

Expecting strong growth figures

Detection Technology will report its Q4 results next Wednesday. Driven by robust topline growth, we expect the company to see strong earnings improvement. We retain our HOLD-rating and adjust our TP to EUR 28.0 (30.5).

Expecting high double-digit growth

Driven by strong double-digit growth in all BUs, we expect Q4 revenue of EUR 25.8m (cons. 25.6m), meaning an increase of 30.1% y/y. We expect MBU to grow by 30.3% y/y, driven by strong demand for CT-scan devices. We estimate the earlier growth in SBU's order book to realize and expect topline increase of 30.5% y/y, totaling EUR 8m. With new customerships, we estimate IBU to grow by 28.5% y/y to EUR 3.6m. Despite the issues in the supply chain, we expect the revenue growth to scale and EBIT to improve by 66% y/y to EUR 3.9m (cons. 3.9m).

Strong earnings growth despite the cost pressures

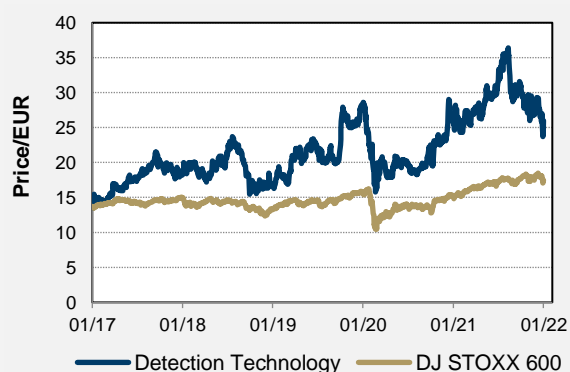
We expect the increased volume of air passengers and the growth of cross-border e-commerce to support the growth in the number of SBU's orders. We estimate the security market to exceed pre-COVID levels within the next few years. The company and other players expect the component shortage to continue also in 2022. To reach its EBIT-margin target of 15%, the company must be able to enhance operative efficiency and show some pricing power. We expect the company to be able to shift some of the increased costs to customer prices during the new pricing period. Regarding the outlook, we remain waiting for the management's comments on the pace of recovery in the security markets and clarification of the company's earlier guidance for H1'22 (expecting double-digit growth).

HOLD with a target price of EUR 28.0 (30.5)

The fundamentals of DT's business haven't changed and we made no changes to our estimates ahead of Q4. Market drivers remain bright, but the recovery of aviation still includes some uncertainty in the short-run. With recent market turbulence and depreciation of peer group valuation, we adjust our TP to EUR 28.0 (30.5) and retain our HOLD-rating.

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 26.00

Target price, EUR 28.0

Latest change in recommendation	20-Apr-21
Latest report on company	28-Oct-21
Research paid by issuer:	YES
No. of shares outstanding, '000's	14,578
No. of shares fully diluted, '000's	15,078
Market cap, EURm	379
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	02-Feb-22
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
2019	102.5	17.0	16.6%	7.6	0.87	29.5	3.4	20.4	2.1	0.38
2020	81.6	8.7	10.7%	4.4	0.47	51.0	4.0	37.1	1.3	0.28
2021E	90.9	11.5	12.7%	7.1	0.65	39.9	3.9	31.0	1.9	0.38
2022E	105.7	17.2	16.3%	7.6	0.92	28.3	3.4	20.7	2.0	0.41
2023E	119.3	20.3	17.0%	9.7	1.08	24.0	2.9	17.3	2.5	0.49
Market cap, EURm		379	Gearing 2021E, %			-35.0	CAGR EPS 2020-23, %			32.3
Net debt 2021E, EURm		-22	Price/book 2021E			5.9	CAGR sales 2020-23, %			13.5
Enterprise value, EURm		357	Dividend yield 2021E, %			1.5	ROE 2021E, %			15.6
Total assets 2021E, EURm		82	Tax rate 2021E, %			20.2	ROCE 2021E, %			17.2
Goodwill 2021E, EURm		0	Equity ratio 2021E, %			78.3	PEG, P/E 21/CAGR			1.4

