

Focusing on growth

Solteq's growth remained good in Q4, but investments impacted on profitability. With growth investments on the rise, we lower our profitability estimates for 2022 and our TP to EUR 5.0 (6.2), with our BUY-rating intact.

Growth on track but investments burdened profitability

Solteq reported weaker Q4 results on the profitability side while growth still remained at a good pace. Revenue grew 11.4% to EUR 18.3m (EUR 18.0m Evli) and the operating profit amounted to EUR 1.3m (EUR 2.0m Evli). Compared with our estimates, profitability was weaker in Solteq Software, where adj. EBIT fell to EUR 0.0m (EUR 0.8m Evli). Profitability was impacted by growth investments as well as increases in subcontracting and general costs. Investments were made into software development and into international growth. Solteq's BoD proposes a dividend of EUR 0.10 per share (EUR 0.11 Evli).

Estimates lowered as investments pick up

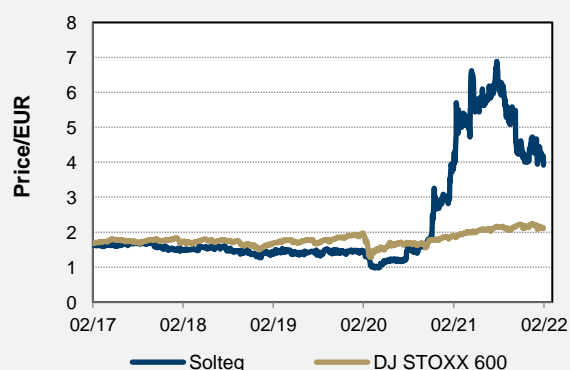
Solteq expects its revenue in 2022 to grow clearly and operating profit to improve compared with 2021. We have not made any significant changes to our revenue estimates but have lowered our profitability estimates by quite a bit, now expecting 2022 operating profit of EUR 7.8m (prev. 10.5m). Although it is unfortunate that profitability scaling in Solteq Software is not going as fast as we (in retrospect probably overoptimistically) had expected, prioritizing growth is still more beneficial with demand drivers in place and apart from cost growth from subcontracting the operational profitability still appears to be on track. We expect to see the growth investments weighing more heavily on H1 and with pick-up in growth and recurring revenue we expect to see figures improve towards the end of the year, creating good potential for the following years.

BUY-rating with a target price of EUR 5.0 (6.2)

With our estimates revisions we adjust our target price to EUR 5.0 (6.2), valuing Solteq at approx. 21x 2022e P/E. Solteq has likely been somewhat cautious in its profitability guidance, and we still see potential for some improvement during the year as visibility improves. We retain our BUY-rating.

Rating

BUY



Share price, EUR (Last trading day's closing price) 3.92

Target price, EUR 5.0

Latest change in recommendation	13-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	76
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	28-Apr-22
Web site	solteq.com/en/investors

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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
2020	60.5	5.4	8.9%	5.0	0.10	27.3	1.3	15.1	9.3	0.15
2021	69.1	7.2	10.4%	3.2	0.21	19.1	1.5	14.6	4.0	0.10
2022E	76.7	7.8	10.2%	4.2	0.24	16.2	1.3	12.8	5.5	0.12
2023E	80.5	10.1	12.5%	5.7	0.34	11.4	1.2	9.6	7.6	0.17
2024E	84.5	11.4	13.5%	7.2	0.41	9.5	1.1	8.1	9.4	0.21
Market cap, EURm	76		Gearing 2022E, %	77.0		CAGR EPS 2021-24, %		24.4		
Net debt 2022E, EURm	24		Price/book 2022E	2.5		CAGR sales 2021-24, %		7.0		
Enterprise value, EURm	100		Dividend yield 2022E, %	3.1		ROE 2022E, %		16.0		
Total assets 2022E, EURm	82		Tax rate 2022E, %	20.0		ROCE 2022E, %		13.1		
Goodwill 2022E, EURm	42		Equity ratio 2022E, %	37.5		PEG, P/E 22/CAGR		0.6		

