

Earnings gap for this year

We see Eltel's earnings are to decline this year as H1 cost challenges will continue to burden H2 results as well.

Nordics are coping with inflation, but H2 will still be soft

The EUR 208.6m Q2 revenue was soft vs the EUR 216.5m/215.2m Evli/cons. estimates. Finnish ICT strike hit top line in addition to a late spring, while Denmark suffered from low volumes as Eltel expected but more than we estimated. The other units' top lines were above our estimates, but inflation was a lot bigger burden than we estimated: EBIT fell to EUR 0.4m vs the EUR 3.6m/3.2m Evli/cons. estimates. Finland performed better than we estimated despite inflation, which affected through its large Power business. Sweden improved the most in Q2, but the results beyond Finland and Sweden were clearly below our estimates. Inflation cover within frame agreements isn't a major issue in Finland, Sweden and Denmark, whereas in Norway higher costs are yet to be addressed to a similar extent. Fuel and materials had ca. EUR 4m H1 impact and the level should be similar in H2.

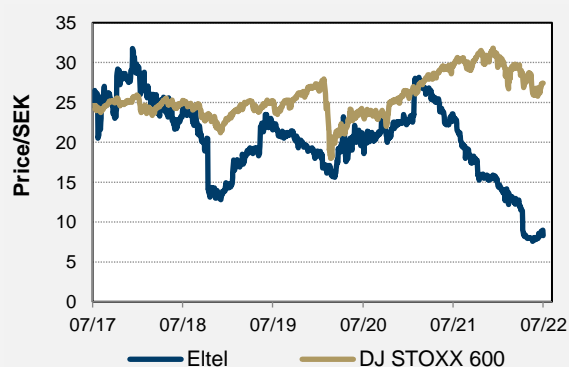
We expect key markets to drive growth again next year

The inflation challenge is not that bad in the Nordics but remains a major issue in Poland, where it's unclear how long beneficial outcomes might take to materialize. The possible divestiture of Poland has been on the agenda since last autumn, and a decision could be reached by the end of this year. Eltel's long-term improvement path can still be seen as Finland and Sweden appear to continue firm on their own tracks. Meanwhile further progress should be expected from Norway and Denmark since both have recently signed large Communication agreements. We estimate Eltel to return to earnings growth again next year, however the weak H1 as well as the continued cost pressure over H2 imply FY '22 will be a gap year in profitability terms.

Valuation appears fair in the light of margin potential

We shave our H2'22 EBITA estimates by EUR 5.3m, whereas our updated estimate for FY '23 amounts to EUR 17.3m (prev. EUR 26.3m). Eltel is valued 5x EV/EBITDA and 14x EV/EBIT on our FY '23 estimates, the former implying a discount to peers while the latter is a premium. We don't consider valuation too challenging in the light of Eltel's margin upside potential, however there's still way to go before Eltel will be near its peers' profitability. Our TP is now SEK 9 (10); we retain our HOLD rating.

Rating



Share price, SEK (Last trading day's closing price) **8.30**
 Target price, SEK **9.0**

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	124
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	02-Nov-22
Web site	www.eltelgroup.com

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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%	-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	-49.2	0.3	38.8	2.7	0.00
2023E	851.8	16.5	1.9%	12.2	0.05	14.7	0.3	14.2	9.8	0.03
2024E	868.8	33.0	3.8%	21.0	0.14	5.7	0.3	6.6	16.8	0.07
Market cap, EURm			124	Gearing 2022E, %			52.6	CAGR EPS 2021-24, %		73.7
Net debt 2022E, EURm			119	Price/book 2022E			0.6	CAGR sales 2021-24, %		2.3
Enterprise value, EURm			247	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

