

## Organic progress continues

Eltel's profitability continues to improve, but we find valuation still doesn't leave that much upside.

### Positives, negatives, and one-off gains

Eltel's Q4 revenue, at EUR 226m, topped the EUR 206m/207m Evli/cons. estimates while EBITA came in ca. EUR 2m above estimates. Finland performed much according to our expectations while Sweden topped our estimates; Norway and Denmark were a bit soft. The EUR 2.5m positive one-off in Poland, due to a real estate sale, drove the Other business segment to an EBITA of EUR 1.7m, clearly above our estimates even when excluding the one-off. Eltel's earnings were, however, much in line with our estimates when adjusted for the one-off. Eltel's turnaround continues and the company guides increasing operative EBITA margin for FY '22. Q1, as happens to be the nature of the business, will represent a slow start for the year.

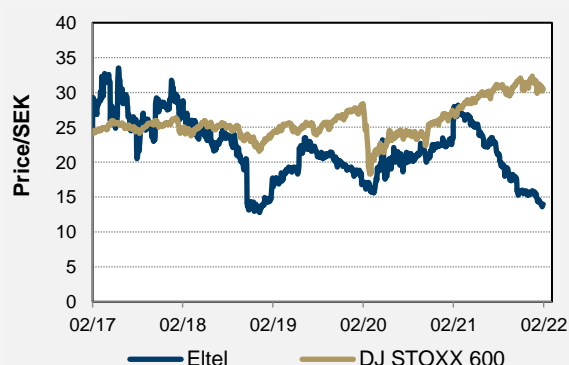
### We now estimate a positive rate of growth for the year

Eltel continues to make progress, but there remains much uncertainty with respect to the gradient. Diesel prices, salaries, materials as well as logistics costs are headwinds. Inflation isn't a problem for the Communication business (more than 60% of revenue), yet it affects Power. We make relatively small estimate revisions, but we now expect Eltel to reach a positive 2% growth this year, whereas we previously expected a 2% decline. Our new FY '22 revenue estimate is EUR 829.6m (prev. EUR 774.0m). Our margin estimates are up by only 10bps for the year, but they rise by some EUR 2m in absolute terms due to the growth revision. We however expect Q1 EBITA to remain slightly in the red and see most of the profitability gains accruing over the summer. We believe Eltel is still going to focus on turnaround for a while and thus e.g. M&A may have to wait for a while, but should it occur Denmark and Sweden are perhaps the most potential countries.

### Valuation continues to stand neutral

Valuation still doesn't seem to offer clear upside considering the uncertainty around the improvement pace. We find the 6x EV/EBITDA and 15x EV/EBIT multiples, on our FY '22 estimates, to be neutral relative to peers. Eltel's margins remain modest compared to peers; quicker than expected improvement can drive upside, but we wouldn't expect much more than EUR 22m EBITA at this point. Our TP is now SEK 15 (17); retain HOLD.

### Rating



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

Target price, SEK 15.0

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	207
Free float, %	62.0
Exchange rate EUR/SEK	10.6
Reuters code	ELTELST
Bloomberg code	ELTEL SS
Average daily volume, EURm	0.1
Next interim report	04-May-22
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
2020	938.0	24.8	2.6%	72.4	0.03	74.7	0.5	19.7	20.6	0.00
2021	812.4	14.4	1.8%	-2.7	0.03	49.0	0.4	25.3	-1.1	0.00
2022E	829.6	21.8	2.6%	19.2	0.08	15.7	0.4	14.5	9.3	0.04
2023E	840.2	27.3	3.2%	23.1	0.11	11.5	0.4	11.0	11.1	0.06
2024E	857.0	32.6	3.8%	21.6	0.14	9.2	0.3	8.8	10.4	0.07
Market cap, EURm	207			Gearing 2022E, %	42.7			CAGR EPS 2021-24, %	67.6	
Net debt 2022E, EURm	103			Price/book 2022E	0.9			CAGR sales 2021-24, %	1.8	
Enterprise value, EURm	316			Dividend yield 2022E, %	3.2			ROE 2022E, %	5.8	
Total assets 2022E, EURm	630			Tax rate 2022E, %	20.6			ROCE 2022E, %	5.7	
Goodwill 2022E, EURm	264			Equity ratio 2022E, %	40.3			PEG, P/E 22/CAGR	0.7	

