

Scanfil

Company report

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Antti Viljakainen
+358 44 591 2216
antti.viljakainen@inderes.fi

✓ Inderes corporate customer

This report is a summary translation of the report “Näkymät sisälsivät sekä hyvää että huonoa” published on 10/28/2024 at 8:29 am EET.

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Outlook contained both good and bad

In our view, the overall picture of Scanfil's Q3 report published last Friday was slightly negative and we lowered our forecasts slightly for the near term. Thus, we revise our target price for Scanfil to EUR 8.70 (was EUR 9.00) and reiterate our Accumulate recommendation. In our view, the stock is moderately valued (2024e: P/E 13x, EV/EBIT 10x). As a result, the company's attractive long-term investment story can now be accessed at what we believe is a comfortable near-term expected return at current price levels. However, due to the risk of earnings warning associated with the end of the year, the further purchases right now would require at least a medium horizon for the investor.

Revenue decline worse than expected, impacting earnings despite good profitability

In Q3, Scanfil's revenue decreased by 20% to 173 MEUR from a good comparison level, which was significantly below our forecast. Revenue declined and missed our forecasts in all segments. Scanfil's adjusted EBIT fell from the strong comparison period by around 20% to 12.4 MEUR, which was below our forecast by roughly 10% for revenue-related reasons. The company's cost structure was very resilient due to savings and other productivity improvements, as profitability (Q3: EBIT % 7.2%) was at the level of the strong comparison period, despite the sharp decline in revenue. We commented on Scanfil's Q3 numbers in more detail on Friday [here](#).

Guidance was reiterated, but achieving it seems challenging

Scanfil reiterated its guidance for 2024 of 780-840 MEUR revenue and 54-61 MEUR adjusted EBIT. We expected this before the report, but the Q3 miss leaves the bar for Q4 very high and, even to reach the lower end of the guidance range, Q4 should be by far the best quarter of the year. The company was expecting a strong Q4 due to a pick-up in demand (including probably some new projects won in H1 coming into production and slowing/completion of destocking), but we think the risk of a second profit warning this year is still present. The company reported that it had won new projects in Q3 at a seemingly nice pace, but the lack of comparison data makes it still difficult to assess the magnitude of the successes. Following the report, we lowered our near-term revenue and earnings forecasts for Scanfil by 1-4% in light of the recent weakness in the European economy. This year, we expect Scanfil's revenue and earnings to decline in a weak economic environment and to end the year slightly below current guidance. In the coming years, we expect the company to return to growth as the economic situation recovers and also as falling interest rates begin to stimulate Scanfil's investment-driven demand. In addition, the SRX acquisition brings inorganic growth starting in the fourth quarter. The main uncertainties relate to the market, as Q3 once again showed that Scanfil's own house is in order. However, the company needs higher volumes for profit growth because, in principle, growth in the contract manufacturing sector will generate earnings mass.

Valuation remains moderate from all perspectives, although risk is elevated at the short end

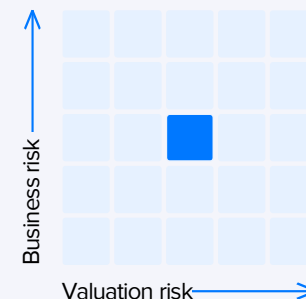
Based on our estimates for 2024 and 2025, Scanfil's adjusted P/E ratios are 13x and 11x, while the corresponding EV/EBIT ratios are 10x and 9x. This year's multiples are in line with the company's moderate 5-year medians, and next year's multiples are below them. In relative terms, Scanfil is atypically and unjustifiably discounted. As such, we believe the valuation of the stock is still attractive. As a result, we believe that the expected return from an imminent earnings turnaround, modest valuation upside and an expected dividend yield of just over 3% is still above the required return. The DCF also indicates that the stock is cheaply priced. Given the short-term negative news flow risk (i.e. profit warning), continuing to buy now requires the investor to take a medium-term horizon.

Recommendation

Accumulate
(was Accumulate)

EUR 8.70
(was EUR 9.00)

Share price:
EUR 7.87



Key figures

	2023	2024e	2025e	2026e
Revenue	902	773	844	927
growth-%	7%	-14%	9%	10%
EBIT adj.	61.3	53.0	58.7	64.9
EBIT-% adj.	6.8 %	6.9 %	7.0 %	7.0 %
Net income	48.2	40.1	44.7	50.1
EPS (adj.)	0.74	0.61	0.68	0.77
P/E (adj.)	10.6	12.8	11.5	10.2
P/B	1.9	1.8	1.6	1.5
Dividend yield-%	2.9 %	3.2 %	3.4 %	3.7 %
EV/EBIT (adj.)	9.2	10.1	8.7	7.5
EV/EBITDA	7.0	7.2	6.3	5.5
EV/S	0.6	0.7	0.6	0.5

Source: Inderes

Guidance

(Unchanged)

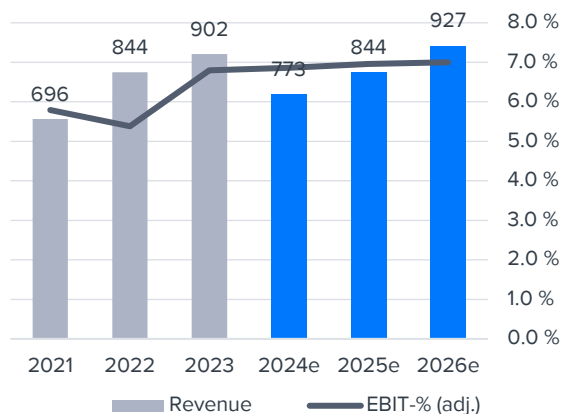
Scanfil estimates that in 2024, its revenue is around 780-840 MEUR and adjusted operating profit 54-61 MEUR

