

## Inflation hits profitability

Eltel's Q1 top line was close to estimates, but the war and unforeseen inflation hit bottom line hard. Eltel may get compensation for the higher costs later during the year, but there is a risk the overall impact of inflation remains negative this year and hence Eltel also removes its guidance.

- Q1 revenue grew by 1% y/y and amounted to EUR 184.0m vs the EUR 185.4m/179.8m Evli/consensus estimates. Growth was strong in Sweden and Norway, while Finland declined and Denmark especially so partly because of slower than anticipated ramp up of new agreements. The demand for fibre and 5G overall remains high.
- EBIT landed at EUR -2.5m, compared to our EUR -0.3m estimate. Operative EBITA was EUR -2.4m vs our EUR -0.2m estimate. Inflation hit the results in all markets, especially in the form of higher fuel and asphalt prices. The Finnish and Polish power businesses also saw inflation in materials such as steel. Eltel is in dialogue with customers regarding compensation for the cost increases.
- Profitability in Finland remained sound, along with Norway, but the Q1 loss in Sweden deepened and Danish results also declined a lot.
- Eltel removes guidance as the war and increased inflation raise uncertainty. The previous guidance expected FY '22 operative EBITA margin to increase.

**Rating** 🟡 HOLD

Q1'22	Actual	Evli	Year ago	Q4'21
Revenue	184.0	185.4	182.0	226.3
Operative EBITA	-2.4	-0.2	-0.7	7.0
EBIT	-2.5	-0.3	-0.8	6.9
EPS	-0.03	-0.01	-0.02	0.02

Deviation	Actual	Evli	Year ago	Q4'21
Revenue		-1 %	1 %	-19 %
Operative EBITA		1100 %	243 %	-134 %
EBIT		733 %	213 %	-136 %
EPS		200 %	50 %	-250 %

 Share price, SEK (Last trading day's closing price) 11.45

 Target price, SEK 15.0

Latest change in recommendation	04-Nov-21
Latest report on company	18-Feb-22
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	173
Free float, %	62.0
Exchange rate EUR/SEK	10.4
Reuters code	ELTEL.ST
Bloomberg code	ELTEL.SS
Average daily volume, EURm	0.1
Next interim report	04-May-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
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	13.1	0.3	12.9	11.1	0.04
2023E	840.2	27.3	3.2%	23.1	0.11	9.6	0.3	9.7	13.4	0.06
2024E	857.0	32.6	3.8%	21.6	0.14	7.6	0.3	7.7	12.5	0.07

Market cap, EURm	173	BV per share 2022E, EUR	42.7	CAGR EPS 2021-24, %	67.6
Net debt 2022E, EURm	103	Price/book 2022E	0.7	CAGR sales 2021-24, %	1.8
Enterprise value, EURm	281	Dividend yield 2022E, %	3.8	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	0.6

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

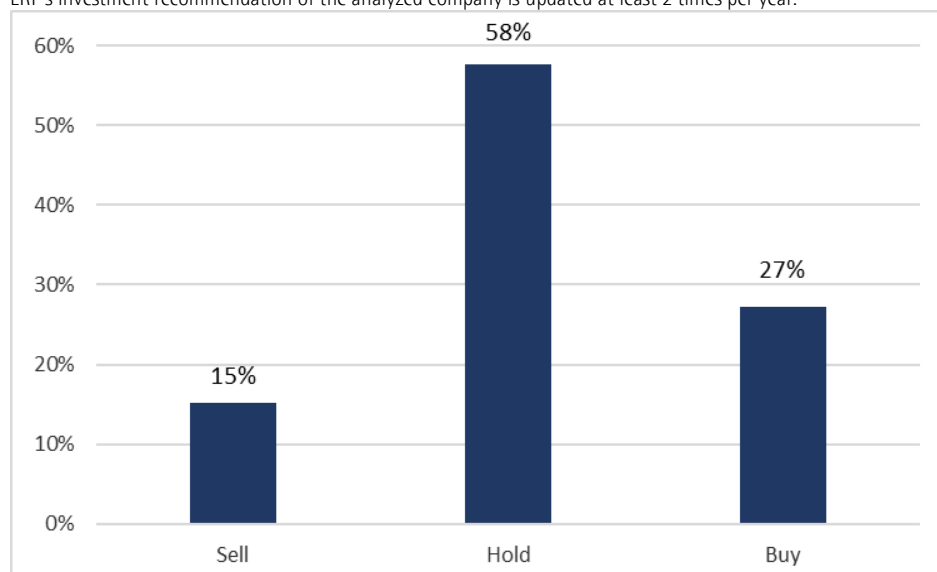
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Investment recommendations are defined as follows:

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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May 4, 2022

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