

# Q1

January–March 2024

**Business review**



DETECTION TECHNOLOGY PLC BUSINESS REVIEW JANUARY-MARCH 2024

## Detection Technology Q1 2024: Strong sales in Security, improved financial performance

### January-March 2024 highlights

- Net sales decreased by -0.2% to EUR 22.7 million (22.8)
- Net sales of Industrial Solutions Business Unit (IBU) increased by 5.3% to EUR 3.6 (3.4)
- Net sales of Medical Business Unit (MBU) decreased by -20.9% to EUR 9.5 million (12.0)
- Net sales of Security Business Unit (SBU) increased by 31.5% to EUR 9.6 million (7.3)
- Operating profit (EBITA) was EUR 2.3 million (1.5)
- Operating margin (EBITA-%) was 10.0% of net sales (6.5%)

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

### President and CEO, Hannu Martola:

"Q1 closed as we expected. Our overall year-on-year net sales remained stable and our financial result improved. Our security application sales were particularly strong, whereas sales in industrial applications were more modest than expected. Medical sales, however, were weak. Our market shares remain broadly unchanged.

The industrial market recovered towards the end of Q1; demand in the food sector in particular showed positive signs of recovery. Nevertheless, the development of sales in the food sector lagged behind our expectations due to customers' stocks, which resulted in our industrial sales lagging behind target. This was compensated by good development in TFT (thin-film transistor) flat panel detector sales. We expect our industrial solution sales to head towards stronger growth in Q2, thanks to improving demand in the food industry and our TFT product portfolio.

The measures of the Chinese government to modernize its healthcare sector and the related anticorruption campaign targeted at healthcare sector end operators, along with fiercer price competition and turmoil in the global medical market, curbed our medical sales more than we expected. We expect demand in medical applications to remain muted in Q2 and expect a positive turn at the beginning of Q3.

Our security application sales grew significantly in markets outside China, in particular in Europe and India. The most important growth driver in terms of applications was computed tomography (CT) applications for the aviation market. In addition to aviation, the global security market is expected to grow this year faster than previously expected. We anticipate annual market growth to be around 8 percent in the medium term.

Our year-on-year result for Q1 improved, and cash flow turned positive. We are this year making strong progress towards our operating margin target of 15 percent (EBITA). Improved productivity, sales mix, and growth in sales continue to boost our result.

During the period, we decided to expand our business to India and recruited a local director to develop our Indian business. India is about to make significant investments in infrastructure, namely in the healthcare, traffic, and manufacturing industries, and we want to be there to promote these projects.

Other important events in Q1 included the opening of our new premises in Oulu, Finland. The project was completed according to our targets and production has already been launched. We will gradually increase our production capacity for EU-origin products.

In our view, the reform of Chinese healthcare sector and the related anticorruption campaign will continue, and the global medical market in Q2 as well as our sales will decrease. Growth will continue in our other main markets, and both our security and industrial application sales will see double-digit growth in Q2. We expect our year-on-year total net sales to remain stable in Q2 and turn to a growth path in Q3 for the rest of the year.”

## Key figures

(EUR 1,000)	1-3/2024	1-3/2023	1-12/2023
Net sales	22,706	22,753	103,794
Change in net sales, %	-0.2%	12.0%	5.3%
EBITA excluding NRI	2,263	1,477	9,656
EBITA excluding NRI, %	10.0%	6.5%	9.3%
Non-recurring items (NRI)	0	0	-873
EBITA	2,263	1,477	8,784
EBITA, %	10.0%	6.5%	8.5%
R&D costs	2,512	2,962	11,702
R&D costs, % of net sales	11.1%	13.0%	11.3%
Cash flow from operating activities	2,980	-485	9,672
Net interest-bearing debt at end of period	-14,508	-19,572	-12,665
Investments	1,132	452	14,426
Return on investment (ROI), %	11.2%	7.1%	9.9%
Gearing, %	-20.3%	-28.0%	-17.4%
Earnings per share, EUR	0.11	0.06	0.38
Earnings per share (diluted), EUR	0.11	0.06	0.38
Number of shares at the end of the period	14,655,930	14,655,930	14,655,930
Weighted average number of shares outstanding	14,655,930	14,655,930	14,655,930
Weighted average number of shares outstanding, diluted	14,655,930	14,669,582	14,660,912

## Development of net sales

Detection Technology expected its overall year-on-year net sales to remain stable in Q1, which also materialized. Medical sales decreased significantly. Sales in security applications shot up and sales in industrial applications grew, too. Growth in other businesses was not, however, sufficient to create positive overall growth. The company's total net sales decreased by -0.2% (12.0%) year-on-year, totalling EUR 22.7 million (22.8).

