

Some continued softness seen

Solteq reports Q4 results on February 17th. We foresee some continued softness due to the current environment but continue to expect earnings improvement in 2022. We retain our BUY-rating with a TP of EUR 6.2 (6.8).

Some softness expected in Q4

Solteq reports Q4 results on February 17th. Solteq's Q3 results were softer than anticipated, as deliveries for two large-scale retail customers were postponed as a result of the impact of the global component shortage. Revenue still grew by over 10%, mainly organically, and the adj. operating profit margin was at a fairly decent 8.1%. We had previously expected fourth quarter figures to turn back on track with the start-up of the postponed projects. With the macroeconomic uncertainties still present we anticipate some softness to still be seen in the fourth quarter and have slightly lowered our estimates, still expecting fairly good growth but slightly lower margins y/y.

Potential remains but market uncertainties a disturbance

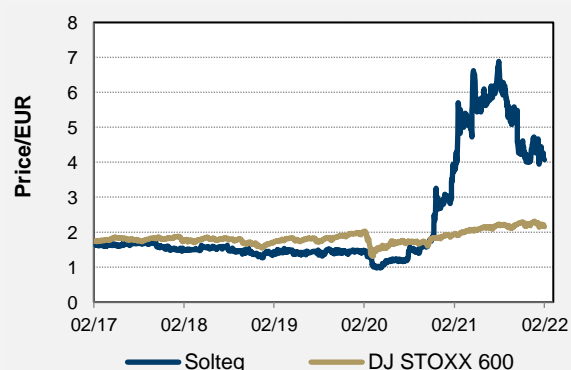
Solteq in our view remains in a good position to continue revenue and earnings growth in 2022. We anticipate the recurring revenue from the implemented Utilities business projects to start to show. We see that the demand for Solteq's solutions, in particular within utilities and ecommerce, should under normalized circumstances remain at a healthy level. The market environment has however been somewhat challenging and has not appeared to improve significantly going into 2022. With the current uncertainties we have lowered our 2022e EBIT estimates by some 9% but still see room for double-digit y/y growth in operating profit. We expect revenue of EUR 76.3m and an adj. operating profit margin of 13.8%.

BUY with a target price of EUR 6.2 (6.8)

With our estimates revisions and current uncertainties, we adjust our TP to EUR 6.2 (6.8) and retain our BUY-rating. Our TP values Solteq at ~17x 2022 P/E, which is still fairly low, and upside potential remains solid should the market environment not threaten the earnings growth track.

Rating

BUY



Share price, EUR (Last trading day's closing price) 4.07

Target price, EUR 6.2

Latest change in recommendation 13-Aug-20

Latest report on company 29-Oct-22

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 79

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 17-Feb-22

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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
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	68.8	7.8	11.4%	4.0	0.24	16.7	1.5	13.3	5.1	0.11
2022E	76.3	10.5	13.8%	6.3	0.36	11.4	1.3	9.5	8.0	0.16
2023E	80.1	11.6	14.5%	6.9	0.41	9.9	1.2	8.3	8.7	0.19
Market cap, EURm	79		Gearing 2021E, %	89.6		CAGR EPS 2020-23, %		58.9		
Net debt 2021E, EURm	25		Price/book 2021E	2.8		CAGR sales 2020-23, %		9.8		
Enterprise value, EURm	104		Dividend yield 2021E, %	2.7		ROE 2021E, %		17.3		
Total assets 2021E, EURm	79		Tax rate 2021E, %	21.7		ROCE 2021E, %		13.3		
Goodwill 2021E, EURm	41		Equity ratio 2021E, %	35.9		PEG, P/E 21/CAGR		0.8		

