

Financial gap year ahead

Solteq's Q4 results were below our expectations, and the 2023 guidance appears softer than we had anticipated. We see the long-term investment case intact despite an incoming year of subpar performance.

Challenges visible in Q4

Solteq reported Q4 results below our expectations. Net sales in Q4 were EUR 16.9m (Evli EUR 17.4m), declining 7.5% y/y. The operating profit and adj. operating profit in Q4 amounted to EUR -1.2m and -0.8m respectively (Evli EUR 0.7m/0.7m). Solteq Digital's performance was fairly in line with expectations, with a y/y decline in revenue and profitability. Solteq Software's profitability was clearly below expectations, with an adj. EBIT of EUR -1.3m (Evli EUR 0.0m). The segment has been burdened by challenges in Solteq Utilities' software development and we had evidently underestimated the magnitude of the impact on Q4. Solteq's BoD as expected proposed that no dividend be paid.

Guidance for 2023 softer than anticipated

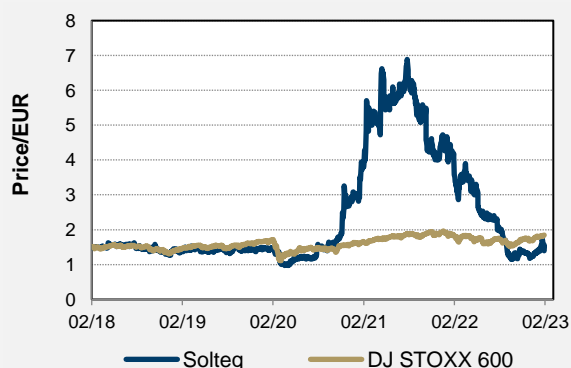
Solteq's 2023 guidance is soft in comparison with our pre-Q4 estimates, expecting revenue to remain on 2022 levels and EBIT to be positive. Solteq has typically not given numerical guidance ranges, which leaves room for speculation regarding profitability, but with the expected flat revenue development and cost pressure caused by inflation we now expect EBIT to be only slightly positive at EUR 0.8m. We expect the challenges faced in Solteq Software to continue during H1/23 and gradual improvement through the year, and the headwinds faced in Solteq Digital through the market demand situation to continue to have a slight negative effect.

HOLD with a target price of EUR 1.3

Despite the weaker than expected Q4 and softer than anticipated expectations in 2023 we see no fundamental changes to the investment case. Financially 2023 will clearly be a gap year on group level. Upside continues to lie in the long-term development and success of profitably growing the Utilities-business and of interest for the investment case in the near-term will be the development of said business.

Rating

HOLD



Share price, EUR (Last trading day's closing price) 1.40

Target price, EUR 1.3

Latest change in recommendation 19-Sep-22

Latest report on company 19-Jan-23

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 27

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 04-May-23

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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
2021	69.1	7.2	10.4%	3.5	0.21	21.9	1.7	16.3	3.9	0.10
2022	68.4	-4.4	-6.4%	-5.6	-0.28	-4.4	0.8	-12.5	-23.5	0.00
2023E	69.2	0.8	1.2%	-1.2	-0.05	-28.3	0.9	74.7	-4.5	0.00
2024E	75.2	4.2	5.6%	1.8	0.09	15.5	0.8	13.9	6.7	0.05
2025E	82.1	7.8	9.5%	4.3	0.24	5.7	0.7	7.0	15.8	0.12
Market cap, EURm	27		Gearing 2023E, %		151.3		CAGR EPS 2022-25, %		0.0	
Net debt 2023E, EURm	33		Price/book 2023E		1.3		CAGR sales 2022-25, %		6.3	
Enterprise value, EURm	60		Dividend yield 2023E, %		0.0		ROE 2023E, %		-4.4	
Total assets 2023E, EURm	75		Tax rate 2023E, %		20.0		ROCE 2023E, %		1.4	
Goodwill 2023E, EURm	46		Equity ratio 2023E, %		28.8		PEG, P/E 23/CAGR		0.0	

