

Outlook brightened by vaccine optimism and Chinese recovery

Detection Technology will report its Q4 next Tuesday, February 2nd, at 9:00 EET. We look forward to hearing the latest developments and outlook regarding the security and medical imaging markets, especially now with the backdrop of global vaccine optimism and Chinese economic recovery. We expect DT to return to net sales and EBIT growth path this year, and based on the increased confidence in market improvement, we raise our target price to €26.5 (prev. €22) but maintain HOLD recommendation.

A challenging year coming to an end

We expect Q4 net sales of 22.2 MEUR (22.2 MEUR cons) and EBIT of 2.7 MEUR (2,75 MEUR cons), meaning a decline of -11% and -16% respectively compared to last year. 2020 has been challenging with the pandemic negatively affecting DT's Security Business Unit, which represents roughly 60% of total net sales. With our estimates, DT's FY20 net sales are down -18% to 84 MEUR and EBIT is down -46% to 9.1 MEUR (10,8% EBIT margin). As a result, we expect DT to distribute 0.28 dividend compared to 0.38 last year. Our dividend estimate is at upper end of DT's dividend distribution policy of 30-60%. Dividend could prove to be smaller, but we see this as immaterial as DT in our view is more a growth case than a dividend case.

Global vaccine optimism and China brightening outlook

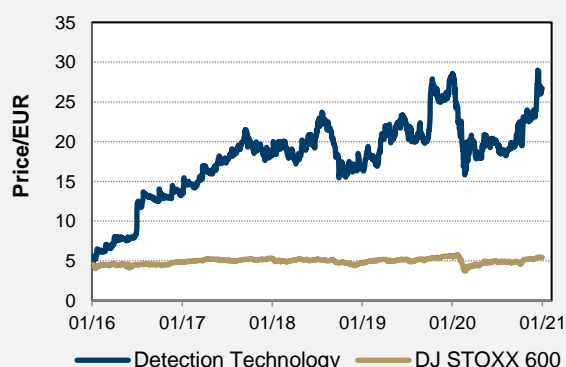
The key take from the upcoming Q4 result will be hearing management's view on the security and medical imaging markets. DT stated in its Q3 report that it expects SBU sales to decrease in Q4, but to start improving in H1/21 driven by Chinese demand. China's economy has recovered swiftly from the pandemic with Chinese's GDP reaching pre-COVID levels at end of last year. China's GDP accelerated 6,5% y/y in Q4 (Q3: 4,9% y/y), which is the fastest pace in last two years. The recovery in China coupled with the improved outlook for the battered aviation segment thanks to vaccine optimism, should provide DT with good grounds to improve on. MBU is expected to continue growing, albeit more slowly than in 2020.

HOLD with new target price of €26.50 (prev. €22)

We expect DT to return to both revenue and EBIT growth in 2021 but estimating the pace of recovery remains challenging due to low visibility. We have not made any changes to our estimates before the Q4 report, but based on the increased confidence in market improvement, we raise our target price to 26.5 euros (prev. 22 euros) reflecting both growth and earnings improvement potential, at or above our peer group. Our target price values DT at 21-22E EV/EBIT of 27x and 19x respectively, in line with our peer group as we look for more signs of security market recovery.

