

Headwinds grow stronger

Solteq issued its second profit warning for 2022, with challenges in both segments and significant write-offs relating to the Solteq Robotics business. We downgrade our rating to HOLD (BUY) with a TP of EUR 1.5 (2.7).

Second profit warnings for 2022

Solteq issued its second profit warning this year. With the new guidance Solteq expects group revenue to stay at the same level as in the previous year (prev. grow) and operating profit to be negative (prev. weaken). A key item in the downgrade is the write-off of product development investments made into the Solteq Robotics business, resulting in a one-off impact of approx. EUR 4.4m in the third quarter of 2022. Product development costs of Solteq Utilities have also continued to affect the business and project and service delivery costs of Solteq Utilities have increased. The revenue and profitability of the Solteq Digital segment have also weakened.

Some challenges across the board

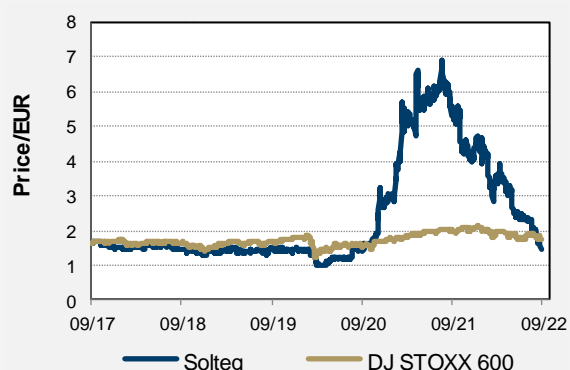
Solteq had issued a profit warning in May, largely relating to challenges in the Utilities business. The challenges relate to productization of the solutions and performance was hampered by resourcing challenges relating to deliveries and customer project fixes. The previous guidance put quite some catch-up pressure on operational performance in H2/2022 after the weak Q2 results. Those risks appear to have materialized and with Solteq Digital also seeing some continued weakness, the overall market uncertainties may be starting to show. The Solteq Robotics business has seen commercialization challenges due to the pandemic and we have not emphasized any potential in our estimates. The write-off is still notably negative given previous fairly upbeat comments.

HOLD (BUY) with a target price of EUR 1.5 (2.7).

On our revised estimates, excl. the one-offs, valuation on current expected current year performance is quite stretched. Uncertainty is clearly elevated and overshadows coming years earnings improvement potential. We downgrade our rating to HOLD (BUY) with a target price of EUR 1.5 (2.7).

Rating

HOLD



Share price, EUR (Last trading day's closing price) 1.44

Target price, EUR 1.5

Latest change in recommendation 20-Sep-22

Latest report on company 12-Aug-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 28

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

 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	69.9	-1.0	-1.4%	-2.7	-0.12	-12.1	0.8	-58.4	-9.6	0.04
2023E	72.7	6.1	8.4%	2.5	0.17	8.4	0.8	9.3	8.9	0.09
2024E	76.3	7.8	10.2%	3.4	0.25	5.9	0.7	7.1	12.3	0.12
Market cap, EURm	28		Gearing 2022E, %	128.6		CAGR EPS 2021-24, %		4.8		
Net debt 2022E, EURm	31		Price/book 2022E	1.2		CAGR sales 2021-24, %		3.4		
Enterprise value, EURm	58		Dividend yield 2022E, %	2.8		ROE 2022E, %		-8.9		
Total assets 2022E, EURm	76		Tax rate 2022E, %	18.8		ROCE 2022E, %		-1.7		
Goodwill 2022E, EURm	46		Equity ratio 2022E, %	31.1		PEG, P/E 22/CAGR		0.0		

