

The group will grow, EBIT yet limited

DT reports its Q2 results on Thursday, July 3rd. We expect the medical business to bring strong revenue growth while Q2 EBIT is yet limited by cost inflation and stagnant market of China. With moderate valuation, we raise our rating to BUY (HOLD). With adjusted estimates, TP is set at 16.0 (17.5).

Strong MBU, EBIT limited by several factors

Despite the continued strength of the medical markets, the security market in China has shown stagnation following the reopening of COVID-19 restrictions. In addition, the inventory corrections seen in Q1 are expected to continue also in Q2 among industrial customers. For Q2, we project a solid 11% y/y growth in group net sales, reaching EUR 25.2 million, primarily driven by MBU. Meanwhile, SBU and IBU are expected to remain relatively flat compared to the comparison figures, mainly due to soft market demand. Our view is that Q2 EBIT is yet limited by soft net sales development in SBU and IBU as well as cost inflation stemming from fixed costs. Our EBIT estimate for Q2 amounts to EUR 1.6m. Third quarter may pose additional challenges as DT faces a strong comparison period in the medical sector. However, we remain optimistic about Q4, with a promising outlook for security demand as we anticipate an increase in TSA aviation orders towards the year-end.

Haobo acquisition to bring new growth opportunities

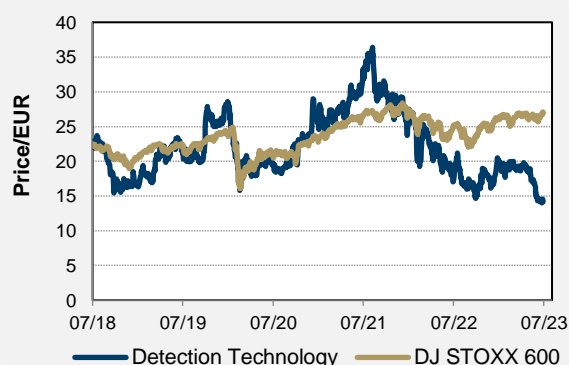
The acquisition of Haobo Imaging was confirmed at the beginning of July, and has no impact on DT's Q2 figures yet. Haobo's revenue impact is yet small but the integration of new technologies into DT's portfolio has the potential to unlock substantial growth potential also within medical customers. Over the next few years, DT plans to make investments in Haobo to foster its growth, aiming to achieve positive EBIT by 2025. Haobo caters mostly to industrial customers, and we foresee the company accelerating IBU's H2'23 growth.

Low market expectations for the next two years

Although our EBIT estimates decreased by over 10%, DT's valuation doesn't appear very expensive. By considering 24E EBIT, DT trades below its historical valuation, and the discount to its peer group is notable. We adjust our TP to EUR 16.0 (17.5) with estimate adjustments. However, moderate valuation and expected earnings growth provides us a spot to take a positive view in DT. Our rating is now BUY (HOLD).

Rating

BUY



Share price, EUR (Last trading day's closing price) 14.25

Target price, EUR 16.0

Latest change in recommendation 31-Jul-23

Latest report on company 22-Jun-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 209

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 03-Aug-23

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BUY HOLD SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2021	89.8	10.6	11.8%	5.8	0.63	46.4	4.5	38.0	1.3	0.35
2022	98.6	5.8	5.9%	-1.9	0.34	46.0	2.3	39.2	-0.8	0.20
2023E	109.1	10.3	9.4%	2.1	0.54	25.3	1.7	18.3	1.0	0.30
2024E	124.5	17.1	13.7%	9.3	0.91	15.7	1.5	10.8	4.5	0.50
2025E	135.9	20.8	15.3%	24.2	1.12	12.7	1.2	8.0	11.6	0.62
Market cap, EURm	209		Gearing 2023E, %		-25.4		CAGR EPS 2022-25, %		45.1	
Net debt 2023E, EURm	-20		Price/book 2023E		2.7		CAGR sales 2022-25, %		11.3	
Enterprise value, EURm	189		Dividend yield 2023E, %		2.1		ROE 2023E, %		10.6	
Total assets 2023E, EURm	106		Tax rate 2023E, %		20.0		ROCE 2023E, %		12.7	
Goodwill 2023E, EURm	0		Equity ratio 2023E, %		74.1		PEG, P/E 23/CAGR		0.9	

