

Good performance across the board

Solteq grew faster than expected in Q2, with Solteq Digital returning to clear growth. The outlook is now looking even better with the pick-up in demand in Solteq Digital and we expect good performance across the board. We raise our TP to EUR 8.0 (7.2), BUY-rating intact.

Rapid growth in Q2, Solteq Digital surprised positively

Solteq reported Q2 figures above our estimates. Revenue growth was clearly faster than expected, with growth of 23% to EUR 18.5m (Evli EUR 17.1m). Solteq Software as expected continued at a very rapid growth pace of 43%, while to our surprise Solteq Digital moved to double-digit growth, aided by good demand in retail, after having posted lower growth figures for the past year. The adj. EBIT was quite in line with our estimates at EUR 2.5m (Evli EUR 2.3m). Our overestimation of Solteq Software's profitability was compensated by the over 15% EBIT-margin (target >8%) in Solteq Digital supported by the growth in the quarter.

Poised for double digit growth and margins in 2021

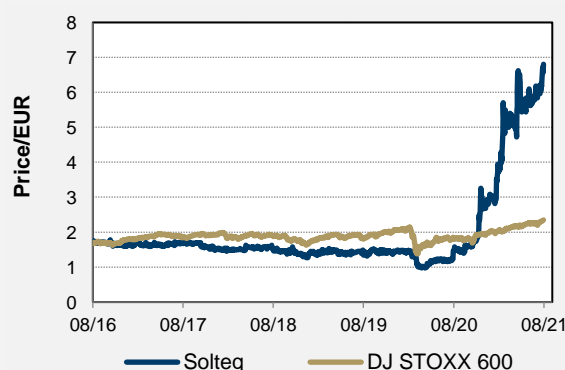
We have slightly raised our 2021 estimates for revenue and EBIT to EUR 71.4m (prev. 68.3m) and EUR 9.6m (prev. 9.2m). We expect Solteq Software to continue to grow very rapidly supported by the backlog of Utilities project deliveries. With the large projects sizes the recurring revenue should start to show more strongly in 2022 and we estimate only minor EBITDA-margin improvement in 2021. We expect the good demand in Solteq Digital to continue to show throughout the year and for the growth also to be reflected positively in the segment's profitability. Positive signs were also seen in the commercialization of the Solteq Robotics solutions through a few pilot projects, with the pandemic having slowed down development in the near past.

BUY-rating with a target price of EUR 8.0 (7.2)

On our minor estimates revisions and overall good progress we raise our target price to EUR 8.0 (7.2). Valuation of ~17x 2022 P/E is not particularly challenging given the growth and profitability. We retain our BUY-rating.

Rating

BUY



Share price, EUR (Last trading day's closing price) 6.80

Target price, EUR 8.0

Latest change in recommendation 13-Aug-20

Latest report on company 30-Apr-21

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 132

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 28-Oct-21

Web site solteq.com/en/investors

Analyst Jerker Salokivi

E-mail jerker.salokivi@evli.com

Telephone +358 9 4766 9149

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
2019	58.3	5.7	9.8%	-3.2	0.15	27.1	1.0	10.6	-11.0	0.00
2020	60.5	5.4	8.9%	5.0	0.10	27.3	1.3	15.1	9.3	0.15
2021E	71.4	9.6	13.5%	5.7	0.32	21.4	2.2	16.2	4.3	0.14
2022E	77.5	11.7	15.0%	7.2	0.40	16.9	2.0	13.0	5.4	0.18
2023E	81.4	12.5	15.4%	7.7	0.45	15.1	1.8	11.7	5.8	0.20
Market cap, EURm			132	Gearing 2021E, %			79.6	CAGR EPS 2020-23, %		63.8
Net debt 2021E, EURm			24	Price/book 2021E			4.4	CAGR sales 2020-23, %		10.4
Enterprise value, EURm			156	Dividend yield 2021E, %			2.1	ROE 2021E, %		21.9
Total assets 2021E, EURm			83	Tax rate 2021E, %			20.6	ROCE 2021E, %		15.8
Goodwill 2021E, EURm			39	Equity ratio 2021E, %			35.8	PEG, P/E 21/CAGR		1.4

