

## Long-term margin potential

Eltel's margins continued to gain in Q2 y/y. The report had no big surprises; Eltel makes progress according to plan. We make some downward revisions to our revenue estimates while we are a bit more positive on margins.

### The 2.1% operative EBITA margin met our estimate

Q2 revenue declined by 14% y/y to EUR 210m, vs the EUR 228m/223m Evli/cons. estimates. Other business made up 9% of top line, while Communication still drove growth in Finland. Revenue declined in all other countries, and Swedish EBITA didn't improve as the comparison period had a positive EUR 0.9m one-off item. The pandemic delayed Norwegian fiber activity, and together with tough winter produced some softness in local results. Meanwhile Denmark saw a positive EUR 0.8m one-off in profitability. Q2 EBIT landed at EUR 4.3m vs the EUR 4.4m/4.1m Evli/cons. estimates. Operative EBITA margin was 2.1% vs our 2.0% estimate. Q3 tends to be the most profitable quarter and we see the respective '21 margin at 4.1%, up 110bps y/y. We estimate FY '21 EBITA margin improving by 130bps to 2.5%.

### FI & NO drive short-term, SE & DK hold long-term promise

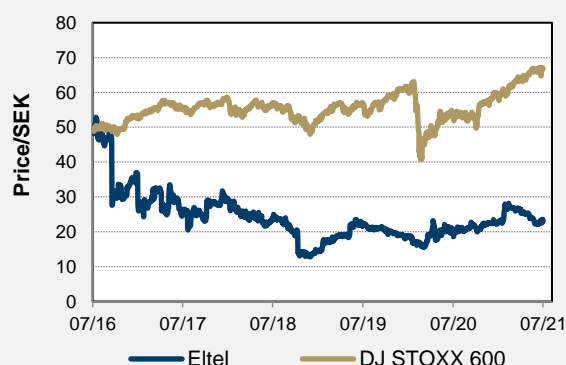
We moderate our Norwegian estimates a bit but still see the business similarly important for near-term results as Finland. Denmark is for now the smallest of the four but already achieves good margins and probably has the best long-term growth prospects. In our view traffic lighting presents a solid source of business for all four (Finnish street lighting in particular). Finland, Norway and Denmark also offer fiber opportunities, while in Sweden that market is more challenging. There's scope for M&A, but we believe it probably takes many quarters before anything materializes. We expect Sweden to weigh figures at least in Q3. Eltel is however making progress there, and we see group-level growth turning positive in Q4 thanks to Finnish and Norwegian strength. We estimate Eltel's Q3 growth to remain negative.

### Current valuation leaves solid upside potential

Eltel is valued ca. 7.5x EV/EBITDA and 16x EV/EBIT on our FY '22 estimates. We see the respective FY '23 multiples at 6.5x and 13x. These are somewhat neutral levels compared to peers, but we continue to view valuation attractive as Eltel advances towards its long-term 5% EBITA margin target (we estimate 3.9% for FY '23). We retain our SEK 29.5 TP and BUY rating.

Rating

BUY



Share price, SEK (Last trading day's closing price) 23.15

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 357

Free float, % 62.0

Exchange rate EUR/SEK 10.18

Reuters code ELTELST

Bloomberg code ELTEL SS

Average daily volume, EURm 0.1

Next interim report 03-Nov-21

Web site www.eltelgroup.com

Analyst Joonas Ilvonen

E-mail joonas.ilvonen@evli.com

Telephone +358 44 430 9071

BUY HOLD SELL

## 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	850.7	20.6	2.4%	17.7	0.07	34.4	0.6	22.9	5.0	0.00
2022E	863.0	27.6	3.2%	22.8	0.12	19.5	0.5	16.3	6.4	0.06
2023E	880.5	33.2	3.8%	24.0	0.15	15.3	0.5	13.1	6.7	0.07
Market cap, EURm			357	Gearing 2021E, %			45.3	CAGR EPS 2020-23, %		70.4
Net debt 2021E, EURm			104	Price/book 2021E			1.6	CAGR sales 2020-23, %		-2.1
Enterprise value, EURm			473	Dividend yield 2021E, %			0.0	ROE 2021E, %		4.8
Total assets 2021E, EURm			646	Tax rate 2021E, %			31.0	ROCE 2021E, %		5.7
Goodwill 2021E, EURm			264	Equity ratio 2021E, %			37.4	PEG, P/E 21/CAGR		1.0

