

Slower realization of potential

Solteq lowered its guidance for 2022 due to challenges relating to the Utilities business. With the downgrade, the company's journey to realize its potential is prolonged. We lower our TP to EUR 3.4 (5.0), rating remains BUY.

Guidance for 2022 lowered

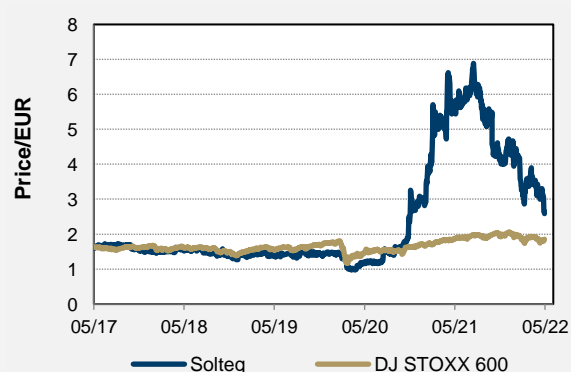
Solteq issued a profit warning, lowering its guidance for 2022 for both revenue and operating profit. According to the new guidance revenue in 2022 is expected to grow and operating profit to weaken, while the company previously expected revenue to grow clearly and operating profit to improve. The guidance downgrade is driven in particular by the Utilities business, where Solteq sees that increased investments and project delivery costs will weaken the profitability and reduce customer invoicing.

Scalability potential not materializing as expected

We have lowered our estimates for the on-going year, with a quite notable decrease in operating profit. We now expect 2022 revenue of EUR 75.0m (prev. EUR 77.0m), for an implied growth of 8.7%. Taking into account the more recent acquisitions, the estimated organic growth is heading towards lower single-digit figures. We have lowered our operating profit estimates by some 15% to EUR 6.6m. All the made revisions relate to our estimates for Solteq Software. The reasons for the guidance downgrade appear to point to near-term challenges, but we expect a spill-over effect on 2023 thus slowing down the expected scaling of Solteq Software and with the added uncertainty we have also lowered our 2023 operating profit estimate by some 15%. The overall narrative is still seemingly unchanged, only the expected scaling of Solteq Software appears delayed.

BUY with a target price of EUR 3.4 (5.0)

Following our estimates revisions we lower our target price to EUR 3.4 (5.0) and retain our BUY-rating. We currently expect profitability in 2023 to improve to 2021 levels, with notable improvement potential still present through Solteq Software. With the bumps in the road we now value Solteq close to the IT services peers, having previously justified a larger premium.

Rating + BUY

 Share price, EUR (Last trading day's closing price) 2.59

 Target price, EUR 3.4

Latest change in recommendation	13-Aug-20
Latest report on company	28-Apr-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	50
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

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
2020	60.5	5.4	8.9%	5.5	0.10	27.3	1.3	15.1	10.2	0.15
2021	69.1	7.2	10.4%	4.3	0.21	21.9	1.7	16.3	4.7	0.10
2022E	75.0	6.6	8.8%	-0.9	0.20	13.1	1.1	12.0	-1.7	0.10
2023E	80.2	8.4	10.5%	4.3	0.27	9.5	1.0	9.1	8.5	0.14
2024E	84.1	10.3	12.2%	6.0	0.36	7.3	0.9	7.1	11.9	0.18
Market cap, EURm	50			Gearing 2022E, %	96.2			CAGR EPS 2021-24, %	18.5	
Net debt 2022E, EURm	29			Price/book 2022E	1.7			CAGR sales 2021-24, %	6.8	
Enterprise value, EURm	79			Dividend yield 2022E, %	3.8			ROE 2022E, %	13.2	
Total assets 2022E, EURm	82			Tax rate 2022E, %	20.3			ROCE 2022E, %	11.0	
Goodwill 2022E, EURm	46			Equity ratio 2022E, %	36.3			PEG, P/E 22/CAGR	0.4	

