

## Bumps on the road

Solteq's Q3 was weaker than expected due to two project postponements. Uncertainty has increased but Solteq is still well on its way toward solid growth and profitability.

### Two project postponements drove weaker Q3 figures

Solteq's Q3 results took an unfortunate turn from the solid development trend so far during 2021. Net sales grew slower than expected by 12.2% y/y to EUR 14.9m (Evli EUR 16.4m). The adj. operating profit declined slightly to EUR 1.2m (Evli EUR 2.0m). Solteq Digital grew 4.3% to EUR 9.5m (Evli EUR 10.4m) and the adj. EBIT improved slightly to EUR 0.9m (Evli EUR 1.1m) while Solteq Software grew 29.7% to EUR 5.4m (Evli EUR 6.0m) and the adj. declined slightly to EUR 0.3m (Evli EUR 1.0m). The Q3 results were mainly impacted by the postponement of two larger customer deliveries in the retail-segment due to the prevailing component shortage situation and to some extent by an increase in subcontracting costs due to a lack of specialists in the IT-sector.

### Larger part of Q3 concerns look to be temporary

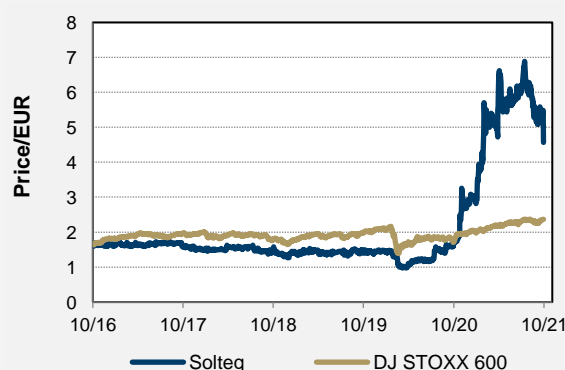
At least on paper the challenges faced in Q3 appear to be of temporary nature. The postponements should have a clearly smaller impact on Q4. The prevailing demand uncertainty due to the pandemic, the component shortage and lack of industry specialists, however, are a concern, but to our understanding no new postponements are seen right now. The share of subcontracting is relatively low but has been increasing and future growth could come at the cost of margins and vice versa. Potential cost increases may in the future ultimately end up being absorbed by the customer. We have made some minor downward tweaks to our Q4 estimates but no larger changes to our coming year estimates.

### BUY with a target price of EUR 6.8 (8.0)

We see good potential for Solteq returning back on its H1 track but with our minor estimates and higher uncertainty we lower our target price to EUR 6.8, with our BUY-rating intact. Our TP values Solteq on a slight premium to IT-services peers on 2021e P/E and on par with peers on 2022e P/E.

## Rating

BUY



Share price, EUR (Last trading day's closing price) 4.57

Target price, EUR 6.8

Latest change in recommendation 14-Aug-20

Latest report on company 13-Aug-21

Research paid by issuer: YES

No. of shares outstanding, '000's 19,397

No. of shares fully diluted, '000's 19,397

Market cap, EURm 89

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 17-Feb-22

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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	69.3	8.3	12.0%	4.4	0.26	17.4	1.6	13.7	4.9	0.12
2022E	76.9	11.5	15.0%	7.1	0.40	11.4	1.4	9.5	8.0	0.18
2023E	80.7	12.3	15.3%	7.5	0.44	10.3	1.3	8.5	8.5	0.20
Market cap, EURm	89			Gearing 2021E, %	87.2			CAGR EPS 2020-23, %	63.0	
Net debt 2021E, EURm	25			Price/book 2021E	3.1			CAGR sales 2020-23, %	10.1	
Enterprise value, EURm	114			Dividend yield 2021E, %	2.6			ROE 2021E, %	18.5	
Total assets 2021E, EURm	80			Tax rate 2021E, %	21.6			ROCE 2021E, %	14.0	
Goodwill 2021E, EURm	41			Equity ratio 2021E, %	36.1			PEG, P/E 21/CAGR	0.8	

