

Growth remains an issue

SSH's Q4 result missed our expectations. On a positive, the company issued an outlook for 2019 and proclaimed the end of further litigation. We see current valuation as stretched given the relatively low and uncertain sales growth, thus we downgrade to SELL with target price EUR 1.6 (prev. 1.8).

Q4 misses our expectations

SSH Q4 missed our expectations, with net sales being EUR 6.4m (7.2m Evli) and EBIT being EUR 1.3m (1.8m Evli). The miss was due to abnormally low underlying software fees (0,6m excluding 1.5m license deal in Q4). Excluding patent income (2.7m) and a few larger license deals (2.8m), growth in 2018 would have been ~10% negative.

Outlook for 2019 given

In 2019 SSH expects double digit percentage growth from its core software business exceeding the projected annual cyber security market growth of approximately 10 %. In the medium term, SSH expects similar or faster growth and will also explore avenues for accelerated growth through inorganic growth opportunities. We had previously modeled 16% growth for 2019E based on the attractive growth opportunity apparent in the PAM market.

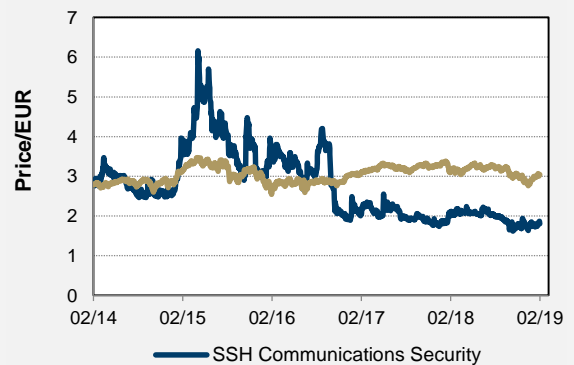
Estimates cut, slow growth with prudent cost control ahead

We've cut our net sales estimates for 2019-2021. We expect net sales in 2019E to be EUR 17.5m (-4% decline y/y) due to absence of patent income. For 2021E and 2022E we model 11% and 12% net sales growth respectively. No growth this year and slight growth in the coming years coupled with less litigation costs and a prudent cost control, means SSH will slowly start reaching organic profitability. We estimate EBIT of EUR 0.8m and EUR 1.9m in 2020 and 2021.

Downgrade to SELL with TP of 1.6 (prev. 1.8)

On our revised estimates, SSH is trading at EV/Sales 2019-20 of 3.9x and 3.5x. Our DCF indicates fair value of EUR 1.6. We see valuation as stretched given the uncertainty in sales growth, thus we downgrade to SELL with target price of EUR 1.6 (prev. 1.8). Our target price represents EV/Sales of 3.4x and 3.1x for 2019 & 2020.

Rating ■ SELL



Share price, EUR (Last trading day's closing price) 1.80

Target price, EUR 1.6

Latest change in recommendation 12-Feb-19

Latest report on company 07-Feb-19

Research paid by issuer: YES

No. of shares outstanding, '000's 38,578

No. of shares fully diluted, '000's 38,578

Market cap, EURm 69

Free float, % -

Exchange rate EUR/USD 1.110

Reuters code SSH1C.HE

Bloomberg code SS1V FH

Average daily volume, EURm -

Next interim report 17-Apr-19

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■ BUY ■ HOLD ■ SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2017	16	-2	-10.5%	-2	-0.08	-21.9	4.1	93.2	-39.1	0.00
2018	18	1	2.7%	1	-0.01	-180.4	6.1	75.6	224.4	0.00
2019E	18	0	0.6%	0	-0.03	-60.9	3.9	46.6	688.9	0.00
2020E	20	1	4.1%	1	0.01	266.0	3.5	27.2	84.7	0.00
2021E	22	2	8.7%	2	0.04	47.0	3.0	20.4	34.5	0.00
Market cap, EURm			69	BV per share 2019E, EUR		0.0	CAGR EPS 2018-21, %			0.0
Net debt* 2019E, EURm			-1	Price/book* 2019E		59.9	CAGR sales 2018-21, %			6.0
Enterprise value, EURm			69	Dividend yield 2019E, %		0.0	ROE 2019E, %			-89.1
Total assets 2019E, EURm			23	Tax rate 2019E, %		20.0	ROCE 2019E, %			0.7
Goodwill 2019E, EURm			0	Equity* ratio 2019E, %		8.4	PEG, P/E 19/CAGR			0.0

