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Christoffer Jennel
46731589555
christoffer.jennel@inderes.com

INDERES CORPORATE CUSTOMER

EXTENSIVE REPORT

The turnaround story strengthens

Eltel has continued its gradual turnaround journey, showing tangible profitability improvements while maintaining a strong position in core markets and expanding into new market segments. After years of restructuring and heavy margin pressure, the company is now more streamlined, operationally disciplined, and increasingly exposed to growth areas such as renewable energy, e-Mobility, and data centers. While the turnaround is still ongoing, recent progress supports improved visibility on stable cash flows and margin recovery. We reiterate our target price of SEK 9.70 but raise our recommendation to Accumulate (was Reduce), as we see recent share price weakness improving the risk/reward ratio.

Refining the core while expanding into growth markets

Eltel is a leading Nordic service provider for critical power and communication networks, operating mainly through long-term framework agreements with large utilities, telecom operators, and network owners. Its core offering spans design, construction, upgrades, and maintenance of electricity and telecom networks, with business organized through country units in Finland, Sweden, Norway, Denmark & Germany, as well as operations in Lithuania. The company has deliberately reduced its exposure to risky, fixed-price projects, and divested non-core businesses such as High Voltage Poland, to focus on profitable growth in its core geographies. Alongside its traditional "classic" businesses, Eltel is increasingly active in "new" growth segments, including solar parks, battery energy storage (BESS), E-mobility, and data centers.

Structural growth driven by electrification and digitalization

Eltel's operating environment continues to be shaped by the twin drivers of digitalization and electrification. In Communication, fiber and 5G investments have slowed from rollout peaks, but demand is shifting towards densification, indoor networks, and critical public infrastructure. In Power, the investment outlook remains strong, underpinned by aging grids, renewable integration, and electrification of transport and industry. Eltel's core markets, however, remain highly competitive and commoditized, limiting pricing power and margins. To counter this, Eltel has actively been broadening its customer base and expanding into new segments with stronger growth outlooks and higher margin potential, such as renewable energy and data centers.

Margin recovery is gaining more and more traction

Eltel's reported revenue growth has been modest in recent years (3Y CAGR: 0.7%), constrained by both internal and external factors. Since its strategy update (Q1'23), the company has increasingly prioritized profitability over top-line growth, focusing on improved commercial terms, project selectiveness, and operational efficiency. Divestments, currency headwinds, and slower customer decision processes have also weighed on growth. That said, we believe the strategy implementation has been paying off, with profitability steadily improving, primarily supported by expanding gross margins, and earnings are becoming more resilient. We believe Eltel has now established a firmer ground to sustain this positive trend, although it is still premature to completely dismiss its volatile track record in earnings. Combined with organic revenue growth expected in the low- to mid-single digits, we forecast robust earnings growth in the coming years (EBIT CAGR 25-27': 43%)

Time to be optimistic about the stock again

While Eltel's valuation level is high for the current year (EV/EBIT: 12x, P/E 17x), we believe the company's improving profitability and deleveraging progress warrant a more positive view on its turnaround, while also supporting looking beyond just the current year. Reflecting on this, we feel that the overall earnings-based valuation for 2026 looks relatively neutral, albeit on the lower side (EV/EBITDA 4x, EV/EBIT 9x, P/E 9x), given our acceptable valuation range (EV/EBITDA 5x-7x, EV/EBIT 8x-11x, P/E 9x-13x). If profitability improvements continue as expected, we anticipate that valuation multiples will continue to moderate in the coming years. Our DCF model also supports our view on the valuation, indicating a value per share of SEK 10.0. Overall, we think the risk-adjusted expected return is good at the current share price level.

Recommendation
Accumulate
(prev. Reduce)

Target price:
SEK 9.70
(prev. SEK 9.70)

Share price:
SEK 8.52

Business risk
●●●●○

Valuation risk
●●●○○

	2024	2025e	2026e	2027e
Revenue	828.7	834.4	863.9	887.2
growth-%	-3%	1%	4%	3%
EBIT adj.	10.4	21.5	27.4	30.2
EBIT-% adj.	1.3 %	2.6 %	3.2 %	3.4 %
Net Income	-29.8	7.5	13.4	16.3
EPS (adj.)	-0.03	0.04	0.09	0.10
P/E (adj.)	neg.	17.3	9.0	7.4
P/B	0.6	0.7	0.7	0.6
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	22.2	11.8	8.6	7.1
EV/EBITDA	5.3	5.0	4.0	3.5
EV/S	0.3	0.3	0.3	0.2

Source: Inderes

Guidance (Eltel provides no guidance)

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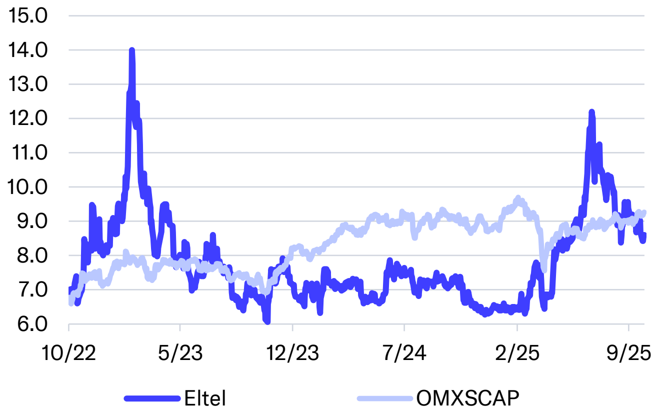
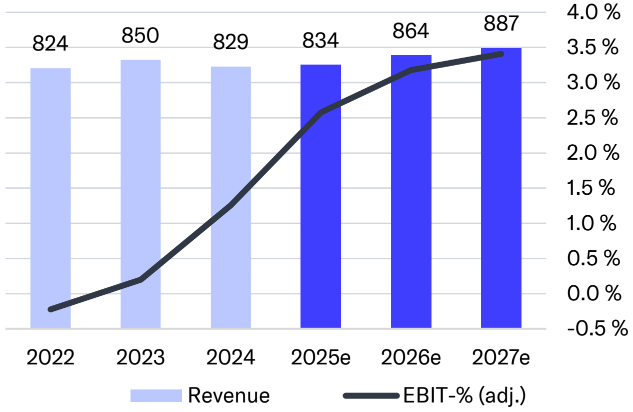
Share price



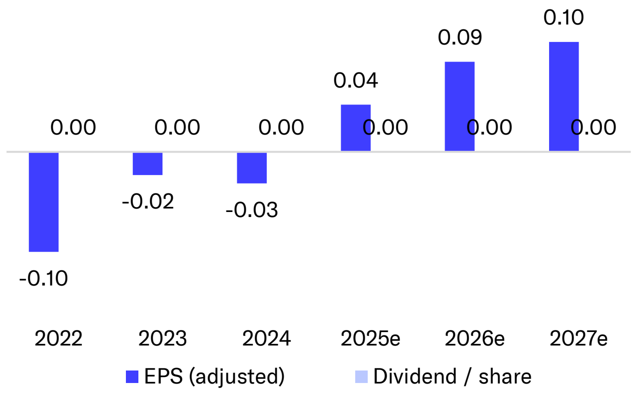
Source: Millistream Market Data AB

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
- Loss of a major customer / challenges faced by the customer themselves

Valuation	2025e	2026e	2027e
Share price (EUR)	0.77	0.77	0.77
Number of shares, millions	156.7	156.7	156.7
Market cap (MEUR)	121	121	121
EV (MEUR)	253	235	214
P/E (adj.)	17.3	9.0	7.4
P/E	20.5	9.0	7.4
P/B	0.7	0.7	0.6
P/S	0.1	0.1	0.1
EV/Sales	0.3	0.3	0.2
EV/EBITDA	5.0	4.0	3.5
EV/EBIT (adj.)	11.8	8.6	7.1
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Eltel in brief

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

2001
Year of establishment

2015
IPO

829 MEUR (850 MEUR)
Reported revenue 2024 (2023)

11 MEUR (2 MEUR)
EBITA 2024 (2023)

4,552 (5,023)
Total average FTE at the end of 2024 (2023)

61% / 39%
Communication / Power share of reported revenue in 2024

-2015

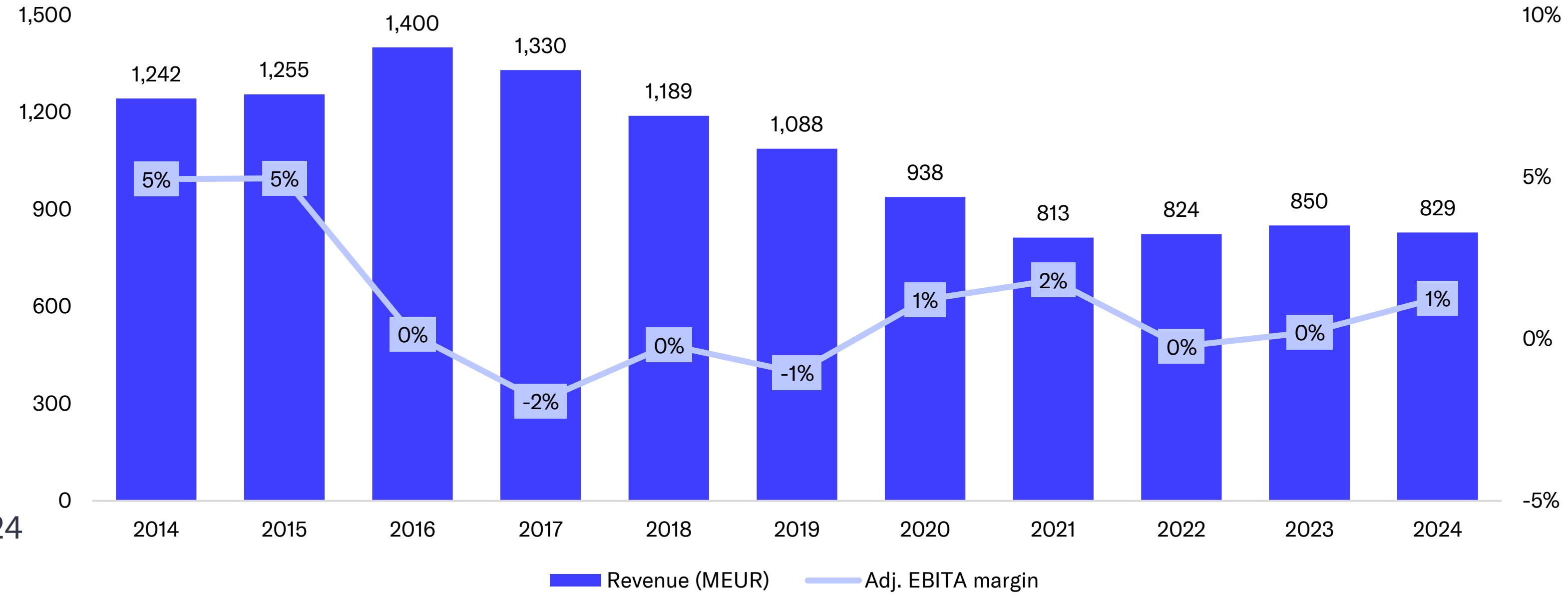
- Strong international growth from the beginning via intensive M&A and outsourcing phase until 2007
- Company expands to a very wide geographical area (incl. Nordics, Baltics, Poland, Germany, UK, Georgia, Tanzania, Zambia)
- Listing and continued M&A until 2016

2016-2021

- 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

2022-

- The current company structure was formed
- At its core, Eltel's current strategy (established in Q1'23) focuses on profitable growth while broadening the customer base and expanding into new and adjacent markets
- Eltel divested its High Voltage Poland business in 2024
- Effects from improved commercial terms, operational efficiency and increased share of new business have contributed to an improved profitability



Company description and business model 1/8

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, 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.

Eltel Group's revenue amounted to 829 MEUR in 2024, with an adjusted EBITA of 10.4 MEUR, representing a 1.3% EBITA margin. At group level, Eltel had an average of 4,552 employees by the end of 2024, highlighting the labor-intensive nature of Eltel's business, as less than 4% of the employees work in administrative functions related to IT, Finance, Business Development etc., some of which are centralized functions supporting cross borders.

Two main businesses – Communication and Power

The company's business areas are divided into Communication and Power, and the former has been the largest one in terms of revenue in recent history (Communication's share of group revenue 2019-2024: 61-64%).

In **Communication**, Eltel's offering consists of services related to mobile telecom, fixed telecom and public infrastructure. Eltel typically refer its services as either classic business or new business, where 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, however, consists of services related to indoor communication and private networks.

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. New businesses include wind and solar power solutions, battery energy storage projects, and EV charging infrastructure.

By combining its competence in communication and power solutions, Eltel has expanded its offering to also include data centers, where it delivers high-speed communication as well as high-voltage power infrastructure, and thus could overlap the two business areas depending on the project.

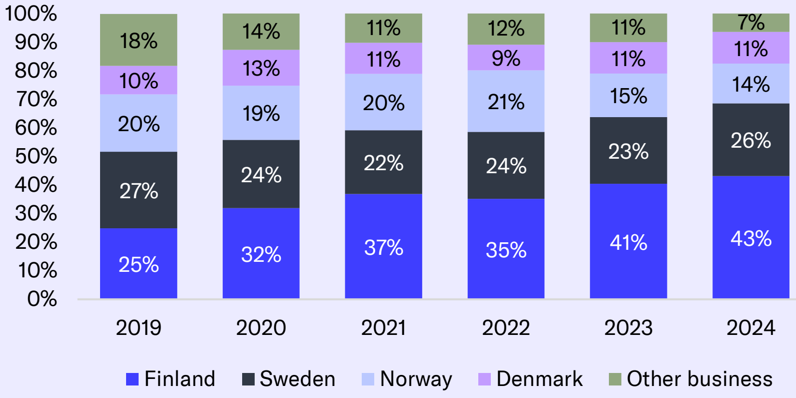
Businesses are reported on a country unit basis

Eltel reports its revenue and profitability by geographical segments: Finland, Sweden, Norway and the newly established (from 2025) Denmark & Germany. In addition to the segments, the reporting structure includes Group Support Functions, which include group functions and Lithuania, as well as closing activities for Power Transmission International (and High Voltage Poland until its divestment in Q2'24). Group Support Functions is not considered a segment.

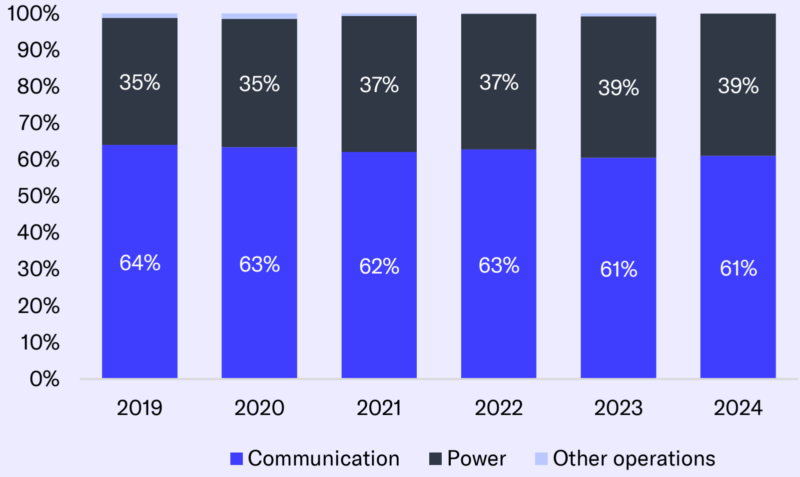
Eltel's offering differs between countries. For instance, the full Power portfolio is currently provided only in Finland, while other country units have varying exposure to Power or Communication. The newly formed Denmark & Germany unit has the most balanced business mix, whereas Norway has virtually no Power-related activities at this stage.

Group revenue breakdown per country unit (%)

2019-2024



Communication and Power: %-share of revenue

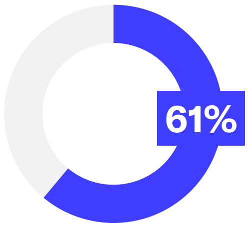


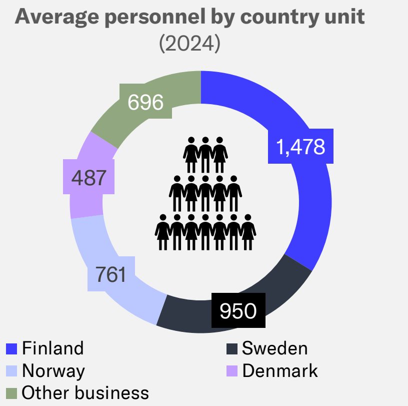
Sources: Eltel, Inderes

Company description and business model 2/8

Communication

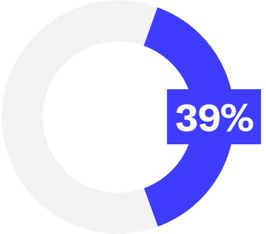
% of revenue (2024)





Power

% of revenue (2024)



Service areas

- Fixed & mobile telecom
- Fixed wireless access
- Mobile indoor
- Data centers

Offering

- Design
- Installation
- Upgrading
- Service

Markets

Service areas

- Power distribution & transmission
- Renewable energy (Solar PV, Wind)
- Smart grids
- E-mobility
- Data centers

Offering

- Design
- Build
- Upgrading & maintenance
- Turnkey solutions

Markets

Selection of customers in Communication

Telecom operators and network owners, industrial customers, and public sector

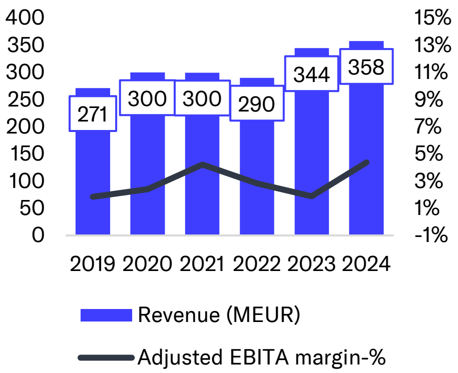
Selection of customers in Power

Network operators and owners, industrial customers, public sector, and utility companies

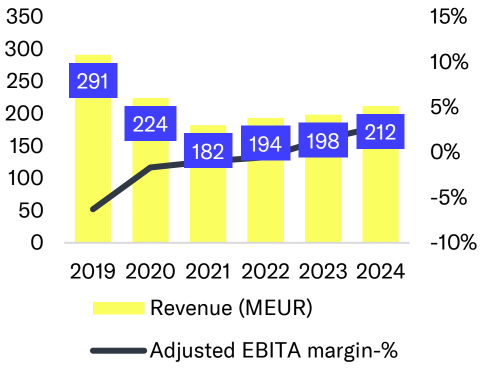
Sources: Eltel, Inderes

Company description and business model 3/8

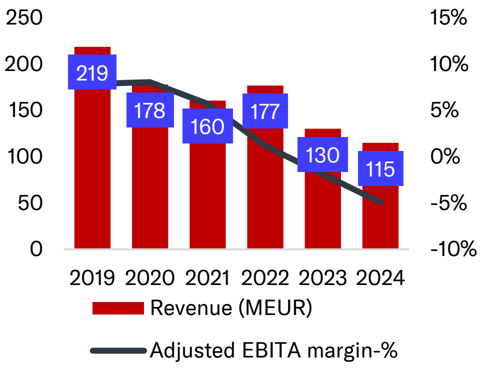
Finland



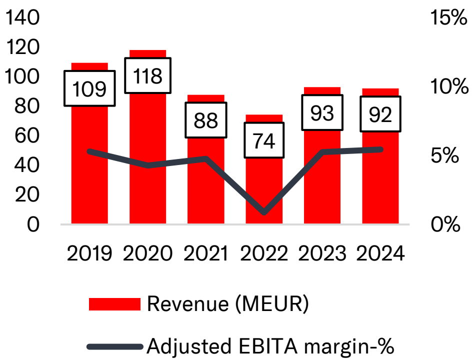
Sweden



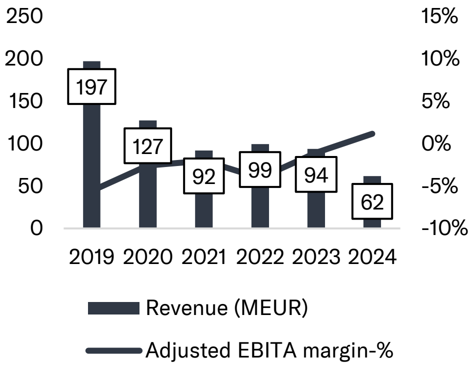
Norway



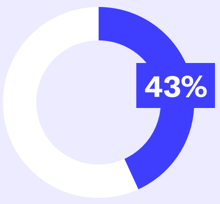
Denmark*



Other business*

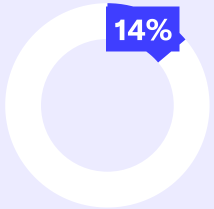


Share of Group revenue-% (2024)

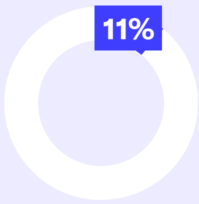


Share of Group revenue-%

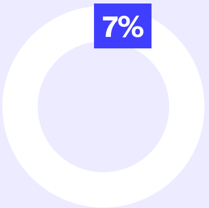
Share of Group revenue-%



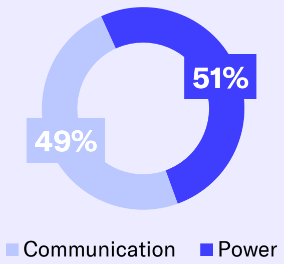
Share of Group revenue-%



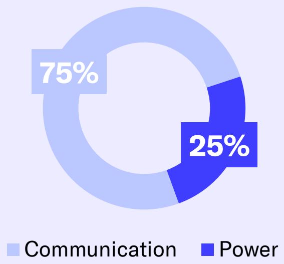
Share of Group revenue-%



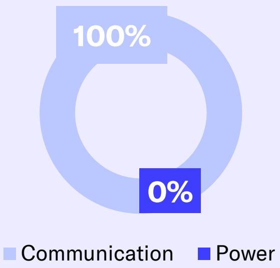
Business split-% (2024)



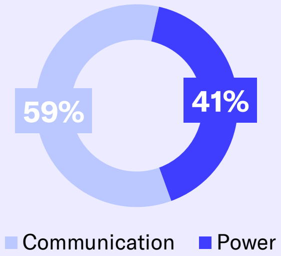
Business split-%



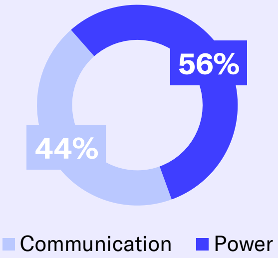
Business split-%



Business split-%



Business split-%



* From 1 January, 2025, Eltel updated the segment structure, in which Denmark and Germany now constitute a new segment together. Before this, Germany's Smart Grid business was included in the "Other Business" segment. In 2024, the Denmark & Germany unit generated 129.6 MEUR in revenue, with an EBITA margin of 5%.

Sources: Eltel, Inderes

Company description and business model 4/8

Since 2020, **Finland** has been Eltel's largest geographical market, and the country accounted for 43% of the group's revenue in 2024. In Finland, Eltel's offering includes all of the company's services within Power and Communication. Between 2019-2024, the country unit has grown at revenue CAGR of 6%, primarily driven by Communication, and with an average EBITA margin of 2.9%.

In **Sweden**, Eltel's offering is more heavily based on Communication and relative to total group revenue, the country unit accounted for 26% in 2024. While the Power segment has nearly doubled the revenue since 2019, as Eltel gradually have transitioned toward new areas such as solar parks, EV charging, indoor coverage, and power distribution, the country unit as a whole has decreased its revenue by a -6% CAGR since 2019. This comes as the traditional communication work have been negatively impacted by reduced customer investments, mainly in fiber. In addition, the weaker SEK to EUR has also impacted growth negatively throughout this period. After some years of negative profitability, the adjusted EBITA turned positive in 2023 and improved further in 2024 to 2.9%. The improvement in profitability was supported by new commercial terms taking effect in existing contracts/frame agreements, a broadening customer base, as well as increased stability and flexibility throughout the operations.

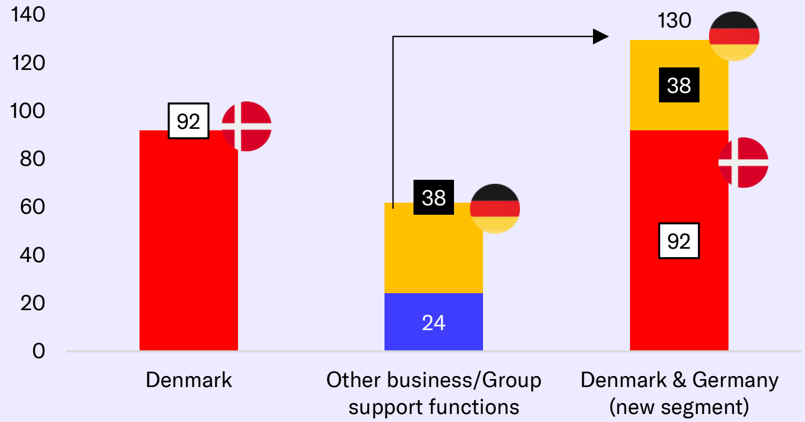
In **Norway**, the focus is on fixed and mobile communication network and following reduced investment by telecom operators and network owners, revenue has almost halved since 2019. As such, its share of group revenue has decreased, and amounted to 14% in 2024. Norway has, like the Swedish unit, also been negatively impacted by currency movements. The shift in volumes within the Norwegian communication sector negatively impacted the unit's profitability and the unit has been in the red since 2023, after being one of Eltel's most profitable businesses historically. Eltel has undertaken several cost-cutting and downsizing measures to adjust the organization to the new investments levels while also actively working on broadening the customer base through expansion into adjacent markets such as solar, battery storage, data center, and charging infrastructure.

In the newly formed business segment **Denmark & Germany**, the service mix is more balance between Communication and Power (2024: 42%/58%). The country-unit reported revenue of 130 MEUR in 2024, where Denmark accounted for 92 MEUR and Germany's smart grid operations (its communication business was sold in 2021) for the rest. As Communication volumes in Denmark have declined in recent years, the focus has increasingly shifted toward energy infrastructure (e.g. solar PV, battery storage, charging solutions) which has somewhat offset the lower communication volumes. The country-unit is currently Eltel's most profitable (2024: 5% adjusted EBITA) and is a result of a relatively high share of smart metering business, which poses higher margins, and Denmark's efforts in broadening the customer base over the recent years.

Lastly, **Group support functions** (previous **Other business**) is the smallest unit and currently constitute of the group's administrative functions, Lithuanian operations, and the remaining wind-down activities from divested or exited businesses. Worth mentioning is that the function includes the group's service center, where we understand a large part of the staff works.

