Eltel

Initiation of coverage

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Inderes corporate customer

Green transition enabler seeking a turnaround

Eltel is a leading service provider for critical power and communication networks in the Nordics. The company has struggled for an extended time with its profitability and thus the cornerstones of its current strategy focus on building a foundation for profitable growth. We feel that Eltel is moving in the right direction but anticipate that the turnaround could take time. However, we expect it to be able to gradually improve its profitability in the coming years, but to be largely priced at the current stock price. Thus, we initiate the coverage of Eltel with a Reduce recommendation and target price of SEK 7.20 and monitor the strategy execution from the sidelines at this stage.

Leading service provider for critical infrastructure in the Nordics

Eltel's main services include maintenance of power grids, upgrades and project work for national transmission system operators and distribution network owners, as well as similar services for telecom operators and other owners of communication networks. Overall, the company's current core markets are characterized by a high concentration of customers and competitors offering similar products and services. Thus, Eltel's traditional businesses are heavily commoditized. Reflecting this, Eltel is working to replace commoditized type service sales with a more individualized business model with an enhanced offering by developing the scope and specification of the services, as well as the pricing model. Furthermore, it seeks to enter more heavily into adjacent and/or new business areas (e.g. green energy) to broaden the customer base. In addition to the Nordics, Eltel also operates in Germany, Lithuania and for the time being in Poland, but the company recently announced that it has signed an agreement to divest the Polish business and the deal is expected to be finalized during Q2'24.

We expect the company to improve its margins in the coming years via strategic initiatives

The company's historical development has been very challenging due to uncontrolled growth before its IPO in 2015, which led to an extended period of ramping down and divesting of unsuccessful businesses. However, recent years have not been much easier as its profitability was burdened by rapid inflation and postponement of some of its major customers' investments (2021-2023 avg. adj. EBITA% 0.6%). In our opinion, Eltel's strategic plans are reasonable and it is moving in the right direction, including the divestiture of the historically loss-making Polish business. However, due to the initial situation, we estimate that a sustainable turnaround could take time for processes to be implemented throughout the organization. Against this backdrop, we estimate Eltel's organic growth to be in low to mid-single-digit levels in the coming years, but profitability to increase gradually (adj. EBITA% 2024-26e: 1.4-2.8%). According to our assessment, there could be upward potential in both the growth rate and profitability, but this would require success in strategy execution, where Eltel still has a lot to prove.

Short-term earnings-based valuation is challenging and at this point, it is still hard to lean too much on 2026

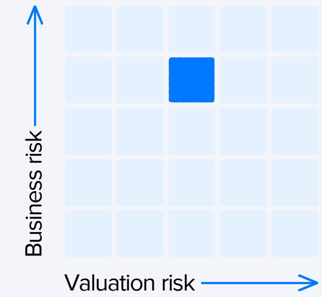
Based on our estimates, we believe that the overall earnings-based valuation is challenging for this year (adj. EV/EBITDA 5x, EV/EBIT 19x, P/E neg.). Whereas we argue next year's overall earnings-based valuation to be more in neutral territory, at least what comes to EV-based multiples (EV/EBITDA 4x, EV/EBIT 11x, P/E 19x). However, if development continues on the path we expect, we believe there might be some upside in the 2026 multiples (EV/EBITDA 4x, EV/EBIT 8x, P/E 9x) with profitability improvement remaining intact. Due to Eltel's volatile track record, it is however hard to lean too much on this at this stage. Reflecting this overall picture, we see the risk-adjusted expected return on the share to be below the cost of equity we use over the next 12 months.

Recommendation

Reduce
(prev. -)

7,20 SEK
(prev. -)

Share price:
6,60 SEK



Key indicators

	2023	2024e	2025e	2026e
Revenue	850,1	832,7	860,9	895,5
growth-%	3 %	-2 %	3 %	4 %
EBIT adj.	1,7	11,7	20,4	25,2
EBIT-% adj.	0,2 %	1,4 %	2,4 %	2,8 %
Net Income	-10,4	-27,7	4,6	10,3
EPS (adj.)	-0,02	-0,03	0,03	0,07

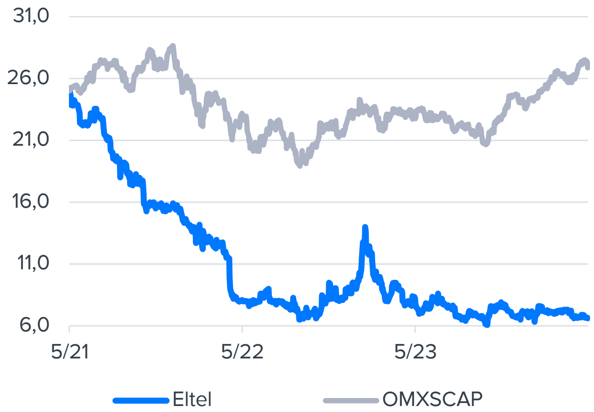
P/E (adj.)	neg.	neg.	19,5	8,7
P/B	0,4	0,5	0,5	0,5
Dividend yield-%	0,0 %	0,0 %	0,0 %	0,0 %
EV/EBIT (adj.)	>100	19,4	10,8	8,2
EV/EBITDA	8,7	5,5	4,4	3,8
EV/S	0,3	0,3	0,3	0,2

Source: Inderes

Guidance

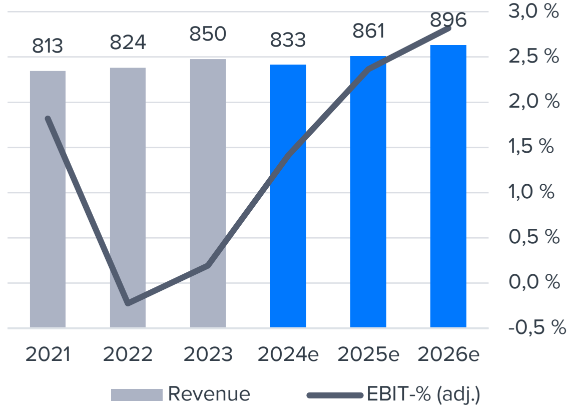
(No guidance)

Share price



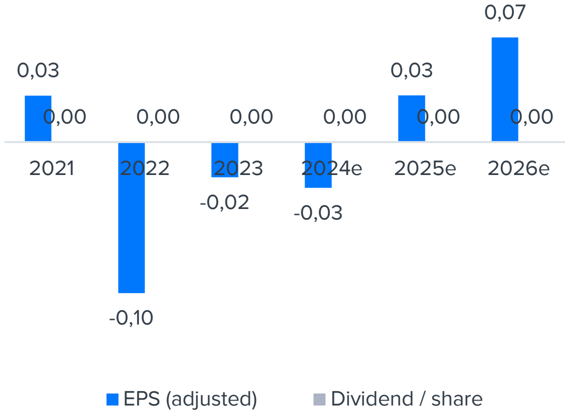
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and DPS



Source: Inderes

Value drivers

- Sustainable profitability improvement, which would also support the cash flow
- Long-term business growth drivers are healthy, especially in Power
- Expanding into new and adjacent markets and leveraging its geographical coverage
- Broadening the customer base

Risk factors

- Failure of the profitability turnaround
- Pricing and project risks
- Tight competitive situation and low barriers to entry
- Dependency on investments
- Scarce labor market and, thus difficulties to find skilled workforce
- Loss of a major customer / challenges faced by the customer themselves

Valuation	2024e	2025e	2026e
Share price	0,57	0,57	0,57
Number of shares, millions	156,7	156,7	156,7
Market cap	90	90	90
EV	228	220	208
P/E (adj.)	neg.	19,5	8,7
P/E	neg.	19,5	8,7
P/B	0,5	0,5	0,5
P/S	0,1	0,1	0,1
EV/Sales	0,3	0,3	0,2
EV/EBITDA	5,5	4,4	3,8
EV/EBIT (adj.)	19,4	10,8	8,2
Payout ratio (%)	0,0 %	0,0 %	0,0 %
Dividend yield-%	0,0 %	0,0 %	0,0 %

Source: Inderes

Contents

Eltel in brief

Eltel is a leading service provider in Nordics for critical infrastructure that enables renewable energy transition and high performing communication networks.

2001
Year of establishment

2015
IPO

850 MEUR
Revenue 2023

1.7 MEUR **(0.2% of revenue)**
Adjusted EBITA 2023

5,024
Average number of employees in 2023

-2015

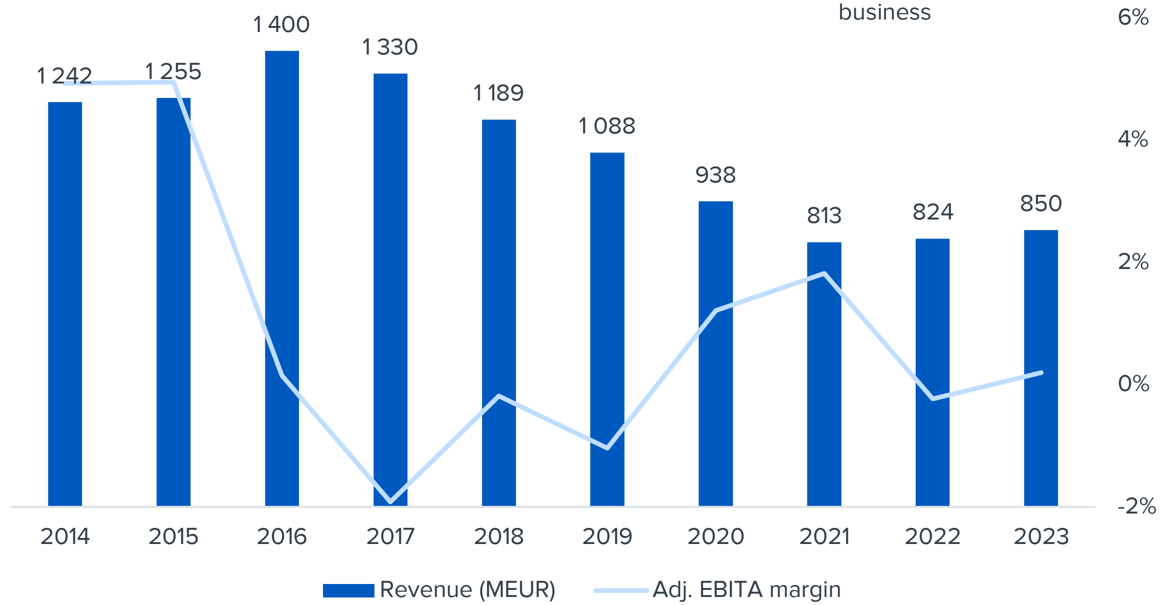
- Strong international growth from the beginning via intensive M&A and outsourcing phase until 2007
- Company expands to a very wide geographical area (incl. Nordics, Baltics, Poland, Germany, UK, Georgia, Tanzania, Zambia)
- Listing and continued M&A until 2016

2016-2020

- Setbacks begin due to the realization of project risks
- Eltel carries out a strategic review and shifts its focus to the Nordics
- Ramping down unsuccessful businesses and many divestments of non-core businesses also from current geographical core market areas

2021-

- The current company structure was formed
- Profitability improves after difficult years, but rapid inflation pushes profitability down again
- Eltel's current strategy focuses on building a foundation for sustainable profitable growth
- Eltel announced in April 2024 that it will divest its loss-making High Voltage Poland business



Source: Eltel, Inderes

Company description and business model 1/6

Leading service provider for critical infrastructure in the Nordics

Eltel is a leading service provider for critical power and communication networks – infranets. It operates in the Nordic countries, Poland, Germany, and Lithuania within country-based organizations that have full responsibility for their financial results. Eltel's services and revenue splits differ between the countries, but its main services include maintenance of power grids, upgrades and project work to national transmission system operators and distribution network owners, as well as similar services to telecom operators and other owners of communication networks.

Last year, Eltel Group's revenue amounted 850 MEUR and its adjusted EBITA was 1.7 MEUR, representing a 0.2% EBITA margin. At group level, Eltel had an average of 5,024 employees in 2023, which in our view reflects the labor-intensive nature of Eltel's business as of the total personnel 166 worked in the group functions.

Two main businesses – Communication and Power

The company's two main business areas are Communication and Power, of which the former has been larger in terms of revenue in recent history (Communication's share of group revenue 2019-2023: 61-64%). Besides these, the company has a very small non-core Other operations (~1% of the group's revenue).

In Communication, Eltel's offering consists of services related to mobile telecom, fixed telecom and public infrastructure. Typical classic services include, for example, mobile network rollouts (5G), fiber network construction (including fiber-to-the-home), transmission network implementation and maintenance services related to these. New business in Communication consists of services related to indoor communication and private networks.

On the other hand, in Power, the company's service offering consists of services related to power transmission and distribution, smart grids, renewable energy and e-Mobility. Typical classical services in Power include, among other things, full turnkey high voltage projects, network constructions and upgrades, rollout services for meters and maintenance services regarding these. Respectively new business in Power focuses on, for example, wind and solar power solutions, energy storage projects and EV charging infrastructure.

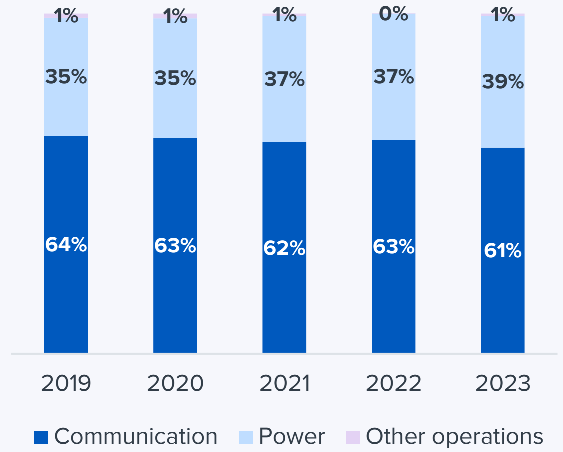
It is good to bear in mind, that the company's offering varies between countries and, for example, Power's entire service portfolio is only offered in Finland.

Businesses are reported by country units

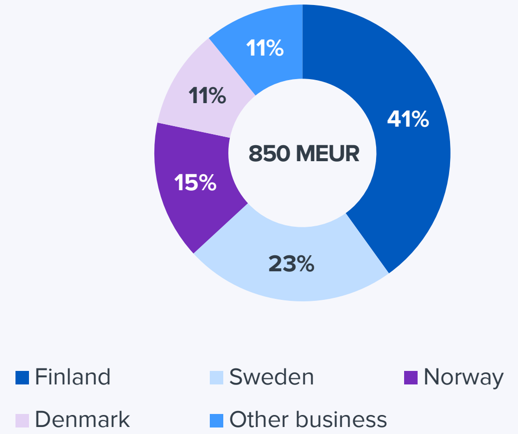
Eltel reports its revenue and profitability by country units: Finland, Sweden, Norway and Denmark. Additionally, Eltel also has the Other business unit, which includes Smart Grids business in Germany and Communication business in Lithuania. It also for time being include High Voltage business in Poland, but the company announced in April that it has signed an agreement to divest the business to Mutares SE & Co. KGaA and the deal is expected to be finalized during Q2'24.

Based on the reported figures for 2023, geographically, the largest country unit was **Finland** (41 % of the group's revenue). In Finland, Eltel's offering includes all of the company's services within Power and Communication.

Revenue split by business area



Geographical revenue split in 2023



Source: Eltel, Inderes

Company description and business model 2/6

The unit's revenue in 2023 was 344 MEUR (2022: 290 MEUR) and its adjusted EBITA margin was 1.9% (2022: 2.8%). According to the company, the country unit's profitability was burdened by two frame agreements throughout the year, but the negative impact was reduced in H2. The company also had a cost-saving program in Finland during 2023, which had already been decided upon in 2022. Last year, 55% (2022: 61%) of Finland's revenue came from Power and 45% (2022: 39%) from Communication.

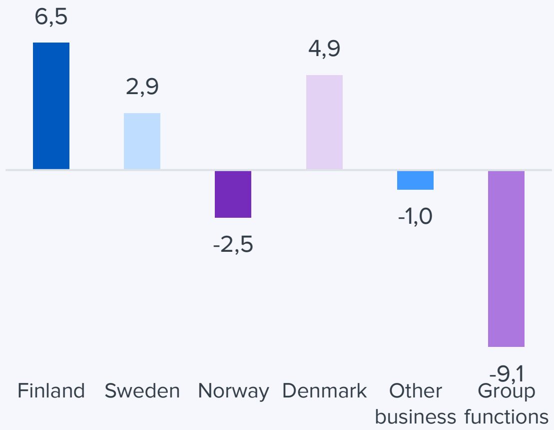
The second largest unit (23% of group revenue) in 2023 was **Sweden**, where Eltel's offering is more heavily based on Communication (e.g., which accounted for 80% of the country unit's revenue last year). In 2023, the country unit's revenue was 198 MEUR (2022: 194 MEUR), but it is good to note that Sweden's reported growth got quite a lot of headwind from the weakened Swedish krona (~16 MEUR) and its organic growth was at a good level of 11 %. Respectively its adjusted EBITA% was 1.5% (2022: -0.5%) and in the black for the first time in recent history.

Correspondingly, in **Norway** (15% of group revenue), revenue comes practically entirely from Communication. Norway has also suffered from currency effects (~17 MEUR) and its reported revenue stood at 130 MEUR in 2023 (2022: 177 MEUR). Still, even adjusted for the headwind from currencies, the country unit's organic growth was clearly negative, which was impacted by lower volumes due to reduced customer investments mainly in fiber. Reflecting this, its adjusted EBITA margin fell to -1.9% (2022: 1.2%). Following reductions in customer investments and result deterioration starting in Q4'22, Eltel also had two restructuring and cost-cutting programs during 2023 in Norway.

