



Scanfil plc: Solid operational performance and preparing for growth

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Scanfil plc Half-year report 6 August 2024 at 8.00 a.m. EEST

Scanfil plc: Solid operational performance and preparing for growth

April-June

- Turnover totaled EUR 195.5 million (243.3), a decrease of 19.7%
- Operating profit was EUR 13.9 (17.5) million, a decrease of 20.6%
- Operating profit margin was at 7.1% (7.2%)
- Net profit was EUR 10.8 (14.5) million, a decrease of 25.4%
- Earnings per share were EUR 0.17 (0.22)
- Dividend of EUR 0.23 (0.21) per share was paid on 6 May, an increase of 11th consecutive year

January-June

- Turnover totaled EUR 394.4 million (468.0), a decrease of 15.7%
- Operating profit was EUR 26.6 (32.6) million, a decrease of 18.4%
- Operating profit margin was at 6.8% (7.0%)
- Net profit was EUR 20.6 (26.3) million, a decrease of 21.7%
- Earnings per share were EUR 0.32 (0.40)

Outlook for 2024

On 10 June Scanfil updated its outlook for 2024.

Scanfil estimates its turnover to be EUR 780–840 (previous, issued on 23 February: 820–900) million, and an adjusted operating profit of EUR 54–61 (57–65) million.

KEY FIGURES	Q2 2024	Q2 2023	Change,%	H1 2024	H1 2023	Change,%	2023
Turnover, EUR million	195.5	243.3	-19.7	394.4	468.0	-15.7	901.6
Operating Profit, EUR million	13.9	17.5	-20.6	26.6	32.6	-18.4	61.3
Operating Profit, %	7.1	7.2		6.8	7.0		6.8
Net Profit, EUR million	10.8	14.5	-25.4	20.6	26.3	-21.7	48.2
Earnings per Share, EUR	0.17	0.22	-22.7	0.32	0.40	-20.0	0.74
Return on Equity, %				15.3	22.6	-32.3	19.6
Equity Ratio, %				55.4	45.8		53.7
Gearing, %				10.8	36.5		19.4
Net Debt / EBITDA				0.39	1.15		0.64
Net Cash Flow from Operations, EUR million				46.9	24.3	93.1	68.9
Employees, Average				3,564	3,647	-2.3	3,671

Christophe Sut, CEO:

“In the second quarter of 2024, Scanfil continued demonstrating resilience to market fluctuations and its ability to deliver the targeted operating profit margin of 7%-8%.

As communicated earlier, the market was slow in the quarter, driven by lower customer demand and continuing destocking. Our turnover was EUR 195.5 million, -19.7%. The efficiency improvement project we initiated in Q4 2023 helped us to deliver profit margins in line with our long-term target despite weaker market conditions. In Q2 2024, profit margin landed at 7.1%, one of the best quarterly profit margins ever for Scanfil. The margin improvement was driven by the focus of the whole team worldwide to improve operational efficiency, which also contributed to our strong on-time delivery rate of >98%.

I am pleased to see that our focus on creating accountability across the organization and enforcing performance management allows us to be resilient in changing business cycles.

Our financial position is strong. Gearing was 10.8% (36.5%), and the equity ratio was 55.4% (45.8%). Improvement was also seen in our inventory management, with a reduction of EUR 24.5 million in H1. From June last year, inventories decreased by EUR 40.9 million. Our net debt level is now down to 0.4 times EBITDA, which is well in line with our long-term target and positioning us well to be able to finance our future growth.

We had a very active quarter in sales, winning new projects with an annualized value of EUR 40 million in Q2 and EUR 84 million in H1 2024. Depending on the project, implementing a new contract can take between 6 and 18 months.

The Industrial segment was negatively impacted by end customer demand changes and customer destocking. We continue to work closely with our customers to adjust operations and inventory to the prevailing market situation. We are now implementing newly won projects for global customers with an annualized value of EUR 9 million in Q2 and EUR 34 million in H1 2024.

The Energy & Cleantech segment declined during the quarter as we faced strong comparable numbers driven by the component shortage a year ago. In addition, several customers are destocking this year. The long-term development of the Energy & Cleantech segment remains positive, and we have seen a record number of projects won in Q2 with an annualized value of EUR 23 million and EUR 38 million in H1 2024.

The Medtech & Life Science segment has now stabilized and shows signs of rebounding. We won new contracts with existing and new customers for an annualized value of EUR 8 million in Q2 and EUR 13 million in H1 2024. We also increased our focus on this segment by bringing in expertise in sales, quality and project management.

We continue to work on implementing our strategy. The sales organization has now started to function based on our new model with three different teams focusing on the Industrial, Energy & Cleantech and Medtech & Life Science segments. We also continue to implement and tune our investment plan. As we continue to invest in machine capabilities for our Sieradz factory's expansion, we have now adjusted the delivery of the new building to Q3 2026. This will allow us to match the investment with demand from our customers but will also be driven by progress in space utilization of the factory. We continue to build processes that allow stronger local ownership and drive local performance when leveraging our global presence. Finally, the recruitment of Anette Mullis to the new role of Chief People Officer will bring the skills needed to ensure the development of our teams.