Recovery in the industrial market that started in the previous review period continued; NDT (nondestructive testing) being a significant growth driver. Demand in food industry applications showed signs of recovery, even though sales in the segment remained below expectations due to customers' stocks. As a result, Detection Technology's sales in industrial applications grew but lagged behind expectations. The net sales of the Industrial Solutions Business Unit (IBU) grew by 5.3% (-3.0%), totaling EUR 3.6 million (3.4) in Q1 of 2024. Growth in net sales was mainly created by TFT flat panel detector sales in Asia. IBU generated a total of 15.9% (15.0%) of the company's total net sales.

The measures taken by the Chinese government to modernize its healthcare sector and its anticorruption campaign targeted at healthcare end operators continued in Q1, which further delayed purchasing processes. On the other hand, fiercer price competition and turmoil in the global market also affected demand dynamics. As a result, the net sales of the Medical Business Unit (MBU) decreased by -20.9% (14.6%), totalling EUR 9.5 million (12.0) in Q1. MBU generated a total of 42.0% (52.9%) of the company's total net sales.

The net sales of the Security Business Unit (SBU) increased by 31.5% (16.2%) year-on-year, totalling EUR 9.6 million (7.3) in Q1. Demand in security applications increased in markets outside China, particularly in Europe and India. The most important growth driver in sales was CT applications for the aviation industry, but demand was also solid for line scanner applications. SBU generated a total of 42.2% (32.0%) of the company's total net sales.

The Asia-Pacific countries (APAC) accounted for the company's largest geographical market area in Q1 of 2024, with its 72.0% (68.5%) share. The share of the net sales for Europe, Middle East and Africa (EMEA) was 24.0% (20.5%) and Americas 4.0% (11.0%). The share of Americas fell below ten percent due to one-timers. The share of net sales accounted for by Detection Technology's top five customers was 53.2% (51.6%) in Q1.

### Strategy implementation

During the review period, Detection Technology made a strategically important decision to expand its business to India. The company has recruited a local director to develop the company's business in India in a holistic manner.

India is expected to be one of the fastest growing global economies in the coming years. India is about to make significant investments in infrastructure such as the healthcare, traffic, and manufacturing industries in order to boost economic growth. According to the government's plans, more than 100 airports will be built in India in the coming years.

Detection Technology completed its business premises project in Oulu, Finland, within schedule and within the set budget. The operations were moved to the premises and production was launched in Q1 of 2024. Production capacity in Oulu will be increased to meet demand. The company has the capability to make 10 percent of its sales in Oulu by the end of the year. The company will expand its production in Oulu in order to be able to offer a wider range of EU Origin products and to minimize risks.

In the review period, the company has continued the development of TFT flat panel detector solutions and their sales in the medical and industrial X-ray imaging market. According to the company's view, the new business will grow faster than its legacy business.

### Business outlook

Detection Technology expects its year-on-year total net sales to remain stable in Q2 and turn to growth in Q3 of 2024.

Geopolitical situation, U.S.–China relations, global economy, inflation, the measures taken in China to reform its healthcare, price competition especially in China, the indirect impacts of the war in Ukraine, and events in the Middle East create uncertainty.

Detection Technology aims to increase its sales by at least 10% per annum and to achieve an operating margin (EBITA) of 15% in the medium term.

### **Half-yearly report 2024**

Detection Technology will publish the half-yearly report on 6 August 2024.

Espoo, Finland 24 April 2024

Board of Directors

Detection Technology Plc

**CALCULATION OF KEY FINANCIAL RATIOS**

EBITA	= Operating profit (EBIT) - Amortizations
Change in net sales, %	= (Net sales - Previous financial year's net sales) / Previous financial year's net sales x 100
EBITA, %	= EBITA / Net sales x 100
Net interest-bearing debt	= Interest-bearing liabilities - Cash and cash equivalents
Return on investment (ROI), %	= (Net result + Financial expenses + Taxes (12 months)) / (Equity + Interest-bearing liabilities (average 12 months)) x 100
Gearing, %	= (Interest-bearing liabilities - Cash and cash equivalents) / Equity x 100
Earnings per share, EUR	= Profit for the reporting period / Weighted average number of shares outstanding
Earnings per share (diluted), EUR	= Profit for the reporting period / Weighted average number of shares outstanding, diluted





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