

Tall order for H2

SSH delivered a decent Q2 result that was in line with our expectations. The good Q2 result sets the company up for the seasonally stronger H2, but SSH will need to execute well in order to reach its 2019 guidance. We maintain our SELL recommendation and target price of 1.10 euros.

Q2 result in line with our expectations

SSH's Q2 result was in line with our expectations. Q2 net sales were EUR 4.0 million (vs. 4.4m our expectation), and operating profit was EUR 0.4 million (vs. 0.4m our expectation). Software fees were EUR 1.7 million (1.9m Evli), Professional services were EUR 0.1 million (0.3m Evli), and Recurring revenue was EUR 2.2 million (2.2m Evli). There were no larger UKM perpetual deals during Q2, but SSH did sign several PrivX deals with larger corporations, e.g. Western Union. Revenue impact of PrivX is however still expected to be modest this year. Noteworthy also that during Q2 SSH entered into a global partnership with Tech Mahindra, a large global IT services company.

Estimates unchanged, focus on execution in H2

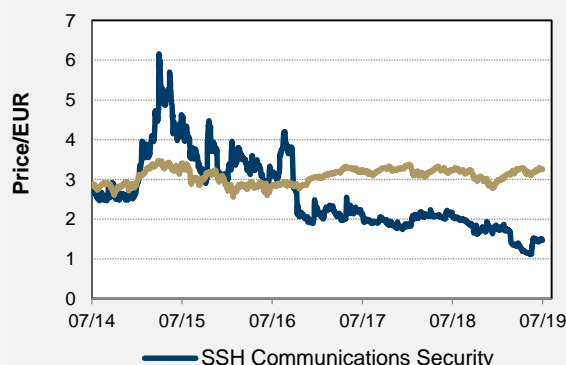
In order to reach its 2019 guidance (>10% growth in software business), SSH needs to execute well in H2. Sales need to grow about 30% in H2 from last year, which is a tall order and it will depend heavily on closing larger UKM deals. Based on yesterday's result, we have not made any changes to our estimates. We expect 2019E net sales to decline -6% to 17.2 MEUR (reaching guidance though) and 2019E EBIT to be 0.6 MEUR thanks to efficient cost control. Our estimates for the coming years are also intact, with net sales growth expectations for 2020E and 2021E at 11% and 12% and gradually improving EBIT. Our sales estimates reflect the company's current short and mid-term guidance.

No change in recommendation

On our estimates, SSH is trading at 2019-20 EV/Sales multiples of 3.3x and 2.9x. As noted previously in our reports, we'd like to see the results of SSH's strategy materializing somewhat in the growth figures in order to justify higher valuation multiples. We maintain SELL recommendation with target price of 1.10 euros

Rating

SELL



Share price, EUR (Last trading day's closing price) 1.46

Target price, EUR 1.1

Latest change in recommendation 13-Feb-19

Latest report on company 11-Jun-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 57

Free float, % -

Exchange rate EUR/USD -

Reuters code SSH1C.HE

Bloomberg code SS1v FH

Average daily volume, EURm -

Next interim report 23-Oct-19

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BUY HOLD SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR	
2017	16	-2	-10.5%	-2	-0.08	-21.9	4.1	93.2	-39.1	0.00	
2018	18	1	2.7%	1	-0.01	-163.0	5.5	68.3	202.5	0.00	
2019E	17	1	3.4%	0	-0.02	-73.6	3.3	37.4	97.7	0.00	
2020E	19	1	4.7%	1	0.01	166.8	2.9	19.6	61.4	0.00	
2021E	21	2	7.0%	1	0.03	49.1	2.5	17.3	35.4	0.00	
Market cap, EURm	57			BV per share 2019E, EUR			0.0			CAGR EPS 2018-21, %	0.0
Net debt* 2019E, EURm	-1			Price/book* 2019E			37.0			CAGR sales 2018-21, %	5.4
Enterprise value, EURm	57			Dividend yield 2019E, %			0.0			ROE 2019E, %	-52.6
Total assets 2019E, EURm	24			Tax rate 2019E, %			0.0			ROCE 2019E, %	4.0
Goodwill 2019E, EURm	0			Equity ratio 2019E, %			9.9			PEG, P/E 19/CAGR	0.0

