

Steady as she goes

Solteq reported clearly better profitability figures than we had expected, with comp. EBIT of EUR 1.4m (Evli 0.7m). We expect the good traction to show also in 2021 but remain slightly cautious on growth figures given the uncertainty. We adjust our TP to EUR 1.90 (1.65), BUY-rating intact.

Our profitability estimates clearly beat

Solteq reported Q3 results that were clearly better than we had expected. Revenue grew 8.5% in comparable terms to EUR 13.3m (Evli 13.0m) and the comparable operating profit to EUR 1.4m (Evli 0.7m). Profitability was better than expected in both segments. The pandemic has had some effect on sales but has not impacted the group's performance as a whole so far. Solteq Software is clearly gaining traction with the order backlog that has been building up, with particular success in gaining new projects in the utilities-sector and positive development is seen during the rest of the year. Solteq Digital has seen continued good demand in core areas the outlook remains rather stable.

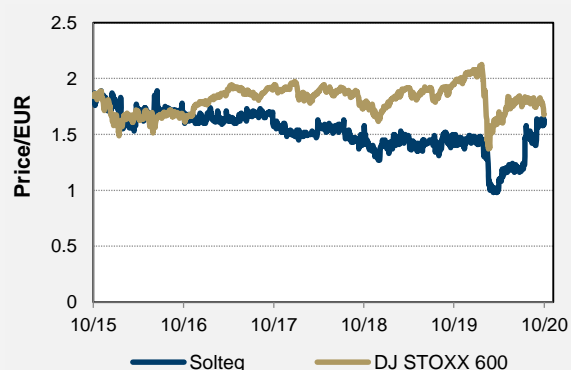
Solteq Software gaining traction

The good development in profitability, brought by previously taken measures and sales growth, is showing a positive effect on the company's cash generation despite the interest expense burden and product development investments. We do not expect Solteq to go completely unscathed through the pandemic and have clearly lower growth expectations for Solteq Digital in 2021 while the good order intake and the build-up of recurring revenue from long-term contracts will support growth in Solteq Software. We also maintain margin estimates for 2021 at similar levels as in 2020 for now given the uncertainty but see potential for improvement in Solteq Software as the share of own products increases. On group level we estimate growth of 3.7% and an EBIT-margin of 8.8% in 2021.

BUY with a target price of EUR 1.90 (1.65)

Current valuation implies a 2020e EV/EBITDA of 6.4x. Even when comparing solely with the Nordic IT-service peers, valuation still appears attractive. We retain our BUY-rating and raise our target price to EUR 1.90 (1.65) following our revised estimates.

Rating BUY



Share price, EUR (Last trading day's closing price) 1.59

Target price, EUR 1.9

Latest change in recommendation 14-Aug-20

Latest report on company 14-Aug-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 31

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 25-Feb-21

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BUY HOLD SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2018	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	60.1	5.3	8.8%	1.9	0.12	13.3	1.0	11.5	6.2	0.06
2021E	62.3	5.5	8.8%	3.5	0.14	11.1	0.9	10.5	11.5	0.07
2022E	64.6	5.9	9.1%	3.1	0.16	9.9	0.9	9.5	10.1	0.08
Market cap, EURm	31		Gearing 2020E, %	110.3		CAGR EPS 2019-22, %		43.1		
Net debt 2020E, EURm	30		Price/book 2020E	1.1		CAGR sales 2019-22, %		3.5		
Enterprise value, EURm	60		Dividend yield 2020E, %	3.8		ROE 2020E, %		9.0		
Total assets 2020E, EURm	80		Tax rate 2020E, %	25.4		ROCE 2020E, %		8.7		
Goodwill 2020E, EURm	39		Equity ratio 2020E, %	33.7		PEG, P/E 20/CAGR		1.0		

