

## Temporary setback, demand picking up

Detection Technology's Q2 net sales came down less than we expected. Net sales decreased by 3.3% due to soft sales development in medical markets while SBU and IBU saw strong double-digit growth during Q2.

- Group results:** Q2 net sales topped our estimates and decreased by 3.3% y/y to EUR 22.8m (22.4/22.5m Evli/cons.). Demand would have allowed for a higher growth rate in sales, but component shortages and temporary setbacks in supply chain postponed sales to Q3. The postponed sales, spot purchases, and increasing logistics and product development costs eroded DT's profitability. Adj. EBIT amounted to EUR 1.2m (1.8/1.8m Evli/cons.), implying an EBIT margin of 5.2%. Q2 EPS amounted to EUR 0.05 (0.09/0.10 Evli/cons.).
- Medical (MBU):** In line with DT's guidance, MBU's net sales saw a significant y/y decrease of 25.2%, amounting to EUR 10.1m (Evli: 10.6m). Soft development was attributed to the one-off technical problems at two sub-suppliers and challenges of both the company and its customers to acquire critical components.
- Security (SBU):** SBU sales came in strong, by showing y/y growth of 25.4%. Net sales amounted to EUR 8.6m (Evli: 8.1m). DT's customer base widened, and net sales growth was driven by all market segments, also aviation which took a huge hit from the pandemic.
- Industrial (IBU):** IBU continued its solid sales development by growing by 29.4% y/y with net sales amounting to EUR 4m (Evli: 3.7m). The growth was driven by all main market segments, especially the food industry.
- Outlook:** DT expects to see double-digit growth in Q2 and H2. In Q3, the company expects MBU and SBU to grow with double-digit figures while IBU is expected to grow. Demand for imaging solutions is expected to pick up in all BUs.

Rating 🟡 HOLD

Q1'22	Actual	Evli	Consensus*	Q2'21
Net sales	22.8	22.4	22.5	23.5
MBU	10.1	10.6	-	13.6
SBU	8.6	8.1	-	6.9
IBU	4.0	3.7	-	3.1
Adj. EBIT	1.2	1.8	1.8	3.0
Adj. EBIT-margin	5.2%	8.1%	8.0%	12.5%
Adj. EPS	0.05	0.09	0.10	0.16

\*Consensus estimate from FactSet

Share price, EUR (Last trading day's closing price) 18.00

Target price, EUR 20.0

Latest change in recommendation 21-Apr-21

Latest report on company 28-Jul-22

Research paid by issuer: YES

No. of shares outstanding, '000's 14,656

No. of shares fully diluted, '000's 15,156

Market cap, EURm 264

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 03-Aug-22

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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
2020	81.6	8.7	10.7%	4.4	0.47	51.0	4.0	37.1	1.3	0.28
2021	89.8	10.6	11.8%	5.8	0.63	46.4	4.5	38.0	1.3	0.35
2022E	100.4	13.0	13.0%	5.5	0.70	25.7	2.3	18.1	2.1	0.39
2023E	112.1	17.9	16.0%	8.0	0.97	18.6	2.1	13.1	3.1	0.48
2024E	122.8	19.8	16.1%	10.1	1.07	16.9	1.9	11.7	3.8	0.53
Market cap, EURm	264		BV per share 2022E, EUR		-35.6		CAGR EPS 2021-24, %		19.1	
Net debt 2022E, EURm	-28		Price/book 2022E		3.4		CAGR sales 2021-24, %		11.0	
Enterprise value, EURm	236		Dividend yield 2022E, %		2.1		ROE 2022E, %		13.5	
Total assets 2022E, EURm	99		Tax rate 2022E, %		20.0		ROCE 2022E, %		16.7	
Goodwill 2022E, EURm	0		Equity ratio 2022E, %		80.1		PEG, P/E 22/CAGR		1.3	

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

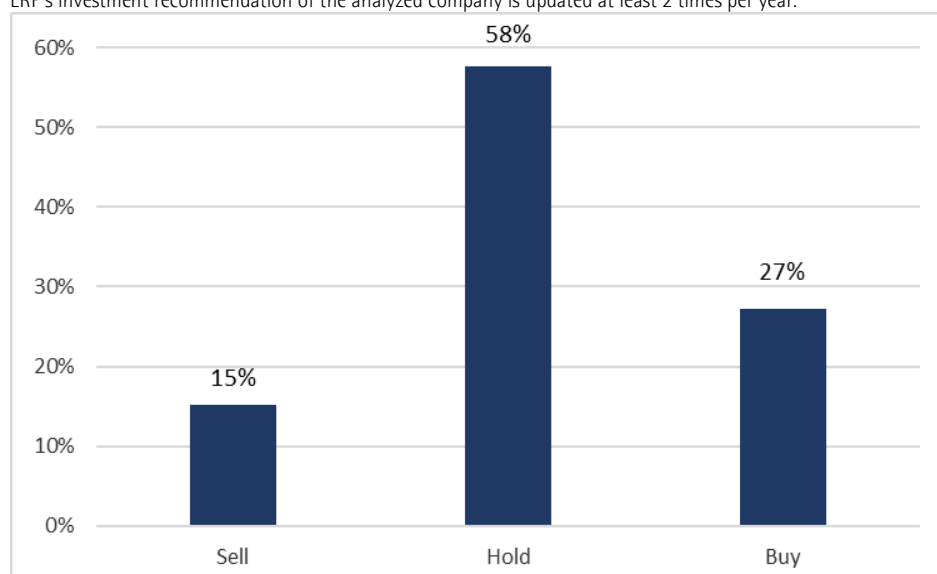
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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Name(s) of the analyst(s): Heikura

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