ELTEL

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INDERES CORPORATE CUSTOMER

COMPANY REPORT

A dozen reasons to believe in the structural turnaround

Eltel's Q2'26 report was mixed relative to our estimates. The top line fell short of our forecast as Finnish growth normalized more abruptly than anticipated. Profitability, however, once again exceeded expectations and extended the improvement streak to twelve consecutive quarters of year-on-year margin gains, providing further evidence that the profitability turnaround is structural. Growth was again Power-led, but the fading of the exceptional Finnish momentum weighed on the Group revenue. Norway was the clear standout, extending its multi-quarter recovery, and Denmark & Germany disappointed on profitability, with the continued decline in Danish Communication outweighing solid operational performance in Germany. Management reiterated its confidence in reaching the 5% adjusted EBITA margin target within the previously stated 12–18-month timeframe, and we believe the continued broad-based margin progress supports that conviction. However, we continue to believe the burden of proof rests with Eltel to demonstrate the 5% target is achievable on management's timeline. We make only modest changes to our 2026-28e estimates following the report, and reiterate our Accumulate recommendation while trimming our target price to SEK 13.9 (was SEK 14.0).

A mixed picture across the country units

Group revenue declined 0.7% year-on-year to 200 MEUR, ~6% below our forecast of 212 MEUR. The country-unit picture was mixed rather than a uniform miss. Finland was the main source of the revenue shortfall (83 MEUR vs Inderes 95 MEUR), as strong Power volumes in solar PV and data center solutions could not offset lower Communication volumes following the normalization of the FTTH rollout cycle. Sweden was broadly in line, with Communication strength in telecom, public infrastructure and defense offset by softer Power. Denmark & Germany (-5% y/y) fell short of our estimate, as a solid German delivery could not compensate for continued Danish Communication weakness and Energinet grid-connection bottlenecks. Norway (+7% reported, organic only +0.4%) was the clear standout, aided by customer-base expansion in Emerging services and a translational tailwind from the stronger krone. On profitability, the mix shift toward higher-margin Emerging services, improved operational efficiency and stricter pricing discipline continued to lift margins (2.8% vs Inderes estimate 2.4%), even as slightly elevated input costs and weaker profitability in Denmark weighed modestly. In addition, we find it encouraging that Norway sustained a positive margin (4.9%), supporting the Group's twelfth consecutive quarter of year-on-year improvement.

Modest cuts to revenue, margin story preserved

Following the report, we make only modest changes to our 2026-28e estimates, trimming revenue by ~3% while leaving adjusted EBITA broadly unchanged. The recently announced contract wins (54 MEUR of Finnish contracts and the ~13 MEUR GlobalConnect agreement in Denmark) were already incorporated into our preview estimates and are therefore not driving the current revisions. We lower 2026e revenue to 843 MEUR (was 865) but hold adjusted EBITA at 30.8 MEUR, leaving the margin at 3.7% (was 3.6%) as stronger unit-level profitability, led by Finland and a structurally improved Norway, offsets the lower volume base. For 2027-28e, we trim revenue by ~3% but nudge margin assumptions to 4.1%/4.4% (from 4.0%/4.2%), leaving adjusted EBITA broadly flat. The pending Vattenfall service-and-maintenance framework (up to 275 MEUR incl. options) offers further upside once formally signed.

Risk/reward stays favorable despite the revenue miss

On our updated estimates, Eltel's 2026e earnings-based multiples are neutral to slightly elevated (EV/EBITDA ~6x, EV/EBIT ~11x, P/E ~16x), but compress to attractive levels into 2027 (~5x, ~9x, ~10x) on continued revenue growth and margin expansion. With twelve consecutive quarters of year-on-year margin improvement now behind it and a structurally more resilient business, we remain comfortable placing meaningful weight on forward-looking valuation. Our DCF model supports a value per share of EUR 1.25 (SEK 13.9), in line with our target. Overall, we continue to see the risk-adjusted expected return as attractive at the current share price.

Recommendation
Accumulate
(prev. Accumulate)

Target price:
SEK 13.90
(prev. SEK 14.00)

Share price:
SEK 12.25

Business risk
●●●○○

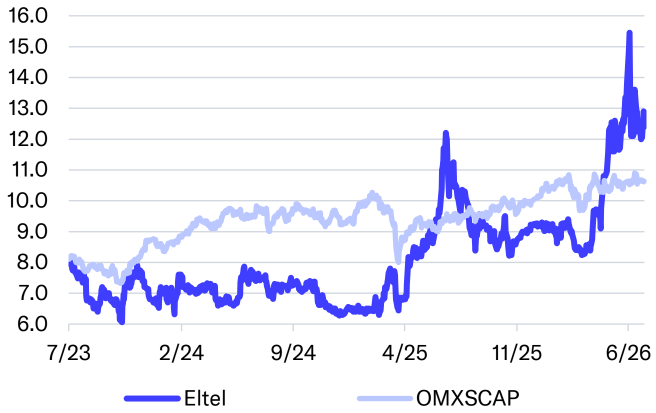
Valuation risk
●●●○○

	2025	2026e	2027e	2028e
Revenue	817.8	842.7	862.9	887.5
growth-%	-1%	3%	2%	3%
EBIT adj.	20.7	30.8	35.5	38.9
EBIT-% adj.	2.5 %	3.7 %	4.1 %	4.4 %
Net Income	2.2	9.5	17.1	20.9
EPS (adj.)	0.01	0.07	0.11	0.13
P/E (adj.)	72.1	16.0	10.1	8.3
P/B	0.8	1.0	0.9	0.8
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	13.6	10.8	9.2	7.8
EV/EBITDA	5.7	5.7	4.9	4.3
EV/S	0.3	0.4	0.4	0.3

Source: Inderes

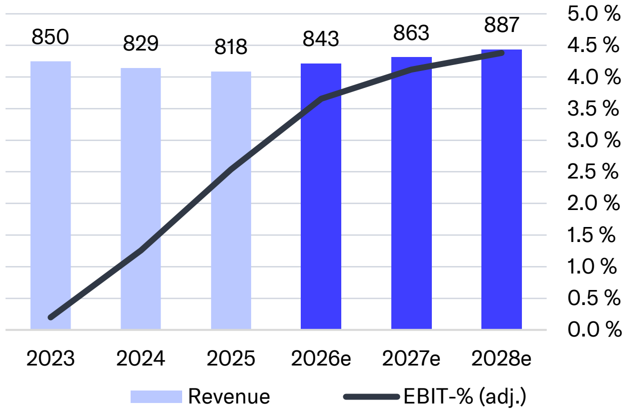
Guidance (Eltel provides no guidance)

Share price



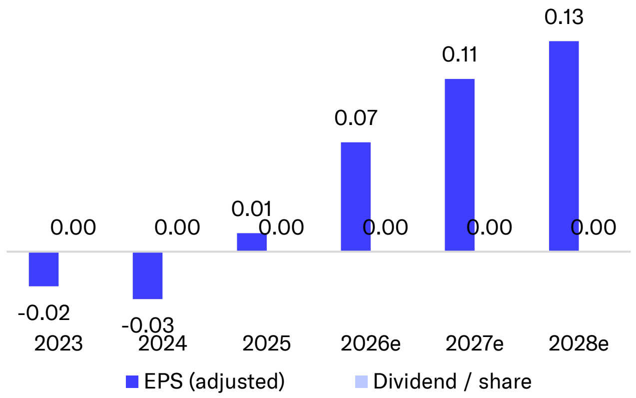
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



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 in 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
- A major customer facing challenges

Valuation	2026e	2027e	2028e
Share price (EUR)	1.11	1.11	1.11
Number of shares, millions	156.7	156.7	156.7
Market cap (MEUR)	174	174	174
EV (MEUR)	332	327	303
P/E (adj.)	16.0	10.1	8.3
P/E	18.3	10.1	8.3
P/B	1.0	0.9	0.8
P/S	0.2	0.2	0.2
EV/Sales	0.4	0.4	0.3
EV/EBITDA	5.7	4.9	4.3
EV/EBIT (adj.)	10.8	9.2	7.8
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Revenue disappoints, profitability keeps climbing (1/2)

Top line misses as Finnish growth normalizes sharply

In Q2, Group revenue declined 0.7% y/y to 200 MEUR, ~6% below our forecast of 212 MEUR. FX changes had a modest positive impact on the top line (~+1.9 MEUR), driven mainly by the appreciation of the Norwegian krone, but organic revenue fell ~1.7%. The result shows that Q1's exceptional momentum (+13% reported growth) did not carry into the second quarter. Instead, the normalization in the Finnish comparison base we had flagged arrived more abruptly than expected, leaving the top line short of plan even as profitability continued to improve.

Across the country units, the top-line miss was concentrated in Finland and Denmark & Germany. Finland accounted for the bulk of the group shortfall, with revenue of 83 MEUR (-2% y/y, Inderes: 95 MEUR) as strong Power volumes, particularly solar PV and data center solutions, could not fully offset lower Communication volumes following the normalization of the FTTH rollout cycle. As management flagged in Q1, the Finnish growth rate normalized from the unsustainable ~29% shown in Q1, but the deceleration was steeper than we had modelled. Sweden delivered 58.5 MEUR (+0.3% y/y, Inderes: 58 MEUR), broadly in line, with reported growth supported by SEK strength (organic ~-0.3%). Communication showed continued strength in telecom, public infrastructure and defense, but was offset by softer Power following project closures in Smart meters and Solar PV. Denmark & Germany came in below our estimate at 30 MEUR (-5% y/y, Inderes: 33 MEUR), as a solid German delivery could not compensate for the continued Communication volume decline in Denmark, compounded by Energinet grid-connection bottlenecks that are deferring Danish renewable projects. Norway was the clear standout at 28 MEUR (+7% y/y reported, Inderes: 26 MEUR), a step-up supported by customer-base expansion in Emerging services such as data center solutions, though the stronger krone did most of the work (organic growth only +0.4%).

During Q2, Eltel's order intake accelerated markedly, with new contracts signed for a total value (TCV) of 217 MEUR (104 in Q2'25) and the total order book stable at ~1.2 BEUR. Within the quarter, this was supported by the renewed 60 MEUR frame agreement with Elisa, which secures important stability for the Finnish Communication business, and the 25 MEUR Hyperco data center grid-connection award in Finland. Most significantly, on June 8 Eltel received a 275 MEUR contract award decision from Vattenfall in Sweden – its largest contract to date – though the award has been appealed during the standstill period. However, management remains optimistic about the outcome but expects a 2–6-month delay to the delivery start. The recently announced Finnish contract wins (FCDC 20 MEUR and the Fingrid 34 MEUR transmission line, 54 MEUR in total) and the 13 MEUR GlobalConnect fiber agreement in Denmark fall outside the Q2 reporting period but further reinforce the order book.

...but margins extend the improvement streak

Group adjusted EBITA amounted to 5.5 MEUR, a 2.8% margin, ahead of our estimate (5.0 MEUR, 2.4%) and well above the comparison period (2.5 MEUR, 1.2%). This marked the twelfth consecutive quarter of year-on-year margin improvement, driven by the ongoing shift toward higher-margin Emerging services, improved operational efficiency and stricter pricing discipline across the Classic business areas.

