

Back on the growth track

Detection Technology's Q3 result was strong in terms of growth. Yet, profitability deteriorated due to continued cost pressures and one-time provision made. With increased volumes and elevated costs easing down, DT's profitability is expected to improve in 2023.

Margins under powerful pressure despite solid growth

After soft Q2 DT delivered solid growth figures with SBU and MBU growing by double-digits while IBU's low single-digit growth was restricted by a very strong comparison period. Group net sales increased by 17.5% y/y and amounted to EUR 27.3m (Evli: 27.1m). Q3 growth was supported by solid demand for medical CT devices, postponed Q2 deliveries, and strong aviation security sales. Despite strong growth, profitability was weak due to elevated material, logistics, and R&D costs. In addition, DT made EUR 1.3m provision due to the credit issues of its North American customer which eventually deteriorated DT's profits further. Q3 EBIT accounted for EUR 0.6m (2.3% margin) which fell significantly short of our expectations (Evli: 3.8m).

Outlook implies growth to continue

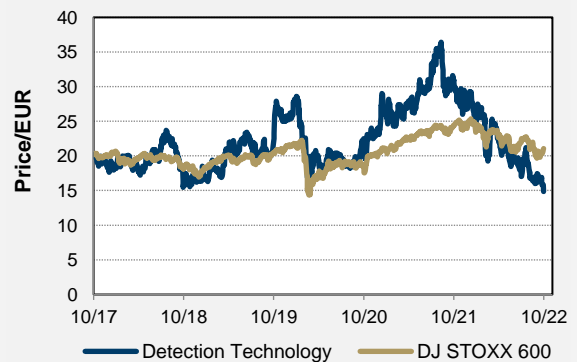
The outlook for security seems bright. Aviation CT equipment upgrades have proceeded both in the US and Europe. Visibility to SBU's demand continues far but medical OEMs have indicated market growth slowing down. In addition, visibility to industrial demand is somewhat foggy. In total, we expect DT to show double-digit growth both in 2022 and 2023. With spot-component purchases diminishing and additional R&D projects ending, we see DT's profitability improving significantly. The company guides double-digit growth for Q4'22 and Q1'23 in all its business units.

Valuation neutral with our revised estimates

We made some minor downward adjustments to our 2023-24 estimates considering recent news. DT is currently trading approx. in line with its peers, and we see the valuation as not challenging. Security business provides visibility but uncertainty concerning medical growth and general downward economic development keeps us cautious. We retain our HOLD-rating and adjust TP to EUR 16.5 (prev. 17.0).

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 14.85

Target price, EUR 16.5

Latest change in recommendation 21-Apr-21

Latest report on company 22-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 218

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

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	99.1	5.8	5.9%	-4.0	0.33	42.2	2.0	34.4	-1.8	0.19
2023E	109.7	14.4	13.1%	5.1	0.76	19.5	1.8	13.6	2.3	0.38
2024E	119.1	17.1	14.4%	9.8	0.91	16.3	1.6	11.2	4.5	0.45
Market cap, EURm	218		Gearing 2022E, %	-25.3		CAGR EPS 2021-24, %		12.9		
Net debt 2022E, EURm	-19		Price/book 2022E	3.0		CAGR sales 2021-24, %		9.9		
Enterprise value, EURm	199		Dividend yield 2022E, %	1.3		ROE 2022E, %		6.6		
Total assets 2022E, EURm	96		Tax rate 2022E, %	21.7		ROCE 2022E, %		7.5		
Goodwill 2022E, EURm	0		Equity ratio 2022E, %	76.8		PEG, P/E 22/CAGR		1.0		

Estimates

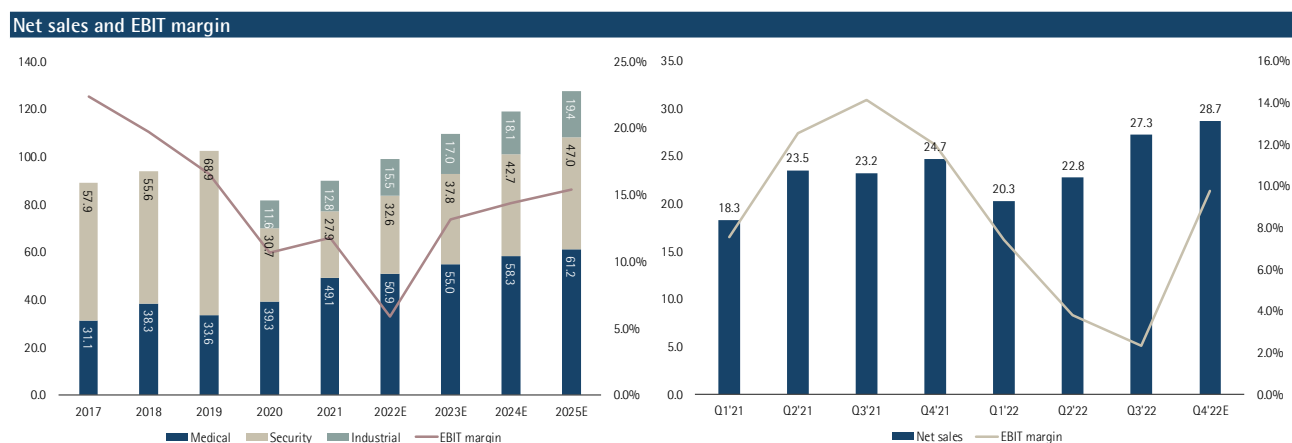
We made some minor revisions to our estimates. With soft Q2 EBIT, our 2022 profitability estimates were downgraded significantly. Topline and 2023-24 EBIT estimates saw minor downgrades, reflecting recent news and uncertainty.

