

## Results neither good nor bad

SRV's net sales in Q3 amounted to EUR 209.9m, below our and consensus estimates (EUR 223.6m/234.0m Evli/cons.). EBIT amounted to EUR 1.7m, below our estimates and consensus estimates (EUR 2.9m/3.0m Evli/cons.).

- Revenue in Q3 was EUR 209.9m (EUR 227.1m in Q3/19), below our estimates and consensus estimates (EUR 223.6m/234.0m Evli/Cons.). Growth in Q3 amounted to -7.6% y/y.
- Operating profit in Q3 amounted to EUR 1.7m (EUR -7.0m in Q3/19), below our estimates and consensus estimates (EUR 2.9m/3.0m Evli/cons.), at a margin of 0.8%. The operative operating profit clearly beat our estimates at EUR 7.1m (Evli EUR 2.9m). The operating profit was positively affected by the cancellation of a EUR 3.1m provision for expenses that were recognized due to a ruling by a Russian court as well as lower rents from shopping centres due to the pandemic.
- EPS in Q3 amounted to EUR -0.01, in line with our estimates and consensus estimates (EUR -0.01 Evli/cons.).
- Construction: Revenue in Q3 was EUR 209.1m vs. EUR 222.9m Evli. Operating profit in Q3 amounted to EUR 5.2m vs. EUR 5.4m Evli.
- Investments: Revenue in Q3 was EUR 1.1m vs. EUR 1.2m Evli. Operating profit in Q3 amounted to EUR -3.8m vs. EUR -1.5m Evli.
- Other operations and elim.: Revenue in Q3 was EUR -0.3m vs. EUR -0.5m Evli. Operating profit in Q3 amounted to EUR 0.3m vs. EUR -1.0m Evli.
- The order backlog amounted to EUR 1,280m, down 19.6% y/y. Order intake in Q3 was EUR 154.4m, 25% more than in the comparison period.

### Rating

BUY

| Q3/20     | Actual | Evli  | Consensus | Q3/19    |
|-----------|--------|-------|-----------|----------|
| Net sales | 209.9  | 223.6 | 234.0     | 227.1    |
| EBIT      | 1.7    | 2.9   | 3.0       | -6.4     |
| Adj. EBIT | 7.1    | 2.9   |           | -7.0     |
| EPS       | -0.01  | -0.01 | -0.01     | -0.21    |
| Deviation | Actual | Evli  | Consensus | Year ago |
| Net sales |        | -6%   | -10%      | -8%      |
| EBIT      |        | -41%  | -43%      | -        |
| Adj. EBIT |        | >100% |           | -        |
| EPS       |        | -29%  | 0%        | 95%      |

\*Consensus by Bloomberg

|   |                          |
|---|--------------------------|
| Share price, EUR (Last trading day's closing price) | 0.56                     |
| Target price, EUR                                   | 0.66                     |
| Latest change in recommendation                     | 22-Jul-20                |
| Latest report on company                            | 22-Jul-20                |
| Research paid by issuer:                            | YES                      |
| No. of shares outstanding, '000's                   | 263,017                  |
| No. of shares fully diluted, '000's                 | 263,017                  |
| Market cap, EURm                                    | 147                      |
| 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-Oct-20                |
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BUY HOLD SELL

### PRE-REPORT KEY FIGURES

|                          | Sales<br>EURm | EBIT<br>EURm | EBIT<br>%               | FCF<br>EURm | EPS<br>EUR | P/E<br>(x)            | EV/Sales<br>(x) | EV/EBIT<br>(x) | FCF yield<br>% | DPS<br>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%                   | -36.9       | -1.80      | -0.8                  | 0.6             | -6.3           | -45.6          | 0.00       |
| 2020E                    | 1,008.8       | 16.2         | 1.6%                    | 69.9        | -0.04      | -13.5                 | 0.5             | 30.6           | 47.5           | 0.00       |
| 2021E                    | 1,021.0       | 24.5         | 2.4%                    | -7.4        | 0.01       | 67.9                  | 0.5             | 20.5           | -5.0           | 0.00       |
| 2022E                    | 996.9         | 27.7         | 2.8%                    | 70.8        | 0.03       | 20.7                  | 0.5             | 17.5           | 48.1           | 0.01       |
| Market cap, EURm         |               | 147          | BV per share 2020E, EUR |             | 182.9      | CAGR EPS 2019-22, %   |                 |                |                | 0.0        |
| Net debt 2020E, EURm     |               | 350          | Price/book 2020E        |             | 0.8        | CAGR sales 2019-22, % |                 |                |                | -2.1       |
| Enterprise value, EURm   |               | 495          | Dividend yield 2020E, % |             | 0.0        | ROE 2020E, %          |                 |                |                | -7.5       |
| Total assets 2020E, EURm |               | 888          | Tax rate 2020E, %       |             | -12.2      | ROCE 2020E, %         |                 |                |                | 3.6        |
| Goodwill 2020E, EURm     |               | 2            | Equity ratio 2020E, %   |             | 25.8       | PEG, P/E 20/CAGR      |                 |                |                | 0.0        |

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

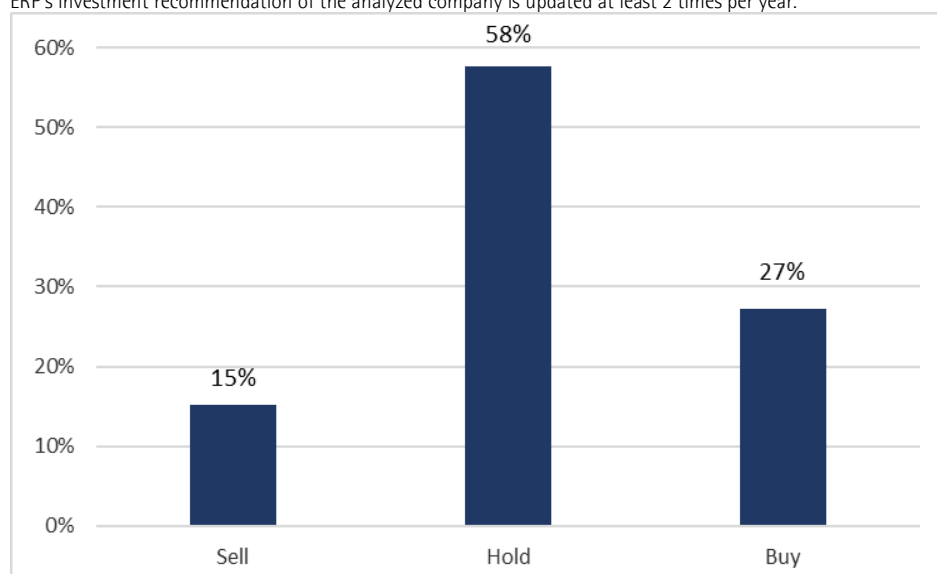
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| Target price compared to share price | Recommendation |
|--------------------------------------|----------------|
| < -10 %                              | SELL           |
| -10 – (+10) %                        | HOLD           |
| > 10 %       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

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The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

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