*EUR 12m hybrid included in debt

Cybersecurity	MCAP MEUR	EV/EBIT			EV/SALES			P/E		
		19	20	21	19	20	21	19	20	21
Check Point Software Tech	16464	14.2x	13.3x	14.4x	7.2x	6.8x	7.3x	19.7x	18.4x	16.7x
F-Secure	413	36.1x	21.4x		1.9x	1.8x		50.5x	28.5x	14.1x
Palo Alto Networks	18847	25.7x	18.7x	12.7x	5.9x	4.6x	3.4x	40.0x	33.1x	27.7x
Sophos Group	1859	24.7x	20.0x		2.8x	2.4x		30.4x	26.3x	26.8x
Symantec	13243	10.6x	9.1x		3.4x	3.1x		13.5x	12.2x	11.8x
Fortinet Inc	12534	25.0x	20.0x	16.8x	5.7x	4.8x	4.2x	40.1x	35.4x	32.3x
Peer Group Average	10165	22.7x	17.1x	14.6x	4.5x	3.9x	5.0x	32.4x	25.6x	21.6x
Peer Group Median	13243	24.9x	19.3x	14.4x	4.6x	3.8x	4.2x	35.2x	27.4x	21.8x
SSH (Evli est.)	69	688.9x	84.7x	34.5x	3.9x	3.5x	3.0x	-60.9x	266.0x	47.0x

SSH prem./disc. to peer median
Source FactSet, Evli Research

-14% -10% -28%

Cybersecurity	Sales		Sales growth		EBIT-%		
	18	19	20	21	19	20	21
Check Point Software Tech	1677	5%	4%	5%	50.6 %	51.0 %	50.9 %
F-Secure	190	15%	8%	6%	5.4 %	8.3 %	15.9 %
Palo Alto Networks	1962	37%	18%	16%	23.0 %	24.6 %	27.0 %
Sophos Group	609	10%	10%	6%	11.3 %	12.0 %	
Symantec	4210	3%	5%	1%	32.4 %	33.8 %	34.1 %
Fortinet Inc	1586	16%	13%	11%	22.9 %	23.8 %	24.7 %
Peer Group Average	1706	14%	10%	8%	24.3 %	25.6 %	30.5 %
Peer Group Median	1632	13%	9%	6%	23.0 %	24.2 %	27.0 %
SSH (Evli est.)	18	-4%	11%	12%	0.6 %	4.1 %	8.7 %

Source FactSet, Evli Research

PAM vendors	MCAP MEUR	EV/EBIT			EV/SALES			P/E		
		19	20	21	19	20	21	19	20	21
CyberArk Software	2792	28.5x	22.1x	15.8x	6.6x	5.2x	4.1x	44.9x	36.2x	30.0x
Wallix Group	61		14.1x		1.3x	0.8x			43.2x	
Peer Group Average	1426	28.5x	18.1x	15.8x	4.0x	3.0x	4.1x	44.9x	39.7x	30.0x
Peer Group Median	1426	28.5x	18.1x	15.8x	4.0x	3.0x	4.1x	44.9x	39.7x	30.0x
SSH (Evli est.)	69	688.9x	84.7x	34.5x	3.9x	3.5x	3.0x	-60.9x	266.0x	47.0x

SSH prem./disc. to peer median
Source FactSet, Evli Research

-1% 15% -27%

PAM vendors	Sales		Sales growth		EBIT-%		
	18	19	20	21	19	20	21
CyberArk Software	292	19%	20%	21%	23.3 %	23.6 %	26.0 %
Wallix Group	14	47%	55%		-15.5 %	5.9 %	
Peer Group Average	153	33%	37%	21%	3.9 %	14.7 %	26.0 %
Peer Group Median	153	33%	37%	21%	3.9 %	14.7 %	26.0 %
SSH (Evli est.)	18	-4%	11%	12%	0.6 %	4 %	9 %