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

Solteq	2021	Q1/'22	Q2/'22	Q3/'22	Q4/'22	2022	Q1/'23E	Q2/'23E	Q3/'23E	Q4/'23E	2023E	2024E	2025E
Net sales	69.1	19.2	17.9	14.4	16.9	68.4	17.0	18.0	15.5	18.7	69.2	75.2	82.1
<i>sales growth %</i>	<i>14.2%</i>	<i>10.7%</i>	<i>-3.0%</i>	<i>-3.7%</i>	<i>-7.5%</i>	<i>-0.9%</i>	<i>-11.6%</i>	<i>0.4%</i>	<i>8.0%</i>	<i>10.7%</i>	<i>1.1%</i>	<i>8.6%</i>	<i>9.2%</i>
<i>comparable growth %</i>													
Other income	0.1	0.0	0.1	0.0	0.1	0.2	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Materials and services	-7.9	-2.3	-1.8	-1.5	-2.0	-7.6	-1.8	-1.9	-1.5	-2.0	-7.2	-7.5	-8.0
Personnel expenses	-40.3	-11.5	-11.6	-9.5	-12.0	-44.5	-11.5	-11.7	-9.9	-11.5	-44.7	-46.8	-49.4
Other expenses	-8.7	-2.8	-2.9	-2.5	-2.8	-10.9	-2.6	-2.7	-2.4	-2.7	-10.4	-10.7	-11.0
EBITDA	12.3	2.7	1.8	0.8	0.3	5.6	1.1	1.7	1.7	2.5	7.0	10.2	13.7
Adj. EBITDA	12.6	2.9	2.0	0.9	0.7	6.4	1.1	1.7	1.7	2.5	7.0	10.2	13.7
D&A	-5.1	-1.3	-1.4	-5.8	-1.5	-10.0	-1.6	-1.6	-1.6	-1.6	-6.2	-6.0	-5.9
EBIT	7.1	1.4	0.4	-5.0	-1.2	-4.4	-0.5	0.2	0.2	1.0	0.8	4.2	7.8
<i>EBIT-%</i>	<i>10.3%</i>	<i>7.2%</i>	<i>2.3%</i>	<i>-34.9%</i>	<i>-7.1%</i>	<i>-6.4%</i>	<i>-2.6%</i>	<i>0.8%</i>	<i>1.0%</i>	<i>5.1%</i>	<i>1.2%</i>	<i>5.6%</i>	<i>9.5%</i>
Adjustment items	0.3	0.2	0.2	4.5	0.4	5.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adj. EBIT	7.4	1.6	0.6	-0.5	-0.8	0.9	-0.5	0.2	0.2	1.0	0.8	4.2	7.8
<i>Adj. EBIT-%</i>	<i>10.7%</i>	<i>8.2%</i>	<i>3.3%</i>	<i>-3.5%</i>	<i>-4.6%</i>	<i>1.3%</i>	<i>-2.6%</i>	<i>0.8%</i>	<i>1.0%</i>	<i>5.1%</i>	<i>1.2%</i>	<i>5.6%</i>	<i>9.5%</i>
Solteq Digital	2021	Q1/'22	Q2/'22	Q3/'22	Q4/'22	2022	Q1/'23E	Q2/'23E	Q3/'23E	Q4/'23E	2023E	2024E	2025E
Net sales	44.3	11.8	11.4	8.6	10.3	42.1	10.5	10.9	9.0	11.0	41.4	43.5	45.6
<i>sales growth %</i>	<i>6.5%</i>	<i>5.6%</i>	<i>-4.1%</i>	<i>-9.6%</i>	<i>-11.9%</i>	<i>-4.9%</i>	<i>-11.0%</i>	<i>-4.3%</i>	<i>4.2%</i>	<i>6.7%</i>	<i>-1.8%</i>	<i>5.0%</i>	<i>5.0%</i>
