

## Good start given prevailing uncertainty

Solteq's Q1 growth was clearly better than expected, 11.6% in comparable terms, with sales at EUR 15.7m (Evli 14.4m). The adj. EBIT was in line with our expectation at EUR 0.9m (Evli 0.8m). We expect reasonable growth in comparable terms in 2020 despite some COVID-19 headwind. We retain our HOLD-rating with a TP of EUR 1.15 (0.95).

### Growth in Q1 a positive surprise

Solteq's revenue growth in Q1 was a clear positive, with revenue growing 5.0% (comparable growth 11.6%) to EUR 15.7m (Evli EUR 14.4m). Growth was driven by the Solteq Digital as a result of good order intake. The adj. EBIT was in line with our estimates at EUR 0.9m (Evli EUR 0.8m), with a lower relative profitability y/y (Q1/19: comp. EBIT 1.2m) due to higher product development depreciation, long-term project revenue recognition and COVID-19 provisions.

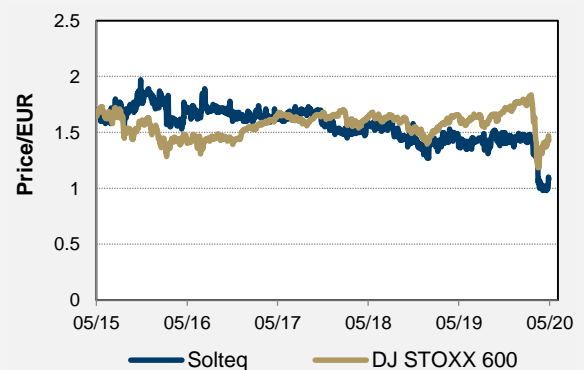
### Expect growth in comparable revenue despite COVID-19

Based on the positive Q1 revenue figures we have revised our 2020E estimates, expecting revenue to amount to EUR 58.9m and increase some 6.5% from 2019 comparable revenue figures. We assume a dip in sales growth during mid-2020 due to the COVID-10 pandemic but for growth to pick up in 2021. We expect the adj. EBIT in 2020E (Evli EUR 2.4m) to be slightly below 2019 comparable figures largely due to an increase in depreciation related to capitalized product investments. Solteq does not provide a guidance for 2020 due to the pandemic. During 2021-2022 we expect stronger relative growth pick up in Solteq Software with the ramp-up of new projects and a perceived lesser impact of the pandemic along with a notable improvement in relative profitability.

### HOLD with a target price of EUR 1.15 (0.95)

On our revised estimates we retain our HOLD-rating with a target price of EUR 1.15 (0.95). Should growth continue at a similar pace as in Q1 valuation upside potential would be clearer, but visibility is currently limited due to the COVID-19 pandemic and earnings multiples on our estimates rather unattractive.

## Rating



Share price, EUR (Last trading day's closing price) 1.08

Target price, EUR 1.15

Latest change in recommendation	27-Jun-19
Latest report on company	07-Apr-20
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	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	13-Aug-20
Web site	solteq.com/en/investors

Analyst Jerker Salokivi  
 E-mail jerker.salokivi@evli.com  
 Telephone +358 9 4766 9149

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
2018	56.9	2.5	4.3%	4.7	0.02	69.9	1.0	22.0	18.8	0.00
2019	58.3	5.7	9.8%	-3.2	0.15	27.1	1.0	10.6	-11.0	0.00
2020E	58.9	2.2	3.8%	-0.1	-0.01	-101.0	0.9	23.7	-0.7	0.00
2021E	61.2	3.2	5.2%	1.2	0.05	23.5	0.8	16.0	5.6	0.03
2022E	63.3	3.8	6.0%	1.8	0.07	14.7	0.8	13.2	8.4	0.04
Market cap, EURm	21		Gearing 2020E, %	130.2		CAGR EPS 2019-22, %		10.1		
Net debt 2020E, EURm	32		Price/book 2020E	0.9		CAGR sales 2019-22, %		2.8		
Enterprise value, EURm	53		Dividend yield 2020E, %	0.0		ROE 2020E, %		-0.8		
Total assets 2020E, EURm	77		Tax rate 2020E, %	-3.2		ROCE 2020E, %		3.7		
Goodwill 2020E, EURm	39		Equity ratio 2020E, %	31.5		PEG, P/E 20/CAGR		0.0		