**Estimates and peer group multiples**

Interim figures	2016	2017	2018	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21	Q3'21E	Q4'21E	2021E	2022E	2023E
Net sales	1399.8	1329.9	1188.9	1087.6	236.6	245.5	226.7	229.2	938.0	182.0	210.4	223.9	234.4	850.7	863.0	880.5
Finland				271.0	58.9	78.3	80.3	82.7	300.2	60.8	79.8	86.3	88.5	315.4	326.5	336.2
Sweden				291.3	63.1	59.7	50.9	50.8	224.5	41.1	44.6	44.8	49.8	180.3	183.0	187.6
Norway				218.7	47.0	46.9	42.1	41.7	177.7	33.9	42.1	47.6	48.0	171.5	177.5	182.9
Denmark				109.3	33.7	28.7	25.8	29.8	118.1	26.2	24.6	24.5	28.9	104.2	106.3	109.0
Other business				197.3	33.9	31.9	27.6	24.1	117.5	20.0	19.3	20.7	19.3	79.3	69.8	64.9
EBITDA	15.1	-13.4	5.1	29.7	7.3	32.7	15.6	7.3	63.0	7.5	12.7	17.6	16.7	54.5	60.0	68.2
Operative EBITA	2.1	-25.5	-2.2	-11.3	-2.1	2.8	6.7	4.0	11.4	-0.7	4.4	9.2	8.3	21.2	28.4	34.0
Finland				5.0	-0.8	0.2	4.3	3.5	7.2	0.7	3.1	5.6	4.2	13.6	14.7	16.8
Sweden				-18.3	0.5	-1.0	-0.8	-2.4	-3.7	-0.8	-1.6	-0.4	0.0	-2.8	1.8	3.8
Norway				17.2	2.1	4.1	4.1	4.0	14.3	1.2	2.7	4.6	4.8	13.3	14.6	15.5
Denmark				5.8	1.8	1.4	1.0	0.9	5.0	1.3	2.6	1.5	1.3	6.7	4.8	5.2
Other business				-11.0	-2.2	-0.1	-0.9	-0.1	-3.3	-0.9	-0.5	-0.4	-0.4	-2.2	-1.2	-0.9
Group functions				-10.0	-3.4	-1.7	-1.1	-1.9	-8.1	-2.2	-1.9	-1.6	-1.6	-7.3	-6.4	-6.4
D&A	-82.5	-171.2	-14.3	-40.9	-9.6	-9.6	-9.8	-9.2	-38.2	-8.3	-8.4	-8.6	-8.6	-33.9	-35.3	-36.8
EBIT	-67.4	-184.6	-9.2	-11.2	-2.2	23.1	5.8	-1.9	24.8	-0.8	4.3	9.0	8.1	20.6	27.6	33.2
Sales growth %	11.5 %	-5.0 %	-10.6 %	-8.5 %	-5.7 %	-11.1 %	-19.6 %	-17.8 %	-13.8 %	-23.1 %	-14.3 %	-1.2 %	2.3 %	-9.3 %	1.4 %	2.0 %
Finland									10.8 %	3.2 %	1.9 %	7.5 %	7.0 %	5.1 %	3.5 %	3.0 %
Sweden									-22.9 %	-34.9 %	-25.3 %	-12.0 %	-2.0 %	-19.7 %	1.5 %	2.5 %
Norway									-18.7 %	-27.9 %	-10.2 %	13.0 %	15.0 %	-3.5 %	3.5 %	3.0 %
Denmark									8.1 %	-22.3 %	-14.3 %	-5.0 %	-3.0 %	-11.8 %	2.0 %	2.5 %
Other business									-40.4 %	-41.0 %	-39.5 %	-25.0 %	-20.0 %	-32.5 %	-12.0 %	-7.0 %
EBITDA margin %	1.1 %	-1.0 %	0.4 %	2.7 %	3.1 %	13.3 %	6.9 %	3.2 %	6.7 %	4.1 %	6.0 %	7.9 %	7.1 %	6.4 %	7.0 %	7.8 %
Operative EBITA margin %	0.2 %	-1.9 %	-0.2 %	-1.0 %	-0.9 %	1.1 %	3.0 %	1.7 %	1.2 %	-0.4 %	2.1 %	4.1 %	3.5 %	2.5 %	3.3 %	3.9 %
Finland									1.8 %	-1.4 %	-5.2 %	1.1 %	-2.8 %	2.4 %	1.2 %	3.9 %
Sweden									-6.3 %	0.8 %	-1.7 %	-1.6 %	-4.7 %	-1.6 %	-1.9 %	-3.6 %
Norway									7.9 %	4.5 %	8.7 %	9.7 %	9.6 %	8.0 %	3.5 %	6.4 %
Denmark									5.3 %	5.3 %	4.9 %	3.9 %	3.0 %	4.2 %	5.0 %	10.6 %
Other business									-5.6 %	-6.5 %	-0.3 %	-3.3 %	-0.4 %	-2.8 %	-4.5 %	-2.6 %
EBIT margin %	-4.8 %	-13.9 %	-0.8 %	-1.0 %	-0.9 %	9.4 %	2.6 %	-0.8 %	2.6 %	-0.4 %	2.0 %	4.0 %	3.5 %	2.4 %	3.2 %	3.8 %

