

Well on the earnings growth track

Loihde's 2024 started of quite well and beat our expectations. We continue to expect lower single-digit growth and a clear improvement in profitability in 2024.

Sales growth driven earnings beat in Q1

Loihde reported Q1 results that beat our estimates. Net sales amounted to EUR 33.0m (Evli EUR 31.8m), growing some 6% y/y. We had anticipated a slower start to the year given the softness in demand seen during the previous year. Relative growth was supported by the weaker comparison period and growth in Security Solutions and Cyber and Cloud & Connect. Digital Services and Data & AI saw sales decline y/y. The cost base remained flat y/y, corresponding to our estimates. The higher than estimated growth resulted in profitability beating our estimates, with adj. EBITDA at EUR 1.6m (Evli EUR 0.5m).

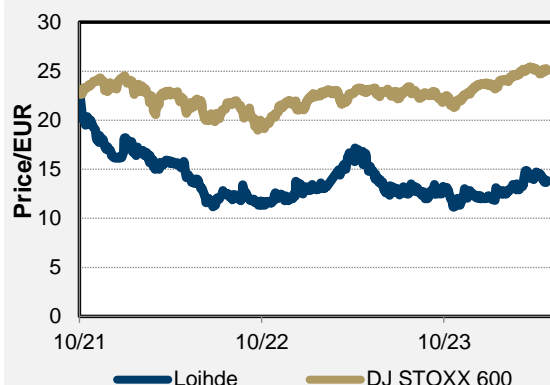
Lower single-digit growth and clear margin improvement

According to management the growth pace during the remainder of the year is not expected to remain at levels seen in Q1. Our estimates for Q2-Q4 were in the lower single-digits and remain unchanged. Our estimates changes are solely due to the estimates beat in Q1, with our 2024E net sales and EBITDA now at EUR 137.6m (136.4m) and EUR 10.5m (9.6m). We anticipate growth driven and inflationary pressure on the cost base in H2, assuming improvements in the demand situation and as such a pick-up in growth in 2025. Our assumptions are on the cautionary side, as Loihde has managed rather well in its cost control, aided also by the operating model on the IT services side, and a more flat y/y development could still bring some 10-20% upside to our current EBITDA estimate.

HOLD with a target price of EUR 11.8 (11.5, ex-div).

With our growth and profitability estimates up, we adjust our target price to EUR 11.8 (prev. 11.5) ex-div (EUR 1.00 per share, record date 10.5.2024e). Valuation remains challenging, with P/E on our estimates above 20x 2024-2025e, and notable upside would require a bigger leap towards the 2027 adj-EBITDA% target of 15%.

Rating 🟡 HOLD



Share price, EUR (Last trading day's closing price) 13.85
Target price, EUR 11.8

Latest change in recommendation 10-Mar-23
Latest report on company 04-Mar-24
Research paid by issuer: YES
No. of shares outstanding, '000's 5,732
No. of shares fully diluted, '000's 5,732
Market cap, EURm 79
Free float, % -
Exchange rate 0.000
Reuters code LOIHDE.HE
Bloomberg code LOIHDE FH
Average daily volume, EURm -
Next interim report 27-Aug-24
Web site www.loihde.com

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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
2022	123.0	6.4	5.2%	-6.3	0.54	3,700.4	0.5	9.7	-8.5	0.80
2023	132.7	-0.9	-0.7%	5.2	-0.11	247.5	0.5	-74.5	7.6	2.00
2024E	137.6	2.7	2.0%	-0.2	0.36	38.2	0.6	32.3	-0.2	0.20
2025E	144.1	3.9	2.7%	0.9	0.52	26.4	0.6	22.8	1.1	0.26
2026E	149.9	5.2	3.5%	4.1	0.71	19.4	0.6	16.5	5.2	0.36
Market cap, EURm				79	Gearing 2024E, %		10.4	CAGR EPS 2023-26, %		144.6
Net debt 2024E, EURm				10	Price/book 2024E		0.9	CAGR sales 2023-26, %		4.2
Enterprise value, EURm				89	Dividend yield 2024E, %		1.4	ROE 2024E, %		2.2
Total assets 2024E, EURm				142	Tax rate 2024E, %		21.5	ROCE 2024E, %		2.5
Goodwill 2024E, EURm				64	Equity ratio 2024E, %		64.5	PEG, P/E 24/CAGR		1.0

