

Downgrade to HOLD

SRV's Q4 results were on the weaker side but operatively slightly above our estimates. With the current uncertainties we struggle to see realization of valuation upside and downgrade to HOLD (BUY) with a TP of EUR 0.54 (0.60).

Operatively slightly better than expected

SRV reported Q4 results, which operatively in fact slightly beat our estimates. Revenue amounted to EUR 336.3m (EUR 316.0m/316.0m Evli/Cons.) while the operative operating profit amounted to EUR -4.6m (Evli EUR -5.5m). The operating profit however fell below expectations to EUR -11.5m (EUR -5.5m/-0.8m Evli/cons.). SRV also wrote down the entire value of its holdings and receivables relating to the shopping centre 4Daily, due to weak occupancy rates and profitability, which had an EUR 6.1m negative impact on financial expenses. The company estimates revenue in 2022 to amount to EUR 800-950m and operative operating profit to improve on 2021. The profitability guidance could have signalled more strength but reflects the current market uncertainties.

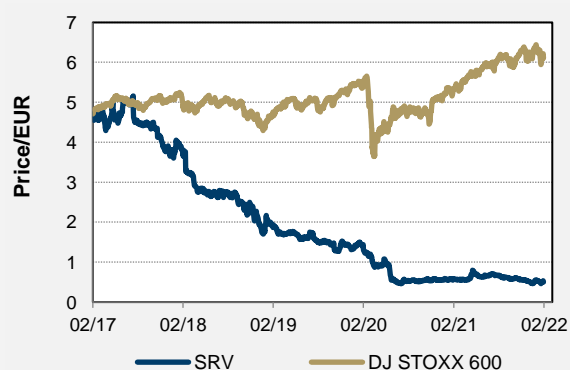
Profitability potential but also uncertainties

We now expect revenue of EUR 863.8m (prev. EUR 938.5m) and operative operating profit of EUR 21.0m (prev. 29.1m). We expect revenue to decline within housing construction given the still low number of developer contracted housing unit start-ups. Uncertainty relating to profitability development is quite high. Development could be substantial y/y, as the implied underlying profitability excl. the Tampere Areena project in 2021 would have been fair. The situation with construction material pricing and availability however still poses a risk. Lower volumes and fewer expected potentially higher margin developer contracted housing unit completions are also to be taken into consideration.

HOLD (BUY) with a target price of EUR 0.54 (0.60)

On our lowered estimates and the prevailing geopolitical uncertainties and additional shopping centre woes we see that the potential realization of valuation upside from exits and profitability improvement is currently beyond grasp. We lower our target price to EUR 0.54 (0.6) and rating to HOLD (BUY).

Rating

■ HOLD


Share price, EUR (Last trading day's closing price) 0.50

Target price, EUR 0.54

Latest change in recommendation 04-Feb-22

Latest report on company 14-Dec-21

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 132

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 28-Apr-22

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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
2020	975.5	1.5	0.2%	72.0	-0.10	-5.7	0.5	304.1	46.4	0.00
2021	932.5	-1.8	-0.2%	122.9	-0.08	-6.5	0.3	-180.4	88.2	0.00
2022E	863.8	21.1	2.4%	29.9	0.02	31.9	0.3	13.9	22.8	0.00
2023E	926.4	28.0	3.0%	69.9	0.05	9.1	0.3	10.1	53.2	0.01
2024E	972.7	31.7	3.3%	17.7	0.06	8.6	0.3	8.4	13.5	0.02
Market cap, EURm		132	Gearing 2022E, %			86.8	CAGR EPS 2021-24, %			0.0
Net debt 2022E, EURm		162	Price/book 2022E			0.9	CAGR sales 2021-24, %			1.4
Enterprise value, EURm		294	Dividend yield 2022E, %			0.0	ROE 2022E, %			2.7
Total assets 2022E, EURm		644	Tax rate 2022E, %			20.0	ROCE 2022E, %			6.4
Goodwill 2022E, EURm		2	Equity ratio 2022E, %			30.3	PEG, P/E 22/CAGR			0.5