Source: Evli Research

ELTEL PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBITDA-%		
		21	22	23	21	22	23	21	22	23
Bravida Holding	2634	15.3x	14.3x	13.5x	20.0x	18.4x	17.3x	8.5 %	8.7 %	8.8 %
Enersense International	129							7.8 %	8.6 %	8.9 %
Caverion	992	8.1x	7.1x	6.6x	15.4x	12.3x	10.7x	6.4 %	7.0 %	7.3 %
Instalco	2206	26.8x	25.0x	23.5x	32.2x	29.5x	27.5x	10.4 %	10.4 %	10.5 %
Transtema Group	90	5.4x	5.3x	5.0x	11.0x	10.8x	9.9x	10.9 %	10.8 %	11.0 %
VINCI	50841	9.9x	8.3x	7.7x	17.1x	13.0x	11.7x	15.4 %	16.6 %	17.3 %
SPIE	3321	7.9x	7.4x	7.2x	11.2x	10.3x	9.8x	8.2 %	8.4 %	8.4 %
Peer Group Average	8602	12.2x	11.2x	10.6x	17.8x	15.7x	14.5x	9.7 %	10.1 %	10.3 %
Peer Group Median	2206	9.0x	7.9x	7.4x	16.3x	12.7x	11.2x	8.5 %	8.7 %	8.9 %
Eltel (Evli est.)	356	8.7x	7.5x	6.3x	22.9x	16.3x	13.1x	6.4 %	7.0 %	7.8 %

Eltel prem./disc. to peer median

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	23.15 PV of Free Cash Flow	343 Long-term growth, %	1.0 Risk-free interest rate, %
DCF share value	3.08 PV of Horizon value	297 WACC, %	9.1 Market risk premium, %
Share price potential, %	35.5 Unconsolidated equity	-12 Spread, %	0.5 Debt risk premium, %
Maximum value	3.3 Marketable securities	26 Minimum WACC, %	8.6 Equity beta coefficient
Minimum value	2.9 Debt - dividend	-151 Maximum WACC, %	9.6 Target debt ratio, %
Horizon value, %	46.5 Value of stock	503 Nr of shares, Mn	156.6 Effective tax rate, %

DCF valuation, EURm	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Horizon
Net sales	938	851	863	880	898	916	930	944	953	963	972	982
<i>Sales growth, %</i>	-13.8	-9.3	1.4	2.0	2.0	2.0	1.5	1.5	1.0	1.0	1.0	1.0
Operating income (EBIT)	25	21	28	33	34	36	37	38	33	34	34	34
<i>Operating income margin, %</i>	2.6	2.4	3.2	3.8	3.8	3.9	4.0	4.0	3.5	3.5	3.5	3.5
+ Depreciation+amort.	38	34	32	35	36	36	37	38	38	39	39	
EBITDA	63	55	60	68	70	72	74	75	72	72	73	
- Paid taxes	-6	-6	-6	-7	-7	-8	-8	-8	-7	-7	-7	
- Change in NWC	17	-1	0	0	0	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	-2.0	-2.1	-2.1	-2.1	-2.1	-2.1	-2.1	-2.1	-2.1	-2.0	-2.0	
+ Change in other liabs	0	3	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-4	-3	-9	-9	-11	-11	-11	-12	-11	-12	-12	
<i>opCAPEX / Sales, %</i>	1.4	2.5	3.3	3.9	4.1	4.1	4.1	4.1	4.1	4.1	4.1	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	38	-4	0	0	0	0	0	0	0	0	0	
- Other items	-17	0	0	0	0	0	0	0	0	0	0	
= FCFF	91	43	45	52	52	54	55	56	53	54	54	677
= Discounted FCFF		42	40	42	38	36	34	32	28	26	24	297
= DFCF min WACC		42	40	43	39	37	35	33	29	27	25	331
= DFCF max WACC		42	40	42	38	36	34	31	27	25	23	268

