

## Q4 EBIT will remain a bit modest

Scanfil's earlier guidance suggested Q4 to be highly profitable, and we had estimated 6.9% EBIT margin, but well-known challenges have proved persistent for now.

### The fresh guidance implies some 5.1% Q4 EBIT margin

Scanfil issued a negative profit warning. Plants' productivity has suffered due to continued component availability challenges, and the worsened Covid-19 situation has also bothered production. Q4 EBIT is further hit by the FX exposure due to the relatively high inventories, which the company build up earlier this year to be better able to meet demand by anticipating needs early on. Scanfil's previous guidance suggested EUR 166-206m in Q4 revenue and EUR 11-14m EBIT. The new range implies EUR 176-196m top line and EUR 8-11m EBIT. We don't view the news as a major issue in the long-term context because the challenges are to a large extent transitory in nature, although the pandemic and component shortage situations will persist at least during the early part of next year. Scanfil however doesn't have to struggle with cost inflation since the contracting logic covers component purchases. Customer demand has also remained strong in Q4.

### We continue to expect strong performance for next year

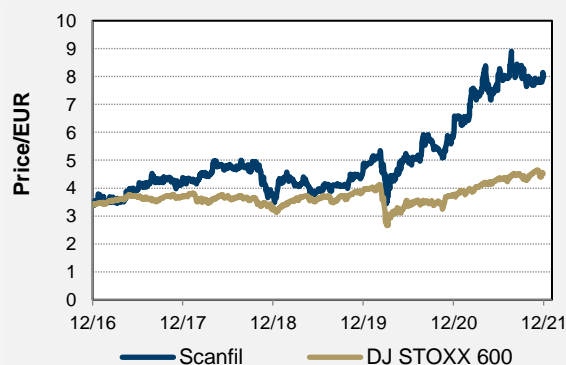
We make only small revisions to our top line estimates, but we revise our Q4 EBIT estimate down to EUR 9.7m from EUR 12.5m. We revise our FY '22 EBIT estimate down to EUR 46.3m (prev. EUR 48.5m). The Hamburg restructuring measure by itself should help some EUR 2.5m in terms of cost savings; we hence expect 17% EBIT improvement for next year as the component and Covid-19 issues will begin to ease. Scanfil is set to achieve a robust double-digit top line growth this year, and we continue to estimate 7% growth for FY '22. In our opinion 7% EBIT margin remains very much an appropriate long-term profitability target for Scanfil, and the company is unlikely to make any changes around that specific figure.

### Earnings multiples are not expensive relative to peers

Scanfil is valued 9.5x EV/EBITDA and 13x EV/EBIT on our FY '21 estimates. The levels aren't particularly low, but in our view both demand and earnings growth outlook remain robust enough to warrant a longer perspective. The multiples are 8.5x and 11x on our FY '22 estimates. We retain our EUR 9 TP and BUY rating.

## Rating

BUY



Share price, EUR (Last trading day's closing price) 7.96

Target price, EUR 9.0

Latest change in recommendation 14-Oct-21

Latest report on company 27-Oct-21

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 509

Free float, % 46.6

Exchange rate -

Reuters code SCANFL.HE

Bloomberg code SCANFL.FH

Average daily volume, EURm 0.1

Next interim report 22-Feb-22

Web site [www.scanfil.com/investors](http://www.scanfil.com/investors)

Analyst Joonas Ilvonen

E-mail [joonas.ilvonen@evli.com](mailto:joonas.ilvonen@evli.com)

