

## Prospects remain muted for 2025

SRV reports its Q4 figures on 6<sup>th</sup> of February. We expect slight improvement in adj. profitability year-on-year for Q4. The year 2025 looks rather similar to 2024 as non-residential remains on the driver's seat. After incorporating the asset sale and other adjustments to our model we revise our TP to EUR 5.2 and update our recommendation to ACCUMULATE (prev. HOLD) to match the updated rating methodology.

### Residential market continues to be on a standby mode

The volume of Finnish building permits granted has kept declining y/y during 9–11/2024. In addition, the housing market remains muted as the number of transactions remain low especially in terms of new builds. On the other hand, there are some preliminary signs of a pick-up in the market as the Q4 transaction volumes were already closer to the long-term average levels based on data by the Federation of Real Estate Agency. According to SRV's website, the company has two residential developer-contracted projects in pre-marketing and 7 projects in the planning stage. Among the projects currently in the pre-marketing phase, a project in Espoo consisting of 53 apartment units has achieved a reservation rate of nearly 50%. On the non-residential front, SRV announced three larger projects and released that it has been selected as a partner to develop the Garden Helsinki project.

### Project mix to remain largely the same in 2025

We estimate net sales of EUR 733m and operative operating profit of EUR 10.2m for 2024E. We expect y/y revenue growth for Q4/24 driven by continued growth in non-residential while we expect residential net sales to decline. For Q4 operative EBIT, we forecast EUR 3.0m with margin of 1.5%. Although we project revenue growth, we anticipate that profitability will remain comparable to last year's figures due to the project mix. We expect positive NRIs to boost reported EBIT related to the company's sale of remaining stake in Pearl Plaza. For 2025E we estimate similar development to 2024, yet we expect that the company is able to sell some of its unsold residential inventory. With non-residential driven project mix in 2025, the margin potential remains limited.

### ACCUMULATE (prev. HOLD) with a TP of EUR 5.2 (prev. EUR 5.0)

The current pricing is neutral based on our estimates for 2025E, yet the potential beyond 2025 remains high. After incorporating the asset sale and some minor adjustments to our estimates we revise our TP to EUR 5.2. We update our rating to ACCUMULATE (prev. HOLD) to match the updated rating methodology (see p. 3).

## Rating + Accumulate



<b>Share price, EUR</b> (Last trading day's closing price)	<b>4.97</b>
Target price, EUR	5.2
Latest change in recommendation	30-Jan-25
Latest report on company	17-Dec-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	84
Free float, %	61.1 %
Exchange rate	1.0
Reuters code	SRV1V.HE
Bloomberg code	SRV1V FH
Average daily volume, EURm	
Next interim report	06-Feb-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
2022	770.1	-76.3	-9.9%	-67.8	-5.05	-0.8	0.2	-2.3	-105.1%	
2023	610.0	-6.8	-1.1%	-21.1	-0.90	-4.4	0.3	-29.6	-31.4%	
2024E	732.8	16.3	2.2%	8.7	0.43	-23.2	0.3	12.8	10.4%	
2025E	782.5	16.3	2.1%	-2.9	0.45	11.0	0.3	12.9	-3.5%	0.14
2026E	866.6	26.3	3.0%	0.1	0.91	5.5	0.2	8.1	0.1%	0.27

Market cap, EURm	84	Gearing 2024E, %	60.0 %	CAGR EPS 2023–26, %	0.0 %
Net debt 2024E, EURm	124	Price/book 2024E	0.7	CAGR Sales 2023–26, %	12.4 %
Enterprise value, EURm	208	Dividend yield 2024E, %	0.0 %	ROE 2024E, %	6.6 %
Total assets 2024E, EURm	477	Tax rate 2024E, %	21.9 %	ROCE 2024E, %	5.9 %
Goodwill 2024E, EURm	2	Equity ratio 2024E, %	26.9 %	PEG, P/E 24/CAGR	0.0