In Q4'22 we expect DT to grow by 16% y/y to EUR 28.7m. Growth is driven by all business segments, but the pace is more prominent in SBU where the visibility to underlying demand is better. We also expect MBU and IBU to score double-digit growth figures in Q4. We anticipate spot-component purchases to continue in Q4 to some extent but gradually diminish in 2023. Thus, Q4 profitability is still restricted by higher material costs. Our adj. EBIT estimate is EUR 2.8m, reflecting a 9.8% margin. Our net sales and adj. EBIT estimates for full 2022 are EUR 99.1m (+10.3%) and EUR 6.1m (6.2% margin).

Medical OEMs have indicated that end-customers are becoming more cautious with the economic uncertainty which is especially visible in the US. DT's management shares the same view of the strongly performed medical market growth pace possibly slowing down. In addition to uncertainty and strongly increased market, some medical OEMs have reported of bloated inventories which might impact in lower demand for detectors temporarily. However, we expect DT to have all the ingredients to record growth rates above the market. The company has developed new medical designs which have attracted customers and supports DT's growth in slowing market.

In 2023, we expect MBU to grow by 8.0% y/y to EUR 55.0m while our 24E net sales estimate for MBU is EUR 58.3m (+6%). The underlying demand for security solutions is strongly driven by pent-up demand for and new investments in aviation security solutions. Consequently, we expect SBU to grow by 15.8% and 13% during 2023-24. However, net sales are still below pre-covid levels (excluding IBU). The visibility to industrial demand is somewhat foggy. Although, with its innovations we expect IBU to show high single-digit growth during 2023-24. Our 2023 and 24 net sales estimates for IBU are EUR 17.0m and 18.1m respectively. In total, we expect group net sales to amount to EUR 109.7m and 119.1m during 2023-24.

With spot-component purchases diminishing and additional R&D projects ending, we expect 23E profitability to see a notable jump from 2022 levels. 2023-24 volumes are on that level in which DT's scalability starts to kick in. Our EBIT estimates for 2023 and 24 are EUR 14.4m (13.1% margin) and 17.1m (14.4% margin). We expect DT to surpass its profitability target of 15% EBIT margin in 2025.



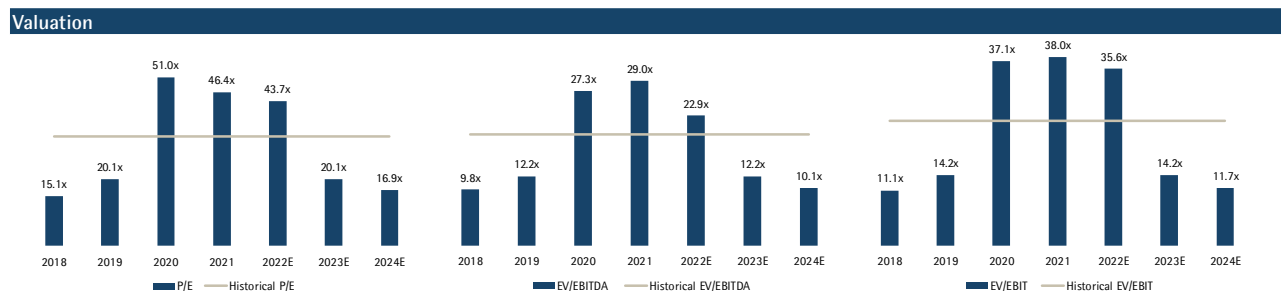
Source: Detection Technology, Evli Research