Adj. EBITDA	8.0	2.1	2.0	0.7	1.0	5.8	1.3	1.5	1.1	1.7	5.6	6.1	6.4
<i>Adj. EBITDA-%</i>	<i>18.0%</i>	<i>17.4%</i>	<i>17.7%</i>	<i>7.9%</i>	<i>9.8%</i>	<i>13.7%</i>	<i>12.4%</i>	<i>13.8%</i>	<i>12.2%</i>	<i>15.5%</i>	<i>13.5%</i>	<i>14.0%</i>	<i>14.0%</i>
EBIT	5.6	1.5	1.3	0.1	0.3	3.3	0.7	0.9	0.5	1.1	3.0	3.7	4.1
<i>EBIT-%</i>	<i>12.6%</i>	<i>12.9%</i>	<i>11.8%</i>	<i>1.5%</i>	<i>2.6%</i>	<i>7.7%</i>	<i>6.2%</i>	<i>7.8%</i>	<i>5.0%</i>	<i>9.5%</i>	<i>7.2%</i>	<i>8.4%</i>	<i>9.0%</i>
Adj. EBIT	5.7	1.5	1.5	0.2	0.5	3.7	0.7	0.9	0.5	1.1	3.0	3.7	4.1
<i>Adj. EBIT-%</i>	<i>12.8%</i>	<i>12.7%</i>	<i>13.2%</i>	<i>2.0%</i>	<i>5.0%</i>	<i>8.7%</i>	<i>6.2%</i>	<i>7.8%</i>	<i>5.0%</i>	<i>9.5%</i>	<i>7.2%</i>	<i>8.4%</i>	<i>9.0%</i>
Solteq Software	2021	Q1/'22	Q2/'22	Q3/'22	Q4/'22	2022	Q1/'23E	Q2/'23E	Q3/'23E	Q4/'23E	2023E	2024E	2025E
Net sales	24.8	7.4	6.5	5.7	6.6	26.3	6.5	7.1	6.5	7.7	27.8	31.7	36.4
<i>sales growth %</i>	<i>31.4%</i>	<i>19.7%</i>	<i>-0.9%</i>	<i>6.6%</i>	<i>0.2%</i>	<i>6.2%</i>	<i>-12.6%</i>	<i>8.4%</i>	<i>13.8%</i>	<i>16.9%</i>	<i>5.8%</i>	<i>14.0%</i>	<i>15.0%</i>
Adj. EBITDA	4.6	0.9	-0.1	0.2	-0.4	0.6	-0.2	0.2	0.6	0.8	1.4	4.1	7.3
<i>Adj. EBITDA-%</i>	<i>18.5%</i>	<i>11.7%</i>	<i>-1.1%</i>	<i>3.5%</i>	<i>-5.4%</i>	<i>2.4%</i>	<i>-3.1%</i>	<i>2.8%</i>	<i>9.2%</i>	<i>10.4%</i>	<i>5.0%</i>	<i>13.0%</i>	<i>20.0%</i>
EBIT	1.6	-0.1	-0.9	-5.1	-1.5	-7.6	-1.1	-0.7	-0.3	-0.1	-2.2	0.5	3.7
<i>EBIT-%</i>	<i>6.5%</i>	<i>-1.5%</i>	<i>-14.1%</i>	<i>-89.8%</i>	<i>-22.2%</i>	<i>-29.0%</i>	<i>-16.9%</i>	<i>-9.9%</i>	<i>-4.6%</i>	<i>-1.3%</i>	<i>-7.9%</i>	<i>1.6%</i>	<i>10.1%</i>
Adj. EBIT	1.8	0.1	-0.9	-0.7	-1.3	-2.8	-1.1	-0.7	-0.3	-0.1	-2.2	0.5	3.7
<i>Adj. EBIT-%</i>	<i>7.1%</i>	<i>0.9%</i>	<i>-14.0%</i>	<i>-11.9%</i>	<i>-19.6%</i>	<i>-10.7%</i>	<i>-16.9%</i>	<i>-9.9%</i>	<i>-4.6%</i>	<i>-1.3%</i>	<i>-7.9%</i>	<i>1.6%</i>	<i>10.1%</i>

