

## Inflation caused a setback

Q1 profitability fell short of expectations and Eltel also removed guidance due to inflation. Long-term potential remains there, but we continue to view valuation fair.

### Revenue in line, profitability fell particularly in Sweden

Eltel's Q1 revenue was EUR 184m vs the EUR 185m/180m Evli/cons. estimates. Top line turned to growth in Q1, and there were no delays although some Polish projects may be affected going forward. Winter conditions and infections also had a negative effect on productivity, but fibre and 5G demand remained very strong in the Nordics. Power grid works in the Nordics are prospects. Operative EBITA was EUR -2.4m vs our EUR -0.2m estimate as inflation accelerated. Finnish and Norwegian profitability levels were like we expected, Denmark was a bit soft; the miss was mostly due to Sweden. Eltel removes its guidance for the year because of the inflation spike, however the company expects to receive compensation for higher costs already in Q2 in the Nordics, but Poland might take longer.

### Potential remains, but uncertainty is high

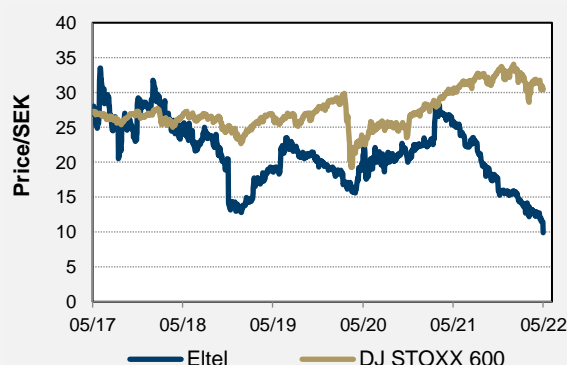
Inflation is really hurting the Power business through fuel, steel, cable and concrete prices, and the war in Ukraine is also an issue as it might delay projects in Poland. Eltel works on the assumption inflation will persist for now and hence the company also pushed its long-term financial performance target date forward by two years. We cut our Q2 EBITA estimate to EUR 3.7m (prev. EUR 7.1m). We therefore estimate only marginal profitability improvement this year. We expect Eltel's earnings improvement to continue next year as the company is likely to receive adequate compensation for higher costs. We also expect Sweden to be back to black later this year and note Eltel is implementing certain profitability investments in the country.

### Valuation is overall fair relative to peers

Our EBITA estimate for the year is now EUR 15.1m vs EUR 22.2m before the report. We make basically no changes to our top line estimates and apply only a minor cut to our FY '23 profitability estimates. Eltel is valued at a relatively high 18x EV/EBIT level on our FY '22 estimates, but the level should decline relatively fast in the coming years as profitability lags most peers. The valuation is modest relative to long-term potential, but in our view this is fair. Our TP is now SEK 10 (15); we retain our HOLD rating.

## Rating

■ HOLD



Share price, SEK (Last trading day's closing price) 9.90  
Target price, SEK 10.0

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 149  
Free float, % 62.0  
Exchange rate EUR/SEK 10.4  
Reuters code ELTELST  
Bloomberg code ELTEL SS  
Average daily volume, EURm 0.1  
Next interim report 26-Jul-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	14.8	1.8%	12.1	0.04	24.2	0.3	17.8	8.1	0.02
2023E	840.0	25.5	3.0%	21.2	0.10	9.3	0.3	9.6	14.2	0.05
2024E	856.8	32.6	3.8%	21.2	0.14	6.7	0.3	7.1	14.2	0.07
Market cap, EURm	149 Gearing 2022E, %			47.0 CAGR EPS 2021-24, %			66.5			
Net debt 2022E, EURm	110 Price/book 2022E			0.7 CAGR sales 2021-24, %			1.8			
Enterprise value, EURm	264 Dividend yield 2022E, %			2.1 ROE 2022E, %			2.8			
Total assets 2022E, EURm	630 Tax rate 2022E, %			31.3 ROCE 2022E, %			3.9			
Goodwill 2022E, EURm	264 Equity ratio 2022E, %			39.1 PEG, P/E 22/CAGR			0.4			