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

Solteq	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22E	Q2/'22E	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Net sales	60.5	17.4	18.5	14.9	18.3	69.1	18.9	20.4	16.8	20.6	76.7	80.5	84.5
<i>sales growth %</i>	3.7%	10.9%	22.6%	12.2%	11.4%	14.2%	8.7%	10.3%	13.0%	12.7%	11.1%	4.9%	5.0%
<i>comparable growth %</i>	9.3%												
Other income	0.3	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Materials and services	-5.9	-1.9	-2.0	-1.9	-2.1	-7.9	-2.2	-2.3	-2.0	-2.3	-8.8	-8.5	-9.0
Personnel expenses	-36.9	-10.2	-10.8	-8.5	-10.8	-40.3	-11.5	-11.9	-10.1	-11.6	-45.0	-47.2	-48.7
Other expenses	-7.5	-1.8	-2.1	-2.0	-2.8	-8.7	-2.3	-2.4	-2.1	-2.7	-9.5	-9.0	-9.5
EBITDA	10.4	3.5	3.7	2.4	2.6	12.3	2.9	3.8	2.7	4.0	13.4	15.8	17.3
Adj. EBITDA	10.8	3.6	3.8	2.5	2.7	12.6	2.9	3.8	2.7	4.0	13.4	15.8	17.3
D&A	-5.0	-1.3	-1.3	-1.3	-1.3	-5.1	-1.4	-1.4	-1.4	-1.4	-5.6	-5.7	-5.8
EBIT	5.4	2.2	2.4	1.1	1.3	7.1	1.5	2.4	1.3	2.6	7.8	10.1	11.4
<i>EBIT-%</i>	8.9%	12.8%	13.2%	7.6%	7.2%	10.3%	7.9%	11.8%	7.7%	12.6%	10.2%	12.5%	13.5%
Adjustment items	0.4	0.1	0.0	0.1	0.1	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adj. EBIT	5.8	2.3	2.5	1.2	1.4	7.4	1.5	2.4	1.3	2.6	7.8	10.1	11.4
<i>Adj. EBIT-%</i>	9.6%	13.2%	13.4%	8.1%	7.8%	10.7%	7.9%	11.8%	7.7%	12.6%	10.2%	12.5%	13.5%
Solteq Digital	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22E	Q2/'22E	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Net sales	41.6	11.2	11.9	9.5	11.7	44.3	12.0	12.7	10.2	12.6	47.5	49.0	50.4
<i>sales growth %</i>	1.0%	-1.4%	13.0%	4.3%	10.3%	6.5%	7.3%	6.9%	7.3%	7.7%	7.3%	3.0%	3.0%
Adj. EBITDA	6.2	2.0	2.5	1.5	2.0	8.0	2.1	2.5	1.6	2.2	8.4	8.8	9.1
<i>Adj. EBITDA-%</i>	15.0%	17.8%	20.8%	15.9%	17.1%	18.0%	17.5%	19.7%	15.6%	17.5%	17.7%	18.0%	18.0%
EBIT	3.1	1.3	1.9	0.9	1.5	5.6	1.5	1.9	1.0	1.6	6.0	6.7	6.4
<i>EBIT-%</i>	7.5%	11.9%	15.7%	9.3%	12.7%	12.6%	12.5%	15.0%	9.8%	12.7%	12.6%	13.8%	12.8%
Adj. EBIT	3.5	1.4	1.9	0.9	1.5	5.7	1.5	1.9	1.0	1.6	6.0	6.7	6.4
<i>Adj. EBIT-%</i>	8.4%	12.2%	15.7%	9.9%	12.8%	12.8%	12.5%	15.0%	9.8%	12.7%	12.6%	13.8%	12.8%
Solteq Software	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22E	Q2/'22E	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Net sales	18.8	6.2	6.6	5.4	6.6	24.8	6.9	7.7	6.6	8.0	29.2	31.5	34.1
<i>sales growth %</i>	10.2%	43.1%	44.6%	29.8%	13.3%	31.4%	11.1%	16.5%	23.1%	21.6%	18.0%	8.0%	8.0%
Adj. EBITDA	4.6	1.6	1.3	1.0	0.7	4.6	0.8	1.3	1.1	1.8	5.0	6.9	8.2
<i>Adj. EBITDA-%</i>	24.3%	25.3%	19.7%	18.3%	11.1%	18.5%	11.6%	16.9%	16.7%	22.5%	17.1%	22.0%	24.0%
EBIT	2.2	0.9	0.6	0.2	-0.2	1.6	0.0	0.5	0.3	1.0	1.8	3.3	5.0
<i>EBIT-%</i>	11.8%	14.6%	9.3%	4.6%	-2.5%	6.5%	0.0%	6.5%	4.5%	12.5%	6.2%	10.6%	14.6%
Adj. EBIT	2.3	0.9	0.6	0.3	0.0	1.8	0.0	0.5	0.3	1.0	1.8	3.3	5.0
<i>Adj. EBIT-%</i>	12.1%	15.0%	8.7%	4.9%	-0.2%	7.1%	0.0%	6.5%	4.5%	12.5%	6.2%	10.6%	14.6%

