

Ambitious plans for profitability

Loihde is under its updated strategy seeking to grow 10% annually and achieve an adj. EBITDA of 15% by 2027 for which Loihde, despite a confidence boosting CMD, still has quite a lot to show for.

Eventful week

Loihde had an eventful week, posting a profit warning, deciding on an additional dividend, updating its strategy and hosting its CMD on November 16th. The profit warning was not very surprising given the high expectations set for Q4, with the main change being the lowered 2023 adj. EBITDA guidance to EUR 7-9m (prev. >EUR 10.3m), but still a disappointment given the reiterated guidance just two weeks prior. Loihde decided on the payment of an additional dividend of EUR 1.0 per share, with the record date being November 21st.

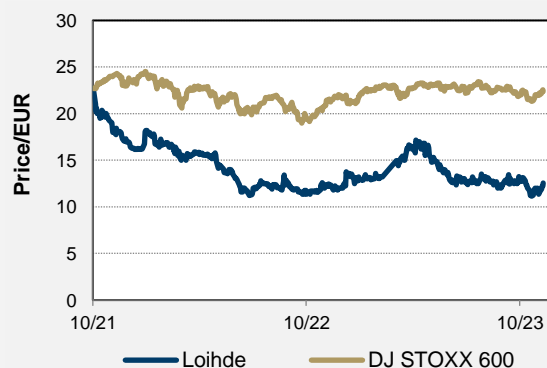
Ambitious plans for profitability

Loihde's updated strategy and CMD did not show any major deviations from the current business operations, but emphasis was put on further structural efficiency, service area and industry focus, as well as growth in continuous services. Loihde is also looking to utilize its strong balance sheet slightly more aggressively through the use of leverage for continuing acquisitions. The new financial targets are on the more ambitious side, at least given the recent performance, looking to grow around 10% annually, also including inorganic growth, and to reach an adj. EBITDA-margin of 15% by 2027. ROI is sought to be above 10% while retaining a quite modest net debt/EBITDA of 0-2x. The CMD for us was a slight confidence booster when looking at expectations for coming year profitability improvement, but Loihde still has quite a lot to prove when it comes to the long-term target.

HOLD with a target price of EUR 12.3 (ex-div)

Despite the guidance downgrade and as such lowered 2023 estimates, the elements behind it were not game-changing and Loihde is still set for an overall decent year-end, and we keep our coming year estimates largely intact. We adjust our TP, excluding the additional dividend, to EUR 12.3 (prev. 13.0 pre-div).

Rating 🟡 HOLD



Share price, EUR (Last trading day's closing price) 12.55
Target price, EUR 12.3

| | |
|-------------------------------------|----------------|
| Latest change in recommendation | 10-Mar-23 |
| Latest report on company | 2-Nov-23 |
| Research paid by issuer: | YES |
| No. of shares outstanding, '000's | 5,752 |
| No. of shares fully diluted, '000's | 5,752 |
| Market cap, EURm | 72 |
| Free float, % | - |
| Exchange rate | 0.000 |
| Reuters code | LOIHDE.HE |
| Bloomberg code | LOIHDE FH |
| Average daily volume, EURm | - |
| Next interim report | - |
| Web site | www.loihde.com |

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🟢 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 | 132.7 | -0.1 | -0.1% | -0.6 | -0.17 | -487.1 | 0.4 | -570.2 | -0.9 | 1.10 |
| 2024E | 141.5 | 4.2 | 3.0% | 3.6 | 0.57 | 21.3 | 0.4 | 13.2 | 4.9 | 0.29 |
| 2025E | 148.8 | 7.0 | 4.7% | 3.6 | 0.63 | 19.8 | 0.4 | 7.6 | 5.0 | 0.32 |
| Market cap, EURm | 72 | | | Gearing 2023E, % | -18.3 | | | CAGR EPS 2022-25, % | 462.9 | |
| Net debt 2023E, EURm | -20 | | | Price/book 2023E | 0.7 | | | CAGR sales 2022-25, % | 6.6 | |
| Enterprise value, EURm | 53 | | | Dividend yield 2023E, % | 8.8 | | | ROE 2023E, % | -0.9 | |
| Total assets 2023E, EURm | 151 | | | Tax rate 2023E, % | -521.2 | | | ROCE 2023E, % | -0.1 | |
| Goodwill 2023E, EURm | 64 | | | Equity ratio 2023E, % | 70.8 | | | PEG, P/E 23/CAGR | 0.0 | |

