

# Scanfil

## Company report

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This report is a summary translation of the report “Markkinatilanne laimensi yritysoston nostetta” published on 10/7/2024 at 8:47 am EEST

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# Boost from acquisition diluted by market conditions

We reiterate our Accumulate recommendation and EUR 9.00 target price for Scanfil. We have included the SRX acquisition announced last week in our forecasts, but the forecast changes were diluted by market-related reasons. At the group level, the near-term changes to the estimates were relatively minor. Scanfil is still very moderately priced in our view (2025e P/E 11x). We believe the stock offers a good expected return at current valuation levels, especially for medium-term investors, despite the clear near-term market risks.

## On paper, we think SRX is a good fit for Scanfil

Scanfil announced on Thursday that it has acquired SRX, an electronics manufacturing company in Australia and Malaysia, for a debt-free purchase price of 23 MEUR (plus a conditional additional purchase price of 10.6 MEUR). Given the seemingly good fit of Scanfil and SRX on paper and the seemingly neutral starting valuation of the deal, we are moderately positive on the acquisition. However, we estimate that the value creation of the transaction will depend heavily on Scanfil's ability to grow SRX organically and to transfer existing key customers to SRX's factories and, in turn, to transfer SRX's large customers to Scanfil's factories. We commented on the transaction in more detail on Friday [here](#).

## We added SRX to our estimates and revised the rest of our forecasts slightly downwards

The acquisition of SRX had no impact on Scanfil's current year guidance of 780-840 MEUR revenue and 54-61 MEUR adjusted EBIT. We have included SRX in our forecasts, which had a 4-5% positive impact on our revenue and EBIT estimates for Scanfil in the coming years. The impact on EPS forecasts was slightly lower due to slightly elevated financial cost forecasts. In addition to the inclusion of SRX, we slightly lowered our projections for the rest of the year and the coming years, as investment-driven demand, which is important for Scanfil, still seems to have evolved sluggishly during Q3 in the face of weak macro and industry data from the European and Chinese economies. There are still no signs of a rapid pick-up in demand, although the fall in market interest rates should stimulate demand with some delay. In addition, Scanfil's competitors Note and Kitron issued negative profit warnings in September for demand-related reasons and we do not believe that Scanfil's market situation is significantly different from its competitors, although there are differences in the companies' customer structures. Thus, the upward pressure from the SRX acquisition was mitigated by the market situation and the changes in revenue and earnings forecasts for the next few years remained within 0-3%. This year, we expect Scanfil's revenue and earnings to decline in the weak economic environment and to end the year at the lower end of the current guidance range. As such, we do not believe that achieving the guidance can be considered certain, although the contribution from SRX in Q4 will help reach the guidance. In the coming years, we expect the company to return to gradual growth and earnings improvement as the economic situation recovers and also as falling interest rates begin to stimulate investment-driven demand.

## Valuation level still very moderate

Scanfil's 2024 P/E ratio is 11x and the corresponding EV/EBIT ratio is 9x, based on slightly declining earnings this year. The multiples are below the company's moderate 5-year medians and the levels we have assumed for the company and are at a discount to the peer group. Therefore, with Scanfil's earnings growth starting in Q4, the valuation upside and a dividend yield of just over 3%, we believe the expected return on the stock is still well above the required return. The share's DCF value that is slightly above our target price also indicates that the share is cheap. Still, given the slightly negative news flow risks for the rest of the year, we are not taking a stronger positive stance on the stock for now.

## Recommendation

**Accumulate**  
(was Accumulate)

**EUR 9.00**  
(was EUR 9.00)

**Share price:**  
EUR 7.38



## Key figures

	2023	2024e	2025e	2026e
<b>Revenue</b>	902	798	875	942
<b>growth-%</b>	7%	-11%	10%	8%
<b>EBIT adj.</b>	61.3	55.4	60.2	65.9
<b>EBIT-% adj.</b>	6.8 %	6.9 %	6.9 %	7.0 %
<b>Net Income</b>	48.2	42.0	45.9	51.0
<b>EPS (adj.)</b>	0.74	0.64	0.70	0.78
<b>P/E (adj.)</b>	10.6	11.4	10.5	9.4
<b>P/B</b>	1.9	1.6	1.5	1.4
<b>Dividend yield-%</b>	2.9 %	3.4 %	3.7 %	3.9 %
<b>EV/EBIT (adj.)</b>	9.2	9.0	7.8	6.7
<b>EV/EBITDA</b>	7.0	6.5	5.7	5.0
<b>EV/S</b>	0.6	0.6	0.5	0.5

Source: Inderes

## Guidance

(Unchanged)

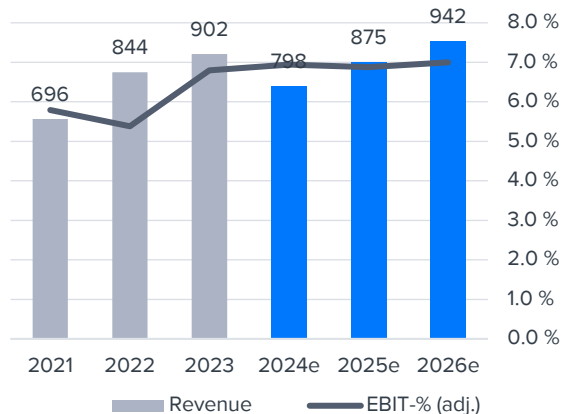
Scanfil estimates that in 2024, its revenue is around 780-840 MEUR and adjusted operating profit 54-61 MEUR

