

Outlook favorable with attractive pockets of growth

Detection Technology's Q4 result was in line with our expectations. Post Q4, our estimates for 2019E and 2020E remain intact. DT is trading at a discount, which we see as unjustified given the attractive longer-term investment case. We raise our recommendation to BUY with a target price of 19 euros (16.5).

Q4 result in line with our expectations

DT's 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 was in line with our estimates of EUR 5.2m (EUR 5.8m cons). Dividend proposal was 0.38, which was lower than our estimate of 0.45.

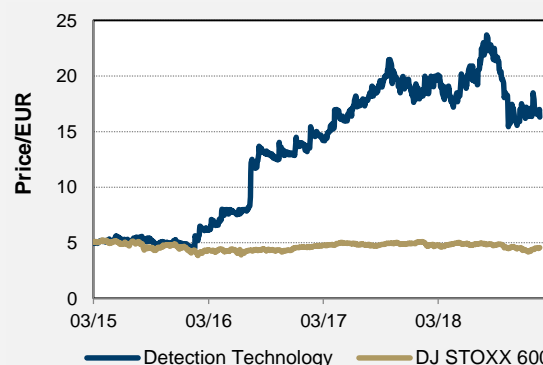
Outlook favorable with attractive pockets of growth

Our estimates for 2019E and 2020E remain intact post Q4. We expect DT's 2019E net sales to grow 7.5% to EUR 100.9m driven by SBU's return to growth of 11.5% on weak comparables. We expect MBU net sales growth to be flat due to the ramp-down of key customer's product. 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). Despite our modest sales growth and flattish margin expectations for 2019E and the uncertainty around the extent of the ramp-down impact on MBU in H2, DT has several interesting pockets of growth (such as the MultiX acquisition, CMOS flat panel detectors for dental applications, and the Aurora product family for lower mid SBU clients), which are not reflected in our estimates but if materialized, offer clear support for the investment case.

Upgrade to BUY and target price of 19 euros (16.5)

On our estimates, DT's 2019E-2020E EV/EBIT, EV/EBITDA and P/E are roughly 30%, 20%, 20% respectively below our peer group median. Despite a small cap discount, we see discount as unjustified given the attractive longer-term investment case. We raise our recommendation to BUY with a target price of 19 euros (16.5).

Rating

+ BUY


Share price, EUR (Last trading day's closing price)	16.30
Target price, EUR	19.0

Latest change in	21-Jul-18
Latest report on company	24-Jan-19
Research paid by issuer:	Yes
No. of shares outstanding,	14,375
No. of shares fully diluted,	14,875
Market cap, EURm	234
Free float, %	-
Exchange rate	-
Reuters code	DETEC.HE
Bloomberg code	DETEC FH
Average daily volume,	-
Next interim report	
Web site	http://www.deetee.com/investors/

Analyst	Jonas Forslund
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Telephone	

+ BUY ■ HOLD ■ SELL

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
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	15.8	2.0	9.6	10.7	0.46
2020E	112	21	18.9%	21	1.18	13.8	1.7	12.6	9.1	0.53
2021E	125	24	19.0%	24	1.32	12.3	1.5	12.8	7.7	0.60
Market cap, EURm			234	BV per share 2019E, EUR		4.2	CAGR EPS 2018-21, %			8.6
Net debt 2019E, EURm			-32	Price/book 2019E		3.9	CAGR sales 2018-21, %			10.1
Enterprise value, EURm			202	Dividend yield 2019E, %		2.8	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			1.6

EV/EBITDA

	19	20	21
EBITDA (Evli est.)	21.8	24.8	25.5
Multiple (peer median)	11.7x	9.8x	11.3x
EV	254	244	287
Net debt (Evli est.)	-32	-42	-50
Value of equity	286	286	338
Per share	19.9	19.9	23.5

Source: Factset, Evli Research

P/E

	19	20	21
Net earnings (Evli est.)	14.8	16.9	19.0
Multiple (peer median)	19.5x	17.3x	16.0x
Per share	20.1	20.4	21.2

Source: Factset, Evli Research

EV/EBIT

	19	20	21
EBIT (Evli est.)	18.9	21.2	23.8
Multiple (peer median)	16.0x	13.5x	12.6x
EV	303	285	300
Net debt (Evli est.)	-32	-42	-50
Value of equity	335	327	351
Per share	23.3	22.8	24.4

