

Security segment turning a corner

DT's Q4 report was broadly in line with expectations. After a challenging year, especially for the security segment, a gradual improvement is expected. Although it's difficult to estimate the slope of the recovery, improvement is still ahead, and we see DT back on the road towards +10% growth and above 15% margins. Based on the increased confidence in improving security demand coupled with DT's potential for better growth and profitability metrics than our peer group, we raise our TP to 28.5 euros (prev. 26.5€ with BUY recommendation (prev. HOLD)).

A decent Q4 and 2020 given challenging market situation

DT's Q4 figures were broadly in line with expectations. Q4 net sales amounted to EUR 19.9m (-20,4% y/y) vs. EUR 22.2m/22.2m Evli/consensus estimates. Q4 EBIT was EUR 2.3m (11,8% margin) vs. EUR 2.7m/2.75m Evli/cons. R&D costs amounted to EUR 2.2m or 11,2% of net sales (Q4'19: 2.6m, 10,6%). SBU net sales were EUR 9.0m vs. EUR 11.3m Evli estimate. SBU sales declined -45,5% y/y, mainly due to the COVID-19 pandemic affecting security investments and challenging comparison figures. MBU net sales were EUR 10.9m which was in line with our estimate of EUR 10.9m. Dividend proposal is 0.28 (0.28/0.25 Evli/cons), which is at upper end of distribution policy of 30-60%.

Cautiously optimistic outlook

After a challenging year, especially for SBU, DT is cautiously optimistic that the worst for SBU is soon behind. Demand in the security market is expected to head for growth in Q2 of 2021 at the earliest. SBU sales will decrease in Q1 y/y, but will start to grow in Q2, although demand is still subject to uncertainty. DT sees growth in industrial sales and double-digit growth in MBU sales in H1 of 2021. Total net sales are expected to decrease in Q1 and grow in H1 of 2021. DT sees predictability of the company's target markets still lower than usual due to the extraordinary uncertainty caused by the pandemic. As of Q1/21, DT will report three business segments; MBU, SBU and new Industrial Solutions Business Unit (IBU), which previously was part of SBU. Industrial sales accounted for over EUR 10m (25%) of SBU sales in 2020. Industrial market is categorized as higher margin, but smaller volumes, more fragmented customer base, and a variety of end applications.

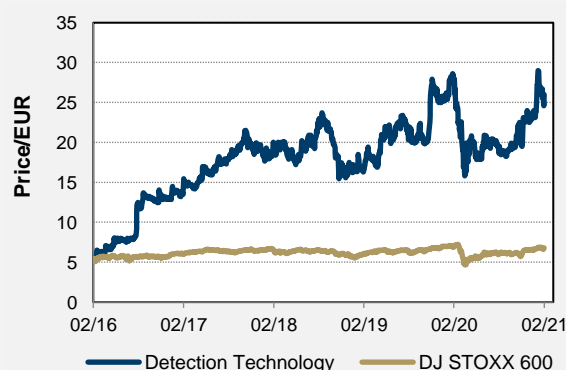
BUY with target price 28.5 euros (prev. 26.5€)

We have made slight calibrations to our estimates based on the report. We continue to expect DT to return to sales and profit growth path this year. We estimate 2021e net sales growth of 12,4 % and an EBIT of EUR 12.4m (13,5% margin), as SBU will start contributing to growth from Q2/21 onwards. Although it's difficult to estimate the slope of the recovery, improvement is still ahead, and we see DT back on the road towards +10% growth and above 15% margins.

