

Looking past the air turbulence

Detection Technology's Q3 report was below expectations as SBU continues to struggle under the pandemic. Despite low visibility and the uncertainty related to aviation, we see security market weakness as temporary and do not see DT's competitive position, strategy or longer-term drivers compromised. Therefore, we see DT well positioned to perform again once security market normalizes. Despite our estimates cut, we maintain our target price of 22 euros and HOLD rating.

Clear miss due to worse than expected SBU performance

DT's Q3 result missed our and consensus expectations as SBU continued to struggle due to the ongoing pandemic, which is postponing investments in security market, especially airports. DT's Q3 net sales were EUR 20.6m (-23.4% y/y) vs. EUR 24m/23.5m Evli/consensus estimates. SBU sales declined -43% to EUR 10.6m (EUR 13.5m our expectation) due to COVID-19 affecting the demand for security X-ray devices. MBU sales increased +20% to EUR 10.1m (EUR 10.5m our expectation) due to continued strong demand in medical CT imaging. DT's Q3 EBIT came in at EUR 2.6m (12,6% margin) vs. our estimates of EUR 4m (EUR 3.4m cons).

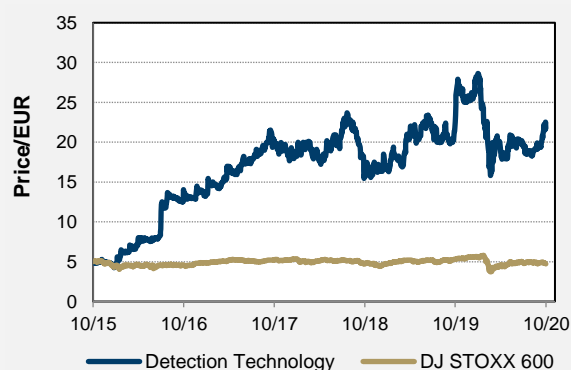
DT cautiously optimistic that worse is behind it

The COVID-19 pandemic is negatively affecting the demand for X-ray devices in all DT's target markets, apart from medical CT imaging. Apart from domestic air transport in China, global air transport has failed to recover, which has led to exceptionally low demand in aviation. In addition, extensive restrictions on mass gatherings has negatively affected demand in security applications. DT expects SBU sales to decrease in Q4, but to start improving in H1/21 driven by Chinese demand. DT expects MBU sales to grow in Q4 and to continue to grow in Q1 of 2021, albeit more slowly than in 2020.

Maintain HOLD with target price 22 euros

Based on the report, we have cut our sales and EBIT estimates for the coming years. On our renewed lowered estimates, DT is now trading at premiums to our peer group, but we note that there is high uncertainty in our estimates and multiples can quickly change when security market recovery starts. It's difficult to estimate how long the challenging situation regarding aviation will continue and at what point SBU will start recovering. We do not however see DT's competitive position, strategy or longer-term drivers compromised, and therefore DT should be well positioned to perform again once security market normalizes. Until we see some signs of security market stabilizing, we remain cautious. We maintain our target price of 22 euros and HOLD rating.

Rating

■ HOLD


Share price, EUR (Last trading day's closing price) 21.70

Target price, EUR 22.0

Latest change in recommendation 23-Oct-20

Latest report on company 23-Oct-20

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 312

Free float, % -

Exchange rate -

Reuters code DETEC.HE

Bloomberg code DETEC FH

Average daily volume, EURm -

Next interim report 2-Feb-21

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■ BUY ■ HOLD ■ SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2018	93.9	18.5	19.7%	1.4	1.03	15.1	2.2	11.1	0.6	0.38
2019	102.5	17.0	16.6%	7.6	0.87	29.5	3.4	20.4	2.1	0.38
2020E	83.8	9.1	10.8%	12.8	0.46	47.2	3.5	32.1	4.1	0.28
2021E	96.0	13.5	14.0%	6.9	0.74	29.3	3.0	21.4	2.2	0.38
2022E	110.7	18.8	17.0%	10.6	1.05	20.7	2.6	15.1	3.4	0.42
Market cap, EURm		312	Gearing 2020E, %			-39.2	CAGR EPS 2019-22, %			6.5
Net debt 2020E, EURm		-20	Price/book 2020E			6.0	CAGR sales 2019-22, %			2.6
Enterprise value, EURm		291	Dividend yield 2020E, %			1.3	ROE 2020E, %			11.9
Total assets 2020E, EURm		68	Tax rate 2020E, %			20.4	ROCE 2020E, %			15.0
Goodwill 2020E, EURm		0	Equity ratio 2020E, %			77.7	PEG, P/E 20/CAGR			1.6