Source: Factset, Evli Research

Valuation approaches	Implied value
Peer EV/EBIT (FY20E)	22.8
Peer P/E (FY20E)	20.4
Peer EV/EBITDA (FY20E)	19.9
DCF	21.5
Target price (EUR)	19.0

Source: Evli Research

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	EBIT %	EBIT %	EBIT %	EBITDA %	EBITDA %	EBITDA %	ROCE %	ROCE %	ROCE %
			19E	20E	21E	19E	20E	21E	19E	20E	21E
First Sensor AG	SIS-DE	198	8	9		14	14				
Hamamatsu Photonics K.K.	6965-JP	4708	19	20	20	27	28	28	13	13	13
OSI Systems, Inc.	OSIS-US	1405	9	10		16	17				
Varex Imaging Corporation	VREX-US	936	12	13	14	15	17	17	10	11	11
ams AG	AMS-CH	1844	13	17	21	24	28	30	8	11	15
Analog Devices, Inc.	ADI-US	32377	41	42	41	48	46	48	13	15	16
Keysight Technologies Inc	KEYS-US	12301	21	22	23	23	25	24	16	15	
National Instruments Corporation	NATI-US	5150	17	18	16	21	22	19	15	16	
Spectris plc	SXS-GB	3450	15	16		18	18		16	16	
Oxford Instruments plc	OXIG-GB	605	16	16	16	18	19	19	21	21	
Trimble Inc.	TRMB-US	8302	21	21		22	23		14	15	
Hexagon AB Class B	HEXA.B-SE	15196	25	26	26	32	33	30	12	13	
Vaisala Oyj Class A	VAIAS-FI	659	12	12	13	15	17	17	22	23	
Peer Group Average		6702	18	19	21	23	23	26	15	15	14
Peer Group Median		3450	16	17	20	21	22	24	14	15	14
Detection Technology (Evli est.)		234	19	19	19	22	22	20	33	32	31

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	ROE %	ROE %	ROE %	DIV %	DIV %	DIV %	P/E	P/E	P/E
			19E	20E	21E	19E	20E	21E	19E	20E	21E
First Sensor AG	SIS-DE	198	9	10		1.0	1.0		25.9x	21.8x	
Hamamatsu Photonics K.K.	6965-JP	4708	11	11	11	1.0	1.2	1.3	27.6x	25.1x	23.0x
OSI Systems, Inc.	OSIS-US	1405	15	14					22.1x	21.0x	
Varex Imaging Corporation	VREX-US	936	12	13	12				20.7x	17.3x	16.0x
ams AG	AMS-CH	1844	16	24	30	1.4	1.9	4.0	10.8x	6.3x	4.8x
Analog Devices, Inc.	ADI-US	32377	18	18	19	2.0	2.1	2.2	18.6x	17.0x	15.8x
Keysight Technologies Inc	KEYS-US	12301	28	27	25	0.0	0.0	0.0	19.9x	17.7x	15.9x
National Instruments Corporation	NATI-US	5150	13	14	15	2.2	2.5	2.7	37.0x	31.4x	27.7x
Spectris plc	SXS-GB	3450	17	16		2.5	2.6		15.4x	14.4x	
Oxford Instruments plc	OXIG-GB	605	19	17	15	1.5	1.6	1.7	14.1x	13.2x	13.1x
Trimble Inc.	TRMB-US	8302	17	17		0.0	0.0		18.0x	16.1x	
Hexagon AB Class B	HEXA.B-SE	15196	15	15	17	1.5	1.7	1.8	18.7x	17.3x	16.3x
Vaisala Oyj Class A	VAIAS-FI	659	18	19	18	3.3	3.5	4.2	19.5x	17.7x	16.5x
Peer Group Average		6702	16	17	18	1.5	1.6	2.2	20.6x	18.2x	16.6x
Peer Group Median		3450	16	16	17	1.5	1.7	2.0	19.5x	17.3x	16.0x
Detection Technology (Evli est.)		234	26	26	25	2.8	3.2	3.7	15.8x	13.8x	12.3x
									-19%	-20%	-23%