NORDIC IT SERVICES	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		21	22	23	21	22	23	21	22	23
TietoEVRY	3046	7.8x	7.5x	7.1x	11.4x	10.9x	10.1x	11.3x	11.1x	10.3x
Atea	1444	11.8x	8.4x	7.7x	18.9x	12.8x	11.4x	17.5x	16.3x	14.5x
Knowit	811	14.3x	10.0x	9.0x	19.7x	15.1x	13.2x	20.0x	19.7x	17.9x
Bouvet	689	19.5x	16.1x	14.6x	22.7x	18.6x	16.8x	26.0x	24.4x	22.3x
Gofore	356	19.8x	16.6x	15.1x	28.2x	22.1x	19.4x	33.9x	27.7x	24.7x
Digia	193	9.2x	9.3x	8.7x	13.9x	13.7x	12.3x	15.2x	15.5x	13.9x
Sili Solutions	100	8.6x	6.9x	6.3x	14.0x	10.5x	9.1x	14.2x	11.0x	9.7x
Vincit	78							15.9x	12.4x	10.4x
Innofactor	50	6.3x	6.6x	6.1x	8.4x	8.8x	8.6x	8.9x	10.2x	9.6x
Qt Group	2547	104.6x	54.1x	37.1x	118.6x	60.0x	40.2x	108.9x	72.5x	48.9x
Peer Group Average	847	22.4x	15.0x	12.4x	28.4x	19.2x	15.7x	27.2x	22.1x	18.2x
Peer Group Median	406	11.8x	9.3x	8.7x	18.9x	13.7x	12.3x	16.7x	15.9x	14.2x

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	1247		21.3x	18.3x		41.7x	34.9x	48.0x	41.8x	36.1x
Basware	336	21.7x	16.1x	13.0x	69.1x	46.4x	26.3x		379.8x	57.2x
SimCorp	3116	25.8x	20.9x	18.9x	28.9x	23.1x	20.6x	28.8x	29.3x	26.3x
F-Secure	703	22.3x	18.2x	14.7x	30.6x	25.6x	19.6x	35.6x	33.6x	25.7x
Admicom	325	33.2x	21.8x	18.7x	36.1x	23.3x	19.7x	36.6x	30.5x	26.1x
cBrain	488	107.2x	50.0x	45.8x	168.6x	73.1x	54.4x	148.5x	98.8x	74.5x
Enea	406	17.0x	10.9x	10.0x	27.9x	16.4x	15.0x	17.6x	16.9x	15.0x
Peer Group Average	946	37.9x	22.8x	19.9x	60.2x	35.7x	27.2x	52.5x	90.1x	37.3x
Peer Group Median	488	24.1x	20.9x	18.3x	33.3x	25.6x	20.6x	36.1x	33.6x	26.3x

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	3.92 PV of Free Cash Flow	74 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	7.21 PV of Horizon value	92 WACC, %	8.9 Market risk premium, %
Share price potential, %	83.9 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	7.9 Marketable securities	4 Minimum WACC, %	8.4 Equity beta coefficient
Minimum value	6.6 Debt - dividend	-30 Maximum WACC, %	9.4 Target debt ratio, %
Horizon value, %	55.5 Value of stock	140 Nr of shares, Mn	19.4 Effective tax rate, %

