

Scanfil

Company report

8/7/2024



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✓ Inderes corporate customer

This report is a summary translation of the report "Hintataso ei ihmeitä edellyttä" published on 8/7/2024 at 8:14 am EEST

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No miracles needed for the price level

In our view, the overall picture of Scanfil's Q2 report published yesterday was neutral and we did not make any forecast changes for the coming years beyond a marginal negative refinement following the report. Thus, we reiterate our target price of EUR 9.00 and our Accumulate recommendation for Scanfil. We consider the stock to be moderately valued from all angles (2024e: P/E 11x, EV/EBIT 9x). As a result, we believe that the company's interesting long-term investment story can be accessed with a very comfortable near-term risk-adjusted expected return at the current price level.

Revenue slumped even more than expected, but profitability made up for it

In Q2, Scanfil's revenue decreased by 20% from a high comparison level to 196 MEUR, below all consensus forecasts. Revenue declined in all segments from strong comparison figures, driven by cooling demand and customer destocking. Scanfil's EBIT decreased by more than 20% to 13.9 MEUR from a very strong comparison period, in line with our forecast and only marginally below consensus expectations. The company's cost structure was very resilient due to savings and other productivity improvements, as profitability (Q2: EBIT % 7.1%) was practically at the level of the strong comparison period, despite the sharp decline in revenue. From a cash flow perspective, the report was strong, as expected, as the silver lining to the revenue decline was a working capital outflow from inventory and receivables to cash. We commented on Scanfil's Q2 figures yesterday in more detail [here](#).

Guidance reiterated as expected, only marginal negative revisions to our forecasts

Scanfil reiterated its guidance for the current year, which had been lowered in the June profit warning to 780-840 MEUR revenue and 54-61 MEUR adjusted EBIT. This was fully expected. In addition, the company reported that it had won new projects in H1 at a seemingly nice pace, but the lack of comparison data makes it difficult to assess the magnitude of the successes. Regarding the market situation, the company said volatility and low customer predictability would continue, but expects a "gradual" pick-up of the market, starting in the MedTech & Life Science segment. Following the report, we slightly lowered our near-term revenue and earnings forecasts for Scanfil in light of the recent lackluster economic and industry data and conflicting Q2 reports from the technology industry. This year, we expect Scanfil's revenue and earnings to decline in the weak economic environment and to end the year in the lower half of the current guidance range. In the coming years, we expect the company to return to growth as the economic situation recovers and also as falling interest rates begin to stimulate Scanfil's investment-driven demand. This year's sales successes could also support growth, especially next year. The main uncertainties relate to the top line, as Q2 once again showed that Scanfil's own house is in order. In our view, the company should be able to consistently deliver margins at the lower end of the target range (EBIT-% 7-8%), as long as volumes at the factories are at reasonable levels.

Valuation level quite moderate on all fronts

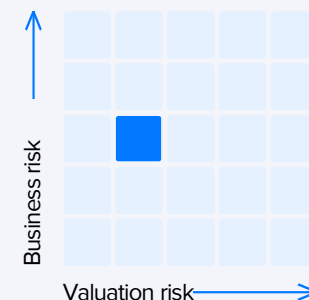
Based on our estimates for 2024 and 2025, Scanfil's adjusted P/E ratios are 11x and 10x, while the corresponding EV/EBIT ratios are 9x and 8x. This year's multiples are already below the company's moderate 5-year medians and the levels we accept for the company, and discounted relative to the peer group. As a result, we find the valuation of the share quite attractive. Therefore, with Scanfil's earnings trend turnaround starting in Q4, the upside in the valuation and a dividend yield of just over 3%, we believe the expected return on the stock is well above the required return. The DCF also indicates that the stock is cheaply priced.

Recommendation

Accumulate
(previous Accumulate)

EUR 9.00
(previous EUR 9.00)

Share price:
EUR 7.35



Key figures

	2023	2024e	2025e	2026e
Revenue	902	795	855	917
growth-%	7%	-12%	8%	7%
EBIT adj.	61.3	55.6	59.5	64.0
EBIT-% adj.	6.8 %	7.0 %	7.0 %	7.0 %
Net Income	48.2	42.3	46.0	49.7
EPS (adj.)	0.74	0.65	0.70	0.76
P/E (adj.)	10.6	11.3	10.4	9.6
P/B	1.9	1.6	1.5	1.4
Dividend yield-%	2.9 %	3.4 %	3.7 %	3.9 %
EV/EBIT (adj.)	9.2	8.5	7.6	6.6
EV/EBITDA	7.0	6.2	5.6	4.9
EV/S	0.6	0.6	0.5	0.5

Source: Inderes

Guidance

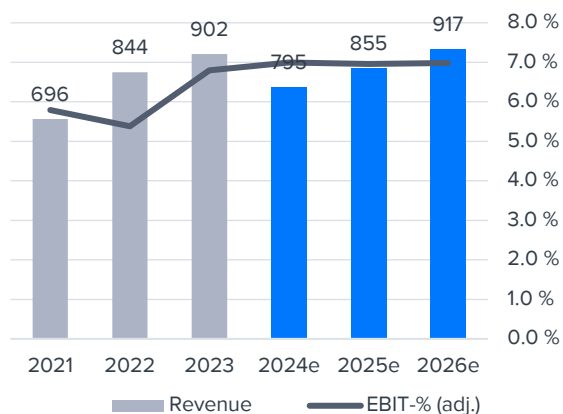
(Unchanged)

Scanfil estimates that in 2024, its revenue is 780-840 MEUR and adjusted EBIT 54-61 MEUR

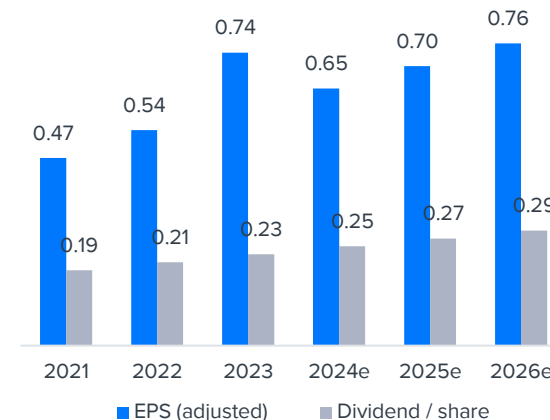
Share price



Revenue and EBIT-%



EPS and dividend



Value drivers

- Organic growth with the market and key customers
- Benefiting from the green trend
- Accelerating growth through M&A
- Strong financial track record
- Increase in acceptable valuation