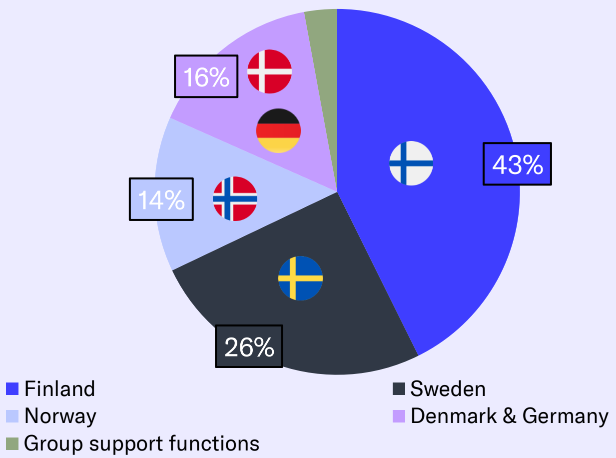
New reporting structure (from 2025)

Revenue in Denmark, Other business and Germany in 2024 (MEUR)



Revenue mix-%, 2024

(New segment structure from 2025)



Sources: Eltel, Inderes

Company description and business model 5/8

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. Project sizes vary 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. In general, maintenance services 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 constituting for roughly 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 are used, to reduce risk levels. Consequently, 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 (2024: 22% of the revenue) going forward, driven by growth in new business areas, particularly within Power (e.g., solar power projects).

While maintenance services and parts of the upgrade business provide some revenue visibility, a notable portion of Eltel's revenue remain linked to individual projects.

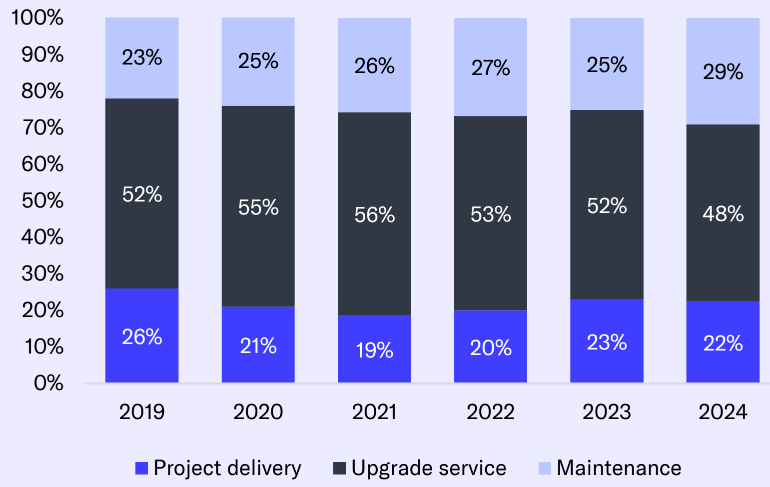
We estimate that the service type does not have a direct impact on the profitability profile, but rather profitability varies per contract and customer. Nonetheless, we see that project deliveries have the highest risks / positive margin potential due to their size.

Customer concentration remains high, but continues to decline

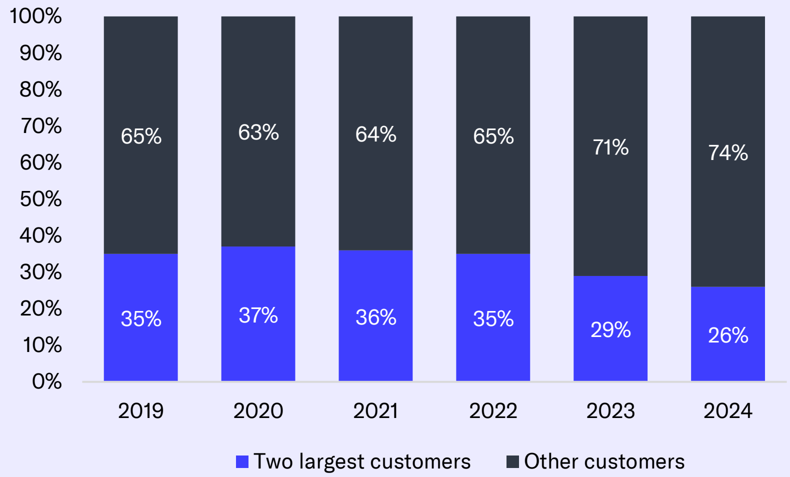
The company usually enters into long-term framework agreements (3-4 years) with a small number of well-established customers with a strong local or Nordic presence. With some of these customers, Eltel has already had long-term business relationships for over 20 years.

While Eltel serves approximately 2,000 customers in total, its revenue remains highly concentrated. In our opinion, this also reflects the market dynamics in Communication, where Nordic telecom operators are the main customers. In 2024, two of Eltel's customers accounted for 26% of group revenue (2023: 29%; 2022: 35%), while in 2022 the five largest customers represented around 48% of total revenue.

Revenue split (%) by service type



Customer concentration (% of Group revenue)



Sources: Eltel, Inderes

Company description and business model 6/8

We believe these two key customers are Telia and Telenor within the Communication segment (primarily in Sweden, Finland, and Norway). The declining revenue share in recent years likely reflects both lower investment levels from these customers and the gradual impact of Eltel's efforts to diversify its customer base. However, we do not expect a significant shift in customer concentration risks in the short to medium term, as diversification initiatives likely will take time to produce a more meaningful impact.

Besides these larger telecom operators, main customers in Communication include other communication network owners such as Trafikverket, 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, E.ON, Helen, Vattenfall, Ellevio, Statnett, OX2 and Kempower.

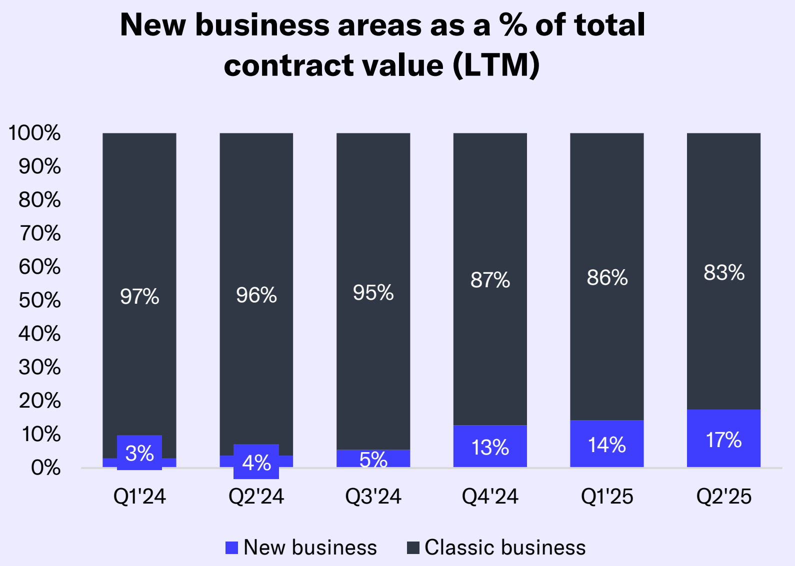
Typically, Eltel has a quite steady inflow of work orders generated from the framework agreements and other long-term partnerships. It is still important to note that several of the maintenance and upgrade service contracts are non-exclusive and customers can either terminate the contract at will or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

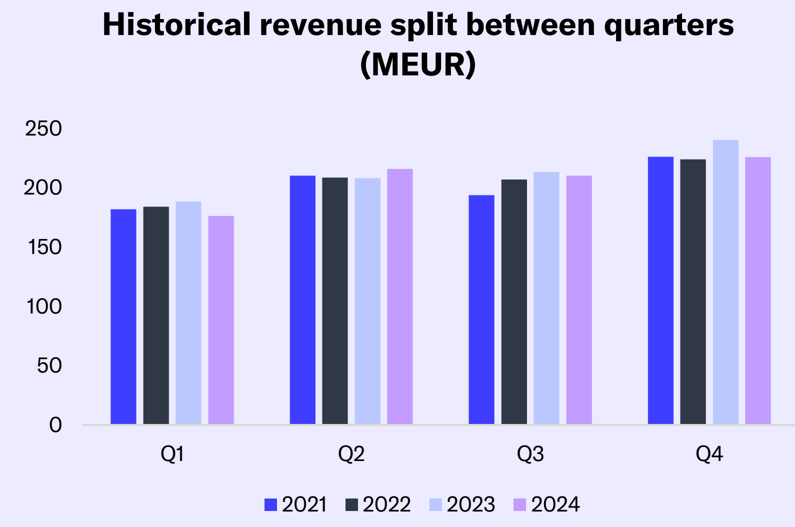
On the other hand, the competition is also quite concentrated in Communication between the biggest players, which provides some protection for demand, because we believe customers, especially telecom operators, want to spread their purchases between service providers. But overall, the company's current 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.

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.

New and adjacent markets will be important to broaden the customer base and reduce operational risks

To address this, Eltel is working to replace commoditized service sales with a more individualized business model, developing both the scope and specification of its services as well as the pricing model. A key focus area is to broaden the customer base, especially within the classic Communication business, where concentration is currently highest, by increasing exposure to public infrastructure, defence, and other industry customers. Furthermore, the company seeks to expand more actively into adjacent and new business areas, such as green energy, to further diversify its revenue streams. In our opinion, potential new customers could include operators from both the public and private sectors, such as hospitals, industrials (e.g. IoT and sensor networks), and the energy sector (renewables, energy storage, EV charging). Eltel has already shown progress in its strategy execution, adding 178 new customers in 2024, with 13% of signed contract value coming from new business areas.





Sources: Eltel, Inderes

Company description and business model 7/8

In terms of customer structure, a key determinant of Eltel's performance is its ability to succeed 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 consistently winning new tenders.

Seasonal fluctuations in revenue, results and cash flow

Over the course of 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.

Committed backlog ensures short-term revenue visibility

An important indicator of the future development for investors is the committed order backlog reported by the company, which is the total value of firm orders received but not yet recognized. Generally, approximately 65-80% off the year-end committed order backlog is typically recognized as revenue in the following year. Frame agreements are only included in the committed order backlog if a binding purchase order has been received. The company also disclose total order backlog, which 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

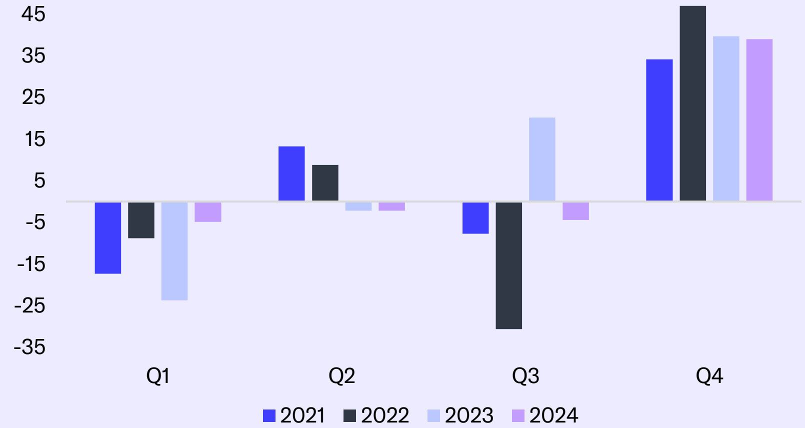
Due to the nature of the service business, the company's business model is very labor-intensive. This is reflected in Eltel's cost structure, which consists mainly of personnel costs (including subcontracting). Due to the high labor intensity, the company's cost structure is largely composed of somewhat 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).

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

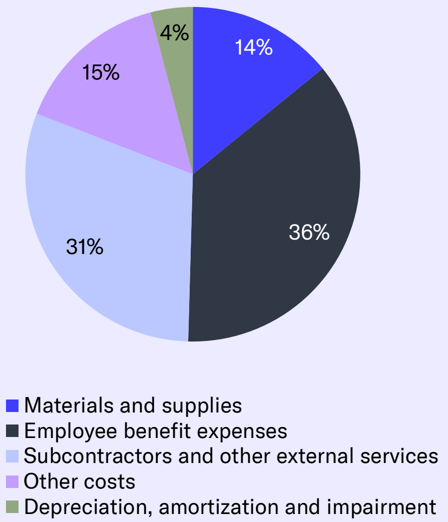
In recent years, Eltel has been able to operate with negative working capital on an annual basis, which is partly due to low inventory levels and partly to the company's payment terms (i.e. receivables are lower than payables).

Historical operating cash flow split between quarters (MEUR)



Cost structure 2024

as a % of total expenses



Sources: Eltel, Inderes

Company description and business model 8/8

As illustrated in the graph to the right, Eltel has improved its working capital management notably in recent years through its accelerated focus on, what Eltel refers to, operational excellence (e.g. improved resource optimization and planning, and use of subcontractors) and commercial excellence (e.g. price increases, renegotiations of commercial terms). However, it is worth noting the Eltel, generally, has a 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. Phasing of projects are also impacting the working capital, and delays in them could results in prolonged tie ups. As such, working capital management is critical to the success of the business, and given the volatility of working capital between quarters, 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).

For the period 2019-2024, 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 allows Eltel to have a solid cash flow profile despite the low-margin business. Historically, the company has faced challenges in this area but has demonstrated clear improvements in 2023-2024 (see the Historical development section for more details). The limited capital requirements also contribute to limiting the barriers to entry in the sector.

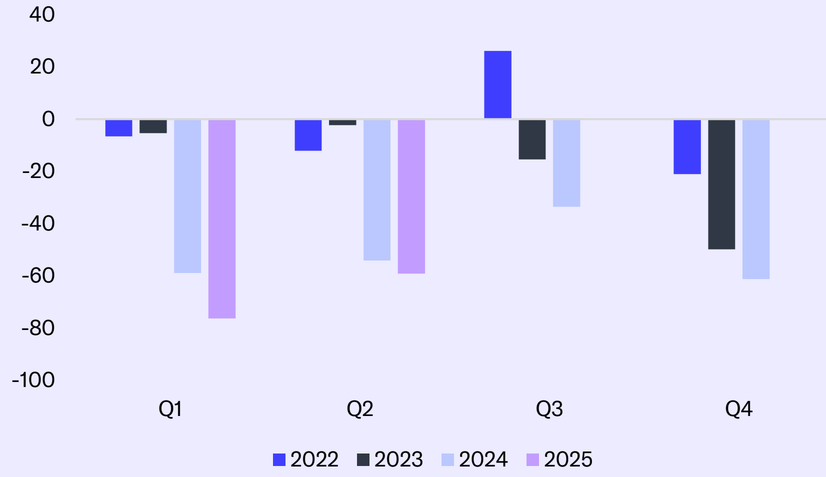
Management, board and ownership

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.

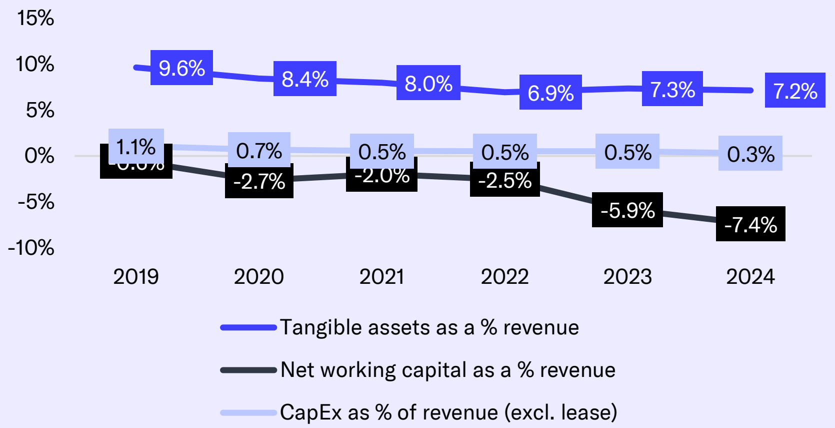
As far as management shareholdings are concerned, seven out of nine members of the group's management team are Eltel shareholders (end of 2024 data), although some of them have only small shareholdings (total insider ownership <1%). In addition, only one out of eight members of the Board of Directors own Eltel shares (end of 2024 data), which doesn't send such a strong signal of confidence to investors.

Overall, the ownership of the company is very concentrated, with 10 of the largest shareholders holding around 72% 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 (56% of the votes).

Net working capital (MEUR)

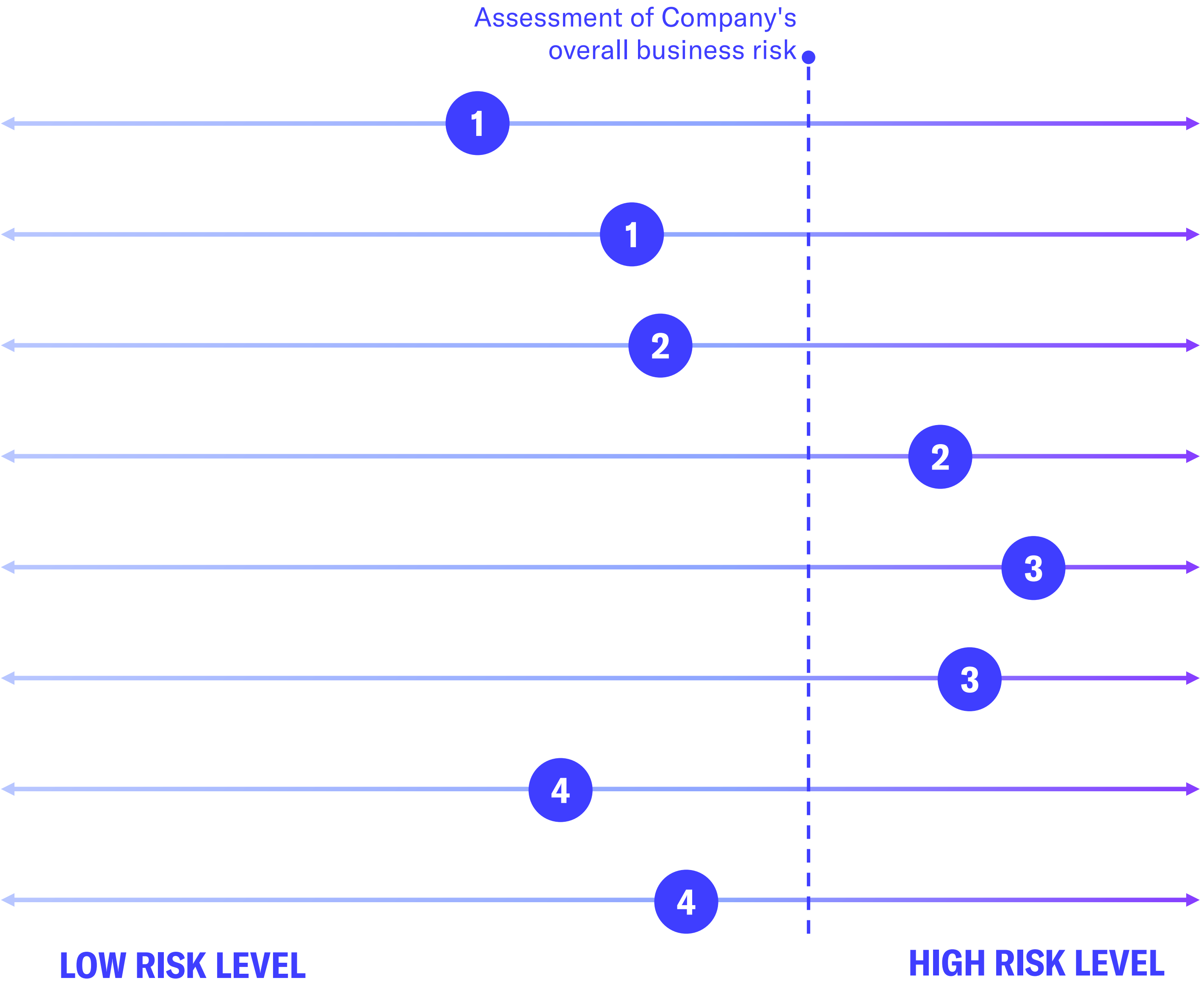


Capital commitment & CapEx
% of revenue, 2019-2024



Sources: Eltel, Inderes

Risk profile of the business



1 OPERATING ENVIRONMENT	Rate of change in the industry	The change rate in the industry is moderate. However, technology development requires know-how maintenance and development
	Company's development stage	Eltel's business is well-established, and while profitability has improved in recent years, the group has a long history of profitability challenges
2 REVENUE	Market cyclicality	Revenue is not very dependent on economic cycles but more on customers' investment decisions and the company's ability to win tenders
	Revenue diversification and continuity	High customer concentration, but the clientele is well-established with long-term relationships. Efforts to broaden the customer base are ongoing and will take time, while frame agreements and service contracts provide stability
3 PROFITABILITY	Scalability of costs	Due to low barriers to entry, the competitive situation is tight and thus price is an important factor. References and customer relations are important
	Cost structure	Higher volumes scale up short-term fixed / semi-fixed costs, but in a low-margin business they only have a limited contribution
4 CAPITAL STRUCTURE	Capital commitment	Moderate investment needs and Eltel has been able to operate with negative working capital on an annual basis, but there is a lot of volatility throughout the year
	Need for financing	The new bond extends maturities, simplifies capital structure, and secures financing until 2029. Together with other financing agreements, the current cash position is sufficient for operating activities. However, cash flow has to increase in the medium term

Industry and competitive landscape 1/6

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 company’s active market 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 related to railway, road, aviation, and defence, 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, private networks, public infra).

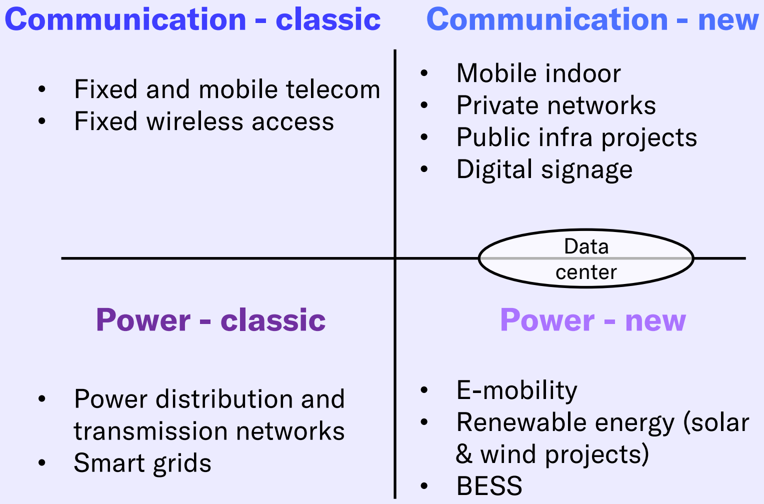
For context, Netel, one of Eltel’s competitors, estimated in its prospectus (2021) that its total addressable market in mobile and fixed network was 18.0 BNSEK (at the current rate ~ 1.6 BNEUR) in Sweden, Norway and Finland in 2020. Reflecting this, although there might be some differences in their offerings,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

Communication’s growth outlook

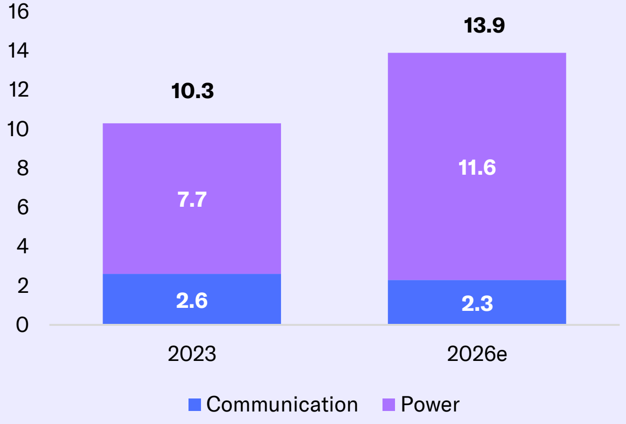
In Communication, Eltel expects that the classic side of the market will be declining in the coming years (2023-2026e: -5%). This is based on a maturing market, especially in fixed communication (fiber) in Sweden and Norway, where fiber penetration is already very high. In addition, the peak in the Finnish fiber-to-the-home (FTTH) rollout was reached in 2024, which will result in lower activity in large-volume rollouts, and instead a shift toward densification and multi-dwelling units. Eltel has also noted that operators are redirection more of their investment budgets to the mobile side of communication.

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.

Overview of Eltel’s addressable markets and growth outlook



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



Industry and competitive landscape 2/6

However, Eltel expects the growth for the new businesses to be rather quick (2023-2026e CAGR: 11%). The main growth drivers are data centers and indoor communication and private networks, especially within public infra. 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.

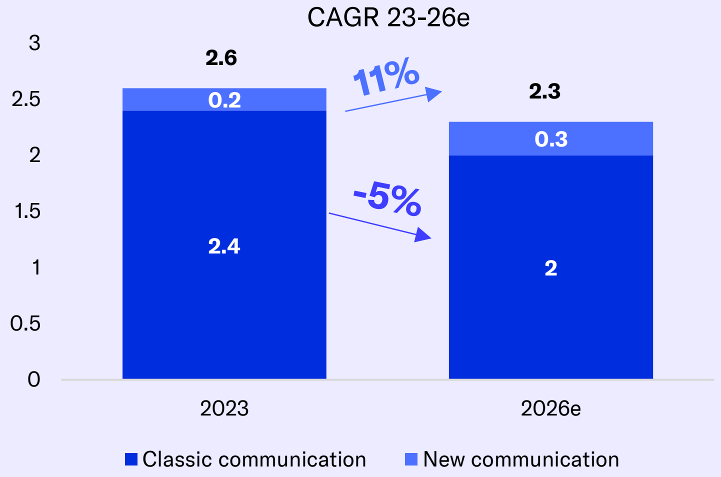
In our opinion, the background to this concentration comes from the local large telecom operators, who require their suppliers to be large enough to ensure a comprehensive supply and sufficient resources. They value suppliers that are able to take on a nationwide commitment, which demands a level of capacity that only a few players can offer. 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. In Sweden, Eltel installs and maintains 5G and fiber networks and is a major player in the fiber-to-the-home market.

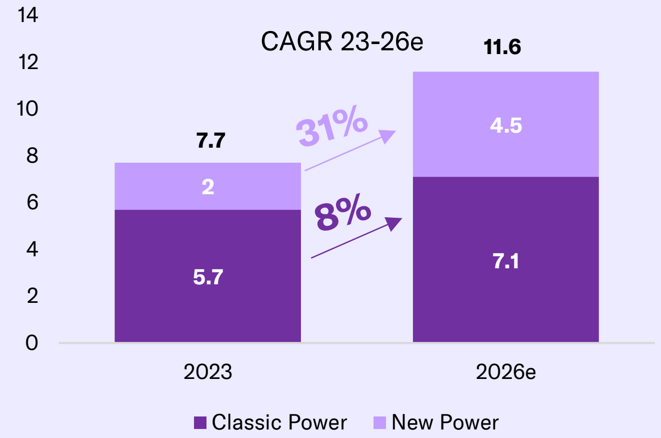
Power's market

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)



Sources: Eltel, Inderes

Industry and competitive landscape 3/6

Respectively, Netel estimated in its prospectus that its total addressable market in Power was 10.5 BNSEK (at the current rate ~1 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. 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 won't be able to 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 classic side of the market in the coming years (2023-2026e 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, considering Fingrid's recent investment levels (2019-2023: ~100-350 MEUR).

