

MBU slowdown, but growth story continues

DT's Q2 result slightly missed our and consensus expectations. MBU outlook remains mixed for the rest of the year, but this is temporary, and we see investment case intact. We maintain BUY rating and target price of 23.5 euros.

Strong growth in SBU, MBU softness in turn

DT's Q2 result slightly missed our and consensus expectations. SBU sales were clearly better than we expected at 19.4 MEUR (+27.4%, 17.8 MEUR Evli estimate), due to strong demand in China and increasing CT investments related to new EU and US airport standards. MBU Q2 sales were 8.1 MEUR (-11.5% y/y, 10.7 MEUR Evli estimate). The decline was attributed to a slowdown in medical CT demand and the sooner than expected ramp down of a key customer's product. While SBU is now in turn enjoying good demand, the softness in the medical market is expected to be temporary but continuing at least until the end of the year.

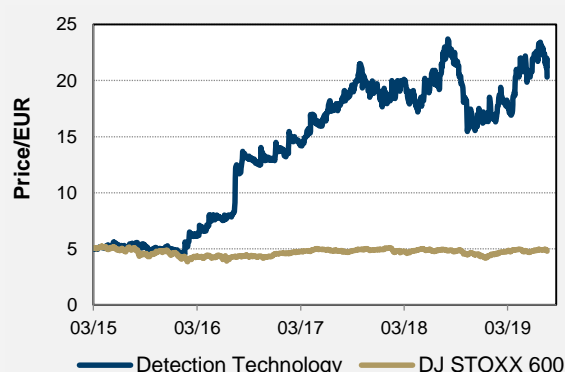
Visibility remains low, but overall investment case intact

DT revised its outlook for the rest of the year citing short visibility into customer demand and unpredictable trade politics. DT previously expected total sales to grow during the second half of the year. DT is now guiding for Q3 sales to grow above 10%. Based on the result, we have made only small changes to our headline estimates 2019 and onwards. We expect 2019E net sales to grow 13.7% to EUR 107m driven by SBU's return to growth of 28% on weak comparables. We expect '19E MBU net sales to decline by -7.6% due to the ramp-down of key customer's product in H2 and slowdown in medical demand. We expect '19E EBIT to be at last year's level due to increase in R&D spending, increasing share of SBU sales affecting the mix, as well as increased pricing competition in both segments.

Rating and BUY recommendation maintained

On our estimates, DT is trading at discounts on EV/EBIT, EV/EBITDA and P/E multiples for '19-20E. Although visibility is short and trade politics unpredictable, we see longer term investment case intact and therefore discount unjustified. With our estimates broadly intact, we maintain our BUY recommendation with target price of 23.5 euros

Rating BUY



Share price, EUR (Last trading day's closing price) 20.30
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 292
Free float, % -
Exchange rate -
Reuters code DETEC.HE
Bloomberg code DETEC FH
Average daily volume, -
Next interim report 25-Oct-19
Web site <http://www.deetee.com/investors/>

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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	107	19	17.7%	18	1.02	19.9	2.5	15.0	14.0	0.38
2020E	122	23	18.9%	23	1.27	15.9	2.1	16.5	11.1	0.47
2021E	139	26	19.0%	26	1.47	13.8	1.8	14.5	9.3	0.59
Market cap, EURm		292	BV per share 2019E, EUR		4.2	CAGR EPS 2018-21, %				12.5
Net debt 2019E, EURm		-27	Price/book 2019E		4.8	CAGR sales 2018-21, %				14.1
Enterprise value, EURm		265	Dividend yield 2019E, %		1.9	ROE 2019E, %				26.2
Total assets 2019E, EURm		83	Tax rate 2019E, %		18.4	ROCE 2019E, %				31.2
Goodwill 2019E, EURm		0	Equity ratio 2019E, %		73.5	PEG, P/E 19/CAGR				1.4

Strong growth in SBU, MBU softness in turn

DT's Q2 result slightly missed our and consensus expectations with Q2 net sales of 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. SBU sales were clearly better than we expected at 19.4 MEUR (+27.4%, 17.8 MEUR Evli estimate), due to strong demand in China and increasing CT investments related to new EU and US airport standards. MBU Q2 sales were 8.1 MEUR (-11.5% y/y, 10.7 MEUR Evli estimate), which was unexpected since DT in Q1 expected both BU's to grow in Q2. The decline was attributed to a slowdown in medical CT demand and the sooner than expected ramp down of a key customer's product. While SBU is now in turn enjoying good demand, the softness in the medical market is expected to be temporary but continuing at least until the end of the year.