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

Solteq	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20E	2020E	2021E	2022E
Net sales	56.9	14.9	14.7	13.0	15.7	58.3	15.7	15.1	13.3	16.1	60.1	62.3	64.6
<i>sales growth %</i>	12.1%	0.2%	3.0%	1.2%	5.2%	2.5%	5.0%	2.9%	2.3%	2.5%	3.2%	3.7%	3.6%
<i>comparable growth %</i>							11.6%	7.8%	8.5%	8.2%	9.0%		
Other income	0.5	0.0	0.0	0.0	2.6	2.6	0.0	0.1	0.1	0.0	0.2	0.0	0.0
Materials and services	-6.1	-0.9	-1.4	-1.4	-1.7	-5.4	-1.7	-1.4	-1.3	-1.6	-5.9	-6.1	-6.3
Personnel expenses	-35.6	-9.3	-9.4	-8.1	-9.9	-36.8	-9.5	-9.5	-7.9	-9.6	-36.6	-37.0	-38.2
Other expenses	-10.9	-2.2	-2.3	-2.2	-2.3	-9.0	-2.6	-1.6	-1.5	-1.8	-7.5	-7.9	-8.2
EBITDA	4.8	2.5	1.5	1.3	4.4	9.7	1.9	2.7	2.7	3.1	10.4	11.3	11.9
Adj. EBITDA		2.5	1.6	1.3	2.1	7.5	2.0	2.7	2.7	3.2	10.7	11.3	11.9
D&A	-2.3	-0.9	-1.0	-1.0	-1.1	-4.0	-1.2	-1.2	-1.4	-1.4	-5.1	-5.8	-6.0
EBIT	2.5	1.5	0.6	0.3	3.3	5.7	0.7	1.5	1.4	1.7	5.3	5.5	5.9
<i>EBIT-%</i>	4.3%	10.2%	3.9%	2.2%	21.1%	9.8%	4.6%	9.8%	10.3%	10.6%	8.7%	8.8%	9.1%
Adjustment items	0.7	0.0	0.1	-0.3	-2.2	-2.5	0.2	0.0	0.0	0.0	0.2	0.0	0.0
Adj. EBIT	3.1	1.5	0.6	0.0	1.1	3.2	0.9	1.5	1.4	1.7	5.5	5.5	5.9
<i>Adj. EBIT-%</i>	5.5%	10.3%	4.3%	-0.1%	6.9%	5.6%	5.6%	10.0%	10.3%	10.6%	9.1%	8.8%	9.1%
Solteq Digital	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20E	2020E	2021E	2022E
Net sales		10.7	10.4	9.3	10.9	41.2	11.3	10.5	9.2	10.9	41.9	42.7	43.6
<i>sales growth %</i>		-	-	-	-	-	6.0%	1.5%	-1.0%	0.1%	1.7%	2.0%	2.0%
Adj. EBITDA		1.5	1.3	0.8	1.2	4.8	1.3	1.8	1.6	1.8	6.4	6.8	7.0
<i>Adj. EBITDA-%</i>		14.4%	12.6%	8.7%	10.9%	11.7%	11.6%	16.9%	17.0%	16.5%	15.4%	16.0%	16.0%
EBIT		0.9	0.6	0.2	2.8	4.4	0.5	1.1	0.8	1.0	3.4	3.6	3.8
<i>EBIT-%</i>		8.2%	5.3%	1.6%	25.9%	10.7%	4.8%	10.3%	9.0%	9.2%	8.2%	8.4%	8.7%
Adj. EBIT		0.9	0.6	0.2	0.5	2.2	0.7	1.1	0.8	1.0	3.6	3.6	3.8
<i>Adj. EBIT-%</i>		8.3%	5.9%	1.6%	4.7%	5.3%	5.8%	10.5%	9.0%	9.2%	8.5%	8.4%	8.7%
Solteq Software	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20E	2020E	2021E	2022E
Net sales		4.2	4.3	3.7	4.8	17.1	4.3	4.6	4.1	5.2	18.2	19.6	21.0
<i>sales growth %</i>		-	-	-	-	-	2.5%	6.1%	10.5%	7.9%	6.7%	7.5%	7.0%
Adj. EBITDA		0.9	0.3	0.5	1.0	2.7	0.7	1.0	1.2	1.4	4.2	4.5	4.9
<i>Adj. EBITDA-%</i>		21.8%	7.7%	13.3%	19.9%	15.9%	16.7%	21.1%	28.1%	26.9%	23.3%	23.0%	23.4%
EBIT		0.7	0.0	0.1	0.5	1.3	0.2	0.4	0.5	0.7	1.8	1.9	2.1
<i>EBIT-%</i>		15.4%	0.4%	3.5%	10.6%	7.7%	4.1%	8.8%	13.2%	13.5%	10.0%	9.7%	10.0%
Adj. EBIT		0.7	0.0	0.1	0.6	1.4	0.2	0.4	0.5	0.7	1.9	1.9	2.1
<i>Adj. EBIT-%</i>		15.4%	0.4%	3.5%	12.0%	8.1%	5.2%	8.8%	13.2%	13.5%	10.3%	9.7%	10.0%