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

*EUR 12m hybrid included in debt

We maintain SELL recommendation with target price of 1.10 euros

Our target price results in EV/Sales multiples of 2.4x and 2.2x on our 2019 and 2020 estimates. These multiples are lower than the average multiples for cyber security and PAM peers, but we see them as warranted due to execution misses, relatively low revenue growth expectations, low profitability expectations and current 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	15731	13,4x	12,7x	14,6x	6,7x	6,4x	7,4x	19,1x	18,0x	16,4x
F-Secure	384	60,8x	24,2x	16,0x	1,8x	1,7x	1,5x	182,6x	31,8x	21,5x
Palo Alto Networks	19121	27,1x	20,5x	14,5x	6,0x	4,8x	3,7x	38,9x	33,0x	28,3x
Sophos Group	2413	41,0x	33,7x	24,8x	3,8x	3,3x	2,9x	42,7x	37,9x	31,9x
Symantec	12490	10,8x	9,8x	9,3x	3,4x	3,2x	3,0x	13,7x	12,6x	12,3x
Fortinet Inc	13166	26,2x	20,9x	16,8x	6,0x	5,0x	4,1x	40,4x	36,0x	32,3x
Peer Group Average	10028	29,9x	20,3x	16,0x	4,6x	4,1x	3,8x	56,2x	28,2x	23,8x
Peer Group Median	12490	26,7x	20,7x	15,3x	4,9x	4,0x	3,4x	39,7x	32,4x	24,9x
SSH (Evli est.)	57	97,7x	61,4x	35,4x	3,3x	2,9x	2,5x	-73,6x	166,8x	49,1x

SSH prem./disc. to peer median

Source FactSet, Evli Research

-33 % -28 % -26 %

Cybersecurity	Sales		Sales growth		EBIT-%		
	18	19	20	21	19	20	21
Check Point Software Tech	1677	6 %	3 %	5 %	50,2 %	50,4 %	50,6 %
F-Secure	191	16 %	8 %	9 %	3,0 %	7,0 %	9,5 %
Palo Alto Networks	1962	42 %	18 %	13 %	22,3 %	23,2 %	25,4 %
Sophos Group	636	5 %	8 %	8 %	9,2 %	9,9 %	11,8 %
Symantec	4235	1 %	2 %	-1 %	31,2 %	32,5 %	32,7 %
Fortinet Inc	1586	17 %	13 %	11 %	23,0 %	24,0 %	24,4 %
Peer Group Average	1715	14 %	9 %	8 %	23,1 %	24,5 %	25,7 %
Peer Group Median	1632	11 %	8 %	9 %	22,6 %	23,6 %	24,9 %
SSH (Evli est.)	18	-6 %	11 %	12 %	3,4 %	4,7 %	7,0 %

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	4730	46,0x	37,1x	28,4x	11,3x	9,2x	7,4x	65,1x	55,4x	46,4x
Wallix Group	64		22,6x	7,4x	1,7x	1,1x	0,7x		54,3x	24,0x
Peer Group Average	2397	46,0x	29,8x	17,9x	6,5x	5,1x	4,0x	65,1x	54,8x	35,2x
Peer Group Median	2397	46,0x	29,8x	17,9x	6,5x	5,1x	4,0x	65,1x	54,8x	35,2x
SSH (Evli est.)	57	97,7x	61,4x	35,4x	3,3x	2,9x	2,5x	-73,6x	166,8x	49,1x

