

Cautious optimism amid uncertainty

Solteq reports Q4 on February 15th. Our key points of interest relate to the market and growth outlook, while Q4 bottom-line are of lesser interest due to the impact of cost savings and write-offs.

Q4 of lesser interest, focus on near-term outlook

Solteq reports its Q4 results on February 15th. Bottom-line figures are expected to be clearly negative due to write-offs made to product development investments after a change in practice in activating costs. We expect the adj. EBIT to be negative, at EUR -0.8m, as the cost savings from previously taken measures will not yet be clearly visible, along with some operative softness. We expect a net sales decline of -13.6% to EUR 14.6m due to the divestment in 2023, which on our estimates should translate into lower single-digit organic growth. With the weaker financial performance and the company's outstanding bond (nominal value EUR 23m) maturing in October, we expect no dividends to be paid. On our estimates, we expect the guidance for 2024 to reflect a decline in net sales (organic growth) and positive EBIT. Our operative estimates remain intact ahead of Q4.

Expecting profitability turnaround in 2024

2024 is expected to be a turnaround year for Solteq especially in terms of profitability. With the cost savings measures taken in 2023, the company expects annual savings of EUR 3.8m, the majority of which should show in 2024. The growth outlook is still somewhat shaky, but we remain carefully optimistic for both segments. Growth in Retail & Commerce has been affected by the market weakness and we expect this to continue but ease going into 2024. The outlook for Utilities based on market conditions remains favourable, but with the product-related challenges faced in 2023 and cost savings measures taken, we anticipate a slower start to 2024.

HOLD with a target price of EUR 0.85

With our coming year estimates intact, we retain our target price of EUR 0.85 and HOLD-rating. Valuation is on the higher side on our 2024e estimates and near-term uncertainty elevated, while the long-term outlook remains favourable.



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	-1.5	-2.6%	9.9	-0.16	-4.1	0.7	-25.1	61.1	0.00
2024E	56.5	1.9	3.4%	0.8	0.04	20.3	0.7	19.4	4.8	0.02
2025E	61.3	4.2	6.9%	2.8	0.14	6.0	0.6	8.2	17.3	0.07
Market cap, EURm	16		Gearing 2023E, %	111.0		CAGR EPS 2022-25, %		0.0		
Net debt 2023E, EURm	22		Price/book 2023E	0.8		CAGR sales 2022-25, %		-3.6		
Enterprise value, EURm	38		Dividend yield 2023E, %	0.0		ROE 2023E, %		-15.0		
Total assets 2023E, EURm	61		Tax rate 2023E, %	-21.7		ROCE 2023E, %		-3.0		
Goodwill 2023E, EURm	41		Equity ratio 2023E, %	31.7		PEG, P/E 23/CAGR		0.0		

