



Loihde Plc Half-year Report 1 January–30 June 2023: Loihde's revenue grew by 14%. The security business grew by a good 23%. In digital development, demand decreased.

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Loihde Plc Company announcement 31 August 2023 at 8:00 a.m. EEST

Loihde Plc Half-year Report 1 January–30 June 2023 Loihde's revenue grew by 14%. The security business grew by a good 23%. In digital development, demand decreased.

April–June 2023 in brief

- Loihde Group's revenue for the second quarter amounted to EUR 34.2 (29.7) million, an increase of 15%.
- Revenue from the security business amounted to EUR 24.1 (19.4) million, an increase of 25%.
- Revenue from the digital development business amounted to EUR 10.1 (10.5) million, a decrease of 4%.
- Adjusted EBITDA was EUR 1.0 (2.2) million, or 2.9% (7.5%) of revenue.
- Adjusted operating profit (EBIT) was EUR -0.9 (0.6) million, or -2.7% (2.0%) of revenue.
- The company acquired the entire share capital of the security technology service company Hämeen Lukko Oy and the acquired company is included in the figures as of 3 April 2023.

January–June 2023 in brief

- Loihde Group's revenue for January–June amounted to EUR 65.5 (57.4) million, an increase of 14%.
- Revenue from the security business amounted to EUR 44.3 (35.9) million, an increase of 23%.
- Revenue from the digital development business amounted to EUR 21.2 (21.7) million, a decrease of 2%.
- Adjusted EBITDA was EUR 0.9 (4.7) million, or 1.4% (8.2%) of revenue.
- Adjusted operating profit (EBIT) was EUR -2.8 (1.4) million, or -4.3% (2.5%) of revenue.

The figures in the half-year report are unaudited.

Outlook for 2023 (updated 22 August 2023)

In 2023, Loihde expects revenue from the security business to increase more than 10% and revenue from the digital development business to remain at approximately the same level as last year or increase.

The Group's adjusted EBITDA is estimated to improve compared to 2022, when it was EUR 10.3 million.

Previous guidance for 2023 (issued 4 March 2023)

In 2023, Loihde expects revenue from the security business to increase more than 10% and from the digital development business to increase more than 10%. The Group's adjusted EBITDA is estimated to improve compared to 2022, when it was EUR 10.3 million.

Financial targets for the strategy period 2021–2024

Loihde Group aims to achieve an average annual revenue growth of more than 10 per cent, including potential acquisitions. The profitability target is an adjusted EBITDA margin in excess of 10 per cent, calculated in accordance with the IFRS.

Key figures (IFRS)

EUR 1,000	4-6 2023	4-6 2022	Change in %	1-6 2023	1-6 2022	Change in %	1-12 2022
Revenue, EUR 1,000	34,242	29,749	15%	65,492	57,394	14%	122,987
- Security	24,125	19,366	25%	44,322	35,892	23%	82,450
- Digital development	10,085	10,487	-4%	21,226	21,741	-2%	40,849
- Other (incl. eliminations)	32	-104	131%	-56	-239	76%	-312
EBITDA	810	2,066	-61%	405	8,281	-95%	13,319
Adjusted EBITDA, EUR 1,000¹	1,009	2,242	-55%	896	4,710	-81%	10,290
Adjusted EBITDA, %¹	2.9%	7.5%		1.4%	8.2%		
Operating profit (EBIT), EUR 1,000	-1,108	426	-360%	-3,308	4,991	-166%	6,371
Adjusted operating profit (EBIT), EUR 1,000¹	-909	602	-251%	-2,817	1,420	-298%	3,482
Profit/loss for the period, EUR 1,000	-1,074	-511	-110%	-3,108	2,251	-238%	3,359
Adjusted profit/loss for the period, EUR 1,000¹	-896	-647	-38%	-2,697	-1,167	-131%	526
Equity-to-assets ratio,%	71.4%	73.9%		71.4%	73.9%		73.8%
Earnings per share (EPS), EUR, undiluted²	-0.19	-0.09	-113%	-0.54	0.39	-240%	0.58
Earnings per share (EPS), EUR, diluted²	-0.18	-0.09	-100%	-0.54	0.39	-238%	0.58
Average number of employees	883	787	12%	876	765	14%	812

The table shows the figures for continuing operations, with the exception of the profit/loss for the period, where the profit for the financial year 2022 also includes the effect of discontinued operations (i.e. Hibox Systems Oy Ab that was sold in February 2021) on the profit. The discontinued operations' share of the profit is presented in the income statement in the tables section.

¹ The adjusted EBITDA, the adjusted operating profit (EBIT) and the adjusted profit for the period are calculated by excluding capital gains/losses arising from the disposal of properties, fixed asset shares and businesses, insurance and other compensations and other adjustments from the respective reported figure.