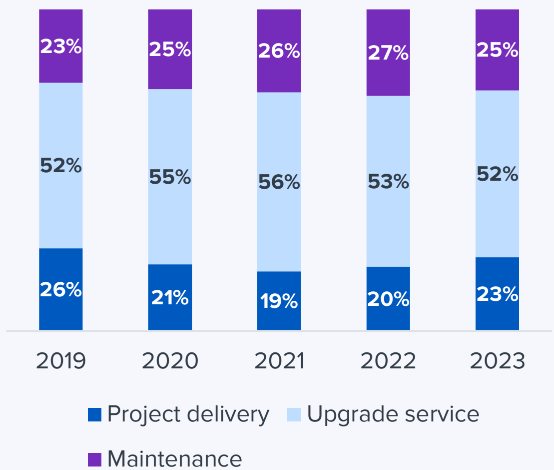
Denmark's (11% of group revenue) revenue split is more balanced, although Communication is larger (71% of the country unit's revenue in 2023). The unit's revenue in 2023 was 93.0 MEUR (2022: 73.3 MEUR) and significant growth came from higher volumes in both business areas. It's worth noting, that there were basically no FX effects in Denmark due to the practically constant EUR/DKK currency rate. The country unit's adjusted EBITA margin was 5.2% (2022: 0.9%).

Lastly, the **Other business** unit's (11% of group revenue) revenue is more Power driven (78% of the business unit's revenue in 2023) due to the Polish and German businesses. The business unit's revenue in 2023 was 93.7 MEUR (2022: 99.4 MEUR) and the decline was mainly due to a shift of scope to selected projects and services in High Voltage Poland. Reflecting this, the business unit's result improved, but its adjusted EBITA margin remained below zero (-1.1% vs. 2022 -4.1%). However, we highlight that the coming divestment of the Polish operations will affect the business unit's figures quite significantly in the future as High Voltage Poland's revenue has been around 30-45 MEUR per year and adjusted EBITA 4-8 MEUR in the red per year in 2020-2023. On the other hand, Eltel has not formally commented on its plans for the rest of the Other businesses. However, due to their more healthier profitability profiles we see no rush for the company to make decisions regarding these. In our view, one option could be also to integrate them to the current country units (at least Smart Grids Germany to the Danish operations for example).

Adjusted EBITA by segments in 2023



Revenue split by service type



Source: Eltel, Inderes

Company description and business model 3/6

Besides these country units, the company also has a **Group functions** team, whose costs were 9.1 MEUR in 2023 (2022: 7.8 MEUR). It is good to note that the function includes the group's service center, where we understand a large part of the staff works.

Service types

The service types offered by Eltel in Communication and Power can be divided into three: upgrade services, maintenance services and project delivery services.

The company's upgrade services include services to recover and upgrade the condition of technology of an existing infrastructure network typically to customer specifications. These projects are usually based on multi-year frame agreements where the services are ordered based on individual purchase orders. There are also some separately tendered projects. The size of projects varies from EUR 10,000 to over 1 MEUR and pricing is typically based on units.

Eltel's maintenance services, on the other hand, include scheduled and corrective care services and connect services. These contracts are also typically multi-year frame agreements and work is performed based on a continuous flow of small orders that are usually unit-priced, but there are also some fixed-fee-based contracts. Maintenance services, on the other hand, are not highly customized to individual customers.

Eltel's project delivery services include engineering and delivering customer-specific network infrastructure projects. Contracts include projects with estimated scope of works and variation orders, as well as turnkey projects and many of them are fixed-price contracts. Eltel's activities usually consist of tasks related to design, construction, installation and project management. The size of projects can vary a lot, but they are typically large (1-40 MEUR), and the execution usually takes from months to years.

The revenue split between service types has been quite stable in recent years, with upgrade services bringing a little over half of the revenue, maintenance service around a quarter of the revenue and project delivery the rest. In recent years, Eltel has chosen to move away from large projects to an extent, especially where fixed-price contracts (especially in Poland) are used to reduce risk levels. Reflecting this, project deliveries' share of the revenue decreased from 26% in 2019 to 20% in 2022. However, we expect the share of the project deliveries to continue to increase (2023: 23% of the revenue) in the future due to the profile of the new businesses, especially in Power (for example solar power projects).

We estimate that the service type does not have a direct impact on the profitability profile, but rather profitability varies per contract and customer. Nonetheless, we see that project deliveries have the highest risks / positive margin potential due to their size.

High concentration of customers

Overall Eltel has a lot of customers and at the end of 2022 approximately 2,000 in total. However, a significant share of the revenue is generated from a limited number of customers in both business areas, and we do not expect there to be major changes in the short or medium term.

Examples of customers in Communication

Telia, equinor, elisa, BANEDANMARK, DNA, GlobalConnect, telenor, VALOKUITUNEN, TRAFIKVERKET, FORSVARET

Examples of customers in Power

caruna, HELEN, OX2, FINGRID, Statnett, exilion, VATTENFALL, NEXEL, IONITY, KEMPOWER, ELLEVIO

Source: Eltel, companies

Company description and business model 4/6

The company usually enters into long-term framework agreements (2-4 years) with a small number of well-established customers with a strong local or Nordic presence. With some of these customers, Eltel has already had long-term business relationships for over 10 years.

This is also reflected in the fact that in 2023 Eltel had two customers that both represented over 10% of the group's total revenue. The total share from these two customers amounted to 29% (2022: 35%). We assume those customers to be Telia and Telenor. In our opinion, this also reflects the market dynamics in Communication, where Nordic telecom operators are the main customers. Besides these, the main customers in Communication are other communication network owners such as Travikverket, Banedanmark, National Defence Forces and Valokuitunen.

In Power the main customers are network operators, utility companies and local industrial customers, as well as the public sector such as Fingrid, Caruna, Helen, Vattenfall, Ellevio, Statnett, OX2 and Kempower.

Typically, Eltel has a quite steady inflow of work orders generated from the framework agreements and other long-term partnerships. It is still important to note that several of the maintenance and upgrade service contracts are non-exclusive and customers can either terminate the contract at will or engage other service providers. Also, in certain contracts, there is no fixed minimum volume commitment.

On the other hand, the competition is also quite concentrated in Communication between the biggest players, which provides some protection for demand, because we believe customers, especially telecom operators, want to spread their purchases between service providers. But overall, the company's current core markets are characterized by a high concentration of customers and competitors offering similar products and services. Thus, Eltel's traditional businesses are heavily commoditized, customers have bargaining power and competition is tough overall. Therefore, the margins, especially in these businesses, are low.

Also due to the high concentration of customers, there is a major risk related to the investment levels of a handful of customers and possible loss of business from these customers. However, we think that Eltel's long relationships with high-quality and well-established players (both private and public) in the target markets provide stability and lower the risk level of losing some customers entirely. Nonetheless, this does not eliminate possible fluctuations in demand, which may be difficult for Eltel to adapt to, especially in the short term.

Reflecting this, Eltel is working to replace commoditized type service sales with a more individualized business model with an enhanced offering by developing the scope and specification of the services, as well as the pricing model. Furthermore, the company seeks to enter more heavily into adjacent and/or new business areas (e.g. green energy) to broaden the customer base. In our opinion, potential new customers could include operators from the public and private sectors, such as hospitals, industrials (e.g. IoT sensors) and the energy sector (renewable energy, energy storage, EV charging).

Historical revenue split between quarters (MEUR)

Historical operating cash flow split between quarters (MEUR)

Source: Eltel, Inderes

Company description and business model 5/6

In terms of customer structure, a key factor in the success of a company is its success in public and private tenders and calls for tender, where not only price but also quality of services and references from previous projects often play a role. We estimate that Eltel has accumulated references during its operating history and is a well-known and respected player among customers, Still, its volumes are highly dependent on relatively steady winning of tenders.

Seasonal fluctuations in revenue, results and cash flow

Within the year, Eltel's revenue development is subject to seasonal fluctuations and volatility across quarters. This is mainly due to the impact of weather conditions, which limit construction activity (e.g. digging trenches to lay cable) during the winter season. However, the winter season can be more active for electrical services and repairs due to winter storms. There could also be fluctuations related to the timing of customer orders and completion of the projects, but these tend to even out over the year. Overall, Q1 is the quietest quarter for the company. Reflecting this seasonal pattern the cash flow is typically strongest in Q4, when volumes are slowly coming down and working capital is released.

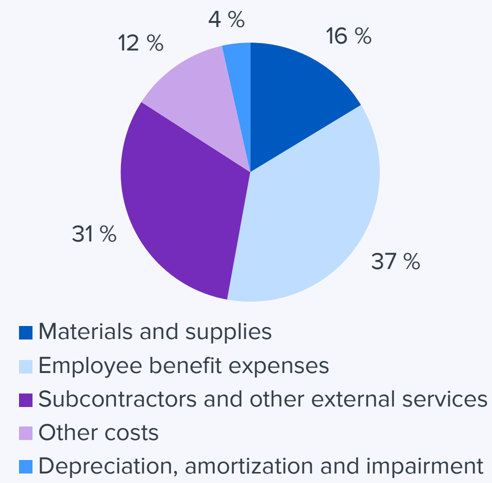
An important indicator of the future development for investors is the committed order backlog reported by the company. At the end of Q1'24, the company is in a good position with a committed order backlog of 592 MEUR (Q1'23: 518 MEUR). Committed order backlog is defined by the company as the total value of firm orders received but not yet recognized. Therefore, it does not include framework agreements, unless a binding purchase order has been received. Of the year-end committed order backlog, approximately 65-80% is typically recognized as revenue in the following year. Accordingly, the company reported that the total value of its order backlog at the end of Q1'24 was 1.2 BNEUR. The total order backlog includes the committed order backlog and the best estimate of the uncommitted remaining portion of framework agreements until the end of the agreement.

In a labor-intensive cost structure, a sufficient utilization rate is critical

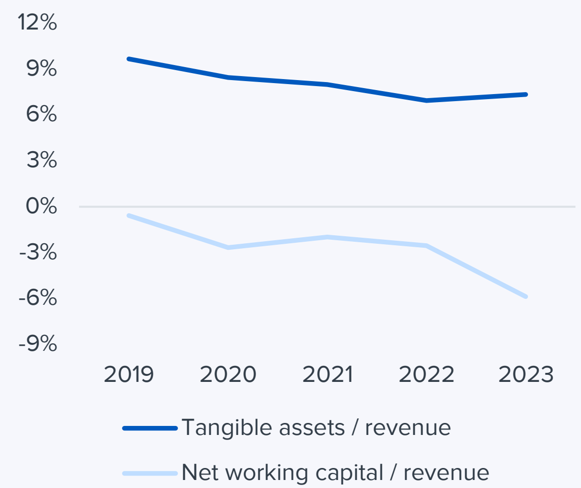
Due to the nature of the service business, the company's business model is very labor-intensive. This is reflected in Eltel's cost structure, which consists mainly of personnel costs (including subcontracting). Due to the high labor intensity, the company's cost structure is largely composed of somewhat fixed and semi-fixed costs in the short term and semi-fixed to somewhat variable costs in the longer term, with low scalability. Due to the short-term fixed nature of the company's labor costs, a sufficiently high utilization rate is critical to profitability. However, this is very challenging due to possible fluctuations in demand and the need to use more flexible resources through subcontracting, even if this puts some pressure on margins.

To a lesser extent, the costs also arise from materials and supplies for the projects and from other administrative costs (e.g., IT costs, transportation, premises).

Cost structure 2023



Capital commitment



Source: Eltel, Inderes

Company description and business model 6/6

Capital requirements are quite low, but working capital management is essential

In recent years, Eltel has been able to operate with negative working capital on an annual basis, which is partly due to low inventory levels and partly to the company's payment terms (i.e. receivables are lower than payables). However, it is worth noting the strong seasonal pattern towards the end of the year, as working capital tends to build up during the most active operating months in the summer and early fall. Therefore, working capital management is critical to the success of the business, and given the volatility of working capital, the company needs sufficient cash buffers (including credit facilities) throughout the year.

Accordingly, the investment needs of the current business are moderate, as the business does not require significant fixed assets and investments are mainly focused on necessary leased equipment (e.g. vans, etc.). However, there may be a small increase in capital expenditure as the company's fleet is upgraded to more sustainable vehicles (e.g. electric cars), which also reflects the company's sustainability linked hybrid bond (see the Financial position section for more details).

For the period 2019-2023, the ratio of fixed assets (including right-of-use assets) to sales is around 7-10%. The overall level of capital tied up in the business is limited, which in theory should allow Eltel to have a solid cash flow profile despite the low-margin business. However, the company has not been successful in this regard (see the Historical performance section for more details). The limited capital requirements also contribute to limiting the barriers to entry in the sector.

Management, board and ownership

Eltel's management team has a strong history in the industry, which we believe is important for knowledge of customers and operating methods. The company's CEO, Håkan Dahlström, had been a member of Eltel's Board of Directors since 2017, before starting as CEO in 2022, and therefore has a good knowledge of the company.

As far as management shareholdings are concerned, seven out of nine members of the group's management team are Eltel shareholders (end of 2023 data), although some of them have only small shareholdings, but overall we see it as a positive thing that the interests of management and other shareholders are aligned. On the other hand, only one out of eight members of the Board of Directors own Eltel shares (end of 2023 data), which doesn't send such a strong signal of confidence to others.

Overall, the ownership of the company is very concentrated, with 10 of the largest shareholders holding around 71% of the votes, which limits the free float and liquidity of the stock. On the other hand, this gives and has given stability, as we consider most of them to be long-term owners (of the company). In addition, although Eltel is listed on Nasdaq Stockholm, the company's ownership is concentrated in Finland (47% of the votes).

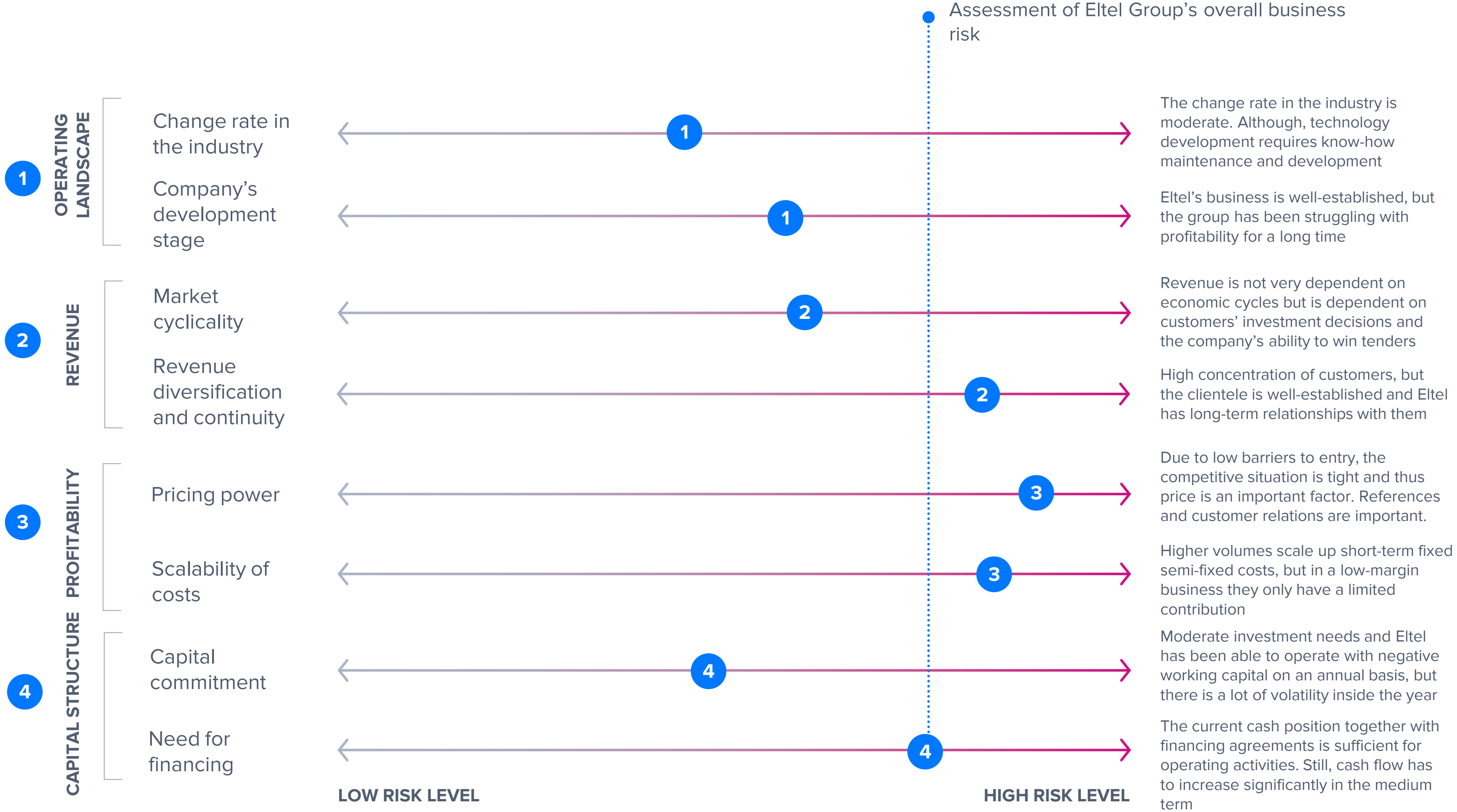
Eltel's largest shareholders*

The largest shareholders	%-of votes
Triton	16.4%
Wipunen varainhallinta Oy	14.3%
Fourth Swedish Pension Fund	9.6%
Heikintorppa Oy	8.0%
Mariatorp Oy	6.4%
Mandatum Life Insurance Company	5.3%
Fidelity International (FIL)	4.5%
Etola Group	3.8%
Mandatum Fund Management	1.8%
SEB Funds	1.5%

*Shareholders are verified on different dates

Source: Eltel, Inderes

Risk profile of the business model



Source: Inderes

Industry and competitive landscape 1/5

Eltel's total market

The company's target market consists mainly of the Nordic infranet markets and to a much lesser extent, certain market segments outside the region. Eltel itself has estimated that the total size of the market it is active in was around 10 BNEUR in 2023 with an expected annual growth rate of 11 % until 2026. However, based on competitors' estimates, we do not consider the total 10 BNEUR market to be addressable for Eltel at least with its current resources in Power. On the other hand, we consider the growth rate a more important factor and estimate this to be at a reasonable level, which of course, offers a lot of opportunities for Eltel.

Eltel's total market is divided between business areas, their subsegments and geographically. Thus, we have reviewed Communication's and Power's target markets, growth outlooks and competitive situation separately. However, there are common characteristics in most of the company's different markets, such as customer concentration and tight and typically price-driven local competition due to the low barriers to entry. Reflecting this, there are also numerous operators with small market shares. In addition, due to the labor-intensive business model, there is high dependence on personnel and/or subcontractors, and at times a key challenge for operators is finding competent personnel.

