

Still on track

SRV's Q2 results were fairly in line with expectations and held little new information. Progress is being made slowly but steadily and the company is quite well on track to regain decent profitability levels. We retain our BUY-rating and target price of EUR 0.8.

No surprises in Q2

SRV reported Q2 results that were fairly well in line with expectations. Revenue declined some 18% y/y to EUR 218.0m (EUR 232.1m/243.0m Evli/cons.) mainly due to lower business construction revenue. The operating profit was fairly good, at EUR 6.3m (EUR 5.8m/5.0m Evli/cons.), and the operative operating profit stood at EUR 5.7m (Evli 5.8m). The order backlog was down 21% y/y at EUR 1,048m. The guidance for 2021 of EUR 900-1,050m in revenue and operative operating profit of EUR 16-26m remains intact. The second quarter was rather limited in new information content, one highlight being the completed financing arrangements that clearly improved the maturity structure.

Estimates largely intact, potential minor headwind in H2

We have made some smaller adjustments to our 2021 estimates, now expecting revenue of EUR 907.2m (prev. 904.3m) and operating profit of EUR 22.1m (23.9m). Revenue in H2 is expected to improve clearly on H1 with for instance the completion of the second Kalasatama tower, Loisto, but relative profitability is expected to be weaker due to lower margins in key projects. Elevated building material costs and availability could cause some headwind in the latter half of 2021 but so far, the impact does not appear to be material. Start-ups of developer-contracted housing units continued on a slight positive trend, with the financing arrangements opening up potential for accelerated pace given sufficient demand.

BUY with a target price of EUR 0.8

Q2 was quite neutral and did not affect our view of SRV as an investment and SRV's potential is being unlocked, although slowly. We retain our target price of EUR 0.8 and BUY-rating.

Rating

BUY



Share price, EUR (Last trading day's closing price) 0.67

Target price, EUR 0.8

Latest change in recommendation	21-Jul-20
Latest report on company	30-Apr-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	176
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-Oct-21
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
2019	1,061.0	-93.1	-8.8%	-36.9	-1.80	-0.8	0.6	-6.3	-45.6	0.00
2020	975.5	1.5	0.2%	72.0	-0.10	-5.7	0.5	304.1	46.4	0.00
2021E	907.2	22.1	2.4%	37.1	0.02	40.9	0.5	19.9	21.1	0.00
2022E	936.2	27.1	2.9%	-1.4	0.03	19.5	0.5	16.3	-0.8	0.00
2023E	975.9	32.6	3.3%	67.6	0.06	11.9	0.4	13.1	38.3	0.01
Market cap, EURm		176	Gearing 2021E, %			135.9	CAGR EPS 2020-23, %			0.0
Net debt 2021E, EURm		267	Price/book 2021E			1.0	CAGR sales 2020-23, %			0.0
Enterprise value, EURm		439	Dividend yield 2021E, %			0.0	ROE 2021E, %			2.5
Total assets 2021E, EURm		839	Tax rate 2021E, %			8.6	ROCE 2021E, %			4.9
Goodwill 2021E, EURm		2	Equity ratio 2021E, %			24.6	PEG, P/E 21/CAGR			0.5

