

Short-term losses for long-term gains

SRV's Q4 results were on paper rather catastrophic due to significant impairment charges relating mainly to the REDI shopping centre, with the Q4 operative operating profit at EUR -87.2m (Evli EUR 2.3m). SRV announced a series of measures to strengthen its financial position, that on a short-term perspective appear unfavourable, but will benefit SRV in the coming years. We retain our HOLD-rating with a target price of EUR 1.30.

Earnings clearly in the red due to impairment charges

SRV's Q4 revenue amounted to EUR 403.8m (Evli 370.2m) and operative operating profit to EUR -87.2m (Evli 2.3m). Q4 included impairment charges of EUR 92.9m, relating mainly to the REDI shopping centre, as SRV has agreed to divest its ownership. Although the Q4 results on paper were rather catastrophic, construction margins (excluding one-off charges) were in fact clearly better than we had expected, supported at least partly by the higher than expected revenue.

Taking measures to improve financial situation

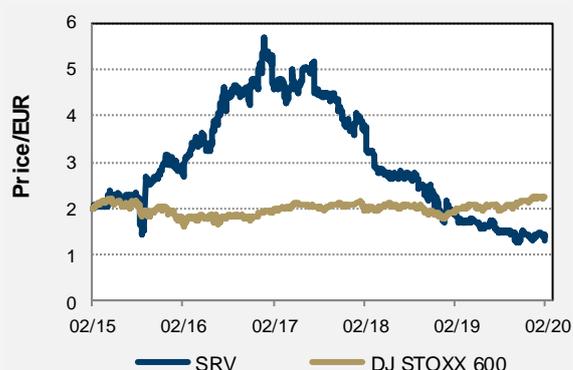
SRV announced a series of measures to strengthen its financial position, of which the in our view in the near-term most important include the divestment of the ownership in the REDI shopping centre and a larger part of the Tampere Deck and Arena project, which should have a near-term positive cash flow impact of some EUR 45m. The measures do not appear favourable in the short-term but are in our view a positive sign as SRV is under CEO Saku Sipola clearly looking to create a more sustainable financial situation and improve operational performance.

HOLD with a target price of EUR 1.3

Our SOTP values SRV at EUR 1.9 per share. The valuation is still highly dependent on improvement in the construction business profitability, which we have yet to see significant proof of. The financial situation is still somewhat challenging even with the measures announced and as such the investment risks remain elevated. We retain our HOLD-rating and target price of EUR 1.3

Rating

HOLD



Share price, EUR (Last trading day's closing price) 1.30

Target price, EUR 1.3

Latest change in recommendation	18-Sep-18
Latest report on company	01-Nov-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	77
Free float, %	33.2
Exchange rate	1.000
Reuters code	SRV1V.HE
Bloomberg code	SRV1V FH
Average daily volume, EURm	0.06
Next interim report	29-Apr-20
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
2018	959.9	-19.9	-2.1%	10.7	-0.57	-3.0	0.6	-30.2	10.6	0.00
2019	1,061.0	-93.1	-8.8%	-69.6	-1.80	-0.7	0.5	-6.2	-89.9	0.00
2020E	975.3	11.1	1.1%	83.3	-0.33	-4.0	0.6	50.9	107.6	0.00
2021E	966.3	19.9	2.1%	60.9	-0.12	-10.9	0.6	29.7	78.7	0.00
2022E	962.7	24.7	2.6%	-1.8	-0.05	-23.7	0.6	24.0	-2.3	0.05
Market cap, EURm	77 Gearing 2020E, %			257.8 CAGR EPS 2019-22, %			-68.8			
Net debt 2020E, EURm	489 Price/book 2020E			1.0 CAGR sales 2019-22, %			-3.2			
Enterprise value, EURm	565 Dividend yield 2020E, %			0.0 ROE 2020E, %			-22.7			
Total assets 2020E, EURm	891 Tax rate 2020E, %			20.0 ROCE 2020E, %			3.1			
Goodwill 2020E, EURm	2 Equity ratio 2020E, %			20.7 PEG, P/E 20/CAGR			0.0			