Source FactSet, Evli Research

Nordic software companies	MCAP MEUR	EV/EBIT			EV/SALES			P/E		
		19	20	21	19	20	21	19	20	21
Basware	553				4.0x	3.7x	3.3x			
Efecte	27									
Enea	254	15.2x	12.0x	10.3x	3.2x	2.7x	2.4x	17.5x	14.8x	13.7x
Infront	66	15.6x	11.7x	10.2x	1.6x	1.4x	1.2x	20.6x	16.7x	13.6x
Qt Group	241	218.6x	27.2x		4.2x	3.3x		406.0x	34.4x	13.7x
Peer Group Average	228	83.1x	16.9x	10.2x	3.2x	2.8x	2.3x	148.0x	22.0x	13.7x
Peer Group Median	241	15.6x	12.0x	10.2x	3.6x	3.0x	2.4x	20.6x	16.7x	13.7x
SSH (Evli est.)	69	688.9x	84.7x	34.5x	3.9x	3.5x	3.0x	-60.9x	266.0x	47.0x

SSH prem./disc. to peer median
Source FactSet, Evli Research

4328% 609% 237% 10% 15% 26% -396% 1493% 244%

Nordic software companies	Sales		Sales growth		EBIT-%		
	18	19	20	21	19	20	21
Basware	141	5%	10%	12%	-7.9 %	-4.6 %	-2.4 %
Efecte	12	21%	29%	27%	-11.1 %	-4.6 %	-0.5 %
Enea	80	19%	9%	7%	20.9 %	22.8 %	23.3 %
Infront	28	28%	7%	25%	10.1 %	11.9 %	11.3 %
Qt Group	46	20%	26%	30%	1.9 %	12.3 %	23.1 %
Peer Group Average	62	18%	16%	20%	2.8 %	7.5 %	11.0 %
Peer Group Median	46	20%	10%	25%	1.9 %	11.9 %	11.3 %
SSH (Evli est.)	18	-4%	11%	12%	0.6 %	4.1 %	8.7 %

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	1.80 PV of Free Cash Flow	24 Long-term growth, %	3.5 Risk-free interest rate, %	2.25
DCF share value	1.64 PV of Horizon value	39 WACC, %	11.0 Market risk premium, %	5.8
Share price potential, %	-8.6 Unconsolidated equity	-1 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	1.8 Marketable securities	14 Minimum WACC, %	10.5 Equity beta coefficient	1.38
Minimum value	1.5 Debt - dividend	-12 Maximum WACC, %	11.5 Target debt ratio, %	15
Horizon value, %	61.4 Value of stock	63 Nr of shares, Mn	38.6 Effective tax rate, %	20

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	18	18	20	22	25	29	33	38	43	48	50	52
<i>Sales growth, %</i>	<i>13.0</i>	<i>-4.4</i>	<i>11.4</i>	<i>11.8</i>	<i>15.0</i>	<i>16.0</i>	<i>15.0</i>	<i>15.0</i>	<i>12.0</i>	<i>12.0</i>	<i>3.5</i>	<i>3.5</i>
Operating income (EBIT)	1	0	1	2	3	6	7	8	9	10	10	10
<i>EBIT margin, %</i>	<i>2.7</i>	<i>0.6</i>	<i>4.1</i>	<i>8.7</i>	<i>10.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
+ Depreciation+amort.	2	2	1	1	1	1	1	1	1	1	1	1
- Income taxes	0	0	0	0	-1	-1	-1	-2	-2	-2	-2	-2
- Change in NWC	-1	0	0	1	1	1	1	1	1	1	1	0
<i>NWC / Sales, %</i>	<i>-23.9</i>	<i>-23.9</i>	<i>-23.9</i>	<i>-23.9</i>	<i>-23.9</i>	<i>-23.9</i>	<i>-23.9</i>	<i>-23.9</i>	<i>-23.9</i>	<i>-23.9</i>	<i>-23.9</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	0
- Capital Expenditure	-2	-1	-1	-1	-1	-1	-1	-1	-1	-2	-2	-2
<i>Investments / Sales, %</i>	<i>11.3</i>	<i>5.7</i>	<i>5.5</i>	<i>5.0</i>	<i>4.6</i>	<i>4.2</i>	<i>3.9</i>	<i>3.6</i>	<i>3.4</i>	<i>3.2</i>	<i>4.0</i>	<i>4.0</i>
- Other items	-1	-1	0	0	0	0	0	0	0	0	0	0
= Unlevered Free CF (FCF)	-2	0	1	2	3	6	6	7	8	9	8	108
= Discounted FCF (DFCF)		0	1	2	2	3	3	4	3	3	3	39
= DFCF min WACC		0	1	2	2	3	4	4	4	4	3	43
= DFCF max WACC		0	1	2	2	3	3	3	3	3	3	35