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

Solteq	2021	Q1/'22	Q2/'22	Q3/'22	Q4/'22	2022	Q1/'23	Q2/'23	Q3/'23	Q4/'23E	2023E	2024E	2025E
Net sales	69.1	19.2	17.9	14.4	16.9	68.4	16.9	14.3	12.2	14.6	58.0	56.5	61.3
<i>sales growth %</i>	14.2%	10.7%	-3.0%	-3.7%	-7.5%	-0.9%	-12.2%	-20.4%	-14.9%	-13.6%	-15.3%	-2.5%	8.3%
<i>comparable growth %</i>								-8.2%	1.9%				
Other income	0.1	0.0	0.1	0.0	0.1	0.2	0.0	8.4	0.1	0.0	8.5	0.1	0.1
Materials and services	-7.9	-2.3	-1.8	-1.5	-2.0	-7.6	-1.9	-1.7	-1.5	-1.5	-6.6	-6.0	-6.5
Personnel expenses	-40.3	-11.5	-11.6	-9.5	-12.0	-44.6	-11.0	-10.6	-8.1	-10.2	-40.0	-36.1	-37.5
Other expenses	-8.7	-2.8	-2.9	-2.5	-2.8	-10.9	-2.8	-2.6	-2.1	-2.5	-10.0	-9.7	-10.2
EBITDA	12.3	2.7	1.8	0.8	0.3	5.6	1.3	7.7	0.5	0.4	9.9	4.7	7.1
Adj. EBITDA	12.6	2.9	2.0	0.9	0.7	6.4	1.5	-0.5	0.6	0.4	1.9	4.7	7.1
D&A	-5.1	-1.3	-1.4	-5.8	-1.5	-10.0	-1.4	-1.4	-1.2	-7.5	-11.4	-2.8	-2.9
EBIT	7.1	1.4	0.4	-5.0	-1.2	-4.4	-0.1	6.3	-0.7	-7.1	-1.5	1.9	4.2
<i>EBIT-%</i>	10.3%	7.2%	2.3%	-34.9%	-7.1%	-6.4%	-0.5%	44.4%	-5.7%	-48.3%	-2.6%	3.4%	6.9%
Adjustment items	0.3	0.2	0.2	4.5	0.4	5.3	0.2	-8.2	0.0	6.3	-1.7	0.0	0.0
Adj. EBIT	7.4	1.6	0.6	-0.5	-0.8	0.9	0.1	-1.9	-0.7	-0.8	-3.2	1.9	4.2
<i>Adj. EBIT-%</i>	10.7%	8.2%	3.3%	-3.5%	-4.6%	1.3%	0.4%	-13.1%	-5.5%	-5.1%	-5.6%	3.4%	6.9%
Retail & Commerce	2021	Q1/'22	Q2/'22	Q3/'22	Q4/'22	2022	Q1/'23	Q2/'23	Q3/'23	Q4/'23E	2023E	2024E	2025E
Net sales		14.9	14.3	11.4	13.3	53.8	13.4	10.8	9.2	11.0	44.5	42.0	44.1
<i>sales growth %</i>							-9.8%	-24.3%	-18.8%	-17.0%	-17.3%	-5.6%	5.0%
Adj. EBITDA		2.5	2.2	1.0	1.2	6.9	2.1	0.4	1.0	1.3	4.9	5.1	5.7
<i>Adj. EBITDA-%</i>		16.5%	15.5%	8.9%	8.8%	12.8%	15.7%	4.1%	11.3%	11.8%	11.0%	12.2%	13.0%
EBIT		1.5	1.1	-4.4	-0.1	-1.8	1.2	7.8	0.4	0.4	9.8	2.5	3.0
<i>EBIT-%</i>		10.1%	8.0%	-38.5%	-0.9%	-3.4%	8.8%	72.5%	4.1%	3.6%	22.0%	6.0%	6.9%
Adj. EBIT		1.5	1.3	0.1	0.3	3.2	1.2	-0.3	0.4	0.7	2.0	2.5	3.0
<i>Adj. EBIT-%</i>		10.3%	9.1%	0.9%	2.0%	5.9%	9.3%	-3.1%	3.9%	6.4%	4.4%	6.0%	6.9%
Utilities	2021	Q1/'22	Q2/'22	Q3/'22	Q4/'22	2022	Q1/'23	Q2/'23	Q3/'23	Q4/'23E	2023E	2024E	2025E
Net sales		4.3	3.6	3.0	3.6	14.6	3.5	3.4	3.0	3.6	13.5	14.5	17.2
<i>sales growth %</i>							-20.2%	-5.1%	-0.1%	-1.3%	-7.6%	7.8%	18.0%
Adj. EBITDA		0.5	-0.3	-0.1	-0.5	-0.5	-0.7	-1.0	-0.5	-0.9	-3.0	-0.4	1.4
<i>Adj. EBITDA-%</i>		10.7%	-7.7%	-4.6%	-13.9%	-3.2%	-19.3%	-28.6%	-16.1%	-25.0%	-22.5%	-2.8%	8.0%
EBIT		-0.1	-0.7	-0.6	-1.1	-2.6	-1.3	-1.5	-1.1	-7.5	-11.3	-0.6	1.2
<i>EBIT-%</i>		-2.9%	-20.1%	-21.1%	-29.6%	-17.6%	-36.7%	-44.0%	-35.9%	-206.9%	-83.8%	-4.1%	6.8%
Adj. EBIT		0.1	-0.7	-0.6	-1.0	-2.3	-1.2	-1.5	-1.0	-1.5	-5.2	-0.6	1.2
<i>Adj. EBIT-%</i>		1.2%	-19.8%	-20.2%	-28.5%	-15.8%	-34.3%	-44.5%	-34.6%	-40.3%	-38.6%	-4.1%	6.8%