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

SRV	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20	2020E	Q1/'21	Q2/'21	Q3/'21E	Q4/'21E	2021E	2022E	2023E
Revenue	1,060.9	208.1	265.1	209.9	292.5	975.6	187.1	218.0	261.1	241.0	907.2	936.2	975.9
change, %	10.6%	-6.5%	27.8%	-7.6%	-27.6%	-8.0%	-10.1%	-17.8%	24.4%	-17.6%	-7.0%	3.2%	4.2%
Operative operating profit	-103.8	4.3	0.5	5.6	5.3	15.8	4.8	5.7	5.3	5.3	21.1	27.1	32.6
-margin	-9.8%	2.1%	0.2%	2.7%	1.8%	1.6%	2.6%	2.6%	2.0%	2.2%	2.3%	2.9%	3.3%
Adjustment items	3.8	0.2	2.7	-3.9	-13.4	-14.4	0.4	0.6	0.0	0.0	1.0	0.0	0.0
Operating profit	-93.0	4.5	3.3	1.7	-8.0	1.5	5.2	6.3	5.3	5.3	22.1	27.1	32.6
-margin	-8.8%	2.2%	1.2%	0.8%	-2.7%	0.2%	2.8%	2.9%	2.0%	2.2%	2.4%	2.9%	3.3%
Net financials	-29.3	-11.1	-3.0	-8.8	-6.4	-29.4	-4.1	-3.7	-4.0	-4.0	-15.8	-14.0	-14.0
Pre-tax profit	-122.4	-6.6	0.2	-7.0	-14.5	-28.0	1.1	2.6	1.3	1.3	6.3	13.1	18.6
Income taxes	18.7	-1.0	-0.3	0.2	4.0	2.9	0.5	-0.5	-0.3	-0.3	-0.5	-2.6	-3.7
Non-controlling interest	-0.7	1.4	1.1	-0.1	0.0	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	-104.4	-6.2	1.0	-6.9	-10.5	-22.8	1.6	2.1	1.0	1.0	5.8	10.5	14.9
EPS rep.*	-1.82	-0.11	0.02	-0.01	-0.05	-0.15	0.00	0.01	0.00	0.00	0.02	0.04	0.06
Construction	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20	2020E	Q1/'21	Q2/'21	Q3/'21E	Q4/'21E	2021E	2022E	2023E
Revenue	1,057.6	204.8	264.1	209.1	292.0	970.0	187.8	218.5	261.0	240.9	908.2	936.9	977.1
change, %	10.7%	-7.7%	27.8%	-7.4%	-27.6%	-8.3%	-8.3%	-17.3%	24.8%	-17.5%	-6.4%	3.2%	4.3%
Business construction	679.7	154.0	182.2	157.8	186.7	680.7	140.5	140.9	153.0	180.9	615.3	633.8	652.8
change, %	2.0%	5.9%	12.1%	-7.8%	-6.9%	0.1%	-8.8%	-22.7%	-3.0%	-3.1%	-9.6%	3.0%	3.0%
Housing construction	377.9	50.8	81.9	51.3	105.3	289.3	47.3	77.6	108.0	60.0	292.9	303.2	324.4
change, %	30.7%	-34.0%	87.8%	-6.2%	-48.0%	-23.4%	-6.9%	-5.3%	110.5%	-43.0%	1.2%	3.5%	7.0%
Operative operating profit		5.5	7.4	3.7	8.5	25.1	6.9	7.0	7.2	7.8	28.9	35.6	39.1
-margin		2.7%	2.8%	1.8%	2.9%	2.6%	3.7%	3.2%	2.8%	3.2%	3.2%	3.8%	4.0%
Adjustment items		0.7	0.0	1.5	0.2	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit	7.0	6.2	7.4	5.2	8.7	27.4	6.9	7.0	7.2	7.8	28.9	35.6	39.1
-margin	0.7%	3.0%	2.8%	2.5%	3.0%	2.8%	3.7%	3.2%	2.8%	3.2%	3.2%	3.8%	4.0%
Investments	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20	2020E	Q1/'21	Q2/'21	Q3/'21E	Q4/'21E	2021E	2022E	2023E
Revenue	5.9	1.6	1.2	1.1	0.9	4.8	1.0	1.0	1.1	1.1	4.2	4.5	4.0
change, %	28.3%	23.1%	-20.0%	-21.4%	-47.1%	-18.6%	-37.5%	-16.7%	0.0%	22.2%	-12.5%	7.1%	-11.1%
Operative operating profit	-96.2	-1.0	-4.4	1.6	-1.9	-5.7	-0.8	-0.9	-1.0	-1.0	-3.7	-4.0	-2.0
Adjustment items	3.8	-0.5	2.7	-5.4	-13.6	-16.8	0.4	1.0	0.0	0.0	1.4	0.0	0.0
Operating profit	-92.4	-1.4	-1.7	-3.8	-15.5	-22.5	-0.4	0.1	-1.0	-1.0	-2.3	-4.0	-2.0
Other operations and elim.	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20	2020E	Q1/'21	Q2/'21	Q3/'21E	Q4/'21E	2021E	2022E	2023E
Revenue	-2.6	1.6	-0.2	-0.3	-0.3	0.8	-1.7	-1.5	-1.0	-1.0	-5.2	-5.2	-5.2
Operating profit	-7.6	-0.2	-2.4	0.3	-1.3	-3.5	-1.3	-0.8	-0.9	-1.5	-4.5	-4.5	-4.5

*incl. tax adjusted hybrid interest

SRV PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		21	22	23	21	22	23	21	22	23
Skanska	9586	9.4x	9.6x	7.9x	11.7x	12.0x	10.8x	14.5x	14.9x	13.3x
Peab	2894	11.1x	10.2x	9.5x	16.5x	14.7x	13.4x	14.2x	12.7x	11.5x
NCC	1677	5.8x	5.6x	5.3x	10.1x	9.6x	8.7x	11.2x	11.0x	10.1x
AF Gruppen	1858	9.5x	8.5x	7.3x	13.1x	11.6x	9.7x	20.5x	18.4x	15.7x
Veidekke	1459	5.9x	5.6x	5.1x	10.1x	9.5x	8.1x	16.0x	14.9x	12.9x
JM	2063	12.2x	11.8x	11.0x	11.6x	11.8x	11.0x	12.7x	12.6x	11.7x
YIT	1080	9.6x	8.3x	7.7x	12.4x	10.3x	9.7x	12.7x	10.1x	9.2x
Bonava	981							13.5x	10.7x	9.0x
Lehto Group	143	9.6x	5.9x	5.2x	15.7x	7.6x	6.1x	20.5x	8.3x	6.6x
Peer Group Average	2188	9.1x	8.2x	7.4x	12.6x	10.9x	9.7x	15.1x	12.6x	11.1x
Peer Group Median	1568	9.6x	8.4x	7.5x	12.0x	11.0x	9.7x	14.2x	12.6x	11.5x
SRV (Evli est.)*	176	14.5x	12.7x	10.6x	28.3x	19.2x	16.4x	40.9x	19.5x	11.9x