NORDIC IT SERVICES	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		22	23	24	22	23	24	22	23	24
TietoEVRY	3541	8.3x	8.6x	8.2x	11.5x	11.9x	11.3x	12.7x	12.5x	11.7x
Atea	1241	7.7x	7.5x	7.0x	11.8x	11.4x	10.5x	16.3x	14.7x	13.3x
Knowit	542	8.9x	9.1x	8.5x	13.3x	14.2x	12.0x	14.6x	16.9x	14.0x
Bouvet	602	13.5x	13.7x	12.7x	16.3x	16.5x	15.0x	22.7x	21.6x	19.6x
Gofore	394							24.9x	21.0x	17.8x
Digia	163	8.4x	7.6x	7.1x	13.1x	11.3x	10.2x	15.4x	12.6x	11.5x
Sili Solutions	141	7.1x	6.9x	6.1x	9.5x	9.0x	7.9x	15.9x	12.9x	11.2x
Vincit	75							13.7x	11.0x	9.1x
Innofactor	48	6.7x	6.8x	6.4x	10.7x	10.4x	9.7x	13.9x	10.7x	9.7x
Qt Group	1821	26.3x	33.9x	24.8x	31.3x	40.5x	28.0x	53.1x	50.4x	35.1x
Peer Group Average	789	10.9x	11.8x	10.1x	14.7x	15.7x	13.1x	20.3x	18.4x	15.3x
Peer Group Median	400	8.4x	8.1x	7.7x	12.4x	11.7x	10.9x	15.7x	13.8x	12.5x

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	1432	22.3x	20.5x	17.5x	41.7x	37.2x	30.9x	70.0x	52.2x	42.9x
Basware										
SimCorp	2719	17.3x	18.7x	16.8x	18.5x	20.1x	18.0x	25.5x	25.1x	22.7x
F-Secure	563							16.6x	16.4x	14.7x
Admicom	219	16.3x	16.2x	14.8x	18.9x	18.6x	16.8x	21.7x	22.7x	20.5x
cBrain	406	62.5x	43.6x	31.6x	62.3x	45.5x	32.1x	87.3x	59.5x	41.8x
Enea	199	7.4x	8.4x	7.8x	17.5x	20.3x	17.0x	11.8x	19.5x	16.4x
Peer Group Average	923	25.2x	21.5x	17.7x	31.8x	28.3x	23.0x	38.8x	32.6x	26.5x
Peer Group Median	484	17.3x	18.7x	16.8x	18.9x	20.3x	18.0x	23.6x	23.9x	21.6x

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	1.40 PV of Free Cash Flow	59 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	5.68 PV of Horizon value	83 WACC, %	8.9 Market risk premium, %
Share price potential, %	305.4 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	6.3 Marketable securities	2 Minimum WACC, %	8.4 Equity beta coefficient
Minimum value	5.1 Debt - dividend	-33 Maximum WACC, %	9.4 Target debt ratio, %
Horizon value, %	58.4 Value of stock	110 Nr of shares, Mn	19.4 Effective tax rate, %