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/'21	Q4/'21E	2021E	2022E	2023E
Net sales	58.3	15.7	15.1	13.3	16.4	60.5	17.4	18.5	14.9	18.0	68.8	76.3	80.1
<i>sales growth %</i>	2.5%	5.0%	2.9%	2.3%	4.5%	3.7%	10.9%	22.6%	12.2%	9.7%	13.8%	11.0%	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	0.1	0.1	0.1
Materials and services	-5.4	-1.7	-1.4	-1.3	-1.6	-5.9	-1.9	-2.0	-1.9	-2.1	-7.9	-7.4	-7.6
Personnel expenses	-36.8	-9.5	-9.5	-7.9	-9.9	-36.9	-10.2	-10.8	-8.5	-10.6	-40.1	-44.9	-47.0
Other expenses	-9.0	-2.6	-1.6	-1.5	-1.9	-7.5	-1.8	-2.1	-2.0	-2.0	-7.9	-8.2	-8.5
EBITDA	9.7	1.9	2.7	2.7	3.1	10.4	3.5	3.7	2.4	3.3	12.9	15.8	16.9
Adj. EBITDA	7.5	2.0	2.7	2.7	3.3	10.8	3.6	3.8	2.5	3.3	13.3	15.8	16.9
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	1.1	2.0	7.8	10.5	11.6
<i>EBIT-%</i>	9.8%	4.6%	9.8%	10.3%	10.9%	8.9%	12.8%	13.2%	7.6%	11.1%	11.3%	13.8%	14.5%
Adjustment items	-2.5	0.2	0.0	0.0	0.2	0.4	0.1	0.0	0.1	0.0	0.1	0.0	0.0
Adj. EBIT	3.2	0.9	1.5	1.4	2.0	5.8	2.3	2.5	1.2	2.0	8.0	10.5	11.6
<i>Adj. EBIT-%</i>	5.6%	5.6%	10.0%	10.3%	12.4%	9.6%	13.2%	13.4%	8.1%	11.1%	11.6%	13.8%	14.5%
Solteq Digital	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21E	2021E	2022E	2023E
Net sales	41.2	11.3	10.5	9.2	10.6	41.6	11.2	11.9	9.5	11.4	44.0	47.1	48.5
<i>sales growth %</i>	-	6.0%	1.5%	-1.0%	-2.6%	1.0%	-1.4%	13.0%	4.3%	7.5%	5.8%	7.0%	3.0%
Adj. EBITDA	4.8	1.3	1.8	1.6	1.6	6.2	2.0	2.5	1.5	1.8	7.8	8.5	8.7
<i>Adj. EBITDA-%</i>	11.7%	11.6%	16.9%	17.0%	15.0%	15.0%	17.8%	20.8%	15.9%	15.8%	17.7%	18.0%	18.0%
EBIT	4.4	0.5	1.1	0.8	0.7	3.1	1.3	1.9	0.9	1.2	5.3	5.8	5.8
<i>EBIT-%</i>	10.7%	4.8%	10.3%	9.0%	6.4%	7.5%	11.9%	15.7%	9.3%	10.5%	12.0%	12.3%	12.1%
Adj. EBIT	2.2	0.7	1.1	0.8	0.9	3.5	1.4	1.9	0.9	1.2	5.4	5.8	5.8
<i>Adj. EBIT-%</i>	5.3%	5.8%	10.5%	9.0%	8.7%	8.4%	12.2%	15.7%	9.9%	10.5%	12.2%	12.3%	12.1%
Solteq Software	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21E	2021E	2022E	2023E
Net sales	17.1	4.3	4.6	4.1	5.8	18.8	6.2	6.6	5.4	6.6	24.8	29.2	31.6
<i>sales growth %</i>	-	2.5%	6.1%	10.5%	20.4%	10.2%	43.1%	44.6%	29.8%	13.7%	31.5%	18.0%	8.0%
Adj. EBITDA	2.7	0.7	1.0	1.2	1.7	4.6	1.6	1.3	1.0	1.5	5.4	7.3	8.2
<i>Adj. EBITDA-%</i>	15.9%	16.7%	21.1%	28.1%	29.7%	24.3%	25.3%	19.7%	18.3%	22.7%	21.6%	25.0%	26.0%
EBIT	1.3	0.2	0.4	0.5	1.1	2.2	0.9	0.6	0.2	0.8	2.6	4.7	5.7
<i>EBIT-%</i>	7.7%	4.1%	8.8%	13.2%	19.1%	11.8%	14.6%	9.3%	4.6%	12.1%	10.3%	16.1%	18.1%
Adj. EBIT	1.4	0.2	0.4	0.5	1.1	2.3	0.9	0.6	0.3	0.8	2.6	4.7	5.7
<i>Adj. EBIT-%</i>	8.1%	5.2%	8.8%	13.2%	19.1%	12.1%	15.0%	8.7%	4.9%	12.1%	10.4%	16.1%	18.1%