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	EBIT % 20E	EBIT % 21E	EBITDA % 20E	EBITDA % 21E	ROCE % 20E	ROCE % 21E
First Sensor AG	SIS-DE	411						
Hamamatsu Photonics K.K.	6965-JP	6604	16,6	18,1	22,9	26,0	10,4	11,4
OSI Systems, Inc.	OSIS-US	1291	9,6	10,5	16,1	16,7		
Varex Imaging Corporation	VREX-US	475	3,7	7,4	7,3	11,6	3,0	5,7
ams AG	AMS-CH	4756	9,4	10,1	18,4	22,7	5,3	8,6
Analog Devices, Inc.	ADI-US	40359	39,9	42,6	44,6	46,3	11,2	12,8
Keysight Technologies Inc	KEYS-US	17894	24,2	25,3	26,6	27,9	15,7	15,6
Spectris plc	SXS-GB	3388	12,3	13,6	17,5	18,7	10,5	12,1
Oxford Instruments plc	OXIG-GB	1048	12,2	14,2	15,5	17,4		
Trimble Inc.	TRMB-US	11375	21,0	21,4	23,3	23,4	11,3	11,9
Hexagon AB Class B	HEXA.B-SE	22313	24,0	26,6	34,0	36,3	9,8	11,1
Vaisala Oyj Class A	VAIAS-FI	1297	11,9	11,9	17,6	17,8	20,9	20,4
Peer Group Average		8866	16,5	18,2	21,7	23,7	10,9	12,2
Peer Group Median		4046	12,9	15,4	18,0	21,2	10,9	12,0
Detection Technology (Evli est.)		309	10,8	14,0	14,6	17,2	15,0	23,0

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	ROE % 20E	ROE % 21E	DIV % 20E	DIV % 21E	P/E 20E	P/E 21E
First Sensor AG	SIS-DE	411						
Hamamatsu Photonics K.K.	6965-JP	6604	8,6	9,7	0,8	0,9	44,1x	37,1x
OSI Systems, Inc.	OSIS-US	1291	15,2	14,5			17,4x	17,2x
Varex Imaging Corporation	VREX-US	475	0,2	4,0			772,0x	28,5x
ams AG	AMS-CH	4756	6,7	12,5	0,4	0,5	21,4x	12,5x
Analog Devices, Inc.	ADI-US	40359	15,3	17,8	2,0	2,1	25,3x	21,7x
Keysight Technologies Inc	KEYS-US	17894	27,1	25,5	0,0	0,2	22,6x	19,7x
National Instruments Corporation	NATI-US	4046	13,6	11,4	3,0	3,1	27,0x	30,8x
Spectris plc	SXS-GB	3388	9,4	11,9	2,5	2,6	24,2x	19,3x
Oxford Instruments plc	OXIG-GB	1048	11,2	12,0	0,7	1,0	30,7x	26,3x
Trimble Inc.	TRMB-US	11375	13,6	13,6	0,0	0,0	26,4x	23,8x
Hexagon AB Class B	HEXA.B-SE	22313	11,6	12,9	0,9	1,1	31,4x	26,8x
Vaisala Oyj Class A	VAIAS-FI	1297	17,8	17,6	1,7	1,8	35,4x	33,7x
Peer Group Average		8866	12,5	13,6	1,2	1,3	89,8x	24,8x
Peer Group Median		4046	12,6	12,7	0,8	1,0	26,7x	25,1x
Detection Technology (Evli est.)		309	11,9	19,1	1,3	1,8	47,2x	29,3x

