

Near-term challenges to overcome

Solteq reported weak Q2 figures, mainly due to challenges in the Utilities business. Despite near-term uncertainty, the investment case in terms of focus areas, demand, and increased share of software still looks favourable.

Q2 figures well below expectations

Solteq reported weak Q2 figures. Revenue declined 3.0% y/y to EUR 17.9m (Evli EUR 19.9m) while EBIT fell clearly y/y to EUR 0.4m (Evli EUR 2.0m). Solteq Software performed well below expectations, with revenue of EUR 6.5m (Evli EUR 7.3m) and adj. EBIT of EUR -0.9m (Evli EUR 0.1m). Solteq Digital was also slightly below expectations due to some delays in the start of certain customer projects, but relative profitability still remained at a good level. Solteq still kept its guidance intact, expecting Group revenue to grow and profit to weaken.

Challenges to overcome in Utilities business

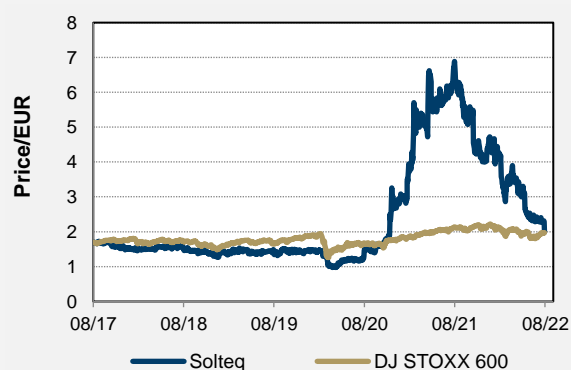
The main reason behind the weak Q2 figures was challenges relating to product development in the Solteq Utilities business. The Utilities business to our understanding suffered from a combination of rapid growth, having previously signed several significant orders, and non-sufficient standardization of products. As a result, resources were in sub-optimal use due to more time having to be spent on developing and improving products as opposed to project deliveries. The situation is being alleviated but we see that some catch-up will be seen during H2. The more fundamental issue relating to product development and standardization will likely be a lengthier process, and Solteq noted an updated strategy being worked on. Notably, Solteq did not amend its guidance, which implies expectations of good performance during H2.

BUY-rating with a target price of EUR 2.7 (3.4)

Valuation on our 2022e estimates is stretched, but we still see that the market demand, strategic focus on the Utilities business and recurring revenue potential support the investment case in the mid-term. With the near-term challenges and uncertainty, we adjust our TP to EUR 2.7 (3.4), BUY-rating intact.

Rating

BUY



Share price, EUR (Last trading day's closing price) 1.99

Target price, EUR 2.7

Latest change in recommendation 13-Aug-20

Latest report on company 30-May-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 39

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 27-Oct-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	
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	72.7	5.1	7.0%	-2.2	0.13	15.0	0.9	13.5	-5.7	0.07	
2023E	77.7	8.0	10.3%	3.9	0.25	7.9	0.9	8.3	10.0	0.13	
2024E	81.5	10.0	12.3%	5.7	0.34	5.8	0.8	6.3	14.8	0.17	
Market cap, EURm	39			Gearing 2022E, %	105.0			CAGR EPS 2021-24, %			16.9
Net debt 2022E, EURm	30			Price/book 2022E	1.3			CAGR sales 2021-24, %			5.7
Enterprise value, EURm	69			Dividend yield 2022E, %	3.3			ROE 2022E, %			9.1
Total assets 2022E, EURm	82			Tax rate 2022E, %	21.0			ROCE 2022E, %			8.5
Goodwill 2022E, EURm	46			Equity ratio 2022E, %	35.1			PEG, P/E 22/CAGR			0.3