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

Operative model													
SRV	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22E	Q2/'22E	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Revenue	975.6	187.1	218.0	191.1	336.3	932.6	186.7	191.7	186.9	298.5	863.8	926.4	972.7
change, %	-8.0%	-10.1%	-17.8%	-9.0%	15.0%	-4.4%	-0.2%	-12.1%	-2.2%	-11.2%	-7.4%	7.2%	5.0%
Operative operating profit	15.8	4.8	5.7	-1.5	-4.5	5.3	3.2	4.1	4.5	9.3	21.0	28.0	31.7
-margin	1.6%	2.6%	2.6%	-0.8%	-1.3%	0.6%	1.7%	2.1%	2.4%	3.1%	2.4%	3.0%	3.3%
Adjustment items	-14.4	0.4	0.6	-0.1	-6.9	-6.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit	1.5	5.2	6.3	-1.6	-11.5	-1.7	3.2	4.1	4.5	9.3	21.0	28.0	31.7
-margin	0.2%	2.8%	2.9%	-0.8%	-3.4%	-0.2%	1.7%	2.1%	2.4%	3.1%	2.4%	3.0%	3.3%
Net financials	-29.4	-4.1	-3.7	-2.8	-8.0	-18.6	-3.5	-3.5	-3.5	-3.5	-14.0	-10.0	-10.0
Pre-tax profit	-28.0	1.1	2.6	-4.4	-19.6	-20.3	-0.3	0.6	1.0	5.8	7.0	18.0	21.7
Income taxes	2.9	0.5	-0.5	0.4	0.1	0.5	0.1	-0.1	-0.2	-1.2	-1.4	-3.6	-4.3
Non-controlling interest	2.3	-0.1	-0.1	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	-22.8	1.5	2.0	-4.0	-19.3	-19.9	-0.2	0.5	0.8	4.7	5.6	14.4	17.4
EPS rep.*	-0.15	0.00	0.01	-0.02	-0.07	-0.08	0.00	0.00	0.00	0.02	0.02	0.05	0.06
Construction	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22E	Q2/'22E	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Revenue	970.0	187.8	218.5	188.0	335.9	930.1	186.7	191.7	186.9	298.5	863.8	926.9	973.2
change, %	-8.3%	-8.3%	-17.3%	-10.1%	15.0%	-4.1%	-0.6%	-12.3%	-0.6%	-11.1%	-7.1%	7.3%	5.0%
<i>Business construction</i>	680.7	140.5	140.9	115.2	184.8	581.4	144.7	145.1	118.7	190.3	598.8	616.8	641.5
change, %	0.1%	-8.8%	-22.7%	-27.0%	-1.0%	-14.6%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	4.0%
<i>Housing construction</i>	289.3	47.3	77.6	72.8	151.1	348.8	42.0	46.6	68.2	108.2	265.0	310.1	331.8
change, %	-23.4%	-6.9%	-5.3%	41.9%	43.5%	20.6%	-11.2%	-39.9%	-6.3%	-28.4%	-24.0%	17.0%	7.0%
Operative operating profit	25.1	6.9	7.0	1.6	-1.3	14.1	5.2	6.1	6.5	11.3	29.2	35.2	38.9
-margin	2.6%	3.7%	3.2%	0.9%	-0.4%	1.5%	2.8%	3.2%	3.5%	3.8%	3.4%	3.8%	4.0%
Adjustment items	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit	27.4	6.9	7.0	1.6	-1.3	14.1	5.2	6.1	6.5	11.3	29.2	35.2	38.9
-margin	2.8%	3.7%	3.2%	0.9%	-0.4%	1.5%	2.8%	3.2%	3.5%	3.8%	3.4%	3.8%	4.0%
Investments	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22E	Q2/'22E	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Revenue	4.8	1.0	1.0	4.2	0.6	6.8	1.1	1.1	1.1	1.1	4.5	4.0	4.0
change, %	-18.6%	-37.5%	-16.7%	281.8%	-33.3%	41.7%	12.5%	12.5%	-73.2%	87.5%	-33.8%	-11.1%	0.0%
Operative operating profit	-5.7	-0.8	-0.9	-2.5	-1.7	-4.6	-1.0	-1.0	-1.0	-1.0	-4.0	-3.0	-3.0
Adjustment items	-16.8	0.4	1.0	-0.1	-6.9	-7.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit	-22.5	-0.4	0.1	-2.6	-8.6	-11.6	-1.0	-1.0	-1.0	-1.0	-4.0	-3.0	-3.0
Other operations and elim.	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22E	Q2/'22E	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Revenue	0.8	-1.7	-1.5	-1.1	-0.2	-4.5	-1.1	-1.1	-1.1	-1.1	-4.5	-4.5	-4.5
Operating profit	-3.5	-1.3	-0.8	-0.6	-1.5	-4.2	-1.0	-1.0	-1.0	-1.0	-4.2	-4.2	-4.2

