

## Earnings poised to soar towards year-end

Q1 profitability came in soft. While growth is expected going forward, the extent of profitability remains uncertain due to challenges affecting margins. We downgraded our 23E EBIT, but expect earnings growth remaining robust for 2023-25.

### Mixed quarter; solid topline but soft EBITDA

Loihde faced temporal challenges impacting its Q1 performance. SeSo grew by a solid 22%, but DiDe struggled due to tough market conditions, leading to a decline in net sales. Despite this, Q1 group net sales showed a y/y growth of 13%, amounting to EUR 31.3m. Loihde's key strategic pillars, One Security and continuing services, continued on a strong growth trajectory. However, internal integration challenges resulted in negative margins, raising concerns about future integration processes. The company expects challenges to ease towards the end of the year which should positively drive Loihde's profitability.

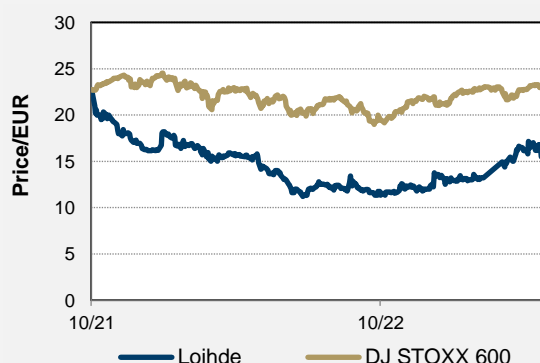
### Getting better towards the end of the year

ERP project challenges have persisted into Q2, but we anticipate a lesser impact moving forward. Utilization rates are expected to recover and improve in H2, that should provide some year-end scale. While we have reduced growth estimates for both businesses due to a more pessimistic view of Q2 and H2, we believe that DiDe's demand will improve and SeSo's temporal challenges affecting margins will fade away in H2. We view the demand for SeSo's offering continuing solid with acquisitions supporting the overall growth. Despite a significant downgrade in Loihde's 23E adj. EBITDA estimate by combining a very soft Q1 and reduced estimates, the downgrade for the 2024 adj. EBITDA estimate was relatively small, but still notable at approx. 10%.

### HOLD with a target price of EUR 15.0 (16.5)

With revised estimates, Loihde's current valuation turns out to be quite elevated. The company trades with 23-24E EV/EBITDA and P/E multiples of 4.8-4.6x and 37-17x respectively. Considering elevated valuation, but also highlighting robust estimated earnings growth during 2023-25, we retain our HOLD rating. With significant decline in 23-24E EBIT estimates, our TP is now EUR 15.0 (16.5).

Rating HOLD



Share price, EUR (Last trading day's closing price) 15.50  
Target price, EUR 15.0

Latest change in recommendation 10-Mar-23  
Latest report on company 10-Mar-23  
Research paid by issuer: YES  
No. of shares 5,628  
No. of shares fully 5,628  
Market cap, EURm 87  
Free float, % 0.0  
Exchange rate 0.000  
Reuters code LOIHDE.HE  
Bloomberg code LOIHDE FH  
Average daily volume, 0.0  
Next interim report 31-Aug-23  
Web site <https://www.loihde.com/en/for->

Analyst Arttu Heikura  
E-mail [arttu.heikura@evli.com](mailto:arttu.heikura@evli.com)  
Telephone

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
2021	104.4	-0.9	-0.8%	-4.2	0.08	45.1	0.6	-70.3	-4.3	0.55
2022	123.0	6.4	5.2%	-6.3	0.54	3,700.4	0.4	7.9	-8.5	0.80
2023E	139.6	3.2	2.3%	3.1	0.37	36.7	0.5	20.3	3.5	0.33
2024E	152.3	6.9	4.5%	3.7	0.91	16.7	0.4	9.0	4.2	0.36
2025E	160.1	6.9	4.3%	3.4	0.74	21.0	0.4	8.8	3.9	0.29
Market cap, EURm			87	Gearing 2023E, %		-21.2	CAGR EPS 2022-25, %			491.9
Net debt 2023E, EURm		-23	Price/book 2023E			0.8	CAGR sales 2022-25, %			9.2
Enterprise value, EURm		64	Dividend yield 2023E, %			2.1	ROE 2023E, %			1.9
Total assets 2023E, EURm		158	Tax rate 2023E, %			24.0	ROCE 2023E, %			2.6
Goodwill 2023E, EURm		63	Equity ratio 2023E, %			69.8	PEG, P/E 23/CAGR			2.3

