

## Shifting course slowly but steadily

Solteq's Q3 was slightly upbeat despite the weak figures and the company remains on track on its turnaround trip. We have slightly softened our growth expectations for 2024 and adjust our TP to EUR 0.85 (0.90).

### Some more positive signs in Q3

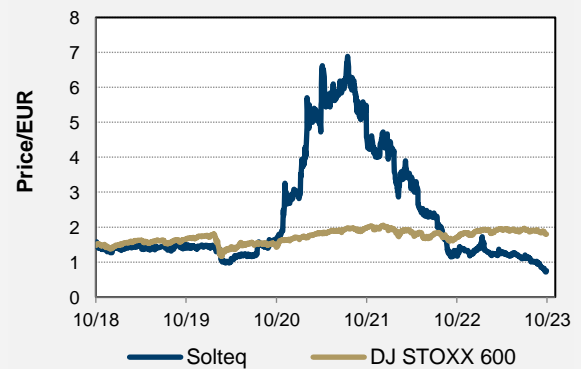
Solteq reported slightly upbeat Q3 results. Revenue grew 1.9% in comparable terms to EUR 12.2m (Evli EUR 12.6m) and the adj. EBIT amounted to EUR -0.7m (Evli EUR -1.2m). The performance of Retail & Commerce was on the positive side, growing slightly y/y in comparable terms while successful cost control saw profitability improve to rather decent figures, with the adj. EBITDA-% up to 11.3%. In Utilities, profitability remained weak, as was still to be expected.

### Return to profitability next year

Overall, the Q3 report did not notably change our views on Solteq's equity story. We assess a slightly slower pick-up in growth in the near-term than previously anticipated. We have slightly revised our 2023e estimates based mainly on the Q3 results. Solteq concluded the change negotiations in the Utilities-segment and expects annual cost savings of EUR 3.8m, to be visible largely in 2024. We expect the growth potential in Utilities to start to materialize more visibly in the second half of 2024 and with the cost savings the profitability to improve substantially next year. In Retail & Commerce we now expect a slightly more modest growth given the market situation, in comparable terms in the lower to mid single-digits with margins improving slightly y/y. For Solteq, we expect revenue to decline 2.5% in 2024, impacted by the divestment this year, and the adj. EBIT-% to improve to 3.4% from -5.6% in 2023e.

### HOLD with a target price of EUR 0.85 (0.90)

In light of our revised estimates, we lower our TP to EUR 0.85 (0.90). On our estimates, the valuation is stretched on 2024e figures, but the upside potential is significant on 2025e figures, should the Utilities-segment start to perform closer to its potential. That path is, however, still riddled with uncertainty.

 Rating 🟡 HOLD

 Share price, EUR (Last trading day's closing price) 0.76

 Target price, EUR 0.85

Latest change in recommendation	19-Sep-22
Latest report on company	05-Oct-23
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	15
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	15-Feb-24
Web site	solteq.com/en/investors

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## KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2021	69.1	7.2	10.4%	3.5	0.21	21.9	1.7	16.3	3.9	0.10
2022	68.4	-4.4	-6.5%	-5.6	-0.28	-4.4	0.8	-12.5	-23.5	0.00
2023E	58.0	4.8	8.3%	6.9	0.10	13.4	0.7	8.2	46.6	0.00
2024E	56.5	1.9	3.4%	0.0	0.04	20.0	0.7	20.7	-0.3	0.02
2025E	61.3	4.3	7.0%	1.9	0.14	5.5	0.6	8.9	12.8	0.07
Market cap, EURm	15 Gearing 2023E, %			100.4 CAGR EPS 2022-25, %			0.0			
Net debt 2023E, EURm	25 Price/book 2023E			0.6 CAGR sales 2022-25, %			-3.6			
Enterprise value, EURm	39 Dividend yield 2023E, %			0.0 ROE 2023E, %			8.1			
Total assets 2023E, EURm	69 Tax rate 2023E, %			48.9 ROCE 2023E, %			8.8			
Goodwill 2023E, EURm	41 Equity ratio 2023E, %			35.3 PEG, P/E 23/CAGR			0.2			

