

New CEO takes the realm in exceptional times

SSH's Q1 report was in line with our expectations and we have not made any material changes to our estimates based on the report. We continue to see growth as main value driver and, as noted previously, we see SSH's limited growth investment capacity as main strategic obstacle. We maintain our TP of 0.70€, our recommendation is SELL (prev. HOLD).

Q1 in line, more transparency to come in reporting

SSH's Q1 net sales were 3.1 MEUR (3.1 MEUR Evli), an increase of 16% y/y on relatively low comparison figures, mainly driven by strong license sales and supported by growth in subscription revenue. Software fees were 0.9 MEUR (0.8 MEUR Evli), professional services were 0.0 MEUR (0.1 MEUR Evli), and recurring revenue was 2.1 MEUR (2.2 MEUR Evli). Q1 operating loss was -0.6 MEUR (vs. -0.5 MEUR Evli). The report did not provide materially new information that would affect our estimates at present, but SSH did provide a more transparent and candid overview into its result and operations than previously. SSH plans on introducing monthly recurring revenue (MRR) figures in coming quarters. According to SSH, MRR was approximately 1 MEUR in December (reported FY'19 recurring revenue 8.6 MEUR).

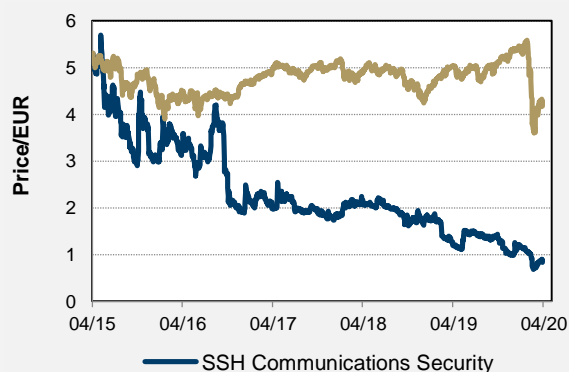
Newly appointed CEO to update strategy in June

SSH's new CEO, Mr. Teemu Tunkelo started in end of March. Mr. Tunkelo has held various global management and technology leadership roles in companies such as Voith, Siemens, ABB, Invensys, and Compaq. According to the CEO, preliminary guidelines for SSH's new strategy can be expected in June. He acknowledged the need for further investments into go-to-market and talked about the potential in being first mover in cloud PAM (PrivX) and IoT applications. The COVID-19 outbreak has not had a significant impact during the first quarter, but SSH has seen some project delays and it is still too early to assess the full business impact of the pandemic. As such, SSH's cash position is good (11.7 MEUR Q1'20) and share of recurring revenue around 60%, which should help SSH weather the storm. SSH is reviewing options for further funding for product development, as well as options for its 12 MEUR hybrid debt. Negotiations regarding the hybrid have however stalled due to the pandemic. The hybrid debt's interest rate increased from 7.5% to 11.5 % as of March 30th. Under the current circumstances the hybrid is valuable despite the increase in financial expenses.

Estimates unchanged, TP of 0.70€ maintained

We have not made any changes to our estimates based on the report and we note that SSH is in a good position to ride out the corona pandemic. After the share price rally yesterday, current valuation looks challenging given sales growth uncertainty. We maintain our TP of 0.70€, with SELL recommendation (prev. HOLD).

Rating ■ SELL



Share price, EUR (Last trading day's closing price) **0.89**

Target price, EUR **0.7**

| | |
|-------------------------------------|--------------------|
| Latest change in recommendation | 23-Apr-20 |
| Latest report on company | 24-Mar-20 |
| Research paid by issuer: | YES |
| No. of shares outstanding, '000's | 38,802 |
| No. of shares fully diluted, '000's | 38,802 |
| Market cap, EURm | 35 |
| Free float, % | 0.0 |
| Exchange rate EUR/USD | 0.000 |
| Reuters code | SSH1V.HE |
| Bloomberg code | SSH1V FH |
| Average daily volume, EURm | - |
| Next interim report | 21-Jul-20 |
| Web site | ssh.com/investors/ |