Share price



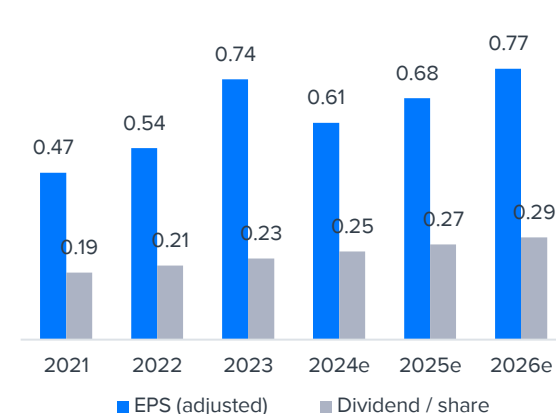
Source: Millstream Market Data AB

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	7.87	7.87	7.87
Number of shares, millions	65.3	65.3	65.3
Market cap	514	514	514
EV	534	509	485
P/E (adj.)	12.8	11.5	10.2
P/E	12.8	11.5	10.2
P/B	1.8	1.6	1.5
P/S	0.7	0.6	0.6
EV/Sales	0.7	0.6	0.5
EV/EBITDA	7.2	6.3	5.5
EV/EBIT (adj.)	10.1	8.7	7.5
Payout ratio (%)	40.7 %	39.4 %	37.8 %
Dividend yield-%	3.2 %	3.4 %	3.7 %

Source: Inderes

Q3 was a replay of Q2: good profitability on poor volumes

Top line stagnation continued to be worse than expected

In Q3, Scanfil's revenue decreased by 19% to 173 MEUR from a good comparison level. The decline was similar to Q2 and worse than expected, although the comparison figures for Q3 were already slightly easier than Q2. The decline in revenue was due to the same reasons as in the current year, namely weak demand and customer destocking. Revenue fell in all segments and was below our forecasts. In Industrial, the deviation from our forecasts was small, but Energy&Cleantech and especially Medtech&Life Science were disappointing. Of course, the SRX acquisition in early October had no impact on Q3 revenue.

The margin was good, but revenue determines the earnings mass

In Q3, Scanfil's adjusted EBIT decreased by around 18% to 12.4 MEUR. The result fell short of our forecast by just under 10% for purely revenue-related reasons.

Profitability (EBIT%) was at a good level for Scanfil's scale and flat year-on-year at 7.2%, which we believe is a good performance given the magnitude of the revenue decline. Scanfil has been able to support its profitability well through savings and other productivity improvements, which bodes well for the improved demand environment that will come in due course. However, in the current demand environment, organic growth is not sufficient to offset the strong pressure on earnings from the decline in revenue.

On the bottom line, the company recorded marginal adjustment items for Q3 related to the SRX acquisition and financing expenses were broadly in line with our expectations. The tax rate was higher than expected due to what we believe is a one-time adjustment related to back taxes. Scanfil's Q3 EPS fell with the operating profit and missed our forecast.

Silver lining of the sales decline is strong cash flow

From a cash flow perspective, the report was very

strong, as the decline in revenue resulted in a substantial release of working capital from both inventory and receivables. Scanfil also generally releases working capital in H2 and also in Q3 on a seasonal basis. Therefore, cash flow in Q3 increased by approximately 124% to 22 MEUR from the comparison period. However, inventory turnover in Q2 was not yet at pre-pandemic levels. Thus, the inventory change has the potential to support cash flow in Q4 and/or next year.

Scanfil's net debt to EBITDA ratio was 0.4x (cf. the financial target below 1.5x). As a result, the company's balance sheet and liquidity are strong, even though the company spent around 23 MEUR (EV excluding the additional purchase price) to acquire SRX in October. According to our calculations, the company would still have around 125 MEUR of additional capacity for inorganic growth. This would allow for significant inorganic growth at normal industry valuations.

Estimates MEUR / EUR	Q3'23	Q3'24	Q3'24e	Q3'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	213	173	187	190	187	- 192	-7%	773
EBIT (adj.)	15.2	12.4	13.6	13.4	13.1	- 13.6	-9%	53.0
EBIT	15.2	12.1	13.6	13.4	13.1	- 13.6	-11%	53.0
PTP	14.6	11.9	13.2	13.0	12.8	- 13.2	-10%	52.6
EPS (reported)	0.17	0.13	0.16	0.16	0.15	- 0.16	-17%	0.61
Revenue growth-%	0.4 %	-18.6 %	-12.1 %	-10.9 %	-12.1 %	- -9.8 %	-6.4 pp	-14.3 %
EBIT-% (adj.)	7.2 %	7.2 %	7.3 %	7.1 %	7.0 %	- 7.1 %	-0.1 pp	6.9 %

Source: Inderes & Bloomberg (2 forecasts) (consensus)

Guidance looks challenging, although Q4 could turn the tide

The guidance was reiterated as expected, but the risk of a profit warning for the rest of the year is high

Scanfil reiterated its guidance for 2024 of 780-840 MEUR revenue and 54-61 MEUR adjusted EBIT. Scanfil reported new projects of 126 MEUR in Q1-Q3 and of 42 MEUR in Q3. Comparison figures were not published, so it is difficult to draw more precise conclusions this year.

We expected the company to reiterate guidance ahead of the report, but with the Q3 miss, the bar for Q4 remains very high. To reach the lower end of the guidance, Q4 should be strong in absolute terms and clearly the best quarter of the year (Q4 is of course seasonally good). The upper limits, in turn, already seem utopian, as reaching them would require by far the strongest numbers in the company's history. Scanfil expected a strong Q4 on the back of demand showing signs of picking up (probably including the transition of new projects won in H1 into production

and the slowdown / completion of client destocking). Given the high bar, the risk of a second profit warning for the year on either side of the turn of the year is obvious in our view, as the news flow at year-end does not seem to indicate a broad-based improvement in the operating environment.