DETECTION TECHNOLOGY PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E			
		23	24	25	23	24	25	23	24	25	
Hamamatsu Photonics	6805	12.9x	11.9x	11.0x	16.4x	15.9x	15.3x	25.3x	24.7x	23.4x	
OSI Systems	1783	10.5x	8.9x		14.6x	11.9x		17.8x	15.2x		
Varex Imaging	844	9.4x	8.3x		13.6x	11.3x		21.2x	16.3x		
ams-OSRAM	2181	6.4x	4.7x	3.9x	18.0x	10.6x	7.8x	64.8x	13.7x	7.6x	
Analog Devices	90953	16.9x	17.2x		17.3x	18.1x		19.0x	19.4x		
Keysight Tech	26296	16.3x	15.6x	14.3x	17.7x	17.0x	15.5x	19.8x	18.8x	16.8x	
National Instruments	7077	18.4x	16.9x	15.6x	22.3x	19.5x	18.2x	23.9x	20.3x	18.2x	
Texas Instruments	146757	18.4x	16.7x	14.8x	21.3x	19.9x	18.4x	24.4x	23.2x	21.2x	
Oxford Instruments	1635	14.3x	13.6x	13.0x	16.6x	15.9x	15.2x	21.9x	21.4x	20.5x	
Trimble	11914	14.6x	13.3x	11.8x	15.8x	14.2x	12.6x	20.3x	18.2x	15.5x	
Hexagon	24022	14.5x	13.0x	12.0x	18.5x	17.2x	15.7x	21.3x	19.1x	17.2x	
Konica Minolta	1673	10.3x	6.7x	6.4x		21.5x	18.3x		15.7x	11.9x	
Iray Technology	3282	29.9x	23.0x	18.3x	31.0x	23.9x	18.8x	29.9x	23.3x	18.5x	
Vieworks	208	6.4x	5.4x	5.0x	7.4x	6.3x	5.5x	10.0x	7.9x	7.1x	
Peer Group Average	23245	14.2x	12.5x	11.5x	17.7x	15.9x	14.7x	24.6x	18.4x	16.2x	
Peer Group Median	5043	14.4x	13.1x	12.0x	17.3x	16.5x	15.5x	21.3x	18.9x	17.2x	
Detection Technology (Evli est.)	209	13.7x	8.9x	6.5x	18.3x	10.8x	8.0x	25.3x	15.7x	12.7x	
<i>Detection Technology prem./disc. to peer median</i>			<i>-5%</i>	<i>-33%</i>	<i>-46%</i>	<i>6%</i>	<i>-35%</i>	<i>-48%</i>	<i>19%</i>	<i>-17%</i>	<i>-26%</i>

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	14.25 PV of Free Cash Flow	101 Long-term growth, %	2.6 Risk-free interest rate, %
DCF share value	18.58 PV of Horizon value	153 WACC, %	8.5 Market risk premium, %
Share price potential, %	30.4 Unconsolidated equity	0 Spread, %	0.0 Debt risk premium, %
Maximum value	18.6 Marketable securities	24 Minimum WACC, %	8.5 Equity beta coefficient
Minimum value	18.6 Debt - dividend	-6 Maximum WACC, %	8.5 Target debt ratio, %
Horizon value, %	60.2 Value of stock	272 Nr of shares, Mn	14.7 Effective tax rate, %

