

## Steadily realizing potential

Solteq's Q1 figures were well in line with expectations. Solteq in our view is continuing to steadily realize its scalability potential and we expect double-digit growth in 2022. We retain our BUY-rating and TP of EUR 5.0.

### Q1 well in line with expectations

Solteq reported Q1 result well in line with our expectations. Net sales were EUR 19.2m (Evli EUR 18.9m), with growth of 10.7%. Roughly a third of the growth was organic. The operating profit and adj. operating profit in Q1 amounted to EUR 1.4m and 1.6m respectively (Evli EUR 1.5m/1.5m). Solteq Software's and Solteq Digital's y/y growth and adj. EBIT figures were 5.6%/19.7% and EUR 1.5m/0.1m respectively, with both segments faring quite as expected. Solteq reiterated its guidance, expecting group revenue to grow clearly and the operating profit to improve.

### Double-digit growth seen in 2022

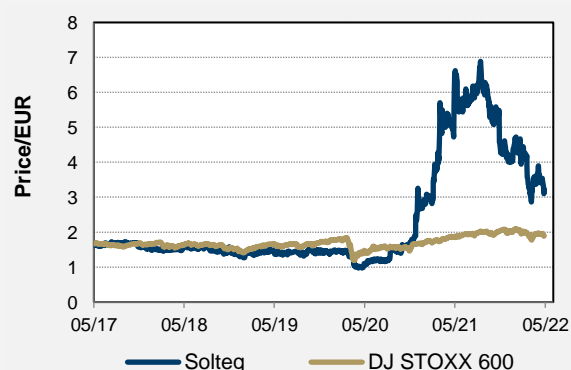
We have made essentially no changes to our top-line and bottom-line figures. We expect revenue to grow 11.6% y/y in 2022e. Our growth estimates assume continued modest growth in Solteq Digital and over 20% growth in Solteq Software, in line with the long-term segment targets of over 5% and 20% growth. Solteq Software's growth is clearly aided by the acquisition of Enerity Solutions, but we see organic growth picking up through good demand and ramp-up of recurring revenue. We expect EBIT to improve to EUR 7.7m (2021: 7.1m) through slight gains in both segments. We expect Solteq Digital's margins to remain steady in the coming years. For Solteq Software we expect the scalability potential to start to show in the coming years.

### BUY with a target price of EUR 5.0

Solteq's valuation is currently slightly below the IT-services peer median, which in our view is unjustified given the healthy growth and profitability trend and expectations and increasing share of recurring revenue. We value Solteq at ~20x 2022e P/E. Our target price remains EUR 5.0 and rating BUY.

**Rating**

BUY


 Share price, EUR (Last trading day's closing price) **3.23**

 Target price, EUR **5.0**

Latest change in recommendation	13-Aug-20
Latest report on company	18-Feb-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	63
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	11-Aug-22
Web site	solteq.com/en/investors

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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
2020	60.5	5.4	8.9%	5.0	0.10	27.3	1.3	15.1	9.3	0.15
2021	69.1	7.2	10.4%	3.2	0.21	21.9	1.7	16.3	3.5	0.10
2022E	77.0	7.7	10.0%	0.0	0.24	13.3	1.2	11.7	0.0	0.12
2023E	80.9	10.2	12.6%	5.8	0.35	9.3	1.1	8.6	9.3	0.17
2024E	84.9	11.5	13.6%	7.2	0.41	7.9	1.0	7.2	11.5	0.21
Market cap, EURm	63			Gearing 2022E, %	90.5			CAGR EPS 2021-24, %	24.4	
Net debt 2022E, EURm	28			Price/book 2022E	2.0			CAGR sales 2021-24, %	7.1	
Enterprise value, EURm	91			Dividend yield 2022E, %	3.8			ROE 2022E, %	16.0	
Total assets 2022E, EURm	83			Tax rate 2022E, %	20.3			ROCE 2022E, %	12.8	
Goodwill 2022E, EURm	46			Equity ratio 2022E, %	37.1			PEG, P/E 22/CAGR	0.5	