Communication's market

Communication's target market consists of telecom operators' and other communication network owners' investments in building and maintaining fixed and mobile networks. In addition, it includes a broad range of public infrastructure investments such as digital signage and railway signaling systems, as well as IoT sensors. Eltel has estimated that the total market size in Communication was 2.6 BNEUR in 2023, where 2.4 BNEUR came from the classic businesses (e.g. mobile network rollouts, fiber network construction) and the rest from the new business (e.g. indoor communication).

For example, Netel, one of Eltel's competitors, estimated in its prospectus (2021) that its total addressable market in mobile and fixed network was 18.0 BNSEK (at the current rate ~ 1.6 BNEUR) in Sweden, Norway and Finland in 2020. Reflecting this, although there might be some differences in their offerings, Eltel's market assessment seems quite reasonable, when inflation and the Danish market are also considered.

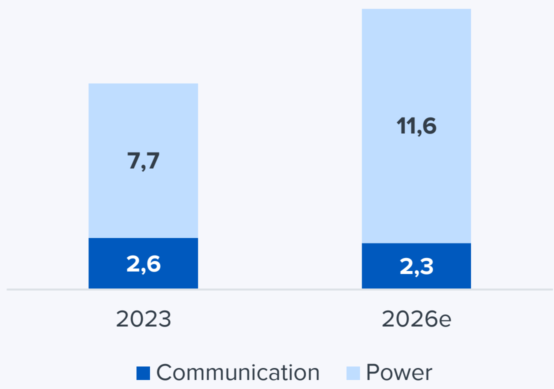
Communication's growth outlook

In Communication, Eltel expects that the classical side of the market will be declining in the coming years (2023e-2026e: -5%). This is based on a maturing market, especially in fixed communication (fiber) in Sweden and Norway, where fiber penetration is already very high. Whereas, especially, in Finland fiber remains an important growth area. Overall, the investment levels in classic businesses are expected to decrease slightly in the medium term, but on the other hand, we expect market demand to remain relatively stable and don't expect there to be large fluctuations.

Characteristics of the target markets

- Low barriers to entry
- Tight and typically price-driven local competition
- Markets are fragmented and there are numerous operators with small market share (excl. Telecom services)
- Labor-intensive and at times challenging to find competent personnel

Eltel's estimate of the market size and growth (BNEUR)



Source: Inderes

Industry and competitive landscape 2/5

However, Eltel expects the growth for the new businesses to be rather quick (2023e-2026e CAGR: 11%). The main growth drivers are indoor communication and private networks. Due to the absolute market size of the new businesses, the total expected growth in Communication will turn a bit negative in the coming years. Overall, we see this as somewhat negative for Eltel, considering the company's current business structure and revenue split.

Communication's competitive field

Competition in Communication services is local in every country. We also estimate that the market dynamics are almost equal in every country, at least in telecommunication services, with a few large service providers having a large share of the total market, and then many smaller players sharing the rest. For example, in Finland, the telecommunications construction market has been dominated by three players: Eltel, Voimatel and Enersense. According to a market study commissioned by Enersense for the 2021 share issue, Eltel was the largest player in the Finnish market with about a third of the market share. Voimatel's market share was just under 30% and Enersense's about 20%. Thus, these players control more than 80% of the total market.

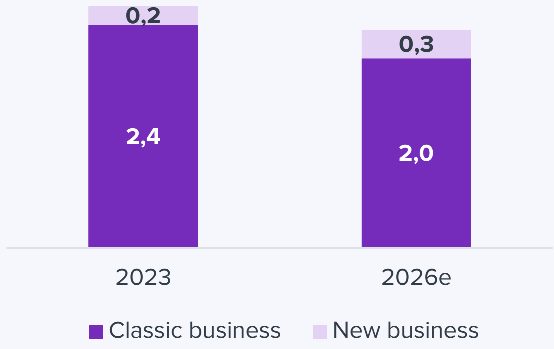
In our opinion, the background to this concentration comes from the local large telecom operators, who require their suppliers to be large enough to ensure a comprehensive supply and sufficient resources. Furthermore, we believe the customers want sufficient competition on the market between a few large players, which enables bargaining power for them. In the current situation, we assume that the market share development of the largest providers will be relatively stable in the long term, as these service providers typically have longer framework contracts with customers. We believe that it is also in the interest of telecom operators to maintain the competitive situation between the largest service providers. But for example, in fiber-to-the-home services or new businesses, we anticipate the market to be less concentrated and the pricing power of suppliers to be somewhat better.

Geographically, Eltel is the market leader in Finland and Norway in the overall Communication market. In addition, in Denmark Eltel is a market leader in the fiber market and operates also in the mobile network (e.g., 5G) and public infrastructure (e.g., rail network, hospitals) markets. Whereas in Sweden, Eltel installs and maintains 5G and fiber networks and is a major player in the fiber-to-the-home market.

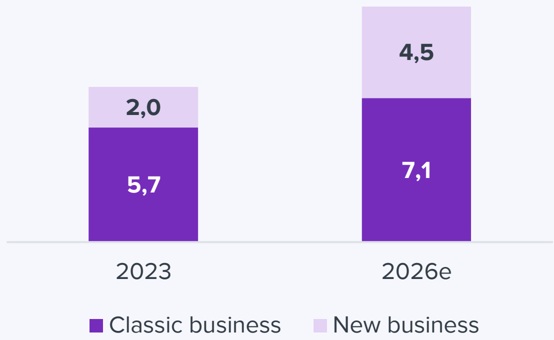
Power's market

Power's target market consists mainly of investments and maintenance services for power transmission and distribution, renewable energy (wind, solar and energy storage) and EV charging infrastructure. It also includes, for example, investments and maintenance for smart grids and meters. Eltel has estimated that the total market size in Power was 7.7 BNEUR in 2023, where 5.7 BNEUR came from classic businesses (e.g. power transmission) and the rest from the new businesses (e.g. renewable energy, EV charging infrastructure).

Eltel's estimate of Communication's market size and growth (BNEUR)



Eltel's estimate of Power's market size and growth (BNEUR)



Source: Inderes

Industry and competitive landscape 3/5

Respectively, Netel estimated in its prospectus that its total addressable market in Power was 10.5 BNSEK (at the current rate ~0.9 BNEUR) in Sweden, Norway and Finland in 2020. Furthermore, Enersense, one of Eltel's main competitors in the Finnish Power market has estimated in its commissioned market study that its Finnish Power divisions market size was just over 500 MEUR in 2020. Even though we expect that the market has grown quite significantly from here with the increase in renewable energy construction and inflation, Eltel's assessment of the current market size seems quite high compared to its competitors regardless of differences in the offerings and geographical coverage. Therefore, we assume that Eltel's assessment could include some hardware investments, a wider range of renewable energy investments and/or markets outside the Nordics (i.e. Poland and/or Germany). In our opinion, it is also good to remember that Eltel is not present in all these geographic market areas, at least for now. We also think that Eltel can't expand into these areas with its current resources. However, we believe that the size of Power's current target market alone offers many growth opportunities for Eltel.

Power's growth outlook

In the Power business area, Eltel expects good growth in the classical side of the market in the coming years (2023e-2026e CAGR: 8%). This is mainly based on investments in transmission networks, which are driven by increasing renewable energy production and electrification of transport and industrial processes. The market will also be driven by network upgrades (including robustness and security). For example, in Finland, where Eltel's Power business is currently strongly focused, Fingrid has estimated its investments in the network over the next decade (2024-2033) at around 4 BNEUR (around 400-500 MEUR in the coming years), driven by the electrification required by the energy transition and the acceleration of renewable energy production. We believe that this alone offers many opportunities for Eltel as well, compared to Fingrid's recent investment levels (2019-2023: ~100-350 MEUR).

Eltel expects the market growth for new business to be very rapid (2023e-2026e CAGR: 31%). The main growth drivers are planned investments in solar power, especially utility-scale solar parks and electrification of heavy transport. Even though the estimated growth rate is very high, we consider it justified, since in Finland alone, renewable energy capacity (large investments in terms of capital needed) is expected to grow significantly. According to the Finnish Energy Agency, Finland's solar power capacity was around 600 MW at the end of 2022, but according to Fingrid's estimates, solar power capacity could be around 7 GW in 2030. Furthermore, Fingrid has estimated that wind power capacity could reach 24 GW in 2030 (cf. 2023: ~6.9 GW). In our view, these are a good indication of the rapidly growing renewable energy production in Finland, even though there are uncertainties regarding long-term estimates. Reflecting this, we see a lot of growth potential in new business areas (including e-Mobility) for Eltel, but to be fully capitalized, Eltel must also succeed in geographical expansion.

Power's competitive field

The competition in Power services is also local in every country. However, we consider the market to be much more fragmented compared to Communication's. For example, according to Enersense's market study, the four biggest players in Finland will share about half of the total market in 2019, while the rest of the market will be divided into smaller parts for smaller players. The largest players were Eltel and Enersense, and we don't think there has been any significant change. However, we believe that the increase in renewable energy and the construction of EV charging stations has affected the market thereafter. We also suspect that the growing market for renewable energy will attract new players to the market, which may increase competition. As we understand it, competition in the traditional business is also quite cost-driven, which limits the margin potential of operators. On the other hand, we believe that high demand in new businesses could give operators better pricing power, at least in the medium term, before the market for these services becomes commoditized.

Geographically, Eltel is a market leader in Finland in the overall Power market. Whereas, in Sweden and Denmark it focuses on low to medium voltage distribution, and in Sweden also on substation cabling and smart meter installation. In the Other business unit in Germany Eltel focuses on smart grids.

Industry and competitive landscape 4/5

Competitors and Eltel's positioning

As said, the competitive situation is local, and no other service provider is present in all the Nordic markets besides Eltel. Thus, its main competitors vary by geographic region although there is some overlap between business areas and geographically (between Sweden and Norway). According to Eltel, its main competitors in Finland are Voimatel, Enersense, ENP and Axians. Furthermore, we believe that in renewable energy construction, competitors could include companies like Suvic, KSBR, Destia, NYAB, Infrabuilders, Omexom and VEO. However, the competitive situation varies in BoP (Balance of Plant) construction, with some operators more focused on CBoP (Civil Balance of Plant) and others on EBoP (Eletrical Balance of Plant).

Respectively, according to Eltel, competitors in Sweden include operators like Transtema, OneCo, Scanmast and Netel, and in Norway, OneCo, Netel, UBConnect, Sitecom and Siteservice. Lastly, in Denmark, the competitors include Kemp&Lauritzen, Bravida and Atea.

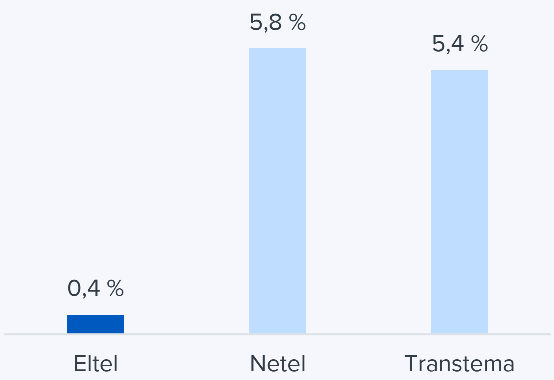
Overall, we think that Eltel is positioned quite well in some of the markets, especially in Finland where it is the market-leading infranet service provider and in Norway as a communication market leader. In other markets, however, it doesn't have as strong positions, but there it also has a narrower offering. Generally, we see that it is easier for a market leader to operate in commoditized markets and, therefore, Eltel's current position might not be ideal for example in the telecommunication sector in Sweden despite its long experience and history. Furthermore, we see the company as a challenger in many of the new businesses (e.g. renewable energy) compared to more focused operators within these areas. Reflecting this we also assume that Eltel might need more resources and competence in these growth areas (including via possible M&As) although we think that its history and knowledge from classic businesses bring respect, recognition and know-how in certain areas among current or potential clientele.

Eltel has struggled in terms of profitability against its listed peers

As mentioned, the company's competitive field consists of several different players and their overall offering (business area or scope) could differ from Eltel's. In general, there are also variations in the market areas of different operators. Nevertheless, we have compared the profitability of Eltel and two of its listed competitors.

We have included Netel and Transtema in our comparison, both of which in our opinion have very similar profiles as Eltel, even though Netel is also involved in civil engineering (e.g. district heating, water and sewage) and has a slightly different geographical coverage. Whereas Transtema is mainly focused on communication services in the Swedish market.

Eltel's and competitors' adjusted EBITA margin (2019-2023 avg %)



Source: Inderes

Industry and competitive landscape 5/5

Although Enersense is one of Eltel's main competitors in Finland in both Communication and Power, we have excluded it from the comparison due to its wider range of services and because using only its relevant segment data would ignore group costs. Furthermore, in recent years Enersense's profitability has been positively affected especially by wind power development fees and negatively by investments in new growth areas (e.g. EV charging solutions, offshore wind foundations) and ERP systems, which weakens historical comparability.

But in 2019-2023 Netel's adjusted EBITA margin has been on average 5.8% and Transtema's corresponding 5.4%. However, both have also been affected by market headwinds (e.g. inflation), especially in 2023. In the same period, Eltel's EBITA margin has been on average only 0.4% and reflecting that, we think it has underperformed against the industry. Also, it is good to note that both of its competitors have higher profitability targets than Eltel (EBITA% > 7% vs. Eltel's EBITA% > 5%). Hence, we estimate that Eltel's competitors might be a little better positioned in the markets (i.e. towards less competitive areas).

Overall, we estimate that it's challenging to achieve sustainable competitive advantages in the industry. As such, we believe it's likely that these companies have been more successful in project selection and management. We assess that in a labor-intensive business, success also requires effective use of the company's own resources and flexibility in the cost structure (i.e. balancing with own staff and using subcontractors). Therefore, we think that Eltel's competitors have also been more successful in this area and on the other hand, Eltel has been historically more affected by fluctuations in demand due to probably a too large share of fixed costs and insufficient utilization rate (see the Historical performance section for more detail). On the other hand, it can be argued that profitability improvement and/or achieving the profitability target is not impossible based on competitors' results.

Historical performance

Profitability has been an issue in history

It can be said that the roots of Eltel's core businesses go back to Fortum and Telia, where the businesses were acquired by different investment companies (CapMan, IK Partners) in the early 2000s and then merged in 2004 when IK Partners acquired Eltel Networks from CapMan. Throughout its history prior to the IPO in 2015, Eltel has been very active in acquiring businesses in its current core markets and expanding its business to less developed markets (e.g. Georgia, Tanzania, Zambia).

Looking at these figures, we see that Eltel's revenues have decreased significantly over the past 10 years due to the discontinuation of unsuccessful businesses and the divestment of non-core businesses (starting in 2017), also from the core geographical market areas (e.g. railway business), after a few years of setbacks (including the realization of project risks) and a strategy review. In 2019, the company also decided to transform itself into a service company with a focus on the Nordics (see the current strategy in the Strategy section) and to move away from large projects to a certain extent in order to reduce risks. From 2021, however, the figures are quite comparable to the current business.

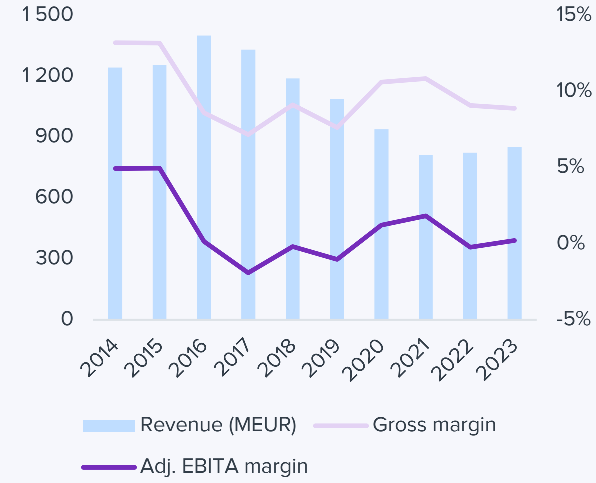
In terms of profitability, the reported figures are not based on the same accounting practices (e.g. IFRS16), but we believe that the figures are quite comparable. As we can see, the company's profitability peaked at the beginning of the period (adj. EBITA margin ~5%). Then the setbacks began and profitability fell drastically. During 2020-2021, Eltel's profitability increased again, but was then hit by macroeconomic headwinds (e.g. inflation) and deferred/reduced investments by some customers. We suspect that there are still a few frame contracts with unfavorable conditions for Eltel (at least in Finland).

Also worth noting from the graph, and as mentioned earlier in the report, is that direct costs drive profitability (i.e. the spread between gross margin and adj. EBITA margin has been 8.2-9.4 percentage points over the last 10 years). As a result, fluctuations in demand, for example, can have a significant impact on profitability, which is why flexibility in the cost structure is essential. In addition, we see that declining gross margins are indicative of a commoditizing market.

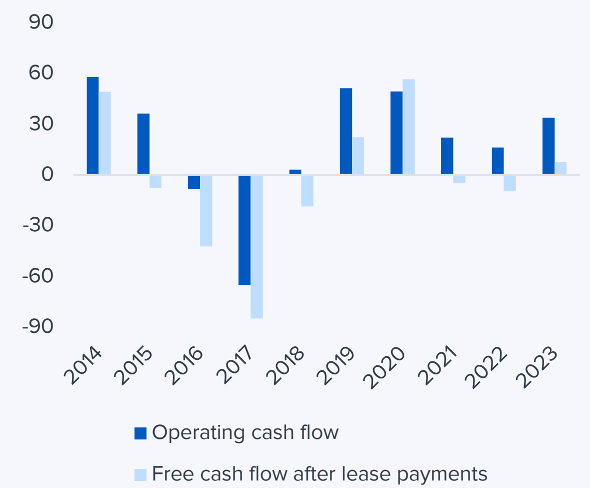
On the next page, we also see that profitability in different countries has been volatile in recent years, but the main problems are related to Sweden and Other Business (i.e. Poland). According to our understanding, the problem in Sweden has been a shrinking market, while in Poland the main reason has been cost overruns in large projects. In this respect, Eltel has been able to improve the results in Sweden. This, together with the divestiture of the Polish business (accumulated losses 2020-2023: 23.2 MEUR), gives confidence for the future in terms of improving the group's profitability.