Estimates	2017	2018	2019	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	Q4'22E	2022E	2023E	2024E	2025E
Net sales	89.0	93.9	102.4	81.6	18.3	23.5	23.2	24.7	89.8	20.3	22.8	27.3	28.7	99.1	109.7	119.1	127.6
Medical	31.1	38.3	33.6	39.3	10.1	13.6	11.9	13.6	49.1	10.5	10.1	14.8	15.4	50.9	55.0	58.3	61.2
Security	57.9	55.6	68.9	30.7	5.8	6.9	7.5	7.8	27.9	6.3	8.6	8.5	9.2	32.6	37.8	42.7	47.0
Industrial				11.6	2.4	3.1	3.8	3.4	12.8	3.5	4.0	3.9	4.1	15.5	17.0	18.1	19.4
EBITDA	22.1	20.9	19.9	12.0	2.3	3.7	4.1	3.8	13.9	2.3	1.7	1.4	3.6	9.0	17.7	19.7	22.4
EBIT	19.9	18.5	17.0	8.7	1.4	3.0	3.3	3.0	10.6	1.5	0.9	0.6	2.8	5.8	14.4	17.1	19.6
Adj. EBIT	19.9	18.5	17.7	8.9	1.4	3.0	3.3	3.0	10.6	1.5	1.2	0.6	2.8	6.1	14.4	17.1	19.6
Adj. EPS	0.00	1.03	0.87	0.47	0.09	0.16	0.19	0.19	0.63	0.09	0.07	0.05	0.15	0.35	0.76	0.91	1.05
<i>Net sales growth-%</i>	<i>17.9%</i>	<i>5.5%</i>	<i>9.1%</i>	<i>-20.4%</i>	<i>-8.0%</i>	<i>11.5%</i>	<i>12.5%</i>	<i>24.3%</i>	<i>10.1%</i>	<i>10.9%</i>	<i>-3.3%</i>	<i>17.5%</i>	<i>16.0%</i>	<i>10.3%</i>	<i>10.8%</i>	<i>8.6%</i>	<i>7.1%</i>
<i>EBITDA margin</i>	<i>24.9%</i>	<i>22.2%</i>	<i>19.4%</i>	<i>14.7%</i>	<i>12.4%</i>	<i>15.9%</i>	<i>17.6%</i>	<i>15.2%</i>	<i>15.4%</i>	<i>11.4%</i>	<i>7.3%</i>	<i>5.3%</i>	<i>12.6%</i>	<i>9.1%</i>	<i>16.1%</i>	<i>16.6%</i>	<i>17.6%</i>
<i>EBIT margin</i>	<i>22.4%</i>	<i>19.7%</i>	<i>16.6%</i>	<i>10.7%</i>	<i>7.6%</i>	<i>12.5%</i>	<i>14.1%</i>	<i>12.0%</i>	<i>11.8%</i>	<i>7.4%</i>	<i>3.8%</i>	<i>2.3%</i>	<i>9.8%</i>	<i>5.9%</i>	<i>13.1%</i>	<i>14.4%</i>	<i>15.4%</i>
<i>Adj. EBIT margin</i>	<i>22.4%</i>	<i>19.7%</i>	<i>17.3%</i>	<i>10.9%</i>	<i>7.6%</i>	<i>12.5%</i>	<i>14.1%</i>	<i>12.0%</i>	<i>11.8%</i>	<i>7.4%</i>	<i>5.2%</i>	<i>2.3%</i>	<i>9.8%</i>	<i>6.2%</i>	<i>13.1%</i>	<i>14.4%</i>	<i>15.4%</i>

Valuation

In our view, 2022 profits guide quite badly DT's normal profitability levels, and thus we value DT with our 2023 estimates. However, world has changed since 2017-19, when DT scored EBIT margins around 20%. To our understanding, at first, the company aims for revenue growth which eventually shows in scalability and improved profitability.

DT currently trades with 23E EV/EBITDA and EV/EBIT multiples of 12x and 14x, approx. in line with its peers. We see DT's valuation as not challenging, but uncertainty concerning current economic development keeps us somewhat cautious. Reflecting our estimate adjustments, we downgrade our target price to EUR 16.5 (prev. 17.0). Rating retains at HOLD. Our new TP values TP at 23E EV/EBIT of 15x.