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	14.7	18.0	69.9	72.7	76.3
<i>sales growth %</i>	3.7%	10.9%	22.6%	12.2%	11.4%	14.2%	10.7%	-3.0%	-1.4%	-1.5%	1.2%	4.1%	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	-1.8	-7.5	-8.5	-9.0
Personnel expenses	-36.9	-10.2	-10.8	-8.5	-10.8	-40.3	-11.5	-11.6	-9.1	-10.9	-42.9	-42.5	-43.3
Other expenses	-7.5	-1.8	-2.1	-2.0	-2.8	-8.7	-2.8	-2.9	-2.3	-2.6	-10.5	-10.0	-10.5
EBITDA	10.4	3.5	3.7	2.4	2.6	12.3	2.7	1.8	1.7	2.7	8.9	11.8	13.4
Adj. EBITDA	10.8	3.6	3.8	2.5	2.7	12.6	2.9	2.0	1.7	2.7	9.3	11.8	13.4
D&A	-5.0	-1.3	-1.3	-1.3	-1.3	-5.1	-1.3	-1.4	-5.8	-1.4	-9.9	-5.7	-5.6
EBIT	5.4	2.2	2.4	1.1	1.3	7.1	1.4	0.4	-4.1	1.3	-1.0	6.1	7.8
<i>EBIT-%</i>	8.9%	12.8%	13.2%	7.6%	7.2%	10.3%	7.2%	2.3%	-27.9%	7.2%	-1.4%	8.4%	10.2%
Adjustment items	0.4	0.1	0.0	0.1	0.1	0.3	0.2	0.2	4.4	0.0	4.7	0.0	0.0
Adj. EBIT	5.8	2.3	2.5	1.2	1.4	7.4	1.6	0.6	0.3	1.3	3.7	6.1	7.8
<i>Adj. EBIT-%</i>	9.6%	13.2%	13.4%	8.1%	7.8%	10.7%	8.2%	3.3%	2.0%	7.2%	5.4%	8.4%	10.2%
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	9.4	11.6	44.2	45.5	46.9
<i>sales growth %</i>	1.0%	-1.4%	13.0%	4.3%	10.3%	6.5%	5.6%	-4.1%	-1.6%	-0.9%	-0.2%	3.0%	3.0%
Adj. EBITDA	6.2	2.0	2.5	1.5	2.0	8.0	2.1	2.0	1.4	1.9	7.4	8.0	8.4
<i>Adj. EBITDA-%</i>	15.0%	17.8%	20.8%	15.9%	17.1%	18.0%	17.4%	17.7%	14.9%	16.4%	16.7%	17.5%	18.0%
EBIT	3.1	1.3	1.9	0.9	1.5	5.6	1.5	1.3	0.8	1.3	5.0	5.9	6.2
<i>EBIT-%</i>	7.5%	11.9%	15.7%	9.3%	12.7%	12.6%	12.9%	11.8%	8.5%	11.2%	11.2%	12.9%	13.2%
Adj. EBIT	3.5	1.4	1.9	0.9	1.5	5.7	1.5	1.5	0.8	1.3	5.1	5.9	6.2
<i>Adj. EBIT-%</i>	8.4%	12.2%	15.7%	9.9%	12.8%	12.8%	12.7%	13.2%	8.5%	11.2%	11.5%	12.9%	13.2%
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	5.3	6.4	25.7	27.2	29.4
<i>sales growth %</i>	10.2%	43.1%	44.6%	29.8%	13.3%	31.4%	19.7%	-0.9%	-1.1%	-2.7%	3.8%	6.0%	8.0%
Adj. EBITDA	4.6	1.6	1.3	1.0	0.7	4.6	0.9	-0.1	0.3	0.8	1.9	3.8	5.0
<i>Adj. EBITDA-%</i>	24.3%	25.3%	19.7%	18.3%	11.1%	18.5%	11.7%	-1.1%	5.7%	12.5%	7.4%	14.0%	17.0%
EBIT	2.2	0.9	0.6	0.2	-0.2	1.6	-0.1	-0.9	-4.9	0.0	-5.9	0.2	1.6
<i>EBIT-%</i>	11.8%	14.6%	9.3%	4.6%	-2.5%	6.5%	-1.5%	-14.1%	-92.5%	0.0%	-23.1%	0.8%	5.4%
Adj. EBIT	2.3	0.9	0.6	0.3	0.0	1.8	0.1	-0.9	-0.5	0.0	-1.4	0.2	1.6
<i>Adj. EBIT-%</i>	12.1%	15.0%	8.7%	4.9%	-0.2%	7.1%	0.9%	-14.0%	-9.4%	0.0%	-5.3%	0.8%	5.4%