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	19.9	16.2	19.7	75.0	80.2	84.1
<i>sales growth %</i>	<i>3.7%</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>7.6%</i>	<i>8.7%</i>	<i>7.8%</i>	<i>8.7%</i>	<i>6.9%</i>	<i>4.9%</i>
<i>comparable growth %</i>	<i>9.3%</i>												
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	-11.6	-9.5	-10.9	-43.4	-47.6	-48.5
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	3.4	2.4	3.6	12.1	14.1	16.1
Adj. EBITDA	10.8	3.6	3.8	2.5	2.7	12.6	2.9	3.4	2.4	3.6	12.3	14.1	16.1
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	2.0	1.0	2.2	6.6	8.4	10.3
<i>EBIT-%</i>	<i>8.9%</i>	<i>12.8%</i>	<i>13.2%</i>	<i>7.6%</i>	<i>7.2%</i>	<i>10.3%</i>	<i>7.3%</i>	<i>10.1%</i>	<i>6.2%</i>	<i>11.2%</i>	<i>8.8%</i>	<i>10.5%</i>	<i>12.2%</i>
Adjustment items	0.4	0.1	0.0	0.1	0.1	0.3	0.2	0.0	0.0	0.0	0.2	0.0	0.0
Adj. EBIT	5.8	2.3	2.5	1.2	1.4	7.4	1.6	2.0	1.0	2.2	6.8	8.4	10.3
<i>Adj. EBIT-%</i>	<i>9.6%</i>	<i>13.2%</i>	<i>13.4%</i>	<i>8.1%</i>	<i>7.8%</i>	<i>10.7%</i>	<i>8.1%</i>	<i>10.1%</i>	<i>6.2%</i>	<i>11.2%</i>	<i>9.0%</i>	<i>10.5%</i>	<i>12.2%</i>
Solteq Digital	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22	Q2/'22E	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Net sales	41.6	11.2	11.9	9.5	11.7	44.3	11.8	12.6	10.1	12.5	47.0	49.4	50.8
<i>sales growth %</i>	<i>1.0%</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>5.0%</i>	<i>3.0%</i>
Adj. EBITDA	6.2	2.0	2.5	1.5	2.0	8.0	2.1	2.5	1.6	2.2	8.4	8.9	9.2
<i>Adj. EBITDA-%</i>	<i>15.0%</i>	<i>17.8%</i>	<i>20.8%</i>	<i>15.9%</i>	<i>17.1%</i>	<i>18.0%</i>	<i>17.4%</i>	<i>19.8%</i>	<i>15.8%</i>	<i>17.6%</i>	<i>17.8%</i>	<i>18.0%</i>	<i>18.0%</i>
EBIT	3.1	1.3	1.9	0.9	1.5	5.6	1.5	1.9	1.0	1.6	6.0	6.8	6.9
<i>EBIT-%</i>	<i>7.5%</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>13.8%</i>	<i>13.6%</i>
Adj. EBIT	3.5	1.4	1.9	0.9	1.5	5.7	1.5	1.9	1.0	1.6	6.0	6.8	6.9
<i>Adj. EBIT-%</i>	<i>8.4%</i>	<i>12.2%</i>	<i>15.7%</i>	<i>9.9%</i>	<i>12.8%</i>	<i>12.8%</i>	<i>12.7%</i>	<i>15.1%</i>	<i>9.9%</i>	<i>12.8%</i>	<i>12.8%</i>	<i>13.8%</i>	<i>13.6%</i>
Solteq Software	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22	Q2/'22E	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Net sales	18.8	6.2	6.6	5.4	6.6	24.8	7.4	7.3	6.1	7.2	28.0	30.8	33.3
<i>sales growth %</i>	<i>10.2%</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>10.5%</i>	<i>13.8%</i>	<i>9.5%</i>	<i>13.3%</i>	<i>10.0%</i>	<i>8.0%</i>
Adj. EBITDA	4.6	1.6	1.3	1.0	0.7	4.6	0.9	0.9	0.8	1.4	4.0	5.2	7.0
<i>Adj. EBITDA-%</i>	<i>24.3%</i>	<i>25.3%</i>	<i>19.7%</i>	<i>18.3%</i>	<i>11.1%</i>	<i>18.5%</i>	<i>11.7%</i>	<i>12.3%</i>	<i>13.1%</i>	<i>19.4%</i>	<i>14.2%</i>	<i>17.0%</i>	<i>21.0%</i>
EBIT	2.2	0.9	0.6	0.2	-0.2	1.6	-0.1	0.1	0.0	0.6	0.6	1.6	3.4
<i>EBIT-%</i>	<i>11.8%</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>1.4%</i>	<i>0.0%</i>	<i>8.3%</i>	<i>2.1%</i>	<i>5.3%</i>	<i>10.2%</i>
Adj. EBIT	2.3	0.9	0.6	0.3	0.0	1.8	0.1	0.1	0.0	0.6	0.8	1.6	3.4
<i>Adj. EBIT-%</i>	<i>12.1%</i>	<i>15.0%</i>	<i>8.7%</i>	<i>4.9%</i>	<i>-0.2%</i>	<i>7.1%</i>	<i>0.9%</i>	<i>1.4%</i>	<i>0.0%</i>	<i>8.3%</i>	<i>2.7%</i>	<i>5.3%</i>	<i>10.2%</i>

