Eltel AB

Sweden | Critical Infrastructure Service | MCAP 2,025 SEKm

16 June 2026

Buy

Target price:	SEK 17.6
Current price:	SEK 12.9
Upside:	**36%**

Finally Turning on the Lights

Eltel AB ("Eltel" or "the Company") is a Swedish critical infrastructure service company operating across the Nordics. Since the decline of 5G and fibre rollouts at the beginning of the decade, Eltel's margins and revenues have been severely compressed. The Company has also had a high management turnover rate, alongside divestments and consolidations of geographic segments since 2020, which have resulted in a stock price decline of around 55% over the last 5 years. This changed after Q1 2026, when Eltel recorded its best first quarter in a decade, which drove up the stock by around 35%. Since the new CEO, Håkan Dahlström, took office in 2022, he has replaced 4 out of 5 C-suite executives, three of them in 2025; a restructuring aimed at meeting the demands of the new Emerging Business segment and at driving margin expansion.

Key Takeaways

- **Emerging Business Driving Large Revenue Growth:** In 2023, Eltel entered a new segment, which they call Emerging Business. This mainly contains Battery Energy Storage Systems, Data Centres, and Solar Photovoltaic. The sub-segments are tied to the green energy transition and the AI boom, which, according to Olof Samuelsson, Head of PhD Studies at the Section of Industrial Engineering and Automation at LTH, will see a market CAGR of around 20% until at least the end of the decade. The Emerging Business segment has since 2023 grown to 11% of sales in 2025 and further reached 23% of sales as of Q1 2026.
- **Operational Excellence Contributing to Margin Expansion:** Since Håkan Dahlström became CEO, Eltel has been focusing on workforce streamlining and fleet optimisation. These initiatives have reduced headcount by 24% since 2022, while keeping revenue flat, partly due to the Emerging Business segment requiring fewer personnel per unit of revenue. Eltel's fleet is also becoming more electrified, which reduces the overall vehicle costs by 20%. These initiatives are estimated to contribute a combined 100 bps increase in EBIT margin.
- **Commercial Excellence Lessening Price Pressure:** The CEO has also shifted from a reactive sales approach, with a focus on tendering to old customers, to a proactive sales approach, which focuses on seeking more new customers. The five largest customers of Eltel have since 2022 been reduced from over 50% of total revenue to around 40% of total revenue in 2025, which reduces revenue volatility and price pressure. Eltel has also started to integrate a Nordic surveillance system on its sites, which reduces the reaction time for the installers to get on site. This initiative caters to the customers' direct demand for executability, lessening the price pressure on Eltel and contributing to approximately 100 bps EBIT margin increase.

Analysts	
Emil Sandquist	Financial Analyst
Isak Lindelöv	Financial Analyst

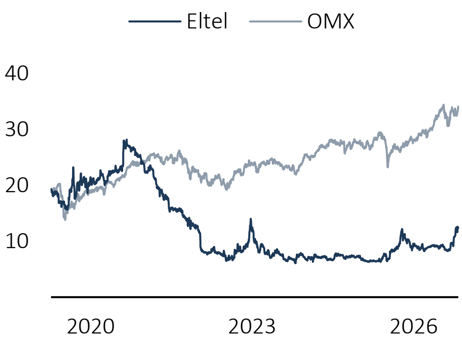
Market Data, SEK	
Exchange	OMX Stockholm Small Cap
Shares (m)	157
MCAP (m)	2,025
EV (m)	3,561

Metrics & Drivers	25A	26E	27E
EV/EBIT	16.9x	10.5x	7.8x
EV/EBITDA	6.7x	5.1x	4.3x
EV/S	0.4x	0.4x	0.4x
P/E	56.3x	11.8x	7.6x
ND/EBITDA	2.9x	2.2x	1.8x

Forecast, SEKm	25A	26E	27E
Total revenue	8,873	9,729	10,183
Rev. growth y/y	(1.3%)	9.6%	4.7%
Gross Profit	1,330	1,586	1,772
Gross Margin	15.0%	16.3%	17.4%
EBITDA	533	700	836
EBITDA Margin	6.0%	7.2%	8.2%
EBIT	211	340	459
EBIT Margin	2.4%	3.5%	4.5%

