

High growth, earnings to follow

Eltel is likely to grow at high single-digit rates from here, but valuation already largely anticipates improving EBIT.

Growth and new orders, inflation still a major issue

Eltel's Q3 revenue grew 7% y/y to EUR 207m vs the EUR 202m/201m Evli/cons. estimates. We find the top line beat was attributable to Norway, which grew 16%. Eltel has recently announced many new contracts, one-third of which are new business, and the EUR 406m orders will help EBIT to bottom out especially when they reflect higher costs. Inflation will, however, have a negative effect of more than EUR 10m this year. Q3 produced an EBIT of EUR 4.1m vs the EUR 3.2m/3.4m Evli/cons. estimates. The inflation challenge may already be easing a bit, but there are additional challenges such as employee turnover. Certain new projects may also come with a learning curve; e.g. Norwegian Q3 profitability was negatively impacted by the mix shift to more remote and smaller Communication projects.

Demand should support high single-digit growth rates

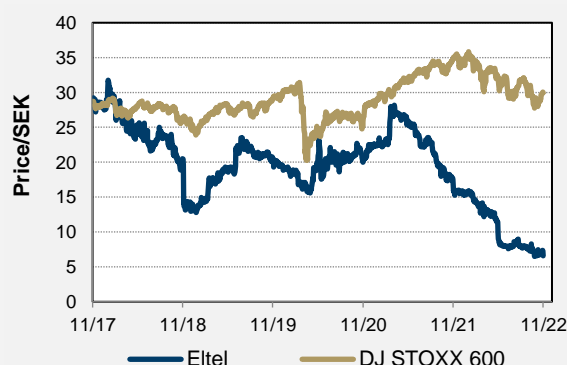
The Q3 report produced no big surprises in the sense that demand was known to be high, as highlighted by the many new contract announcements (further Power agreements have been announced after Q3). Customer investment levels are rebounding after the pandemic, but inflation is more widespread than previously estimated and its precise effect on 2-3 year-long frame contracts is hard to anticipate. Employee turnover is a particular problem in Sweden, but labor shortage issues extend to other countries as well. Profitability development hence remains highly uncertain for at least a couple of more quarters. Long-term demand and profitability drivers are in place like before for both Power and Connectivity. Eltel also announced its aim to capture 10% of the Finnish wind power market by 2025.

Valuation unchallenging from long-term margins view

Valuation isn't very challenging as EBIT is bottoming out this year, while growth and inflation compensation are likely to drive margins for at least a couple of years. Growth should continue at high single-digit rates from Q4 on, yet we find the 11x EV/EBIT valuation, on our FY '23 estimates, still neutral relative to peers. Eltel's EBIT potential extends beyond that, and the 6x EV/EBIT on our FY '24 estimates isn't expensive but remains too far in the future. Our new TP is SEK 7.0 (9.0); we retain our HOLD rating.

Rating

■ HOLD



Share price, SEK (Last trading day's closing price) 6.60
Target price, SEK 7.0

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 95
Free float, % 62.0
Exchange rate EUR/SEK 10.9
Reuters code ELTELST
Bloomberg code ELTEL SS
Average daily volume, EURm 0.1
Next interim report
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%	-3.3	0.03	55.9	0.4	25.3	-1.4	0.00
2022E	843.8	7.0	0.8%	-0.6	-0.03	-17.6	0.3	31.7	-0.6	0.00
2023E	906.0	19.1	2.1%	7.9	0.06	10.6	0.2	11.2	8.3	0.03
2024E	940.4	33.5	3.6%	17.8	0.13	4.6	0.2	5.9	18.8	0.07
Market cap, EURm			95	Gearing 2022E, %		55.1	CAGR EPS 2021-24, %			70.3
Net debt 2022E, EURm			123	Price/book 2022E		0.4	CAGR sales 2021-24, %			5.0
Enterprise value, EURm			221	Dividend yield 2022E, %		0.0	ROE 2022E, %			-2.5
Total assets 2022E, EURm			636	Tax rate 2022E, %		-1,870.5	ROCE 2022E, %			1.8
Goodwill 2022E, EURm			265	Equity ratio 2022E, %		36.9	PEG, P/E 22/CAGR			0.0

