

Lowers 2022 guidance

Solteq issued a profit warning, lowering both its guidance for revenue and operating profit by a notch. Revenue in 2022 is now expected to grow (prev. grow clearly) and operating profit to weaken (prev. improve).

- Solteq's new guidance for 2022: Solteq Group's revenue is expected to grow and profit to weaken.
- Previous guidance: revenue is expected to grow clearly and operating profit to improve.
- Solteq noted as reasons for the guidance downgrade the impact of higher-than-estimated investments in product development in Solteq's Utilities business unit along with increased project delivery costs on profitability and reduced customer invoicing during the on-going financial year.
- Our estimates for 2022e revenue and operating profit have been EUR 77.0m and 7.7m respectively, implying a revenue growth of 11.6% and ~8% improvement in operating profit y/y. The new guidance implies single-digit growth and compared with our estimates an over 10% decline in operating profit in 2022e.
- The guidance downgrade is unfortunate for the near-term, but does not based on the reasons stated appear to give reason to assume that the long-term scalability drivers wouldn't remain intact.

Rating	BUY
Share price, EUR (Last trading day's closing price)	3.05
Target price, EUR	5.0
Latest change in recommendation	14-Aug-20
Latest report on company	29-Apr-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	59
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	11-Sep-22
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BUY 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
2020	60.5	5.4	8.8%	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	21.9	1.7	16.3	3.5	0.10
2022E	77.0	7.7	10.0%	0.0	0.24	12.6	1.1	11.3	0.0	0.12
2023E	80.9	10.2	12.6%	5.8	0.35	8.8	1.0	8.2	9.8	0.17
2024E	84.9	11.5	13.6%	7.2	0.41	7.4	0.9	6.9	12.1	0.21
Market cap, EURm	59		BV per share 2022E, EUR		90.5		CAGR EPS 2021-24, %		24.4	
Net debt 2022E, EURm	28		Price/book 2022E		1.9		CAGR sales 2021-24, %		7.1	
Enterprise value, EURm	87		Dividend yield 2022E, %		4.0		ROE 2022E, %		16.0	
Total assets 2022E, EURm	83		Tax rate 2022E, %		20.3		ROCE 2022E, %		12.8	
Goodwill 2022E, EURm	46		Equity ratio 2022E, %		37.1		PEG, P/E 22/CAGR		0.5	

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

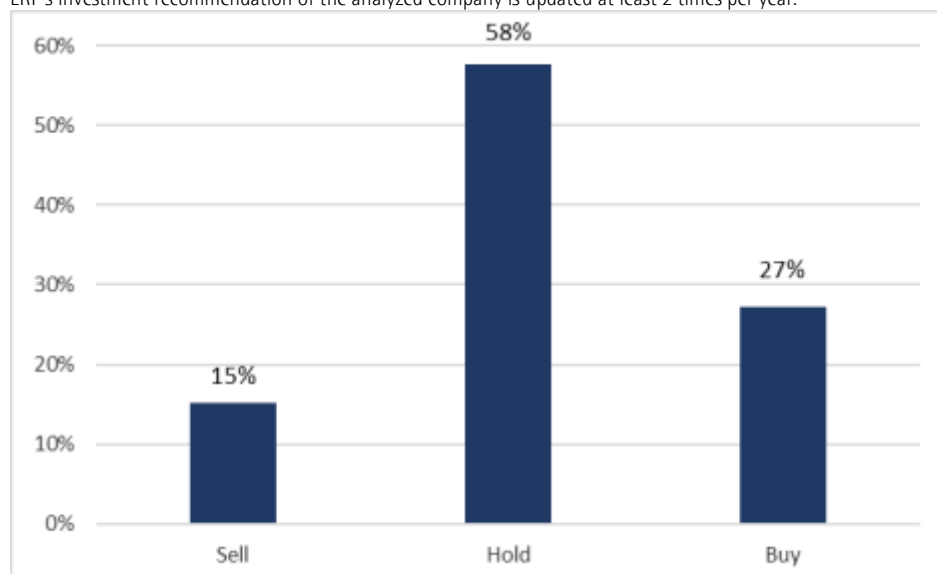
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Investment recommendations are defined as follows:

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.



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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