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

Table 1: Estimate summary

SRV	2022	Q1/'23	Q2/'23	Q3/'23	Q4/'23	2023	Q1/'24	Q2/'24	Q3/'24	Q4/'24E	2024E	2025E	2026E
<b>Revenue</b>	<b>770.1</b>	<b>138.3</b>	<b>143.1</b>	<b>146.9</b>	<b>181.8</b>	<b>610.0</b>	<b>167.0</b>	<b>186.3</b>	<b>183.5</b>	<b>196.0</b>	<b>732.8</b>	<b>782.5</b>	<b>866.6</b>
<i>change, %</i>	<i>-17.4%</i>	<i>-27.5%</i>	<i>-32.3%</i>	<i>-21.4%</i>	<i>0.3%</i>	<i>-20.8%</i>	<i>20.8%</i>	<i>30.2%</i>	<i>24.9%</i>	<i>7.8%</i>	<i>20.1%</i>	<i>6.8%</i>	<i>10.7%</i>
Revenue – Business construction	427.2	113.9	111.0	130.5	153.1	508.5	156.1	173.3	167.2	175.0	671.6	705.0	719.1
<i>change, %</i>	<i>-26.5%</i>	<i>15.4%</i>	<i>-8.2%</i>	<i>36.9%</i>	<i>36.3%</i>	<i>19.0%</i>	<i>37.1%</i>	<i>56.1%</i>	<i>28.1%</i>	<i>14.3%</i>	<i>32.1%</i>	<i>5.0%</i>	<i>2.0%</i>
Revenue – Housing construction	319.1	24.0	31.4	16.3	28.7	100.4	10.9	13.0	16.2	15.4	61.1	77.0	147.0
<i>change, %</i>	<i>-8.5%</i>	<i>-68.6%</i>	<i>-63.4%</i>	<i>-81.6%</i>	<i>-57.9%</i>	<i>-68.5%</i>	<i>-54.6%</i>	<i>-58.6%</i>	<i>-0.6%</i>	<i>-46.3%</i>	<i>-39.1%</i>	<i>26.1%</i>	<i>90.8%</i>
<b>Operative operating profit</b>	<b>18.8</b>	<b>-2.0</b>	<b>-3.9</b>	<b>4.6</b>	<b>2.4</b>	<b>1.1</b>	<b>1.3</b>	<b>1.5</b>	<b>4.5</b>	<b>3.0</b>	<b>10.2</b>	<b>16.3</b>	<b>26.3</b>
<i>-margin</i>	<i>2.4%</i>	<i>-1.4%</i>	<i>-2.7%</i>	<i>3.1%</i>	<i>1.3%</i>	<i>0.2%</i>	<i>0.8%</i>	<i>0.8%</i>	<i>2.5%</i>	<i>1.5%</i>	<i>1.4%</i>	<i>2.1%</i>	<i>3.0%</i>
<b>Operating profit</b>	<b>-76.4</b>	<b>-2.0</b>	<b>-3.0</b>	<b>-4.9</b>	<b>3.1</b>	<b>-6.8</b>	<b>1.3</b>	<b>1.5</b>	<b>4.5</b>	<b>9.1</b>	<b>16.3</b>	<b>16.3</b>	<b>26.3</b>
<i>-margin</i>	<i>-9.9%</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>2.5%</i>	<i>4.6%</i>	<i>2.2%</i>	<i>2.1%</i>	<i>3.0%</i>
Net financials	-2.7	-2.5	-2.5	-1.6	-2.5	-9.0	-0.7	-1.4	-2.8	-2.0	-6.9	-6.8	-7.0
<b>Pre-tax profit</b>	<b>-79.1</b>	<b>-4.4</b>	<b>-5.5</b>	<b>-6.5</b>	<b>0.7</b>	<b>-15.8</b>	<b>0.5</b>	<b>0.1</b>	<b>1.7</b>	<b>7.1</b>	<b>9.4</b>	<b>9.5</b>	<b>19.3</b>
Income taxes	-6.5	1.3	0.8	0.0	-1.4	0.7	0.0	0.1	-0.8	-1.4	-1.9	-1.9	-3.9
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
<b>Net earnings</b>	<b>-85.7</b>	<b>-3.1</b>	<b>-4.7</b>	<b>-6.5</b>	<b>-0.7</b>	<b>-15.1</b>	<b>0.5</b>	<b>0.2</b>	<b>1.0</b>	<b>5.7</b>	<b>7.5</b>	<b>7.6</b>	<b>15.4</b>