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

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	13.85 PV of Free Cash Flow	69 Long-term growth, %	1.5 Risk-free interest rate, %	2.50
DCF share value	24.55 PV of Horizon value	81 WACC, %	9.1 Market risk premium, %	6.3
Share price potential, %	77.3 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	4.5
Maximum value	26.5 Marketable securities	12 Minimum WACC, %	8.6 Equity beta coefficient	1.15
Minimum value	22.8 Debt - dividend	-22 Maximum WACC, %	9.6 Target debt ratio, %	15
Horizon value, %	53.7 Value of stock	141 Nr of shares, Mn	5.7 Effective tax rate, %	20

DCF valuation, EURm	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	Horizon
Net sales	133	138	144	150	156	161	165	170	174	177	180	183
<i>Sales growth, %</i>	<i>7.9</i>	<i>3.7</i>	<i>4.8</i>	<i>4.0</i>	<i>4.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>2.0</i>	<i>2.0</i>	<i>1.5</i>	<i>1.5</i>
Operating income (EBIT)	-1	3	4	5	7	7	7	8	9	9	9	9
<i>Operating income margin, %</i>	<i>-0.7</i>	<i>2.0</i>	<i>2.7</i>	<i>3.5</i>	<i>4.5</i>	<i>4.5</i>	<i>4.5</i>	<i>4.5</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>
+ Depreciation+amort.	8	8	8	9	8	9	9	9	10	10	10	
EBITDA	7	11	12	14	15	16	16	17	18	19	19	
- Paid taxes	-1	-1	-1	-1	-1	-1	-1	-2	-2	-2	-2	
- Change in NWC	-4	-1	-1	0	0	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	<i>10.5</i>	<i>10.6</i>	<i>10.5</i>	<i>10.4</i>	<i>10.3</i>	<i>10.2</i>	<i>10.2</i>	<i>10.1</i>	<i>10.1</i>	<i>10.0</i>	<i>10.0</i>	
+ Change in other liabs	-6	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	4	-3	-3	-3	-3	-3	-3	-3	-3	-3	-3	
<i>opCAPEX / Sales, %</i>	<i>2.0</i>	<i>6.8</i>	<i>6.7</i>	<i>5.5</i>	<i>5.9</i>	<i>5.8</i>	<i>5.8</i>	<i>5.8</i>	<i>5.8</i>	<i>5.8</i>	<i>5.7</i>	
- Acquisitions	-2	0	0	0	0	0	0	0	0	0	0	
+ Divestments	8	0	0	0	0	0	0	0	0	0	0	
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	6	6	8	10	11	11	12	12	13	14	14	187
= Discounted FCFF		6	7	8	8	8	7	7	7	6	6	81
= DFCF min WACC		6	7	8	8	8	7	7	7	7	6	90
= DFCF max WACC		6	7	8	8	7	7	7	7	6	6	72