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	236.6	245.5	226.7	229.2	938.0	182.0	210.4	223.9	234.4	850.7	863.0	880.5
EBITDA	7.4	32.7	15.6	7.3	63.0	7.5	12.7	17.6	16.7	54.5	60.0	68.2
<i>EBITDA margin (%)</i>	<i>3.1</i>	<i>13.3</i>	<i>6.9</i>	<i>3.2</i>	<i>6.7</i>	<i>4.1</i>	<i>6.0</i>	<i>7.9</i>	<i>7.1</i>	<i>6.4</i>	<i>7.0</i>	<i>7.8</i>
EBIT	-2.2	23.1	5.8	-1.9	24.8	-0.8	4.3	9.0	8.1	20.6	27.6	33.2
<i>EBIT margin (%)</i>	<i>-0.9</i>	<i>9.4</i>	<i>2.6</i>	<i>-0.8</i>	<i>2.6</i>	<i>-0.4</i>	<i>2.0</i>	<i>4.0</i>	<i>3.5</i>	<i>2.4</i>	<i>3.2</i>	<i>3.8</i>
Net financial items	-1.9	-3.1	-2.4	-2.4	-9.8	-1.3	-1.3	-1.3	-1.3	-5.2	-4.3	-3.7
Pre-tax profit	-4.1	20.0	3.4	-4.3	15.0	-2.1	3.0	7.7	6.8	15.4	23.2	29.5
Tax	-0.6	-6.0	-0.4	-2.7	-9.7	-0.6	-1.3	-1.6	-1.4	-5.0	-4.9	-6.2
<i>Tax rate (%)</i>	<i>-15.4</i>	<i>29.7</i>	<i>11.1</i>	<i>-65.9</i>	<i>61.4</i>	<i>-30.0</i>	<i>41.9</i>	<i>20.6</i>	<i>20.6</i>	<i>31.0</i>	<i>20.6</i>	<i>20.6</i>
Net profit	-4.6	14.0	2.6	-7.3	4.7	-2.6	1.5	6.1	5.4	10.4	18.3	23.3
EPS	-0.03	0.09	0.02	-0.05	0.03	-0.02	0.01	0.04	0.03	0.07	0.12	0.15
EPS adjusted (diluted no. of shares)	-0.03	0.09	0.02	-0.05	0.03	-0.02	0.01	0.04	0.03	0.07	0.12	0.15
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06	0.07
<b>SALES, EURm</b>												
Finland	58.9	78.3	80.3	82.7	300.2	60.8	79.8	86.3	88.5	315.4	326.5	336.2
Sweden	63.1	59.7	50.9	50.8	224.5	41.1	44.6	44.8	49.8	180.3	183.0	187.6
Norway	47.0	46.9	42.1	41.7	177.7	33.9	42.1	47.6	48.0	171.5	177.5	182.9
Denmark	33.7	28.7	25.8	29.9	118.1	26.2	24.6	24.5	28.9	104.2	106.3	109.0
Other business	33.9	31.9	27.6	24.1	117.5	20.0	19.3	20.7	19.3	79.3	69.8	64.9
<b>Total</b>	<b>236.6</b>	<b>245.5</b>	<b>226.7</b>	<b>229.2</b>	<b>938.0</b>	<b>182.0</b>	<b>210.4</b>	<b>223.9</b>	<b>234.4</b>	<b>850.7</b>	<b>863.0</b>	<b>880.5</b>
<b>SALES GROWTH, Y/Y %</b>												
<i>Finland</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>3.2</i>	<i>1.9</i>	<i>7.5</i>	<i>7.0</i>	<i>5.1</i>	<i>3.5</i>	<i>3.0</i>
<i>Sweden</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-34.9</i>	<i>-25.3</i>	<i>-12.0</i>	<i>-2.0</i>	<i>-19.7</i>	<i>1.5</i>	<i>2.5</i>
<i>Norway</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-27.9</i>	<i>-10.2</i>	<i>13.0</i>	<i>15.0</i>	<i>-3.5</i>	<i>3.5</i>	<i>3.0</i>
<i>Denmark</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-22.3</i>	<i>-14.3</i>	<i>-5.0</i>	<i>-3.3</i>	<i>-11.8</i>	<i>2.0</i>	<i>2.5</i>
<i>Other business</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-41.0</i>	<i>-39.5</i>	<i>-25.0</i>	<i>-20.0</i>	<i>-32.5</i>	<i>-12.0</i>	<i>-7.0</i>
<i>Group</i>	<i>-100.0</i>	<i>-100.0</i>	<i>-100.0</i>	<i>-100.0</i>	<i>-100.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Total</i>	<i>-5.7</i>	<i>-11.1</i>	<i>-19.6</i>	<i>-17.8</i>	<i>-13.8</i>	<i>-23.1</i>	<i>-14.3</i>	<i>-1.2</i>	<i>2.3</i>	<i>-9.3</i>	<i>1.4</i>	<i>2.0</i>
<b>EBIT, EURm</b>												
Group	-2.2	23.1	5.8	-1.9	24.8	-0.8	4.3	9.0	8.1	20.6	27.6	33.2
Total	-2.2	23.1	5.8	-1.9	24.8	-0.8	4.3	9.0	8.1	20.6	27.6	33.2
<b>EBIT margin, %</b>												
<i>Total</i>	<i>-0.9</i>	<i>9.4</i>	<i>2.6</i>	<i>-0.8</i>	<i>2.6</i>	<i>-0.4</i>	<i>2.0</i>	<i>4.0</i>	<i>3.5</i>	<i>2.4</i>	<i>3.2</i>	<i>3.8</i>

