

## Profitability improvement, weaker sales

Solteq had lowered its guidance ahead of the earnings report and the net sales decline of 6.5% y/y in Q3, mainly attributable to a slow recovery in customer demand, came as no surprise, albeit the magnitude was somewhat of a disappointment compared with H1 figures. Comparable EBIT improved to EUR 0.6m (Q3'23: EUR -0.8m) as cost savings measures started to take effect.

- Comparable net sales in Q3 were EUR 11.4m (Q3'23: EUR 12.2m) vs. Evli 12.4m, a decline of 6.5% y/y in comparable terms. The company lowered its revenue guidance on Wednesday, with our estimates still reflecting the old guidance. The miss on net sales was as such no surprise, however the magnitude was somewhat of a disappointment compared with H1 figures.
- The comparable operating profit in Q3 amounted to EUR 0.6m (Q3'23: EUR -0.8m) vs. Evli EUR 0.9m. The operating profit came in at EUR 0.3m (Q3: EUR -0.7m).
- **Retail & Commerce:** Comparable revenue in Q3 amounted to EUR 8.5m (Q3'23: EUR 9.2m) vs. Evli EUR 9.3m. Revenue declined by 7.5% in comparable terms driven by postponed decision-making by customers on launching new projects. The adj. EBIT was EUR 0.7m (Q3'23: EUR 0.3m) vs. Evli EUR 0.8m. The much-needed profitability improvement was driven by cost savings initiatives taking effect and relative profitability surprisingly good given the lower net sales.
- **Utilities:** Revenue in Q3 amounted to EUR 2.9m (Q3'23: EUR 3.0m) vs. Evli EUR 3.1m. The adj. EBIT was EUR -0.1m (Q3'23: -1.1m) vs. Evli EUR 0.1m. The profitability enhancement was fueled by steps taken to improve product quality and operational efficiency.
- **Guidance for 2024 (updated on Oct 23rd):** Solteq expects the comparable revenue to diminish relative to the comparison period (2023: EUR 54.2m) and operating result to be positive.

Rating 🟢🟢 Buy

<b>Share price, EUR</b> (Last trading day's closing price)	<b>0.58</b>
Target price, EUR	0.75
Latest change in recommendation	21-Oct-24
Latest report on company	21-Oct-24
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	11
Free float, %	73.0 %
Exchange rate	0.0
Reuters code	SOLTEQ.HE
Bloomberg code	SOLTEQ FH
Average daily volume, EURm	0.008
Next interim report	24-Oct-24
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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
2022	68.4	-4.4	-6.5%	-5.6	-0.28	-4.4	0.8	-12.5	-23.5%	
2023	57.7	-3.5	-6.1%	6.0	-0.28	-2.3	0.7	-11.1	40.8%	
2024E	54.4	2.1	3.8%	-0.7	-0.03	-17.3	0.7	17.7	-6.3%	
2025E	56.7	4.4	7.8%	1.2	0.06	10.1	0.6	8.0	10.3%	
2026E	60.6	6.3	10.3%	2.6	0.13	4.3	0.5	5.2	23.5%	0.07
Market cap, EURm		11	Gearing 2024E, %		152.2 %	CAGR EPS 2023-26, %		0.0 %		
Net debt 2024E, EURm		25	Price/book 2024E		0.7	CAGR Sales 2023-26, %		1.7 %		
Enterprise value, EURm		36	Dividend yield 2024E, %		0.0 %	ROE 2024E, %		-3.9 %		
Total assets 2024E, EURm		58	Tax rate 2024E, %		-36.2 %	ROCE 2024E, %		4.6 %		
Goodwill 2024E, EURm		41	Equity ratio 2024E, %		28.6 %	PEG, P/E 24/CAGR		0.0		

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

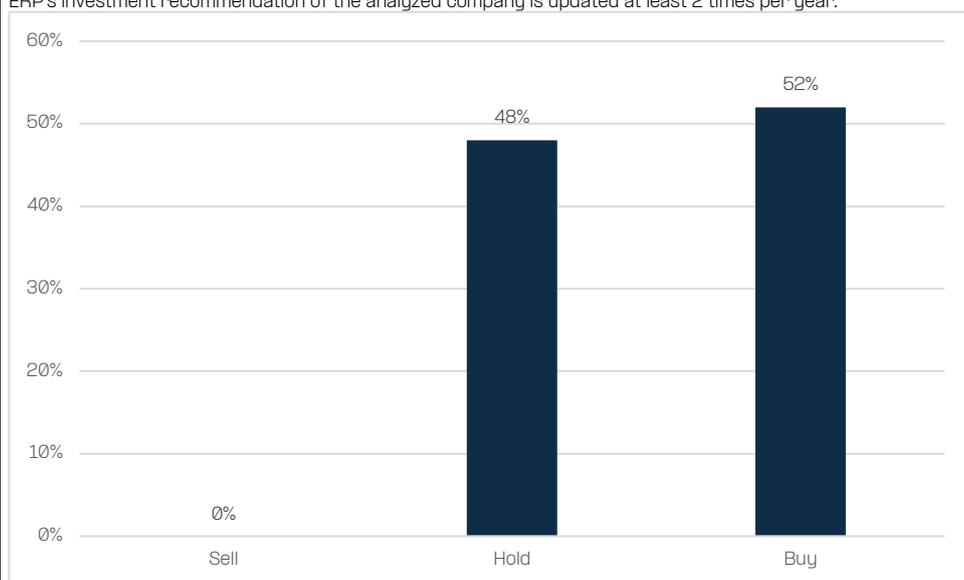
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Investment recommendations are defined as follows:

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

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The graph above shows the distribution of ERP's recommendations of companies under coverage on the 23rd of October, 2024. If recommendation is not given, it is not mentioned here.

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

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