

TELESTE

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INDERES CORPORATE CUSTOMER COMPANY REPORT



Valuation appears moderate following share price decline

We reiterate our EUR 4.1 target price for Teleste but, following the decline in the share price, raise our recommendation to **Accumulate** (was **Reduce**). Teleste's share price has decreased by 9% since our post-Q3 earnings update, bringing the share's valuation (2026e adj. P/E 11x) back to a moderate level. Teleste's expansion into North America has progressed well this year, which enables the company to continue its earnings growth in the medium term. However, slightly weaker order development in Q3 and the merger of the main customer in North America may cause short-term volatility in earnings development. Looking a few years ahead, the trend is still heading strongly in the right direction.

Q3 saw expected improvement in earnings

Teleste's Q3 revenue grew by 15%, and its adjusted EBIT improved to 2.3 MEUR (Q3'24: 1.5 MEUR). Teleste thus continued its positive trend of improved earnings, supported by growing volumes, cost savings implemented by the company, and an improved gross margin, supported by factors such as a better product mix. With improved profitability and the release of working capital, cash flow from operating activities (4.6 MEUR) was also positive for the fifth consecutive quarter. However, orders received by Broadband Networks declined (-11%) after a strong start to the year (H1: + 44%). Public Safety and Mobility orders grew well (13%).

Guidance may increase near year-end

Teleste expects its revenue for 2025 to be 135-150 MEUR and its adjusted EBIT to be 4-7 MEUR, but the result is expected to be closer to the upper end of the guidance range. Considering the actual figures from previous months of 2025 (5.9 MEUR), the guidance for Q4 is quite cautious, and we predict an increase in the earnings guidance (7.4 MEUR). The outcome will be affected by the timing of certain Public Safety and Mobility projects around the turn of the year, for which visibility is poor. Teleste sees the growth outlook for Broadband Networks in North America as

remaining strong this decade, supported by the DOCSIS 4.0 investment wave. In our view, uncertainty regarding short-term developments has increased (the merger between Cox and Charter may cause changes to investment plans). In the longer term, the merger also creates significant opportunities for Teleste, as Charter has not previously been a Teleste customer. Teleste has also won over smaller operators and is preparing for volume growth in North America by means of expanded production in Mexico, which also serves as a precautionary measure against tariffs and for optimizing working capital. European DOCSIS 4.0 investments appear to be significantly more moderate, and the longer-term market outlook remains downward. The outlook for Public Safety and Mobility has clearly stabilized after the challenges of recent years, and Teleste is seeking profitable growth exceeding the market rate in this segment. Considering recent performance, the segment appears to be developing very well in the right direction at present.

Valuation has fallen back to moderate levels

After several challenging years, Teleste's investor story has turned a new page this year, as earnings growth offered by the North American market has begun to materialize. Increasing volumes are now significantly contributing to Teleste's result, as the company has adjusted its cost structure in recent years and its business operations are in a stronger position structurally. This is reflected in the company's goal to achieve an adjusted EBIT margin of 7-12% by 2030. Although our forecasts are still more cautious than the company's targets, we expect clear earnings growth from the company in the medium term. Based on our estimates, the share valuation looks moderate already for next year (P/E 11x, EV/EBIT 9.6x) and will become attractive in the coming years (2027e P/E 9.7x and EV/EBIT 8.5x). Thus, following the price decline, we find the risk/reward attractive again.

Recommendation

Accumulate

(was **Reduce**)

Business risk



Target price:

EUR 4.10

(was EUR 4.10)

Valuation risk



Share price:

EUR 3.67

	2024	2025e	2026e	2027e
Revenue	133	142	155	165
growth-%	-12.4 %	6.9 %	9.2 %	6.5 %
EBIT adj.	4.0	7.4	9.0	10.0
EBIT-% adj.	3.0 %	5.2 %	5.8 %	6.0 %
Net Income	-5.9	3.0	6.1	6.9
EPS (adj.)	0.20	0.18	0.34	0.38

P/E (adj.)	13.0	20.6	10.9	9.7
P/B	0.9	1.2	1.1	1.0
Dividend yield-%	1.1 %	2.7 %	3.3 %	3.8 %
EV/EBIT (adj.)	18.1	11.9	9.6	8.5
EV/EBITDA	11.9	7.3	6.2	5.7
EV/S	0.6	0.6	0.6	0.5

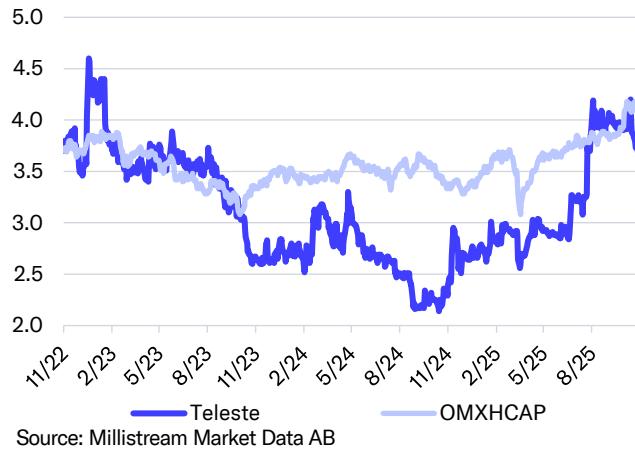
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Guidance

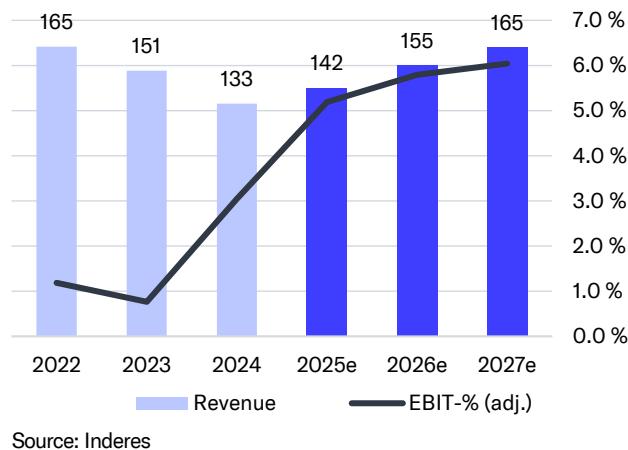
(Unchanged)

Teleste estimates that revenue in 2025 will amount to 135-150 MEUR and that the adjusted operating result in 2025 will be 4-7 MEUR.

