

Profitability remains under pressure

SRV's profitability in Q2 was clearly weaker than we had expected following margin reductions in certain construction projects. We adjust our 2019E operative operating profit estimate downward to EUR 14.7m (prev. 21.1m). We retain our HOLD rating with a TP of EUR 1.8 (1.9)

Weaker margin projects pushed profits back in to the red

SRV's Q2 earnings were weak, with the operative operating profit at EUR -3.1m compared to our estimate of EUR 2.9m. Q2 saw the completion of a low number of developer-contracted housing units and as such a y/y revenue decline to EUR 207.4m, in line with our estimate of EUR 209.8m, which had an impact on profitability. Earnings were further affected by construction margin reductions in three projects, expected to be completed by the end of this year, totaling EUR 6.8m, along with other minor non-recurring items.

2019 earnings to be dictated by Q4 housing completions

Our estimates remain intact apart from minor H2/19 adjustments and a revision for 2019 profitability due to the weaker than expected Q2. For 2019E we estimate revenue of EUR 1,026m (prev. 1,029m) and an operative operating profit of EUR 14.7m (prev. 21.1m). Earnings in 2019 are heavily skewed towards Q4 due to developer-contracting housing unit completion timing, with REDI Majakka accounting for some half of the expected completions. We continue to expect a divestment of Pearl Plaza in 2019, although not included in our earnings estimates as the possible transaction would according to SRV have no significant impact on group profits.

HOLD with a target price of EUR 1.80 (1.90)

Valuation based on peer multiples appears more than challenging, in particular on EV metrics due to the high leverage, while our SOTP offers some leeway due to the shopping centres not reflected through earnings comparison. Caution due to weak near-term earnings visibility following a sequence of negative surprises is also warranted and we retain our HOLD rating, adjusting our TP to 1.80 (1.90) following our estimates revision.

Rating

HOLD



Share price, EUR (Last trading day's closing price) 1.69

Target price, EUR 1.8

Latest change in recommendation 18-Sep-18

Latest report on company 29-Apr-19

Research paid by issuer: YES

No. of shares outstanding, '000's 59,581

No. of shares fully diluted, '000's 59,581

Market cap, EURm 101

Free float, % 33.2

Exchange rate 1.000

Reuters code SRV1V.HE

Bloomberg code SRV1V.FH

Average daily volume, EURm 0.149

Next interim report 31-Oct-19

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BUY HOLD SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2017	1,114	15	1.4%	5	0.04	98.6	0.5	-6.2	36.1	0.06
2018	960	-20	-2.1%	-37	-0.57	-3.0	0.6	-0.8	-30.2	0.00
2019E	1,025	18	1.7%	-3	-0.10	-16.2	0.6	3.0	33.8	0.04
2020E	983	28	2.9%	11	0.14	12.4	0.6	1.9	20.4	0.06
2021E	1,020	35	3.4%	18	0.32	5.3	0.6	8.3	17.2	0.09
Market cap, EURm			101	BV per share 2019E, EUR		3.3	CAGR EPS 2018-21, %			0.0
Net debt 2019E, EURm			491	Price/book 2019E		0.5	CAGR sales 2018-21, %			2.1
Enterprise value, EURm			591	Dividend yield 2019E, %		2.4	ROE 2019E, %			-3.2
Total assets 2019E, EURm			1,086	Tax rate 2019E, %		-7.1	ROCE 2019E, %			3.5
Goodwill 2019E, EURm			2	Equity ratio 2019E, %		20.4	PEG, P/E 19/CAGR			0.0