NORDIC IT SERVICES	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		20	21	22	20	21	22	20	21	22
TietoEVRY	2598	8.5x	7.0x	6.7x	12.2x	9.7x	9.3x	12.0x	10.0x	9.0x
Atea	1071	9.0x	8.0x	7.4x	16.0x	13.1x	11.8x	20.9x	16.9x	14.8x
Knowit	444	11.1x	9.7x	8.9x	14.2x	12.2x	11.0x	19.0x	16.8x	15.6x
HiQ International	388	16.3x	14.7x	13.6x	20.3x	17.8x	16.2x	28.1x	24.5x	22.3x
Bouvet	536	15.6x	14.3x	12.9x	19.6x	17.8x	15.8x	26.1x	23.8x	21.3x
Gofore	183	16.9x	15.2x	13.0x	19.2x	17.7x	15.7x	27.5x	23.3x	20.9x
Digia	180	11.0x	10.5x	9.6x	16.6x	15.1x	13.4x	19.0x	18.8x	16.7x
Sili Solutions	79	9.2x	8.0x	6.8x				17.6x	13.6x	10.9x
Vincit	77							15.3x		
Innofactor	44	7.3x	6.8x	6.5x	13.9x	10.7x	9.1x	14.0x	11.9x	9.9x
Peer Group Average	700	11.7x	10.5x	9.5x	16.5x	14.3x	12.8x	19.9x	17.7x	15.7x
Peer Group Median	416	11.0x	9.7x	8.9x	16.3x	14.1x	12.6x	19.0x	16.9x	15.6x

Source Bloomberg, Evli Research

NORDIC SOFTWARE	MCAP EUR	EV/EBITDA			EV/EBIT			P/E		
		20	21	22	20	21	22	20	21	22
Qt Group	971	76.4x	48.9x	32.9x	95.4x	57.4x	36.8x	120.7x	71.4x	45.9x
Vitec Software Group	864	21.6x	19.7x	17.5x	48.3x	42.6x	36.5x	45.5x	40.4x	35.6x
Basware	536	29.4x	24.5x	18.4x	142.5x	69.7x	35.6x			129.0x
SimCorp	4213	32.6x	26.8x	23.9x	36.3x	29.3x	26.0x	46.4x	37.5x	33.3x
F-Secure	548	16.3x	16.8x	14.7x	29.7x	30.0x	22.6x	42.1x	39.2x	30.8x
Admicom	486	47.9x	36.2x	28.0x	55.8x	40.2x	30.4x	64.0x	46.5x	36.1x
Efecte	48		87.1x	24.2x		435.6x	31.1x		800.0x	36.4x
Enea	329	11.8x	9.6x	8.3x	17.0x	13.7x	11.3x	19.5x	16.2x	13.1x
Infront	69	10.7x	8.9x	7.9x	43.6x	23.4x	18.7x	317.3x	15.9x	11.3x
Peer Group Average	896	30.8x	30.9x	19.6x	58.6x	82.4x	27.7x	93.6x	133.4x	41.3x
Peer Group Median	536	25.5x	24.5x	18.4x	46.0x	40.2x	30.4x	46.4x	39.8x	35.6x