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	1.44 PV of Free Cash Flow	60 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	6.25 PV of Horizon value	89 WACC, %	8.9 Market risk premium, %	5.8
Share price potential, %	333.8 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	6.9 Marketable securities	4 Minimum WACC, %	8.4 Equity beta coefficient	1.10
Minimum value	5.7 Debt - dividend	-31 Maximum WACC, %	9.4 Target debt ratio, %	20
Horizon value, %	60.0 Value of stock	121 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	70	73	76	80	84	88	93	97	102	104	106
<i>Sales growth, %</i>	<i>14.2</i>	<i>1.2</i>	<i>4.1</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	-1	6	8	12	12	13	14	14	15	15	16
<i>Operating income margin, %</i>	<i>10.4</i>	<i>-1.4</i>	<i>8.4</i>	<i>10.2</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	10	6	6	6	7	7	8	9	9	10	
EBITDA	12	9	12	13	18	19	20	21	23	24	25	
- Paid taxes	-2	0	-1	-2	-2	-2	-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	-5	-6	-6	-7	-7	-8	-9	-9	
<i>opCAPEX / Sales, %</i>	<i>4.0</i>	<i>9.1</i>	<i>9.3</i>	<i>9.5</i>	<i>9.8</i>	<i>10.1</i>	<i>10.3</i>	<i>10.6</i>	<i>10.9</i>	<i>11.3</i>	<i>11.3</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	6	7	10	11	11	12	12	13	13	197
= Discounted FCFF		1	5	6	8	7	7	7	7	6	6	89
= DFCF min WACC		1	5	6	8	8	7	7	7	7	6	101
= DFCF max WACC		1	5	6	8	7	7	7	6	6	6	80

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	14.7	18.0	69.9	72.7	76.3
EBITDA	3.6	3.7	2.4	2.6	12.3	2.7	1.8	1.7	2.7	8.9	11.8	13.4
<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>11.6</i>	<i>15.0</i>	<i>12.7</i>	<i>16.2</i>	<i>17.6</i>
EBIT	2.2	2.5	1.1	1.3	7.2	1.4	0.4	-4.1	1.3	-1.0	6.1	7.8
<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>-27.9</i>	<i>7.2</i>	<i>-1.4</i>	<i>8.4</i>	<i>10.2</i>
Net financial items	-0.4	-0.5	-0.4	-0.6	-1.9	-0.4	-0.5	-0.5	-0.5	-1.8	-1.9	-1.8
Pre-tax profit	1.8	2.0	0.7	0.7	5.3	1.0	-0.1	-4.6	0.8	-2.8	4.2	6.0
Tax	-0.4	-0.4	-0.2	-0.1	-1.1	-0.2	0.0	0.9	-0.2	0.5	-0.8	-1.2
<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>18.8</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	-3.7	0.7	-2.3	3.3	4.8
EPS	0.08	0.08	0.03	0.03	0.21	0.04	0.00	-0.19	0.03	-0.12	0.17	0.25
EPS adjusted (diluted no. of shares)	0.08	0.08	0.03	0.03	0.21	0.04	0.00	-0.19	0.03	-0.12	0.17	0.25
Dividend per share	0.00	0.00	0.00	0.00	0.10	0.00	0.00	0.00	0.00	0.04	0.09	0.12
SALES, EURm												
Solteq Digital	11.2	11.9	9.5	11.7	44.3	11.8	11.4	9.4	11.6	44.2	45.5	46.9
Solteq Software	6.2	6.6	5.4	6.6	24.8	7.4	6.5	5.3	6.4	25.7	27.2	29.4
Total	17.4	18.5	14.9	18.3	69.1	19.2	17.9	14.7	18.0	69.9	72.7	76.3
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>-1.6</i>	<i>-0.9</i>	<i>-0.2</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>-0.9</i>	<i>-1.1</i>	<i>-2.7</i>	<i>3.8</i>	<i>6.0</i>	<i>8.0</i>
Total	10.9	22.6	12.2	11.4	14.2	10.7	-3.0	-1.4	-1.5	1.2	4.1	4.9
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	0.8	1.3	5.0	5.9	6.2
Solteq Software	0.9	0.6	0.2	-0.2	1.6	-0.1	-0.9	-4.9	0.0	-5.9	0.2	1.6
Total	2.2	2.5	1.1	1.3	7.2	1.4	0.4	-4.1	1.3	-1.0	6.1	7.8
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>8.5</i>	<i>11.2</i>	<i>11.2</i>	<i>12.9</i>	<i>13.2</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>-92.5</i>	<i>0.0</i>	<i>-23.1</i>	<i>0.8</i>	<i>5.4</i>
Total	12.8	13.4	7.6	7.2	10.4	7.2	2.3	-27.9	7.2	-1.4	8.4	10.2