**Estimates and peer group multiples**

Interim figures	2016	2017	2018	2019	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22E	Q3'22E	Q4'22E	2022E	2023E
<b>Net sales</b>	<b>1399.8</b>	<b>1329.9</b>	<b>1188.9</b>	<b>1087.6</b>	<b>938.0</b>	<b>182.0</b>	<b>210.4</b>	<b>193.8</b>	<b>226.3</b>	<b>812.7</b>	<b>184.0</b>	<b>216.5</b>	<b>199.2</b>	<b>229.9</b>	<b>829.6</b>	<b>840.0</b>
Finland				271.0	300.2	60.8	79.8	77.9	81.2	299.7	58.8	81.4	79.5	82.0	301.7	310.7
Sweden				291.3	224.5	41.1	44.6	40.2	56.3	182.2	43.9	46.8	41.4	57.4	189.6	191.5
Norway				218.7	177.7	33.9	42.1	38.2	46.2	160.4	41.6	45.0	38.6	47.1	172.4	175.8
Denmark				109.3	118.1	26.2	24.6	17.8	19.3	88.0	18.1	23.4	19.0	19.7	80.2	82.2
Other business				197.3	117.5	20.0	19.3	19.7	23.2	82.2	21.6	19.9	20.7	23.7	85.8	79.8
<b>EBITDA</b>	<b>15.1</b>	<b>-13.4</b>	<b>5.1</b>	<b>29.7</b>	<b>63.0</b>	<b>7.5</b>	<b>12.7</b>	<b>11.9</b>	<b>14.5</b>	<b>46.4</b>	<b>5.1</b>	<b>12.0</b>	<b>13.8</b>	<b>15.3</b>	<b>46.2</b>	<b>56.1</b>
<b>Operative EBITA</b>	<b>2.1</b>	<b>-25.5</b>	<b>-2.2</b>	<b>-11.3</b>	<b>11.4</b>	<b>-0.7</b>	<b>4.4</b>	<b>4.1</b>	<b>7.0</b>	<b>14.7</b>	<b>-2.4</b>	<b>3.7</b>	<b>6.0</b>	<b>7.9</b>	<b>15.1</b>	<b>26.3</b>
Finland				5.0	7.2	0.7	3.1	4.8	4.0	12.6	0.9	3.3	5.6	4.9	14.6	15.5
Sweden				-18.3	-3.7	-0.8	-1.6	-0.2	0.8	-1.8	-1.8	-0.9	0.4	1.4	-0.9	2.9
Norway				17.2	14.3	1.2	2.7	2.9	2.4	9.2	1.4	2.7	2.7	2.8	9.6	13.2
Denmark				5.8	5.0	1.3	2.6	0.2	0.1	4.2	0.2	1.6	0.3	0.4	2.5	3.9
Other business				-11.0	-3.3	-0.9	-0.5	-2.2	1.7	-1.9	-0.6	-1.0	-1.2	0.4	-2.5	-2.8
Group functions				-10.0	-8.1	-2.2	-1.9	-1.5	-2.0	-7.6	-2.6	-2	-1.7	-2	-8.3	-6.4
<b>D&amp;A</b>	<b>-82.5</b>	<b>-171.2</b>	<b>-14.3</b>	<b>-40.9</b>	<b>-38.2</b>	<b>-8.3</b>	<b>-8.4</b>	<b>-7.9</b>	<b>-7.5</b>	<b>-32.1</b>	<b>-7.6</b>	<b>-8.4</b>	<b>-7.9</b>	<b>-7.5</b>	<b>-31.4</b>	<b>-31.6</b>
<b>EBIT</b>	<b>-67.4</b>	<b>-184.6</b>	<b>-9.2</b>	<b>-11.2</b>	<b>24.8</b>	<b>-0.8</b>	<b>4.3</b>	<b>4.0</b>	<b>6.9</b>	<b>14.3</b>	<b>-2.5</b>	<b>3.6</b>	<b>5.9</b>	<b>7.8</b>	<b>14.8</b>	<b>25.5</b>