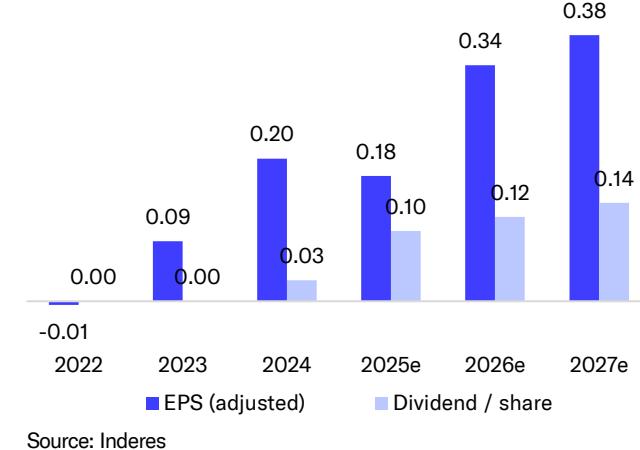
Share price



Revenue and EBIT-% (adj.)



EPS and dividend



Value drivers

- Start of volume deliveries of distributed architecture and DOCSIS 4.0 products in particular
- Expansion to North American market
- Growth driven by a streamlined cost structure will support profitability in the coming years
- Strong market position in Europe in network equipment
- Profitable growth in Public Safety and Mobility

Risk factors

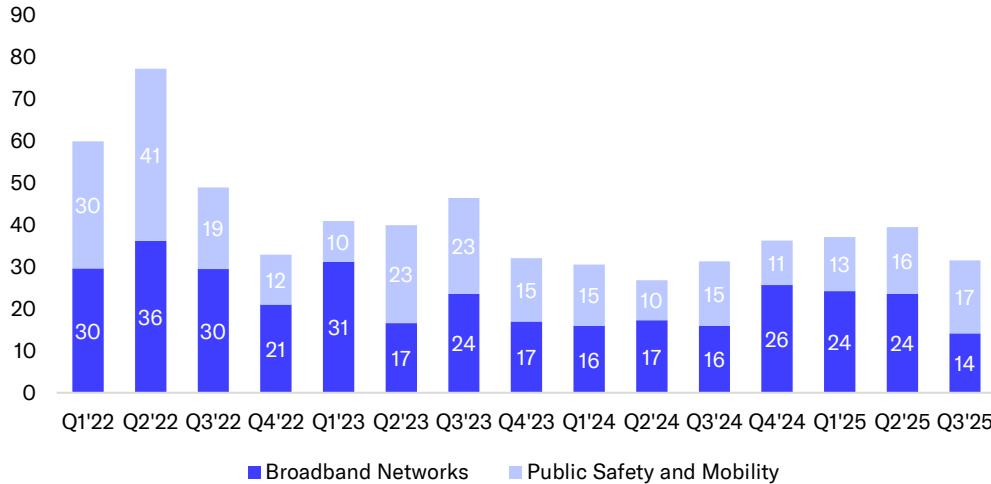
- Slowdown in operator investments in the short term
- Potential import tariffs in the US
- Structural decline in the European market for Broadband Networks
- Failure to expand into North America
- Risks related to component availability and supply chains
- Competitive market pressure and limited pricing power in the face of large operators

Valuation	2025e	2026e	2027e
Share price	3.67	3.67	3.67
Number of shares, millions	18.2	18.2	18.2
Market cap	67	67	67
EV	87	86	84
P/E (adj.)	20.6	10.9	9.7
P/E	22.5	10.9	9.7
P/B	1.2	1.1	1.0
P/S	0.5	0.4	0.4
EV/Sales	0.6	0.6	0.5
EV/EBITDA	7.3	6.2	5.7
EV/EBIT (adj.)	11.9	9.6	8.5
Payout ratio (%)	61.3 %	35.7 %	37.0 %
Dividend yield-%	2.7 %	3.3 %	3.8 %

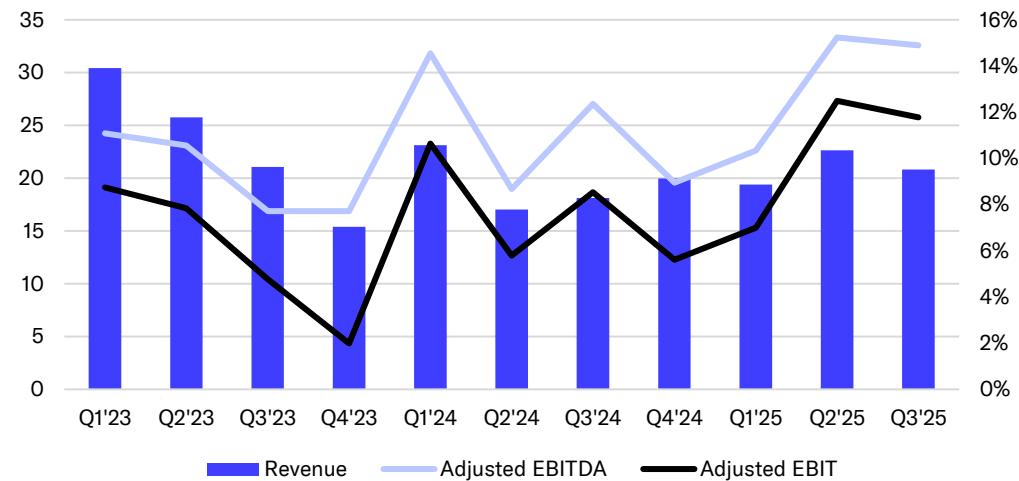
Source: Inderes

Development of key figures

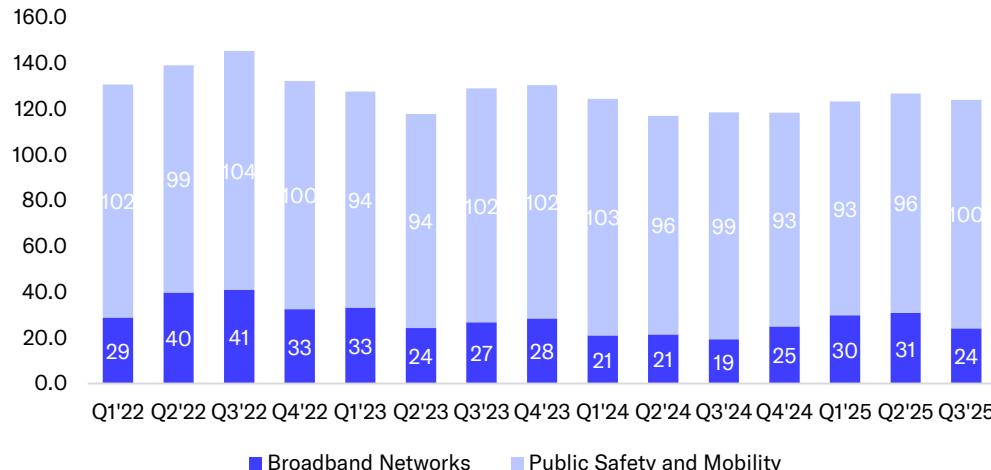
Quarterly development of orders received