Estimates	Q2'25	Q2'26	Q2'26e	Q2'26e	Consensus		Difference (%)	2026e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	201	200	212				-6%	843
EBITDA	9.7	12.7	12.7				0%	58.5
EBITA (adj.)	2.5	5.5	5.0				10%	30.8
EBIT	2.0	4.2	5.0				-16%	29.5
PTP	-0.7	0.2	0.8				-75%	13.0
EPS (adj.)	-0.01	0.01	0.00				34%	0.07
EPS (reported)	-0.01	0.00	0.00				-203%	0.02
Revenue growth-%	-6.9 %	-0.7 %	5.3 %				-6 pp	3.0 %
EBITA-% (adj.)	1.2 %	2.8 %	2.4 %				0.4 pp	3.7 %

Eltel Q2'26: Strong order intake and continued margin improvement

Revenue disappoints, profitability keeps climbing (2/2)

At the country-unit level, Norway was again the key contributor to the year-on-year profitability improvement, delivering a margin of ~4.9% (Q2'25: -1.6%) and extending its multi-quarter recovery, bringing rolling 12-month adjusted EBITA into positive territory (~+2 MEUR). Finland improved to 6.2% (Inderes 4.8%, Q2'25: 4.1%) and was the standout on profitability despite lower volumes, reflecting mix and operational efficiency gains in both Power and Communication rather than operating leverage. Sweden improved to 2.9% (Q2'25: 2.3%) as Communication strength offset weaker Power. Denmark & Germany was the clear disappointment at 1.1% (Inderes 4.4%, Q2'25: 4.8%), well below the prior-year level. Management continued to emphasize that Germany continues to perform solid development, and that the weakness is concentrated in Denmark, and within Communication. The earlier guided Danish rightsizing measures were taken in April, but the benefits have yet to show. Items affecting comparability of -1.4 MEUR (resizing costs in Denmark and, to a minor extent, in Sweden) weighed at group level, but were not material enough to derail the improvement trajectory.

Below EBIT, net financial costs were slightly better than expected at -3.9 MEUR, reflecting the bond interest that replaced the previously equity-classified hybrid. PTP was only marginally positive at 0.2 MEUR (Inderes 0.8 MEUR; Q2'25: -0.6 MEUR), and reported EPS landed at EUR -0.00, a touch below our breakeven estimate.

Management reiterated confidence in reaching the 5% group EBITA margin target within 12–18 months (a stance first taken in the Q4'25 report), citing the H1 progress.

Cash flow improved year-on-year

Operating cash flow improved seasonally to 3.4 MEUR (Q2'25: -8 MEUR), recovering from the working-capital- and tax-deferral-burdened Q1 and turning positive as production-driven working capital began to unwind (WC delta: -6.5 MEUR vs -16.7 in Q2'25). Management credited strong customer payment behavior and the closing of certain projects. On a trailing twelve-month basis, however, OCF stood at only ~7 MEUR (~22 MEUR adjusting for the one-off 15.8 MEUR Swedish tax-deferral repayment in Q1), and after capex and lease payments LTM free cash flow remained clearly negative (-25 MEUR, and -9 MEUR excl. tax-deferral payment). This underscores that the improved P&L has not yet translated into proportional cash generation, which, in our view, is the single most important watchpoint over the coming quarters. That said, we note that the increased revenue growth (LTM: 4%, LTM-1: -5%) shown in the last couple quarters is resulting in increased working capital absorption. Management reiterated on the call that working capital management remains the cornerstone of financial operations going forward.

Net debt was broadly flat quarter-on-quarter at 170 MEUR (Q1'26: ~169; Q2'25: 144.6; FY25: 141.9), where the year-on-year increase reflects the hybrid-to-bond reclassification during the refinancing in June 2025. The reported leverage ratio (net debt / adj. EBITDA) eased marginally to 3.1x (Q1'26: 3.2x), still well above the 1.5–2.5x target corridor. We continue to view the pace of deleveraging and cash conversion as the key watchpoint for the remainder of 2026. We expect net debt to decline over the seasonally stronger H2.

Estimates MEUR / EUR	Q2'25 Comparison	Q2'26 Actualized	Q2'26e Inderes	Q2'26e Consensus	Consensus Low	 High	Difference (%) Act. vs. inderes	2026e Inderes
Revenue	201	200	212				-6%	843
EBITDA	9.7	12.7	12.7				0%	58.5
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EBIT	2.0	4.2	5.0				-16%	29.5
PTP	-0.7	0.2	0.8				-75%	13.0
EPS (adj.)	-0.01	0.01	0.00				34%	0.07
EPS (reported)	-0.01	0.00	0.00				-203%	0.02
Revenue growth-%	-6.9 %	-0.7 %	5.3 %				-6 pp	3.0 %
EBITA-% (adj.)	1.2 %	2.8 %	2.4 %				0.4 pp	3.7 %

Eltel Q2'26: Strong order intake and continued margin improvement

Modest cuts to revenue, margin story preserved (1/2)

Estimate revisions

- Following Q2, we make only modest changes to our 2026–28e estimates, trimming revenue by some 3% while leaving adjusted EBITA broadly unchanged. Relative to our forecast the quarter cut both ways: revenue came in ~6% below our estimate (200 vs 212 MEUR) as Finnish growth normalized faster than we had assumed, while adjusted EBITA beat (5.5 vs 5.0 MEUR) on a stronger-than-expected margin (2.8% vs 2.4%). We rebase the top line lower but carry the margin beat through the forecast horizon. Importantly, the recently announced contract wins (54 MEUR of Finnish contracts and the ~13 MEUR GlobalConnect fiber agreement in Denmark) were already reflected in our preview estimates and therefore do not contribute to -- nor cushion -- the current revision.
- We lower 2026e revenue to 843 MEUR (was 865), reflecting the Q2 miss and a more conservative H2 trajectory in Finland and Denmark & Germany, but hold adjusted EBITA unchanged at 30.8 MEUR, leaving the margin at 3.7% (was 3.6%) as stronger unit-level profitability, led by Finland and a structurally improved Norway, offsets the lower volume base. We trim 2027–28e revenue by ~3% on the lower starting point, but slightly raise our margin assumptions to 4.1%/4.4% (from 4.0%/4.2%), leaving adjusted EBITA broadly flat.
- In our view, the margin resilience reflects the quality of the Q2 print. The beat was concentrated in Finland (business mix and operational efficiency) and Norway (utilization and customer-base diversification), both of which we treat as structural rather than transitory, and where Norway in particular we now model at a higher through-cycle margin. The main offset is Denmark & Germany, where Q2 profitability disappointed and we push the margin recovery out by roughly a year as the Danish rightsizing takes effect and the Energinet grid-connection bottleneck resolves. Reflecting the Q2 margin strength and now twelve consecutive quarters of year-on-year margin improvement, we also assume a slightly longer tail of above-terminal margins in our fade period before settling at our terminal EBIT margin of 2.8%.
- Our margin assumptions still embed a gradual, execution-driven path toward the 5% adjusted EBITA target rather than assuming the target is reached within the forecast horizon. We continue to view the pathway to 5% as requiring further operational and commercial improvement in the Classic business and within all country units overall, coupled with a continued increase in the share of higher-margin Emerging services.
- The pending Vattenfall service-and-maintenance framework (up to 275 MEUR incl. options) remains a source of upside to our estimates once formally signed, and is not yet reflected in our forecasts.

Estimate revisions MEUR / EUR	2026e Old	2026e New	Change %	2027e Old	2027e New	Change %	2028e Old	2028e New	Change %
Revenue	865	843	-3%	890	863	-3%	915	887	-3%
EBITDA	60.9	58.5	-4%	66.2	66.7	1%	69.5	70.0	1%
EBIT (exc. NRIs)	30.8	30.8	0%	35.7	35.5	0%	38.7	38.9	0%
EBIT	30.8	29.5	-4%	35.7	35.5	0%	38.7	38.9	0%
PTP	13.6	13.0	-5%	21.7	21.5	-1%	26.4	26.6	1%
EPS (excl. NRIs)	0.07	0.07	1%	0.11	0.11	-1%	0.13	0.13	1%

Eltel, Webcast, Q2'26

Modest cuts to revenue, margin story preserved (2/2)

