

Q4 result miss, moderates its financial targets

DT's Q4 net sales at EUR 25m (-2.5% y/y) vs. EUR 27.7m/27.4m Evli/consensus estimates. SBU sales grew +6% to EUR 16.4m (EUR 19m our expectation) and MBU sales declined -15.4% to EUR 8.6m (EUR 8.7m our expectation). DT's Q4 EBIT came in at EUR 3.2m vs. our estimates of EUR 5.1m (EUR 4.7m cons). EBIT excluding non-recurring items was EUR 3.9 million (4.9 Q4'18). Dividend proposal is 0.38 (0.38 Evli / 0.39 consensus).

- **Group level results:** Q4 net sales amounted to EUR 25m (-2.5% y/y) vs. EUR 27.7m/27.4m Evli/consensus estimates. Q4 EBIT was EUR 3.2m (12.8% margin) vs. EUR 5.1m/4.7m Evli/cons. R&D costs amounted to EUR 2.66m or 10.6% of net sales. Dividend proposal is 0.38 (0.38 Evli / 0.39 cons.).
- **Security and Industrial Business Unit (SBU)** had net sales of EUR 16.4m vs. EUR 19m Evli estimate. SBU sales grew 6% y/y, but growth was affected by temporarily lower sales in CT products and delayed deliveries to one key customer.
- **Medical Business Unit (MBU)** delivered net sales of EUR 8.6m which was in line with our estimate of EUR 8.7m. Net sales of MBU decreased by -15.4% y/y due to softening in the medical CT market and the ramp-down of one key MBU customer's product.
- **Outlook update:** DT estimates annual growth to remain at previous 5-6% level in all market segments in 2020, but the indirect impacts of the corona virus epidemic in Asia may have a temporary adverse impact on growth in H1. DT also estimates the temporary slowdown in the global medical CT market to continue in Q1, and the situation to normalize at the end of 2020, but demand may fluctuate significantly.
- **New financial targets:** DT aims to increase sales by at least 10% per annum and to achieve an operating margin at or above 15% in the medium term. (Previous target: to increase sales by at least 15% p.a. and to achieve an EBIT margin at or above 15% in the medium term)

Rating	BUY
Share price, EUR (Last trading day's closing price)	26.80
Target price, EUR	24.0
Latest change in recommendation	04-Feb-19
Latest report on company	06-Feb-20
Research paid by issuer:	YES
No. of shares outstanding, '000's	14,375
No. of shares fully diluted, '000's	14,875
Market cap, EURm	385
Free float, %	-
Exchange rate	-
Reuters code	DETEC.HE
Bloomberg code	DETEC FH
Average daily volume, EURm	-
Next interim report	
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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	89.0	19.9	22.4%	16.8	1.09	16.5	2.6	11.5	6.7	0.35
2018	93.9	18.5	19.7%	1.4	1.03	15.1	2.2	11.1	0.6	0.38
2019E	105.2	18.9	18.0%	14.3	1.02	26.3	3.4	18.9	3.7	0.38
2020E	120.9	23.0	19.0%	14.4	1.27	21.1	2.9	15.2	3.7	0.47
2021E	138.2	27.6	20.0%	16.7	1.54	17.4	2.5	12.3	4.3	0.62
Market cap, EURm			385	BV per share 2019E, EUR		-44.8	CAGR EPS 2018-21, %			14.1
Net debt 2019E, EURm			-27	Price/book 2019E		6.4	CAGR sales 2018-21, %			13.7
Enterprise value, EURm			358	Dividend yield 2019E, %		1.4	ROE 2019E, %			26.2
Total assets 2019E, EURm			82	Tax rate 2019E, %		18.4	ROCE 2019E, %			31.4
Goodwill 2019E, EURm			0	Equity ratio 2019E, %		74.5	PEG, P/E 19/CAGR			2.0

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

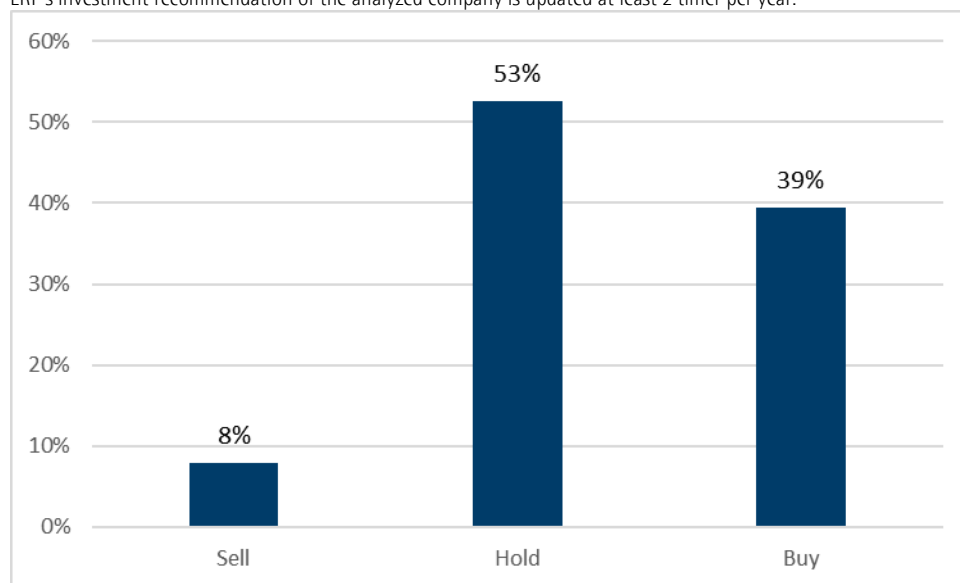
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Investment recommendations are defined as follows:

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

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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): Forslund

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February 10, 2020

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