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

Profit warning

Lowered 2023 adj. EBITDA estimate

Loihde issued a profit warning on November 11th. The Group's adjusted EBITDA is now estimated to be in the range of EUR 7–9m, while previously estimated to be above the previous year levels of EUR 10.3m. The revenue estimate for digital development was specified, now estimated to be EUR 39.5–41.0m. According to the previous guidance, revenue was expected to remain at approximately the same level as last year, i.e. EUR 40.8 million, or to increase. The growth guidance of over 10% y/y for the security business remained intact.

Economic uncertainty and market conditions showing

According to Loihde, the guidance downgrade is due to several factors. The uncertain economic environment has led to customers postponing orders, and the number of new digital development projects has decreased. The construction sector slowdown has both reduced available projects and increased competition in other areas. Client invoicing has also been reduced by an increase in sick leaves due to this autumn's coughs, colds and flu.

Downgrade not a larger surprise given high Q4 expectations

Although we in our estimates had assumed that Loihde would barely achieve the profitability guidance, the downgrade was not a larger surprise given the high expectations set for Q4. The downgrade was still disappointing, given that the company had reiterated its former guidance just two weeks prior. We have adjusted our estimates for Q4, mainly through lowered revenue in the security business, and subsequently lowered profitability. We now expect an adj. EBITDA of EUR 8.2m (prev. 10.4m).

Additional dividend

Additional EUR 1.0 dividend

Based on the authorization by the AGM on 4 May 2023, the BoD has decided to distribute an additional dividend of EUR 1.00 per share, with the record date of the additional dividend being 21 November 2023 and the payment date 28 November 2023. Based on the situation on the date of the decision, the additional dividend will correspond to EUR 5,743,094 in total.

Strategy update

Loihde updated its strategy and held its CMD event on November 16th. In our view the update did not come with any major deviations from the current business model, but emphasis was put on further structural efficiency, service area and industry focus, as well as growth in continuous services. Loihde will form five complementary and interlinked service areas to enable both well-focused service development and customer orientation as well as a unique total offering with the ability to combine different areas of expertise according to client needs:

- 1) Data & AI
- 2) Cloud & Connect
- 3) Cyber
- 4) Digital Services
- 5) Security Solutions

One Loihde brand and reorganization of BU's

According to Loihde, the company will, to clarify the total offering, customer communication and employer brand, start using a single, common Loihde brand, instead of the current network model with several sub-brands and organizes itself in business units in accordance with the service areas and in common support functions. We see this as an important part for Loihde to utilize its wide service offering and enable the cross-selling potential. Furthermore, with the organization of Loihde into four business units with centralized back-office functions, this should further bring down the company's fixed cost base. Loihde has formerly operated under several separate legal entities, which will now be reduced.

Focus industries as growth engines

Loihde has also specified four focus industries, which it sees as growth engines going forward: finance, healthcare, manufacturing and energy. In these focus industries, Loihde has assessed that their broad offering is relevant and Loihde already has a good presence and position. These industries also represent good growth potential in the current market environment.

Mid-term financial targets 2024–2027**Growth**

- Annual revenue growth of approximately 10%, including both organic growth and acquisitions
- The revenue target for the end of the strategy period is at least EUR 200m.

Profitability

- Adjusted EBITDA margin for the end of the strategy period, 15%

Capital

- Return on investment (ROI) above 10%
- Net debt/EBITDA between 0–2x

Seeking substantial profitability improvements

Of the financial targets, the target for profitability is in our view clearly the most ambitious. Loihde has in 2021 and 2022 achieved adj. EBITDA-margins of 6.9% and 8.4% respectively, and 2023 figures are set to decline y/y. Improvement potential through organizational restructuring will aid, but a larger share will have to rely upon operational efficiency and growth in continuous services. The growth target appears reasonable given market growth rates in key areas along with anticipated M&A activity and the net debt/EBITDA target not too challenging with Loihde's strong balance sheet.