<b>Sales growth %</b>	<b>11.5 %</b>	<b>-5.0 %</b>	<b>-10.6 %</b>	<b>-8.5 %</b>	<b>-13.8 %</b>	<b>-23.1 %</b>	<b>-14.3 %</b>	<b>-14.5 %</b>	<b>-1.3 %</b>	<b>-13.4 %</b>	<b>1.1 %</b>	<b>2.9 %</b>	<b>2.8 %</b>	<b>1.6 %</b>	<b>2.1 %</b>	<b>1.3 %</b>
Finland					10.8 %	3.2 %	1.9 %	-3.0 %	-1.8 %	-0.2 %	-3.3 %	2.0 %	2.0 %	1.0 %	0.7 %	3.0 %
Sweden					-22.9 %	-34.9 %	-25.3 %	-21.0 %	10.8 %	-18.8 %	6.8 %	5.0 %	3.0 %	2.0 %	4.0 %	1.0 %
Norway					-18.7 %	-27.9 %	-10.2 %	-9.3 %	10.8 %	-9.7 %	22.7 %	7.0 %	1.0 %	2.0 %	7.5 %	2.0 %
Denmark					8.1 %	-22.3 %	-14.3 %	-31.0 %	-35.2 %	-25.5 %	-30.9 %	-5.0 %	7.0 %	2.0 %	-8.9 %	2.5 %
Other business					-40.4 %	-41.0 %	-39.5 %	-28.6 %	-3.7 %	-30.0 %	8.0 %	3.0 %	5.0 %	2.0 %	4.4 %	-7.0 %
<b>EBITDA margin %</b>	<b>1.1 %</b>	<b>-1.0 %</b>	<b>0.4 %</b>	<b>2.7 %</b>	<b>6.7 %</b>	<b>4.1 %</b>	<b>6.0 %</b>	<b>6.1 %</b>	<b>6.4 %</b>	<b>5.7 %</b>	<b>2.8 %</b>	<b>5.5 %</b>	<b>6.9 %</b>	<b>6.7 %</b>	<b>5.6 %</b>	<b>6.8 %</b>
<b>Operative EBITA margin %</b>	<b>0.2 %</b>	<b>-1.9 %</b>	<b>-0.2 %</b>	<b>-1.0 %</b>	<b>1.2 %</b>	<b>-0.4 %</b>	<b>2.1 %</b>	<b>2.1 %</b>	<b>3.1 %</b>	<b>1.8 %</b>	<b>-1.3 %</b>	<b>1.7 %</b>	<b>3.0 %</b>	<b>3.5 %</b>	<b>1.8 %</b>	<b>3.1 %</b>
Finland					1.8 %	2.4 %	1.2 %	3.9 %	6.2 %	4.9 %	4.2 %	1.5 %	4.0 %	7.0 %	6.0 %	4.5 %
Sweden					-6.3 %	-1.6 %	-1.9 %	-3.6 %	-0.5 %	1.4 %	-1.0 %	-4.1 %	-2.0 %	1.0 %	2.5 %	1.0 %
Norway					7.9 %	8.0 %	3.5 %	6.4 %	7.6 %	5.2 %	5.7 %	3.4 %	6.0 %	7.0 %	6.0 %	7.5 %
Denmark					5.3 %	4.2 %	5.0 %	10.6 %	1.1 %	0.5 %	4.8 %	1.1 %	7.0 %	1.5 %	2.0 %	4.5 %
Other business					-5.6 %	-2.8 %	-4.5 %	-2.6 %	-11.2 %	7.3 %	-2.3 %	-2.8 %	-5.0 %	-6.0 %	1.5 %	-5.0 %
<b>EBIT margin %</b>	<b>-4.8 %</b>	<b>-13.9 %</b>	<b>-0.8 %</b>	<b>-1.0 %</b>	<b>2.6 %</b>	<b>-0.4 %</b>	<b>2.0 %</b>	<b>2.1 %</b>	<b>3.0 %</b>	<b>1.8 %</b>	<b>-1.4 %</b>	<b>1.6 %</b>	<b>3.0 %</b>	<b>3.4 %</b>	<b>1.8 %</b>	<b>3.0 %</b>

