

Profit turnaround holds in tough market

Solteq's profitability continued to improve y/y, while comparable revenue declined. The actions to improve profitability are bearing fruit, while market conditions are further delaying growth

Profitability turnaround continues, sales remain a concern

Solteq's comparable revenue declined by 6.5% y/y to EUR 11.2m (Evli: EUR 12.4m), while the company's profitability turnaround accelerated, with adj. EBIT improving significantly to EUR 0.6m (Q3'23: EUR -0.7m, Evli: EUR 0.9m). Solteq had lowered its comparable net sales guidance before the earnings release, so the shortfall in net sales was largely anticipated, though the extent of the decline was somewhat disappointing when compared to H1 figures. The improvement in adj. EBIT was mainly driven by cost saving initiatives. In the Retail & Commerce segment, revenue declined to EUR 8.5m (Evli: EUR 9.3m), while adj. EBIT reached EUR 0.7m (Q3'23: EUR 0.3m, Evli: EUR 0.8m). The increase in relative profitability (adj. EBIT-margin of 8.5% vs. Q3'23: 2.8%) was surprisingly strong, given the lower net sales. The Utilities segment saw a slight revenue decline to EUR 2.9m (Evli: EUR 3.1m), with adj. EBIT at EUR -0.1m (Q2'23: EUR -1.1m, Evli: EUR 0.1m). The profitability enhancement was fueled by efforts to improve product quality and operational efficiency.

Sales growth delayed until 2025

While the continued profitability improvement in Q3 was favourable, the downward trend in net sales remains a concern. The long-awaited recovery in customer demand is still yet to materialize and particularly affected the Retail & Commerce segment in Q3, with postponed decision-making on several key customer acquisition opportunities. Q3 has proven challenging for the Finnish IT services sector, highlighted by profit warnings and weak revenue development among several companies in the industry. Given the ongoing market difficulties and Solteq's lowered revenue guidance, we have adjusted our 2024 net sales estimates downward by 3.9%. We now expect 2024 net sales to reach EUR 52.3m, which is expected to pressure profit margins and therefore we lower our EBIT estimate for 2024 to EUR 1.4m (prev. EUR 2.1m).

BUY with a target price of EUR 0.75

Despite slight reductions in estimates, the ongoing profitability turnaround and an eventual rebound in overall IT spending (though timing uncertain) support our optimism at current valuation levels. We retain our TP of EUR 0.75 and BUY rating.

Rating ++ Buy



Share price, EUR (Last trading day's closing price) **0.65**
Target price, EUR 0.75

Latest change in recommendation	21-Oct-24
Latest report on company	24-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	13
Free float, %	73.0 %
Exchange rate	0.0
Reuters code	SOLTEQ.HE
Bloomberg code	SOLTEQ FH
Average daily volume, EUR	0.008
Next interim report	24-Oct-24
Web site	solteq.com/en/investors
Analyst	Jerker Salokivi
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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
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	-19.4	0.7	18.4	-5.6%	
2025E	56.7	4.4	7.8%	1.2	0.06	11.3	0.6	8.3	9.2%	
2026E	60.6	6.3	10.3%	2.6	0.13	4.8	0.6	5.4	21.0%	0.07
Market cap, EURm		13	Gearing 2024E, %		152.2 %	CAGR EPS 2023-26, %		0.0 %		
Net debt 2024E, EURm		25	Price/book 2024		0.8	CAGR Sales 2023-26, %		1.7 %		
Enterprise value, EURm		38	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.