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

SRV	2017	Q1/'18	Q2/'18	Q3/'18	Q4/'18	2018	Q1/'19	Q2/'19	Q3/'19E	Q4/'19E	2019E	2020E	2021E
Revenue	1 114.4	215.6	235.7	208.5	299.8	959.6	222.6	207.4	222.1	373.4	1 026.4	983.0	1 020.4
change, %	26.1%	-3.6%	-17.0%	-22.1%	-11.6%	-13.9%	3.2%	-12.0%	6.5%	24.6%	7.0%	-4.2%	3.8%
Operative operating profit	27.1	-5.1	-3.4	-3.1	1.5	-10.1	0.5	-3.1	3.5	13.8	14.7	28.2	34.6
-margin	2.4%	-2.4%	-1.4%	-1.5%	0.5%	-1.1%	0.2%	-1.5%	1.6%	3.7%	1.4%	2.9%	3.4%
Items affecting comparability*	-11.7	-3.7	-2.1	-2.6	-1.4	-9.8	2.8	0.0	0.0	0.0	2.8	0.0	0.0
Operating profit	15.4	-8.8	-5.5	-5.7	0.1	-19.9	3.3	-3.2	3.5	13.8	17.5	28.2	34.6
-margin	1.4%	-4.1%	-2.3%	-2.7%	0.0%	-2.1%	1.5%	-1.5%	1.6%	3.7%	1.7%	2.9%	3.4%
Net financials	-10.7	-3.4	-4.3	-3.5	-6.3	-17.5	-3.6	-7.7	-4.5	-4.5	-20.3	-17.0	-17.0
Pre-tax profit	4.6	-12.2	-9.8	-9.1	-6.2	-37.3	-0.3	-10.8	-1.0	9.3	-2.8	11.2	17.6
Income taxes	1.2	1.5	1.3	1.0	2.3	6.1	0.7	1.9	0.2	-1.9	0.9	-2.2	-3.5
Non-controlling interest	0.2	0.2	0.3	0.3	0.3	1.1	-0.7	0.0	0.0	0.0	-0.7	0.0	0.0
Net earnings	6.0	-10.5	-8.2	-7.8	-4.0	-30.1	-0.4	-9.0	-0.8	7.4	-2.8	9.0	14.1
EPS**	0.05	-0.19	-0.34	-0.14	-0.08	-0.56	-0.02	-0.18	-0.03	0.11	-0.12	0.14	0.22
Construction	2017	Q1/'18	Q2/'18	Q3/'18	Q4/'18	2018	Q1/'19	Q2/'19	Q3/'19E	Q4/'19E	2019E	2020E	2021E
Revenue		214.7	234.5	207.7	298.5	955.4	221.9	206.7	220.9	372.2	1 021.2	978.0	1 015.9
change, %							3.4%	-11.9%	6.3%	24.7%	6.9%	-4.2%	3.9%
Business construction		155.4	166.7	160.3	183.9	666.3	144.9	162.6	167.5	178.9	653.9	672.0	685.4
change, %							-6.8%	-2.5%	4.5%	-2.7%	-1.9%	2.8%	2.0%
Housing construction		59.3	67.8	47.4	114.6	289.1	77.0	43.6	53.4	193.3	367.3	306.0	330.5
change, %							29.8%	-35.7%	12.7%	68.7%	27.1%	-16.7%	8.0%
Operating profit		-3.2	-1.1	-1.6	-7.5	-13.4	4.8	2.0	5.5	16.8	29.1	35.2	38.6
-margin		-1.5%	-0.5%	-0.8%	-2.5%	-1.4%	2.2%	1.0%	2.5%	4.5%	2.8%	3.6%	3.8%
Investments	2017	Q1/'18	Q2/'18	Q3/'18	Q4/'18	2018	Q1/'19	Q2/'19	Q3/'19E	Q4/'19E	2019E	2020E	2021E
Revenue		1.2	1.2	1.2	1.0	4.6	1.3	1.5	1.2	1.2	5.2	5.0	4.5
change, %							8.3%	25.0%	0.0%	20.0%	13.0%	-3.8%	-10.0%
Operative operating profit		-1.9	-0.8	-1.1	-4.0	-7.8	-2.7	-1.9	-1.5	-1.5	-7.6	-4.0	-1.0
Items affecting comparability*		-3.7	-2.1	-2.6	-1.4	-9.8	2.8	0.0	0.0	0.0	2.8	0.0	0.0
Operating profit		-5.6	-2.9	-3.7	-5.4	-17.6	0.1	-1.9	-1.5	-1.5	-4.8	-4.0	-1.0
Other operations and elim.	2017	Q1/'18	Q2/'18	Q3/'18	Q4/'18	2018	Q1/'19	Q2/'19	Q3/'19E	Q4/'19E	2019E	2020E	2021E
Revenue	0.4	-0.3	0.0	-0.4	0.3	-0.4	-0.6	-0.8	0.0	0.0	-1.4	0.0	0.0
Operating profit	-4.8	0.0	-1.5	-0.4	13.0	11.1	-1.6	-3.2	-0.5	-1.5	-6.8	-3.0	-3.0