DCF valuation, EURm	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Horizon
Net sales	68	69	75	82	91	95	100	105	110	116	118	120
<i>Sales growth, %</i>	-0.9	1.1	8.6	9.2	10.3	5.0	5.0	5.0	5.0	5.0	2.0	2.0
Operating income (EBIT)	-4	1	4	8	9	10	10	10	11	12	12	12
<i>Operating income margin, %</i>	-6.4	1.2	5.6	9.5	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
+ Depreciation+amort.	10	6	6	6	6	7	7	8	8	9	9	
EBITDA	6	6	10	14	15	17	17	18	19	20	21	
- Paid taxes	0	0	-1	-2	-2	-2	-2	-2	-2	-2	-2	
- Change in NWC	1	0	1	1	1	0	0	0	0	1	0	
<i>NWC / Sales, %</i>	-9.2	-9.2	-9.2	-9.2	-9.2	-9.2	-9.2	-9.2	-9.2	-9.2	-9.2	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-3	-4	-4	-4	-5	-5	-5	-5	-6	-6	-6	
<i>opCAPEX / Sales, %</i>	6.4	8.6	8.7	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.4	
- Acquisitions	-5	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	-3	3	6	9	10	10	11	11	12	13	13	191
= Discounted FCFF		3	5	7	7	7	7	6	6	6	6	83
= DFCF min WACC		3	5	7	7	7	7	7	6	6	6	93
= DFCF max WACC		3	5	7	7	7	6	6	6	6	5	74

INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1E	2023Q2E	2023Q3E	2023Q4E	2023E	2024E	2025E
Net sales	19.2	17.9	14.4	16.9	68.4	17.0	18.0	15.5	18.7	69.2	75.2	82.1
EBITDA	2.7	1.8	0.8	0.3	5.6	1.0	1.6	1.6	2.4	6.4	10.2	13.7
<i>EBITDA margin (%)</i>	<i>14.1</i>	<i>9.9</i>	<i>5.6</i>	<i>1.5</i>	<i>8.1</i>	<i>5.6</i>	<i>8.6</i>	<i>10.0</i>	<i>12.6</i>	<i>9.3</i>	<i>13.6</i>	<i>16.7</i>
EBIT	1.4	0.4	-5.0	-1.2	-4.4	-0.4	0.2	0.2	1.0	0.8	4.2	7.8
<i>EBIT margin (%)</i>	<i>7.2</i>	<i>2.3</i>	<i>-34.9</i>	<i>-7.1</i>	<i>-6.4</i>	<i>-2.6</i>	<i>0.8</i>	<i>1.0</i>	<i>5.1</i>	<i>1.2</i>	<i>5.6</i>	<i>9.5</i>
Net financial items	-0.4	-0.5	-0.4	-0.8	-2.2	-0.5	-0.5	-0.5	-0.5	-2.0	-2.0	-1.8
Pre-tax profit	1.0	-0.1	-5.5	-2.0	-6.6	-0.9	-0.3	-0.3	0.5	-1.2	2.2	5.9
Tax	-0.2	0.0	1.0	0.4	1.2	0.2	0.1	0.1	-0.1	0.2	-0.4	-1.2
<i>Tax rate (%)</i>	<i>22.1</i>	<i>8.0</i>	<i>18.5</i>	<i>18.5</i>	<i>17.8</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0.8	-0.1	-4.4	-1.7	-5.4	-0.8	-0.3	-0.3	0.4	-1.0	1.8	4.7
EPS	0.04	0.00	-0.23	-0.09	-0.28	-0.04	-0.01	-0.01	0.02	-0.05	0.09	0.24
EPS adjusted (diluted no. of shares)	0.04	0.00	-0.23	-0.09	-0.28	-0.04	-0.01	-0.01	0.02	-0.05	0.09	0.24
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.12
SALES, EURm												
Solteq Digital	11.8	11.4	8.6	10.3	42.1	10.5	10.9	9.0	11.0	41.4	43.5	45.6
Solteq Software	7.4	6.5	5.7	6.6	26.3	6.5	7.1	6.5	7.7	27.8	31.7	36.4
Total	19.2	17.9	14.4	16.9	68.4	17.0	18.0	15.5	18.7	69.2	75.2	82.1
SALES GROWTH, Y/Y %												
<i>Solteq Digital</i>	<i>5.6</i>	<i>-4.1</i>	<i>-9.6</i>	<i>-11.9</i>	<i>-4.9</i>	<i>-11.0</i>	<i>-4.3</i>	<i>4.2</i>	<i>6.7</i>	<i>-1.8</i>	<i>5.0</i>	<i>5.0</i>
<i>Solteq Software</i>	<i>19.7</i>	<i>-0.9</i>	<i>6.6</i>	<i>0.2</i>	<i>6.2</i>	<i>-12.6</i>	<i>8.4</i>	<i>13.8</i>	<i>16.9</i>	<i>5.8</i>	<i>14.0</i>	<i>15.0</i>
<i>Total</i>	<i>10.7</i>	<i>-3.0</i>	<i>-3.7</i>	<i>-7.5</i>	<i>-0.9</i>	<i>-11.6</i>	<i>0.4</i>	<i>8.0</i>	<i>10.7</i>	<i>1.1</i>	<i>8.6</i>	<i>9.2</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	1.5	1.3	0.1	0.3	3.3	0.7	0.9	0.5	1.1	3.0	3.7	4.1
Solteq Software	-0.1	-0.9	-5.1	-1.5	-7.6	-1.1	-0.7	-0.3	-0.1	-2.2	0.5	3.7
Total	1.4	0.4	-5.0	-1.2	-4.4	-0.4	0.2	0.2	1.0	0.8	4.2	7.8
EBIT margin, %												
<i>Solteq</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>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Solteq Digital</i>	<i>12.9</i>	<i>11.8</i>	<i>1.5</i>	<i>2.6</i>	<i>7.7</i>	<i>6.2</i>	<i>7.8</i>	<i>5.0</i>	<i>9.5</i>	<i>7.2</i>	<i>8.4</i>	<i>9.0</i>
<i>Solteq Software</i>	<i>-1.5</i>	<i>-14.1</i>	<i>-89.8</i>	<i>-22.2</i>	<i>-29.0</i>	<i>-16.9</i>	<i>-9.9</i>	<i>-4.6</i>	<i>-1.3</i>	<i>-7.9</i>	<i>1.6</i>	<i>10.1</i>
<i>Total</i>	<i>7.2</i>	<i>2.3</i>	<i>-34.9</i>	<i>-7.1</i>	<i>-6.4</i>	<i>-2.6</i>	<i>0.8</i>	<i>1.0</i>	<i>5.1</i>	<i>1.2</i>	<i>5.6</i>	<i>9.5</i>