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1E	2019Q2E	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	5	4	3	6	18	4	4	5	5	18	20	22
EBITDA	0	0	0	2	2	0	1	1	1	2	2	3
<i>EBITDA margin (%)</i>	<i>10.3</i>	<i>8.0</i>	<i>-11.9</i>	<i>26.5</i>	<i>11.3</i>	<i>-13.9</i>	<i>18.2</i>	<i>15.2</i>	<i>14.3</i>	<i>9.7</i>	<i>11.5</i>	<i>14.8</i>
EBIT	0	0	-1	1	1	-1	0	0	0	0	1	2
<i>EBIT margin (%)</i>	<i>2.1</i>	<i>-2.7</i>	<i>-23.5</i>	<i>20.3</i>	<i>2.7</i>	<i>-25.0</i>	<i>9.1</i>	<i>6.5</i>	<i>6.1</i>	<i>0.6</i>	<i>4.1</i>	<i>8.7</i>
Net financial items	0	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	0	0	-1	1	1	-1	0	0	0	0	1	2
Tax	0	0	0	0	0	0	0	0	0	0	0	0
<i>Tax rate (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0	0	-1	1	0	-1	0	0	0	-1	0	1
EPS	-0.01	-0.01	-0.03	0.03	-0.01	-0.03	0.00	0.00	0.00	-0.03	0.01	0.04
EPS adjusted (diluted no. of shares)	-0.01	-0.01	-0.03	0.03	-0.01	-0.03	0.00	0.00	0.00	-0.03	0.01	0.04
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SALES, EURm												
Software fees	2	1	1	2	6	1	2	2	2	7	8	10
Professional services	1	1	0	2	4	0	0	0	0	1	2	2
Recurring revenue	2	2	2	2	9	2	2	2	2	9	9	9
Total	5	4	3	6	18	4	4	5	5	18	20	22
SALES GROWTH, Y/Y %												
<i>Software fees</i>	<i>183.3</i>	<i>-30.0</i>	<i>42.9</i>	<i>23.5</i>	<i>37.5</i>	<i>-35.3</i>	<i>171.4</i>	<i>110.0</i>	<i>9.5</i>	<i>34.5</i>	<i>12.2</i>	<i>22.9</i>
<i>Professional services</i>	<i>150.0</i>	<i>50.0</i>	<i>-50.0</i>	<i>-16.0</i>	<i>7.7</i>	<i>-70.0</i>	<i>-66.7</i>	<i>50.0</i>	<i>-85.7</i>	<i>-71.4</i>	<i>66.7</i>	<i>10.0</i>
<i>Recurring revenue</i>	<i>0.0</i>	<i>0.0</i>	<i>10.0</i>	<i>4.8</i>	<i>3.6</i>	<i>4.8</i>	<i>4.8</i>	<i>0.0</i>	<i>4.5</i>	<i>3.5</i>	<i>3.4</i>	<i>2.2</i>
Total	54.8	0.0	9.7	1.6	13.0	-25.0	18.9	35.3	-23.4	-4.4	11.4	11.8
EBIT, EURm												
	0	0	-1	1	1	-1	0	0	0	0	0	2
	0	0	0	0	0	0	0	0	0	0	1	0
Total	0	0	-1	1	1	-1	0	0	0	0	1	2
EBIT margin, %												
Total	2.1	-2.7	-23.5	20.3	2.7	-25.0	9.1	6.5	6.1	0.6	4.1	8.7

