

Steaming ahead

Solteq posted solid Q1 figures, clearly above our estimates. We have made clear upward revisions to our estimates with on better than expected growth and profitability. We adjust our target price to EUR 7.2 (4.5), BUY-rating intact.

Clear earnings beat across the board

Solteq reported solid Q1 figures, clearly beating our estimates. Net sales grew 10.9% to EUR 17.4m (Evl 16.5m) and EBIT improved to EUR 2.2m (Evl EUR 0.9m). A clear highlight for the first quarter was the mainly organic 43.1% growth of Solteq Software, aided by deliveries of the orders received within the Utilities business. The profitability figures of Solteq Digital were surprisingly good, with EBIT doubling compared to the comparison period, to our understanding mainly driven by high utilization rates and streamlining of operations. Solteq upgraded its profitability guidance ahead of Q1, now also expecting the operating profit to grow clearly (prev. grow). This was not too surprising, as we had already in conjunction with Q4 questioned the guidance softness.

Estimates raised quite a bit

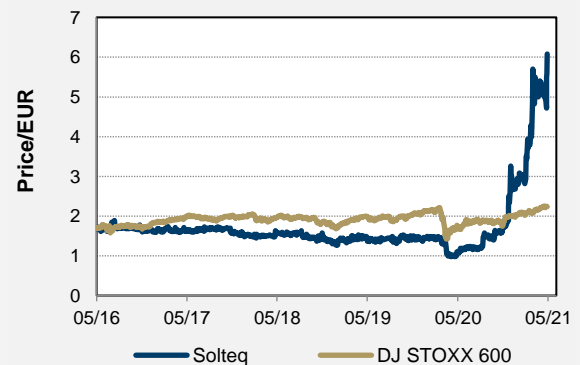
We have clearly raised our estimates after the solid first quarter figures. We now expect revenue growth of 13.0% (prev. 8.9%), driven mainly by Solteq Software and customer deliveries in the Utilities business. We expect pick-up in growth of Solteq Digital in the latter half of the year, as easing of the pandemic should increase demand in some of the harder hit sectors. We have also raised our EBIT estimate to EUR 9.2m (prev. 6.7m). We see limited margin upside potential going forward in the less scalable Solteq Digital segment while Solteq Software still has a lot more potential once the recurring revenue from the deliveries now being made start ramping up.

BUY with a target price of EUR 7.2 (4.5)

Solteq has seen a rather hefty share price rally in the past year, being up over 400%. On our revised estimates valuation for the "new" Solteq still does not appear overly challenging. We raise our target price to EUR 7.2 (4.5), valuing Solteq at 24x 2021 P/E and retain our BUY-rating.

Rating

BUY



Share price, EUR (Last trading day's closing price) 6.08

Target price, EUR 7.2

Latest change in recommendation 13-Aug-20

Latest report on company 26-Feb-21

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 117

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 12-Aug-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	68.3	9.2	13.4%	5.6	0.30	20.2	2.1	15.4	4.8	0.14
2022E	72.6	10.5	14.4%	6.4	0.35	17.3	1.9	13.1	5.4	0.16
2023E	76.3	11.5	15.0%	6.9	0.41	14.9	1.8	11.6	5.9	0.18
Market cap, EURm	117			Gearing 2021E, %	80.9			CAGR EPS 2020-23, %	58.4	
Net debt 2021E, EURm	24			Price/book 2021E	4.0			CAGR sales 2020-23, %	8.1	
Enterprise value, EURm	141			Dividend yield 2021E, %	2.2			ROE 2021E, %	20.7	
Total assets 2021E, EURm	82			Tax rate 2021E, %	20.2			ROCE 2021E, %	15.2	
Goodwill 2021E, EURm	39			Equity ratio 2021E, %	36.0			PEG, P/E 21/CAGR	1.4	

