Weaker than expected profitability

SRV's net sales in Q3 amounted to EUR 159.7m, quite in line with our estimate of EUR 163.4m. Operative EBIT fell to EUR 1.3m (Evli EUR 3.4m) driven by lower volumes revenue recognized nearly exclusively from contracting. New orders amounted to EUR 150.1m, and the backlog remained flat q/q at EUR 931m.

- Revenue in Q3 was EUR 159.7m (EUR 183.5m in Q3/24), quite in line with our estimate of EUR 163.4m. Revenue declined 13% y/y.
- The operative operating profit in Q3 amounted to EUR 1.3m (EUR 4.5m in Q3/24), below our estimate of EUR 3.4m.
- The decline in operative EBIT was a result of lower volumes, and recognised revenue being almost exclusively from contracting. SRV noted that infrastructure construction once again achieved a better margin than in the comparison period.
- SRV's signed new agreements worth EUR 150.1m (EUR 273.9m in Q3/24).
- The order backlog in Q3 fell to EUR 931m (EUR 1180m in Q3/24, EUR 932m in Q2/25).
- SRV does not expect to see broader recovery in the consumer and investor markets during the remainder of the year but expects the market to start growing from 2026 onwards and growth to accelerate in 2027.
- Business construction revenue in Q3 was EUR 147.6m, (EUR 152.0m Evli estimate) down 26% y/y. Lower margin project management and alliance contracting accounted for 79% of the order backlog.
- Housing construction revenue in Q3 was EUR 12.0m (EUR 11.4m Evli estimate). Three developer-contracted units were recognized as income during Q3, generating total revenue of EUR 0.6m.
- SRV outlook for 2025 (**specified**): Revenue is expected to decline compared with 2024 and to amount to EUR 650–680m (prev. EUR 630–680m) and operative EBIT is expected to be positive.

Rating: Reduce

Q3/25	Actual	Evli	Q3/24	Q2/25
Net sales	159.7	163.4	183.5	168.7
EBIT	1.3	3.4	4.5	0.7
Op. EBIT	1.3	3.4	4.5	0.8
Deviation	**Actual**	**Evli**	**Q3/24**	**Q2/25**
Net sales		-2 %	-13 %	-5 %
EBIT		-62 %	-71 %	91 %
Op. EBIT		-62 %	-71 %	63 %

Share price, EUR (Last trading day's closing price)	**5.08**
Target price, EUR	5.0
Latest change in recommendation	07-Feb-25
Latest report on company	11-Aug-25
Research paid by issuer:	YES
No. of shares outstanding, '000's	16 938
No. of shares fully diluted, '000's	16 938
Market cap, EURm	86
Free float, %	61.1 %
Exchange rate	1.0
Reuters code	SRV1V.HE
Bloomberg code	SRV1V FH
Average daily volume, EURm	0.06
Next interim report	23-Oct-25
Web site	srv.fi/en/investors

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BUY ACCUMULATE REDUCE SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2023	610.1	-6.8	-1.1%	-21.1	-0.90	-4.4	0.3	-29.6	-31.4%	
2024	745.9	12.0	1.6%	13.7	0.31	15.8	0.3	17.8	16.2%	
2025E	667.6	6.5	1.0%	-3.8	0.01	380.4	0.3	33.7	-4.4%	
2026E	751.5	13.8	1.8%	-4.2	0.32	15.8	0.3	16.2	-4.9%	
2027E	816.8	20.7	2.5%	2.2	0.64	8.0	0.3	10.7	2.5%	0.19

Market cap, EURm	86	Gearing 2025E, %	68.1 %	CAGR EPS 2024-27, %	26.4 %
Net debt 2025E, EURm	134	Price/book 2025E	0.8	CAGR Sales 2024-27, %	3.1 %
Enterprise value, EURm	220	Dividend yield 2025E, %	0.0 %	ROE 2025E, %	0.2 %
Total assets 2025E, EURm	463	Tax rate 2025E, %	169.4 %	ROCE 2025E, %	2.3 %
Goodwill 2025E, EURm	2	Equity ratio 2025E, %	26.8 %	PEG, P/E 25/CAGR	1.3

All the important disclosures can be found on the last pages of this report.

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Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 - 0 %	RECUDE
0 - (+10) %	ACCUMULATE
> 10 %	BUY

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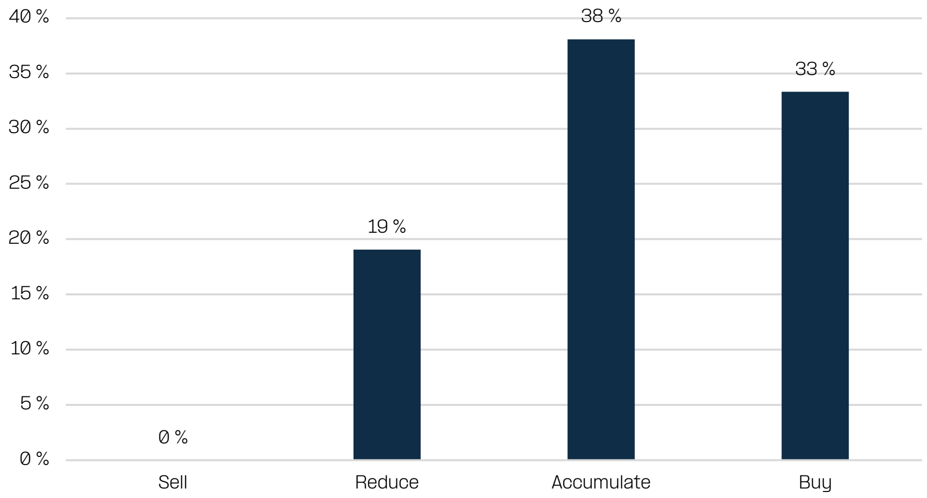

The graph above shows the distribution of ERP's recommendations of companies under coverage on the 16th of May, 2025. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Jerker Salokivi

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