

Long road to healthy profitability ahead

Solteq reported slightly better than anticipated Q1 results. The short-term performance appears to be burdened more than anticipated by disproportionate overhead expenses, our views on the long-term development remain intact.

Slightly better than expected Q1 aided by good cost control

Solteq reported Q1 results that were slightly better than anticipated. Revenue was in line with our estimates at EUR 16.9m (Evli EUR 17.1m) while the adj. operating profit of EUR 0.1m beat our cautious estimate of EUR -0.5m. In terms of segment performance, Retail & Commerce saw healthy and better than expected profitability despite the anticipated y/y revenue decline. The good profitability level was according to the company driven by an improved cost control. The Utilities-segment performed quite as expected, still clearly loss making following earlier product development challenges. Solteq also issued a guidance for 2023, expecting revenue to amount to EUR 60-62m and operating profit (excl. divestment profit recognition) to be slightly negative.

Weaker in the short-term, long-term potential intact

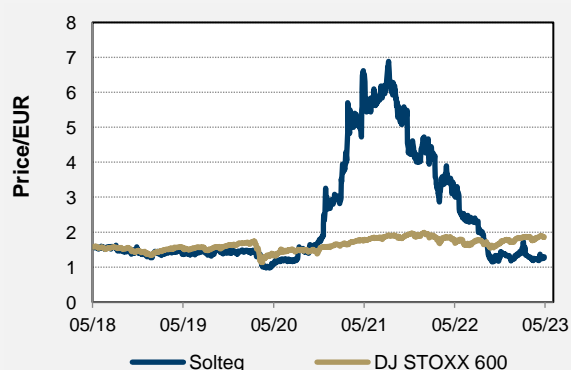
The 2023 guidance was quite as expected, although our EBIT (excl. divestment profit recognition) estimate pre-Q1 was slightly positive. With Q1 stronger than we anticipated profitability-wise, we assume the anticipated burden of overhead expenses on Retail & Commerce in the short-term to be larger than we estimated. We have lowered our 2023 estimates slightly to fit the guidance but the revisions are in our view rather trivial. The investment story narrative continues to focus on 2024->, where the key success factor remains in the recovery and scalability of the Utilities-segment, and also to a lesser extent being able to adapt overhead expenses to the new company size.

HOLD with a target price of EUR 1.3

With no material changes to our estimates or views, we retain our HOLD-rating and target price of EUR 1.3. Valuation remains stretched in the near-term, but now with the stronger balance sheet and scalability factors the long-term potential remains significant.

Rating

HOLD



Share price, EUR (Last trading day's closing price) 1.26

Target price, EUR 1.3

Latest change in recommendation 19-Sep-22

Latest report on company 20-Apr-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 24

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 23-Aug-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	-6.5%	-5.6	-0.28	-4.4	0.8	-12.5	-23.5	0.00
2023E	61.3	7.9	12.9%	13.8	0.28	5.3	0.7	5.3	56.3	0.00
2024E	63.1	2.6	4.1%	0.9	0.06	19.9	0.7	16.0	3.7	0.03
2025E	69.7	5.2	7.4%	2.8	0.18	7.0	0.6	7.6	11.4	0.09
Market cap, EURm	24		Gearing 2023E, %	63.2		CAGR EPS 2022-25, %		0.0		0.0
Net debt 2023E, EURm	18		Price/book 2023E	0.9		CAGR sales 2022-25, %		0.6		0.6
Enterprise value, EURm	42		Dividend yield 2023E, %	0.0		ROE 2023E, %		21.4		21.4
Total assets 2023E, EURm	77		Tax rate 2023E, %	21.1		ROCE 2023E, %		13.5		13.5
Goodwill 2023E, EURm	37		Equity ratio 2023E, %	36.1		PEG, P/E 23/CAGR		0.7		0.7