Telephone +358 44 430 9071

BUY HOLD SELL

## KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2019	579.4	39.4	6.8%	7.5	0.50	10.4	0.7	9.6	2.2	0.15
2020	595.3	39.1	6.6%	43.5	0.49	13.2	0.7	11.0	10.4	0.17
2021E	686.5	39.7	5.8%	21.5	0.45	17.8	0.7	12.9	4.2	0.18
2022E	735.2	46.3	6.3%	19.4	0.54	14.7	0.7	10.9	3.8	0.19
2023E	779.2	53.0	6.8%	33.0	0.62	12.8	0.6	9.1	6.5	0.20
Market cap, EURm	509		Gearing 2021E, %		1.9		CAGR EPS 2020-23, %		8.0	
Net debt 2021E, EURm	4		Price/book 2021E		2.5		CAGR sales 2020-23, %		9.4	
Enterprise value, EURm	512		Dividend yield 2021E, %		2.3		ROE 2021E, %		14.9	
Total assets 2021E, EURm	372		Tax rate 2021E, %		23.8		ROCE 2021E, %		17.2	
Goodwill 2021E, EURm	8		Equity ratio 2021E, %		53.9		PEG, P/E 21/CAGR		1.2	

**Estimates and peer group multiples**

Scanfil	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21	Q3'21	Q4'21e	2021e	2022e	2023e
<b>Revenue</b>	144	156	142	154	595	163	173	168	183	687	735	779
<i>growth-%</i>	10.9 %	9.1 %	-7.0 %	-0.4 %	2.8 %	13.4 %	11.1 %	18.4 %	18.5 %	15.3 %	7.1 %	6.0 %
Advanced Consumer Applications	31	40	39	41	151	43	53	55	55	206	225	241
Automation & Safety	38	37	34	34	142	35	37	33	39	143	150	156
Connectivity	7	8	7	6	29	8	7	7	8	31	33	35
Energy & Cleantech	34	34	30	37	136	40	45	44	47	176	199	212
Medtech & Life Science	27	25	26	30	108	29	29	29	33	120	128	135
Discontinued	6	12	6	5	30	9	2	0	0	11	0	0
<b>EBIT</b>	9	10	10	10	39	10	11	10	10	40	46	53
<i>EBIT margin</i>	6.0 %	6.5 %	7.0 %	6.8 %	6.6 %	6.1 %	6.1 %	5.7 %	5.3 %	5.8 %	6.3 %	6.8 %

Source: Evli Research

SCANFIL PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		20	21	22	20	21	22	20	21	22
Benchmark Electronics	783				16.1x	15.3x	12.7x	2.5 %	2.6 %	2.9 %
Celestica	1177	3.8x	4.5x	3.9x	5.8x	6.7x	5.5x	3.5 %	4.0 %	4.3 %
TT Electronics	502	10.0x	10.4x	8.8x	15.8x	18.3x	12.8x	6.3 %	6.0 %	8.1 %
HANZA Holding	162	5.3x	9.6x	7.5x	19.9x	17.0x	12.4x	2.0 %	5.1 %	5.9 %
Kitron	350	9.6x	11.9x	10.3x	12.8x	16.2x	13.4x	7.9 %	7.0 %	7.5 %
Lacroix Group	174	6.9x			12.3x			3.4 %	3.3 %	3.9 %
Flex Ltd	7198	7.2x	6.8x	6.3x	11.2x	9.6x	8.7x	4.0 %	4.4 %	4.6 %
Plexus	2310	10.4x	11.2x	10.4x	14.3x	15.2x	14.0x	4.9 %	5.3 %	5.2 %
Sanmina	2206		5.2x	5.0x	6.9x	6.9x	6.6x	4.4 %	5.0 %	5.1 %
SIIX	510	9.9x	8.4x	6.4x	23.3x	18.9x	11.8x	2.5 %	2.3 %	3.3 %
Valuetronics	150	1.3x	2.0x	2.0x	1.6x	2.8x	3.0x	8.8 %	6.9 %	6.4 %
Peer Group Average	1411	7.1x	7.8x	6.7x	12.7x	12.7x	10.1x	4.6 %	4.7 %	5.2 %
Peer Group Median	510	7.2x	8.4x	6.4x	12.8x	15.2x	12.1x	4.0 %	5.0 %	5.1 %
Scanfil (Evli est.)	509	7.8x	9.3x	8.4x	11.0x	12.9x	10.9x	6.6 %	5.8 %	6.3 %

