

# Scanfil

## Company report

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Inderes Corporate customer

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This report is a summary translation of the report “Luottavaisena kohti loppuvuotta ja CMD:tä ” published on 8/8/2021 at 11:15 am

# Confidently toward H2 and CMD

We reiterate our accumulate recommendation for Scanfil and revise our target price to EUR 8.75 (previously EUR 8.60). Last Friday, Scanfil published its Q2 report which paints a neutral picture. The company's demand outlook for this year seems good and the biggest issues lie in the availability of materials. The share valuation has gone up justifiably, but growth in earnings and dividends bring the expected return to the level of required rate of return and a positive acquisition option (incl. the fire power in the balance sheet) make the overall expected return positive.

## Operative profitability was lower than expected in Q2, which we don't find too dramatic

In Q2, Scanfil's turnover grew by 11% to EUR 173 million, which exceeded both our and the consensus estimates. Examining the revenue growth is made complicated by certain exceptional and billing-related items but we expect that the comparable growth in Q2 was slightly over 6%. In our view, this level is slightly shaky, given the strong market situation. However, Scanfil's customer base contains several post-cyclical elements. The operating profit margin of 6.1% was quite clearly below expectations and was also slightly lower than Scanfil's normal level. The operating profit was naturally weakened by temporary low-margin sales, but moving the production of the Hamburg factory that's being closed down added an extra burden. On a smaller scale, the different timing of cost inflation and pricing may have been a factor too. The lower lines of the income statement were mostly in line with estimations, and reflecting this, earnings per share at EUR 0.13 was a cent below our estimate. In Q2, given the issues with working capital, the cash flow was weak. This, however, should normalize partially toward the end of the year.

## We only made small changes to the big picture

Scanfil reiterated its guidance for the current year in the Q2 report, in which turnover is EUR 630-680 million and adjusted operating profit EUR 41-46 million. As expected, the company also warned about uncertainties related to the pandemic and the delivery capacity of the supply chain in particular. In addition, the comments on the demand for the rest of the year were very positive. The reiteration of the guidance was expected and we estimate that Scanfil reaches the guidance levels. We have not made significant changes to our estimates for the current year and the changes we made for the next few years were marginal but positive. We expect that Scanfil's operating profit remains growing steadily, when the turnover grows organically through the market situation and small market share gains at a moderate pace and the company gradually improves its efficiency (e.g. closing down the Hamburg factory brings EUR 2.5 million in savings, mainly for 2022). In the short term, Scanfil's biggest risks revolve around material availability and in the long term, around the development of (investment-driven) demand that is tied to the development of the global economy.

## Expected return and acquisition option make the overall outlook positive

P/E ratios for 2021 and 2022 based on our estimates are 16x and 15x, while the corresponding EV/EBIT ratios are 12x and 11x. The valuation has clearly surpassed the company's low 5-year medians and to a relative premium of 5-15%. Given Scanfil's profitable growth of the past few years and the lowered customer risk, we find this justifiable, but don't see room for stretching the multiples any higher. The expected return for the next 12 months consists of growth in earnings and dividend and is on the level with the required rate of return, and the acquisition option (incl. the fire power in the balance sheet) make the overall expected return slightly positive.

## Recommendation

**Accumulate**  
(previous Accumulate)

**EUR 8.75**  
(previous EUR 8.60)

**Share price:**  
8.30



## Key indicators

	2020	2021e	2022e	2023e
<b>Revenue</b>	595	672	680	695
<b>growth %</b>	3%	13%	1%	2%
<b>EBIT adj.</b>	39.1	43.4	47.0	48.4
<b>EBIT % adj.</b>	6.6%	6.5%	6.9%	7.0%
<b>Net profit</b>	36.9	34.1	36.7	37.4
<b>EPS (adj.)</b>	0.50	0.53	0.57	0.58
<b>P/E (adj.)</b>	13.0	15.7	14.6	14.3
<b>P/B</b>	2.3	2.6	2.3	2.1
<b>Dividend yield %</b>	2.6%	2.3%	2.5%	2.8%
<b>EV/EBIT (adj.)</b>	11.2	12.6	11.1	10.4
<b>EV/EBITDA</b>	7.2	9.5	8.6	8.1
<b>EV/Sales</b>	0.7	0.8	0.8	0.7

Source: Inderes

## Guidance (Unchanged)

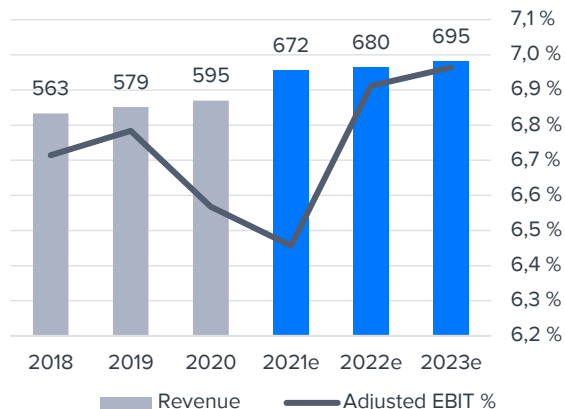
Scanfil estimates that in 2021, its turnover is EUR 630-680 million and adjusted operating profit EUR 41-46 million.

