

Expecting a growth-filled first quarter

Loihde reports its Q1 results on Friday, April 28th. We expect the company's Q1 double-digit growth to be strongly supported by its security business. Driven by increased estimates resulting from the acquisition of Hämeen Lukko, we have raised our target price to EUR 16.5 (16.0), while maintaining our rating at HOLD.

Expecting strong topline growth

The growth prospects for Security Solutions (SeSo) remain strong. In Q1, we expect high double-digit growth for SeSo, fueled by the acquisition of Turvakolmio. On the other hand, we expect that the Q1 growth of Digital Development (DiDe) slows down due to customer uncertainty. Overall, we estimate Q1 net sales of EUR 33.7 million which reflects y/y growth of 18.6%. Considering the slower net sales development of DiDe, we expect that lower utilization rates will have some impact on margins. As a result, we foresee Loihde's adjusted EBITDA landing at EUR 2.1 million, which reflects a margin of 6.4%.

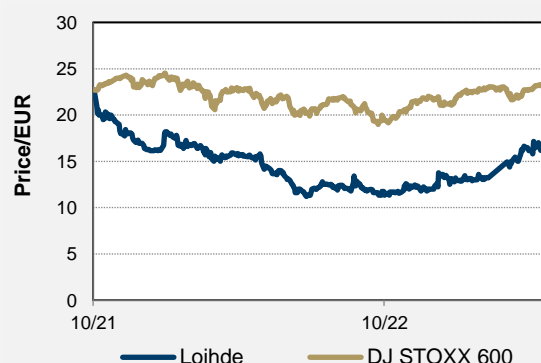
Acquisition expands SeSo's reach

Uncertainty observed in digital services markets seems to have spilled over into the cyber security markets, where Loihde's peers have reported delayed deal closings due to customer uncertainty. However, such slowdown has only a minor impact on SeSo's 23E growth. In addition to M&A enabled growth from 2022, the acquisition of Hämeen Lukko (see page 2) will strengthen SeSo's position and inorganic revenue expansion further. We foresee DiDe stepping back on the double-digit growth path in H2. Our 23E net sales estimate for the group amounts to EUR 144.1m, reflecting a y/y growth of 17.2%. We expect that efficiency investments will bear fruit by improving adj. EBITDA margin by some 0.3%-p to 8.7%. Leverage will become more visible in 2024 when we expect a margin improvement of 0.7%-p.

HOLD with a target price of EUR 16.5 (16.0)

Loihde is valued with 23-24E EV/EBITDA multiples of 4-4.5x which reflects clear discount to peer median. However, the company's relative valuation turns quite expensive by considering it without its net cash position (23-24E P/E of 22-15x). With ~3% increase in 23E EBIT, we adjust our TP to EUR 16.5 (16.0). Rating remains at HOLD.

Rating



Share price, EUR (Last trading day's closing price) 16.20

Target price, EUR 16.5

Latest change in recommendation 13-Mar-23

Latest report on company 13-Mar-23

Research paid by issuer: YES

No. of shares 5,628

No. of shares fully 5,628

Market cap, EURm 91

Free float, % 0.0

Exchange rate 0.000

Reuters code LOIHDE.HE

Bloomberg code LOIHDE FH

Average daily volume, 0.0

Next interim report 28-Apr-23

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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	-4,353.4	0.4	7.9	-8.5	0.80
2023E	144.1	5.8	4.0%	4.9	0.79	21.8	0.5	11.4	5.4	0.35
2024E	157.2	7.7	4.9%	4.6	1.06	15.0	0.4	8.2	5.0	0.42
2025E	165.2	9.6	5.8%	5.5	1.12	14.5	0.4	6.3	6.1	0.45
Market cap, EURm			91	Gearing 2023E, %		-22.4	CAGR EPS 2022-25, %			0.0
Net debt 2023E, EURm			-25	Price/book 2023E		0.8	CAGR sales 2022-25, %			10.3
Enterprise value, EURm			66	Dividend yield 2023E, %		2.2	ROE 2023E, %			4.0
Total assets 2023E, EURm			160	Tax rate 2023E, %		20.0	ROCE 2023E, %			4.7
Goodwill 2023E, EURm			63	Equity ratio 2023E, %		70.1	PEG, P/E 23/CAGR			1.1