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

Solteq	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22	Q2/'22E	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Net sales	60.5	17.4	18.5	14.9	18.3	69.1	19.2	20.4	16.8	20.6	77.0	80.9	84.9
<i>sales growth %</i>	3.7%	10.9%	22.6%	12.2%	11.4%	14.2%	10.7%	10.3%	12.7%	12.7%	11.6%	4.9%	5.0%
<i>comparable growth %</i>	9.3%												
Other income	0.3	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Materials and services	-5.9	-1.9	-2.0	-1.9	-2.1	-7.9	-2.3	-2.3	-2.0	-2.3	-8.9	-8.5	-9.0
Personnel expenses	-36.9	-10.2	-10.8	-8.5	-10.8	-40.3	-11.5	-11.7	-9.8	-11.4	-44.3	-46.5	-48.0
Other expenses	-7.5	-1.8	-2.1	-2.0	-2.8	-8.7	-2.8	-2.6	-2.3	-2.9	-10.6	-10.0	-10.5
EBITDA	10.4	3.5	3.7	2.4	2.6	12.3	2.7	3.8	2.7	4.0	13.2	15.9	17.4
Adj. EBITDA	10.8	3.6	3.8	2.5	2.7	12.6	2.9	3.8	2.7	4.0	13.4	15.9	17.4
D&A	-5.0	-1.3	-1.3	-1.3	-1.3	-5.1	-1.3	-1.4	-1.4	-1.4	-5.5	-5.7	-5.8
EBIT	5.4	2.2	2.4	1.1	1.3	7.1	1.4	2.4	1.3	2.6	7.7	10.2	11.5
<i>EBIT-%</i>	8.9%	12.8%	13.2%	7.6%	7.2%	10.3%	7.3%	11.8%	7.7%	12.6%	10.0%	12.6%	13.6%
Adjustment items	0.4	0.1	0.0	0.1	0.1	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Adj. EBIT	5.8	2.3	2.5	1.2	1.4	7.4	1.6	2.4	1.3	2.6	7.7	10.2	11.5
<i>Adj. EBIT-%</i>	9.6%	13.2%	13.4%	8.1%	7.8%	10.7%	8.1%	11.8%	7.7%	12.6%	10.0%	12.6%	13.6%
<b>Solteq Digital</b>	<b>2020</b>	<b>Q1/'21</b>	<b>Q2/'21</b>	<b>Q3/'21</b>	<b>Q4/'21</b>	<b>2021</b>	<b>Q1/'22</b>	<b>Q2/'22E</b>	<b>Q3/'22E</b>	<b>Q4/'22E</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Net sales	41.6	11.2	11.9	9.5	11.7	44.3	11.8	12.6	10.1	12.5	47.0	48.4	49.9
<i>sales growth %</i>	1.0%	-1.4%	13.0%	4.3%	10.3%	6.5%	5.6%	6.1%	5.8%	6.8%	6.1%	3.0%	3.0%
Adj. EBITDA	6.2	2.0	2.5	1.5	2.0	8.0	2.1	2.5	1.6	2.2	8.4	8.7	9.0
<i>Adj. EBITDA-%</i>	15.0%	17.8%	20.8%	15.9%	17.1%	18.0%	17.4%	19.8%	15.8%	17.6%	17.8%	18.0%	18.0%
EBIT	3.1	1.3	1.9	0.9	1.5	5.6	1.5	1.9	1.0	1.6	6.0	6.6	6.3
<i>EBIT-%</i>	7.5%	11.9%	15.7%	9.3%	12.7%	12.6%	12.9%	15.1%	9.9%	12.8%	12.8%	13.7%	12.7%
Adj. EBIT	3.5	1.4	1.9	0.9	1.5	5.7	1.5	1.9	1.0	1.6	6.0	6.6	6.3
<i>Adj. EBIT-%</i>	8.4%	12.2%	15.7%	9.9%	12.8%	12.8%	12.7%	15.1%	9.9%	12.8%	12.8%	13.7%	12.7%
<b>Solteq Software</b>	<b>2020</b>	<b>Q1/'21</b>	<b>Q2/'21</b>	<b>Q3/'21</b>	<b>Q4/'21</b>	<b>2021</b>	<b>Q1/'22</b>	<b>Q2/'22E</b>	<b>Q3/'22E</b>	<b>Q4/'22E</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Net sales	18.8	6.2	6.6	5.4	6.6	24.8	7.4	7.8	6.7	8.1	30.0	32.4	35.0
<i>sales growth %</i>	10.2%	43.1%	44.6%	29.8%	13.3%	31.4%	19.7%	18.1%	25.0%	23.2%	21.3%	8.0%	8.0%
Adj. EBITDA	4.6	1.6	1.3	1.0	0.7	4.6	0.9	1.3	1.1	1.8	5.1	7.1	8.4
<i>Adj. EBITDA-%</i>	24.3%	25.3%	19.7%	18.3%	11.1%	18.5%	11.7%	16.7%	16.4%	22.2%	16.9%	22.0%	24.0%
EBIT	2.2	0.9	0.6	0.2	-0.2	1.6	-0.1	0.5	0.3	1.0	1.7	3.5	5.2
<i>EBIT-%</i>	11.8%	14.6%	9.3%	4.6%	-2.5%	6.5%	-1.5%	6.4%	4.5%	12.3%	5.6%	10.9%	14.9%
Adj. EBIT	2.3	0.9	0.6	0.3	0.0	1.8	0.1	0.5	0.3	1.0	1.7	3.5	5.2
<i>Adj. EBIT-%</i>	12.1%	15.0%	8.7%	4.9%	-0.2%	7.1%	0.9%	6.4%	4.5%	12.3%	5.6%	10.9%	14.9%