Estimates and peer group multiples

Interim figures	2016	2017	2018	2019	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22E	Q4'22E	2022E	2023E
Net sales	1399.8	1329.9	1188.9	1087.6	938.0	182.0	210.4	193.8	226.3	812.7	184.0	208.5	201.8	232.6	826.9	851.8
Finland				271.0	300.2	60.8	79.8	77.9	81.2	299.7	58.8	71.9	78.7	82.0	291.4	297.2
Sweden				291.3	224.5	41.1	44.6	40.2	56.3	182.2	43.9	49.4	43.0	58.0	194.3	204.0
Norway				218.7	177.7	33.9	42.1	38.2	46.2	160.4	41.6	46.6	39.3	47.1	174.7	185.2
Denmark				109.3	118.1	26.2	24.6	17.8	19.3	88.0	18.1	17.5	18.7	20.7	74.9	80.2
Other business				197.3	117.5	20.0	19.3	19.7	23.2	82.2	21.6	23.1	22.1	24.8	91.6	85.2
EBITDA	15.1	-13.4	5.1	29.7	63.0	7.5	12.7	11.9	14.5	46.4	5.1	8.0	11.1	12.7	37.0	47.1
Operative EBITA	2.1	-25.5	-2.2	-11.3	11.4	-0.7	4.4	4.1	7.0	14.7	-2.4	0.5	3.3	5.3	6.8	17.3
Finland				5.0	7.2	0.7	3.1	4.8	4.0	12.6	0.9	3.6	4.7	4.1	13.3	14.9
Sweden				-18.3	-3.7	-0.8	-1.6	-0.2	0.8	-1.8	-1.8	-0.4	0.4	1.2	-0.6	2.0
Norway				17.2	14.3	1.2	2.7	2.9	2.4	9.2	1.4	1.3	1.4	1.4	5.5	7.4
Denmark				5.8	5.0	1.3	2.6	0.2	0.1	4.2	0.2	0.0	0.3	0.4	0.9	2.4
Other business				-11.0	-3.3	-0.9	-0.5	-2.2	1.7	-1.9	-0.6	-1.9	-1.8	0.2	-4.0	-3.0
Group functions				-10.0	-8.1	-2.2	-1.9	-1.5	-2.0	-7.6	-2.6	-2.0	-1.7	-2.0	-8.3	-6.4
D&A	-82.5	-171.2	-14.3	-40.9	-38.2	-8.3	-8.4	-7.9	-7.5	-32.1	-7.6	-7.6	-7.9	-7.5	-30.6	-30.6
EBIT	-67.4	-184.6	-9.2	-11.2	24.8	-0.8	4.3	4.0	6.9	14.3	-2.5	0.4	3.2	5.2	6.4	16.5
Sales growth %	11.5 %	-5.0 %	-10.6 %	-8.5 %	-13.8 %	-23.1 %	-14.3 %	-14.5 %	-1.3 %	-13.4 %	1.1 %	-0.9 %	4.1 %	2.8 %	1.7 %	3.0 %
Finland					10.8 %	3.2 %	1.9 %	-3.0 %	-1.8 %	-0.2 %	-3.3 %	-9.9 %	1.0 %	1.0 %	-2.8 %	2.0 %
Sweden					-22.9 %	-34.9 %	-25.3 %	-21.0 %	10.8 %	-18.8 %	6.8 %	10.8 %	7.0 %	3.0 %	6.6 %	5.0 %
Norway					-18.7 %	-27.9 %	-10.2 %	-9.3 %	10.8 %	-9.7 %	22.7 %	10.7 %	3.0 %	2.0 %	8.9 %	6.0 %
Denmark					8.1 %	-22.3 %	-14.3 %	-31.0 %	-35.2 %	-25.5 %	-30.9 %	-28.9 %	5.0 %	7.0 %	-14.8 %	7.0 %
Other business					-40.4 %	-41.0 %	-39.5 %	-28.6 %	-3.7 %	-30.0 %	8.0 %	19.7 %	12.0 %	7.0 %	11.4 %	-7.0 %
EBITDA margin %	1.1 %	-1.0 %	0.4 %	2.7 %	6.7 %	4.1 %	6.0 %	6.1 %	6.4 %	5.7 %	2.8 %	3.8 %	5.5 %	5.5 %	4.5 %	5.5 %
Operative EBITA margin %	0.2 %	-1.9 %	-0.2 %	-1.0 %	1.2 %	-0.4 %	2.1 %	2.1 %	3.1 %	1.8 %	-1.3 %	0.2 %	1.7 %	2.3 %	0.8 %	2.0 %
Finland					1.8 %	2.4 %	1.2 %	3.9 %	6.2 %	4.9 %	4.2 %	1.5 %	5.0 %	6.0 %	4.6 %	5.0 %
Sweden					-6.3 %	-1.6 %	-1.9 %	-3.6 %	-0.5 %	1.4 %	-1.0 %	-4.1 %	-0.8 %	1.0 %	2.0 %	-0.3 %
Norway					7.9 %	8.0 %	3.5 %	6.4 %	7.6 %	5.2 %	5.7 %	3.4 %	2.8 %	3.5 %	3.0 %	3.1 %
Denmark					5.3 %	4.2 %	5.0 %	10.6 %	1.1 %	0.5 %	4.8 %	1.1 %	0.0 %	1.5 %	2.0 %	1.2 %
Other business					-5.6 %	-2.8 %	-4.5 %	-2.6 %	-11.2 %	7.3 %	-2.3 %	-2.8 %	-8.2 %	-8.0 %	1.0 %	-4.4 %
EBIT margin %	-4.8 %	-13.9 %	-0.8 %	-1.0 %	2.6 %	-0.4 %	2.0 %	2.1 %	3.0 %	1.8 %	-1.4 %	0.2 %	1.6 %	2.3 %	0.8 %	1.9 %