Source Bloomberg, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	1.59 PV of Free Cash Flow	48 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	3.80 PV of Horizon value	57 WACC, %	8.9 Market risk premium, %	5.8
Share price potential, %	138.9 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	4.2 Marketable securities	4 Minimum WACC, %	8.4 Equity beta coefficient	1.10
Minimum value	3.4 Debt - dividend	-35 Maximum WACC, %	9.4 Target debt ratio, %	20
Horizon value, %	54.2 Value of stock	73 Nr of shares, Mn	19.3 Effective tax rate, %	20

DCF valuation, EURm	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Horizon
Net sales	58	60	62	65	67	70	73	76	79	82	83	85
<i>Sales growth, %</i>	<i>2.5</i>	<i>3.2</i>	<i>3.7</i>	<i>3.6</i>	<i>4.0</i>	<i>4.0</i>	<i>4.0</i>	<i>4.0</i>	<i>4.0</i>	<i>4.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	6	5	6	6	6	6	7	7	7	8	8	8
<i>Operating income margin, %</i>	<i>9.8</i>	<i>8.8</i>	<i>8.8</i>	<i>9.1</i>	<i>9.2</i>	<i>9.2</i>	<i>9.2</i>	<i>9.2</i>	<i>9.2</i>	<i>9.2</i>	<i>9.2</i>	<i>9.2</i>
+ Depreciation+amort.	4	5	6	6	6	5	6	6	6	6	7	
EBITDA	10	10	11	12	12	12	12	13	13	14	14	
- Paid taxes	-2	-1	-1	-1	-1	-1	-1	-1	-1	-2	-2	
- Change in NWC	-1	0	0	0	0	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	<i>-1.5</i>	<i>-1.5</i>	<i>-1.5</i>	<i>-1.5</i>	<i>-1.5</i>	<i>-1.5</i>	<i>-1.5</i>	<i>-1.5</i>	<i>-1.5</i>	<i>-1.5</i>	<i>-1.5</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-5	-4	-3	-4	-4	-4	-4	-4	-4	-5	-5	
<i>opCAPEX / Sales, %</i>	<i>12.5</i>	<i>9.3</i>	<i>8.2</i>	<i>9.3</i>	<i>9.6</i>	<i>8.9</i>	<i>8.9</i>	<i>8.9</i>	<i>8.9</i>	<i>8.9</i>	<i>8.5</i>	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	-2	0	0	0	0	0	0	0	0	0	0	
= FCFF	1	5	7	7	6	7	7	7	8	8	8	124
= Discounted FCFF		5	7	6	5	5	5	4	4	4	4	57
= DFCF min WACC		5	7	6	5	5	5	4	4	4	4	64
= DFCF max WACC		5	6	6	5	5	4	4	4	4	4	51

