

Q2 figures fell below estimates

Eltel's Q2 top line was soft relative to estimates and profitability fell clearly below expectations as inflation hit results more than was expected.

- Eltel Q2 revenue decreased by 0.8% y/y to EUR 208.6m, compared to the EUR 216.5m/215.2m Evli/consensus estimates. Denmark's top line was particularly soft, while Sweden and Norway advanced.
- EBIT was EUR 0.4m vs the EUR 3.6m/3.2m Evli/consensus estimates. Operative EBITA amounted to EUR 0.5m, compared to our EUR 3.7m estimate. Inflation was the main culprit for the weak numbers, however elevated sick-leave rates due to the pandemic as well as the late arrival of spring also contributed. Eltel has secured agreements with most of its customers to recover parts of the cost increases, but the company will not be able to recover the costs in full.
- Finnish profitability remained a bright spot in Q2 despite a six-week strike among ICT personnel. Swedish results continued to improve, while Norway and Denmark faced setbacks, the latter especially so.
- Eltel removed guidance in connection with the Q1 report.

Rating 🟡 HOLD

Q2'22	Actual	Evli	Year ago	Q1'22
Revenue	208.6	216.5	210.4	184.0
Operative EBITA	0.5	3.7	4.4	-2.4
EBIT	0.4	3.6	4.3	-2.5
EPS	-0.02	0.01	0.01	-0.03

Deviation	Actual	Evli	Year ago	Q1'22
Revenue		-4 %	-1 %	13 %
Operative EBITA		-86 %	-89 %	-121 %
EBIT		-89 %	-91 %	-116 %
EPS		-300 %	-300 %	-33 %

 Share price, SEK (Last trading day's closing price) 8.90

 Target price, SEK 10.0

Latest change in recommendation	04-Nov-21
Latest report on company	05-May-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	134
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
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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	14.8	1.8%	12.1	0.04	21.7	0.3	16.7	9.0	0.02
2023E	840.0	25.5	3.0%	21.2	0.10	8.3	0.3	9.0	15.9	0.05
2024E	856.8	32.6	3.8%	21.2	0.14	6.0	0.3	6.6	15.8	0.07

Market cap, EURm	134	BV per share 2022E, EUR	47.0	CAGR EPS 2021-24, %	66.5
Net debt 2022E, EURm	110	Price/book 2022E	0.6	CAGR sales 2021-24, %	1.8
Enterprise value, EURm	248	Dividend yield 2022E, %	2.3	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

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

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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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