Scanfil's main risks continue to be related to demand, which is dependent on the global economy. We believe these risks are real as Europe and China in particular have continued to struggle through the summer and fall. However, interest rate cuts, which have been slow to stimulate investment demand, are accelerating and market interest rates have already fallen. So the macro factors are also moving in a positive direction, but their leverage for Scanfil isn't likely to materialize until well into 2025.

We lowered our forecasts slightly

Subsequent to the report, we lowered our near-term revenue and earnings guidance for Scanfil by 1-4% in

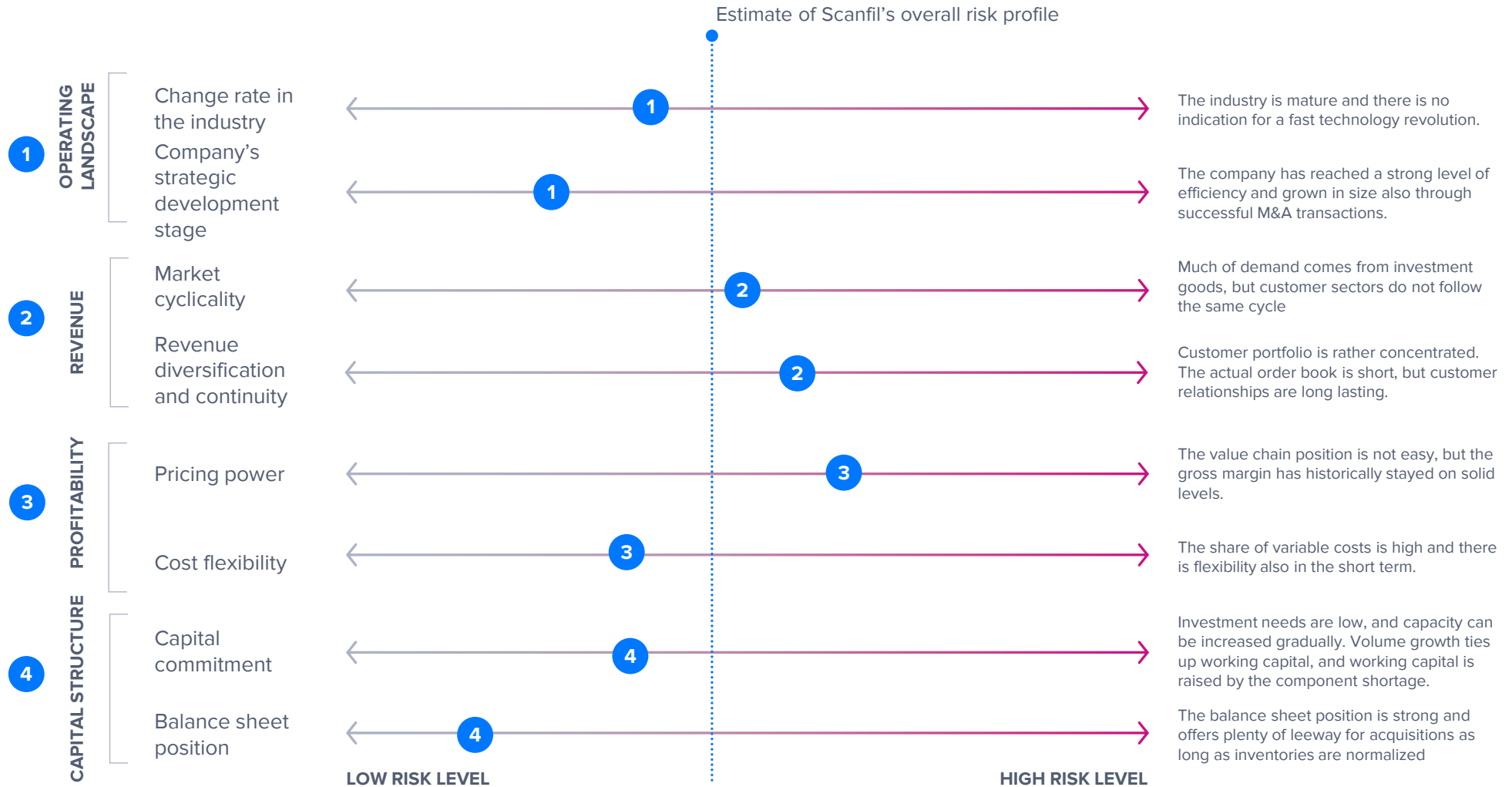
light of the largely lackluster recent economic and industry data. This year, we expect Scanfil's revenue and profit to decline organically in a weak economic environment and to end the year slightly below the current guidance range. In the coming years, we expect the company to return to earnings growth in a gradually improving economic environment. Starting with Q4, numbers are also inorganically supported by the SRX acquisition. This year's sales successes should continue to support at least modest growth next year.

The main uncertainties relate to the top line, as Q3 once again showed that Scanfil's own house is in order. In our view, Scanfil should be able to consistently deliver margins in line with our forecasts and at the lower end of the company's target range (EBIT-% 7-8%), as long as volumes are at sufficient levels. Volume is critical to profit growth because, in principle, growth in contract manufacturing brings absolute profit growth.

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	798	773	-3%	875	844	-4%	942	927	-2%
EBIT (exc. NRIs)	55.4	53.0	-4%	60.2	58.7	-2%	65.9	64.9	-2%
EBIT	55.4	53.0	-4%	60.2	58.7	-2%	65.9	64.9	-2%
PTP	54.8	52.6	-4%	58.8	57.3	-3%	65.4	64.3	-2%
EPS (excl. NRIs)	0.64	0.61	-5%	0.70	0.68	-3%	0.78	0.77	-2%
DPS	0.25	0.25	0%	0.27	0.27	0%	0.29	0.29	0%

Source: Inderes

Risk profile of the business model



Moderate valuation encourages further purchases

Multiples are still reasonable

In our estimate, Scanfil's P/E ratios for 2024 and 2025 are around 13x and 11x, while the corresponding EV/EBIT ratios are some 10x and 9x. We expect dividend yields to settle at a reasonable level of 3-4% in the coming years. 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 well below the company's historical medians for next year's multiples. With this year's weaker performance, multiples are at the historical median.