77 % 17 %

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	EV/S 20E	EV/S 21E	EV/EBITDA 20E	EV/EBITDA 21E	EV/EBIT 20E	EV/EBIT 21E
First Sensor AG	SIS-DE	411						
Hamamatsu Photonics K.K.	6965-JP	6604	5,3x	4,9x	23,3x	18,8x	32,1x	27,0x
OSI Systems, Inc.	OSIS-US	1291	1,4x	1,4x	9,0x	8,4x	15,0x	13,4x
Varex Imaging Corporation	VREX-US	475	1,2x	1,2x	15,8x	10,1x	30,9x	15,8x
ams AG	AMS-CH	4756	2,2x	1,3x	11,9x	5,8x	23,3x	13,1x
Analog Devices, Inc.	ADI-US	40359	8,9x	8,1x	19,9x	17,5x	22,2x	19,0x
Keysight Technologies Inc	KEYS-US	17894	4,7x	4,1x	17,8x	14,8x	19,6x	16,3x
Spectris plc	SXS-GB	3388	2,1x	2,0x	12,2x	10,5x	17,4x	14,4x
Oxford Instruments plc	OXIG-GB	1048	2,8x	2,6x	18,1x	14,8x	23,0x	18,1x
Trimble Inc.	TRMB-US	11375	4,7x	4,2x	20,0x	18,0x	22,2x	19,6x
Hexagon AB Class B	HEXA.B-SE	22313	6,6x	6,1x	19,5x	16,7x	27,6x	22,7x
Vaisala Oyj Class A	VAIAS-FI	1297	3,4x	3,2x	19,2x	18,0x	28,4x	26,9x
Peer Group Average		8866	3,9x	3,5x	17,2x	14,1x	23,9x	18,7x
Peer Group Median		4046	3,3x	3,1x	18,6x	15,2x	23,1x	18,3x
Detection Technology (Evli est.)		309	3,5x	3,0x	23,8x	17,5x	32,1x	21,4x

Premium/discount relative to peer group median
Source: Factset, Evli Research

4 % -4 % 28 % 15 % 39 % 17 %

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	Sales growth % 20E	Sales growth % 21E	Net debt / EBITDA 20E	Net debt / EBITDA 21E	Equity ratio % 20E	Equity ratio % 21E
First Sensor AG	SIS-DE	411						
Hamamatsu Photonics K.K.	6965-JP	6604	-0,9	8,1	-2,4x	-2,1x	79,6	80,6
OSI Systems, Inc.	OSIS-US	1291	-1,4	0,0	1,3x	0,8x		
Varex Imaging Corporation	VREX-US	475	-6,4	-0,5	5,9x	3,8x	40,4	40,9
ams AG	AMS-CH	4756	76,8	58,1	3,6x	1,6x	32,9	34,9
Analog Devices, Inc.	ADI-US	40359	-7,9	8,1	1,7x	1,3x	55,7	56,2
Keysight Technologies Inc	KEYS-US	17894	-3,0	9,9	0,0x	-0,7x	47,8	53,2
National Instruments Corporation	NATI-US	4046	-7,0	0,0	-1,6x	-1,1x	68,3	71,9
Spectris plc	SXS-GB	3388	-18,8	7,0	-0,4x	-0,5x	67,0	65,3
Oxford Instruments plc	OXIG-GB	1048	-6,8	7,0	-1,7x	-1,7x		
Trimble Inc.	TRMB-US	11375	-7,7	7,9	2,1x	1,4x	49,4	52,7
Hexagon AB Class B	HEXA.B-SE	22313	-4,0	6,9	1,4x	0,8x	59,0	60,6
Vaisala Oyj Class A	VAIAS-FI	1297	-4,9	3,3	-0,2x	-0,6x	58,4	61,2
Peer Group Average		8866	0,7	11,6	0,8x	0,2x	55,8	57,8
Peer Group Median		4046	-5,7	7,4	0,6x	0,1x	57,0	58,4
Detection Technology (Evli est.)		309	-18,2	14,5	-1,7x	-1,4x	77,7	82,6