Major Shareholders	
Triton	16.0%
Wipunen Varainhallinta Oy	14.6%
AP4	9.3%

Price Development, SEK



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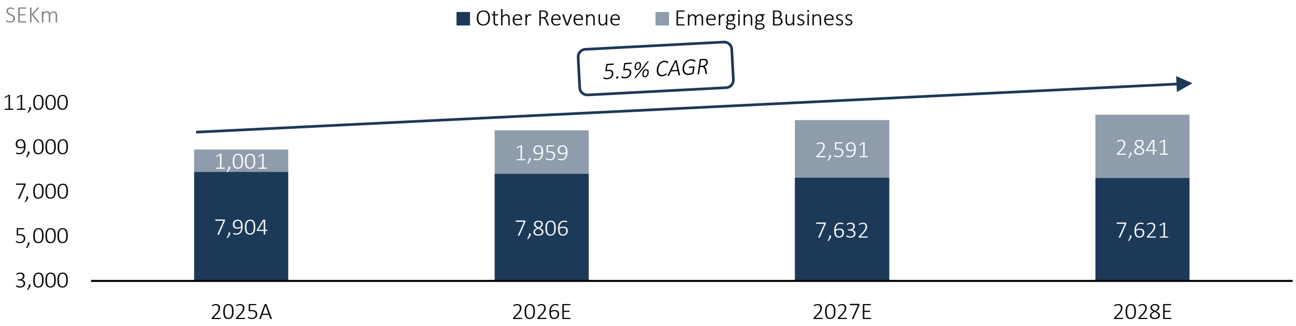
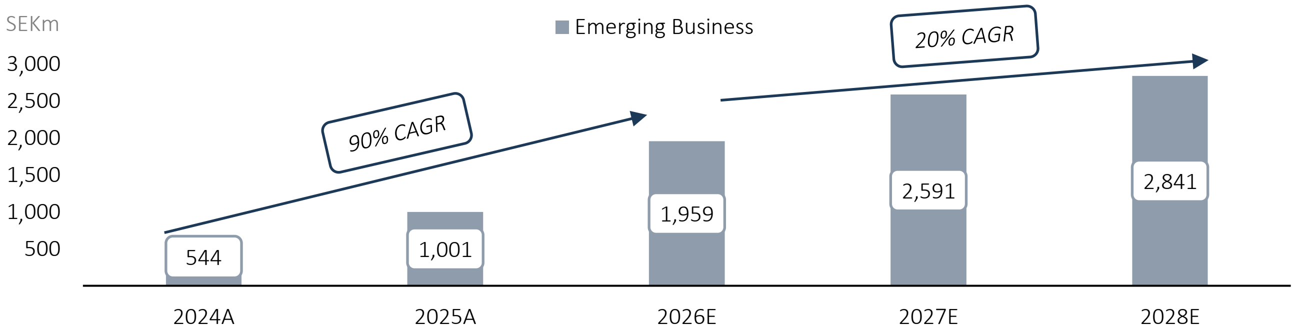
Investment thesis in charts

Emerging Business Contribution to Revenue Growth



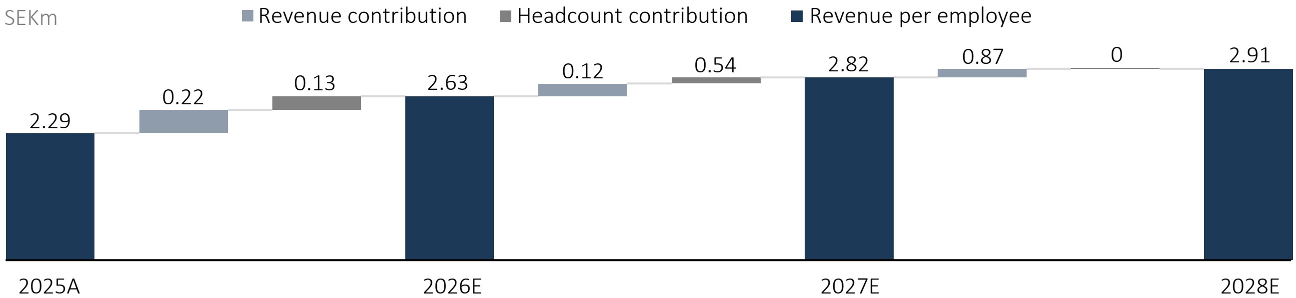
Source: the Company, Olof Samuelsson, Market research sources & Analysts' estimates