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	81.5	8.7	10.7%	5.6	0.47	56.9	4.5	41.7	1.5	0.28
2021E	91.6	12.4	13.5%	7.0	0.68	38.3	3.8	28.3	1.9	0.38
2022E	105.7	16.9	16.0%	7.7	0.92	28.3	3.3	20.6	2.1	0.41
2023E	116.3	17.4	15.0%	8.8	0.94	27.6	3.0	19.9	2.3	0.47
Market cap, EURm			374	Gearing 2021E, %		-34.7	CAGR EPS 2020-23, %			26.2
Net debt 2021E, EURm			-22	Price/book 2021E		5.8	CAGR sales 2020-23, %			12.6
Enterprise value, EURm			352	Dividend yield 2021E, %		1.5	ROE 2021E, %			15.9
Total assets 2021E, EURm			83	Tax rate 2021E, %		20.0	ROCE 2021E, %			18.5
Goodwill 2021E, EURm			0	Equity ratio 2021E, %		77.9	PEG, P/E 21/CAGR			2.4

Rating

+ BUY


Share price, EUR (Last trading day's closing price) 26.00

Target price, EUR 28.5

Latest change in recommendation 03-Feb-21

Latest report on company 27-Jan-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 374

Free float, % -

Exchange rate -

Reuters code DETEC.HE

Bloomberg code DETEC FH

Average daily volume, EURm -

Next interim report 27-Apr-21

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+ BUY □ HOLD - SELL

On our 2022e estimates, DT is trading at 20.6x EV/EBIT, in line with peer group. Despite valuation being in line with peer group, we're willing to take a more proactive stance based on the increased confidence in improving security demand coupled with DT's potential for better growth and profitability metrics than peer group. We raise our TP to 28.5 euros (prev. 26.5€ with BUY recommendation (prev. HOLD)).

INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1E	2021Q2E	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	19.9	21.1	20.6	19.9	81.5	18.5	23.5	24.2	25.4	91.6	105.7	116.3
EBITDA	2.0	3.4	3.4	3.1	11.9	3.1	3.5	4.0	5.1	15.7	19.8	19.9
<i>EBITDA margin (%)</i>	<i>9.9</i>	<i>16.0</i>	<i>16.5</i>	<i>15.8</i>	<i>14.6</i>	<i>16.5</i>	<i>14.9</i>	<i>16.5</i>	<i>20.1</i>	<i>17.1</i>	<i>18.7</i>	<i>17.1</i>
EBIT	1.2	2.6	2.6	2.3	8.7	2.2	2.7	3.2	4.3	12.4	16.9	17.4
<i>EBIT margin (%)</i>	<i>6.0</i>	<i>12.3</i>	<i>12.6</i>	<i>11.8</i>	<i>10.7</i>	<i>11.9</i>	<i>11.5</i>	<i>13.2</i>	<i>16.9</i>	<i>13.5</i>	<i>16.0</i>	<i>15.0</i>
Net financial items	0.0	-0.3	-0.1	-0.1	-0.6	0.0	0.0	0.0	0.0	-0.2	-0.4	-0.5
Pre-tax profit	1.2	2.3	2.5	2.2	8.1	2.2	2.7	3.2	4.3	12.2	16.5	16.9
Tax	-0.2	-0.5	-0.8	0.1	-1.4	-0.4	-0.5	-0.6	-0.8	-2.4	-3.3	-3.4
<i>Tax rate (%)</i>	<i>20.0</i>	<i>21.6</i>	<i>31.5</i>	<i>-6.6</i>	<i>16.7</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0.9	1.8	1.7	2.4	6.7	1.7	2.1	2.5	3.4	9.8	13.2	13.6
EPS	0.06	0.12	0.12	0.16	0.47	0.12	0.15	0.18	0.24	0.68	0.92	0.94
EPS adjusted (diluted no. of shares)	0.06	0.12	0.11	0.16	0.45	0.12	0.14	0.17	0.23	0.66	0.89	0.91
Dividend per share	0.00	0.00	0.00	0.00	0.28	0.00	0.00	0.00	0.00	0.38	0.41	0.47
SALES, EURm												
MBU	8.4	9.9	10.1	10.9	39.3	10.0	11.9	11.7	12.6	46.2	53.4	58.7
SBU	11.5	11.2	10.6	9.0	42.3	8.5	11.6	12.5	12.8	45.4	52.4	57.6
Total	19.9	21.1	20.6	19.9	81.5	18.5	23.5	24.2	25.4	91.6	105.7	116.3
SALES GROWTH, Y/Y %												
MBU	-2.3	22.2	20.4	26.7	16.6	19.0	20.2	16.4	15.6	17.7	15.5	10.0
SBU	-20.7	-42.3	-43.1	-45.1	-38.6	-26.1	3.8	18.5	42.2	7.5	15.3	10.0
Total	-13.9	-23.3	-23.4	-20.4	-20.5	-7.0	11.5	17.5	27.6	12.4	15.4	10.0