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

Solteq	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19	2019	Q1/'20	Q2/'20E	Q3/'20E	Q4/'20E	2020E	2021E	2022E
Net sales	56.9	14.9	14.7	13.0	15.7	58.3	15.7	14.6	12.8	15.8	58.9	61.2	63.3
<i>sales growth %</i>	12.1%	0.2%	3.0%	1.2%	5.2%	2.5%	5.0%	-0.4%	-1.5%	0.6%	1.0%	4.0%	3.4%
Other income	0.5	0.0	0.0	0.0	2.6	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Materials and services	-6.1	-0.9	-1.4	-1.4	-1.7	-5.4	-1.7	-1.5	-1.4	-1.6	-6.1	-6.3	-6.4
Personnel expenses	-35.6	-9.3	-9.4	-8.1	-9.9	-36.8	-9.5	-9.2	-8.0	-9.8	-36.5	-37.1	-38.2
Other expenses	-10.9	-2.2	-2.3	-2.2	-2.3	-9.0	-2.6	-2.2	-2.1	-2.2	-9.1	-9.3	-9.5
EBITDA	4.8	2.5	1.5	1.3	4.4	9.7	1.9	1.7	1.3	2.2	7.1	8.5	9.2
Adj. EBITDA		2.5	1.6	1.3	2.1	7.5	2.0	1.7	1.3	2.2	7.2	8.5	9.2
D&A	-2.3	-0.9	-1.0	-1.0	-1.1	-4.0	-1.2	-1.2	-1.2	-1.3	-4.9	-5.3	-5.4
EBIT	2.5	1.5	0.6	0.3	3.3	5.7	0.7	0.5	0.1	0.9	2.2	3.2	3.8
<i>EBIT-%</i>	4.3%	10.2%	3.9%	2.2%	21.1%	9.8%	4.6%	3.4%	0.8%	5.7%	3.8%	5.2%	6.0%
Adjustment items	0.7	0.0	0.1	0.0	-2.2	-2.2	0.2	0.0	0.0	0.0	0.2	0.0	0.0
Adj. EBIT	3.1	1.5	0.6	0.3	1.1	3.5	0.9	0.5	0.1	0.9	2.4	3.2	3.8
<i>Adj. EBIT-%</i>	5.5%	10.3%	4.3%	2.2%	6.9%	6.1%	5.6%	3.4%	0.8%	5.7%	4.0%	5.2%	6.0%
<b>Solteq Digital</b>	<b>2018</b>	<b>Q1/'19</b>	<b>Q2/'19</b>	<b>Q3/'19</b>	<b>Q4/'19</b>	<b>2019</b>	<b>Q1/'20</b>	<b>Q2/'20E</b>	<b>Q3/'20E</b>	<b>Q4/'20E</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
Net sales		10.7	10.4	9.3	10.9	41.2	11.3	10.3	8.9	10.8	41.3	42.6	43.4
<i>sales growth %</i>		-	-	-	-	-	6.0%	-0.5%	-3.8%	-0.8%	0.3%	3.1%	1.9%
Adj. EBITDA		1.5	1.3	0.8	1.2	4.8	1.3	1.1	0.8	1.1	4.3	5.0	5.3
<i>Adj. EBITDA-%</i>		14.4%	12.6%	8.7%	10.9%	11.7%	11.6%	10.7%	9.0%	10.2%	10.4%	11.7%	12.2%
EBIT		0.9	0.6	0.2	2.8	4.4	0.5	0.4	0.1	0.4	1.4	2.2	2.5
<i>EBIT-%</i>		8.2%	5.3%	1.6%	25.9%	10.7%	4.8%	3.9%	1.1%	3.7%	3.5%	5.2%	5.8%
Adj. EBIT		0.9	0.6	0.2	0.5	2.2	0.7	0.4	0.1	0.4	1.6	2.2	2.5
<i>Adj. EBIT-%</i>		8.3%	5.9%	1.6%	4.7%	5.3%	5.8%	3.9%	1.1%	3.7%	3.8%	5.2%	5.8%
<b>Solteq Software</b>	<b>2018</b>	<b>Q1/'19</b>	<b>Q2/'19</b>	<b>Q3/'19</b>	<b>Q4/'19</b>	<b>2019</b>	<b>Q1/'20</b>	<b>Q2/'20E</b>	<b>Q3/'20E</b>	<b>Q4/'20E</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
Net sales		4.2	4.3	3.7	4.8	17.1	4.3	4.3	3.9	5.0	17.5	18.6	19.9
<i>sales growth %</i>		-	-	-	-	-	2.5%	-0.1%	4.3%	3.8%	2.6%	6.1%	7.0%
Adj. EBITDA		0.9	0.3	0.5	1.0	2.7	0.7	0.6	0.5	1.1	2.9	3.5	3.9
<i>Adj. EBITDA-%</i>		21.8%	7.7%	13.3%	19.9%	15.9%	16.7%	14.0%	12.8%	22.0%	16.7%	18.8%	19.6%
EBIT		0.7	0.0	0.1	0.5	1.3	0.2	0.1	0.0	0.5	0.8	1.0	1.3
<i>EBIT-%</i>		15.4%	0.4%	3.5%	10.6%	7.7%	4.1%	2.3%	0.0%	10.0%	4.4%	5.4%	6.5%
Adj. EBIT		0.7	0.0	0.1	0.6	1.4	0.2	0.1	0.0	0.5	0.8	1.0	1.3
<i>Adj. EBIT-%</i>		15.4%	0.4%	3.5%	12.0%	8.1%	5.2%	2.3%	0.0%	10.0%	4.7%	5.4%	6.5%