Risk factors

- Demand comes partly from somewhat cyclical sectors
- Demand is investment-driven and therefore somewhat sensitive to interest rates
- Tightening competition and changes in the competitive field
- Limited pricing power
- Inflation

Valuation	2024e	2025e	2026e
Share price	7.35	7.35	7.35
Number of shares, million	65.3	65.3	65.3
Market cap	480	480	480
EV	474	450	423
P/E (adj.)	11.3	10.4	9.6
P/E	11.3	10.4	9.6
P/B	1.6	1.5	1.4
P/S	0.6	0.6	0.5
EV/Sales	0.6	0.5	0.5
EV/EBITDA	6.2	5.6	4.9
EV/EBIT (adj.)	8.5	7.6	6.6
Payout ratio (%)	38.6 %	38.3 %	38.1 %
Dividend yield-%	3.4 %	3.7 %	3.9 %

Source: Inderes

Good profitability with poor volume

Revenue below all forecasts

In Q2, Scanfil's revenue decreased by 20% from a very strong comparison level to 196 MEUR, below all consensus forecasts. The decline in revenue was due to the reasons cited in the company's June profit warning, namely weak demand and customer destocking. Revenue in all segments declined in line with our expectations. In Energy & Cleantech, the revenue drop was sharper than expected, with customer destocking now overshadowing the support from the green trend. Similarly, Medtech & Life Science revenue exceeded our forecast and is already showing signs of leveling off. In the largest segment, Industrial, revenue was well in line with our forecast of a decline of around 20%.

But profitability exceeded expectations

Scanfil's Q2 EBIT decreased by around 21% to 13.9 MEUR. The company's operational performance was in line with our forecast, but EBIT fell just short of consensus expectations. Profitability (EBIT%) was at a good level on Scanfil's scale and flat year-on-year at 7.1%, which we believe is a good performance given the magnitude of the revenue decline. Scanfil has been able to support its profitability well through savings and other productivity improvements, which bodes well for the improved demand environment that will come in due course.

In the lower lines, financial expenses turned positive against our and consensus forecasts, likely for FX and non-cash reasons. The tax rate was also slightly below expectations. Scanfil's Q2 EPS of EUR 0.16 was significantly lower than the same period last year, but one cent above our and consensus expectations.

The silver lining of the sales decline is strong cash flow

From a cash flow perspective, the report was very strong, as the decline in revenue resulted in a substantial release of working capital from both inventory and receivables. Scanfil typically ties up working capital in H1 and also in Q2 on a seasonal basis. Therefore, cash flow in Q2 increased by approximately 60% to 37 MEUR from the comparison period. However, inventory turnover in Q2 was not yet at pre-pandemic levels. Thus, the change in inventory may still support the cash flow in H2 and/or next year.

Scanfil's equity ratio at the end of Q2 was 55% (Q2'23: 46%) and gearing 11% (Q2'23: 37%). The ratio of net debt to EBITDA was 0.4x (cf. the financial target below 1.5x). As such, the company's balance sheet and liquidity are strong, and the capacity for inorganic growth is currently in our estimate already around 150 MEUR, which would allow for a significant inorganic growth leap given the industry's usual valuations.

Estimates MEUR / EUR	Q2'23	Q2'24	Q2'24e	Q2'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	243	196	206	211	201	218	-5%	795
EBIT	17.5	13.9	14.0	14.6	13.7	15.6	-1%	55.6
PTP	18.4	14.0	13.6	14.3	13.3	15.4	3%	55.1
EPS (reported)	0.22	0.17	0.16	0.16	0.16	0.16	9%	0.65
Revenue growth-%	14.3 %	-19.6 %	-15.3 %	-13.3 %	-17.4 %	-10.4 %	-4.3 pp	-11.8 %
EBIT-% (adj.)	7.2 %	7.1 %	6.8 %	6.9 %	6.8 %	7.2 %	0.3 pp	7.0 %

Source: Inderes & Bloomberg (3 forecasts) (consensus)

We expect revenue and profit to bottom out during the summer

Guidance reiterated as expected

Scanfil reiterated its guidance updated in the recent profit warning, according to which the company's revenue in 2024 will be 780-840 MEUR and adjusted EBIT 54-61 MEUR. This was fully in line with our expectations. Regarding the market situation, the company said volatility and low customer predictability would continue, but expects a "gradual" pick-up of the market, starting in the MedTech & Life Science segment. In Energy & Cleantech, the market is dynamic, but customers in this segment may still have excess inventories of certain products (e.g. air-source heat pumps) due to the bubbling market of 2023. Industrial is probably most clearly tied to the general economic situation.

Scanfil reported new projects of 84 MEUR in H1 and of 40 MEUR in Q2. No comparison figures were published, so it is difficult to draw more precise conclusions, although the company did say that project sales above

10% of annual revenue should support growth. In H1, sales from new projects represented 21% of revenue, so as such the pace seems encouraging.

Scanfil's main risks continue to be related to demand, which is dependent on the global economy. We consider these risks to be material as the US economy has recently shown signs of a slowdown and the European economic recovery has stalled over the summer. However, interest rate cuts, which provide a lagged boost to investment demand, should accelerate in H2 and next year.

Very small forecast changes

Following the report, we slightly lowered our near-term revenue and earnings forecasts for Scanfil in light of the recent lackluster economic and industry data and conflicting Q2 reports from the technology industry. This year, we expect Scanfil's revenue and earnings to decline organically in the weak economic environment