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	16	19	15	16	18	18	20	22
<i>Sales growth (%)</i>	22.7	16.6	-20.1	7.3	13.0	-4.4	11.4	11.8
Costs	-15	-22	-24	-16	-16	-16	-17	-19
Reported EBITDA	1	-3	-9	0	2	2	2	3
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	8.7	-14.7	-58.8	1.8	11.3	9.7	11.5	14.8
Depreciation	-1	-2	-2	-2	-2	-2	-1	-1
EBITA	0	-4	-11	-2	1	0	1	2
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	0	-4	-11	-2	1	0	1	2
<i>EBIT margin (%)</i>	1.2	-23.3	-71.5	-10.5	2.7	0.6	4.1	8.7
Net financials	0	1	0	0	0	0	0	0
Pre-tax profit	0	-4	-11	-2	1	0	1	2
Extraordinary items	0	0	0	0	0	0	0	0
Taxes	0	0	0	0	0	0	0	0
Minority shares	0	0	0	0	0	0	0	0
Net profit	0	-4	-12	-3	0	-1	0	1
BALANCE SHEET, EURm								
Assets								
Fixed assets	4	5	5	5	5	5	4	4
<i>% of sales</i>	25	26	36	30	30	27	23	19
Goodwill	0	0	0	0	0	0	0	0
<i>% of sales</i>	0	0	0	0	0	0	0	0
Inventory	0	0	0	0	0	0	0	0
<i>% of sales</i>	0	0	0	0	0	0	0	0
Receivables	8	6	9	5	5	5	6	6
<i>% of sales</i>	46	29	57	30	30	30	30	30
Liquid funds	6	11	8	14	14	13	6	7
<i>% of sales</i>	38	60	52	83	74	76	30	30
Total assets	18	22	22	23	24	23	16	17
Liabilities								
Equity	8	-1	-4	1	2	2	2	4
<i>% of sales</i>	48	-3	-25	6	12	11	11	17
Deferred taxes	0	0	0	0	0	0	0	0
<i>% of sales</i>	0	0	0	0	0	0	0	0
Interest bearing debt	0	12	12	12	12	12	3	2
<i>% of sales</i>	0	64	79	74	67	69	17	8
Non-interest bearing current liabilities	10	10	14	10	10	9	10	12
<i>% of sales</i>	60	55	90	64	54	54	54	54
Other interest free debt	0	0	0	0	0	0	0	0
<i>% of sales</i>	0	0	0	0	0	0	0	0
Total liabilities	18	22	22	23	24	23	16	17
CASH FLOW, EURm								
+ EBITDA	1	-3	-9	0	2	2	2	3
- Net financial items	0	1	0	0	0	0	0	0
- Taxes	0	0	0	0	0	0	0	0
- Increase in Net Working Capital	0	3	0	0	-1	0	0	1
+/- Other	0	0	-1	-1	-1	-1	0	0
= Cash flow from operations	2	0	-10	-1	0	0	2	3
- Capex	-2	-3	-2	-1	-2	-1	-1	-1
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	0	-2	-12	-2	-2	-1	1	2
+/- Change in interest-bearing debt	-4	12	0	0	0	0	-9	-2
+/- New issues/buybacks	4	-5	9	8	2	1	0	0
- Paid dividend	0	0	0	0	0	0	0	0
+/- Change in loan receivables	0	0	0	0	0	0	0	0
Change in cash	0	5	-3	6	0	0	-8	1

