

Returning to growth

DT's Q2 results were quite in line with our expectations. Growth is picking up, with double-digit growth seen in all BU's during H2, which should push H2 profitability close to the 15% target level. We raise our TP to EUR 32.5 (30.0) and retain our HOLD-rating.

Group results quite in line with our expectations

Detection Technology reported its Q2 results, which were broadly in line with our expectations. Net sales grew 11.5% to EUR 23.5m (EUR 23.8m Evli/cons.). SBU net sales were still in decline but less so than in Q1 and security sales started to grow in late Q2. DT has seen good traction in order intake from its customers, in particular in security CT applications. Quarterly fluctuations saw IBU sales growth turned negative, but the overall market remained stable. MBU continued its strong growth supported by the demand situation in healthcare infrastructure and CT equipment. EBIT In Q2 amounted to EUR 3.0m (EUR 3.0m/3.3m Evli/cons.).

Double-digit growth seen in all BU's in H2

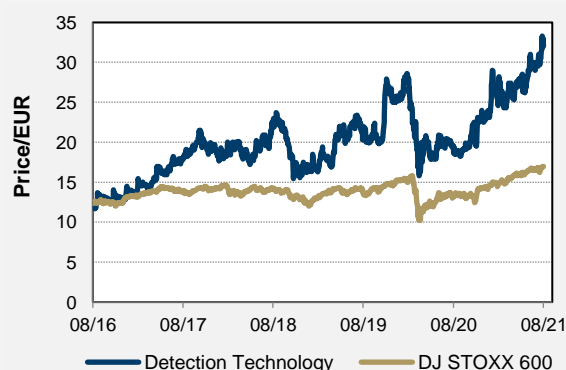
DT's business outlook has improved, and double-digit growth is expected in all BU's in H2. IBU and MBU are expected to grow double-digit in Q3 while SBU is seen to take a turn towards growth in Q3 but demand uncertainty remains at elevated levels. On group level we have made minor upward tweaks to our estimates, expecting growth of 26% in H2. We are somewhat cautious to H2 profitability given the situation with component availability, but still expect improvements due to the higher sales and estimate a H2 EBIT-margin of 14.3%. DT is nearing its 15% target level and a stronger than estimated sales growth could rather easily push margins above the target during the latter half of the year.

HOLD with a target price of EUR 32.5 (30.0)

With the minor estimates revisions and improved H2 outlook and visibility we raise our target price to EUR 32.5 (30.0), valuing DT at 35x 2022 P/E. Valuation is not cheap but DT still exhibits a nice amount of potential in EPS growth considering target and pre-COVID profitability levels. Our rating remains HOLD.

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 32.00

Target price, EUR 32.5

Latest change in recommendation 20-Apr-21

Latest report on company 30-Jul-21

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 460

Free float, % -

Exchange rate 0.000

Reuters code DETEC.HE

Bloomberg code DETEC FH

Average daily volume, EURm 0.0

Next interim report 27-Oct-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
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	92.9	11.6	12.5%	6.0	0.65	49.2	4.7	37.7	1.3	0.38
2022E	107.3	17.2	16.0%	7.8	0.93	34.5	4.1	25.4	1.7	0.42
2023E	120.9	20.6	17.0%	9.8	1.11	28.8	3.6	21.1	2.1	0.50
Market cap, EURm	460			Gearing 2021E, %	-33.4		CAGR EPS 2020-23, %		33.3	
Net debt 2021E, EURm	-21			Price/book 2021E	7.2		CAGR sales 2020-23, %		14.0	
Enterprise value, EURm	439			Dividend yield 2021E, %	1.2		ROE 2021E, %		15.3	
Total assets 2021E, EURm	84			Tax rate 2021E, %	20.8		ROCE 2021E, %		17.2	
Goodwill 2021E, EURm	0			Equity ratio 2021E, %	76.3		PEG, P/E 21/CAGR		2.3	

