

**SBU back in business**

DT's Q1 result was in line with our expectations. The updated outlook and comments regarding SBU market support our positive view on DT. On the back of our revised estimates and valuation, we maintain our BUY recommendation with new target price of 23.5 euros (prev. 19).

**Good start to the year, SBU back on track**

Q1 result was in line with our expectations. Q1 net sales amounted to EUR 23.1m (+19.3x% y/y) vs. EUR 22.3m/22.6m Evli/consensus estimates. Q1 EBIT was EUR 3.9m (16.7% margin) vs. EUR 4.1m/4.0m Evli/cons. SBU sales grew 22.9% to EUR 14.5m vs. EUR 13.6m Evli estimate. MBU sales were EUR 8.6m vs. EUR 8.8m Evli estimate. R&D costs were EUR 2.5m, up 28% as indicated earlier. SBU market demand has picked up, with increasing CT investments starting in US airports. We have estimated the upcoming airport related EU and US standards to offer DT additional sales in the range EUR 20-30m in the coming years. See our report for more details.

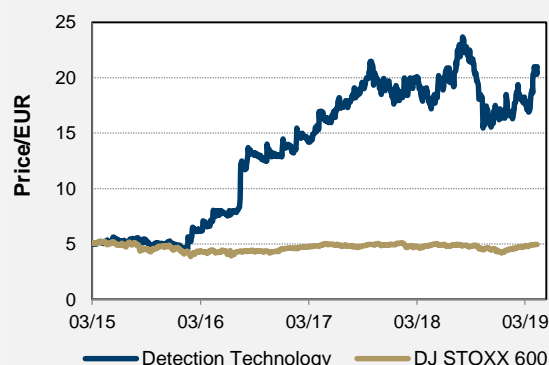
**EBIT growth taking a breather this year, longer-term investment case intact**

Based on the SBU market pick up, we have moderately raised our sales estimates for '19-21E. We expect '19E net sales to grow 11% to EUR 104m driven by SBU's return to growth of 17.8% on weak comparables. We expect '19E MBU net sales growth to be flat due to the ramp-down of key customer's product in H2. We expect '19E EBIT to be at last year's level due to increase in R&D spending, increasing share of SBU sales affecting mix, as well as increased pricing competition. Despite flat EBIT this year, longer-term investment case is intact. We see DT's investments this year securing its growth and profitability drivers for the coming years.

**Maintain BUY recommendation with new TP of 23.5 (19)**

On our estimates, DT is trading at discounts on EV/EBIT, EV/EBITDA and P/E multiples for '19-20E. We see discount as unjustified given the attractive longer-term investment case. On the back of our revised estimates and valuation, we maintain our BUY recommendation with new target price of 23.5 euros (19).

Rating BUY



Share price, EUR (Last trading day's closing price) 21.00  
Target price, EUR 23.5

Latest change in 04-Feb-19  
Latest report on company 17-Apr-19  
Research paid by issuer: YES  
No. of shares outstanding, 14,375  
No. of shares fully diluted, 14,875  
Market cap, EURm 302  
Free float, % -  
Exchange rate -  
Reuters code DETEC.HE  
Bloomberg code DETEC FH  
Average daily volume, -  
Next interim report 02-Aug-19  
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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	104	19	18.0%	18	1.04	20.3	2.6	12.6	14.5	0.47
2020E	116	22	18.9%	22	1.22	17.2	2.2	16.9	11.8	0.55
2021E	133	25	19.0%	25	1.40	15.0	1.9	15.3	10.0	0.63
Market cap, EURm			302	BV per share 2019E, EUR		4.2	CAGR EPS 2018-21, %			10.7
Net debt 2019E, EURm			-32	Price/book 2019E		5.0	CAGR sales 2018-21, %			12.2
Enterprise value, EURm			270	Dividend yield 2019E, %		2.2	ROE 2019E, %			26.5
Total assets 2019E, EURm			82	Tax rate 2019E, %		18.4	ROCE 2019E, %			32.2
Goodwill 2019E, EURm			0	Equity ratio 2019E, %		75.0	PEG, P/E 19/CAGR			1.7

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

Based on DT's market share, we see the increase in Western airport CT investments offering DT additional sales in the range EUR 20-30m in the coming years

#### DT's growth outlook supported by Western airport security

We expect that investments in computed tomography (CT) screening at Western airports will accelerate growth in the European and US X-ray security markets during the next five years. In Europe, the driving force is European wide security regulation, European Civil Aviation Conference (ECAC) Standard 3, which will increase the use of CT in aviation security. Meanwhile, Transportation Security Administration (TSA) is planning to increase the usage of CT scanners for carry-in baggage. In addition, the installed base of US hold baggage screening equipment is aging.

