

Patience pays off

Although DT delivered solid revenue growth in Q2, the group EBIT fell short of our low expectations. Short-term outlook in medical is uncertain while security solutions are expected to see strong growth from Q3'23 onwards. We expect a significant improvement in EBITA in the coming years.

Decent growth, but profitability fell short again

DT's second quarter was characterized by increased uncertainty and soft market. DT posted Q2 topline in line with our expectations. Group net sales amounted to EUR 25.2m with y/y growth of 10.8%. The growth was driven by medical and security markets while industrial solutions saw a decline. Traditionally DT's cost base has scaled quite nicely with revenue growth. Q2 EBIT however fell short of our low expectations with lower volumes, unfavorable sales mix, increased credit loss provisions and the usage of spot-components. Q2 EBIT amounted to EUR 1.4m, reflecting a margin of 5.4%.

Cost savings should support 24E profitability

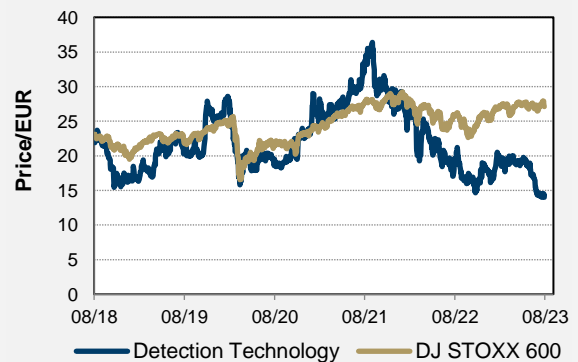
With soft market and uncertain near future, DT has taken actions to improve its profitability towards its medium-term target of 15%. First actions have already been taken as the company shut down its Talent hub in Nanjing. Our view is that the program will support Q3 profitability to some extent, but negative sales development will limit the margin expansion. However, from Q4'23 onwards, we foresee the profitability improving significantly. Reaching 15% EBITA margin target however contains elevated uncertainty.

Market's expectations for 2024 pushed low

Our 23E EBITA declined due to estimate revisions, but 24E EBITA remained relatively stable compared to our previous expectations. With 23E profitability below DT's sustainable level and better outlook of 2024 profitability, we continue to value the company with our 2024 estimates. DT currently trades with a 24E EV/EBITA multiple of 11x, which represent notable discount to the company's peers as well as to its sustainable historical levels. Poor track during the past few years on one hand justifies valuation below peers, but on the other hand, with decent revenue growth and cost savings materializing, EPS growth potential is significant. We adjust our TP to EUR 15.5 (16.0) with 24-25E EBIT estimates intact but uncertainty elevated. Valuation remains attractive; our rating remains at BUY.

Rating

+ BUY



Share price, EUR (Last trading day's closing price) 14.00

Target price, EUR 15.5

Latest change in recommendation 31-Jul-23

Latest report on company 31-Jul-23

Research paid by issuer: YES

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

No. of shares fully diluted, '000's 14,656

Market cap, EURm 205

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-Oct-23

Web site deetee.com/investors/

Analyst Arttu Heikura

E-mail arttu.heikura@evli.com

Telephone

+ 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	39.2	-0.8	0.20
2023E	105.1	7.8	7.4%	-9.6	0.36	36.6	1.9	25.4	-4.7	0.20
2024E	118.6	15.6	13.2%	9.6	0.79	17.6	1.6	12.2	4.7	0.44
2025E	129.7	19.8	15.3%	19.9	1.04	13.4	1.4	8.9	9.7	0.57
Market cap, EURm		205	Gearing 2023E, %			-10.7	CAGR EPS 2022-25, %			41.5
Net debt 2023E, EURm		-8	Price/book 2023E			2.7	CAGR sales 2022-25, %			9.6
Enterprise value, EURm		197	Dividend yield 2023E, %			1.4	ROE 2023E, %			7.2
Total assets 2023E, EURm		108	Tax rate 2023E, %			22.3	ROCE 2023E, %			9.3
Goodwill 2023E, EURm		11	Equity ratio 2023E, %			69.7	PEG, P/E 23/CAGR			0.8

Q2 result

DT posted the Q2 topline in line with our expectations. Group net sales amounted to EUR 25.2m (Evli: 25.2) with y/y growth of 10.8%. The growth was driven by medical and security markets while industrial solutions saw a decline. The quarter was overall characterized by increased uncertainty and softness.