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

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	EBIT % 21E	EBIT % 22E	EBITDA % 21E	EBITDA % 22E	ROCE % 21E	ROCE % 22E
First Sensor AG	SIS-DE	445						
Hamamatsu Photonics K.K.	6965-JP	8056	15,5	18,9	26,1	27,5	11,7	11,9
OSI Systems, Inc.	OSIS-US	1591	9,9	11,6	17,2	17,2	14,0	15,3
Varex Imaging Corporation	VREX-US	956	3,3	9,6	15,5	16,8		
ams AG	AMS-CH	4275	13,1	10,0	20,7	21,7	7,1	8,4
Analog Devices, Inc.	ADI-US	56026	39,9	43,4	44,4	45,1	15,0	16,4
Keysight Technologies Inc	KEYS-US	27658	24,9	29,6	28,9	30,1	19,8	19,5
Spectris plc	SXS-GB	4837	13,0	17,0	19,9	20,8	14,2	15,1
Oxford Instruments plc	OXIG-GB	1649	17,8	18,0	21,0	20,8	18,6	17,6
Trimble Inc.	TRMB-US	19393	22,9	23,5	24,2	24,9	13,1	13,6
Hexagon AB Class B	HEXA.B-SE	34989	24,8	28,5	37,5	37,6	11,6	12,2
Vaisala Oyj Class A	VAIAS-FI	1354	11,8	12,5	16,6	17,6	17,8	19,2
Peer Group Average		12805	17,7	20,1	24,4	25,2	14,4	15,1
Peer Group Median		4837	15,6	18,2	21,0	22,1	14,2	15,3
Detection Technology (Evli est.)		467	12,3	16,1	15,8	18,8	16,9	22,6

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	ROE % 21E	ROE % 22E	DIV % 21E	DIV % 22E	P/E 21E	P/E 22E
First Sensor AG	SIS-DE	445						
Hamamatsu Photonics K.K.	6965-JP	8056	9,9	10,1	0,6	0,7	44,2x	40,6x
OSI Systems, Inc.	OSIS-US	1591	16,0	15,2	0,0	0,0	18,6x	17,6x
Varex Imaging Corporation	VREX-US	956					25,5x	21,0x
ams AG	AMS-CH	4275	8,3	12,1	0,0	0,2	17,0x	12,1x
Analog Devices, Inc.	ADI-US	56026	19,4	21,0	1,4	1,6	26,8x	24,2x
Keysight Technologies Inc	KEYS-US	27658	30,5	27,5	0,0	0,0	28,3x	25,8x
National Instruments Corporation	NATI-US	5234	9,1	12,6	2,4	2,6	50,5x	35,0x
Spectris plc	SXS-GB	4837	13,8	15,4	1,9	2,0	25,6x	22,6x
Oxford Instruments plc	OXIG-GB	1649	15,8	14,2	0,6	0,7	30,2x	29,8x
Trimble Inc.	TRMB-US	19393	16,4	12,7	0,0	0,0	34,9x	30,7x
Hexagon AB Class B	HEXA.B-SE	34989	14,9	14,3	0,6	0,8	37,8x	35,1x
Vaisala Oyj Class A	VAIAS-FI	1354	19,8	19,9	1,6	1,8	32,0x	29,1x
Peer Group Average		12805	15,8	15,9	0,8	1,0	30,9x	27,0x
Peer Group Median		4837	15,8	14,3	0,6	0,7	29,2x	27,5x
Detection Technology (Evli est.)		467	15,1	19,8	1,1	1,3	52,0x	35,9x

78 % 31 %

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	EV/S 21E	EV/S 22E	EV/EBITDA 21E	EV/EBITDA 22E	EV/EBIT 21E	EV/EBIT 22E
First Sensor AG	SIS-DE	445						
Hamamatsu Photonics K.K.	6965-JP	8056	6,0x	5,7x	22,9x	20,7x	33,1x	30,1x
OSI Systems, Inc.	OSIS-US	1591	1,8x	1,6x	10,2x	9,1x	15,3x	13,5x
Varex Imaging Corporation	VREX-US	956						
ams AG	AMS-CH	4275	1,3x	1,2x	6,2x	5,6x	14,5x	12,1x
Analog Devices, Inc.	ADI-US	56026	9,8x	9,1x	22,1x	20,1x	23,4x	20,9x
Keysight Technologies Inc	KEYS-US	27658	6,2x	5,7x	21,5x	18,9x	22,3x	19,3x
Spectris plc	SXS-GB	4837	3,1x	2,9x	15,6x	14,1x	19,4x	17,2x
Oxford Instruments plc	OXIG-GB	1649	4,0x	3,8x	19,1x	18,2x	21,7x	20,9x
Trimble Inc.	TRMB-US	19393	6,4x	5,8x	26,6x	23,3x	28,5x	24,7x
Hexagon AB Class B	HEXA.B-SE	34989	9,0x	8,2x	24,1x	21,7x	32,3x	28,6x
Vaisala Oyj Class A	VAIAS-FI	1354	3,3x	3,0x	19,6x	17,2x	28,0x	24,2x
Peer Group Average		12805	5,0x	4,6x	18,7x	16,8x	23,7x	21,0x
Peer Group Median		4837	4,0x	3,8x	19,6x	18,2x	22,5x	20,9x
Detection Technology (Evli est.)		467	4,9x	4,3x	31,3x	22,7x	40,2x	26,5x