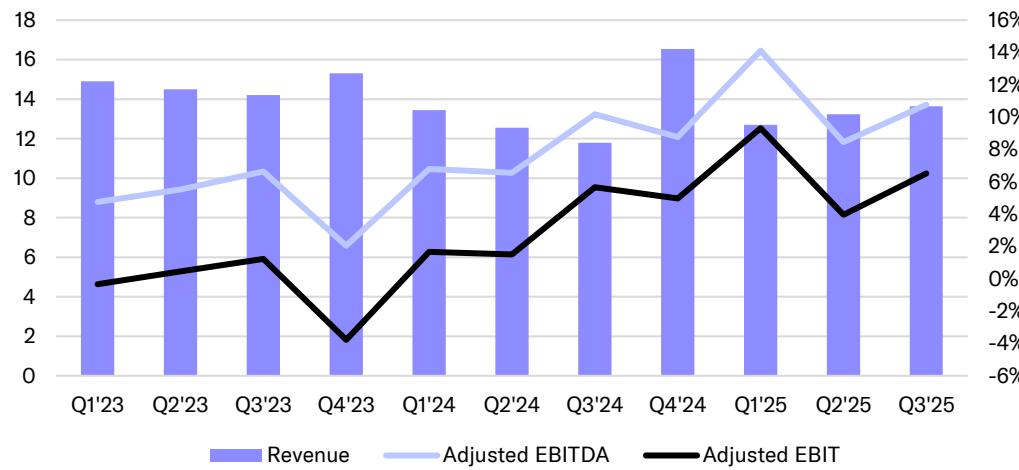
Broadband Networks revenue and profitability per quarter



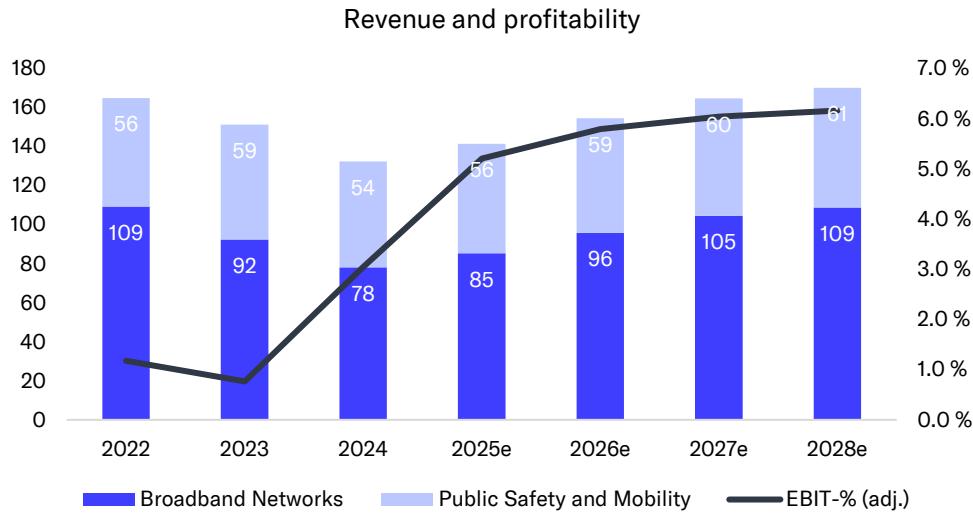
Order book development on a quarterly basis



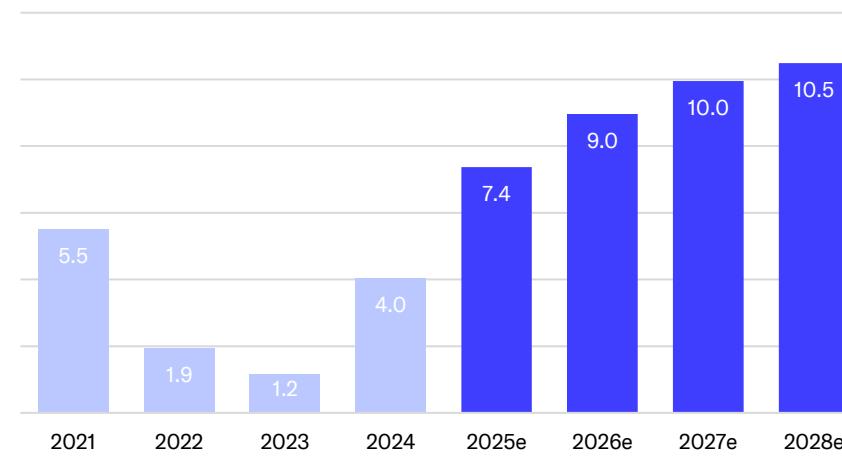
Public Safety and Mobility revenue and profitability per quarter