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/'23	Q2/'23E	Q3/'23E	Q4/'23E	2023E	2024E	2025E
Net sales	69.1	19.2	17.9	14.4	16.9	68.4	16.9	16.0	12.8	15.6	61.3	63.1	69.7
<i>sales growth %</i>	14.2%	10.7%	-3.0%	-3.7%	-7.5%	-0.9%	-12.2%	-10.8%	-10.8%	-7.7%	-10.4%	2.9%	10.6%
<i>comparable growth %</i>													
Other income	0.1	0.0	0.1	0.0	0.1	0.2	0.0	8.0	0.0	0.0	8.1	0.1	0.1
Materials and services	-7.9	-2.3	-1.8	-1.5	-2.0	-7.6	-1.9	-1.8	-1.3	-1.8	-6.8	-6.8	-7.2
Personnel expenses	-40.3	-11.5	-11.6	-9.5	-12.0	-44.6	-11.0	-10.3	-7.9	-9.2	-38.5	-38.1	-41.3
Other expenses	-8.7	-2.8	-2.9	-2.5	-2.8	-10.9	-2.8	-2.7	-2.4	-2.7	-10.6	-10.0	-10.6
EBITDA	12.3	2.7	1.8	0.8	0.3	5.6	1.3	9.2	1.2	1.9	13.6	8.2	10.7
Adj. EBITDA	12.6	2.9	2.0	0.9	0.7	6.4	1.5	1.2	1.2	1.9	5.7	8.2	10.7
D&A	-5.1	-1.3	-1.4	-5.8	-1.5	-10.0	-1.4	-1.5	-1.4	-1.4	-5.7	-5.6	-5.5
EBIT	7.1	1.4	0.4	-5.0	-1.2	-4.4	-0.1	7.8	-0.2	0.5	7.9	2.6	5.2
<i>EBIT-%</i>	10.3%	7.2%	2.3%	-34.9%	-7.1%	-6.4%	-0.5%	48.4%	-1.8%	3.0%	12.9%	4.1%	7.4%
Adjustment items	0.3	0.2	0.2	4.5	0.4	5.3	0.2	-8.0	0.0	0.0	-7.8	0.0	0.0
Adj. EBIT	7.4	1.6	0.6	-0.5	-0.8	0.9	0.1	-0.3	-0.2	0.5	0.1	2.6	5.2
<i>Adj. EBIT-%</i>	10.7%	8.2%	3.3%	-3.5%	-4.6%	1.3%	0.4%	-1.6%	-1.8%	3.0%	0.1%	4.1%	7.4%
Retail & Commerce	2021	Q1/'22	Q2/'22	Q3/'22	Q4/'22	2022	Q1/'23	Q2/'23E	Q3/'23E	Q4/'23E	2023E	2024E	2025E
Net sales		14.9	14.3	11.4	13.3	53.8	13.4	12.1	9.2	11.3	46.0	44.6	46.8
<i>sales growth %</i>							-9.8%	-15.5%	-19.0%	-14.7%	-14.5%	-3.1%	5.0%
Adj. EBITDA		2.5	2.2	1.0	1.2	6.9	2.1	1.4	0.8	1.3	5.6	5.8	6.1
<i>Adj. EBITDA-%</i>		16.5%	15.5%	8.9%	8.8%	12.8%	15.7%	11.6%	8.7%	11.5%	12.2%	13.0%	13.0%
EBIT		1.5	1.1	-4.4	-0.1	-1.8	1.2	8.5	-0.1	0.4	10.0	2.4	2.9
<i>EBIT-%</i>		10.1%	8.0%	-38.5%	-0.9%	-3.4%	8.8%	70.2%	-0.9%	3.7%	21.8%	5.3%	6.2%
Adj. EBIT		1.5	1.3	0.1	0.3	3.2	1.2	0.5	-0.1	0.4	2.1	2.4	2.9
<i>Adj. EBIT-%</i>		10.3%	9.1%	0.9%	2.0%	5.9%	9.3%	4.1%	-0.9%	3.7%	4.5%	5.3%	6.2%
Utilities	2021	Q1/'22	Q2/'22	Q3/'22	Q4/'22	2022	Q1/'23	Q2/'23E	Q3/'23E	Q4/'23E	2023E	2024E	2025E
Net sales		4.3	3.6	3.0	3.6	14.6	3.5	3.9	3.6	4.3	15.3	18.5	22.9
<i>sales growth %</i>							-20.2%	7.6%	20.3%	17.9%	4.5%	21.0%	24.0%
Adj. EBITDA		0.5	-0.3	-0.1	-0.5	-0.5	-0.7	-0.2	0.4	0.6	0.1	2.4	4.6
<i>Adj. EBITDA-%</i>		10.7%	-7.7%	-4.6%	-13.9%	-3.2%	-19.3%	-5.1%	11.1%	14.0%	0.9%	13.0%	20.0%
EBIT		-0.1	-0.7	-0.6	-1.1	-2.6	-1.3	-0.8	-0.2	0.1	-2.1	0.2	2.3
<i>EBIT-%</i>		-2.9%	-20.1%	-21.1%	-29.6%	-17.6%	-36.7%	-19.2%	-4.2%	1.2%	-13.9%	1.1%	9.9%
Adj. EBIT		0.1	-0.7	-0.6	-1.0	-2.3	-1.2	-0.8	-0.2	0.1	-2.0	0.2	2.3
<i>Adj. EBIT-%</i>		1.2%	-19.8%	-20.2%	-28.5%	-15.8%	-34.3%	-19.2%	-4.2%	1.2%	-13.3%	1.1%	9.9%