Premium/discount relative to peer group median

23 % 13 % 60 % 25 % 79 % 27 %

Source: Factset, Evli Research

DETECTION TECHNOLOGY PEER GROUP	Security identifier	MCAP MEUR	Sales growth % 21E	Sales growth % 22E	Net debt / EBITDA 21E	Net debt / EBITDA 22E	Equity ratio % 21E	Equity ratio % 22E
First Sensor AG	SIS-DE	445						
Hamamatsu Photonics K.K.	6965-JP	8056	14,8	4,0	-1,8x	-1,8x	79,7	80,6
OSI Systems, Inc.	OSIS-US	1591	-2,9	0,0	1,1x	0,6x	50,0	54,6
Varex Imaging Corporation	VREX-US	956	7,2	5,4				
ams AG	AMS-CH	4275	50,4	0,9	1,9x	1,5x	29,9	31,3
Analog Devices, Inc.	ADI-US	56026	19,3	7,4	1,2x	0,9x	56,4	55,4
Keysight Technologies Inc	KEYS-US	27658	15,5	5,7	-0,3x	-0,9x	47,6	51,8
National Instruments Corporation	NATI-US	5234	13,6	0,0	-0,6x	-0,6x	66,6	69,9
Spectris plc	SXS-GB	4837	-1,5	4,0	-0,4x	-0,6x	65,6	67,9
Oxford Instruments plc	OXIG-GB	1649	4,9	4,9	-1,3x	-1,4x	61,4	63,2
Trimble Inc.	TRMB-US	19393	10,5	7,9	1,0x	0,3x	56,3	59,2
Hexagon AB Class B	HEXA.B-SE	34989	13,9	8,9	1,2x	0,7x	57,7	59,8
Vaisala Oyj Class A	VAIAS-FI	1354	10,0	5,7	-0,1x	-0,4x	59,4	62,4
Peer Group Average		12805	13,0	5,5	0,2x	-0,1x	57,3	59,7
Peer Group Median		4837	12,1	5,5	-0,1x	-0,4x	57,7	59,8
Detection Technology (Evli est.)		467	13,5	15,4	-1,5x	-1,2x	76,5	75,3