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 26.70

Target price, EUR 26.5

Latest change in recommendation 23-Oct-20

Latest report on company 28-Oct-20

Research paid by issuer: YES

No. of shares outstanding, '000's 14,375

No. of shares fully diluted, '000's 14,875

Market cap, EURm 384

Free float, % -

Exchange rate -

Reuters code DETEC.HE

Bloomberg code DETEC FH

Average daily volume, EURm -

Next interim report 27-Apr-21

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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
2018	93.9	18.5	19.7%	1.4	1.03	15.1	2.2	11.1	0.6	0.38
2019	102.5	17.0	16.6%	7.6	0.87	29.5	3.4	20.4	2.1	0.38
2020E	83.8	9.1	10.8%	12.8	0.46	58.1	4.3	40.0	3.3	0.28
2021E	96.0	13.5	14.0%	6.9	0.74	36.1	3.8	26.8	1.8	0.38
2022E	110.7	18.8	17.0%	10.6	1.05	25.5	3.2	18.9	2.8	0.42
Market cap, EURm	384			Gearing 2020E, %	-39.2			CAGR EPS 2019-22, %	6.5	
Net debt 2020E, EURm	-20			Price/book 2020E	7.3			CAGR sales 2019-22, %	2.6	
Enterprise value, EURm	363			Dividend yield 2020E, %	1.0			ROE 2020E, %	11.9	
Total assets 2020E, EURm	68			Tax rate 2020E, %	20.4			ROCE 2020E, %	15.0	
Goodwill 2020E, EURm	0			Equity ratio 2020E, %	77.7			PEG, P/E 20/CAGR	1.9	

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3	2020Q4E	2020E	2021E	2022E
Net sales	23.1	27.5	26.9	25.0	102.5	19.9	21.1	20.6	22.2	83.8	96.0	110.7
EBITDA	4.4	5.5	5.7	4.3	19.9	2.0	3.4	3.4	3.5	12.2	16.5	21.8
<i>EBITDA margin (%)</i>	<i>19.2</i>	<i>20.0</i>	<i>21.3</i>	<i>17.1</i>	<i>19.5</i>	<i>9.9</i>	<i>16.0</i>	<i>16.5</i>	<i>15.8</i>	<i>14.6</i>	<i>17.2</i>	<i>19.7</i>
EBIT	3.9	4.8	5.1	3.2	17.0	1.2	2.6	2.6	2.7	9.1	13.5	18.8
<i>EBIT margin (%)</i>	<i>16.7</i>	<i>17.5</i>	<i>19.1</i>	<i>12.8</i>	<i>16.6</i>	<i>6.0</i>	<i>12.3</i>	<i>12.6</i>	<i>12.2</i>	<i>10.8</i>	<i>14.0</i>	<i>17.0</i>
Net financial items	0.0	-0.7	-0.1	-0.2	-1.0	0.0	-0.3	-0.3	0.0	-0.8	-0.2	0.0
Pre-tax profit	3.9	4.2	5.0	3.0	16.0	1.2	2.3	2.2	2.7	8.3	13.3	18.8
Tax	-0.3	-0.9	-1.0	-1.3	-3.6	-0.2	-0.5	-0.4	-0.5	-1.7	-2.7	-3.8
<i>Tax rate (%)</i>	<i>9.1</i>	<i>22.9</i>	<i>20.0</i>	<i>41.6</i>	<i>22.2</i>	<i>20.0</i>	<i>21.6</i>	<i>20.0</i>	<i>20.0</i>	<i>20.4</i>	<i>20.0</i>	<i>20.0</i>
Net profit	3.5	3.2	4.0	1.8	12.5	0.9	1.8	1.8	2.1	6.6	10.6	15.0
EPS	0.24	0.22	0.28	0.12	0.87	0.06	0.12	0.12	0.15	0.46	0.74	1.05
EPS adjusted (diluted no. of shares)	0.24	0.22	0.27	0.12	0.84	0.06	0.12	0.12	0.14	0.44	0.71	1.01
Dividend per share	0.00	0.00	0.00	0.00	0.38	0.00	0.00	0.00	0.00	0.28	0.38	0.42
SALES, EURm												
MBU	8.6	8.1	8.4	8.6	33.7	8.4	9.9	10.1	10.9	39.3	44.9	51.8
SBU	14.5	19.4	18.6	16.4	68.9	11.5	11.2	10.6	11.3	44.6	51.1	58.9
Total	23.1	27.5	26.9	25.0	102.5	19.9	21.1	20.6	22.2	83.8	96.0	110.7
SALES GROWTH, Y/Y %												
<i>MBU</i>	<i>15.0</i>	<i>-12.1</i>	<i>-27.4</i>	<i>-14.9</i>	<i>-12.1</i>	<i>-2.3</i>	<i>22.2</i>	<i>20.4</i>	<i>26.7</i>	<i>16.6</i>	<i>14.3</i>	<i>15.5</i>
<i>SBU</i>	<i>22.9</i>	<i>27.6</i>	<i>41.6</i>	<i>5.8</i>	<i>23.8</i>	<i>-20.7</i>	<i>-42.3</i>	<i>-43.1</i>	<i>-31.1</i>	<i>-35.3</i>	<i>14.7</i>	<i>15.3</i>
<i>Total</i>	<i>19.8</i>	<i>12.6</i>	<i>9.3</i>	<i>-2.3</i>	<i>9.2</i>	<i>-13.9</i>	<i>-23.3</i>	<i>-23.4</i>	<i>-11.2</i>	<i>-18.2</i>	<i>14.5</i>	<i>15.4</i>
EBIT, EURm												
MBU	1.4	1.4	1.6	1.1	5.5	0.0	0.0	0.0	0.0	0.0	6.1	8.8
SBU	2.4	3.4	3.5	2.1	11.5	0.0	0.0	0.0	0.0	0.0	7.4	10.0
Group	0.0	0.0	0.0	0.0	0.0	1.2	2.6	2.6	2.7	9.1	0.0	0.0
Total	3.9	4.8	5.1	3.2	17.0	1.2	2.6	2.6	2.7	9.1	13.5	18.8
EBIT margin, %												
<i>MBU</i>	<i>16.7</i>	<i>17.5</i>	<i>19.1</i>	<i>12.8</i>	<i>16.5</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>13.5</i>	<i>17.0</i>
<i>SBU</i>	<i>16.7</i>	<i>17.5</i>	<i>19.1</i>	<i>12.8</i>	<i>16.6</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>14.5</i>	<i>17.0</i>
<i>Total</i>	<i>16.7</i>	<i>17.5</i>	<i>19.1</i>	<i>12.8</i>	<i>16.6</i>	<i>6.0</i>	<i>12.3</i>	<i>12.6</i>	<i>12.2</i>	<i>10.8</i>	<i>14.0</i>	<i>17.0</i>