NORDIC IT SERVICES	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		22	23	24	22	23	24	22	23	24
TietoEVRY	2797	7.1x	6.6x	6.3x	10.4x	9.3x	8.8x	10.4x	9.5x	8.9x
Atea	1235	8.2x	7.4x	6.7x	12.5x	11.0x	9.7x	15.0x	12.8x	11.6x
Knowit	856	11.0x	10.2x	9.8x	14.9x	13.8x	12.9x	18.5x	17.3x	16.3x
Bouvet	650	13.8x	12.6x	11.3x	16.4x	14.9x	13.1x	22.2x	20.1x	17.6x
Gofore	359	15.0x	13.0x	11.8x	20.4x	17.1x	15.0x	23.7x	20.6x	18.5x
Digia	193	8.7x	7.9x	7.9x	12.0x	11.2x	10.5x	14.7x	13.5x	12.5x
Sili Solutions	98	6.3x	5.7x	5.3x	8.8x	7.7x	7.0x	10.4x	9.2x	8.3x
Vincit	70							11.3x	9.4x	8.4x
Innofactor	44	6.3x	5.9x	5.4x	9.8x	8.8x	8.0x	12.2x	10.2x	9.3x
Qt Group	1933	43.0x	29.5x	21.1x	48.5x	32.3x	22.6x	58.2x	39.7x	27.9x
Peer Group Average	802	13.3x	11.0x	9.5x	17.1x	14.0x	11.9x	19.7x	16.2x	13.9x
Peer Group Median	548	8.7x	7.9x	7.9x	12.5x	11.2x	10.5x	14.8x	13.1x	12.1x

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	1560							49.7x	42.8x	37.0x
Basware	569	25.1x	19.6x	15.8x	69.9x	40.5x	27.1x	285.7x	80.1x	44.3x
SimCorp	2794	19.7x	17.5x	15.4x	21.7x	18.9x	16.5x	27.5x	23.9x	20.9x
WithSecure	906	30.1x	21.5x	20.5x	52.3x	32.8x	26.5x	51.1x	33.9x	27.2x
Admicom	264	17.2x	15.1x	12.9x	18.3x	15.6x	13.5x	24.6x	21.1x	18.1x
cBrain	548	51.3x	38.3x	32.5x	70.5x	50.9x	38.1x	92.1x	66.4x	49.3x
Enea	242	8.5x	7.9x	7.1x	17.3x	13.1x	11.3x	13.5x	13.6x	11.8x
Peer Group Average	983	25.3x	20.0x	17.4x	41.6x	28.6x	22.2x	77.7x	40.3x	29.8x
Peer Group Median	569	22.4x	18.5x	15.6x	37.0x	25.9x	21.5x	49.7x	33.9x	27.2x

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	2.59 PV of Free Cash Flow	68 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	6.91 PV of Horizon value	94 WACC, %	8.9 Market risk premium, %
Share price potential, %	166.6 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	7.6 Marketable securities	4 Minimum WACC, %	8.4 Equity beta coefficient
Minimum value	6.3 Debt - dividend	-31 Maximum WACC, %	9.4 Target debt ratio, %
Horizon value, %	57.8 Value of stock	134 Nr of shares, Mn	19.4 Effective tax rate, %

