

## Ready to capitalize on residential upturn

SRV's growth was strong in Q2 driven by non-residential construction. Profitability remained modest still as the company continues to await an uptick in residential construction.

**Revenue slightly above estimates while profitability missed**  
Revenue in Q2 was EUR 186.3m (EUR 143.1m in Q2/23), slightly above our estimate of EUR 178.7m. Revenue grew 30.2% y/y. Revenue grew at a faster rate than expected in non-residential as we estimated net sales of EUR 163.0m while SRV delivered EUR 173.3m. The operative operating profit in Q2 amounted to EUR 1.5m (EUR -3.9m in Q2/23), below our estimate of EUR 2.5m. Although the company's profitability fell short of our estimates, it has delivered a positive operational EBIT for the past four quarters, demonstrating the profitability of its lower-margin non-residential project portfolio.

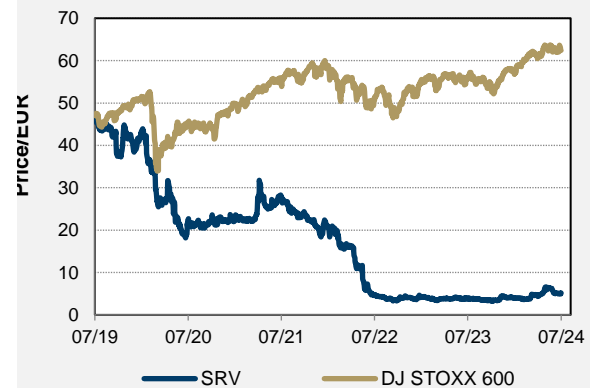
### 2024E likely bottom-of-cycle in residential volumes

With some downward adjustments for profitability in H2/24, we now model operative EBIT of EUR 11.1m (EUR 13.1m) for 2024E with operative EBIT margin of 1.6% (1.8%). The main drivers behind the downward revision are the slightly higher-than-expected OPEX during H1/24 and lower estimated residential sales for H2/24 as the market remains in wait-and-see mode. Our forecasts for 2025E have also been adjusted slightly since we expect no new developer contracted unit completions for 2025E due to lack of starts in H1/24. While we estimate no completions for 2025E, we expect a pick-up in residential volumes through contracting and units sold to investors. We now model residential construction share of total net sales at 13-19% for 2025-2026E, still far from the company's long-term objective of 30-40%.

### HOLD with a TP of EUR 5.2

With 2024E likely being the bottom-of-cycle in terms of volumes for residential construction, our valuation leans more heavily towards 2025E. We maintain our TP at EUR 5.2 and rating at HOLD. We continue to see potential beyond 2025E yet still wait for more concrete evidence of a broader pick-up in the residential market.

## Rating 🟡 HOLD



Share price, EUR (Last trading day's closing price) **5.20**  
Target price, EUR **5.2**

Latest change in recommendation **29-Jan-24**  
Latest report on company **17-Jul-24**  
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 **88**  
Free float, % **78.9**  
Exchange rate **1.000**  
Reuters code **SRV1V.HE**  
Bloomberg code **SRV1V.FH**  
Average daily volume, EURm  
Next interim report **24-Oct-24**  
Web site **srv.fi/en/investors**

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🟢 BUY 🟡 HOLD 🔴 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
2022	770.1	-76.3	-9.9%	-67.8	-5.05	-0.8	0.2	-2.3	-105.1	0.00
2023	610.1	-6.8	-1.1%	-21.1	-0.90	-4.4	0.3	-29.6	-31.4	0.00
2024E	712.1	11.1	1.6%	-5.9	0.26	19.8	0.3	20.4	-6.7	0.00
2025E	782.7	19.7	2.5%	0.2	0.70	7.4	0.3	11.5	0.2	0.10
2026E	855.5	29.9	3.5%	5.8	1.21	4.3	0.3	7.5	6.6	0.36

Market cap, EURm	88	Gearing 2024E, %	73.5	CAGR EPS 2023-26, %	0.0
Net debt 2024E, EURm	139	Price/book 2024E	0.8	CAGR sales 2023-26, %	11.9
Enterprise value, EURm	227	Dividend yield 2024E, %	0.0	ROE 2024E, %	4.1
Total assets 2024E, EURm	488	Tax rate 2024E, %	15.4	ROCE 2024E, %	3.9
Goodwill 2024E, EURm	2	Equity ratio 2024E, %	35.6	PEG, P/E 24/CAGR	0.3

