

Higher multiples are warranted

Scanfil's Q4 results fell slightly short of our expectations, yet overall there were no significant changes in the wider picture. The HASEC acquisition helped Industrial as well as Medtec & Life Science top line, however both segments extended strong organic growth. Scanfil aims to grow at a 5% organic CAGR according to its updated long-term target; in our view there's still good upside to current multiples. Our TP is now EUR 5.75 (5.25), remain BUY.

All segments continued to grow except Communication

Scanfil's EUR 155m Q4 revenue didn't quite meet our EUR 159m estimate yet grew by 10% y/y. The Industrial segment (key accounts include Kone) jumped by a third in Q4 (Q3 y/y growth was 52%), and so the EUR 47m revenue almost met our EUR 51m estimate. Scanfil says the performance has been due to organic growth but the HASEC acquisition also helped. Medtec & Life Science (potential customers include Thermo Fisher Scientific and Vaisala) top line grew by 17% y/y and so was in line with our EUR 29m estimate. Scanfil says the segment grew mostly in an organic fashion, receiving only slight lift from the German acquisition. Energy & Automation (e.g. Valmet) continued to grow at a stable organic 6% annual rate. Consumer Applications has stabilized for two quarters now, but the business is rather seasonal. Communication (e.g. Nokia) fell by 24%, yet Scanfil says the segment could well stabilize this year. Scanfil's Q4 operating margin, at 6.5%, was 60bps below our estimate; we still think the company will easily reach its 7% long-run target.

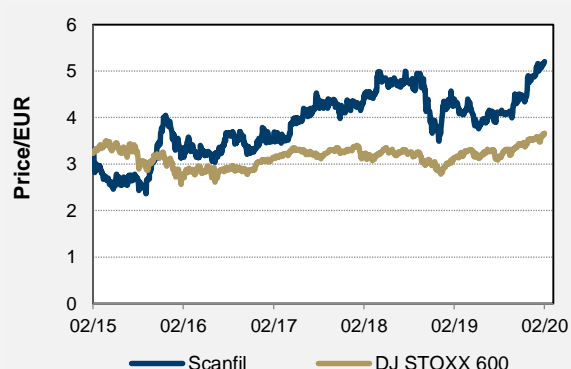
Scanfil targets 5% organic CAGR during the next four years

We estimate Scanfil has grown at a 6% organic rate during the last two quarters. Considering Scanfil's strong cost, quality and delivery record we view the company's 5% CAGR target as highly feasible, especially given a good positioning in Industrial and Medtec & Life Science, which we estimate to contribute some two-thirds of all the organic growth going forward.

In our view Scanfil can be valued above peer multiples

Although lowish valuation multiples are in general well-advised for contract electronics manufacturers, in our view Scanfil's strong profitability track record as well as organic growth outlook justify higher than the current 6x EV/EBITDA and 8x EV/EBIT '20e multiples. Our new TP is EUR 5.75 (5.25), retain BUY.

Rating BUY



Share price, EUR (Last trading day's closing price) 5.20

Target price, EUR 5.75

Latest change in recommendation 29-Oct-18

Latest report on company 28-Oct-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 332

Free float, % -

Exchange rate -

Reuters code SCANFLHE

Bloomberg code SCANFL FH

Average daily volume, EURm 0.1

Next interim report 24-Apr-20

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BUY HOLD SELL

KEY FIGURES

| | Sales EURm | EBIT EURm | EBIT % | FCF EURm | EPS EUR | P/E (x) | EV/Sales (x) | EV/EBIT (x) | FCF yield % | DPS EUR |
|--------------------------|---------------|--------------|-----------|-------------------------|------------|------------|-----------------------|----------------|----------------|------------|
| 2018 | 563.0 | 37.8 | 6.7% | 18.9 | 0.44 | 10.1 | 0.6 | 8.5 | 6.7 | 0.13 |
| 2019 | 579.4 | 39.4 | 6.8% | 7.5 | 0.50 | 10.4 | 0.7 | 9.6 | 2.2 | 0.15 |
| 2020E | 611.6 | 41.4 | 6.8% | 39.9 | 0.50 | 10.4 | 0.6 | 8.3 | 12.0 | 0.16 |
| 2021E | 644.0 | 43.5 | 6.8% | 24.9 | 0.53 | 9.8 | 0.5 | 7.5 | 7.5 | 0.17 |
| 2022E | 676.2 | 47.3 | 7.0% | 26.7 | 0.56 | 9.3 | 0.5 | 6.6 | 8.0 | 0.18 |
| Market cap, EURm | 332 | | | Gearing 2020E, % | 5.1 | | CAGR EPS 2019-22, % | | 3.4 | |
| Net debt 2020E, EURm | 10 | | | Price/book 2020E | 1.7 | | CAGR sales 2019-22, % | | 5.3 | |
| Enterprise value, EURm | 342 | | | Dividend yield 2020E, % | 3.2 | | ROE 2020E, % | | 17.8 | |
| Total assets 2020E, EURm | 353 | | | Tax rate 2020E, % | 20.1 | | ROCE 2020E, % | | 17.9 | |
| Goodwill 2020E, EURm | 8 | | | Equity ratio 2020E, % | 54.2 | | PEG, P/E 20/CAGR | | 2.0 | |