SSH prem./disc. to peer median

Source FactSet, Evli Research

-49 % -44 % -39 %

PAM vendors	Sales		Sales growth		EBIT-%		
	18	19	20	21	19	20	21
CyberArk Software	304	23 %	19 %	19 %	24,6 %	24,8 %	25,9 %
Wallix Group	13	52 %	55 %	38 %	-10,7 %	4,7 %	9,7 %
Peer Group Average	158	37 %	37 %	29 %	6,9 %	14,8 %	17,8 %
Peer Group Median	158	37 %	37 %	29 %	6,9 %	14,8 %	17,8 %
SSH (Evli est.)	18	-6 %	11 %	12 %	3,4 %	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	261		13 630,5x	39,1x	2,2x	2,0x	1,8x			139,5x
Efecte	29				1,7x	1,5x				122,5x
Enea	236	13,1x	11,2x	9,4x	3,1x	2,6x	2,3x	15,1x	14,2x	12,5x
Infront	92	25,8x	13,3x	12,4x	2,5x	1,6x	1,5x	14,9x	9,3x	8,6x
Qt Group	305		35,4x	16,8x	5,4x	4,2x	3,4x		44,9x	21,7x
Peer Group Average	184	19,4x	3 422,6x	19,5x	3,0x	2,4x	2,3x	15,0x	22,8x	61,0x
Peer Group Median	236	19,4x	24,4x	14,6x	2,5x	2,0x	2,1x	15,0x	14,2x	21,7x
SSH (Evli est.)	57	97,7x	61,4x	35,4x	3,3x	2,9x	2,5x	-73,6x	166,8x	49,1x

SSH prem./disc. to peer median

Source FactSet, Evli Research

403 % 152 % 142 % 32 % 44 % 21 % -591 % 1076 % 126 %

Nordic software companies	Sales		Sales growth		EBIT-%		
	18	19	20	21	19	20	21
Basware	141	4 %	8 %	10 %	-10,9 %	0,0 %	4,6 %
Efecte	12	20 %	23 %	21 %	-8,9 %	-5,0 %	0,9 %
Enea	80	18 %	8 %	6 %	23,3 %	23,6 %	24,6 %
Infront	28	173 %	48 %	4 %	9,7 %	12,2 %	12,3 %
Qt Group	46	19 %	26 %	24 %	-0,5 %	11,8 %	20,3 %
Peer Group Average	62	4,7 %	22 %	13 %	2,6 %	8,5 %	12,5 %
Peer Group Median	46	19 %	23 %	10 %	-0,5 %	11,8 %	12,3 %
SSH (Evli est.)	18	-6 %	11 %	12 %	3,4 %	4,7 %	7,0 %

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	1.46 PV of Free Cash Flow	25 Long-term growth, %	3.5 Risk-free interest rate, %	2.25
DCF share value	1.66 PV of Horizon value	39 WACC, %	11.0 Market risk premium, %	5.8
Share price potential, %	13.4 Unconsolidated equity	-1 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	1.8 Marketable securities	14 Minimum WACC, %	10.5 Equity beta coefficient	1.38
Minimum value	1.5 Debt - dividend	-12 Maximum WACC, %	11.5 Target debt ratio, %	15
Horizon value, %	61.6 Value of stock	64 Nr of shares, Mn	38.8 Effective tax rate, %	20

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	18	17	19	21	25	28	33	37	42	47	49	50
<i>Sales growth, %</i>	<i>13.0</i>	<i>-6.3</i>	<i>11.4</i>	<i>12.0</i>	<i>15.0</i>	<i>15.0</i>	<i>15.0</i>	<i>15.0</i>	<i>12.0</i>	<i>12.0</i>	<i>3.5</i>	<i>3.5</i>
Operating income (EBIT)	1	1	1	2	2	6	7	7	8	9	10	10
<i>EBIT margin, %</i>	<i>2.7</i>	<i>3.4</i>	<i>4.7</i>	<i>7.0</i>	<i>10.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
+ Depreciation+amort.	2	2	2	2	1	1	1	1	1	1	1	1
- Income taxes	0	0	0	0	0	-1	-1	-1	-2	-2	-2	
- Change in NWC	-1	0	0	1	1	1	1	1	1	1	0	
<i>NWC / Sales, %</i>	<i>-23.9</i>	<i>-23.9</i>	<i>-23.9</i>	<i>-23.9</i>	<i>-23.9</i>	<i>-23.9</i>	<i>-23.9</i>	<i>-23.9</i>	<i>-23.9</i>	<i>-23.9</i>	<i>-23.9</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-2	-2	-1	-1	-1	-1	-1	-1	-1	-2	-2	-2
<i>Investments / Sales, %</i>	<i>11.3</i>	<i>10.4</i>	<i>5.6</i>	<i>5.1</i>	<i>4.7</i>	<i>4.3</i>	<i>4.0</i>	<i>3.7</i>	<i>3.5</i>	<i>3.3</i>	<i>4.1</i>	<i>4.1</i>
- Other items	-1	-1	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	-2	-1	2	2	3	6	6	7	8	9	8	105
= Discounted FCF (DFCF)		-1	1	2	2	3	4	4	4	4	3	39
= DFCF min WACC		-1	1	2	2	4	4	4	4	4	3	44
= DFCF max WACC		-1	1	2	2	3	3	4	3	3	3	35