We believe that Scanfil's P/E multiple of 12x-16x and EV/EBIT multiple of 10x-13x are acceptable based on the company's growth and return on capital potential, the stock's risk level, and its largely strong historical track record. However, prevailing interest rate expectations, declining earnings this year and news flow risk for the rest of the year (i.e. earnings warning risk) argue in our view for lower ends in the near term, especially when looking at next year's multiples. At the current valuation, we do not believe that a mild profit warning would be a disaster for the stock. In the short term, investor confidence, and thus the share price, would likely be affected as the company has already issued two negative earnings warnings in just over a year. This limits the enthusiasm for stronger optimism about the stock right now.

With earnings picking up in Q4, a dividend yield of just over 3% and a relatively neutral change in multiples (Q3'24 LTM P/E 13x), the expected return on equity remains above the required return in our view. However, the return expectation is based on earnings growth and we do not see any upside in the stock if earnings do not turn around in the near term. The

expected return over the medium term is also good, and we expect it to be driven mainly by earnings growth, but there may also be some upside in multiples over the longer term.

Balance sheet value is cheap relative to achieved ROE

Scanfil's P/B ratio 1.6x (2024e) is also low relative to the adjusted ROE of the last five years of just under 19%. With these numbers, Scanfil's backward-looking static earnings yield alone would exceed the required return. As a result, we believe that Scanfil's medium-to long-term profitable growth potential, which we believe is quite good, is currently not well priced into the stock.

Peer valuation and DCF tell the same story

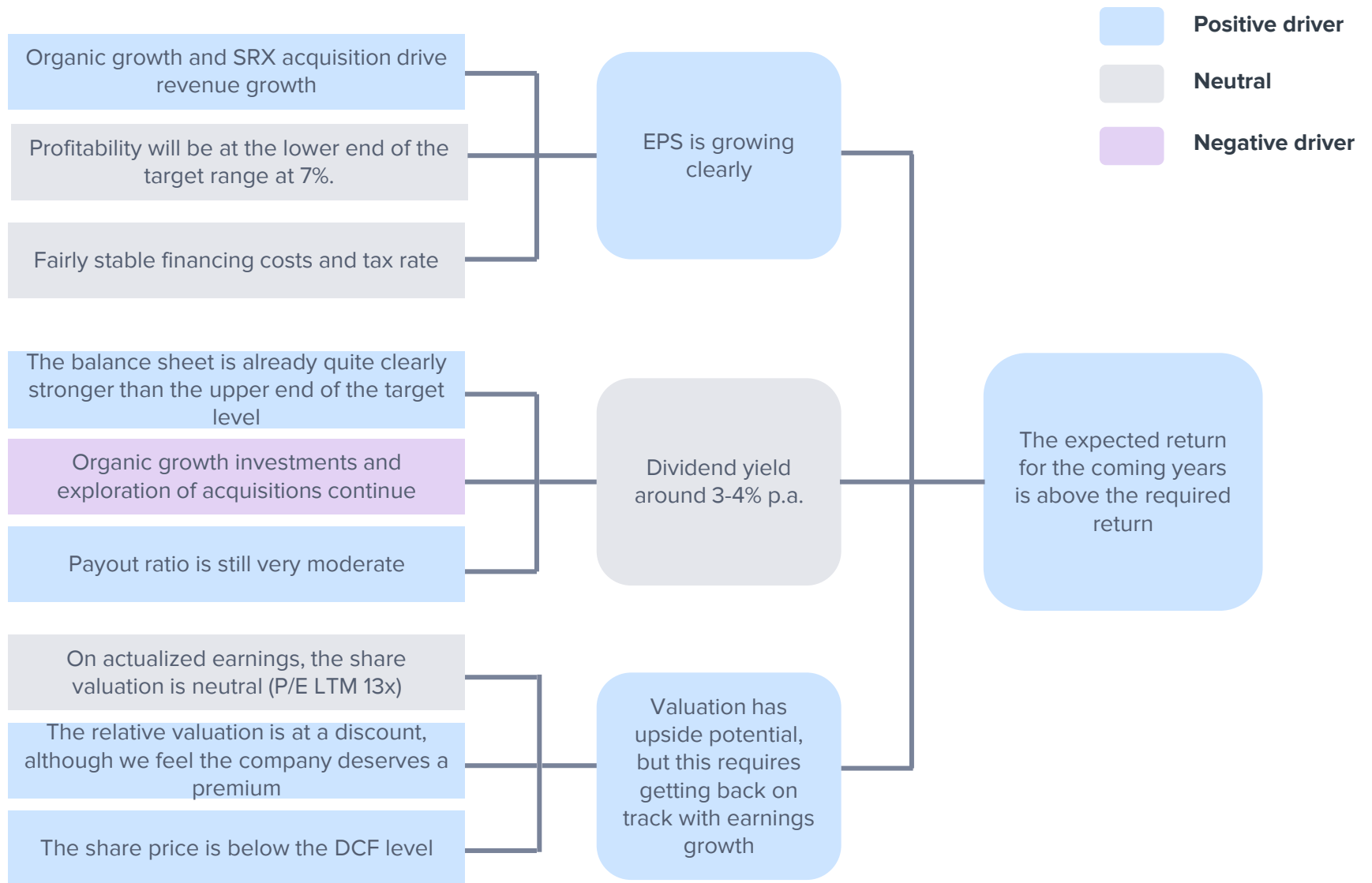
Compared to a peer group of global contract manufacturers, Scanfil's earnings-based valuation has fallen to a discount. We believe that Scanfil deserves a small premium due to its long-term track record and positioning in industrial electronics with better margin potential. We do not see peer valuation as a material driver of Scanfil's pricing, but relative valuation also supports the realization of our earnings expectations.

