

Strong EBIT despite soft revenue

Scanfil reported Q2 revenue clearly below our expectations yet managed to beat our operating profit estimate. Operating margin remained strong despite 6% decline in revenue compared to previous year.

- Q2 revenue, at EUR 143m, missed our EUR 158m estimate by 10% and declined by 6% compared to previous year (but increased by 10% compared to previous quarter). Scanfil says revenue developed favorably in all segments except Medtec & Life Science.
- Q2 adjusted operating profit amounted to EUR 10.3m vs our EUR 10.0m estimate. Adjusted operating margin was thus 7.2% vs our 6.3% expectation.
- The adjustment items include expenses related to the acquisition of HASEC-Elektronik GmbH (EUR 0.4m) and the impairment of Scanfil GmbH's goodwill (EUR 3.6m).
- Scanfil adjusts 2019 outlook to reflect the HASEC acquisition it completed at the end of Q2. Scanfil says HASEC will contribute ca. EUR 20m in revenue and EUR 1m in operating profit during 2019 and hence the new FY 2019 guidance is EUR 580-610m in revenue and EUR 39-42m in adjusted operating profit (previously EUR 560-610m and EUR 36-41m).
- Scanfil also said it will initiate a share repurchase program. The authorization is to purchase a maximum of 300,000 shares, or approximately 0.46% of the total number of shares (the maximum amount to be used is EUR 1.35m). The repurchasing will start on Aug 12, 2019 at the earliest.

Rating					+ BUY
Q2'19	Actual	Evli	Year ago	Q1'19	
Net sales	142.6	158.0	151.7	129.9	
Adj. EBIT	10.3	10.0	11.2	6.8	
Adj. EPS	0.13	0.12	0.13	0.08	
Deviation	Actual	Evli	Year ago	Q4'18	
Net sales		-10 %	-6 %	10 %	
Adj. EBIT		3 %	-8 %	51 %	
Adj. EPS		8 %	0 %	63 %	
Share price, EUR (Last trading day's closing price)					4.03
Target price, EUR					4.75
Latest change in recommendation					29-Oct-18
Latest report on company					18-Jun-19
Research paid by issuer:					YES
No. of shares outstanding, '000's					63,895
No. of shares fully diluted, '000's					63,895
Market cap, EURm					257
Free float, %					-
Exchange rate					-
Reuters code					SCANFLHE
Bloomberg code					SCANFL FH
Average daily volume, EURm					0.1
Next interim report					09-Aug-19
Web site					www.scanfil.com
Analyst					Joonas Ilvonen
E-mail					joonas.ilvonen@evli.com
Telephone					+358 44 430 9071

+ BUY + HOLD - SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2017	530	31	5.9%	33	0.40	10.5	0.6	12.8	10.0	0.11
2018	563	38	6.7%	36	0.44	10.1	0.5	8.4	8.1	0.13
2019E	589	37	6.2%	35	0.43	9.4	0.5	7.4	7.5	0.14
2020E	607	39	6.5%	39	0.46	8.8	0.4	6.9	6.6	0.15
2021E	622	40	6.5%	40	0.47	8.5	0.4	6.7	6.0	0.16
Market cap, EURm	257		BV per share 2019E, EUR		2.6		CAGR EPS 2018-21, %		3.0	
Net debt 2019E, EURm	20		Price/book 2019E		1.5		CAGR sales 2018-21, %		3.4	
Enterprise value, EURm	277		Dividend yield 2019E, %		3.5		ROE 2019E, %		17.3	
Total assets 2019E, EURm	327		Tax rate 2019E, %		22.6		ROCE 2019E, %		17.7	
Goodwill 2019E, EURm	10		Equity ratio 2019E, %		51.2		PEG, P/E 19/CAGR		2.0	

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

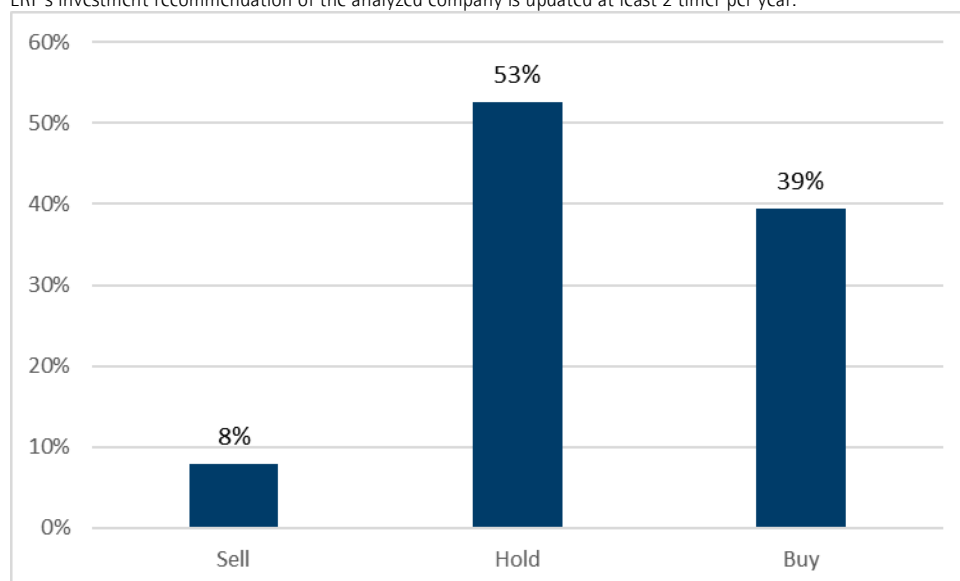
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Investment recommendations are defined as follows:

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

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The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Ilvonen

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Contact information

SALES, TRADING AND RESEARCH

Equity Sales

Ari Laine +358 9 4766 9115
Lauri Ahokanto +358 9 4766 9117
Niclas Henelius +358 9 4766 9116

Trading

Lauri Vehkaluoto (Head) +358 9 4766 9130
Pasi Väisänen +358 9 4766 9120
Antti Kässi +358 9 4766 9120

ETFs and Derivatives

Tobias Björk (Head) +358 9 4766 9130
Joachim Dannberg +358 9 4766 9123
Kimmo Lijja +358 9 4766 9130
Sami Järvinen +358 9 4766 9110

Structured Investments

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

Equity Research

Jonas Forslund +358 9 4766 9314
Joonas Ilvonen +358 44 430 9071
Jerker Salokivi +358 9 4766 9149
Anna-Liisa Rissanen +358 40 157 9919

Evli Investment Solutions

Johannes Asuja +358 9 4766 9205
Markku Reinikainen +358 9 4766 9669



EVLI BANK PLC
Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Fax +358 9 634 382
Internet www.evli.com
E-mail firstname.lastname@evli.com

EVLI BANK PLC,
STOCKHOLMSFILIAL
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000
Fax +46 (0)8 407 8001