

Investments weakened profitability

Solteq's Q4 was below our lowered pre-Q4 expectations, with revenue at EUR 18.3m (Evli EUR 18.0m) and adj. EBIT at EUR 1.4m (Evli EUR 2.0m). **Guidance for 2022: group revenue is expected to grow clearly and the operating profit to improve. Dividend proposal EUR 0.10 per share (Evli EUR 0.11).**

- Net sales in Q4 were EUR 18.3m (EUR 16.4m in Q4/20), in line with our estimates (Evli EUR 18.0m). Growth in Q4 amounted to 11.4% y/y, of which the larger part was organic growth.
- The operating profit and adj. operating profit in Q3 amounted to EUR 1.3m and 1.4m respectively (EUR 1.8m/2.0m in Q4/20), below our estimates (Evli EUR 2.0/2.0m). Solteq Software's profitability was below expectations due to investments into product development and internationalization.
- Solteq Digital: revenue in Q4 amounted to EUR 11.7m (Q4/20: EUR 10.6m) vs. Evli EUR 11.4m. Growth amounted to 10.3%. The adj. EBIT was EUR 1.4m (Q4/20: EUR 0.9m) vs. Evli EUR 1.2m. Demand in key areas, such as digital business and commerce solutions, is expected to remain good during 2022.
- Solteq Software: Revenue in Q4 amounted to EUR 6.6m (Q4/20: EUR 5.8m) vs. Evli EUR 6.6m. The adj. EBIT was EUR 0.0m (Q4/20: EUR 1.1m) vs. Evli EUR 0.8m. Growth was 13.3%. The business outlook is expected to remain positive.
- **Guidance for 2022:** group revenue is expected to grow clearly and operating profit to improve.
- **Dividend proposal:** Solteq's BoD proposes a dividend of EUR 0.10 per share (Evli EUR 0.11).

Rating + BUY

Q4/21	Actual	Evli	Year ago	Q3/21
Net sales	18.3	18.0	16.4	14.9
EBIT	1.3	2.0	1.8	1.1
Adj. EBIT	1.4	2.0	2.0	1.2
EPS	0.03	0.06	0.03	0.03
DPS 2021	0.10	0.11	0.15	-

Deviation	Actual	Evli	Year ago	Q3/21
Net sales		2 %	11 %	23 %
EBIT		-34 %	-26 %	17 %
Adj. EBIT		-29 %	-30 %	19 %
EPS		-51 %	-7 %	19 %
DPS 2021		-9 %	-33 %	-

 Share price, EUR (Last trading day's closing price) **4.18**

 Target price, EUR **6.2**

Latest change in recommendation	14-Aug-20
Latest report on company	15-Feb-22
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	81
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
Web site	solteq.com/en/investors

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+ BUY o 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
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	8.8%	5.0	0.10	27.3	1.3	15.1	9.3	0.15
2021E	68.8	7.8	11.4%	4.0	0.24	17.1	1.5	13.6	5.0	0.11
2022E	76.3	10.5	13.8%	6.3	0.36	11.7	1.3	9.7	7.8	0.16
2023E	80.1	11.6	14.5%	6.9	0.41	10.2	1.2	8.5	8.5	0.19

Market cap, EURm	81	BV per share 2021E, EUR	89.6	CAGR EPS 2020-23, %	58.9
Net debt 2021E, EURm	25	Price/book 2021E	2.9	CAGR sales 2020-23, %	9.8
Enterprise value, EURm	106	Dividend yield 2021E, %	2.6	ROE 2021E, %	17.3
Total assets 2021E, EURm	79	Tax rate 2021E, %	21.7	ROCE 2021E, %	13.3
Goodwill 2021E, EURm	41	Equity ratio 2021E, %	35.9	PEG, P/E 21/CAGR	0.8

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

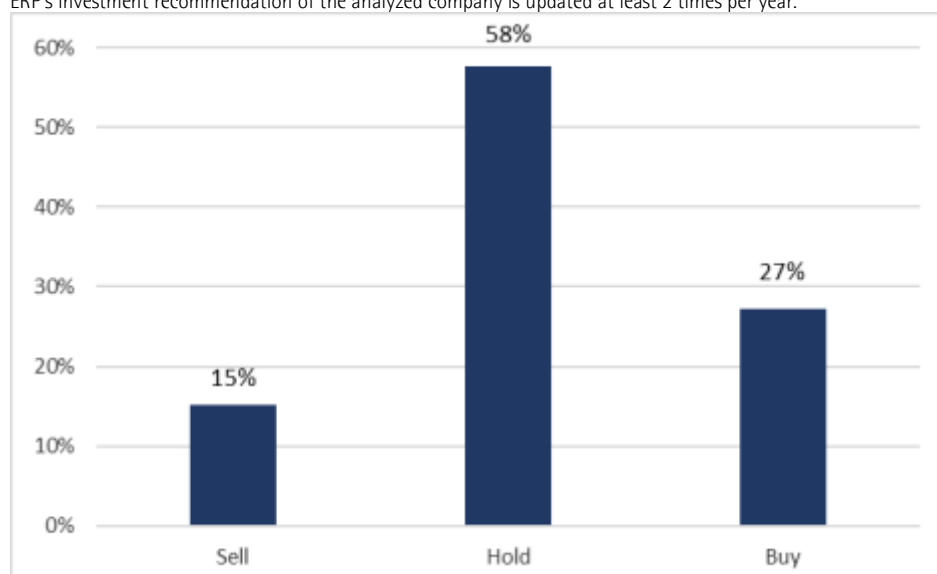
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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