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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 |
|--------------------------|---------------|--------------|-----------|-------------------------|------------|------------|-----------------------|----------------|----------------|------------|
| 2018 | 18.3 | 0.5 | 2.7% | -1.1 | -0.01 | -163.0 | 3.6 | 130.6 | -1.6 | 0.00 |
| 2019 | 14.4 | -1.2 | -8.1% | -2.1 | -0.06 | -17.4 | 2.9 | -35.9 | -5.2 | 0.00 |
| 2020E | 13.7 | -1.0 | -7.1% | -2.0 | -0.06 | -16.0 | 2.8 | -39.3 | -5.7 | 0.00 |
| 2021E | 16.0 | 0.2 | 1.3% | -0.1 | -0.03 | -27.5 | 2.4 | 190.8 | -0.2 | 0.00 |
| 2022E | 18.0 | 1.5 | 8.3% | 0.9 | 0.00 | 2,292.0 | 2.1 | 24.8 | 2.7 | 0.00 |
| Market cap, EURm | | | 35 | Gearing 2020E, % | | -93.0 | CAGR EPS 2019-22, % | | | 0.0 |
| Net debt 2020E, EURm | | | 3 | Price/book 2020E | | -13.0 | CAGR sales 2019-22, % | | | 7.7 |
| Enterprise value, EURm | | | 38 | Dividend yield 2020E, % | | 0.0 | ROE 2020E, % | | | 0.0 |
| Total assets 2020E, EURm | | | 23 | Tax rate 2020E, % | | 0.0 | ROCE 2020E, % | | | -7.6 |
| Goodwill 2020E, EURm | | | 0 | Equity ratio 2020E, % | | 43.4 | PEG, P/E 20/CAGR | | | 0.0 |

On our estimates, SSH is trading at 2020–21e EV/Sales multiples of 2.8x and 2.4x, which is, as previously noted, clearly below the cyber security sector and could prompt SSH to become an acquisition target of larger players wanting to enter the space or a consolidation play. However, as a standalone business, we'd like to see the results of SSH's strategy materializing somewhat in the growth figures in order to justify higher valuation multiples. Our target price implies an EV/Sales multiple of 2.2x on our '20E estimate, slightly below Nordic software peers, which we see as warranted given weaker growth and profitability metrics and the uncertainty to our estimates.