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	149	0.9x	0.9x	0.8x	7.0x	6.6x	6.2x	10.5x	9.5x	8.7x	11.5x	10.5x	9.6x
Etteplan	429	1.3x	1.2x	1.1x	9.8x	9.2x	8.6x	16.3x	15.0x	13.7x	17.9x	16.5x	15.0x
Gofore	401	2.0x	1.7x	1.5x	13.1x	11.4x	10.1x	16.9x	14.2x	12.2x	20.5x	17.5x	15.8x
Innofactor	42	0.7x	0.6x	0.6x	6.0x	5.6x	5.3x	9.2x	8.6x	7.7x	9.9x	9.0x	8.2x
Netum Group	43	1.2x	1.0x	0.8x	10.0x	8.1x	7.0x	13.9x	10.6x	8.8x	19.8x	14.7x	12.0x
Nixu	94	1.4x	1.2x	1.1x	20.2x	15.9x	13.3x	28.6x	21.4x	17.1x	36.5x	24.0x	17.5x
Siili Solutions	129	0.9x	0.8x		6.1x	5.4x	5.1x	8.3x	7.0x	6.1x	13.4x	11.2x	10.5x
Sitowise Group	144	1.0x	0.9x	0.8x	8.0x	7.1x	6.7x	12.8x	10.6x	9.7x	11.7x	9.3x	8.4x
Solteq	25	0.8x	0.8x	0.6x	8.8x	6.1x	4.8x	69.9x	13.4x	7.2x		18.8x	7.0x
Solwers	47	0.8x	0.8x		5.7x	5.6x	5.5x	9.4x	9.3x	8.9x	17.1x	15.5x	14.1x
TietoEVRY	3453	1.3x	1.3x	1.2x	8.4x	8.0x	8.1x	11.7x	11.0x	10.4x	12.4x	11.7x	11.0x
Vincit	74				6.1x	5.0x	4.2x	10.5x	7.7x	5.9x	11.4x	9.0x	7.4x
Securitas	4604	0.6x	0.6x	0.5x	6.5x	6.0x	5.7x	9.4x	8.4x	7.8x	11.3x	9.0x	7.9x
Peer Group Average	692	1.1x	1.0x	0.9x	8.9x	7.7x	7.0x	17.5x	11.3x	9.6x	16.1x	13.6x	11.1x
Peer Group Median	111	1.0x	0.9x	0.8x	8.0x	6.6x	6.2x	11.7x	10.6x	8.8x	12.9x	11.7x	10.5x
Loihde (Evli est.)	91	0.5x	0.4x	0.4x	4.0x	4.5x	3.2x	9.1x	8.4x	6.3x	21.8x	15.0x	14.5x

Loihde prem./disc. to peer median
 Source FactSet, Evli Research

-53% -55% -56% -49% -32% -49% -22% -20% -29% 69% 29% 39%

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	16.20 PV of Free Cash Flow	96 Long-term growth, %	1.5 Risk-free interest rate, %	2.50
DCF share value	39.63 PV of Horizon value	103 WACC, %	9.1 Market risk premium, %	6.3
Share price potential, %	144.6 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	4.5
Maximum value	42.2 Marketable securities	32 Minimum WACC, %	8.6 Equity beta coefficient	1.15
Minimum value	37.4 Debt - dividend	-9 Maximum WACC, %	9.6 Target debt ratio, %	15
Horizon value, %	51.7 Value of stock	223 Nr of shares, Mn	5.6 Effective tax rate, %	20

DCF valuation, EURm	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Horizon
Net sales	123	144	157	165	172	179	185	190	196	200	203	206
<i>Sales growth, %</i>	<i>17.8</i>	<i>17.2</i>	<i>9.1</i>	<i>5.1</i>	<i>4.3</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	6	8	10	11	11	12	12	12	12	13	13
<i>Operating income margin, %</i>	<i>5.2</i>	<i>4.0</i>	<i>4.9</i>	<i>5.8</i>	<i>6.2</i>	<i>6.2</i>	<i>6.2</i>	<i>6.2</i>	<i>6.2</i>	<i>6.2</i>	<i>6.2</i>	<i>6.2</i>
+ Depreciation+amort.	7	7	8	9	10	11	11	11	12	12	12	
EBITDA	13	13	16	19	21	22	23	23	24	25	25	
- Paid taxes	-1	-1	-2	-2	-2	-2	-2	-2	-2	-2	-2	-3
- Change in NWC	-4	3	1	1	0	0	0	0	0	0	0	0
<i>NWC / Sales, %</i>	<i>4.9</i>	<i>1.9</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>	<i>0.0</i>
+ Change in other liabs	5	0	0	0	0	0	0	0	0	0	0	0
- Operative CAPEX	4	-4	-4	-4	-3	-4	-4	-5	-5	-5	-5	
<i>opCAPEX / Sales, %</i>	<i>1.3</i>	<i>7.2</i>	<i>6.8</i>	<i>6.9</i>	<i>6.0</i>	<i>6.6</i>	<i>6.5</i>	<i>6.5</i>	<i>6.5</i>	<i>6.4</i>	<i>6.4</i>	
- Acquisitions	-11	0	0	0	0	0	0	0	0	0	0	0
+ Divestments	1	0	0	0	0	0	0	0	0	0	0	0
- Other items	-1	0	0	0	0	0	0	0	0	0	0	0
= FCFF	6	11	11	14	16	15	16	16	17	17	18	239
= Discounted FCFF		10	10	11	12	10	10	9	9	8	8	103
= DFCF min WACC		11	10	11	12	10	10	9	9	9	8	115
= DFCF max WACC		10	10	11	11	10	9	9	8	8	7	92

INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1E	2023Q2E	2023Q3E	2023Q4E	2023E	2024E	2025E
Net sales	0.0	57.4	0.0	65.6	123.0	33.7	36.9	32.8	40.7	144.1	157.2	165.2
EBITDA	0.0	8.3	0.0	5.0	13.3	2.2	2.8	3.2	4.5	12.7	16.0	19.0
<i>EBITDA margin (%)</i>	<i>0.0</i>	<i>14.4</i>	<i>0.0</i>	<i>7.7</i>	<i>10.8</i>	<i>6.7</i>	<i>7.6</i>	<i>9.7</i>	<i>11.0</i>	<i>8.8</i>	<i>10.2</i>	<i>11.5</i>
EBIT	0.0	5.0	0.0	1.4	6.4	0.6	1.1	1.5	2.7	5.8	7.7	9.6
<i>EBIT margin (%)</i>	<i>0.0</i>	<i>8.7</i>	<i>0.0</i>	<i>2.1</i>	<i>5.2</i>	<i>1.6</i>	<i>2.9</i>	<i>4.6</i>	<i>6.5</i>	<i>4.0</i>	<i>4.9</i>	<i>5.8</i>
Net financial items	0.0	-2.1	0.0	-0.2	-2.3	0.0	0.0	0.0	-0.2	-0.2	-0.3	-1.7
Pre-tax profit	0.0	2.9	0.0	1.2	4.1	0.5	1.1	1.5	2.5	5.5	7.5	7.9
Tax	0.0	-1.0	0.0	0.0	-1.1	-0.1	-0.2	-0.3	-0.5	-1.1	-1.5	-1.6
<i>Tax rate (%)</i>	<i>0.0</i>	<i>33.9</i>	<i>0.0</i>	<i>3.8</i>	<i>26.4</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>
Net profit	0.0	1.9	0.0	1.1	3.0	0.4	0.9	1.2	2.0	4.4	6.0	6.3
EPS	0.00	0.34	-0.01	0.20	0.54	0.07	0.15	0.21	0.35	0.79	1.06	1.12
EPS adjusted (diluted no. of shares)	0.00	-0.29	-0.01	0.29	0.00	0.06	0.11	0.22	0.36	0.74	1.08	1.12
Dividend per share	0.00	0.00	0.00	0.00	0.80	0.00	0.00	0.00	0.00	0.35	0.42	0.45
SALES, EURm												
Security Solutions	0.0	35.9	0.0	46.6	82.5	21.7	25.5	22.9	28.4	98.4	106.9	111.2
Digital Development	0.0	21.7	0.0	19.1	40.8	12.1	11.5	10.0	12.3	45.8	50.3	54.0
Others	0.0	-0.2	0.0	-0.1	-0.3	0.0	0.0	0.0	0.0	-0.1	0.0	0.0
Total	0.0	57.4	0.0	65.6	123.0	33.7	36.9	32.8	40.7	144.1	157.2	165.2
SALES GROWTH, Y/Y %												
<i>Security Solutions</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-32.8</i>	<i>19.0</i>		<i>-28.9</i>		<i>-38.9</i>	<i>19.4</i>	<i>8.6</i>	<i>4.0</i>
<i>Digital Development</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-46.2</i>	<i>15.0</i>		<i>-47.3</i>		<i>-35.7</i>	<i>12.1</i>	<i>9.8</i>	<i>7.5</i>
<i>Others</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-81.4</i>	<i>-20.6</i>	<i>-30,100.0</i>	<i>-87.5</i>	<i>-30,100.0</i>	<i>-59.0</i>	<i>-61.5</i>	<i>-100.3</i>	<i>0.0</i>
<i>Total</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-37.2</i>	<i>17.8</i>	<i>3,369,523.0</i>	<i>-35.6</i>	<i>3,279,543.5</i>	<i>-38.0</i>	<i>17.2</i>	<i>9.1</i>	<i>5.1</i>
EBIT, EURm												
Security Solutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.4
Digital Development	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1
Group	0.0	5.0	0.0	1.4	6.4	0.6	1.1	1.5	2.7	5.8	7.7	9.6
Total	0.0	5.0	0.0	1.4	6.4	0.6	1.1	1.5	2.7	5.8	7.7	9.6
EBIT margin, %												
<i>Security Solutions</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>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>4.0</i>
<i>Digital Development</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>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>9.5</i>
<i>Total</i>	<i>0.0</i>	<i>8.7</i>	<i>0.0</i>	<i>2.1</i>	<i>5.2</i>	<i>1.6</i>	<i>2.9</i>	<i>4.6</i>	<i>6.5</i>	<i>4.0</i>	<i>4.9</i>	<i>5.8</i>

