 100 MEUR is reasonable for the company, while below 50 MEUR the visibility is weak and the threat of workload challenges is real.

Raute has prepared for cyclical demand by outsourcing roughly half of its design and production to subcontractors. As a general rule, the most demanding (and potentially IPR-sensitive) aspects are handled by the company itself, while simpler production is outsourced. The amount of subcontracting has fluctuated in recent years, but we estimate that the share of in-house production is slightly higher than in the average peer company. However, we believe that the company's cost structure can be quite flexible in terms of production over a reasonable time frame (incl. fairly flexible layoff possibilities in Finland). Of course, this requires a proactive response from management. Still, even with the current revenue, Raute's global sales and service network is quite heavy, with flexible interfaces in times of slightly weaker demand.

Overall, Raute's cost structure is quite static, and we estimate that approximately 30-35% of the company's costs are fixed (mainly personnel costs and other operating costs), while the remaining 65-70% are variable (materials and services, and part of personnel and other costs). In principle, therefore, Raute has a relatively strong earnings leverage, which works in both directions as revenue fluctuates. It should be noted, however, that in practice the earnings leverage is not symmetrical and that increasing/decreasing the share of more expensive subcontracting affects the relative profitability of the company and thus to some extent limits

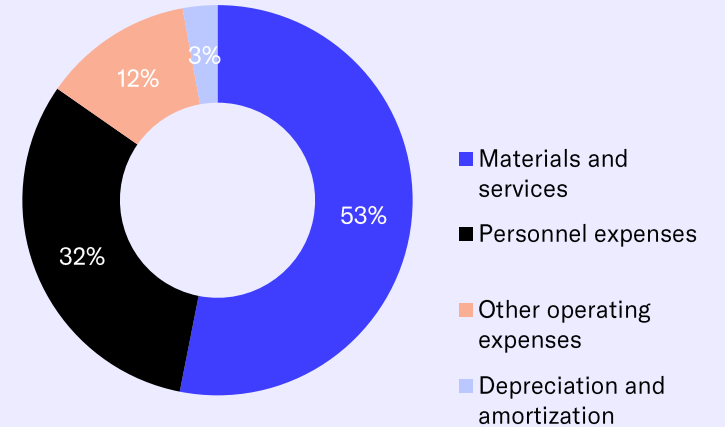
the potential range of the EBIT margin, especially at the upper and lower end of the relevant revenue range. In recent years, Raute has also needed relatively high revenue to achieve profitability, which is of course not optimal. Although the 4-5 MEUR development program launched at Raute in the summer of 2022 and completed in 2023 (including, for example, significant savings in personnel costs) has improved the company's cost efficiency, the ability of the company, and especially Wood & Processing, to withstand declining revenues will only be properly tested in the next weaker cycle. We estimate that the savings have been largely successful, although it is difficult to determine the exact impact on results from outside the company.

## Defending competitive advantage through R&D

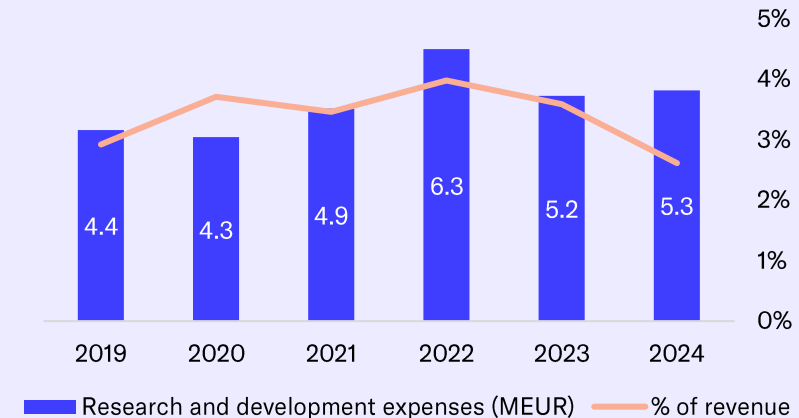
In order to defend and strengthen its competitive edge, Raute has typically invested 3-4% (incl. personnel and other operating costs) of its annual revenue (i.e. approximately 4-6 MEUR) in research and development. Raute has generally capitalized only a limited part of the investments in its balance sheet, and the majority has been directly expensed in the income statement. In a crisis situation, this cost item would be somewhat flexible, but even in the loss-making years of the early 2020s, Raute, with its long-term focus, never cut back on development. In the coming years, we generally expect that investments in automation and digitization in particular, as well as expansion into other engineered wood products, will keep product development costs at, or even slightly above, historical levels.

We believe that these development investments are sufficient to keep Raute at the forefront of technological developments in the industry. By and large, the industry is mature and there are no major technological breakthroughs on the horizon. We therefore feel that the company's development efforts are also adequate in this respect.

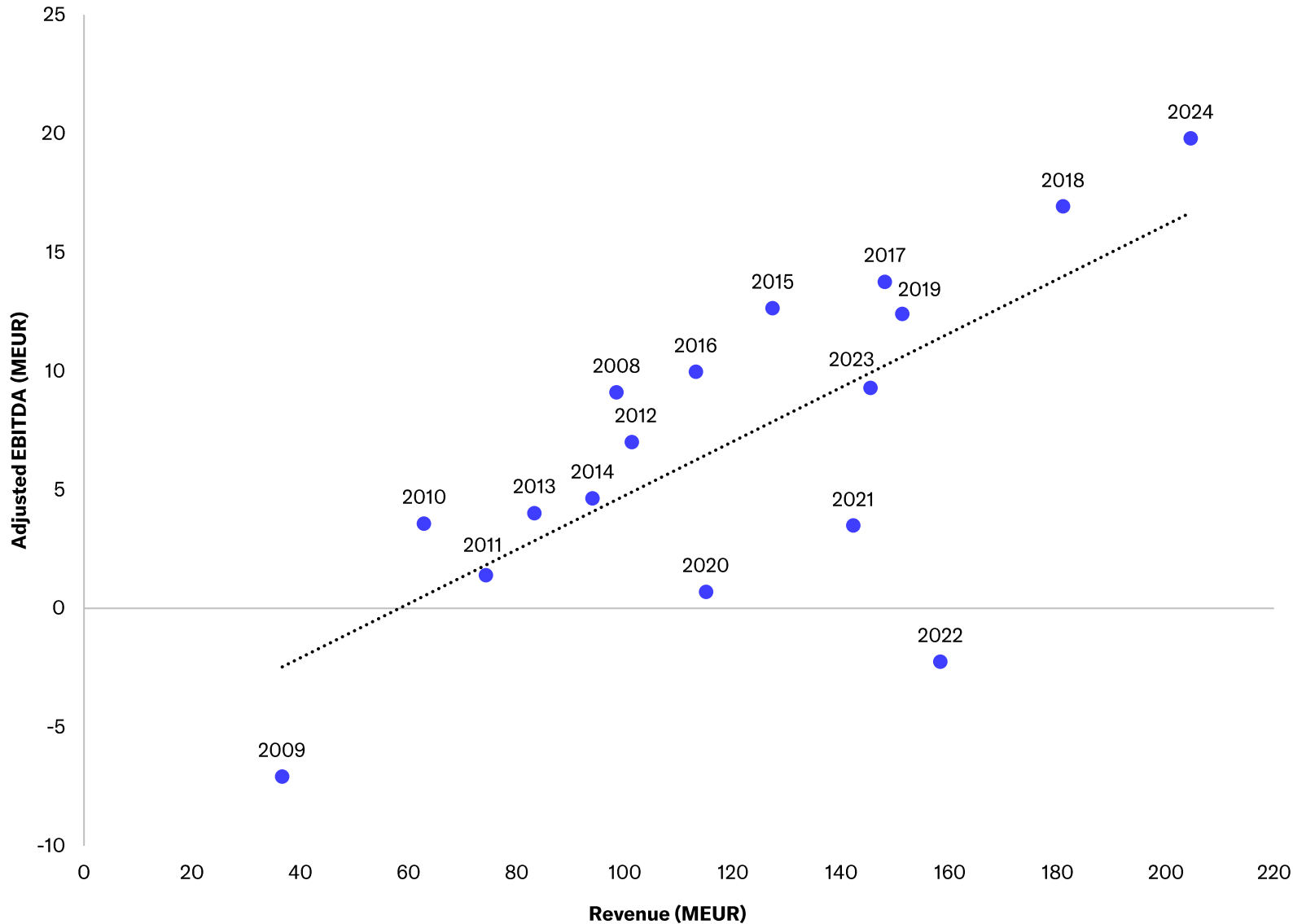
Distribution of cost structure (2024)



Product development expenses in absolute terms and in relation to revenue



# Raute's revenue and adjusted EBITDA 2008–2024



Source: Raute, Inderes

## Raute is characterized by high earnings leverage

- In the regression, for example, Raute's adjusted EBITDA increases by 1.7x the revenue growth when the revenue increases from 140 MEUR to 160 MEUR, by 1.5x when the revenue increases from 160 MEUR to 180 MEUR, and by 1.4x when the revenue increases from 180 MEUR to 200 MEUR. Earnings leverage works the other way around when the revenue decreases.
- Earnings leverage is typical for a business with a relatively high product margin, where fixed costs represent a significant portion of total costs. We estimate that 30-35% of Raute's costs are fixed.
- Earnings leverage is not fully symmetrical, especially at the ends of the revenue range, as changes in the relative share of subcontracting effectively limit the "ceiling and floor margins" under normal conditions (i.e., more expensive subcontracting is used proportionally more during periods of high revenue and vice versa).
- Relative profitability is also influenced by other factors, such as product mix, quality management (incl. project success) and workload balance, as well as the amount of research and development work.
- In 2024, driven in particular by growth and high revenue, as well as certain efficiency measures, Raute reached the "better side" of the regression curve for the first time since 2019, which we see as a step in a promising direction.

# Company description and business model 5/5

## Moderate capital commitment

As a technology company, Raute is not particularly prone to commit capital to fixed assets, despite the fact that the majority of its revenue comes from goods. For example, at the end of 2024, the ratio of the company's fixed assets (incl. IFRS 16 lease liabilities) to the previous 12 months' revenue was a reasonable 7%. This is due to the nature of the engineering business, which does not require huge factories but know-how. In addition, capital requirements are further reduced by outsourcing certain parts of production to subcontractors. According to our estimates, the company's own fixed inputs and the network of subcontractors have been under a rather heavy load at the achieved revenue level of 200 MEUR, while the company's own resources are already fully utilized at a volume of less than 100 MEUR. In view of the anticipated volume range, Raute has a moderate room for maneuver in terms of production. Furthermore, the company's business growth does not, in principle, unduly tie up the company's operating cash flow or increase its balance sheet.

In addition to fixed assets, Raute typically has little working capital committed due to the prepayment-oriented project schedules, although the amount of working capital can fluctuate strongly with the project cycles. The ratio of working capital to revenue was -16% at the end of 2023, although at that time the ratio was probably exceptionally favorable, as the company had several large projects underway and significant prepayments for them in hand. In the longer term, working capital-% has been positive because working capital in Services and Analyzers is virtually always positive as there are no advances in these units. As a result, the working capital of the group as a whole has been slightly negative when averaged over a longer period. On the other hand, Raute has been able to

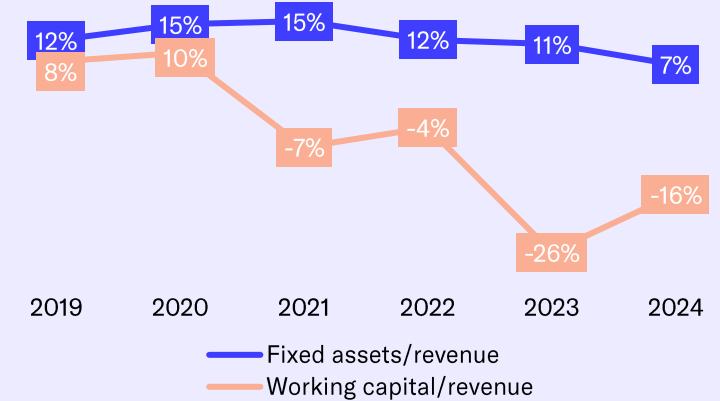
significantly improve the payment terms for its projects, so that the efficiency of working capital management may have improved permanently. In fact, we estimate that the normalized level of working capital is somewhere between the current situation and the longer-term average. In the next few years, in line with the current strategy, Raute's growth should also focus on Services and Analyzers, which will create some structural upward pressure on working capital, as it is unlikely that the payment terms for projects can be improved indefinitely. However, the good profitability levels of Services and Analyzers would make a slight upward pressure on NWC a positive problem.

The moderate capital commitment to fixed assets and working capital is clearly positive for investors, as Raute's light balance sheet structure allows it to generate excellent returns, especially on invested capital, even with reasonable profitability. Raute's return on equity has typically been lower than its return on investment. This is due to the strong balance sheet, which the company needs as a buffer against strong project cycles.

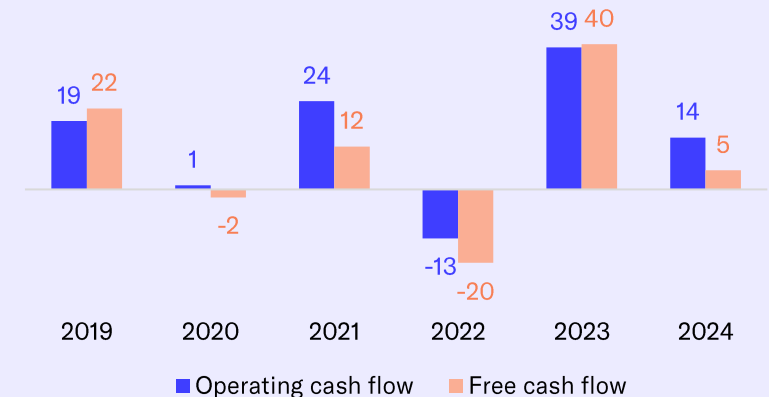
## Cash flow fluctuates strongly with working capital

Due to the progress of projects and the varying timing of payment positions, Raute's working capital requirements and thus the cash flow from operating activities can fluctuate very dramatically in the short term. The development of Raute's cash flow should therefore be examined over a longer time horizon. Historically, Raute's longer-term earnings and cash flow have also been well aligned, so that from an investor's point of view we believe it is sufficient to follow a more stable earnings trajectory if there are no changes in the company or its business dynamics.

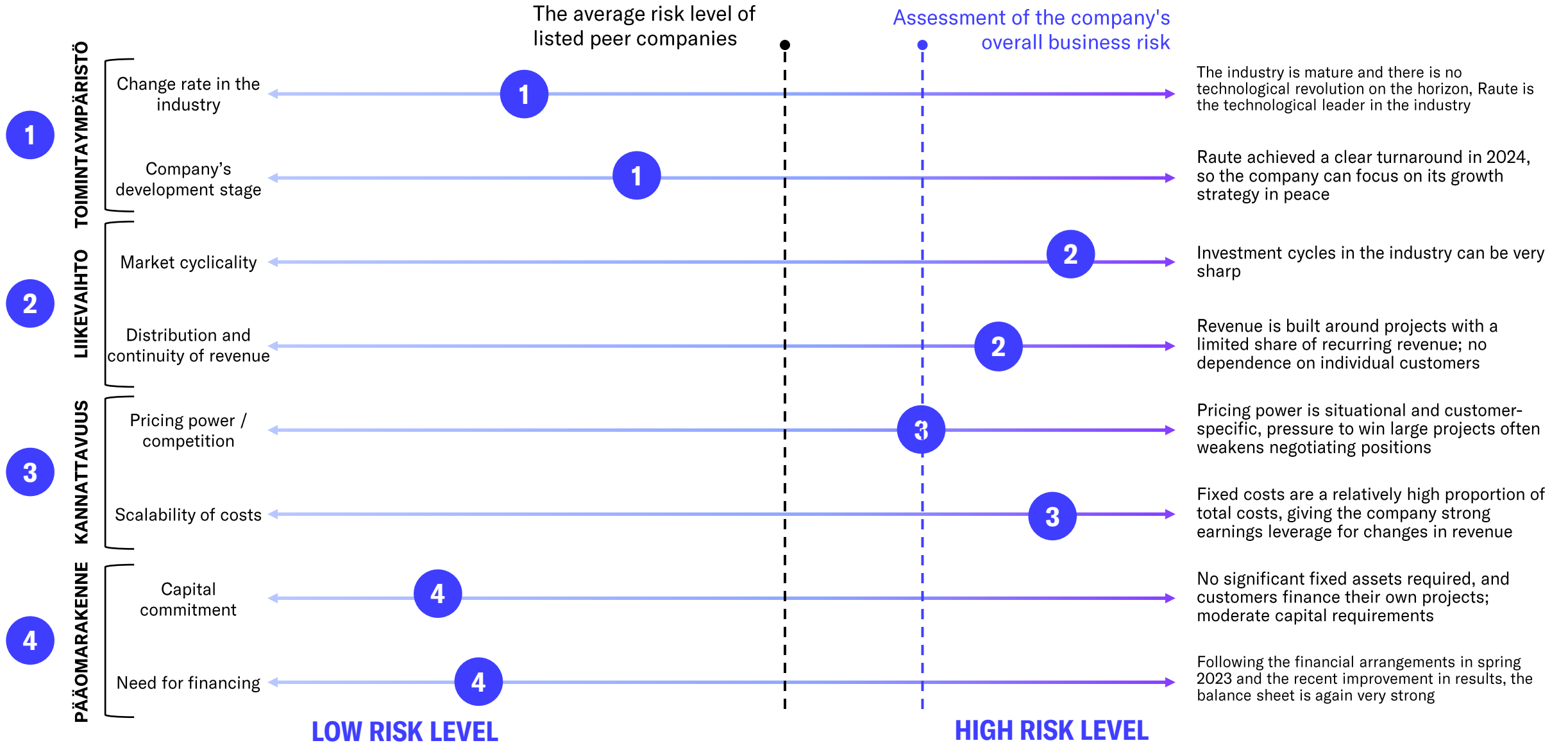
## Capital commitment in relation to revenue



## Free cash flow and operating cash flow (MEUR)



# Risk profile of the business



# Investment profile 1/2

## Raute pushes from turnaround company category to growth

In our view, Raute fell into the turnaround category in the early 2020s in the eyes of investors, but between 2023 and 2024 the company managed to turn the corner. The strategy published in spring 2023 aimed to position Raute as a growth company, but further evidence of sustainable and profitable growth is needed to reinforce the profile change from an investor perspective. Traditionally, Raute has also had elements of a dividend company, but with a growth-oriented strategy, we expect the company to keep its payout ratios more moderate than before.