Solteq	2022	Q1/'23	Q2/'23	Q3/'23	Q4/'23	2023	Q1/'24	Q2/'24	Q3/'24	Q4/'24E	2024E	2025E	2026E
Net sales	68.4	16.9	14.3	12.2	14.3	57.7	13.6	13.4	11.4	13.9	52.3	54.5	58.2
<i>sales growth %</i>	<i>-0.9%</i>	<i>-12.2%</i>	<i>-20.4%</i>	<i>-14.9%</i>	<i>-15.6%</i>	<i>-15.7%</i>	<i>-19.7%</i>	<i>-6.1%</i>	<i>-6.5%</i>	<i>-2.6%</i>	<i>-9.3%</i>	<i>4.3%</i>	<i>6.8%</i>
<i>comparable growth %</i>			<i>-8.2%</i>	<i>1.9%</i>	<i>0.0%</i>	<i>-5.3%</i>	<i>-3.8%</i>	<i>-1.6%</i>	<i>-6.5%</i>	<i>-2.4%</i>	<i>-3.5%</i>		
Other income	0.2	0.0	8.4	0.1	-0.2	8.3	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Materials and services	-7.6	-1.9	-1.7	-1.5	-1.9	-7.0	-1.6	-1.5	-1.4	-1.7	-6.2	-6.6	-7.1
Personnel expenses	-44.6	-11.0	-10.6	-8.1	-10.2	-39.9	-9.4	-9.2	-7.3	-8.2	-34.1	-31.5	-32.9
Other expenses	-10.9	-2.8	-2.6	-2.1	-2.8	-10.3	-2.3	-2.0	-1.8	-2.4	-8.5	-9.8	-10.2
EBITDA	5.6	1.3	7.7	0.5	-0.8	8.7	0.4	0.6	0.9	1.6	3.5	6.6	8.1
Adj. EBITDA	6.1	0.1	-1.3	-0.1	-0.5	-1.7	0.4	0.6	1.2	1.6	3.8	6.6	8.1
D&A	-10.0	-1.4	-1.4	-1.2	-8.3	-12.2	-0.6	-0.6	-0.6	-0.6	-2.4	-2.5	-2.6
EBIT	-4.4	-0.1	6.3	-0.7	-9.1	-3.5	-0.2	0.0	0.3	1.0	1.1	4.1	5.5
<i>EBIT-%</i>	<i>-6.4%</i>	<i>-0.5%</i>	<i>44.4%</i>	<i>-5.7%</i>	<i>-63.7%</i>	<i>-6.1%</i>	<i>-1.8%</i>	<i>0.0%</i>	<i>2.6%</i>	<i>7.2%</i>	<i>2.0%</i>	<i>7.6%</i>	<i>9.4%</i>
Adjustment items	5.1	-0.6	-8.4	-0.1	8.1	-1.0	0.0	0.0	0.3	0.0	0.3	0.0	0.0
Adj. EBIT	0.7	-0.7	-2.1	-0.8	-1.0	-4.6	-0.2	0.0	0.6	1.0	1.4	4.1	5.5
<i>Adj. EBIT-%</i>	<i>1.0%</i>	<i>-3.9%</i>	<i>-14.5%</i>	<i>-6.7%</i>	<i>-7.2%</i>	<i>-7.9%</i>	<i>-1.8%</i>	<i>0.0%</i>	<i>5.4%</i>	<i>7.2%</i>	<i>2.6%</i>	<i>7.6%</i>	<i>9.4%</i>
Retail & Commerce	2022	Q1/'23	Q2/'23	Q3/'23	Q4/'23	2023	Q1/'24	Q2/'24	Q3/'24	Q4/'24E	2024E	2025E	2026E
Net sales	53.8	13.4	10.8	9.2	10.5	44.0	10.4	10.0	8.5	10.2	39.1	40.3	42.3
<i>sales growth %</i>		<i>-9.8%</i>	<i>-24.3%</i>	<i>-18.8%</i>	<i>-21.1%</i>	<i>-18.3%</i>	<i>-22.8%</i>	<i>-7.3%</i>	<i>-7.5%</i>	<i>-2.5%</i>	<i>-11.0%</i>	<i>3.0%</i>	<i>5.0%</i>