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	EBIT % 21E	EBIT % 22E	EBITDA % 21E	EBITDA % 22E	ROCE % 21E	ROCE % 22E
First Sensor AG	SIS-DE	423						
Hamamatsu Photonics K.K.	6965-JP	7876	15,5	17,7	25,4	26,8	9,9	10,9
OSI Systems, Inc.	OSIS-US	1491	9,9	11,6	17,2	17,2	13,6	14,0
Varex Imaging Corporation	VREX-US	680	3,3	8,8	10,6	13,1	3,7	6,5
ams AG	AMS-CH	5237	7,9	13,3	23,0	25,9	8,0	11,4
Analog Devices, Inc.	ADI-US	50525	39,9	42,6	44,2	45,0	13,0	14,5
Keysight Technologies Inc	KEYS-US	23932	24,9	26,9	28,3	29,3	17,9	17,1
Spectris plc	SXS-GB	4202	12,5	15,4	19,0	19,6	13,0	14,5
Oxford Instruments plc	OXIG-GB	1321	15,6	17,2	19,6	20,5	17,1	15,8
Trimble Inc.	TRMB-US	15257	22,2	23,2	23,9	25,1	12,7	13,3
Hexagon AB Class B	HEXA.B-SE	25946	24,6	27,7	36,6	37,0	11,9	12,1
Vaisala Oyj Class A	VAIAS-FI	1424	12,6	13,1	18,1	17,9	20,6	21,8
Peer Group Average		11024	17,1	19,6	23,9	25,0	13,0	13,9
Peer Group Median		4997	15,6	17,4	22,2	24,0	13,0	14,2
Detection Technology (Evli est.)		369	13,5	16,0	17,1	18,7	18,5	22,5

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	ROE % 21E	ROE % 22E	DIV % 21E	DIV % 22E	P/E 21E	P/E 22E
First Sensor AG	SIS-DE	423						
Hamamatsu Photonics K.K.	6965-JP	7876	8,3	9,1	0,7	0,7	52,2x	44,9x
OSI Systems, Inc.	OSIS-US	1491	15,9	15,3	0,0	0,0	17,8x	16,8x
Varex Imaging Corporation	VREX-US	680	1,5	6,6			109,6x	23,9x
ams AG	AMS-CH	5237	11,2	16,6	0,1	0,5	14,1x	9,1x
Analog Devices, Inc.	ADI-US	50525	17,6	18,8	1,6	1,7	26,6x	23,8x
Keysight Technologies Inc	KEYS-US	23932	28,3	24,8	0,0	0,2	25,6x	23,5x
National Instruments Corporation	NATI-US	4997	8,0	11,8	2,4	2,6	55,5x	36,0x
Spectris plc	SXS-GB	4202	11,6	12,2	2,0	2,3	23,8x	21,7x
Oxford Instruments plc	OXIG-GB	1321	17,4	16,7	0,7	0,8	29,3x	26,6x
Trimble Inc.	TRMB-US	15257	15,7	15,7	0,0	0,0	29,7x	26,2x
Hexagon AB Class B	HEXA.B-SE	25946	13,9	13,9	0,8	1,0	30,6x	28,2x
Vaisala Oyj Class A	VAIAS-FI	1424	17,7	17,7	1,6	1,7	36,9x	34,5x
Peer Group Average		11024	13,9	14,9	0,9	1,1	37,6x	26,3x
Peer Group Median		4997	14,8	15,5	0,7	0,8	29,5x	25,0x
Detection Technology (Evli est.)		369	15,9	19,4	1,5	1,6	38,3x	28,3x
							30 %	13 %