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/'22	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Net sales	60.5	17.4	18.5	14.9	18.3	69.1	19.2	17.9	15.6	19.9	72.7	77.7	81.5
<i>sales growth %</i>	3.7%	10.9%	22.6%	12.2%	11.4%	14.2%	10.7%	-3.0%	4.6%	8.9%	5.2%	6.9%	4.9%
<i>comparable growth %</i>	9.3%												
Other income	0.3	0.0	0.1	0.0	0.0	0.1	0.0	0.1	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	-1.8	-1.6	-2.0	-7.7	-8.5	-9.0
Personnel expenses	-36.9	-10.2	-10.8	-8.5	-10.8	-40.3	-11.5	-11.6	-9.3	-11.4	-43.6	-45.5	-46.4
Other expenses	-7.5	-1.8	-2.1	-2.0	-2.8	-8.7	-2.8	-2.9	-2.3	-2.8	-10.7	-10.0	-10.5
EBITDA	10.4	3.5	3.7	2.4	2.6	12.3	2.7	1.8	2.4	3.7	10.6	13.7	15.6
Adj. EBITDA	10.8	3.6	3.8	2.5	2.7	12.6	2.9	2.0	2.4	3.7	11.0	13.7	15.6
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	-5.6
EBIT	5.4	2.2	2.4	1.1	1.3	7.1	1.4	0.4	1.0	2.3	5.1	8.0	10.0
<i>EBIT-%</i>	8.9%	12.8%	13.2%	7.6%	7.2%	10.3%	7.2%	2.3%	6.4%	11.6%	7.0%	10.3%	12.3%
Adjustment items	0.4	0.1	0.0	0.1	0.1	0.3	0.2	0.2	0.0	0.0	0.3	0.0	0.0
Adj. EBIT	5.8	2.3	2.5	1.2	1.4	7.4	1.6	0.6	1.0	2.3	5.4	8.0	10.0
<i>Adj. EBIT-%</i>	9.6%	13.2%	13.4%	8.1%	7.8%	10.7%	8.2%	3.3%	6.4%	11.6%	7.5%	10.3%	12.3%
Solteq Digital	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22	Q2/'22	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Net sales	41.6	11.2	11.9	9.5	11.7	44.3	11.8	11.4	9.8	12.3	45.3	47.6	49.0
<i>sales growth %</i>	1.0%	-1.4%	13.0%	4.3%	10.3%	6.5%	5.6%	-4.1%	2.6%	5.1%	2.2%	5.0%	3.0%
Adj. EBITDA	6.2	2.0	2.5	1.5	2.0	8.0	2.1	2.0	1.6	2.2	7.9	8.6	8.8
<i>Adj. EBITDA-%</i>	15.0%	17.8%	20.8%	15.9%	17.1%	18.0%	17.4%	17.7%	16.3%	17.9%	17.4%	18.0%	18.0%
EBIT	3.1	1.3	1.9	0.9	1.5	5.6	1.5	1.3	1.0	1.6	5.5	6.5	6.6
<i>EBIT-%</i>	7.5%	11.9%	15.7%	9.3%	12.7%	12.6%	12.9%	11.8%	10.2%	13.0%	12.1%	13.6%	13.4%
Adj. EBIT	3.5	1.4	1.9	0.9	1.5	5.7	1.5	1.5	1.0	1.6	5.6	6.5	6.6
<i>Adj. EBIT-%</i>	8.4%	12.2%	15.7%	9.9%	12.8%	12.8%	12.7%	13.2%	10.2%	13.0%	12.4%	13.6%	13.4%
Solteq Software	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22	Q2/'22	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Net sales	18.8	6.2	6.6	5.4	6.6	24.8	7.4	6.5	5.8	7.6	27.4	30.1	32.5
<i>sales growth %</i>	10.2%	43.1%	44.6%	29.8%	13.3%	31.4%	19.7%	-0.9%	8.2%	15.6%	10.6%	10.0%	8.0%
Adj. EBITDA	4.6	1.6	1.3	1.0	0.7	4.6	0.9	-0.1	0.8	1.5	3.1	5.1	6.8
<i>Adj. EBITDA-%</i>	24.3%	25.3%	19.7%	18.3%	11.1%	18.5%	11.7%	-1.1%	13.8%	19.7%	11.3%	17.0%	21.0%
EBIT	2.2	0.9	0.6	0.2	-0.2	1.6	-0.1	-0.9	0.0	0.7	-0.3	1.5	3.4
<i>EBIT-%</i>	11.8%	14.6%	9.3%	4.6%	-2.5%	6.5%	-1.5%	-14.1%	0.0%	9.2%	-1.2%	5.0%	10.5%
Adj. EBIT	2.3	0.9	0.6	0.3	0.0	1.8	0.1	-0.9	0.0	0.7	-0.2	1.5	3.4
<i>Adj. EBIT-%</i>	12.1%	15.0%	8.7%	4.9%	-0.2%	7.1%	0.9%	-14.0%	0.0%	9.2%	-0.5%	5.0%	10.5%