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/'21	Q2/'21E	Q3/'21E	Q4/'21E	2021E	2022E	2023E
Net sales	58.3	15.7	15.1	13.3	16.4	60.5	17.4	17.1	15.4	18.4	68.3	72.6	76.3
<i>sales growth %</i>	2.5%	5.0%	2.9%	2.3%	4.5%	3.7%	10.9%	13.4%	15.9%	12.1%	13.0%	6.4%	5.0%
<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	0.2	0.2	0.2
Materials and services	-5.4	-1.7	-1.4	-1.3	-1.6	-5.9	-1.9	-1.4	-1.3	-1.7	-6.4	-6.4	-6.6
Personnel expenses	-36.8	-9.5	-9.5	-7.9	-9.9	-36.9	-10.2	-10.1	-9.1	-10.3	-39.7	-42.1	-44.3
Other expenses	-9.0	-2.6	-1.6	-1.5	-1.9	-7.5	-1.8	-1.9	-1.8	-2.2	-7.7	-8.2	-8.5
EBITDA	9.7	1.9	2.7	2.7	3.1	10.4	3.5	3.7	3.2	4.2	14.5	16.0	16.8
Adj. EBITDA	7.5	2.0	2.7	2.7	3.3	10.8	3.6	3.7	3.3	4.2	14.8	16.0	16.8
D&A	-4.0	-1.2	-1.2	-1.4	-1.3	-5.0	-1.3	-1.4	-1.4	-1.4	-5.4	-5.5	-5.4
EBIT	5.7	0.7	1.5	1.4	1.8	5.4	2.2	2.3	1.8	2.8	9.2	10.5	11.5
<i>EBIT-%</i>	9.8%	4.6%	9.8%	10.3%	10.9%	8.9%	12.8%	13.5%	12.0%	15.1%	13.4%	14.4%	15.0%
Adjustment items	-2.5	0.2	0.0	0.0	0.2	0.4	0.1	0.0	0.0	0.0	0.1	0.0	0.0
Adj. EBIT	3.2	0.9	1.5	1.4	2.0	5.8	2.3	2.3	1.8	2.8	9.2	10.5	11.5
<i>Adj. EBIT-%</i>	5.6%	5.6%	10.0%	10.3%	12.4%	9.6%	13.2%	13.5%	12.0%	15.1%	13.5%	14.4%	15.0%
Solteq Digital	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20	2020	Q1/'21	Q2/'21E	Q3/'21E	Q4/'21E	2021E	2022E	2023E
Net sales	41.2	11.3	10.5	9.2	10.6	41.6	11.2	10.5	9.5	11.4	42.6	43.9	45.2
<i>sales growth %</i>	-	6.0%	1.5%	-1.0%	-2.6%	1.0%	-1.4%	-0.1%	3.7%	7.5%	2.3%	3.0%	3.0%
Adj. EBITDA	4.8	1.3	1.8	1.6	1.6	6.2	2.0	1.9	1.6	2.1	7.5	7.9	8.1
<i>Adj. EBITDA-%</i>	11.7%	11.6%	16.9%	17.0%	15.0%	15.0%	17.8%	18.0%	16.5%	18.0%	17.6%	18.0%	18.0%
EBIT	4.4	0.5	1.1	0.8	0.7	3.1	1.3	1.1	0.8	1.3	4.6	4.9	5.3
<i>EBIT-%</i>	10.7%	4.8%	10.3%	9.0%	6.4%	7.5%	11.9%	10.9%	8.7%	11.5%	10.8%	11.2%	11.6%
Adj. EBIT	2.2	0.7	1.1	0.8	0.9	3.5	1.4	1.1	0.8	1.3	4.6	4.9	5.3
<i>Adj. EBIT-%</i>	5.3%	5.8%	10.5%	9.0%	8.7%	8.4%	12.2%	10.9%	8.7%	11.5%	10.9%	11.2%	11.6%
Solteq Software	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20	2020	Q1/'21	Q2/'21E	Q3/'21E	Q4/'21E	2021E	2022E	2023E
Net sales	17.1	4.3	4.6	4.1	5.8	18.8	6.2	6.6	5.9	7.0	25.7	28.8	31.1
<i>sales growth %</i>	-	2.5%	6.1%	10.5%	20.4%	10.2%	43.1%	44.4%	42.8%	20.6%	36.4%	12.0%	8.0%
Adj. EBITDA	2.7	0.7	1.0	1.2	1.7	4.6	1.6	1.8	1.7	2.1	7.1	8.1	8.7
<i>Adj. EBITDA-%</i>	15.9%	16.7%	21.1%	28.1%	29.7%	24.3%	25.3%	27.0%	28.0%	30.0%	27.6%	28.0%	28.0%
EBIT	1.3	0.2	0.4	0.5	1.1	2.2	0.9	1.2	1.0	1.5	4.6	5.6	6.2
<i>EBIT-%</i>	7.7%	4.1%	8.8%	13.2%	19.1%	11.8%	14.6%	17.5%	17.4%	21.1%	17.7%	19.3%	20.0%
Adj. EBIT	1.4	0.2	0.4	0.5	1.1	2.3	0.9	1.2	1.0	1.5	4.6	5.6	6.2
<i>Adj. EBIT-%</i>	8.1%	5.2%	8.8%	13.2%	19.1%	12.1%	15.0%	17.5%	17.4%	21.1%	17.8%	19.3%	20.0%