Source: Factset, Evli Research

Updated on October 27th, 2020

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3	2020Q4E	2020E	2021E	2022E
Net sales	23.1	27.5	26.9	25.0	102.5	19.9	21.1	20.6	22.2	83.8	96.0	110.7
EBITDA	4.4	5.5	5.7	4.3	19.9	2.0	3.4	3.4	3.5	12.2	16.5	21.8
<i>EBITDA margin (%)</i>	<i>19.2</i>	<i>20.0</i>	<i>21.3</i>	<i>17.1</i>	<i>19.5</i>	<i>9.9</i>	<i>16.0</i>	<i>16.5</i>	<i>15.8</i>	<i>14.6</i>	<i>17.2</i>	<i>19.7</i>
EBIT	3.9	4.8	5.1	3.2	17.0	1.2	2.6	2.6	2.7	9.1	13.5	18.8
<i>EBIT margin (%)</i>	<i>16.7</i>	<i>17.5</i>	<i>19.1</i>	<i>12.8</i>	<i>16.6</i>	<i>6.0</i>	<i>12.3</i>	<i>12.6</i>	<i>12.2</i>	<i>10.8</i>	<i>14.0</i>	<i>17.0</i>
Net financial items	0.0	-0.7	-0.1	-0.2	-1.0	0.0	-0.3	-0.3	0.0	-0.8	-0.2	0.0
Pre-tax profit	3.9	4.2	5.0	3.0	16.0	1.2	2.3	2.2	2.7	8.3	13.3	18.8
Tax	-0.3	-0.9	-1.0	-1.3	-3.6	-0.2	-0.5	-0.4	-0.5	-1.7	-2.7	-3.8
<i>Tax rate (%)</i>	<i>9.1</i>	<i>22.9</i>	<i>20.0</i>	<i>41.6</i>	<i>22.2</i>	<i>20.0</i>	<i>21.6</i>	<i>20.0</i>	<i>20.0</i>	<i>20.4</i>	<i>20.0</i>	<i>20.0</i>
Net profit	3.5	3.2	4.0	1.8	12.5	0.9	1.8	1.8	2.1	6.6	10.6	15.0
EPS	0.24	0.22	0.28	0.12	0.87	0.06	0.12	0.12	0.15	0.46	0.74	1.05
EPS adjusted (diluted no. of shares)	0.24	0.22	0.27	0.12	0.84	0.06	0.12	0.12	0.14	0.44	0.71	1.01
Dividend per share	0.00	0.00	0.00	0.00	0.38	0.00	0.00	0.00	0.00	0.28	0.38	0.42
SALES, EURm												
MBU	8.6	8.1	8.4	8.6	33.7	8.4	9.9	10.1	10.9	39.3	44.9	51.8
SBU	14.5	19.4	18.6	16.4	68.9	11.5	11.2	10.6	11.3	44.6	51.1	58.9
Total	23.1	27.5	26.9	25.0	102.5	19.9	21.1	20.6	22.2	83.8	96.0	110.7
SALES GROWTH, Y/Y %												
<i>MBU</i>	<i>15.0</i>	<i>-12.1</i>	<i>-27.4</i>	<i>-14.9</i>	<i>-12.1</i>	<i>-2.3</i>	<i>22.2</i>	<i>20.4</i>	<i>26.7</i>	<i>16.6</i>	<i>14.3</i>	<i>15.5</i>
<i>SBU</i>	<i>22.9</i>	<i>27.6</i>	<i>41.6</i>	<i>5.8</i>	<i>23.8</i>	<i>-20.7</i>	<i>-42.3</i>	<i>-43.1</i>	<i>-31.1</i>	<i>-35.3</i>	<i>14.7</i>	<i>15.3</i>
<i>Total</i>	<i>19.8</i>	<i>12.6</i>	<i>9.3</i>	<i>-2.3</i>	<i>9.2</i>	<i>-13.9</i>	<i>-23.3</i>	<i>-23.4</i>	<i>-11.2</i>	<i>-18.2</i>	<i>14.5</i>	<i>15.4</i>

