

Small progress, but not enough

SSH's Q4 was broadly in line, capping off a challenging year of sales decline. Given the weak performance in FY'19, SSH's guidance for 2020 was a small disappointment. We've cut our estimates for the coming years and maintain our target price of EUR 1.0, our recommendation is now HOLD (prev. SELL).

Q4 broadly as expected, capping off a disappointing year

Q4 net sales were EUR 4.1 million (vs. 4.7m our Evli). 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 Evli). FY'19 as a whole; net sales of software business (excluding patent income in FY'18) decreased -8% y/y and EBIT was -1.2 MEUR (0.5 MEUR FY'18), attributed to lower sales (despite OPEX reduction), less larger license deals and with significant patent income received in FY'18.

2020 guidance disappointing given 2019 performance

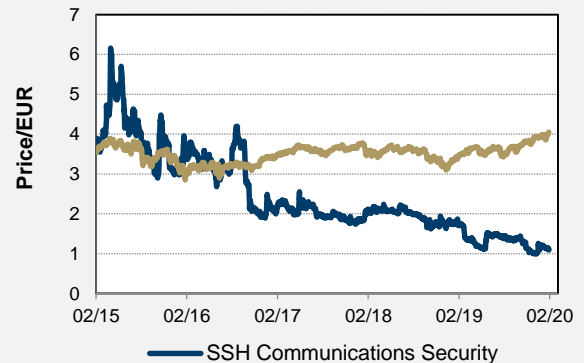
SSH's expectations for 2020 are revenue growth of 10-15 percent and an improving operating result (-1.2 MEUR FY'19). SSH expect clearly faster growth rates for PrivX and NOX, steady growth for UKM matching the industry growth rate, and modest growth for Tectia, which is the most mature product. The combined effect of these growth rates will result in moderate short-term growth, which SSH expects to accelerate over the next several years. Given the weak performance in SSH's software business in FY'19, the guidance was a small disappointment and we have consequently cut our sales estimates. We now estimate 16.6 MEUR net sales for 2020E (prev. 17.5MEUR), resulting in 15% y/y growth, which is right at SSH's guidance upper range. Reaching that level of net sales will require several larger one-off UKM license deals and/or some bigger NOX deals in 2020E. In conjunction with our estimates revision, we have also now amended our estimates regarding the 12 MEUR hybrid loan interest expenses, which as of March 30th 2020 will rise from 7.5% to 11.5%. Management did not provide any new commentary regarding hybrid loan and its possible redemption or re-financing.

Maintain EUR 1.0 target price, recommendation HOLD (prev. SELL)

Despite our estimates cut, the bigger picture remains unchanged in our view; with the underlying question in the investment case still regarding growth.

Rating

HOLD



Share price, EUR (Last trading day's closing price) 1.10

Target price, EUR 1.0

| | |
|-------------------------------------|-------------------------|
| Latest change in recommendation | 17-Feb-20 |
| 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 | 43 |
| Free float, % | - |
| Exchange rate EUR/USD | - |
| Reuters code | SSH1V.HE |
| Bloomberg code | SSH1V FH |
| Average daily volume, EURm | - |
| Next interim report | 23-Apr-20 |
| Web site | ssh.com/investors/ |
| Analyst | Jonas Forslund |
| E-mail | jonas.forslund@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 |
|--------------------------|---------------|--------------|-----------|-------------------------|------------|------------|-----------------------|----------------|----------------|------------|
| 2018 | 18.3 | 0.5 | 2.7% | -1.1 | -0.01 | -163.0 | 3.6 | 130.6 | -1.6 | 0.00 |
| 2019 | 14.4 | -1.2 | -8.1% | -2.1 | -0.06 | -19.1 | 3.2 | -39.2 | -4.7 | 0.00 |
| 2020E | 16.6 | 0.6 | 3.3% | 0.2 | -0.02 | -52.7 | 2.7 | 80.1 | 0.5 | 0.00 |
| 2021E | 19.3 | 1.1 | 5.7% | 0.8 | -0.01 | -123.2 | 2.2 | 39.4 | 1.8 | 0.00 |
| 2022E | 22.4 | 1.7 | 7.6% | 1.3 | 0.01 | 187.2 | 1.9 | 24.7 | 3.1 | 0.00 |
| Market cap, EURm | | | 43 | Gearing 2020E, % | | -101.1 | CAGR EPS 2019-22, % | | | 0.0 |
| Net debt* 2020E, EURm | | | 1 | Price/book 2020E | | -32.6 | CAGR sales 2019-22, % | | | 15.9 |
| Enterprise value, EURm | | | 44 | Dividend yield 2020E, % | | 0.0 | ROE 2020E, % | | | 0.0 |
| Total assets 2020E, EURm | | | 24 | Tax rate 2020E, % | | 0.0 | ROCE 2020E, % | | | 4.4 |
| Goodwill 2020E, EURm | | | 0 | Equity ratio 2020E, % | | 46.2 | PEG, P/E 20/CAGR | | | 0.0 |