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	0.83 PV of Free Cash Flow	63 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	5.40 PV of Horizon value	76 WACC, %	8.9 Market risk premium, %	5.8
Share price potential, %	547.8 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	5.9 Marketable securities	5 Minimum WACC, %	8.4 Equity beta coefficient	1.10
Minimum value	4.9 Debt - dividend	-26 Maximum WACC, %	9.4 Target debt ratio, %	20
Horizon value, %	54.6 Value of stock	108 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	-1	2	4	7	7	7	8	8	9	9	9
<i>Operating income margin, %</i>	-6.5	-2.6	3.4	6.9	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
+ Depreciation+amort.	10	11	3	3	3	3	4	4	4	4	4	
EBITDA	6	10	5	7	10	11	11	12	12	13	13	
- Paid taxes	0	0	0	-1	-1	-1	-1	-2	-2	-2	-2	
- Change in NWC	1	-2	0	0	0	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	-9.2	-7.4	-7.4	-7.4	-7.4	-7.4	-7.4	-7.4	-7.4	-7.4	-7.4	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-3	-4	0	0	0	-1	-1	-1	-1	-1	-1	
<i>opCAPEX / Sales, %</i>	6.4	9.3	4.8	5.2	5.2	5.1	5.1	5.1	5.1	5.1	5.1	
- 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	13	4	6	8	9	9	10	10	11	11	162
= Discounted FCFF		13	4	5	7	6	6	6	6	5	5	76
= DFCF min WACC		13	4	5	7	6	6	6	6	6	5	86
= DFCF max WACC		13	4	5	7	6	6	6	6	5	5	68