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

NORDIC IT SERVICES	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		23	24	25	23	24	25	23	24	25
TietoEVERY	3541	8.3x	8.6x	8.2x	11.5x	11.9x	11.3x	12.7x	12.5x	11.7x
Atea	1241	7.7x	7.5x	7.0x	11.8x	11.4x	10.5x	16.3x	14.7x	13.3x
Knowit	542	8.9x	9.1x	8.5x	13.3x	14.2x	12.0x	14.6x	16.9x	14.0x
Bouvet	602	13.5x	13.7x	12.7x	16.3x	16.5x	15.0x	22.7x	21.6x	19.6x
Gofore	394							24.9x	21.0x	17.8x
Digia	163	8.4x	7.6x	7.1x	13.1x	11.3x	10.2x	15.4x	12.6x	11.5x
Sili Solutions	141	7.1x	6.9x	6.1x	9.5x	9.0x	7.9x	15.9x	12.9x	11.2x
Vincit	75							13.7x	11.0x	9.1x
Innofactor	48	6.7x	6.8x	6.4x	10.7x	10.4x	9.7x	13.9x	10.7x	9.7x
Qt Group	1821	26.3x	33.9x	24.8x	31.3x	40.5x	28.0x	53.1x	50.4x	35.1x
Peer Group Average	789	<b>10.9x</b>	<b>11.8x</b>	<b>10.1x</b>	<b>14.7x</b>	<b>15.7x</b>	<b>13.1x</b>	<b>20.3x</b>	<b>18.4x</b>	<b>15.3x</b>
Peer Group Median	400	<b>8.4x</b>	<b>8.1x</b>	<b>7.7x</b>	<b>12.4x</b>	<b>11.7x</b>	<b>10.9x</b>	<b>15.7x</b>	<b>13.8x</b>	<b>12.5x</b>

Source FactSet, Evli Research

NORDIC SOFTWARE	MCAP EUR	EV/EBITDA			EV/EBIT			P/E		
		23	24	25	23	24	25	23	24	25
Vitec Software Group	1432	22.3x	20.5x	17.5x	41.7x	37.2x	30.9x	70.0x	52.2x	42.9x
SimCorp	2719	17.3x	18.7x	16.8x	18.5x	20.1x	18.0x	25.5x	25.1x	22.7x
F-Secure	563							16.6x	16.4x	14.7x
Admicom	219	16.3x	16.2x	14.8x	18.9x	18.6x	16.8x	21.7x	22.7x	20.5x
cBrain	406	62.5x	43.6x	31.6x	62.3x	45.5x	32.1x	87.3x	59.5x	41.8x
Enea	199	7.4x	8.4x	7.8x	17.5x	20.3x	17.0x	11.8x	19.5x	16.4x
Peer Group Average	923	<b>25.2x</b>	<b>21.5x</b>	<b>17.7x</b>	<b>31.8x</b>	<b>28.3x</b>	<b>23.0x</b>	<b>38.8x</b>	<b>32.6x</b>	<b>26.5x</b>
Peer Group Median	484	<b>17.3x</b>	<b>18.7x</b>	<b>16.8x</b>	<b>18.9x</b>	<b>20.3x</b>	<b>18.0x</b>	<b>23.6x</b>	<b>23.9x</b>	<b>21.6x</b>

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	0.76 PV of Free Cash Flow	53 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	4.68 PV of Horizon value	69 WACC, %	8.9 Market risk premium, %	5.8
Share price potential, %	515.8 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	5.2 Marketable securities	2 Minimum WACC, %	8.4 Equity beta coefficient	1.10
Minimum value	4.2 Debt - dividend	-33 Maximum WACC, %	9.4 Target debt ratio, %	20
Horizon value, %	56.4 Value of stock	91 Nr of shares, Mn	19.4 Effective tax rate, %	20