SSH has made progress, but the progress is slow and given SSH's historical and current growth profile, the question remains will growth materialize. We maintain our target price of EUR 1.0, our recommendation is now HOLD (prev. SELL). As noted before, SSH trades at a clear discount to the cyber security sector. Our target price implies an EV/Sales multiple of 2.4 on our '20E estimate, slightly below Nordic software peers, which we see as warranted given weaker metrics and the uncertainty to our estimates.

| Cybersecurity | MCAP MEUR | EV/EBIT | | | EV/SALES | | | P/E | | |
|---------------------------|--------------|---------|--------|-------|----------|------|------|--------|--------|---------|
| | | 19 | 20 | 21 | 19 | 20 | 21 | 19 | 20 | 21 |
| Check Point Software Tech | 15806 | 13,2x | 12,0x | 11,9x | 6,6x | 5,8x | 5,8x | 19,2x | 18,2x | 17,3x |
| F-Secure | 501 | 78,8x | 32,6x | 20,7x | 2,3x | 2,2x | 1,9x | 158,8x | 47,6x | 31,8x |
| Palo Alto Networks | 22177 | 37,1x | 32,9x | 23,6x | 7,3x | 5,8x | 4,6x | 46,9x | 44,6x | 35,9x |
| Sophos Group | 3364 | 80,6x | 103,1x | | 4,7x | 4,3x | | 42,7x | 35,9x | 33,3x |
| NortonLifeLock | 11927 | 15,4x | 15,3x | 12,4x | 5,0x | 6,2x | 6,0x | 19,4x | 19,8x | 15,0x |
| Fortinet Inc | 18777 | 34,7x | 29,1x | 22,7x | 8,5x | 7,0x | 5,8x | 48,2x | 43,7x | 37,6x |
| Peer Group Average | 10755 | 43,3x | 37,5x | 18,3x | 5,7x | 5,2x | 4,8x | 55,9x | 35,0x | 28,5x |
| Peer Group Median | 11927 | 35,9x | 30,8x | 20,7x | 5,8x | 5,8x | 5,8x | 44,8x | 39,8x | 32,5x |
| SSH (Evli est.) | 43 | -39,2x | 80,1x | 39,4x | 3,2x | 2,7x | 2,2x | -19,1x | -52,7x | -123,2x |

SSH prem./disc. to peer median

-45 % -54 % -61 %

Source FactSet, Evli Research

| Cybersecurity | Sales | | Sales growth | | EBIT-% | | |
|---------------------------|-------|-------|--------------|------|--------|--------|--------|
| | 18 | 19 | 20 | 21 | 19 | 20 | 21 |
| Check Point Software Tech | 1677 | 8 % | 5 % | 3 % | 50,3 % | 48,3 % | 48,2 % |
| F-Secure | 191 | 15 % | 6 % | 7 % | 3,0 % | 6,7 % | 9,3 % |
| Palo Alto Networks | 1962 | 46 % | 21 % | 19 % | 19,6 % | 17,8 % | 19,4 % |
| Sophos Group | 636 | 14 % | 11 % | 2 % | 5,8 % | 4,1 % | |
| NortonLifeLock | 4235 | -34 % | -18 % | 1 % | 32,6 % | 40,4 % | 48,4 % |
| Fortinet Inc | 1586 | 24 % | 19 % | 15 % | 24,5 % | 24,1 % | 25,4 % |
| Peer Group Average | 1715 | 12 % | 7 % | 8 % | 22,6 % | 23,6 % | 30,1 % |
| Peer Group Median | 1632 | 15 % | 8 % | 5 % | 22,1 % | 20,9 % | 25,4 % |
| SSH (Evli est.) | 18 | -21 % | 15 % | 17 % | -8,1 % | 3,3 % | 5,7 % |