Source: Evli Research

Detection Technology Peer Group	Security identifier	MCAP MEUR	EBIT %		EBITDA %		ROCE %		ROE %		DIV %		Equity ratio %	
			22E	23E	22E	23E	22E	23E	22E	23E	22E	23E	22E	23E
First Sensor AG	SIS-DE	599												
Hamamatsu Photonics K.K.	6965-JP	7219	25.4	25.5	33.3	33.9	17.8	16.7	15.0	13.9	1.0	1.1	78.9	80.6
OSI Systems, Inc.	OSIS-US	1260	10.8	11.8	16.6	16.8	15.4	17.7	16.3	15.8			44.2	49.6
Varex Imaging Corporation	VREX-US	803	12.1	13.1	17.0	17.6	10.2	10.9					46.3	48.7
ams-OSRAM AG	AMS-CH	1479	8.7	11.2	19.3	19.8	6.1	7.4	4.3	5.4	0.5	0.7	35.3	35.6
Analog Devices, Inc.	ADI-US	69054	49.2	48.4	50.1	49.3	12.3	12.3	12.7	13.6	2.1	2.3	72.7	72.0
Keysight Technologies Inc	KEYS-US	29759	28.9	29.1	31.5	31.2	23.1	22.4	34.8	32.2	0.0	0.0	50.6	54.0
National Instruments Corporation	NATI-US	5078	17.6	20.1	20.7	23.8	15.9	18.9	22.2	27.0	2.8	2.8	54.7	58.7
Spectris plc	SXS-GB	3748	16.8	17.1	19.9	20.2	15.5	16.0	14.0	15.6	2.5	2.6	71.4	71.0
Oxford Instruments plc	OXIG-GB	1403	17.2	17.3	20.4	20.6			16.2	15.2	1.0	1.1		
Trimble Inc.	TRMB-US	13648	23.4	24.1	25.4	26.0	15.5	15.4	17.3	18.2	0.0	0.0	57.1	59.6
Hexagon AB Class B	HEXA.B-SE	28911	28.2	28.4	36.3	37.3	10.6	10.7	13.1	12.2	1.2	1.3	60.8	62.8
Thales SA	HO-FR	26751	10.9	11.5	15.2	15.7	14.1	14.3	21.9	21.3	2.2	2.4	22.4	24.7
Agfa-Gevaert NV	AGFB-BE	457	1.5	4.0	5.5	7.4	2.0	5.2	-1.0	4.5	0.0	0.0	35.4	37.2
Konica Minolta, Inc.	4902-JP	1572	1.2	3.1	7.1	9.0	1.4	3.8	0.8	3.5	4.4	4.2	41.5	42.2
Iray Technology Co., Ltd Class A	688301-CN	5189	40.2	40.0	41.5	41.8	17.9	20.1	19.0	20.4	0.4	0.6	87.9	87.5
Vieworks Co., Ltd	100120-KR	240	20.5	19.6	23.0	21.7	23.4	22.1	16.4	18.2	2.2	2.3	79.0	80.5
Vaisala Oyj Class A	VAIAS-FI	1400	13.2	13.9	17.7	18.3	21.7	23.4	21.6	22.1	1.8	2.0	54.7	60.5
Peer Group Average		11031	19.2	19.9	23.6	24.1	13.9	14.8	15.3	16.2	1.5	1.6	55.8	57.8
Peer Group Median		2660	17.2	17.3	20.4	20.6	15.4	15.7	16.2	15.7	1.2	1.3	54.7	59.1
Detection Technology (Evli est.)		218	5.8	10.6	9.0	13.9	7.5	17.0	6.6	14.4	1.3	2.6	76.8	75.6

Detection Technology Peer Group	Security identifier	MCAP MEUR	EV/S		EV/EBITDA		EV/EBIT		P/E		Sales growth %		Net debt / EBITDA	
			22E	23E	22E	23E	22E	23E	22E	23E	22E	23E	22E	23E
First Sensor AG	SIS-DE	599												
Hamamatsu Photonics K.K.	6965-JP	7219	4.9x	4.6x	14.8x	13.6x	19.3x	18.0x	27.0x	25.8x	18.1	4.8	-1.6	-1.8
OSI Systems, Inc.	OSIS-US	1260	1.4x	1.2x	8.2x	7.3x	12.7x	10.4x	13.5x	12.8x	3.2	0.0	1.5	1.0
Varex Imaging Corporation	VREX-US	803							18.2x	14.8x	4.1	5.1		
ams-OSRAM AG	AMS-CH	1479	0.7x	0.8x	3.7x	4.1x	8.2x	7.4x	10.8x	8.5x	-10.0	-6.4	2.0	2.3
Analog Devices, Inc.	ADI-US	69054	6.5x	6.4x	12.9x	12.9x	13.2x	13.1x	15.0x	14.8x	63.0	1.5	0.8	0.7
Keysight Technologies Inc	KEYS-US	29759	5.8x	5.4x	18.3x	17.2x	20.0x	18.5x	23.5x	21.8x	8.8	5.5	-0.2	-0.5
National Instruments Corporation	NATI-US	5078	3.3x	3.0x	15.9x	12.5x	18.7x	14.9x	19.8x	15.7x	15.1	0.0	0.7	0.3
Spectris plc	SXS-GB	3748	2.4x	2.2x	12.0x	10.9x	14.1x	12.8x	20.0x	17.7x	-4.9	6.0	-0.8	-1.0
Oxford Instruments plc	OXIG-GB	1403	2.8x	2.6x	13.7x	12.7x	16.3x	15.1x	22.1x	21.0x	8.4	4.0	-1.0	-1.3
Trimble Inc.	TRMB-US	13648	4.0x	3.7x	15.6x	14.1x	16.9x	15.2x	21.1x	18.7x	3.4	6.0	0.6	0.3
Hexagon AB Class B	HEXA.B-SE	28911	6.0x	5.6x	16.5x	14.9x	21.3x	19.7x	23.3x	22.2x	24.6	5.1	1.5	1.1
Thales SA	HO-FR	26751	1.5x	1.4x	10.1x	8.8x	14.0x	12.0x	17.7x	16.1x	8.0	6.8	0.0	-0.4
Agfa-Gevaert NV	AGFB-BE	457	0.1x	0.1x	2.6x	1.8x	9.5x	3.4x		14.3x	6.1	1.2	-1.8	-1.4
Konica Minolta, Inc.	4902-JP	1572	0.5x	0.5x	7.4x	5.5x	44.2x	15.9x	48.8x	11.1x	11.8	1.8	4.2	3.1
Iray Technology Co., Ltd Class A	688301-CN	5189	21.3x	15.6x	51.3x	37.3x	53.0x	38.9x	58.0x	45.2x	38.5	35.3	-2.3	-2.1
Vieworks Co., Ltd	100120-KR	240							10.0x	8.2x	22.1	15.1		
Vaisala Oyj Class A	VAIAS-FI	1400	2.8x	2.6x	15.6x	14.1x	20.9x	18.6x	27.5x	24.0x	16.9	4.0	-0.5	-0.8
Peer Group Average		11031	4.3x	3.7x	14.6x	12.5x	20.2x	15.6x	23.5x	18.4x	13.9	6.4	0.2	0.0
Peer Group Median		2660	2.8x	2.6x	13.7x	12.7x	16.9x	15.1x	20.5x	16.1x	8.8	5.1	0.0	-0.4
Detection Technology (Evli est.)		218	2.0x	1.8x	22.1x	11.8x	34.4x	13.6x	42.2x	19.5x	10.1	10.4	-2.1	-1.2

