

Outlook for H2 remains strong

DT's Q2 EBIT faced a significant decline due to low sales and increased costs. The outlook for H2 and 2023 seems bright and we expect the company to see a clear profitability improvement in 2023.

SBU and IBU performed well

The strong growth of IBU and SBU wasn't enough to offset the declined medical segment and Q2 group revenue decreased by 3.3% y/y. MBU suffered from a temporary supply chain issue and its topline decreased by 25.2% y/y while driven by all market segments, IBU and SBU recorded strong double-digit y/y growth of 29.4% and 25.4% respectively. The growth rate could have been higher as some sales were postponed due to the above-mentioned reasons as well as DT's and its customers' challenges to acquire components. With lower volumes, spot-component purchases, and increased logistic and R&D costs, DT's margins tightened, and EBIT fell below the comparison period to EUR 1.2m (5.2% margin).

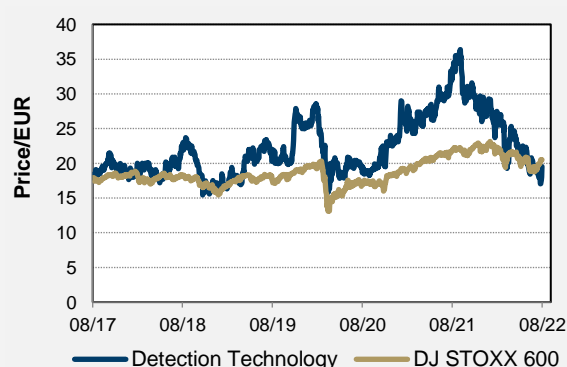
Demand is expected to further pick up

DT reiterated its guidance for H2, expecting double-digit growth both in Q3 and H2. Furthermore, the company clarified BU level outlook for Q3; expecting MBU and SBU to see double-digit growth while IBU is expected to grow. We foresee some uncertainty in the industrial markets with the global industrial activity decreasing. Meanwhile, we see IBU positioned well in its markets and expect the business to deliver growth even during uncertain times. Furthermore, the company's management noted that the demand in all segments is picking up.

HOLD with a TP of EUR 20.0

We made only minor changes to our near-term net sales estimates while with soft Q2 profitability and increased cost pressures, our 22E EBIT estimate declined significantly. However, with net sales increasing and component availability improving, we expect 23E EBIT to improve significantly. In our view, with a 23E EV/EBIT multiple of 14x, the company's valuation is quite neutral. The market environment however includes some uncertainty given signs of the global economy slowing down. We retain our HOLD-rating and TP of EUR 20.0.

Rating

■ HOLD


Share price, EUR (Last trading day's closing price) 19.55

Target price, EUR 20.0

Latest change in recommendation 21-Apr-21

Latest report on company 28-Jul-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 287

Free float, % 0.0

Exchange rate 0.000

Reuters code DETEC.HE

Bloomberg code DETEC FH

Average daily volume, EURm 0.0

Next interim report 26-Oct-21

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	
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	100.5	10.9	10.8%	3.7	0.59	32.0	2.6	24.0	1.3	0.32	
2023E	113.7	18.0	15.8%	7.3	0.97	20.2	2.3	14.3	2.5	0.48	
2024E	124.0	20.0	16.1%	10.3	1.07	18.2	2.1	12.7	3.6	0.54	
Market cap, EURm			287	Gearing 2022E, %			-34.1	CAGR EPS 2021-24, %			19.3
Net debt 2022E, EURm			-26	Price/book 2022E			3.7	CAGR sales 2021-24, %			11.4
Enterprise value, EURm			260	Dividend yield 2022E, %			1.7	ROE 2022E, %			11.5
Total assets 2022E, EURm			99	Tax rate 2022E, %			21.0	ROCE 2022E, %			13.9
Goodwill 2022E, EURm			0	Equity ratio 2022E, %			78.2	PEG, P/E 22/CAGR			1.2