Based on sparsely available information, we estimate that CT investments in European and US airports could generate some USD 1.5bn revenues for equipment manufacturers over the next five years, which could translate into USD 150m detector sales. This market estimate does not include investments related to ECAC st. 3 compliant carry-in baggage screening equipment.

#### CT scanner sales to US and European airports - Market size estimate for 2017-2023

Segment	Growth trigger	Schedule	Number of units to install/replace	Sources
US: hold baggage	Replacement of old CT scanners	Most installed a decade ago, replacement cycle: ~10y	~2000	Approximate # of units and schedule: Smiths Detection 2017 CMD
US: carry-in baggage	TSA's roll-out plan	Approximately in 5 years	~2000	Approximate # of units: CBS news, approximate schedule: TSA
Europe: hold baggage	ECAC Standard 3	Completion: 2018 (UK), 2020 (others), 2022 (under special circumstances)	~1400	Approx. # of units and schedule: Smiths Detection 2017 CMD
Europe: carry-in baggage	ECAC Standard 3	No fixed schedule	-	
<b>Total units</b>			<b>~5400</b>	Evi estimate
Unit price, MUSD			0.28	Evi estimate
<b>Total equipment sales, MUSD</b>			<b>1512</b>	Evi estimate
Material costs, MUSD			756	Assumption: 50% gross margin
of which detectors, MUSD			151	Assumption: 20% of BOM

Maintain BUY  
recommendation with new  
target price of 23.5 (19)

### Valuation summary

On our estimates, DT is trading at discounts on EV/EBIT, EV/EBITDA and P/E multiples for '19-20E. We see discount as unjustified given the attractive longer-term investment case. On the back of our revised estimates and valuation, we maintain our BUY recommendation with new target price of 23.5 euros (19).

	EV/EBITDA		
	19	20	21
EBITDA (Evli est.)	21.5	24.5	27.7
Multiple (peer median)	13.2x	11.9x	11.1x
EV	283	292	309
Net debt (Evli est.)	-32	-32	-32
Value of equity	315	324	340
<b>Per share</b>	<b>21.9</b>	<b>22.5</b>	<b>23.7</b>

Source: Factset, Evli Research

	P/E		
	19	20	21
Net earnings (Evli est.)	14.9	17.6	20.2
Multiple (peer median)	21.9x	19.8x	18.3x
<b>Per share</b>	<b>22.6</b>	<b>24.3</b>	<b>25.7</b>

Source: Factset, Evli Research

	EV/EBIT		
	19	20	21
EBIT (Evli est.)	18.7	22.0	25.2
Multiple (peer median)	19.0x	16.2x	13.8x
EV	355	356	348
Net debt (Evli est.)	-32	-32	-32
Value of equity	387	388	380
<b>Per share</b>	<b>26.9</b>	<b>27.0</b>	<b>26.4</b>

Source: Factset, Evli Research

Valuation approaches	Implied value
Peer EV/EBIT (FY20E)	27.0
Peer P/E (FY20E)	24.3
Peer EV/EBITDA (FY20E)	22.5
DCF	22.5
<b>Target price (EUR)</b>	<b>23.5</b>