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

Solteq	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20	2020	Q1/'21	Q2/'21	Q3/'21E	Q4/'21E	2021E	2022E	2023E
Net sales	58.3	15.7	15.1	13.3	16.4	60.5	17.4	18.5	16.4	19.1	71.4	77.5	81.4
<i>sales growth %</i>	2.5%	5.0%	2.9%	2.3%	4.5%	3.7%	10.9%	22.6%	23.4%	16.4%	18.1%	8.6%	4.9%
<i>comparable growth %</i>		11.6%	7.8%	8.5%	9.3%	9.3%							
Other income	2.6	0.0	0.1	0.1	0.0	0.3	0.0	0.1	0.0	0.0	0.2	0.2	0.2
Materials and services	-5.4	-1.7	-1.4	-1.3	-1.6	-5.9	-1.9	-2.0	-1.5	-1.8	-7.2	-6.4	-6.6
Personnel expenses	-36.8	-9.5	-9.5	-7.9	-9.9	-36.9	-10.2	-10.8	-9.8	-11.1	-41.9	-46.0	-48.4
Other expenses	-9.0	-2.6	-1.6	-1.5	-1.9	-7.5	-1.8	-2.1	-1.8	-2.0	-7.7	-8.2	-8.5
EBITDA	9.7	1.9	2.7	2.7	3.1	10.4	3.5	3.7	3.3	4.2	14.7	16.9	17.9
Adj. EBITDA	7.5	2.0	2.7	2.7	3.3	10.8	3.6	3.8	3.4	4.2	15.0	16.9	17.9
D&A	-4.0	-1.2	-1.2	-1.4	-1.3	-5.0	-1.3	-1.3	-1.3	-1.3	-5.1	-5.3	-5.4
EBIT	5.7	0.7	1.5	1.4	1.8	5.4	2.2	2.4	2.0	2.9	9.6	11.7	12.5
<i>EBIT-%</i>	9.8%	4.6%	9.8%	10.3%	10.9%	8.9%	12.8%	13.2%	12.4%	15.0%	13.4%	15.0%	15.4%
Adjustment items	-2.5	0.2	0.0	0.0	0.2	0.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Adj. EBIT	3.2	0.9	1.5	1.4	2.0	5.8	2.3	2.5	2.0	2.9	9.7	11.7	12.5
<i>Adj. EBIT-%</i>	5.6%	5.6%	10.0%	10.3%	12.4%	9.6%	13.2%	13.4%	12.4%	15.0%	13.6%	15.0%	15.4%
Solteq Digital	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20	2020	Q1/'21	Q2/'21	Q3/'21E	Q4/'21E	2021E	2022E	2023E
Net sales	41.2	11.3	10.5	9.2	10.6	41.6	11.2	11.9	10.4	11.9	45.4	47.6	49.1
<i>sales growth %</i>	-	6.0%	1.5%	-1.0%	-2.6%	1.0%	-1.4%	13.0%	13.6%	12.2%	9.0%	5.0%	3.0%
Adj. EBITDA	4.8	1.3	1.8	1.6	1.6	6.2	2.0	2.5	1.7	2.1	8.3	8.6	8.8
<i>Adj. EBITDA-%</i>	11.7%	11.6%	16.9%	17.0%	15.0%	15.0%	17.8%	20.8%	16.5%	18.0%	18.3%	18.0%	18.0%
EBIT	4.4	0.5	1.1	0.8	0.7	3.1	1.3	1.9	1.1	1.5	5.8	5.9	5.9
<i>EBIT-%</i>	10.7%	4.8%	10.3%	9.0%	6.4%	7.5%	11.9%	15.7%	10.3%	12.5%	12.7%	12.4%	12.1%
Adj. EBIT	2.2	0.7	1.1	0.8	0.9	3.5	1.4	1.9	1.1	1.5	5.8	5.9	5.9
<i>Adj. EBIT-%</i>	5.3%	5.8%	10.5%	9.0%	8.7%	8.4%	12.2%	15.7%	10.3%	12.5%	12.8%	12.4%	12.1%
Solteq Software	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20	2020	Q1/'21	Q2/'21	Q3/'21E	Q4/'21E	2021E	2022E	2023E
Net sales	17.1	4.3	4.6	4.1	5.8	18.8	6.2	6.6	6.0	7.2	26.0	29.9	32.3
<i>sales growth %</i>	-	2.5%	6.1%	10.5%	20.4%	10.2%	43.1%	44.6%	45.2%	24.1%	38.1%	15.0%	8.0%
Adj. EBITDA	2.7	0.7	1.0	1.2	1.7	4.6	1.6	1.3	1.6	2.0	6.5	8.4	9.0
<i>Adj. EBITDA-%</i>	15.9%	16.7%	21.1%	28.1%	29.7%	24.3%	25.3%	19.7%	27.0%	28.0%	25.0%	28.0%	28.0%
EBIT	1.3	0.2	0.4	0.5	1.1	2.2	0.9	0.6	1.0	1.4	3.9	5.8	6.6
<i>EBIT-%</i>	7.7%	4.1%	8.8%	13.2%	19.1%	11.8%	14.6%	9.3%	16.2%	19.0%	14.8%	19.3%	20.3%
Adj. EBIT	1.4	0.2	0.4	0.5	1.1	2.3	0.9	0.6	1.0	1.4	3.8	5.8	6.6
<i>Adj. EBIT-%</i>	8.1%	5.2%	8.8%	13.2%	19.1%	12.1%	15.0%	8.7%	16.2%	19.0%	14.8%	19.3%	20.3%