### Positive value drivers and strengths:

**Strong market position and technological edge.** Raute is the undisputed global technology leader in LVL and plywood machines (incl. raw material utilization, automation, product quality) and the only company capable of supplying a complete plywood or LVL mill, which gives the company a sustainable competitive advantage, especially for demanding high-end deliveries and large projects. With this base and a global market share of 15-20% (>50% for large projects), the company has a strong foundation for profitable business growth. We also believe that the company's competitive advantage has remained intact even in the most difficult years in terms of results in recent years.

**Growth in Services.** We believe that growth in Services would be positive for Raute's value creation, as the service business is more profitable and less cyclical than project sales. Thus, growth in technology services, for example by expanding the customer base (e.g. spare parts for competitors' machines and better geographical coverage),

increasing sales to existing customers (e.g. preventive maintenance contracts) and leveraging digitalization (including new business models), could improve the company's profitability and lower the risk profile of the share. From Raute's perspective, the services market is still practically limitless. Growth in services is essentially linked to digitalization and IoT, opening up opportunities for the company to create new advanced services and revenue models, support equipment sales and reduce costs.

**Growth in Analyzers.** We also believe that growth in Analyzers would be positive for Raute's value creation, as analyzers are significantly more profitable and less cyclical than project sales. In Analyzers, we also see opportunities for the company to transfer its automation and measurement technology, which has proven successful in the plywood and LVL segments, to other segments of the wood products sector (e.g. solid wood and particle board), which will improve the unit's growth outlook, although even in the core segments we do not yet expect the market size to limit the growth of the still relatively small division, with the exception of Europe. In our view, the increase in the revenue share of the highly profitable Analyzers could also support Raute's acceptable valuation multiples.

**Improving profitability.** In the good cycles of 2016-2018 and 2024, Raute has achieved EBITDA-% levels of 9-10%, which is not an exceptionally good level for a high-tech engineering company in a high-volume environment. This is also indicated by Raute's financial target for 2028 of over 12% adjusted EBITDA margin over the cycle. Also, the losses and/or sluggish profitability in the 2020s cannot be attributed to the cycle alone, as revenue has remained at least tolerable in all years. We therefore believe that Raute has a chance to improve its profitability in all phases of the

cycle. We estimate that in addition to achieving high volumes, improving profitability would require tighter pricing, better definition of responsibilities in contracts, improving project margins by reducing product manufacturing costs, reducing quality costs, and growing faster in Services and Analyzers than the group as a whole. We believe the company has made progress on these fronts in 2023-2024, but there is still work to be done.

### Negative value drivers and risks

**Cyclical demand and the company's dependence on major projects.** We think that the volatility of revenue and result is Raute's biggest risk for investors. Predicting the timing of orders, which ultimately depend on customer decisions, is practically impossible, as sales processes for large projects can take as long as 1-2 years and the timing of investments always depends on the general climate in the financial markets and the development of the long-term demand/supply picture for end products. A significant proportion of Raute's customers are also small players with a short-term business focus, whose investment processes are not well established and are therefore difficult to predict.

Historically, the volatility of Raute's volumes has been reflected in strong fluctuations in the company's results. However, with the equity financing of 2023, Raute has restored its balance sheet to a strong position, which acts as "insurance" against cyclical risks. The company's order book also remains strong, despite the generally uncertain global economic and investment outlook. We therefore believe that the cyclical risk in the company is currently well below normal.



# Investment profile 2/2

In the longer term, reducing the cyclical risk would require in particular the Services and Analyzers to grow faster than the group, and/or the equipment business to break into China, the world's largest plywood producing country, but still a virtually untouched market for Raute. However, the company has not been successful in entering China for more than a decade and expectations in this respect are very low in the short term.

**Project risks.** Project delivery always carries the risk that projects will go wrong in terms of schedule, quality, or cost. The company may then lose its margin and, in the worst case, have to pay compensation to its customers (a rarity in practice). Raute's track record in this regard is not clean, as the company suffered from overruns in project costs in the previous good cycle in late 2018 and in 2019. The sharp inflation that started in late 2021 has also weighed on the margins of some projects, at least in 2022 and probably also in 2023. In our view, the realization of project risks (incl. contract terms) is one of the main reasons why we believe that the company's profitability potential has not been realized since the financial crisis.

**Limited (price) competitiveness in the low-end segment.** Raute's offering is on average expensive, and its premium pricing makes the company dependent on large cyclical projects and mature markets. In our view, Raute has invested in developing lower-priced mid-range solutions, but building a reasonable offering in the lower segments has proven difficult with Raute's cost structures. In China, for example, the company can therefore only wait and see how the market evolves.

**Success in the pursuit of growth over time.** Europe and LVL, where Raute's competitive advantage is strongest, will still boost Raute's revenue in 2025, but in the longer term

we do not believe that the slow economic growth in Europe, Raute's already high market share and the availability of raw materials will enable significant growth in the core region. Another region where the company has a strong competitive advantage and market position, Russia, is out of the picture, at least for the foreseeable future. In its new strategy, however, the company is clearly aiming for more aggressive growth, both in areas where it has a weaker market position (particularly in North America and probably also in some emerging markets) and in some new areas (e.g. other wood products). Achieving the growth targets may also require the company to make acquisitions and organic investments, the success of which is uncertain. Failure of the growth efforts and a simultaneous slowdown in demand in Raute's largest markets could, in our view, lead to a decline in revenue and result.

**US tariffs and counter-tariffs.** Raute's largest production facility to date is located in Vancouver, Canada, and the company's business model is also largely based on export deliveries. In addition, North America is an important and strategic market for the company, and within North America, the US is likely to play a major role. Thus, the potential tariffs imposed by US President Donald Trump on Canada, China and EU countries, as well as their potential counter-tariffs, could weaken the company's competitiveness, especially in North America. In addition, the companies sell internationally, so Raute may also suffer indirectly from its customers' loss of competitiveness. Unclear trade policies can also weaken and delay investment demand. Overall, tariffs and other trade restrictions are clearly a negative risk for Raute, but the extent of the risk is currently very difficult to assess due to the complex impact mechanisms and the almost daily changing situation.

## Summary of the SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ The most advanced technologies in the plywood and LVL sector</li> <li>▪ Comprehensive range of products and services</li> <li>▪ Market leader in several regions at the high end of the segment</li> <li>▪ Long history and references</li> </ul>	<ul style="list-style-type: none"> <li>▪ Very often the premium option in pricing</li> <li>▪ Cost competitiveness needs attention</li> <li>▪ No market presence in China</li> <li>▪ Local manufacturers have an advantage in North America</li> </ul>
<ul style="list-style-type: none"> <li>▪ There is room for improvement in profitability, especially over cycles</li> <li>▪ Growth in aftermarket activities</li> <li>▪ Expansion into other engineered wood products</li> <li>▪ China, but only in the very long term</li> </ul>	<ul style="list-style-type: none"> <li>▪ Cyclical demand and questionable ability to withstand weak market conditions</li> <li>▪ Project risks</li> <li>▪ Emergence of a low-cost competitor capable of comprehensive deliveries</li> <li>▪ Impact of potential tariffs and counter-tariffs on demand and competitiveness</li> </ul>

## Opportunities

## Threats

# Investment profile

- 1 Stabilizing profitability and improving it over the cycle
- 2 Strong and sustainable growth drivers behind wood construction
- 3 Growth in services and analyzers and expansion into other engineered wood products
- 4 Highly cyclical investment demand in the sector
- 5 Shifting the focus towards a more active pursuit of growth

## Potential

- Demand for plywood and LVL growing at least in line with global GDP
- High-margin aftermarket activities have organic and inorganic growth potential, especially in North America
- For the global leader in its sector, profitability has remained sluggish on average
- Expanding into new market segments could significantly increase the achievable market

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## Risks

- Demand for projects is highly cyclical and the weight of projects in the business structure remains high
- Risks associated with large projects and product development
- Limited competitiveness in the low-end segment
- Impacts of growth investment outside the strongest sub-regions (Europe and LVL)
- Two-way risks associated with potential acquisitions

# Strategy and financial targets 1/5

## A strategy based on sustainable competitive advantages

Raute renewed its strategy in the spring of 2023. In our view, the pillars of Raute's long-term strategy are high-quality technology, expansion of its offering, global presence with a focus on the Western markets, and efficiency. Over its long history, Raute has built up a unique market position and a strong competitive edge, especially in the upper and partly in the middle segments of the plywood and LVL markets, where product quality and production costs (i.e. production efficiency) are more important competitive factors than investment costs or service pricing. We estimate that these competitive strengths have remained largely unchanged in recent years.

## Competitive advantages highlighted in challenging projects

Raute's technological competitive advantages are highlighted in advanced markets with high cost levels and/or in large projects where the use of advanced automation and machine vision and/or the ability to provide comprehensive deliveries are crucial for competitiveness. Raute is the only equipment supplier in the plywood and LVL sector that can provide all the necessary sub-processes required for a plywood and LVL production line (although some competitors can assemble a complete mill using equipment from several companies).

A customer investing in a mill often wants to order all the machinery for a process from a single supplier, at least outside the North American market, to ensure process compatibility, streamline project management and achieve package pricing, which gives Raute a significant competitive advantage in large-scale projects. In addition, the company's 80-year history provides it with extensive references and good customer relationships (incl. personal

contacts), as well as the ability to provide global services, making it all the more difficult for other players to enter the industry.

## Maintaining competitive advantages through development investments

As already mentioned, the company also maintains its technological competitive edge through continuous investments in product development, averaging around 3-5% of revenue or 4-6 MEUR/year in recent years. Of this, we estimate that less than half has been spent on improving the core product offering in the current high-end segment and maintaining the technological edge. What's more, Raute has increased its investments in digital product and service models, especially in Services and Analyzers, while investments made in the early 2020s for better offering in emerging markets have been scaled back. There has also been at least some investment in expansion into other engineered wood products. Development costs in recent years have also been increased by the ERP project in 2020-2023, which aims to support the entire production portfolio.

We believe that the level of investment is sufficient to maintain Raute's competitive advantage at the high end of the segment and to position the company as a digital leader in the industry. Nevertheless, the success of developing an offering that extends into new areas (incl. other wood product segments) is much less certain. That said, the company does not seem to have the conditions or the will to properly penetrate the low-end segment.

As a technology leader, Raute is often the most expensive option for customers in tenders. Achieving a price premium is also a prerequisite for good profitability, given the company's cost structures. The pricing strategy is therefore well aligned with technological leadership. Maintaining cost

efficiency is still important in order to increase the margin over the cycle to a better level than in recent years.

## Company defined new main objectives in spring 2023

Raute's main strategic objectives are:

- Improving profitability
- Reducing profitability volatility
- Growing faster than the market
- Advancing sustainability in the industry

In the spring 2023 strategy update, the objectives changed to a more growth-oriented direction. Sustainability also emerged as a new theme. Improving profitability was also on the company's priority list before, but given Raute's profitability challenges in the early 2020s, keeping it at the top of the target list was imperative in our view, and the work is not over in this regard despite the huge improvement in 2024.

We believe that Raute has recently made efforts to improve profitability, notably through the 4-5 MEUR development program started in 2022 and completed in 2023, improved commercial terms, more efficient project management (incl. quality costs) and product development. In our view, the clearest potential for profitability improvement, especially over the cycle, lies in Wood Processing, which significantly improved its performance in 2024. We estimate that Wood Processing's profitability improved in 2024 largely due to growth and improved contract terms, as well as the development program, but there will be less room for improvement in these areas going forward. In contrast, we estimate that the profitability gains from project management and product development will, at best, only become visible on a larger scale in the coming years. 16

# Strategy and financial targets 2/5

In our view, Services and Analyzers will play a key role in improving profitability, reducing result volatility and achieving above-market growth, and should show better market growth and higher potential for market share gains. Demand in these businesses is also more stable, with a margin profile well above the group average, although in Analyzers the development has been very bumpy and the company still has a lot of work to do to reduce business volatility. As such, we believe these two divisions have an important role to play in the strategy, although we believe the potential for improvement over the cycle is clearest in Wood Processing (and, from 2024 levels, in Analyzers).

## Geographic focus on the West

Geographically, Raute is increasingly focusing on Western countries, with Asia outside China, Oceania and South America remaining on the company's radar. We believe this is partly a matter of necessity, as the war also forced Raute to withdraw from Russia. In 2025, a peace agreement in Ukraine is a possible scenario and in this case, the removal of sanctions against Russia could also open up export trade with Russia. We think that once sanctions are lifted, Raute could consider trading with Russia under certain preconditions (incl. full prepayment), but of course nothing can be counted on Russia at this stage. In China, market development has been slow, which is why Raute scaled down its Chinese organization in 2023. This was, in our view, understandable given China's weak output/input ratio and the risks associated with China. However, the decision also limited the company's potential, as China is the world's largest plywood producer and virtually a virgin market for Raute. The shift in focus to Western countries is also in line with the emphasis on the role of aftermarket products and services, as developed countries are the main market for Services and Analyzers. Especially in North America, both

businesses should have room for growth in plywood and LVL, and the other wood products segment is also relevant for Analyzers.

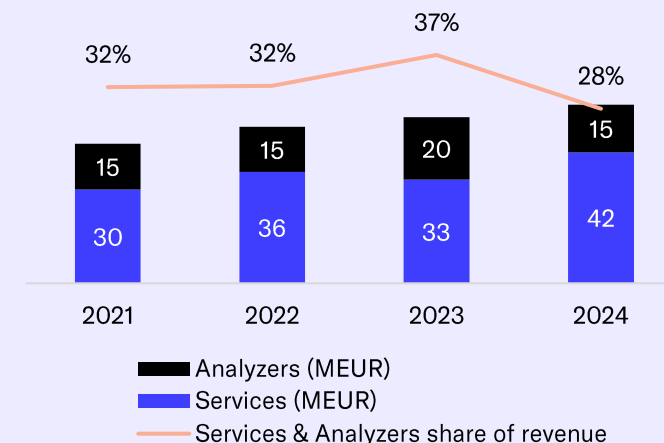
Overall, however, we believe that the company's operating model is global. We feel this is important because in Wood Processing, investments in the plywood and LVL sector, which are large in size and small in number, vary drastically geographically over time, making it difficult to narrow geographic coverage much further. In addition, Raute's equipment is used in many directions around the world, and the company's customers expect global service capability from Raute. Thus, we see the operating model as a key element of Raute's competitive advantage, even if the company's fixed cost structure is increased by the maintenance of a relatively broad geographical coverage.

## Acquisitions may be ahead in Services and Analyzers

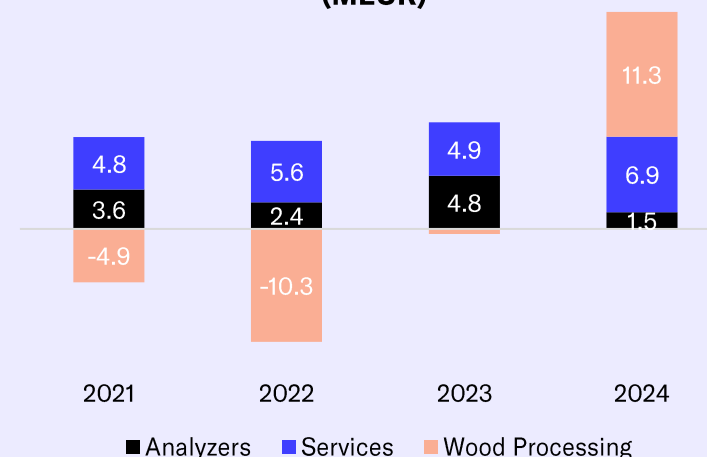
We believe that the pursuit of above-market growth will lead Raute to be more active in acquisitions as well. In recent years, the company has made two small acquisitions. In spring 2017, Raute acquired Metriguard, a US-based veneer strength grading technology company, for approximately 3.4 MEUR, and in spring 2020, the Finnish software company Hiottu (Hiottu has previously supplied software for Raute's products) for an estimated 1-2 MEUR. In both acquisitions, the main objectives have been strategic compatibility and strengthening the technological competitive advantage, while neither transaction has been significant for the company's results in the short term.

However, given the current quality of Raute's product and technology portfolio, the company has very limited targets available in Wood Processing to clearly improve its offering, while without a production or technology angle, it is difficult to justify acquisitions.

Services ja Analyzers revenue and share of group revenue



Adjusted EBITDA distribution by segment (MEUR)



# Strategy and financial targets 3/5

Expansion into the lower-end segment through acquisitions has also not been successful, although we believe the company has explored this option, at least in China. Thus, the role of Services and Analyzers is also emphasized in terms of acquisitions, as small service companies and technology that has been tried and tested in other industries but is suitable for the wood products sector could be sourced from North America or Europe.

In our view, for an acquisition to create value for Raute's owners, the purchase prices of potential acquisition targets should be low enough, as Raute, at least historically, has been chronically valued at relatively low multiples. The views on the values of the targets may therefore not be easily aligned with those of the sellers, which are often small local companies. Inorganic growth is thus not an easy task for the company, although the desire to accelerate growth now seems to be there. We also note that the fragmented plywood and LVL machinery markets are likely to consolidate in the long term. As a result, we believe that in addition to pursuing growth, Raute must also be prepared to respond to possible increased competitive threats through M&A.

## Sustainability is an integral part of the strategy

Sustainability is an integral part of Raute's (or almost any other company's) strategy, as the company manufactures machinery and equipment for processing the valuable wood raw material. We believe that improving the efficiency and maximizing the value of raw material and energy use, and of course safety, is a very natural way to work towards sustainability that simultaneously improves the business conditions of the company's customers and is in line with the sustainability promises and requirements

they make to their own customers. In the company's own operations, we estimate that the potential for improvement in sustainability matters is smaller, at least on the climate front (i.e. own emissions are relatively moderate).

