Market challenges hinder turnaround pace

Solteq's FY 2024 showed encouraging signs of a turnaround, with the company's transition from a traditional IT–services provider to a vertical software company gaining momentum. While long–term potential remains, market headwinds continue to cloud the outlook.

IT–services company in transition toward vertical software
Solteq is a Nordic IT–services and vertical software provider specializing in digital business solutions for the energy, retail, and commerce sectors. In recent years, the company has streamlined its offering, moving from a broad IT–services focus to an industry–specific, software–driven approach across two core segments: Retail & Commerce and Utilities. Solteq supports customers throughout the entire digital lifecycle – from service design to implementation and maintenance. With around 400 employees, the company operates in the Nordics, the UK, and Poland, though Finland accounts for over 80% of revenue.

Turnaround expected to continue in 2025
Following a period of profitable growth during the pandemic, when increased IT investments drove demand, Solteq's performance weakened due to deteriorating macro conditions and internal product development issues in the Utilities segment. In response, the company launched a revised strategic plan at its 2023 CMD. Early signs of progress were visible in 2024 as cost–saving measures returned the company to a (slightly) positive operating result. However, demand remains soft and financing costs elevated. Accelerating the turnaround remains critical, with the Utilities segment's product business viewed as the key driver for future scalability and improved financial resilience. For 2025, Solteq expects a slight decline in comparable revenue, while significantly improving comparable profitability. We estimate FY 2025 net sales of EUR 48.7m (–0.3% y/y in comparable terms) and a comparable operating profit of EUR 2.5m, implying a margin of 5.1%, up from 1.4% in 2024.

ACCUMULATE with a TP of EUR 0.65
We maintain our target price of EUR 0.65 and ACCUMULATE recommendation. Based on our 2025–2026 estimates, Solteq trades at 8x–5x EV/EBITDA and 0.7x–0.6x EV/sales. The 2025 valuation is rather neutral, while the 2026 valuation appears attractive, trading below the peer group. The upside remains significant, should the turnaround continue to gain momentum.

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	14–Feb–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, EURm	0.008
Next interim report	29–Apr–25
Web site	solteq.com/en/investors

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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	48.7	2.5	5.1%	0.2	0.01	83.8	0.7	13.0	1.7%	0.00
2026E	51.2	4.2	8.2%	1.9	0.08	7.5	0.6	7.2	15.9%	0.00
2027E	55.3	6.0	10.9%	3.7	0.17	3.6	0.5	4.4	30.9%	0.00

Market cap, EURm	12	Gearing 2025E, %	125.9 %	CAGR EPS 2024–27, %	0.0 %
Net debt 2025E, EURm	20	Price/book 2025E	0.7	CAGR Sales 2024–27, %	2.8 %
Enterprise value, EURm	32	Dividend yield 2025E, %	0.0 %	ROE 2025E, %	0.9 %
Total assets 2025E, EURm	50	Tax rate 2025E, %	20.0 %	ROCE 2025E, %	6.4 %
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.

Investment summary

Nordic software and IT-services provider for the energy sector, retail industry and commerce related solutions

Solteq is a Nordic software and IT-services provider specializing in digital business solutions for the energy sector, retail industry, and commerce-related solutions. Historically, Solteq has offered a broad spectrum of IT-services across industries, with a focus on commerce within the retail sector. In recent years, the company has gradually streamlined its operations to adopt an industry-specific approach for its two business segments: Retail & Commerce, which contributes approximately 76% of revenue, and Utilities, contributing approximately 24% of revenue. In addition to Finland, Solteq operates in Denmark, Sweden, Norway, the UK, and Poland – and employs around 400 professionals.

From its roots as a stable IT-services provider…

Throughout the majority of the 2010s, Solteq experienced moderate organic growth and profitability, reporting adjusted operating margins of around 5%. The growth was further bolstered by strategic acquisitions, most notably Aldata (2012), Descom (2015) and inPulse Works (2017). In total, the company has completed 13 acquisitions since 2012 to enhance its growth and shape its current operational structure. Concurrently, Solteq has divested non-core businesses, completing four divestments over the past 12 years. These efforts have been part of its transition from a general IT-services provider to a company specializing in industry-tailored software and IT solutions.

…to a vertical software and IT solutions provider with recent ups and downs

Solteq's past few years have been highlighted by ups and downs. In 2020-2021 the company's transformation towards an industry-specific approach started well, driven by the pandemic-boosted digital transformation and trends driving growth in its business segments. However, shortly after the period of profitable growth, challenges appeared as Solteq saw new problems arise due to external conditions stemming from geopolitical tensions, which led to high inflation and a cooling of demand. Additionally, major product quality issues within the Utilities segment forced the company to allocate significant resources to manual labour.

Signs of turnaround in taking place

Despite 2023 being a challenging year, including restructuring efforts, weak profitability, and subdued customer demand, Solteq outlined a clear turnaround strategy at its January CMD, backed by renewed strategic priorities and long-term targets. In 2024, these strategic efforts started to bear fruit, and profitability improved throughout the year mostly driven by cost-saving measures and the comparable operating profit was EUR 0.7m (2023: EUR -4.6m). Despite this, demand has not picked up, and comparable net sales fell 11.8% y/y in a tough market climate. There are also considerable risk factors, such as potential reputational issues within the Utilities segment and a highly leveraged balance sheet and the company still has a long way to go to reach its long-term targets, initially set for 2025.

The Utilities Software business unit is the main growth driver

Success in new sales within the Utilities segment – particularly in SaaS and software sales – is critical in accelerating the turnaround. The recent success in the large-scale Helen FEENIX project suggests that earlier quality issues have been addressed, and this should positively impact the company's reputation in the market. In Retail & Commerce, cost-saving measures have improved operating margins throughout 2024, and profitability has been reasonably well-maintained despite a tough market. With no major market support anticipated in the H1'25, the company needs to organically increase its utilization rates to increase the segment's top line.

Valuation remains neutral, although longer-term outlook remains favourable

Solteq is currently priced at 0.7-0.6x EV/sales and 8-5x EV/EBITDA based on our 2025-2026 estimates. We view the 2025E valuation as relatively neutral, with limited visibility to short-term market improvements and growth expectations further delayed. However, we continue to see long-term potential driven by Solteq's scalable product business and its expansion opportunities, particularly in the Utilities segment. We maintain our target price of EUR 0.65 and our ACCUMULATE recommendation.

Company overview

Nordic provider of IT–services and software solutions

Solteq is a Nordic provider of IT–services and vertical software solutions, supporting customers' operations throughout the entire digital business development lifecycle – from service design to implementation and ongoing software maintenance. Solutions are designed for a variety of sectors, including retail, energy, automotive and hospitality. Solteq aims to streamline clients' digital business operations in the Nordics in line with cutting–edge technological advancements and by leveraging its extensive experience and cultivating deep customer and industry insights.

Table 1: Solteq key metrics

	2019	2020	2021	2022	2023	2024
Revenue (EUR m)	**58.3**	**60.5**	**69.1**	**68.4**	**57.7**	**50.9**
Growth–%	2.5 %	3.7 %	14.2 %	–0.9	–15.7 %	–11.8 %
EBIT (EUR m)	**5.7**	**5.4**	**7.1**	**–4.4**	**–3.5**	**1.8**
EBIT–margin	9.8 %	8.9 %	10.3 %	–6.4 %	–6.1 %	3.6 %
Employees	598	597	648	662	478	390

Source: Solteq, Evli Research
Note: The reported employee count is as of the end of the period.

Nordic presence with Finland as the revenue anchor

Founded in 1982 as Tampereen Tiedonhallinta, the company was listed on the Helsinki Stock Exchange in 1999 and rebranded to its current name in 2000. Solteq operates across Finland, Denmark, Sweden, Norway, the UK and Poland, serving primarily Nordic clients. Despite Nordic expansion, Finland remains the bedrock of Solteq's operations, accounting for more than 80% of revenue. Headquartered in Espoo, Finland, Solteq is led by CEO Aarne Aktan, who has been at the helm since 2022 after serving on the company's board for several years. Currently, the company employs around 400 professionals.

Strategic pivot to an industry–specific approach with two business segments: Retail & Commerce and Utilities

In recent years, Solteq has strategically pivoted its focus to provide comprehensive digital services and vertical software solutions tailored for the energy sector, alongside its established offerings in the retail and commerce space. This realignment has culminated in the formation of two primary business segments. The Retail & Commerce segment generated around 76% of the revenue in 2024, while the Utilities segment accounted for the remaining 24%

The streamlined focus offers competitive advantages in key industries

Solteq has traditionally been recognized as a service provider of commerce related solutions and solutions for the retail industry. During the 2010s, the company was in a phase of exploration and made realignments and segment adjustments on a continuous basis. As of 2017, Solteq shifted its focus from being an industry–independent IT provider and software house to a business model where the strategic emphasis was placed on industries where the company had established expertise. This industry–specific approach, further emphasized in the updated strategy in 2023, is something we view favourably, as this targeted positioning has secured a competitive advantage over more generalized peers.

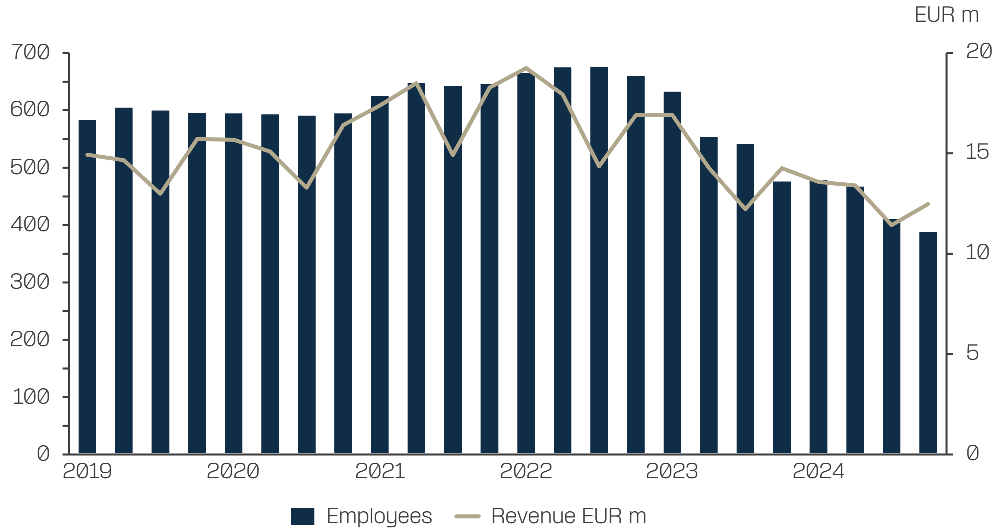
Despite a performance surge in 2020 and 2021, the company has recently faced internal and external challenges

In the post–pandemic era, Solteq capitalized on the surge in digital transformation, leading to improved profit margins and revenue growth. This success, however, was partly due to an overheated market that saw unprecedented demand for digital services. The advent of the war in Ukraine and the subsequent energy crisis and high–inflation environment introduced new challenges, alongside internal issues with software in the Utilities segment, forcing a substantial portion of employees to focus on troubleshooting and manual repairs.

Navigating shift from talent race to project competition, adjusting workforce to market demand

The primary battleground in the Finnish IT-services sector has traditionally been the talent acquisition race. This dynamic has shifted in the current market climate, with companies now mainly competing for projects due to decreased customer demand. Solteq managed to onboard new expertise effectively amid the demand boost during the pandemic, but in response to the market slowdown, the company has been forced to reduce its workforce across both business segments and the group administration over the past two years.

Figure 1: Quarterly employee headcount and revenue, 2019–2024



Source: Solteq, Evli Research

Expansion to new industries and locations through acquisitions

Solteq's strategic M&A activity, particularly its largest acquisitions, has significantly contributed to its current operational state. In 2012, the acquisition of Aldata not only strengthened Solteq's footprint in the Finnish retail sector but also enhanced its service offerings and customer base. In 2015, the company acquired Descom, marking a pivotal step in Solteq's ambition to dominate the digital commerce services market in the Nordics. Furthermore, inPulse Works was acquired in 2017, which was the first large step into the utilities sector and expanded the company's reach to Denmark and Norway. Additionally, the acquisition strengthened Solteq's BI and analytics expertise, reinforcing the company's portfolio of data-centric decision-making services.

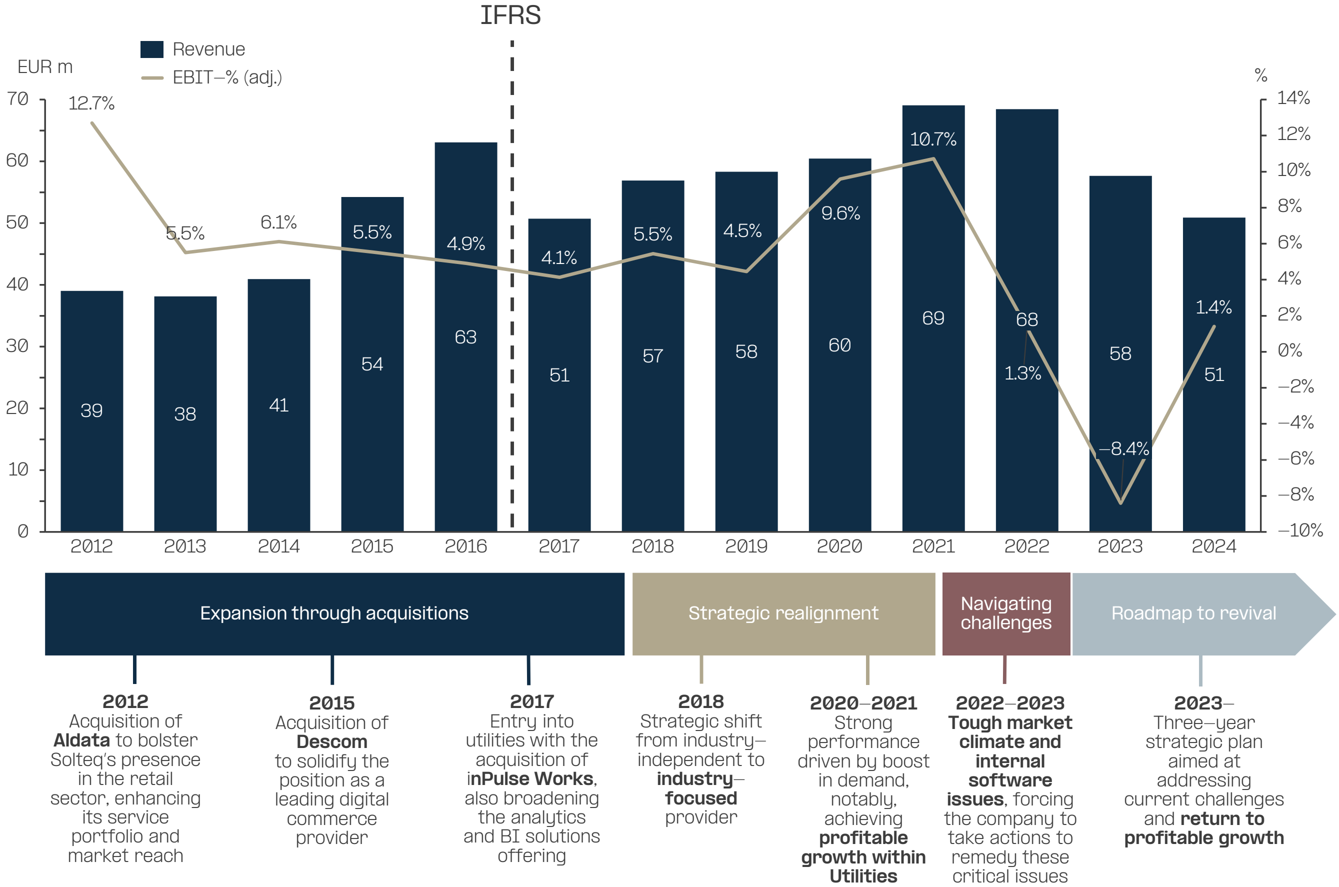
Sharpened core focus supported by recent divestments

During its CMD in January 2023, Solteq unveiled a three-year strategic plan aimed at concentrating on its core competencies. In April 2023 a move in this direction was made, as the company sold its ERP solutions based on Microsoft Dynamics 365 Business Central and LS retail to Azets for EUR 15 million. In Q4'24 the company further announced the divestment of its Danish subsidiary's healthcare software solutions for EUR 4 million. These transactions enhanced the company's focus on chosen software solutions and IT expert services, along with decreasing the company's debt levels.

Ambitious long-term financial targets, initially set for 2025

Solteq also set ambitious long-term targets, initially set to be recached by 2025. The company aims to achieve an 8% average annual growth rate and an EBIT-margin of 8% within its Retail & Commerce segment. In the Utilities segment, Solteq is targeting a 15% annual growth rate and an EBIT-margin of 18%. Assuming the current revenue split between segment's stays rather unchanged, with approximately 75% from Retail & Commerce and 25% from Utilities, reaching the targets would translate to an EBIT-margin of 10.5% on company level.

Figure 2: Solteq's recent history



Source: Solteq, Evli Research

Business segments

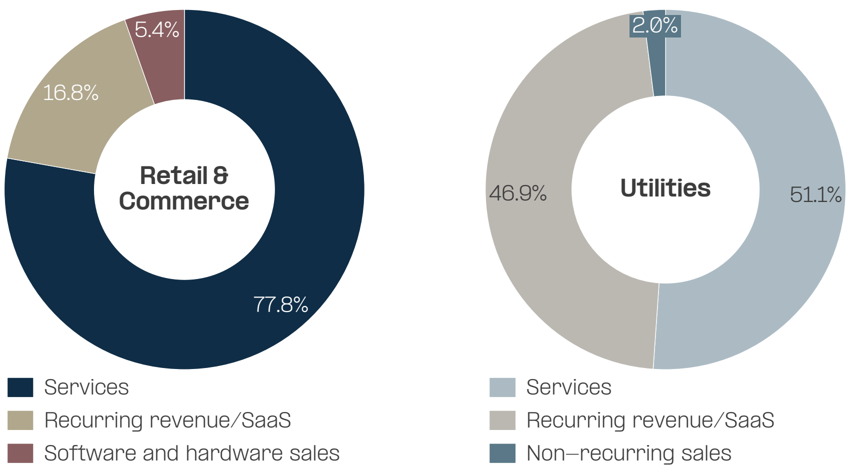
Strategic realignment catering to two main segments: 1) Retail & Commerce and 2) Utilities

Since January 2023, the company reports its operations under two business segments: 1) Retail & Commerce and 2) Utilities. The previous reported business segments were Solteq Software and Solteq Digital. The Retail & Commerce segment's offering is designed to address specialized requirements of clients in the retail industry and the growing e-commerce landscape. Concurrently, the Utilities segment provides software solutions and expert services within the energy sector. This strategical realignment was executed to align business operations with recognized strengths.