*Scanfil prem./disc. to peer median*

9 %    10 %    30 %    -14 %    -15 %    -10 %    63 %    17 %    24 %

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	7.96 PV of Free Cash Flow	263 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	9.90 PV of Horizon value	396 WACC, %	8.0 Market risk premium, %	5.8
Share price potential, %	24.4 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	10.8 Marketable securities	26 Minimum WACC, %	7.5 Equity beta coefficient	1.00
Minimum value	9.1 Debt - dividend	-51 Maximum WACC, %	8.5 Target debt ratio, %	20
Horizon value, %	60.1 Value of stock	633 Nr of shares, Mn	63.9 Effective tax rate, %	20

DCF valuation, EURm	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Horizon
Net sales	595	687	735	779	818	851	881	907	930	948	967	987
<i>Sales growth, %</i>	<i>2.7</i>	<i>15.3</i>	<i>7.1</i>	<i>6.0</i>	<i>5.0</i>	<i>4.0</i>	<i>3.5</i>	<i>3.0</i>	<i>2.5</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	39	40	46	53	57	60	62	63	65	66	68	69
<i>Operating income margin, %</i>	<i>6.6</i>	<i>5.8</i>	<i>6.3</i>	<i>6.8</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>
+ Depreciation+amort.	16	15	14	15	14	14	13	13	13	14	14	
EBITDA	55	55	60	68	71	73	75	77	78	80	82	
- Paid taxes	-8	-9	-11	-13	-14	-14	-15	-15	-16	-16	-16	
- Change in NWC	5	-7	-9	-8	-7	-6	-5	-5	-4	-3	-3	
<i>NWC / Sales, %</i>	<i>18.3</i>	<i>16.9</i>	<i>16.9</i>	<i>16.9</i>	<i>17.0</i>	<i>17.0</i>	<i>17.0</i>	<i>17.0</i>	<i>17.0</i>	<i>17.0</i>	<i>17.0</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-9	-13	-19	-13	-13	-14	-14	-14	-14	-15	-15	
<i>opCAPEX / Sales, %</i>	<i>1.1</i>	<i>2.3</i>	<i>2.8</i>	<i>1.8</i>	<i>1.8</i>	<i>1.7</i>	<i>1.7</i>	<i>1.6</i>	<i>1.6</i>	<i>1.6</i>	<i>1.6</i>	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	43	26	21	35	38	40	41	43	44	46	47	794
= Discounted FCFF		26	20	30	30	29	28	27	26	25	23	396
= DFCF min WACC		26	20	30	30	30	29	28	27	26	24	450
= DFCF max WACC		26	20	29	29	28	27	26	25	24	22	350