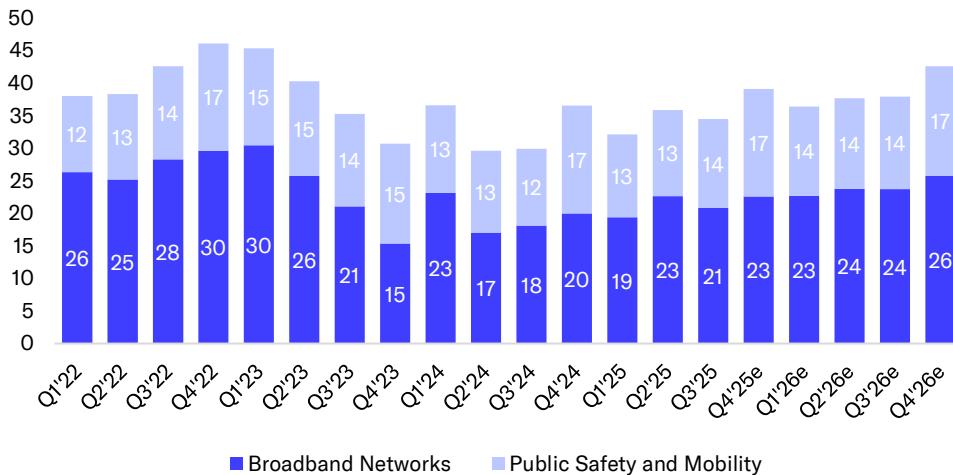
Estimates in brief



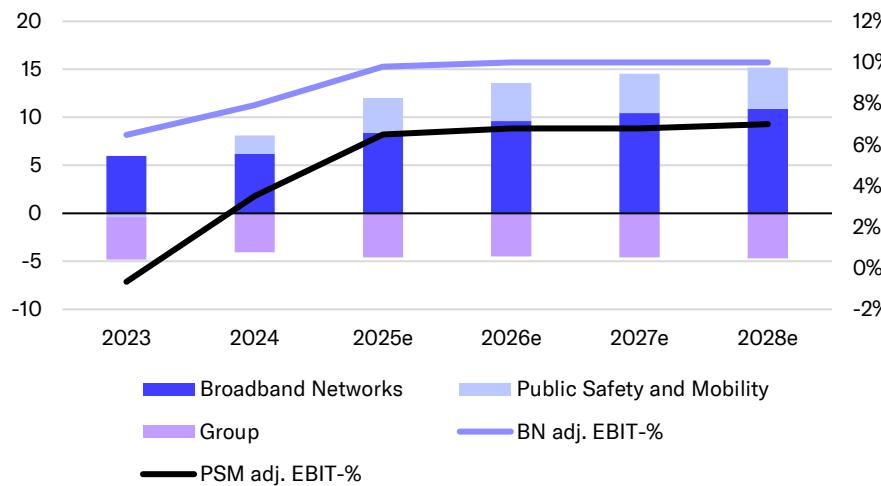
Adjusted EBIT development (MEUR)



Revenue development on a quarterly basis



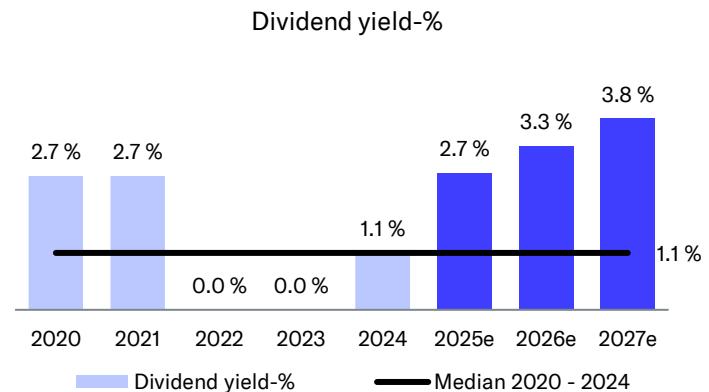
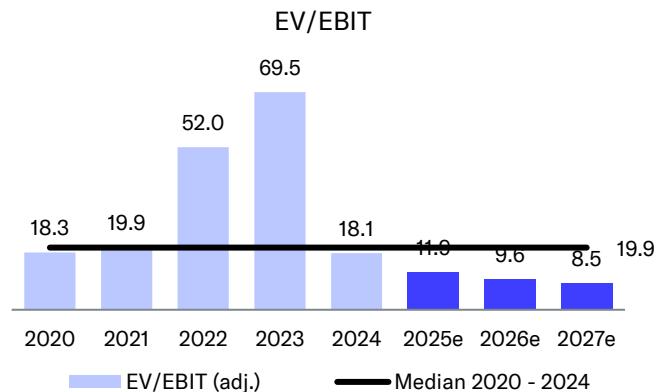
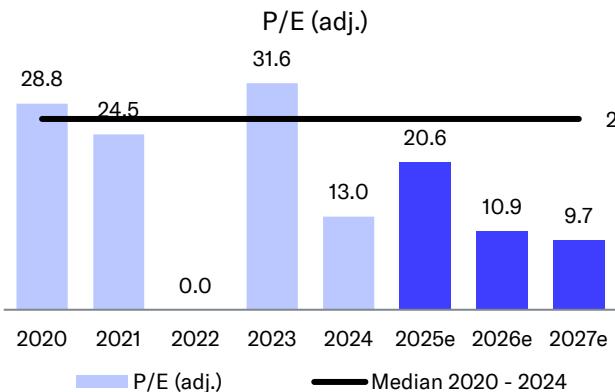
Segment-specific earnings and profitability assumptions



Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	4.49	5.24	3.54	2.70	2.64	3.67	3.67	3.67	3.67
Number of shares, millions	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2
Market cap	82	95	65	49	48	67	67	67	67
EV	93	109	101	80	73	87	86	84	81
P/E (adj.)	28.8	24.5	neg.	31.6	13.0	20.6	10.9	9.7	9.1
P/E	neg.	13.4	neg.	neg.	neg.	22.5	10.9	9.7	9.1
P/B	1.3	1.4	1.1	0.8	0.9	1.2	1.1	1.0	0.9
P/S	0.6	0.7	0.4	0.3	0.4	0.5	0.4	0.4	0.4
EV/Sales	0.6	0.8	0.6	0.5	0.6	0.6	0.6	0.5	0.5
EV/EBITDA	7.9	6.7	13.0	14.4	11.9	7.3	6.2	5.7	5.2
EV/EBIT (adj.)	18.3	19.9	52.0	69.5	18.1	11.9	9.6	8.5	7.8
Payout ratio (%)	neg.	35.9 %	0.0 %	0.0 %	neg.	61.3 %	35.7 %	37.0 %	39.5 %
Dividend yield-%	2.7 %	2.7 %	0.0 %	0.0 %	1.1 %	2.7 %	3.3 %	3.8 %	4.4 %