Source: Evli Research

ELTEL PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBITDA-%					
		22	23	24	22	23	24	22	23	24			
Bravida Holding	1854	10.1x	9.5x	9.1x	13.0x	12.1x	11.5x	8.3 %	8.5 %	8.6 %			
Enersense International	117	5.1x	3.8x	3.8x	10.4x	6.2x	5.8x	7.2 %	9.3 %	9.1 %			
Caverion	643	5.4x	4.9x	4.6x	10.5x	8.7x	7.7x	6.6 %	7.0 %	7.3 %			
Instalco	1378	15.8x	14.4x	13.5x	20.5x	18.2x	16.9x	9.7 %	10.0 %	10.2 %			
Transtema Group	146	5.6x	5.3x	5.1x	10.2x	9.3x	8.8x	12.3 %	12.7 %	12.8 %			
VINCI	52237	8.1x	7.4x	7.0x	12.5x	11.1x	10.3x	16.4 %	17.2 %	17.6 %			
SPIE	3698	7.5x	7.1x	6.6x	10.8x	10.1x	9.8x	8.5 %	8.6 %	8.9 %			
Peer Group Average	8582	<b>8.2x</b>	<b>7.5x</b>	<b>7.1x</b>	<b>12.6x</b>	<b>10.8x</b>	<b>10.1x</b>	<b>9.9 %</b>	<b>10.5 %</b>	<b>10.6 %</b>			
Peer Group Median	1378	<b>7.5x</b>	<b>7.1x</b>	<b>6.6x</b>	<b>10.8x</b>	<b>10.1x</b>	<b>9.8x</b>	<b>8.5 %</b>	<b>9.3 %</b>	<b>9.1 %</b>			
Eltel (Evli est.)	<b>149</b>	<b>5.7x</b>	<b>4.4x</b>	<b>3.7x</b>	<b>17.8x</b>	<b>9.6x</b>	<b>7.1x</b>	<b>5.6 %</b>	<b>6.7 %</b>	<b>7.4 %</b>			
Eltel prem./disc. to peer median					-24 %	-38 %	-45 %	65 %	-4 %	-27 %	-35 %	-28 %	-18 %

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	9.90 PV of Free Cash Flow	305 Long-term growth, %	1.0 Risk-free interest rate, %	2.25
DCF share value	2.93 PV of Horizon value	281 WACC, %	9.1 Market risk premium, %	5.8
Share price potential, %	207.6 Unconsolidated equity	-5 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	3.2 Marketable securities	32 Minimum WACC, %	8.6 Equity beta coefficient	1.20
Minimum value	2.7 Debt - dividend	-154 Maximum WACC, %	9.6 Target debt ratio, %	20
Horizon value, %	47.9 Value of stock	459 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	900	909	918	928	937	946
<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	15	26	33	34	35	36	32	32	32	33	33
<i>Operating income margin, %</i>	1.8	1.8	3.0	3.8	3.9	4.0	4.0	3.5	3.5	3.5	3.5	3.5
+ Depreciation+amort.	32	31	31	31	32	32	33	33	33	33	34	34
EBITDA	47	46	56	64	66	68	69	65	66	66	67	
- Paid taxes	-5	-4	-5	-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	-24	-2	-7	-8	-7	-8	-7	-8	-8	-8	-8
<i>opCAPEX / Sales, %</i>	2.7	3.1	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	18	49	49	51	53	54	51	51	52	52	652
= Discounted FCFF		17	43	39	37	35	33	28	26	24	23	281
= DFCF min WACC		17	43	40	38	36	34	29	27	25	24	313
= DFCF max WACC		17	42	39	36	34	32	28	25	23	22	253