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

Our margin projections proved too optimistic for Q2/24

As expected, SRV's business construction delivered strong growth yet the pace was even faster than we had estimated as net sales came in at EUR 186.3m (EUR 143.1m in Q2/23), above our estimate of EUR 178.7m. Total group revenue grew 30.2% year-on-year while business construction revenue grew 56.1% year-on-year. Without surprise, the growth was driven by project management and alliance contracts, particularly due to hospital project construction. Revenue from housing construction continues to decrease from last year yet was already higher than in Q1/24 at EUR 13.0m in Q2/24. SRV had 532 housing units under construction of which over 80% were contracts and negotiated contracts while the rest were units sold to investors. On the developer contracting side, the story remained the same; SRV had no start-ups and therefore no units under construction. Furthermore, no completed developer contracted units were sold during the quarter as management stated that the company is waiting for improved market conditions to sell. Despite the even higher than expected volume growth, the operative operating profit in Q2 amounted to EUR 1.5m (EUR -3.9m in Q2/23), below our estimate of EUR 2.5m. Our margin projection proved too optimistic as despite the volume growth, the lower-margin project mix resulted in modest profitability. The net financial expenses were a touch lower than expected at EUR -1.4m (Evli est. EUR -2.0m). The company's cash flow from operations improved to EUR 4.8m during the first six months of the fiscal year (EUR -9.0m in H1/23).

Table 1: Estimate summary

SRV	2022	Q1/'23	Q2/'23	Q3/'23	Q4/'23	2023	Q1/'24	Q2/'24	Q3/'24E	Q4/'24E	2024E	2025E	2026E
Revenue	770.1	138.3	143.1	146.9	181.8	610.0	167.0	186.3	170.9	187.9	712.1	782.7	855.5
change, %	-17.4%	-27.5%	-32.3%	-21.4%	0.3%	-20.8%	20.8%	30.2%	16.3%	3.4%	16.7%	9.9%	9.3%
Revenue - Business construction	427.2	113.9	111.0	130.5	153.1	508.5	156.1	173.3	155.0	172.5	656.9	683.2	690.0
change, %	-26.5%	15.4%	-8.2%	36.9%	36.3%	19.0%	37.1%	56.1%	18.8%	12.7%	29.2%	4.0%	1.0%
Revenue - Housing construction	319.1	24.0	32.1	16.3	28.7	101.1	10.9	13.0	16.0	15.4	55.3	99.0	165.0
change, %	-8.5%	-68.6%	-62.6%	-81.6%	-57.9%	-68.3%	-54.6%	-59.5%	-2.1%	-46.3%	-45.4%	79.2%	66.7%
Operative operating profit	18.8	-2.0	-3.9	4.6	2.4	1.1	1.3	1.5	4.8	3.5	11.1	19.7	29.9
-margin	2.4%	-1.4%	-2.7%	3.1%	1.3%	0.2%	0.8%	0.8%	2.8%	1.9%	1.6%	2.5%	3.5%
Operating profit	-76.4	-2.0	-3.0	-4.9	3.1	-6.8	1.3	1.5	4.8	3.5	11.1	19.7	29.9
-margin	-9.9%	-1.4%	-2.1%	-3.3%	1.7%	-1.1%	0.8%	0.8%	2.8%	1.9%	1.6%	2.5%	3.5%
Net financials	-2.7	-2.5	-2.5	-1.6	-2.5	-9.0	-0.7	-1.4	-2.0	-2.0	-6.1	-5.6	-4.8
Pre-tax profit	-79.1	-4.4	-5.5	-6.5	0.7	-15.8	0.5	0.1	2.8	1.5	5.0	14.2	25.1
Income taxes	-6.5	1.3	0.8	0.0	-1.4	0.7	0.0	0.1	-0.6	-0.3	-1.0	-2.8	-5.0
Non-controlling interest	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 earnings	-85.7	-3.1	-4.7	-6.5	-0.7	-15.1	0.5	0.2	2.2	1.2	4.0	11.4	20.1

Source: SRV, Evli Research estimates

Slight sales growth expected for H2 vs. H1, while profitability should improve

Despite the more difficult comparison period H2/23, we continue to forecast year-on-year revenue growth throughout H2/24. We have adjusted our projections for profitability slightly downwards driven by the lower-than-expected margins during H1/24 and the lower number of developer contracting sales (sales of unsold units) expected for H2/24. We now estimate that SRV will be able to sell the majority of its current portfolio of completed yet unsold developer contracted units during 2025 while we earlier predicted some sales already during H2/24. If the remaining units are sold earlier than anticipated, it could lead to better-than-expected results, but this scenario seems improbable given the current sluggishness in the housing market. For 2025 we continue to expect a pick-up in residential construction driven by contracting and units sold to investors while sales from developer contracting rely solely on sales of the current unsold units.

