

## Valuation turns expensive

DT reports its Q4 result on February 2nd. Despite supply chain issues affecting especially MBU's Q4 growth, we expect DT to deliver double-digit growth in Q4. However, a recent rally in stock price has turned DT's valuation quite elevated. We downgrade our rating to SELL (HOLD) and adjust TP to 16.0 (16.5).

### Supply chain issues to cut MBU's growth in Q4

In its pre-silent call, DT's management indicated that additional supply chain issues have caused some challenges to MBU's deliveries. To our understanding, these challenges concern especially China, in which DT holds a strong position in medical solutions. Such issues are expected to have a significant impact on MBU's growth prospects and thus we have revised our Q4 MBU topline estimates downwards. We now expect MBU's Q4 net sales to decrease by 0.4% y/y to EUR 13.5m. We expect the situation not to limit in Q4'22 and MBU's growth to see some softness also in Q1'23.

### SBU and IBU to perform well

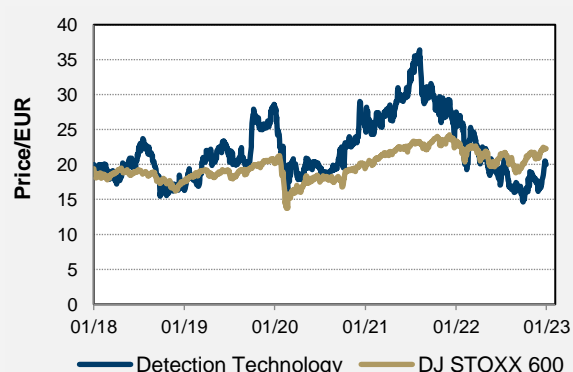
We don't expect MBU's situation to reflect in the performance of SBU and IBU since MBU operates mainly with a separate supply chain. In addition, the underlying demand for security solutions is currently high. In Q4, we expect SBU to grow by 26.4% to EUR 9.8m and IBU to increase by 20.2% to EUR 4.1m. In our view, SBU's growth is largely supported by increased investments in aviation. Moreover, we see IBU facing solid momentum that results in recently won customers despite uncertain macroeconomic trends. In total, DT's Q4 revenue will face a 10.9% y/y growth, amounting to EUR 27.4m (prev. 28.7m).

### SELL with a target price of EUR 16.0 (16.5)

Continued spot-component purchases deteriorate DT's profitability to some extent, despite the company being able to transfer some of the increased material costs to customer prices. We expect Q4 EBIT to amount to 2.5m (prev. 2.8m), reflecting a 9.2% margin. The company also faces cost pressures originating from fixed costs. With our revised estimates and recent rally in stock price, DT's valuation turns expensive. We downgrade our rating to SELL (HOLD) and adjust TP to EUR 16.0 (16.5) ahead of the Q4 result.

Rating

SELL



Share price, EUR (Last trading day's closing price) 20.00

Target price, EUR 16.0

Latest change in recommendation 31-Jan-23

Latest report on company 27-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 293

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 2-Feb-23

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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	97.8	5.5	5.6%	-3.5	0.31	59.4	2.8	49.6	-1.2	0.19
2023E	109.6	13.7	12.5%	3.9	0.72	27.6	2.5	19.9	1.3	0.36
2024E	119.6	17.6	14.7%	9.8	0.93	21.4	2.2	15.2	3.3	0.47
Market cap, EURm	293		Gearing 2022E, %			-26.1	CAGR EPS 2021-24, %		13.9	
Net debt 2022E, EURm	-19		Price/book 2022E			4.0	CAGR sales 2021-24, %		10.0	
Enterprise value, EURm	274		Dividend yield 2022E, %			0.9	ROE 2022E, %		6.3	
Total assets 2022E, EURm	95		Tax rate 2022E, %			21.8	ROCE 2022E, %		7.2	
Goodwill 2022E, EURm	0		Equity ratio 2022E, %			77.5	PEG, P/E 22/CAGR		1.3	