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2E	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	182.0	210.4	193.8	226.2	812.4	184.0	216.5	199.2	229.9	829.6	840.0	856.8
EBITDA	7.5	12.7	11.9	14.4	46.5	5.1	12.0	13.8	15.3	46.2	56.1	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>2.8</i>	<i>5.5</i>	<i>6.9</i>	<i>6.7</i>	<i>5.6</i>	<i>6.7</i>	<i>7.4</i>
EBIT	-0.8	4.3	4.0	6.9	14.4	-2.5	3.6	5.9	7.8	14.8	25.5	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>-1.4</i>	<i>1.6</i>	<i>3.0</i>	<i>3.4</i>	<i>1.8</i>	<i>3.0</i>	<i>3.8</i>
Net financial items	-1.3	-1.3	-1.4	-1.8	-5.8	-1.8	-1.2	-1.2	-1.2	-5.5	-5.0	-4.4
Pre-tax profit	-2.1	3.0	2.6	5.1	8.6	-4.3	2.3	4.7	6.6	9.3	20.5	28.1
Tax	-0.6	-1.3	-0.8	-1.1	-3.8	-0.2	-0.5	-1.0	-1.4	-3.1	-4.4	-6.0
<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>-4.8</i>	<i>20.6</i>	<i>20.6</i>	<i>20.6</i>	<i>31.3</i>	<i>20.6</i>	<i>20.6</i>
Net profit	-2.6	1.5	1.9	4.0	4.8	-4.5	1.8	3.7	5.2	6.2	16.1	22.2
EPS	-0.02	0.01	0.01	0.03	0.03	-0.03	0.01	0.02	0.03	0.04	0.10	0.14
EPS adjusted (diluted no. of shares)	-0.02	0.01	0.01	0.03	0.03	-0.03	0.01	0.02	0.03	0.04	0.10	0.14
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.05	0.07
<b>SALES, EURm</b>												
Finland	60.8	79.8	77.9	81.2	299.7	58.8	81.4	79.5	82.0	301.7	310.7	316.9
Sweden	41.1	44.6	40.2	56.3	182.2	43.9	46.8	41.4	57.4	189.6	191.5	195.3
Norway	33.9	42.1	38.2	46.2	160.4	41.6	45.0	38.6	47.1	172.4	175.8	179.3
Denmark	26.2	24.6	17.8	19.3	87.9	18.1	23.4	19.0	19.7	80.2	82.2	83.9
Other business	20.0	19.3	19.7	23.2	82.2	21.6	19.9	20.7	23.7	85.8	79.8	81.4
<b>Total</b>	<b>182.0</b>	<b>210.4</b>	<b>193.8</b>	<b>226.2</b>	<b>812.4</b>	<b>184.0</b>	<b>216.5</b>	<b>199.2</b>	<b>229.9</b>	<b>829.6</b>	<b>840.0</b>	<b>856.8</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>-3.3</i>	<i>2.0</i>	<i>2.0</i>	<i>1.0</i>	<i>0.7</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>6.8</i>	<i>5.0</i>	<i>3.0</i>	<i>2.0</i>	<i>4.0</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>22.7</i>	<i>7.0</i>	<i>1.0</i>	<i>2.0</i>	<i>7.5</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>-30.9</i>	<i>-5.0</i>	<i>7.0</i>	<i>2.0</i>	<i>-8.8</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>8.0</i>	<i>3.0</i>	<i>5.0</i>	<i>2.0</i>	<i>4.4</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>1.1</b>	<b>2.9</b>	<b>2.8</b>	<b>1.6</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	12.0
Sweden	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.4
Norway	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.8
Denmark	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.2
Other business	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.1
Group	-0.8	4.3	4.0	6.9	14.4	-2.5	3.6	5.9	7.8	14.8	25.5	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>-2.5</b>	<b>3.6</b>	<b>5.9</b>	<b>7.8</b>	<b>14.8</b>	<b>25.5</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>-1.4</b>	<b>1.6</b>	<b>3.0</b>	<b>3.4</b>	<b>1.8</b>	<b>3.0</b>	<b>3.8</b>