| ESTIMATES | 2020 | 2021 | Q1'22 | Q2'22 | Q3'22 | Q4'22 | 2022 | Q1'23 | Q2'23 | Q3'23 | Q4'23E | 2023E | 2024E |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|
| Net sales | 101,0 | 104,4 | 27,6 | 29,8 | 29,5 | 36,0 | 123,0 | 31,3 | 34,2 | 29,9 | 37,3 | 132,7 | 141,5 |
| Security Solutions | 69,1 | 69,3 | 16,5 | 19,4 | 21,1 | 25,5 | 82,5 | 20,2 | 24,1 | 21,4 | 26,8 | 92,4 | 99,0 |
| Digital Development | 32,0 | 35,5 | 11,3 | 10,5 | 8,5 | 10,6 | 40,8 | 11,1 | 10,1 | 8,5 | 10,6 | 40,3 | 42,4 |
| Adj. EBITDA | 6,2 | 7,2 | 2,5 | 2,2 | 2,2 | 3,4 | 10,3 | -0,1 | 1,0 | 2,9 | 4,4 | 8,2 | 11,2 |
| Adj. EBIT | -3,1 | 0,8 | 0,8 | 0,6 | 0,4 | 1,5 | 3,3 | -1,9 | -0,9 | 1,0 | 2,5 | 0,7 | 4,3 |
| Net sales growth | 3,3% | - | 14,1% | 10,5% | 19,3% | 26,6% | 17,8% | 13,0% | 14,9% | 1,3% | 3,5% | 7,9% | 6,6% |
| Security Solutions | 6,2% | - | 0,7% | 5,8% | 27,8% | 41,0% | 19,0% | 22,2% | 24,6% | 1,4% | 5,0% | 12,1% | 7,1% |
| Digital Development | -0,9% | - | 44,2% | 21,8% | 3,3% | -2,5% | 15,0% | -1,0% | -3,8% | -0,7% | 0,0% | -1,4% | 5,4% |
| Adj. EBITDA margin | 5,8% | 6,9% | 8,9% | 7,5% | 7,5% | 9,3% | 8,4% | -0,4% | 3,0% | 9,7% | 11,8% | 6,2% | 7,9% |
| Adj. EBIT margin | -2,9% | 0,7% | 3,0% | 2,0% | 1,5% | 4,1% | 2,7% | -6,1% | -2,7% | 3,4% | 6,8% | 0,6% | 3,0% |

| 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 | 154 | 0,9x | 0,9x | 0,8x | 8,1x | 7,1x | 6,6x | 12,3x | 10,7x | 9,6x | 13,7x | 11,7x | 10,5x |
| Etteplan | 324 | 1,1x | 1,0x | 0,9x | 8,7x | 8,0x | 7,5x | 15,1x | 13,4x | 12,1x | 15,2x | 13,7x | 12,3x |
| Gofore | 371 | 1,8x | 1,5x | 1,3x | 11,9x | 10,7x | 9,3x | 15,6x | 13,8x | 11,3x | 19,0x | 16,9x | 14,8x |
| Innofactor | 41 | 0,6x | 0,6x | 0,6x | 5,9x | 5,6x | 5,1x | 9,0x | 8,3x | 7,3x | 10,2x | 9,0x | 7,5x |
| Netum Group | 31 | | | | 8,5x | 6,7x | 6,0x | 9,7x | | | 12,3x | 10,1x | 9,0x |
| Siili Solutions | 73 | 0,6x | 0,5x | | 6,3x | 5,7x | 5,8x | 10,0x | 8,6x | 7,9x | 12,6x | 10,5x | 10,5x |
| Sitowise Group | 107 | 0,9x | 0,9x | 0,8x | 7,6x | 7,1x | 6,2x | 13,3x | 12,0x | 9,6x | 13,5x | 11,0x | 8,0x |
| Solteq | 14 | 0,7x | 0,6x | | 4,0x | 4,0x | 5,0x | | 14,6x | 11,3x | | 16,6x | 7,5x |
| Solwers | 33 | 0,7x | 0,6x | | 2,2x | 2,1x | 2,0x | 3,8x | 3,8x | 3,4x | 13,5x | 12,5x | 10,5x |
| TietoEVRY | 2444 | 1,1x | 1,1x | 1,0x | 7,7x | 7,2x | 6,9x | 10,9x | 10,1x | 9,3x | 10,2x | 9,6x | 8,8x |
| Vincit | 58 | 0,5x | 0,4x | | 8,9x | 6,4x | 4,8x | 9,8x | 7,2x | 5,2x | 15,9x | 11,3x | 7,9x |
| Securitas | 4505 | 0,6x | 0,5x | 0,5x | 7,2x | 6,6x | 6,2x | 10,2x | 8,9x | 8,3x | 25,7x | 8,9x | 7,7x |
| Peer Group Average | 592 | 0,9x | 0,8x | 0,9x | 8,4x | 7,3x | 6,6x | 13,1x | 11,4x | 9,5x | 16,8x | 12,7x | 10,1x |
| Peer Group Median | 86 | 0,8x | 0,8x | 0,8x | 7,7x | 6,7x | 6,2x | 10,5x | 10,4x | 9,4x | 13,6x | 11,3x | 9,0x |
| Loihde (Evli est.) | 67 | 0,3x | 0,3x | 0,3x | 4,8x | 3,8x | 2,6x | 16,8x | 8,8x | 5,8x | 40,3x | 16,2x | 15,6x |