## The financial targets are ambitious

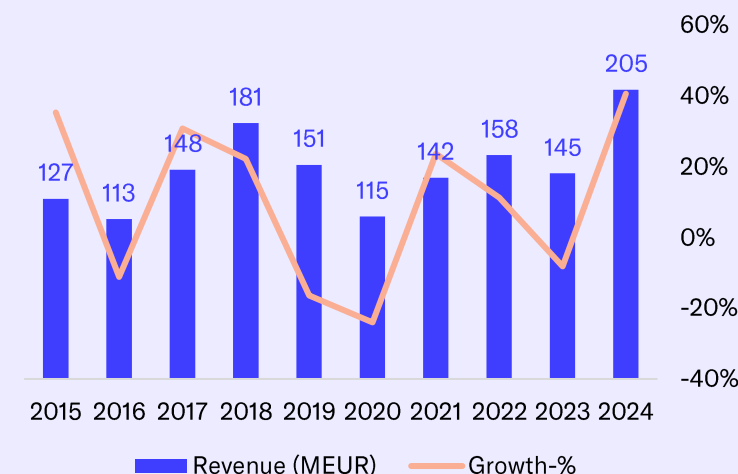
In connection with its strategy, Raute also updated its financial targets for 2028. They are:

- Revenue 250 MEUR (incl. organic and inorganic growth)
- Services' and Analyzers' relative share of revenue 40%
- Comparable EBITDA margin 12 percent on average over cycle
- Equity ratio over 40%
- Stable and sustainable dividend over different market conditions

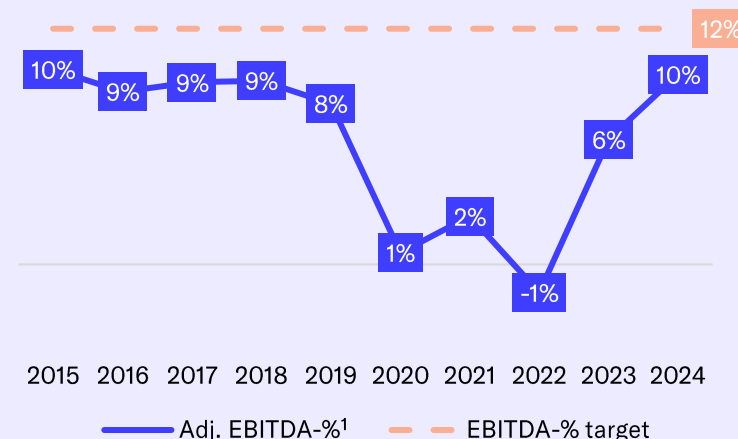
Over the last 5 years, Raute's revenue has averaged around 150 MEUR, while in 2024, thanks to several large-scale projects, the company reached a revenue of 205 MEUR. The growth target therefore corresponds to an annual increase of 4% above the 2024 level and an annual increase of around 15% above the longer-term average. The latter would be a much faster pace than the company's historical development and market growth.

Given the limited growth potential of the equipment business and the high market share in certain areas, we estimate that the target will also require inorganic growth. In Services and Analyzers, Raute is targeting annual growth of around 15% from 2024 figures. Accordingly, Wood Processing should be able to maintain a historically high level of revenue at roughly the same level as in 2024.

### Raute's revenue and revenue growth-%



### Adjusted EBITDA-% and profitability target



Source: Raute, Inderes

<sup>1</sup>The company started reporting adjusted EBITDA in 2022



# Strategy and financial targets 4/5

For Wood Processing in particular, the target is challenging due to high market shares in certain niches, lower inorganic growth margins and the fact that the number of large projects similar to 2024 is unlikely to be the norm. In Wood Processing, we estimate that achieving the indirect growth target will require eight-digit sales in other wood product segments. We therefore actually see the targets for Services and Analyzers as relatively easier, but even achieving them is likely to require significant inorganic growth or a major breakthrough in service models outside the spare parts business.

Raute achieved an adjusted EBITDA margin of around 10% in 2024 despite some write-downs, while Raute's average EBITDA was below 6% in 2016-2024. The main reasons for the modest profitability trend compared to many engineering companies lie, in our estimation, especially in the equipment business, as the adjusted EBITDA margins of Services and Analyzers have been 16% and around 19%, respectively, in the last 4 years. Hence, Raute's profitability target is very ambitious relative to the company's history, but we believe it is possible, at least in individual years, if the growth targets are met and Wood Processing in particular stabilizes its performance at least at the 2024 level.

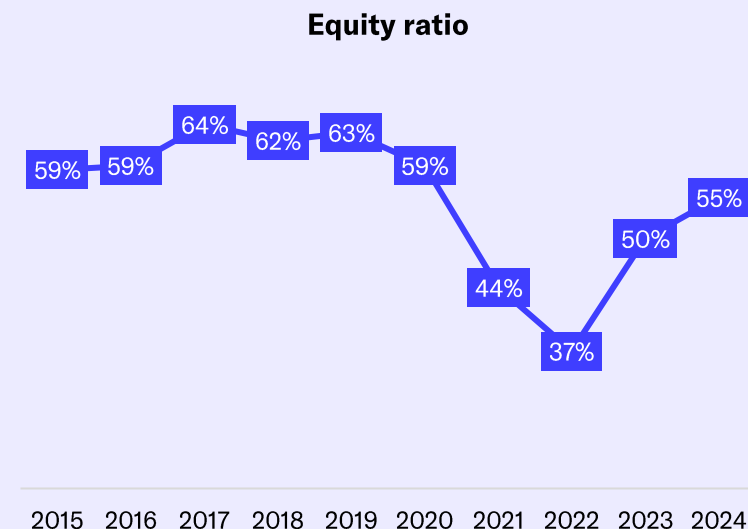
In the engineering business, in our view, high-tech-focused niche players such as Raute should achieve profitability levels well above the company's actuals, provided that workloads are reasonable and other factors affecting relative profitability, such as workload consistency, product mix, product quality, project management and pricing discipline, do not fail. We therefore see significant room for improvement in the company's profitability at all stages of the cycle, even with the current structure. Most of this is in

Wood Processing due to the low starting level, but Services and Analyzers have also hardly reached their full potential yet. In order to reach the target level, especially over the cycles, we estimate that it is necessary not only to continue the marked improvement in Wood Processing, but also to achieve the relative revenue target for Analyzers and Services.

However, the target level is also very ambitious in terms of profitability. Nordic engineering companies do indeed achieve higher margins than Raute's target, even over cycles, but due to its size, its sales structure based on customized products and to some extent large-scale projects, and the low share of aftermarket products and services, we do not believe that Raute has the potential to achieve the highest profitability in the sector for the time being.

## Strong balance sheet comes in handy

In terms of the balance sheet, we see an equity ratio of over 40% with the current equipment-centric business structure at the low end of the comfort zone, while with an equity ratio of 50%, we believe the cyclical buffer is sufficient. Raute's equity ratio has also generally been between 50-60% since the financial crisis. If the strategy of growing Services and Analyzers faster than the group is successful and the cyclical volatility is thus reduced in the medium to long term, we believe the optimal equity ratio could drop to the 40-50% range. We therefore consider the company's target for the lower limit to be logical. As a result, we do not see any risk of using the balance sheet inefficiently based on the targets or, on the other hand, taking on unnecessarily high risks with the balance sheet.



# Strategy and financial targets 5/5

## Raute is dividend-friendly company

Historically, Raute has been a very dividend-friendly company, and the dividend has been the main part of Raute's total shareholder return. In our view, this has been supported by Raute's family background and of course the previous strategy of more moderate growth has allowed for a return of capital with relatively high payout ratios to shareholders. We believe that the "stable and sustainable dividend" under the new dividend policy is a much more moderate starting point than in the past. However, this is in line with a more growth-oriented strategy, as the new strategy is also likely to require inorganic growth through acquisitions, which in turn will tie up capital. On the other hand, Raute is still a very cyclical company, so it does not make sense for us to link the dividend payout to the annual result, as this would make the dividend fluctuate wildly. We therefore regard Raute's dividend policy as good.

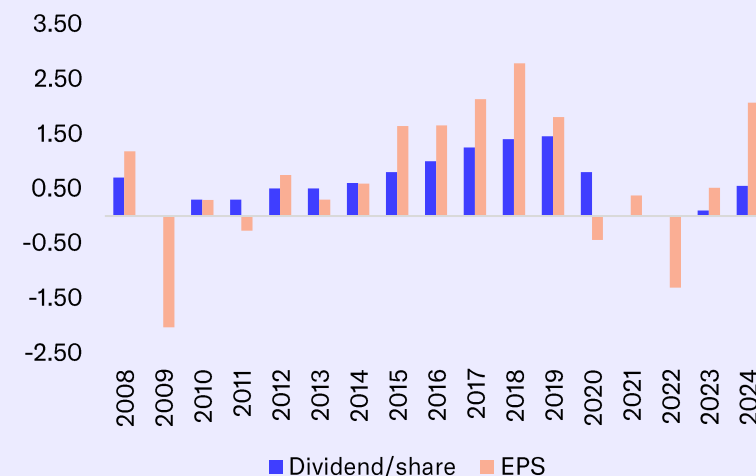
We see the company as having the potential to increase its dividend in line with the result, even if the payout ratios would generally be kept quite low. As a result, the role of the dividend in the formation of Raute's share return is expected to decrease and the role of growth and earnings growth to increase accordingly. Nevertheless, we are in principle positive about the reallocation of capital back into the business, provided the company finds investment opportunities with good expected returns.

## Share repurchases also part of the playbook

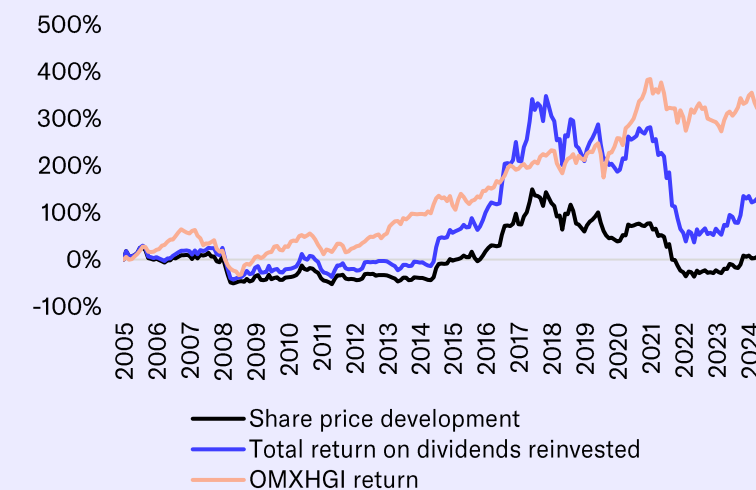
In addition to the dividend, Raute supplemented the profit distribution in spring 2025 with a small share repurchase program (max. 1.6% of total shares). In our view, the share buybacks were a very sensible move by the company,

given the very low valuation of the share at the time of the financial statement. We consider it possible that Raute will continue to enhance its dividend payout with smaller share repurchase programs, but we believe that any share repurchases should be evaluated on a case-by-case basis, taking into account the current valuation level of the share.

### Dividend and EPS development (EUR)



### Raute's return per share (2005–2025)



# Industry and competitive landscape 1/4

## Plywood and LVL equipment are a niche market

The market for Raute's project business (incl. modernizations) consists of investments in veneer, plywood and LVL production technology. Investments in the industry vary dramatically from year to year. The most recent estimate of the market size is 600 MEUR, which Raute presented in the share issue prospectus in spring 2023 and also in the annual report 2024. Thus, it is a rather small niche market (cf. e.g. the global plywood and LVL market size is around 50 BNEUR). We estimate that LVL accounts for around 10% of the market breakdown, with the plywood and veneer sectors covering the rest of the market.

In addition to equipment, the relevant markets for Raute are the market for service and maintenance of machines and the market for analyzers. In its prospectus, Raute estimated the size of the relevant service market globally to be around 300 MEUR, but due to the nature of the service business (vs. maintenance work performed by the customers themselves), the distinction is likely to be blurred. Analyzers are a niche market of around 60 MEUR globally, according to Raute's prospectus. Thus, the total achievable market for the company's current offering is just under one billion euros in the plywood and LVL segments. The inclusion of other engineered wood products in the target market would of course increase this figure drastically.

## Services and projects go hand in hand

From Raute's point of view, the aftermarket has a very high potential, which increases with each new project delivery. Thus, equipment projects and especially investments in new mills and lines are Raute's mainstay, which will also open up new opportunities for services and analyzers in the future. This is despite the fact that Raute is able to provide services,

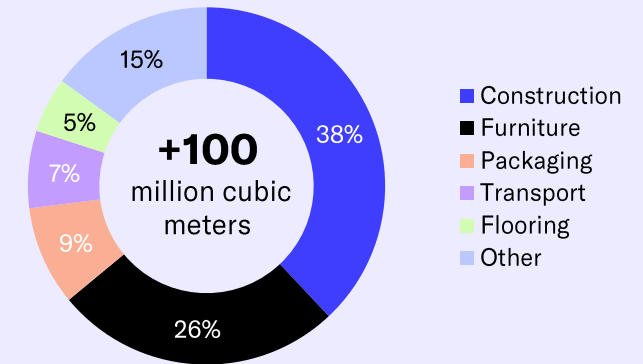
spare parts and analyzers for machines supplied by other manufacturers as well (and vice versa).

The aftermarket business is at different stages of development in different regions. In developed markets, the degree of "outsourcing" of maintenance has already increased, as manufacturers are already strongly focused on their main processes, namely production as well as development, marketing and sales of end products. In addition, in developed markets, analyzers and automation are widely used due to high quality and efficiency requirements in production. These trends can be expected to continue in emerging countries in due course, as cost inflation is inevitable in the long run and also tends to be fastest in emerging countries. We expect these factors to lead to increased outsourcing of service and maintenance as well as investments in automation, which we believe will support Raute's sales of aftermarket services and products over time. As such, we consider the long-term growth prospects for Raute's aftermarket services and products to be superior to equipment projects.

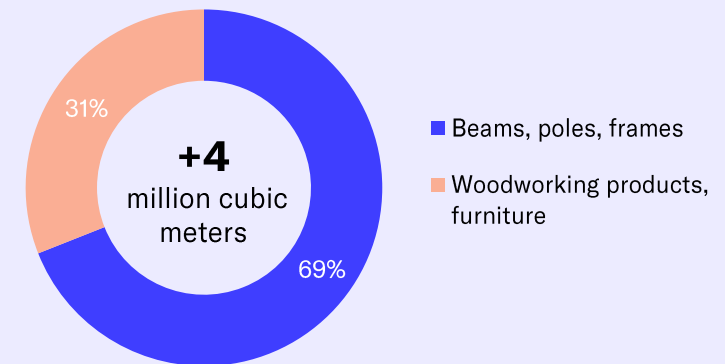
## Investment driven by demand for end products

The demand for investment in equipment naturally depends on the growth in demand for the products manufactured with its production technology and on the wear and tear of the equipment base. Demand for plywood and LVL is driven particularly by the construction sector, as approximately 70% of the world's plywood is used for buildings, furniture and flooring, with the remainder going to the transportation sector, packaging and various niche applications. In addition, most of the world's LVL is used as a structural material for buildings (beams, poles and frames) and a small proportion is used in the furniture sector. The construction sector is cyclical, i.e. it typically correlates with GDP growth in a leveraged manner.

Global consumption of plywood by end-use (2020)



Global consumption of LVL by end-use (2019)



# Industry and competitive landscape 2/4

In addition, plywood and LVL are gaining market share from other building materials thanks to their renewability, recyclability and carbon neutrality, although the sustainability trend may have been overshadowed by acute economic concerns in Western countries in recent years. As a result, the cyclical upside leverage of wood products can be higher than the sector average and the cyclical downside leverage lower than the average, especially in the long run. The investment-driven transport and packaging sectors, on the other hand, correlate with world trade and GDP growth.

The roots of Raute's cyclicity can be found in the cyclicity of its customers, although Raute has an additional lever in the cyclicity of investments. In recent years, the market situation for Raute's customers has mostly been good or moderate, even though construction on a global scale has not yet recovered to pre-financial crisis levels. Construction was not one of the sectors hit hardest by the COVID crisis, and the sector recovered between 2021 and 2022 as stimulus measures and low interest rates supported construction demand. In contrast, between 2023 and 2024, global construction was hit hard by the economic slowdown and rising interest rates. The recovery has not yet begun either, although interest rates turned down in 2024 and the downward trend is expected to continue.

## Plywood consumption growing at about the same rate as GDP

Reflecting the trends mentioned above, demand for wood products is expected to grow slightly faster than the general economy. In the 2000s, plywood consumption has grown at an average annual rate of just over 3%, driven almost entirely by growth in Chinese consumption. Since

the financial crisis, the boom in China has calmed down and growth has also slowed somewhat, but given the drivers that support wood products, we believe that a growth expectation for plywood of at least GDP is reasonable going forward.

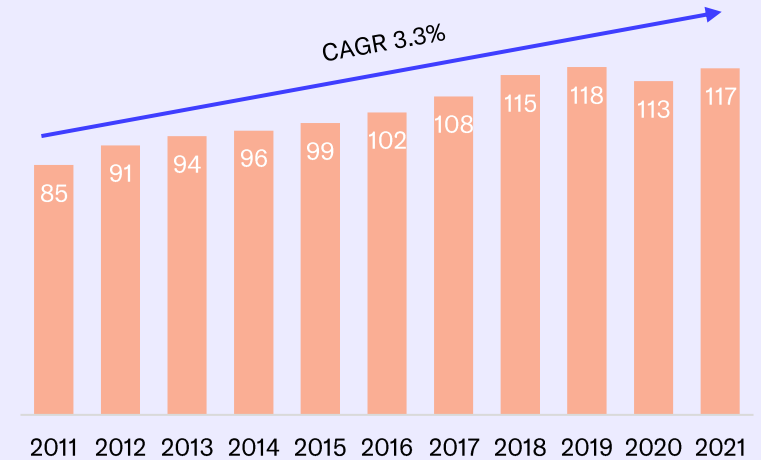
## LVL growth prospects better than plywood

For LVL, all indications are that the market will grow significantly faster than plywood in the future as construction increases, driven by urbanization and rising living standards, and sustainable LVL gains market share from other materials. LVL also has clear growth potential geographically, as it has traditionally been an important building material, especially in the US and also in certain European countries (e.g. Scandinavia and the UK). These drivers could, in our view, lead to average annual LVL demand growth of more than 5% once Western construction starts to recover from the shock of rising interest rates. However, this requires the US Federal Reserve to be able to cut interest rates despite a strong economy and President Trump's potentially inflationary policies (incl. tax cuts and tariffs), as the LVL market is still quite dependent on the US housing market and housing starts (cf the collapse in LVL production after the financial crisis).