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	5	4	3	6	18	3	4	5	5	17	19	21
EBITDA	0	0	0	2	2	-1	1	1	1	2	3	3
<i>EBITDA margin (%)</i>	<i>10.3</i>	<i>8.0</i>	<i>-11.9</i>	<i>26.5</i>	<i>11.3</i>	<i>-33.3</i>	<i>18.3</i>	<i>22.0</i>	<i>21.1</i>	<i>12.1</i>	<i>13.6</i>	<i>14.1</i>
EBIT	0	0	-1	1	1	-1	0	1	1	1	1	2
<i>EBIT margin (%)</i>	<i>2.1</i>	<i>-2.7</i>	<i>-23.5</i>	<i>20.3</i>	<i>2.7</i>	<i>-48.1</i>	<i>10.8</i>	<i>14.0</i>	<i>13.8</i>	<i>3.4</i>	<i>4.7</i>	<i>7.0</i>
Net financial items	0	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	0	0	-1	1	1	-1	0	1	1	0	1	1
Tax	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>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>20.0</i>	<i>20.0</i>	<i>65.8</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0	0	-1	1	0	-1	0	0	0	-1	0	1
EPS	-0.01	-0.01	-0.03	0.03	-0.01	-0.04	0.00	0.01	0.01	-0.02	0.01	0.03
EPS adjusted (diluted no. of shares)	-0.01	-0.01	-0.03	0.03	-0.01	-0.04	0.00	0.01	0.01	-0.02	0.01	0.03
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	2	1	1	2	6	1	2	2	3	7	8	10
Professional services	1	1	0	2	4	0	0	0	0	1	2	2
Recurring revenue	2	2	2	2	9	2	2	2	2	9	9	9
Total	5	4	3	6	18	3	4	5	5	17	19	21
SALES GROWTH, Y/Y %												
<i>Software fees</i>	<i>183.3</i>	<i>-30.0</i>	<i>42.9</i>	<i>23.5</i>	<i>37.5</i>	<i>-70.6</i>	<i>142.9</i>	<i>140.0</i>	<i>35.7</i>	<i>35.5</i>	<i>11.4</i>	<i>22.9</i>
<i>Professional services</i>	<i>150.0</i>	<i>50.0</i>	<i>-50.0</i>	<i>-16.0</i>	<i>7.7</i>	<i>-90.0</i>	<i>-88.9</i>	<i>50.0</i>	<i>-85.7</i>	<i>-81.0</i>	<i>100.0</i>	<i>12.5</i>
<i>Recurring revenue</i>	<i>0.0</i>	<i>0.0</i>	<i>10.0</i>	<i>4.8</i>	<i>3.6</i>	<i>0.0</i>	<i>4.8</i>	<i>4.5</i>	<i>4.5</i>	<i>3.5</i>	<i>3.4</i>	<i>2.2</i>
<i>Total</i>	<i>54.8</i>	<i>0.0</i>	<i>9.7</i>	<i>1.6</i>	<i>13.0</i>	<i>-43.7</i>	<i>8.1</i>	<i>47.1</i>	<i>-14.8</i>	<i>-6.3</i>	<i>11.4</i>	<i>12.0</i>
EBIT, EURm												
	0	0	-1	1	1	-1	0	1	1	1	0	2
	0	0	0	0	0	0	0	0	0	0	1	0
Total	0	0	-1	1	1	-1	0	1	1	1	1	2
EBIT margin, %												
<i>Total</i>	<i>2.1</i>	<i>-2.7</i>	<i>-23.5</i>	<i>20.3</i>	<i>2.7</i>	<i>-48.1</i>	<i>10.8</i>	<i>14.0</i>	<i>13.8</i>	<i>3.4</i>	<i>4.7</i>	<i>7.0</i>