MBU's net sales increased by 22.3% to EUR 12.4m, with solid demand for CT solutions. However, the growth was enabled by quite a soft comparison period. SBU's net sales amounted to EUR 9.1m with y/y growth of 5%. The weak market of China limited the growth potential while America and India performed well. IBU declined by 6.2% to EUR 3.7m due to customer inventory corrections and the soft market in China. However, the conditions in industrial markets improved towards the end of the quarter.

Traditionally DT's cost base has scaled quite nicely with revenue growth. Q2 EBIT however fell short of our low expectations with lower volumes, unfavorable sales mix, increased credit loss provisions, and the usage of spot components. Adj. EBIT amounted to EUR 1.4m (Evli: 1.9m), reflecting a margin of 5.4%. Align with soft profitability, EPS also came in below our expectations at EUR 0.03 (Evli: 0.10).

For Q3, DT expects its medical business to decline due to a strong comparison period and customer inventory corrections as well as an uncertain market, especially in China. The security market is expected to show double-digit growth with aviation increasing investments both in the US and China. The company expects IBU to grow with the easing of customer inventory corrections.

Estimates

With the acquisition of Haobo Imaging, DT activated goodwill worth approx. EUR 11.8m. According to the Finnish Accounting Standards (FAS), goodwill will be regularly amortized without goodwill testing. Thus, we start to monitor EBITA (which excludes the impact of goodwill amortization) instead of EBIT.

We foresee the uncertainty in medical markets to continue also in H2. Visibility to 2024 includes some uncertainty which is why our H1'24 estimates for MBU include some conservativity. Meanwhile, we anticipate IBU to start to recover from a temporal decrease. The outlook for SBU remains bright and aviation investments are expected to boost the growth of Q4'23 and 2024-27.

We anticipate 2023E revenue growth of 6.7% which translates to EUR 105.1m. Although we anticipate a double-digit decline for MBU in Q3'23, our full-year growth estimate lands at 3.7%. With a promising outlook, we foresee SBU growing 13.5% y/y in 2023. Meanwhile, IBU is expected to recover from temporal softness with single-digit growth in H2. Our growth estimate for 23E IBU is 0.9% which is affected by soft H1. In 2024, we expect DT to deliver double-digit growth of 12.8% with net sales amounting to EUR 118.6m. Growth is driven mainly by SBU, while MBU is expected to post solid 5% y/y growth. We anticipate IBU to recover on a double-digit growth path with the help of Haobo Imaging as well as recovered customer demand. Despite temporal uncertainty, we view the underlying growth drivers intact. Aviation investments bring strong revenue growth for the next 3-4 years, an outdated device base of medical imaging supports the longer-term growth of MBU, and imaging is increasingly growing in industrial applications with the technology becoming more cost-efficient.

With decreased revenue estimates, our EBITA estimates saw also a significant downgrade. However, H2'23 profitability is supported by cost savings made during Q3-Q4. DT has discontinued its operations of the Nanjing talent hub and is planning to improve cost efficiency in various ways. Cost-saving decisions are concluded in Q3, and we estimate that their impact will be in full mode in Q4. In addition, the company expects its sales mix to improve in H2 which translates into improved gross margins. We expect an adjusted EBITA of EUR 8.6m (8.2% margin) in 2023, which represents approx. 20% decline from what we earlier expected. However, our profitability estimates for 2024 stayed relatively intact. With cost savings and increased volumes, we expect 24E adj. EBITA of 16.6m, which reflects a margin of 14.1%.