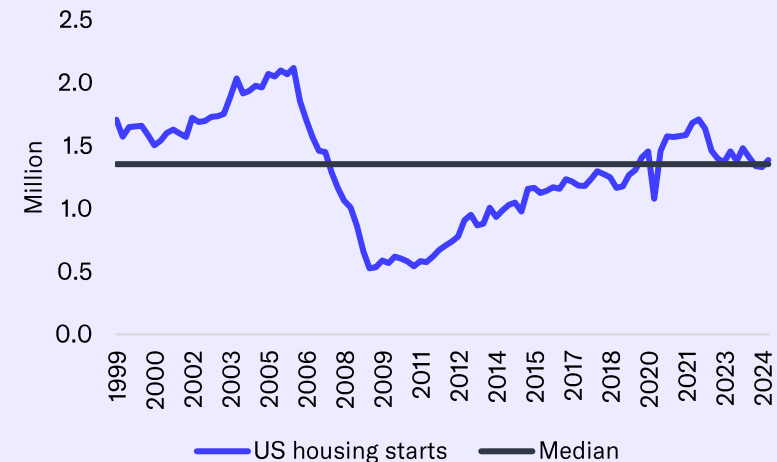
## Raute is a global market leader

Taking into account Raute's project revenues and market size, its market share in plywood and LVL investments is roughly estimated at 15-20% worldwide. This makes the company a global market leader in the industry and gives it a strong market position. The high end of the segment shows much higher market shares (even over 50%), while the low end of the segment, on the other hand, shows low market shares.

Global plywood consumption (million m<sup>3</sup>)



US housing starts (1999–2024)



# Industry and competitive landscape 3/4

Raute has a particularly strong market position in LVL, as a significant proportion of the world's veneer lumber is produced on machines supplied by Raute. In services, the market share is only around 10% and in analyzers around 25%. As a result, there is clear upside in market shares for all divisions globally. However, we believe that this will require successes especially in all units in North America, because in Europe the market shares are already high in many areas, Russia is basically out of the picture and there is no market route to China in sight.

## Competitors offer a more limited range

There are no competitors in Raute's competitive landscape that can offer a similar global package of products and services, including complete production lines and mills. Before the war in Ukraine, the competition was fueled by Russian MPT, which was able to assemble a mill with the help of its partners providing individual equipment. However, we understand that MPT did not have the exclusive right to offer its partners' equipment. This type of competition is not new to the industry and, in our assessment, did not pose a clear threat to Raute's position. Due to the war in Ukraine, we estimate that MPT's operating conditions have deteriorated significantly, and we have no information on the company's current situation.

In our view, the emergence of a comprehensive service provider is the main competitive threat to Raute in the traditional segments, and this type of operator would likely expand rapidly into aftermarket services and products as well. In the short to medium term, however, this risk is unlikely to materialize given the nature of the existing competition. On the whole, Raute's competition is still more focused on individual products and, on the other hand, on

different market areas with slightly different dynamics depending, for example, on the types of wood used in production, cost levels, customer relationships and investment preferences. Large engineering companies are unlikely to be interested in a small, slow-growing market that requires proprietary technology.

Raute's market position is strongest in Western markets with high quality and efficiency standards, especially in Europe, where it competes in particular with Angelo Cremona, Biele and Dieffenbacher. The US market is very similar in nature, but there local competitors (e.g. USNR) are a few notches better positioned than Raute, as customers in North America typically do not require a single supplier to deliver a complete package. Automation and analyzer solutions may also be slightly different in North America than in Europe.

In aftermarket services and products, Raute has significantly higher market shares and therefore lower potential in Europe than in North America. Especially in analyzers, North America is the largest market in the world, while the majority of Raute's revenue in Analyzers is likely to come from Europe. Raute's strategy is based on growing faster than the market, especially in aftermarket services and products, where success, given the starting point, requires the company to improve its market positions, especially in North America, but also in other regions.

Among the emerging markets, Raute had a strong position in Russia before the war, but the situation there has now virtually reached zero, at least for the time being. In South America, Raute's market position has been good in Chile and satisfactory in Brazil, and the company has also won its first deal in Uruguay in 2023. Raute's position in South

America is underpinned by the use of established industrial technology. In Asia outside China and in Oceania, Raute competes fairly evenly with the Japanese Taihei, Meinan and Hashimoto in particular.

In China, on the other hand, the market is dominated by small local players who are very price-competitive, and Raute has virtually no market position in the country. Raute has also scaled down its investments in China, so great results beyond individual successes are unlikely to be seen in the near future. There is no relevant market in Africa yet, but the region has long-term potential, partly due to untapped local timber resources. According to our estimates, Raute is at the forefront of attempts to enter the African market, as evidenced, for example, by the cooperative agreement signed with York Timbers in South Africa in 2017. In the short to medium term, Africa is unlikely to offer Raute any significant sales potential.

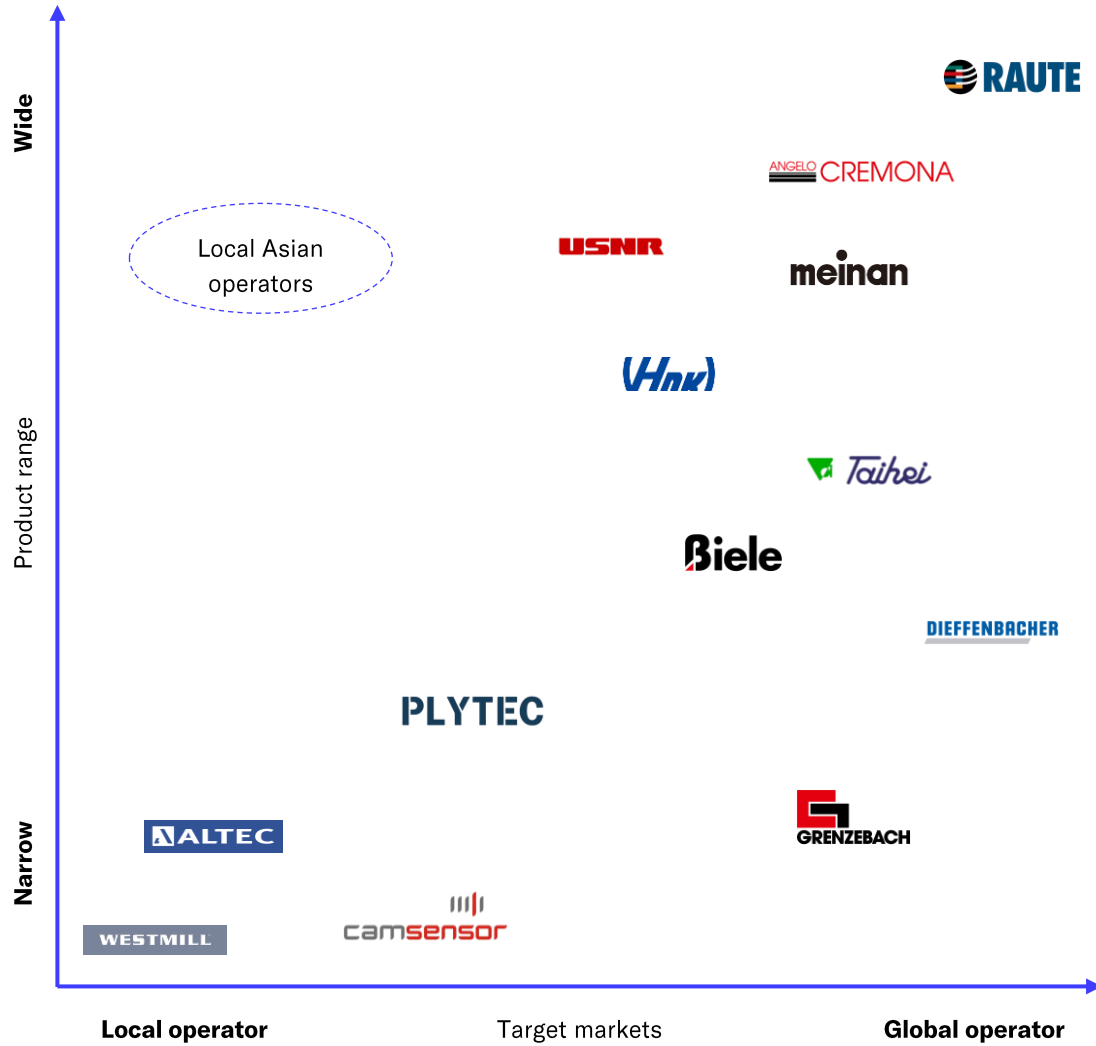
## Financial comparison with competitors not possible

A comparison of Raute's financial performance and valuation level with its competitors is greatly complicated by the fact that Raute is the only listed company in the sector. Given Raute's positioning and market standing, the company should have the potential to be one of the most profitable players in the industry. Based on the company's recent figures, we estimate that 2024 is the only year in which this could have happened, although no factual information is available.

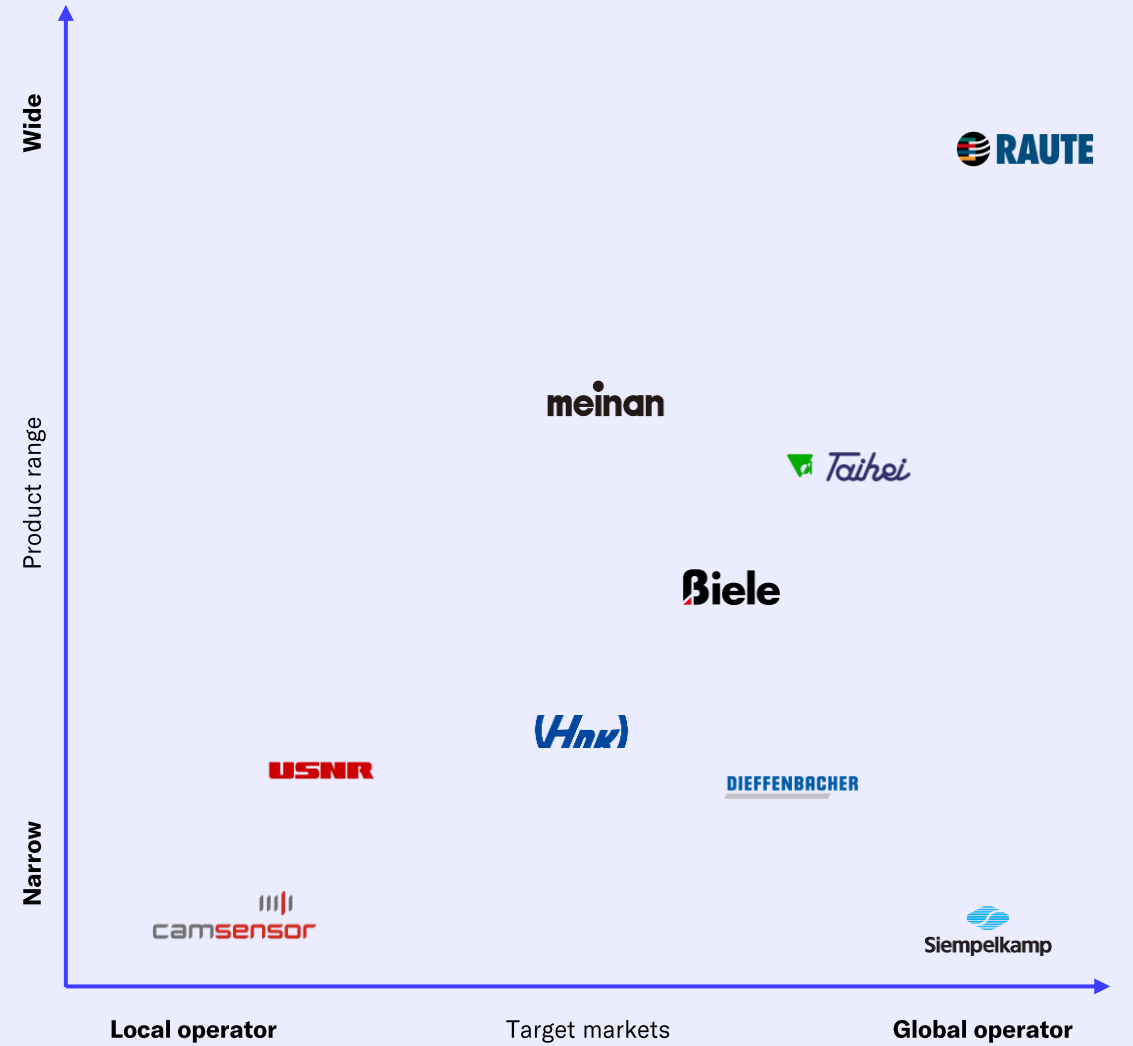


# Industry and competitive landscape 4/4

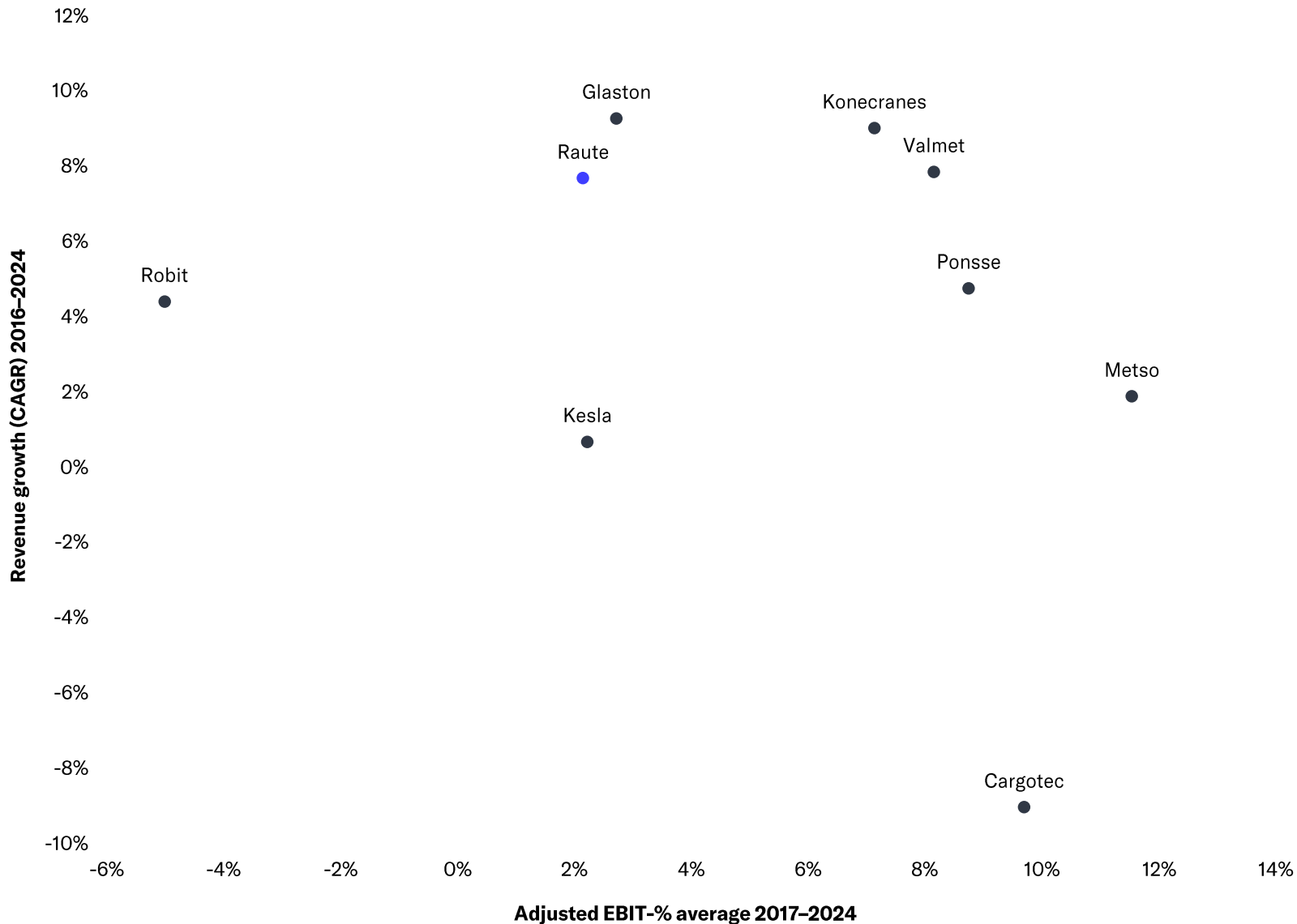
Market position in plywood technology



Market position in LVL technology



# Raute in relation to other Finnish engineering companies



Source: Bloomberg, companies, Inderes

## Still plenty of room to improve performance over the cycle

- In this figure, we compare Raute's growth and profitability in 2017-2024 with other Finnish engineering companies supplying investment goods.
- The period was quite good for engineering companies, as from 2017 until the outbreak of the COVID pandemic in spring 2020, the good economic situation supported the companies in the sector, and with the recovery from the pandemic, driven by the strong stimulus, the years 2021-2022 were also good for the companies. The turbulence between 2023 and 2024 treated companies differently.
- In terms of growth, Raute slightly outperformed its peer group over the period with an average annual growth of just under 8%. In contrast, the average EBIT margin of 2% achieved by Raute is more than 3 pp below the group median.
- The reasons for Raute's modest profitability on average are mainly due to the large role of the Russian market in the company's portfolio, challenges in project execution and partly also growth investments. However, the improvement achieved by Raute in 2024 clearly made up for lost ground, so the company is heading in the right direction.
- In our view, Raute's competitive advantages and market position are comparable to the average levels of its peer group, so we do not see its long-term growth and profitability potential falling below the average of its peer group.

# Financial position 1/2

## Balance sheet light on fixed assets

Raute's balance sheet is light on non-current assets. The fixed assets on the balance sheet are mainly related to the production facilities in Finland, mainly in Nastola. In other countries, Raute does not own the mills, but in IFRS 16 accounting, the related right of use assets are recorded under non-current assets. The company's need for fixed assets is reduced by outsourcing part of the production to a network of subcontractors. Raute has subcontractors especially in the Baltic countries and Asia. The balance sheet included 9.3 MEUR of fixed assets and 5.8 MEUR of right of use assets at the end of 2024. Intangible assets amounted to 9.9 MEUR at the end of last year. In relation to the size of the business, the share of intangible assets in the balance sheet is reasonable. The balance sheet only contained less than 2 MEUR of goodwill related to the acquisitions of Metriguard and Hiottu.

