

Continued solid performance seen

Solteq reported slightly better than expected Q4 results. The solid performance is set to continue, and we see clear potential for a doubling of EPS in the coming years. We retain our BUY-rating with a target price of EUR 4.5.

Q4 slightly above expectations

Solteq reported slightly better than expected Q4 results. Revenue amounted to EUR 16.4m (Evli EUR 16.1m) and comp. EBIT to EUR 2.0m (Evli EUR 1.7m). Comp. growth amounted to 9.3%. The BoD proposed a dividend distribution of EUR 0.15 per share (Evli EUR 0.06). To our understanding the high payout ratio is due to no dividend payment in 2019, as such corresponding to an accrued two-year distribution, and we do not expect as high relative payout in the future.

2021 outlook favourable

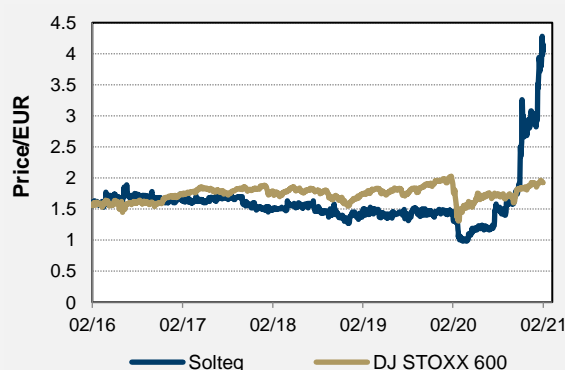
In 2021 Solteq expects Group revenue to grow clearly and operating profit to improve. The profitability guidance sounds soft but with the on-going pandemic and the related uncertainties the guidance is understandably more cautious this early on in the year. We expect sales growth of 8.9% (prev. 3.7%) and an approx. 14% improvement in comp. EBIT to EUR 6.6m (prev. 5.5m). Growth and profitability is on our estimates largely attributable to Solteq Software, in particular due to project implementations and thereafter following accrual of recurring revenue from the Utilities-sector orders received in 2020. We see clear potential for a doubling of EPS during 2021-2022 compared with 2020, noting that 2020 was affected to some extent by non-recurring financial expenses.

BUY with a target price of EUR 4.5 (1.9)

Solteq's share price has over doubled since our previous update. Compared with the Nordic software peers, valuation is still not very challenging. With Solteq Software on our revised estimates contributing more clearly to growth and earnings along with overall higher earnings estimates higher multiples are certainly justifiable. We raise our TP to EUR 4.5 (1.9), valuing Solteq at approx. 23x 2021 P/E, BUY-rating intact.

Rating

BUY



Share price, EUR (Last trading day's closing price) 4.04

Target price, EUR 4.5

Latest change in recommendation 13-Aug-20

Latest report on company 30-Oct-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 78

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-Apr-21

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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
2019	58.3	5.7	9.8%	-3.2	0.15	27.1	1.0	10.6	-11.0	0.00
2020	60.5	5.4	8.9%	5.0	0.10	27.3	1.3	15.1	9.3	0.15
2021E	65.8	6.7	10.2%	3.7	0.20	20.6	1.6	15.4	4.8	0.10
2022E	69.8	8.0	11.4%	4.3	0.24	16.6	1.5	12.7	5.5	0.12
2023E	73.1	8.9	12.2%	4.7	0.29	13.9	1.4	11.1	6.0	0.15
Market cap, EURm		78	Gearing 2021E, %			93.8	CAGR EPS 2020-23, %			41.5
Net debt 2021E, EURm		26	Price/book 2021E			2.8	CAGR sales 2020-23, %			6.5
Enterprise value, EURm		104	Dividend yield 2021E, %			2.4	ROE 2021E, %			14.0
Total assets 2021E, EURm		79	Tax rate 2021E, %			20.0	ROCE 2021E, %			11.4
Goodwill 2021E, EURm		39	Equity ratio 2021E, %			34.8	PEG, P/E 21/CAGR			4.9