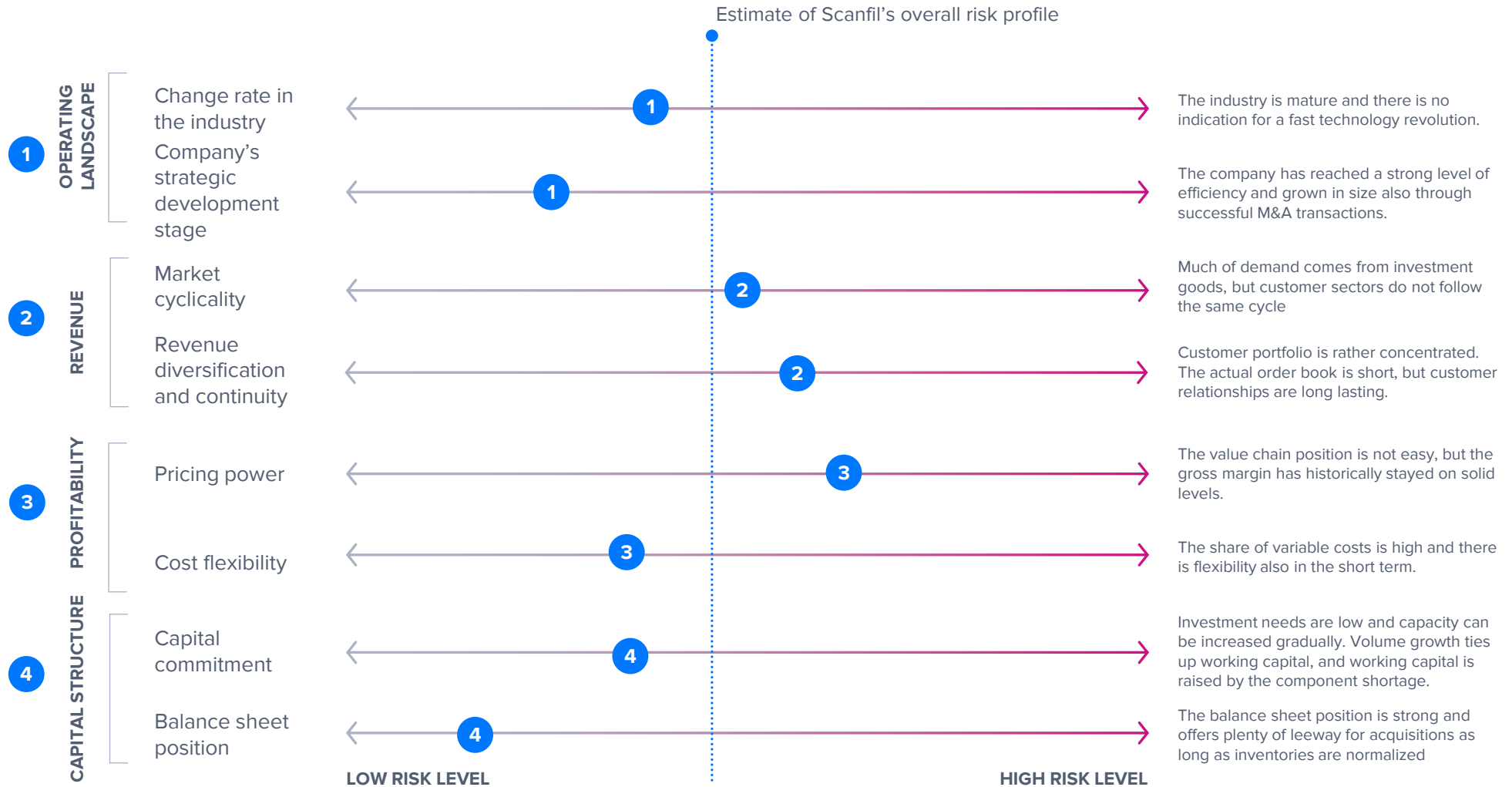
and to end up in the lower half of the current guidance range. In the coming years, we expect the company to return to its growth trajectory as the economy picks up and slightly lower interest rates stimulate investment-driven demand. This year's sales successes (incl. H1) could also support growth at least slightly next year.

The main uncertainties relate to the top line, as Q2 showed once again that Scanfil's own house is in order and productivity improvement efforts will naturally continue. In our view, Scanfil should be able to consistently deliver margins in line with our forecasts and at the lower end of the company's target range (EBIT-% 7-8%), as long as volumes are at reasonable levels. However, we expect further evidence of a rise to the upper end of the range, although in light of the performance of many Nordic peers (incl. Incap, Kitron, Note) in recent years, the level is not impossible for Scanfil either.

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	815	795	-2%	875	855	-2%	923	917	-1%
EBIT (exc. NRIs)	57.2	55.6	-3%	61.0	59.5	-2%	65.0	64.0	-2%
EBIT	57.2	55.6	-3%	61.0	59.5	-2%	65.0	64.0	-2%
PTP	56.2	55.1	-2%	60.2	58.9	-2%	64.8	63.7	-2%
EPS (excl. NRIs)	0.65	0.65	0%	0.72	0.70	-2%	0.77	0.76	-2%
DPS	0.25	0.25	0%	0.27	0.27	0%	0.29	0.29	0%

Source: Inderes

Risk profile of the business model



Valuation is not too demanding

Multiples are still reasonable

Our forecast P/E ratios for Scanfil for 2024 and 2025 are around 11x and 10x, respectively, while the corresponding EV/EBIT ratios are approximately 9x and 8x. We expect dividend yields in the range of 3-4% over the next few years as a result of reasonable earnings and a strong balance sheet. However, we do not deem dividends very significant for Scanfil's expected returns, as its profile is one of a growth company, even if the dividends of the next few years provide a reasonable base return. The earnings-based valuation is quite well below the company's historical medians on an EV basis, even with our forecasts reflecting slightly lower earnings this year.

Scanfil's track record of profitable growth is strong, while we believe the company's historical pricing has been largely driven by the chronically difficult nature and reputation of the industry. Based on recent performance, we believe that Scanfil's P/E of 12x-16x and EV/EBIT of 10x-13x are quite acceptable given the company's potential for growth and return on capital, as well as its risk level. However, with the prevailing interest rate expectations and declining earnings this year, we believe that leaning towards the lower end of the range is likely in the near term, which is why we are not yet taking a stronger positive view on the stock. With Q4 earnings turning positive, a dividend yield of just over 3% and a slight upside in multiples (Q2'24 LTM P/E 11x), we believe the expected return exceeds the stock's required return quite clearly. For the medium term, the expected return is also good, and we expect the share to be supported again by earnings growth from 2025 onwards.

Balance sheet value is cheap relative to achieved ROE

Scanfil's P/B ratio 1.6x (2024e) is also low relative to the adjusted ROE of the last five years of just under 19%. With these numbers, Scanfil's backward-looking static earnings yield alone would exceed the required return by quite a margin. Thus, Scanfil's strong medium- and long-term potential for profitable growth, which we believe is quite good, is in our view hardly priced in the share at all at the moment.

Peer valuation is also attractive

Compared to a peer group of global contract manufacturers, Scanfil's earnings-based valuation has already fallen to a discount. We believe that Scanfil deserves a small premium due to its long-term track record and positioning in industrial electronics with better margin potential. We do not see peer valuation as a material driver of Scanfil's pricing, but relative valuation also supports the realization of our earnings expectations.