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

## Q1 result

Loihde had a mixed Q1, with strong growth in security solutions supported by the acquisition of Turvakolmio. SeSo grew by 22% y/y to EUR 20.2m. The company made progress in its strategic areas of continuing services and One Security sales. However, digital development saw a 1% decline to EUR 11.1m due to soft demand conditions, although growth in cloud services was good. Overall, the group recorded a 13% y/y growth, with Q1 net sales amounting to EUR 31.3m.

Q1 profitability fell significantly short of our expectations, with one-time challenges faced in SeSo's ERP launch project that affected workflow and reduced the topline. Additionally, some additional costs were incurred in solving these issues. Poor utilization rates and postponed sales due to customer uncertainty had a negative impact on margins, resulting in an adj. EBITDA decrease from EUR 2.5m to -0.1m.

## Estimates

To our understanding, the challenges with the ERP project have continued into Q2, but we expect their impact to be less severe in the coming quarters. However, we foresee that these challenges will affect Q2 growth and EBITDA. According to the company's management, DiDe's order book has improved, which should provide some tailwind. We expect volume growth combined with a flat personnel count to improve utilization rates, offering some support for margins. Despite this, our growth estimates for 23-24E have decreased by some 3%. 23E EBIT saw a significant decrease of 46% due to a very soft Q1 and more pessimistic outlook for Q2. The decline in 24E EBIT was less significant, at approximately 10%.

Now, we expect Loihde's net sales to reach EUR 139.6m (14% growth) in 2023, with SeSo expected to deliver solid growth throughout the year, and DiDe's double-digit growth starting in Q3. For 2024, we anticipate DiDe's growth to improve to around 10% and SeSo's growth rate to fall to 9%, resulting in a total expected group growth rate of 9% to reach EUR 152.3m.

With decreased net sales estimates and challenges continuing, our EBITDA estimates for 2023-2024 have undergone significant downward revisions. Despite a poor Q1 and continued impact from the ERP project in Q2, we anticipate an adjusted EBITDA of EUR 10.5m (7.5% margin) in 2023, which represents a slight improvement from the previous year. However, the relative profitability would fall by some 9 basis points. We expect the integration process to have a positive impact on margins in 2024, with an estimated EBITDA of EUR 13.9m and a margin of 9.1%. Although efficiency improvements and scalability are expected to have a positive impact, the extent of their contribution to margin expansion remains quite uncertain.