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

Solteq	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20	2020	Q1/'21E	Q2/'21E	Q3/'21E	Q4/'21E	2021E	2022E	2023E
Net sales	58.3	15.7	15.1	13.3	16.4	60.5	16.5	16.2	15.0	18.1	65.8	69.8	73.1
<i>sales growth %</i>	2.5%	5.0%	2.9%	2.3%	4.5%	3.7%	5.3%	7.5%	12.9%	10.4%	8.9%	6.0%	4.8%
<i>comparable growth %</i>		11.6%	7.8%	8.5%	9.3%	9.3%							
Other income	2.6	0.0	0.1	0.1	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Materials and services	-5.4	-1.7	-1.4	-1.3	-1.6	-5.9	-1.7	-1.4	-1.3	-1.7	-6.2	-6.4	-6.6
Personnel expenses	-36.8	-9.5	-9.5	-7.9	-9.9	-36.9	-10.5	-9.8	-8.9	-10.3	-39.7	-41.8	-43.8
Other expenses	-9.0	-2.6	-1.6	-1.5	-1.9	-7.5	-2.0	-1.9	-1.8	-2.2	-7.9	-8.2	-8.5
EBITDA	9.7	1.9	2.7	2.7	3.1	10.4	2.3	3.0	3.0	3.9	12.1	13.4	14.3
Adj. EBITDA	7.5	2.0	2.7	2.7	3.3	10.8	2.3	3.0	3.0	3.9	12.2	13.4	14.3
D&A	-4.0	-1.2	-1.2	-1.4	-1.3	-5.0	-1.4	-1.4	-1.4	-1.4	-5.5	-5.5	-5.4
EBIT	5.7	0.7	1.5	1.4	1.8	5.4	0.9	1.7	1.6	2.5	6.6	8.0	8.9
<i>EBIT-%</i>	9.8%	4.6%	9.8%	10.3%	10.9%	8.9%	0.1	0.1	0.1	0.1	10.0%	11.4%	12.2%
Adjustment items	-2.5	0.2	0.0	0.0	0.2	0.4	0.0%	0.0%	0.0%	0.0%	0.0	0.0	0.0
Adj. EBIT	3.2	0.9	1.5	1.4	2.0	5.8	0.9	1.7	1.6	2.5	6.6	8.0	8.9
<i>Adj. EBIT-%</i>	5.6%	5.6%	10.0%	10.3%	12.4%	9.6%	5.6%	10.2%	10.8%	14.0%	10.0%	11.4%	12.2%
Solteq Digital	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20	2020	Q1/'21E	Q2/'21E	Q3/'21E	Q4/'21E	2021E	2022E	2023E
Net sales	41.2	11.3	10.5	9.2	10.6	41.6	11.1	10.9	10.1	11.7	43.8	45.1	46.5
<i>sales growth %</i>	-	6.0%	1.5%	-1.0%	-2.6%	1.0%	-2.0%	3.8%	10.3%	10.5%	5.3%	3.0%	3.0%
Adj. EBITDA	4.8	1.3	1.8	1.6	1.6	6.2	1.2	1.9	1.6	2.1	6.7	7.2	7.4
<i>Adj. EBITDA-%</i>	11.7%	11.6%	16.9%	17.0%	15.0%	15.0%	11.0%	17.0%	16.0%	17.5%	15.4%	16.0%	16.0%
EBIT	4.4	0.5	1.1	0.8	0.7	3.1	0.5	1.1	0.9	1.3	3.6	4.2	4.6
<i>EBIT-%</i>	10.7%	4.8%	10.3%	9.0%	6.4%	7.5%	4.3%	10.2%	8.6%	11.1%	8.2%	9.4%	9.8%
Adj. EBIT	2.2	0.7	1.1	0.8	0.9	3.5	0.5	1.1	0.9	1.3	3.6	4.2	4.6
<i>Adj. EBIT-%</i>	5.3%	5.8%	10.5%	9.0%	8.7%	8.4%	4.3%	10.2%	8.6%	11.1%	8.2%	9.4%	9.8%
Solteq Software	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20	2020	Q1/'21E	Q2/'21E	Q3/'21E	Q4/'21E	2021E	2022E	2023E
Net sales	17.1	4.3	4.6	4.1	5.8	18.8	5.4	5.3	4.9	6.4	22.0	24.6	26.6
<i>sales growth %</i>	-	2.5%	6.1%	10.5%	20.4%	10.2%	24.5%	16.0%	18.6%	10.3%	16.8%	12.0%	8.0%
Adj. EBITDA	2.7	0.7	1.0	1.2	1.7	4.6	1.1	1.2	1.4	1.9	5.5	6.2	6.8
<i>Adj. EBITDA-%</i>	15.9%	16.7%	21.1%	28.1%	29.7%	24.3%	20.0%	22.0%	28.0%	29.0%	24.9%	25.2%	25.6%
EBIT	1.3	0.2	0.4	0.5	1.1	2.2	0.5	0.5	0.7	1.2	3.0	3.7	4.3
<i>EBIT-%</i>	7.7%	4.1%	8.8%	13.2%	19.1%	11.8%	8.4%	10.2%	15.2%	19.2%	13.5%	15.1%	16.3%
Adj. EBIT	1.4	0.2	0.4	0.5	1.1	2.3	0.5	0.5	0.7	1.2	3.0	3.7	4.3
<i>Adj. EBIT-%</i>	8.1%	5.2%	8.8%	13.2%	19.1%	12.1%	8.4%	10.2%	15.2%	19.2%	13.5%	15.1%	16.3%