## Share price



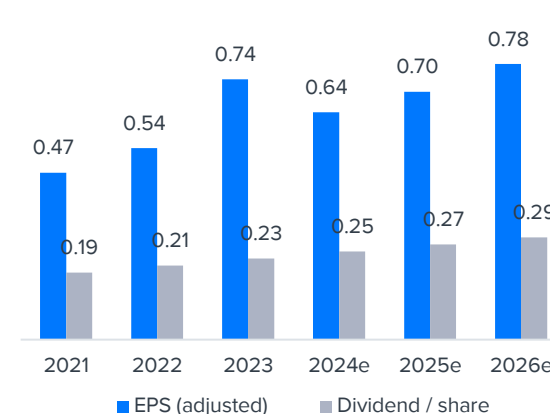
Source: Millstream Market Data AB

## Revenue and EBIT-%



Source: Inderes

## EPS and dividend



Source: Inderes



### 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	7.38	7.38	7.38
Number of shares, millions	65.3	65.3	65.3
Market cap	482	482	482
EV	498	468	443
P/E (adj.)	11.4	10.5	9.4
P/E	11.4	10.5	9.4
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	6.5	5.7	5.0
EV/EBIT (adj.)	9.0	7.8	6.7
Payout ratio (%)	38.8 %	38.4 %	37.1 %
Dividend yield-%	3.4 %	3.7 %	3.9 %

Source: Inderes

# Market conditions diluted acquisition support for forecasts

## Estimate revisions 2021e-2023e

- We have factored the SRX acquisition into our estimates, which had a positive impact of around 4-5% on revenue and EBIT forecasts from 2025 onwards.
- The impact of the deal on EPS forecasts was also positive due to the debt-driven financial structure, but because of the increase in financial cost forecasts, the changes on the EPS line were slightly lower than on the EBIT level. The transaction had a slightly positive impact on Q4 revenue and EBIT forecasts.
- For SRX, we are forecasting a moderate earnings growth scenario for the time being, so we expect the additional purchase price to remain well below the maximum. However, we will continue to monitor the situation as it evolves. In our estimates, however, the additional purchase price is a positive problem, as the full additional purchase price would likely require SRX to deliver strong earnings growth, which in turn would weigh on the transaction's valuation multiples based on SRX's 2026 earnings.
- The treatment of lease liabilities in the transaction has not been disclosed, so net debt estimates could still change. Of course, EBIT may also be affected by the IFRS16 treatment.
- At the group level, the forecast increases were smaller than the SRX impact, as we again slightly lowered our forecasts for Scanfil's H2 and next year due to weak industry data in Q3 and competitors' profit warnings.

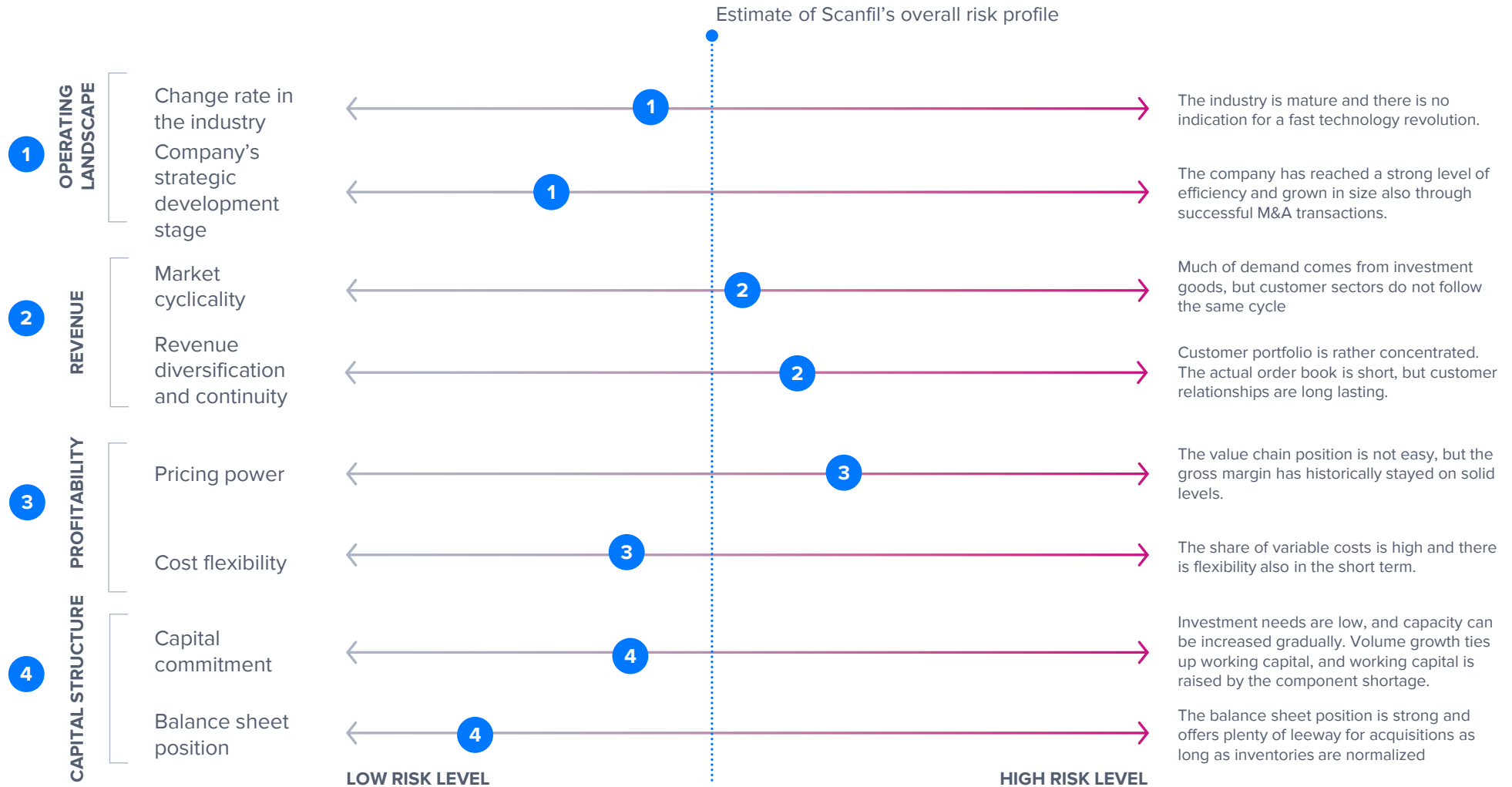
## Operational result drivers 2020-2023e:

- This year, Scanfil's result will decline quite significantly in terms of revenue.
- Based on recent macro and industry data, we are not entirely confident that the company will achieve its guidance, although our forecasts are currently within the company's range and the revenue and earnings from the SRX acquisition in Q4 will help the company achieve its guidance.
- We expect Scanfil to improve in the coming years as economic recovery and falling interest rates gradually revive the company's investment-driven demand.
- Our annual margin forecasts are currently at the lower end of the company's target range of 7-8%, which the company should reach with its current structure as revenue grows. We also see a move towards the upper end as possible (as some peers have achieved EBIT-% levels above 8%), but we await further evidence from the company on this before potentially raising estimates, as Scanfil has not exceeded the 7% level for a long time.