Both segments growth is fueled by the digital transformation

Solteq's strengths have traditionally centered on providing services and software within retail and in commerce related solutions. In accordance with the similar trends characterizing the utilities sector, the company has shifted its focus to also cater within this industry. Both sectors are undergoing a digital transformation, necessitating more efficient core functions and the integration of innovative technologies. This includes the use of advanced technologies such as AI and BI & Analytics to enhance system sophistication and decision-making capabilities.

Figure 3: Revenue breakdown within business segments, 2024



Source: Solteq, Evli Research

Retail & Commerce

Retail & Commerce segment is the largest contributor to Solteq's top line

The Retail & Commerce segment specializes in delivering expert services and tailored software solutions for retail and e-commerce. The segment is the larger of the business segments, employing around 300 people and accounting for approximately 76% of the revenue in 2024. In 2024, around 70% of the revenue within the segment came from e-commerce solutions and expert services in the **Commerce & Data** business unit, while 30% was derived from software solutions related to the retail industry, car sales, and healthcare in the **Retail Software** business unit. During Q4, the business based on healthcare software solutions (Solteq Care) was sold for EUR 4 million, generating an EUR 1.3 million sales profit.

Significant divestment in 2023 aimed to support strategic focus and enhance financial stability

In 2023, Solteq's Retail & Commerce segment experienced weakened demand due to the volatile global economy, leading to a decline in both revenue and operating result compared to the prior year. Aligning with strategic efforts to concentrate on core operations, the segment's ERP solutions based on Microsoft Dynamics 365 Business Central and LS Retail were sold to Azets Group, generating an EUR 15m cash inflow. The transaction also significantly reduced the company's debt, thereby strengthening the balance sheet.

Recent profitability improvements from cost cuts, with continued benefits into 2025

After facing declining sales in 2023 and early 2024 due to reduced demand, Solteq took steps to address challenges in the segment. In April 2024, the company launched a targeted cost-saving program in the Commerce & Data business unit and Group Administration, aimed at streamlining operations and enhancing efficiency. The cost-saving measures taken are expected to yield total savings of EUR 3.4m, with approximately one-third materializing in 2024. The positive impact of these initiatives was evident in 2024, with the segment's comparable operating result improving to EUR 2.5m (2023: EUR 0.4m) despite the continuing decline in net sales.

Solteq's Nordic expansion is poised for further growth across the region once the financial situation is stabilized

In addition to its domestic operations, the segment is focusing on new customer acquisition in Denmark, where it took its initial step into the market in 2018. While expansion into Sweden and Norway is expected to gradually accelerate in the future, immediate expansion through M&A is constrained by the company's current financial position. Any potential acquisitions would also need to be a perfect match for the company's strategy, making such moves unlikely unless the right opportunity arises. As the turnaround continues and the financial situation stabilizes, the Utilities segment is also likely to be prioritized for expansion.

The retail sector is driven by trends such as digitalization and the need for cybersecurity, aligning well with Solteq's offerings

The retail sector's demand is increasingly driven by the ongoing trends such as digitalization and the need for enhanced cybersecurity. Digitalization is transforming how retail businesses engage with customers, streamline operations, and compete in the marketplace. E-commerce platforms, data analytics, and cloud-based solutions are becoming essential tools for driving customer experience and operational efficiency. At the same time, growing concerns about data security are pushing retailers to adopt more robust cybersecurity measures to protect sensitive customer information and comply with regulations. The urgency of cybersecurity has escalated, particularly in the wake of the conflict in Ukraine. Geopolitical instability has led to a rise in cyber threats, such as DDoS attacks, prompting companies to prioritize strengthening their defenses against data breaches and other cyber risks. In response to these market dynamics, Solteq has intensified its efforts in these critical areas, aligning with long-term investment trends in cybersecurity, BI & data analytics, and cloud platforms projected by research firm Gartner.

Business units in Retail & Commerce

Commerce & Data is the larger business unit within the segment

Solteq's Retail & Commerce offerings can be categorized into two business units. Within the larger **Commerce & Data** business unit, expertise is provided through services such as e-commerce solutions, analytics, master data management, product information management and order management. In 2024, the business unit accounted for around 70% of the segment's revenue, and the recent divestment in the retail software is expected to further increase Commerce & Data's relative share. Revenue is generated mainly from time and material-based services, which recently have been negatively affected by weakened customer demand due to the ongoing economic slowdown.

An extensive network of technology partners and years of experience in commerce-related solutions

Through partnerships with leading technology partners and major e-commerce platforms including Adobe Commerce, Informatica, Liferay and HCL Commerce – Solteq offers B2B and B2C companies comprehensive consulting, design, implementation, and support services backed by its 15-year experience of building webstores on various e-commerce platforms. Solteq has a long-standing background in e-commerce, but in the current market environment, clients' willingness to invest has declined, leading to a slowdown in new project initiation, although potential remains in the pipeline.

Data & analytics solutions in an increasingly data-driven world

Despite divesting its ERP operations associated with MS 365, the Commerce & Data business segment continues to integrate Microsoft's BI and analytics tools, as well as a wide range of other data and analytics services, supporting the movement towards data-driven business practices.

The Retail Software business unit offers proprietary software solutions, with an emphasis on POS systems

The **Retail Software** business unit provides proprietary software solutions, with a strong emphasis on Point of Sale (POS) systems, primarily in the Finnish market. The Solteq Commerce Cloud POS system is the business unit's flagship product, serving Finnish, Swedish and Danish customers in the retail and hospitality sectors. This suite offers automated workflows to enhance operational efficiency and features a scalable, cloud-based POS system designed to support a variety of business models. In addition to standard cashier functions, the systems basic functions include product management and customer management, as well as reporting and analytics capabilities. It also supports additional features such as inventory management, digital gift cards, and self-service checkouts, along with integrations with other platforms including various accounting, reporting, ERP, and customer management systems. Solteq Tekso is another core product in the POS family, designed to cater to the needs of specialized stores, including fashion-, sport and hardware stores in Finland.

Comprehensive, cloud-based solutions for automotive dealerships

The Retail Software business unit also provides ERP systems tailored to the automotive sector in Finland, positioning itself as a flexible, cloud-oriented provider with products like Solteq WebService – a modularly implementable DMS (Dealer Management System) designed for vehicle maintenance and after-sales services. In 2019, the offering was expanded with Smart Dealer, an integrated system package combining Solteq WebService and Alma Ajo's WebSales, targeting dealerships that value seamless maintenance and spare parts logistics, as well as sales capabilities within a single system package. Integrated with the Commerce Cloud POS for versatile payment options, the system allows dealerships to scale and adapt functions to meet unique customer needs, aligning well with the industry's shift towards cloud-based, all-in-one solutions.

Recent divestment of Danish subsidiary's healthcare software-based solutions

In Q4'24, Solteq announced the divestment of Solteq Denmark A/S healthcare software business as part of its strategic focus on core solutions and services, along with strengthening its financial position. The healthcare software business, which accounted for approximately 3% of Solteq's revenue in 2023, was sold to Confirma Software for EUR 4 million, with a P/S ratio of 2.2x based on 2023 figures. The deal was closed in December 2024.

The automotive business could be evaluated for potential strategic restructuring

Given the company's recent divestments and operational adjustments, we believe the automotive solutions in its current shape may similarly be evaluated in light of its alignment with Solteq's evolving strategic focus. However, there could also be opportunities to further develop the automotive segment through acquisitions, particularly in a fragmented market with numerous local players. That said, the company's current balance sheet limits such investments in the near term.

Revenue breakdown

Around 80% of revenue stemming from project-based expert services

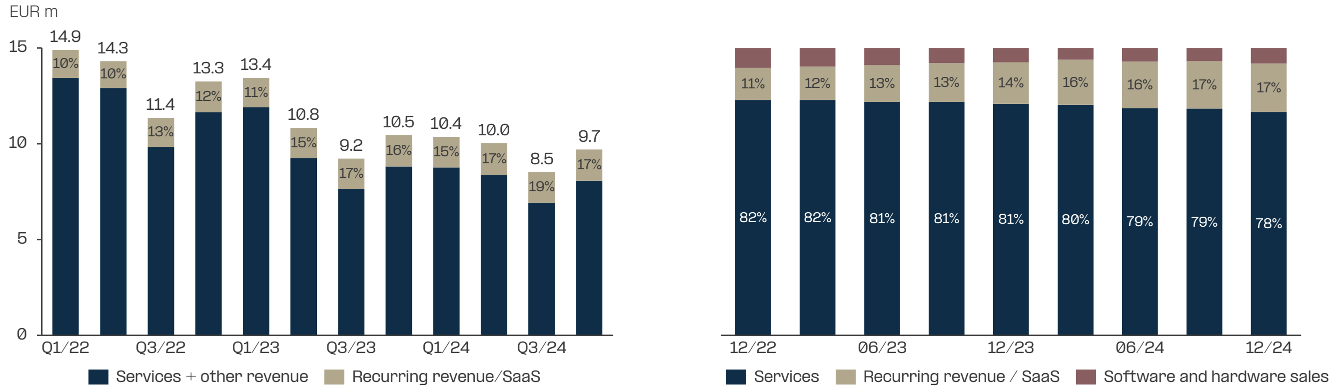
Solteq's Retail & Commerce segment generates its revenue through a combination of services, proprietary software and SaaS, as well as third-party software and hardware sales. Together these streams provide a mix of time and material-based income, recurring income, and point-of-transaction income. Below is a detailed revenue composition of the segment.

- **Expert Services**: Expert services are the backbone of the segment's revenue, constituting 78% of sales in 2024. These services are primarily billed on time and material basis and comprises consulting, support, development services, and project delivery. This share of revenue is closely tied to firms' investment activity and thus macroeconomic conditions.

- **Own Software and SaaS**: In 2024, the recurring revenue from own software and SaaS represented 17% of the sales within Retail & Commerce, originating from sales income related to Solteq's proprietary software. The revenue model facilitates recurring billing, which enhances the predictability, continuity and stability of the segment's revenue. The revenue is recognized evenly over time as a pre-agreed monthly or yearly fee for a contract period of minimum 12 months.

- **Software and Hardware Sales**: The final ~5% of the segment's revenue comes from the resale of third-party software licenses, maintenance services, and the corresponding hardware sales. This revenue portion is recognized as point in time.

Figure 4: Quarterly revenue (lhs) and LTM revenue mix (rhs), Retail & Commerce



Source: Solteq, Evli Research

Utilities

Solteq Utilities excels with tailored energy sector solutions, including customer management, analytics, and core software

Solteq Utilities aims to stand out in the marketplace with a comprehensive suite of solutions tailored for the energy and water industries. The segment offers customer information and service management systems, which includes seamless customer communication, as well as cloud-based core business software solutions. Furthermore, the segment provides specialized project management services and sophisticated analytics solutions. The segment employs approximately 100 people and contributed 26% of the company's revenue in 2024. The segment has some 200 customers ranging from the largest energy companies in Finland to smaller regional providers.

Strengthened Utilities segment via acquisitions, enhancing capabilities and competitive edge

Solteq has gradually expanded its offering into the utilities sector through a series of acquisitions, starting in 2017 with the acquisition of inPulse Works. In 2020–2021, the company acquired four more companies specializing in the energy sector, boosting its capabilities in areas such as project management and management consulting, as well as industry-specific systems and software. With these strategic acquisitions, Solteq has fortified its market presence, leveraging its accumulated expertise and vertical software solutions.

Strong, profitable growth during the pandemic

The entry into the utilities sector came at a strategically advantageous time through these acquisitions, aligning well with the pandemic-driven digital transformation within utilities and the launch of Datahub in Finland. Tietoevry, previously the leading provider in the sector, did not update its software functionalities to align with Datahub requirements, creating a market opportunity for Solteq. Capitalizing on this gap, Solteq experienced strong and profitable growth in Utilities during 2020–2021.

Challenges due to software quality issues

Following the period of profitable growth, the Utilities segment started facing difficulties due to product quality issues. Several projects encountered setbacks, requiring extensive manual labour. As a result, additional resources were needed for manual labour across various projects. This led to increased costs, as additional resources were required for non-billable tasks, which negatively impacted profitability.

Cost-saving measures implemented in 2023, with annual savings of EUR 3.8m

In H2'23, the segment went through change negotiations, leading to a reduction of 39 employees in the Utilities Software business unit. The cost savings measures taken, amounting to approximately EUR 3.8m annually, were largely realized over the course of 2024. Simultaneously, the company has focused on addressing the issues within the product quality.

Profitability improvements seen in 2024, revenue development a worry

The strides made in product development and cost management have positively impacted the segment's performance in 2024. The company has since succeeded in enhancing the software's quality, leading to a rise in the customer satisfaction NPS score since 2023. A key achievement was the Helen FEENIX project, which was critical for Solteq to prove itself in the market. Despite the high stakes and uncertainty due to previous software issues, the company successfully delivered a large-scale project for one of Finland's largest energy companies, demonstrating its capabilities and earning an important and credible customer reference. In 2024, the segment's comparable operating result increased by 64%, a figure that, while impressive, is moderate considering the weak comparison period. New customer acquisition has still been sluggish due to continuing demand constraints, leading to a 10.7% y/y decline in net sales.

Solteq expects the long-term market outlook for the energy sector to remain good

While short-term growth prospects remain constrained by current market conditions, Solteq believes that long-term demand within the energy sector will provide a solid foundation for profitable growth in the segment. The Nordic energy market is undergoing significant changes, driven by regulatory shifts and the transition towards renewable energy sources. These changes are expected to continue throughout the decade, presenting Solteq with significant opportunities to leverage its capabilities as a vertical software provider, offering systems to utilities with the necessary compatibility and functionalities to meet new regulatory and operational requirements. However, a key risk still lies in securing new sales and competitive tendering and how the market perceives the company's product reputation following past challenges.

Geographical expansion lies ahead, but at a more modest pace than originally planned

Although Solteq initially aimed for a faster expansion across the Nordic utilities market, challenges such as soft market demand, a focus on strengthening the balance sheet and the need to improve its product quality and reputation have slowed the expansion plans. Breaking into new markets is challenging, and success in the early stages is critical, as it provides a strong first reference that can enhance credibility and drive future opportunities. While the pace of expansion is more modest than originally planned, and plans for Sweden and Norway have been postponed, the company is accelerating its efforts in Denmark, building on its initial expansion to lay the foundation for future growth across the Nordics.

Business units in Utilities

Utilities software is the heart of the segment

The **Utilities Software** business unit generated more than 85% of the segment's revenue in 2024, and focuses on vertical software solutions designed for the energy sector. This business unit typically offers higher profit margins, as its product-centric model minimizes personnel costs compared to service-based alternatives. However, challenges in product development over the past couple of years have negatively impacted the performance.

With product development issues addressed, a lot of expectations lie within the business unit

Despite the challenges related to software performance, the business unit is on a path to recovery. In the Finnish market, Solteq Utilities holds a strong position, being the second-largest Information and Communication Technology (ICT) software service provider according to management estimates in the 2023 CMD. The company anticipates that once the product development issues are fully resolved, it will gain a substantial competitive edge. According to the management, this advantage stems from its deep expertise and innovative capabilities, which have allowed Solteq to create highly specialized products tailored to the energy sector and its evolving needs. However, some uncertainty remains, primarily due to reputational concerns arising from past product issues. While these specialized products represent the company's strength, the issues surrounding their performance have temporarily undermined their potential and also present a possible threat to driving new sales.

Solteq Utilities Software has two main software product lines:

- The first type comprises **Application Specific Products** designed as comprehensive solutions exclusively for the utilities industry. These solutions cater exclusively to the requirements of utility companies and are offered both as on-premise installations and SaaS models.

- The second product line, **Solteq Utility Cloud,** features software based on the Salesforce CRM platform, enriched with proprietary Solteq IPR enhancements, developed to meet unique customer requirements, adding distinct features to the core platform.

Utilities consulting offers advisory and implementation services

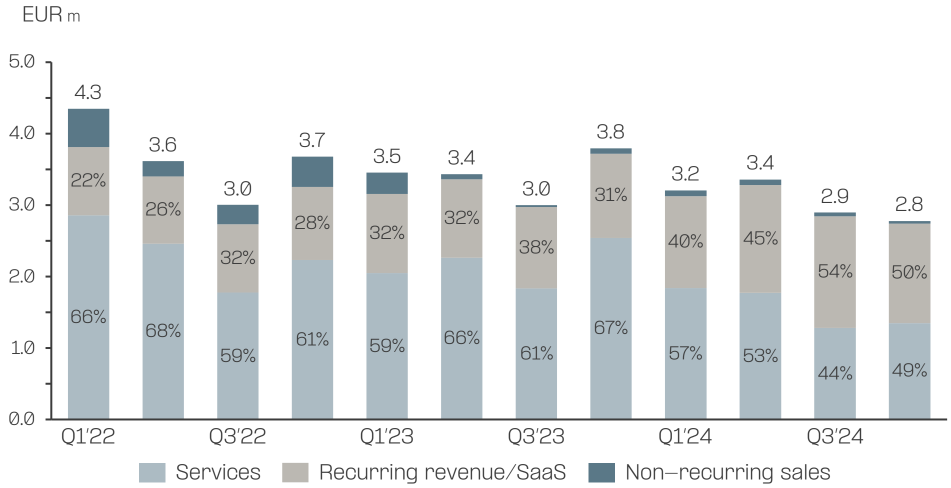
To support the software business, the **Utilities Consulting** business unit delivers expert business advisory services to the energy sector. Solteq's expertise relies on the deep industry knowledge, which have been enhanced with targeted acquisitions, for example, within the Utilities management consulting field. In addition to the advisory services, Solteq offers implementation services to actualize the digital solutions that are recommended to its clients. To our knowledge the consulting business includes Finland and Denmark and has good customer satisfaction levels (NPS 74 in 2024), but the demand has declined due to the overall market conditions.

Revenue breakdown

Favourable shift in the revenue mix

Similar to the Retail & Commerce segment, the Utilities segment has primarily generated its income from time and material-based expert services. However, the revenue mix has recently developed favourably towards recurring revenue from own software and SaaS.

