

Continued air turbulence ahead

Detection Technology delivered a decent Q2 operating result despite the significant drop in net sales due to the ongoing corona pandemic. Medical business is going strong, but challenging situation in aviation segment weighs on SBU and visibility into how long situation will continue is poor. Although 2020E will be challenging, we see that DT is well positioned to weather out the storm and its competitive position with its new products remains good. We maintain our target price of 22 euros and BUY recommendation.

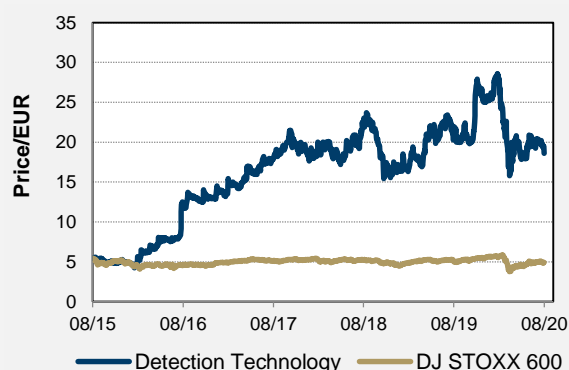
Decent quarter considering circumstances

Given the ongoing pandemic affecting especially DT's security business, DT delivered a decent and broadly in-line Q2 operating result despite a quite significant drop in net sales. Q2 net sales amounted to EUR 21.1m (-23.2% y/y) vs. EUR 25m/25.3m Evli/consensus estimates. Q2 EBIT was EUR 2.6m (12.3% margin) vs. EUR 1.9m/3.0m Evli/cons. R&D costs amounted to EUR 2.7m or 12.7% of net sales (Q2'19: 2.9m, 10.7%). SBU had net sales of EUR 11.2m vs. EUR 15.2m Evli estimate. SBU sales declined -42.1% y/y, mainly due the COVID-19 pandemic affecting the demand for security X-ray devices. MBU delivered net sales of EUR 9.9m which was in line with our estimate of EUR 9.8m. Net sales of MBU increased by +22.5% y/y due to continued strong demand in medical CT imaging.

Short term visibility poor with aviation segment weighing on SBU

DT continues to expect lower demand in the security segment to continue in Q3 and SBU sales to decrease in 2020. DT however sees SBU sales starting to improve towards end of the year. DT estimates airport CT standard equipment upgrades in Europe and U.S. to be postponed at least 12 months. Regarding China, it remains unclear when similar Chinese airport standardization will start and if any security infrastructure related government recovery measures will take place. The situation regarding aviation remains the biggest near-term uncertainty for DT. We estimate aviation to contribute roughly half of SBU net sales. That said, -42% drop in SBU Q2 net sales is a relatively good performance given that aviation grinded almost completely to a halt in Q2. MBU sales growth is expected to continue in H2, although product mix is likely to shift from basic CT devices to more high-end devices, which should support MBU margins further.

Rating

+ BUY


Share price, EUR (Last trading day's closing price) 18.60

Target price, EUR 22.0

Latest change in recommendation 20-Apr-20

Latest report on company 30-Jul-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 267

Free float, % -

Exchange rate -

Reuters code DETEC.HE

Bloomberg code DETEC FH

Average daily volume, EURm -

Next interim report 27-Oct-20

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+ BUY □ HOLD - SELL

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	27.9	2.7	19.8	4.7	0.38	
2021E	108.3	17.9	16.5%	9.0	0.98	19.0	2.2	13.6	3.4	0.39	
2022E	123.5	21.6	17.5%	12.7	1.20	15.6	1.9	11.0	4.8	0.48	
Market cap, EURm			267	Gearing 2020E, %			-36.5	CAGR EPS 2019-22, %			11.3
Net debt 2020E, EURm			-20	Price/book 2020E			4.8	CAGR sales 2019-22, %			6.4
Enterprise value, EURm			247	Dividend yield 2020E, %			2.0	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			1.4

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

Maintain BUY recommendation with TP of 22 euros

Based on the report, we have trimmed our 2020E sales and EBIT estimates by 7% and 4% respectively. We expect SBU sales to decline -23,5% from last year's highs and MBU to grow +18%, resulting in 2020E net sales to decline -10% and EBIT of 12.5 MEUR. We have increased our sales growth estimates for 2021-22E to account for postponement of CT standardization related upgrades. On our revised estimates, DT is trading at 19.8x and 13.6x EV/EBIT multiples for 20-21E, some 10-20% below our peer group now that peer multiples have rerated since DT's Q1 report. Although 2020E will be challenging, we see that DT is well positioned to weather out the storm and its competitive position with its new products remains good. Therefore, we continue to see DT as an attractive investment story given the strong longer-term drivers, especially in China, as well as DT's compelling strategy and execution capabilities. We maintain our target price of 22 euros and BUY recommendation. Our target price implies EV/EBIT multiple of 16.4x on our 21E estimates, which is still ~7% below peer group.