Source: Evli Research

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	EBIT %	EBIT %	EBIT %	EBITDA %	EBITDA %	EBITDA %	ROCE %	ROCE %	ROCE %
			19E	20E	21E	19E	20E	21E	19E	20E	21E
First Sensor AG	SIS-DE	236	9	9	9	14	14	14			
Hamamatsu Photonics K.K.	6965-JP	5600	19	20	20	26	27	28	13	13	13
OSI Systems, Inc.	OSIS-US	1436	9	10	10	16	17	17			
Varex Imaging Corporation	VREX-US	1102	11	12	13	16	17	17	10	11	11
ams AG	AMS-CH	2446	10	14	15	23	27	29	5	8	9
Analog Devices, Inc.	ADI-US	37760	42	43	43	48	47	48	13	13	15
Keysight Technologies Inc	KEYS-US	14463	20	21	20	24	25	23	15	15	
National Instruments Corporation	NATI-US	5680	17	18	16	19	19	19	15	16	
Spectris plc	SXS-GB	3679	16	16	17	18	19	20	15	16	17
Oxford Instruments plc	OXIG-GB	738	16	16	16	18	19	19	20	20	
Trimble Inc.	TRMB-US	9185	21	22	23	23	23	24	16	16	
Hexagon AB Class B	HEXA.B-SE	17984	25	26	26	32	33	33	12	13	12
Vaisala Oyj Class A	VAIAS-FI	693	9	10	11	14	14	15	16	21	25
Peer Group Average		<b>7769</b>	<b>17</b>	<b>18</b>	<b>19</b>	<b>22</b>	<b>23</b>	<b>24</b>	<b>14</b>	<b>15</b>	<b>15</b>
Peer Group Median		<b>3679</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>19</b>	<b>19</b>	<b>21</b>	<b>15</b>	<b>15</b>	<b>13</b>
Detection Technology (Evli est.)		<b>302</b>	<b>18</b>	<b>19</b>	<b>19</b>	<b>21</b>	<b>21</b>	<b>21</b>	<b>32</b>	<b>33</b>	<b>32</b>

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	ROE %	ROE %	ROE %	DIV %	DIV %	DIV %	P/E	P/E	P/E
			19E	20E	21E	19E	20E	21E	19E	20E	21E
First Sensor AG	SIS-DE	236	10	10	10	1.0	1.1	1.2	27.3x	24.6x	22.3x
Hamamatsu Photonics K.K.	6965-JP	5600	10	11	11	0.9	1.0	1.0	33.2x	30.4x	28.0x
OSI Systems, Inc.	OSIS-US	1436	15	14					22.0x	20.9x	
Varex Imaging Corporation	VREX-US	1102	13	15	14				23.5x	19.8x	18.8x
ams AG	AMS-CH	2446	11	17	17	0.5	0.8	1.5	19.4x	11.0x	8.8x
Analog Devices, Inc.	ADI-US	37760	18	19	19	1.8	1.9	2.0	20.8x	19.1x	18.1x
Keysight Technologies Inc	KEYS-US	14463	27	25	23	0.0	0.0	0.0	21.7x	19.4x	17.1x
National Instruments Corporation	NATI-US	5680	13	14	15	2.1	2.3	2.5	39.6x	33.5x	29.7x
Spectris plc	SXS-GB	3679	16	16	16	2.3	2.5	2.7	15.9x	14.8x	13.8x
Oxford Instruments plc	OXIG-GB	738	18	16	14	1.3	1.3	1.4	17.1x	16.2x	15.8x
Trimble Inc.	TRMB-US	9185	17	17	17	0.0	0.0	0.0	19.4x	17.4x	15.5x
Hexagon AB Class B	HEXA.B-SE	17984	15	15	15	1.3	1.4	1.6	21.9x	20.2x	18.6x
Vaisala Oyj Class A	VAIAS-FI	693	16	18	19	3.1	3.3	3.4	24.3x	20.2x	18.5x
Peer Group Average		<b>7769</b>	<b>15</b>	<b>16</b>	<b>16</b>	<b>1.3</b>	<b>1.4</b>	<b>1.6</b>	<b>23.5x</b>	<b>20.6x</b>	<b>18.7x</b>
Peer Group Median		<b>3679</b>	<b>15</b>	<b>16</b>	<b>15</b>	<b>1.3</b>	<b>1.3</b>	<b>1.5</b>	<b>21.9x</b>	<b>19.8x</b>	<b>18.3x</b>
Detection Technology (Evli est.)		<b>302</b>	<b>27</b>	<b>27</b>	<b>26</b>	<b>2.2</b>	<b>2.6</b>	<b>3.0</b>	<b>20.3x</b>	<b>17.2x</b>	<b>15.0x</b>