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	4.7	7.1
<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>8.4</i>	<i>11.6</i>
EBIT	1.4	0.4	-5.0	-1.2	-4.4	-0.1	6.3	-0.7	-7.0	-1.5	1.9	4.2
<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>-48.3</i>	<i>-2.6</i>	<i>3.4</i>	<i>6.9</i>
Net financial items	-0.4	-0.5	-0.4	-0.8	-2.2	0.4	-0.6	-0.5	-0.5	-1.1	-0.9	-0.8
Pre-tax profit	1.0	-0.1	-5.5	-2.0	-6.6	0.4	5.8	-1.2	-7.5	-2.6	1.0	3.4
Tax	-0.2	0.0	1.0	0.4	1.2	-0.1	-2.1	0.2	1.5	-0.6	-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>-21.7</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	-6.0	-3.1	0.8	2.7
EPS	0.04	0.00	-0.23	-0.09	-0.28	0.01	0.19	-0.05	-0.31	-0.16	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	-0.31	-0.20	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
SALES, EURm												
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
SALES GROWTH, Y/Y %												
<i>Retail & 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>
EBIT, EURm												
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	0.4	9.8	2.5	3.0
Utilities	-0.1	-0.7	-0.6	-1.1	-2.6	-1.3	-1.5	-1.1	-7.4	-11.3	-0.6	1.2
Total	1.4	0.4	-5.0	-1.2	-4.4	-0.1	6.3	-0.7	-7.0	-1.5	1.9	4.2
EBIT margin, %												
<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 & 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>3.6</i>	<i>22.0</i>	<i>6.0</i>	<i>6.9</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>-206.9</i>	<i>-83.8</i>	<i>-4.1</i>	<i>6.8</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>-48.3</i>	<i>-2.6</i>	<i>3.4</i>	<i>6.9</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	4.7	7.1
<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>8.4</i>	<i>11.6</i>
Depreciation	-2.3	-4.0	-5.0	-5.1	-10.0	-11.4	-2.8	-2.9
EBITA	2.5	5.7	5.4	7.2	-4.4	-1.5	1.9	4.2
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	-1.5	1.9	4.2
<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>-2.6</i>	<i>3.4</i>	<i>6.9</i>
Reported EBIT	2.5	5.7	5.4	7.2	-4.4	-1.5	1.9	4.2
<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>-2.6</i>	<i>3.4</i>	<i>6.9</i>
Net financials	-1.8	-2.0	-2.6	-1.9	-2.2	-1.1	-0.9	-0.8
Pre-tax profit	0.6	3.7	2.7	5.3	-6.6	-2.6	1.0	3.4
Taxes	-0.3	-0.9	-0.8	-1.1	1.2	-0.6	-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	-3.1	0.8	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
BALANCE SHEET, EURm								
Assets								
Fixed assets	10	11	12	13	10	1	1	1
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	10	10	11
Liquid funds	5	4	5	4	2	5	3	2
Total assets	74	77	75	76	74	61	60	60
Liabilities								
Shareholder's equity	22	25	27	28	23	19	20	23
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	23	21	18
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	61	60	60
CASH FLOW, EURm								
+ EBITDA	5	10	10	12	6	10	5	7
- Net financial items	-2	-2	-3	-2	-2	-1	-1	-1
- Taxes	0	-1	-1	-1	0	-1	0	-1
- Increase in Net Working Capital	6	-1	0	1	1	-2	0	0
+/- Other	0	-2	-1	0	0	0	0	0
= Cash flow from operations	8	4	6	10	4	6	4	6
- Capex	-3	-7	-5	-4	-4	-5	-3	-3
- 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	10	1	3
+/- 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	-7	-2	-3
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	16	16	16
Net debt (excl. convertibles)	32	26	26	31	22	21	18
Enterprise value	60	81	117	55	38	37	35
Sales	58	60	69	68	58	57	61
EBITDA	10	10	12	6	10	5	7
EBIT	6	5	7	-4	-1	2	4
Pre-tax	4	3	5	-7	-3	1	3
Earnings	3	2	4	-5	-3	1	3
Equity book value (excl. minorities)	25	27	28	23	19	20	23
Valuation multiples							
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	3.8	7.8	4.9
EV/EBITA	10.6	15.1	16.3	-12.5	-25.1	19.4	8.2
EV/EBIT	10.6	15.1	16.3	-12.5	-25.1	19.4	8.2
EV/OCF	14.6	12.8	11.7	14.2	6.0	10.5	5.8
EV/FCFF	59.8	9.1	21.2	-19.1	2.9	9.6	5.6
P/FCFE	-9.1	9.8	25.6	-4.3	1.6	21.0	5.8
P/E	27.1	27.3	21.9	-4.4	-4.1	20.3	6.0
P/B	1.2	2.0	3.2	1.1	0.8	0.8	0.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	3.8	7.9	4.9
Target EV/EBIT	0.0	0.0	0.0	0.0	-25.4	19.6	8.3
Target EV/FCF	0.0	0.0	0.0	0.0	3.9	48.4	12.4
Target P/B	0.0	0.0	0.0	0.0	0.8	0.8	0.7
Target P/E	0.0	0.0	0.0	0.0	-4.2	20.7	6.1
Per share measures							
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	-0.16	0.04	0.14
Operating cash flow per share	0.21	0.33	0.51	0.20	0.32	0.18	0.31
Free cash flow per share	-0.16	0.29	0.18	-0.29	0.51	0.04	0.14
Book value per share	1.27	1.37	1.44	1.16	1.00	1.04	1.16
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	8.4
FCF yield, %	-11.0	10.2	3.9	-23.5	61.1	4.8	17.3
Efficiency measures							
ROE	12.1	7.8	15.2	-21.5	-15.0	4.0	12.7
ROCE	9.8	9.1	12.4	-7.8	-3.0	4.2	9.6
Financial ratios							
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	18.0	18.0	18.0
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	-7.4	-7.4	-7.4
Operative CAPEX/sales, %	12.5	8.0	5.2	6.4	9.3	4.8	5.2
CAPEX/sales (incl. acquisitions), %	12.5	8.0	1.0	-1.1	9.3	4.8	5.2
FCFF/EBITDA	0.1	0.9	0.4	-0.5	1.3	0.8	0.9
Net debt/EBITDA, book-weighted	3.2	2.6	2.1	5.7	2.2	4.4	2.6
Debt/equity, market-weighted	1.0	0.4	0.3	1.3	1.4	1.3	1.1
Equity ratio, book-weighted	31.9	35.5	36.9	30.3	31.7	33.9	37.6
Gearing, %	128.5	99.9	92.6	139.4	111.0	102.9	81.6