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	69	75	80	84	88	93	97	102	107	112	115	117
<i>Sales growth, %</i>	<i>14.2</i>	<i>8.7</i>	<i>6.9</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>2.0</i>	<i>2.0</i>
Operating income (EBIT)	7	7	8	10	13	14	14	15	16	16	17	17
<i>Operating income margin, %</i>	<i>10.4</i>	<i>8.8</i>	<i>10.5</i>	<i>12.2</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	10	10	
EBITDA	12	12	14	17	20	21	22	23	25	26	27	
- Paid taxes	-2	-1	-2	-2	-3	-3	-3	-3	-3	-3	-3	
- Change in NWC	1	0	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	-3	-5	-5	-6	-6	-7	-7	-8	-9	-9	-10	
<i>opCAPEX / Sales, %</i>	<i>4.0</i>	<i>9.0</i>	<i>8.9</i>	<i>9.1</i>	<i>9.3</i>	<i>9.6</i>	<i>9.8</i>	<i>10.1</i>	<i>10.4</i>	<i>10.7</i>	<i>10.7</i>	
- Acquisitions	-3	-4	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	6	3	8	9	11	12	12	13	13	14	14	211
= Discounted FCFF		3	7	8	8	8	8	7	7	7	6	94
= DFCF min WACC		3	7	8	9	8	8	8	7	7	7	105
= DFCF max WACC		3	7	7	8	8	7	7	7	6	6	83

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	19.9	16.2	19.7	75.0	80.2	84.1
EBITDA	3.6	3.7	2.4	2.6	12.3	2.7	3.4	2.4	3.6	12.1	14.1	16.7
<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>17.1</i>	<i>14.8</i>	<i>18.3</i>	<i>16.2</i>	<i>17.6</i>	<i>19.9</i>
EBIT	2.2	2.5	1.1	1.3	7.2	1.4	2.0	1.0	2.2	6.6	8.4	10.3
<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>10.1</i>	<i>6.2</i>	<i>11.2</i>	<i>8.8</i>	<i>10.5</i>	<i>12.2</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	-1.7
Pre-tax profit	1.8	2.0	0.7	0.7	5.3	1.0	1.5	0.5	1.7	4.8	6.6	8.6
Tax	-0.4	-0.4	-0.2	-0.1	-1.1	-0.2	-0.3	-0.1	-0.3	-1.0	-1.3	-1.7
<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	1.2	0.4	1.4	3.8	5.3	6.9
EPS	0.08	0.08	0.03	0.03	0.21	0.04	0.06	0.02	0.07	0.20	0.27	0.36
EPS adjusted (diluted no. of shares)	0.08	0.08	0.03	0.03	0.21	0.04	0.06	0.02	0.07	0.20	0.27	0.36
Dividend per share	0.00	0.00	0.00	0.00	0.10	0.00	0.00	0.00	0.00	0.10	0.14	0.18
SALES, EURm												
Solteq Digital	11.2	11.9	9.5	11.7	44.3	11.8	12.6	10.1	12.5	47.0	49.4	50.8
Solteq Software	6.2	6.6	5.4	6.6	24.8	7.4	7.3	6.1	7.2	28.0	30.8	33.3
Total	17.4	18.5	14.9	18.3	69.1	19.2	19.9	16.2	19.7	75.0	80.2	84.1
SALES GROWTH, Y/Y %												
<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>5.0</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>10.5</i>	<i>13.8</i>	<i>9.5</i>	<i>13.3</i>	<i>10.0</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>7.6</i>	<i>8.7</i>	<i>7.8</i>	<i>8.7</i>	<i>6.9</i>	<i>4.9</i>
EBIT, EURm												
Solteq Digital	1.3	1.9	0.9	1.5	5.6	1.5	1.9	1.0	1.6	6.0	6.8	6.9
Solteq Software	0.9	0.6	0.2	-0.2	1.6	-0.1	0.1	0.0	0.6	0.6	1.6	3.4
Total	2.2	2.5	1.1	1.3	7.2	1.4	2.0	1.0	2.2	6.6	8.4	10.3
EBIT margin, %												
<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>13.8</i>	<i>13.6</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>1.4</i>	<i>0.0</i>	<i>8.3</i>	<i>2.1</i>	<i>5.3</i>	<i>10.2</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>10.1</i>	<i>6.2</i>	<i>11.2</i>	<i>8.8</i>	<i>10.5</i>	<i>12.2</i>