Estimates and valuation

Interim figures	2016	2017	2018	2019	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	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	207.1	244.2	843.8	906.0
Finland				271.0	300.2	60.8	79.8	77.9	81.2	299.7	58.8	71.9	79.1	90.9	300.7	339.8
Sweden				291.3	224.5	41.1	44.6	40.2	56.3	182.2	43.9	49.4	44.0	59.1	196.4	206.2
Norway				218.7	177.7	33.9	42.1	38.2	46.2	160.4	41.6	46.6	44.3	49.4	181.9	192.9
Denmark				109.3	118.1	26.2	24.6	17.8	19.3	88.0	18.1	17.5	17.8	19.9	73.3	82.1
Other business				197.3	117.5	20.0	19.3	19.7	23.2	82.2	21.6	23.1	21.9	24.8	91.4	85.0
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	11.4	12.5	37.0	49.7
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	4.1	5.1	7.2	19.9
Finland				5.0	7.2	0.7	3.1	4.8	4.0	12.6	0.9	3.6	4.9	4.5	13.9	17.0
Sweden				-18.3	-3.7	-0.8	-1.6	-0.2	0.8	-1.8	-1.8	-0.4	0.0	0.6	-1.6	2.1
Norway				17.2	14.3	1.2	2.7	2.9	2.4	9.2	1.4	1.3	1.6	1.5	5.8	7.7
Denmark				5.8	5.0	1.3	2.6	0.2	0.1	4.2	0.0	0.0	0.1	0.2	0.5	2.5
Other business				-11.0	-3.3	-0.9	-0.5	-2.2	1.7	-1.9	-0.6	-1.9	-1.8	0.2	-4.1	-3.0
Group functions				-10.0	-8.1	-2.2	-1.9	-1.5	-2.0	-7.6	-2.6	-2.0	-0.8	-2.0	-7.4	-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	-7.3	-7.5	-30	-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	4.1	5.0	7.0	19.1
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 %	6.9 %	7.9 %	3.8 %	7.4 %
Finland					10.8 %	3.2 %	1.9 %	-3.0 %	-1.8 %	-0.2 %	-3.3 %	-9.9 %	1.5 %	12.0 %	0.3 %	13.0 %
Sweden					-22.9 %	-34.9 %	-25.3 %	-21.0 %	10.8 %	-18.8 %	6.8 %	10.8 %	9.5 %	5.0 %	7.8 %	5.0 %
Norway					-18.7 %	-27.9 %	-10.2 %	-9.3 %	10.8 %	-9.7 %	22.7 %	10.7 %	16.0 %	7.0 %	13.4 %	6.0 %
Denmark					8.1 %	-22.3 %	-14.3 %	-31.0 %	-35.2 %	-25.5 %	-30.9 %	-28.9 %	0.0 %	3.0 %	-16.7 %	12.0 %
Other business					-40.4 %	-41.0 %	-39.5 %	-28.6 %	-3.7 %	-30.0 %	8.0 %	19.7 %	11.2 %	7.0 %	11.2 %	-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 %	5.1 %	4.4 %	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 %	2.0 %	2.1 %	0.8 %	2.2 %
Finland					1.8 %	2.4 %	1.2 %	3.9 %	6.2 %	4.9 %	4.2 %	1.5 %	5.0 %	6.2 %	5.0 %	4.6 %
Sweden					-6.3 %	-1.6 %	-1.9 %	-3.6 %	-0.5 %	1.4 %	-1.0 %	-4.1 %	-0.8 %	0.0 %	1.0 %	-0.8 %
Norway					7.9 %	8.0 %	3.5 %	6.4 %	7.6 %	5.2 %	5.7 %	3.4 %	2.8 %	3.6 %	3.0 %	4.0 %
Denmark					5.3 %	4.2 %	5.0 %	10.6 %	1.1 %	0.5 %	4.8 %	1.1 %	0.0 %	0.6 %	1.0 %	0.7 %
Other business					-5.6 %	-2.8 %	-4.5 %	-2.6 %	-11.2 %	7.3 %	-2.3 %	-2.8 %	-8.2 %	-8.2 %	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 %	2.0 %	2.0 %	0.8 %	2.1 %