Loihde prem./disc. to peer median

-57 % -60 % -68 % -37 % -44 % -58 % 59 % -15 % -38 % 197 % 44 % 74 %

Source FactSet, Evli Research

| VALUATION RESULTS | BASE CASE DETAILS | VALUATION ASSUMPTIONS | ASSUMPTIONS FOR WACC | |
|--------------------------|-----------------------------|------------------------|--------------------------------|------|
| Current share price | 12.55 PV of Free Cash Flow | 81 Long-term growth, % | 1.5 Risk-free interest rate, % | 2.50 |
| DCF share value | 32.48 PV of Horizon value | 87 WACC, % | 9.1 Market risk premium, % | 6.3 |
| Share price potential, % | 158.8 Unconsolidated equity | 0 Spread, % | 0.5 Debt risk premium, % | 4.5 |
| Maximum value | 34.5 Marketable securities | 32 Minimum WACC, % | 8.6 Equity beta coefficient | 1.15 |
| Minimum value | 30.7 Debt - dividend | -13 Maximum WACC, % | 9.6 Target debt ratio, % | 15 |
| Horizon value, % | 51.6 Value of stock | 187 Nr of shares, Mn | 5.8 Effective tax rate, % | 20 |

| DCF valuation, EURm | 2022 | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E | Horizon |
|-----------------------------------|-------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Net sales | 123 | 133 | 141 | 149 | 155 | 161 | 166 | 171 | 176 | 180 | 182 | 185 |
| <i>Sales growth, %</i> | <i>17.8</i> | <i>7.9</i> | <i>6.6</i> | <i>5.2</i> | <i>4.2</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 | 0 | 4 | 7 | 8 | 8 | 9 | 9 | 9 | 9 | 9 | 9 |
| <i>Operating income margin, %</i> | <i>5.2</i> | <i>-0.1</i> | <i>3.0</i> | <i>4.7</i> | <i>5.1</i> | <i>5.2</i> | <i>5.2</i> | <i>5.2</i> | <i>5.2</i> | <i>5.0</i> | <i>5.0</i> | <i>5.0</i> |
| + Depreciation+amort. | 7 | 7 | 8 | 8 | 9 | 9 | 9 | 10 | 10 | 10 | 10 | |
| EBITDA | 13 | 7 | 12 | 15 | 17 | 17 | 18 | 19 | 19 | 19 | 20 | |
| - Paid taxes | -1 | 0 | -1 | -1 | -2 | -2 | -2 | -2 | -2 | -2 | -2 | |
| - Change in NWC | -4 | 3 | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| <i>NWC / Sales, %</i> | <i>4.9</i> | <i>2.3</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 | -5 | -2 | -3 | -2 | -3 | -3 | -3 | -3 | -3 | -3 | |
| <i>opCAPEX / Sales, %</i> | <i>1.3</i> | <i>8.1</i> | <i>6.3</i> | <i>6.5</i> | <i>5.2</i> | <i>6.1</i> | <i>6.0</i> | <i>6.0</i> | <i>6.0</i> | <i>6.0</i> | <i>5.9</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 | 5 | 10 | 13 | 14 | 12 | 13 | 13 | 14 | 14 | 14 | 191 |
| = Discounted FCFF | | 5 | 9 | 10 | 10 | 9 | 8 | 8 | 7 | 7 | 6 | 87 |
| = DFCF min WACC | | 5 | 9 | 11 | 11 | 9 | 9 | 8 | 8 | 7 | 7 | 97 |
| = DFCF max WACC | | 5 | 9 | 10 | 10 | 9 | 8 | 8 | 7 | 7 | 6 | 78 |