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/'21	Q3/'21	Q4/'21E	2021E	2022E	2023E
Net sales	58.3	15.7	15.1	13.3	16.4	60.5	17.4	18.5	14.9	18.5	69.3	76.9	80.7
<i>sales growth %</i>	2.5%	5.0%	2.9%	2.3%	4.5%	3.7%	10.9%	22.6%	12.2%	12.7%	14.6%	11.0%	4.9%
<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	0.1	0.0	0.0	0.1	0.1	0.1
Materials and services	-5.4	-1.7	-1.4	-1.3	-1.6	-5.9	-1.9	-2.0	-1.9	-2.1	-7.9	-7.4	-7.6
Personnel expenses	-36.8	-9.5	-9.5	-7.9	-9.9	-36.9	-10.2	-10.8	-8.5	-10.6	-40.1	-44.5	-46.9
Other expenses	-9.0	-2.6	-1.6	-1.5	-1.9	-7.5	-1.8	-2.1	-2.0	-2.0	-7.9	-8.2	-8.5
EBITDA	9.7	1.9	2.7	2.7	3.1	10.4	3.5	3.7	2.4	3.8	13.4	16.8	17.7
Adj. EBITDA	7.5	2.0	2.7	2.7	3.3	10.8	3.6	3.8	2.5	3.8	13.7	16.8	17.7
D&A	-4.0	-1.2	-1.2	-1.4	-1.3	-5.0	-1.3	-1.3	-1.3	-1.3	-5.1	-5.3	-5.4
EBIT	5.7	0.7	1.5	1.4	1.8	5.4	2.2	2.4	1.1	2.5	8.3	11.5	12.3
<i>EBIT-%</i>	9.8 %	4.6 %	9.8 %	10.3 %	10.9 %	8.9 %	12.8 %	13.2 %	7.6 %	13.3 %	11.9 %	15.0 %	15.3 %
Adjustment items	-2.5	0.2	0.0	0.0	0.2	0.4	0.1	0.0	0.1	0.0	0.1	0.0	0.0
Adj. EBIT	3.2	0.9	1.5	1.4	2.0	5.8	2.3	2.5	1.2	2.5	8.4	11.5	12.3
<i>Adj. EBIT-%</i>	5.6%	5.6%	10.0%	10.3%	12.4%	9.6%	13.2%	13.4%	8.1%	13.3%	12.2%	15.0%	15.3%
<b>Solteq Digital</b>	<b>2019</b>	<b>Q1/'20</b>	<b>Q2/'20</b>	<b>Q3/'20</b>	<b>Q4/'20</b>	<b>2020</b>	<b>Q1/'21</b>	<b>Q2/'21</b>	<b>Q3/'21</b>	<b>Q4/'21E</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Net sales	41.2	11.3	10.5	9.2	10.6	41.6	11.2	11.9	9.5	11.7	44.3	47.4	48.8
<i>sales growth %</i>	-	6.0%	1.5%	-1.0%	-2.6%	1.0%	-1.4%	13.0%	4.3%	10.3%	6.5%	7.0%	3.0%
Adj. EBITDA	4.8	1.3	1.8	1.6	1.6	6.2	2.0	2.5	1.5	2.0	8.0	8.5	8.8
<i>Adj. EBITDA-%</i>	11.7%	11.6%	16.9%	17.0%	15.0%	15.0%	17.8%	20.8%	15.9%	17.0%	18.0%	18.0%	18.0%
EBIT	4.4	0.5	1.1	0.8	0.7	3.1	1.3	1.9	0.9	1.4	5.5	5.9	5.9
<i>EBIT-%</i>	10.7%	4.8%	10.3%	9.0%	6.4%	7.5%	11.9%	15.7%	9.3%	11.9%	12.3%	12.3%	12.1%
Adj. EBIT	2.2	0.7	1.1	0.8	0.9	3.5	1.4	1.9	0.9	1.4	5.6	5.9	5.9
<i>Adj. EBIT-%</i>	5.3%	5.8%	10.5%	9.0%	8.7%	8.4%	12.2%	15.7%	9.9%	11.9%	12.6%	12.3%	12.1%
<b>Solteq Software</b>	<b>2019</b>	<b>Q1/'20</b>	<b>Q2/'20</b>	<b>Q3/'20</b>	<b>Q4/'20</b>	<b>2020</b>	<b>Q1/'21</b>	<b>Q2/'21</b>	<b>Q3/'21</b>	<b>Q4/'21E</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Net sales	17.1	4.3	4.6	4.1	5.8	18.8	6.2	6.6	5.4	6.8	25.0	29.5	31.8
<i>sales growth %</i>	-	2.5%	6.1%	10.5%	20.4%	10.2%	43.1%	44.6%	29.8%	17.2%	32.6%	18.0%	8.0%
Adj. EBITDA	2.7	0.7	1.0	1.2	1.7	4.6	1.6	1.3	1.0	1.8	5.6	8.3	8.9
<i>Adj. EBITDA-%</i>	15.9%	16.7%	21.1%	28.1%	29.7%	24.3%	25.3%	19.7%	18.3%	26.0%	22.5%	28.0%	28.0%
EBIT	1.3	0.2	0.4	0.5	1.1	2.2	0.9	0.6	0.2	1.1	2.8	5.7	6.4
<i>EBIT-%</i>	7.7%	4.1%	8.8%	13.2%	19.1%	11.8%	14.6%	9.3%	4.6%	15.7%	11.3%	19.2%	20.2%
Adj. EBIT	1.4	0.2	0.4	0.5	1.1	2.3	0.9	0.6	0.3	1.1	2.8	5.7	6.4
<i>Adj. EBIT-%</i>	8.1%	5.2%	8.8%	13.2%	19.1%	12.1%	15.0%	8.7%	4.9%	15.7%	11.4%	19.2%	20.2%