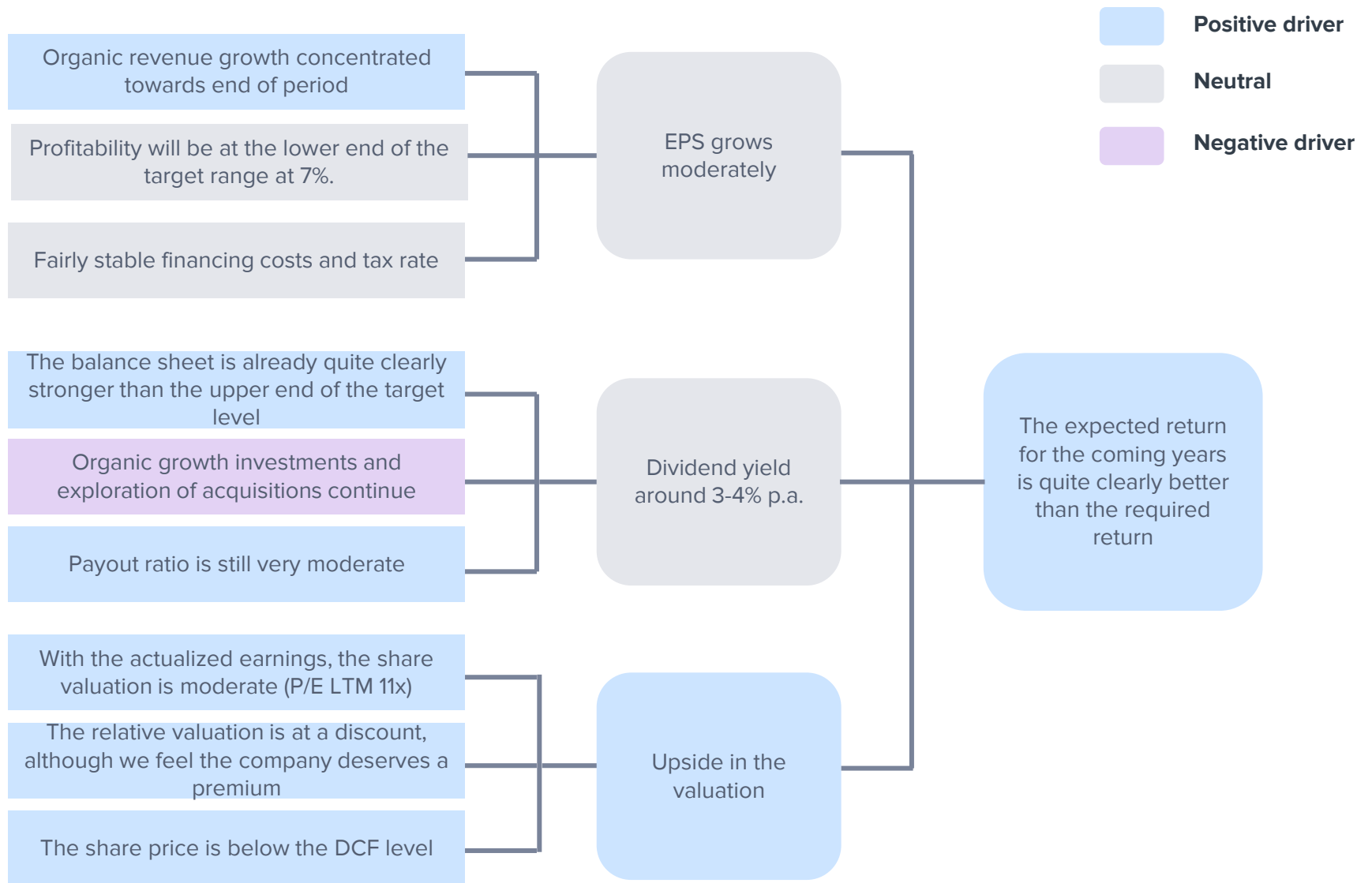
DCF value above the share price

Our DCF model for Scanfil is also above the price at just under EUR 10 per share. Thus, also in light of DCF, the share's valuation is cheap in our view. We also believe that the model parameters are quite conservative, as the growth rate we forecast is slower than the company's performance over the past decade, and the average profitability is in line with Scanfil's actual margin level (and slightly below the new target level of 7-8%). Considering these factors and Scanfil's reasonable long-term predictability, we also give a reasonable weight to the DCF signals in Scanfil despite the chronic inaccuracy of the method.

Valuation	2024e	2025e	2026e
Share price	7.35	7.35	7.35
Number of shares, million:	65.3	65.3	65.3
Market cap	480	480	480
EV	474	450	423
P/E (adj.)	11.3	10.4	9.6
P/E	11.3	10.4	9.6
P/B	1.6	1.5	1.4
P/S	0.6	0.6	0.5
EV/Sales	0.6	0.5	0.5
EV/EBITDA	6.2	5.6	4.9
EV/EBIT (adj.)	8.5	7.6	6.6
Payout ratio (%)	38.6 %	38.3 %	38.1 %
Dividend yield-%	3.4 %	3.7 %	3.9 %

