

Setting up future profitability

Solteq's FY 2023 continues to look challenging, but cost savings measures being taken support the turnaround in 2024. We retain our HOLD-rating, TP EUR 1.1 (1.3).

Weak figures in Q2

Solteq reported Q2 results that were weaker than we had anticipated. Net sales in Q2 were EUR 14.3m (Evli EUR 16.0m), declining 20.4% y/y and 8.2% in comparable terms. The operating profit and adj. operating profit in Q2 amounted to EUR 6.3m and -1.9m respectively (Evli EUR 7.8m/-0.3m). According to Solteq the quarter was affected by weaker demand in the Retail & Commerce segment results and a heavy cost structure in Utilities but in line with the company's own expectations.

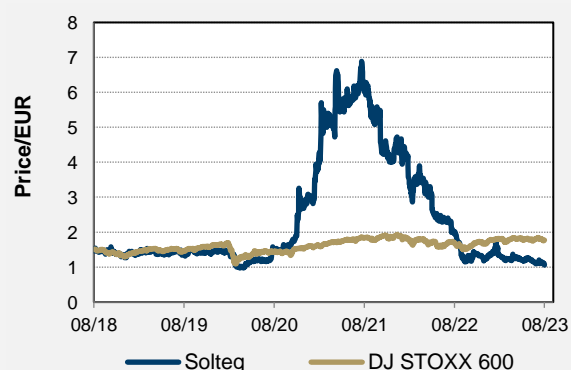
Cost savings support turnaround in 2024

Solteq announced the initiation of change negotiations in the Utilities segment, seeking annual savings of approx. EUR 3m. Measures are also being taken to improve the company's overhead cost situation after the divestment of the Group's ERP business based on Microsoft BC and LS Retail Solutions. Solteq expects its operating result (excl. profit recognition from the divestment) in 2023 to be slightly negative. Assuming the completion of the change negotiations as planned and during Q4/2023, due to related one-off items, we find the guidance to be challenging. This despite an anticipated pick-up in growth in Utilities due to starting customer deliveries and in Retail & Commerce due to previous project postponements and slight demand recovery. Our 2023e EBIT estimate is at EUR -1.6m. With the savings in Utilities, the segment is on track to push EBITDA-margins into the double digits next year supported by continued good demand, and we anticipate significant profitability improvements for Solteq in 2024e.

HOLD with a target price of EUR 1.1 (1.3)

Valuation remains on the higher side in the near-term despite anticipated improvements. Long-term upside drivers from the Utilities segment, however, still remains in place. We retain our HOLD-rating but with continued uncertainty regarding the turnaround speed we lower out TP to EUR 1.1 (1.3).

Rating



Share price, EUR (Last trading day's closing price) 1.06

Target price, EUR 1.1

Latest change in recommendation	19-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	26-Oct-23
Web site	solteq.com/en/investors

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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	60.4	6.4	10.7%	8.4	0.17	8.4	0.7	6.8	41.0	0.00
2024E	62.1	3.2	5.1%	1.1	0.08	12.9	0.7	13.4	5.2	0.04
2025E	68.5	5.0	7.4%	2.5	0.17	6.3	0.6	8.1	11.9	0.08
Market cap, EURm	21		Gearing 2023E, %	89.2		CAGR EPS 2022-25, %		0.0		0.0
Net debt 2023E, EURm	23		Price/book 2023E	0.8		CAGR sales 2022-25, %		0.0		0.0
Enterprise value, EURm	44		Dividend yield 2023E, %	0.0		ROE 2023E, %		13.4		13.4
Total assets 2023E, EURm	80		Tax rate 2023E, %	39.2		ROCE 2023E, %		10.8		10.8
Goodwill 2023E, EURm	41		Equity ratio 2023E, %	32.2		PEG, P/E 23/CAGR		0.3		0.3