Premium/discount relative to peer group median

-28% -31% 61% -7% 103% -10% 106% 21%

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	14.85 PV of Free Cash Flow	76 Long-term growth, %	5.0 Risk-free interest rate, %	2.25
DCF share value	25.28 PV of Horizon value	272 WACC, %	8.5 Market risk premium, %	5.8
Share price potential, %	70.2 Unconsolidated equity	0 Spread, %	0.0 Debt risk premium, %	2.8
Maximum value	25.3 Marketable securities	30 Minimum WACC, %	8.5 Equity beta coefficient	1.10
Minimum value	25.3 Debt - dividend	-7 Maximum WACC, %	8.5 Target debt ratio, %	20
Horizon value, %	78.2 Value of stock	371 Nr of shares, Mn	14.7 Effective tax rate, %	20

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	90	99	110	119	128	135	142	149	157	164	173	181
<i>Sales growth, %</i>	<i>10.1</i>	<i>10.3</i>	<i>10.8</i>	<i>8.6</i>	<i>7.1</i>	<i>6.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>
Operating income (EBIT)	11	6	14	17	20	23	24	25	27	28	29	31
<i>Operating income margin, %</i>	<i>11.8</i>	<i>5.9</i>	<i>13.1</i>	<i>14.4</i>	<i>15.4</i>	<i>17.0</i>	<i>17.0</i>	<i>17.0</i>	<i>17.0</i>	<i>17.0</i>	<i>17.0</i>	<i>17.0</i>
+ Depreciation+amort.	3	3	2	3	3	3	3	3	4	4	4	
EBITDA	14	9	17	20	22	26	27	29	30	32	33	
- Paid taxes	-1	-1	-3	-3	-4	-5	-5	-5	-5	-6	-6	
- Change in NWC	-6	-11	-5	-3	-4	-4	-3	-3	-4	-4	-4	
<i>NWC / Sales, %</i>	<i>41.3</i>	<i>48.2</i>	<i>47.9</i>	<i>46.5</i>	<i>46.6</i>	<i>46.7</i>	<i>46.7</i>	<i>46.8</i>	<i>46.9</i>	<i>46.9</i>	<i>47.0</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-1	-1	-4	-3	-3	-4	-4	-4	-4	-4	-4	
<i>opCAPEX / Sales, %</i>	<i>1.5</i>	<i>1.4</i>	<i>3.3</i>	<i>2.8</i>	<i>2.7</i>	<i>2.6</i>	<i>2.6</i>	<i>2.6</i>	<i>2.6</i>	<i>2.6</i>	<i>2.6</i>	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	5	-4	5	10	11	14	16	16	17	18	19	574
= Discounted FCFF		-4	5	8	9	10	10	10	10	9	9	272
= DFCF min WACC		-4	5	8	9	10	10	10	10	9	9	272
= DFCF max WACC		-4	5	8	9	10	10	10	10	9	9	272