Estimates and peer group multiples

| Scanfil | 2018 | Q1'19 | Q2'19 | Q3'19 | Q4'19 | 2019 | Q1'20e | Q2'20e | Q3'20e | Q4'20e | 2020e | 2021e | 2022e | 2023e |
|-----------------------|-------|--------|--------|--------|--------|-------|--------|--------|--------|--------|-------|-------|-------|-------|
| Revenue | 563 | 130 | 143 | 152 | 155 | 579 | 134 | 152 | 161 | 164 | 612 | 644 | 676 | 705 |
| <i>growth-%</i> | 6.2 % | -6.9 % | -6.0 % | 15.8 % | 10.3 % | 2.9 % | 3.0 % | 6.9 % | 6.0 % | 6.1 % | 5.6 % | 5.3 % | 5.0 % | 4.2 % |
| Communication | 98 | 18 | 19 | 21 | 21 | 79 | 16 | 19 | 22 | 22 | 80 | 81 | 84 | 86 |
| Consumer Applications | 126 | 24 | 28 | 28 | 28 | 107 | 25 | 28 | 28 | 29 | 110 | 112 | 115 | 117 |
| Energy & Automation | 108 | 26 | 28 | 28 | 29 | 111 | 25 | 29 | 29 | 31 | 115 | 120 | 127 | 133 |
| Industrial | 135 | 36 | 42 | 49 | 47 | 173 | 39 | 48 | 54 | 51 | 192 | 206 | 222 | 233 |
| Medtec & Life Science | 98 | 27 | 26 | 26 | 29 | 108 | 29 | 28 | 27 | 31 | 115 | 124 | 130 | 137 |
| EBITDA | 47 | 10 | 13 | 16 | 14 | 54 | 13 | 15 | 15 | 15 | 57 | 59 | 64 | 66 |
| <i>EBITDA margin</i> | 8.4 % | 7.7 % | 9.4 % | 10.6 % | 9.0 % | 9.2 % | 9.5 % | 9.6 % | 9.5 % | 8.9 % | 9.4 % | 9.2 % | 9.5 % | 9.4 % |
| EBIT | 38 | 7 | 11 | 12 | 10 | 39 | 9 | 11 | 11 | 11 | 41 | 43 | 47 | 49 |
| <i>EBIT margin</i> | 6.7 % | 5.2 % | 7.4 % | 7.9 % | 6.5 % | 6.8 % | 6.5 % | 7.0 % | 7.0 % | 6.5 % | 6.8 % | 6.8 % | 7.0 % | 7.0 % |

Source: Evli Research

| SCANFIL PEER GROUP | MCAP MEUR | EV/EBITDA | | | EV/EBIT | | | EBIT-% | | |
|----------------------------|--------------|-------------|-------------|-------------|--------------|-------------|-------------|--------------|--------------|--------------|
| | | 19 | 20 | 21 | 19 | 20 | 21 | 19 | 20 | 21 |
| Benchmark Electronics | 970 | | 7.9x | 6.9x | 24.8x | 13.4x | 10.9x | 2.1 % | 3.0 % | 3.5 % |
| Celestica | 933 | 4.7x | 4.4x | 4.1x | 7.9x | 7.3x | 6.4x | 2.8 % | 3.2 % | 3.6 % |
| exceed Group | 93 | | | | | | | | | |
| HANZA Holding | 56 | 6.0x | 5.1x | 4.6x | 13.5x | 9.9x | 8.5x | 3.3 % | 4.2 % | 4.7 % |
| Kitron | 219 | 9.6x | 9.1x | 8.2x | 13.5x | 12.4x | 11.1x | 6.2 % | 6.8 % | 7.1 % |
| Lacroix | 104 | 5.3x | 5.1x | | 8.4x | 7.7x | | 4.0 % | 4.3 % | |
| Neways Electronics Intl | 108 | | | | | | | 3.3 % | 3.8 % | 4.5 % |
| Plexus | 2005 | 12.0x | 10.4x | 9.6x | 16.3x | 14.2x | 12.7x | 4.6 % | 4.7 % | 4.9 % |
| Sanmina | 1970 | | 5.2x | | 7.6x | 7.1x | | 4.1 % | 4.1 % | |
| SIIX | 527 | 10.0x | 7.3x | 6.1x | 19.2x | 11.2x | 9.1x | 2.5 % | 3.5 % | 3.9 % |
| Valuetronics | 207 | 3.7x | 2.6x | 2.4x | 4.5x | 3.2x | 3.1x | 7.8 % | 7.7 % | 7.7 % |
| Peer Group Average | 654 | 7.3x | 6.4x | 6.0x | 12.9x | 9.6x | 8.8x | 4.1 % | 4.5 % | 5.0 % |
| Peer Group Median | 219 | 6.0x | 5.2x | 6.1x | 13.5x | 9.9x | 9.1x | 3.6 % | 4.2 % | 4.6 % |
| Scanfil (Evli est.) | 332 | 7.1x | 6.0x | 5.5x | 9.6x | 8.3x | 7.5x | 6.8 % | 6.8 % | 6.8 % |