Figure 5: Revenue by quarter and revenue mix Q1'22–Q4'24, Utilities



Source: Solteq, Evli Research

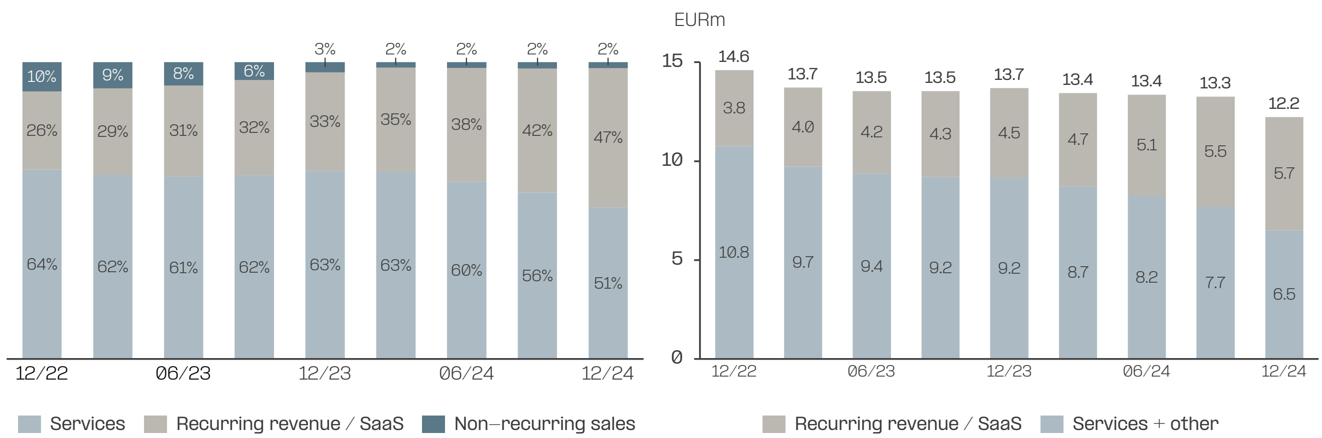
Both business units offer good margins, but the software unit's scalability possibilities are superior

While the Utilities Consulting business unit maintains healthy margins through its expert services, the size and scalability of the software business presents the greatest growth potential and is the key driver for enhancing profitability within the segment. The recurring nature of SaaS sales, combined with the ability to scale without proportional increases in resources, offers a significant opportunity for Solteq compared to the service-based model, where continuous work and resources are necessary.

Double digit growth in recurring revenue since early 2023

Since early 2023, the shift towards recurring revenue has shown steady progress, with continuous growth in absolute terms, while service-based revenue has declined. In 2024, recurring revenue accounted for 47% or EUR 5.7m (2023: 33%, EUR 4.5m) of the segment's total revenue, approaching the 50% target. Further accelerating own software and SaaS sales, and thus recurring revenue, remains the key driver for growth and profitability in the segment.

Figure 6: LTM revenue mix development (lhs) and LTM revenue development in absolute terms (rhs), Utilities



Source: Solteq, Evli Research

Strategy and financial targets

Three–year turnaround plan past its halfway mark

Solteq introduced its long–term financial targets in its January 2023 CMD, outlining financial objectives and key turnaround initiatives. Central to this strategy is the sharpened focus on two principal business segments: 1) Retail & Commerce and 2) Utilities, aligning with the company's strategy to concentrate on industries amidst a digital revolution. Solteq seeks to capitalize on its established expertise and profound understanding of client requirements within these industries, positioning itself as a pivotal partner to businesses embarking on digital modernization. The company aims to use its sector knowledge to develop digital customer encounter solutions that are tailored to the needs of businesses undergoing transformation. Furthermore, Solteq is amplifying its efforts to expand its cloud services portfolio, responding to market demands for technological solutions that are both scalable and adaptable. The company also aims to bolster its suite of continuous services, expected to lay the foundation for sustainable growth, yield greater financial predictability, and enhance stability in operations.

Streamlining offerings for proprietary products, services, and third–party solutions

Solteq is committed to growth through its proprietary software products and related services, complemented by selected partner solutions. Aligning with the strategy's focus on core offerings, Solteq streamlined its portfolio in 2023 with the divestments of Microsoft 365 Business Central and LS Retail, as well as through the divestment of Solteq Care in 2024. While M&A is not the central focus of its current strategy, Solteq remains open to both strategic acquisitions that bolster its core operations, as well as divestments of non–core businesses to strengthen its financial position and better align with long–term strategic goals.

Further leaps in profitability come from revenue growth

The company's strategic focus is on both growth and profitability, with the latter being the critical factor for the current strategic period. Early signs of improved profitability are already evident, as both business segments have undergone cost–saving programs to support strategic goals. Further leaps in profitability depend on increasing demand and gaining market share from existing market participants. Due to the scalable nature of Solteq's operations, an increase in demand should translate to enhanced profitability rather quickly compared to other IT–services companies, as the company can efficiently expand its operations without a corresponding increase in costs.

Capitalizing on competitive advantages to gain market share

Faced with a constrained market growth outlook in its selected business segments in the short term, Solteq aims to expand by capturing market share through competitive advantages derived from continuous investment in product development and deep customer insights. These strengths are expected to yield customized solutions that meet the specific needs of the industries, thereby attracting new clients and securing project bids.

Stronger international expansion is expected if turnaround is achieved

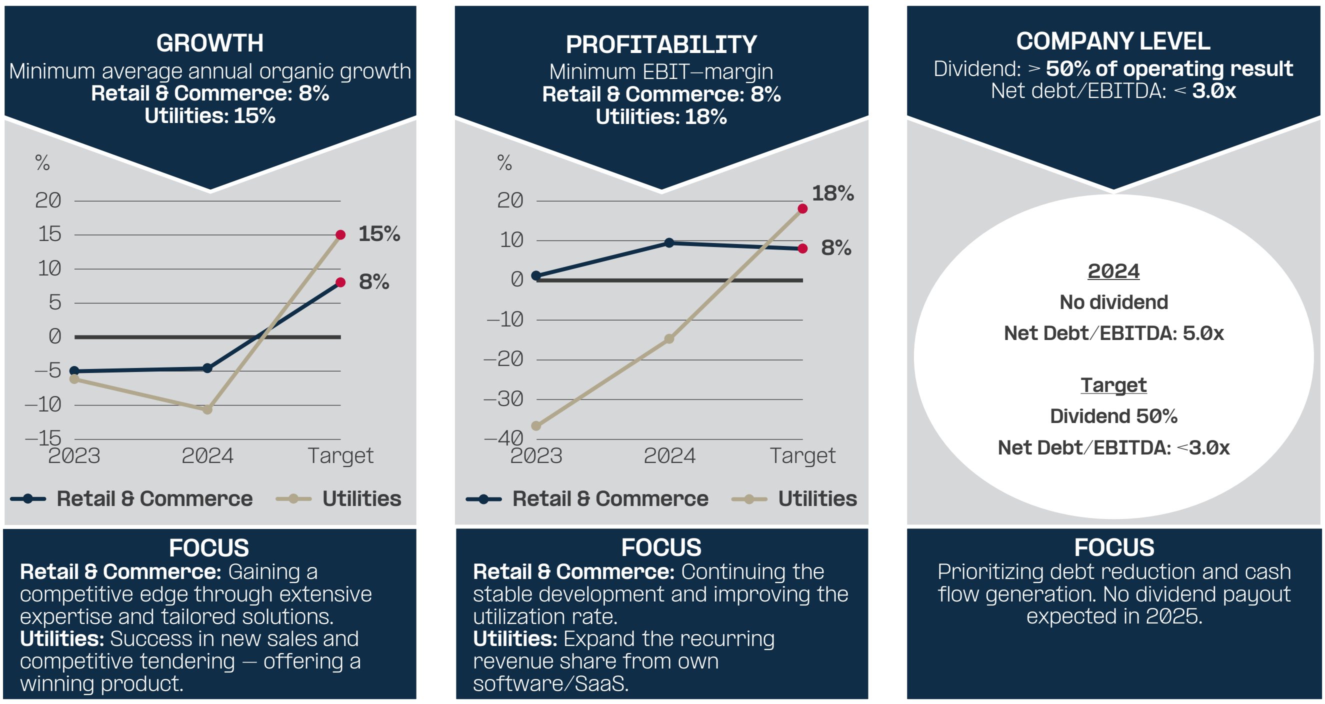
Despite the Finnish market presenting certain prospects, Solteq's specialization in merely two core sectors could potentially restrict its domestic customer base. Recognizing this, Solteq's strategy includes the potential for international expansion as a driver of growth. Solteq has already broadened its reach within the Nordics in the Retail & Commerce sector and has established a presence especially in the Danish Utilities market, and we expect further investments in expanding its presence in other countries. However, these efforts are likely to accelerate after the current strategic term, with a present emphasis on stabilizing the operations. Once the financials situation allows, the Utilities segment is expected to be prioritized for expansion, given its stronger growth potential.

Financial targets

Strategic realignments shape financial targets

In the period of 2020–2021, Solteq capitalized on the pandemic-driven demand for IT investments, experiencing good growth and strong profitability. Moving into 2022, the landscape evolved with a combination of slowing demand and challenges within the Utilities Software business unit. The company has since made strategic realignments to restore operational efficiency. This realignment has included change negotiations, a core operations focus and other operational efficiency improvements, with the goal of bringing the company back to growth and profitability. The current financial targets reflect this realignment, serving as performance benchmarks and providing insight into the company's priorities over the three-year period 2023–2025. The financial targets are presented below:

Figure 7: Long-term financial targets



Source: Solteq, Evli Research
Note: R&C 2024 EBIT-margin includes a profit gain from the sale of Solteq Care. The segments adj. EBIT-margin for FY 2024 was 6.5%.

Limited visibility for sales recovery

Given the weak market signals and declining revenue throughout 2024, the company is well behind its growth targets, initially set with the aim of being achieved in 2025. Solteq is aiming for an 8% growth rate in the Retail & Commerce segment, yet the revenue declined throughout 2024, along with weak market signals, as customers are postponing their investments. Revenue also declined in the Utilities segment in 2024 and the outlook for H1'25 is weak, meaning that achieving the targeted 15% growth rate still seems a long way ahead. This challenge is further complicated by low customer turnover within the industry and potential reputational issues stemming from earlier product quality concerns.

Targeted profitability in Retail & Commerce appears achievable, while Utilities face a longer path

Operational efficiency improvements, driven by change negotiations and core competence focus, have enhanced Solteq's profit margins in 2024. Retail & Commerce is in our view on track to reach its EBIT-margin target of 8% by 2025 or 2026, supported by cost-saving measures. However, the divestment of Solteq Care puts downward pressure on profitability, as it was likely more profitable than the segment average due to its software-driven model. While we note the scalability possibilities in the Utilities segment, the 18% EBIT-margin is out of reach from current levels considering 2025. Attaining this margin in the future will hinge on the segment's ability to secure new sales and emerge successfully from future competitive tenders.

No earnings distribution expected in 2025–2026

Solteq's dividend policy targets distributing at least 50% of its operating result as dividends. However, no dividends have been issued since 2021, with the company choosing to retain earnings to support its turnaround strategy and enhance financial stability. This approach is likely to continue in both 2025 and 2026, as the initial focus lies on debt reduction, followed by reinvesting profits into new growth opportunities once the balance sheet is on stable footing.

Guidance for 2025

Guidance supports the gradual recovery towards good profitability, but also the market demand

Having implemented major corrective actions, such as change negotiations in both business segments over the past two years, Solteq has begun to see signs of a profitability turnaround in 2024. The company's management stated in the 2023 CMD that they recognize the path to profitability to be gradual, especially under the recent market conditions. Due to the slower–than–expected recovery in market demand, the path has been longer than anticipated and no clear signs of a swift market shift are present. The guidance for 2025 demonstrates that:

- Comparable revenue will decrease slightly (2024: EUR 48.8m excluding the divested healthcare solutions business
- Comparable operating result will improve significantly (2024: EUR 0.7m)

Market overview

IT–services market is interconnected with virtually all aspects of today's economy and society

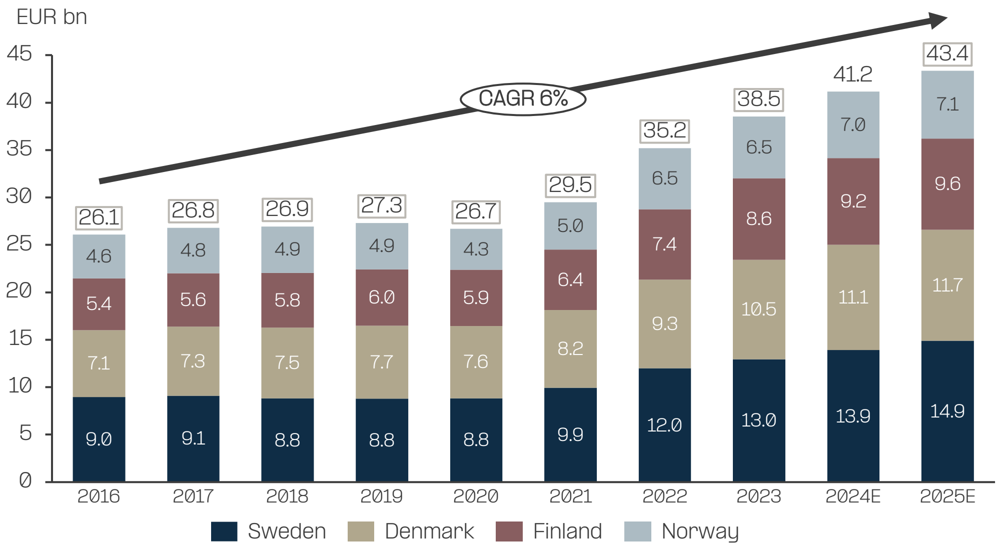
The IT–services market has been experiencing substantial growth throughout the 21st century, driven by the accelerating pace of digital transformation across industries. The sector encompasses a range of solutions, including IT consulting, cloud services, system integration, business process outsourcing, and IT training. These services are increasingly integral to business operations in both the public and private sectors. The digital transformation has become so integrated into modern society that traditional boundaries between digital solutions and their applications have blurred. Technology is now deeply interconnected across industries and daily life, driving innovation while reshaping how businesses and institutions operate.

IT–services market in the Nordics

Nordic IT–services market expected to continue its growth

Solteq's operations are focused on the Nordic IT–services market, which is characterized by its high levels of technological adoption, skilled workforce, and commitment to innovation. The Nordic IT–services market is projected to reach EUR 43 billion in 2025, with an expected annual growth rate above 5% from 2025 to 2029. Sweden leads the region with a projected market size of nearly EUR 14.9 billion in 2025, followed by Denmark at EUR 11.7 billion, Finland at EUR 9.6 billion, and Norway at EUR 7.1 billion. (Statista, 2024)

Figure 8: Nordic IT–services market size 2016–2025E, EUR bn



Source: Statista, Evli Research

High dependency on the macroeconomic outlook

While the Nordic IT–services market has seen substantial growth, the sector remains heavily reliant on the broader macroeconomic environment, as companies often adjust their IT spending in response to economic changes, viewing it as a flexible cost that can be quickly scaled back during downturns. After the unprecedented demand for IT–services during the pandemic, the interest rate hikes implemented by central banks in 2022 to combat inflation led to a cooling of demand and thus intensified project competition, which in turn put downward pressure on prices. Many IT–services providers have thus been faced with a dilemma; either margins have to be compromised to acquire market share, or revenue has to be sacrificed to defend margins.

IT-services market in Finland

Stable market growth expected to continue through 2029

In 2024, Solteq derived more than 85% of its revenue from the Finnish IT-services and software market. The sectors growth in Finland has been fueled by government initiatives promoting digitalization, as well as industry-wide trends such as rising demand for cloud and cybersecurity solutions. According to Statista, the Finnish IT market is projected to reach EUR 9.6 billion in 2025, with a CAGR slightly below 5% estimated from 2025 to 2029, offering significant opportunities for growth.

Finland is a frontrunner in digitalization

According to the European Commission's research on Europe's digital performance conducted in 2022, Finland continues to be the EU frontrunner in the Digital Economy and Society Index (DESI), which monitors EU member states digital progress. Finland scored the highest points of the 28 member states in the index, which evaluates digital public services, integration of digital technology, connectivity and human capital, making it safe to say that Finland is at the forefront of the digital transformation. This leadership position highlights Finland's advanced digital infrastructure and capabilities, which create a favourable environment for the growth and expansion of the IT-services market.

Key market trends

Solteq's solutions for the energy, retail, and commerce related solutions are well in line with industry trends

Several previously mentioned key trends that reflect broader global shifts are driving growth in the IT-services market. This evolution is influencing how IT-service companies operate, encouraging innovation, and opening up new opportunities across sectors. Solteq's products and solutions are well-aligned with key trends influencing the market, which include:

- **Digital Transformation**: The shift to digital business models is accelerating across both public and private sectors in Finland. This transformation is driving fundamental changes in how companies operate and deliver value to their customers. Digital tools and technologies enable businesses to streamline operations, enhance customer experiences, and remain agile in a competitive landscape. Digitalization offers significant cost-saving opportunities through improved efficiency, while enabling businesses to innovate and stay ahead of the curve.

- **Cloud-Based Solutions**: The adoption of cloud technology continues to rise as businesses seek more scalable, flexible, and cost-efficient solutions. Companies are transitioning from traditional IT infrastructure to cloud-based platforms that enable better performance, collaboration, and data access. Projections from IDC (2023) and Statista (2024) suggest a strong growth trajectory for overall cloud spending and public cloud adoption in the Nordic with five-year CAGR's in the double digits.

- **Cybersecurity**: With the rise of digital transformation, the need for cybersecurity measures has never been more critical. Geopolitical tensions and an increase in cyber threats have heightened the focus on securing sensitive data. Businesses are investing heavily in cybersecurity to protect their infrastructure and ensure compliance with data protection regulations. The impact of large-scale cyber-attacks and data breaches has made cybersecurity a top priority for organizations globally, evident by IDC research published in 2023, which found that investing in cybersecurity was among the top 3 priorities for organizations for the following two years.

- **Data & Analytics**: Data is today at the core of decision-making for many companies. The increasing use of data analytics is enabling businesses to gain valuable insights that drive operational improvements, optimize customer experiences, and enhance decision-making. The demand for real-time analytics, predictive modelling, and self-service data platforms is growing as companies seek to become more data-driven.