Table 2: Peer group

Company name	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		24	25	26	24	25	26	24	25	26
YIT	543	23.3x	17.0x	12.3x	53.4x	22.9x	15.5x		69.6x	15.8x
Skanska	7455	10.4x	9.4x	8.9x	13.4x	11.7x	10.9x	14.0x	12.4x	11.6x
NCC	1379	6.7x	6.7x	6.6x	11.5x	11.1x	10.7x	11.7x	11.1x	10.7x
Peab	1926	10.3x	9.7x	8.9x	17.0x	15.9x	14.1x	15.0x	13.5x	11.7x
JM AB	1215	42.5x	31.5x	21.6x	38.4x	31.6x	21.6x	39.7x	23.3x	14.7x
Bonava	249	31.7x	57.1x	15.5x	32.5x	59.8x	15.7x			48.7x
AF Gruppen	1281	8.7x	7.8x	7.3x	12.6x	10.9x	10.1x	17.5x	15.4x	14.2x
Veidekke	1392							13.5x	12.7x	12.2x
Peer Group Average	1930	<b>19.1x</b>	<b>19.9x</b>	<b>11.6x</b>	<b>25.5x</b>	<b>23.4x</b>	<b>14.1x</b>	<b>18.6x</b>	<b>22.6x</b>	<b>17.5x</b>
Peer Group Median	1330	<b>10.4x</b>	<b>9.7x</b>	<b>8.9x</b>	<b>17.0x</b>	<b>15.9x</b>	<b>14.1x</b>	<b>14.5x</b>	<b>13.5x</b>	<b>13.2x</b>
SRV (Evli est.)	<b>88</b>	<b>13.0x</b>	<b>8.5x</b>	<b>5.8x</b>	<b>20.5x</b>	<b>11.5x</b>	<b>7.5x</b>	<b>49.2x</b>	<b>9.6x</b>	<b>4.9x</b>
<i>SRV prem./disc. to peer median</i>		<i>25 %</i>	<i>-12 %</i>	<i>-35 %</i>	<i>20 %</i>	<i>-28 %</i>	<i>-47 %</i>	<i>240 %</i>	<i>-29 %</i>	<i>-63 %</i>

*Source FactSet, Evli Research*

Valuation based on 2025E estimates provides a slight discount vs. peers

With our updated estimates for 24-25E, SRV is valued at 13-9x EV/EBITDA, 20-11x EV/EBIT and 49-10x P/E. SRV's valuation remains elevated for 2024E while for 2025E, the multiples are already more neutral and present a slight discount to the peer companies. For 2026E, the multiples fall into very attractive territory as we estimate improved margins driven by the expected broader pick-up in residential construction. We continue to see great potential in the future yet still wait for more concrete evidence of a pick-up in the residential market.

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	5.20 PV of Free Cash Flow	136 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	10.38 PV of Horizon value	173 WACC, %	9.5 Market risk premium, %	5.8
Share price potential, %	99.6 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	3.8
Maximum value	11.8 Marketable securities	40 Minimum WACC, %	9.0 Equity beta coefficient	1.30
Minimum value	9.1 Debt - dividend	-172 Maximum WACC, %	10.0 Target debt ratio, %	20
Horizon value, %	56.1 Value of stock	176 Nr of shares, Mn	16.9 Effective tax rate, %	20