NORDIC IT SERVICES	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		21	22	23	21	22	23	21	22	23
TietoEVRY	3190	7.7x	7.6x	7.3x	11.1x	11.0x	10.4x	11.9x	11.1x	10.4x
Atea	1802	11.2x	9.9x	9.1x	17.9x	15.0x	13.2x	21.7x	18.2x	15.8x
Knowit	763	13.5x	10.6x	9.5x	19.6x	15.7x	13.5x	26.3x	24.3x	21.1x
Bouvet	721	17.6x	16.0x	14.5x	21.4x	19.3x	17.3x	27.9x	25.2x	22.6x
Gofore	324	17.9x	15.1x	13.9x	25.3x	19.9x	17.5x	34.5x	27.9x	24.8x
Digia	182	10.2x	9.3x	8.5x	15.7x	13.5x	12.0x	17.8x	15.5x	13.7x
Sili Solutions	107	9.0x	7.6x	7.0x	14.7x	11.6x	10.2x	15.4x	12.1x	10.8x
Vincit	104							20.4x	16.1x	12.5x
Innofactor	55	5.9x	6.8x	6.4x	9.8x	10.0x	9.3x	12.8x	11.2x	10.6x
Qt Group	3860	115.8x	77.5x	52.5x	131.0x	84.3x	55.9x	163.9x	105.9x	70.3x
Peer Group Average	1062	<b>23.2x</b>	<b>17.8x</b>	<b>14.3x</b>	<b>29.6x</b>	<b>22.3x</b>	<b>17.7x</b>	<b>35.3x</b>	<b>26.8x</b>	<b>21.3x</b>
Peer Group Median	498	<b>11.2x</b>	<b>9.9x</b>	<b>9.1x</b>	<b>17.9x</b>	<b>15.0x</b>	<b>13.2x</b>	<b>21.1x</b>	<b>17.1x</b>	<b>14.7x</b>

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	1632							56.4x	49.1x	43.2x
Basware	463	22.7x	18.8x	14.8x	73.6x	44.1x	26.8x		132.8x	48.5x
SimCorp	4143	28.5x	25.7x	23.5x	31.4x	28.0x	25.5x	40.6x	36.1x	32.6x
F-Secure	764	20.7x	17.4x	14.9x	30.6x	24.7x	20.3x	40.5x	32.8x	26.9x
Admicom	450	35.8x	30.8x	26.0x	38.3x	32.7x	27.0x	50.4x	43.2x	35.6x
cBrain	933	134.7x	99.4x	93.0x	208.4x	147.0x	110.7x	268.9x	193.5x	144.9x
Enea	498	13.8x	11.3x	10.3x	21.7x	16.5x	14.6x	21.8x	19.3x	17.6x
Infront	88									
Peer Group Average	1121	<b>42.7x</b>	<b>33.9x</b>	<b>30.4x</b>	<b>67.3x</b>	<b>48.8x</b>	<b>37.5x</b>	<b>79.8x</b>	<b>72.4x</b>	<b>49.9x</b>
Peer Group Median	631	<b>25.6x</b>	<b>22.2x</b>	<b>19.2x</b>	<b>34.8x</b>	<b>30.4x</b>	<b>26.2x</b>	<b>45.5x</b>	<b>43.2x</b>	<b>35.6x</b>

