Eltel

CMD: Growth follows the margin repair

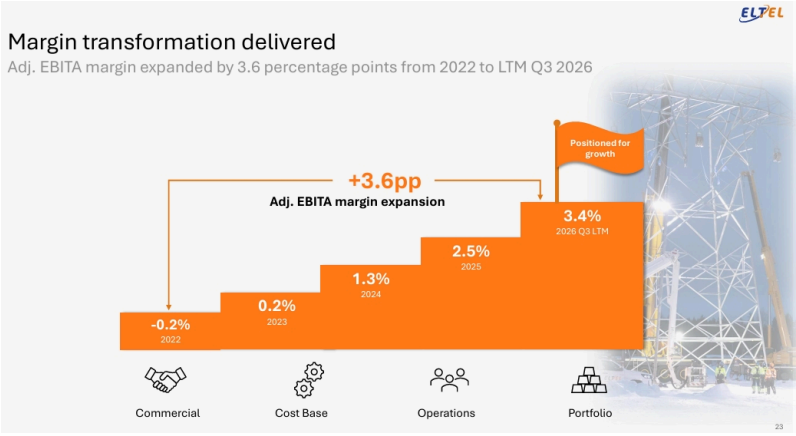
- 5% margin target reiterated with ABGSC '28e at 4.6%
- Growth focus shifts to customer expansion and Emerging Services
- Data centres and power broaden growth opportunities

From margin repair to a broader growth platform

Eltel held its first ever CMD this week in Stockholm, reiterating its financial targets of a 5% adjusted EBITA margin, 2-4% annual growth and net debt to adjusted EBITDA of 1.5-2.5x. The CMD was mostly educational, outlining how the company intends to move from transformation to growth. In 2022, Eltel had strong technical capabilities and customer relationships, but weak profitability and a concentrated customer base. The strategy launched in January 2023 has since improved the adjusted EBITA margin from -0.2% to 3.4% on an LTM basis, stabilised the top line and expanded the addressable market. Management highlighted 14 consecutive quarters of profitability improvement and a record order book of EUR 1.7bn, up from EUR 1.2bn a year earlier.

Productivity has improved alongside profitability: net sales per employee increased by 30% and gross profit per employee by 70% between 2023 and Q3'26. The Group combines classic communications and power services with newer areas such as data centres, solar PV, e-mobility and energy storage. Around 70% of sales come from upgrades, service and maintenance, supporting a more recurring revenue base.

Adj. EBITA margin improved by 3.6pp from 2022 to LTM Q3'26



Source: Company data, CMD 17 November 2026.

The 5% margin target remains ahead of our estimates

Management reiterated its targets of a 5% adjusted EBITA margin, 2-4% annual growth and leverage of 1.5-2.5x. It expects to reach the margin target within six months, while increasing efforts to expand the customer base and scale Emerging Services alongside the classic business.

Our estimates point in the same direction, but do not yet reach the target: we forecast adjusted EBITA margins of 3.5% in '26e, 4.2% in '27e and 4.6% in '28e. Adjusted EBITA rises from EUR 28m to EUR 42m over the period, on sales growth from EUR 816m to EUR 918m. The remaining 0.4pp gap in 2028e corresponds to around EUR 4m of additional EBITA. Our sales growth estimates of 6.8% and 5.2% in '27e and '28e are above

Fast comment

Commissioned research

Not rated

Services

ELTEL-SE/ELTEL SS

Share price (SEK)	18/11/2026	15.45
MCap (SEKm)		2,422
MCap (EURm)		218
No. of shares (m)		157.0
Free float (%)		59.2
Av. daily volume (k)		55

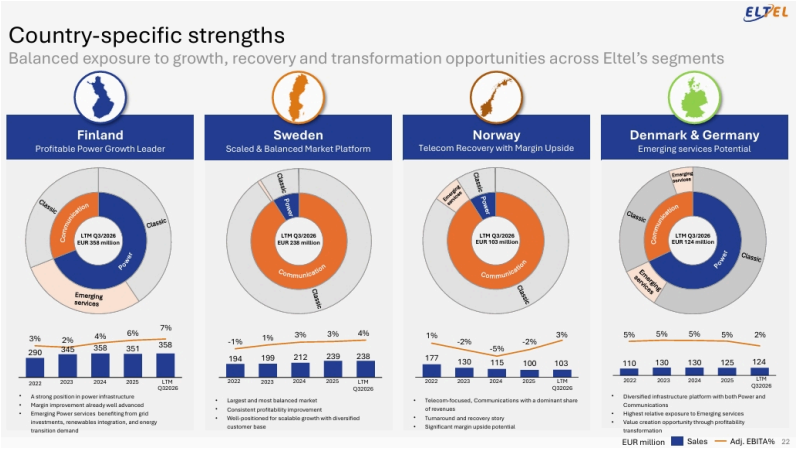
Next event Q4 report 12 February 2027

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the company's 2-4% target range, reflecting a solid conversion of growth opportunities.

Reaching 5% at group level requires more than each country approaching that margin. Our '28 estimates imply margins of around 7% in Finland and 5% in Sweden and Denmark/Germany, with Norway just below 5%. With group-function costs of EUR 12m, the country units need to generate an aggregate margin of about 6.3% for the group to reach 5%. The largest step-up in our estimates is in Denmark and Germany, where the LTM margin was 2.0% in Q3'26. Management's six-month horizon therefore requires a faster ramp than our current full-year forecasts imply. A 5% exit rate during 2028 could still leave the full-year margin below 5%, but we do not yet model that run-rate.