Source: SRV, Evli Research estimates

Table 2: Peer group

Company name	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E*		
		24	25	26	24	25	26	24	25	26
YIT	583	18.3x	17.1x	12.5x	38.0x	24.8x	16.1x			19.0x
Skanska	8523	10.9x	9.8x	9.1x	14.4x	12.1x	11.0x	16.9x	13.7x	12.7x
NCC	1536	6.4x	7.6x	7.6x	10.2x	12.5x	12.3x	11.0x	12.2x	11.9x
Peab	2033	9.1x	9.3x	8.5x	14.5x	14.9x	13.1x	12.8x	13.2x	11.3x
JM	1031	40.0x	31.8x	20.6x	37.9x	32.8x	20.6x	34.9x	23.0x	13.2x
Bonava	249	38.2x	25.8x	20.8x	31.0x	27.5x	21.2x			
AF Gruppen	1476	10.6x	8.7x	8.1x	17.5x	12.5x	11.3x	26.1x	17.5x	15.8x
Consti	81	6.2x	5.8x	5.0x	8.6x	7.8x	6.6x	11.1x	9.9x	8.2x
Veidekke	1684	6.6x	6.5x	6.3x	10.9x	10.7x	10.1x	15.8x	15.2x	14.4x
Peer Group Average	1911	16.3x	13.6x	10.9x	20.3x	17.3x	13.6x	18.4x	15.0x	13.3x
Peer Group Median	1476	10.6x	9.3x	8.5x	14.5x	12.5x	12.3x	15.8x	13.7x	12.9x
SRV (Evli est.)	<b>84</b>	<b>12.6x</b>	<b>9.1x</b>	<b>6.2x</b>	<b>20.4x</b>	<b>12.9x</b>	<b>8.1x</b>			

SRV prem./disc. to peer median 18% -2% -27% 40% 3% -34% 13% -51%

\*SRV P/E adj. for hybrid bond coupon rate

Source FactSet, Evli Research

We have amended our rating methodology since the previous update of the stock. Please see the updated and previous methodologies below.

**NEW**

Target price compared to share price

< -10%

-10 – 0%

0 – (+10)%

> 10%

Recommendation

SELL

REDUCE

ACCUMULATE

BUY

**OLD**

Target price compared to share price

< -10%

-10 – (+10)%

> 10%

Recommendation

SELL

HOLD

BUY

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	4.97 PV of Free Cash Flow	143 Long-term growth, %	2.0 % Risk-free interest rate, % 2.25 %
DCF share value	8.98 PV of Horizon value	142 WACC, %	10.0 % Market risk premium, % 5.8 %
Share price potential, %	80.8 % Unconsolidated equity	0 Spread, %	0.5 % Debt risk premium % 3.8 %
Maximum value	10.1 Marketable securities	40 Minimum WACC, %	9.5 % Equity beta coefficient 1.40
Minimum value	8.0 Debt – dividend	-172 Maximum WACC, %	10.5 % Target debt ratio, % 20 %
Horizon value, %	49.8 % Value of stock	152 No. of shares, Mn	16.9 Effective tax rate, % 20 %