INTERIM FIGURES

| EVLI ESTIMATES, EURm | 2019Q1 | 2019Q2 | 2019Q3 | 2019Q4 | 2019 | 2020Q1 | 2020Q2E | 2020Q3E | 2020Q4E | 2020E | 2021E | 2022E |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| Net sales | 2.7 | 4.0 | 3.6 | 4.1 | 14.4 | 3.1 | 3.2 | 3.5 | 4.0 | 13.7 | 16.0 | 18.0 |
| EBITDA | -0.8 | 0.8 | 0.2 | 0.7 | 0.9 | -0.1 | 0.2 | 0.4 | 0.6 | 1.0 | 2.3 | 3.5 |
| <i>EBITDA margin (%)</i> | <i>-29.6</i> | <i>20.8</i> | <i>5.6</i> | <i>17.1</i> | <i>6.5</i> | <i>-3.9</i> | <i>6.3</i> | <i>11.4</i> | <i>13.9</i> | <i>7.5</i> | <i>14.4</i> | <i>19.7</i> |
| EBIT | -1.3 | 0.4 | -0.2 | -0.1 | -1.2 | -0.6 | -0.3 | -0.1 | 0.1 | -1.0 | 0.2 | 1.5 |
| <i>EBIT margin (%)</i> | <i>-48.1</i> | <i>10.8</i> | <i>-5.6</i> | <i>-2.4</i> | <i>-8.1</i> | <i>-20.1</i> | <i>-9.4</i> | <i>-2.9</i> | <i>1.3</i> | <i>-7.1</i> | <i>1.3</i> | <i>8.3</i> |
| Net financial items | 0.1 | -0.1 | 0.2 | -0.2 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | -0.1 | -0.1 |
| Pre-tax profit | -1.2 | 0.3 | 0.0 | -0.3 | -1.2 | -0.5 | -0.3 | -0.1 | 0.0 | -0.9 | 0.1 | 1.4 |
| Tax | 0.0 | 0.0 | 0.0 | -0.1 | -0.1 | 0.0 | 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>-28.6</i> | <i>-8.2</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> |
| Net profit | -1.4 | 0.1 | -0.2 | -0.8 | -2.3 | -0.7 | -0.7 | -0.5 | -0.3 | -2.2 | -1.3 | 0.0 |
| EPS | -0.04 | 0.00 | -0.01 | -0.02 | -0.06 | -0.02 | -0.02 | -0.01 | -0.01 | -0.06 | -0.03 | 0.00 |
| EPS adjusted (diluted no. of shares) | -0.04 | 0.00 | -0.01 | -0.02 | -0.06 | -0.02 | -0.02 | -0.01 | -0.01 | -0.06 | -0.03 | 0.00 |
| 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 | 0.5 | 1.7 | 1.3 | 1.8 | 5.3 | 0.9 | 0.9 | 1.0 | 1.5 | 4.3 | 6.1 | 7.7 |
| Professional services | 0.1 | 0.1 | 0.1 | 0.3 | 0.6 | 0.0 | 0.1 | 0.2 | 0.2 | 0.5 | 0.5 | 0.5 |