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	50.7	56.9	58.3	60.5	69.1	69.9	72.7	76.3
<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>1.2</i>	<i>4.1</i>	<i>4.9</i>
EBITDA	2.4	4.8	9.7	10.4	12.3	8.9	11.8	13.4
<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>12.7</i>	<i>16.2</i>	<i>17.6</i>
Depreciation	-2.1	-2.3	-4.0	-5.0	-5.1	-9.9	-5.7	-5.6
EBITA	0.3	2.5	5.7	5.4	7.2	-1.0	6.1	7.8
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	-1.0	6.1	7.8
<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>-1.4</i>	<i>8.4</i>	<i>10.2</i>
Reported EBIT	0.3	2.5	5.7	5.4	7.2	-1.0	6.1	7.8
<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>-1.4</i>	<i>8.4</i>	<i>10.2</i>
Net financials	-1.8	-1.8	-2.0	-2.6	-1.9	-1.8	-1.9	-1.8
Pre-tax profit	-1.5	0.6	3.7	2.7	5.3	-2.8	4.2	6.0
Taxes	-0.1	-0.3	-0.9	-0.8	-1.1	0.5	-0.8	-1.2
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	-2.3	3.3	4.8
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	9	10	12
Goodwill	37	40	39	39	42	46	46	46
Right of use assets	0	6	7	7	5	5	5	6
Inventory	0	0	0	0	0	0	0	0
Receivables	15	12	16	12	12	12	12	13
Liquid funds	2	5	4	5	4	4	4	4
Total assets	61	74	77	75	76	76	78	81
Liabilities								
Shareholder's equity	20	22	25	27	28	24	26	29
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	5	6
Deferred taxes	1	1	1	1	1	1	1	1
Interest bearing debt	26	28	28	24	24	29	27	26
Non-interest bearing current liabilities	14	17	17	16	18	18	19	19
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	61	74	77	75	76	76	78	81
CASH FLOW, EURm								
+ EBITDA	2	5	10	10	12	9	12	13
- Net financial items	-2	-2	-2	-3	-2	-2	-2	-2
- Taxes	0	0	-1	-1	-1	1	-1	-1
- 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	9	11
- Capex	-1	-3	-7	-5	-3	-6	-7	-7
- 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	-3	2	3
+/- 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	5	-2	-2
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	28	28	28
Net debt (excl. convertibles)	29	32	26	26	31	29	27
Enterprise value	54	60	81	117	58	57	55
Sales	57	58	60	69	70	73	76
EBITDA	5	10	10	12	9	12	13
EBIT	2	6	5	7	-1	6	8
Pre-tax	1	4	3	5	-3	4	6
Earnings	0	3	2	4	-2	3	5
Equity book value (excl. minorities)	22	25	27	28	24	26	29
Valuation multiples							
EV/sales	1.0	1.0	1.3	1.7	0.8	0.8	0.7
EV/EBITDA	11.4	6.2	7.8	9.5	6.6	4.8	4.1
EV/EBITA	22.0	10.6	15.1	16.3	-58.4	9.3	7.1
EV/EBIT	22.0	10.6	15.1	16.3	-58.4	9.3	7.1
EV/OCF	6.8	14.6	12.8	11.7	7.6	6.1	5.1
EV/FCFF	14.0	59.8	9.1	21.2	106.5	9.6	7.9
P/FCFE	5.3	-9.1	9.8	21.1	-10.4	11.2	8.1
P/E	69.9	27.1	27.3	21.9	-12.1	8.4	5.9
P/B	1.1	1.2	2.0	3.2	1.2	1.1	0.9
Target EV/EBITDA	0.0	0.0	0.0	0.0	6.7	4.9	4.2
Target EV/EBIT	0.0	0.0	0.0	0.0	-59.5	9.5	7.2
Target EV/FCF	0.0	0.0	0.0	0.0	-22.3	23.3	16.3
Target P/B	0.0	0.0	0.0	0.0	1.2	1.1	1.0
Target P/E	0.0	0.0	0.0	0.0	-12.6	8.7	6.1
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	-0.12	0.17	0.25
Operating cash flow per share	0.42	0.21	0.33	0.51	0.39	0.48	0.55
Free cash flow per share	0.24	-0.16	0.29	0.22	-0.14	0.13	0.18
Book value per share	1.14	1.27	1.37	1.44	1.22	1.36	1.52
Dividend per share	0.00	0.00	0.15	0.10	0.04	0.09	0.12
Dividend payout ratio, %	0.0	0.0	146.3	46.8	-33.7	50.0	50.0
Dividend yield, %	0.0	0.0	5.4	2.1	2.8	6.0	8.5
FCF yield, %	18.8	-11.0	10.2	4.7	-9.6	8.9	12.3
Efficiency measures							
ROE	1.7	12.1	7.8	15.2	-8.9	13.3	17.1
ROCE	4.8	9.8	9.1	12.4	-1.7	10.4	13.1
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	9.1	9.3	9.5
CAPEX/sales (incl. acquisitions), %	5.8	12.5	8.0	-0.1	3.4	9.3	9.5
FCFF/EBITDA	0.8	0.1	0.9	0.4	0.1	0.5	0.5
Net debt/EBITDA, book-weighted	6.2	3.2	2.6	2.1	3.4	2.4	2.0
Debt/equity, market-weighted	1.1	1.0	0.4	0.3	1.0	1.0	0.9
Equity ratio, book-weighted	29.3	31.9	35.5	36.9	31.1	33.7	36.5
Gearing, %	134.5	128.5	99.9	92.6	128.6	109.6	92.0