Adj. EBITDA	6.5	1.3	0.1	0.7	0.2	2.3	0.8	0.8	1.1	1.3	4.0	5.5	5.9
<i>Adj. EBITDA-%</i>	<i>12.2%</i>	<i>9.9%</i>	<i>1.4%</i>	<i>7.4%</i>	<i>1.5%</i>	<i>5.3%</i>	<i>7.9%</i>	<i>7.7%</i>	<i>12.7%</i>	<i>12.8%</i>	<i>10.2%</i>	<i>13.6%</i>	<i>13.9%</i>
EBIT	-1.8	1.2	7.8	0.4	-4.2	5.2	0.4	0.4	0.4	0.9	2.1	3.8	4.1
<i>EBIT-%</i>	<i>-3.4%</i>	<i>8.8%</i>	<i>72.5%</i>	<i>4.1%</i>	<i>-40.4%</i>	<i>11.8%</i>	<i>4.0%</i>	<i>3.7%</i>	<i>5.1%</i>	<i>8.8%</i>	<i>5.4%</i>	<i>9.5%</i>	<i>9.8%</i>
Adj. EBIT	3.0	0.8	-0.4	0.3	-0.2	0.4	0.4	0.4	0.7	0.9	2.4	3.8	4.1
<i>Adj. EBIT-%</i>	<i>5.5%</i>	<i>6.1%</i>	<i>-3.6%</i>	<i>2.8%</i>	<i>-2.3%</i>	<i>1.0%</i>	<i>4.0%</i>	<i>3.7%</i>	<i>8.5%</i>	<i>8.8%</i>	<i>6.2%</i>	<i>9.5%</i>	<i>9.8%</i>
Utilities	2022	Q1/'23	Q2/'23	Q3/'23	Q4/'23	2023	Q1/'24	Q2/'24	Q3/'24	Q4/'24E	2024E	2025E	2026E
Net sales	14.6	3.5	3.4	3.0	3.8	13.7	3.2	3.4	2.9	3.7	13.1	14.2	15.9
<i>sales growth %</i>		<i>-20.2%</i>	<i>-5.1%</i>	<i>-0.1%</i>	<i>4.3%</i>	<i>-6.2%</i>	<i>-7.5%</i>	<i>-2.5%</i>	<i>-3.3%</i>	<i>-2.7%</i>	<i>-4.0%</i>	<i>8.0%</i>	<i>12.0%</i>
Adj. EBITDA	-0.5	-1.2	-1.4	-0.8	-0.5	-4.0	-0.5	-0.2	0.1	0.3	-0.2	1.1	2.2
<i>Adj. EBITDA-%</i>	<i>-3.2%</i>	<i>-34.8%</i>	<i>-41.2%</i>	<i>-27.4%</i>	<i>-14.0%</i>	<i>-29.0%</i>	<i>-14.5%</i>	<i>-4.8%</i>	<i>3.2%</i>	<i>8.2%</i>	<i>-1.7%</i>	<i>8.0%</i>	<i>13.8%</i>
EBIT	-2.6	-1.3	-1.5	-1.1	-4.9	-8.7	-0.7	-0.4	-0.1	0.1	-1.1	0.3	1.3
<i>EBIT-%</i>	<i>-17.6%</i>	<i>-36.7%</i>	<i>-44.0%</i>	<i>-35.9%</i>	<i>-127.9%</i>	<i>-63.7%</i>	<i>-20.7%</i>	<i>-10.9%</i>	<i>-4.9%</i>	<i>2.7%</i>	<i>-8.2%</i>	<i>2.1%</i>	<i>8.3%</i>
Adj. EBIT	-2.3	-1.5	-1.7	-1.1	-0.8	-5.0	-0.7	-0.4	-0.1	0.1	-1.0	0.3	1.3
<i>Adj. EBIT-%</i>	<i>-15.8%</i>	<i>-42.4%</i>	<i>-49.1%</i>	<i>-36.2%</i>	<i>-20.6%</i>	<i>-36.7%</i>	<i>-20.7%</i>	<i>-10.9%</i>	<i>-3.7%</i>	<i>2.7%</i>	<i>-7.9%</i>	<i>2.1%</i>	<i>8.3%</i>