In Sweden, which has already been an important growth market for Eltel in recent years, a large share of the electricity grid is reaching the end of its service life and must be replaced. At the same time, electrification of manufacturing and transport, combined with rising demand for electricity, calls for significant expansion of the country's grid and production capacity to safeguard reliability and meet climate targets. According to the Electricity Network Report (2023), 945 BNSEK (~90 BNEUR) of investments will be needed over the next 20 years to modernize Sweden's energy system. While Eltel is currently not active in high-voltage projects, the scale of planned investments ensures there will be plenty of opportunities in related areas for a long period of time.

Eltel expects rapid market growth for new business areas that they company targets (2023-26e CAGR: 31%). The main growth drivers are planned investments in solar power, especially utility-scale solar parks, battery energy storage ("BESS"), 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 Authority, Finland's solar power production capacity amounted to 1,000 MW at the end of 2024, and Fingrid estimates that solar power capacity could rise to around 7 GW in 2030. Furthermore, Fingrid has claimed that the goal is for wind power to produce half of Finland's electricity, with current main grid planning process is preparing for wind power capacity of 19 GW in 2030 and 34 GW in 2035 (cf. 2024: ~8.4 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 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.

Sources: Eltel, Inderes, Fingrid, Svenska Kraftnät

Industry and competitive landscape 4/6

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 Germany, Eltel focuses on smart grids.

Eltel's combined expertise in communication and power makes data center an emerging opportunity

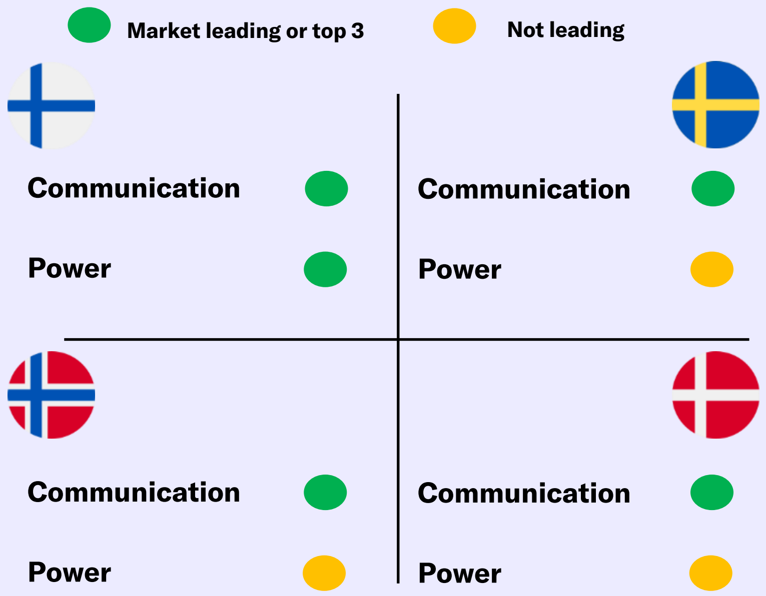
At the intersection of communication and power, data centers have emerged as a natural growth area for Eltel. With decades of experience in both segments, the company is well-positioned to deliver the combination of high-voltage grid connections, substations, and fiber connectivity required for these projects.

Globally, demand for data centers is rising sharply, driven by digitalization, cloud migration, and new technologies such as AI, which all require massive computing power and connectivity. The Nordics have, in this context, become one of Europe's most attractive data center hubs. Abundant low-cost renewable energy, favorable cooling conditions, strong grid infrastructure, and political stability have attracted large-scale, long-term investments from international players, especially hyperscalers.

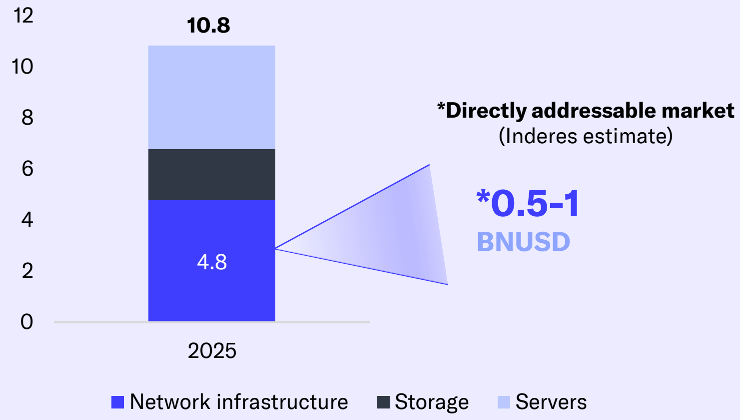
The Nordic data center market is sizable and expanding rapidly, although estimates of market size and growth vary depending on the source and scope definition. For example, Statista projects revenues of around 10.8 BNUSD in 2025 in the Nordics, growing at a CAGR of 7% to 15.2 BNUSD by 2030. Sweden and Finland are currently leading the build-out, with Norway and Denmark increasingly active. Much of this market includes servers and storage, but Eltel's relevance lies in the network infrastructure segment (4.8 BNUSD in 2025), particularly the share tied to energy and connectivity. We estimate that 0.5-1.0 BNUSD of this market is directly addressable for Eltel. That said, this niche is strategically important since reliable power and fiber connectivity are fundamental to data center operations. While data centers are experiencing strong momentum right now, the industry is still relatively new, making it difficult to predict how many planned investments will ultimately materialize.

Eltel has already gained momentum with notable wins during 2025, such as the Hyperco contract (16 MEUR) and the DayOne contract (38 MEUR) in Finland, both covering turnkey delivery of substations and cabling. These projects underline the company's ability to compete in this space and its potential to become a recurring partner in future Nordic data center build-outs, not only for new projects, but also, in our view, in maintenance and upgrades over time.

Overview of Eltel's market position in the Nordics within each segment



Nordic data center market (BNUSD)



Sources: Eltel, Inderes, Statista

Industry and competitive landscape 5/6

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, Elvera Oy, ENP and Axians. Furthermore, we believe that in renewable energy construction, competitors could include companies like Suvic, KSBR, Destia, NYAB, Infra Builders Oy, Omexom (a part of Vinci Energies), 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 (Electrical Balance of Plant).

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

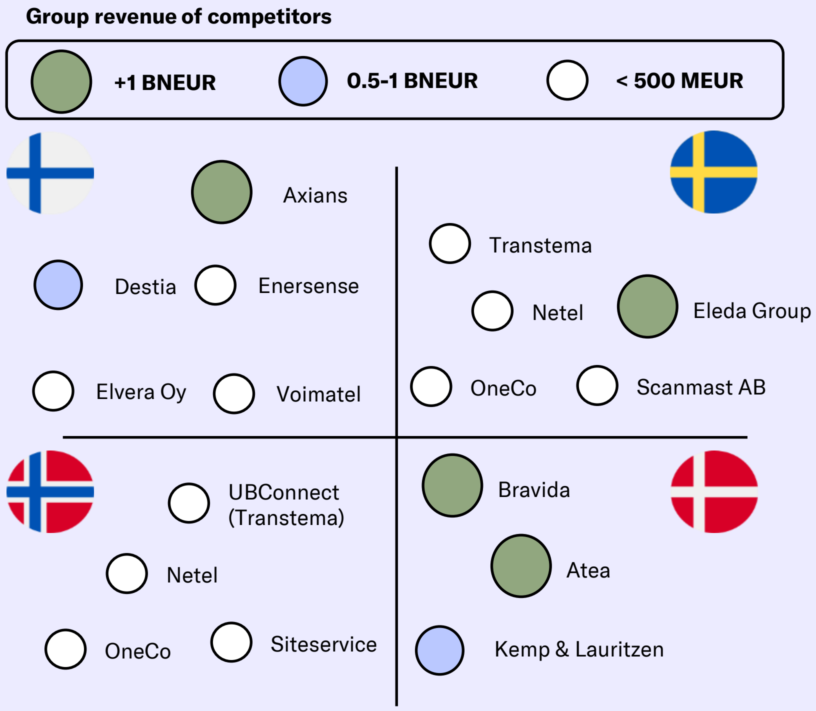
Overall, we think that Eltel is positioned quite well in some of the markets, especially in Finland where it is the market-leading infranet service provider and in Norway as a communication market leader. However, in other markets, it holds weaker positions, reflecting its narrower offering. Generally, 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 noted, Eltel competes with a broad set of players whose business scope and geographic reach differ. For comparability, we have focused on two listed peers with the closest profiles to Eltel, namely Netel and Transtema. Netel operates across similar service areas but also includes civil engineering (e.g., district heating, water, sewage) and has a slightly different geographical coverage. Transtema is primarily concentrated in communication services in Sweden but has recently expanded into Power.

Although Enersense is a key competitor to Eltel in both Communication and Power in Finland, we exclude it from this comparison. Its wider service portfolio, frequent structural changes (e.g., divestments), investments in new areas, and wind power development fees have caused high volatility in profitability, making historical comparisons less meaningful.

Overview of Eltel's main competitors and its group revenue



Sources: Eltel, Inderes

Industry and competitive landscape 6/6

Looking at profitability for the last five years (2020-2024, Netel's adjusted EBITA margin has averaged 6.4% and Transtema 5.4%. Eltel's corresponding figure is 0.9%. Like Eltel, Netel and Transtema has been negatively impacted by market headwinds (e.g. inflation) during this period, especially in 2023. Reflecting on this, we think Eltel has underperformed against the industry. However, at the same time we acknowledge that part of this performance gap can be explained by structural differences in respective business models.

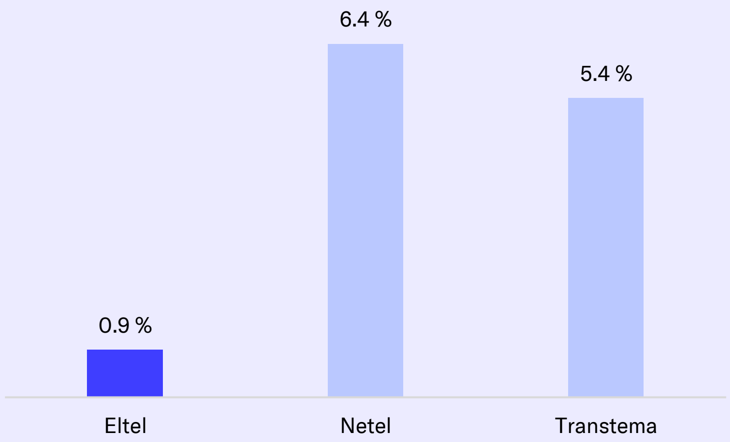
For instance, Eltel serves a large share of major telecom operators and state-owned utilities in the Nordics (e.g. Telia, Telenor, grid companies), where tendering processes are highly competitive and pricing pressure is intense. By contrast, Transtema and Netel more often work with smaller network owners, municipal networks, or project-based markets, where margins tend to be higher and contracts more flexible.

Moreover, Eltel's larger organization with more than 4,500 employees entails heavier central administration and overhead costs, which weighs on profitability. Smaller peers operate with leaner structures and can adapt more quickly to changing market conditions. Finally, Eltel's revenue mix is tilted toward framework agreements with fixed unit prices (such as long-term service contracts for fiber or electricity networks). These provide stability but at low margins. Netel and Transtema, in turn, have a higher share of project-based revenues (e.g. fiber rollout, 5G expansion), which often yield better gross margins but come with higher volatility.

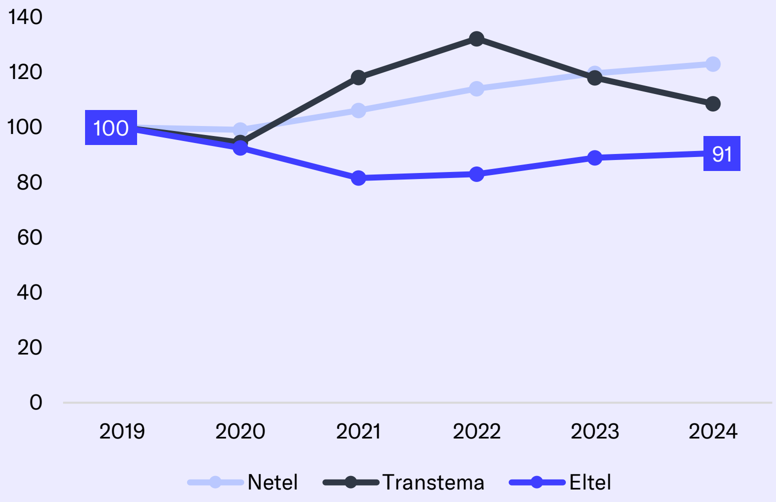
We also believe that these differences in business models are reflected in the peers' higher profitability targets relative to Eltel (EBITA% > 7% vs. Eltel's EBITA% > 5%). However, we estimate that it's challenging to achieve sustainable competitive advantages in the industry. As such, we believe it's 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.

That said, we do not see these differences as impossible for Eltel to overcome. In fact, the company has already shown tangible improvements since updating its strategy in 2022/2023, with early signs of margin recovery. Looking ahead, better project selection, tighter cost control, increasing share of new business, and improved resource utilization could narrow the gap. With peers' results as benchmarks, we believe that further profitability enhancement, while challenging, remains achievable for Eltel.

Eltel's and competitors adj. EBITA margin (2020-2024 avg %)



Organic revenue growth development (indexed, 2020-2024)



Sources: Eltel, Inderes

Historical development 1/2

Profitability challenges reflected in the history

The roots of Eltel's core businesses traces 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).

Eltel's revenues have declined significantly since 2016, which is largely a result of exits from unsuccessful international operations, divestments of non-core businesses (e.g. Aviation & Security business in Sweden, Poland operations and German communication business). It is also due to a strategic shift from 2017 to reduce project risk and focus on recurring service contracts in the Nordics. In 2019, the company also decided to transform itself into a service company with a focus on the Nordics. From 2021, the financials better reflect the current scope of operations.

Profitability has followed a volatile path between 2015-2024. Structurally low gross margins mean that even modest swings in costs or demand have a big impact on earnings, making strict cost control and flexibility in the cost base essential. The adjusted EBITA margin were close to 5% at the time of the IPO but deteriorated sharply after project setbacks and cost overruns in 2016-2017. Margins recovered somewhat in 2020-2021, supported by restructuring and divestments, but were later hit by macro headwinds such as inflation and reduced customer investments. While most legacy frame agreements with unfavorable terms have been renegotiated or replaced, we believe a few still weigh on profitability, particularly in Finland, though their impact should gradually fade after 2025.

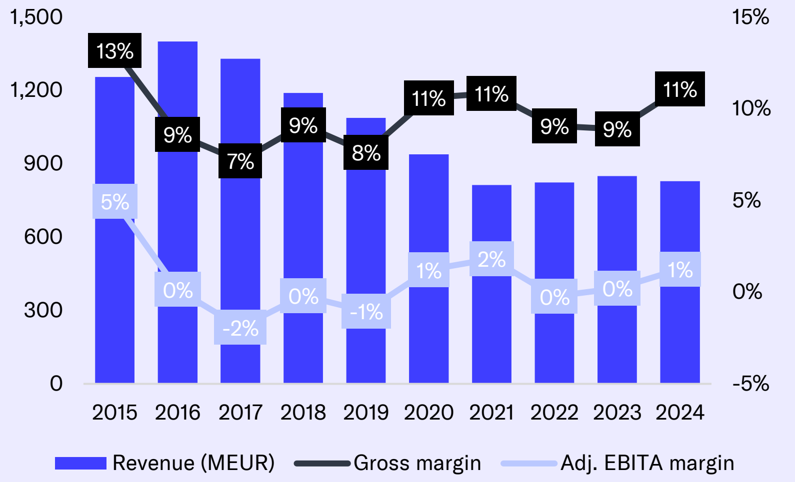
Profitability has also varied across Eltel's country units, with the main challenges linked to Sweden and previous Other Business segment (primarily Poland), and, more recently, Norway. In Sweden, a shrinking telecom market and legacy frame agreements on unfavorable terms have pressured margins, but efficiency measures, smart grid projects, and results from a broadening the customer base (e.g. within public infrastructure and defence) have supported gradual improvement in recent years. In Poland, persistent cost overruns in high-voltage projects generated cumulative losses of around 23 MEUR between 2020-2023 before the business was divested in 2024. Norway has faced reduced investment in communication since late 2022, which, combined with its high reliance on a few large customers, caused rapidly deteriorating margins. Denmark, meanwhile, has been shifting from a declining Communication business towards Power and renewables, where a broader customer base has lifted profitability.

With Sweden stabilizing and Poland exited, coupled with implemented restructuring activities during 2023-2024, tighter cost control, improved pricing discipline and better contract terms implemented across units, Eltel has a firmer base to sustain improved profitability. However, near-term challenges persist in restoring profitability in Norway.

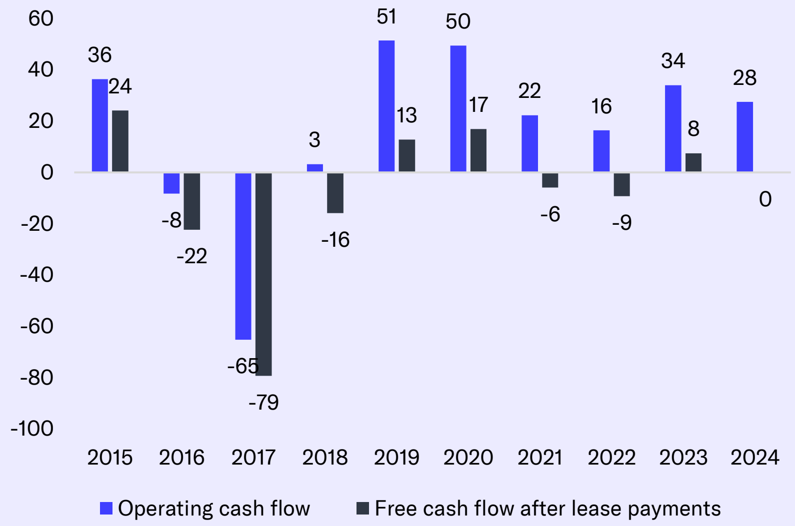
Eltel's cash flow mirrors its turbulent history. Heavy outflows in 2016–2017 from project losses, restructuring, and working capital buildup gradually gave way to stabilization from 2019 as the business narrowed its focus. In recent years, stronger pricing and contract terms have supported operating cash flow, though cumulative free cash flow after leases remains negative (-24 MEUR, 2014-2024). This underlines the need for lasting profitability improvements to secure sustainable cash generation and strengthen the balance sheet.

Group's historical development

2015-2024

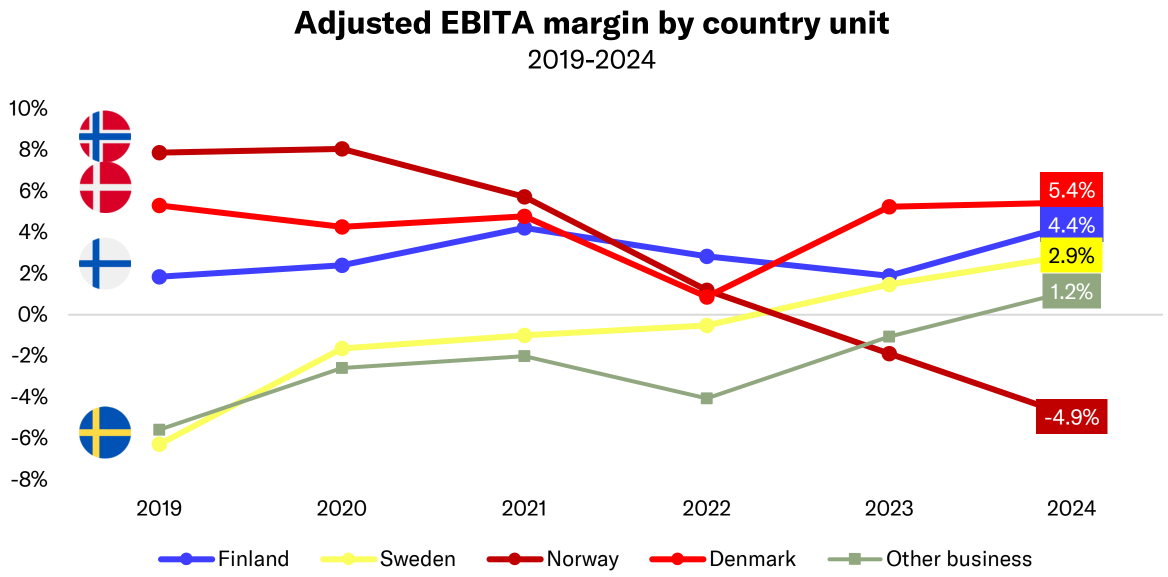


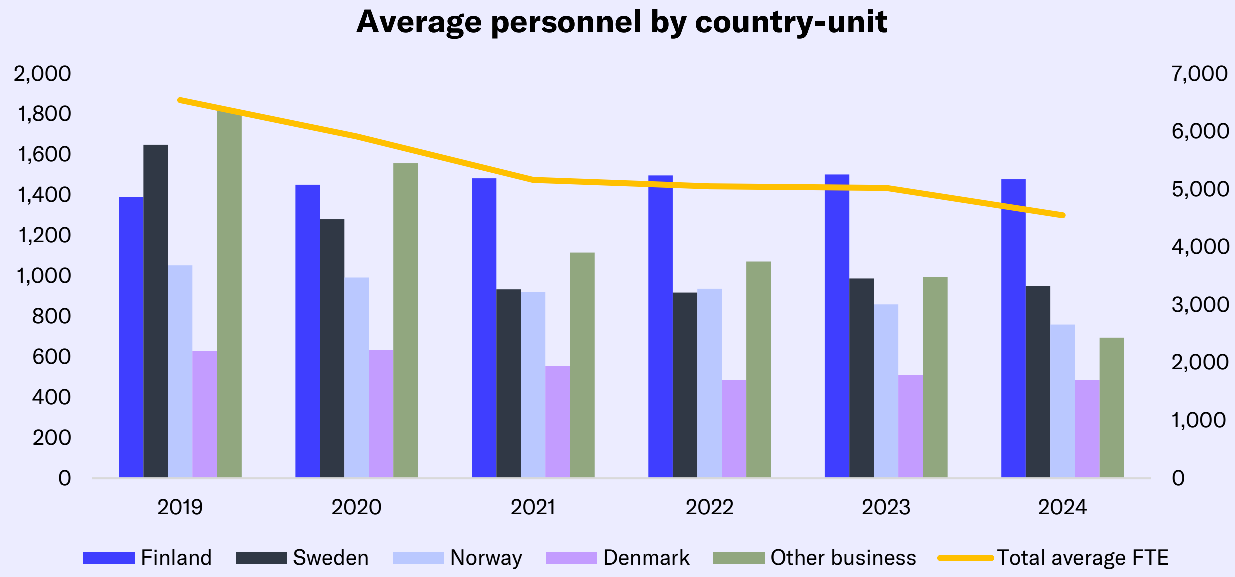
Cash flow development (MEUR)

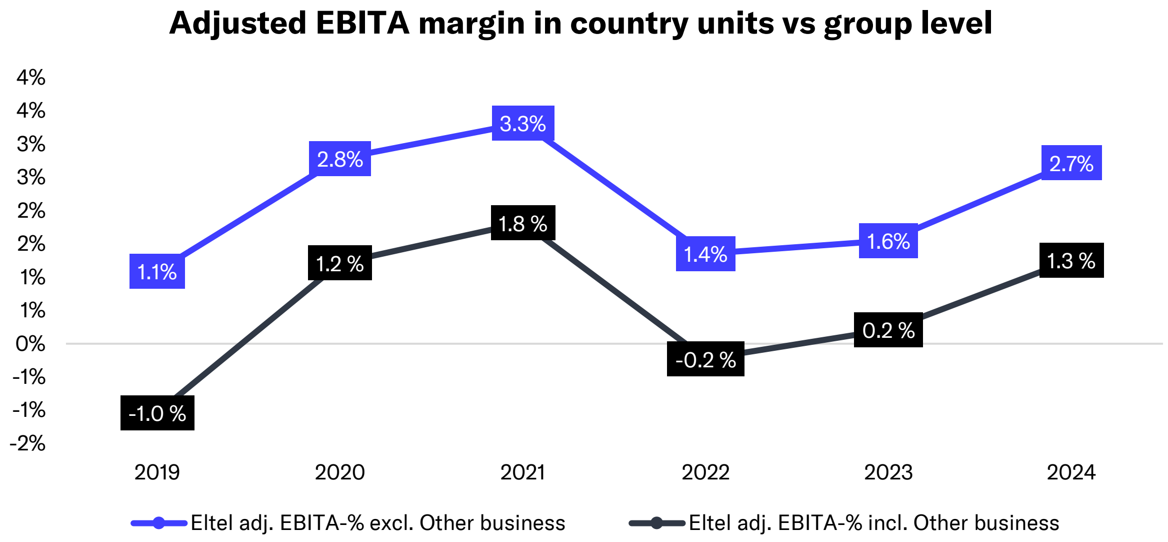


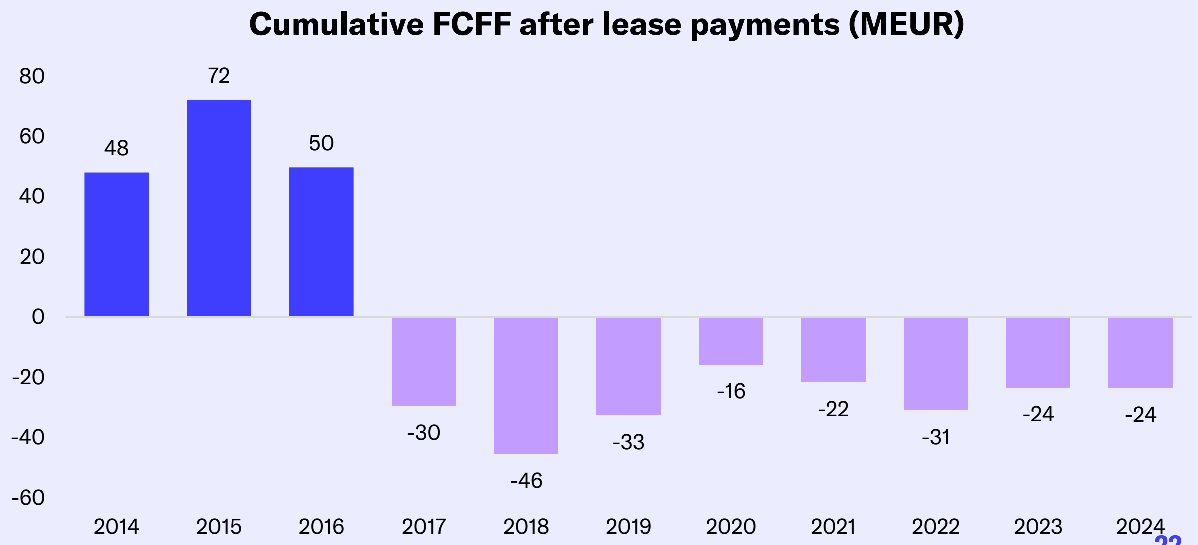
Sources: Eltel, Inderes

Historical development 2/2









Sources: Eltel, Inderes

Strategy and financial targets 1/3

Towards sustainable profitable growth

In its current strategy, implemented in 2022, Eltel focuses on building a foundation for sustainable profitable growth. The cornerstones of the strategy are:

- Improving efficiency and profitability of the current business (classic 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. At the same time, 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.