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2	2021Q3	2021Q4E	2021E	2022E	2023E
Net sales	144.1	155.5	141.7	154.0	595.3	163.3	172.9	167.8	182.5	686.5	735.2	779.2
EBITDA	12.4	14.0	13.6	15.2	55.2	13.8	14.4	13.2	13.7	55.1	60.3	68.3
<i>EBITDA margin (%)</i>	<i>8.6</i>	<i>9.0</i>	<i>9.6</i>	<i>9.9</i>	<i>9.3</i>	<i>8.5</i>	<i>8.3</i>	<i>7.9</i>	<i>7.5</i>	<i>8.0</i>	<i>8.2</i>	<i>8.8</i>
EBIT	8.6	10.2	9.9	10.4	39.1	10.0	10.6	9.4	9.7	39.7	46.3	53.0
<i>EBIT margin (%)</i>	<i>6.0</i>	<i>6.6</i>	<i>7.0</i>	<i>6.8</i>	<i>6.6</i>	<i>6.1</i>	<i>6.1</i>	<i>5.6</i>	<i>5.3</i>	<i>5.8</i>	<i>6.3</i>	<i>6.8</i>
Net financial items	0.1	-0.6	-0.8	-1.3	-2.6	-0.7	-0.1	-0.9	-0.4	-2.1	-0.7	-0.6
Pre-tax profit	8.7	9.6	9.1	9.1	36.5	9.3	10.5	8.5	9.3	37.6	45.6	52.4
Tax	-1.2	-1.4	-2.4	0.1	-4.9	-1.7	-1.8	-3.5	-2.0	-9.0	-10.9	-12.6
<i>Tax rate (%)</i>	<i>13.8</i>	<i>14.6</i>	<i>26.4</i>	<i>-1.1</i>	<i>13.4</i>	<i>18.3</i>	<i>17.1</i>	<i>41.2</i>	<i>21.0</i>	<i>23.8</i>	<i>24.0</i>	<i>24.0</i>
Net profit	7.5	8.2	6.7	9.2	31.6	7.6	8.7	5.0	7.3	28.6	34.7	39.8
EPS	0.12	0.13	0.10	0.14	0.49	0.12	0.14	0.08	0.11	0.45	0.54	0.62
EPS adjusted (diluted no. of shares)	0.12	0.13	0.10	0.14	0.49	0.12	0.14	0.08	0.11	0.45	0.54	0.62
Dividend per share	0.00	0.00	0.00	0.00	0.17	0.00	0.00	0.00	0.00	0.18	0.19	0.20
<b>SALES, EURm</b>												
Group	144.1	155.5	141.7	154.0	595.3	163.3	172.9	167.8	182.5	686.5	735.2	779.2
Total	144.1	155.5	141.7	154.0	595.3	163.3	172.9	167.8	182.5	686.5	735.2	779.2
<b>SALES GROWTH, Y/Y %</b>												
Group	10.9	9.0	-7.0	-0.4	2.7	13.3	11.2	18.4	18.5	15.3	7.1	6.0
Total	10.9	9.0	-7.0	-0.4	2.7	13.3	11.2	18.4	18.5	15.3	7.1	6.0
<b>EBIT, EURm</b>												
Group	8.6	10.2	9.9	10.4	39.1	10.0	10.6	9.4	9.7	39.7	46.3	53.0
Total	8.6	10.2	9.9	10.4	39.1	10.0	10.6	9.4	9.7	39.7	46.3	53.0
<b>EBIT margin, %</b>												
Group	6.0	6.6	7.0	6.8	6.6	6.1	6.1	5.6	5.3	5.8	6.3	6.8
Total	6.0	6.6	7.0	6.8	6.6	6.1	6.1	5.6	5.3	5.8	6.3	6.8

