SOLTEQ

Solteq Plc’s Interim Report January 1 – March 31, 2024

Stock Exchange Bulletin
Interim Report
April 30, 2024, at 8.00 am

A Positive Turnaround in Profitability

January–March

- Comparable revenue totaled EUR 13.6 million (14.1) and decreased by 3.8 percent. Revenue totaled EUR 13.6 million (16.9) and decreased by 19.7 percent
- Comparable EBITDA was EUR 0.4 million (0.1) and EBITDA EUR 0.4 million (1.3). Comparable EBITDA percent was 2.6 (0.9)
- Comparable operating result was EUR -0.2 million (-0.7) and operating result EUR -0.2 million (-0.1). Comparable operating result percent was -1.8 (-4.6)
- Earnings per share was EUR -0.04 (0.01)
- Solteq Group’s equity ratio was 29.3 percent (30.5)
- Net cash flow from operating activities was EUR 1.0 million (0.5)
- 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

	1-3/2024	1-3/2023	Change %	1-12/2023	Rolling 12mos
Revenue, TEUR	13,571	16,899	-19.7	57,655	54,327
Comparable revenue, TEUR	13,571	14,113	-3.8	54,183	53,641
EBITDA, TEUR	358	1,281	-72.1	8,695	7,772
Comparable EBITDA, TEUR	358	121	196.7	-1,662	-1,425
Operating result, TEUR	-247	-91	-170.8	-3,541	-3,697
Comparable operating result, TEUR	-247	-652	62.1	-4,575	-4,171
Result for the financial period, TEUR	-705	204	-445.4	-5,380	-6,289
Earnings per share, EUR	-0.04	0.01	-445.4	-0.28	-0.32
Operating result, %	-1.8	-0.5		-6.1	-6.8
Comparable operating result, %	-1.8	-4.6		-7.2	-7.8
Equity ratio, %	29.3	30.5		30.1	30.0

CEO Aarne Aktan: A Positive Turnaround in Profitability

Solteq Plc’s first quarter brought a positive turnaround in profitability development. However, revenue development lagged and fell short of the company’s expectations due to decreased customer demand and weaker-than-expected sales performance. The Group’s comparable revenue was EUR 13.6 million in the review period. The comparable revenue decreased by 2.6 percent in the Retail & Commerce segment and 7.5 percent in the Utilities segment.

The company’s profitability improved during the review period. The comparable EBITDA was EUR 0.4 million, and the comparable operating result was EUR -0.2 million. The comparable EBITDA improved by EUR 0.2 million, and the comparable operating result by EUR 0.4 million relative to the comparison period. Utilities drove the turnaround in profitability. The segment's efficiency improvement program in 2023 and the persistent work with product quality assurance started materializing. In Retail & Commerce, however, profitability weakened due to a disproportionate cost structure relative to diminishing revenue.

The long-term market outlook for the Retail & Commerce segment is expected to remain moderate and demand to recover as the markets stabilize. Retail & Commerce will renew its sales strategy and account management processes during the current quarter to improve sales performance. The long-term market outlook for the Utilities segment is expected to remain good and provide opportunities for profitable growth.

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 Interim 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. The company has initiated measures to arrange refinancing of the company.

In assessing the going concern, the management of the company has considered the effects of the measures taken during the financial year 2023, the financial performance during the review period 1-3/2024, 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 decisions on the restructuring of the financing and 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 Interim Report under the going concern principle.

Financial reporting

The Interim 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 Interim Report has not been audited.

Attachments

Solteq Plc's Interim Report January 1 – March 31, 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 nearly 500 professionals and has offices in Finland, Sweden, Norway, Denmark, Poland, and the UK.