

Expecting improvement in Q2-Q4

Eltel's Q1 results fell short of our expectations. Q1 is typically a weaker quarter due to seasonality and we expect net sales and profitability to increase towards the end of the year. We retain our BUY-rating but adjust TP to SEK 29.5 (30).

Profitability improved y/y despite the decline in net sales

Eltel reported a Q1 result that was below our expectations. Net sales decreased by 23.1% to EUR 182m (Eveli EUR 209.9m), while operative EBITA improved y/y from EUR -2.1m to EUR -0.7m (Eveli EUR 1.0m). Net sales continued to decline due to the divestments made last year (EUR -15m), lower activity and postponements among customers as a result of COVID-19 and harsh winter conditions. Q1 was good in Finland (+3.2%), while last year's loss of a major agreement affected the volumes in Sweden and the ramp-up phase of the Telenor frame agreement was reflected in lower sales in Norway. Good resource and production planning, increased efficiency and better project management supported profitability, while the effect of divestments was EUR -0.9m.

Sales and EBITA are expected to grow towards the end of the year

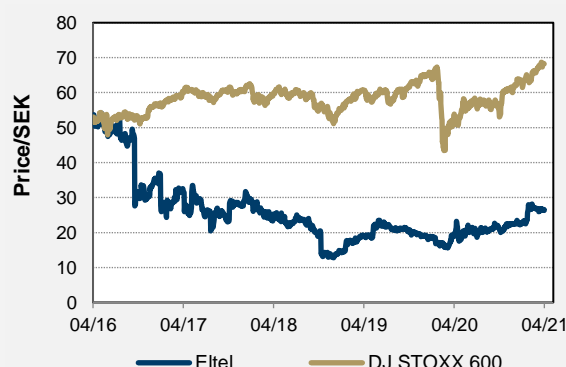
Eltel's business is subject to seasonality and Q1 is typically a weaker quarter. Net sales and profitability are expected to increase towards the end of the year and according to management, the order backlog looks good, especially in Finland and Norway. Based on the report, we have cut our net sales estimate for 2021E from EUR 916.8m to EUR 890.6m. We see the targeted growth rate of 2-4% in the Nordics achievable from 2022 onwards. In 2022-23E, we forecast net sales to grow by 1.7% and 2.0%. Currently, the focus is on profitability and Eltel has managed to increase its operative EBITA (y/y) for five consecutive quarters. We expect Eltel to continue its efforts to improve operational efficiency and in line with the guidance, we forecast operative EBITA margin to grow from 1.2% in 2020 to 2.4% (prev. 2.6%) in 2021E.

BUY with a target price of SEK 29.5 (30)

Despite lower-than-expected Q1 results, there have been no changes in the big picture. Eltel has continued its transformation journey with a focus on improving operational efficiency, profitability, financial position, and restructuring of non-performing businesses, which will be negatively reflected in this year's sales. On our updated estimates for 2022-23E, Eltel is trading at EV/EBITDA of 7.9x and 7.0x, which translate into discount of 4-10% to our peer group median. On our revised estimates, we adjust our target price to SEK 29.5 (30) and retain our BUY-rating, which still values Eltel slightly below peers, reflecting Eltel's lower profitability profile and as we look for more signs of further transformation progress.

Rating

BUY



Share price, SEK (Last trading day's closing price) 26.40

Target price, SEK 29.5

Latest change in recommendation	26-Feb-21
Latest report on company	26-Feb-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	409
Free float, %	62.0
Exchange rate EUR/SEK	10.111
Reuters code	ELTELST
Bloomberg code	ELTEL SS
Average daily volume, EURm	-
Next interim report	27-Jul-21
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
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	890.6	21.0	2.4%	14.9	0.07	40.1	0.6	25.2	3.6	0.00
2022E	905.6	28.5	3.1%	22.3	0.11	23.0	0.6	17.8	5.5	0.06
2023E	923.9	33.7	3.6%	21.6	0.14	18.1	0.5	14.6	5.3	0.07
Market cap, EURm			409	Gearing 2021E, %			46.5	CAGR EPS 2020-23, %		68.8
Net debt 2021E, EURm			107	Price/book 2021E			1.8	CAGR sales 2020-23, %		-0.5
Enterprise value, EURm			530	Dividend yield 2021E, %			0.0	ROE 2021E, %		4.7
Total assets 2021E, EURm			659	Tax rate 2021E, %			27.4	ROCE 2021E, %		5.8
Goodwill 2021E, EURm			264	Equity ratio 2021E, %			36.6	PEG, P/E 21/CAGR		1.2