| Recurring revenue | 2.1 | 2.2 | 2.3 | 2.1 | 8.6 | 2.1 | 2.2 | 2.3 | 2.3 | 8.9 | 9.4 | 9.8 |
| Total | 2.7 | 4.0 | 3.6 | 4.1 | 14.4 | 3.1 | 3.2 | 3.5 | 4.0 | 13.7 | 16.0 | 18.0 |
| SALES GROWTH, Y/Y % | | | | | | | | | | | | |
| <i>Software fees</i> | <i>-70.6</i> | <i>142.9</i> | <i>25.0</i> | <i>-14.3</i> | <i>-4.5</i> | <i>88.0</i> | <i>-47.1</i> | <i>-20.0</i> | <i>-16.7</i> | <i>-17.3</i> | <i>40.6</i> | <i>26.2</i> |
| <i>Professional services</i> | <i>-90.0</i> | <i>-88.9</i> | <i>-50.0</i> | <i>-88.1</i> | <i>-86.9</i> | <i>-99.9</i> | <i>0.0</i> | <i>100.0</i> | <i>-40.0</i> | <i>-18.2</i> | <i>11.1</i> | <i>0.0</i> |
| <i>Recurring revenue</i> | <i>0.0</i> | <i>4.8</i> | <i>2.3</i> | <i>-6.8</i> | <i>0.0</i> | <i>1.9</i> | <i>0.0</i> | <i>2.2</i> | <i>12.2</i> | <i>4.0</i> | <i>5.1</i> | <i>4.3</i> |
| Total | -43.7 | 8.1 | 5.9 | -35.9 | -21.3 | 14.1 | -20.0 | -2.8 | -3.7 | -4.7 | 16.5 | 12.5 |

| Cybersecurity | MCAP MEUR | EV/EBIT | | EV/SALES | | P/E | |
|---------------------------|--------------|---------|--------|----------|------|--------|--------|
| | | 20 | 21 | 20 | 21 | 20 | 21 |
| Check Point Software Tech | 13634 | 9,8x | 9,8x | 7,1x | 6,8x | 16,0x | 15,1x |
| F-Secure | 398 | 35,5x | 21,7x | 1,9x | 1,8x | 47,3x | 30,2x |
| Palo Alto Networks | 17123 | 27,3x | 19,4x | 4,8x | 4,0x | 37,2x | 29,4x |
| NortonLifeLock | 10714 | 14,3x | 11,9x | 1,9x | 1,9x | 18,6x | 13,8x |
| Fortinet Inc | 16072 | 25,2x | 19,4x | 6,5x | 5,6x | 38,2x | 32,6x |
| Peer Group Average | 10467 | 22,4x | 16,5x | 4,4x | 4,0x | 31,4x | 24,3x |
| Peer Group Median | 12174 | 25,2x | 19,4x | 4,8x | 4,0x | 37,2x | 29,4x |
| SSH (Evli est.) | 35 | -39,3x | 190,8x | 2,8x | 2,4x | -16,0x | -27,5x |