NORDIC IT SERVICES	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		20	21	22	20	21	22	20	21	22
TietoEVRY	3084	8.7x	8.0x	7.5x	11.2x	10.8x	10.1x	12.1x	11.4x	10.5x
Atea	1576	9.6x	9.6x	8.8x	16.9x	15.5x	13.6x	26.6x	20.8x	18.0x
Knowit	519	14.3x	10.8x	10.5x	18.1x	13.3x	12.9x	19.6x	17.6x	17.4x
HiQ International										
Bouvet	664	17.9x	15.8x	14.4x	22.6x	19.8x	17.9x	28.0x	26.6x	24.0x
Gofore	244							31.6x	25.0x	22.2x
Digia	204	10.7x	10.7x	9.9x	15.0x	15.5x	14.2x	19.2x	18.3x	16.8x
Sili Solutions	108	9.3x	8.1x	6.9x	15.9x	13.9x	10.8x	25.5x	14.0x	11.5x
Vincit	110							19.7x	16.9x	15.1x
Innofactor	61	8.4x	8.3x	7.7x	24.1x	15.0x	10.9x	32.8x	14.0x	12.0x
Peer Group Average	862	11.3x	10.2x	9.4x	17.7x	14.8x	12.9x	23.9x	18.3x	16.4x
Peer Group Median	507	9.6x	9.6x	8.8x	16.9x	15.0x	12.9x	25.5x	17.6x	16.8x

Source FactSet, Evli Research

NORDIC SOFTWARE	MCAP EUR	EV/EBITDA			EV/EBIT			P/E		
		20	21	22	20	21	22	20	21	22
Qt Group	2021	74.0x	87.2x	57.9x	84.2x	98.4x	62.8x	154.0x	122.0x	78.7x
Vitec Software Group	1282		25.5x	21.4x		51.1x	41.9x	61.1x	49.9x	42.3x
Basware	505	32.2x	26.0x	19.0x	132.7x	91.3x	38.2x			242.4x
SimCorp	4017	35.4x	28.0x	24.8x	39.4x	31.0x	27.3x	46.1x	40.2x	35.2x
F-Secure	596	17.1x	16.5x	14.9x	28.0x	26.8x	22.8x	43.4x	38.9x	32.3x
Admicom	507	65.0x	39.7x	33.1x	68.4x	40.4x	33.8x	66.5x	51.2x	43.1x
Efecte	87		160.9x	42.3x		804.6x	57.5x		1430.0x	65.0x
Enea	78	7.8x	8.5x	7.5x	15.1x	15.4x	12.7x	27.3x	20.6x	16.6x
Infront	146	12.6x	11.2x	10.4x	32.9x	23.9x	20.9x		18.9x	17.2x
Peer Group Average	1027	34.8x	44.8x	25.7x	57.2x	131.4x	35.3x	66.4x	221.5x	63.6x
Peer Group Median	507	32.2x	26.0x	21.4x	39.4x	40.4x	33.8x	53.6x	45.1x	42.3x

