

## Expecting to fire on both cylinders in Q1

Detection Technology will report Q1 earnings next week on Friday April 26<sup>th</sup>. We expect both business units to perform well in Q1, with SBU growth coming back on track and MBU's good momentum continuing. Our focus will be on the expected pick up of the security market and market comments. Our rating and TP remain intact ahead of Q1.

### Security market expected to pick up again

DT said in their Q418 result that they saw signs of security market picking up again and overall the beginning of the year is expected to be strong in all markets. Consequently, DT expects double digit sales growth in the first half, but second half is however more uncertain, with one of MBU's major customers ramping down manufacturing of a certain device. We expect both BU's to perform well in Q1, with SBU growing 15% and MBU 17% yoy. We expect Q1 net sales to be 22.3 MEUR (19.3 MEUR Q118) and Q1 EBIT to be 4.1 MEUR (3.7 MEUR Q118). Consensus is expecting Q1 net sales of 22.6 MEUR and EBIT of 4.0 MEUR.

### Varex acquiring Direct Conversion AB for 75 MEUR

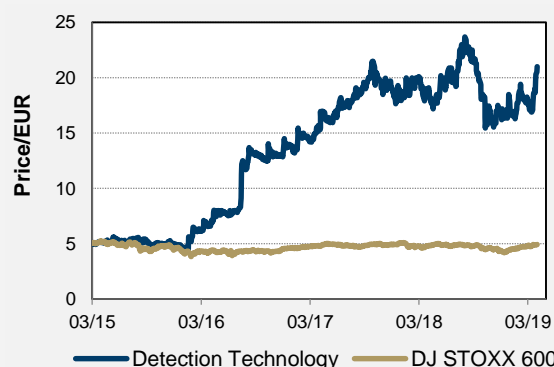
DT's peer company, Varex Imaging, recently announced its intent to acquire 90% of Direct Conversion AB for a price of 75 MEUR for the whole company. The Swedish company had net sales of 16 MEUR in 2018, which means a 4.7x EV/Sales deal multiple. This further proves the potential seen in direct conversion and photon counting, an area which DT is also investing in with its asset purchase deal of the French MultiX.

### BUY rating and TP of 19 euros maintained ahead of Q1

For 2019E, we expect DT's net sales to grow 7.5% to EUR 100.9m driven by SBU's return to growth of 11.5% on slightly weaker comparables. We expect 2019E MBU net sales growth to be flat due to the ramp-down of key customer's product in H2. We estimate 2019E EBIT to be EUR 18.9m (19.1m 2018) and EBIT margin to decrease to 18.8% from 19.7% level of 2018 due to higher R&D costs (30% higher vs. 2018). Our rating "BUY" and TP EUR 19.0, remain unchanged ahead of Q1.

Rating

BUY



Share price, EUR (Last trading day's closing price) 21.00

Target price, EUR 19.0

Latest change in 04-Feb-19

Latest report on company 04-Feb-19

Research paid by issuer: YES

No. of shares outstanding, 14,375

No. of shares fully diluted, 14,875

Market cap, EURm 302

Free float, % -

Exchange rate -

Reuters code DETEC.HE

Bloomberg code DETEC FH

Average daily volume, -

Next interim report 26-Apr-19

Web site <http://www.deetee.com/investors/>

Analyst Jonas Forslund

E-mail [jonas.forslund@evli.com](mailto:jonas.forslund@evli.com)

Telephone

BUY HOLD SELL

## KEY FIGURES

|                          | Sales<br>EURm | EBIT<br>EURm | EBIT<br>% | Ptx profit<br>EURm      | EPS<br>EUR | P/E<br>(x) | EV/Sales<br>(x)       | P/CF<br>(x) | EV/EBIT<br>(x) | DPS<br>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       | 20.4       | 2.7                   | 12.3        | 14.2           | 0.46       |
| 2020E                    | 112           | 21           | 18.9%     | 21                      | 1.18       | 17.8       | 2.3                   | 16.2        | 12.3           | 0.53       |
| 2021E                    | 125           | 24           | 19.0%     | 24                      | 1.32       | 15.9       | 2.0                   | 16.4        | 10.6           | 0.60       |
| Market cap, EURm         |               | 302          |           | BV per share 2019E, EUR |            | 4.2        | CAGR EPS 2018-21, %   |             |                | 8.6        |
| Net debt 2019E, EURm     |               | -32          |           | Price/book 2019E        |            | 5.0        | CAGR sales 2018-21, % |             |                | 10.1       |
| Enterprise value, EURm   |               | 270          |           | Dividend yield 2019E, % |            | 2.2        | 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      |             |                | 2.1        |

