

## Short-term valuation remains elevated

DT delivered solid Q4 growth. EBIT came down with high cost inflation. The growth outlook for H1'23 seems bright, but visibility into H2'23 is yet blurry. With the valuation remaining elevated, we retain our SELL rating. TP adjusts to EUR 16.5 (16.0) with minor estimate changes made.

### Good growth, profitability came down as expected

Q4 group net sales accounted for EUR 28.2m (27.4m/28.3m Evli/cons.), reflecting 14.1% y/y growth. The growth was supported by the strong performance of SBU and IBU, while MBU suffered from supply chain issues and a softer market. Gross margin slightly decreased from the comparison period with continued spot-component purchases. In addition, fixed costs faced notable increases and DT's Q4 EBIT fell clearly short of last year. Q4 EBIT amounted to EUR 2.8m (9.9% margin). For the year 2022, the BoD proposes a dividend of EUR 0.20 which reflects 58% of the company's net result.

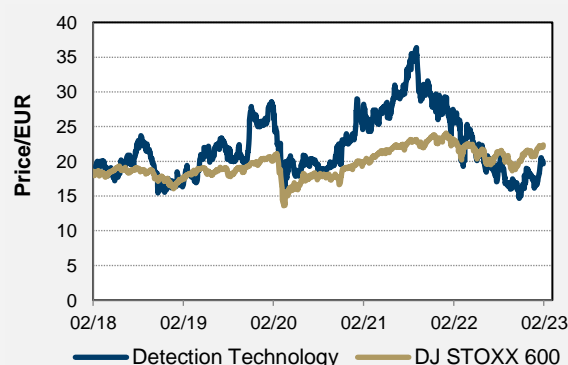
### Minor estimate adjustments made

We raised our 23E EBIT by some 2%, reflecting upgraded net sales estimates and the company's comments on profitability development. However, we expect the scalability to kick in more prominently in 2024 with additional cost pressures easing and revenue growth continuing. Our 23E net sales estimate amounts to EUR 111.5m, reflecting y/y growth of 13.1%. We expect all DT's businesses to show growth, especially SBU to perform strongly with aviation investments and gained market share. With strong topline growth, our 23 EBIT estimate lands at EUR 14.0m, reflecting an EBIT margin of 12.6% which yet falls short of the company's 15% target. There exists yet some tails from 2022 that deteriorate DT's 23E profitability. However, in 2024, we expect DT to exceed its profitability target and record an EBIT margin of 15.2%.

### SELL with a target price of EUR 16.5

With our 2023 estimates, DT continues trading above its peers. With small estimate revisions made, we adjust our TP to EUR 16.5 (16.0). We however still see the company as overvalued and hence retain our SELL rating. For a longer-term investor, we see DT as an interesting investment case with both topline and EBIT growth.

## Rating

■ SELL


Share price, EUR (Last trading day's closing price)	19.65
Target price, EUR	16.5

Latest change in recommendation	31-Jan-23
Latest report on company	31-Jan-23
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	288
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	27-Apr-23
Web site	deetee.com/investors/

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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
2021	89.8	10.6	11.8%	5.8	0.63	46.4	4.5	38.0	1.3	0.35
2022	98.6	5.8	5.9%	-1.9	0.34	46.0	2.3	39.0	-0.8	0.20
2023E	111.5	14.0	12.6%	3.2	0.77	25.5	2.4	19.0	1.1	0.42
2024E	121.9	18.5	15.2%	14.4	0.99	19.9	2.1	13.9	5.0	0.54
2025E	130.7	20.2	15.5%	22.2	1.09	18.0	1.9	12.0	7.7	0.60
Market cap, EURm		288	Gearing 2023E, %			-27.0	CAGR EPS 2022-25, %			43.9
Net debt 2023E, EURm		-22	Price/book 2023E			3.6	CAGR sales 2022-25, %			9.9
Enterprise value, EURm		266	Dividend yield 2023E, %			2.2	ROE 2023E, %			14.7
Total assets 2023E, EURm		108	Tax rate 2023E, %			20.0	ROCE 2023E, %			17.1
Goodwill 2023E, EURm		0	Equity ratio 2023E, %			75.9	PEG, P/E 23/CAGR			1.6

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

## Q4 result

DT's topline came in approx. in line with our and consensus expectations. Group net sales accounted for EUR 28.2m (27.4m/28.3m Evli/cons.), reflecting 14.1% y/y growth. MBU saw a 6.6% y/y decline mainly due to softer market and supply chain issues. In addition, DT has tightened its payment policies which resulted in postponed product deliveries to some Chinese medical customers. The underlying demand in medical markets remains as good. SBU showed record growth since 2016 and grew by 41%. SBU's net sales amounted to EUR 10.9m. The growth was mostly driven by newly gained customers. IBU also grew nicely, by recording y/y growth of 34.5%. IBU's net sales amounted to EUR 4.6m.