## Share price



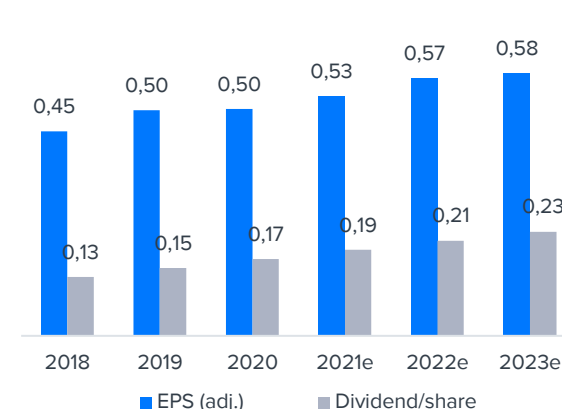
Source: Thomson Reuters

## Revenue and EBIT %



Source: Inderes

## EPS and dividend



Source: Inderes



## Value drivers

- Organic growth with the market and key customers
- Accelerating growth through M&A
- Strong financial track record
- Increase in acceptable valuation



## Risk factors

- Demand comes mainly from somewhat cyclical sectors
- Greater competition
- Limited pricing power
- Supply chain and material availability challenges

Valuation	2021e	2022e	2023e
Share price	8.30	8.30	8.30
Number of shares, millions	64.5	64.5	64.5
Market cap	535	535	535
EV	546	521	503
P/E (adj.)	15.7	14.6	14.3
P/E	15.7	14.6	14.3
P/FCF	26.9	14.2	17.2
P/B	2.6	2.3	2.1
P/S	0.8	0.8	0.8
EV/Sales	0.8	0.8	0.7
EV/EBITDA	9.5	8.6	8.1
EV/EBIT (adj.)	12.6	11.1	10.4
Payout ratio (%)	35.9 %	36.9 %	39.7 %
Dividend yield-%	2.3 %	2.5 %	2.8 %

Source: Inderes

# Growth in earnings slower than estimated in Q2 because of profitability

## Estimations vs. outcome Q2'21

- Scanfil's revenue grew in Q2 by 11% to EUR 173 million, which exceeded both our and the consensus estimates. In Q2, the turnover includes EUR 5.4 million of new, low-margin temporary sales related to supply chain management. Moreover, there's still EUR 2 million of low-margin intermediated sales related to the factory that was sold to China (Q2: EUR -10 million vs. Q2'20).
- Of the renewed customer segments, when adjusted from temporary and intermediated sales Advanced Consumer Applications, Energy&Cleantech and Medtech&Life Science had grown, whereas Connectivity and Automation&Safety declined.
- In Q2, Scanfil's operating profit was EUR 10.6 million, which was 10% lower than our and the consensus estimates. This leads into an operating profit margin of 6.1%, which is satisfactory when compared to Scanfil's past few years. Profitability was weakened by the above mentioned low-margin sales and the relocating of the Hamburg factory's production.
- On the lower lines of the income statement, financing costs and taxes were slightly lower than we estimated and reflecting this, EPS of EUR 0.13 was a cent lower than in our estimates.
- Scanfil's operational cash flow in Q2 was roughly zero, when seasonal factors, difficult materials situation and inflation tied up working capital. We expect that the cash flow increases toward the end of the year, as is typical for the company.

## Operational result drivers Q2'21

- In Q2, the sales of Scanfil were mainly supported by increasing demand. Of the five customer segments, three grew in Q2, which means that the growth relies on fewer segments than we expected.
- In our estimate, comparable growth was a bit over 6%, which, given the strong market situation, is a slightly shaky level. In our opinion, however, Scanfil's customer portfolio is partly of post-cyclical nature.
- In Q2, the company's relative profitability was weakened by both the effects of the temporary, zero-to-low margin China sales and the extra expenses (EUR ~few hundred thousand) from closing down the Hamburg factory. In turn, problems with material prices and availability caused only slight burden on the operating profit in Q2.
- In the end of Q2, the company's net debt ratio decreased to 13% (Q2'20: 27%), which is easily within our estimated comfort zone for Scanfil. Thus, there's plenty of room for inorganic growth.

Estimates MEUR / EUR	Q2'20	Q2'21	Q2'21e	Q2'21e	Consensus		Difference (%)	2021e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	156	173	170	163	156	- 170	2%	672
EBIT	10.2	10.6	11.7	11.3	11.0	- 12.0	-9%	43.4
PTP	9.6	10.4	11.5	11.0	11.0	- 11.5	-9%	42.0
EPS (reported)	0.13	0.13	0.14	0.14	0.12	- 0.14	-9%	0.53
Revenue growth-%	9.0 %	11.2 %	9.3 %	4.8 %	0.3 %	- 9.3 %	1.9 pp	12.9 %
EBIT-% (adj.)	6.6 %	6.1 %	6.9 %	7.0 %	7.1 %	- 7.1 %	-0.8 pp	6.5 %

Source: Inderes & Reuters (consensus)

# We only made small changes to the big picture

## Estimate changes 2021e-2023e

- Scanfil reiterated the guidance that was raised in June at EUR 630-680 million turnover and EUR 41-46 million adjusted operating profit for 2021. As expected, the company also warned about uncertainties related to the pandemic and the delivery capacity of the supply chain (in particular semiconductors). The comments on the demand for the rest of the year were strong or even slightly stronger than we expected.
- We haven't changed our estimates for the rest of 2021 after the Q2 report, as the slight raises in the estimates for the rest of the year make up for the Q2 undershoot. The main risks revolve around material availability, but based on the company's comment, July was already slightly better in this sense. Scanfil can compensate the growing price pressure by raising prices rather quickly. This does not concern Scanfil's own pricing power, but the typical contract structures of contract manufacturers that work both ways (i.e. decrease in material prices also lowers own prices).
- We raised our growth estimates marginally based on the industrial demand that seems good and Scanfil's own competitiveness.
- We didn't make changes to the lower lines of the income statement nor our dividend estimates.