**Estimates and peer group multiples**

Interim figures	2016	2017	2018	2019	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22E	Q2'22E	Q3'22E	Q4'22E	2022E	2023E
Net sales	1399.8	1329.9	1188.9	1087.6	938.0	182.0	210.4	193.8	226.3	812.7	185.4	216.1	198.8	229.3	829.6	840.2
Finland				271.0	300.2	60.8	79.8	77.9	81.2	299.7	62.0	82.2	79.5	82.0	305.7	314.9
Sweden				291.3	224.5	41.1	44.6	40.2	56.3	182.2	43.2	46.4	41.0	56.9	187.4	189.3
Norway				218.7	177.7	33.9	42.1	38.2	46.2	160.4	34.9	42.9	38.6	47.1	163.6	166.8
Denmark				109.3	118.1	26.2	24.6	17.8	19.3	88.0	24.9	25.1	19.0	19.7	88.7	90.9
Other business				197.3	117.5	20.0	19.3	19.7	23.2	82.2	20.4	19.5	20.7	23.7	84.2	78.3
EBITDA	15.1	-13.4	5.1	29.7	63.0	7.5	12.7	11.9	14.5	46.4	8.0	15.4	14.8	15.6	53.9	57.8
Operative EBITA	2.1	-25.5	-2.2	-11.3	11.4	-0.7	4.4	4.1	7.0	14.7	-0.2	7.1	7.0	8.2	22.2	28.1
Finland				5.0	7.2	0.7	3.1	4.8	4.0	12.6	0.9	3.7	5.6	4.9	15.1	15.7
Sweden				-18.3	-3.7	-0.8	-1.6	-0.2	0.8	-1.8	0.2	0.5	0.6	1.7	3.0	3.8
Norway				17.2	14.3	1.2	2.7	2.9	2.4	9.2	1.4	3.0	3.1	2.8	10.3	13.3
Denmark				5.8	5.0	1.3	2.6	0.2	0.1	4.2	0.5	2.3	0.3	0.4	3.4	4.3
Other business				-11.0	-3.3	-0.9	-0.5	-2.2	1.7	-1.9	-1.2	-0.6	-0.8	0.4	-2.3	-2.7
Group functions				-10.0	-8.1	-2.2	-1.9	-1.5	-2.0	-7.6	-2	-1.7	-1.7	-2	-7.4	-6.4
D&A	-82.5	-171.2	-14.3	-40.9	-38.2	-8.3	-8.4	-7.9	-7.5	-32.1	-8.3	-8.4	-7.9	-7.5	-32.1	-31.6
EBIT	-67.4	-184.6	-9.2	-11.2	24.8	-0.8	4.3	4.0	6.9	14.3	-0.3	7.0	6.9	8.1	21.8	27.3
Sales growth %	11.5 %	-5.0 %	-10.6 %	-8.5 %	-13.8 %	-23.1 %	-14.3 %	-14.5 %	-1.3 %	-13.4 %	1.9 %	2.7 %	2.6 %	1.3 %	2.1 %	1.3 %
Finland					10.8 %	3.2 %	1.9 %	-3.0 %	-1.8 %	-0.2 %	2.0 %	3.0 %	2.0 %	1.0 %	2.0 %	3.0 %
Sweden					-22.9 %	-34.9 %	-25.3 %	-21.0 %	10.8 %	-18.8 %	5.0 %	4.0 %	2.0 %	1.0 %	2.9 %	1.0 %
Norway					-18.7 %	-27.9 %	-10.2 %	-9.3 %	10.8 %	-9.7 %	3.0 %	2.0 %	1.0 %	2.0 %	2.0 %	2.0 %
Denmark					8.1 %	-22.3 %	-14.3 %	-31.0 %	-35.2 %	-25.5 %	-5.0 %	2.0 %	7.0 %	2.0 %	0.8 %	2.5 %
Other business					-40.4 %	-41.0 %	-39.5 %	-28.6 %	-3.7 %	-30.0 %	2.0 %	1.0 %	5.0 %	2.0 %	2.5 %	-7.0 %
EBITDA margin %	1.1 %	-1.0 %	0.4 %	2.7 %	6.7 %	4.1 %	6.0 %	6.1 %	6.4 %	5.7 %	4.3 %	7.1 %	7.5 %	6.8 %	6.5 %	6.9 %
Operative EBITA margin %	0.2 %	-1.9 %	-0.2 %	-1.0 %	1.2 %	-0.4 %	2.1 %	2.1 %	3.1 %	1.8 %	-0.1 %	3.3 %	3.5 %	3.6 %	2.7 %	3.3 %
Finland					1.8 %	2.4 %	1.2 %	3.9 %	6.2 %	4.9 %	1.5 %	4.5 %	7.0 %	6.0 %	4.5 %	5.0 %
Sweden					-6.3 %	-1.6 %	-1.9 %	-3.6 %	-0.5 %	1.4 %	-1.0 %	0.5 %	1.0 %	1.5 %	3.0 %	1.0 %
Norway					7.9 %	8.0 %	3.5 %	6.4 %	7.6 %	5.2 %	5.7 %	4.0 %	7.0 %	8.0 %	6.0 %	7.0 %
Denmark					5.3 %	4.2 %	5.0 %	10.6 %	1.1 %	0.5 %	4.8 %	2.0 %	9.0 %	1.5 %	2.0 %	4.5 %
Other business					-5.6 %	-2.8 %	-4.5 %	-2.6 %	-11.2 %	7.3 %	-2.3 %	-6.0 %	-3.0 %	-4.0 %	1.5 %	-5.0 %
EBIT margin %	-4.8 %	-13.9 %	-0.8 %	-1.0 %	2.6 %	-0.4 %	2.0 %	2.1 %	3.0 %	1.8 %	-0.2 %	3.3 %	3.5 %	3.5 %	2.6 %	3.2 %