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	16	19	15	16	18	17	19	21
<i>Sales growth (%)</i>	22.7	16.6	-20.1	7.3	13.0	-6.3	11.4	12.0
Costs	-15	-22	-24	-16	-16	-15	-16	-18
Reported EBITDA	1	-3	-9	0	2	2	3	3
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	8.7	-14.7	-58.8	1.8	11.3	12.1	13.6	14.1
Depreciation	-1	-2	-2	-2	-2	-1	-2	-2
EBITA	0	-4	-11	-2	1	1	1	2
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	0	-4	-11	-2	1	1	1	2
<i>EBIT margin (%)</i>	1.2	-23.3	-71.5	-10.5	2.7	3.4	4.7	7.0
Net financials	0	1	0	0	0	0	0	0
Pre-tax profit	0	-4	-11	-2	1	0	1	1
Extraordinary items	0	0	0	0	0	0	0	0
Taxes	0	0	0	0	0	0	0	0
Minority shares	0	0	0	0	0	0	0	0
Net profit	0	-4	-12	-3	0	-1	0	1
BALANCE SHEET, EURm								
Assets								
Fixed assets	4	5	5	5	5	6	5	5
<i>% of sales</i>	25	26	36	30	30	33	26	22
Goodwill	0	0	0	0	0	0	0	0
<i>% of sales</i>	0	0	0	0	0	0	0	0
Inventory	0	0	0	0	0	0	0	0
<i>% of sales</i>	0	0	0	0	0	0	0	0
Receivables	8	6	9	5	5	5	6	6
<i>% of sales</i>	46	29	57	30	30	30	30	30
Liquid funds	6	11	8	14	14	13	6	6
<i>% of sales</i>	38	60	52	83	74	74	30	30
Total assets	18	22	22	23	24	24	16	17
Liabilities								
Equity	8	-1	-4	1	2	2	3	4
<i>% of sales</i>	48	-3	-25	6	12	14	14	18
Deferred taxes	0	0	0	0	0	0	0	0
<i>% of sales</i>	0	0	0	0	0	0	0	0
Interest bearing debt	0	12	12	12	12	12	4	2
<i>% of sales</i>	0	64	79	74	67	70	19	10
Non-interest bearing current liabilities	10	10	14	10	10	9	10	11
<i>% of sales</i>	60	55	90	64	54	54	54	54
Other interest free debt	0	0	0	0	0	0	0	0
<i>% of sales</i>	0	0	0	0	0	0	0	0
Total liabilities	18	22	22	23	24	24	16	17
CASH FLOW, EURm								
+ EBITDA	1	-3	-9	0	2	2	3	3
- Net financial items	0	1	0	0	0	0	0	0
- Taxes	0	0	0	0	0	0	0	0
- Increase in Net Working Capital	0	3	0	0	-1	0	0	1
+/- Other	0	0	-1	-1	-1	-1	0	0
= Cash flow from operations	2	0	-10	-1	0	0	3	3
- Capex	-2	-3	-2	-1	-2	-2	-1	-1
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	0	-2	-12	-2	-2	-1	1	2
+/- Change in interest-bearing debt	-4	12	0	0	0	0	-8	-1
+/- New issues/buybacks	4	-5	9	8	2	1	0	0
- Paid dividend	0	0	0	0	0	0	0	0
+/- Change in loan receivables	0	0	0	0	0	0	0	0
Change in cash	0	5	-3	6	0	-1	-7	1