DCF valuation, EURm	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	TERMINAL
Net sales	610	733	783	867	901	928	947	966	985	1 005	1 025	1 045
Sales growth (%)	–	20.1%	6.8%	10.7%	4.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Operating income (EBIT)	-7	16	16	26	32	32	33	29	30	30	31	31
Operating income margin %	-1.1%	2.2%	2.1%	3.0%	3.5%	3.5%	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%
+ Depreciation+amort.	6	6	7	8	9	9	9	9	9	9	9	9
EBITDA	-1	23	23	35	40	41	42	38	39	39	40	40
- Paid taxes	-1	-4	-3	-5	-6	-6	-7	-6	-6	-6	-6	-6
- Change in NWC	9	1	-7	-12	-5	-4	-3	-3	-3	-3	-3	-3
NWC / Sales, %	17.6%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%
+ Change in other liabs	-4											
- Operative CAPEX	-3	-4	-7	-5	-4	-4	-4	-4	-5	-5	-5	-5
opCAPEX / Sales, %	3.1%	1.5%	1.3%	1.3%	1.1%	1.0%	0.9%	0.9%	0.8%	0.8%	0.5%	
- Acquisitions												
+ Divestments												
- Other items	0	5										
= FCFE	0	22	6	12	25	27	28	25	25	26	26	332
= Discounted FCFE		22	6	10	19	18	18	14	13	12	11	142
= DFCF min WACC		22	6	10	19	19	18	15	14	13	12	158
= DFCF max WACC		22	6	10	18	18	17	14	13	12	11	128

**Sensitivity analysis, EUR**

		Terminal WACC				
		8.00 %	9.00 %	10.00 %	11.00 %	12.00 %
Terminal EBIT-%	1.00 %	4.11	3.15	2.39	1.75	1.21
	2.00 %	9.28	7.24	5.69	4.45	3.45
	3.00 %	14.46	11.33	8.98	7.16	5.70
	4.00 %	19.64	15.42	12.28	9.86	7.95
	5.00 %	24.82	19.51	15.58	12.57	10.19

**INTERIM FIGURES**

<b>EVLI ESTIMATES, EURm</b>	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3	2024Q4E	2024E	2025E	2026E
Net sales	138.3	143.1	146.9	181.8	610.0	167.0	186.3	183.5	196.0	732.8	782.5	866.6
EBITDA	-0.6	-1.6	-3.5	4.5	-1.2	2.7	3.7	5.8	10.5	22.6	23.3	34.5
<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>3.2%</i>	<i>5.3%</i>	<i>3.1%</i>	<i>3.0%</i>	<i>4.0%</i>
EBIT	-2.0	-3.0	-4.9	3.1	-6.8	1.3	1.5	4.5	9.1	16.3	16.3	26.3
<i>EBIT margin (%)</i>	<i>-1.5%</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>2.5%</i>	<i>4.6%</i>	<i>2.2%</i>	<i>2.1%</i>	<i>3.0%</i>
Net financial items	-2.5	-2.5	-1.6	-2.5	-9.0	-0.7	-1.4	-2.8	-2.0	-6.9	-6.8	-7.0
Pre-tax profit	-4.5	-5.5	-6.5	0.7	-15.8	0.5	0.1	1.7	7.1	9.4	9.5	19.3
Tax	1.3	0.8		-1.4	0.7		0.1	-0.8	-1.4	-2.1	-1.9	-3.9
<i>Tax rate (%)</i>	<i>28.9%</i>	<i>14.6%</i>		<i>200.3%</i>	<i>4.4%</i>		<i>-100.0%</i>	<i>44.1%</i>	<i>20.0%</i>	<i>21.9%</i>	<i>20.0%</i>	<i>20.0%</i>
Net profit	-3.5	-4.7	-6.5	-0.7	-15.4	0.5	0.2	1.0	5.7	7.3	7.6	15.4
EPS	-0.21	-0.28	-0.38	-0.04	-0.90	0.03	0.01	0.06	0.33	0.43	0.45	0.91
EPS adj. (diluted)	-0.21	-0.28	-0.38	-0.04	-0.90	0.03	0.01	0.06	-0.31	-0.21	0.45	0.91
Dividend per share											0.14	0.27
<b>SALES, EURm</b>	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3	2024Q4E	2024E	2025E	2026E
Group	138.3	143.1	146.9	181.8	610.0	167.0	186.3	183.5	196.0	732.8	782.5	866.6
Total	138.3	143.1	146.9	181.8	610.1	167.0	186.3	183.5	196.0	732.8	782.5	866.6
<b>SALES GROWTH, Y/Y%</b>	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3	2024Q4E	2024E	2025E	2026E
Group	-27.5%	-32.3%	-21.4%	0.4%	-20.8%	20.8%	30.2%	24.9%	7.8%	20.1%	6.8%	10.7%
Total	-27.5%	-32.3%	-21.4%	0.4%	-20.8%	20.8%	30.2%	24.9%	7.8%	20.1%	6.8%	10.7%
<b>EBIT, EURm</b>	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3	2024Q4E	2024E	2025E	2026E
Group	-2.0	-3.0	-4.9	3.1	-6.8	1.3	1.5	4.5	9.1	16.3	16.3	26.3
Total	-2.0	-3.0	-4.9	3.1	-6.8	1.3	1.5	4.5	9.1	16.3	16.3	26.3
<b>EBIT margin %</b>	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3	2024Q4E	2024E	2025E	2026E
Group	-1.5%	-2.1%	-3.3%	1.7%	-1.1%	0.8%	0.8%	2.5%	4.6%	2.2%	2.1%	3.0%
Total	-1.5%	-2.1%	-3.3%	1.7%	-1.1%	0.8%	0.8%	2.5%	4.6%	2.2%	2.1%	3.0%