Our DCF model for Scanfil is also above the price at just over EUR 9 per share, although we have raised our required return on the stock by a notch due to the increased near-term risk. 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 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	7.87	7.87	7.87
Number of shares, millions	65.3	65.3	65.3
Market cap	514	514	514
EV	534	509	485
P/E (adj.)	12.8	11.5	10.2
P/E	12.8	11.5	10.2
P/B	1.8	1.6	1.5
P/S	0.7	0.6	0.6
EV/Sales	0.7	0.6	0.5
EV/EBITDA	7.2	6.3	5.5
EV/EBIT (adj.)	10.1	8.7	7.5
Payout ratio (%)	40.7 %	39.4 %	37.8 %
Dividend yield-%	3.2 %	3.4 %	3.7 %

Source: Inderes

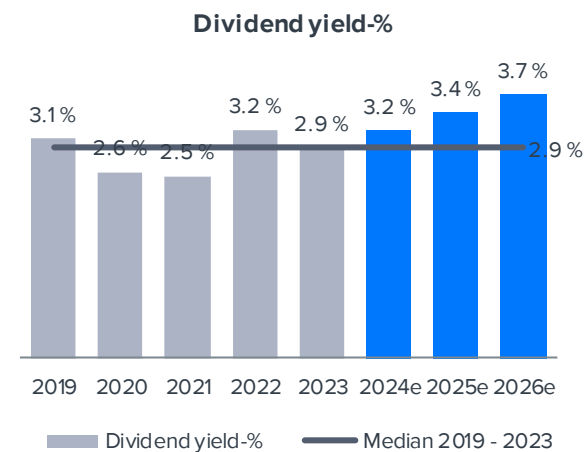
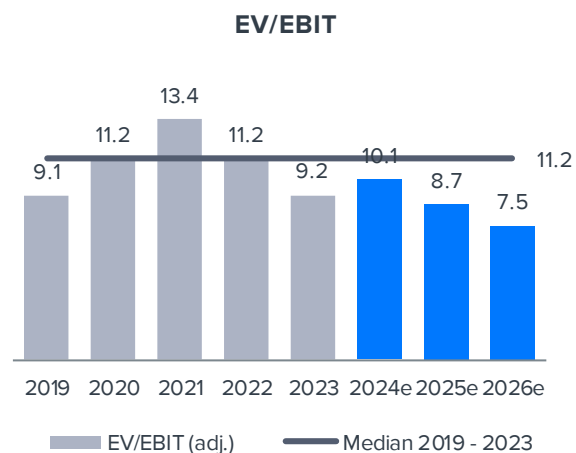
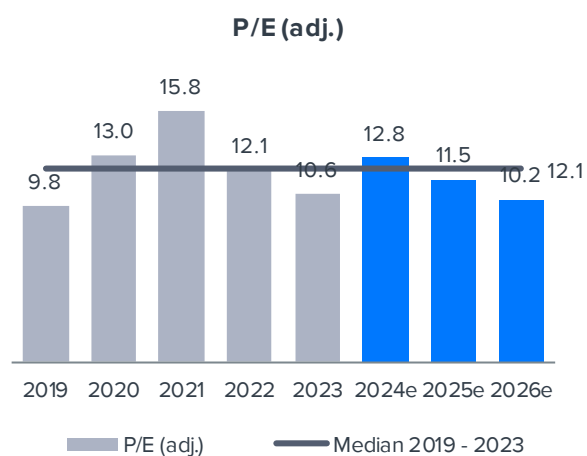
TSR drivers Q3'24 ACT-2026e



Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	4.89	6.52	7.46	6.58	7.83	7.87	7.87	7.87	7.87
Number of shares, millions	64.4	64.5	64.5	64.5	65.3	65.3	65.3	65.3	65.3
Market cap	313	420	481	424	511	514	514	514	514
EV	359	439	541	510	563	534	509	485	456
P/E (adj.)	9.8	13.0	15.8	12.1	10.6	12.8	11.5	10.2	9.5
P/E	11.2	11.4	16.2	12.1	10.6	12.8	11.5	10.2	9.5
P/B	1.9	2.3	2.3	1.9	1.9	1.8	1.6	1.5	1.3
P/S	0.5	0.7	2.3	0.5	0.6	0.7	0.6	0.6	0.5
EV/Sales	0.6	0.7	0.7	0.6	0.6	0.7	0.6	0.5	0.5
EV/EBITDA	6.8	7.2	9.8	8.1	7.0	7.2	6.3	5.5	4.9
EV/EBIT (adj.)	9.1	11.2	13.4	11.2	9.2	10.1	8.7	7.5	6.6
Payout ratio (%)	34.2 %	29.7 %	41.1 %	38.7 %	31.2 %	40.7 %	39.4 %	37.8 %	37.5 %
Dividend yield-%	3.1 %	2.6 %	2.5 %	3.2 %	2.9 %	3.2 %	3.4 %	3.7 %	3.9 %

