



## **Loihde Plc's business report 1 January–30 September 2021: Profitability improved noticeably compared to the early part of the year**

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## **Loihde Plc's business report 1 January–30 September 2021 Profitability improved noticeably compared to the early part of the year**

*This is not an interim report in accordance with the IAS 34 standard. The financial information presented in this business report is unaudited. Unless otherwise stated, the figures put in brackets indicate the corresponding period last year.*

### **July–September 2021 in brief**

- Loihde Group's revenue for the third quarter increased 3% and amounted to EUR 24.8 million (24.0).
- Revenue from the Group's continuing operations grew 9% and came to EUR 24.8 million (22.8), organic growth<sup>1</sup> was 2%.
- Revenue from continuing operations in the security business grew 4% and amounted to EUR 16.5 million (15.9).
- Revenue from continuing operations in the digital development business grew 20%, supported by company acquisitions, and amounted to EUR 8.3 million (6.9). Without the impact of acquisitions, revenue from the digital development business decreased 1.5%.
- Adjusted EBITDA was EUR 1.3 million (1.5), or 5.1% (6.3) of revenue.
- Adjusted EBITA was EUR 0.8 million (1.0), or 3.2% (4.2) of revenue.
- At the beginning of September, the Group's subsidiaries were united under the Loihde brand.
- The company submitted a listing application for the listing of its shares on Nasdaq First North Growth Market Finland on 27 September 2021, and trading in Loihde Plc shares commenced on 7 October 2021.

### **January–September 2021 in brief**

- Loihde Group's revenue for January–September increased 1% and amounted to EUR 76.8 million (76.3).
- Revenue from the Group's continuing operations grew 6% and came to EUR 75.9 million (71.7), organic growth<sup>1</sup> was 3%.
- Revenue from continuing operations in the security business grew 5% and amounted to EUR 51.2 million (48.6).
- Revenue from continuing operations in the digital development business grew 7% and amounted to EUR 24.7 million (23.1). Without the impact of acquisitions, revenue from the digital development business decreased 2.8%.
- Adjusted EBITDA was EUR 2.4 million (3.9), or 3.1% (5.2) of revenue.
- Adjusted EBITA was EUR 0.9 million (2.4), or 1.2% (3.1) of revenue.

<sup>1</sup> The organic growth of continuing operations excludes the revenue of Hibox Systems Oy Ab, Talent Base Oy and Talent Base AB.

### **Outlook for 2021 (unchanged)**

Loihde intends to take measures in 2021 related to the achievement of long-term objectives, and the development expenses associated with these measures will temporarily reduce the company's operational profitability. It can also be expected that the costs that decreased in 2020 due to the COVID-19 pandemic will partly return closer to normal levels in 2021.

In 2021, Loihde expects the revenue of continuing operations in the digital business to grow. Revenue from the security business is expected to remain on a par with the previous year or show moderate growth. The Group's adjusted EBITDA is estimated to be lower than in 2020.

## Financial targets for the strategy period 2021-2024

Loihde Group aims to achieve 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 standards. The Group plans to transition to IFRS-compliant reporting during the strategy period. The management estimates that the transition to IFRS reporting will increase the adjusted EBITDA margin by approximately 3–4 percentage points compared to the corresponding figure calculated in accordance with the FAS standards.<sup>2</sup>

<sup>2</sup> The difference of 3–4 percentage points, estimated by the management, between the adjusted EBITDA margins calculated in accordance with IFRS vs. FAS standards is mainly due to handling of leases in accordance with IFRS 16.

## Key Figures

EUR 1,000	7–9/2021	7–9/2020	Change %	1–9/2021	1–9/2020	Change %	1–12/2020
Revenue	24,774	24,025	3%	76,824	76,262	1%	106,823
- Security business	16,483	15,899	4%	51,206	48,564	5%	69,122
- Digital development business	8,255	8,145	1%	25,563	27,703	-8%	37,859
- Other (incl. eliminations)	36	-19	-	55	-5	-1,141%	-158
Revenue, continuing operations <sup>1</sup>	24,774	22,762	9%	75,940	71,681	6%	101,026
- Security business	16,483	15,899	4%	51,206	48,564	5%	69,122
- Digital development business <sup>1</sup>	8,255	6,873	20%	24,673	23,096	7%	32,028
- Other (incl. eliminations) <sup>1</sup>	36	-11	-	62	20	210%	-124
EBITDA	960	1,367	-30%	7,614	3,566	114%	5,434
Adjusted EBITDA <sup>2</sup>	1,274	1,504	-15%	2,364	3,929	-40%	6,160
Adjusted EBITDA, %	5.1	6.3	-	3.1	5.2	-	5.8
EBITA	487	866	-44%	6,162	2,031	203%	3,386
Adjusted EBITA <sup>2</sup>	802	1,003	-20%	912	2,394	-62%	4,113
Operating profit (EBIT)	-1,463	-973	-	603	-3,418	-	-3,838
Adjusted operating profit (EBIT) <sup>2</sup>	-1,148	-837	-	-4,647	-3,055	-	-3,111
Profit for the period	-1,774	-1,014	-	1,166	-3,995	-	-4,172
Adjusted profit for the period <sup>2</sup>	-1,522	-905	-	-4,193	-3,704	-	-3,590
Equity-to-assets ratio, %	79.9	81.4	-	79.9	81.4	-	81.3
Earnings per share (EPS), EUR <sup>3</sup>	-0.30	-0.18	-	-0.20	-0.72	-	-0.75
Average number of employees (FTE)	729	718	2%	717	714	0%	714

<sup>1</sup> Revenue from continuing operations does not include Hibox Systems Oy Ab's revenue for January–February, which amounted to EUR 890 thousand.