Source: Solteq, Evli Research estimates

NORDIC IT SERVICES	MCAP MEUR	EV/EBITDA			EV/EBIT			EV/Sales		
		20	21	22	20	21	22	20	21	22
TietoEVERY	2633	7.4x	6.5x	6.5x	10.2x	8.8x	8.8x	1.3x	1.2x	1.2x
Atea	881	8.3x	7.0x	7.0x	14.7x	11.3x	11.3x	0.2x	0.2x	0.2x
Knowit	262	7.7x	6.8x	6.8x	9.7x	8.4x	8.4x	0.8x	0.7x	0.7x
HiQ International	213	10.7x	8.2x	8.2x	13.8x	10.0x	10.0x	1.2x	1.1x	1.1x
Bouvet	396	12.3x	11.3x	11.3x	16.1x	14.5x	14.5x	1.8x	1.6x	1.6x
Gofore	102							1.2x	1.1x	1.1x
Digia	123	8.2x	7.8x	7.8x	12.1x	11.0x	11.0x	1.0x	0.9x	0.9x
Sili Solutions	60	6.2x	6.4x	6.4x	12.9x	8.7x	8.7x	0.7x	0.6x	0.6x
Vincit	52	9.0x	7.4x	7.4x	10.9x	8.5x	8.5x	0.9x	0.8x	0.8x
Innofactor	29	8.3x	7.8x	7.8x	19.9x	13.8x	13.8x	0.6x	0.6x	0.6x
Peer Group Average	547	<b>8.7x</b>	<b>7.7x</b>	<b>7.7x</b>	<b>13.4x</b>	<b>10.6x</b>	<b>10.6x</b>	<b>1.0x</b>	<b>0.9x</b>	<b>0.9x</b>
Peer Group Median	264	<b>8.3x</b>	<b>7.4x</b>	<b>7.4x</b>	<b>12.9x</b>	<b>10.0x</b>	<b>10.0x</b>	<b>0.9x</b>	<b>0.8x</b>	<b>0.8x</b>