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

Peer group valuation

	Security identifier	MCAP MEUR	EBIT %		EBITDA %		ROCE %		ROE %		DIV %		Equity ratio %	
			21E	22E	21E	22E	21E	22E	21E	22E	21E	22E	21E	22E
First Sensor AG	SIS-DE	474												
Hamamatsu Photonics K.K.	6965-JP	7067	15.5	21.2	28.3	29.8	13.8	14.2	11.2	11.8	0.7	1.0	78.8	80.7
OSI Systems, Inc.	OSIS-US	1327	9.9	11.8	17.3	17.4	12.3	13.5	16.2	16.1	0.0	0.0	46.2	49.3
Varex Imaging Corporation	VREX-US	925	3.3	11.7	16.5	16.9								
ams-OSRAM AG	AMS-CH	3571	13.1	9.7	14.2	19.5	7.3	7.8	5.4	11.0	0.0	0.0	30.0	31.3
Analog Devices, Inc.	ADI-US	74286	39.9	43.6	49.1	49.9	6.3	9.5	11.7	10.6	1.5	1.8	72.6	71.7
Keysight Technologies Inc	KEYS-US	27273	24.9	27.9	29.8	30.2	20.7	20.7	32.9	30.7	0.0	0.0	48.6	50.8
National Instruments Corporation	NATI-US	4669	15.7	17.8	20.2	21.7	15.3	18.2	6.7	15.2	2.6	2.8	67.2	69.3
Spectris plc	SXS-GB	4242	13.0	17.2	20.0	21.0	15.5	15.8	13.6	14.6	2.1	2.3	69.8	72.5
Oxford Instruments plc	OXIG-GB	1419	17.8	17.5	21.2	20.4	20.2	19.0	21.9	27.7	0.7	0.9	63.6	66.3
Trimble Inc.	TRMB-US	15187	22.9	23.7	25.2	25.0	14.3	14.4	17.8	13.4	0.0	0.0	56.3	59.0
Hexagon AB Class B	HEXAB-SE	30539	24.8	28.6	36.0	37.9	11.6	12.6	15.1	15.0	0.8	1.0	56.9	59.1
Thales SA	HO-FR	17640	8.0	11.0	14.5	15.2	11.6	13.3	22.9	24.1	2.0	3.2	18.9	20.5
Agfa-Gevaert NV	AGFB-BE	601	-0.4	2.3	3.1	5.5			-3.9	4.2	0.0	0.0	26.6	28.4
Konica Minolta, Inc.	4902-JP	2032	-1.9	3.9	8.7	10.5	1.6	4.2	0.9	4.2	5.0	5.8	44.1	44.2
Iray Technology Co., Ltd Class A	688301-CN	3884	31.6	39.0	39.8	39.7	15.6	17.6	15.0	17.1	0.0	0.0	86.7	86.0
Vieworks Co., Ltd	100120-KR	279	18.1	19.5	22.8	21.9	18.8	18.2	17.0	14.6	1.1	1.1	81.0	81.5
Vaisala Oyj Class A	VAIAS-FI	1668	11.8	13.2	17.6	18.3	19.6	20.7	22.7	21.8	1.3	1.4	59.4	63.5
Peer Group Average		10949	15.8	18.8	22.6	23.6	13.6	14.6	14.2	15.8	1.1	1.4	56.7	58.4
Peer Group Median		3727	15.5	17.5	20.2	21.0	14.3	14.4	15.1	14.8	0.7	1.0	58.2	61.3
Detection Technology (Evl est.)		381	12.7	16.3	16.3	18.9	17.2	23.0	15.6	19.8	1.5	1.6	78.3	76.4