NORDIC IT SERVICES	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		23	24	25	23	24	25	23	24	25
TietoEVERY	3144	7.9x	7.5x	7.6x	10.8x	10.2x	9.6x	11.2x	10.5x	9.9x
Atea	1387							16.8x	15.4x	13.8x
Knowit	497	8.2x	7.5x	7.1x	13.0x	11.5x	10.3x	14.9x	12.6x	11.2x
Bouvet	594	13.4x	12.5x	11.7x	16.1x	14.9x	14.0x	21.5x	19.8x	18.5x
Gofore	392	12.0x	10.7x	9.7x	15.3x	13.3x	11.6x	18.7x	16.2x	14.8x
Digia	148	6.9x	6.4x	6.0x	10.1x	9.1x	8.3x	11.3x	10.1x	9.3x
Sili Solutions	127	5.9x	5.3x	5.0x	8.6x	7.3x	6.7x	13.0x	11.0x	10.2x
Vincit	79	6.2x	5.4x	4.5x	10.3x	8.3x	6.4x	11.4x	9.6x	7.9x
Innofactor	46	5.9x	5.4x	5.1x	8.8x	7.9x	7.4x	10.1x	8.9x	8.3x
Qt Group	2056	36.6x	26.7x	20.4x	41.3x	29.0x	21.8x	55.8x	38.3x	28.7x
Peer Group Average	844	11.5x	9.7x	8.6x	14.9x	12.4x	10.7x	18.5x	15.2x	13.3x
Peer Group Median	372	7.9x	7.5x	7.1x	10.8x	10.2x	9.6x	13.9x	11.8x	10.7x

Source FactSet, Evli Research

NORDIC SOFTWARE	MCAP EUR	EV/EBITDA			EV/EBIT			P/E		
		23	24	25	23	24	25	23	24	25
Vitec Software Group	1566							55.6x	43.5x	37.5x
SimCorp	3869	27.9x	23.5x	20.4x	29.9x	25.3x	21.7x	35.1x	31.8x	28.0x
F-Secure	519							14.7x	13.3x	12.1x
Admicom	214	16.5x	15.1x	13.0x	18.6x	16.9x	14.5x	23.2x	22.5x	19.0x
cBrain	353	40.7x	29.3x	21.3x	40.4x	28.9x	20.9x	51.7x	36.3x	25.8x
Enea	118	5.8x	5.8x	5.1x	17.6x	16.6x	12.0x	22.7x	16.9x	12.1x
Peer Group Average	1106	22.7x	18.4x	14.9x	26.6x	21.9x	17.3x	33.8x	27.4x	22.4x
Peer Group Median	436	22.2x	19.3x	16.7x	24.3x	21.1x	17.7x	29.2x	27.2x	22.4x