| VALUATION RESULTS        | BASE CASE DETAILS          | VALUATION ASSUMPTIONS   | ASSUMPTIONS FOR WACC           |      |
|--------------------------|----------------------------|-------------------------|--------------------------------|------|
| Current share price      | 21.00 PV of Free Cash Flow | 121 Long-term growth, % | 2.5 Risk-free interest rate, % | 2.25 |
| DCF share value          | 21.49 PV of Horizon value  | 170 WACC, %             | 8.5 Market risk premium, %     | 5.8  |
| Share price potential, % | 2.3 Unconsolidated equity  | 0 Spread, %             | 0.0 Debt risk premium, %       | 2.8  |
| Maximum value            | 21.5 Marketable securities | 22 Minimum WACC, %      | 8.5 Equity beta coefficient    | 1.10 |
| Minimum value            | 21.5 Debt - dividend       | -4 Maximum WACC, %      | 8.5 Target debt ratio, %       | 20   |
| Horizon value, %         | 58.4 Value of stock        | 309 Nr of shares, Mn    | 14.4 Effective tax rate, %     | 20   |

| DCF valuation, EURm           | 2018        | 2019E       | 2020E       | 2021E       | 2022E       | 2023E       | 2024E       | 2025E       | 2026E       | 2027E       | 2028E       | Horizon     |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net sales                     | 94          | 101         | 112         | 125         | 144         | 153         | 160         | 167         | 172         | 177         | 181         | 186         |
| <i>Sales growth, %</i>        | <i>5.5</i>  | <i>7.5</i>  | <i>10.7</i> | <i>12.1</i> | <i>15.0</i> | <i>6.0</i>  | <i>5.0</i>  | <i>4.0</i>  | <i>3.0</i>  | <i>3.0</i>  | <i>2.5</i>  | <i>2.5</i>  |
| Operating income (EBIT)       | 19          | 19          | 21          | 24          | 24          | 24          | 26          | 27          | 27          | 28          | 29          | 30          |
| <i>EBIT margin, %</i>         | <i>19.7</i> | <i>18.8</i> | <i>18.9</i> | <i>19.0</i> | <i>17.0</i> | <i>16.0</i> | <i>16.0</i> | <i>16.0</i> | <i>16.0</i> | <i>16.0</i> | <i>16.0</i> | <i>16.0</i> |
| + Depreciation+amort.         | 2           | 3           | 4           | 2           | 3           | 4           | 4           | 4           | 4           | 4           | 4           |             |
| - Income taxes                | -4          | -4          | -4          | -5          | -5          | -5          | -5          | -5          | -5          | -6          | -6          |             |
| - Change in NWC               | -10         | 6           | -2          | -2          | -3          | -2          | -1          | -1          | -1          | -1          | -1          |             |
| <i>NWC / Sales, %</i>         | <i>25.9</i> | <i>17.8</i> | <i>17.8</i> | <i>17.9</i> | <i>17.9</i> | <i>17.9</i> | <i>17.9</i> | <i>17.9</i> | <i>17.9</i> | <i>17.9</i> | <i>17.9</i> |             |
| + Change in other liabs       | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           |             |
| - Capital Expenditure         | -5          | -5          | -2          | -3          | -5          | -4          | -4          | -4          | -4          | -5          | -5          | -5          |
| <i>Investments / Sales, %</i> | <i>5.6</i>  | <i>4.7</i>  | <i>1.5</i>  | <i>2.2</i>  | <i>3.5</i>  | <i>2.9</i>  | <i>2.7</i>  | <i>2.6</i>  | <i>2.6</i>  | <i>2.6</i>  | <i>2.5</i>  | <i>2.5</i>  |
| - Other items                 | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           |             |
| = Unlevered Free CF (FCF)     | 2           | 20          | 17          | 16          | 14          | 17          | 19          | 20          | 21          | 21          | 22          | 379         |
| = Discounted FCF (DFCF)       |             | 18          | 15          | 12          | 10          | 12          | 11          | 11          | 11          | 10          | 10          | 170         |
| = DFCF min WACC               |             | 18          | 15          | 12          | 10          | 12          | 11          | 11          | 11          | 10          | 10          | 170         |
| = DFCF max WACC               |             | 18          | 15          | 12          | 10          | 12          | 11          | 11          | 11          | 10          | 10          | 170         |