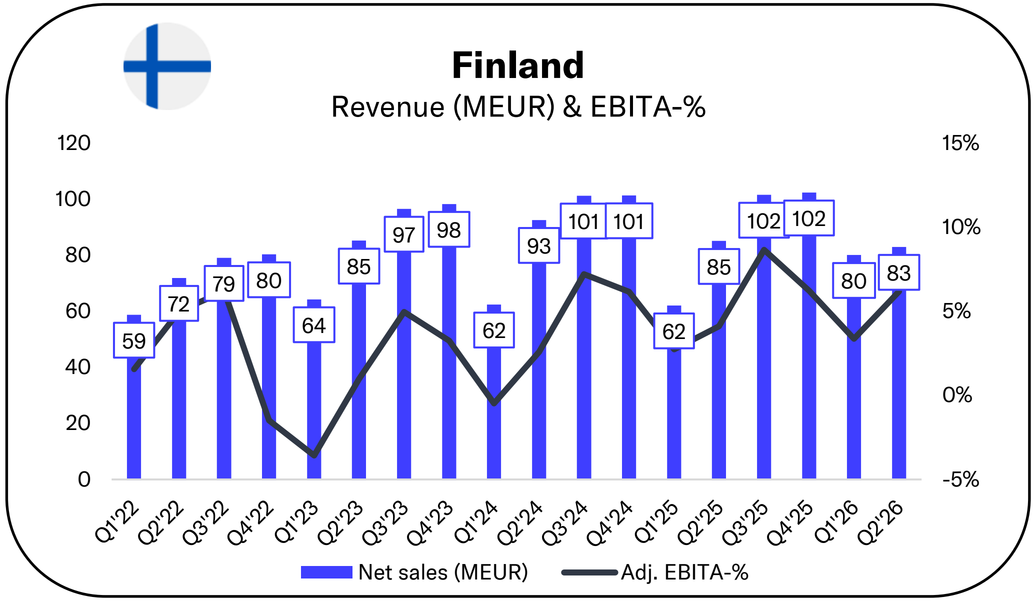
Operational earnings drivers

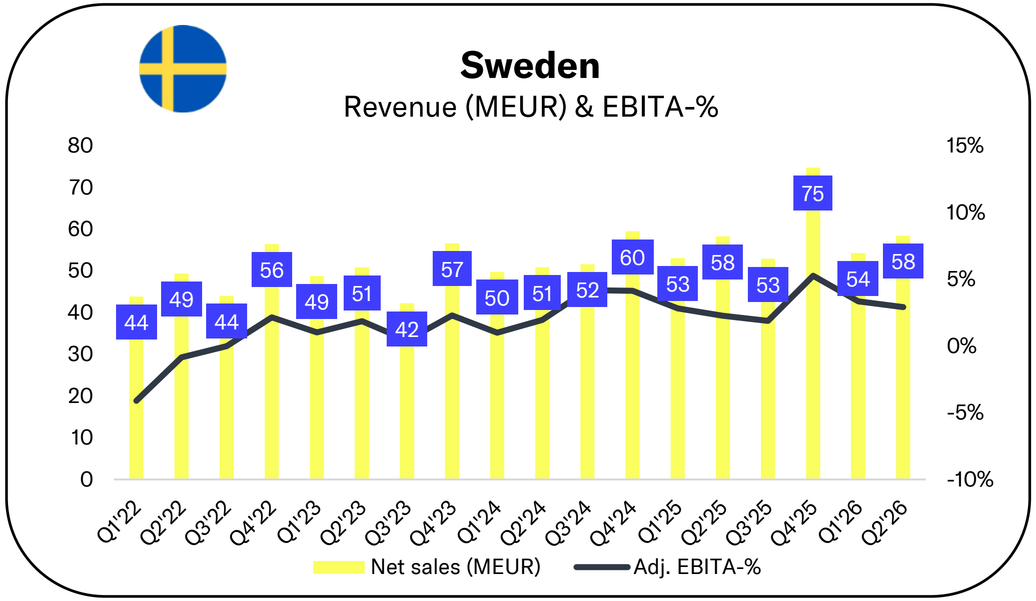
- During Q2, Eltel signed new contracts worth 217 MEUR (Q2'25: 104 MEUR), with the total order book amounting to 1.2 BEUR (Q2'25: 1.3 BNEUR). On a trailing 12-month basis, the company has signed new contracts worth 686 MEUR, down from 693 MEUR in the comparison period. The committed order backlog stood at 576 MEUR at the end of Q2, up 17% year-on-year. Importantly, the quality of the Q2 intake was high and weighted toward the recurring classic service, maintenance and upgrade base. The 60 MEUR frame agreement renewal with Elisa (signed during the quarter) secures commercial visibility for the Finnish Communication business, while the 25 MEUR Hyperco data center grid-connection award reinforced the Emerging pipeline. In addition, Eltel received a 275 MEUR service-and-maintenance award from Vattenfall (its largest contract to date) which, given the ongoing appeal, is not included in reported contract value but represents a substantial source of upside once signed. Several further Finnish wins landed shortly after quarter-end (Fingrid 34 MEUR and FCDC 20 MEUR, 54 MEUR in total), alongside a 13 MEUR GlobalConnect fiber agreement in Denmark, further underpinning the order book into 2026–27.
- A key structural driver of profitability improvement is the continued shift toward Emerging services, which reached 14% of Group revenue in Q2'26 (Q2'25: 10%) and 14% of new contract value (Q2'25: 6%). Emerging services carry a stronger EBITA margin profile than classic services, despite a lower gross margin, reflecting a more flexible cost structure with a higher share of subcontractors and lower overhead requirements. As this mix shift continues, we expect it to be a meaningful contributor to margin expansion.
- Broadening the customer base is another structural driver where Emerging services expansion and increased traction within public infrastructure and defense play an important role. A more diversified customer base reduces concentration risk and improves the durability of growth across cycles.
- Additional profitability improvement drivers include continued efficiency and utilization gains across country units.

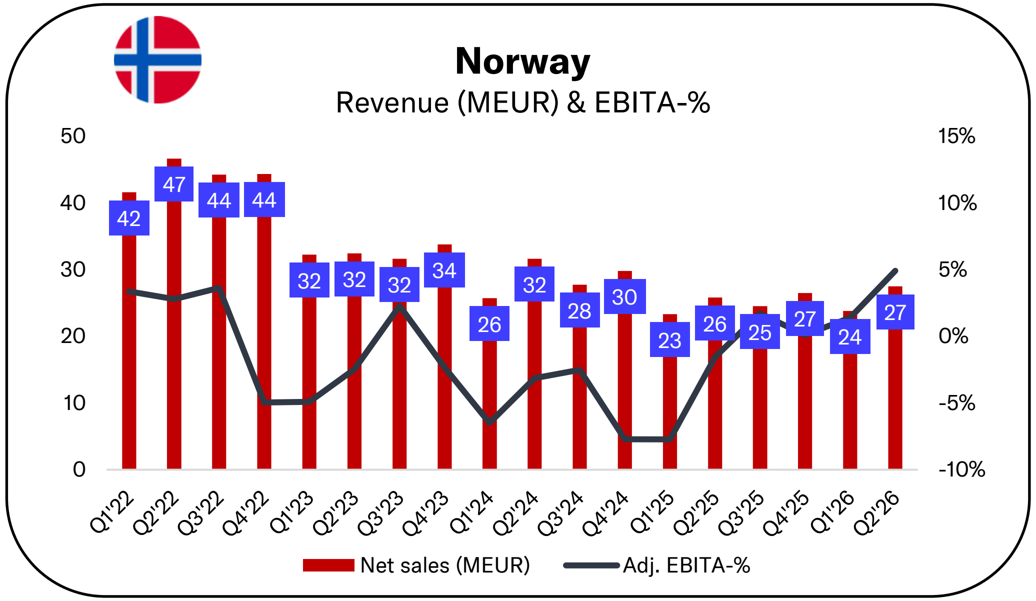
Estimate revisions MEUR / EUR	2026e Old	2026e New	Change %	2027e Old	2027e New	Change %	2028e Old	2028e New	Change %
Revenue	865	843	-3%	890	863	-3%	915	887	-3%
EBITDA	60.9	58.5	-4%	66.2	66.7	1%	69.5	70.0	1%
EBIT (exc. NRIs)	30.8	30.8	0%	35.7	35.5	0%	38.7	38.9	0%
EBIT	30.8	29.5	-4%	35.7	35.5	0%	38.7	38.9	0%
PTP	13.6	13.0	-5%	21.7	21.5	-1%	26.4	26.6	1%
EPS (excl. NRIs)	0.07	0.07	1%	0.11	0.11	-1%	0.13	0.13	1%