2022 estimates

Our net sales estimates saw no significant changes as the outlook for H2 remained the same. However, with soft profitability in Q2 and increased cost pressures, we downgraded our 22E EBIT estimate. Given postponed sales and demand picking up, we expect MBU to see nice double-digit growth in Q3 and H2. Meanwhile, with the demand for aviation solutions picking up, we expect SBU to grow over 20% both in Q3 and H2. To our understanding, the industrial market is driving well, but with a strong Q3 comparison period and some signs of the growth slowing down, we estimate IBU to record single-digit growth in Q3 and low double-digit in H2. Thus, we expect total net sales of EUR 29.3m in Q3 and EUR 28.2m in H2, reflecting double-digit growth during both periods.

Despite the soft performance in Q2 and with the strong second half, we expect MBU to grow by 4.5% y/y to EUR 51.4m in 2022, representing approx. half of the total net sales. With the demand for aviation solutions clearly picking up, we expect SBU to see a y/y increase of 20.3%, with net sales amounting to EUR 33.6m. However, SBU is still far below the record levels of 2019. Despite the growth pace slightly slowing down in H2, with a very strong first half, we expect IBU to grow by 22.1% y/y to EUR 15.6m in 2022. Our group revenue estimate for 2022 is then EUR 100.5m which reflects y/y growth of 12%. Underlying demand remains strong, especially in medical and security markets while we see the visibility to industrial markets weakening due to the strong last few years and the global economy slowing down.

DT's H1 profitability was harmed by lower volume growth and increased costs. Although we expect the profitability to improve in H2 driven by increased revenue and improved component availability through DT's own R&D modifications, 22E profitability will be somewhat softish. To our understanding, the global component shortage is expected to ease up starting from Q4 and increasingly in 2023 due to declined demand for semiconductors for example in consumer electronics. Our 22E EBIT estimate of EUR 10.9m (10.8% margin) falls below the company's long-term target level of 15%. We foresee some cost pressures through wage inflation and increased R&D costs in 2022.

2023-24 estimates

Multiple factors are driving the strong underlying demand for security devices, such as pent-up demand for aviation solutions and new aviation standards around the globe (lately China completed its security standards that allegedly require security scan updates in all China's tier one airports). In addition, China initiated a certification procedure for an imaging equipment that is used to inspect heavy-duty vehicles for road tolls, which opens a new market potential for DT. In addition to the APAC region, the demand is strong also in the Americas given TSA's security investments and CT equipment upgrades. During 2023-24, we expect SBU to enjoy solid demand and its net sales to grow by 16% and 11% respectively. According to the company's management, the industrial market is driving well, but in our view, a slowing economy might have an impact on the BUs performance through decreased industrial investments and hence we expect IBU to grow by 9% and 8.5% respectively during 2023-24. Our view is that IBU is well positioned in its markets and with help of its Beyond hardware initiatives, we expect BU to grow even during uncertain times. With global investments in healthcare, we expect MBU to continue strong growth also in the future. During 2023-24, we expect MBU to grow by 12% and 8% respectively.

With the revenue growth kicking in, component availability improving, and DT's scalable business model, we expect the profitability to improve significantly from the levels seen during the last few years. In 2023, we expect the company to see an EBIT margin of 15.8% which is supported by an improved gross margin. Meanwhile, we expect the EBIT margin to further improve to 16.1% in 2024.

Valuation

After an expected Q2 result, DT's valuation remains quite neutral in our view. The company is valued with 22-23E EV/EBIT multiples of 24x and 14x. With the margin improvement expected in 2023, DT's 23E valuation is broadly in line with its peer group, reflecting approx. 10% discount to peer median. With 23E P/E, DT trades with approx. 10% premium to its peer median. Strong underlying demand and earnings growth supports the investment case, but with uncertainty concerning the global economy, we retain our HOLD-rating. With our current TP of EUR 20.0, the company trades with a 23E EV/EBIT multiple of ~15x. We reiterate our target price of EUR 20.0.