Source FactSet, Evli Research

NORDIC SOFTWARE	MCAP EUR	EV/EBITDA			EV/EBIT			EV/Sales		
		20	21	22	20	21	22	20	21	22
Qt Group	541	60.0x	30.6x	30.6x	84.3x	36.4x	36.4x	7.4x	5.8x	5.8x
Vitec Software Group	559	16.1x	14.0x	14.0x	37.9x	30.5x	30.5x	5.0x	4.7x	4.7x
Basware	351	25.0x	17.4x	17.4x		52.3x	52.3x	2.7x	2.5x	2.5x
SimCorp	3338	27.8x	21.6x	21.6x	30.5x	23.2x	23.2x	7.5x	6.5x	6.5x
F-Secure	435	16.6x	13.2x	13.2x	38.8x	24.4x	24.4x	2.0x	1.8x	1.8x
Admicom	361	34.6x	26.9x	26.9x	36.8x	27.6x	27.6x	15.1x	12.0x	12.0x
Efecte	25		71.8x	71.8x				1.6x	1.4x	1.4x
Enea	266	11.0x	8.8x	8.8x	16.0x	12.8x	12.8x	3.2x	2.7x	2.7x
Infront	74	7.8x	6.8x	6.8x	19.1x	14.5x	14.5x	1.6x	1.5x	1.5x
Peer Group Average	<b>661</b>	<b>24.9x</b>	<b>23.5x</b>	<b>23.5x</b>	<b>37.6x</b>	<b>27.7x</b>	<b>27.7x</b>	<b>5.1x</b>	<b>4.3x</b>	<b>4.3x</b>
Peer Group Median	<b>361</b>	<b>20.8x</b>	<b>17.4x</b>	<b>17.4x</b>	<b>36.8x</b>	<b>26.0x</b>	<b>26.0x</b>	<b>3.2x</b>	<b>2.7x</b>	<b>2.7x</b>

Source FactSet, Evli Research

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2E	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	14.9	14.7	13.0	15.7	58.3	15.7	14.6	12.8	15.8	58.9	61.2	63.3
EBITDA	2.5	1.6	1.3	4.4	9.7	1.9	1.7	1.3	2.2	7.1	8.5	9.2
<i>EBITDA margin (%)</i>	<i>16.4</i>	<i>10.7</i>	<i>10.0</i>	<i>27.9</i>	<i>16.7</i>	<i>12.0</i>	<i>11.6</i>	<i>10.2</i>	<i>13.9</i>	<i>12.0</i>	<i>13.9</i>	<i>14.5</i>
EBIT	1.5	0.6	0.3	3.3	5.7	0.7	0.5	0.1	0.9	2.2	3.2	3.8
<i>EBIT margin (%)</i>	<i>10.2</i>	<i>3.9</i>	<i>2.2</i>	<i>21.2</i>	<i>9.8</i>	<i>4.6</i>	<i>3.4</i>	<i>0.8</i>	<i>5.7</i>	<i>3.8</i>	<i>5.2</i>	<i>6.0</i>
Net financial items	-0.5	-0.5	-0.5	-0.6	-2.0	-0.6	-0.8	-0.5	-0.5	-2.4	-2.1	-2.0
Pre-tax profit	1.1	0.1	-0.2	2.8	3.7	0.1	-0.3	-0.4	0.4	-0.2	1.1	1.8
Tax	-0.3	0.1	0.0	-0.7	-0.9	-0.1	0.1	0.1	-0.1	0.0	-0.2	-0.4
<i>Tax rate (%)</i>	<i>23.7</i>	<i>-106.3</i>	<i>16.1</i>	<i>26.2</i>	<i>23.8</i>	<i>63.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>-3.2</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0.8	0.1	-0.2	2.0	2.8	0.0	-0.2	-0.3	0.3	-0.2	0.9	1.4
EPS	0.04	0.01	-0.01	0.11	0.15	0.00	-0.01	-0.02	0.02	-0.01	0.05	0.07
EPS adjusted (diluted no. of shares)	0.04	0.01	-0.01	0.02	0.06	0.00	-0.01	-0.02	0.02	-0.01	0.05	0.07
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.04
<b>SALES, EURm</b>												
Solteq Digital	10.7	10.4	9.3	10.9	41.2	11.3	10.3	8.9	10.8	41.3	42.6	43.4
Solteq Software	4.2	4.3	3.7	4.8	17.1	4.3	4.3	3.9	5.0	17.5	18.6	19.9
Total	14.9	14.7	13.0	15.7	58.3	15.7	14.6	12.8	15.8	58.9	61.2	63.3
<b>SALES GROWTH, Y/Y %</b>												
<i>Solteq</i>	<i>-100.0</i>	<i>-100.0</i>	<i>-100.0</i>	<i>-100.0</i>	<i>-100.0</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>Solteq Digital</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>6.0</i>	<i>-0.5</i>	<i>-3.8</i>	<i>-0.9</i>	<i>0.3</i>	<i>3.1</i>	<i>1.9</i>
<i>Solteq Software</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>2.5</i>	<i>-0.1</i>	<i>4.3</i>	<i>3.8</i>	<i>2.6</i>	<i>6.1</i>	<i>7.0</i>
<i>Total</i>	<i>0.4</i>	<i>3.0</i>	<i>1.2</i>	<i>5.3</i>	<i>2.5</i>	<i>5.0</i>	<i>-0.4</i>	<i>-1.5</i>	<i>0.5</i>	<i>1.0</i>	<i>4.0</i>	<i>3.4</i>
<b>EBIT, EURm</b>												
Solteq Digital	0.9	0.6	0.2	2.8	4.4	0.5	0.4	0.1	0.4	1.4	2.2	2.5
Solteq Software	0.7	0.0	0.1	0.5	1.3	0.2	0.1	0.0	0.5	0.8	1.0	1.3
Total	1.5	0.6	0.3	3.3	5.7	0.7	0.5	0.1	0.9	2.2	3.2	3.8
<b>EBIT margin, %</b>												
<i>Solteq Digital</i>	<i>8.2</i>	<i>5.3</i>	<i>1.6</i>	<i>25.8</i>	<i>10.7</i>	<i>4.8</i>	<i>3.9</i>	<i>1.1</i>	<i>3.7</i>	<i>3.5</i>	<i>5.2</i>	<i>5.8</i>
<i>Solteq Software</i>	<i>15.4</i>	<i>0.4</i>	<i>3.5</i>	<i>10.6</i>	<i>7.7</i>	<i>4.1</i>	<i>2.3</i>	<i>0.0</i>	<i>10.0</i>	<i>4.4</i>	<i>5.4</i>	<i>6.5</i>
<i>Total</i>	<i>10.2</i>	<i>3.9</i>	<i>2.2</i>	<i>21.2</i>	<i>9.8</i>	<i>4.6</i>	<i>3.4</i>	<i>0.8</i>	<i>5.7</i>	<i>3.8</i>	<i>5.2</i>	<i>6.0</i>