*EUR 12m hybrid included in debt

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	95	67	68	72	69	69	69
Net debt	1	4	-1	-1	-1	-2	-5
Enterprise value	95	71	67	112	69	68	66
Sales	19	15	16	18	18	20	22
EBITDA	-3	-9	0	2	2	2	3
EBIT	-4	-11	-2	1	0	1	2
Pre-tax	-4	-11	-2	1	0	1	2
Earnings	-4	-12	-3	0	-1	0	1
Book value	-1	-4	1	1	1	1	3
Valuation multiples							
EV/sales	5.1	4.7	4.1	6.1	3.9	3.5	3.0
EV/EBITDA	-34.3	-8.0	229.5	54.0	40.5	30.3	20.3
EV/EBITA	-21.7	-6.6	-39.1	224.4	688.9	84.7	34.5
EV/EBIT	-21.7	-6.6	-39.1	224.4	688.9	84.7	34.5
EV/operating cash flow	-422.7	-8.2	91.2	117.5	46.3	26.5	19.3
EV/cash earnings	-41.3	-7.8	-316.9	54.0	50.7	35.2	23.3
P/E	-24.1	-5.6	-21.9	-180.4	-60.9	266.0	47.0
P/E excl. goodwill	-24.1	-5.6	-21.9	-180.4	-60.9	266.0	47.0
P/B	-160.6	-17.6	75.6	51.5	59.9	48.9	24.0
P/sales	5.0	4.4	4.2	3.9	4.0	3.6	3.2
P/CF	-419.7	-7.7	93.2	75.6	46.6	27.2	20.4
Target EV/EBIT	0.0	0.0	0.0	0.0	611.7	75.1	30.4
Target P/E	0.0	0.0	0.0	0.0	-54.1	236.5	41.8
Target P/B	0.0	0.0	0.0	0.0	53.2	43.4	21.3
Per share measures							
Number of shares	31,370	34,561	38,441	38,578	38,578	38,578	38,578
Number of shares (diluted)	31,370	34,561	38,441	38,578	38,578	38,578	38,578
EPS	-0.13	-0.35	-0.08	-0.01	-0.03	0.01	0.04
EPS excl. goodwill	-0.13	-0.35	-0.08	-0.01	-0.03	0.01	0.04
Cash EPS	-0.07	-0.27	-0.01	0.05	0.04	0.05	0.07
Operating cash flow per share	-0.01	-0.25	0.02	0.02	0.04	0.07	0.09
Capital employed per share	0.00	0.01	-0.02	0.03	0.02	-0.01	-0.03
Book value per share	-0.02	-0.11	0.02	0.04	0.03	0.04	0.08
Book value excl. goodwill	-0.02	-0.11	0.02	0.04	0.03	0.04	0.08
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Efficiency measures							
ROE	0.0	0.0	0.0	-34.8	-89.1	20.2	68.4
ROCE	-45.7	-110.1	-16.1	3.6	0.7	8.2	34.1
Financial ratios							
Capex/sales, %	13.7	15.8	9.2	11.3	5.7	5.5	5.0
Capex/depreciation excl. goodwill,%	159.2	124.5	74.9	131.7	62.0	75.1	81.9
Net debt/EBITDA, book-weighted	-0.2	-0.5	-5.2	-0.6	-0.8	-1.1	-1.5
Debt/equity, market-weighted	0.1	0.2	0.2	0.2	0.2	0.0	0.0
Equity ratio, book-weighted	-3.4	-29.1	3.9	9.0	8.4	13.8	21.5
Gearing	-1.14	-1.09	-1.67	-0.54	-0.69	-1.10	-1.28
Number of employees, average	109	84	80	0	0	0	0
Sales per employee, EUR	173,303	179,762	202,500	0	0	0	0
EBIT per employee, EUR	-40,367	-128,571	-21,250	0	0	0	0

*EUR 12m hybrid included in debt

COMPANY DESCRIPTION: SSH Communications Security Corp (NASDAQ OMX Nordic: SSH1V) is a provider of enterprise cybersecurity solutions for securing access to servers and the cloud.

