

## Organic growth justifies multiples

Scanfil upped guidance as demand remains strong and component supply risks haven't materialized. The upgrade isn't a big surprise, but in our view supports the long-term story. Our new TP is EUR 9.0 (8.5), rating now BUY (HOLD).

### Not a big surprise, but hints at extended strong demand

Scanfil upgraded its FY '21 guidance. The revision wasn't a big surprise since in our view Scanfil already seemed, following the Q1 report, bound towards the upper end of its then current guidance range. The revenue midpoint increases by 5.6% with the upgrade. Our old EUR 630m revenue estimate lands at the lower bound of the new EUR 630-680m range. We revise our estimate up by 2.5% to EUR 646m. Our old EUR 41.7m adj. EBIT estimate can be seen in the context of the new EUR 41-46m range. Our new estimate is EUR 43.2m. In our opinion the new outlook's key meaning is in the fact that it lends long-term estimates even more relevance. Our absolute EBIT estimates for FY '22-23 increase by only ca. EUR 1m, but in our view Scanfil's outlook now warrants some additional expansion in multiples.

### We see organic CAGR outlook has moved to 7% from 5%

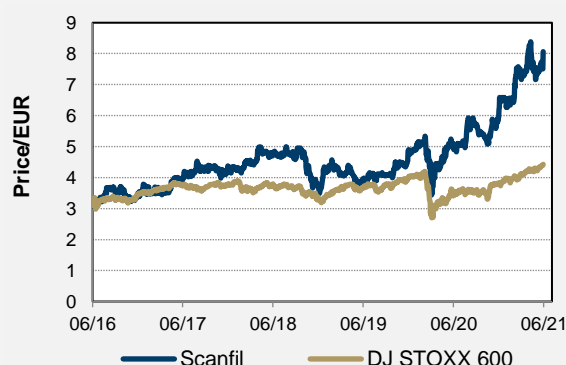
Scanfil's long-term organic growth target, which implies ca. 5% CAGR by the end of FY '23, has gained relevance ever since last fall. Scanfil has an unblemished operational track record, its segments' outlooks are either good or great, and macro tailwinds continue to push many industrial sectors. From this perspective Scanfil should have no trouble reaching EUR 700m top line in FY '23. The updated FY '21 guidance range's midpoint implies 10% growth for this year. We consider this a bumper year for Scanfil and the situation is not unlike that for many other companies operating within the industrial manufacturing value chain. We would not extrapolate such growth rates very long into the future, but nonetheless the general outlook suggests Scanfil is positioned for around 7% CAGR in the years to come.

### In our view some further multiple expansion is justified

Scanfil's 8.5x EV/EBITDA and 11.5x EV/EBIT multiples, on our FY '21 estimates, are high in the historical context, but growth outlook warrants looking further into the future. The multiples decrease to ca. 8x and 10.5x already next year. In our view Scanfil's performance and positioning also warrant a peer premium. Our new TP is EUR 9.0 (8.5), rating now BUY (HOLD).

Rating

BUY



Share price, EUR (Last trading day's closing price) 8.06

Target price, EUR 9.0

|                                     |                           |
|-------------------------------------|---------------------------|
| Latest change in recommendation     | 14-Jun-21                 |
| Latest report on company            | 26-Apr-21                 |
| 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                    | 515                       |
| Free float, %                       | 46.6                      |
| Exchange rate                       | -                         |
| Reuters code                        | SCANFL.HE                 |
| Bloomberg code                      | SCANFL.FH                 |
| Average daily volume, EURm          | 0.1                       |
| Next interim report                 | 06-Aug-21                 |
| Web site                            | www.scanfil.com/investors |