Estimate revisions EURm	2023E			2024E			2025E		
	Earlier	Now	Change	Earlier	Now	Change	Earlier	Now	Change
Net sales	109.1	105.1	<i>-4%</i>	124.5	118.6	<i>-5%</i>	135.9	129.7	<i>-5%</i>
MBU	53.6	49.9	<i>-7%</i>	58.2	52.6	<i>-10%</i>	61.7	55.8	<i>-10%</i>
SBU	38.6	39.0	<i>1%</i>	47.2	47.6	<i>1%</i>	53.8	54.2	<i>1%</i>
IBU	16.9	16.2	<i>-4%</i>	19.1	18.4	<i>-4%</i>	20.5	19.7	<i>-4%</i>
Adj. EBIT(A)	10.6	8.6	<i>-19%</i>	17.1	16.8	<i>-2%</i>	20.8	21.0	<i>1%</i>

Valuation

With 23E profitability below DT's sustainable level and a better outlook for 2024 profitability, we continue to value the company with our 2024 estimates. DT currently trades with 24E EV/EBITA and P/E multiples of 11x and 18x respectively, which represent discount to the company's peer median. Poor track of the past few years on one hand justifies valuation below peers, but on the other hand, with decent revenue growth and cost savings materializing, EPS growth potential is notable. Moreover, the company trades clearly below its sustainable historical levels. We adjust our TP to EUR 16.0 (15.5) with 24-25E estimates relatively intact but considering elevated uncertainty. With the valuation still attractive, our rating remains at BUY.

DETECTION TECHNOLOGY PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		23	24	25	23	24	25	23	24	25
Hamamatsu Photonics	6592	12.5x	11.5x	10.7x	15.9x	15.5x	14.8x	24.7x	24.0x	22.8x
OSI Systems	1820	10.6x	9.0x		14.8x	12.0x		18.0x	15.4x	
Varex Imaging	837	9.5x	8.2x		13.4x	11.2x		20.7x	16.3x	
ams-OSRAM	1883	5.9x	4.6x	3.8x	16.6x	10.3x	7.2x	25.9x	11.9x	7.2x
Analog Devices	88604	16.4x	16.7x		16.8x	17.5x		18.3x	18.7x	
Keysight Tech	25871	15.9x	15.2x	13.9x	17.2x	16.6x	15.1x	19.3x	18.3x	16.4x
National Instruments	7164	19.4x	17.6x	16.2x	24.8x	21.4x	18.8x	25.2x	21.0x	18.9x
Texas Instruments	142683	17.7x	16.1x	14.2x	20.6x	19.2x	17.7x	23.5x	22.4x	20.4x
Oxford Instruments	1598	14.0x	13.3x	12.7x	16.3x	15.6x	14.9x	21.4x	20.9x	20.1x
Trimble	12579	17.0x	15.4x	13.9x	18.4x	16.5x	14.7x	21.1x	18.8x	16.2x
Hexagon	23390	14.1x	12.7x	11.7x	18.1x	16.8x	15.4x	20.7x	18.6x	16.7x
Konica Minolta	1460	10.0x	6.6x	6.3x		21.2x	18.0x		13.7x	10.4x
Iray Technology	3252	28.6x	21.8x	18.0x	30.0x	23.2x	18.5x	28.8x	22.5x	17.9x
Vieworks	198	6.2x	5.2x	4.8x	7.2x	6.0x	5.3x	9.7x	7.6x	6.8x
Peer Group Average	22709	14.1x	12.4x	11.5x	17.7x	15.9x	14.6x	21.3x	17.9x	15.8x
Peer Group Median	4922	14.0x	13.0x	12.7x	16.8x	16.5x	15.1x	21.1x	18.7x	16.7x
Detection Technology (Evli est.)	205	16.1x	9.2x	6.9x	23.6x	11.4x	8.4x	36.6x	17.6x	13.4x

Detection Technology prem./disc. to peer median

14% -29% -46% 41% -31% -44% 73% -5% -20%

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	14.00 PV of Free Cash Flow	88 Long-term growth, %	2.6 Risk-free interest rate, %	2.25
DCF share value	17.91 PV of Horizon value	157 WACC, %	8.5 Market risk premium, %	5.8
Share price potential, %	27.9 Unconsolidated equity	0 Spread, %	0.0 Debt risk premium, %	2.8
Maximum value	17.9 Marketable securities	24 Minimum WACC, %	8.5 Equity beta coefficient	1.10
Minimum value	17.9 Debt - dividend	-6 Maximum WACC, %	8.5 Target debt ratio, %	20
Horizon value, %	64.0 Value of stock	262 Nr of shares, Mn	14.7 Effective tax rate, %	20