## Estimate revisions

Estimate revisions EURm	2022E		2023E		2024E	
	Earlier	Now	Earlier	Now	Earlier	Now
<b>Net sales</b>	<b>99.1</b>	<b>97.8</b>	<b>109.7</b>	<b>109.6</b>	<b>119.1</b>	<b>119.6</b>
<i>MBU</i>	<i>50.9</i>	<i>49.0</i>	<i>55.0</i>	<i>54.0</i>	<i>58.3</i>	<i>57.5</i>
<i>SBU</i>	<i>32.6</i>	<i>33.2</i>	<i>37.8</i>	<i>38.6</i>	<i>42.7</i>	<i>43.9</i>
<i>IBU</i>	<i>15.5</i>	<i>15.6</i>	<i>17.0</i>	<i>17.0</i>	<i>18.1</i>	<i>18.2</i>
<b>EBIT</b>	<b>5.8</b>	<b>5.5</b>	<b>14.4</b>	<b>13.7</b>	<b>17.1</b>	<b>17.6</b>

The year 2022 has been negatively affected by supply chain issues that can be seen especially in MBU's lower than expected deliveries. We estimate MBU's 2022 net sales to amount to EUR 49.0, reflecting a slight y/y decline. Meanwhile, the demand for SBU has picked up and the unit has recorded strong growth figures, driving group growth together with IBU. We estimate SBU's 2022 net sales to account for EUR 33.2m, reflecting y/y growth of 19.1%. In our estimates, IBU's y/y growth of 22% is supported by solid market trends and freshly won customer relationships.

By lowering MBU's Q1'23 net sales estimates, but also improving SBU's and IBU's full-year expectations, our 23E net sales saw only minor revisions. We now expect DT to grow by 12% in 2023, supported by each business unit. Our 23E group topline estimate amounts to EUR 109.6m. We believe the supply chain issues to diminish during H2'23 but expect some improvement to be seen already in H1'23 with the R&D design program ending and component availability gradually improving.

With lowered net sales estimates, our 22E EBIT estimate saw a small decline from EUR 5.8m to 5.5m. With DT's product design renewal program ending, we expect the company's gross margin to slightly improve in 2023 through decreased spot-component purchases. However, with decreased volume estimates and cost inflation arising from fixed costs, our profitability estimate saw also some downgrades. We now expect a 23E EBIT of EUR 13.7m (prev. 14.4m). Nevertheless, we expect 23E EBIT to see strong improvement from 2022 and EBIT margin to amount to 12.5% which is yet below the company's targets.

We expect DT to distribute dividends with a payout rate of 60% (according to its guidance of a payout rate of 30-60%), reflecting a DPS of EUR 0.19.

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
<b>Net sales</b>	<b>89.0</b>	<b>93.9</b>	<b>102.4</b>	<b>81.6</b>	<b>18.3</b>	<b>23.5</b>	<b>23.2</b>	<b>24.7</b>	<b>89.8</b>	<b>20.3</b>	<b>22.8</b>	<b>27.3</b>	<b>27.4</b>	<b>97.8</b>	<b>109.6</b>	<b>119.6</b>	<b>128.2</b>
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	13.5	49.0	54.0	57.5	60.4
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	9.8	33.2	38.6	43.9	48.3
Industrial				11.6	2.4	3.1	3.8	3.4	12.8	3.5	4.0	3.9	4.1	15.6	17.0	18.2	19.5
<b>EBITDA</b>	<b>22.1</b>	<b>20.9</b>	<b>19.9</b>	<b>12.0</b>	<b>2.3</b>	<b>3.7</b>	<b>4.1</b>	<b>3.8</b>	<b>13.9</b>	<b>2.3</b>	<b>1.7</b>	<b>1.4</b>	<b>3.3</b>	<b>8.8</b>	<b>17.0</b>	<b>20.2</b>	<b>22.5</b>
<b>EBIT</b>	<b>19.9</b>	<b>18.5</b>	<b>17.0</b>	<b>8.7</b>	<b>1.4</b>	<b>3.0</b>	<b>3.3</b>	<b>3.0</b>	<b>10.6</b>	<b>1.5</b>	<b>0.9</b>	<b>0.6</b>	<b>2.5</b>	<b>5.5</b>	<b>13.7</b>	<b>17.6</b>	<b>19.7</b>
<b>Adj. EBIT</b>	<b>19.9</b>	<b>18.5</b>	<b>17.7</b>	<b>8.9</b>	<b>1.4</b>	<b>3.0</b>	<b>3.3</b>	<b>3.0</b>	<b>10.6</b>	<b>1.5</b>	<b>1.2</b>	<b>0.6</b>	<b>2.5</b>	<b>5.9</b>	<b>13.7</b>	<b>17.6</b>	<b>19.7</b>
<b>Adj. EPS</b>	<b>0.00</b>	<b>1.03</b>	<b>0.87</b>	<b>0.47</b>	<b>0.09</b>	<b>0.16</b>	<b>0.19</b>	<b>0.19</b>	<b>0.63</b>	<b>0.09</b>	<b>0.07</b>	<b>0.05</b>	<b>0.13</b>	<b>0.34</b>	<b>0.72</b>	<b>0.93</b>	<b>1.05</b>
<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>10.9%</i>	<i>8.9%</i>	<i>12.1%</i>	<i>9.2%</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>12.2%</i>	<i>9.0%</i>	<i>15.5%</i>	<i>16.9%</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>9.2%</i>	<i>5.6%</i>	<i>12.5%</i>	<i>14.7%</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>9.2%</i>	<i>6.0%</i>	<i>12.5%</i>	<i>14.7%</i>	<i>15.4%</i>