## INTERIM FIGURES

| EVLI ESTIMATES, EURm                 | 2018Q1      | 2018Q2      | 2018Q3      | 2018Q4       | 2018        | 2019Q1E     | 2019Q2E     | 2019Q3E     | 2019Q4E      | 2019E       | 2020E       | 2021E       |
|--------------------------------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|
| Net sales                            | 19          | 24          | 25          | 26           | 94          | 22          | 27          | 26          | 26           | 101         | 112         | 125         |
| EBITDA                               | 4           | 6           | 6           | 5            | 21          | 5           | 6           | 5           | 6            | 22          | 25          | 26          |
| <i>EBITDA margin (%)</i>             | <i>22.3</i> | <i>24.3</i> | <i>23.1</i> | <i>19.5</i>  | <i>22.3</i> | <i>21.1</i> | <i>21.1</i> | <i>21.0</i> | <i>23.0</i>  | <i>21.6</i> | <i>22.2</i> | <i>20.4</i> |
| EBIT                                 | 4           | 5           | 5           | 4            | 19          | 4           | 5           | 5           | 5            | 19          | 21          | 24          |
| <i>EBIT margin (%)</i>               | <i>19.2</i> | <i>21.7</i> | <i>20.7</i> | <i>17.3</i>  | <i>19.7</i> | <i>18.5</i> | <i>19.0</i> | <i>18.7</i> | <i>18.8</i>  | <i>18.8</i> | <i>18.9</i> | <i>19.0</i> |
| Net financial items                  | 0           | 0           | 0           | 0            | 0           | 0           | 0           | 0           | 0            | -1          | 0           | 0           |
| Pre-tax profit                       | 3           | 6           | 5           | 5            | 18          | 4           | 5           | 5           | 5            | 18          | 21          | 24          |
| Tax                                  | 0           | -1          | 0           | -1           | -4          | 0           | -1          | -1          | -1           | -3          | -4          | -5          |
| <i>Tax rate (%)</i>                  | <i>14.3</i> | <i>20.6</i> | <i>9.6</i>  | <i>32.3</i>  | <i>19.4</i> | <i>12.6</i> | <i>19.8</i> | <i>21.5</i> | <i>21.3</i>  | <i>19.1</i> | <i>20.0</i> | <i>20.0</i> |
| Net profit                           | 3           | 4           | 4           | 3            | 15          | 3           | 4           | 4           | 4            | 15          | 17          | 19          |
| EPS                                  | 0.20        | 0.31        | 0.31        | 0.22         | 1.03        | 0.24        | 0.28        | 0.25        | 0.26         | 1.03        | 1.18        | 1.32        |
| EPS adjusted (diluted no. of shares) | 0.20        | 0.30        | 0.30        | 0.21         | 1.00        | 0.23        | 0.27        | 0.25        | 0.25         | 1.00        | 1.14        | 1.28        |
| Dividend per share                   | 0.00        | 0.00        | 0.00        | 0.00         | 0.38        | 0.00        | 0.00        | 0.00        | 0.00         | 0.46        | 0.53        | 0.60        |
| <b>SALES, EURm</b>                   |             |             |             |              |             |             |             |             |              |             |             |             |