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	1.99 PV of Free Cash Flow	66 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	6.72 PV of Horizon value	92 WACC, %	8.9 Market risk premium, %	5.8
Share price potential, %	237.9 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	7.4 Marketable securities	4 Minimum WACC, %	8.4 Equity beta coefficient	1.10
Minimum value	6.1 Debt - dividend	-31 Maximum WACC, %	9.4 Target debt ratio, %	20
Horizon value, %	58.3 Value of stock	130 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	73	78	82	86	90	94	99	104	109	111	113
<i>Sales growth, %</i>	<i>14.2</i>	<i>5.2</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	5	8	10	13	13	14	14	15	16	16	17
<i>Operating income margin, %</i>	<i>10.4</i>	<i>7.0</i>	<i>10.3</i>	<i>12.3</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	5	6	6	7	7	8	8	9	10	10	
EBITDA	12	11	14	16	19	20	21	23	24	25	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>9.2</i>	<i>9.3</i>	<i>9.6</i>	<i>9.9</i>	<i>10.1</i>	<i>10.4</i>	<i>10.7</i>	<i>11.1</i>	<i>11.1</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	1	7	9	11	11	12	12	13	13	14	205
= Discounted FCFF		1	7	8	8	8	8	7	7	7	6	92
= DFCF min WACC		1	7	8	8	8	8	7	7	7	6	104
= DFCF max WACC		1	7	7	8	8	7	7	7	6	6	82

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	17.4	18.5	14.9	18.3	69.1	19.2	17.9	15.6	19.9	72.7	77.7	81.5
EBITDA	3.6	3.7	2.4	2.6	12.3	2.7	1.8	2.4	3.7	10.6	13.7	16.4
<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>14.1</i>	<i>9.9</i>	<i>15.4</i>	<i>18.6</i>	<i>14.6</i>	<i>17.6</i>	<i>20.1</i>
EBIT	2.2	2.5	1.1	1.3	7.2	1.4	0.4	1.0	2.3	5.1	8.0	10.0
<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>7.2</i>	<i>2.3</i>	<i>6.4</i>	<i>11.6</i>	<i>7.0</i>	<i>10.3</i>	<i>12.3</i>
Net financial items	-0.4	-0.5	-0.4	-0.6	-1.9	-0.4	-0.5	-0.5	-0.5	-1.8	-1.9	-1.7
Pre-tax profit	1.8	2.0	0.7	0.7	5.3	1.0	-0.1	0.5	1.8	3.3	6.1	8.3
Tax	-0.4	-0.4	-0.2	-0.1	-1.1	-0.2	0.0	-0.1	-0.4	-0.7	-1.2	-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>22.1</i>	<i>8.0</i>	<i>20.0</i>	<i>20.0</i>	<i>21.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	1.5	1.6	0.5	0.6	4.1	0.8	-0.1	0.4	1.5	2.6	4.9	6.6
EPS	0.08	0.08	0.03	0.03	0.21	0.04	0.00	0.02	0.08	0.13	0.25	0.34
EPS adjusted (diluted no. of shares)	0.08	0.08	0.03	0.03	0.21	0.04	0.00	0.02	0.08	0.13	0.25	0.34
Dividend per share	0.00	0.00	0.00	0.00	0.10	0.00	0.00	0.00	0.00	0.07	0.13	0.17
SALES, EURm												
Solteq Digital	11.2	11.9	9.5	11.7	44.3	11.8	11.4	9.8	12.3	45.3	47.6	49.0
Solteq Software	6.2	6.6	5.4	6.6	24.8	7.4	6.5	5.8	7.6	27.4	30.1	32.5
Total	17.4	18.5	14.9	18.3	69.1	19.2	17.9	15.6	19.9	72.7	77.7	81.5
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>-4.1</i>	<i>2.6</i>	<i>5.1</i>	<i>2.2</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>-0.9</i>	<i>8.2</i>	<i>15.6</i>	<i>10.6</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>-3.0</i>	<i>4.6</i>	<i>8.9</i>	<i>5.2</i>	<i>6.9</i>	<i>4.9</i>
EBIT, EURm												
Solteq	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Solteq Digital	1.3	1.9	0.9	1.5	5.6	1.5	1.3	1.0	1.6	5.5	6.5	6.6
Solteq Software	0.9	0.6	0.2	-0.2	1.6	-0.1	-0.9	0.0	0.7	-0.3	1.5	3.4
Total	2.2	2.5	1.1	1.3	7.2	1.4	0.4	1.0	2.3	5.1	8.0	10.0
EBIT margin, %												
<i>Solteq</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-24,000.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-6,000.0</i>	<i>0.0</i>	<i>0.0</i>
<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>11.8</i>	<i>10.2</i>	<i>13.0</i>	<i>12.1</i>	<i>13.6</i>	<i>13.4</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>-14.1</i>	<i>0.0</i>	<i>9.2</i>	<i>-1.2</i>	<i>5.0</i>	<i>10.5</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>7.2</i>	<i>2.3</i>	<i>6.4</i>	<i>11.6</i>	<i>7.0</i>	<i>10.3</i>	<i>12.3</i>