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	50.7	56.9	58.3	60.5	69.1	75.0	80.2	84.1
<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>8.7</i>	<i>6.9</i>	<i>4.9</i>
EBITDA	2.4	4.8	9.7	10.4	12.3	12.1	14.1	16.7
<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>16.2</i>	<i>17.6</i>	<i>19.9</i>
Depreciation	-2.1	-2.3	-4.0	-5.0	-5.1	-5.5	-5.7	-6.4
EBITA	0.3	2.5	5.7	5.4	7.2	6.6	8.4	10.3
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	6.6	8.4	10.3
<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>8.8</i>	<i>10.5</i>	<i>12.2</i>
Reported EBIT	0.3	2.5	5.7	5.4	7.2	6.6	8.4	10.3
<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>8.8</i>	<i>10.5</i>	<i>12.2</i>
Net financials	-1.8	-1.8	-2.0	-2.6	-1.9	-1.8	-1.8	-1.7
Pre-tax profit	-1.5	0.6	3.7	2.7	5.3	4.8	6.6	8.6
Taxes	-0.1	-0.3	-0.9	-0.8	-1.1	-1.0	-1.3	-1.7
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	3.8	5.3	6.9
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	10	11	12	13	14	15	16
Goodwill	37	40	39	39	42	46	46	46
Right of use assets	0	6	7	7	5	5	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	82	85	87
Liabilities								
Shareholder's equity	20	22	25	27	28	30	33	38
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	5	6	6
Deferred taxes	1	1	1	1	1	1	1	1
Interest bearing debt	26	28	28	24	24	27	25	21
Non-interest bearing current liabilities	14	17	17	16	18	19	20	21
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	61	74	77	75	76	82	85	87
CASH FLOW, EURm								
+ EBITDA	2	5	10	10	12	12	14	17
- Net financial items	-2	-2	-2	-3	-2	-2	-2	-2
- Taxes	0	0	-1	-1	-1	-1	-1	-2
- Increase in Net Working Capital	-1	6	-1	0	1	0	0	0
+/- Other	-2	0	-2	-1	0	0	0	0
= Cash flow from operations	-2	8	4	6	10	10	11	14
- Capex	-1	-3	-7	-5	-3	-7	-7	-8
- Acquisitions	0	0	0	0	-3	-4	0	0
+ Divestments	0	0	0	4	0	0	0	0
= Free cash flow	-3	5	-3	6	4	-1	4	6
+/- 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	-3	3	-2	-3
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	50	50	50
Net debt (excl. convertibles)	29	32	26	26	29	26	23
Enterprise value	54	60	81	117	79	77	73
Sales	57	58	60	69	75	80	84
EBITDA	5	10	10	12	12	14	17
EBIT	2	6	5	7	7	8	10
Pre-tax	1	4	3	5	5	7	9
Earnings	0	3	2	4	4	5	7
Equity book value (excl. minorities)	22	25	27	28	30	33	38
Valuation multiples							
EV/sales	1.0	1.0	1.3	1.7	1.1	1.0	0.9
EV/EBITDA	11.4	6.2	7.8	9.5	6.5	5.4	4.4
EV/EBITA	22.0	10.6	15.1	16.3	12.0	9.1	7.1
EV/EBIT	22.0	10.6	15.1	16.3	12.0	9.1	7.1
EV/OCF	6.8	14.6	12.8	11.7	8.0	6.7	5.4
EV/FCFF	14.0	59.8	9.1	21.2	29.6	9.8	7.8
P/FCFE	5.3	-9.1	9.8	21.1	-57.2	11.8	8.4
P/E	69.9	27.1	27.3	21.9	13.1	9.5	7.3
P/B	1.1	1.2	2.0	3.2	1.7	1.5	1.3
Target EV/EBITDA	0.0	0.0	0.0	0.0	7.8	6.5	5.3
Target EV/EBIT	0.0	0.0	0.0	0.0	14.3	10.9	8.6
Target EV/FCF	0.0	0.0	0.0	0.0	-107.9	21.7	14.8
Target P/B	0.0	0.0	0.0	0.0	2.2	2.0	1.8
Target P/E	0.0	0.0	0.0	0.0	17.2	12.5	9.6
Per share measures							
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	0.20	0.27	0.36
Operating cash flow per share	0.42	0.21	0.33	0.51	0.51	0.59	0.70
Free cash flow per share	0.24	-0.16	0.29	0.22	-0.05	0.22	0.31
Book value per share	1.14	1.27	1.37	1.44	1.54	1.72	1.93
Dividend per share	0.00	0.00	0.15	0.10	0.10	0.14	0.18
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	5.3	6.9
FCF yield, %	18.8	-11.0	10.2	4.7	-1.7	8.5	11.9
Efficiency measures							
ROE	1.7	12.1	7.8	15.2	13.2	16.8	19.5
ROCE	4.8	9.8	9.1	12.4	11.0	13.4	16.0
Financial ratios							
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	8.0	4.0	9.0	8.9	9.1
CAPEX/sales (incl. acquisitions), %	5.8	12.5	8.0	-0.1	3.6	8.9	9.1
FCFF/EBITDA	0.8	0.1	0.9	0.4	0.2	0.6	0.6
Net debt/EBITDA, book-weighted	6.2	3.2	2.6	2.1	2.4	1.9	1.4
Debt/equity, market-weighted	1.1	1.0	0.4	0.3	0.5	0.5	0.4
Equity ratio, book-weighted	29.3	31.9	35.5	36.9	36.3	39.2	43.1
Gearing, %	134.5	128.5	99.9	92.6	96.2	79.4	61.4