Interim figures	2016	2017	2018	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21E	Q3'21E	Q4'21E	2021E	2022E	2023E					
Net sales	1399.8	1329.9	1188.9	1087.6	236.6	245.5	226.7	229.2	938.0	182.0	228.4	237.5	242.8	890.6	905.6	923.9					
Finland				271	58.9	78.3	80.3	82.7	300.2	60.8	82.2	87.1	88.9	319.0	330.2	340.1					
Sweden				291.3	63.1	59.7	50.9	50.8	224.5	41.1	47.8	48.6	52.3	189.8	193.6	198.4					
Norway				218.7	47	46.9	42.1	41.7	177.7	33.9	45.7	50.5	50.0	180.2	186.5	192.1					
Denmark				109.3	33.7	28.7	25.8	29.8	118.1	26.2	27.3	27.6	29.8	110.9	113.6	116.5					
Other business				197.3	33.9	31.9	27.6	24.1	117.5	20	25.5	23.6	21.7	90.7	81.7	76.8					
EBITDA	15.1	-13.4	5.1	29.7	7.3	32.7	15.6	7.3	63.0	7.5	13.0	18.1	16.5	55.1	63.8	70.5					
Operative EBITA	2.1	-25.5	-2.2	-11.3	-2.1	2.8	6.7	4.0	11.4	-0.7	4.6	9.7	8.1	21.7	29.3	34.5					
Finland				5	-0.8	0.2	4.3	3.5	7.2	0.7	2.5	5.2	3.6	12.0	13.7	15.0					
Sweden				-18.3	0.5	-1	-0.8	-2.4	-3.7	-0.8	0.0	0.3	0.4	-0.1	2.9	5.2					
Norway				17.2	2.1	4.1	4.1	4	14.3	1.2	3.4	4.9	4.9	14.4	15.5	16.3					
Denmark				5.8	1.8	1.4	1	0.9	5	1.3	1.2	1.4	1.3	5.2	5.0	5.5					
Other business				-11	-2.2	-0.1	-0.9	-0.1	-3.3	-0.9	-0.9	-0.5	-0.4	-2.7	-1.4	-1.1					
Group functions				-10	-3.4	-1.7	-1.1	-1.9	-8.1	-2.2	-1.6	-1.6	-1.6	-7.0	-6.4	-6.4					
D&A	-82.5	-171.2	-14.3	-40.9	-9.6	-9.6	-9.8	-9.2	-38.2	-8.3	-8.6	-8.6	-8.6	-34.1	-35.3	-36.8					
EBIT	-67.4	-184.6	-9.2	-11.2	-2.2	23.1	5.8	-1.9	24.8	-0.8	4.4	9.5	7.9	21.0	28.5	33.7					
Sales growth %	11.5 %	-5.0 %	-10.6 %	-8.5 %	-5.7 %	-11.1 %	-19.6 %	-17.8 %	-13.8 %	-23.1 %	-7.0 %	4.7 %	5.9 %	-5.0 %	1.7 %	2.0 %					
Finland									10.8 %	3.2 %	5.0 %	8.5 %	7.5 %	6.3 %	3.5 %	3.0 %					
Sweden									-22.9 %	-34.9 %	-20.0 %	-4.5 %	3.0 %	-15.5 %	2.0 %	2.5 %					
Norway									-18.7 %	-27.9 %	-2.5 %	20.0 %	20.0 %	1.4 %	3.5 %	3.0 %					
Denmark									8.1 %	-22.3 %	-5.0 %	7.0 %	0.0 %	-6.1 %	2.5 %	2.5 %					
Other business									-40.4 %	-41.0 %	-20.2 %	-14.5 %	-10.0 %	-22.8 %	-10.0 %	-6.0 %					
EBITDA margin %	1.1 %	-1.0 %	0.4 %	2.7 %	3.1 %	13.3 %	6.9 %	3.2 %	6.7 %	4.1 %	5.7 %	7.6 %	6.8 %	6.2 %	7.0 %	7.6 %					
Operative EBITA margin %	0.2 %	-1.9 %	-0.2 %	-1.0 %	-0.9 %	1.1 %	3.0 %	1.7 %	1.2 %	-0.4 %	2.0 %	4.1 %	3.3 %	2.4 %	3.2 %	3.7 %					
Finland									1.8 %	-1.4 %	-5.2 %	1.1 %	-2.8 %	2.4 %	1.2 %	3.0 %	6.0 %	4.0 %	3.8 %	4.2 %	4.4 %
Sweden									-6.3 %	0.8 %	-1.7 %	-1.6 %	-4.7 %	-1.6 %	-1.9 %	0.0 %	0.5 %	0.9 %	-0.1 %	1.5 %	2.6 %
Norway									7.9 %	4.5 %	8.7 %	9.7 %	9.6 %	8.0 %	3.5 %	7.5 %	9.7 %	9.7 %	8.0 %	8.3 %	8.5 %
Denmark									5.3 %	5.3 %	4.9 %	3.9 %	3.0 %	4.2 %	5.0 %	4.5 %	5.0 %	4.2 %	4.7 %	4.4 %	4.7 %
Other business									-5.6 %	-6.5 %	-0.3 %	-3.3 %	-0.4 %	-2.8 %	-4.5 %	-3.5 %	-2.0 %	-2.0 %	-3.0 %	-1.7 %	-1.4 %
EBIT margin %	-4.8 %	-13.9 %	-0.8 %	-1.0 %	-0.9 %	9.4 %	2.6 %	-0.8 %	2.6 %	-0.4 %	1.9 %	4.0 %	3.3 %	2.4 %	3.1 %	3.6 %					