The largest balance sheet items on Raute's assets side are related to current assets, where the more significant ones are found in working capital, namely accounts receivable (Q4'24: 28.1 MEUR) and inventory (Q4'24: 23.5 MEUR). Cash and cash equivalents amounted to 57.5 MEUR at the end of 2024. To support liquidity, the company also has a committed facility of 5 MEUR until the end of January 2025 and uncommitted guarantee limits totaling 40 MEUR. Thus, the company's liquidity buffers are very strong.

## No traditional interest-bearing debt

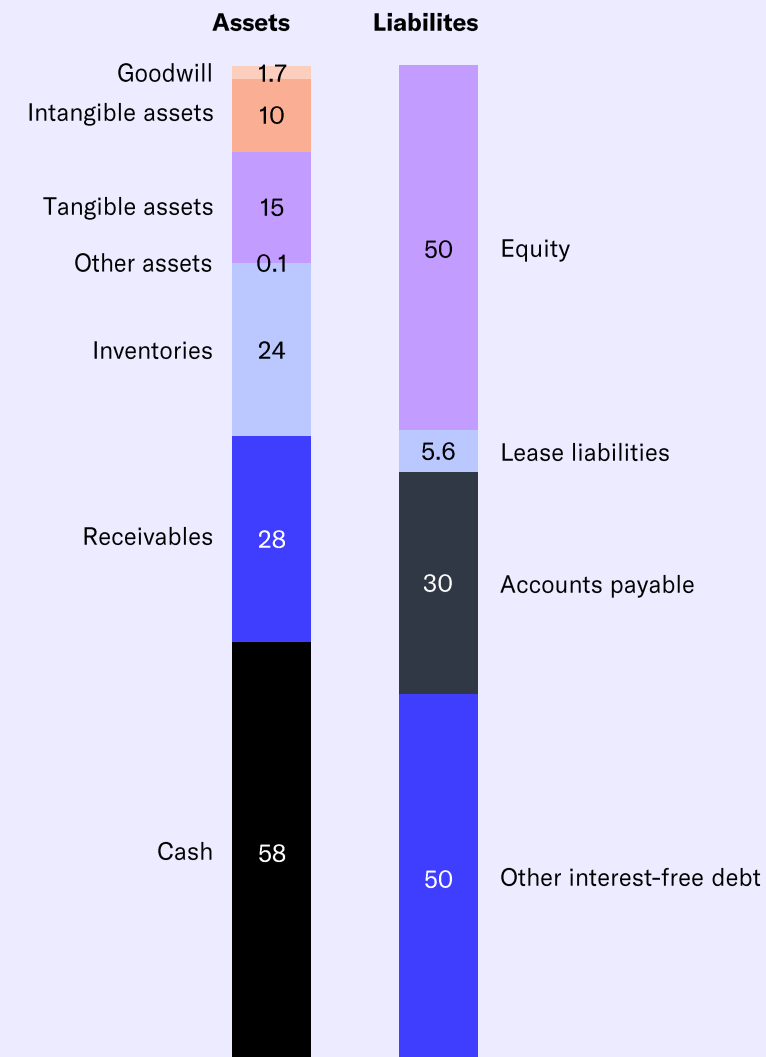
The company had 49.7 MEUR in equity at the end of 2024. Equity includes a convertible junior loan of 3 MEUR. The interest rate for the first 3 years of the convertible bonds is 3-month Euribor + 7.50%, i.e. currently around 11.5%. The company can repay the loans at the earliest in June 2026,

while the loan holders can convert the loans into shares until June 2026 at an estimated price level of EUR 11-12 (cf. the conversion rate of the loan was EUR 12.69 per share at the end of 2024, but the price is still subject to the deduction of dividends per share for the springs 2025 and 2026). The conversion price is subject to the company's dividend payment, so the conversion price is likely to fall twice before the conversion decision is made. If the loans are not repaid or converted into shares, the interest rate on the loans will rise after the first 3 years of interest, but in practice the options are likely to be conversion or repayment. Currently, Raute's share price and also our target price are well above the conversion price, so we project in our estimates that the loan will be converted into shares in June 2026.

At the end of last year, Raute had 5.6 MEUR of interest-bearing liabilities, all of which are lease liabilities under IFRS 16. The company had no ordinary interest-bearing debt. At the end of 2024, Raute had 80.7 MEUR of non-interest-bearing liabilities on its balance sheet, including in particular advances from customers for project deliveries and trade payables.

The balance sheet total was 136 MEUR at the end of 2024. This is considerably above the typical level for Raute and, in our view, is mainly due to the exceptionally high level of advances on the balance sheet. In turn, the prepayments consist in particular of the five major projects sold after Q1'23, of which 3-4 of the most important are still partially to be delivered. As a result, we expect the level of prepayments to decline sharply next year as the projects progress, unless there are positive surprises in the sales of new large-scale projects.

## Simplified balance sheet structure 2024 (MEUR)



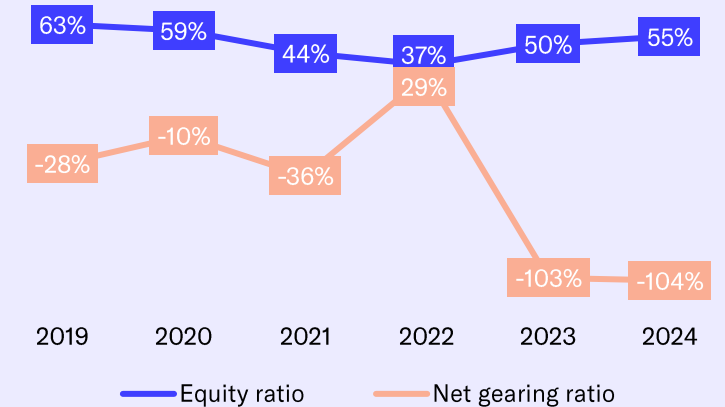
# Financial position 2/2

## Capacity remains to execute growth strategy

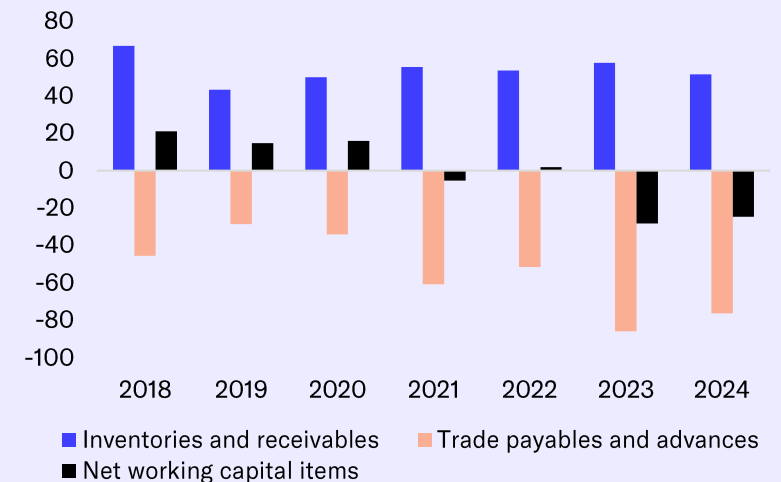
At the end of 2024, Raute's equity ratio was 55% and net gearing -104%. We prefer to look at the company's balance sheet through the equity ratio in particular, as the wildly fluctuating cash flow due to working capital items can swing the company's net gearing very quickly. Raute's current equity ratio is slightly above the company's 5-year average and well above the company's target level. As a result, we believe that Raute's financial position is strong and management has the freedom to focus on implementing the growth strategy. Adjusted for customer money, i.e. advances, Raute's balance sheet is on the net debt side, but as the net debt consists entirely of lease liabilities, we do not believe this changes the overall picture of the company's financial position. The net gearing ratio, adjusted for advances, is also roughly at the average level for Raute during the period of IFRS 16 application. Furthermore, zero advances are a very unlikely scenario.

If Raute remains in net profit in the near term, as we forecast, dividends are moderate, advances on the balance sheet decrease and the balance sheet total does not grow organically, we estimate that Raute could have 50-60 MEUR of investment capacity on its balance sheet for organic or inorganic growth projects consistent with its strategy. Of course, positive earnings growth and a good inflow of new orders would increase this headroom over time. Therefore, we believe that Raute can actively pursue its growth strategy if there are good investment opportunities in the market.

Equity ratio and net gearing ratio



Working capital development (MEUR)



# Estimates 1/4

## Estimate model

We forecast Raute's revenue development in the short term on the basis of order intake and in the medium term on the basis of estimated market and market share growth per division. In assessing short- and medium-term profitability development, we model the company's divisions individually and also the development of the company's gross margin and fixed cost structure at group level. Our long-term growth forecasts are based on market growth and the development of the company's estimated market share. Our long-term margin forecast is based on Raute's historical profitability, financial targets and also on our assessment of the company's profitability potential.

## Order book a good short-term indicator

Raute's order book is a good short-term indicator of the future due to its relatively fast average turnover. Over the past 5 years, Raute's order book for project deliveries has averaged around 6-12 months, calculated on the basis of the company's rolling revenue over the next 12 months. Due to the nature of the business and the delivery times under normal circumstances, we expect visibility to remain at around this level on average in the future as well. Of course, the timing of large projects can cause the situation to fluctuate to some extent during the project cycles.

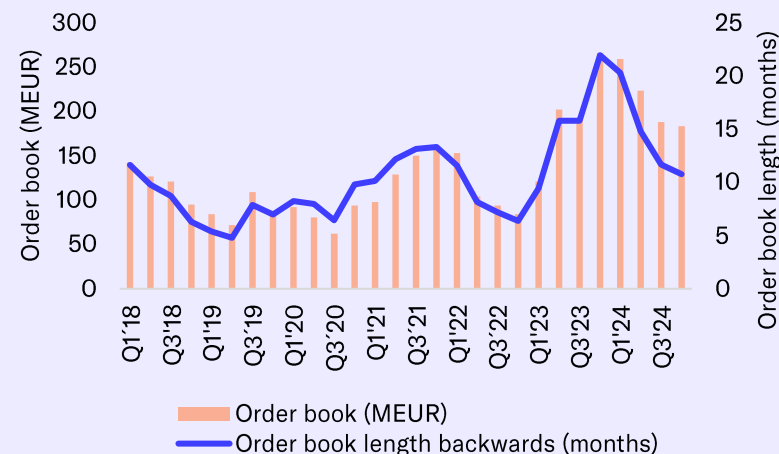
Although 2024 was a sluggish year for orders at Raute due to weak demand in the investment-driven businesses (Wood Processing and Analyzers), the company's order book still stood at 184 MEUR at the end of 2024. Although this represents a decline of 31% from the highest level in the company's history, which fell in the comparison period, the order book at the end of 2024 was more than 80%

above the long-term quarterly median. Consequently, the company's order book remains strong and gives the company good visibility for the current year. In its annual report, Raute estimates that in 2025 it will deliver approximately 151 MEUR of the part of its order book that is subject to partial revenue recognition. Thus, a high level of revenue is secured for the current year, as long as the deliveries are successful. In contrast, according to the annual report, the order book for 2026 amounted to approximately 24 MEUR, so that the revenue for 2026 will depend in particular on this year's sales of equipment and analyzers, as well as on the traction of the demand for services in 2026.

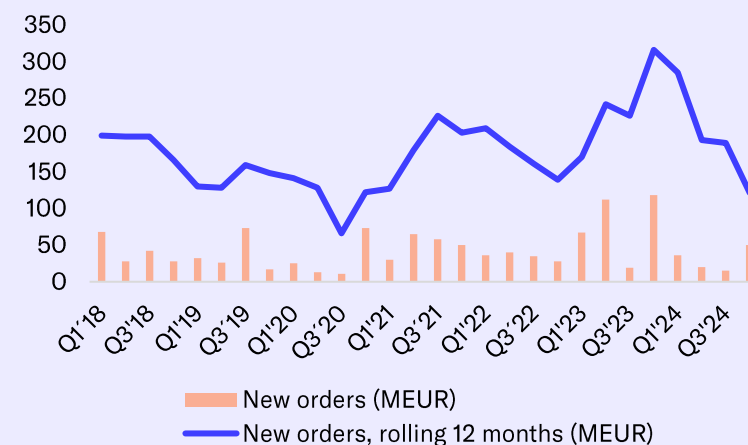
## We estimate that the order book has a good margin profile

Raute's order book is unlikely to contain any further orders that were sold during the period of high inflation. We also estimate that the order book has been sold after the refinement of commercial processes and terms (incl. clarification of responsibilities) by the current management. In addition, the order book is likely to contain a reasonable mix of projects of different sizes (cf. the company raised 50 MEUR of orders in Q4'24 from small deals without any large line and mill orders). As a result, large projects, which usually include small projects and aftermarket services and have lower margins than products, do not dominate the order book as they did in the comparison period. Therefore, we estimate that the order book structure is quite good and clearly above the company's historical levels. This should support Raute's earnings development this year, as long as the projects go according to plan and the fast-moving service sales perform well.

**Raute's order book and order book length (Q1'18–Q4'24)**



**Raute's 12-month rolling order flows for projects and services (Q1'18–Q4'24)**





# Estimates 2/4

## Market situation is twofold

Although Raute has collected a strong order flow from small streams, the overall market situation is very uncertain and there is no lasting evidence yet of the expected turnaround in demand after the sluggish year 2024. We believe that the outlook for demand for services is quite good, supported by Raute's own growth efforts in terms of new service models. However, the weak construction market and other uncertainties mean that customers are still not rushing to make investment decisions. In addition, US tariffs and counter-tariffs are shuffling the deck (incl. the threat of recession) and fueling investment-dampening uncertainty in several geographic regions, driven by President Trump's aggressive trade policy measures announced at the beginning of Q2'25. We expect the US to impose tariffs on imports into the country, although we expect at least some countries to conclude trade agreements with the US. However, the tariffs are at least delaying the economic recovery in Europe and have increased the risk of a recession in the US. On the other hand, the massive stimulus packages in Germany (and the possible reconstruction of Ukraine) are a positive option, given the significant European focus of Raute's revenue mix and its strong market position in the region.

In general, global construction is expected to pick up in H2 thanks to falling interest rates and a slow improvement in the economic situation, and to develop positively in 2026, which should gradually have a favorable impact on demand for Raute's various product groups, as long as tariffs do not push the global economy into recession. We estimate that the company also has a more or less regular number of ongoing discussions on major strategic mill and line investments in several directions, but it is difficult to predict the timing of these projects from the outside.

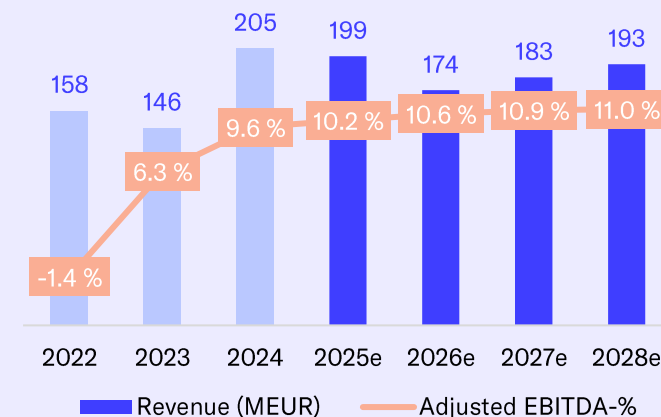
## Guidance indicates at least stable result for this year

Raute gave guidance for the current year, according to which the company's revenue will be 190-220 MEUR and adjusted EBITDA 17-24 MEUR in 2025. This corresponds to an EBITDA margin of 8-13% for the year, calculated crosswise from the edges, and, to better reflect practice, an adjusted EBITDA margin of 9-11%, calculated from the upper and lower ends. The mid-points of the ranges indicate a stable revenue trend and a 4% increase in adjusted EBITDA, while the edges leave room for clear growth or contraction in both revenue and result. However, we interpret the "spirit" of the guidance as indicating a more or less stable development for this year. What we believe to be a good and high-quality order book and healthy demand for services still support achieving the guidance, despite a tighter trade policy environment and a more uncertain outlook for equipment demand since the guidance was issued.

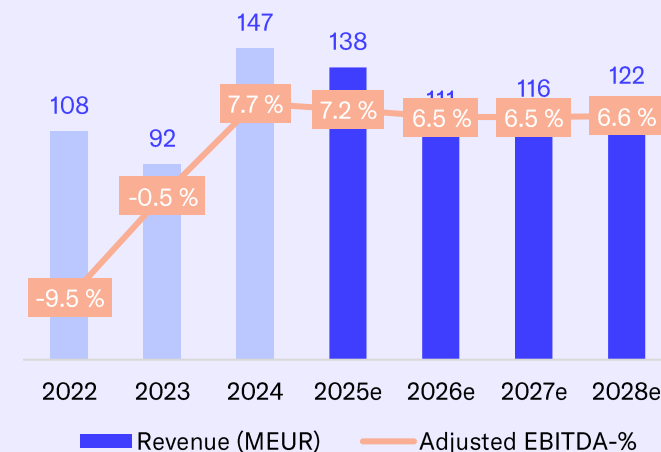
## We expect Raute to end up around the mid-point of its guidance ranges

Reflecting the prevailing situation, we estimate that Raute's revenue will decline by 3% to 199 MEUR this year. The decline will come particularly from Wood Processing, where the already seen decline in the order book will push down revenue by 6% in our forecast, despite a slight pick-up in orders. In Q1, we still expect Wood Processing to grow against more moderate comparison figures. Our growth forecast for Services is a cautious 4% after the 2024 realignment, but for Analyzers we expect 9% growth after the weak 2024. At group level, we also expect the company to grow in Q1, but thereafter the decline in Wood Processing's order book and the deterioration in comparison figures will curb Raute's growth.

## Group revenue and profitability



## Wood Processing revenue and profitability



# Estimates 3/4

A positive option for our forecasts would be large orders for lines and mills, especially in H1, which would support H2 revenue (our forecasts do not assume large orders in H1) and, of course, much stronger demand from the aftermarket business than we expect.

We expect Raute's adjusted EBITDA to improve by 2% to 20.2 MEUR this year, which corresponds to the best adjusted EBITDA margin in the company's recent history of around 10%. The earnings improvement will be driven by growth in Services and especially in Analyzers, where we expect quite good EBITDA margins of 17% this year. We expect Wood Processing's operating profit to decline slightly due to the revenue contraction, although the company's development and efficiency measures will offset some of the profitability pressure from the revenue decline through earnings leverage. Wood Processing's ability to withstand declining revenue is still unclear and history is not encouraging, so we remain somewhat cautious about the direction of the unit's profitability for the time being. Our forecast for Wood Processing's 2025 adjusted EBITDA margin is 7.2%.

