

Strong operating margin for Q3

Scanfil's Q3 revenue, at EUR 152m, missed our EUR 163m estimate by 7%, however the company still managed to beat our EUR 11.4m operating profit expectation by posting a figure of EUR 12.1m.

- The EUR 152.3m in Q3 revenue represents 16% y/y increase. The 7% q/q growth nevertheless didn't meet our estimate.
- Operating profit came in strong, the EUR 12.1m figure translating to an operating margin of 7.9% (vs 6.7% margin a year ago). Our expectation was for a 7.0% margin.
- Scanfil says roughly half of the EUR 21m y/y increase in revenue was due to organic growth, the remainder being attributable to the HASEC acquisition closed at the end of Q2.
- Industrial and Medtec segments performed well, and the strong operating profit was partly attributable to favorable product mix but also thanks to high utilization rate.
- Scanfil expects the fourth quarter of 2019 to be the best in terms of sales, sees good activity also for the first quarter of next year.
- Scanfil updates its FY '19 guidance. The new guidance is EUR 570-590m in revenue and EUR 39-41m in operating profit (previously EUR 580-610m and EUR 39-42m).

Rating				BUY
Q3'19	Actual	Evli	Year ago	Q2'19
Revenue	152.3	163.0	131.5	142.6
Adj. EBIT	12.1	11.4	8.8	10.5
Adj. EPS	0.14	0.14	0.11	0.14
Deviation				
Actual	Evli	Year ago	Q2'19	
Revenue	-7 %	16 %	7 %	
Adj. EBIT	6 %	38 %	15 %	
Adj. EPS	0 %	27 %	0 %	
Share price, EUR (Last trading day's closing price)				4.50
Target price, EUR				4.75
Latest change in recommendation				29-Oct-18
Latest report on company				12-Aug-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				288
Free float, %				-
Exchange rate				-
Reuters code				SCANFLHE
Bloomberg code				SCANFL FH
Average daily volume, EURm				0.1
Next interim report				25-Oct-19
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BUY HOLD SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2017	529.9	31.3	5.9%	1.6	0.40	10.5	0.6	10.0	0.6	0.11
2018	563.0	37.8	6.7%	21.0	0.44	10.1	0.5	8.1	7.5	0.13
2019E	593.5	39.1	6.6%	14.9	0.47	9.5	0.5	7.8	5.2	0.16
2020E	623.2	40.5	6.5%	24.5	0.47	9.5	0.5	7.2	8.5	0.16
2021E	638.8	41.5	6.5%	27.9	0.49	9.2	0.4	6.6	9.7	0.16
Market cap, EURm	288		BV per share 2019E, EUR		10.1		CAGR EPS 2018-21, %		3.9	
Net debt 2019E, EURm	17		Price/book 2019E		1.7		CAGR sales 2018-21, %		4.3	
Enterprise value, EURm	305		Dividend yield 2019E, %		3.5		ROE 2019E, %		19.0	
Total assets 2019E, EURm	329		Tax rate 2019E, %		20.7		ROCE 2019E, %		18.7	
Goodwill 2019E, EURm	10		Equity ratio 2019E, %		51.9		PEG, P/E 19/CAGR		4.6	

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

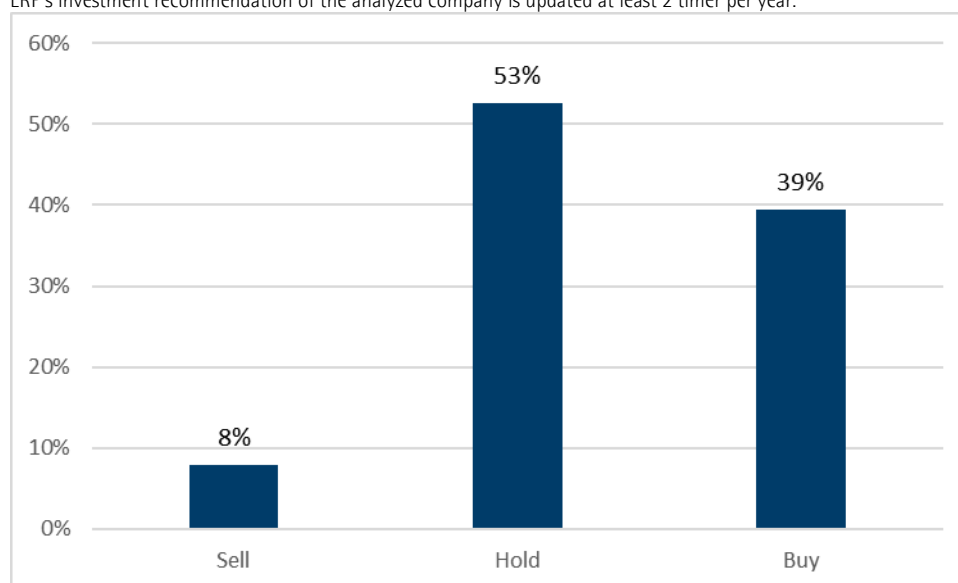
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Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.



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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