NORDIC IT SERVICES	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		21	22	23	21	22	23	21	22	23
TietoEVRY	3432	8.4x	8.0x	7.7x	12.1x	11.3x	10.7x	12.6x	11.6x	11.0x
Atea	1801	10.6x	9.7x	9.6x	17.2x	15.1x	14.5x	23.1x	20.1x	18.7x
Knowit	614	12.3x	11.8x	12.0x	15.1x	14.6x	14.6x	20.3x	19.7x	19.6x
Bouvet	716	16.6x	15.1x	13.9x	20.8x	18.7x	16.9x	27.9x	25.1x	22.9x
Gofore	297	16.1x	13.9x	12.7x	21.3x	17.8x	16.0x	26.5x	22.4x	20.2x
Digia	213	11.1x	10.3x	9.8x	15.6x	14.4x	13.6x	19.2x	17.6x	16.4x
Sili Solutions	125	9.1x	7.7x	7.8x	15.6x	12.0x	11.2x	16.0x	13.1x	13.0x
Vincit	136							20.6x	18.0x	16.6x
Innofactor	66	6.7x	7.8x	7.5x	10.7x	10.9x	10.6x	11.4x	13.6x	12.2x
Qt Group	2437	90.7x	60.0x	43.7x	100.2x	64.7x	46.7x	124.1x	82.7x	59.6x
Peer Group Average	977	20.2x	16.0x	13.9x	25.4x	19.9x	17.2x	30.2x	24.4x	21.0x
Peer Group Median	584	11.1x	10.3x	9.8x	15.6x	14.6x	14.5x	20.4x	18.9x	17.7x

Source FactSet, Evli Research

NORDIC SOFTWARE	MCAP EUR	EV/EBITDA			EV/EBIT			P/E		
		21	22	23	21	22	23	21	22	23
Vitec Software Group	1308							50.1x	42.3x	37.2x
Basware	590								266.7x	67.2x
SimCorp	4360	30.3x	27.0x	24.6x	33.4x	29.6x	26.9x	43.9x	38.4x	34.5x
F-Secure	646	18.0x	16.1x	13.9x	29.0x	24.4x	19.6x	43.0x	35.5x	26.8x
Admicom	504	43.3x	35.8x	29.3x	44.5x	36.6x	29.7x	56.6x	46.5x	37.8x
cBrain	584	103.2x	81.5x	81.2x	180.2x	138.6x	106.3x	240.1x	182.1x	143.0x
Enea	514	15.6x	13.0x	11.6x	23.5x	18.5x	15.9x	26.0x	21.7x	18.3x
Infront	117	12.3x	11.5x	10.9x	27.0x	24.5x	22.3x	22.0x	20.1x	35.6x
Peer Group Average	1078	37.1x	30.8x	28.6x	56.3x	45.3x	36.8x	68.8x	81.7x	50.1x
Peer Group Median	587	24.1x	21.5x	19.2x	31.2x	27.0x	24.6x	43.9x	40.4x	36.4x