- **Automation & AI**: Automation is transforming business operations by reducing manual work, boosting efficiency, and improving accuracy. Technologies such as Robotic Process Automation and AI are being widely adopted to improve productivity and scalability. IT-service providers are leveraging AI to automate repetitive tasks, analyze large datasets, and enable smarter decision-making for their clients. Automation is not only helping companies reduce costs but also allowing them to scale more effectively and focus on higher-value activities.

Overall market conditions and outlook

No signs of a significant change in market conditions on the short-term

The overall market conditions remain weak, and the sentiment suggests that H1'25 is unlikely to see significant improvements. The challenging market environment is particularly evident in the volume of orders for new systems and broad-based system investments. Clients are holding off on making new investment decisions as they wait for clearer market developments. However, the recent decline in interest rates supports a gradual recovery in consumer demand, which is expected to eventually extend to the corporate sector as increased consumer spending drives business growth, leading to renewed confidence and investment activity in corporate operations.

Trade tensions pose an indirect risk

One recent headwind for the broader market is the ongoing global trade tensions. According to IDC, new tariffs are expected to increase technology costs, disrupt supply chains, and dampen global IT spending in 2025. While Solteq is not directly exposed to export tariffs, indirect effects such as cost inflation and weaker economic activity could still pose challenges. The situation remains ever-changing, but consensus points to a negative short-term impact on the sector.

Market outlook: Retail & Commerce

Expected retail IT spending to approach double-digit growth annually

Gartner's research conducted in 2023 indicates that global enterprise IT spending in the retail sector is set to expand significantly, with annual growth rate forecasts close to double digits until 2026. According to Gartner's research, the retail sector is estimated to spend almost three times as much on IT-services as on software, but software spending is expected to grow at a faster pace. The growing demand among retailers for expert guidance and innovative technological solutions position Solteq favorably, as the company is one of the most concentrated providers within the sector in Finland.

The retail sector is transformed by tech innovation and regulatory changes

Similar to the broader market trends, also the retail and commerce sectors are affected by the digital transformation. This shift is driven by regulatory changes and technological advancements, particularly in AI and business intelligence & analytics. These developments are enabling more intelligent, personalized, and data-centered solutions for customers.

Solteq is well-positioned to meet customer demands for smarter and more efficient core functions

Adopting new technologies, such as advanced payment systems, is crucial for improving the customer experience. Research from Dutch fintech company Adyen reveals that 58% of consumers abandon a purchase if their preferred payment method is unavailable, underscoring the need for businesses to integrate such technologies to meet evolving customer expectations. Solteq's offerings are designed to equip retailers with the tools to implement these innovations and stay ahead of the curve. With a comprehensive suite of products, including cutting-edge payment systems and seamless omnichannel platforms, Solteq enables retailers to adapt to new technologies and position themselves to meet consumer expectations.

The high-interest environment has dampened industry demand, but recovery is expected in the near future

In Finland and the Nordics, where Solteq mainly operates, the Retail & Commerce segment has been influenced by a challenging market landscape in line with the broader economic conditions, characterized by decreased consumer spending and supply chain disruptions due to rising inflation and geopolitical tensions. These factors have led to a dampened demand for IT-services as businesses have become more cautious with their spending. Despite the critical need for advanced technological solutions to improve efficiency and customer experience, many companies have delayed or scaled back their investments in new technology due to uncertainty. Nevertheless, the long-term outlook remains cautiously optimistic, as businesses recognize the necessity of digital transformation to remain competitive, and as economic conditions stabilize, investments in IT solutions are expected to recover both in retail and for commerce-related solutions.

Market outlook: Utilities

Solteq Utilities target market is the Nordic utilities software market

Gartner estimates that the Nordic energy sector spent approximately EUR 4.5 billion on IT-services in 2023. Solteq Utilities targets the niche Nordic utilities software market, which was estimated at EUR 365 million in 2023. Currently, Solteq has a strong presence in Finland, recognized as the second-largest provider in this niche according to management estimates. While expansion to other Nordic countries has begun, the pace has been moderated to focus on stabilizing existing operations.

The utilities sector is heavily influenced by the digital transformation

In the evolving utilities sector, which includes electricity retailers, distributors, district heating firms, as well as water and wastewater companies, digital software solutions are becoming essential as end-customers demand seamless, user-friendly experiences beyond competitive tariffs. Modern households expect self-service tools, real-time consumption insights, and features to optimize energy use. This shift highlights the role of technology in helping utilities meet customer expectations and drive smarter electricity usage.

Regulatory changes and the energy transition is also driving the change

In addition to digital transformation, the shift towards renewable energy sources is a major driver of change. Regulatory changes, climate targets, and strategic frameworks like the Nordic Co-operation Programme for Energy are driving utilities to modernize. The program aims to make the region the most sustainable and integrated by 2030, focusing on energy security, market collaboration, leveraging regional strengths in the transition, and international cooperation.

Datahub as a significant milestone in the utilities sector

The 2022 launch of the Datahub in Finland marked a significant milestone in technological shifts in the utilities sector. This nationally driven initiative was designed to centralize information exchange among electricity market participants, streamline operating models, and enhance transparency and efficiency. To comply with the project, utilities were required to upgrade their legacy systems to ensure compatibility with the Datahub framework.

Contract renewals could drive growth, although customer turnover tends to be low

Most utilities began preparing for this transition between 2019 and 2021, securing procurement agreements for the necessary IT system upgrades. These agreements, typically structured with five-year terms, are now to our understanding approaching expiration. As a result, the market is entering a phase of contract renewals, which may bring about increased competitive tendering for new solutions and services. However, the industry's typically low customer turnover rates suggest that significant changes in providers may not necessarily occur.

Broader expansion to the other Nodic countries in the horizon

Beyond Finland, other Nordic countries have also implemented their own national Datahubs, presenting a sizable market opportunity. While Solteq has established a foothold in the region, particularly in Denmark, its broader expansion during the initial launch phase was limited in scale. As Solteq's operations stabilize, the Nordic utilities market presents a significant growth opportunity, albeit a competitive one, and we believe that a renewed focus on Nordic expansion lies in the future.

High barrier of entry due to critical first deliveries

Entering the utilities software sector presents certain obstacles, with initial project delivery playing a critical role in establishing credibility and market presence. Securing positive customer references is vital, as reputation heavily influences future opportunities. Companies must prioritize thorough preparation and avoid rushing deployments with incomplete products, as early missteps can have long-lasting reputational impacts. Conversely, successful first deliveries often lead to strong customer retention due to the industry's tendency toward low turnover, creating opportunities for providers to establish a vendor lock and build long-term relationships with clients.

Competitive landscape

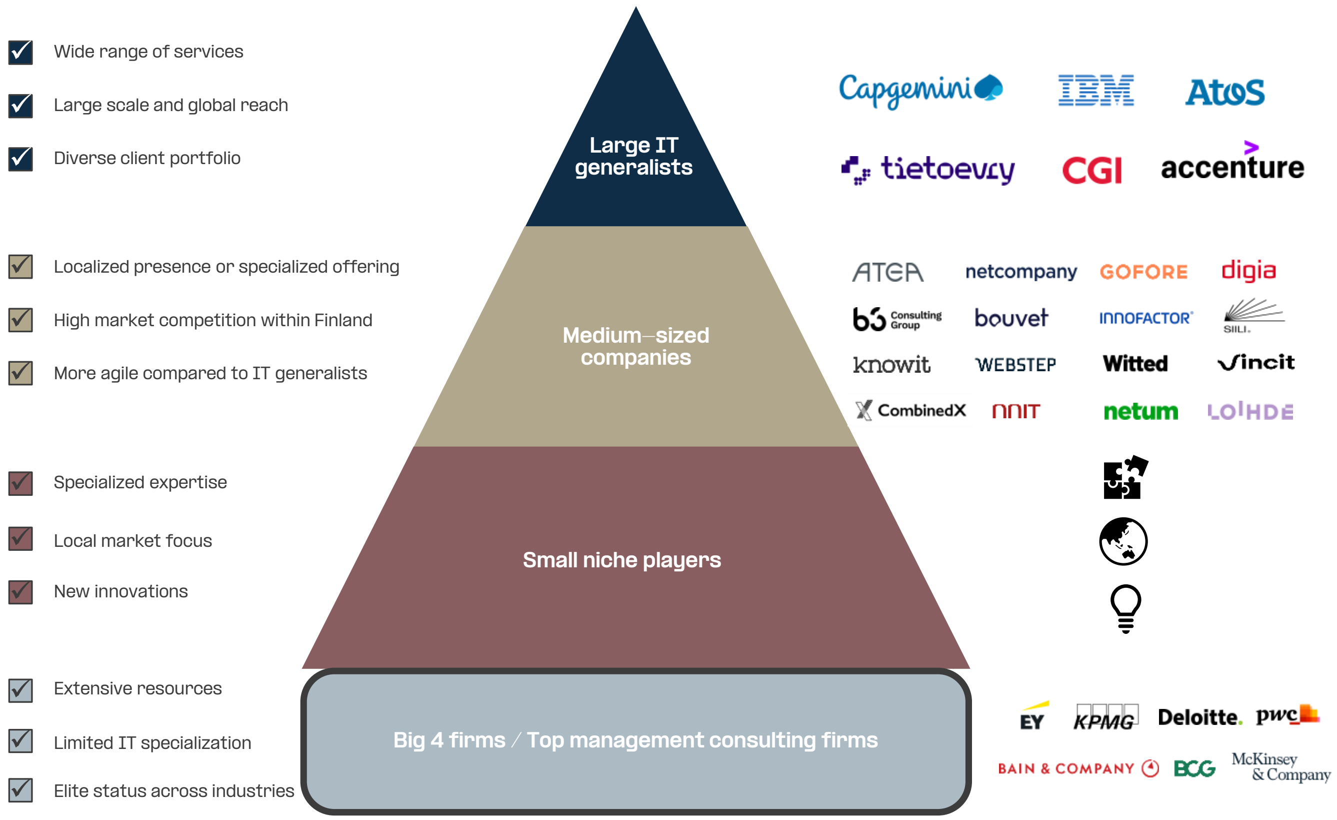
Highly competitive market with various types of providers

The Nordic IT–services market is highly competitive, with players generally falling into three categories. At the top are IT generalists like Tietoevry and CGI, whose extensive resources enable them to provide a wide array of IT–services across various industries and maintain a broad geographic presence. The second tier comprises medium–sized companies such as Solteq, which often have a degree of specialization in areas like geographical reach, industry focus, or partner systems. The third tier consists of smaller, local companies with a sharp focus on highly specialized niches, typically offering limited solutions on a single platform. However, the distinction between small niche players and medium–sized firms can be difficult to define, as some niche companies expand their expertise or services across borders, blurring the lines between the two categories.

Competition also outside the scope of regular IT–services firms

Beyond these dedicated IT service providers, large management consulting firms and the Big Four also compete in this space. With their substantial size and extensive reach, they can offer specialized services, including a large variety of IT–services, but may lack the core specialization and comprehensive solutions that dedicated providers possess.

Figure 9: Overview of selected competitors in the Nordics



Source: Evli Research

2024 has been challenging for most listed Finnish IT–services providers

Given Solteq's position in the medium–sized company category, it is natural to compare its recent performance with similar–sized IT–services companies in Finland, where Solteq derives more than 85% of its revenue. The Finnish IT–services landscape was challenging in 2024, with many companies initiating change negotiations and issuing profit warnings and thus the expectations for H1'25 remain modest. The short–term market outlook is uncertain, with many companies agreeing that the recovery in customer demand has been slower than expected, as customers have postponed projects.

Table 2: Overview of medium–sized competitors' performance and outlook in 2024

Company	Key Observations Q4'24	2025 guidance	Market outlook	Growth & Profitability (LTM)
SOLTEQ	Profitability turnaround continued in a tough market, net sales declined	Comparable revenue will decrease slightly (2024: EUR 48.8m), while comparable operating result will improve significantly (2024: EUR 0.7m)	Both the Retail & Commerce and Utilities segments face challenging conditions, though gradual market stabilization is expected.	Revenue growth: –11.8% EBIT–margin: 3.5%
GOFORE	Profitability was strong considering the market situaiton. Revenue declined organically	No fiscal year guidance; long term financial targets: EUR 500m net sales by 2030 (2024: EUR 186m) and 15% adj. EBITA–margin (2024: 12.8%)	A gradual recovery in customer demand is expected supported by growth forecasts for 2025	Revenue growth: –1.6% EBIT–margin: 11.2%
digia	Best quarter in history in terms of revenue and EBITA	Net sales (2024: EUR 205.7m) and EBITA (2024: EUR 21.2m) will increase	Long–term outlook remains good, although the demand in the short–term has been cautios	Revenue growth: 7.1% EBIT–margin: 8.9%
SIILI.	Revenue and EBITA declined y/y	Revenue is expected to be EUR 108–130m (2024: EUR 111.9m) and adjusted EBITA EUR 4.7–7.7m (2024: EUR 5.4m)	The slow market recovery is expected to continue in 2025	Revenue growth: –8.8% EBIT–margin: 3.2%
Vincit	Subdued performance, both in terms of revenue and profitability. Even smaller projects sales cycles remained long	Revenue is expected to be lower than in 2024 (2024: EUR 84.6m), but relative profitability is expected to improve y/y (2024: EBITDA–margin 0.6%)	The operating environment remains challenging	Revenue growth: –13.7% EBITA–margin: –4.4%
Witted	Revenue development slowed due to market conditions and subdued customer demand. Profitability decreased y/y	No guidance for 2025. Medium term financial target: 20% CAGR and adjusted EBITA by the end of the strategy period (2027)	IT services in the Nordics are shifting from specialized solutions to standardized offerings. Clients demand transparency, agile contracts and industry expertise	Revenue growth: –16.6% EBIT–magin: 2.0%
netum	Revenue fell slightly due to market conditions and postponed customer decisions. Comparable EBITA remained at last year's level	Revenue in the range of EUR 41–46m (2024: EUR 44m) and comparable EBITA–margin 7–10% (2024: 10.4%)	Improved demand for public sector IT services towards year–end. Private sector decision–making is slowed by uncertainty, but growth is expected to continue as the year progresses	Revenue growth: 18.6% EBIT–margin: 2.6%
LOIHDE	Revenue growth and slightly improved profitability y/y. Revenue and earnings still affected by subdued market conditions in IT consulting	Revenue to grow or to be on par with the previous year (2024: EUR 139.7m) and adj. EBITDA to improve (2024: EUR 11.0m)	Despite economic uncertainty and postponed projects, digitalization, cloud transformation, and AI adoption continue driving IT demand	Revenue growth: 4.3% Adj. EBITA–margin: 3.1%

Source: Evli Research, Company annual reports, Bloomberg

Key competitors in Retail & Commerce

Wide ranging competition in commerce-related solutions

The competition for commerce-related solutions is wide ranging, with main competitors Vincit, Columbia Road, Tietoevry, and Digia. Additionally, smaller, niche players exert pricing pressure, introducing new innovations that enable their market entry and intensify competition. Solteq tries to gain a competitive edge in this space with its longstanding experience and its ability to stay ahead of evolving customer needs through understanding not only the customer's IT infrastructure but also the broader business context.

In retail software, competition mainly consists of smaller niche players

The competitive landscape for Solteq's retail software solutions, including POS systems and automotive dealership systems, is distinct from that of traditional IT-services. Instead of going head-to-head with general IT-service providers, Solteq's main competition comes from a variety of specialized companies in the POS and automotive systems space.

Key competitors in Utilities

Main competitors in Utilities Software are Hansen Technologies and Enerim

In the utilities sector, Solteq faces competition from vertical software providers like Hansen Technologies and Enerim, who share Solteq's industry-specific approach. Additionally, some larger generalists such as Tietoevry and CGI hold a notable presence within this space. On the consulting side, Afry stands out as a key competitor, providing industry-specific consulting for utilities. Alongside Afry, other consulting firms – ranging from local players to the Big Four – also contribute to the competitive landscape.

Hansen Technologies has performed well in difficult times

Hansen Technologies is a global provider of software and services for the Energy & Utilities and Communications & Media industries. Its vertical software solutions are available as SaaS, on-premise, or in the cloud. In fiscal year 2024 (ending 06/2024), the company reported USD 353.1m in revenue, with USD 201.6m generated from the Energy & Utilities segment. Public sources indicate that Hansen Technologies Finland reached revenue of EUR 27.9m in 2024, with a CAGR of over 8% during 2020-2024. Since 2020, the company also has consistently delivered EBIT-margins exceeding 25% (Asiakastieto, Finder). However, direct comparisons remain challenging due to the lack of country-specific segmentation.

Enerim's performance over the last few years has been closer to that of Solteq

Enerim, established in 2020 following a carve-out from the Empower Group, provides SaaS solutions for energy and utilities companies. While the company experienced strong growth during the initial pandemic-driven demand surge in 2019-2020, its trajectory has since reversed. In 2023, revenue declined by 25%, and the company reported a negative EBIT-margin of -26% (Asiakastieto, Finder).

Hansen's recent performance highlights that opportunities exist with the right products

A clear contrast exists between these two vertical software competitors. Enerim's recent financial trajectory aligns more closely with Solteq Utilities, in our view largely due to its centralized and local market focus. In contrast, Hansen Technologies benefits from a broader global presence, contributing to its sustained profitability and scale advantages. While public sources suggest Hansen holds a distinct position in the market, its performance highlights the potential for high-margin opportunities within the Utilities Software sector, provided Solteq can successfully capture market share in the Nordic region.

Acquisitions and divestments

Strategic acquisition has supported growth and expansion

Solteq's transition towards becoming an industry-specific software provider has been heavily influenced by acquisitions. Over the years, the company has leveraged acquisitions to support both domestic and cross-border growth within both core segments. In parallel, also non-core businesses have been divested to streamline operations, with the recent sale of the Danish healthcare software solutions business being the latest move.

