

Solid revenue growth

Solteq's revenue in Q1 was better than expected at EUR 15.7m (Evli EUR 14.4m). Comparable growth was 11.6%. The adj. operating profit was in line with expectations at EUR 0.9m (Evli EUR 0.8m). Product development investments in 2020E EUR 3.0m (2019 3.9m).

- Net sales in Q1 were EUR 15.7m (EUR 14.9m in Q1/19), above our estimates (Evli EUR 14.4m). Growth in Q4 amounted to 5.0 % y/y. Comparable growth, adjusted for the divestment of the SAP ERP business amounted to 11.6%. Growth was mainly driven by the Solteq Digital segment. Approximately a quarter of sales came from outside Finland.
- The operating profit in Q1 amounted to EUR 0.7m (EUR 1.5m in Q1/19), in line with our estimates (Evli EUR 0.8m). The adj. operating profit amounted to EUR 0.9m (EUR 1.2m in Q1/19), in line with our estimate of EUR 0.8m.
- Capitalized product development investments during Q1/20 amounted to EUR 1.0m. Solteq expects product development investments in 2020 to amount to EUR 3.0m (2019: EUR 3.9m).
- Solteq Digital: Revenue in Q1 amounted to EUR 11.3m (Q1/19: EUR 10.7m). Comparable growth 15.5%. The adj. EBIT amounted to EUR 0.7m (Q1/19: EUR 0.6m).
- Solteq Software: Revenue in Q1 amounted to EUR 4.3m (Q1/19: EUR 4.2m). Growth was 2.5%. The adj. EBIT amounted to EUR 0.2m (Q1/19: EUR 0.7m).
- Solteq announced a change to its dividend proposal due to uncertainty caused by the coronavirus pandemic and the BoD is to propose that no dividend be distributed.

Rating

HOLD

Q1/20	Actual	Evli	Year ago	Q4/19
Net sales	15.7	14.4	14.9	15.7
EBIT	0.7	0.8	1.5	3.3
Adj. EBIT	0.9	0.8	1.1	0.3
EPS	0.00	0.01	0.04	0.11

Deviation	Actual	Evli	Year ago	Q4/19
Net sales		9%	5%	0%
EBIT		-10%	-53%	-78%
Adj. EBIT		11%	-21%	>100%
EPS		-	-	-

Share price, EUR (Last trading day's closing price) 1.10

Target price, EUR 0.95

Latest change in recommendation 27-Jun-19

Latest report on company 07-Apr-20

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 21

Free float, % 43.0

Exchange rate 0.000

Reuters code SOLTEQ.HE

Bloomberg code SOLTEQ FH

Average daily volume, EURm 0.01

Next interim report 30-Apr-20

Web site solteq.com/en/investors

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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
2018	56.9	2.5	4.3%	4.7	0.02	69.9	1.0	22.0	18.8	0.00
2019	58.3	5.7	9.8%	-3.2	0.15	27.1	1.0	10.6	-11.0	0.00
2020E	54.5	2.1	3.8%	0.2	0.00	629.1	1.0	25.5	1.1	0.03
2021E	57.1	3.5	6.1%	1.2	0.06	17.5	0.9	14.8	5.4	0.03
2022E	59.1	4.1	6.9%	2.2	0.09	12.3	0.9	12.3	10.2	0.04

Market cap, EURm	21	BV per share 2020E, EUR	127.4	CAGR EPS 2019-22, %	17.4
Net debt 2020E, EURm	31	Price/book 2020E	0.9	CAGR sales 2019-22, %	0.5
Enterprise value, EURm	53	Dividend yield 2020E, %	2.7	ROE 2020E, %	0.1
Total assets 2020E, EURm	75	Tax rate 2020E, %	20.0	ROCE 2020E, %	3.5
Goodwill 2020E, EURm	39	Equity ratio 2020E, %	32.6	PEG, P/E 20/CAGR	2.0

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

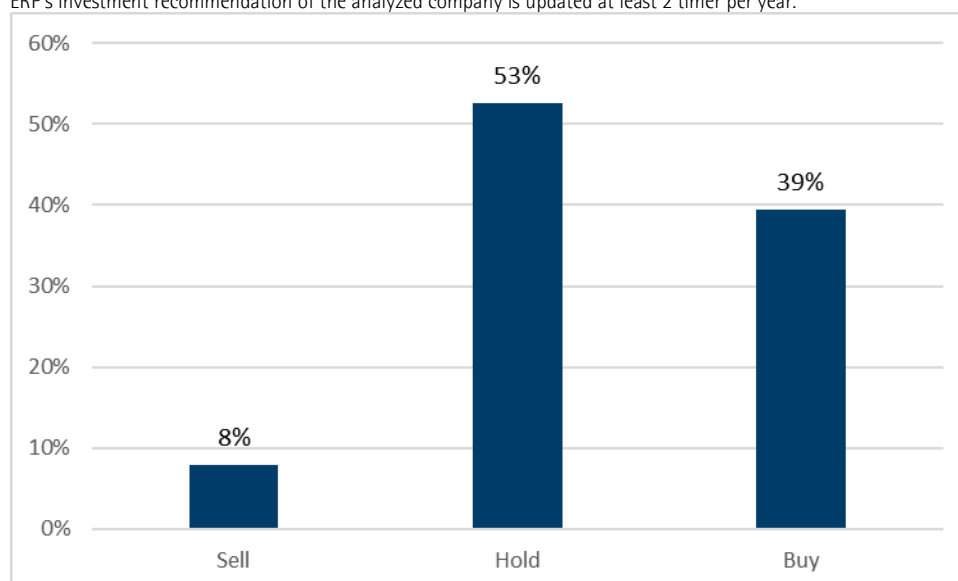
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Investment recommendations are defined as follows:

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

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