Detection Technology Peer Group	Security identifier	MCAP MEUR	EBIT %		EBITDA %		ROCE %		ROE %		DIV %		Equity ratio %	
			22E	23E	22E	23E	22E	23E	22E	23E	22E	23E	22E	23E
First Sensor AG	SIS-DE	604												
Hamamatsu Photonics K.K.	6965-JP	6813	24.8	25.0	32.6	33.6	17.4	16.3	14.6	13.6	1.1	1.1	80.5	81.7
OSI Systems, Inc.	OSIS-US	1550	11.3	12.4	16.8	17.3	12.0	14.0	16.4	16.5			47.2	52.7
Varex Imaging Corporation	VREX-US	827	11.7	13.1	17.1	17.7								
ams-OSRAM AG	AMS-CH	2005	9.1	11.1	18.3	19.2	6.4	7.4	5.4	7.7	0.0	0.1	34.4	34.4
Analog Devices, Inc.	ADI-US	87055	48.8	47.9	49.4	49.2	11.8	12.1	12.4	13.8	1.7	1.9	72.7	72.0
Keysight Technologies Inc	KEYS-US	28288	28.1	28.5	30.7	30.8	22.7	22.6	33.2	30.9	0.0	0.0	50.1	53.5
National Instruments Corporation	NATI-US	4831	17.1	19.4	20.0	23.0	15.3	17.9	22.3	27.0	2.9	2.9	54.3	57.0
Spectris plc	SXS-GB	3602	16.7	17.0	20.1	20.3	16.9	16.9	14.2	15.4	2.6	2.7	73.2	74.9
Oxford Instruments plc	OXIG-GB	1494	18.1	18.2	20.5	20.8	18.7	17.7	15.9	15.5	0.9	0.9	67.2	69.8
Trimble Inc.	TRMB-US	16564	23.5	24.5	25.2	26.4	14.3	14.7	17.3	17.6	0.0	0.0	56.6	59.4
Hexagon AB Class B	HEXA.B-SE	30201	28.6	29.1	37.4	38.5	10.6	11.0	12.6	12.4	1.1	1.2	60.9	62.8
Thales SA	HO-FR	26465	11.0	11.7	15.3	15.8	13.2	14.1	22.0	21.7	2.3	2.5	22.3	24.2
Agfa-Gevaert NV	AGFB-BE	546	2.2	4.6	6.5	8.7			-3.6	3.4	0.0	0.0	36.3	38.3
Konica Minolta, Inc.	4902-JP	1673	1.6	3.4	7.8	9.6	2.0	4.2	1.4	3.8	4.3	4.2	41.6	42.1
Iray Technology Co., Ltd Class A	688301-CN	4952	40.9	41.3	42.5	44.1	18.0	20.5	18.4	20.7	0.1	0.1	87.3	86.3
Vieworks Co., Ltd	100120-KR	285	21.3	19.9	23.8	21.7	23.1	21.2	16.0	16.8	1.8	1.8	79.0	79.9
Vaisala Oyj Class A	VAIAS-FI	1469	12.6	13.8	17.3	18.2	20.3	22.8	21.2	22.6	1.7	1.9	55.0	60.0
Peer Group Average		12179	19.3	20.0	23.6	24.4	14.9	15.6	15.0	16.2	1.4	1.4	57.4	59.3
Peer Group Median		2804	17.1	18.2	20.1	20.8	15.3	16.3	15.9	16.0	1.1	1.2	55.8	59.7
Detection Technology (Evli est.)		287	10.9	10.6	14.1	13.9	13.9	20.8	11.5	17.3	1.7	2.5	78.2	77.6