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	EV/S 21E	EV/S 22E	EV/EBITDA 21E	EV/EBITDA 22E	EV/EBIT 21E	EV/EBIT 22E
First Sensor AG	SIS-DE	423						
Hamamatsu Photonics K.K.	6965-JP	7876	6,3x	5,8x	24,7x	21,8x	38,8x	33,1x
OSI Systems, Inc.	OSIS-US	1491	1,6x	1,4x	9,4x	8,4x	14,3x	12,5x
Varex Imaging Corporation	VREX-US	680	1,5x	1,4x	14,5x	10,7x	30,4x	16,0x
ams AG	AMS-CH	5237	1,4x	1,2x	6,0x	4,7x	14,5x	9,2x
Analog Devices, Inc.	ADI-US	50525	9,5x	8,8x	21,6x	19,4x	23,1x	20,6x
Keysight Technologies Inc	KEYS-US	23932	5,5x	5,1x	19,5x	17,4x	21,2x	19,0x
Spectris plc	SXS-GB	4202	2,5x	2,4x	13,4x	12,2x	17,7x	15,5x
Oxford Instruments plc	OXIG-GB	1321	3,3x	3,1x	16,8x	14,9x	20,1x	17,9x
Trimble Inc.	TRMB-US	15257	5,4x	4,8x	22,5x	19,2x	24,2x	20,7x
Hexagon AB Class B	HEXA.B-SE	25946	7,0x	6,5x	19,1x	17,6x	25,8x	23,5x
Vaisala Oyj Class A	VAIAS-FI	1424	3,6x	3,4x	19,9x	18,8x	28,4x	25,7x
Peer Group Average		11024	4,3x	4,0x	17,1x	15,0x	23,4x	19,4x
Peer Group Median		4997	3,7x	3,4x	18,4x	16,3x	22,8x	19,3x
Detection Technology (Evli est.)		369	3,8x	3,3x	22,5x	17,7x	28,3x	20,6x
			4 %	-4 %	22 %	8 %	24 %	7 %

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

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	Sales growth % 21E	Sales growth % 22E	Net debt / EBITDA 21E	Net debt / EBITDA 22E	Equity ratio % 21E	Equity ratio % 22E
First Sensor AG	SIS-DE	423						
Hamamatsu Photonics K.K.	6965-JP	7876	6,3	6,7	-2,1x	-1,9x	79,7	80,4
OSI Systems, Inc.	OSIS-US	1491	-3,5	0,0	0,9x	0,4x	47,6	51,2
Varex Imaging Corporation	VREX-US	680	-2,2	4,8	4,6x	3,1x	40,3	41,6
ams AG	AMS-CH	5237	59,1	5,9	1,5x	0,9x	33,2	36,8
Analog Devices, Inc.	ADI-US	50525	11,7	7,1	1,3x	0,8x	55,1	56,9
Keysight Technologies Inc	KEYS-US	23932	11,3	5,2	-0,5x	-0,9x	48,8	54,2
National Instruments Corporation	NATI-US	4997	9,7	0,0	-0,8x	-0,8x	63,5	68,2
Spectris plc	SXS-GB	4202	2,5	4,4	-0,7x	-0,8x	73,2	75,3
Oxford Instruments plc	OXIG-GB	1321	5,5	5,4	-1,6x	-1,8x	63,5	62,0
Trimble Inc.	TRMB-US	15257	7,2	8,6	1,2x	0,5x	54,7	57,4
Hexagon AB Class B	HEXA.B-SE	25946	8,3	5,4	0,9x	0,5x	59,8	61,7
Vaisala Oyj Class A	VAIAS-FI	1424	2,5	5,3	-0,6x	-0,8x	60,2	62,6
Peer Group Average		11024	9,9	5,9	0,4x	-0,1x	56,6	59,0
Peer Group Median		4997	6,7	5,4	0,2x	-0,2x	57,4	59,6
Detection Technology (Evli est.)		369	12,4	15,4	-1,4x	-1,2x	77,9	76,4

