

Clear earnings beat

Solteq's revenue in Q3 grew 8.5% in comparable terms to EUR 13.3m (Evli EUR 13.0m). The comparable operating profit clearly beat our expectations at EUR 1.4m (Evli EUR 0.7m). Guidance reiterated: Solteq Group's comparable operating profit in 2020 is expected to grow significantly.

- Net sales in Q3 were EUR 13.3m (EUR 13.0m in Q3/19), slightly above our estimates (Evli EUR 13.0m). Growth in Q3 amounted to 2.3% y/y. Comparable growth, adjusted for the divestment of the SAP ERP business, amounted to 8.5%. Comparable growth was attributable to both segments. Approximately a fifth of sales came from outside Finland.
- The operating profit and comparable operating profit in Q3 amounted to EUR 1.4m (EUR 0.3m/0.0m in Q3/19), clearly above our estimates (Evli EUR 0.7m). Capitalized product development investments during 1-9/2020 amounted to EUR 2.3m. Solteq expects product development investments in 2020 to amount to less than EUR 3.0m (2019: EUR 3.9m).
- Solteq Digital: Comparable revenue in Q3 amounted to EUR 9.2m (Q3/19: EUR 9.3m) vs. Evli 9.2m. The comp. EBIT was EUR 0.8m (Q3/19: EUR 0.2m) vs. Evli EUR 0.5m.
- Solteq Software: Revenue in Q3 amounted to EUR 4.1m (Q3/19: EUR 3.7m) vs. Evli EUR 3.8m. The comp. EBIT was EUR 0.5m (Q3/19: EUR 0.1m) vs. Evli EUR 0.2m.
- Guidance reiterated: the comparable operating profit in 2020 is expected to grow significantly.
- The pandemic has slightly affected sales in several business areas and the Nordic subsidiaries but the good order backlog, the capability to deliver, and success in the Utilities sector drove growth and has so far not affected the group's performance as a whole.

Rating + BUY

Q3/20	Actual	Evli	Year ago	Q2/20
Net sales	13.3	13.0	13.0	15.1
EBIT	1.4	0.7	0.3	1.5
Adj. EBIT	1.4	0.7	0.0	0.9
EPS	0.03	0.01	-0.01	0.04

Deviation	Actual	Evli	Year ago	Q2/20
Net sales		2%	2%	-12%
EBIT		95%	>100%	-8%
Adj. EBIT		95%	-	52%
EPS		>100%	-	-26%

 Share price, EUR (Last trading day's closing price) 1.64

 Target price, EUR 1.65

 Latest change in recommendation 14-Aug-20

 Latest report on company 14-Aug-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 32

 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 29-Oct-20

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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
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	60.2	4.6	7.6%	1.4	0.10	16.4	1.0	13.4	4.3	0.05
2021E	62.0	4.4	7.1%	2.1	0.10	17.0	1.0	13.8	6.7	0.05
2022E	63.9	4.9	7.7%	3.2	0.12	13.5	0.9	11.9	10.0	0.06

Market cap, EURm	32	BV per share 2020E, EUR	113.9	CAGR EPS 2019-22, %	30.1
Net debt 2020E, EURm	30	Price/book 2020E	1.2	CAGR sales 2019-22, %	3.1
Enterprise value, EURm	62	Dividend yield 2020E, %	3.1	ROE 2020E, %	7.6
Total assets 2020E, EURm	79	Tax rate 2020E, %	22.6	ROCE 2020E, %	7.6
Goodwill 2020E, EURm	39	Equity ratio 2020E, %	33.4	PEG, P/E 20/CAGR	3.5

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

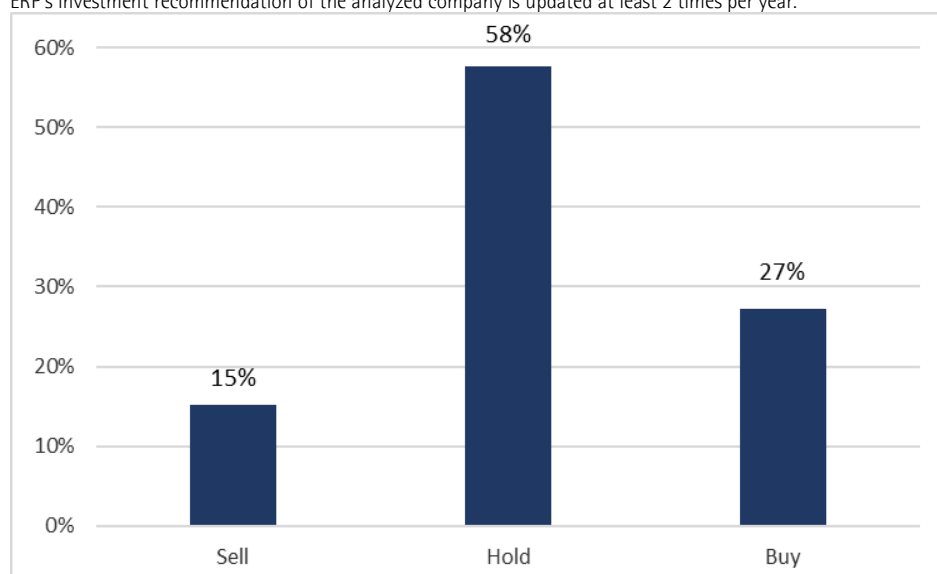
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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