

Solteq Plc's Half-Year Report January 1 – June 30, 2024

Stock Exchange Bulletin
Half-Year Report
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Significant Turnaround in Profitability – Comparable Operating Result improved by EUR 2.1 million

April–June

- Comparable revenue totaled EUR 13.4 million (13.6) and decreased by 1.5 percent. Revenue totaled EUR 13.4 million (14.3) and decreased by 6.1 percent
- Comparable EBITDA was EUR 0.6 million (-1.3) and EBITDA EUR 0.6 million (7.7). Comparable EBITDA percent was 4.6 (-9.3)
- Comparable operating result was EUR 0.0 million (-2.1) and operating result EUR 0.0 million (6.3). Comparable operating result percent was 0.0 (-15.3)
- Earnings per share was EUR -0.03 (0.19)

January–June

- Comparable revenue totaled EUR 27.0 million (27.7) and decreased by 2.7 percent. Revenue totaled EUR 27.0 million (31.2) and decreased by 13.5 percent
- Comparable EBITDA was 1.0 EUR million (-1.1) and EBITDA EUR 1.0 million (9.0). Comparable EBITDA percent was 3.6 (-4.1)
- Comparable operating result was EUR -0.2 million (-2.7) and operating result EUR -0.2 million (6.2). Comparable operating result percent was -0.9 (-9.8)
- Earnings per share was EUR -0.06 (0.20)
- Solteq Group's equity ratio was 29.0 percent (38.4)
- Net cash flow from operating activities was EUR 1.2 million (-1.8)
- The company expects the comparable revenue to grow and the operating result to be positive. The comparable revenue was EUR 54,183 thousand for the financial year 2023

Key figures

	4- 6/2024	4- 6/2023	Change %	1- 6/2024	1- 6/2023	Change %	1- 12/2023	Rolling 12mos
Revenue, TEUR	13,398	14,273	-6.1	26,970	31,173	-13.5	57,655	53,452
Comparable revenue, TEUR	13,398	13,609	-1.5	26,970	27,721	-2.7	54,183	53,431
EBITDA, TEUR	617	7,698	-92.0	974	8,979	-89.1	8,695	691
Comparable EBITDA, TEUR	617	-1,269	148.6	974	-1,149	184.8	-1,662	461
Operating result, TEUR	3	6,337	-99.9	-244	6,246	-103.9	-3,541	-10,031

Comparable operating result, TEUR	3	-2,076	100.2	-244	-2,727	91.1	-4,575	-2,092
Result for the financial period, TEUR	-506	3,672	-113.8	-1,211	3,877	-131.2	-5,380	-10,468
Earnings per share, EUR	-0.03	0.19	-113.8	-0.06	0.20	-131.2	-0.28	-0.54
Operating result, %	0.0	44.4		-0.9	20.0		-6.1	-18.8
Comparable operating result, %	0.0	-15.3		-0.9	-9.8		-8.4*	-3.9
Equity ratio, %				29.0	38.4		30.1	34.2

*Solteq announced new comparable figures on April 24, 2024. In the Interim report January 1st - March 31st, 2024, the percentage in question had remained incorrect.

CEO Aarne Aktan: Significant Turnaround in Profitability – Comparable Operating Result improved by EUR 2.1 million

The company's second quarter brought about a very significant turnaround in results: the comparable operating result improved by EUR 2.1 million relative to the comparison period. The Group's comparable EBITDA was EUR 0.6 million, and the comparable operating result was slightly positive for the first time in two years. This complete turnaround in profitability results from systematic and long-term efforts focused on renewing the business strategy, improving the quality of Utilities software products, and group-wide efficiency and cost-saving initiatives.

The revenue development for the review period lagged slightly behind the comparison period due to subdued customer demand. The Group's comparable revenue was EUR 13.4 million during the review period, which decreased by 1.5 percent relative to the comparison period.

The Retail & Commerce segment performed well in the subdued market and improved its performance significantly from the comparison period. The comparable operating result improved by EUR 0.8 million from the comparison period and was EUR 0.4 million positive. However, comparable revenue decreased slightly from the comparison period (-1.2 percent). During the review period, an efficiency and cost-savings program within the Commerce & Data business unit of the Retail & Commerce segment and the Group administration was implemented to improve the profitability. The company estimates achieving annual savings of approximately EUR 3.4 million through group-wide savings and reduction measures. Approximately a third of the annual cost savings is expected to be realized on the second half of 2024.