DCF valuation, EURm	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Horizon
Net sales	99	109	124	136	144	151	159	167	175	180	185	190
<i>Sales growth, %</i>	<i>9.8</i>	<i>10.7</i>	<i>14.1</i>	<i>9.2</i>	<i>6.0</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	10	17	21	22	23	25	26	27	25	26	27
<i>Operating income margin, %</i>	<i>5.9</i>	<i>9.4</i>	<i>13.7</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	4	5	3	3	4	4	4	4	4	4
EBITDA	9	14	21	26	26	26	28	30	31	29	30	
- Paid taxes	-2	-2	-3	-4	-4	-5	-5	-5	-5	-5	-5	
- Change in NWC	-9	-2	-1	5	-3	-2	-2	-3	-3	-2	-2	
<i>NWC / Sales, %</i>	<i>45.6</i>	<i>43.2</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	-7	-6	-2	-4	-4	-4	-4	-5	-5	-5	
<i>opCAPEX / Sales, %</i>	<i>1.7</i>	<i>6.6</i>	<i>5.1</i>	<i>1.5</i>	<i>2.7</i>	<i>2.7</i>	<i>2.7</i>	<i>2.7</i>	<i>2.7</i>	<i>2.6</i>	<i>2.5</i>	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	2	0	0	0	0	0	0	0	0	0	0	
= FCFF	-2	2	10	24	15	15	17	17	18	18	19	329
= Discounted FCFF		2	9	20	11	11	11	10	10	9	9	153
= DFCF min WACC		2	9	20	11	11	11	10	10	9	9	153
= DFCF max WACC		2	9	20	11	11	11	10	10	9	9	153

INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1	2023Q2E	2023Q3E	2023Q4E	2023E	2024E	2025E
Net sales	20.3	22.8	27.3	28.2	98.6	22.8	25.2	28.7	32.5	109.1	124.5	135.9
EBITDA	2.3	1.7	1.5	3.6	9.1	2.3	2.5	2.9	6.1	13.8	20.7	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>10.2</i>	<i>9.8</i>	<i>10.0</i>	<i>18.9</i>	<i>12.7</i>	<i>16.6</i>	<i>18.9</i>
EBIT	1.5	0.9	0.6	2.8	5.8	1.5	1.6	2.0	5.2	10.3	17.1	20.8
<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>6.4</i>	<i>6.9</i>	<i>16.1</i>	<i>9.4</i>	<i>13.7</i>	<i>15.3</i>
Net financial items	0.1	0.2	0.2	-0.8	-0.3	-0.3	-0.1	0.2	-0.1	-0.3	-0.4	-0.2
Pre-tax profit	1.6	1.0	0.8	2.0	5.5	1.2	1.5	2.2	5.1	10.0	16.7	20.6
Tax	-0.3	-0.3	-0.2	0.4	-0.4	-0.2	-0.3	-0.4	-1.0	-2.0	-3.3	-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>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	1.3	0.7	0.7	2.4	5.1	0.9	1.2	1.7	4.1	8.0	13.3	16.5
EPS	0.09	0.05	0.05	0.16	0.34	0.06	0.08	0.12	0.28	0.54	0.91	1.12
EPS adjusted (diluted no. of shares)	0.08	0.07	0.04	0.16	0.36	0.06	0.10	0.11	0.27	0.55	0.88	1.09
Dividend per share	0.00	0.00	0.00	0.00	0.20	0.00	0.00	0.00	0.00	0.30	0.50	0.62
SALES, EURm												
MBU	10.5	10.1	14.8	12.7	48.1	12.0	12.5	14.7	14.4	53.6	58.2	61.7
SBU	6.3	8.6	8.5	10.9	34.4	7.3	8.7	9.6	13.1	38.6	47.2	53.8
IBU	3.5	4.0	3.9	4.6	16.1	3.4	4.0	4.4	5.0	16.9	19.1	20.5
Total	20.3	22.8	27.3	28.2	98.6	22.8	25.2	28.7	32.5	109.1	124.5	135.9
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>23.2</i>	<i>-1.0</i>	<i>13.4</i>	<i>11.3</i>	<i>8.6</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>0.9</i>	<i>12.4</i>	<i>19.4</i>	<i>12.4</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>0.0</i>	<i>13.0</i>	<i>9.0</i>	<i>5.1</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>10.7</i>	<i>5.2</i>	<i>15.0</i>	<i>10.7</i>	<i>14.1</i>	<i>9.2</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	9.4
SBU	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.2
IBU	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.1
Group	1.5	0.9	0.6	2.8	5.8	1.5	1.6	2.0	5.2	10.3	17.1	20.8
Total	1.5	0.9	0.6	2.8	5.8	1.5	1.6	2.0	5.2	10.3	17.1	20.8
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>6.4</i>	<i>6.9</i>	<i>16.1</i>	<i>9.4</i>	<i>13.7</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	109.1	124.5	135.9
<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>10.7</i>	<i>14.1</i>	<i>9.2</i>
EBITDA	20.9	19.9	11.9	13.9	9.1	13.8	20.7	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>12.7</i>	<i>16.6</i>	<i>18.9</i>
Depreciation	-2.4	-2.9	-3.2	-3.3	-3.3	-3.5	-3.6	-4.9
EBITA	18.5	17.0	8.7	10.6	5.8	10.3	17.1	20.8
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	18.5	17.0	8.7	10.6	5.8	10.3	17.1	20.8
<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>9.4</i>	<i>13.7</i>	<i>15.3</i>
Reported EBIT	18.5	17.0	8.7	10.6	5.8	10.3	17.1	20.8
<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>9.4</i>	<i>13.7</i>	<i>15.3</i>
Net financials	-0.1	-1.0	-0.6	0.8	-0.3	-0.3	-0.4	-0.2
Pre-tax profit	18.4	16.0	8.1	11.4	5.5	10.0	16.7	20.6
Taxes	-3.6	-3.6	-1.4	-2.1	-0.4	-2.0	-3.3	-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	8.0	13.3	16.5
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	14	11
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	0	0	0	0	0
Inventory	13	14	16	22	25	27	30	23
Receivables	27	27	25	31	36	39	37	41
Liquid funds	22	26	25	30	24	29	29	45
Total assets	71	77	76	92	91	106	110	120
Liabilities								
Shareholder's equity	51	58	58	74	73	78	87	96
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	9	4	4
Non-interest bearing current liabilities	15	12	11	15	14	17	17	19
Other interest-free debt	0	1	1	1	1	1	1	1
Total liabilities	71	77	76	92	91	106	110	120
CASH FLOW, EURm								
+ EBITDA	21	20	12	14	9	14	21	26
- Net financial items	-4	4	-1	3	-6	0	0	0
- Taxes	-5	-5	-3	-1	-2	-2	-3	-4
- Increase in Net Working Capital	-10	-2	0	-6	-9	-2	-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	-7	-6	-2
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	1	8	4	6	-2	2	9	24
+/- New issues/buybacks	0	0	-1	10	-1	0	0	0
- Paid dividend	-5	-5	-5	-4	-5	-3	-4	-7
+/- Other	0	2	1	-7	2	6	-5	-1
Change in cash	-4	4	-1	5	-6	5	0	16