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	23.1	27.5	26.9	25.0	102.5	19.9	21.1	24.0	27.3	92.3	108.3	123.5
EBITDA	4.4	5.5	5.7	4.3	19.9	2.0	3.4	4.9	5.4	15.6	21.0	24.8
<i>EBITDA margin (%)</i>	<i>19.2</i>	<i>20.0</i>	<i>21.3</i>	<i>17.1</i>	<i>19.5</i>	<i>9.9</i>	<i>16.0</i>	<i>20.4</i>	<i>19.8</i>	<i>17.0</i>	<i>19.4</i>	<i>20.0</i>
EBIT	3.9	4.8	5.1	3.2	17.0	1.2	2.6	4.1	4.6	12.5	17.9	21.6
<i>EBIT margin (%)</i>	<i>16.7</i>	<i>17.5</i>	<i>19.1</i>	<i>12.8</i>	<i>16.6</i>	<i>6.0</i>	<i>12.3</i>	<i>17.1</i>	<i>16.8</i>	<i>13.5</i>	<i>16.5</i>	<i>17.5</i>
Net financial items	0.0	-0.7	-0.1	-0.2	-1.0	0.0	-0.3	0.0	0.0	-0.5	-0.3	-0.1
Pre-tax profit	3.9	4.2	5.0	3.0	16.0	1.2	2.3	4.1	4.6	12.0	17.6	21.5
Tax	-0.3	-0.9	-1.0	-1.3	-3.6	-0.2	-0.5	-0.8	-0.9	-2.4	-3.5	-4.3
<i>Tax rate (%)</i>	<i>9.1</i>	<i>22.9</i>	<i>20.0</i>	<i>41.6</i>	<i>22.2</i>	<i>20.0</i>	<i>21.6</i>	<i>20.0</i>	<i>20.0</i>	<i>20.3</i>	<i>20.0</i>	<i>20.0</i>
Net profit	3.5	3.2	4.0	1.8	12.5	0.9	1.8	3.2	3.6	9.6	14.1	17.2
EPS	0.24	0.22	0.28	0.12	0.87	0.06	0.12	0.23	0.25	0.67	0.98	1.20
EPS adjusted (diluted no. of shares)	0.24	0.22	0.27	0.12	0.84	0.06	0.12	0.22	0.24	0.64	0.95	1.16
Dividend per share	0.00	0.00	0.00	0.00	0.38	0.00	0.00	0.00	0.00	0.38	0.39	0.48
SALES, EURm												
MBU	8.6	8.1	8.4	8.6	33.7	8.4	9.9	10.5	10.8	39.6	45.3	51.4
SBU	14.5	19.4	18.6	16.4	68.9	11.5	11.2	13.5	16.5	52.7	63.1	72.1
Total	23.1	27.5	26.9	25.0	102.5	19.9	21.1	24.0	27.3	92.3	108.3	123.5
SALES GROWTH, Y/Y %												
MBU	15.0	-12.1	-27.4	-14.9	-12.1	-2.3	22.2	25.7	25.6	17.7	14.3	13.5
SBU	22.9	27.6	41.6	5.8	23.8	-20.7	-42.3	-27.2	0.6	-23.5	19.7	14.3
Total	19.8	12.6	9.3	-2.3	9.2	-13.9	-23.3	-10.8	9.2	-10.0	17.4	14.0

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	EBIT %		EBITDA %		ROCE %	
			20E	21E	20E	21E	20E	21E
First Sensor AG	SIS-DE	406						
Hamamatsu Photonics K.K.	6965-JP	6032	17	18	25	27	11	11
OSI Systems, Inc.	OSIS-US	1158	10	10	16	16		
Varex Imaging Corporation	VREX-US	563	6	8	10	14	4	6
ams AG	AMS-CH	3946	17	10	31	17	7	11
Analog Devices, Inc.	ADI-US	38731	39	41	43	45	11	12
Keysight Technologies Inc	KEYS-US	16973	22	25	27	28	14	15
Spectris plc	SXS-GB	3432	12	14	17	19	11	13
Oxford Instruments plc	OXIG-GB	911	13	15	17	18	13	15
Trimble Inc.	TRMB-US	10243	20	21	22	23	10	11
Hexagon AB Class B	HEXA.B-SE	19923	24	27	34	36	10	11
Vaisala Oyj Class A	VAIAS-FI	1135	11	12	16	17	20	21
Peer Group Average		8289	17	18	23	23	11	13
Peer Group Median		3946	15	16	20	20	11	12
Detection Technology (Evli est.)		262	13,5	16,5	17,0	19,4	20	28