| MBU                                  | 7           | 9           | 12          | 10           | 38          | 9           | 10          | 12          | 8            | 39          | 44          | 51          |
| SBU                                  | 12          | 15          | 13          | 16           | 56          | 13          | 17          | 14          | 17           | 62          | 68          | 74          |
| Total                                | 19          | 24          | 25          | 26           | 94          | 22          | 27          | 26          | 26           | 101         | 112         | 125         |
| <b>SALES GROWTH, Y/Y %</b>           |             |             |             |              |             |             |             |             |              |             |             |             |
| <i>MBU</i>                           | <i>10.0</i> | <i>26.3</i> | <i>29.2</i> | <i>24.7</i>  | <i>23.2</i> | <i>17.0</i> | <i>10.0</i> | <i>0.3</i>  | <i>-16.3</i> | <i>1.5</i>  | <i>12.7</i> | <i>16.3</i> |
| <i>SBU</i>                           | <i>-2.5</i> | <i>16.0</i> | <i>-1.5</i> | <i>-20.1</i> | <i>-4.0</i> | <i>14.0</i> | <i>13.0</i> | <i>7.7</i>  | <i>11.5</i>  | <i>11.5</i> | <i>9.4</i>  | <i>9.3</i>  |
| <i>Total</i>                         | <i>2.0</i>  | <i>19.7</i> | <i>10.8</i> | <i>-6.9</i>  | <i>5.5</i>  | <i>15.2</i> | <i>11.9</i> | <i>4.3</i>  | <i>0.5</i>   | <i>7.5</i>  | <i>10.7</i> | <i>12.1</i> |
| <b>EBIT, EURm</b>                    |             |             |             |              |             |             |             |             |              |             |             |             |
| MBU                                  | 0           | 0           | 0           | 0            | 0           | 2           | 2           | 2           | 2            | 7           | 8           | 10          |
| SBU                                  | 0           | 0           | 0           | 0            | 0           | 2           | 3           | 3           | 3            | 12          | 13          | 14          |
| Group                                | 4           | 5           | 5           | 4            | 19          | 0           | 0           | 0           | 0            | 0           | 0           | 0           |
| Total                                | 4           | 5           | 5           | 4            | 19          | 4           | 5           | 5           | 5            | 19          | 21          | 24          |
| <b>EBIT margin, %</b>                |             |             |             |              |             |             |             |             |              |             |             |             |
| <i>MBU</i>                           | <i>0.0</i>  | <i>0.0</i>  | <i>0.0</i>  | <i>0.0</i>   | <i>0.0</i>  | <i>18.5</i> | <i>19.0</i> | <i>18.7</i> | <i>18.8</i>  | <i>18.8</i> | <i>19.0</i> | <i>19.0</i> |
| <i>SBU</i>                           | <i>0.0</i>  | <i>0.0</i>  | <i>0.0</i>  | <i>0.0</i>   | <i>0.0</i>  | <i>18.5</i> | <i>19.0</i> | <i>18.7</i> | <i>18.8</i>  | <i>18.8</i> | <i>18.9</i> | <i>19.0</i> |
| <i>Total</i>                         | <i>19.2</i> | <i>21.7</i> | <i>20.7</i> | <i>17.3</i>  | <i>19.7</i> | <i>18.5</i> | <i>19.0</i> | <i>18.7</i> | <i>18.8</i>  | <i>18.8</i> | <i>18.9</i> | <i>19.0</i> |

