

# Scanfil

## Company report

2/26/2024



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

✓ Inderes corporate customer

This report is a summary translation of the report “Kevyt helpotuksen huokaus ohjeistuksen myötä” published on 2/26/2024 at 8:49 am EET.

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res.**

# Light sigh of relief with guidance

In our view, the overall picture of Scanfil's Q4 report published on Friday was very neutral and we did not make any material changes to our forecasts for the coming years following the report. We reiterate our EUR 9.00 target price and Accumulate recommendation for Scanfil. In our opinion, the valuation of the share is very moderate (2024e: P/E 12x, EV/EBIT 9x). As a result, we believe that buying into the company's strong long-term investment story is a comfortable risk/reward proposition.

## Profitability was weak in Q4, partly due to non-recurring reasons

Scanfil's reported revenue decreased marginally to 221 MEUR in Q4, in line with our forecast. Adjusted for spot purchases, organic growth was at a relatively good level of 5% compared to Scanfil's history. By segment, growth continued to polarize, with Energy&Cleantech in particular and also Connectivity continuing to grow rapidly, while organic sales in other segments declined in Q4. Scanfil's EBIT for Q4 was flat year-on-year at 13.4 MEUR, which was quite clearly below our forecast. Profitability was burdened by restructuring costs, customer rebates and spot purchases by 0.6%, or 1.3 MEUR. The earnings miss and the weak margin compared to the level of revenue were therefore largely due to non-recurring items. As a counterpart to the restructuring costs, the company is also targeting efficiency savings of 1.7 MEUR. The dividend forecast remained on track, rising for the 12th consecutive year exactly in line with our expectations by EUR 0.02 to EUR 0.23. We commented on Scanfil's Q4 figures in more detail [here](#).

## Our forecasts were within the guidance ranges and we did not make any changes to our forecasts

Scanfil's guidance for 2024 is that the company's revenue will be 820-900 MEUR and adjusted EBIT 57-65 MEUR. Prior to the results, we forecast that Scanfil would achieve an EBIT of 59 MEUR on revenue of 852 MEUR this year, and we do not expect market expectations to differ materially from our forecasts. As a result, the guidance ranges met our expectations quite well. The clearest risks remain related to the sustainability of demand, which is particularly dependent on the global economy, and which the company also identified as a source of uncertainty in its guidance. However, we do not believe that these risks have increased recently, given the technology order flow in Q4, which was largely at least in line with expectations, and the latest macroeconomic data in Europe, China and the US. We did not make any forecast changes after the report. This year, we expect Scanfil's revenue and profit to decline organically in a muted economic environment. Next year, we expect the company to return to a fairly good growth trajectory as the economy picks up and slightly lower interest rates revive investment-driven demand. We stress that the estimate risks work both ways, because as economic growth recovers and the rapid green transition continues there could still be upside to our estimates.

## Low valuation and a strong long-term story support further purchases

Scanfil's 2024 P/E ratio is 12x 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 neutral relative to the peer group. As a result, we believe the stock is attractively valued, as we are confident in the medium-term value creation potential of both Scanfil, which has a strong track record, and the industry, which is benefiting from favorable trends (including the green transition, increasing outsourcing rates and the westward shift of supply chains). Thus, we see the upside to Scanfil's valuation and a dividend yield of just over 3% as a sufficient return on equity, even if the earnings growth driver for this year is probably hidden until Q4. The DCF value that is slightly above our target price also indicates that the share price is low.

## Recommendation

**Accumulate**

(previous Accumulate)

**EUR 9.00**

(previous EUR 9.00)

**Share price:**

EUR 7.71



## Key figures

	2023	2024e	2025e	2026e
<b>Revenue</b>	902	852	892	944
<b>growth-%</b>	7%	-5%	5%	6%
<b>EBIT adj.</b>	61.3	59.0	62.0	66.0
<b>EBIT-% adj.</b>	6.8 %	6.9 %	7.0 %	7.0 %
<b>Net Income</b>	48.2	43.0	47.8	51.3
<b>EPS (adj.)</b>	0.74	0.66	0.73	0.79

<b>P/E (adj.)</b>	10.6	11.7	10.5	9.8
<b>P/B</b>	1.9	1.7	1.5	1.4
<b>Dividend yield-%</b>	2.9 %	3.2 %	3.5 %	3.8 %
<b>EV/EBIT (adj.)</b>	9.2	8.5	7.6	6.6
<b>EV/EBITDA</b>	7.0	6.3	5.7	5.0
<b>EV/S</b>	0.6	0.6	0.5	0.5

Source: Inderes

## Guidance

(New guidance)

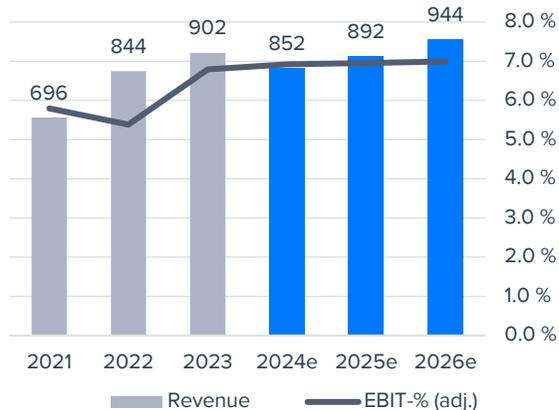
Scanfil estimates that in 2024, its revenue is around EUR 820-900 million and adjusted operating profit EUR 57-65 million

## Share price



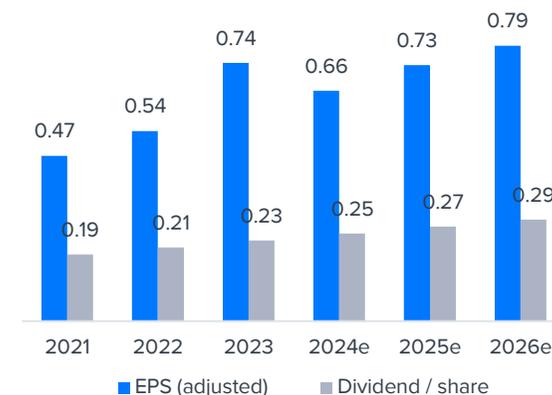
Source: Millstream Market Data AB

## 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
- Tightening competition and changes in the competitive field
- Limited pricing power
- Inflation