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BUY HOLD SELL

## KEY FIGURES

|                          | Sales<br>EURm | EBIT<br>EURm | EBIT<br>% | FCF<br>EURm             | EPS<br>EUR | P/E<br>(x) | EV/Sales<br>(x) | EV/EBIT<br>(x)        | FCF yield<br>% | DPS<br>EUR |
|--------------------------|---------------|--------------|-----------|-------------------------|------------|------------|-----------------|-----------------------|----------------|------------|
| 2019                     | 579.4         | 39.4         | 6.8%      | 7.5                     | 0.50       | 10.4       | 0.7             | 9.6                   | 2.2            | 0.15       |
| 2020                     | 595.3         | 39.1         | 6.6%      | 43.5                    | 0.49       | 13.2       | 0.7             | 11.0                  | 10.4           | 0.17       |
| 2021E                    | 646.1         | 43.2         | 6.7%      | 34.5                    | 0.50       | 16.1       | 0.8             | 11.7                  | 6.7            | 0.18       |
| 2022E                    | 682.8         | 47.1         | 6.9%      | 29.9                    | 0.56       | 14.5       | 0.7             | 10.3                  | 5.8            | 0.19       |
| 2023E                    | 720.5         | 50.4         | 7.0%      | 30.9                    | 0.59       | 13.6       | 0.7             | 9.3                   | 6.0            | 0.20       |
| Market cap, EURm         | 515           |              |           | Gearing 2021E, %        | -4.5       |            |                 | CAGR EPS 2020-23, %   | 6.3            |            |
| Net debt 2021E, EURm     | -9            |              |           | Price/book 2021E        | 2.5        |            |                 | CAGR sales 2020-23, % | 6.6            |            |
| Enterprise value, EURm   | 506           |              |           | Dividend yield 2021E, % | 2.2        |            |                 | ROE 2021E, %          | 16.5           |            |
| Total assets 2021E, EURm | 353           |              |           | Tax rate 2021E, %       | 22.7       |            |                 | ROCE 2021E, %         | 19.2           |            |
| Goodwill 2021E, EURm     | 8             |              |           | Equity ratio 2021E, %   | 57.7       |            |                 | PEG, P/E 21/CAGR      | 2.1            |            |

**Estimates and peer group multiples**

| Scanfil                        | Q1'20  | Q2'20 | Q3'20  | Q4'20  | 2020  | Q1'21  | Q2'21e | Q3'21e | Q4'21e | 2021e | 2022e | 2023e |
|--------------------------------|--------|-------|--------|--------|-------|--------|--------|--------|--------|-------|-------|-------|
| <b>Revenue</b>                 | 144    | 156   | 142    | 154    | 595   | 163    | 165    | 154    | 164    | 646   | 683   | 721   |
| <i>growth-%</i>                | 10.9 % | 9.1 % | -7.0 % | -0.4 % | 2.8 % | 13.4 % | 6.2 %  | 8.5 %  | 6.3 %  | 8.6 % | 5.7 % | 5.5 % |
| Advanced Consumer Applications | 31     | 40    | 39     | 41     | 151   | 43     | 48     | 45     | 47     | 183   | 195   | 207   |
| Automation & Safety            | 38     | 37    | 34     | 34     | 142   | 35     | 40     | 37     | 36     | 147   | 157   | 167   |
| Connectivity                   | 7      | 8     | 7      | 6      | 29    | 8      | 8      | 8      | 7      | 31    | 33    | 35    |
| Energy & Cleantech             | 34     | 34    | 30     | 37     | 136   | 40     | 41     | 36     | 42     | 159   | 172   | 180   |
| Medtech & Life Science         | 27     | 25    | 26     | 30     | 108   | 29     | 29     | 28     | 32     | 118   | 125   | 131   |
| Discontinued                   | 6      | 12    | 6      | 5      | 30    | 9      | 0      | 0      | 0      | 9     | 0     | 0     |
| <b>EBIT</b>                    | 9      | 10    | 10     | 10     | 39    | 10     | 11     | 11     | 11     | 43    | 47    | 50    |
| <i>EBIT margin</i>             | 6.0 %  | 6.5 % | 7.0 %  | 6.7 %  | 6.6 % | 6.1 %  | 6.6 %  | 7.2 %  | 6.9 %  | 6.7 % | 6.9 % | 7.0 % |