Visibility remains low, but overall investment case intact

DT revised its outlook for the rest of the year citing short visibility into customer demand and unpredictable trade politics. DT previously expected total sales to grow during the second half of the year. DT is now guiding for Q3 sales to grow above 10%. Based on the result, we have made only small changes to our headline estimates 2019 and onwards. We expect 2019E net sales to grow 13.7% to EUR 107m driven by SBU's return to growth of 28% on weak comparables. We expect '19E MBU net sales to decline by -7.6% due to the ramp-down of key customer's product in H2 and slowdown in medical demand. We expect '19E EBIT to be at last year's level due to increase in R&D spending, increasing share of SBU sales affecting the mix, as well as increased pricing competition in both segments.

Strategy update for 2025 period, no change to medium-term financial targets

In conjunction with the result, DT announced its updated strategy until 2025. The company's new strategic target is to be the growth leader in digital x-ray imaging detector solutions and a significant player in other technologies and applications where the company sees good business opportunities. The company estimates that the market for digital x-ray imaging detector solutions will be around EUR 3 billion in 2025. DT's previous strategy until 2020 was based on being the leader in computed tomography and line-scan x-ray detectors and solutions. The total market, as per the company's previous strategy, is estimated to be around EUR 700 million in 2020. Given DT's current estimated 2019E sales of above 100 MEUR, it's fair to say that DT is a leader in the scope of the previous strategy. The new 2025 strategy's market scope is broader, but DT's medium-term financial targets remain unchanged; sales growth at least 15% per annum and operating margin at or above 15% in the medium term.

DT is well positioned to benefit from digitalization since the company's product portfolio already consists of digital radiography products that are used in digital X-ray solutions. There are also new emerging technologies (e.g. CMOS, multi energy) that DT has invested in with the strategic goal to be the growth leader when the emerging technologies become more adapted. To our understanding, the security X-ray equipment manufacturers have been quick to adopt digitalization. However, medical and industrial equipment manufacturers are at an earlier stage of adopting the technology.

Rating and BUY recommendation maintained

On our estimates, DT is trading at discounts on EV/EBIT, EV/EBITDA and P/E multiples for '19-20E. Although visibility is short and trade politics unpredictable, we see longer term investment case intact and therefore discount unjustified. With our estimates broadly intact, we maintain our BUY recommendation with target price of 23.5 euros. Our target price values DT at EV/EBIT-multiple of 16x and 13x on our '19E and '20E estimates, which is still clearly lower than peer group despite DT's strong metrics.

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	EBIT %			EBITDA %			ROCE %		
			19E	20E	21E	19E	20E	21E	19E	20E	21E
First Sensor AG	SIS-DE	304	9	9	9	15	14	14			
Hamamatsu Photonics K.K.	6965-JP	5098	18	19	20	26	27	27	12	13	13
OSI Systems, Inc.	OSIS-US	1829	10	10	11	16	17	17			
Varex Imaging Corporation	VREX-US	1087	11	12	14	16	17	17	10	11	12
ams AG	AMS-CH	3582	15	19	20	28	30	31	9	11	11
Analog Devices, Inc.	ADI-US	38272	41	42	43	48	47	49	12	13	14
Keysight Technologies Inc	KEYS-US	15245	22	22	22	25	26	23	18	16	
National Instruments Corporation	NATI-US	5063	18	20		22	24		16	16	
Spectris plc	SXS-GB	3174	16	16	16	20	19	19	16	16	17
Oxford Instruments plc	OXIG-GB	807	15	16	16	18	19	19	19	20	20
Trimble Inc.	TRMB-US	8676	20	21	22	23	23	24	14	15	15
Hexagon AB Class B	HEXA.B-SE	15700	25	26	27	33	34	34	11	12	12
Vaisala Oyj Class A	VAIAS-FI	737	10	11	11	15	15	15	19	23	25
Peer Group Average		7660	18	19	19	23	24	24	14	15	16
Peer Group Median		3582	16	19	18	22	23	21	14	15	14
Detection Technology (Evli est.)		295	18	19	19	20	21	21	31	33	33

