

Challenging quarter

Solteq's Q2 fell short our expectations, with revenue at EUR 17.9m (Evli EUR 19.9m) and adj. EBIT at EUR 0.6m (Evli EUR 2.0m). Challenges were caused by the development of software products in the Solteq Utilities business and the resulting increase in project delivery costs.

- Net sales in Q2 were EUR 17.9m (EUR 18.5m in Q2/21), below our estimates (Evli EUR 19.9m). Growth in Q2 amounted to -3.0% y/y.
- The operating profit and adj. operating profit in Q2 amounted to EUR 0.4m and 0.6m respectively (EUR 2.4m/2.5m in Q2/21), clearly below our estimates (Evli EUR 2.0m/2.0m).
- Q2 was challenging for Solteq, with main challenges caused by the development of software products in the Solteq Utilities business and the resulting increase in project delivery costs. Despite the challenges, the outlook for Solteq Group's international and domestic business is estimated to remain positive.
- Solteq Digital: revenue in Q2 amounted to EUR 11.4m (Q2/21: EUR 11.9m) vs. Evli EUR 12.6m. Growth amounted to -4.1%. The adj. EBIT was EUR 1.5m (Q2/21: EUR 1.9m) vs. Evli EUR 1.9m. Demand in key business areas, such as digital business and commerce solutions, is expected to remain at a good level during the ongoing quarter.
- Solteq Software: Revenue in Q2 amounted to EUR 6.5m (Q2/21: EUR 6.6m) vs. Evli EUR 7.3m. The adj. EBIT was EUR -0.9m (Q2/21: EUR 0.6m) vs. Evli EUR 0.1m. Growth was -0.9%. The business outlook for Solteq Software is expected to remain positive.
- **Guidance for 2022 (reiterated):** group revenue is expected to grow and operating profit to weaken.

Rating

BUY

Q2/22	Actual	Evli	Year ago	Q1/22
Net sales	17.9	19.9	18.5	19.2
EBIT	0.4	2.0	2.5	1.4
Adj. EBIT	0.6	2.0	2.5	1.6
EPS	0.00	0.06	0.08	0.04

Deviation	Actual	Evli	Year ago	Q1/22
Net sales		-10 %	-3 %	-7 %
EBIT		-79 %	-83 %	-71 %
Adj. EBIT		-71 %	-77 %	-63 %
EPS		-	-	-

Share price, EUR (Last trading day's closing price) **2.29**

Target price, EUR **3.4**

Latest change in recommendation **14-Aug-20**

Latest report on company **30-May-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 **44**

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-Aug-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%	5.5	0.10	27.3	1.3	15.1	10.2	0.15
2021	69.1	7.2	10.4%	4.3	0.21	21.9	1.7	16.3	4.7	0.10
2022E	75.0	6.6	8.8%	-0.9	0.20	11.6	1.0	11.1	-2.0	0.10
2023E	80.2	8.4	10.5%	4.3	0.27	8.4	0.9	8.4	9.6	0.14
2024E	84.1	10.3	12.2%	6.0	0.36	6.4	0.8	6.5	13.5	0.18

Market cap, EURm	44	BV per share 2022E, EUR	96.2	CAGR EPS 2021-24, %	18.5
Net debt 2022E, EURm	29	Price/book 2022E	1.5	CAGR sales 2021-24, %	6.8
Enterprise value, EURm	73	Dividend yield 2022E, %	4.3	ROE 2022E, %	13.2
Total assets 2022E, EURm	82	Tax rate 2022E, %	20.3	ROCE 2022E, %	11.0
Goodwill 2022E, EURm	46	Equity ratio 2022E, %	36.3	PEG, P/E 22/CAGR	0.3

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

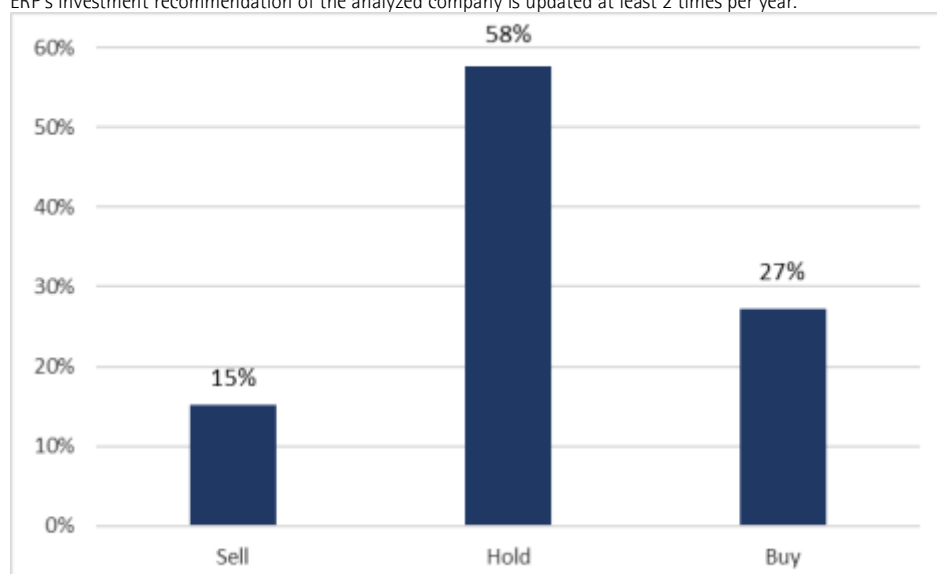
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Investment recommendations are defined as follows:

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

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