Table 3: Solteq's key acquisitions and divestments since 2012

Year	Buy/Sell	Target/Divestment	Location	Segment	Deal Value (EURm)	Revenue (EURm)	Employees
2012	Buy	Aldata Solutions Finland	Finland	Retail & Commerce	8.3	13.3	74
2015	Buy	Descom Group Oy*	Finland	Retail & Commerce	23.1	27.4	–
2016	Sell	MainIoT Software Oy	Finland	Retail & Commerce	7.4	5.0	41
2016	Buy	Pardco Group Inc.	Finland	Retail & Commerce	–	0.5	8
2016	Buy	Aponsa AB	Sweden	Retail & Commerce	1.1	2.2	–
2017	Buy	Analyteq Ltd (51%)	Finland	Retail & Commerce	–	1.5	19
2017	Buy	inPulse works Ltd	Finland	Utilities	3.5	4.8	60
2018	Buy	Analyteq Oy (49%**)	Finland	Retail & Commerce	–	–	–
2018	Buy	MS Dynamics NAV & LS Retail	Denmark	Retail & Commerce	–	–	12
2018	Buy	TM United A/S	Denmark	Retail & Commerce	3.5	4.8	35
2019	Sell	SAP ERP business	Finland	Retail & Commerce	4.3	4	21
2021	Buy	Partiture	Finland	Utilities	2.3	2.3	16
2021	Buy	Kouno P/S and Forsying 260 Aps	Denmark	Utilities	–	–	9
2022	Buy	Enerity Solutions	Finland	Utilities	4.5	2.2	20
2022	Buy	S2B Energia Oy	Finland	Utilities	–	<1	10
2023	Sell	MS Dynamics 365 BC & LS Retail	Finland	Retail & Commerce	15	11.2	60
2024	Sell	Danish healtchare software solutions business	Denmark	Retail & Commerce	4	1.8	13

Source: Solteq, Evli Research / Note: *Descom Data Center not included in the purchase. **Acquisition of the remaining shares

Largest acquisitions driving expansion: Aldata in 2012 and Descom in 2015

The most notable acquisitions in Solteq's history include Aldata Solutions and Descom Group. These deals significantly increased the company's revenue, with Aldata strengthening Solteq's position in the retail sector, and expanding both its client base and service offerings. The Descom acquisition further supported Solteq's path to becoming a leading provider of digital commerce services in Finland and the Nordics. The deal was financed through an EUR 27m unsecured bond, which has turned out to be a financial burden for the company. However, bond terms were recently renegotiated, extending its maturity from 2024 to 2026.

Notable expansion towards the energy sector evident through acquisitions since 2017

In recent years, Solteq has adjusted its acquisition strategy, with clear emphasis on the energy sector. Since 2017, with the entry acquisition of inPulse Works, the company has completed five acquisitions in this space, enhancing both its software and consulting capabilities. This strategic pivot aligns with Solteq's goal of expanding its market share within the energy sector in the Nordics. The focus on growth in the energy sector is expected to continue and will most likely be accelerated through acquisitions, reflecting a long-term commitment to strengthening its position in this growing market.

Divestments have focused on streamlining ERP offerings

In parallel to its acquisition strategy, Solteq has streamlined its operations by divesting non-core assets, particularly within the ERP business. In addition to the recent divestment of Solteq Care, other key divestments include the SAP ERP business in 2019 and more recently, the ERP solutions based on MS Dynamics 365 BC & LS Retail in 2023. While SAP and Microsoft remain dominant players in the ERP field, these divestments reflect Solteq's aspiration to narrow its focus to core software solutions and IT expert services within its main industries. These transactions have not only centered Solteq's solutions offering but also provided a much-needed boost to the company's balance sheet.

Financial performance

From the mid 2010's throughout the decade steady, modest organic growth and profitability

Over much of the 2010s, Solteq saw modest organic growth supported by strategic acquisitions that accelerated expansion, posting a CAGR of 7.3% from 2013 to 2019. Reported profitability was steady over this period, with comparable operating result margins typically hovering around 5%, highlighting limited but balanced growth and profitability.

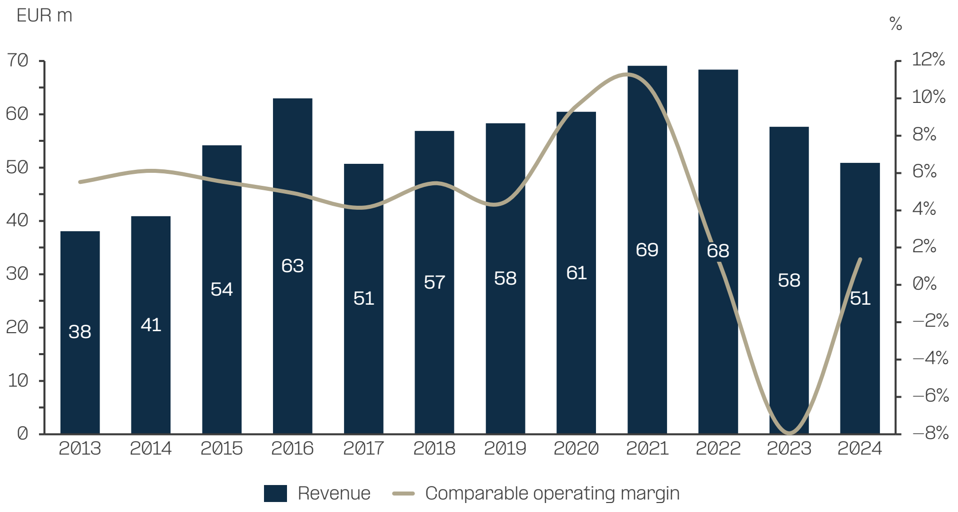
Pandemic-driven performance boost in 2020 and 2021

During the pandemic onset in 2020 and the following year, Solteq experienced a period of strong financial performance, driven by the surging demand for IT-services as the digital transformation accelerated and upgrading IT infrastructure became a priority across industries. This favourable market shift allowed Solteq to, mostly organically, grow comparable revenue by double digit figures in 2021. Growth figures were supported by notable improvements in the comparable operating profit margin, reaching 9.6% in 2020 and 10.3% in 2021. Building on this momentum, Solteq's stock price rose to an all-time high of EUR 6.88 in August 2021, up sharply from EUR 1.43 only one-year prior. The high demand and strong financial performance led Solteq to expand its workforce, and enabled Solteq to pursue growth through acquisitions, especially strengthening its presence in the energy sector.

Macro conditions and product development issues hindered the financial performance after the period of strong performance

However, this growth phase slowed in 2022 as external and internal pressures emerged. High inflation and a rising interest rate environment as a result of the overheated economy began to reduce firms' investment activity. Once demand softened, particularly IT-services companies were affected, as IT budgets often are among the first areas firms scale back during economic slowdowns. In addition to these macro circumstances, Solteq's issues with its Utilities software products negatively affected profitability and led to a revenue decline in 2022. The company had to redirect resources for troubleshooting and resolving product quality issues, which lowered customer invoicing and increased project delivery costs. The challenging environment has persisted, with comparable revenue declining by 5.3% in 2023 and 6.1% in 2024. However, restructuring efforts outlined at the 2023 CMD helped stabilize operations, improving the comparable operating margin from -7.9% in 2023 to 1.4% in 2024.

Figure 10: Revenue and comparable operating margin, 2013-2024

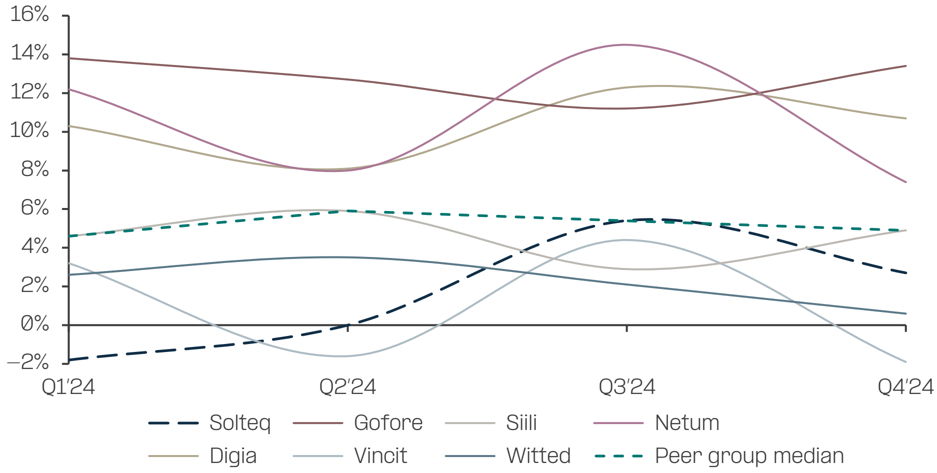


Source: Solteq, Evli Research
Note: The shift in revenue composition between 2016-2017 is mainly due to adoption of the IFRS 15 standard

Significant restructuring efforts to improve profitability have finally started to bear fruit in 2024

Since 2022, Solteq has gone through significant restructuring efforts aimed at restoring its financial performance. Key initiatives have included a more focused operational approach and implementing cost-cutting measures. This lengthy process has slowly started to pay off, with the company having turned the operating result to positive figures in 2024. Encouragingly, the much-needed improvement in profitability has accelerated throughout the year, though Q4's acceleration was primarily driven by the sale of the Solteq Care business and adjusted profitability moderated. Nevertheless, the profitability turnaround appears sustainable, as Solteq has accomplished it without relying on external market factors, but rather through said enhanced operational efficiency and advancements in product development.

Figure 11: Quarterly adj. EBITA-margin compared to listed peers

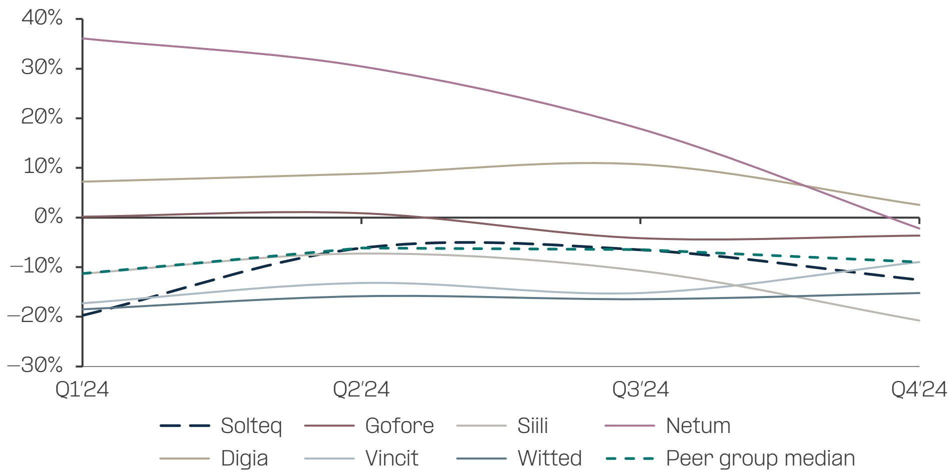


Source: Bloomberg, Company annual reports, Evli Research

Challenging market conditions have hindered growth recovery

While restoring profitability has been the primary focus, Solteq also aims to return to a growth trajectory. However, challenging market conditions have hindered this revenue recovery. Initially targeting revenue growth for 2024, Solteq, like many other Finnish IT-services peers during H2'24, issued a revenue-related profit warning in October, revising its guidance to reflect an expected y/y comparable revenue decline. Ultimately, FY 2024 revenue fell by 6.1% in comparable terms and by 11.8% when including divestments.

Figure 12: Quarterly y/y revenue development (%) compared to listed peers



Source: Company annual reports, Evli Research

Balance sheet

Typical IT–services provider; asset–light balance sheet dominated by goodwill

At the end of FY 2024, Solteq's total assets amounted to EUR 52.0 million, a decline of 8.3% from EUR 56.7 million at the end of 2023. Goodwill accounted for EUR 38.6 million, representing 74% of total assets, reflecting the company's strategic expansion through acquisitions. While this strategy has driven growth, it has also impacted the bottom line through depreciations and impairments. Trade and other receivables stood at EUR 6.8 million, while cash balance was at EUR 3.3 million. Consistent with industry norms, Solteq maintains an asset–light balance sheet.

Leveraged balance sheet

Despite its asset–light structure, Solteq operates with a relatively leveraged balance sheet. Total equity amounted to EUR 15.9 million, while trade and other payables stood at EUR 11.9 million. The company's equity ratio of 30.9% remains well below the peer group average of around 50%, underlining its greater dependence on debt financing.

Increased interest expenses due to bond extension in 2024

A significant portion of Solteq's liabilities stems from the bond originally issued in 2015 to fund the Descom acquisition, later refinanced in 2020 through an unsecured EUR 23.0 million bond. The recent extension of its maturity to 2026 has allowed Solteq to shift a substantial portion of its debt from short–term to long–term, providing some financial flexibility. However, the extension came at a cost, as the coupon rate was raised from 6% to 10%, alongside an additional 1.75% consent fee paid to bondholders. Additionally, the redemption price was revised to gradually increase from 100% to 104% over the extended maturity period.

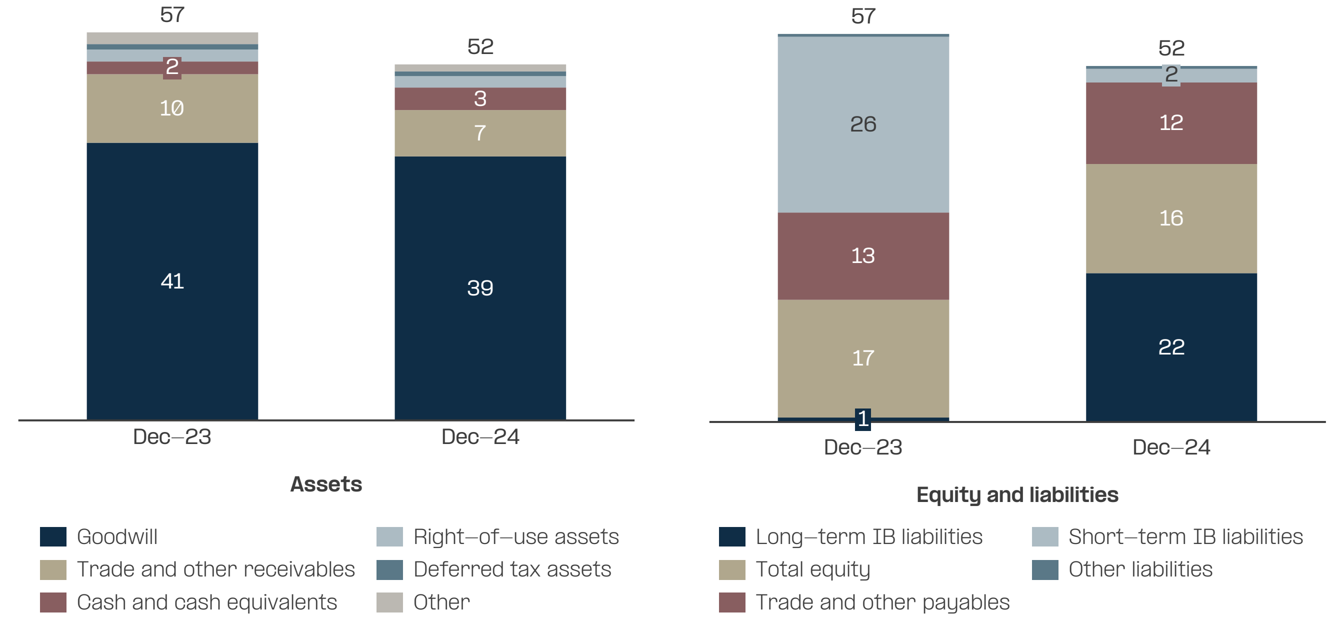
Repurchasing and cancelling EUR 4.26m worth of its notes during Q1'25

In response to the high financing costs, Solteq has taken steps to reduce its debt load. During Q1 2025, the company repurchased and canceled a total of EUR 4.26 million worth of its outstanding bonds in two separate transactions. Following these repurchases, the remaining bond amount reduced to EUR 18.74 million by the end of March 2025. To our understanding, these transactions were funded by proceeds from the Solteq Care divestment, demonstrating the company's strategic efforts to optimize its financial structure and enhance flexibility.

Cash flow generation is a top priority

With high interest expenses, improving cash flow generation is critical. Solteq's ability to generate positive cash flow will not only help manage balance sheet risk and offset the high financing expenses but also improve its position for potential renegotiations of bond terms at more favorable conditions. As the company continues to streamline operations and refocus its strategy, financial discipline remains a key priority.

Figure 13: Solteq's balance sheet composition and development as per Dec–23 & Dec–24, EUR m



Source: Solteq, Evli Research

Investments and cash flows

No major need for large investments

Due to Solteq's labor–intensive operating model, there is rather limited need for investments in tangible assets. Investment spikes in recent years have thus been driven by non–recurring events such as business divestments and acquisitions.

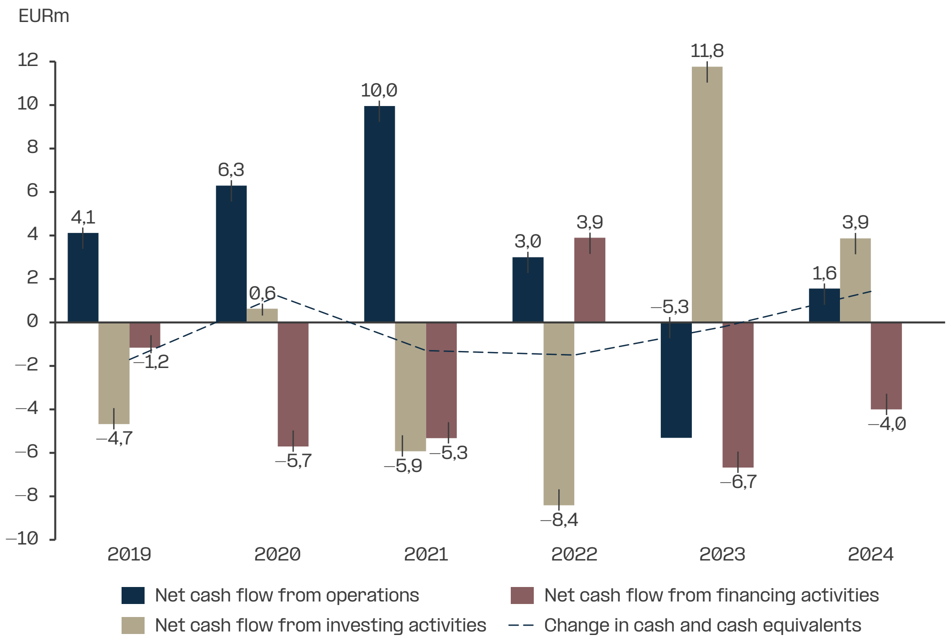
Main component of cash flow from investing activities has been development costs...

A stable element in investing activities has been investments in tangible and intangible assets, primarily related to the development of the company's proprietary software products. On average, these investments have amounted to approximately EUR 3m per year, reflecting the capitalization of development costs in accordance with the company's prior accounting practices.