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	69	77	80	84	89	93	98	103	108	113	115	118
<i>Sales growth, %</i>	<i>14.2</i>	<i>11.1</i>	<i>4.9</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	7	8	10	11	13	14	14	15	16	17	17	17
<i>Operating income margin, %</i>	<i>10.4</i>	<i>10.2</i>	<i>12.5</i>	<i>13.5</i>	<i>14.6</i>	<i>14.6</i>	<i>14.6</i>	<i>14.6</i>	<i>14.6</i>	<i>14.6</i>	<i>14.6</i>	<i>14.6</i>
+ Depreciation+amort.	5	6	6	6	7	7	8	8	9	9	10	
EBITDA	12	13	16	18	20	21	22	23	24	26	27	
- Paid taxes	-2	-2	-2	-2	-3	-3	-3	-3	-3	-3	-3	
- Change in NWC	1	1	0	0	0	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	<i>-8.2</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-8	-5	-5	-5	-6	-6	-7	-8	-8	-9	-9	
<i>opCAPEX / Sales, %</i>	<i>10.5</i>	<i>8.8</i>	<i>8.6</i>	<i>8.8</i>	<i>9.0</i>	<i>9.3</i>	<i>9.5</i>	<i>9.8</i>	<i>10.1</i>	<i>10.4</i>	<i>10.4</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	4	8	9	10	12	12	12	13	13	14	14	213
= Discounted FCFF		7	8	8	8	8	8	7	7	7	6	92
= DFCF min WACC		7	8	8	8	8	8	7	7	7	6	104
= DFCF max WACC		7	8	8	8	8	7	7	7	6	6	82

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1E	2022Q2E	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	17.4	18.5	14.9	18.3	69.1	18.9	20.4	16.8	20.6	76.7	80.5	84.5
EBITDA	3.6	3.7	2.4	2.6	12.3	2.9	3.8	2.7	4.0	13.4	15.8	17.7
<i>EBITDA margin (%)</i>	<i>20.7</i>	<i>19.8</i>	<i>16.2</i>	<i>14.4</i>	<i>17.8</i>	<i>15.4</i>	<i>18.6</i>	<i>16.0</i>	<i>19.4</i>	<i>17.5</i>	<i>19.6</i>	<i>21.0</i>
EBIT	2.2	2.5	1.1	1.3	7.2	1.5	2.4	1.3	2.6	7.8	10.1	11.4
<i>EBIT margin (%)</i>	<i>12.8</i>	<i>13.4</i>	<i>7.6</i>	<i>7.2</i>	<i>10.4</i>	<i>7.9</i>	<i>11.8</i>	<i>7.7</i>	<i>12.6</i>	<i>10.2</i>	<i>12.5</i>	<i>13.5</i>
Net financial items	-0.4	-0.5	-0.4	-0.6	-1.9	-0.5	-0.5	-0.5	-0.5	-1.9	-1.8	-1.4
Pre-tax profit	1.8	2.0	0.7	0.7	5.3	1.0	1.9	0.8	2.1	5.9	8.3	10.0
Tax	-0.4	-0.4	-0.2	-0.1	-1.1	-0.2	-0.4	-0.2	-0.4	-1.2	-1.7	-2.0
<i>Tax rate (%)</i>	<i>20.8</i>	<i>21.6</i>	<i>28.1</i>	<i>18.2</i>	<i>21.7</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	1.5	1.6	0.5	0.6	4.1	0.8	1.5	0.7	1.7	4.7	6.6	8.0
EPS	0.08	0.08	0.03	0.03	0.21	0.04	0.08	0.03	0.09	0.24	0.34	0.41
EPS adjusted (diluted no. of shares)	0.08	0.08	0.03	0.03	0.21	0.04	0.08	0.03	0.09	0.24	0.34	0.41
Dividend per share	0.00	0.00	0.00	0.00	0.10	0.00	0.00	0.00	0.00	0.12	0.17	0.21
SALES, EURm												
Solteq Digital	11.2	11.9	9.5	11.7	44.3	12.0	12.7	10.2	12.6	47.5	49.0	50.4
Solteq Software	6.2	6.6	5.4	6.6	24.8	6.9	7.7	6.6	8.0	29.2	31.5	34.1
Total	17.4	18.5	14.9	18.3	69.1	18.9	20.4	16.8	20.6	76.7	80.5	84.5
SALES GROWTH, Y/Y %												
<i>Solteq Digital</i>	<i>-1.4</i>	<i>13.0</i>	<i>4.3</i>	<i>10.3</i>	<i>6.5</i>	<i>7.3</i>	<i>6.9</i>	<i>7.3</i>	<i>7.7</i>	<i>7.3</i>	<i>3.0</i>	<i>3.0</i>
<i>Solteq Software</i>	<i>43.1</i>	<i>44.6</i>	<i>29.8</i>	<i>13.3</i>	<i>31.4</i>	<i>11.1</i>	<i>16.5</i>	<i>23.1</i>	<i>21.6</i>	<i>18.0</i>	<i>8.0</i>	<i>8.0</i>
Total	10.9	22.6	12.2	11.4	14.2	8.7	10.3	13.0	12.7	11.1	4.9	5.0
EBIT, EURm												
Solteq Digital	1.3	1.9	0.9	1.5	5.6	1.5	1.9	1.0	1.6	6.0	6.7	6.4
Solteq Software	0.9	0.6	0.2	-0.2	1.6	0.0	0.5	0.3	1.0	1.8	3.3	5.0
Total	2.2	2.5	1.1	1.3	7.2	1.5	2.4	1.3	2.6	7.8	10.1	11.4
EBIT margin, %												
<i>Solteq Digital</i>	<i>11.9</i>	<i>15.7</i>	<i>9.3</i>	<i>12.7</i>	<i>12.6</i>	<i>12.5</i>	<i>15.0</i>	<i>9.8</i>	<i>12.7</i>	<i>12.6</i>	<i>13.8</i>	<i>12.8</i>
<i>Solteq Software</i>	<i>14.6</i>	<i>9.3</i>	<i>4.6</i>	<i>-2.5</i>	<i>6.5</i>	<i>0.0</i>	<i>6.5</i>	<i>4.5</i>	<i>12.5</i>	<i>6.2</i>	<i>10.6</i>	<i>14.6</i>
Total	12.8	13.4	7.6	7.2	10.4	7.9	11.8	7.7	12.6	10.2	12.5	13.5