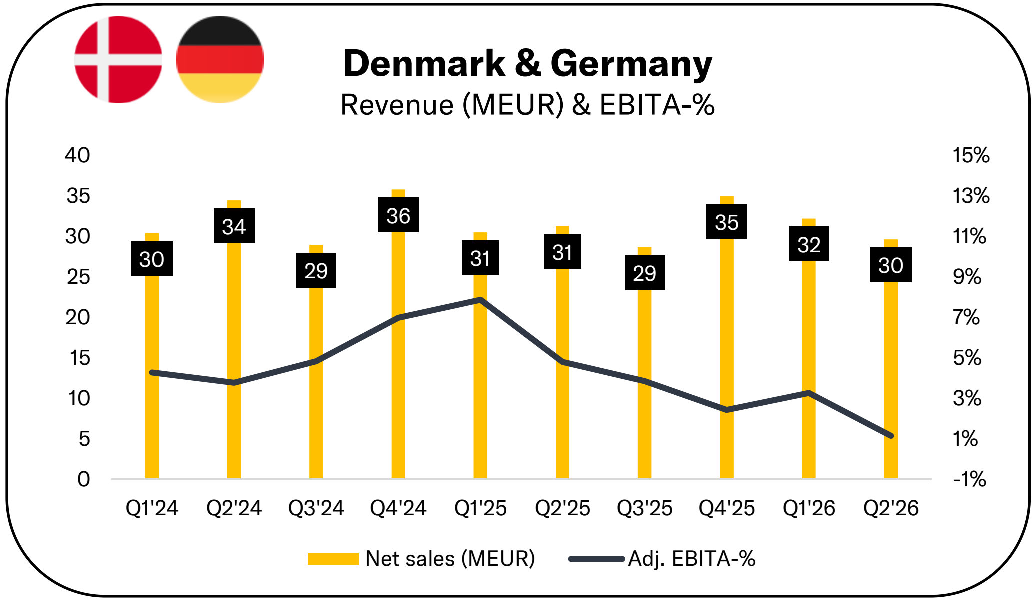
Eltel, Webcast, Q2'26

Country-unit overview



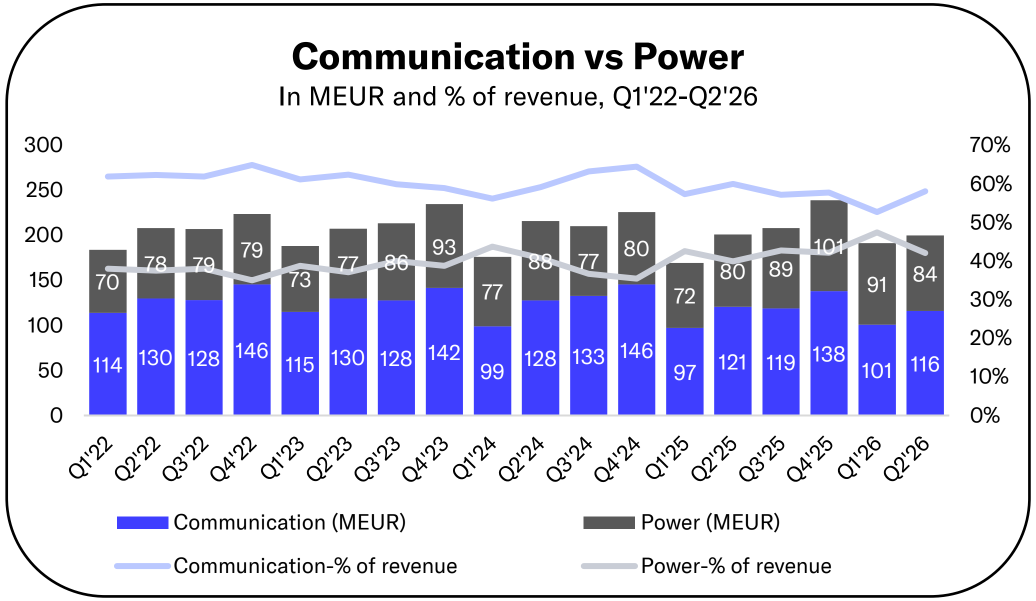


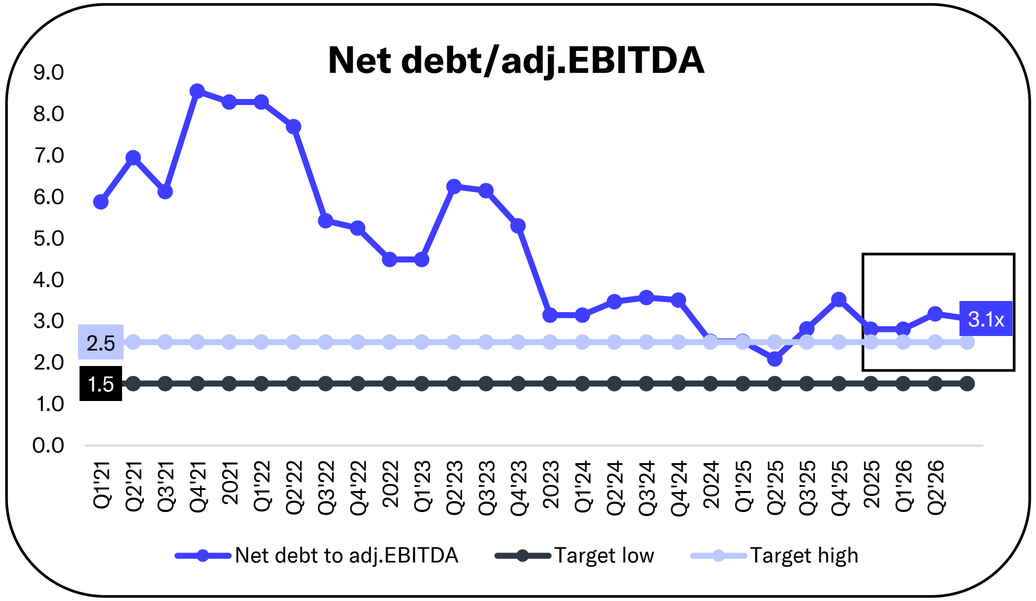


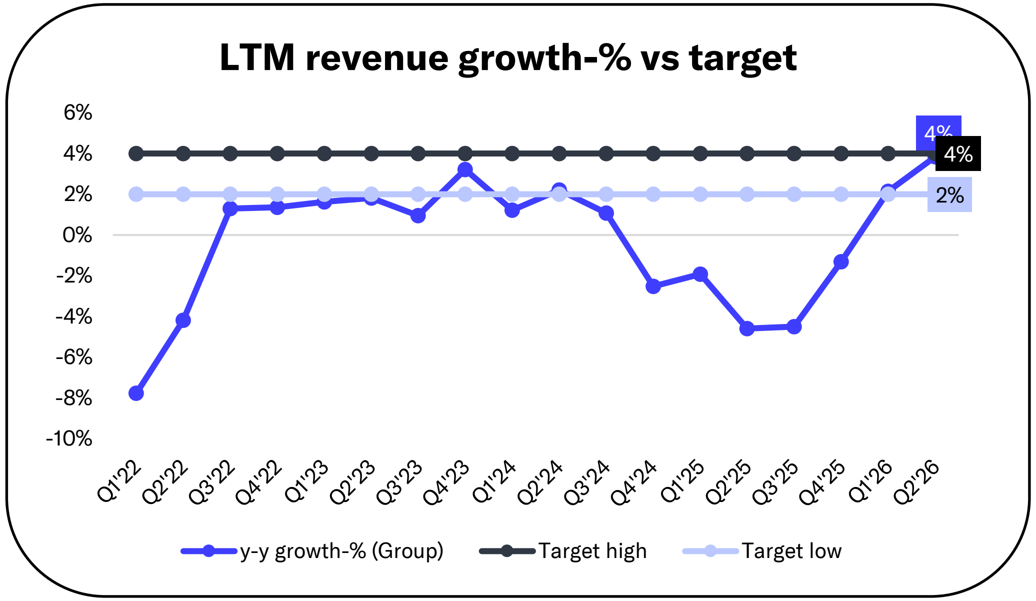


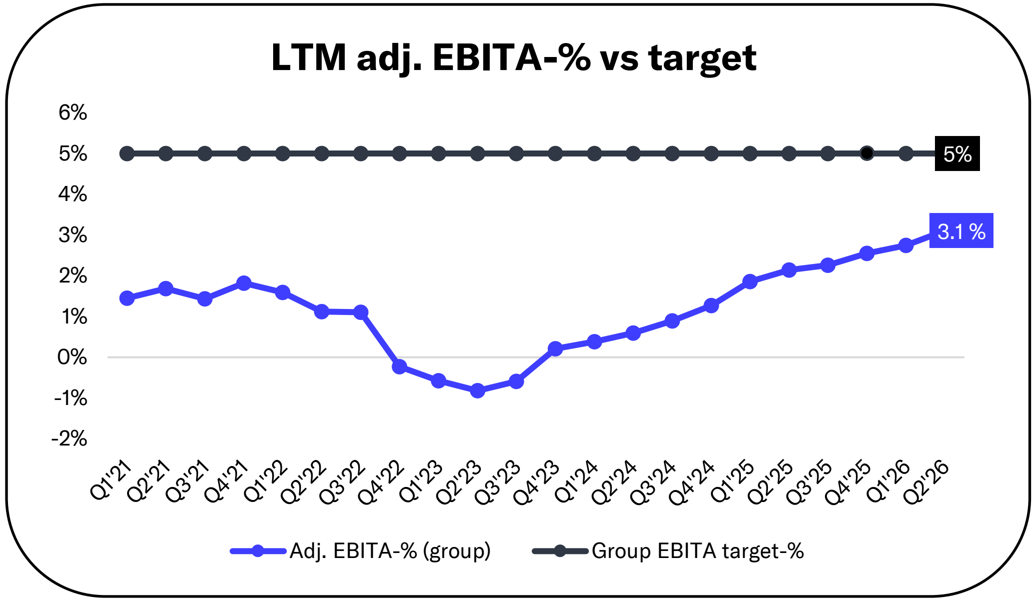
Source: Eltel

Performance vs. financial targets







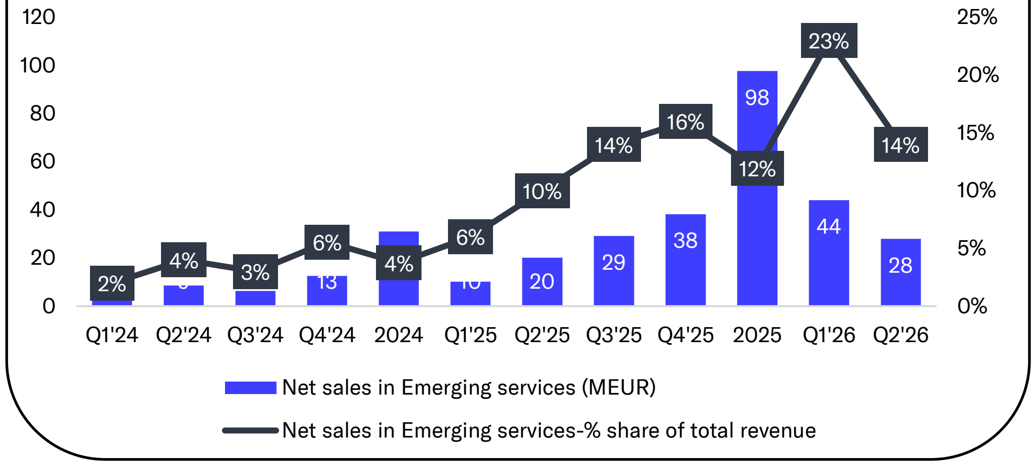


Source: Eltel

Other operational metrics

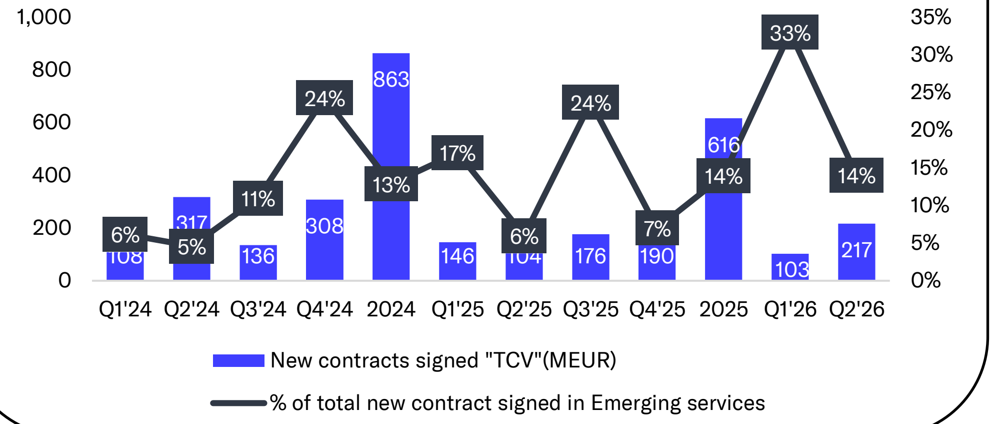
Revenue in Emerging Services

MEUR and -% of total revenue, Q1'24-Q2'26

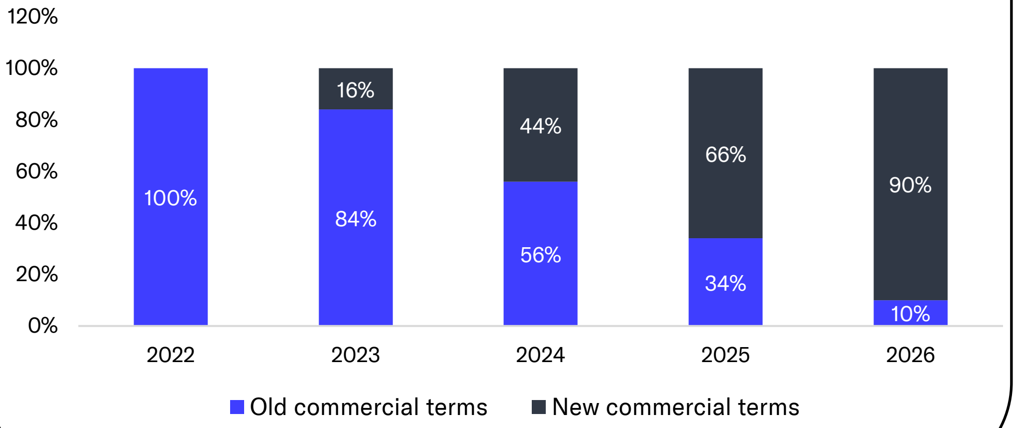


New contract signed, TCV

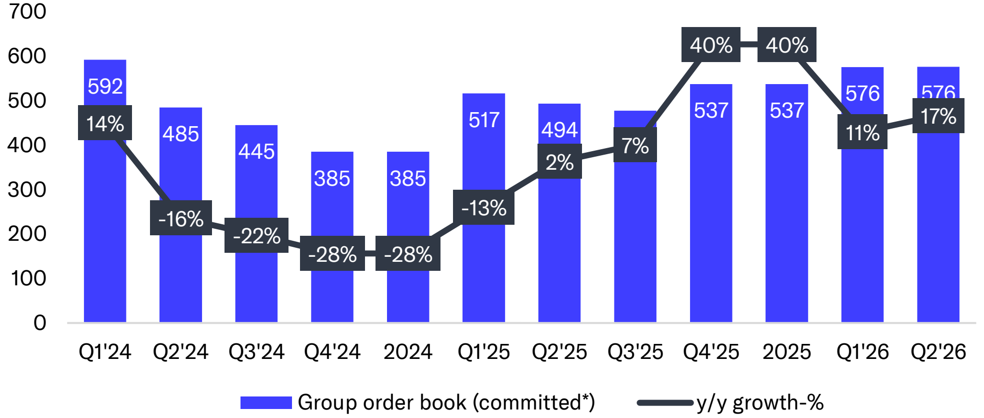
In MEUR and % of signed contract value from Emerging services



New commercial terms, impact on portfolio



Committed order book (Group)*



*Defined as the total value of committed purchase orders received but not yet recognized as net sales. It does not include frame agreements unless a binding purchase order has been received.

Source: Eltel

Risk/reward remains favorable (1/2)

Valuation methods

We approach the valuation of Eltel primarily through absolute valuation multiples. We also use a total expected return calculation for the coming years and a DCF to support the valuation.

Due to the company's improved profitability profile, the valuation can be considered using different earnings-based multiples. We favor the EV-based multiples as they better capture Eltel's balance sheet structure, but we also look at the P/E ratio. We look at multiples in absolute terms and in relative terms compared to a peer group (in particular, to its closest peers Netel, Transtema, and Enersense). The focus of our valuation is especially on 2026, as visibility into Eltel's business is quite limited due to the historically volatile performance, but we also give 2027 increasing weight in our assessment, given the consistent profitability improvements.