INTERIM FIGURES

| EVLI ESTIMATES, EURm | 2022Q1 | 2022Q2 | 2022Q3 | 2022Q4 | 2022 | 2023Q1 | 2023Q2 | 2023Q3 | 2023Q4E | 2023E | 2024E | 2025E |
|--------------------------------------|-------------|--------------|------------|--------------|--------------|--------------|--------------|---------------|--------------|---------------|---------------|-------------|
| Net sales | 27.6 | 29.8 | 29.5 | 36.0 | 123.0 | 31.3 | 34.2 | 29.9 | 37.3 | 132.7 | 141.5 | 148.8 |
| EBITDA | 6.2 | 2.1 | 2.1 | 2.9 | 13.3 | -0.4 | 0.8 | 2.8 | 4.2 | 7.3 | 11.9 | 15.5 |
| <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>2.4</i> | <i>9.2</i> | <i>11.2</i> | <i>5.5</i> | <i>8.4</i> | <i>10.4</i> |
| EBIT | 4.6 | 0.4 | 0.5 | 0.9 | 6.4 | -2.2 | -1.1 | 0.9 | 2.3 | -0.1 | 4.2 | 7.0 |
| <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>-3.2</i> | <i>2.9</i> | <i>6.3</i> | <i>-0.1</i> | <i>3.0</i> | <i>4.7</i> |
| Net financial items | -1.1 | -0.9 | 0.0 | -0.2 | -2.3 | -0.2 | 0.6 | -0.2 | -0.2 | -0.1 | -0.1 | -2.4 |
| Pre-tax profit | 3.5 | -0.5 | 0.5 | 0.7 | 4.1 | -2.4 | -0.5 | 0.6 | 2.1 | -0.2 | 4.1 | 4.6 |
| Tax | -0.7 | -0.3 | 0.0 | 0.0 | -1.0 | 0.4 | -0.5 | -0.2 | -0.4 | -0.8 | -0.8 | -0.9 |
| <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>-99.3</i> | <i>37.0</i> | <i>20.0</i> | <i>-521.2</i> | <i>20.0</i> | <i>20.0</i> |
| Net profit | 2.8 | -0.8 | 0.5 | 0.6 | 3.0 | -2.0 | -1.1 | 0.4 | 1.7 | -1.0 | 3.3 | 3.6 |
| EPS | 0.49 | -0.15 | 0.08 | 0.11 | 0.54 | -0.35 | -0.19 | 0.07 | 0.30 | -0.17 | 0.57 | 0.63 |
| EPS adjusted (diluted no. of shares) | -0.18 | -0.11 | 0.07 | 0.23 | 0.00 | -0.30 | -0.15 | 0.10 | 0.33 | -0.03 | 0.59 | 0.63 |
| Dividend per share | 0.00 | 0.00 | 0.00 | 0.00 | 0.80 | 0.00 | 0.00 | 0.00 | 0.00 | 1.10 | 0.29 | 0.32 |
| SALES, EURm | | | | | | | | | | | | |
| Security Solutions | 16.5 | 19.4 | 21.1 | 25.5 | 82.5 | 20.2 | 24.1 | 21.4 | 26.8 | 92.4 | 99.0 | 103.0 |
| Digital Development | 11.3 | 10.5 | 8.5 | 10.6 | 40.8 | 11.1 | 10.1 | 8.5 | 10.6 | 40.3 | 42.4 | 45.8 |
| Others | -0.1 | -0.1 | 0.0 | 0.0 | -0.3 | -0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 27.6 | 29.8 | 29.5 | 36.0 | 123.0 | 31.3 | 34.2 | 29.9 | 37.3 | 132.7 | 141.5 | 148.8 |
| SALES GROWTH, Y/Y % | | | | | | | | | | | | |
| <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>24.6</i> | <i>1.4</i> | <i>5.0</i> | <i>12.1</i> | <i>7.1</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>-3.8</i> | <i>-0.7</i> | <i>0.0</i> | <i>-1.4</i> | <i>5.4</i> | <i>8.0</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>-69.2</i> | <i>-405.1</i> | <i>-11.8</i> | <i>-90.1</i> | <i>-101.3</i> | <i>0.0</i> |
| <i>Total</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>-65.5</i> | <i>17.8</i> | <i>13.0</i> | <i>14.9</i> | <i>1.3</i> | <i>3.5</i> | <i>7.9</i> | <i>6.6</i> | <i>5.2</i> |
| EBIT, EURm | | | | | | | | | | | | |
| Group | 4.6 | 0.4 | 0.5 | 0.9 | 6.4 | -2.2 | -1.1 | 0.9 | 2.3 | -0.1 | 4.2 | 7.0 |
| Total | 4.6 | 0.4 | 0.5 | 0.9 | 6.4 | -2.2 | -1.1 | 0.9 | 2.3 | -0.1 | 4.2 | 7.0 |
| EBIT margin, % | | | | | | | | | | | | |
| Group | | | | | | | | | | - | | |
| Total | | | | | | | | | | 23,062.5 | | |
| <i>Total</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>-3.2</i> | <i>2.9</i> | <i>6.3</i> | <i>-0.1</i> | <i>3.0</i> | <i>4.7</i> |