-7% -13% -18%

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	EV/S	EV/S	EV/S	EV/EBITDA	EV/EBITDA	EV/EBITDA	EV/EBIT	EV/EBIT	EV/EBIT
			19E	20E	21E	19E	20E	21E	19E	20E	21E
First Sensor AG	SIS-DE	236	1.5x	1.4x	1.2x	10.4x	9.5x	8.7x	17.3x	15.4x	13.8x
Hamamatsu Photonics K.K.	6965-JP	5600	4.5x	4.1x	3.8x	16.9x	15.0x	13.8x	23.7x	21.0x	19.0x
OSI Systems, Inc.	OSIS-US	1436	1.6x	1.4x		9.8x	8.5x		17.0x	14.5x	
Varex Imaging Corporation	VREX-US	1102	2.0x	1.9x	1.8x	13.2x	11.2x	10.4x	19.5x	16.2x	13.3x
ams AG	AMS-CH	2446	2.3x	1.9x	1.7x	10.1x	7.1x	5.9x	23.9x	13.9x	11.0x
Analog Devices, Inc.	ADI-US	37760	7.6x	7.1x	6.8x	16.0x	15.3x	14.1x	18.2x	16.7x	15.9x
Keysight Technologies Inc	KEYS-US	14463	4.0x	3.6x	3.2x	16.8x	14.3x	14.0x	20.1x	17.2x	15.8x
National Instruments Corporation	NATI-US	5680	4.3x	3.9x	3.5x	22.9x	20.0x	17.9x	25.0x	21.5x	21.7x
Spectris plc	SXS-GB	3679	2.1x	1.9x	1.8x	11.2x	10.2x	9.2x	13.3x	11.9x	10.8x
Oxford Instruments plc	OXIG-GB	738	1.9x	1.8x	1.7x	10.6x	9.7x	8.8x	12.4x	11.5x	10.5x
Trimble Inc.	TRMB-US	9185	3.4x	3.1x	2.8x	14.9x	13.4x	11.5x	16.1x	14.4x	12.4x
Hexagon AB Class B	HEXA.B-SE	17984	4.8x	4.4x	4.1x	14.9x	13.5x	12.1x	19.0x	17.1x	15.3x
Vaisala Oyj Class A	VAIAS-FI	693	1.7x	1.7x	1.6x	12.7x	11.9x	10.7x	20.0x	16.5x	13.8x
Peer Group Average		<b>7769</b>	<b>3.2x</b>	<b>2.9x</b>	<b>2.8x</b>	<b>13.9x</b>	<b>12.3x</b>	<b>11.4x</b>	<b>18.9x</b>	<b>16.0x</b>	<b>14.4x</b>
Peer Group Median		<b>3679</b>	<b>2.3x</b>	<b>1.9x</b>	<b>2.3x</b>	<b>13.2x</b>	<b>11.9x</b>	<b>11.1x</b>	<b>19.0x</b>	<b>16.2x</b>	<b>13.8x</b>
Detection Technology (Evli est.)		<b>302</b>	<b>2.6x</b>	<b>2.2x</b>	<b>1.9x</b>	<b>12.6x</b>	<b>10.6x</b>	<b>9.1x</b>	<b>14.5x</b>	<b>11.8x</b>	<b>10.0x</b>

