

Tough quarter

Solteq's Q2 results were quite weak and both revenue and profitability fell below our estimates. Revenue was at EUR 14.3m (Evli EUR 16.0m) and adj. EBIT at EUR -1.9m (Evli EUR -0.3m).

- Net sales in Q2 were EUR 14.3m (EUR 17.9m in Q2/22), below our estimates (Evli EUR 16.0m). Revenue declined 20.4% y/y in Q2. The comparable revenue amounted to EUR 13.6m (EUR 14.8m), down by 8.2% y/y.
- The operating profit and adj. operating profit in Q2 amounted to EUR 6.3m and -1.9m respectively (EUR 0.4m/1.3m in Q2/22), below our estimates (Evli EUR 7.8m/-0.3m). EBIT includes proceeds from the sale of the Group's ERP business based on Microsoft BC and LS Retail Solutions.
- According to Solteq, the second quarter performance was weak, mainly due to a weaker demand in the Retail & Commerce segment. In Utilities, profitability suffered from a heavy cost structure.
- Retail and commerce: revenue in Q2 amounted to EUR 10.8m (Q2/22: EUR 14.3m) vs. Evli EUR 12.1m. Revenue declined by 24.3% driven by lower demand and the divestment. The adj. EBIT was EUR -0.3m (Q2/22: EUR 0.8m) vs. Evli EUR 0.5m.
- Utilities: Revenue in Q2 amounted to EUR 3.4m (Q2/22: EUR 3.6m) vs. Evli EUR 3.9m. The adj. EBIT was EUR -1.5m (Q2/22: EUR -0.7m) vs. Evli EUR -0.8m.
- **Guidance for 2023 (published 3.5.2023):** group revenue is expected to be EUR 60-62m and the operating result slightly negative (excl. divestment profit recognition).

Rating 🟡 HOLD

Q2/23	Actual	Evli	Year ago	Q1/23
Net sales	14.3	16.0	17.9	16.9
EBIT	6.3	7.8	0.4	-0.1
Adj. EBIT	-1.9	-0.3	1.3	0.1
EPS	0.19	0.30	0.00	0.01

Deviation	Actual	Evli	Year ago	Q1/23
Net sales		-11 %	-20 %	-15 %
EBIT		-19 %	>100%	-
Adj. EBIT		<100%	-	-
EPS		-37 %	-	>100%

 Share price, EUR (Last trading day's closing price) 1.10

 Target price, EUR 1.3

 Latest change in recommendation 20-Sep-22

 Latest report on company 05-May-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 21

 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

PRE-REPORT 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	4.6	0.6	4.9	64.5	0.00
2024E	63.1	2.6	4.1%	0.9	0.06	17.4	0.6	14.8	4.2	0.03
2025E	69.7	5.2	7.4%	2.8	0.18	6.1	0.5	7.0	13.1	0.09

Market cap, EURm	21	BV per share 2023E, EUR	63.2	CAGR EPS 2022-25, %	0.0
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Net debt 2023E, EURm	18	Price/book 2023E	0.8	CAGR sales 2022-25, %	0.6
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Enterprise value, EURm	39	Dividend yield 2023E, %	0.0	ROE 2023E, %	21.4
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Total assets 2023E, EURm	77	Tax rate 2023E, %	21.1	ROCE 2023E, %	13.5
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Goodwill 2023E, EURm	37	Equity ratio 2023E, %	36.1	PEG, P/E 23/CAGR	0.6
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All the important disclosures can be found on the last pages of this report.

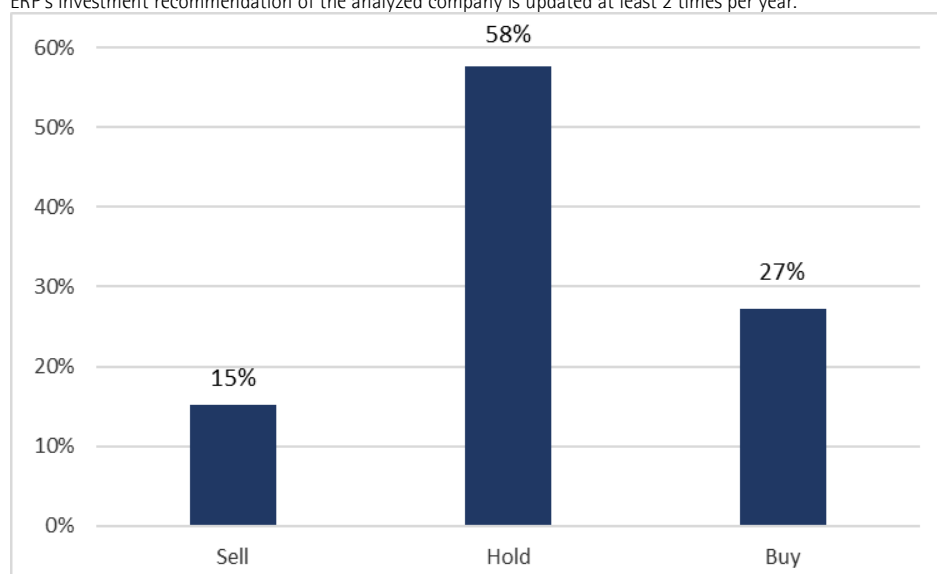
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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