Construction & Engineering/Sweden, July 28, 2021  
Company update

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	1,399.8	1,329.9	1,188.9	1,087.6	938.0	850.7	863.0	880.5
<i>Sales growth (%)</i>	<i>11.5</i>	<i>-5.0</i>	<i>-10.6</i>	<i>-8.5</i>	<i>-13.8</i>	<i>-9.3</i>	<i>1.4</i>	<i>2.0</i>
EBITDA	15.1	-13.4	5.1	29.7	63.0	54.5	60.0	68.2
<i>EBITDA margin (%)</i>	<i>1.1</i>	<i>-1.0</i>	<i>0.4</i>	<i>2.7</i>	<i>6.7</i>	<i>6.4</i>	<i>7.0</i>	<i>7.8</i>
Depreciation	-13.1	-13.3	-12.2	-39.4	-37.4	-33.3	-31.7	-34.3
EBITA	2.0	-26.7	-7.1	-9.7	25.6	21.2	28.4	34.0
Goodwill amortization / writedown	-69.4	-157.9	-2.1	-1.5	-0.8	-0.6	-0.8	-0.8
EBIT	-67.4	-184.6	-9.2	-11.2	24.8	20.6	27.6	33.2
<i>EBIT margin (%)</i>	<i>-4.8</i>	<i>-13.9</i>	<i>-0.8</i>	<i>-1.0</i>	<i>2.6</i>	<i>2.4</i>	<i>3.2</i>	<i>3.8</i>
Reported EBIT	-67.4	-184.6	-9.2	-11.2	24.8	20.6	27.6	33.2
<i>EBIT margin (reported) (%)</i>	<i>-4.8</i>	<i>-13.9</i>	<i>-0.8</i>	<i>-1.0</i>	<i>2.6</i>	<i>2.4</i>	<i>3.2</i>	<i>3.8</i>
Net financials	-12.6	-12.3	-8.8	-11.5	-9.8	-5.2	-4.3	-3.7
Pre-tax profit	-80.0	-196.9	-18.0	-22.7	15.0	15.4	23.2	29.5
Taxes	-2.2	-7.7	-4.1	-2.4	-9.7	-5.0	-4.9	-6.2
Minority shares	-1.3	-0.7	-1.1	-0.8	-0.6	-0.1	0.0	0.0
Net profit	-83.5	-205.3	-23.2	-25.9	4.7	10.4	18.3	23.3
Cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>BALANCE SHEET, EURm</b>								
Assets								
Fixed assets	144	75	75	105	59	56	55	54
Goodwill	420	287	282	264	265	264	264	263
Right of use assets	0	0	4	77	59	54	51	52
Inventory	8	10	13	15	12	11	11	11
Receivables	394	402	373	255	237	218	221	225
Liquid funds	85	33	53	65	26	24	24	24
Total assets	1,080	828	830	807	677	646	645	649
Liabilities								
Shareholder's equity	340	277	244	213	212	222	240	254
Minority interest	7	7	8	8	8	8	8	8
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	4	79	61	60	51	52
Deferred taxes	16	8	18	12	11	11	11	11
Interest bearing debt	284	164	197	185	90	68	54	39
Non-interest bearing current liabilities	358	293	293	233	230	208	211	216
Other interest-free debt	49	54	48	60	57	60	60	60
Total liabilities	1,080	828	830	807	677	646	645	649
<b>CASH FLOW, EURm</b>								
+ EBITDA	15	-13	5	30	63	55	60	68
- Net financial items	-13	-12	-9	-11	-10	-5	-4	-4
- Taxes	-2	-4	-3	1	-3	-5	-5	-6
- Increase in Net Working Capital	-10	-33	7	38	17	-1	0	0
+/- Other	2	-3	3	-5	-17	0	0	0
= Cash flow from operations	-8	-65	3	51	49	43	51	59
- Capex	-13	-13	-19	-113	-13	-21	-28	-35
- Acquisitions	-20	-7	0	-4	0	0	0	0
+ Divestments	0	1	-3	14	38	-4	0	0
= Free cash flow	-41	-84	-18	-52	74	18	23	24
+/- New issues/buybacks	-3	143	-9	-5	-6	0	0	0
- Paid dividend	-15	0	0	0	0	0	0	-9
+/- Other	56	-111	48	70	-107	-20	-22	-14
Change in cash	-3	-52	21	12	-39	-2	0	0