Source: Evli Research

ELTEL PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBITDA-%		
		22	23	24	22	23	24	22	23	24
Bravida Holding	1944	11.8x	11.3x	11.0x	15.3x	14.6x	14.3x	8.2 %	8.2 %	8.3 %
Enersense International	98	10.1x	6.0x	5.2x	47.6x	12.0x	8.9x	4.3 %	6.6 %	7.5 %
Caverion	632	5.9x	5.5x	5.1x	11.5x	10.1x	8.9x	6.7 %	7.0 %	7.3 %
Instalco	1089	13.8x	13.3x	12.4x	19.5x	18.2x	16.4x	9.6 %	9.7 %	10.1 %
Transtema Group	99	5.4x	4.8x	4.7x	10.3x	8.9x	8.6x	10.8 %	11.3 %	11.2 %
VINCI	53164	8.0x	7.5x	7.1x	12.1x	11.3x	10.4x	16.5 %	17.0 %	17.4 %
SPIE	3802	8.2x	7.7x	7.4x	12.1x	11.4x	10.7x	8.8 %	8.9 %	8.9 %
Netel Holding	148	7.6x	6.6x	6.1x	9.9x	8.1x	7.3x	8.8 %	8.5 %	8.5 %
Peer Group Average	7622	8.8x	7.9x	7.4x	17.3x	11.8x	10.7x	9.2 %	9.6 %	9.9 %
Peer Group Median	860	8.1x	7.1x	6.6x	12.1x	11.3x	9.7x	8.8 %	8.7 %	8.7 %
Eltel (Evli est.)	95	6.0x	4.2x	3.0x	31.7x	11.2x	5.9x	4.4 %	5.5 %	7.1 %

Eltel prem./disc. to peer median

-26 % -40 % -55 % 162 % -1 % -39 % -50 % -36 % -19 %

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	6.60 PV of Free Cash Flow	333 Long-term growth, %	1.0 Risk-free interest rate, %	2.25
DCF share value	3.38 PV of Horizon value	322 WACC, %	9.1 Market risk premium, %	5.8
Share price potential, %	459.5 Unconsolidated equity	-3 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	3.7 Marketable securities	32 Minimum WACC, %	8.6 Equity beta coefficient	1.20
Minimum value	3.1 Debt - dividend	-154 Maximum WACC, %	9.6 Target debt ratio, %	20
Horizon value, %	49.1 Value of stock	530 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	844	906	940	959	974	988	998	1,008	1,018	1,028	1,039
<i>Sales growth, %</i>	-13.4	3.9	7.4	3.8	2.0	1.5	1.5	1.0	1.0	1.0	1.0	1.0
Operating income (EBIT)	14	7	19	34	37	39	40	35	35	36	36	36
<i>Operating income margin, %</i>	1.8	0.8	2.1	3.6	3.9	4.0	4.0	3.5	3.5	3.5	3.5	3.5
+ Depreciation+amort.	32	30	31	33	35	35	36	36	37	37	37	37
EBITDA	47	37	50	67	72	74	75	71	72	73	73	
- Paid taxes	-5	-6	-4	-7	-8	-8	-8	-7	-7	-8	-8	
- 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	-14	-5	-9	-8	-8	-8	-8	-8	-8	-8	
<i>opCAPEX / Sales, %</i>	2.7	3.0	3.6	3.9	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	17	41	51	56	58	59	56	56	57	57	715
= Discounted FCFF		17	37	42	42	40	37	33	30	28	26	322
= DFCF min WACC		17	38	43	43	41	38	34	31	29	27	357
= DFCF max WACC		17	37	42	42	40	37	32	29	27	25	290