Source: Factset, Evli Research

Updated on August 4th, 2021

INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	19.9	21.1	20.6	19.9	81.6	18.3	23.5	25.1	26.0	92.9	107.3	120.9
EBITDA	2.0	3.4	3.4	3.1	11.9	1.4	4.6	4.5	4.4	14.9	20.0	23.1
<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>17.9</i>	<i>16.9</i>	<i>16.1</i>	<i>18.7</i>	<i>19.1</i>
EBIT	1.2	2.6	2.6	2.3	8.7	1.4	3.0	3.7	3.6	11.6	17.2	20.6
<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>14.7</i>	<i>13.8</i>	<i>12.5</i>	<i>16.0</i>	<i>17.0</i>
Net financial items	0.0	-0.3	-0.1	-0.1	-0.6	0.3	-0.1	0.0	0.0	0.2	-0.5	-0.6
Pre-tax profit	1.2	2.3	2.5	2.2	8.1	1.7	2.9	3.7	3.6	11.8	16.7	20.0
Tax	-0.2	-0.5	-0.8	0.1	-1.4	-0.5	-0.6	-0.7	-0.7	-2.5	-3.3	-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>20.0</i>	<i>20.0</i>	<i>20.8</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	2.9	2.8	9.3	13.3	16.0
EPS	0.06	0.12	0.12	0.16	0.47	0.09	0.16	0.20	0.20	0.65	0.93	1.11
EPS adjusted (diluted no. of shares)	0.06	0.12	0.11	0.16	0.45	0.08	0.16	0.20	0.19	0.63	0.90	1.07
Dividend per share	0.00	0.00	0.00	0.00	0.28	0.00	0.00	0.00	0.00	0.38	0.42	0.50
SALES, EURm												
MBU	8.4	9.9	10.1	10.9	39.3	10.1	13.6	13.6	14.2	51.5	59.4	66.6
SBU	9.4	7.8	7.4	6.1	30.7	5.8	6.9	8.0	8.4	29.1	33.5	37.9
IBU	2.2	3.4	3.1	2.8	11.6	2.4	3.1	3.5	3.4	12.4	14.3	16.4
Total	19.9	21.1	20.6	19.9	81.6	18.3	23.5	25.1	26.0	92.9	107.3	120.9
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>35.3</i>	<i>30.3</i>	<i>31.1</i>	<i>15.5</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>7.5</i>	<i>37.1</i>	<i>-5.3</i>	<i>15.3</i>	<i>13.0</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>11.6</i>	<i>20.1</i>	<i>6.8</i>	<i>15.4</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>21.7</i>	<i>30.9</i>	<i>13.9</i>	<i>15.4</i>	<i>12.7</i>
EBIT, EURm												
Group	1.2	2.6	2.6	2.3	8.7	1.4	3.0	3.7	3.6	11.6	17.2	20.6
Total	1.2	2.6	2.6	2.3	8.7	1.4	3.0	3.7	3.6	11.6	17.2	20.6
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>14.7</i>	<i>13.8</i>	<i>12.5</i>	<i>16.0</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	92.9	107.3	120.9
<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>13.9</i>	<i>15.4</i>	<i>12.7</i>
EBITDA	17.3	22.1	20.9	19.9	11.9	14.9	20.0	23.1
<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>16.1</i>	<i>18.7</i>	<i>19.1</i>
Depreciation	-2.5	-2.2	-2.4	-2.9	-3.2	-3.3	-2.9	-2.5
EBITA	14.8	19.9	18.5	17.0	8.7	11.6	17.2	20.6
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	11.6	17.2	20.6
<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>12.5</i>	<i>16.0</i>	<i>17.0</i>
Reported EBIT	14.8	19.9	18.5	17.0	8.7	11.6	17.2	20.6
<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>12.5</i>	<i>16.0</i>	<i>17.0</i>
Net financials	-0.7	-0.5	-0.1	-1.0	-0.6	0.2	-0.5	-0.6
Pre-tax profit	14.1	19.4	18.4	16.0	8.1	11.8	16.7	20.0
Taxes	-3.2	-4.2	-3.6	-3.6	-1.4	-2.5	-3.3	-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	9.3	13.3	16.0
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	24
Receivables	22	21	27	27	25	28	32	36
Liquid funds	16	27	22	26	25	29	33	37
Total assets	54	62	71	77	76	84	96	108
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	7	10	10
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	84	96	108
CASH FLOW, EURm								
+ EBITDA	17	22	21	20	12	15	20	23
- Net financial items	8	11	0	-1	-1	0	-1	-1
- Taxes	-1	-3	-5	-5	-3	-2	-3	-4
- Increase in Net Working Capital	-11	1	-10	-2	0	-4	-5	-5
+/- Other	-9	-12	0	0	-1	0	0	0
= Cash flow from operations	5	19	6	12	8	9	11	14
- Capex	-2	-2	-5	-4	-3	-3	-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	6	8	10
+/- New issues/buybacks	0	-1	0	0	-1	0	0	0
- Paid dividend	-1	-3	-5	-5	-5	-4	-5	-6
+/- Other	6	-2	0	2	1	2	2	0
Change in cash	8	11	-4	4	-1	4	4	4