Scanfil prem./disc. to peer median

18 % 14 % -10 % -29 % -17 % -17 % 87 % 63 % 47 %

Source FactSet, Evli Research

| VALUATION RESULTS | BASE CASE DETAILS | VALUATION ASSUMPTIONS | ASSUMPTIONS FOR WACC | |
|--------------------------|----------------------------|-------------------------|--------------------------------|------|
| Current share price | 5.20 PV of Free Cash Flow | 226 Long-term growth, % | 1.5 Risk-free interest rate, % | 2.25 |
| DCF share value | 6.84 PV of Horizon value | 254 WACC, % | 8.5 Market risk premium, % | 5.8 |
| Share price potential, % | 31.6 Unconsolidated equity | 0 Spread, % | 0.5 Debt risk premium, % | 2.8 |
| Maximum value | 7.4 Marketable securities | 20 Minimum WACC, % | 8.0 Equity beta coefficient | 1.10 |
| Minimum value | 6.3 Debt - dividend | -63 Maximum WACC, % | 9.0 Target debt ratio, % | 20 |
| Horizon value, % | 52.8 Value of stock | 437 Nr of shares, Mn | 63.9 Effective tax rate, % | 20 |

| DCF valuation, EURm | 2019 | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | Horizon |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|
| Net sales | 579 | 612 | 644 | 676 | 705 | 729 | 751 | 770 | 785 | 797 | 809 | 821 |
| <i>Sales growth, %</i> | <i>2.9</i> | <i>5.6</i> | <i>5.3</i> | <i>5.0</i> | <i>4.2</i> | <i>3.5</i> | <i>3.0</i> | <i>2.5</i> | <i>2.0</i> | <i>1.5</i> | <i>1.5</i> | <i>1.5</i> |
| Operating income (EBIT) | 39 | 41 | 43 | 47 | 49 | 51 | 53 | 54 | 55 | 56 | 57 | 57 |
| <i>Operating income margin, %</i> | <i>6.8</i> | <i>6.8</i> | <i>6.8</i> | <i>7.0</i> | <i>7.0</i> | <i>7.0</i> | <i>7.0</i> | <i>7.0</i> | <i>7.0</i> | <i>7.0</i> | <i>7.0</i> | <i>7.0</i> |
| + Depreciation+amort. | 14 | 16 | 16 | 17 | 17 | 17 | 18 | 18 | 19 | 19 | 20 | |
| EBITDA | 54 | 57 | 59 | 64 | 66 | 68 | 70 | 72 | 74 | 75 | 77 | |
| - Paid taxes | -5 | -8 | -8 | -11 | -12 | -12 | -13 | -13 | -13 | -13 | -14 | |
| - Change in NWC | -15 | 11 | -6 | -6 | -5 | -4 | -4 | -3 | -3 | -2 | -2 | |
| <i>NWC / Sales, %</i> | <i>19.7</i> | <i>16.9</i> | <i>16.9</i> | <i>16.9</i> | <i>16.9</i> | <i>17.0</i> | <i>17.0</i> | <i>17.0</i> | <i>17.0</i> | <i>17.0</i> | <i>17.0</i> | |
| + Change in other liabs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| - Operative CAPEX | -18 | -18 | -18 | -19 | -19 | -19 | -20 | -20 | -21 | -21 | -22 | |
| <i>opCAPEX / Sales, %</i> | <i>4.2</i> | <i>3.1</i> | <i>3.0</i> | <i>2.9</i> | <i>2.9</i> | <i>2.8</i> | <i>2.8</i> | <i>2.7</i> | <i>2.7</i> | <i>2.7</i> | <i>2.8</i> | |
| - Acquisitions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| + Divestments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| - Other items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| = FCFF | 15 | 42 | 27 | 28 | 30 | 32 | 34 | 35 | 37 | 38 | 39 | 565 |
| = Discounted FCFF | | 39 | 24 | 22 | 22 | 22 | 21 | 20 | 19 | 19 | 17 | 254 |
| = DFCF min WACC | | 40 | 24 | 23 | 23 | 22 | 22 | 21 | 20 | 19 | 18 | 286 |
| = DFCF max WACC | | 39 | 23 | 22 | 22 | 21 | 21 | 20 | 19 | 18 | 17 | 226 |