Source: Indères



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e
Nokia	28692	24941	12.8	11.3	10.9	10.6	1.3	1.2	19.7	17.2	3.1	3.5	1.3
Ericsson	27558	26800	8.6	10.1	6.7	7.9	1.3	1.3	11.8	13.7	3.6	3.5	2.8
Cisco	261415	272154	16.1	15.0	14.5	13.9	5.5	5.2	20.1	18.5	2.1	2.2	6.5
ZTE	21145	24521	24.8	21.9	17.2	14.9	1.4	1.3	22.1	19.9	1.9	2.1	2.3
Harmonic	866	865	15.3	9.0	12.7	8.1	1.8	1.5	20.7	12.2			
Motorola	53432	60790	20.3	18.6	18.5	16.7	6.0	5.6	24.4	22.6	1.2	1.3	22.1
Viavi Solutions	3097	3321	25.3	16.9	20.1	14.8	3.5	2.8	35.5	24.4			4.7
CommScope	3313	10193	10.8	9.3	9.3	10.1	2.1	1.9	10.5	9.3			
Ciena	21861	22045	51.7	31.7	42.8	27.4	5.4	4.6	71.5	40.9			9.0
Fiberhome	3405	5196	29.3	24.9	24.4	20.0	1.4	1.4	26.2	20.9	1.2	1.4	1.8
Adtran	505	1015	23.1	14.0	8.4	6.6	1.0	1.0	49.0	15.8			5.8
Calix	3101	2806	28.9	21.0	24.9	17.8	3.3	2.9	40.0	30.5			4.2
Vecima Networks	150	187	24.0	20.5	9.0	6.5	1.1	1.0		27.8			
Teleste (Inderes)	67	87	11.9	9.6	7.3	6.2	0.6	0.6	20.6	10.9	2.7	3.3	1.2
Average	32965	34987	22.4	17.2	16.9	13.5	2.7	2.4	29.3	21.0	2.2	2.3	6.0
Median	3405	10193	23.1	16.9	14.5	13.9	1.8	1.5	23.2	19.9	2.0	2.1	4.4
Diff-% to median			-49%	-43%	-50%	-55%	-66%	-62%	-11%	-45%	36%	54%	-74%

Source: Refinitiv / Inderes

Income statement

Income statement	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25	Q4'25e	2025e	2026e	2027e	2028e
Revenue	151	36.6	29.5	29.9	36.5	133	32.2	35.9	34.5	39.1	142	155	165	170
Broadband Networks	92.5	23.1	17.0	18.1	20.0	78.2	19.4	22.6	20.9	22.6	85.5	95.9	105	109
Public Safety and Mobility	58.9	13.4	12.6	11.8	16.5	54.3	12.7	13.3	13.6	16.5	56.1	58.7	60.1	61.3
EBITDA	5.6	1.7	0.4	2.5	1.5	6.1	2.7	3.2	3.4	2.7	12.0	13.9	14.9	15.7
Depreciation	-6.1	-2.1	-1.1	-1.2	-7.2	-11.7	-1.3	-1.2	-1.2	-1.2	-4.9	-4.9	-5.0	-5.3
EBIT (adj.)	1.2	1.5	0.2	1.5	0.8	4.0	1.5	2.2	2.3	1.5	7.4	9.0	10.0	10.5
EBIT	-0.5	-0.4	-0.8	1.3	-5.7	-5.5	1.5	2.0	2.1	1.5	7.1	9.0	10.0	10.5
Net financial items	-1.9	-0.2	-0.3	-0.8	-0.3	-1.5	-0.9	-1.9	-0.6	-0.4	-3.8	-1.1	-1.1	-1.0
PTP	-2.4	-0.5	-1.0	0.5	-6.0	-7.1	0.6	0.1	1.6	1.1	3.3	7.9	8.9	9.5
Taxes	1.9	0.0	-0.1	0.1	1.0	1.0	0.0	0.2	-0.3	-0.2	-0.3	-1.7	-1.9	-2.1
Minority interest	0.4	0.1	0.0	0.1	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	-0.1	-0.4	-1.1	0.6	-5.0	-5.9	0.6	0.3	1.3	0.8	3.0	6.1	6.9	7.4
EPS (adj.)	0.09	0.08	-0.01	0.05	0.08	0.20	0.03	0.02	0.08	0.05	0.18	0.34	0.38	0.40
EPS (rep.)	0.00	-0.02	-0.06	0.04	-0.27	-0.32	0.03	0.02	0.07	0.05	0.16	0.34	0.38	0.40
Key figures	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25	Q4'25e	2025e	2026e	2027e	2028e
Revenue growth-%	-8.3 %	-19%	-26%	-15%	19%	-12.4 %	-12%	21%	15%	7%	6.9 %	9.2 %	6.5 %	3.3 %
Adjusted EBIT growth-%	-41%	6%	-68%	183%	-158%	248%	-6%	1034%	54%	79%	82%	22%	11%	5%
EBITDA-%	3.7 %	4.7 %	1.2 %	8.4 %	4.2 %	4.6 %	8.4 %	9.0 %	9.8 %	6.9 %	8.5 %	9.0 %	9.1 %	9.3 %
Adjusted EBIT-%	0.8 %	4.2 %	0.6 %	4.9 %	2.3 %	3.0 %	4.5 %	6.0 %	6.6 %	3.8 %	5.2 %	5.8 %	6.0 %	6.2 %
Net earnings-%	-0.1 %	-1.2 %	-3.6 %	2.2 %	-13.7 %	-4.4 %	1.8 %	0.9 %	3.7 %	2.1 %	2.1 %	4.0 %	4.2 %	4.3 %

Lähde: Inderes

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	58.4	53.7	54.3	55.1	56.0
Goodwill	30.1	30.1	30.1	30.1	30.1
Intangible assets	13.5	8.8	10.5	12.3	14.1
Tangible assets	12.5	11.5	10.5	9.5	8.6
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.4	0.0	0.0	0.0	0.0
Other non-current assets	0.1	0.1	0.0	0.0	0.0
Deferred tax assets	1.9	3.2	3.2	3.2	3.2
Current assets	73.8	67.4	64.3	70.6	75.1
Inventories	35.6	24.9	26.2	28.3	29.6
Other current assets	0.4	1.0	1.0	1.0	1.0
Receivables	31.5	32.7	28.6	32.0	34.6
Cash and equivalents	6.2	8.8	8.5	9.3	9.9
Balance sheet total	132	121	119	126	131