	Security identifier	MCAP MEUR	EV/S		EV/EBITDA		EV/EBIT		P/E		Sales growth %		Net debt / EBITDA	
			21E	22E	21E	22E	21E	22E	21E	22E	21E	22E	21E	22E
First Sensor AG	SIS-DE	474												
Hamamatsu Photonics K.K.	6965-JP	7067	4.9x	4.5x	23.5x	15.0x	32.8x	21.1x	34.0x	29.4x	20.5	8.2	-1.8	-1.6
OSI Systems, Inc.	OSIS-US	1327	1.5x	1.4x	9.4x	7.9x	14.7x	11.7x	15.7x	14.4x	-1.6	0.0	1.0	0.8
Varex Imaging Corporation	VREX-US	925		1.6x		9.2x		13.3x	20.2x	21.6x	10.8	4.9	2.0	2.0
ams AG	#N/A	3571	1.1x	1.1x	8.6x	5.7x	13.5x	11.4x	22.2x	11.6x	50.0	-1.4	2.6	1.7
Analog Devices, Inc.	ADI-US	74286	12.1x	8.4x	27.0x	16.8x	31.2x	19.2x	24.7x	21.2x	30.6	45.2	1.3	1.0
Keysight Technologies Inc	KEYS-US	27273	6.2x	5.7x	25.6x	18.9x	28.0x	20.4x	27.0x	24.4x	17.1	6.6	-0.2	-0.5
National Instruments Corporation	NATI-US	4669	3.5x	3.0x	19.0x	13.7x	24.2x	16.8x	63.5x	26.7x	13.1	0.0	-0.6	-0.6
Spectris plc	SXS-GB	4242	2.7x	2.5x	14.7x	12.1x	18.3x	14.7x	22.7x	20.4x	-1.0	2.2	-0.6	-0.8
Oxford Instruments plc	OXIG-GB	1419	3.4x	3.2x	19.8x	15.8x	23.1x	18.3x	25.4x	24.8x	10.1	5.5	-0.6	-0.5
Trimble Inc.	TRMB-US	15187	5.0x	4.4x	24.9x	17.5x	26.5x	18.5x	25.7x	23.1x	15.2	9.1	0.9	0.2
Hexagon AB Class B	HEXAB-SE	30539	7.8x	6.8x	25.8x	17.9x	33.4x	23.7x	31.2x	27.8x	15.2	12.2	1.5	0.9
Thales SA	HO-FR	17640	1.2x	1.0x	7.3x	6.7x	10.5x	9.2x	14.0x	12.2x	-1.9	6.1	0.7	0.1
Agfa-Gevaert NV	AGFB-BE	601	0.3x	0.3x	9.5x	5.4x		13.2x		22.0x	1.4	0.7	-1.7	-0.9
Konica Minolta, Inc.	4902-JP	2032	0.5x	0.5x	6.2x	4.7x	35.6x	12.5x	51.7x	11.1x	5.5	5.7	2.9	2.2
Iray Technology Co., Ltd Class A	688301-CN	3884							66.1x	50.0x	50.5	35.6		
Vieworks Co., Ltd	100120-KR	279							11.7x	11.9x	18.1	13.8		
Vaisala Oyj Class A	VAIAS-FI	1668	3.8x	3.5x	25.2x	19.4x	35.4x	26.8x	33.9x	31.6x	15.0	6.6	-0.1	-0.4
Peer Group Average		10949	3.8x	3.2x	17.6x	12.4x	25.2x	16.7x	30.6x	22.6x	15.8	10.7	0.4x	0.2x
Peer Group Median		3727	3.4x	3.0x	19.4x	13.7x	26.5x	16.8x	25.5x	22.0x	15.0	6.6	0.3x	0.1x
Detection Technology (Evl est.)		381	3.9x	3.4x	24.1x	17.7x	31.0x	20.7x	39.9x	28.3x	11.4	16.3	-1.5x	-1.2x

Premium/discount relative to peer group median
Source: Factset, Evli Research

14% 12% 24% 29% 17% 23% 56% 28%

Updated on January 27th, 2022

Q4'21	Actual	Evli	Consensus*	Q4'20
Net sales		25.8	25.6	19.9
MBU		14.2	-	10.9
SBU		8.0	-	6.1
IBU		3.6	-	2.8
EBIT		3.9	3.9	2.3
EBIT-margin		15.1%	15.1%	11.8%
Adj. EPS		0.21	0.21	0.16

*Consensus estimate from FactSet

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	26.00 PV of Free Cash Flow	108 Long-term growth, %	5.0 Risk-free interest rate, %	2.25
DCF share value	32.47 PV of Horizon value	350 WACC, %	8.5 Market risk premium, %	5.8
Share price potential, %	24.9 Unconsolidated equity	0 Spread, %	0.0 Debt risk premium, %	2.8
Maximum value	32.5 Marketable securities	28 Minimum WACC, %	8.5 Equity beta coefficient	1.10
Minimum value	32.5 Debt - dividend	-6 Maximum WACC, %	8.5 Target debt ratio, %	20
Horizon value, %	76.4 Value of stock	473 Nr of shares, Mn	14.6 Effective tax rate, %	20