Source: Evli Research

| SCANFIL PEER GROUP    | MCAP<br>MEUR | EV/EBITDA |       |       | EV/EBIT |       |       | EBIT-% |       |       |
|-----------------------|--------------|-----------|-------|-------|---------|-------|-------|--------|-------|-------|
|                       |              | 20        | 21    | 22    | 20      | 21    | 22    | 20     | 21    | 22    |
| Benchmark Electronics | 903          |           |       |       | 16.1x   | 15.5x | 13.6x | 2.5 %  | 2.8 % | 3.0 % |
| Celestica             | 881          | 3.8x      | 3.8x  | 3.6x  | 5.8x    | 5.9x  | 5.4x  | 3.5 %  | 3.6 % | 3.8 % |
| TT Electronics        | 526          | 10.0x     | 10.0x | 8.8x  | 15.8x   | 15.9x | 12.5x | 6.3 %  | 7.0 % | 8.6 % |
| HANZA Holding         | 70           | 5.3x      | 5.2x  | 4.8x  | 19.9x   | 10.9x | 8.9x  | 2.0 %  | 4.1 % | 4.6 % |
| Kitron                | 373          | 9.6x      | 11.2x | 10.1x | 12.8x   | 15.0x | 13.2x | 7.9 %  | 7.2 % | 7.5 % |
| Lacroix Group         | 183          | 7.1x      | 7.1x  | 6.0x  | 12.6x   | 11.5x | 9.9x  | 3.4 %  | 4.1 % | 4.5 % |
| Flex Ltd              | 7493         | 7.2x      | 7.3x  | 6.7x  | 11.2x   | 10.1x | 9.3x  | 4.0 %  | 4.4 % | 4.5 % |
| Plexus                | 2169         | 10.4x     | 10.7x | 9.9x  | 14.3x   | 14.5x | 13.1x | 4.8 %  | 5.3 % | 5.4 % |
| Sanmina               | 2259         |           | 5.8x  |       | 6.9x    | 7.7x  |       | 4.4 %  | 4.9 % |       |
| SIIX                  | 571          | 9.9x      | 7.2x  | 6.3x  | 23.3x   | 13.2x | 11.0x | 2.5 %  | 3.3 % | 3.8 % |
| Valuetronics          | 164          | 1.3x      | 1.8x  | 1.8x  | 1.6x    | 2.5x  | 2.6x  | 8.8 %  | 8.0 % | 7.6 % |
| Peer Group Average    | 1417         | 7.2x      | 7.0x  | 6.4x  | 12.8x   | 11.2x | 9.9x  | 4.6 %  | 5.0 % | 5.3 % |
| Peer Group Median     | 571          | 7.2x      | 7.2x  | 6.3x  | 12.8x   | 11.5x | 10.4x | 4.0 %  | 4.4 % | 4.6 % |
| Scanfil (Evli est.)   | 515          | 7.8x      | 8.6x  | 8.0x  | 11.0x   | 11.7x | 10.3x | 6.6 %  | 6.7 % | 6.9 % |

*Scanfil prem./disc. to peer median*

8 %    20 %    26 %    -14 %    2 %    -1 %    63 %    53 %    51 %

Source FactSet, Evli Research

| VALUATION RESULTS        | BASE CASE DETAILS          | VALUATION ASSUMPTIONS   | ASSUMPTIONS FOR WACC           |      |
|--------------------------|----------------------------|-------------------------|--------------------------------|------|
| Current share price      | 8.06 PV of Free Cash Flow  | 255 Long-term growth, % | 2.0 Risk-free interest rate, % | 2.25 |
| DCF share value          | 9.08 PV of Horizon value   | 351 WACC, %             | 8.0 Market risk premium, %     | 5.8  |
| Share price potential, % | 12.7 Unconsolidated equity | 0 Spread, %             | 0.5 Debt risk premium, %       | 2.8  |
| Maximum value            | 9.9 Marketable securities  | 26 Minimum WACC, %      | 7.5 Equity beta coefficient    | 1.00 |
| Minimum value            | 8.4 Debt - dividend        | -51 Maximum WACC, %     | 8.5 Target debt ratio, %       | 20   |
| Horizon value, %         | 57.9 Value of stock        | 580 Nr of shares, Mn    | 63.9 Effective tax rate, %     | 20   |