| INCOME STATEMENT, EURm                   | 2014        | 2015        | 2016        | 2017        | 2018        | 2019E       | 2020E       | 2021E       |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Sales                                    | 33          | 43          | 76          | 89          | 94          | 101         | 112         | 125         |
| <i>Sales growth (%)</i>                  | <i>8.9</i>  | <i>29.2</i> | <i>76.5</i> | <i>17.9</i> | <i>5.5</i>  | <i>7.5</i>  | <i>10.7</i> | <i>12.1</i> |
| Costs                                    | -28         | -37         | -58         | -67         | -73         | -79         | -87         | -100        |
| Reported EBITDA                          | 5           | 6           | 17          | 22          | 21          | 22          | 25          | 26          |
| Extraordinary items in EBITDA            | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           |
| <i>EBITDA margin (%)</i>                 | <i>14.6</i> | <i>13.4</i> | <i>22.9</i> | <i>24.9</i> | <i>22.3</i> | <i>21.6</i> | <i>22.2</i> | <i>20.4</i> |
| Depreciation                             | -1          | -1          | -3          | -2          | -2          | -3          | -4          | -2          |
| EBITA                                    | 4           | 5           | 15          | 20          | 19          | 19          | 21          | 24          |
| Goodwill amortization / writedown        | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           |
| Reported EBIT                            | 4           | 5           | 15          | 20          | 19          | 19          | 21          | 24          |
| <i>EBIT margin (%)</i>                   | <i>12.4</i> | <i>10.5</i> | <i>19.6</i> | <i>22.4</i> | <i>19.7</i> | <i>18.8</i> | <i>18.9</i> | <i>19.0</i> |
| Net financials                           | 0           | -2          | -1          | -1          | 0           | -1          | 0           | 0           |
| Pre-tax profit                           | 4           | 2           | 14          | 19          | 18          | 18          | 21          | 24          |
| Extraordinary items                      | -1          | -1          | 0           | 0           | 0           | 0           | 0           | 0           |
| Taxes                                    | 0           | 0           | -3          | -4          | -4          | -3          | -4          | -5          |
| Minority shares                          | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           |
| Net profit                               | 3           | 1           | 11          | 15          | 15          | 15          | 17          | 19          |
| <b>BALANCE SHEET, EURm</b>               |             |             |             |             |             |             |             |             |
| Assets                                   |             |             |             |             |             |             |             |             |
| Fixed assets                             | 4           | 7           | 6           | 6           | 9           | 11          | 9           | 10          |
| <i>% of sales</i>                        | <i>11</i>   | <i>17</i>   | <i>8</i>    | <i>7</i>    | <i>9</i>    | <i>11</i>   | <i>8</i>    | <i>8</i>    |
| Goodwill                                 | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           |
| <i>% of sales</i>                        | <i>0</i>    | <i>0</i>    | <i>0</i>    | <i>0</i>    | <i>0</i>    | <i>0</i>    | <i>0</i>    | <i>0</i>    |
| Inventory                                | 6           | 7           | 11          | 9           | 13          | 14          | 16          | 18          |
| <i>% of sales</i>                        | <i>17</i>   | <i>16</i>   | <i>14</i>   | <i>10</i>   | <i>14</i>   | <i>14</i>   | <i>14</i>   | <i>14</i>   |
| Receivables                              | 7           | 14          | 22          | 21          | 27          | 24          | 27          | 30          |
| <i>% of sales</i>                        | <i>22</i>   | <i>33</i>   | <i>29</i>   | <i>24</i>   | <i>28</i>   | <i>24</i>   | <i>24</i>   | <i>24</i>   |
| Liquid funds                             | 3           | 7           | 16          | 27          | 22          | 32          | 42          | 50          |