## Valuation

Since our last update, the stock price has increased by ~35%. With our estimates relatively stable, we see DT's current valuation as quite elevated. Considering 23E EV/EBITDA and EV/EBIT multiples, DT trades with a ~30% premium to its peer median. We see such premium unjustified and value DT with 23E EV/EBITDA and EV/EBIT multiples of 13x and 16x. We adjust our target price to EUR 16.0 (prev. 16.5) with decreased estimates. With DT trading 20% above our TP, we downgrade our rating to SELL (prev. HOLD).

DETECTION TECHNOLOGY PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		22	23	24	22	23	24	22	23	24
Hamamatsu Photonics	7541	12.0x	12.3x	11.7x	15.0x	15.9x	15.6x	25.6x	24.6x	24.2x
OSI Systems	1440	8.7x	9.0x		12.9x	12.6x		15.6x	14.2x	
Varex Imaging	771	8.3x	8.0x		11.4x	11.2x	9.6x	15.4x	17.3x	13.1x
ams-OSRAM	2237	4.1x	5.1x	4.0x	9.0x	10.6x	7.5x	21.1x	19.6x	8.4x
Analog Devices	79146	14.7x	15.5x	14.4x	15.4x	15.8x	15.3x	17.6x	17.0x	16.0x
Keysight Tech	29098	17.9x	18.0x	16.9x	19.7x	19.5x	18.5x	23.0x	22.0x	20.3x
National Instruments	6516	16.0x	18.6x	16.6x	18.4x	21.7x	18.7x	28.1x	22.9x	19.1x
Spectris	3767	13.8x	13.8x	12.9x	16.9x	16.8x	15.7x	20.8x	18.7x	17.2x
Oxford Instruments	1495	15.5x	14.9x	14.2x	17.7x	16.9x	16.0x	23.7x	22.8x	21.6x
Trimble	12952	15.4x	15.9x	14.9x	16.5x	17.1x	16.3x	21.6x	19.7x	17.9x
Hexagon	28357	16.2x	16.2x	15.0x	21.0x	21.8x	19.9x	24.0x	24.0x	21.9x
Thales	25681	9.9x	9.3x	8.7x	13.9x	12.7x	11.6x	17.3x	15.9x	14.5x
Agfa-Gevaert	438	4.2x	3.4x	2.7x		7.0x	4.5x		21.8x	9.8x
Konica Minolta	1889	8.6x	6.9x	6.6x	102.7x	22.2x	17.7x		15.6x	11.5x
Iray Technology	4631	44.9x	34.7x	26.3x	46.5x	36.0x	27.7x	52.7x	41.0x	31.7x
Vieworks	221	5.6x	5.2x	4.5x	6.4x	5.8x	5.0x	14.8x	7.4x	6.3x
Peer Group Average	<b>12886</b>	<b>13.5x</b>	<b>12.9x</b>	<b>12.1x</b>	<b>22.9x</b>	<b>16.5x</b>	<b>14.6x</b>	<b>23.0x</b>	<b>20.3x</b>	<b>16.9x</b>
Peer Group Median	<b>4199</b>	<b>12.9x</b>	<b>13.0x</b>	<b>13.5x</b>	<b>16.5x</b>	<b>16.3x</b>	<b>15.7x</b>	<b>21.3x</b>	<b>19.7x</b>	<b>17.2x</b>
Detection Technology (Evli est.)	<b>293</b>	<b>31.3x</b>	<b>17.1x</b>	<b>13.3x</b>	<b>49.6x</b>	<b>19.9x</b>	<b>15.2x</b>	<b>59.4x</b>	<b>27.6x</b>	<b>21.4x</b>