INCOME STATEMENT, EURm	2018	2019	2020	2021	2022	2023E	2024E	2025E
Sales	56.9	58.3	60.5	69.1	68.4	69.2	75.2	82.1
<i>Sales growth (%)</i>	<i>12.1</i>	<i>2.5</i>	<i>3.7</i>	<i>14.2</i>	<i>-0.9</i>	<i>1.1</i>	<i>8.6</i>	<i>9.2</i>
EBITDA	4.8	9.7	10.4	12.3	5.6	6.4	10.2	13.7
<i>EBITDA margin (%)</i>	<i>8.4</i>	<i>16.7</i>	<i>17.2</i>	<i>17.8</i>	<i>8.1</i>	<i>9.3</i>	<i>13.6</i>	<i>16.7</i>
Depreciation	-2.3	-4.0	-5.0	-5.1	-10.0	-5.6	-6.0	-5.9
EBITA	2.5	5.7	5.4	7.2	-4.4	0.8	4.2	7.8
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	2.5	5.7	5.4	7.2	-4.4	0.8	4.2	7.8
<i>EBIT margin (%)</i>	<i>4.3</i>	<i>9.8</i>	<i>8.9</i>	<i>10.4</i>	<i>-6.4</i>	<i>1.2</i>	<i>5.6</i>	<i>9.5</i>
Reported EBIT	2.5	5.7	5.4	7.2	-4.4	0.8	4.2	7.8
<i>EBIT margin (reported) (%)</i>	<i>4.3</i>	<i>9.8</i>	<i>8.8</i>	<i>10.4</i>	<i>-6.4</i>	<i>1.2</i>	<i>5.6</i>	<i>9.5</i>
Net financials	-1.8	-2.0	-2.6	-1.9	-2.2	-2.0	-2.0	-1.8
Pre-tax profit	0.6	3.7	2.7	5.3	-6.6	-1.2	2.2	5.9
Taxes	-0.3	-0.9	-0.8	-1.1	1.2	0.2	-0.4	-1.2
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	0.4	2.8	2.0	4.1	-5.4	-1.0	1.8	4.7
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	10	11	12	13	10	10	10	11
Goodwill	40	39	39	42	46	46	46	46
Right of use assets	6	7	7	5	3	3	4	4
Inventory	0	0	0	0	0	0	0	0
Receivables	12	16	12	12	11	11	12	13
Liquid funds	5	4	5	4	2	2	2	2
Total assets	74	77	75	76	74	75	76	79
Liabilities								
Shareholder's equity	22	25	27	28	23	22	23	27
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	6	8	7	5	3	3	4	4
Deferred taxes	1	1	1	1	1	1	1	1
Interest bearing debt	28	28	24	24	30	31	29	26
Non-interest bearing current liabilities	17	17	16	18	17	18	19	21
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	74	77	75	76	74	75	76	79
CASH FLOW, EURm								
+ EBITDA	5	10	10	12	6	6	10	14
- Net financial items	-2	-2	-3	-2	-2	-2	-2	-2
- Taxes	0	-1	-1	-1	0	0	0	-1
- Increase in Net Working Capital	6	-1	0	1	1	0	1	1
+/- Other	0	-2	-1	0	0	0	0	0
= Cash flow from operations	8	4	6	10	4	5	8	11
- Capex	-3	-7	-5	-4	-4	-6	-7	-7
- Acquisitions	0	0	0	-3	-5	0	0	0
+ Divestments	0	0	4	0	0	0	0	0
= Free cash flow	5	-3	6	4	-6	-1	2	4
+/- New issues/buybacks	1	0	0	0	2	0	0	0
- Paid dividend	0	0	0	-3	-2	0	0	-1
+/- Other	-2	2	-4	-2	4	1	-2	-3
Change in cash	4	-2	1	-1	-2	0	0	0