| INCOME STATEMENT, EURm | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E |
|--|-------------|-------------|-------------|-------------|-------------|-------------|------------|-------------|
| Sales | 104.9 | 103.1 | 106.8 | 104.4 | 123.0 | 132.7 | 141.5 | 148.8 |
| <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>7.9</i> | <i>6.6</i> | <i>5.2</i> |
| EBITDA | 21.2 | 5.6 | 5.6 | 5.6 | 13.3 | 7.3 | 11.9 | 15.5 |
| <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>5.5</i> | <i>8.4</i> | <i>10.4</i> |
| Depreciation | -8.2 | -10.8 | -9.4 | -6.5 | -6.9 | -7.4 | -7.7 | -8.5 |
| EBITA | 13.1 | -5.2 | -3.8 | -0.9 | 6.4 | -0.1 | 4.2 | 7.0 |
| 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 | -0.1 | 4.2 | 7.0 |
| <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>-0.1</i> | <i>3.0</i> | <i>4.7</i> |
| Reported EBIT | 13.1 | -5.2 | -3.8 | 5.6 | 6.7 | -0.1 | 4.2 | 7.0 |
| <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>-0.1</i> | <i>3.0</i> | <i>4.7</i> |
| Net financials | 26.7 | 20.8 | 0.8 | 1.1 | -2.3 | -0.1 | -0.1 | -2.4 |
| Pre-tax profit | 39.8 | 15.6 | -3.1 | 0.2 | 4.1 | -0.2 | 4.1 | 4.6 |
| Taxes | -7.6 | -4.5 | -0.9 | 0.2 | -1.0 | -0.8 | -0.8 | -0.9 |
| 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 | -1.0 | 3.3 | 3.6 |
| 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 |
| BALANCE SHEET, EURm | | | | | | | | |
| Assets | | | | | | | | |
| Fixed assets | 22 | 11 | 11 | 11 | 10 | 12 | 12 | 12 |
| Goodwill | 37 | 48 | 45 | 53 | 63 | 64 | 64 | 64 |
| Right of use assets | 0 | 0 | 7 | 8 | 8 | 9 | 10 | 11 |
| Inventory | 6 | 6 | 7 | 7 | 10 | 11 | 11 | 11 |
| Receivables | 46 | 37 | 28 | 23 | 25 | 24 | 26 | 27 |
| Liquid funds | 50 | 52 | 48 | 42 | 32 | 29 | 34 | 34 |
| Total assets | 161 | 153 | 146 | 146 | 151 | 151 | 159 | 161 |
| Liabilities | | | | | | | | |
| Shareholder's equity | 116 | 118 | 111 | 110 | 111 | 107 | 104 | 106 |
| 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 | 0 | 6 | 4 |
| Non-interest bearing current liabilities | 26 | 27 | 26 | 26 | 29 | 32 | 35 | 37 |
| Other interest-free debt | 0 | 0 | 2 | 1 | 1 | 2 | 2 | 2 |
| Total liabilities | 161 | 153 | 146 | 146 | 151 | 151 | 159 | 161 |
| CASH FLOW, EURm | | | | | | | | |
| + EBITDA | 21 | 6 | 6 | 6 | 13 | 7 | 12 | 15 |
| - 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 | 2 | 1 |
| +/- Other | -17 | 29 | 16 | 7 | 0 | 0 | 0 | 0 |
| = Cash flow from operations | 27 | 25 | 2 | 7 | 5 | 10 | 12 | 13 |
| - Capex | -2 | -2 | -2 | -6 | -2 | -11 | -9 | -10 |
| - 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 | -1 | 4 | 4 |
| +/- New issues/buybacks | 17 | 2 | 6 | 7 | 2 | 1 | 0 | 0 |
| - Paid dividend | -6 | -10 | -10 | -15 | -3 | -5 | -6 | -2 |
| +/- Other | 0 | -14 | 0 | 7 | -2 | 1 | 7 | -2 |
| Change in cash | 36 | 2 | -4 | -5 | -10 | -3 | 5 | 0 |