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	0.65 PV of Free Cash Flow	48 Long-term growth, %	2.0 % Risk-free interest rate, %	2.25 %
DCF share value	3.66 PV of Horizon value	48 WACC, %	10.6 % Market risk premium, %	5.8 %
Share price potential, %	462.4 % Unconsolidated equity	0 Spread, %	0.5 % Debt risk premium %	7.8 %
Maximum value	4.0 Marketable securities	2 Minimum WACC, %	10.1 % Equity beta coefficient	1.30
Minimum value	3.4 Debt – dividend	-26 Maximum WACC, %	11.1 % Target debt ratio, %	20 %
Horizon value, %	49.8 % Value of stock	71 No. of shares, Mn	19.4 Effective tax rate, %	20 %

DCF valuation, EURm	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	TERMINAL
Net sales	58	54	57	61	64	67	70	74	77	81	83	84
Sales growth (%)	-15.8%	-5.7%	4.3%	6.8%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	2.0%	2.0%
Operating income (EBIT)	-4	2	4	6	7	7	7	8	8	9	9	9
Operating income margin %	-6.1%	3.8%	7.8%	10.3%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
+ Depreciation+amort.	12	2	3	3	3	3	3	3	3	3	3	4
EBITDA	9	5	7	9	9	10	10	11	11	12	12	
- Paid taxes	-1	-1	-1	-1	-1	-1	-1	-2	-2	-2	-2	
- Change in NWC	-3	0	0	0	0	0	0	0	0	0	0	
NWC / Sales, %	-5.4%	-5.4%	-5.4%	-5.4%	-5.4%	-5.4%	-5.4%	-5.4%	-5.4%	-5.4%	-5.4%	
+ Change in other liabs	0											
- Operative CAPEX	-2	0	0	0	0	-1	-1	-1	-1	-1	-1	
opCAPEX / Sales, %	4.9%	4.3%	4.6%	4.5%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	
- Acquisitions												
+ Divestments	14											
- Other items	-9											
= FCFF	8	3	6	7	8	8	9	9	9	10	10	120
= Discounted FCF		3	5	6	6	5	5	5	5	4	4	48
= DFCF min WACC		3	5	6	6	5	5	5	5	5	4	53
= DFCF max WACC		3	5	6	6	5	5	5	5	4	4	43

Sensitivity analysis, EUR

		Terminal WACC				
		8.58 %	9.58 %	10.58 %	11.58 %	12.58 %
Terminal EBIT-%	8.50 %	4.58	3.83	3.25	2.79	2.42
	9.50 %	4.89	4.08	3.45	2.96	2.56
	10.50 %	5.20	4.33	3.66	3.13	2.70
	11.50 %	5.51	4.57	3.86	3.29	2.84
	12.50 %	5.82	4.82	4.06	3.46	2.97

INTERIM FIGURES

EVLI ESTIMATES, EURm	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3E	2024Q4E	2024E	2025E	2026E
Net sales	16.9	14.3	12.2	14.3	57.7	13.6	13.4	12.4	15.0	54.4	56.7	60.6
EBITDA	1.3	7.7	0.5	-0.8	8.7	0.4	0.6	1.5	2.0	4.5	6.9	8.8
<i>EBITDA margin (%)</i>	<i>7.6%</i>	<i>54.0%</i>	<i>4.5%</i>	<i>-5.9%</i>	<i>15.1%</i>	<i>2.7%</i>	<i>4.6%</i>	<i>12.2%</i>	<i>13.4%</i>	<i>8.3%</i>	<i>12.2%</i>	<i>14.6%</i>
EBIT	-0.1	6.3	-0.7	-9.1	-3.5	-0.2	0.0	0.9	1.4	2.1	4.4	6.3
<i>EBIT margin (%)</i>	<i>-0.5%</i>	<i>44.4%</i>	<i>-5.7%</i>	<i>-63.7%</i>	<i>-6.1%</i>	<i>-1.8%</i>	<i>0.0%</i>	<i>7.3%</i>	<i>9.3%</i>	<i>3.8%</i>	<i>7.8%</i>	<i>10.3%</i>
Net financial items	0.4	-0.6	-0.5	-0.6	-1.2	-0.5	-0.5	-0.5	-1.1	-2.5	-3.0	-3.0
Pre-tax profit	0.4	5.8	-1.2	-9.7	-4.7	-0.7	-0.5	0.4	0.3	-0.5	1.4	3.3
Tax	-0.1	-2.1	0.2	1.4	-0.7	0.0	0.0	-0.1	-0.1	-0.2	-0.3	-0.7
<i>Tax rate (%)</i>	<i>42.0%</i>	<i>36.4%</i>	<i>15.4%</i>	<i>14.5%</i>	<i>-14.1%</i>	<i>0.1%</i>	<i>-7.2%</i>	<i>20.0%</i>	<i>20.0%</i>	<i>-36.2%</i>	<i>20.0%</i>	<i>20.0%</i>
Net profit	0.2	3.7	-1.0	-8.3	-5.4	-0.7	-0.5	0.3	0.2	-0.7	1.1	2.6
EPS	0.01	0.19	-0.05	-0.43	-0.28	-0.04	-0.03	0.02	0.01	-0.03	0.06	0.13
EPS adj. (diluted)	-0.03	0.19	-0.05	-0.43	-0.33	-0.04	-0.03	0.02	0.01	-0.03	0.06	0.13
Dividend per share												0.07
SALES, EURm	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3E	2024Q4E	2024E	2025E	2026E
Retail & Commerce	13.4	10.8	9.2	10.5	44.0	10.4	10.0	9.3	10.9	40.6	41.8	43.9
Utilities	3.5	3.4	3.0	3.8	13.7	3.2	3.4	3.1	4.1	13.8	14.9	16.6
Total	16.9	14.3	12.2	14.3	57.7	13.6	13.4	12.4	15.0	54.4	56.7	60.6
SALES GROWTH, Y/Y%	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3E	2024Q4E	2024E	2025E	2026E
Retail & Commerce	-9.8%	-24.3%	-18.8%	-21.1%	-18.3%	-22.8%	-7.3%	0.8%	4.2%	-7.6%	3.0%	5.0%
Utilities	-20.2%	-5.1%	-0.1%	4.3%	-6.2%	-7.5%	-2.5%	3.6%	7.8%	0.5%	8.0%	12.0%
Total	-12.2%	-20.4%	-14.9%	-15.6%	-15.8%	-19.7%	-6.1%	1.5%	5.1%	-5.7%	4.3%	6.8%
EBIT, EURm	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3E	2024Q4E	2024E	2025E	2026E
Retail & Commerce	1.2	7.9	0.4	-4.2	5.2	0.4	0.4	0.8	1.0	2.6	4.0	4.3
Utilities	-1.3	-1.5	-1.1	-4.9	-8.7	-0.7	-0.4	0.1	0.4	-0.5	0.4	2.0
Total	-0.1	6.3	-0.7	-9.1	-3.5	-0.2	0.0	0.9	1.4	2.1	4.4	6.3
EBIT margin %	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3E	2024Q4E	2024E	2025E	2026E
Retail & Commerce	8.8%	72.5%	4.1%	-40.4%	11.8%	4.0%	3.7%	8.6%	9.2%	6.4%	9.5%	9.8%
Utilities	-36.7%	-44.0%	-35.9%	-100.0%	-63.7%	-20.7%	-10.9%	3.2%	9.8%	-3.9%	2.9%	11.7%
Total	-0.5%	44.4%	-5.7%	-63.7%	-6.1%	-1.8%	0.0%	7.3%	9.3%	3.8%	7.8%	10.3%