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	18.3	23.5	23.2	24.7	89.8	20.3	22.8	27.3	28.7	99.1	109.7	119.1
EBITDA	1.4	4.6	4.1	3.8	13.9	2.3	1.7	1.4	3.6	9.0	16.7	19.7
<i>EBITDA margin (%)</i>	<i>7.6</i>	<i>19.7</i>	<i>17.6</i>	<i>15.2</i>	<i>15.4</i>	<i>11.3</i>	<i>7.3</i>	<i>5.3</i>	<i>12.6</i>	<i>9.1</i>	<i>15.2</i>	<i>16.6</i>
EBIT	1.4	3.0	3.3	3.0	10.6	1.5	0.9	0.6	2.8	5.8	14.4	17.1
<i>EBIT margin (%)</i>	<i>7.6</i>	<i>12.6</i>	<i>14.1</i>	<i>12.0</i>	<i>11.8</i>	<i>7.4</i>	<i>3.8</i>	<i>2.3</i>	<i>9.8</i>	<i>5.9</i>	<i>13.1</i>	<i>14.4</i>
Net financial items	0.3	-0.1	0.2	0.3	0.8	0.1	0.2	0.2	-0.1	0.4	-0.4	-0.5
Pre-tax profit	1.7	2.9	3.5	3.3	11.4	1.6	1.0	0.8	2.7	6.2	14.0	16.7
Tax	-0.5	-0.6	-0.6	-0.5	-2.1	-0.3	-0.3	-0.2	-0.5	-1.3	-2.8	-3.3
<i>Tax rate (%)</i>	<i>26.6</i>	<i>19.4</i>	<i>18.0</i>	<i>14.3</i>	<i>18.6</i>	<i>20.0</i>	<i>30.3</i>	<i>20.0</i>	<i>20.0</i>	<i>21.7</i>	<i>20.0</i>	<i>20.0</i>
Net profit	1.2	2.3	2.8	2.8	9.3	1.3	0.7	0.7	2.2	4.8	11.2	13.3
EPS	0.09	0.16	0.19	0.19	0.63	0.09	0.05	0.05	0.15	0.33	0.76	0.91
EPS adjusted (diluted no. of shares)	0.08	0.15	0.19	0.19	0.61	0.08	0.07	0.04	0.14	0.34	0.74	0.88
Dividend per share	0.00	0.00	0.00	0.00	0.35	0.00	0.00	0.00	0.00	0.19	0.38	0.45
SALES, EURm												
MBU	10.1	13.6	11.9	13.6	49.2	10.5	10.1	14.8	15.4	50.9	55.0	58.3
SBU	5.8	6.9	7.5	7.8	27.9	6.3	8.6	8.5	9.2	32.6	37.8	42.7
IBU	2.4	3.1	3.8	3.4	12.7	3.5	4.0	3.9	4.1	15.5	17.0	18.1
Total	18.3	23.5	23.2	24.7	89.8	20.3	22.8	27.3	28.7	99.1	109.7	119.1
SALES GROWTH, Y/Y %												
<i>MBU</i>	<i>20.2</i>	<i>37.0</i>	<i>18.8</i>	<i>24.3</i>	<i>25.2</i>	<i>4.1</i>	<i>-25.2</i>	<i>24.1</i>	<i>13.6</i>	<i>3.5</i>	<i>8.0</i>	<i>6.0</i>
<i>SBU</i>	<i>-38.0</i>	<i>-11.7</i>	<i>0.2</i>	<i>26.5</i>	<i>-9.2</i>	<i>8.1</i>	<i>25.4</i>	<i>14.6</i>	<i>18.7</i>	<i>17.1</i>	<i>15.8</i>	<i>13.0</i>
<i>IBU</i>	<i>9.9</i>	<i>-10.4</i>	<i>21.5</i>	<i>21.7</i>	<i>9.9</i>	<i>47.0</i>	<i>29.3</i>	<i>2.8</i>	<i>19.0</i>	<i>21.9</i>	<i>9.2</i>	<i>7.0</i>
<i>Total</i>	<i>-8.2</i>	<i>11.4</i>	<i>12.5</i>	<i>24.6</i>	<i>10.1</i>	<i>11.0</i>	<i>-3.3</i>	<i>17.5</i>	<i>16.0</i>	<i>10.3</i>	<i>10.8</i>	<i>8.6</i>
EBIT, EURm												
Group	1.4	3.0	3.3	3.0	10.6	1.5	0.9	0.6	2.8	5.8	14.4	17.1
Total	1.4	3.0	3.3	3.0	10.6	1.5	0.9	0.6	2.8	5.8	14.4	17.1
EBIT margin, %												
<i>Total</i>	<i>7.6</i>	<i>12.6</i>	<i>14.1</i>	<i>12.0</i>	<i>11.8</i>	<i>7.4</i>	<i>3.8</i>	<i>2.3</i>	<i>9.8</i>	<i>5.9</i>	<i>13.1</i>	<i>14.4</i>