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Ylonen Tatu	14,508,473	26.115	37.6%
Clausal Computing Oy	3,808,650	6.856	9.9%
Mikkonen Juha Taneli	2,100,000	3.780	5.4%
Elo Mutual Pension Insurance Company	1,500,000	2.700	3.9%
Gaselli Capital Oy	1,200,000	2.160	3.1%
Ilmarinen Mutual Pension Insurance Company	1,165,300	2.098	3.0%
Syrjälä Timo Kalevi	835,011	1.503	2.2%
Varma Mutual Pension Insurance Company	755,300	1.360	2.0%
Taalariyhdistys Mikro Markka Fund	623,000	1.121	1.6%
AC Invest Oy	400,000	0.720	1.0%
Ten largest	26,895,734	48.412	70%
Residual	11,682,266	21.028	30%
Total	38,578,000	69.440	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Kaisa Olkkonen

Kornetintie 3, FIN-00380 Helsinki

CFO: Niklas Nordstrom

Tel: +358 20 500 7000

IR:

DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/Sales	$\frac{\text{Market cap}}{\text{Sales}}$	DPS	Dividend for the financial period per share
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	CEPS	$\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$
P/CF	$\frac{\text{Price per share}}{\text{Operating cash flow per share}}$	EV/Share	$\frac{\text{Enterprise value}}{\text{Number of shares}}$
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	Sales/Share	$\frac{\text{Sales}}{\text{Number of shares}}$
Net debt	Interest bearing debt – financial assets	EBITDA/Share	$\frac{\text{Earnings before interest, tax, depreciation and amortisation}}{\text{Number of shares}}$
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	EBIT/Share	$\frac{\text{Operating profit}}{\text{Number of shares}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortisation}}$	EAFI/Share	$\frac{\text{Pretax profit}}{\text{Number of shares}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Capital employed/Share	$\frac{\text{Total assets} - \text{non interest bearing debt}}{\text{Number of shares}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Total assets	Balancesheet total
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Interest coverage (x)	$\frac{\text{Operating profit}}{\text{Financial items}}$
Net cash/Share	$\frac{\text{Financial assets} - \text{interest bearing debt}}{\text{Number of shares}}$	Asset turnover (x)	$\frac{\text{Turnover}}{\text{Balancesheet total (average)}}$
ROA, %	$\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balancesheet total} - \text{interest free short term debt} - \text{long term advances received and accounts payable (average)}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balancesheet total} - \text{non interest bearing debt (average)}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest free loans}}$
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year

Important Disclosures

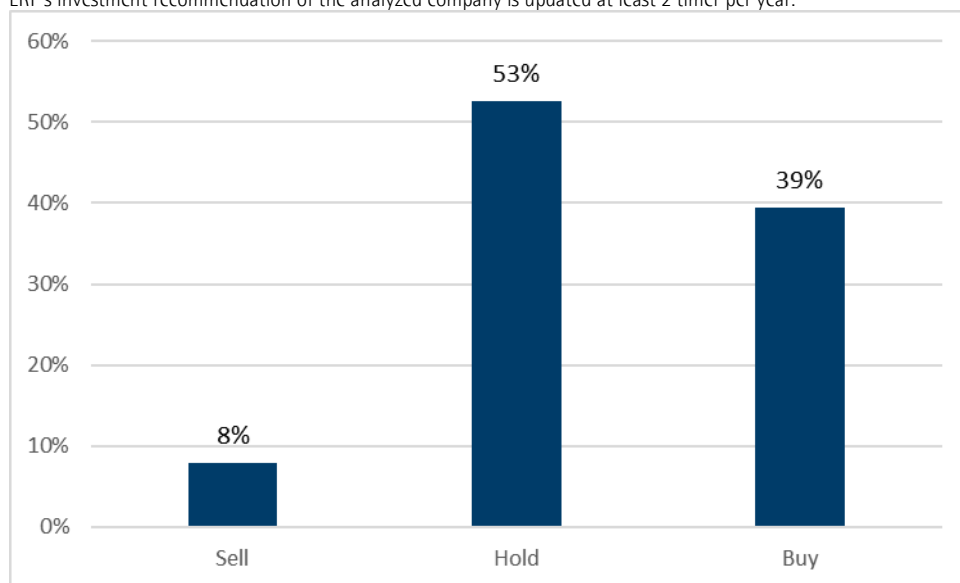
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<https://research.evli.com/JasperAllModels.action?authParam=key:461&authParam=x:G3rNagWrtf7K&authType=3>

Investment recommendations are defined as follows:

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

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The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Forslund

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