

Two-folded quarter

Loihde released Q2 result with strong topline growth. Net sales grew in line with our expectations, with strong SeSo sales, while DiDe was negatively impacted by the soft market. Profitability fell short of our expectations and was weak with market issues. Year-end seems brighter, but uncertainty remains high, especially in DiDe.

- Group results:** Loihde's net sales came in line with our expectations. Net sales grew by 15% to EUR 34.2m (Evli: 34.2m). The growth was driven by strong demand for security solutions. With soft utilization rates in DiDe and one-time costs from SeSo's ERP program, Loihde's profitability came in softer than we expected. Adj. EBITDA amounted to EUR 1.0m (Evli: 2.2m), reflecting a margin of 2.9%. Challenges in ERP program are seen to fade away in H2 and cost savings are expected to boost H2 profitability.
- Security Solutions (SeSo):** Net sales came in roughly in line with our expectations and grew by 25% to EUR 24.1m (Evli: 23.8m). The growth was driven by strong demand for both physical and digital security solutions. Acquisitions had also a positive impact on the growth rate. An important concept of One Security has grown driven by both new client acquisitions as well as up-selling. ERP challenges limited SeSo's profitability, and the company sees it fading away during H2.
- Digital Development (DiDe):** Net sales declined by 4% to EUR 10.1m and came in roughly in line with our estimates (Evli: 10.4m). The decline was due to decreased demand for software development while the demand for cloud services, data and analytics, and AI grew during the quarter. DiDe's low utilization rates pushed the unit's profitability down. Cost savings should improve DiDe's profitability going forward despite the uncertain market environment.
- 2023 guidance intact (revised on 22nd Aug):** SeSo to grow by over 10% and DiDe to be flat or grow. Adj. EBITDA to improve from EUR 10.3m.

Rating

HOLD

Q2'23 ESTIMATES

	Actual	Evli	Consensus	Q2'22
Net sales	34.2	34.2		29.8
SeSo	24.1	23.8		19.4
DiDe	10.1	10.4		10.5
Others	0.0	0.0		-0.1
Adj. EBITDA	1.0	2.2		2.2
Adj. EBITDA-margin	2.9%	6.3%		7.5%
Adj. EPS	-0.16	0.06		-0.11

Share price, EUR (Last trading day's closing price) 12.00

Target price, EUR 13.5

Latest change in recommendation 10-Mar-23

Latest report on company 29-Aug-23

Research paid by issuer: YES

No. of shares 5,628

No. of shares fully 5,628

Market cap, EURm 68

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

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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
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	136.1	2.7	2.0%	2.5	0.31	31.8	0.3	16.5	3.7	0.28
2024E	145.6	6.0	4.1%	3.8	0.79	14.9	0.3	7.1	5.7	0.32
2025E	153.1	7.2	4.7%	3.6	0.77	15.5	0.3	5.7	5.3	0.31
Market cap, EURm		68	BV per share 2023E, EUR		-20.7	CAGR EPS 2022-25, %		501.7		
Net debt 2023E, EURm		-23	Price/book 2023E		0.6	CAGR sales 2022-25, %		7.6		
Enterprise value, EURm		45	Dividend yield 2023E, %		2.3	ROE 2023E, %		1.6		
Total assets 2023E, EURm		156	Tax rate 2023E, %		24.8	ROCE 2023E, %		2.2		
Goodwill 2023E, EURm		63	Equity ratio 2023E, %		70.2	PEG, P/E 23/CAGR		1.8		

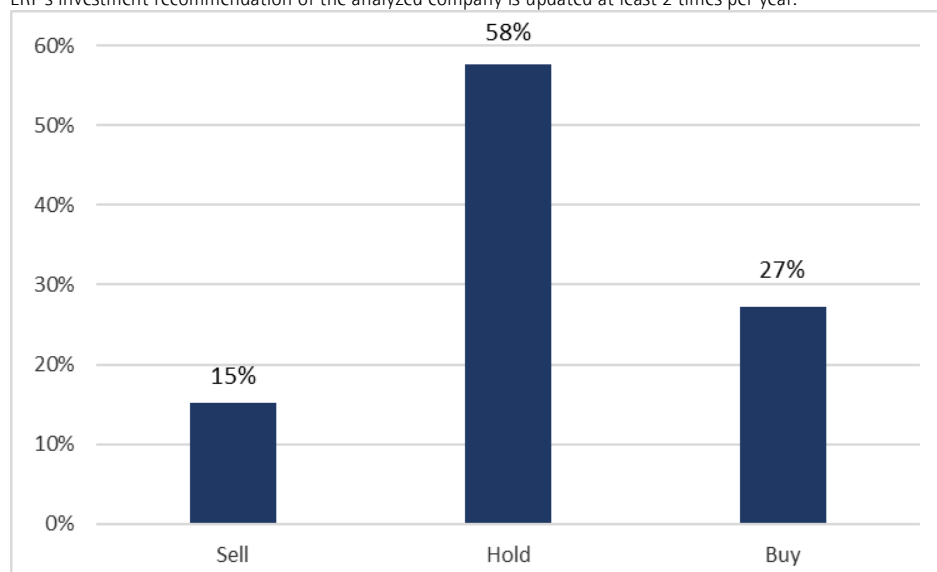
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Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

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

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