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/'23	Q3/'23E	Q4/'23E	2023E	2024E	2025E
Net sales	69.1	19.2	17.9	14.4	16.9	68.4	16.9	14.3	13.2	16.0	60.4	62.1	68.5
<i>sales growth %</i>	14.2%	10.7%	-3.0%	-3.7%	-7.5%	-0.9%	-12.2%	-20.4%	-8.0%	-5.3%	-11.8%	2.8%	10.3%
<i>comparable growth %</i>													
Other income	0.1	0.0	0.1	0.0	0.1	0.2	0.0	8.4	0.0	0.0	8.5	0.1	0.1
Materials and services	-7.9	-2.3	-1.8	-1.5	-2.0	-7.6	-1.9	-1.7	-1.3	-1.5	-6.4	-6.3	-7.2
Personnel expenses	-40.3	-11.5	-11.6	-9.5	-12.0	-44.6	-11.0	-10.6	-8.3	-10.3	-40.3	-37.2	-40.3
Other expenses	-8.7	-2.8	-2.9	-2.5	-2.8	-10.9	-2.8	-2.6	-2.4	-2.5	-10.3	-10.0	-10.6
EBITDA	12.3	2.7	1.8	0.8	0.3	5.6	1.3	7.7	1.2	1.7	11.9	8.6	10.4
Adj. EBITDA	12.6	2.9	2.0	0.9	0.7	6.4	1.5	-0.5	1.2	1.7	3.8	8.6	10.4
D&A	-5.1	-1.3	-1.4	-5.8	-1.5	-10.0	-1.4	-1.4	-1.4	-1.4	-5.4	-5.4	-5.4
EBIT	7.1	1.4	0.4	-5.0	-1.2	-4.4	-0.1	6.3	-0.2	0.4	6.4	3.2	5.0
<i>EBIT-%</i>	10.3%	7.2%	2.3%	-34.9%	-7.1%	-6.4%	-0.5%	44.4%	-1.1%	2.2%	10.7%	5.1%	7.4%
Adjustment items	0.3	0.2	0.2	4.5	0.4	5.3	0.2	-8.2	0.0	0.0	-8.1	0.0	0.0
Adj. EBIT	7.4	1.6	0.6	-0.5	-0.8	0.9	0.1	-1.9	-0.2	0.4	-1.6	3.2	5.0
<i>Adj. EBIT-%</i>	10.7%	8.2%	3.3%	-3.5%	-4.6%	1.3%	0.4%	-13.1%	-1.1%	2.2%	-2.7%	5.1%	7.4%
Retail & Commerce	2021	Q1/'22	Q2/'22	Q3/'22	Q4/'22	2022	Q1/'23	Q2/'23	Q3/'23E	Q4/'23E	2023E	2024E	2025E
Net sales		14.9	14.3	11.4	13.3	53.8	13.4	10.8	9.6	11.7	45.6	44.6	46.8
<i>sales growth %</i>							-9.8%	-24.3%	-15.5%	-11.7%	-15.3%	-2.1%	5.0%
Adj. EBITDA		2.5	2.2	1.0	1.2	6.9	2.1	0.4	0.8	1.5	4.9	5.8	6.1
<i>Adj. EBITDA-%</i>		16.5%	15.5%	8.9%	8.8%	12.8%	15.7%	4.1%	8.3%	12.8%	10.6%	13.0%	13.0%
EBIT		1.5	1.1	-4.4	-0.1	-1.8	1.2	7.8	0.0	0.7	9.7	2.6	3.0
<i>EBIT-%</i>		10.1%	8.0%	-38.5%	-0.9%	-3.4%	8.8%	72.5%	0.0%	6.0%	21.3%	5.8%	6.5%
Adj. EBIT		1.5	1.3	0.1	0.3	3.2	1.2	-0.3	0.0	0.7	1.6	2.6	3.0
<i>Adj. EBIT-%</i>		10.3%	9.1%	0.9%	2.0%	5.9%	9.3%	-3.1%	0.0%	6.0%	3.5%	5.8%	6.5%
Utilities	2021	Q1/'22	Q2/'22	Q3/'22	Q4/'22	2022	Q1/'23	Q2/'23	Q3/'23E	Q4/'23E	2023E	2024E	2025E
Net sales		4.3	3.6	3.0	3.6	14.6	3.5	3.4	3.6	4.3	14.8	17.5	21.7
<i>sales growth %</i>							-20.2%	-5.1%	20.3%	17.9%	1.4%	18.0%	24.0%
Adj. EBITDA		0.5	-0.3	-0.1	-0.5	-0.5	-0.7	-1.0	0.4	0.2	-1.1	2.8	4.3
<i>Adj. EBITDA-%</i>		10.7%	-7.7%	-4.6%	-13.9%	-3.2%	-19.3%	-28.6%	11.1%	4.7%	-7.1%	16.0%	20.0%
EBIT		-0.1	-0.7	-0.6	-1.1	-2.6	-1.3	-1.5	-0.2	-0.4	-3.3	0.6	2.0
<i>EBIT-%</i>		-2.9%	-20.1%	-21.1%	-29.6%	-17.6%	-36.7%	-44.0%	-4.2%	-8.1%	-22.2%	3.4%	9.3%
Adj. EBIT		0.1	-0.7	-0.6	-1.0	-2.3	-1.2	-1.5	-0.2	-0.4	-3.2	0.6	2.0
<i>Adj. EBIT-%</i>		1.2%	-19.8%	-20.2%	-28.5%	-15.8%	-34.3%	-44.5%	-4.2%	-8.1%	-21.7%	3.4%	9.3%