INCOME STATEMENT, EURm	2019	2020	2021	2022	2023	2024E	2025E	2026E
Sales	58.3	60.5	69.1	68.4	57.7	54.4	56.7	60.6
<i>Sales growth (%)</i>	2.5%	3.7%	14.2%	-0.9%	-15.8%	-5.7%	4.3%	6.8%
EBITDA	9.7	10.4	12.3	5.5	8.7	4.5	6.9	8.8
<i>EBITDA margin (%)</i>	16.7%	17.2%	17.8%	8.1%	15.1%	8.3%	12.2%	14.6%
Depreciation	-4.0	-5.0	-5.1	-10.0	-12.2	-2.4	-2.5	-2.6
EBITA	5.7	5.4	7.2	-4.4	-3.5	2.1	4.4	6.3
Goodwill amortization / writedown								
EBIT	5.7	5.4	7.2	-4.4	-3.5	2.1	4.4	6.3
<i>EBIT margin (%)</i>	9.8%	8.9%	10.4%	-6.5%	-6.1%	3.8%	7.8%	10.3%
Reported EBIT	5.7	5.4	7.2	-4.4	-3.5	2.1	4.4	6.3
<i>EBIT margin (reported) (%)</i>	9.8%	8.9%	10.4%	-6.5%	-6.1%	3.8%	7.8%	10.3%
Net financials	-2.0	-2.6	-1.9	-2.2	-1.2	-2.5	-3.0	-3.0
Pre-tax profit	3.7	2.7	5.3	-6.6	-4.7	-0.5	1.4	3.3
Taxes	-0.9	-0.8	-1.1	1.2	-0.7	-0.2	-0.3	-0.7
Minority shares								
Net profit	2.8	2.0	4.1	-5.4	-5.4	-0.7	1.1	2.6
Cash NRIs								
Non-cash NRIs								
BALANCE SHEET, EURm								
Assets								
Fixed assets	11	12	13	10	2	2	2	2
Goodwill	39	39	42	46	41	41	41	41
Right of use assets	7	7	5	3	2	2	2	2
Inventory	0	0	0	0	0	0	0	0
Receivables	16	12	12	11	10	9	10	10
Liquid funds	4	5	4	2	2	3	2	2
Total assets	77	75	76	74	57	58	57	58
Liabilities								
Shareholders' equity	25	27	28	23	17	17	18	20
Minority interest								
Convertibles								
Lease liabilities	8	7	5	3	2	2	2	2
Deferred taxes	1	1	1	1	1	1	1	1
Interest bearing debt	28	24	24	30	24	27	25	22
Non-interest bearing current liabilities	17	16	18	17	13	12	13	14
Other interest-free debt								
Total liabilities	77	75	76	74	57	58	57	58
CASH FLOW, EURm								
+ EBITDA	10	10	12	6	9	5	7	9
- Net financial items	-2	-3	-2	-2	-1	-3	-3	-3
- Taxes	-1	-1	-1	0	-1	0	0	-1
- Increase in Net Working Capital	-1	0	1	1	-3	0	0	0
+/- Other	-2	-1	0	0	-9			
= Cash flow from operations	4	6	10	4	-5	2	4	5
- Capex	-7	-5	-4	-4	-3	-2	-3	-3
- Acquisitions			-3	-5				
+ Divestments		4			14			
= Free cash flow	-3	6	4	-6	6	-1	1	3
+/- New issues/buybacks	0	0	0	2	0			
- Paid dividend		3	2					1
+/- Other	2	-4	-2	4	-6	2	-2	-2
Change in cash	-2	1	-1	-2	0	1	-1	0