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	95	67	68	65	57	57	57
Net debt	1	4	-1	-1	-1	-2	-4
Enterprise value	95	71	67	101	57	55	53
Sales	19	15	16	18	17	19	21
EBITDA	-3	-9	0	2	2	3	3
EBIT	-4	-11	-2	1	1	1	2
Pre-tax	-4	-11	-2	1	0	1	1
Earnings	-4	-12	-3	0	-1	0	1
Book value	-1	-4	1	1	2	2	3
Valuation multiples							
EV/sales	5.1	4.7	4.1	5.5	3.3	2.9	2.5
EV/EBITDA	-34.3	-8.0	229.5	48.8	27.3	21.2	17.6
EV/EBITA	-21.7	-6.6	-39.1	202.5	97.7	61.4	35.4
EV/EBIT	-21.7	-6.6	-39.1	202.5	97.7	61.4	35.4
EV/operating cash flow	-422.7	-8.2	91.2	106.1	37.4	19.1	16.3
EV/cash earnings	-41.3	-7.8	-316.9	48.8	34.8	24.4	19.9
P/E	-24.1	-5.6	-21.9	-163.0	-73.6	166.8	49.1
P/E excl. goodwill	-24.1	-5.6	-21.9	-163.0	-73.6	166.8	49.1
P/B	-160.6	-17.6	75.6	46.6	37.0	30.3	18.7
P/sales	5.0	4.4	4.2	3.6	3.3	3.0	2.6
P/CF	-419.7	-7.7	93.2	68.3	37.4	19.6	17.3
Target EV/EBIT	0.0	0.0	0.0	0.0	73.7	45.9	26.1
Target P/E	0.0	0.0	0.0	0.0	-55.4	125.7	37.0
Target P/B	0.0	0.0	0.0	0.0	27.9	22.8	14.1
Per share measures							
Number of shares	31,370	34,561	38,441	38,802	38,802	38,802	38,802
Number of shares (diluted)	31,370	34,561	38,441	38,802	38,802	38,802	38,802
EPS	-0.13	-0.35	-0.08	-0.01	-0.02	0.01	0.03
EPS excl. goodwill	-0.13	-0.35	-0.08	-0.01	-0.02	0.01	0.03
Cash EPS	-0.07	-0.27	-0.01	0.05	0.04	0.06	0.07
Operating cash flow per share	-0.01	-0.25	0.02	0.02	0.04	0.07	0.08
Capital employed per share	0.00	0.01	-0.02	0.03	0.04	0.01	-0.01
Book value per share	-0.02	-0.11	0.02	0.04	0.04	0.05	0.08
Book value excl. goodwill	-0.02	-0.11	0.02	0.04	0.04	0.05	0.08
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
Efficiency measures							
ROE	0.0	0.0	0.0	-34.8	-52.6	20.0	47.2
ROCE	-45.7	-110.1	-16.1	3.6	4.0	8.8	24.7
Financial ratios							
Capex/sales, %	13.7	15.8	9.2	11.3	10.4	5.6	5.1
Capex/depreciation excl. goodwill,%	159.2	124.5	74.9	131.7	118.4	63.3	71.8
Net debt/EBITDA, book-weighted	-0.2	-0.5	-5.2	-0.6	-0.4	-0.8	-1.4
Debt/equity, market-weighted	0.1	0.2	0.2	0.2	0.2	0.1	0.0
Equity ratio, book-weighted	-3.4	-29.1	3.9	9.0	9.9	16.2	22.0
Gearing	-1.14	-1.09	-1.67	-0.54	-0.32	-0.82	-1.13
Number of employees, average	109	84	80	85	0	0	0
Sales per employee, EUR	173,303	179,762	202,500	215,294	0	0	0
EBIT per employee, EUR	-40,367	-128,571	-21,250	5,882	0	0	0

COMPANY DESCRIPTION: SSH Communications Security Corp (NASDAQ OMX Nordic: SSH1V) is the leading provider of enterprise cybersecurity solutions for securing access to servers and the cloud.