Construction & Engineering/Sweden, May 5, 2022  
Company update

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	840.0	856.8
<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	46.2	56.1	63.5
<i>EBITDA margin (%)</i>	-1.0	0.4	2.7	6.7	5.7	5.6	6.7	7.4
Depreciation	-13.3	-12.2	-39.4	-37.4	-31.8	-30.7	-29.8	-30.2
EBITA	-26.7	-7.1	-9.7	25.6	14.7	15.5	26.3	33.4
Goodwill amortization / writedown	-157.9	-2.1	-1.5	-0.8	-0.3	-0.7	-0.8	-0.8
EBIT	-184.6	-9.2	-11.2	24.8	14.4	14.8	25.5	32.6
<i>EBIT margin (%)</i>	-13.9	-0.8	-1.0	2.6	1.8	1.8	3.0	3.8
Reported EBIT	-184.6	-9.2	-11.2	24.8	14.4	14.8	25.5	32.6
<i>EBIT margin (reported) (%)</i>	-13.9	-0.8	-1.0	2.6	1.8	1.8	3.0	3.8
Net financials	-12.3	-8.8	-11.5	-9.8	-5.8	-5.5	-5.0	-4.4
Pre-tax profit	-196.9	-18.0	-22.7	15.0	8.6	9.3	20.5	28.1
Taxes	-7.7	-4.1	-2.4	-9.7	-3.8	-3.1	-4.4	-6.0
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	6.2	16.1	22.2
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	264	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	227	240	254
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	94	76	62
Non-interest bearing current liabilities	293	293	233	230	214	219	221	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	46	56	64
- Net financial items	-12	-9	-11	-10	-6	-6	-5	-4
- Taxes	-4	-3	1	-3	-3	-3	-4	-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	38	47	53
- 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	12	21	21
+/- New issues/buybacks	143	-9	-5	-6	4	0	0	0
- Paid dividend	0	0	0	0	0	0	-3	-8
+/- Other	-111	48	70	-105	5	-11	-18	-12
Change in cash	-52	21	12	-39	6	1	0	1

Construction & Engineering/Sweden, May 5, 2022  
Company update

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	196	286	351	235	149	149	149
Net debt (excl. convertibles)	148	199	125	122	110	92	79
Enterprise value	349	494	488	365	264	246	232
Sales	1,189	1,088	938	812	830	840	857
EBITDA	5	30	63	47	46	56	64
EBIT	-9	-11	25	14	15	26	33
Pre-tax	-18	-23	15	9	9	21	28
Earnings	-23	-26	5	5	6	16	22
Equity book value (excl. minorities)	244	213	212	220	227	240	254
<b>Valuation multiples</b>							
EV/sales	0.3	0.5	0.5	0.4	0.3	0.3	0.3
EV/EBITDA	68.5	16.6	7.8	7.8	5.7	4.4	3.7
EV/EBITA	-49.2	-50.9	19.1	24.8	17.0	9.3	7.0
EV/EBIT	-37.9	-44.1	19.7	25.3	17.8	9.6	7.1
EV/OCF	109.1	9.6	9.9	16.0	7.0	5.3	4.4
EV/FCFF	-49.7	8.0	5.4	24.5	15.0	5.0	4.7
P/FCFE	-10.9	-5.4	4.9	-879.9	128.5	73.1	73.3
P/E	-8.4	-11.0	74.7	49.0	24.2	9.3	6.7
P/B	0.8	1.3	1.7	1.1	0.7	0.6	0.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	3.5	2.9	2.5
Target EV/EBIT	0.0	0.0	0.0	0.0	10.9	6.3	4.9
Target EV/FCF	0.0	0.0	0.0	0.0	13.4	7.6	7.5
Target P/B	0.0	0.0	0.0	0.0	0.7	0.6	0.6
Target P/E	0.0	0.0	0.0	0.0	24.5	9.3	6.8
<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	0.04	0.10	0.14
Operating cash flow per share	0.02	0.33	0.32	0.15	0.24	0.30	0.34
Free cash flow per share	-0.11	-0.34	0.46	-0.02	0.08	0.14	0.14
Book value per share	1.56	1.36	1.35	1.41	1.45	1.53	1.62
Dividend per share	0.00	0.00	0.00	0.00	0.02	0.05	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	2.1	5.4	7.4
FCF yield, %	-9.2	-18.4	20.6	-1.1	8.1	14.2	14.2
<b>Efficiency measures</b>							
ROE	-8.9	-11.3	2.2	2.2	2.8	6.9	9.0
ROCE	-2.0	-2.4	5.8	3.8	3.9	6.8	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	3.1	3.0	3.7
CAPEX/sales (incl. acquisitions), %	1.6	10.0	1.6	2.7	3.1	3.0	3.7
FCFF/EBITDA	-1.4	2.1	1.4	0.3	0.4	0.9	0.8
Net debt/EBITDA, book-weighted	28.9	6.7	2.0	2.6	2.4	1.6	1.2
Debt/equity, market-weighted	1.0	0.6	0.3	0.4	0.6	0.5	0.4
Equity ratio, book-weighted	32.4	28.5	34.0	38.1	39.1	41.5	43.4
Gearing, %	58.6	89.9	56.8	53.5	47.0	37.1	30.1