NORDIC IT SERVICES	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		21	22	23	21	22	23	21	22	23
TietoEVRY	3072	7.6x	7.4x	7.0x	11.1x	10.7x	10.0x	11.6x	10.9x	10.1x
Atea	1453	11.9x	8.3x	7.7x	19.1x	12.8x	11.3x	17.5x	16.1x	14.4x
Knowit	856	14.3x	10.6x	9.5x	19.7x	15.9x	14.0x	21.1x	20.8x	18.9x
Bouvet	709	19.2x	15.6x	14.2x	23.0x	18.6x	16.8x	27.6x	24.3x	21.8x
Gofore	365	19.8x	17.0x	15.5x	28.2x	22.7x	19.9x	34.8x	28.4x	25.3x
Digia	196	9.2x	9.5x	8.9x	13.8x	13.9x	12.5x	15.4x	15.8x	14.2x
Sili Solutions	93	8.6x	6.5x	5.9x	14.0x	9.8x	8.5x	13.2x	10.2x	9.0x
Vincit	78							16.1x	12.5x	10.5x
Innofactor	49	6.1x	6.3x	5.9x	10.2x	9.2x	8.5x	11.4x	10.0x	9.5x
Qt Group	2393	104.6x	49.8x	33.4x	118.5x	55.1x	35.8x	104.9x	67.7x	44.1x
Peer Group Average	845	22.4x	14.5x	12.0x	28.6x	18.7x	15.2x	27.4x	21.7x	17.8x
Peer Group Median	419	11.9x	9.5x	8.9x	19.1x	13.9x	12.5x	16.8x	15.9x	14.3x

Source FactSet, Evli Research

NORDIC SOFTWARE	MCAP EUR	EV/EBITDA			EV/EBIT			P/E		
		21	22	23	21	22	23	21	22	23
Vitec Software Group	1245		19.5x	15.7x		38.0x	29.5x	62.3x	50.4x	38.8x
Basware	327	21.6x	15.7x	12.7x	69.1x	45.3x	25.7x		369.2x	55.6x
SimCorp	3157	27.0x	20.2x	18.4x	30.0x	22.4x	20.2x	32.3x	29.2x	26.0x
F-Secure	662	21.4x	15.1x	12.9x	32.4x	21.5x	17.3x	36.7x	29.0x	23.5x
Admicom	327	33.2x	22.0x	18.8x	36.1x	23.5x	19.8x	36.8x	30.7x	26.2x
cBrain	485	137.2x	60.9x	45.5x	168.7x	72.6x	54.0x	147.6x	98.1x	74.0x
Enea	419	17.4x	11.2x	10.3x	29.0x	16.4x	15.4x	16.9x	16.3x	15.4x
Peer Group Average	946	43.0x	23.5x	19.2x	60.9x	34.2x	26.0x	55.4x	89.0x	37.1x
Peer Group Median	485	24.3x	19.5x	15.7x	34.2x	23.5x	20.2x	36.7x	30.7x	26.2x