Source FactSet, Evli Research

| PAM vendors | MCAP MEUR | EV/EBIT | | | EV/SALES | | | P/E | | |
|--------------------|--------------|---------|-------|-------|----------|------|------|--------|--------|---------|
| | | 19 | 20 | 21 | 19 | 20 | 21 | 19 | 20 | 21 |
| CyberArk Software | 4127 | 29,0x | 30,2x | 24,1x | 8,2x | 6,8x | 5,6x | 42,7x | 48,2x | 41,7x |
| Wallix Group | 80 | | | 21,1x | 3,3x | 2,3x | 1,6x | | | 43,4x |
| Peer Group Average | 2103 | 29,0x | 30,2x | 22,6x | 5,8x | 4,5x | 3,6x | 42,7x | 48,2x | 42,5x |
| Peer Group Median | 2103 | 29,0x | 30,2x | 22,6x | 5,8x | 4,5x | 3,6x | 42,7x | 48,2x | 42,5x |
| SSH (Evli est.) | 43 | -39,2x | 80,1x | 39,4x | 3,2x | 2,7x | 2,2x | -19,1x | -52,7x | -123,2x |

SSH prem./disc. to peer median

-45 % -41 % -37 %

Source FactSet, Evli Research

| PAM vendors | Sales | | Sales growth | | EBIT-% | | |
|--------------------|-------|-------|--------------|------|---------|--------|--------|
| | 18 | 19 | 20 | 21 | 19 | 20 | 21 |
| CyberArk Software | 304 | 31 % | 19 % | 17 % | 28,4 % | 22,6 % | 23,1 % |
| Wallix Group | 13 | 30 % | 51 % | 44 % | -33,5 % | -2,7 % | 7,5 % |
| Peer Group Average | 158 | 30 % | 35 % | 31 % | -2,5 % | 9,9 % | 15,3 % |
| Peer Group Median | 158 | 30 % | 35 % | 31 % | -2,5 % | 9,9 % | 15,3 % |
| SSH (Evli est.) | 18 | -21 % | 15 % | 17 % | -8,1 % | 3,3 % | 5,7 % |

Source FactSet, Evli Research

| Nordic software companies | MCAP MEUR | EV/EBIT | | | EV/SALES | | | P/E | | |
|---------------------------|--------------|---------|--------|-------|----------|------|------|--------|--------|---------|
| | | 19 | 20 | 21 | 19 | 20 | 21 | 19 | 20 | 21 |
| Basware | 398 | | 307,6x | 43,8x | 3,0x | 2,8x | 2,6x | | | |
| Efecte | 36 | | | | 2,4x | 2,1x | | | | |
| Enea | 343 | 16,1x | 15,8x | 14,3x | 3,8x | 3,6x | 3,3x | 20,0x | 17,4x | 17,0x |
| Infront | 103 | 46,6x | 19,7x | 15,6x | 2,9x | 1,8x | 1,6x | | 52,4x | 21,4x |
| Qt Group | 547 | | 67,1x | 30,0x | 9,6x | 7,5x | 6,0x | | 88,1x | 38,8x |
| Peer Group Average | 286 | 31,4x | 102,6x | 25,9x | 4,3x | 3,6x | 3,4x | 20,0x | 52,6x | 25,7x |
| Peer Group Median | 343 | 31,4x | 43,4x | 22,8x | 3,0x | 2,8x | 2,9x | 20,0x | 52,4x | 21,4x |
| SSH (Evli est.) | 43 | -39,2x | 80,1x | 39,4x | 3,2x | 2,7x | 2,2x | -19,1x | -52,7x | -123,2x |

