

## Earnings miss estimates

Eltel's Q3 results were burdened by lower top line, continued challenges in the Polish High Voltage business and cost inflation. Operative EBITA declined y/y while our and consensus estimates expected improvement. Eltel retains its FY '21 guidance and expects operative EBITA margin to improve y/y.

- Eltel Q3 revenue declined by 14% y/y and was EUR 193.8m, compared to the EUR 223.9m/214.0m Evli/consensus estimates. Finland amounted to EUR 77.9m vs our EUR 86.3m estimate. Softness in volumes, relative to estimates, was seen across the board.
- EBITDA came in at EUR 11.9m vs the EUR 17.6m/16.5m Evli/consensus estimates. Operative EBITA was EUR 4.1m, compared to our EUR 9.2m estimate, meaning operative EBITA margin was 2.1% vs our 4.1% estimate. EBIT was EUR 4.0m vs the EUR 9.0m/8.3m Evli/consensus estimates.
- Finnish profitability remained at a strong level and increased y/y from EUR 4.3m operative EBITA to EUR 4.8m (6.2% margin). The loss in Sweden also declined from EUR -0.8m to EUR -0.2m. Meanwhile operative EBITA levels in both Norway and Denmark declined by around EUR 1m as the areas had challenges with volumes. Losses in other businesses grew by more than EUR 1m y/y. Group function costs also increased by EUR 0.4m y/y.
- The Polish operation has cost Eltel EUR 7.6m in operative EBITA this year and Eltel re-evaluates strategic options for the business.
- Eltel guides FY '21 operative EBITA margin to improve y/y (unchanged).

### Rating + BUY

Q3'21	Actual	Evli	Year ago	Q2'21
Revenue	193.8	223.9	226.7	210.4
Operative EBITA	4.1	9.2	6.7	4.4
EBIT	4.0	9.0	5.8	4.3
EPS	0.01	0.04	0.02	0.01

Deviation	Actual	Evli	Year ago	Q2'21
Revenue		-13 %	-15 %	-8 %
Operative EBITA		-55 %	-39 %	-7 %
EBIT		-56 %	-31 %	-7 %
EPS		-75 %	-50 %	0 %

Share price, SEK (Last trading day's closing price) 17.50

Target price, SEK 29.5

Latest change in recommendation	25-Feb-21
Latest report on company	28-Jul-21
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	277
Free float, %	62.0
Exchange rate EUR/SEK	10.0
Reuters code	ELTEL.ST
Bloomberg code	ELTEL.SS
Average daily volume, EURm	0.1
Next interim report	03-Nov-21
Web site	www.eltelgroup.com

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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
2019	1,087.6	-11.2	-1.0%	-52.5	-0.17	-11.0	0.5	-44.1	-18.4	0.00
2020	938.0	24.8	2.6%	74.4	0.03	74.7	0.5	19.7	21.2	0.00
2021E	850.7	20.6	2.4%	17.7	0.07	26.7	0.5	18.9	6.4	0.00
2022E	863.0	27.6	3.2%	22.8	0.12	15.2	0.4	13.3	8.2	0.06
2023E	880.5	33.2	3.8%	24.0	0.15	11.9	0.4	10.6	8.7	0.07

Market cap, EURm	277	BV per share 2021E, EUR	45.3	CAGR EPS 2020-23, %	70.4
Net debt 2021E, EURm	104	Price/book 2021E	1.2	CAGR sales 2020-23, %	-2.1
Enterprise value, EURm	390	Dividend yield 2021E, %	0.0	ROE 2021E, %	4.8
Total assets 2021E, EURm	646	Tax rate 2021E, %	31.0	ROCE 2021E, %	5.7
Goodwill 2021E, EURm	264	Equity ratio 2021E, %	37.4	PEG, P/E 21/CAGR	0.8

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

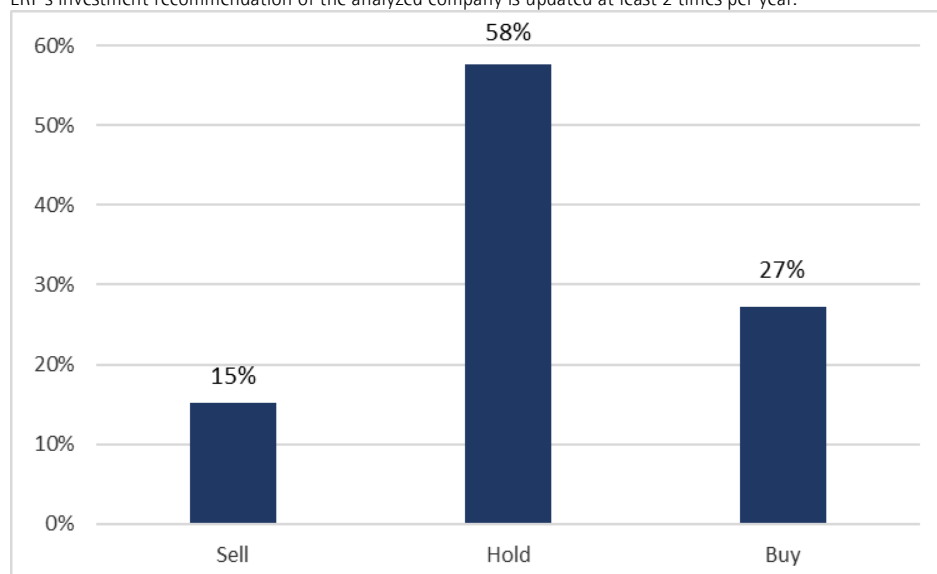
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Investment recommendations are defined as follows:

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

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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.

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