

## Results below our expectations

Eltel's Q1 results were below our expectations. Net sales amounted to EUR 182m (Evli 209.9m). Operative EBITA improved y/y to EUR -0.7m (EUR -2.1m in Q1/20) but was also below our expectations. (Evli EUR 1.0m)

- Net sales in Q1 decreased by 23.1% to EUR 182m (EUR 236.6m in Q1/2020) and were below our estimates (Evli EUR 209.9m). Net sales continued to decline partly due to the divestments made last year and partly due to lower activity among customers as a result of COVID-19. Last year's loss of a major service agreement in Sweden also affected the volumes.
- Operative EBITA improved y/y to EUR -0.7m (EUR -2.1m in Q1/20) but was below our expectations (Evli EUR 1.0m). The operative EBITA margin was -0.4% (-0.9% in Q1/20). Eltel has succeeded in adjusting the organization to meet the volume changes, which has contributed to the improved profitability.
- Operating profit in Q1 amounted to EUR -0.8m (EUR -2.2m in Q1/20, Evli EUR 0.8m).
- **Guidance reiterated:** Eltel expects the full-year 2021 operational EBITA margin to improve compared to 2020.

### Rating + BUY

Q1/21	Actual	Evli	Year ago	Q4/20
Net sales	182.0	209.9	236.6	229.2
Operative EBITA	-0.7	1.0	-2.1	4.0
EBIT	-0.8	0.8	-2.2	-1.9
EPS	-0.02	-0.01	-0.03	-0.05

Deviation	Actual	Evli	Year ago	Q4/20
Net sales		-13 %	-23 %	-21 %
Operative EBITA		-172 %	-67 %	-118 %
EBIT		-204 %	-64 %	-58 %
EPS		249 %	-32 %	-57 %

Share price, SEK (Last trading day's closing price) 26.35

Target price, SEK 30.0

Latest change in recommendation	26-Feb-21
Latest report on company	26-Feb-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	407
Free float, %	62.0
Exchange rate EUR/SEK	10.1403
Reuters code	ELTELST
Bloomberg code	ELTEL SS
Average daily volume, EURm	-
Next interim report	28-Apr-21
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
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	916.8	23.5	2.6%	15.8	0.08	32.4	0.6	22.6	3.9	0.00
2022E	931.4	29.5	3.2%	22.8	0.12	22.4	0.5	17.1	5.6	0.06
2023E	949.4	34.9	3.7%	21.1	0.15	17.6	0.5	14.1	5.2	0.07

Market cap, EURm	407	BV per share 2021E, EUR	46.9	CAGR EPS 2020-23, %	70.1
Net debt 2021E, EURm	109	Price/book 2021E	1.8	CAGR sales 2020-23, %	0.4
Enterprise value, EURm	529	Dividend yield 2021E, %	0.0	ROE 2021E, %	5.8
Total assets 2021E, EURm	668	Tax rate 2021E, %	20.6	ROCE 2021E, %	6.4
Goodwill 2021E, EURm	264	Equity ratio 2021E, %	36.4	PEG, P/E 21/CAGR	1.2

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

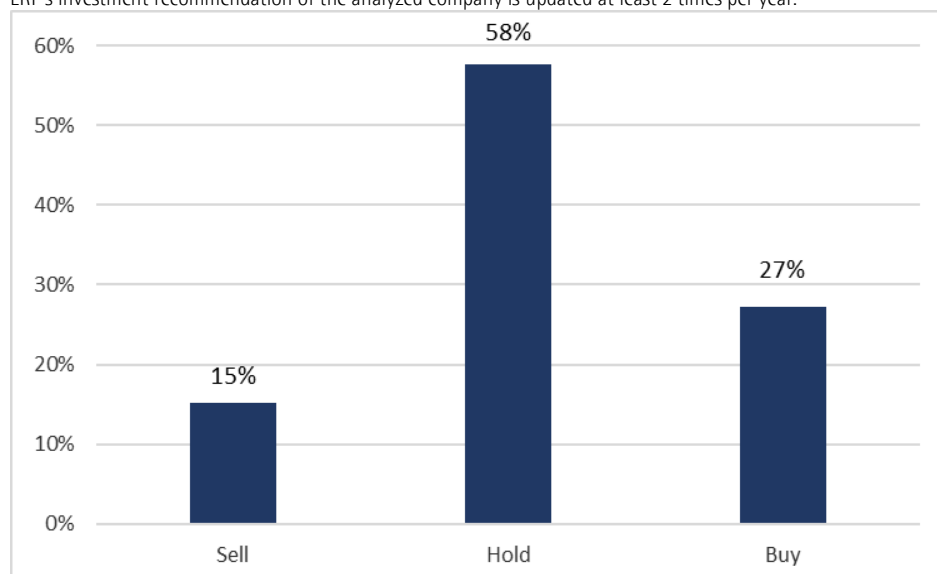
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Investment recommendations are defined as follows:

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): Reiman

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