... which treatment was changed since Q1'24 and is now recognized as expenses in the income statement

As of FY Q4'23, the company implemented a significant change in its treatment of product development costs. According to the management, development expenses for proprietary software products no longer meet the criteria for capitalization as intangible assets. Instead, they are categorized as part of standard operations and are recognized as expenses in the income statement. Consequently, these costs are now recorded as operating cash outflows rather than investing activities.

Figure 14: Breakdown of Solteq's cash flow statement 2018–2023



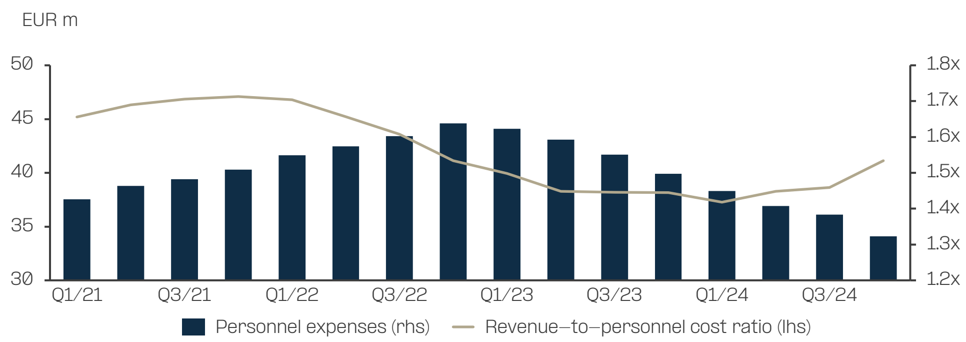
Source: Solteq, Evli Research

Cost structure

Personnel expenses dominate the cost structure

Solteq's cost structure is predominantly centered on personnel expenses, a common characteristic of the IT-services sector. As competition for skilled professionals remains high, human capital continues to serve as a critical driver of value. In recent years, cost-saving measures, including layoffs, have reduced personnel costs. Initially revenue declined faster than costs and pressured efficiency, but in 2024, the trend has reversed and the revenue per personnel cost ratio has returned to growth.

Figure 15: Personnel expenses development and efficiency, LTM



Source: Solteq, Evli Research

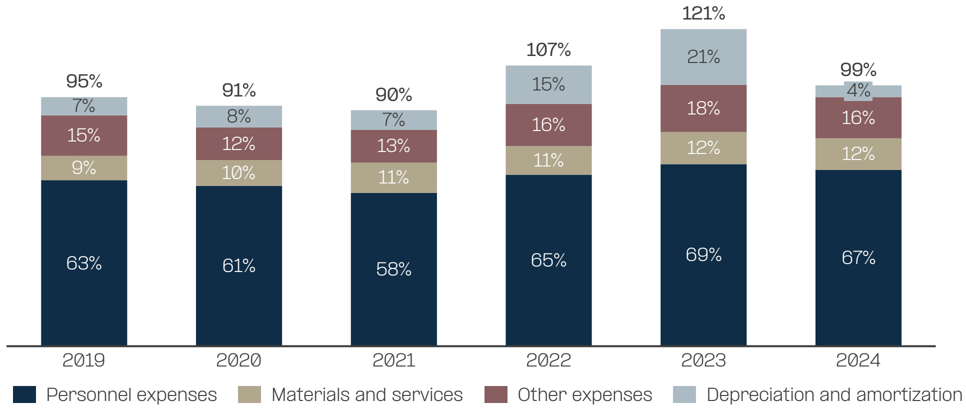
Rather linear and predictable cost structure, with the exception of non-recurring items

Overall, the cost structure has been rather stable and predictable, with the exception of occasional non-recurring items. Materials and services have consistently accounted for 10-12% of net sales since 2019. Other expenses, averaging 15% of total costs, have also only shown modest fluctuation. Depreciation and amortization expenses have tended to range between 4-8% of net sales, with significant deviations driven by Solteq Robotics write-offs in 2022 (15% of net sales) and a write-off made related to the product development activations in 2023 (21% of net sales).

Personnel expenses expected to scale beneficially through 2026

Personnel expenses have shown a tendency to scale efficiently during periods of growth supported by higher utilization rates, while contracting during the more challenging periods such as 2022-2023. The major corrective actions taken aimed at improving operational efficiency are expected to drive a further reduction in personnel costs as a percentage of net sales through 2025. Additionally, further cost savings can be achieved through reducing office space, in response to the shift towards remote work and less frequent use of office facilities.

Figure 16: Solteq cost structure by item in EUR m (% of revenue)



Source: Solteq, Evli Research

Estimates

Successful profitability turnaround masked by market headwinds

Solteq's recent performance presents a mixed foundation for 2025, influenced by both positive drivers and ongoing challenges. The company has experienced accelerated margin improvement and a much-needed turnaround has started to shape. Cost-saving measures and other strategic realignments implemented in 2023 are beginning to yield tangible results. Change negotiations in both segments have reduced personnel costs, while successful product development have shifted the revenue mix favourably, positioning the company to achieve greater scalability and margin expansion. However, sales have been soft due to difficult market conditions. This trend is consistent across many Finnish IT-services companies and the visibility for a sales recovery is limited. The company's guidance for 2025 reflects this outlook:

- Comparable revenue to decrease slightly (2024: EUR 48.8m excluding the divested healthcare software solutions business)
- Comparable operating profit will improve significantly (2024: EUR 0.7m)

2025 – recovery in sales towards the end of the year, profitability improving

Demand in 2025 is expected to remain subdued for Finnish IT services companies…

The prevailing view is that the Finnish IT-services market is likely to remain subdued in 2025. Persistent headwinds in the broader market have been visible through cautious spending patterns and postponed decision-making among clients, which is expected to limit growth prospects in 2025. Sales expectations for H1 remain modest, with progress more likely in H2 as market conditions are expected to slowly improve.

…although gradual recovery is expected throughout the year

Several factors support the outlook for recovery throughout the year. One key driver is that companies will inevitably need to resume IT investments to streamline operations. The continued push for digital transformation, combined with a growing emphasis on operational efficiencies, highlights the critical role of IT-services in maintaining competitiveness. We believe that IT investments, which have been postponed for an extended period, are likely to pick up, as improving macroeconomic indicators signal a strengthening economy, potentially accelerating investments.

Macroeconomic signals suggest a more favourable environment…

The decline in interest rates should drive demand by reducing borrowing costs, positioning Solteq for stronger growth in the latter half of the year. The 12-month Euribor has come down from 3.9% in 2023 to 2.2% (4.4.2025). Finland is also expected to return to economic growth in 2025, with GDP estimated to increase by 1.2% (Etla), when it declined by 0.2% in 2024 (Statistics Finland).

…although recent global trade tensions and tariffs imposed by the US adds to uncertainty

On the negative side, an escalation of the current trade war could disrupt the market's gradual recovery, leading to cost inflation and weaker economic activity. This could weigh on Solteq's growth trajectory and financial performance, putting downward pressure on our estimates. While it is still too early to assess the full impact of recent developments, the situation adds uncertainty and represents a clear downside risk.

We estimate revenue to decline marginally in comparable terms

We estimate Solteq's revenue in 2025 to be EUR 48.7m, meaning a marginal decline in comparable terms (2024: EUR 48.8m). Relying primarily on macroeconomic factors, we expect revenue in both segments to decline in comparable terms during H1, but to begin to recover in the second half of the year. We expect the company to fall short of its long-term growth targets initially set for 2025 in both segments (min. annual average organic growth: R&C: 8%, Utilities: 15%). For Retail & Commerce, we anticipate a slight revenue decline in 2025, mainly due to the divestment of Solteq Care. On a comparable basis, the segment's revenue should remain relatively stable y/y. For Utilities, we estimate a minor revenue decline, primarily due to the current project pipeline, which to our understanding suggests limited revenue recognition in H1.

We estimate the comparable operating profit margin to improve to 5.7% (2024: 1.4%)

Solteq's crucial profitability turnaround has progressed decently, and we estimate the comparable operating profit margin to be 5.1% in 2025 (2024: 1.4%). Although we believe the gradual recovery will continue, the company is expected to fall short of its segment–specific long–term targets regarding profitability (minimum EBIT–margin: R&C 8%, Utilities 18%), even though we expect the Retail & Commerce to come close.

We expect Retail & Commerce to improve profitability close to target level

In 2025, the Retail & Commerce segment will continue to benefit from the cost–cutting measures implemented in 2024, although the divestment of the likely more profitable Danish healthcare software business is expected to put some downward pressure on the segment's profitability. Nonetheless, the positive trend from 2024 is expected to continue and pick up, with the segment likely to approach its operating margin target of 8% (2024: 6.5%).

We expect the significant profitability improvement in Utilities to continue

For the Utilities segment, we expect the operating margin to continue its improvement throughout the year and be slightly negative (2024: –14.8%). The shift towards a more favourable revenue mix is expected to continue and growth in recurring revenue from software is key in achieving further leaps in profitability.

No dividend expected in 2025

Due to the substantial interest expenses, the net income is expected to be around breakeven or slightly positive. As a result, no dividend payments are expected.

2026–2027 – acceleration of turnaround

2026–2027 is the real test for Solteq

We expect Solteq's turnaround to gain momentum in 2026–2027, with both business segments contributing to growth. While 2025 will likely bring incremental progress amid gradually easing market conditions and further improved internal processes, the following years will in our view be the real test for the company. A key milestone will be Solteq's bond refinancing negotiations in early 2026, making financial improvements crucial for securing better terms.

We estimate revenue growth of 5–8% and operating margins of 8–11% for 2026–2027E

We estimate Solteq's revenue to grow 5.2% in 2026 and 7.9% in 2027 driven by an improving market environment and trends in both segments creating demand that Solteq can capitalize on as conditions improve. At the same time, operational efficiencies and a stronger revenue mix are expected to drive profitability, with operating profit margin estimated to increase to 8.2% in 2026 and 10.9% in 2027.

Retail & Commerce more stable backbone

The Retail & Commerce segment remains in our view the more stable and predictable part of Solteq's business. We estimate revenue growth of 4–7% in 2026–2027, with operating margins in the 8–10% range. The segment effectively serves as a hedge against the ongoing turnaround in Utilities, providing earnings stability while the company works to improve overall profitability.

More potential in Utilities…

The Utilities segment is expected to be the key contributor to Solteq's growth trajectory, with sales estimated to increase by 7–12% in 2026–2027. While not the largest segment in absolute terms, its strategic importance is underscored by the shift toward recurring software revenue, which we expect to drive operating margin expansion to 6–14% in 2026–2027E.

…although larger downside

However, a key risk remains software demand. While the 2020–2021 surge in energy sector software spending benefited Solteq, it is uncertain whether growth will sustain at similar levels as the market normalize. A weaker–than–expected software spending recovery could pose a downside risk to these estimates.

No dividend payouts expected in 2026–2027

Solteq is expected to prioritize debt repayments and strategic acquisitions, directing all free cash flow toward balance sheet strengthening and expansion. As a result, no dividends are anticipated during this period.

Long-term outlook

We expect growth to settle around 5% and operating margin of 10.5%

Looking further ahead, we model annual revenue growth of 5% for Solteq over 2028–2034, with an operating margin of 10.5%. These assumptions reflect an increased focus on the company's Utilities segment, where favorable trends already drove stronger performance in 2020–2021 prior to the market slowdown. In addition to trends such as evolving regulatory frameworks and the shift toward renewable energy driving demand, the scalable nature of the software-centric segment supports margin expansion.

Expansion in the Nordics through acquisitions is expected to drive growth over the long-term

Long-term performance will in our view depend on Solteq's ability to expand its operations beyond Finland, given that domestic growth opportunities remain somewhat constrained. M&A-supported expansion in Denmark, where the company already has a foothold, and in other Nordic markets will be needed, though entering new markets carries inherent challenges. Additionally, the company's currently limited balance sheet presents a constraint on expansion, making the continued improvement in profitability vital. The company's strategic focus on core operations also leaves the door open for further divestments in non-core businesses, which could help finance future acquisitions, although clear divestment objects are few.

Table 4: Estimate summary

Solteq	2023	Q1/'24	Q2/'24	Q3/'24	Q4/'24	2024	Q1/'25E	Q2/'25E	Q3/'25E	Q4/'25E	2025E	2026E	2027E
Net sales	**57.7**	**13.6**	**13.4**	**11.4**	**12.5**	**50.9**	**12.3**	**12.5**	**11.1**	**12.8**	**48.7**	**51.2**	**55.3**
sales growth %	*-15.7%*	*-19.7%*	*-6.1%*	*-6.5%*	*-12.5%*	*-11.8%*	*-9.4%*	*-6.7%*	*-2.9%*	*2.5%*	*-4.3%*	*5.2%*	*7.9%*
comparable growth %	*-5.3%*	*-3.8%*	*-1.6%*	*-6.5%*	*-12.4%*	*-6.1%*					*-0.3%*	*5.2%*	*7.9%*
EBITDA	**8.7**	**0.4**	**0.6**	**0.9**	**2.2**	**4.1**	**0.8**	**1.1**	**1.0**	**1.5**	**4.3**	**5.8**	**7.6**
Adj. EBITDA	**-1.7**	**0.4**	**0.6**	**1.2**	**0.8**	**2.9**	**0.8**	**1.1**	**1.0**	**1.5**	**4.3**	**5.8**	**7.6**
Adj. EBITDA-%	*-2.9 %*	*2.6 %*	*4.6 %*	*10.3 %*	*6.4 %*	*5.8 %*	*6.3%*	*8.6%*	*8.6%*	*11.9%*	*8.9 %*	*11.4 %*	*13.8 %*
EBIT	**-3.5**	**-0.2**	**0.0**	**0.3**	**1.8**	**1.8**	**0.3**	**0.6**	**0.5**	**1.0**	**2.5**	**4.2**	**6.0**
EBIT-%	*-6.1 %*	*-1.8 %*	*0.0 %*	*2.6 %*	*14.1 %*	*3.6 %*	*2.6%*	*5.0%*	*4.5%*	*8.1%*	*5.1 %*	*8.2 %*	*10.9 %*
Adjustment items	-1.0	0.0	0.0	0.3	-1.4	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adj. EBIT	**-4.6**	**-0.2**	**0.0**	**0.6**	**0.3**	**0.7**	**0.3**	**0.6**	**0.5**	**1.0**	**2.5**	**4.2**	**6.0**
Adj. EBIT-%	*-7.9%*	*-1.8%*	*0.0%*	*5.4%*	*2.7%*	*1.4%*	*2.6%*	*5.0%*	*4.5%*	*8.1%*	*5.1%*	*8.2%*	*10.9%*
Retail & Commerce	**2023**	**Q1/'24**	**Q2/'24**	**Q3/'24**	**Q4/'24**	**2024**	**Q1/'25E**	**Q2/'25E**	**Q3/'25E**	**Q4/'25E**	**2025E**	**2026E**	**2027E**
Net sales	**44.0**	**10.4**	**10.0**	**8.5**	**9.7**	**38.6**	**9.3**	**9.4**	**8.3**	**9.7**	**36.7**	**38.3**	**40.8**
sales growth %	*-18.3%*	*-22.8%*	*-7.3%*	*-7.5%*	*-7.3%*	*-12.1%*	*-10.3%*	*-6.4%*	*-2.9%*	*-0.2%*	*-5.1%*	*4.5%*	*6.5%*
Adj. EBITDA	**2.3**	**0.8**	**0.8**	**1.1**	**1.3**	**4.0**	**1.0**	**1.0**	**0.8**	**1.2**	**4.0**	**4.5**	**5.1**
Adj. EBITDA-%	*5.3%*	*7.9%*	*7.7%*	*12.7%*	*13.1%*	*10.2%*	*10.8%*	*10.7%*	*9.7%*	*11.9%*	*10.8%*	*11.7%*	*12.5%*
EBIT	**5.2**	**0.4**	**0.4**	**0.4**	**2.4**	**3.6**	**0.7**	**0.7**	**0.5**	**0.8**	**2.7**	**3.4**	**4.0**
EBIT -%	*11.8%*	*4.0%*	*3.7%*	*5.1%*	*24.7%*	*9.4%*	*7.5%*	*7.4%*	*6.0%*	*8.7%*	*7.5%*	*8.9%*	*9.8%*
Adj. EBIT	**0.4**	**0.4**	**0.4**	**0.7**	**1.0**	**2.5**	**0.7**	**0.7**	**0.5**	**0.8**	**2.7**	**3.4**	**4.0**
Adj. EBIT -%	*1.0%*	*4.0%*	*3.7%*	*8.5%*	*10.3%*	*6.5%*	*7.5%*	*7.4%*	*6.0%*	*8.7%*	*7.5%*	*8.9%*	*9.8%*
Utilities	**2023**	**Q1/'24**	**Q2/'24**	**Q3/'24**	**Q4/'24**	**2024**	**Q1/'25E**	**Q2/'25E**	**Q3/'25E**	**Q4/'25E**	**2025E**	**2026E**	**2027E**
Net sales	**13.7**	**3.2**	**3.4**	**2.9**	**2.8**	**12.2**	**3.0**	**3.1**	**2.8**	**3.1**	**12.0**	**12.9**	**14.4**
sales growth %	*-6.2%*	*-7.5%*	*-2.5%*	*-3.3%*	*-27.0%*	*-10.7%*	*-6.3%*	*-7.6%*	*-3.2%*	*11.6%*	*-1.8%*	*7.5%*	*12.0%*
Adj. EBITDA	**-4.0**	**-0.5**	**-0.2**	**0.1**	**-0.5**	**-1.0**	**-0.2**	**0.1**	**0.2**	**0.4**	**0.4**	**1.3**	**2.5**
Adj. EBITDA-%	*-29.0%*	*-14.5%*	*-4.8%*	*3.2%*	*-17.1%*	*-8.2%*	*-7.6%*	*2.3%*	*5.4%*	*11.6%*	*2.9%*	*10.4%*	*17.6%*
EBIT	**-8.7**	**-0.7**	**-0.4**	**-0.1**	**-0.6**	**-1.8**	**-0.4**	**-0.1**	**0.0**	**0.2**	**-0.3**	**0.8**	**2.0**
EBIT -%	*-63.7%*	*-20.7%*	*-10.9%*	*-4.9%*	*-22.8%*	*-14.8%*	*-12.7%*	*-2.6%*	*0.0%*	*6.5%*	*-2.2%*	*6.2%*	*13.8%*
Adj. EBIT	**-5.0**	**-0.7**	**-0.4**	**-0.1**	**-0.7**	**-1.8**	**-0.4**	**-0.1**	**0.0**	**0.2**	**-0.3**	**0.8**	**2.0**
Adj. EBIT -%	*-36.7%*	*-20.7%*	*-10.9%*	*-3.7%*	*-23.8%*	*-14.7%*	*-12.7%*	*-2.6%*	*0.0%*	*6.5%*	*-2.2%*	*6.2%*	*13.8%*

Source: Evli Research

Valuation

ACCUMULATE with a target price of EUR 0.65

We keep our target price of EUR 0.65, while maintaining recommendation at ACCUMULATE. While the long-term potential remains evident, we remain cautious due to the significant risks and uncertainties in the near term. Our valuation mainly relies on peer group multiples, with support from other valuation metrics. We consider Nordic IT-services peers an appropriate peer group. While Solteq has a more scalable and recurring product business compared to typical IT-service firms, suggesting higher profitability potential, the advantage is counterbalanced by its high risk profile and prolonged earnings turnaround. An increased focus on software revenue might justify, to some extent, comparisons with Nordic software companies for the Utilities segment in the future and support a segment-based relative valuation. Currently, there is not enough proof of operational performance in the Utilities segment to justify higher multiples. However, to illustrate the potential, we have modeled a scenario analysis based on our 2027 estimates, assuming the segment has matured to a more software-driven operating model by then (see page 35).