INTERIM FIGURES

| EVLI ESTIMATES, EURm | 2019Q1 | 2019Q2 | 2019Q3 | 2019Q4 | 2019 | 2020Q1E | 2020Q2E | 2020Q3E | 2020Q4E | 2020E | 2021E | 2022E |
|--------------------------------------|-------------|-------------|-------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net sales | 129.9 | 142.6 | 152.3 | 154.6 | 579.4 | 133.7 | 152.4 | 161.4 | 164.1 | 611.6 | 644.0 | 676.2 |
| EBITDA | 10.0 | 13.4 | 16.2 | 14.0 | 53.6 | 12.7 | 14.7 | 15.3 | 14.7 | 57.4 | 59.5 | 63.9 |
| <i>EBITDA margin (%)</i> | <i>7.7</i> | <i>9.4</i> | <i>10.6</i> | <i>9.1</i> | <i>9.3</i> | <i>9.5</i> | <i>9.6</i> | <i>9.5</i> | <i>9.0</i> | <i>9.4</i> | <i>9.2</i> | <i>9.5</i> |
| EBIT | 6.8 | 10.5 | 12.0 | 10.1 | 39.4 | 8.7 | 10.7 | 11.3 | 10.7 | 41.4 | 43.5 | 47.3 |
| <i>EBIT margin (%)</i> | <i>5.2</i> | <i>7.4</i> | <i>7.9</i> | <i>6.5</i> | <i>6.8</i> | <i>6.5</i> | <i>7.0</i> | <i>7.0</i> | <i>6.5</i> | <i>6.8</i> | <i>6.8</i> | <i>7.0</i> |
| Net financial items | -0.8 | 0.4 | -0.9 | 0.0 | -1.3 | -0.4 | -0.4 | -0.4 | -0.4 | -1.6 | -1.6 | -0.5 |
| Pre-tax profit | 6.0 | 10.9 | 11.1 | 10.1 | 38.1 | 8.3 | 10.3 | 10.9 | 10.3 | 39.8 | 41.9 | 46.8 |
| Tax | -1.2 | -2.2 | -2.3 | -0.2 | -5.9 | -2.0 | -2.0 | -2.0 | -2.0 | -8.0 | -8.0 | -11.2 |
| <i>Tax rate (%)</i> | <i>20.0</i> | <i>20.2</i> | <i>20.7</i> | <i>2.0</i> | <i>15.5</i> | <i>24.1</i> | <i>19.4</i> | <i>18.3</i> | <i>19.4</i> | <i>20.1</i> | <i>19.1</i> | <i>24.0</i> |
| Net profit | 4.8 | 8.7 | 8.8 | 9.9 | 32.2 | 6.3 | 8.3 | 8.9 | 8.3 | 31.8 | 33.9 | 35.6 |
| EPS | 0.08 | 0.14 | 0.14 | 0.15 | 0.50 | 0.10 | 0.13 | 0.14 | 0.13 | 0.50 | 0.53 | 0.56 |
| EPS adjusted (diluted no. of shares) | 0.08 | 0.14 | 0.14 | 0.15 | 0.50 | 0.10 | 0.13 | 0.14 | 0.13 | 0.50 | 0.53 | 0.56 |
| Dividend per share | 0.00 | 0.00 | 0.00 | 0.00 | 0.15 | 0.00 | 0.00 | 0.00 | 0.00 | 0.16 | 0.17 | 0.18 |
| SALES, EURm | | | | | | | | | | | | |
| Group | 129.9 | 142.6 | 152.3 | 154.6 | 579.4 | 133.7 | 152.4 | 161.4 | 164.1 | 611.6 | 644.0 | 676.2 |
| Total | 129.9 | 142.6 | 152.3 | 154.6 | 579.4 | 133.7 | 152.4 | 161.4 | 164.1 | 611.6 | 644.0 | 676.2 |
| SALES GROWTH, Y/Y % | | | | | | | | | | | | |
| Group | -6.9 | -6.0 | 15.8 | 10.3 | 2.9 | 2.9 | 6.9 | 6.0 | 6.1 | 5.6 | 5.3 | 5.0 |
| Total | -6.9 | -6.0 | 15.8 | 10.3 | 2.9 | 2.9 | 6.9 | 6.0 | 6.1 | 5.6 | 5.3 | 5.0 |
| EBIT, EURm | | | | | | | | | | | | |
| Group | 6.8 | 10.5 | 12.0 | 10.1 | 39.4 | 8.7 | 10.7 | 11.3 | 10.7 | 41.4 | 43.5 | 47.3 |
| Total | 6.8 | 10.5 | 12.0 | 10.1 | 39.4 | 8.7 | 10.7 | 11.3 | 10.7 | 41.4 | 43.5 | 47.3 |
| EBIT margin, % | | | | | | | | | | | | |
| Group | 5.2 | 7.4 | 7.9 | 6.5 | 6.8 | 6.5 | 7.0 | 7.0 | 6.5 | 6.8 | 6.8 | 7.0 |
| Total | 5.2 | 7.4 | 7.9 | 6.5 | 6.8 | 6.5 | 7.0 | 7.0 | 6.5 | 6.8 | 6.8 | 7.0 |