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	89.0	93.9	102.5	81.6	89.8	99.1	109.7	119.1
<i>Sales growth (%)</i>	<i>17.9</i>	<i>5.5</i>	<i>9.2</i>	<i>-20.4</i>	<i>10.1</i>	<i>10.3</i>	<i>10.8</i>	<i>8.6</i>
EBITDA	22.1	20.9	19.9	11.9	13.9	9.0	16.7	19.7
<i>EBITDA margin (%)</i>	<i>24.9</i>	<i>22.3</i>	<i>19.5</i>	<i>14.6</i>	<i>15.4</i>	<i>9.1</i>	<i>15.2</i>	<i>16.6</i>
Depreciation	-2.2	-2.4	-2.9	-3.2	-3.3	-3.2	-2.3	-2.6
EBITA	19.9	18.5	17.0	8.7	10.6	5.8	14.4	17.1
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	19.9	18.5	17.0	8.7	10.6	5.8	14.4	17.1
<i>EBIT margin (%)</i>	<i>22.4</i>	<i>19.7</i>	<i>16.6</i>	<i>10.7</i>	<i>11.8</i>	<i>5.9</i>	<i>13.1</i>	<i>14.4</i>
Reported EBIT	19.9	18.5	17.0	8.7	10.6	5.8	14.4	17.1
<i>EBIT margin (reported) (%)</i>	<i>22.4</i>	<i>19.7</i>	<i>16.6</i>	<i>10.7</i>	<i>11.8</i>	<i>5.9</i>	<i>13.1</i>	<i>14.4</i>
Net financials	-0.5	-0.1	-1.0	-0.6	0.8	0.4	-0.4	-0.5
Pre-tax profit	19.4	18.4	16.0	8.1	11.4	6.2	14.0	16.7
Taxes	-4.2	-3.6	-3.6	-1.4	-2.1	-1.3	-2.8	-3.3
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	15.2	14.9	12.5	6.7	9.3	4.8	11.2	13.3
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	9	10	10	9	7	8	9
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	0	0	0	0	0
Inventory	9	13	14	16	22	29	32	35
Receivables	21	27	27	25	31	36	39	40
Liquid funds	27	22	26	25	30	25	30	32
Total assets	62	71	77	76	92	96	109	116
Liabilities								
Shareholder's equity	42	51	58	58	74	73	82	89
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	5	4	6	6	2	6	9	7
Non-interest bearing current liabilities	15	15	12	11	15	15	16	18
Other interest-free debt	1	0	1	1	2	2	2	2
Total liabilities	62	71	77	76	92	96	109	116
CASH FLOW, EURm								
+ EBITDA	22	21	20	12	14	9	17	20
- Net financial items	11	-4	4	-1	3	0	0	0
- Taxes	-3	-5	-5	-3	-1	-1	-3	-3
- Increase in Net Working Capital	1	-10	-2	0	-6	-11	-5	-3
+/- Other	-12	4	-5	-1	-3	0	0	0
= Cash flow from operations	19	6	12	8	7	-3	9	13
- Capex	-2	-5	-4	-3	-1	-1	-4	-3
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	17	1	8	4	6	-4	5	10
+/- New issues/buybacks	-1	0	0	-1	10	0	0	0
- Paid dividend	-3	-5	-5	-5	-4	-5	-3	-6
+/- Other	-2	0	2	1	-7	4	3	-2
Change in cash	11	-4	4	-1	5	-5	5	3