Estimate revisions MEUR / EUR	2024e		Change %	2025e		Change %	2026e		Change %
	Old	New		Old	New		Old	New	
Revenue	795	798	0%	855	875	2%	917	942	3%
EBIT (exc. NRIs)	55.6	55.4	0%	59.5	60.2	1%	64.0	65.9	3%
EBIT	55.6	55.4	0%	59.5	60.2	1%	64.0	65.9	3%
PTP	55.1	54.8	-1%	58.9	58.8	0%	63.7	65.4	3%
EPS (excl. NRIs)	0.65	0.64	-1%	0.70	0.70	0%	0.76	0.78	3%
DPS	0.25	0.25	0%	0.27	0.27	0%	0.29	0.29	0%

Source: Inderes

# Risk profile of the business model



# Share price still very moderate

## 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 8x and 7x. 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. As such, we view the valuation as moderate given Scanfil's good performance and somewhat reduced risk profile (incl. a more diversified customer portfolio).

Scanfil's track record of profitable growth is strong, while we believe pricing is also partly 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, in our view, current interest rate expectations and this year's declining earnings favor leaning on the lower ends in the near term. 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. However, we are not taking a stronger positive view on the stock at this stage due

as news flow risks for the rest of the year remain on the negative side.

## Balance sheet value vs. return on capital and relative valuation are also cheap

Scanfil's P/B ratio 1.6x (2024e) is also low relative to the adjusted ROE of the last five years of around 19%. With these figures, Scanfil's retrospective static earnings return is above 10%, which alone exceeds our required return. Thus, in our view, Scanfil's quite good medium- to long-term profitable growth potential is not priced into the stock at all.

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.

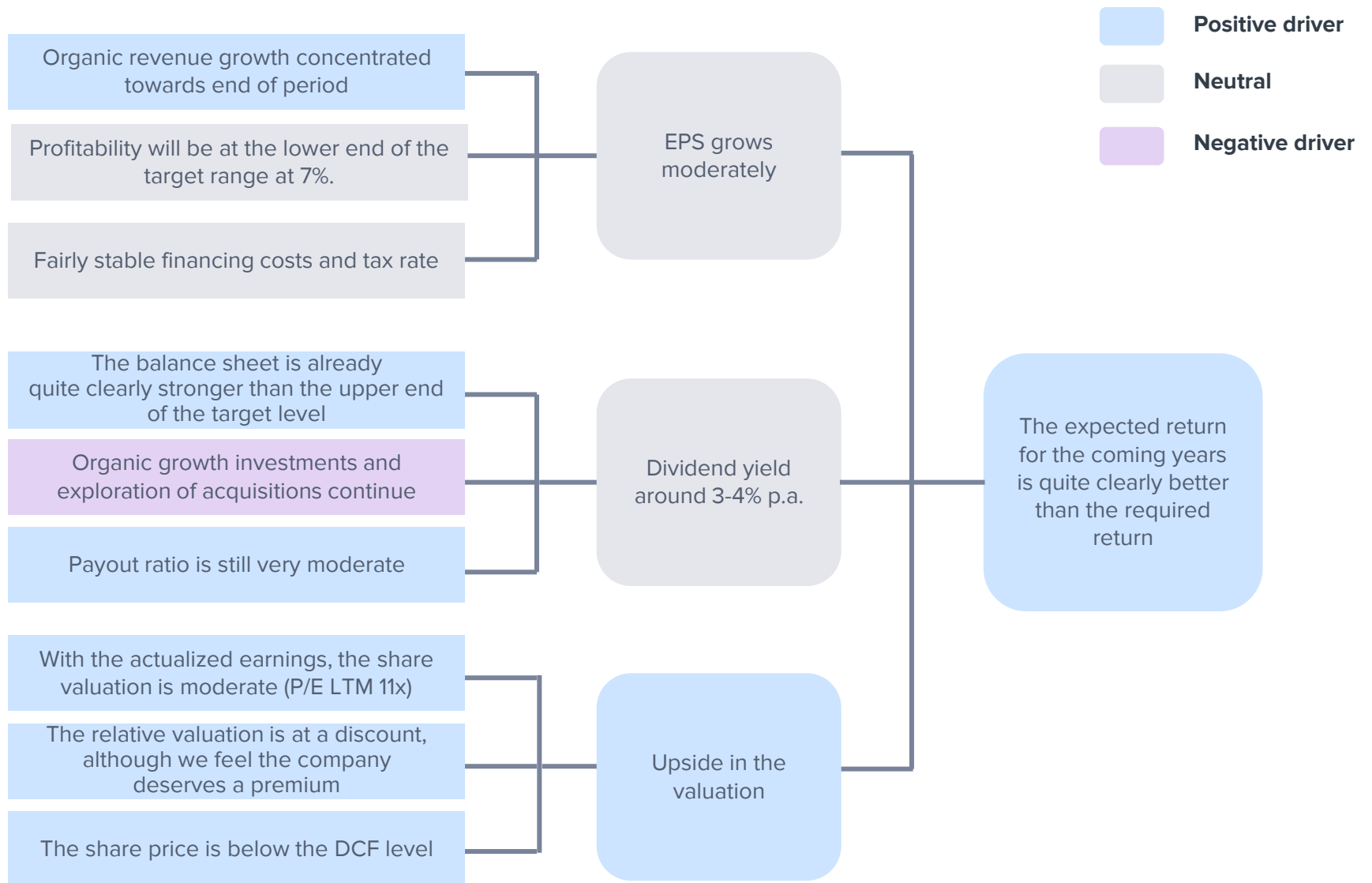
## DCF value above the share price

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	7.38	7.38	7.38
Number of shares, millions	65.3	65.3	65.3
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EV	498	468	443
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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	6.5	5.7	5.0
EV/EBIT (adj.)	9.0	7.8	6.7
Payout ratio (%)	38.8 %	38.4 %	37.1 %
Dividend yield-%	3.4 %	3.7 %	3.9 %