Country sales and LTM adjusted EBITA margins show different starting points for growth and recovery

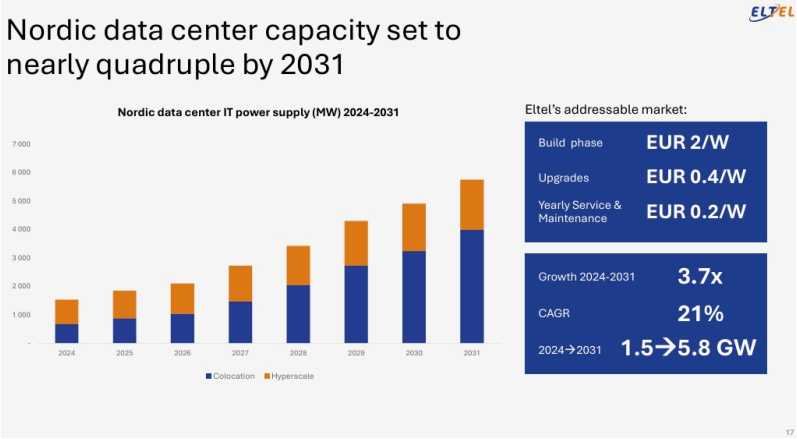


Source: Company data, CMD 17 November 2026

Data centres widen the growth opportunity

Eltel highlighted digitalisation, electrification, climate change and geopolitics as long-term drivers of demand for critical infrastructure. Data centres are the clearest emerging opportunity. Nordic installed capacity is forecast to increase from 1.5GW in 2024 to 5.8GW in 2031, while Eltel's data-centre revenue rose from less than EUR 20m in FY'25 to around EUR 50m year-to-date September 2026. The company has completed ten medium-to-large projects in 2025-2026 and has ten large projects in execution. Its offering spans grid connections, electrical infrastructure and cabling, with further opportunities in upgrades, service and maintenance.

Eltel estimates Nordic data-centre IT capacity will grow 3.7x by 2031



Source: Company data, EUDCA, State of European Data Centres 2026 (Pb7 Research) excl. Iceland. 2025–2031 is a forecast

The opportunity extends beyond data centres. Eltel's power-grid expertise positions it to benefit from transmission investment, renewable integration and battery energy storage. In solar, the company can deliver both the plant and its grid connection; in Norway, it sees potential to extend from telecoms into offshore connectivity and grid development. Project timing, grid availability and the recruitment and mobilisation of skilled employees will shape how quickly these opportunities convert into sales and earnings.

The country presentations showed different contributions to the next phase. Finland is the most profitable unit, with a 6.7% LTM margin and a strong position in power. Sweden has broadened its customer base through public infrastructure and is improving profitability. Norway's margin has recovered from -5.2% in Q1'25 to 2.7% in Q3'26, with the Telenor partnership supporting its next stage; management expects communications growth from H2'27. Denmark and Germany face contract endings and delayed renewable projects, but are developing street lighting, power and infrastructure services to rebuild growth.

Eltel's capital allocation priorities are organic growth, productivity investment and selective M&A close to its core markets, with power in the Nordics an explicit focus. Overall, the CMD provided evidence of a broader platform, while leaving the key investment test unchanged: delivering the 5% margin target on management's timeline and converting new opportunities into profitable growth.

EURm	2024	2025	2026e	2027e	2028e
Sales	829	818	816	872	918
Sales growth (%)	*-2.5*	*-1.3*	*-0.2*	*6.8*	*5.2*
EBITDA	17	49	55	66	72
EBITDA margin (%)	*2.0*	*6.0*	*6.8*	*7.6*	*7.8*
EBIT adj.	11	21	28	36	41
EBIT adj. margin (%)	*1.3*	*2.5*	*3.4*	*4.1*	*4.5*
Pretax profit	-31	5	9	22	29
EPS	-0.19	0.01	0.06	0.11	0.15
EPS growth (%)	*nm*	*nm*	*nm*	*92.2*	*34.3*
EPS adj.	-0.02	0.02	0.08	0.11	0.15
DPS	0.00	0.00	0.01	0.04	0.06
EV/EBITDA (x)	20.9	7.7	6.9	5.6	5.0
EV/EBIT adj. (x)	32.8	18.0	13.6	10.3	8.7
P/E (x)	nm	98.9	24.6	12.8	9.5
P/E adj. (x)	nm	72.9	17.9	12.3	9.2
EV/sales (x)	0.42	0.46	0.47	0.42	0.39
FCF yield (%)	9.6	12.4	3.4	20.8	23.7
Le. adj. FCF yld. (%)	-1.9	-0.3	-8.5	8.0	10.0
Dividend yield (%)	0.0	0.0	0.7	2.9	4.3
Net IB debt/EBITDA (x)	7.3	3.0	2.8	2.1	1.8
Le. adj. ND/EBITDA (x)	3.9	3.3	3.0	2.2	1.7

Source: ABG Sundal Collier, Company Data

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