Close to estimates, but with weaker than usual MSR growth of 1.7%

Elisa delivered adj. EBITDA of EUR 154m in Q1, which is 1% below our estimate (EUR 158m) and 1% above consensus (EUR 154m). Revenue was 2% below our estimate and 1% above consensus – however the mix is weaker than usual in Q1 with mobile service revenue growth of only 1.7% vs. the 3-5% mid-term guidance. Mobile post-paid voice ARPU was flat q/q, and churn remained high from previous quarters. Guidance for 2018E is intact.

- Consumer customers: revenue was EUR 279m vs. EUR 292m/281m Evli/cons, while adj. EBITDA was EUR 100m vs. EUR 101m/99m Evli/cons.
- Corporate customers: revenue was EUR 170m vs. EUR 166m/166m Evli and consensus, while adj. EBITDA was EUR 55m vs. EUR 57m/56m Evli/cons.
- Mobile service revenue is EUR 200m, up 1.7% y/y. Mobile post-paid voice ARPU was flat at EUR 20.4 vs. 20.5 in Q4'17. Mobile subs decreased by 23.7k, split to +0.9k in post-paid and -24.7k in pre-paid. Mobile post-paid voice churn in Finland remained elevated at 19.2% vs. 19.5% in Q4.
- 2018 Guidance intact: both revenue and comparable EBITDA are to be flat or slightly higher y/y in 2017. CAPEX will be max 12% of revenue in 2017.

Rating

HOLD

Elisa Q1 2018	Act	Evli	Cons*	Year ago	Act vs. Evli	Act vs. cons.
Revenue	**450**	**458**	**446**	**416**	**-2%**	**1%**
Consumer	279	292	281	261	-5%	-1%
Corporate	170	166	166	155	2%	2%
Adj. EBITDA	**156**	**158**	**154**	**144**	**-1%**	**1%**
Consumer	100	101	99	92	-1%	1%
Corporate	55	57	56	52	-4%	-2%
Adj. EBITDA-margi	*34.7%*	*34.5%*	*34.5%*	*34.6%*		
Consumer	*35.8%*	*34.5%*	*35.2%*	*35.1%*		
Corporate	*32.4%*	*34.6%*	*33.9%*	*33.7%*		
EBIT (adj.)	97	100	96	89	-3%	1%
PTP (adj.)	92	96	90	84	-4%	2%
EPS (adj.)	**0.48**	**0.49**	**0.46**	**0.43**	**-1%**	**5%**

*Elisa IR

Share price, EUR (Last trading day's closing price)	36.54
Target price, EUR	34.0
Latest change in recommendation	20-Apr-17
Latest report on company	12-Feb-18
Research paid by issuer:	No
No. of shares outstanding, '000's	159,620
No. of shares fully diluted, '000's	159,620
Market cap, EURm	5,833
Free float, %	80.0
Exchange rate EUR/USD	1.000
Reuters code	ELI1V.HE
Bloomberg code	ELI1V FH
Average daily volume, EURm	Na.
Next interim report	Na.
Web site	www.elisa.com

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BUY HOLD SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2016	1,636	349	21.4%	330	1.68	18.5	3.7	14.8	17.3	1.50
2017	1,788	384	21.5%	364	1.87	17.5	3.5	7.1	16.4	1.65
2018E	1,838	403	21.9%	387	1.96	18.6	3.7	10.6	17.0	1.75
2019E	1,866	425	22.8%	409	2.05	17.8	3.6	10.2	16.0	1.80
2020E	1,894	437	23.1%	422	2.12	17.3	3.6	10.1	15.4	1.85

Market cap, EURm	5,833	BV per share 2018E, EUR	6.8	CAGR EPS 2017-20, %	4.3
Net debt 2018E, EURm	1,020	Price/book 2018E	5.4	CAGR sales 2017-20, %	1.9
Enterprise value, EURm	6,853	Dividend yield 2018E, %	4.8	ROE 2018E, %	29.4
Total assets 2018E, EURm	2,578	Tax rate 2018E, %	19.0	ROCE 2018E, %	18.7
Goodwill 2018E, EURm	1,014	Equity ratio 2018E, %	42.3	PEG, P/E 18/CAGR	5.6

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

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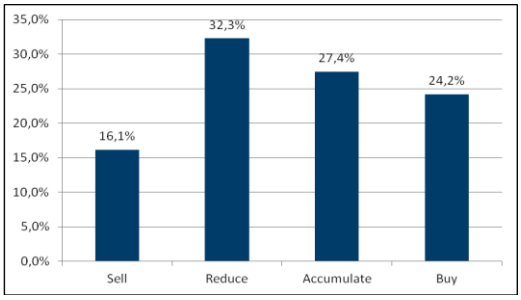
https://research.evli.com/JasperAllModels.action?authParam=key;461&authParam=x;G3rNagWrtf7K&authType=3
Detailed information about the valuation or methodology and the underlying assumptions is accessible via ERP:
http://research.evli.com
Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is in general updated 2 – 4 per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 22nd of February 2017. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Häyhä

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