SSH prem./disc. to peer median

-42 %

-41 %

Source FactSet, Evli Research

| Cybersecurity | Sales growth | | EBIT-% | |
|---------------------------|--------------|------|--------|--------|
| | 20 | 21 | 20 | 21 |
| Check Point Software Tech | 3 % | 3 % | 48,3 % | 48,2 % |
| F-Secure | 2 % | 6 % | 5,2 % | 7,8 % |
| Palo Alto Networks | 18 % | 18 % | 17,1 % | 18,9 % |
| NortonLifeLock | -18 % | 2 % | 40,3 % | 48,2 % |
| Fortinet Inc | 16 % | 16 % | 23,9 % | 25,2 % |
| Peer Group Average | 4 % | 9 % | 27,0 % | 29,7 % |
| Peer Group Median | 3 % | 6 % | 23,9 % | 25,2 % |
| SSH (Evli est.) | -5 % | 17 % | -7,1 % | 1,3 % |

Source FactSet, Evli Research

| PAM vendors | MCAP MEUR | EV/EBIT | | EV/SALES | | P/E | |
|--------------------|--------------|---------|--------|----------|------|--------|--------|
| | | 20 | 21 | 20 | 21 | 20 | 21 |
| CyberArk Software | 3205 | 25,1x | 19,1x | 6,3x | 5,4x | 43,0x | 34,8x |
| Wallix Group | 76 | | 22,1x | 2,0x | 1,4x | | 40,7x |
| Peer Group Average | 1640 | 25,1x | 20,6x | 4,2x | 3,4x | 43,0x | 37,7x |
| Peer Group Median | 1640 | 25,1x | 20,6x | 4,2x | 3,4x | 43,0x | 37,7x |
| SSH (Evli est.) | 35 | -39,3x | 190,8x | 2,8x | 2,4x | -16,0x | -27,5x |

SSH prem./disc. to peer median

-34 %

-29 %

Source FactSet, Evli Research

| PAM vendors | Sales growth | | EBIT-% | |
|--------------------|--------------|------|---------|--------|
| | 20 | 21 | 20 | 21 |
| CyberArk Software | 14 % | 18 % | 20,6 % | 21,9 % |
| Wallix Group | 42 % | 48 % | -11,4 % | 6,8 % |
| Peer Group Average | 28 % | 33 % | 4,6 % | 14,4 % |
| Peer Group Median | 28 % | 33 % | 4,6 % | 14,4 % |
| SSH (Evli est.) | -5 % | 17 % | -7,1 % | 1,3 % |

Source FactSet, Evli Research

| Nordic software companies | MCAP MEUR | EV/EBIT | | EV/SALES | | P/E | |
|---------------------------|--------------|---------|--------|----------|------|--------|--------|
| | | 20 | 21 | 20 | 21 | 20 | 21 |
| Basware | 359 | | 54,3x | 2,7x | 2,5x | | |
| Efecte | 24 | | | 1,4x | 1,1x | | |
| Enea | 295 | 15,5x | 13,5x | 3,3x | 3,1x | 16,7x | 15,8x |
| Infront | 69 | 22,6x | 16,2x | 1,3x | 1,2x | 28,5x | 15,1x |
| Qt Group | 477 | 64,1x | 27,9x | 8,3x | 6,2x | 125,6x | 36,9x |
| Peer Group Average | 245 | 34,1x | 28,0x | 3,4x | 2,8x | 57,0x | 22,6x |
| Peer Group Median | 295 | 22,6x | 22,1x | 2,7x | 2,5x | 28,5x | 15,8x |
| SSH (Evli est.) | 35 | -39,3x | 190,8x | 2,8x | 2,4x | -16,0x | -27,5x |