| DCF valuation, EURm               | 2020        | 2021E       | 2022E       | 2023E       | 2024E       | 2025E       | 2026E       | 2027E       | 2028E       | 2029E       | 2030E       | Horizon    |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|
| Net sales                         | 595         | 646         | 683         | 721         | 757         | 787         | 814         | 839         | 860         | 877         | 894         | 912        |
| <i>Sales growth, %</i>            | <i>2.7</i>  | <i>8.5</i>  | <i>5.7</i>  | <i>5.5</i>  | <i>5.0</i>  | <i>4.0</i>  | <i>3.5</i>  | <i>3.0</i>  | <i>2.5</i>  | <i>2.0</i>  | <i>2.0</i>  | <i>2.0</i> |
| Operating income (EBIT)           | 39          | 43          | 47          | 50          | 53          | 55          | 57          | 59          | 60          | 61          | 63          | 64         |
| <i>Operating income margin, %</i> | <i>6.6</i>  | <i>6.7</i>  | <i>6.9</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.             | 16          | 16          | 14          | 13          | 13          | 12          | 12          | 13          | 13          | 13          | 13          | 13         |
| EBITDA                            | 55          | 59          | 61          | 64          | 66          | 68          | 69          | 71          | 73          | 74          | 76          |            |
| - Paid taxes                      | -8          | -10         | -11         | -12         | -13         | -13         | -14         | -14         | -14         | -15         | -15         |            |
| - Change in NWC                   | 5           | 1           | -6          | -7          | -6          | -5          | -5          | -4          | -4          | -3          | -3          |            |
| <i>NWC / Sales, %</i>             | <i>18.3</i> | <i>16.8</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> |            |
| + Change in other liabs           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           |            |
| - Operative CAPEX                 | -9          | -12         | -12         | -13         | -13         | -13         | -13         | -14         | -14         | -14         | -15         |            |
| <i>opCAPEX / Sales, %</i>         | <i>1.1</i>  | <i>2.1</i>  | <i>2.0</i>  | <i>1.9</i>  | <i>1.8</i>  | <i>1.8</i>  | <i>1.8</i>  | <i>1.7</i>  | <i>1.7</i>  | <i>1.7</i>  | <i>1.7</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                            | 43          | 38          | 31          | 32          | 34          | 36          | 38          | 39          | 41          | 42          | 43          | 732        |
| = Discounted FCFF                 |             | 36          | 28          | 27          | 26          | 25          | 24          | 24          | 23          | 22          | 21          | 351        |
| = DFCF min WACC                   |             | 36          | 28          | 27          | 26          | 26          | 25          | 24          | 24          | 23          | 22          | 400        |
| = DFCF max WACC                   |             | 36          | 28          | 26          | 25          | 25          | 24          | 23          | 22          | 21          | 20          | 310        |