Source: Evli Research

ELTEL PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBITDA-%		
		21	22	23	21	22	23	21	22	23
Bravida Holding	2237	14.5x	12.4x	11.7x	19.2x	15.9x	15.0x	8.6 %	8.5 %	8.7 %
Enersense International	103	4.0x	3.1x	2.9x	9.7x	6.1x	5.3x	7.2 %	8.3 %	8.5 %
Caverion	799	8.6x	6.6x	5.9x	24.9x	12.0x	10.1x	6.0 %	6.8 %	7.2 %
Instalco	1531	27.3x	16.9x	15.8x	34.3x	20.5x	18.8x	10.3 %	10.5 %	10.5 %
Transtema Group	117	9.1x	6.3x	6.2x	14.8x	10.5x	10.3x	12.0 %	11.4 %	11.2 %
VINCI	58047	9.6x	8.6x	7.9x	16.1x	13.3x	11.7x	15.9 %	16.2 %	17.0 %
SPIE	3471	9.3x	8.0x	7.7x	13.3x	11.3x	10.6x	8.2 %	8.3 %	8.4 %
Peer Group Average	9472	<b>11.8x</b>	<b>8.8x</b>	<b>8.3x</b>	<b>18.9x</b>	<b>12.8x</b>	<b>11.7x</b>	<b>9.7 %</b>	<b>10.0 %</b>	<b>10.2 %</b>
Peer Group Median	1531	<b>9.3x</b>	<b>8.0x</b>	<b>7.7x</b>	<b>16.1x</b>	<b>12.0x</b>	<b>10.6x</b>	<b>8.6 %</b>	<b>8.5 %</b>	<b>8.7 %</b>
Eltel (Evli est.)	<b>207</b>	<b>7.8x</b>	<b>5.9x</b>	<b>5.2x</b>	<b>25.3x</b>	<b>14.5x</b>	<b>11.0x</b>	<b>5.7 %</b>	<b>6.5 %</b>	<b>6.9 %</b>

Eltel prem./disc. to peer median

-15 %    -26 %    -32 %    57 %    21 %    4 %    -34 %    -24 %    -21 %

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	14.00 PV of Free Cash Flow	302 Long-term growth, %	1.0 Risk-free interest rate, %	2.25
DCF share value	2.87 PV of Horizon value	276 WACC, %	9.1 Market risk premium, %	5.8
Share price potential, %	116.9 Unconsolidated equity	-7 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	3.1 Marketable securities	32 Minimum WACC, %	8.6 Equity beta coefficient	1.20
Minimum value	2.6 Debt - dividend	-154 Maximum WACC, %	9.6 Target debt ratio, %	20
Horizon value, %	47.7 Value of stock	449 Nr of shares, Mn	156.6 Effective tax rate, %	21