SSH prem./disc. to peer median

1 %

-3 %

Source FactSet, Evli Research

| Nordic software companies | Sales growth | | EBIT-% | |
|---------------------------|--------------|------|--------|--------|
| | 20 | 21 | 20 | 21 |
| Basware | -1 % | 12 % | 0,0 % | 4,6 % |
| Efecte | 4 % | 23 % | -7,5 % | -1,7 % |
| Enea | -3 % | 7 % | 21,6 % | 22,2 % |
| Infront | 52 % | 3 % | 6,9 % | 8,9 % |
| Qt Group | 16 % | 32 % | 10,7 % | 18,1 % |
| Peer Group Average | 14 % | 15 % | 6,4 % | 10,4 % |
| Peer Group Median | 4 % | 12 % | 6,9 % | 8,9 % |
| SSH (Evli est.) | -5 % | 17 % | -7,1 % | 1,3 % |

Source FactSet, Evli Research

| INCOME STATEMENT, EURm | 2015 | 2016 | 2017 | 2018 | 2019 | 2020E | 2021E | 2022E |
|--|--------------|--------------|--------------|-------------|--------------|-------------|-------------|-------------|
| Sales | 18.9 | 15.1 | 16.2 | 18.3 | 14.4 | 13.7 | 16.0 | 18.0 |
| <i>Sales growth (%)</i> | <i>16.6</i> | <i>-20.1</i> | <i>7.3</i> | <i>13.0</i> | <i>-21.3</i> | <i>-4.7</i> | <i>16.5</i> | <i>12.5</i> |
| EBITDA | -2.8 | -8.9 | 0.3 | 2.1 | 0.9 | 1.0 | 2.3 | 3.5 |
| <i>EBITDA margin (%)</i> | <i>-14.7</i> | <i>-58.8</i> | <i>1.8</i> | <i>11.3</i> | <i>6.5</i> | <i>7.5</i> | <i>14.4</i> | <i>19.7</i> |
| Depreciation | -1.6 | -1.9 | -2.0 | -1.6 | -2.1 | -2.0 | -2.1 | -2.0 |
| EBITA | -4.4 | -10.8 | -1.7 | 0.5 | -1.2 | -1.0 | 0.2 | 1.5 |
| Goodwill amortization / writedown | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT | -4.4 | -10.8 | -1.7 | 0.5 | -1.2 | -1.0 | 0.2 | 1.5 |
| <i>EBIT margin (%)</i> | <i>-23.3</i> | <i>-71.5</i> | <i>-10.5</i> | <i>2.7</i> | <i>-8.1</i> | <i>-7.1</i> | <i>1.3</i> | <i>8.3</i> |
| Reported EBIT | -4.4 | -10.8 | -1.7 | 0.5 | -1.2 | -1.0 | 0.2 | 1.5 |
| <i>EBIT margin (reported) (%)</i> | <i>-23.3</i> | <i>-71.5</i> | <i>-10.5</i> | <i>2.7</i> | <i>-8.1</i> | <i>-7.1</i> | <i>1.3</i> | <i>8.3</i> |
| Net financials | 0.5 | -0.3 | -0.5 | 0.0 | 0.0 | 0.1 | -0.1 | -0.1 |
| Pre-tax profit | -3.9 | -11.1 | -2.2 | 0.5 | -1.2 | -0.9 | 0.1 | 1.4 |
| Taxes | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 |
| Minority shares | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 |
| Net profit | -3.9 | -12.0 | -3.1 | -0.4 | -2.3 | -2.2 | -1.3 | 0.0 |
| Cash NRIs | 0.0 | 0.0 | 0.0 | 0.0 | 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 | 5 | 5 | 5 | 5 | 6 | 5 | 5 | 4 |
| Goodwill | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Right of use assets | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| Inventory | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Receivables | 6 | 9 | 5 | 5 | 6 | 6 | 7 | 7 |
| Liquid funds | 11 | 8 | 14 | 14 | 12 | 12 | 14 | 15 |
| Total assets | 22 | 22 | 23 | 25 | 24 | 23 | 25 | 28 |
| Liabilities | | | | | | | | |
| Shareholder's equity | -1 | -4 | 1 | 1 | 0 | -3 | -4 | -4 |
| Minority interest | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 |
| Convertibles | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Lease liabilities | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| Deferred taxes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest bearing debt | 0 | 0 | 0 | 0 | 1 | 2 | 4 | 5 |
| Non-interest bearing current liabilities | 10 | 14 | 10 | 10 | 11 | 10 | 12 | 13 |
| Other interest-free debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total liabilities | 22 | 22 | 23 | 25 | 24 | 23 | 25 | 28 |
| CASH FLOW, EURm | | | | | | | | |
| + EBITDA | -3 | -9 | 0 | 2 | 1 | 1 | 2 | 4 |
| - Net financial items | 1 | -4 | 6 | 0 | 0 | 0 | 0 | 0 |
| - Taxes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Increase in Net Working Capital | 3 | 0 | 1 | -1 | 0 | 0 | 1 | 1 |
| +/- Other | 0 | 4 | -6 | 1 | -1 | -1 | -1 | -1 |
| = Cash flow from operations | 0 | -8 | 1 | 1 | 0 | 0 | 2 | 3 |
| - Capex | -3 | -2 | -2 | -2 | -2 | -2 | -2 | -2 |
| - Acquisitions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| + Divestments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| = Free cash flow | -2 | -11 | 0 | -1 | -2 | -2 | 0 | 1 |
| +/- New issues/buybacks | -5 | 9 | 8 | 2 | 0 | 0 | 0 | 0 |
| - Paid dividend | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| +/- Other | 12 | -2 | -2 | -1 | 0 | 2 | 2 | 1 |
| Change in cash | 5 | -3 | 6 | 0 | -1 | 0 | 2 | 2 |

