

Q1 result in line, updated outlook

Q1 net sales at EUR 23.1m (+19.3% y/y) vs. EUR 22.3m/22.6m Evli/consensus estimates. MBU sales were EUR 8.6m (EUR 8.8m our expectation) and SBU sales were EUR 14.5m (EUR 13.6m our expectation). DT's Q1 EBIT came in at EUR 3.9m, which is in line with our estimates of EUR 4.1m (EUR 4.0m cons).

- **Group level results:** Q1 net sales amounted to EUR 23.1m (+19.3% y/y) vs. EUR 22.3m/22.6m Evli/consensus estimates. Q1 EBIT was EUR 3.9m (16.7% margin) vs. EUR 4.1m/4.0m Evli/cons. R&D costs amounted to EUR 2.5m or 10.8% of net sales.
- **Medical Business Unit (MBU)** delivered net sales of EUR 8.6m which was in line with our estimate of EUR 8.8m. Net sales of MBU increased by 13.8% y/y due to continued good demand from key customers and successful shipments.
- **Security and Industrial Business Unit (SBU)** had net sales of EUR 14.5m vs. EUR 13.6m Evli estimate. SBU sales grew 22.9% y/y due to increased demand for security solutions.
- **Updated outlook:** sales of both business units will grow in line with the company's financial targets in the second quarter. The company expects demand to decline in the MBU business in the second half of 2019, as a significant customer will ramp down production of a device that uses DT's solution. Despite this, the company's total net sales are expected to grow in the second half of the year. There is uncertainty regarding demand, and the intensification of competition might be reflected in product prices.

Medium-term business outlook is unchanged: Detection Technology aims to increase sales by at least 15% per annum and to achieve an operating margin at or above 15% in the medium term.

Rating	BUY
Share price, EUR (Last trading day's closing price)	20.30
Target price, EUR	19.0
Latest change in	04-Feb-19
Latest report on company	17-Apr-19
Research paid by issuer:	YES
No. of shares outstanding,	14,375
No. of shares fully diluted,	14,875
Market cap, EURm	292
Free float, %	-
Exchange rate	-
Reuters code	DETEC.HE
Bloomberg code	DETEC FH
Average daily volume,	0.0
Next interim report	
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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
2017	89	20	22.4%	19	1.09	16.5	2.6	13.4	11.5	0.35
2018	94	19	19.7%	18	1.03	15.1	2.2	32.1	11.1	0.38
2019E	101	19	18.8%	18	1.03	19.7	2.6	11.9	13.7	0.46
2020E	112	21	18.9%	21	1.18	17.2	2.2	15.7	11.8	0.53
2021E	125	24	19.0%	24	1.32	15.3	1.9	15.9	10.1	0.60
Market cap, EURm		292		BV per share 2019E, EUR		4.2		CAGR EPS 2018-21, %		8.6
Net debt 2019E, EURm		-32		Price/book 2019E		4.8		CAGR sales 2018-21, %		10.1
Enterprise value, EURm		260		Dividend yield 2019E, %		2.3		ROE 2019E, %		26.5
Total assets 2019E, EURm		81		Tax rate 2019E, %		19.1		ROCE 2019E, %		32.6
Goodwill 2019E, EURm		0		Equity ratio 2019E, %		75.6		PEG, P/E 19/CAGR		2.0

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

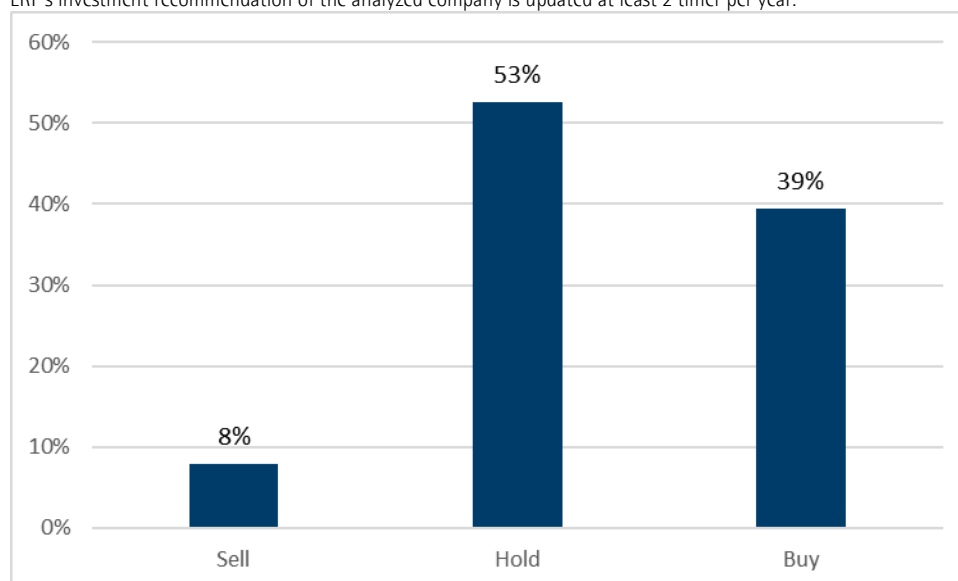
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Investment recommendations are defined as follows:

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): Forslund

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