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	50.7	56.9	58.3	60.5	69.1	72.7	77.7	81.5
<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>5.2</i>	<i>6.9</i>	<i>4.9</i>
EBITDA	2.4	4.8	9.7	10.4	12.3	10.6	13.7	16.4
<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>14.6</i>	<i>17.6</i>	<i>20.1</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	5.1	8.0	10.0
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	5.1	8.0	10.0
<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>7.0</i>	<i>10.3</i>	<i>12.3</i>
Reported EBIT	0.3	2.5	5.7	5.4	7.2	5.1	8.0	10.0
<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>7.0</i>	<i>10.3</i>	<i>12.3</i>
Net financials	-1.8	-1.8	-2.0	-2.6	-1.9	-1.8	-1.9	-1.7
Pre-tax profit	-1.5	0.6	3.7	2.7	5.3	3.3	6.1	8.3
Taxes	-0.1	-0.3	-0.9	-0.8	-1.1	-0.7	-1.2	-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	2.6	4.9	6.6
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	12	13	14
Liquid funds	2	5	4	5	4	4	4	4
Total assets	61	74	77	75	76	82	84	86
Liabilities								
Shareholder's equity	20	22	25	27	28	29	32	36
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	29	26	23
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	84	86
CASH FLOW, EURm								
+ EBITDA	2	5	10	10	12	11	14	16
- 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	8	11	13
- 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	-2	4	6
+/- New issues/buybacks	3	1	0	0	0	0	0	0
- Paid dividend	-1	0	0	0	-3	-2	-1	-2
+/- Other	-5	-2	2	-4	-3	4	-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	39	39	39
Net debt (excl. convertibles)	29	32	26	26	30	27	24
Enterprise value	54	60	81	117	69	66	63
Sales	57	58	60	69	73	78	82
EBITDA	5	10	10	12	11	14	16
EBIT	2	6	5	7	5	8	10
Pre-tax	1	4	3	5	3	6	8
Earnings	0	3	2	4	3	5	7
Equity book value (excl. minorities)	22	25	27	28	29	32	36
Valuation multiples							
EV/sales	1.0	1.0	1.3	1.7	0.9	0.9	0.8
EV/EBITDA	11.4	6.2	7.8	9.5	6.5	4.8	3.8
EV/EBITA	22.0	10.6	15.1	16.3	13.5	8.3	6.3
EV/EBIT	22.0	10.6	15.1	16.3	13.5	8.3	6.3
EV/OCF	6.8	14.6	12.8	11.7	8.2	6.0	4.7
EV/FCFF	14.0	59.8	9.1	21.2	56.8	8.9	6.8
P/FCFE	5.3	-9.1	9.8	21.1	-17.7	10.0	6.7
P/E	69.9	27.1	27.3	21.9	15.0	7.9	5.8
P/B	1.1	1.2	2.0	3.2	1.3	1.2	1.1
Target EV/EBITDA	0.0	0.0	0.0	0.0	7.8	5.8	4.7
Target EV/EBIT	0.0	0.0	0.0	0.0	16.2	10.0	7.7
Target EV/FCF	0.0	0.0	0.0	0.0	-37.8	20.7	13.4
Target P/B	0.0	0.0	0.0	0.0	1.8	1.6	1.4
Target P/E	0.0	0.0	0.0	0.0	20.3	10.7	7.9
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	0.13	0.25	0.34
Operating cash flow per share	0.42	0.21	0.33	0.51	0.43	0.57	0.69
Free cash flow per share	0.24	-0.16	0.29	0.22	-0.11	0.20	0.30
Book value per share	1.14	1.27	1.37	1.44	1.48	1.66	1.88
Dividend per share	0.00	0.00	0.15	0.10	0.07	0.13	0.17
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	3.3	6.3	8.6
FCF yield, %	18.8	-11.0	10.2	4.7	-5.7	10.0	14.8
Efficiency measures							
ROE	1.7	12.1	7.8	15.2	9.1	16.1	19.3
ROCE	4.8	9.8	9.1	12.4	8.5	12.7	15.6
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	9.2	9.3
CAPEX/sales (incl. acquisitions), %	5.8	12.5	8.0	-0.1	3.5	9.2	9.3
FCFF/EBITDA	0.8	0.1	0.9	0.4	0.1	0.5	0.6
Net debt/EBITDA, book-weighted	6.2	3.2	2.6	2.1	2.8	2.0	1.5
Debt/equity, market-weighted	1.1	1.0	0.4	0.3	0.7	0.7	0.6
Equity ratio, book-weighted	29.3	31.9	35.5	36.9	35.1	38.3	42.2
Gearing, %	134.5	128.5	99.9	92.6	105.0	85.3	66.5