DCF valuation, EURm	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Horizon
Net sales	82	91	106	119	132	143	150	158	166	174	183	192
<i>Sales growth, %</i>	-20.4	11.4	16.3	12.9	11.0	8.0	5.0	5.0	5.0	5.0	5.0	5.0
Operating income (EBIT)	9	12	17	20	25	27	29	30	31	33	35	36
<i>Operating income margin, %</i>	10.7	12.7	16.3	17.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0
+ Depreciation+amort.	3	3	3	2	3	3	4	4	4	4	4	4
EBITDA	12	15	20	23	28	30	32	34	35	37	39	
- Paid taxes	-3	-2	-3	-4	-5	-5	-6	-6	-6	-7	-7	
- Change in NWC	0	-3	-5	-5	-5	-4	-3	-3	-3	-3	-3	
<i>NWC / Sales, %</i>	35.6	35.6	35.7	35.8	35.8	35.9	35.9	35.9	35.9	35.9	36.0	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-3	-2	-3	-4	-4	-4	-4	-4	-5	-5	-5	
<i>opCAPEX / Sales, %</i>	3.8	2.5	3.1	3.1	3.1	3.0	2.8	2.8	2.8	2.8	2.8	
- 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	-1	0	0	0	0	0	0	0	0	0	0	
= FCFF	5	7	8	10	14	17	20	21	22	23	24	723
= Discounted FCFF		7	7	9	11	12	13	13	12	12	12	350
= DFCF min WACC		7	7	9	11	12	13	13	12	12	12	350
= DFCF max WACC		7	7	9	11	12	13	13	12	12	12	350

INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2	2021Q3	2021Q4E	2021E	2022E	2023E
Net sales	19.9	21.1	20.6	19.9	81.6	18.3	23.5	23.2	25.8	90.9	105.7	119.3
EBITDA	2.0	3.4	3.4	3.1	11.9	1.4	4.6	4.1	4.7	14.8	20.0	22.8
<i>EBITDA margin (%)</i>	<i>9.9</i>	<i>15.9</i>	<i>16.5</i>	<i>15.9</i>	<i>14.6</i>	<i>7.6</i>	<i>19.7</i>	<i>17.6</i>	<i>18.2</i>	<i>16.3</i>	<i>18.9</i>	<i>19.1</i>
EBIT	1.2	2.6	2.6	2.3	8.7	1.4	3.0	3.3	3.9	11.5	17.2	20.3
<i>EBIT margin (%)</i>	<i>6.0</i>	<i>12.3</i>	<i>12.6</i>	<i>11.8</i>	<i>10.7</i>	<i>7.6</i>	<i>12.6</i>	<i>14.1</i>	<i>15.1</i>	<i>12.7</i>	<i>16.3</i>	<i>17.0</i>
Net financial items	0.0	-0.3	-0.1	-0.1	-0.6	0.3	-0.1	0.2	0.0	0.4	-0.4	-0.5
Pre-tax profit	1.2	2.3	2.5	2.2	8.1	1.7	2.9	3.5	3.9	11.9	16.8	19.8
Tax	-0.2	-0.5	-0.8	0.1	-1.4	-0.5	-0.6	-0.6	-0.8	-2.4	-3.4	-4.0
<i>Tax rate (%)</i>	<i>20.0</i>	<i>21.6</i>	<i>31.5</i>	<i>-6.6</i>	<i>16.7</i>	<i>26.6</i>	<i>19.4</i>	<i>18.0</i>	<i>20.0</i>	<i>20.2</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0.9	1.8	1.7	2.4	6.7	1.2	2.3	2.8	3.1	9.5	13.4	15.8
EPS	0.06	0.12	0.12	0.16	0.47	0.09	0.16	0.20	0.21	0.65	0.92	1.08
EPS adjusted (diluted no. of shares)	0.06	0.12	0.11	0.16	0.45	0.08	0.15	0.19	0.20	0.63	0.89	1.05
Dividend per share	0.00	0.00	0.00	0.00	0.28	0.00	0.00	0.00	0.00	0.38	0.41	0.49
SALES, EURm												
MBU	8.4	9.9	10.1	10.9	39.3	10.1	13.6	11.9	14.2	49.8	58.0	65.0
SBU	9.4	7.8	7.4	6.1	30.7	5.8	6.9	7.5	8.0	28.1	32.6	37.0
IBU	2.2	3.4	3.1	2.8	11.6	2.4	3.1	3.8	3.6	12.9	15.0	17.3
Total	19.9	21.1	20.6	19.9	81.6	18.3	23.5	23.2	25.8	90.9	105.7	119.3
SALES GROWTH, Y/Y %												
<i>MBU</i>	<i>-2.3</i>	<i>22.2</i>	<i>20.4</i>	<i>26.7</i>	<i>16.6</i>	<i>20.2</i>	<i>37.0</i>	<i>18.8</i>	<i>30.3</i>	<i>26.9</i>	<i>16.5</i>	<i>12.0</i>
<i>SBU</i>	<i>-35.5</i>	<i>-59.8</i>	<i>-59.9</i>	<i>-62.6</i>	<i>-55.4</i>	<i>-38.0</i>	<i>-11.7</i>	<i>0.2</i>	<i>30.5</i>	<i>-8.4</i>	<i>15.9</i>	<i>13.5</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>9.9</i>	<i>-10.4</i>	<i>21.5</i>	<i>28.5</i>	<i>11.5</i>	<i>16.3</i>	<i>15.0</i>
<i>Total</i>	<i>-13.7</i>	<i>-23.1</i>	<i>-23.3</i>	<i>-20.6</i>	<i>-20.4</i>	<i>-8.2</i>	<i>11.4</i>	<i>12.5</i>	<i>30.1</i>	<i>11.4</i>	<i>16.3</i>	<i>12.9</i>
EBIT, EURm												
Group	1.2	2.6	2.6	2.3	8.7	1.4	3.0	3.3	3.9	11.5	17.2	20.3
Total	1.2	2.6	2.6	2.3	8.7	1.4	3.0	3.3	3.9	11.5	17.2	20.3
EBIT margin, %												
<i>Total</i>	<i>6.0</i>	<i>12.3</i>	<i>12.6</i>	<i>11.8</i>	<i>10.7</i>	<i>7.6</i>	<i>12.6</i>	<i>14.1</i>	<i>15.1</i>	<i>12.7</i>	<i>16.3</i>	<i>17.0</i>