Premium/discount relative to peer group median

Source: Factset, Evli Research

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	Sales	Sales	Sales	Net debt /	Net debt /	Net debt /	Equity	Equity	Equity
			growth %	growth %	growth %	EBITDA	EBITDA	EBITDA	ratio %	ratio %	ratio %
First Sensor AG	SIS-DE	236	13.2	7.2	7.3	0.6x	0.4x	0.1x	54.0	56.6	58.7
Hamamatsu Photonics K.K.	6965-JP	5600	14.5	6.5	5.4	-2.0x	-2.0x	-2.1x	80.0	80.9	81.9
OSI Systems, Inc.	OSIS-US	1436	21.1	4.8	0.0	1.3x	0.6x				
Varex Imaging Corporation	VREX-US	1102	10.9	3.2	2.2	3.0x	2.2x	1.5x	39.3	42.1	45.8
ams AG	AMS-CH	2446	57.6	13.8	7.3	3.2x	2.0x	1.5x	37.9	40.2	42.4
Analog Devices, Inc.	ADI-US	37760	19.4	5.3	4.4	1.7x	1.4x	1.3x	53.9	55.9	55.8
Keysight Technologies Inc	KEYS-US	14463	31.2	7.3	11.7	0.7x	0.2x	0.2x	44.0	49.9	
National Instruments Corporation	NATI-US	5680	9.0	8.1	10.1	-1.4x	-1.5x	-1.6x	73.3	72.7	
Spectris plc	SXS-GB	3679	8.6	3.0	3.4	0.8x	0.4x	0.1x	62.5	65.8	70.5
Oxford Instruments plc	OXIG-GB	738	8.6	1.9	5.6	-0.2x	-0.6x	-1.0x	61.8	66.8	
Trimble Inc.	TRMB-US	9185	27.1	7.1	4.9	1.6x	1.2x	0.4x	52.2	52.1	
Hexagon AB Class B	HEXA.B-SE	17984	18.1	5.6	5.7	1.2x	0.7x	0.3x	56.7	58.8	59.7
Vaisala Oyj Class A	VAIAS-FI	693	16.1	4.2	4.4	-0.7x	-0.7x	-0.7x	52.7	52.5	54.7
Peer Group Average		<b>7769</b>	<b>19.7</b>	<b>6.0</b>	<b>6.0</b>	<b>0.8x</b>	<b>0.3x</b>	<b>0.0x</b>	<b>55.7</b>	<b>57.9</b>	<b>58.7</b>
Peer Group Median		<b>3679</b>	<b>16.1</b>	<b>5.6</b>	<b>5.5</b>	<b>0.8x</b>	<b>0.4x</b>	<b>0.1x</b>	<b>54.0</b>	<b>56.2</b>	<b>57.2</b>
Detection Technology (Evli est.)		<b>302</b>	<b>10.7</b>	<b>12.0</b>	<b>14.0</b>	<b>-1.5x</b>	<b>-1.7x</b>	<b>-1.8x</b>	<b>75.0</b>	<b>75.9</b>	<b>76.3</b>

Source: Factset, Evli Research

Updated on April 29, 2019

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	21.00 PV of Free Cash Flow	128 Long-term growth, %	2.5 Risk-free interest rate, %	2.25
DCF share value	22.52 PV of Horizon value	183 WACC, %	8.5 Market risk premium, %	5.8
Share price potential, %	7.2 Unconsolidated equity	0 Spread, %	0.0 Debt risk premium, %	2.8
Maximum value	22.5 Marketable securities	22 Minimum WACC, %	8.5 Equity beta coefficient	1.10
Minimum value	22.5 Debt - dividend	-10 Maximum WACC, %	8.5 Target debt ratio, %	20
Horizon value, %	58.9 Value of stock	324 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	104	116	133	153	162	170	177	182	187	192	197
<i>Sales growth, %</i>	<i>5.5</i>	<i>10.7</i>	<i>12.0</i>	<i>14.0</i>	<i>15.0</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	22	25	26	26	27	28	29	30	31	31
<i>EBIT margin, %</i>	<i>19.7</i>	<i>18.0</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	3	4	4	4	4	4	4	4
- Income taxes	-4	-3	-4	-5	-5	-5	-5	-6	-6	-6	-6	-6
- Change in NWC	-10	6	-2	-3	-4	-2	-1	-1	-1	-1	-1	-1
<i>NWC / Sales, %</i>	<i>25.9</i>	<i>17.8</i>	<i>17.8</i>	<i>17.9</i>	<i>17.9</i>	<i>17.9</i>	<i>17.9</i>	<i>17.9</i>	<i>17.9</i>	<i>17.9</i>	<i>17.9</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	0
- Capital Expenditure	-5	-5	-1	-4	-5	-5	-5	-5	-5	-5	-5	-5
<i>Investments / Sales, %</i>	<i>5.6</i>	<i>4.5</i>	<i>0.8</i>	<i>2.8</i>	<i>3.5</i>	<i>2.9</i>	<i>2.7</i>	<i>2.6</i>	<i>2.6</i>	<i>2.6</i>	<i>2.5</i>	<i>2.5</i>
- Other items	0	0	0	0	0	0	0	0	0	0	0	0
= Unlevered Free CF (FCF)	2	19	17	16	15	18	20	21	22	23	23	402
= Discounted FCF (DFCF)		18	15	13	11	13	12	12	12	11	11	183
= DFCF min WACC		18	15	13	11	13	12	12	12	11	11	183
= DFCF max WACC		18	15	13	11	13	12	12	12	11	11	183