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	1.06 PV of Free Cash Flow	59 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	5.28 PV of Horizon value	74 WACC, %	8.9 Market risk premium, %	5.8
Share price potential, %	398.2 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	5.8 Marketable securities	2 Minimum WACC, %	8.4 Equity beta coefficient	1.10
Minimum value	4.8 Debt - dividend	-33 Maximum WACC, %	9.4 Target debt ratio, %	20
Horizon value, %	55.6 Value of stock	102 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	60	62	68	75	79	83	87	92	96	98	100
<i>Sales growth, %</i>	-0.9	-11.8	2.8	10.3	9.9	5.0	5.0	5.0	5.0	5.0	2.0	2.0
Operating income (EBIT)	-4	6	3	5	8	8	8	9	9	10	10	10
<i>Operating income margin, %</i>	-6.5	10.7	5.1	7.4	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
+ Depreciation+amort.	10	6	5	5	6	7	7	7	8	8	9	
EBITDA	6	12	9	10	13	14	15	16	17	18	19	
- Paid taxes	0	-2	-1	-1	-2	-2	-2	-2	-2	-2	-2	
- Change in NWC	1	-1	0	1	1	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	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-3	-7	-4	-4	-4	-5	-5	-5	-5	-6	-6	
<i>opCAPEX / Sales, %</i>	6.4	14.3	9.8	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.8	
- Acquisitions	-5	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	9	0	0	0	0	0	0	0	0	0	
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	-3	11	4	6	8	9	9	10	10	11	11	165
= Discounted FCFF		11	4	5	6	6	6	6	6	5	5	74
= DFCF min WACC		11	4	5	6	6	6	6	6	6	5	84
= DFCF max WACC		11	4	5	6	6	6	6	5	5	5	66

INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1	2023Q2	2023Q3E	2023Q4E	2023E	2024E	2025E
Net sales	19.2	17.9	14.4	16.9	68.4	16.9	14.3	13.2	16.0	60.4	62.1	68.5
EBITDA	2.7	1.8	0.8	0.3	5.5	1.3	7.7	1.3	1.8	12.0	8.6	10.4
<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>54.0</i>	<i>9.5</i>	<i>11.0</i>	<i>19.9</i>	<i>13.8</i>	<i>15.2</i>
EBIT	1.4	0.4	-5.0	-1.2	-4.4	-0.1	6.3	-0.1	0.4	6.4	3.2	5.0
<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>44.4</i>	<i>-1.1</i>	<i>2.2</i>	<i>10.7</i>	<i>5.1</i>	<i>7.4</i>
Net financial items	-0.4	-0.5	-0.4	-0.8	-2.2	0.4	-0.6	-0.5	-0.5	-1.1	-1.2	-0.9
Pre-tax profit	1.0	-0.1	-5.5	-2.0	-6.6	0.4	5.8	-0.6	-0.1	5.3	2.0	4.1
Tax	-0.2	0.0	1.0	0.4	1.2	-0.1	-2.1	0.1	0.0	-2.1	-0.4	-0.8
<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>36.4</i>	<i>20.0</i>	<i>20.0</i>	<i>39.2</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0.8	-0.1	-4.4	-1.7	-5.4	0.2	3.7	-0.5	-0.1	3.2	1.6	3.3
EPS	0.04	0.00	-0.23	-0.09	-0.28	0.01	0.19	-0.03	-0.01	0.17	0.08	0.17
EPS adjusted (diluted no. of shares)	0.04	0.00	-0.23	-0.09	-0.28	-0.03	0.19	-0.03	-0.01	0.13	0.08	0.17
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.08
SALES, EURm												
Retail & Commerce	14.9	14.3	11.4	13.3	53.8	13.4	10.8	9.6	11.7	45.6	44.6	46.8
Utilities	4.3	3.6	3.0	3.6	14.6	3.5	3.4	3.6	4.3	14.8	17.5	21.7
Total	19.2	17.9	14.4	16.9	68.4	16.9	14.3	13.2	16.0	60.4	62.1	68.5
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>-24.3</i>	<i>-15.5</i>	<i>-11.7</i>	<i>-15.3</i>	<i>-2.1</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>-5.1</i>	<i>20.3</i>	<i>17.9</i>	<i>1.4</i>	<i>18.0</i>	<i>24.0</i>
Total	10.7	-3.0	-3.7	-7.5	-0.9	-12.2	-20.4	-8.0	-5.3	-11.8	2.8	10.3
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	7.9	0.0	0.7	9.7	2.6	3.0
Utilities	-0.1	-0.7	-0.6	-1.1	-2.6	-1.3	-1.5	-0.1	-0.3	-3.3	0.6	2.0
Total	1.4	0.4	-5.0	-1.2	-4.4	-0.1	6.3	-0.1	0.4	6.4	3.2	5.0
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>72.5</i>	<i>0.0</i>	<i>6.0</i>	<i>21.3</i>	<i>5.8</i>	<i>6.5</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>-44.0</i>	<i>-4.2</i>	<i>-8.1</i>	<i>-22.2</i>	<i>3.4</i>	<i>9.3</i>
Total	7.1	2.3	-34.9	-7.1	-6.5	-0.5	44.4	-1.1	2.2	10.7	5.1	7.4