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

<p>Measures announced in Q4 – our key takes</p>	<p>SRV announced a series of measures to improve its financial situation. SRV has agreed to sell its ownership in the REDI shopping centre as well as part of its ownership in the Tampere Deck and Arena -project. SRV is further planning two separate rights issues and making changes to its revolving credit facility.</p>
<p>Selling REDI shopping centre ownership and part of Tampere Deck and Arena -project</p>	<p>SRV will sell its 40% stake in the REDI shopping centre. As a result, an EUR 71.5m impairment charge was recorded in Q4. The sale includes an earn-out and the final purchase price will be determined when the property is divested by the new owners within seven years. The near-term cash flow impact will be some EUR 21m, including the purchase price and certain receivables. SRV recorded a EUR 13.5m earn-out, of the EUR 50m maximum. SRV has further sold part of its ownership in the Tampere Deck and Arena project (remaining share after divestment approx. 8.33%) and Ranta-Tampella apartment project. The near-term cash flow impact will be some EUR 23m. SRV will further be released from EUR 15m investment commitments.</p>
<p>Two separate rights issues</p>	<p>Two separate rights issues have been agreed upon, conditional to AGM approval, totaling approx. EUR 141m. The first would be a directed share issue corresponding to the nominal amount of the hybrid notes and accrued interest, approx. EUR 91m, and would be offered to hybrid note holders in order to convert the hybrid notes into shares. Commitments have so far been received for approx. EUR 57m in principal and accrued interest. The commitments have been issued with a subscription price of EUR 1.05 per share. The second share issue would be a rights issue of up to EUR 50m. SRV has received commitments amounting to EUR 40m. With commitments from shareholders holding more than two thirds of company shares the rights issues are basically a certainty.</p>
<p>Amendments to SRV's revolving credit facility</p>	<p>SRV and its principal lenders have signed a term sheet for conversion of the existing EUR 100m revolving credit facility into two separate revolving credit facilities of EUR 60m and EUR 40m. The currently drawn EUR 60m will be converted into two new facilities, with EUR 20m maturing in Jan 2021 and EUR 40m in Jan 2022. The currently undrawn portion of EUR 40 million under the existing revolving credit facility will be converted into a revolving credit facility available for use by SRV Construction Ltd and its subsidiaries to finance projects to be separately agreed.</p>
<p>Impact of planned measures</p>	<p>SRV's equity ratio will improve to a level of approximately 35 to 38 per cent and its net gearing (without the effect of IFRS 16) will improve to approximately 75 to 85 per cent. The cash-flow effect of the contemplated actions, if materialized, will be positive by approximately EUR 95 million (approx. 45m from sales proceeds and 50m second rights issue).</p>
<p>Planning changes to strategy</p>	<p>SRV also floated plans to review its strategy and financial objectives during 2020. We expect to see SRV review the selection criteria of projects and focus more on the construction business. A renewed strategy will in our view not include construction projects of similar scale as the REDI project and the developer-contracting construction business will possibly have a smaller role due to the tie-up of capital. SRV will likely have to bring down its 8% operative operating profit margin target (6% from construction and 2% from shopping centre and associated company income) as the investment business is diminishing with the announced measures to be taken.</p>