Accounting standard	FAS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
ESTIMATES	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23E	Q2'23E	Q3'23E	Q4'23E	2023E	2024E
<b>Net sales</b>	<b>101.0</b>	<b>104.4</b>	<b>27.6</b>	<b>29.8</b>	<b>29.5</b>	<b>36.0</b>	<b>123.0</b>	<b>31.3</b>	<b>34.3</b>	<b>32.5</b>	<b>41.5</b>	<b>139.6</b>	<b>152.3</b>
Security Solutions	69.1	69.3	16.5	19.4	21.1	25.5	82.5	20.2	23.4	22.7	28.3	94.7	102.8
Digital Development	32.0	35.5	11.3	10.5	8.5	10.6	40.8	11.1	10.9	9.8	13.2	45.1	49.5
<b>Adj. EBITDA</b>	<b>6.2</b>	<b>7.2</b>	<b>2.5</b>	<b>2.2</b>	<b>2.2</b>	<b>3.4</b>	<b>10.3</b>	<b>-0.1</b>	<b>2.5</b>	<b>3.4</b>	<b>4.8</b>	<b>10.5</b>	<b>13.9</b>
<b>Adj. EBIT</b>	<b>-3.1</b>	<b>0.8</b>	<b>0.8</b>	<b>0.6</b>	<b>0.4</b>	<b>1.5</b>	<b>3.3</b>	<b>-1.9</b>	<b>0.7</b>	<b>1.7</b>	<b>2.9</b>	<b>3.4</b>	<b>7.0</b>
<b>Net sales growth</b>	<b>3.3%</b>	-	<b>14.1%</b>	<b>10.5%</b>	<b>19.3%</b>	<b>26.6%</b>	<b>17.8%</b>	<b>13.0%</b>	<b>15.3%</b>	<b>10.1%</b>	<b>15.1%</b>	<b>13.5%</b>	<b>9.1%</b>
Security Solutions	6.2%	-	0.7%	5.8%	27.8%	41.0%	19.0%	22.2%	21.0%	8.0%	11.0%	14.8%	8.6%
Digital Development	-0.9%	-	44.2%	21.8%	3.3%	-2.5%	15.0%	-1.0%	4.0%	15.0%	25.0%	10.4%	9.8%
<b>Adj. EBITDA margin</b>	<b>5.8%</b>	<b>6.9%</b>	<b>8.9%</b>	<b>7.5%</b>	<b>7.5%</b>	<b>9.3%</b>	<b>8.4%</b>	<b>-0.4%</b>	<b>7.2%</b>	<b>10.4%</b>	<b>11.5%</b>	<b>7.5%</b>	<b>9.1%</b>
<b>Adj. EBIT margin</b>	<b>-2.9%</b>	<b>0.7%</b>	<b>3.0%</b>	<b>2.0%</b>	<b>1.5%</b>	<b>4.1%</b>	<b>2.7%</b>	<b>-6.1%</b>	<b>2.2%</b>	<b>5.2%</b>	<b>7.1%</b>	<b>2.5%</b>	<b>4.6%</b>

## Valuation

Loihde currently trades at 23-24E EV/EBITDA and P/E multiples of 4.8-4.6x and 37-17x respectively. In our view, Loihde's current valuation turns out to be quite elevated with notable adjustments to our estimates. Despite elevated valuation, by considering expected earnings growth during 2023-25, we retain our neutral HOLD rating. Our EBIT estimates faced a significant decrease through which we have declined our target price to EUR 15.0 (16.5).

LOIHDE PEER GROUP	MCAP MEUR	EV/Sales			EV/EBITDA			EV/EBIT			P/E		
		23	24	25	23	24	25	23	24	25	23	24	25
Digia	147	0.9x	0.8x	0.8x	7.0x	6.5x	6.1x	10.3x	9.3x	8.6x	11.3x	10.3x	9.5x
Etteplan	418	1.3x	1.2x	1.1x	9.6x	9.0x	8.5x	15.9x	14.6x	13.4x	17.5x	16.1x	14.6x
Gofore	412	2.0x	1.7x	1.5x	12.7x	11.3x	10.2x	16.1x	14.0x	12.3x	19.7x	17.0x	15.5x
Innofactor	45	0.7x	0.7x	0.7x	5.9x	5.4x	5.1x	8.8x	7.9x	7.4x	10.0x	8.8x	8.3x
Netum Group	43	1.2x	1.0x	0.8x	9.9x	8.0x	6.9x	13.8x	10.5x	8.7x	19.6x	14.6x	11.9x
Nixu	96	1.4x	1.3x	1.1x	20.6x	16.3x	13.6x	29.2x	21.8x	17.4x	37.2x	24.5x	17.8x
Siili Solutions	128	0.9x	0.8x		6.0x	5.3x	5.0x	8.8x	7.4x	6.8x	13.2x	11.1x	10.3x
Sitowise Group	148	1.0x	0.9x	0.9x	8.1x	7.2x	6.8x	13.0x	10.8x	9.8x	12.0x	9.6x	8.6x
Solteq	25	0.8x	0.8x	0.6x	8.8x	6.1x	4.8x	70.3x	13.4x	7.2x		19.1x	7.1x
Solwers	46	0.8x	0.8x		5.6x	5.5x	5.4x	9.2x	9.1x	8.7x	16.7x	15.1x	13.8x
TietoEVRY	3429	1.3x	1.3x	1.2x	8.4x	8.0x	8.0x	11.7x	11.0x	10.4x	12.4x	11.6x	10.9x
Vincit	81				6.4x	5.5x	4.6x	10.7x	8.6x	6.6x	11.8x	9.9x	8.2x
Securitas	4644	0.6x	0.6x	0.5x	6.5x	6.1x	5.7x	9.5x	8.4x	7.8x	11.4x	9.0x	8.0x
Peer Group Average	694	1.1x	1.0x	0.9x	8.9x	7.7x	7.0x	17.5x	11.3x	9.6x	16.1x	13.6x	11.1x
Peer Group Median	112	1.0x	0.9x	0.8x	8.1x	6.5x	6.1x	11.7x	10.5x	8.7x	12.8x	11.6x	10.3x
Loihde (Evli est.)	87	0.5x	0.4x	0.4x	4.8x	4.6x	3.8x	14.6x	9.2x	8.8x	36.7x	16.7x	21.1x
<i>Loihde prem./disc. to peer median</i>		-53%	-54%	-54%	-41%	-29%	-38%	26%	-13%	1%	187%	44%	105%