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	29	54	91	24	27	27	27
Net debt (excl. convertibles)	32	26	26	31	33	31	27
Enterprise value	60	81	117	55	60	58	55
Sales	58	60	69	68	69	75	82
EBITDA	10	10	12	6	6	10	14
EBIT	6	5	7	-4	1	4	8
Pre-tax	4	3	5	-7	-1	2	6
Earnings	3	2	4	-5	-1	2	5
Equity book value (excl. minorities)	25	27	28	23	22	23	27
Valuation multiples							
EV/sales	1.0	1.3	1.7	0.8	0.9	0.8	0.7
EV/EBITDA	6.2	7.8	9.5	10.0	9.3	5.7	4.0
EV/EBITA	10.6	15.1	16.3	-12.5	74.7	13.9	7.0
EV/EBIT	10.6	15.1	16.3	-12.5	74.7	13.9	7.0
EV/OCF	14.6	12.8	11.7	14.2	12.6	7.0	4.8
EV/FCFF	59.8	9.1	21.2	-19.1	21.3	9.5	6.4
P/FCFE	-9.1	9.8	25.6	-4.3	-22.1	15.0	6.3
P/E	27.1	27.3	21.9	-4.4	-28.3	15.5	5.7
P/B	1.2	2.0	3.2	1.1	1.3	1.2	1.0
Target EV/EBITDA	0.0	0.0	0.0	0.0	9.0	5.5	3.8
Target EV/EBIT	0.0	0.0	0.0	0.0	72.3	13.4	6.8
Target EV/FCF	0.0	0.0	0.0	0.0	-47.2	31.0	12.3
Target P/B	0.0	0.0	0.0	0.0	1.2	1.1	0.9
Target P/E	0.0	0.0	0.0	0.0	-26.3	14.3	5.3
Per share measures							
Number of shares	19,307	19,307	19,397	19,397	19,397	19,397	19,397
Number of shares (diluted)	19,307	19,307	19,397	19,397	19,397	19,397	19,397
EPS	0.15	0.10	0.21	-0.28	-0.05	0.09	0.24
Operating cash flow per share	0.21	0.33	0.51	0.20	0.24	0.43	0.58
Free cash flow per share	-0.16	0.29	0.18	-0.29	-0.06	0.09	0.22
Book value per share	1.27	1.37	1.44	1.16	1.11	1.20	1.40
Dividend per share	0.00	0.15	0.10	0.00	0.00	0.05	0.12
Dividend payout ratio, %	0.0	146.3	46.8	0.0	0.0	50.0	50.0
Dividend yield, %	0.0	5.4	2.1	0.0	0.0	3.2	8.7
FCF yield, %	-11.0	10.2	3.9	-23.5	-4.5	6.7	15.8
Efficiency measures							
ROE	12.1	7.8	15.2	-21.4	-4.4	7.8	18.8
ROCE	9.8	9.1	12.4	-7.8	1.4	7.4	13.7
Financial ratios							
Inventories as % of sales	0.3	0.1	0.3	0.2	0.2	0.2	0.2
Receivables as % of sales	26.8	19.1	17.0	16.2	16.2	16.2	16.2
Non-interest bearing liabilities as % of sales	28.6	26.8	25.5	25.6	25.6	25.6	25.6
NWC/sales, %	-1.5	-7.5	-8.2	-9.2	-9.2	-9.2	-9.2
Operative CAPEX/sales, %	12.5	8.0	5.2	6.4	8.6	8.7	8.5
CAPEX/sales (incl. acquisitions), %	12.5	8.0	1.0	-1.1	8.6	8.7	8.5
FCFF/EBITDA	0.1	0.9	0.4	-0.5	0.4	0.6	0.6
Net debt/EBITDA, book-weighted	3.2	2.6	2.1	5.7	5.1	3.0	2.0
Debt/equity, market-weighted	1.0	0.4	0.3	1.3	1.2	1.1	1.0
Equity ratio, book-weighted	31.9	35.5	36.9	30.3	28.8	30.5	34.5
Gearing, %	128.5	99.9	92.6	139.4	151.3	132.1	100.8