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	54.2	63.0	50.7	56.9	58.3	58.9	61.2	63.3
<i>Sales growth (%)</i>	<i>32.6</i>	<i>16.3</i>	<i>-19.6</i>	<i>12.1</i>	<i>2.5</i>	<i>1.0</i>	<i>4.0</i>	<i>3.4</i>
EBITDA	3.1	8.4	2.4	4.8	9.7	7.1	8.5	9.2
<i>EBITDA margin (%)</i>	<i>5.7</i>	<i>13.3</i>	<i>4.7</i>	<i>8.4</i>	<i>16.7</i>	<i>12.0</i>	<i>13.9</i>	<i>14.5</i>
Depreciation	-1.8	-1.9	-2.1	-2.3	-4.0	-4.9	-5.3	-5.4
EBITA	1.3	6.5	0.3	2.5	5.7	2.2	3.2	3.8
Goodwill amortization / writedown	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	1.3	6.4	0.3	2.5	5.7	2.2	3.2	3.8
<i>EBIT margin (%)</i>	<i>2.4</i>	<i>10.2</i>	<i>0.6</i>	<i>4.3</i>	<i>9.8</i>	<i>3.8</i>	<i>5.2</i>	<i>6.0</i>
Reported EBIT	1.3	6.4	0.3	2.5	5.7	2.2	3.2	3.8
<i>EBIT margin (reported) (%)</i>	<i>2.4</i>	<i>10.2</i>	<i>0.6</i>	<i>4.3</i>	<i>9.8</i>	<i>3.8</i>	<i>5.2</i>	<i>6.0</i>
Net financials	-1.0	-1.7	-1.8	-1.8	-2.0	-2.4	-2.1	-2.0
Pre-tax profit	0.3	4.7	-1.5	0.6	3.7	-0.2	1.1	1.8
Taxes	-0.2	-0.1	-0.1	-0.3	-0.9	0.0	-0.2	-0.4
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	0.1	4.6	-1.5	0.4	2.8	-0.2	0.9	1.4
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
<b>BALANCE SHEET, EURm</b>								
<b>Assets</b>								
Fixed assets	8	7	8	10	11	11	11	10
Goodwill	35	34	37	40	39	39	39	39
Right of use assets	0	0	0	6	7	7	8	8
Inventory	0	0	0	0	0	0	0	0
Receivables	18	12	15	12	16	16	16	17
Liquid funds	3	8	2	5	4	4	4	4
Total assets	64	61	61	74	77	77	78	78
<b>Liabilities</b>								
Shareholder's equity	15	20	20	22	25	24	25	26
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	6	8	7	8	8
Deferred taxes	1	1	1	1	1	1	1	1
Interest bearing debt	28	26	26	28	28	28	27	25
Non-interest bearing current liabilities	18	14	14	17	17	17	17	18
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	64	61	61	74	77	77	78	78
<b>CASH FLOW, EURm</b>								
+ EBITDA	3	8	2	5	10	7	9	9
- Net financial items	-1	-2	-2	-2	-2	-2	-2	-2
- Taxes	0	0	0	0	-1	0	0	0
- Increase in Net Working Capital	-3	3	-1	6	-1	0	0	0
+/- Other	0	-5	-2	0	-2	0	0	0
= Cash flow from operations	-1	4	-2	8	4	5	6	7
- Capex	-28	-1	-1	-3	-7	-5	-5	-5
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-29	3	-3	5	-3	0	1	2
+/- New issues/buybacks	4	0	3	1	0	0	0	0
- Paid dividend	0	0	-1	0	0	0	0	-1
+/- Other	25	3	-5	-2	2	0	-1	-1
Change in cash	0	6	-7	4	-2	0	0	0