Source: Inderes

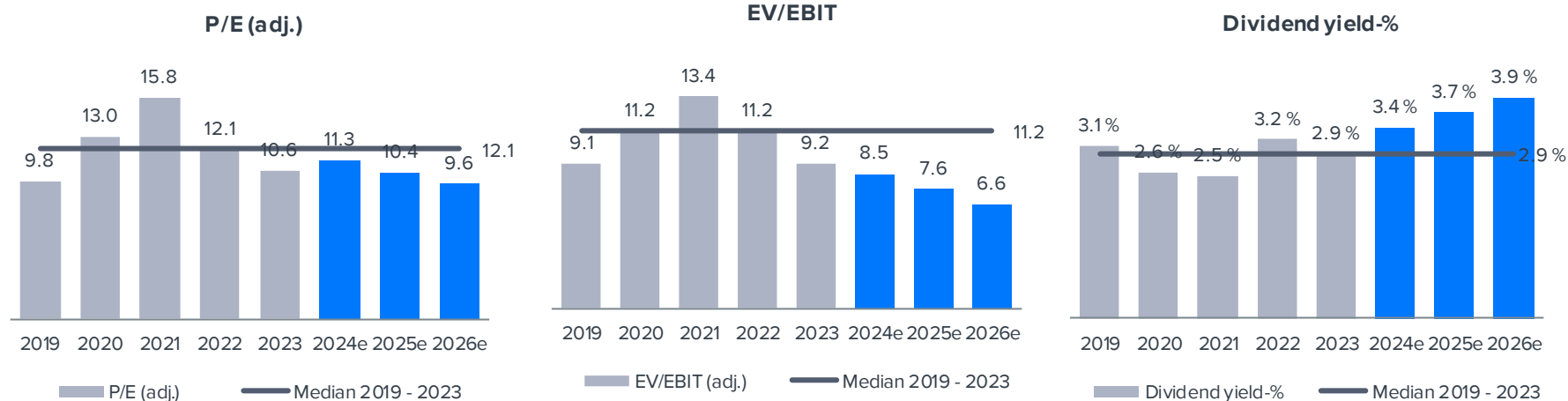
TSR drivers Q2'24-2026e



Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	4.89	6.52	7.46	6.58	7.83	7.35	7.35	7.35	7.35
Number of shares, millions	64.4	64.5	64.5	64.5	65.3	65.3	65.3	65.3	65.3
Market cap	313	420	481	424	511	480	480	480	480
EV	359	439	541	510	563	474	450	423	389
P/E (adj.)	9.8	13.0	15.8	12.1	10.6	11.3	10.4	9.6	9.0
P/E	11.2	11.4	16.2	12.1	10.6	11.3	10.4	9.6	9.0
P/B	1.9	2.3	2.3	1.9	1.9	1.6	1.5	1.4	1.2
P/S	0.5	0.7	2.3	0.5	0.6	0.6	0.6	0.5	0.5
EV/Sales	0.6	0.7	0.7	0.6	0.6	0.6	0.5	0.5	0.4
EV/EBITDA	6.8	7.2	9.8	8.1	7.0	6.2	5.6	4.9	4.3
EV/EBIT (adj.)	9.1	11.2	13.4	11.2	9.2	8.5	7.6	6.6	5.7
Payout ratio (%)	34.2 %	29.7 %	41.1 %	38.7 %	31.2 %	38.6 %	38.3 %	38.1 %	38.0 %
Dividend yield-%	3.1 %	2.6 %	2.5 %	3.2 %	2.9 %	3.4 %	3.7 %	3.9 %	4.2 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Incap	311	304	10.5	8.9	8.8	7.6	1.3	1.1	14.0	11.9			2.4
Kitron	560	676	12.0	10.1	8.9	8.0	1.0	0.9	14.6	12.5	3.0	3.5	2.7
Hanza	201	286	12.7	8.0	7.1	5.2	0.7	0.6	19.5	9.0	2.2	3.1	1.6
Pegatron	6950	6836	13.2	10.1	7.4	6.1	0.2	0.2	14.5	12.2	4.6	5.1	1.3
Celestica	5006	5468	10.0	9.1	8.1	7.4	0.6	0.6	12.8	11.6			3.3
Flextronics	10195	11104	7.8	8.9	6.1	6.6	0.4	0.5	11.2	11.6			2.4
Foxconn	64919	59110	10.8	8.4	7.4	6.0	0.3	0.3	14.8	11.3	3.5	4.5	1.4
Jabil	10079	10465	7.3	7.3	5.0	5.0	0.4	0.4	11.6	10.7	0.4	0.3	5.8
Hana Microelectronics	950	731	14.1	12.0	7.3	6.7	1.0	1.0	17.3	15.1	2.8	3.2	1.3
TT Electronics	288	430	6.9	6.4	5.2	4.8	0.7	0.7	7.2	6.4	5.2	5.6	0.9
Fabrinet	6466	5737	21.1	18.8	17.9	16.1	2.2	2.0	22.6	20.4			4.1
Universal Scientific	3953	3461	11.5	9.4	7.6	6.5	0.4	0.4	13.5	10.8	2.6	3.1	1.7
Venture Corporation	2902	2195	9.6	8.8	8.6	7.9	1.0	0.9	14.4	13.3	5.3	5.3	1.4
Plexus	2847	2919	16.8	13.4	11.1	9.7	0.8	0.8	21.1	17.3			2.7
Lacroix	98	238	12.5	8.7	6.3	5.1	0.4	0.3	12.5	6.5	2.6	4.0	0.5
Scanfil (Inderes)	480	474	8.5	7.6	6.2	5.6	0.6	0.5	11.3	10.4	3.4	3.7	1.6
Average			11.8	9.9	8.2	7.2	0.8	0.7	14.8	12.0	3.2	3.8	2.2
Median			11.5	8.9	7.4	6.6	0.7	0.6	14.4	11.6	2.9	3.7	1.7
Diff-% to median			-26%	-15%	-16%	-15%	-10%	-11%	-21%	-10%	17%	-2%	-3%