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	4.04 PV of Free Cash Flow	53 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	4.26 PV of Horizon value	56 WACC, %	8.9 Market risk premium, %	5.8
Share price potential, %	5.5 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	4.7 Marketable securities	5 Minimum WACC, %	8.4 Equity beta coefficient	1.10
Minimum value	3.9 Debt - dividend	-31 Maximum WACC, %	9.4 Target debt ratio, %	20
Horizon value, %	51.4 Value of stock	82 Nr of shares, Mn	19.3 Effective tax rate, %	20

DCF valuation, EURm	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Horizon
Net sales	60	66	70	73	76	79	82	86	89	93	94	96
<i>Sales growth, %</i>	<i>3.7</i>	<i>8.9</i>	<i>6.0</i>	<i>4.8</i>	<i>4.0</i>	<i>4.0</i>	<i>4.0</i>	<i>4.0</i>	<i>4.0</i>	<i>4.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	5	7	8	9	7	7	8	8	8	9	9	9
<i>Operating income margin, %</i>	<i>8.9</i>	<i>10.2</i>	<i>11.4</i>	<i>12.2</i>	<i>9.2</i>	<i>9.2</i>	<i>9.2</i>	<i>9.2</i>	<i>9.2</i>	<i>9.2</i>	<i>9.2</i>	<i>9.2</i>
+ Depreciation+amort.	5	5	5	5	6	6	7	7	7	8	8	
EBITDA	10	12	13	14	13	14	14	15	15	16	17	
- Paid taxes	-2	-1	-2	-2	-1	-1	-2	-2	-2	-2	-2	
- Change in NWC	4	0	0	0	0	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	<i>-7.5</i>	<i>-7.5</i>	<i>-7.5</i>	<i>-7.5</i>	<i>-7.5</i>	<i>-7.5</i>	<i>-7.5</i>	<i>-7.5</i>	<i>-7.5</i>	<i>-7.5</i>	<i>-7.5</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-4	-4	-4	-4	-4	-5	-5	-5	-6	-6	-7	
<i>opCAPEX / Sales, %</i>	<i>9.4</i>	<i>9.0</i>	<i>8.8</i>	<i>8.9</i>	<i>9.0</i>	<i>9.2</i>	<i>9.4</i>	<i>9.5</i>	<i>9.7</i>	<i>9.9</i>	<i>9.9</i>	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	8	8	8	9	8	8	8	8	8	8	9	129
= Discounted FCFF		7	7	7	5	5	5	4	4	4	4	56
= DFCF min WACC		7	7	7	6	5	5	5	4	4	4	63
= DFCF max WACC		7	7	7	5	5	5	4	4	4	4	50

INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1E	2021Q2E	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	15.7	15.1	13.3	16.4	60.5	16.5	16.2	15.0	18.1	65.8	69.8	73.1
EBITDA	1.9	2.7	2.7	3.1	10.4	2.3	3.0	3.0	3.9	12.2	13.4	14.3
<i>EBITDA margin (%)</i>	<i>12.0</i>	<i>18.0</i>	<i>20.4</i>	<i>18.8</i>	<i>17.2</i>	<i>13.9</i>	<i>18.6</i>	<i>19.9</i>	<i>21.6</i>	<i>18.6</i>	<i>19.2</i>	<i>19.5</i>
EBIT	0.7	1.5	1.4	1.8	5.4	0.9	1.7	1.6	2.5	6.7	8.0	8.9
<i>EBIT margin (%)</i>	<i>4.6</i>	<i>9.8</i>	<i>10.3</i>	<i>10.9</i>	<i>8.9</i>	<i>5.6</i>	<i>10.2</i>	<i>10.8</i>	<i>14.0</i>	<i>10.2</i>	<i>11.4</i>	<i>12.2</i>
Net financial items	-0.6	-0.5	-0.6	-1.0	-2.6	-0.5	-0.5	-0.5	-0.5	-2.0	-2.1	-1.9
Pre-tax profit	0.1	1.0	0.8	0.8	2.7	0.4	1.1	1.1	2.0	4.7	5.9	7.0
Tax	-0.1	-0.2	-0.3	-0.2	-0.8	-0.1	-0.2	-0.2	-0.4	-0.9	-1.2	-1.4
<i>Tax rate (%)</i>	<i>63.0</i>	<i>21.8</i>	<i>32.9</i>	<i>25.0</i>	<i>27.7</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0.0	0.8	0.5	0.6	2.0	0.3	0.9	0.9	1.6	3.8	4.7	5.6
EPS	0.00	0.04	0.03	0.03	0.10	0.02	0.05	0.05	0.08	0.20	0.24	0.29
EPS adjusted (diluted no. of shares)	0.00	0.04	0.03	0.03	0.10	0.02	0.05	0.05	0.08	0.20	0.24	0.29
Dividend per share	0.00	0.00	0.00	0.00	0.15	0.00	0.00	0.00	0.00	0.10	0.12	0.15
SALES, EURm												
Solteq Digital	11.3	10.5	9.2	10.6	41.6	11.1	10.9	10.1	11.7	43.8	45.1	46.5
Solteq Software	4.3	4.6	4.1	5.8	18.8	5.4	5.3	4.9	6.4	22.0	24.6	26.6
Total	15.7	15.1	13.3	16.4	60.5	16.5	16.2	15.0	18.1	65.8	69.8	73.1
SALES GROWTH, Y/Y %												
<i>Solteq Digital</i>	<i>6.0</i>	<i>1.5</i>	<i>-1.0</i>	<i>-2.7</i>	<i>1.0</i>	<i>-2.0</i>	<i>3.8</i>	<i>10.3</i>	<i>10.5</i>	<i>5.3</i>	<i>3.0</i>	<i>3.0</i>
<i>Solteq Software</i>	<i>2.5</i>	<i>6.1</i>	<i>10.5</i>	<i>20.4</i>	<i>10.2</i>	<i>24.5</i>	<i>16.0</i>	<i>18.6</i>	<i>10.3</i>	<i>16.8</i>	<i>12.0</i>	<i>8.0</i>
<i>Total</i>	<i>5.0</i>	<i>2.9</i>	<i>2.3</i>	<i>4.4</i>	<i>3.7</i>	<i>5.3</i>	<i>7.5</i>	<i>12.9</i>	<i>10.4</i>	<i>8.9</i>	<i>6.0</i>	<i>4.8</i>
EBIT, EURm												
Solteq Digital	0.5	1.1	0.8	0.7	3.1	0.5	1.1	0.9	1.3	3.8	4.2	4.6
Solteq Software	0.2	0.4	0.5	1.1	2.2	0.5	0.5	0.7	1.2	3.0	3.7	4.3
Total	0.7	1.5	1.4	1.8	5.4	0.9	1.7	1.6	2.5	6.7	8.0	8.9
EBIT margin, %												
<i>Solteq Digital</i>	<i>4.8</i>	<i>10.3</i>	<i>9.0</i>	<i>6.4</i>	<i>7.5</i>	<i>4.3</i>	<i>10.2</i>	<i>8.6</i>	<i>11.1</i>	<i>8.6</i>	<i>9.4</i>	<i>9.8</i>
<i>Solteq Software</i>	<i>4.1</i>	<i>8.8</i>	<i>13.2</i>	<i>19.1</i>	<i>11.8</i>	<i>8.4</i>	<i>10.2</i>	<i>15.2</i>	<i>19.2</i>	<i>13.5</i>	<i>15.1</i>	<i>16.3</i>
<i>Total</i>	<i>4.6</i>	<i>9.8</i>	<i>10.3</i>	<i>10.9</i>	<i>8.9</i>	<i>5.6</i>	<i>10.2</i>	<i>10.8</i>	<i>14.0</i>	<i>10.2</i>	<i>11.4</i>	<i>12.2</i>