EBIT fell clearly short of that of the comparison period but still exceeded our and consensus expectations. EBIT amounted to EUR 2.8m (2.5m/2.6m Evli/cons.), reflecting an EBIT margin of 9.9%. Profitability was negatively impacted by cost inflation arising from spot-component purchases, R&D, and logistics as well as end of December overtime work that expanded personnel costs. With soft profitability, EPS amounted to EUR 0.16, beating our expectations (0.13/0.15 Evli/cons.). The BoD proposes a 2022 dividend worth EUR 0.20 per share.

Estimates	2017	2018	2019	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23E	Q2'23E	Q3'23E	Q4'23E	2023E	2024E	2025E
<b>Net sales</b>	<b>89.0</b>	<b>93.9</b>	<b>102.4</b>	<b>81.6</b>	<b>89.8</b>	<b>20.3</b>	<b>22.8</b>	<b>27.3</b>	<b>28.2</b>	<b>98.6</b>	<b>24.2</b>	<b>26.1</b>	<b>30.2</b>	<b>31.1</b>	<b>111.5</b>	<b>121.9</b>	<b>130.7</b>
Medical	31.1	38.3	33.6	39.3	49.1	10.5	10.1	14.8	12.7	48.1	11.8	11.3	15.8	13.9	52.8	56.3	59.1
Security	57.9	55.6	68.9	30.7	27.9	6.3	8.6	8.5	10.9	34.4	8.2	10.2	10.2	12.2	40.9	46.5	51.1
Industrial				11.6	12.8	3.5	4.0	3.9	4.6	16.1	4.1	4.5	4.2	4.9	17.8	19.1	20.4
<b>EBITDA</b>	<b>22.1</b>	<b>20.9</b>	<b>19.9</b>	<b>12.0</b>	<b>13.9</b>	<b>2.3</b>	<b>1.7</b>	<b>1.5</b>	<b>3.6</b>	<b>9.1</b>	<b>4.1</b>	<b>3.7</b>	<b>4.1</b>	<b>5.6</b>	<b>17.5</b>	<b>22.2</b>	<b>23.8</b>
<b>EBIT</b>	<b>19.9</b>	<b>18.5</b>	<b>17.0</b>	<b>8.7</b>	<b>10.6</b>	<b>1.5</b>	<b>0.9</b>	<b>0.6</b>	<b>2.8</b>	<b>5.8</b>	<b>3.3</b>	<b>2.9</b>	<b>3.2</b>	<b>4.7</b>	<b>14.0</b>	<b>18.5</b>	<b>20.2</b>
<b>Adj. EBIT</b>	<b>19.9</b>	<b>18.5</b>	<b>17.7</b>	<b>8.9</b>	<b>10.6</b>	<b>1.5</b>	<b>1.2</b>	<b>0.6</b>	<b>2.8</b>	<b>6.1</b>	<b>3.3</b>	<b>2.9</b>	<b>3.2</b>	<b>4.7</b>	<b>14.0</b>	<b>18.5</b>	<b>20.2</b>
<b>Adj. EPS</b>	<b>0.00</b>	<b>0.00</b>	<b>0.87</b>	<b>0.47</b>	<b>0.63</b>	<b>0.09</b>	<b>0.07</b>	<b>0.05</b>	<b>0.16</b>	<b>0.37</b>	<b>0.19</b>	<b>0.15</b>	<b>0.18</b>	<b>0.25</b>	<b>0.77</b>	<b>0.99</b>	<b>1.09</b>
<i>Net sales growth-%</i>	<i>17.9%</i>	<i>5.5%</i>	<i>9.1%</i>	<i>-20.4%</i>	<i>10.1%</i>	<i>10.9%</i>	<i>-3.3%</i>	<i>17.5%</i>	<i>14.1%</i>	<i>9.8%</i>	<i>19.1%</i>	<i>14.5%</i>	<i>10.8%</i>	<i>10.0%</i>	<i>13.1%</i>	<i>9.3%</i>	<i>7.2%</i>
<i>EBITDA margin</i>	<i>24.9%</i>	<i>22.2%</i>	<i>19.4%</i>	<i>14.7%</i>	<i>15.4%</i>	<i>11.4%</i>	<i>7.3%</i>	<i>5.5%</i>	<i>12.7%</i>	<i>9.2%</i>	<i>17.1%</i>	<i>14.3%</i>	<i>13.4%</i>	<i>17.9%</i>	<i>15.7%</i>	<i>18.2%</i>	<i>18.2%</i>
<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>7.4%</i>	<i>3.8%</i>	<i>2.3%</i>	<i>9.9%</i>	<i>5.9%</i>	<i>13.7%</i>	<i>11.0%</i>	<i>10.4%</i>	<i>15.0%</i>	<i>12.6%</i>	<i>15.2%</i>	<i>15.5%</i>
<i>Adj. EBIT margin</i>	<i>22.4%</i>	<i>19.7%</i>	<i>17.3%</i>	<i>10.9%</i>	<i>11.8%</i>	<i>7.4%</i>	<i>5.2%</i>	<i>2.3%</i>	<i>9.9%</i>	<i>6.2%</i>	<i>13.7%</i>	<i>11.0%</i>	<i>10.4%</i>	<i>15.0%</i>	<i>12.6%</i>	<i>15.2%</i>	<i>15.5%</i>