Systematic measures to improve the quality of Utilities software products and develop the operations are reflected as a significant improvement in the profitability of the Utilities segment from the comparison period. The comparable operating result improved by EUR 1.3 million and was EUR -0.4 million. The comparable operating result improved by more than 78 percent. As a result of the measures taken, the Utilities segment will return to profitable growth.

The long-term market outlook for the Retail & Commerce segment is expected to remain moderate, and demand to recover as the markets stabilize. The long-term market outlook for the Utilities segment is expected to remain good and provide opportunities for profitable growth.

On August 21, 2024, the company commenced a written procedure to amend the terms and conditions of its EUR 23 million notes maturing on October 1, 2024. In the written procedure, the noteholders' consent is being sought to postpone the final maturity date of the notes by 24 months, which would extend the maturity to October 1, 2026.

Profit Guidance 2024

The company expects the comparable revenue to grow and the operating result to be positive. The comparable revenue was EUR 54,183 thousand for the financial year 2023

Going concern principle

In assessing the going concern principle, the management of the company has considered the risks related to the refinancing of the company. The key elements of Solteq Group's debt financing are a fixed-rate bond, as well as standby and bank account credit limits.

Solteq issued a fixed-rate unsecured senior bond with a nominal value of EUR 23.0 million on October 1, 2020. Of the EUR 23.0 million bond outstanding at the time of the Half-Year Report, EUR 0.6 million was held by the company. The bond matures on October 1, 2024. The standby and bank account credit limits total EUR 7.0 million. The related financial covenants are linked to the terms of the bond.

The terms of the bond include financial covenants concerning the distribution of funds and incurring financial indebtedness other than permitted under the terms of the bond (Incurrence Covenant). The covenants require that the equity ratio exceeds 27.5 percent, the interest coverage ratio (EBITDA/net interest cost) exceeds 3.00:1, and that the Group's net interest-bearing debt to EBITDA ratio does not exceed 4:1. The covenants concerning the distribution of funds and incurring financial indebtedness other than permitted under the terms of the bond are not fulfilled based on the reporting period. The fulfillment of the covenants is always reviewed based on the last reported 12-month period. Violations of the above-mentioned financial covenants of the bond do not, as such, lead to the right to demand immediate repayment of the bond, but they limit the distribution of the company's funds and incurring financial indebtedness other than permitted under the terms of the bond. The prerequisite for the company's going concern is the restructuring of the financing.

On August 21, 2024, the company commenced a written procedure to amend the terms of the bond so that the bond maturity would be postponed by 24 months, which would extend the maturity to October 1, 2026. In addition, as part of the amendment process, the company has proposed, among other things, changing the coupon rate from 6 percent to 10 percent, and changes to the redemption price of the bond.

In assessing the going concern, the management of the company has considered the effects of the measures taken during the financial year 2024, the financial performance during the review period 1-6/2024, financial forecasts, and risks related to the availability of financing and to financial negotiations.

The company believes that the planned financing arrangements will lead to a favorable outcome. However, there are still no binding commitments on the restructuring of the financing and the outcome of the ongoing amendment procedure involves uncertainty. If the company failed to restructure the financing by the bond maturity date, the company would not be able to meet its obligations and the conditions for the company's going concern would become jeopardized.

Considering the above measures and risks, the management estimates that operations will continue and that the risk of insufficient funding is small. Therefore, the management of the company has deemed it justified to prepare the Half-Year Report under the going concern principle.

Financial reporting

The Half-Year Report has been prepared in accordance with the recognition and valuation principles of IFRS standards and using IAS 34 and the same accounting policies as the Financial Statements 2023. The new IFRS standards, taken into use on January 1, 2024, do not have a significant impact on the Group's Interim Report. The information presented in the Half-Year Report has not been audited.

Attachments

Solteq Plc's Half-Year Report January 1 – June 30, 2024

Further Information

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Solteq in brief

Solteq is a Nordic software solution and expert service provider specializing in retail and energy sectors and needs related to e-commerce. The company employs over 400 professionals and has offices in Finland, Sweden, Norway, Denmark, Poland, and the UK.