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	15.50 PV of Free Cash Flow	75 Long-term growth, %	1.5 Risk-free interest rate, %	2.50
DCF share value	30.10 PV of Horizon value	75 WACC, %	9.1 Market risk premium, %	6.3
Share price potential, %	94.2 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	4.5
Maximum value	32.0 Marketable securities	32 Minimum WACC, %	8.6 Equity beta coefficient	1.15
Minimum value	28.5 Debt - dividend	-13 Maximum WACC, %	9.6 Target debt ratio, %	15
Horizon value, %	50.0 Value of stock	169 Nr of shares, Mn	5.6 Effective tax rate, %	20

DCF valuation, EURm	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Horizon
Net sales	123	140	152	160	167	174	179	184	190	194	197	200
<i>Sales growth, %</i>	<i>17.8</i>	<i>13.5</i>	<i>9.1</i>	<i>5.1</i>	<i>4.3</i>	<i>4.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>2.0</i>	<i>1.5</i>	<i>1.5</i>
Operating income (EBIT)	6	3	7	7	6	6	6	6	7	7	7	7
<i>Operating income margin, %</i>	<i>5.2</i>	<i>2.3</i>	<i>4.5</i>	<i>4.3</i>	<i>3.9</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>
+ Depreciation+amort.	7	7	8	9	10	10	11	11	11	12	12	
EBITDA	13	10	15	16	17	16	17	18	18	19	19	
- Paid taxes	-1	0	-1	-1	-1	-1	-1	-1	-1	-1	-1	
- Change in NWC	-4	3	1	1	0	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	<i>4.9</i>	<i>1.9</i>	<i>1.1</i>	<i>0.3</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	
+ Change in other liabs	5	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	4	-4	-4	-4	-3	-4	-4	-4	-5	-5	-5	
<i>opCAPEX / Sales, %</i>	<i>1.3</i>	<i>7.2</i>	<i>6.8</i>	<i>6.9</i>	<i>5.9</i>	<i>6.5</i>	<i>6.5</i>	<i>6.5</i>	<i>6.5</i>	<i>6.4</i>	<i>6.3</i>	
- Acquisitions	-11	0	0	0	0	0	0	0	0	0	0	
+ Divestments	1	0	0	0	0	0	0	0	0	0	0	
- Other items	-1	0	0	0	0	0	0	0	0	0	0	
= FCFF	6	9	11	12	12	11	11	12	12	13	13	174
= Discounted FCFF		9	9	9	9	7	7	7	6	6	6	75
= DFCF min WACC		9	9	9	9	7	7	7	6	6	6	84
= DFCF max WACC		9	9	9	9	7	7	6	6	6	5	67