ELTEL PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		21	22	23	21	22	23	21	22	23
Bravida Holding	1983	11.9x	10.7x	10.3x	15.1x	14.1x	13.5x	20.8x	19.4x	18.5x
Enersense International	67	5.9x	4.9x	4.9x	11.2x	8.3x	9.7x	9.9x	8.1x	8.2x
Caverion	806	6.5x	5.8x	5.3x	13.7x	11.1x	9.2x	17.2x	12.8x	10.4x
Instalco	1284	20.2x	17.9x	17.0x	24.0x	21.2x	20.3x	30.7x	27.4x	26.4x
Transtema Group	51	4.1x	3.7x	3.5x	12.8x	10.1x	8.8x	19.6x	13.7x	11.6x
VINCI	45575	9.8x	8.6x	8.3x	16.3x	13.4x	12.6x	18.8x	14.7x	13.9x
SPIE	2777	8.8x	8.3x	7.8x	12.6x	11.6x	11.9x	12.7x	11.5x	10.7x
Peer Group Average	7506	9.6x	8.6x	8.2x	15.1x	12.8x	12.3x	18.5x	15.4x	14.2x
Peer Group Median	1284	8.8x	8.3x	7.8x	13.7x	11.6x	11.9x	18.8x	13.7x	11.6x
Eltel (Evli est.)	409	9.6x	7.9x	7.0x	25.2x	17.8x	14.6x	40.1x	23.0x	18.1x