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	224	368	344	429	218	218	218
Net debt (excl. convertibles)	-18	-20	-19	-28	-19	-21	-25
Enterprise value	206	348	324	402	199	197	193
Sales	94	103	82	90	99	110	119
EBITDA	21	20	12	14	9	17	20
EBIT	19	17	9	11	6	14	17
Pre-tax	18	16	8	11	6	14	17
Earnings	15	12	7	9	5	11	13
Equity book value (excl. minorities)	51	58	58	74	73	82	89
Valuation multiples							
EV/sales	2.2	3.4	4.0	4.5	2.0	1.8	1.6
EV/EBITDA	9.8	17.4	27.3	29.0	22.1	11.8	9.8
EV/EBITA	11.1	20.4	37.1	38.0	34.4	13.6	11.2
EV/EBIT	11.1	20.4	37.1	38.0	34.4	13.6	11.2
EV/OCF	33.6	30.0	43.1	56.4	-75.9	22.7	14.8
EV/FCFF	142.7	41.7	65.2	78.5	-46.9	36.0	19.0
P/FCFE	162.4	48.7	77.4	74.5	-55.0	42.7	22.3
P/E	15.1	29.5	51.0	46.4	42.2	19.5	16.3
P/B	4.4	6.3	5.9	5.8	3.0	2.7	2.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	24.7	13.2	11.0
Target EV/EBIT	0.0	0.0	0.0	0.0	38.5	15.3	12.6
Target EV/FCF	0.0	0.0	0.0	0.0	-56.4	43.3	22.2
Target P/B	0.0	0.0	0.0	0.0	3.3	3.0	2.7
Target P/E	0.0	0.0	0.0	0.0	48.5	22.4	18.8
Per share measures							
Number of shares	14,375	14,375	14,375	14,656	14,656	14,656	14,656
Number of shares (diluted)	14,849	14,875	14,875	15,156	15,156	15,156	15,156
EPS	1.03	0.87	0.47	0.63	0.33	0.76	0.91
Operating cash flow per share	0.43	0.81	0.52	0.49	-0.18	0.59	0.89
Free cash flow per share	0.10	0.53	0.31	0.39	-0.27	0.35	0.67
Book value per share	3.57	4.06	4.06	5.02	5.00	5.57	6.10
Dividend per share	0.38	0.38	0.28	0.35	0.19	0.38	0.45
Dividend payout ratio, %	36.7	43.9	59.7	55.4	57.8	50.0	50.0
Dividend yield, %	2.4	1.5	1.2	1.2	1.3	2.6	3.1
FCF yield, %	0.6	2.1	1.3	1.3	-1.8	2.3	4.5
Efficiency measures							
ROE	32.0	22.7	11.5	14.0	6.6	14.4	15.6
ROCE	36.4	28.5	13.6	15.1	7.5	17.0	18.3
Financial ratios							
Inventories as % of sales	14.2	13.8	19.5	24.8	29.0	29.0	29.0
Receivables as % of sales	28.4	25.9	30.1	34.8	36.0	35.5	34.0
Non-interest bearing liabilities as % of sales	16.4	12.1	13.4	16.3	15.0	15.0	15.0
NWC/sales, %	25.9	27.0	35.6	41.3	48.2	47.9	46.5
Operative CAPEX/sales, %	5.0	3.9	3.8	1.5	1.4	3.3	2.8
CAPEX/sales (incl. acquisitions), %	5.0	3.9	3.8	1.5	1.4	3.3	2.8
FCFF/EBITDA	0.1	0.4	0.4	0.4	-0.5	0.3	0.5
Net debt/EBITDA, book-weighted	-0.9	-1.0	-1.6	-2.0	-2.1	-1.2	-1.3
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	73.0	76.6	77.9	80.4	76.8	75.6	77.4
Gearing, %	-35.6	-34.9	-33.2	-37.6	-25.3	-25.6	-28.0

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 ~450 employees in Finland, China, France and USA, serving 370 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	%
Ahlstrom Capital Bv	5,280,167	78.410	36.0%
Skandinaviska Enskilda Banken AB	2,030,278	30.150	13.9%
OP-Finland Fund	617,376	9.168	4.2%
Sijoitusrahasto Aktia Capital	548,762	8.149	3.7%
Varma Mutual Pension Insurance Company	515,000	7.648	3.5%
Ilmarinen Mutual Pension Insurance Company	435,737	6.471	3.0%
Martola Hannu Veikko	431,690	6.411	2.9%
Evli Finnish Small Cap Fund	387,925	5.761	2.6%
Op-Suomi Mikroyhtiöt -Erikoissijoitusrahasto	247,081	3.669	1.7%
Säästöpankki Kotimaa	240,000	3.564	1.6%
Ten largest	10,734,016	159.400	73%
Residual	3,921,914	58.240	27%
Total	14,655,930	217.641	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

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CFO: Petri Hiljanen

IR: Johanna Tarkiainen

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Tel: +358 20 766 9700

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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

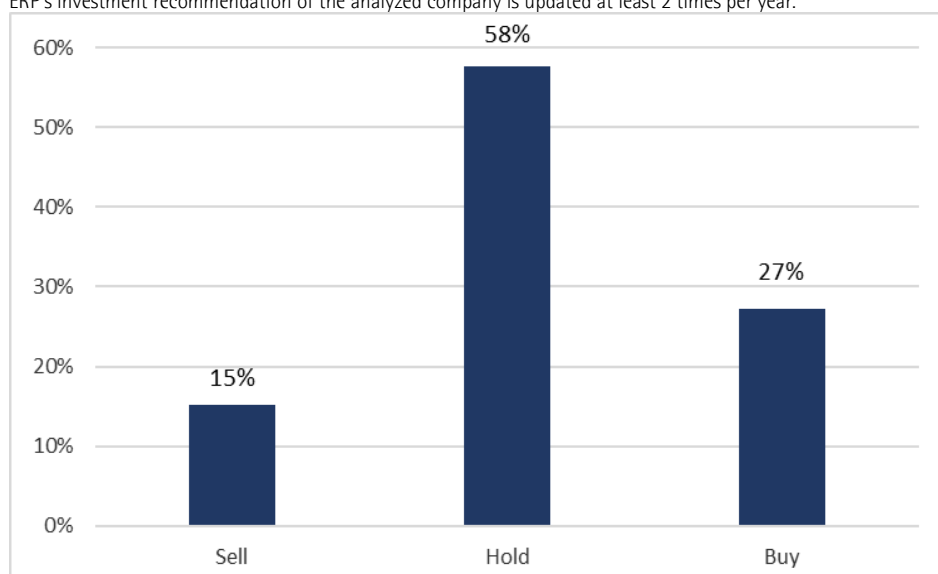
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Investment recommendations are defined as follows:

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

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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): Heikura

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