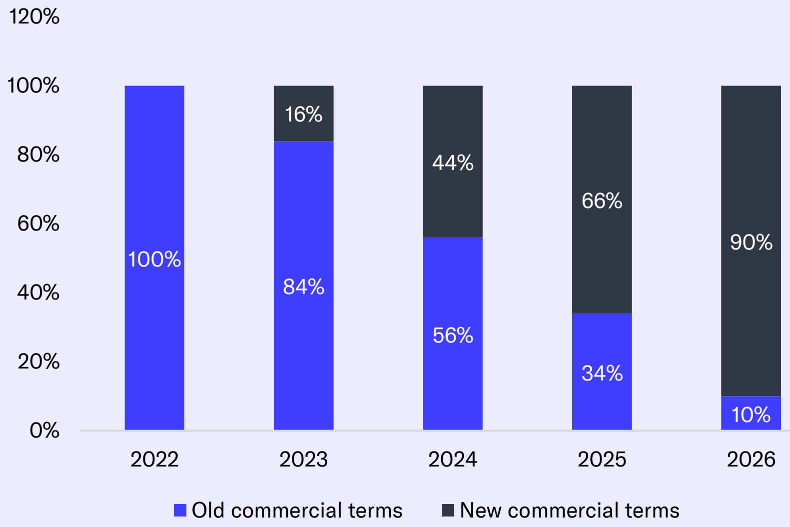
The strategy seems reasonable

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. New and improved commercial terms (e.g. indexation, other cost-sharing mechanisms) has been implemented since late 2022, (see graph on the right side). These commercial actions, coupled overall cost reductions/divestments (Poland Q2'24), have yielded tangible results and should continue, all else equal, to improve its profitability in coming years as these new commercial terms flows through a larger share of current service/project portfolio. However, these actions alone don't eliminate business-related risks (e.g. project and tendering risks, low utilization), although they provide a more solid base to sustain an improved profitability.

As previously highlighted, the company's current customer base remain very concentrated and, in that regard, broadening the customer base seems like a very logical move. 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 178 (2023: 150) new customers (both in classic and new business) in 2024 and the value of these contracts was 111 MEUR (13% of total contract value was from new business vs 4% in 2024). 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

New commercial terms, impact on portfolio



Sources: Eltel, Inderes

Strategy and financial targets 2/3

Overall, we believe that growth in new and adjacent markets (as well as data centers) 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.

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.

As part of its strategy, Eltel has also prioritized strengthening its commercial capabilities across the organization. This involves fostering a more entrepreneurial mindset by being faster and bolder in seizing opportunities and adopting a firmer approach to pricing. Frankly, we believe that Eltel have, historically, been too polite in its pricing considering the customer satisfaction and quality of the service. That said, in recent years, the company has begun demanding higher prices, updating commercial terms, and introducing indexation in some contracts. These actions have already contributed to higher gross margins since 2023. Even so, we still see further room for improvement, as the quality of Eltel's services and high customer satisfaction suggest there is capacity to push prices and terms even more favorably over time.

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 (e.g. the Kempower agreement in 2023) or partnerships with equipment manufacturers and financing partners to offer solutions as a service. While we view these plans as strategically sound, the shift is still at an early stage, and Eltel has much to prove in execution, particularly given the competitive landscape.

Financial targets

Eltel initially targeted reaching its financial goals by the end of 2025 but has since postponed the timeframe due to tougher market conditions and ongoing operational challenges, particularly in Norway. The financial targets remain as follows:

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 appears challenging but not unrealistic

At the time of our Initiation of coverage report (2024/05/29), we noted that achieving the profitability target by 2025 appeared challenging, considering the company's historical performance, that a shift toward a more favorable revenue mix would likely take time, and the lack of balance sheet strength to accelerate the expansion into new business areas through a larger M&A where profitability levels are higher. This eventually played out, as the soft market environment also made it more challenging to gain greater margin improvements.

The 2025 bond issue strengthened Eltel's debt structure and improved financing terms, while also providing some room for selective acquisitions. While this could open up for margin enhancing M&A within new and adjacent markets, we still see a larger M&A transaction as unlikely in the near term. However, the company's net leverage have come down to more reasonable levels recently and if this trend continues, M&A could eventually be a lever to accelerate profitability toward the 5% target.

That said, we continue to see clear upside potential within the current portfolio. In our view, EBITA margins of 3-4% appear achievable in the short-to-medium term through ongoing strategic initiatives such as operational efficiency, pricing discipline, and growing exposure to adjacent and higher-margin markets. While early progress is visible, we remain quite conservative in Eltel's abilities to reach the 5% organically at this point and acknowledge that the company has to continue to prove that these improvements are sustainable.

To reach the 5% margin target, continued broad-based improvements across nearly all country units would be required. The largest contribution must come from Finland and Sweden given their scale, while Norway needs to recover and Denmark/Germany at least maintain current levels. The divestment of the loss-making Polish business was an important step toward reaching the 5% threshold.

Strategy and financial targets 3/3

In addition, a sustainable improvement in profitability would also require smoothing out the fluctuations in profitability, which is difficult due to possible fluctuations in demand, scope of service offering and current geographic markets. 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).

The growth target could prove to be conservative if the company succeeds in shifting the revenue mix

Based on the current revenue mix, we believe the revenue growth target of 2-4% is achievable and, in fact could prove to be relative conservative over time, considering the estimated market growth. Currently, a greater part of Eltel's revenue comes from Communication (FY24: 61%), where we believe at least 35-40% stems from classic communication, considering that the two largest customers (Telia and Telenor) share of revenue (~30%). Given that this market is estimated to be declining in the medium term, and with Eltel's current exposure, we assess it to be difficult to grow much faster than its target range in the near term. However, over time, as Eltel continues to execute on its strategy and grow its business toward new and adjacent markets as well as in power, its exposure toward the declining classic communication market would continue to decline relative to group revenue. As such, a larger share of Eltel's revenue would be tilted toward higher growth markets and should, all else equal, enable a higher growth for the group than the current target range.

Of course, this would require that the company succeeds in winning sufficiently attractive projects on a regular basis. And while this shift in revenue mix takes time, it is evident that Eltel is gradually heading in the right direction with a continuously increasing share of revenue from new business.

However, we acknowledge that year-on-year growth may fluctuate due to cyclical slowdowns, investment delays, or currency effects (cf. FY24). That said, we consider the profitability target to be more important for Eltel than the growth target.

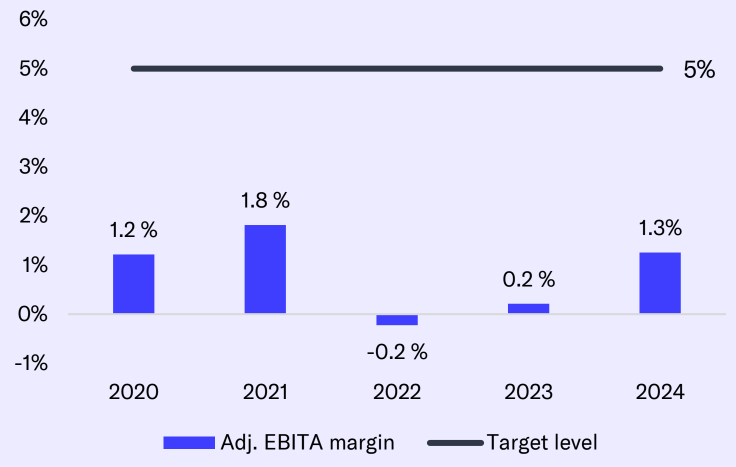
The leverage target is on a reasonable level

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 (Q2'25: 2.8x), the key factor in reducing the leverage ratio is an increase in the profitability. Considering that the absolute amount of debt on the balance sheet increased somewhat in 2025 due to the bond issue, we believe that further profitability improvement is desired to both reduce debt levels in absolute amount and to reduce leverage, at least to the midpoint of the target range.

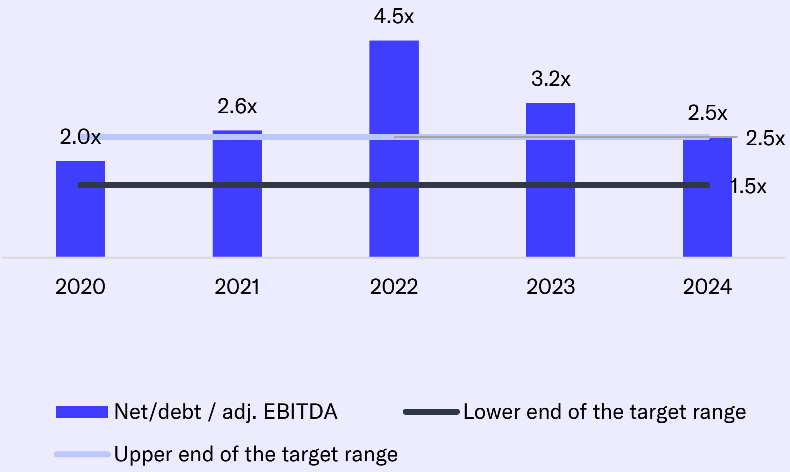
Profit distribution not likely in the medium term

In practice, we believe Eltel's capital-light business model, characterized by low capital intensity (incl. negative net working capital) and moderate investment needs, should provide a solid foundation for cash generation and profit distribution. However, distributions remain contingent on profitability improvements, and, in our view, the company is likely to prioritize reaching and sustaining higher profitability before considering dividends. Furthermore, the recent deleveraging and strengthened cash position following the bond issue could enable Eltel to pursue smaller selective M&A's, which we believe would likely be prioritized over near-term profit distribution. As such, we do not expect dividends in the medium term, with timing dependent on the success of the ongoing strategy.

EBITA-% development vs target level
(2020-2024)



Net debt / adj. EBITDA development
(2020-2024)



Sources: Eltel, Inderes

Financial position 1/2

Significant goodwill in the balance sheet

We have reviewed Eltel's balance sheet based on end of Q2'25 figures, which we believe give an up-to-date picture of its balance sheet structure considering the bond issue and 2024 divestment of the Polish business. The company's balance sheet total was 692 MEUR at the end of Q2'25.

Around 36% of assets consisted of goodwill (251 MEUR), accumulated mainly through earlier acquisitions. The company has previously disclosed that the value of goodwill in Sweden (55 MEUR) and Norway (71 MEUR) to be sensitive to impairment if profitability does not improve or if discount rates rise. With recent profitability improvement in Sweden, Norway remain at the list. Given the current profitability challenges in Norway, we see the impairment risk regarding Norway to be high before any visible sign of a turnaround materializes.

Intangible assets excluding goodwill are quite limited (30 MEUR), and includes mostly brand value, while tangible assets, which mainly constitute of right-of-use assets , amounted to 56 MEUR. Other non-current asset includes 27 MEUR in deferred tax assets, reflecting carried-forward tax losses, and financial assets of 12 MEUR.

Current assets consisted mainly of receivables (172 MEUR) and to a lesser extent of inventory (25 MEUR). Receivables were quite evenly split between trade receivables (75 MEUR) and contract assets (83 MEUR). Cash on the balance sheet was temporarily high at 119 MEUR in Q2'25 due to bond proceeds being held in escrow at quarter-end. While the company's old hybrid bond ha already been repurchased (~25 MEUR), a large chunk of these remaining proceeds will be used to repay remaining term loans (18 MEUR) and utilized revolving credit facility (54 MEUR) after Q2'25.

Overall, 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.

New bond financing improved maturity profile

Equity attributable to shareholders of the parent company in the balance sheet amounted to 158 MEUR of which non-controlling interest amounted to 8 MEUR. The corresponding equity ratio stood at 23%, which is somewhat lower than at 2024 end (32%), as the 25 MEUR hybrid bond issued in 2023 was largely repurchased in June 2025 (1 MEUR remain on the balance sheet). While this improves the transparency and debt structure, it also reduces the equity cushion.

Interest-bearing debt (including lease liabilities) in the balance sheet amounted to 263 MEUR, of which 130 MEUR is related to the new senior bond issue in June 2025 (with a 4-year maturity) and 53 MEUR in lease liabilities, while the rest consist of utilized credit facilities and term loans. As such, Eltel had a net debt of 145 MEUR at the end of Q2'25. Relative to the adjusted EBITDA in last 12 months, this corresponded to a net debt/adj. EBITDA multiplier of around 2.8x, which remain slightly elevated relative to the target level of 1.5x-2.5x, although it has clearly improved compared to corresponding figure last year of 3.6x. 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 (60 MEUR) to be sufficient.

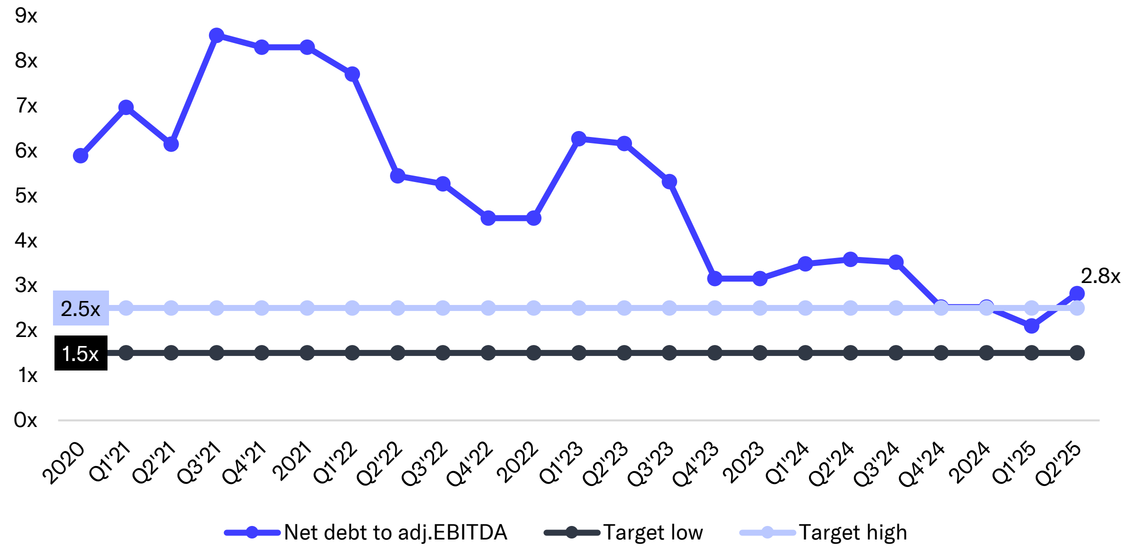
The company had roughly 233 MEUR in non-interest-bearing liabilities. The majority of these consisted of current trade and other payables (158 MEUR) and advances received (i.e. contract liabilities, 72 MEUR), which chiefly comprise items related to projects.

Balance sheet remain sensitive to setbacks in earnings

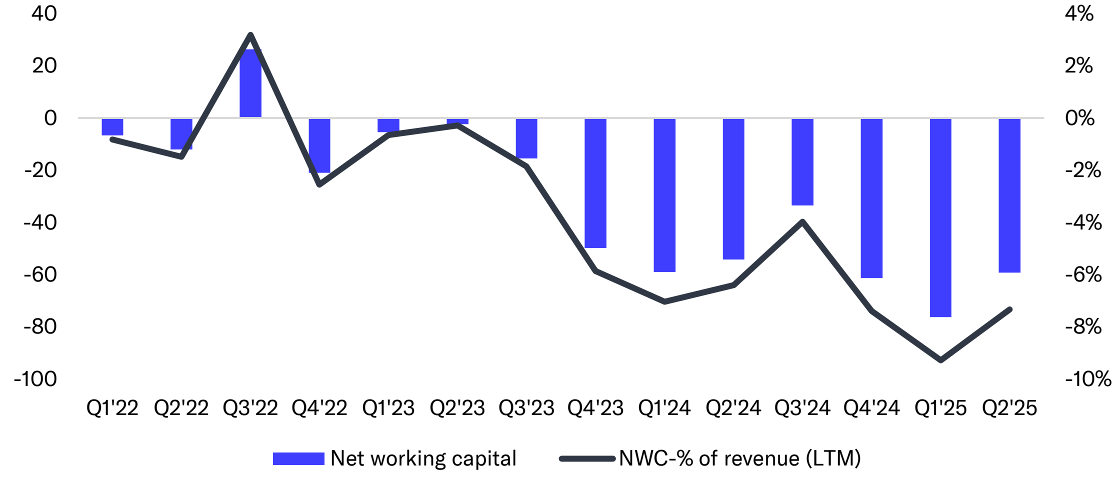
Eltel's balance sheet has swung with its turbulent history. After the IPO, the company carried a relatively solid structure, but project losses in 2016-2017 eroded equity and pushed leverage up, forcing refinancing and restructuring. In the years that followed, divestments and a sharper Nordic focus gradually stabilized the situation, though weak profitability kept leverage elevated. However, with goodwill still high and equity thin, the balance sheet remains sensitive to setback in earnings and cash flow. The new bond extends maturities and secures financing until 2029, while the replacement of the hybrid bond simplifies capital structure. As such, continued improvement in profitability and cash flow generation, together with tight working capital discipline, are essential to continue to gradually strengthen equity and lower debt levels.

Financial position 2/2

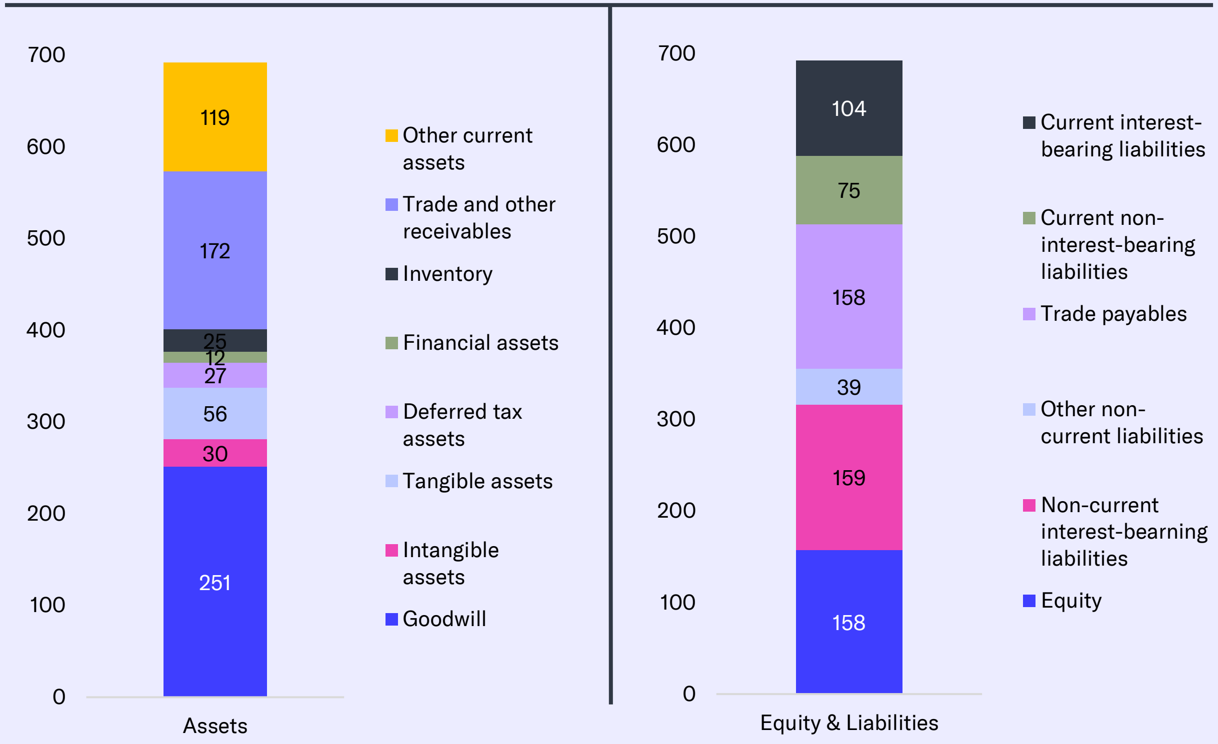
Net debt/adj.EBITDA



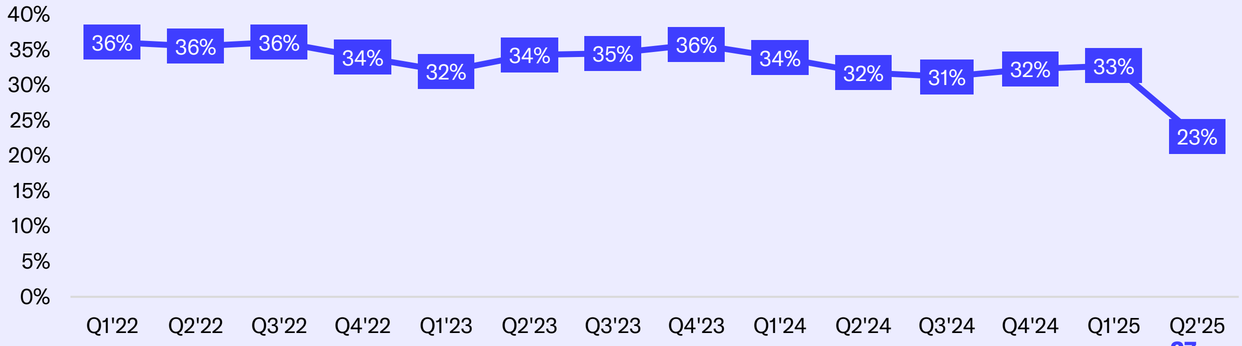
Net working capital



Balance sheet total per Q2'25: 693 MEUR



Equity ratio



Sources: Eltel, Inderes

Estimates 1/7

Basis of our estimates

We forecast Eltel's short- to medium-term revenue development at a country-unit level and based on its current order backlog, market outlook, and relative competitiveness. As for profitability, we model each business unit at the EBITA level. Profitability estimates are grounded in historical performance, the impact of recent strategy execution, and an assessment of the credibility of Eltel's financial targets.

In the longer term, we forecast revenue growth based on the expected development of investment levels and the long-term potential of the market. Our profitability forecast is based on the average profitability level in the industry and our estimate of Eltel's competitiveness, which is partly based on historical development and our assessment of the company's profitability potential. Our estimates don't include possible acquisitions, as it is impractical to assess the exact timing, size and other characteristics of the transactions (e.g. purchase price, financial structure and quality of the company being acquired). We also do not expect Eltel to have the financial scope for major acquisitions, at least in the short term.

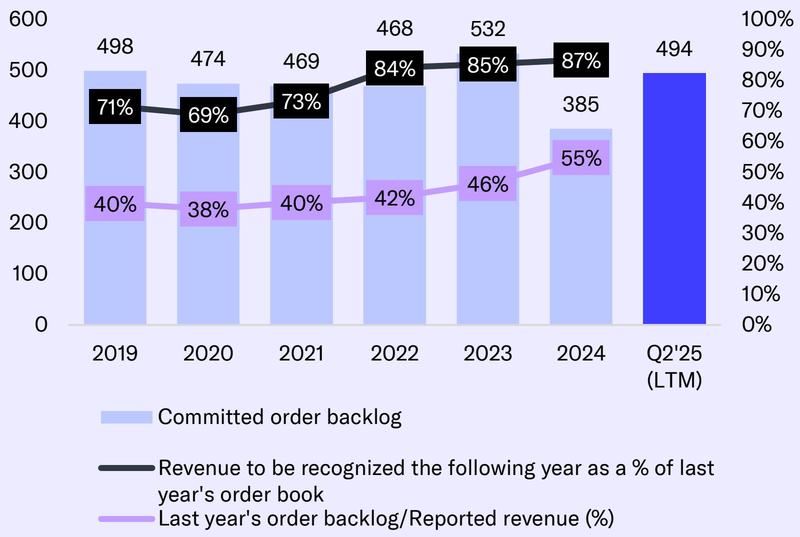
Economic growth outlook in target markets

Over 90% of Eltel's revenue comes from the Nordic region. Thus, the economies of these countries are all relevant to Eltel's operations in the region. Finland, Sweden, and Norway are generally on a recovery path, though the pace and underlying dynamics vary by country. Sweden and Finland are emerging from periods of weak growth (2023-2024), with modest expansions expected in 2025 and 2026 (cf. the graphs on the next page). Norway, by contrast, has experienced relatively stronger growth and is expected to continue expanding steadily over the next two years, supported by real wage growth and increased non-oil investments. Denmark is coming off a pharma-boosted rebound, with growth projected to slow in 2025-2026 due to, e.g., elevated uncertainty about the global trade outlook and its impact on business investment. However, growth is expected to remain at solid levels.

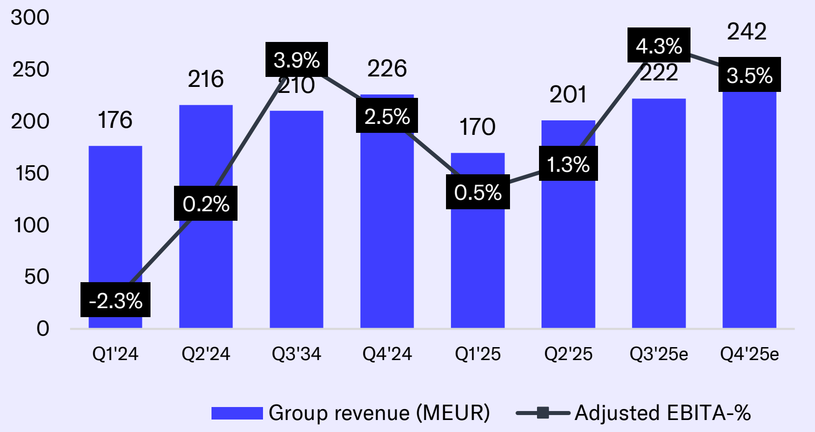
Inflation is generally easing in the Nordics but remains a small concern in Norway, where it continues to exceed the 2% target due to currency depreciation and persistent cost pressures. Interest rates in Sweden, Denmark, and the euro area (ECB) have been on a downward trajectory since mid-2024, while Norway began cutting rates in mid-2025 due to continued inflationary pressures. Additionally, fiscal policy is expected to be (mildly) expansionary in Sweden, Denmark, and Norway, while Finland is anticipated to adopt a more restrictive stance in 2025-2026 to control rising public debt.