## Estimates

We made only minor adjustments to our estimates. The company guides double-digit growth in all its businesses for Q1 and H1'23. The underlying demand is expected to remain strong in security and industrial applications while demand is estimated to be good in medical. To our understanding, the growth in the demand for MBU might be somewhat softer due to strong previous years and OEMs' inventory corrections. Thus, in 2023, we foresee SBU and IBU to outpace MBU which we expect to grow by 9.7% y/y to EUR 52.8m. Meanwhile, with new customer relationships, we expect SBU to enjoy a smooth tailwind. In addition, we anticipate aviation investments to generate decent growth for SBU. For example, China's opening might boost the country's security investments which have been mild during the pandemic times. Our 23E net sales estimate for SBU is EUR 40.9m, which reflects y/y growth of 18.9%. We are still somewhat cautious about IBU's H2'23 growth rates due to uncertain economic development. We expect IBU to grow by 10.9% to EUR 17.8m in 2023. In total, our group net sales estimate for 2023 amounts to EUR 111.5m, reflecting a y/y growth of 13.1%.

We expect the growth to continue also in 2024. We estimate the medical market to slow down and DT to achieve a growth slightly above the long-term market growth rate. Meanwhile, with aviation investments and its new customers, we foresee SBU continuing on a strong growth track. With MBU growing by 6.6%, SBU increasing by 13.7% and IBU expanding by 7.2%, our group net sales estimate for 2024 amounts to EUR 121.9m (9.3% growth).

With the expected net sales growth, we foresee DT's 23E EBIT to almost double from 2022. However, 23E scalability is limited by pressures in fixed costs. We expect DT to score an EBIT of EUR 14.0m (12.6% margin) in 2023. Moreover, we foresee the profitability improvement to continue and with higher expected volumes, we estimate the company to exceed its profitability target by EBIT reaching EUR 18.5m (15.2% margin) in 2024. From 2024 onwards, we expect DT's free cash flow to significantly enhance with profitability improvement and enhancement of working capital.

Estimate revisions EURm	2023E		2024E		2025E	
	Earlier	Now	Earlier	Now	Earlier	Now
<b>Net sales</b>	<b>109.6</b>	<b>111.5</b>	<b>119.6</b>	<b>121.9</b>	<b>128.2</b>	<b>130.7</b>
<i>MBU</i>	<i>54.0</i>	<i>52.8</i>	<i>57.5</i>	<i>56.3</i>	<i>60.4</i>	<i>59.1</i>
<i>SBU</i>	<i>38.6</i>	<i>40.9</i>	<i>43.9</i>	<i>46.5</i>	<i>48.3</i>	<i>51.1</i>
<i>IBU</i>	<i>17.0</i>	<i>17.8</i>	<i>18.2</i>	<i>19.1</i>	<i>19.5</i>	<i>20.4</i>
<b>EBIT</b>	<b>13.7</b>	<b>14.0</b>	<b>17.6</b>	<b>18.5</b>	<b>19.7</b>	<b>20.2</b>