Emerging Business Revenue Growth



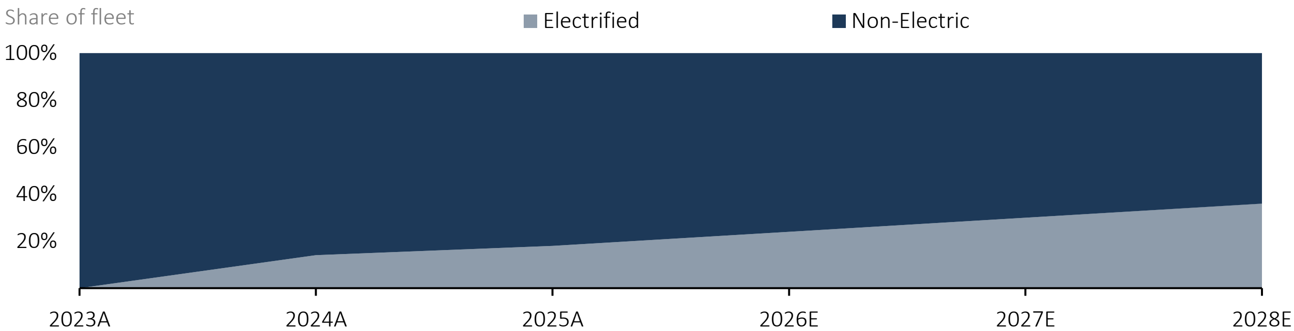
Source: the Company, Olof Samuelsson, Market research sources & Analysts' estimates

Revenue Per Employee Waterfall



Source: the Company & Analysts' estimates

Fleet Electrification

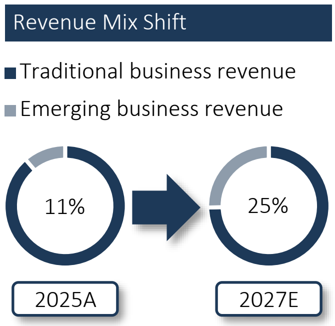


Source: the Company & Analysts' estimates

Investment thesis

Revenue Mix Shift: Emerging Business Driving Revenue Growth

Eltel is transitioning a portion of its business into the Emerging Business segment, which includes Data Centres, Solar PV and Battery Energy Storage Systems (BESS), with current growth primarily driven by Data Centre installations in Finland. The addressable market for these segments is projected to expand at approximately 20% per annum, driven by accelerating green electrification investments. The segment carries a higher EBIT margin in the range of 8%–10%, relative to around 2% in Eltel's traditional segments. The higher margins are attributable to lower labour intensity per project: Emerging Business generates approximately 3.5 SEKm in revenue per employee, compared to 2.2 SEKm in the traditional business. Eltel has demonstrated a consistent track record within this segment, which has grown to 23% of sales as of Q1 2026. The segment is expected to compound at 20% annually between 2026–2028, translating into total group revenue growth of approximately 5.5% per annum between 2025–2028, with a positive effect on blended group margins as mix shifts in favour of higher-margin work.