*incl. tax adjusted hybrid interest

Construction & Engineering/Finland, February 4, 2022
Company update

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	0.50 PV of Free Cash Flow	281 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	1.39 PV of Horizon value	270 WACC, %	7.8 Market risk premium, %	5.8
Share price potential, %	178.6 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	3.5
Maximum value	1.6 Marketable securities	68 Minimum WACC, %	7.3 Equity beta coefficient	1.30
Minimum value	1.2 Debt - dividend	-253 Maximum WACC, %	8.3 Target debt ratio, %	50
Horizon value, %	49.0 Value of stock	366 Nr of shares, Mn	263.0 Effective tax rate, %	20

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	933	864	926	973	992	1,012	1,032	1,053	1,074	1,095	1,118	1,141
<i>Sales growth, %</i>	-4.4	-7.4	7.2	5.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	-2	21	28	32	32	33	34	34	35	36	36	37
<i>Operating income margin, %</i>	-0.2	2.4	3.0	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
+ Depreciation+amort.	6	8	8	8	8	8	8	8	8	8	8	8
EBITDA	5	29	36	40	40	41	42	42	43	44	44	
- Paid taxes	-3	-4	-6	-6	-6	-7	-7	-7	-7	-7	-7	
- Change in NWC	98	13	1	4	-2	-2	-2	-2	-2	-2	-3	
<i>NWC / Sales, %</i>	13.7	13.3	12.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	
+ Change in other liabs	-5	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	0	-2	-2	-2	-2	-2	-2	-2	-2	-3	-3	
<i>opCAPEX / Sales, %</i>	-4.6	0.2	1.2	1.0	0.7	0.7	0.7	0.7	0.7	0.7	0.7	
- 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	-1	5	58	0	15	0	0	0	0	0	0	
= FCFF	93	41	87	35	44	30	30	31	31	32	32	568
= Discounted FCFF		38	75	28	33	21	19	18	17	16	15	270
= DFCF min WACC		39	76	29	34	21	20	19	18	17	16	310
= DFCF max WACC		38	74	28	33	20	19	18	17	16	15	237

Construction & Engineering/Finland, February 4, 2022
Company update

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1E	2022Q2E	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	187.1	218.0	191.1	336.3	932.5	186.7	191.7	186.9	298.5	863.8	926.4	972.7
EBITDA	6.7	8.2	-0.6	-9.8	4.5	5.1	6.0	6.4	11.7	29.2	35.5	39.6
<i>EBITDA margin (%)</i>	<i>3.6</i>	<i>3.8</i>	<i>-0.3</i>	<i>-2.9</i>	<i>0.5</i>	<i>2.7</i>	<i>3.1</i>	<i>3.4</i>	<i>3.9</i>	<i>3.4</i>	<i>3.8</i>	<i>4.1</i>
EBIT	5.2	6.3	-1.6	-11.7	-1.8	3.2	4.1	4.5	9.3	21.1	28.0	31.7
<i>EBIT margin (%)</i>	<i>2.8</i>	<i>2.9</i>	<i>-0.8</i>	<i>-3.5</i>	<i>-0.2</i>	<i>1.7</i>	<i>2.1</i>	<i>2.4</i>	<i>3.1</i>	<i>2.4</i>	<i>3.0</i>	<i>3.3</i>
Net financial items	-4.1	-3.7	-2.8	-8.0	-18.6	-3.5	-3.5	-3.5	-3.5	-14.0	-10.0	-12.5
Pre-tax profit	1.1	2.6	-4.4	-19.7	-20.4	-0.3	0.6	1.0	5.8	7.1	18.0	19.2
Tax	0.5	-0.5	0.4	0.1	0.5	0.1	-0.1	-0.2	-1.2	-1.4	-3.6	-3.8
<i>Tax rate (%)</i>	<i>-45.5</i>	<i>20.0</i>	<i>9.1</i>	<i>0.5</i>	<i>2.4</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	1.2	1.7	-4.6	-19.8	-21.4	-0.6	0.1	0.4	4.3	4.1	14.4	15.4
EPS	0.00	0.01	-0.02	-0.08	-0.08	0.00	0.00	0.00	0.02	0.02	0.05	0.06
EPS adjusted (diluted no. of shares)	0.00	0.01	-0.02	-0.08	-0.08	0.00	0.00	0.00	0.02	0.02	0.05	0.06
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.02
SALES, EURm												
Construction	187.8	218.5	188.0	335.9	930.2	186.7	191.7	186.9	298.5	863.8	926.9	973.2
Investments	1.0	1.0	4.2	0.6	6.8	1.1	1.1	1.1	1.1	4.5	4.0	4.0
Other	-1.7	-1.5	-1.1	-0.2	-4.5	-1.1	-1.1	-1.1	-1.1	-4.5	-4.5	-4.5
Total	187.1	218.0	191.1	336.3	932.5	186.7	191.7	186.9	298.5	863.8	926.4	972.7
SALES GROWTH, Y/Y %												
Construction	-8.3	-17.3	-10.0	15.0	-4.1	-0.6	-12.3	-0.6	-11.1	-7.1	7.3	5.0
Investments	-37.5	-16.7	281.8	-33.3	41.7	12.5	12.5	-73.2	87.5	-33.8	-11.1	0.0
Other	-206.2	650.0	266.7	-50.0	-742.9	-33.8	-25.0	2.3	462.5	0.0	0.0	0.0
Total	-10.1	-17.8	-8.9	15.0	-4.4	-0.2	-12.1	-2.2	-11.2	-7.4	7.2	5.0
EBIT, EURm												
Construction	6.9	7.0	1.6	-1.4	14.1	5.2	6.1	6.5	11.3	29.2	35.2	38.9
Investments	-0.4	0.1	-2.6	-8.7	-11.6	-1.0	-1.0	-1.0	-1.0	-4.0	-3.0	-3.0
Other	-1.3	-0.8	-0.6	-1.6	-4.3	-1.0	-1.0	-1.0	-1.0	-4.1	-4.2	-4.2
Total	5.2	6.3	-1.6	-11.7	-1.8	3.2	4.1	4.5	9.3	21.1	28.0	31.7
EBIT margin, %												
Construction	3.7	3.2	0.9	-0.4	1.5	2.8	3.2	3.5	3.8	3.4	3.8	4.0
Investments	-40.0	10.0	-61.9	-1,450.0	-170.6	-88.9	-88.9	-88.9	-88.9	-88.9	-75.0	-75.0
Other	76.5	53.3	54.5	800.0	95.6	91.1	91.1	91.1	91.1	91.1	93.3	93.3
Total	2.8	2.9	-0.8	-3.5	-0.2	1.7	2.1	2.4	3.1	2.4	3.0	3.3