Eltel prem./disc. to peer median

Source Bloomberg, Evli Research

INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2E	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	236.6	245.5	226.7	229.2	938.0	182.0	228.4	237.5	242.8	890.6	905.6	923.9
EBITDA	7.4	32.7	15.6	7.3	63.0	7.5	13.0	18.1	16.5	55.1	63.8	70.5
<i>EBITDA margin (%)</i>	<i>3.1</i>	<i>13.3</i>	<i>6.9</i>	<i>3.2</i>	<i>6.7</i>	<i>4.1</i>	<i>5.7</i>	<i>7.6</i>	<i>6.8</i>	<i>6.2</i>	<i>7.0</i>	<i>7.6</i>
EBIT	-2.2	23.1	5.8	-1.9	24.8	-0.8	4.4	9.5	7.9	21.0	28.5	33.7
<i>EBIT margin (%)</i>	<i>-0.9</i>	<i>9.4</i>	<i>2.6</i>	<i>-0.8</i>	<i>2.6</i>	<i>-0.4</i>	<i>1.9</i>	<i>4.0</i>	<i>3.3</i>	<i>2.4</i>	<i>3.1</i>	<i>3.6</i>
Net financial items	-1.9	-3.1	-2.4	-2.4	-9.8	-1.3	-1.8	-1.8	-1.8	-6.8	-5.9	-5.0
Pre-tax profit	-4.1	20.0	3.4	-4.3	15.0	-2.1	2.6	7.6	6.1	14.2	22.6	28.7
Tax	-0.6	-6.0	-0.4	-2.7	-9.7	-0.6	-0.6	-1.6	-1.3	-4.1	-4.8	-6.1
<i>Tax rate (%)</i>	<i>-15.4</i>	<i>29.7</i>	<i>11.1</i>	<i>-65.9</i>	<i>61.4</i>	<i>-30.0</i>	<i>20.6</i>	<i>20.6</i>	<i>20.6</i>	<i>27.4</i>	<i>20.6</i>	<i>20.6</i>
Net profit	-4.6	14.0	2.6	-7.3	4.7	-2.6	2.0	6.0	4.8	10.2	17.8	22.6
EPS	-0.03	0.09	0.02	-0.05	0.03	-0.02	0.01	0.04	0.03	0.07	0.11	0.14
EPS adjusted (diluted no. of shares)	-0.03	0.09	0.02	-0.05	0.03	-0.02	0.01	0.04	0.03	0.07	0.11	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	0.06	0.07
SALES, EURm												
Finland	58.9	78.3	80.3	82.7	300.2	60.8	82.2	87.1	88.9	319.0	330.2	340.1
Sweden	63.1	59.7	50.9	50.8	224.5	41.1	47.8	48.6	52.3	189.8	193.6	198.4
Norway	47.0	46.9	42.1	41.7	177.7	33.9	45.7	50.5	50.0	180.2	186.5	192.1
Denmark	33.7	28.7	25.8	29.9	118.1	26.2	27.3	27.6	29.8	110.9	113.6	116.5
Other business	33.9	31.9	27.6	24.1	117.5	20.0	25.5	23.6	21.7	90.7	81.7	76.8
Total	236.6	245.5	226.7	229.2	938.0	182.0	228.4	237.5	242.8	890.6	905.6	923.9
SALES GROWTH, Y/Y %												
<i>Finland</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>3.2</i>	<i>5.0</i>	<i>8.5</i>	<i>7.5</i>	<i>6.3</i>	<i>3.5</i>	<i>3.0</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>-34.9</i>	<i>-20.0</i>	<i>-4.5</i>	<i>3.0</i>	<i>-15.5</i>	<i>2.0</i>	<i>2.5</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>-27.9</i>	<i>-2.5</i>	<i>20.0</i>	<i>20.0</i>	<i>1.4</i>	<i>3.5</i>	<i>3.0</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>-22.3</i>	<i>-5.0</i>	<i>7.0</i>	<i>-0.3</i>	<i>-6.1</i>	<i>2.5</i>	<i>2.5</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>-41.0</i>	<i>-20.2</i>	<i>-14.5</i>	<i>-10.0</i>	<i>-22.8</i>	<i>-10.0</i>	<i>-6.0</i>
<i>Group</i>	<i>-100.0</i>	<i>-100.0</i>	<i>-100.0</i>	<i>-100.0</i>	<i>-100.0</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>
Total	-5.7	-11.1	-19.6	-17.8	-13.8	-23.1	-7.0	4.7	5.9	-5.0	1.7	2.0
EBIT, EURm												
Group	-2.2	23.1	5.8	-1.9	24.8	-0.8	4.4	9.5	7.9	21.0	28.5	33.7
Total	-2.2	23.1	5.8	-1.9	24.8	-0.8	4.4	9.5	7.9	21.0	28.5	33.7
EBIT margin, %												
<i>Total</i>	<i>-0.9</i>	<i>9.4</i>	<i>2.6</i>	<i>-0.8</i>	<i>2.6</i>	<i>-0.4</i>	<i>1.9</i>	<i>4.0</i>	<i>3.3</i>	<i>2.4</i>	<i>3.1</i>	<i>3.6</i>