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	63.0	50.7	56.9	58.3	60.5	65.8	69.8	73.1
<i>Sales growth (%)</i>	<i>16.3</i>	<i>-19.6</i>	<i>12.1</i>	<i>2.5</i>	<i>3.7</i>	<i>8.9</i>	<i>6.0</i>	<i>4.8</i>
EBITDA	8.4	2.4	4.8	9.7	10.4	12.2	13.4	14.3
<i>EBITDA margin (%)</i>	<i>13.3</i>	<i>4.7</i>	<i>8.4</i>	<i>16.7</i>	<i>17.2</i>	<i>18.6</i>	<i>19.2</i>	<i>19.5</i>
Depreciation	-1.9	-2.1	-2.3	-4.0	-5.0	-5.5	-5.5	-5.4
EBITA	6.5	0.3	2.5	5.7	5.4	6.7	8.0	8.9
Goodwill amortization / writedown	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	6.4	0.3	2.5	5.7	5.4	6.7	8.0	8.9
<i>EBIT margin (%)</i>	<i>10.2</i>	<i>0.6</i>	<i>4.3</i>	<i>9.8</i>	<i>8.9</i>	<i>10.2</i>	<i>11.4</i>	<i>12.2</i>
Reported EBIT	6.4	0.3	2.5	5.7	5.4	6.7	8.0	8.9
<i>EBIT margin (reported) (%)</i>	<i>10.2</i>	<i>0.6</i>	<i>4.3</i>	<i>9.8</i>	<i>8.8</i>	<i>10.2</i>	<i>11.4</i>	<i>12.2</i>
Net financials	-1.7	-1.8	-1.8	-2.0	-2.6	-2.0	-2.1	-1.9
Pre-tax profit	4.7	-1.5	0.6	3.7	2.7	4.7	5.9	7.0
Taxes	-0.1	-0.1	-0.3	-0.9	-0.8	-0.9	-1.2	-1.4
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	4.6	-1.5	0.4	2.8	2.0	3.8	4.7	5.6
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
BALANCE SHEET, EURm								
Assets								
Fixed assets	7	8	10	11	12	12	12	13
Goodwill	34	37	40	39	39	39	39	39
Right of use assets	0	0	6	7	7	8	8	8
Inventory	0	0	0	0	0	0	0	0
Receivables	12	15	12	16	12	13	13	14
Liquid funds	8	2	5	4	5	7	10	6
Total assets	61	61	74	77	75	79	83	80
Liabilities								
Shareholder's equity	20	20	22	25	27	27	30	33
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	6	8	7	8	8	8
Deferred taxes	1	1	1	1	1	1	1	1
Interest bearing debt	26	26	28	28	24	26	26	18
Non-interest bearing current liabilities	14	14	17	17	16	18	19	20
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	61	61	74	77	75	79	83	80
CASH FLOW, EURm								
+ EBITDA	8	2	5	10	10	12	13	14
- Net financial items	-2	-2	-2	-2	-3	-2	-2	-2
- Taxes	0	0	0	-1	-1	-1	-1	-1
- Increase in Net Working Capital	3	-1	6	-1	4	0	0	0
+/- Other	-5	-2	0	-2	0	0	0	0
= Cash flow from operations	4	-2	8	4	11	10	10	11
- Capex	-1	-1	-3	-7	-6	-6	-6	-7
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	3	-3	5	-3	5	4	4	5
+/- New issues/buybacks	0	3	1	0	0	0	0	0
- Paid dividend	0	-1	0	0	0	-3	-2	-2
+/- Other	3	-5	-2	2	-4	2	0	-7
Change in cash	6	-7	4	-2	1	2	3	-4