NORDIC IT SERVICES	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		22	23	24	22	23	24	22	23	24
TietoEVRY	2833	7.1x	6.6x	6.6x	10.3x	9.3x	9.3x	10.5x	9.5x	9.5x
Atea	1293	7.4x	6.8x	6.8x	11.4x	10.1x	10.1x	14.3x	12.6x	12.6x
Knowit	789	9.5x	8.6x	8.6x	14.3x	12.5x	12.5x	18.7x	17.0x	17.0x
Bouvet	714	15.9x	14.5x	14.5x	18.4x	16.6x	16.6x	24.7x	22.5x	22.5x
Gofore	367	15.3x	13.4x	13.4x	20.9x	17.7x	17.7x	24.4x	21.3x	21.3x
Digia	184	8.6x	8.1x	8.1x	12.8x	11.7x	11.7x	14.6x	13.3x	13.3x
Silli Solutions	104	7.2x	6.6x	6.6x	10.4x	9.2x	9.2x	12.2x	10.8x	10.8x
Vincit	69							11.1x	9.3x	9.3x
Innofactor	43	6.2x	5.8x	5.8x	9.7x	8.7x	8.7x	11.8x	10.3x	10.3x
Qt Group	2260	47.5x	32.0x	32.0x	52.6x	34.6x	34.6x	63.6x	42.1x	42.1x
Peer Group Average	823	<b>13.9x</b>	<b>11.4x</b>	<b>11.4x</b>	<b>17.9x</b>	<b>14.5x</b>	<b>14.5x</b>	<b>20.6x</b>	<b>16.8x</b>	<b>16.8x</b>
Peer Group Median	573	<b>8.6x</b>	<b>8.1x</b>	<b>8.1x</b>	<b>12.8x</b>	<b>11.7x</b>	<b>11.7x</b>	<b>14.4x</b>	<b>12.9x</b>	<b>12.9x</b>

Source FactSet, Evli Research

NORDIC SOFTWARE	MCAP EUR	EV/EBITDA			EV/EBIT			P/E		
		22	23	24	22	23	24	22	23	24
Vitec Software Group	1580							49.3x	42.5x	42.5x
Basware	573	25.5x	20.1x	20.1x	71.5x	42.2x	42.2x	330.4x	87.7x	87.7x
SimCorp	2636	17.9x	16.2x	16.2x	19.7x	17.6x	17.6x	24.8x	22.3x	22.3x
WithSecure	888	28.0x	21.1x	21.1x	51.2x	32.2x	32.2x	50.0x	33.1x	33.1x
Admicom	318	21.0x	18.5x	18.5x	22.3x	19.1x	19.1x	29.6x	25.4x	25.4x
cBrain	608	57.0x	42.6x	42.6x	78.3x	56.6x	56.6x	102.3x	73.8x	73.8x
Enea	253	8.6x	7.9x	7.9x	17.4x	13.2x	13.2x	13.8x	13.8x	13.8x
Peer Group Average	980	<b>26.3x</b>	<b>21.1x</b>	<b>21.1x</b>	<b>43.4x</b>	<b>30.1x</b>	<b>30.1x</b>	<b>85.7x</b>	<b>42.7x</b>	<b>42.7x</b>
Peer Group Median	608	<b>23.2x</b>	<b>19.3x</b>	<b>19.3x</b>	<b>36.8x</b>	<b>25.6x</b>	<b>25.6x</b>	<b>49.3x</b>	<b>33.1x</b>	<b>33.1x</b>