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	ROE %			DIV %			P/E		
			19E	20E	21E	19E	20E	21E	19E	20E	21E
First Sensor AG	SIS-DE	304	10	10	10	0,8	0,8	0,9	34,0x	31,7x	28,8x
Hamamatsu Photonics K.K.	6965-JP	5098	10	10	11	1,0	1,1	1,2	30,1x	27,2x	24,8x
OSI Systems, Inc.	OSIS-US	1829	15	15					26,4x	24,3x	21,3x
Varex Imaging Corporation	VREX-US	1087	13	15	15				22,7x	19,4x	17,2x
ams AG	AMS-CH	3582	20	23	22	0,3	0,8	1,3	13,4x	9,9x	8,5x
Analog Devices, Inc.	ADI-US	38272	17	17	18	1,8	2,0	2,0	21,8x	20,8x	18,5x
Keysight Technologies Inc	KEYS-US	15245	29	26	25	0,0	0,0	0,0	21,2x	19,6x	17,8x
National Instruments Corporation	NATI-US	5063							39,5x	34,9x	
Spectris plc	SXS-GB	3174	16	16	16	2,6	2,8	2,9	14,7x	13,6x	13,0x
Oxford Instruments plc	OXIG-GB	807	18	17	16	1,2	1,2	1,3	18,8x	18,0x	16,9x
Trimble Inc.	TRMB-US	8676	16	16	15	0,0	0,0	0,0	19,5x	17,4x	15,6x
Hexagon AB Class B	HEXA.B-SE	15700	14	14	14	1,4	1,6	1,7	20,3x	18,4x	16,8x
Vaisala Oyj Class A	VAIAS-FI	737	16	18	18	3,5	3,1	3,3	24,9x	21,7x	20,0x
Peer Group Average		7660	16	16	16	1,3	1,3	1,5	23,6x	21,3x	18,3x
Peer Group Median		3582	16	16	16	1,1	1,1	1,3	21,8x	19,6x	17,5x
Detection Technology (Evli est.)		295	26	27	26	1,9	2,3	2,9	19,9x	15,9x	13,8x

-9% -19% -21%

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	EV/S			EV/EBITDA			EV/EBIT		
			19E	20E	21E	19E	20E	21E	19E	20E	21E
First Sensor AG	SIS-DE	304	1,9x	1,7x	1,6x	13,0x	12,1x	11,1x	21,3x	19,6x	17,5x
Hamamatsu Photonics K.K.	6965-JP	5098	3,9x	3,6x	3,3x	15,2x	13,4x	12,3x	21,5x	18,9x	17,1x
OSI Systems, Inc.	OSIS-US	1829	1,9x	1,7x		11,8x	10,3x		19,9x	17,6x	
Varex Imaging Corporation	VREX-US	1087	2,0x	1,9x	1,7x	12,8x	10,9x	10,4x	18,7x	15,8x	12,4x
ams AG	AMS-CH	3582	2,6x	2,1x	1,8x	9,3x	7,0x	5,9x	17,1x	11,4x	9,4x
Analog Devices, Inc.	ADI-US	38272	7,9x	7,5x	6,9x	16,4x	15,8x	14,1x	19,1x	18,0x	15,8x
Keysight Technologies Inc	KEYS-US	15245	4,2x	3,8x	3,5x	16,7x	14,7x	15,1x	19,1x	17,0x	16,1x
Spectris plc	SXS-GB	3174	1,9x	1,8x	1,7x	9,7x	9,3x	8,6x	12,2x	11,2x	10,5x
Oxford Instruments plc	OXIG-GB	807	2,1x	2,0x	1,8x	11,4x	10,7x	9,8x	14,2x	12,8x	11,5x
Trimble Inc.	TRMB-US	8676	3,4x	3,0x	2,7x	14,9x	13,2x	11,2x	16,5x	14,3x	12,2x
Hexagon AB Class B	HEXA.B-SE	15700	4,4x	4,1x	3,7x	13,5x	12,0x	10,9x	18,0x	15,8x	14,1x
Vaisala Oyj Class A	VAIAS-FI	737	1,8x	1,8x	1,6x	12,6x	11,3x	10,8x	19,0x	16,6x	15,0x
Peer Group Average		7660	3,2x	2,9x	2,8x	13,1x	11,7x	10,9x	18,0x	15,7x	13,8x
Peer Group Median		3582	2,4x	2,1x	1,8x	12,9x	11,7x	10,9x	18,9x	16,2x	14,1x
Detection Technology (Evli est.)		295	2,5x	2,1x	1,8x	12,1x	10,0x	8,4x	14,0x	11,1x	9,3x