<b>INCOME STATEMENT, EURm</b>	2019	2020	2021	2022	2023	2024E	2025E	2026E
Sales	1 061.0	975.5	932.5	770.1	610.0	732.8	782.5	866.6
<i>Sales growth (%)</i>	10.5%	-8.1%	-4.4%	-17.4%	-20.8%	20.1%	6.8%	10.7%
EBITDA	-3.1	20.4	4.5	-67.0	-1.2	22.6	23.3	34.5
<i>EBITDA margin (%)</i>	-0.3%	2.1%	0.5%	-8.7%	-0.2%	3.1%	3.0%	4.0%
Depreciation	-90.0	-18.9	-6.3	-9.3	-5.6	-6.3	-7.0	-8.2
EBITA	-93.1	1.5	-1.8	-76.3	-6.8	16.3	16.3	26.3
Goodwill amortization / writedown								
EBIT	-93.1	1.5	-1.8	-76.3	-6.8	16.3	16.3	26.3
<i>EBIT margin (%)</i>	-8.8%	0.2%	-0.2%	-9.9%	-1.1%	2.2%	2.1%	3.0%
Reported EBIT	-14.7	1.5	-1.8	-76.3	-6.8	16.3	16.3	26.3
<i>EBIT margin (reported) (%)</i>	-1.4%	0.2%	-0.2%	-9.9%	-1.1%	2.2%	2.1%	3.0%
Net financials	-29.3	-29.4	-18.6	-2.7	-9.0	-6.9	-6.8	-7.0
Pre-tax profit	-122.4	-27.9	-20.4	-79.0	-15.8	9.4	9.5	19.3
Taxes	18.7	2.9	0.5	-6.6	0.7	-2.1	-1.9	-3.9
Minority shares	0.7	2.3						
Net profit	-28.8	-27.1	-21.4	-85.7	-15.4	7.3	7.6	15.4
Cash NRIs								
Non-cash NRIs	78.4							
<b>BALANCE SHEET, EURm</b>								
Assets								
Fixed assets	122	120	122	15	18	20	24	26
Goodwill	2	2	2	2	2	2	2	2
Right of use assets	149	130	82	84	96	99	98	100
Inventory	372	355	227	163	157	176	196	217
Receivables	204	155	143	103	89	106	113	126
Liquid funds	28	97	68	45	40	37	39	43
Total assets	913	899	686	448	439	477	509	550
Liabilities								
Shareholders' equity	95	170	150	113	105	118	125	138
Minority interest	-2	-4						
Convertible	83	15	15	34	34	34	34	
Lease liabilities	150	136	89	92	106	99	98	100
Deferred taxes	3	3	1	1	0	0	0	0
Interest bearing debt	300	250	149	34	33	28	35	73
Non-interest bearing current liabilities	244	285	243	148	138	176	196	217
Other interest-free debt	21	21	15	7	3	3	3	3
Total liabilities	914	899	686	449	439	477	509	550
<b>CASH FLOW, EURm</b>								
+ EBITDA	-3	20	5	-67	-1	23	23	35
- Net financial items	-29	-29	-19	-3	-9	-7	-7	-7
- Taxes	-1	-2	-2	-2	0	-2	-2	-4
- Increase in Net Working Capital	-75	107	98	11	9	1	-7	-12
+/- Other	98	-49	-13	50	0	5		
= Cash flow from operations	-11	46	69	-10	-2	20	7	11
- Capex	-26	2	45	-58	-19	-11	-10	-11
- Acquisitions		-5						
+ Divestments		29						
= Free cash flow	-37	72	114	-68	-21	9	-3	0
+/- New issues/buybacks	-67	100	5	49	8	5		
- Paid dividend							2	5
+/- Other	39	-103	-148	-4	8	-17	5	6
Change in cash	-65	69	-29	-23	-6	-3	2	4