## Valuation

DT currently trades with 23E EV/EBITDA, EV/EBIT and P/E multiples of 15x, 19x, and 26x. In our view, DT's 23E valuation remains elevated (>10% premium to peer median). With our 2024 estimates, DT's valuation falls below the peer median (>10% discount). However, we are not ready to rely on 2-year-ahead estimates. We adjust our TP to EUR 16.5 (16.0), reflecting minor estimate revisions. We see DT as an interesting investment case in the long-term with strong EBIT growth. However, we see some pressure on DT's valuation and the returns might not be that desirable in the short-term in our view. We retain our SELL rating.

DETECTION TECHNOLOGY PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		23	24	25	23	24	25	23	24	25
Hamamatsu Photonics	7717	12.5x	11.9x	11.2x	16.1x	15.8x	15.2x	25.0x	24.6x	23.7x
OSI Systems	1479	9.2x			13.0x			14.7x		
Varex Imaging	721	9.0x	8.1x		13.3x	10.8x		19.9x	14.5x	
ams-OSRAM	2560	5.5x	4.4x	4.4x	11.6x	8.2x	9.2x	22.6x	9.7x	7.1x
Analog Devices	83059	16.4x	15.2x		16.7x	16.1x		18.1x	17.0x	
Keysight Tech	29773	18.6x	17.4x		20.1x	19.0x		22.6x	20.9x	
National Instruments	6427	17.8x	16.1x	15.1x	20.0x	17.6x	17.7x	21.8x	18.8x	16.9x
Spectris	3896	14.4x	13.4x	13.2x	17.5x	16.3x	15.2x	19.6x	18.1x	16.8x
Oxford Instruments	1588	16.1x	15.3x	9.9x	18.8x	17.7x	11.4x	24.4x	23.1x	14.5x
Trimble	13911	17.1x	16.0x	14.0x	18.4x	17.5x	14.9x	21.3x	19.3x	15.7x
Hexagon	30227	17.2x	15.8x	14.7x	23.1x	21.1x	19.4x	25.5x	23.3x	21.4x
Thales	25045	9.1x	8.5x	8.0x	12.5x	11.3x	10.4x	15.5x	14.1x	13.1x
Agfa-Gevaert	457	3.6x	2.8x		7.3x	4.7x		22.7x	10.2x	
Konica Minolta	1888	6.9x	6.6x	6.4x	22.1x	17.6x	16.7x	15.5x	11.4x	10.2x
Iray Technology	4504	33.7x	25.6x		35.0x	27.0x		40.0x	30.9x	
Vieworks	225	5.3x	4.6x		5.9x	5.1x		7.5x	6.4x	
Peer Group Average	13342	13.3x	12.1x	10.8x	17.0x	15.1x	14.5x	21.0x	17.5x	15.5x
Peer Group Median	4200	13.5x	13.4x	11.2x	17.1x	16.3x	15.2x	21.5x	18.1x	15.7x
Detection Technology (Evli est.)	288	15.2x	11.6x	10.2x	19.0x	13.9x	12.0x	25.5x	19.9x	18.0x
<i>Detection Technology prem./disc. to peer median</i>		13%	-14%	-8%	11%	-15%	-21%	19%	10%	15%

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	19.65 PV of Free Cash Flow	107 Long-term growth, %	5.0 Risk-free interest rate, %
DCF share value	28.79 PV of Horizon value	293 WACC, %	8.5 Market risk premium, %
Share price potential, %	46.5 Unconsolidated equity	0 Spread, %	0.0 Debt risk premium, %
Maximum value	28.8 Marketable securities	24 Minimum WACC, %	8.5 Equity beta coefficient
Minimum value	28.8 Debt - dividend	-2 Maximum WACC, %	8.5 Target debt ratio, %
Horizon value, %	73.3 Value of stock	422 Nr of shares, Mn	14.7 Effective tax rate, %

