Profit improvement weaker than expected

Solteq's Q2 results fell short of our expectations. Retail & Commerce profitability remained decent despite declining sales, while Utilities continued to face challenges, with both net sales and EBITDA declining y/y and below our estimates.

- Comparable net sales in Q2 were EUR 12.1m (Q2'24: EUR 12.9m) vs. Evli EUR 12.6m, down 5.6% y/y. Net sales were EUR 12.2m (Q2'24: EUR 13.4m), down 9.3%.
- Comparable EBITDA was EUR 0.4m (Q2'24: EUR 0.5m) and EBITDA was EUR 0.6m (Q2'24: EUR 0.6m).
- Comparable operating profit was EUR 0.1m (Q2'24: EUR -0.1m) vs. Evli EUR 0.5m. Operating result was EUR 0.2m.
- **Retail & Commerce:** Comparable revenue in Q2 amounted to EUR 9.1m (Q2'24: EUR 9.5m) vs. Evli EUR 9.3m, which is a decline of 4.1% in comparable terms. The decline in revenue continued to be impacted by the market environment and customers slow decision-making. The comparable operating result was EUR 0.7m (Q2'24: EUR 0.3m) vs. Evli EUR 0.8m. Profitability continued to improve, but not as much as we expected.
- **Utilities:** Revenue in Q2 was EUR 3.0m (Q2'24: EUR 3.4m) vs. Evli EUR 3.2m, down 9.9% y/y. Adjusted EBIT came in at EUR -0.6m (Q2'24: -0.4m), below our estimate of EUR -0.3m. Performance was again weighed down by the consulting business. Also, the recurring revenue from software declined from the comparison period.
- Net debt amounted to EUR 21.3m (Q2'24: 24.0m).
- **Guidance for 2025 (reiterated):** Comparable revenue is expected to decrease slightly (2024: EUR 48.8m excluding the divested healthcare software solutions business), while comparable operating result is set to improve significantly (2024: EUR 0.7m).
- During the review period, Solteq announced new EVPs for both business segments.

Rating	Accumulate
Share price, EUR (Last trading day's closing price)	**0.62**
Target price, EUR	0.65
Latest change in recommendation	14-Feb-25
Latest report on company	19-Aug-25
Research paid by issuer:	YES
No. of shares outstanding, '000's	19 397
No. of shares fully diluted, '000's	19 397
Market cap, EURm	12
Free float, %	73.0 %
Exchange rate	0.0
Reuters code	SOLTEQ.HE
Bloomberg code	SOLTEQ FH
Average daily volume, EUR	0.008
Next interim report	21-Aug-25
Web site	solteq.com/en/investors
Analyst	Atte Pitkäjärvi
E-mail	atte.pitkajarvi@evli.com
Telephone	

BUY ACCUMULATE REDUCE 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
2023	57.7	-3.5	-6.1%	6.0	-0.28	-2.3	0.7	-11.1	40.8%	0.00
2024	50.9	1.8	3.6%	3.6	-0.06	-10.3	0.6	18.2	29.1%	0.00
2025E	48.6	2.5	5.0%	0.2	0.01	67.6	0.7	13.2	1.6%	0.00
2026E	51.1	4.0	7.8%	1.9	0.08	7.5	0.6	7.6	16.0%	0.00
2027E	54.9	5.8	10.5%	3.6	0.16	3.8	0.5	4.6	29.5%	0.00

Market cap, EURm	12	Gearing 2025E, %	125.7 %	CAGR EPS 2024-27, %	0.0 %
Net debt 2025E, EURm	20	Price/book 2025	0.7	CAGR Sales 2024-27, %	2.6 %
Enterprise value, EURm	32	Dividend yield 2025E, %	0.0 %	ROE 2025E, %	1.1 %
Total assets 2025E, EURm	50	Tax rate 2025E, %	58.6 %	ROCE 2025E, %	6.3 %
Goodwill 2025E, EURm	39	Equity ratio 2025E, %	32.1 %	PEG, P/E 25/CAGR	0.4

All the important disclosures can be found on the last pages of this report.

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Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – 0 %	RECUDE
0 – (+10) %	ACCUMULATE
> 10 %	BUY

ERP may temporarily suspend the rating and, if applicable, the target price to comply with regulations and/or firm policies, in which case a NOT RATED classification is used.

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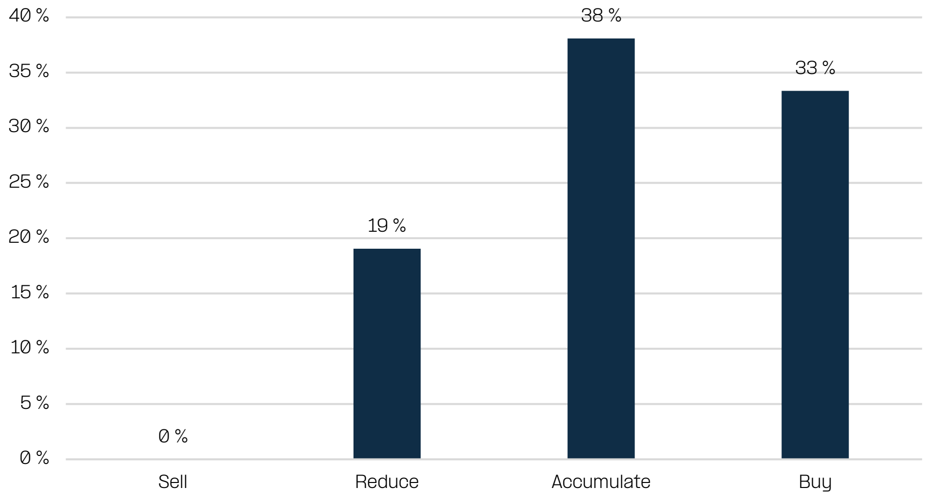

The graph above shows the distribution of ERP's recommendations of companies under coverage on the 16th of May, 2025. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Atte Pitkäjärvi

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Contact information

SALES, TRADING AND RESEARCH

Equity Sales & Trading

Joachim Dannberg (head)	+358 9 4766 9123
Aleksi Jalava	+358 9 4766 9123
Pasi Väisänen	+358 9 4766 9123

Evli Investment Solutions

Johannes Asuja	+358 9 4766 9205

Equity Research

Jerker Salokivi (head)	+358 9 4766 9149
Joonas Ilvonen	+358 44 430 9071
Atte Jortikka	+358 40 054 3725
Atte Pitkäjärvi	+358 44 047 6597

EVLI

EVLI PLC
Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Internet www.evli.com
E-mail firstname.lastname@evli.com

EVLI PLC,
STOCKHOLMSFILIAL
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000