*Foreign exchange rate impact, **incl. tax adjusted hybrid interest

SRV PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		19	20	21	19	20	21	19	20	21
Skanska	7166	10.3x	9.5x	9.0x	13.2x	12.0x	11.3x	14.3x	13.6x	12.9x
Peab	2404	9.2x	8.7x	8.4x	12.2x	11.5x	11.2x	12.0x	11.7x	11.3x
NCC	1754	8.7x	7.2x	7.0x	14.4x	10.7x	10.2x	16.6x	12.1x	11.5x
AF Gruppen	1740	9.8x	8.9x	8.6x	12.9x	11.6x	11.0x	18.9x	17.2x	16.5x
Veidekke	1130	7.1x	6.4x	6.0x	12.1x	10.4x	9.5x	10.8x	9.3x	8.5x
JM	1679	11.9x	11.8x	11.1x	11.8x	11.8x	11.0x	12.3x	12.7x	11.5x
Bonava	1156	13.0x	12.2x	11.6x	12.5x	11.8x	11.2x	11.5x	10.8x	10.4x
YIT	1119	8.4x	8.1x	7.9x	11.6x	11.2x	11.1x	9.0x	9.5x	9.7x
Lehto Group	139	6.9x	5.2x	4.3x	8.3x	6.1x	4.9x	8.0x	5.7x	4.5x
Peer Group Average	2032	9.5x	8.7x	8.2x	12.1x	10.8x	10.2x	12.6x	11.4x	10.8x
Peer Group Median	1679	9.2x	8.7x	8.4x	12.2x	11.5x	11.0x	12.0x	11.7x	11.3x
SRV (Evli est.)	101	20.0x	14.0x	12.7x	33.8x	20.4x	17.2x	-16.2x	12.4x	5.3x

SRV prem./disc. to peer median

117% 61% 51% 177% 77% 56% - 7% -53%

Source Bloomberg, Evli Research

VALUATION						
	METRIC	Est., EURm	Multiple	EV	Per share	Comments
Operations in Finland	EV/EBIT 20E	35	10x	352	5.9	
Pearl Plaza	NPV	21	1x	21	0.4	Exit '19, yld. 10.5 %
4Daily	NPV	7	1x	7	0.1	Exit '21, yld. 10 %
Okhta mall	NPV	75	1x	75	1.3	Exit '21, yld. 10 %
REDI	NPV	88	1x	88	1.5	Exit '22, yld. 4.75 %
Etmia II	BV	3	1x	3	0.1	Evli est.
International op. plots	BV	83	0.5x	43	0.7	2018 BV
Other operations		-7	10x	-70	-1.2	
Net debt				-390	-6.5	Q2/19, incl. hybrid
Equity value	SOTP			129	2.2	

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	1.69 PV of Free Cash Flow	368 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	2.38 PV of Horizon value	273 WACC, %	8.6 Market risk premium, %	5.8
Share price potential, %	40.7 Unconsolidated equity	1 Spread, %	0.5 Debt risk premium, %	3.5
Maximum value	3.1 Marketable securities	93 Minimum WACC, %	8.1 Equity beta coefficient	1.40
Minimum value	1.8 Debt - dividend	-594 Maximum WACC, %	9.1 Target debt ratio, %	45
Horizon value, %	42.6 Value of stock	142 Nr of shares, Mn	59.6 Effective tax rate, %	20