DETECTION TECHNOLOGY PEER GROUP	Security identifier	EBIT %	EBIT %	EBITDA %	EBITDA %	ROCE %	ROCE %
		21E	22E	21E	22E	21E	22E
First Sensor AG	SIS-DE						
Hamamatsu Photonics K.K.	6965-JP	15,5	18,0	25,3	26,9	10,2	11,0
OSI Systems, Inc.	OSIS-US	9,9	11,4	16,7	17,0	12,7	13,6
Varex Imaging Corporation	VREX-US	3,3	8,8	10,6	13,1	3,7	6,5
ams AG	AMS-CH	7,2	12,7	23,2	26,8	7,5	10,7
Analog Devices, Inc.	ADI-US	39,9	42,6	44,2	45,0	13,0	14,5
Keysight Technologies Inc	KEYS-US	24,9	26,9	28,3	29,3	17,9	17,1
Spectris plc	SXS-GB	12,5	15,4	19,0	19,6	13,0	14,5
Oxford Instruments plc	OXIG-GB	15,6	17,2	19,6	20,5	17,1	15,8
Trimble Inc.	TRMB-US	22,2	23,1	23,8	25,1	12,7	13,3
Hexagon AB Class B	HEXA.B-SE	24,4	27,7	36,6	36,9	11,9	12,1
Vaisala Oyj Class A	VAIAS-FI	12,6	13,1	18,1	17,9	20,6	21,8
Peer Group Average		16,9	19,5	23,8	25,0	12,9	13,8
Peer Group Median		15,3	17,3	21,5	23,2	12,9	14,0
Detection Technology (Evli est.)		14,0	17,0	17,2	19,7	23,0	29,3