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3	2022Q4E	2022E	2023E	2024E
Net sales	182.0	210.4	193.8	226.2	812.4	184.0	208.6	207.0	244.2	843.8	906.0	940.4
EBITDA	7.5	12.7	11.9	14.4	46.5	5.1	7.9	11.5	12.5	37.0	50.2	66.8
<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>5.6</i>	<i>5.1</i>	<i>4.4</i>	<i>5.5</i>	<i>7.1</i>
EBIT	-0.8	4.3	4.0	6.9	14.4	-2.5	0.4	4.1	5.0	7.0	19.1	33.5
<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>2.0</i>	<i>2.0</i>	<i>0.8</i>	<i>2.1</i>	<i>3.6</i>
Net financial items	-1.3	-1.3	-1.4	-1.8	-5.8	-1.8	-1.6	-2.2	-2.1	-7.7	-7.6	-7.2
Pre-tax profit	-2.1	3.0	2.6	5.1	8.6	-4.3	-1.2	1.9	2.9	-0.7	11.4	26.3
Tax	-0.6	-1.3	-0.8	-1.1	-3.8	-0.2	-1.3	-2.2	-0.6	-4.3	-2.5	-5.6
<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>104.8</i>	<i>20.6</i>	<i>-1,870.5</i>	<i>20.6</i>	<i>20.6</i>
Net profit	-2.6	1.5	1.6	3.7	4.2	-4.5	-2.7	-0.4	2.2	-5.4	8.9	20.7
EPS	-0.02	0.01	0.01	0.02	0.03	-0.03	-0.02	0.00	0.01	-0.03	0.06	0.13
EPS adjusted (diluted no. of shares)	-0.02	0.01	0.01	0.02	0.03	-0.03	-0.02	0.00	0.01	-0.03	0.06	0.13
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	79.1	90.9	300.7	339.8	356.8
Sweden	41.1	44.6	40.2	56.3	182.2	43.9	49.4	44.0	59.1	196.4	206.2	210.4
Norway	33.9	42.1	38.2	46.2	160.4	41.6	46.6	44.3	49.4	181.9	192.9	198.6
Denmark	26.2	24.6	17.8	19.3	87.9	18.1	17.5	17.8	19.9	73.3	82.1	87.8
Other business	20.0	19.3	19.7	23.2	82.2	21.6	23.2	21.8	24.8	91.4	85.0	86.7
Total	182.0	210.4	193.8	226.2	812.4	184.0	208.6	207.0	244.2	843.8	906.0	940.4
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>1.5</i>	<i>12.0</i>	<i>0.3</i>	<i>13.0</i>	<i>5.0</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>9.5</i>	<i>5.0</i>	<i>7.8</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>16.0</i>	<i>7.0</i>	<i>13.4</i>	<i>6.0</i>	<i>3.0</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>0.0</i>	<i>3.0</i>	<i>-16.6</i>	<i>12.0</i>	<i>7.0</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>10.7</i>	<i>7.0</i>	<i>11.2</i>	<i>-7.0</i>	<i>2.0</i>
Total	-23.1	-14.3	-14.5	-1.3	-13.4	1.1	-0.9	6.8	8.0	3.9	7.4	3.8
EBIT, EURm												
Group	-0.8	4.3	4.0	6.9	14.4	-2.5	0.4	4.1	5.0	7.0	19.1	33.5
Total	-0.8	4.3	4.0	6.9	14.4	-2.5	0.4	4.1	5.0	7.0	19.1	33.5
EBIT margin, %												
Total	-0.4	2.0	2.1	3.1	1.8	-1.4	0.2	2.0	2.0	0.8	2.1	3.6