DCF valuation, EURm	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	Horizon
Net sales	610	712	783	856	873	890	908	926	945	963	983	1,003
<i>Sales growth, %</i>	-20.8	16.7	9.9	9.3	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	-7	11	20	30	33	31	32	32	33	34	34	35
<i>Operating income margin, %</i>	-1.1	1.6	2.5	3.5	3.8	3.5	3.5	3.5	3.5	3.5	3.5	3.5
+ Depreciation+amort.	6	6	7	8	9	9	9	9	9	9	9	9
EBITDA	-1	17	27	38	42	40	40	41	42	43	43	
- Paid taxes	-1	-2	-3	-5	-5	-5	-5	-5	-5	-5	-5	
- Change in NWC	9	-9	-5	-13	-4	-5	-5	-5	-5	-5	-5	
<i>NWC / Sales, %</i>	17.6	16.3	15.5	15.7	15.9	16.1	16.3	16.5	16.7	16.9	16.9	
+ Change in other liabs	-4	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-3	-3	-7	-5	-4	-4	-4	-4	-4	-4	-4	
<i>opCAPEX / Sales, %</i>	3.1	1.1	1.7	1.2	0.9	0.9	0.9	0.9	0.9	0.8	0.5	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	0	4	12	16	28	26	27	27	27	28	30	410
= Discounted FCFF		4	10	13	21	18	16	15	14	13	13	173
= DFCF min WACC		4	10	13	21	18	17	15	14	13	13	194
= DFCF max WACC		4	10	13	20	17	16	15	13	12	12	155

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3E	2024Q4E	2024E	2025E	2026E
Net sales	138.3	143.1	146.9	181.8	610.1	167.0	186.3	170.9	187.9	712.1	782.7	855.5
EBITDA	-0.6	-1.6	-3.5	4.5	-1.2	2.7	3.7	6.2	4.9	17.5	26.6	38.2
<i>EBITDA margin (%)</i>	<i>-0.4</i>	<i>-1.1</i>	<i>-2.4</i>	<i>2.5</i>	<i>-0.2</i>	<i>1.6</i>	<i>2.0</i>	<i>3.6</i>	<i>2.6</i>	<i>2.5</i>	<i>3.4</i>	<i>4.5</i>
EBIT	-2.0	-3.0	-4.9	3.1	-6.8	1.3	1.5	4.8	3.5	11.1	19.7	29.9
<i>EBIT margin (%)</i>	<i>-1.4</i>	<i>-2.1</i>	<i>-3.3</i>	<i>1.7</i>	<i>-1.1</i>	<i>0.8</i>	<i>0.8</i>	<i>2.8</i>	<i>1.9</i>	<i>1.6</i>	<i>2.5</i>	<i>3.5</i>
Net financial items	-2.5	-2.5	-1.5	-2.4	-9.0	-0.7	-1.4	-2.0	-2.0	-5.8	-5.7	-5.6
Pre-tax profit	-4.5	-5.5	-6.4	0.7	-15.8	0.5	0.1	2.8	1.5	5.3	14.0	24.3
Tax	1.3	0.8	0.0	-1.4	0.7	0.0	0.1	-0.6	-0.3	-0.8	-2.2	-3.7
<i>Tax rate (%)</i>	<i>28.9</i>	<i>14.5</i>	<i>0.0</i>	<i>200.3</i>	<i>4.4</i>	<i>0.0</i>	<i>-100.0</i>	<i>20.0</i>	<i>20.0</i>	<i>15.4</i>	<i>15.4</i>	<i>15.4</i>
Net profit	-3.5	-4.7	-6.4	-0.7	-15.4	0.5	0.2	2.2	1.2	4.5	11.8	20.6
EPS	-0.21	-0.28	-0.38	-0.04	-0.90	0.03	0.01	0.13	0.07	0.26	0.70	1.21
EPS adjusted (diluted no. of shares)	-0.21	-0.28	-0.38	-0.04	-0.90	0.03	0.01	0.13	0.07	0.26	0.70	1.21
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.36
<b>SALES, EURm</b>												
Group	138.3	143.1	146.9	181.8	610.1	167.0	186.3	170.9	187.9	712.1	782.7	855.5
Total	138.3	143.1	146.9	181.8	610.1	167.0	186.3	170.9	187.9	712.1	782.7	855.5
<b>SALES GROWTH, Y/Y %</b>												
Group	-27.5	-32.3	-21.4	0.4	-20.8	20.8	30.2	16.3	3.4	16.7	9.9	9.3
Total	-27.5	-32.3	-21.4	0.4	-20.8	20.8	30.2	16.3	3.4	16.7	9.9	9.3
<b>EBIT, EURm</b>												
Group	-2.0	-3.0	-4.9	3.1	-6.8	1.3	1.5	4.8	3.5	11.1	19.7	29.9
Total	-2.0	-3.0	-4.9	3.1	-6.8	1.3	1.5	4.8	3.5	11.1	19.7	29.9
<b>EBIT margin, %</b>												
Group	-1.4	-2.1	-3.3	1.7	-1.1	0.8	0.8	2.8	1.9	1.6	2.5	3.5
Total	-1.4	-2.1	-3.3	1.7	-1.1	0.8	0.8	2.8	1.9	1.6	2.5	3.5