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	42.8	75.5	89.0	93.9	102.5	83.8	96.0	110.7
<i>Sales growth (%)</i>	<i>29.2</i>	<i>76.5</i>	<i>17.9</i>	<i>5.5</i>	<i>9.2</i>	<i>-18.2</i>	<i>14.5</i>	<i>15.4</i>
EBITDA	5.8	17.3	22.1	20.9	19.9	12.2	16.5	21.8
<i>EBITDA margin (%)</i>	<i>13.4</i>	<i>22.9</i>	<i>24.9</i>	<i>22.3</i>	<i>19.5</i>	<i>14.6</i>	<i>17.2</i>	<i>19.7</i>
Depreciation	-1.3	-2.5	-2.2	-2.4	-2.9	-3.2	-3.0	-3.0
EBITA	4.5	14.8	19.9	18.5	17.0	9.1	13.5	18.8
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	4.5	14.8	19.9	18.5	17.0	9.1	13.5	18.8
<i>EBIT margin (%)</i>	<i>10.5</i>	<i>19.6</i>	<i>22.4</i>	<i>19.7</i>	<i>16.6</i>	<i>10.8</i>	<i>14.0</i>	<i>17.0</i>
Reported EBIT	3.4	14.8	19.9	18.5	17.0	9.1	13.5	18.8
<i>EBIT margin (reported) (%)</i>	<i>8.0</i>	<i>19.6</i>	<i>22.4</i>	<i>19.7</i>	<i>16.6</i>	<i>10.8</i>	<i>14.0</i>	<i>17.0</i>
Net financials	-2.4	-0.7	-0.5	-0.1	-1.0	-0.8	-0.2	0.0
Pre-tax profit	2.1	14.1	19.4	18.4	16.0	8.3	13.3	18.8
Taxes	-0.1	-3.2	-4.2	-3.6	-3.6	-1.7	-2.7	-3.8
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	0.9	10.9	15.2	14.9	12.5	6.6	10.6	15.0
Cash NRIs	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	7	6	6	9	10	9	10	10
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	0	0	0	0	0
Inventory	7	11	9	13	14	12	13	15
Receivables	14	22	21	27	27	22	25	29
Liquid funds	7	16	27	22	26	25	24	29
Total assets	35	54	62	71	77	68	72	82
Liabilities								
Shareholder's equity	21	31	42	51	58	52	59	68
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	0	0	0	0	0
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	1	7	5	4	6	5	1	0
Non-interest bearing current liabilities	11	14	15	15	12	10	12	13
Other interest-free debt	2	3	1	0	1	1	1	1
Total liabilities	35	54	62	71	77	68	72	82
CASH FLOW, EURm								
+ EBITDA	6	17	22	21	20	12	16	22
- Net financial items	4	8	11	0	-1	-1	0	0
- Taxes	0	-1	-3	-5	-4	-2	-3	-4
- Increase in Net Working Capital	-2	-11	1	-10	-3	5	-3	-4
+/- Other	-8	-9	-12	0	0	0	0	0
= Cash flow from operations	0	5	19	6	12	15	10	14
- Capex	-5	-2	-2	-5	-4	-2	-3	-3
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-4	3	17	1	8	13	7	11
+/- New issues/buybacks	19	0	-1	0	0	-7	0	0
- Paid dividend	0	-1	-3	-5	-5	-5	-4	-5
+/- Other	-10	6	-2	0	2	-1	-4	-1
Change in cash	4	8	11	-4	4	-1	-1	4