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	812	830	840	857	874	887	901	910	919	928	937	947
<i>Sales growth, %</i>	-13.4	2.1	1.3	2.0	2.0	1.5	1.5	1.0	1.0	1.0	1.0	1.0
Operating income (EBIT)	14	22	27	33	34	35	36	32	32	32	33	33
<i>Operating income margin, %</i>	1.8	2.6	3.2	3.8	3.9	4.0	4.0	3.5	3.5	3.5	3.5	3.5
+ Depreciation+amort.	32	32	31	31	32	32	33	33	33	33	34	34
EBITDA	47	54	58	64	66	68	69	65	66	66	67	
- Paid taxes	-5	-5	-6	-7	-7	-7	-8	-7	-7	-7	-7	-7
- Change in NWC	-14	0	0	0	0	0	0	0	0	0	0	0
<i>NWC / Sales, %</i>	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6
+ Change in other liabs	-4	0	0	0	0	0	0	0	0	0	0	0
- Operative CAPEX	-4	-31	-2	-7	-8	-7	-8	-7	-8	-8	-8	-8
<i>opCAPEX / Sales, %</i>	2.7	3.2	3.0	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	0
+ Divestments	-4	0	0	0	0	0	0	0	0	0	0	0
- Other items	0	0	0	0	0	0	0	0	0	0	0	0
= FCFF	15	19	51	49	51	53	54	51	51	52	52	652
= Discounted FCFF		17	43	38	36	35	32	28	26	24	22	276
= DFCF min WACC		17	43	39	37	35	33	29	27	25	23	308
= DFCF max WACC		17	43	38	36	34	31	27	25	23	21	248