Construction & Engineering/Finland, July 19, 2024  
Company update

INCOME STATEMENT, EURm	2019	2020	2021	2022	2023	2024E	2025E	2026E
Sales	1,061.0	975.5	932.5	770.1	610.1	712.1	782.7	855.5
<i>Sales growth (%)</i>	<i>10.5</i>	<i>-8.1</i>	<i>-4.4</i>	<i>-17.4</i>	<i>-20.8</i>	<i>16.7</i>	<i>9.9</i>	<i>9.3</i>
EBITDA	-3.1	20.4	4.5	-67.0	-1.2	17.5	26.6	38.2
<i>EBITDA margin (%)</i>	<i>-0.3</i>	<i>2.1</i>	<i>0.5</i>	<i>-8.7</i>	<i>-0.2</i>	<i>2.5</i>	<i>3.4</i>	<i>4.5</i>
Depreciation	-90.0	-18.9	-6.3	-9.3	-5.6	-6.4	-6.9	-8.3
EBITA	-93.1	1.5	-1.8	-76.3	-6.8	11.1	19.7	29.9
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-93.1	1.5	-1.8	-76.3	-6.8	11.1	19.7	29.9
<i>EBIT margin (%)</i>	<i>-8.8</i>	<i>0.2</i>	<i>-0.2</i>	<i>-9.9</i>	<i>-1.1</i>	<i>1.6</i>	<i>2.5</i>	<i>3.5</i>
Reported EBIT	-14.7	1.5	-1.8	-76.3	-6.8	11.1	19.7	29.9
<i>EBIT margin (reported) (%)</i>	<i>-1.4</i>	<i>0.2</i>	<i>-0.2</i>	<i>-9.9</i>	<i>-1.1</i>	<i>1.6</i>	<i>2.5</i>	<i>3.5</i>
Net financials	-29.3	-29.4	-18.6	-2.7	-9.0	-5.8	-5.7	-5.6
Pre-tax profit	-122.4	-27.9	-20.4	-79.0	-15.8	5.3	14.0	24.3
Taxes	18.7	2.9	0.5	-6.6	0.7	-0.8	-2.2	-3.7
Minority shares	0.7	2.3	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	-28.8	-27.1	-21.4	-85.7	-15.4	4.5	11.8	20.6
Cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	78.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>BALANCE SHEET, EURm</b>								
Assets								
Fixed assets	122	120	122	15	18	20	24	25
Goodwill	2	2	2	2	2	2	2	2
Right of use assets	149	130	82	84	96	96	98	98
Inventory	372	355	227	163	157	184	204	224
Receivables	204	155	143	103	89	103	113	124
Liquid funds	28	97	68	45	40	46	51	56
Total assets	913	899	686	448	439	488	529	567
Liabilities								
Shareholder's equity	95	170	150	113	105	110	122	140
Minority interest	-2	-4	0	0	0	0	0	0
Convertibles	83	15	15	34	34	34	34	0
Lease liabilities	150	136	89	92	106	96	98	98
Deferred taxes	3	3	1	1	0	0	0	0
Interest bearing debt	300	250	149	34	33	55	58	92
Non-interest bearing current liabilities	244	285	243	148	138	171	196	214
Other interest-free debt	21	21	15	7	3	3	3	3
Total liabilities	914	899	686	449	439	488	529	567
<b>CASH FLOW, EURm</b>								
+ EBITDA	-3	20	5	-67	-1	17	27	38
- Net financial items	-29	-29	-19	-3	-9	-6	-6	-6
- Taxes	-1	-2	-2	-2	0	-1	-2	-4
- Increase in Net Working Capital	-75	107	98	11	9	-9	-5	-13
+/- Other	98	-49	-13	50	0	0	0	0
= Cash flow from operations	-11	46	69	-10	-2	2	13	16
- Capex	-26	1	45	-58	-19	-8	-13	-10
- Acquisitions	0	-5	0	0	0	0	0	0
+ Divestments	0	29	0	0	0	0	0	0
= Free cash flow	-37	72	114	-68	-21	-6	0	6
+/- New issues/buybacks	-67	100	5	49	8	0	0	0
- Paid dividend	0	0	0	0	0	0	0	-2
+/- Other	39	-103	-148	-4	8	13	4	1
Change in cash	-65	69	-29	-23	-6	7	5	5