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3	2020Q4E	2020E	2021E	2022E
Net sales	14.9	14.7	13.0	15.7	58.3	15.7	15.1	13.3	16.1	60.1	62.3	64.6
EBITDA	2.5	1.6	1.3	4.4	9.7	1.9	2.7	2.7	3.1	10.4	11.3	11.9
<i>EBITDA margin (%)</i>	<i>16.4</i>	<i>10.7</i>	<i>10.0</i>	<i>27.9</i>	<i>16.7</i>	<i>12.0</i>	<i>18.0</i>	<i>20.4</i>	<i>19.3</i>	<i>17.3</i>	<i>18.2</i>	<i>18.4</i>
EBIT	1.5	0.6	0.3	3.3	5.7	0.7	1.5	1.4	1.7	5.3	5.5	5.9
<i>EBIT margin (%)</i>	<i>10.2</i>	<i>3.9</i>	<i>2.2</i>	<i>21.2</i>	<i>9.8</i>	<i>4.6</i>	<i>9.8</i>	<i>10.3</i>	<i>10.6</i>	<i>8.8</i>	<i>8.8</i>	<i>9.1</i>
Net financial items	-0.5	-0.5	-0.5	-0.6	-2.0	-0.6	-0.5	-0.6	-0.5	-2.2	-2.0	-2.0
Pre-tax profit	1.1	0.1	-0.2	2.8	3.7	0.1	1.0	0.8	1.2	3.1	3.5	3.9
Tax	-0.3	0.1	0.0	-0.7	-0.9	-0.1	-0.2	-0.3	-0.2	-0.8	-0.7	-0.8
<i>Tax rate (%)</i>	<i>23.7</i>	<i>-106.3</i>	<i>16.1</i>	<i>26.2</i>	<i>23.8</i>	<i>63.0</i>	<i>21.8</i>	<i>32.9</i>	<i>20.0</i>	<i>25.4</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0.8	0.1	-0.2	2.0	2.8	0.0	0.8	0.5	1.0	2.3	2.8	3.1
EPS	0.04	0.01	-0.01	0.11	0.15	0.00	0.04	0.03	0.05	0.12	0.14	0.16
EPS adjusted (diluted no. of shares)	0.04	0.01	-0.01	0.02	0.06	0.00	0.04	0.03	0.05	0.12	0.14	0.16
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06	0.07	0.08
SALES, EURm												
Solteq Digital	10.7	10.4	9.3	10.9	41.2	11.3	10.5	9.2	10.9	41.9	42.7	43.6
Solteq Software	4.2	4.3	3.7	4.8	17.1	4.3	4.6	4.1	5.2	18.2	19.6	21.0
Total	14.9	14.7	13.0	15.7	58.3	15.7	15.1	13.3	16.1	60.1	62.3	64.6
SALES GROWTH, Y/Y %												
<i>Solteq</i>	<i>-100.0</i>	<i>-100.0</i>	<i>-100.0</i>	<i>-100.0</i>	<i>-100.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Solteq Digital</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>6.0</i>	<i>1.5</i>	<i>-1.0</i>	<i>0.0</i>	<i>1.7</i>	<i>2.0</i>	<i>2.0</i>
<i>Solteq Software</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>2.5</i>	<i>6.1</i>	<i>10.5</i>	<i>7.9</i>	<i>6.7</i>	<i>7.5</i>	<i>7.0</i>
<i>Total</i>	<i>0.4</i>	<i>3.0</i>	<i>1.2</i>	<i>5.3</i>	<i>2.5</i>	<i>5.0</i>	<i>2.9</i>	<i>2.3</i>	<i>2.4</i>	<i>3.2</i>	<i>3.7</i>	<i>3.6</i>
EBIT, EURm												
Solteq Digital	0.9	0.6	0.2	2.8	4.4	0.5	1.1	0.8	1.0	3.4	3.6	3.8
Solteq Software	0.7	0.0	0.1	0.5	1.3	0.2	0.4	0.5	0.7	1.8	1.9	2.1
Total	1.5	0.6	0.3	3.3	5.7	0.7	1.5	1.4	1.7	5.3	5.5	5.9
EBIT margin, %												
<i>Solteq Digital</i>	<i>8.2</i>	<i>5.3</i>	<i>1.6</i>	<i>25.8</i>	<i>10.7</i>	<i>4.8</i>	<i>10.3</i>	<i>9.0</i>	<i>9.2</i>	<i>8.2</i>	<i>8.4</i>	<i>8.7</i>
<i>Solteq Software</i>	<i>15.4</i>	<i>0.4</i>	<i>3.5</i>	<i>10.6</i>	<i>7.7</i>	<i>4.1</i>	<i>8.8</i>	<i>13.2</i>	<i>13.5</i>	<i>10.0</i>	<i>9.7</i>	<i>10.0</i>
<i>Total</i>	<i>10.2</i>	<i>3.9</i>	<i>2.2</i>	<i>21.2</i>	<i>9.8</i>	<i>4.6</i>	<i>9.8</i>	<i>10.3</i>	<i>10.6</i>	<i>8.8</i>	<i>8.8</i>	<i>9.1</i>