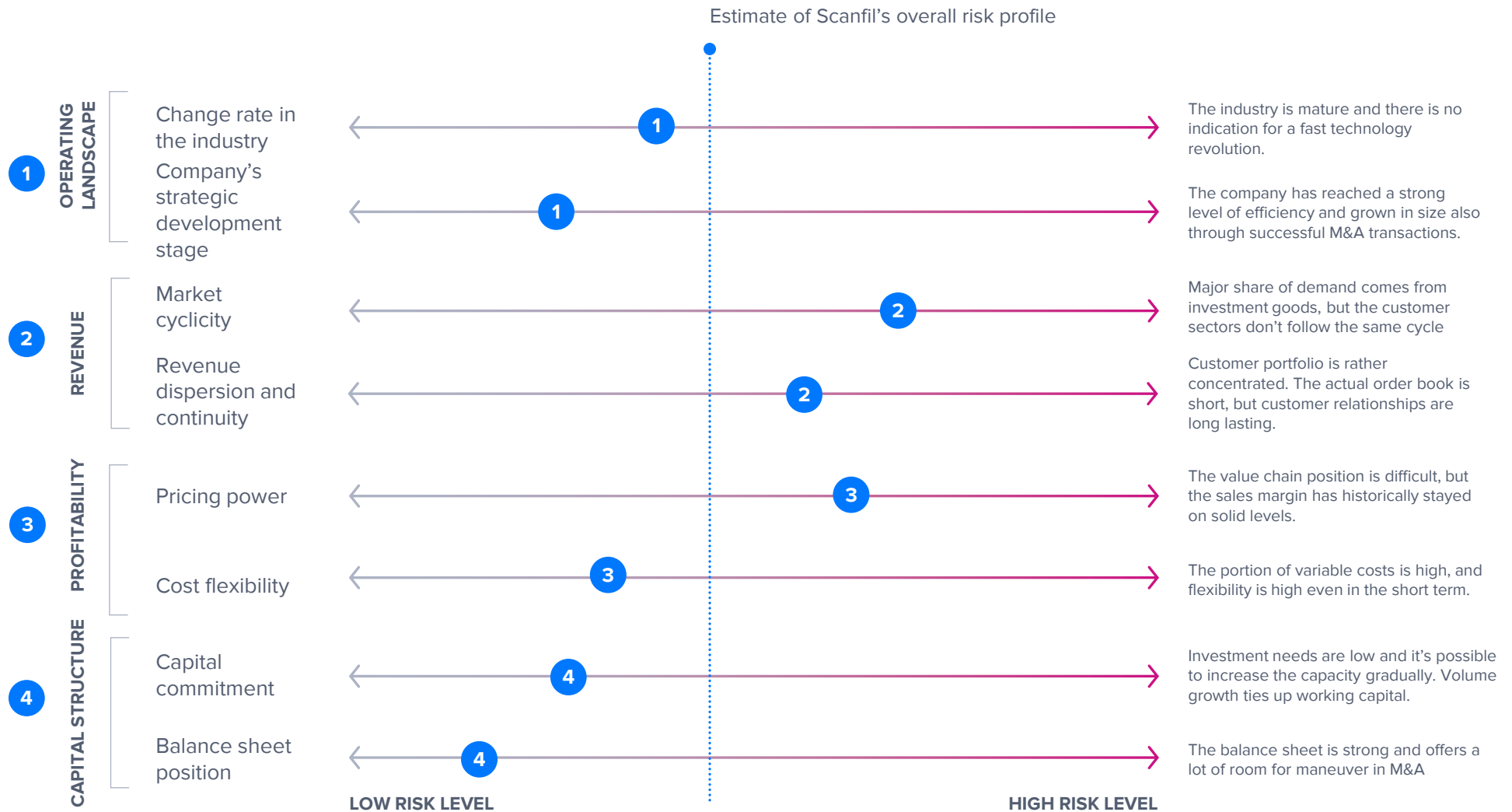
## Operational result drivers 2021-2023e:

- In 2021, we expect that Scanfil's turnover grows by 13% to EUR 672 million and adjusted operating profit by 11% to EUR 43.4 million. The earnings growth is a result of growth in turnover that reflects the market that is picking up and moderate market share gains of current customers.
- Profitability, even with the high volume this year won't likely be a great success. Behind this is the relocating of the production of the Hamburg factory, large amount of low-margin temporary sales and a difficult material situation on a global level.
- In 2022-2023, we expect that the company's volume growth to continue with the support of key customers, progressing customer acquirement and the development of own competitiveness (incl. most of the savings from closing down the Hamburg factory support the result of 2022).
- We expect that the company meets its profitability target in 2023, whereas we expect it to meet its growth target (turnover organically over EUR 700 million in 2023) at the run rate level in early 2024, as long as the macroeconomic situation remains stable.