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	4.07 PV of Free Cash Flow	78 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	7.29 PV of Horizon value	95 WACC, %	8.9 Market risk premium, %	5.8
Share price potential, %	79.2 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	8.0 Marketable securities	6 Minimum WACC, %	8.4 Equity beta coefficient	1.10
Minimum value	6.7 Debt - dividend	-32 Maximum WACC, %	9.4 Target debt ratio, %	20
Horizon value, %	54.9 Value of stock	144 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	69	76	80	83	87	90	94	97	101	103	105
<i>Sales growth, %</i>	<i>3.7</i>	<i>13.8</i>	<i>11.0</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	8	11	12	12	13	13	14	14	15	15	15
<i>Operating income margin, %</i>	<i>8.9</i>	<i>11.4</i>	<i>13.8</i>	<i>14.5</i>	<i>14.5</i>	<i>14.5</i>	<i>14.5</i>	<i>14.5</i>	<i>14.5</i>	<i>14.5</i>	<i>14.5</i>	<i>14.5</i>
+ Depreciation+amort.	5	5	5	5	6	7	7	7	8	8	8	8
EBITDA	10	13	16	17	18	19	20	21	22	23	23	
- Paid taxes	-2	-2	-2	-2	-2	-3	-3	-3	-3	-3	-3	-3
- Change in NWC	4	1	1	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	-6	-4	-4	-5	-5	-5	-6	-6	-7	-7	-7
<i>opCAPEX / Sales, %</i>	<i>9.4</i>	<i>9.4</i>	<i>8.5</i>	<i>8.4</i>	<i>8.5</i>	<i>8.7</i>	<i>8.9</i>	<i>9.1</i>	<i>9.3</i>	<i>9.4</i>	<i>9.4</i>	<i>9.4</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	6	10	10	11	12	12	12	13	13	14	202
= Discounted FCFF		6	9	9	9	8	8	8	7	7	6	95
= DFCF min WACC		6	9	9	9	9	8	8	7	7	7	107
= DFCF max WACC		6	9	9	9	8	8	7	7	7	6	85

INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2	2021Q3	2021Q4E	2021E	2022E	2023E
Net sales	15.7	15.1	13.3	16.4	60.5	17.4	18.5	14.9	18.0	68.8	76.3	80.1
EBITDA	1.9	2.7	2.7	3.1	10.4	3.6	3.7	2.4	3.3	13.0	15.8	16.9
<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>16.2</i>	<i>18.3</i>	<i>18.9</i>	<i>20.7</i>	<i>21.2</i>
EBIT	0.7	1.5	1.4	1.8	5.4	2.2	2.5	1.1	2.0	7.8	10.5	11.6
<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>7.6</i>	<i>11.1</i>	<i>11.4</i>	<i>13.8</i>	<i>14.5</i>
Net financial items	-0.6	-0.5	-0.6	-1.0	-2.6	-0.4	-0.5	-0.4	-0.5	-1.8	-1.8	-1.6
Pre-tax profit	0.1	1.0	0.8	0.8	2.7	1.8	2.0	0.7	1.5	6.0	8.7	10.0
Tax	-0.1	-0.2	-0.3	-0.2	-0.8	-0.4	-0.4	-0.2	-0.3	-1.3	-1.7	-2.0
<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>28.1</i>	<i>20.0</i>	<i>21.7</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	0.5	1.2	4.7	6.9	8.0
EPS	0.00	0.04	0.03	0.03	0.10	0.08	0.08	0.03	0.06	0.24	0.36	0.41
EPS adjusted (diluted no. of shares)	0.00	0.04	0.03	0.03	0.10	0.08	0.08	0.03	0.06	0.24	0.36	0.41
Dividend per share	0.00	0.00	0.00	0.00	0.15	0.00	0.00	0.00	0.00	0.11	0.16	0.19
SALES, EURm												
Solteq Digital	11.3	10.5	9.2	10.6	41.6	11.2	11.9	9.5	11.4	44.0	47.1	48.5
Solteq Software	4.3	4.6	4.1	5.8	18.8	6.2	6.6	5.4	6.6	24.8	29.2	31.6
Total	15.7	15.1	13.3	16.4	60.5	17.4	18.5	14.9	18.0	68.8	76.3	80.1
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>4.3</i>	<i>7.5</i>	<i>5.8</i>	<i>7.0</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>29.8</i>	<i>13.7</i>	<i>31.5</i>	<i>18.0</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>12.2</i>	<i>9.7</i>	<i>13.8</i>	<i>11.0</i>	<i>4.9</i>
EBIT, EURm												
Solteq Digital	0.5	1.1	0.8	0.7	3.1	1.3	1.9	0.9	1.2	5.3	5.8	5.8
Solteq Software	0.2	0.4	0.5	1.1	2.2	0.9	0.6	0.2	0.8	2.6	4.7	5.7
Total	0.7	1.5	1.4	1.8	5.4	2.2	2.5	1.1	2.0	7.8	10.5	11.6
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>9.3</i>	<i>10.5</i>	<i>12.0</i>	<i>12.3</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>4.6</i>	<i>12.1</i>	<i>10.3</i>	<i>16.1</i>	<i>18.1</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>7.6</i>	<i>11.1</i>	<i>11.4</i>	<i>13.8</i>	<i>14.5</i>