<sup>2</sup> The adjusted EBITDA, the adjusted EBITA, 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>3</sup> The own shares owned by the Group are excluded from the total number of shares.

## CEO Samu Konttinen:

In July–September, Loihde's revenue from continuing operations grew and amounted to EUR 24.8 (22.8) million. Year-on-year growth was 2% organically, and 9% including the acquisition in the digital development business in spring. Profitability

improved compared to the beginning of the year, and the adjusted EBITDA calculated in accordance with the FAS standards was EUR 1.3 (1.5) million, or 5.1% (6.3) of revenue<sup>3</sup>.

In September, all our subsidiaries were united under the Loihde brand. We believe that our business operations now can be more clearly seen as a whole by our stakeholders, and that our diversity of competencies is better highlighted. We are in the process of developing Loihde into a service company operating as a whole and focusing on digital development and security solutions, as well as integration capabilities, through which we combine the above-mentioned service areas. We have taken several good steps to develop the company, but several of our transformation projects are still in progress.

In the digital development business, the demand for our services continued at a good level in July–September, and the utilisation rate was fairly high. Spurred by the Talent Base acquisition, our digital development business grew 20%. Expert services not including Talent Base were on a par with last year, but license retail was clearly lower than in the comparison period, due to which business revenue experienced a small organic decline. Our ability to offer digital development services in a versatile way, for example, by leading digitalisation projects, helping to implement data platforms, or bringing competencies to software development, is in our opinion meeting market demand well. We expect an increase in recruitment for the rest of the year, and we believe that our network model works well in the employment market, since we can offer different surroundings and payment models for digital professionals. Besides recruiting experienced professionals, we also see interesting potential in young people and persons changing industries. One good example of this is our Data trainee programme with 18 participants so far this year.

The security business developed according to plan in July–September. Growth has, in line with our expectations, been slower in the latter half of the year, especially in the physical security business, in comparison to the second quarter, which went exceptionally well. When it comes to new agreements in the physical security business, emphasis during the period has been on personal safety and nurse call systems for the social welfare and healthcare sector, and large locking and video surveillance systems for companies and public administration. In our cyber security offering, the development of continuous services is progressing, and our growth rate has picked up slightly since the beginning of the year, with the CSOC service leading the way. Our solutions that combine physical and cyber security have been well received by the markets, and a growing number of total security customers is proof of the benefits of centralisation for managing both security and costs.

Early in the year, we made preparations for our listing, and on 7 October 2021, trading in Loihde's shares commenced on First North. I want to thank everyone involved in our listing project and all our employees for a job well done, and at the same time I want to thank our shareholders and customers for their confidence in Loihde.

<sup>3</sup>The Group plans to transition to IFRS-compliant reporting during the strategy period. The management estimates that the transition to IFRS reporting will increase the adjusted EBITDA margin by approximately 3–4 percentage points compared to the corresponding figure calculated in accordance with the FAS standards.

## Events after the reporting period

Trading in Loihde Plc shares has commenced on Nasdaq First North Growth Market Finland on 7 October 2021.

Loihde Plc's new Articles of Association, which according to the General Meeting's decision were conditional to the company being listed, have entered into force as of 6 October 2021. With the new Articles of Association, the company no longer has a Supervisory Board, and the members of the Board of Directors will henceforth be appointed by the General Meeting.

On 28 October 2021, the company's Board of Directors has decided that the conditional additional distribution of assets decided by the General Meeting on 6 May 2021 has a record date of 1 November 2021 and a payment date of 9 November 2021. In the additional distribution of assets, the company distributes EUR 0.90 per share from its reserve for invested unrestricted equity. The General Meeting's decision on additional distribution of assets was conditional on the company's shares being listed for trading on First North by 31 December 2021.

## Webcast press conference

Loihde's CEO Samu Konttinen presents the results in a webcast today, 29 October 2021 at 11:00 EET.

The webcast will be live at <https://loihde.videosync.fi/2021-q3-tulos>.

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/>.

## Financial information

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 financial statements release for 2021 will be published on Friday, 4 March 2022.

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

29 October 2021  
Loihde Plc  
Board of Directors

## **Further information**

CEO Samu Konttinen, interview requests Director of Communications Tiina Nieminen, tel. +358 44 411 3480 or [tiina.nieminen@loihde.com](mailto:tiina.nieminen@loihde.com)

Certified Adviser Alexander Corporate Finance Oy, tel. +358 50 520 4098

*Loihde is an expert organisation specialising in digital development and security solutions. We help our customers create growth and competitiveness through digitalisation, while ensuring the security of people and information and the continuity of business. Loihde consists of two business areas: security solutions with the brand Loihde Trust, and digital development with the brands Loihde Advisory, Loihde Analytics and Loihde Factor. The Group has approximately 729 employees and its revenue in 2020 amounted to EUR 106.8 million.*

## **Attachments**

- [Download announcement as PDF.pdf](#)