Trading at a slight premium compared to peers on 2025E…

Based on 2025E, Solteq's short-term valuation levels remain slightly on the higher side relative to the peer group. For 2025–2026, the peer group is trading at a median EV/EBITDA range of 7–6x, P/E of 15–12x, EV/EBIT of 10–9x and EV/sales of 0.7x. Solteq is currently valued at a premium on the 2025 EV-based earnings multiples, while its P/E is significantly above the peer group – although it should not be overly relied upon on 2025E, as recovering earnings and the high financing costs push our net income estimate close to zero. Based on 2025E EV/sales, Solteq trades in line with the peer group at 0.7x, which is a somewhat attractive level considering the company's medium-term potential and growing share of recurring revenue from software.

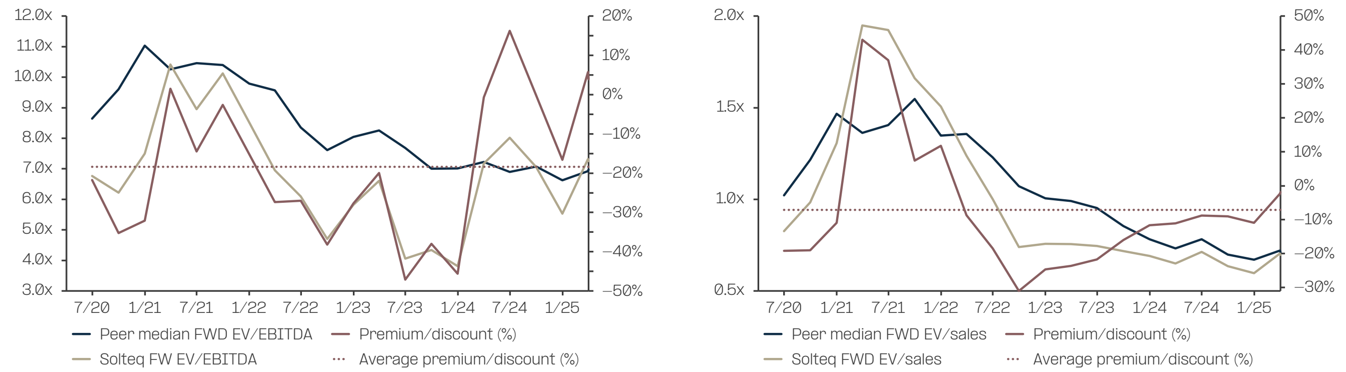
… but 2026E discount to peers highlights the potential should the turnaround continue

When looking at 2026E multiples, there is considerable upside potential should the turnaround progress well. We expect earnings to improve and financing costs to decrease in 2026, making earnings-based valuation more favorable. For 2026–2027E, Solteq trades at clear, double-digit discount to the peer group on all valuation metrics presented above, reflecting the potential upside, not least as we believe Solteq should trade above the peer group if its transition to a software-focused provider succeeds. That said, there is still a lot of uncertainty around the turnaround's scale.

DCF shows long-term potential, but we remain cautious due to short-term uncertainties

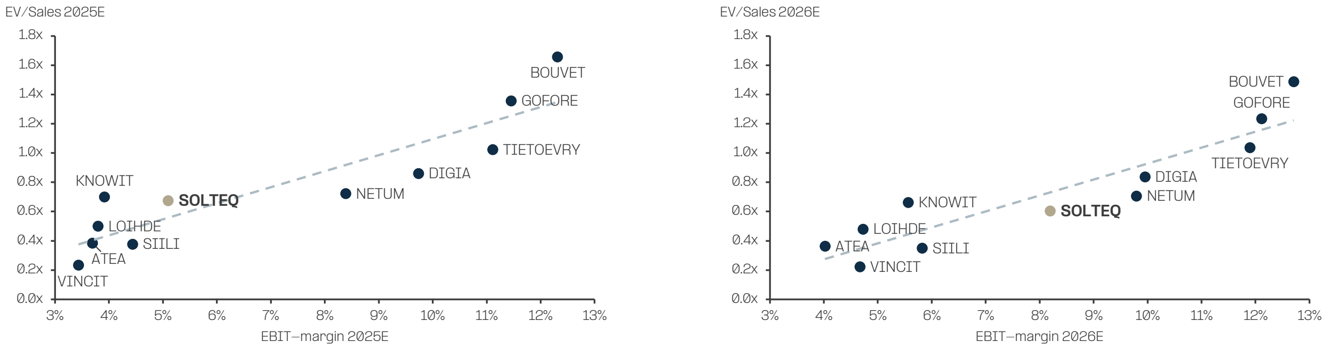
Our DCF-analysis underscores the long-term potential, but the uncertainties around a substantial operational improvement heavily weighs on its reliability. With a WACC of 10.6%, our DCF suggests a fair value well above current market levels. Given the ongoing not fully proven turnaround, financial pressures, and limited visibility on sales recovery, we remain cautious about relying on DCF as a valuation method.

Figure 17: EV/EBITDA (lhs) and EV/sales (rhs), Solteq vs. peer group median



Source: Bloomberg, Evli Research

Figure 18: EV/Sales (y–axis), EBIT–margin (x–axis), Solteq (Evli est.) vs. peer group, 2025–2026E



Source: Bloomberg, Evli Research

Table 5: Peer group

Peer group	MCAP	EV/EBIT			EV/EBITDA			P/E		
	EUR m	25E	26E	27E	25E	26E	27E	25E	26E	27E
Tietoevry	1819	9.3x	8.8x	8.4x	6.8x	6.5x	6.3x	8.6x	8.0x	7.8x
ATEA	1199	10.4x	9.0x	8.6x	6.7x	6.0x	5.8x	14.8x	12.5x	11.5x
Bouvet	633	13.6x	11.8x	10.8x	11.0x	9.8x	9.0x	19.0x	16.5x	14.8x
Knowit	349	18.0x	12.0x	9.8x	7.6x	6.4x	5.8x	18.2x	12.5x	9.2x
Gofore	287	11.7x	10.1x	8.6x	8.7x	7.7x	6.8x	15.5x	13.5x	11.6x
Digia	172	9.0x	8.5x	8.4x	7.0x	6.7x	6.4x	11.3x	10.4x	9.4x
Loihde	70	13.1x	10.1x	0.0x	6.0x	4.9x	4.5x	18.9x	12.9x	11.1x
Siili	46	9.0x	6.4x	5.5x	5.0x	4.1x	3.7x	10.0x	7.8x	6.5x
Netum	28	9.4x	7.8x	7.2x	8.9x	7.7x	6.9x	14.5x	11.5x	9.1x
Vincit	28	6.6x	4.6x	3.3x	5.3x	4.0x	2.9x	11.6x	8.2x	5.8x
Peer Group Average	463	11.0x	8.9x	7.1x	7.3x	6.4x	5.8x	14.2x	11.4x	9.7x
Peer Group Median	230	9.9x	8.9x	8.4x	6.9x	6.5x	6.0x	14.6x	12.0x	9.3x
Solteq (Evli est.)	12	13.0x	7.2x	4.4x	7.5x	5.1x	3.5x	83.8x	7.5x	3.6x
Prem./disc. to peer median		*32 %*	*-19 %*	*-47 %*	*8 %*	*-21 %*	*-43 %*	*472 %*	*-37 %*	*-61 %*

Peer group	Sales				Sales growth-%			EV/Sales		
	24	25E	26E	27E	25E	26E	27E	25E	26E	27E
Tietoevry	2803	2648	2615	2624	-5.5 %	-1.3 %	0.3 %	1.0x	1.0x	1.0x
ATEA	2973	3153	3327	3870	6.0 %	5.5 %	16.3 %	0.4x	0.4x	0.3x
Bouvet	337	372	414	454	10.2 %	11.4 %	9.6 %	1.7x	1.5x	1.4x
Knowit	561	571	604	637	1.8 %	5.8 %	5.5 %	0.7x	0.7x	0.6x
Gofore	186	188	206	229	0.8 %	9.9 %	11.0 %	1.4x	1.2x	1.1x
Digia	206	211	217	223	2.3 %	2.9 %	3.0 %	0.9x	0.8x	0.8x
Loihde	140	142	148	154	1.6 %	4.2 %	4.1 %	0.5x	0.5x	0.5x
Siili	112	113	121	130	0.5 %	7.6 %	7.0 %	0.4x	0.3x	0.3x
Netum	44	43	44	46	-2.4 %	2.3 %	4.1 %	0.7x	0.7x	0.7x
Vincit	85	81	86	91	-3.8 %	5.2 %	6.2 %	0.2x	0.2x	0.2x
Peer Group Average	745	752	778	846	1.2 %	5.4 %	6.7 %	0.8x	0.7x	0.7x
Peer Group Median	196	199	211	226	1.2 %	5.3 %	5.8 %	0.7x	0.7x	0.7x
Solteq (Evli est.)	51	49	51	55	-4.3 %	5.2 %	7.9 %	0.7x	0.6x	0.5x
Prem./disc. to peer median								*-5 %*	*-12 %*	*-25 %*

Peer group	EBIT-%			EBITDA-%			Div. Yield		
	25E	26E	27E	25E	26E	27E	25E	26E	27E
Tietoevry	11.1 %	11.9 %	12.3 %	15.1 %	15.9 %	16.6 %	9.5 %	9.4 %	9.4 %
ATEA	3.7 %	4.0 %	3.6 %	5.8 %	6.1 %	5.4 %	5.9 %	6.6 %	8.1 %
Bouvet	12.3 %	12.7 %	12.8 %	15.3 %	15.4 %	15.2 %	5.0 %	5.6 %	6.1 %
Knowit	3.9 %	5.6 %	6.5 %	9.3 %	10.5 %	11.0 %	2.5 %	4.0 %	4.8 %
Gofore	11.5 %	12.1 %	12.8 %	15.5 %	15.8 %	16.1 %	2.7 %	3.0 %	3.5 %
Digia	9.7 %	10.0 %	9.8 %	12.4 %	12.7 %	13.0 %	3.0 %	3.3 %	3.9 %
Loihde	3.8 %	4.7 %		8.2 %	9.7 %	10.2 %	4.9 %	6.0 %	0.0 %
Siili	4.4 %	5.8 %	6.3 %	8.0 %	9.0 %	9.5 %	4.0 %	5.1 %	0.0 %
Netum	8.4 %	9.8 %	10.3 %	8.9 %	10.0 %	10.7 %	5.5 %	6.4 %	0.0 %
Vincit	3.4 %	4.7 %	6.2 %	4.3 %	5.4 %	6.9 %	7.4 %	8.0 %	0.0 %
Peer Group Average	7.2 %	8.1 %	8.9 %	10.3 %	11.1 %	11.5 %	5.0 %	5.7 %	3.6 %
Peer Group Median	6.4 %	7.8 %	9.8 %	9.1 %	10.3 %	10.8 %	4.9 %	5.8 %	3.7 %
Solteq (Evli est.)	5.1 %	8.2 %	10.9 %	8.9 %	11.4 %	13.8 %	0.0 %	0.0 %	0.0 %

Source: Bloomberg, Evli Research

Scenario analysis

Software/SaaS sales in the Utilities segment are the main growth and profitability drivers

Solteq's main growth opportunity lies in its Utilities segment, which has the potential to shift the company toward a higher-margin, more software-driven business model. The segment's recurring revenue from software/SaaS has already increased to nearly 50% at end of year 2024, up from 33% in 2023, or in absolute terms from EUR 4.5m in 2023 to EUR 5.7m in 2024.

As the Utilities segment increases its revenue from own software and SaaS, a higher valuation benchmark for the segment would be justified

Should the turnaround be successful, a separate valuation approach for the business segments would in our view be justified. Software companies tend to be valued above 5.0x EV/sales, although reaching that level would require a longer time horizon, given Solteq's smaller scale and the ongoing transition, as well as uncertainties around its ability to expand. We remain cautious in assuming full convergence with software valuations by 2027 and apply a valuation below the lower end of software peers and present an EV/sales multiple range of 1.5–3.0x for the Utilities segment. We support this decision by comparing to one of the Utilities segments main competitors, Hansen Technologies, with EV/sales in the range of 2.6–2.4x for 2025–2027E. Meanwhile, Retail & Commerce is also increasing its recurring revenue share but remains more service-oriented rather than software-driven, not least due to the recent divestment of the software based Solteq Care. As a result, we believe this segment should be valued more in line with traditional IT services in the medium-term as well, and we employ a valuation range of 0.8–1.2x EV/sales for 2027E, close to historical industry valuation levels.

To illustrate the potential upside a continued shift in revenue mix could provide, we present a sum of the parts valuation scenario based on our 2027 estimates.

Table 6: Illustrative SOTP scenario analysis, 2027E

2027E		EV/sales multiple		Enterprise value	
EUR m	Sales	Low	High	Low	High
Retail & Commerce	40.8	0.8x	1.2x	32.6	49.0
Utilties	14.4	1.5x	3.0x	21.6	43.2
Total Enterprise Value				54.2	92.2
(-) Net Debt				14.6	14.6
Total Equity Value				39.6	77.6
Shares outstanding				19.4	19.4
Price per share				2.0	4.0

Source: Evli research illustrative example

Valuation above IT-services peers, but well below software peer group would be justified in this scenario

This scenario indicates an EV/Sales range of 1.0–1.7x, EV/EBITDA of 7–12x, P/E of 12–23x, and EV/EBIT of 9–15x. While the ranges are broad and exceed typical IT-services peers, they remain well below those of fully software-focused companies, and also below Hansen Technologies on most metrics. In our view, these valuation levels would be justified if Solteq successfully scales its software offerings, expands operating margins to double digits, and returns to sustained profitable growth.

Investment risks

Solteq faces several critical investment risks that could impact its financial performance and market position. Below is a detailed look at the key risks in our view.

Financial position

Solteq currently operates with a relatively leveraged balance sheet, reporting an equity ratio of 30.6% and a debt-to-equity ratio of 1.77 at the end of FY 2024. The company's primary debt burden stems from its issued bond. Following the 2024 bond extension renegotiation, Solteq was forced to accept unfavorable terms, reflecting both the broader market conditions and the company's risk profile. This resulted in an increase in the coupon rate from 6% to 10%. If Solteq fails to improve its profitability, it may struggle to renegotiate the bond to more favorable terms, which would continue to burden the company's bottom line with high interest expenses. However, the company has managed to reduce the principal amount in 2025, easing its debt burden.

Demand once the market stabilizes

Solteq has recently been impacted by challenging market conditions, resulting in a decline in comparable revenue each year during 2022-2024. Before this downturn, the company experienced two years of strong, profitable growth, fueled by demand for its products, driven by market trends in its business segments. The general consensus suggests that market demand is gradually returning to pre-pandemic levels. However, if demand for Solteq's products has decreased due to increased competition or other factors, it could limit the company's growth potential moving forward.

Product development issues

Solteq's growth and profitability heavily rely on its ability to develop high-quality, scalable, and competitive products. Inefficiencies in standardization and resource allocation could lead to cost overruns and delays, weakening profitability and potentially harming the company's market reputation. This risk has been evident in the Utilities segment, where rapid growth during the pandemic and a lack of standardization shifted resources toward product improvements rather than project execution, impacting margins and customer invoicing. While Solteq has made progress in enhancing product quality, any persistence of these challenges, or the emergence of new ones, could hinder the company's future growth and profitability.

Macroeconomic uncertainty

General macroeconomic challenges, including inflation and rising financing costs, may result in tighter budgets and more cautious spending from Solteq's customers, which could limit demand for its products and services. As companies become more cost-oriented, investments in IT may be delayed or reduced, impacting Solteq's growth prospects in both the short and long term. Recent developments in the global trade war add to this uncertainty.

Talent retention

In the competitive IT-services and software industry, attracting and retaining skilled talent is crucial. The talent acquisition race is intense, with companies battling for top professionals in fields like AI and software development. Failing to secure and retain this talent could weaken Solteq's competitive position, reduce product/service quality, and ultimately impact profitability and growth.

Acquisition-related risks

In the medium term, Solteq is likely to complement its organic growth with strategic acquisitions, as entering new markets without inorganic expansion may prove challenging. However, acquisitions carry inherent risks, and their success depends on strategic fit and execution. Poor integration, misaligned targets, or ineffective execution could undermine operational focus, reduce profitability, and erode shareholder value, ultimately limiting the intended benefits.