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	3.23 PV of Free Cash Flow	71 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	7.09 PV of Horizon value	94 WACC, %	8.9 Market risk premium, %	5.8
Share price potential, %	119.4 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	7.8 Marketable securities	4 Minimum WACC, %	8.4 Equity beta coefficient	1.10
Minimum value	6.5 Debt - dividend	-31 Maximum WACC, %	9.4 Target debt ratio, %	20
Horizon value, %	56.8 Value of stock	137 Nr of shares, Mn	19.4 Effective tax rate, %	20

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	69	77	81	85	89	94	98	103	108	114	116	118
<i>Sales growth, %</i>	<i>14.2</i>	<i>11.6</i>	<i>4.9</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	7	8	10	12	13	14	14	15	16	17	17	17
<i>Operating income margin, %</i>	<i>10.4</i>	<i>10.0</i>	<i>12.6</i>	<i>13.6</i>	<i>14.6</i>	<i>14.6</i>	<i>14.6</i>	<i>14.6</i>	<i>14.6</i>	<i>14.6</i>	<i>14.6</i>	<i>14.6</i>
+ Depreciation+amort.	5	6	6	6	7	7	8	8	9	9	10	
EBITDA	12	13	16	18	20	21	22	23	24	26	27	
- Paid taxes	-2	-2	-2	-2	-3	-3	-3	-3	-3	-3	-3	
- Change in NWC	1	1	0	0	0	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-8	-9	-5	-5	-6	-6	-7	-8	-8	-9	-9	
<i>opCAPEX / Sales, %</i>	<i>10.5</i>	<i>14.1</i>	<i>8.5</i>	<i>8.8</i>	<i>9.0</i>	<i>9.2</i>	<i>9.5</i>	<i>9.8</i>	<i>10.1</i>	<i>10.3</i>	<i>10.4</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	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	4	4	9	11	12	12	12	13	13	14	14	214
= Discounted FCFF		4	8	8	8	8	8	7	7	7	6	94
= DFCF min WACC		4	8	8	9	8	8	8	7	7	7	106
= DFCF max WACC		3	8	8	8	8	7	7	7	6	6	84