Source: Inderes

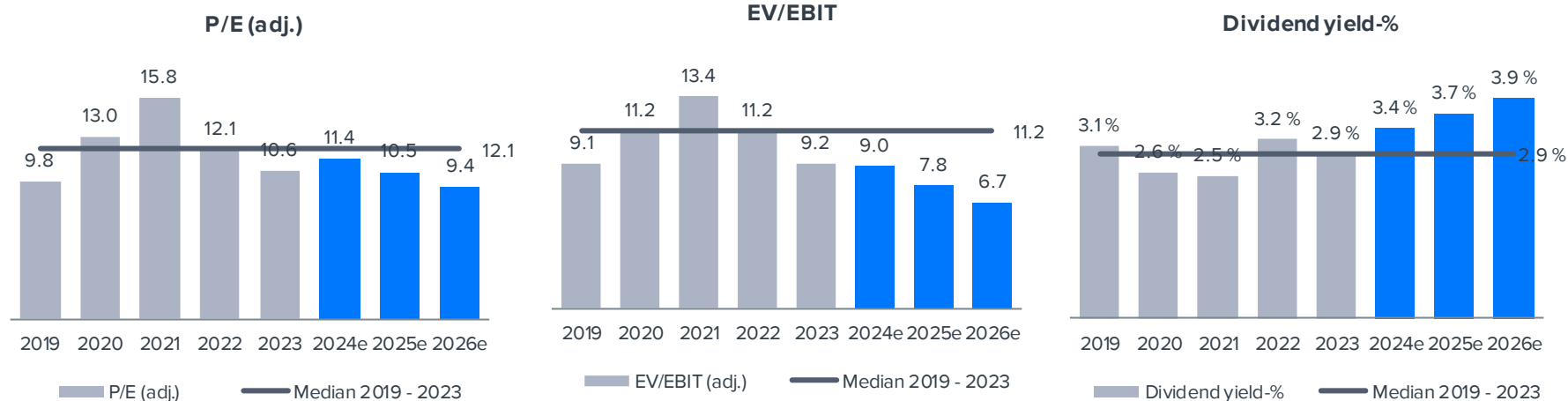
# TSR drivers Q2'24-2026e



# Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	4.89	6.52	7.46	6.58	7.83	<b>7.38</b>	<b>7.38</b>	<b>7.38</b>	<b>7.38</b>
Number of shares, millions	64.4	64.5	64.5	64.5	65.3	<b>65.3</b>	<b>65.3</b>	<b>65.3</b>	<b>65.3</b>
Market cap	313	420	481	424	511	<b>482</b>	<b>482</b>	<b>482</b>	<b>482</b>
EV	359	439	541	510	563	<b>498</b>	<b>468</b>	<b>443</b>	<b>409</b>
P/E (adj.)	9.8	13.0	15.8	12.1	10.6	<b>11.4</b>	<b>10.5</b>	<b>9.4</b>	<b>8.8</b>
P/E	11.2	11.4	16.2	12.1	10.6	<b>11.4</b>	<b>10.5</b>	<b>9.4</b>	<b>8.8</b>
P/B	1.9	2.3	2.3	1.9	1.9	<b>1.6</b>	<b>1.5</b>	<b>1.4</b>	<b>1.2</b>
P/S	0.5	0.7	2.3	0.5	0.6	<b>0.6</b>	<b>0.6</b>	<b>0.5</b>	<b>0.5</b>
EV/Sales	0.6	0.7	0.7	0.6	0.6	<b>0.6</b>	<b>0.5</b>	<b>0.5</b>	<b>0.4</b>
EV/EBITDA	6.8	7.2	9.8	8.1	7.0	<b>6.5</b>	<b>5.7</b>	<b>5.0</b>	<b>4.4</b>
EV/EBIT (adj.)	9.1	11.2	13.4	11.2	9.2	<b>9.0</b>	<b>7.8</b>	<b>6.7</b>	<b>5.8</b>
Payout ratio (%)	34.2 %	29.7 %	41.1 %	38.7 %	31.2 %	<b>38.8 %</b>	<b>38.4 %</b>	<b>37.1 %</b>	<b>36.8 %</b>
Dividend yield-%	3.1 %	2.6 %	2.5 %	3.2 %	2.9 %	<b>3.4 %</b>	<b>3.7 %</b>	<b>3.9 %</b>	<b>4.2 %</b>