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	63.0	50.7	56.9	58.3	60.5	68.8	76.3	80.1
<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>13.8</i>	<i>11.0</i>	<i>4.9</i>
EBITDA	8.4	2.4	4.8	9.7	10.4	13.0	15.8	16.9
<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>18.9</i>	<i>20.7</i>	<i>21.2</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	7.8	10.5	11.6
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	7.8	10.5	11.6
<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>11.4</i>	<i>13.8</i>	<i>14.5</i>
Reported EBIT	6.4	0.3	2.5	5.7	5.4	7.8	10.5	11.6
<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>11.4</i>	<i>13.8</i>	<i>14.5</i>
Net financials	-1.7	-1.8	-1.8	-2.0	-2.6	-1.8	-1.8	-1.6
Pre-tax profit	4.7	-1.5	0.6	3.7	2.7	6.0	8.7	10.0
Taxes	-0.1	-0.1	-0.3	-0.9	-0.8	-1.3	-1.7	-2.0
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	4.7	6.9	8.0
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	41	41	41
Right of use assets	0	0	6	7	7	6	7	7
Inventory	0	0	0	0	0	0	0	0
Receivables	12	15	12	16	12	13	15	15
Liquid funds	8	2	5	4	5	6	11	6
Total assets	61	61	74	77	75	79	87	84
Liabilities								
Shareholder's equity	20	20	22	25	27	28	33	38
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	6	7	7
Deferred taxes	1	1	1	1	1	1	1	1
Interest bearing debt	26	26	28	28	24	26	26	17
Non-interest bearing current liabilities	14	14	17	17	16	18	20	21
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	61	61	74	77	75	79	87	84
CASH FLOW, EURm								
+ EBITDA	8	2	5	10	10	13	16	17
- Net financial items	-2	-2	-2	-2	-3	-2	-2	-2
- Taxes	0	0	0	-1	-1	-1	-2	-2
- Increase in Net Working Capital	3	-1	6	-1	4	1	1	0
+/- Other	-5	-2	0	-2	0	0	0	0
= Cash flow from operations	4	-2	8	4	11	11	13	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	4	6	7
+/- New issues/buybacks	0	3	1	0	0	0	0	0
- Paid dividend	0	-1	0	0	0	-3	-2	-3
+/- Other	3	-5	-2	2	-4	0	1	-8
Change in cash	6	-7	4	-2	1	1	5	-5