Estimate revisions	2021e	2021e	Change	2022e	2022e	Change	2023e	2023e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	655	672	3%	675	680	1%	690	695	1%
EBITDA	57.9	57.7	0%	60.3	60.7	1%	61.8	62.2	1%
EBIT (excl. NRIs)	44.0	43.4	-1%	46.5	47.0	1%	48.0	48.4	1%
EBIT	44.0	43.4	-1%	46.5	47.0	1%	48.0	48.4	1%
PTP	42.6	42.0	-1%	45.9	46.4	1%	47.5	47.9	1%
EPS (excl. NRIs)	0.53	0.53	0%	0.56	0.57	1%	0.58	0.58	1%
DPS	0.19	0.19	0%	0.21	0.21	0%	0.23	0.23	0%

Source: Inderes

# Risk profile of the business model



# Expected return is barely sufficient

## Multiples are still reasonable

In our estimate, Scanfil's P/E ratios for 2021 and 2022 are 16x and 15x, while the corresponding EV/EBIT ratios are 12x and 11x. Given the company's improving performance, we expect the dividend yield for the next few years to be between 2-3%. However, we don't deem dividends very significant for Scanfil's total expected returns, as its profile is one of a growth company, even if the dividends of the next few years make up a solid part of the required rate of return. The current earnings-based valuation is quite clearly above historical medians. We find this justified, when Scanfil's strengthened performance level and the risk profile that has decreased through acquisitions (incl. more diverse customer portfolio) are taken into considered. With this in mind, we don't see the multiples unreasonably high.

Scanfil's P/B ratio 2.6x is reasonable when compared to the adjusted ROE of the last five years of 18% and the earnings growth. With these numbers, Scanfil's retrospective static earnings return is 7%, which is only slightly lower than the ROE requirement. Thus, the company's good short and long-term growth potential is not tremendously overweighted in the share valuation.

Scanfil's has historically proven the ability to grow profitably and, in our view, the historical valuation has been driven mainly by the chronically difficult nature of the industry. Given the recent performance, a 13x-15x P/E ratio and a 10x-12x EV/EBIT ratio are easily acceptable levels for Scanfil. Therefore, relative to these levels the share price cannot be seen as too high, especially when the focus of pricing is already starting to shift toward next year. However, given the results of different methods, the share isn't particularly

cheap either, and we don't see much leeway in the ratios. The expected return that is based on earnings growth and dividends is on level with the equity return requirement.

In addition, investors receive a positive acquisition option, which we think is very likely in the medium-term. In our estimate, the company has EUR 100 million of fire power in its balance sheet for M&A transactions that fit the current strategy and generate value to shareholders (i.e. valuation lower than own ratios). We are confident in this sense, given the company's track record with M&A transactions. Thus, the trade acquisition option swings the overall outlook of Scanfil to the positive side.

## Peer group valuation is at a premium

When compared to the peer group that consists of global contract manufacturers, Scanfil's earnings-based valuation is at a 5-15 % premium. We see the premium justified, given Scanfil's performance of the past few years and positioning in industrial electronics with higher profitability potential. However, we don't see the valuation of peer companies as an important driver for Scanfil's valuation.

## CMD can support the stock

Furthermore, we find it possible that Scanfil updates or raises its long term financial objectives in its CMD in September (2023 turnover organically EUR 700 million and adjusted operating profit 7%) and crystallizes the roadmap of its strategy. Thus, the news flow can be a driver for the stock in the near future.

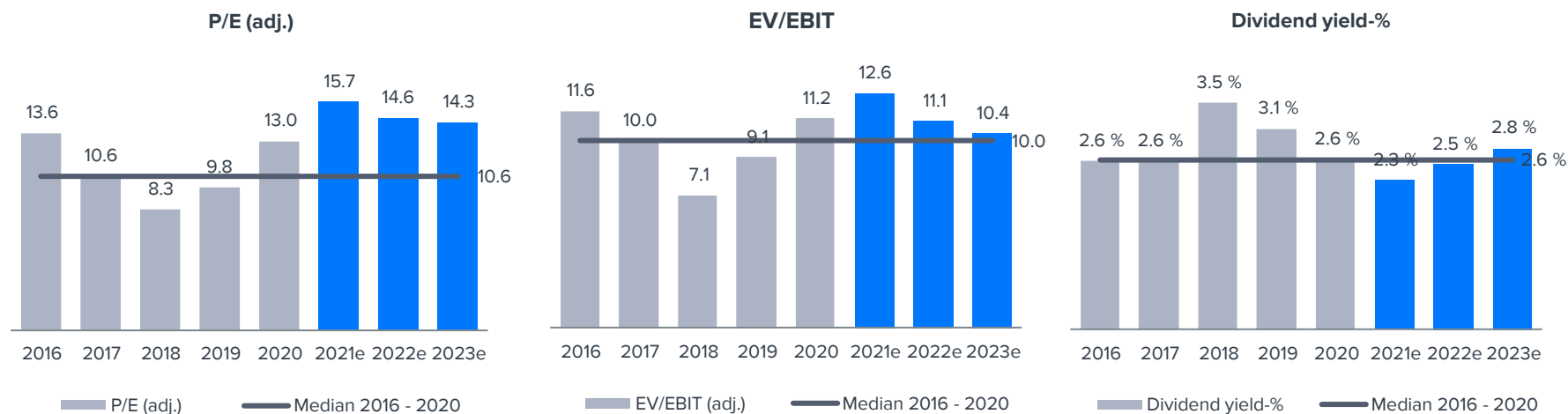
Valuation	2021e	2022e	2023e
Share price	8.30	8.30	8.30
Number of shares, millions	64.5	64.5	64.5
Market cap	535	535	535
EV	546	521	503
P/E (adj.)	15.7	14.6	14.3
P/E	15.7	14.6	14.3
P/FCF	26.9	14.2	17.2
P/B	2.6	2.3	2.1
P/S	0.8	0.8	0.8
EV/Sales	0.8	0.8	0.7
EV/EBITDA	9.5	8.6	8.1
EV/EBIT (adj.)	12.6	11.1	10.4
Payout ratio (%)	35.9 %	36.9 %	39.7 %
Dividend yield-%	2.3 %	2.5 %	2.8 %