| INCOME STATEMENT, EURm | 2015 | 2016 | 2017 | 2018 | 2019 | 2020E | 2021E | 2022E |
|--|-------------|-------------|------------|------------|------------|------------|------------|------------|
| Sales | 377.3 | 508.0 | 529.9 | 563.0 | 579.4 | 611.6 | 644.0 | 676.2 |
| <i>Sales growth (%)</i> | <i>75.9</i> | <i>34.6</i> | <i>4.3</i> | <i>6.2</i> | <i>2.9</i> | <i>5.6</i> | <i>5.3</i> | <i>5.0</i> |
| EBITDA | 30.4 | 33.3 | 40.0 | 47.2 | 53.6 | 57.4 | 59.5 | 63.9 |
| <i>EBITDA margin (%)</i> | <i>8.1</i> | <i>6.5</i> | <i>7.5</i> | <i>8.4</i> | <i>9.3</i> | <i>9.4</i> | <i>9.2</i> | <i>9.5</i> |
| Depreciation | -10.8 | -11.0 | -8.7 | -9.4 | -14.2 | -16.0 | -16.0 | -16.6 |
| EBITA | 19.6 | 22.3 | 31.3 | 37.8 | 39.4 | 41.4 | 43.5 | 47.3 |
| Goodwill amortization / writedown | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT | 19.6 | 22.3 | 31.3 | 37.8 | 39.4 | 41.4 | 43.5 | 47.3 |
| <i>EBIT margin (%)</i> | <i>5.2</i> | <i>4.4</i> | <i>5.9</i> | <i>6.7</i> | <i>6.8</i> | <i>6.8</i> | <i>6.8</i> | <i>7.0</i> |
| Reported EBIT | 14.0 | 7.2 | 31.3 | 37.8 | 39.4 | 41.4 | 43.5 | 47.3 |
| <i>EBIT margin (reported) (%)</i> | <i>3.7</i> | <i>1.4</i> | <i>5.9</i> | <i>6.7</i> | <i>6.8</i> | <i>6.8</i> | <i>6.8</i> | <i>7.0</i> |
| Net financials | -0.2 | -1.2 | 1.3 | -1.7 | -1.3 | -1.6 | -1.6 | -0.5 |
| Pre-tax profit | 19.4 | 21.1 | 32.6 | 36.1 | 38.1 | 39.8 | 41.9 | 46.8 |
| Taxes | -5.4 | -6.0 | -6.8 | -8.3 | -5.9 | -8.0 | -8.0 | -11.2 |
| Minority shares | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net profit | 8.4 | 0.0 | 25.8 | 27.8 | 32.2 | 31.8 | 33.9 | 35.6 |
| Cash NRIs | -5.6 | -15.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-cash NRIs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| BALANCE SHEET, EURm | | | | | | | | |
| Assets | | | | | | | | |
| Fixed assets | 68 | 57 | 62 | 64 | 68 | 70 | 72 | 74 |
| Goodwill | 11 | 11 | 10 | 10 | 8 | 8 | 8 | 8 |
| Right of use assets | 0 | 0 | 0 | 15 | 21 | 22 | 23 | 25 |
| Inventory | 91 | 85 | 101 | 96 | 102 | 104 | 109 | 115 |
| Receivables | 107 | 92 | 108 | 104 | 115 | 113 | 119 | 125 |
| Liquid funds | 22 | 20 | 21 | 28 | 20 | 31 | 32 | 45 |
| Total assets | 302 | 267 | 307 | 321 | 340 | 353 | 369 | 396 |
| Liabilities | | | | | | | | |
| Shareholder's equity | 100 | 108 | 125 | 148 | 167 | 192 | 215 | 239 |
| Minority interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Convertibles | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lease liabilities | 0 | 0 | 0 | 15 | 19 | 22 | 23 | 25 |
| Deferred taxes | 3 | 3 | 5 | 5 | 7 | 7 | 7 | 7 |
| Interest bearing debt | 88 | 60 | 61 | 52 | 44 | 18 | 4 | 0 |
| Non-interest bearing current liabilities | 105 | 88 | 113 | 99 | 96 | 107 | 113 | 118 |
| Other interest-free debt | 4 | 1 | 2 | 2 | 7 | 7 | 7 | 7 |
| Total liabilities | 302 | 267 | 307 | 321 | 340 | 353 | 369 | 396 |
| CASH FLOW, EURm | | | | | | | | |
| + EBITDA | 30 | 33 | 40 | 47 | 54 | 57 | 59 | 64 |
| - Net financial items | 2 | -1 | 2 | -2 | -1 | -2 | -2 | -1 |
| - Taxes | -4 | -5 | -8 | -7 | -5 | -8 | -8 | -11 |
| - Increase in Net Working Capital | -8 | -6 | -6 | -9 | -15 | 11 | -6 | -6 |
| +/- Other | -9 | -5 | -6 | 0 | 0 | 0 | 0 | 0 |
| = Cash flow from operations | 13 | 16 | 22 | 29 | 32 | 59 | 44 | 47 |
| - Capex | -52 | -5 | -21 | -10 | -24 | -19 | -19 | -20 |
| - Acquisitions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| + Divestments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| = Free cash flow | -39 | 10 | 2 | 19 | 8 | 40 | 25 | 27 |
| +/- New issues/buybacks | 1 | 13 | -4 | 3 | -6 | 3 | 0 | 0 |
| - Paid dividend | -4 | -5 | -6 | -7 | -8 | -10 | -10 | -11 |
| +/- Other | 45 | -21 | 8 | -7 | -1 | -23 | -13 | -3 |
| Change in cash | 3 | -2 | 0 | 8 | -8 | 10 | 2 | 13 |