SRV	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19	2019	Q1/'20E	Q2/'20E	Q3/'20E	Q4/'20E	2020E	2021E	2022E
Revenue	959.6	222.6	207.4	227.1	403.9	1 060.9	187.1	243.4	205.9	339.0	975.3	966.3	962.7
change, %	-13.9%	3.2%	-12.0%	8.9%	34.7%	10.6%	-16.0%	17.4%	-9.3%	-16.1%	-8.1%	-0.9%	-0.4%
Operative operating profit	-10.1	0.5	-3.1	-7.0	-87.2	-96.9	0.6	3.1	1.6	5.8	11.1	19.9	24.7
-margin	-1.1%	0.2%	-1.5%	-3.1%	-21.6%	-9.1%	0.3%	1.3%	0.8%	1.7%	1.1%	2.1%	2.6%
Items affecting comparability*	-9.8	2.8	0.0	0.6	0.4	3.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit	-19.9	3.3	-3.2	-6.3	-86.8	-93.0	0.6	3.1	1.6	5.8	11.1	19.9	24.7
-margin	-2.1%	1.5%	-1.5%	-2.8%	-21.5%	-8.8%	0.3%	1.3%	0.8%	1.7%	1.1%	2.1%	2.6%
Net financials	-17.5	-3.6	-7.7	-7.6	-10.4	-29.3	-6.0	-6.0	-6.0	-6.0	-24.0	-20.0	-20.0
Pre-tax profit	-37.3	-0.3	-10.8	-14.0	-97.2	-122.4	-5.4	-2.9	-4.4	-0.2	-12.9	-0.1	4.7
Income taxes	6.1	0.7	1.9	2.3	13.8	18.7	1.1	0.6	0.9	0.0	2.6	0.0	-0.9
Non-controlling interest	1.1	-0.7	0.0	-0.1	0.1	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	-30.1	-0.4	-9.0	-11.7	-83.3	-104.4	-4.4	-2.3	-3.5	-0.2	-10.3	-0.1	3.7
EPS rep.**	-0.56	-0.02	-0.18	-0.22	-1.43	-1.85	-0.09	-0.05	-0.07	-0.02	-0.19	-0.01	0.05
Construction	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19	2019	Q1/'20E	Q2/'20E	Q3/'20E	Q4/'20E	2020E	2021E	2022E
Revenue	955.4	221.9	206.7	225.9	403.1	1 057.6	186.3	242.7	205.1	338.2	972.3	963.3	959.7
change, %		3.4%	-11.9%	8.8%	35.0%	10.7%	-16.0%	17.4%	-9.2%	-16.1%	-8.1%	-0.9%	-0.4%
Business construction	666.3	145.4	162.6	171.2	200.5	679.7	151.0	162.2	171.0	183.8	668.0	634.6	644.1
change, %	-7.0%	-6.4%	-2.5%	6.8%	9.0%	2.0%	3.9%	-0.3%	-0.1%	-8.3%	-1.7%	-5.0%	1.5%
Housing construction	289.1	77.0	43.6	54.7	202.6	377.9	35.3	80.5	34.1	154.4	304.3	328.7	315.5
change, %	-23.9%	29.8%	-35.7%	15.4%	76.8%	30.7%	-54.2%	84.7%	-37.6%	-23.8%	-19.5%	8.0%	-4.0%
Operating profit	-13.4	4.8	2.0	-3.5	3.6	6.9	3.4	5.9	4.4	9.6	23.3	28.9	31.7
-margin	-1.4%	2.2%	1.0%	-1.5%	0.9%	0.7%	1.8%	2.4%	2.2%	2.8%	2.4%	3.0%	3.3%
Investments	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19	2019	Q1/'20E	Q2/'20E	Q3/'20E	Q4/'20E	2020E	2021E	2022E
Revenue	4.6	1.3	1.5	1.4	1.7	5.9	1.3	1.3	1.3	1.3	5.0	5.0	5.0
change, %		8.3%	25.0%	16.7%	70.0%	28.3%	-3.8%	-16.7%	-10.7%	-26.5%	-15.3%	0.0%	0.0%
Operative operating profit	-7.8	-2.7	-1.9	-3.7	-87.9	-96.2	-1.8	-1.8	-1.8	-1.8	-7.2	-4.0	-2.0
Items affecting comparability*	-9.8	2.8	0.0	0.6	0.4	3.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit	-17.6	0.1	-1.9	-3.1	-87.5	-92.4	-1.8	-1.8	-1.8	-1.8	-7.2	-4.0	-2.0
Other operations and elim.	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19	2019	Q1/'20E	Q2/'20E	Q3/'20E	Q4/'20E	2020E	2021E	2022E
Revenue	-0.4	-0.6	-0.8	-0.3	-0.9	-2.6	-0.5	-0.5	-0.5	-0.5	-2.0	-2.0	-2.0
Operating profit	11.1	-1.6	-3.2	0.2	-2.9	-7.6	-1.0	-1.0	-1.0	-2.0	-5.0	-5.0	-5.0

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

VALUATION						
	METRIC	Est, EURm	Multiple	EV	Per share	Comments
Operations in Finland	EV/EBIT 20E	23	10.7x	249	4.2	Constr. peers, 20% disc.
Pearl Plaza	NPV	18	1x	18	0.3	Exit '20, yld. 10.5 %
4Daily	NPV	7	1x	7	0.1	Exit '21, yld. 10 %
Okhta mall	NPV	79	1x	79	1.3	Exit '22, yld. 10 %
Etmia II	BV	3	1x	3	0.1	Evli est.
International op. plots	BV	75	0.5x	43	0.7	2019E
Other operations		5	10x	50	0.8	
Other				60	1.0	Incl. 20E receivables + RED1
Net debt				-394	-6.6	2019, incl. hybrid
Equity value	SOTP			114	1.9	

