

Q2 result miss, MBU outlook softer

Q2 net sales at EUR 27.5m (+12.8% y/y) vs. EUR 28.5m/28.1m Evli/consensus estimates. MBU sales were EUR 8.1m (EUR 10.7m our expectation) and SBU sales were EUR 19.4m (EUR 17.8m our expectation). DT's Q2 EBIT came in at EUR 4.8m vs. our estimates of EUR 5.4m (EUR 5.1m cons).

- **Group level results:** Q2 net sales amounted to EUR 27.5m (+12.8% y/y) vs. EUR 28.5m/28.1m Evli/consensus estimates. Q2 EBIT was EUR 4.8m (17.5% margin) vs. EUR 5.4m/5.1m Evli/cons. R&D costs amounted to EUR 2.9m or 10.7% of net sales.
- **Medical Business Unit (MBU)** delivered net sales of EUR 8.1m which was below our estimate of EUR 10.7m. Net sales of MBU decreased by -11.5% y/y due to softening demand and earlier than expected ramp down of one key customer's product.
- **Security and Industrial Business Unit (SBU)** had net sales of EUR 19.4m vs. EUR 17.8m Evli estimate. SBU sales grew 27.4% y/y due to strong demand in China.
- **Outlook updated:** sales will grow in the SBU business and decrease in the MBU business in the third quarter. The company expects its net sales to increase in the third quarter in line with the company's financial targets. (Previous: the company's total net sales are expected to grow in the second half of the year.)
- **Medium-term business outlook is unchanged:** to increase sales by at least 15% p.a. and to achieve an EBIT margin at or above 15% in the medium term.
- **Strategy update:** new strategic target is to be a growth leader in digital x-ray imaging detector solutions. DT estimates the market size of digital x-ray detectors to be around EUR 3 billion in 2025. DT's focus in the 2020 strategy done five years ago was primarily on the CT and line scan x-ray detector and solution markets, which size is estimated to be around EUR 700 million in 2020.

Rating	BUY
Share price, EUR (Last trading day's closing price)	22.00
Target price, EUR	23.5
Latest change in	04-Feb-19
Latest report on company	29-Jul-19
Research paid by issuer:	YES
No. of shares outstanding,	14,375
No. of shares fully diluted,	14,875
Market cap, EURm	316
Free float, %	-
Exchange rate	-
Reuters code	DETEC.HE
Bloomberg code	DETEC FH
Average daily volume,	-
Next interim report	25-Oct-19
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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
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	104	19	18.0%	18	1.04	21.2	2.7	13.2	15.2	0.47
2020E	116	22	18.9%	22	1.22	18.0	2.4	17.7	12.5	0.55
2021E	133	25	19.0%	25	1.40	15.7	2.0	16.0	10.6	0.63
Market cap, EURm		316	BV per share 2019E, EUR		4.2	CAGR EPS 2018-21, %		10.7		
Net debt 2019E, EURm		-32	Price/book 2019E		5.2	CAGR sales 2018-21, %		12.2		
Enterprise value, EURm		285	Dividend yield 2019E, %		2.1	ROE 2019E, %		26.5		
Total assets 2019E, EURm		82	Tax rate 2019E, %		18.4	ROCE 2019E, %		32.2		
Goodwill 2019E, EURm		0	Equity ratio 2019E, %		75.0	PEG, P/E 19/CAGR		1.8		

Important Disclosures

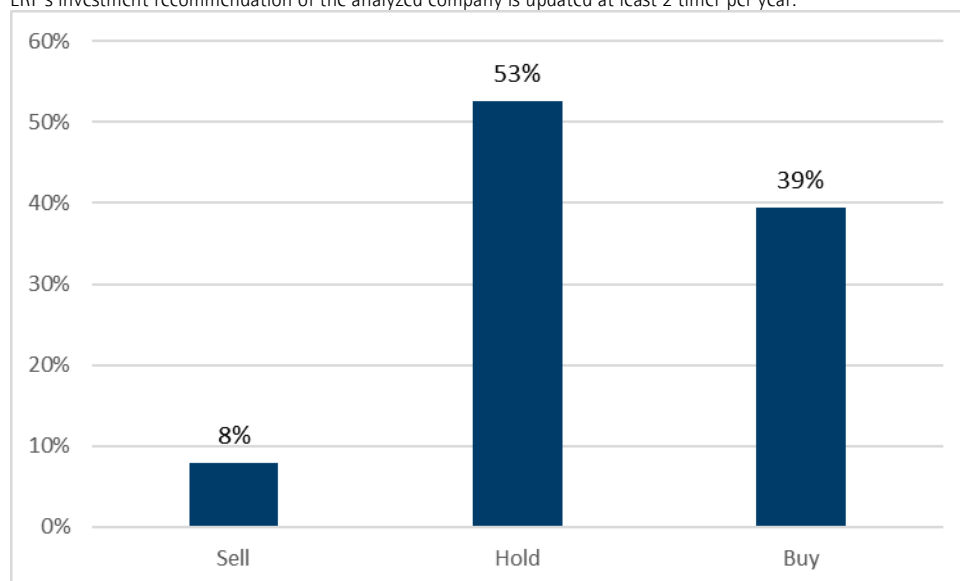
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<https://research.evli.com/JasperAllModels.action?authParam=key;461&authParam=x;G3rNagWrtf7K&authType=3>

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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