

## Q4 result broadly as expected, 2020 guidance signals confidence in turnaround

**SSH Q4 result was broadly as expected. Outlook for 2020: SSH expects revenue growth of 10-15 percent and an improving operating result.**

- Q4 net sales were EUR 4.1 million (vs. 4.7m our expectation). Net sales decreased by -35.8% compared to the previous year mainly due to the end of the patent licensing programme and reduced consulting revenue. Software business sales decreased -11.8% y/y due to the smaller initial project size compared to last year including a large license deal received in Q4'18.
- Software fees were EUR 1.8 million (2.2m Evli), Professional services were EUR 0.3 million (0.2m Evli), and Recurring revenue was EUR 2.1 million (2.3m Evli)
- Q4 operating loss was EUR -0.1 million (vs. 0.2m our expectation)
- EPS was -0.02 (vs. 0.00 our estimate)
- Liquid assets were EUR 12.0m (11.6m Q3/19)
- **Business outlook for 2020:** SSH expects revenue growth of 10-15 percent and an improving operating result (-1.2 MEUR FY'19).
- SSH expect clearly faster growth rates for PrivX and NOX, steady growth for UKM matching the industry growth rate, and modest growth for Tectia, which is the most mature product. The combined effect of these growth rates will result in moderate short-term growth, which SSH expects to accelerate over the next several years.
- **CEO comment:** "We are making progress with our new products, PrivX and NOX, which we expect to start having an increasing impact on our revenue and bottom line in 2020 and beyond."

Rating	SELL
Share price, EUR (Last trading day's closing price)	1.09
Target price, EUR	1.0
Latest change in recommendation	12-Feb-19
Latest report on company	14-Nov-19
Research paid by issuer:	YES
No. of shares outstanding, '000's	38,802
No. of shares fully diluted, '000's	38,802
Market cap, EURm	42
Free float, %	-
Exchange rate EUR/USD	-
Reuters code	SSH1V.HE
Bloomberg code	SSH1V.FH
Average daily volume, EURm	-
Next interim report	23-Apr-20
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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
2017	16.2	-1.7	-10.5%	-0.3	-0.08	-21.9	4.1	-39.1	-0.4	0.00
2018	18.3	0.5	2.7%	-1.1	-0.01	-163.0	3.6	130.6	-1.6	0.00
2019E	15.0	-0.9	-6.2%	-2.0	-0.04	-24.4	2.9	-47.3	-4.7	0.00
2020E	17.5	0.6	3.4%	1.0	0.00	499.7	2.4	70.8	2.4	0.00
2021E	19.6	1.1	5.6%	1.5	0.02	52.0	2.1	37.2	3.6	0.00
Market cap, EURm			42	BV per share 2019E, EUR		29.9	CAGR EPS 2018-21, %			0.0
Net debt 2019E, EURm			0	Price/book 2019E		74.2	CAGR sales 2018-21, %			2.3
Enterprise value, EURm			44	Dividend yield 2019E, %		0.0	ROE 2019E, %			-175.6
Total assets 2019E, EURm			22	Tax rate 2019E, %		-1.2	ROCE 2019E, %			-6.4
Goodwill 2019E, EURm			0	Equity ratio 2019E, %		61.4	PEG, P/E 19/CAGR			0.0

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

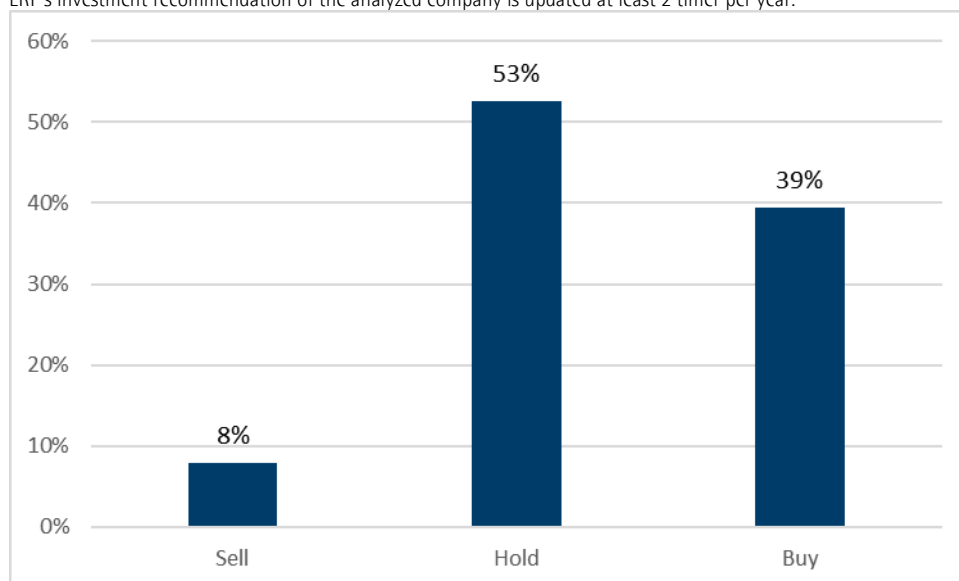
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Investment recommendations are defined as follows:

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

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The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. If recommendation is not given, it is not mentioned here.

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

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