| KEY FIGURES | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E |
|--|-------|--------|-------|---------|--------|-------|-------|
| M-cap | 0 | 0 | 96 | 74 | 72 | 72 | 72 |
| Net debt (excl. convertibles) | -46 | -41 | -34 | -24 | -20 | -17 | -19 |
| Enterprise value | -46 | -41 | 62 | 50 | 53 | 55 | 53 |
| Sales | 103 | 107 | 104 | 123 | 133 | 141 | 149 |
| EBITDA | 6 | 6 | 6 | 13 | 7 | 12 | 15 |
| EBIT | -5 | -4 | -1 | 6 | 0 | 4 | 7 |
| Pre-tax | 16 | -3 | 0 | 4 | 0 | 4 | 5 |
| Earnings | 11 | -4 | 0 | 3 | -1 | 3 | 4 |
| Equity book value (excl. minorities) | 118 | 111 | 110 | 111 | 107 | 104 | 106 |
| Valuation multiples | | | | | | | |
| EV/sales | -0.4 | -0.4 | 0.6 | 0.4 | 0.4 | 0.4 | 0.4 |
| EV/EBITDA | -8.3 | -7.3 | 11.1 | 3.8 | 7.2 | 4.7 | 3.4 |
| EV/EBITA | 8.9 | 10.7 | -70.3 | 7.9 | -570.2 | 13.2 | 7.6 |
| EV/EBIT | 8.9 | 10.7 | -70.3 | 7.9 | -570.2 | 13.2 | 7.6 |
| EV/OCF | -1.9 | -25.1 | 9.3 | 10.0 | 5.2 | 4.5 | 4.0 |
| EV/FCFF | 12.3 | 25.1 | 8.7 | 8.8 | 9.7 | 5.5 | 4.2 |
| P/FCFE | 0.0 | 0.0 | -23.1 | -11.7 | -111.4 | 20.3 | 19.9 |
| P/E | 0.0 | 0.0 | 45.1 | 3,700.4 | -487.1 | 21.3 | 19.8 |
| P/B | 0.0 | 0.0 | 0.9 | 0.7 | 0.7 | 0.7 | 0.7 |
| Target EV/EBITDA | 0.0 | 0.0 | 0.0 | 0.0 | 7.0 | 4.6 | 3.4 |
| Target EV/EBIT | 0.0 | 0.0 | 0.0 | 0.0 | -554.6 | 12.8 | 7.4 |
| Target EV/FCF | 0.0 | 0.0 | 0.0 | 0.0 | -78.9 | 15.2 | 14.3 |
| Target P/B | 0.0 | 0.0 | 0.0 | 0.0 | 0.7 | 0.7 | 0.7 |
| Target P/E | 0.0 | 0.0 | 0.0 | 0.0 | -477.4 | 20.9 | 19.4 |
| Per share measures | | | | | | | |
| Number of shares | 5,387 | 5,684 | 5,930 | 5,628 | 5,752 | 5,752 | 5,752 |
| Number of shares (diluted) | 5,387 | 5,684 | 5,930 | 5,628 | 5,752 | 5,752 | 5,752 |
| EPS | 2.02 | -0.73 | 0.08 | 0.54 | -0.17 | 0.57 | 0.63 |
| Operating cash flow per share | 4.56 | 0.29 | 1.12 | 0.90 | 1.75 | 2.16 | 2.31 |
| Free cash flow per share | 4.27 | -0.05 | -0.70 | -1.12 | -0.11 | 0.62 | 0.63 |
| Book value per share | 21.98 | 19.46 | 18.48 | 19.78 | 18.60 | 18.07 | 18.42 |
| Dividend per share | 1.90 | 2.70 | 0.55 | 0.80 | 1.10 | 0.29 | 0.32 |
| Dividend payout ratio, % | 94.2 | -369.0 | 675.2 | 147.7 | -639.6 | 50.0 | 50.0 |