| <i>% of sales</i>                        | <i>10</i>   | <i>17</i>   | <i>21</i>   | <i>30</i>   | <i>24</i>   | <i>32</i>   | <i>38</i>   | <i>40</i>   |
| Total assets                             | 20          | 35          | 54          | 62          | 71          | 81          | 94          | 108         |
| Liabilities                              |             |             |             |             |             |             |             |             |
| Equity                                   | 1           | 21          | 31          | 42          | 51          | 61          | 71          | 82          |
| <i>% of sales</i>                        | <i>4</i>    | <i>49</i>   | <i>41</i>   | <i>47</i>   | <i>55</i>   | <i>60</i>   | <i>64</i>   | <i>66</i>   |
| Deferred taxes                           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           |
| <i>% of sales</i>                        | <i>0</i>    | <i>0</i>    | <i>0</i>    | <i>0</i>    | <i>0</i>    | <i>0</i>    | <i>0</i>    | <i>0</i>    |
| Interest bearing debt                    | 11          | 1           | 7           | 5           | 4           | 0           | 0           | 0           |
| <i>% of sales</i>                        | <i>33</i>   | <i>3</i>    | <i>9</i>    | <i>5</i>    | <i>4</i>    | <i>0</i>    | <i>0</i>    | <i>0</i>    |
| Non-interest bearing current liabilities | 7           | 11          | 14          | 15          | 15          | 20          | 22          | 25          |
| <i>% of sales</i>                        | <i>20</i>   | <i>27</i>   | <i>19</i>   | <i>17</i>   | <i>16</i>   | <i>20</i>   | <i>20</i>   | <i>20</i>   |
| Other interest free debt                 | 1           | 2           | 3           | 1           | 0           | 0           | 0           | 0           |
| <i>% of sales</i>                        | <i>4</i>    | <i>4</i>    | <i>3</i>    | <i>1</i>    | <i>0</i>    | <i>0</i>    | <i>0</i>    | <i>0</i>    |
| Total liabilities                        | 20          | 35          | 54          | 62          | 71          | 81          | 94          | 108         |
| <b>CASH FLOW, EURm</b>                   |             |             |             |             |             |             |             |             |
| + EBITDA                                 | 5           | 6           | 17          | 22          | 21          | 22          | 25          | 26          |
| - Net financial items                    | 0           | -2          | -1          | -1          | 0           | -1          | 0           | 0           |
| - Taxes                                  | 0           | 0           | -1          | -3          | -4          | -3          | -4          | -5          |
| - Increase in Net Working Capital        | 0           | -2          | -11         | 1           | -10         | 6           | -2          | -2          |
| +/- Other                                | -1          | 1           | 1           | 0           | 0           | 0           | 0           | 0           |
| = Cash flow from operations              | 3           | 3           | 5           | 19          | 7           | 24          | 19          | 18          |
| - Capex                                  | -1          | -5          | -2          | -2          | -5          | -5          | -2          | -3          |
| - Acquisitions                           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           |
| + Divestments                            | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           |
| = Net cash flow                          | 2           | -4          | 1           | 17          | 2           | 19          | 17          | 16          |
| +/- Change in interest-bearing debt      | -3          | -10         | 5           | -2          | -1          | -4          | 0           | 0           |
| +/- New issues/buybacks                  | 0           | 19          | 0           | -1          | 0           | 0           | 0           | 0           |
| - Paid dividend                          | 0           | 0           | -1          | -3          | -5          | -5          | -7          | -8          |
| +/- Change in loan receivables           | 0           | -1          | 0           | 0           | 0           | 0           | 0           | 0           |
| Change in cash                           | 0           | 4           | 5           | 10          | -4          | 10          | 10          | 8           |