KEY FIGURES	2020	2021	2022	2023	2024E	2025E	2026E
M-cap	54	91	24	15	13	13	13
Net debt (excl. convertibles)	26	26	31	25	25	24	21
Enterprise value	81	117	55	39	38	37	34
Sales	60	69	68	58	54	57	61
EBITDA	10	12	6	9	5	7	9
EBIT	5	7	-4	-4	2	4	6
Pre-tax	3	5	-7	-5	0	1	3
Earnings	2	4	-5	-5	-1	1	3
Equity book value (excl. minorities)	27	28	23	17	17	18	20

Valuation multiple	2020	2021	2022	2023	2024E	2025E	2026E
EV/Sales	1.3	1.7	0.8	0.7	0.7	0.6	0.6
EV/EBITDA	7.8	9.5	10.0	4.5	8.4	5.3	3.8
EV/EBITA	15.1	16.3	-12.5	-11.1	18.4	8.3	5.4
EV/EBIT	15.1	16.3	-12.5	-11.1	18.4	8.3	5.4
EV/OCF	12.8	11.7	14.2	-7.4	23.4	9.8	6.3
EV/FCF	9.1	21.2	-19.1	5.0	11.7	6.4	4.6
P/FCFR	9.8	25.6	-4.3	2.5	-17.9	10.9	4.8
P/E	27.3	21.9	-4.4	-2.3	-19.4	11.3	4.8
P/BV	2.0	3.2	1.1	0.9	0.8	0.7	0.6
Target EV/EBITDA					8.8	5.6	4.1
Target EV/EBIT					19.3	8.8	5.7
Target EV/FCFF					-56.3	33.5	13.6
Target P/BV					0.9	0.8	0.7
Target P/E, diluted	15.8	25.4	-7.1	-4.2	-22.3	13.0	5.6

Per share measures	2020	2021	2022	2023	2024E	2025E	2026E
Number of shares (million)	19.31	19.40	19.40	19.40	19.40	19.40	19.40
Number of shares (diluted, million)	19.31	19.40	19.40	19.40	19.40	19.40	19.40
EPS	0.10	0.21	-0.28	-0.28	-0.03	0.06	0.13
Operating cash flow per share	0.33	0.51	0.20	-0.27	0.08	0.19	0.28
Free cash flow per share	0.29	0.18	-0.29	0.31	-0.04	0.06	0.14
Book value per share	1.37	1.44	1.16	0.89	0.85	0.91	1.05
Dividend per share	0.15	0.10					0.07
Dividend payout ratio, %	146.3%	46.8%					50.0%
Dividend yield, %	5.4%	2.1%					10.3%
FCF yield, %	10.2%	3.9%	-23.5%	40.8%	-5.6%	9.2%	21.0%

Efficiency measures	2020	2021	2022	2023	2024E	2025E	2026E
ROE	7.8%	15.2%	-21.5%	-27.1%	-3.9%	6.5%	13.7%
ROCE	9.1%	12.4%	-7.8%	-7.1%	4.6%	9.9%	14.2%

