

EBIT below our expectations

Scanfil's Q4 results didn't reach our estimates. We expected an EBIT margin of 6.0%, while the company delivered 5.4%. Nevertheless, the full year saw robust growth and operating profit development. The BoD proposes a dividend of EUR 0.13 per share for 2018 (vs our expectation of EUR 0.14).

- Q4 sales increased by 6.3% compared to Q3, supported by almost all customer segments. Energy and Automation, Medtec and Life Science and Other Industries segments achieved over 10% growth.
- The quarterly decrease in operating margin was mainly due to significantly decreased demand from a few notable customers, and partly due to seasonal variation.
- The demand decline was restricted to a few customers. Overall, demand has remained steady. Customers' forecasts are looking strong.
- Guidance: Scanfil estimates 2019 revenue will be EUR 560-610m, expects operating profit will amount to EUR 36-41m. These figures are in line with our estimates.
- Scanfil's target is to reach EUR 600m sales in 2020 and an EBIT margin of 7%.

Rating				BUY
Q4/18	Actual	Evli	Year ago	Q3/18
Net sales	140	142	144	132
EBIT	7.5	8.5	9.6	8.8
EPS	0.10	0.08	0.16	0.11
Deviation	Actual	Evli	Year ago	Q3/18
Net sales		-1 %	-3 %	6 %
EBIT		-12 %	-22 %	-15 %
EPS		25 %	-38 %	-9 %
Share price, EUR (Last trading day's closing price)				4.40
Target price, EUR				4.60
Latest change in recommendation				30-Oct-18
Latest report on company				30-Oct-18
Research paid by issuer:				YES
No. of shares outstanding, '000's				63,895
No. of shares fully diluted, '000's				63,895
Market cap, EURm				281
Free float, %				-
Exchange rate				-
Reuters code				SCANFLHE
Bloomberg code				SCANFL FH
Average daily volume, EURm				-
Next interim report				25-Apr-19
Web site				www.scanfil.com
Analyst				Joonas Ilvonen
E-mail				joonas.ilvonen@evli.com
Telephone				+358 44 430 9071

BUY HOLD SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2016	508	22	4.4%	21	0.24	14.7	0.5	13.5	11.8	0.09
2017	530	31	5.9%	33	0.40	10.5	0.6	12.8	10.0	0.11
2018E	564	39	6.9%	36	0.44	10.1	0.5	8.2	7.8	0.14
2019E	584	38	6.5%	37	0.44	10.0	0.5	8.0	7.6	0.15
2020E	602	39	6.5%	38	0.46	9.6	0.5	7.7	7.0	0.15
Market cap, EURm	281		BV per share 2018E, EUR		2.3		CAGR EPS 2017-20, %		4.3	
Net debt 2018E, EURm	23		Price/book 2018E		1.9		CAGR sales 2017-20, %		4.3	
Enterprise value, EURm	304		Dividend yield 2018E, %		3.3		ROE 2018E, %		20.4	
Total assets 2018E, EURm	307		Tax rate 2018E, %		22.9		ROCE 2018E, %		20.1	
Goodwill 2018E, EURm	10		Equity ratio 2018E, %		48.7		PEG, P/E 18/CAGR		3.7	

All the important disclosures can be found on the last pages of this report.

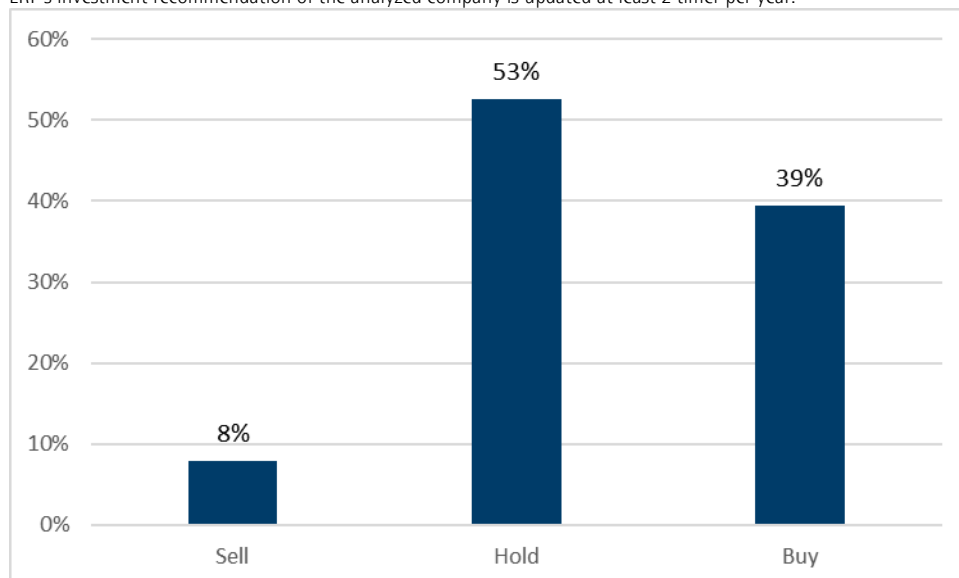
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Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. If recommendation is not given, it is not mentioned here.

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

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Contact information

SALES, TRADING AND RESEARCH

Equity Sales

Ari Laine +358 9 4766 9115
Lauri Ahokanto +358 9 4766 9117
Niclas Henelius +358 9 4766 9116

Trading

Lauri Vehkaluoto (Head) +358 9 4766 9130
Pasi Väisänen +358 9 4766 9120
Antti Kässi +358 9 4766 9120

ETFs and Derivatives

Tobias Björk (Head) +358 9 4766 9130
Joachim Dannberg +358 9 4766 9123
Kimmo Lijja +358 9 4766 9130
Sami Järvinen +358 9 4766 9110

Structured Investments

Heikki Savijoki +358 9 4766 9726
Aki Lakkisto +358 9 4766 9123

Equity Research

Joonas Häyhä +358 9 4766 9662
Jonas Forslund +358 9 4766 9314
Joonas Ilvonen +358 44 430 9071
Jerker Salokivi +358 9 4766 9149

Evli Investment Solutions

Johannes Asuja +358 9 4766 9205
Markku Reinikainen +358 9 4766 9669



EVLI BANK PLC

Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Fax +358 9 634 382
Internet www.evli.com
E-mail
firstname.lastname@evli.com

**EVLI BANK PLC,
STOCKHOLMSFILIAL**
Kungsgatan 27, P.O. Box 16354
SE-111 56 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000
Fax +46 (0)8 407 8001