

Heading towards better times

DT's Q1 result was broadly in line regarding net sales, but EBIT clearly missed ours and consensus expectations, although EBIT improved somewhat y/y. Most importantly, DT is seeing early positive signals in the security market. DT believes that worst challenges in SBU are behind and company will head toward growth starting in Q2 of 2021. DT expects total net sales to grow double-digit in Q2 and in H2 of 2021 driven mainly by the strong medical demand.

- **Q1 result:** Q1 net sales amounted to EUR 18.3m (-8% y/y) vs. EUR 19.2m/19.2m Evli/consensus estimates. Q1 EBIT was EUR 1.4m (7.5% margin) vs. EUR 2.2m/1.94m Evli/cons. R&D costs amounted to EUR 2.4m or 13% of net sales (Q1'20: 2.6m, 13%).
 - **Security Business Unit (SBU)** net sales decreased 37,7% to EUR 5.8m vs. EUR 6.0m Evli estimate. Decrease was mainly due to COVID-19 situation affecting demand. Despite international passenger travel still stagnating, DT sees that domestic air transport has recovered in many countries close to the pre-pandemic levels and cargo transport is increasing. DT expects SBU sales will start to increase in late Q2 and continue to grow in H2, but demand is characterized by uncertainty.
 - **Industrial Business Unit (IBU)** net sales increased 11% to EUR 2.4m vs. EUR 2.7m Evli estimate. IBU sales is expected to be flat in Q2 and to grow in H2, but demand may fluctuate.
 - **Medical Business Unit (MBU)** net sales increased 20% to EUR 10.1m which was broadly in line with our estimate of EUR 10.5m. Growth was driven by good demand for medical CT applications, especially in China. DT expect demand in medical CT applications to increase and MBU sales to grow even more in Q2 and H2 than in Q1.
- No change in medium-term targets;** at least 10% net sales growth, EBIT margin at or above 15%.

Rating	 HOLD
Share price, EUR (Last trading day's closing price)	27.90
Target price, EUR	28.5
Latest change in recommendation	21-Apr-21
Latest report on company	21-Apr-21
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	401
Free float, %	-
Exchange rate	-
Reuters code	DETEC.HE
Bloomberg code	DETEC FH
Average daily volume, EURm	-
Next interim report	3-Aug-21
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 BUY  HOLD  SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2019	102.5	17.0	16.6%	7.6	0.87	29.5	3.4	20.4	2.1	0.38
2020	81.6	8.7	10.7%	5.6	0.47	51.0	4.0	37.1	1.6	0.28
2021E	92.7	12.4	13.4%	6.5	0.68	41.1	4.1	30.6	1.6	0.38
2022E	107.0	17.1	16.0%	7.8	0.93	30.1	3.5	22.0	1.9	0.42
2023E	117.7	17.7	15.0%	8.8	0.95	29.3	3.2	21.2	2.2	0.48
Market cap, EURm		401	BV per share 2021E, EUR			-34.0	CAGR EPS 2020-23, %			26.6
Net debt 2021E, EURm		-22	Price/book 2021E			6.3	CAGR sales 2020-23, %			13.0
Enterprise value, EURm		379	Dividend yield 2021E, %			1.4	ROE 2021E, %			15.9
Total assets 2021E, EURm		84	Tax rate 2021E, %			20.0	ROCE 2021E, %			18.4
Goodwill 2021E, EURm		0	Equity ratio 2021E, %			77.0	PEG, P/E 21/CAGR			2.5

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

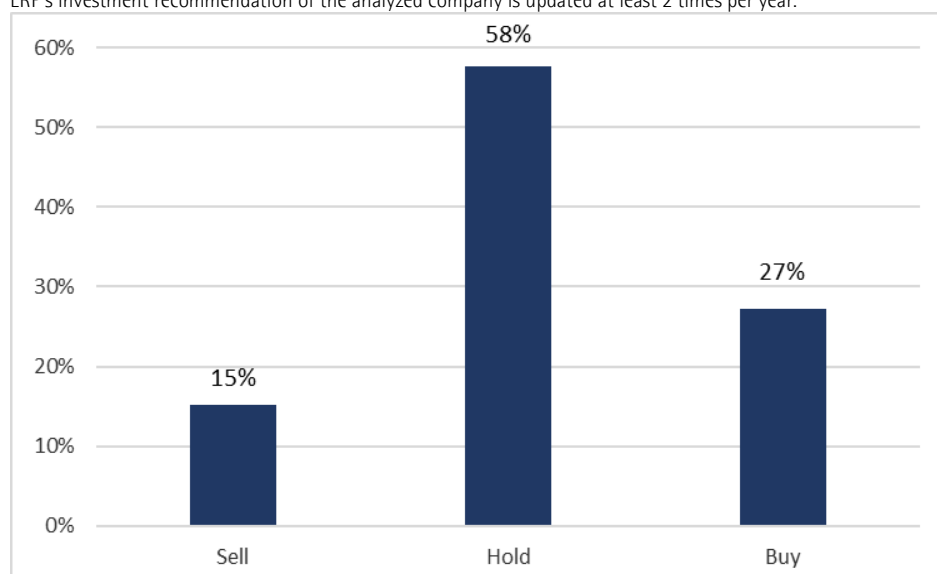
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Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

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

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