Detection Technology prem./disc. to peer median

143%

31%

-2%

200%

22%

-3%

179%

40%

24%

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	20.00 PV of Free Cash Flow	77 Long-term growth, %	5.0 Risk-free interest rate, %	2.25
DCF share value	25.89 PV of Horizon value	279 WACC, %	8.5 Market risk premium, %	5.8
Share price potential, %	29.4 Unconsolidated equity	0 Spread, %	0.0 Debt risk premium, %	2.8
Maximum value	25.9 Marketable securities	24 Minimum WACC, %	8.5 Equity beta coefficient	1.10
Minimum value	25.9 Debt - dividend	-5 Maximum WACC, %	8.5 Target debt ratio, %	20
Horizon value, %	78.4 Value of stock	379 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	98	110	120	128	136	143	150	157	165	173	182
<i>Sales growth, %</i>	<i>10.1</i>	<i>8.9</i>	<i>12.1</i>	<i>9.2</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	18	20	23	24	25	27	28	29	31
<i>Operating income margin, %</i>	<i>11.8</i>	<i>5.6</i>	<i>12.5</i>	<i>14.7</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	16	20	23	26	27	29	30	32	33	
- Paid taxes	-1	-1	-3	-4	-4	-5	-5	-5	-5	-6	-6	
- Change in NWC	-6	-10	-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>46.8</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	-5	
<i>opCAPEX / Sales, %</i>	<i>1.5</i>	<i>1.3</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	4	10	11	14	16	16	17	18	19	577
= Discounted FCFF		-4	4	9	9	10	10	10	10	10	9	279
= DFCF min WACC		-4	4	9	9	10	10	10	10	10	9	279
= DFCF max WACC		-4	4	9	9	10	10	10	10	10	9	279

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3	2022Q4E	2022E	2023E	2024E
Net sales	18.3	23.5	23.2	24.7	89.8	20.3	22.8	27.3	27.4	97.8	109.6	119.6
EBITDA	1.4	4.6	4.1	3.8	13.9	2.3	1.7	1.4	3.3	8.7	16.0	20.2
<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>12.2</i>	<i>8.9</i>	<i>14.6</i>	<i>16.9</i>
EBIT	1.4	3.0	3.3	3.0	10.6	1.5	0.9	0.6	2.5	5.5	13.7	17.6
<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>9.2</i>	<i>5.6</i>	<i>12.5</i>	<i>14.7</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	2.4	5.9	13.3	17.1
Tax	-0.5	-0.6	-0.6	-0.5	-2.1	-0.3	-0.3	-0.2	-0.5	-1.3	-2.7	-3.4
<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>21.8</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	1.9	4.6	10.6	13.7
EPS	0.09	0.16	0.19	0.19	0.63	0.09	0.05	0.05	0.13	0.31	0.72	0.93
EPS adjusted (diluted no. of shares)	0.08	0.15	0.19	0.19	0.61	0.08	0.07	0.04	0.13	0.33	0.70	0.90
Dividend per share	0.00	0.00	0.00	0.00	0.35	0.00	0.00	0.00	0.00	0.19	0.36	0.47
<b>SALES, EURm</b>												
MBU	10.1	13.6	11.9	13.6	49.2	10.5	10.1	14.8	13.5	49.0	54.0	57.5
SBU	5.8	6.9	7.5	7.8	27.9	6.3	8.6	8.5	9.8	33.2	38.6	43.9
IBU	2.4	3.1	3.8	3.4	12.7	3.5	4.0	3.9	4.1	15.6	17.0	18.2
Total	18.3	23.5	23.2	24.7	89.8	20.3	22.8	27.3	27.4	97.8	109.6	119.6
<b>SALES GROWTH, Y/Y %</b>												
<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>-0.4</i>	<i>-0.4</i>	<i>10.2</i>	<i>6.6</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>26.4</i>	<i>19.2</i>	<i>16.1</i>	<i>13.7</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>20.2</i>	<i>22.2</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>10.9</i>	<i>8.9</i>	<i>12.1</i>	<i>9.2</i>
<b>EBIT, EURm</b>												
Group	1.4	3.0	3.3	3.0	10.6	1.5	0.9	0.6	2.5	5.5	13.7	17.6
Total	1.4	3.0	3.3	3.0	10.6	1.5	0.9	0.6	2.5	5.5	13.7	17.6
<b>EBIT margin, %</b>												
<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>9.2</i>	<i>5.6</i>	<i>12.5</i>	<i>14.7</i>