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	250	224	368	344	460	460	460
Net debt (excl. convertibles)	-22	-18	-20	-19	-21	-24	-27
Enterprise value	228	206	348	324	439	436	433
Sales	89	94	103	82	93	107	121
EBITDA	22	21	20	12	15	20	23
EBIT	20	19	17	9	12	17	21
Pre-tax	19	18	16	8	12	17	20
Earnings	15	15	12	7	9	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	4.7	4.1	3.6
EV/EBITDA	10.3	9.8	17.4	27.3	29.4	21.8	18.8
EV/EBITA	11.5	11.1	20.4	37.1	37.7	25.4	21.1
EV/EBIT	11.5	11.1	20.4	37.1	37.7	25.4	21.1
EV/OCF	12.3	33.6	30.0	43.1	51.6	39.7	31.9
EV/FCFF	13.3	142.7	41.7	65.2	74.8	53.4	42.1
P/FCFE	14.9	162.4	48.7	77.4	76.7	59.3	46.9
P/E	16.5	15.1	29.5	51.0	49.2	34.5	28.8
P/B	6.0	4.4	6.3	5.9	7.2	6.4	5.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	29.9	22.1	19.1
Target EV/EBIT	0.0	0.0	0.0	0.0	38.3	25.8	21.4
Target EV/FCF	0.0	0.0	0.0	0.0	74.4	57.2	44.9
Target P/B	0.0	0.0	0.0	0.0	7.3	6.5	5.7
Target P/E	0.0	0.0	0.0	0.0	51.7	36.3	30.3
Per share measures							
Number of shares	13,901	14,375	14,375	14,375	14,375	14,375	14,375
Number of shares (diluted)	13,901	14,849	14,875	14,875	14,875	14,875	14,875
EPS	1.09	1.03	0.87	0.47	0.65	0.93	1.11
Operating cash flow per share	1.34	0.43	0.81	0.52	0.59	0.77	0.94
Free cash flow per share	1.21	0.10	0.53	0.31	0.42	0.54	0.68
Book value per share	3.00	3.57	4.06	4.06	4.43	4.98	5.67
Dividend per share	0.35	0.38	0.38	0.28	0.38	0.42	0.50
Dividend payout ratio, %	32.1	36.7	43.9	59.7	58.5	45.0	45.0
Dividend yield, %	1.9	2.4	1.5	1.2	1.2	1.3	1.6
FCF yield, %	6.7	0.6	2.1	1.3	1.3	1.7	2.1
Efficiency measures							
ROE	41.8	32.0	22.7	11.5	15.3	19.7	20.9
ROCE	47.4	36.4	28.5	13.6	17.2	22.5	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	35.7	35.7	35.8
Operative CAPEX/sales, %	2.1	5.0	3.9	3.8	2.7	3.0	3.1
CAPEX/sales (incl. acquisitions), %	2.1	5.0	3.9	3.8	2.7	3.0	3.1
FCFF/EBITDA	0.8	0.1	0.4	0.4	0.4	0.4	0.4
Net debt/EBITDA, book-weighted	-1.0	-0.9	-1.0	-1.6	-1.4	-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	76.3	75.1	75.8
Gearing, %	-52.3	-35.6	-34.9	-33.2	-33.4	-32.9	-33.6

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	168.965	36.7%
OP-Finland Fund	617,376	19.756	4.3%
Varma Mutual Pension Insurance Company	515,000	16.480	3.6%
Sijoitusrahasto Aktia Capital	435,737	13.944	3.0%
Ilmarinen Mutual Pension Insurance Company	435,737	13.944	3.0%
Martola Hannu Veikko	431,690	13.814	3.0%
SEB Finland Small Cap Investment Fund	276,716	8.855	1.9%
Saastopankki Kotimaa	240,000	7.680	1.7%
Op-Suomi Mikroyhtiöt -Erikoissijoitusrahasto	232,932	7.454	1.6%
Fondita Nordic Micro Cap	220,000	7.040	1.5%
Ten largest	8,685,355	277.931	60%
Residual	5,690,075	182.082	40%
Total	14,375,430	460.014	100%

EARNINGS CALENDAR	
October 27, 2021	Q3 report
OTHER EVENTS	

COMPANY MISCELLANEOUS	
CEO: Hannu Martola	Elektroniikkatie 10, 90590 Oulu
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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

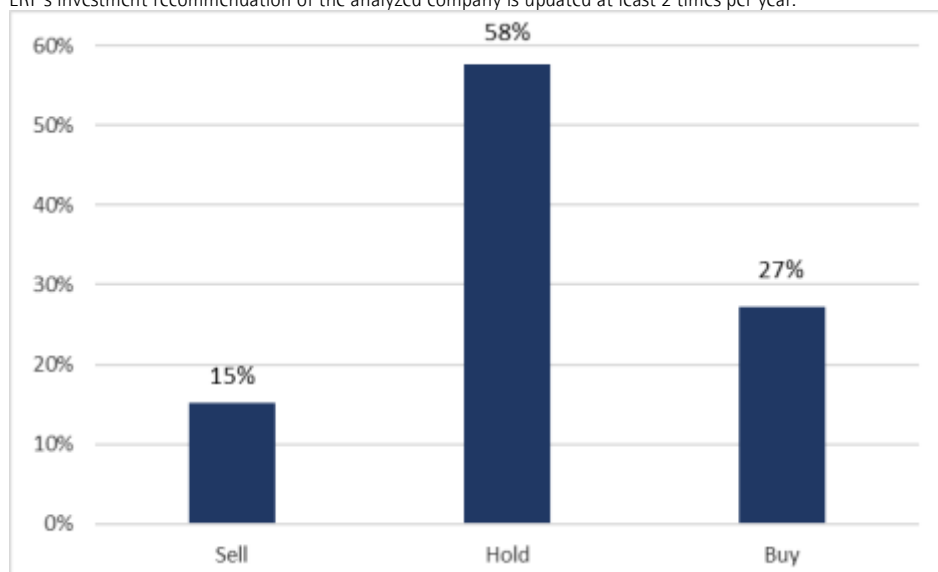
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Investment recommendations are defined as follows:

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

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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): Salokivi

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