## INTERIM FIGURES

| EVLI ESTIMATES, EURm                 | 2020Q1      | 2020Q2      | 2020Q3      | 2020Q4      | 2020        | 2021Q1      | 2021Q2E     | 2021Q3E     | 2021Q4E     | 2021E       | 2022E       | 2023E       |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net sales                            | 144.1       | 155.5       | 141.7       | 154.0       | 595.3       | 163.3       | 165.3       | 153.7       | 163.8       | 646.1       | 682.8       | 720.5       |
| EBITDA                               | 12.4        | 14.0        | 13.6        | 15.2        | 55.2        | 13.8        | 14.9        | 15.0        | 15.3        | 59.0        | 61.3        | 63.6        |
| <i>EBITDA margin (%)</i>             | <i>8.6</i>  | <i>9.0</i>  | <i>9.6</i>  | <i>9.9</i>  | <i>9.3</i>  | <i>8.5</i>  | <i>9.0</i>  | <i>9.8</i>  | <i>9.3</i>  | <i>9.1</i>  | <i>9.0</i>  | <i>8.8</i>  |
| EBIT                                 | 8.6         | 10.2        | 9.9         | 10.4        | 39.1        | 10.0        | 10.9        | 11.0        | 11.3        | 43.2        | 47.1        | 50.4        |
| <i>EBIT margin (%)</i>               | <i>6.0</i>  | <i>6.6</i>  | <i>7.0</i>  | <i>6.8</i>  | <i>6.6</i>  | <i>6.1</i>  | <i>6.6</i>  | <i>7.2</i>  | <i>6.9</i>  | <i>6.7</i>  | <i>6.9</i>  | <i>7.0</i>  |
| Net financial items                  | 0.1         | -0.6        | -0.8        | -1.3        | -2.6        | -0.7        | -0.4        | -0.4        | -0.4        | -1.9        | -0.4        | -0.4        |
| Pre-tax profit                       | 8.7         | 9.6         | 9.1         | 9.1         | 36.5        | 9.3         | 10.5        | 10.6        | 10.9        | 41.3        | 46.7        | 50.0        |
| Tax                                  | -1.2        | -1.4        | -2.4        | 0.1         | -4.9        | -1.7        | -2.5        | -2.5        | -2.6        | -9.4        | -11.2       | -12.0       |
| <i>Tax rate (%)</i>                  | <i>13.8</i> | <i>14.6</i> | <i>26.4</i> | <i>-1.1</i> | <i>13.4</i> | <i>18.3</i> | <i>24.0</i> | <i>24.0</i> | <i>24.0</i> | <i>22.7</i> | <i>24.0</i> | <i>24.0</i> |
| Net profit                           | 7.5         | 8.2         | 6.7         | 9.2         | 31.6        | 7.6         | 8.0         | 8.1         | 8.3         | 31.9        | 35.5        | 38.0        |
| EPS                                  | 0.12        | 0.13        | 0.10        | 0.14        | 0.49        | 0.12        | 0.12        | 0.13        | 0.13        | 0.50        | 0.56        | 0.59        |
| EPS adjusted (diluted no. of shares) | 0.12        | 0.13        | 0.10        | 0.14        | 0.49        | 0.12        | 0.12        | 0.13        | 0.13        | 0.50        | 0.56        | 0.59        |
| Dividend per share                   | 0.00        | 0.00        | 0.00        | 0.00        | 0.17        | 0.00        | 0.00        | 0.00        | 0.00        | 0.18        | 0.19        | 0.20        |
| <b>SALES, EURm</b>                   |             |             |             |             |             |             |             |             |             |             |             |             |
| Group                                | 144.1       | 155.5       | 141.7       | 154.0       | 595.3       | 163.3       | 165.3       | 153.7       | 163.8       | 646.1       | 682.8       | 720.5       |
| Total                                | 144.1       | 155.5       | 141.7       | 154.0       | 595.3       | 163.3       | 165.3       | 153.7       | 163.8       | 646.1       | 682.8       | 720.5       |
| <b>SALES GROWTH, Y/Y %</b>           |             |             |             |             |             |             |             |             |             |             |             |             |
| Group                                | 10.9        | 9.0         | -7.0        | -0.4        | 2.7         | 13.3        | 6.3         | 8.5         | 6.4         | 8.5         | 5.7         | 5.5         |
| Total                                | 10.9        | 9.0         | -7.0        | -0.4        | 2.7         | 13.3        | 6.3         | 8.5         | 6.4         | 8.5         | 5.7         | 5.5         |
| <b>EBIT, EURm</b>                    |             |             |             |             |             |             |             |             |             |             |             |             |
| Group                                | 8.6         | 10.2        | 9.9         | 10.4        | 39.1        | 10.0        | 10.9        | 11.0        | 11.3        | 43.2        | 47.1        | 50.4        |
| Total                                | 8.6         | 10.2        | 9.9         | 10.4        | 39.1        | 10.0        | 10.9        | 11.0        | 11.3        | 43.2        | 47.1        | 50.4        |
| <b>EBIT margin, %</b>                |             |             |             |             |             |             |             |             |             |             |             |             |
| Group                                | 6.0         | 6.6         | 7.0         | 6.8         | 6.6         | 6.1         | 6.6         | 7.2         | 6.9         | 6.7         | 6.9         | 7.0         |
| Total                                | 6.0         | 6.6         | 7.0         | 6.8         | 6.6         | 6.1         | 6.6         | 7.2         | 6.9         | 6.7         | 6.9         | 7.0         |

