



## Loihde Plc's Financial statements release 1 January–31 December 2023: A good end to a difficult year - in Q4, adjusted EBITDA improved by 13% year-on-year and was 10% of revenue

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## Loihde Plc's Financial statements release 1 January–31 December 2023: A good end to a difficult year - in Q4, adjusted EBITDA improved by 13% year-on-year and was 10% of revenue

### October–December 2023 in brief

- Loihde Group's revenue for the fourth quarter amounted to EUR 37.3 (36.0) million, an increase of 3%.
- Revenue from the security business amounted to EUR 26.7 (25.5) million, an increase of 5%.
- Revenue from the digital development business amounted to EUR 10.4 (10.6) million, a decrease of 2%.
- Adjusted EBITDA was EUR 3.8 (3.4) million, or 10.1% (9.3%) of revenue.
- Adjusted operating profit (EBIT) was EUR 1.8 (1.5) million, or 4.8% (4.1%) of revenue.
- The company announced its new strategy and financial targets for the strategy period 2024–2027 and its updated dividend policy.

### January–December 2023 in brief

- Loihde Group's revenue for the entire year was EUR 132.7 (123.0) million, an increase of 8%.
- Revenue from the security business amounted to EUR 92.4 (82.5) million, an increase of 12%.
- Revenue from the digital development business amounted to EUR 40.1 (40.8) million, a decrease of 2%.
- Adjusted EBITDA was EUR 7.6 (10.3) million, or 5.7% (8.4%) of revenue.
- Adjusted operating profit (EBIT) was EUR 0.0 (3.5) million, or 0.0% (2.8%) of revenue.
- Hämeen Lukko Oy joined the Group on 3 April 2023.
- The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.00 per share be paid from distributable funds.

### Outlook for 2024

In 2024, Loihde expects the Group's revenue to be on a par with the previous year or grow.

The Group's adjusted EBITDA is estimated to improve compared to 2023, when it was EUR 7.6 million.

### Financial targets for the strategy period 2024–2027

Loihde Group aims to achieve an average annual revenue growth of approximately 10%, including potential acquisitions. The revenue target for the end of the strategy period, i.e. for 2027, is at least EUR 200 million.

In terms of profitability, the target is to achieve an adjusted EBITDA margin of 15% by the end of the strategy period.

The target return on investment (ROI) is 10% and net debt/EBITDA between 0–2x.

### Key figures (IFRS)

EUR 1,000	10-12 2023	10-12 2022	Change in %	1-12 2023	1-12 2022	Change in %
Revenue, EUR 1,000	37,266	36,045	3%	132,690	122,987	8%
- Security	26,693	25,495	5%	92,366	82,450	12%

- Digital development	10,417	10,584	-2%	40,105	40,849	-2%
- Other (incl. eliminations)	156	-34	559%	219	-312	170%
<b>EBITDA</b>	3,512	2,911	21%	6,669	13,319	-50%
<b>Adjusted EBITDA, EUR 1,000<sup>1</sup></b>	3,771	3,351	13%	7,569	10,290	-26%
<b>Adjusted EBITDA, %<sup>1</sup></b>	10.1%	9.3%		5.7%	8.4%	
<b>Operating profit (EBIT), EUR 1,000</b>	1,540	904	70%	-901	6,371	-114%
<b>Adjusted operating profit (EBIT), EUR 1,000<sup>1</sup></b>	1,799	1,485	21%	-1	3,482	-100%
<b>Profit/loss for the period, EUR 1,000</b>	2,090	1,252	67%	-620	3,359	-118%
<b>Adjusted profit/loss for the period, EUR 1,000<sup>1</sup></b>	2,297	1,754	31%	121	526	-77%
<b>Equity-to-assets ratio, %</b>	69.6%	73.8%		69.6%	73.8%	
<b>Earnings per share (EPS), EUR, basic (undiluted)<sup>2</sup></b>	0.36	0.22	66%	-0.11	0.58	-118%
<b>Earnings per share (EPS), EUR, diluted<sup>2</sup></b>	0.36	0.22	64%	-0.11	0.58	-118%
<b>Return on investment (ROI), %</b>	1.9%	0.9%		0.5%	6.0%	
<b>Adjusted return on investment (ROI), %<sup>1</sup></b>	2.1%	1.4%		1.3%	3.5%	
<b>Average number of employees</b>	843	866	-3%	863	812	6%

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 on the profit, i.e. the additional purchase price that the company received for Hibox Systems Oy Ab that was sold in February 2021.

<sup>1</sup> 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.

<sup>2</sup> The parent company's treasury shares (15,195 shares on average in October–December 2023 and 0 shares on average in October–December 2022, as well as 4,014 shares on average in January–December 2023 and 32,948 shares on average in January–December 2022) are excluded from the total number of shares.

## CEO Samu Konttinen:

In October–December 2023, Loihde's revenue increased 3% year-on-year to EUR 37.3 (36.0) million. Adjusted EBITDA improved 13% to EUR 3.8 (3.6) million, or 10.1% (9.3%) of revenue.

