

Balance sheet towards better shape

SRV embarked on the last phases of its balance sheet strengthening program. Following balance sheet estimate revisions and released subscription rights we adjust our TP to EUR 0.18 (0.35), HOLD-rating intact.

Last steps of balance sheet strengthening program

SRV initiated a program to strengthen its balance sheet in conjunction with the Q1 results, seeking to increase equity by around EUR 100m and reduce IB net-debt by the same amount, due to the impact of the EUR 141.2m Q1 write-downs on its holdings in Russia and in Fennovoima on SRV's equity and gearing. SRV is now approaching the final stages of the program to reorganize and strengthen its balance sheet. SRV resolved on a rights issue of up to approximately EUR 34.8m to existing shareholders on May 31st, with the subscription period running from 7.6.-21.6.2022 at a subscription price of EUR 0.10 per share offered.

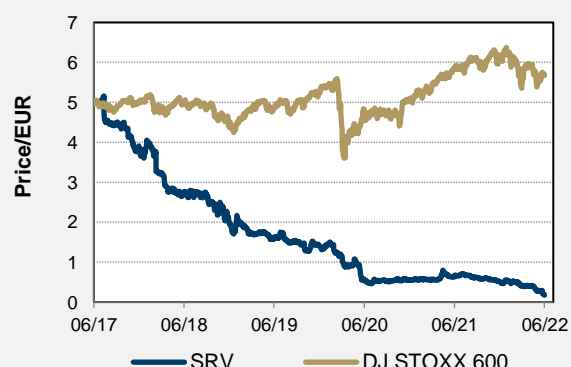
Planned actions seen to increase equity ratio above 35%

Based on the company's rights issue presentation, held on June 8th, we have adjusted our estimates assuming that shares are subscribed for up to maximum amount offered in both the rights issue and directed issue to hybrid note holders. At completion, this would increase the number of shares from approx. 263m to 670m. We have further adjusted our balance sheet estimates for the outcome of the tender offer and conversion regarding its senior unsecured notes. We have adjusted our operative estimates for the change in financial expenses, which according to SRV are expected to decrease by EUR 6m annually. After the transactions SRV's equity ratio should rise to over 35% and the company should be close to being net-debt free (excluding the impact of IFRS 16).

HOLD-rating with a target price of EUR 0.18 (0.35)

On our revised estimates and the release of subscription rights we lower our TP to EUR 0.18 (0.35) and retain our HOLD-rating. Valuation is currently quite in line with peers, with 2022e EV/EBITDA, assuming full subscription, at 7.3x vs 7.6x for peers.

Rating



Share price, EUR (Last trading day's closing price) 0.17

Target price, EUR 0.18

Latest change in recommendation 03-Feb-22

Latest report on company 29-Apr-22

Research paid by issuer: YES

No. of shares outstanding, '000's 263,017

No. of shares fully diluted, '000's 670,194

Market cap, EURm 114

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 21-Jul-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	877.8	-67.4	-7.7%	-95.3	-0.19	-0.9	0.3	-3.9	-83.6	0.00
2023E	940.3	28.2	3.0%	14.1	0.02	7.0	0.3	8.8	12.4	0.00
2024E	991.2	32.1	3.2%	21.9	0.03	5.6	0.2	7.0	19.2	0.01
Market cap, EURm		114	Gearing 2022E, %			81.2	CAGR EPS 2021-24, %			0.0
Net debt 2022E, EURm		148	Price/book 2022E			1.1	CAGR sales 2021-24, %			2.1
Enterprise value, EURm		262	Dividend yield 2022E, %			0.0	ROE 2022E, %			-97.7
Total assets 2022E, EURm		560	Tax rate 2022E, %			-6.1	ROCE 2022E, %			-18.3
Goodwill 2022E, EURm		2	Equity ratio 2022E, %			29.8	PEG, P/E 22/CAGR			0.0