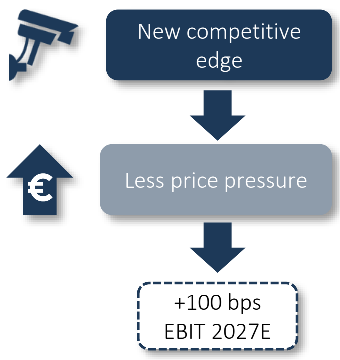


Operational Excellence Driving Margin Expansion

Eltel's Operational Excellence initiative targets a recovery in group EBIT margins toward normalised levels of around 5% through two initiatives: workforce streamlining and fleet electrification. Concerning the workforce, Eltel has reduced headcount by 24% since 2022 while keeping revenue flat. This reflects prior overstaffing relative to the group's revenue base, as well as the ongoing mix shift toward the less labour-intensive Emerging Business segment. Headcount is projected to continue declining in absolute terms as revenue grows, driving revenue per employee from 2.29 SEKm in 2025 to 2.91 SEKm in 2028. This improvement is expected to contribute approximately 50 basis points of EBIT margin expansion. Regarding fleet optimisation, Eltel is expected to have upwards of 40% of its fleet electrified by 2028. As legacy vehicle leases expire, electrification is expected to continue at a comparable rate. Electric vehicles carry transportation costs approximately 20 percentage points below those of combustion equivalents, and the initiative in aggregate is projected to deliver a further 50 basis points of EBIT margin improvement. Combined, the two initiatives are expected to contribute 1 percentage point of EBIT margin expansion from current levels until 2027.

Commercial Excellence Lessening Price Pressure

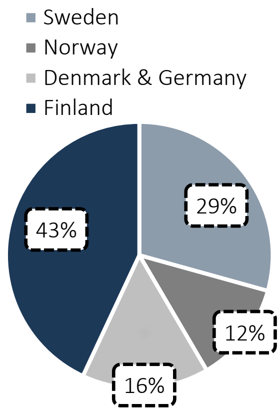
Eltel's Commercial Excellence initiative targets a structural improvement in pricing power across the group's contract base, achieved through two channels: customer diversification and technological differentiation. On diversification, the five largest customers have declined from over 50% of group revenue in 2022 to around 40% of group revenue currently, reducing dependency on individual contracts. The expansion into Public Infrastructure and Defence, now representing approximately 5% of total revenue, further broadens the addressable customer base and reduces revenue volatility. This shift limits Eltel's exposure to price pressure from concentrated counterparties, enabling more assertive pricing on new contract awards. On differentiation, Eltel operates surveillance across many project sites at a scale no peer currently matches. This directly addresses customers' long-term requirements regarding security and executability, reducing counterparties' leverage in price negotiations. The surveillance system is not publicly known. In aggregate, Commercial Excellence is expected to contribute to an additional percentage point of EBIT margin improvement from current levels.



Company Overview

Nordic Market Installations Company Positioned for Recovery

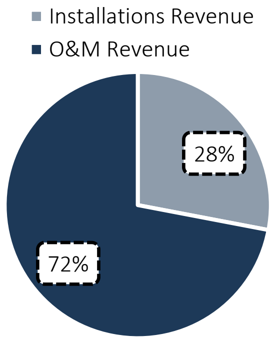
Eltel is a Nordic critical infrastructure services provider operating across Finland, Sweden, Norway, and Denmark. The Company builds, maintains, and upgrades power and communication networks for utilities, telecom operators and government entities. Revenue is split between Communication (58%) and Power (42%), with a fast-growing Emerging Business segment (BESS, Solar PV, Data Centres) reaching 11% of sales in 2025 and 23% as of Q1 2026. The last decade has been challenging for Eltel. Following the downturn in fibre rollouts. the Company has experienced depressed margins and stagnant top-line growth. This outlook, combined with a bloated headcount, an ineffective fleet, and operating in areas with poor profitability resulted in the stock price plummeting 80% since 2016. Since then, the CEO Håkan Dahlström has replaced four of five top-level managers, taken initiatives to divest and restructure non-profitable segments, and optimised headcount and fleet. This has resulted in eleven consecutive quarters of margin improvements, representing a fundamental change.



Business Model

A Business Model Built on Service Revenue

Eltel generates revenue through two primary income streams, installations and operating & maintenance, with the latter involving servicing the installed base across both the Power and Communications sectors. This recurring stream accounts for approximately 72% of group revenue, underpinning overall revenue stability. Operationally, Eltel separates its activities into two main segments, Power and Communications. The Power segment encompasses grid installation and maintenance services for transmission and distribution network owners, alongside expanding emerging business lines such as the installation of Data Centres, Solar PV, and Battery Energy Storage Systems (BESS). Concurrently, the Communications segment focuses on telecom network installation and maintenance services tailored to telecom operators.