Source: Evli Research

ELTEL PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBITDA-%		
		22	23	24	22	23	24	22	23	24
Bravida Holding	1932	11.2x	10.7x	10.4x	14.5x	13.7x	13.3x	8.2 %	8.4 %	8.4 %
Enersense International	120	6.4x	4.8x	4.8x	13.1x	7.8x	7.3x	7.2 %	9.3 %	9.1 %
Caverion	650	5.5x	5.0x	4.6x	10.6x	8.9x	7.9x	6.6 %	7.0 %	7.3 %
Instalco	1138	13.3x	12.6x	11.9x	18.0x	16.4x	15.2x	9.6 %	9.8 %	10.0 %
Transtema Group	101	5.4x	4.7x	4.6x	10.2x	8.4x	8.0x	10.9 %	11.7 %	11.6 %
VINCI	51504	7.9x	7.3x	6.9x	12.1x	10.9x	10.2x	16.5 %	17.2 %	17.6 %
SPIE	3669	7.4x	7.0x	6.6x	10.7x	10.0x	9.5x	8.5 %	8.7 %	8.8 %
Netel Holding	182	6.9x	6.1x	5.6x	8.5x	7.4x	6.7x	8.9 %	8.7 %	8.7 %
Peer Group Average	7412	8.0x	7.3x	6.9x	12.2x	10.4x	9.8x	9.5 %	10.1 %	10.2 %
Peer Group Median	894	7.1x	6.5x	6.1x	11.4x	9.4x	8.7x	8.7 %	9.0 %	8.9 %
Eltel (Evli est.)	124	6.7x	5.0x	3.4x	38.7x	14.2x	6.6x	4.5 %	5.5 %	7.4 %