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	EV/S	EV/S	EV/S	EV/EBITDA	EV/EBITDA	EV/EBITDA	EV/EBIT	EV/EBIT	EV/EBIT
			19E	20E	21E	19E	20E	21E	19E	20E	21E
First Sensor AG	SIS-DE	198	1.3x	1.2x		9.3x	8.2x		16.0x	13.5x	
Hamamatsu Photonics K.K.	6965-JP	4708	3.7x	3.4x	3.2x	13.9x	12.5x	11.3x	19.6x	17.5x	15.7x
OSI Systems, Inc.	OSIS-US	1405	1.6x	1.4x		9.7x	8.6x		17.1x	14.7x	
Varex Imaging Corporation	VREX-US	936	1.8x	1.6x	1.5x	11.7x	9.7x	8.8x	15.1x	12.6x	11.2x
ams AG	AMS-CH	1844	1.8x	1.5x	1.2x	7.4x	5.3x	4.1x	14.5x	8.6x	6.0x
Analog Devices, Inc.	ADI-US	32377	6.7x	6.3x	6.1x	14.1x	13.5x	12.6x	16.3x	14.8x	14.8x
Keysight Technologies Inc	KEYS-US	12301	3.5x	3.3x	2.9x	15.0x	13.3x	12.4x	16.9x	15.2x	12.6x
National Instruments Corporation	NATI-US	5150	3.9x	3.6x	3.2x	19.3x	16.7x	16.6x	23.2x	19.9x	20.0x
Spectris plc	SXS-GB	3450	1.9x	1.8x		10.6x	9.8x		12.8x	11.5x	
Oxford Instruments plc	OXIG-GB	605	1.6x	1.5x	1.4x	8.7x	7.8x	7.1x	10.1x	9.3x	8.5x
Trimble Inc.	TRMB-US	8302	3.1x	2.7x		13.9x	12.0x		14.9x	12.7x	
Hexagon AB Class B	HEXA.B-SE	15196	4.1x	3.8x	3.4x	12.8x	11.6x	11.3x	16.3x	14.6x	13.3x
Vaisala Oyj Class A	VAIAS-FI	659	1.7x	1.6x	1.5x	10.8x	9.5x	8.8x	14.4x	13.0x	11.8x
Peer Group Average		6702	2.8x	2.6x	2.7x	12.1x	10.7x	10.3x	15.9x	13.7x	12.7x
Peer Group Median		3450	1.9x	1.8x	2.9x	11.7x	9.8x	11.3x	16.0x	13.5x	12.6x
Detection Technology (Evli est.)		234	2.0x	1.7x	1.5x	9.3x	7.7x	7.2x	10.7x	9.1x	7.7x
			5%	-4%	-50%	-21%	-21%	-36%	-33%	-33%	-39%

Premium/discount relative to peer group median

Source: Factset, Evli Research

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	Sales	Sales	Sales	Net debt /	Net debt /	Net debt /	Equity	Equity	Equity
			growth %	growth %	growth %	EBITDA	EBITDA	EBITDA	ratio %	ratio %	ratio %
			19E	20E	21E	19E	20E	21E	19E	20E	21E
First Sensor AG	SIS-DE	198	13.9	7.6	0.0	0.8x	0.5x		54.4	56.2	
Hamamatsu Photonics K.K.	6965-JP	4708	14.3	6.5	5.4	-1.8x	-1.9x	-2.0x	79.3	79.9	80.8
OSI Systems, Inc.	OSIS-US	1405	21.1	4.8	0.0	1.3x	0.7x				
Varex Imaging Corporation	VREX-US	936	9.5	3.0	1.6	2.5x	1.7x	1.1x	46.0	49.2	52.4
ams AG	AMS-CH	1844	66.3	16.0	9.7	2.9x	1.9x	1.2x	30.2	34.6	33.3
Analog Devices, Inc.	ADI-US	32377	19.7	4.6	4.0	1.6x	1.2x	1.2x	56.4	59.0	60.2
Keysight Technologies Inc	KEYS-US	12301	29.5	7.6	9.7	0.6x	0.7x	0.3x	42.8	48.5	
National Instruments Corporation	NATI-US	5150	9.0	8.1	10.1	-1.2x	-1.3x	-1.6x	73.3	72.7	
Spectris plc	SXS-GB	3450	8.8	2.8	0.0	0.5x	0.1x		63.0	64.4	
Oxford Instruments plc	OXIG-GB	605	10.6	4.4	1.2	-0.2x	-0.4x	-1.0x	61.6	66.7	
Trimble Inc.	TRMB-US	8302	30.8	7.7	0.0	1.6x	0.7x		47.3	49.3	
Hexagon AB Class B	HEXA.B-SE	15196	16.6	5.3	5.5	1.1x	0.6x	0.1x	57.1	59.4	
Vaisala Oyj Class A	VAIAS-FI	659	14.8	4.1	4.6	-0.6x	-0.5x	-0.6x	59.0	55.6	58.4
Peer Group Average		6702	20.4	6.3	5.8	0.7x	0.3x	-0.1x	55.9	58.0	57.0
Peer Group Median		3450	14.8	5.3	5.4	0.8x	0.6x	0.1x	56.8	57.6	58.4
Detection Technology (Evli est.)		234	7.5	10.7	12.1	-1.5x	-1.7x	-2.0x	75.6	76.5	77.1