SSH prem./disc. to peer median

6 % -5 % -23 %

Source FactSet, Evli Research

| Nordic software companies | Sales | | Sales growth | | EBIT-% | | |
|---------------------------|-------|-------|--------------|------|---------|--------|--------|
| | 18 | 19 | 20 | 21 | 19 | 20 | 21 |
| Basware | 141 | 5 % | 7 % | 10 % | -7,7 % | 0,9 % | 5,8 % |
| Efecte | 12 | 15 % | 16 % | 19 % | -10,0 % | -6,8 % | 0,0 % |
| Enea | 80 | 18 % | 4 % | 6 % | 23,8 % | 22,9 % | 23,1 % |
| Infront | 28 | 171 % | 55 % | 4 % | 6,1 % | 9,1 % | 10,6 % |
| Qt Group | 46 | 23 % | 26 % | 25 % | -0,9 % | 11,2 % | 20,1 % |
| Peer Group Average | 62 | 46 % | 21 % | 13 % | 2,3 % | 7,5 % | 11,9 % |
| Peer Group Median | 46 | 18 % | 16 % | 10 % | -0,9 % | 9,1 % | 10,6 % |
| SSH (Evli est.) | 18 | -21 % | 15 % | 17 % | -8,1 % | 3,3 % | 5,7 % |

Source FactSet, Evli Research

INTERIM FIGURES

| EVLI ESTIMATES, EURm | 2019Q1 | 2019Q2 | 2019Q3 | 2019Q4 | 2019 | 2020Q1E | 2020Q2E | 2020Q3E | 2020Q4E | 2020E | 2021E | 2022E |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|-------------|-------------|-------------|
| Net sales | 2.7 | 4.0 | 3.6 | 4.1 | 14.4 | 3.8 | 4.0 | 4.3 | 4.5 | 16.6 | 19.3 | 22.4 |
| EBITDA | -0.8 | 0.8 | 0.2 | 0.3 | 0.5 | 0.4 | 0.8 | 0.9 | 0.4 | 2.4 | 2.9 | 3.5 |
| <i>EBITDA margin (%)</i> | <i>-29.6</i> | <i>20.8</i> | <i>5.6</i> | <i>7.3</i> | <i>3.7</i> | <i>9.2</i> | <i>18.8</i> | <i>19.8</i> | <i>9.0</i> | <i>14.2</i> | <i>14.8</i> | <i>15.4</i> |
| EBIT | -1.3 | 0.4 | -0.2 | -0.1 | -1.2 | -0.1 | 0.3 | 0.4 | 0.0 | 0.6 | 1.1 | 1.7 |
| <i>EBIT margin (%)</i> | <i>-48.1</i> | <i>10.8</i> | <i>-5.6</i> | <i>-2.4</i> | <i>-8.1</i> | <i>-2.6</i> | <i>7.5</i> | <i>9.3</i> | <i>-1.1</i> | <i>3.3</i> | <i>5.7</i> | <i>7.6</i> |
| Net financial items | 0.1 | -0.1 | 0.2 | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | -0.1 | -0.1 |
| Pre-tax profit | -1.2 | 0.3 | 0.0 | -0.3 | -1.2 | -0.1 | 0.3 | 0.4 | -0.1 | 0.5 | 1.0 | 1.6 |
| Tax | 0.0 | 0.0 | 0.0 | -0.1 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <i>Tax rate (%)</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>-28.6</i> | <i>-8.2</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> |