Overall, market conditions remain volatile, and we see our customers still having difficulty predicting their short-term demand. However, we have demonstrated our capability to manage uncertainty and protect profitability in times of lower demand. We are also prepared to increase our production when demand recovers. We will continue to work on protecting our profit margin and prepare for future growth. We expect the market to pick up gradually, starting with the Medtech & Life Science segment.

I am confident that our progress in the last quarters to build an efficient and performance-driven organization will be a strong asset when the market recovers. Our wins with existing and new customers during H1 demonstrate Scanfil's ability to deliver on its long-term financial targets. Finally, our strong balance sheet will enable us to continue internal and external growth projects."

Turnover

The turnover for April-June was EUR 195.5 (243.3) million, a decrease of 19.7% compared to the previous year's comparison period. The turnover decreased by EUR 47.8 million of which EUR 3.9 million were spot market purchases. Excluding spot market purchases, turnover decreased by 18.4%.

The turnover for January-June was EUR 394.4 (468.0) million, a decrease of 15.7% compared to the previous year's comparison period. The turnover decreased by EUR 73.6 million of which EUR 10.4 million were spot market purchases. Excluding spot market purchases, turnover decreased by 13.9%.

Turnover by customer segment

Industrial

Turnover in April-June was EUR 90.4 (112.4) million, a decrease of 19.6% compared to the same period in 2023. Turnover in

January-June was EUR 184.6 (223.7) million, a decrease of 17.5% compared to the same period in 2023. Changes in the segment were in line with expectations for the quarter. The change in turnover was driven by lower end-customer demand, which was related to the general economic situation and some customer specific business states.

Energy & Cleantech

Turnover in April-June was EUR 67.5 (91.3) million, a decrease of 26.1% compared to the same period in 2023. Turnover in January-June was EUR 137.8 (164.1) million, a decrease of 16.0% compared to the same period in 2023. The overstocking situation that emerged at the end of last year still impacted customer demand. In general, the turnover change reflected the changes in the end customer demand. We believe long-term demand development is positive in the customer segment and continue to build traction for new projects with our customers.

Medtech & Life Science

Turnover in April-June was EUR 37.6 (39.6) million, a decrease of 4.9% compared to the same period in 2023. Turnover in January-June was EUR 72.0 (80.2) million, a decrease of 10.2% compared to the same period in 2023. The segment has shown signs of stabilization during the quarter, and we continue to expand our product portfolio and develop manufacturing capabilities in that segment.

In January-June, the largest customer accounted for about 12% (14%) of turnover and the top ten customers accounted for about 54% (56%) of turnover.

Operating profit

The operating profit for April-June was EUR 13.9 (17.5) million, 7.1% (7.2%) of turnover. Operating profit was impacted by a lower turnover. The company continued to keep a high focus on its operational costs and adjusted them accordingly to reflect the demand change.

The operating profit for January-June was EUR 26.6 (32.6) million, 6.8% (7.0%) of turnover. Operating profit was impacted by a lower turnover. The company adjusted its operational costs to reflect the demand change. An adjustment in personnel caused some lay-off costs. In addition, operating profit was impacted by the negative impact of foreign exchange rates changes. The operating margin excluding the layoff costs and the foreign exchange rates change impact was 7.0% (7.0%).

Net profit and earnings

The net profit for April-June was EUR 10.8 (14.5) million, a decrease of 25.4%. Earnings per share were EUR 0.17 (0.22). The net profit for January-June was EUR 20.6 (26.3) million, a decrease of 21.7%. Earnings per share were EUR 0.32 (0.40). Return on investment was 16.6% (20.6%).

The effective tax rate in January-June was 23.3% (20.2%). The tax rate represents the normal average tax rate including the withholding taxes for the dividends.

Publication of financial releases

This stock exchange release is a summary of the Scanfil Group's January-June 2024 half-year report release and includes the most relevant information of the report. The complete report is attached to this release as a pdf. file and is also available on the company's website at www.scanfil.com.

Online conference

In conjunction with releasing results, Scanfil arranges an online meeting in English language for analysts, investors, and media on the same day 6 August 2024 at 10:00-11:00 a.m. EET. Results will be presented by CEO Christophe Sut and CFO Kai Valo.

You can join the online conference [here](#). The audience can ask questions via chat and answers will be addressed at the end of the meeting.

An on-demand version of the webcast and the presentation material will be available on the company's website later the same day.

Scanfil plc

Additional information:

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Scanfil Plc is Europe's largest listed provider of electronics manufacturing services (EMS), whose turnover in 2023 amounted

to EUR 902 million. The company serves global sector leaders in the customer segments of Industrial, Energy & Cleantech, and Medtech & Life Science. The company's services include design services, prototype manufacture, design for manufacturability (DFM) services, test development, supply chain and logistics services, circuit board assembly, manufacture of subsystems and components, and complex systems integration services. Scanfil's objective is to grow customer value by improving their competitiveness and by being their primary supply chain partner and long-term manufacturing partner internationally. Scanfil's longest-standing customer account has continued for more than 30 years. The company has global supply capabilities and nine production facilities across three continents. www.scanfil.com

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Attachments

- [Download announcement as PDF.pdf](#)
- [Scanfil January-June 2024.pdf](#)