Source: Factset, Evli Research

Updated on February 2nd, 2021

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	75.5	89.0	93.9	102.5	81.5	91.6	105.7	116.3
<i>Sales growth (%)</i>	<i>76.5</i>	<i>17.9</i>	<i>5.5</i>	<i>9.2</i>	<i>-20.5</i>	<i>12.4</i>	<i>15.4</i>	<i>10.0</i>
EBITDA	17.3	22.1	20.9	19.9	11.9	15.7	19.8	19.9
<i>EBITDA margin (%)</i>	<i>22.9</i>	<i>24.9</i>	<i>22.3</i>	<i>19.5</i>	<i>14.6</i>	<i>17.1</i>	<i>18.7</i>	<i>17.1</i>
Depreciation	-2.5	-2.2	-2.4	-2.9	-3.2	-3.2	-2.8	-2.5
EBITA	14.8	19.9	18.5	17.0	8.7	12.4	16.9	17.4
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	14.8	19.9	18.5	17.0	8.7	12.4	16.9	17.4
<i>EBIT margin (%)</i>	<i>19.6</i>	<i>22.4</i>	<i>19.7</i>	<i>16.6</i>	<i>10.7</i>	<i>13.5</i>	<i>16.0</i>	<i>15.0</i>
Reported EBIT	14.8	19.9	18.5	17.0	8.7	12.4	16.9	17.4
<i>EBIT margin (reported) (%)</i>	<i>19.6</i>	<i>22.4</i>	<i>19.7</i>	<i>16.6</i>	<i>10.7</i>	<i>13.5</i>	<i>16.0</i>	<i>15.0</i>
Net financials	-0.7	-0.5	-0.1	-1.0	-0.6	-0.2	-0.4	-0.5
Pre-tax profit	14.1	19.4	18.4	16.0	8.1	12.2	16.5	16.9
Taxes	-3.2	-4.2	-3.6	-3.6	-1.4	-2.4	-3.3	-3.4
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	10.9	15.2	14.9	12.5	6.7	9.8	13.2	13.6
Cash NRIs	0.0	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	6	6	9	10	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	11	9	13	14	16	18	21	23
Receivables	22	21	27	27	25	28	32	35
Liquid funds	16	27	22	26	25	28	33	36
Total assets	54	62	71	77	76	83	95	104
Liabilities								
Shareholder's equity	31	42	51	58	58	64	72	79
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	7	5	4	6	6	6	8	9
Non-interest bearing current liabilities	14	15	15	12	11	12	14	16
Other interest-free debt	3	1	0	1	1	1	1	1
Total liabilities	54	62	71	77	76	83	95	104
CASH FLOW, EURm								
+ EBITDA	17	22	21	20	12	16	20	20
- Net financial items	8	11	0	-1	-1	0	0	-1
- Taxes	-1	-3	-5	-4	-1	-2	-3	-3
- Increase in Net Working Capital	-11	1	-10	-3	-1	-4	-5	-4
+/- Other	-9	-12	0	0	0	0	0	0
= Cash flow from operations	5	19	6	12	9	9	11	12
- Capex	-2	-2	-5	-4	-3	-2	-3	-3
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	3	17	1	8	6	7	8	9
+/- New issues/buybacks	0	-1	0	0	-1	0	0	0
- Paid dividend	-1	-3	-5	-5	-5	-4	-5	-6
+/- Other	6	-2	0	2	0	0	2	0
Change in cash	8	11	-4	4	-1	3	4	3