Valuation	2024e	2025e	2026e
Share price	7.71	7.71	7.71
Number of shares, millions	65.3	65.3	65.3
Market cap	503	503	503
EV	499	471	438
P/E (adj.)	11.7	10.5	9.8
P/E	11.7	10.5	9.8
P/B	1.7	1.5	1.4
P/S	0.6	0.6	0.5
EV/Sales	0.6	0.5	0.5
EV/EBITDA	6.3	5.7	5.0
EV/EBIT (adj.)	8.5	7.6	6.6
Payout ratio (%)	38.0 %	36.9 %	36.9 %
Dividend yield-%	3.2 %	3.5 %	3.8 %

Source: Inderes

# Profitability remained soft in Q4 partly due to non-recurring items

## Adjusted growth continued but slowed down as expected

In Q4, Scanfil's revenue decreased by 1% to 221 MEUR against a strong comparison period, which was well in line with our forecast. Revenue still included 3 MEUR of temporary sales related to spot purchases of components (forecast at 0 MEUR), but the level fell in line with expectations by about 80% year-on-year. This was also the driver of the decline in revenue and organic growth adjusted for these low margin purchases was exactly in line with our expectations at 5%. We estimate that adjusted growth has been volume-driven, although prices have probably risen a little more. Among the divisions, growth was maintained in particular by Energy&Cleantech and also Connectivity, while reported sales in the other three segments declined from strong comparables. Segment growth contained no major surprises relative to our forecasts.

## Operating result at the level of the comparison period

In Q4, as in the comparison period, Scanfil achieved an EBIT of 13.4 MEUR, which was below our forecast of around 10% earnings improvement. The EBIT margin, which was slightly soft at 6.1% compared to the good level of sales achieved in Q4 by Scanfil's standards, was weighed down by 0.6% (or 1.3 MEUR) by charges related to restructuring, customer rebates and small spot purchases. Therefore, the soft profitability was basically due to non-recurring reasons, even though these items are at least mainly operational. The restructuring was linked to a 1.7 MEUR efficiency program aimed at improving results, so there will be benefits in the future to offset the costs.

In the lower lines, financial expenses turned positive against our forecasts, likely for FX and non-cash reasons. There do not seem to have been any big surprises in taxes. Scanfil's reported Q4 EPS

increased by a cent year-on-year and was in line with our forecasts at EUR 0.17.

## Cash flow rolling home in torrents

In cash flow terms, the report was very strong (Q4 operating cash flow of 35 MEUR vs. 14 MEUR in Q4'22) and better than our expectations, as working capital, which has been heavily committed in recent years, was rolled into cash stronger than expected in Q4 as growth calmed down and supply chains stabilized. Of course, inventory rotation was not yet at pre-pandemic levels. Inventory recycling at an even larger scale to cash could support the company's leeway, especially considering likely acquisitions in the medium term and even for continuing organic investments in the short term.

Scanfil's equity ratio was 54% (Q4'22: 45%) and gearing 19% (Q4'22: 38%). Thus, the balance sheet is in good condition

Estimates MEUR / EUR	Q4'22	Q4'23	Q4'23e	Q4'23e	Consensus		Difference (%)	2023
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Actualized
Revenue	222	221	218				1%	902
EBIT	13.4	13.4	15.0				-11%	61.3
PTP	12.7	14.1	14.2				-1%	61.6
EPS (reported)	0.16	0.17	0.17				0%	0.74
DPS	0.21	0.23	0.23				0%	0.23
Revenue growth-%	16.0 %	-0.7 %	-1.9 %				1.3 pp	6.9 %
EBIT-% (adj.)	6.0 %	6.1 %	6.9 %				-0.8 pp	6.8 %

Source: Inderes

# Guidance in line with forecasts, no changes needed

## Guidance met expectations

Scanfil's guidance for 2024 is that the company's revenue will be 820-900 MEUR and adjusted EBIT 57-65 MEUR. Prior to the results, we forecast that Scanfil would achieve an EBIT of 59 MEUR on revenue of 852 MEUR this year, and we do not expect market expectations to differ materially from our forecasts. The guidance ranges were therefore very much in line with our expectations.

Scanfil's main risks are still related to maintaining demand that is especially dependent on the global economy. We believe these risks are elevated, but in light of the technology industry and recent global macro data, they are no longer elevated. For example, many companies in the technology industry have reported slowing order growth and even negative growth in 2023, but on the positive side, the majority of customers have avoided a large drop in orders and Q4 order intake did not disappoint in the big picture.

## We made no significant estimate revisions

We only made marginal estimate revisions for this and coming years after the report. Our forecasts for both revenue and earnings are slightly below the mid-points of the company's guidance ranges. This year, we forecast Scanfil's revenue and earnings to decline in a slightly weakening demand environment and to return to a moderate growth path in 2025, when the economic situation has picked up and also slightly lower interest rates are again boosting investment-driven demand. We had already expected continuous improvement from the company in our forecasts, so the 1.7 MEUR efficiency program did not put immediate pressure on the forecasts. Thanks to Scanfil's relatively flexible cost structure, we expect the company to be able to maintain a good profitability level also next year, even if revenue would decrease slightly. Estimate risks work both ways because as economic growth recovers and the rapid green transition continues