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	50.7	56.9	58.3	60.5	69.1	76.7	80.5	84.5
<i>Sales growth (%)</i>	<i>-19.6</i>	<i>12.1</i>	<i>2.5</i>	<i>3.7</i>	<i>14.2</i>	<i>11.1</i>	<i>4.9</i>	<i>5.0</i>
EBITDA	2.4	4.8	9.7	10.4	12.3	13.4	15.8	17.7
<i>EBITDA margin (%)</i>	<i>4.7</i>	<i>8.4</i>	<i>16.7</i>	<i>17.2</i>	<i>17.8</i>	<i>17.5</i>	<i>19.6</i>	<i>21.0</i>
Depreciation	-2.1	-2.3	-4.0	-5.0	-5.1	-5.6	-5.7	-6.3
EBITA	0.3	2.5	5.7	5.4	7.2	7.8	10.1	11.4
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	0.3	2.5	5.7	5.4	7.2	7.8	10.1	11.4
<i>EBIT margin (%)</i>	<i>0.6</i>	<i>4.3</i>	<i>9.8</i>	<i>8.9</i>	<i>10.4</i>	<i>10.2</i>	<i>12.5</i>	<i>13.5</i>
Reported EBIT	0.3	2.5	5.7	5.4	7.2	7.8	10.1	11.4
<i>EBIT margin (reported) (%)</i>	<i>0.6</i>	<i>4.3</i>	<i>9.8</i>	<i>8.8</i>	<i>10.4</i>	<i>10.2</i>	<i>12.5</i>	<i>13.5</i>
Net financials	-1.8	-1.8	-2.0	-2.6	-1.9	-1.9	-1.8	-1.4
Pre-tax profit	-1.5	0.6	3.7	2.7	5.3	5.9	8.3	10.0
Taxes	-0.1	-0.3	-0.9	-0.8	-1.1	-1.2	-1.7	-2.0
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	-1.5	0.4	2.8	2.0	4.1	4.7	6.6	8.0
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	8	10	11	12	13	14	15	15
Goodwill	37	40	39	39	42	42	42	42
Right of use assets	0	6	7	7	5	6	6	6
Inventory	0	0	0	0	0	0	0	0
Receivables	15	12	16	12	12	13	14	14
Liquid funds	2	5	4	5	4	7	4	4
Total assets	61	74	77	75	76	82	81	83
Liabilities								
Shareholder's equity	20	22	25	27	28	31	35	40
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	6	8	7	5	6	6	6
Deferred taxes	1	1	1	1	1	1	1	1
Interest bearing debt	26	28	28	24	24	26	19	15
Non-interest bearing current liabilities	14	17	17	16	18	20	21	22
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	61	74	77	75	76	82	81	83
CASH FLOW, EURm								
+ EBITDA	2	5	10	10	12	13	16	18
- Net financial items	-2	-2	-2	-3	-2	-2	-2	-1
- Taxes	0	0	-1	-1	-1	-1	-2	-2
- Increase in Net Working Capital	-1	6	-1	4	1	1	0	0
+/- Other	-2	0	-2	0	0	0	0	0
= Cash flow from operations	-2	8	4	11	10	11	13	15
- Capex	-1	-3	-7	-6	-7	-7	-7	-7
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-3	5	-3	5	3	4	6	7
+/- New issues/buybacks	3	1	0	0	0	0	0	0
- Paid dividend	-1	0	0	0	-3	-2	-2	-3
+/- Other	-5	-2	2	-4	-2	2	-7	-4
Change in cash	-7	4	-2	1	-1	4	-3	0

