

## Growth is expected to pick up in Q3

Detection Technology will report its Q3 result on October 27th. We have made no changes to our estimates ahead of Q3, expecting revenue to grow by 21.7% to EUR 25.1m and an EBIT margin of 14.7%.

### Q2 included some seasonality

The Q2 result was good on a group level, but there were deviations between BUs. The company expected and saw pick-up in SBU's growth towards the end of the quarter, but with the sluggish performance of aviation SBU's top line still declined by 11.7% y/y. MBU had a strong quarter and saw a growth of 37% y/y while IBU faced some short-term seasonality and declined by 10.4% y/y. The company grew by 11.4% y/y to EUR 23.5m driven by MBU. The EBIT margin improved from 12.3% to 12.6% y/y and EBIT ultimately amounted to EUR 3m.

### Medical expected to be in the driver's seat

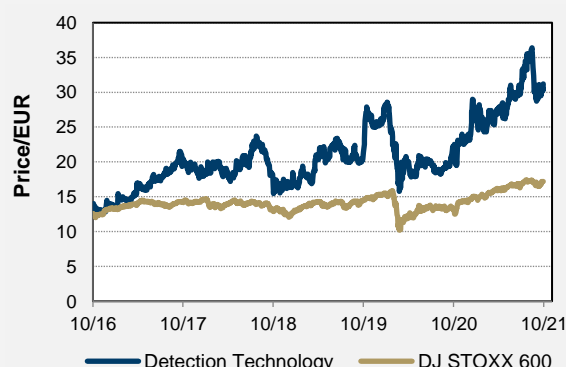
We expect Q3 net sales to grow from a pretty weak comparison period by 21.7% y/y to EUR 25.1m. We estimate MBU to grow by 35.3% driven by strong demand for CT equipment. We expect IBU to recover from the seasonal decline in Q2 and grow by 11.6% while we expect SBU to reverse the sales decline trend and grow by 7.5%. We expect EBIT to improve to EUR 3.7m (margin of 14.7%) driven by stronger revenue growth. The component shortage is still tightening the margins as component prices have increased. To our understanding, the shortage has affected DT's sales volumes. Depending on the source, the shortage is expected to last at least until H1'22.

### HOLD with a target price of EUR 32.5

We have made no changes to our estimates ahead of Q3. With 22E EV/EBIT 24.8x and P/E 33.7x, DT's premium to peer median is 15% and 25% respectively. The stock is not cheap, but we see long-term potential in the business as the security market growth kicks in and still emerging technologies develop and commercialize. We retain our HOLD-rating and TP of EUR 32.5.

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 31.20

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 449

Free float, % -

Exchange rate 0.000

Reuters code DETEC.HE

Bloomberg code DETEC FH

Average daily volume, EURm -

Next interim report 27-Oct-21

Web site [deetee.com/investors/](http://deetee.com/investors/)

Analyst Jerker Salokivi

E-mail [jerker.salokivi@evli.com](mailto:jerker.salokivi@evli.com)

Telephone +358 9 4766 9149

+ 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	48.0	4.6	36.7	1.3	0.38
2022E	107.3	17.2	16.0%	7.8	0.93	33.7	4.0	24.8	1.7	0.42
2023E	120.9	20.6	17.0%	9.8	1.11	28.1	3.5	20.5	2.2	0.50
Market cap, EURm	449			Gearing 2021E, %	-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	427			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.