| Net profit | -1.4 | 0.1 | -0.2 | -0.8 | -2.3 | -0.3 | -0.1 | 0.0 | -0.4 | -0.8 | -0.3 | 0.2 |
| EPS | -0.04 | 0.00 | -0.01 | -0.02 | -0.06 | -0.01 | 0.00 | 0.00 | -0.01 | -0.02 | -0.01 | 0.01 |
| EPS adjusted (diluted no. of shares) | -0.04 | 0.00 | -0.01 | -0.02 | -0.06 | -0.01 | 0.00 | 0.00 | -0.01 | -0.02 | -0.01 | 0.01 |
| Dividend per share | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| SALES, EURm | | | | | | | | | | | | |
| Software fees | 0.5 | 1.7 | 1.3 | 1.8 | 5.3 | 1.5 | 1.7 | 1.8 | 1.9 | 6.9 | 9.1 | 12.0 |
| Professional services | 0.1 | 0.1 | 0.1 | 0.3 | 0.6 | 0.1 | 0.1 | 0.2 | 0.2 | 0.6 | 0.7 | 0.7 |
| Recurring revenue | 2.1 | 2.2 | 2.3 | 2.1 | 8.6 | 2.2 | 2.2 | 2.3 | 2.4 | 9.1 | 9.5 | 9.7 |
| Total | 2.7 | 4.0 | 3.6 | 4.1 | 14.4 | 3.8 | 4.0 | 4.3 | 4.5 | 16.6 | 19.3 | 22.4 |
| SALES GROWTH, Y/Y % | | | | | | | | | | | | |
| <i>Software fees</i> | <i>-70.6</i> | <i>142.9</i> | <i>25.0</i> | <i>-14.3</i> | <i>-4.5</i> | <i>200.0</i> | <i>0.0</i> | <i>44.0</i> | <i>5.6</i> | <i>31.4</i> | <i>31.9</i> | <i>31.9</i> |
| <i>Professional services</i> | <i>-90.0</i> | <i>-88.9</i> | <i>-50.0</i> | <i>-88.1</i> | <i>-86.9</i> | <i>0.0</i> | <i>0.0</i> | <i>100.0</i> | <i>-40.0</i> | <i>0.0</i> | <i>27.3</i> | <i>0.0</i> |
| <i>Recurring revenue</i> | <i>0.0</i> | <i>4.8</i> | <i>2.3</i> | <i>-6.8</i> | <i>0.0</i> | <i>4.8</i> | <i>0.0</i> | <i>2.2</i> | <i>17.1</i> | <i>5.8</i> | <i>4.4</i> | <i>2.1</i> |
| <i>Total</i> | <i>-43.7</i> | <i>8.1</i> | <i>5.9</i> | <i>-35.9</i> | <i>-21.3</i> | <i>40.7</i> | <i>0.0</i> | <i>19.4</i> | <i>8.5</i> | <i>14.9</i> | <i>16.6</i> | <i>16.1</i> |
| EBIT, EURm | | | | | | | | | | | | |
| | -1.3 | 0.4 | -0.2 | -0.1 | -1.2 | -0.1 | 0.3 | 0.4 | 0.0 | 0.6 | 1.1 | 1.7 |
| Total | -1.3 | 0.4 | -0.2 | -0.1 | -1.2 | -0.1 | 0.3 | 0.4 | 0.0 | 0.6 | 1.1 | 1.7 |
| EBIT margin, % | | | | | | | | | | | | |
| <i>Total</i> | <i>-48.1</i> | <i>10.8</i> | <i>-5.6</i> | <i>-2.4</i> | <i>-8.1</i> | <i>-2.6</i> | <i>7.5</i> | <i>9.3</i> | <i>-1.1</i> | <i>3.3</i> | <i>5.7</i> | <i>7.6</i> |