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	960	1,025	983	1,020	1,041	1,062	1,083	1,105	1,127	1,149	1,173	1,197
<i>Sales growth, %</i>	-13.8	6.8	-4.1	3.8	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	-20	18	28	35	36	37	38	39	39	40	41	42
<i>EBIT margin, %</i>	-2.1	1.7	2.9	3.4	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
+ Depreciation+amort.	5	12	13	12	13	13	13	14	14	14	14	
- Income taxes	-4	1	2	2	3	3	3	3	3	3	3	
- Change in NWC	-105	3	10	-37	-6	5	5	-5	-6	-6	-6	
<i>NWC / Sales, %</i>	43.5	40.4	41.1	43.2	42.9	41.6	40.3	40.0	39.7	39.4	39.1	
+ Change in other liabs	2	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-15	-13	-13	-13	-13	-13	-13	-14	-14	-14	-15	-15
<i>Investments / Sales, %</i>	1.5	1.2	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
- Other items	-4	20	-4	82	88	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	-139	42	37	82	121	45	46	36	37	37	38	594
= Discounted FCF (DFCF)		40	33	67	91	31	29	21	20	19	17	273
= DFCF min WACC		40	33	68	93	32	30	22	21	19	18	309
= DFCF max WACC		40	33	66	90	30	28	20	19	18	17	243

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2E	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	216	236	209	300	960	223	207	222	373	1,025	983	1,020
EBITDA	-8	-5	-5	3	-15	6	0	7	17	30	41	47
<i>EBITDA margin (%)</i>	-3.7	-2.1	-2.3	1.0	-1.5	2.8	0.0	2.9	4.5	2.9	4.2	4.6
EBIT	-9	-5	-6	0	-20	3	-3	4	14	18	28	35
<i>EBIT margin (%)</i>	-4.1	-2.3	-2.7	0.0	-2.1	1.5	-1.5	1.6	3.7	1.7	2.9	3.4
Net financial items	-3	-4	-3	-6	-17	-4	-8	-4	-4	-20	-17	-17
Pre-tax profit	-12	-10	-9	-6	-37	0	-11	-1	9	-3	11	18
Tax	2	1	1	2	6	-1	2	0	-2	0	1	1
<i>Tax rate (%)</i>	12.3	13.3	10.9	37.1	16.3	-233.3	20.0	20.0	20.0	-7.1	-7.1	-7.1
Net profit	-11	-9	-9	-4	-34	-1	-10	-2	6	-6	8	19
EPS	-0.19	-0.15	-0.15	-0.07	-0.57	-0.02	-0.16	-0.03	0.11	-0.10	0.14	0.32
EPS adjusted (diluted no. of shares)	-0.19	-0.15	-0.15	-0.07	-0.57	-0.02	-0.16	-0.03	0.11	-0.10	0.14	0.32
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.06	0.09
SALES, EURm												
Construction	215	235	208	298	955	222	207	221	372	1,022	978	1,016
Investments	1	1	1	1	5	1	2	1	1	5	5	5
Other	0	0	0	0	0	-1	-1	0	0	-1	0	0
Total	216	236	209	300	960	223	207	222	373	1,025	983	1,020
SALES GROWTH, Y/Y %												
Construction	0.0	0.0	0.0	0.0	0.0	3.3	-11.9	6.4	24.7	6.9	-4.3	3.9
Investments	0.0	0.0	0.0	0.0	0.0	8.3	25.0	0.0	20.0	13.0	-3.8	-10.0
Other	0.0	0.0	0.0	0.0	0.0	100.0		-100.1	-100.0	1,300.0	-100.0	0.0
Group	-100.0	-100.0	-100.0	-100.0	-100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	-3.6	-16.9	-22.1	-11.5	-13.8	3.2	-12.0	6.4	24.6	6.8	-4.1	3.8
EBIT, EURm												
Construction	-3	-1	-2	-7	-13	5	2	6	17	29	35	39
Investments	-6	-3	-4	-5	-18	0	-2	-1	-1	-5	-4	-1
Other	0	-1	0	13	11	-2	-3	0	-1	-7	-3	-3
Total	-9	-5	-6	0	-20	3	-3	4	14	18	28	35
EBIT margin, %												
Construction	-1.5	-0.5	-0.8	-2.5	-1.4	2.2	1.0	2.5	4.5	2.8	3.6	3.8
Investments	-466.7	-241.7	-308.3	-540.0	-382.6	7.7	-126.7	-125.0	-125.0	-92.3	-80.0	-22.2
Other	0.0		399.6	4,333.3	-11,100.0	266.7	400.0			485.7		
Total	-4.1	-2.3	-2.7	0.0	-2.1	1.5	-1.5	1.6	3.7	1.7	2.9	3.4