Public and private investments, interest rates, inflation, and GDP growth are all key macroeconomic factors influencing demand, customer decision-making, and Eltel's overall activity across its target markets. The impact of high inflation and rising interest rates in 2023 led to margin pressure and periods of stalled investment activity across the company's markets. That said, we believe it is fair to say the worst inflationary pressures and the highest interest rate levels are behind. While macroeconomic and geopolitical uncertainty may continue to create some short-term volatility, Eltel's Nordic focus and the fact that most of its Tier 1 suppliers are based in Europe should provide a relative buffer against disruptions. Over the medium to long term, we see structural trends such as electrification and digitalization, both requiring substantial infrastructure investments, as key drivers supporting Eltel's growth trajectory.

Commited order backlog (MEUR)
2019-LTM

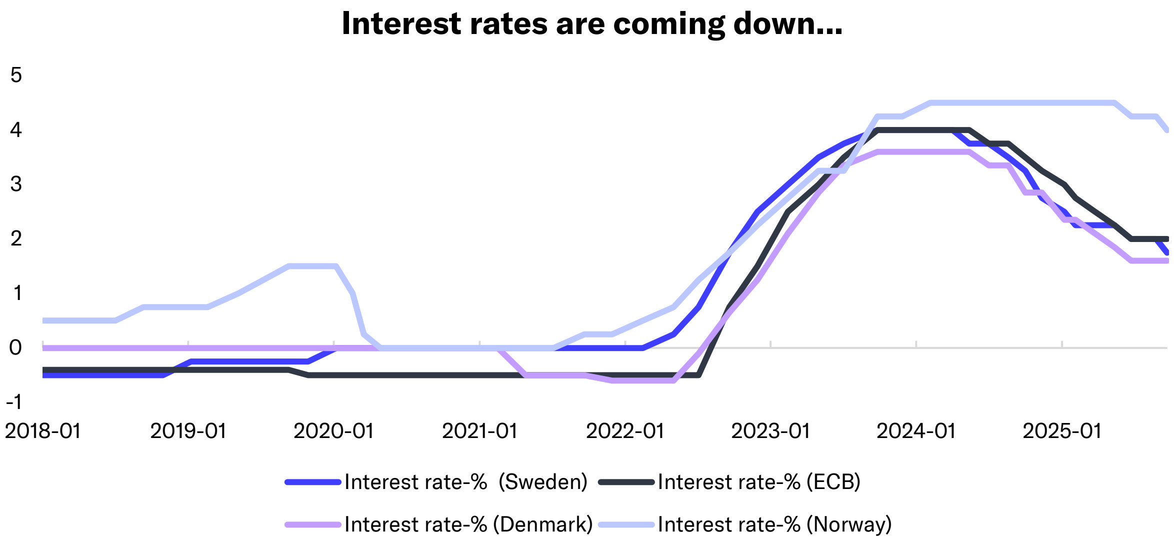


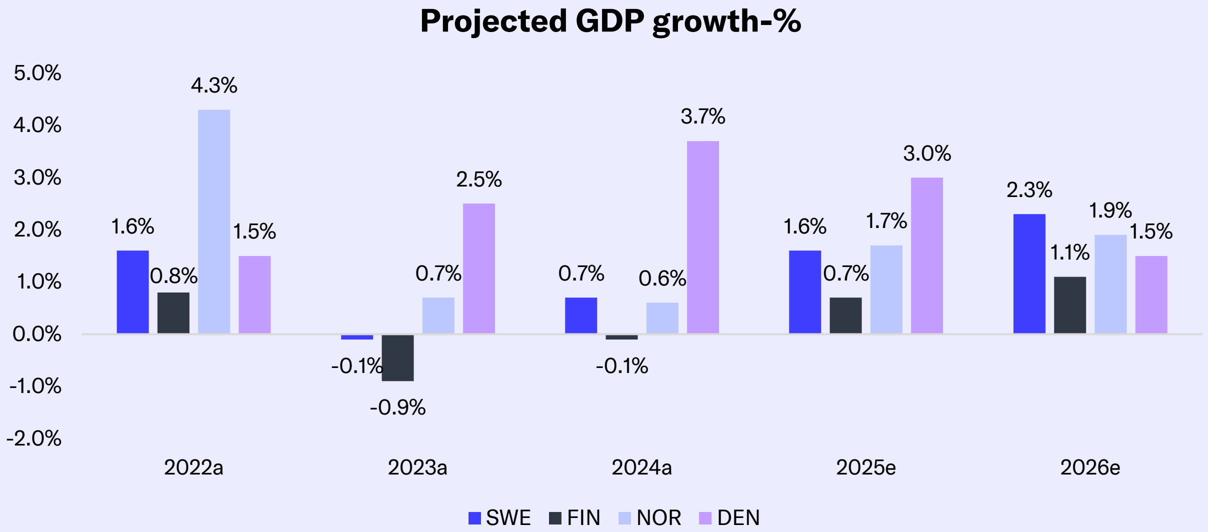
Group revenue and EBITA-%

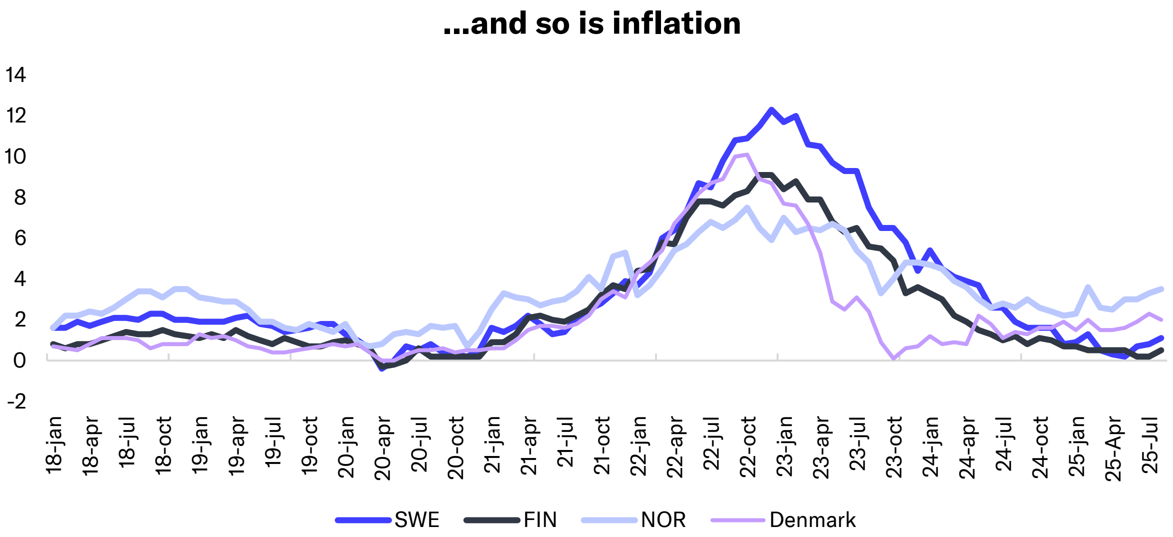


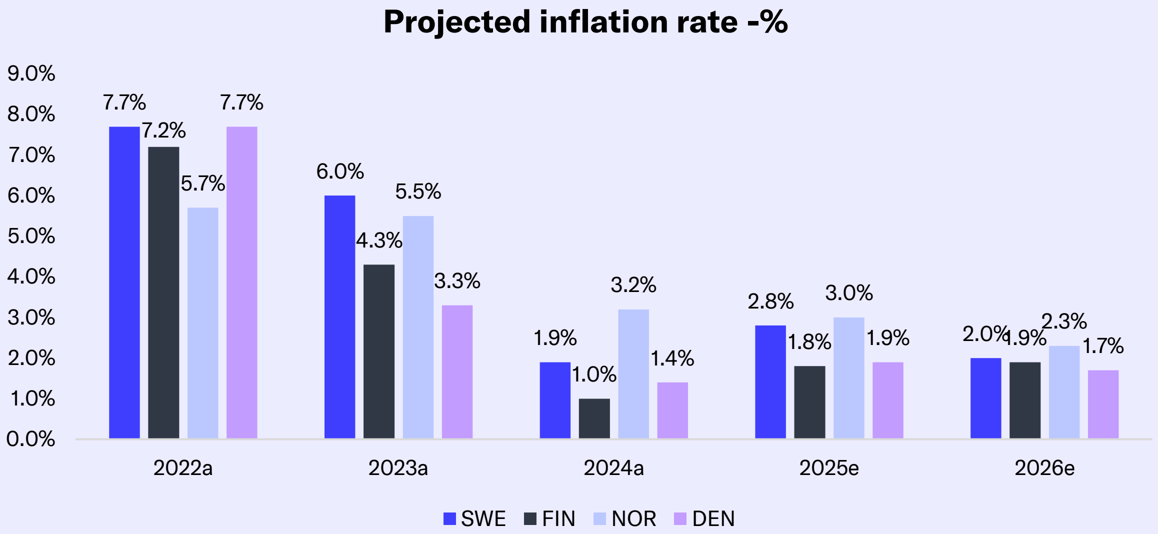
Sources: Inderes

Estimates 2/7









Sources:, OECD, Tradingeconomies, Swedish Riksbank, ECB, Norges Bank, Danmarks Nationalbank

Estimates 3/7

Focus has centered around profitability recently

Eltel's revenue growth has been subdued in recent years, averaging a 0.7% CAGR over the past three years. This is partly due to company-specific factors, such as the strategic focus on profitability over top-line expansion and the closure or divestment of underperforming units, most recently the Polish operations (Q2'24). At the same time, softer market conditions, driven by slower economic activity, high inflation, rising interest rates, and geopolitical uncertainty, have weighed on investment-driven demand and delayed customer decisions in parts of Eltel's business. In addition, currency headwinds, particularly from SEK and NOK, have further dampened reported growth. Adjusted for divestments and currency effects, however, underlying growth has averaged around 4% annually, and thus, shows a more accurate picture of Eltel's revenue development in recent years.

Estimates for 2025

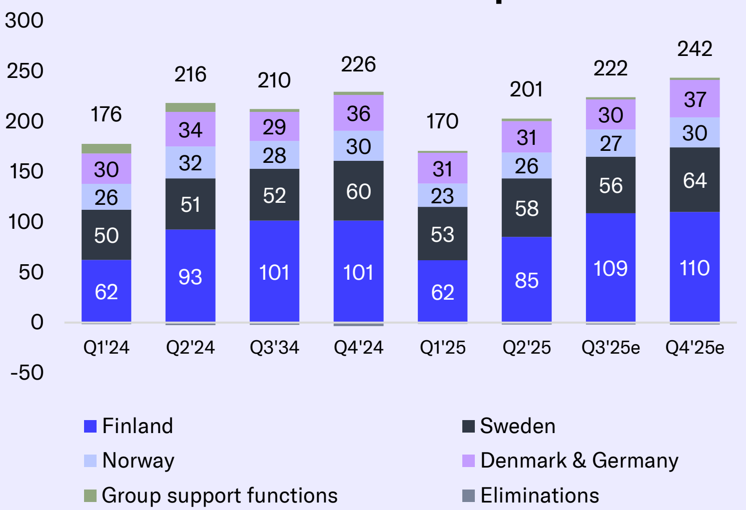
Eltel does not give guidance or any detailed comments about their outlook, which we think implies the cyclical nature of investments especially in the short term.

In the first half of 2025, Eltel's reported revenue was 371 MEUR, representing a -6% decline year-on-year, with organic growth being less pronounced at -3%, as effects from the divesture of its business in Poland having a negative impact on the comparable figures of -14 MEUR. The negative organic growth primarily stems from an overall soft market environment, which in Eltel's case is expressed by, for instance, less call-offs in frame agreements and delays in customer decisions processes (affecting order book), where the latter has been a general theme for some time.

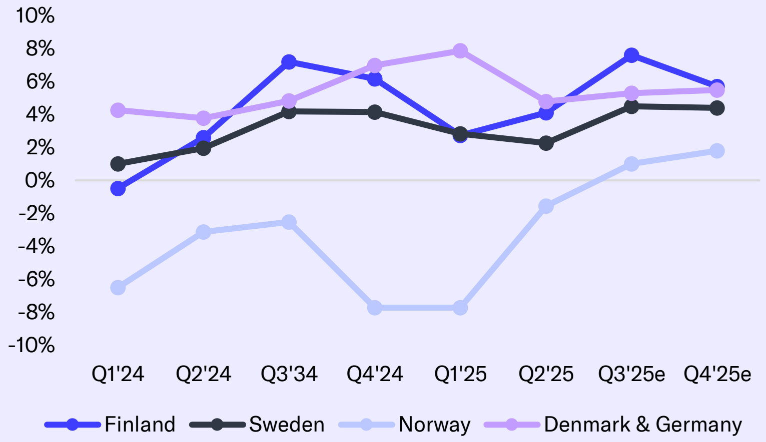
On a country-unit level, the demand situation is quite mixed and also varies on services areas. For instance, in Finland, the company has noted that peak demand in the FTTH business likely occurred in 2024, causing lower customer investments in 2025. This also mean that most of the fiber build-out in Eltel's Nordic markets is completed, with demand instead shifting toward densification and multi-dwelling units. Norway continues to struggle with significantly lower investment levels within Communication and some lagging effects in broadening the customer base, which has not yet been able to compensate declining volumes in the classic telecommunication business. At the same time, Eltel is showing good progress in new and adjacent businesses, especially in solar PV in Finland and Sweden, data centers in Finland, and public infra in Sweden. In the Denmark & Germany unit, the Communication business in Denmark has remained on a downward trend during 2025, continuing the pattern from 2024, while the Power segment (particularly within BESS) has grown, and Germany's smart grid operations have continued to expand.

Overall, we believe these trends will continue for the remainder of 2025. Supported by the group's solid order backlog at Q2'25 (494 MEUR), more favorable exchange rates, and lower interest rates, we see conditions for revenue growth to pick up during second half of the year. Activity is expected to increase as order deliveries accelerate and comparables ease (excluding the effects of the Polish business). However, we do not expect the broader economic environment to support robust growth in certain renewable energy sectors, such as wind power, where investments are likely to remain subdued in the near and medium term.

Quarterly revenue (MEUR) and adjusted EBITA-% development



Adjusted EBITA-% by country unit (quarterly)



Sources: Inderes

Estimates 4/7

As such, we estimate Eltel's revenue to increase by 1% to 834 MEUR (was 842 MEUR), which imply a growth rate of some 6% in H2'25. At country level, we expect the main contributor to be Sweden with around 9% revenue growth (was 10%), supported by a good momentum in public infrastructure and solar PV projects, as well as favorable exchange rates (stronger SEK to EUR). We also estimate that Finland will report growth of 2% (was 3%), supported by signed new contracts (TCV) and what we believe, a higher degree of project value realization from the significant Taaleri Energia project (solar PV). We expect Denmark & Germany's revenue development to be rather flat (-1%) as the positive development in Power (e.g. BESS in Denmark, smart grids in Germany) is estimated to be offset by a weaker development in Denmark's Communication segment due to reduced investment levels. In Norway, we estimate the negative trend in revenue to reverse in Q4 and onwards due to easier comparables and the ongoing efforts in broadening the customer base to show more effect. However, the recent profit warning from Netel raises the level of uncertainty for the Norwegian telecom market, and thus, our estimates for the country-unit in the near-term. For the full year, we expect Norway's revenue growth to be negative -8% (was -5%) due to the weak start of the year.

While we believe that Eltel is largely insulated from the current global trade turmoil due to its focus on the Nordics, we assess that the risks to our revenue estimates in the near term are extended macroeconomic and geopolitical uncertainties. These uncertainties could delay customer decision-making and project rollouts in the short term.

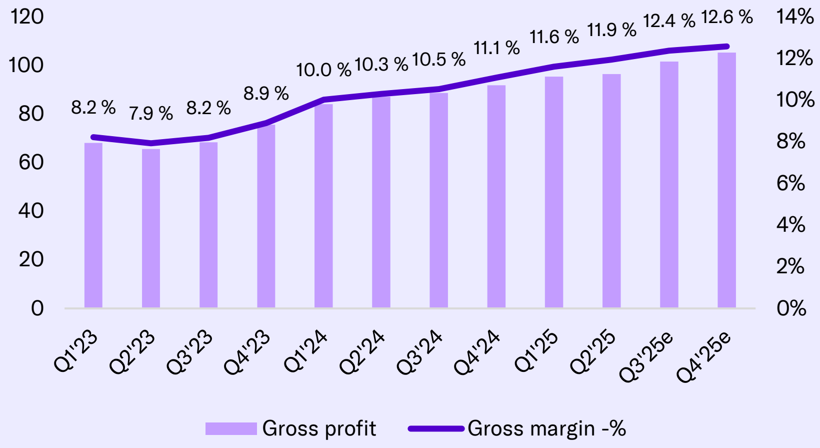
Eltel has been making good progress in its profitability, which we believe reflects the company's stricter control of contract pricing, increased operational efficiency throughout the organization, and increased focus on selectiveness in accepting new contracts. Naturally, the divesture of the underperforming high voltage operations in Poland has also contributed to the improved earnings. The aggregated effect from these initiated measures has primarily been visible in Eltel's gross margins, having increased from 8.9% in 2023 to 11.9% (LTM). Against this backdrop, we estimate the group's adjusted EBITA margin to improve to 2.6% in 2025 (2024: 1.3%), which in absolute terms corresponds to 21.5 MEUR (2024: 10.5 MEUR).

On a group level, we expect this to be supported by a higher share of improved commercial terms continue to flow through, increased share of new business, and a continued strong focus on operational and pricing discipline. We estimate that the improvement in EBITA to be supported by all country units. In Finland, we expect growing volumes and an improved revenue mix, as well as the effects of last year's restructuring measures, to improve the unit's profitability. In Norway, we believe last years' cost savings and resizing measures, coupled with ongoing efforts in broadening the customer, to slowly bear fruit and contribute to black numbers in H2 (but still in red for the full year).

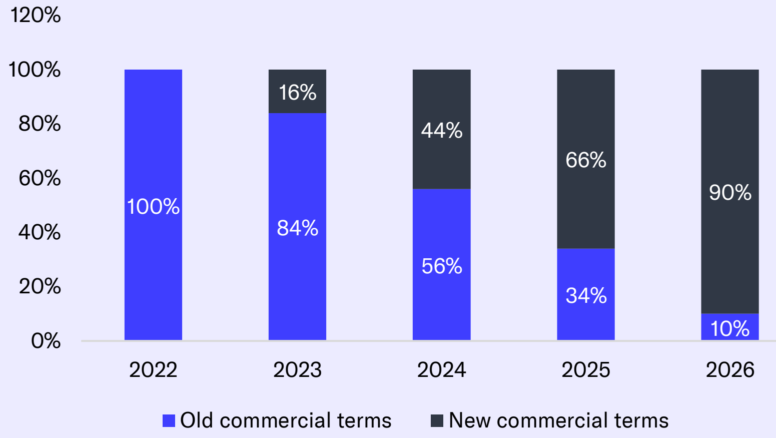
Therefore, the risks associated with our estimates for the Norway unit are more related to topline development in H2'25, as we believe that Eltel has done what they can on the cost side. In Sweden, we expect, in addition to improved commercial terms, that growing volumes from new business in Communication, but also increasing revenue from solar PV, to support profitability improvements. For Denmark & Germany, we expect the shifting trends in Communication and Power (i.e. higher share of Power), as well as better terms in contract to support its profitability.

Gross profit (MEUR) and margin-%

Q1'23-Q4'25e, LTM



New commercial terms, impact on portfolio



Sources: Inderes, Eltel

Estimates 5/7

On the group level, we expect the Group Support functions (previously Other business) to impact EBITA negatively by -12 MEUR (2024: -12 MEUR). We don't have any estimated one-offs besides the 1.1 MEUR recorded in H1 (comprising restructuring charges in Norway), and thus we forecast the reported EBIT to settle at 20.4 MEUR.

In the bottom rows of the income statement, we expect financial expenses to be lower than last year at 11.4 MEUR (2024: 13.7 MEUR). However, following the bond issue in June 2025, Eltel's nominal debt position increased, albeit at better terms. The bond issue also enabled Eltel to early redeem its more expensive sustainable-linked hybrid bonds, which we believe will be earnings accretive for the company over time. That said, we expect financial expenses (excl. impact from previous hybrid bonds) to be somewhat higher during H2, compared to H1.

Eltel's near-term effective tax rate is expected to remain below the Nordic statutory level (around 20%) due to utilization of tax loss carryforwards (2024: 22.9 MEUR of which 14.9 MEUR in Sweden). Since profits and losses are unevenly distributed across subsidiaries, Eltel still incurs tax expenses in profitable entities even during periods of consolidated losses. We expect the effective tax rate to gradually normalize from 13-14% in 2025-2026 toward ~20% by 2028, as tax loss carryforwards are utilized. However, given the differences in timing and recognition of deferred taxes between subsidiaries, we note that there is some uncertainty in how the effective tax rate will develop and be reflected in reported figures over the coming years.

Minority interests are expected to remain at very low levels and following the early redemption of the hybrid bond in June 2025, annual interest costs of around 3.3 MEUR related to the hybrid bond will no longer weigh on EPS. This, in turn, simplifies the capital structure and improves net profit visibility. Considering this, we expect reported EPS to amount to EUR 0.04 in 2025.

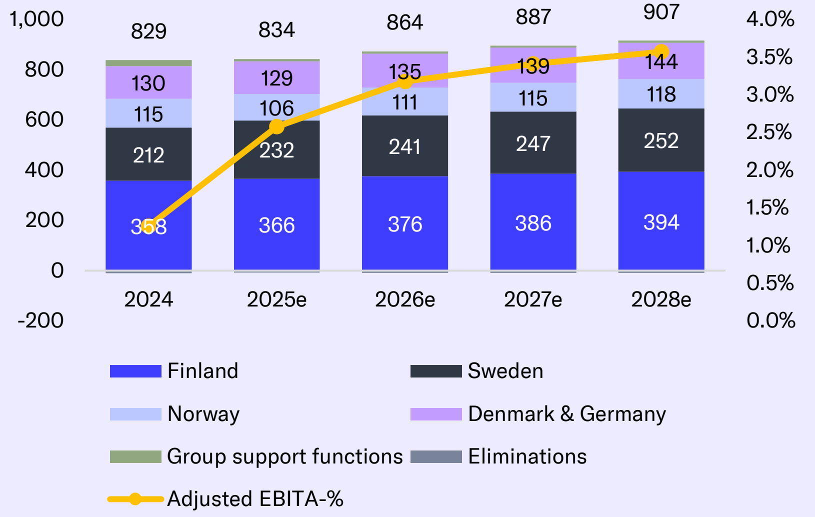
Estimates for 2026-2028

We expect Eltel's topline in 2026-2028 to be primarily supported by strong grid investments (i.e. classic Power business), the green transition, and accelerating demand in emerging areas such as solar power, BESS, e-Mobility, and data centers. These growth drivers are well aligned with Eltel's service mix, combining power connections, substations, and communication infrastructure. While legacy Communication remains pressured by lower operator investments, we see data centers, public infrastructure, and renewable-related projects increasingly filling the gap, while also offering higher-margin opportunities.

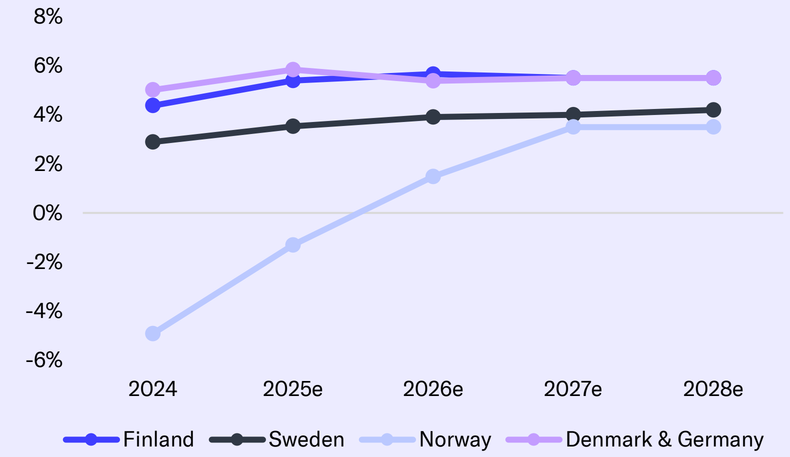
At the country level, Finland remains the most dynamic market, where Fingrid's 4 BNEUR grid program provides long-term visibility, and where data centers are emerging as a particularly fast-moving segment. Eltel Finland has already secured major projects with HyperCo and DayOne during 2025, indicating that it is well positioned to become a recurring partner in that area. The solar market is also gaining momentum and supports the group's growth outlook.

In Sweden, we expect the strong momentum in Power to continue, underpinned by grid modernization, capacity constraints in the distribution network, and renewable-related investments in e.g. e-Mobility and solar PV. The expanded Power service portfolio of the Swedish unit should further strengthen its positioning in the energy transition and enable participation in a broader range of customer projects.

Annual revenue (MEUR) and adjusted EBITA-% development



Adjusted EBITA-% by country unit (annually)



Sources: Inderes

Estimates 6/7

We also believe that data centers will become an increasingly relevant growth area as international operators increase their capacity in the country. Although the Communication market is expected to remain subdued, rising demand for public infrastructure and sensor installations provides new sources of growth and helps mitigate these effects.

In Norway, we expect the business to remain heavily dependent on traditional telecommunication in the coming years, a segment where visibility is limited and activity has softened in recent periods. That said, the sharp market downturn during 2023–2024 provides easier comparables, which, together with ongoing efforts to broaden the customer base (e.g. within public infrastructure) should support a recovery in revenue. In addition, recently signed frame agreements are expected to provide some stability to operations going forward.

Denmark & Germany is expected to continue to provide balance, with Denmark benefiting from a mature solar market and Germany offering smart metering and renewables exposure. These units also diversify the group's reliance on Nordic telecom demand.

Risks that we see with our medium-term estimates remain tied to customer concentration, the cyclicality of operator and utility investments, and execution in large-scale projects. Sweden's Communication market and Norway's narrow exposure carry the most downside risk, while Denmark & Germany appear more resilient but still competitive. FX volatility is another factor to consider.