| INCOME STATEMENT, EURm | 2015 | 2016 | 2017 | 2018 | 2019 | 2020E | 2021E | 2022E |
|--|--------------|--------------|--------------|-------------|--------------|-------------|-------------|-------------|
| Sales | 18.9 | 15.1 | 16.2 | 18.3 | 14.4 | 16.6 | 19.3 | 22.4 |
| <i>Sales growth (%)</i> | <i>16.6</i> | <i>-20.1</i> | <i>7.3</i> | <i>13.0</i> | <i>-21.3</i> | <i>14.9</i> | <i>16.6</i> | <i>16.1</i> |
| EBITDA | -2.8 | -8.9 | 0.3 | 2.1 | 0.5 | 2.4 | 2.9 | 3.5 |
| <i>EBITDA margin (%)</i> | <i>-14.7</i> | <i>-58.8</i> | <i>1.8</i> | <i>11.3</i> | <i>3.7</i> | <i>14.2</i> | <i>14.8</i> | <i>15.4</i> |
| Depreciation | -1.6 | -1.9 | -2.0 | -1.6 | -1.7 | -1.8 | -1.8 | -1.8 |
| EBITA | -4.4 | -10.8 | -1.7 | 0.5 | -1.2 | 0.6 | 1.1 | 1.7 |
| Goodwill amortization / writedown | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT | -4.4 | -10.8 | -1.7 | 0.5 | -1.2 | 0.6 | 1.1 | 1.7 |
| <i>EBIT margin (%)</i> | <i>-23.3</i> | <i>-71.5</i> | <i>-10.5</i> | <i>2.7</i> | <i>-8.1</i> | <i>3.3</i> | <i>5.7</i> | <i>7.6</i> |
| Reported EBIT | -4.4 | -10.8 | -1.7 | 0.5 | -1.2 | 0.6 | 1.1 | 1.7 |
| <i>EBIT margin (reported) (%)</i> | <i>-23.3</i> | <i>-71.5</i> | <i>-10.5</i> | <i>2.7</i> | <i>-8.1</i> | <i>3.3</i> | <i>5.7</i> | <i>7.6</i> |
| Net financials | 0.5 | -0.3 | -0.5 | 0.0 | 0.0 | -0.1 | -0.1 | -0.1 |
| Pre-tax profit | -3.9 | -11.1 | -2.2 | 0.5 | -1.2 | 0.5 | 1.0 | 1.6 |
| Taxes | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 |
| Minority shares | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 |
| Net profit | -3.9 | -12.0 | -3.1 | -0.4 | -2.3 | -0.8 | -0.3 | 0.2 |
| Cash NRIs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 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 | 5 | 5 | 5 | 5 | 6 | 5 | 5 | 5 |
| Goodwill | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Right of use assets | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| Inventory | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Receivables | 6 | 9 | 5 | 5 | 6 | 7 | 8 | 9 |
| Liquid funds | 11 | 8 | 14 | 14 | 12 | 12 | 14 | 16 |
| Total assets | 22 | 22 | 23 | 25 | 24 | 24 | 27 | 31 |
| Liabilities | | | | | | | | |
| Shareholder's equity | -1 | -4 | 1 | 1 | 0 | -1 | -2 | -1 |
| Minority interest | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 |
| Convertibles | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Lease liabilities | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| Deferred taxes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest bearing debt | 0 | 0 | 0 | 0 | 1 | 0 | 2 | 2 |
| Non-interest bearing current liabilities | 10 | 14 | 10 | 10 | 11 | 12 | 14 | 16 |
| Other interest-free debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total liabilities | 22 | 22 | 23 | 25 | 24 | 24 | 27 | 31 |
| CASH FLOW, EURm | | | | | | | | |
| + EBITDA | -3 | -9 | 0 | 2 | 1 | 2 | 3 | 3 |
| - Net financial items | 1 | -4 | 6 | 0 | 0 | 0 | 0 | 0 |
| - Taxes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Increase in Net Working Capital | 3 | 0 | 1 | -1 | 0 | 1 | 1 | 1 |
| +/- Other | 0 | 4 | -6 | 1 | -1 | -1 | -1 | -1 |
| = Cash flow from operations | 0 | -8 | 1 | 1 | 0 | 2 | 2 | 3 |
| - Capex | -3 | -2 | -2 | -2 | -2 | -1 | -2 | -2 |
| - Acquisitions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| + Divestments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| = Free cash flow | -2 | -11 | 0 | -1 | -2 | 0 | 1 | 1 |
| +/- New issues/buybacks | -5 | 9 | 8 | 2 | 0 | 0 | 0 | 0 |
| - Paid dividend | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| +/- Other | 12 | -2 | -2 | -1 | 0 | 0 | 1 | 1 |
| Change in cash | 5 | -3 | 6 | 0 | -1 | 0 | 2 | 2 |