Source: Factset, Evli Research

Updated on February 04, 2019

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	16.30 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, %	31.9 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
SALES, EURm												
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
SALES GROWTH, Y/Y %												
<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>
EBIT, EURm												
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
EBIT margin, %												
<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
BALANCE SHEET, EURm								
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
CASH FLOW, EURm								
+ 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	234	234	234
Net debt	-6	-9	-22	-18	-32	-42	-50
Enterprise value	57	179	228	206	202	192	184
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
Valuation multiples							
EV/sales	1.3	2.4	2.6	2.2	2.0	1.7	1.5
EV/EBITDA	9.9	10.3	10.3	9.8	9.3	7.7	7.2
EV/EBITA	12.7	12.1	11.5	11.1	10.7	9.1	7.7
EV/EBIT	12.7	12.1	11.5	11.1	10.7	9.1	7.7
EV/operating cash flow	21.8	33.0	12.3	29.5	8.3	10.3	10.0
EV/cash earnings	17.6	13.3	13.1	11.9	11.5	9.3	8.8
P/E	14.2	17.2	16.5	15.1	15.8	13.8	12.3
P/E excl. goodwill	14.2	17.2	16.5	15.1	15.8	13.8	12.3
P/B	3.0	6.1	6.0	4.4	3.9	3.3	2.8
P/sales	1.5	2.5	2.8	2.4	2.3	2.1	1.9
P/CF	24.2	34.7	13.4	32.1	9.6	12.6	12.8
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
Per share measures							
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	2.3	2.8	3.2	3.7
Efficiency measures							
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
Financial ratios							
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	84.844	36.2%
OP-Finland Value Fund	651,065	10.612	4.5%
Ilmarinen Mutual Pension Insurance Company	554,000	9.030	3.9%
Varma Mutual Pension Insurance Company	515,000	8.394	3.6%
Sijoitusrahasto Aktia Capital	484,762	7.902	3.4%
Fondita Nordic Micro Cap	390,000	6.357	2.7%
Evli Finnish Small Cap Fund	327,259	5.334	2.3%
Martola Hannu Veikko	322,875	5.263	2.2%
Saastopankki Kotimaa	200,000	3.260	1.4%
Ten largest	8,650,128	140.997	60%
Residual	5,725,302	93.322	40%
Total	14,375,430	234.320	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

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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 – 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

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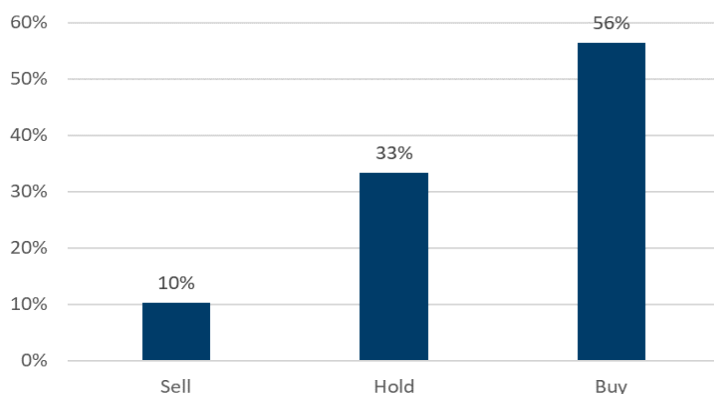
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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