there could be upside in our estimates

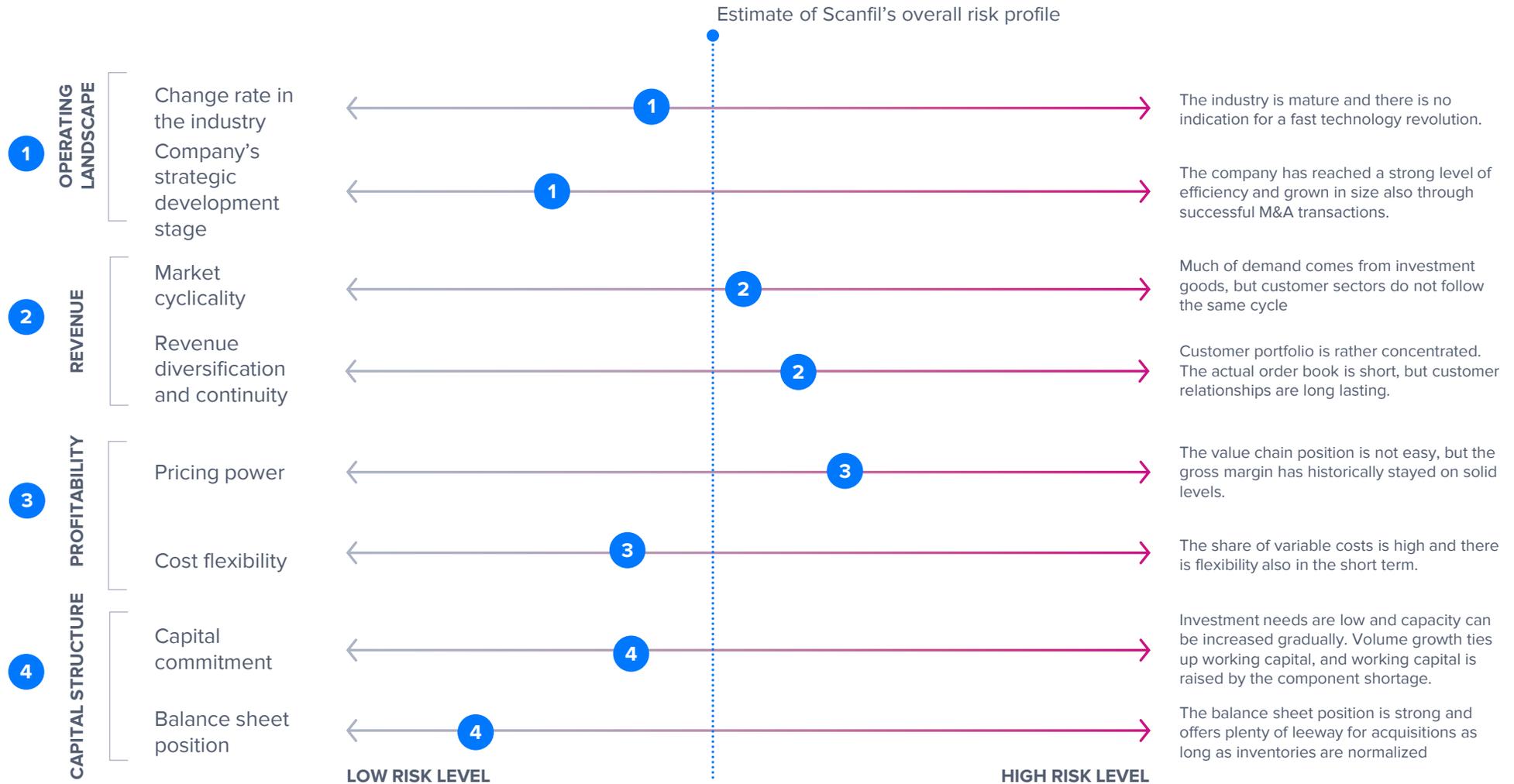
## The strategy update will be available at CMD on March 5

Scanfil did not comment on the new strategy and possible target changes in its financial statements, but the update will be published on Capital Markets Day on March 5. In principle, we only expect moderate focus revisions in Scanfil's profitable growth strategy that seems to be working. Scanfil has almost reached its profitability target of 7% EBIT margin. Many of the company's peers are both aiming for and have achieved a higher level of profitability than this. Thus, we believe it is possible that Scanfil will raise its profitability target for CMD to, for example, 8%. In our view, this would be positive news for the stock, although, of course, the company needs a credible plan to get there in addition to the target.

Estimate revisions	2023	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	899	902	0%	852	852	0%	892	892	0%
EBIT (exc. NRIs)	62.9	61.3	-3%	59.0	59.0	0%	62.0	62.0	0%
EBIT	62.9	61.3	-3%	59.0	59.0	0%	62.0	62.0	0%
PTP	61.7	61.6	0%	57.3	57.3	0%	61.2	61.2	0%
EPS (excl. NRIs)	0.74	0.74	0%	0.66	0.66	0%	0.73	0.73	0%
DPS	0.23	0.23	0%	0.25	0.25	0%	0.27	0.27	0%

Source: Inderes

# Risk profile of the business model



# Hardly anything good is priced in

## Multiples are still reasonable

In our estimate, Scanfil's P/E ratios for 2024 and 2025 are around 12x and 11x, while the corresponding EV/EBIT ratios are some 9x and 8x. We expect the dividend yield for the next few years to be around 3-4% as a result of the company's good performance. 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. Thus, we find Scanfil's valuation moderated considering the strengthened performance in the last 5-10 years and the risk profile (incl. a more diversified customer portfolio) that has lowered with successful acquisitions and organic growth.

Scanfil has historically proven the ability to grow profitably and, in our view, the historical pricing has largely been driven by the chronically difficult nature and reputation of the industry. Given the recent performance, P/E ratio 12x-16x and EV/EBIT ratio 10x-13x are easily acceptable levels for Scanfil. However, in our view, the current environment of higher interest rates and the at best stable earnings trend this year in the near future favor leaning on the lower ends in the near term. With a slight decline in earnings, a dividend yield of just over 3% and an upside to multiples (2023a P/E 10x), we still believe the expected return exceeds the stock's required return. 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.