² The parent company's treasury shares (0 shares on average in January–June 2023, 65,767 shares on average in January–June 2022 and 32,948 shares on average in January–December 2022) are excluded from the total number of shares.

CEO Samu Konttinen:

In April–June, Lohde's revenue came to EUR 34.2 (29.7) million, an increase of 15% year-on-year. Adjusted EBITDA was EUR 1.0 (2.2) million.

The result for the first half of the year has been weaker than expected, mainly due to low utilisation rates in digital development and one-off ERP costs in the security business. We believe the ERP challenges will gradually ease and have implemented cost-saving and efficiency measures that we expect will result in a clear improvement in profitability during the second half of the year. In addition, the end of the year typically has a significantly greater impact on the result than the beginning of the year, due to the seasonal nature of the security business.

Revenue from the digital development business amounted to EUR 10.1 (10.5) million in April–June, a decrease of 4% year-on-year. Cloud consulting (Microsoft Azure) and managed cloud services have continued to grow, demand for data and analytics services has improved slightly, and e.g. interest in AI utilisation has increased. Demand for and revenue from custom software development declined significantly, and the utilisation rate of the digital development business area was low and had a significant impact on the Group's result for the second quarter. We have taken various cost-saving measures and expect to see the effects of these in the second half of the year. However, the uncertainty in demand is likely to continue for the rest of the year as well, making it difficult to forecast sales.

In the security business, we are pleased with the success of both security technology and cyber security. In the second quarter, revenue from the security business grew by a healthy 25 per cent to EUR 24.1 (19.4) million. The revenue growth was generated by a wide range of activities, such as project sales, ongoing services and acquisitions. In cyber security, in particular, ongoing services (CSOC) and IAM consulting continued to show good growth, but also business networks and expert services had quite a good quarter. In security technology, we won several projects in all our service areas, and our strategically important continuing services grew well. Our extensive portfolio of security services continues to offer good opportunities for additional sales, and the One Security service concept has grown strongly, both through the expansion of existing customers and driven by new customer acquisition. The slowdown in the construction sector has had a negative impact, and we expect demand from this customer base to remain weak for the rest of the year. The new ERP system that was introduced in the security business at the beginning of the year continued to cause one-off costs and slowdowns, thus weakening EBITDA in the second quarter.

Overall, the year has had a mixed start. In the security business, demand has been stable and, excluding the ERP challenges, we have progressed as planned. The integration of Hämeen Lukko has progressed and the planned synergies will gradually materialise next year. In digital development, market conditions have been challenging, and growth in the short term is likely to be slower than in previous years. In the longer term, however, we believe the market will offer good opportunities for growth and profitability again.

Events after the review period

On 22 August 2023, Loihde announced a business transaction whereby it will divest the business operations of its Swedish subsidiary Loihde Advisory AB to Witted Megacorp Oy. The transaction takes effect on 1 September 2023.

On 22 August 2023, Loihde lowered its financial guidance for 2023 as far as revenue from the digital development business is concerned, due to the divestment of the business operations in Sweden and increased uncertainty in the Finnish market.

Financial calendar

In addition to the half-year report and the financial statements release, Loihde publishes a more concise business report for the first and third quarters of the year.

- The business report for July–September will be published on Wednesday, 1 November 2023.
- Capital Markets Day on Thursday, 16 November 2023

Financial reports are published on the company's website at <https://www.loihde.com/en/for-shareholders-2/reports-and-presentations/>.

31 August 2023

Loihde Plc
Board of Directors

Webcast press conference

Loihde's CEO Samu Konttinen presents the results in a webcast today, 31 August 2023 at 11:00 a.m. EEST. The webcast is held in Finnish and will be live at <https://loihde.videosync.fi/q2-2023-liiketoimintakatsaus>.

Presentations and a recording of the webcast will later be available in Finnish on the company's website at <https://www.loihde.com/omistajille/raportit-ja-esitykset/>.

Further information

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Loihde enables business continuity. We help our customers to create growth and competitiveness through digitalisation and to protect themselves from physical and cyber threats. Loihde consists of two business areas: security solutions with the brand Loihde Trust and digital development with the brands Loihde Advance, Loihde Factor and Loihde Cloudon. The Group has approximately 900 employees and its revenue in 2022 amounted to EUR 123,0 million.

This is a summary of the Half-year Report, which is in its entirety attached to this release and can be downloaded from the company's website at <https://www.loihde.com/en/for-shareholders-2/reports-and-presentations/>.

Attachments

- [Download announcement as PDF.pdf](#)
- [Loihde Plc Half-year report 2023.pdf](#)