Overall, we forecast group revenue to grow by around 2–3% annually in 2026-2028, with Finland and Sweden contributing most of the absolute growth, Denmark & Germany providing balance, and Norway remaining a smaller and potentially also more volatile unit, depending on the success in broadening the customer base.

On profitability, we expect further improvements as Eltel continues to benefit from stricter cost control, enhanced pricing discipline, past restructuring measures, and growing volumes in new and adjacent markets (e.g. data centers, public infra, and renewables) that offer higher margins. Against this backdrop, we estimate EBITA margins to gradually improve over 2026-2028, from 2.6% in 2025 to 3.6% in 2028. Although the company's profitability levels are expected to remain modest by industry standards and lag behind those of its competitors in recent years, they are well above the company's own recent history.

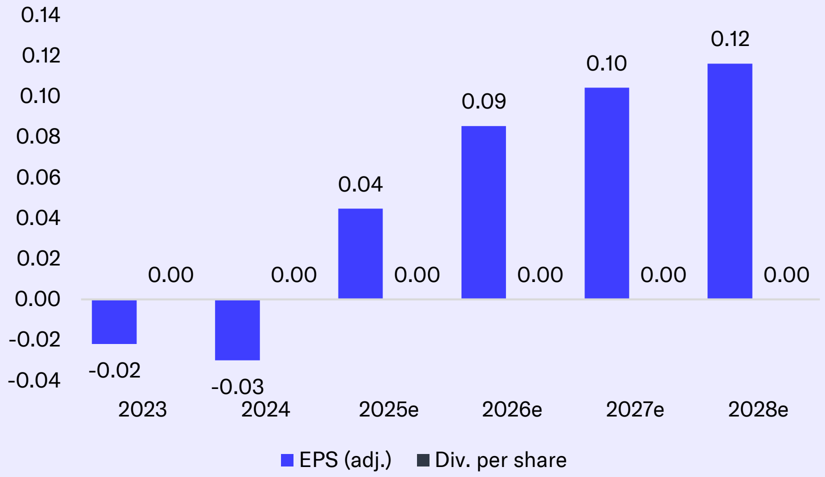
We also expect net financials costs to remain relatively stable, due to, e.g., the 130 MEUR bond with a 4-year duration, and taxes to gradually increase as tax loss carryforwards are utilized, resulting in adjusted EPS growth of strong 38% (CAGR) in 2026-2028, with the removal of the hybrid bonds also contributing positively.

Long-term estimates

In the long term, we expect Eltel's development to be driven by continued investments in electrification, grid modernization, and digital infrastructure, supported by structural megatrends such as renewable integration, data center expansion, and increasing sensorization of society. These drivers are likely to sustain underlying market growth across Eltel's business segments even if the pace can vary between geographies.

Reflecting this, we expect Eltel's revenue to grow on average by around 2% per year between 2029-2033, and therefore to be within the company's target range.

Adjusted EPS and dividend



Sources: Inderes

Estimates 7/7

For the terminal period, we assume a 2% terminal growth rate, reflecting long-term GDP growth expectations.

We expect Eltel's profitability to stabilize at decent levels (EBITA-%: 2.5-3.5%, terminal EBITA-%: 2.5%), supported by a larger share of higher-margin business (e.g. data centers, BESS, and smart grids), and continued cost and process discipline. However, we expect this to decline toward the lower end of the range in the longer run due to increased competition and commoditization 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 versus the company's own targets, but we feel that it is justified at this point. Hence, according to our assessment, there could be upward potential in both the company's growth rate and profitability, but this would require continued success in the ongoing strategy execution.

In our view, the company's medium-term target of a 5% EBITA margin remains demanding under current market conditions and would likely require either a significant reduction in price pressure within the Nordic Communication market or a meaningful shift in the company's business mix through expansion in new growth areas or M&A.

FCFF is expected to grow with earnings...

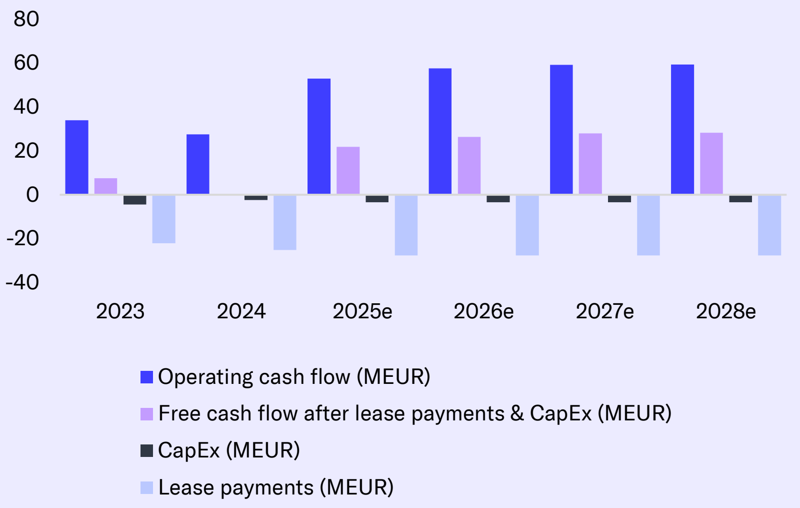
In line with the estimated earnings development and our assumption that Eltel can maintain the improvement in net working capital achieved in recent years (due to increased efficiency and improved commercial terms), we also expect cash flow from operating activities to strengthen and reach 55 MEUR in 2025 and between 59 and 60 MEUR from 2026 to 2028. After the investments (incl. leasing) we forecast free cash flow to be 24 MEUR in 2025 and in the range of 28-29 MEUR in 2026-2028. Over the longer term, we expect cash flow do gradually decrease in line with margins, coupled with a moderation of current working capital tailwinds, as timing effects and customer prepayments gradually normalize.

...and earnings growth is expected to continue to deleverage the balance sheet

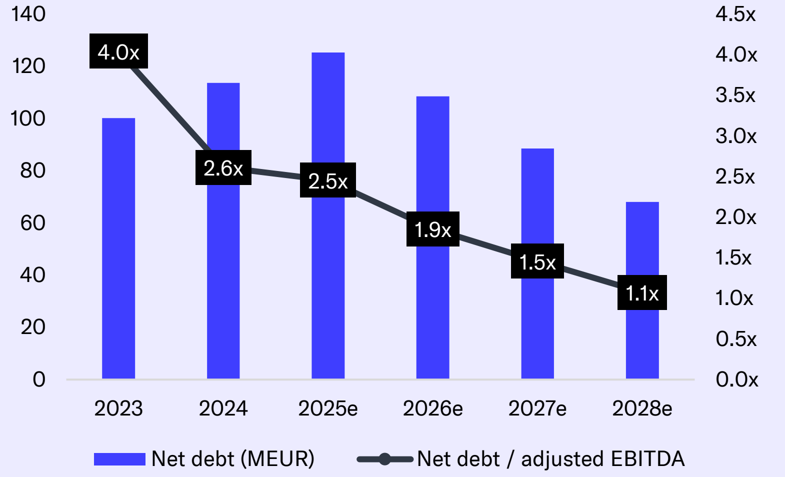
Improvements in Eltel's profitability and cash flow generation, together with tight working capital discipline, has supported the company's deleveraging in recent years. After temporarily managing to go below the upper end of its target level in Q1'25, the net debt to EBITDA jumped back up to 2.8x in Q2'25, following the bond issue. We consider Eltel to be structurally better positioned today than in previous years to sustain margin improvements, driven by enhanced pricing discipline, stronger cost control, expanding exposure to new and adjacent markets, and a more diversified customer base. This, in our view, provides a solid foundation for continued deleveraging. As such, given our estimated earnings growth, we expect the leverage ratio to decrease over time and reach 1.1x by 2028. We acknowledge that this development might not be linear, due, e.g., seasonal variation, project execution, potential acquisitions, market development, and other timing-related factors, but that Eltel is structurally positioned to deleverage the balance sheet going forward. We do not expect dividend payments in the near to medium term, as management is likely to prioritize deleveraging, achieving its 5% margin target, and pursuing selective M&A opportunities. That said, we see that dividend distributions could become a possibility over the longer term as profitability and financial flexibility improve.

Cash flow generation and investments

2023-2028e, MEUR



Net debt (MEUR) and leverage ratio



Sources: Inderes

Estimate revisions

- In connection with the updated extensive report, we have revisited our estimates and made a few minor adjustments to our revenue and profitability assumptions.
- Specifically, we have made small downward revisions to our revenue and earnings forecasts for Norway, as the recent profit warning from Netel adds some additional uncertainty to the pace of recovery in the Norwegian market, particularly if telecom activity remains very soft, despite Eltel’s ongoing efforts to broaden its customer base. We have also made minor downward revisions to our revenue assumptions for Finland and Sweden in H2’25, reflecting slightly softer expectations for FTTH volumes in Finland and lower Smart Grid activity in Sweden than previously assumed.
- In addition, we have updated our tax assumptions to better reflect the expected utilization of Eltel’s 22.9 MEUR tax loss carryforwards as of 2024, of which 14.9 MEUR relates to Sweden. We now expect the effective tax rate to gradually increase from around 13-15% in 2025-2026 to approximately 20% by 2028, instead of assuming a flat 20% rate for all years.
- Overall, these adjustments have had a limited effect on our top-line and operating profit estimates, while the revised tax assumptions have a slightly positive impact on our estimated EPS in the near term.

Estimate revisions MEUR / EUR	2025 Old	2025e New	Change %	2026e Old	2026e New	Change %	2027e Old	2027e New	Change %
Revenue	841	834	-1%	876	864	-1%	900	887	-1%
EBITDA	51.6	51.0	-1%	59.5	58.5	-2%	61.3	60.7	-1%
EBIT (exc. NRIs)	22.1	21.5	-3%	28.5	27.4	-4%	30.8	30.2	-2%
EBIT	21.0	20.4	-3%	28.5	27.4	-4%	30.8	30.2	-2%
PTP	10.0	9.4	-6%	16.9	15.8	-6%	19.8	20.2	2%
EPS (excl. NRIs)	0.04	0.04	23%	0.08	0.09	2%	0.10	0.10	6%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

Income statement

Income statement	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25e	Q4'25e	2025e	Q1'26e	Q2'26e	Q3'26e	Q4'26e	2026e	2027e	2028e
Revenue	**850**	**176**	**216**	**210**	**226**	**829**	**170**	**201**	**222**	**242**	**834**	**178**	**211**	**227**	**248**	**864**	**887**	**907**
Finland	344	62.4	92.6	101	101	358	62.1	85.0	109	110	366	64.9	90.4	110	111	376	386	394
Sweden	198	49.8	50.9	51.6	59.5	212	53.1	58.3	56.3	64.3	232	55.8	60.0	58.0	67.5	241	247	252
Norway	130	25.7	31.6	27.8	29.8	115	23.3	25.8	26.9	29.8	106	24.9	27.6	27.7	30.4	111	115	118
Denmark & Germany	0.0	30.4	34.4	29.0	35.8	130	30.5	31.4	29.8	37.2	129	31.7	33.5	31.0	39.1	135	139	144
Other business	187[1]	9.5	8.9	2.9	3.0	24.3	1.9	2.4	2.2	2.3	8.7	2.3	2.1	2.2	2.3	8.8	8.7	8.5
Eliminations	-9.7	-1.5	-2.5	-2.3	-3.4	-9.7	-1.3	-1.9	-2.0	-2.0	-7.1	-1.8	-2.2	-2.2	-2.5	-8.6	-9.0	-9.0
EBITDA	**24.8**	**-19.6**	**8.5**	**15.2**	**12.5**	**16.6**	**7.2**	**9.7**	**17.6**	**16.6**	**51.0**	**9.2**	**11.9**	**19.2**	**18.2**	**58.5**	**60.7**	**63.4**
Depreciation	-30.1	-7.6	-8.0	-10.7	-8.4	-34.7	-6.9	-7.7	-8.0	-8.0	-30.6	-7.8	-7.8	-7.8	-7.8	-31.1	-30.4	-30.7
EBIT (excl. NRI)	**1.7**	**-4.0**	**0.4**	**8.2**	**5.7**	**10.4**	**0.9**	**2.5**	**9.6**	**8.6**	**21.5**	**1.4**	**4.2**	**11.4**	**10.4**	**27.4**	**30.2**	**32.6**
EBIT	**-5.3**	**-27.2**	**0.4**	**4.5**	**4.1**	**-18.1**	**0.3**	**2.0**	**9.6**	**8.6**	**20.4**	**1.4**	**4.2**	**11.4**	**10.4**	**27.4**	**30.2**	**32.6**
Finland	6.5	-0.3	2.4	7.3	6.4	15.7	1.7	3.4	8.3	6.3	19.6	2.0	4.1	8.6	6.7	21.3	21.2	21.6
Sweden	2.9	0.5	1.0	2.2	2.4	6.1	1.5	1.3	2.5	2.8	8.2	1.6	1.7	2.9	3.2	9.4	9.9	10.6
Norway	-2.5	-1.7	-1.0	-0.7	-2.3	-5.7	-1.8	-0.4	0.2	0.4	-1.5	-0.6	0.2	1.0	1.0	1.6	4.0	4.1
Denmark & Germany	0.0	1.3	1.3	1.4	2.5	6.5	2.4	1.5	1.6	2.0	7.5	1.6	1.5	1.8	2.3	7.3	7.7	7.9
Other business	3.9[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	0.0	0.0	0.0	0.3
Group functions	-9.1	-3.8	-3.2	-1.9	-3.3	-12.2	-2.9	-3.3	-3.1	-3.0	-12.3	-3.2	-3.4	-2.8	-2.8	-12.2	-12.6	-11.9
Items affecting comparability	-7.0	-23.2	0.0	-3.7	-1.6	-28.5	-0.6	-0.5	0.0	0.0	-1.1	0.0	0.0	0.0	0.0	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	0.0	0.0	0.0	0.0
Net financial items	-12.7	-3.0	-2.8	-3.7	-3.3	-12.7	-2.4	-2.7	-3.0	-3.0	-11.0	-2.9	-2.9	-2.9	-2.9	-11.6	-10.1	-9.4
PTP	**-18.0**	**-30.2**	**-2.3**	**0.9**	**0.9**	**-30.8**	**-2.1**	**-0.7**	**6.6**	**5.6**	**9.4**	**-1.5**	**1.3**	**8.5**	**7.5**	**15.8**	**20.2**	**23.3**
Taxes	10.3	-0.3	-0.4	-0.7	2.9	1.6	-0.6	-0.2	-0.3	-0.3	-1.4	0.2	-0.2	-1.1	-1.0	-2.1	-3.4	-4.7
Minority interest	-0.3	0.0	0.0	-0.5	-0.1	-0.6	-0.1	-0.2	-0.1	-0.1	-0.5	-0.1	-0.1	-0.1	-0.1	-0.4	-0.4	-0.4
Net earnings	**-8.0**	**-30.5**	**-2.7**	**-0.3**	**3.7**	**-29.8**	**-2.8**	**-1.0**	**6.1**	**5.2**	**7.5**	**-1.4**	**1.0**	**7.3**	**6.4**	**13.4**	**16.3**	**18.2**
EPS (adj.)	**-0.02**	**-0.05**	**-0.02**	**0.02**	**0.03**	**-0.03**	**-0.02**	**-0.01**	**0.04**	**0.03**	**0.04**	**-0.01**	**0.01**	**0.05**	**0.04**	**0.09**	**0.10**	**0.12**
EPS (rep.)	**-0.07**	**-0.20**	**-0.02**	**-0.01**	**0.02**	**-0.21**	**-0.02**	**-0.01**	**0.04**	**0.03**	**0.04**	**-0.01**	**0.01**	**0.05**	**0.04**	**0.09**	**0.10**	**0.12**

Key figures	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25e	Q4'25e	2025e	Q1'26e	Q2'26e	Q3'26e	Q4'26e	2026e	2027e	2028e
Revenue growth-%	3.2 %	-6.4 %	3.7 %	-1.4 %	-5.9 %	-2.5 %	-3.8 %	-6.9 %	5.7 %	6.9 %	0.7 %	4.8 %	5.2 %	2.0 %	2.6 %	3.5 %	2.7 %	2.2 %
Adjusted EBIT growth-%	-190.8 %	-27.3 %	-129.4 %	39.5 %	105.0 %	519.0 %	-122.7 %	455.6 %	16.5 %	49.6 %	106.8 %	56.3 %	66.8 %	19.8 %	21.9 %	27.6 %	10.2 %	7.9 %
EBITDA-%	2.9 %	-11.1 %	3.9 %	7.2 %	5.5 %	2.0 %	4.2 %	4.8 %	7.9 %	6.9 %	6.1 %	5.2 %	5.6 %	8.5 %	7.3 %	6.8 %	6.8 %	7.0 %
Adjusted EBIT-%	0.2 %	-2.3 %	0.2 %	3.9 %	2.5 %	1.3 %	0.5 %	1.2 %	4.3 %	3.5 %	2.6 %	0.8 %	2.0 %	5.0 %	4.2 %	3.2 %	3.4 %	3.6 %
Net earnings-%	-0.9 %	-17.3 %	-1.2 %	-0.2 %	1.6 %	-3.6 %	-1.6 %	-0.5 %	2.8 %	2.1 %	0.9 %	-0.8 %	0.5 %	3.2 %	2.6 %	1.6 %	1.8 %	2.0 %

Source: Inderes

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

[1] Due to lack of financial history, the segment "Denmark & Germany" has been included in "Other business" in 2023

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

Investment profile 1/2

Turnaround in progress with emerging growth opportunities

To some extent, Eltel still profiles as a turnaround case, given its challenging profitability history, but recent improvements show that the company is gradually building a more solid foundation. Its strategy remains focused on restoring margins through tighter cost control, stronger commercial discipline, and reducing exposure to risky fixed-price projects. While these initiatives have yielded results, we believe it will take time before a sustainable turnaround is fully embedded across the organization, and the company can consistently deliver profitability in line with its targets.

In terms of growth, demand in Eltel's classic Communication services is expected to remain subdued, but the Power segment continues to offer solid momentum, supported by grid investments, renewable integration, and electrification trends. Meanwhile, emerging areas such as data centers, EV charging, solar, and BESS represent promising growth niches with higher margin potential, though Eltel must still prove its ability to scale these opportunities. As such, we expect the company's growth to stay at moderate levels in the medium term.

Thanks to its asset-light model, low capital intensity, and historically negative net working capital, Eltel has the potential to generate strong cash flows as profitability continues to improve. In our view, this would first allow the company to deleverage and further strengthen its balance sheet, and only later create room for dividends or growth investments such as selective M&A. We therefore see the current phase as primarily about delivering on profitability, with broader value creation optionality opening up further down the line.

Strengths and value drivers

Profitability improvement: We believe the single most important driver for Eltel is achieving sustainable profitability. Efficiency gains, better utilization, stricter pricing discipline and price increases, as well as expansion into new markets will continue to be important elements to drive increased profitability. While Eltel has already shown tangible results in these areas, further improvements are necessary to not only take the company closer to its 5% threshold, but also to showcase that these improvements are sustainable. We view the divestment of the loss-making Polish high-voltage business in 2024 as a complementary step in supporting the group's overall margin recovery.

Cash flow potential: With an asset-light model and historically favorable working capital dynamics, higher profitability would most likely translate directly into stronger cash flow, enabling deleveraging and greater capital allocation flexibility. While the company has been able to deleverage the balance sheet in recent years, mainly due to improved profitability, the leverage still hover slightly above the company's target level. A stronger balance sheet would therefore reduce the company's risk level further.

Strong market position in some of the markets: Eltel is a well-known player and respected among its customers. In some of the Nordic markets, Eltel is either the market leader or belong top 3 within Communication and Power. We expect these factors 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 believe that expansion into new or adjacent growth areas (e.g. renewable energy, BESS, EV charging, and data centers), and thus broadening the customer base, makes strong strategic sense. These markets are typically less commoditized than Eltel's traditional businesses and often characterized by higher demand, which allows for stronger pricing power. These markets therefore opens up opportunities for more sustainable and higher-margin growth, at least in the medium term before competitive intensity increases. Moreover, expanding its Power offering beyond Finland into other Nordic markets should significantly enlarge its target market and strengthen its positioning in the green transition.

Market growth outlook in Power business: The green transition continues to drive substantial investment needs in grid modernization, renewables integration, and electrification. These trends also reinforce long-term growth in Eltel's classic Power businesses (distribution and transmission).

Risks and threats

Intense competition: Eltel operates in fragmented markets with low entry barriers and price-driven tendering, leaving little room for sustainable 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.

Investment profile 2/2

Pricing and project execution risks: The company's reliance on unit- and fixed-price contracts caps revenue potential and makes profitability highly sensitive to planning, execution, and unforeseen costs. Given thin industry margins, setbacks in larger projects can therefore materially impact profitability.

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
- 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 concentrated in terms of revenue

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

Sources: Inderes

Valuation 1/7

Valuation methods

We approach the valuation of Eltel primarily 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 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. The focus of our valuation is primarily on 2025 and 2026 multiples, as visibility into Eltel's business is quite limited due to the historically volatile performance.

Peer group and acceptable valuation

In our view, Eltel's current operations align well with the typical characteristics 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, 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.

The peer group's median EV/EBITDA multiples for 2025 and 2026 are around 7x, and the corresponding EV/EBIT multiples are 13-10x, and P/E multiples at 14-12x. Widening the time lens to 2027, the median EV/EBITDA remain around 7x, while EV/EBIT and P/E falls to 9x and 10x, respectively.

Among the closest listed peers (Netel, Transtema, and Enersense), valuation multiples are on average somewhat below the broader peer group (see p. 41). However, it is worth noting that Netel's current valuation multiples appear artificially low, as the sharp share price decline following its early-October profit warning (~-60%) has not yet been reflected in updated consensus estimates. This mismatch, where market cap and EV have adjusted but earnings forecasts have not, temporarily depresses Netel's valuation multiples, making them look cheaper than they likely are once estimates are revised.

Overall, the current EV-based multiples for 2026 of the peer group are below the its eight-year average. Historically, the group has traded at a median 12-month forward EV/EBITDA multiple of around 9x and an EV/EBIT multiple of 12x. Given the rise in interest rates since 2022, and now stabilizing at higher levels despite recent cuts, together with persistent macroeconomic and geopolitical uncertainty, we consider the current valuation levels justified compared with the previous zero-interest-rate period. However, on the equity-based multiple (P/E), the dynamic is reversed, with the current forward-looking P/E multiple for 2026, at around 12x, is above the three-year median of roughly 11x. However, it is worth noting that there is significant valuation dispersion within the peer group, and given the relatively limited number of peers, this should be kept in mind when interpreting the averages.

Relative to the peer group, Eltel has historically underperformed in terms of revenue growth and profitability (including return on capital, note that 2024 figures are affected by the Polish divestment). Despite clear improvements in recent years, Eltel's leverage remains somewhat higher than peers, adding to its relative risk profile.

Valuation	2025e	2026e	2027e
Share price (EUR)	0.77	0.77	0.77
Number of shares, millions	156.7	156.7	156.7
Market cap (MEUR)	121	121	121
EV (MEUR)	253	235	214
P/E (adj.)	17.3	9.0	7.4
P/E	20.5	9.0	7.4
P/B	0.7	0.7	0.6
P/S	0.1	0.1	0.1
EV/Sales	0.3	0.3	0.2
EV/EBITDA	5.0	4.0	3.5
EV/EBIT (adj.)	11.8	8.6	7.1
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.