## Balance sheet value is cheap relative to achieved ROE

Scanfil's P/B ratio of 1.9x (2023a) is also moderate relative to the company's adjusted return on equity of around 19% over the last 5 years. With these figures, Scanfil's retrospective static earnings return is 10%, which alone slightly exceeds our required return. Thus, in our view, Scanfil's good medium- to long-term profitable growth potential is not priced into the stock at all.

## Peer valuation is moderate

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.

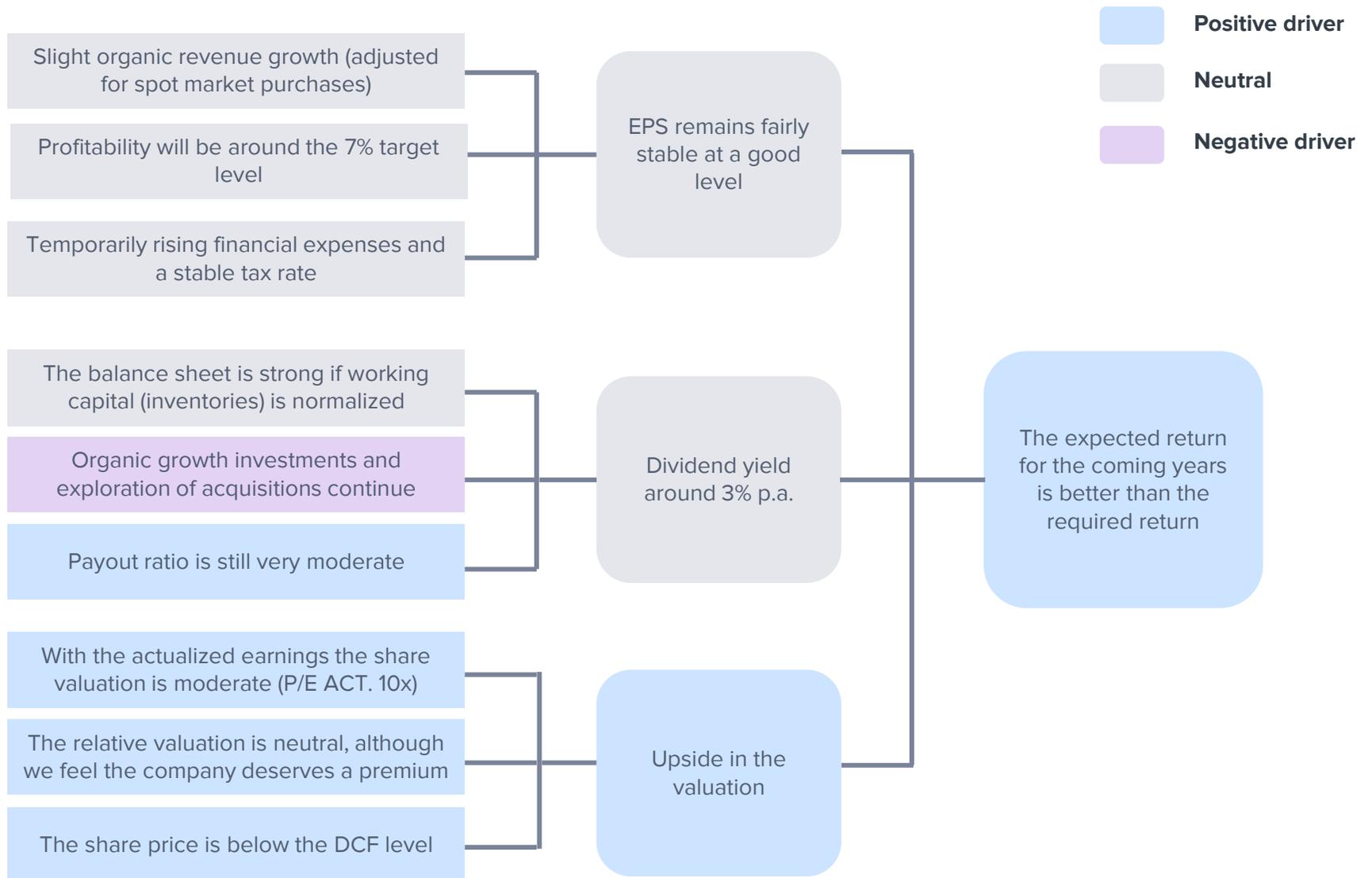
## DCF value clearly above the share price

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 feel the parameters of the model are quite conservative, as the growth rate we expect is slower than the company's actual performance in the previous decade and average profitability corresponds to Scanfil's realized margin level. The required return (WACC-%) is also 9%. 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	7.71	7.71	7.71
Number of shares, millions	65.3	65.3	65.3
Market cap	503	503	503
EV	499	471	438
P/E (adj.)	11.7	10.5	9.8
P/E	11.7	10.5	9.8
P/B	1.7	1.5	1.4
P/S	0.6	0.6	0.5
EV/Sales	0.6	0.5	0.5
EV/EBITDA	6.3	5.7	5.0
EV/EBIT (adj.)	8.5	7.6	6.6
Payout ratio (%)	38.0 %	36.9 %	36.9 %
Dividend yield-%	3.2 %	3.5 %	3.8 %