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1	2023Q2E	2023Q3E	2023Q4E	2023E	2024E	2025E
Net sales	27.6	29.8	29.5	36.0	123.0	31.3	34.3	32.5	41.5	139.6	152.3	160.1
EBITDA	6.2	2.1	2.1	2.9	13.3	-0.4	2.6	3.3	4.7	10.2	14.8	16.0
<i>EBITDA margin (%)</i>	<i>22.5</i>	<i>7.0</i>	<i>7.2</i>	<i>8.1</i>	<i>10.8</i>	<i>-1.3</i>	<i>7.5</i>	<i>10.2</i>	<i>11.4</i>	<i>7.3</i>	<i>9.7</i>	<i>10.0</i>
EBIT	4.6	0.4	0.5	0.9	6.4	-2.2	0.8	1.6	2.9	3.2	6.9	6.9
<i>EBIT margin (%)</i>	<i>16.5</i>	<i>1.4</i>	<i>1.6</i>	<i>2.5</i>	<i>5.2</i>	<i>-7.0</i>	<i>2.5</i>	<i>5.0</i>	<i>6.9</i>	<i>2.3</i>	<i>4.5</i>	<i>4.3</i>
Net financial items	-1.1	-0.9	0.0	-0.2	-2.3	-0.2	0.0	0.0	-0.2	-0.4	-0.5	-1.7
Pre-tax profit	3.5	-0.5	0.5	0.7	4.1	-2.4	0.8	1.6	2.7	2.7	6.4	5.2
Tax	-0.7	-0.3	0.0	0.0	-1.0	0.4	-0.2	-0.3	-0.5	-0.7	-1.3	-1.0
<i>Tax rate (%)</i>	<i>20.0</i>	<i>-59.3</i>	<i>0.2</i>	<i>6.5</i>	<i>25.5</i>	<i>15.4</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>24.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	2.8	-0.8	0.5	0.6	3.0	-2.0	0.7	1.3	2.1	2.1	5.1	4.1
EPS	0.49	-0.15	0.08	0.11	0.54	-0.36	0.12	0.23	0.38	0.37	0.91	0.74
EPS adjusted (diluted no. of shares)	-0.18	-0.11	0.07	0.23	0.00	-0.31	0.10	0.24	0.39	0.42	0.93	0.74
Dividend per share	0.00	0.00	0.00	0.00	0.80	0.00	0.00	0.00	0.00	0.33	0.36	0.29
<b>SALES, EURm</b>												
Security Solutions	16.5	19.4	21.1	25.5	82.5	20.2	23.4	22.7	28.3	94.7	102.8	106.9
Digital Development	11.3	10.5	8.5	10.6	40.8	11.1	10.9	9.8	13.2	45.1	49.5	53.2
Others	-0.1	-0.1	0.0	0.0	-0.3	-0.1	0.0	0.0	0.0	-0.2	0.0	0.0
Total	27.6	29.8	29.5	36.0	123.0	31.3	34.3	32.5	41.5	139.6	152.3	160.1
<b>SALES GROWTH, Y/Y %</b>												
<i>Security Solutions</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-63.2</i>	<i>19.0</i>	<i>22.2</i>	<i>21.0</i>	<i>8.0</i>	<i>11.0</i>	<i>14.8</i>	<i>8.6</i>	<i>4.0</i>
<i>Digital Development</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-70.2</i>	<i>15.0</i>	<i>-1.0</i>	<i>4.0</i>	<i>15.0</i>	<i>25.0</i>	<i>10.4</i>	<i>9.8</i>	<i>7.5</i>
<i>Others</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-91.3</i>	<i>-20.6</i>	<i>-34.8</i>	<i>-71.2</i>	<i>-23.1</i>	<i>-11.8</i>	<i>-42.9</i>	<i>-100.2</i>	<i>0.0</i>
Total	0.0	0.0	0.0	-65.5	17.8	13.0	15.3	10.1	15.1	13.5	9.1	5.1
<b>EBIT, EURm</b>												
Security Solutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.7
Digital Development	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.2
Group	4.6	0.4	0.5	0.9	6.4	-2.2	0.8	1.6	2.9	3.2	6.9	0.0
Total	4.6	0.4	0.5	0.9	6.4	-2.2	0.8	1.6	2.9	3.2	6.9	6.9
<b>EBIT margin, %</b>												
<i>Security Solutions</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>3.5</i>
<i>Digital Development</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>6.0</i>
Total	16.5	1.4	1.6	2.5	5.2	-7.0	2.5	5.0	6.9	2.3	4.5	4.3