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Ylonen Tatu	14,508,473	21.182	37.4%
Clausal Computing Oy	3,808,650	5.561	9.8%
Mikkonen Juha Taneli	2,100,000	3.066	5.4%
Elo Mutual Pension Insurance Company	1,500,000	2.190	3.9%
Gaselli Capital Oy	1,200,000	1.752	3.1%
Ilmarinen Mutual Pension Insurance Company	1,165,300	1.701	3.0%
Syrjälä Timo Kalevi	835,011	1.219	2.2%
Varma Mutual Pension Insurance Company	755,300	1.103	1.9%
Taalariyhdistys Mikro Markka Fund	623,000	0.910	1.6%
AC Invest Oy	400,000	0.584	1.0%
Ten largest	26,895,734	39.268	69%
Residual	11,906,266	17.383	31%
Total	38,802,000	56.651	100%

EARNINGS CALENDAR

October 23, 2019

Q3 report

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Kaisa Olkkonen

Kornetintie 3, FIN-00380 Helsinki

CFO: Niklas Nordstrom

Tel: +358 20 500 7000

IR:

DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/Sales	$\frac{\text{Market cap}}{\text{Sales}}$	DPS	Dividend for the financial period per share
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	CEPS	$\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$
P/CF	$\frac{\text{Price per share}}{\text{Operating cash flow per share}}$	EV/Share	$\frac{\text{Enterprise value}}{\text{Number of shares}}$
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	Sales/Share	$\frac{\text{Sales}}{\text{Number of shares}}$
Net debt	Interest bearing debt – financial assets	EBITDA/Share	$\frac{\text{Earnings before interest, tax, depreciation and amortisation}}{\text{Number of shares}}$
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	EBIT/Share	$\frac{\text{Operating profit}}{\text{Number of shares}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortisation}}$	EAFI/Share	$\frac{\text{Pretax profit}}{\text{Number of shares}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Capital employed/Share	$\frac{\text{Total assets} - \text{non interest bearing debt}}{\text{Number of shares}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Total assets	Balance sheet total
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Interest coverage (x)	$\frac{\text{Operating profit}}{\text{Financial items}}$
Net cash/Share	$\frac{\text{Financial assets} - \text{interest bearing debt}}{\text{Number of shares}}$	Asset turnover (x)	$\frac{\text{Turnover}}{\text{Balance sheet total (average)}}$
ROA, %	$\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balance sheet total} - \text{interest free short term debt} - \text{long term advances received and accounts payable (average)}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non interest bearing debt (average)}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest free loans}}$
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year

Important Disclosures

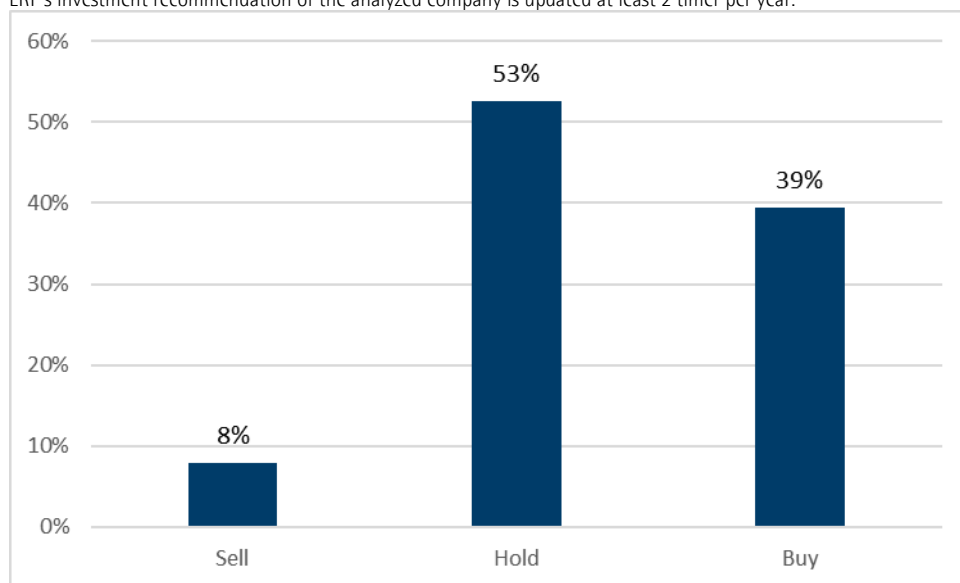
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 - (+10) %	HOLD
> 10 %	BUY

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

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