Construction & Engineering/Sweden, July 28, 2021  
Company update

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	461	196	286	351	357	357	357
Net debt (excl. convertibles)	131	148	199	125	104	81	66
Enterprise value	604	349	494	488	473	449	433
Sales	1,330	1,189	1,088	938	851	863	880
EBITDA	-13	5	30	63	55	60	68
EBIT	-185	-9	-11	25	21	28	33
Pre-tax	-197	-18	-23	15	15	23	30
Earnings	-205	-23	-26	5	10	18	23
Equity book value (excl. minorities)	277	244	213	212	222	240	254
<b>Valuation multiples</b>							
EV/sales	0.5	0.3	0.5	0.5	0.6	0.5	0.5
EV/EBITDA	-45.1	68.5	16.6	7.8	8.7	7.5	6.4
EV/EBITA	-22.6	-49.2	-50.9	19.1	22.2	15.8	12.8
EV/EBIT	-3.3	-37.9	-44.1	19.7	22.9	16.3	13.1
EV/OCF	-9.3	109.1	9.6	9.9	11.1	8.8	7.4
EV/FCFF	-8.6	-49.7	8.0	5.4	10.9	9.9	8.3
P/FCFE	-5.5	-10.9	-5.4	4.7	204.8	159.2	150.9
P/E	-2.2	-8.4	-11.0	74.7	34.4	19.5	15.3
P/B	1.7	0.8	1.3	1.7	1.6	1.5	1.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	8.5	7.7	6.8
Target EV/EBIT	0.0	0.0	0.0	0.0	22.5	16.8	13.9
Target EV/FCF	0.0	0.0	0.0	0.0	26.3	20.3	19.2
Target P/B	0.0	0.0	0.0	0.0	2.0	1.9	1.8
Target P/E	0.0	0.0	0.0	0.0	43.8	24.9	19.5
<b>Per share measures</b>							
Number of shares	156,561	156,649	156,649	156,649	156,649	156,649	156,649
Number of shares (diluted)	156,561	156,649	156,649	156,649	156,649	156,649	156,649
EPS	-1.31	-0.15	-0.17	0.03	0.07	0.12	0.15
Operating cash flow per share	-0.42	0.02	0.33	0.32	0.27	0.33	0.37
Free cash flow per share	-0.54	-0.11	-0.34	0.47	0.11	0.15	0.15
Book value per share	1.77	1.56	1.36	1.35	1.42	1.53	1.62
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.06	0.07
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	50.0	50.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	2.6	3.3
FCF yield, %	-18.3	-9.2	-18.4	21.2	5.0	6.4	6.7
<b>Efficiency measures</b>							
ROE	-66.6	-8.9	-11.3	2.2	4.8	7.9	9.4
ROCE	-34.2	-2.0	-2.4	5.8	5.7	7.8	9.4
<b>Financial ratios</b>							
Inventories as % of sales	0.7	1.1	1.3	1.3	1.3	1.3	1.3
Receivables as % of sales	30.2	31.4	23.4	25.3	25.7	25.6	25.5
Non-interest bearing liabilities as % of sales	22.1	24.7	21.5	24.5	24.5	24.5	24.5
NWC/sales, %	5.7	4.9	2.4	-2.0	-2.1	-2.1	-2.1
Operative CAPEX/sales, %	1.0	1.6	10.4	1.4	2.5	3.3	3.9
CAPEX/sales (incl. acquisitions), %	0.5	1.6	10.0	1.4	2.5	3.3	3.9
FCFF/EBITDA	5.2	-1.4	2.1	1.4	0.8	0.8	0.8
Net debt/EBITDA, book-weighted	-9.8	28.9	6.7	2.0	1.9	1.4	1.0
Debt/equity, market-weighted	0.4	1.0	0.6	0.3	0.2	0.2	0.1
Equity ratio, book-weighted	36.4	32.4	28.5	34.0	37.4	40.5	42.5
Gearing, %	46.2	58.6	89.9	56.8	45.3	32.7	25.3