DCF valuation, EURm	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Horizon
Net sales	68	58	57	61	67	71	74	78	82	86	88	89
<i>Sales growth, %</i>	-0.9	-15.3	-2.5	8.3	9.8	5.0	5.0	5.0	5.0	5.0	2.0	2.0
Operating income (EBIT)	-4	5	2	4	7	7	7	8	8	9	9	9
<i>Operating income margin, %</i>	-6.5	8.3	3.4	7.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
+ Depreciation+amort.	10	5	5	5	5	6	6	7	7	7	8	
EBITDA	6	10	7	9	12	13	14	14	15	16	17	
- Paid taxes	0	-2	0	-1	-1	-1	-1	-2	-2	-2	-2	
- Change in NWC	1	-1	0	0	1	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	-9.2	-9.2	-9.2	-9.2	-9.2	-9.2	-9.2	-9.2	-9.2	-9.2	-9.2	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-3	-6	-3	-3	-4	-4	-4	-4	-5	-5	-5	
<i>opCAPEX / Sales, %</i>	6.4	14.1	9.7	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	
- Acquisitions	-5	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	9	0	0	0	0	0	0	0	0	0	
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	-3	10	3	5	8	8	8	9	9	10	10	150
= Discounted FCFF		9	3	4	6	6	5	5	5	5	5	69
= DFCF min WACC		9	3	4	6	6	6	5	5	5	5	78
= DFCF max WACC		9	3	4	6	5	5	5	5	5	4	62