Source: Inderes

# Valuation table

Valuation	2016	2017	2018	2019	2020	2021e	2022e	2023e	2024e
Share price	3.49	4.28	3.75	4.89	6.52	8.30	8.30	8.30	8.30
Number of shares, millions	60.6	63.9	64.0	64.4	64.5	64.5	64.5	64.5	64.5
Market cap	221	273	240	313	420	535	535	535	535
EV	261	314	268	359	439	546	521	503	480
P/E (adj.)	13.6	10.6	8.3	9.8	13.0	15.7	14.6	14.3	13.8
P/E	neg.	10.6	8.3	11.2	11.4	15.7	14.6	14.3	13.8
P/FCF	14.5	36.4	10.5	77.0	8.3	26.9	14.2	17.2	13.9
P/B	2.0	2.2	1.7	1.9	2.3	2.6	2.3	2.1	1.9
P/S	0.4	0.5	1.7	0.5	0.7	0.8	0.8	0.8	0.8
EV/Sales	0.5	0.6	0.4	0.6	0.7	0.8	0.8	0.7	0.7
EV/EBITDA	14.3	7.9	5.7	6.8	7.2	9.5	8.6	8.1	7.5
EV/EBIT (adj.)	11.6	10.0	7.1	9.1	11.2	12.6	11.1	10.4	9.6
Payout ratio (%)	neg.	27.3 %	5.7	34.2 %	29.7 %	35.9 %	36.9 %	39.7 %	41.7 %
Dividend yield-%	2.6 %	2.6 %	3.5 %	3.1 %	2.6 %	2.3 %	2.5 %	2.8 %	3.0 %

Source: Inderes





# Peer group valuation

Peer group valuation Company	Share price	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B 2021e
				2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	
Plexus	88.20	2132	2085	14.2	12.2	10.6	9.2	0.7	0.7	17.9	15.4			2.5
Venture Corporation	19.37	3526	2960	12.4	11.1	11.0	10.0	1.4	1.3	17.4	16.1	3.9	4.0	2.1
Universal Scientific	14.08	4070	3855	13.8	11.1	9.9	7.9	0.5	0.4	17.8	14.6	2.6	3.1	2.4
Siix	1404.00	545	714							10.8	9.7	2.1	2.3	1.1
Fabrinet	92.99	2899	2505	15.8	13.7	13.1	11.5	1.5	1.3	20.3	18.2			3.1
TT Electronics	285.00	583	686	15.8	13.2	11.1	9.6	1.2	1.2	19.1	15.8	2.0	2.3	1.7
Hana Microelectronics	75.75	1567	1312	20.6	18.2	12.6	11.5	1.9	1.7	26.9	24.9	2.2	2.4	2.8
Lacroix		191	241	10.2	8.7	6.3	5.3	0.4	0.4	12.1	10.6	2.4	2.8	1.3
Jabil	58.99	7271	8696	8.0	7.2	4.8	4.4	0.3	0.3	10.6	9.8	0.6	0.6	4.0
Foxconn	112.50	47484	43359	6.5	5.2	4.4	3.7	0.2	0.2	11.6	10.0	4.5	4.9	1.1
Flextronics	17.55	7242	8160	6.2	8.3	4.1	6.3	0.3	0.4	12.2	9.7			2.6
Celestica	10.85	930	1004	4.5	4.1	3.0	2.9	0.2	0.2	7.4	6.6			0.8
Pegatron	68.30	5553	6447	9.3	7.7	4.6	2.1	0.1	0.1	9.7	9.7	6.6	7.0	1.0
Kitron		336	402	14.2	11.9	10.7	9.2	1.0	0.9	16.1	14.1	4.1	4.8	3.8
Hanza	27.60	92	134	10.9	8.5	5.9	5.2	0.6	0.5	12.8	11.7	1.1	2.5	1.7
Incap	51.60	299	306	12.9	10.3	10.7	9.1	1.7	1.5	18.8	16.0	1.2	1.3	5.1
<b>Scanfil (Inderes)</b>	<b>8.30</b>	<b>535</b>	<b>546</b>	<b>12.6</b>	<b>11.1</b>	<b>9.5</b>	<b>8.6</b>	<b>0.8</b>	<b>0.8</b>	<b>15.7</b>	<b>14.6</b>	<b>2.3</b>	<b>2.5</b>	<b>2.6</b>
<b>Average</b>				<b>11.7</b>	<b>10.1</b>	<b>8.2</b>	<b>7.2</b>	<b>0.8</b>	<b>0.7</b>	<b>15.1</b>	<b>13.3</b>	<b>2.8</b>	<b>3.2</b>	<b>2.3</b>
<b>Median</b>				<b>12.4</b>	<b>10.3</b>	<b>9.9</b>	<b>7.9</b>	<b>0.6</b>	<b>0.5</b>	<b>14.5</b>	<b>12.9</b>	<b>2.3</b>	<b>2.7</b>	<b>2.3</b>
<b>Diff-% to median</b>				<b>2%</b>	<b>8%</b>	<b>-4%</b>	<b>9%</b>	<b>44%</b>	<b>55%</b>	<b>9%</b>	<b>13%</b>	<b>0%</b>	<b>-6%</b>	<b>15%</b>