INCOME STATEMENT, EURm	2018	2019	2020	2021	2022	2023E	2024E	2025E
Sales	104.9	103.1	106.8	104.4	123.0	139.6	152.3	160.1
<i>Sales growth (%)</i>	<i>19.4</i>	<i>-1.7</i>	<i>3.6</i>	<i>-2.3</i>	<i>17.8</i>	<i>13.5</i>	<i>9.1</i>	<i>5.1</i>
EBITDA	21.2	5.6	5.6	5.6	13.3	10.2	14.8	16.0
<i>EBITDA margin (%)</i>	<i>20.2</i>	<i>5.4</i>	<i>5.2</i>	<i>5.4</i>	<i>10.8</i>	<i>7.3</i>	<i>9.7</i>	<i>10.0</i>
Depreciation	-8.2	-10.8	-9.4	-6.5	-6.9	-7.1	-7.9	-9.1
EBITA	13.1	-5.2	-3.8	-0.9	6.4	3.2	6.9	6.9
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	13.1	-5.2	-3.8	-0.9	6.4	3.2	6.9	6.9
<i>EBIT margin (%)</i>	<i>12.4</i>	<i>-5.0</i>	<i>-3.6</i>	<i>-0.8</i>	<i>5.2</i>	<i>2.3</i>	<i>4.5</i>	<i>4.3</i>
Reported EBIT	13.1	-5.2	-3.8	5.6	6.7	3.2	6.9	6.9
<i>EBIT margin (reported) (%)</i>	<i>12.4</i>	<i>-5.0</i>	<i>-3.6</i>	<i>5.3</i>	<i>5.4</i>	<i>2.3</i>	<i>4.5</i>	<i>4.3</i>
Net financials	26.7	20.8	0.8	1.1	-2.3	-0.4	-0.5	-1.7
Pre-tax profit	39.8	15.6	-3.1	0.2	4.1	2.7	6.4	5.2
Taxes	-7.6	-4.5	-0.9	0.2	-1.0	-0.7	-1.3	-1.0
Minority shares	-0.1	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0
Net profit	32.1	10.9	-4.2	6.9	3.4	2.1	5.1	4.1
Cash NRIs	0.0	0.0	0.0	6.4	0.3	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>								
<b>Assets</b>								
Fixed assets	22	11	11	11	10	13	14	15
Goodwill	37	48	45	53	63	63	63	63
Right of use assets	0	0	7	8	8	9	10	11
Inventory	6	6	7	7	10	11	12	12
Receivables	46	37	28	23	25	26	28	29
Liquid funds	50	52	48	42	32	35	37	38
Total assets	161	153	146	146	151	158	165	170
<b>Liabilities</b>								
Shareholder's equity	116	118	111	110	111	110	113	115
Minority interest	0	1	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	7	8	9	10	11	12
Deferred taxes	0	0	0	1	0	1	1	1
Interest bearing debt	19	6	0	0	0	2	0	0
Non-interest bearing current liabilities	26	27	26	26	29	33	38	40
Other interest-free debt	0	0	2	1	1	2	2	2
Total liabilities	161	153	146	146	151	158	165	170
<b>CASH FLOW, EURm</b>								
+ EBITDA	21	6	6	6	13	10	15	16
- Net financial items	28	-9	-16	-7	-3	0	0	-2
- Taxes	-5	-4	-4	0	-1	0	-1	-1
- Increase in Net Working Capital	-1	3	0	1	-4	3	1	1
+/- Other	-17	29	16	7	0	0	0	0
= Cash flow from operations	27	25	2	7	5	13	14	14
- Capex	-2	-2	-2	-6	-2	-10	-10	-11
- Acquisitions	0	0	0	-10	-11	0	0	0
+ Divestments	0	0	0	6	1	0	0	0
= Free cash flow	25	23	0	-4	-6	3	4	3
+/- New issues/buybacks	17	2	6	7	2	1	0	0
- Paid dividend	-6	-10	-10	-15	-3	-5	-2	-2
+/- Other	0	-14	0	7	-2	3	0	0
Change in cash	36	2	-4	-5	-10	3	2	2