### Variation between service areas in digital development

In the digital development business, there were continued challenges with demand, and revenue decreased 2% year-on-year. However, for some of our clients, the number of projects has remained good, and we have seen some growth in e.g. the financial and public sectors.

Demand for bespoke software development has been low over the past year, and we do not see any significant improvement in a more positive direction in early 2024.

In data and analytics services, the market situation is slightly more positive. We have won several interesting projects related to artificial intelligence, data management, data platforms, analytics and reporting. One such example is AinoAid, where we are developing a generative AI chatbot service to help people that are experiencing domestic violence. The pilot project is a splendid example of how AI can be used to promote well-being. In addition to AI engineering, the project also uses Loihde's extensive expertise in information security and digital development.

The market for cloud transformation and cloud optimisation consultancy has remained fairly positive. Loihde's strength is its versatile expertise in cloud, hybrid and server implementations, which is highlighted in the phased cloud adoption of customers and in situations where part of the IT environment needs to be located on the customer's own servers.

## **Growth continued as expected in the security business**

The security business continued to grow; in October–December, revenue grew by 5% year-on-year.

In security technology, the last quarter of the year was typical, with customers pushing to complete projects by the end of the year, and also with established budget practices accumulating purchases towards the end of the year. We performed well in several customer and offering segments. In the social welfare and health care sector, for example, we had several projects underway at the end of the year to deliver nurse call and other security systems to major hospital projects.

In digital security, Identity and Access Management (IAM) consulting and our 24/7 Cyber Security Operations Centre CSOC grew nicely towards the end of the year, and the year as a whole was good for these service areas. We also entered into several new agreements in these areas, which will have an impact this year. In infrastructure and equipment sales, revenue in Q4 was weak due to customers postponing their purchase decisions.

Towards the end of the year, we signed two important framework agreements in the security business, with an estimated combined value of more than EUR 10 million. One of the agreements concerns security technology systems and services and the other network solutions. Deliveries are spread over a period of several years.

## **A mixed year that improved towards the end**

Full-year revenue saw a year-on-year increase of 8% and came to EUR 132.7 million. Adjusted EBITDA was EUR 7.6 million, a decrease compared to the previous year due to the very weak start to the year. The latter half of the year was better in terms of profitability, with the adjusted EBITDA margin for this period improving by 20% compared to the comparative period and amounting to approximately 10% of revenue. In the early part of the year, the company's profitability was weighed down by, among other things, weaker demand for bespoke software development, which led to low utilisation rates, and one-off costs and slowdowns due to the ERP change in the security business.

## **New strategy and financial targets - towards 15% EBITDA**

In November, we published our new strategy and financial targets for the period 2024–2027. During the strategy period, we aim to grow faster than the market and achieve a significant improvement in profitability, resulting in an adjusted EBITDA margin of 15% at the end of the strategy period. A key change is the operating model shift from a subsidiary-based management model to business areas based on customer needs.

In the past year, our employees have again shown strong professionalism and commitment to serving our customers, and I would like to express my sincerest thanks to them. I would also like to thank our customers and owners; we do our utmost to be worthy of your trust.

## **Proposal on the use of the profit for the period**

The Board of Directors proposes to the AGM that a dividend of EUR 1.00 per share be paid from the parent company's distributable funds (EUR 104,893,268.11), of which the parent company's profit for the period is EUR 4,381,560.72. Based on the situation at the time of signing the financial statements, the dividend would correspond to EUR 5,721,360.00 in total.

No material changes have taken place in the company's financial position after the end of the financial year.

## **Events after the financial year**

Loihde Plc's subsidiary Hämeen Lukko Oy has merged with Loihde Trust Ltd on 29 February 2024.

## **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 January–March 2024 will be published on Tuesday, 30 April 2024.
- The half-year report for January–June 2024 will be published on Tuesday, 27 August 2024.
- The business report for January–September 2024 will be published on Wednesday, 30 October 2024.

The Financial Statements, the Report of the Board of Directors, the Auditor's Report and the Corporate Governance Statement for the financial year 2023 will be published in week 13.

The AGM is scheduled to take place on 7 May 2024. The Board of Directors will publish a separate notice of the AGM later.

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

## Webcast press conference

Loihde's CEO Samu Konttinen will present the results in a webcast today, 1 March 2024 at 11:00 a.m. EET. The webcast is held in Finnish and will be live at <https://loihde.videosync.fi/q4-2023>.

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

CEO Samu Konttinen

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*Loihde enables business continuity. We help our customers to gain a sustainable competitive edge through data, AI and digitalisation, to harness the potential of the cloud and to protect themselves against both physical and cyber threats. The combining of these skills is what makes Loihde a unique and comprehensive partner. We are approximately 850 skilled professionals, and our revenue in 2023 amounted to EUR 132.7 million.*

## Attachments

- [Download announcement as PDF.pdf](#)
- [Loihde Plc Financial Statements Release 2023.pdf](#)