| KEY FIGURES | 2016 | 2017 | 2018 | 2019 | 2020E | 2021E | 2022E |
|--|--------|--------|--------|----------|--------|--------|---------|
| M-cap | 67 | 68 | 65 | 40 | 35 | 35 | 35 |
| Net debt (excl. convertibles) | -8 | -13 | -13 | -11 | -9 | -9 | -10 |
| Enterprise value | 71 | 67 | 65 | 42 | 38 | 38 | 37 |
| Sales | 15 | 16 | 18 | 14 | 14 | 16 | 18 |
| EBITDA | -9 | 0 | 2 | 1 | 1 | 2 | 4 |
| EBIT | -11 | -2 | 1 | -1 | -1 | 0 | 2 |
| Pre-tax | -11 | -2 | 1 | -1 | -1 | 0 | 1 |
| Earnings | -12 | -3 | 0 | -2 | -2 | -1 | 0 |
| Equity book value (excl. minorities) | -4 | 1 | 1 | 0 | -3 | -4 | -4 |
| Valuation multiples | | | | | | | |
| EV/sales | 4.7 | 4.1 | 3.6 | 2.9 | 2.8 | 2.4 | 2.1 |
| EV/EBITDA | -8.0 | 229.5 | 31.4 | 45.1 | 37.0 | 16.6 | 10.5 |
| EV/EBITA | -6.6 | -39.1 | 130.6 | -35.9 | -39.3 | 190.8 | 24.8 |
| EV/EBIT | -6.6 | -39.1 | 130.6 | -35.9 | -39.3 | 190.8 | 24.8 |
| EV/OCF | -8.8 | 52.1 | 54.6 | 18,879.5 | -100.5 | 24.3 | 13.8 |
| EV/FCFF | -6.3 | -99.6 | -33.3 | -31.2 | -26.5 | 60.4 | 21.7 |
| P/FCFE | -6.3 | -253.9 | -61.5 | -19.2 | -17.6 | -524.8 | 37.6 |
| P/E | -5.6 | -21.9 | -163.0 | -17.4 | -16.0 | -27.5 | 2,292.0 |
| P/B | -17.6 | 75.6 | 46.6 | -80.7 | -13.0 | -8.8 | -8.8 |
| Target EV/EBITDA | 0.0 | 0.0 | 0.0 | 0.0 | 29.6 | 13.3 | 8.4 |
| Target EV/EBIT | 0.0 | 0.0 | 0.0 | 0.0 | -31.5 | 152.9 | 19.8 |
| Target EV/FCF | 0.0 | 0.0 | 0.0 | 0.0 | -15.6 | -464.8 | 32.3 |
| Target P/B | 0.0 | 0.0 | 0.0 | 0.0 | -10.2 | -6.9 | -7.0 |
| Target P/E | 0.0 | 0.0 | 0.0 | 0.0 | -12.5 | -21.6 | 1,802.7 |
| Per share measures | | | | | | | |
| Number of shares | 34,561 | 38,441 | 38,802 | 38,802 | 38,802 | 38,802 | 38,802 |
| Number of shares (diluted) | 34,561 | 38,441 | 38,802 | 38,802 | 38,802 | 38,802 | 38,802 |
| EPS | -0.35 | -0.08 | -0.01 | -0.06 | -0.06 | -0.03 | 0.00 |
| Operating cash flow per share | -0.23 | 0.03 | 0.03 | 0.00 | -0.01 | 0.04 | 0.07 |
| Free cash flow per share | -0.31 | -0.01 | -0.03 | -0.05 | -0.05 | 0.00 | 0.02 |
| Book value per share | -0.11 | 0.02 | 0.04 | -0.01 | -0.07 | -0.10 | -0.10 |
| 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 |
| FCF yield, % | -15.9 | -0.4 | -1.6 | -5.2 | -5.7 | -0.2 | 2.7 |
| Efficiency measures | | | | | | | |
| ROE | 0.0 | 0.0 | -34.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| ROCE | -110.1 | -16.1 | 3.6 | -8.4 | -7.6 | 1.6 | 11.0 |
| Financial ratios | | | | | | | |
| Inventories as % of sales | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Receivables as % of sales | 56.6 | 29.6 | 29.6 | 41.0 | 41.0 | 41.0 | 41.0 |
| Non-interest bearing liabilities as % of sales | 90.1 | 63.6 | 53.6 | 72.9 | 72.9 | 72.9 | 72.9 |
| NWC/sales, % | -33.5 | -34.0 | -23.9 | -31.9 | -31.9 | -31.9 | -31.9 |
| Operative CAPEX/sales, % | 16.3 | 9.5 | 12.3 | 14.6 | 11.5 | 10.2 | 9.8 |
| CAPEX/sales (incl. acquisitions), % | 15.8 | 9.5 | 12.3 | 14.6 | 11.5 | 10.2 | 9.8 |
| FCFF/EBITDA | 1.3 | -2.3 | -0.9 | -1.4 | -1.4 | 0.3 | 0.5 |
| Net debt/EBITDA, book-weighted | 0.9 | -46.6 | -6.1 | -12.0 | -9.0 | -4.0 | -2.9 |
| Debt/equity, market-weighted | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 |
| Equity ratio, book-weighted | 62.7 | 55.6 | 57.2 | 50.8 | 43.4 | 34.3 | 31.5 |
| Gearing, % | -95.6 | -104.7 | -89.3 | -92.6 | -93.0 | -105.7 | -116.1 |

