

Some challenges faced

Solteq's Q3 was below our expectations, with revenue at EUR 14.9m (Evli EUR 16.4m) and adj. EBIT at EUR 1.2m (Evli EUR 2.0m). Figures were affected by customer project postponements due to the on-going component shortage. Guidance intact: group revenue in 2021 is expected to grow clearly and the operating profit to improve clearly.

- Net sales in Q3 were EUR 14.9m (EUR 13.3m in Q3/20), below our estimates (Evli EUR 16.4m). Growth in Q3 amounted to 12.2% y/y, of which the larger part was organic growth. 22.6% of sales came from outside of Finland.
- The operating profit and adj. operating profit in Q3 amounted to EUR 1.1m and 1.2m respectively (EUR 1.4m/1.4m in Q3/20), below our estimates (Evli EUR 2.0/2.0m). Profitability was affected by the postponement of two larger customer projects in the retail sector due to the on-going component shortage as well higher subcontracting prices due to a shortage of IT-sector specialists.
- Solteq Digital: revenue in Q3 amounted to EUR 9.5m (Q3/20: EUR 9.2m) vs. EUR Evli 10.4m. Growth amounted to 4.3%. The adj. EBIT was EUR 0.9m (Q3/20: EUR 0.8m) vs. Evli EUR 1.1m. Recurring revenue 37.6% of the segment's revenue. The segment is expected to continue to develop favourably.
- Solteq Software: Revenue in Q3 amounted to EUR 5.4m (Q3/20: EUR 4.1m) vs. Evli EUR 6.0m. The adj. EBIT was EUR 0.3m (Q3/20: EUR 0.5m) vs. Evli EUR 1.0m. Growth was 29.7%. Recurring revenue 31.5% of the segment's revenue. The segment is expected to continue to develop favourably.
- **Guidance for 2021 intact:** group revenue is expected to grow clearly and operating profit to improve clearly.

Rating + BUY

Q3/21	Actual	Evli	Year ago	Q2/21
Net sales	14,9	16,4	13,3	18,5
EBIT	1,1	2,0	1,4	2,5
Adj. EBIT	1,2	2,0	1,4	2,3
EPS	0,03	0,06	0,03	0,08

Deviation	Actual	Evli	Year ago	Q2/21
Net sales		-9 %	12 %	-19 %
EBIT		-46 %	-19 %	-56 %
Adj. EBIT		-40 %	-12 %	-48 %
EPS		-53 %	7 %	-63 %

 Share price, EUR (Last trading day's closing price) 5.48

 Target price, EUR 8.0

 Latest change in recommendation 14-Aug-20

 Latest report on company 13-Aug-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 106

 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

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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
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	8.8%	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	17.3	1.8	13.5	5.4	0.14
2022E	77.5	11.7	15.0%	7.2	0.40	13.6	1.6	10.8	6.7	0.18
2023E	81.4	12.5	15.4%	7.7	0.45	12.2	1.5	9.7	7.2	0.20

Market cap, EURm	106	BV per share 2021E, EUR	79.6	CAGR EPS 2020-23, %	63.8
Net debt 2021E, EURm	24	Price/book 2021E	3.6	CAGR sales 2020-23, %	10.4
Enterprise value, EURm	130	Dividend yield 2021E, %	2.6	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	1.1

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

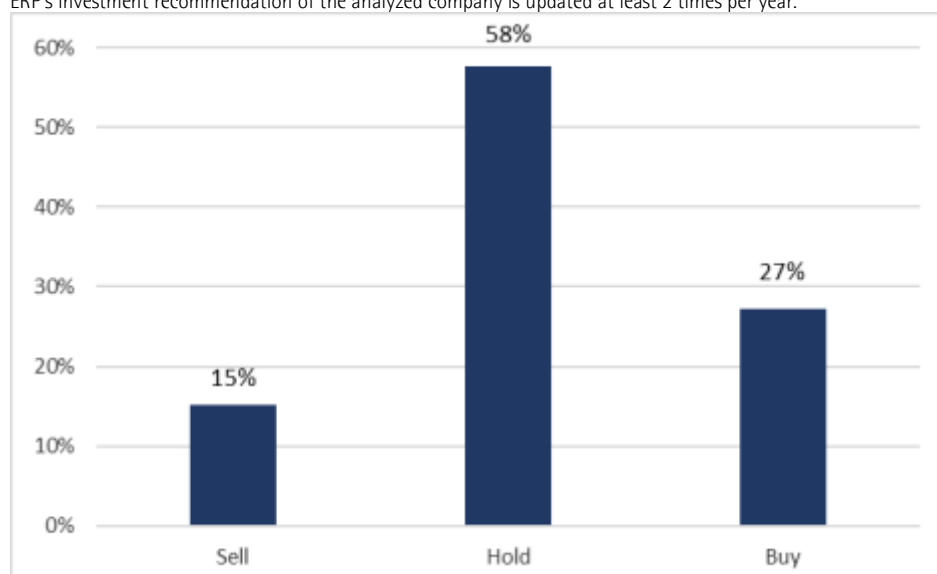
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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