Financial ratios	2020	2021	2022	2023	2024E	2025E	2026E
Inventories as % of sales	0.1%	0.3%	0.2%	0.1%	0.1%	0.1%	0.1%
Receivables as % of sales	19.1%	17.0%	16.2%	16.9%	16.9%	16.9%	16.9%
Non-int. bearing liabilities as % of sales	26.8%	25.5%	25.6%	22.4%	22.4%	22.4%	22.4%
NWC/sales, %	-7.5%	-8.2%	-9.2%	-5.4%	-5.4%	-5.4%	-5.4%
Operative CAPEX/Sales, %	8.0%	5.1%	6.4%	4.9%	4.3%	4.6%	4.5%
CAPEX/sales (incl. acquisitions), %	8.0%	1.0%	-1.1%	4.9%	4.3%	4.6%	4.5%
FCFF/EBITDA	0.9	0.4	-0.5	0.9	0.7	0.8	0.8
Net Debt/EBITDA, book-weighted	2.6	2.1	5.7	2.8	5.6	3.5	2.4
Debt/equity, market-weighted	0.4	0.3	1.3	1.7	2.1	1.9	1.7
Equity ratio, book-weighted	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Gearing, %	99.9%	92.6%	139.4%	142.3%	152.2%	136.0%	105.5%

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.

INVESTMENT CASE: Solteq's investment case revolves around the success of executing its strategy of shifting from its IT-services oriented past towards increasingly 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	2 195 569	1.427	11.3 %
Elo Mutual Pension Insurance Company	2 000 000	1.300	10.3 %
Ilmarinen Mutual Pensions Insurance Company	1 651 293	1.073	8.5 %
Varma Mutual Pension Insurance Company	1 545 597	1.005	8.0 %
Aktia Capital Mutual Fund	770 000	0.501	4.0 %
Aalto Seppo Tapio	625 000	0.406	3.2 %
Saadetdin Ali	602 216	0.391	3.1 %
Säästöpankki Small Cap Mutual Fund	500 000	0.325	2.6 %
Incedo Oyj	304 001	0.198	1.6 %
Kelhu Markku Juhani	300 000	0.195	1.5 %
Ten largest	10 493 676	6.821	54.1 %
Residual	8 902 825	5.787	45.9 %
Total	19 396 501	12.608	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

OEO: Aarne Aktan
CFO: Mikko Sairanen
IR:

Karhumäentie 3, FI-01350
Tel:

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

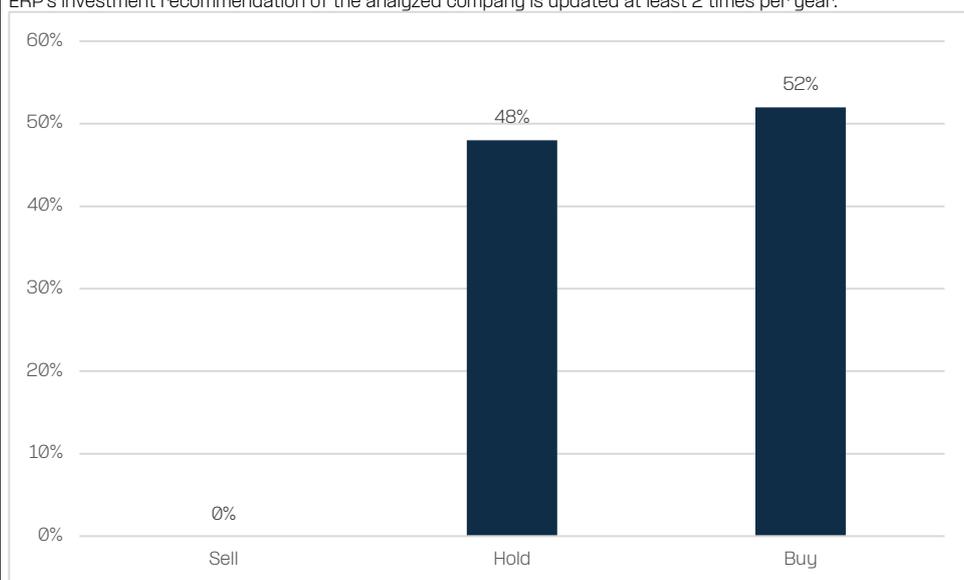
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 - (+10) %	HOLD
> 10 %	BUY

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Name(s) of the analyst(s): Jerker Salokivi, Atte Pitkääjärvi

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