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	0	0	96	74	87	87	87
Net debt (excl. convertibles)	-46	-41	-34	-24	-23	-25	-26
Enterprise value	-46	-41	62	50	64	62	61
Sales	103	107	104	123	140	152	160
EBITDA	6	6	6	13	10	15	16
EBIT	-5	-4	-1	6	3	7	7
Pre-tax	16	-3	0	4	3	6	5
Earnings	11	-4	0	3	2	5	4
Equity book value (excl. minorities)	118	111	110	111	110	113	115
<b>Valuation multiples</b>							
EV/sales	-0.4	-0.4	0.6	0.4	0.5	0.4	0.4
EV/EBITDA	-8.3	-7.3	11.1	3.8	6.3	4.2	3.8
EV/EBITA	8.9	10.7	-70.3	7.9	20.3	9.0	8.8
EV/EBIT	8.9	10.7	-70.3	7.9	20.3	9.0	8.8
EV/OCF	-1.9	-25.1	9.3	10.0	4.8	4.4	4.2
EV/FCFF	12.3	25.1	8.7	8.8	6.8	5.9	5.2
P/FCFE	0.0	0.0	-23.1	-11.7	28.4	23.6	25.7
P/E	0.0	0.0	45.1	3,700.4	36.7	16.7	21.0
P/B	0.0	0.0	0.9	0.7	0.8	0.8	0.8
Target EV/EBITDA	0.0	0.0	0.0	0.0	6.0	4.0	3.6
Target EV/EBIT	0.0	0.0	0.0	0.0	19.4	8.6	8.4
Target EV/FCF	0.0	0.0	0.0	0.0	19.9	16.1	17.1
Target P/B	0.0	0.0	0.0	0.0	0.8	0.7	0.7
Target P/E	0.0	0.0	0.0	0.0	35.5	16.2	20.3
<b>Per share measures</b>							
Number of shares	5,387	5,684	5,930	5,628	5,628	5,628	5,628
Number of shares (diluted)	5,387	5,684	5,930	5,628	5,628	5,628	5,628
EPS	2.02	-0.73	0.08	0.54	0.37	0.91	0.74
Operating cash flow per share	4.56	0.29	1.12	0.90	2.34	2.50	2.57
Free cash flow per share	4.27	-0.05	-0.70	-1.12	0.55	0.66	0.60
Book value per share	21.98	19.46	18.48	19.78	19.55	20.13	20.51
Dividend per share	1.90	2.70	0.55	0.80	0.33	0.36	0.29
Dividend payout ratio, %	94.2	-369.0	675.2	147.7	90.0	40.0	40.0
Dividend yield, %	0.0	0.0	3.4	6.1	2.1	2.4	1.9
FCF yield, %	0.0	0.0	-4.3	-8.5	3.5	4.2	3.9
<b>Efficiency measures</b>							
ROE	9.3	-3.6	0.4	2.8	1.9	4.6	3.6
ROCE	-4.0	-3.2	-0.7	5.4	2.6	5.6	5.5
<b>Financial ratios</b>							
Inventories as % of sales	5.4	6.2	7.0	8.4	7.8	8.0	7.2
Receivables as % of sales	35.5	25.9	22.1	20.4	18.4	18.4	18.4
Non-interest bearing liabilities as % of sales	26.4	24.4	25.2	23.9	24.0	25.0	25.0
NWC/sales, %	14.5	6.8	3.8	4.9	1.9	1.1	0.3
Operative CAPEX/sales, %	1.5	1.8	6.1	1.3	7.2	6.8	6.9
CAPEX/sales (incl. acquisitions), %	1.5	1.8	-3.6	-7.5	7.2	6.8	6.9
FCFF/EBITDA	-0.7	-0.3	1.3	0.4	0.9	0.7	0.7
Net debt/EBITDA, book-weighted	-8.3	-7.3	-6.1	-1.8	-2.3	-1.7	-1.7
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	78.3	75.8	74.9	73.8	69.8	68.5	67.9
Gearing, %	-38.8	-37.1	-31.1	-21.2	-21.2	-22.2	-22.9

**COMPANY DESCRIPTION:** Loihde is a service provider, specializing in comprehensive security and IT services. The company engages in agile digital IT-services, such as digital strategy consultancy, data solutions and analytics, AI, software development and service design. Loihde focuses on high-tier security technologies both in its physical and digital security services. The company employs over 800 persons in Finland and Sweden.