Eltel prem./disc. to peer median

-6 % -24 % -45 % 239 % 51 % -25 % -49 % -39 % -17 %

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	8.30 PV of Free Cash Flow	304 Long-term growth, %	1.0 Risk-free interest rate, %	2.25
DCF share value	2.99 PV of Horizon value	290 WACC, %	9.1 Market risk premium, %	5.8
Share price potential, %	276.0 Unconsolidated equity	-4 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	2.8 Debt - dividend	-154 Maximum WACC, %	9.6 Target debt ratio, %	20
Horizon value, %	48.9 Value of stock	468 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	827	852	869	886	899	913	922	931	941	950	960
<i>Sales growth, %</i>	-13.4	1.8	3.0	2.0	2.0	1.5	1.5	1.0	1.0	1.0	1.0	1.0
Operating income (EBIT)	14	6	17	33	35	36	37	32	33	33	33	34
<i>Operating income margin, %</i>	1.8	0.8	1.9	3.8	3.9	4.0	4.0	3.5	3.5	3.5	3.5	3.5
+ Depreciation+amort.	32	31	30	31	32	33	33	34	34	34	34	35
EBITDA	47	37	47	64	67	69	70	66	67	67	68	
- Paid taxes	-5	-4	-4	-7	-7	-8	-8	-7	-7	-7	-7	
- Change in NWC	-14	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	
+ Change in other liabs	-4	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-4	-19	-2	-7	-8	-8	-8	-8	-8	-8	-8	
<i>opCAPEX / Sales, %</i>	2.7	3.0	3.2	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	
+ Divestments	-4	0	0	0	0	0	0	0	0	0	0	
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	15	14	41	50	52	54	54	52	52	53	53	661
= Discounted FCFF		13	37	40	38	36	34	29	27	25	23	290
= DFCF min WACC		13	37	41	39	37	35	30	28	26	24	323
= DFCF max WACC		13	36	40	38	36	33	29	26	24	22	262

Construction & Engineering/Sweden, July 27, 2022
Company update

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	182.0	210.4	193.8	226.2	812.4	184.0	208.6	201.8	232.6	827.0	851.8	868.8
EBITDA	7.5	12.7	11.9	14.4	46.5	5.1	7.9	11.1	12.7	36.9	47.0	64.4
<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>3.8</i>	<i>5.5</i>	<i>5.5</i>	<i>4.5</i>	<i>5.5</i>	<i>7.4</i>
EBIT	-0.8	4.3	4.0	6.9	14.4	-2.5	0.4	3.2	5.2	6.4	16.5	33.0
<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>0.2</i>	<i>1.6</i>	<i>2.3</i>	<i>0.8</i>	<i>1.9</i>	<i>3.8</i>
Net financial items	-1.3	-1.3	-1.4	-1.8	-5.8	-1.8	-1.6	-1.2	-1.2	-5.9	-5.6	-5.1
Pre-tax profit	-2.1	3.0	2.6	5.1	8.6	-4.3	-1.2	2.0	4.0	0.5	10.9	27.9
Tax	-0.6	-1.3	-0.8	-1.1	-3.8	-0.2	-1.3	-0.5	-0.9	-2.8	-2.4	-5.9
<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>-108.3</i>	<i>20.6</i>	<i>20.6</i>	<i>285.4</i>	<i>20.6</i>	<i>20.6</i>
Net profit	-2.6	1.5	1.9	3.4	4.2	-4.5	-2.7	1.5	3.1	-2.5	8.5	22.0
EPS	-0.02	0.01	0.01	0.02	0.03	-0.03	-0.02	0.01	0.02	-0.02	0.05	0.14
EPS adjusted (diluted no. of shares)	-0.02	0.01	0.01	0.02	0.03	-0.03	-0.02	0.01	0.02	-0.02	0.05	0.14
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.07
SALES, EURm												
Finland	60.8	79.8	77.9	81.2	299.7	58.8	71.9	78.7	82.0	291.4	297.2	303.2
Sweden	41.1	44.6	40.2	56.3	182.2	43.9	49.4	43.0	58.0	194.3	204.0	208.1
Norway	33.9	42.1	38.2	46.2	160.4	41.6	46.6	39.3	47.1	174.7	185.2	188.9
Denmark	26.2	24.6	17.8	19.3	87.9	18.1	17.5	18.7	20.7	74.9	80.2	81.8
Other business	20.0	19.3	19.7	23.2	82.2	21.6	23.2	22.1	24.8	91.7	85.2	86.9
Total	182.0	210.4	193.8	226.2	812.4	184.0	208.6	201.8	232.6	827.0	851.8	868.8
SALES GROWTH, Y/Y %												
<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>-9.9</i>	<i>1.0</i>	<i>1.0</i>	<i>-2.8</i>	<i>2.0</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>10.8</i>	<i>7.0</i>	<i>3.0</i>	<i>6.6</i>	<i>5.0</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>10.7</i>	<i>3.0</i>	<i>2.0</i>	<i>8.9</i>	<i>6.0</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>-28.9</i>	<i>5.0</i>	<i>7.0</i>	<i>-14.7</i>	<i>7.0</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>20.2</i>	<i>12.0</i>	<i>7.0</i>	<i>11.5</i>	<i>-7.1</i>	<i>2.0</i>
Total	-23.1	-14.3	-14.5	-1.3	-13.4	1.1	-0.9	4.1	2.8	1.8	3.0	2.0
EBIT, EURm												
Finland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11.5
Sweden	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.9
Norway	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.2
Denmark	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.1
Other business	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.3
Group	-0.8	4.3	4.0	6.9	14.4	-2.5	0.4	3.2	5.2	6.4	16.5	0.0
Total	-0.8	4.3	4.0	6.9	14.4	-2.5	0.4	3.2	5.2	6.4	16.5	33.0
EBIT margin, %												
<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>
Total	-0.4	2.0	2.1	3.1	1.8	-1.4	0.2	1.6	2.3	0.8	1.9	3.8