Shifting Focus to Scale Efficiency

Historically, Eltel's exclusive focus on legacy Power and Communications activities has limited its operational scalability, as traditional infrastructure projects remained highly labour-intensive. The company is currently executing a pivot toward the higher-margin Emerging Business segment, a shift that fundamentally alters its cost structure. Crucially, these segments within Emerging Business require 20% to 30% fewer personnel per project compared to Eltel's traditional operations. This reduction effectively decouples revenue growth from headcount expansion, unlocking a clear path toward operating leverage and enhanced profitability moving forward.

Market Overview

Structural Market Growth Driven by Investments in Green Energy and Electrification

The infrastructure installation market is currently undergoing a structural turnaround according to our industry expert Jonas Andersson. Following several challenging years after the completion of major fibre rollouts, growth is now accelerating across new segments, specifically Data Centres, Solar PV, and Battery Energy Storage Systems (BESS). Driven by the macroeconomic tailwinds of global electrification and the green energy transition, these new segments are projected to achieve a 20% CAGR over the next ten years, shifting the industry from a cyclical low into a multi-decade expansion phase.

Moderate Return after Headwinds

Recent years have been characterised by a decline in demand from Eltel's traditional customer segment and the overall installation market. Jonas Andersson, CEO of Brion VVS Scania, states that the market as a whole is reaching a turning point, and CEO Håkan Dahlström has stated that there is currently more activity in the traditional segment than in previous years.

Valuation

Relative Valuation

Eltel is currently trading at a discount to its peer group, with a 2027E EV/EBIT multiple of 7.8x compared to the peer group's average of 11.0x. The peer group consists of four different installation companies working in the same geographical area, tendering towards the same customers. Netel is the most suitable peer since it is a direct competitor to Eltel, and has the most similar operating model. Using the average of the four peers' 2027E EV/EBIT multiples and applying a 15% discount implies an upside of 36%. This discount accounts for two of the peers, Instalco and Bravida, being bigger companies with slightly higher margins.

Peers	MCAP	EV	ND/EBITDA	Revenue		EBIT Margin		EV/EBIT	
Company	SEKm	SEKm	Q1 2026	LTM SEKm	2y Forward CAGR	2025A	2027E	2025A	2027E
Instalco	7,950	11,394	2.8x	13,599	6.2%	4.9%	6.9%	15.8x	13.4x
Bravida	20,381	23,018	1.1x	28,208	3.2%	5.9%	6.7%	12.6x	12.0x
Netel	183	1,100	12.9x	2,932	(0.1%)	(0.5%)	4.3%	108.5x	9.1x
NYAB	4,093	3,925	(0.4x)	5,780	9.9%	5.9%	6.7%	12.2x	9.5x
Median	6,022	7,660	2.0x	9,690	4.7%	5.4%	6.7%	14.2x	10.8x
Average	8,152	9,859	4.1x	12,630	4.8%	4.1%	6.2%	37.3x	11.0x
Eltel	2,025	3,561	3.2x	9,112	7.4%	2.4%	4.5%	16.9x	7.8x

Source: Factset & Analysts' estimates

DCF Valuation

The DCF valuation is built on a 10.5% WACC, which reflects the relatively low risk profile, as critical infrastructure will be ubiquitous in our society moving forward. We have determined a 2% TGR, reflecting long-term demand and Eltel's inflation-indexed contracts. What is essential to our DCF is that net working capital remains congruent with historical patterns as we see no indication of it changing moving forward.

Terminal EBIT (%)	WACC				
35%	9.0%	10.0%	10.5%	13.0%	14.0%
3.5%	77%	46%	32%	(13%)	(27%)
4.0%	78%	47%	34%	(12%)	(25%)
4.5%	80%	49%	35%	(10%)	(23%)
5.0%	82%	51%	37%	(9%)	(22%)
5.5%	83%	52%	39%	(7%)	(20%)

DCF Valuation Breakdown, SEKm	
PV of FCFF (2026-2035)	2,412
PV of Terminal Value (2036-)	1,863
Net Present Value	**4,274**
Net Debt	1,536
Implied Equity Value	2,738
NOSH (m)	157
Implied Share Price	**17.5**
Current Share Price	12.9
Implied Upside	**35%**

Source: Analysts' estimates

Equally Weighted DCF and Peer Valuation

A 50/50 weighted valuation of the DCF and peer valuation results in a target price of SEK 17.5. From the current share price of SEK 12.9, this implies a 36% upside.