Premium/discount relative to peer group

5% 2% -4% -6% -7,4% -22% -26% -32% -34%

median

Source: Factset, Evli Research

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	Sales growth %			Net debt / EBITDA			Equity ratio %		
			19E	20E	21E	19E	20E	21E	19E	20E	21E
First Sensor AG	SIS-DE	304	13,2	7,2	7,3	0,5x	0,3x	0,0x	55,8	57,5	59,7
Hamamatsu Photonics K.K.	6965-JP	5098	12,3	6,5	6,0	-2,0x	-2,0x	-2,2x	79,0	79,7	79,9
OSI Systems, Inc.	OSIS-US	1829	22,6	5,2	0,0	1,3x	0,6x				
Varex Imaging Corporation	VREX-US	1087	11,3	3,5	3,4	3,0x	2,2x	1,7x	40,5	43,4	47,2
ams AG	AMS-CH	3582	76,9	16,2	6,5	2,1x	1,3x	0,7x	39,7	43,4	46,4
Analog Devices, Inc.	ADI-US	38272	15,9	3,1	8,3	1,7x	1,4x	1,1x	54,6	56,7	56,3
Keysight Technologies Inc	KEYS-US	15245	29,9	5,4	9,5	0,7x	0,1x	0,3x	47,0	50,4	
National Instruments Corporation	NATI-US	5063	4,4	4,5	0,0				73,6	76,1	
Spectris plc	SXS-GB	3174	8,9	3,4	2,6	0,8x	0,5x	0,1x	59,1	63,4	68,2
Oxford Instruments plc	OXIG-GB	807	14,9	2,9	4,6	-0,3x	-0,6x	-0,9x	59,1	62,1	66,3
Trimble Inc.	TRMB-US	8676	23,9	6,5	6,3	1,9x	1,2x	0,4x	49,7	53,3	55,9
Hexagon AB Class B	HEXA.B-SE	15700	14,5	4,9	5,3	1,4x	0,9x	0,4x	56,8	58,8	61,0
Vaisala Oyj Class A	VAIAS-FI	737	18,4	4,0	4,4	-0,4x	-0,5x	-0,7x	53,0	54,2	55,3
Peer Group Average		7660	20,6	5,6	5,8	0,9x	0,4x	0,1x	55,7	58,3	59,6
Peer Group Median		3582	14,9	4,9	6,0	1,0x	0,6x	0,3x	55,2	57,1	58,0
Detection Technology (Evli est.)		295	13,7	14,3	14,2	-1,2x	-1,4x	-1,5x	73,5	78,8	80,1

Source: Factset, Evli Research

Updated on August 2nd, 2019

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	19	24	25	26	94	23	28	28	28	107	122	139
EBITDA	4	6	6	5	21	4	6	5	6	22	26	29
<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>19.2</i>	<i>20.0</i>	<i>19.6</i>	<i>22.8</i>	<i>20.5</i>	<i>21.0</i>	<i>21.0</i>
EBIT	4	5	5	4	19	4	5	5	5	19	23	26
<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>16.7</i>	<i>17.5</i>	<i>17.5</i>	<i>19.0</i>	<i>17.7</i>	<i>18.9</i>	<i>19.0</i>
Net financial items	0	0	0	0	0	0	-1	0	0	-1	0	0
Pre-tax profit	3	6	5	5	18	4	4	5	5	18	23	26
Tax	0	-1	0	-1	-4	0	-1	-1	-1	-3	-5	-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>9.1</i>	<i>22.9</i>	<i>21.1</i>	<i>19.2</i>	<i>18.4</i>	<i>20.0</i>	<i>20.0</i>
Net profit	3	4	4	3	15	4	3	4	4	15	18	21
EPS	0.20	0.31	0.31	0.22	1.03	0.24	0.22	0.26	0.29	1.02	1.27	1.47
EPS adjusted (diluted no. of shares)	0.20	0.30	0.30	0.21	1.00	0.24	0.22	0.25	0.28	0.99	1.23	1.42
Dividend per share	0.00	0.00	0.00	0.00	0.38	0.00	0.00	0.00	0.00	0.38	0.47	0.59
SALES, EURm												
MBU	7	9	12	10	38	9	8	10	9	35	41	47
SBU	12	15	13	16	56	15	19	18	20	71	81	92
Total	19	24	25	26	94	23	28	28	28	107	122	139
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>15.0</i>	<i>-12.1</i>	<i>-13.0</i>	<i>-13.9</i>	<i>-7.6</i>	<i>15.2</i>	<i>15.0</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>22.9</i>	<i>27.6</i>	<i>36.9</i>	<i>25.8</i>	<i>28.3</i>	<i>13.9</i>	<i>13.8</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>19.8</i>	<i>12.6</i>	<i>13.6</i>	<i>10.2</i>	<i>13.7</i>	<i>14.3</i>	<i>14.2</i>
EBIT, EURm												
Total	4	5	5	4	19	4	5	5	5	19	23	26
EBIT margin, %												
<i>Total</i>	<i>19.2</i>	<i>21.7</i>	<i>20.7</i>	<i>17.3</i>	<i>19.7</i>	<i>16.7</i>	<i>17.5</i>	<i>17.5</i>	<i>19.0</i>	<i>17.7</i>	<i>18.9</i>	<i>19.0</i>