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	188	250	224	368	312	312	312
Net debt (excl. convertibles)	-9	-22	-18	-20	-20	-23	-29
Enterprise value	179	228	206	348	291	289	283
Sales	76	89	94	103	84	96	111
EBITDA	17	22	21	20	12	16	22
EBIT	15	20	19	17	9	13	19
Pre-tax	14	19	18	16	8	13	19
Earnings	11	15	15	12	7	11	15
Equity book value (excl. minorities)	31	42	51	58	52	59	68
Valuation multiples							
EV/sales	2.4	2.6	2.2	3.4	3.5	3.0	2.6
EV/EBITDA	10.3	10.3	9.8	17.4	23.8	17.5	13.0
EV/EBITA	12.1	11.5	11.1	20.4	32.1	21.4	15.1
EV/EBIT	12.1	11.5	11.1	20.4	32.1	21.4	15.1
EV/OCF	36.6	12.3	33.6	28.9	19.5	28.0	20.3
EV/FCFF	48.3	13.3	142.7	41.6	21.7	41.0	26.7
P/FCFE	57.3	14.9	162.4	48.5	24.4	45.2	29.4
P/E	17.2	16.5	15.1	29.5	47.2	29.3	20.7
P/B	6.1	6.0	4.4	6.3	6.0	5.3	4.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	24.2	17.7	13.2
Target EV/EBIT	0.0	0.0	0.0	0.0	32.6	21.7	15.3
Target EV/FCF	0.0	0.0	0.0	0.0	23.1	42.5	27.2
Target P/B	0.0	0.0	0.0	0.0	6.1	5.4	4.6
Target P/E	0.0	0.0	0.0	0.0	49.6	30.8	21.8
Per share measures							
Number of shares	13,426	13,901	14,375	14,375	14,375	14,375	14,375
Number of shares (diluted)	13,426	13,901	14,849	14,875	14,875	14,875	14,875
EPS	0.81	1.09	1.03	0.87	0.46	0.74	1.05
Operating cash flow per share	0.36	1.34	0.43	0.84	1.04	0.72	0.97
Free cash flow per share	0.24	1.21	0.10	0.53	0.89	0.48	0.74
Book value per share	2.30	3.00	3.57	4.06	3.63	4.10	4.76
Dividend per share	0.25	0.35	0.38	0.38	0.28	0.38	0.42
Dividend payout ratio, %	30.8	32.1	36.7	43.9	60.0	51.4	40.0
Dividend yield, %	1.8	1.9	2.4	1.5	1.3	1.8	1.9
FCF yield, %	1.7	6.7	0.6	2.1	4.1	2.2	3.4
Efficiency measures							
ROE	41.9	41.8	32.0	22.7	11.9	19.1	23.6
ROCE	48.2	47.4	36.4	28.5	15.0	23.0	29.3
Financial ratios							
Inventories as % of sales	14.0	9.6	14.2	13.8	13.8	13.8	13.8
Receivables as % of sales	28.6	24.1	28.4	25.9	25.9	25.9	25.9
Non-interest bearing liabilities as % of sales	18.7	16.8	16.4	12.1	12.1	12.1	12.1
NWC/sales, %	21.5	15.7	25.9	27.0	26.9	27.0	27.1
Operative CAPEX/sales, %	2.1	2.1	5.0	4.4	2.5	3.6	3.0
CAPEX/sales (incl. acquisitions), %	2.1	2.1	5.0	4.4	2.5	3.6	3.0
FCFF/EBITDA	0.2	0.8	0.1	0.4	1.1	0.4	0.5
Net debt/EBITDA, book-weighted	-0.5	-1.0	-0.9	-1.0	-1.7	-1.4	-1.3
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	57.8	67.5	73.0	76.6	77.7	82.6	83.8
Gearing, %	-29.2	-52.3	-35.6	-34.9	-39.2	-39.7	-41.7

COMPANY DESCRIPTION: Detection Technology is a global provider of off-the-shelf and customized X-ray imaging solutions for medical, security and industrial applications. DT's product portfolio ranges from photodiodes to complete detector systems with ASICs, electronics, mechanics and software. The company was established in 1991 and it listed on Nasdaq First North Finland in 2015. The company is headquartered in Finland and has volume production in Beijing, China. Detection Technology has over 500 employees in Finland, China, France and USA, serving 260 active customers in over 40 countries.

INVESTMENT CASE: Demand for Detection Technology's detector solutions is increasing due to expansion of healthcare to a wider share of population in the emerging economies, aging population, growth in travelling and freight transport, urbanization, increased security concerns and increasing need for X-ray imaging applications in industrial inspection. We see investment case attractive due to strong market drivers, especially in China, as well as DT's compelling strategy and execution capabilities, which should enable DT to grow faster than the market and maintain above target level margins. Due to its proximity to the fastest growing market China and inexpensive valuation, DT could be also become an acquisition target.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Ac Invest Seven B.V.	5,205,167	112.952	36.2%
OP-Finland Value Fund	651,065	14.128	4.5%
Ilmarinen Mutual Pension Insurance Company	554,000	12.022	3.9%
Varma Mutual Pension Insurance Company	515,000	11.175	3.6%
Sijoitusrahasto Aktia Capital	484,762	10.519	3.4%
Fondita Nordic Micro Cap	390,000	8.463	2.7%
Evli Finnish Small Cap Fund	327,259	7.102	2.3%
Martola Hannu Veikko	322,875	7.006	2.2%
Saastopankki Kotimaa	200,000	4.340	1.4%
Ten largest	8,650,128	187.708	60%
Residual	5,725,302	124.239	40%
Total	14,375,430	311.947	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

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CFO: Petri Hiljanen

IR: Johanna Tarkiainen

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DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	DPS	Dividend for the financial period per share
Market cap	Price per share * Number of shares	OCF (Operating cash flow)	EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow)	Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, %	$\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital	Current assets – current liabilities
Net debt	Interest bearing debt – financial assets	Capital employed/Share	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
Total assets	Balance sheet total	Gearing	$\frac{\text{Net debt}}{\text{Equity}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

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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 timer per year.

Recommendation	Percentage
Sell	8%
Hold	53%
Buy	39%

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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