INTERIM FIGURES

EVLI ESTIMATES, EURm	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2E	2024Q3E	2024Q4E	2024E	2025E	2026E
Net sales	31.3	34.2	29.9	37.3	132.7	33.0	34.9	30.9	38.8	137.6	144.1	149.9
EBITDA	-0.4	0.8	2.8	3.5	6.7	1.4	1.9	2.6	4.6	10.5	11.9	14.0
<i>EBITDA margin (%)</i>	<i>-1.3</i>	<i>2.4</i>	<i>9.2</i>	<i>9.4</i>	<i>5.0</i>	<i>4.3</i>	<i>5.3</i>	<i>8.5</i>	<i>12.0</i>	<i>7.7</i>	<i>8.3</i>	<i>9.4</i>
EBIT	-2.2	-1.1	0.9	1.5	-0.9	-0.5	-0.1	0.7	2.7	2.7	3.9	5.2
<i>EBIT margin (%)</i>	<i>-7.0</i>	<i>-3.2</i>	<i>2.9</i>	<i>4.1</i>	<i>-0.7</i>	<i>-1.6</i>	<i>-0.2</i>	<i>2.2</i>	<i>6.9</i>	<i>2.0</i>	<i>2.7</i>	<i>3.5</i>
Net financial items	-0.2	0.6	-0.2	0.3	0.4	-0.1	0.0	0.0	0.0	-0.1	-0.2	-0.1
Pre-tax profit	-2.4	-0.5	0.6	1.8	-0.5	-0.6	-0.1	0.7	2.7	2.6	3.8	5.1
Tax	0.4	-0.5	-0.2	0.3	-0.1	0.1	0.0	-0.1	-0.5	-0.6	-0.8	-1.0
<i>Tax rate (%)</i>	<i>15.4</i>	<i>-99.3</i>	<i>37.0</i>	<i>-16.0</i>	<i>-22.0</i>	<i>13.8</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>21.5</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-2.0	-1.1	0.4	2.1	-0.6	-0.6	-0.1	0.5	2.2	2.1	3.0	4.1
EPS	-0.35	-0.19	0.07	0.36	-0.11	-0.10	-0.01	0.10	0.38	0.36	0.52	0.71
EPS adjusted (diluted no. of shares)	-0.30	-0.15	0.10	0.41	0.05	-0.10	-0.01	0.10	0.38	0.36	0.52	0.71
Dividend per share	0.00	0.00	0.00	0.00	2.00	0.00	0.00	0.00	0.00	0.20	0.26	0.36
SALES, EURm												
Group	31.3	34.2	29.9	37.3	132.7	33.0	34.9	30.9	38.8	137.6	144.1	149.9
Total	31.3	34.2	29.9	37.3	132.7	33.0	34.9	30.9	38.8	137.6	144.1	149.9
SALES GROWTH, Y/Y %												
Group	13.0	14.9	1.3	3.6	7.9	5.6	2.1	3.2	3.9	3.7	4.8	4.0
Total	13.0	14.9	1.3	3.6	7.9	5.6	2.1	3.2	3.9	3.7	4.8	4.0
EBIT, EURm												
Group	-2.2	-1.1	0.9	1.5	-0.9	-0.5	-0.1	0.7	2.7	2.7	3.9	5.2
Total	-2.2	-1.1	0.9	1.5	-0.9	-0.5	-0.1	0.7	2.7	2.7	3.9	5.2
EBIT margin, %												
Group	-7.0	-3.2	2.9	4.1	-0.7	-1.6	-0.2	2.2	6.9	2.0	2.7	3.5
Total	-7.0	-3.2	2.9	4.1	-0.7	-1.6	-0.2	2.2	6.9	2.0	2.7	3.5

INCOME STATEMENT, EURm	2019	2020	2021	2022	2023	2024E	2025E	2026E
Sales	103.1	106.8	104.4	123.0	132.7	137.6	144.1	149.9
<i>Sales growth (%)</i>	-1.7	3.6	-2.3	17.8	7.9	3.7	4.8	4.0
EBITDA	5.6	5.6	5.6	13.3	6.7	10.5	11.9	14.0
<i>EBITDA margin (%)</i>	5.4	5.2	5.4	10.8	5.0	7.7	8.3	9.4
Depreciation	-10.8	-9.4	-6.5	-6.9	-7.6	-7.8	-8.0	-8.8
EBITA	-5.2	-3.8	-0.9	6.4	-0.9	2.7	3.9	5.2
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-5.2	-3.8	-0.9	6.4	-0.9	2.7	3.9	5.2
<i>EBIT margin (%)</i>	-5.0	-3.6	-0.8	5.2	-0.7	2.0	2.7	3.5
Reported EBIT	-5.2	-3.8	5.6	6.7	-0.9	2.7	3.9	5.2
<i>EBIT margin (reported) (%)</i>	-5.0	-3.6	5.3	5.4	-0.7	2.0	2.7	3.5
Net financials	20.8	0.8	1.1	-2.3	0.4	-0.1	-0.2	-0.1
Pre-tax profit	15.6	-3.1	0.2	4.1	-0.5	2.6	3.8	5.1
Taxes	-4.5	-0.9	0.2	-1.0	-0.1	-0.6	-0.8	-1.0
Minority shares	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	10.9	-4.2	6.9	3.4	-0.6	2.1	3.0	4.1
Cash NRIs	0.0	0.0	6.4	0.3	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	11	11	11	10	10	11	11	11
Goodwill	48	45	53	63	64	64	64	64
Right of use assets	0	7	8	8	10	11	12	11
Inventory	6	7	7	10	12	12	13	14
Receivables	37	28	41	36	35	37	38	39
Liquid funds	52	48	24	21	12	6	6	6
Total assets	153	146	146	151	145	142	146	147
Liabilities								
Shareholder's equity	118	111	110	111	101	91	93	96
Minority interest	1	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	7	8	9	10	11	13	12
Deferred taxes	0	0	1	0	0	0	0	0
Interest bearing debt	6	0	0	0	0	4	3	1
Non-interest bearing current liabilities	27	26	26	29	34	34	36	37
Other interest-free debt	0	2	1	1	0	0	0	0
Total liabilities	153	146	146	151	145	142	146	147
CASH FLOW, EURm								
+ EBITDA	6	6	6	13	7	11	12	14
- Net financial items	-9	-16	-7	-3	-9	0	0	0
- Taxes	-4	-4	0	-1	-1	-1	-1	-1
- Increase in Net Working Capital	3	0	1	-4	-4	-1	-1	0
+/- Other	29	16	7	0	9	0	0	0
= Cash flow from operations	25	2	7	5	2	9	11	12
- Capex	-2	-2	-6	-2	-3	-9	-10	-8
- Acquisitions	0	0	-10	-11	-2	0	0	0
+ Divestments	0	0	6	1	8	0	0	0
= Free cash flow	23	0	-4	-6	5	0	1	4
+/- New issues/buybacks	2	6	7	2	-5	0	0	0
- Paid dividend	-10	-10	-15	-3	-5	-12	-1	-2
+/- Other	-14	0	-11	5	-4	5	1	-2
Change in cash	2	-4	-23	-3	-9	-7	0	0