**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	24.457	16.4%
Wipunen varainhallinta Oy	21,220,000	20.206	13.5%
Fourth Swedish National Pension Fund	15,027,060	14.309	9.6%
Heikintorppa Oy	10,625,000	10.117	6.8%
Mariatorp Oy	10,000,000	9.522	6.4%
First Swedish National Pension Fund	9,177,250	8.739	5.9%
Fidelity International (FIL)	7,058,783	6.721	4.5%
Swedbank Robur Funds	6,366,148	6.062	4.1%
Lancelot Asset Management AB	4,000,000	3.809	2.6%
Mandatum Life Funds	2,789,819	2.657	1.8%
Ten largest	111,947,905	106.599	71%
Residual	44,701,176	42.565	29%
Total	156,649,081	149.164	100%

**EARNINGS CALENDAR**

July 26, 2022 Q2 report  
November 02, 2022 Q3 report

**OTHER EVENTS****COMPANY MISCELLANEOUS**

CEO: Casimir Lindholm Adolfsbergsvägen 13, Bromma, Stockholm  
CFO: Saira Miettinen-Lähde Tel: +46 8 585 376 00  
IR: Elin Otter

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



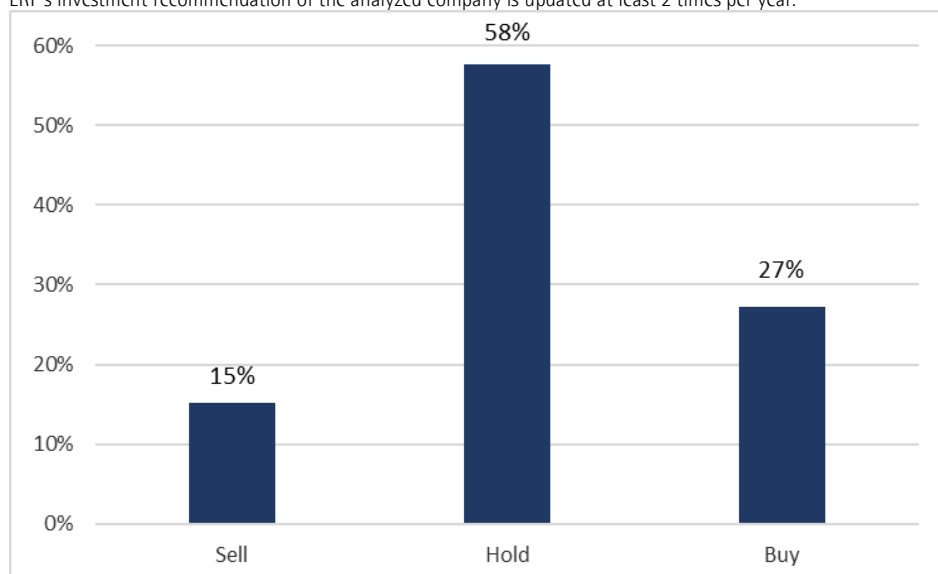
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Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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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
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**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  
E-mail firstname.lastname@evli.com

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