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	6.80 PV of Free Cash Flow	84 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	7.86 PV of Horizon value	98 WACC, %	8.9 Market risk premium, %	5.8
Share price potential, %	15.6 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	8.6 Marketable securities	5 Minimum WACC, %	8.4 Equity beta coefficient	1.10
Minimum value	7.2 Debt - dividend	-34 Maximum WACC, %	9.4 Target debt ratio, %	20
Horizon value, %	53.9 Value of stock	152 Nr of shares, Mn	19.4 Effective tax rate, %	20

DCF valuation, EURm	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Horizon
Net sales	60	71	78	81	85	88	92	95	99	103	105	107
<i>Sales growth, %</i>	<i>3.7</i>	<i>18.1</i>	<i>8.6</i>	<i>4.9</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)	5	10	12	13	13	14	14	15	15	16	16	16
<i>Operating income margin, %</i>	<i>8.9</i>	<i>13.5</i>	<i>15.0</i>	<i>15.4</i>	<i>15.4</i>	<i>15.4</i>	<i>15.4</i>	<i>15.4</i>	<i>15.4</i>	<i>15.4</i>	<i>15.4</i>	<i>15.4</i>
+ Depreciation+amort.	5	5	5	5	6	7	7	7	7	8	8	
EBITDA	10	15	17	18	19	20	21	22	23	24	24	
- Paid taxes	-2	-2	-2	-3	-3	-3	-3	-3	-3	-3	-3	-3
- Change in NWC	4	1	0	0	0	0	0	0	0	0	0	0
<i>NWC / Sales, %</i>	<i>-7.5</i>	<i>-7.5</i>	<i>-7.5</i>	<i>-7.5</i>	<i>-7.5</i>	<i>-7.5</i>	<i>-7.5</i>	<i>-7.5</i>	<i>-7.5</i>	<i>-7.5</i>	<i>-7.5</i>	<i>-7.5</i>
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	0
- Operative CAPEX	-4	-4	-4	-4	-5	-5	-5	-6	-6	-7	-7	
<i>opCAPEX / Sales, %</i>	<i>9.4</i>	<i>9.0</i>	<i>8.2</i>	<i>8.3</i>	<i>8.3</i>	<i>8.5</i>	<i>8.7</i>	<i>8.8</i>	<i>9.0</i>	<i>9.2</i>	<i>9.1</i>	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	0
- Other items	0	0	0	0	0	0	0	0	0	0	0	0
= FCFF	8	10	11	11	12	13	13	13	14	14	15	217
= Discounted FCFF		10	10	9	9	9	8	8	7	7	7	98
= DFCF min WACC		10	10	9	9	9	8	8	8	7	7	110
= DFCF max WACC		10	10	9	9	9	8	8	7	7	6	87

INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	15.7	15.1	13.3	16.4	60.5	17.4	18.5	16.4	19.1	71.4	77.5	81.4
EBITDA	1.9	2.7	2.7	3.1	10.4	3.6	3.7	3.3	4.2	14.8	16.9	17.9
<i>EBITDA margin (%)</i>	<i>12.0</i>	<i>18.0</i>	<i>20.4</i>	<i>18.8</i>	<i>17.2</i>	<i>20.7</i>	<i>19.8</i>	<i>20.3</i>	<i>21.8</i>	<i>20.7</i>	<i>21.9</i>	<i>22.0</i>
EBIT	0.7	1.5	1.4	1.8	5.4	2.2	2.5	2.0	2.9	9.6	11.7	12.5
<i>EBIT margin (%)</i>	<i>4.6</i>	<i>9.8</i>	<i>10.3</i>	<i>10.9</i>	<i>8.9</i>	<i>12.8</i>	<i>13.4</i>	<i>12.4</i>	<i>15.0</i>	<i>13.5</i>	<i>15.0</i>	<i>15.4</i>
Net financial items	-0.6	-0.5	-0.6	-1.0	-2.6	-0.4	-0.5	-0.5	-0.5	-1.8	-1.9	-1.6
Pre-tax profit	0.1	1.0	0.8	0.8	2.7	1.8	2.0	1.5	2.4	7.8	9.7	10.9
Tax	-0.1	-0.2	-0.3	-0.2	-0.8	-0.4	-0.4	-0.3	-0.5	-1.6	-1.9	-2.2
<i>Tax rate (%)</i>	<i>63.0</i>	<i>21.8</i>	<i>32.9</i>	<i>25.0</i>	<i>27.7</i>	<i>20.8</i>	<i>21.6</i>	<i>20.0</i>	<i>20.0</i>	<i>20.6</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0.0	0.8	0.5	0.6	2.0	1.5	1.6	1.2	1.9	6.2	7.8	8.7
EPS	0.00	0.04	0.03	0.03	0.10	0.08	0.08	0.06	0.10	0.32	0.40	0.45
EPS adjusted (diluted no. of shares)	0.00	0.04	0.03	0.03	0.10	0.08	0.08	0.06	0.10	0.32	0.40	0.45
Dividend per share	0.00	0.00	0.00	0.00	0.15	0.00	0.00	0.00	0.00	0.14	0.18	0.20
SALES, EURm												
Solteq Digital	11.3	10.5	9.2	10.6	41.6	11.2	11.9	10.4	11.9	45.4	47.6	49.1
Solteq Software	4.3	4.6	4.1	5.8	18.8	6.2	6.6	6.0	7.2	26.0	29.9	32.3
Total	15.7	15.1	13.3	16.4	60.5	17.4	18.5	16.4	19.1	71.4	77.5	81.4
SALES GROWTH, Y/Y %												
<i>Solteq Digital</i>	<i>6.0</i>	<i>1.5</i>	<i>-1.0</i>	<i>-2.7</i>	<i>1.0</i>	<i>-1.4</i>	<i>13.0</i>	<i>13.6</i>	<i>12.2</i>	<i>9.0</i>	<i>5.0</i>	<i>3.0</i>
<i>Solteq Software</i>	<i>2.5</i>	<i>6.1</i>	<i>10.5</i>	<i>20.4</i>	<i>10.2</i>	<i>43.1</i>	<i>44.6</i>	<i>45.2</i>	<i>24.1</i>	<i>38.1</i>	<i>15.0</i>	<i>8.0</i>
<i>Total</i>	<i>5.0</i>	<i>2.9</i>	<i>2.3</i>	<i>4.4</i>	<i>3.7</i>	<i>10.9</i>	<i>22.6</i>	<i>23.4</i>	<i>16.4</i>	<i>18.1</i>	<i>8.6</i>	<i>4.9</i>
EBIT, EURm												
Solteq Digital	0.5	1.1	0.8	0.7	3.1	1.3	1.9	1.1	1.5	5.8	5.9	5.9
Solteq Software	0.2	0.4	0.5	1.1	2.2	0.9	0.6	1.0	1.4	3.9	5.8	6.6
Total	0.7	1.5	1.4	1.8	5.4	2.2	2.5	2.0	2.9	9.6	11.7	12.5
EBIT margin, %												
<i>Solteq Digital</i>	<i>4.8</i>	<i>10.3</i>	<i>9.0</i>	<i>6.4</i>	<i>7.5</i>	<i>11.9</i>	<i>15.7</i>	<i>10.3</i>	<i>12.5</i>	<i>12.7</i>	<i>12.4</i>	<i>12.1</i>
<i>Solteq Software</i>	<i>4.1</i>	<i>8.8</i>	<i>13.2</i>	<i>19.1</i>	<i>11.8</i>	<i>14.6</i>	<i>9.3</i>	<i>16.2</i>	<i>19.0</i>	<i>14.8</i>	<i>19.3</i>	<i>20.3</i>
<i>Total</i>	<i>4.6</i>	<i>9.8</i>	<i>10.3</i>	<i>10.9</i>	<i>8.9</i>	<i>12.8</i>	<i>13.4</i>	<i>12.4</i>	<i>15.0</i>	<i>13.5</i>	<i>15.0</i>	<i>15.4</i>