| INCOME STATEMENT, EURm                   | 2016        | 2017       | 2018       | 2019       | 2020       | 2021E      | 2022E      | 2023E      |
|--|-------------|------------|------------|------------|------------|------------|------------|------------|
| Sales                                    | 508.0       | 529.9      | 563.0      | 579.4      | 595.3      | 646.1      | 682.8      | 720.5      |
| <i>Sales growth (%)</i>                  | <i>34.6</i> | <i>4.3</i> | <i>6.2</i> | <i>2.9</i> | <i>2.7</i> | <i>8.5</i> | <i>5.7</i> | <i>5.5</i> |
| EBITDA                                   | 33.3        | 40.0       | 47.2       | 53.6       | 55.2       | 59.0       | 61.3       | 63.6       |
| <i>EBITDA margin (%)</i>                 | <i>6.5</i>  | <i>7.5</i> | <i>8.4</i> | <i>9.3</i> | <i>9.3</i> | <i>9.1</i> | <i>9.0</i> | <i>8.8</i> |
| Depreciation                             | -11.0       | -8.7       | -9.4       | -14.2      | -16.1      | -15.8      | -14.2      | -13.2      |
| EBITA                                    | 22.3        | 31.3       | 37.8       | 39.4       | 39.1       | 43.2       | 47.1       | 50.4       |
| Goodwill amortization / writedown        | 0.0         | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| EBIT                                     | 22.3        | 31.3       | 37.8       | 39.4       | 39.1       | 43.2       | 47.1       | 50.4       |
| <i>EBIT margin (%)</i>                   | <i>4.4</i>  | <i>5.9</i> | <i>6.7</i> | <i>6.8</i> | <i>6.6</i> | <i>6.7</i> | <i>6.9</i> | <i>7.0</i> |
| Reported EBIT                            | 7.2         | 31.3       | 37.8       | 39.4       | 39.1       | 43.2       | 47.1       | 50.4       |
| <i>EBIT margin (reported) (%)</i>        | <i>1.4</i>  | <i>5.9</i> | <i>6.7</i> | <i>6.8</i> | <i>6.6</i> | <i>6.7</i> | <i>6.9</i> | <i>7.0</i> |
| Net financials                           | -1.2        | 1.3        | -1.7       | -1.3       | -2.6       | -1.9       | -0.4       | -0.4       |
| Pre-tax profit                           | 21.1        | 32.6       | 36.1       | 38.1       | 36.5       | 41.3       | 46.7       | 50.0       |
| Taxes                                    | -6.0        | -6.8       | -8.3       | -5.9       | -4.9       | -9.4       | -11.2      | -12.0      |
| Minority shares                          | 0.0         | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| Net profit                               | 0.0         | 25.8       | 27.8       | 32.2       | 31.6       | 31.9       | 35.5       | 38.0       |
| Cash NRIs                                | -15.1       | 0.0        | 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        |
| <b>BALANCE SHEET, EURm</b>               |             |            |            |            |            |            |            |            |
| <b>Assets</b>                            |             |            |            |            |            |            |            |            |
| Fixed assets                             | 57          | 62         | 64         | 68         | 61         | 58         | 56         | 55         |
| Goodwill                                 | 11          | 10         | 10         | 8          | 8          | 8          | 8          | 8          |
| Right of use assets                      | 0           | 0          | 15         | 21         | 18         | 20         | 21         | 22         |
| Inventory                                | 85          | 101        | 96         | 102        | 103        | 110        | 116        | 122        |
| Receivables                              | 92          | 108        | 104        | 115        | 116        | 119        | 125        | 132        |
| Liquid funds                             | 20          | 21         | 28         | 20         | 26         | 32         | 48         | 68         |
| Total assets                             | 267         | 307        | 321        | 340        | 339        | 353        | 381        | 415        |
| <b>Liabilities</b>                       |             |            |            |            |            |            |            |            |
| Shareholder's equity                     | 108         | 125        | 148        | 167        | 183        | 204        | 228        | 254        |
| Minority interest                        | 0           | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| Convertibles                             | 0           | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| Lease liabilities                        | 0           | 0          | 15         | 19         | 16         | 20         | 21         | 22         |
| Deferred taxes                           | 3           | 5          | 5          | 7          | 6          | 6          | 6          | 6          |
| Interest bearing debt                    | 60          | 61         | 52         | 44         | 24         | 4          | 0          | 0          |
| Non-interest bearing current liabilities | 88          | 113        | 99         | 96         | 103        | 113        | 119        | 126        |
| Other interest-free debt                 | 1           | 2          | 2          | 7          | 7          | 7          | 7          | 7          |
| Total liabilities                        | 267         | 307        | 321        | 340        | 339        | 353        | 381        | 415        |
| <b>CASH FLOW, EURm</b>                   |             |            |            |            |            |            |            |            |
| + EBITDA                                 | 33          | 40         | 47         | 54         | 55         | 59         | 61         | 64         |
| - Net financial items                    | -1          | 2          | -2         | -1         | -3         | -2         | 0          | 0          |
| - Taxes                                  | -5          | -8         | -7         | -5         | -7         | -9         | -11        | -12        |
| - Increase in Net Working Capital        | -6          | -6         | -9         | -15        | 5          | 1          | -6         | -7         |
| +/- Other                                | -5          | -6         | 0          | 0          | 0          | 0          | 0          | 0          |
| = Cash flow from operations              | 16          | 22         | 29         | 32         | 50         | 48         | 43         | 45         |
| - Capex                                  | -5          | -21        | -10        | -24        | -6         | -14        | -13        | -14        |
| - Acquisitions                           | 0           | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| + Divestments                            | 0           | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| = Free cash flow                         | 10          | 2          | 19         | 8          | 44         | 34         | 30         | 31         |
| +/- New issues/buybacks                  | 13          | -4         | 3          | -6         | -6         | 0          | 0          | 0          |
| - Paid dividend                          | -5          | -6         | -7         | -8         | -10        | -11        | -12        | -12        |
| +/- Other                                | -21         | 8          | -7         | -1         | -23        | -17        | -2         | 1          |
| Change in cash                           | -2          | 0          | 8          | -8         | 5          | 7          | 16         | 20         |