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	54.2	63.0	50.7	56.9	58.3	60.1	62.3	64.6
<i>Sales growth (%)</i>	<i>32.6</i>	<i>16.3</i>	<i>-19.6</i>	<i>12.1</i>	<i>2.5</i>	<i>3.2</i>	<i>3.7</i>	<i>3.6</i>
EBITDA	3.1	8.4	2.4	4.8	9.7	10.4	11.3	11.9
<i>EBITDA margin (%)</i>	<i>5.7</i>	<i>13.3</i>	<i>4.7</i>	<i>8.4</i>	<i>16.7</i>	<i>17.3</i>	<i>18.2</i>	<i>18.4</i>
Depreciation	-1.8	-1.9	-2.1	-2.3	-4.0	-5.1	-5.8	-6.0
EBITA	1.3	6.5	0.3	2.5	5.7	5.3	5.5	5.9
Goodwill amortization / writedown	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	1.3	6.4	0.3	2.5	5.7	5.3	5.5	5.9
<i>EBIT margin (%)</i>	<i>2.4</i>	<i>10.2</i>	<i>0.6</i>	<i>4.3</i>	<i>9.8</i>	<i>8.8</i>	<i>8.8</i>	<i>9.1</i>
Reported EBIT	1.3	6.4	0.3	2.5	5.7	5.3	5.5	5.9
<i>EBIT margin (reported) (%)</i>	<i>2.4</i>	<i>10.2</i>	<i>0.6</i>	<i>4.3</i>	<i>9.8</i>	<i>8.8</i>	<i>8.8</i>	<i>9.1</i>
Net financials	-1.0	-1.7	-1.8	-1.8	-2.0	-2.2	-2.0	-2.0
Pre-tax profit	0.3	4.7	-1.5	0.6	3.7	3.1	3.5	3.9
Taxes	-0.2	-0.1	-0.1	-0.3	-0.9	-0.8	-0.7	-0.8
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	0.1	4.6	-1.5	0.4	2.8	2.3	2.8	3.1
Cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	8	7	8	10	11	12	11	10
Goodwill	35	34	37	40	39	39	39	39
Right of use assets	0	0	0	6	7	8	8	8
Inventory	0	0	0	0	0	0	0	0
Receivables	18	12	15	12	16	16	17	17
Liquid funds	3	8	2	5	4	5	6	8
Total assets	64	61	61	74	77	80	80	83
Liabilities								
Shareholder's equity	15	20	20	22	25	27	28	30
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	6	8	8	8	8
Deferred taxes	1	1	1	1	1	1	1	1
Interest bearing debt	28	26	26	28	28	27	26	26
Non-interest bearing current liabilities	18	14	14	17	17	17	18	18
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	64	61	61	74	77	80	80	83
CASH FLOW, EURm								
+ EBITDA	3	8	2	5	10	10	11	12
- Net financial items	-1	-2	-2	-2	-2	-2	-2	-2
- Taxes	0	0	0	0	-1	-1	-1	-1
- Increase in Net Working Capital	-3	3	-1	6	-1	0	0	0
+/- Other	0	-5	-2	0	-2	0	0	0
= Cash flow from operations	-1	4	-2	8	4	7	9	9
- Capex	-28	-1	-1	-3	-7	-6	-5	-6
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-29	3	-3	5	-3	2	4	3
+/- New issues/buybacks	4	0	3	1	0	0	0	0
- Paid dividend	0	0	-1	0	0	0	-1	-1
+/- Other	25	3	-5	-2	2	0	-2	0
Change in cash	0	6	-7	4	-2	2	1	2

