


Demand continued strong, EBIT fell short

Detection Technology's Q3 topline came in strong. Net sales growth continued but profitability was harmed by supply chain issues and one-time provision made.

- **Group results:** net sales grew by 17.5% y/y to 27.3 and was in line with our and market estimates (27.1/27.2m Evli/cons.). Component shortage restricted DT's growth in all its business segments. Adj. EBIT was a disappointment, amounting to EUR 0.6m (3.8/3.6m Evli/cons.). Adj. EBIT margin was 2.3%. With low profitability also Q3 EPS of EUR 0.05 fell short of our and market estimates (0.20/0.20 Evli/cons.).
- Component shortage was present, and DT continued its sourcing of more expensive spot-components. Logistics costs were up, and the product modification project kept R&D costs elevated. In addition, a one-time provision worth EUR 1.3m had a significant impact on DT's profitability. Component availability is expected to improve, and DT sees its profitability improving in Q4.
- **Medical (MBU)** grew by 24% y/y to EUR 14.8m, beating our expectations (Evli: 13.9m). The growth was driven by strong demand for CT-devices. In addition, postponed deliveries from Q2 supported medical growth in Q3.
- **Security (SBU)** increased by 14.6% y/y to EUR 8.5 and was below our expectations (Evli: 9.3m). Growth was driven by increased demand for aviation solutions. DT strengthened its position in the US aviation market which is good news considering future growth.
- **Industrial (IBU):** after a strong comparison period IBU showed y/y growth of 2.8%. Net sales amounted to EUR 3.9m and was in line with our expectations (Evli: 3.9m). Demand in the food segment continued at a good level, and demand increased in mining and NDT applications.
- **Outlook:** DT expects its group net sales and all business units to grow by double-digits in Q4'22 and Q1'23.

Rating

 **HOLD**

Q3'22 ESTIMATES

	Actual	Evli	Consensus*	Q3'21
Net sales	27.3	27.1	27.2	23.2
MBU	14.8	13.9	-	11.9
SBU	8.5	9.3	-	7.5
IBU	3.9	3.9	-	3.8
Adj. EBIT	0.6	3.8	3.6	3.3
Adj. EBIT-margin	2.3%	13.9%	13.2%	14.1%
EPS	0.05	0.20	0.20	0.19

*Consensus estimate from FactSet

Share price, EUR (Last trading day's closing price) **15.85**

Target price, EUR **17.0**

Latest change in recommendation **21-Apr-21**

Latest report on company **21-Oct-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 **232**

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 **26-Oct-21**

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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	98.6	9.7	9.9%	3.9	0.53	28.8	2.1	21.1	1.7	0.29
2023E	111.7	14.9	13.4%	4.9	0.80	19.9	1.8	13.8	2.1	0.40
2024E	121.4	18.9	15.6%	9.8	1.01	15.6	1.7	10.6	4.2	0.51
Market cap, EURm		232	BV per share 2022E, EUR			-34.6	CAGR EPS 2021-24, %			17.1
Net debt 2022E, EURm		-26	Price/book 2022E			3.1	CAGR sales 2021-24, %			10.6
Enterprise value, EURm		206	Dividend yield 2022E, %			1.8	ROE 2022E, %			10.3
Total assets 2022E, EURm		97	Tax rate 2022E, %			21.1	ROCE 2022E, %			12.6
Goodwill 2022E, EURm		0	Equity ratio 2022E, %			78.9	PEG, P/E 22/CAGR			1.0

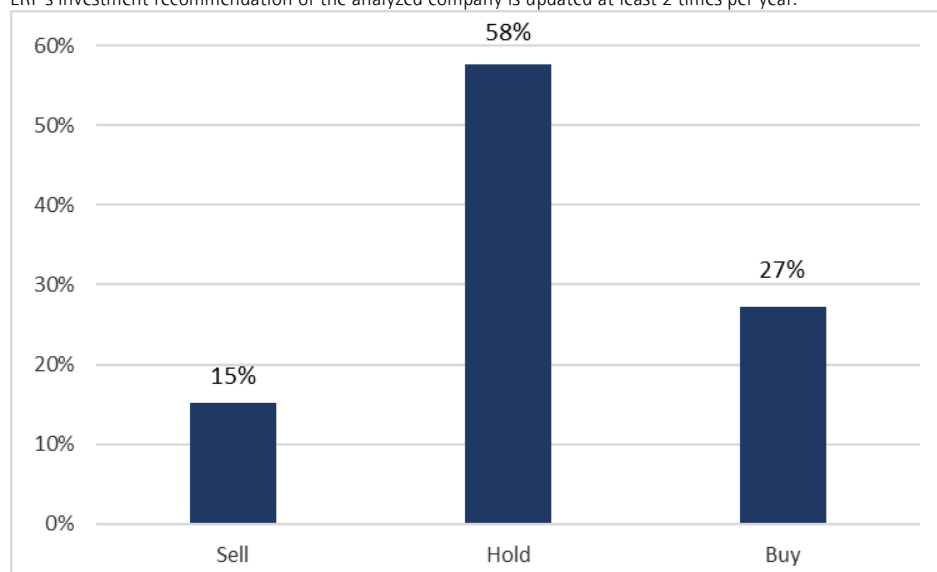
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Investment recommendations are defined as follows:

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

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