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	20.30 PV of Free Cash Flow	126 Long-term growth, %	2.5 Risk-free interest rate, %	2.25
DCF share value	23.07 PV of Horizon value	193 WACC, %	8.5 Market risk premium, %	5.8
Share price potential, %	13.7 Unconsolidated equity	0 Spread, %	0.0 Debt risk premium, %	2.8
Maximum value	23.1 Marketable securities	22 Minimum WACC, %	8.5 Equity beta coefficient	1.10
Minimum value	23.1 Debt - dividend	-10 Maximum WACC, %	8.5 Target debt ratio, %	20
Horizon value, %	60.5 Value of stock	332 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	107	122	139	159	168	177	184	189	195	200	205
<i>Sales growth, %</i>	<i>5.5</i>	<i>13.7</i>	<i>14.3</i>	<i>14.2</i>	<i>14.0</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	23	26	27	27	28	29	30	31	32	33
<i>EBIT margin, %</i>	<i>19.7</i>	<i>17.7</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	3	3	4	4	4	4	5	5	5	
- Income taxes	-4	-3	-5	-5	-5	-5	-6	-6	-6	-6	-6	
- Change in NWC	-10	1	-3	-4	-4	-2	-2	-2	-1	-1	-1	
<i>NWC / Sales, %</i>	<i>25.9</i>	<i>21.8</i>	<i>21.9</i>	<i>21.9</i>	<i>21.9</i>	<i>21.9</i>	<i>21.9</i>	<i>21.9</i>	<i>21.9</i>	<i>21.9</i>	<i>21.9</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-5	-5	-3	-4	-6	-5	-5	-5	-5	-5	-5	-5
<i>Investments / Sales, %</i>	<i>5.6</i>	<i>4.4</i>	<i>2.5</i>	<i>3.1</i>	<i>3.5</i>	<i>3.1</i>	<i>2.8</i>	<i>2.8</i>	<i>2.7</i>	<i>2.7</i>	<i>2.7</i>	<i>2.7</i>
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	2	15	15	16	16	19	20	21	23	23	24	414
= Discounted FCF (DFCF)		14	13	13	12	13	13	13	12	12	11	193
= DFCF min WACC		14	13	13	12	13	13	13	12	12	11	193
= DFCF max WACC		14	13	13	12	13	13	13	12	12	11	193