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1	2023Q2	2023Q3	2023Q4E	2023E	2024E	2025E
Net sales	19.2	17.9	14.4	16.9	68.4	16.9	14.3	12.2	14.6	58.0	56.5	61.3
EBITDA	2.7	1.8	0.8	0.3	5.5	1.3	7.7	0.5	0.4	9.9	6.7	9.2
<i>EBITDA margin (%)</i>	<i>14.0</i>	<i>9.9</i>	<i>5.5</i>	<i>1.6</i>	<i>8.1</i>	<i>7.6</i>	<i>54.0</i>	<i>4.5</i>	<i>2.7</i>	<i>17.1</i>	<i>11.9</i>	<i>15.0</i>
EBIT	1.4	0.4	-5.0	-1.2	-4.4	-0.1	6.3	-0.7	-0.7	4.8	1.9	4.3
<i>EBIT margin (%)</i>	<i>7.1</i>	<i>2.3</i>	<i>-34.9</i>	<i>-7.1</i>	<i>-6.5</i>	<i>-0.5</i>	<i>44.4</i>	<i>-5.7</i>	<i>-5.1</i>	<i>8.3</i>	<i>3.4</i>	<i>7.0</i>
Net financial items	-0.4	-0.5	-0.4	-0.8	-2.2	0.4	-0.6	-0.5	-0.5	-1.1	-1.0	-0.9
Pre-tax profit	1.0	-0.1	-5.5	-2.0	-6.6	0.4	5.8	-1.2	-1.2	3.7	0.9	3.3
Tax	-0.2	0.0	1.0	0.4	1.2	-0.1	-2.1	0.2	0.3	-1.8	-0.2	-0.7
<i>Tax rate (%)</i>	<i>22.6</i>	<i>8.1</i>	<i>18.5</i>	<i>18.5</i>	<i>17.7</i>	<i>42.0</i>	<i>36.4</i>	<i>15.4</i>	<i>20.0</i>	<i>48.9</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0.8	-0.1	-4.4	-1.7	-5.4	0.2	3.7	-1.0	-1.0	1.9	0.7	2.7
EPS	0.04	0.00	-0.23	-0.09	-0.28	0.01	0.19	-0.05	-0.05	0.10	0.04	0.14
EPS adjusted (diluted no. of shares)	0.04	0.00	-0.23	-0.09	-0.28	-0.03	0.19	-0.05	-0.05	0.06	0.04	0.14
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.07
<b>SALES, EURm</b>												
Retail & Commerce	14.9	14.3	11.4	13.3	53.8	13.4	10.8	9.2	11.0	44.5	42.0	44.1
Utilities	4.3	3.6	3.0	3.6	14.6	3.5	3.4	3.0	3.6	13.5	14.5	17.2
Total	19.2	17.9	14.4	16.9	68.4	16.9	14.3	12.2	14.6	58.0	56.5	61.3
<b>SALES GROWTH, Y/Y %</b>												
<i>Retail &amp; Commerce</i>	<i>33.4</i>	<i>20.5</i>	<i>18.9</i>	<i>13.3</i>	<i>21.5</i>	<i>-9.8</i>	<i>-24.3</i>	<i>-18.8</i>	<i>-17.0</i>	<i>-17.3</i>	<i>-5.6</i>	<i>5.0</i>
<i>Utilities</i>	<i>-30.1</i>	<i>-45.1</i>	<i>-44.2</i>	<i>-44.6</i>	<i>-41.0</i>	<i>-20.2</i>	<i>-5.1</i>	<i>-0.1</i>	<i>-1.3</i>	<i>-7.6</i>	<i>7.8</i>	<i>18.0</i>
<i>Total</i>	<i>10.7</i>	<i>-3.0</i>	<i>-3.7</i>	<i>-7.5</i>	<i>-0.9</i>	<i>-12.2</i>	<i>-20.4</i>	<i>-14.9</i>	<i>-13.6</i>	<i>-15.3</i>	<i>-2.5</i>	<i>8.3</i>
<b>EBIT, EURm</b>												
Solteq	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retail & Commerce	1.5	1.1	-4.4	-0.1	-1.8	1.2	7.9	0.4	0.7	10.1	2.5	3.1
Utilities	-0.1	-0.7	-0.6	-1.1	-2.6	-1.3	-1.5	-1.1	-1.4	-5.3	-0.6	1.1
Total	1.4	0.4	-5.0	-1.2	-4.4	-0.1	6.3	-0.7	-0.7	4.8	1.9	4.3
<b>EBIT margin, %</b>												
<i>Solteq</i>	<i>-24,000.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-6,000.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Retail &amp; Commerce</i>	<i>10.1</i>	<i>8.0</i>	<i>-38.5</i>	<i>-0.9</i>	<i>-3.4</i>	<i>8.8</i>	<i>72.5</i>	<i>4.1</i>	<i>6.4</i>	<i>22.7</i>	<i>6.0</i>	<i>7.1</i>
<i>Utilities</i>	<i>-2.9</i>	<i>-20.1</i>	<i>-21.1</i>	<i>-29.6</i>	<i>-17.6</i>	<i>-36.7</i>	<i>-44.0</i>	<i>-35.9</i>	<i>-40.3</i>	<i>-39.3</i>	<i>-4.1</i>	<i>6.5</i>
<i>Total</i>	<i>7.1</i>	<i>2.3</i>	<i>-34.9</i>	<i>-7.1</i>	<i>-6.5</i>	<i>-0.5</i>	<i>44.4</i>	<i>-5.7</i>	<i>-5.1</i>	<i>8.3</i>	<i>3.4</i>	<i>7.0</i>