**INVESTMENT CASE:** Loihde has gone through notable organizational changes and has now placed its focus on growing its topline and improving its profitability. With further integrating its back-office and administrative function, additional cost savings are likely to materialize. Margins should also see further expansion with the increased share of digital security and IT-services. Loihde's large net cash position enables the company to further speed up its growth with M&A activities. The company operates in prolific markets with the underlying markets grow at high-single-digit figures by several megatrends supporting the underlying market development.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Suomen Teollisuussijoitus Oy	275,000	4.263	4.9%
Bellurum Oy	210,576	3.264	3.7%
LähiTapiola Keskinäinen Henkivakuutusyhtiö	150,000	2.325	2.7%
LähiTapiola Keskinäinen Vakuutusyhtiö	150,000	2.325	2.7%
Lakiasiaintoimisto Asiakasturva Oy	126,655	1.963	2.3%
Sr VISIO Allocator	100,000	1.550	1.8%
Vaasan kaupunki	70,400	1.091	1.3%
Pelkonen Antti	68,480	1.061	1.2%
Hotcom Oy	61,000	0.945	1.1%
Heikkilä Kimmo	58,255	0.903	1.0%
Ten largest	1,270,366	19.691	23%
Residual	4,357,817	67.546	77%
Total	5,628,183	87.237	100%

EARNINGS CALENDAR	
August 31, 2023	Q2 report
November 01, 2023	Q3 report
OTHER EVENTS	
May 04, 2023	AGM

COMPANY MISCELLANEOUS	
CEO: Samu Konttinen	Silmukkatie 6, 65100 Vaasa
CFO: Pirjo Suhonen	Tel: +358 10 273 2300
IR: Tiina Nieminen	



## 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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

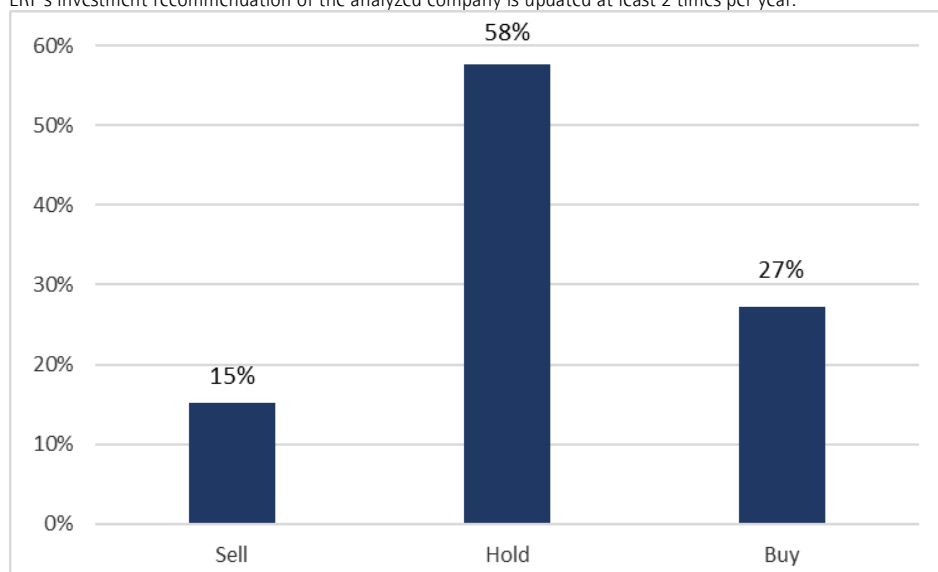
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Investment recommendations are defined as follows:

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

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

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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**

Arttu Heikura +358 40 082 8098  
Joonas Ilvonen +358 44 430 9071  
Jerker Salokivi +358 9 4766 9149

**Evli Investment Solutions**

Johannes Asuja +358 9 4766 9205



**EVLI PLC**  
Aleksanterinkatu 19 A  
P.O. Box 1081  
FIN-00101 Helsinki, FINLAND  
Phone +358 9 476 690  
Internet www.evli.com  
E-mail firstname.lastname@evli.com

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