



**Q1** 2019  
January–March

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Business review

Detection  
Technology  
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## DETECTION TECHNOLOGY PLC BUSINESS REVIEW JANUARY-MARCH 2019

**Detection Technology Q1 2019: Double-digit growth****January-March 2019 highlights**

- Net sales increased by 19.3% to EUR 23.1 million (19.3)
- Net sales of Security and Industrial Business Unit (SBU) increased by 22.9% to EUR 14.5 million (11.8)
- Net sales of Medical Business Unit (MBU) increased by 13.8% to EUR 8.6 million (7.5)
- Operating profit (EBIT) was EUR 3.9 million (3.7)
- Operating margin (EBIT-%) was 16.7% of net sales (19.4%)

(Figures in brackets refer to the corresponding period of the previous year.)

**Key figures**

(EUR 1,000)	1-3/2019	1-3/2018	1-12/2018
Net sales	23,053	19,318	93,916
Change in net sales, %	19.3%	2.4%	5.5%
Operating profit	3,855	3,741	18,522
Operating margin, %	16.7%	19.4%	19.7%
R&D costs	2,499	1,948	8,839
R&D costs, % of net sales	10.8%	10.1%	9.4%
Cash flow from operating activities	5,047	5,205	6,122
Net interest-bearing debt at end of period	-17,168	-26,019	-18,290
Capital expenditure	707	960	4,741
Gearing, %	-34.0%	-58.2%	-35.6%
Earnings per share, EUR *	0.25	0.21	1.03
Number of shares at end of period	14,375,430	13,900,595	14,375,430

\* Changes in exchange rates affect the comparability of earnings per share.

**President and CEO, Hannu Martola:**

"Demand developed favorably, and we returned to the growth track after the drop in the fourth quarter of 2018. We are delighted to have achieved double-digit revenue growth in both of our business units. Our operating profit improved from the comparison period despite an increase in R&D costs, and the operating margin was around 17%. Altogether, it was good start for 2019!

Our good competitive position in the security CT (computed tomography) market and growth in demand in this market increased SBU sales by 23% from the comparison period. In addition to growth in the security CT market in China, the market is opening up in the United States, where the Transportation Security Administration (TSA) announced in March that they have purchased the first 300-piece batch of security CT systems for hand luggage security checkpoints at airports. This deal is part of the TSA's five-year project, during which the equipment at around 2000 security checkpoints is being upgraded to CT and artificial intelligence (AI) will be used to enhance the identification of scanned objects. Several CT equipment models

approved by the authorities for different standard categories have also entered the market in Europe, giving airports better opportunities to renew checkpoints in 2019-2021. Furthermore, we estimate that the indirect impact of trade policy on the security market has eased at this time. We are well positioned in our main markets to meet the year-round growth targets.

In the MBU business, net sales grew by 14% due to good demand from key customers. MBU sales mainly came from China, where investments in healthcare continued and big international manufacturers have relocated their CT equipment production.

When examining the development of our net sales geographically, this is visible in the strong growth of the Asian share and at decrease in the Americas share. During the review period, sales in both our business units were driven by customer-specific CT solutions. As a result, the share of the five largest customers increased and totaled 68% of total net sales.

We have continued to develop our competitiveness in line with the company strategy and expanded our technology base, which is reflected in an increase of around one-third research and development costs from the comparison period. We have received good customer feedback from pilot deliveries of the Aurora product family designed for safety applications, and Aurora sales will have an impact on SBU revenue at the end of 2019. The flat panel detectors of the X-Panel product family have inspired great interest and demand among our existing customers as well as new leads. Thanks to our team for doing a great job managing the first customer shipments of the CMOS panels in March.

The MultiX business deal made in the end of last year and integration of operations into DT have been completed, and we have started to industrialize multi energy technology. Our aim is to ramp up commercial production during the next year. In addition to the above, our plans for expanding the production network have been clarified. We have decided to open a new production and service site in the Wuxi area, and we aim to start production in the first quarter of 2020. We estimate that total 2019 capital expenditure to be at the same level as in 2018, around EUR 5 million.