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	508.0	529.9	563.0	579.4	595.3	686.5	735.2	779.2
<i>Sales growth (%)</i>	<i>34.6</i>	<i>4.3</i>	<i>6.2</i>	<i>2.9</i>	<i>2.7</i>	<i>15.3</i>	<i>7.1</i>	<i>6.0</i>
EBITDA	33.3	40.0	47.2	53.6	55.2	55.1	60.3	68.3
<i>EBITDA margin (%)</i>	<i>6.5</i>	<i>7.5</i>	<i>8.4</i>	<i>9.3</i>	<i>9.3</i>	<i>8.0</i>	<i>8.2</i>	<i>8.8</i>
Depreciation	-11.0	-8.7	-9.4	-14.2	-16.1	-15.4	-13.9	-15.3
EBITA	22.3	31.3	37.8	39.4	39.1	39.7	46.3	53.0
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	22.3	31.3	37.8	39.4	39.1	39.7	46.3	53.0
<i>EBIT margin (%)</i>	<i>4.4</i>	<i>5.9</i>	<i>6.7</i>	<i>6.8</i>	<i>6.6</i>	<i>5.8</i>	<i>6.3</i>	<i>6.8</i>
Reported EBIT	7.2	31.3	37.8	39.4	39.1	39.7	46.3	53.0
<i>EBIT margin (reported) (%)</i>	<i>1.4</i>	<i>5.9</i>	<i>6.7</i>	<i>6.8</i>	<i>6.6</i>	<i>5.8</i>	<i>6.3</i>	<i>6.8</i>
Net financials	-1.2	1.3	-1.7	-1.3	-2.6	-2.1	-0.7	-0.6
Pre-tax profit	21.1	32.6	36.1	38.1	36.5	37.6	45.6	52.4
Taxes	-6.0	-6.8	-8.3	-5.9	-4.9	-9.0	-10.9	-12.6
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	0.0	25.8	27.8	32.2	31.6	28.6	34.7	39.8
Cash NRIs	-15.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>BALANCE SHEET, EURm</b>								
<b>Assets</b>								
Fixed assets	57	62	64	68	61	59	64	62
Goodwill	11	10	10	8	8	8	8	8
Right of use assets	0	0	15	21	18	21	22	24
Inventory	85	101	96	102	103	117	125	132
Receivables	92	108	104	115	116	126	135	143
Liquid funds	20	21	28	20	26	34	37	49
Total assets	267	307	321	340	339	372	398	425
<b>Liabilities</b>								
Shareholder's equity	108	125	148	167	183	201	224	252
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	15	19	16	21	22	24
Deferred taxes	3	5	5	7	6	6	6	6
Interest bearing debt	60	61	52	44	24	17	10	0
Non-interest bearing current liabilities	88	113	99	96	103	120	129	136
Other interest-free debt	1	2	2	7	7	7	7	7
Total liabilities	267	307	321	340	339	372	398	425
<b>CASH FLOW, EURm</b>								
+ EBITDA	33	40	47	54	55	55	60	68
- Net financial items	-1	2	-2	-1	-3	-2	-1	-1
- Taxes	-5	-8	-7	-5	-7	-9	-11	-13
- Increase in Net Working Capital	-6	-6	-9	-15	5	-7	-9	-8
+/- Other	-5	-6	0	0	0	0	0	0
= Cash flow from operations	16	22	29	32	50	38	40	47
- Capex	-5	-21	-10	-24	-6	-16	-21	-14
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	10	2	19	8	44	22	19	33
+/- New issues/buybacks	13	-4	3	-6	-6	0	0	0
- Paid dividend	-5	-6	-7	-8	-10	-11	-12	-12
+/- Other	-21	8	-7	-1	-23	-2	-5	-9
Change in cash	-2	0	8	-8	5	9	2	12