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	4.57 PV of Free Cash Flow	81 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	7.71 PV of Horizon value	98 WACC, %	8.9 Market risk premium, %	5.8
Share price potential, %	68.6 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	8.4 Marketable securities	5 Minimum WACC, %	8.4 Equity beta coefficient	1.10
Minimum value	7.1 Debt - dividend	-34 Maximum WACC, %	9.4 Target debt ratio, %	20
Horizon value, %	54.8 Value of stock	149 Nr of shares, Mn	19.4 Effective tax rate, %	20

DCF valuation, EURm	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Horizon
Net sales	60	69	77	81	84	87	91	94	98	102	104	106
<i>Sales growth, %</i>	<i>3.7</i>	<i>14.6</i>	<i>11.0</i>	<i>4.9</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	8	12	12	13	13	14	14	15	16	16	16
<i>Operating income margin, %</i>	<i>8.9</i>	<i>12.0</i>	<i>15.0</i>	<i>15.3</i>	<i>15.3</i>	<i>15.3</i>	<i>15.3</i>	<i>15.3</i>	<i>15.3</i>	<i>15.3</i>	<i>15.3</i>	<i>15.3</i>
+ Depreciation+amort.	5	5	5	5	6	7	7	7	8	8	8	8
EBITDA	10	13	17	18	19	20	21	22	23	24	24	
- Paid taxes	-2	-2	-2	-2	-3	-3	-3	-3	-3	-3	-3	-3
- Change in NWC	4	1	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>	<i>-7.5</i>
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	0
- Operative CAPEX	-4	-6	-4	-4	-5	-5	-5	-6	-6	-7	-7	-7
<i>opCAPEX / Sales, %</i>	<i>9.4</i>	<i>9.4</i>	<i>8.4</i>	<i>8.4</i>	<i>8.5</i>	<i>8.7</i>	<i>8.8</i>	<i>9.0</i>	<i>9.2</i>	<i>9.4</i>	<i>9.4</i>	<i>9.4</i>
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	0
- Other items	0	0	0	0	0	0	0	0	0	0	0	0
= FCFF	8	7	11	11	12	12	13	13	14	14	14	214
= Discounted FCFF		7	10	9	9	9	8	8	7	7	7	98
= DFCF min WACC		7	10	9	9	9	8	8	8	7	7	110
= DFCF max WACC		7	10	9	9	9	8	8	7	7	6	88

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2	2021Q3	2021Q4E	2021E	2022E	2023E
Net sales	15.7	15.1	13.3	16.4	60.5	17.4	18.5	14.9	18.5	69.3	76.9	80.7
EBITDA	1.9	2.7	2.7	3.1	10.4	3.6	3.7	2.4	3.8	13.4	16.8	17.7
<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>19.8</i>	<i>16.2</i>	<i>20.3</i>	<i>19.4</i>	<i>21.8</i>	<i>21.9</i>
EBIT	0.7	1.5	1.4	1.8	5.4	2.2	2.5	1.1	2.5	8.3	11.5	12.3
<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>13.4</i>	<i>7.6</i>	<i>13.3</i>	<i>12.0</i>	<i>15.0</i>	<i>15.3</i>
Net financial items	-0.6	-0.5	-0.6	-1.0	-2.6	-0.4	-0.5	-0.4	-0.5	-1.8	-1.8	-1.6
Pre-tax profit	0.1	1.0	0.8	0.8	2.7	1.8	2.0	0.7	2.0	6.5	9.7	10.8
Tax	-0.1	-0.2	-0.3	-0.2	-0.8	-0.4	-0.4	-0.2	-0.4	-1.4	-1.9	-2.2
<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>21.6</i>	<i>28.1</i>	<i>20.0</i>	<i>21.6</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0.0	0.8	0.5	0.6	2.0	1.5	1.6	0.5	1.6	5.1	7.7	8.6
EPS	0.00	0.04	0.03	0.03	0.10	0.08	0.08	0.03	0.08	0.26	0.40	0.44
EPS adjusted (diluted no. of shares)	0.00	0.04	0.03	0.03	0.10	0.08	0.08	0.03	0.08	0.26	0.40	0.44
Dividend per share	0.00	0.00	0.00	0.00	0.15	0.00	0.00	0.00	0.00	0.12	0.18	0.20
<b>SALES, EURm</b>												
Solteq Digital	11.3	10.5	9.2	10.6	41.6	11.2	11.9	9.5	11.7	44.3	47.4	48.8
Solteq Software	4.3	4.6	4.1	5.8	18.8	6.2	6.6	5.4	6.8	25.0	29.5	31.8
Total	15.7	15.1	13.3	16.4	60.5	17.4	18.5	14.9	18.5	69.3	76.9	80.7
<b>SALES GROWTH, Y/Y %</b>												
<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>13.0</i>	<i>4.3</i>	<i>10.3</i>	<i>6.5</i>	<i>7.0</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>44.6</i>	<i>29.8</i>	<i>17.2</i>	<i>32.6</i>	<i>18.0</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>22.6</i>	<i>12.2</i>	<i>12.7</i>	<i>14.6</i>	<i>11.0</i>	<i>4.9</i>
<b>EBIT, EURm</b>												
Solteq Digital	0.5	1.1	0.8	0.7	3.1	1.3	1.9	0.9	1.4	5.5	5.9	5.9
Solteq Software	0.2	0.4	0.5	1.1	2.2	0.9	0.6	0.2	1.1	2.8	5.7	6.4
Total	0.7	1.5	1.4	1.8	5.4	2.2	2.5	1.1	2.5	8.3	11.5	12.3
<b>EBIT margin, %</b>												
<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>15.7</i>	<i>9.3</i>	<i>11.9</i>	<i>12.3</i>	<i>12.3</i>	<i>12.1</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>9.3</i>	<i>4.6</i>	<i>15.7</i>	<i>11.3</i>	<i>19.2</i>	<i>20.2</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>13.4</i>	<i>7.6</i>	<i>13.3</i>	<i>12.0</i>	<i>15.0</i>	<i>15.3</i>