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

SRV	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22	Q2/'22E	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Revenue	975.6	187.1	218.0	191.1	336.3	932.6	190.7	191.7	196.9	298.5	877.8	940.3	991.2
change, %	-8.0%	-10.1%	-17.8%	-9.0%	15.0%	-4.4%	1.9%	-12.1%	3.0%	-11.2%	-5.9%	7.1%	5.4%
Operative operating profit	15.8	4.8	5.7	-1.5	-4.5	5.3	4.9	4.0	4.8	9.2	22.9	28.2	32.1
-margin	1.6%	2.6%	2.6%	-0.8%	-1.3%	0.6%	2.6%	2.1%	2.4%	3.1%	2.6%	3.0%	3.2%
Operating profit	1.5	5.2	6.3	-1.6	-11.5	-1.7	-85.7	4.0	4.8	9.2	-67.7	28.2	32.1
-margin	0.2%	2.8%	2.9%	-0.8%	-3.4%	-0.2%	-44.9%	2.1%	2.4%	3.1%	-7.7%	3.0%	3.2%
Net financials	-29.4	-4.1	-3.7	-2.8	-8.0	-18.6	-42.8	-4.5	-1.0	-1.0	-49.3	-5.0	-4.0
Pre-tax profit	-28.0	1.1	2.6	-4.4	-19.6	-20.3	-128.5	-0.5	3.8	8.2	-117.0	23.2	28.1
Income taxes	2.9	0.5	-0.5	0.4	0.1	0.5	-4.8	0.1	-0.8	-1.7	-7.2	-4.6	-5.6
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	-133.3	-0.4	3.0	6.6	-124.2	18.6	22.5
EPS rep.*	-0.15	0.00	0.01	-0.02	-0.07	-0.08	-0.51	0.00	0.01	0.02	-0.19	0.02	0.03
Construction	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22	Q2/'22E	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Revenue	970.0	187.8	218.5	188.0	335.9	930.1	175.2	191.7	196.9	298.5	862.3	941.3	992.2
change, %	-8.3%	-8.3%	-17.3%	-10.1%	15.0%	-4.1%	-6.7%	-12.3%	4.7%	-11.1%	-7.3%	9.2%	5.4%
<i>Business construction</i>	680.7	140.5	140.9	115.2	184.8	581.4	98.7	115.1	118.7	150.3	482.8	497.2	517.1
change, %	0.1%	-8.8%	-22.7%	-27.0%	-1.0%	-14.6%	-29.8%	-18.3%	3.0%	-18.7%	-17.0%	3.0%	4.0%
<i>Housing construction</i>	289.3	47.3	77.6	72.8	151.1	348.8	76.5	76.6	78.2	148.2	379.5	444.0	475.1
change, %	-23.4%	-6.9%	-5.3%	41.9%	43.5%	20.6%	61.7%	-1.3%	7.4%	-1.9%	8.8%	17.0%	7.0%
Operative operating profit	25.1	6.9	7.0	1.6	-1.3	14.1	6.3	6.1	6.9	11.3	30.7	35.8	39.7
-margin	2.6%	3.7%	3.2%	0.9%	-0.4%	1.5%	3.6%	3.2%	3.5%	3.8%	3.6%	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	6.3	6.1	6.9	11.3	30.7	35.8	39.7
-margin	2.8%	3.7%	3.2%	0.9%	-0.4%	1.5%	3.6%	3.2%	3.5%	3.8%	3.6%	3.8%	4.0%
Investments	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22	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	3.0	3.0
change, %	-18.6%	-37.5%	-16.7%	281.8%	-33.3%	41.7%	12.5%	12.5%	-73.2%	87.5%	-33.8%	-33.3%	0.0%
Operative operating profit	-5.7	-0.8	-0.9	-2.5	-1.7	-4.6	-0.2	-1.0	-1.0	-1.0	-3.2	-3.0	-3.0
Adjustment items	-16.8	0.4	1.0	-0.1	-6.9	-7.0	-105.2	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	-105.4	-1.0	-1.0	-1.0	-3.2	-3.0	-3.0
Other operations and elim.	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22	Q2/'22E	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Revenue	0.8	-1.7	-1.5	-1.1	-0.2	-4.5	14.4	-1.1	-1.1	-1.1	11.0	-4.0	-4.0
Operating profit	-3.5	-1.3	-0.8	-0.6	-1.5	-4.2	13.4	-1.0	-1.0	-1.0	10.3	-4.6	-4.6
Operative operating profit	-3.5	-1.3	-0.8	-0.6	-1.5	-4.2	-1.2	-1.1	-1.1	-1.1	-4.6	-4.6	-4.6