Construction & Engineering/Finland, July 18, 2019
Spot comment

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	685	719	884	1,114	960	1,025	983	1,020
<i>Sales growth (%)</i>	<i>0.8</i>	<i>5.1</i>	<i>22.9</i>	<i>26.0</i>	<i>-13.8</i>	<i>6.8</i>	<i>-4.1</i>	<i>3.8</i>
Costs	-658	-691	-850	-1,093	-974	-996	-942	-973
Reported EBITDA	27	28	34	21	-15	30	41	47
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	<i>3.9</i>	<i>3.9</i>	<i>3.9</i>	<i>1.9</i>	<i>-1.5</i>	<i>2.9</i>	<i>4.2</i>	<i>4.6</i>
Depreciation	-2	-3	-7	-6	-5	-12	-13	-12
EBITA	25	25	28	15	-20	18	28	35
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	25	25	28	15	-20	18	28	35
<i>EBIT margin (%)</i>	<i>3.6</i>	<i>3.4</i>	<i>3.1</i>	<i>1.4</i>	<i>-2.1</i>	<i>1.7</i>	<i>2.9</i>	<i>3.4</i>
Net financials	-6	-7	-11	-11	-17	-20	-17	-17
Pre-tax profit	18	18	16	5	-37	-3	11	18
Extraordinary items	0	0	0	0	0	0	0	0
Taxes	-4	-4	-2	1	6	0	1	1
Minority shares	0	0	0	0	1	1	0	0
Net profit	10	10	9	2	-34	-6	8	19
BALANCE SHEET, EURm								
Assets								
Fixed assets	152	263	295	287	286	286	286	286
<i>% of sales</i>	<i>22</i>	<i>37</i>	<i>33</i>	<i>26</i>	<i>30</i>	<i>28</i>	<i>29</i>	<i>28</i>
Goodwill	2	2	2	2	2	2	2	2
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Inventory	313	337	400	419	438	390	374	388
<i>% of sales</i>	<i>46</i>	<i>47</i>	<i>45</i>	<i>38</i>	<i>46</i>	<i>38</i>	<i>38</i>	<i>38</i>
Receivables	84	119	122	146	283	291	286	318
<i>% of sales</i>	<i>12</i>	<i>17</i>	<i>14</i>	<i>13</i>	<i>29</i>	<i>28</i>	<i>29</i>	<i>31</i>
Liquid funds	18	35	55	24	93	99	95	99
<i>% of sales</i>	<i>3</i>	<i>5</i>	<i>6</i>	<i>2</i>	<i>10</i>	<i>10</i>	<i>10</i>	<i>10</i>
Total assets	576	763	883	889	1,120	1,086	1,061	1,112
Liabilities								
Equity	180	232	250	238	189	195	201	216
<i>% of sales</i>	<i>26</i>	<i>32</i>	<i>28</i>	<i>21</i>	<i>20</i>	<i>19</i>	<i>20</i>	<i>21</i>
Deferred taxes	2	2	4	5	5	5	5	5
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>0</i>	<i>1</i>	<i>0</i>
Interest bearing debt	270	311	346	366	594	591	570	596
<i>% of sales</i>	<i>39</i>	<i>43</i>	<i>39</i>	<i>33</i>	<i>62</i>	<i>58</i>	<i>58</i>	<i>58</i>
Non-interest bearing current liabilities	114	202	253	252	304	267	256	265
<i>% of sales</i>	<i>17</i>	<i>28</i>	<i>29</i>	<i>23</i>	<i>32</i>	<i>26</i>	<i>26</i>	<i>26</i>
Other interest free debt	0	4	14	18	9	9	9	9
<i>% of sales</i>	<i>0</i>	<i>1</i>	<i>2</i>	<i>2</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>
Total liabilities	576	763	883	889	1,120	1,086	1,061	1,112
CASH FLOW, EURm								
+ EBITDA	27	28	34	21	-15	30	41	47
- Net financial items	-6	-7	-11	-11	-17	-20	-17	-17
- Taxes	-4	-3	-2	0	-1	0	1	1
- Increase in Net Working Capital	39	29	-15	-44	-105	3	10	-37
+/- Other	-8	2	25	-1	-3	21	-4	82
= Cash flow from operations	47	50	31	-35	-134	32	31	76
- Capex	-34	-118	-13	-13	-15	-13	-13	-13
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	18	-76	18	-48	-149	20	19	64
+/- Change in interest-bearing debt	-81	41	35	20	228	-3	-20	26
+/- New issues/buybacks	-3	47	15	-8	-12	13	0	0
- Paid dividend	-4	-4	-6	-6	-4	0	-2	-4
+/- Change in loan receivables	-1	5	-43	10	2	0	0	0
Change in cash	-71	12	19	-33	65	30	-4	86