Absolute valuation and valuation sensitivity to margins

Based on our updated estimates, we view the overall valuation for the current year to be neutral to slightly elevated, but increasingly attractive in 2027, should our margin estimates materialize. On our estimates, Eltel's EV/EBITDA multiple for 2026 is around 6x, while the corresponding EV/EBIT and P/E multiples stand at around 11x and 16x, respectively. Supported by the strong earnings growth that we expect, our 2027e multiples fall to very attractive levels (EV/EBITDA: 5x; EV/EBIT: 9x; and P/E: 10x), relative to our acceptable valuation ranges (EV/EBITDA: 5x-7x, EV/EBIT: 8x-11x, P/E: 9x-13x).

As always, the valuation rests heavily on whether profitability continues to improve in line with our expectations. Eltel has now delivered twelve consecutive quarters of year-on-year profitability improvement, which strengthens our confidence in the turnaround. We believe the business is structurally more resilient than in prior cycles, driven by a more flexible cost structure, improved contractual protection through indexation, a broadened customer base (top-5 customers down to ~40% of revenue from over 50% three years ago), and a growing share of higher-margin Emerging services. We think this, combined with the consistent margin improvement, justifies placing greater weight on 2027 multiples in our overall valuation.

Given that the valuation rests heavily on continued margin improvement, we illustrate on the next page how sensitive the forward multiples are to our EBIT margin estimates. Our base case of 3.7% in 2026 and 4.1% in 2027 (up from 3.6%/4.0%) translates into EV/EBIT multiples of 11x and 9x, respectively, both within our acceptable range. The sensitivity cuts both ways, where we note 2026 is tighter. A 50-bps margin miss would push the multiple to ~12x and therefore above our range, while 50-bps of upside would bring it toward the lower end of 9x. We believe 2027 is more forgiving, with even a 50-bps miss still keeping the multiple (10x) within the range. In addition, we acknowledge that the margin path is not only an execution question but also an external one. In our view, prolonged US-Iran conflict introduces near-term uncertainty, directly through elevated fuel and input costs and indirectly through potential customer project deferrals that would weigh on utilization. On balance, we believe margin execution remains the central valuation driver, and 2026 leaves less room for disappointment than 2027, but we think the demonstrated resilience and strong execution through H1'26 keep the risk/reward attractive.

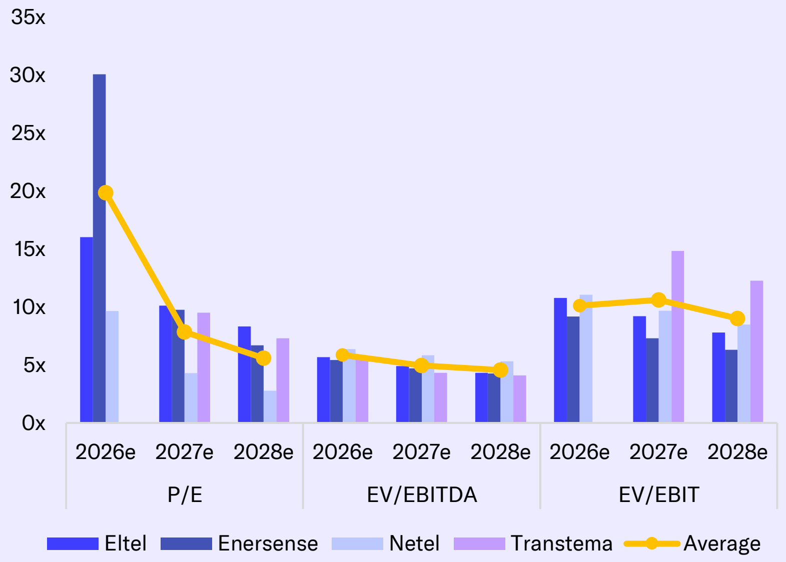
Trading at a discount to closest peers on 2027 multiples

On our updated estimates, Eltel currently trades at a small discount on EV-based earnings multiples relative to its closest peers. The peer group's average EV/EBITDA, EV/EBIT, and P/E multiples for 2027 stand at ~5x, 10x, and ~10x, respectively. Given Eltel's stronger expected revenue growth (CAGR 26-28': 3% vs. 1%) as well as EBIT growth (CAGR 26-28': 23% vs. 15%), along with relatively lower leverage and a similar margin profile, we believe a small valuation premium is justified.

Valuation	2026e	2027e	2028e
Share price (EUR)	1.11	1.11	1.11
Number of shares, millions	156.7	156.7	156.7
Market cap (MEUR)	174	174	174
EV (MEUR)	332	327	303
P/E (adj.)	16.0	10.1	8.3
P/E	18.3	10.1	8.3
P/B	1.0	0.9	0.8
P/S	0.2	0.2	0.2
EV/Sales	0.4	0.4	0.3
EV/EBITDA	5.7	4.9	4.3
EV/EBIT (adj.)	10.8	9.2	7.8
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Eltel vs closest peers (2026-2028)



Risk/reward remains favorable 2/2

Expected return in the coming years

We have also looked at an investor's expected return over the next few years by applying our acceptable valuation and multiples to our 2028 earnings estimates. In our view, Eltel could be valued at 9x-10x EV/EBIT and around 11x-12x P/E at the end of 2028 based on our current estimates, if the profitability improvement remains intact and there are no major changes in the company's growth outlook. The multiples would be broadly in line with the peer group's current valuation. Given this and our current estimates, we believe that Eltel could be valued at roughly SEK 16.1-18.2 per share at the end of 2028 (at the current EUR/SEK FX rate). At the current share price of SEK 12.25, we estimate that the expected annual return would be around 12-18%. We don't expect investors to receive any base return from dividends in the medium term. Thus, in this scenario, the total annual expected return would, on average (15%), be above the cost of equity that we use. However, the expected return is back-loaded and depends on an EV-based valuation, which adds further uncertainty, e.g., regarding the capital structure, which we find difficult to forecast over a longer period.

DCF model

As mentioned in our updated extensive report (Oct 2025), we place slightly more weight on the DCF model in the valuation, given Eltel's gradual and steady improvement in profitability in recent years. 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.

We expect low single-digit growth (CAGR: 2.5%) and continued small margin expansion between 2026 and 2030, after which the top-line growth gradually tapers towards 2%, which we use as the terminal growth rate. In the terminal period, we expect the EBIT margin to stabilize at around 2.8%. The weight of the terminal in the model is 51%, which we consider a reasonable level.

Our DCF model indicates a value of EUR 1.25 per share (SEK 13.9), which is above the current share price and supports our valuation.

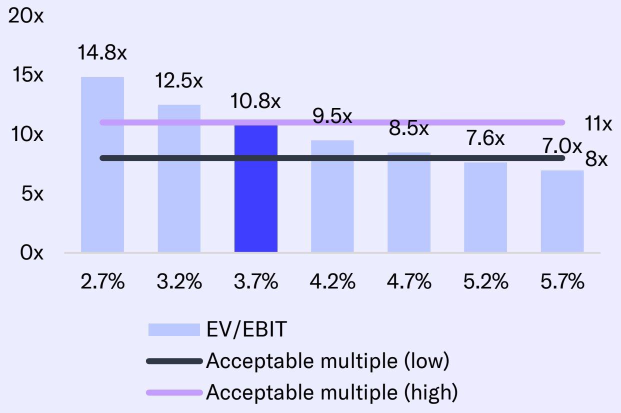
We have gone through the assumptions of the DCF model and the expected return for the coming years in more detail in our updated extensive report.

We reiterate our Accumulate recommendation

Reflecting this overall picture, we see the risk-adjusted expected return on the share to be above the cost of equity we use over the next 12 months. As such, we reiterate our Accumulate recommendation, while slightly trimming our target price to SEK 13.9 (was SEK 14), on a lower revenue base throughout the forecast period.

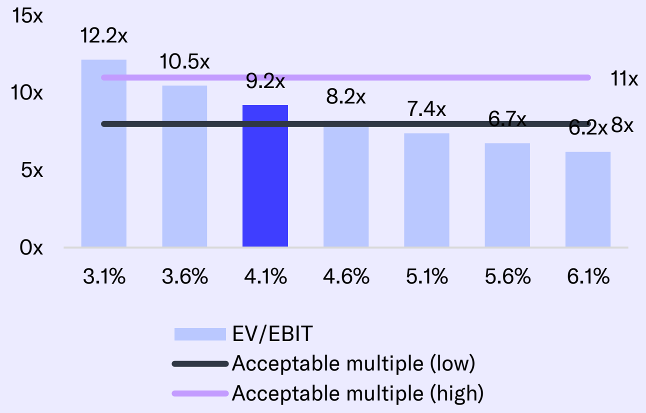
EV/EBIT at different margin levels in 2026

vs acceptable multiples

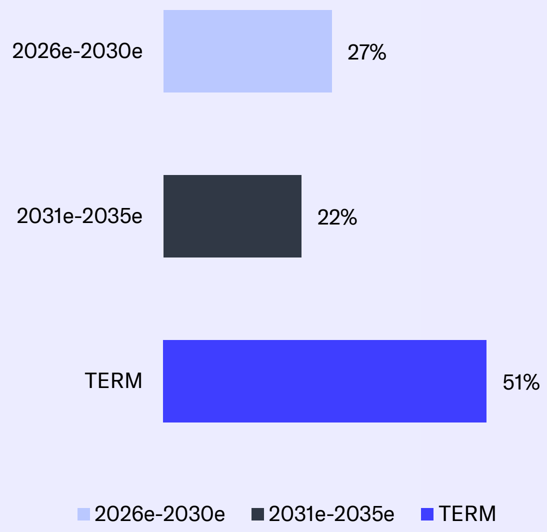


EV/EBIT at different margin levels in 2027

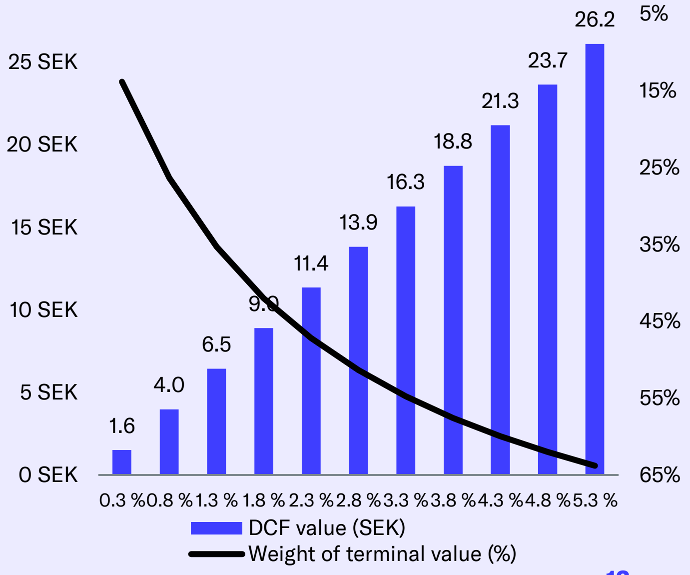
vs acceptable multiples



Cash flow distribution



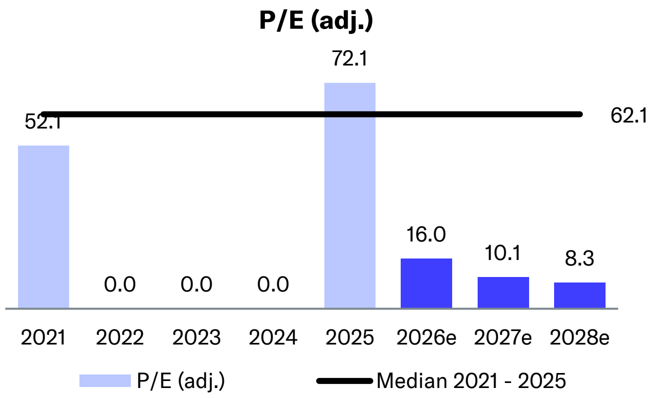
Sensitivity of DCF to changes in the terminal EBIT margin

