


## Our estimates clearly beat

Solteq's revenue in Q2 grew 7.8% in comparable terms to EUR 15.1m (Evli EUR 14.6m). The comparable operating profit clearly beat our expectations at EUR 1.5m (Evli EUR 0.5m) aided by cost savings from actions taken to improve operational efficiency. **Guidance reinstated: Solteq Group's comparable operating profit in 2020 is expected to grow significantly.**

- Net sales in Q2 were EUR 15.1m (EUR 14.7m in Q2/19), slightly above our estimates (Evli EUR 14.6m). Growth in Q2 amounted to 2.9% y/y. Comparable growth, adjusted for the divestment of the SAP ERP business, amounted to 7.8%. Growth was attributable to both segments. Approximately a fifth of sales came from outside Finland.
- The operating profit and comparable operating profit in Q2 amounted to EUR 1.5m (EUR 0.5m/0.6m in Q2/19), clearly above our estimates (Evli EUR 0.5m). Profitability was aided by cost savings resulting from streamlining measures taken earlier this year.
- Capitalized product development investments during H1/20 amounted to EUR 1.8m. Solteq expects product development investments in 2020 to amount to less than EUR 3.0m (2019: EUR 3.9m).
- Solteq Digital: Comparable revenue in Q2 amounted to EUR 10.5m (Q2/19: EUR 9.7m) vs. Evli 10.3m. The comparable EBIT amounted to EUR 1.1m (Q2/19: EUR 0.5m) vs. Evli EUR 0.4m.
- Solteq Software: Comparable revenue in Q2 amounted to EUR 4.6m (Q2/19: EUR 4.3m) vs. Evli EUR 4.3m. The comparable EBIT amounted to EUR 0.4m (Q2/19: EUR 0.0m) vs. Evli EUR 0.1m.
- Solteq reinstated a guidance for 2020, expecting the comparable operating profit to grow significantly.

### Rating

 **HOLD**

Q2/20	Actual	Evli	Year ago	Q1/20
Net sales	15.1	14.6	14.7	15.7
EBIT	1.5	0.5	0.6	0.7
Adj. EBIT	1.5	0.5	0.5	0.9
EPS	0.04	-0.01	0.01	0.00

Deviation	Actual	Evli	Year ago	Q1/20
Net sales		3%	3%	-4%
EBIT		>100%	>100%	>100%
Adj. EBIT		>100%	>100%	67%
EPS		-	>100%	>100%

Share price, EUR (Last trading day's closing price) **1.30**

Target price, EUR **1.15**

Latest change in recommendation **27-Jun-19**

Latest report on company **04-May-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 **25**

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

### 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
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	-121.6	1.0	25.6	-0.5	0.00
2021E	61.2	3.2	5.2%	1.2	0.05	28.3	0.9	17.4	4.6	0.03
2022E	63.3	3.8	6.0%	1.8	0.07	17.7	0.9	14.3	7.0	0.04
Market cap, EURm		25	BV per share 2020E, EUR		130.2	CAGR EPS 2019-22, %		10.1		
Net debt 2020E, EURm		32	Price/book 2020E		1.0	CAGR sales 2019-22, %		2.8		
Enterprise value, EURm		57	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.

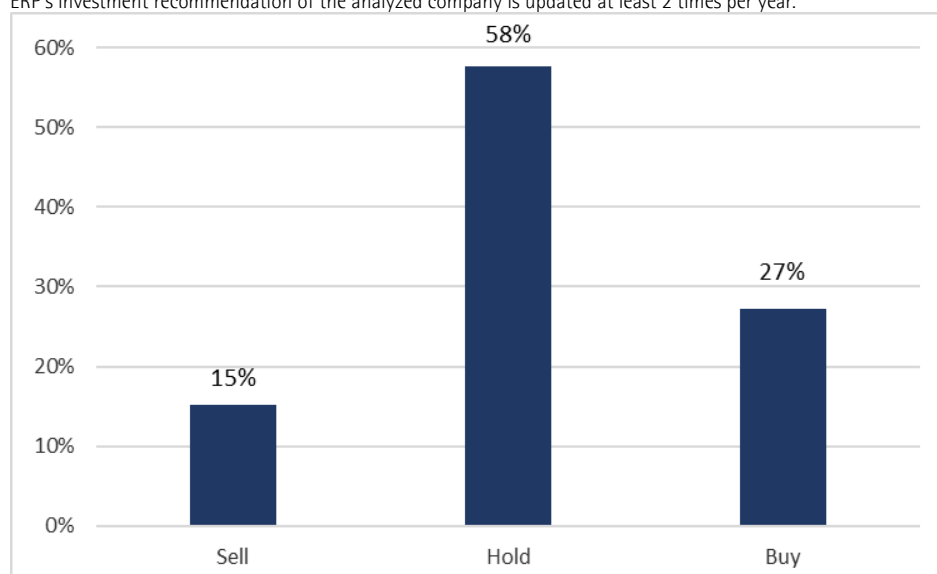
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Investment recommendations are defined as follows:

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

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

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## 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](http://www.evli.com)  
E-mail [firstname.lastname@evli.com](mailto:firstname.lastname@evli.com)

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