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	6.08 PV of Free Cash Flow	77 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	7.05 PV of Horizon value	89 WACC, %	8.9 Market risk premium, %	5.8
Share price potential, %	15.9 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	7.7 Marketable securities	5 Minimum WACC, %	8.4 Equity beta coefficient	1.10
Minimum value	6.5 Debt - dividend	-34 Maximum WACC, %	9.4 Target debt ratio, %	20
Horizon value, %	53.7 Value of stock	136 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	68	73	76	79	82	86	89	93	96	98	100
<i>Sales growth, %</i>	<i>3.7</i>	<i>13.0</i>	<i>6.4</i>	<i>5.0</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	9	10	11	12	12	13	13	14	15	15	15
<i>Operating income margin, %</i>	<i>8.9</i>	<i>13.4</i>	<i>14.4</i>	<i>15.0</i>	<i>15.0</i>	<i>15.0</i>	<i>15.0</i>	<i>15.0</i>	<i>15.0</i>	<i>15.0</i>	<i>15.0</i>	<i>15.0</i>
+ Depreciation+amort.	5	5	5	5	6	6	7	7	7	8	8	
EBITDA	10	15	16	17	18	19	20	20	21	22	23	
- Paid taxes	-2	-2	-2	-2	-2	-2	-3	-3	-3	-3	-3	
- Change in NWC	4	1	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	-5	-5	-5	-6	-6	-6	-7	
<i>opCAPEX / Sales, %</i>	<i>9.4</i>	<i>9.2</i>	<i>8.6</i>	<i>8.6</i>	<i>8.7</i>	<i>8.9</i>	<i>9.0</i>	<i>9.2</i>	<i>9.4</i>	<i>9.6</i>	<i>9.5</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	10	10	11	11	12	12	12	13	13	14	202
= Discounted FCFF		9	9	8	8	8	7	7	7	6	6	89
= DFCF min WACC		9	9	9	9	8	8	7	7	7	6	100
= DFCF max WACC		9	9	8	8	8	7	7	6	6	6	79

INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2E	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	15.7	15.1	13.3	16.4	60.5	17.4	17.1	15.4	18.4	68.3	72.6	76.3
EBITDA	1.9	2.7	2.7	3.1	10.4	3.6	3.7	3.2	4.2	14.6	16.0	16.8
<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>20.7</i>	<i>21.5</i>	<i>20.9</i>	<i>22.6</i>	<i>21.4</i>	<i>22.0</i>	<i>22.1</i>
EBIT	0.7	1.5	1.4	1.8	5.4	2.2	2.3	1.8	2.8	9.2	10.5	11.5
<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>12.8</i>	<i>13.5</i>	<i>12.0</i>	<i>15.1</i>	<i>13.4</i>	<i>14.4</i>	<i>15.0</i>
Net financial items	-0.6	-0.5	-0.6	-1.0	-2.6	-0.4	-0.5	-0.5	-0.5	-1.9	-2.0	-1.6
Pre-tax profit	0.1	1.0	0.8	0.8	2.7	1.8	1.8	1.3	2.3	7.3	8.5	9.8
Tax	-0.1	-0.2	-0.3	-0.2	-0.8	-0.4	-0.4	-0.3	-0.5	-1.5	-1.7	-2.0
<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>20.8</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.2</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0.0	0.8	0.5	0.6	2.0	1.5	1.4	1.1	1.8	5.8	6.8	7.9
EPS	0.00	0.04	0.03	0.03	0.10	0.08	0.07	0.06	0.09	0.30	0.35	0.41
EPS adjusted (diluted no. of shares)	0.00	0.04	0.03	0.03	0.10	0.08	0.07	0.06	0.09	0.30	0.35	0.41
Dividend per share	0.00	0.00	0.00	0.00	0.15	0.00	0.00	0.00	0.00	0.14	0.16	0.18
SALES, EURm												
Solteq Digital	11.3	10.5	9.2	10.6	41.6	11.2	10.5	9.5	11.4	42.6	43.9	45.2
Solteq Software	4.3	4.6	4.1	5.8	18.8	6.2	6.6	5.9	7.0	25.7	28.8	31.1
Total	15.7	15.1	13.3	16.4	60.5	17.4	17.1	15.4	18.4	68.3	72.6	76.3
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>-1.4</i>	<i>-0.1</i>	<i>3.7</i>	<i>7.5</i>	<i>2.3</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>43.1</i>	<i>44.4</i>	<i>42.8</i>	<i>20.6</i>	<i>36.4</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>10.9</i>	<i>13.4</i>	<i>15.9</i>	<i>12.1</i>	<i>13.0</i>	<i>6.4</i>	<i>5.0</i>
EBIT, EURm												
Solteq Digital	0.5	1.1	0.8	0.7	3.1	1.3	1.1	0.8	1.3	4.6	4.9	5.3
Solteq Software	0.2	0.4	0.5	1.1	2.2	0.9	1.2	1.0	1.5	4.6	5.6	6.2
Total	0.7	1.5	1.4	1.8	5.4	2.2	2.3	1.8	2.8	9.2	10.5	11.5
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>11.9</i>	<i>10.9</i>	<i>8.7</i>	<i>11.5</i>	<i>10.8</i>	<i>11.2</i>	<i>11.6</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>14.6</i>	<i>17.5</i>	<i>17.4</i>	<i>21.1</i>	<i>17.7</i>	<i>19.3</i>	<i>20.0</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>12.8</i>	<i>13.5</i>	<i>12.0</i>	<i>15.1</i>	<i>13.4</i>	<i>14.4</i>	<i>15.0</i>

