

Results quite as expected

Solteq's Q2 results were slightly above our estimates. Net sales in Q2 amounted to EUR 14.7m (Evli EUR 14.4m), while EBIT amounted to EUR 0.6m (Evli EUR 0.5m). Solteq reiterated its guidance, expecting the operating profit to grow clearly compared to the financial year 2018.

- Net sales in Q2 were EUR 14.7m (EUR 14.2m in Q2/18), slightly above our estimates (Evli EUR 14.4m). Growth in Q2 amounted to 3.0 % y/y. Revenue growth of international subsidiaries was significant.
- Operating profit in Q2 amounted to EUR 0.6m (EUR 0m in Q2/18), above our estimates (Evli EUR 0.5m), at a margin of 3.9 %. The adjusted operating profit amounted to EUR 0.6m (Evli 0.5m), at a margin of 4.3%.
- Product development investments during Q2/19 increased to EUR 1.1m (0.6m), co's FY2019 estimate EUR 3.5m.
- The group's order intake developed positively during Q2/19 and was clearly better than in Q2/18.
- Guidance reiterated: Solteq's operating profit is expected to grow clearly compared to the financial year 2018

Rating 🟡 HOLD

Q2/19	Actual	Evli	Year ago	Q1/19
Net sales	14.7	14.4	14.2	14.9
EBIT	0.6	0.5	0.0	1.5
EPS	0.01	0.00	-0.02	0.04

Deviation	Actual	Evli	Year ago	Q1/19
Net sales		2%	3%	-2%
EBIT		20%	>100%	-63%
EPS		>100%	-	-76%

 Share price, EUR (Last trading day's closing price) 1.49

 Target price, EUR 1.4

 Latest change in recommendation 27-Jun-19

 Latest report on company 27-Jun-19

 Research paid by issuer: YES

 No. of shares outstanding, '000's 19,307

 No. of shares fully diluted, '000's 19,307

 Market cap, EURm 29

 Free float, % 43.0

 Exchange rate 0.000

 Reuters code SOLTEQ.HE

 Bloomberg code SOLTEQ.FH

 Average daily volume, EURm -

 Next interim report 13-Aug-19

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+ BUY 🟡 HOLD - SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2017	51	0	0.6%	-1	-0.08	-18.3	1.0	-239.0	168.7	0.00
2018	57	2	4.3%	1	0.02	69.9	1.0	2.6	22.0	0.00
2019E	58	4	6.8%	2	0.09	17.5	1.0	4.2	14.3	0.03
2020E	61	5	7.5%	3	0.12	12.7	0.9	3.8	12.0	0.04
2021E	63	5	7.8%	3	0.13	11.1	0.8	3.6	10.9	0.04

Market cap, EURm	29	BV per share 2019E, EUR	1.2	CAGR EPS 2018-21, %	93.3
Net debt 2019E, EURm	28	Price/book 2019E	1.2	CAGR sales 2018-21, %	3.4
Enterprise value, EURm	57	Dividend yield 2019E, %	1.7	ROE 2019E, %	7.3
Total assets 2019E, EURm	74	Tax rate 2019E, %	21.9	ROCE 2019E, %	7.0
Goodwill 2019E, EURm	40	Equity ratio 2019E, %	31.6	PEG, P/E 19/CAGR	0.8

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

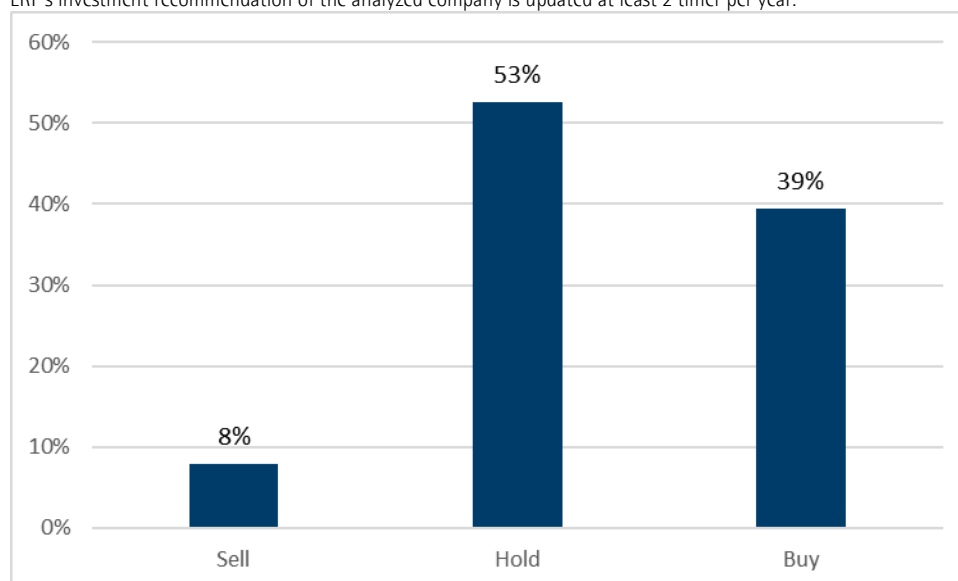
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Investment recommendations are defined as follows:

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 in 1st of February 2019. If recommendation is not given, it is not mentioned here.

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

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