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2E	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	19	24	25	26	94	23	29	26	26	104	116	133
EBITDA	4	6	6	5	21	4	6	5	6	22	25	28
<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>21.0</i>	<i>20.2</i>	<i>22.1</i>	<i>20.7</i>	<i>21.1</i>	<i>20.9</i>
EBIT	4	5	5	4	19	4	5	5	5	19	22	25
<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>19.0</i>	<i>18.0</i>	<i>18.0</i>	<i>18.0</i>	<i>18.9</i>	<i>19.0</i>
Net financial items	0	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	3	6	5	5	18	4	5	5	5	18	22	25
Tax	0	-1	0	-1	-4	0	-1	-1	-1	-3	-4	-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>19.0</i>	<i>22.1</i>	<i>21.8</i>	<i>18.4</i>	<i>20.0</i>	<i>20.0</i>
Net profit	3	4	4	3	15	4	4	4	4	15	18	20
EPS	0.20	0.31	0.31	0.22	1.03	0.24	0.30	0.25	0.25	1.04	1.22	1.40
EPS adjusted (diluted no. of shares)	0.20	0.30	0.30	0.21	1.00	0.24	0.29	0.24	0.24	1.00	1.18	1.36
Dividend per share	0.00	0.00	0.00	0.00	0.38	0.00	0.00	0.00	0.00	0.47	0.55	0.63
<b>SALES, EURm</b>												
MBU	7	9	12	10	38	9	11	11	9	38	43	49
SBU	12	15	13	16	56	15	18	15	18	66	73	84
Total	19	24	25	26	94	23	29	26	26	104	116	133
<b>SALES GROWTH, Y/Y %</b>												
<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>16.1</i>	<i>-7.8</i>	<i>-15.8</i>	<i>0.3</i>	<i>12.0</i>	<i>14.0</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>17.1</i>	<i>17.7</i>	<i>14.8</i>	<i>17.8</i>	<i>12.0</i>	<i>14.0</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>16.7</i>	<i>5.8</i>	<i>2.7</i>	<i>10.7</i>	<i>12.0</i>	<i>14.0</i>