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1E	2022Q2E	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	182.0	210.4	193.8	226.2	812.4	185.4	216.1	198.8	229.3	829.6	840.2	857.0
EBITDA	7.5	12.7	11.9	14.4	46.5	8.0	15.4	14.8	15.6	53.9	57.8	63.5
<i>EBITDA margin (%)</i>	<i>4.1</i>	<i>6.0</i>	<i>6.1</i>	<i>6.4</i>	<i>5.7</i>	<i>4.3</i>	<i>7.1</i>	<i>7.5</i>	<i>6.8</i>	<i>6.5</i>	<i>6.9</i>	<i>7.4</i>
EBIT	-0.8	4.3	4.0	6.9	14.4	-0.3	7.0	6.9	8.1	21.8	27.3	32.6
<i>EBIT margin (%)</i>	<i>-0.4</i>	<i>2.0</i>	<i>2.1</i>	<i>3.1</i>	<i>1.8</i>	<i>-0.2</i>	<i>3.3</i>	<i>3.5</i>	<i>3.5</i>	<i>2.6</i>	<i>3.2</i>	<i>3.8</i>
Net financial items	-1.3	-1.3	-1.4	-1.8	-5.8	-1.2	-1.2	-1.2	-1.2	-5.0	-4.4	-3.9
Pre-tax profit	-2.1	3.0	2.6	5.1	8.6	-1.5	5.8	5.7	6.9	16.8	22.9	28.7
Tax	-0.6	-1.3	-0.8	-1.1	-3.8	0.3	-1.2	-1.2	-1.5	-3.6	-4.9	-6.1
<i>Tax rate (%)</i>	<i>-30.0</i>	<i>41.9</i>	<i>30.8</i>	<i>21.2</i>	<i>42.7</i>	<i>20.6</i>	<i>20.6</i>	<i>20.6</i>	<i>20.6</i>	<i>20.6</i>	<i>20.6</i>	<i>20.6</i>
Net profit	-2.6	1.5	1.9	4.0	4.8	-1.3	4.6	4.5	5.4	13.2	18.0	22.6
EPS	-0.02	0.01	0.01	0.03	0.03	-0.01	0.03	0.03	0.03	0.08	0.11	0.14
EPS adjusted (diluted no. of shares)	-0.02	0.01	0.01	0.03	0.03	-0.01	0.03	0.03	0.03	0.08	0.11	0.14
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.06	0.07
<b>SALES, EURm</b>												
Finland	60.8	79.8	77.9	81.2	299.7	62.0	82.2	79.5	82.0	305.7	314.9	321.1
Sweden	41.1	44.6	40.2	56.3	182.2	43.2	46.4	41.0	56.9	187.4	189.3	193.1
Norway	33.9	42.1	38.2	46.2	160.4	34.9	42.9	38.6	47.1	163.6	166.8	170.2
Denmark	26.2	24.6	17.8	19.3	87.9	24.9	25.1	19.0	19.7	88.7	90.9	92.8
Other business	20.0	19.3	19.7	23.2	82.2	20.4	19.5	20.7	23.7	84.2	78.3	79.9
<b>Total</b>	<b>182.0</b>	<b>210.4</b>	<b>193.8</b>	<b>226.2</b>	<b>812.4</b>	<b>185.4</b>	<b>216.1</b>	<b>198.8</b>	<b>229.3</b>	<b>829.6</b>	<b>840.2</b>	<b>857.0</b>
<b>SALES GROWTH, Y/Y %</b>												
<i>Finland</i>	<i>3.2</i>	<i>1.9</i>	<i>-3.0</i>	<i>-1.8</i>	<i>-0.2</i>	<i>2.0</i>	<i>3.0</i>	<i>2.0</i>	<i>1.0</i>	<i>2.0</i>	<i>3.0</i>	<i>2.0</i>
<i>Sweden</i>	<i>-34.9</i>	<i>-25.3</i>	<i>-21.0</i>	<i>10.8</i>	<i>-18.8</i>	<i>5.0</i>	<i>4.0</i>	<i>2.0</i>	<i>1.0</i>	<i>2.9</i>	<i>1.0</i>	<i>2.0</i>
<i>Norway</i>	<i>-27.9</i>	<i>-10.2</i>	<i>-9.3</i>	<i>10.8</i>	<i>-9.7</i>	<i>3.0</i>	<i>2.0</i>	<i>1.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>
<i>Denmark</i>	<i>-22.3</i>	<i>-14.3</i>	<i>-31.0</i>	<i>-35.5</i>	<i>-25.6</i>	<i>-5.0</i>	<i>2.0</i>	<i>7.0</i>	<i>2.0</i>	<i>0.9</i>	<i>2.5</i>	<i>2.0</i>
<i>Other business</i>	<i>-41.0</i>	<i>-39.5</i>	<i>-28.6</i>	<i>-3.7</i>	<i>-30.0</i>	<i>2.0</i>	<i>1.0</i>	<i>5.0</i>	<i>2.0</i>	<i>2.5</i>	<i>-7.0</i>	<i>2.0</i>
<b>Total</b>	<b>-23.1</b>	<b>-14.3</b>	<b>-14.5</b>	<b>-1.3</b>	<b>-13.4</b>	<b>1.9</b>	<b>2.7</b>	<b>2.6</b>	<b>1.4</b>	<b>2.1</b>	<b>1.3</b>	<b>2.0</b>
<b>EBIT, EURm</b>												
Finland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.2
Sweden	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.3
Norway	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.5
Denmark	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.5
Other business	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0
Group	-0.8	4.3	4.0	6.9	14.4	-0.3	7.0	6.9	8.1	21.8	27.3	0.0
<b>Total</b>	<b>-0.8</b>	<b>4.3</b>	<b>4.0</b>	<b>6.9</b>	<b>14.4</b>	<b>-0.3</b>	<b>7.0</b>	<b>6.9</b>	<b>8.1</b>	<b>21.8</b>	<b>27.3</b>	<b>32.6</b>
<b>EBIT margin, %</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>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>3.8</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>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>3.8</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>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>3.8</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>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>3.8</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>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>3.8</i>
<b>Total</b>	<b>-0.4</b>	<b>2.0</b>	<b>2.1</b>	<b>3.1</b>	<b>1.8</b>	<b>-0.2</b>	<b>3.3</b>	<b>3.5</b>	<b>3.5</b>	<b>2.6</b>	<b>3.2</b>	<b>3.8</b>