DCF valuation, EURm	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Horizon
Net sales	99	112	122	131	139	145	153	160	168	177	186	195
<i>Sales growth, %</i>	<i>9.8</i>	<i>13.1</i>	<i>9.3</i>	<i>7.2</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>	<i>5.0</i>
Operating income (EBIT)	6	14	19	20	22	25	26	27	29	30	32	33
<i>Operating income margin, %</i>	<i>5.9</i>	<i>12.6</i>	<i>15.2</i>	<i>15.5</i>	<i>16.0</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>	<i>17.0</i>
+ Depreciation+amort.	3	3	4	4	3	3	3	4	4	4	4	
EBITDA	9	17	22	24	25	28	29	31	32	34	36	
- Paid taxes	-2	-3	-4	-4	-4	-5	-5	-5	-6	-6	-6	
- Change in NWC	-9	-5	1	6	-3	-2	-2	-3	-3	-3	-3	
<i>NWC / Sales, %</i>	<i>44.5</i>	<i>44.1</i>	<i>39.6</i>	<i>32.6</i>	<i>32.6</i>	<i>32.7</i>	<i>32.7</i>	<i>32.7</i>	<i>32.7</i>	<i>32.7</i>	<i>32.7</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-2	-6	-5	-3	-4	-4	-4	-4	-4	-5	-5	
<i>opCAPEX / Sales, %</i>	<i>1.7</i>	<i>5.7</i>	<i>3.7</i>	<i>2.3</i>	<i>2.7</i>	<i>2.7</i>	<i>2.7</i>	<i>2.7</i>	<i>2.7</i>	<i>2.7</i>	<i>2.7</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	2	0	0	0	0	0	0	0	0	0	0	
= FCFF	-2	3	15	22	15	17	18	19	20	21	22	656
= Discounted FCFF		3	13	18	11	11	11	11	10	10	10	293
= DFCF min WACC		3	13	18	11	11	11	11	10	10	10	293
= DFCF max WACC		3	13	18	11	11	11	11	10	10	10	293

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1E	2023Q2E	2023Q3E	2023Q4E	2023E	2024E	2025E
Net sales	20.3	22.8	27.3	28.2	98.6	24.2	26.1	30.2	31.1	111.5	121.9	130.7
EBITDA	2.3	1.7	1.5	3.6	9.1	4.1	3.7	4.1	5.6	17.5	22.1	23.8
<i>EBITDA margin (%)</i>	<i>11.3</i>	<i>7.3</i>	<i>5.5</i>	<i>12.7</i>	<i>9.2</i>	<i>17.1</i>	<i>14.3</i>	<i>13.4</i>	<i>17.9</i>	<i>15.7</i>	<i>18.2</i>	<i>18.2</i>
EBIT	1.5	0.9	0.6	2.8	5.8	3.3	2.9	3.2	4.7	14.0	18.5	20.2
<i>EBIT margin (%)</i>	<i>7.4</i>	<i>3.8</i>	<i>2.3</i>	<i>9.9</i>	<i>5.9</i>	<i>13.7</i>	<i>11.0</i>	<i>10.4</i>	<i>15.0</i>	<i>12.6</i>	<i>15.2</i>	<i>15.5</i>
Net financial items	0.1	0.2	0.2	-0.8	-0.3	0.1	-0.1	0.2	-0.1	0.1	-0.4	-0.2
Pre-tax profit	1.6	1.0	0.8	2.0	5.5	3.4	2.8	3.4	4.6	14.1	18.1	20.1
Tax	-0.3	-0.3	-0.2	0.4	-0.4	-0.7	-0.6	-0.7	-0.9	-2.8	-3.6	-4.0
<i>Tax rate (%)</i>	<i>20.0</i>	<i>30.3</i>	<i>20.0</i>	<i>-17.9</i>	<i>7.9</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	1.3	0.7	0.7	2.4	5.1	2.7	2.2	2.7	3.7	11.3	14.5	16.0
EPS	0.09	0.05	0.05	0.16	0.34	0.19	0.15	0.18	0.25	0.77	0.99	1.09
EPS adjusted (diluted no. of shares)	0.08	0.07	0.04	0.16	0.36	0.18	0.15	0.18	0.24	0.75	0.96	1.06
Dividend per share	0.00	0.00	0.00	0.00	0.20	0.00	0.00	0.00	0.00	0.42	0.54	0.60
<b>SALES, EURm</b>												
MBU	10.5	10.1	14.8	12.7	48.1	11.8	11.3	15.8	13.9	52.8	56.3	59.1
SBU	6.3	8.6	8.5	10.9	34.4	8.2	10.2	10.2	12.2	40.9	46.5	51.1
IBU	3.5	4.0	3.9	4.6	16.1	4.1	4.5	4.2	4.9	17.8	19.1	20.4
Total	20.3	22.8	27.3	28.2	98.6	24.2	26.1	30.2	31.1	111.5	121.9	130.7
<b>SALES GROWTH, Y/Y %</b>												
<i>MBU</i>	<i>4.1</i>	<i>-25.2</i>	<i>24.1</i>	<i>-6.6</i>	<i>-2.1</i>	<i>12.6</i>	<i>11.7</i>	<i>6.5</i>	<i>9.6</i>	<i>9.7</i>	<i>6.6</i>	<i>5.0</i>
<i>SBU</i>	<i>8.1</i>	<i>25.4</i>	<i>14.6</i>	<i>41.0</i>	<i>23.3</i>	<i>31.3</i>	<i>18.4</i>	<i>19.3</i>	<i>12.0</i>	<i>18.9</i>	<i>13.7</i>	<i>10.0</i>
<i>IBU</i>	<i>47.0</i>	<i>29.3</i>	<i>2.8</i>	<i>34.5</i>	<i>26.1</i>	<i>16.9</i>	<i>13.4</i>	<i>8.3</i>	<i>6.5</i>	<i>10.9</i>	<i>7.2</i>	<i>7.0</i>
<i>Total</i>	<i>11.0</i>	<i>-3.3</i>	<i>17.5</i>	<i>14.1</i>	<i>9.8</i>	<i>19.1</i>	<i>14.5</i>	<i>10.8</i>	<i>10.0</i>	<i>13.1</i>	<i>9.3</i>	<i>7.2</i>
<b>EBIT, EURm</b>												
MBU	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.2
SBU	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.9
IBU	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.1
Group	1.5	0.9	0.6	2.8	5.8	3.3	2.9	3.2	4.7	14.0	18.5	20.2
Total	1.5	0.9	0.6	2.8	5.8	3.3	2.9	3.2	4.7	14.0	18.5	20.2
<b>EBIT margin, %</b>												
<i>MBU</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>15.6</i>
<i>SBU</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>15.4</i>
<i>IBU</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>15.4</i>
<i>Total</i>	<i>7.4</i>	<i>3.8</i>	<i>2.3</i>	<i>9.9</i>	<i>5.9</i>	<i>13.7</i>	<i>11.0</i>	<i>10.4</i>	<i>15.0</i>	<i>12.6</i>	<i>15.2</i>	<i>15.5</i>