Construction & Engineering/Finland, February 4, 2022
Company update

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	1,114.1	959.9	1,061.0	975.5	932.5	863.8	926.4	972.7
<i>Sales growth (%)</i>	<i>26.0</i>	<i>-13.8</i>	<i>10.5</i>	<i>-8.1</i>	<i>-4.4</i>	<i>-7.4</i>	<i>7.2</i>	<i>5.0</i>
EBITDA	21.1	-14.6	-3.1	20.4	4.5	29.2	35.5	39.6
<i>EBITDA margin (%)</i>	<i>1.9</i>	<i>-1.5</i>	<i>-0.3</i>	<i>2.1</i>	<i>0.5</i>	<i>3.4</i>	<i>3.8</i>	<i>4.1</i>
Depreciation	-5.7	-5.3	-90.0	-18.9	-6.3	-8.1	-7.5	-7.9
EBITA	15.4	-19.9	-93.1	1.5	-1.8	21.1	28.0	31.7
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	15.4	-19.9	-93.1	1.5	-1.8	21.1	28.0	31.7
<i>EBIT margin (%)</i>	<i>1.4</i>	<i>-2.1</i>	<i>-8.8</i>	<i>0.2</i>	<i>-0.2</i>	<i>2.4</i>	<i>3.0</i>	<i>3.3</i>
Reported EBIT	15.4	-19.9	-14.7	1.5	-1.8	21.1	28.0	31.7
<i>EBIT margin (reported) (%)</i>	<i>1.4</i>	<i>-2.1</i>	<i>-1.4</i>	<i>0.2</i>	<i>-0.2</i>	<i>2.4</i>	<i>3.0</i>	<i>3.3</i>
Net financials	-10.7	-17.5	-29.3	-29.4	-18.6	-14.0	-10.0	-12.5
Pre-tax profit	4.7	-37.4	-122.4	-27.9	-20.4	7.1	18.0	19.2
Taxes	1.2	6.1	18.7	2.9	0.5	-1.4	-3.6	-3.8
Minority shares	0.2	1.1	0.7	2.3	0.0	0.0	0.0	0.0
Net profit	2.2	-34.1	-28.8	-27.1	-21.4	4.1	14.4	15.4
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	78.4	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	287	273	122	120	122	121	122	122
Goodwill	2	2	2	2	2	2	2	2
Right of use assets	0	173	149	130	82	76	79	81
Inventory	419	438	372	355	227	211	226	237
Receivables	146	122	204	155	143	130	130	126
Liquid funds	24	93	28	97	68	63	68	71
Total assets	889	1,120	913	899	686	644	668	681
Liabilities								
Shareholder's equity	240	191	95	170	150	154	168	180
Minority interest	-2	-3	-2	-4	0	0	0	0
Convertibles	45	45	83	15	15	15	0	0
Lease liabilities	0	174	150	136	89	76	79	81
Deferred taxes	5	5	3	3	1	1	1	1
Interest bearing debt	321	375	300	250	149	134	139	126
Non-interest bearing current liabilities	252	304	244	285	243	225	242	254
Other interest-free debt	18	9	21	21	15	15	15	15
Total liabilities	889	1,120	914	899	686	644	668	681
CASH FLOW, EURm								
+ EBITDA	21	-15	-3	20	5	29	36	40
- Net financial items	-11	-17	-29	-29	-19	-14	-10	-13
- Taxes	0	-1	-1	-2	-2	-1	-4	-4
- Increase in Net Working Capital	-44	56	-75	107	98	13	1	4
+/- Other	2	2	98	-49	-1	5	58	0
= Cash flow from operations	-33	26	-11	46	80	32	81	27
- Capex	-24	-15	-26	1	43	-2	-11	-10
- Acquisitions	0	0	0	-5	0	0	0	0
+ Divestments	0	0	0	29	0	0	0	0
= Free cash flow	-57	11	-37	72	123	30	70	18
+/- New issues/buybacks	-8	-12	-67	100	5	0	0	0
- Paid dividend	-6	-4	0	0	0	0	0	-4
+/- Other	40	75	39	-103	-157	-35	-65	-11
Change in cash	-31	70	-65	69	-29	-5	5	3