	Security identifier	MCAP MEUR	EV/S		EV/EBITDA		EV/EBIT		P/E		Sales growth %		Net debt / EBITDA	
			22E	23E	22E	23E	22E	23E	22E	23E	22E	23E	22E	23E
First Sensor AG	SIS-DE	604												
Hamamatsu Photonics K.K.	6965-JP	6813	4.7x	4.4x	14.4x	13.2x	19.0x	17.8x	26.3x	25.4x	16.8	3.2	-1.5	-1.8
OSI Systems, Inc.	OSIS-US	1550	1.6x	1.4x	9.3x	8.1x	13.8x	11.3x	16.5x	15.1x	3.1	0.0	1.1	0.6
Varex Imaging Corporation	VREX-US	827							19.7x	15.6x	4.1	5.1		
ams-OSRAM AG	AMS-CH	2005	0.9x	1.0x	4.6x	5.0x	9.4x	8.6x	12.0x	8.4x	-10.6	-4.8	2.1	2.5
Analog Devices, Inc.	ADI-US	87055	8.2x	7.7x	16.5x	15.7x	16.7x	16.1x	19.0x	17.8x	61.0	4.9	0.8	0.6
Keysight Technologies Inc	KEYS-US	28288	5.5x	5.1x	18.0x	16.6x	19.6x	18.0x	23.1x	21.4x	7.9	5.5	-0.2	-0.6
National Instruments Corporation	NATI-US	4831	3.1x	2.9x	15.6x	12.7x	18.4x	15.0x	19.1x	15.7x	14.2	0.0	0.5	0.4
Spectris plc	SXS-GB	3602	2.3x	2.1x	11.3x	10.4x	13.5x	12.4x	18.7x	16.9x	-4.3	5.1	-0.8	-0.9
Oxford Instruments plc	OXIG-GB	1494	3.1x	2.9x	15.1x	13.8x	17.1x	15.8x	24.3x	22.8x	5.0	4.4	-1.0	-1.5
Trimble Inc.	TRMB-US	16564	4.7x	4.2x	18.5x	16.0x	19.8x	17.3x	24.8x	21.9x	5.4	6.9	0.6	0.0
Hexagon AB Class B	HEXA.B-SE	30201	6.6x	6.0x	17.6x	15.6x	23.0x	20.7x	26.0x	24.0x	17.6	6.9	1.5	1.0
Thales SA	HO-FR	26465	1.5x	1.4x	10.1x	8.7x	14.0x	11.8x	17.6x	16.1x	7.3	7.4	0.1	-0.3
Agfa-Gevaert NV	AGFB-BE	546	0.2x	0.2x	3.8x	2.7x	11.1x	5.0x	20.7x		3.3	2.3	-0.9	-0.7
Konica Minolta, Inc.	4902-JP	1673	0.5x	0.5x	7.0x	5.4x	33.1x	15.2x	30.1x	11.2x	8.9	2.4	3.9	2.9
Iray Technology Co., Ltd Class A	688301-CN	4952							56.7x	42.0x	39.6	35.9		
Vieworks Co., Ltd	100120-KR	285							11.3x	9.4x	24.4	15.4		
Vaisala Oyj Class A	VAIAS-FI	1469	3.0x	2.8x	17.4x	15.2x	23.8x	20.1x	29.7x	25.1x	12.7	6.3	-0.5	-0.8
Peer Group Average		12179	3.3x	3.0x	12.8x	11.4x	18.0x	14.6x	23.4x	19.4x	12.7	7.1	0.4	0.1
Peer Group Median		2804	3.0x	2.8x	14.7x	13.0x	17.7x	15.5x	21.4x	17.8x	7.9	5.1	0.3	-0.2
Detection Technology (Evli est.)		287	2.6x	2.3x	18.5x	12.6x	24.0x	14.3x	32.0x	20.2x	10.1	10.4	-1.9	-1.4