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	368	344	429	248	209	209	209
Net debt (excl. convertibles)	-20	-19	-28	-21	-20	-25	-42
Enterprise value	348	324	402	227	189	184	167
Sales	103	82	90	99	109	124	136
EBITDA	20	12	14	9	14	21	26
EBIT	17	9	11	6	10	17	21
Pre-tax	16	8	11	5	10	17	21
Earnings	12	7	9	5	8	13	16
Equity book value (excl. minorities)	58	58	74	73	78	87	96
Valuation multiples							
EV/sales	3.4	4.0	4.5	2.3	1.7	1.5	1.2
EV/EBITDA	17.4	27.3	29.0	25.0	13.7	8.9	6.5
EV/EBITA	20.4	37.1	38.0	39.2	18.3	10.8	8.0
EV/EBIT	20.4	37.1	38.0	39.2	18.3	10.8	8.0
EV/OCF	30.0	43.1	56.4	-772.5	20.2	11.7	6.4
EV/FCFF	41.7	65.2	78.5	-139.0	78.7	19.1	6.9
P/FCFE	48.7	77.4	74.5	-128.9	98.4	22.4	8.6
P/E	29.5	51.0	46.4	46.0	25.3	15.7	12.7
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	15.5	10.1	7.5
Target EV/EBIT	0.0	0.0	0.0	0.0	20.8	12.3	9.3
Target EV/FCF	0.0	0.0	0.0	0.0	101.2	22.5	8.0
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	29.3	18.2	14.7
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	15,156	15,156	15,156
EPS	0.87	0.47	0.63	0.34	0.54	0.91	1.12
Operating cash flow per share	0.81	0.52	0.49	-0.02	0.64	1.07	1.79
Free cash flow per share	0.53	0.31	0.39	-0.13	0.14	0.64	1.65
Book value per share	4.06	4.06	5.02	4.96	5.31	5.92	6.54
Dividend per share	0.38	0.28	0.35	0.20	0.30	0.50	0.62
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	2.1	3.5	4.3
FCF yield, %	2.1	1.3	1.3	-0.8	1.0	4.5	11.6
Efficiency measures							
ROE	22.7	11.5	14.0	6.9	10.6	16.2	18.0
ROCE	28.5	13.6	15.1	7.7	12.7	19.2	21.9
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	43.2	38.8	31.9
Operative CAPEX/sales, %	3.9	3.8	1.5	1.7	6.6	5.1	1.5
CAPEX/sales (incl. acquisitions), %	3.9	3.8	1.5	1.7	6.6	5.1	1.5
FCFF/EBITDA	0.4	0.4	0.4	-0.2	0.2	0.5	1.0
Net debt/EBITDA, book-weighted	-1.0	-1.6	-2.0	-2.3	-1.4	-1.2	-1.6
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	76.6	77.9	80.4	80.2	74.1	79.6	80.5
Gearing, %	-34.9	-33.2	-37.6	-28.3	-25.4	-28.5	-43.4