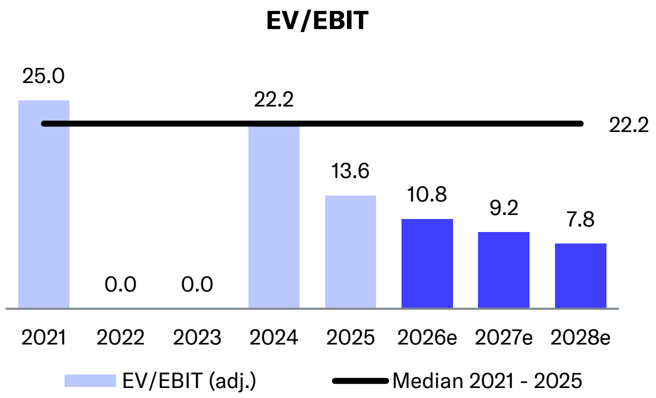


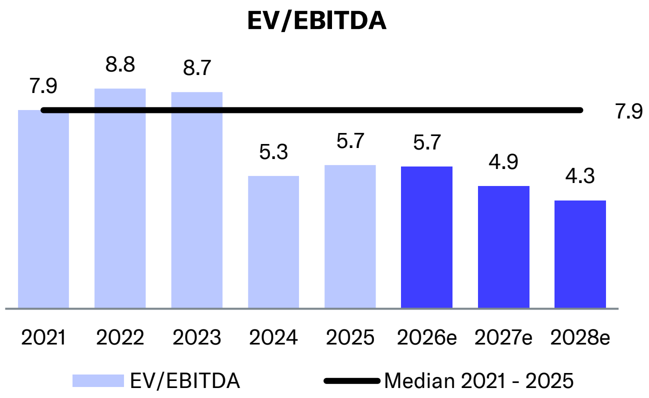
Valuation table

Valuation	2021	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Share price	1.53	0.74	0.55	0.56	0.85	**1.11**	**1.11**	**1.11**	**1.11**
Number of shares, millions	156.6	156.7	156.7	156.7	156.7	**156.7**	**156.7**	**156.7**	**156.7**
Market cap (MEUR)	239	115	86	88	133	**174**	**174**	**174**	**174**
EV (MEUR)	369	245	214	231	282	**332**	**327**	**303**	**279**
P/E (adj.)	52.1	neg.	neg.	neg.	72.1	**16.0**	**10.1**	**8.3**	**7.7**
P/E	55.7	neg.	neg.	neg.	>100	**18.3**	**10.1**	**8.3**	**7.7**
P/B	1.1	0.6	0.5	0.6	0.8	**1.0**	**0.9**	**0.8**	**0.8**
P/S	0.3	0.1	0.1	0.1	0.2	**0.2**	**0.2**	**0.2**	**0.2**
EV/Sales	0.5	0.3	0.3	0.3	0.3	**0.4**	**0.4**	**0.3**	**0.3**
EV/EBITDA	7.9	8.8	8.7	5.3	5.7	**5.7**	**4.9**	**4.3**	**4.0**
EV/EBIT (adj.)	25.0	neg.	>100	22.2	13.6	**10.8**	**9.2**	**7.8**	**7.1**
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







The market cap and enterprise value in the table consider the expected change in the number of shares and net debt for the forecast years.

Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2026e**	**2027e**	**2026e**	**2027e**	**2026e**	**2027e**	**2026e**	**2027e**	**2026e**	**2027e**	**2026e**
Bravida Holding	2541	2927	16.8	14.6	12.5	11.3	1.1	1.0	19.1	16.6	2.9	3.2	2.9
Enersense International	60	107	9.2	7.3	5.4	4.7	0.3	0.3	30.1	9.8		0.9	1.6
Instalco	1003	1348	15.3	12.2	10.0	8.5	1.0	0.9	17.7	13.2	2.5	2.4	3.0
Netel Holding	14	106	11.1	9.7	6.4	5.8	0.4	0.4	9.7	4.3			0.2
Spie SA	8217	10019	12.6	11.5	8.7	8.0	0.9	0.8	16.0	14.1	2.6	2.8	3.4
Transtema	16	64		14.8	5.8	4.3	0.3	0.3		9.5			0.3
Vinci Energies	69417	91879	9.4	9.0	6.6	6.3	1.2	1.2	12.9	11.9	4.5	4.9	2.1
Eltel (Inderes)	**174**	**332**	**10.8**	**9.2**	**5.7**	**4.9**	**0.4**	**0.4**	**16.0**	**10.1**	**0.0**	**0.0**	**1.0**
Average			**12.4**	**11.3**	**7.9**	**7.0**	**0.7**	**0.7**	**17.6**	**11.3**	**3.1**	**2.8**	**1.9**
Median			**11.8**	**11.5**	**6.6**	**6.3**	**0.9**	**0.8**	**16.8**	**11.9**	**2.8**	**2.8**	**2.1**
Diff-% to median			***-9%***	***-20%***	***-14%***	***-22%***	***-56%***	***-54%***	***-5%***	***-15%***	***-100%***	***-100%***	***-51%***

Source: Refinitiv / Inderes

Income statement

Income statement	2024	Q1'25	Q2'25	Q3'25	Q4'25	2025	Q1'26	Q2'26	Q3'26e	Q4'26e	2026e	2027e	2028e	2029e
Revenue	**829**	**170**	**201**	**208**	**239**	**818**	**191**	**199**	**213**	**239**	**843**	**863**	**887**	**907**
Finland	358	62.1	85.0	102	102	351	80.1	83.0	103	101	368	377	389	397
Sweden	212	53.1	58.3	53.0	74.8	239	54.3	58.6	55.5	74.8	243	249	255	261
Norway	115	23.3	25.8	24.4	26.5	100.0	23.8	27.4	25.2	27.3	104	108	111	113
Denmark & Germany	130	30.5	31.4	28.7	35.0	126	32.2	29.7	28.4	34.7	125	127	131	133
Other business	24.3	1.9	2.4	2.4	2.6	9.3	1.9	2.4	2.4	2.6	9.3	9.1	8.9	9.1
Eliminations	-9.7	-1.3	-1.9	-1.9	-2.3	-7.4	-1.0	-1.6	-1.5	-2.0	-6.1	-7.0	-7.0	-7.2
EBITDA	**16.6**	**7.2**	**9.7**	**16.2**	**16.0**	**49.1**	**10.3**	**11.4**	**18.7**	**18.1**	**58.5**	**66.7**	**70.0**	**69.4**
Depreciation	-34.7	-6.9	-7.7	-7.4	-7.7	-29.7	-7.2	-7.2	-7.3	-7.3	-29.0	-31.2	-31.1	-30.4
EBIT (excl. NRI)	**10.4**	**0.9**	**2.5**	**9.1**	**8.3**	**20.7**	**3.1**	**5.5**	**11.4**	**10.8**	**30.8**	**35.5**	**38.9**	**39.0**
EBIT	**-18.1**	**0.3**	**2.0**	**8.8**	**8.3**	**19.4**	**3.1**	**4.2**	**11.4**	**10.8**	**29.5**	**35.5**	**38.9**	**39.0**
Finland	15.7	1.7	3.4	8.8	6.4	20.3	2.7	5.2	9.5	6.8	24.1	25.3	26.4	17.1
Sweden	6.1	1.5	1.3	1.0	3.9	7.7	1.8	1.8	2.2	4.2	9.9	11.0	12.0	11.2
Norway	-5.7	-1.8	-0.4	0.4	0.0	-1.8	0.3	1.4	1.1	1.1	3.8	4.6	5.1	4.9
Denmark & Germany	6.5	2.4	1.5	1.1	0.9	5.9	1.1	0.4	0.7	1.1	3.2	5.1	5.6	5.7
Other business	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	0.4
Group functions	-12.2	-2.9	-3.3	-2.3	-2.9	-11.4	-2.8	-3.1	-2.0	-2.4	-10.3	-10.5	-10.3	0.0
Items affecting comparability	-28.5	-0.6	-0.5	-0.2	0.0	-1.3	0.0	-1.4	0.0	0.0	-1.4	0.0	0.0	0.0
Acquisition-related amortization	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	0.0
Net financial items	-12.7	-2.4	-2.7	-4.9	-4.2	-14.1	-4.6	-3.8	-4.1	-4.0	-16.5	-14.0	-12.3	-10.2
PTP	**-30.8**	**-2.1**	**-0.7**	**3.9**	**4.1**	**5.3**	**-1.5**	**0.4**	**7.3**	**6.8**	**13.0**	**21.5**	**26.6**	**28.8**
Taxes	1.6	-0.6	-0.2	-0.9	-0.4	-2.1	-0.4	-0.8	-1.0	-0.9	-3.1	-4.0	-5.3	-5.8
Minority interest	-0.6	-0.1	-0.2	-0.4	-0.3	-1.0	-0.1	-0.1	-0.1	-0.1	-0.4	-0.4	-0.4	-0.4
Net earnings	**-29.8**	**-2.8**	**-1.0**	**2.6**	**3.4**	**2.2**	**-2.0**	**-0.4**	**6.2**	**5.7**	**9.5**	**17.1**	**20.9**	**22.6**
EPS (adj.)	**-0.03**	**-0.02**	**-0.01**	**0.02**	**0.02**	**0.01**	**-0.01**	**0.01**	**0.04**	**0.04**	**0.07**	**0.11**	**0.13**	**0.14**
EPS (rep.)	**-0.21**	**-0.02**	**-0.01**	**0.02**	**0.02**	**0.00**	**-0.01**	**0.00**	**0.04**	**0.04**	**0.06**	**0.11**	**0.13**	**0.14**

Key figures	2024	Q1'25	Q2'25	Q3'25	Q4'25	2025	Q1'26	Q2'26	Q3'26e	Q4'26e	2026e	2027e	2028e	2029e
Revenue growth-%	-2.5 %	-3.8 %	-6.9 %	-1.0 %	5.7 %	-1.3 %	12.8 %	-0.8 %	2.4 %	-0.1 %	3.0 %	2.4 %	2.9 %	2.2 %
Adjusted EBIT growth-%	519.0 %	122.7 %	455.6 %	10.4 %	44.9 %	99.4 %	244.4 %	121.2 %	26.2 %	29.7 %	48.5 %	15.3 %	9.5 %	0.3 %
EBITDA-%	2.0 %	4.2 %	4.8 %	7.8 %	6.7 %	6.0 %	5.4 %	5.7 %	8.8 %	7.6 %	6.9 %	7.7 %	7.9 %	7.7 %
Adjusted EBIT-%	1.3 %	0.5 %	1.2 %	4.3 %	3.5 %	2.5 %	1.6 %	2.8 %	5.4 %	4.5 %	3.7 %	4.1 %	4.4 %	4.3 %
Net earnings-%	-3.6 %	-1.6 %	-0.5 %	1.2 %	1.4 %	0.3 %	-1.0 %	-0.2 %	2.9 %	2.4 %	1.1 %	2.0 %	2.4 %	2.5 %

Source: Inderes

EBIT (excl. NRI) refers to adjusted EBITA

Full-year earnings per share are calculated using the number of shares at year-end.