Construction & Engineering/Finland, February 4, 2022
Company update

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	101	81	155	139	132	132	132
Net debt (excl. convertibles)	456	422	289	170	147	150	136
Enterprise value	601	584	456	325	294	282	268
Sales	960	1,061	976	933	864	926	973
EBITDA	-15	-3	20	5	29	36	40
EBIT	-20	-93	2	-2	21	28	32
Pre-tax	-37	-122	-28	-20	7	18	19
Earnings	-34	-107	-27	-21	4	14	15
Equity book value (excl. minorities)	191	95	170	150	154	168	180
Valuation multiples							
EV/sales	0.6	0.6	0.5	0.3	0.3	0.3	0.3
EV/EBITDA	-41.1	-188.5	22.4	72.2	10.0	7.9	6.8
EV/EBITA	-30.2	-6.3	304.1	-180.4	13.9	10.1	8.4
EV/EBIT	-30.2	-6.3	304.1	-180.4	13.9	10.1	8.4
EV/OCF	23.5	-54.5	9.9	4.1	9.3	3.5	9.8
EV/FCFF	26.3	-15.2	5.5	3.5	7.2	3.3	7.7
P/FCFE	9.5	-2.2	2.2	1.1	4.4	1.9	7.4
P/E	-3.0	-0.8	-5.7	-6.5	31.9	9.1	8.6
P/B	0.5	0.9	0.9	0.9	0.9	0.8	0.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	10.4	8.2	7.0
Target EV/EBIT	0.0	0.0	0.0	0.0	14.4	10.4	8.8
Target EV/FCF	0.0	0.0	0.0	0.0	10.2	4.2	15.7
Target P/B	0.0	0.0	0.0	0.0	0.9	0.8	0.8
Target P/E	0.0	0.0	0.0	0.0	34.5	9.9	9.2
Per share measures							
Number of shares	59,581	59,581	263,017	263,017	263,017	263,017	263,017
Number of shares (diluted)	59,581	59,581	263,017	263,017	263,017	263,017	263,017
EPS	-0.57	-1.80	-0.10	-0.08	0.02	0.05	0.06
Operating cash flow per share	0.43	-0.18	0.18	0.30	0.12	0.31	0.10
Free cash flow per share	0.18	-0.62	0.27	0.47	0.11	0.27	0.07
Book value per share	3.21	1.59	0.64	0.57	0.58	0.64	0.68
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.01	0.02
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	25.0	30.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	2.7	3.5
FCF yield, %	10.6	-45.6	46.4	88.2	22.8	53.2	13.5
Efficiency measures							
ROE	-15.8	-74.9	-20.5	-13.4	2.7	9.0	8.8
ROCE	-2.1	-12.1	0.9	0.7	6.4	8.4	9.1
Financial ratios							
Inventories as % of sales	45.7	35.1	36.4	24.4	24.4	24.4	24.4
Receivables as % of sales	12.7	19.2	15.8	15.4	15.0	14.0	13.0
Non-interest bearing liabilities as % of sales	31.7	23.0	29.2	26.1	26.1	26.1	26.1
NWC/sales, %	26.7	31.3	23.1	13.7	13.3	12.3	11.3
Operative CAPEX/sales, %	1.5	2.5	-0.2	-4.6	0.2	1.2	1.0
CAPEX/sales (incl. acquisitions), %	1.5	2.5	-0.6	-4.6	0.2	1.2	1.0
FCFF/EBITDA	-1.6	12.4	4.1	20.7	1.4	2.4	0.9
Net debt/EBITDA, book-weighted	-31.2	-136.2	14.2	37.8	5.0	4.2	3.4
Debt/equity, market-weighted	3.7	3.7	1.6	1.1	1.0	1.1	1.0
Equity ratio, book-weighted	23.6	21.2	22.3	27.5	30.3	28.9	30.3
Gearing, %	195.1	240.4	159.8	103.0	86.8	89.3	75.6