| KEY FIGURES | 2016 | 2017 | 2018 | 2019 | 2020E | 2021E | 2022E |
|--|--------|--------|--------|--------|--------|--------|--------|
| M-cap | 223 | 272 | 281 | 336 | 332 | 332 | 332 |
| Net debt (excl. convertibles) | 40 | 41 | 39 | 43 | 10 | -5 | -20 |
| Enterprise value | 263 | 312 | 320 | 379 | 342 | 328 | 312 |
| Sales | 508 | 530 | 563 | 579 | 612 | 644 | 676 |
| EBITDA | 33 | 40 | 47 | 54 | 57 | 59 | 64 |
| EBIT | 22 | 31 | 38 | 39 | 41 | 43 | 47 |
| Pre-tax | 21 | 33 | 36 | 38 | 40 | 42 | 47 |
| Earnings | 15 | 26 | 28 | 32 | 32 | 34 | 36 |
| Equity book value (excl. minorities) | 108 | 125 | 148 | 167 | 192 | 215 | 239 |
| Valuation multiples | | | | | | | |
| EV/sales | 0.5 | 0.6 | 0.6 | 0.7 | 0.6 | 0.5 | 0.5 |
| EV/EBITDA | 7.9 | 7.8 | 6.8 | 7.1 | 6.0 | 5.5 | 4.9 |
| EV/EBITA | 11.8 | 10.0 | 8.5 | 9.6 | 8.3 | 7.5 | 6.6 |
| EV/EBIT | 11.8 | 10.0 | 8.5 | 9.6 | 8.3 | 7.5 | 6.6 |
| EV/OCF | 16.9 | 14.0 | 11.0 | 11.9 | 5.8 | 7.4 | 6.7 |
| EV/FCFF | -120.1 | 29.5 | 15.5 | 25.7 | 8.1 | 12.0 | 11.0 |
| P/FCFE | 21.4 | 169.7 | 14.9 | 44.7 | 8.3 | 13.3 | 12.4 |
| P/E | 14.7 | 10.5 | 10.1 | 10.4 | 10.4 | 9.8 | 9.3 |
| P/B | 2.1 | 2.2 | 1.9 | 2.0 | 1.7 | 1.5 | 1.4 |
| Target EV/EBITDA | 0.0 | 0.0 | 0.0 | 0.0 | 6.6 | 6.1 | 5.4 |
| Target EV/EBIT | 0.0 | 0.0 | 0.0 | 0.0 | 9.1 | 8.3 | 7.3 |
| Target EV/FCF | 0.0 | 0.0 | 0.0 | 0.0 | 9.5 | 14.6 | 13.0 |
| Target P/B | 0.0 | 0.0 | 0.0 | 0.0 | 1.9 | 1.7 | 1.5 |
| Target P/E | 0.0 | 0.0 | 0.0 | 0.0 | 11.6 | 10.8 | 10.3 |
| Per share measures | | | | | | | |
| Number of shares | 63,670 | 63,895 | 63,895 | 63,895 | 63,895 | 63,895 | 63,895 |
| Number of shares (diluted) | 63,670 | 63,895 | 63,895 | 63,895 | 63,895 | 63,895 | 63,895 |