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	25	29	54	79	76	76	76
Net debt (excl. convertibles)	29	32	26	26	24	20	16
Enterprise value	54	60	81	105	100	96	92
Sales	57	58	60	69	77	80	84
EBITDA	5	10	10	12	13	16	18
EBIT	2	6	5	7	8	10	11
Pre-tax	1	4	3	5	6	8	10
Earnings	0	3	2	4	5	7	8
Equity book value (excl. minorities)	22	25	27	28	31	35	40
Valuation multiples							
EV/sales	1.0	1.0	1.3	1.5	1.3	1.2	1.1
EV/EBITDA	11.4	6.2	7.8	8.5	7.4	6.1	5.2
EV/EBITA	22.0	10.6	15.1	14.6	12.8	9.6	8.1
EV/EBIT	22.0	10.6	15.1	14.6	12.8	9.6	8.1
EV/OCF	6.8	14.6	7.5	10.0	9.1	7.6	6.3
EV/FCFF	14.0	59.8	9.7	23.7	12.6	10.6	8.9
P/FCFE	5.3	-9.1	10.8	24.7	18.2	13.2	10.6
P/E	69.9	27.1	27.3	19.1	16.2	11.4	9.5
P/B	1.1	1.2	2.0	2.8	2.5	2.2	1.9
Target EV/EBITDA	0.0	0.0	0.0	0.0	9.0	7.4	6.4
Target EV/EBIT	0.0	0.0	0.0	0.0	15.5	11.6	9.9
Target EV/FCF	0.0	0.0	0.0	0.0	28.9	20.4	15.8
Target P/B	0.0	0.0	0.0	0.0	3.2	2.8	2.4
Target P/E	0.0	0.0	0.0	0.0	20.6	14.6	12.2
Per share measures							
Number of shares	19,202	19,307	19,307	19,397	19,397	19,397	19,397
Number of shares (diluted)	19,202	19,307	19,307	19,397	19,397	19,397	19,397
EPS	0.02	0.15	0.10	0.21	0.24	0.34	0.41
Operating cash flow per share	0.42	0.21	0.55	0.54	0.56	0.65	0.75
Free cash flow per share	0.24	-0.16	0.26	0.16	0.22	0.30	0.37
Book value per share	1.14	1.27	1.37	1.44	1.59	1.81	2.05
Dividend per share	0.00	0.00	0.15	0.10	0.12	0.17	0.21
Dividend payout ratio, %	0.0	0.0	146.3	46.8	50.0	50.0	50.0
Dividend yield, %	0.0	0.0	5.4	2.6	3.1	4.4	5.2
FCF yield, %	18.8	-11.0	9.3	4.0	5.5	7.6	9.4
Efficiency measures							
ROE	1.7	12.1	7.8	15.2	16.0	20.2	21.3
ROCE	4.8	9.8	9.1	12.4	13.1	16.6	19.0
Financial ratios							
Inventories as % of sales	0.2	0.3	0.1	0.3	0.3	0.3	0.3
Receivables as % of sales	21.1	26.8	19.1	17.0	17.0	17.0	17.0
Non-interest bearing liabilities as % of sales	29.2	28.6	26.8	25.5	25.5	25.5	25.5
NWC/sales, %	-7.9	-1.5	-7.5	-8.2	-8.2	-8.2	-8.2
Operative CAPEX/sales, %	5.8	12.5	9.4	10.5	8.8	8.6	8.8
CAPEX/sales (incl. acquisitions), %	5.8	12.5	9.4	10.5	8.8	8.6	8.8
FCFF/EBITDA	0.8	0.1	0.8	0.4	0.6	0.6	0.6
Net debt/EBITDA, book-weighted	6.2	3.2	2.6	2.1	1.8	1.3	0.9
Debt/equity, market-weighted	1.1	1.0	0.4	0.3	0.3	0.2	0.2
Equity ratio, book-weighted	29.3	31.9	35.5	36.9	37.5	43.4	48.0
Gearing, %	134.5	128.5	99.9	92.6	77.0	57.9	41.4