Setbacks and low profitability have also affected Eltel's cash flow. As we can see, the group's cash flow took a big hit in 2016-2017, and reflecting this, its free cash flow after lease payments over the past 10 years (2014-2023) has been cumulatively -31 MEUR. However, even after these years, the company's cash flow generation was quite weak, as its free cash flow was supported by some divestments (cf. free cash flow after lease payments in the last three years: -6 MEUR). Therefore, we believe that a sustainable improvement in profitability is critical for cash flow and balance sheet strengthening (see more in the Financial position section).

Group's historical development

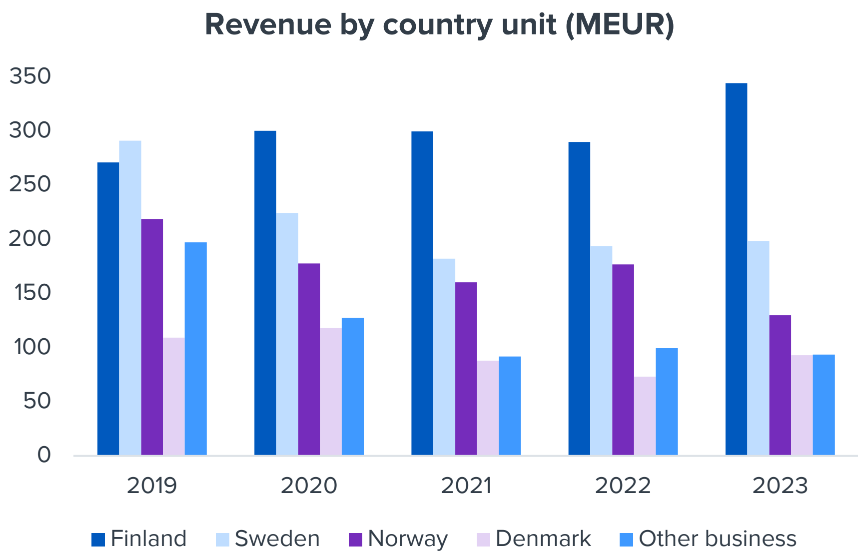


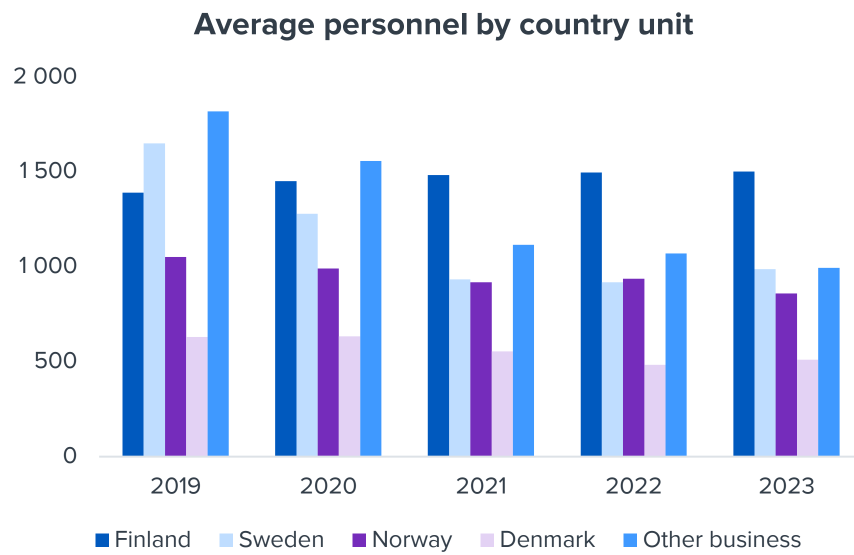
Cash flow development (MEUR)

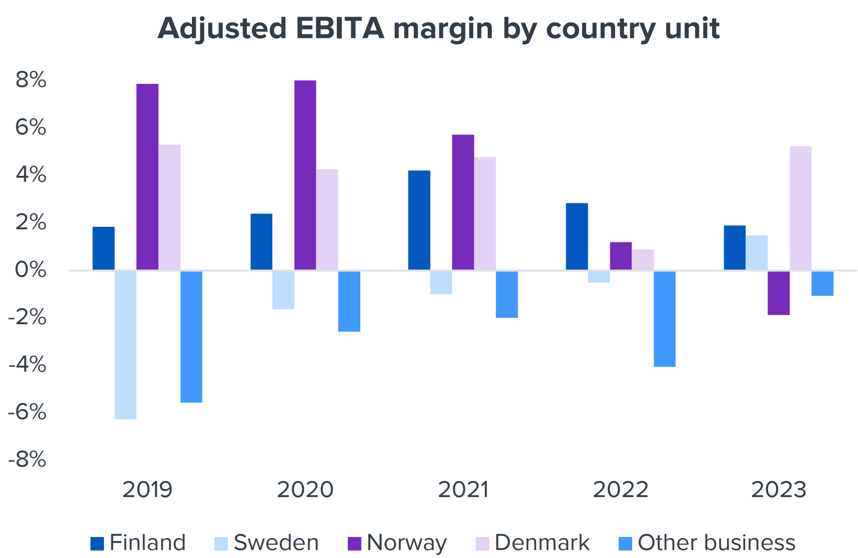


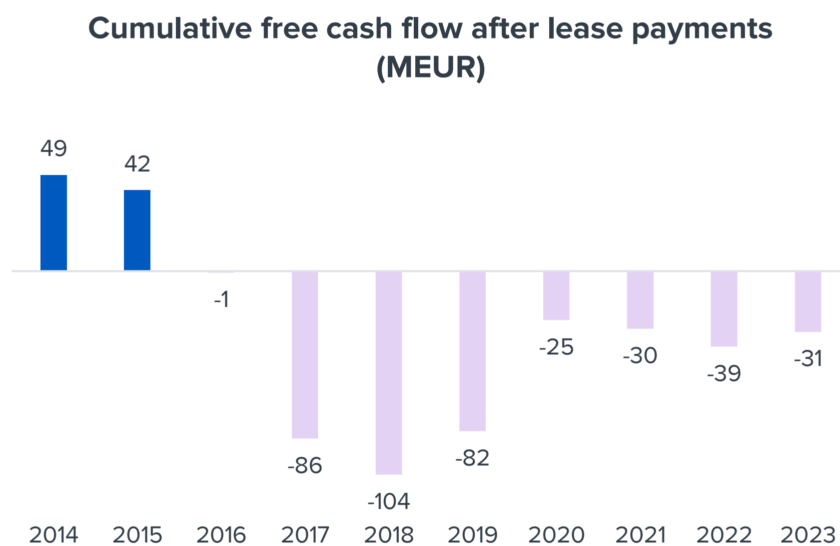
Source: Eltel, Inderes

Historical figures









Source: Eltel, Inderes

Strategy and financial targets 1/3

Towards sustainable profitable growth

In its current strategy, Eltel focuses on building a foundation for sustainable profitable growth. The cornerstones of the strategy are:

- Improving efficiency and profitability of the current business, including price increases
- Broadening the customer base
- Growing in new and adjacent markets, such as renewable energy and public infrastructure
- Integrating sustainability as part of offering and operations
- Developing concepts and commercial capabilities
- Implementing new business models and expanding position in the value chain

According to Eltel, the strategy is about increasing sales in less mature submarkets (vs. where Eltel is active today) and reducing the power imbalance with the largest customers, thereby reducing price pressure. Simultaneously, Eltel is aiming to increase its profit margin in all activities (classic and new business). Accomplishing these would enable Eltel to continue to develop, grow and invest to ensure long-term value creation for all stakeholders.

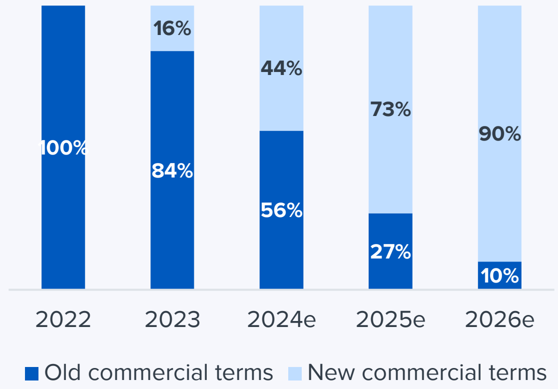
The strategy seems reasonable

We think that the cornerstones of the strategy are reasonable. Regarding Eltel's and its competitors' operational histories, we believe there is certainly room for improving efficiency in the company's current business and this is essential for profitability improvement. Eltel has stated that in practice, this means, for example, developing processes to optimize usage and monitor technician hours in projects, as well as developing digital tools for work order and route optimization. Additionally, Eltel had pricing negotiations with its major customers in 2022 and in the same year it also increased its profitability targets in tendering. Improved pricing (e.g. indexation, other cost-sharing mechanisms) has been implemented in 2023, but due to the long frame agreements, it will take some time to roll out these pricing terms for the entire contract base (see the graph). Still, these actions should help the company improve its profitability in coming years, even though it's still good to note that these alone don't eliminate business-related risks (e.g. project and tendering risks, low utilization).

As previously said, the company's current customer base is very concentrated and, in that regard, broadening the customer base seems very reasonable. However, looking at the current business structure, we see the possibilities as somewhat limited (mainly indoor coverage e.g., in hospitals), at least in terms of absolute revenue and Eltel has also stated that those clients wouldn't be as large customers as its typical telecommunication operators. This is also reflected in the fact that, according to the company, it signed contracts with 150 new customers in 2023 and the value of these contracts was 110 MEUR (cf. total value of signed contracts 714 MEUR in 2023). Thus, we see that growing in new and adjacent markets is also very important to broaden the customer base in absolute terms.

Priority areas for the strategy

Eltel's illustration of the impact of commercial terms on the portfolio



Source: Eltel, Inderes

Strategy and financial targets 2/3

Overall, we believe that growth in new and adjacent markets is also well justified due to growing markets, especially in Power. Due to the high demand, we also see that Eltel may have more pricing power in these new markets and that the overall competitive situation may be less intense. We therefore expect that these new markets could also offer higher margin potential for Eltel, at least in the medium term, before competition intensifies again. However, as mentioned above, in order to fully benefit from this, Eltel must also leverage its geographical coverage in these services. We believe that Eltel has made plans to utilize cross-border resources, at least as far as renewable energy and e-Mobility are concerned. In addition, we believe that in order to achieve this goal, it may be necessary to acquire additional knowledge for the organization and to add relevant partners to the ecosystem. An example of this is the recent 15 MEUR agreement with Kempower for the resale, service and installation of Kempower's fast charging infrastructure in the Nordics, where Eltel places separate orders annually. Accordingly, 4% of the total contract value in 2023 is new business (Q1'24: 6%), but according to the company, the pipeline for new business looks promising.

Accordingly, we see sustainability as a necessity in the future in terms of tightening regulation and maintaining competitiveness. In the short term, however, there may be opportunities for sustainable solutions, but we also expect Eltel's competitors to focus on these issues. In addition, it is good to note that Eltel must also pay attention to sustainability through its sustainability-linked hybrid bond (see Financial position).

Eltel has recognized that it needs to improve its commercial capabilities. It is therefore focusing on developing the mindset within the whole organization towards, for lack of a better description, a more entrepreneurial mindset (e.g. being bolder and faster in seizing opportunities and adapting to changes). This also includes demanding higher prices from customers, which we believe is important, and given Eltel's current high customer satisfaction, we see that there is room for these procedures. With this in mind, we believe that Eltel has historically been too polite in its pricing compared to the quality of the service.

Finally, we believe that implementing new business models and expanding its role in the value chain could expand Eltel's addressable market, deepen customer relationships and increase margin potential. According to Eltel, these actions could include, for example, new monitoring services, extended offerings covering a larger part of the value chain, resale of equipment/machinery (cf. Kempower agreement) or partnerships with equipment manufacturers and financing partners to offer solutions as a service. Overall, we think these plans are reasonable, but the company still has a lot to do and prove in this area, also considering the competitive situation.

Financial targets

By implementing its strategy, Eltel aims to reach its financial targets by the end of 2025. The company’s current financial targets are:

Profitability: EBITA margin > 5%

Growth: Annual growth 2-4%

Leverage: Net debt / adjusted EBITDA 1.5x-2.5x

Dividend payout: Subject to leverage target

The profitability target seems challenging

In our opinion, the profitability target seems quite challenging to achieve, at least in this timeframe, considering the company's historical performance. Eltel has also previously stated that the target margin could be challenging with its current business and that achieving it could require some acquisitions in new businesses. Therefore, we would not be surprised if the target level is postponed to the future, as there is currently no room for major M&A. On the other hand, we still see a clear upside potential (EBITA 3-4%) within the current portfolio through its strategic initiatives (e.g. efficiency and price increases), although the company still has a lot to prove in this regard.

If we think about what it would take to achieve the target margin, it would first require margin improvements in nearly all country units. Due to the current revenue split, the biggest improvements have to come from the operations in Finland and Sweden. Of course, it is also important that the smaller country units improve (Norway) or maintain (Denmark) their current level of profitability. In our view, the improvement in profitability is clearly supported by the divestment of the loss-making Polish business, which also reduces the risks associated with its turnaround. Therefore, in our opinion, the divestment was a very sensible decision.

Strategy and financial targets 3/3

Looking at the historical figures, a sustainable improvement in profitability would also require smoothing out the fluctuations in profitability, which is difficult due to possible fluctuations in demand. Therefore, we believe that the best way to achieve this would be to increase the flexibility of the cost structure (i.e. to increase the share of subcontracting).

Regarding the profitability potential of the current business, we see that achieving the target would also require a change in the revenue mix towards the new business that Eltel is currently focusing on. Due to the current revenue split, we estimate that the change will take time, making it difficult to achieve the target by 2025.

The growth target is not too optimistic

We see that the 2-4% target of annual growth is achievable and somewhat modest compared to estimated market growth. At the same time, it is good to bear in mind the current revenue mix. Currently, a greater part of Eltel's revenue comes from Communication and here the overall classic business market is estimated to be declining in the medium term, excluding Finland, where the fiber market is still very active. Therefore, we see the main growth drivers for Eltel coming from Finland and possible success in leveraging its geographical coverage in Power.

Of course, achieving this target also requires that the company is able to win sufficiently attractive projects on a regular basis. However, we expect that year-on-year variations in the growth rate may be due, for example, to a slowdown in the business cycle or postponement of investment decisions. It is also good to note that the growth target refers to reported growth, so exchange rates could affect reported numbers on an annualized basis (cf. last year's significant headwind). It is also good to note that the divestiture of the Polish business will impact the reported growth numbers in 2024-2025. Overall, however, we believe that the profitability target is more important for Eltel than the growth target.

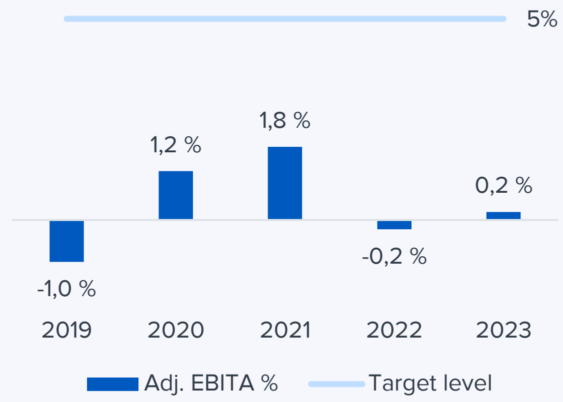
The leverage target is on a reasonable level

Regarding the leverage structure, we believe that the target level is at a reasonable level for the business considering the cyclicality of the cash flows. Compared to the current level (Q1'24: 3.5x), the most important thing to reduce the leverage ratio is to increase profitability, as the absolute amount of net debt is not that high (115 MEUR). However, it is good to note that the hybrid bond supports the leverage ratio and without it, the ratio would increase to 4.2x at the end of Q1'24. It is also important to note that Eltel would probably prefer to replace the hybrid bond with regular loans in 2026, which would increase the leverage ratio (see more in the Financial position section). Therefore, we believe that Eltel would prefer to use cash flow to reduce debt at least to the lower end of the target range.

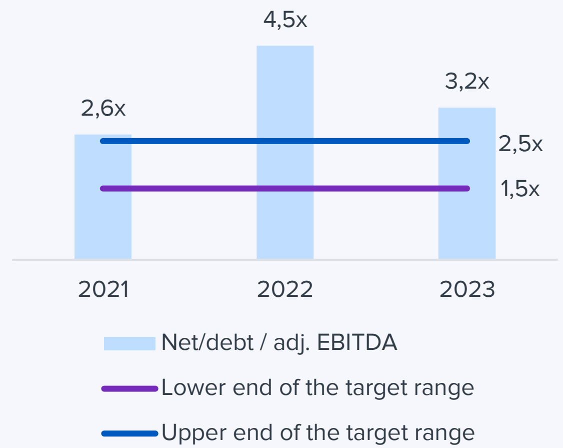
Profit distribution is at least a few years away

In practice, we believe that the company's business model, which requires relatively low capital commitment (incl. negative net working capital) and moderate investments, should provide the company with a good cash flow profile and conditions for profit distribution. However, we see that the distribution of profits is dependent on the improvement of profitability and we believe that, at least in the short term, the company would use profits to strengthen its balance sheet (incl. the replacement of the hybrid bond). Therefore, we believe that a possible dividend is at least a few years away and depends on the success of the strategy.

EBITA % development and target level



Net debt / adj. EBITDA development



Source: Eltel, Inderes

Financial position

Significant goodwill in the balance sheet

We have reviewed Eltel's balance sheet based on end of Q1'24 figures, which we believe give a fairly up-to-date picture of its balance sheet structure and shows the effects of the coming divestment of the Polish business. The company's balance sheet total was 563 MEUR at the end of Q1'24.

At the end of Q1'24, about 44% of the balance sheet assets consisted of goodwill (249 MEUR), which the company has accumulated during its history via acquisitions. Eltel disclosed at year-end 2022 that the value of goodwill in the Sweden (56.4 MEUR) and Norway (73.5 MEUR) segments was sensitive to impairment in case of negative changes to estimated cash flows or a further increase in discount rates (WACC). However, in 2023 according to the company, both country units have focused on evolving their customer base and offerings, which are expected to impact the business positively in future years. Additionally, WACC also decreased for both country units during 2023. We see that risks of impairment are still high at least before a stronger turnaround in profitability in these country units.