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	33	43	76	89	94	104	116	133
<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>10.7</i>	<i>12.0</i>	<i>14.0</i>
Costs	-28	-37	-58	-67	-73	-82	-92	-105
Reported EBITDA	5	6	17	22	21	22	25	28
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>20.7</i>	<i>21.1</i>	<i>20.9</i>
Depreciation	-1	-1	-3	-2	-2	-3	-3	-3
EBITA	4	5	15	20	19	19	22	25
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	4	5	15	20	19	19	22	25
<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>18.0</i>	<i>18.9</i>	<i>19.0</i>
Net financials	0	-2	-1	-1	0	0	0	0
Pre-tax profit	4	2	14	19	18	18	22	25
Extraordinary items	-1	-1	0	0	0	0	0	0
Taxes	0	0	-3	-4	-4	-3	-4	-5
Minority shares	0	0	0	0	0	0	0	0
Net profit	3	1	11	15	15	15	18	20
<b>BALANCE SHEET, EURm</b>								
Assets								
Fixed assets	4	7	6	6	9	11	9	10
<i>% of sales</i>	<i>11</i>	<i>17</i>	<i>8</i>	<i>7</i>	<i>9</i>	<i>10</i>	<i>8</i>	<i>8</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	16	19
<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	25	28	32
<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	42	50
<i>% of sales</i>	<i>10</i>	<i>17</i>	<i>21</i>	<i>30</i>	<i>24</i>	<i>30</i>	<i>36</i>	<i>38</i>
Total assets	20	35	54	62	71	82	95	111
Liabilities								
Equity	1	21	31	42	51	61	72	84
<i>% of sales</i>	<i>4</i>	<i>49</i>	<i>41</i>	<i>47</i>	<i>55</i>	<i>59</i>	<i>62</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	0	0	0
<i>% of sales</i>	<i>33</i>	<i>3</i>	<i>9</i>	<i>5</i>	<i>4</i>	<i>0</i>	<i>0</i>	<i>0</i>
Non-interest bearing current liabilities	7	11	14	15	15	21	23	27
<i>% of sales</i>	<i>20</i>	<i>27</i>	<i>19</i>	<i>17</i>	<i>16</i>	<i>20</i>	<i>20</i>	<i>20</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	82	95	111
<b>CASH FLOW, EURm</b>								
+ EBITDA	5	6	17	22	21	22	25	28
- Net financial items	0	-2	-1	-1	0	0	0	0
- Taxes	0	0	-1	-3	-4	-3	-4	-5
- Increase in Net Working Capital	0	-2	-11	1	-10	6	-2	-3
+/- Other	-1	1	1	0	0	0	0	0
= Cash flow from operations	3	3	5	19	7	24	18	20
- Capex	-1	-5	-2	-2	-5	-5	-1	-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	19	17	16
+/- Change in interest-bearing debt	-3	-10	5	-2	-1	-4	0	0
+/- New issues/buybacks	0	19	0	-1	0	0	0	0
- Paid dividend	0	0	-1	-3	-5	-5	-7	-8
+/- Change in loan receivables	0	-1	0	0	0	0	0	0
Change in cash	0	4	5	10	-4	9	10	8

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	63	188	250	224	302	302	302
Net debt	-6	-9	-22	-18	-32	-42	-50
Enterprise value	57	179	228	206	270	260	252
Sales	43	76	89	94	104	116	133
EBITDA	6	17	22	21	22	25	28
EBIT	5	15	20	19	19	22	25
Pre-tax	2	14	19	18	18	22	25
Earnings	2	11	15	15	15	18	20
Book value	21	31	42	51	61	72	84
<b>Valuation multiples</b>							
EV/sales	1.3	2.4	2.6	2.2	2.6	2.2	1.9
EV/EBITDA	9.9	10.3	10.3	9.8	12.6	10.6	9.1
EV/EBITA	12.7	12.1	11.5	11.1	14.5	11.8	10.0
EV/EBIT	12.7	12.1	11.5	11.1	14.5	11.8	10.0
EV/operating cash flow	21.8	33.0	12.3	29.5	11.3	14.5	12.7
EV/cash earnings	17.6	13.3	13.1	11.9	15.3	12.9	11.1
P/E	14.2	17.2	16.5	15.1	20.3	17.2	15.0
P/E excl. goodwill	14.2	17.2	16.5	15.1	20.3	17.2	15.0
P/B	3.0	6.1	6.0	4.4	5.0	4.2	3.6
P/sales	1.5	2.5	2.8	2.4	2.9	2.6	2.3
P/CF	24.2	34.7	13.4	32.1	12.6	16.9	15.3
Target EV/EBIT	0.0	0.0	0.0	0.0	16.4	13.5	11.4
Target P/E	0.0	0.0	0.0	0.0	23.5	19.9	17.3
Target P/B	0.0	0.0	0.0	0.0	5.6	4.7	4.0
<b>Per share measures</b>							
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	1.04	1.22	1.40
EPS excl. goodwill	0.35	0.81	1.09	1.03	1.04	1.22	1.40
Cash EPS	0.25	1.00	1.25	1.20	1.23	1.40	1.58
Operating cash flow per share	0.20	0.40	1.34	0.49	1.66	1.24	1.37
Capital employed per share	1.15	1.63	1.43	2.30	2.03	2.07	2.36
Book value per share	1.63	2.30	3.00	3.57	4.23	4.99	5.84
Book value excl. goodwill	1.63	2.30	3.00	3.57	4.23	4.99	5.84
Dividend per share	0.07	0.25	0.35	0.38	0.47	0.55	0.63
Dividend payout ratio, %	45.5	30.8	32.1	36.7	45.0	45.0	45.0
Dividend yield, %	1.4	1.8	1.9	2.4	2.2	2.6	3.0
<b>Efficiency measures</b>							
ROE	17.7	41.9	41.8	32.0	26.5	26.6	25.9
ROCE	23.0	48.2	47.4	36.4	32.2	33.2	32.4
<b>Financial ratios</b>							
Capex/sales, %	11.1	2.1	2.1	5.6	4.5	0.8	2.8
Capex/depreciation excl. goodwill,%	380.4	63.9	82.6	221.0	166.7	34.7	149.7
Net debt/EBITDA, book-weighted	-1.1	-0.5	-1.0	-0.9	-1.5	-1.7	-1.8
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	75.0	75.9	76.3
Gearing	-0.30	-0.29	-0.52	-0.36	-0.52	-0.59	-0.60
Number of employees, average	305	389	417	417	417	417	417
Sales per employee, EUR	140,266	194,111	213,429	225,180	249,203	279,108	318,183
EBIT per employee, EUR	14,754	38,046	47,722	44,417	44,820	52,734	60,455