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	28	28	25	29	21	21	21
Net debt (excl. convertibles)	17	24	29	32	32	31	29
Enterprise value	45	52	54	60	53	51	50
Sales	63	51	57	58	59	61	63
EBITDA	8	2	5	10	7	9	9
EBIT	6	0	2	6	2	3	4
Pre-tax	5	-1	1	4	0	1	2
Earnings	5	-2	0	3	0	1	1
Equity book value (excl. minorities)	20	20	22	25	24	25	26
<b>Valuation multiples</b>							
EV/sales	0.7	1.0	1.0	1.0	0.9	0.8	0.8
EV/EBITDA	5.4	21.8	11.4	6.2	7.4	6.0	5.5
EV/EBITA	7.0	168.7	22.0	10.6	23.7	16.0	13.2
EV/EBIT	7.1	168.7	22.0	10.6	23.7	16.0	13.2
EV/OCF	11.6	-25.1	6.8	14.6	11.3	8.3	7.3
EV/FCFF	4.2	-14.0	14.0	59.8	12.7	10.6	9.2
P/FCFE	9.3	-8.8	5.3	-9.1	-151.1	18.0	11.9
P/E	6.1	-18.3	69.9	27.1	-101.0	23.5	14.7
P/B	1.4	1.4	1.1	1.2	0.9	0.8	0.8
Target EV/EBITDA	0.0	0.0	0.0	0.0	7.6	6.2	5.6
Target EV/EBIT	0.0	0.0	0.0	0.0	24.3	16.5	13.6
Target EV/FCF	0.0	0.0	0.0	0.0	-390.3	45.5	29.3
Target P/B	0.0	0.0	0.0	0.0	0.9	0.9	0.9
Target P/E	0.0	0.0	0.0	0.0	-107.6	25.0	15.7
<b>Per share measures</b>							
Number of shares	17,639	18,197	19,202	19,307	19,307	19,307	19,307
Number of shares (diluted)	17,639	18,197	19,202	19,307	19,307	19,307	19,307
EPS	0.26	-0.08	0.02	0.15	-0.01	0.05	0.07
Operating cash flow per share	0.22	-0.11	0.42	0.21	0.24	0.32	0.35
Free cash flow per share	0.17	-0.17	0.24	-0.16	-0.01	0.06	0.09
Book value per share	1.15	1.13	1.14	1.27	1.26	1.31	1.35
Dividend per share	0.05	0.00	0.00	0.00	0.00	0.03	0.04
Dividend payout ratio, %	19.1	0.0	0.0	0.0	0.0	65.2	50.0
Dividend yield, %	3.1	0.0	0.0	0.0	0.0	2.8	3.4
FCF yield, %	10.8	-11.4	18.8	-11.0	-0.7	5.6	8.4
<b>Efficiency measures</b>							
ROE	25.8	-7.4	1.7	12.1	-0.8	3.6	5.5
ROCE	14.3	0.7	4.8	9.8	3.7	5.4	6.4
<b>Financial ratios</b>							
Inventories as % of sales	0.1	0.3	0.2	0.3	0.3	0.3	0.3
Receivables as % of sales	18.9	28.9	21.1	26.8	26.8	26.8	26.8
Non-interest bearing liabilities as % of sales	21.5	27.0	29.2	28.6	28.6	28.6	28.6
NWC/sales, %	-2.5	2.2	-7.9	-1.5	-1.5	-1.5	-1.5
Operative CAPEX/sales, %	1.4	2.1	5.8	12.5	8.1	8.3	8.0
CAPEX/sales (incl. acquisitions), %	1.4	2.1	5.8	12.5	8.1	8.3	8.0
FCFF/EBITDA	1.3	-1.6	0.8	0.1	0.6	0.6	0.6
Net debt/EBITDA, book-weighted	2.1	10.2	6.2	3.2	4.5	3.6	3.2
Debt/equity, market-weighted	0.9	0.9	1.1	1.0	1.3	1.3	1.2
Equity ratio, book-weighted	33.2	33.3	29.3	31.9	31.5	32.5	33.4
Gearing, %	85.0	118.7	134.5	128.5	130.2	121.0	112.6