Appendix – Income Statement

Income Statement, SEKm	2023A	2024A	2025A	2026E	2027E	2028E
Revenue	9,224	8,992	8,873	9,729	10,183	10,489
y/y growth		*(2.5%)*	*(1.3%)*	*9.6%*	*4.7%*	*3.0%*
COGS	(8,210)	(7,774)	(7,544)	(8,143)	(8,411)	(8,664)
Gross Profit	**1,013**	**1,218**	**1,330**	**1,586**	**1,772**	**1,825**
Gross Margin	*11.0%*	*13.5%*	*15.0%*	*16.3%*	*17.4%*	*17.4%*
Other Operating Income	38	47	38	45	47	49
Sales and Admin. Costs	(761)	(800)	(809)	(905)	(957)	(986)
Other Operating Cost	(21)	(281)	(26)	(26)	(26)	(26)
EBITDA	**270**	**184**	**533**	**700**	**836**	**862**
EBITDA Margin	*2.9%*	*2.1%*	*6.0%*	*7.2%*	*8.2%*	*8.2%*
D&A	(327)	(378)	(322)	(360)	(377)	(388)
EBIT	**(56)**	**(193)**	**211**	**340**	**459**	**474**
EBIT Margin	*(0.6%)*	*(2.1%)*	*2.4%*	*3.5%*	*4.5%*	*4.5%*
Financial Income	13	11	8	11	11	11
Financial Expenses	(151)	(149)	(161)	(135)	(135)	(135)
EBT	**(194)**	**(331)**	**58**	**217**	**335**	**350**
Taxes	112	17	(22)	(45)	(70)	(73)
Net Income	**(82)**	**(314)**	**36**	**171**	**265**	**276**

Source: The Company & Analysts' estimates

Appendix – Free Cash Flow Forecast

FCFF, SEKm	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
NOPAT (21%)	269	363	374	385	393	401	409	418	427	436
D&A (+)	360	377	388	399	407	415	423	431	440	449
D&A Rights of Use (-)	295	312	290	298	304	310	316	322	328	335
Capex (-)	65	65	98	101	103	105	107	109	112	114
Change in NWC (-)	(51)	(28)	47	32	7	(4)	2	2	3	3
FCFF	**320**	**390**	**328**	**352**	**386**	**405**	**407**	**416**	**424**	**432**
FCFF Margin	*3.3%*	*3.8%*	*3.1%*	*3.3%*	*3.5%*	*3.6%*	*3.6%*	*3.6%*	*3.6%*	*3.6%*

Source: Analysts' estimates

Appendix – Reverse DCF

FCFF, SEKm	2025A	2026E	2027E	2028E
Revenue	8,873	9,228	9,505	9,695
y/y growth	*(1.3%)*	*4.0%*	*3.0%*	*2.0%*
EBIT Margin	*2.4%*	*3.7%*	*4.0%*	*4.0%*
NOPAT (21%)	166	271	312	318
D&A (+)	322	360	377	388
D&A Rights of Use (-)	295	295	312	290
Capex (-)	54	65	65	98
Change in NWC (-)	(10)	(51)	(28)	47
FCFF	**149**	**322**	**339**	**271**
FCFF Margin	*1.7%*	*3.5%*	*3.6%*	*2.8%*

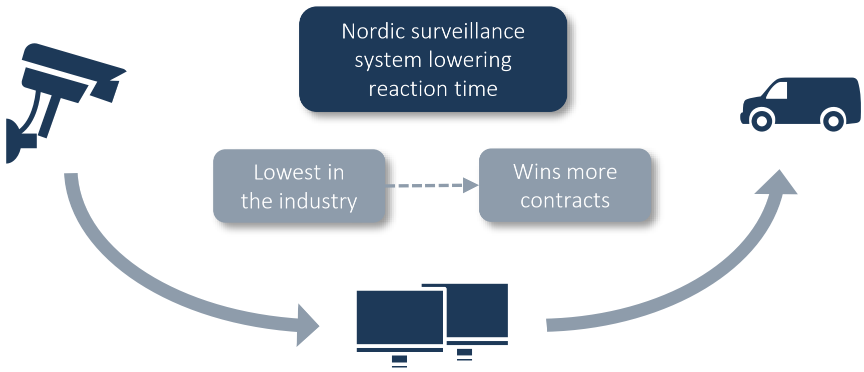
Source: Analysts' estimates

DCF Valuation Breakdown, SEKm	
Present Value of Forecasted Cash Flows	2,042
Present Value of Terminal Value	1,519
EV	**3,561**
Net Debt	1,536
NOSH (m)	157
Implied Share Price	**12.9**
Current Share Price	12.9
Implied Upside	**0.0%**