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	28	28	25	29	31	31	31
Net debt (excl. convertibles)	17	24	29	32	30	27	26
Enterprise value	45	52	54	60	60	58	56
Sales	63	51	57	58	60	62	65
EBITDA	8	2	5	10	10	11	12
EBIT	6	0	2	6	5	6	6
Pre-tax	5	-1	1	4	3	3	4
Earnings	5	-2	0	3	2	3	3
Equity book value (excl. minorities)	20	20	22	25	27	28	30
Valuation multiples							
EV/sales	0.7	1.0	1.0	1.0	1.0	0.9	0.9
EV/EBITDA	5.4	21.8	11.4	6.2	5.8	5.1	4.7
EV/EBITA	7.0	168.7	22.0	10.6	11.5	10.5	9.5
EV/EBIT	7.1	168.7	22.0	10.6	11.5	10.5	9.5
EV/OCF	11.6	-25.1	6.8	14.6	8.1	6.7	6.2
EV/FCFF	4.2	-14.0	14.0	59.8	11.0	8.0	8.2
P/FCFE	9.3	-8.8	5.3	-9.1	16.1	8.7	9.9
P/E	6.1	-18.3	69.9	27.1	13.3	11.1	9.9
P/B	1.4	1.4	1.1	1.2	1.1	1.1	1.0
Target EV/EBITDA	0.0	0.0	0.0	0.0	6.4	5.6	5.2
Target EV/EBIT	0.0	0.0	0.0	0.0	12.6	11.6	10.5
Target EV/FCF	0.0	0.0	0.0	0.0	34.8	18.1	20.0
Target P/B	0.0	0.0	0.0	0.0	1.4	1.3	1.2
Target P/E	0.0	0.0	0.0	0.0	15.8	13.3	11.8
Per share measures							
Number of shares	17,639	18,197	19,202	19,307	19,307	19,307	19,307
Number of shares (diluted)	17,639	18,197	19,202	19,307	19,307	19,307	19,307
EPS	0.26	-0.08	0.02	0.15	0.12	0.14	0.16
Operating cash flow per share	0.22	-0.11	0.42	0.21	0.39	0.45	0.47
Free cash flow per share	0.17	-0.17	0.24	-0.16	0.10	0.18	0.16
Book value per share	1.15	1.13	1.14	1.27	1.39	1.47	1.56
Dividend per share	0.05	0.00	0.00	0.00	0.06	0.07	0.08
Dividend payout ratio, %	19.1	0.0	0.0	0.0	50.0	50.0	50.0
Dividend yield, %	3.1	0.0	0.0	0.0	3.8	4.5	5.1
FCF yield, %	10.8	-11.4	18.8	-11.0	6.2	11.5	10.1
Efficiency measures							
ROE	25.8	-7.4	1.7	12.1	9.0	10.0	10.6
ROCE	14.3	0.7	4.8	9.8	8.7	8.9	9.4
Financial ratios							
Inventories as % of sales	0.1	0.3	0.2	0.3	0.3	0.3	0.3
Receivables as % of sales	18.9	28.9	21.1	26.8	26.8	26.8	26.8
Non-interest bearing liabilities as % of sales	21.5	27.0	29.2	28.6	28.6	28.6	28.6
NWC/sales, %	-2.5	2.2	-7.9	-1.5	-1.5	-1.5	-1.5
Operative CAPEX/sales, %	1.4	2.1	5.8	12.5	9.3	8.2	9.3
CAPEX/sales (incl. acquisitions), %	1.4	2.1	5.8	12.5	9.3	8.2	9.3
FCFF/EBITDA	1.3	-1.6	0.8	0.1	0.5	0.6	0.6
Net debt/EBITDA, book-weighted	2.1	10.2	6.2	3.2	2.8	2.4	2.1
Debt/equity, market-weighted	0.9	0.9	1.1	1.0	0.9	0.8	0.8
Equity ratio, book-weighted	33.2	33.3	29.3	31.9	33.7	35.5	36.4
Gearing, %	85.0	118.7	134.5	128.5	110.3	95.8	84.6

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. Recent product development investments have focused on autonomous service robotics.