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	ROE %		DIV %		P/E	
			20E	21E	20E	21E	20E	21E
First Sensor AG	SIS-DE	406						
Hamamatsu Photonics K.K.	6965-JP	6032	9	10	0,9	1,0	39,6x	33,6x
OSI Systems, Inc.	OSIS-US	1158	15	14			16,0x	15,5x
Varex Imaging Corporation	VREX-US	563	3	9			41,2x	15,0x
ams AG	AMS-CH	3946	7	12	0,6	0,7	16,4x	9,8x
Analog Devices, Inc.	ADI-US	38731	15	16	2,1	2,2	25,3x	21,7x
Keysight Technologies Inc	KEYS-US	16973	24	25	0,0	0,2	24,6x	19,9x
National Instruments Corporation	NATI-US	4304	15	10	2,8	3,0	27,0x	35,8x
Spectris plc	SXS-GB	3432	9	12	1,8	2,5	24,2x	18,8x
Oxford Instruments plc	OXIG-GB	911	11	16	0,9	1,1	27,2x	23,2x
Trimble Inc.	TRMB-US	10243	13	13	0,0	0,0	26,2x	22,4x
Hexagon AB Class B	HEXA.B-SE	19923	11	13	1,0	1,2	28,8x	24,1x
Vaisala Oyj Class A	VAIAS-FI	1135	16	18	2,0	2,1	34,6x	30,1x
Peer Group Average		8289	12	14	1,2	1,4	27,6x	22,5x
Peer Group Median		3946	12	13	0,9	1,2	26,6x	22,1x
Detection Technology (Evli est.)		262	17	24	2,0	2,1	27,9x	19,0x

5 % -14 %

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	EV/S		EV/EBITDA		EV/EBIT	
			20E	21E	20E	21E	20E	21E
First Sensor AG	SIS-DE	406						
Hamamatsu Photonics K.K.	6965-JP	6032	4,8x	4,4x	19,3x	16,3x	28,4x	24,1x
OSI Systems, Inc.	OSIS-US	1158	1,3x	1,2x	8,1x	7,4x	13,4x	11,7x
Varex Imaging Corporation	VREX-US	563	1,3x	1,2x	13,3x	8,5x	24,3x	14,7x
ams AG	AMS-CH	3946	3,1x	1,0x	9,9x	6,0x	17,9x	10,5x
Analog Devices, Inc.	ADI-US	38731	8,7x	7,9x	20,3x	17,5x	22,2x	19,2x
Keysight Technologies Inc	KEYS-US	16973	4,8x	4,2x	18,0x	14,8x	21,7x	17,0x
Spectris plc	SXS-GB	3432	2,1x	2,0x	12,8x	10,5x	17,7x	13,9x
Oxford Instruments plc	OXIG-GB	911	2,4x	2,2x	14,5x	12,7x	18,7x	15,1x
Trimble Inc.	TRMB-US	10243	4,3x	3,8x	19,7x	16,9x	21,9x	18,4x
Hexagon AB Class B	HEXA.B-SE	19923	6,0x	5,4x	17,7x	14,9x	25,0x	20,5x
Vaisala Oyj Class A	VAIAS-FI	1135	2,9x	2,7x	18,1x	15,9x	26,7x	23,2x
Peer Group Average		8289	3,8x	3,3x	16,0x	13,1x	22,0x	17,3x
Peer Group Median		3946	3,3x	3,0x	17,9x	14,9x	22,1x	17,7x
Detection Technology (Evli est.)		262	2,7x	2,2x	15,8x	11,6x	19,8x	13,6x