DCF valuation, EURm	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Horizon
Net sales	99	105	119	130	141	148	156	164	172	177	181	186
<i>Sales growth, %</i>	<i>9.8</i>	<i>6.7</i>	<i>12.8</i>	<i>9.4</i>	<i>8.9</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>3.0</i>	<i>2.6</i>	<i>2.6</i>
Operating income (EBIT)	6	8	16	20	22	22	24	25	27	25	25	26
<i>Operating income margin, %</i>	<i>5.9</i>	<i>7.4</i>	<i>13.2</i>	<i>15.3</i>	<i>15.5</i>	<i>15.0</i>	<i>15.5</i>	<i>15.5</i>	<i>15.5</i>	<i>14.0</i>	<i>14.0</i>	<i>14.0</i>
+ Depreciation+amort.	3	4	5	6	6	7	7	7	8	8	8	
EBITDA	9	12	21	26	28	29	31	33	34	33	33	
- Paid taxes	-2	-2	-3	-4	-5	-5	-5	-5	-6	-5	-5	
- Change in NWC	-9	0	-1	5	-4	-2	-2	-3	-3	-2	-2	
<i>NWC / Sales, %</i>	<i>45.6</i>	<i>43.1</i>	<i>38.8</i>	<i>31.9</i>	<i>32.0</i>	<i>32.0</i>	<i>32.1</i>	<i>32.1</i>	<i>32.2</i>	<i>32.2</i>	<i>32.2</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-2	-31	-7	-6	-6	-6	-7	-7	-7	-7	-7	
<i>opCAPEX / Sales, %</i>	<i>1.7</i>	<i>29.9</i>	<i>5.5</i>	<i>4.5</i>	<i>4.5</i>	<i>4.2</i>	<i>4.2</i>	<i>4.2</i>	<i>4.2</i>	<i>4.1</i>	<i>4.1</i>	
- Acquisitions	0	12	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	-9	10	20	13	16	17	18	19	18	19	337
= Discounted FCFF		-9	9	17	10	11	11	11	10	9	9	157
= DFCF min WACC		-9	9	17	10	11	11	11	10	9	9	157
= DFCF max WACC		-9	9	17	10	11	11	11	10	9	9	157

INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1	2023Q2	2023Q3E	2023Q4E	2023E	2024E	2025E
Net sales	20.3	22.8	27.3	28.2	98.6	22.8	25.2	26.5	30.7	105.1	118.6	129.7
EBITDA	2.3	1.7	1.5	3.6	9.1	2.3	2.1	2.7	5.2	12.3	20.8	25.6
<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>9.9</i>	<i>8.4</i>	<i>10.0</i>	<i>17.0</i>	<i>11.7</i>	<i>17.5</i>	<i>19.8</i>
EBIT	1.5	0.9	0.6	2.8	5.8	1.5	1.4	1.2	3.8	7.8	15.6	19.8
<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>6.5</i>	<i>5.4</i>	<i>4.4</i>	<i>12.2</i>	<i>7.4</i>	<i>13.2</i>	<i>15.3</i>
Net financial items	0.1	0.2	0.2	-0.8	-0.3	-0.3	-0.6	0.2	-0.1	-0.8	-0.8	-0.4
Pre-tax profit	1.6	1.0	0.8	2.0	5.5	1.2	0.8	1.4	3.7	7.0	14.8	19.4
Tax	-0.3	-0.3	-0.2	0.4	-0.4	-0.2	-0.3	-0.3	-0.8	-1.7	-3.2	-4.1
<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>42.0</i>	<i>20.0</i>	<i>20.0</i>	<i>22.3</i>	<i>20.0</i>	<i>20.0</i>
Net profit	1.3	0.7	0.7	2.4	5.1	0.9	0.5	1.0	2.9	5.3	11.6	15.3
EPS	0.09	0.05	0.05	0.16	0.34	0.06	0.03	0.07	0.20	0.36	0.79	1.04
EPS adjusted (diluted no. of shares)	0.08	0.07	0.04	0.16	0.36	0.06	0.03	0.09	0.20	0.38	0.79	1.04
Dividend per share	0.00	0.00	0.00	0.00	0.20	0.00	0.00	0.00	0.00	0.20	0.44	0.57
SALES, EURm												
MBU	10.5	10.1	14.8	12.7	48.1	12.0	12.4	12.7	12.8	49.9	52.6	55.8
SBU	6.3	8.6	8.5	10.9	34.4	7.3	9.1	9.6	13.1	39.0	47.6	54.2
IBU	3.5	4.0	3.9	4.6	16.1	3.4	3.7	4.2	4.9	16.2	18.4	19.7
Total	20.3	22.8	27.3	28.2	98.6	22.8	25.2	26.5	30.7	105.1	118.6	129.7
SALES GROWTH, Y/Y %												
<i>MBU</i>	<i>4.1</i>	<i>-25.2</i>	<i>24.1</i>	<i>-6.6</i>	<i>-2.1</i>	<i>14.6</i>	<i>22.3</i>	<i>-14.4</i>	<i>1.0</i>	<i>3.7</i>	<i>5.4</i>	<i>6.0</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>16.2</i>	<i>5.0</i>	<i>12.4</i>	<i>19.4</i>	<i>13.5</i>	<i>22.0</i>	<i>14.0</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>-3.0</i>	<i>-6.2</i>	<i>6.7</i>	<i>5.0</i>	<i>0.9</i>	<i>13.3</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>12.0</i>	<i>10.8</i>	<i>-3.0</i>	<i>8.8</i>	<i>6.7</i>	<i>12.8</i>	<i>9.4</i>
EBIT, EURm												
MBU	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.5
SBU	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.3
IBU	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0
Group	1.5	0.9	0.6	2.8	5.8	1.5	1.4	1.2	3.8	7.8	15.6	0.0
Total	1.5	0.9	0.6	2.8	5.8	1.5	1.4	1.2	3.8	7.8	15.6	19.8
EBIT margin, %												
<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>15.3</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>15.3</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>15.3</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>6.5</i>	<i>5.4</i>	<i>4.4</i>	<i>12.2</i>	<i>7.4</i>	<i>13.2</i>	<i>15.3</i>

INCOME STATEMENT, EURm	2018	2019	2020	2021	2022	2023E	2024E	2025E
Sales	93.9	102.5	81.6	89.8	98.6	105.1	118.6	129.7
<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>6.7</i>	<i>12.8</i>	<i>9.4</i>
EBITDA	20.9	19.9	11.9	13.9	9.1	12.3	20.8	25.6
<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>11.7</i>	<i>17.5</i>	<i>19.8</i>
Depreciation	-2.4	-2.9	-3.2	-3.3	-3.3	-3.9	-4.0	-4.6
EBITA	18.5	17.0	8.7	10.6	5.8	8.3	16.8	21.0
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	-0.6	-1.2	-1.2
EBIT	18.5	17.0	8.7	10.6	5.8	7.8	15.6	19.8
<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>7.4</i>	<i>13.2</i>	<i>15.3</i>
Reported EBIT	18.5	17.0	8.7	10.6	5.8	7.8	15.6	19.8
<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>7.4</i>	<i>13.2</i>	<i>15.3</i>
Net financials	-0.1	-1.0	-0.6	0.8	-0.3	-0.8	-0.8	-0.4
Pre-tax profit	18.4	16.0	8.1	11.4	5.5	7.0	14.8	19.4
Taxes	-3.6	-3.6	-1.4	-2.1	-0.4	-1.7	-3.2	-4.1
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	5.3	11.6	15.3
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	9	10	10	9	7	11	13	14
Goodwill	0	0	0	0	0	11	10	9
Right of use assets	0	0	0	0	0	0	0	0
Inventory	13	14	16	22	25	26	28	22
Receivables	27	27	25	31	36	37	36	39
Liquid funds	22	26	25	30	24	23	26	32
Total assets	71	77	76	92	91	108	113	116
Liabilities								
Shareholder's equity	51	58	58	74	73	75	84	93
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	3	15	11	4
Non-interest bearing current liabilities	15	12	11	15	14	17	17	18
Other interest-free debt	0	1	1	1	1	1	1	1
Total liabilities	71	77	76	92	91	108	113	116
CASH FLOW, EURm								
+ EBITDA	21	20	12	14	9	12	21	26
- Net financial items	-4	4	-1	3	-6	-1	-1	0
- Taxes	-5	-5	-3	-1	-2	-2	-3	-4
- Increase in Net Working Capital	-10	-2	0	-6	-9	0	-1	5
+/- Other	4	-5	-1	-3	7	0	0	0
= Cash flow from operations	6	12	8	7	0	9	16	26
- Capex	-5	-4	-3	-1	-2	-31	-7	-6
- Acquisitions	0	0	0	0	0	12	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	1	8	4	6	-2	-10	10	20
+/- New issues/buybacks	0	0	-1	10	-1	0	0	0
- Paid dividend	-5	-5	-5	-4	-5	-3	-3	-6
+/- Other	0	2	1	-7	2	12	-4	-8
Change in cash	-4	4	-1	5	-6	-1	3	6