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	1,399.8	1,329.9	1,188.9	1,087.6	938.0	890.6	905.6	923.9
<i>Sales growth (%)</i>	<i>11.5</i>	<i>-5.0</i>	<i>-10.6</i>	<i>-8.5</i>	<i>-13.8</i>	<i>-5.0</i>	<i>1.7</i>	<i>2.0</i>
EBITDA	15.1	-13.4	5.1	29.7	63.0	55.1	63.8	70.5
<i>EBITDA margin (%)</i>	<i>1.1</i>	<i>-1.0</i>	<i>0.4</i>	<i>2.7</i>	<i>6.7</i>	<i>6.2</i>	<i>7.0</i>	<i>7.6</i>
Depreciation	-13.1	-13.3	-12.2	-39.4	-37.4	-33.4	-32.7	-36.0
EBITA	2.0	-26.7	-7.1	-9.7	25.6	21.7	29.3	34.5
Goodwill amortization / writedown	-69.4	-157.9	-2.1	-1.5	-0.8	-0.7	-0.8	-0.8
EBIT	-67.4	-184.6	-9.2	-11.2	24.8	21.0	28.5	33.7
<i>EBIT margin (%)</i>	<i>-4.8</i>	<i>-13.9</i>	<i>-0.8</i>	<i>-1.0</i>	<i>2.6</i>	<i>2.4</i>	<i>3.1</i>	<i>3.6</i>
Reported EBIT	-67.4	-184.6	-9.2	-11.2	24.8	21.0	28.5	33.7
<i>EBIT margin (reported) (%)</i>	<i>-4.8</i>	<i>-13.9</i>	<i>-0.8</i>	<i>-1.0</i>	<i>2.6</i>	<i>2.4</i>	<i>3.1</i>	<i>3.6</i>
Net financials	-12.6	-12.3	-8.8	-11.5	-9.8	-6.8	-5.9	-5.0
Pre-tax profit	-80.0	-196.9	-18.0	-22.7	15.0	14.2	22.6	28.7
Taxes	-2.2	-7.7	-4.1	-2.4	-9.7	-4.1	-4.8	-6.1
Minority shares	-1.3	-0.7	-1.1	-0.8	-0.6	0.1	0.0	0.0
Net profit	-83.5	-205.3	-23.2	-25.9	4.7	10.2	17.8	22.6
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	144	75	75	105	59	57	56	57
Goodwill	420	287	282	264	265	264	263	263
Right of use assets	0	0	4	77	59	56	53	55
Inventory	8	10	13	15	12	11	12	12
Receivables	394	402	373	255	237	227	230	234
Liquid funds	85	33	53	65	26	25	25	26
Total assets	1,080	828	830	807	677	659	659	665
Liabilities								
Shareholder's equity	340	277	244	213	212	222	240	253
Minority interest	7	7	8	8	8	8	8	8
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	4	79	61	60	53	55
Deferred taxes	16	8	18	12	11	11	11	11
Interest bearing debt	284	164	197	185	90	72	56	43
Non-interest bearing current liabilities	358	293	293	233	230	218	222	226
Other interest-free debt	49	54	48	60	57	60	60	60
Total liabilities	1,080	828	830	807	677	659	659	665
CASH FLOW, EURm								
+ EBITDA	15	-13	5	30	63	55	63.8	70
- Net financial items	-13	-12	-9	-11	-10	-7	-6	-5
- Taxes	-2	-4	-3	1	-3	-4	-5	-6
- Increase in Net Working Capital	-10	-33	7	38	17	-1	0	0
+/- Other	2	-3	3	-5	-17	0	0	0
= Cash flow from operations	-8	-65	3	51	49	43	52	60
- Capex	-13	-13	-19	-113	-13	-25	-29	-38
- Acquisitions	-20	-7	0	-4	0	0	0	0
+ Divestments	0	1	-3	14	38	-4	0	0
= Free cash flow	-41	-84	-18	-52	74	15	22	22
+/- New issues/buybacks	-3	143	-9	-5	-6	0	0	0
- Paid dividend	-15	0	0	0	0	0	0	-9
+/- Other	56	-111	48	70	-107	-16	-22	-12
Change in cash	-3	-52	21	12	-39	-1	0	1