**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 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 need to be sought from abroad, as domestic growth potential is more restricted.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Sentica Buyout III Ky	4,621,244	4.991	23.9%
Profiz Business Solution Oyj	2,060,769	2.226	10.7%
Elo Mutual Pension Insurance Company	2,000,000	2.160	10.4%
Saadetdin Ali	1,403,165	1.515	7.3%
Varma Mutual Pension Insurance Company	1,245,597	1.345	6.5%
Aalto Seppo Tapio	730,000	0.788	3.8%
Roininen Matti Juhani	455,000	0.491	2.4%
Väätäinen Olli Pekka	400,000	0.432	2.1%
Lamy Oy	225,000	0.243	1.2%
Sentica Buyout III Co-Investment Ky	180,049	0.194	0.9%
Ten largest	13,320,824	14.386	69%
Residual	5,985,703	6.465	31%
Total	19,306,527	20.851	100%

#### EARNINGS CALENDAR

August 13, 2020 Q2 report  
October 29, 2020 Q3 report

#### OTHER EVENTS

April 01, 2020 AGM

#### COMPANY MISCELLANEOUS

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



**Important Disclosures**

Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at [Analysts' recommendations and ratings revisions](#).

Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.

Recommendation	Percentage
Sell	8%
Hold	53%
Buy	39%

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

This research report has been prepared by Evli Research Partners Plc ("ERP" or "Evli Research"). ERP is a subsidiary of Evli Bank Plc. Production of the investment recommendation has been concluded on 4.5.2020, 9:30. This report has been published on 4.5.2020, 9:45.

None of the analysts contributing to this report, persons under their guardianship or corporations under their control have a position in the shares of the company or related securities.

The date and time for any price of financial instruments mentioned in the recommendation refer to the previous trading day's closing price(s) unless otherwise stated in the report.

Each analyst responsible for the content of this report assures that the expressed views accurately reflect the personal views of each analyst on the covered companies and securities. Each analyst assures that (s)he has not been, nor are or will be, receiving direct or indirect compensation related to the specific recommendations or views contained in this report.

Companies in the Evli Group, affiliates or staff of companies in the Evli Group, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report.

Neither ERP nor any company within the Evli Group have managed or co-managed a public offering of the company's securities during the last 12 months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the research report.