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	440						
Hamamatsu Photonics K.K.	6965-JP	8506	15.5	19.9	26.8	27.8	12.5	12.5
OSI Systems, Inc.	OSIS-US	1527	9.9	12.1	17.3	17.7	12.3	14.1
Varex Imaging Corporation	VREX-US	960	3.3	11.2	16.7	17.8		
ams AG	AMS-CH	4222	13.1	9.5	20.9	20.9	5.9	7.4
Analog Devices, Inc.	ADI-US	85622	39.9	44.9	49.6	48.7	11.1	16.4
Keysight Technologies Inc	KEYS-US	28884	24.9	27.7	29.2	30.2	19.3	18.6
Spectris plc	SXS-GB	4836	13.0	17.3	20.0	21.0	15.4	15.9
Oxford Instruments plc	OXIG-GB	1579	17.8	17.7	21.1	20.5	22.0	21.3
Trimble Inc.	TRMB-US	19603	22.9	23.9	24.4	24.9	13.8	14.3
Hexagon AB Class B	HEXA.B-SE	33022	24.8	28.6	37.1	37.7	11.6	12.3
Vaisala Oyj Class A	VAIAS-FI	1635	11.8	12.9	17.0	18.0	18.6	20.2
Peer Group Average		15056	17.7	20.3	25.1	25.7	14.4	15.5
Peer Group Median		4836	15.6	18.0	21.3	22.2	13.8	15.9
Detection Technology (Evli est.)		459	12.5	16.0	16.1	18.7	17.2	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	440						
Hamamatsu Photonics K.K.	6965-JP	8506	10.7	10.6	0.6	0.7	43.2x	40.1x
OSI Systems, Inc.	OSIS-US	1527	16.2	16.0	0.0		17.8x	16.4x
Varex Imaging Corporation	VREX-US	960					22.4x	19.3x
ams AG	AMS-CH	4222	7.8	12.3	0.0	0.0	18.1x	12.1x
Analog Devices, Inc.	ADI-US	85622	20.1	24.1	1.4	1.6	27.5x	24.1x
Keysight Technologies Inc	KEYS-US	28884	31.1	27.9	0.0	0.0	28.7x	26.2x
National Instruments Corporation	NATI-US	4887	9.7	13.7	2.5	2.7	44.5x	30.3x
Spectris plc	SXS-GB	4836	13.8	15.0	1.8	2.0	25.7x	22.9x
Oxford Instruments plc	OXIG-GB	1579	35.1	1741.2	0.6	0.8	28.2x	27.8x
Trimble Inc.	TRMB-US	19603	17.2	13.3	0.0	0.0	33.2x	29.3x
Hexagon AB Class B	HEXA.B-SE	33022	15.1	14.5	0.7	0.9	36.1x	33.7x
Vaisala Oyj Class A	VAIAS-FI	1635	21.2	21.2	1.3	1.5	35.8x	32.5x
Peer Group Average		15056	18.0	173.6	0.8	1.0	30.1x	26.2x
Peer Group Median		4836	16.2	15.0	0.6	0.8	28.5x	27.0x
Detection Technology (Evli est.)		459	15.3	19.7	1.2	1.3	48.2x	33.7x

Premium/discount relative to peer group median

69% 25%

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	440						
Hamamatsu Photonics K.K.	6965-JP	8506	6.2x	5.9x	23.1x	21.3x	32.4x	29.6x
OSI Systems, Inc.	OSIS-US	1527	1.7x	1.5x	9.5x	8.5x	14.9x	12.4x
Varex Imaging Corporation	VREX-US	960						
ams AG	AMS-CH	4222	1.2x	1.2x	6.0x	5.7x	16.2x	12.6x
Analog Devices, Inc.	ADI-US	85622	13.8x	10.2x	27.9x	21.0x	32.7x	22.8x
Keysight Technologies Inc	KEYS-US	28884	6.4x	6.0x	22.0x	19.7x	23.9x	21.5x
Spectris plc	SXS-GB	4836	3.0x	2.9x	15.2x	13.9x	19.0x	16.8x
Oxford Instruments plc	OXIG-GB	1579	3.9x	3.7x	18.3x	18.0x	21.1x	20.9x
Trimble Inc.	TRMB-US	19603	6.2x	5.6x	25.5x	22.5x	27.1x	23.4x
Hexagon AB Class B	HEXA.B-SE	33022	8.7x	7.8x	23.4x	20.6x	31.1x	27.2x
Vaisala Oyj Class A	VAIAS-FI	1635	3.8x	3.5x	22.5x	19.7x	31.8x	27.4x
Peer Group Average		15056	5.3x	4.7x	19.1x	16.8x	24.7x	21.1x
Peer Group Median		4836	3.9x	3.7x	22.0x	19.7x	23.9x	21.5x
Detection Technology (Evli est.)		459	4.6x	4.0x	28.7x	21.2x	36.8x	24.8x