| KEY FIGURES                                    | 2017   | 2018   | 2019   | 2020   | 2021E  | 2022E  | 2023E  |
|--|--------|--------|--------|--------|--------|--------|--------|
| M-cap  | 272    | 281    | 336    | 417    | 515    | 515    | 515    |
| Net debt (excl. convertibles)                  | 41     | 39     | 43     | 15     | -9     | -28    | -46    |
| Enterprise value                               | 312    | 320    | 379    | 431    | 506    | 487    | 469    |
| Sales  | 530    | 563    | 579    | 595    | 646    | 683    | 721    |
| EBITDA   | 40     | 47     | 54     | 55     | 59     | 61     | 64     |
| EBIT   | 31     | 38     | 39     | 39     | 43     | 47     | 50     |
| Pre-tax  | 33     | 36     | 38     | 37     | 41     | 47     | 50     |
| Earnings                                       | 26     | 28     | 32     | 32     | 32     | 35     | 38     |
| Equity book value (excl. minorities)           | 125    | 148    | 167    | 183    | 204    | 228    | 254    |
| <b>Valuation multiples</b>                     |        |        |        |        |        |        |        |
| EV/sales                                       | 0.6    | 0.6    | 0.7    | 0.7    | 0.8    | 0.7    | 0.7    |
| EV/EBITDA                                      | 7.8    | 6.8    | 7.1    | 7.8    | 8.6    | 8.0    | 7.4    |
| EV/EBITA                                       | 10.0   | 8.5    | 9.6    | 11.0   | 11.7   | 10.3   | 9.3    |
| EV/EBIT  | 10.0   | 8.5    | 9.6    | 11.0   | 11.7   | 10.3   | 9.3    |
| EV/OCF   | 14.0   | 11.0   | 11.9   | 8.6    | 10.5   | 11.3   | 10.5   |
| EV/FCFF  | 29.5   | 15.5   | 25.7   | 10.0   | 13.5   | 15.6   | 14.5   |
| P/FCFE   | 169.7  | 14.9   | 44.7   | 9.6    | 14.9   | 17.2   | 16.7   |
| P/E  | 10.5   | 10.1   | 10.4   | 13.2   | 16.1   | 14.5   | 13.6   |
| P/B  | 2.2    | 1.9    | 2.0    | 2.3    | 2.5    | 2.3    | 2.0    |
| Target EV/EBITDA                               | 0.0    | 0.0    | 0.0    | 0.0    | 9.6    | 8.9    | 8.3    |
| Target EV/EBIT                                 | 0.0    | 0.0    | 0.0    | 0.0    | 13.1   | 11.6   | 10.5   |
| Target EV/FCF                                  | 0.0    | 0.0    | 0.0    | 0.0    | 16.4   | 18.3   | 17.1   |
| Target P/B                                     | 0.0    | 0.0    | 0.0    | 0.0    | 2.8    | 2.5    | 2.3    |
| Target P/E                                     | 0.0    | 0.0    | 0.0    | 0.0    | 18.0   | 16.2   | 15.1   |
| <b>Per share measures</b>                      |        |        |        |        |        |        |        |
| Number of shares                               | 63,895 | 63,895 | 63,895 | 63,895 | 63,895 | 63,895 | 63,895 |
| Number of shares (diluted)                     | 63,895 | 63,895 | 63,895 | 63,895 | 63,895 | 63,895 | 63,895 |
| EPS  | 0.40   | 0.44   | 0.50   | 0.49   | 0.50   | 0.56   | 0.59   |
| Operating cash flow per share                  | 0.35   | 0.45   | 0.50   | 0.78   | 0.76   | 0.68   | 0.70   |
| Free cash flow per share                       | 0.03   | 0.30   | 0.12   | 0.68   | 0.54   | 0.47   | 0.48   |
| Book value per share                           | 1.95   | 2.32   | 2.61   | 2.86   | 3.19   | 3.57   | 3.97   |
| Dividend per share                             | 0.11   | 0.13   | 0.15   | 0.17   | 0.18   | 0.19   | 0.20   |
| Dividend payout ratio, %                       | 27.2   | 29.9   | 29.8   | 34.4   | 36.0   | 34.2   | 33.6   |
| Dividend yield, %                              | 2.6    | 3.0    | 2.9    | 2.6    | 2.2    | 2.4    | 2.5    |
| FCF yield, %                                   | 0.6    | 6.7    | 2.2    | 10.4   | 6.7    | 5.8    | 6.0    |
| <b>Efficiency measures</b>                     |        |        |        |        |        |        |        |
| ROE  | 22.2   | 20.4   | 20.4   | 18.1   | 16.5   | 16.4   | 15.8   |
| ROCE   | 17.7   | 18.8   | 17.7   | 17.3   | 19.2   | 19.8   | 19.2   |
| <b>Financial ratios</b>                        |        |        |        |        |        |        |        |
| Inventories as % of sales                      | 19.0   | 17.0   | 17.6   | 17.4   | 17.0   | 17.0   | 17.0   |
| Receivables as % of sales                      | 20.5   | 18.4   | 19.8   | 19.4   | 18.4   | 18.4   | 18.3   |
| Non-interest bearing liabilities as % of sales | 21.3   | 17.5   | 16.6   | 17.3   | 17.5   | 17.5   | 17.5   |
| NWC/sales, %                                   | 17.7   | 17.5   | 19.7   | 18.3   | 16.8   | 16.9   | 16.9   |
| Operative CAPEX/sales, %                       | 3.9    | 1.8    | 4.2    | 1.1    | 2.1    | 2.0    | 1.9    |
| CAPEX/sales (incl. acquisitions), %            | 3.9    | 1.8    | 4.2    | 1.1    | 2.1    | 2.0    | 1.9    |
| FCFF/EBITDA                                    | 0.3    | 0.4    | 0.3    | 0.8    | 0.6    | 0.5    | 0.5    |
| Net debt/EBITDA, book-weighted                 | 1.0    | 0.8    | 0.8    | 0.3    | -0.2   | -0.4   | -0.7   |
| Debt/equity, market-weighted                   | 0.2    | 0.2    | 0.1    | 0.1    | 0.0    | 0.0    | 0.0    |
| Equity ratio, book-weighted                    | 40.6   | 46.2   | 49.0   | 53.9   | 57.7   | 59.8   | 61.2   |
| Gearing, %                                     | 32.7   | 26.0   | 25.6   | 7.9    | -4.5   | -12.1  | -18.2  |

