

Q4 result in line, outlook stable

Q4 Net sales amounted to EUR 25.7m (-6.8% y/y) vs. EUR 25.8m/27.7m Evli/consensus estimates. MBU sales were EUR 10.1m (EUR 10.8m our expectation) and SBU sales were EUR 15.5m (EUR 15.0m our expectation). DT's Q4'18 EBIT came in at EUR 4.9m, which is in line with our estimates of EUR 5.2m (EUR 5.8m cons). Dividend proposal is 0.38, which is lower than our estimate of 0.45.

- **Group level results:** Q4 net sales amounted to EUR 25.7m (-6.8% % y/y) vs. EUR 25.8m/27.7m Evli/consensus estimates. Meanwhile, Q4 EBIT was EUR 4.9m (19.2% margin) vs. EUR 5.2m/5.8m Evli/cons. R&D costs amounted to 9.3% of net sales.
- **Medical Business Unit (MBU)** delivered net sales of EUR 10.1m which was slightly above our estimate of EUR 10.8m. Net sales of MBU increased by 24.3% y/y due to well-developed demand from key customers.
- **Security and Industrial Business Unit (SBU)** had net sales of EUR 15.5m vs. EUR 15.0m Evli estimate. SBU sales declined by -19.9% y/y due to Chinese transport infrastructure projects being on hold and intensified competition.

Outlook: DT expects sales to grow in both business units and geographically in all markets and believes that the company will achieve double-digit revenue growth. However, the second half of the year will be challenging for MBU sales, because one of DT's major customers will ramp down manufacturing of a device that uses a DT solution.

Medium-term business outlook is unchanged: Detection Technology aims to increase sales by at least 15% per annum and to achieve an operating margin at or above 15% in the medium term.

Rating	 HOLD
Share price, EUR (Last trading day's closing price)	17.00
Target price, EUR	16.5
Latest change in	20-Jul-18
Latest report on company	24-Jan-19
Research paid by issuer:	Yes
No. of shares outstanding,	13,901
No. of shares fully diluted,	14,375
Market cap, EURm	236
Free float, %	-
Exchange rate	-
Reuters code	DETEC.HE
Bloomberg code	DETEC.FH
Average daily volume,	0.0
Next interim report	
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 BUY  HOLD  SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2016	76	15	19.6%	14	0.81	17.2	2.4	34.7	12.1	0.25
2017	89	20	22.4%	19	1.09	16.5	2.6	13.4	11.5	0.35
2018E	94	19	20.5%	19	1.13	15.1	2.2	13.9	10.6	0.45
2019E	100	19	18.8%	19	1.10	15.5	2.0	13.9	10.5	0.49
2020E	111	21	19.0%	21	1.21	14.1	1.7	13.8	9.1	0.54
Market cap, EURm				236	BV per share 2018E, EUR		3.8	CAGR EPS 2017-20, %		3.4
Net debt 2018E, EURm				-32	Price/book 2018E		4.5	CAGR sales 2017-20, %		7.5
Enterprise value, EURm				205	Dividend yield 2018E, %		2.7	ROE 2018E, %		33.3
Total assets 2018E, EURm				72	Tax rate 2018E, %		17.0	ROCE 2018E, %		39.0
Goodwill 2018E, EURm				0	Equity ratio 2018E, %		73.2	PEG, P/E 18/CAGR		3.2

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<https://research.evli.com/JasperAllModels.action?authParam=key:461&authParam=x:G3rNagWrtf7K&authType=3>

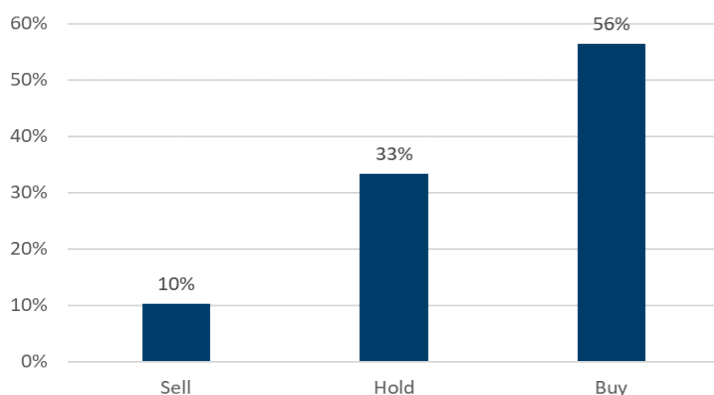
Detailed information about the valuation or methodology and the underlying assumptions is accessible via ERP:

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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 in general updated 2 – 4 per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 16th of April 2018. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Forslund

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