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	1.26 PV of Free Cash Flow	64 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	5.48 PV of Horizon value	74 WACC, %	8.9 Market risk premium, %	5.8
Share price potential, %	335.0 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	6.0 Marketable securities	2 Minimum WACC, %	8.4 Equity beta coefficient	1.10
Minimum value	5.0 Debt - dividend	-33 Maximum WACC, %	9.4 Target debt ratio, %	20
Horizon value, %	53.7 Value of stock	106 Nr of shares, Mn	19.4 Effective tax rate, %	20

DCF valuation, EURm	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Horizon
Net sales	68	61	63	70	77	81	85	89	93	98	100	102
<i>Sales growth, %</i>	-0.9	-10.4	2.9	10.6	10.0	5.0	5.0	5.0	5.0	5.0	2.0	2.0
Operating income (EBIT)	-4	8	3	5	8	8	8	9	9	10	10	10
<i>Operating income margin, %</i>	-6.5	12.9	4.1	7.4	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	8	8	9
EBITDA	6	13	8	11	14	15	16	16	17	18	19	
- Paid taxes	0	-2	-1	-1	-2	-2	-2	-2	-2	-2	-2	-2
- Change in NWC	1	-1	0	1	1	0	0	0	0	0	0	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	-9.2
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	0
- Operative CAPEX	-3	-4	-4	-4	-4	-5	-5	-5	-5	-6	-6	-6
<i>opCAPEX / Sales, %</i>	6.4	9.1	9.7	9.8	9.8	9.7	9.7	9.7	9.7	9.7	9.7	9.7
- Acquisitions	-5	0	0	0	0	0	0	0	0	0	0	0
+ Divestments	0	9	0	0	0	0	0	0	0	0	0	0
- Other items	0	0	0	0	0	0	0	0	0	0	0	0
= FCFF	-3	17	4	6	8	9	9	10	10	11	11	168
= Discounted FCFF		16	4	5	6	6	6	6	5	5	5	74
= DFCF min WACC		16	4	5	6	6	6	6	6	6	5	83
= DFCF max WACC		16	4	5	6	6	6	5	5	5	5	66

INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1	2023Q2E	2023Q3E	2023Q4E	2023E	2024E	2025E
Net sales	19.2	17.9	14.4	16.9	68.4	16.9	16.0	12.8	15.6	61.3	63.1	69.7
EBITDA	2.7	1.8	0.8	0.3	5.5	1.3	9.2	1.2	1.9	13.5	8.2	10.7
<i>EBITDA margin (%)</i>	<i>14.0</i>	<i>9.9</i>	<i>5.5</i>	<i>1.6</i>	<i>8.1</i>	<i>7.6</i>	<i>57.2</i>	<i>9.2</i>	<i>12.0</i>	<i>22.0</i>	<i>13.0</i>	<i>15.3</i>
EBIT	1.4	0.4	-5.0	-1.2	-4.4	-0.1	7.8	-0.2	0.5	7.9	2.6	5.2
<i>EBIT margin (%)</i>	<i>7.1</i>	<i>2.3</i>	<i>-34.9</i>	<i>-7.1</i>	<i>-6.5</i>	<i>-0.5</i>	<i>48.4</i>	<i>-1.8</i>	<i>3.0</i>	<i>12.9</i>	<i>4.1</i>	<i>7.4</i>
Net financial items	-0.4	-0.5	-0.4	-0.8	-2.2	0.4	-0.5	-0.5	-0.5	-1.1	-1.0	-0.8
Pre-tax profit	1.0	-0.1	-5.5	-2.0	-6.6	0.4	7.3	-0.7	0.0	6.8	1.5	4.4
Tax	-0.2	0.0	1.0	0.4	1.2	-0.1	-1.4	0.1	0.0	-1.4	-0.3	-0.9
<i>Tax rate (%)</i>	<i>22.6</i>	<i>8.1</i>	<i>18.5</i>	<i>18.5</i>	<i>17.7</i>	<i>42.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>21.1</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0.8	-0.1	-4.4	-1.7	-5.4	0.2	5.8	-0.6	0.0	5.4	1.2	3.5
EPS	0.04	0.00	-0.23	-0.09	-0.28	0.01	0.30	-0.03	0.00	0.28	0.06	0.18
EPS adjusted (diluted no. of shares)	0.04	0.00	-0.23	-0.09	-0.28	-0.03	0.30	-0.03	0.00	0.24	0.06	0.18
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.09
SALES, EURm												
Retail & Commerce	14.9	14.3	11.4	13.3	53.8	13.4	12.1	9.2	11.3	46.0	44.6	46.8
Utilities	4.3	3.6	3.0	3.6	14.6	3.5	3.9	3.6	4.3	15.3	18.5	22.9
Total	19.2	17.9	14.4	16.9	68.4	16.9	16.0	12.8	15.6	61.3	63.1	69.7
SALES GROWTH, Y/Y %												
<i>Retail & Commerce</i>	<i>33.4</i>	<i>20.5</i>	<i>18.9</i>	<i>13.3</i>	<i>21.5</i>	<i>-9.8</i>	<i>-15.5</i>	<i>-19.0</i>	<i>-14.7</i>	<i>-14.5</i>	<i>-3.1</i>	<i>5.0</i>
<i>Utilities</i>	<i>-30.1</i>	<i>-45.1</i>	<i>-44.2</i>	<i>-44.6</i>	<i>-41.0</i>	<i>-20.2</i>	<i>7.6</i>	<i>20.3</i>	<i>17.9</i>	<i>4.5</i>	<i>21.0</i>	<i>24.0</i>
Total	10.7	-3.0	-3.7	-7.5	-0.9	-12.2	-10.8	-10.8	-7.7	-10.4	2.9	10.6
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
Retail & Commerce	1.5	1.1	-4.4	-0.1	-1.8	1.2	8.5	-0.1	0.4	10.0	2.4	2.9
Utilities	-0.1	-0.7	-0.6	-1.1	-2.6	-1.3	-0.7	-0.1	0.1	-2.1	0.2	2.3
Total	1.4	0.4	-5.0	-1.2	-4.4	-0.1	7.8	-0.2	0.5	7.9	2.6	5.2
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>Retail & Commerce</i>	<i>10.1</i>	<i>8.0</i>	<i>-38.5</i>	<i>-0.9</i>	<i>-3.4</i>	<i>8.8</i>	<i>70.2</i>	<i>-0.9</i>	<i>3.7</i>	<i>21.8</i>	<i>5.3</i>	<i>6.2</i>
<i>Utilities</i>	<i>-2.9</i>	<i>-20.1</i>	<i>-21.1</i>	<i>-29.6</i>	<i>-17.6</i>	<i>-36.7</i>	<i>-19.2</i>	<i>-4.2</i>	<i>1.2</i>	<i>-13.9</i>	<i>1.1</i>	<i>9.9</i>
Total	7.1	2.3	-34.9	-7.1	-6.5	-0.5	48.4	-1.8	3.0	12.9	4.1	7.4

