

Strong sales growth, EBIT below expectations

Detection Technology's Q1 topline came in as expected. Low volumes and weaker gross margin pushed EBIT below expectations. Outlook provides double-digit growth for H1.

- Group results:** DT's Q1 net sales grew by 12% y/y to EUR 22.8m, roughly in line with our expectations (22.5/22.8m Evli/cons.). Growth was good in security and medical segments while IBU in fact declined. With lower volumes, unfavorable sales mix and higher material costs due to the usage of spot components, adj. EBIT fell short of our expectations. Adj. EBIT amounted to EUR 1.5m (1.9/1.7m Evli/cons.), reflecting a margin of 6.5%. Adj. EPS amounted to EUR 0.06 (0.11/0.1 Evli/cons.), below our expectations.
- Medical (MBU):** MBU faced strong demand and net sales grew by 14.6% y/y to EUR 12m, roughly in line with our expectations (Evli: 11.7m). Growth was good in high-tier CT solutions in both developing and developed markets.
- Security (SBU):** SBU grew by 16.2% y/y to EUR 7.3m, in line with our estimates (Evli: 7.2m). Strong growth was driven by urban security while aviation was yet quite sluggish. However, TSA has announced new significant CT equipment order which provides potential growth for DT during next few years.
- Industrial (IBU):** compared to growth seen previously, IBU came in soft as expected. IBU's Q1 net sales declined by 3% y/y to EUR 3.4m, below our expectations (Evli: 3.6m). DT expects demand disruptions (customer inventory reductions) seen in Q1 to fade away in H2.
- Outlook:** DT expects double-digit sales growth and improving quarterly EBIT. DT sees SBU and MBU growing over 10% while IBU is expected to grow in Q2. Group revenue expected to face double-digit growth in H1. Haobo acquisition expected to have a positive impact on sales in H2.

Rating 🟡 HOLD

Q1'23 ESTIMATES

	Actual	Evli	Consensus*	Q1'22
Net sales	22.8	22.5	22.8	20.3
MBU	12.0	11.7	-	10.5
SBU	7.3	7.2	-	6.3
IBU	3.4	3.6	-	3.5
Adj. EBIT	1.5	1.9	1.7	1.5
Adj. EBIT-margin	6.5%	8.6%	7.5%	7.4%
Adj. EPS	0.06	0.11	0.10	0.09

*Consensus estimate from FactSet

Share price, EUR (Last trading day's closing price) 18.95

Target price, EUR 17.5

Latest change in recommendation	24-Apr-23
Latest report on company	24-Apr-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	278
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

PRE-REPORT 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	112.5	14.1	12.5%	4.8	0.77	25.1	2.3	18.1	1.7	0.43
2024E	125.0	19.4	15.5%	14.0	1.03	18.4	2.0	12.8	5.1	0.57
2025E	134.1	20.9	15.6%	22.8	1.13	16.8	1.7	11.1	8.2	0.62

Market cap, EURm	278	BV per share 2023E, EUR	-27.6	CAGR EPS 2022-25, %	45.4
Net debt 2023E, EURm	-22	Price/book 2023E	3.4	CAGR sales 2022-25, %	10.8
Enterprise value, EURm	255	Dividend yield 2023E, %	2.2	ROE 2023E, %	14.8
Total assets 2023E, EURm	109	Tax rate 2023E, %	20.0	ROCE 2023E, %	17.1
Goodwill 2023E, EURm	0	Equity ratio 2023E, %	75.3	PEG, P/E 23/CAGR	1.4

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Investment recommendations are defined as follows:

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

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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

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