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	312	305	10.7	9.0	8.8	7.6	1.3	1.1	14.4	12.5			2.4
Kitron	490	610	11.9	9.8	9.1	7.7	0.9	0.9	13.2	11.6	3.3	3.7	2.4
Hanza	192	279	12.1	7.7	7.0	5.0	0.6	0.6	19.1	8.6	2.4	3.2	1.5
Pegatron	7931	7086	14.8	10.9	7.9	6.5	0.2	0.2	15.0	14.0	4.4	4.5	1.4
Celestica	5497	5967	10.9	10.0	8.9	8.1	0.7	0.6	14.2	12.9			3.7
Flextronics	11719	12641	8.9	10.1	7.0	7.5	0.5	0.5	13.0	13.5			2.7
Foxconn	73859	68850	12.0	9.4	8.4	6.9	0.4	0.3	16.2	12.4	3.2	4.2	1.6
Jabil	12345	12961	9.1	9.9	6.2	6.8	0.5	0.5	14.3	13.8	0.3	0.3	7.1
Hana Microelectronics	994	748	14.6	12.4	7.3	6.4	1.0	0.9	18.6	15.8	2.7	3.2	1.3
TT Electronics	211	360	8.6	6.3	5.7	4.5	0.6	0.6	8.5	5.6	5.9	6.9	0.7
Fabrinet	7682	6893	25.4	22.4	21.6	18.9	2.7	2.3	26.9	23.5			4.9
Universal Scientific	4568	4274	13.6	11.4	9.2	8.0	0.5	0.5	15.3	12.3	2.3	2.7	1.9
Venture Corporation	2822	2008	9.0	8.2	8.1	7.4	0.9	0.9	14.3	13.1	5.5	5.5	1.3
Plexus	3323	3395	19.6	15.6	13.0	11.3	1.0	0.9	24.8	20.3			3.2
Lacroix	76	199	10.5	7.3	5.3	4.3	0.3	0.3	9.7	5.1	3.3	5.1	0.4
<b>Scanfil (Inderes)</b>	<b>482</b>	<b>498</b>	<b>9.0</b>	<b>7.8</b>	<b>6.5</b>	<b>5.7</b>	<b>0.6</b>	<b>0.5</b>	<b>11.4</b>	<b>10.5</b>	<b>3.4</b>	<b>3.7</b>	<b>1.6</b>
<b>Average</b>			<b>12.6</b>	<b>10.5</b>	<b>8.8</b>	<b>7.7</b>	<b>0.8</b>	<b>0.7</b>	<b>15.6</b>	<b>12.8</b>	<b>3.3</b>	<b>3.9</b>	<b>2.4</b>
<b>Median</b>			<b>11.4</b>	<b>9.8</b>	<b>8.1</b>	<b>7.1</b>	<b>0.7</b>	<b>0.6</b>	<b>14.4</b>	<b>12.7</b>	<b>3.2</b>	<b>3.9</b>	<b>1.9</b>
<b>Diff-% to median</b>			<b>-21%</b>	<b>-21%</b>	<b>-19%</b>	<b>-20%</b>	<b>-7%</b>	<b>-12%</b>	<b>-20%</b>	<b>-17%</b>	<b>5%</b>	<b>-6%</b>	<b>-15%</b>

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
<b>Revenue</b>	<b>844</b>	<b>225</b>	<b>243</b>	<b>213</b>	<b>221</b>	<b>902</b>	<b>199</b>	<b>196</b>	<b>187</b>	<b>217</b>	<b>798</b>	<b>875</b>	<b>942</b>	<b>1012</b>
Industrial	438	111	112	98.8	105	428	94.2	90.4	85.0	103	373	396	423	447
Energy & Cleantech	254	72.8	91.3	77.6	78.5	320	70.4	67.5	65.0	74.0	277	316	347	384
Medtec & Life Science	151	40.6	39.6	36.4	37.1	154	34.3	37.7	37.0	40.0	149	163	173	181
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
<b>EBITDA</b>	<b>62.9</b>	<b>19.8</b>	<b>22.2</b>	<b>20.0</b>	<b>18.3</b>	<b>80.4</b>	<b>17.7</b>	<b>19.0</b>	<b>18.8</b>	<b>20.9</b>	<b>76.4</b>	<b>82.5</b>	<b>88.7</b>	<b>93.3</b>
Depreciation	-17.5	-4.7	-4.7	-4.8	-4.9	-19.1	-5.0	-5.1	-5.2	-5.7	-21.0	-22.3	-22.8	-22.8
<b>EBIT (excl. NRI)</b>	<b>45.4</b>	<b>15.1</b>	<b>17.5</b>	<b>15.2</b>	<b>13.4</b>	<b>61.3</b>	<b>12.7</b>	<b>13.9</b>	<b>13.6</b>	<b>15.2</b>	<b>55.4</b>	<b>60.2</b>	<b>65.9</b>	<b>70.5</b>
<b>EBIT</b>	<b>45.4</b>	<b>15.1</b>	<b>17.5</b>	<b>15.2</b>	<b>13.4</b>	<b>61.3</b>	<b>12.7</b>	<b>13.9</b>	<b>13.6</b>	<b>15.2</b>	<b>55.4</b>	<b>60.2</b>	<b>65.9</b>	<b>70.5</b>
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	-0.5	-0.7	-1.4	-0.5	-0.1
<b>PTP</b>	<b>41.7</b>	<b>14.5</b>	<b>18.4</b>	<b>14.6</b>	<b>14.1</b>	<b>61.6</b>	<b>12.9</b>	<b>14.0</b>	<b>13.2</b>	<b>14.7</b>	<b>54.8</b>	<b>58.8</b>	<b>65.4</b>	<b>70.4</b>
Taxes	-6.7	-2.8	-3.9	-3.5	-3.2	-13.4	-3.1	-3.2	-3.0	-3.4	-12.7	-12.9	-14.4	-15.5
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
<b>Net earnings</b>	<b>35.0</b>	<b>11.7</b>	<b>14.5</b>	<b>11.0</b>	<b>11.0</b>	<b>48.2</b>	<b>9.8</b>	<b>10.8</b>	<b>10.2</b>	<b>11.3</b>	<b>42.0</b>	<b>45.9</b>	<b>51.0</b>	<b>54.9</b>
<b>Net earnings</b>	<b>35.0</b>	<b>11.7</b>	<b>14.5</b>	<b>11.0</b>	<b>10.9</b>	<b>48.2</b>	<b>9.8</b>	<b>10.8</b>	<b>10.2</b>	<b>11.3</b>	<b>42.0</b>	<b>45.9</b>	<b>51.0</b>	<b>54.9</b>
<b>EPS (adj.)</b>	<b>0.54</b>	<b>0.18</b>	<b>0.22</b>	<b>0.17</b>	<b>0.17</b>	<b>0.74</b>	<b>0.15</b>	<b>0.17</b>	<b>0.16</b>	<b>0.17</b>	<b>0.64</b>	<b>0.70</b>	<b>0.78</b>	<b>0.84</b>
<b>EPS (rep.)</b>	<b>0.54</b>	<b>0.18</b>	<b>0.22</b>	<b>0.17</b>	<b>0.17</b>	<b>0.74</b>	<b>0.15</b>	<b>0.17</b>	<b>0.16</b>	<b>0.17</b>	<b>0.64</b>	<b>0.70</b>	<b>0.78</b>	<b>0.84</b>
<b>Key figures</b>	<b>2022</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>Q3'23</b>	<b>Q4'23</b>	<b>2023</b>	<b>Q1'24</b>	<b>Q2'24</b>	<b>Q3'24e</b>	<b>Q4'24e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>
<b>Revenue growth-%</b>	21.3 %	14.2 %	14.3 %	0.4 %	-0.7 %	6.8 %	-11.4 %	-19.6 %	-12.1 %	-1.7 %	-11.4 %	9.6 %	7.6 %	7.4 %
<b>Adjusted EBIT growth-%</b>	12.7 %	46.6 %	71.8 %	32.4 %	0.0 %	34.9 %	-15.9 %	-20.7 %	-10.7 %	13.4 %	-9.6 %	8.7 %	9.5 %	7.0 %
<b>EBITDA-%</b>	7.5 %	8.8 %	9.1 %	9.4 %	8.3 %	8.9 %	8.9 %	9.7 %	10.1 %	9.6 %	9.6 %	9.4 %	9.4 %	9.2 %
<b>Adjusted EBIT-%</b>	5.4 %	6.7 %	7.2 %	7.2 %	6.1 %	6.8 %	6.4 %	7.1 %	7.3 %	7.0 %	6.9 %	6.9 %	7.0 %	7.0 %
<b>Net earnings-%</b>	4.2 %	5.2 %	6.0 %	5.2 %	4.9 %	5.3 %	4.9 %	5.5 %	5.4 %	5.2 %	5.3 %	5.2 %	5.4 %	5.4 %