Balance sheet

Assets	2024	2025	2026e	2027e	2028e
Non-current assets	**380**	**387**	**389**	**389**	**389**
Goodwill	249	254	254	254	254
Intangible assets	30.3	31.6	31.7	31.8	31.9
Tangible assets	59.4	59.1	61.1	60.9	60.9
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	13.4	15.3	15.3	15.3	15.3
Deferred tax assets	27.2	27.3	27.3	27.3	27.3
Current assets	**206**	**269**	**258**	**264**	**291**
Inventories	19.3	38.3	27.8	25.0	23.1
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	165	187	190	194	200
Cash and equivalents	21.3	43.8	40.2	44.7	67.8
Balance sheet total	**585**	**656**	**647**	**653**	**679**

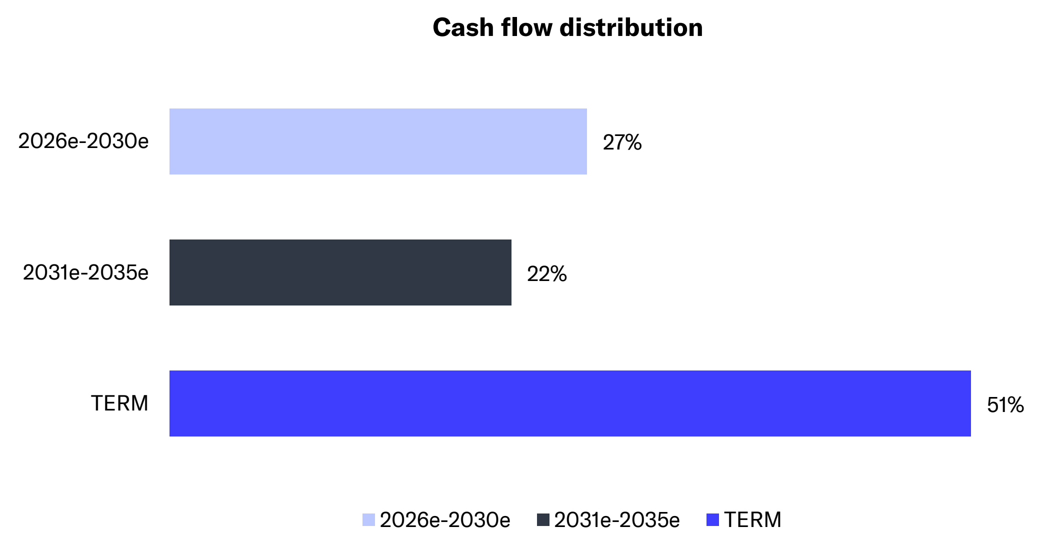
Source: Inderes

Liabilities & equity	2024	2025	2026e	2027e	2028e
Equity	**189**	**169**	**178**	**196**	**216**
Share capital	162	1.6	1.6	1.6	1.6
Retained earnings	-423.7	-426.4	-416.9	-399.8	-378.9
Hybrid bonds	25.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	418	585	585	585	585
Minorities	8.0	8.5	8.5	8.5	8.5
Non-current liabilities	**106**	**203**	**206**	**192**	**192**
Deferred tax liabilities	10.7	12.0	10.7	10.7	10.7
Provisions	5.2	5.9	5.9	5.9	5.9
Interest bearing debt	51.8	161	165	165	165
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	37.9	24.2	24.2	10.2	10.2
Current liabilities	**290**	**283**	**262**	**265**	**271**
Interest bearing debt	83.2	24.7	25.0	25.0	25.0
Payables	203	256	234	237	243
Other current liabilities	3.8	3.1	3.1	3.1	3.1
Balance sheet total	**585**	**656**	**647**	**653**	**679**

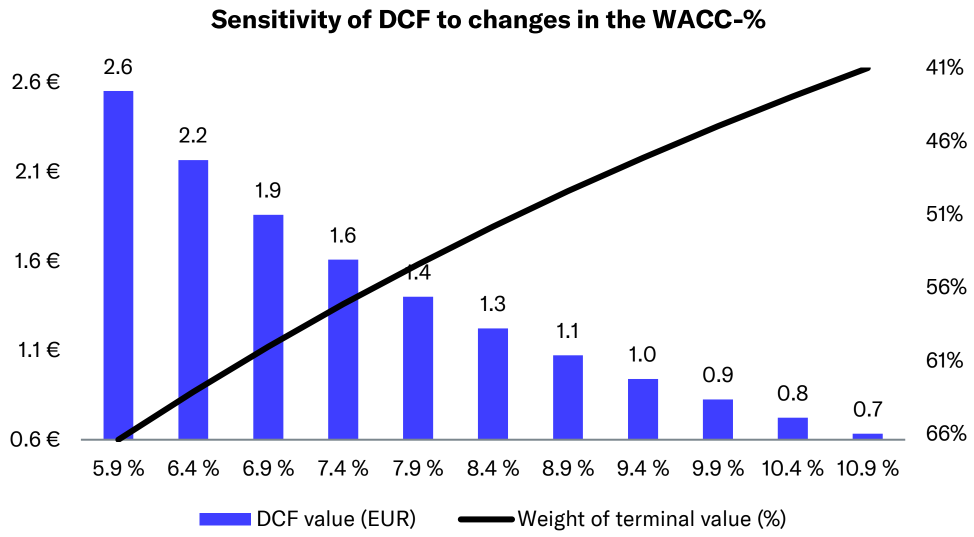
DCF-calculation

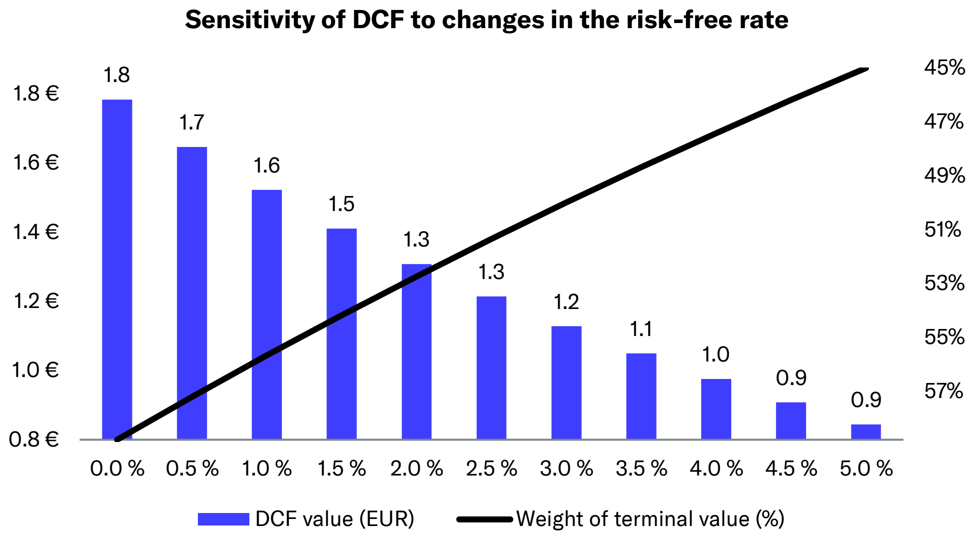
DCF model	2025	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	TERM
Revenue growth-%	-1.3 %	3.0 %	2.4 %	2.9 %	2.2 %	2.2 %	2.2 %	2.2 %	2.2 %	2.2 %	2.0 %	2.0 %
EBIT-%	2.4 %	3.5 %	4.1 %	4.4 %	4.3 %	4.1 %	3.9 %	3.7 %	3.4 %	2.8 %	2.8 %	2.8 %
EBIT (operating profit)	**19.4**	**29.5**	**35.5**	**38.9**	**39.0**	**38.0**	**36.9**	**35.8**	**33.6**	**28.7**	**29.3**	
+ Depreciation	29.7	29.0	31.2	31.1	30.4	30.7	30.9	31.2	31.5	31.2	31.1	
- Paid taxes	-0.8	-4.4	-4.0	-5.3	-5.8	-5.8	-5.6	-5.4	-5.0	-4.0	-4.1	
- Tax, financial expenses	-2.8	-4.1	-2.7	-2.6	-2.2	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	
+ Tax, financial income	0.0	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.3	
- Change in working capital	11.2	-13.8	1.3	2.3	1.4	1.4	2.4	1.5	0.6	0.6	0.4	
Operating cash flow	**56.6**	**36.2**	**61.4**	**64.5**	**63.0**	**62.5**	**62.8**	**61.4**	**59.0**	**54.8**	**54.9**	
+ Change in other long-term liabilities	-13.0	0.0	-14.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-36.9	-31.1	-31.1	-31.1	-31.1	-31.1	-31.6	-31.9	-31.1	-31.1	-31.1	
Free operating cash flow	**6.7**	**5.1**	**16.3**	**33.4**	**31.9**	**31.4**	**31.2**	**29.5**	**27.9**	**23.7**	**23.8**	
+/- Other	-3.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	3.6	5.1	16.3	33.4	31.9	31.4	31.2	29.5	27.9	23.7	23.8	382
Discounted FCFF		**4.9**	**14.5**	**27.4**	**24.1**	**22.0**	**20.1**	**17.5**	**15.3**	**12.0**	**11.1**	**178**
Sum of FCFF present value		347	342	328	300	276	254	234	217	201	189	178
Enterprise value DCF		**347**										
- Interest bearing debt		-185.8										
+ Cash and cash equivalents		43.8										
+ Associated companies		0.0										
-Minorities		-8.7										
-Dividend/capital return		0.0										
Equity value DCF		**197**										
Equity value DCF per share		**1.25**										
Equity value DCF per share (SEK)		**13.9**										

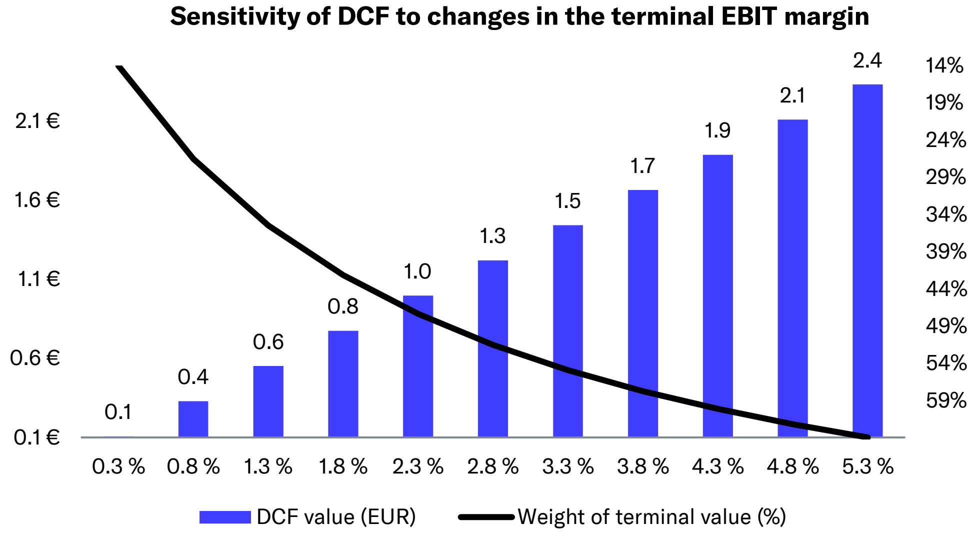
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	45.0 %
Cost of debt	7.8 %
Equity Beta	1.30
Market risk premium	4.75%
Liquidity premium	1.50%
Risk free interest rate	2.5 %
Cost of equity	**10.2 %**
Weighted average cost of capital (WACC)	**8.4 %**