**COMPANY DESCRIPTION:** Scanfil is a contract electronics manufacturer based in Sievi, Finland, operating a global plant network with nine 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                            | 9,913,146  | 79.900  | 15.5% |
| Takanen Jarkko                           | 8,596,169  | 69.285  | 13.5% |
| Varikot Oy                               | 7,606,442  | 61.308  | 11.9% |
| Takanen Jorma                            | 6,129,305  | 49.402  | 9.6%  |
| Tolonen Jonna                            | 3,351,950  | 27.017  | 5.2%  |
| Pöllä Reijo                              | 3,328,745  | 26.830  | 5.2%  |
| Laakkonen Mikko                          | 2,531,187  | 20.401  | 4.0%  |
| Takanen Martti                           | 1,947,018  | 15.693  | 3.0%  |
| Foundation of Riitta and Jorma J.Takanen | 1,900,000  | 15.314  | 3.0%  |
| Sijoitusrahasto Aktia Capital            | 1,688,000  | 13.605  | 2.6%  |
| Ten largest                              | 46,991,962 | 378.755 | 74%   |
| Residual                                 | 16,903,477 | 136.242 | 26%   |
| Total                                    | 63,895,439 | 514.997 | 100%  |

**EARNINGS CALENDAR**

August 06, 2021

Q2 report

October 26, 2021

Q3 report

**OTHER EVENTS****COMPANY MISCELLANEOUS**

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IR: Pasi Hiedanpää

## 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, %                | $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$        |                           |   |



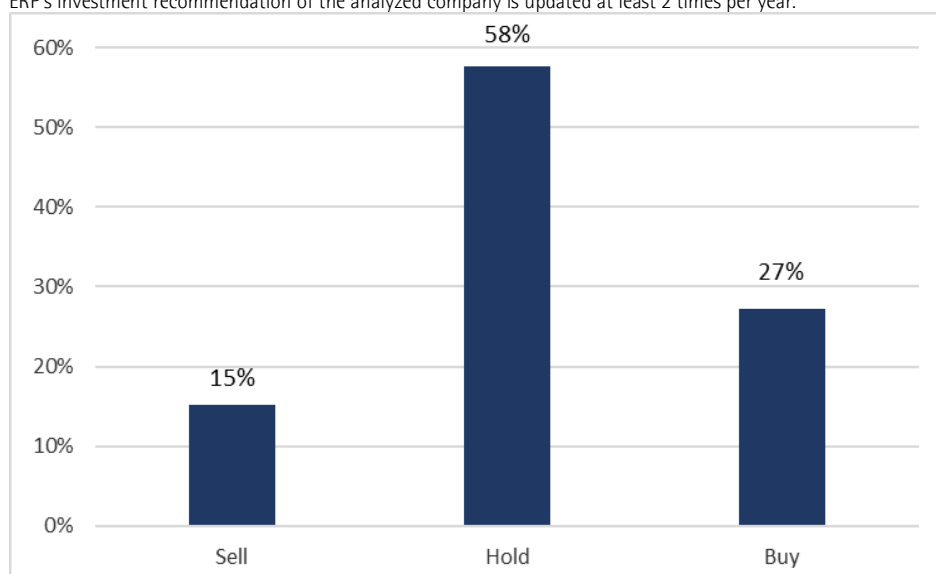
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Investment recommendations are defined as follows:

| 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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