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2E	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	17.4	18.5	14.9	18.3	69.1	19.2	20.4	16.8	20.6	77.0	80.9	84.9
EBITDA	3.6	3.7	2.4	2.6	12.3	2.7	3.8	2.7	4.0	13.2	15.9	17.9
<i>EBITDA margin (%)</i>	<i>20.7</i>	<i>19.8</i>	<i>16.2</i>	<i>14.4</i>	<i>17.8</i>	<i>14.3</i>	<i>18.6</i>	<i>16.1</i>	<i>19.4</i>	<i>17.2</i>	<i>19.6</i>	<i>21.0</i>
EBIT	2.2	2.5	1.1	1.3	7.2	1.4	2.4	1.3	2.6	7.7	10.2	11.5
<i>EBIT margin (%)</i>	<i>12.8</i>	<i>13.4</i>	<i>7.6</i>	<i>7.2</i>	<i>10.4</i>	<i>7.3</i>	<i>11.8</i>	<i>7.7</i>	<i>12.6</i>	<i>10.0</i>	<i>12.6</i>	<i>13.6</i>
Net financial items	-0.4	-0.5	-0.4	-0.6	-1.9	-0.4	-0.5	-0.5	-0.5	-1.8	-1.8	-1.6
Pre-tax profit	1.8	2.0	0.7	0.7	5.3	1.0	1.9	0.8	2.1	5.9	8.4	10.0
Tax	-0.4	-0.4	-0.2	-0.1	-1.1	-0.2	-0.4	-0.2	-0.4	-1.2	-1.7	-2.0
<i>Tax rate (%)</i>	<i>20.8</i>	<i>21.6</i>	<i>28.1</i>	<i>18.2</i>	<i>21.7</i>	<i>21.6</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.3</i>	<i>20.0</i>	<i>20.0</i>
Net profit	1.5	1.6	0.5	0.6	4.1	0.8	1.5	0.7	1.7	4.7	6.7	8.0
EPS	0.08	0.08	0.03	0.03	0.21	0.04	0.08	0.03	0.09	0.24	0.35	0.41
EPS adjusted (diluted no. of shares)	0.08	0.08	0.03	0.03	0.21	0.04	0.08	0.03	0.09	0.24	0.35	0.41
Dividend per share	0.00	0.00	0.00	0.00	0.10	0.00	0.00	0.00	0.00	0.12	0.17	0.21
<b>SALES, EURm</b>												
Solteq Digital	11.2	11.9	9.5	11.7	44.3	11.8	12.6	10.1	12.5	47.0	48.4	49.9
Solteq Software	6.2	6.6	5.4	6.6	24.8	7.4	7.8	6.7	8.1	30.0	32.4	35.0
Total	17.4	18.5	14.9	18.3	69.1	19.2	20.4	16.8	20.6	77.0	80.9	84.9
<b>SALES GROWTH, Y/Y %</b>												
<i>Solteq Digital</i>	<i>-1.4</i>	<i>13.0</i>	<i>4.3</i>	<i>10.3</i>	<i>6.5</i>	<i>5.6</i>	<i>6.1</i>	<i>5.8</i>	<i>6.8</i>	<i>6.1</i>	<i>3.0</i>	<i>3.0</i>
<i>Solteq Software</i>	<i>43.1</i>	<i>44.6</i>	<i>29.8</i>	<i>13.3</i>	<i>31.4</i>	<i>19.7</i>	<i>18.1</i>	<i>25.0</i>	<i>23.2</i>	<i>21.3</i>	<i>8.0</i>	<i>8.0</i>
<i>Total</i>	<i>10.9</i>	<i>22.6</i>	<i>12.2</i>	<i>11.4</i>	<i>14.2</i>	<i>10.7</i>	<i>10.3</i>	<i>12.7</i>	<i>12.7</i>	<i>11.6</i>	<i>4.9</i>	<i>5.0</i>
<b>EBIT, EURm</b>												
Solteq Digital	1.3	1.9	0.9	1.5	5.6	1.5	1.9	1.0	1.6	6.0	6.6	6.3
Solteq Software	0.9	0.6	0.2	-0.2	1.6	-0.1	0.5	0.3	1.0	1.7	3.5	5.2
Total	2.2	2.5	1.1	1.3	7.2	1.4	2.4	1.3	2.6	7.7	10.2	11.5
<b>EBIT margin, %</b>												
<i>Solteq Digital</i>	<i>11.9</i>	<i>15.7</i>	<i>9.3</i>	<i>12.7</i>	<i>12.6</i>	<i>12.9</i>	<i>15.1</i>	<i>9.9</i>	<i>12.8</i>	<i>12.8</i>	<i>13.7</i>	<i>12.7</i>
<i>Solteq Software</i>	<i>14.6</i>	<i>9.3</i>	<i>4.6</i>	<i>-2.5</i>	<i>6.5</i>	<i>-1.5</i>	<i>6.4</i>	<i>4.5</i>	<i>12.3</i>	<i>5.6</i>	<i>10.9</i>	<i>14.9</i>
<i>Total</i>	<i>12.8</i>	<i>13.4</i>	<i>7.6</i>	<i>7.2</i>	<i>10.4</i>	<i>7.3</i>	<i>11.8</i>	<i>7.7</i>	<i>12.6</i>	<i>10.0</i>	<i>12.6</i>	<i>13.6</i>