Conversely, intangible assets (mostly brands) were small (32 MEUR). In turn, Eltel had 61 MEUR of tangible assets (including right-of-use assets), consisting mainly of machinery and equipment required for business operations. Furthermore, in non-current assets it also had 25 MEUR worth of deferred tax assets (tax loss carry forwards) and 14 MEUR of financial assets.

Current assets consisted mainly of receivables (147 MEUR) and to a lesser extent of inventory (15 MEUR) and cash (17 MEUR). Of the receivables, around 62 MEUR consisted of trade receivables and 66 MEUR of contract assets (mainly recognized revenue that is not yet invoiced). Additionally, it had 3 MEUR assets held for sale related to the Polish business. We consider the company's assets to be liquid, and, except for some of the goodwill, we don't believe that there are significant risks related to the value of other assets in the balance sheet.

Hybrid bond improves balance sheet ratios

Equity attributable to shareholders of the parent company in the balance sheet amounted to 158 MEUR and non-controlling interest amounted to 8 MEUR. Total equity also included a 25 MEUR hybrid bond, which in IFRS standards is classified as equity and is subordinated to other debt obligations. Reflecting this, the company's equity ratio was at a solid level of 38%. It is good to note that this includes the hybrid bond and, therefore the balance sheet is not as strong as it might seem at first glance.

Respectively, interest-bearing debt (including leasing liabilities) in the balance sheet amounted to 131 MEUR and thus, Eltel had a net debt of 115 MEUR at the end of Q1'24. Relative to the adjusted EBITDA in last 12 months, this corresponded to a net debt/adj. EBITDA multiplier of around 3.5x, which in our view was on a slightly elevated level (target level 1.5x-2.5x), especially considering that the net debt doesn't contain the hybrid bond. Therefore, we see that improving the profitability and cash flow is also essential to strengthen the balance sheet. However, we see Eltel's current credit facilities to be sufficient.

The company had roughly 233 MEUR in non-interest-bearing liabilities. The majority of these consisted of current trade and other payables (157 MEUR) and advances received (i.e. contract liabilities, 49 MEUR), which chiefly comprise items related to projects. Furthermore, liabilities associated with assets held for sale were at 7 MEUR.

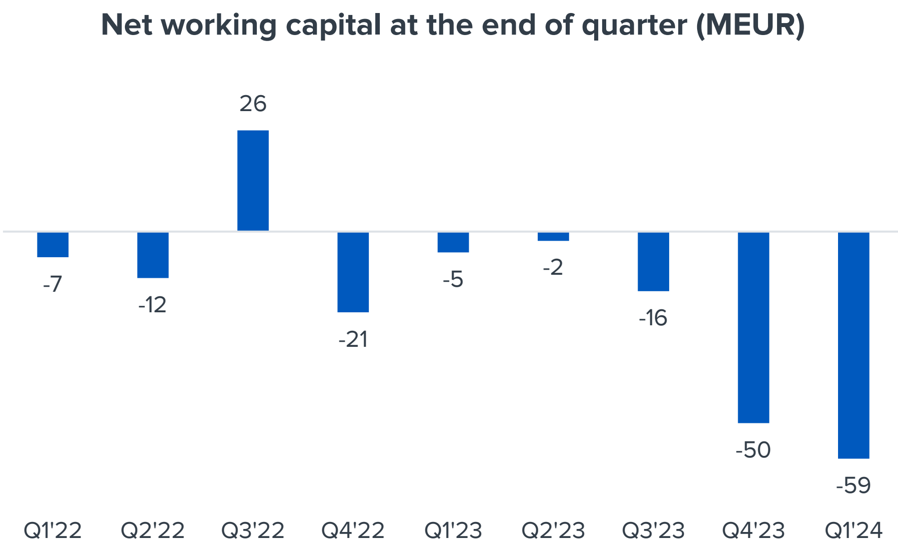
Terms of the hybrid bond

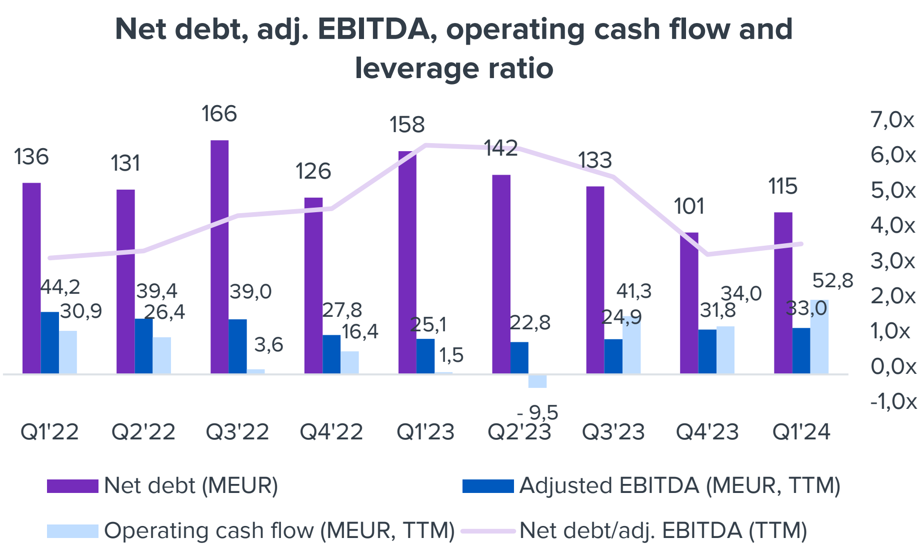
Eltel issued a 25 MEUR hybrid bond with a 13.25% interest in April 2023 (payment once a year on July 6). The hybrid bond is sustainability-linked and there is a premium of up to 1.2% of the principal amount if the targets measured are not met at the end of 2025. The hybrid bond has no maturity date, but Eltel has the right to redeem it on the so-called reset day in July 2026 and at every interest payment date thereafter. If the company does not redeem the loan at that time, its interest rate will rise (3-month EURIBOR + spread 10.3% + margin 5%). Therefore, the loan is most likely redeemed at that time and re-financed with ordinary debt.

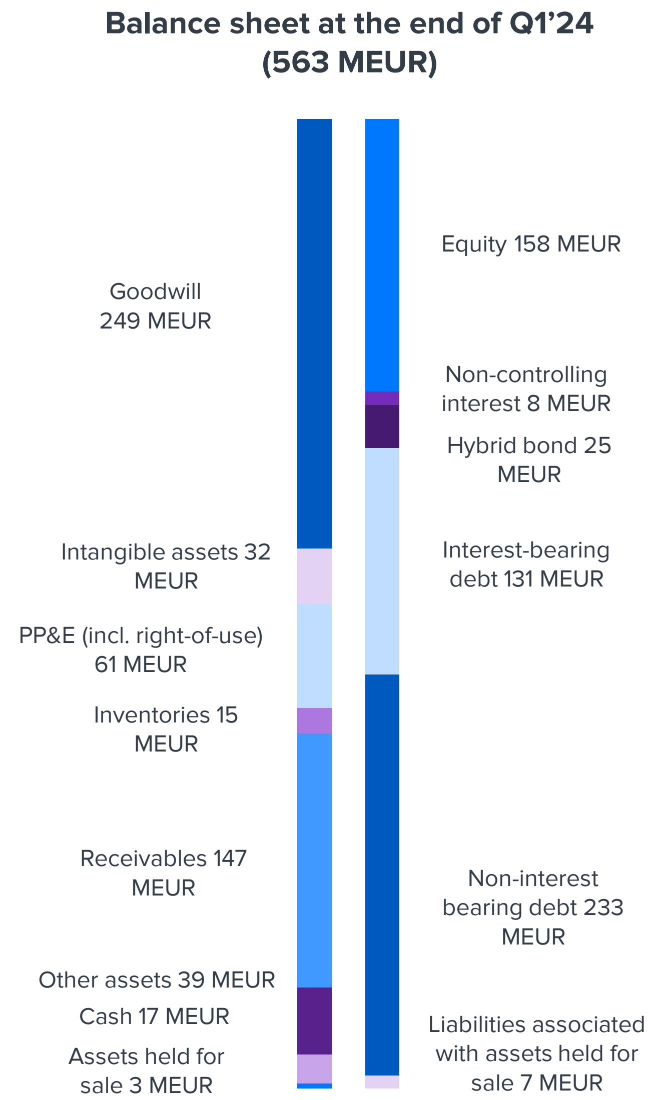
In connection with the issue, Eltel said that the net proceeds from the issue would be used for partially refinancing certain existing indebtedness of Eltel and to support its expansion within renewable energy infrastructure and efforts to improve profitability. If the company's situation has not developed as expected, we also find it is possible to issue a new hybrid bond ahead of the reset date.

It is good to note that, without the hybrid bond, the company's net debt/adj. EBITDA would have been 4.2x at the end of Q1'24. So, in this sense, the hybrid bond improved the situation quite a bit, which is important especially as it is likely keeping Eltel's interest expenses at a more favorable level for the other loans. On the other hand, we believe that the hybrid bond limits somewhat, e.g., dividend payment and acquisition possibilities in the next few years.

Financial position







Source: Eltel, Inderes

Estimates 1/4

Estimate model

We forecast the development of Eltel's business at business unit level. In the short term, we forecast revenue through the estimated market growth, the company's relative competitiveness and position and through the development of the order backlog, even though the company has not published its geographical structure specifically. As for profitability, we model each business unit at the EBITA level. In terms of evaluating profitability, we focus on the expected growth, historical figures and overall profitability potential of Eltel's current businesses.

In the longer term, we forecast revenue growth based on the expected development of investment levels and the long-term potential of the market. In turn, our profitability forecast is based on the average profitability level in the industry and our assessment of Eltel's competitiveness, which is also partly based on historical development and our assessment of the company's profitability potential. Our estimates don't include possible acquisitions, as these are virtually impossible to model. However, as mentioned above, we do not expect Eltel to have the financial scope for major acquisitions, at least in the short term.

Estimates for 2024

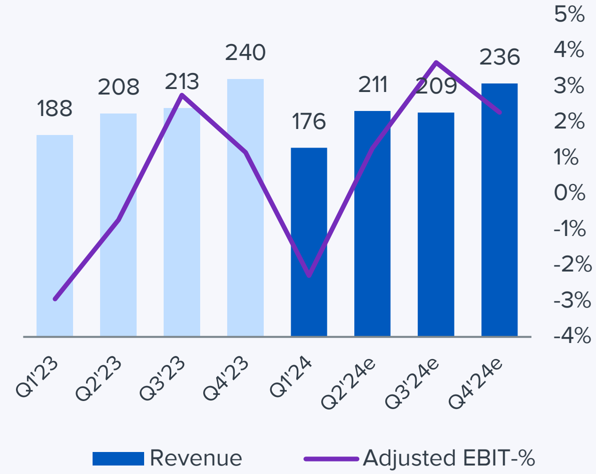
Eltel does not give guidance or any detailed comments about their outlook, which we think implies the cyclical nature of investments especially in the short term. In the first quarter Eltel's revenue was 176 MEUR and adjusted EBITA -4.0 MEUR. Respectively, the reported EBIT was -27.2 MEUR, which was affected by the divestment of the High Voltage Poland (the company recorded -23.2 MEUR in Q1 related to the transaction).

In turn, the group's committed order backlog was on a good level at the Q1'24 (592 MEUR), which gives a solid backbone for the rest of the year, even though the total order backlog will not be recognized in the current year. Therefore, despite the current economic slowdown and uncertainties (incl. inflation, interest rate developments), we believe that Eltel is decently positioned for the current year, especially in Finland, where demand for fiber and investments in Power are expected to be at good levels excluding Power distribution where the updated regulation has postponed investments from the customers.

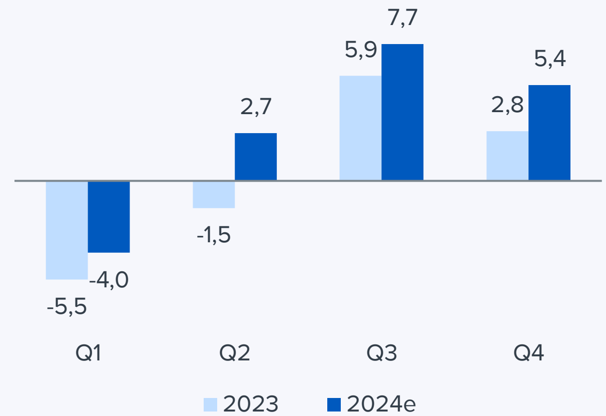
Furthermore, Eltel is expanding its offering in Power's new business in the Swedish market, which could have a positive impact on the country unit's development, if they succeed in their efforts. According to our understanding, the demand for smart meters has also stayed at a good level in Sweden. Furthermore, 2023 was positive for Eltel's new sales in Sweden and Norway, where signed new contracts were higher than in the year before. However, the company stated in its Q1 report that it still had problems of getting sales from its existing frame agreements in Norway, and thus we expect the negative pressure to continue in the country unit. In turn, we expect that reported figures in these country units will not get anymore headwind from the depreciations of SEK and NOK.

By contrast, we believe Eltel finalized some larger projects in 2023 in Denmark and the new signed contracts were at a modest level last year. Therefore, the country unit must be successful in its sales efforts this year, but all in all, we anticipate that it might be hard for it to grow this year at least significantly.

Revenue and EBITA % (adj.)



Adjusted EBITA development (MEUR)



Source: Inderes

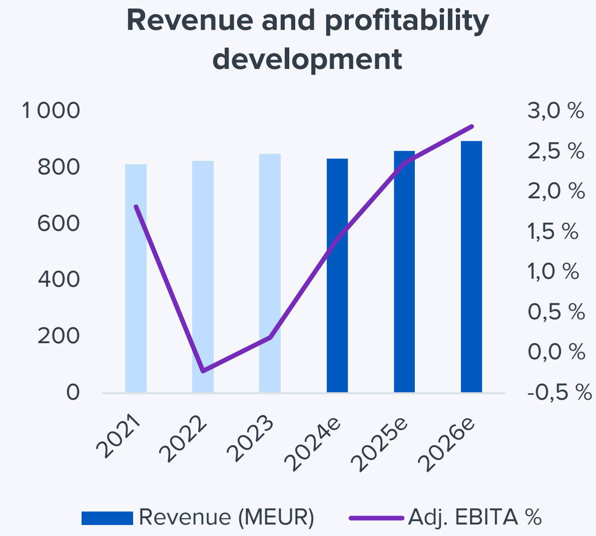
Estimates 2/4

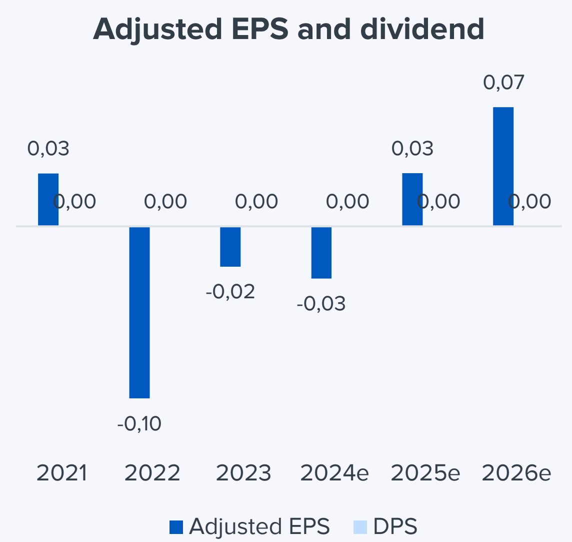
In turn, visibility to the Other business unit is very limited, but we estimate that its demand outlook will be in line with recent years. On the other hand, the divestment of the Polish business will have a major impact for the business unit's development from the Q3 onwards (we have estimated that deal will be finalized during June 2024). It is also good to notice that we estimate that Other business unit's margins have been in recent history over the group's target margin adjusted to the High Voltage Poland's significant losses. Therefore, we see that the divestment will push its margins clearly upwards from the Q3'24 onwards.

Against this backdrop, we expect Eltel's revenue to decrease about 2% to 833 MEUR. At country level, we expect the main contributor to be Finland with around 4% revenue growth. We also estimate that Sweden will also report growth of 3% supported by currency rates. Respectively, we expect Denmark's revenue to remain flat. In Norway we estimate the negative trend to continue and its revenue to decline around 8%, but the decline to ease out from the Q1 (Q1'24 revenue declined 21 %) during the year. Furthermore, like stated earlier we estimate the Other business unit's reported revenue to decline heavily from the Q3 onwards due to the divestment of the High Voltage Poland, but adjusted to this, remaining quite flat on yearly basis. We consider possible macroeconomic headwinds the main risk for the group's revenue development, which could cause investments to be postponed even further.

Supported by an increasing share of new commercial terms, efficiency improvements and the divestment of the loss-making Polish business we estimate that the group's EBITA margin will improve to 1.4 %, which is still quite a modest level. On absolute terms this corresponds to 11.7 MEUR. At country level, we expect the improvement to come from all business units besides Denmark, where we expect the margin level to remain quite flat. In Finland, we estimate that growing volumes will support the country unit's profitability. On the other hand, in Norway, we expect that last year's cost savings will bear fruit and the country unit segment can get back to the black numbers in H2 (slightly in red for the whole year). In Sweden, we anticipate new commercial terms to support profitability improvement slightly. However, we believe that the biggest improvement will be made in Other business, even though the divestment's effects will show more clearly in yearly numbers from 2025 onwards. On the group level, we expect the Group functions' costs to be around the average level of recent years (8.9 MEUR). We don't have any one-offs in our estimates besides the 23.2 MEUR recorded in Q1, and thus we forecast the reported EBIT to settle at -11.5 MEUR.

In the bottom rows of the income statement, we expect financing costs to be lower than last year at 11.7 MEUR. It's worth noting that, in addition to ordinary financial loans, these are boosted by guarantee fees paid to finance companies for project deliveries. Regarding to these, the company stated that the divestment of the Polish business will release financial guarantees by 26 MEUR and we expect this to reflect in the financial costs from Q3 onwards.





Source: Inderes

Estimates 3/4

Given the low earnings, we also expect taxes to be at a very low level. We suspect that Eltel has tax losses, especially in Sweden, but it is unclear to what extent they can be used to reduce the effective tax rate. We also expect minority interests to remain unchanged. It is also important to note that interest payments on the hybrid bond (3.3 MEUR per year, shown only in EPS) will push down the EPS. Considering this overall picture, we expect reported EPS to settle at EUR -0.18 and adjusted EPS to be -0.03.