INCOME STATEMENT, EURm	2018	2019	2020	2021	2022	2023E	2024E	2025E
Sales	56.9	58.3	60.5	69.1	68.4	58.0	56.5	61.3
<i>Sales growth (%)</i>	<i>12.1</i>	<i>2.5</i>	<i>3.7</i>	<i>14.2</i>	<i>-0.9</i>	<i>-15.3</i>	<i>-2.5</i>	<i>8.3</i>
EBITDA	4.8	9.7	10.4	12.3	5.5	9.9	6.7	9.2
<i>EBITDA margin (%)</i>	<i>8.4</i>	<i>16.7</i>	<i>17.2</i>	<i>17.8</i>	<i>8.1</i>	<i>17.1</i>	<i>11.9</i>	<i>15.0</i>
Depreciation	-2.3	-4.0	-5.0	-5.1	-10.0	-5.1	-4.8	-4.9
EBITA	2.5	5.7	5.4	7.2	-4.4	4.8	1.9	4.3
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	2.5	5.7	5.4	7.2	-4.4	4.8	1.9	4.3
<i>EBIT margin (%)</i>	<i>4.3</i>	<i>9.8</i>	<i>8.9</i>	<i>10.4</i>	<i>-6.5</i>	<i>8.3</i>	<i>3.4</i>	<i>7.0</i>
Reported EBIT	2.5	5.7	5.4	7.2	-4.4	4.8	1.9	4.3
<i>EBIT margin (reported) (%)</i>	<i>4.3</i>	<i>9.8</i>	<i>8.8</i>	<i>10.4</i>	<i>-6.5</i>	<i>8.3</i>	<i>3.4</i>	<i>7.0</i>
Net financials	-1.8	-2.0	-2.6	-1.9	-2.2	-1.1	-1.0	-0.9
Pre-tax profit	0.6	3.7	2.7	5.3	-6.6	3.7	0.9	3.3
Taxes	-0.3	-0.9	-0.8	-1.1	1.2	-1.8	-0.2	-0.7
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	0.4	2.8	2.0	4.1	-5.4	1.9	0.7	2.7
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>								
Assets								
Fixed assets	10	11	12	13	10	10	11	12
Goodwill	40	39	39	42	46	41	41	41
Right of use assets	6	7	7	5	3	3	3	3
Inventory	0	0	0	0	0	0	0	0
Receivables	12	16	12	12	11	9	9	10
Liquid funds	5	4	5	4	2	5	3	2
Total assets	74	77	75	76	74	69	68	69
Liabilities								
Shareholder's equity	22	25	27	28	23	24	25	27
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	6	8	7	5	3	3	3	3
Deferred taxes	1	1	1	1	1	1	1	1
Interest bearing debt	28	28	24	24	30	26	25	23
Non-interest bearing current liabilities	17	17	16	18	17	15	14	16
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	74	77	75	76	74	69	68	69
<b>CASH FLOW, EURm</b>								
+ EBITDA	5	10	10	12	6	10	7	9
- Net financial items	-2	-2	-3	-2	-2	-1	-1	-1
- Taxes	0	-1	-1	-1	0	-2	0	-1
- Increase in Net Working Capital	6	-1	0	1	1	-1	0	0
+/- Other	0	-2	-1	0	0	0	0	0
= Cash flow from operations	8	4	6	10	4	6	5	8
- Capex	-3	-7	-5	-4	-4	-8	-5	-6
- Acquisitions	0	0	0	-3	-5	0	0	0
+ Divestments	0	0	4	0	0	9	0	0
= Free cash flow	5	-3	6	4	-6	7	0	2
+/- New issues/buybacks	1	0	0	0	2	0	0	0
- Paid dividend	0	0	0	-3	-2	0	0	0
+/- Other	-2	2	-4	-2	4	-4	-1	-2
Change in cash	4	-2	1	-1	-2	3	-1	-1