Construction & Engineering/Sweden, July 28, 2021  
Company update

**COMPANY DESCRIPTION:** Eltel is the leading Nordic field service provider for critical infrastructure networks. The company offers a wide range of solutions from maintenance and upgrade solutions to project deliveries. Eltel's solutions include designing, planning, building, installing, and securing the operation of power and communication networks.

**INVESTMENT CASE:** Eltel is currently in the midst of its turnaround journey and the company has divested and ramped down non-core businesses to focus on its core markets, Power and Communication in the Nordics, where the business model is more stable and repetitive. Currently, the main focus is on improving profitability and restructuring non-performing businesses. From 2022 onwards, the company aims to invest in sustainable profitable growth.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Triton	25,683,845	58.493	16.4%
Wipunen varainhallinta Oy	21,220,000	48.327	13.5%
Fourth Swedish National Pension Fund	15,027,060	34.223	9.6%
Heikintorppa Oy	10,625,000	24.198	6.8%
Mariatorp Oy	10,000,000	22.774	6.4%
First Swedish National Pension Fund	9,177,250	20.900	5.9%
Fidelity International (FIL)	7,058,783	16.076	4.5%
Swedbank Robur Funds	6,366,148	14.498	4.1%
Lancelot Asset Management AB	4,000,000	9.110	2.6%
Mandatum Life Funds	2,789,819	6.354	1.8%
Ten largest	111,947,905	254.953	71%
Residual	44,701,176	101.803	29%
Total	156,649,081	356.756	100%

**EARNINGS CALENDAR**

November 03, 2021

Q3 report

**OTHER EVENTS****COMPANY MISCELLANEOUS**

CEO: Casimir Lindholm

Adolfsbergsvägen 13, Bromma, Stockholm

CFO: Saila Miettinen-Lähde

Tel: +46 8 585 376 00

IR: Elin Otter

## DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	DPS	Dividend for the financial period per share
Market cap	Price per share * Number of shares	OCF (Operating cash flow)	EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow)	Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, %	$\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital	Current assets – current liabilities
Net debt	Interest bearing debt – financial assets	Capital employed/Share	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
Total assets	Balance sheet total	Gearing	$\frac{\text{Net debt}}{\text{Equity}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		