Factors influencing the acceptable valuation level in the short and medium term

(Inderes' assessment)

↑ 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) and improving profitability

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

↓ Historical profitability challenges

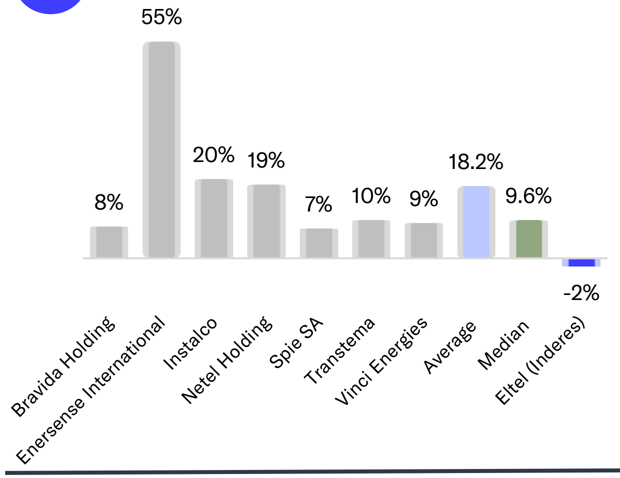
↓ Estimated market decline in Communication and high, albeit declining, customer concentration risk

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

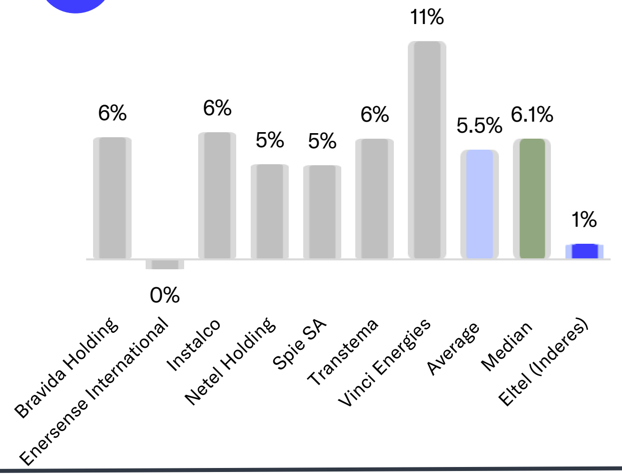
Eltel vs peers

Backward-looking

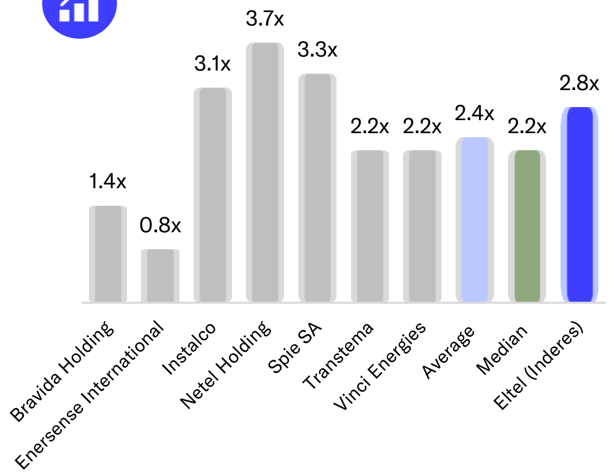
Average revenue growth, 5Y



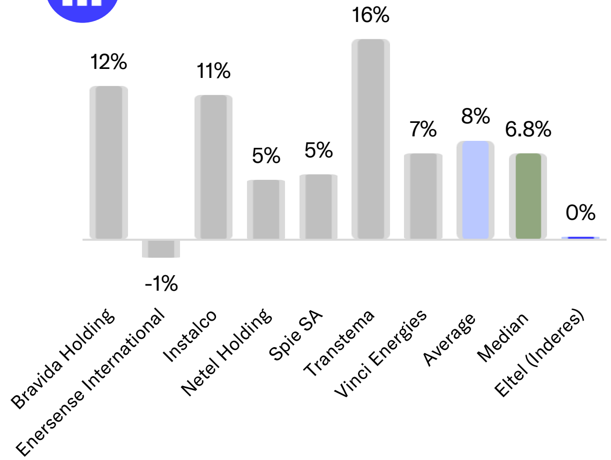
Average EBIT-%, 5Y



Net debt / EBITDA (LTM)

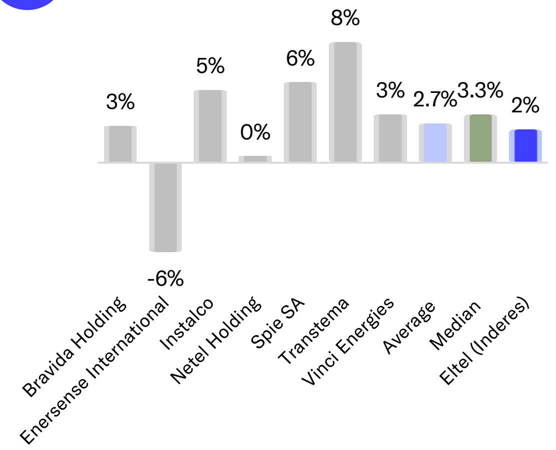


Average ROIC-%, 5Y

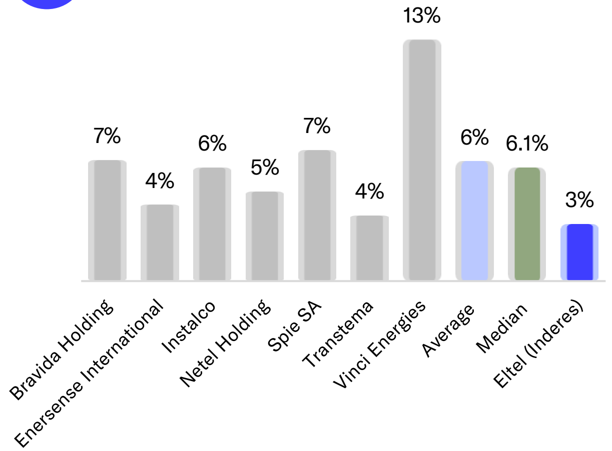


Forward-looking

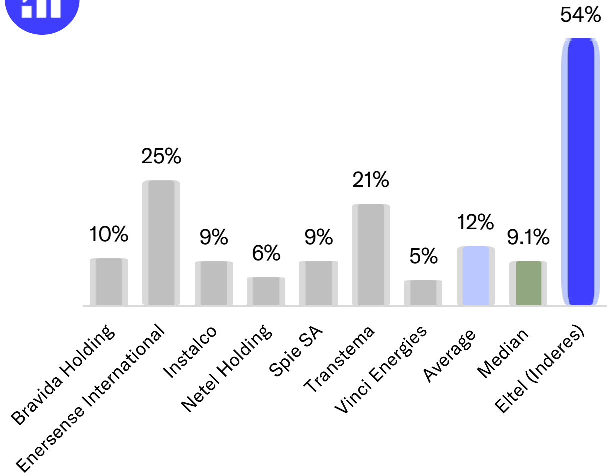
Estimated revenue growth (avg.), 2025-2027E



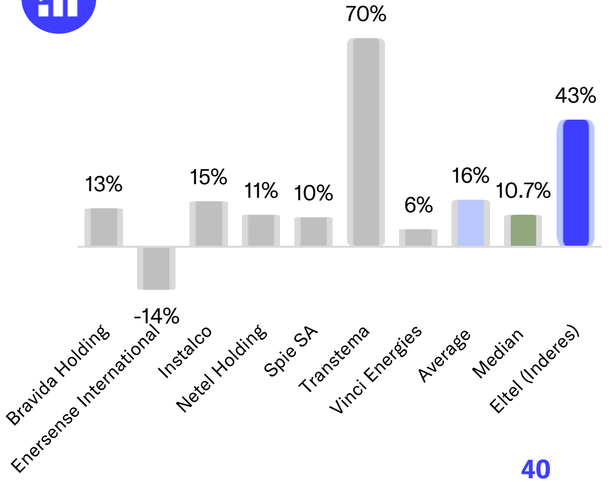
Estimated EBIT-% (avg.), 2025-2027E



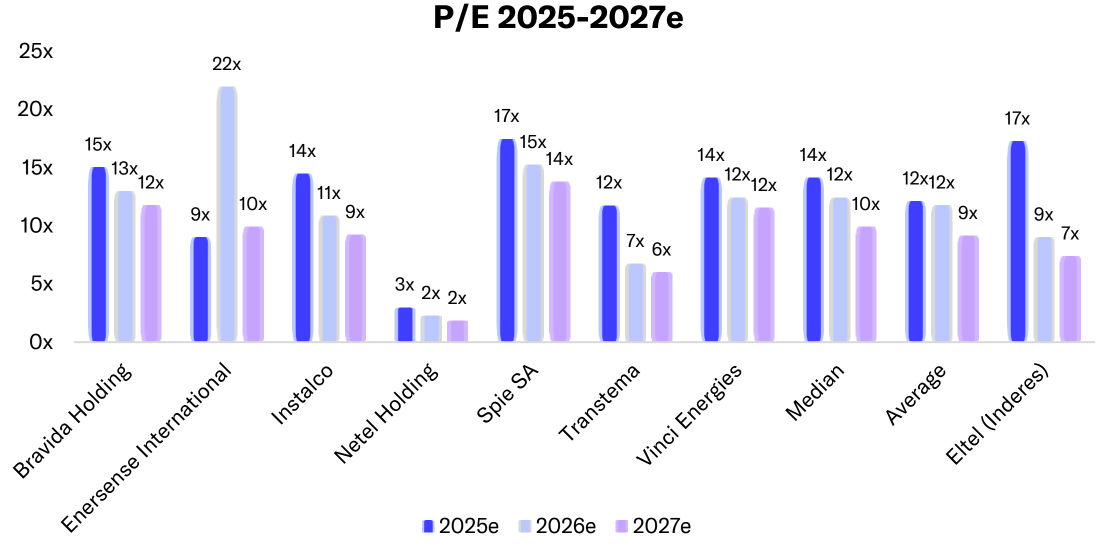
EBITDA CAGR-% (25-27'e)

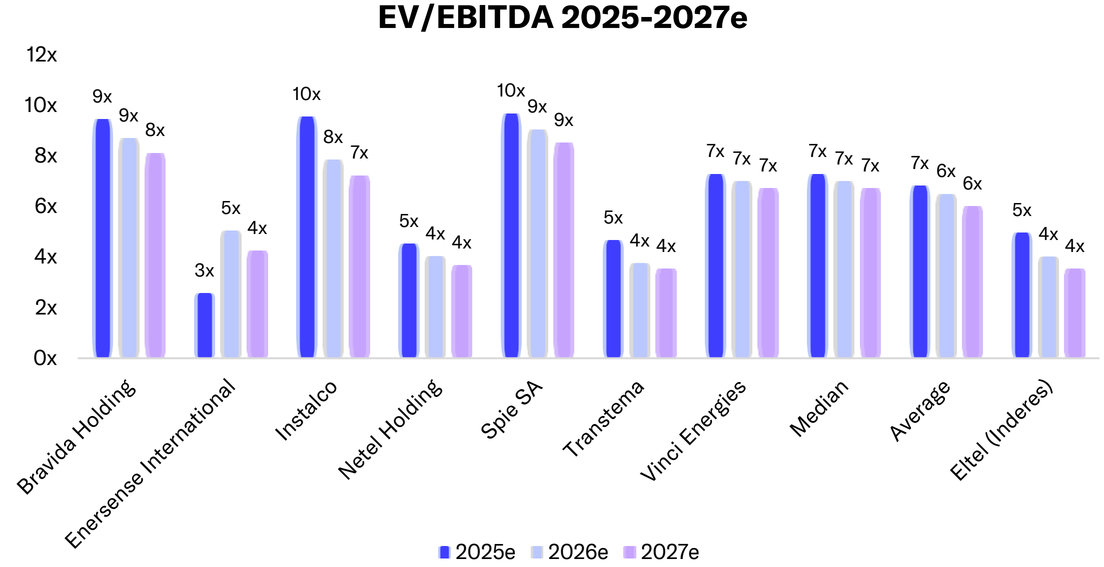


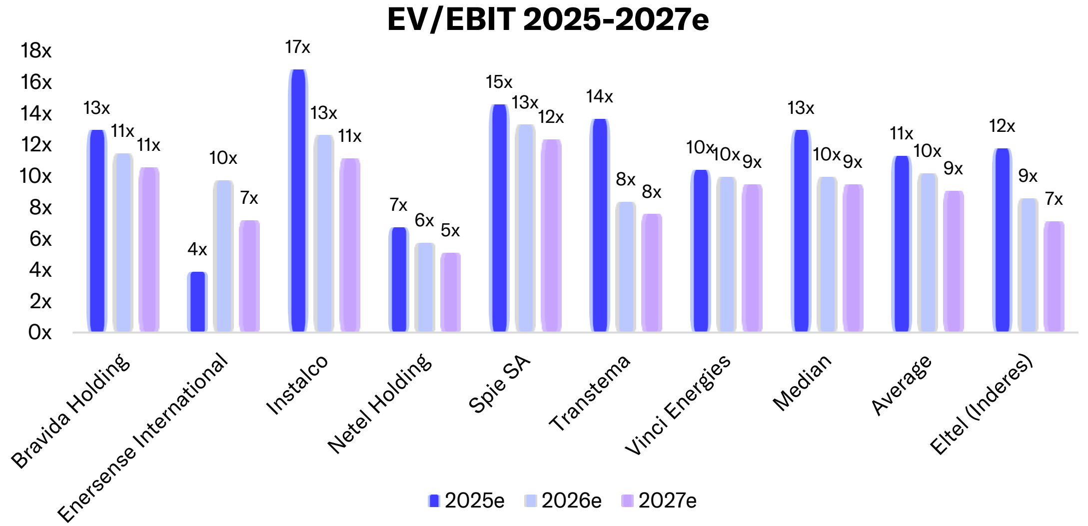
EBIT CAGR-% (25-27'e)

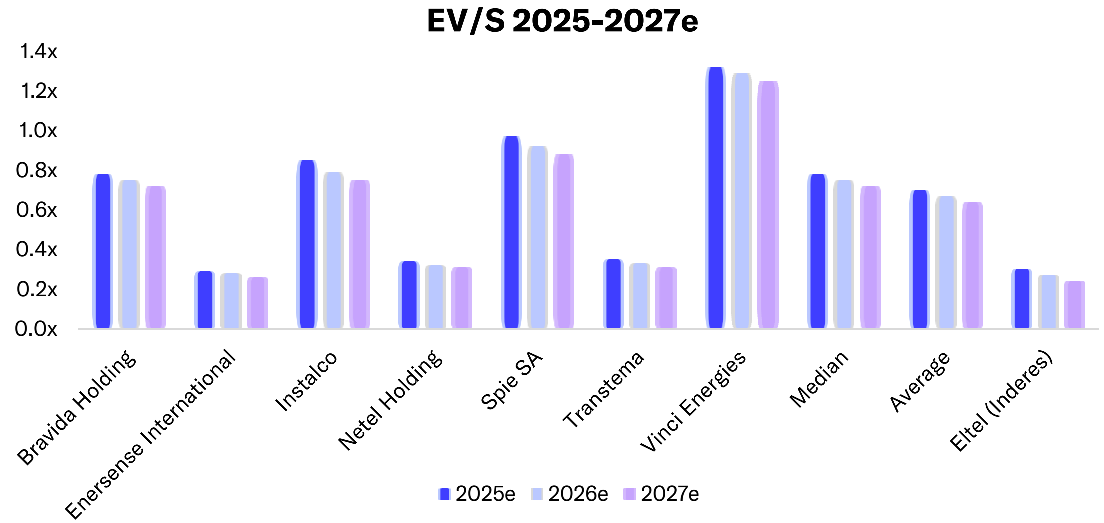


Eltel vs peers









Valuation 4/7

Looking ahead, the company is still expected to trail peers on both growth and profitability metrics (including ROIC), which, together with its weaker historical track record, supports a valuation discount versus the peer group in our view. Moreover, we believe the industry's structural characteristics, such as limited scalability, also partly limits the acceptable valuation multiples. Nevertheless, we expect Eltel's ongoing turnaround to translate into stronger earnings growth relative to peers, which we believe support that the valuation discount should be moderate. Reflecting this and considering the outlined factors that influence Eltel's acceptable valuation multiples, we estimate the company's acceptable valuation range to be around 5x-7x at EV/EBITDA, 8x-11x at EV/EBIT and 9x-13x at P/E.

Taking into account the company's volatile earnings track record, gradual profitability improvements in recent years, current profitability challenges in Norway, and subdued market conditions in some business areas, we believe it's justified to value the stock at around the midpoint of the range in the short term. That said, we see continued profitability improvements and gradual revenue growth as positive drivers of an acceptable valuation.

Absolute valuation

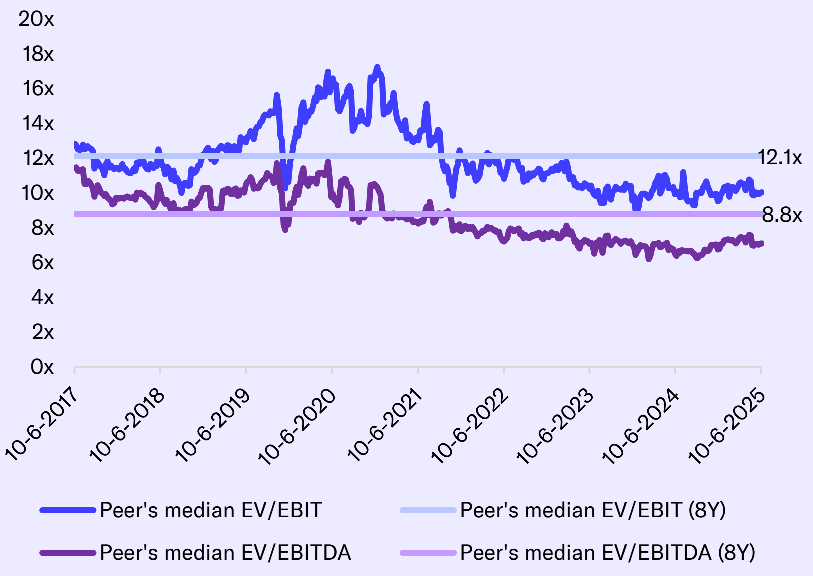
While current (LTM) absolute valuation multiples are on the high side (EV/EBITDA: 5x, EV/EBIT: 15x, P/E: 27x), the overall valuation picture turns more neutral and even attractive in the coming years. Based on our current estimates, Eltel's adjusted EV/EBITDA multiples for 2026 is around 4x, while corresponding EV/EBIT and P/E multiples stands at around 9x. Thus, looking at the next year, we believe that the overall earnings-based valuation is relative neutral, albeit on the lower side. Extending the timeframe slightly, we see clear upside potential in the 2027e multiples (EV/EBITDA: 4x; EV/EBIT: 7x; and P/E: 7x). However, this depends heavily on whether profitability continues to improve as expected. While Eltel has shown steady progress in profitability for eight consecutive quarters, which undoubtedly strengthens our confidence in its current turnaround, we acknowledge that Eltel's track record of earnings volatility makes it hard to rely too much on scenarios beyond 2026. That said, we give 2027 multiples partial weight in our overall valuation assessment.

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 reflects 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 2025e-2026e 0.7-0.8x), which we find justified due to Eltel's lower profitability. It is also worth noting that the volume-based valuation of the closest peers is in line with Eltel's.

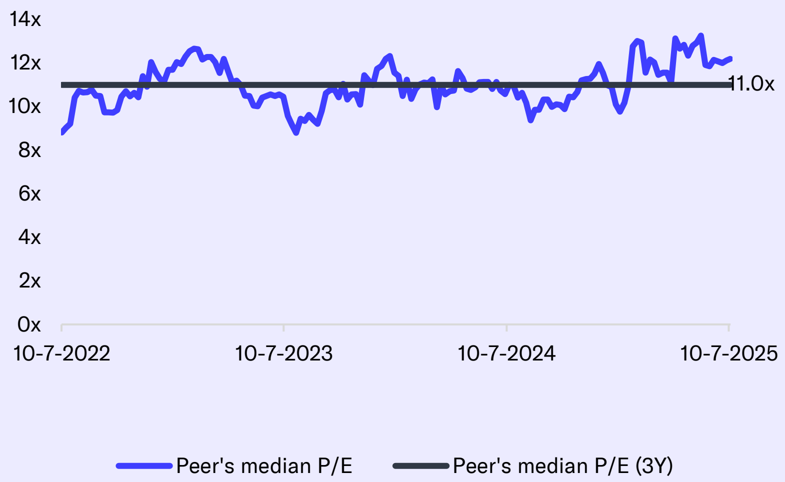
Total expected return in the coming years

We have also looked at an investor's expected return over the next few years by simplifying the acceptable valuation and our 2027 earnings estimates. In our view, Eltel could be valued at 9x-10x EV/EBIT and around 11x-12x P/E at the end of 2027 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.

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



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



Total shareholder return drivers (Q2’25-2027e)

Positive driver

Neutral driver

Negative driver

Solid organic growth in the coming years

Through enhanced pricing discipline and tighter cost control, profitability is set to continue to improve

Short-term macroeconomic and geopolitical uncertainties could weigh on customer sentiment

Earnings growth

EBIT is estimated to increase significantly and EPS to reach and remain in the blacks

Moderate investment needs create the condition for a good cash flow profile

While balance sheet has strengthened, it remain sensitive to setbacks in earnings

Deleveraging, potential M&A, and reaching the EBITA-% target are likely prioritized over dividends in the near to medium term

Dividend yield

Dividend yield % 0% p.a.

With current share price, valuation on actual result is elevated (LTM EV/EBIT 15x, P/E: 27x)

High expected earnings growth to depress valuation multiples going forward

DCF model SEK 10.0 per share

Valuation multiple

Overall valuation picture is rather neutral

Expected return

Total expected return 20-26% p.a. is clearly above the required rate of return

Valuation 6/7

Given this and our current estimates, we believe that Eltel could be valued at roughly SEK 12.8-14.4 per share at the end of 2027 (at current EUR/SEK FX rate). At the current share price of SEK 8.52, we estimate that the expected annual return would be around 20-26%. As mentioned in the Estimates section, 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 (23%), would be above the 10.7% 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 is difficult to forecast over a longer period of time.

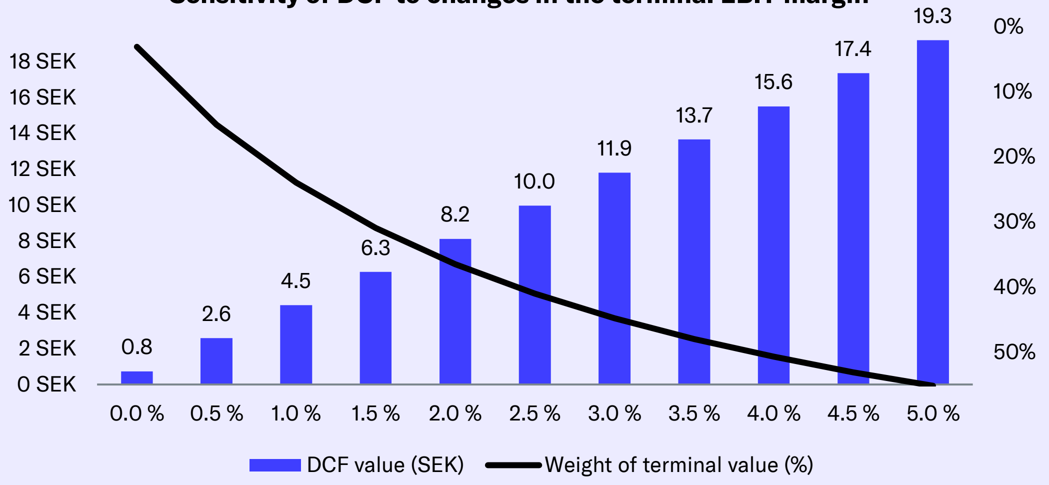
Cash flow-based valuation

We have previously emphasized that we give partial weight to the DCF model in the valuation due to the company's volatile earnings track-record. While this still holds true, we think is justified to place slightly higher weight on the DCF model versus at the time of our Initiation of coverage report (05/2024), considering Eltel's gradual and steady improvement in profitability since. We note 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, to rely more on the DCF model. That said, our profitability estimate is still well above Eltel's profitability in recent history, but at the same time we see that Eltel is structurally better positioned today than in previous years to maintain improved margins, benefiting from enhanced pricing discipline, tighter cost controls, growing exposure to new and adjacent markets, and a more diversified customer base.

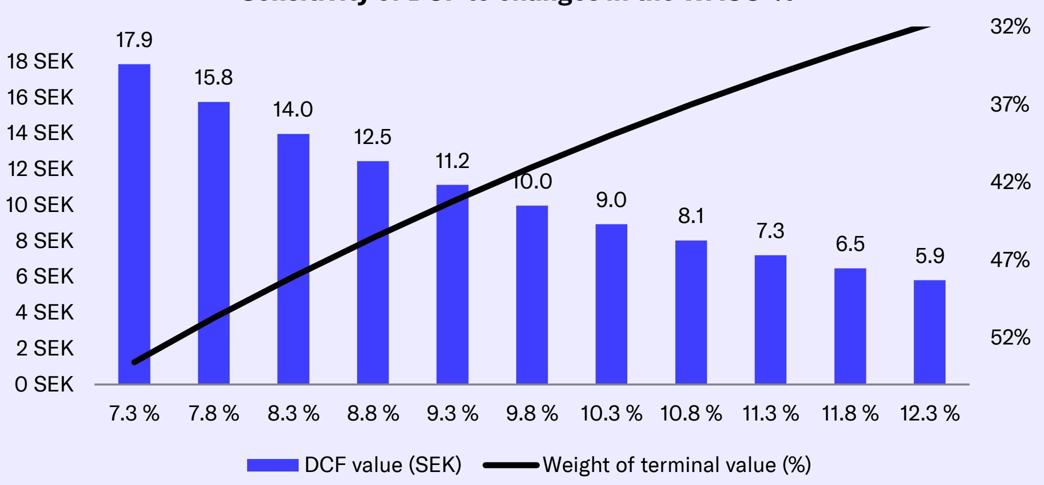
As outlined in our medium-term estimates, we project modest revenue growth during 2025-2027 (CAGR: 2.4%) coupled with gradual margin expansion (2027e EBITA-%: 3.4%). Looking further ahead (2028–2033), we forecast that growth will gradually slow to an average of around 2% per year and settle at that level in the terminal period, reflecting long-term GDP growth expectations. Concurrently, we also assume some margin compression, reflecting rising competition and increasing commoditizing in the current new businesses, and stabilizing at 2.5% in the terminal period. In the DCF model, we have set the WACC at 9.8% and the cost of equity at 10.7%, and while it is slightly below our assumptions at the time of the Initiation report (WACC: 10.2%, CoE: 11%) due to recent profitability improvements and deleveraging, it remains over the median required rate of return of the stock market. In our view, there is further room for a gradual decline in the required return if Eltel continues to be successful in its profitability turnaround, which then would further decrease the company's risk level. As of now, we feel the required return is at a reasonable level considering the current interest rate level, size of the company, seasonal and cyclical nature of the addressable markets as well as overall the risk profile of Eltel's business.

Our DCF model indicates a value of EUR 0.91 per share (SEK 10.0), which is above the current share price and supports our valuation.

Sensitivity of DCF to changes in the terminal EBIT margin



Sensitivity of DCF to changes in the WACC-%



Valuation 7/7

Regression analysis

To provide further context to the valuation of Eltel, we have performed a regression analysis based on the peers' average EBIT margin for the years 2025-2027 to estimate a statistically supported EV/S multiple for Eltel in 2025. Using all peers, the regression model suggests Eltel to trade at a forward EV/S multiple of 0.3x, equivalent to a share price of SEK 8.6. However, it is important to note that the regression analysis only considers the EBIT margin, and in this case, the EBIT margin serves as an indicator of the companies' ability to generate cash flow. While operating margin is the primarily driver of the EV/S multiple, the regression analysis does not consider other critical aspects such as growth, risk, and capital commitment. Furthermore, the correlation shows a R-squared value (R2) of 0.73, which ultimately means that 73% of the variance in the dependent variable (EV/S) can be explained by the independent variable in this equation (EBIT margin). Thus, we can statistically find support that Eltel's current valuation is reasonable, provided how the peer group is valued. That said, we give partial weight to this method, as we also believe Eltel's projected earnings growth in the coming years to be accretive to overall valuation picture.

Summary of the valuation

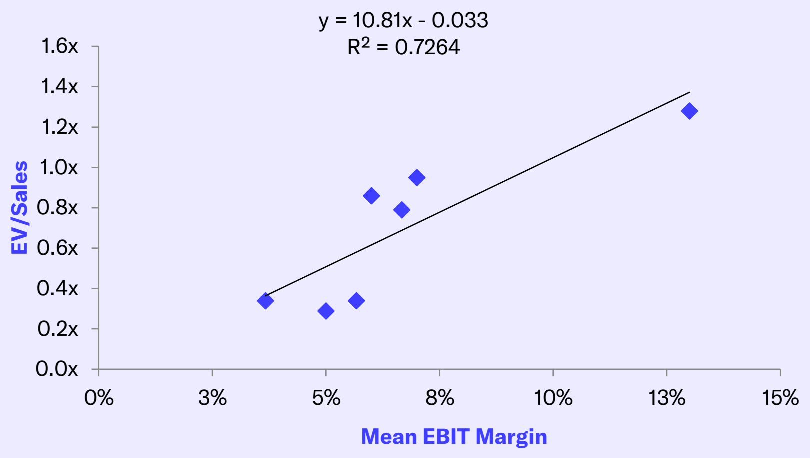
We have assessed Eltel's valuation from different angles and believe that the share's overall earnings-based valuation is neutral and somewhat attractive for the next year, and increasingly attractive based on 2027 multiples. However, it is good to have in mind that we currently forecast a continued improvement in profitability, and while recent years' improvements are encouraging, Eltel has a volatile historical performance, and any deviation from our estimates could have a large impact on our estimated multiples, and thus, our view of the company's valuation.