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INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	1,329.9	1,188.9	1,087.6	938.0	812.4	829.6	840.2	857.0
<i>Sales growth (%)</i>	-5.0	-10.6	-8.5	-13.8	-13.4	2.1	1.3	2.0
EBITDA	-13.4	5.1	29.7	63.0	46.5	53.9	57.8	63.5
<i>EBITDA margin (%)</i>	-1.0	0.4	2.7	6.7	5.7	6.5	6.9	7.4
Depreciation	-13.3	-12.2	-39.4	-37.4	-31.8	-31.3	-29.8	-30.2
EBITA	-26.7	-7.1	-9.7	25.6	14.7	22.6	28.1	33.4
Goodwill amortization / writedown	-157.9	-2.1	-1.5	-0.8	-0.3	-0.8	-0.8	-0.8
EBIT	-184.6	-9.2	-11.2	24.8	14.4	21.8	27.3	32.6
<i>EBIT margin (%)</i>	-13.9	-0.8	-1.0	2.6	1.8	2.6	3.2	3.8
Reported EBIT	-184.6	-9.2	-11.2	24.8	14.4	21.8	27.3	32.6
<i>EBIT margin (reported) (%)</i>	-13.9	-0.8	-1.0	2.6	1.8	2.6	3.2	3.8
Net financials	-12.3	-8.8	-11.5	-9.8	-5.8	-5.0	-4.4	-3.9
Pre-tax profit	-196.9	-18.0	-22.7	15.0	8.6	16.8	22.9	28.7
Taxes	-7.7	-4.1	-2.4	-9.7	-3.8	-3.6	-4.9	-6.1
Minority shares	-0.7	-1.1	-0.8	-0.6	0.0	0.0	0.0	0.0
Net profit	-205.3	-23.2	-25.9	4.7	4.8	13.2	18.0	22.6
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	75	75	105	59	52	52	47	48
Goodwill	287	282	264	265	265	264	263	263
Right of use assets	0	4	77	59	53	49	50	51
Inventory	10	13	15	12	17	18	18	18
Receivables	402	373	255	237	192	196	199	203
Liquid funds	33	53	65	26	32	33	33	34
Total assets	828	830	807	677	631	630	628	634
Liabilities								
Shareholder's equity	277	244	213	212	220	234	245	259
Minority interest	7	8	8	8	8	8	8	8
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	4	79	61	55	49	50	51
Deferred taxes	8	18	12	11	11	11	11	11
Interest bearing debt	164	197	185	90	100	87	70	57
Non-interest bearing current liabilities	293	293	233	230	214	219	222	226
Other interest-free debt	54	48	60	57	15	15	15	15
Total liabilities	828	830	807	677	631	630	628	634
<b>CASH FLOW, EURm</b>								
+ EBITDA	-13	5	30	63	47	54	58	64
- Net financial items	-12	-9	-11	-10	-6	-5	-4	-4
- Taxes	-4	-3	1	-3	-3	-4	-5	-6
- Increase in Net Working Capital	-33	7	38	17	-14	0	0	0
+/- Other	-3	3	-5	-17	0	0	0	0
= Cash flow from operations	-65	3	51	49	23	45	49	54
- Capex	-13	-19	-113	-15	-22	-26	-26	-32
- Acquisitions	-7	0	-4	0	0	0	0	0
+ Divestments	1	-3	14	38	-4	0	0	0
= Free cash flow	-84	-18	-52	72	-3	19	23	22
+/- New issues/buybacks	143	-9	-5	-6	4	0	0	0
- Paid dividend	0	0	0	0	0	0	-7	-9
+/- Other	-111	48	70	-105	5	-18	-16	-12
Change in cash	-52	21	12	-39	6	1	0	1