Source: Inderes

# Balance sheet

Assets	2022	2023	2024e	2025e	2026e
<b>Non-current assets</b>	<b>107</b>	<b>112</b>	<b>128</b>	<b>130</b>	<b>134</b>
Goodwill	7.7	7.7	13.7	13.7	16.7
Intangible assets	10.8	10.4	11.4	11.5	11.6
Tangible assets	79.7	85.3	94.3	97.0	97.2
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
<b>Current assets</b>	<b>419</b>	<b>406</b>	<b>370</b>	<b>401</b>	<b>444</b>
Inventories	229	209	184	184	188
Other current assets	4.1	2.7	2.7	2.7	2.7
Receivables	165	174	160	171	184
Cash and equivalents	20.8	21.2	24.0	43.8	68.9
<b>Balance sheet total</b>	<b>526</b>	<b>518</b>	<b>498</b>	<b>531</b>	<b>577</b>

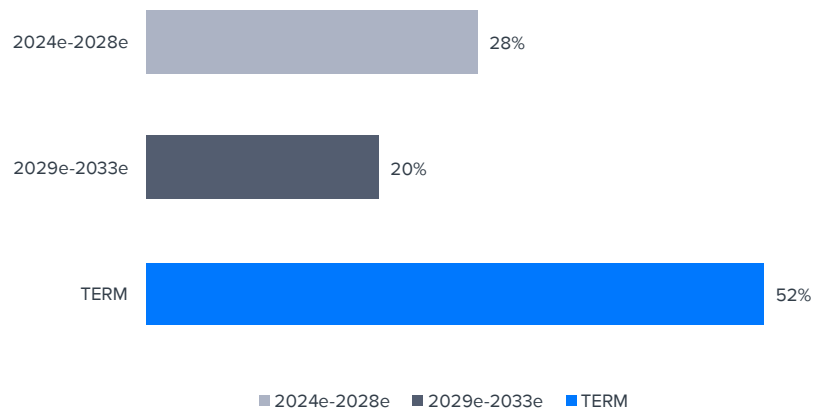
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
<b>Equity</b>	<b>227</b>	<b>266</b>	<b>293</b>	<b>323</b>	<b>356</b>
Share capital	2.0	2.0	2.0	2.0	2.0
Retained earnings	195	230	257	287	320
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
<b>Non-current liabilities</b>	<b>61.8</b>	<b>25.4</b>	<b>38.4</b>	<b>31.8</b>	<b>31.8</b>
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	31.6	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
<b>Current liabilities</b>	<b>237</b>	<b>227</b>	<b>166</b>	<b>177</b>	<b>189</b>
Interest bearing debt	49.9	54.3	8.9	5.0	5.0
Payables	184	167	152	166	179
Other current liabilities	3.5	5.5	5.5	5.5	5.5
<b>Balance sheet total</b>	<b>526</b>	<b>518</b>	<b>498</b>	<b>531</b>	<b>577</b>

# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	6.8 %	-11.4 %	9.6 %	7.6 %	7.4 %	5.0 %	5.0 %	4.0 %	3.0 %	3.0 %	2.0 %	2.0 %
EBIT-%	6.8 %	6.9 %	6.9 %	7.0 %	7.0 %	6.7 %	6.6 %	6.5 %	6.4 %	6.4 %	6.4 %	6.4 %
<b>EBIT (operating profit)</b>	<b>61.3</b>	<b>55.4</b>	<b>60.2</b>	<b>65.9</b>	<b>70.5</b>	<b>71.2</b>	<b>73.6</b>	<b>75.4</b>	<b>76.5</b>	<b>78.8</b>	<b>80.3</b>	
+ Depreciation	19.1	21.0	22.3	22.8	22.8	22.4	22.1	21.8	21.6	21.7	21.8	
- Paid taxes	-12.2	-12.7	-12.9	-14.4	-15.5	-15.7	-16.4	-16.8	-17.2	-17.8	-19.3	
- Tax, financial expenses	0.1	-0.2	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	
+ Tax, financial income	0.0	0.1	0.1	0.2	0.3	0.4	0.5	0.5	0.6	0.7	0.8	
- Change in working capital	-2.0	24.1	3.5	-4.9	-4.2	-9.9	-10.4	-8.7	-6.8	-7.0	-4.8	
<b>Operating cash flow</b>	<b>66.2</b>	<b>87.7</b>	<b>72.8</b>	<b>69.3</b>	<b>73.6</b>	<b>68.0</b>	<b>69.1</b>	<b>71.9</b>	<b>74.5</b>	<b>76.2</b>	<b>78.5</b>	
+ 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	-37.0	-25.1	-26.1	-21.1	-21.1	-21.1	-21.1	-22.1	-22.1	-23.6	
<b>Free operating cash flow</b>	<b>42.3</b>	<b>50.7</b>	<b>47.7</b>	<b>43.2</b>	<b>52.5</b>	<b>46.9</b>	<b>48.0</b>	<b>50.8</b>	<b>52.4</b>	<b>54.1</b>	<b>55.0</b>	
+/- 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	50.7	47.7	43.2	52.5	46.9	48.0	50.8	52.4	54.1	55.0	818
<b>Discounted FCFF</b>		<b>49.7</b>	<b>43.0</b>	<b>35.7</b>	<b>39.9</b>	<b>32.8</b>	<b>30.8</b>	<b>29.9</b>	<b>28.3</b>	<b>26.9</b>	<b>25.1</b>	<b>374</b>
Sum of FCFF present value		716	666	623	587	547	515	484	454	426	399	374
<b>Enterprise value DCF</b>		<b>716</b>										
- Interest bearing debt		-72.9										
+ Cash and cash equivalents		21.2										
-Minorities		0.0										
-Dividend/capital return		-15.0										
<b>Equity value DCF</b>		<b>649</b>										
<b>Equity value DCF per share</b>		<b>9.9</b>										

Cash flow distribution

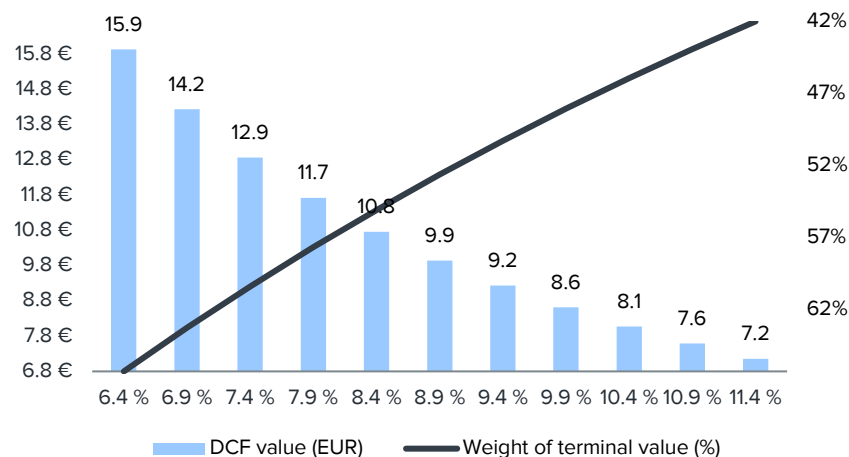


WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	4.5 %
Equity Beta	1.25
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>9.4 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>8.9 %</b>

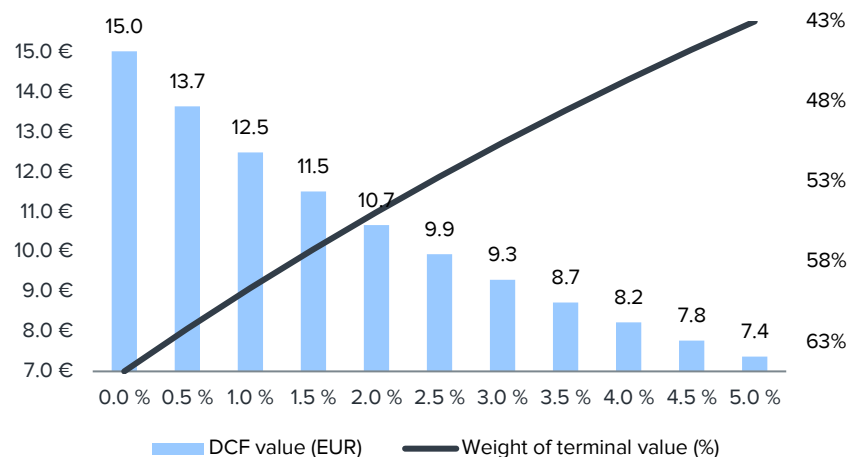
Source: Inderes

# DCF sensitivity calculations and key assumptions in graphs

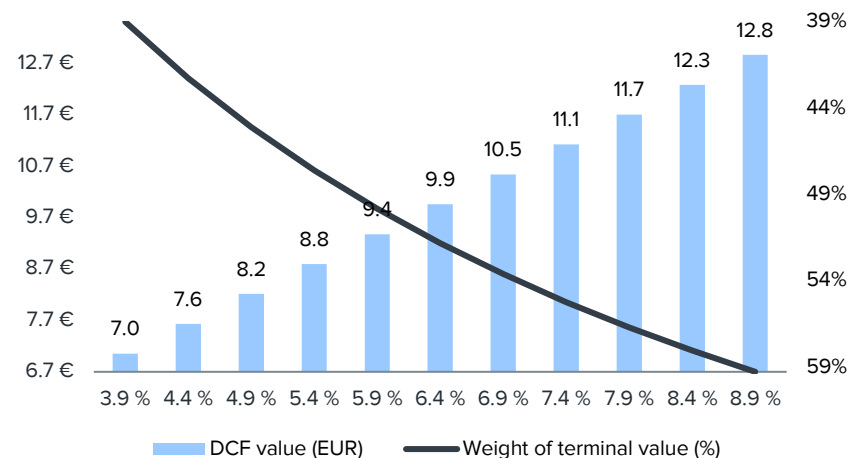
Sensitivity of DCF to changes in the WACC-%