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1E	2020Q2E	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	222.6	207.4	227.1	403.9	1,061.0	187.1	243.4	205.9	339.0	975.3	966.3	962.7
EBITDA	6.1	-0.8	-2.0	-6.4	-3.1	3.6	6.1	4.6	9.3	23.6	31.4	36.1
<i>EBITDA margin (%)</i>	<i>2.7</i>	<i>-0.4</i>	<i>-0.9</i>	<i>-1.6</i>	<i>-0.3</i>	<i>1.9</i>	<i>2.5</i>	<i>2.3</i>	<i>2.7</i>	<i>2.4</i>	<i>3.2</i>	<i>3.7</i>
EBIT	3.3	-3.1	-6.4	-86.9	-93.1	0.6	3.1	1.6	5.8	11.1	19.9	24.7
<i>EBIT margin (%)</i>	<i>1.5</i>	<i>-1.5</i>	<i>-2.8</i>	<i>-21.5</i>	<i>-8.8</i>	<i>0.3</i>	<i>1.3</i>	<i>0.8</i>	<i>1.7</i>	<i>1.1</i>	<i>2.1</i>	<i>2.6</i>
Net financial items	-3.6	-7.7	-7.6	-10.4	-29.3	-6.0	-6.0	-6.0	-6.0	-24.0	-20.0	-20.0
Pre-tax profit	-0.3	-10.8	-14.0	-97.3	-122.4	-5.4	-2.9	-4.4	-0.2	-12.9	-0.1	4.7
Tax	0.7	1.9	2.3	13.8	18.7	1.1	0.6	0.9	0.0	2.6	0.0	-0.9
<i>Tax rate (%)</i>	<i>233.3</i>	<i>17.6</i>	<i>16.4</i>	<i>14.2</i>	<i>15.3</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0.1	-9.8	-12.6	-84.7	-107.2	-6.6	-4.6	-5.8	-2.4	-19.4	-7.1	-3.3
EPS	0.00	-0.17	-0.21	-1.42	-1.80	-0.11	-0.08	-0.10	-0.04	-0.33	-0.12	-0.05
EPS adjusted (diluted no. of shares)	0.00	-0.17	-0.21	-1.42	-1.80	-0.11	-0.08	-0.10	-0.04	-0.33	-0.12	-0.05
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05
SALES, EURm												
Construction	221.9	206.7	226.0	403.1	1,057.7	186.3	242.7	205.1	338.2	972.3	963.3	959.7
Investments	1.3	1.5	1.4	1.7	5.9	1.3	1.3	1.3	1.3	5.0	5.0	5.0
Other	-0.6	-0.8	-0.3	-0.9	-2.6	-0.5	-0.5	-0.5	-0.5	-2.0	-2.0	-2.0
Total	222.6	207.4	227.1	403.9	1,061.0	187.1	243.4	205.9	339.0	975.3	966.3	962.7
SALES GROWTH, Y/Y %												
<i>Construction</i>	<i>3.3</i>	<i>-11.9</i>	<i>8.9</i>	<i>35.1</i>	<i>10.7</i>	<i>-16.0</i>	<i>17.4</i>	<i>-9.2</i>	<i>-16.1</i>	<i>-8.1</i>	<i>-0.9</i>	<i>-0.4</i>
<i>Investments</i>	<i>8.3</i>	<i>25.0</i>	<i>16.7</i>	<i>70.0</i>	<i>28.3</i>	<i>-3.8</i>	<i>-16.7</i>	<i>-10.7</i>	<i>-26.5</i>	<i>-15.3</i>	<i>0.0</i>	<i>0.0</i>
<i>Other</i>	<i>100.0</i>	<i>0.0</i>	<i>200.0</i>	<i>-400.0</i>	<i>2,500.0</i>	<i>-16.7</i>	<i>-37.5</i>	<i>66.7</i>	<i>-44.4</i>	<i>-23.1</i>	<i>0.0</i>	<i>0.0</i>
Total	3.2	-12.0	8.8	34.8	10.5	-16.0	17.4	-9.3	-16.1	-8.1	-0.9	-0.4
EBIT, EURm												
Construction	4.8	2.0	-3.5	3.7	7.0	3.4	5.9	4.4	9.6	23.3	28.9	31.7
Investments	0.1	-1.9	-3.1	-87.6	-92.5	-1.8	-1.8	-1.8	-1.8	-7.2	-4.0	-2.0
Other	-1.6	-3.2	0.2	-3.0	-7.6	-1.0	-1.0	-1.0	-2.0	-5.0	-5.0	-5.0
Total	3.3	-3.1	-6.4	-86.9	-93.1	0.6	3.1	1.6	5.8	11.1	19.9	24.7
EBIT margin, %												
<i>Construction</i>	<i>2.2</i>	<i>1.0</i>	<i>-1.5</i>	<i>0.9</i>	<i>0.7</i>	<i>1.8</i>	<i>2.4</i>	<i>2.2</i>	<i>2.8</i>	<i>2.4</i>	<i>3.0</i>	<i>3.3</i>
<i>Investments</i>	<i>7.7</i>	<i>-126.7</i>	<i>-221.4</i>	<i>-5,152.9</i>	<i>-1,567.8</i>	<i>-144.0</i>	<i>-144.0</i>	<i>-144.0</i>	<i>-144.0</i>	<i>-144.0</i>	<i>-80.0</i>	<i>-40.0</i>
<i>Other</i>	<i>266.7</i>	<i>400.0</i>	<i>-66.7</i>	<i>333.3</i>	<i>292.3</i>	<i>200.0</i>	<i>200.0</i>	<i>200.0</i>	<i>400.0</i>	<i>250.0</i>	<i>250.0</i>	<i>250.0</i>
Total	1.5	-1.5	-2.8	-21.5	-8.8	0.3	1.3	0.8	1.7	1.1	2.1	2.6