ERP has signed an agreement with the issuer of the financial instruments mentioned in the recommendation, which includes production of research reports. This assignment has a limited economic and financial impact on ERP and/or Evli. Under the assignment ERP performs services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP or another company within the Evli Group does not have an agreement with the company to perform market making or liquidity providing services.

For the prevention and avoidance of conflicts of interests with respect to this report, there is an information barrier (Chinese wall) between Investment

Research and Corporate Finance units concerning unpublished investment banking services to the company. The remuneration of the analyst(s) is not tied directly or indirectly to investment banking transactions or other services performed by Evli Bank Plc or any company within Evli Group.

This report has not been disclosed to the company prior to its dissemination.

This report is provided and intended for informational purposes only and may not be used or considered under any circumstances as an offer to sell or buy any securities or as advice to trade any securities.

This report is based on sources ERP considers to be correct and reliable. The sources include information providers Reuters and Bloomberg, stock-exchange releases from the companies and other company news, Statistics Finland and articles in newspapers and magazines. However, ERP does not guarantee the materialization, correctness, accuracy or completeness of the information, opinions, estimates or forecasts expressed or implied in the report. In addition, circumstantial changes may have an influence on opinions and estimates presented in this report. The opinions and estimates presented are valid at the moment of their publication and they can be changed without a separate announcement. Neither ERP nor any company within the Evli Group are responsible for amending, correcting or updating any information, opinions or estimates contained in this report. Neither ERP nor any company within the Evli Group will compensate any direct or consequential loss caused by or derived from the use of the information represented in this publication.

All information published in this report is for the original recipient's private and internal use only. ERP reserves all rights to the report. No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any retrieval system of any nature, without the written permission of ERP.

This report or its copy may not be published or distributed in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore or South Africa. The publication or distribution of this report in certain other jurisdictions may also be restricted by law. Persons into whose possession this report comes are required to inform themselves about and to observe any such restrictions.

Evli Bank Plc is not registered as a broker-dealer with the U. S. Securities and Exchange Commission ("SEC"), and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Evli Bank is not a member of the Financial Industry Regulatory Authority ("FINRA"). It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest. This research report is only being offered in U.S. by Auerbach Grayson & Company, LLC (Auerbach Grayson) to Major U.S. Institutional Investors and is not available to, and should not be used by, any U.S. person or entity that is not a Major U.S. Institutional Investor. Auerbach Grayson is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of the FINRA. U.S. entities seeking more information about any of the issuers or securities discussed in this report should contact Auerbach Grayson. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements.

ERP is not a supervised entity but its parent company Evli Bank Plc is supervised by the Finnish Financial Supervision Authority.

**Contact information****SALES, TRADING AND RESEARCH****Equity Sales**

Ari Laine +358 9 4766 9115  
Lauri Ahokanto +358 9 4766 9117  
Niclas Henelius +358 9 4766 9116

**Trading**

Lauri Vehkaluoto (Head) +358 9 4766 9120  
Pasi Väisänen +358 9 4766 9120  
Antti Kässi +358 9 4766 9120  
Miika Ronkanen +358 9 4766 9120

**ETFs and Derivatives**

Joachim Dannberg +358 9 4766 9123  
Kimmo Lijja +358 9 4766 9130

**Structured Investments**

Heikki Savijoki +358 9 4766 9726  
Aki Lakkisto +358 9 4766 9123

**Equity Research**

Jonas Forslund +358 9 4766 9314  
Joonas Ilvonen +358 44 430 9071  
Jerker Salokivi +358 9 4766 9149  
Anna-Liisa Rissanen +358 40 157 9919

**Evli Investment Solutions**

Johannes Asuja +358 9 4766 9205  
Markku Reinikainen +358 9 4766 9669



**EVLI BANK PLC**  
Aleksanterinkatu 19 A  
P.O. Box 1081  
FIN-00101 Helsinki, FINLAND  
Phone +358 9 476 690  
Fax +358 9 634 382  
Internet www.evli.com  
E-mail firstname.lastname@evli.com

**EVLI BANK PLC,  
STOCKHOLMSFILIAL**  
Regeringsgatan 67 P.O. Box 16354  
SE-103 26 Stockholm  
Sverige  
stockholm@evli.com  
Tel +46 (0)8 407 8000  
Fax +46 (0)8 407 8001