| KEY FIGURES                         | 2015    | 2016    | 2017    | 2018    | 2019E   | 2020E   | 2021E   |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|
| M-cap                               | 63      | 188     | 250     | 224     | 302     | 302     | 302     |
| Net debt                            | -6      | -9      | -22     | -18     | -32     | -42     | -50     |
| Enterprise value                    | 57      | 179     | 228     | 206     | 270     | 259     | 251     |
| Sales                               | 43      | 76      | 89      | 94      | 101     | 112     | 125     |
| EBITDA                              | 6       | 17      | 22      | 21      | 22      | 25      | 26      |
| EBIT                                | 5       | 15      | 20      | 19      | 19      | 21      | 24      |
| Pre-tax                             | 2       | 14      | 19      | 18      | 18      | 21      | 24      |
| Earnings                            | 2       | 11      | 15      | 15      | 15      | 17      | 19      |
| Book value                          | 21      | 31      | 42      | 51      | 61      | 71      | 82      |
| <b>Valuation multiples</b>          |         |         |         |         |         |         |         |
| EV/sales                            | 1.3     | 2.4     | 2.6     | 2.2     | 2.7     | 2.3     | 2.0     |
| EV/EBITDA                           | 9.9     | 10.3    | 10.3    | 9.8     | 12.4    | 10.5    | 9.8     |
| EV/EBITA                            | 12.7    | 12.1    | 11.5    | 11.1    | 14.2    | 12.3    | 10.6    |
| EV/EBIT                             | 12.7    | 12.1    | 11.5    | 11.1    | 14.2    | 12.3    | 10.6    |
| EV/operating cash flow              | 21.8    | 33.0    | 12.3    | 29.5    | 11.0    | 13.9    | 13.7    |
| EV/cash earnings                    | 17.6    | 13.3    | 13.1    | 11.9    | 15.3    | 12.6    | 12.1    |
| P/E                                 | 14.2    | 17.2    | 16.5    | 15.1    | 20.4    | 17.8    | 15.9    |
| P/E excl. goodwill                  | 14.2    | 17.2    | 16.5    | 15.1    | 20.4    | 17.8    | 15.9    |
| P/B                                 | 3.0     | 6.1     | 6.0     | 4.4     | 5.0     | 4.3     | 3.7     |
| P/sales                             | 1.5     | 2.5     | 2.8     | 2.4     | 3.0     | 2.7     | 2.4     |
| P/CF                                | 24.2    | 34.7    | 13.4    | 32.1    | 12.3    | 16.2    | 16.4    |
| Target EV/EBIT                      | 0.0     | 0.0     | 0.0     | 0.0     | 12.7    | 10.9    | 9.4     |
| Target P/E                          | 0.0     | 0.0     | 20.3    | 15.1    | 19.1    | 16.7    | 14.8    |
| Target P/B                          | 0.0     | 0.0     | 0.0     | 0.0     | 4.5     | 3.8     | 3.3     |
| <b>Per share measures</b>           |         |         |         |         |         |         |         |
| Number of shares                    | 12,951  | 13,426  | 13,901  | 14,375  | 14,375  | 14,375  | 14,375  |
| Number of shares (diluted)          | 12,951  | 13,426  | 13,901  | 14,849  | 14,875  | 14,875  | 14,875  |
| EPS                                 | 0.15    | 0.81    | 1.09    | 1.03    | 1.03    | 1.18    | 1.32    |
| EPS excl. goodwill                  | 0.35    | 0.81    | 1.09    | 1.03    | 1.03    | 1.18    | 1.32    |
| Cash EPS                            | 0.25    | 1.00    | 1.25    | 1.20    | 1.23    | 1.43    | 1.45    |
| Operating cash flow per share       | 0.20    | 0.40    | 1.34    | 0.49    | 1.70    | 1.30    | 1.28    |
| Capital employed per share          | 1.15    | 1.63    | 1.43    | 2.30    | 1.99    | 1.99    | 2.23    |
| Book value per share                | 1.63    | 2.30    | 3.00    | 3.57    | 4.23    | 4.94    | 5.73    |
| Book value excl. goodwill           | 1.63    | 2.30    | 3.00    | 3.57    | 4.23    | 4.94    | 5.73    |
| Dividend per share                  | 0.07    | 0.25    | 0.35    | 0.38    | 0.46    | 0.53    | 0.60    |
| Dividend payout ratio, %            | 45.5    | 30.8    | 32.1    | 36.7    | 45.0    | 45.0    | 45.0    |
| Dividend yield, %                   | 1.4     | 1.8     | 1.9     | 2.4     | 2.2     | 2.5     | 2.8     |
| <b>Efficiency measures</b>          |         |         |         |         |         |         |         |
| ROE                                 | 17.7    | 41.9    | 41.8    | 32.0    | 26.5    | 25.7    | 24.8    |
| ROCE                                | 23.0    | 48.2    | 47.4    | 36.4    | 32.6    | 32.1    | 31.0    |
| <b>Financial ratios</b>             |         |         |         |         |         |         |         |
| Capex/sales, %                      | 11.1    | 2.1     | 2.1     | 5.6     | 4.7     | 1.5     | 2.2     |
| Capex/depreciation excl. goodwill,% | 380.4   | 63.9    | 82.6    | 221.0   | 166.7   | 44.8    | 159.2   |
| Net debt/EBITDA, book-weighted      | -1.1    | -0.5    | -1.0    | -0.9    | -1.5    | -1.7    | -2.0    |
| Debt/equity, market-weighted        | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| Equity ratio, book-weighted         | 60.7    | 57.8    | 67.5    | 73.0    | 75.6    | 76.5    | 77.1    |
| Gearing                             | -0.30   | -0.29   | -0.52   | -0.36   | -0.53   | -0.60   | -0.61   |
| Number of employees, average        | 305     | 389     | 417     | 417     | 417     | 417     | 417     |
| Sales per employee, EUR             | 140,266 | 194,111 | 213,429 | 225,180 | 241,967 | 267,904 | 300,275 |
| EBIT per employee, EUR              | 14,754  | 38,046  | 47,722  | 44,417  | 45,400  | 50,721  | 57,052  |