Construction & Engineering/Finland, February 7, 2020
Company update

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	719.2	884.0	1,114.1	959.9	1,061.0	975.3	966.3	962.7
<i>Sales growth (%)</i>	<i>5.1</i>	<i>22.9</i>	<i>26.0</i>	<i>-13.8</i>	<i>10.5</i>	<i>-8.1</i>	<i>-0.9</i>	<i>-0.4</i>
EBITDA	28.0	34.2	21.1	-14.6	-3.1	23.6	31.4	36.1
<i>EBITDA margin (%)</i>	<i>3.9</i>	<i>3.9</i>	<i>1.9</i>	<i>-1.5</i>	<i>-0.3</i>	<i>2.4</i>	<i>3.2</i>	<i>3.7</i>
Depreciation	-3.5	-6.6	-5.7	-5.3	-90.0	-12.5	-11.5	-11.4
EBITA	24.5	27.6	15.4	-19.9	-93.1	11.1	19.9	24.7
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	24.5	27.6	15.4	-19.9	-93.1	11.1	19.9	24.7
<i>EBIT margin (%)</i>	<i>3.4</i>	<i>3.1</i>	<i>1.4</i>	<i>-2.1</i>	<i>-8.8</i>	<i>1.1</i>	<i>2.1</i>	<i>2.6</i>
Reported EBIT	24.5	27.6	15.4	-19.9	-14.7	11.1	19.9	24.7
<i>EBIT margin (reported) (%)</i>	<i>3.4</i>	<i>3.1</i>	<i>1.4</i>	<i>-2.1</i>	<i>-1.4</i>	<i>1.1</i>	<i>2.1</i>	<i>2.6</i>
Net financials	-6.9	-11.3	-10.7	-17.5	-29.3	-24.0	-20.0	-20.0
Pre-tax profit	17.6	16.3	4.7	-37.4	-122.4	-12.9	-0.1	4.7
Taxes	-3.6	-2.1	1.2	6.1	18.7	2.6	0.0	-0.9
Minority shares	0.0	0.0	0.2	1.1	0.7	0.0	0.0	0.0
Net profit	9.6	9.2	2.2	-34.1	-28.8	-19.4	-7.1	-3.3
Cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	78.4	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	263	295	287	273	122	122	122	122
Goodwill	2	2	2	2	2	2	2	2
Right of use assets	0	0	0	173	149	137	136	135
Inventory	337	400	419	438	372	342	339	338
Receivables	119	122	146	122	204	193	214	214
Liquid funds	35	55	24	93	28	59	77	77
Total assets	763	883	889	1,120	913	891	926	923
Liabilities								
Shareholder's equity	231	252	240	191	95	77	70	66
Minority interest	1	-2	-2	-3	-2	-2	-2	-2
Convertibles	45	45	45	45	83	83	83	0
Lease liabilities	0	0	0	174	150	137	136	135
Deferred taxes	2	4	5	5	3	3	3	3
Interest bearing debt	266	301	321	375	300	328	374	459
Non-interest bearing current liabilities	202	253	252	304	244	225	222	222
Other interest-free debt	4	14	18	9	21	21	21	21
Total liabilities	763	883	889	1,120	914	891	926	923
CASH FLOW, EURm								
+ EBITDA	28	34	21	-15	-3	24	31	36
- Net financial items	-7	-11	-11	-17	-29	-24	-20	-20
- Taxes	-3	-2	0	-1	-1	3	0	-1
- Increase in Net Working Capital	29	-15	-44	56	-75	21	-20	1
+/- Other	-3	15	2	2	-3	60	80	-7
= Cash flow from operations	44	21	-33	26	-112	83	71	9
- Capex	-118	-13	-24	-15	43	0	-10	-11
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-74	8	-57	11	-70	83	61	-2
+/- New issues/buybacks	42	15	-8	-12	-67	1	0	0
- Paid dividend	0	-6	-6	-4	0	0	0	0
+/- Other	49	2	40	75	71	-54	-42	1
Change in cash	17	20	-31	70	-65	31	19	0