Premium/discount relative to peer group median

Source: Factset, Evli Research

-20 % -25 % -12 % -22 % -10 % -23 %

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	Sales growth %		Net debt / EBITDA		Equity ratio	
			20E	21E	20E	21E	% 20E	% 21E
First Sensor AG	SIS-DE	406	9,2	10,6				
Hamamatsu Photonics K.K.	6965-JP	6032	-0,3	8,0	-2,2x	-2,2x	79,8	80,9
OSI Systems, Inc.	OSIS-US	1158	-0,7	0,0	1,2x	0,7x		
Varex Imaging Corporation	VREX-US	563	-4,5	4,4	5,0x	2,9x	37,5	39,8
ams AG	AMS-CH	3946	-2,2	177,7	2,9x	1,5x	43,1	43,2
Analog Devices, Inc.	ADI-US	38731	-9,6	8,0	1,8x	1,3x	55,6	57,2
Keysight Technologies Inc	KEYS-US	16973	-7,4	12,2	0,3x	-0,1x	47,1	53,6
National Instruments Corporation	NATI-US	4304	-7,0	0,0	-1,1x	-0,9x	68,0	71,9
Spectris plc	SXS-GB	3432	-17,3	7,6	-0,3x	-0,5x	69,7	67,9
Oxford Instruments plc	OXIG-GB	911	-6,6	5,7	-1,5x	-1,6x	61,0	61,6
Trimble Inc.	TRMB-US	10243	-8,7	8,7	2,3x	1,5x	48,0	51,3
Hexagon AB Class B	HEXA.B-SE	19923	-4,3	7,6	1,4x	0,8x	58,9	60,5
Vaisala Oyj Class A	VAIAS-FI	1135	-3,7	4,6	-0,2x	-0,5x	57,5	60,3
Peer Group Average		8289	-4,9	23,2	0,8x	0,2x	56,9	58,9
Peer Group Median		3946	-4,5	8,0	0,8x	0,3x	57,5	60,3
Detection Technology (Evli est.)		262	-10,0	17,4	-1,3x	-1,1x	77,5	79,2

Source: Factset, Evli Research

Updated on August 8th, 2020

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	42.8	75.5	89.0	93.9	102.5	92.3	108.3	123.5
<i>Sales growth (%)</i>	<i>29.2</i>	<i>76.5</i>	<i>17.9</i>	<i>5.5</i>	<i>9.2</i>	<i>-10.0</i>	<i>17.4</i>	<i>14.0</i>
EBITDA	5.8	17.3	22.1	20.9	19.9	15.6	21.0	24.8
<i>EBITDA margin (%)</i>	<i>13.4</i>	<i>22.9</i>	<i>24.9</i>	<i>22.3</i>	<i>19.5</i>	<i>17.0</i>	<i>19.4</i>	<i>20.0</i>
Depreciation	-1.3	-2.5	-2.2	-2.4	-2.9	-3.2	-3.1	-3.1
EBITA	4.5	14.8	19.9	18.5	17.0	12.5	17.9	21.6
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	4.5	14.8	19.9	18.5	17.0	12.5	17.9	21.6
<i>EBIT margin (%)</i>	<i>10.5</i>	<i>19.6</i>	<i>22.4</i>	<i>19.7</i>	<i>16.6</i>	<i>13.5</i>	<i>16.5</i>	<i>17.5</i>
Reported EBIT	3.4	14.8	19.9	18.5	17.0	12.5	17.9	21.6
<i>EBIT margin (reported) (%)</i>	<i>8.0</i>	<i>19.6</i>	<i>22.4</i>	<i>19.7</i>	<i>16.6</i>	<i>13.5</i>	<i>16.5</i>	<i>17.5</i>
Net financials	-2.4	-0.7	-0.5	-0.1	-1.0	-0.5	-0.3	-0.1
Pre-tax profit	2.1	14.1	19.4	18.4	16.0	12.0	17.6	21.5
Taxes	-0.1	-3.2	-4.2	-3.6	-3.6	-2.4	-3.5	-4.3
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	0.9	10.9	15.2	14.9	12.5	9.6	14.1	17.2
Cash NRIs	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	7	6	6	9	10	10	11	11
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	0	0	0	0	0
Inventory	7	11	9	13	14	13	15	17
Receivables	14	22	21	27	27	24	28	32
Liquid funds	7	16	27	22	26	25	27	31
Total assets	35	54	62	71	77	72	81	91
Liabilities								
Shareholder's equity	21	31	42	51	58	55	64	75
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	0	0	0	0	0
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	1	7	5	4	6	5	4	1
Non-interest bearing current liabilities	11	14	15	15	12	11	13	15
Other interest-free debt	2	3	1	0	1	1	1	1
Total liabilities	35	54	62	71	77	72	81	91
CASH FLOW, EURm								
+ EBITDA	6	17	22	21	20	16	21	25
- Net financial items	4	8	11	0	-1	0	0	0
- Taxes	0	-1	-3	-5	-4	-2	-4	-4
- Increase in Net Working Capital	-2	-11	1	-10	-3	3	-4	-4
+/- Other	-8	-9	-12	0	0	0	0	0
= Cash flow from operations	0	5	19	6	12	16	13	16
- Capex	-5	-2	-2	-5	-4	-3	-4	-3
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-4	3	17	1	8	12	9	13
+/- New issues/buybacks	19	0	-1	0	0	-7	0	0
- Paid dividend	0	-1	-3	-5	-5	-5	-5	-6
+/- Other	-10	6	-2	0	2	-1	-1	-3
Change in cash	4	8	11	-4	4	-1	2	4