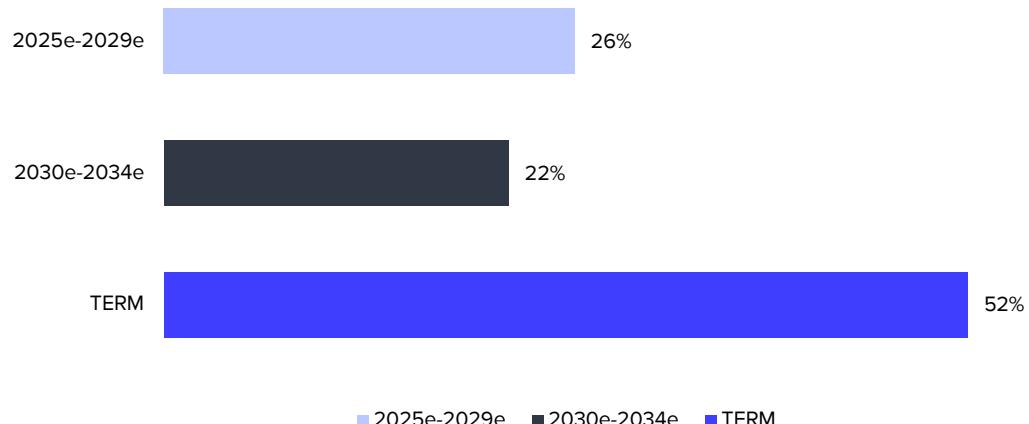
Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	60.9	54.8	57.2	61.5	66.3
Share capital	7.0	7.0	7.0	7.0	7.0
Retained earnings	50.5	44.4	46.9	51.2	55.9
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	3.8	4.1	4.1	4.1	4.1
Minorities	-0.4	-0.7	-0.7	-0.7	-0.7
Non-current liabilities	31.8	26.7	25.6	25.6	24.5
Deferred tax liabilities	0.1	0.1	0.1	0.1	0.1
Provisions	1.1	2.0	2.0	2.0	2.0
Interest bearing debt	30.5	24.7	23.5	23.6	22.5
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.1	0.0	0.0	0.0	0.0
Current liabilities	39.6	39.6	35.8	38.5	40.3
Interest bearing debt	7.3	9.6	5.9	5.9	5.6
Payables	32.1	29.9	29.7	32.5	34.6
Other current liabilities	0.2	0.1	0.1	0.1	0.1
Balance sheet total	132	121	119	126	131

DCF-calculation

DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	-12.4 %	6.9 %	9.2 %	6.5 %	3.3 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	1.5 %	1.5 %
EBIT-%	-4.2 %	5.0 %	5.8 %	6.0 %	6.2 %	6.4 %	6.0 %	5.7 %	5.5 %	5.5 %	5.5 %	5.5 %
EBIT (operating profit)	-5.5	7.1	9.0	10.0	10.5	11.1	10.6	10.3	10.1	10.3	10.5	
+ Depreciation	11.7	4.9	4.9	5.0	5.3	6.1	6.0	6.0	6.0	6.0	6.0	
- Paid taxes	-0.3	-0.3	-1.7	-1.9	-2.1	-2.2	-2.2	-2.1	-2.1	-2.2	-2.3	
- Tax, financial expenses	-0.2	-0.4	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	6.8	2.6	-2.8	-1.8	-1.0	-0.6	0.3	-0.1	-0.3	-0.3	-0.1	
Operating cash flow	12.4	13.9	9.1	10.9	12.5	14.2	14.6	14.0	13.6	13.8	14.1	
+ Change in other long-term liabilities	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-5.7	-5.5	-5.7	-5.9	-6.0	-6.0	-6.0	-6.0	-6.0	-6.0	-6.0	
Free operating cash flow	7.5	8.4	3.4	5.0	6.5	8.2	8.6	8.0	7.6	7.8	8.1	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	7.5	8.4	3.4	5.0	6.5	8.2	8.6	8.0	7.6	7.8	8.1	112
Discounted FCFF		8.3	3.1	4.2	5.0	5.8	5.6	4.7	4.2	3.9	3.7	51.6
Sum of FCFF present value		100	91.9	88.7	84.5	79.5	73.8	68.2	63.5	59.3	55.4	51.6
Enterprise value DCF		100										
- Interest bearing debt		-34.2										
+ Cash and cash equivalents		8.8										
-Minorities		0.8										
-Dividend/capital return		-0.5										
Equity value DCF		75.0										
Equity value DCF per share		4.1										