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	315	308	10.8	9.2	8.9	7.8	1.3	1.1	14.7	11.9			2.5
Kitron	512	630	13.3	11.2	9.7	8.5	1.0	0.9	15.1	13.5	3.1	3.5	2.6
Hanza	214	300	13.1	8.3	7.6	5.4	0.7	0.6	21.4	9.7	2.1	2.9	1.7
Pegatron	7918	7050	14.5	10.7	7.8	6.4	0.2	0.2	14.8	13.8	4.5	4.5	1.4
Celestica	7314	7774	13.5	12.0	10.9	9.7	0.9	0.8	17.7	15.5			4.7
Flextronics	12867	13791	9.6	10.8	7.4	8.1	0.5	0.6	13.9	14.5			2.9
Foxconn	84615	79467	13.6	10.8	9.5	7.9	0.4	0.3	18.3	14.1	2.8	3.7	1.8
Jabil	13136	13765	9.5	10.3	6.5	7.1	0.5	0.6	14.9	14.4	0.3	0.3	7.4
Hana Microelectronics	932	685	13.5	11.3	6.7	5.8	0.9	0.9	17.4	14.8	2.9	3.4	1.2
TT Electronics	183	333	7.4	5.5	5.3	4.2	0.5	0.5	7.3	4.8	6.9	8.0	0.6
Fabrinet	8247	7442	26.9	23.7	22.8	20.0	2.8	2.5	28.2	24.7			5.2
Universal Scientific	4366	4069	12.9	11.1	8.8	7.7	0.5	0.4	14.6	11.9	2.4	2.8	1.8
Venture Corporation	2796	1979	8.9	8.1	8.0	7.3	0.9	0.9	14.2	13.0	5.5	5.6	1.3
Plexus	3653	3561	20.1	16.1	13.3	11.8	1.0	0.9	26.7	21.7			3.4
Note	325	355	11.7	9.4	8.6	7.2	1.1	0.9	15.3	11.5			2.3
Lacroix	65	188	9.9	6.9	5.0	4.0	0.3	0.3	5.4	4.3	3.9	6.0	0.3
Scanfil (Inderes)	514	534	10.1	8.7	7.2	6.3	0.7	0.6	12.8	11.5	3.2	3.4	1.8
Average			13.1	11.0	9.2	8.0	0.8	0.8	16.2	13.4	3.4	4.1	2.6
Median			13.0	10.7	8.3	7.5	0.8	0.7	15.0	13.6	3.0	3.6	2.1
Diff-% to median			-23%	-19%	-13%	-16%	-11%	-15%	-15%	-16%	6%	-4%	-15%

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Revenue	844	225	243	213	221	902	199	196	173	205	773	844	927	986
Industrial	438	111	112	98.8	105	428	94.2	90.4	83.9	97.0	366	398	417	435
Energy & Cleantech	254	72.8	91.3	77.6	78.5	320	70.4	67.5	55.6	70.0	263	293	340	370
Medtec & Life Science	151	40.6	39.6	36.4	37.1	154	34.3	37.7	33.8	38.0	144	153	170	181
One-off items	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
EBITDA	62.9	19.8	22.2	20.0	18.3	80.4	17.7	19.0	17.3	19.9	73.9	81.3	87.6	92.3
Depreciation	-17.5	-4.7	-4.7	-4.8	-4.9	-19.1	-5.0	-5.1	-5.1	-5.7	-20.9	-22.6	-22.7	-22.8
EBIT (excl. NRI)	45.4	15.1	17.5	15.2	13.4	61.3	12.7	13.9	12.2	14.2	53.0	58.7	64.9	69.5
EBIT	45.4	15.1	17.5	15.2	13.4	61.3	12.7	13.9	12.2	14.2	53.0	58.7	64.9	69.5
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	-0.2	-0.4	-0.4	-1.4	-0.6	-0.3
PTP	41.7	14.5	18.4	14.6	14.1	61.6	12.9	14.0	12.0	13.8	52.6	57.3	64.3	69.2
Taxes	-6.7	-2.8	-3.9	-3.5	-3.2	-13.4	-3.1	-3.2	-3.1	-3.2	-12.6	-12.6	-14.1	-15.2
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
Net earnings	35.0	11.7	14.5	11.0	11.0	48.2	9.8	10.8	8.9	10.6	40.1	44.7	50.1	54.0
Net earnings	35.0	11.7	14.5	11.0	10.9	48.2	9.8	10.8	8.9	10.6	40.1	44.7	50.1	54.0
EPS (adj.)	0.54	0.18	0.22	0.17	0.17	0.74	0.15	0.17	0.14	0.16	0.61	0.68	0.77	0.83
EPS (rep.)	0.54	0.18	0.22	0.17	0.17	0.74	0.15	0.17	0.14	0.16	0.61	0.68	0.77	0.83
Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	21.3 %	14.2 %	14.3 %	0.4 %	-0.7 %	6.8 %	-11.4 %	-19.6 %	-18.6 %	-7.2 %	-14.3 %	9.2 %	9.8 %	6.4 %
Adjusted EBIT growth-%	12.7 %	46.6 %	71.8 %	32.4 %	0.0 %	34.9 %	-15.9 %	-20.7 %	-19.9 %	6.0 %	-13.5 %	10.8 %	10.6 %	7.1 %
EBITDA-%	7.5 %	8.8 %	9.1 %	9.4 %	8.3 %	8.9 %	8.9 %	9.7 %	10.0 %	9.7 %	9.6 %	9.6 %	9.5 %	9.4 %
Adjusted EBIT-%	5.4 %	6.7 %	7.2 %	7.2 %	6.1 %	6.8 %	6.4 %	7.1 %	7.0 %	6.9 %	6.9 %	7.0 %	7.0 %	7.0 %
Net earnings-%	4.2 %	5.2 %	6.0 %	5.2 %	4.9 %	5.3 %	4.9 %	5.5 %	5.1 %	5.2 %	5.2 %	5.3 %	5.4 %	5.5 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	107	112	128	130	134
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	94.4	96.8	97.1
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
Current assets	419	406	366	392	437
Inventories	229	209	185	190	195
Other current assets	4.1	2.7	2.7	2.7	2.7
Receivables	165	174	155	165	181
Cash and equivalents	20.8	21.2	23.2	34.8	58.7
Balance sheet total	526	518	494	522	570