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	188	250	224	368	267	267	267
Net debt (excl. convertibles)	-9	-22	-18	-20	-20	-24	-31
Enterprise value	179	228	206	348	247	244	237
Sales	76	89	94	103	92	108	123
EBITDA	17	22	21	20	16	21	25
EBIT	15	20	19	17	12	18	22
Pre-tax	14	19	18	16	12	18	21
Earnings	11	15	15	12	10	14	17
Equity book value (excl. minorities)	31	42	51	58	55	64	75
Valuation multiples							
EV/sales	2.4	2.6	2.2	3.4	2.7	2.2	1.9
EV/EBITDA	10.3	10.3	9.8	17.4	15.8	11.6	9.6
EV/EBITA	12.1	11.5	11.1	20.4	19.8	13.6	11.0
EV/EBIT	12.1	11.5	11.1	20.4	19.8	13.6	11.0
EV/OCF	36.6	12.3	33.6	28.9	15.9	19.1	14.7
EV/FCFF	48.3	13.3	142.7	41.6	19.2	26.5	18.4
P/FCFE	57.3	14.9	162.4	48.5	21.4	29.8	21.0
P/E	17.2	16.5	15.1	29.5	27.9	19.0	15.6
P/B	6.1	6.0	4.4	6.3	4.8	4.2	3.5
Target EV/EBITDA	0.0	0.0	0.0	0.0	18.9	13.9	11.5
Target EV/EBIT	0.0	0.0	0.0	0.0	23.7	16.4	13.2
Target EV/FCF	0.0	0.0	0.0	0.0	23.7	32.6	22.4
Target P/B	0.0	0.0	0.0	0.0	5.7	5.0	4.2
Target P/E	0.0	0.0	0.0	0.0	34.2	23.2	19.0
Per share measures							
Number of shares	13,426	13,901	14,375	14,375	14,375	14,375	14,375
Number of shares (diluted)	13,426	13,901	14,849	14,875	14,875	14,875	14,875
EPS	0.81	1.09	1.03	0.87	0.67	0.98	1.20
Operating cash flow per share	0.36	1.34	0.43	0.84	1.08	0.89	1.12
Free cash flow per share	0.24	1.21	0.10	0.53	0.87	0.62	0.89
Book value per share	2.30	3.00	3.57	4.06	3.84	4.44	5.24
Dividend per share	0.25	0.35	0.38	0.38	0.38	0.39	0.48
Dividend payout ratio, %	30.8	32.1	36.7	43.9	57.1	40.0	40.0
Dividend yield, %	1.8	1.9	2.4	1.5	2.0	2.1	2.6
FCF yield, %	1.7	6.7	0.6	2.1	4.7	3.4	4.8
Efficiency measures							
ROE	41.9	41.8	32.0	22.7	16.8	23.7	24.7
ROCE	48.2	47.4	36.4	28.5	20.1	28.0	30.1
Financial ratios							
Inventories as % of sales	14.0	9.6	14.2	13.8	13.8	13.8	13.8
Receivables as % of sales	28.6	24.1	28.4	25.9	25.9	25.9	25.9
Non-interest bearing liabilities as % of sales	18.7	16.8	16.4	12.1	12.1	12.1	12.1
NWC/sales, %	21.5	15.7	25.9	27.0	27.0	27.1	27.1
Operative CAPEX/sales, %	2.1	2.1	5.0	4.4	3.3	3.5	2.8
CAPEX/sales (incl. acquisitions), %	2.1	2.1	5.0	4.4	3.3	3.5	2.8
FCFF/EBITDA	0.2	0.8	0.1	0.4	0.8	0.4	0.5
Net debt/EBITDA, book-weighted	-0.5	-1.0	-0.9	-1.0	-1.3	-1.1	-1.2
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	57.8	67.5	73.0	76.6	77.5	79.2	83.1
Gearing, %	-29.2	-52.3	-35.6	-34.9	-36.5	-37.1	-40.8

