

Profitability as expected

Eltel's Q2 produced a sixth consecutive annual improvement in operative EBITA and the result was close to estimates. Eltel maintains its previous guidance and expects similar development for the rest of the year.

- Q2 group revenue amounted to EUR 210.4m, down by 14% y/y and compared to the EUR 228.4m/223.1m Evli/consensus estimates.
- EBITDA was EUR 12.7m vs the EUR 13.0m/13.0m Evli/consensus estimates. Operative EBITA improved to EUR 4.4m (EUR 2.8m in Q2'20) vs our EUR 4.6m estimate. Operative EBITA margin was therefore 2.1%. EBIT amounted to EUR 4.3m vs the EUR 4.4m/4.1m Evli/consensus estimates.
- Profitability margins in Finland and Denmark were above our estimates (Denmark was exceptionally good this time), while the Swedish operative EBITA margin remained in the red. The Norwegian margin was a bit below our estimate, but Eltel expects volume pick-up there towards the end of the year. Eltel sees the restructuring in Sweden working out long-term.
- Eltel guides operative EBITA margin to improve in 2021 compared to 2020 (unchanged).

Rating				BUY
Q2'21	Actual	Evli	Year ago	Q1'21
Net sales	210.4	228.4	245.5	182.0
Operative EBITA	4.4	4.6	2.8	-0.7
EBIT	4.3	4.4	23.1	-0.8
EPS	0.01	0.01	0.09	-0.02
Deviation				Q1'21
Net sales		-8 %	-14 %	16 %
Operative EBITA		-5 %	57 %	-729 %
EBIT		-3 %	-81 %	-638 %
EPS		-22 %	-89 %	-150 %
Share price, SEK (Last trading day's closing price)				23.55
Target price, SEK				29.5
Latest change in recommendation				26-Feb-21
Latest report on company				29-Apr-21
Research paid by issuer:				YES
No. of shares outstanding, '000's				156,649
No. of shares fully diluted, '000's				156,649
Market cap, EURm				361
Free float, %				62.0
Exchange rate EUR/SEK				10.1
Reuters code				ELTELST
Bloomberg code				ELTEL SS
Average daily volume, EURm				0.1
Next interim report				27-Jul-21
Web site				www.eltelgroup.com
Analyst				Joonas Ilvonen
E-mail				joonas.ilvonen@evli.com
Telephone				+358 44 430 9071

BUY HOLD SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2019	1,087.6	-11.2	-1.0%	-52.5	-0.17	-11.0	0.5	-44.1	-18.4	0.00
2020	938.0	24.8	2.6%	74.4	0.03	74.7	0.5	19.7	21.2	0.00
2021E	890.6	21.0	2.4%	14.9	0.07	35.4	0.5	22.8	4.1	0.00
2022E	905.6	28.5	3.1%	22.3	0.11	20.3	0.5	16.0	6.2	0.06
2023E	923.9	33.7	3.6%	21.6	0.14	16.0	0.5	13.2	6.0	0.07
Market cap, EURm	361			BV per share 2021E, EUR	46.5			CAGR EPS 2020-23, %	68.8	
Net debt 2021E, EURm	107			Price/book 2021E	1.6			CAGR sales 2020-23, %	-0.5	
Enterprise value, EURm	480			Dividend yield 2021E, %	0.0			ROE 2021E, %	4.7	
Total assets 2021E, EURm	659			Tax rate 2021E, %	27.4			ROCE 2021E, %	5.8	
Goodwill 2021E, EURm	264			Equity ratio 2021E, %	36.6			PEG, P/E 21/CAGR	1.0	

All the important disclosures can be found on the last pages of this report.

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Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Ilvonen

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Contact information

SALES, TRADING AND RESEARCH

Equity, ETF and Derivatives Sales

Joachim Dannberg +358 9 4766 9123
 Ari Laine +358 9 4766 9115
 Kimmo Lilja +358 9 4766 9130

Trading

Lauri Vehkaluoto (Head) +358 9 4766 9120
 Pasi Väisänen +358 9 4766 9120
 Antti Kässi +358 9 4766 9120
 Miika Ronkanen +358 9 4766 9120

Structured Investments

Heikki Savijoki +358 9 4766 9726
 Aki Lakkisto +358 9 4766 9123

Equity Research

Jonas Forslund +358 9 4766 9314
 Joonas Ilvonen +358 44 430 9071
 Jerker Salokivi +358 9 4766 9149
 Anna-Liisa Rissanen +358 40 157 9919
 Teemu Reiman +358 40 352 6175

Evli Investment Solutions

Johannes Asuja +358 9 4766 9205
 Markku Reinikainen +358 9 4766 9669



EVLI BANK PLC
 Aleksanterinkatu 19 A
 P.O. Box 1081
 FIN-00101 Helsinki, FINLAND
 Phone +358 9 476 690
 Fax +358 9 634 382
 Internet www.evli.com
 E-mail firstname.lastname@evli.com

**EVLI BANK PLC,
 STOCKHOLMSFILIAL**
 Regeringsgatan 67 P.O. Box 16354
 SE-103 26 Stockholm
 Sverige
 stockholm@evli.com
 Tel +46 (0)8 407 8000
 Fax +46 (0)8 407 8001