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

Updated on Aug 4th 2022

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	19.55 PV of Free Cash Flow	89 Long-term growth, %	5.0 Risk-free interest rate, %	2.25
DCF share value	26.86 PV of Horizon value	282 WACC, %	8.5 Market risk premium, %	5.8
Share price potential, %	37.4 Unconsolidated equity	0 Spread, %	0.0 Debt risk premium, %	2.8
Maximum value	26.9 Marketable securities	30 Minimum WACC, %	8.5 Equity beta coefficient	1.10
Minimum value	26.9 Debt - dividend	-7 Maximum WACC, %	8.5 Target debt ratio, %	20
Horizon value, %	75.9 Value of stock	394 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	101	114	124	133	141	148	155	163	171	180	189
<i>Sales growth, %</i>	<i>10.1</i>	<i>12.0</i>	<i>13.1</i>	<i>9.1</i>	<i>7.0</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	11	18	20	23	24	25	26	28	29	31	32
<i>Operating income margin, %</i>	<i>11.8</i>	<i>10.8</i>	<i>15.8</i>	<i>16.1</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>	<i>17.0</i>
+ Depreciation+amort.	3	3	3	3	3	3	4	4	4	4	4	4
EBITDA	14	14	20	23	26	27	29	30	32	33	35	
- Paid taxes	-1	-2	-4	-4	-5	-5	-5	-5	-6	-6	-6	
- Change in NWC	-6	-5	-6	-4	-4	-3	-3	-3	-3	-4	-4	
<i>NWC / Sales, %</i>	<i>41.3</i>	<i>41.5</i>	<i>41.7</i>	<i>41.8</i>	<i>41.9</i>	<i>42.0</i>	<i>42.1</i>	<i>42.1</i>	<i>42.2</i>	<i>42.2</i>	<i>42.3</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-1	-3	-4	-4	-4	-4	-4	-4	-5	-5	-5	
<i>opCAPEX / Sales, %</i>	<i>1.5</i>	<i>3.4</i>	<i>3.3</i>	<i>3.0</i>	<i>2.9</i>	<i>2.9</i>	<i>2.8</i>	<i>2.8</i>	<i>2.8</i>	<i>2.8</i>	<i>2.8</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	8	11	14	15	16	17	18	19	20	605
= Discounted FCFF		4	7	9	10	10	11	10	10	10	9	282
= DFCF min WACC		4	7	9	10	10	11	10	10	10	9	282
= DFCF max WACC		4	7	9	10	10	11	10	10	10	9	282