DETECTION TECHNOLOGY PEER GROUP	Security identifier	ROE %	ROE %	DIV %	DIV %	P/E	P/E
		21E	22E	21E	22E	21E	22E
First Sensor AG	SIS-DE						
Hamamatsu Photonics K.K.	6965-JP	8,7	9,4	0,6	0,7	52,9x	45,8x
OSI Systems, Inc.	OSIS-US	15,2	15,1	0,0	0,0	19,1x	17,6x
Varex Imaging Corporation	VREX-US	1,5	6,6			115,2x	25,1x
ams AG	AMS-CH	10,3	15,5	0,0	0,6	14,4x	9,1x
Analog Devices, Inc.	ADI-US	17,6	18,7	1,6	1,7	27,3x	24,4x
Keysight Technologies Inc	KEYS-US	28,3	24,8	0,0	0,2	26,0x	23,9x
National Instruments Corporation	NATI-US	8,2	9,3	2,3	2,5	56,3x	48,9x
Spectris plc	SXS-GB	11,6	12,2	2,1	2,3	23,5x	21,5x
Oxford Instruments plc	OXIG-GB	17,4	16,7	0,7	0,9	28,9x	26,3x
Trimble Inc.	TRMB-US	15,7	15,7	0,0	0,0	31,1x	27,4x
Hexagon AB Class B	HEXA.B-SE	13,8	13,9	0,8	1,0	31,4x	28,9x
Vaisala Oyj Class A	VAIAS-FI	17,7	17,7	1,6	1,7	37,4x	35,1x
Peer Group Average		13,8	14,6	0,9	1,1	38,6x	27,8x
Peer Group Median		14,5	15,3	0,7	0,9	30,0x	25,7x
Detection Technology (Evli est.)		19,1	23,6	1,4	1,6	36,1x	25,5x

20 % -1 %

DETECTION TECHNOLOGY PEER GROUP	Security identifier	EV/S	EV/S	EV/EBITDA	EV/EBITDA	EV/EBIT	EV/EBIT
		21E	22E	21E	22E	21E	22E
First Sensor AG	SIS-DE						
Hamamatsu Photonics K.K.	6965-JP	6,6x	6,2x	26,2x	22,9x	39,9x	34,3x
OSI Systems, Inc.	OSIS-US	1,7x	1,5x	9,9x	8,6x	15,4x	12,9x
Varex Imaging Corporation	VREX-US	1,6x	1,5x	15,0x	11,1x	31,4x	16,6x
ams AG	AMS-CH	1,3x	1,2x	5,8x	4,4x	14,9x	9,2x
Analog Devices, Inc.	ADI-US	9,8x	9,0x	22,1x	19,9x	23,7x	21,0x
Keysight Technologies Inc	KEYS-US	5,6x	5,2x	19,8x	17,7x	21,6x	19,3x
Spectris plc	SXS-GB	2,5x	2,4x	13,2x	12,0x	17,5x	15,3x
Oxford Instruments plc	OXIG-GB	3,3x	3,0x	16,6x	14,7x	19,8x	17,6x
Trimble Inc.	TRMB-US	5,6x	5,0x	23,5x	20,1x	25,3x	21,7x
Hexagon AB Class B	HEXA.B-SE	7,2x	6,7x	19,6x	18,1x	26,4x	24,1x
Vaisala Oyj Class A	VAIAS-FI	3,7x	3,4x	20,2x	19,1x	28,8x	26,1x
Peer Group Average		4,4x	4,1x	17,7x	15,6x	24,1x	20,1x
Peer Group Median		3,9x	3,7x	19,7x	17,9x	24,1x	20,2x
Detection Technology (Evli est.)		3,8x	3,2x	21,8x	16,3x	26,8x	18,9x