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	89.0	93.9	102.5	81.6	89.8	97.8	109.6	119.6
<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>8.9</i>	<i>12.1</i>	<i>9.2</i>
EBITDA	22.1	20.9	19.9	11.9	13.9	8.7	16.0	20.2
<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>8.9</i>	<i>14.6</i>	<i>16.9</i>
Depreciation	-2.2	-2.4	-2.9	-3.2	-3.3	-3.2	-2.2	-2.6
EBITA	19.9	18.5	17.0	8.7	10.6	5.5	13.7	17.6
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	5.5	13.7	17.6
<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>5.6</i>	<i>12.5</i>	<i>14.7</i>
Reported EBIT	19.9	18.5	17.0	8.7	10.6	5.5	13.7	17.6
<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>5.6</i>	<i>12.5</i>	<i>14.7</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	5.9	13.3	17.1
Taxes	-4.2	-3.6	-3.6	-1.4	-2.1	-1.3	-2.7	-3.4
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	4.6	10.6	13.7
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
<b>BALANCE SHEET, EURm</b>								
<b>Assets</b>								
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	28	32	35
Receivables	21	27	27	25	31	35	39	41
Liquid funds	27	22	26	25	30	24	30	32
Total assets	62	71	77	76	92	95	109	117
<b>Liabilities</b>								
Shareholder's equity	42	51	58	58	74	73	81	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	5	9	8
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	95	109	117
<b>CASH FLOW, EURm</b>								
+ EBITDA	22	21	20	12	14	9	16	20
- Net financial items	11	-4	4	-1	3	0	0	-1
- Taxes	-3	-5	-5	-3	-1	-1	-3	-3
- Increase in Net Working Capital	1	-10	-2	0	-6	-10	-5	-3
+/- Other	-12	4	-5	-1	-3	0	0	0
= Cash flow from operations	19	6	12	8	7	-2	8	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	-3	4	10
+/- New issues/buybacks	-1	0	0	-1	10	0	0	0
- Paid dividend	-3	-5	-5	-5	-4	-5	-3	-5
+/- Other	-2	0	2	1	-7	3	4	-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	293	293	293
Net debt (excl. convertibles)	-18	-20	-19	-28	-19	-20	-25
Enterprise value	206	348	324	402	274	273	268
Sales	94	103	82	90	98	110	120
EBITDA	21	20	12	14	9	16	20
EBIT	19	17	9	11	6	14	18
Pre-tax	18	16	8	11	6	13	17
Earnings	15	12	7	9	5	11	14
Equity book value (excl. minorities)	51	58	58	74	73	81	89
<b>Valuation multiples</b>							
EV/sales	2.2	3.4	4.0	4.5	2.8	2.5	2.2
EV/EBITDA	9.8	17.4	27.3	29.0	31.3	17.1	13.3
EV/EBITA	11.1	20.4	37.1	38.0	49.6	19.9	15.2
EV/EBIT	11.1	20.4	37.1	38.0	49.6	19.9	15.2
EV/OCF	33.6	30.0	43.1	56.4	-123.9	36.3	20.5
EV/FCFF	142.7	41.7	65.2	78.5	-73.3	64.1	26.4
P/FCFE	162.4	48.7	77.4	74.5	-84.7	75.2	30.0
P/E	15.1	29.5	51.0	46.4	59.4	27.6	21.4
P/B	4.4	6.3	5.9	5.8	4.0	3.6	3.3
Target EV/EBITDA	0.0	0.0	0.0	0.0	24.6	13.4	10.4
Target EV/EBIT	0.0	0.0	0.0	0.0	39.0	15.6	11.9
Target EV/FCF	0.0	0.0	0.0	0.0	-62.3	55.0	21.5
Target P/B	0.0	0.0	0.0	0.0	3.2	2.9	2.6
Target P/E	0.0	0.0	0.0	0.0	49.2	22.8	17.7
<b>Per share measures</b>							
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	0.31	0.72	0.93
Operating cash flow per share	0.43	0.81	0.52	0.49	-0.15	0.51	0.89
Free cash flow per share	0.10	0.53	0.31	0.39	-0.24	0.27	0.67
Book value per share	3.57	4.06	4.06	5.02	4.98	5.52	6.09
Dividend per share	0.38	0.38	0.28	0.35	0.19	0.36	0.47
Dividend payout ratio, %	36.7	43.9	59.7	55.4	60.0	50.0	50.0
Dividend yield, %	2.4	1.5	1.2	1.2	0.9	1.8	2.3
FCF yield, %	0.6	2.1	1.3	1.3	-1.2	1.3	3.3
<b>Efficiency measures</b>							
ROE	32.0	22.7	11.5	14.0	6.3	13.8	16.1
ROCE	36.4	28.5	13.6	15.1	7.2	16.3	18.8
<b>Financial ratios</b>							
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	1.3	3.3	2.8
CAPEX/sales (incl. acquisitions), %	5.0	3.9	3.8	1.5	1.3	3.3	2.8
FCFF/EBITDA	0.1	0.4	0.4	0.4	-0.4	0.3	0.5
Net debt/EBITDA, book-weighted	-0.9	-1.0	-1.6	-2.0	-2.2	-1.3	-1.2
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	77.5	75.0	77.0
Gearing, %	-35.6	-34.9	-33.2	-37.6	-26.1	-24.9	-27.6