Cash flow distribution

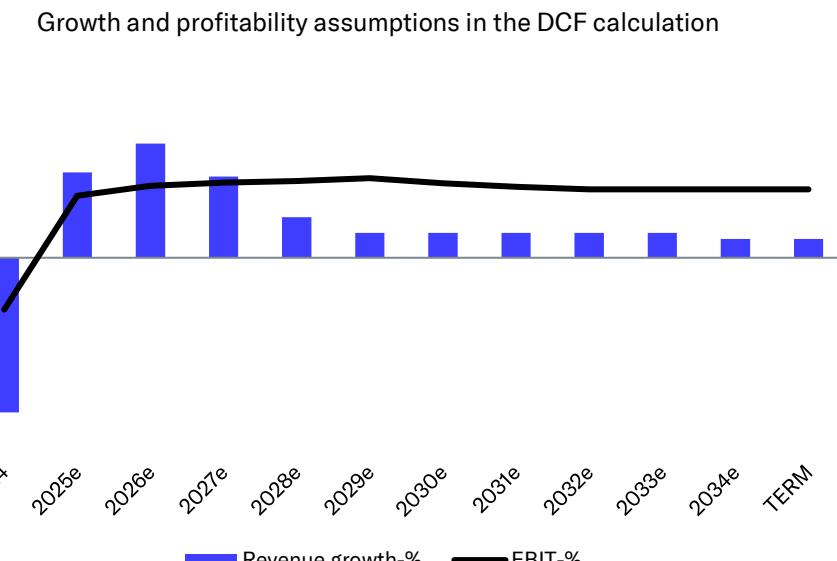
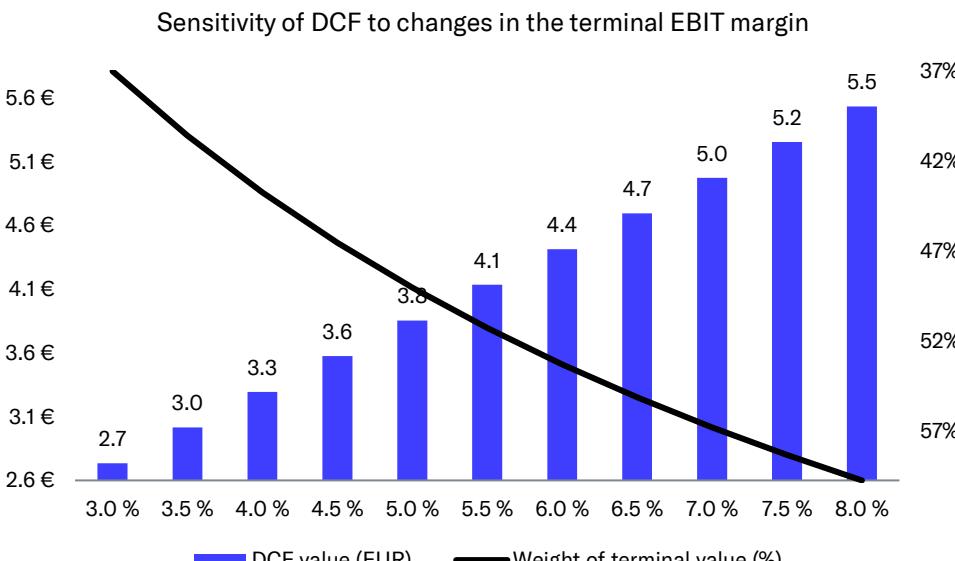
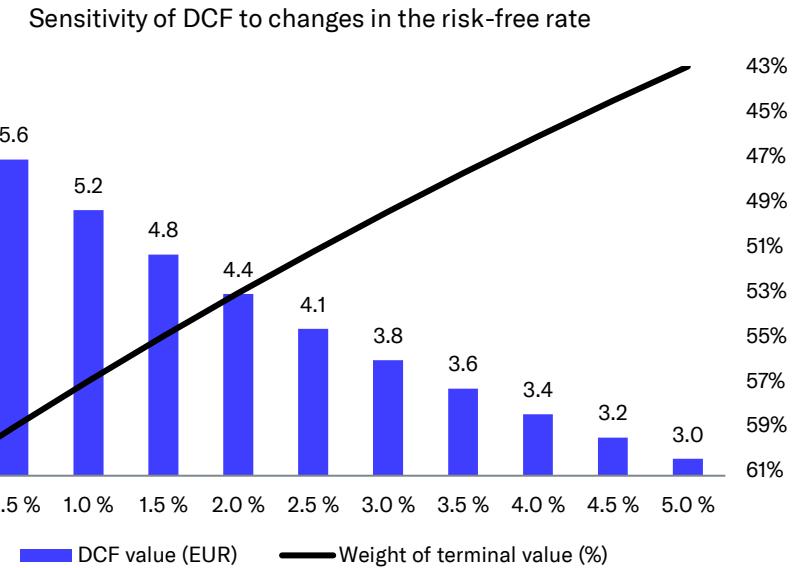
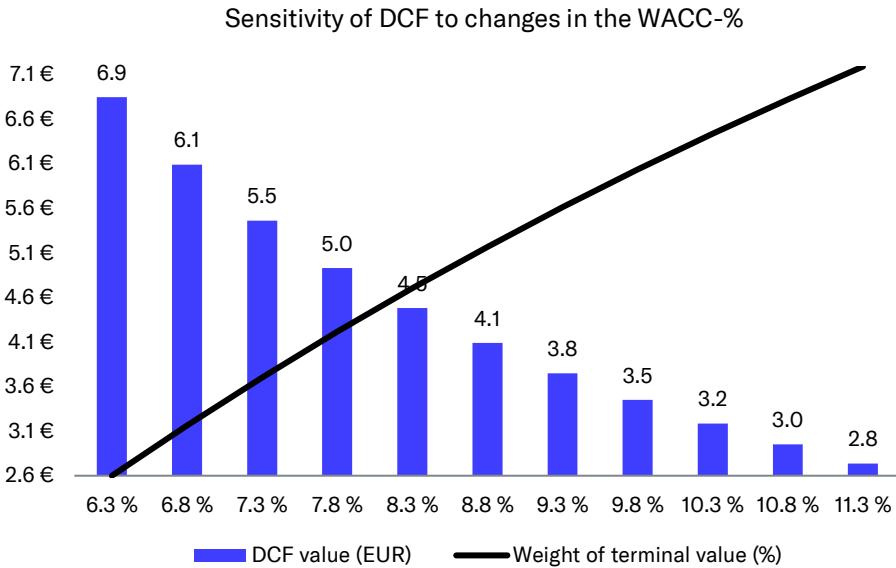


WACC

Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	5.0 %
Equity Beta	1.15
Market risk premium	4.75%
Liquidity premium	2.10%
Risk free interest rate	2.5 %
Cost of equity	10.1%
Weighted average cost of capital (WACC)	8.8 %

Source: Inderes

DCF sensitivity calculations and key assumptions in graphs



Summary

Income statement	2022	2023	2024	2025e	2026e	Per share data	2022	2023	2024	2025e	2026e
Revenue	165.0	151.3	132.5	141.6	154.6	EPS (reported)	-0.31	0.00	-0.32	0.16	0.34
EBITDA	7.8	5.6	6.1	12.0	13.9	EPS (adj.)	-0.01	0.09	0.20	0.18	0.34
EBIT	-4.8	-0.5	-5.5	7.1	9.0	OCF / share	-0.57	0.86	0.68	0.76	0.50
PTP	-5.0	-2.4	-7.1	3.3	7.9	OFCF / share	-1.10	0.32	0.41	0.46	0.19
Net Income	-5.7	-0.1	-5.9	3.0	6.1	Book value / share	3.31	3.36	3.04	3.17	3.41
Extraordinary items	-6.8	-1.6	-9.6	-0.3	0.0	Dividend / share	0.00	0.00	0.03	0.10	0.12
Balance sheet	2022	2023	2024	2025e	2026e	Growth and profitability	2022	2023	2024	2025e	2026e
Balance sheet total	152.3	132.2	121.2	118.6	125.7	Revenue growth-%	15%	-8%	-12%	7%	9%
Equity capital	60.4	60.9	54.8	57.2	61.5	EBITDA growth-%	-52%	-28%	10%	95%	16%
Goodwill	30.6	30.1	30.1	30.1	30.1	EBIT (adj.) growth-%	-65%	-41%	248%	82%	22%
Net debt	37.0	31.6	25.4	20.9	20.2	EPS (adj.) growth-%	-102%	-1724%	138%	-12%	88%
Cash flow	2022	2023	2024	2025e	2026e	EBITDA-%	4.7 %	3.7 %	4.6 %	8.5 %	9.0 %
EBITDA	7.8	5.6	6.1	12.0	13.9	EBIT (adj.)-%	1.2 %	0.8 %	3.0 %	5.2 %	5.8 %
Change in working capital	-15.5	9.0	6.8	2.6	-2.8	EBIT-%	-2.9 %	-0.3 %	-4.2 %	5.0 %	5.8 %
Operating cash flow	-10.4	15.8	12.4	13.9	9.1	ROE-%	-8.8 %	-0.1 %	-10.0 %	5.3 %	10.2 %
CAPEX	-11.3	-7.4	-5.7	-5.5	-5.7	ROI-%	-4.7 %	-0.5 %	-5.9 %	8.1 %	10.1 %
Free cash flow	-20.1	5.9	7.5	8.4	3.4	Equity ratio	39.7 %	46.3 %	45.5 %	48.5 %	49.2 %
						Gearing	61.2 %	51.9 %	46.3 %	36.6 %	32.8 %
Valuation multiples	2022	2023	2024	2025e	2026e						
EV/S	0.6	0.5	0.6	0.6	0.6						
EV/EBITDA	13.0	14.4	11.9	7.3	6.2						
EV/EBIT (adj.)	52.0	69.5	18.1	11.9	9.6						
P/E (adj.)	neg.	31.6	13.0	20.6	10.9						
P/B	1.1	0.8	0.9	1.2	1.1						
Dividend-%	0.0 %	0.0 %	1.1 %	2.7 %	3.3 %						
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. Per-share figures are calculated using the number of shares at year-end.