INCOME STATEMENT, EURm	2018	2019	2020	2021	2022	2023E	2024E	2025E
Sales	56.9	58.3	60.5	69.1	68.4	61.3	63.1	69.7
<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>-10.4</i>	<i>2.9</i>	<i>10.6</i>
EBITDA	4.8	9.7	10.4	12.3	5.5	13.5	8.2	10.7
<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>22.0</i>	<i>13.0</i>	<i>15.3</i>
Depreciation	-2.3	-4.0	-5.0	-5.1	-10.0	-5.6	-5.6	-5.5
EBITA	2.5	5.7	5.4	7.2	-4.4	7.9	2.6	5.2
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	7.9	2.6	5.2
<i>EBIT margin (%)</i>	<i>4.3</i>	<i>9.8</i>	<i>8.9</i>	<i>10.4</i>	<i>-6.5</i>	<i>12.9</i>	<i>4.1</i>	<i>7.4</i>
Reported EBIT	2.5	5.7	5.4	7.2	-4.4	7.9	2.6	5.2
<i>EBIT margin (reported) (%)</i>	<i>4.3</i>	<i>9.8</i>	<i>8.8</i>	<i>10.4</i>	<i>-6.5</i>	<i>12.9</i>	<i>4.1</i>	<i>7.4</i>
Net financials	-1.8	-2.0	-2.6	-1.9	-2.2	-1.1	-1.0	-0.8
Pre-tax profit	0.6	3.7	2.7	5.3	-6.6	6.8	1.5	4.4
Taxes	-0.3	-0.9	-0.8	-1.1	1.2	-1.4	-0.3	-0.9
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	5.4	1.2	3.5
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	11	12
Goodwill	40	39	39	42	46	37	37	37
Right of use assets	6	7	7	5	3	3	3	3
Inventory	0	0	0	0	0	0	0	0
Receivables	12	16	12	12	11	10	10	11
Liquid funds	5	4	5	4	2	15	16	3
Total assets	74	77	75	76	74	77	79	68
Liabilities								
Shareholder's equity	22	25	27	28	23	28	29	32
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	3	3
Deferred taxes	1	1	1	1	1	1	1	1
Interest bearing debt	28	28	24	24	30	30	29	14
Non-interest bearing current liabilities	17	17	16	18	17	16	16	18
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	74	77	75	76	74	77	79	68
CASH FLOW, EURm								
+ EBITDA	5	10	10	12	6	13	8	11
- Net financial items	-2	-2	-3	-2	-2	-1	-1	-1
- Taxes	0	-1	-1	-1	0	-1	0	-1
- Increase in Net Working Capital	6	-1	0	1	1	-1	0	1
+/- Other	0	-2	-1	0	0	0	0	0
= Cash flow from operations	8	4	6	10	4	10	7	10
- Capex	-3	-7	-5	-4	-4	-6	-6	-7
- Acquisitions	0	0	0	-3	-5	0	0	0
+ Divestments	0	0	4	0	0	9	0	0
= Free cash flow	5	-3	6	4	-6	14	1	3
+/- 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	0	0	-15
Change in cash	4	-2	1	-1	-2	13	0	-13

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	29	54	91	24	24	24	24
Net debt (excl. convertibles)	32	26	26	31	18	17	15
Enterprise value	60	81	117	55	42	41	39
Sales	58	60	69	68	61	63	70
EBITDA	10	10	12	6	13	8	11
EBIT	6	5	7	-4	8	3	5
Pre-tax	4	3	5	-7	7	2	4
Earnings	3	2	4	-5	5	1	3
Equity book value (excl. minorities)	25	27	28	23	28	29	32
Valuation multiples							
EV/sales	1.0	1.3	1.7	0.8	0.7	0.7	0.6
EV/EBITDA	6.2	7.8	9.5	10.0	3.1	5.0	3.7
EV/EBITA	10.6	15.1	16.3	-12.5	5.3	16.0	7.6
EV/EBIT	10.6	15.1	16.3	-12.5	5.3	16.0	7.6
EV/OCF	14.6	12.8	11.7	14.2	4.1	5.9	4.1
EV/FCFF	59.8	9.1	21.2	-19.1	2.5	9.8	6.3
P/FCFE	-9.1	9.8	25.6	-4.3	1.8	27.1	8.7
P/E	27.1	27.3	21.9	-4.4	5.3	19.9	7.0
P/B	1.2	2.0	3.2	1.1	0.9	0.8	0.8
Target EV/EBITDA	0.0	0.0	0.0	0.0	3.2	5.1	3.7
Target EV/EBIT	0.0	0.0	0.0	0.0	5.4	16.3	7.7
Target EV/FCF	0.0	0.0	0.0	0.0	3.1	46.5	14.2
Target P/B	0.0	0.0	0.0	0.0	0.9	0.9	0.8
Target P/E	0.0	0.0	0.0	0.0	5.5	20.5	7.2
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	0.28	0.06	0.18
Operating cash flow per share	0.21	0.33	0.51	0.20	0.53	0.36	0.50
Free cash flow per share	-0.16	0.29	0.18	-0.29	0.71	0.05	0.14
Book value per share	1.27	1.37	1.44	1.16	1.44	1.50	1.65
Dividend per share	0.00	0.15	0.10	0.00	0.00	0.03	0.09
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	2.5	7.2
FCF yield, %	-11.0	10.2	3.9	-23.5	56.3	3.7	11.4
Efficiency measures							
ROE	12.1	7.8	15.2	-21.5	21.4	4.3	11.4
ROCE	9.8	9.1	12.4	-7.8	13.5	4.2	9.3
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	9.1	9.7	9.8
CAPEX/sales (incl. acquisitions), %	12.5	8.0	1.0	-1.1	9.1	9.7	9.8
FCFF/EBITDA	0.1	0.9	0.4	-0.5	1.2	0.5	0.6
Net debt/EBITDA, book-weighted	3.2	2.6	2.1	5.7	1.3	2.0	1.4
Debt/equity, market-weighted	1.0	0.4	0.3	1.3	1.2	1.2	0.6
Equity ratio, book-weighted	31.9	35.5	36.9	30.3	36.1	37.1	47.1
Gearing, %	128.5	99.9	92.6	139.4	63.2	57.5	45.5