Premium/discount relative to peer group median

Source: Factset, Evli Research

-3 % -12 % 11 % -9 % 11 % -6 %

DETECTION TECHNOLOGY PEER GROUP	Security identifier	Sales growth	Sales	Net debt /	Net debt /	Equity ratio	Equity ratio
		%	growth %	EBITDA	EBITDA	%	%
		21E	22E	21E	22E	21E	22E
First Sensor AG	SIS-DE						
Hamamatsu Photonics K.K.	6965-JP	7,2	6,7	-2,1x	-1,9x	80,2	81,1
OSI Systems, Inc.	OSIS-US	-3,8	0,0	1,0x	0,5x	47,3	51,2
Varex Imaging Corporation	VREX-US	-2,2	4,8	4,6x	3,1x	40,3	41,6
ams AG	AMS-CH	57,4	5,3	1,5x	0,9x	33,4	37,6
Analog Devices, Inc.	ADI-US	11,7	7,1	1,3x	0,8x	55,1	56,9
Keysight Technologies Inc	KEYS-US	11,3	5,2	-0,5x	-0,9x	48,8	54,2
National Instruments Corporation	NATI-US	7,8	0,0	-0,6x	-0,5x	68,4	68,6
Spectris plc	SXS-GB	2,5	4,4	-0,7x	-0,8x	73,2	75,3
Oxford Instruments plc	OXIG-GB	5,5	5,4	-1,6x	-1,8x	63,5	62,0
Trimble Inc.	TRMB-US	7,1	8,5	1,2x	0,5x	54,7	57,4
Hexagon AB Class B	HEXA.B-SE	8,2	5,4	0,9x	0,5x	59,8	61,7
Vaisala Oyj Class A	VAIAS-FI	2,5	5,3	-0,6x	-0,8x	60,2	62,6
Peer Group Average		9,6	5,8	0,4x	0,0x	57,1	59,2
Peer Group Median		7,1	5,4	0,2x	0,0x	57,5	59,6
Detection Technology (Evli est.)		14,5	15,4	-1,4x	-1,3x	82,6	83,8

Source: Factset, Evli Research

Updated on February 26th, 2021

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	42.8	75.5	89.0	93.9	102.5	83.8	96.0	110.7
<i>Sales growth (%)</i>	<i>29.2</i>	<i>76.5</i>	<i>17.9</i>	<i>5.5</i>	<i>9.2</i>	<i>-18.2</i>	<i>14.5</i>	<i>15.4</i>
EBITDA	5.8	17.3	22.1	20.9	19.9	12.2	16.5	21.8
<i>EBITDA margin (%)</i>	<i>13.4</i>	<i>22.9</i>	<i>24.9</i>	<i>22.3</i>	<i>19.5</i>	<i>14.6</i>	<i>17.2</i>	<i>19.7</i>
Depreciation	-1.3	-2.5	-2.2	-2.4	-2.9	-3.2	-3.0	-3.0
EBITA	4.5	14.8	19.9	18.5	17.0	9.1	13.5	18.8
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	4.5	14.8	19.9	18.5	17.0	9.1	13.5	18.8
<i>EBIT margin (%)</i>	<i>10.5</i>	<i>19.6</i>	<i>22.4</i>	<i>19.7</i>	<i>16.6</i>	<i>10.8</i>	<i>14.0</i>	<i>17.0</i>
Reported EBIT	3.4	14.8	19.9	18.5	17.0	9.1	13.5	18.8
<i>EBIT margin (reported) (%)</i>	<i>8.0</i>	<i>19.6</i>	<i>22.4</i>	<i>19.7</i>	<i>16.6</i>	<i>10.8</i>	<i>14.0</i>	<i>17.0</i>
Net financials	-2.4	-0.7	-0.5	-0.1	-1.0	-0.8	-0.2	0.0
Pre-tax profit	2.1	14.1	19.4	18.4	16.0	8.3	13.3	18.8
Taxes	-0.1	-3.2	-4.2	-3.6	-3.6	-1.7	-2.7	-3.8
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	0.9	10.9	15.2	14.9	12.5	6.6	10.6	15.0
Cash NRIs	-1.1	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	7	6	6	9	10	9	10	10
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	0	0	0	0	0
Inventory	7	11	9	13	14	12	13	15
Receivables	14	22	21	27	27	22	25	29
Liquid funds	7	16	27	22	26	25	24	29
Total assets	35	54	62	71	77	68	72	82
Liabilities								
Shareholder's equity	21	31	42	51	58	52	59	68
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	1	7	5	4	6	5	1	0
Non-interest bearing current liabilities	11	14	15	15	12	10	12	13
Other interest-free debt	2	3	1	0	1	1	1	1
Total liabilities	35	54	62	71	77	68	72	82
CASH FLOW, EURm								
+ EBITDA	6	17	22	21	20	12	16	22
- Net financial items	4	8	11	0	-1	-1	0	0
- Taxes	0	-1	-3	-5	-4	-2	-3	-4
- Increase in Net Working Capital	-2	-11	1	-10	-3	5	-3	-4
+/- Other	-8	-9	-12	0	0	0	0	0
= Cash flow from operations	0	5	19	6	12	15	10	14
- Capex	-5	-2	-2	-5	-4	-2	-3	-3
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-4	3	17	1	8	13	7	11
+/- New issues/buybacks	19	0	-1	0	0	-7	0	0
- Paid dividend	0	-1	-3	-5	-5	-5	-4	-5
+/- Other	-10	6	-2	0	2	-1	-4	-1
Change in cash	4	8	11	-4	4	-1	-1	4