KEY FIGURES	2020	2021	2022	2023	2024E	2025E	2026E
M-cap	0	96	74	69	79	79	79
Net debt (excl. convertibles)	-41	-16	-12	-2	10	10	7
Enterprise value	-41	80	62	67	89	89	87
Sales	107	104	123	133	138	144	150
EBITDA	6	6	13	7	11	12	14
EBIT	-4	-1	6	-1	3	4	5
Pre-tax	-3	0	4	-1	3	4	5
Earnings	-4	0	3	-1	2	3	4
Equity book value (excl. minorities)	111	110	111	101	91	93	96
Valuation multiples							
EV/sales	-0.4	0.8	0.5	0.5	0.6	0.6	0.6
EV/EBITDA	-7.3	14.3	4.6	10.1	8.4	7.5	6.2
EV/EBITA	10.7	-90.8	9.7	-74.5	32.3	22.8	16.5
EV/EBIT	10.7	-90.8	9.7	-74.5	32.3	22.8	16.5
EV/OCF	-25.1	12.0	12.2	35.3	9.7	8.5	7.0
EV/FCFF	25.1	11.2	10.7	11.8	13.9	11.1	8.8
P/FCFE	0.0	-23.1	-11.7	13.2	-488.3	87.8	19.4
P/E	0.0	45.1	3,700.4	247.5	38.2	26.4	19.4
P/B	0.0	0.9	0.7	0.7	0.9	0.9	0.8
Target EV/EBITDA	0.0	0.0	0.0	0.0	7.3	6.5	5.3
Target EV/EBIT	0.0	0.0	0.0	0.0	28.1	19.8	14.3
Target EV/FCF	0.0	0.0	0.0	0.0	-474.5	85.6	18.2
Target P/B	0.0	0.0	0.0	0.0	0.7	0.7	0.7
Target P/E	0.0	0.0	0.0	0.0	32.5	22.5	16.6
Per share measures							
Number of shares	5,684	5,930	5,628	5,752	5,732	5,732	5,732
Number of shares (diluted)	5,684	5,930	5,628	5,752	5,732	5,732	5,732
EPS	-0.73	0.08	0.54	-0.11	0.36	0.52	0.71
Operating cash flow per share	0.29	1.12	0.90	0.33	1.59	1.83	2.16
Free cash flow per share	-0.05	-0.70	-1.12	0.91	-0.03	0.16	0.72
Book value per share	19.46	18.48	19.78	17.52	15.94	16.26	16.71
Dividend per share	2.70	0.55	0.80	2.00	0.20	0.26	0.36
Dividend payout ratio, %	-369.0	675.2	147.7	-1,855.5	55.1	50.0	50.0
Dividend yield, %	0.0	3.4	6.1	16.6	1.4	1.9	2.6
FCF yield, %	0.0	-4.3	-8.5	7.6	-0.2	1.1	5.2
Efficiency measures							
ROE	-3.6	0.4	2.8	-0.6	2.2	3.3	4.3
ROCE	-3.2	-0.7	5.4	-0.8	2.5	3.6	4.8
Financial ratios							
Inventories as % of sales	6.2	7.0	8.4	9.1	9.1	9.1	9.1
Receivables as % of sales	25.9	39.4	29.3	26.7	26.5	26.4	26.3
Non-interest bearing liabilities as % of sales	24.4	25.2	23.9	25.3	25.0	25.0	25.0
NWC/sales, %	6.8	21.2	13.8	10.5	10.6	10.5	10.4
Operative CAPEX/sales, %	1.8	6.1	1.3	2.0	6.8	6.7	5.5
CAPEX/sales (incl. acquisitions), %	1.8	-3.6	-7.5	0.4	6.8	6.7	5.5
FCFF/EBITDA	-0.3	1.3	0.4	0.9	0.6	0.7	0.7
Net debt/EBITDA, book-weighted	-7.3	-2.9	-0.9	-0.3	0.9	0.8	0.5
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	75.8	74.9	73.8	69.3	64.5	64.0	65.0
Gearing, %	-37.1	-14.6	-11.1	-2.1	10.4	10.5	7.5

