

Double-digit growth

Detection Technology's Q3 result delivered some double-digit growth, but the result fell short of our expectations. The company expect to see double-digit growth in all of its BUs during Q4'21.

- **Group level results:** Q4 net sales grew by 12.5% y/y to EUR 23.2m vs. EUR 25.1m/25.2m Evli/cons. Adj. EBIT grew by 26.5% y/y and amounted to EUR 3.3m (14.1% margin) vs. EUR 3.7m/3.9m Evli/cons. R&D costs totaled to 2.6m and were 11.2% of net sales (Q3'20: EUR 2.3m, 11.1%)
- **Medical (MBU):** sales growth of the MBU was mainly generated by next-generation CT products and net sales grew by 18.8% y/y, totaling EUR 11.9m (Evli: 35.3% y/y, 13.6m).
- **Security (SBU):** the normalization of demand has started in all segments, and demand has taken an upward turn also in the aviation. Net sales increased by 0.2% y/y from weak comparison period and amounted to EUR 7.5m (Evli: 7.5% y/y, 8m).
- **Industrial (IBU):** demand was strong in all of the company's main segments and net sales grew by 21.5%, totaling EUR 3.8 (Evli: 11.6%, 3.5m).
- Component shortage has been affecting DT's sales and margins throughout the year and was also postponing product deliveries during 3rd quarter of 2021.
- **FY'21 outlook:** DT expects the demand to continue strongly both in the medical and industrial applications, and the double-digit growth of the MBU and IBU will be greater in Q4 than in Q3 of 2021. The demand in security applications will improve, and the company expects the SBU to have double-digit growth in net sales in Q4 of 2021. DT expects double-digit growth in its total net sales also in H1 2022.
- **No changes in medium-term targets:** at least 10% net sales growth and an EBIT margin at or above 15%.

Rating 🟡 HOLD

Q3'21	Actual	Evli	Cons.	Year ago	Q2'21
Net sales	23.2	25.1	25.2	20.6	23.5
MBU	11.9	13.6	-	10.1	13.6
SBU	7.5	8	-	7.4	6.9
IBU	3.8	3.5	-	3.1	3.1
Adj. EBIT	3.3	3.7	3.9	2.6	3.0
EBIT margin	14.1%	14.7%	15.5%	12.6%	12.6%

Deviation	Evli	Cons.	Year ago	Q2'21
Net sales	-7.6%	-7.8%	12.5%	-1.4%
MBU	-12.5%	-	18.8%	-12.3%
SBU	-6.3%	-	0.2%	9.0%
IBU	8.6%	-	21.5%	23.1%
Adj. EBIT	-11.3%	-15.8%	26.5%	11.1%

Source: Bloomberg, Detection Technology & Evli Research

Share price, EUR (Last trading day's closing price) 30.80

Target price, EUR 32.5

Latest change in recommendation 21-Apr-21

Latest report on company 04-Aug-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 443

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

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
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	47.4	4.5	36.2	1.4	0.38
2022E	107.3	17.2	16.0%	7.8	0.93	33.2	3.9	24.4	1.8	0.42
2023E	120.9	20.6	17.0%	9.8	1.11	27.7	3.4	20.2	2.2	0.50

Market cap, EURm	443	BV per share 2021E, EUR	-33.4	CAGR EPS 2020-23, %	33.3
Net debt 2021E, EURm	-21	Price/book 2021E	7.0	CAGR sales 2020-23, %	14.0
Enterprise value, EURm	422	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	2.2

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

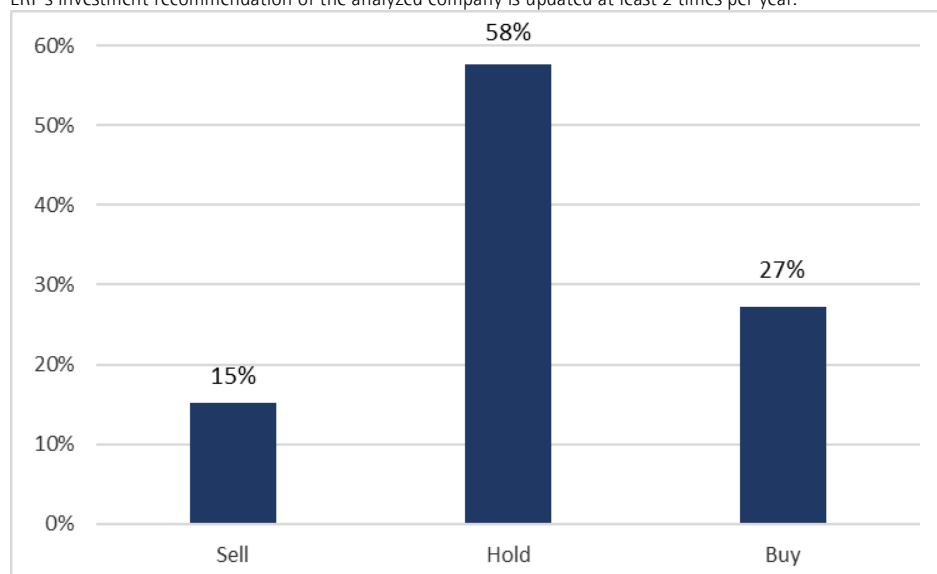
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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