Construction & Engineering/Finland, July 19, 2024  
Company update

KEY FIGURES	2020	2021	2022	2023	2024E	2025E	2026E
M-cap	155	139	65	67	88	88	88
Net debt (excl. convertibles)	289	170	80	99	105	105	134
Enterprise value	456	325	178	200	227	227	223
Sales	976	933	770	610	712	783	856
EBITDA	20	5	-67	-1	17	27	38
EBIT	2	-2	-76	-7	11	20	30
Pre-tax	-28	-20	-79	-16	5	14	24
Earnings	-27	-21	-86	-15	4	12	21
Equity book value (excl. minorities)	170	150	113	105	110	122	140
<b>Valuation multiples</b>							
EV/sales	0.5	0.3	0.2	0.3	0.3	0.3	0.3
EV/EBITDA	22.4	72.2	-2.7	-173.7	13.0	8.5	5.8
EV/EBITA	304.1	-180.4	-2.3	-29.6	20.4	11.5	7.5
EV/EBIT	304.1	-180.4	-2.3	-29.6	20.4	11.5	7.5
EV/OCF	9.9	4.7	-17.7	-105.2	99.2	16.8	14.0
EV/FCFF	5.5	3.4	-3.2	-558.8	58.5	19.6	13.9
P/FCFE	0.1	0.0	-1.0	-3.2	-15.0	462.9	15.1
P/E	-5.7	-6.5	-0.8	-4.4	19.8	7.4	4.3
P/B	0.9	0.9	0.6	0.6	0.8	0.7	0.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	13.0	8.5	5.8
Target EV/EBIT	0.0	0.0	0.0	0.0	20.4	11.5	7.5
Target EV/FCF	0.0	0.0	0.0	0.0	-38.5	1,191.0	38.1
Target P/B	0.0	0.0	0.0	0.0	0.8	0.7	0.6
Target P/E	0.0	0.0	0.0	0.0	19.8	7.4	4.3
<b>Per share measures</b>							
Number of shares	9,429	9,429	16,982	16,982	16,938	16,938	16,938
Number of shares (diluted)	9,429	9,429	16,982	16,982	16,938	16,938	16,938
EPS	-2.88	-2.27	-5.05	-0.90	0.26	0.70	1.21
Operating cash flow per share	4.91	7.31	-0.59	-0.11	0.13	0.80	0.94
Free cash flow per share	7.64	12.08	-3.99	-1.24	-0.35	0.01	0.34
Book value per share	17.99	15.88	6.64	6.20	6.48	7.18	8.29
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.10	0.36
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	15.0	30.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	2.0	7.0
FCF yield, %	46.4	81.7	-105.1	-31.4	-6.7	0.2	6.6
<b>Efficiency measures</b>							
ROE	-20.5	-13.4	-65.3	-14.1	4.1	10.2	15.7
ROCE	0.9	0.7	-21.4	-2.5	3.9	6.5	9.3
<b>Financial ratios</b>							
Inventories as % of sales	36.4	24.4	21.1	25.8	25.8	26.0	26.2
Receivables as % of sales	15.8	15.4	13.3	14.5	14.5	14.5	14.5
Non-interest bearing liabilities as % of sales	29.2	26.1	19.2	22.7	24.0	25.0	25.0
NWC/sales, %	23.1	13.7	15.1	17.6	16.3	15.5	15.7
Operative CAPEX/sales, %	-0.2	-4.8	7.5	3.1	1.1	1.7	1.2
CAPEX/sales (incl. acquisitions), %	-0.6	-4.8	7.5	3.1	1.1	1.7	1.2
FCFF/EBITDA	4.1	21.5	0.8	0.3	0.2	0.4	0.4
Net debt/EBITDA, book-weighted	14.2	37.8	-1.2	-86.3	6.0	3.9	3.5
Debt/equity, market-weighted	1.6	1.1	0.5	0.5	0.6	0.7	1.0
Equity ratio, book-weighted	22.3	27.5	40.3	39.4	35.6	35.0	29.2
Gearing, %	159.8	103.0	55.0	71.6	73.5	67.7	95.8

Construction & Engineering/Finland, July 19, 2024  
Company update

**COMPANY DESCRIPTION:** SRV is a Finnish project management contractor that develops and builds commercial and business premises, residential units as well as infrastructure and logistics projects.