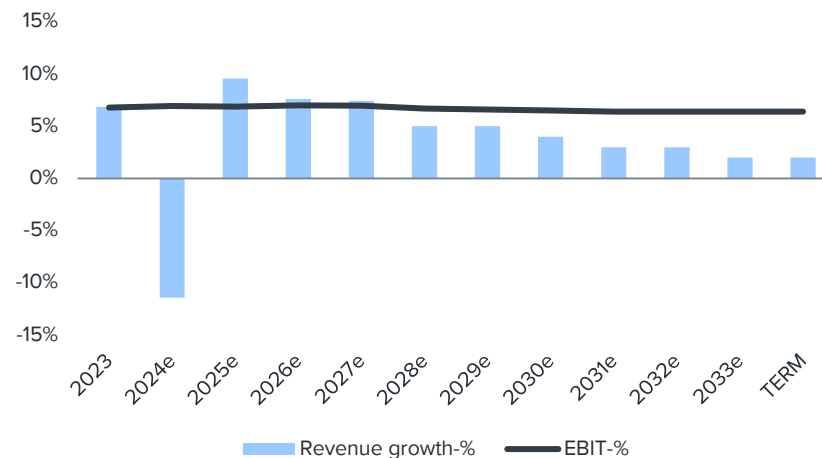
Sensitivity of DCF to changes in the risk-free rate



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	<b>798</b>	<b>875</b>	EPS (reported)	0.46	0.54	0.74	<b>0.64</b>	<b>0.70</b>
EBITDA	55.0	62.9	80.4	<b>76.4</b>	<b>82.5</b>	EPS (adj.)	0.47	0.54	0.74	<b>0.64</b>	<b>0.70</b>
EBIT	39.6	45.4	61.3	<b>55.4</b>	<b>60.2</b>	OCF / share	-0.21	0.24	1.01	<b>1.34</b>	<b>1.12</b>
PTP	37.7	41.7	61.6	<b>54.8</b>	<b>58.8</b>	FCF / share	-0.54	-0.10	0.65	<b>0.78</b>	<b>0.73</b>
Net Income	29.8	35.0	48.2	<b>42.0</b>	<b>45.9</b>	Book value / share	3.22	3.51	4.08	<b>4.49</b>	<b>4.94</b>
Extraordinary items	-0.7	0.0	0.0	<b>0.0</b>	<b>0.0</b>	Dividend / share	0.19	0.21	0.23	<b>0.25</b>	<b>0.27</b>
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	474	526	518	<b>498</b>	<b>531</b>	Revenue growth-%	17%	21%	7%	<b>-11%</b>	<b>10%</b>
Equity capital	207	227	266	<b>293</b>	<b>323</b>	EBITDA growth-%	-9%	14%	28%	<b>-5%</b>	<b>8%</b>
Goodwill	8.2	7.7	7.7	<b>13.7</b>	<b>13.7</b>	EBIT (adj.) growth-%	3%	13%	35%	<b>-10%</b>	<b>9%</b>
Net debt	59.9	85.5	51.7	<b>16.5</b>	<b>-13.8</b>	EPS (adj.) growth-%	-6%	15%	36%	<b>-13%</b>	<b>9%</b>
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	7.9 %	7.5 %	8.9 %	<b>9.6 %</b>	<b>9.4 %</b>
EBITDA	55.0	62.9	80.4	<b>76.4</b>	<b>82.5</b>	EBIT (adj.)-%	5.8 %	5.4 %	6.8 %	<b>6.9 %</b>	<b>6.9 %</b>
Change in working capital	-58.1	-39.9	-2.0	<b>24.1</b>	<b>3.5</b>	EBIT-%	5.7 %	5.4 %	6.8 %	<b>6.9 %</b>	<b>6.9 %</b>
Operating cash flow	-13.4	15.7	66.2	<b>87.7</b>	<b>72.8</b>	ROE-%	15.3 %	16.1 %	19.6 %	<b>15.0 %</b>	<b>14.9 %</b>
CAPEX	-21.4	-22.6	-24.3	<b>-37.0</b>	<b>-25.1</b>	ROI-%	15.2 %	14.5 %	18.2 %	<b>16.6 %</b>	<b>17.7 %</b>
Free cash flow	-34.8	-6.7	42.2	<b>50.7</b>	<b>47.7</b>	Equity ratio	43.8 %	43.1 %	51.3 %	<b>58.9 %</b>	<b>60.7 %</b>
						Gearing	28.9 %	37.7 %	19.4 %	<b>5.6 %</b>	<b>-4.3 %</b>
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	0.8	0.6	0.6	<b>0.6</b>	<b>0.5</b>						
EV/EBITDA	9.8	8.1	7.0	<b>6.5</b>	<b>5.7</b>						
EV/EBIT (adj.)	13.4	11.2	9.2	<b>9.0</b>	<b>7.8</b>						
P/E (adj.)	15.8	12.1	10.6	<b>11.4</b>	<b>10.5</b>						
P/B	2.3	1.9	1.9	<b>1.6</b>	<b>1.5</b>						
Dividend-%	2.5 %	3.2 %	2.9 %	<b>3.4 %</b>	<b>3.7 %</b>						

Source: Inderes

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Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
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
Sell	The 12-month risk-adjusted expected shareholder return of the share is very 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 €
10/7/2024	Accumulate	9.00 €	7.38 €

# Climate and taxonomic analysis

## 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 (Scope 1 and Scope 2) in 2030 compared to 2020, which is the target level under the Greenhouse Gas Protocol. Scanfil aims to reduce its Scope 3 emissions

in the value chain by 25% by 2030 compared to 2022 levels. 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. Furthermore, in September 2024, the SBTi validated Scanfil's commitment in line with the Paris Climate Agreement.

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	2023	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

We will begin to increase the visibility of sustainability metrics by looking at the company's climate target and taxonomy impacts, as we believe these are currently the clearest contributors on average to the company's value creation. We aim to gradually increase the visibility of other factors. The analyst will consider the impact of all sustainability issues on the company's growth and profitability potential and risk (i.e. required return) as part of forming an investment view.

Note: Taxonomy eligibility-% is shown in the table without taxonomy-aligned activities





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