Construction & Engineering/Finland, February 7, 2020
Company update

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	322	214	101	77	77	77	77
Net debt (excl. convertibles)	246	298	456	422	406	432	517
Enterprise value	611	555	601	581	565	590	592
Sales	884	1,114	960	1,061	975	966	963
EBITDA	34	21	-15	-3	24	31	36
EBIT	28	15	-20	-93	11	20	25
Pre-tax	16	5	-37	-122	-13	0	5
Earnings	9	2	-34	-107	-19	-7	-3
Equity book value (excl. minorities)	252	240	191	95	77	70	66
Valuation multiples							
EV/sales	0.7	0.5	0.6	0.5	0.6	0.6	0.6
EV/EBITDA	17.9	26.3	-41.1	-187.4	23.9	18.8	16.4
EV/EBITA	22.2	36.1	-30.2	-6.2	50.9	29.7	24.0
EV/EBIT	22.2	36.1	-30.2	-6.2	50.9	29.7	24.0
EV/OCF	28.8	-17.1	23.5	-5.2	6.8	8.3	65.0
EV/FCFF	-20.4	-10.6	26.3	-11.3	5.8	7.3	30.8
P/FCFE	40.1	-3.8	9.5	-1.1	0.9	1.3	-44.3
P/E	35.1	98.6	-3.0	-0.7	-4.0	-10.9	-23.7
P/B	1.3	0.9	0.5	0.8	1.0	1.1	1.2
Target EV/EBITDA	0.0	0.0	0.0	0.0	23.9	18.8	16.4
Target EV/EBIT	0.0	0.0	0.0	0.0	50.9	29.7	24.0
Target EV/FCF	0.0	0.0	0.0	0.0	6.8	9.7	-338.3
Target P/B	0.0	0.0	0.0	0.0	1.0	1.1	1.2
Target P/E	0.0	0.0	0.0	0.0	-4.0	-10.9	-23.7
Per share measures							
Number of shares	59,500	59,500	59,581	59,581	59,581	59,581	59,581
Number of shares (diluted)	59,500	59,500	59,581	59,581	59,581	59,581	59,581
EPS	0.15	0.04	-0.57	-1.80	-0.33	-0.12	-0.05
Operating cash flow per share	0.36	-0.55	0.43	-1.89	1.40	1.19	0.15
Free cash flow per share	0.14	-0.96	0.18	-1.17	1.40	1.02	-0.03
Book value per share	4.25	4.03	3.21	1.59	1.29	1.17	1.11
Dividend per share	0.10	0.06	0.00	0.00	0.00	0.00	0.05
Dividend payout ratio, %	64.5	164.3	0.0	0.0	0.0	0.0	-91.2
Dividend yield, %	1.8	1.7	0.0	0.0	0.0	0.0	3.8
FCF yield, %	2.5	-26.6	10.6	-89.9	107.6	78.7	-2.3
Efficiency measures							
ROE	3.8	0.9	-15.8	-74.9	-22.7	-9.7	-4.8
ROCE	5.2	3.5	-2.1	-12.1	3.1	4.4	5.0
Financial ratios							
Inventories as % of sales	45.3	37.6	45.7	35.1	35.1	35.1	35.1
Receivables as % of sales	13.7	13.1	12.7	19.2	19.8	22.2	22.2
Non-interest bearing liabilities as % of sales	28.7	22.7	31.7	23.0	23.0	23.0	23.0
NWC/sales, %	30.4	28.0	26.7	31.3	31.8	34.2	34.3
Operative CAPEX/sales, %	1.5	2.2	1.5	-4.0	0.0	1.1	1.1
CAPEX/sales (incl. acquisitions), %	1.5	2.2	1.5	-4.0	0.0	1.1	1.1
FCFF/EBITDA	-0.9	-2.5	-1.6	16.6	4.1	2.6	0.5
Net debt/EBITDA, book-weighted	7.2	14.1	-31.2	-136.2	17.2	13.8	14.3
Debt/equity, market-weighted	0.9	1.5	3.7	3.9	4.2	4.8	5.3
Equity ratio, book-weighted	36.1	35.5	23.6	22.4	20.7	18.9	8.1
Gearing, %	83.4	105.0	195.1	240.4	257.8	287.1	803.3