**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	109.309	36.2%
OP-Finland Value Fund	651,065	13.672	4.5%
Ilmarinen Mutual Pension Insurance Company	554,000	11.634	3.9%
Varma Mutual Pension Insurance Company	515,000	10.815	3.6%
Sijoitusrahasto Aktia Capital	484,762	10.180	3.4%
Fondita Nordic Micro Cap	390,000	8.190	2.7%
Evli Finnish Small Cap Fund	327,259	6.872	2.3%
Martola Hannu Veikko	322,875	6.780	2.2%
Saastopankki Kotimaa	200,000	4.200	1.4%
Ten largest	8,650,128	181.653	60%
Residual	5,725,302	120.231	40%
Total	14,375,430	301.884	100%

**EARNINGS CALENDAR**

August 02, 2019 Q2 report  
 October 25, 2019 Q3 report

**OTHER EVENTS**

**COMPANY MISCELLANEOUS**

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

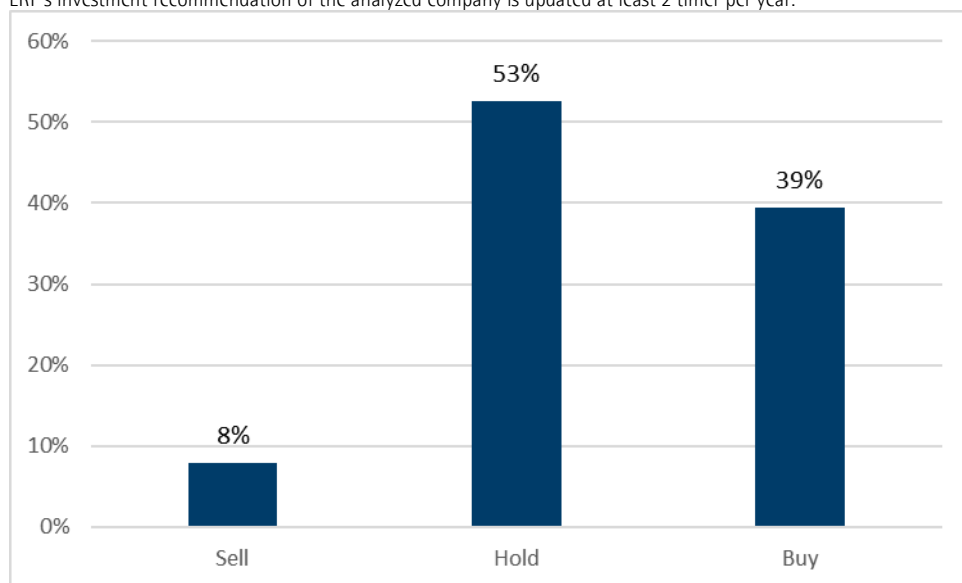
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Investment recommendations are defined as follows:

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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