Source: Inderes

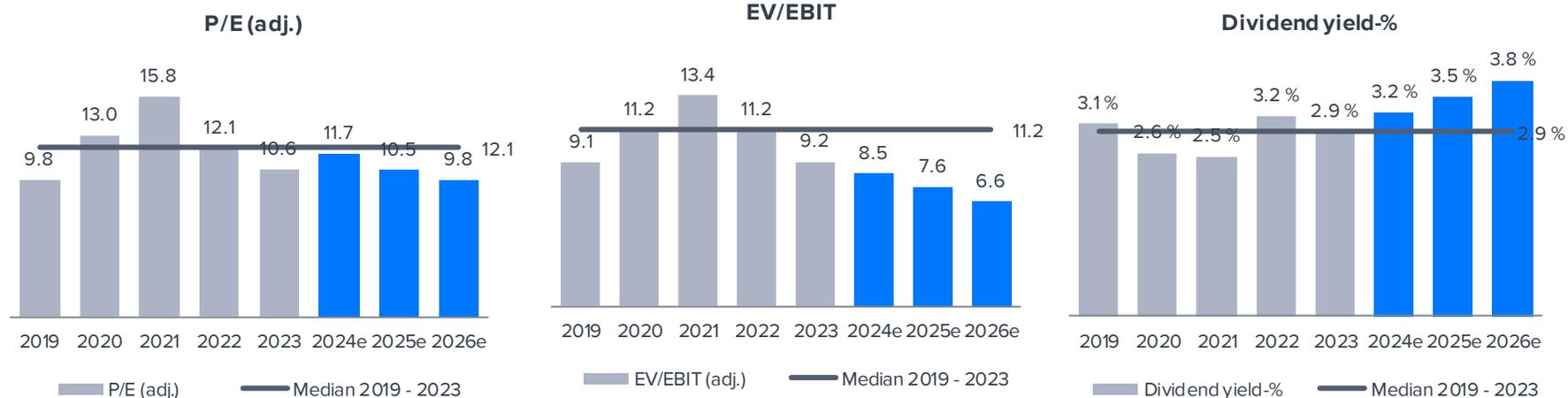
# TSR drivers 2024-2027e



# 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>7.71</b>	<b>7.71</b>	<b>7.71</b>	<b>7.71</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>503</b>	<b>503</b>	<b>503</b>	<b>503</b>
EV	359	439	541	510	563	<b>499</b>	<b>471</b>	<b>438</b>	<b>413</b>
P/E (adj.)	9.8	13.0	15.8	12.1	10.6	<b>11.7</b>	<b>10.5</b>	<b>9.8</b>	<b>9.5</b>
P/E	11.2	11.4	16.2	12.1	10.6	<b>11.7</b>	<b>10.5</b>	<b>9.8</b>	<b>9.5</b>
P/B	1.9	2.3	2.3	1.9	1.9	<b>1.7</b>	<b>1.5</b>	<b>1.4</b>	<b>1.3</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>6.3</b>	<b>5.7</b>	<b>5.0</b>	<b>4.6</b>
EV/EBIT (adj.)	9.1	11.2	13.4	11.2	9.2	<b>8.5</b>	<b>7.6</b>	<b>6.6</b>	<b>6.1</b>
Payout ratio (%)	34.2 %	29.7 %	41.1 %	38.7 %	31.2 %	<b>38.0 %</b>	<b>36.9 %</b>	<b>36.9 %</b>	<b>38.0 %</b>
Dividend yield-%	3.1 %	2.6 %	2.5 %	3.2 %	2.9 %	<b>3.2 %</b>	<b>3.5 %</b>	<b>3.8 %</b>	<b>4.0 %</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	231	235	7.8	7.0	6.6	6.0	0.9	0.9	10.7	9.4	0.6	1.3	1.8
Kitron	610	737	10.8	9.7	8.5	7.7	1.0	0.9	13.4	10.9	2.9	3.4	3.0
Hanza	259	291	7.7	6.4	5.5	4.7	0.6	0.5	10.2	8.2	2.5	3.0	1.9
Pegatron	6769	6585	10.4	9.0	6.2	5.8	0.2	0.2	13.3	12.3	5.1	5.5	1.2
Celestica	4590	4965	11.0	10.1	8.4	7.9	0.6	0.6	14.3	13.1			
Flextronics	10905	11840	8.2	9.5	6.4	7.1	0.5	0.5	11.1	11.4			2.3
Foxconn	42093	33826	6.3	5.6	4.1	3.7	0.2	0.2	9.5	8.3	5.3	5.7	0.9
Jabil	16551	17778	11.7	10.8	7.8	7.3	0.6	0.6	15.6	13.2	0.2	0.2	9.1
Hana Microelectronics	988	903	13.8	11.6	7.7	6.9	1.2	1.1	14.3	12.5	3.3	3.8	1.3
TT Electronics	301	456	6.9	6.5	5.2	5.0	0.6	0.6	7.1	6.4	5.0	5.5	0.8
Fabrinet	6745	6058	22.1	19.6	18.8	17.0	2.3	2.1	24.1	21.4			4.2
Universal Scientific	3928	3782	10.6	9.2	7.3	6.4	0.4	0.4	12.7	10.8	2.4	2.9	1.5
Venture Corporation	2835	2231	9.3	8.6	8.4	7.7	1.0	0.9	13.7	12.6	5.4	5.5	1.3
Plexus	2419	2614	15.3	12.0	10.9	9.1	0.7	0.6	22.2	15.5			2.0
Katek	213	261	9.9	5.8	4.9	3.6	0.3	0.3	15.9	8.0			1.2
Lacroix	133	286	11.4	8.2	5.8	4.8	0.4	0.4	10.3	6.4	2.9	4.7	0.7
<b>Scanfil (Inderes)</b>	<b>503</b>	<b>499</b>	<b>8.5</b>	<b>7.6</b>	<b>6.3</b>	<b>5.7</b>	<b>0.6</b>	<b>0.5</b>	<b>11.7</b>	<b>10.5</b>	<b>3.2</b>	<b>3.5</b>	<b>1.7</b>
<b>Average</b>			<b>10.8</b>	<b>9.3</b>	<b>7.6</b>	<b>6.9</b>	<b>0.7</b>	<b>0.7</b>	<b>13.6</b>	<b>11.3</b>	<b>3.2</b>	<b>3.8</b>	<b>2.2</b>
<b>Median</b>			<b>10.5</b>	<b>9.1</b>	<b>6.9</b>	<b>6.6</b>	<b>0.6</b>	<b>0.6</b>	<b>13.3</b>	<b>11.1</b>	<b>2.9</b>	<b>3.8</b>	<b>1.5</b>
<b>Diff-% to median</b>			<b>-19%</b>	<b>-16%</b>	<b>-9%</b>	<b>-15%</b>	<b>-5%</b>	<b>-10%</b>	<b>-12%</b>	<b>-5%</b>	<b>11%</b>	<b>-8%</b>	<b>12%</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	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>200</b>	<b>211</b>	<b>212</b>	<b>229</b>	<b>852</b>	<b>892</b>	<b>944</b>	<b>995</b>
Advanced Consumer Applications	248	51.3	57.9	49.9	52.4	212	42.0	44.0	44.0	49.0	179	188	198	207
Automation & Safety	184	52.5	47.5	42.2	44.5	187	50.0	43.0	42.0	48.0	183	190	200	210
Connectivity	38.5	13.2	12.6	10.9	12.0	48.7	12.0	12.0	11.0	12.0	47.0	49.0	51.0	53.0
Energy & Cleantech	223	67.5	86.0	73.6	74.7	302	58.0	75.0	76.0	81.0	290	305	325	345
Medtec & Life Science	151	40.0	39.4	36.2	37.3	153	38.0	37.0	39.0	39.0	153	160	170	180
<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>18.5</b>	<b>19.5</b>	<b>20.2</b>	<b>21.2</b>	<b>79.4</b>	<b>83.1</b>	<b>88.0</b>	<b>89.8</b>
Depreciation	-17.5	-4.7	-4.7	-4.8	-4.9	-19.1	-5.0	-5.0	-5.2	-5.2	-20.4	-21.1	-22.0	-21.8
<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>13.5</b>	<b>14.5</b>	<b>15.0</b>	<b>16.0</b>	<b>59.0</b>	<b>62.0</b>	<b>66.0</b>	<b>68.0</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>13.5</b>	<b>14.5</b>	<b>15.0</b>	<b>16.0</b>	<b>59.0</b>	<b>62.0</b>	<b>66.0</b>	<b>68.0</b>
Group	0.0	15.1	17.5	15.2	13.4	61.3	13.5	14.5	15.0	16.0	59.0	62.0	66.0	68.0
Net financial items	-3.7	-0.6	0.9	-0.6	0.7	0.3	-0.5	-0.4	-0.4	-0.4	-1.7	-0.8	-0.2	0.3
<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>13.0</b>	<b>14.1</b>	<b>14.6</b>	<b>15.6</b>	<b>57.3</b>	<b>61.2</b>	<b>65.8</b>	<b>68.3</b>
Taxes	-6.7	-2.8	-3.9	-3.5	-3.2	-13.4	-3.3	-3.5	-3.7	-3.9	-14.3	-13.5	-14.5	-15.0
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>10.6</b>	<b>11.0</b>	<b>11.7</b>	<b>43.0</b>	<b>47.8</b>	<b>51.3</b>	<b>53.2</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>10.6</b>	<b>11.0</b>	<b>11.7</b>	<b>43.0</b>	<b>47.8</b>	<b>51.3</b>	<b>53.2</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>0.16</b>	<b>0.17</b>	<b>0.18</b>	<b>0.66</b>	<b>0.73</b>	<b>0.79</b>	<b>0.82</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>0.16</b>	<b>0.17</b>	<b>0.18</b>	<b>0.66</b>	<b>0.73</b>	<b>0.79</b>	<b>0.82</b>