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	844	225	243	213	221	902	199	196	190	211	795	855	917	968
Industrial	438	111	112	98.8	105	428	94.2	90.4	86.0	99.0	370	385	405	420
Energy & Cleantech	254	72.8	91.3	77.6	78.5	320	70.4	67.5	67.0	74.0	279	315	347	375
Medtec & Life Science	151	40.6	39.6	36.4	37.1	154	34.3	37.7	36.5	38.0	147	155	165	173
NRI	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
Group	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
EBITDA	62.9	19.8	22.2	20.0	18.3	80.4	17.7	19.0	19.2	20.2	76.1	80.1	85.7	90.0
Depreciation	-17.5	-4.7	-4.7	-4.8	-4.9	-19.1	-5.0	-5.1	-5.2	-5.2	-20.5	-20.6	-21.7	-22.0
EBIT (excl. NRI)	45.4	15.1	17.5	15.2	13.4	61.3	12.7	13.9	14.0	15.0	55.6	59.5	64.0	68.0
EBIT	45.4	15.1	17.5	15.2	13.4	61.3	12.7	13.9	14.0	15.0	55.6	59.5	64.0	68.0
Connectivity (old)	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
Net financial items	-3.7	-0.6	0.9	-0.6	0.7	0.3	0.2	0.0	-0.4	-0.4	-0.6	-0.6	-0.3	0.2
PTP	41.7	14.5	18.4	14.6	14.1	61.6	12.9	14.0	13.6	14.6	55.1	58.9	63.7	68.2
Taxes	-6.7	-2.8	-3.9	-3.5	-3.2	-13.4	-3.1	-3.2	-3.1	-3.4	-12.8	-13.0	-14.0	-15.0
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
Net earnings	35.0	11.7	14.5	11.0	11.0	48.2	9.8	10.8	10.5	11.2	42.3	46.0	49.7	53.2
Net earnings	35.0	11.7	14.5	11.0	10.9	48.2	9.8	10.8	10.5	11.2	42.3	46.0	49.7	53.2
EPS (adj.)	0.54	0.18	0.22	0.17	0.17	0.74	0.15	0.17	0.16	0.17	0.65	0.70	0.76	0.82
EPS (rep.)	0.54	0.18	0.22	0.17	0.17	0.74	0.15	0.17	0.16	0.17	0.65	0.70	0.76	0.82
Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	21.3 %	14.2 %	14.3 %	0.4 %	-0.7 %	6.8 %	-11.4 %	-19.6 %	-10.9 %	-4.4 %	-11.8 %	7.6 %	7.3 %	5.6 %
Adjusted EBIT growth-%	12.7 %	46.6 %	71.8 %	32.4 %	0.0 %	34.9 %	-15.9 %	-20.7 %	-8.1 %	11.9 %	-9.2 %	7.0 %	7.6 %	6.3 %
EBITDA-%	7.5 %	8.8 %	9.1 %	9.4 %	8.3 %	8.9 %	8.9 %	9.7 %	10.1 %	9.6 %	9.6 %	9.4 %	9.3 %	9.3 %
Adjusted EBIT-%	5.4 %	6.7 %	7.2 %	7.2 %	6.1 %	6.8 %	6.4 %	7.1 %	7.4 %	7.1 %	7.0 %	7.0 %	7.0 %	7.0 %
Net earnings-%	4.2 %	5.2 %	6.0 %	5.2 %	4.9 %	5.3 %	4.9 %	5.5 %	5.5 %	5.3 %	5.3 %	5.4 %	5.4 %	5.5 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	107	112	114	119	120
Goodwill	7.7	7.7	7.7	7.7	7.7
Intangible assets	10.8	10.4	10.5	10.6	10.7
Tangible assets	79.7	85.3	87.8	92.2	93.5
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.5	0.5	0.5	0.5	0.5
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	7.8	7.7	7.7	7.7	7.7
Current assets	419	406	368	409	451
Inventories	229	209	175	180	183
Other current assets	4.1	2.7	2.7	2.7	2.7
Receivables	165	174	155	167	179
Cash and equivalents	20.8	21.2	35.9	60.1	86.6
Balance sheet total	526	518	483	528	572

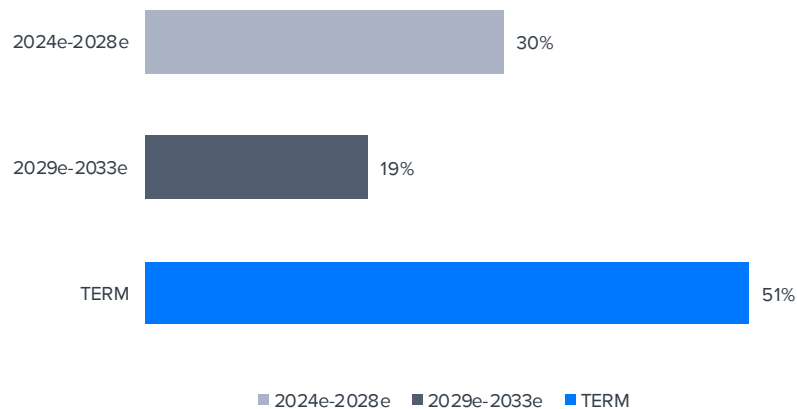
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	227	266	293	323	355
Share capital	2.0	2.0	2.0	2.0	2.0
Retained earnings	195	230	257	287	319
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	29.5	33.8	33.8	33.8	33.8
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	61.8	25.4	31.8	31.8	31.8
Deferred tax liabilities	4.6	5.7	5.7	5.7	5.7
Provisions	0.8	1.1	1.1	1.1	1.1
Interest bearing debt	56.4	18.6	25.0	25.0	25.0
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
Current liabilities	237	227	158	173	185
Interest bearing debt	49.9	54.3	5.0	5.0	5.0
Payables	184	167	147	162	174
Other current liabilities	3.5	5.5	5.5	5.5	5.5
Balance sheet total	526	518	483	528	572

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	6.8 %	-11.8 %	7.6 %	7.3 %	5.6 %	5.0 %	5.0 %	4.0 %	3.0 %	3.0 %	2.0 %	2.0 %
EBIT-%	6.8 %	7.0 %	7.0 %	7.0 %	7.0 %	6.7 %	6.6 %	6.5 %	6.4 %	6.4 %	6.4 %	6.4 %
EBIT (operating profit)	61.3	55.6	59.5	64.0	68.0	68.1	70.4	72.1	73.2	75.4	76.9	
+ Depreciation	19.1	20.5	20.6	21.7	22.0	21.7	21.6	21.4	21.3	21.5	21.6	
- Paid taxes	-12.2	-12.8	-13.0	-14.0	-15.0	-15.1	-15.7	-16.2	-16.5	-17.0	-18.6	
- Tax, financial expenses	0.1	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	
+ Tax, financial income	0.0	0.1	0.2	0.2	0.3	0.4	0.5	0.6	0.7	0.8	0.9	
- Change in working capital	-2.0	32.9	-1.0	-4.2	-0.8	-9.4	-9.9	-8.3	-6.5	-6.7	-4.6	
Operating cash flow	66.2	96.1	66.0	67.4	74.2	65.4	66.6	69.4	71.9	73.6	75.9	
+ Change in other long-term liabilities	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-24.3	-23.1	-25.1	-23.1	-21.1	-21.1	-21.1	-21.1	-22.1	-22.1	-22.2	
Free operating cash flow	42.3	73.0	40.9	44.3	53.1	44.3	45.5	48.3	49.8	51.5	53.6	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	42.2	73.0	40.9	44.3	53.1	44.3	45.5	48.3	49.8	51.5	53.6	798
Discounted FCFF		70.6	36.4	36.2	39.8	30.5	28.8	28.1	26.6	25.2	24.2	360
Sum of FCFF present value		706	635	599	563	523	492	464	436	409	384	360
Enterprise value DCF		706										
- Interest bearing debt		-72.9										
+ Cash and cash equivalents		21.2										
-Minorities		0.0										
-Dividend/capital return		-15.0										
Equity value DCF		639										
Equity value DCF per share		9.8										