Due to the profitability improvement and the divestment of the Polish business (incl. items related to the working capital and financial costs), we expect the operating cash flow to be 22.4 MEUR (excluding interest on the hybrid bond). In turn, we estimate that despite improving profitability, free cash flow after lease payments will be slightly negative (-5.6 MEUR). Reflecting the cash flow development, we estimate the company's net debt level to increase a little, but due to improved profitability, the leverage ratio is expected to decrease close to the company's target level (2024e net debt/adj. EBITDA: 2.6x, with hybrid bond). Despite this, we don not expect Eltel to pay dividends this year, but to keep strengthening its financial situation.

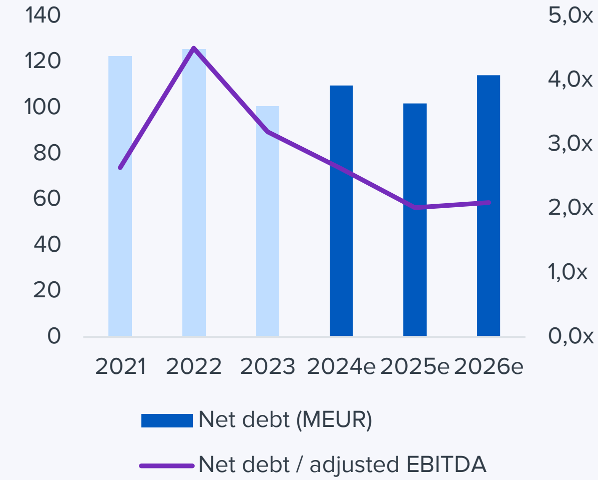
Estimates for 2025-2026

We expect the market investments to stay at good levels in Finland also in the medium term in both Communication and Power (both classic and new business), even though there are some uncertainties regarding wind power and power distribution investments. On the other hand, the Finnish solar power market appears to be quite active, which will also balance the renewable energy outlook. We also believe that Eltel will gain some ground in renewable energy and e-Mobility in Sweden in the coming years, which will support the weaker outlook in Communication. In the smaller country units, Denmark's outlook also seems solid with a more balanced portfolio. Therefore, currently the main risks are related to Norway's market outlook, where Eltel is only present in the Communication market, but new frame agreements give some support to the country unit's development if the revenue will materialize from these as expected. However, it is good to note that visibility already to the group's medium-term development is limited.

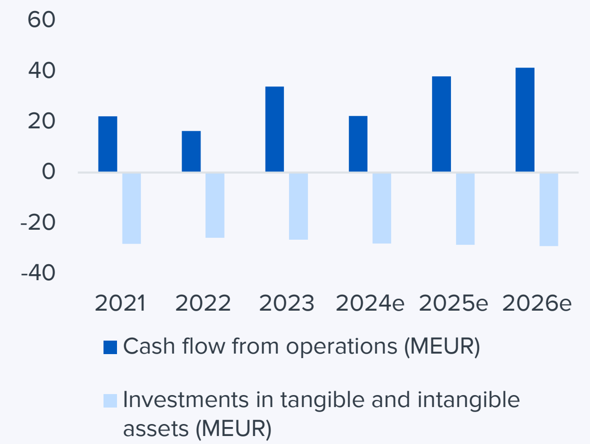
Against this backdrop, we expect Eltel's revenue to grow around 3% to 861 MEUR in 2025, which is also affected by the Polish divestment, and growth to continue in 2026 by about 4%. Hence, we expect the company to reach its growth target during the coming years. At the country unit level, we don't expect major changes in revenue distribution in the medium term, although we expect Norway to get back to growth track from 2025 onwards.

Similarly, we expect Eltel's profitability to increase through strategy implementation (i.e. price increases, new commercial terms, efficiency), the divestment of the Polish business and slightly growing volumes in the coming years. We forecast the company's EBITA margin to increase to 2.4-2.8% in 2025-2026, which implies an EBITA of 20.4-25.2 MEUR. The profitability level is still modest by industry standards and far from its competitors' levels in recent years, but on the other hand, way above the company's recent history.

Net debt and leverage ratio



Cash flow from operations and investments*



* Estimates of cash flow from operations are based on projected financing costs (excl. interests relating to hybrid bond) for the coming years. Thus, they may differ from the figures in the tables.

Source: Inderes

Estimates 4/4

In our opinion, there shouldn't be any clear obstacles from history for Eltel to reach this level and this should be more of a minimum requirement considering the nature of the business. But for the time being, we await further evidence on the development and sustainability of profitability levels. On the other hand, possible fluctuations in demand, losing a major customer or failure to implement the strategy could have a significant effect on the company's development if the cost structure remains too fixed.

In the lower lines of the income statement, we expect financial costs (including hybrid loan, until Q3'26, when we expect the loan to be redeemed at the latest) and tax rate to remain quite stable. Reflecting this, we expect the company's reported (and adjusted) EPS to settle at around EUR 0.03-0.07.

In line with the earnings development and stabilizing net working capital, we also expect cash flow from operating activities to strengthen and reach 38.0-41.5 MEUR. After the investments (incl. leasing) we forecast free cash flow to be in the range of 9.4-12.4 MEUR. We don't expect the company to pay dividends during the period, but instead to focus on strengthening its financial position, as we also consider the likely re-financing of the hybrid bond in 2026.

Reflecting this, we assume that the company's net debt will increase in 2026 due to the re-financing, but due to the improving earnings development we expect the leverage ratio to stay in the comfort zone (2025e-2026e net debt/EBITDA: 2.0-2.1x).

Long-term estimates

In the longer term, the growth of Eltel's current businesses is mostly determined by the growth drivers of the target markets presented earlier (i.e. largely by the investments of network and telecommunications companies in its target markets). On the other hand, the growth of the new businesses is supported by the large investments required by the green transition (in Eltel's case especially electrification and digitalization). However, the company's development in these areas is largely dependent on the successful implementation of the current strategy. Furthermore, the strong growth prospects in the underlying markets (especially in Power) can be expected to tighten the competitive situation in the longer term.

Reflecting this, we expect Eltel's revenue to grow on average by 2.3% per year between 2027-2033 and the growth rate to be in the current target range. For terminal growth, our forecast is 2%, in line with long-term economic growth expectations.

We also expect that the company can stabilize its profitability to decent levels (EBITA% 2.5-3.2%), even though we expect this to decline to the lower end of the range in the longer run due to increased competition and commoditizing of the markets in current new businesses. Our expectations are high compared to historical numbers, but quite low in the context of the industry and, therefore, we consider this justified. According to our assessment, there could be upward potential in both the company's growth rate and profitability, but this would require success in strategy execution, where Eltel still has a lot to prove.

Hence, we don't expect Eltel to reach its profitability target within its current businesses, where we find the 5% EBITA margin target quite demanding as mentioned earlier in the report. In our opinion, achieving the target would require price competition to ease in Eltel's core markets, and we don't see any signals of that, at least currently. Therefore, achieving the target would most likely require larger changes in the company's offering and/or revenue structure. In turn, if the company's development roughly meets our expectations, we see that strengthening the balance sheet gives Eltel leeway for M&A to expand its offering inorganically in the longer term.

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	**824**	**188**	**208**	**213**	**240**	**850**	**176**	**211**	**209**	**236**	**833**	**861**	**896**	**922**
Finland	290	64,3	85,2	96,6	98,3	344	62,4	91,2	102	103	359	377	396	409
Sweden	194	48,8	50,8	42,2	56,6	198	49,8	52,9	43,5	58,3	205	213	217	221
Norway	177	32,2	32,4	31,6	33,8	130	25,7	29,8	30,3	33,8	120	129	138	144
Denmark	74,3	21,8	21,4	21,6	28,2	93,1	21,1	21,7	21,8	28,4	93,1	94,9	96,8	98,8
Other business	99,4	22,7	20,3	23,8	26,9	93,7	18,7	17,3	14,3	16,1	66,5	57,2	57,7	58,3
Eliminations	-10,8	-1,5	-2,1	-2,5	-3,5	-9,7	-1,5	-2,3	-2,5	-3,5	-9,8	-9,8	-9,8	-9,8
EBITDA	**27,8**	**-3,7**	**5,6**	**12,7**	**10,3**	**24,8**	**-19,6**	**10,2**	**15,2**	**12,9**	**18,6**	**50,5**	**54,6**	**58,6**
Depreciation	-29,8	-7,9	-7,1	-7,7	-7,4	-30,1	-7,6	-7,5	-7,5	-7,5	-30,1	-30,2	-29,3	-29,2
EBIT (excl. NRI)	**-1,9**	**-5,5**	**-1,5**	**5,9**	**2,8**	**1,7**	**-4,0**	**2,7**	**7,7**	**5,4**	**11,7**	**20,4**	**25,2**	**29,4**
EBIT	**-2,0**	**-11,6**	**-1,5**	**5,0**	**2,9**	**-5,3**	**-27,2**	**2,7**	**7,7**	**5,4**	**-11,5**	**20,4**	**25,2**	**29,4**
Finland	8,2	-2,3	0,8	4,8	3,2	6,5	-0,3	3,5	5,1	3,5	11,8	13,9	15,8	17,6
Sweden	-1,0	0,5	0,9	0,2	1,3	2,9	0,5	1,1	0,8	1,3	3,7	5,1	5,9	6,6
Norway	2,1	-1,6	-0,8	0,7	-0,8	-2,5	-1,7	-0,4	0,8	0,5	-0,8	1,9	4,1	5,8
Denmark	0,6	1,3	1,1	1,1	1,3	4,9	0,7	1,1	1,2	1,6	4,6	4,8	4,9	5,0
Other business	-4,0	-1,0	-0,9	0,3	0,5	-1,0	-0,5	0,0	0,9	1,0	1,3	3,4	3,5	3,5
Group functions	-7,8	-2,4	-2,7	-1,2	-2,8	-9,1	-2,8	-2,6	-1,0	-2,5	-8,9	-8,9	-9,0	-9,1
Items affecting comparability	0,0	-6,1	0,0	-1,0	0,1	-7,0	-23,2	0,0	0,0	0,0	-23,2	0,0	0,0	0,0
Acquisition-related amortization	-0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net financial items	-9,5	-2,9	-3,0	-3,1	-3,7	-12,7	-3,0	-3,2	-2,7	-2,8	-11,7	-10,2	-10,0	-10,0
PTP	**-11,4**	**-14,5**	**-4,6**	**1,9**	**-0,8**	**-18,0**	**-30,2**	**-0,5**	**5,0**	**2,6**	**-23,2**	**10,2**	**15,2**	**19,4**
Taxes	-3,5	-0,6	-0,1	-0,1	11,1	10,3	-0,3	-0,1	-0,2	-0,4	-1,0	-2,0	-3,0	-3,9
Minority interest	-0,1	0,0	0,1	-0,3	-0,1	-0,3	0,0	0,0	-0,3	-0,1	-0,3	-0,2	-0,2	-0,2
Net earnings	**-15,0**	**-15,1**	**-5,3**	**0,6**	**9,3**	**-10,4**	**-31,3**	**-1,4**	**3,7**	**1,3**	**-27,7**	**4,6**	**10,3**	**15,3**
EPS (adj.)	**-0,10**	**-0,06**	**-0,03**	**0,01**	**0,06**	**-0,02**	**-0,05**	**-0,01**	**0,02**	**0,01**	**-0,03**	**0,03**	**0,07**	**0,10**
EPS (rep.)	**-0,10**	**-0,10**	**-0,03**	**0,00**	**0,06**	**-0,07**	**-0,20**	**-0,01**	**0,02**	**0,01**	**-0,18**	**0,03**	**0,07**	**0,10**

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	1,4 %	2,4 %	-0,2 %	3,1 %	7,3 %	3,2 %	-6,4 %	1,2 %	-1,9 %	-1,6 %	-2,1 %	3,4 %	4,0 %	2,9 %
Adjusted EBIT growth-%	-112,5 %	126,8 %	-431,9 %	43,2 %	-170,2 %	-189,2 %	-27,1 %	-277,0 %	30,4 %	92,6 %	612,0 %	73,2 %	24,0 %	16,6 %
EBITDA-%	3,4 %	-2,0 %	2,7 %	5,9 %	4,3 %	2,9 %	-11,1 %	4,8 %	7,3 %	5,5 %	2,2 %	5,9 %	6,1 %	6,4 %
Adjusted EBIT-%	-0,2 %	-2,9 %	-0,7 %	2,8 %	1,2 %	0,2 %	-2,3 %	1,3 %	3,7 %	2,3 %	1,4 %	2,4 %	2,8 %	3,2 %
Net earnings-%	-1,8 %	-8,0 %	-2,5 %	0,3 %	3,9 %	-1,2 %	-17,8 %	-0,7 %	1,8 %	0,6 %	-3,3 %	0,5 %	1,2 %	1,7 %

Source: Inderes

Note: EBIT (excl. NRI) corresponds to the adjusted EBITA and adjusted EBIT growth-% corresponds to adjusted EBITA growth-%

Investment profile

Eltel profiles currently as a turnaround company

Due to the challenging profit history, we view Eltel currently as a turnaround company and in our opinion, the company's strategy, which focuses especially on profitability is also in line with this. We also think that the company's strategic plans are clear and, if it succeeds in their implementation, the company has good conditions to be successful in profitability turnaround. However, due to the initial situation, we estimate that a sustainable turnaround could take time for new thinking and processes to be implemented throughout the entire organization.

When it comes to Eltel's market growth, especially in its current main services of classic communication is estimated to decline slightly in the medium term. Whereas some of its less mature market areas offer great growth and probably better margin potential, but Eltel still needs to prove that it can be successful in grasping these opportunities. Therefore, we expect the company's growth to stay at moderate levels in the medium term.

Furthermore, the company's low capital requirements and historically negative net working capital give it a good cash flow profile. Thus, by succeeding in improving profitability, we believe it would enable Eltel to firstly strengthen its balance sheet and secondly to become a regular dividend payer or direct capital to M&A and strengthen/widen its offering in new business. But the second phase is still some years away in our opinion.

Strengths and value drivers

Improving profitability: We see that the biggest positive driver for Eltel is sustainable profitability improvement. We think that the group's profitability has been clearly below its potential in recent history and also under the group target level. The main drivers are efficiency and utilization improvements, price increases and successful expansion to new markets. In our opinion, the profitability turnaround is also partly supported by the divestment of the Eltel's High Voltage Poland business.

Cash flow potential: Due to the company's good cash flow profile, profitability improvement would most likely reflect also in growing cash flow, which would enable balance sheet strengthening and other capital allocation options. Strengthening the balance sheet would also lower the company's risk level.

Strong market position in some of the markets: Eltel is a well-known player and respected among its customers. We expect this to also support the company's efforts in strategy implementation.

Stable customer base: Eltel's main customers are typically large private or public sector players, which creates some stability in demand, even though the customer base is very concentrated.

Expansion into new markets: We think that expansion to new or adjacent growing markets could enable Eltel more pricing power due to the high demand, especially in renewable energy and e-Mobility. Also, we estimate that the overall competitive situation is less tight in these markets. Therefore, we assume that these new markets could also offer higher margin potential for Eltel at least in the medium term before the competition intensifies again. In addition, expanding its offering in Power to other core markets, besides Finland, would increase its target market significantly.

Market growth outlook in new businesses: The investment prospects created by the green transition offer very promising growth prospects for the company well into the future, especially in renewable energy and e-Mobility. Electrification also supports the growth outlook in classic businesses in Power (distribution and transmission)

Risks and threats

Tight competition: Eltel operates mostly in markets, with typically tight and price-driven local competition due to the low barriers to entry and it is difficult to have any meaningful competitive advantage. Therefore, it's critical that Eltel is successful in its project selection and execution. Typically, competition also intensifies when investment levels are declining and, therefore, the risks relating to profitability increase in the weaker phase of the cycle.

Pricing and project risks: The company's typical pricing methods are unit price and fixed price models. Consequently, an upper limit has been set for the compensation Eltel can receive from the service. This means that profitable execution requires successful planning and implementation according to the schedule. Due to the industry's relatively low margins, unsuccessful pricing in individual larger projects can significantly affect profitability.

Investment profile 2/2

Dependency on investments: A significant part of the company's revenue is dependent on target market investments, which vary mainly with the investment cycles of industry players (e.g. fiber). Also, due to Eltel's customer concentration, the company is highly dependent on a few of its biggest customers' investments and renewal of frame agreements. The revenue brought by the investments also lives up to the project schedules and seasonality is typical throughout the year. According to our estimation, the labor-intensive cost structure is also less flexible than revenue. Hence, the company must succeed in the flexibility of personnel needs to reach good profitability. We also see this as the main risk regarding improving profitability.

Personnel risks: For a personnel-driven business (incl. subcontractors) to grow profitably it's particularly important to find and keep the right people in the company. We assess that there is a shortage of skilled personnel in a tight labor market. As a result, a spillover of skills outside the company and/or a failure to find new resources could make it more difficult to achieve the company's objectives.

SWOT analysis

Strengths

- Strong market position especially in classic businesses and well-known player among its customers
- Stable customer base, which gives some demand stability
- In theory, the company has a good cash flow profile

Weaknesses

- Tight competitive situation limits margins
- Dependent on investment and weak visibility to possible fluctuations in demand
- The customer portfolio is very concentrated

Opportunities

- Long-term business growth drivers are healthy, especially in Power
- Expanding into new and adjacent markets and leveraging its geographical coverage
- Broadening the customer base
- Full utilization of the earnings potential

Threats

- Loss of a major customer / challenges faced by the customer themselves
- Realization of project risks
- Scarce labor market and, thus difficulties to find skilled workforce
- Failure of the profitability turnaround

Source: Inderes

Valuation 1/4

Valuation methods

We approach the valuation of Eltel in particular with absolute valuation multiples. In addition, we use a total expected return calculation for the coming years and a DCF calculation to support the valuation.

Due to Eltel's current low profitability, the only relevant earnings-based multiple in the short term is the EV/EBITDA multiple, which also takes into account the company's balance sheet structure. In addition, we use the volume-based EV/Sales multiple as a supporting method. We see that, if the company is successful in its profitability improvement and its development is somewhat in line with our estimates it would enable better usage of other earnings-based multiples such as EV/EBIT(A) and P/E multiples. We look at the multiples, in absolute terms and in relative terms compared to a peer group.