INCOME STATEMENT, EURm	2018	2019	2020	2021	2022	2023E	2024E	2025E
Sales	104.9	103.1	106.8	104.4	123.0	144.1	157.2	165.2
<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>17.2</i>	<i>9.1</i>	<i>5.1</i>
EBITDA	21.2	5.6	5.6	5.6	13.3	12.7	16.0	19.0
<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>8.8</i>	<i>10.2</i>	<i>11.5</i>
Depreciation	-8.2	-10.8	-9.4	-6.5	-6.9	-7.0	-8.3	-9.4
EBITA	13.1	-5.2	-3.8	-0.9	6.4	5.8	7.7	9.6
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	5.8	7.7	9.6
<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>4.0</i>	<i>4.9</i>	<i>5.8</i>
Reported EBIT	13.1	-5.2	-3.8	5.6	6.7	5.8	7.7	9.6
<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>4.0</i>	<i>4.9</i>	<i>5.8</i>
Net financials	26.7	20.8	0.8	1.1	-2.3	-0.2	-0.3	-1.7
Pre-tax profit	39.8	15.6	-3.1	0.2	4.1	5.5	7.5	7.9
Taxes	-7.6	-4.5	-0.9	0.2	-1.1	-1.1	-1.5	-1.6
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	3.3	4.4	6.0	6.3
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	13	14	15
Goodwill	37	48	45	53	63	63	63	63
Right of use assets	0	0	7	8	8	9	10	11
Inventory	6	6	7	7	10	11	13	12
Receivables	46	37	28	23	25	27	29	30
Liquid funds	50	52	48	42	32	36	39	43
Total assets	161	153	146	146	151	160	169	176
Liabilities								
Shareholder's equity	116	118	111	110	111	112	116	120
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	1	0	0
Non-interest bearing current liabilities	26	27	26	26	29	35	39	41
Other interest-free debt	0	0	2	1	1	2	2	2
Total liabilities	161	153	146	146	151	160	169	176
CASH FLOW, EURm								
+ EBITDA	21	6	6	6	13	13	16	19
- Net financial items	28	-9	-16	-7	-3	0	0	-2
- Taxes	-5	-4	-4	0	-1	-1	-1	-2
- Increase in Net Working Capital	-1	3	0	1	-4	3	1	1
+/- Other	-17	29	16	7	0	0	0	0
= Cash flow from operations	27	25	2	7	5	15	15	17
- Capex	-2	-2	-2	-6	-2	-10	-11	-11
- 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	5	5	6
+/- New issues/buybacks	17	2	6	7	2	1	0	0
- Paid dividend	-6	-10	-10	-15	-3	-5	-2	-2
+/- Other	0	-14	0	7	-2	2	0	1
Change in cash	36	2	-4	-5	-10	4	3	4