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
<b>Revenue growth-%</b>	21.3 %	14.2 %	14.3 %	0.4 %	-0.6 %	6.9 %	-11.0 %	-13.3 %	-0.4 %	3.7 %	-5.5 %	4.7 %	5.8 %	5.4 %
<b>Adjusted EBIT growth-%</b>	12.7 %	46.6 %	71.8 %	32.4 %	0.0 %	34.9 %	-10.6 %	-17.2 %	-1.5 %	19.4 %	-3.7 %	5.1 %	6.5 %	3.0 %
<b>EBITDA-%</b>	7.5 %	8.8 %	9.1 %	9.4 %	8.3 %	8.9 %	9.3 %	9.2 %	9.5 %	9.3 %	9.3 %	9.3 %	9.3 %	9.0 %
<b>Adjusted EBIT-%</b>	5.4 %	6.7 %	7.2 %	7.2 %	6.1 %	6.8 %	6.8 %	6.9 %	7.1 %	7.0 %	6.9 %	7.0 %	7.0 %	6.8 %
<b>Net earnings-%</b>	4.2 %	5.2 %	6.0 %	5.2 %	4.9 %	5.3 %	4.9 %	5.0 %	5.2 %	5.1 %	5.0 %	5.4 %	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>116</b>	<b>120</b>	<b>119</b>
Goodwill	7.7	7.7	7.7	7.7	7.7
Intangible assets	10.8	10.4	10.5	10.6	10.7
Tangible assets	79.7	85.3	89.9	93.8	92.7
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>382</b>	<b>417</b>	<b>461</b>
Inventories	229	209	179	178	179
Other current assets	4.1	2.7	2.7	2.7	2.7
Receivables	165	174	166	174	184
Cash and equivalents	20.8	21.2	34.1	61.9	95.3
<b>Balance sheet total</b>	<b>526</b>	<b>518</b>	<b>498</b>	<b>537</b>	<b>581</b>

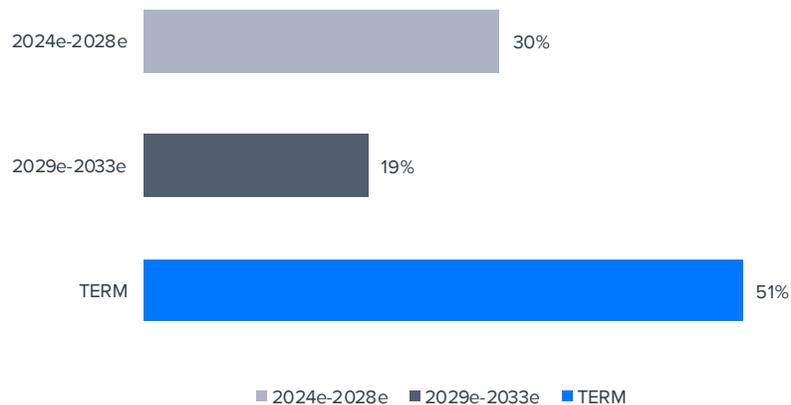
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
<b>Equity</b>	<b>227</b>	<b>266</b>	<b>294</b>	<b>325</b>	<b>359</b>
Share capital	2.0	2.0	2.0	2.0	2.0
Retained earnings	195	230	258	290	323
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>31.8</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	25.0	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>172</b>	<b>180</b>	<b>190</b>
Interest bearing debt	49.9	54.3	5.0	5.0	5.0
Payables	184	167	162	169	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>537</b>	<b>581</b>

# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	6.9 %	-5.5 %	4.7 %	5.8 %	5.4 %	5.0 %	5.0 %	4.0 %	3.0 %	3.0 %	2.0 %	2.0 %
EBIT-%	6.8 %	6.9 %	7.0 %	7.0 %	6.8 %	6.7 %	6.6 %	6.5 %	6.4 %	6.4 %	6.4 %	6.4 %
<b>EBIT (operating profit)</b>	<b>61.3</b>	<b>59.0</b>	<b>62.0</b>	<b>66.0</b>	<b>68.0</b>	<b>70.0</b>	<b>72.4</b>	<b>74.2</b>	<b>75.2</b>	<b>77.5</b>	<b>79.0</b>	
+ Depreciation	19.1	20.4	21.1	22.0	21.8	21.6	21.5	21.4	21.3	21.4	21.6	
- Paid taxes	-12.2	-14.3	-13.5	-14.5	-15.0	-15.5	-16.2	-16.6	-16.9	-17.5	-19.0	
- Tax, financial expenses	0.1	-0.5	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	
+ Tax, financial income	0.0	0.1	0.2	0.3	0.4	0.4	0.5	0.6	0.7	0.8	0.9	
- Change in working capital	-2.0	32.6	0.3	-1.2	-9.9	-9.7	-10.2	-8.6	-6.7	-6.9	-4.7	
<b>Operating cash flow</b>	<b>66.2</b>	<b>97.2</b>	<b>69.8</b>	<b>72.3</b>	<b>64.9</b>	<b>66.5</b>	<b>67.8</b>	<b>70.6</b>	<b>73.3</b>	<b>75.0</b>	<b>77.4</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	-25.1	-25.1	-21.1	-21.1	-21.1	-21.1	-21.1	-22.1	-22.1	-23.4	
<b>Free operating cash flow</b>	<b>42.3</b>	<b>72.1</b>	<b>44.7</b>	<b>51.2</b>	<b>43.8</b>	<b>45.4</b>	<b>46.7</b>	<b>49.5</b>	<b>51.2</b>	<b>52.9</b>	<b>54.0</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	72.1	44.7	51.2	43.8	45.4	46.7	49.5	51.2	52.9	54.0	803
<b>Discounted FCFF</b>		<b>67.1</b>	<b>38.2</b>	<b>40.2</b>	<b>31.6</b>	<b>30.1</b>	<b>28.4</b>	<b>27.7</b>	<b>26.3</b>	<b>25.0</b>	<b>23.4</b>	<b>348</b>
Sum of FCFF present value		687	619	581	541	509	479	451	423	397	372	348
<b>Enterprise value DCF</b>		<b>687</b>										
- Interest bearing debt		-72.9										
+ Cash and cash equivalents		21.2										
-Minorities		0.0										
-Dividend/capital return		0.0										
<b>Equity value DCF</b>		<b>635</b>										
<b>Equity value DCF per share</b>		<b>9.7</b>										