Construction & Engineering/Sweden, July 27, 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	827.0	851.8	868.8
<i>Sales growth (%)</i>	-5.0	-10.6	-8.5	-13.8	-13.4	1.8	3.0	2.0
EBITDA	-13.4	5.1	29.7	63.0	46.5	36.9	47.0	64.4
<i>EBITDA margin (%)</i>	-1.0	0.4	2.7	6.7	5.7	4.5	5.5	7.4
Depreciation	-13.3	-12.2	-39.4	-37.4	-31.8	-30.0	-29.7	-30.6
EBITA	-26.7	-7.1	-9.7	25.6	14.7	6.9	17.3	33.8
Goodwill amortization / writedown	-157.9	-2.1	-1.5	-0.8	-0.3	-0.5	-0.8	-0.8
EBIT	-184.6	-9.2	-11.2	24.8	14.4	6.4	16.5	33.0
<i>EBIT margin (%)</i>	-13.9	-0.8	-1.0	2.6	1.8	0.8	1.9	3.8
Reported EBIT	-184.6	-9.2	-11.2	24.8	14.4	6.4	16.5	33.0
<i>EBIT margin (reported) (%)</i>	-13.9	-0.8	-1.0	2.6	1.8	0.8	1.9	3.8
Net financials	-12.3	-8.8	-11.5	-9.8	-5.8	-5.9	-5.6	-5.1
Pre-tax profit	-196.9	-18.0	-22.7	15.0	8.6	0.5	10.9	27.9
Taxes	-7.7	-4.1	-2.4	-9.7	-3.8	-2.8	-2.4	-5.9
Minority shares	-0.7	-1.1	-0.8	-0.6	-0.6	-0.2	0.0	0.0
Net profit	-205.3	-23.2	-25.9	4.7	4.2	-2.5	8.5	22.0
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
BALANCE SHEET, EURm								
Assets								
Fixed assets	75	75	105	59	52	52	47	48
Goodwill	287	282	264	265	265	265	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	202	206
Liquid funds	33	53	65	26	32	33	34	35
Total assets	828	830	807	677	631	629	633	639
Liabilities								
Shareholder's equity	277	244	213	212	220	218	226	244
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	103	90	73
Non-interest bearing current liabilities	293	293	233	230	214	218	225	229
Other interest-free debt	54	48	60	57	15	15	15	15
Total liabilities	828	830	807	677	631	629	633	639
CASH FLOW, EURm								
+ EBITDA	-13	5	30	63	47	37	47	64
- Net financial items	-12	-9	-11	-10	-6	-6	-6	-5
- Taxes	-4	-3	1	-3	-3	-3	-2	-6
- Increase in Net Working Capital	-33	7	38	17	-14	0	0	0
+/- Other	-3	3	-5	-17	-1	0	0	0
= Cash flow from operations	-65	3	51	49	22	28	39	53
- Capex	-13	-19	-113	-15	-22	-25	-27	-33
- 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	3	12	21
+/- New issues/buybacks	143	-9	-5	-6	5	0	0	0
- Paid dividend	0	0	0	0	0	0	0	-4
+/- Other	-111	48	70	-105	5	-3	-11	-16
Change in cash	-52	21	12	-39	6	1	1	1