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.

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	3.809	4.8%
Bellurum Oy	210,576	2.916	3.7%
Lakiasiaintoimisto Asiakasturva Oy	128,374	1.778	2.2%
VISIO Allocator Fund	100,000	1.385	1.7%
Tenendum Oy	76,726	1.063	1.3%
LähiTapiola Mutual Life Insurance Company	75,000	1.039	1.3%
LähiTapiola Mutual Insurance Company	75,000	1.039	1.3%
City of Vaasa	70,400	0.975	1.2%
Pelkonen Antti	68,480	0.948	1.2%
Hotcom Oy	67,780	0.939	1.2%
Ten largest	1,147,336	15.891	20%
Residual	4,584,467	63.495	80%
Total	5,731,803	79.385	100%

EARNINGS CALENDAR

August 27, 2024

Q2 report

October 30, 2024

Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

CEO: Samu Konttinen

Silmukkatie 6, 65100 Vaasa

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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

<p>ROE, %</p> $\frac{\text{Profit before extraordinary items and taxes - income taxes}}{\text{Shareholder's equity + minority interest + taxed provisions (average)}}$	
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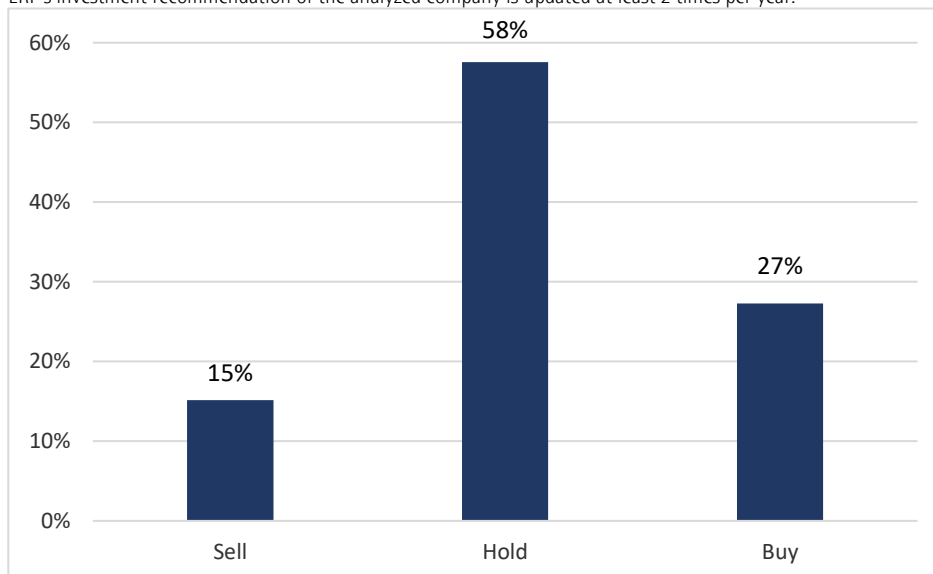
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Investment recommendations are defined as follows:

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): Salokivi

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