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	188	250	224	368	384	384	384
Net debt (excl. convertibles)	-9	-22	-18	-20	-20	-23	-29
Enterprise value	179	228	206	348	363	360	355
Sales	76	89	94	103	84	96	111
EBITDA	17	22	21	20	12	16	22
EBIT	15	20	19	17	9	13	19
Pre-tax	14	19	18	16	8	13	19
Earnings	11	15	15	12	7	11	15
Equity book value (excl. minorities)	31	42	51	58	52	59	68
Valuation multiples							
EV/sales	2.4	2.6	2.2	3.4	4.3	3.8	3.2
EV/EBITDA	10.3	10.3	9.8	17.4	29.7	21.8	16.3
EV/EBITA	12.1	11.5	11.1	20.4	40.0	26.8	18.9
EV/EBIT	12.1	11.5	11.1	20.4	40.0	26.8	18.9
EV/OCF	36.6	12.3	33.6	28.9	24.4	35.0	25.5
EV/FCFF	48.3	13.3	142.7	41.6	27.1	51.2	33.5
P/FCFE	57.3	14.9	162.4	48.5	30.0	55.6	36.2
P/E	17.2	16.5	15.1	29.5	58.1	36.1	25.5
P/B	6.1	6.0	4.4	6.3	7.3	6.5	5.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	29.4	21.7	16.2
Target EV/EBIT	0.0	0.0	0.0	0.0	39.7	26.6	18.7
Target EV/FCF	0.0	0.0	0.0	0.0	28.2	51.8	33.3
Target P/B	0.0	0.0	0.0	0.0	7.3	6.5	5.6
Target P/E	0.0	0.0	0.0	0.0	59.7	37.1	26.2
Per share measures							
Number of shares	13,426	13,901	14,375	14,375	14,375	14,375	14,375
Number of shares (diluted)	13,426	13,901	14,849	14,875	14,875	14,875	14,875
EPS	0.81	1.09	1.03	0.87	0.46	0.74	1.05
Operating cash flow per share	0.36	1.34	0.43	0.84	1.04	0.72	0.97
Free cash flow per share	0.24	1.21	0.10	0.53	0.89	0.48	0.74
Book value per share	2.30	3.00	3.57	4.06	3.63	4.10	4.76
Dividend per share	0.25	0.35	0.38	0.38	0.28	0.38	0.42
Dividend payout ratio, %	30.8	32.1	36.7	43.9	60.0	51.4	40.0
Dividend yield, %	1.8	1.9	2.4	1.5	1.0	1.4	1.6
FCF yield, %	1.7	6.7	0.6	2.1	3.3	1.8	2.8
Efficiency measures							
ROE	41.9	41.8	32.0	22.7	11.9	19.1	23.6
ROCE	48.2	47.4	36.4	28.5	15.0	23.0	29.3
Financial ratios							
Inventories as % of sales	14.0	9.6	14.2	13.8	13.8	13.8	13.8
Receivables as % of sales	28.6	24.1	28.4	25.9	25.9	25.9	25.9
Non-interest bearing liabilities as % of sales	18.7	16.8	16.4	12.1	12.1	12.1	12.1
NWC/sales, %	21.5	15.7	25.9	27.0	26.9	27.0	27.1
Operative CAPEX/sales, %	2.1	2.1	5.0	4.4	2.5	3.6	3.0
CAPEX/sales (incl. acquisitions), %	2.1	2.1	5.0	4.4	2.5	3.6	3.0
FCFF/EBITDA	0.2	0.8	0.1	0.4	1.1	0.4	0.5
Net debt/EBITDA, book-weighted	-0.5	-1.0	-0.9	-1.0	-1.7	-1.4	-1.3
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	57.8	67.5	73.0	76.6	77.7	82.6	83.8
Gearing, %	-29.2	-52.3	-35.6	-34.9	-39.2	-39.7	-41.7

