

Initiates change negotiations

As a part of its cost-saving program, DT today initiated change negotiations which may end up in a termination of a maximum of 9 employments and changes in roles. In addition, other measures to improve cost efficiency will be taken in all of the company's operations.

- In its Q2 report, DT already announced that cost savings are made to meet its 15% EBITA margin target in 2024. Today the company announced change negotiations concerning 95 senior salaried employees in Finland. In total, the measures that may be implemented after the change negotiations could lead to a termination of a maximum of 9 employments and changes in job roles.
- DT has already taken small measures that have decreased its fixed costs to some extent and will continue to improve its efficiency globally. For example, the company shut down its talent hub organization in Nanjing, China which consisted of personnel of less than five.
- Forementioned measures are estimated to continue until the end of Sep 2023. Thus, the impact could be visible already in Q4. However, the termination of employment likely includes extra one-time costs of which P&L recognition schedule is yet unsure.
- In our last update on the 4th of Aug, we already counted some cost savings in our estimates, starting from Q3, but increasingly in Q4 and 2024. In our estimations, the departure of nine senior salaried persons could end up in savings of over EUR 1m in personnel costs on a year basis. However, the acquisition of Haobo Imaging, salary inflation, and the extent of savings in other operative costs mix the equation and the net impact on fixed costs is difficult to estimate.
- However, we view the news as positive, but not expect DT reaching its EBITA margin target of 15% yet in 2024. Before relying on the company's medium-term target, we need more evidence on the success of saving-program as the company's profit performance has lagged during the past few years. At this point, we do not make any changes to our estimates.

Rating	 BUY
Share price, EUR (Last trading day's closing price)	13.95
Target price, EUR	15.5
Latest change in recommendation	31-Jul-23
Latest report on company	4-Aug-23
Research paid by issuer:	YES
No. of shares outstanding, '000's	14,656
No. of shares fully diluted, '000's	14,656
Market cap, EURm	204
Free float, %	0.0
Exchange rate	0.000
Reuters code	DETEC.HE
Bloomberg code	DETEC FH
Average daily volume, EURm	0.0
Next interim report	27-Oct-23
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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
2021	89.8	10.6	11.8%	5.8	0.63	46.4	4.5	38.0	1.3	0.35
2022	98.6	5.8	5.9%	-1.9	0.34	46.0	2.3	39.2	-0.8	0.20
2023E	105.1	7.8	7.4%	-9.6	0.36	36.5	1.9	25.3	-4.7	0.20
2024E	118.6	15.6	13.2%	9.6	0.79	17.6	1.6	12.1	4.7	0.44
2025E	129.7	19.8	15.3%	19.9	1.04	13.4	1.4	8.9	9.7	0.57
Market cap, EURm		204	BV per share 2023E, EUR		-10.7	CAGR EPS 2022-25, %				41.5
Net debt 2023E, EURm		-8	Price/book 2023E		2.7	CAGR sales 2022-25, %				9.6
Enterprise value, EURm		196	Dividend yield 2023E, %		1.4	ROE 2023E, %				7.2
Total assets 2023E, EURm		108	Tax rate 2023E, %		22.3	ROCE 2023E, %				9.3
Goodwill 2023E, EURm		11	Equity ratio 2023E, %		69.7	PEG, P/E 23/CAGR				0.8

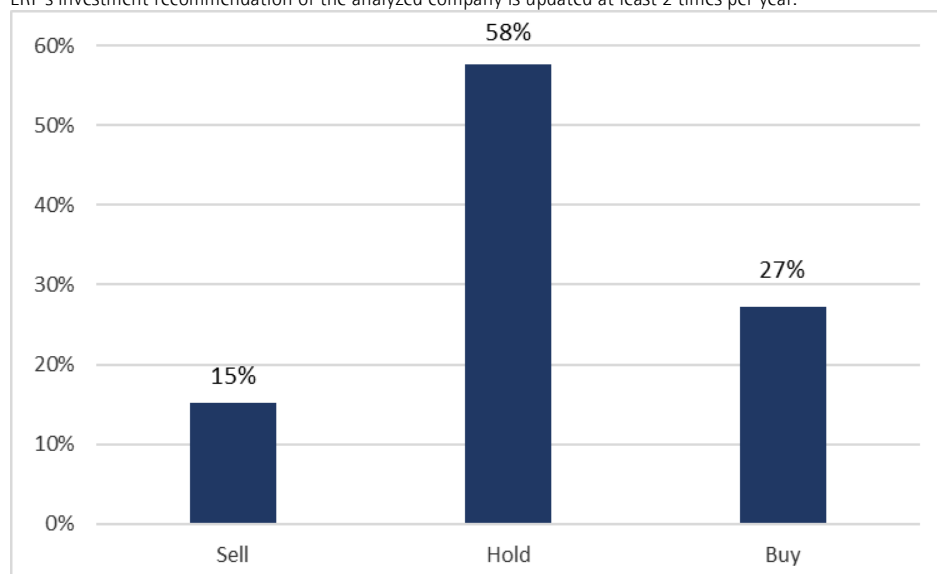
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Investment recommendations are defined as follows:

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): Heikura

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