The focus of our valuation is especially on 2024 and 2025 multiples, as visibility into Eltel's business is somewhat limited due to the company's historically volatile performance. As a result, estimates looking years ahead contain substantial uncertainty, which in turn, limits the usefulness of the valuation multiples based on them. For the same reason, the total return estimate for the coming years and the DCF model based on our long-term forecasts play a supportive role in the valuation.

Factors influencing valuation

In our view, factors affecting the acceptable valuation level of Eltel in the short- and medium-term include:

+ Strengthened committed order backlog

+ Good and relatively stable long-term investment prospects in Power

+ In theory, the company has a good cash flow profile due to moderate investment needs and historically negative net working capital

+ Successful growth to new and adjacent markets (incl. broadening the customer base)

+ The divestiture of historically loss-making Polish business, which reduces risks and partly supports the profitability turnaround

- Lack of strong competitive advantages in the sector and price-driven competition

- Historical profitability challenges

- Estimated market decline in Communication

- In a labor-intensive business, the potential for scaling up is limited

Peer group and acceptable valuation

In our opinion, Eltel's current operations have typical principles of an industrial service company, which makes it possible to assemble a decent peer group for it. The peer group consists of Nordic and international installation and field service providers with somewhat similar business models and at least some exposure to the Nordics. However, there are some differences in the business profiles (incl. profitability), focus areas, scope of services and as said, to some extent, geographical markets. Furthermore, the peer group consists of companies of very different sizes. However, we believe that the peer group provides a reasonable indication of the overall valuation picture and therefore, the relative valuation forms a quite relevant yardstick for Eltel's operations.

Valuation	2024e	2025e	2026e
Share price	0,57	0,57	0,57
Number of shares, millions	156,7	156,7	156,7
Market cap	90	90	90
EV	228	220	208
P/E (adj.)	neg.	19,5	8,7
P/E	neg.	19,5	8,7
P/B	0,5	0,5	0,5
P/S	0,1	0,1	0,1
EV/Sales	0,3	0,3	0,2
EV/EBITDA	5,5	4,4	3,8
EV/EBIT (adj.)	19,4	10,8	8,2
Payout ratio (%)	0,0 %	0,0 %	0,0 %
Dividend yield-%	0,0 %	0,0 %	0,0 %

Source: Inderes

Note: Share price in the table is EUR-based due to technical reasons. It has been calculated by using the share's closing SEK price and the latest EUR/SEK rate.

Source: Inderes

Valuation 2/4

The peer group's median EV/EBITDA multiples for 2024 and 2025 are around 7x, but it is good to notice that there are quite large variations within the peer group. Looking at the closest peers (i.e. Netel, Transtema and Enersense) the multiples drop between 5x and 3x for 2024 and 2025. Respectively, the peer group's EV/EBIT multiples for next years are around 11x and 9x and P/E multiples 14x and 12x.

The multiples are below the peer group's 7-year average, as the peer group has historically been priced at an average median EV/EBITDA multiple of 9x, EV/EBIT multiple of 12x-13x and P/E multiple of 14x-15x. Given the rise in interest rates since 2022, we think this is also quite justified (cf. zero interest rate period).

We believe that the historical profitability challenge and lower forecasted profitability (incl. return on capital, note 2024 is weighed down by the divestiture) of Eltel depress the acceptable valuation for the time being compared to the peer group as forecasted growth rates are quite equal (see below). Thus, we think it is justified that the company is priced at a discount to the peers. In addition, we believe that the dynamics of the industry (e.g. limited scalability) partly limit the acceptable multiples. Reflecting this overall picture and factors that have previously influenced valuation, we believe Eltel's acceptable valuation range is currently around 4x-7x at EV/EBITDA, 7x-11x at EV/EBIT and 9x-13x at P/E.

Given the company's track record, we believe that in the short term, it's justified to value the stock between the lower end and the midpoint of the range. However, it's good to note that we don't see much more downward pressure in the acceptable valuation if the company is even somewhat successful in its profitability improvement, which is also supported by the divestiture of High Voltage Poland. In addition, we see the sustainable profitability improvement as a gradual positive driver for the acceptable valuation.

Absolute valuation

Based on our current estimates, Eltel's adjusted EV/EBITDA multiple is around 5x for 2024 and 4x for 2025. Hence, we think that these are at quite neutral levels. However, the corresponding EV/EBIT multiples are 19x and 11x, whereas this year's P/E multiple falls negative and next year's multiple is still elevated, 19x. Thus, looking at this year, we believe that the overall earnings-based valuation is challenging. Whereas we argue next year's overall earnings-based valuation is more in neutral territory, at least what comes to EV-based multiples.

However, if the development continues on the path we expect, we believe there might be some upside in the 2026 multiples (EV/EBITDA 4x, EV/EBIT 8x, P/E 9x) with the profitability improvement remaining intact. Due to Eltel's volatile track record, it is, however, hard to lean too much on this, due to the still uncertain profitability improvement. Hence, we believe that the current share price already includes a profitability turnaround. Thus, we see the stock's main return driver to be a faster and stronger profitability turnaround than our current expectations.

	P/E		EV/EBIT		EV/EBITDA		Sales growth (average)		EBIT % (average)		ROIC % (average)	
Company	**FY24e**	**FY25e**	**FY24e**	**FY25e**	**FY24e**	**FY25e**	**2020-23**	**2024e-26e**	**2020-23**	**2024e-26e**	**2020-23**	**2024e-26e**
Eltel (Inderes)	**neg.**	**19,5**	**19,4**	**10,8**	**5,5**	**4,4**	**-6 %**	**2 %**	**1 %**	**2 %**	**2 %**	**3 %**
Bravida Holding	14,2	11,9	11,5	9,9	8,3	7,6	10 %	2 %	6 %	6 %	13 %	13 %
Enersense International		23,0	16,4	7,9	4,5	4,0	64 %	7 %	1 %	2 %	5 %	9 %
Instalco	17,9	14,4	16,0	13,9	10,4	9,6	26 %	4 %	7 %	7 %	13 %	13 %
Netel Holding	6,7	4,9	7,2	6,0	5,1	4,5	24 %	6 %	5 %	6 %	6 %	10 %
Spie SA	14,9	13,5	12,1	11,0	8,3	7,6	6 %	8 %	4 %	7 %	5 %	11 %
Transtema	11,0	6,7	10,3	7,1	3,8	3,2	14 %	-1 %	6 %	4 %	19 %	15 %
Vinci Energies	13,3	12,4	10,0	9,5	7,0	6,6	10 %	4 %	9 %	12 %	6 %	16 %
Median	**13,8**	**12,4**	**11,5**	**9,5**	**7,0**	**6,6**	**14 %**	**4 %**	**6 %**	**6 %**	**6 %**	**13 %**
Average	**13,0**	**12,4**	**11,9**	**9,3**	**6,8**	**6,2**	**22 %**	**4 %**	**6 %**	**6 %**	**10 %**	**12 %**

Source: Refinitiv / Inderes

Valuation 3/4

In terms of the volume-based valuation, the company's EV/Sales multiples for the coming years are around 0.3x, which are on low levels and give some backbone to the valuation. On the other hand, these levels also indicate Eltel's low profitability and thus, volume-based multiples should be low. However, it is difficult to see a clear downside in volume-based valuation without the company going into crisis. EV/Sales multiples are also low compared to peer valuation (EV/S 2024e-2025e 0.6x), which we find justified due to Eltel's lower profitability. It is also good to notice that the closest peers' volume-based valuation is in line with Eltel's.

Total expected return in the coming years

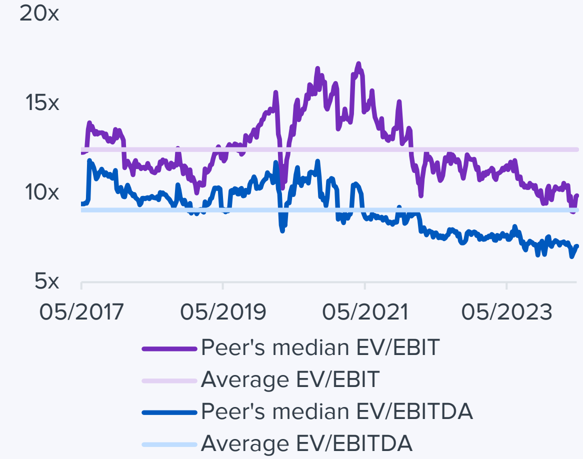
We have also looked at an investor's expected return over the next few years by simplifying the acceptable valuation and our 2026 earnings estimates. In our view, Eltel's businesses could be valued at 9x-10x EV/EBIT and around 11x-12x P/E at the end of 2026 based on our current estimates, if the profitability improvement is still intact and there are no major changes in the company's growth outlook. The multiples would be broadly in line with the peers' current valuation but below the peer group's historical levels given Eltel's still lower profitability.

Based on this and our current estimates, we believe that Eltel could be valued at roughly SEK 8.3-9.6 per share at the end of 2026 (with the current EUR/SEK currency rate). At the current share price of SEK 6.60, we estimate that the expected annual return would be around 9-16%. As mentioned in the Estimates section, we don't expect investors to receive any base return from dividends in the medium term. Therefore, in this scenario, the total annual expected return would on average be slightly over the 11.0 % cost of equity that we use. As described earlier due to Eltel's volatile historical performance and limited visibility, we use the total expected return only as a supporting method in the valuation as it is hard to lean strongly on a sustainable profitability improvement at this stage. It is also good to notice that the expected return heavily relies on the margin improvement in 2026, a margin level that Eltel has not reached since 2015. However, in our opinion, this indicates the stock's potential if the company succeeds in its turnaround as we forecast, which shouldn't be impossible compared to the peers' historical performance.

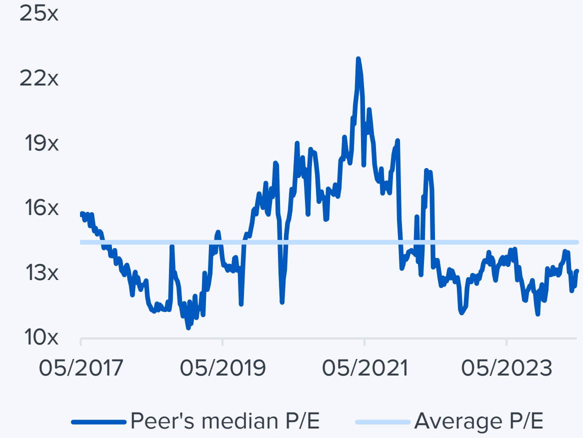
In a positive medium-term scenario, the expected return rises to a very attractive level

Assuming that Etlel's growth continues on the path we forecast until the end of 2026, but the company's profitability turnaround is faster than we expect, and it is able to raise its EBITA margin (same as the EBIT margin in our estimates after 2024) to 2.0% in 2024, 3.0% in 2025 and 4.0% in 2026, the company's operating profit would be 35.8 MEUR in 2026. If the company's growth prospects were still in line with our expectations, we believe the stock could be priced at an EV/EBIT of 10x-11x. This would give the company a debt-free value of 358-394 MEUR. Similarly, with our net debt assumptions adjusted for the increase in profitability and keeping other parameters intact, this would correspond to a market value of 262-298 MEUR or SEK 19.2-21.9 per share. Translated into an annualized return, this would mean around 51-59% without potential dividends. In this scenario, the investor's expected annual return would be very attractive. However, due to the historical performance, the probability of this scenario doesn't allow us to rely on it, and in our opinion, this should be treated as an optimistic target scenario.

Peer group's 12-month FW EV-based valuation (median)



Peer group's 12-month FW P/E (median)



Source: Bloomberg, Inderes

Valuation 4/4

The pessimistic scenario still holds a lot of downside

In a pessimistic scenario (EBITA margin 2024: 1.0%, 2025 1.5% and 2026 2.0%) the stock could be priced at an EV/EBIT of 8x-9x. This would give the company a debt-free value of 143-161 MEUR. Similarly, with our net debt assumptions adjusted for the lower profitability, this would correspond to a market value of 14-32 MEUR or around SEK 1.0-2.3 per share, well below the current share price. We feel these scenarios demonstrate the importance of profitability improvement and how different profitability developments affect a turnaround company.

Cash flow-based valuation

We also give partial weight to the DCF model in the valuation. It's worth noting that the model is very sensitive to terminal period variables, but we believe we have used sufficiently conservative estimates for these compared to the industry context, even though our profitability estimate is way above Eltel's recent history. But as earlier argued, we think that our profitability estimates are more of a minimum requirement considering the nature of the business.

Our cash flow model is based on our long-term assumptions discussed in the Estimates section. As stated, we expect revenue growth for the terminal period to be 2% and we have set our EBIT margin at 2.5%. The weight of the terminal in the model is 47%, which we consider a reasonable level. We estimate that our current cost of capital (WACC% 10.2% and CoE 11.0%) is over the median required rate of return of the stock market. In our view, there is room for a gradual decline in the required return, if Eltel is successful in its profitability turnaround which would decrease the company's risk level and/or due to a fall in interest rates.

Our DCF model indicates a value of EUR 0.67 per share (SEK 7.8). Thus, the DCF value is slightly above the current share price and in our view, reflects the expectations in the current stock price quite well.

Summary of the valuation

We have assessed Eltel's valuation from different angles and believe that the share's overall earnings-based valuation is challenging for this year. On the other hand, we think that the share is currently rather neutrally valued given our coming years' estimates. However, it is good to notice that we currently forecast a clear improvement in profitability, where we at this point see elevated uncertainty due to the volatile historical performance.

Respectively, our estimate of the fair value of Eltel's share is currently around SEK 6.0-9.0 per share (EUR 0.52-0.78), which is based on the acceptable valuation multiples we apply, the cash flow model and peer valuation. We consider the most significant drivers for the fair value to be the profitability improvement and strengthening cash flow which would also strengthen Eltel's financial situation and lower the price of debt financing (incl. re-financing of the hybrid bond in the future). In our opinion, these would also have a gradual downward effect on the share's risk level, which in turn would have a positive impact on the share's required return. This is a factor that controls the acceptable valuation, which might have room to increase.

Reflecting this overall picture, we see the risk-adjusted expected return on the share to be below the cost of equity we use over the next 12 months. Hence, we initiate the coverage with a Reduce recommendation and a target price of SEK 7.20.

TSR drivers 2023-2026e

Positive | Neutral | Negative

Profit drivers

- Solid organic growth in coming years
- Profitability improves to decent levels via the company's strategic initiatives
- Uncertainty about the slope of the profitability growth due to the company's volatile track record

→ EBIT increases significantly and EPS to black numbers

Dividend yield drivers

- Moderate investment needs create the condition for a good cash flow profile
- Balance sheet needs strengthening (incl. re-financing of the hybrid bond)
- Free cash flow in moderate levels and thus incomes are directed to strengthen financial situation

→ Dividend yield % 0% p.a.

Valuation multiple drivers

- With current share price 2023 actual EV/EBITA > 100x, P/E neg.
- 2026e multiples on a neutral territory (EV/EBIT 8x, P/E 9x)
- DCF model SEK 7.8 per share

→ Clear downside potential in multiples with actualized result

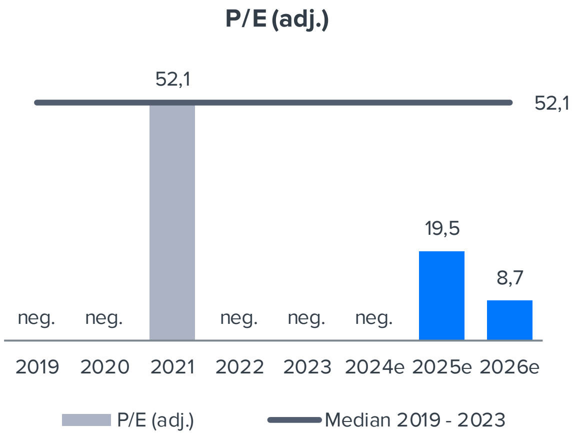
Total expected return is positive, but below the required rate of return.