Construction & Engineering/Sweden, April 29, 2021
Company update

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	461	196	286	351	409	409	409
Net debt (excl. convertibles)	131	148	199	125	107	84	72
Enterprise value	604	349	494	488	530	506	493
Sales	1,330	1,189	1,088	938	891	906	924
EBITDA	-13	5	30	63	55	62	70
EBIT	-185	-9	-11	25	21	28	34
Pre-tax	-197	-18	-23	15	14	23	29
Earnings	-205	-23	-26	5	10	18	23
Equity book value (excl. minorities)	277	244	213	212	222	240	253
Valuation multiples							
EV/sales	0.5	0.3	0.5	0.5	0.6	0.6	0.5
EV/EBITDA	-45.1	68.5	16.6	7.8	9.6	7.9	7.0
EV/EBITA	-22.6	-49.2	-50.9	19.1	24.4	17.3	14.3
EV/EBIT	-3.3	-37.9	-44.1	19.7	25.2	17.8	14.6
EV/OCF	-9.3	109.1	9.6	9.9	12.2	9.8	8.3
EV/FCFF	-8.6	-49.7	8.0	5.4	12.1	10.8	9.4
P/FCFE	-5.5	-10.9	-5.4	4.7	277.1	185.2	191.5
P/E	-2.2	-8.4	-11.0	74.7	40.1	23.0	18.1
P/B	1.7	0.8	1.3	1.7	1.8	1.7	1.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	8.5	7.5	6.6
Target EV/EBIT	0.0	0.0	0.0	0.0	22.3	16.4	13.8
Target EV/FCF	0.0	0.0	0.0	0.0	31.4	20.9	21.5
Target P/B	0.0	0.0	0.0	0.0	2.1	1.9	1.8
Target P/E	0.0	0.0	0.0	0.0	44.8	25.7	20.2
Per share measures							
Number of shares	156,561	156,649	156,649	156,649	156,649	156,649	156,649
Number of shares (diluted)	156,561	156,649	156,649	156,649	156,649	156,649	156,649
EPS	-1.31	-0.15	-0.17	0.03	0.07	0.11	0.14
Operating cash flow per share	-0.42	0.02	0.33	0.32	0.28	0.33	0.38
Free cash flow per share	-0.54	-0.11	-0.34	0.47	0.10	0.14	0.14
Book value per share	1.77	1.56	1.36	1.35	1.42	1.53	1.62
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.06	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	2.2	2.8
FCF yield, %	-18.3	-9.2	-18.4	21.2	3.6	5.5	5.3
Efficiency measures							
ROE	-66.6	-8.9	-11.3	2.2	4.7	7.7	9.2
ROCE	-34.2	-2.0	-2.4	5.8	5.8	7.9	9.4
Financial ratios							
Inventories as % of sales	0.7	1.1	1.3	1.3	1.3	1.3	1.3
Receivables as % of sales	30.2	31.4	23.4	25.3	25.5	25.4	25.3
Non-interest bearing liabilities as % of sales	22.1	24.7	21.5	24.5	24.5	24.5	24.5
NWC/sales, %	5.7	4.9	2.4	-2.0	-2.1	-2.1	-2.1
Operative CAPEX/sales, %	1.0	1.6	10.4	1.4	2.8	3.2	4.1
CAPEX/sales (incl. acquisitions), %	0.5	1.6	10.0	1.4	2.8	3.2	4.1
FCFF/EBITDA	5.2	-1.4	2.1	1.4	0.8	0.8	0.7
Net debt/EBITDA, book-weighted	-9.8	28.9	6.7	2.0	1.9	1.4	1.0
Debt/equity, market-weighted	0.4	1.0	0.6	0.3	0.2	0.1	0.1
Equity ratio, book-weighted	36.4	32.4	28.5	34.0	36.6	39.4	41.2
Gearing, %	46.2	58.6	89.9	56.8	46.5	34.1	27.5