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	18.3	23.5	23.2	24.7	89.8	20.3	22.8	29.3	28.2	100.5	113.7	124.0
EBITDA	1.4	4.6	4.1	3.8	13.9	2.3	1.7	5.5	4.6	14.1	20.5	22.8
<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>18.9</i>	<i>16.2</i>	<i>14.0</i>	<i>18.0</i>	<i>18.4</i>
EBIT	1.4	3.0	3.3	3.0	10.6	1.5	0.9	4.7	3.8	10.9	18.0	20.0
<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>16.2</i>	<i>13.3</i>	<i>10.8</i>	<i>15.8</i>	<i>16.1</i>
Net financial items	0.3	-0.1	0.2	0.3	0.8	0.1	0.2	-0.1	-0.1	0.1	-0.3	-0.3
Pre-tax profit	1.7	2.9	3.5	3.3	11.4	1.6	1.0	4.6	3.7	10.9	17.7	19.7
Tax	-0.5	-0.6	-0.6	-0.5	-2.1	-0.3	-0.3	-0.9	-0.7	-2.3	-3.5	-3.9
<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>21.0</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	3.7	2.9	8.6	14.2	15.7
EPS	0.09	0.16	0.19	0.19	0.63	0.09	0.05	0.25	0.20	0.59	0.97	1.07
EPS adjusted (diluted no. of shares)	0.08	0.15	0.19	0.19	0.61	0.08	0.07	0.24	0.19	0.59	0.93	1.04
Dividend per share	0.00	0.00	0.00	0.00	0.35	0.00	0.00	0.00	0.00	0.32	0.48	0.54
SALES, EURm												
MBU	10.1	13.6	11.9	13.6	49.2	10.5	10.1	15.8	14.9	51.4	57.7	62.3
SBU	5.8	6.9	7.5	7.8	27.9	6.3	8.6	9.3	9.4	33.6	39.0	43.3
IBU	2.4	3.1	3.8	3.4	12.7	3.5	4.0	4.2	3.9	15.6	16.9	18.4
Total	18.3	23.5	23.2	24.7	89.8	20.3	22.8	29.3	28.2	100.5	113.7	124.0
SALES GROWTH, Y/Y %												
<i>MBU</i>	<i>20.2</i>	<i>37.0</i>	<i>18.8</i>	<i>24.3</i>	<i>25.2</i>	<i>4.1</i>	<i>-25.2</i>	<i>32.3</i>	<i>10.0</i>	<i>4.5</i>	<i>12.4</i>	<i>8.0</i>
<i>SBU</i>	<i>-38.0</i>	<i>-11.7</i>	<i>0.2</i>	<i>26.5</i>	<i>-9.2</i>	<i>8.1</i>	<i>25.4</i>	<i>24.8</i>	<i>21.3</i>	<i>20.5</i>	<i>16.1</i>	<i>11.0</i>
<i>IBU</i>	<i>9.9</i>	<i>-10.4</i>	<i>21.5</i>	<i>21.7</i>	<i>9.9</i>	<i>47.0</i>	<i>29.3</i>	<i>8.9</i>	<i>13.8</i>	<i>22.4</i>	<i>8.7</i>	<i>8.5</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>26.1</i>	<i>14.0</i>	<i>12.0</i>	<i>13.1</i>	<i>9.1</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	10.0
SBU	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.0
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	1.4	3.0	3.3	3.0	10.6	1.5	0.9	4.7	3.8	10.9	18.0	0.0
Total	1.4	3.0	3.3	3.0	10.6	1.5	0.9	4.7	3.8	10.9	18.0	20.0
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>16.1</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>16.1</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>16.1</i>
<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>16.2</i>	<i>13.3</i>	<i>10.8</i>	<i>15.8</i>	<i>16.1</i>

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	89.0	93.9	102.5	81.6	89.8	100.5	113.7	124.0
<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>12.0</i>	<i>13.1</i>	<i>9.1</i>
EBITDA	22.1	20.9	19.9	11.9	13.9	14.1	20.5	22.8
<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>14.0</i>	<i>18.0</i>	<i>18.4</i>
Depreciation	-2.2	-2.4	-2.9	-3.2	-3.3	-3.2	-2.5	-2.8
EBITA	19.9	18.5	17.0	8.7	10.6	10.9	18.0	20.0
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	10.9	18.0	20.0
<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>10.8</i>	<i>15.8</i>	<i>16.1</i>
Reported EBIT	19.9	18.5	17.0	8.7	10.6	10.9	18.0	20.0
<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>10.8</i>	<i>15.8</i>	<i>16.1</i>
Net financials	-0.5	-0.1	-1.0	-0.6	0.8	0.1	-0.3	-0.3
Pre-tax profit	19.4	18.4	16.0	8.1	11.4	10.9	17.7	19.7
Taxes	-4.2	-3.6	-3.6	-1.4	-2.1	-2.3	-3.5	-3.9
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	8.6	14.2	15.7
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
BALANCE SHEET, EURm								
Assets								
Fixed assets	6	9	10	10	9	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	9	13	14	16	22	25	28	31
Receivables	21	27	27	25	31	35	40	43
Liquid funds	27	22	26	25	30	30	34	37
Total assets	62	71	77	76	92	99	112	122
Liabilities								
Shareholder's equity	42	51	58	58	74	77	86	95
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	4	5	5
Non-interest bearing current liabilities	15	15	12	11	15	16	19	20
Other interest-free debt	1	0	1	1	2	2	2	2
Total liabilities	62	71	77	76	92	99	112	122
CASH FLOW, EURm								
+ EBITDA	22	21	20	12	14	14	20	23
- Net financial items	11	-4	4	-1	3	0	0	0
- Taxes	-3	-5	-5	-3	-1	-2	-4	-4
- Increase in Net Working Capital	1	-10	-2	0	-6	-5	-6	-4
+/- Other	-12	4	-5	-1	-3	0	0	0
= Cash flow from operations	19	6	12	8	7	7	11	14
- Capex	-2	-5	-4	-3	-1	-3	-4	-4
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	17	1	8	4	6	4	7	10
+/- New issues/buybacks	-1	0	0	-1	10	0	0	0
- Paid dividend	-3	-5	-5	-5	-4	-5	-5	-7
+/- Other	-2	0	2	1	-7	2	1	0
Change in cash	11	-4	4	-1	5	0	4	3