INCOME STATEMENT, EURm	2018	2019	2020	2021	2022	2023E	2024E	2025E
Sales	93.9	102.5	81.6	89.8	98.6	111.5	121.9	130.7
<i>Sales growth (%)</i>	<i>5.5</i>	<i>9.2</i>	<i>-20.4</i>	<i>10.1</i>	<i>9.8</i>	<i>13.1</i>	<i>9.3</i>	<i>7.2</i>
EBITDA	20.9	19.9	11.9	13.9	9.1	17.5	22.1	23.8
<i>EBITDA margin (%)</i>	<i>22.3</i>	<i>19.5</i>	<i>14.6</i>	<i>15.4</i>	<i>9.2</i>	<i>15.7</i>	<i>18.2</i>	<i>18.2</i>
Depreciation	-2.4	-2.9	-3.2	-3.3	-3.3	-3.5	-3.6	-3.5
EBITA	18.5	17.0	8.7	10.6	5.8	14.0	18.5	20.2
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	18.5	17.0	8.7	10.6	5.8	14.0	18.5	20.2
<i>EBIT margin (%)</i>	<i>19.7</i>	<i>16.6</i>	<i>10.7</i>	<i>11.8</i>	<i>5.9</i>	<i>12.6</i>	<i>15.2</i>	<i>15.5</i>
Reported EBIT	18.5	17.0	8.7	10.6	5.8	14.0	18.5	20.2
<i>EBIT margin (reported) (%)</i>	<i>19.7</i>	<i>16.6</i>	<i>10.7</i>	<i>11.8</i>	<i>5.9</i>	<i>12.6</i>	<i>15.2</i>	<i>15.5</i>
Net financials	-0.1	-1.0	-0.6	0.8	-0.3	0.1	-0.4	-0.2
Pre-tax profit	18.4	16.0	8.1	11.4	5.5	14.1	18.1	20.1
Taxes	-3.6	-3.6	-1.4	-2.1	-0.4	-2.8	-3.6	-4.0
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	14.9	12.5	6.7	9.3	5.1	11.3	14.5	16.0
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>								
Assets								
Fixed assets	9	10	10	9	7	10	11	10
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	0	0	0	0	0
Inventory	13	14	16	22	25	28	29	22
Receivables	27	27	25	31	36	40	37	39
Liquid funds	22	26	25	30	24	30	37	44
Total assets	71	77	76	92	91	108	113	116
Liabilities								
Shareholder's equity	51	58	58	74	73	81	89	97
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	4	6	6	2	2	8	6	0
Non-interest bearing current liabilities	15	12	11	15	16	18	17	18
Other interest-free debt	0	1	1	2	1	1	1	1
Total liabilities	71	77	76	92	91	108	113	116
<b>CASH FLOW, EURm</b>								
+ EBITDA	21	20	12	14	9	17	22	24
- Net financial items	-4	4	-1	3	-6	0	0	0
- Taxes	-5	-5	-3	-1	-2	-3	-4	-4
- Increase in Net Working Capital	-10	-2	0	-6	-9	-5	1	6
+/- Other	4	-5	-1	-3	7	0	0	0
= Cash flow from operations	6	12	8	7	0	9	19	25
- Capex	-5	-4	-3	-1	-2	-6	-5	-3
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	1	8	4	6	-2	3	14	22
+/- New issues/buybacks	0	0	-1	10	-1	0	0	0
- Paid dividend	-5	-5	-5	-4	-5	-3	-6	-8
+/- Other	0	2	1	-7	2	6	-2	-6
Change in cash	-4	4	-1	5	-6	6	6	8

