

Result miss, but some light in end of tunnel

DT's Q3 result clearly missed our and consensus expectations due to worse than expected performance in SBU. DT's Q3 net sales were EUR 20.6m (-23.4% y/y) vs. EUR 24m/23.5m Evli/consensus estimates. SBU sales declined -43% to EUR 10.6m (EUR 13.5m our expectation) and MBU sales increased +20% to EUR 10.1m (EUR 10.5m our expectation). DT's Q3 EBIT came in at EUR 2.6m vs. our estimates of EUR 4m (EUR 3.4m cons). On the positive, DT says it is cautiously optimistic that the worst may already be behind it.

- **Group level results:** Q3 net sales amounted to EUR 20.6m (-23.4% y/y) vs. EUR 24m/23.5m Evli/consensus estimates. Q3 EBIT was EUR 2.6m (12.6% margin) vs. EUR 4m/3.4m Evli/cons. R&D costs amounted to EUR 2.3m or 11% of net sales (Q3'19: 2.6m, 9.7%).
- **Security and Industrial Business Unit (SBU)** had net sales of EUR 10.6m vs. EUR 13.5m Evli estimate. SBU sales declined -43% y/y, mainly due the COVID-19 pandemic. SBU net sales are expected to decrease in Q4 y/y, but the company expects improvement in H1 of 2021.
- **Medical Business Unit (MBU)** delivered net sales of EUR 10.1m which was broadly in line with our estimate of EUR 10.5m. Net sales of MBU increased by +20% y/y due continued strong demand in medical CT imaging. DT expects MBU sales to grow in Q4 and to continue to grow in Q1 of 2021, albeit more slowly than in 2020.
- **No change in medium-term targets;** at least 10% net sales growth, EBIT margin at or above 15%.

Rating	🟡 HOLD
Share price, EUR (Last trading day's closing price)	22.50
Target price, EUR	22.0
Latest change in recommendation	23-Oct-20
Latest report on company	23-Oct-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	323
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
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	92.3	12.5	13.5%	12.5	0.67	33.8	3.3	24.3	3.9	0.38
2021E	108.3	17.9	16.5%	9.0	0.98	23.0	2.8	16.8	2.8	0.39
2022E	123.5	21.6	17.5%	12.7	1.20	18.8	2.4	13.5	3.9	0.48
Market cap, EURm			323	BV per share 2020E, EUR		-36.5	CAGR EPS 2019-22, %			11.3
Net debt 2020E, EURm			-20	Price/book 2020E		5.9	CAGR sales 2019-22, %			6.4
Enterprise value, EURm			303	Dividend yield 2020E, %		1.7	ROE 2020E, %			16.8
Total assets 2020E, EURm			72	Tax rate 2020E, %		20.3	ROCE 2020E, %			20.1
Goodwill 2020E, EURm			0	Equity ratio 2020E, %		77.5	PEG, P/E 20/CAGR			1.7

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

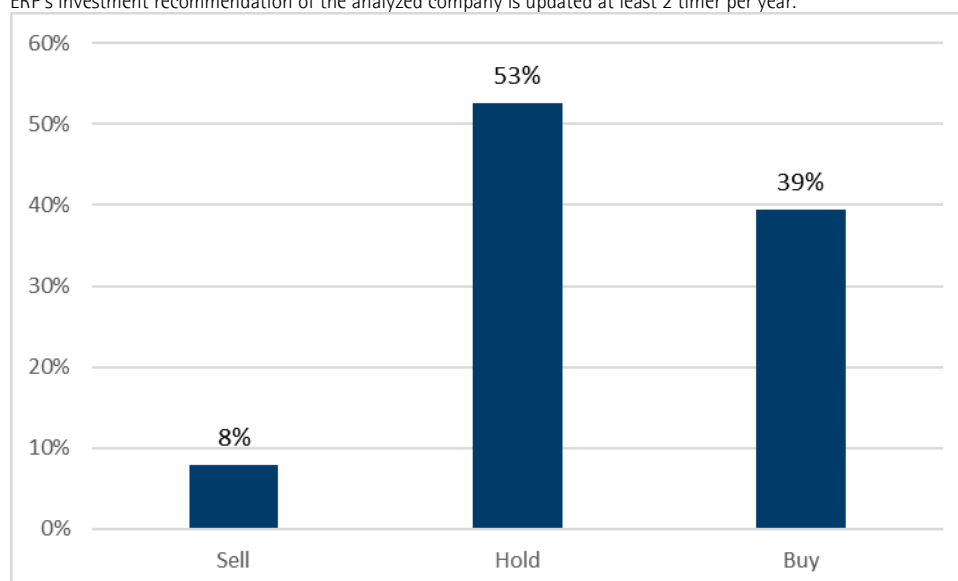
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Investment recommendations are defined as follows:

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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