

Profitability developed favourably

Loihde's Q3 saw adj. EBITDA improving 30% y/y, but was below our estimates, at EUR 2.9m (Evli 4.0m). Growth was flat y/y, with net sales at EUR 29.9m (Evli EUR 32.3m). Profitability development is expected to continue favourably also during the end of the year.

- Group results:** Loihde's net sales were slightly below our expectations. Net sales grew by 1% y/y to EUR 29.9m (Evli: 32.3m). The growth slowed down compared with H1 partly due to a lower impact of acquisitions but the market demand situation has also fluctuated, affecting the net sales development. Adj. EBITDA amounted to EUR 2.9m (Evli: 4.0m), reflecting a margin of 9.7%.
- Security Solutions (SeSo):** Net sales came in somewhat below our expectations, growing by 1% to EUR 21.4m (Evli: 23.6m). Growth was anticipated to slow down compared with the clear double-digit figures during H1, with the lower impact of acquisitions. The uncertain market situation is also showing, with for instance the slowdown in the construction sector being one negative driver.
- Digital Development (DiDe):** Net sales declined by 1% to EUR 8.5m and came in slightly below our estimates (Evli: 8.8m). The market demand has posed challenges for growth during this year, with the decrease in demand for software development having shown, although demand in other areas such as cloud services, data and analytics, and AI have supported net sales.
- 2023 guidance intact (revised on 22nd Aug):** SeSo to grow by over 10% and DiDe to be flat or grow. Adj. EBITDA to improve from EUR 10.3m. Given the YTD adj. EBITDA of EUR 3.8m, the profitability guidance puts a lot of pressure on Q4.

 Rating 🟡 HOLD
Q3'23 ESTIMATES

	Actual	Evli	Q3'22
Net sales	29.9	32.3	29.5
SeSo	21.4	23.6	21.1
DiDe	8.5	8.8	8.5
Others	0.1	0.0	0.0
Adj. EBITDA	2.9	4.0	2.2
Adj. EBITDA-margin	9.7%	12.5%	7.5%
Adj. EPS	0.09	0.33	-0.01

 Share price, EUR (Last trading day's closing price) 11.80

 Target price, EUR 13.5

Latest change in recommendation	10-Mar-23
Latest report on company	31-Aug-23
Research paid by issuer:	YES
No. of shares outstanding, '000's	5,628
No. of shares fully diluted, '000's	5,628
Market cap, EURm	66
Free float, %	-
Exchange rate	0.000
Reuters code	LOIHDE.HE
Bloomberg code	LOIHDE FH
Average daily volume, EURm	-
Next interim report	01-Nov-23
Web site	www.loihde.com

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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
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	136.8	2.3	1.7%	1.0	0.22	36.8	0.3	19.6	1.6	0.19
2024E	146.3	5.9	4.0%	4.2	0.86	13.4	0.3	7.1	6.3	0.35
2025E	153.9	7.2	4.7%	3.6	0.78	15.1	0.3	5.6	5.4	0.31

Market cap, EURm	66	BV per share 2023E, EUR	-19.5	CAGR EPS 2022-25, %	503.0
Net debt 2023E, EURm	-21	Price/book 2023E	0.6	CAGR sales 2022-25, %	7.8
Enterprise value, EURm	45	Dividend yield 2023E, %	1.6	ROE 2023E, %	1.1
Total assets 2023E, EURm	154	Tax rate 2023E, %	50.7	ROCE 2023E, %	1.9
Goodwill 2023E, EURm	64	Equity ratio 2023E, %	70.8	PEG, P/E 23/CAGR	1.5

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

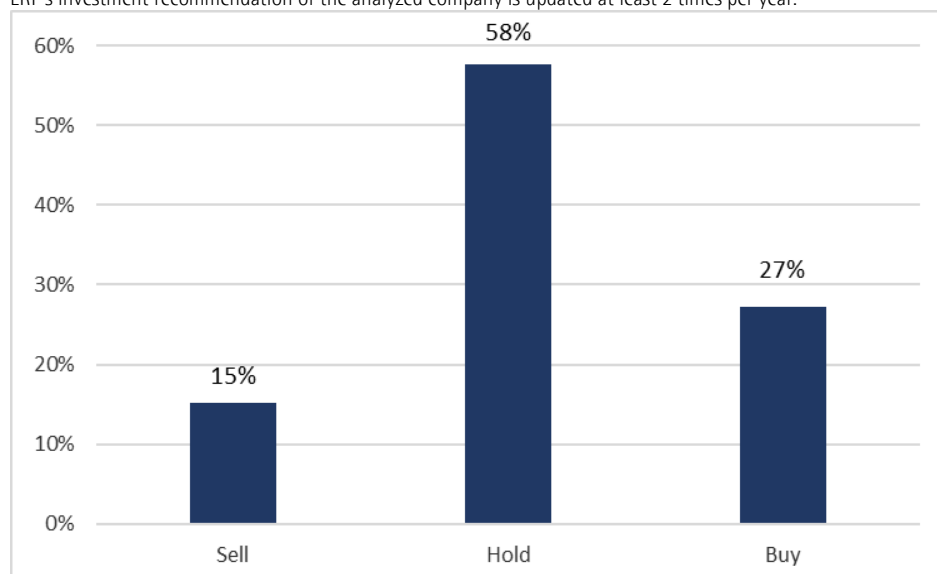
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Investment recommendations are defined as follows:

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

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



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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November 1, 2023

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