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	368	344	429	248	288	288	288
Net debt (excl. convertibles)	-20	-19	-28	-22	-22	-30	-44
Enterprise value	348	324	402	226	266	258	244
Sales	103	82	90	99	112	122	131
EBITDA	20	12	14	9	17	22	24
EBIT	17	9	11	6	14	19	20
Pre-tax	16	8	11	5	14	18	20
Earnings	12	7	9	5	11	14	16
Equity book value (excl. minorities)	58	58	74	73	81	89	97
<b>Valuation multiples</b>							
EV/sales	3.4	4.0	4.5	2.3	2.4	2.1	1.9
EV/EBITDA	17.4	27.3	29.0	24.9	15.2	11.7	10.2
EV/EBITA	20.4	37.1	38.0	39.0	19.0	13.9	12.0
EV/EBIT	20.4	37.1	38.0	39.0	19.0	13.9	12.0
EV/OCF	30.0	43.1	56.4	-768.6	28.1	13.6	9.7
EV/FCFF	41.7	65.2	78.5	-138.3	86.5	17.5	10.9
P/FCFE	48.7	77.4	74.5	-128.9	91.2	20.0	13.0
P/E	29.5	51.0	46.4	46.0	25.5	19.9	18.0
P/B	6.3	5.9	5.8	3.4	3.6	3.2	3.0
Target EV/EBITDA	0.0	0.0	0.0	0.0	12.6	9.6	8.3
Target EV/EBIT	0.0	0.0	0.0	0.0	15.7	11.4	9.8
Target EV/FCF	0.0	0.0	0.0	0.0	69.6	14.7	8.9
Target P/B	0.0	0.0	0.0	0.0	3.0	2.7	2.5
Target P/E	0.0	0.0	0.0	0.0	22.1	17.3	15.6
<b>Per share measures</b>							
Number of shares	14,375	14,375	14,656	14,656	14,656	14,656	14,656
Number of shares (diluted)	14,875	14,875	15,156	15,156	15,156	15,156	15,156
EPS	0.87	0.47	0.63	0.34	0.77	0.99	1.09
Operating cash flow per share	0.81	0.52	0.49	-0.02	0.65	1.29	1.72
Free cash flow per share	0.53	0.31	0.39	-0.13	0.22	0.98	1.51
Book value per share	4.06	4.06	5.02	4.96	5.53	6.10	6.65
Dividend per share	0.38	0.28	0.35	0.20	0.42	0.54	0.60
Dividend payout ratio, %	43.9	59.7	55.4	58.0	55.0	55.0	55.0
Dividend yield, %	1.5	1.2	1.2	1.0	2.2	2.8	3.1
FCF yield, %	2.1	1.3	1.3	-0.8	1.1	5.0	7.7
<b>Efficiency measures</b>							
ROE	22.7	11.5	14.0	6.9	14.7	17.0	17.2
ROCE	28.5	13.6	15.1	7.7	17.1	20.0	21.0
<b>Financial ratios</b>							
Inventories as % of sales	13.8	19.5	24.8	25.2	25.0	24.0	17.0
Receivables as % of sales	25.9	30.1	34.8	36.2	35.5	30.0	30.0
Non-interest bearing liabilities as % of sales	12.1	13.4	16.3	16.4	16.0	14.0	14.0
NWC/sales, %	27.0	35.6	41.3	44.5	44.1	39.6	32.6
Operative CAPEX/sales, %	3.9	3.8	1.5	1.7	5.7	3.7	2.3
CAPEX/sales (incl. acquisitions), %	3.9	3.8	1.5	1.7	5.7	3.7	2.3
FCFF/EBITDA	0.4	0.4	0.4	-0.2	0.2	0.7	0.9
Net debt/EBITDA, book-weighted	-1.0	-1.6	-2.0	-2.4	-1.3	-1.4	-1.9
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	76.6	77.9	80.4	80.2	75.9	79.3	84.3
Gearing, %	-34.9	-33.2	-37.6	-29.8	-27.0	-33.7	-45.5