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	368	344	429	248	205	205	205
Net debt (excl. convertibles)	-20	-19	-28	-21	-8	-15	-28
Enterprise value	348	324	402	227	197	190	177
Sales	103	82	90	99	105	119	130
EBITDA	20	12	14	9	12	21	26
EBIT	17	9	11	6	8	16	20
Pre-tax	16	8	11	5	7	15	19
Earnings	12	7	9	5	5	12	15
Equity book value (excl. minorities)	58	58	74	73	75	84	93
Valuation multiples							
EV/sales	3.4	4.0	4.5	2.3	1.9	1.6	1.4
EV/EBITDA	17.4	27.3	29.0	25.0	16.1	9.2	6.9
EV/EBITA	20.4	37.1	38.0	39.2	23.6	11.4	8.4
EV/EBIT	20.4	37.1	38.0	39.2	25.4	12.2	8.9
EV/OCF	30.0	43.1	56.4	-772.5	20.8	11.8	6.9
EV/FCFF	41.7	65.2	78.5	-139.0	-21.9	18.6	8.8
P/FCFE	48.7	77.4	74.5	-128.9	-21.4	21.3	10.3
P/E	29.5	51.0	46.4	46.0	36.6	17.6	13.4
P/B	6.3	5.9	5.8	3.4	2.7	2.4	2.2
Target EV/EBITDA	0.0	0.0	0.0	0.0	17.9	10.2	7.8
Target EV/EBIT	0.0	0.0	0.0	0.0	28.2	13.6	10.0
Target EV/FCF	0.0	0.0	0.0	0.0	-22.8	22.1	10.0
Target P/B	0.0	0.0	0.0	0.0	3.0	2.7	2.4
Target P/E	0.0	0.0	0.0	0.0	40.5	19.5	14.9
Per share measures							
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	14,656	14,656	14,656
EPS	0.87	0.47	0.63	0.34	0.36	0.79	1.04
Operating cash flow per share	0.81	0.52	0.49	-0.02	0.65	1.10	1.75
Free cash flow per share	0.53	0.31	0.39	-0.13	-0.65	0.66	1.36
Book value per share	4.06	4.06	5.02	4.96	5.13	5.72	6.33
Dividend per share	0.38	0.28	0.35	0.20	0.20	0.44	0.57
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	1.2	1.4	3.1	4.1
FCF yield, %	2.1	1.3	1.3	-0.8	-4.7	4.7	9.7
Efficiency measures							
ROE	22.7	11.5	14.0	6.9	7.2	14.6	17.3
ROCE	28.5	13.6	15.1	7.7	9.3	16.8	20.7
Financial ratios							
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	17.1	14.3	16.0	14.0	14.0
NWC/sales, %	27.0	35.6	41.3	45.6	43.1	38.8	31.9
Operative CAPEX/sales, %	3.9	3.8	1.5	1.7	29.9	5.5	4.5
CAPEX/sales (incl. acquisitions), %	3.9	3.8	1.5	1.7	41.7	5.5	4.5
FCFF/EBITDA	0.4	0.4	0.4	-0.2	-0.7	0.5	0.8
Net debt/EBITDA, book-weighted	-1.0	-1.6	-2.0	-2.3	-0.7	-0.7	-1.1
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.1	0.1	0.0
Equity ratio, book-weighted	76.6	77.9	80.4	80.2	69.7	74.5	80.5
Gearing, %	-34.9	-33.2	-37.6	-28.3	-10.7	-17.6	-30.4