| KEY FIGURES | 2016 | 2017 | 2018 | 2019 | 2020E | 2021E | 2022E |
|--|--------|--------|--------|--------|--------|--------|--------|
| M-cap | 67 | 68 | 65 | 44 | 43 | 43 | 43 |
| Net debt (excl. convertibles) | -8 | -13 | -13 | -11 | -11 | -12 | -13 |
| Enterprise value | 71 | 67 | 65 | 46 | 44 | 43 | 42 |
| Sales | 15 | 16 | 18 | 14 | 17 | 19 | 22 |
| EBITDA | -9 | 0 | 2 | 1 | 2 | 3 | 3 |
| EBIT | -11 | -2 | 1 | -1 | 1 | 1 | 2 |
| Pre-tax | -11 | -2 | 1 | -1 | 0 | 1 | 2 |
| Earnings | -12 | -3 | 0 | -2 | -1 | 0 | 0 |
| Equity book value (excl. minorities) | -4 | 1 | 1 | 0 | -1 | -2 | -1 |
| Valuation multiples | | | | | | | |
| EV/sales | 4.7 | 4.1 | 3.6 | 3.2 | 2.7 | 2.2 | 1.9 |
| EV/EBITDA | -8.0 | 229.5 | 31.4 | 86.5 | 18.8 | 15.2 | 12.1 |
| EV/EBITA | -6.6 | -39.1 | 130.6 | -39.2 | 80.1 | 39.4 | 24.7 |
| EV/EBIT | -6.6 | -39.1 | 130.6 | -39.2 | 80.1 | 39.4 | 24.7 |
| EV/OCF | -8.8 | 52.1 | 54.6 | -115.2 | 26.3 | 18.9 | 14.1 |
| EV/FCFF | -6.3 | -99.6 | -33.3 | -34.1 | 57.8 | 32.4 | 21.2 |
| P/FCFE | -6.3 | -253.9 | -61.5 | -21.1 | 196.6 | 56.6 | 32.7 |
| P/E | -5.6 | -21.9 | -163.0 | -19.1 | -52.7 | -123.2 | 187.2 |
| P/B | -17.6 | 75.6 | 46.6 | -88.5 | -32.6 | -25.8 | -29.9 |
| Target EV/EBITDA | 0.0 | 0.0 | 0.0 | 0.0 | 17.0 | 13.7 | 11.0 |
| Target EV/EBIT | 0.0 | 0.0 | 0.0 | 0.0 | 72.7 | 35.7 | 22.3 |
| Target EV/FCF | 0.0 | 0.0 | 0.0 | 0.0 | 184.2 | 52.0 | 29.1 |
| Target P/B | 0.0 | 0.0 | 0.0 | 0.0 | -29.6 | -23.4 | -27.2 |
| Target P/E | 0.0 | 0.0 | 0.0 | 0.0 | -47.9 | -112.0 | 170.2 |
| Per share measures | | | | | | | |
| Number of shares | 34,561 | 38,441 | 38,802 | 38,802 | 38,802 | 38,802 | 38,802 |
| Number of shares (diluted) | 34,561 | 38,441 | 38,802 | 38,802 | 38,802 | 38,802 | 38,802 |
| EPS | -0.35 | -0.08 | -0.01 | -0.06 | -0.02 | -0.01 | 0.01 |
| Operating cash flow per share | -0.23 | 0.03 | 0.03 | -0.01 | 0.04 | 0.06 | 0.08 |
| Free cash flow per share | -0.31 | -0.01 | -0.03 | -0.05 | 0.01 | 0.02 | 0.03 |
| Book value per share | -0.11 | 0.02 | 0.04 | -0.01 | -0.03 | -0.04 | -0.04 |
| Dividend per share | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Dividend payout ratio, % | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividend yield, % | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| FCF yield, % | -15.9 | -0.4 | -1.6 | -4.7 | 0.5 | 1.8 | 3.1 |
| Efficiency measures | | | | | | | |
| ROE | 0.0 | 0.0 | -34.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| ROCE | -110.1 | -16.1 | 3.6 | -8.4 | 4.4 | 8.9 | 12.6 |
| Financial ratios | | | | | | | |
| Inventories as % of sales | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Receivables as % of sales | 56.6 | 29.6 | 29.6 | 41.0 | 41.0 | 41.0 | 41.0 |
| Non-interest bearing liabilities as % of sales | 90.1 | 63.6 | 53.6 | 72.9 | 72.9 | 72.9 | 72.9 |
| NWC/sales, % | -33.5 | -34.0 | -23.9 | -31.9 | -31.9 | -31.9 | -31.9 |
| Operative CAPEX/sales, % | 16.3 | 9.5 | 12.3 | 11.8 | 8.8 | 8.0 | 7.5 |
| CAPEX/sales (incl. acquisitions), % | 15.8 | 9.5 | 12.3 | 11.8 | 8.8 | 8.0 | 7.5 |
| FCFF/EBITDA | 1.3 | -2.3 | -0.9 | -2.5 | 0.3 | 0.5 | 0.6 |
| Net debt/EBITDA, book-weighted | 0.9 | -46.6 | -6.1 | -21.1 | -4.9 | -4.3 | -3.9 |
| Debt/equity, market-weighted | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| Equity ratio, book-weighted | 62.7 | 55.6 | 57.2 | 50.8 | 46.2 | 40.0 | 36.3 |
| Gearing, % | -95.6 | -104.7 | -89.3 | -92.6 | -101.1 | -111.2 | -120.6 |