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	63.0	50.7	56.9	58.3	60.5	71.4	77.5	81.4
<i>Sales growth (%)</i>	<i>16.3</i>	<i>-19.6</i>	<i>12.1</i>	<i>2.5</i>	<i>3.7</i>	<i>18.1</i>	<i>8.6</i>	<i>4.9</i>
EBITDA	8.4	2.4	4.8	9.7	10.4	14.8	16.9	17.9
<i>EBITDA margin (%)</i>	<i>13.3</i>	<i>4.7</i>	<i>8.4</i>	<i>16.7</i>	<i>17.2</i>	<i>20.7</i>	<i>21.9</i>	<i>22.0</i>
Depreciation	-1.9	-2.1	-2.3	-4.0	-5.0	-5.1	-5.3	-5.4
EBITA	6.5	0.3	2.5	5.7	5.4	9.6	11.7	12.5
Goodwill amortization / writedown	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	6.4	0.3	2.5	5.7	5.4	9.6	11.7	12.5
<i>EBIT margin (%)</i>	<i>10.2</i>	<i>0.6</i>	<i>4.3</i>	<i>9.8</i>	<i>8.9</i>	<i>13.5</i>	<i>15.0</i>	<i>15.4</i>
Reported EBIT	6.4	0.3	2.5	5.7	5.4	9.6	11.7	12.5
<i>EBIT margin (reported) (%)</i>	<i>10.2</i>	<i>0.6</i>	<i>4.3</i>	<i>9.8</i>	<i>8.8</i>	<i>13.5</i>	<i>15.0</i>	<i>15.4</i>
Net financials	-1.7	-1.8	-1.8	-2.0	-2.6	-1.8	-1.9	-1.6
Pre-tax profit	4.7	-1.5	0.6	3.7	2.7	7.8	9.7	10.9
Taxes	-0.1	-0.1	-0.3	-0.9	-0.8	-1.6	-1.9	-2.2
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	4.6	-1.5	0.4	2.8	2.0	6.2	7.8	8.7
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	7	8	10	11	12	12	13	14
Goodwill	34	37	40	39	39	39	39	39
Right of use assets	0	0	6	7	7	8	9	9
Inventory	0	0	0	0	0	0	0	0
Receivables	12	15	12	16	12	14	15	16
Liquid funds	8	2	5	4	5	10	15	7
Total assets	61	61	74	77	75	83	91	84
Liabilities								
Shareholder's equity	20	20	22	25	27	30	35	40
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	6	8	7	8	9	9
Deferred taxes	1	1	1	1	1	1	1	1
Interest bearing debt	26	26	28	28	24	26	26	12
Non-interest bearing current liabilities	14	14	17	17	16	19	21	22
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	61	61	74	77	75	83	91	84
CASH FLOW, EURm								
+ EBITDA	8	2	5	10	10	15	17	18
- Net financial items	-2	-2	-2	-2	-3	-2	-2	-2
- Taxes	0	0	0	-1	-1	-2	-2	-2
- Increase in Net Working Capital	3	-1	6	-1	4	1	0	0
+/- Other	-5	-2	0	-2	0	0	0	0
= Cash flow from operations	4	-2	8	4	11	12	14	14
- Capex	-1	-1	-3	-7	-6	-6	-6	-7
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	3	-3	5	-3	5	6	7	8
+/- New issues/buybacks	0	3	1	0	0	0	0	0
- Paid dividend	0	-1	0	0	0	-3	-3	-4
+/- Other	3	-5	-2	2	-4	2	1	-13
Change in cash	6	-7	4	-2	1	5	5	-9