Construction & Engineering/Sweden, November 3, 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	843.8	906.0	940.4
<i>Sales growth (%)</i>	-5.0	-10.6	-8.5	-13.8	-13.4	3.9	7.4	3.8
EBITDA	-13.4	5.1	29.7	63.0	46.5	37.0	50.2	66.8
<i>EBITDA margin (%)</i>	-1.0	0.4	2.7	6.7	5.7	4.4	5.5	7.1
Depreciation	-13.3	-12.2	-39.4	-37.4	-31.8	-29.5	-30.3	-32.5
EBITA	-26.7	-7.1	-9.7	25.6	14.7	7.5	19.9	34.3
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	7.0	19.1	33.5
<i>EBIT margin (%)</i>	-13.9	-0.8	-1.0	2.6	1.8	0.8	2.1	3.6
Reported EBIT	-184.6	-9.2	-11.2	24.8	14.4	7.0	19.1	33.5
<i>EBIT margin (reported) (%)</i>	-13.9	-0.8	-1.0	2.6	1.8	0.8	2.1	3.6
Net financials	-12.3	-8.8	-11.5	-9.8	-5.8	-7.7	-7.6	-7.2
Pre-tax profit	-196.9	-18.0	-22.7	15.0	8.6	-0.7	11.4	26.3
Taxes	-7.7	-4.1	-2.4	-9.7	-3.8	-4.3	-2.5	-5.6
Minority shares	-0.7	-1.1	-0.8	-0.6	-0.6	-0.3	0.0	0.0
Net profit	-205.3	-23.2	-25.9	4.7	4.2	-5.4	8.9	20.7
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	50	52
Goodwill	287	282	264	265	265	265	264	263
Right of use assets	0	4	77	59	53	50	53	55
Inventory	10	13	15	12	17	18	19	20
Receivables	402	373	255	237	192	200	214	223
Liquid funds	33	53	65	26	32	34	36	37
Total assets	828	830	807	677	631	636	656	669
Liabilities								
Shareholder's equity	277	244	213	212	220	215	224	240
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	50	53	55
Deferred taxes	8	18	12	11	11	11	11	11
Interest bearing debt	164	197	185	90	100	106	97	83
Non-interest bearing current liabilities	293	293	233	230	214	222	239	248
Other interest-free debt	54	48	60	57	15	15	15	15
Total liabilities	828	830	807	677	631	636	656	669
CASH FLOW, EURm								
+ EBITDA	-13	5	30	63	47	37	50	67
- Net financial items	-12	-9	-11	-10	-6	-8	-8	-7
- Taxes	-4	-3	1	-3	-3	-4	-3	-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	25	40	54
- Capex	-13	-19	-113	-15	-22	-25	-33	-36
- 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	-1	8	18
+/- 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	2	-5	-12
Change in cash	-52	21	12	-39	6	1	2	1

Construction & Engineering/Sweden, November 3, 2022
Company update

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	196	286	351	235	95	95	95
Net debt (excl. convertibles)	148	199	125	122	123	115	101
Enterprise value	349	494	488	365	221	213	199
Sales	1,189	1,088	938	812	844	906	940
EBITDA	5	30	63	47	37	50	67
EBIT	-9	-11	25	14	7	19	34
Pre-tax	-18	-23	15	9	-1	11	26
Earnings	-23	-26	5	4	-5	9	21
Equity book value (excl. minorities)	244	213	212	220	215	224	240
Valuation multiples							
EV/sales	0.3	0.5	0.5	0.4	0.3	0.2	0.2
EV/EBITDA	68.5	16.6	7.8	7.8	6.0	4.2	3.0
EV/EBITA	-49.2	-50.9	19.1	24.8	29.5	10.7	5.8
EV/EBIT	-37.9	-44.1	19.7	25.3	31.7	11.2	5.9
EV/OCF	109.1	9.6	9.9	16.4	8.9	5.3	3.7
EV/FCFF	-49.7	8.0	5.4	24.5	12.8	5.1	3.9
P/FCFE	-10.9	-5.4	4.9	-719.9	-1,683.2	131.2	57.9
P/E	-8.4	-11.0	74.7	55.9	-17.6	10.6	4.6
P/B	0.8	1.3	1.7	1.1	0.4	0.4	0.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	3.0	2.2	1.7
Target EV/EBIT	0.0	0.0	0.0	0.0	16.1	5.9	3.3
Target EV/FCF	0.0	0.0	0.0	0.0	-182.9	14.2	6.2
Target P/B	0.0	0.0	0.0	0.0	0.5	0.4	0.4
Target P/E	0.0	0.0	0.0	0.0	-18.7	11.3	4.8
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	-0.03	0.06	0.13
Operating cash flow per share	0.02	0.33	0.32	0.14	0.16	0.26	0.35
Free cash flow per share	-0.11	-0.34	0.46	-0.02	0.00	0.05	0.11
Book value per share	1.56	1.36	1.35	1.41	1.37	1.43	1.53
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	4.7	11.0
FCF yield, %	-9.2	-18.4	20.6	-1.4	-0.6	8.3	18.8
Efficiency measures							
ROE	-8.9	-11.3	2.2	1.9	-2.5	4.1	8.9
ROCE	-2.0	-2.4	5.8	3.8	1.8	5.0	8.7
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	3.6	3.9
CAPEX/sales (incl. acquisitions), %	1.6	10.0	1.6	2.7	3.0	3.6	3.9
FCFF/EBITDA	-1.4	2.1	1.4	0.3	0.5	0.8	0.8
Net debt/EBITDA, book-weighted	28.9	6.7	2.0	2.6	3.3	2.3	1.5
Debt/equity, market-weighted	1.0	0.6	0.3	0.4	1.1	1.0	0.9
Equity ratio, book-weighted	32.4	28.5	34.0	38.1	36.9	37.1	38.9
Gearing, %	58.6	89.9	56.8	53.5	55.1	49.6	40.9