Construction & Engineering/Finland, February 4, 2022
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. 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 weak despite good demand. Fluctuations in construction material prices and availability have caused some additional concerns. Successful exits from developed shopping centres and successful project management remain crucial in improving the company's balance sheet and financial performance but the geopolitical situation presents some challenges.

OWNERSHIP STRUCTURE	SHARES	EURm	%
As Pontos Capital	47,306,787	23.653	18.0%
Ilmarinen Mutual Pension Insurance Company	33,295,636	16.648	12.7%
Kolpi Investments Oy	23,776,663	11.888	9.0%
OP Life Assurance Company Ltd	17,129,254	8.565	6.5%
Pohjola Insurance Ltd	15,785,996	7.893	6.0%
Havu Capital Oy	15,741,398	7.871	6.0%
Etola Group	13,373,642	6.687	5.1%
Tungelin Investments Oy	6,926,660	3.463	2.6%
Lareale Investments Oy	6,926,660	3.463	2.6%
Kokkila Lauri	6,494,422	3.247	2.5%
Ten largest	186,757,118	93.379	71%
Residual	76,260,223	38.130	29%
Total	263,017,341	131.509	100%

EARNINGS CALENDAR

April 28, 2022	Q1 report
July 21, 2022	Q2 report
October 27, 2022	Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

CEO: Saku Sipola	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
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

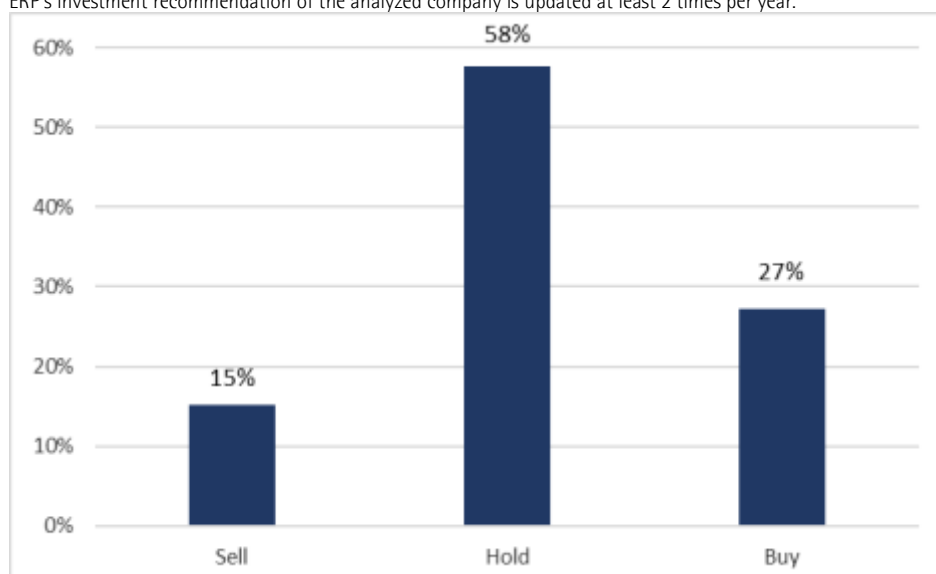
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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