COMPANY DESCRIPTION: SSH is a cyber security company offering software solutions for companies and governments to control secure access to their critical data, applications and services. The company's software helps protect critical IT infrastructure from hacking incidents and internal threats caused by the unauthorized use of privileged IT accounts. SSH employs around 90 people and has over 3000 clients, with roughly 50% of its sales coming from the U.S, followed by EMEA and Asia. SSH is a pioneer in cyber security; being founded in 1995 and having invented the Secure Shell protocol (SSH), which is a technology used worldwide in data centers to establish secure connections between computers.

INVESTMENT CASE: Due to scalable software business, sales growth is key in SSH's investment case. SSH's growth has been lackluster and although we see current strategy and new products as a step towards the right direction, limited growth investment capacity means turnaround is very slow. SSH operates in an attractive and high growth area of cyber security, where valuations are high. SSH's current valuation being below the sector could prompt SSH to become an acquisition target of larger players wanting to enter the space or a consolidation play.

| OWNERSHIP STRUCTURE | SHARES | EURm | % |
|--|------------|--------|-------|
| Ylonen Tatu | 14,508,473 | 12.913 | 37.4% |
| Clausal Computing Oy | 3,808,650 | 3.390 | 9.8% |
| Mikkonen Juha Taneli | 2,100,000 | 1.869 | 5.4% |
| Elo Mutual Pension Insurance Company | 1,500,000 | 1.335 | 3.9% |
| Gaselli Capital Oy | 1,200,000 | 1.068 | 3.1% |
| Ilmarinen Mutual Pension Insurance Company | 1,165,300 | 1.037 | 3.0% |
| Syrjälä Timo Kalevi | 835,011 | 0.743 | 2.2% |
| Varma Mutual Pension Insurance Company | 755,300 | 0.672 | 1.9% |
| Taaleritehdas Mikro Markka Fund | 623,000 | 0.554 | 1.6% |
| AC Invest Oy | 400,000 | 0.356 | 1.0% |
| Ten largest | 26,895,734 | 23.937 | 69% |
| Residual | 11,906,266 | 10.597 | 31% |
| Total | 38,802,000 | 34.534 | 100% |

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Kaisa Olkkonen

CFO: Niklas Nordstrom

IR:

Kornetintie 3, FIN-00380 Helsinki

Tel: +358 20 500 7000

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 |
| ROE, % | $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$ | | |

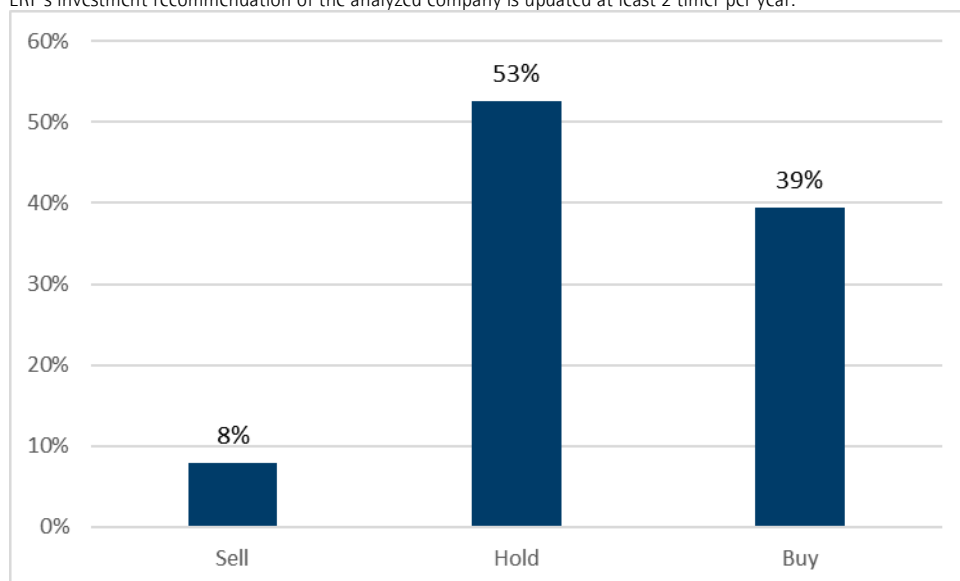
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Investment recommendations are defined as follows:

| | |
|--------------------------------------|----------------|
| 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 timer per year.



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

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