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	2.968	10.6%
Elo Mutual Pension Insurance Company	2,000,000	2.880	10.3%
Ilmarinen Mutual Pensions Insurance Company	1,651,293	2.378	8.5%
Varma Mutual Pension Insurance Company	1,545,597	2.226	8.0%
Aktia Capital Mutual Fund	770,000	1.109	4.0%
Aalto Seppo Tapio	615,000	0.886	3.2%
Saadetdin Ali	602,216	0.867	3.1%
Säästöpankki Small Cap Mutual Fund	500,000	0.720	2.6%
Väätäinen Olli Pekka	313,178	0.451	1.6%
OP-Finland Micro Cap	300,000	0.432	1.5%
Ten largest	10,358,053	14.916	53%
Residual	9,038,448	13.015	47%
Total	19,396,501	27.931	100%

EARNINGS CALENDAR

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

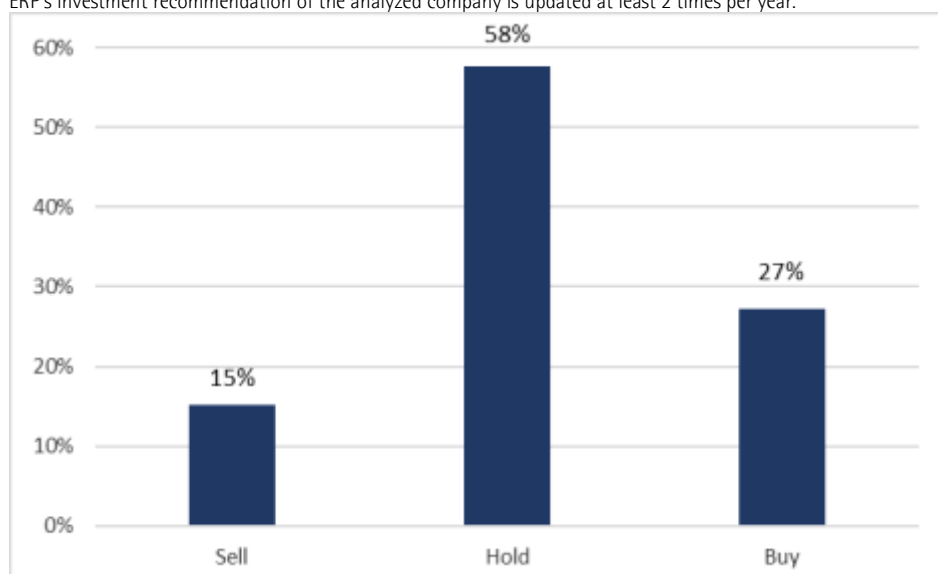
Important Disclosures

Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at [Analysts' recommendations and ratings revisions](#).