Construction & Engineering/Finland, July 18, 2019
Spot comment

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	184	322	214	101	101	101	101
Net debt	276	291	343	501	491	475	497
Enterprise value	460	611	555	601	591	574	597
Sales	719	884	1,114	960	1,025	983	1,020
EBITDA	28	34	21	-15	30	41	47
EBIT	25	28	15	-20	18	28	35
Pre-tax	18	16	5	-37	-3	11	18
Earnings	10	9	2	-34	-6	8	19
Book value	231	252	240	191	198	204	219
Valuation multiples							
EV/sales	0.6	0.7	0.5	0.6	0.6	0.6	0.6
EV/EBITDA	16.5	17.9	26.3	-41.1	20.0	14.0	12.7
EV/EBITA	18.8	22.2	36.1	-30.2	33.8	20.4	17.2
EV/EBIT	18.8	22.2	36.1	-30.2	33.8	20.4	17.2
EV/operating cash flow	9.3	19.7	-16.0	-4.9	17.4	10.8	49.0
EV/cash earnings	25.6	29.3	55.7	-18.3	65.4	23.1	19.1
P/E	19.2	35.1	98.6	-3.0	-16.2	12.4	5.3
P/E excl. goodwill	19.2	35.1	98.6	-3.0	-16.2	12.4	5.3
P/B	0.8	1.3	0.9	0.5	0.5	0.5	0.5
P/sales	0.3	0.4	0.2	0.1	0.1	0.1	0.1
P/CF	3.7	10.4	-6.2	-0.8	3.0	1.9	8.3
Target EV/EBIT	0.0	0.0	0.0	0.0	34.0	20.5	17.4
Target P/E	0.0	0.0	0.0	0.0	-17.3	13.2	5.7
Target P/B	0.0	0.0	0.0	0.0	0.5	0.5	0.5
Per share measures							
Number of shares	59,325	59,500	59,500	59,581	59,581	59,581	59,581
Number of shares (diluted)	59,325	59,500	59,500	59,581	59,581	59,581	59,581
EPS	0.16	0.15	0.04	-0.57	-0.10	0.14	0.32
EPS excl. goodwill	0.16	0.15	0.04	-0.57	-0.10	0.14	0.32
Cash EPS	0.30	0.35	0.17	-0.55	0.15	0.42	0.52
Operating cash flow per share	0.84	0.52	-0.59	-2.06	0.57	0.90	0.20
Capital employed per share	5.08	5.55	6.56	8.55	8.50	8.32	8.95
Book value per share	3.90	4.25	4.03	3.21	3.32	3.42	3.68
Book value excl. goodwill	3.87	4.22	4.01	3.18	3.30	3.39	3.65
Dividend per share	0.10	0.10	0.06	0.00	0.04	0.06	0.09
Dividend payout ratio, %	61.8	64.5	164.3	0.0	-38.4	44.1	30.0
Dividend yield, %	3.2	1.8	1.7	0.0	2.4	3.6	5.6
Efficiency measures							
ROE	4.7	3.8	0.9	-15.8	-3.2	4.0	8.9
ROCE	5.1	5.2	3.5	-2.1	3.5	4.4	5.1
Financial ratios							
Capex/sales, %	16.5	1.5	1.2	1.5	1.2	1.3	1.2
Capex/depreciation excl. goodwill,%	3,408.1	199.0	236.8	275.5	104.3	97.4	102.4
Net debt/EBITDA, book-weighted	9.9	8.5	16.2	-34.3	16.6	11.6	10.6
Debt/equity, market-weighted	1.7	1.1	1.7	5.9	5.9	5.7	5.9
Equity ratio, book-weighted	33.3	30.6	29.8	19.0	20.4	21.6	22.0
Gearing	1.19	1.16	1.44	2.66	2.52	2.36	2.30
Number of employees, average	1,008	1,081	1,108	1,057	1,057	1,057	1,057
Sales per employee, EUR	713,492	817,761	1,005,505	908,136	970,185	929,991	965,393
EBIT per employee, EUR	24,306	25,532	13,899	-18,827	16,556	26,687	32,739