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	33	43	76	89	94	107	122	139
<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>13.7</i>	<i>14.3</i>	<i>14.2</i>
Costs	-28	-37	-58	-67	-73	-85	-96	-110
Reported EBITDA	5	6	17	22	21	22	26	29
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>20.5</i>	<i>21.0</i>	<i>21.0</i>
Depreciation	-1	-1	-3	-2	-2	-3	-3	-3
EBITA	4	5	15	20	19	19	23	26
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	4	5	15	20	19	19	23	26
<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>17.7</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	23	26
Extraordinary items	-1	-1	0	0	0	0	0	0
Taxes	0	0	-3	-4	-4	-3	-5	-5
Minority shares	0	0	0	0	0	0	0	0
Net profit	3	1	11	15	15	15	18	21
BALANCE SHEET, EURm								
Assets								
Fixed assets	4	7	6	6	9	11	11	13
<i>% of sales</i>	<i>11</i>	<i>17</i>	<i>8</i>	<i>7</i>	<i>9</i>	<i>10</i>	<i>9</i>	<i>9</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	15	17	20
<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	26	29	33
<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	37	45
<i>% of sales</i>	<i>10</i>	<i>17</i>	<i>21</i>	<i>30</i>	<i>24</i>	<i>30</i>	<i>30</i>	<i>32</i>
Total assets	20	35	54	62	71	83	94	110
Liabilities								
Equity	1	21	31	42	51	61	73	88
<i>% of sales</i>	<i>4</i>	<i>49</i>	<i>41</i>	<i>47</i>	<i>55</i>	<i>57</i>	<i>60</i>	<i>63</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	5	1	0
<i>% of sales</i>	<i>33</i>	<i>3</i>	<i>9</i>	<i>5</i>	<i>4</i>	<i>5</i>	<i>1</i>	<i>0</i>
Non-interest bearing current liabilities	7	11	14	15	15	17	20	22
<i>% of sales</i>	<i>20</i>	<i>27</i>	<i>19</i>	<i>17</i>	<i>16</i>	<i>16</i>	<i>16</i>	<i>16</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	83	94	110
CASH FLOW, EURm								
+ EBITDA	5	6	17	22	21	22	26	29
- Net financial items	0	-2	-1	-1	0	-1	0	0
- Taxes	0	0	-1	-3	-4	-3	-5	-5
- Increase in Net Working Capital	0	-2	-11	1	-10	1	-3	-4
+/- Other	-1	1	1	0	0	0	0	0
= Cash flow from operations	3	3	5	19	7	19	17	20
- Capex	-1	-5	-2	-2	-5	-5	-3	-4
- 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	14	14	16
+/- Change in interest-bearing debt	-3	-10	5	-2	-1	1	-4	-1
+/- New issues/buybacks	0	19	0	-1	0	0	0	0
- Paid dividend	0	0	-1	-3	-5	-5	-5	-7
+/- Change in loan receivables	0	-1	0	0	0	0	0	0
Change in cash	0	4	5	10	-4	10	5	8

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	63	188	250	224	292	292	292
Net debt	-6	-9	-22	-18	-27	-36	-45
Enterprise value	57	179	228	206	265	256	247
Sales	43	76	89	94	107	122	139
EBITDA	6	17	22	21	22	26	29
EBIT	5	15	20	19	19	23	26
Pre-tax	2	14	19	18	18	23	26
Earnings	2	11	15	15	15	18	21
Book value	21	31	42	51	61	73	88
Valuation multiples							
EV/sales	1.3	2.4	2.6	2.2	2.5	2.1	1.8
EV/EBITDA	9.9	10.3	10.3	9.8	12.1	10.0	8.4
EV/EBITA	12.7	12.1	11.5	11.1	14.0	11.1	9.3
EV/EBIT	12.7	12.1	11.5	11.1	14.0	11.1	9.3
EV/operating cash flow	21.8	33.0	12.3	29.5	13.6	14.5	12.2
EV/cash earnings	17.6	13.3	13.1	11.9	15.1	12.3	10.3
P/E	14.2	17.2	16.5	15.1	19.9	15.9	13.8
P/E excl. goodwill	14.2	17.2	16.5	15.1	19.9	15.9	13.8
P/B	3.0	6.1	6.0	4.4	4.8	4.0	3.3
P/sales	1.5	2.5	2.8	2.4	2.7	2.4	2.1
P/CF	24.2	34.7	13.4	32.1	15.0	16.5	14.5
Target EV/EBIT	0.0	0.0	0.0	0.0	16.4	13.1	11.1
Target P/E	0.0	0.0	0.0	0.0	23.9	19.1	16.5
Target P/B	0.0	0.0	0.0	0.0	5.6	4.6	3.8
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	1.02	1.27	1.47
EPS excl. goodwill	0.35	0.81	1.09	1.03	1.02	1.27	1.47
Cash EPS	0.25	1.00	1.25	1.20	1.22	1.45	1.67
Operating cash flow per share	0.20	0.40	1.34	0.49	1.35	1.23	1.40
Capital employed per share	1.15	1.63	1.43	2.30	2.35	2.62	2.99
Book value per share	1.63	2.30	3.00	3.57	4.21	5.11	6.11
Book value excl. goodwill	1.63	2.30	3.00	3.57	4.21	5.11	6.11
Dividend per share	0.07	0.25	0.35	0.38	0.38	0.47	0.59
Dividend payout ratio, %	45.5	30.8	32.1	36.7	37.0	37.0	40.0
Dividend yield, %	1.4	1.8	1.9	2.4	1.9	2.3	2.9
Efficiency measures							
ROE	17.7	41.9	41.8	32.0	26.2	27.3	26.2
ROCE	23.0	48.2	47.4	36.4	31.2	33.0	32.7
Financial ratios							
Capex/sales, %	11.1	2.1	2.1	5.6	4.4	2.5	3.1
Capex/depreciation excl. goodwill,%	380.4	63.9	82.6	221.0	159.9	119.2	155.5
Net debt/EBITDA, book-weighted	-1.1	-0.5	-1.0	-0.9	-1.2	-1.4	-1.5
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	73.5	78.8	80.1
Gearing	-0.30	-0.29	-0.52	-0.36	-0.44	-0.49	-0.51
Number of employees, average	305	389	417	417	417	417	417
Sales per employee, EUR	140,266	194,111	213,429	225,180	255,964	292,644	334,129
EBIT per employee, EUR	14,754	38,046	47,722	44,417	45,365	55,366	63,485