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	63.0	50.7	56.9	58.3	60.5	68.3	72.6	76.3
<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>13.0</i>	<i>6.4</i>	<i>5.0</i>
EBITDA	8.4	2.4	4.8	9.7	10.4	14.6	16.0	16.8
<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>21.4</i>	<i>22.0</i>	<i>22.1</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	9.2	10.5	11.5
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	9.2	10.5	11.5
<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>13.4</i>	<i>14.4</i>	<i>15.0</i>
Reported EBIT	6.4	0.3	2.5	5.7	5.4	9.2	10.5	11.5
<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>13.4</i>	<i>14.4</i>	<i>15.0</i>
Net financials	-1.7	-1.8	-1.8	-2.0	-2.6	-1.9	-2.0	-1.6
Pre-tax profit	4.7	-1.5	0.6	3.7	2.7	7.3	8.5	9.8
Taxes	-0.1	-0.1	-0.3	-0.9	-0.8	-1.5	-1.7	-2.0
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	5.8	6.8	7.9
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	9
Inventory	0	0	0	0	0	0	0	0
Receivables	12	15	12	16	12	13	14	15
Liquid funds	8	2	5	4	5	10	14	6
Total assets	61	61	74	77	75	82	87	82
Liabilities								
Shareholder's equity	20	20	22	25	27	29	34	38
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	9
Deferred taxes	1	1	1	1	1	1	1	1
Interest bearing debt	26	26	28	28	24	26	26	14
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	82	87	82
CASH FLOW, EURm								
+ EBITDA	8	2	5	10	10	15	16	17
- Net financial items	-2	-2	-2	-2	-3	-2	-2	-2
- Taxes	0	0	0	-1	-1	-1	-2	-2
- Increase in Net Working Capital	3	-1	6	-1	4	1	0	0
+/- Other	-5	-2	0	-2	0	0	0	0
= Cash flow from operations	4	-2	8	4	11	12	13	13
- 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	6	6	7
+/- New issues/buybacks	0	3	1	0	0	0	0	0
- Paid dividend	0	-1	0	0	0	-3	-3	-3
+/- Other	3	-5	-2	2	-4	2	1	-12
Change in cash	6	-7	4	-2	1	5	4	-8