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	8.078	10.6%
Elo Mutual Pension Insurance Company	2,000,000	7.840	10.3%
Ilmarinen Mutual Pensions Insurance Company	1,651,293	6.473	8.5%
Varma Mutual Pension Insurance Company	1,545,597	6.059	8.0%
Aktia Capital Mutual Fund	770,000	3.018	4.0%
Aalto Seppo Tapio	615,000	2.411	3.2%
Saadetdin Ali	602,216	2.361	3.1%
Säästöpankki Small Cap Mutual Fund	500,000	1.960	2.6%
Väätäinen Olli Pekka	313,178	1.228	1.6%
Säästöpankki Itämeri Mutual Fund	300,000	1.176	1.5%
Ten largest	10,358,053	40.604	53%
Residual	9,038,448	35.431	47%
Total	19,396,501	76.034	100%

EARNINGS CALENDAR

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

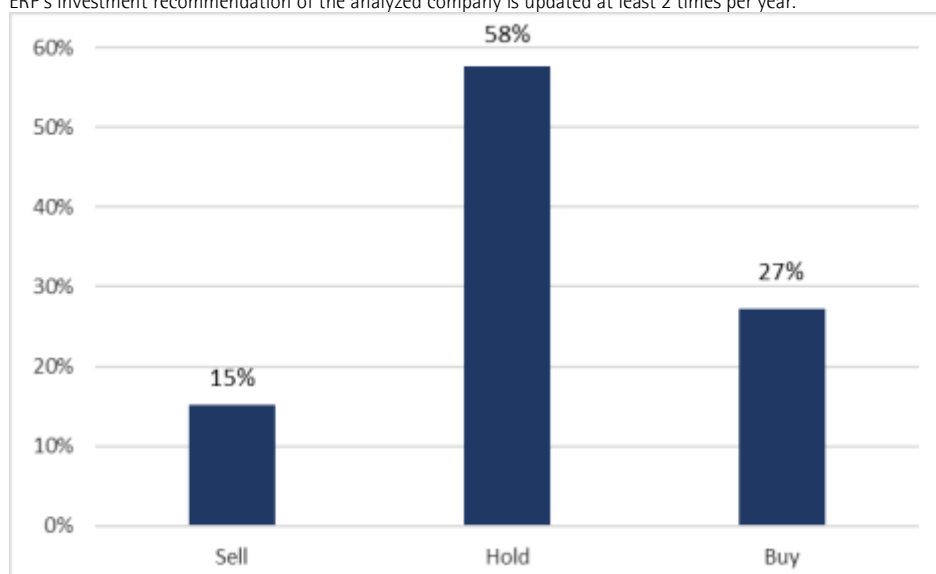
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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