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	4.101	10.6%
Elo Mutual Pension Insurance Company	2,000,000	3.980	10.3%
Ilmarinen Mutual Pensions Insurance Company	1,651,293	3.286	8.5%
Varma Mutual Pension Insurance Company	1,545,597	3.076	8.0%
Aktia Capital Mutual Fund	770,000	1.532	4.0%
Aalto Seppo Tapio	615,000	1.224	3.2%
Saadetdin Ali	602,216	1.198	3.1%
Säästöpankki Small Cap Mutual Fund	500,000	0.995	2.6%
Väätäinen Olli Pekka	313,178	0.623	1.6%
OP-Finland Micro Cap	300,000	0.597	1.5%
Ten largest	10,358,053	20.613	53%
Residual	9,038,448	17.987	47%
Total	19,396,501	38.599	100%

EARNINGS CALENDAR

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

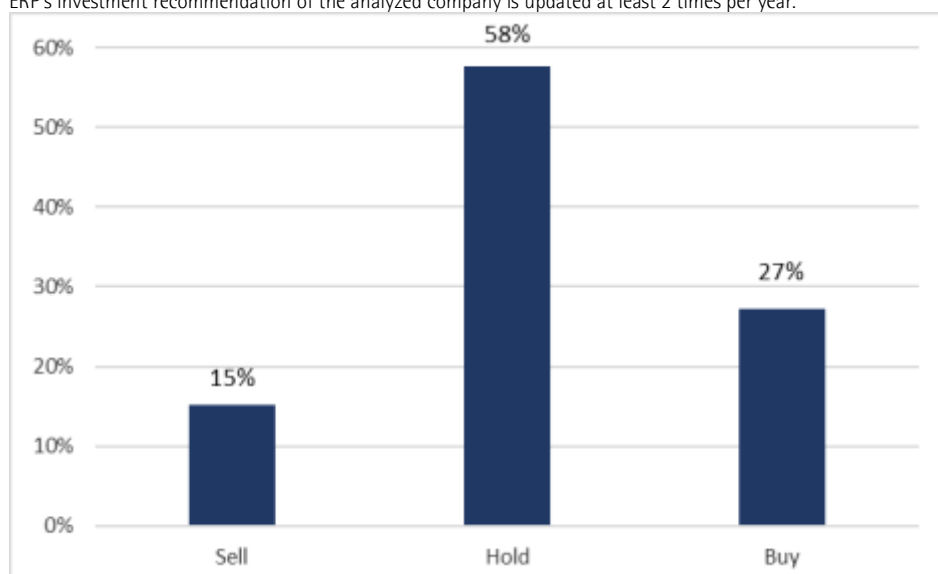
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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