Source: Thomson Reuters / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company

# Income statement

Income statement	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21	Q3'21e	Q4'21e	2021e	2022e	2023e	2024e
<b>Revenue</b>	<b>579</b>	<b>144</b>	<b>156</b>	<b>142</b>	<b>154</b>	<b>595</b>	<b>163</b>	<b>173</b>	<b>164</b>	<b>172</b>	<b>672</b>	<b>680</b>	<b>695</b>	<b>710</b>
Group	579	144	156	142	154	595	163	173	164	172	672	680	695	710
<b>EBITDA</b>	<b>53.0</b>	<b>12.4</b>	<b>14.0</b>	<b>25.0</b>	<b>9.1</b>	<b>60.5</b>	<b>13.8</b>	<b>14.4</b>	<b>14.5</b>	<b>15.0</b>	<b>57.7</b>	<b>60.7</b>	<b>62.2</b>	<b>64.5</b>
Depreciation	-17.7	-3.8	-3.8	-3.7	-4.8	-16.1	-3.8	-3.8	-3.4	-3.3	-14.3	-13.7	-13.8	-14.5
<b>EBIT (excl. NRI)</b>	<b>39.3</b>	<b>8.6</b>	<b>10.2</b>	<b>9.9</b>	<b>10.4</b>	<b>39.1</b>	<b>10.0</b>	<b>10.6</b>	<b>11.1</b>	<b>11.7</b>	<b>43.4</b>	<b>47.0</b>	<b>48.4</b>	<b>50.0</b>
<b>EBIT</b>	<b>35.3</b>	<b>8.6</b>	<b>10.2</b>	<b>21.3</b>	<b>4.3</b>	<b>44.4</b>	<b>10.0</b>	<b>10.6</b>	<b>11.1</b>	<b>11.7</b>	<b>43.4</b>	<b>47.0</b>	<b>48.4</b>	<b>50.0</b>
Group	39.4	8.6	10.2	21.3	4.3	44.4	10.0	10.6	11.1	11.7	43.4	47.0	48.4	50.0
Net financial items	-1.3	0.1	-0.6	-0.8	-1.3	-2.6	-0.7	-0.1	-0.3	-0.3	-1.3	-0.6	-0.5	-0.5
<b>PTP</b>	<b>34.0</b>	<b>8.7</b>	<b>9.6</b>	<b>20.5</b>	<b>3.0</b>	<b>41.8</b>	<b>9.3</b>	<b>10.4</b>	<b>10.9</b>	<b>11.5</b>	<b>42.0</b>	<b>46.4</b>	<b>47.9</b>	<b>49.5</b>
Taxes	-5.9	-1.2	-1.4	-2.4	0.1	-4.9	-1.7	-1.8	-2.2	-2.3	-8.0	-9.7	-10.5	-10.9
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>28.1</b>	<b>7.5</b>	<b>8.2</b>	<b>18.1</b>	<b>3.1</b>	<b>36.9</b>	<b>7.6</b>	<b>8.6</b>	<b>8.7</b>	<b>9.2</b>	<b>34.1</b>	<b>36.7</b>	<b>37.4</b>	<b>38.6</b>
<b>EPS (adj.)</b>	<b>0.50</b>	<b>0.12</b>	<b>0.13</b>	<b>0.12</b>	<b>0.14</b>	<b>0.50</b>	<b>0.12</b>	<b>0.13</b>	<b>0.13</b>	<b>0.14</b>	<b>0.53</b>	<b>0.57</b>	<b>0.58</b>	<b>0.60</b>
<b>EPS (rep.)</b>	<b>0.44</b>	<b>0.12</b>	<b>0.13</b>	<b>0.28</b>	<b>0.05</b>	<b>0.57</b>	<b>0.12</b>	<b>0.13</b>	<b>0.13</b>	<b>0.14</b>	<b>0.53</b>	<b>0.57</b>	<b>0.58</b>	<b>0.60</b>
<b>Key figures</b>	<b>2019</b>	<b>Q1'20</b>	<b>Q2'20</b>	<b>Q3'20</b>	<b>Q4'20</b>	<b>2020</b>	<b>Q1'21</b>	<b>Q2'21</b>	<b>Q3'21e</b>	<b>Q4'21e</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>
<b>Revenue growth-%</b>	2.9 %	10.9 %	9.0 %	-7.0 %	-0.4 %	2.7 %	13.3 %	11.2 %	15.7 %	11.7 %	12.9 %	1.2 %	2.2 %	2.2 %
<b>Adjusted EBIT growth-%</b>	4.0 %	22.9 %	-0.5 %	-17.8 %	3.9 %	-0.5 %	16.3 %	3.9 %	12.1 %	12.5 %	11.0 %	8.3 %	3.0 %	3.3 %
<b>EBITDA-%</b>	9.1 %	8.6 %	9.0 %	17.6 %	5.9 %	10.2 %	8.5 %	8.3 %	8.8 %	8.7 %	8.6 %	8.9 %	8.9 %	9.1 %
<b>Adjusted EBIT-%</b>	6.8 %	6.0 %	6.6 %	7.0 %	6.8 %	6.6 %	6.1 %	6.1 %	6.8 %	6.8 %	6.5 %	6.9 %	7.0 %	7.0 %
<b>Net earnings-%</b>	4.9 %	5.2 %	5.3 %	12.8 %	2.0 %	6.2 %	4.7 %	5.0 %	5.3 %	5.3 %	5.1 %	5.4 %	5.4 %	5.4 %

