

Not quite as high as we expected

Scanfil's Q4 didn't reach our expectations as top line missed our estimate by a few percentage points while operating margin was some 60bps lower than we expected.

- Scanfil Q4 revenue amounted to EUR 155m vs EUR 159m/157m Evli/consensus estimates.
- Communication top line was EUR 21m, while we estimated EUR 23m.
- Consumer Applications' revenue was EUR 28m, compared to our EUR 27m estimate.
- Energy & Automation recorded EUR 29m Q4 revenue vs our EUR 29m estimate.
- Industrial top line amounted to EUR 47m vs our EUR 51m expectation.
- Medtec & Life Science Q4 revenue was EUR 29m, compared to our EUR 29m estimate.
- Scanfil's Q4 EBIT stood at EUR 10.0m vs EUR 11.3m/11.0m Evli/consensus estimates. Operating margin thus amounted to 6.5%, whereas we estimated 7.1%.
- The BoD proposes EUR 0.15 (0.13) dividend per share to be distributed, which we had estimated at EUR 0.16.
- Scanfil guides '20 revenue in the EUR 590-640m range and expects adjusted operating profit to amount to EUR 39-43m. We find this guidance range unsurprising as FY '19 revenue stood at EUR 579.4m while adjusted operating profit was EUR 39.4m. Scanfil says the guidance is subject to exceptional uncertainty due to the coronavirus situation.
- Scanfil updates its long-term financial target, according to which Scanfil aims to reach EUR 700m revenue organically in '23 (previously EUR 600m in '20) with a 7% operating margin.

Rating				BUY
Q4'19	Actual	Evli	Year ago	Q3'19
Revenue	154.7	159.0	140.2	152.3
Adj. EBIT	10.0	11.3	7.5	12.0
Adj. EPS	0.15	0.14	0.10	0.14
Deviation	Actual	Evli	Year ago	Q3'19
Revenue		-3 %	10 %	2 %
Adj. EBIT		-12 %	33 %	-17 %
Adj. EPS		7 %	50 %	7 %
Share price, EUR (Last trading day's closing price)				5.18
Target price, EUR				5.0
Latest change in recommendation				29-Oct-18
Latest report on company				28-Oct-19
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				331
Free float, %				-
Exchange rate				-
Reuters code				SCANFLHE
Bloomberg code				SCANFL FH
Average daily volume, EURm				0.1
Next interim report				24-Apr-20
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BUY HOLD SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2017	529.9	31.3	5.9%	1.6	0.40	10.5	0.6	10.0	0.6	0.11
2018	563.0	37.8	6.7%	18.9	0.44	10.1	0.6	8.5	6.7	0.13
2019E	583.8	40.6	7.0%	17.7	0.49	10.6	0.6	8.9	5.3	0.16
2020E	613.0	42.9	7.0%	27.3	0.50	10.4	0.6	8.0	8.2	0.16
2021E	628.3	44.0	7.0%	30.6	0.52	10.1	0.5	7.3	9.2	0.17
Market cap, EURm	331		BV per share 2019E, EUR		17.1		CAGR EPS 2018-21, %		5.8	
Net debt 2019E, EURm	29		Price/book 2019E		1.9		CAGR sales 2018-21, %		3.7	
Enterprise value, EURm	360		Dividend yield 2019E, %		3.1		ROE 2019E, %		19.5	
Total assets 2019E, EURm	339		Tax rate 2019E, %		20.4		ROCE 2019E, %		18.3	
Goodwill 2019E, EURm	10		Equity ratio 2019E, %		50.5		PEG, P/E 19/CAGR		3.6	

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

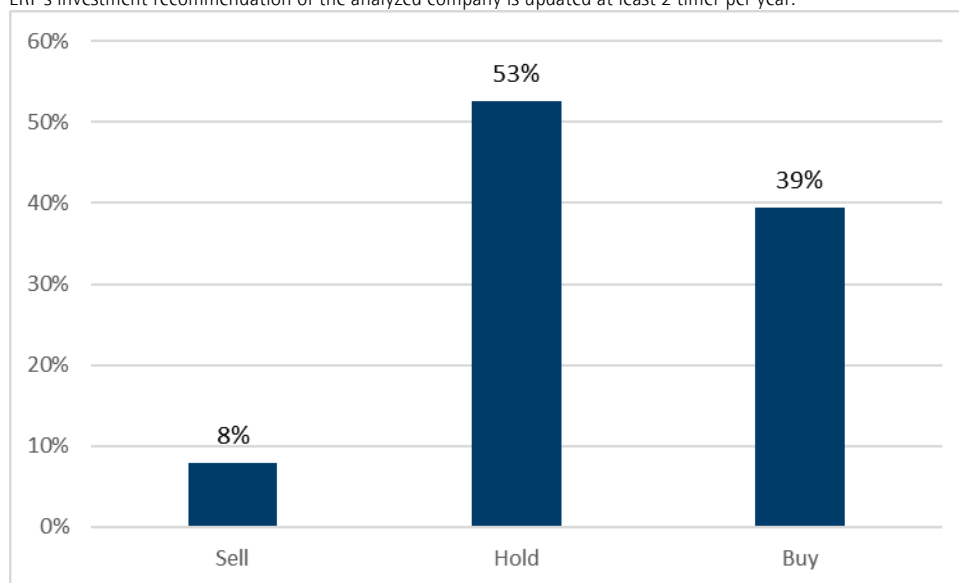
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Investment recommendations are defined as follows:

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

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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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