Construction & Engineering/Sweden, November 3, 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	15.521	16.4%
Wipunen varainhallinta Oy	22,500,000	13.597	14.4%
Fourth Swedish National Pension Fund	15,027,060	9.081	9.6%
Heikintorppa Oy	12,400,000	7.494	7.9%
Mariatorp Oy	10,000,000	6.043	6.4%
First Swedish National Pension Fund	9,177,250	5.546	5.9%
Fidelity International (FIL)	7,104,292	4.293	4.5%
Swedbank Robur Funds	5,962,847	3.603	3.8%
Lancelot Asset Management AB	4,000,001	2.417	2.6%
Mandatum Life Funds	2,789,819	1.686	1.8%
Ten largest	114,645,114	69.282	73%
Residual	42,003,967	25.384	27%
Total	156,649,081	94.666	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Håkan Dahlström
CFO: Saila Miittinen-Lähde
IR: Elin Otter

Adolfsbergsvägen 13, Bromma, Stockholm
Tel: +46 8 585 376 00

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

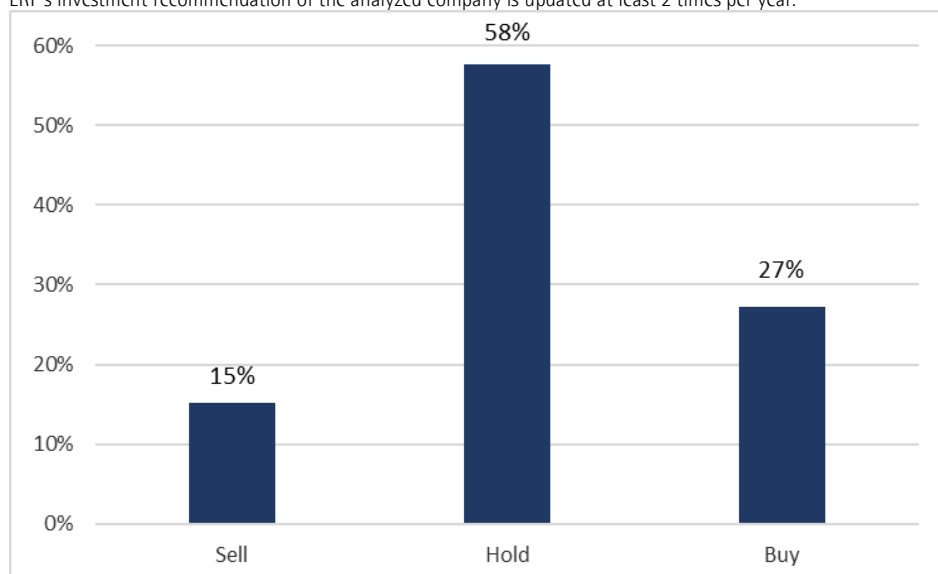
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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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
----------------	------------------



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