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	63.0	50.7	56.9	58.3	60.5	69.3	76.9	80.7
<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>14.6</i>	<i>11.0</i>	<i>4.9</i>
EBITDA	8.4	2.4	4.8	9.7	10.4	13.4	16.8	17.7
<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>19.4</i>	<i>21.8</i>	<i>21.9</i>
Depreciation	-1.9	-2.1	-2.3	-4.0	-5.0	-5.1	-5.3	-5.4
EBITA	6.5	0.3	2.5	5.7	5.4	8.3	11.5	12.3
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	8.3	11.5	12.3
<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>12.0</i>	<i>15.0</i>	<i>15.3</i>
Reported EBIT	6.4	0.3	2.5	5.7	5.4	8.3	11.5	12.3
<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>12.0</i>	<i>15.0</i>	<i>15.3</i>
Net financials	-1.7	-1.8	-1.8	-2.0	-2.6	-1.8	-1.8	-1.6
Pre-tax profit	4.7	-1.5	0.6	3.7	2.7	6.5	9.7	10.8
Taxes	-0.1	-0.1	-0.3	-0.9	-0.8	-1.4	-1.9	-2.2
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	5.1	7.7	8.6
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
<b>BALANCE SHEET, EURm</b>								
<b>Assets</b>								
Fixed assets	7	8	10	11	12	12	13	14
Goodwill	34	37	40	39	39	41	41	41
Right of use assets	0	0	6	7	7	6	7	7
Inventory	0	0	0	0	0	0	0	0
Receivables	12	15	12	16	12	13	15	15
Liquid funds	8	2	5	4	5	7	12	7
Total assets	61	61	74	77	75	80	88	84
<b>Liabilities</b>								
Shareholder's equity	20	20	22	25	27	29	34	39
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	6	7	7
Deferred taxes	1	1	1	1	1	1	1	1
Interest bearing debt	26	26	28	28	24	26	26	15
Non-interest bearing current liabilities	14	14	17	17	16	19	21	22
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	61	61	74	77	75	80	88	84
<b>CASH FLOW, EURm</b>								
+ EBITDA	8	2	5	10	10	13	17	18
- 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	1	0
+/- Other	-5	-2	0	-2	0	0	0	0
= Cash flow from operations	4	-2	8	4	11	11	14	14
- Capex	-1	-1	-3	-7	-6	-7	-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	7	8
+/- New issues/buybacks	0	3	1	0	0	0	0	0
- Paid dividend	0	-1	0	0	0	-3	-2	-3
+/- Other	3	-5	-2	2	-4	0	1	-10
Change in cash	6	-7	4	-2	1	2	6	-6