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 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	%
Ac Invest Seven B.V.	5,205,167	138.978	36.2%
OP-Finland Value Fund	651,065	17.383	4.5%
Ilmarinen Mutual Pension Insurance Company	554,000	14.792	3.9%
Varma Mutual Pension Insurance Company	515,000	13.750	3.6%
Sijoitusrahasto Aktia Capital	484,762	12.943	3.4%
Fondita Nordic Micro Cap	390,000	10.413	2.7%
Evli Finnish Small Cap Fund	327,259	8.738	2.3%
Martola Hannu Veikko	322,875	8.621	2.2%
Saastopankki Kotimaa	200,000	5.340	1.4%
Ten largest	8,650,128	230.958	60%
Residual	5,725,302	152.866	40%
Total	14,375,430	383.824	100%

EARNINGS CALENDAR

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

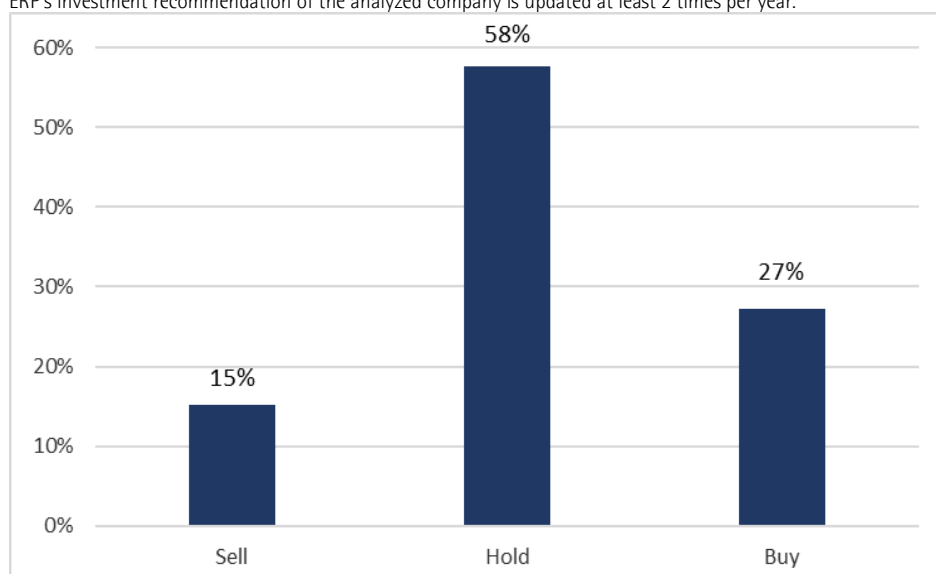
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Investment recommendations are defined as follows:

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

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

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