INCOME STATEMENT, EURm	2018	2019	2020	2021	2022	2023E	2024E	2025E
Sales	56.9	58.3	60.5	69.1	68.4	60.4	62.1	68.5
<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>-11.8</i>	<i>2.8</i>	<i>10.3</i>
EBITDA	4.8	9.7	10.4	12.3	5.5	12.0	8.6	10.4
<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>19.9</i>	<i>13.8</i>	<i>15.2</i>
Depreciation	-2.3	-4.0	-5.0	-5.1	-10.0	-5.6	-5.4	-5.4
EBITA	2.5	5.7	5.4	7.2	-4.4	6.4	3.2	5.0
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	6.4	3.2	5.0
<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>10.7</i>	<i>5.1</i>	<i>7.4</i>
Reported EBIT	2.5	5.7	5.4	7.2	-4.4	6.4	3.2	5.0
<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>10.7</i>	<i>5.1</i>	<i>7.4</i>
Net financials	-1.8	-2.0	-2.6	-1.9	-2.2	-1.1	-1.2	-0.9
Pre-tax profit	0.6	3.7	2.7	5.3	-6.6	5.3	2.0	4.1
Taxes	-0.3	-0.9	-0.8	-1.1	1.2	-2.1	-0.4	-0.8
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	3.2	1.6	3.3
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	41	41	41
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	80	82	71
Liabilities								
Shareholder's equity	22	25	27	28	23	26	27	30
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	35	34	20
Non-interest bearing current liabilities	17	17	16	18	17	15	16	18
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	74	77	75	76	74	80	82	71
CASH FLOW, EURm								
+ EBITDA	5	10	10	12	6	12	9	10
- Net financial items	-2	-2	-3	-2	-2	-1	-1	-1
- Taxes	0	-1	-1	-1	0	-2	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	8	7	9
- Capex	-3	-7	-5	-4	-4	-9	-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	8	1	2
+/- 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	5	-1	-14
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	21	21	21
Net debt (excl. convertibles)	32	26	26	31	23	22	20
Enterprise value	60	81	117	55	44	42	41
Sales	58	60	69	68	60	62	68
EBITDA	10	10	12	6	12	9	10
EBIT	6	5	7	-4	6	3	5
Pre-tax	4	3	5	-7	5	2	4
Earnings	3	2	4	-5	3	2	3
Equity book value (excl. minorities)	25	27	28	23	26	27	30
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	3.6	4.9	3.9
EV/EBITA	10.6	15.1	16.3	-12.5	6.8	13.4	8.1
EV/EBIT	10.6	15.1	16.3	-12.5	6.8	13.4	8.1
EV/OCF	14.6	12.8	11.7	14.2	5.4	5.9	4.4
EV/FCFF	59.8	9.1	21.2	-19.1	3.8	9.5	6.8
P/FCFE	-9.1	9.8	25.6	-4.3	2.4	19.3	8.4
P/E	27.1	27.3	21.9	-4.4	8.4	12.9	6.3
P/B	1.2	2.0	3.2	1.1	0.8	0.8	0.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	3.7	5.0	4.0
Target EV/EBIT	0.0	0.0	0.0	0.0	6.9	13.6	8.3
Target EV/FCF	0.0	0.0	0.0	0.0	5.3	40.6	17.0
Target P/B	0.0	0.0	0.0	0.0	0.8	0.8	0.7
Target P/E	0.0	0.0	0.0	0.0	8.8	13.4	6.5
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	0.17	0.08	0.17
Operating cash flow per share	0.21	0.33	0.51	0.20	0.42	0.37	0.48
Free cash flow per share	-0.16	0.29	0.18	-0.29	0.43	0.05	0.13
Book value per share	1.27	1.37	1.44	1.16	1.33	1.41	1.54
Dividend per share	0.00	0.15	0.10	0.00	0.00	0.04	0.08
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	3.9	8.0
FCF yield, %	-11.0	10.2	3.9	-23.5	41.0	5.2	11.9
Efficiency measures							
ROE	12.1	7.8	15.2	-21.5	13.4	6.0	11.4
ROCE	9.8	9.1	12.4	-7.8	10.8	4.9	8.6
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	14.3	9.8	9.9
CAPEX/sales (incl. acquisitions), %	12.5	8.0	1.0	-1.1	14.3	9.8	9.9
FCFF/EBITDA	0.1	0.9	0.4	-0.5	0.9	0.5	0.6
Net debt/EBITDA, book-weighted	3.2	2.6	2.1	5.7	1.9	2.6	1.9
Debt/equity, market-weighted	1.0	0.4	0.3	1.3	1.7	1.7	1.0
Equity ratio, book-weighted	31.9	35.5	36.9	30.3	32.2	33.6	41.9
Gearing, %	128.5	99.9	92.6	139.4	89.2	80.1	67.9