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	250	224	368	384	374	374	374
Net debt (excl. convertibles)	-22	-18	-20	-19	-22	-25	-27
Enterprise value	228	206	348	364	352	349	346
Sales	89	94	103	82	92	106	116
EBITDA	22	21	20	12	16	20	20
EBIT	20	19	17	9	12	17	17
Pre-tax	19	18	16	8	12	16	17
Earnings	15	15	12	7	10	13	14
Equity book value (excl. minorities)	42	51	58	58	64	72	79
Valuation multiples							
EV/sales	2.6	2.2	3.4	4.5	3.8	3.3	3.0
EV/EBITDA	10.3	9.8	17.4	30.6	22.5	17.7	17.4
EV/EBITA	11.5	11.1	20.4	41.7	28.3	20.6	19.9
EV/EBIT	11.5	11.1	20.4	41.7	28.3	20.6	19.9
EV/OCF	12.3	33.6	28.9	42.4	37.7	32.0	28.4
EV/FCFF	13.3	142.7	41.6	59.2	49.2	43.3	37.8
P/FCFE	14.9	162.4	48.5	68.2	53.5	48.4	42.6
P/E	16.5	15.1	29.5	56.9	38.3	28.3	27.6
P/B	6.0	4.4	6.3	6.6	5.8	5.2	4.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	24.8	19.5	19.2
Target EV/EBIT	0.0	0.0	0.0	0.0	31.2	22.8	21.9
Target EV/FCF	0.0	0.0	0.0	0.0	55.4	49.9	43.6
Target P/B	0.0	0.0	0.0	0.0	6.4	5.7	5.2
Target P/E	0.0	0.0	0.0	0.0	43.4	32.1	31.3
Per share measures							
Number of shares	13,901	14,375	14,375	14,375	14,375	14,375	14,375
Number of shares (diluted)	13,901	14,849	14,875	14,875	14,875	14,875	14,875
EPS	1.09	1.03	0.87	0.47	0.68	0.92	0.94
Operating cash flow per share	1.34	0.43	0.84	0.60	0.65	0.76	0.85
Free cash flow per share	1.21	0.10	0.53	0.39	0.49	0.54	0.61
Book value per share	3.00	3.57	4.06	4.06	4.46	5.00	5.53
Dividend per share	0.35	0.38	0.38	0.28	0.38	0.41	0.47
Dividend payout ratio, %	32.1	36.7	43.9	59.7	56.0	45.0	50.0
Dividend yield, %	1.9	2.4	1.5	1.1	1.5	1.6	1.8
FCF yield, %	6.7	0.6	2.1	1.5	1.9	2.1	2.3
Efficiency measures							
ROE	41.8	32.0	22.7	11.5	15.9	19.4	17.9
ROCE	47.4	36.4	28.5	13.6	18.5	22.5	20.8
Financial ratios							
Inventories as % of sales	9.6	14.2	13.8	19.5	19.5	19.5	19.5
Receivables as % of sales	24.1	28.4	25.9	30.1	30.1	30.1	30.1
Non-interest bearing liabilities as % of sales	16.8	16.4	12.1	13.4	13.4	13.4	13.4
NWC/sales, %	15.7	25.9	27.0	35.6	35.7	35.8	35.8
Operative CAPEX/sales, %	2.1	5.0	4.4	3.6	2.6	3.0	3.0
CAPEX/sales (incl. acquisitions), %	2.1	5.0	4.4	3.6	2.6	3.0	3.0
FCFF/EBITDA	0.8	0.1	0.4	0.5	0.5	0.4	0.5
Net debt/EBITDA, book-weighted	-1.0	-0.9	-1.0	-1.6	-1.4	-1.2	-1.4
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	67.5	73.0	76.6	77.9	77.9	76.4	76.8
Gearing, %	-52.3	-35.6	-34.9	-33.2	-34.7	-34.1	-34.4

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	135.334	36.2%
OP-Finland Value Fund	651,065	16.928	4.5%
Ilmarinen Mutual Pension Insurance Company	554,000	14.404	3.9%
Varma Mutual Pension Insurance Company	515,000	13.390	3.6%
Sijoitusrahasto Aktia Capital	484,762	12.604	3.4%
Fondita Nordic Micro Cap	390,000	10.140	2.7%
Evli Finnish Small Cap Fund	327,259	8.509	2.3%
Martola Hannu Veikko	322,875	8.395	2.2%
Saastopankki Kotimaa	200,000	5.200	1.4%
Ten largest	8,650,128	224.903	60%
Residual	5,725,302	148.858	40%
Total	14,375,430	373.761	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 times per year.

Recommendation	Percentage
Sell	15%
Hold	58%
Buy	27%

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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