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. The company is also an investor in and manager of several shopping centres. The company operates in Finland and Russia.

INVESTMENT CASE: SRV's road has been bumpy in the past few years and earnings have been in the red despite a construction boom and record high revenue levels. The expected slow-down in construction volumes should alleviate supply chain pressures and along with profitability improvement measures to be taken support bottom-line figures. Successful exits from developed shopping centres remain crucial in improving the company's balance sheet.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Kolpi Investments Oy	11,505,457	14.957	19.3%
Kokkila Timo Tapani	7,617,216	9.902	12.8%
Kokkila Tuomas	6,494,422	8.443	10.9%
Kokkila Lauri	6,494,422	8.443	10.9%
Tiiviste-Group Oy	6,111,821	7.945	10.3%
Nordea Life Insurance Finland Ltd.	1,720,685	2.237	2.9%
The State Pension Fund	1,170,000	1.521	2.0%
Ilmarinen Mutual Pension Insurance Company	962,822	1.252	1.6%
SRV Yhtiöt Oyj	918,599	1.194	1.5%
OP-Suomi Value fund	716,666	0.932	1.2%
Ten largest	43,712,110	56.826	73%
Residual	15,868,866	20.630	27%
Total	59,580,976	77.455	100%

EARNINGS CALENDAR

April 29, 2020	Q1 report
July 21, 2020	Q2 report
October 29, 2020	Q3 report

OTHER EVENTS

March 26, 2020	AGM
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COMPANY MISCELLANEOUS

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CFO: Ilkka Pitkänen	Tel: +358 20 145 5200
IR:	

DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
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
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

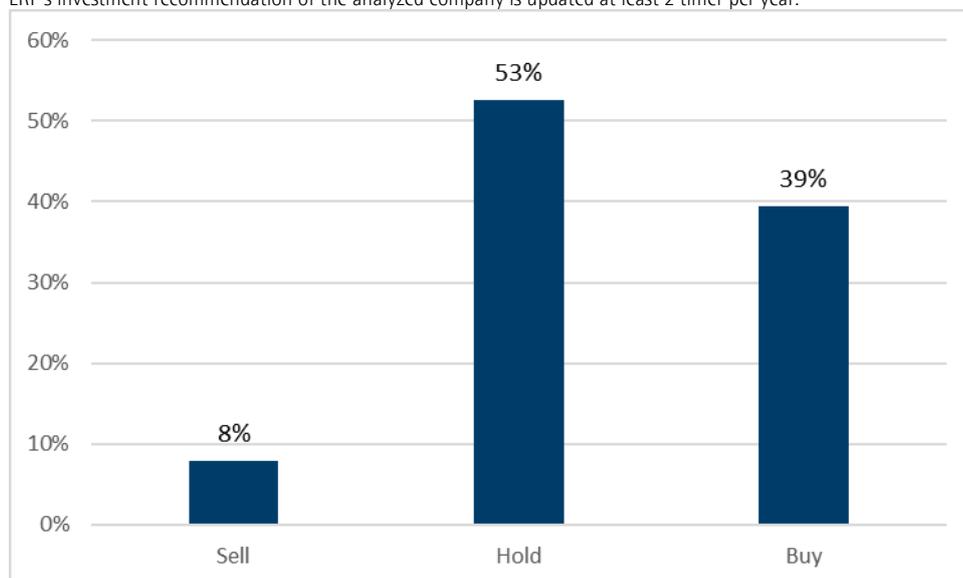
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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