Construction & Engineering/Sweden, July 27, 2022
Company update

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	196	286	351	235	124	124	124
Net debt (excl. convertibles)	148	199	125	122	119	106	90
Enterprise value	349	494	488	365	247	235	218
Sales	1,189	1,088	938	812	827	852	869
EBITDA	5	30	63	47	37	47	64
EBIT	-9	-11	25	14	6	17	33
Pre-tax	-18	-23	15	9	0	11	28
Earnings	-23	-26	5	4	-3	8	22
Equity book value (excl. minorities)	244	213	212	220	218	226	244
Valuation multiples							
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	6.7	5.0	3.4
EV/EBITA	-49.2	-50.9	19.1	24.8	36.0	13.6	6.4
EV/EBIT	-37.9	-44.1	19.7	25.3	38.8	14.2	6.6
EV/OCF	109.1	9.6	9.9	16.4	8.8	6.0	4.1
EV/FCFF	-49.7	8.0	5.4	24.5	18.0	5.7	4.4
P/FCFE	-10.9	-5.4	4.9	-719.9	387.6	107.0	62.0
P/E	-8.4	-11.0	74.7	55.9	-49.2	14.7	5.7
P/B	0.8	1.3	1.7	1.1	0.6	0.5	0.5
Target EV/EBITDA	0.0	0.0	0.0	0.0	4.0	3.1	2.2
Target EV/EBIT	0.0	0.0	0.0	0.0	23.1	8.8	4.4
Target EV/FCF	0.0	0.0	0.0	0.0	43.8	12.0	6.9
Target P/B	0.0	0.0	0.0	0.0	0.6	0.6	0.6
Target P/E	0.0	0.0	0.0	0.0	-53.4	15.9	6.1
Per share measures							
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	-0.02	0.05	0.14
Operating cash flow per share	0.02	0.33	0.32	0.14	0.18	0.25	0.34
Free cash flow per share	-0.11	-0.34	0.46	-0.02	0.02	0.08	0.13
Book value per share	1.56	1.36	1.35	1.41	1.39	1.45	1.56
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.03	0.07
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	50.0	50.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	3.4	8.8
FCF yield, %	-9.2	-18.4	20.6	-1.4	2.7	9.8	16.8
Efficiency measures							
ROE	-8.9	-11.3	2.2	1.9	-1.2	3.8	9.4
ROCE	-2.0	-2.4	5.8	3.8	1.7	4.4	8.8
Financial ratios							
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	3.0	3.2	3.7
CAPEX/sales (incl. acquisitions), %	1.6	10.0	1.6	2.7	3.0	3.2	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	3.2	2.3	1.4
Debt/equity, market-weighted	1.0	0.6	0.3	0.4	0.8	0.7	0.6
Equity ratio, book-weighted	32.4	28.5	34.0	38.1	37.7	38.9	41.4
Gearing, %	58.6	89.9	56.8	53.5	52.6	45.5	35.7

Construction & Engineering/Sweden, July 27, 2022
Company update

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	20.410	16.4%
Wipunen varainhallinta Oy	22,500,000	17.880	14.4%
Fourth Swedish National Pension Fund	15,027,060	11.942	9.6%
Heikintorppa Oy	12,400,000	9.854	7.9%
Mariatorp Oy	10,000,000	7.947	6.4%
First Swedish National Pension Fund	9,177,250	7.293	5.9%
Fidelity International (FIL)	7,104,292	5.646	4.5%
Swedbank Robur Funds	5,962,847	4.739	3.8%
Lancelot Asset Management AB	4,000,001	3.179	2.6%
Mandatum Life Funds	2,789,819	2.217	1.8%
Ten largest	114,645,114	91.106	73%
Residual	42,003,967	33.380	27%
Total	156,649,081	124.485	100%

EARNINGS CALENDAR

November 02, 2022

Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

CEO: Casimir Lindholm
CFO: Saira Miittinen-Lähde
IR: Elin Otter

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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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.

Recommendation	Percentage
Sell	15%
Hold	58%
Buy	27%

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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