

A clear estimate beat

Eltel's Q4 report delivered a clear positive surprise after a disappointing Q3 report. Sweden was able to break even, and positive development continues this year as Eltel guides increasing operative EBITA margin.

- Eltel Q4 revenue landed at EUR 226.3m vs the EUR 206.1m/207.0m Evli/consensus estimates, a decrease of 1% y/y.
- EBITDA came in at EUR 14.5m, compared to the EUR 13.2m/13.4m Evli/consensus estimates. Operative EBITA was EUR 7.0m vs our EUR 4.8m estimate, meaning operative EBITA margin was 3.1% vs our 2.3% estimate, while EBIT amounted to EUR 6.9m vs the EUR 4.6m/4.9m Evli/consensus estimates. The results were a positive surprise especially considering record-high sick leave rates as well as further project postponements which were caused by the pandemic. The current winter environment in the Nordics, however, will negatively affect Q1 results.
- Profitability in Finland remained strong while Sweden was able to reach a positive result (operative EBITA margin was 1.4% vs our 0% estimate). Norway's profitability was still decent while Denmark declined to a low 0.6% operative EBITA margin. Denmark's decline was mainly due to a 35% y/y drop in revenue. Finnish top line declined a bit while Sweden and Norway both grew.
- Eltel guides FY '22 operative EBITA margin to increase.
- The BoD proposes no dividend to be paid for the year.

Rating 🟡 HOLD

Q4'21	Actual	Evli	Year ago	Q3'21
Revenue	226.3	206.1	229.2	193.8
Operative EBITA	7.0	4.8	4.0	4.1
EBIT	6.9	4.6	-1.9	4.0
EPS	0.02	0.02	-0.05	0.01

Deviation	Actual	Evli	Year ago	Q3'21
Revenue		10 %	-1 %	17 %
Operative EBITA		46 %	75 %	71 %
EBIT		50 %	-463 %	73 %
EPS		0 %	-140 %	100 %

 Share price, SEK (Last trading day's closing price) 14.00

 Target price, SEK 17.0

Latest change in recommendation	04-Nov-21
Latest report on company	04-Nov-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	208
Free float, %	62.0
Exchange rate EUR/SEK	10.6
Reuters code	ELTEL.ST
Bloomberg code	ELTEL SS
Average daily volume, EURm	0.1
Next interim report	17-Feb-22
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+ 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	792.3	12.1	1.5%	14.5	0.02	61.9	0.4	26.7	7.0	0.00
2022E	774.0	19.6	2.5%	18.0	0.08	17.7	0.4	15.5	8.7	0.04
2023E	785.4	26.5	3.4%	22.8	0.11	11.7	0.4	10.8	10.9	0.06

Market cap, EURm	208	BV per share 2021E, EUR	48.1	CAGR EPS 2020-23, %	55.9
Net debt 2021E, EURm	107	Price/book 2021E	1.0	CAGR sales 2020-23, %	-5.7
Enterprise value, EURm	323	Dividend yield 2021E, %	0.0	ROE 2021E, %	1.6
Total assets 2021E, EURm	626	Tax rate 2021E, %	47.6	ROCE 2021E, %	3.3
Goodwill 2021E, EURm	265	Equity ratio 2021E, %	37.5	PEG, P/E 21/CAGR	0.7

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

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February 17, 2022

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