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. Supported by the underlying megatrends and market expansion in TFT-flat panel markets, DT has lots of long-term potential in our view. Low valuation compared to historical multiples and peers provides a decent yield also on a short-term in our view.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Ahlstrom Capital Bv	5,280,167	73.922	36.0%
Skandinaviska Enskilda Banken AB	1,936,153	27.106	13.2%
OP-Finland Fund	617,376	8.643	4.2%
Sijoitusrahasto Aktia Capital	548,762	7.683	3.7%
Varma Mutual Pension Insurance Company	515,000	7.210	3.5%
Ilmarinen Mutual Pension Insurance Company	435,737	6.100	3.0%
Martola Hannu Veikko	431,690	6.044	2.9%
OP-Finland Small Firms Fund	320,272	4.484	2.2%
Veritas Pension Insurance Company Ltd.	277,981	3.892	1.9%
Evli Finnish Small Cap Fund	260,920	3.653	1.8%
Ten largest	10,624,058	148.737	72%
Residual	4,031,872	56.446	28%
Total	14,655,930	205.183	100%

EARNINGS CALENDAR

October 27, 2023

Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

CEO: Hannu Martola

Elektroniikkatie 10, 90590 Oulu

CFO: Petri Hijjanen

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

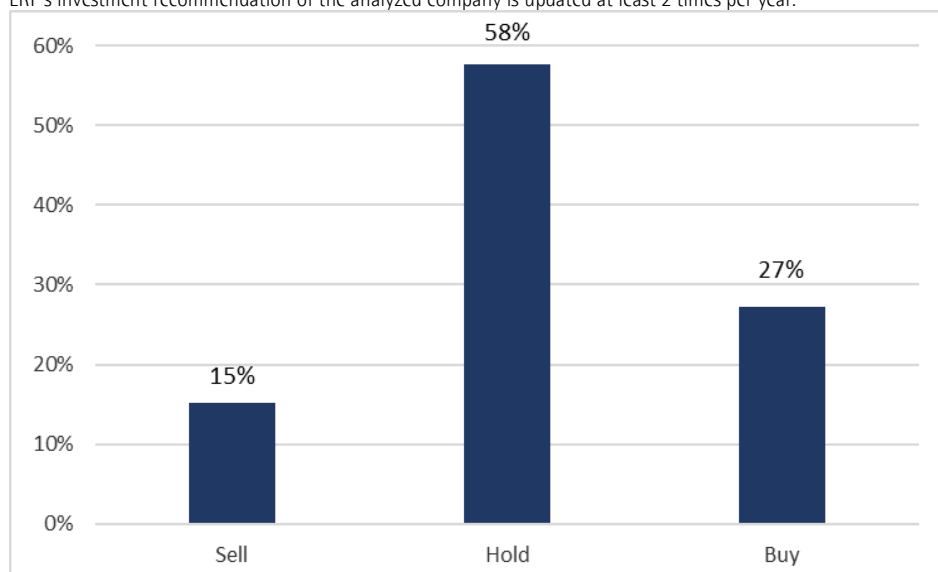
Important Disclosures

Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at [Analysts' recommendations and ratings revisions](#).

Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.



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

This research report has been prepared by Evli Research Partners Plc ("ERP" or "Evli Research"). ERP is a subsidiary of Evli Plc. Production of the investment recommendation has been concluded on 4.8.2023, 8:45. This report has been published on 4.8.2023, 9:00.

None of the analysts contributing to this report, persons under their guardianship or corporations under their control have a position in the shares of the company or related securities.

The date and time for any price of financial instruments mentioned in the recommendation refer to the previous trading day's closing price(s) unless otherwise stated in the report.