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	28	25	29	54	89	89	89
Net debt (excl. convertibles)	24	29	32	26	25	20	16
Enterprise value	52	54	60	81	114	109	105
Sales	51	57	58	60	69	77	81
EBITDA	2	5	10	10	13	17	18
EBIT	0	2	6	5	8	12	12
Pre-tax	-1	1	4	3	7	10	11
Earnings	-2	0	3	2	5	8	9
Equity book value (excl. minorities)	20	22	25	27	29	34	39
<b>Valuation multiples</b>							
EV/sales	1.0	1.0	1.0	1.3	1.6	1.4	1.3
EV/EBITDA	21.8	11.4	6.2	7.8	8.5	6.5	5.9
EV/EBITA	168.7	22.0	10.6	15.1	13.7	9.5	8.5
EV/EBIT	168.7	22.0	10.6	15.1	13.7	9.5	8.5
EV/OCF	-25.1	6.8	14.6	7.5	10.4	8.0	7.3
EV/FCFF	-14.0	14.0	59.8	9.7	16.9	9.9	9.5
P/FCFE	-8.8	5.3	-9.1	10.8	20.3	12.4	11.8
P/E	-18.3	69.9	27.1	27.3	17.4	11.4	10.3
P/B	1.4	1.1	1.2	2.0	3.1	2.6	2.3
Target EV/EBITDA	0.0	0.0	0.0	0.0	11.7	9.1	8.4
Target EV/EBIT	0.0	0.0	0.0	0.0	18.9	13.2	12.0
Target EV/FCF	0.0	0.0	0.0	0.0	35.9	21.3	19.7
Target P/B	0.0	0.0	0.0	0.0	4.6	3.9	3.4
Target P/E	0.0	0.0	0.0	0.0	25.9	17.0	15.3
<b>Per share measures</b>							
Number of shares	18,197	19,202	19,307	19,307	19,397	19,397	19,397
Number of shares (diluted)	18,197	19,202	19,307	19,307	19,397	19,397	19,397
EPS	-0.08	0.02	0.15	0.10	0.26	0.40	0.44
Operating cash flow per share	-0.11	0.42	0.21	0.55	0.56	0.70	0.74
Free cash flow per share	-0.17	0.24	-0.16	0.26	0.23	0.37	0.39
Book value per share	1.13	1.14	1.27	1.37	1.48	1.76	2.03
Dividend per share	0.00	0.00	0.00	0.15	0.12	0.18	0.20
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	2.6	3.9	4.4
FCF yield, %	-11.4	18.8	-11.0	9.3	4.9	8.0	8.5
<b>Efficiency measures</b>							
ROE	-7.4	1.7	12.1	7.8	18.5	24.6	23.5
ROCE	0.7	4.8	9.8	9.1	14.0	18.1	19.2
<b>Financial ratios</b>							
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	9.4	8.4	8.4
CAPEX/sales (incl. acquisitions), %	2.1	5.8	12.5	9.4	9.4	8.4	8.4
FCFF/EBITDA	-1.6	0.8	0.1	0.8	0.5	0.7	0.6
Net debt/EBITDA, book-weighted	10.2	6.2	3.2	2.6	1.9	1.2	0.9
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	36.1	38.9	46.7
Gearing, %	118.7	134.5	128.5	99.9	87.2	59.2	41.2

**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	%
Profiz Business Solution Oyj	2,060,769	9.418	10.6%
Elo Mutual Pension Insurance Company	2,000,000	9.140	10.3%
Ilmarinen Mutual Pensions Insurance Company	1,551,293	7.089	8.0%
Varma Mutual Pension Insurance Company	1,545,597	7.063	8.0%
Aktia Capital Mutual Fund	770,000	3.519	4.0%
Saadetdin Ali	657,051	3.003	3.4%
Aalto Seppo Tapio	615,000	2.811	3.2%
Säästöpankki Small Cap Mutual Fund	500,000	2.285	2.6%
Väätäinen Olli Pekka	313,178	1.431	1.6%
Säästöpankki Itämeri Mutual Fund	300,000	1.371	1.5%
Ten largest	10,312,888	47.130	53%
Residual	9,083,613	41.512	47%
Total	19,396,501	88.642	100%

**EARNINGS CALENDAR**

February 17, 2022	FY 2021 Results
April 28, 2022	Q1 report
September 11, 2022	Q2 report
October 27, 2022	Q3 report

**OTHER EVENTS**

March 24, 2022	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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