| EPS | 0.24 | 0.40 | 0.44 | 0.50 | 0.50 | 0.53 | 0.56 |
| Operating cash flow per share | 0.24 | 0.35 | 0.45 | 0.50 | 0.92 | 0.69 | 0.73 |
| Free cash flow per share | 0.16 | 0.03 | 0.30 | 0.12 | 0.62 | 0.39 | 0.42 |
| Book value per share | 1.70 | 1.95 | 2.32 | 2.61 | 3.00 | 3.36 | 3.75 |
| Dividend per share | 0.09 | 0.11 | 0.13 | 0.15 | 0.16 | 0.17 | 0.18 |
| Dividend payout ratio, % | 37.9 | 27.2 | 29.9 | 29.8 | 33.0 | 33.0 | 33.0 |
| Dividend yield, % | 2.6 | 2.6 | 3.0 | 2.9 | 3.2 | 3.4 | 3.5 |
| FCF yield, % | 4.7 | 0.6 | 6.7 | 2.2 | 12.0 | 7.5 | 8.0 |
| Efficiency measures | | | | | | | |
| ROE | 14.5 | 22.2 | 20.4 | 20.4 | 17.8 | 16.7 | 15.7 |
| ROCE | 12.5 | 17.7 | 18.8 | 17.7 | 17.9 | 18.3 | 18.7 |
| Financial ratios | | | | | | | |
| Inventories as % of sales | 16.8 | 19.0 | 17.0 | 17.6 | 17.0 | 17.0 | 17.0 |
| Receivables as % of sales | 18.1 | 20.5 | 18.4 | 19.8 | 18.5 | 18.5 | 18.4 |
| Non-interest bearing liabilities as % of sales | 17.4 | 21.3 | 17.5 | 16.6 | 17.5 | 17.5 | 17.5 |
| NWC/sales, % | 17.2 | 17.7 | 17.5 | 19.7 | 16.9 | 16.9 | 16.9 |
| Operative CAPEX/sales, % | 1.0 | 3.9 | 1.8 | 4.2 | 3.1 | 3.0 | 2.9 |
| CAPEX/sales (incl. acquisitions), % | 1.0 | 3.9 | 1.8 | 4.2 | 3.1 | 3.0 | 2.9 |
| FCFF/EBITDA | -0.1 | 0.3 | 0.4 | 0.3 | 0.7 | 0.5 | 0.4 |
| Net debt/EBITDA, book-weighted | 1.2 | 1.0 | 0.8 | 0.8 | 0.2 | -0.1 | -0.3 |
| Debt/equity, market-weighted | 0.3 | 0.2 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 |
| Equity ratio, book-weighted | 40.6 | 40.6 | 46.2 | 49.0 | 54.2 | 58.2 | 60.4 |
| Gearing, % | 36.9 | 32.7 | 26.0 | 25.6 | 5.1 | -2.2 | -8.5 |