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	75.5	89.0	93.9	102.5	81.6	90.9	105.7	119.3
<i>Sales growth (%)</i>	<i>76.5</i>	<i>17.9</i>	<i>5.5</i>	<i>9.2</i>	<i>-20.4</i>	<i>11.4</i>	<i>16.3</i>	<i>12.9</i>
EBITDA	17.3	22.1	20.9	19.9	11.9	14.8	20.0	22.8
<i>EBITDA margin (%)</i>	<i>22.9</i>	<i>24.9</i>	<i>22.3</i>	<i>19.5</i>	<i>14.6</i>	<i>16.3</i>	<i>18.9</i>	<i>19.1</i>
Depreciation	-2.5	-2.2	-2.4	-2.9	-3.2	-3.3	-2.8	-2.5
EBITA	14.8	19.9	18.5	17.0	8.7	11.5	17.2	20.3
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	14.8	19.9	18.5	17.0	8.7	11.5	17.2	20.3
<i>EBIT margin (%)</i>	<i>19.6</i>	<i>22.4</i>	<i>19.7</i>	<i>16.6</i>	<i>10.7</i>	<i>12.7</i>	<i>16.3</i>	<i>17.0</i>
Reported EBIT	14.8	19.9	18.5	17.0	8.7	11.5	17.2	20.3
<i>EBIT margin (reported) (%)</i>	<i>19.6</i>	<i>22.4</i>	<i>19.7</i>	<i>16.6</i>	<i>10.7</i>	<i>12.7</i>	<i>16.3</i>	<i>17.0</i>
Net financials	-0.7	-0.5	-0.1	-1.0	-0.6	0.4	-0.4	-0.5
Pre-tax profit	14.1	19.4	18.4	16.0	8.1	11.9	16.8	19.8
Taxes	-3.2	-4.2	-3.6	-3.6	-1.4	-2.4	-3.4	-4.0
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	10.9	15.2	14.9	12.5	6.7	9.5	13.4	15.8
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	6	9	10	10	9	10	11
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	0	0	0	0	0
Inventory	11	9	13	14	16	18	21	23
Receivables	22	21	27	27	25	27	32	36
Liquid funds	16	27	22	26	25	28	33	37
Total assets	54	62	71	77	76	82	95	107
Liabilities								
Shareholder's equity	31	42	51	58	58	64	72	82
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	7	5	4	6	6	6	8	9
Non-interest bearing current liabilities	14	15	15	12	11	12	14	16
Other interest-free debt	3	1	0	1	1	1	1	1
Total liabilities	54	62	71	77	76	82	95	107
CASH FLOW, EURm								
+ EBITDA	17	22	21	20	12	15	20	23
- Net financial items	8	11	0	-1	-1	0	0	-1
- Taxes	-1	-3	-5	-5	-3	-2	-3	-4
- Increase in Net Working Capital	-11	1	-10	-2	0	-3	-5	-5
+/- Other	-9	-12	0	0	-1	0	0	0
= Cash flow from operations	5	19	6	12	8	9	11	13
- Capex	-2	-2	-5	-4	-3	-2	-3	-4
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	3	17	1	8	4	7	8	10
+/- New issues/buybacks	0	-1	0	0	-1	0	0	0
- Paid dividend	-1	-3	-5	-5	-5	-4	-6	-6
+/- Other	6	-2	0	2	1	0	2	1
Change in cash	8	11	-4	4	-1	3	5	4

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	250	224	368	344	379	379	379
Net debt (excl. convertibles)	-22	-18	-20	-19	-22	-24	-28
Enterprise value	228	206	348	324	357	355	351
Sales	89	94	103	82	91	106	119
EBITDA	22	21	20	12	15	20	23
EBIT	20	19	17	9	12	17	20
Pre-tax	19	18	16	8	12	17	20
Earnings	15	15	12	7	10	13	16
Equity book value (excl. minorities)	42	51	58	58	64	72	82
Valuation multiples							
EV/sales	2.6	2.2	3.4	4.0	3.9	3.4	2.9
EV/EBITDA	10.3	9.8	17.4	27.3	24.1	17.7	15.4
EV/EBITA	11.5	11.1	20.4	37.1	31.0	20.7	17.3
EV/EBIT	11.5	11.1	20.4	37.1	31.0	20.7	17.3
EV/OCF	12.3	33.6	30.0	43.1	37.9	32.6	26.3
EV/FCFF	13.3	142.7	41.7	65.2	52.5	44.6	34.9
P/FCFE	14.9	162.4	48.7	77.4	53.3	49.8	39.3
P/E	16.5	15.1	29.5	51.0	39.9	28.3	24.0
P/B	6.0	4.4	6.3	5.9	5.9	5.3	4.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	26.1	19.2	16.7
Target EV/EBIT	0.0	0.0	0.0	0.0	33.5	22.3	18.7
Target EV/FCF	0.0	0.0	0.0	0.0	54.2	50.4	39.4
Target P/B	0.0	0.0	0.0	0.0	6.4	5.7	5.0
Target P/E	0.0	0.0	0.0	0.0	44.4	31.5	26.7
Per share measures							
Number of shares	13,901	14,375	14,375	14,375	14,578	14,578	14,578
Number of shares (diluted)	13,901	14,849	14,875	14,875	15,078	15,078	15,078
EPS	1.09	1.03	0.87	0.47	0.65	0.92	1.08
Operating cash flow per share	1.34	0.43	0.81	0.52	0.65	0.74	0.92
Free cash flow per share	1.21	0.10	0.53	0.31	0.49	0.52	0.66
Book value per share	3.00	3.57	4.06	4.06	4.38	4.92	5.59
Dividend per share	0.35	0.38	0.38	0.28	0.38	0.41	0.49
Dividend payout ratio, %	32.1	36.7	43.9	59.7	58.2	45.0	45.0
Dividend yield, %	1.9	2.4	1.5	1.2	1.5	1.6	1.9
FCF yield, %	6.7	0.6	2.1	1.3	1.9	2.0	2.5
Efficiency measures							
ROE	41.8	32.0	22.7	11.5	15.6	19.8	20.6
ROCE	47.4	36.4	28.5	13.6	17.2	23.0	23.8
Financial ratios							
Inventories as % of sales	9.6	14.2	13.8	19.5	19.5	19.5	19.5
Receivables as % of sales	24.1	28.4	25.9	30.1	30.1	30.1	30.1
Non-interest bearing liabilities as % of sales	16.8	16.4	12.1	13.4	13.4	13.4	13.4
NWC/sales, %	15.7	25.9	27.0	35.6	35.6	35.7	35.8
Operative CAPEX/sales, %	2.1	5.0	3.9	3.8	2.5	3.1	3.1
CAPEX/sales (incl. acquisitions), %	2.1	5.0	3.9	3.8	2.5	3.1	3.1
FCFF/EBITDA	0.8	0.1	0.4	0.4	0.5	0.4	0.4
Net debt/EBITDA, book-weighted	-1.0	-0.9	-1.0	-1.6	-1.5	-1.2	-1.2
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	67.5	73.0	76.6	77.9	78.3	76.4	76.8
Gearing, %	-52.3	-35.6	-34.9	-33.2	-35.0	-34.1	-34.4