**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	105.603	36.0%
Skandinaviska Enskilda Banken AB	2,030,278	40.606	13.9%
OP-Finland Fund	617,376	12.348	4.2%
Sijoitusrahasto Aktia Capital	548,762	10.975	3.7%
Varma Mutual Pension Insurance Company	515,000	10.300	3.5%
Ilmarinen Mutual Pension Insurance Company	435,737	8.715	3.0%
Martola Hannu Veikko	431,690	8.634	2.9%
Evli Finnish Small Cap Fund	387,925	7.758	2.6%
Op-Suomi Mikroyhtiöt -Erikoissijoitusrahasto	247,081	4.942	1.7%
Säästöpankki Kotimaa	240,000	4.800	1.6%
Ten largest	10,734,016	214.680	73%
Residual	3,921,914	78.438	27%
Total	14,655,930	293.119	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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

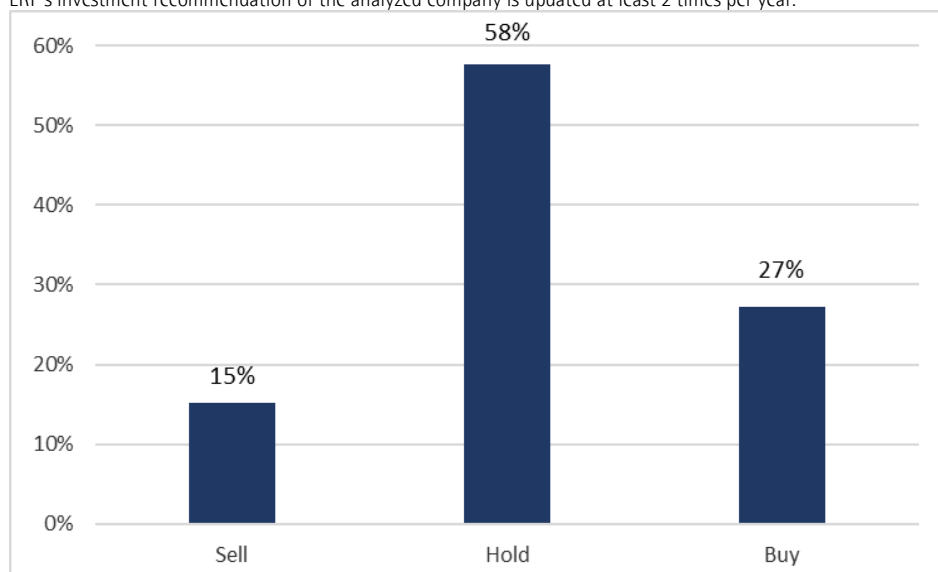
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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