Our estimate of the fair value of Eltel's share is currently around SEK 8.2-13.3 per share (EUR 0.74-1.21), 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 enhance Eltel's financial situation and lower its risk profile (WACC). Over time, this would, in our view, gradually lower the share's perceived risk level, thereby supporting a lower required return and, consequently, higher acceptable valuation multiples.

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 target price of SEK 9.70 but increase our recommendation to Accumulate (was Reduce), as we see recent share price weakness improving the risk/reward ratio.

EV/S vs mean EBIT margin 2025-2027

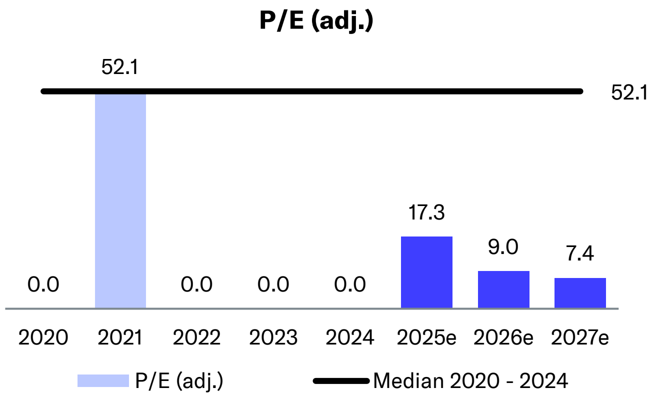
All peers

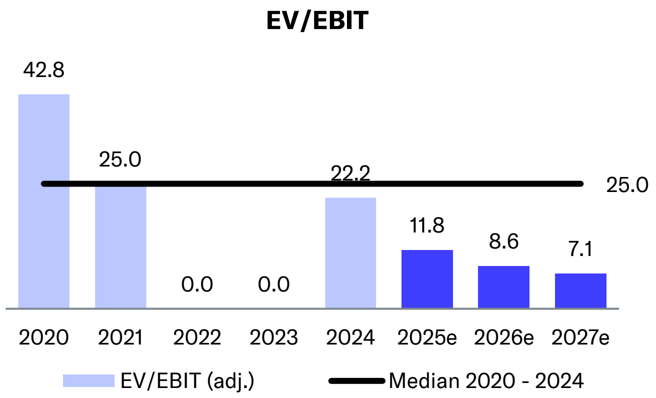


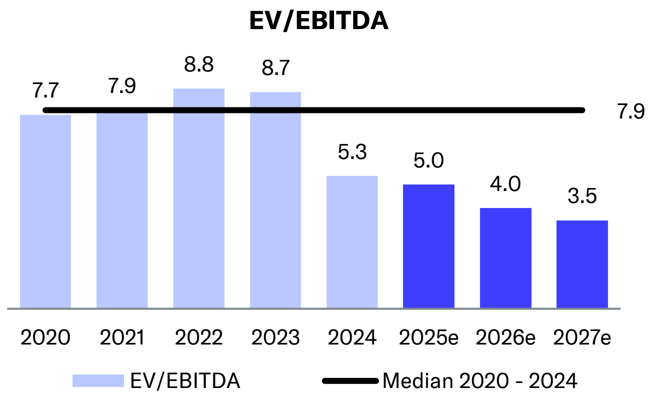
Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price (EUR)	2.24	1.53	0.74	0.55	0.56	**0.77**	**0.77**	**0.77**	**0.77**
Number of shares, millions	156.6	156.6	156.7	156.7	156.7	**156.7**	**156.7**	**156.7**	**156.7**
Market cap (MEUR)	351	239	115	86	88	**121**	**121**	**121**	**121**
EV (MEUR)	488	369	245	214	231	**253**	**235**	**214**	**194**
P/E (adj.)	neg.	52.1	neg.	neg.	neg.	**17.3**	**9.0**	**7.4**	**6.6**
P/E	74.7	55.7	neg.	neg.	neg.	**20.5**	**9.0**	**7.4**	**6.6**
P/B	1.7	1.1	0.6	0.5	0.6	**0.7**	**0.7**	**0.6**	**0.6**
P/S	0.4	0.3	0.1	0.1	0.1	**0.1**	**0.1**	**0.1**	**0.1**
EV/Sales	0.5	0.5	0.3	0.3	0.3	**0.3**	**0.3**	**0.2**	**0.2**
EV/EBITDA	7.7	7.9	8.8	8.7	5.3	**5.0**	**4.0**	**3.5**	**3.1**
EV/EBIT (adj.)	42.8	25.0	neg.	>100	22.2	**11.8**	**8.6**	**7.1**	**5.9**
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 Company	Market cap MEUR	EV MEUR	EV/EBIT 2025e	 2026e	EV/EBITDA 2025e	 2026e	EV/S 2025e	 2026e	P/E 2025e	 2026e	Dividend yield-% 2025e	 2026e	P/B 2025e
Bravida Holding	1730	2016	12.9	11.5	9.4	8.7	0.8	0.8	15.0	13.0	4.0	4.3	2.1
Enersense International	67	91	3.9	9.7	2.6	5.0	0.3	0.3	9.0	22.0			1.8
Instalco	649	1048	16.8	12.6	9.5	7.9	0.9	0.8	14.5	10.9	2.4	2.9	2.0
Netel Holding	22	102	6.7	5.7	4.5	4.0	0.3	0.3	3.0	2.3	7.6	13.2	0.2
Spie SA	7832	10230	14.6	13.3	9.7	9.0	1.0	0.9	17.5	15.3	2.5	2.7	3.5
Transtema	45	82	13.6	8.3	4.7	3.8	0.4	0.3	11.7	6.7			0.8
Vinci Energies	70667	97611	10.4	9.9	7.3	7.0	1.3	1.3	14.1	12.4	4.0	4.5	2.1
Eltel (Inderes)	**121**	**253**	**11.8**	**8.6**	**5.0**	**4.0**	**0.3**	**0.3**	**17.3**	**9.0**	**0.0**	**0.0**	**0.7**
Average			**11.3**	**10.1**	**6.8**	**6.5**	**0.7**	**0.7**	**12.1**	**11.8**	**4.1**	**5.5**	**1.8**
Median			**12.9**	**9.9**	**7.3**	**7.0**	**0.8**	**0.8**	**14.1**	**12.4**	**4.0**	**4.3**	**2.0**
Diff-% to median			***-9%***	***-14%***	***-32%***	***-43%***	***-61%***	***-64%***	***22%***	***-27%***	***-100%***	***-100%***	***-62%***

Source: Refinitiv / Inderes

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	**387**	**380**	**380**	**380**	**381**
Goodwill	254	249	249	249	249
Intangible assets	32.9	30.3	30.4	30.5	30.6
Tangible assets	62.4	59.4	59.8	59.7	60.2
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	9.8	13.4	13.4	13.4	13.4
Deferred tax assets	27.9	27.2	27.2	27.2	27.2
Current assets	**238**	**206**	**259**	**281**	**305**
Inventories	17.3	19.3	20.9	20.7	19.5
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	196	165	173	179	184
Cash and equivalents	24.7	21.3	65.7	81.4	101
Balance sheet total	**624**	**585**	**639**	**661**	**685**

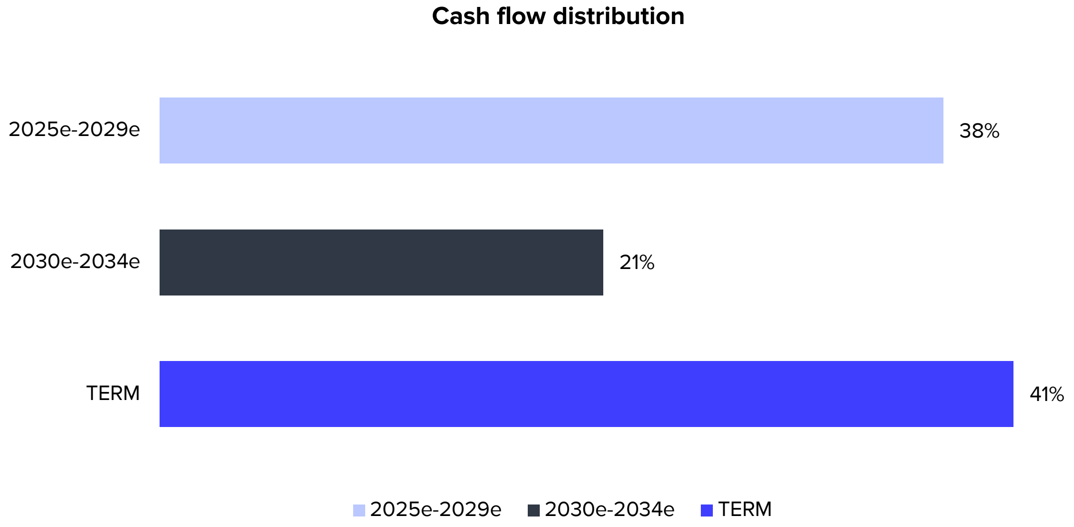
Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	**224**	**189**	**171**	**184**	**200**
Share capital	162	162	162	162	162
Retained earnings	-390.8	-423.7	-417.8	-404.4	-388.1
Hybrid bonds	25.0	25.0	1.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	420	418	418	418	418
Minorities	7.6	8.0	8.0	8.0	8.0
Non-current liabilities	**75.5**	**106**	**219**	**219**	**219**
Deferred tax liabilities	11.3	10.7	10.7	10.7	10.7
Provisions	3.4	5.2	5.2	5.2	5.2
Interest bearing debt	54.6	51.8	165	165	165
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	6.2	37.9	37.9	37.9	37.9
Current liabilities	**325**	**290**	**249**	**259**	**267**
Interest bearing debt	70.3	83.2	26.0	25.0	25.0
Payables	251	203	219	230	238
Other current liabilities	3.7	3.8	3.8	3.8	3.8
Balance sheet total	**624**	**585**	**639**	**661**	**685**

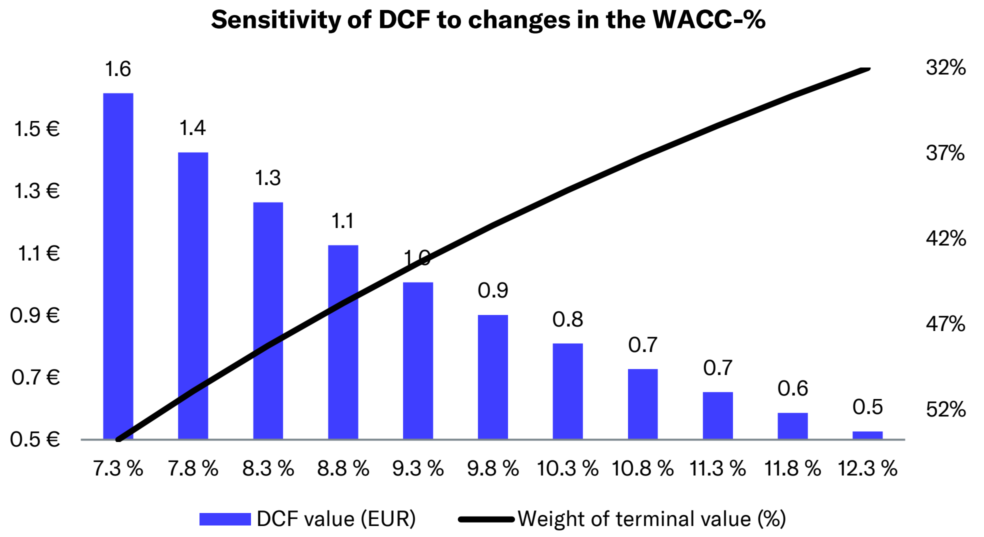
DCF-calculation

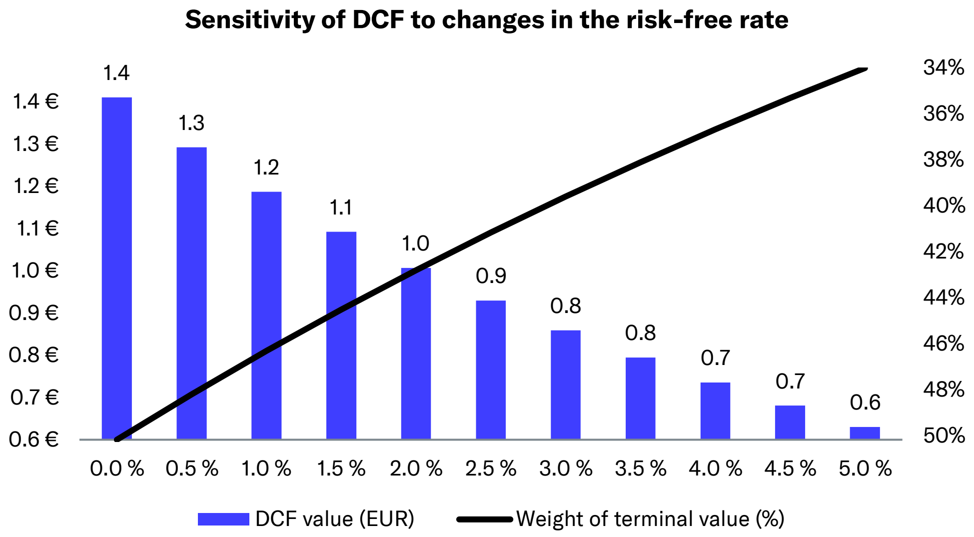
DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	-2.5 %	0.7 %	3.5 %	2.7 %	2.2 %	2.2 %	2.2 %	2.2 %	2.1 %	2.0 %	2.0 %	2.0 %
EBIT-%	-2.2 %	2.4 %	3.2 %	3.4 %	3.6 %	3.5 %	3.4 %	3.1 %	2.8 %	2.5 %	2.5 %	2.5 %
EBIT (operating profit)	**-18.1**	**20.4**	**27.4**	**30.2**	**32.6**	**32.4**	**32.2**	**30.0**	**27.7**	**25.6**	**26.1**	
+ Depreciation	34.7	30.6	31.1	30.4	30.7	30.3	30.6	30.8	31.2	31.5	31.7	
- Paid taxes	1.7	-1.4	-2.1	-3.4	-4.7	-4.6	-4.7	-4.3	-3.8	-3.4	-3.5	
- Tax, financial expenses	-0.7	-1.6	-1.6	-1.9	-2.1	-2.1	-2.0	-2.0	-2.0	-2.0	-2.0	
+ Tax, financial income	0.0	0.0	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	
- Change in working capital	-19.3	7.0	4.4	4.4	2.6	1.7	1.8	1.9	1.9	0.9	0.9	
Operating cash flow	**-1.6**	**55.0**	**59.3**	**59.9**	**59.4**	**58.0**	**58.2**	**56.7**	**55.2**	**52.9**	**53.5**	
+ Change in other long-term liabilities	33.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-28.4	-31.1	-31.1	-31.1	-31.1	-31.1	-31.1	-31.6	-31.9	-32.1	-32.1	
Free operating cash flow	**3.5**	**23.9**	**28.2**	**28.8**	**28.3**	**26.9**	**27.1**	**25.1**	**23.3**	**20.8**	**21.4**	
+/- Other	0.0	-3.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	3.5	20.8	28.2	28.8	28.3	26.9	27.1	25.1	23.3	20.8	21.4	279
Discounted FCFF		**20.4**	**25.2**	**23.4**	**21.0**	**18.1**	**16.6**	**14.0**	**11.8**	**9.6**	**9.0**	**118**
Sum of FCFF present value		287	266	241	218	197	179	162	148	136	127	118
Enterprise value DCF		**287**										
- Interest bearing debt		-160.0										
+ Cash and cash equivalents		21.3										
-Minorities		-5.9										
-Dividend/capital return		0.0										
Equity value DCF		**142**										
Equity value DCF per share		**0.91**										
Equity value DCF per share (SEK)		**10.0**										

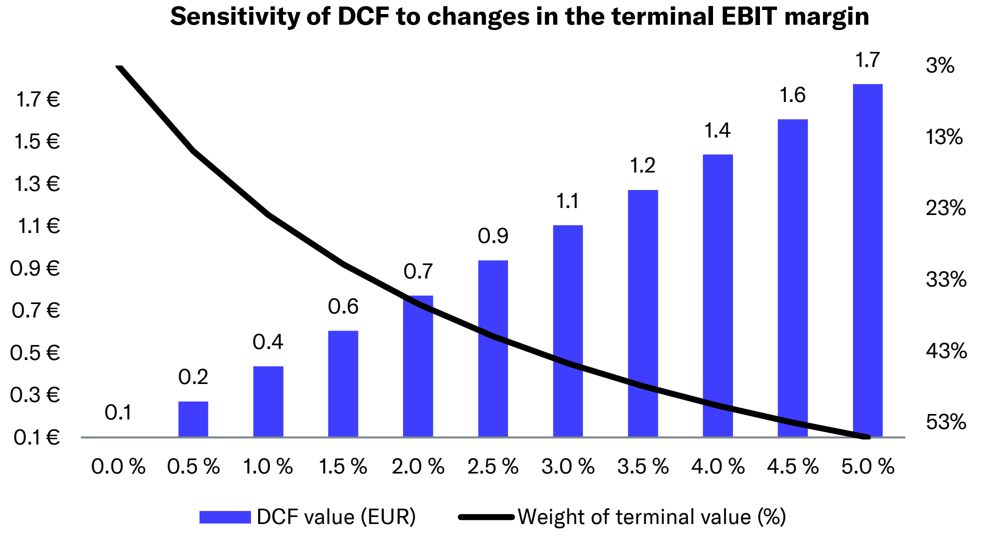
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	25.0 %
Cost of debt	9.0 %
Equity Beta	1.35
Market risk premium	4.75%
Liquidity premium	1.80%
Risk free interest rate	2.5 %
Cost of equity	**10.7 %**
Weighted average cost of capital (WACC)	**9.8 %**

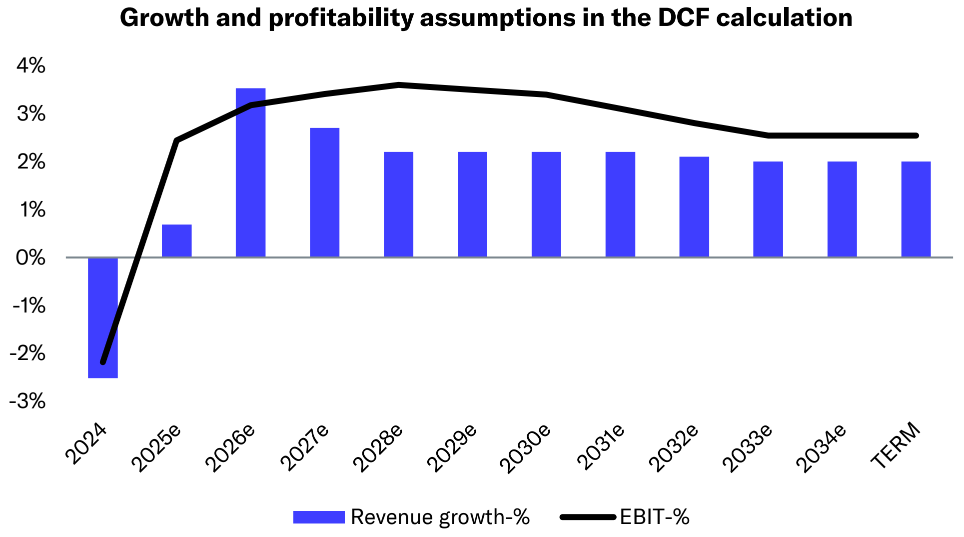


DCF sensitivity calculations and key assumptions in graphs









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

Summary

Income statement	2022	2023	2024	2025e	2026e
Revenue	823.6	850.1	828.7	**834.4**	**863.9**
EBITDA	27.8	24.8	16.6	**51.0**	**58.5**
EBIT	-2.0	-5.3	-18.1	**20.4**	**27.4**
PTP	-11.4	-18.0	-30.8	**9.4**	**15.8**
Net Income	-15.0	-8.0	-29.8	**7.5**	**13.4**
Extraordinary items	-0.1	-7.0	-28.5	**-1.1**	**0.0**

Balance sheet	2022	2023	2024	2025e	2026e
Balance sheet total	621.7	624.2	585.4	**639.3**	**661.1**
Equity capital	211.3	223.6	189.4	**171.3**	**183.7**
Goodwill	256.0	253.6	249.3	**249.3**	**249.3**
Net debt	125.0	100.2	113.7	**125.3**	**108.6**

Cash flow	2022	2023	2024	2025e	2026e
EBITDA	27.8	24.8	16.6	**51.0**	**58.5**
Change in working capital	5.2	25.8	-19.3	**7.0**	**4.4**
Operating cash flow	29.3	47.7	-1.6	**55.0**	**59.3**
CAPEX	-14.7	-33.2	-28.4	**-31.1**	**-31.1**
Free cash flow	6.1	15.0	3.5	**20.8**	**28.2**

Valuation multiples	2022	2023	2024	2025e	2026e
EV/S	0.3	0.3	0.3	**0.3**	**0.3**
EV/EBITDA	8.8	8.7	5.3	**5.0**	**4.0**
EV/EBIT (adj.)	neg.	>100	22.2	**11.8**	**8.6**
P/E (adj.)	neg.	neg.	neg.	**17.3**	**9.0**
P/B	0.6	0.5	0.6	**0.7**	**0.7**
Dividend-%	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**

Source: Inderes

Per share data	2022	2023	2024	2025e	2026e
EPS (reported)	-0.10	-0.07	-0.21	**0.04**	**0.09**
EPS (adj.)	-0.10	-0.02	-0.03	**0.04**	**0.09**
OCF / share	0.19	0.30	-0.01	**0.35**	**0.38**
OFCF / share	0.04	0.10	0.02	**0.13**	**0.18**
Book value / share	1.30	1.38	1.16	**1.04**	**1.12**
Dividend / share	0.00	0.00	0.00	**0.00**	**0.00**

Growth and profitability	2022	2023	2024	2025e	2026e
Revenue growth-%	1%	3%	-3%	**1%**	**4%**
EBITDA growth-%	-40%	-11%	-33%	**207%**	**15%**
EBIT (adj.) growth-%	-113%	-191%	519%	**107%**	**28%**
EPS (adj.) growth-%	-424%	-77%	36%	**-249%**	**91%**
EBITDA-%	3.4 %	2.9 %	2.0 %	**6.1 %**	**6.8 %**
EBIT (adj.)-%	-0.2 %	0.2 %	1.3 %	**2.6 %**	**3.2 %**
EBIT-%	-0.2 %	-0.6 %	-2.2 %	**2.4 %**	**3.2 %**
ROE-%	-7.1 %	-3.8 %	-15.0 %	**4.4 %**	**7.9 %**
ROI-%	-0.5 %	-1.4 %	-5.4 %	**5.9 %**	**7.7 %**
Equity ratio	37.0 %	39.6 %	35.5 %	**29.1 %**	**30.1 %**
Gearing	59.2 %	44.8 %	60.0 %	**73.1 %**	**59.1 %**

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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Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
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
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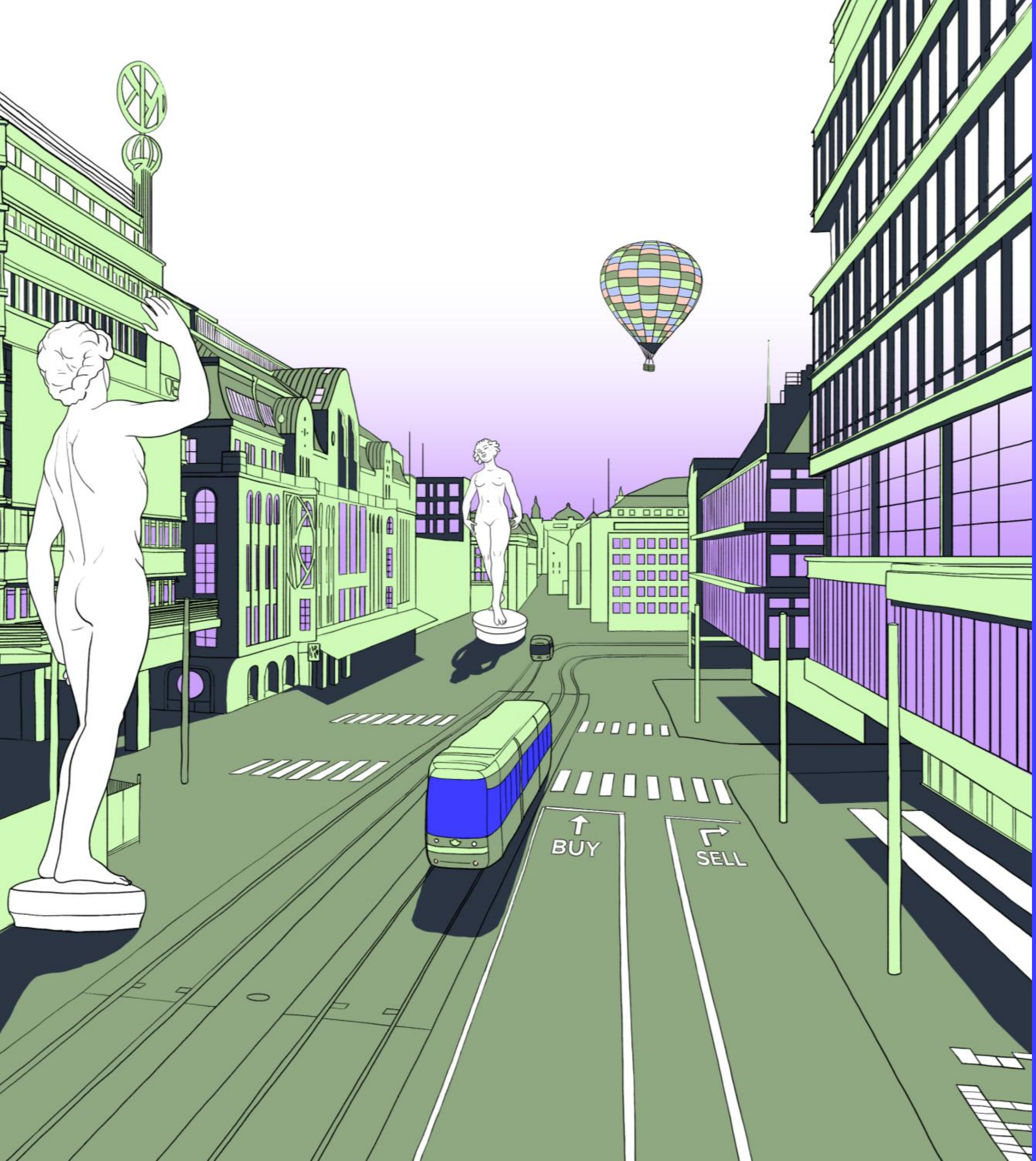
Recommendation history (>12 mo)

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



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Inderes Ab
Vattugatan 17, 5tr
Stockholm
+46 8 411 43 80

inderes.se

Inderes Oyj
Porkkalankatu 5
00180 Helsinki
+358 10 219 4690

inderes.fi