*incl. tax adjusted hybrid interest

SRV PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		22	23	24	22	23	24	22	23	24
Skanska	6701	6.5x	5.9x	5.7x	8.8x	8.3x	8.0x	10.3x	9.9x	9.5x
Peab	2070	7.7x	7.6x	7.5x	11.2x	10.9x	10.8x	8.7x	8.5x	8.5x
NCC	1253	4.6x	4.4x	4.1x	7.8x	7.2x	6.5x	8.6x	7.7x	6.8x
AF Gruppen	1781	8.4x	7.7x	7.2x	11.2x	10.0x	9.3x	17.1x	15.9x	14.9x
Veidekke	1304	4.4x	4.0x	3.9x	7.2x	6.4x	6.3x	12.7x	11.2x	11.0x
JM AB	1327	8.9x	9.0x	8.8x	8.8x	9.0x	8.4x	9.0x	8.8x	8.5x
YIT	801	9.3x	8.3x	7.5x	11.7x	10.3x	9.1x	12.7x	10.8x	9.2x
Bonava	367	5.8x	6.8x	5.3x	6.0x	7.0x	5.5x	4.8x	5.8x	4.4x
Lehto Group	37		10.1x	8.0x		19.2x	11.6x		10.4x	5.2x
Peer Group Average	1575	7.0x	7.1x	6.5x	9.1x	9.8x	8.4x	10.5x	9.9x	8.7x
Peer Group Median	1279	7.1x	7.6x	7.2x	8.8x	9.0x	8.4x	9.6x	9.9x	8.5x

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	0.17 PV of Free Cash Flow	131 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	0.32 PV of Horizon value	265 WACC, %	7.8 Market risk premium, %
Share price potential, %	85.4 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	0.4 Marketable securities	68 Minimum WACC, %	7.3 Equity beta coefficient
Minimum value	0.3 Debt - dividend	-253 Maximum WACC, %	8.3 Target debt ratio, %
Horizon value, %	66.9 Value of stock	211 Nr of shares, Mn	670.2 Effective tax rate, %

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	933	878	940	991	1,011	1,031	1,052	1,073	1,094	1,116	1,139	1,162
<i>Sales growth, %</i>	-4.4	-5.9	7.1	5.4	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	-2	-67	28	32	33	34	34	35	36	36	37	38
<i>Operating income margin, %</i>	-0.2	-7.7	3.0	3.2	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
+ Depreciation+amort.	6	6	6	6	6	6	6	6	6	6	6	6
EBITDA	5	-61	34	38	39	40	40	41	42	42	43	
- Paid taxes	-3	-4	-6	-6	-7	-7	-7	-7	-7	-7	-7	-7
- Change in NWC	98	11	1	4	-2	-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	11.3
+ Change in other liabs	-5	0	0	0	0	0	0	0	0	0	0	0
- Operative CAPEX	0	13	-2	-2	-2	-2	-2	-2	-3	-3	-3	
<i>opCAPEX / Sales, %</i>	-4.6	-1.6	1.0	0.8	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	0
- Other items	-1	-2	-2	-2	0	0	0	0	0	0	0	0
= FCFF	93	-44	25	31	28	28	29	29	30	30	31	544
= Discounted FCFF		-42	22	25	21	20	19	18	17	16	15	265
= DFCF min WACC		-42	22	26	22	21	19	18	17	17	16	304
= DFCF max WACC		-42	22	25	21	20	18	17	16	15	14	234