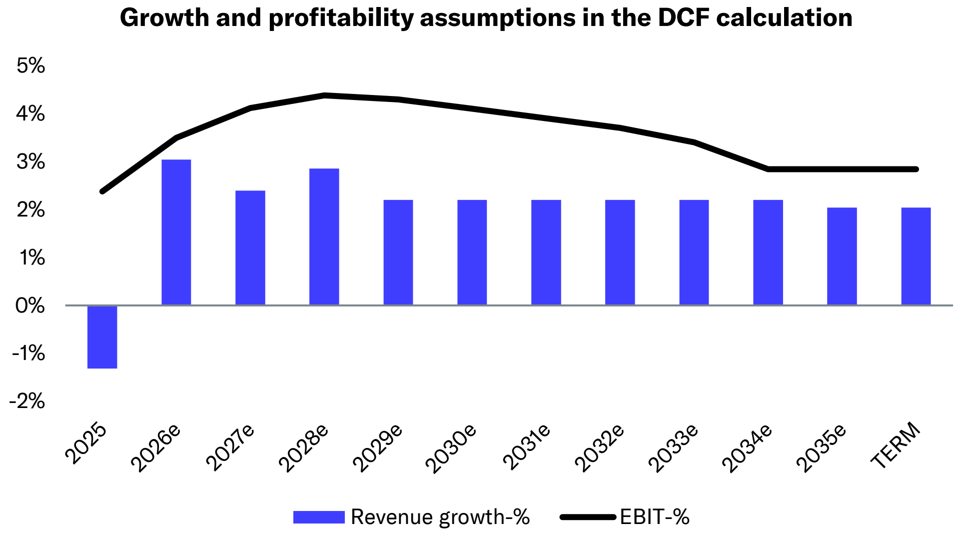


DCF sensitivity calculations and key assumptions in graphs









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

Summary

Income statement	2023	2024	2025	2026e	2027e
Revenue	850.1	828.7	817.8	**842.7**	**862.9**
EBITDA	24.8	16.6	49.1	**58.5**	**66.7**
EBIT	-5.3	-18.1	19.4	**29.5**	**35.5**
PTP	-18.0	-30.8	5.3	**13.0**	**21.5**
Net Income	-8.0	-29.8	2.2	**9.5**	**17.1**
Extraordinary items	-7.0	-28.5	-1.3	**-1.4**	**0.0**

Balance sheet	2023	2024	2025	2026e	2027e
Balance sheet total	624.2	585.4	655.5	**646.6**	**652.7**
Equity capital	223.6	189.4	168.9	**178.4**	**195.5**
Goodwill	253.6	249.3	253.7	**253.7**	**253.7**
Net debt	100.2	113.7	142.0	**149.8**	**145.3**

Cash flow	2023	2024	2025	2026e	2027e
EBITDA	24.8	16.6	49.1	**58.5**	**66.7**
Change in working capital	25.8	-19.3	11.2	**-13.8**	**1.3**
Operating cash flow	47.7	-1.6	56.6	**36.2**	**61.4**
CAPEX	-33.2	-28.4	-36.9	**-31.1**	**-31.1**
Free cash flow	15.0	3.5	3.6	**5.1**	**16.3**

Valuation multiples	2023	2024	2025	2026e	2027e
EV/S	0.3	0.3	0.3	**0.4**	**0.4**
EV/EBITDA	8.7	5.3	5.7	**5.7**	**4.9**
EV/EBIT (adj.)	>100	22.2	13.6	**10.8**	**9.2**
P/E (adj.)	neg.	neg.	72.1	**16.0**	**10.1**
P/B	0.5	0.6	0.8	**1.0**	**0.9**
Dividend-%	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**

Source: Inderes

Per share data	2023	2024	2025	2026e	2027e
EPS (reported)	-0.07	-0.21	0.00	**0.06**	**0.11**
EPS (adj.)	-0.02	-0.03	0.01	**0.07**	**0.11**
OCF / share	0.30	-0.01	0.36	**0.23**	**0.39**
OFCF / share	0.10	0.02	0.02	**0.03**	**0.10**
Book value / share	1.38	1.16	1.02	**1.08**	**1.19**
Dividend / share	0.00	0.00	0.00	**0.00**	**0.00**

Growth and profitability	2023	2024	2025	2026e	2027e
Revenue growth-%	3%	-3%	-1%	**3%**	**2%**
EBITDA growth-%	-11%	-33%	196%	**19%**	**14%**
EBIT (adj.) growth-%	191%	519%	99%	**49%**	**15%**
EPS (adj.) growth-%	77%	-36%	139%	**489%**	**58%**
EBITDA-%	2.9 %	2.0 %	6.0 %	**6.9 %**	**7.7 %**
EBIT (adj.)-%	0.2 %	1.3 %	2.5 %	**3.7 %**	**4.1 %**
EBIT-%	-0.6 %	-2.2 %	2.4 %	**3.5 %**	**4.1 %**
ROE-%	-3.8 %	-15.0 %	1.3 %	**5.7 %**	**9.6 %**
ROI-%	-1.4 %	-5.4 %	5.7 %	**8.3 %**	**9.6 %**
Equity ratio	39.6 %	35.5 %	28.0 %	**30.0 %**	**32.5 %**
Gearing	44.8 %	60.0 %	84.1 %	**84.0 %**	**74.3 %**
Net debt/EBITDA	4.0	6.8	2.9	**2.6**	**2.2**
EBITDA/net financials	2.0	1.3	3.5	**3.5**	**4.8**

The market cap and enterprise value in the table consider the expected change in the number of shares and net debt for the forecast years. Per-share figures are calculated using the number of shares at year-end.

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Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

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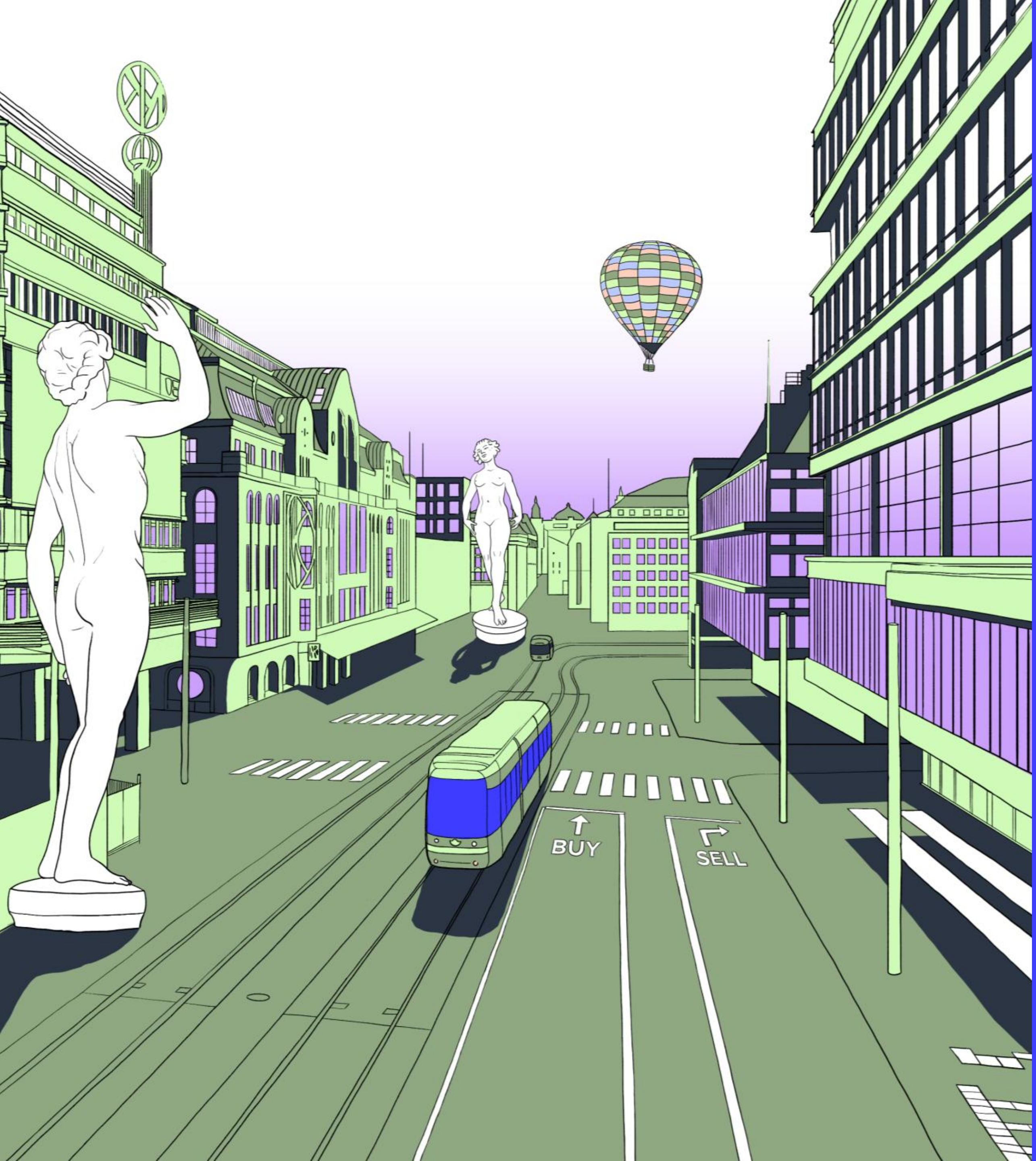
Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
5/30/2024	Reduce	SEK 7.20	SEK 6.60
7/26/2024	Reduce	SEK 7.20	SEK 7.50
11/1/2024	Reduce	SEK 7.20	SEK 7.38
2/17/2025	Reduce	SEK 7.20	SEK 6.48
5/2/2025	Accumulate	SEK 9.00	SEK 7.88
7/25/2025	Reduce	SEK 9.70	SEK 10.45
10/16/2025	Accumulate	SEK 9.70	SEK 8.52
10/31/2025	Accumulate	SEK 9.90	SEK 8.90
2/16/2026	Accumulate	SEK 10.20	SEK 9.20
5/4/2026	Accumulate	SEK 11.20	SEK 9.74
6/25/2026	Reduce	SEK 13.80	SEK 14.35
7/17/2026	Accumulate	SEK 14.00	SEK 12.20
7/22/2026	Accumulate	SEK 13.90	SEK 12.25



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