We don't expect Raute to book any NRIs this year. We expect depreciation to remain stable at around 5 MEUR, financial expenses to be slightly positive, interest on the junior loan to be around 0.4 MEUR and the tax rate to be 23%. Thus, Raute's adj. EPS drops in our forecast by 7% to EUR 1.92 (cf. in 2024 the company had one-off expenses of 0.7 MEUR and positive financial expenses). We expect the company to raise its dividend to EUR 0.60 per share next spring, with a moderate increase in the payout ratio. In addition, we predict that the company will complete its ongoing share repurchase program in the summer, which will reduce the company's share volume by about 1.5%

according to our estimates. Next year may be weaker for the company in terms of cash flow due to project timing, but Raute's balance sheet will still remain extremely solid.

We did not change our estimates for 2025.

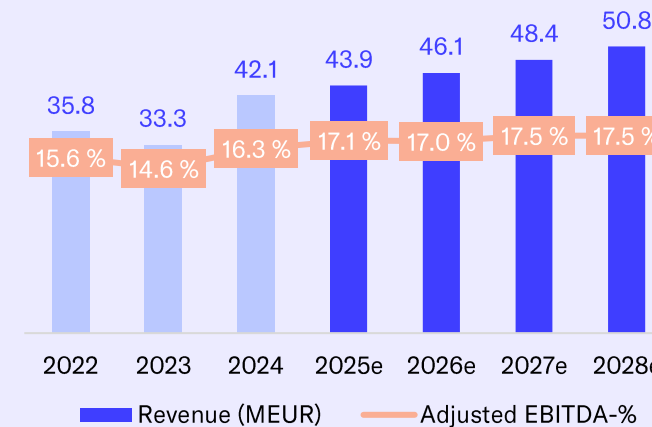
## More uncertain outlook for 2026

While the outlook for new orders in 2025 is uncertain, we expect Raute's order intake to remain at a tepid level of 130-140 MEUR this year due to a relatively stable pull in aftermarket activities and weak project demand. A major mill and line deal would likely be needed in 2025 to capture this order flow. Combining this with our projections for Raute's order book at the end of 2024 and revenue in 2025, we expect Raute to reach 2026 with a reasonable order book of 120 MEUR.

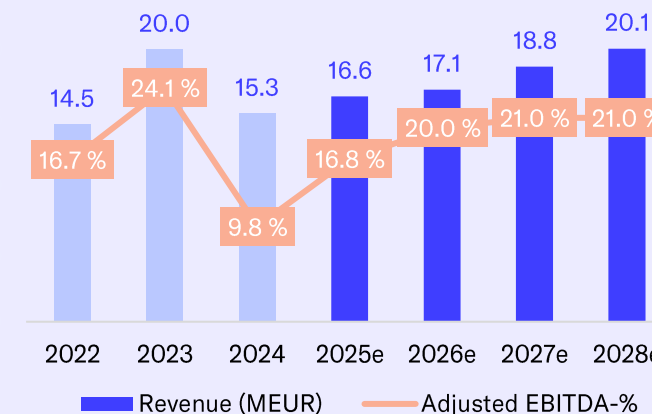
We expect Raute's revenue to decline by 13% in 2026 to 174 MEUR. In our estimates, Wood Processing will shrink at a rate of around 20% and reach the actual revenue level of 2020-2024, when the unit will no longer have several major projects in the pipeline, at least for the entire year. A positive risk to Wood Processing's revenue forecasts would be a better-than-expected development of large projects and orders for other engineered wood products, but we are not yet counting on the latter in our forecasts due to the challenging macro situation for new business development and the limited track record. We expect Services and Analyzers to catch up to moderate growth of 3-5% thanks to the improving economic situation (incl. customer market situation) and progress in strategy implementation.

We estimate Raute's adjusted EBITDA to decrease by 8% to 18.4 MEUR in 2026. Wood Processing, which continues to suffer from declining revenue, continues to weigh on the result.

## Services revenue and profitability



## Analyzers revenue and profitability



# Estimates 4/4

Still, thanks to efficiency measures, we expect the company to be able to achieve an adjusted EBITDA margin of 6.5%, which is better than in recent history, on revenue roughly in line with the medium-term revenue level of the company. For Services, we expect a fairly good adjusted EBITDA margin of 17% and for Analyzers a good adjusted EBITDA margin of 20%, driven in particular by growth.

We don't expect Raute to book any NRIs in 2026 either. We expect depreciation to remain stable at around 5 MEUR, financial expenses to stay slightly positive, interest on the junior loan to be around 0.2 MEUR (the loan will be converted into shares in summer 2026) and the tax rate to be 23%. As a result, we project that Raute's adjusted EPS will fall 16% to EUR 1.61, from which we expect the company to increase its dividend to EUR 0.65. In terms of cash flow, 2026 may still be quite weak for the company due to project timing, but Raute's balance sheet will remain very strong.

We have lowered our revenue estimates for Raute by around 5% and our earnings estimates by just under 10% due to macro risks.

## Long-term estimates

From 2027 onwards, we anticipate that Raute's revenue will grow by an average of 2-4% per year, supported by growth drivers driving demand for plywood and LVL as well as Raute's stable, good competitiveness and market position. However, we do not see cyclicalities disappearing, and Raute will continue to experience steep ups and downs in revenue with the economic and investment cycles, although the increase in the relative share of Services (and possibly also Analyzers) may offset these somewhat. Their timing, however, is impossible to estimate in the longer term.

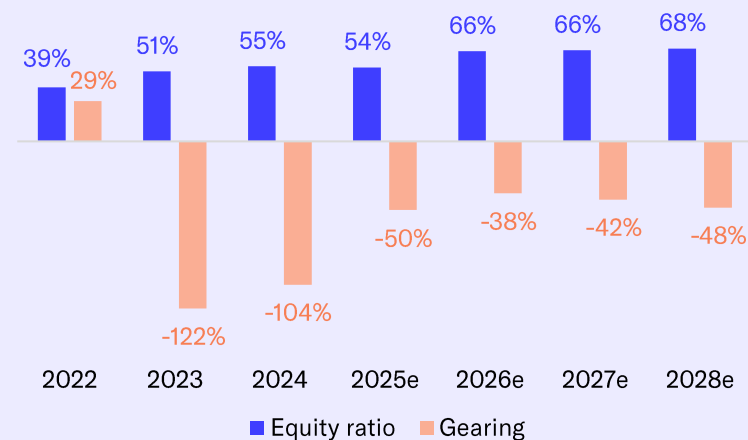
Nevertheless, our forecasts for 2028 are still well below the

company's target level of 193 MEUR (cf. the company's revenue target of more than 250 MEUR by 2028), reflecting the limited group-level growth drivers in terms of timing and outside of cyclical large-scale projects. Of course, our estimates do not include any acquisitions, which we believe will be necessary to achieve the company's target. The share of other engineered wood products in our forecasts is also still small, while achieving the company's 2028 revenue target would likely require the company to make significant progress in this segment as well, beyond its traditional core business.

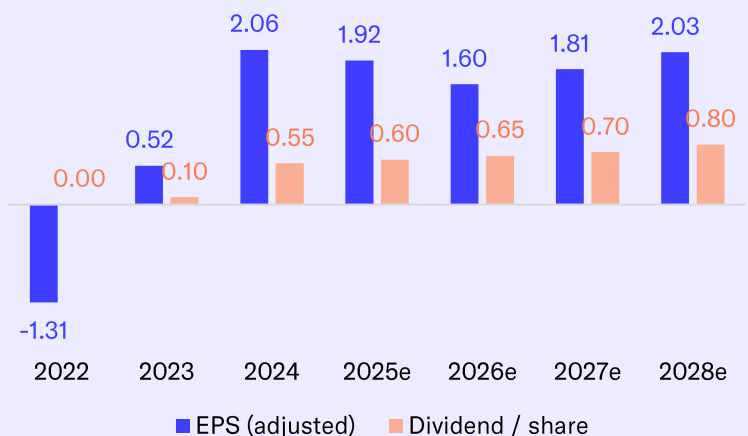
In the long term, with positive average revenue development and sustainable competitive advantages, we believe that Raute will for the time being be able to maintain its profitability at historical levels and generate healthy financial added value (average ROCE-% > WACC-%). Our adjusted EBITDA margin forecast for 2027-2032 is now 8-11%. Thus, although the year 2024 shows some promising signs in terms of profitability, our forecasts reflect in particular the company's historical performance, where Wood Processing's contribution to the group figures has been limited. Therefore, our profitability forecasts could have significant upside if Raute's strategy is successfully implemented.

We expect Raute's long-term financing costs to be low thanks to a continued strong balance sheet, and we estimate the tax rate at 23%. We also expect Raute to continue to steadily increase its dividend, but we have not modeled any new share repurchase programs in our forecasts, although we believe they are possible. We believe that long-term forecasts are of limited use for a highly cyclical company and have therefore used them mainly to support the short-term forecasts in the DCF model. We have not made any major changes to our long-term estimates beyond fine-tuning.

## Balance sheet key figures development



## EPS and DPS



# Income statement and estimate revisions

Income statement	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25e	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
<b>Revenue</b>	<b>145</b>	<b>44.7</b>	<b>57.1</b>	<b>46.4</b>	<b>56.5</b>	<b>205</b>	<b>48.8</b>	<b>52.8</b>	<b>43.6</b>	<b>53.5</b>	<b>199</b>	<b>174</b>	<b>183</b>	<b>193</b>
Wood Processing	92.4	32.0	41.8	32.2	41.2	147	34.5	37.7	29.0	37.0	138	111	116	122
Services	33.0	9.8	10.7	9.9	11.6	42.1	10.3	10.4	10.4	12.8	43.9	46.1	48.4	50.5
Analyzers	20.0	2.9	4.5	4.2	3.7	15.3	3.9	4.7	4.2	3.7	16.6	17.1	18.8	20.5
Adjustment items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation and amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>6.7</b>	<b>2.9</b>	<b>5.3</b>	<b>6.2</b>	<b>4.8</b>	<b>19.1</b>	<b>4.4</b>	<b>5.2</b>	<b>5.6</b>	<b>5.1</b>	<b>20.2</b>	<b>18.4</b>	<b>20.0</b>	<b>21.1</b>
Depreciation	-4.9	-1.4	-1.3	-1.4	-1.3	-5.4	-1.3	-1.3	-1.3	-1.3	-5.2	-5.2	-5.0	-5.0
<b>EBIT (excl. NRI)</b>	<b>4.4</b>	<b>1.6</b>	<b>4.1</b>	<b>4.9</b>	<b>3.8</b>	<b>14.4</b>	<b>3.1</b>	<b>3.9</b>	<b>4.3</b>	<b>3.8</b>	<b>15.0</b>	<b>13.3</b>	<b>15.0</b>	<b>16.1</b>
<b>EBIT</b>	<b>1.9</b>	<b>1.5</b>	<b>3.9</b>	<b>4.8</b>	<b>3.5</b>	<b>13.7</b>	<b>3.1</b>	<b>3.9</b>	<b>4.3</b>	<b>3.8</b>	<b>15.0</b>	<b>13.3</b>	<b>15.0</b>	<b>16.1</b>
Wood Processing (adj. EBITDA)	-0.5	1.2	3.1	3.7	3.4	11.4	2.1	2.6	2.6	2.6	9.9	7.2	7.5	8.0
Services (adj. EBITDA)	4.9	1.9	1.8	1.9	1.3	6.9	1.9	1.8	2.1	1.8	7.5	7.8	8.5	8.9
Analyzers (adj. EBITDA)	4.9	-0.1	0.5	0.7	0.5	1.5	0.5	0.8	0.9	0.7	2.8	3.4	3.9	4.2
Adjustment items (in EBITDA)	-2.5	-0.1	-0.1	-0.1	-0.3	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation and amortization	-4.9	-1.4	-1.3	-1.4	-1.3	-5.4	-1.3	-1.3	-1.3	-1.3	-5.2	-5.2	-5.0	-5.0
Net financial items	-0.1	0.2	0.6	0.4	0.3	1.4	0.3	0.3	0.2	0.2	0.9	0.2	0.2	0.3
<b>PTP</b>	<b>1.8</b>	<b>1.6</b>	<b>4.6</b>	<b>5.2</b>	<b>3.8</b>	<b>15.1</b>	<b>3.3</b>	<b>4.1</b>	<b>4.5</b>	<b>4.0</b>	<b>15.9</b>	<b>13.4</b>	<b>15.1</b>	<b>16.4</b>
Taxes	-0.4	-0.4	-1.1	-0.7	-0.8	-3.0	-0.8	-0.9	-1.0	-0.9	-3.7	-3.1	-3.5	-3.8
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net earnings</b>	<b>1.4</b>	<b>1.27</b>	<b>3.43</b>	<b>4.47</b>	<b>2.97</b>	<b>12.1</b>	<b>2.6</b>	<b>3.2</b>	<b>3.4</b>	<b>3.1</b>	<b>12.3</b>	<b>10.3</b>	<b>11.6</b>	<b>12.6</b>
<b>EPS (adj.)</b>	<b>0.52</b>	<b>0.22</b>	<b>0.58</b>	<b>0.74</b>	<b>0.52</b>	<b>2.06</b>	<b>0.40</b>	<b>0.50</b>	<b>0.54</b>	<b>0.48</b>	<b>1.92</b>	<b>1.60</b>	<b>1.84</b>	<b>2.00</b>
<b>EPS (rep.)</b>	<b>0.19</b>	<b>0.20</b>	<b>0.55</b>	<b>0.73</b>	<b>0.48</b>	<b>1.96</b>	<b>0.40</b>	<b>0.50</b>	<b>0.54</b>	<b>0.48</b>	<b>1.92</b>	<b>1.60</b>	<b>1.84</b>	<b>2.00</b>

Key figures	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25e	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
<b>Revenue growth-%</b>	-8.2 %	21.4 %	94.5 %	36.2 %	24.9 %	40.7 %	9.1 %	-7.5 %	-6.0 %	-5.3 %	-2.9 %	-12.6 %	5.5 %	5.3 %
<b>Adjusted EBIT growth-%</b>	-160.4 %	-5.5 %	-1227.4 %	186.9 %	187.1 %	231.5 %	93.1 %	-7%	-12.9 %	0.4 %	4.0 %	-11.7 %	12.8 %	7.5 %
<b>EBITDA-%</b>	4.6 %	6.4 %	9.2 %	13.3 %	8.6 %	9.4 %	9.0 %	9.8 %	12.8 %	9.5 %	10.2 %	10.6 %	10.9 %	10.9 %
<b>Adjusted EBIT-%</b>	3.0 %	3.6 %	7.3 %	10.6 %	6.7 %	7.1 %	6.4 %	7.3 %	9.8 %	7.1 %	7.6 %	7.6 %	8.2 %	8.3 %
<b>Net earnings-%</b>	0.9 %	2.9 %	6.0 %	9.6 %	5.2 %	5.9 %	5.3 %	6.0 %	7.9 %	5.7 %	6.2 %	5.9 %	6.4 %	6.5 %

Estimate revisions	2025e	2025e	Change	2026e	2026e	Change	2027e	2027e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
<b>Revenue</b>	199	199	0%	182	174	-5 %	185	183	-1%
<b>EBITDA</b>	20.2	20.2	0%	19.9	18.4	-7 %	20.6	20.0	-3%
<b>EBIT (exc. NRIs)</b>	15.0	15.0	0%	14.6	13.3	-9 %	15.3	15.0	-2%
<b>EBIT</b>	15.0	15.0	0%	14.6	13.3	-9 %	15.3	15.0	-2%
<b>PTP</b>	15.9	15.9	0%	14.8	13.4	-9 %	15.5	15.1	-2%
<b>EPS (excl. NRIs)</b>	1.92	1.92	0%	1.77	1.61	-9 %	1.88	1.84	-2%
<b>DPS</b>	0.60	0.60	0%	0.65	0.65	0 %	0.70	0.70	0%

Source: Inderes

# Balance sheet

Assets	2023	2024	2025e	2026e	2027e
<b>Non-current assets</b>	<b>35.2</b>	<b>30.1</b>	<b>30.9</b>	<b>30.6</b>	<b>33.3</b>
Goodwill	1.7	1.7	1.7	1.7	1.7
Intangible assets	11.0	9.9	9.9	9.9	9.9
Tangible assets	16.1	15.1	15.9	15.6	18.3
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.8	0.1	0.1	0.1	0.1
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	5.6	3.2	3.2	3.2	3.2
<b>Current assets</b>	<b>100</b>	<b>106</b>	<b>105</b>	<b>91.2</b>	<b>98.9</b>
Inventories	26.4	23.5	23.8	20.8	20.2
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	25.8	24.9	47.7	41.7	45.8
Cash and equivalents	48.1	57.5	33.4	27.8	33.0
<b>Balance sheet total</b>	<b>135</b>	<b>136</b>	<b>136</b>	<b>122</b>	<b>132</b>

Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
<b>Equity</b>	<b>38.4</b>	<b>49.7</b>	<b>56.9</b>	<b>60.4</b>	<b>67.9</b>
Share capital	8.3	8.3	8.3	8.3	8.3
Retained earnings	6.7	7.2	15.8	22.3	29.8
Hybrid bonds	3.0	3.0	3.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	20.5	31.2	29.8	29.8	29.8
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>5.9</b>	<b>4.7</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>
Deferred tax liabilities	5.3	0.0	0.0	0.0	0.0
Provisions	0.6	0.4	0.4	0.4	0.4
Interest bearing debt	0.0	4.3	4.0	4.0	4.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
<b>Current liabilities</b>	<b>91.1</b>	<b>81.6</b>	<b>74.4</b>	<b>57.0</b>	<b>59.9</b>
Interest bearing debt	1.3	1.3	1.0	1.0	1.0
Payables	86.0	76.3	69.5	52.1	55.0
Other current liabilities	3.8	3.9	3.9	3.9	3.9
<b>Balance sheet total</b>	<b>135</b>	<b>136</b>	<b>136</b>	<b>122</b>	<b>132</b>



# Valuation and recommendation 1/3

## The market prices Raute on earnings basis

We estimate that Raute is priced by the market on an earnings basis. In our view, both the EV-based ratios and the P/E ratio are well suited to the company, as there are no significant deviations between the upper and lower parts of the company's income statement. However, when evaluating EV-based ratios, some attention should be paid to the amount of customer advances on the balance sheet relative to the longer-term average, as changes in advances can swing cash flow, and thus enterprise value, fairly strongly with project cycles. Moreover, the advances are not the company's own money, so we think they weigh on Raute's acceptable EV multiples to some extent, at least in certain phases of the project cycle, although from the perspective of Raute's overall business picture, the advance-based project payment logic is a very good thing also from the investors' point of view.

