

Q3 landed a bit above the estimates

Eltel's Q3 results were somewhat above our and consensus estimates. Demand is now strong and it helps to compensate for high inflation, however Q3 is a seasonally favorable quarter and there are still uncertainties related to improvement pace, including labor shortage issues.

- Eltel Q3 revenue grew by 7% y/y to EUR 207.0m vs the EUR 201.8m/201.3m Evli/consensus estimates. Growth was attributable to Norway, Sweden and Finland while Denmark remained flat. Eltel also signed agreements worth a combined EUR 406m during the quarter, including one of Eltel's largest fiber contracts ever. Workforce shortages are an issue, however high demand also helps to increase prices in tender offers.
- EBIT landed at EUR 4.1m, compared to the EUR 3.2m/3.4m Evli/consensus estimates. Operative EBITA was EUR 4.1m, compared to our EUR 3.3m estimate. Profitability was burdened by increased costs and low utilization due to high sick-leave rates and employee turnover, while administrative costs were lower than in the comparative period.
- Finland's profitability remained flat y/y and was helped by a solid performance in Communication. Swedish and Danish profitability levels also remained roughly flat, while margins in Norway declined due to a change in production mix.
- Eltel does not provide guidance for FY '22.

Rating 🟡 HOLD

Q3'22	Actual	Evli	Year ago	Q2'22
Revenue	207.0	201.8	193.8	208.6
Operative EBITA	4.1	3.3	4.1	0.5
EBIT	4.1	3.2	4.0	0.4
EPS	0.00	0.01	0.01	-0.02

Deviation	Actual	Evli	Year ago	Q2'22
Revenue		3 %	7 %	-1 %
Operative EBITA		24 %	0 %	720 %
EBIT		28 %	2 %	925 %
EPS		-100 %	-100 %	-100 %

 Share price, SEK (Last trading day's closing price) 7.32

 Target price, SEK 9.0

Latest change in recommendation	04-Nov-21
Latest report on company	27-Jul-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	105
Free float, %	62.0
Exchange rate EUR/SEK	10.9
Reuters code	ELTEL.ST
Bloomberg code	ELTEL SS
Average daily volume, EURm	0.1
Next interim report	02-Nov-22
Web site	www.eltelgroup.com

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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%	-3.3	0.03	55.9	0.4	25.3	-1.4	0.00
2022E	827.0	6.4	0.8%	3.4	-0.02	-41.5	0.3	35.6	3.2	0.00
2023E	851.8	16.5	1.9%	12.2	0.05	12.4	0.3	13.0	11.6	0.03
2024E	868.8	33.0	3.8%	21.0	0.14	4.8	0.2	6.0	20.0	0.07

Market cap, EURm	105	BV per share 2022E, EUR	52.6	CAGR EPS 2021-24, %	73.7
Net debt 2022E, EURm	119	Price/book 2022E	0.5	CAGR sales 2021-24, %	2.3
Enterprise value, EURm	227	Dividend yield 2022E, %	0.0	ROE 2022E, %	-1.2
Total assets 2022E, EURm	629	Tax rate 2022E, %	285.4	ROCE 2022E, %	1.7
Goodwill 2022E, EURm	265	Equity ratio 2022E, %	37.7	PEG, P/E 22/CAGR	0.0

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

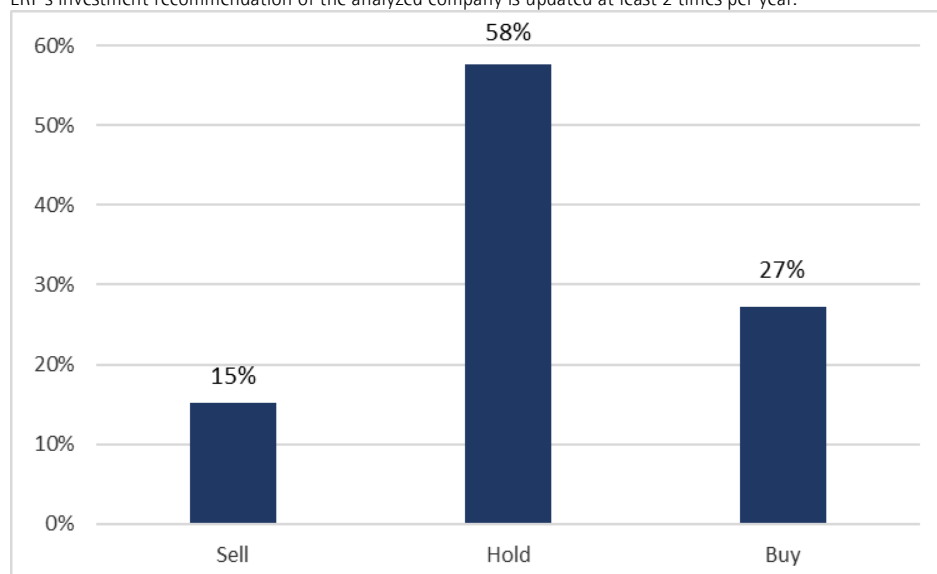
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Investment recommendations are defined as follows:

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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