SOLTEQ

Solteq Plc's Financial Statements Bulletin January 1 – December 31, 2019

Solteq Plc

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2019 – a year of international business growth and innovation

October–December
- Revenue totaled 15,708 thousand euros (14,930).
- EBITDA was 4,387 thousand euros (1,146).
- Operating profit was 3,328 thousand euros (645).
- The SAP ERP business was transferred to Enfo Oyj on January 1, 2020. The capital gain from the divestment improved the Group's EBITDA and operating profit by 2,515 thousand euros.
- The implementation of IFRS 16 standard improved EBITDA by 490 thousand euros and the operating profit by 46 thousand euros during the fourth quarter.*
- Earnings per share was 0.11 euros (0.01).

January–December
- Revenue totaled 58,291 thousand euros (56,867).
- EBITDA was 9,714 thousand euros (4,766).
- Operating profit was 5,711 thousand euros (2,466).
- The SAP ERP business was transferred to Enfo Oyj on January 1, 2020. The capital gain from the divestment improved the Group's EBITDA and operating profit by 2,515 thousand euros.
- The implementation of IFRS 16 standard improved EBITDA by 1,899 thousand euros and the operating profit by 185 thousand euros during the review period.*
- Earnings per share was 0.15 euros (0.02).
- Solteq Group's equity ratio was 32.0 percent (32.4).
- The Group's equity ratio excluding the impact from adopting the IFRS 16 standard would have been 34.6 percent during the review period.*
- Net cash flow from operating activities was 4,128 thousand euros (8,002).
- The revenue was 2.5 percent higher than in the comparison period. Continuous services accounted for approximately one third of the revenue.
- 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 3.9 million euros (2.3).

*Solteq Group implemented the IFRS 16 Leases standard effective from January 1, 2019. The new standard was implemented using the modified retrospective approach, in which the comparative figures for prior financial periods were not restated.

Key figures

	10-12/2019	10-12/2018	Change-%	1-12/2019	1-12/2018	Change-%
Revenue, TEUR	15,708	14,930	5.2	58,291	56,867	2.5
EBITDA, TEUR	4,387	1,146	282.8	9,714	4,766	103.8
Adjusted EBITDA, TEUR	2,147	1,617	32.8	7,546	5,417	39.3
Operating profit, TEUR	3,328	645	416.2	5,711	2,466	131.6
Adjusted operating profit, TEUR	1,088	1,115	-2.4	3,543	3,117	13.7
Profit for the financial period, TEUR	2,049	109	1,785.9	2,803	356	687.8
Earnings per share, EUR	0.11	0.01	1,811.6	0.15	0.02	683.5
Operating profit, %	21.2	4.3		9.8	4.3	
Adjusted operating profit, %	6.9	7.5		6.1	5.5	
Equity ratio, %				32.0	32.4	

CEO Olli Väätäinen: 2019 – a year of international business growth and innovation

The Group's business grew moderately, thanks to our foreign subsidiaries, and profitability increased: Solteq Group's revenue was 58.3 million euros, operating profit 5.7 million euros and adjusted operating profit 3.5 million euros. Revenue grew by 2.5%, operating profit by 131.6% and adjusted operating profit by 13.7%.

3.9 million euros was invested in developing our own software products and services. Product development focused on Utilities solutions; Point-of-Sale software; and autonomous robotics. During 2019, the Utilities business grew by 25%; we launched the first customer deliveries of the new Point-of-Sale solution; and within autonomous robotics, we tested Solteq Retail Robot in a real store environment with S Group. In December 2019, Solteq Retail Robot was chosen as the best potential innovation in the Quality Innovation Award competition.

The company's own software products and related services contributed around a third and digital services around two thirds of the Group's revenue. In October 2019, we announced a change in the Group's segment structure, dividing the business operations into Solteq Software, which is based on the company's own products, and Solteq Digital, which comprises IT expert services based on client products. The new segment structure, effective from the beginning of 2020, creates a better match with the Group's business structure and revenue model and promotes business management.

The company's revenue in Finland did not grow compared to the year before. The main reason for this was the delay in launching a few major customer projects towards the end of the year. The company has also been in the middle of a particularly challenging customer project that has been ongoing for several years; delivery for this project was interrupted by six months, and restarted again during 2019. Due to the postponements in these customer projects, the Finnish revenue and operating profit did not develop as well as expected during the second half of the year.

International business and profitable innovation form a significant part of our growth strategy and were among our priorities for 2019. Our foreign subsidiaries developed well in 2019, driven by digital services. The revenue of our foreign subsidiaries grew organically by 26% compared to the previous year, accounting for 21% of consolidated revenue.

The company's digital services consisted mainly of eCommerce and information management solutions and operational systems delivered to large and medium-sized customers. Demand for our eCommerce solutions remained stable. There was clear growth in demand for information management solutions, with particularly good growth within Microsoft-based operational systems.

In 2020, the company will continue to develop its international business and its own cloud-based software products and services, and to invest in selected client products. As part of this strategy, a business transfer agreement was completed at the end of 2019, resulting in the transfer of Solteq's SAP ERP business to Enfo Oyj as of January 1, 2020. Via this agreement, Solteq Digital's operational system deliveries have become increasingly focused on Microsoft-based solutions.

Our business outlook remains unchanged. The company was reorganized according to the new segment structure as of January 1, 2020. This will enable more efficient operations, and we expect these measures will improve our performance in 2020. Investments in our own product development have begun to be realized in the form of successful customer deliveries, and we forecast that our industry-specific products will continue on a positive commercial path.

Profit guidance 2020

Solteq Group's adjusted operating profit is expected to remain at the same level as in 2019.

Attachments

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Distribution

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Solteq in brief

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.