Premium/discount relative to peer group median

19% 7% 30% 8% 54% 15%

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	440						
Hamamatsu Photonics K.K.	6965-JP	8506	17.1	3.7	-1.7x	-1.8x	80.6	81.8
OSI Systems, Inc.	OSIS-US	1527	-1.6	0.0	1.0x	0.6x	46.2	50.9
Varex Imaging Corporation	VREX-US	960	9.3	4.9				
ams AG	AMS-CH	4222	51.3	0.6	1.8x	1.5x	31.0	32.4
Analog Devices, Inc.	ADI-US	85622	27.6	35.0	1.1x	0.8x	42.4	41.6
Keysight Technologies Inc	KEYS-US	28884	16.5	5.6	-0.3x	-0.7x	48.8	52.6
National Instruments Corporation	NATI-US	4887	13.7	0.0	-0.6x	-0.5x	66.5	69.9
Spectris plc	SXS-GB	4836	-1.0	2.6	-0.6x	-0.8x	69.7	72.7
Oxford Instruments plc	OXIG-GB	1579	7.6	5.3	-0.6x	-0.4x	65.3	68.7
Trimble Inc.	TRMB-US	19603	14.9	8.3	0.9x	0.2x	56.5	59.2
Hexagon AB Class B	HEXA.B-SE	33022	14.5	9.7	1.3x	0.8x	58.5	61.0
Vaisala Oyj Class A	VAIAS-FI	1635	13.2	6.5	-0.1x	-0.4x	59.3	63.3
Peer Group Average		15056	15.2	8.2	0.2x	-0.1x	56.8	59.5
Peer Group Median		4836	14.1	5.5	-0.1x	-0.4x	58.5	61.0
Detection Technology (Evli est.)		459	13.9	15.4	-1.4x	-1.2x	76.3	75.1

Source: Factset, Evli Research

Updated on October 21th, 2021

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	31.20 PV of Free Cash Flow	92 Long-term growth, %	2.5 Risk-free interest rate, %	2.25
DCF share value	18.08 PV of Horizon value	152 WACC, %	8.5 Market risk premium, %	5.8
Share price potential, %	-42.1 Unconsolidated equity	0 Spread, %	0.0 Debt risk premium, %	2.8
Maximum value	18.1 Marketable securities	25 Minimum WACC, %	8.5 Equity beta coefficient	1.10
Minimum value	18.1 Debt - dividend	-10 Maximum WACC, %	8.5 Target debt ratio, %	20
Horizon value, %	62.3 Value of stock	260 Nr of shares, Mn	14.4 Effective tax rate, %	20

DCF valuation, EURm	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Horizon
Net sales	82	93	107	121	127	132	136	140	144	149	152	156
<i>Sales growth, %</i>	-20.4	13.9	15.4	12.7	5.0	4.0	3.0	3.0	3.0	3.0	2.5	2.5
Operating income (EBIT)	9	12	17	21	22	22	23	24	25	25	26	27
<i>Operating income margin, %</i>	10.7	12.5	16.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
+ Depreciation+amort.	3	3	3	3	3	3	3	3	4	4	4	4
EBITDA	12	15	20	23	25	26	26	27	28	29	30	
- Paid taxes	-3	-2	-3	-4	-4	-4	-5	-5	-5	-5	-5	-5
- Change in NWC	0	-4	-5	-5	-2	-2	-1	-1	-2	-2	-1	
<i>NWC / Sales, %</i>	35.6	35.7	35.7	35.8	35.8	35.8	35.8	35.9	35.9	35.9	35.9	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-3	-3	-3	-4	-4	-4	-4	-4	-4	-4	-4	
<i>opCAPEX / Sales, %</i>	3.8	2.7	3.0	3.1	2.8	2.7	2.7	2.7	2.7	2.7	2.7	
- 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	-1	0	0	0	0	0	0	0	0	0	0	
= FCFF	5	6	8	10	15	16	17	17	18	18	19	327
= Discounted FCFF		6	7	8	11	11	11	10	10	9	9	152
= DFCF min WACC		6	7	8	11	11	11	10	10	9	9	152
= DFCF max WACC		6	7	8	11	11	11	10	10	9	9	152

## 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
<b>SALES, EURm</b>												
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
<b>SALES GROWTH, Y/Y %</b>												
<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>
<b>EBIT, EURm</b>												
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
<b>EBIT margin, %</b>												
<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
<b>BALANCE SHEET, EURm</b>								
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
<b>CASH FLOW, EURm</b>								
+ 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	449	449	449
Net debt (excl. convertibles)	-22	-18	-20	-19	-21	-24	-27
Enterprise value	228	206	348	324	427	425	421
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
<b>Valuation multiples</b>							
EV/sales	2.6	2.2	3.4	4.0	4.6	4.0	3.5
EV/EBITDA	10.3	9.8	17.4	27.3	28.6	21.2	18.3
EV/EBITA	11.5	11.1	20.4	37.1	36.7	24.8	20.5
EV/EBIT	11.5	11.1	20.4	37.1	36.7	24.8	20.5
EV/OCF	12.3	33.6	30.0	43.1	50.3	38.6	31.1
EV/FCFF	13.3	142.7	41.7	65.2	72.8	52.0	41.0
P/FCFE	14.9	162.4	48.7	77.4	74.8	57.8	45.8
P/E	16.5	15.1	29.5	51.0	48.0	33.7	28.1
P/B	6.0	4.4	6.3	5.9	7.0	6.3	5.5
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
<b>Per share measures</b>							
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	2.2
<b>Efficiency measures</b>							
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
<b>Financial ratios</b>							
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	164.741	36.7%
OP-Finland Fund	617,376	19.262	4.3%
Varma Mutual Pension Insurance Company	515,000	16.068	3.6%
Sijoitusrahasto Aktia Capital	435,737	13.595	3.0%
Ilmarinen Mutual Pension Insurance Company	435,737	13.595	3.0%
Martola Hannu Veikko	431,690	13.469	3.0%
SEB Finland Small Cap Investment Fund	276,716	8.634	1.9%
Saastopankki Kotimaa	240,000	7.488	1.7%
Op-Suomi Mikroyhtiöt -Erikoissijoitusrahasto	232,932	7.267	1.6%
Fondita Nordic Micro Cap	220,000	6.864	1.5%
Ten largest	8,685,355	270.983	60%
Residual	5,690,075	177.530	40%
Total	14,375,430	448.513	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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		