Each analyst responsible for the content of this report assures that the expressed views accurately reflect the personal views of each analyst on the covered companies and securities. Each analyst assures that (s)he has not been, nor are or will be, receiving direct or indirect compensation related to the specific recommendations or views contained in this report.

Companies in the Evli Group, affiliates or staff of companies in the Evli Group, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report.

Neither ERP nor any company within the Evli Group have managed or co-managed a public offering of the company's securities during the last 12 months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the research report.

ERP has signed an agreement with the issuer of the financial instruments mentioned in the recommendation, which includes production of research reports. This assignment has a limited economic and financial impact on ERP and/or Evli. Under the assignment ERP performs services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP or another company within the Evli Group does not have an agreement with the company to perform market making or liquidity providing services.

For the prevention and avoidance of conflicts of interests with respect to this report, there is an information barrier (Chinese wall) between Investment

Research and Corporate Finance units concerning unpublished investment banking services to the company. The remuneration of the analyst(s) is not tied directly or indirectly to investment banking transactions or other services performed by Evli Plc or any company within Evli Group.

This report has not been disclosed to the company prior to its dissemination.

This report is provided and intended for informational purposes only and may not be used or considered under any circumstances as an offer to sell or buy any securities or as advice to trade any securities.

This report is based on sources ERP considers to be correct and reliable. The sources include information providers Reuters and Bloomberg, stock-exchange releases from the companies and other company news, Statistics Finland and articles in newspapers and magazines. However, ERP does not guarantee the materialization, correctness, accuracy or completeness of the information, opinions, estimates or forecasts expressed or implied in the report. In addition, circumstantial changes may have an influence on opinions and estimates presented in this report. The opinions and estimates presented are valid at the moment of their publication and they can be changed without a separate announcement. Neither ERP nor any company within the Evli Group are responsible for amending, correcting or updating any information, opinions or estimates contained in this report. Neither ERP nor any company within the Evli Group will compensate any direct or consequential loss caused by or derived from the use of the information represented in this publication.

All information published in this report is for the original recipient's private and internal use only. ERP reserves all rights to the report. No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any retrieval system of any nature, without the written permission of ERP.

This report or its copy may not be published or distributed in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore or South Africa. The publication or distribution of this report in certain other jurisdictions may also be restricted by law. Persons into whose possession this report comes are required to inform themselves about and to observe any such restrictions.

Evli Plc is not registered as a broker-dealer with the U. S. Securities and Exchange Commission ("SEC"), and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Evli is not a member of the Financial Industry Regulatory Authority ("FINRA"). It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest. This research report is only being offered in U.S. by Auerbach Grayson & Company, LLC (Auerbach Grayson) to Major U.S. Institutional Investors and is not available to, and should not be used by, any U.S. person or entity that is not a Major U.S. Institutional Investor. Auerbach Grayson is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of the FINRA. U.S. entities seeking more information about any of the issuers or securities discussed in this report should contact Auerbach Grayson. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements.

ERP is not a supervised entity but its parent company Evli Plc is supervised by the Finnish Financial Supervision Authority.

Contact information**SALES, TRADING AND RESEARCH****Equity, ETF and Derivatives Sales**

Joachim Dannberg	+358 9 4766 9123
Ari Laine	+358 9 4766 9115
Kimmo Lilja	+358 9 4766 9130

Trading

Lauri Vehkaluoto (Head)	+358 9 4766 9120
Pasi Väisänen	+358 9 4766 9120
Antti Kässi	+358 9 4766 9120
Miika Ronkanen	+358 9 4766 9120

Structured Investments

Heikki Savijoki	+358 9 4766 9726
Aki Lakkisto	+358 9 4766 9123

Equity Research

Arttu Heikura	+358 40 082 8098
Joonas Ilvonen	+358 44 430 9071
Jerker Salokivi	+358 9 4766 9149

Evli Investment Solutions

Johannes Asuja	+358 9 4766 9205
----------------	------------------



EVLI PLC
Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Internet www.evli.com
E-mail firstname.lastname@evli.com

**EVLI PLC,
STOCKHOLMSFILIAL**
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000