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	28	25	29	54	132	132	132
Net debt (excl. convertibles)	24	29	32	26	24	19	15
Enterprise value	52	54	60	81	156	151	147
Sales	51	57	58	60	71	78	81
EBITDA	2	5	10	10	15	17	18
EBIT	0	2	6	5	10	12	13
Pre-tax	-1	1	4	3	8	10	11
Earnings	-2	0	3	2	6	8	9
Equity book value (excl. minorities)	20	22	25	27	30	35	40
Valuation multiples							
EV/sales	1.0	1.0	1.0	1.3	2.2	2.0	1.8
EV/EBITDA	21.8	11.4	6.2	7.8	10.5	8.9	8.2
EV/EBITA	168.7	22.0	10.6	15.1	16.2	13.0	11.7
EV/EBIT	168.7	22.0	10.6	15.1	16.2	13.0	11.7
EV/OCF	-25.1	6.8	14.6	7.5	12.8	11.2	10.2
EV/FCFF	-14.0	14.0	59.8	9.7	15.5	13.6	13.0
P/FCFE	-8.8	5.3	-9.1	10.8	23.1	18.4	17.2
P/E	-18.3	69.9	27.1	27.3	21.4	16.9	15.1
P/B	1.4	1.1	1.2	2.0	4.4	3.8	3.3
Target EV/EBITDA	0.0	0.0	0.0	0.0	12.1	10.3	9.5
Target EV/EBIT	0.0	0.0	0.0	0.0	18.6	15.0	13.6
Target EV/FCF	0.0	0.0	0.0	0.0	31.4	24.3	22.2
Target P/B	0.0	0.0	0.0	0.0	5.2	4.5	3.9
Target P/E	0.0	0.0	0.0	0.0	25.2	19.9	17.8
Per share measures							
Number of shares	18,197	19,202	19,307	19,307	19,397	19,397	19,397
Number of shares (diluted)	18,197	19,202	19,307	19,307	19,397	19,397	19,397
EPS	-0.08	0.02	0.15	0.10	0.32	0.40	0.45
Operating cash flow per share	-0.11	0.42	0.21	0.55	0.63	0.70	0.74
Free cash flow per share	-0.17	0.24	-0.16	0.26	0.29	0.37	0.39
Book value per share	1.13	1.14	1.27	1.37	1.54	1.79	2.06
Dividend per share	0.00	0.00	0.00	0.15	0.14	0.18	0.20
Dividend payout ratio, %	0.0	0.0	0.0	146.3	45.0	45.0	45.0
Dividend yield, %	0.0	0.0	0.0	5.4	2.1	2.7	3.0
FCF yield, %	-11.4	18.8	-11.0	9.3	4.3	5.4	5.8
Efficiency measures							
ROE	-7.4	1.7	12.1	7.8	21.9	24.1	23.4
ROCE	0.7	4.8	9.8	9.1	15.8	17.6	19.1
Financial ratios							
Inventories as % of sales	0.3	0.2	0.3	0.1	0.1	0.1	0.1
Receivables as % of sales	28.9	21.1	26.8	19.1	19.1	19.1	19.1
Non-interest bearing liabilities as % of sales	27.0	29.2	28.6	26.8	26.8	26.8	26.8
NWC/sales, %	2.2	-7.9	-1.5	-7.5	-7.5	-7.5	-7.5
Operative CAPEX/sales, %	2.1	5.8	12.5	9.4	9.0	8.2	8.3
CAPEX/sales (incl. acquisitions), %	2.1	5.8	12.5	9.4	9.0	8.2	8.3
FCFF/EBITDA	-1.6	0.8	0.1	0.8	0.7	0.7	0.6
Net debt/EBITDA, book-weighted	10.2	6.2	3.2	2.6	1.6	1.1	0.8
Debt/equity, market-weighted	0.9	1.1	1.0	0.4	0.2	0.2	0.1
Equity ratio, book-weighted	33.3	29.3	31.9	35.5	35.8	38.4	47.6
Gearing, %	118.7	134.5	128.5	99.9	79.6	55.5	37.9

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 somewhat restricted within core competencies.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Profiz Business Solution Oyj	2,060,769	14.013	10.6%
Elo Mutual Pension Insurance Company	2,000,000	13.600	10.3%
Varma Mutual Pension Insurance Company	1,545,597	10.510	8.0%
Ilmarinen Mutual Pensions Insurance Company	1,401,293	9.529	7.2%
Saadetdin Ali	981,415	6.674	5.1%
Aktia Capital Mutual Fund	770,000	5.236	4.0%
Aalto Seppo Tapio	630,000	4.284	3.2%
Säästöpankki Small Cap Mutual Fund	500,000	3.400	2.6%
Väätäinen Olli Pekka	400,000	2.720	2.1%
OP-Finland Micro Cap	350,000	2.380	1.8%
Ten largest	10,639,074	72.346	55%
Residual	8,757,427	59.551	45%
Total	19,396,501	131.896	100%

EARNINGS CALENDAR

October 28, 2021

Q3 report

OTHER EVENTS**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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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.

Recommendation	Percentage
Sell	15%
Hold	58%
Buy	27%

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

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Contact information**SALES, TRADING AND RESEARCH****Equity, ETF and Derivatives Sales**

Joachim Dannberg +358 9 4766 9123
Ari Laine +358 9 4766 9115
Kimmo Lilja +358 9 4766 9130

Trading

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

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
Teemu Reiman +358 40 352 6175

Evli Investment Solutions

Johannes Asuja +358 9 4766 9205



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