COMPANY DESCRIPTION: Detection Technology Oyj is a Finland-based company providing X-ray imaging products and services for medical, security and industrial applications. It is engaged in design, manufacture and marketing of X-ray imaging components and subsystems, such as detectors, photodiodes, and parts and components

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Ac Invest Seven B.V.	5,205,167	105.665	36.2%
OP-Finland Value Fund	651,065	13.217	4.5%
Ilmarinen Mutual Pension Insurance Company	554,000	11.246	3.9%
Varma Mutual Pension Insurance Company	515,000	10.454	3.6%
Sijoitusrahasto Aktia Capital	484,762	9.841	3.4%
Fondita Nordic Micro Cap	390,000	7.917	2.7%
Evli Finnish Small Cap Fund	327,259	6.643	2.3%
Martola Hannu Veikko	322,875	6.554	2.2%
Saastopankki Kotimaa	200,000	4.060	1.4%
Ten largest	8,650,128	175.598	60%
Residual	5,725,302	116.224	40%
Total	14,375,430	291.821	100%

EARNINGS CALENDAR

October 25, 2019

Q3 report

OTHER EVENTS

COMPANY MISCELLANEOUS

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Elektroniikkatie 10, 90590 Oulu

CFO: Petri Hijanen

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	Balance sheet 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)	$\frac{\text{Turnover}}{\text{Balance sheet total (average)}}$
ROA, %	$\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balance sheet total} - \text{interest free short term debt} - \text{long term advances received and accounts payable (average)}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non interest bearing debt (average)}}$	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

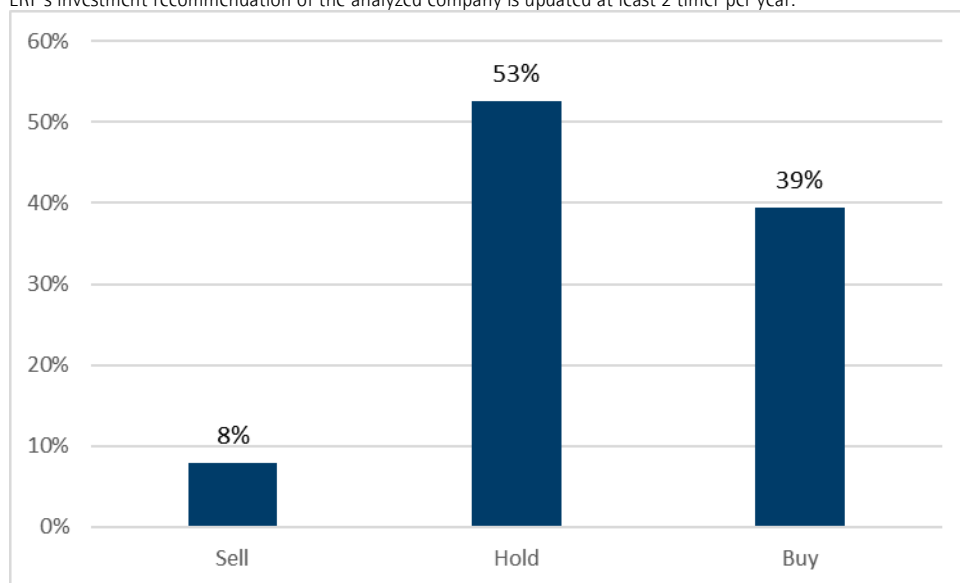
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Investment recommendations are defined as follows:

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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