Source: Inderes

# Balance sheet

Assets	2019	2020	2021e	2022e	2023e
<b>Non-current assets</b>	<b>103</b>	<b>94.5</b>	<b>95.3</b>	<b>96.7</b>	<b>102</b>
Goodwill	8.0	8.3	8.3	8.3	8.3
Intangible assets	16.8	14.3	14.4	14.5	14.6
Tangible assets	71.7	64.5	65.2	66.5	71.6
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	5.7	6.9	6.9	6.9	6.9
<b>Current assets</b>	<b>237</b>	<b>245</b>	<b>275</b>	<b>278</b>	<b>288</b>
Inventories	102	103	118	119	122
Other current assets	2.9	2.4	2.4	2.4	2.4
Receivables	112	113	128	129	132
Cash and equivalents	20.4	25.8	26.9	27.2	32.1
<b>Balance sheet total</b>	<b>340</b>	<b>339</b>	<b>370</b>	<b>374</b>	<b>390</b>

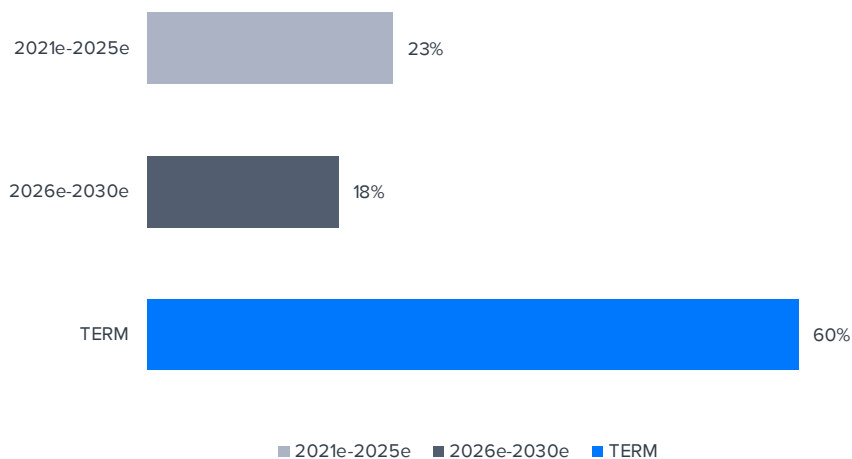
Source: Inderes

Liabilities & equity	2019	2020	2021e	2022e	2023e
<b>Equity</b>	<b>167</b>	<b>183</b>	<b>206</b>	<b>230</b>	<b>254</b>
Share capital	2.0	2.0	2.0	2.0	2.0
Retained earnings	122	153	176	201	224
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	42.7	27.9	27.9	27.9	27.9
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>50.9</b>	<b>40.4</b>	<b>30.0</b>	<b>14.5</b>	<b>6.8</b>
Deferred tax liabilities	7.0	5.7	5.7	5.7	5.7
Provisions	0.4	0.6	0.6	0.6	0.6
Long term debt	43.5	34.1	23.7	8.2	0.5
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>122</b>	<b>116</b>	<b>134</b>	<b>130</b>	<b>129</b>
Short term debt	23.0	9.9	13.6	4.5	0.0
Payables	96.1	100	114	119	123
Other current liabilities	3.2	5.9	6.0	6.0	6.0
<b>Balance sheet total</b>	<b>340</b>	<b>339</b>	<b>370</b>	<b>374</b>	<b>390</b>