COMPANY DESCRIPTION: Detection Technology is a global provider of off-the-shelf and customized X-ray imaging solutions for medical, security and industrial applications. DT's product portfolio ranges from photodiodes to complete detector systems with ASICs, electronics, mechanics and software. The company was established in 1991 and it listed on Nasdaq First North Finland in 2015. The company is headquartered in Finland and has volume production in Beijing, China. Detection Technology has over 500 employees in Finland, China, France and USA, serving 260 active customers in over 40 countries.

INVESTMENT CASE: Demand for Detection Technology's detector solutions is increasing due to expansion of healthcare to a wider share of population in the emerging economies, aging population, growth in travelling and freight transport, urbanization, increased security concerns and increasing need for X-ray imaging applications in industrial inspection. We see investment case attractive due to strong market drivers, especially in China, as well as DT's compelling strategy and execution capabilities, which should enable DT to grow faster than the market and maintain above target level margins. Due to its proximity to the fastest growing market China and inexpensive valuation, DT could be also become an acquisition target.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Ac Invest Seven B.V.	5,205,167	96.816	36.2%
OP-Finland Value Fund	651,065	12.110	4.5%
Ilmarinen Mutual Pension Insurance Company	554,000	10.304	3.9%
Varma Mutual Pension Insurance Company	515,000	9.579	3.6%
Sijoitusrahasto Aktia Capital	484,762	9.017	3.4%
Fondita Nordic Micro Cap	390,000	7.254	2.7%
Evli Finnish Small Cap Fund	327,259	6.087	2.3%
Martola Hannu Veikko	322,875	6.005	2.2%
Saastopankki Kotimaa	200,000	3.720	1.4%
Ten largest	8,650,128	160.892	60%
Residual	5,725,302	106.491	40%
Total	14,375,430	267.383	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

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CFO: Petri Hiljanen

IR: Johanna Tarkiainen

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Tel: +358 20 766 9700

DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	DPS	Dividend for the financial period per share
Market cap	Price per share * Number of shares	OCF (Operating cash flow)	EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow)	Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, %	$\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital	Current assets – current liabilities
Net debt	Interest bearing debt – financial assets	Capital employed/Share	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
Total assets	Balance sheet total	Gearing	$\frac{\text{Net debt}}{\text{Equity}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

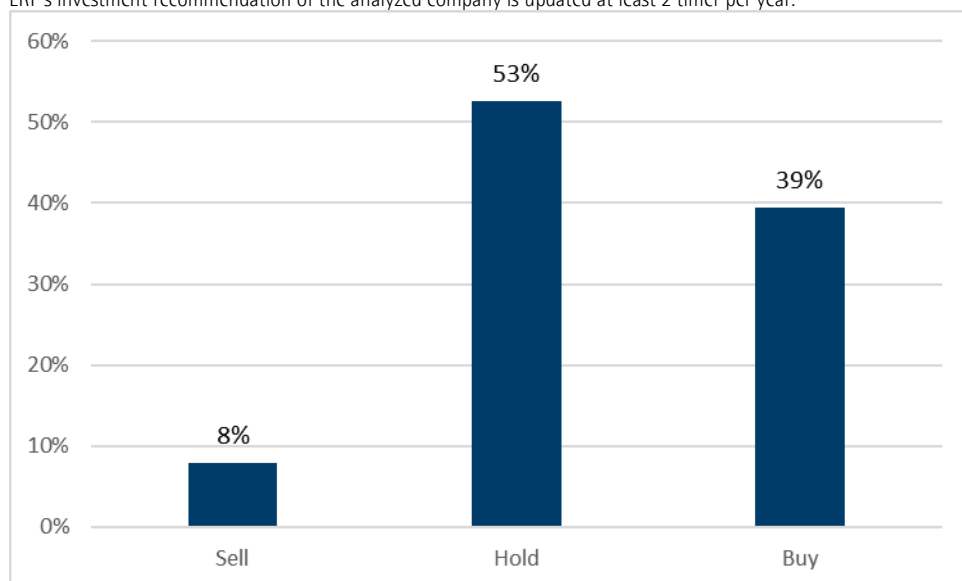
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Investment recommendations are defined as follows:

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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