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 over 500 employees in Finland, China, France and USA, serving 260 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	137.284	36.2%
OP-Finland Fund	617,376	16.052	4.2%
Sijoitusrahasto Aktia Capital	548,762	14.268	3.8%
Varma Mutual Pension Insurance Company	515,000	13.390	3.5%
Ilmarinen Mutual Pension Insurance Company	435,737	11.329	3.0%
Martola Hannu Veikko	431,690	11.224	3.0%
Evli Finnish Small Cap Fund	330,345	8.589	2.3%
SEB Finland Small Cap Investment Fund	315,000	8.190	2.2%
Op-Suomi Mikroyhtiöt -Erikoissijoitusrahasto	242,265	6.299	1.7%
Säästöpankki Kotimaa	240,000	6.240	1.6%
Ten largest	8,956,342	232.865	61%
Residual	5,622,088	146.174	39%
Total	14,578,430	379.039	100%

EARNINGS CALENDAR	
February 02, 2022	FY 2021 Results
April 27, 2022	Q1 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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

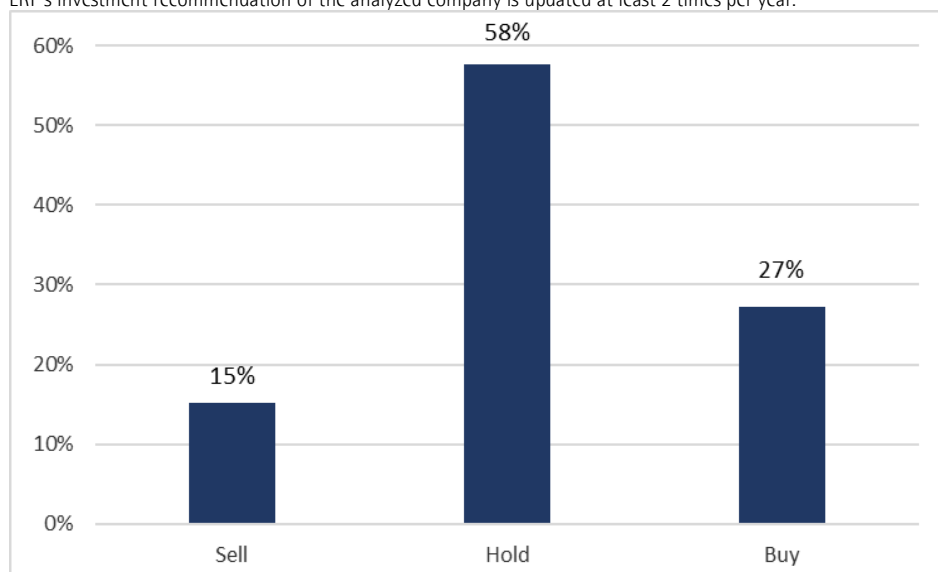
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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