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	50.7	56.9	58.3	60.5	69.1	77.0	80.9	84.9
<i>Sales growth (%)</i>	<i>-19.6</i>	<i>12.1</i>	<i>2.5</i>	<i>3.7</i>	<i>14.2</i>	<i>11.6</i>	<i>4.9</i>	<i>5.0</i>
EBITDA	2.4	4.8	9.7	10.4	12.3	13.2	15.9	17.9
<i>EBITDA margin (%)</i>	<i>4.7</i>	<i>8.4</i>	<i>16.7</i>	<i>17.2</i>	<i>17.8</i>	<i>17.2</i>	<i>19.6</i>	<i>21.0</i>
Depreciation	-2.1	-2.3	-4.0	-5.0	-5.1	-5.5	-5.7	-6.3
EBITA	0.3	2.5	5.7	5.4	7.2	7.7	10.2	11.5
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	0.3	2.5	5.7	5.4	7.2	7.7	10.2	11.5
<i>EBIT margin (%)</i>	<i>0.6</i>	<i>4.3</i>	<i>9.8</i>	<i>8.9</i>	<i>10.4</i>	<i>10.0</i>	<i>12.6</i>	<i>13.6</i>
Reported EBIT	0.3	2.5	5.7	5.4	7.2	7.7	10.2	11.5
<i>EBIT margin (reported) (%)</i>	<i>0.6</i>	<i>4.3</i>	<i>9.8</i>	<i>8.8</i>	<i>10.4</i>	<i>10.0</i>	<i>12.6</i>	<i>13.6</i>
Net financials	-1.8	-1.8	-2.0	-2.6	-1.9	-1.8	-1.8	-1.6
Pre-tax profit	-1.5	0.6	3.7	2.7	5.3	5.9	8.4	10.0
Taxes	-0.1	-0.3	-0.9	-0.8	-1.1	-1.2	-1.7	-2.0
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	-1.5	0.4	2.8	2.0	4.1	4.7	6.7	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
<b>BALANCE SHEET, EURm</b>								
<b>Assets</b>								
Fixed assets	8	10	11	12	13	14	15	15
Goodwill	37	40	39	39	42	46	46	46
Right of use assets	0	6	7	7	5	6	6	6
Inventory	0	0	0	0	0	0	0	0
Receivables	15	12	16	12	12	13	14	14
Liquid funds	2	5	4	5	4	4	4	4
Total assets	61	74	77	75	76	83	85	87
<b>Liabilities</b>								
Shareholder's equity	20	22	25	27	28	31	35	40
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	6	8	7	5	6	6	6
Deferred taxes	1	1	1	1	1	1	1	1
Interest bearing debt	26	28	28	24	24	26	23	19
Non-interest bearing current liabilities	14	17	17	16	18	20	21	22
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	61	74	77	75	76	83	85	87
<b>CASH FLOW, EURm</b>								
+ EBITDA	2	5	10	10	12	13	16	18
- Net financial items	-2	-2	-2	-3	-2	-2	-2	-2
- Taxes	0	0	-1	-1	-1	-1	-2	-2
- Increase in Net Working Capital	-1	6	-1	4	1	1	0	0
+/- Other	-2	0	-2	0	0	0	0	0
= Cash flow from operations	-2	8	4	11	10	11	13	15
- Capex	-1	-3	-7	-6	-7	-11	-7	-7
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-3	5	-3	5	3	0	6	7
+/- New issues/buybacks	3	1	0	0	0	0	0	0
- Paid dividend	-1	0	0	0	-3	-2	-2	-3
+/- Other	-5	-2	2	-4	-2	2	-3	-4
Change in cash	-7	4	-2	1	-1	0	0	0