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	2,083,769	2.626	10.7%
Elo Mutual Pension Insurance Company	2,000,000	2.520	10.3%
Ilmarinen Mutual Pensions Insurance Company	1,651,293	2.081	8.5%
Varma Mutual Pension Insurance Company	1,545,597	1.947	8.0%
Aktia Capital Mutual Fund	770,000	0.970	4.0%
Aalto Seppo Tapio	615,000	0.775	3.2%
Saadetdin Ali	602,216	0.759	3.1%
Säästöpankki Small Cap Mutual Fund	500,000	0.630	2.6%
Incedo Oy	313,178	0.395	1.6%
Säästöpankki Itämeri Mutual Fund	300,000	0.378	1.5%
Ten largest	10,381,053	13.080	54%
Residual	9,015,448	11.359	46%
Total	19,396,501	24.440	100%

EARNINGS CALENDAR

August 23, 2023 Q2 report
October 26, 2023 Q3 report

OTHER EVENTS

March 29, 2023 AGM

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

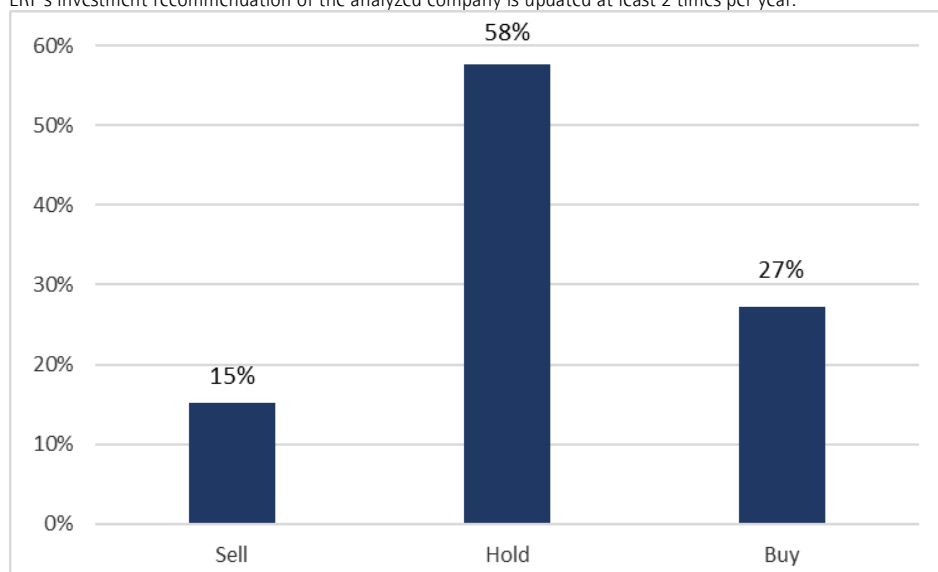
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Investment recommendations are defined as follows:

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

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

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