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	28	25	29	54	78	78	78
Net debt (excl. convertibles)	24	29	32	26	26	23	21
Enterprise value	52	54	60	81	104	101	99
Sales	51	57	58	60	66	70	73
EBITDA	2	5	10	10	12	13	14
EBIT	0	2	6	5	7	8	9
Pre-tax	-1	1	4	3	5	6	7
Earnings	-2	0	3	2	4	5	6
Equity book value (excl. minorities)	20	22	25	27	27	30	33
Valuation multiples							
EV/sales	1.0	1.0	1.0	1.3	1.6	1.5	1.4
EV/EBITDA	21.8	11.4	6.2	7.8	8.5	7.5	6.9
EV/EBITA	168.7	22.0	10.6	15.1	15.4	12.7	11.1
EV/EBIT	168.7	22.0	10.6	15.1	15.4	12.7	11.1
EV/OCF	-25.1	6.8	14.6	7.5	10.7	9.7	8.8
EV/FCFF	-14.0	14.0	59.8	9.7	13.4	12.2	11.6
P/FCFE	-8.8	5.3	-9.1	10.8	21.0	18.0	16.6
P/E	-18.3	69.9	27.1	27.3	20.6	16.6	13.9
P/B	1.4	1.1	1.2	2.0	2.8	2.6	2.3
Target EV/EBITDA	0.0	0.0	0.0	0.0	9.2	8.2	7.6
Target EV/EBIT	0.0	0.0	0.0	0.0	16.7	13.8	12.1
Target EV/FCF	0.0	0.0	0.0	0.0	30.3	25.5	22.9
Target P/B	0.0	0.0	0.0	0.0	3.2	2.9	2.6
Target P/E	0.0	0.0	0.0	0.0	23.0	18.5	15.5
Per share measures							
Number of shares	18,197	19,202	19,307	19,307	19,307	19,307	19,307
Number of shares (diluted)	18,197	19,202	19,307	19,307	19,307	19,307	19,307
EPS	-0.08	0.02	0.15	0.10	0.20	0.24	0.29
Operating cash flow per share	-0.11	0.42	0.21	0.55	0.50	0.54	0.58
Free cash flow per share	-0.17	0.24	-0.16	0.26	0.19	0.22	0.24
Book value per share	1.13	1.14	1.27	1.37	1.42	1.56	1.73
Dividend per share	0.00	0.00	0.00	0.15	0.10	0.12	0.15
Dividend payout ratio, %	0.0	0.0	0.0	146.3	50.0	50.0	50.0
Dividend yield, %	0.0	0.0	0.0	3.7	2.4	3.0	3.6
FCF yield, %	-11.4	18.8	-11.0	9.3	4.8	5.5	6.0
Efficiency measures							
ROE	-7.4	1.7	12.1	7.8	14.0	16.3	17.6
ROCE	0.7	4.8	9.8	9.1	11.4	12.8	14.3
Financial ratios							
Inventories as % of sales	0.3	0.2	0.3	0.1	0.1	0.1	0.1
Receivables as % of sales	28.9	21.1	26.8	19.1	19.1	19.1	19.1
Non-interest bearing liabilities as % of sales	27.0	29.2	28.6	26.8	26.8	26.8	26.8
NWC/sales, %	2.2	-7.9	-1.5	-7.5	-7.5	-7.5	-7.5
Operative CAPEX/sales, %	2.1	5.8	12.5	9.4	9.0	8.8	8.9
CAPEX/sales (incl. acquisitions), %	2.1	5.8	12.5	9.4	9.0	8.8	8.9
FCFF/EBITDA	-1.6	0.8	0.1	0.8	0.6	0.6	0.6
Net debt/EBITDA, book-weighted	10.2	6.2	3.2	2.6	2.1	1.7	1.5
Debt/equity, market-weighted	0.9	1.1	1.0	0.4	0.3	0.3	0.2
Equity ratio, book-weighted	33.3	29.3	31.9	35.5	34.8	36.4	41.6
Gearing, %	118.7	134.5	128.5	99.9	93.8	77.0	62.5

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. 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	18.670	23.9%
Profiz Business Solution Oyj	2,060,769	8.326	10.7%
Elo Mutual Pension Insurance Company	2,000,000	8.080	10.4%
Saadetdin Ali	1,403,165	5.669	7.3%
Varma Mutual Pension Insurance Company	1,245,597	5.032	6.5%
Aalto Seppo Tapio	730,000	2.949	3.8%
Roininen Matti Juhani	434,500	1.755	2.3%
Väätäinen Olli Pekka	400,000	1.616	2.1%
Lamy Oy	225,000	0.909	1.2%
Sentica Buyout III Co-Investment Ky	180,049	0.727	0.9%
Ten largest	13,300,324	53.733	69%
Residual	6,006,203	24.265	31%
Total	19,306,527	77.998	100%

EARNINGS CALENDAR

April 29, 2021	Q1 report
August 12, 2021	Q2 report
October 28, 2021	Q3 report

OTHER EVENTS

March 30, 2021	AGM
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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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

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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	15%
Hold	58%
Buy	27%

The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

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

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