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	25	29	54	91	63	63	63
Net debt (excl. convertibles)	29	32	26	26	28	24	21
Enterprise value	54	60	81	117	91	87	83
Sales	57	58	60	69	77	81	85
EBITDA	5	10	10	12	13	16	18
EBIT	2	6	5	7	8	10	12
Pre-tax	1	4	3	5	6	8	10
Earnings	0	3	2	4	5	7	8
Equity book value (excl. minorities)	22	25	27	28	31	35	40
<b>Valuation multiples</b>							
EV/sales	1.0	1.0	1.3	1.7	1.2	1.1	1.0
EV/EBITDA	11.4	6.2	7.8	9.5	6.8	5.5	4.7
EV/EBITA	22.0	10.6	15.1	16.3	11.7	8.6	7.2
EV/EBIT	22.0	10.6	15.1	16.3	11.7	8.6	7.2
EV/OCF	6.8	14.6	7.5	11.2	8.3	6.8	5.7
EV/FCFF	14.0	59.8	9.7	26.4	24.4	9.5	7.9
P/FCFE	5.3	-9.1	10.8	28.4	4,293.1	10.8	8.7
P/E	69.9	27.1	27.3	21.9	13.3	9.3	7.9
P/B	1.1	1.2	2.0	3.2	2.0	1.8	1.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	9.4	7.7	6.6
Target EV/EBIT	0.0	0.0	0.0	0.0	16.2	11.9	10.2
Target EV/FCF	0.0	0.0	0.0	0.0	8,555.0	20.9	16.4
Target P/B	0.0	0.0	0.0	0.0	3.2	2.8	2.4
Target P/E	0.0	0.0	0.0	0.0	20.6	14.4	12.2
<b>Per share measures</b>							
Number of shares	19,202	19,307	19,307	19,397	19,397	19,397	19,397
Number of shares (diluted)	19,202	19,307	19,307	19,397	19,397	19,397	19,397
EPS	0.02	0.15	0.10	0.21	0.24	0.35	0.41
Operating cash flow per share	0.42	0.21	0.55	0.54	0.56	0.66	0.75
Free cash flow per share	0.24	-0.16	0.26	0.16	0.00	0.30	0.37
Book value per share	1.14	1.27	1.37	1.44	1.59	1.81	2.05
Dividend per share	0.00	0.00	0.15	0.10	0.12	0.17	0.21
Dividend payout ratio, %	0.0	0.0	146.3	46.8	50.0	50.0	50.0
Dividend yield, %	0.0	0.0	5.4	2.1	3.8	5.4	6.4
FCF yield, %	18.8	-11.0	9.3	3.5	0.0	9.3	11.5
<b>Efficiency measures</b>							
ROE	1.7	12.1	7.8	15.2	16.0	20.4	21.3
ROCE	4.8	9.8	9.1	12.4	12.8	16.1	18.0
<b>Financial ratios</b>							
Inventories as % of sales	0.2	0.3	0.1	0.3	0.3	0.3	0.3
Receivables as % of sales	21.1	26.8	19.1	17.0	17.0	17.0	17.0
Non-interest bearing liabilities as % of sales	29.2	28.6	26.8	25.5	25.5	25.5	25.5
NWC/sales, %	-7.9	-1.5	-7.5	-8.2	-8.2	-8.2	-8.2
Operative CAPEX/sales, %	5.8	12.5	9.4	10.5	14.1	8.5	8.8
CAPEX/sales (incl. acquisitions), %	5.8	12.5	9.4	10.5	14.1	8.5	8.8
FCFF/EBITDA	0.8	0.1	0.8	0.4	0.3	0.6	0.6
Net debt/EBITDA, book-weighted	6.2	3.2	2.6	2.1	2.1	1.5	1.2
Debt/equity, market-weighted	1.1	1.0	0.4	0.3	0.4	0.4	0.3
Equity ratio, book-weighted	29.3	31.9	35.5	36.9	37.1	41.3	45.7
Gearing, %	134.5	128.5	99.9	92.6	90.5	69.5	51.8

**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	6.656	10.6%
Elo Mutual Pension Insurance Company	2,000,000	6.460	10.3%
Ilmarinen Mutual Pensions Insurance Company	1,651,293	5.334	8.5%
Varma Mutual Pension Insurance Company	1,545,597	4.992	8.0%
Aktia Capital Mutual Fund	770,000	2.487	4.0%
Aalto Seppo Tapio	615,000	1.986	3.2%
Saadetdin Ali	602,216	1.945	3.1%
Säästöpankki Small Cap Mutual Fund	500,000	1.615	2.6%
Väätäinen Olli Pekka	313,178	1.012	1.6%
Säästöpankki Itämeri Mutual Fund	300,000	0.969	1.5%
Ten largest	10,358,053	33.457	53%
Residual	9,038,448	29.194	47%
Total	19,396,501	62.651	100%

#### EARNINGS CALENDAR

August 11, 2022 Q2 report  
October 27, 2022 Q3 report

#### OTHER EVENTS

March 24, 2022 AGM

#### COMPANY MISCELLANEOUS

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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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