COMPANY DESCRIPTION: SRV is a Finnish project management contractor who develops and builds commercial and business premises, residential units as well as infrastructure and logistics projects. The company operates in Finland, Russia and Estonia.

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Kolpi Investments Oy	11,505,457	19.444	19.3%
Kokkila Timo Tapani	7,617,216	12.873	12.8%
Kokkila Tuomas	6,494,422	10.976	10.9%
Kokkila Lauri	6,494,422	10.976	10.9%
Tiiviste-Group Oy	6,411,821	10.836	10.8%
Nordea Life Insurance Finland Ltd.	1,725,685	2.916	2.9%
The State Pension Fund	1,170,000	1.977	2.0%
Ilmarinen Mutual Pension Insurance Company	962,822	1.627	1.6%
SRV Yhtiöt Oyj	918,599	1.552	1.5%
OP-Suomi Value fund	716,666	1.211	1.2%
Ten largest	44,017,110	74.389	74%
Residual	15,563,866	26.303	26%
Total	59,580,976	100.692	100%

EARNINGS CALENDAR

October 31, 2019

Q3 report

OTHER EVENTS

COMPANY MISCELLANEOUS

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Tarvonsalmenkatu 15, Espoo

CFO: Ilkka Pitkänen

Tel: +358 20 145 5200

IR:

DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/Sales	$\frac{\text{Market cap}}{\text{Sales}}$	DPS	Dividend for the financial period per share
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	CEPS	$\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$
P/CF	$\frac{\text{Price per share}}{\text{Operating cash flow per share}}$	EV/Share	$\frac{\text{Enterprise value}}{\text{Number of shares}}$
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	Sales/Share	$\frac{\text{Sales}}{\text{Number of shares}}$
Net debt	Interest bearing debt – financial assets	EBITDA/Share	$\frac{\text{Earnings before interest, tax, depreciation and amortisation}}{\text{Number of shares}}$
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	EBIT/Share	$\frac{\text{Operating profit}}{\text{Number of shares}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortisation}}$	EAFI/Share	$\frac{\text{Pretax profit}}{\text{Number of shares}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Capital employed/Share	$\frac{\text{Total assets} - \text{non interest bearing debt}}{\text{Number of shares}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Total assets	Balance sheet total
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Interest coverage (x)	$\frac{\text{Operating profit}}{\text{Financial items}}$
Net cash/Share	$\frac{\text{Financial assets} - \text{interest bearing debt}}{\text{Number of shares}}$	Asset turnover (x)	$\frac{\text{Turnover}}{\text{Balance sheet total (average)}}$
ROA, %	$\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balance sheet total} - \text{interest free short term debt} - \text{long term advances received and accounts payable (average)}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non interest bearing debt (average)}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest free loans}}$
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year

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Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.

Recommendation	Percentage
Sell	8%
Hold	53%
Buy	39%

The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. If recommendation is not given, it is not mentioned here.

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

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