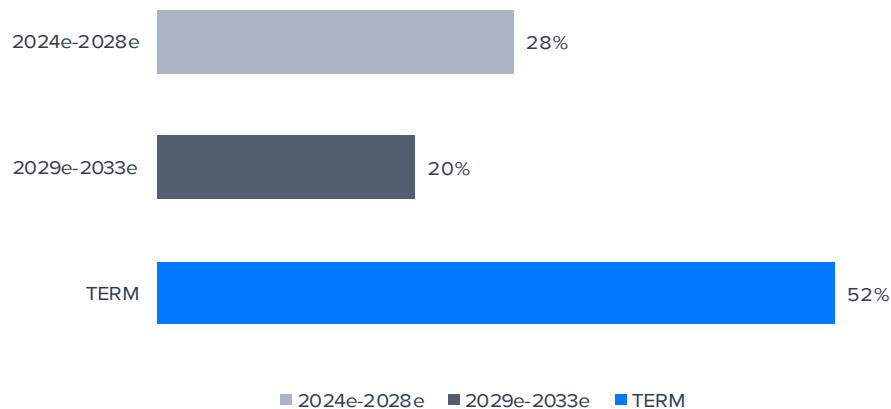
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	227	266	291	319	352
Share capital	2.0	2.0	2.0	2.0	2.0
Retained earnings	195	230	255	284	316
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
Non-current liabilities	61.8	25.4	40.2	31.8	31.8
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	33.4	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
Current liabilities	237	227	162	171	187
Interest bearing debt	49.9	54.3	9.9	5.0	5.0
Payables	184	167	147	160	176
Other current liabilities	3.5	5.5	5.5	5.5	5.5
Balance sheet total	526	518	494	522	570

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	6.8 %	-14.3 %	9.2 %	9.8 %	6.4 %	5.0 %	5.0 %	4.0 %	3.0 %	3.0 %	2.0 %	2.0 %
EBIT-%	6.8 %	6.9 %	7.0 %	7.0 %	7.0 %	6.7 %	6.6 %	6.5 %	6.4 %	6.4 %	6.4 %	6.4 %
EBIT (operating profit)	61.3	53.0	58.7	64.9	69.5	69.4	71.8	73.5	74.5	76.8	78.3	
+ Depreciation	19.1	20.9	22.6	22.7	22.8	22.4	22.1	21.8	21.6	21.7	21.8	
- Paid taxes	-12.2	-12.6	-12.6	-14.1	-15.2	-15.3	-15.9	-16.4	-16.7	-17.2	-18.8	
- 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	0.2	0.3	0.4	0.5	0.6	0.7	0.7	
- Change in working capital	-2.0	22.6	-0.9	-5.2	-7.8	-10.4	-10.9	-9.1	-7.1	-7.3	-5.0	
Operating cash flow	66.2	83.8	67.4	68.2	69.2	66.1	67.2	70.0	72.6	74.3	76.7	
+ 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	-23.4	
Free operating cash flow	42.3	46.8	42.3	42.1	48.1	45.0	46.1	48.9	50.5	52.2	53.4	
+/- 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	46.8	42.3	42.1	48.1	45.0	46.1	48.9	50.5	52.2	53.4	782
Discounted FCFF		46.1	38.3	34.9	36.6	31.5	29.5	28.8	27.3	25.9	24.3	356
Sum of FCFF present value		679	633	595	560	523	492	462	433	406	380	356
Enterprise value DCF		679										
- Interest bearing debt		-72.9										
+ Cash and cash equivalents		21.2										
-Minorities		0.0										
-Dividend/capital return		-15.0										
Equity value DCF		612										
Equity value DCF per share		9.4										

