

## Clear miss due to weakened demand and profitability caused by COVID-19

DT's Q1 net sales were EUR 19.9m (-13.6% y/y) vs. EUR 22.2m/22.0m Evli/consensus estimates. SBU sales declined -20% to EUR 11.5m (EUR 14.2m our expectation) and MBU sales declined -2% to EUR 8.4m (EUR 8.0m our expectation). DT's Q1 EBIT came in at EUR 1.2 m vs. our estimates of EUR 2.8m (EUR 2.6m cons). DT expects SBU sales to decrease and MBU sales to increase in 2020.

- **Group level results:** Q1 net sales amounted to EUR 19.9m (-13.6% y/y) vs. EUR 22.2m/22.0m Evli/consensus estimates. Q1 EBIT was EUR 1.2m (5.9% margin) vs. EUR 2.8m/2.6m Evli/cons. R&D costs amounted to EUR 2.6m or 13% of net sales (11% Q1'19).
- **Security and Industrial Business Unit (SBU)** had net sales of EUR 11.5m vs. EUR 14.2m Evli estimate. SBU sales declined -20% y/y, mainly due the COVID-19 pandemic. Both air and land transport decreased from 30 to 90% in different segments.
- **Medical Business Unit (MBU)** delivered net sales of EUR 8.4m which was in line with our estimate of EUR 8.0m. Net sales of MBU decreased by -2% y/y due to the expected softness in the CT market outside China at the beginning of the year, and the ramp-down in production of a product family started by one of DT's key customers last year. The COVID-19 pandemic increased demand in CT applications towards the end of Q1, but high comparison figures led to the overall development in net sales remaining negative.
- **Outlook update:** DT expects lower demand in the security segment to continue and SBU sales to decrease in Q2. Demand in medical CT applications, however, will remain at a good level, and MBU sales will grow. DT expects the demand in medical CT applications to remain at a good level also in H2, and MBU sales to increase in 2020. DT estimates that drop in demand in the security segment will continue at least to the end of the year, and thus DT expects SBU sales to decrease in 2020.

Rating	 BUY
Share price, EUR (Last trading day's closing price)	20.00
Target price, EUR	24.0
Latest change in recommendation	21-Apr-20
Latest report on company	21-Apr-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	288
Free float, %	-
Exchange rate	-
Reuters code	DETEC.HE
Bloomberg code	DETEC FH
Average daily volume, EURm	-
Next interim report	4-Aug-20
Web site	deete.com/investors/
Analyst	Jonas Forslund
E-mail	jonas.forslund@evli.com
Telephone	

 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
2018	93.9	18.5	19.7%	1.4	1.03	15.1	2.2	11.1	0.6	0.38
2019	102.5	17.0	16.6%	7.6	0.87	29.5	3.4	20.4	2.1	0.38
2020E	108.4	17.0	15.7%	12.3	0.93	21.4	2.4	15.3	4.3	0.38
2021E	122.0	21.3	17.5%	12.1	1.19	16.8	2.1	11.9	4.2	0.47
2022E	136.8	24.6	18.0%	14.3	1.37	14.6	1.8	10.0	5.0	0.55
Market cap, EURm				288	BV per share 2020E, EUR		-41.1	CAGR EPS 2019-22, %		16.5
Net debt 2020E, EURm				-27	Price/book 2020E		4.3	CAGR sales 2019-22, %		10.1
Enterprise value, EURm				260	Dividend yield 2020E, %		1.9	ROE 2020E, %		21.6
Total assets 2020E, EURm				80	Tax rate 2020E, %		20.0	ROCE 2020E, %		26.0
Goodwill 2020E, EURm				0	Equity ratio 2020E, %		83.4	PEG, P/E 20/CAGR		2.1

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

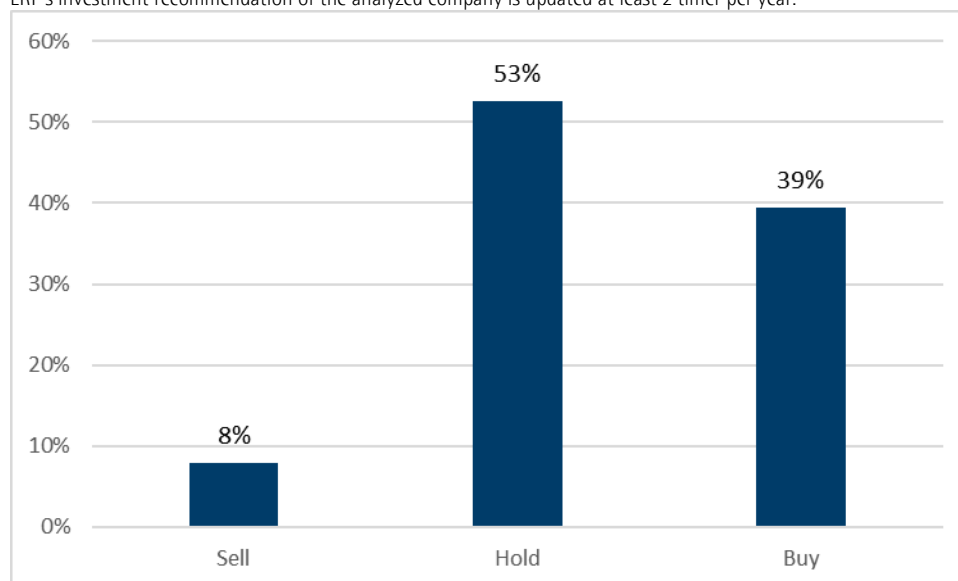
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Investment recommendations are defined as follows:

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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## Contact information

### SALES, TRADING AND RESEARCH

#### Equity Sales

Ari Laine +358 9 4766 9115  
Lauri Ahokanto +358 9 4766 9117  
Niclas Henelius +358 9 4766 9116

#### 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

#### ETFs and Derivatives

Joachim Dannberg +358 9 4766 9123  
Kimmo Lijja +358 9 4766 9130

#### 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  
Anna-Liisa Rissanen +358 40 157 9919

#### Evli Investment Solutions

Johannes Asuja +358 9 4766 9205  
Markku Reinikainen +358 9 4766 9669



**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](http://www.evli.com)  
E-mail [firstname.lastname@evli.com](mailto:firstname.lastname@evli.com)

**EVLI BANK PLC,  
STOCKHOLMSFILIAL**  
Regeringsgatan 67 P.O. Box 16354  
SE-103 26 Stockholm  
Sverige  
[stockholm@evli.com](mailto:stockholm@evli.com)  
Tel +46 (0)8 407 8000  
Fax +46 (0)8 407 8001