# DCF calculation

DCF model	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TERM
<b>EBIT (operating profit)</b>	<b>44.4</b>	<b>43.4</b>	<b>47.0</b>	<b>48.4</b>	<b>50.0</b>	<b>51.2</b>	<b>51.2</b>	<b>52.0</b>	<b>51.9</b>	<b>52.2</b>	<b>53.2</b>	
+ Depreciation	16.1	14.3	13.7	13.8	14.5	14.6	14.8	14.9	15.2	15.1	15.0	
- Paid taxes	-7.4	-8.0	-9.7	-10.5	-10.9	-11.3	-11.3	-11.5	-11.4	-11.5	-11.7	
- Tax, financial expenses	-0.3	-0.3	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	4.5	-14.5	1.9	-1.5	0.0	-3.4	-3.0	-6.4	-4.3	-4.4	-3.0	
<b>Operating cash flow</b>	<b>57.3</b>	<b>35.0</b>	<b>52.7</b>	<b>50.1</b>	<b>53.5</b>	<b>51.1</b>	<b>51.7</b>	<b>49.0</b>	<b>51.4</b>	<b>51.3</b>	<b>53.4</b>	
+ Change in other long-term liabilities	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-6.7	-15.1	-15.1	-18.9	-15.1	-15.6	-15.6	-16.6	-14.6	-14.6	-15.2	
<b>Free operating cash flow</b>	<b>50.8</b>	<b>19.9</b>	<b>37.6</b>	<b>31.1</b>	<b>38.4</b>	<b>35.5</b>	<b>36.1</b>	<b>32.4</b>	<b>36.8</b>	<b>36.7</b>	<b>38.3</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	50.8	19.9	37.6	31.1	38.4	35.5	36.1	32.4	36.8	36.7	38.3	709
<b>Discounted FCFF</b>		<b>19.3</b>	<b>34.0</b>	<b>26.2</b>	<b>30.0</b>	<b>25.8</b>	<b>24.4</b>	<b>20.4</b>	<b>21.6</b>	<b>20.0</b>	<b>19.4</b>	<b>359</b>
Sum of FCFF present value		600	581	547	521	491	465	440	420	398	378	359
<b>Enterprise value DCF</b>		<b>600</b>										
- Interesting bearing debt		-44.0										
+ Cash and cash equivalents		25.8										
-Minorities		0.0										
-Dividend/capital return		-11.0										
<b>Equity value DCF</b>		<b>571</b>										
<b>Equity value DCF per share</b>		<b>8.9</b>										
<b>Wacc</b>												
Tax-% (WACC)		20.0 %										
Target debt ratio (D/(D+E))		10.0 %										
Cost of debt		3.0 %										
Equity Beta		1.10										
Market risk premium		4.75%										
Liquidity premium		0.85%										
Risk free interest rate		2.0 %										
<b>Cost of equity</b>		<b>8.1 %</b>										
<b>Weighted average cost of capital (WACC)</b>		<b>7.5 %</b>										

Cash flow distribution



# Summary

Income statement	2018	2019	2020	2021e	2022e	Per share data	2018	2019	2020	2021e	2022e
Revenue	563	579	595	672	680	EPS (reported)	0.45	0.44	0.57	0.53	0.57
EBITDA	47.3	53.0	60.5	57.7	60.7	EPS (adj.)	0.45	0.50	0.50	0.53	0.57
EBIT	37.8	35.3	44.4	43.4	47.0	OCF / share	0.49	0.50	0.89	0.54	0.82
PTP	36.1	34.0	41.8	42.0	46.4	FCF / share	0.36	0.06	0.79	0.31	0.58
Net Income	28.9	28.1	36.9	34.1	36.7	Book value / share	2.26	2.59	2.84	3.20	3.57
Extraordinary items	0.0	-4.0	5.3	0.0	0.0	Dividend / share	0.13	0.15	0.17	0.19	0.21
Balance sheet	2018	2019	2020	2021e	2022e	Growth and profitability	2018	2019	2020	2021e	2022e
Balance sheet total	304	340	339	370	374	Revenue growth-%	6%	3%	3%	13%	1%
Equity capital	145	167	183	206	230	EBITDA growth-%	18%	12%	14%	-5%	5%
Goodwill	10.1	8.0	8.3	8.3	8.3	EBIT (adj.) growth-%	21%	4%	-1%	11%	8%
Net debt	28.2	46.1	18.3	10.5	-14.4	EPS (adj.) growth-%	12%	10%	1%	6%	8%
Cash flow	2018	2019	2020	2021e	2022e	EBITDA-%	8.4 %	9.1 %	10.2 %	8.6 %	8.9 %
EBITDA	47.3	53.0	60.5	57.7	60.7	EBIT (adj.)-%	6.7 %	6.8 %	6.6 %	6.5 %	6.9 %
Change in working capital	-9.7	-14.1	4.5	-14.5	1.9	EBIT-%	6.7 %	6.1 %	7.5 %	6.5 %	6.9 %
Operating cash flow	31.2	32.4	57.3	35.0	52.7	ROE-%	21.5 %	18.1 %	21.1 %	17.5 %	16.8 %
CAPEX	-8.2	-43.3	-6.7	-15.1	-15.1	ROI-%	20.0 %	16.6 %	19.3 %	18.5 %	19.3 %
Free cash flow	22.9	4.1	50.8	19.9	37.6	Equity ratio	47.6 %	49.0 %	53.9 %	55.7 %	61.5 %
Valuation multiples	2018	2019	2020	2021e	2022e	Gearing	19.5 %	27.7 %	10.0 %	5.1 %	-6.3 %
EV/S	0.5	0.6	0.7	0.8	0.8						
EV/EBITDA (adj.)	5.7	6.8	7.2	9.5	8.6						
EV/EBIT (adj.)	7.1	9.1	11.2	12.6	11.1						
P/E (adj.)	8.3	9.8	13.0	15.7	14.6						
P/E	1.7	1.9	2.3	2.6	2.3						
Dividend-%	3.5 %	3.1 %	2.6 %	2.3 %	2.5 %						

Source: Inderes

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Date	Recommendation	Target price	Share price
8/9/2017	Reduce	4.50 €	4.44 €
10/30/2017	Accumulate	4.50 €	4.22 €
11/14/2017	Accumulate	4.50 €	4.18 €
12/13/2017	Accumulate	4.70 €	4.26 €
2/19/2018	Accumulate	4.85 €	4.30 €
4/16/2018	Accumulate	5.25 €	4.88 €
4/27/2018	Accumulate	5.40 €	4.98 €
8/13/2018	Accumulate	5.40 €	4.81 €
10/29/2018	Accumulate	4.80 €	4.34 €
12/21/2018	Buy	4.50 €	3.52 €
2/18/2019	Accumulate	4.50 €	4.24 €
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 €



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