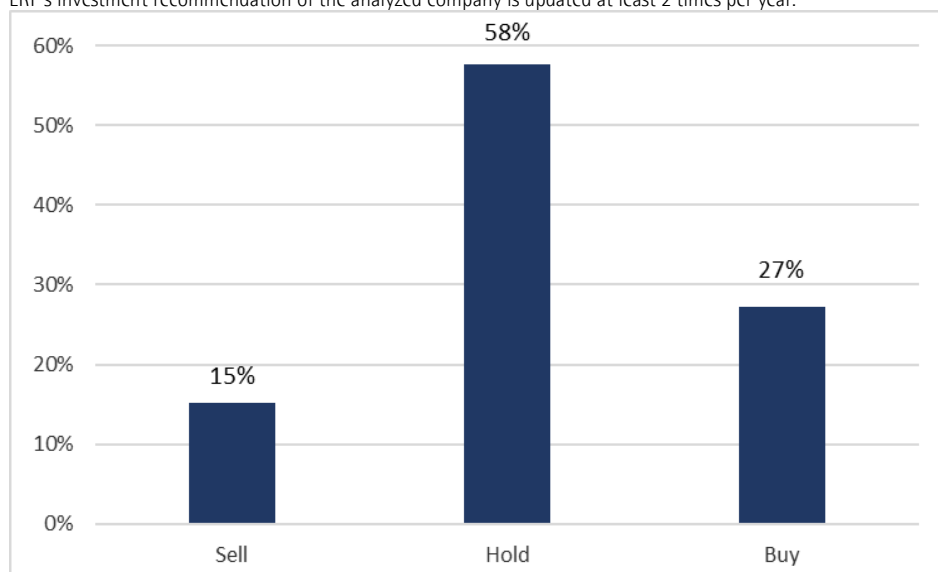
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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**Contact information****SALES, TRADING AND RESEARCH****Equity, ETF and Derivatives Sales**

Joachim Dannberg	+358 9 4766 9123
Ari Laine	+358 9 4766 9115
Kimmo Lilja	+358 9 4766 9130

**Trading**

Lauri Vehkaluoto (Head)	+358 9 4766 9120
Pasi Väisänen	+358 9 4766 9120
Antti Kässi	+358 9 4766 9120
Miika Ronkanen	+358 9 4766 9120

**Structured Investments**

Heikki Savijoki	+358 9 4766 9726
Aki Lakkisto	+358 9 4766 9123

**Equity Research**

Jonas Forslund	+358 9 4766 9314
Joonas Ilvonen	+358 44 430 9071
Jerker Salokivi	+358 9 4766 9149
Teemu Reiman	+358 40 352 6175

**Evli Investment Solutions**

Johannes Asuja	+358 9 4766 9205
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**EVLI BANK PLC**  
Aleksanterinkatu 19 A  
P.O. Box 1081  
FIN-00101 Helsinki, FINLAND  
Phone +358 9 476 690  
Fax +358 9 634 382  
Internet [www.evli.com](http://www.evli.com)  
E-mail [firstname.lastname@evli.com](mailto:firstname.lastname@evli.com)

**EVLI BANK PLC,  
STOCKHOLMSFILIAL**  
Regeringsgatan 67 P.O. Box 16354  
SE-103 26 Stockholm  
Sverige  
[stockholm@evli.com](mailto:stockholm@evli.com)  
Tel +46 (0)8 407 8000  
Fax +46 (0)8 407 8001