Cash flow distribution



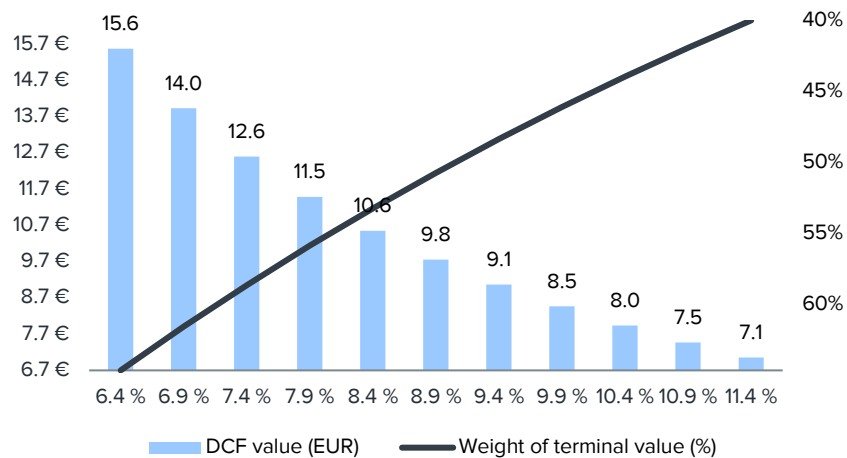
WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	4.5 %
Equity Beta	1.25
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.5 %
Cost of equity	9.4 %
Weighted average cost of capital (WACC)	8.9 %

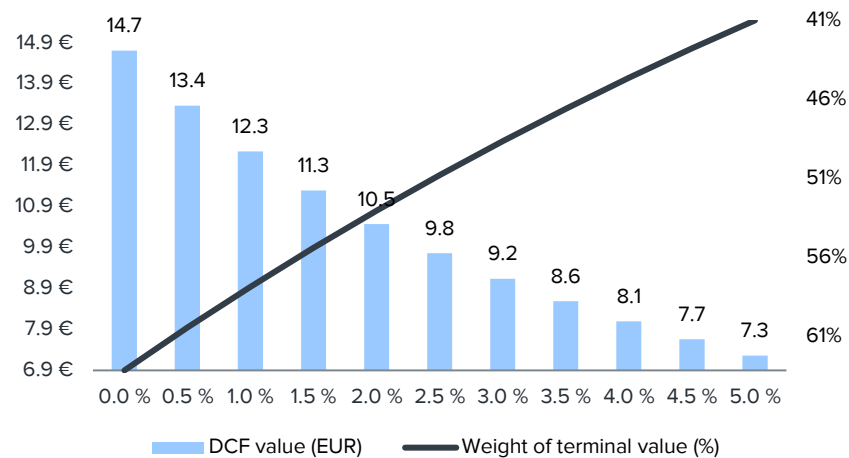
Source: Inderes

DCF sensitivity calculations and key assumptions in graphs

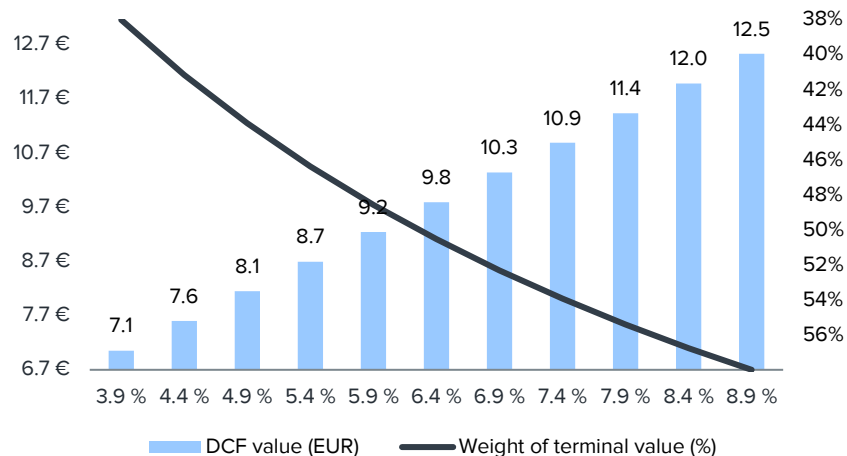
Sensitivity of DCF to changes in the WACC-%



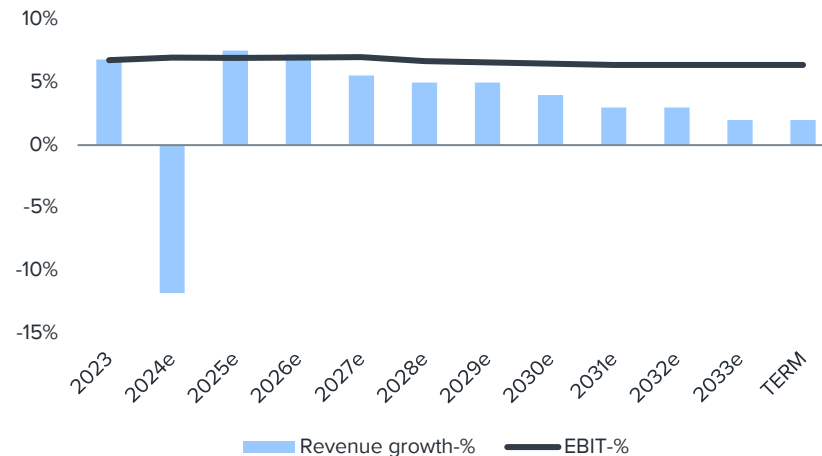
Sensitivity of DCF to changes in the risk-free rate



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.

Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	696	844	902	795	855	EPS (reported)	0.46	0.54	0.74	0.65	0.70
EBITDA	55.0	62.9	80.4	76.1	80.1	EPS (adj.)	0.47	0.54	0.74	0.65	0.70
EBIT	39.6	45.4	61.3	55.6	59.5	OCF / share	-0.21	0.24	1.01	1.47	1.01
PTP	37.7	41.7	61.6	55.1	58.9	FCF / share	-0.54	-0.10	0.65	1.12	0.63
Net Income	29.8	35.0	48.2	42.3	46.0	Book value / share	3.22	3.51	4.08	4.49	4.95
Extraordinary items	-0.7	0.0	0.0	0.0	0.0	Dividend / share	0.19	0.21	0.23	0.25	0.27
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	474	526	518	483	528	Revenue growth-%	17%	21%	7%	-12%	8%
Equity capital	207	227	266	293	323	EBITDA growth-%	-9%	14%	28%	-5%	5%
Goodwill	8.2	7.7	7.7	7.7	7.7	EBIT (adj.) growth-%	3%	13%	35%	-9%	7%
Net debt	59.9	85.5	51.7	-5.9	-30.1	EPS (adj.) growth-%	-6%	15%	36%	-12%	9%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	7.9 %	7.5 %	8.9 %	9.6 %	9.4 %
EBITDA	55.0	62.9	80.4	76.1	80.1	EBIT (adj.)-%	5.8 %	5.4 %	6.8 %	7.0 %	7.0 %
Change in working capital	-58.1	-39.9	-2.0	32.9	-1.0	EBIT-%	5.7 %	5.4 %	6.8 %	7.0 %	7.0 %
Operating cash flow	-13.4	15.7	66.2	96.1	66.0	ROE-%	15.3 %	16.1 %	19.6 %	15.1 %	14.9 %
CAPEX	-21.4	-22.6	-24.3	-23.1	-25.1	ROI-%	15.2 %	14.5 %	18.2 %	16.9 %	17.8 %
Free cash flow	-34.8	-6.7	42.2	73.0	40.9	Equity ratio	43.8 %	43.1 %	51.3 %	60.8 %	61.2 %
						Gearing	28.9 %	37.7 %	19.4 %	-2.0 %	-9.3 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	0.8	0.6	0.6	0.6	0.5						
EV/EBITDA	9.8	8.1	7.0	6.2	5.6						
EV/EBIT (adj.)	13.4	11.2	9.2	8.5	7.6						
P/E (adj.)	15.8	12.1	10.6	11.3	10.4						
P/B	2.3	1.9	1.9	1.6	1.5						
Dividend-%	2.5 %	3.2 %	2.9 %	3.4 %	3.7 %						

Source: Inderes

ESG

Taxonomy classification of core activities difficult due to the nature of the business

As a contract manufacturer, Scanfil does not always know how the products will be used. Scanfil's customer delivery can also be part of the customer's larger product range. Thus, the taxonomy assessment is difficult for the company in all respects, although Scanfil has reported preliminary taxonomy figures. Therefore, we will wait for the reporting practices of contract manufacturers to become more established before drawing more significant conclusions. We do not believe that the low taxonomy rate puts immediate upward pressure on, for example, Scanfil's cost or availability of financing, or result in other business challenges.

There are no significant environmental policy issues related to Scanfil

We believe the direct environmental policy elements related to Scanfil's business are relatively small, as the company's business is assembly industry with very light energy intensity that also does not use any hazardous substances. Scanfil also manufactures products for its customers that mitigate climate change, such as air-source heat pumps and other green energy technology. Therefore, we do not see any greater risks or threats to Scanfil from regulation in the foreseeable future.

We do not expect significant investment needs from pursuing climate goals

Scanfil updated its climate program as part of its strategy update in spring 2024. Scanfil's climate program aims to halve carbon dioxide emissions in 2030 compared to 2020, which is the target level under the Greenhouse Gas Protocol. The target also includes a goal to increase Scanfil's share of fossil-free energy use from 28% in 2020 to 60% by 2030. Scanfil also stated in its Q1'24 report that it is committed to the Science Based Targets initiative's (SBTi) targets to achieve net-zero by 2050. This target would be in line with the Paris Agreement, but we understand that SBTi has so far not validated Scanfil's commitment.

We believe the key role for Scanfil's overall emissions is especially Scope3 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 Scanfil but we await further information on this. We also do not expect future investment needs to rise significantly based on the targets.

Taxonomy eligibility	2022	2023
Revenue	8%	11%
OPEX	8%	11%
CAPEX	8%	11%

Taxonomy alignment	2022	2023
Revenue	0.4%	0.4%
OPEX	0.4%	0.4%
CAPEX	0.4%	0.4%

Climate

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

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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
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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
4/26/2019	Accumulate	4.50 €	4.20 €
8/12/2019	Accumulate	4.50 €	4.04 €
10/28/2019	Accumulate	4.75 €	4.35 €
1/17/2020	Accumulate	5.25 €	4.94 €
2/20/2020	Accumulate	5.60 €	5.20 €
3/23/2020	Accumulate	4.25 €	3.73 €
4/25/2020	Accumulate	5.00 €	4.48 €
8/5/2020	Accumulate	5.50 €	5.18 €
8/10/2020	Accumulate	6.00 €	5.56 €
10/28/2020	Buy	6.00 €	5.14 €
12/15/2020	Accumulate	6.30 €	5.96 €
3/19/2021	Accumulate	7.30 €	6.90 €
4/9/2021	Accumulate	8.00 €	7.56 €
4/26/2021	Accumulate	8.60 €	8.08 €
6/14/2021	Accumulate	8.60 €	8.06 €
8/8/2021	Accumulate	8.75 €	8.30 €
10/14/2021	Accumulate	8.75 €	7.94 €
10/27/2021	Accumulate	8.75 €	7.78 €
12/13/2021	Reduce	8.30 €	7.96 €
2/16/2022	Accumulate	8.00 €	7.08 €
2/23/2022	Accumulate	8.00 €	6.84 €
4/19/2022	Accumulate	8.00 €	7.04 €
6/1/2022	Accumulate	7.60 €	6.66 €
7/14/2022	Accumulate	7.60 €	6.98 €
8/8/2022	Accumulate	7.60 €	6.76 €
10/27/2022	Buy	7.25 €	5.84 €
2/22/2023	Accumulate	8.25 €	7.74 €
4/23/2023	Reduce	9.00 €	9.13 €
4/26/2023	Reduce	9.00 €	9.67 €
7/6/2023	Reduce	9.50 €	10.38 €
7/31/2023	Reduce	10.00 €	10.56 €
8/7/2023	Reduce	10.00 €	10.64 €
9/14/2023	Accumulate	10.00 €	8.51 €
10/16/2023	Accumulate	9.00 €	7.64 €
10/30/2023	Accumulate	9.00 €	7.38 €
2/25/2024	Accumulate	9.00 €	7.71 €
4/25/2024	Accumulate	9.00 €	7.78 €
6/11/2024	Accumulate	9.00 €	7.48 €
8/7/2024	Accumulate	9.00 €	7.35 €



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