In addition, we use the volume-based EV/S ratio as a "thermometer" in the valuation of Raute, and the balance sheet-based P/B ratio as a valuation metric to capture the strength of the expectations loaded on the stock, even though Raute is by no means a capital-intensive company priced on balance sheet or volume. We estimate the role of dividend income for Raute to be small under the current growth-based strategy, although historically a large part of Raute's earnings has come from dividends.

## Acceptable valuation still moderate

We believe that especially the following factors support and depress Raute's valuation:

**A sustainable technological competitive advantage and a strong market position** keep confidence in the company's long-term competitiveness high and support the acceptable

valuation.

**Growth in the aftermarket business** would support Raute's acceptable valuation, and with continued growth in these more profitable and stable parts of the business, there could be upside potential in the valuation.

**The balance sheet is strong** after the financing arrangements in the summer of 2023, which constrains the risk profile of the stock.

**The outlook for earnings growth in the coming years** is limited in the baseline scenario due to the sharply higher earnings level in 2024, but the company would have room for positive surprises if the strategy is successfully implemented or if the operating environment turns out better than our forecasts.

**Investor confidence** in the company is likely to have suffered during the challenging 2020-2022 period, and a valuation recovery will require Raute to deliver solid earnings quarters and years.

**The highly cyclical nature of the business** keeps investor risks chronically high and requires clear safety margins, especially in a good cyclical phase.

**Small size** raises the risk profile of the business relative to many other larger and more diversified companies and limits the interest of certain types of investors.

In our view, taking into account the above factors, Raute's share should be valued with an EV/EBIT multiple of 7-10x and, correspondingly, a P/E multiple of 10-14x. These multiple ranges are roughly in line with the company's long-term multiples. In our view, the largely good performance of the aftermarket businesses (Services and Analyzers) in recent years has contributed to some extent to Raute's acceptable

Valuation	2025e	2026e	2027e
Share price	15.1	15.1	15.1
Number of shares, millions	6.23	6.33	6.33
Market cap	94	95	95
EV	68	72	67
P/E (adj.)	7.8	9.4	8.3
P/E	7.8	9.4	8.3
P/B	1.7	1.6	1.4
P/S	0.5	0.5	0.5
EV/Sales	0.3	0.4	0.4
EV/EBITDA	3.4	3.9	3.3
EV/EBIT (adj.)	4.5	5.5	4.5
Payout ratio (%)	30.5 %	39.8 %	38.8 %
Dividend yield-%	4.0 %	4.3 %	4.7 %

Source: Inderes

# Valuation and recommendation 2/3

valuation, but at least as big a countervailing factor has been the rise in long-term interest rate expectations.

Compared to a core peer group operating with a similar business model (small and/or investment goods-driven engineering companies on Nasdaq Helsinki), we believe that Raute should be priced at a roughly 10-30% discount depending on the stage of the cycle, due to its higher average risk profile for the time being. In our view, there could be downside in the longer term if the company can improve its growth and profitability track record in the coming years through successful execution of its strategy.

## Low valuation multiples for the next few years

Raute's valuation is already low at 2024 actual earnings (2024 ACT P/E 4x, EV/EBIT 3x), but the backstop provided by actual earnings is not particularly strong for a cyclical company. Based on our forecasts for 2025, Raute's P/E multiple is 9x and EV/EBIT is 5x, so even at the stable earnings level of our forecasts, the valuation of the stock is below the levels we have approved for the company. Our estimates for 2026, reflecting a slightly lower result for the year, show a similar valuation picture. As a result, we consider multiples to be very moderate, although the likely exceptionally high number of advances will weigh on EV-based multiples for this year as well. In calculating the EV multiples, the company's 4 MEUR convertible junior loan has been treated as a liability until summer 2026. Thereafter, we expect the loan to be converted into shares as our target price is below the conversion rate of the loan (EUR 12.69/share at the end of 2024).

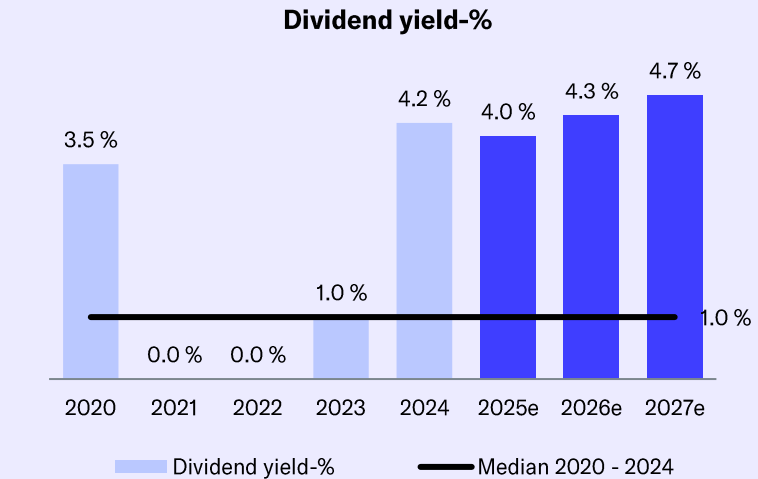
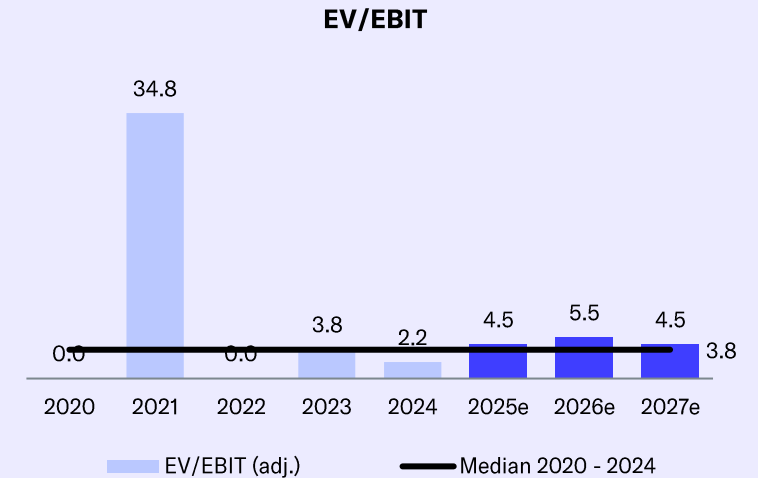
## Historical valuation based on balance sheet and volume also gives a positive signal

Raute's current year EV/S factor of 0.3x (incl. 3 MEUR equity junior loan treated as debt) is slightly above Raute's own 5-year median. However, the level is very low in absolute terms and Raute's own low medium-term EV/S median also reflects the company's difficulties. In fact, we still consider the company's volume-based valuation to be low, as we believe that the company's competitive advantages in terms of technology and market position have remained intact even during the difficulties of recent years.

Raute's moderate valuation is also reflected in its P/B ratio of 1.8x (2024 ACT). In our view, the balance sheet valuation is tolerable compared to Raute's return on equity over the past decade (2014-2024 median ROE-% 13%). Furthermore, performance is stabilizing at a high level, which has typically driven Raute's P/B valuation above the long-term average over time. Thus, we believe that the stock also receives some support from the balance-sheet valuation at this stage. In our view, the reasonable balance-sheet and low volume-based valuations and the reasonable support levels they provide for the stock lower the risk profile of a current investment in Raute and thus improve the risk/reward ratio.

## Peer valuation is only indicative

In the peer group we have included small engineering companies from Nasdaq Helsinki and companies from the larger Nordic engineering companies that are active in industrial investment goods. We think that these types of companies are somewhat comparable to Raute due to similar business drivers. However, we believe that peer valuation is only an indicative method for a company, as the peer group is narrow and does not include direct



# Valuation and recommendation 3/3

competitors.

The median peer group multiples for 2025 and 2026 are 11x and 10x P/E and 10x and 9x EV/EBIT. In our view, the peer valuations are generally not expensive, but there are uncertainties in the earnings components as most companies have earnings improvements from the economic recovery built into their forecasts. On the whole, however, Raute has been valued at a substantial and higher-than-justified discount to its peer group on an earnings basis.

## DCF valuation

We give relatively little weight to the cash flow model (DCF) in the valuation, as the cash flow model is particularly sensitive to the variables in the terminal period. Our DCF model values the stock at around EUR 19, which, similar to other valuation methods, gives a positive picture of the long-term expectations attached to the stock. Given the limited evidence so far, the model only reflects a scenario in which the company succeeds in restoring profitability to historical levels.

The weighted average cost of capital (WACC) we use in the DCF model is 10.0%, reflecting the risk profile of the stock, and the cost of equity is 10.6%. In our model, we have slightly increased our required returns in response to the general increase in global trade, economic and geopolitical risks. If the risks dissipate and the company's performance continues to improve, we believe there may be room for the required return to decline over time, although current interest rate expectations and the equity-based financial structure keep the required return fairly high. Thus, the DCF value has upside in terms of both forecasts and

required returns, provided that the implementation of Raute's strategy is successful in line with the company's objectives.

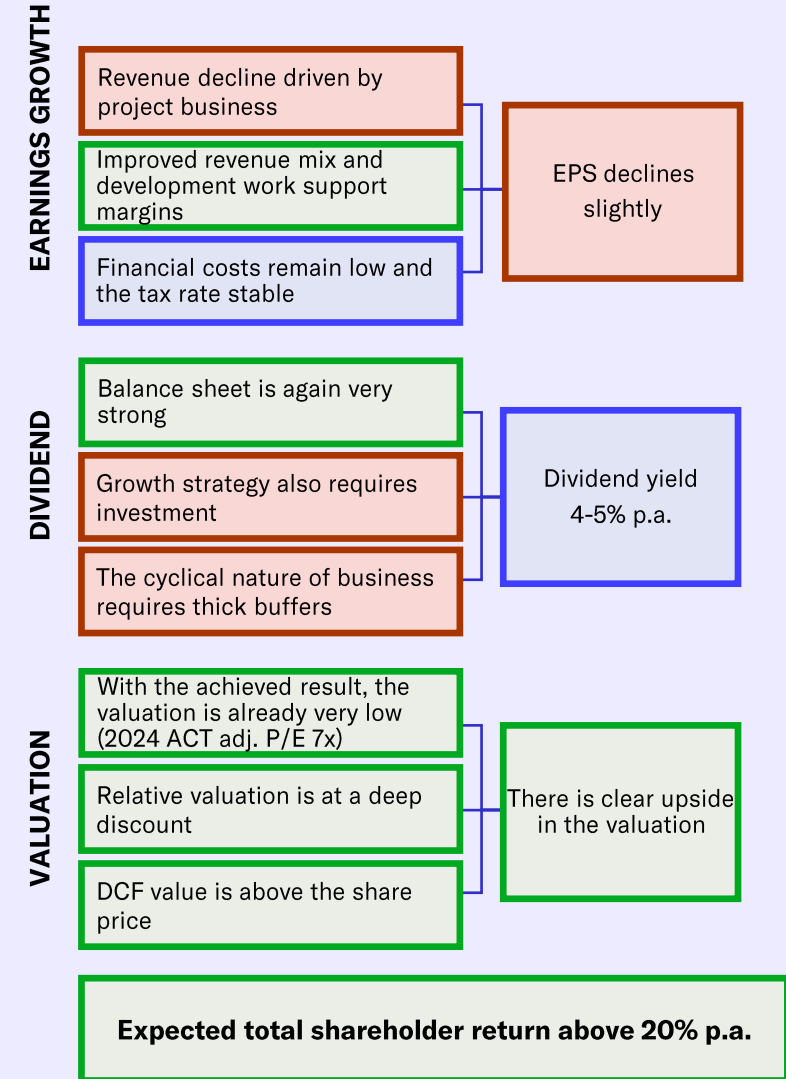
## Risk-adjusted expected return is well in the black

Based on our forecasts and the valuation multiples we accept for the company for the next few years, as well as the DCF, we now estimate that the fair value of Raute's share is EUR 16-20 per share. From the current price level, we believe that the expected return on Raute's share rises well above the required return on a 12-month horizon, given the valuation upside and the dividend, even though in our forecast scenario the company's earnings will slightly dip next year from the high level of 2024-2025. We expect the valuation to rise as the company demonstrates that it will avoid an earnings slump in the coming years, which in turn will boost investor confidence in the company. As such, we maintain our strongly positive view of Raute.

In our view, the main risks to our view are on the forecast side, and the expected return could fall short of our expectations if the company's profitability were to disappoint due to a weakening economic outlook or the materialization of project risks, or if Wood Processing were to run into difficulties again as a result of a decline in revenue. Similarly, if the company manages to maintain earnings growth and achieve its financial targets in line with its strategy in an operating environment that evolves better than our estimate, the expected return could be even better than our forecast scenario. Thus, the risks are also balanced more or less neutrally in view of the scenario underlying our forecasts.

## Total shareholder return drivers 2024-2027e

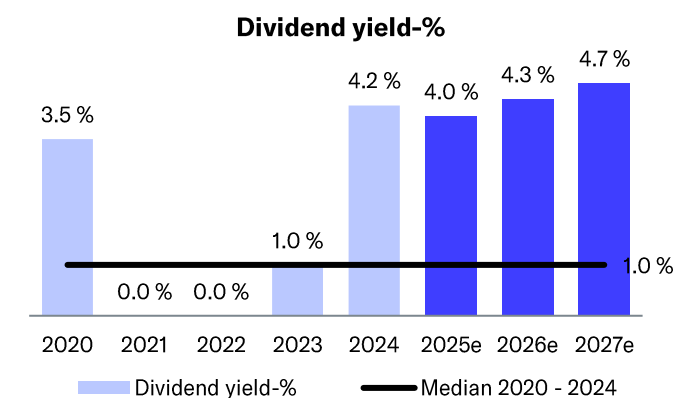
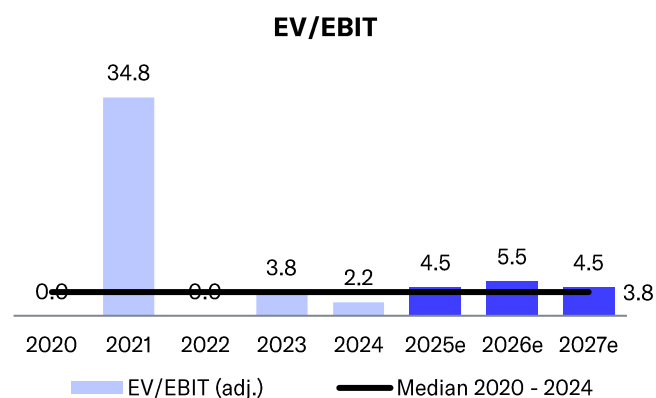
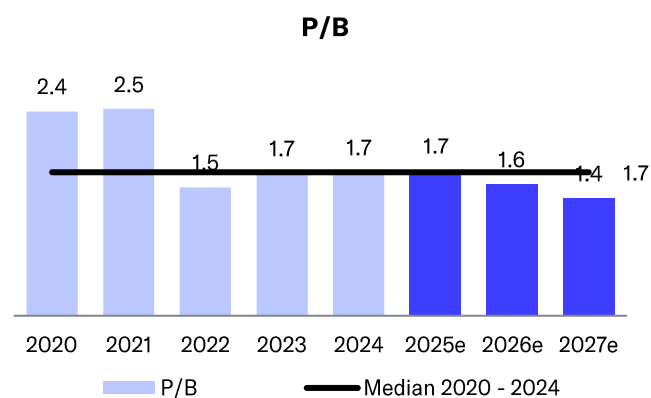
■ Positive
 ■ Neutral
 ■ Negative



# Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	22.70	19.80	8.260	9.840	13.10	<b>15.05</b>	<b>15.05</b>	<b>15.05</b>	<b>15.05</b>
Number of shares, millions	4.26	4.26	4.26	6.12	6.12	<b>6.23</b>	<b>6.33</b>	<b>6.33</b>	<b>6.33</b>
Market cap	97	84	35	60	80	<b>94</b>	<b>95</b>	<b>95</b>	<b>95</b>
EV	93	72	42	16	31	<b>68</b>	<b>72</b>	<b>67</b>	<b>59</b>
P/E (adj.)	neg.	53.0	neg.	19.1	6.4	<b>7.8</b>	<b>9.4</b>	<b>8.3</b>	<b>7.4</b>
P/E	neg.	neg.	neg.	51.7	6.7	<b>7.8</b>	<b>9.4</b>	<b>8.3</b>	<b>7.4</b>
P/B	2.4	2.5	1.5	1.7	1.7	<b>1.7</b>	<b>1.6</b>	<b>1.4</b>	<b>1.3</b>
P/S	0.8	0.6	0.2	0.4	0.4	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>
EV/Sales	0.8	0.5	0.3	0.1	0.2	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>	<b>0.3</b>
EV/EBITDA	73.2	34.8	neg.	2.4	1.6	<b>3.4</b>	<b>3.9</b>	<b>3.3</b>	<b>2.8</b>
EV/EBIT (adj.)	neg.	34.8	neg.	3.8	2.2	<b>4.5</b>	<b>5.5</b>	<b>4.5</b>	<b>3.6</b>
Payout ratio (%)	neg.	0.0 %	0.0 %	45.3 %	27.8 %	<b>30.5 %</b>	<b>39.8 %</b>	<b>38.8 %</b>	<b>39.4 %</b>
Dividend yield-%	3.5 %	0.0 %	0.0 %	1.0 %	4.2 %	<b>4.0 %</b>	<b>4.3 %</b>	<b>4.7 %</b>	<b>5.3 %</b>

Source: Inderes



The market value and enterprise value in the table take into account the projected change in the number of shares and net debt for the forecast years.

# Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B 2025e
			2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	
Glaston	60	79	6.8	5.7	4.4	3.5	0.4	0.3	8.8	7.4	7.8	9.9	0.9
Ponsse	708	712	13.0	11.5	8.0	7.5	0.9	0.9	20.1	16.5	2.8	3.1	1.9
Kesla	15	26	26.4	13.2	13.2	8.8	0.6	0.6		15.0		1.2	1.2
Robit	31	49	7.1	7.1	4.5	4.1	0.5	0.5	8.0	6.6	4.2	5.6	0.6
Metso	7144	8295	10.5	9.5	8.8	8.0	1.6	1.6	12.9	11.5	4.5	4.8	2.5
Valmet	4316	5323	9.8	8.5	7.4	6.6	1.0	0.9	11.7	9.8	5.9	6.1	1.6
Hiab	2446	2372	10.7	9.5	9.1	8.2	1.4	1.3	15.2	13.4	3.6	3.8	2.2
Konecranes	4238	4413	8.3	7.7	6.8	6.5	1.1	1.0	11.0	10.2	3.3	3.6	2.0
Kalmar	1662	1742	8.4	7.6	6.5	6.0	1.1	1.0	10.5	9.4	4.4	4.8	2.3
<b>Raute (Inderes)</b>	<b>94</b>	<b>68</b>	<b>4.5</b>	<b>5.5</b>	<b>3.4</b>	<b>3.9</b>	<b>0.3</b>	<b>0.4</b>	<b>7.8</b>	<b>9.4</b>	<b>4.0</b>	<b>4.3</b>	<b>1.7</b>
<b>Average</b>			<b>11.2</b>	<b>8.9</b>	<b>7.6</b>	<b>6.6</b>	<b>0.9</b>	<b>0.9</b>	<b>12.3</b>	<b>11.1</b>	<b>4.6</b>	<b>4.7</b>	<b>1.7</b>
<b>Median</b>			<b>9.8</b>	<b>8.5</b>	<b>7.4</b>	<b>6.6</b>	<b>1.0</b>	<b>0.9</b>	<b>11.3</b>	<b>10.2</b>	<b>4.3</b>	<b>4.8</b>	<b>1.9</b>
<b>Diff-% to median</b>			<b>-53%</b>	<b>-36%</b>	<b>-54%</b>	<b>-41%</b>	<b>-66%</b>	<b>-56%</b>	<b>-31%</b>	<b>-8%</b>	<b>-7%</b>	<b>-10%</b>	<b>-10%</b>

Source: Refinitiv / Inderes



# DCF-calculation

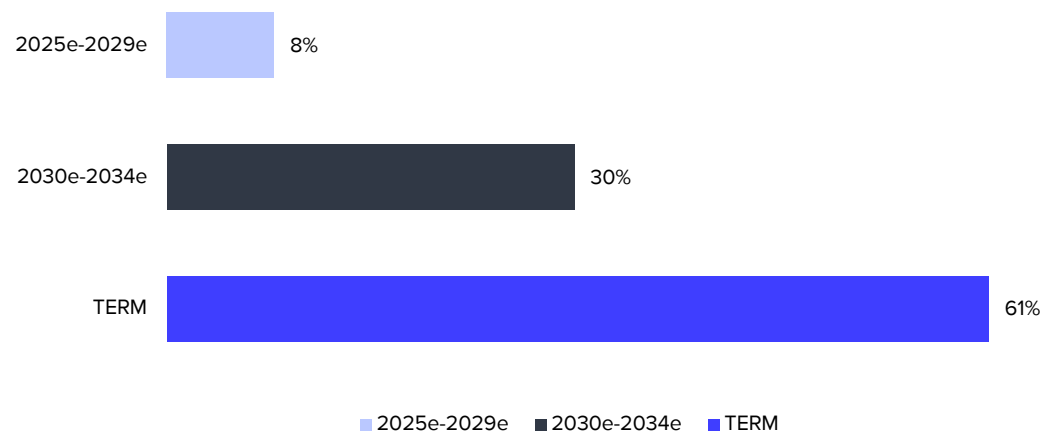
DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	40.7%	-2.9%	-12.6%	5.5%	5.3%	3.0%	3.0%	3.0%	3.0%	3.0%	2.0%	2.0%
EBIT-%	6.7%	7.6%	7.6%	8.0%	8.5%	7.5%	7.0%	6.0%	5.5%	5.5%	5.5%	5.5%
<b>EBIT (operating profit)</b>	<b>13.7</b>	<b>15.0</b>	<b>13.3</b>	<b>14.7</b>	<b>16.3</b>	<b>14.9</b>	<b>14.3</b>	<b>12.7</b>	<b>11.9</b>	<b>12.3</b>	<b>12.6</b>	
+ Depreciation	5.4	5.2	5.2	5.3	4.8	5.0	5.4	5.5	5.7	5.7	5.8	
- Paid taxes	-6.0	-3.7	-3.1	-3.4	-3.8	-3.5	-3.4	-3.0	-2.9	-3.0	-3.0	
- Tax, financial expenses	0.3	0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	
- Change in working capital	-5.8	-30.0	-8.4	-0.6	0.6	-0.7	-0.7	-0.8	-0.4	-0.4	-0.3	
<b>Operating cash flow</b>	<b>7.7</b>	<b>-13.2</b>	<b>6.9</b>	<b>16.0</b>	<b>17.9</b>	<b>15.7</b>	<b>15.7</b>	<b>14.5</b>	<b>14.5</b>	<b>14.8</b>	<b>15.2</b>	
+ Change in other long-term liabilities	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-2.7	-6.0	-5.8	-6.2	-5.7	-6.5	-6.0	-6.0	-6.0	-6.0	-6.8	
<b>Free operating cash flow</b>	<b>4.9</b>	<b>-19.2</b>	<b>1.2</b>	<b>9.8</b>	<b>12.2</b>	<b>9.2</b>	<b>9.7</b>	<b>8.5</b>	<b>8.5</b>	<b>8.8</b>	<b>8.4</b>	
+/- Other	0.3	0.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	5.2	-18.8	1.4	9.8	12.2	9.2	9.7	8.5	8.5	8.8	8.4	109
<b>Discounted FCFF</b>		<b>-17.6</b>	<b>1.2</b>	<b>7.6</b>	<b>8.6</b>	<b>5.9</b>	<b>5.6</b>	<b>4.5</b>	<b>4.1</b>	<b>3.9</b>	<b>3.4</b>	<b>43.2</b>
Sum of FCFF present value		70.2	87.9	86.7	79.1	70.5	64.6	59.0	54.5	50.4	46.5	43.2
<b>Enterprise value DCF</b>		<b>70.2</b>										
- Interest bearing debt		-8.6										
+ Cash and cash equivalents		57.5										
-Minorities		0.0										
-Dividend/capital return		0.0										
<b>Equity value DCF</b>		<b>119</b>										
<b>Equity value DCF per share</b>		<b>19.2</b>										

## WACC

Tax-% (WACC)	25.0%
Target debt ratio (D/(D+E))	10.0%
Cost of debt	6.0%
Equity Beta	1.70
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5%
<b>Cost of equity</b>	<b>10.6%</b>
<b>Weighted average cost of capital (WACC)</b>	<b>10.0%</b>

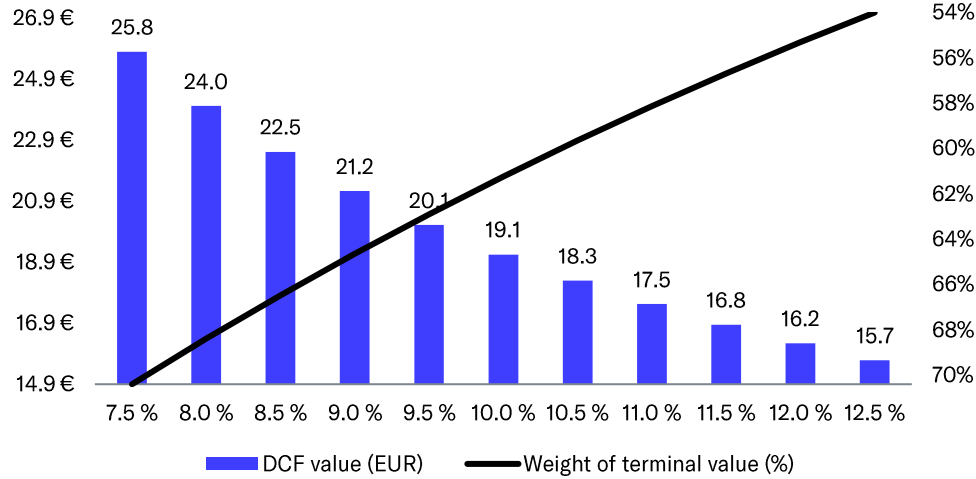
Source: Inderes

## Cash flow distribution

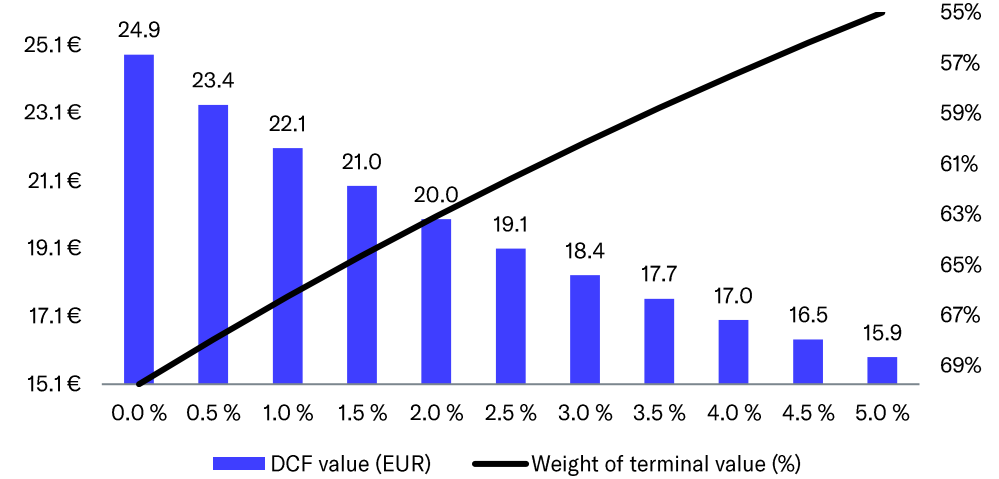


# DCF sensitivity calculations and key assumptions in graphs

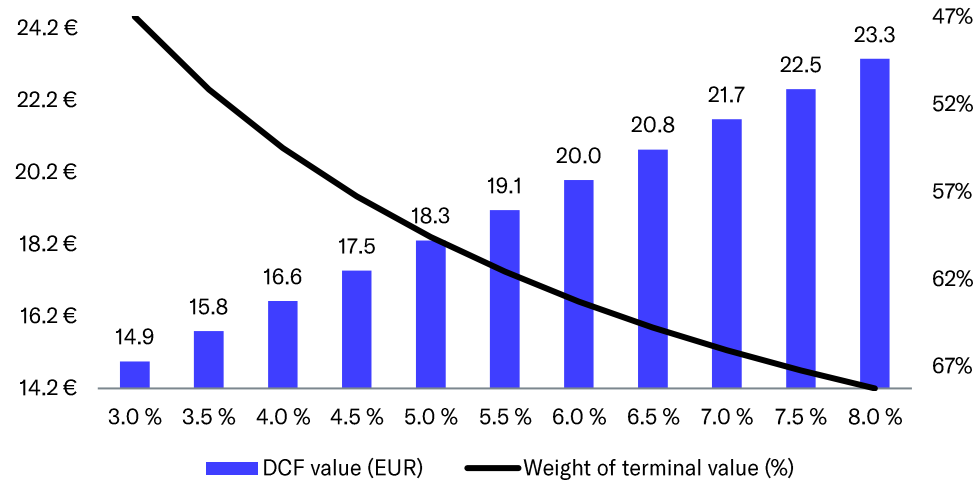
Sensitivity of DCF to changes in the WACC-%



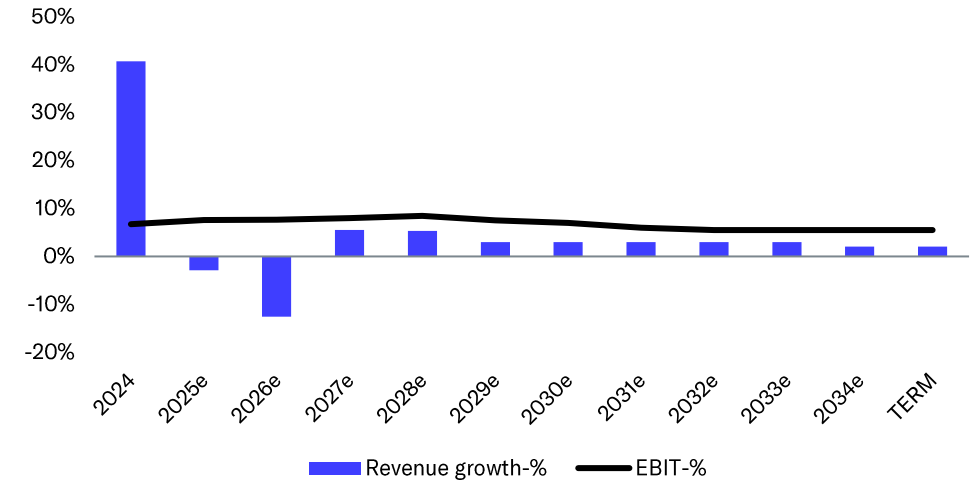
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

# Climate target and taxonomy analysis

## Core activities are outside the taxonomy classification

Among Raute's main activities, the manufacture of equipment for wood processing is not included in the taxonomy, as it is not one of the most polluting industries. In contrast, in 2023, the manufacturing of renewable energy technologies, the manufacturing of other low-carbon technologies, the provision, repair, refurbishment and remanufacturing of IT/OT data-driven solutions, and the sale of spare parts will contribute to the transition to a circular economy and thus fall within the scope of the classification.

This brings the taxonomy eligibility for revenue up to 40%, but these activities are not classified as taxonomy-aligned. On the other hand, the taxonomy eligibility for operating expenses and capital expenditures remains at zero. In addition, taxonomy-eligibility rates are unlikely to rise if the future taxonomy definitions won't include a much larger share of the company's external revenue-generating products. Furthermore, the current taxonomy classification does not cover all sustainable businesses. We do not believe that the partially low taxonomy rates put immediate upward pressure on, for example, cost or availability of financing, or create other business challenges.

## The company is indirectly exposed to wood products sector regulation

We believe the direct environmental policy elements related to Raute's business are relatively small. As a company focused on the wood products sector, Raute is indirectly exposed to regulation related to the wood products sector. On the other hand, the company is in a position to help its customers in the wood products sector

adapt to regulation, at least to some extent, and the use and increased use of carbon-binding wood products is generally viewed positively by societies. For the time being, we do not see any direct short-term economic impacts of taxonomy for Raute, such as significantly lower financial costs or significant business risks.

## We do not expect significant investment needs from pursuing climate goals

Raute updated its climate program as part of its strategy update in spring 2023. In terms of carbon emissions, Raute's climate program aims to achieve carbon neutrality in its own operations by 2030. The target has not been validated by external actors under the Paris Agreement, but this is not unusual for companies of Raute's size.

We believe the key role for Raute's overall emissions is especially Scope 3 emissions, which the company has limited direct influence on. In light of current data, we estimate that moving towards the climate target will not impose significant and surprising additional short-term costs for Raute, but we await further information on this. We also do not expect future investment needs to rise significantly based on the targets.

Taxonomy eligibility	2023	2024
Revenue	40%	32%
OPEX	0%	0%
CAPEX	0%	6%

Taxonomy alignment	2022	2023
Revenue	0%	0%
OPEX	0%	0%
CAPEX	0%	0%

## Climate

Climate target	Yes	Yes
Target according to the Paris Agreement (1.5 °C warming scenario)	No	No

We are starting to increase the visibility of sustainability assessments by looking at the climate target and taxonomy impacts because we believe that they are currently, on average, most significant in the company's value formation. Visibility to other factors will be gradually increased. The analyst considers the impact of all sustainability factors on the company's growth and profitability potential and risk (i.e. the required return) when forming the investment view.

NB! Taxonomy eligibility % is shown in the table without taxonomy-aligned activities.

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Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

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## Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
8/1/2019	Reduce	22.50 €	21.80 €
10/2/2019	Accumulate	26.00 €	24.70 €
10/31/2019	Accumulate	26.00 €	23.80 €
1/15/2020	Reduce	26.00 €	27.10 €
2/14/2020	Reduce	24.00 €	25.60 €
3/19/2020	Reduce	18.00 €	19.00 €
4/30/2020	Sell	18.00 €	20.60 €
5/14/2020	Reduce	18.00 €	18.60 €
7/24/2020	Reduce	18.00 €	19.00 €
10/30/2020	Reduce	19.00 €	19.00 €
2/15/2021	Reduce	22.00 €	23.60 €
3/9/2021	Reduce	22.00 €	21.70 €
4/29/2021	Reduce	24.00 €	23.30 €
5/14/2021	Accumulate	25.00 €	23.00 €
7/26/2021	Reduce	24.00 €	23.50 €
10/25/2021	Reduce	23.00 €	22.00 €
1/26/2022	Accumulate	21.00 €	18.75 €
2/14/2022	Accumulate	21.00 €	19.55 €
3/3/2022	Reduce	16.50 €	15.00 €
5/2/2022	Reduce	14.00 €	13.00 €
22/06/2022	Reduce	13.00 €	11.90 €
7/25/2022	Reduce	11.00 €	10.40 €
10/24/2022	Reduce	10.00 €	9.56 €
12/1/2022	Reduce	10.00 €	9.50 €
2/15/2023	Reduce	10.00 €	10.00 €
3/10/2023	Reduce	10.00 €	9.00 €
5/2/2023	Accumulate	12.00 €	10.10 €
5/24/2023	Accumulate	11.50 €	10.80 €
6/8/2023	Buy	11.50 €	8.50 €
8/22/2023	Buy	11.50 €	8.44 €
8/25/2023	Buy	11.50 €	9.20 €
1/3/2024	Buy	12.50 €	9.88 €
2/16/2024	Accumulate	12.50 €	10.50 €
5/6/2024	Buy	12.50 €	10.40 €
6/25/2024	Accumulate	15.00 €	13.35 €
8/9/2024	Accumulate	16.00 €	13.55 €
10/17/2024	Buy	16.00 €	11.65 €
10/23/2024	Buy	17.00 €	12.90 €
10/24/2024	Buy	17.00 €	12.75 €
2/14/2025	Buy	18.00 €	14.50 €
4/21/2025	Buy	18.00 €	15.05 €



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