Demand in both of the business units is strong in the second quarter, and we expect to achieve a double-digit revenue growth rate. The growth prospects for security and industrial applications for the rest of the year look good. As stated earlier, we anticipate a decline in MBU sales during the second half of the year, because in the second quarter one of our key customers will start to ramp down production of a system that contributes significantly to our sales. Despite this, we estimate the company's total net sales will also grow in the second half of the year. Our medium-term growth and profitability targets remain unchanged."

## Markets

According to industry estimates, the growth rate in the global security X-ray equipment market has slowed slightly to 6%. The average growth rate is around 5% per year in both medical and industrial X-ray equipment markets.

During the first quarter, the company's net sales increased by 19.3% (2.4%) to EUR 23.1 million (19.3). The operating profit amounted to EUR 3.9 million (3.7), which corresponds to 16.7% of net sales (19.4%).

Net sales of the Security and Industrial Business Unit (SBU) grew 22.9% (-2.5%) compared to the same period last year, totaling EUR 14.5 million (11.8). The growth was due to increased demand for security CT (computed tomography) solutions and the company's good competitive position in the market segment. SBU's share of total net sales was 62.8 % (61.0 %).

Net sales of the Medical Business Unit (MBU) increased by 13.8% (11.2%) to EUR 8.6 million (7.5). The growth in MBU net sales was a result of continued good demand from key accounts especially in emerging markets, and successful customer shipments. MBU's share of total net sales was 37.2% (39.0%).

Geographically the company's biggest market was Asia with its 62.1% (50.9%) share. Europe was the second largest market, accounting for 21.5% (22.4%) of net sales. Americas' share was 16.4% (26.7%). The share of net sales accounted for by the top five customers increased and totaled 68.2% (48.9%).

## Strategy

The company has expanded its technology base in line with its strategy, and has also invested in SOP (start of production) related to new products and customer acquisition. The company has received good customer feedback regarding pilot deliveries of the Aurora product family, and sales of the product family will have an impact on the company's revenue at the end of 2019. The X-Panel flat panel X-ray detectors based on the CMOS technology have inspired a lot of interest and demand in the market, especially in dental applications. The company made its first X-Panel customer shipments in the first quarter of the year.

Detection Technology successfully completed the integration process related to the MultiX business deal. The MultiX business is now a part of Detection Technology Group. The roles of MultiX personnel have been defined as a part of the global research and development organization, a joint product development process has been implemented, ongoing projects have been evaluated and development activities are focused on key projects. Detection Technology has kicked off industrialization of solutions based on the multi energy technology, and is aiming to ramp up commercial production by the end of 2020. The company expects a positive result from the new business in about three years.

The company has also progressed with its production network expansion plan, and has decided to establish a new production and service site in the Wuxi area in China. The goal is to start production in the first quarter of 2020. The new site will enhance service for Central and South China customers, reduce the risks associated with one factory, and increase the manufacturing capacity of the end products. The company will transfer some of its labor-intensive production from Beijing to Wuxi and develop the Beijing factory as a center for demanding manufacturing processes in the future.

**Business outlook**

Detection Technology estimates that sales of both business units will grow in line with the company's financial targets in the second quarter. The company expects demand to decline in the MBU business in the second half of 2019, as a significant customer will ramp down production of a device that uses DT's solution. Despite this, the company's total net sales are expected to grow in the second half of the year. There is uncertainty regarding demand, and the intensification of competition might be reflected in product prices.

Detection Technology's medium-term business outlook is unchanged. Detection Technology aims to increase sales by at least 15% per annum and to achieve an operating margin at or above 15% in the medium term.

**Half-yearly report 2019**

Detection Technology will publish the half-yearly report on 2 August 2019.

Espoo 25 April 2019

Board of Directors  
Detection Technology Plc



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