Cash flow distribution



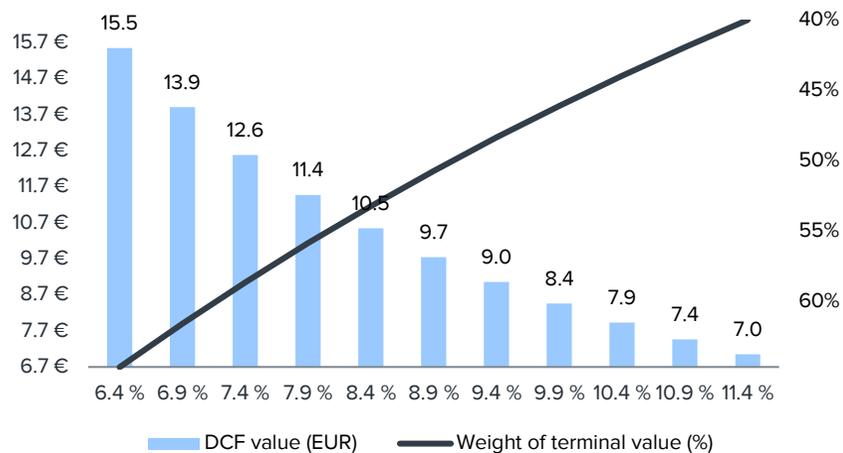
## WACC

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>

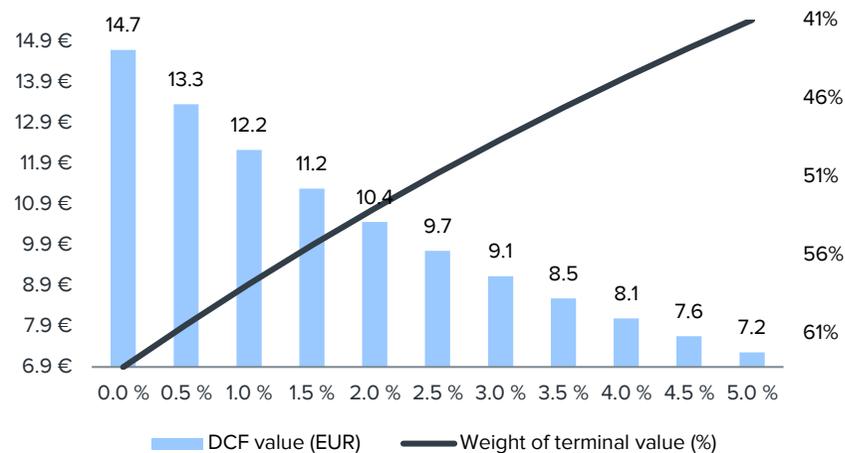
Source: Inderes

# DCF sensitivity calculations and key assumptions in graphs

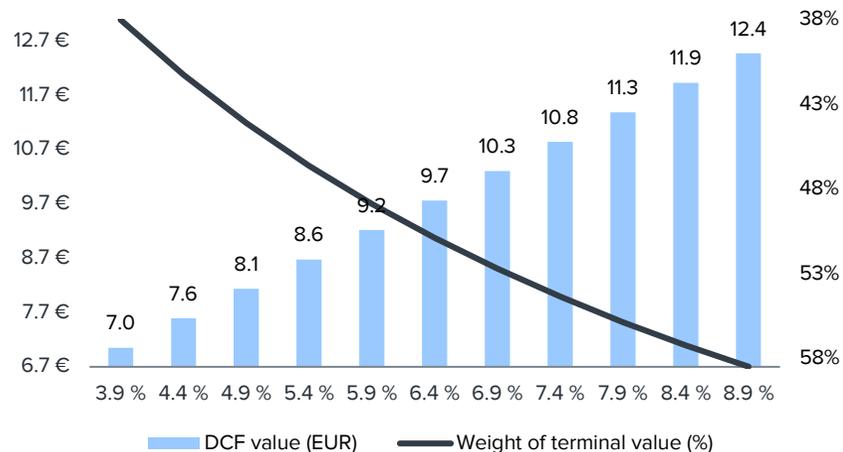
Sensitivity of DCF to changes in the WACC-%



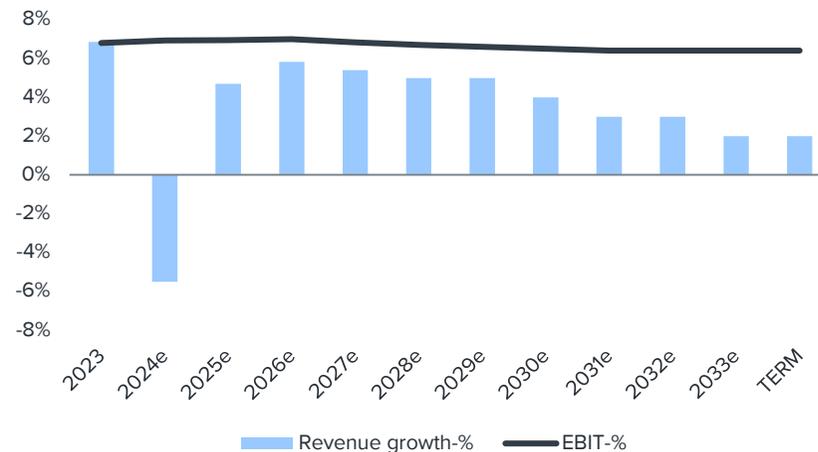
Sensitivity of DCF to changes in the risk-free rate



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	852	892	EPS (reported)	0.46	0.54	0.74	0.66	0.73
EBITDA	55.0	62.9	80.4	79.4	83.1	EPS (adj.)	0.47	0.54	0.74	0.66	0.73
EBIT	39.6	45.4	61.3	59.0	62.0	OCF / share	-0.21	0.24	1.01	1.49	1.07
PTP	37.7	41.7	61.6	57.3	61.2	FCF / share	-0.54	-0.10	0.65	1.11	0.68
Net Income	29.8	35.0	48.2	43.0	47.8	Book value / share	3.22	3.51	4.08	4.50	4.99
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	498	537	Revenue growth-%	17%	21%	7%	-5%	5%
Equity capital	207	227	266	294	325	EBITDA growth-%	-9%	14%	28%	-1%	5%
Goodwill	8.2	7.7	7.7	7.7	7.7	EBIT (adj.) growth-%	3%	13%	35%	-4%	5%
Net debt	59.9	85.5	51.7	-4.1	-31.9	EPS (adj.) growth-%	-6%	15%	36%	-11%	11%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	7.9 %	7.5 %	8.9 %	9.3 %	9.3 %
EBITDA	55.0	62.9	80.4	79.4	83.1	EBIT (adj.)-%	5.8 %	5.4 %	6.8 %	6.9 %	7.0 %
Change in working capital	-58.1	-39.9	-2.0	32.6	0.3	EBIT-%	5.7 %	5.4 %	6.8 %	6.9 %	7.0 %
Operating cash flow	-13.4	15.7	66.2	97.2	69.8	ROE-%	15.3 %	16.1 %	19.6 %	15.3 %	15.4 %
CAPEX	-21.4	-22.6	-24.3	-25.1	-25.1	ROI-%	15.2 %	14.5 %	18.2 %	17.9 %	18.5 %
Free cash flow	-34.8	-6.7	42.2	72.1	44.7	Equity ratio	43.8 %	43.1 %	51.3 %	59.0 %	60.6 %
						Gearing	28.9 %	37.7 %	19.4 %	-1.4 %	-9.8 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	0.8	0.6	0.6	0.6	0.5						
EV/EBITDA (adj.)	9.8	8.1	7.0	6.3	5.7						
EV/EBIT (adj.)	13.4	11.2	9.2	8.5	7.6						
P/E (adj.)	15.8	12.1	10.6	11.7	10.5						
P/B	2.3	1.9	1.9	1.7	1.5						
Dividend-%	2.5 %	3.2 %	2.9 %	3.2 %	3.5 %						

Source: Inderes

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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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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 €



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FI-00180 Helsinki, Finland

+358 10 219 4690

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Mikael Rautanen  
2014, 2016, 2017, 2019



Sauli Vilén  
2012, 2016, 2018, 2019, 2020



Antti Viljakainen  
2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen  
2020



Joni Grönqvist  
2019, 2020



Erkki Vesola  
2018, 2020



Petri Gostowski  
2020



Atte Riikola  
2020

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