What the Market is Missing

The market appears to be underestimating Eltel's future revenue growth potential, as sentiment remains weighed down by a legacy of historical revenue contraction.

Appendix – Competitive Edge



Differentiated Market View

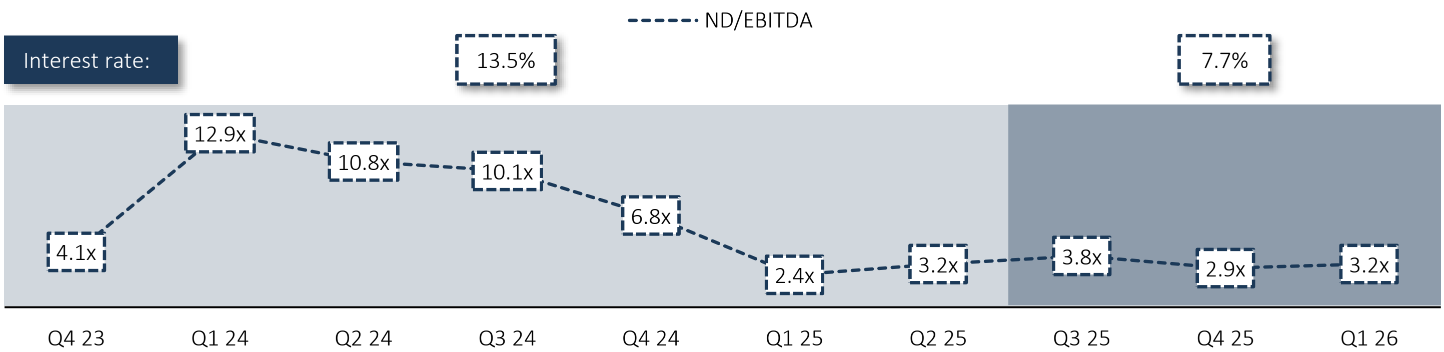
During our due diligence trip to Eltel's Denmark & Germany headquarters, we learned that Eltel operates a Nordic-wide surveillance system on their sites through a command centre in Norway. The surveillance system is currently present in Norway and Denmark and is soon to expand across the entire firm. This satisfies a direct customer need of executability, which, according to Jerker Grankvist, Nordic Category Manager at Telenor Sweden, is something that customers can pay extra for. This translates both into better margins and a higher volume of contracts moving forward. The surveillance system reduces reaction time for Eltel's installers to arrive at sites and fix the identified problem. This is especially important regarding critical infrastructure as communication networks are ever more essential in modern society. The reaction time is reduced to minutes, which is something that other critical infrastructure installers cannot match.

Moat Consideration

While there is no patent on having a surveillance system like Eltel has, considering that Eltel is the biggest player in the Nordics, we consider that no other competitor could operate such a surveillance system as cost-efficiently as Eltel. Other players might copy this strategy, but it will take approximately half a decade for them to have it as fully operational as Eltel. According to Jonas Andersson, CEO at Brion VVS Scania, and Jerker Grankvist, the industry has considerably sticky relationships between installers/service providers and customers. Therefore, the current competitive edge can persist for several years even if their competitors were to replicate the concept of a surveillance system. While we do not consider it a moat, it is definitely a clear competitive edge that is today very highly regarded and is not widely known to the public.

Source: the Company, on-site due diligence, Telenor & Brion VVS Scania

Appendix – Debt



One-Off Debt Impacts

ND/EBITDA has been declining continuously through margin expansion, and the debt was renegotiated from a hybrid bond to a senior secured bond in Q2 2025. In Q1 2026, Eltel broke the trend of lowering ND/EBITDA, but that was due to a one-off payback of a COVID tax deferral subsidy.

Source: the Company

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