

EBIT miss from project postponements

Solteq's Q3 results were slightly below our estimates. Net sales in Q3 amounted to EUR 13.0m (Evli EUR 13.5m), while EBIT amounted to EUR 0.3m (Evli EUR 0.7m). The operating profit was affected by the postponement of certain customer projects. Solteq reiterated its guidance, expecting the operating profit to grow clearly compared to the financial year 2018.

- Net sales in Q3 were EUR 13.0m (EUR 12.8m in Q3/18), slightly below our estimates (Evli EUR 13.5m). Growth in Q3 amounted to 1.2 % y/y. The revenue of overseas subsidiaries increased considerably.
- Operating profit and adjusted operating profit in Q3 amounted to EUR 0.3m (EUR 0.5m in Q3/18), below our estimates (Evli EUR 0.7m), at a margin of 2.2 %. The operating profit was below company expectations due to the postponement of certain customer projects to the fourth quarter.
- Product development investments during Q3/19 amounted to EUR 0.9m (1-9/2019: EUR 3.0m), co's FY2019 estimate EUR 3.7m.
- The group's order intake continued to develop positively during Q3/19 and improved considerably compared to Q3/18.
- Guidance reiterated: Solteq's operating profit is expected to grow clearly compared to the financial year 2018
- Solteq further announced a change in reporting structure and will during 2020 implement and structure with two segments: Solteq Software and Solteq Digital. The average annual sales growth targets for the segments are 20% and 5% respectively and EBIT-margin targets 25% and 8% respectively.

Rating 🟡 HOLD

Q3/19	Actual	Evli	Year ago	Q2/19
Net sales	13.0	13.5	12.8	14.7
EBIT	0.3	0.7	0.5	0.6
EPS	-0.01	0.01	-0.01	0.01

Deviation	Actual	Evli	Year ago	Q2/19
Net sales		-4%	1%	-11%
EBIT		-58%	-43%	-51%
EPS		-	-81%	-

Share price, EUR (Last trading day's closing price) 1.41

Target price, EUR 1.5

Latest change in recommendation	27-Jun-19
Latest report on company	14-Oct-19
Research paid by issuer:	YES
No. of shares outstanding, '000's	19,307
No. of shares fully diluted, '000's	19,307
Market cap, EURm	27
Free float, %	43.0
Exchange rate	0.000
Reuters code	SOLTEQ.HE
Bloomberg code	SOLTEQ FH
Average daily volume, EURm	-
Next interim report	29-Oct-19
Web site	www.solteq.com

Analyst Jerker Salokivi
E-mail jerker.salokivi@evli.com
Telephone +358 9 4766 9149

🟢 BUY 🟡 HOLD 🔴 SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2017	50.7	0.3	0.6%	-8.4	-0.08	-18.3	1.0	168.7	-30.2	0.00
2018	56.9	2.5	4.3%	-6.0	0.02	69.9	1.0	22.0	-23.9	0.00
2019E	58.9	4.4	7.4%	1.8	0.10	13.6	0.9	12.6	6.7	0.03
2020E	61.4	5.2	8.4%	2.5	0.14	10.0	0.9	10.2	9.2	0.04
2021E	63.5	5.5	8.7%	2.9	0.16	8.9	0.8	9.2	10.6	0.05

Market cap, EURm	27	BV per share 2019E, EUR	115.4	CAGR EPS 2018-21, %	104.5
Net debt 2019E, EURm	27	Price/book 2019E	1.1	CAGR sales 2018-21, %	3.8
Enterprise value, EURm	55	Dividend yield 2019E, %	2.2	ROE 2019E, %	8.8
Total assets 2019E, EURm	74	Tax rate 2019E, %	18.4	ROCE 2019E, %	7.7
Goodwill 2019E, EURm	40	Equity ratio 2019E, %	32.0	PEG, P/E 19/CAGR	0.9

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

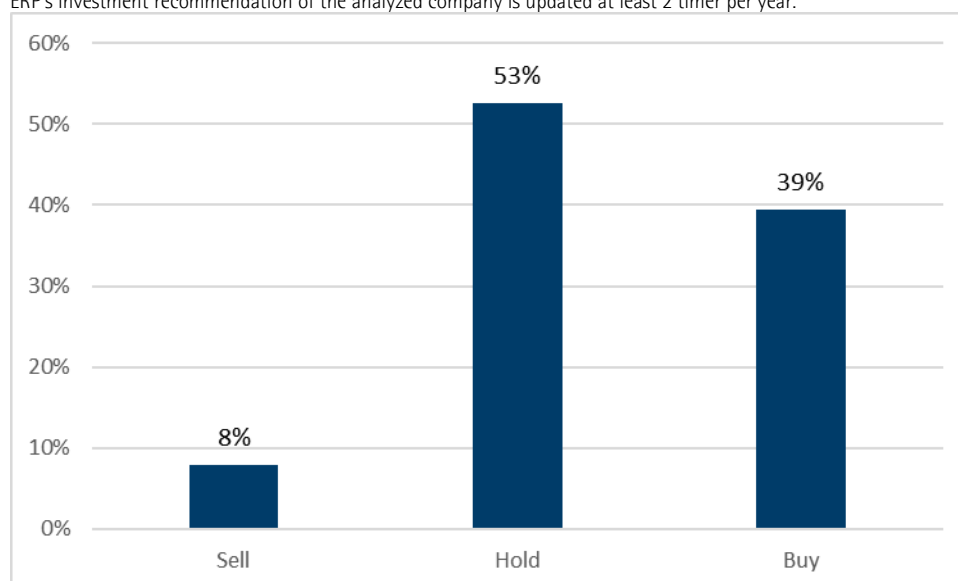
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Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.



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

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

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Contact information

SALES, TRADING AND RESEARCH

Equity Sales

Ari Laine +358 9 4766 9115
Lauri Ahokanto +358 9 4766 9117
Niclas Henelius +358 9 4766 9116

Trading

Lauri Vehkaluoto (Head) +358 9 4766 9120
Pasi Väisänen +358 9 4766 9120
Antti Kässä +358 9 4766 9120
Miika Ronkanen +358 9 4766 9120

ETFs and Derivatives

Joachim Dannberg +358 9 4766 9123
Kimmo Lijja +358 9 4766 9130

Structured Investments

Heikki Savijoki +358 9 4766 9726
Aki Lakkisto +358 9 4766 9123

Equity Research

Jonas Forslund +358 9 4766 9314
Joonas Ilvonen +358 44 430 9071
Jerker Salokivi +358 9 4766 9149
Anna-Liisa Rissanen +358 40 157 9919

Evli Investment Solutions

Johannes Asuja +358 9 4766 9205
Markku Reinikainen +358 9 4766 9669



EVLI BANK PLC
Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Fax +358 9 634 382
Internet www.evli.com
E-mail firstname.lastname@evli.com

**EVLI BANK PLC,
STOCKHOLMSFILIAL**
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000
Fax +46 (0)8 407 8001