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	224	368	344	429	287	287	287
Net debt (excl. convertibles)	-18	-20	-19	-28	-26	-29	-32
Enterprise value	206	348	324	402	260	258	254
Sales	94	103	82	90	101	114	124
EBITDA	21	20	12	14	14	20	23
EBIT	19	17	9	11	11	18	20
Pre-tax	18	16	8	11	11	18	20
Earnings	15	12	7	9	9	14	16
Equity book value (excl. minorities)	51	58	58	74	77	86	95
Valuation multiples							
EV/sales	2.2	3.4	4.0	4.5	2.6	2.3	2.1
EV/EBITDA	9.8	17.4	27.3	29.0	18.5	12.6	11.2
EV/EBITA	11.1	20.4	37.1	38.0	24.0	14.3	12.7
EV/EBIT	11.1	20.4	37.1	38.0	24.0	14.3	12.7
EV/OCF	33.6	30.0	43.1	56.4	36.2	23.4	18.1
EV/FCFF	142.7	41.7	65.2	78.5	70.4	34.3	24.1
P/FCFE	162.4	48.7	77.4	74.5	76.6	39.3	27.8
P/E	15.1	29.5	51.0	46.4	32.0	20.2	18.2
P/B	4.4	6.3	5.9	5.8	3.7	3.3	3.0
Target EV/EBITDA	0.0	0.0	0.0	0.0	19.0	12.9	11.4
Target EV/EBIT	0.0	0.0	0.0	0.0	24.6	14.7	13.1
Target EV/FCF	0.0	0.0	0.0	0.0	71.3	36.2	25.3
Target P/B	0.0	0.0	0.0	0.0	3.8	3.4	3.1
Target P/E	0.0	0.0	0.0	0.0	33.8	21.4	19.3
Per share measures							
Number of shares	14,375	14,375	14,375	14,656	14,656	14,656	14,656
Number of shares (diluted)	14,849	14,875	14,875	15,156	15,156	15,156	15,156
EPS	1.03	0.87	0.47	0.63	0.59	0.97	1.07
Operating cash flow per share	0.43	0.81	0.52	0.49	0.49	0.75	0.96
Free cash flow per share	0.10	0.53	0.31	0.39	0.26	0.50	0.70
Book value per share	3.57	4.06	4.06	5.02	5.26	5.90	6.49
Dividend per share	0.38	0.38	0.28	0.35	0.32	0.48	0.54
Dividend payout ratio, %	36.7	43.9	59.7	55.4	55.0	50.0	50.0
Dividend yield, %	2.4	1.5	1.2	1.2	1.7	2.5	2.7
FCF yield, %	0.6	2.1	1.3	1.3	1.3	2.5	3.6
Efficiency measures							
ROE	32.0	22.7	11.5	14.0	11.5	17.3	17.3
ROCE	36.4	28.5	13.6	15.1	13.9	20.8	20.8
Financial ratios							
Inventories as % of sales	14.2	13.8	19.5	24.8	24.8	24.8	24.8
Receivables as % of sales	28.4	25.9	30.1	34.8	34.8	34.8	34.8
Non-interest bearing liabilities as % of sales	16.4	12.1	13.4	16.3	16.3	16.3	16.3
NWC/sales, %	25.9	27.0	35.6	41.3	41.5	41.7	41.8
Operative CAPEX/sales, %	5.0	3.9	3.8	1.5	3.4	3.3	3.0
CAPEX/sales (incl. acquisitions), %	5.0	3.9	3.8	1.5	3.4	3.3	3.0
FCFF/EBITDA	0.1	0.4	0.4	0.4	0.3	0.4	0.5
Net debt/EBITDA, book-weighted	-0.9	-1.0	-1.6	-2.0	-1.9	-1.4	-1.4
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	78.2	77.6	78.2
Gearing, %	-35.6	-34.9	-33.2	-37.6	-34.1	-33.3	-33.7