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2E	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	187.1	218.0	191.1	336.3	932.5	190.7	191.7	196.9	298.5	877.8	940.3	991.2
EBITDA	6.7	8.2	-0.6	-9.8	4.5	-84.4	5.5	6.3	11.2	-61.4	33.8	38.0
<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>-44.3</i>	<i>2.9</i>	<i>3.2</i>	<i>3.8</i>	<i>-7.0</i>	<i>3.6</i>	<i>3.8</i>
EBIT	5.2	6.3	-1.6	-11.7	-1.8	-85.7	4.1	4.9	9.3	-67.4	28.2	32.1
<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>-44.9</i>	<i>2.1</i>	<i>2.5</i>	<i>3.1</i>	<i>-7.7</i>	<i>3.0</i>	<i>3.2</i>
Net financial items	-4.1	-3.7	-2.8	-8.0	-18.6	-42.8	-4.5	-1.0	-1.0	-49.3	-5.0	-4.0
Pre-tax profit	1.1	2.6	-4.4	-19.7	-20.4	-128.5	-0.4	3.9	8.3	-116.7	23.2	28.1
Tax	0.5	-0.5	0.4	0.1	0.5	-4.8	0.1	-0.8	-1.7	-7.2	-4.6	-5.6
<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>-3.7</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>-6.1</i>	<i>20.0</i>	<i>20.0</i>
Net profit	1.2	1.7	-4.6	-19.8	-21.4	-133.7	-0.7	2.5	6.1	-125.8	16.4	20.3
EPS	0.00	0.01	-0.02	-0.08	-0.08	-0.20	0.00	0.00	0.01	-0.19	0.02	0.03
EPS adjusted (diluted no. of shares)	0.00	0.01	-0.02	-0.08	-0.08	-0.20	0.00	0.00	0.01	-0.19	0.02	0.03
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	0.01
SALES, EURm												
Construction	187.8	218.5	188.0	335.9	930.2	175.2	191.7	196.9	298.5	862.3	941.3	992.2
Investments	1.0	1.0	4.2	0.6	6.8	1.1	1.1	1.1	1.1	4.5	3.0	3.0
Other	-1.7	-1.5	-1.1	-0.2	-4.5	14.4	-1.1	-1.1	-1.1	11.0	-4.0	-4.0
Total	187.1	218.0	191.1	336.3	932.5	190.7	191.7	196.9	298.5	877.8	940.3	991.2
SALES GROWTH, Y/Y %												
<i>Construction</i>	<i>-8.3</i>	<i>-17.3</i>	<i>-10.0</i>	<i>15.0</i>	<i>-4.1</i>	<i>-6.7</i>	<i>-12.3</i>	<i>4.7</i>	<i>-11.1</i>	<i>-7.3</i>	<i>9.2</i>	<i>5.4</i>
<i>Investments</i>	<i>-37.5</i>	<i>-16.7</i>	<i>281.8</i>	<i>-33.3</i>	<i>41.7</i>	<i>12.5</i>	<i>12.5</i>	<i>-73.2</i>	<i>87.5</i>	<i>-33.8</i>	<i>-33.3</i>	<i>0.0</i>
<i>Other</i>	<i>-206.2</i>	<i>650.0</i>	<i>266.7</i>	<i>-50.0</i>	<i>-742.9</i>	<i>-947.1</i>	<i>-25.0</i>	<i>2.3</i>	<i>462.5</i>	<i>-345.0</i>	<i>-136.3</i>	<i>0.0</i>
Total	-10.1	-17.8	-8.9	15.0	-4.4	1.9	-12.1	3.0	-11.2	-5.9	7.1	5.4
EBIT, EURm												
Construction	6.9	7.0	1.6	-1.4	14.1	6.3	6.1	6.9	11.3	30.7	35.8	39.7
Investments	-0.4	0.1	-2.6	-8.7	-11.6	-105.4	-1.0	-1.0	-1.0	-108.4	-3.0	-3.0
Other	-1.3	-0.8	-0.6	-1.6	-4.3	13.4	-1.0	-1.0	-1.0	10.3	-4.6	-4.6
Total	5.2	6.3	-1.6	-11.7	-1.8	-85.7	4.1	4.9	9.3	-67.4	28.2	32.1
EBIT margin, %												
<i>Construction</i>	<i>3.7</i>	<i>3.2</i>	<i>0.9</i>	<i>-0.4</i>	<i>1.5</i>	<i>3.6</i>	<i>3.2</i>	<i>3.5</i>	<i>3.8</i>	<i>3.6</i>	<i>3.8</i>	<i>4.0</i>
<i>Investments</i>	<i>-40.0</i>	<i>10.0</i>	<i>-61.9</i>	<i>-1,450.0</i>	<i>-170.6</i>	<i>-9,368.9</i>	<i>-88.9</i>	<i>-88.9</i>	<i>-88.9</i>	<i>-2,408.9</i>	<i>-100.0</i>	<i>-100.0</i>
<i>Other</i>	<i>76.5</i>	<i>53.3</i>	<i>54.5</i>	<i>800.0</i>	<i>95.6</i>	<i>93.1</i>	<i>91.1</i>	<i>91.1</i>	<i>91.1</i>	<i>93.7</i>	<i>115.0</i>	<i>115.0</i>
Total	2.8	2.9	-0.8	-3.5	-0.2	-44.9	2.1	2.5	3.1	-7.7	3.0	3.2