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	2,118,621	2.246	10.9%
Elo Mutual Pension Insurance Company	2,000,000	2.120	10.3%
Ilmarinen Mutual Pensions Insurance Company	1,651,293	1.750	8.5%
Varma Mutual Pension Insurance Company	1,545,597	1.638	8.0%
Aktia Capital Mutual Fund	770,000	0.816	4.0%
Aalto Seppo Tapio	625,000	0.662	3.2%
Saadetdin Ali	602,216	0.638	3.1%
Säästöpankki Small Cap Mutual Fund	500,000	0.530	2.6%
Incedo Oy	313,178	0.332	1.6%
Mandatum Life Insurance Company Ltd	283,439	0.300	1.5%
Ten largest	10,409,344	11.034	54%
Residual	8,987,157	9.526	46%
Total	19,396,501	20.560	100%

EARNINGS CALENDAR

October 26, 2023

Q3 report

OTHER EVENTS

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

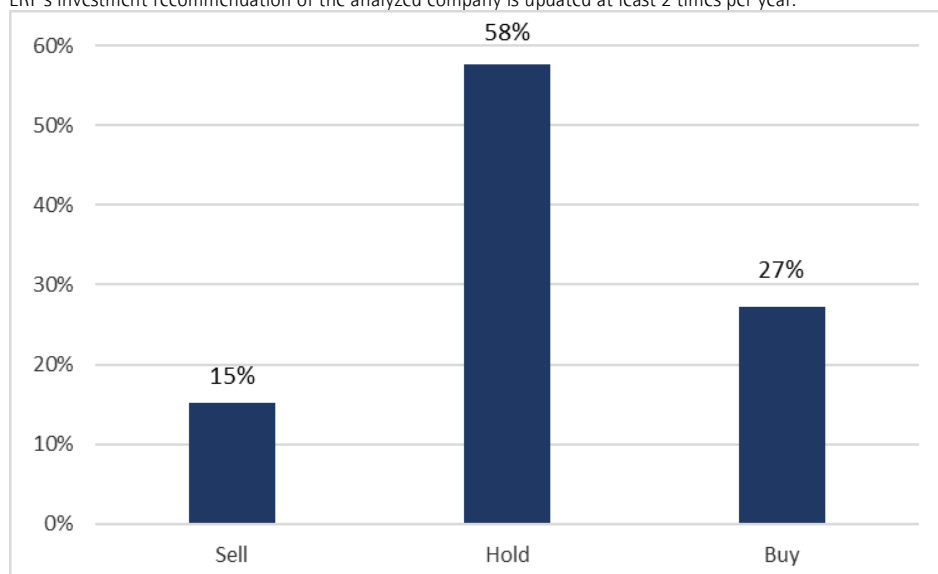
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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