KEY FIGURES	2020	2021	2022	2023	2024E	2025E	2026E
M-cap	155	139	65	67	84	84	84
Net debt (excl. convertibles)	289	170	80	99	91	94	129
Enterprise value	456	325	178	200	208	211	214
Sales	976	933	770	610	733	783	867
EBITDA	20	5	-67	-1	23	23	35
EBIT	2	-2	-76	-7	16	16	26
Pre-tax	-28	-20	-79	-16	9	10	19
Earnings	-27	-21	-86	-15	7	8	15
Equity book value (excl. minorities)	170	150	113	105	118	125	138

Valuation multiple	2020	2021	2022	2023	2024E	2025E	2026E
EV/Sales	0.5	0.3	0.2	0.3	0.3	0.3	0.2
EV/EBITDA	22.4	72.2	-2.7	-173.7	9.2	9.1	6.2
EV/EBITA	304.1	-180.4	-2.3	-29.6	12.8	12.9	8.1
EV/EBIT	304.1	-180.4	-2.3	-29.6	12.8	12.9	8.1
EV/OCF	9.9	4.7	-17.7	-105.2	10.5	28.6	18.6
EV/FCF	5.5	3.4	-3.2	-558.8	9.6	33.9	17.3
P/FCFR	0.1	0.0	-1.0	-3.2	9.6	-28.7	1574.3
P/E	-5.7	-6.5	-0.8	-4.4	-23.2	11.0	5.5
P/BV	0.9	0.9	0.6	0.6	0.7	0.7	0.6
Target EV/EBITDA					9.4	9.2	6.3
Target EV/EBIT					13.0	13.2	8.3
Target EV/FCFF					24.3	-73.4	4065.8
Target P/BV					0.7	0.7	0.6
Target P/E, diluted					-24.2	11.5	5.7

Per share measures	2020	2021	2022	2023	2024E	2025E	2026E
Number of shares (million)	9.43	9.43	16.98	16.98	16.94	16.94	16.94
Number of shares (diluted, million)	9.43	9.43	16.98	16.98	16.94	16.94	16.94
EPS	-2.88	-2.27	-5.05	-0.90	0.43	0.45	0.91
Operating cash flow per share	4.91	7.31	-0.59	-0.11	1.17	0.44	0.68
Free cash flow per share	7.64	12.08	-3.99	-1.24	0.52	-0.17	0.00
Book value per share	17.99	15.88	6.64	6.20	6.94	7.39	8.17
Dividend per share						0.14	0.27
Dividend payout ratio, %						30.0%	30.0%
Dividend yield, %						2.7%	5.5%
FCF yield, %	46.4%	81.7%	-105.1%	-31.4%	10.4%	-3.5%	0.1%

Efficiency measures	2020	2021	2022	2023	2024E	2025E	2026E
ROE	-20.5%	-13.4%	-65.3%	-14.1%	6.6%	6.3%	11.7%
ROCE	0.9%	0.7%	-21.4%	-2.5%	5.9%	5.7%	8.7%