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	1,114.1	959.9	1,061.0	975.5	932.5	877.8	940.3	991.2
<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>-5.9</i>	<i>7.1</i>	<i>5.4</i>
EBITDA	21.1	-14.6	-3.1	20.4	4.5	-61.4	33.8	38.0
<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>-7.0</i>	<i>3.6</i>	<i>3.8</i>
Depreciation	-5.7	-5.3	-90.0	-18.9	-6.3	-6.0	-5.6	-5.9
EBITA	15.4	-19.9	-93.1	1.5	-1.8	-67.4	28.2	32.1
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	-67.4	28.2	32.1
<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>-7.7</i>	<i>3.0</i>	<i>3.2</i>
Reported EBIT	15.4	-19.9	-14.7	1.5	-1.8	-67.4	28.2	32.1
<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>-7.7</i>	<i>3.0</i>	<i>3.2</i>
Net financials	-10.7	-17.5	-29.3	-29.4	-18.6	-49.3	-5.0	-4.0
Pre-tax profit	4.7	-37.4	-122.4	-27.9	-20.4	-116.7	23.2	28.1
Taxes	1.2	6.1	18.7	2.9	0.5	-7.2	-4.6	-5.6
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	-125.8	16.4	20.3
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	78.4	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	287	273	122	120	122	58	58	58
Goodwill	2	2	2	2	2	2	2	2
Right of use assets	0	173	149	130	82	77	80	82
Inventory	419	438	372	355	227	214	229	242
Receivables	146	122	204	155	143	132	132	129
Liquid funds	24	93	28	97	68	35	38	40
Total assets	889	1,120	913	899	686	560	581	595
Liabilities								
Shareholder's equity	240	191	95	170	150	108	124	144
Minority interest	-2	-3	-2	-4	0	0	0	0
Convertibles	45	45	83	15	15	33	33	33
Lease liabilities	0	174	150	136	89	77	80	82
Deferred taxes	5	5	3	3	1	1	1	1
Interest bearing debt	321	375	300	250	149	72	58	36
Non-interest bearing current liabilities	252	304	244	285	243	229	245	259
Other interest-free debt	18	9	21	21	15	15	15	15
Total liabilities	889	1,120	914	899	686	560	581	595
CASH FLOW, EURm								
+ EBITDA	21	-15	-3	20	5	-61	34	38
- Net financial items	-11	-17	-29	-29	-19	-49	-5	-4
- Taxes	0	-1	-1	-2	-2	-7	-5	-6
- Increase in Net Working Capital	-44	56	-75	107	98	11	1	4
+/- Other	2	2	98	-49	-1	-2	-2	-2
= Cash flow from operations	-33	26	-11	46	80	-109	23	30
- Capex	-24	-15	-26	1	43	14	-9	-8
- 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	-95	14	22
+/- New issues/buybacks	-8	-12	-67	100	5	84	0	0
- Paid dividend	-6	-4	0	0	0	0	0	0
+/- Other	40	75	39	-103	-157	-22	-12	-20
Change in cash	-31	70	-65	69	-29	-33	2	2

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	101	81	155	139	114	114	114
Net debt (excl. convertibles)	456	422	289	170	115	100	79
Enterprise value	601	584	456	325	262	248	226
Sales	960	1,061	976	933	878	940	991
EBITDA	-15	-3	20	5	-61	34	38
EBIT	-20	-93	2	-2	-67	28	32
Pre-tax	-37	-122	-28	-20	-117	23	28
Earnings	-34	-107	-27	-21	-126	16	20
Equity book value (excl. minorities)	191	95	170	150	108	124	144
Valuation multiples							
EV/sales	0.6	0.6	0.5	0.3	0.3	0.3	0.2
EV/EBITDA	-41.1	-188.5	22.4	72.2	-4.3	7.3	5.9
EV/EBITA	-30.2	-6.3	304.1	-180.4	-3.9	8.8	7.0
EV/EBIT	-30.2	-6.3	304.1	-180.4	-3.9	8.8	7.0
EV/OCF	23.5	-54.5	9.9	4.1	-2.4	10.7	7.6
EV/FCFF	26.3	-15.2	5.5	3.5	-6.0	10.0	7.4
P/FCFE	9.5	-2.2	2.2	1.1	-1.2	8.1	5.2
P/E	-3.0	-0.8	-5.7	-6.5	-0.9	7.0	5.6
P/B	0.5	0.9	0.9	0.9	1.1	0.9	0.8
Target EV/EBITDA	0.0	0.0	0.0	0.0	-4.4	7.5	6.1
Target EV/EBIT	0.0	0.0	0.0	0.0	-4.0	9.0	7.2
Target EV/FCF	0.0	0.0	0.0	0.0	-2.8	18.0	10.6
Target P/B	0.0	0.0	0.0	0.0	1.1	1.0	0.8
Target P/E	0.0	0.0	0.0	0.0	-1.0	7.4	5.9
Per share measures							
Number of shares	59,581	59,581	263,017	263,017	670,194	670,194	670,194
Number of shares (diluted)	59,581	59,581	263,017	263,017	670,194	670,194	670,194
EPS	-0.57	-1.80	-0.10	-0.08	-0.19	0.02	0.03
Operating cash flow per share	0.43	-0.18	0.18	0.30	-0.16	0.03	0.04
Free cash flow per share	0.18	-0.62	0.27	0.47	-0.14	0.02	0.03
Book value per share	3.21	1.59	0.64	0.57	0.16	0.19	0.22
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.01
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	0.0	30.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	0.0	5.3
FCF yield, %	10.6	-45.6	46.4	88.2	-83.6	12.4	19.2
Efficiency measures							
ROE	-15.8	-74.9	-20.5	-13.4	-97.7	14.1	15.1
ROCE	-2.1	-12.1	0.9	0.7	-18.3	9.6	10.8
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	-1.6	1.0	0.8
CAPEX/sales (incl. acquisitions), %	1.5	2.5	-0.6	-4.6	-1.6	1.0	0.8
FCFF/EBITDA	-1.6	12.4	4.1	20.7	0.7	0.7	0.8
Net debt/EBITDA, book-weighted	-31.2	-136.2	14.2	37.8	-1.9	3.0	2.1
Debt/equity, market-weighted	3.7	3.7	1.6	1.1	0.6	0.5	0.3
Equity ratio, book-weighted	23.6	21.2	22.3	27.5	29.8	31.8	34.9
Gearing, %	195.1	240.4	159.8	103.0	81.2	63.8	44.2