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	103.227	36.0%
Skandinaviska Enskilda Banken AB	2,030,278	39.692	13.9%
OP-Finland Fund	617,376	12.070	4.2%
Sijoitusrahasto Aktia Capital	548,762	10.728	3.7%
Varma Mutual Pension Insurance Company	515,000	10.068	3.5%
Ilmarinen Mutual Pension Insurance Company	435,737	8.519	3.0%
Martola Hannu Veikko	431,690	8.440	2.9%
Evli Finnish Small Cap Fund	387,925	7.584	2.6%
Op-Suomi Mikroyhtiöt -Erikoissijoitusrahasto	247,081	4.830	1.7%
Säästöpankki Kotimaa	240,000	4.692	1.6%
Ten largest	10,734,016	209.850	73%
Residual	3,921,914	76.673	27%
Total	14,655,930	286.523	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Hannu Martola

CFO: Petri Hiljanen

IR: Johanna Tarkiainen

Elektroniikkatie 10, 90590 Oulu

Tel: +358 20 766 9700

DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	DPS	Dividend for the financial period per share
Market cap	Price per share * Number of shares	OCF (Operating cash flow)	EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow)	Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, %	$\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital	Current assets – current liabilities
Net debt	Interest bearing debt – financial assets	Capital employed/Share	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
Total assets	Balance sheet total	Gearing	$\frac{\text{Net debt}}{\text{Equity}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

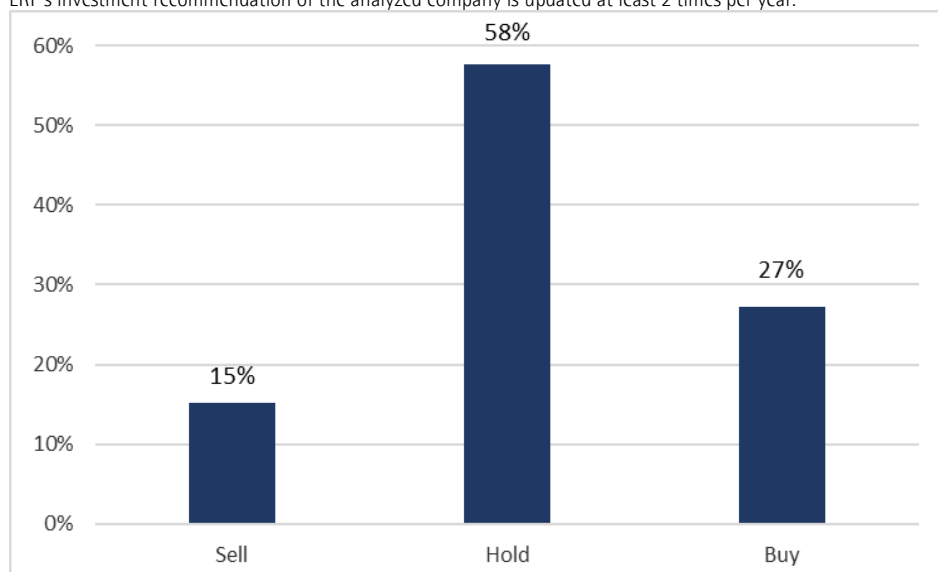
Important Disclosures

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 4.8.2022, 08:40. This report has been published on 4.8.2022, 09:00.

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