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 product development in the company's Utilities business and 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 increasingly 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	5.337	10.6%
Elo Mutual Pension Insurance Company	2,000,000	5.180	10.3%
Ilmarinen Mutual Pensions Insurance Company	1,651,293	4.277	8.5%
Varma Mutual Pension Insurance Company	1,545,597	4.003	8.0%
Aktia Capital Mutual Fund	770,000	1.994	4.0%
Aalto Seppo Tapio	615,000	1.593	3.2%
Saadetdin Ali	602,216	1.560	3.1%
Säästöpankki Small Cap Mutual Fund	500,000	1.295	2.6%
Väätäinen Olli Pekka	313,178	0.811	1.6%
OP-Finland Micro Cap	300,000	0.777	1.5%
Ten largest	10,358,053	26.827	53%
Residual	9,038,448	23.410	47%
Total	19,396,501	50.237	100%

EARNINGS CALENDAR

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

OTHER EVENTS

March 24, 2022 AGM

COMPANY MISCELLANEOUS

CEO: Kari Lehtosalo (Interim) 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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

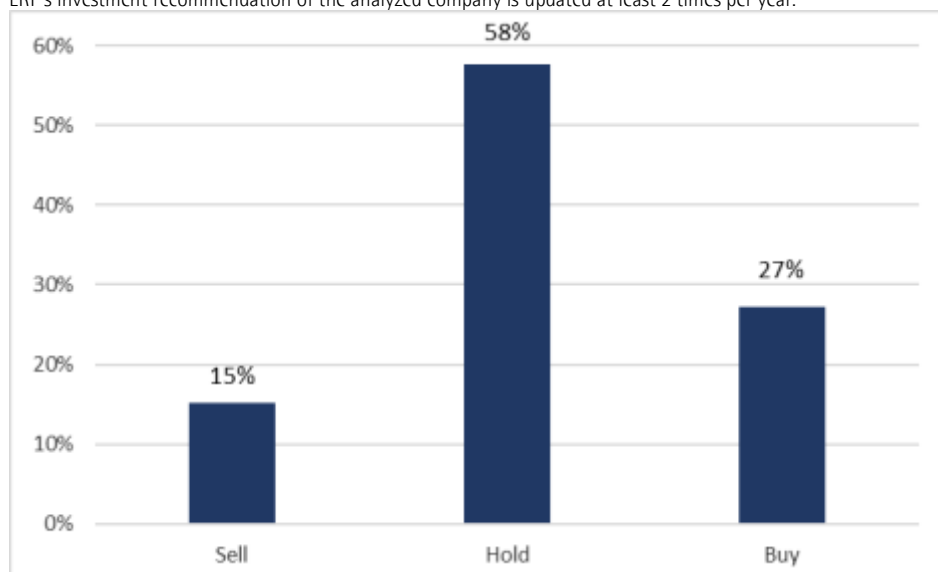
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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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

Arttu Heikura +358 40 082 8098
Joonas Ilvonen +358 44 430 9071
Jerker Salokivi +358 9 4766 9149

Evli Investment Solutions

Johannes Asuja +358 9 4766 9205



EVLI PLC
Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Internet www.evli.com
E-mail firstname.lastname@evli.com

**EVLI PLC,
STOCKHOLMSFILIAL**
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000