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

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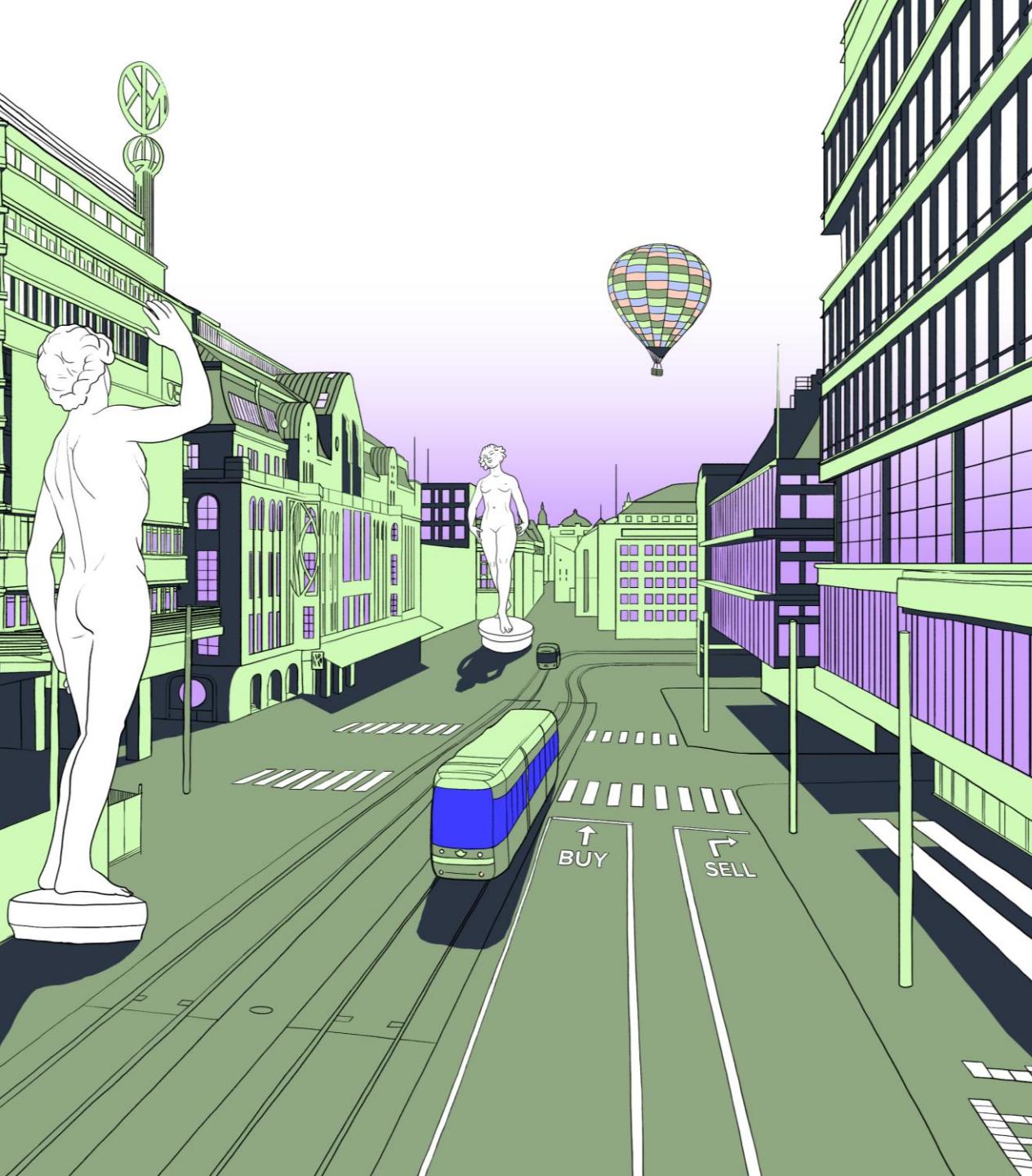
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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
2/12/2021	Accumulate	5.50 €	4.99 €
5/7/2021	Accumulate	6.10 €	5.76 €
8/13/2021	Reduce	6.10 €	6.16 €
9/21/2021	Accumulate	6.00 €	5.00 €
11/5/2021	Reduce	5.50 €	5.20 €
2/10/2022	Reduce	5.00 €	5.16 €
5/6/2022	Reduce	4.30 €	4.20 €
6/21/2022	Reduce	3.90 €	4.10 €
8/11/2022	Reduce	3.90 €	3.95 €
11/4/2022	Reduce	3.70 €	3.39 €
12/9/2022	Reduce	3.70 €	3.85 €
2/10/2023	Reduce	3.70 €	3.96 €
5/5/2023	Accumulate	4.10 €	3.68 €
8/11/2023	Accumulate	3.90 €	3.47 €
11/3/2023	Reduce	3.00 €	2.95 €
12/17/2023	Reduce	2.60 €	2.64 €
1/17/2024	Reduce	2.60 €	2.70 €
2/12/2024	Reduce	2.60 €	2.77 €
5/6/2024	Reduce	2.60 €	2.88 €
8/15/2024	Reduce	2.60 €	2.50 €
9/17/2024	Reduce	2.30 €	2.26 €
11/7/2024	Reduce	2.40 €	2.27 €
2/12/2025	Accumulate	3.20 €	2.89 €
3/4/2025	Accumulate	3.20 €	2.80 €
5/8/2025	Accumulate	3.30 €	2.96 €
8/15/2025	Accumulate	4.00 €	3.75 €
11/6/2025	Reduce	4.10 €	4.04 €
11/24/2025	Accumulate	4.10 €	3.67 €



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