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	28	25	29	54	117	117	117
Net debt (excl. convertibles)	24	29	32	26	24	20	16
Enterprise value	52	54	60	81	141	137	134
Sales	51	57	58	60	68	73	76
EBITDA	2	5	10	10	15	16	17
EBIT	0	2	6	5	9	10	11
Pre-tax	-1	1	4	3	7	9	10
Earnings	-2	0	3	2	6	7	8
Equity book value (excl. minorities)	20	22	25	27	29	34	38
Valuation multiples							
EV/sales	1.0	1.0	1.0	1.3	2.1	1.9	1.8
EV/EBITDA	21.8	11.4	6.2	7.8	9.6	8.6	7.9
EV/EBITA	168.7	22.0	10.6	15.1	15.4	13.1	11.6
EV/EBIT	168.7	22.0	10.6	15.1	15.4	13.1	11.6
EV/OCF	-25.1	6.8	14.6	7.5	11.9	10.9	9.9
EV/FCFF	-14.0	14.0	59.8	9.7	14.4	13.3	12.6
P/FCFE	-8.8	5.3	-9.1	10.8	20.9	18.4	17.0
P/E	-18.3	69.9	27.1	27.3	20.2	17.3	14.9
P/B	1.4	1.1	1.2	2.0	4.0	3.5	3.1
Target EV/EBITDA	0.0	0.0	0.0	0.0	11.1	10.0	9.2
Target EV/EBIT	0.0	0.0	0.0	0.0	17.8	15.2	13.5
Target EV/FCF	0.0	0.0	0.0	0.0	29.0	24.9	22.4
Target P/B	0.0	0.0	0.0	0.0	4.7	4.1	3.6
Target P/E	0.0	0.0	0.0	0.0	24.0	20.4	17.7
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	0.30	0.35	0.41
Operating cash flow per share	-0.11	0.42	0.21	0.55	0.61	0.65	0.70
Free cash flow per share	-0.17	0.24	-0.16	0.26	0.29	0.33	0.36
Book value per share	1.13	1.14	1.27	1.37	1.52	1.74	1.99
Dividend per share	0.00	0.00	0.00	0.15	0.14	0.16	0.18
Dividend payout ratio, %	0.0	0.0	0.0	146.3	45.0	45.0	45.0
Dividend yield, %	0.0	0.0	0.0	5.4	2.2	2.6	3.0
FCF yield, %	-11.4	18.8	-11.0	9.3	4.8	5.4	5.9
Efficiency measures							
ROE	-7.4	1.7	12.1	7.8	20.7	21.6	21.8
ROCE	0.7	4.8	9.8	9.1	15.2	16.1	17.9
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	9.2	8.6	8.6
CAPEX/sales (incl. acquisitions), %	2.1	5.8	12.5	9.4	9.2	8.6	8.6
FCFF/EBITDA	-1.6	0.8	0.1	0.8	0.7	0.6	0.6
Net debt/EBITDA, book-weighted	10.2	6.2	3.2	2.6	1.6	1.3	1.0
Debt/equity, market-weighted	0.9	1.1	1.0	0.4	0.2	0.2	0.1
Equity ratio, book-weighted	33.3	29.3	31.9	35.5	36.0	38.4	47.0
Gearing, %	118.7	134.5	128.5	99.9	80.9	59.6	42.1

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 somewhat restricted within core competencies.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Sentica Buyout III Ky	4,621,244	28.097	23.9%
Profiz Business Solution Oyj	2,060,769	12.529	10.7%
Elo Mutual Pension Insurance Company	2,000,000	12.160	10.4%
Saadetdin Ali	1,400,000	8.512	7.3%
Varma Mutual Pension Insurance Company	1,245,597	7.573	6.5%
Aalto Seppo Tapio	730,000	4.438	3.8%
Roininen Matti Juhani	400,000	2.432	2.1%
Väätäinen Olli Pekka	400,000	2.432	2.1%
Lamy Oy	190,993	1.161	1.0%
Sentica Buyout III Co-Investment Ky	180,049	1.095	0.9%
Ten largest	13,228,652	80.430	69%
Residual	6,077,875	36.953	31%
Total	19,306,527	117.384	100%

EARNINGS CALENDAR

August 12, 2021 Q2 report
October 28, 2021 Q3 report

OTHER EVENTS

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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