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	2,195,569	1.829	11.3%
Elo Mutual Pension Insurance Company	2,000,000	1.666	10.3%
Ilmarinen Mutual Pensions Insurance Company	1,651,293	1.376	8.5%
Varma Mutual Pension Insurance Company	1,545,597	1.287	8.0%
Aktia Capital Mutual Fund	770,000	0.641	4.0%
Aalto Seppo Tapio	625,000	0.521	3.2%
Saadetdin Ali	602,216	0.502	3.1%
Säästöpankki Small Cap Mutual Fund	500,000	0.416	2.6%
Incedo Oy	313,178	0.261	1.6%
Mandatum Life Insurance Company Ltd	283,439	0.236	1.5%
Ten largest	10,486,292	8.735	54%
Residual	8,910,209	7.422	46%
Total	19,396,501	16.157	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:	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

<p>ROE, %</p> $\frac{\text{Profit before extraordinary items and taxes - income taxes}}{\text{Shareholder's equity + minority interest + taxed provisions (average)}}$	
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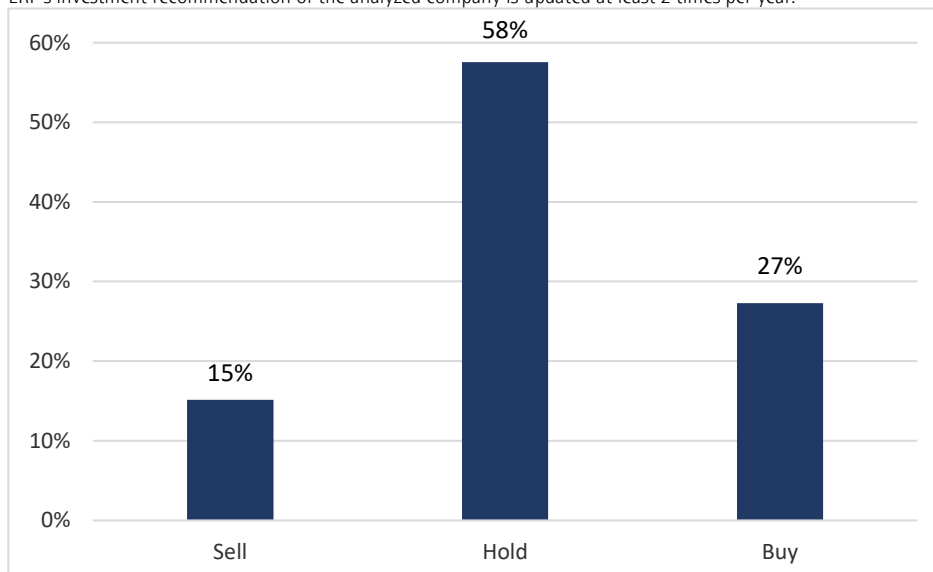
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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