COMPANY DESCRIPTION: SSH is a cyber security company offering software solutions for companies and governments to control secure access to their critical data, applications and services. The company's software helps protect critical IT infrastructure from hacking incidents and internal threats caused by the unauthorized use of privileged IT accounts. SSH employs around 90 people and has over 3000 clients, with roughly 50% of its sales coming from the U.S, followed by EMEA and Asia. SSH is a pioneer in cyber security; being founded in 1995 and having invented the Secure Shell protocol (SSH), which is a technology used worldwide in data centers to establish secure connections between computers.

INVESTMENT CASE: Due to scalable software business, sales growth is key in SSH's investment case. SSH's growth has been lackluster and although we see current strategy and new products as a step towards the right direction, limited growth investment capacity means turnaround is very slow. SSH operates in an attractive and high growth area of cyber security, where valuations are high. SSH's current valuation being below the sector could prompt SSH to become an acquisition target of larger players wanting to enter the space or a consolidation play.

| OWNERSHIP STRUCTURE | SHARES | EURm | % |
|--|------------|--------|-------|
| Ylonen Tatu | 14,508,473 | 15.959 | 37.4% |
| Clausal Computing Oy | 3,808,650 | 4.190 | 9.8% |
| Mikkonen Juha Taneli | 2,100,000 | 2.310 | 5.4% |
| Elo Mutual Pension Insurance Company | 1,500,000 | 1.650 | 3.9% |
| Gaselli Capital Oy | 1,200,000 | 1.320 | 3.1% |
| Ilmarinen Mutual Pension Insurance Company | 1,165,300 | 1.282 | 3.0% |
| Syrjälä Timo Kalevi | 835,011 | 0.919 | 2.2% |
| Varma Mutual Pension Insurance Company | 755,300 | 0.831 | 1.9% |
| Taaleritehdas Mikro Markka Fund | 623,000 | 0.685 | 1.6% |
| AC Invest Oy | 400,000 | 0.440 | 1.0% |
| Ten largest | 26,895,734 | 29.585 | 69% |
| Residual | 11,906,266 | 13.097 | 31% |
| Total | 38,802,000 | 42.682 | 100% |

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Kaisa Olkkonen

CFO: Niklas Nordstrom

IR:

Kornetintie 3, FIN-00380 Helsinki

Tel: +358 20 500 7000

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

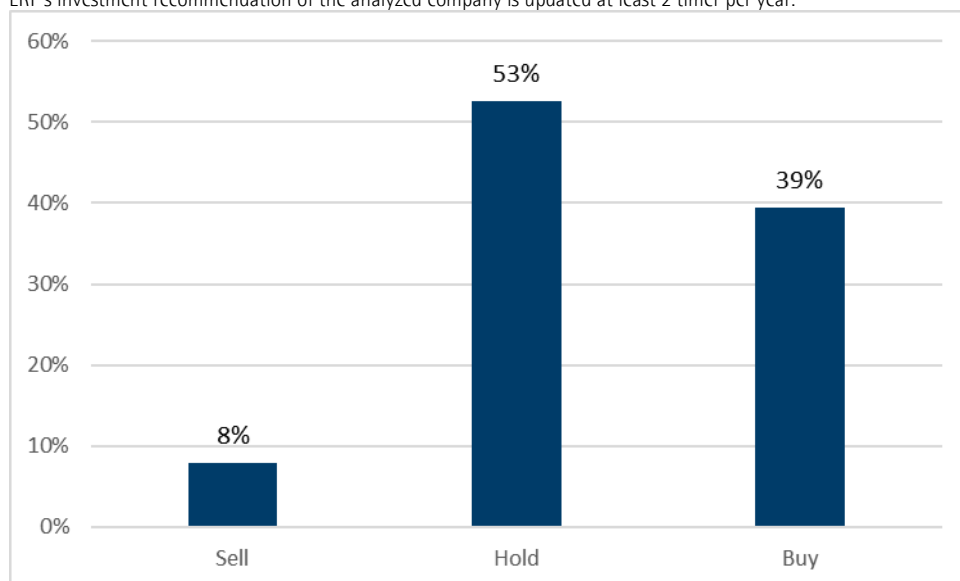
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Investment recommendations are defined as follows:

| | |
|--------------------------------------|----------------|
| 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.



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

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