COMPANY DESCRIPTION: Scanfil is a contract electronics manufacturer based in Sievi, Finland, operating a global plant network with 11 sites located across three continents. The company focuses on producing industrial electronics for its customers, many of which are large global industrial original equipment manufacturers. In practice Northern Europe is by far Scanfil's most important market. Scanfil's strategy is based on a vertically integrated model with which the company aims to provide solutions to cover the entire supply chain during the whole life-cycle of a given customer product.

INVESTMENT CASE: In our view Scanfil is well-positioned to achieve its target 7% operating margin. We see upside to the current share price when customer product volumes continue to develop positively, helping to lift absolute operating profit. We expect Scanfil to achieve even more diversified customer portfolio; this would justify an increase in valuation multiples.

| OWNERSHIP STRUCTURE | SHARES | EURm | % |
|--|------------|---------|-------|
| Takanen Harri | 9,858,146 | 51.262 | 15.4% |
| Takanen Jarkko | 8,541,169 | 44.414 | 13.4% |
| Varikot Oy | 7,606,442 | 39.553 | 11.9% |
| Takanen Jorma | 6,129,305 | 31.872 | 9.6% |
| Tolonen Jonna | 3,351,950 | 17.430 | 5.2% |
| Pöllä Reijo | 3,328,745 | 17.309 | 5.2% |
| Laakkonen Mikko | 2,531,187 | 13.162 | 4.0% |
| Takanen Martti | 1,947,018 | 10.124 | 3.0% |
| Foundation of Riitta and Jorma J.Takanen | 1,900,000 | 9.880 | 3.0% |
| Sijoitusrahasto Aktia Capital | 1,528,000 | 7.946 | 2.4% |
| Ten largest | 46,721,962 | 242.954 | 73% |
| Residual | 17,173,477 | 89.302 | 27% |
| Total | 63,895,439 | 332.256 | 100% |

EARNINGS CALENDAR

| | |
|------------------|-----------|
| April 24, 2020 | Q1 report |
| August 07, 2020 | Q2 report |
| October 27, 2020 | Q3 report |

OTHER EVENTS**COMPANY MISCELLANEOUS**

| | |
|-----------------------|-----------------------------|
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| CFO: Kai Valo | Tel: +358 8 48 82 111 |
| IR: | |

DEFINITIONS

| | | | |
|-----------------------|--|---------------------------|---|
| P/E | $\frac{\text{Price per share}}{\text{Earnings per share}}$ | EPS | $\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$ |
| P/BV | $\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$ | DPS | Dividend for the financial period per share |
| Market cap | Price per share * Number of shares | OCF (Operating cash flow) | EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments |
| EV (Enterprise value) | Market cap + net debt + minority interest at market value – share of associated companies at market value | FCF (Free cash flow) | Operating cash flow – operative CAPEX – acquisitions + divestments |
| EV/Sales | $\frac{\text{Enterprise value}}{\text{Sales}}$ | FCF yield, % | $\frac{\text{Free cash flow}}{\text{Market cap}}$ |
| EV/EBITDA | $\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$ | Operative CAPEX/sales | $\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$ |
| EV/EBIT | $\frac{\text{Enterprise value}}{\text{Operating profit}}$ | Net working capital | Current assets – current liabilities |
| Net debt | Interest bearing debt – financial assets | Capital employed/Share | $\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$ |
| Total assets | Balance sheet total | Gearing | $\frac{\text{Net debt}}{\text{Equity}}$ |
| Div yield, % | $\frac{\text{Dividend per share}}{\text{Price per share}}$ | Debt/Equity, % | $\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$ |
| Payout ratio, % | $\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$ | Equity ratio, % | $\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$ |
| ROCE, % | $\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$ | CAGR, % | Cumulative annual growth rate = Average growth per year |
| ROE, % | $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$ | | |

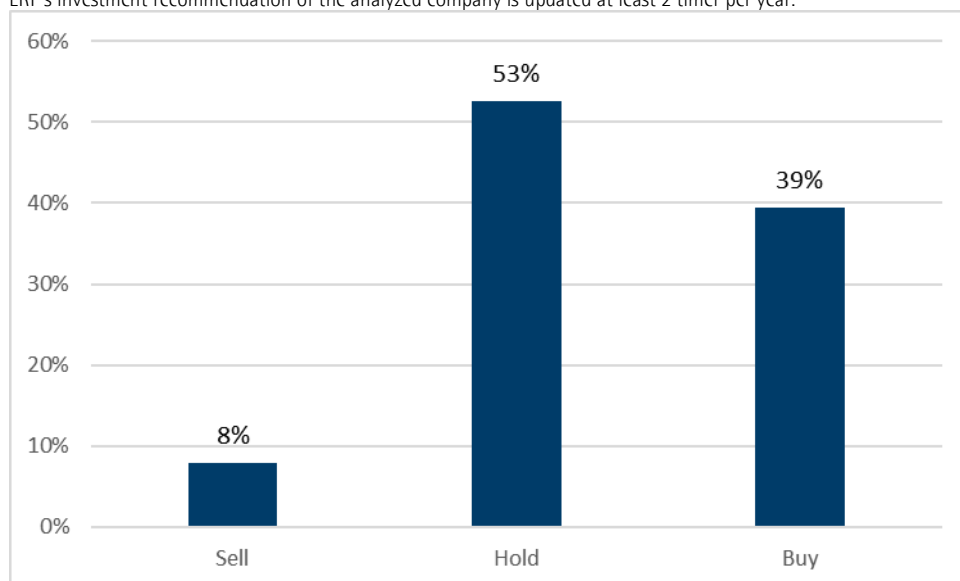
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Investment recommendations are defined as follows:

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

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

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