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	0	0	96	74	91	91	91
Net debt (excl. convertibles)	-46	-41	-34	-24	-25	-28	-31
Enterprise value	-46	-41	62	50	66	63	60
Sales	103	107	104	123	144	157	165
EBITDA	6	6	6	13	13	16	19
EBIT	-5	-4	-1	6	6	8	10
Pre-tax	16	-3	0	4	6	7	8
Earnings	11	-4	0	3	4	6	6
Equity book value (excl. minorities)	118	111	110	111	112	116	120
Valuation multiples							
EV/sales	-0.4	-0.4	0.6	0.4	0.5	0.4	0.4
EV/EBITDA	-8.3	-7.3	11.1	3.8	5.2	4.0	3.2
EV/EBITA	8.9	10.7	-70.3	7.9	11.4	8.2	6.3
EV/EBIT	8.9	10.7	-70.3	7.9	11.4	8.2	6.3
EV/OCF	-1.9	-25.1	9.3	10.0	4.3	4.2	3.6
EV/FCFF	12.3	25.1	8.7	8.8	5.9	5.6	4.3
P/FCFE	0.0	0.0	-23.1	-11.7	18.4	20.0	16.4
P/E	0.0	0.0	45.1	-4,353.4	21.8	15.0	14.5
P/B	0.0	0.0	0.9	0.7	0.8	0.8	0.8
Target EV/EBITDA	0.0	0.0	0.0	0.0	5.3	4.1	3.3
Target EV/EBIT	0.0	0.0	0.0	0.0	11.7	8.4	6.5
Target EV/FCF	0.0	0.0	0.0	0.0	13.7	14.3	11.2
Target P/B	0.0	0.0	0.0	0.0	0.8	0.8	0.8
Target P/E	0.0	0.0	0.0	0.0	22.2	15.3	14.8
Per share measures							
Number of shares	5,387	5,684	5,930	5,628	5,628	5,628	5,628
Number of shares (diluted)	5,387	5,684	5,930	5,628	5,628	5,628	5,628
EPS	2.02	-0.73	0.08	0.54	0.79	1.06	1.12
Operating cash flow per share	4.56	0.29	1.12	0.90	2.73	2.71	3.01
Free cash flow per share	4.27	-0.05	-0.70	-1.12	0.88	0.81	0.99
Book value per share	21.98	19.46	18.48	19.78	19.97	20.68	21.38
Dividend per share	1.90	2.70	0.55	0.80	0.35	0.42	0.45
Dividend payout ratio, %	94.2	-369.0	675.2	149.5	44.5	40.0	40.0
Dividend yield, %	0.0	0.0	3.4	4.9	2.2	2.6	2.8
FCF yield, %	0.0	0.0	-4.3	-8.5	5.4	5.0	6.1
Efficiency measures							
ROE	9.3	-3.6	0.4	2.7	4.0	5.2	5.3
ROCE	-4.0	-3.2	-0.7	5.4	4.7	6.2	7.4
Financial ratios							
Inventories as % of sales	5.4	6.2	7.0	8.4	7.8	8.0	7.2
Receivables as % of sales	35.5	25.9	22.1	20.4	18.4	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	1.9	1.1	0.3
Operative CAPEX/sales, %	1.5	1.8	6.1	1.3	7.2	6.8	6.9
CAPEX/sales (incl. acquisitions), %	1.5	1.8	-3.6	-7.5	7.2	6.8	6.9
FCFF/EBITDA	-0.7	-0.3	1.3	0.4	0.9	0.7	0.7
Net debt/EBITDA, book-weighted	-8.3	-7.3	-6.1	-1.8	-2.0	-1.7	-1.6
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	78.3	75.8	74.9	73.8	70.1	68.8	68.3
Gearing, %	-38.8	-37.1	-31.1	-21.2	-22.4	-23.8	-25.7

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	4.455	4.9%
Bellurum Oy	210,576	3.411	3.7%
LähiTapiola Keskinäinen Henkivakuutusyhtiö	150,000	2.430	2.7%
LähiTapiola Keskinäinen Vakuutusyhtiö	150,000	2.430	2.7%
Lakiasiaintoimisto Asiakasturva Oy	126,655	2.052	2.3%
Sr VISIO Allocator	100,000	1.620	1.8%
Vaasan kaupunki	70,400	1.140	1.3%
Pelkonen Antti	68,480	1.109	1.2%
Hotcom Oy	61,000	0.988	1.1%
Heikkilä Kimmo	58,255	0.944	1.0%
Ten largest	1,270,366	20.580	23%
Residual	4,357,817	70.597	77%
Total	5,628,183	91.177	100%

EARNINGS CALENDAR	
April 28, 2023	Q1 report
August 31, 2023	Q2 report
November 01, 2023	Q3 report
OTHER EVENTS	
May 04, 2023	AGM

COMPANY MISCELLANEOUS	
CEO: Samu Konttinen	Silmukkatie 6, 65100 Vaasa
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

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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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