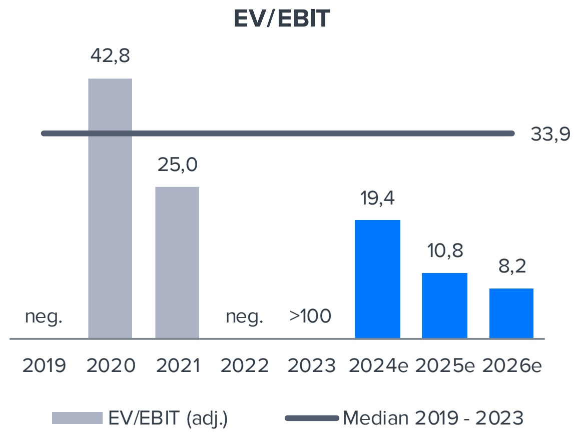
Source: Inderes

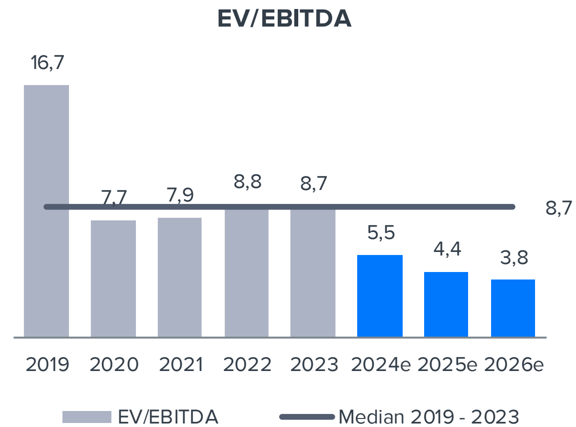
Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	1,82	2,24	1,53	0,74	0,55	**0,57**	**0,57**	**0,57**	**0,57**
Number of shares, millions	156,6	156,6	156,6	156,7	156,7	**156,7**	**156,7**	**156,7**	**156,7**
Market cap	286	351	239	115	86	**90**	**90**	**90**	**90**
EV	495	488	369	245	214	**228**	**220**	**208**	**191**
P/E (adj.)	neg.	neg.	52,1	neg.	neg.	**neg.**	**19,5**	**8,7**	**5,9**
P/E	neg.	74,7	55,7	neg.	neg.	**neg.**	**19,5**	**8,7**	**5,9**
P/B	1,3	1,7	1,1	0,6	0,4	**0,5**	**0,5**	**0,5**	**0,5**
P/S	0,3	0,4	0,3	0,1	0,1	**0,1**	**0,1**	**0,1**	**0,1**
EV/Sales	0,5	0,5	0,5	0,3	0,3	**0,3**	**0,3**	**0,2**	**0,2**
EV/EBITDA	16,7	7,7	7,9	8,8	8,7	**5,5**	**4,4**	**3,8**	**3,3**
EV/EBIT (adj.)	neg.	42,8	25,0	neg.	>100	**19,4**	**10,8**	**8,2**	**6,5**
Payout ratio (%)	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %	**0,0 %**	**0,0 %**	**0,0 %**	**0,0 %**
Dividend yield-%	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %	**0,0 %**	**0,0 %**	**0,0 %**	**0,0 %**

Source: Inderes







Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**
Bravida Holding	1474	1657	11,5	9,9	8,3	7,6	0,6	0,6	14,2	11,9	4,3	4,5	1,9
Enersense International	43	82	16,4	7,9	4,5	4,0	0,2	0,2		23,0	1,9	3,9	1,0
Instalco	947	1299	16,0	13,9	10,4	9,6	1,0	1,0	17,9	14,4	1,8	2,0	2,9
Netel Holding	61	125	7,2	6,0	5,1	4,5	0,4	0,4	6,7	4,9	4,0	5,6	0,6
Spie SA	6246	7538	12,1	11,0	8,3	7,6	0,8	0,7	14,9	13,5	2,7	3,1	2,9
Transtema	43	66	10,3	7,1	3,8	3,2	0,3	0,3	11,0	6,7			0,8
Vinci Energies	67507	86513	10,0	9,5	7,0	6,6	1,2	1,2	13,3	12,4	4,2	4,6	2,2
Eltel (Inderes)	**90**	**228**	**19,4**	**10,8**	**5,5**	**4,4**	**0,3**	**0,3**	**-19,9**	**19,5**	**0,0**	**0,0**	**0,5**
Average			**11,9**	**9,3**	**6,8**	**6,2**	**0,7**	**0,6**	**13,0**	**12,4**	**3,1**	**3,9**	**1,7**
Median			**11,5**	**9,5**	**7,0**	**6,6**	**0,6**	**0,6**	**13,8**	**12,4**	**3,3**	**4,2**	**1,9**
Diff-% to median			***70 %***	***14 %***	***-22 %***	***-34 %***	***-57 %***	***-59 %***	***-245 %***	***57 %***	***-100 %***	***-100 %***	***-75 %***

Source: Refinitiv / Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**372**	**387**	**381**	**380**	**380**
Goodwill	256	254	249	249	249
Intangible assets	35,3	32,9	33,0	33,1	33,2
Tangible assets	57,2	62,4	60,3	58,7	58,3
Associated companies	0,0	0,0	0,0	0,0	0,0
Other investments	0,0	0,0	0,0	0,0	0,0
Other non-current assets	7,1	9,8	14,2	14,2	14,2
Deferred tax assets	16,3	27,9	24,8	24,8	24,8
Current assets	**250**	**238**	**199**	**206**	**214**
Inventories	24,8	17,3	11,7	12,1	12,5
Other current assets	0,0	0,0	0,0	0,0	0,0
Receivables	177	196	158	164	170
Cash and equivalents	47,9	24,7	29,1	30,1	31,3
Balance sheet total	**622**	**624**	**580**	**586**	**594**

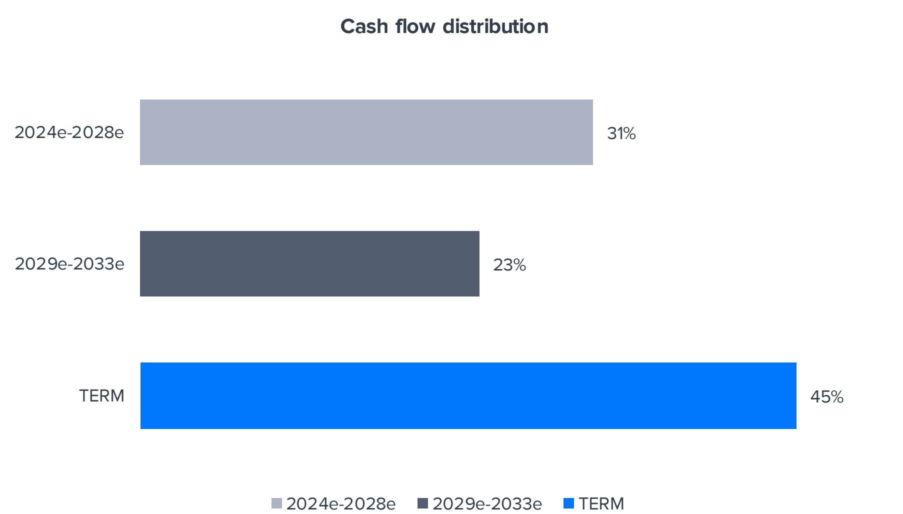
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**211**	**224**	**196**	**201**	**186**
Share capital	160	162	162	162	162
Retained earnings	-381,2	-390,8	-418,5	-413,9	-403,6
Hybrid bonds	0,0	25,0	25,0	25,0	0,0
Revaluation reserve	0,0	0,0	0,0	0,0	0,0
Other equity	426	420	420	420	420
Minorities	7,4	7,6	7,7	7,7	7,7
Non-current liabilities	**85,2**	**75,5**	**80,0**	**77,1**	**90,1**
Deferred tax liabilities	10,3	11,3	10,7	10,7	10,7
Provisions	2,6	3,4	3,4	3,4	3,4
Interest bearing debt	65,7	54,6	59,7	56,8	69,8
Convertibles	0,0	0,0	0,0	0,0	0,0
Other long term liabilities	6,6	6,2	6,2	6,2	6,2
Current liabilities	**325**	**325**	**304**	**308**	**318**
Interest bearing debt	107	70,3	79,2	75,2	75,7
Payables	215	251	221	229	238
Other current liabilities	3,3	3,7	3,7	3,7	3,7
Balance sheet total	**622**	**624**	**580**	**586**	**594**

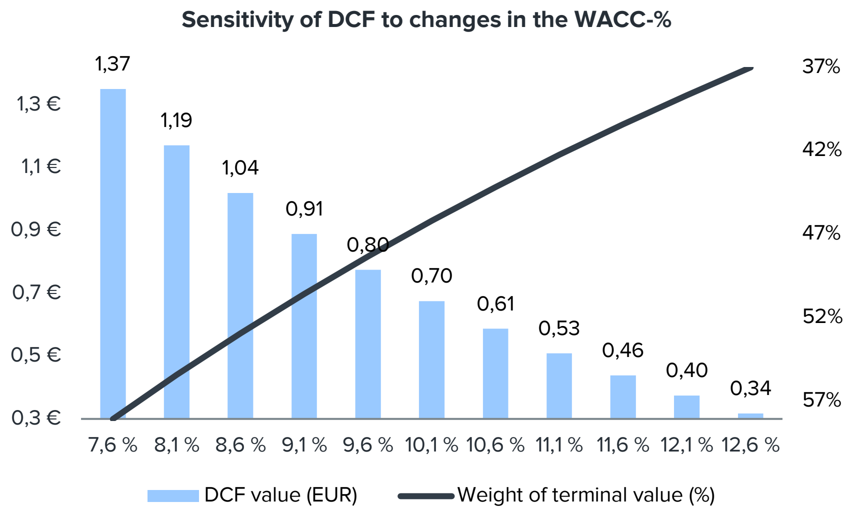
DCF calculation

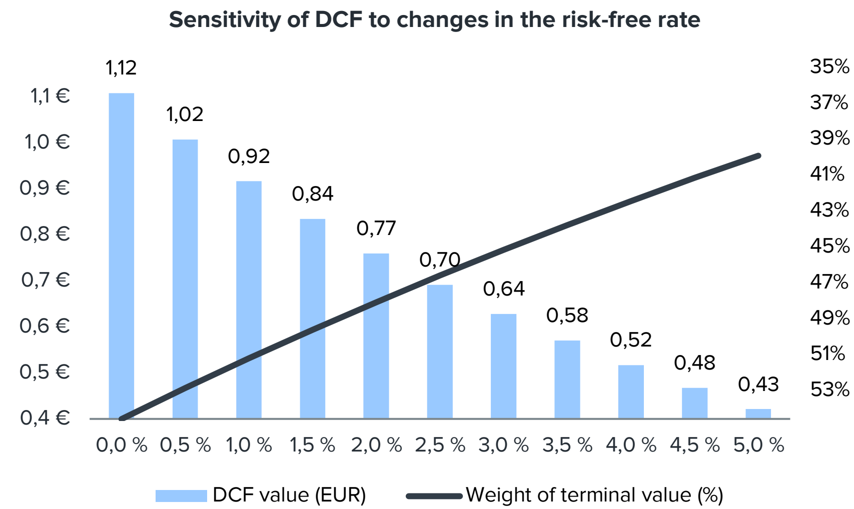
DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	3,2 %	-2,1 %	3,4 %	4,0 %	2,9 %	2,5 %	2,4 %	2,3 %	2,2 %	2,1 %	2,0 %	2,0 %
EBIT-%	-0,6 %	-1,4 %	2,4 %	2,8 %	3,2 %	3,2 %	3,0 %	3,0 %	2,7 %	2,5 %	2,5 %	2,5 %
EBIT (operating profit)	**-5,3**	**-11,5**	**20,4**	**25,2**	**29,4**	**30,2**	**29,0**	**29,7**	**27,3**	**25,8**	**26,3**	
+ Depreciation	30,1	30,1	30,2	29,3	29,2	29,3	29,7	30,1	30,5	31,0	31,3	
- Paid taxes	-0,3	1,5	-2,0	-3,0	-3,9	-4,0	-3,8	-3,9	-3,5	-3,2	-4,5	
- Tax, financial expenses	-2,5	0,5	-2,0	-2,0	-2,0	-2,0	-2,0	-2,0	-2,0	-2,0	-0,7	
+ Tax, financial income	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
- Change in working capital	25,8	13,4	1,8	2,1	1,6	1,4	1,4	1,4	1,3	1,3	1,3	
Operating cash flow	**47,7**	**34,1**	**48,2**	**51,7**	**54,3**	**54,9**	**54,3**	**55,2**	**53,7**	**53,0**	**53,6**	
+ Change in other long-term liabilities	0,4	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
- Gross CAPEX	-33,2	-28,0	-28,6	-29,1	-29,6	-30,1	-30,6	-31,1	-31,6	-31,6	-31,9	
Free operating cash flow	**15,0**	**6,1**	**19,6**	**22,6**	**24,7**	**24,8**	**23,7**	**24,1**	**22,1**	**21,4**	**21,8**	
+/- Other	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
FCFF	15,0	6,1	19,6	22,6	24,7	24,8	23,7	24,1	22,1	21,4	21,8	270
Discounted FCFF		**5,7**	**16,8**	**17,5**	**17,4**	**15,9**	**13,8**	**12,7**	**10,6**	**9,3**	**8,6**	**106**
Sum of FCFF present value		235	229	212	195	177	161	147	135	124	115	106
Enterprise value DCF		**235**										
- Interest bearing debt		-149,9										
+ Cash and cash equivalents		24,7										
-Minorities		-3,7										
-Dividend/capital return		0,0										
Equity value DCF		**106**										
Equity value DCF per share		**0,67**										
Equity value DCF per share (SEK)		**7,8**										

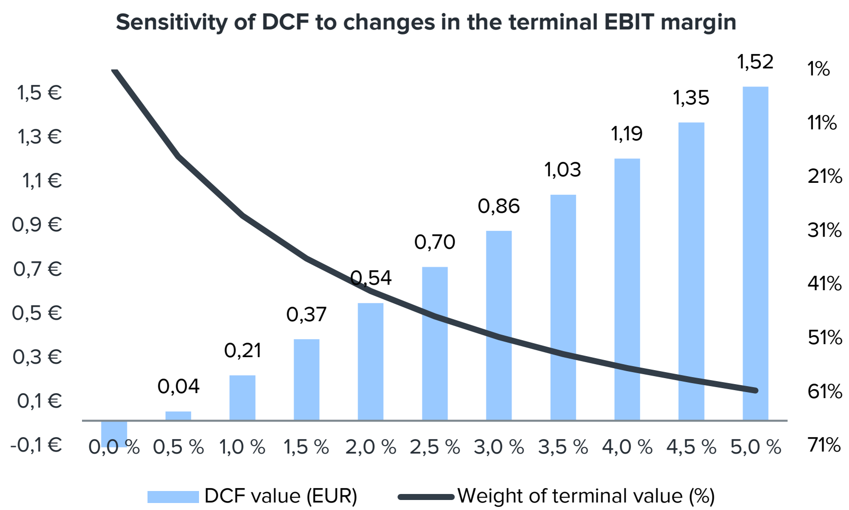
WACC	
Tax-% (WACC)	20,0 %
Target debt ratio (D/(D+E)	25,0 %
Cost of debt	10,0 %
Equity Beta	1,40
Market risk premium	4,75 %
Liquidity premium	1,80 %
Risk free interest rate	2,5 %
Cost of equity	**11,0 %**
Weighted average cost of capital (WACC)	**10,2 %**

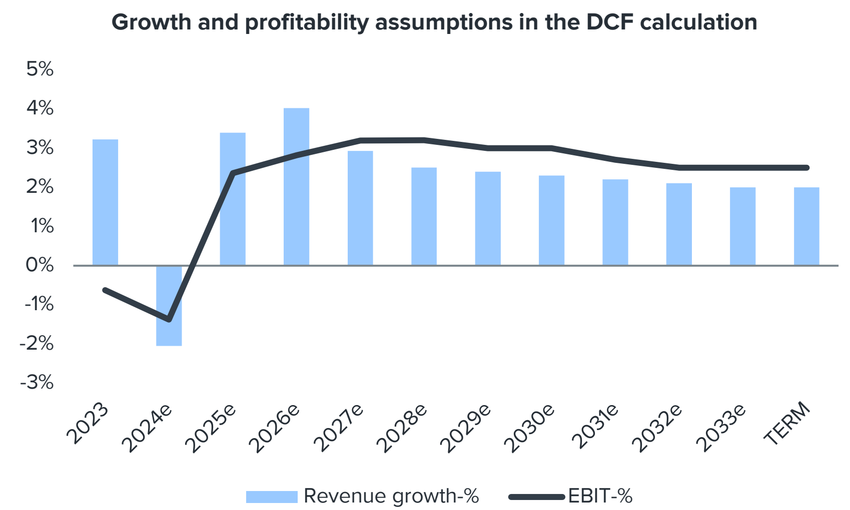


DCF sensitivity calculations and key assumptions in graphs









Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2021	2022	2023	2024e	2025e
Revenue	812,6	823,6	850,1	**832,7**	**860,9**
EBITDA	46,5	27,8	24,8	**18,6**	**50,5**
EBIT	14,5	-2,0	-5,3	**-11,5**	**20,4**
PTP	8,7	-11,4	-18,0	**-23,2**	**10,2**
Net Income	4,3	-15,0	-10,4	**-27,7**	**4,6**
Extraordinary items	-0,3	-0,1	-7,0	**-23,2**	**0,0**

Balance sheet	2021	2022	2023	2024e	2025e
Balance sheet total	630,8	621,7	624,2	**580,4**	**585,6**
Equity capital	227,9	211,3	223,6	**196,0**	**200,6**
Goodwill	265,0	256,0	253,6	**249,1**	**249,1**
Net debt	121,8	125,0	100,2	**109,8**	**101,9**

Cash flow	2021	2022	2023	2024e	2025e
EBITDA	46,5	27,8	24,8	**18,6**	**50,5**
Change in working capital	-16,1	5,2	25,8	**13,4**	**1,8**
Operating cash flow	25,8	29,3	47,7	**34,1**	**48,2**
CAPEX	-19,5	-14,7	-33,2	**-28,0**	**-28,6**
Free cash flow	3,6	6,1	15,0	**6,1**	**19,6**

Valuation multiples	2021	2022	2023	2024e	2025e
EV/S	0,5	0,3	0,3	**0,3**	**0,3**
EV/EBITDA	7,9	8,8	8,7	**5,5**	**4,4**
EV/EBIT (adj.)	25,0	neg.	>100	**19,4**	**10,8**
P/E (adj.)	52,1	neg.	neg.	**neg.**	**19,5**
P/B	1,1	0,6	0,4	**0,5**	**0,5**
Dividend-%	0,0 %	0,0 %	0,0 %	**0,0 %**	**0,0 %**

Source: Inderes

Per share data	2021	2022	2023	2024e	2025e
EPS (reported)	0,03	-0,10	-0,07	**-0,18**	**0,03**
EPS (adj.)	0,03	-0,10	-0,02	**-0,03**	**0,03**
OCF / share	0,16	0,19	0,30	**0,22**	**0,31**
FCF / share	0,02	0,04	0,10	**0,04**	**0,12**
Book value / share	1,41	1,30	1,38	**1,20**	**1,23**
Dividend / share	0,00	0,00	0,00	**0,00**	**0,00**

Growth and profitability	2021	2022	2023	2024e	2025e
Revenue growth-%	-13 %	1 %	3 %	**-2 %**	**3 %**
EBITDA growth-%	-26 %	-40 %	-11 %	**-25 %**	**171 %**
EBIT (adj.) growth-%	30 %	-113 %	-189 %	**612 %**	**73 %**
EPS (adj.) growth-%	-153 %	-424 %	-77 %	**29 %**	**-202 %**
EBITDA-%	5,7 %	3,4 %	2,9 %	**2,2 %**	**5,9 %**
EBIT (adj.)-%	1,8 %	-0,2 %	0,2 %	**1,4 %**	**2,4 %**
EBIT-%	1,8 %	-0,2 %	-0,6 %	**-1,4 %**	**2,4 %**
ROE-%	2,0 %	-7,1 %	-5,0 %	**-13,7 %**	**2,4 %**
ROI-%	3,9 %	-0,5 %	-1,4 %	**-3,4 %**	**6,1 %**
Equity ratio	38,3 %	37,0 %	39,6 %	**37,0 %**	**37,5 %**
Gearing	53,4 %	59,2 %	44,8 %	**56,0 %**	**50,8 %**

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
5/30/2024	Reduce	SEK 7.20	SEK 6.60

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