| Dividend yield, % | 0.0 | 0.0 | 3.4 | 6.1 | 8.8 | 2.3 | 2.5 |
| FCF yield, % | 0.0 | 0.0 | -4.3 | -8.5 | -0.9 | 4.9 | 5.0 |
| Efficiency measures | | | | | | | |
| ROE | 9.3 | -3.6 | 0.4 | 2.8 | -0.9 | 3.1 | 3.5 |
| ROCE | -4.0 | -3.2 | -0.7 | 5.4 | -0.1 | 3.5 | 5.8 |
| Financial ratios | | | | | | | |
| Inventories as % of sales | 5.4 | 6.2 | 7.0 | 8.4 | 8.2 | 8.0 | 7.2 |
| Receivables as % of sales | 35.5 | 25.9 | 22.1 | 20.4 | 18.5 | 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 | 2.3 | 1.1 | 0.3 |
| Operative CAPEX/sales, % | 1.5 | 1.8 | 6.1 | 1.3 | 8.1 | 6.3 | 6.5 |
| CAPEX/sales (incl. acquisitions), % | 1.5 | 1.8 | -3.6 | -7.5 | 8.1 | 6.3 | 6.5 |
| FCFF/EBITDA | -0.7 | -0.3 | 1.3 | 0.4 | 0.7 | 0.9 | 0.8 |
| Net debt/EBITDA, book-weighted | -8.3 | -7.3 | -6.1 | -1.8 | -2.7 | -1.4 | -1.2 |
| Debt/equity, market-weighted | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 |
| Equity ratio, book-weighted | 78.3 | 75.8 | 74.9 | 73.8 | 70.8 | 65.4 | 65.8 |
| Gearing, % | -38.8 | -37.1 | -31.1 | -21.2 | -18.3 | -16.2 | -17.7 |

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 | 3.451 | 4.8% |
| Bellurum Oy | 210,576 | 2.643 | 3.7% |
| Lakiasiaintoimisto Asiakasturva Oy | 128,274 | 1.610 | 2.2% |
| VISIO Allocator Fund | 100,000 | 1.255 | 1.7% |
| Tenendum Oy | 75,848 | 0.952 | 1.3% |
| LähiTapiola Mutual Life Insurance Company | 75,000 | 0.941 | 1.3% |
| LähiTapiola Mutual Insurance Company | 75,000 | 0.941 | 1.3% |
| City of Vaasa | 70,400 | 0.884 | 1.2% |
| Pelkonen Antti | 68,480 | 0.859 | 1.2% |
| Hotcom Oy | 66,440 | 0.834 | 1.2% |
| Ten largest | 1,145,018 | 14.370 | 20% |
| Residual | 4,607,096 | 57.819 | 80% |
| Total | 5,752,114 | 72.189 | 100% |

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

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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 |

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

| Recommendation | Percentage |
|----------------|------------|
| Sell | 15% |
| Hold | 58% |
| Buy | 27% |

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): Salokivi

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