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	272	281	336	417	509	509	509
Net debt (excl. convertibles)	41	39	43	15	4	-4	-25
Enterprise value	312	320	379	431	512	504	484
Sales	530	563	579	595	687	735	779
EBITDA	40	47	54	55	55	60	68
EBIT	31	38	39	39	40	46	53
Pre-tax	33	36	38	37	38	46	52
Earnings	26	28	32	32	29	35	40
Equity book value (excl. minorities)	125	148	167	183	201	224	252
<b>Valuation multiples</b>							
EV/sales	0.6	0.6	0.7	0.7	0.7	0.7	0.6
EV/EBITDA	7.8	6.8	7.1	7.8	9.3	8.4	7.1
EV/EBITA	10.0	8.5	9.6	11.0	12.9	10.9	9.1
EV/EBIT	10.0	8.5	9.6	11.0	12.9	10.9	9.1
EV/OCF	14.0	11.0	11.9	8.6	13.7	12.6	10.2
EV/FCFF	29.5	15.5	25.7	10.0	19.8	23.5	13.9
P/FCFE	169.7	14.9	44.7	9.6	23.6	26.2	15.4
P/E	10.5	10.1	10.4	13.2	17.8	14.7	12.8
P/B	2.2	1.9	2.0	2.3	2.5	2.3	2.0
Target EV/EBITDA	0.0	0.0	0.0	0.0	10.5	9.5	8.1
Target EV/EBIT	0.0	0.0	0.0	0.0	14.6	12.3	10.4
Target EV/FCF	0.0	0.0	0.0	0.0	26.9	29.4	16.7
Target P/B	0.0	0.0	0.0	0.0	2.9	2.6	2.3
Target P/E	0.0	0.0	0.0	0.0	20.1	16.6	14.4
<b>Per share measures</b>							
Number of shares	63,895	63,895	63,895	63,895	63,895	63,895	63,895
Number of shares (diluted)	63,895	63,895	63,895	63,895	63,895	63,895	63,895
EPS	0.40	0.44	0.50	0.49	0.45	0.54	0.62
Operating cash flow per share	0.35	0.45	0.50	0.78	0.59	0.63	0.74
Free cash flow per share	0.03	0.30	0.12	0.68	0.34	0.30	0.52
Book value per share	1.95	2.32	2.61	2.86	3.14	3.50	3.94
Dividend per share	0.11	0.13	0.15	0.17	0.18	0.19	0.20
Dividend payout ratio, %	27.2	29.9	29.8	34.4	40.1	35.0	32.1
Dividend yield, %	2.6	3.0	2.9	2.6	2.3	2.4	2.5
FCF yield, %	0.6	6.7	2.2	10.4	4.2	3.8	6.5
<b>Efficiency measures</b>							
ROE	22.2	20.4	20.4	18.1	14.9	16.3	16.8
ROCE	17.7	18.8	17.7	17.3	17.2	18.7	19.9
<b>Financial ratios</b>							
Inventories as % of sales	19.0	17.0	17.6	17.4	17.0	17.0	17.0
Receivables as % of sales	20.5	18.4	19.8	19.4	18.3	18.3	18.3
Non-interest bearing liabilities as % of sales	21.3	17.5	16.6	17.3	17.5	17.5	17.5
NWC/sales, %	17.7	17.5	19.7	18.3	16.9	16.9	16.9
Operative CAPEX/sales, %	3.9	1.8	4.2	1.1	2.3	2.8	1.8
CAPEX/sales (incl. acquisitions), %	3.9	1.8	4.2	1.1	2.3	2.8	1.8
FCFF/EBITDA	0.3	0.4	0.3	0.8	0.5	0.4	0.5
Net debt/EBITDA, book-weighted	1.0	0.8	0.8	0.3	0.1	-0.1	-0.4
Debt/equity, market-weighted	0.2	0.2	0.1	0.1	0.0	0.0	0.0
Equity ratio, book-weighted	40.6	46.2	49.0	53.9	53.9	56.2	59.2
Gearing, %	32.7	26.0	25.6	7.9	1.9	-1.8	-9.9

**COMPANY DESCRIPTION:** Scanfil is a contract electronics manufacturer based in Sievi, Finland, operating a global plant network with nine sites located across three continents. The company focuses on producing industrial electronics for its customers, many of which are large global industrial original equipment manufacturers. In practice Northern Europe is by far Scanfil's most important market. Scanfil's strategy is based on a vertically integrated model with which the company aims to provide solutions to cover the entire supply chain during the whole life-cycle of a given customer product.

**INVESTMENT CASE:** In our view Scanfil is well-positioned to achieve its target 7% operating margin. We see upside to the current share price when customer product volumes continue to develop positively, helping to lift absolute operating profit. We expect Scanfil to achieve even more diversified customer portfolio; this would justify an increase in valuation multiples.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Takanen Harri	9,913,146	78.909	15.5%
Takanen Jarkko	8,596,169	68.426	13.5%
Varikot Oy	7,606,442	60.547	11.9%
Takanen Jorma	6,129,305	48.789	9.6%
Tolonen Jonna	3,351,950	26.682	5.2%
Pöllä Reijo	3,328,745	26.497	5.2%
Laakkonen Mikko	2,531,187	20.148	4.0%
Takanen Martti	1,947,018	15.498	3.0%
Foundation of Riitta and Jorma J.Takanen	1,900,000	15.124	3.0%
Sijoitusrahasto Aktia Capital	1,688,000	13.436	2.6%
Ten largest	46,991,962	374.056	74%
Residual	16,903,477	134.552	26%
Total	63,895,439	508.608	100%