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KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	196	286	351	235	207	207	207
Net debt (excl. convertibles)	148	199	125	122	103	86	74
Enterprise value	349	494	488	365	316	300	287
Sales	1,189	1,088	938	812	830	840	857
EBITDA	5	30	63	47	54	58	64
EBIT	-9	-11	25	14	22	27	33
Pre-tax	-18	-23	15	9	17	23	29
Earnings	-23	-26	5	5	13	18	23
Equity book value (excl. minorities)	244	213	212	220	234	245	259
<b>Valuation multiples</b>							
EV/sales	0.3	0.5	0.5	0.4	0.4	0.4	0.3
EV/EBITDA	68.5	16.6	7.8	7.8	5.9	5.2	4.5
EV/EBITA	-49.2	-50.9	19.1	24.8	14.0	10.7	8.6
EV/EBIT	-37.9	-44.1	19.7	25.3	14.5	11.0	8.8
EV/OCF	109.1	9.6	9.9	16.0	7.0	6.2	5.3
EV/FCFF	-49.7	8.0	5.4	24.5	16.8	5.9	5.8
P/FCFE	-10.9	-5.4	4.9	-879.9	114.3	95.1	101.6
P/E	-8.4	-11.0	74.7	49.0	15.7	11.5	9.2
P/B	0.8	1.3	1.7	1.1	0.9	0.8	0.8
Target EV/EBITDA	0.0	0.0	0.0	0.0	4.3	4.0	3.6
Target EV/EBIT	0.0	0.0	0.0	0.0	10.7	8.5	7.0
Target EV/FCF	0.0	0.0	0.0	0.0	12.1	10.0	10.6
Target P/B	0.0	0.0	0.0	0.0	0.9	0.9	0.9
Target P/E	0.0	0.0	0.0	0.0	16.8	12.3	9.8
<b>Per share measures</b>							
Number of shares	156,649	156,649	156,649	156,649	156,649	156,649	156,649
Number of shares (diluted)	156,649	156,649	156,649	156,649	156,649	156,649	156,649
EPS	-0.15	-0.17	0.03	0.03	0.08	0.11	0.14
Operating cash flow per share	0.02	0.33	0.32	0.15	0.29	0.31	0.34
Free cash flow per share	-0.11	-0.34	0.46	-0.02	0.12	0.15	0.14
Book value per share	1.56	1.36	1.35	1.41	1.49	1.56	1.65
Dividend per share	0.00	0.00	0.00	0.00	0.04	0.06	0.07
Dividend payout ratio, %	0.0	0.0	0.0	0.0	50.0	50.0	50.0
Dividend yield, %	0.0	0.0	0.0	0.0	3.2	4.3	5.5
FCF yield, %	-9.2	-18.4	20.6	-1.1	9.3	11.1	10.4
<b>Efficiency measures</b>							
ROE	-8.9	-11.3	2.2	2.2	5.8	7.5	9.0
ROCE	-2.0	-2.4	5.8	3.8	5.7	7.3	8.7
<b>Financial ratios</b>							
Inventories as % of sales	1.1	1.3	1.3	2.1	2.1	2.1	2.1
Receivables as % of sales	31.4	23.4	25.3	23.7	23.7	23.7	23.7
Non-interest bearing liabilities as % of sales	24.7	21.5	24.5	26.4	26.4	26.4	26.4
NWC/sales, %	4.9	2.4	-2.0	-0.6	-0.6	-0.6	-0.6
Operative CAPEX/sales, %	1.6	10.4	1.6	2.7	3.2	3.0	3.7
CAPEX/sales (incl. acquisitions), %	1.6	10.0	1.6	2.7	3.2	3.0	3.7
FCFF/EBITDA	-1.4	2.1	1.4	0.3	0.3	0.9	0.8
Net debt/EBITDA, book-weighted	28.9	6.7	2.0	2.6	1.9	1.5	1.2
Debt/equity, market-weighted	1.0	0.6	0.3	0.4	0.4	0.3	0.3
Equity ratio, book-weighted	32.4	28.5	34.0	38.1	40.3	42.4	44.2
Gearing, %	58.6	89.9	56.8	53.5	42.7	34.2	27.7

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**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	33.944	16.4%
Wipunen varainhallinta Oy	21,220,000	28.045	13.5%
Fourth Swedish National Pension Fund	15,027,060	19.860	9.6%
Heikintorppa Oy	10,625,000	14.042	6.8%
Mariatorp Oy	10,000,000	13.216	6.4%
First Swedish National Pension Fund	9,177,250	12.129	5.9%
Fidelity International (FIL)	7,058,783	9.329	4.5%
Swedbank Robur Funds	6,366,148	8.414	4.1%
Lancelot Asset Management AB	4,000,000	5.287	2.6%
Mandatum Life Funds	2,789,819	3.687	1.8%
Ten largest	111,947,905	147.953	71%
Residual	44,701,176	59.078	29%
Total	156,649,081	207.032	100%

## EARNINGS CALENDAR

## OTHER EVENTS

## COMPANY MISCELLANEOUS

CEO: Casimir Lindholm  
CFO: Saira Miittinen-Lähde  
IR: Elin Otter

Adolfsbergsvägen 13, Bromma, Stockholm  
Tel: +46 8 585 376 00

## 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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		



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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.

Recommendation	Percentage
Sell	15%
Hold	58%
Buy	27%

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
Teemu Reiman	+358 40 352 6175

**Evli Investment Solutions**

Johannes Asuja	+358 9 4766 9205
----------------	------------------



**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](http://www.evli.com)  
E-mail [firstname.lastname@evli.com](mailto:firstname.lastname@evli.com)

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