## COMPANY DESCRIPTION:

## INVESTMENT CASE:

| OWNERSHIP STRUCTURE                        | SHARES     | EURm    | %     |
|--|------------|---------|-------|
| Ac Invest Seven B.V.                       | 5,205,167  | 109.309 | 36.2% |
| OP-Finland Value Fund                      | 651,065    | 13.672  | 4.5%  |
| Ilmarinen Mutual Pension Insurance Company | 554,000    | 11.634  | 3.9%  |
| Varma Mutual Pension Insurance Company     | 515,000    | 10.815  | 3.6%  |
| Sijoitusrahasto Aktia Capital              | 484,762    | 10.180  | 3.4%  |
| Fondita Nordic Micro Cap                   | 390,000    | 8.190   | 2.7%  |
| Evli Finnish Small Cap Fund                | 327,259    | 6.872   | 2.3%  |
| Martola Hannu Veikko                       | 322,875    | 6.780   | 2.2%  |
| Saastopankki Kotimaa                       | 200,000    | 4.200   | 1.4%  |
| Ten largest                                | 8,650,128  | 181.653 | 60%   |
| Residual                                   | 5,725,302  | 120.231 | 40%   |
| Total                                      | 14,375,430 | 301.884 | 100%  |

## EARNINGS CALENDAR

## OTHER EVENTS

## COMPANY MISCELLANEOUS

CEO: Hannu Martola

Elektroniikkatie 10, 90590 Oulu

CFO: Petri Hiljanen

Tel: +358 20 766 9700

IR: Johanna Tarkiainen

## DEFINITIONS

|                       |   |                        |   |
|-----------------------|---|------------------------|---|
| P/E                   | $\frac{\text{Price per share}}{\text{Earnings per share}}$  | EPS                    | $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$       |
| P/Sales               | $\frac{\text{Market cap}}{\text{Sales}}$  | DPS                    | Dividend for the financial period per share   |
| P/BV                  | $\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$  | CEPS                   | $\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$  |
| P/CF                  | $\frac{\text{Price per share}}{\text{Operating cash flow per share}}$   | EV/Share               | $\frac{\text{Enterprise value}}{\text{Number of shares}}$   |
| EV (Enterprise value) | Market cap + net debt + minority interest at market value<br>– share of associated companies at market value  | Sales/Share            | $\frac{\text{Sales}}{\text{Number of shares}}$  |
| Net debt              | Interest bearing debt – financial assets  | EBITDA/Share           | $\frac{\text{Earnings before interest, tax, depreciation and amortisation}}{\text{Number of shares}}$                                       |
| EV/Sales              | $\frac{\text{Enterprise value}}{\text{Sales}}$  | EBIT/Share             | $\frac{\text{Operating profit}}{\text{Number of shares}}$   |
| EV/EBITDA             | $\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortisation}}$   | EAFI/Share             | $\frac{\text{Pretax profit}}{\text{Number of shares}}$  |
| EV/EBIT               | $\frac{\text{Enterprise value}}{\text{Operating profit}}$   | Capital employed/Share | $\frac{\text{Total assets} - \text{non interest bearing debt}}{\text{Number of shares}}$  |
| Div yield, %          | $\frac{\text{Dividend per share}}{\text{Price per share}}$  | Total assets           | Balancesheet total  |
| Payout ratio, %       | $\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$  | Interest coverage (x)  | $\frac{\text{Operating profit}}{\text{Financial items}}$  |
| Net cash/Share        | $\frac{\text{Financial assets} - \text{interest bearing debt}}{\text{Number of shares}}$  | Asset turnover (x)     | $\frac{\text{Turnover}}{\text{Balancesheet total (average)}}$   |
| ROA, %                | $\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balancesheet total} - \text{interest free short term debt} - \text{long term advances received and accounts payable (average)}}$ | Debt/Equity, %         | $\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$                     |
| ROCE, %               | $\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balancesheet total} - \text{non interest bearing debt (average)}}$   | Equity ratio, %        | $\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest free loans}}$ |
| ROE, %                | $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$   | CAGR, %                | Cumulative annual growth rate = Average growth per year   |

Important Disclosures

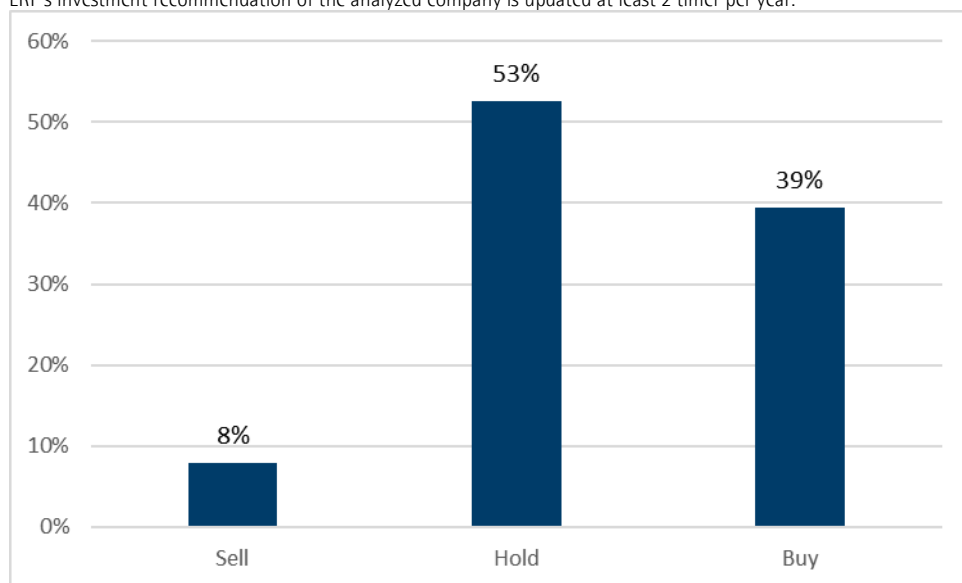
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Investment recommendations are defined as follows:

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

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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 9130  
 Pasi Väisänen +358 9 4766 9120  
 Antti Kässi +358 9 4766 9120

**ETFs and Derivatives**

Tobias Björk (Head) +358 9 4766 9130  
 Joachim Dannberg +358 9 4766 9123  
 Kimmo Lijja +358 9 4766 9130  
 Sami Järvinen +358 9 4766 9110

**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  
 E-mail firstname.lastname@evli.com

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