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	28	25	29	54	79	79	79
Net debt (excl. convertibles)	24	29	32	26	25	21	17
Enterprise value	52	54	60	81	104	100	96
Sales	51	57	58	60	69	76	80
EBITDA	2	5	10	10	13	16	17
EBIT	0	2	6	5	8	11	12
Pre-tax	-1	1	4	3	6	9	10
Earnings	-2	0	3	2	5	7	8
Equity book value (excl. minorities)	20	22	25	27	28	33	38
Valuation multiples							
EV/sales	1.0	1.0	1.0	1.3	1.5	1.3	1.2
EV/EBITDA	21.8	11.4	6.2	7.8	8.0	6.3	5.7
EV/EBITA	168.7	22.0	10.6	15.1	13.3	9.5	8.3
EV/EBIT	168.7	22.0	10.6	15.1	13.3	9.5	8.3
EV/OCF	-25.1	6.8	14.6	7.5	9.9	7.8	7.1
EV/FCFF	-14.0	14.0	59.8	9.7	16.5	9.9	9.2
P/FCFE	-8.8	5.3	-9.1	10.8	19.7	12.5	11.5
P/E	-18.3	69.9	27.1	27.3	16.7	11.4	9.9
P/B	1.4	1.1	1.2	2.0	2.8	2.4	2.1
Target EV/EBITDA	0.0	0.0	0.0	0.0	11.2	9.0	8.1
Target EV/EBIT	0.0	0.0	0.0	0.0	18.6	13.5	11.9
Target EV/FCF	0.0	0.0	0.0	0.0	36.3	22.3	20.0
Target P/B	0.0	0.0	0.0	0.0	4.2	3.6	3.2
Target P/E	0.0	0.0	0.0	0.0	25.4	17.3	15.1
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	0.24	0.36	0.41
Operating cash flow per share	-0.11	0.42	0.21	0.55	0.54	0.66	0.70
Free cash flow per share	-0.17	0.24	-0.16	0.26	0.21	0.33	0.35
Book value per share	1.13	1.14	1.27	1.37	1.46	1.71	1.96
Dividend per share	0.00	0.00	0.00	0.15	0.11	0.16	0.19
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	2.7	4.0	4.5
FCF yield, %	-11.4	18.8	-11.0	9.3	5.1	8.0	8.7
Efficiency measures							
ROE	-7.4	1.7	12.1	7.8	17.3	22.6	22.4
ROCE	0.7	4.8	9.8	9.1	13.3	16.7	18.2
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	9.4	8.5	8.4
CAPEX/sales (incl. acquisitions), %	2.1	5.8	12.5	9.4	9.4	8.5	8.4
FCFF/EBITDA	-1.6	0.8	0.1	0.8	0.5	0.6	0.6
Net debt/EBITDA, book-weighted	10.2	6.2	3.2	2.6	2.0	1.3	1.0
Debt/equity, market-weighted	0.9	1.1	1.0	0.4	0.3	0.3	0.2
Equity ratio, book-weighted	33.3	29.3	31.9	35.5	35.9	38.3	45.3
Gearing, %	118.7	134.5	128.5	99.9	89.6	63.9	45.9

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	8.387	10.6%
Elo Mutual Pension Insurance Company	2,000,000	8.140	10.3%
Ilmarinen Mutual Pensions Insurance Company	1,651,293	6.721	8.5%
Varma Mutual Pension Insurance Company	1,545,597	6.291	8.0%
Aktia Capital Mutual Fund	770,000	3.134	4.0%
Aalto Seppo Tapio	615,000	2.503	3.2%
Saadetdin Ali	602,216	2.451	3.1%
Säästöpankki Small Cap Mutual Fund	500,000	2.035	2.6%
Väätäinen Olli Pekka	313,178	1.275	1.6%
Säästöpankki Itämeri Mutual Fund	300,000	1.221	1.5%
Ten largest	10,358,053	42.157	53%
Residual	9,038,448	36.786	47%
Total	19,396,501	78.944	100%

EARNINGS CALENDAR

February 17, 2022	FY 2021 Results
April 28, 2022	Q1 report
September 11, 2022	Q2 report
October 27, 2022	Q3 report

OTHER EVENTS

March 24, 2022	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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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%

The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

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

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