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

OWNERSHIP STRUCTURE	SHARES	EURm	%
Ahlstrom Capital Bv	5,280,167	75.242	36.0%
OP-Finland Fund	617,376	8.798	4.2%
Sijoitusrahasto Aktia Capital	548,762	7.820	3.7%
Varma Mutual Pension Insurance Company	515,000	7.339	3.5%
Ilmarinen Mutual Pension Insurance Company	435,737	6.209	3.0%
Martola Hannu Veikko	431,690	6.152	2.9%
OP-Finland Small Firms Fund	360,317	5.135	2.5%
Säästöpankki Kotimaa	260,000	3.705	1.8%
Evli Finnish Small Cap Fund	244,920	3.490	1.7%
Veritas Pension Insurance Company Ltd.	243,000	3.463	1.7%
Ten largest	8,936,969	127.352	61%
Residual	5,718,961	81.495	39%
Total	14,655,930	208.847	100%

EARNINGS CALENDAR	
August 03, 2023	Q2 report
October 27, 2023	Q3 report
OTHER EVENTS	

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

DEFINITIONS

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

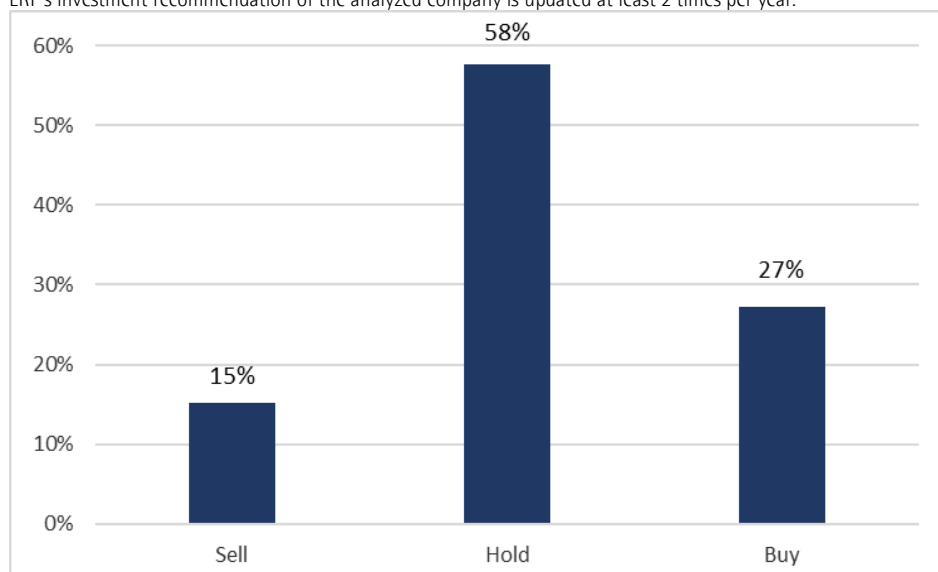
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Investment recommendations are defined as follows:

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

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

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