**INVESTMENT CASE:** SRV's road has been bumpy in the past few years and earnings have been weak despite good demand. The current slower residential construction market presents challenges yet several factors support the company including a healthy balance sheet, low amount of unsold developer contracted units and a solid backlog of lower-risk business construction projects. With the revised strategy, SRV aims towards sustainable profitability driven by increasing the share accounted for by housing construction and especially by housing and business premises construction based on in-house project development in a controlled manner.

OWNERSHIP STRUCTURE	SHARES	EURm	%
As Pontos Baltic	2,877,709	14.964	17.0%
Ilmarinen Mutual Pension Insurance Company	1,942,246	10.100	11.5%
Kolpi Investments Oy	1,446,353	7.521	8.5%
Havu Capital Oy	957,562	4.979	5.7%
OP Life Assurance Company Ltd	772,377	4.016	4.6%
Tungelin Investments Oy	654,055	3.401	3.9%
Lareale Investments Oy	654,055	3.401	3.9%
Varma Mutual Pension Insurance Company	483,611	2.515	2.9%
Pohjola Insurance Ltd	394,650	2.052	2.3%
Nordea Life Assurance Finland Ltd.	382,510	1.989	2.3%
Ten largest	10,565,128	54.939	62%
Residual	6,372,682	33.138	38%
Total	16,937,810	88.077	100%

**EARNINGS CALENDAR**

October 24, 2024

Q3 report

**OTHER EVENTS****COMPANY MISCELLANEOUS**

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Tarvonsalmenkatu 15, Espoo

CFO: Jarkko Rantala

Tel: +358 20 145 5200

IR:



## DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	DPS	Dividend for the financial period per share
Market cap	Price per share * Number of shares	OCF (Operating cash flow)	EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow)	Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, %	$\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital	Current assets – current liabilities
Net debt	Interest bearing debt – financial assets	Capital employed/Share	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
Total assets	Balance sheet total	Gearing	$\frac{\text{Net debt}}{\text{Equity}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year

<p>ROE, %</p> $\frac{\text{Profit before extraordinary items and taxes - income taxes}}{\text{Shareholder's equity + minority interest + taxed provisions (average)}}$	
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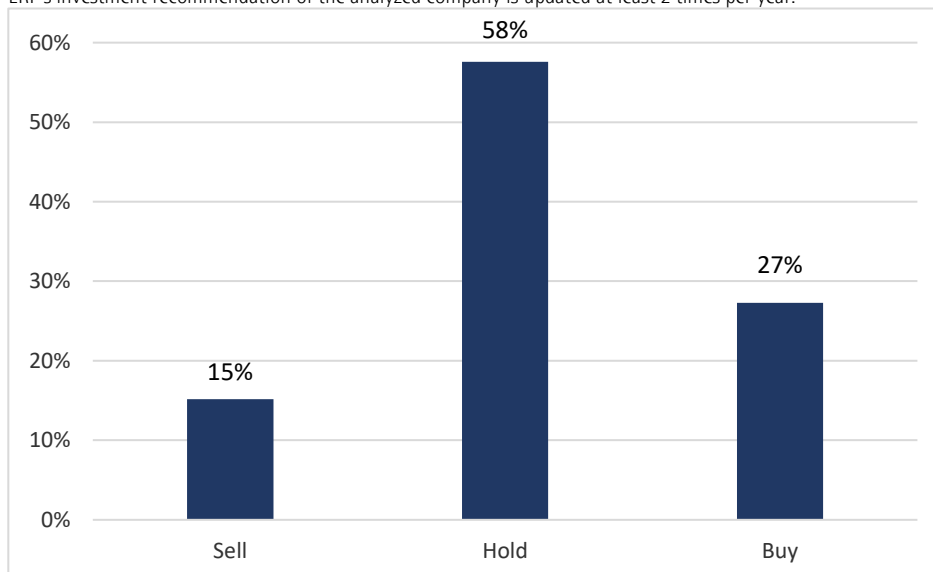
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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Name(s) of the analyst(s): Jortikka

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