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	29	54	91	24	15	15	15
Net debt (excl. convertibles)	32	26	26	31	25	25	23
Enterprise value	60	81	117	55	39	39	38
Sales	58	60	69	68	58	57	61
EBITDA	10	10	12	6	10	7	9
EBIT	6	5	7	-4	5	2	4
Pre-tax	4	3	5	-7	4	1	3
Earnings	3	2	4	-5	2	1	3
Equity book value (excl. minorities)	25	27	28	23	24	25	27
<b>Valuation multiples</b>							
EV/sales	1.0	1.3	1.7	0.8	0.7	0.7	0.6
EV/EBITDA	6.2	7.8	9.5	10.0	4.0	5.8	4.1
EV/EBITA	10.6	15.1	16.3	-12.5	8.2	20.7	8.9
EV/EBIT	10.6	15.1	16.3	-12.5	8.2	20.7	8.9
EV/OCF	14.6	12.8	11.7	14.2	6.5	7.3	4.7
EV/FCFF	59.8	9.1	21.2	-19.1	4.1	12.8	7.1
P/FCFE	-9.1	9.8	25.6	-4.3	2.1	-319.5	7.8
P/E	27.1	27.3	21.9	-4.4	13.4	20.0	5.5
P/B	1.2	2.0	3.2	1.1	0.6	0.6	0.5
Target EV/EBITDA	0.0	0.0	0.0	0.0	4.1	6.1	4.3
Target EV/EBIT	0.0	0.0	0.0	0.0	8.5	21.6	9.3
Target EV/FCF	0.0	0.0	0.0	0.0	6.0	-890.4	20.9
Target P/B	0.0	0.0	0.0	0.0	0.7	0.7	0.6
Target P/E	0.0	0.0	0.0	0.0	15.0	22.4	6.2
<b>Per share measures</b>							
Number of shares	19,307	19,307	19,397	19,397	19,397	19,397	19,397
Number of shares (diluted)	19,307	19,307	19,397	19,397	19,397	19,397	19,397
EPS	0.15	0.10	0.21	-0.28	0.10	0.04	0.14
Operating cash flow per share	0.21	0.33	0.51	0.20	0.31	0.28	0.41
Free cash flow per share	-0.16	0.29	0.18	-0.29	0.35	0.00	0.10
Book value per share	1.27	1.37	1.44	1.16	1.26	1.30	1.42
Dividend per share	0.00	0.15	0.10	0.00	0.00	0.02	0.07
Dividend payout ratio, %	0.0	146.3	46.8	0.0	0.0	50.0	50.0
Dividend yield, %	0.0	5.4	2.1	0.0	0.0	2.5	9.1
FCF yield, %	-11.0	10.2	3.9	-23.5	46.6	-0.3	12.8
<b>Efficiency measures</b>							
ROE	12.1	7.8	15.2	-21.5	8.1	3.0	10.1
ROCE	9.8	9.1	12.4	-7.8	8.8	3.6	8.0
<b>Financial ratios</b>							
Inventories as % of sales	0.3	0.1	0.3	0.2	0.2	0.2	0.2
Receivables as % of sales	26.8	19.1	17.0	16.2	16.2	16.2	16.2
Non-interest bearing liabilities as % of sales	28.6	26.8	25.5	25.6	25.6	25.6	25.6
NWC/sales, %	-1.5	-7.5	-8.2	-9.2	-9.2	-9.2	-9.2
Operative CAPEX/sales, %	12.5	8.0	5.2	6.4	14.1	9.7	10.0
CAPEX/sales (incl. acquisitions), %	12.5	8.0	1.0	-1.1	14.1	9.7	10.0
FCFF/EBITDA	0.1	0.9	0.4	-0.5	1.0	0.5	0.6
Net debt/EBITDA, book-weighted	3.2	2.6	2.1	5.7	2.5	3.7	2.5
Debt/equity, market-weighted	1.0	0.4	0.3	1.3	1.8	1.7	1.5
Equity ratio, book-weighted	31.9	35.5	36.9	30.3	35.3	36.8	39.5
Gearing, %	128.5	99.9	92.6	139.4	100.4	97.7	83.9

**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 product development in the company's Utilities business and 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 increasingly need to be sought from abroad, as domestic growth potential is somewhat restricted within core competencies.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Profiz Business Solution Oyj	2,135,569	1.623	11.0%
Elo Mutual Pension Insurance Company	2,000,000	1.520	10.3%
Ilmarinen Mutual Pensions Insurance Company	1,651,293	1.255	8.5%
Varma Mutual Pension Insurance Company	1,545,597	1.175	8.0%
Aktia Capital Mutual Fund	770,000	0.585	4.0%
Aalto Seppo Tapio	625,000	0.475	3.2%
Saadetdin Ali	602,216	0.458	3.1%
Säästöpankki Small Cap Mutual Fund	500,000	0.380	2.6%
Incedo Oy	313,178	0.238	1.6%
Mandatum Life Insurance Company Ltd	283,439	0.215	1.5%
Ten largest	10,426,292	7.924	54%
Residual	8,970,209	6.817	46%
Total	19,396,501	14.741	100%

#### EARNINGS CALENDAR

February 15, 2024	FY 2023 Results
April 30, 2024	Q1 report
August 22, 2024	Q2 report
October 24, 2024	Q3 report

#### OTHER EVENTS

#### COMPANY MISCELLANEOUS

CEO: Aarne Aktan	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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