

Solteq Plc's Interim Report January 1 – September 30, 2020

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The company performed well in a changing market situation

July–September

- Revenue totaled EUR 13,289 thousand (12,993).
- EBITDA was EUR 2,715 thousand (1,300).
- Operating profit was EUR 1,365 thousand (282) and comparable operating profit EUR 1,365 thousand (-15).
- Earnings per share was EUR 0.03 (-0.01).
- The revenue was 2.3 percent higher than in the comparison period, while the comparable revenue grew by 8.5 percent.

January–September

- Revenue totaled EUR 44,044 thousand (42,583).
- EBITDA was EUR 7,300 thousand (5,327).
- Operating profit was EUR 3,563 thousand (2,383) and comparable operating profit EUR 3,753 thousand (1,711).
- Earnings per share was EUR 0.07 (0.04).
- Solteq Group's equity ratio was 35.0 percent (31.5).
- Net cash flow from operating activities was EUR 4,231 thousand (831).
- The revenue was 3.4 percent higher than in the comparison period, while the comparable revenue grew by 9.3 percent.
- The company invested strongly in future growth by focusing on the development of our own cloud-based software products and services. During the review period the product development investments amounted to EUR 2.3 million (3.0). Product development during the entire financial year is expected to be less than EUR 3.0 million.
- Profit guidance for 2020: Solteq Group's comparable operating profit is expected to grow significantly.

Key figures

	7-9/2020	7-9/2019	Change %	1-9/2020	1-9/2019	Change %	1-12/2019	Rolling 12mos
Revenue, TEUR	13,289	12,993	2.3	44,044	42,583	3.4	58,291	59,751
Comparable revenue, TEUR	13,289	12,243	8.5	44,044	40,284	9.3	55,293	59,053
EBITDA, TEUR	2,715	1,300	108.9	7,300	5,327	37.0	9,714	11,687
Comparable EBITDA, TEUR	2,715	1,003	170.8	7,490	4,655	60.9	6,582	9,416
Operating profit, TEUR	1,365	282	383.7	3,563	2,383	49.5	5,711	6,891
Comparable operating profit, TEUR	1,365	-15	9,288.0	3,753	1,711	119.3	2,579	4,620
Profit for the financial period, TEUR	539	-187	389.0	1,358	755	79.9	2,803	3,406
Earnings per share, EUR	0.03	-0.01	387.4	0.07	0.04	78.9	0.15	0.18
Operating profit, %	10.3	2.2		8.1	5.6		9.8	11.5
Comparable operating profit, %	10.3	-0.1		8.5	4.2		4.7	7.8
Equity ratio, %				35.0	31.5		32.0	35.2

CEO Olli Väättäinen: The company performed well in a changing market situation

Solteq Group's third-quarter revenue was EUR 13.3 million, up by 2.3 percent. The increase in the comparable revenue – when the absence of the SAP ERP business is taken into account – was 8.5 percent. About a fifth of this revenue was derived from outside Finland. The company's own software products and related services contributed around a third and digital services around two thirds of revenue.

The company's profitability was very good in the third quarter: operating profit improved, year-on-year, by 383.7 percent, standing at EUR 1.4 million. The operating profit margin was 10.3 percent. The company's EBITDA was EUR 2.7 million – up by 108.9 percent year on year. The EBITDA margin was 20.4 percent.

The company has been closely following and assessing the impact of the COVID-19 pandemic on its business. Although the pandemic slowed down sales to some extent in several business areas and in the Nordic subsidiaries, there was overall growth driven by the customer orders secured the year before, the capability to deliver, and success in obtaining new customers in the utilities sector. So far, the pandemic has had no negative impact on the company's performance as a whole. The excellent performance in the third quarter was also supported by the streamlining measures taken earlier this year and the resulting cost savings.

To ensure a going concern and sufficient funding, the company announced on September 24, 2020 the issuance of a new unsecured senior bond with fixed interest rate and a nominal value of EUR 23.0 million and the voluntary redemption of a bond that will mature on July 1, 2021. The new bond was issued after the review period, and the proceeds obtained from it were used to redeem the old bond. The new bond will mature on October 1, 2024. Annual interest of 6.0 will be paid on it, and it can be redeemed before the final maturity date.

The company has performed well in a challenging and unpredictable market situation. The organization's operational capacity and the safety of its stakeholders were ensured by measures adopted in the early stages of the pandemic. The business outlook is expected to remain unchanged for the rest of the year.

Profit guidance 2020

Solteq Group's comparable operating profit is expected to grow significantly.

Going concern principle

On April 21, 2020, the company initiated a written procedure concerning a change in the terms of an unsecured, senior bond with fixed interest and a nominal value of EUR 27.0 million (with maturity date July 1, 2020), requesting that the loan period be extended by 12 months. Amendment of the terms was accepted by means of a written procedure on May 18, 2020. The company's bond liability is EUR 24.5 million.

The prerequisite of a going concern is to rearrange financing before the original maturity date of the current bond. The procedure ended in a favorable outcome. Due to prevailing conditions on the financial markets, the company considers it appropriate to request a 12-month extension to the term of the bond. The EUR 24.5 million bond at the end of the review period will mature on July 1, 2021.

On September 24, 2020, the company announced its decision to issue a new bond with a nominal value of EUR 23.0 million that will mature on October 1, 2024. The proceeds from the issue will be used for the refinancing of the company's existing bond and for general corporate purposes.

Following the completion of the above financial arrangements, the company will have a EUR 23.0 bond that matures on October 1, 2024. The company also has a EUR 4,000 thousand standby credit limit and a EUR 2,000 thousand credit limit, both unused at the end of the review period on September 30, 2020.

The company's operations are on a solid foundation and it is the management's view that the company has the capacity to overcome the COVID-19 pandemic's negative impacts on its business operations. On this basis, the management expects operations to continue, with only a low risk of inadequate funding.

This Interim Report was drawn up under the going concern principle, taking into account the financial restructuring carried out.

Attachments

Solteq Plc Interim Report January 1 – September 30, 2020

Further information:

CEO Olli Väättäinen
Tel: +358 50 557 8111
E-mail: olli.vaatainen@solteq.com

CFO Kari Lehtosalo
Tel: +358 40 701 0338
E-mail: kari.lehtosalo@solteq.com

Distribution:

NASDAQ OMX Helsinki
Key media
www.solteq.com

About Solteq:

Solteq is a Nordic provider of IT services and software solutions specializing in the digitalization of business and industry-specific software. The key sectors in which the company has long term experience include retail, industry, energy and services. The company operates in Finland, Sweden, Norway, Denmark, Poland and the UK and employs 600 professionals.