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 has holdings in 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 been a cause for concern. Additional woes have been brought by the geopolitical developments to the company's holdings in Russia, and the company initiated a series of measures to improve its balance sheet. Strengthening the order backlog and improving the profitability of construction operations remain key drivers for the company's success.

OWNERSHIP STRUCTURE	SHARES	EURm	%
As Pontos Capital	47,306,787	8.042	18.0%
Ilmarinen Mutual Pension Insurance Company	33,295,636	5.660	12.7%
Kolpi Investments Oy	23,776,663	4.042	9.0%
OP Life Assurance Company Ltd	16,942,050	2.901	6.4%
Pohjola Insurance Ltd	15,785,996	2.684	6.0%
Havu Capital Oy	15,741,398	2.676	6.0%
Etola Group	13,373,642	2.274	5.1%
Tungelin Investments Oy	6,926,660	1.178	2.6%
Lareale Investments Oy	6,926,660	1.178	2.6%
Kokkila Lauri	6,494,422	1.104	2.5%
Ten largest	186,569,914	31.738	71%
Residual	76,447,427	14.242	29%
Total	263,017,341	45.980	100%

EARNINGS CALENDAR

July 21, 2022	Q2 report
October 27, 2022	Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

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

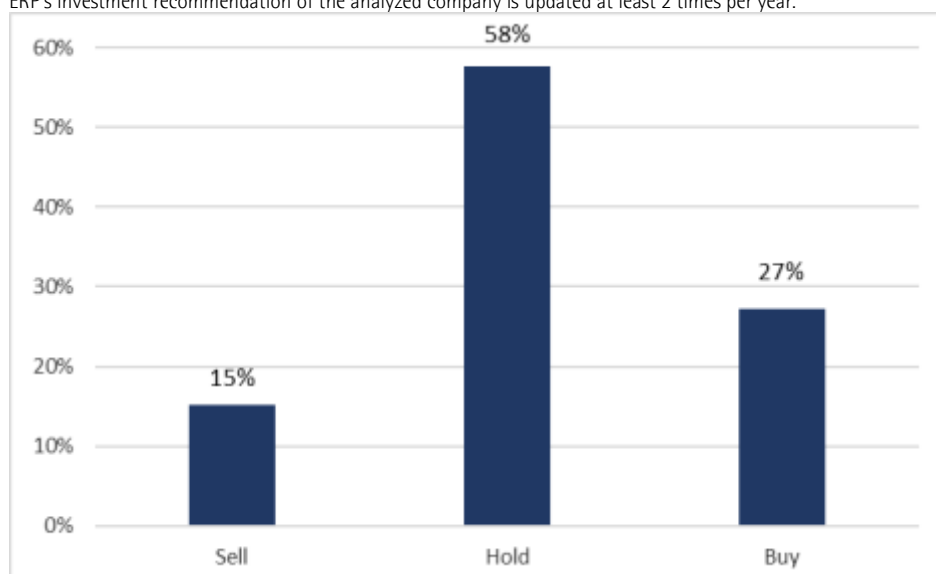
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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