Construction & Engineering/Sweden, April 29, 2021
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	67.061	16.4%
Wipunen varainhallinta Oy	19,900,000	51.959	12.7%
Fourth Swedish National Pension Fund	15,027,060	39.236	9.6%
Heikintorppa Oy	9,846,181	25.709	6.3%
Mariatorp Oy	9,300,000	24.282	5.9%
First Swedish National Pension Fund	9,177,250	23.962	5.9%
Fidelity International (FIL)	7,054,623	18.420	4.5%
Swedbank Robur Funds	6,366,148	16.622	4.1%
Mandatum Life Funds	2,789,819	7.284	1.8%
SEB Funds	2,485,180	6.489	1.6%
Ten largest	107,630,106	281.024	69%
Residual	49,018,975	127.989	31%
Total	156,649,081	409.014	100%

EARNINGS CALENDAR

July 27, 2021 Q2 report
November 03, 2021 Q3 report

OTHER EVENTS

May 05, 2021 AGM

COMPANY MISCELLANEOUS

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CFO: Saira Miittinen-Lähde Tel: +46 8 585 376 00
IR: Elin Otter

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

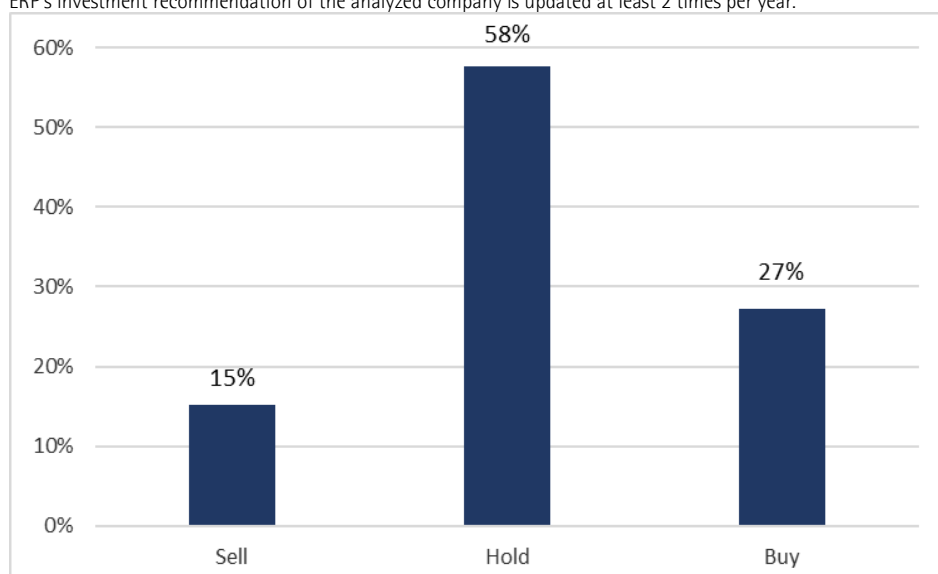
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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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): Reiman

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