Financial ratios	2020	2021	2022	2023	2024E	2025E	2026E
Inventories as % of sales	36.4%	24.4%	21.1%	25.8%	24.0%	25.0%	25.0%
Receivables as % of sales	15.8%	15.4%	13.3%	14.5%	14.5%	14.5%	14.5%
Non-int. 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%	14.5%	14.5%	14.5%
Operative CAPEX/Sales, %	-0.2%	-4.8%	7.5%	3.1%	1.5%	1.3%	1.3%
CAPEX/sales (incl. acquisitions), %	-0.6%	-4.8%	7.5%	3.1%	1.5%	1.3%	1.3%
FCFF/EBITDA	4.1	21.5	0.8	0.3	1.0	0.3	0.4
Net Debt/EBITDA, book-weighted	14.2	37.8	-1.2	-86.3	4.0	4.0	3.7
Debt/equity, market-weighted	1.6	1.1	0.5	0.5	0.3	0.4	0.9
Equity ratio, book-weighted	0.2	0.3	0.4	0.4	0.4	0.4	0.3
Gearing, %	159.8%	103.0%	55.0%	71.6%	60.0%	59.0%	93.5%

**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	14.302	17.0 %
Ilmarinen Mutual Pension Insurance Company	1 942 246	9.653	11.5 %
Kolpi Investments Oy	1 446 353	7.188	8.5 %
Havu Capital Oy	957 562	4.759	5.7 %
OP Life Assurance Company Ltd	771 547	3.835	4.6 %
Tungelin Investments Oy	654 055	3.251	3.9 %
Lareale Investments Oy	654 055	3.251	3.9 %
Varma Mutual Pension Insurance Company	483 611	2.404	2.9 %
Pohjola Insurance Ltd	394 650	1.961	2.3 %
Nordea Life Assurance Finland Ltd.	371 510	1.846	2.2 %
Ten largest	10 553 298	52.450	62.3 %
Residual	6 384 512	31.731	37.7 %
Total	16 937 810	84.181	100%

**EARNINGS CALENDAR**

February 06, 2025

FY 2024 Results

**OTHER EVENTS**

**COMPANY MISCELLANEOUS**

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Tarvonsalmenkatu 15, Espoo

CFO: Jarkko Rantala

Tel: +358 20 145 5200

IR:



**DEFINITIONS**

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

**Important Disclosures**

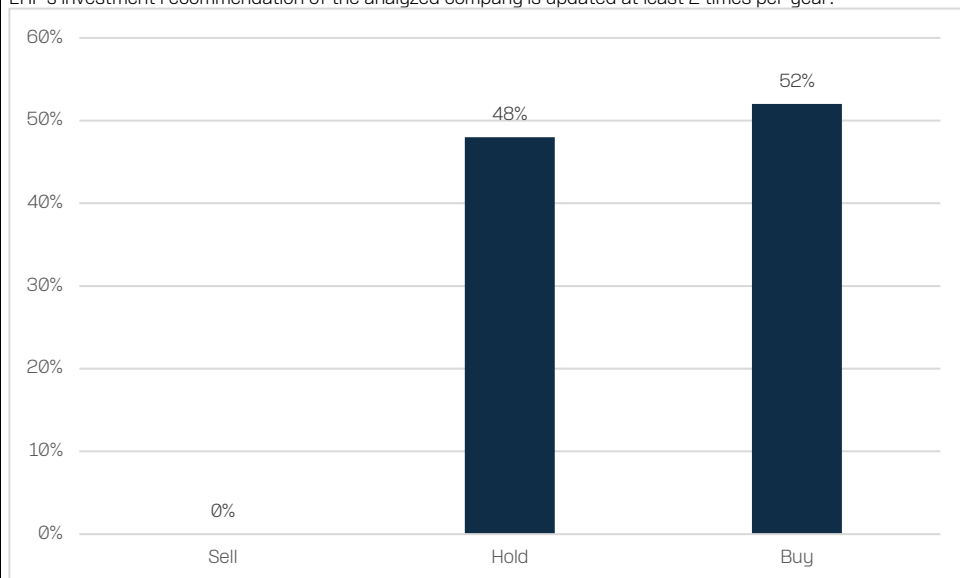
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Target price compared to share price < -10 % -10 - 0 % 0 - (+10) % > 10 %	Recommendation SELL RECUDE ACCUMULATE BUY
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Name(s) of the analyst(s): Atte Jortikka

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