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

OWNERSHIP STRUCTURE	SHARES	EURm	%
Sentica Buyout III Ky	4,621,244	7.348	23.9%
Profiz Business Solution Oyj	2,060,769	3.277	10.7%
Elo Mutual Pension Insurance Company	2,000,000	3.180	10.4%
Saadetdin Ali	1,403,165	2.231	7.3%
Varma Mutual Pension Insurance Company	1,245,597	1.980	6.5%
Aalto Seppo Tapio	730,000	1.161	3.8%
Roininen Matti Juhani	450,000	0.716	2.3%
Väätäinen Olli Pekka	400,000	0.636	2.1%
Lamy Oy	225,000	0.358	1.2%
Sentica Buyout III Co-Investment Ky	180,049	0.286	0.9%
Ten largest	13,315,824	21.172	69%
Residual	5,990,703	9.525	31%
Total	19,306,527	30.697	100%

EARNINGS CALENDAR

February 25, 2021	FY 2020 Results
April 29, 2021	Q1 report
August 12, 2021	Q2 report
October 28, 2021	Q3 report

OTHER EVENTS

March 30, 2021	AGM
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COMPANY MISCELLANEOUS

CEO: Olli Väätäinen	Karhumäentie 3, FI-01350
CFO: Kari Lehtosalo	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	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	DPS	Dividend for the financial period per share
Market cap	Price per share * Number of shares	OCF (Operating cash flow)	EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow)	Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, %	$\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital	Current assets – current liabilities
Net debt	Interest bearing debt – financial assets	Capital employed/Share	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
Total assets	Balance sheet total	Gearing	$\frac{\text{Net debt}}{\text{Equity}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

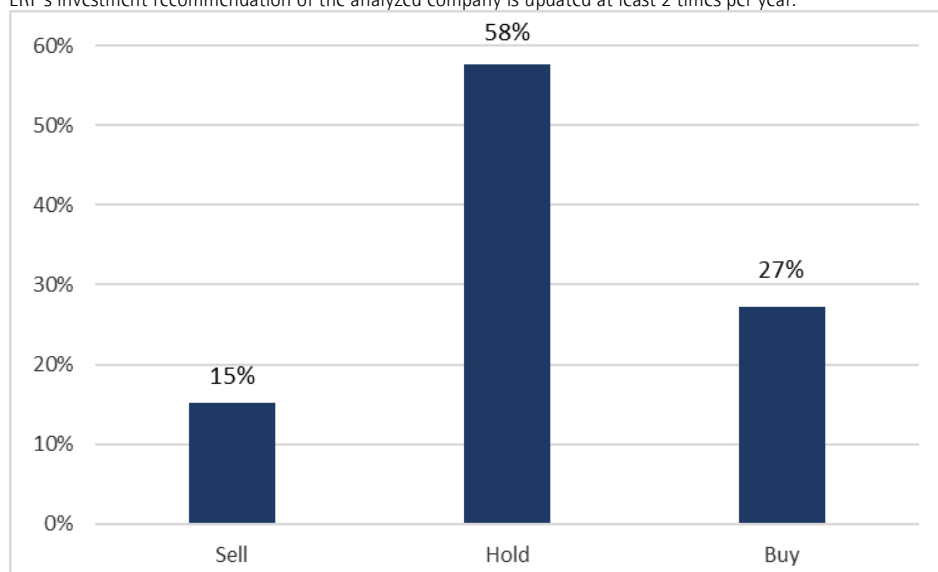
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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