VALUATION RESULTS		BASE CASE DETAILS		VALUATION ASSUMPTIONS		ASSUMPTIONS FOR WACC	
Current share price	0.62	PV of Free Cash Flow	42	Long-term growth, %	2.0 %	Risk-free interest rate, %	2.25 %
DCF share value	3.12	PV of Horizon value	39	WACC, %	10.6 %	Market risk premium, %	5.8 %
Share price potential, %	400.9 %	Unconsolidated equity	0	Spread, %	0.5 %	Debt risk premium %	7.8 %
Maximum value	3.4	Marketable securities	3	Minimum WACC, %	10.1 %	Equity beta coefficient	1.30
Minimum value	2.9	Debt - dividend	-24	Maximum WACC, %	11.1 %	Target debt ratio, %	20 %
Horizon value, %	48.7 %	Value of stock	60	No. of shares, Mn	19.4	Effective tax rate, %	20 %

DCF valuation, EURm	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	TERMINAL
Net sales	51	49	51	55	58	61	64	67	71	74	76	77
Sales growth (%)	*-11.8%*	*-4.3%*	*5.2%*	*7.9%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*2.0%*	*2.0%*
Operating income (EBIT)	2	2	4	6	6	6	7	7	7	8	8	8
Operating income margin %	*3.6%*	*5.1%*	*8.2%*	*10.9%*	*10.5%*	*10.5%*	*10.5%*	*10.5%*	*10.5%*	*10.5%*	*10.5%*	*10.5%*
+ Depreciation+amort.	2	2	2	2	2	2	2	2	2	2	2	
EBITDA	4	4	6	8	8	8	9	9	10	10	10	
- Paid taxes	-1	0	-1	-1	-1	-1	-1	-1	-1	-2	-2	
- Change in NWC	1	0	0	0	0	0	0	0	0	0	0	
NWC / Sales, %	*-11.3%*	*-11.4%*	*-11.3%*	*-11.3%*	*-11.3%*	*-11.2%*	*-11.2%*	*-11.2%*	*-11.2%*	*-11.1%*	*-11.1%*	
+ Change in other liabs	0											
- Operative CAPEX	0	0	0	0	0	0	0	0	0	0	0	
opCAPEX / Sales, %	*3.7%*	*3.2%*	*3.3%*	*3.2%*	*3.2%*	*3.2%*	*3.2%*	*3.2%*	*3.2%*	*3.2%*	*3.2%*	
- Acquisitions												
+ Divestments	4											
- Other items	-1											
= FCFF	7	4	5	7	7	7	8	8	8	9	9	105
= Discounted FCFF		3	5	5	5	5	4	4	4	4	3	39
= DFCF min WACC		3	5	5	5	5	4	4	4	4	3	44
= DFCF max WACC		3	4	5	5	4	4	4	4	4	3	36

Sensitivity analysis, EUR

Terminal WACC

Terminal EBIT-%		8.58 %	9.58 %	10.58 %	11.58 %	12.58 %
	8.50 %	3.92	3.27	2.77	2.37	2.05
	9.50 %	4.19	3.48	2.94	2.51	2.17
	10.50 %	4.46	3.70	3.12	2.66	2.29
	11.50 %	4.73	3.91	3.29	2.80	2.40
	12.50 %	5.00	4.13	3.46	2.94	2.52

INTERIM FIGURES

EVLI ESTIMATES, EURm	2024Q1	2024Q2	2024Q3	2024Q4	2024	2025Q1E	2025Q2E	2025Q3E	2025Q4E	2025E	2026E	2027E
Net sales	13.6	13.4	11.4	12.5	50.9	12.3	12.5	11.1	12.8	48.7	51.2	55.3
EBITDA	0.4	0.6	0.9	2.2	4.1	0.8	1.1	1.0	1.5	4.3	6.0	7.7
EBITDA margin (%)	*2.7%*	*4.6%*	*7.8%*	*17.7%*	*8.0%*	*6.3%*	*8.6%*	*8.6%*	*11.9%*	*8.9%*	*11.6%*	*13.9%*
EBIT	-0.2	0.0	0.3	1.8	1.8	0.3	0.6	0.5	1.0	2.5	4.2	6.0
EBIT margin (%)	*-1.8%*	*0.0%*	*2.6%*	*14.1%*	*3.6%*	*2.6%*	*5.0%*	*4.5%*	*8.1%*	*5.1%*	*8.2%*	*10.9%*
Net financial items	-0.5	-0.5	-0.8	-0.6	-2.4	-0.6	-0.6	-0.6	-0.5	-2.3	-2.2	-1.8
Pre-tax profit	-0.7	-0.5	-0.5	1.1	-0.6	-0.3	0.0	-0.1	0.5	0.2	2.0	4.2
Tax	0.0	0.0	0.0	-0.5	-0.6	0.1	0.0	0.0	-0.1	0.0	-0.4	-0.8
Tax rate (%)	*0.1%*	*-7.2%*	*-8.4%*	*47.4%*	*-102.3%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*
Net profit	-0.7	-0.5	-0.6	0.6	-1.2	-0.2	0.0	-0.1	0.4	0.1	1.6	3.4
EPS	-0.04	-0.03	-0.03	0.03	-0.06	-0.01	0.00	0.00	0.02	0.01	0.08	0.17
EPS adj. (diluted)	-0.04	-0.03	-0.03	0.03	-0.06	-0.01	0.00	0.00	0.02	0.01	0.08	0.17
Dividend per share												

SALES, EURm	2024Q1	2024Q2	2024Q3	2024Q4	2024	2025Q1E	2025Q2E	2025Q3E	2025Q4E	2025E	2026E	2027E
Retail & Commerce	10.4	10.0	8.5	9.7	38.6	9.3	9.4	8.3	9.7	36.7	38.3	40.8
Utilities	3.2	3.4	2.9	2.8	12.2	3.0	3.1	2.8	3.1	12.0	12.9	14.4
Total	13.6	13.4	11.4	12.5	50.9	12.3	12.5	11.1	12.8	48.7	51.2	55.3

SALES GROWTH, Y/Y %	2024Q1	2024Q2	2024Q3	2024Q4	2024	2025Q1E	2025Q2E	2025Q3E	2025Q4E	2025E	2026E	2027E
Retail & Commerce	-22.8%	-7.3%	-7.5%	-7.3%	-12.1%	-10.3%	-6.4%	-2.9%	-0.2%	-5.1%	4.5%	6.5%
Utilities	-7.5%	-2.5%	-3.3%	-27.0%	-10.7%	-6.3%	-7.6%	-3.2%	11.6%	-1.9%	7.5%	12.0%
Total	-19.7%	-6.1%	-6.5%	-12.6%	-11.8%	-9.4%	-6.7%	-2.9%	2.5%	-4.3%	5.2%	7.9%

EBIT, EURm	2024Q1	2024Q2	2024Q3	2024Q4	2024	2025Q1E	2025Q2E	2025Q3E	2025Q4E	2025E	2026E	2027E
Retail & Commerce	0.4	0.4	0.4	2.4	3.6	0.7	0.7	0.5	0.8	2.7	3.4	4.0
Utilities	-0.7	-0.4	-0.1	-0.6	-1.8	-0.4	-0.1		0.2	-0.3	0.8	2.0
Total	-0.2	0.0	0.3	1.8	1.8	0.3	0.6	0.5	1.0	2.5	4.2	6.0

EBIT margin %	2024Q1	2024Q2	2024Q3	2024Q4	2024	2025Q1E	2025Q2E	2025Q3E	2025Q4E	2025E	2026E	2027E
Retail & Commerce	4.0%	3.7%	5.1%	24.7%	9.4%	7.5%	7.5%	6.0%	8.7%	7.5%	8.9%	9.8%
Utilities	-20.7%	-10.9%	-4.9%	-22.8%	-14.8%	-12.7%	-2.6%		6.5%	-2.2%	6.2%	13.8%
Total	-1.8%	0.0%	2.6%	14.1%	3.6%	2.6%	5.0%	4.5%	8.1%	5.1%	8.2%	10.9%

INCOME STATEMENT, EURm	2020	2021	2022	2023	2024	2025E	2026E	2027E
Sales	60.5	69.1	68.4	57.7	50.9	48.7	51.2	55.3
Sales growth (%)	3.7%	14.2%	-0.9%	-15.8%	-11.8%	-4.3%	5.2%	7.9%
EBITDA	10.4	12.3	5.5	8.7	4.1	4.3	6.0	7.7
EBITDA margin (%)	17.2%	17.8%	8.1%	15.1%	8.0%	8.9%	11.6%	13.9%
Depreciation	-5.0	-5.1	-10.0	-12.2	-2.3	-1.8	-1.8	-1.7
EBITA	5.4	7.2	-4.4	-3.5	1.8	2.5	4.2	6.0
Goodwill amortization / writedown								
EBIT	5.4	7.2	-4.4	-3.5	1.8	2.5	4.2	6.0
EBIT margin (%)	8.9%	10.4%	-6.5%	-6.1%	3.6%	5.1%	8.2%	10.9%
Reported EBIT	5.4	7.2	-4.4	-3.5	1.8	2.5	4.2	6.0
EBIT margin (reported) (%)	8.9%	10.4%	-6.5%	-6.1%	3.6%	5.1%	8.2%	10.9%
Net financials	-2.6	-1.9	-2.2	-1.2	-2.4	-2.3	-2.2	-1.8
Pre-tax profit	2.7	5.3	-6.6	-4.7	-0.6	0.2	2.0	4.2
Taxes	-0.8	-1.1	1.2	-0.7	-0.6	0.0	-0.4	-0.8
Minority shares								
Net profit	2.0	4.1	-5.4	-5.4	-1.2	0.1	1.6	3.4
Cash NRIs								
Non-cash NRIs								

BALANCE SHEET, EURm								
Assets								
Fixed assets	12	13	10	2	2	1	1	1
Goodwill	39	42	46	41	39	39	39	39
Right of use assets	7	5	3	2	2	2	2	2
Inventory	0	0	0	0	0	0	0	0
Receivables	12	12	11	10	6	6	6	7
Liquid funds	5	4	2	2	3	2	2	2
Total assets	75	76	74	57	52	50	51	51
Liabilities								
Shareholders' equity	27	28	23	17	16	16	18	21
Minority interest								
Convertibles								
Lease liabilities	7	5	3	2	2	2	2	2
Deferred taxes	1	1	1	0	0	0	0	0
Interest bearing debt	24	24	30	24	22	21	19	15
Non-interest bearing current liabilities	16	18	17	13	12	11	12	13
Other interest-free debt					1	1	1	1
Total liabilities	75	76	74	57	52	50	51	51

CASH FLOW, EURm								
+ EBITDA	10	12	6	9	4	4	6	8
- Net financial items	-3	-2	-2	-1	-2	-2	-2	-2
- Taxes	-1	-1	0	-1	-1	0	0	-1
- Increase in Net Working Capital	0	1	1	-3	1	0	0	0
+/- Other	-1	0	0	-9	-1			
= Cash flow from operations	6	10	4	-5	2	2	4	5
- Capex	-5	-4	-4	-3	-2	-2	-2	-2
- Acquisitions		-3	-5					
+ Divestments	4			14	4			
= Free cash flow	6	4	-6	6	4	0	2	4
+/- New issues/buybacks	0	0	2	0	0			
- Paid dividend	3	2						
+/- Other	-4	-2	4	-6	-2	-2	-2	-4
Change in cash	1	-1	-2	0	1	-1	0	0

KEY FIGURES	2021	2022	2023	2024	2025E	2026E	2027E
M-cap	91	24	15	12	12	12	12
Net debt (excl. convertibles)	26	31	25	20	20	18	15
Enterprise value	117	55	39	33	32	30	27
Sales	69	68	58	51	49	51	55
EBITDA	12	6	9	4	4	6	8
EBIT	7	-4	-4	2	2	4	6
Pre-tax	5	-7	-5	-1	0	2	4
Earnings	4	-5	-5	-1	0	2	3
Equity book value (excl. minorities)	28	23	17	16	16	18	21

Valuation multiple	2021	2022	2023	2024	2025E	2026E	2027E
EV/Sales	1.7	0.8	0.7	0.6	0.7	0.6	0.5
EV/EBITDA	9.5	10.0	4.5	8.0	7.5	5.1	3.5
EV/EBITA	16.3	-12.5	-11.1	18.2	13.0	7.2	4.4
EV/EBIT	16.3	-12.5	-11.1	18.2	13.0	7.2	4.4
EV/OCF	11.7	14.2	-7.4	21.1	18.5	8.4	4.9
EV/FCF	21.2	-19.1	5.0	4.5	9.0	5.7	3.9
P/FCFR	25.6	-4.3	2.5	3.4	58.9	6.3	3.2
P/E	21.9	-4.4	-2.3	-10.3	83.8	7.5	3.6
P/BV	3.2	1.1	0.9	0.8	0.7	0.7	0.6
Target EV/EBITDA					7.6	5.2	3.5
Target EV/EBIT					13.3	7.4	4.5
Target EV/FCFF					160.6	16.2	7.3
Target P/BV					0.8	0.7	0.6
Target P/E, diluted	25.4	-7.1	-4.2	21.5	87.6	7.9	3.8

Per share measures	2021	2022	2023	2024	2025E	2026E	2027E
Number of shares (million)	19.40	19.40	19.40	19.40	19.40	19.40	19.40
Number of shares (diluted, million)	19.40	19.40	19.40	19.40	19.40	19.40	19.40
EPS	0.21	-0.28	-0.28	-0.06	0.01	0.08	0.17
Operating cash flow per share	0.51	0.20	-0.27	0.08	0.09	0.19	0.28
Free cash flow per share	0.18	-0.29	0.31	0.19	0.01	0.10	0.19
Book value per share	1.44	1.16	0.89	0.82	0.83	0.91	1.09
Dividend per share	0.10						
Dividend payout ratio, %	46.8%						
Dividend yield, %	2.1%						
FCF yield, %	3.9%	-23.5%	40.8%	29.1%	1.7%	15.9%	30.9%

Efficiency measures	2021	2022	2023	2024	2025E	2026E	2027E
ROE	15.2%	-21.5%	-27.1%	-7.3%	0.9%	9.5%	17.3%
ROCE	12.4%	-7.8%	-7.1%	4.3%	6.4%	11.0%	15.8%

Financial ratios	2021	2022	2023	2024	2025E	2026E	2027E
Inventories as % of sales	0.3%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%
Receivables as % of sales	17.0%	16.2%	16.9%	12.2%	12.2%	12.2%	12.2%
Non-int. bearing liabilities as % of sales	25.5%	25.6%	22.4%	22.9%	22.9%	22.9%	22.9%
NWC/sales, %	-8.2%	-9.2%	-5.4%	-11.3%	-11.4%	-11.3%	-11.3%
Operative CAPEX/Sales, %	5.1%	6.4%	4.9%	3.7%	3.2%	3.3%	3.2%
CAPEX/sales (incl. acquisitions), %	1.0%	-1.1%	4.9%	3.7%	3.2%	3.3%	3.2%
FCFF/EBITDA	0.4	-0.5	0.9	1.8	0.8	0.9	0.9
Net Debt/EBITDA, book-weighted	2.1	5.7	2.8	5.0	4.7	3.1	1.9
Debt/equity, market-weighted	0.3	1.3	1.7	1.8	1.7	1.5	1.2
Equity ratio, book-weighted	0.4	0.3	0.3	0.3	0.3	0.4	0.4
Gearing, %	92.6%	139.4%	142.3%	128.3%	125.9%	103.7%	69.4%

COMPANY DESCRIPTION: Solteq is a Nordic software and IT-services provider specializing in digital business solutions. Solteq's strength has been in commerce related solutions with a focus on selected sectors, namely the retail and wholesale, industry, energy, and services sectors.

INVESTMENT CASE: Solteq's investment case revolves around the success of executing its strategy of shifting from its IT-services oriented past towards increasingly becoming a software house. Implied margin upside potential is considerable, with segment targets putting margins clearly in the double digits. Growth will increasingly need to be sought from abroad, as domestic growth potential is somewhat restricted within core competencies.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Profiz Business Solution Oyj	2 195 569	1.366	11.3 %
Elo Mutual Pension Insurance Company	2 000 000	1.244	10.3 %
Ilmarinen Mutual Pensions Insurance Company	1 651 293	1.027	8.5 %
Varma Mutual Pension Insurance Company	1 545 597	0.961	8.0 %
Aktia Capital Mutual Fund	770 000	0.479	4.0 %
Aalto Seppo Tapio	625 000	0.389	3.2 %
Saadetdin Ali	602 216	0.375	3.1 %
Säästöpankki Small Cap Mutual Fund	500 000	0.311	2.6 %
Incedo Oy	304 001	0.189	1.6 %
Kelhu Markku Juhani	300 000	0.187	1.5 %
Ten largest	10 493 676	6.527	54.1 %
Residual	8 902 825	5.538	45.9 %
Total	19 396 501	12.065	100%

EARNINGS CALENDAR

April 29, 2025	Q1 report
August 21, 2025	Q2 report
October 29, 2025	Q3 report

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Aarne Aktan	Revontulenkuja 1, FI-02100 Espoo
CFO: Mikko Sairanen	Tel:
IR:	

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 $\frac{\text{Price per share}}{\text{Shareholder's equity} + \text{taxed provisions per share}}$	**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 rate per year
ROE, % $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$	

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Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – 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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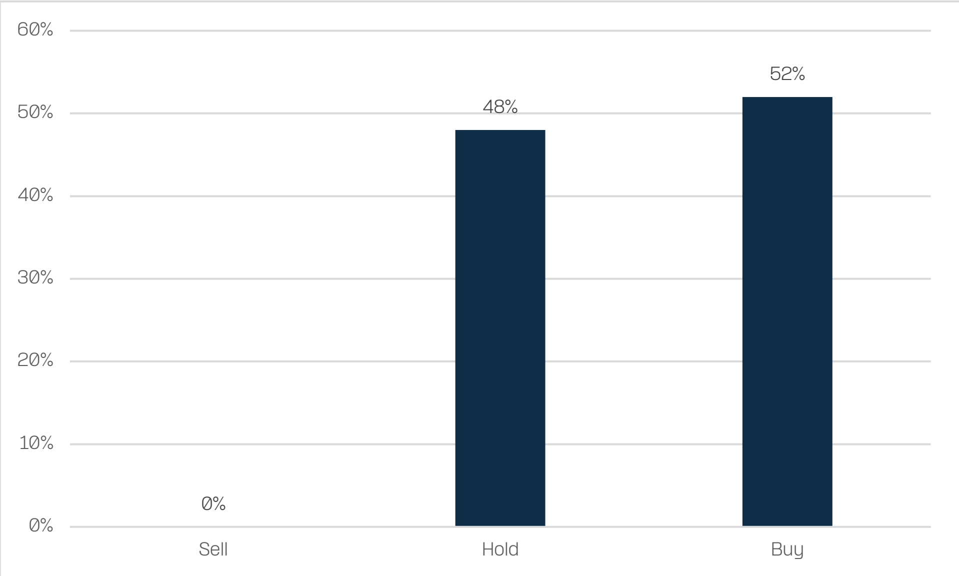

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Name(s) of the analyst(s): Jerker Salokivi, Atte Pitkäjärvi

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