

30 August 2024

Commissioned research: Solwers – H1 sales slightly above our estimates while profitability weaker

Marketing material commissioned by Solwers

Solwers posted H1 revenue of EUR 39.9m, 2% above our expectations while profitability was lower due to e.g. preparation costs related to a possible transfer to the main list of Nasdaq Helsinki. H1 growth was 20% driven by acquisitions conducted in 2023 and early H1 in particular. H1 EBIT of EUR 2.0m declined by 21% y/y and the EBIT margin declined to 4.9% from 7.5% in H1 2023. Operating cash flow improved to EUR 1.1m from EUR 1.0m a year ago, The billing rate was largely unchanged at 82%. EPS was EUR 0.07 per share, down from EUR 0.15 y/y. The headcount at the end of H1 was 690. In the CEO comment it is mentioned that the overall market uncertainty has persisted. The company now expects moderate improvement in the business climate towards the end of the year and the outlook for 2024 remains unchanged. The company does not provide a financial guidance for 2024. We expect a neutral to slightly negative share price reaction.

Solwers: Deviation table

	Actual	NDA est.	Deviation		Actual		Actual	
EURm	H1 2024	H1 2024E	vs. actual		H2 2023	hy/hy	H1 2023	hy/hy
Sales	39.9	38.8	1.1	3%	32.8	22%	33.2	20%
Adj. EBIT	2.0	2.7	-0.7	-27%	2.4	-17%	2.5	-21%
Adj. EBIT margin	4.9%	6.9%	-2.0pp		7.2%	-2.3pp	7.5%	-2.6pp
EPS	0.07	0.17	-0.10	-59%	0.17	-59%	0.15	-52%

Source: Solwers and Nordea estimates

Top line growth 20% driven by acquisitions while profitability lower y/y

The main takes for the H1 report:

- Revenue growth 20% y/y driven by acquisitions as headcount grew from 611 to 690 as a result of acquisitions conducted in 2023 and in early 2024.
- Billing rate at 81.5%, largely unchanged y/y from 81.7%.
- EBITA (as disclosed by Solwers) EUR 3.3m in H1 versus EUR 3.5m a year ago, EBITA margin down to 8.2% from 10.8% a year ago
- EBIT EUR 2.0m, down from EUR 2.5m a year ago. EBIT margin down to 4.9% from 7.5% a year ago. E.g. costs relating to the possible list change to the Main list has burdened profitability. The company also mentions higher contingent considerations due to acquired companies performing better than expected burdening reported profitability.

- Operative cash flow EUR 1.1m versus EUR 1.0m a year ago. Cash and cash equivalents slightly down y/y but at a strong level of EUR 13.2m. Equity ratio at 43.4% is 8.4 pp above the target of at least 35%.
- Reported EPS EUR 0.07 per share in H1 2024, down from EUR 0.15 y/y.

CEO Stefan Nyström and CFO Teemu Kraus will present the company's half-year report and current events in a live English webcast, starting at 10.00 a.m. EEST. The webcast can be followed live at <https://solwers.videosync.fi/q2-2024>. Audience may submit questions prior and during the webcast through the webcast chat.

SUMMARY TABLE - KEY FIGURES

EURm	2021	2022	2023	2024E	2025E	2026E
Total revenue	45	63	66	78	82	85
EBITDA (adj)	5	8	8	8	10	11
EBIT (adj)	3	5	5	5	6	7
EBIT (adj) margin	7.5%	8.1%	7.3%	6.1%	7.0%	7.7%
EPS (adj, EUR)	0.20	0.38	0.32	0.28	0.37	0.44
EPS (adj) growth	-50.2%	93.5%	-17.0%	-10.9%	28.7%	19.6%
DPS (ord, EUR)	0.10	0.04	0.06	0.06	0.07	0.08
EV/Sales	1.5	0.7	1.0	0.8	0.7	0.7
EV/EBIT (adj)	20.1	9.2	13.8	13.0	10.3	8.5
P/E (adj)	41.8	11.0	15.1	13.4	10.4	8.7
P/BV	1.9	1.1	1.2	0.9	0.8	0.8
Dividend yield (ord)	1.2%	0.9%	1.3%	1.6%	1.8%	2.1%
FCF Yield bef A&D, lease adj	1.9%	5.7%	10.6%	8.4%	8.8%	11.2%
Net debt	7	5	19	23	21	17
Net debt/EBITDA	1.3	0.6	2.3	2.8	2.1	1.6
ROIC after tax	8.0%	8.6%	7.0%	6.1%	6.9%	7.8%

Source: Company data and Nordea estimates

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