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.



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

This research report has been prepared by Evli Research Partners Plc ("ERP" or "Evli Research"). ERP is a subsidiary of Evli Plc. Production of the investment recommendation has been concluded on 20.9.2022, 9:30. This report has been published on 20.9.2022, 9:45.

None of the analysts contributing to this report, persons under their guardianship or corporations under their control have a position in the shares of the company or related securities.

The date and time for any price of financial instruments mentioned in the recommendation refer to the previous trading day's closing price(s) unless otherwise stated in the report.

Each analyst responsible for the content of this report assures that the expressed views accurately reflect the personal views of each analyst on the covered companies and securities. Each analyst assures that (s)he has not been, nor are or will be, receiving direct or indirect compensation related to the specific recommendations or views contained in this report.

Companies in the Evli Group, affiliates or staff of companies in the Evli Group, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report.

Neither ERP nor any company within the Evli Group have managed or co-managed a public offering of the company's securities during the last 12 months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the research report.

ERP has signed an agreement with the issuer of the financial instruments mentioned in the recommendation, which includes production of research reports. This assignment has a limited economic and financial impact on ERP and/or Evli. Under the assignment ERP performs services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP or another company within the Evli Group does not have an agreement with the company to perform market making or liquidity providing services.

For the prevention and avoidance of conflicts of interests with respect to this report, there is an information barrier (Chinese wall) between Investment

Research and Corporate Finance units concerning unpublished investment banking services to the company. The remuneration of the analyst(s) is not tied directly or indirectly to investment banking transactions or other services performed by Evli Plc or any company within Evli Group.

This report has not been disclosed to the company prior to its dissemination.

This report is provided and intended for informational purposes only and may not be used or considered under any circumstances as an offer to sell or buy any securities or as advice to trade any securities.

This report is based on sources ERP considers to be correct and reliable. The sources include information providers Reuters and Bloomberg, stock-exchange releases from the companies and other company news, Statistics Finland and articles in newspapers and magazines. However, ERP does not guarantee the materialization, correctness, accuracy or completeness of the information, opinions, estimates or forecasts expressed or implied in the report. In addition, circumstantial changes may have an influence on opinions and estimates presented in this report. The opinions and estimates presented are valid at the moment of their publication and they can be changed without a separate announcement. Neither ERP nor any company within the Evli Group are responsible for amending, correcting or updating any information, opinions or estimates contained in this report. Neither ERP nor any company within the Evli Group will compensate any direct or consequential loss caused by or derived from the use of the information represented in this publication.

All information published in this report is for the original recipient's private and internal use only. ERP reserves all rights to the report. No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any retrieval system of any nature, without the written permission of ERP.

This report or its copy may not be published or distributed in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore or South Africa. The publication or distribution of this report in certain other jurisdictions may also be restricted by law. Persons into whose possession this report comes are required to inform themselves about and to observe any such restrictions.

Evli Plc is not registered as a broker-dealer with the U. S. Securities and Exchange Commission ("SEC"), and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Evli Bank is not a member of the Financial Industry Regulatory Authority ("FINRA"). It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest. This research report is only being offered in U.S. by Auerbach Grayson & Company, LLC (Auerbach Grayson) to Major U.S. Institutional Investors and is not available to, and should not be used by, any U.S. person or entity that is not a Major U.S. Institutional Investor. Auerbach Grayson is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of the FINRA. U.S. entities seeking more information about any of the issuers or securities discussed in this report should contact Auerbach Grayson. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements.

ERP is not a supervised entity but its parent company Evli Plc is supervised by the Finnish Financial Supervision Authority.

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