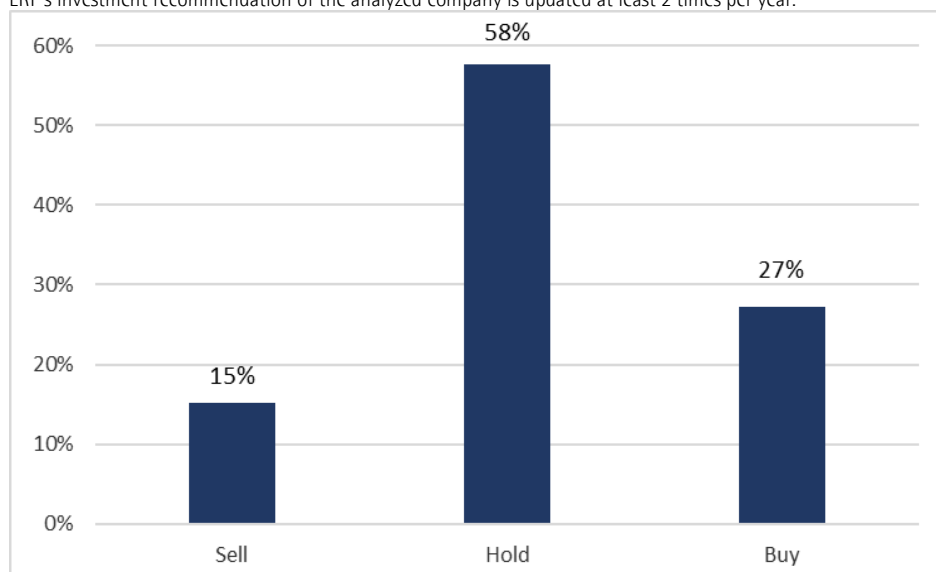
## Important Disclosures

Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at [Analysts' recommendations and ratings revisions](#).

Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.



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

This research report has been prepared by Evli Research Partners Plc ("ERP" or "Evli Research"). ERP is a subsidiary of Evli Bank Plc. Production of the investment recommendation has been concluded on [28.7.2021, 9:20]. This report has been published on [28.7.2021, 9:35].

None of the analysts contributing to this report, persons under their guardianship or corporations under their control have a position in the shares of the company or related securities.

The date and time for any price of financial instruments mentioned in the recommendation refer to the previous trading day's closing price(s) unless otherwise stated in the report.

Each analyst responsible for the content of this report assures that the expressed views accurately reflect the personal views of each analyst on the covered companies and securities. Each analyst assures that (s)he has not been, nor are or will be, receiving direct or indirect compensation related to the specific recommendations or views contained in this report.

Companies in the Evli Group, affiliates or staff of companies in the Evli Group, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report.

Neither ERP nor any company within the Evli Group have managed or co-managed a public offering of the company's securities during the last 12 months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the research report.

ERP has signed an agreement with the issuer of the financial instruments mentioned in the recommendation, which includes production of research reports. This assignment has a limited economic and financial impact on ERP and/or Evli. Under the assignment ERP performs services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP or another company within the Evli Group does not have an agreement with the company to perform market making or liquidity providing services.

For the prevention and avoidance of conflicts of interests with respect to this report, there is an information barrier (Chinese wall) between Investment

Research and Corporate Finance units concerning unpublished investment banking services to the company. The remuneration of the analyst(s) is not tied directly or indirectly to investment banking transactions or other services performed by Evli Bank Plc or any company within Evli Group.

This report has not been disclosed to the company prior to its dissemination.

This report is provided and intended for informational purposes only and may not be used or considered under any circumstances as an offer to sell or buy any securities or as advice to trade any securities.

This report is based on sources ERP considers to be correct and reliable. The sources include information providers Reuters and Bloomberg, stock-exchange releases from the companies and other company news, Statistics Finland and articles in newspapers and magazines. However, ERP does not guarantee the materialization, correctness, accuracy or completeness of the information, opinions, estimates or forecasts expressed or implied in the report. In addition, circumstantial changes may have an influence on opinions and estimates presented in this report. The opinions and estimates presented are valid at the moment of their publication and they can be changed without a separate announcement. Neither ERP nor any company within the Evli Group are responsible for amending, correcting or updating any information, opinions or estimates contained in this report. Neither ERP nor any company within the Evli Group will compensate any direct or consequential loss caused by or derived from the use of the information represented in this publication.

All information published in this report is for the original recipient's private and internal use only. ERP reserves all rights to the report. No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any retrieval system of any nature, without the written permission of ERP.

This report or its copy may not be published or distributed in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore or South Africa. The publication or distribution of this report in certain other jurisdictions may also be restricted by law. Persons into whose possession this report comes are required to inform themselves about and to observe any such restrictions.

Evli Bank Plc is not registered as a broker-dealer with the U. S. Securities and Exchange Commission ("SEC"), and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Evli Bank is not a member of the Financial Industry Regulatory Authority ("FINRA"). It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest. This research report is only being offered in U.S. by Auerbach Grayson & Company, LLC (Auerbach Grayson) to Major U.S. Institutional Investors and is not available to, and should not be used by, any U.S. person or entity that is not a Major U.S. Institutional Investor. Auerbach Grayson is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of the FINRA. U.S. entities seeking more information about any of the issuers or securities discussed in this report should contact Auerbach Grayson. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements.

ERP is not a supervised entity but its parent company Evli Bank Plc is supervised by the Finnish Financial Supervision Authority.

**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