**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. However, DT is currently valued with quite hefty price tag and thus we don't see much return opportunities in short-term despite bright long-term outlook.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Ahlstrom Capital Bv	5,280,167	103.755	36.0%
OP-Finland Fund	617,376	12.131	4.2%
Sijoitusrahasto Aktia Capital	548,762	10.783	3.7%
Varma Mutual Pension Insurance Company	515,000	10.120	3.5%
Ilmarinen Mutual Pension Insurance Company	435,737	8.562	3.0%
Martola Hannu Veikko	431,690	8.483	2.9%
OP-Finland Small Firms Fund	360,317	7.080	2.5%
Säästöpankki Kotimaa	260,000	5.109	1.8%
Evli Finnish Small Cap Fund	244,920	4.813	1.7%
Veritas Pension Insurance Company Ltd.	243,000	4.775	1.7%
Ten largest	8,936,969	175.611	61%
Residual	5,718,961	112.378	39%
Total	14,655,930	287.989	100%

**EARNINGS CALENDAR**

April 27, 2023	Q1 report
August 03, 2023	Q2 report
October 27, 2023	Q3 report

**OTHER EVENTS****COMPANY MISCELLANEOUS**

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CFO: Petri Hiljanen	Tel: +358 20 766 9700
IR: Johanna Tarkiainen	

## DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

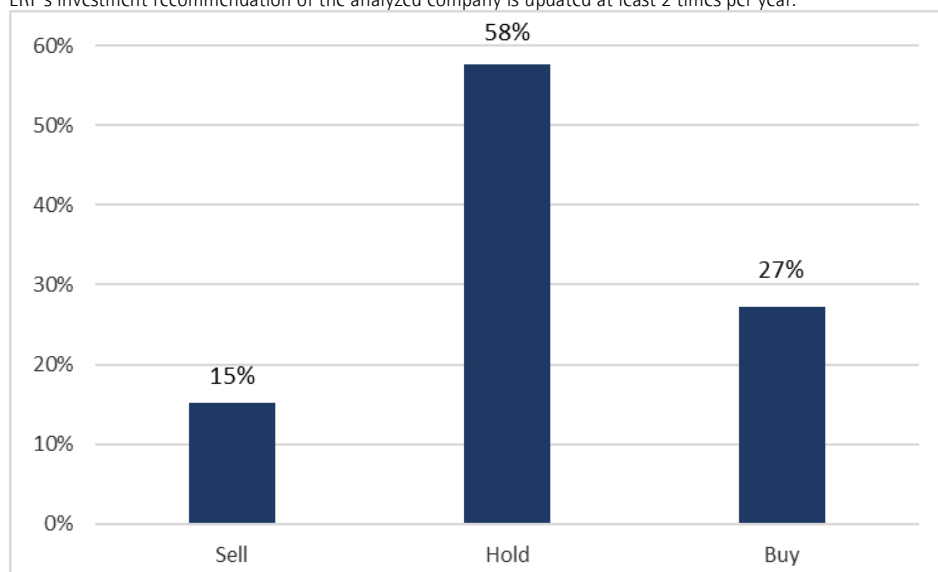
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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