Cash flow distribution

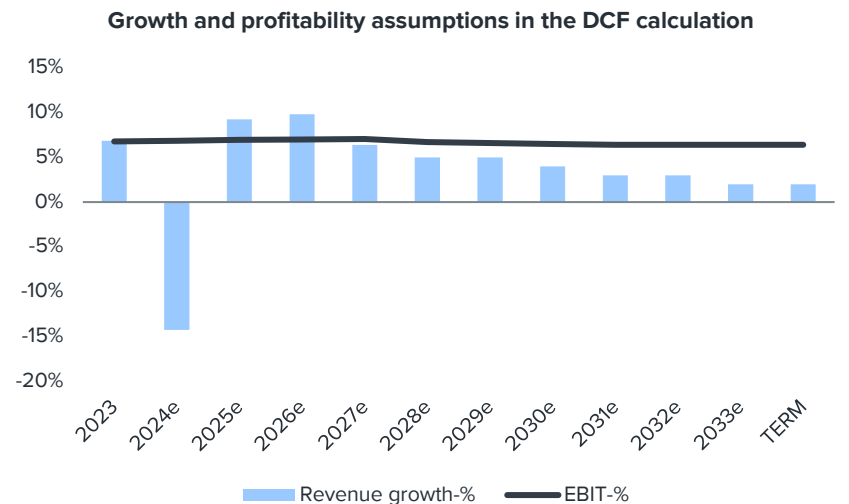
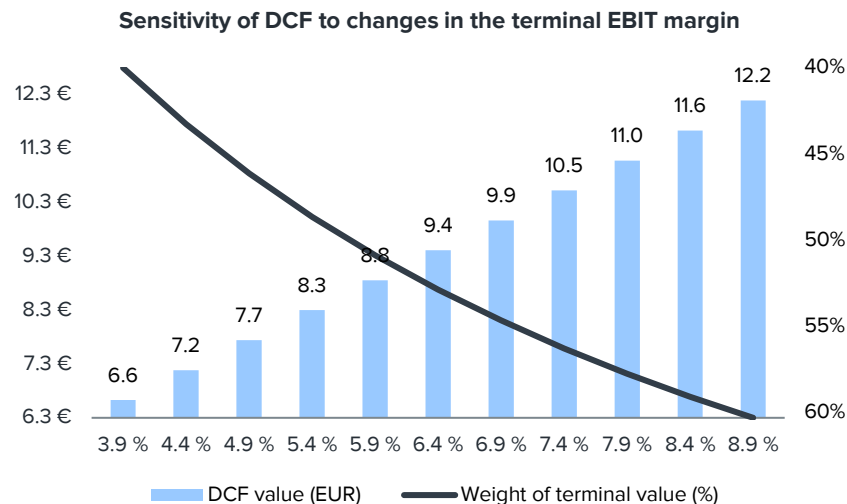
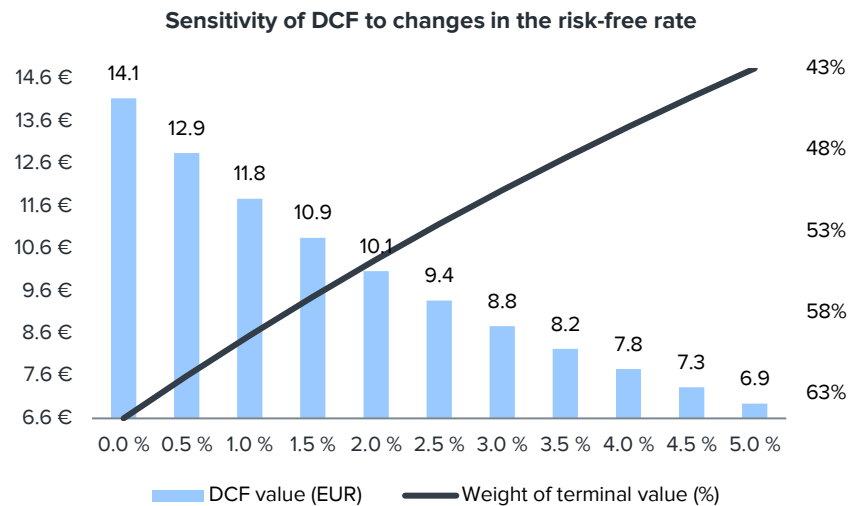
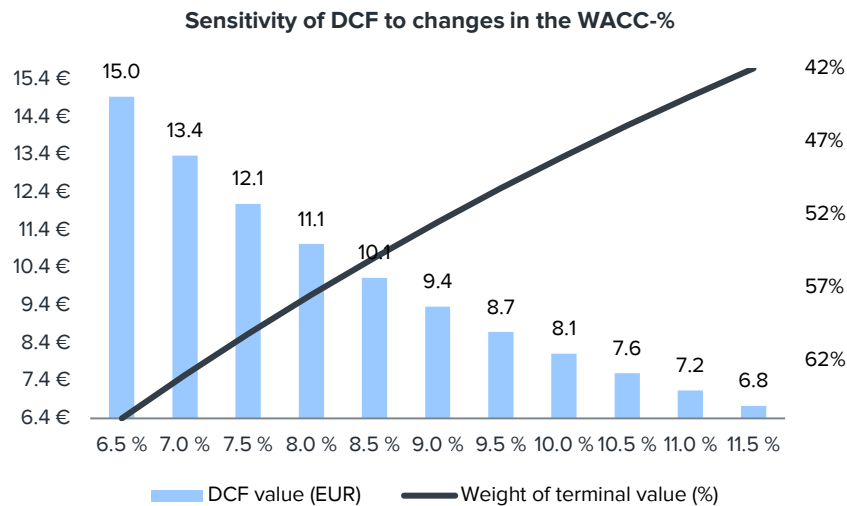


WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	4.5 %
Equity Beta	1.28
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.5 %
Cost of equity	9.6 %
Weighted average cost of capital (WACC)	9.0 %

Source: Inderes

DCF sensitivity calculations and key assumptions in graphs



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	773	844	EPS (reported)	0.46	0.54	0.74	0.61	0.68
EBITDA	55.0	62.9	80.4	73.9	81.3	EPS (adj.)	0.47	0.54	0.74	0.61	0.68
EBIT	39.6	45.4	61.3	53.0	58.7	OCF / share	-0.21	0.24	1.01	1.28	1.03
PTP	37.7	41.7	61.6	52.6	57.3	FCF / share	-0.54	-0.10	0.65	0.72	0.65
Net Income	29.8	35.0	48.2	40.1	44.7	Book value / share	3.22	3.51	4.08	4.46	4.89
Extraordinary items	-0.7	0.0	0.0	0.0	0.0	Dividend / share	0.19	0.21	0.23	0.25	0.27
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	474	526	518	494	522	Revenue growth-%	17%	21%	7%	-14%	9%
Equity capital	207	227	266	291	319	EBITDA growth-%	-9%	14%	28%	-8%	10%
Goodwill	8.2	7.7	7.7	13.7	13.7	EBIT (adj.) growth-%	3%	13%	35%	-13%	11%
Net debt	59.9	85.5	51.7	20.2	-4.8	EPS (adj.) growth-%	-6%	15%	36%	-17%	11%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	7.9 %	7.5 %	8.9 %	9.6 %	9.6 %
EBITDA	55.0	62.9	80.4	73.9	81.3	EBIT (adj.)-%	5.8 %	5.4 %	6.8 %	6.9 %	7.0 %
Change in working capital	-58.1	-39.9	-2.0	22.6	-0.9	EBIT-%	5.7 %	5.4 %	6.8 %	6.9 %	7.0 %
Operating cash flow	-13.4	15.7	66.2	83.8	67.4	ROE-%	15.3 %	16.1 %	19.6 %	14.4 %	14.6 %
CAPEX	-21.4	-22.6	-24.3	-37.0	-25.1	ROI-%	15.2 %	14.5 %	18.2 %	15.9 %	17.3 %
Free cash flow	-34.8	-6.7	42.2	46.8	42.3	Equity ratio	43.8 %	43.1 %	51.3 %	59.0 %	61.2 %
						Gearing	28.9 %	37.7 %	19.4 %	6.9 %	-1.5 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	0.8	0.6	0.6	0.7	0.6						
EV/EBITDA	9.8	8.1	7.0	7.2	6.3						
EV/EBIT (adj.)	13.4	11.2	9.2	10.1	8.7						
P/E (adj.)	15.8	12.1	10.6	12.8	11.5						
P/B	2.3	1.9	1.9	1.8	1.6						
Dividend-%	2.5 %	3.2 %	2.9 %	3.2 %	3.4 %						

Source: Inderes

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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 €
10/28/2024	Accumulate	8.70 €	7.87 €



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Itämerentori 2

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