**EARNINGS CALENDAR**

February 22, 2022	FY 2021 Results
April 22, 2022	Q1 report
August 05, 2022	Q2 report
October 26, 2022	Q3 report

**OTHER EVENTS****COMPANY MISCELLANEOUS**

CEO: Petteri Jokitalo	Yritystie 6, FI-85410 Sievi
CFO: Kai Valo	Tel: +358 8 48 82 111
IR: Pasi Hiedanpää	

## DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	DPS	Dividend for the financial period per share
Market cap	Price per share * Number of shares	OCF (Operating cash flow)	EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow)	Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, %	$\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital	Current assets – current liabilities
Net debt	Interest bearing debt – financial assets	Capital employed/Share	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
Total assets	Balance sheet total	Gearing	$\frac{\text{Net debt}}{\text{Equity}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		



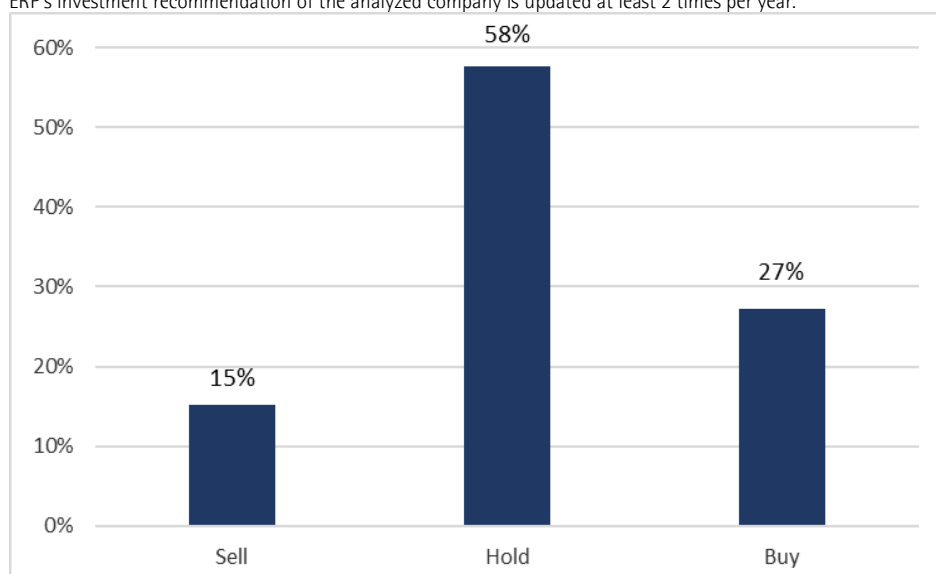
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Investment recommendations are defined as follows:

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

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

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**Contact information****SALES, TRADING AND RESEARCH****Equity, ETF and Derivatives Sales**

Joachim Dannberg	+358 9 4766 9123
Ari Laine	+358 9 4766 9115
Kimmo Lilja	+358 9 4766 9130

**Trading**

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

**Structured Investments**

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

**Equity Research**

Jonas Forslund	+358 9 4766 9314
Joonas Ilvonen	+358 44 430 9071
Jerker Salokivi	+358 9 4766 9149
Teemu Reiman	+358 40 352 6175

**Evli Investment Solutions**

Johannes Asuja	+358 9 4766 9205
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**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**  
Regeringsgatan 67 P.O. Box 16354  
SE-103 26 Stockholm  
Sverige  
stockholm@evli.com  
Tel +46 (0)8 407 8000  
Fax +46 (0)8 407 8001