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 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	2,083,769	2.917	10.7%
Elo Mutual Pension Insurance Company	2,000,000	2.800	10.3%
Ilmarinen Mutual Pensions Insurance Company	1,651,293	2.312	8.5%
Varma Mutual Pension Insurance Company	1,545,597	2.164	8.0%
Aktia Capital Mutual Fund	770,000	1.078	4.0%
Aalto Seppo Tapio	615,000	0.861	3.2%
Saadetdin Ali	602,216	0.843	3.1%
Säästöpankki Small Cap Mutual Fund	500,000	0.700	2.6%
Incedo Oy	313,178	0.438	1.6%
Säästöpankki Itämeri Mutual Fund	300,000	0.420	1.5%
Ten largest	10,381,053	14.533	54%
Residual	9,015,448	12.622	46%
Total	19,396,501	27.155	100%

EARNINGS CALENDAR

May 04, 2023	Q1 report
August 23, 2023	Q2 report
October 26, 2023	Q3 report

OTHER EVENTS

March 29, 2023	AGM
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COMPANY MISCELLANEOUS

CEO: Aarne Aktan	Karhumäentie 3, FI-01350
CFO: Kari Lehtosalo	Tel:
IR:	

DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	DPS	Dividend for the financial period per share
Market cap	Price per share * Number of shares	OCF (Operating cash flow)	EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow)	Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, %	$\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital	Current assets – current liabilities
Net debt	Interest bearing debt – financial assets	Capital employed/Share	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
Total assets	Balance sheet total	Gearing	$\frac{\text{Net debt}}{\text{Equity}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

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Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.

Recommendation	Percentage
Sell	15%
Hold	58%
Buy	27%

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

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

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