SRV prem./disc. to peer median

52 % 52 % 41 % >100% 75 % 68 % >100% 54 % 3 %

Source FactSet, Evli Research. *EBIT: Operative operating profit

VALUATION						
	METRIC	Est., EURm	Multiple	EV	Per share	Comments
Construction	EV/EBIT	29	11.9x	344	1.31	2021E, construction peers
4Daily	NPV	6	1x	6	0.02	Exit '23, yld. 10 %
Okhta mall	NPV	48	1x	48	0.18	Exit '23, yld. 10 %
Investments plots	BV	54	0.8x	43	0.16	2020
Other assets	BV	20	1x	20	0.08	Evli est.
Other operations		-4.5	10x	-45	-0.17	2021E EBIT
Net debt				-168	-0.64	Q2/2021 incl. hybrid, excl. IFRS 16
Equity value	SOTP			247	0.94	
Equity value	DCF				1.23	
Peer multiples	EV/EBIT 21-22E				0.50-0.70	
	EV/EBITDA 21-22E				0.61-0.63	
Target price (EUR)					0.80	

Source: Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	0.67 PV of Free Cash Flow	305 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	1.23 PV of Horizon value	319 WACC, %	7.8 Market risk premium, %
Share price potential, %	83.2 Unconsolidated equity	4 Spread, %	0.5 Debt risk premium, %
Maximum value	1.4 Marketable securities	97 Minimum WACC, %	7.3 Equity beta coefficient
Minimum value	1.1 Debt - dividend	-401 Maximum WACC, %	8.3 Target debt ratio, %
Horizon value, %	51.1 Value of stock	323 Nr of shares, Mn	263.0 Effective tax rate, %

DCF valuation, EURm	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Horizon
Net sales	976	907	936	976	995	1,015	1,036	1,056	1,078	1,099	1,122	1,145
<i>Sales growth, %</i>	-8.1	-7.0	3.2	4.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	2	22	27	33	40	41	41	42	43	44	45	46
<i>Operating income margin, %</i>	0.2	2.4	2.9	3.3	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
+ Depreciation+amort.	19	8	8	8	8	8	8	8	8	8	8	8
EBITDA	20	30	35	40	48	49	49	50	51	52	53	
- Paid taxes	-5	-2	-5	-7	-8	-8	-8	-8	-9	-9	-9	
- Change in NWC	107	23	-6	1	6	-4	-4	-4	-4	-4	-5	
<i>NWC / Sales, %</i>	23.1	22.3	22.3	21.3	20.3	20.3	20.3	20.3	20.3	20.3	20.3	
+ Change in other liabs	3	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-12	-2	-2	-3	-3	-3	-3	-3	-3	-3	-3	
<i>opCAPEX / Sales, %</i>	-0.2	-0.1	1.2	1.0	0.7	0.7	0.7	0.6	0.6	0.6	0.6	
- Acquisitions	-5	0	0	0	0	0	0	0	0	0	0	
+ Divestments	29	0	0	0	0	0	0	0	0	0	0	
- Other items	-53	-1	-1	53	0	15	0	0	0	0	0	
= FCFF	83	48	19	86	43	49	34	35	35	36	36	647
= Discounted FCFF		47	17	71	33	35	23	21	20	19	18	319
= DFCF min WACC		47	17	72	34	36	23	22	21	20	19	365
= DFCF max WACC		47	17	70	33	34	22	21	20	18	17	281

INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	208.1	265.1	209.8	292.5	975.5	187.1	218.0	261.1	241.0	907.2	936.2	975.9
EBITDA	6.5	5.1	3.5	5.3	20.4	6.7	8.2	7.2	8.2	30.3	34.7	40.4
<i>EBITDA margin (%)</i>	<i>3.1</i>	<i>1.9</i>	<i>1.7</i>	<i>1.8</i>	<i>2.1</i>	<i>3.6</i>	<i>3.8</i>	<i>2.8</i>	<i>3.4</i>	<i>3.3</i>	<i>3.7</i>	<i>4.1</i>
EBIT	4.5	3.3	1.7	-8.0	1.5	5.2	6.3	5.3	5.3	22.1	27.1	32.6
<i>EBIT margin (%)</i>	<i>2.2</i>	<i>1.2</i>	<i>0.8</i>	<i>-2.7</i>	<i>0.2</i>	<i>2.8</i>	<i>2.9</i>	<i>2.0</i>	<i>2.2</i>	<i>2.4</i>	<i>2.9</i>	<i>3.3</i>
Net financial items	-11.1	-3.1	-8.7	-6.5	-29.4	-4.1	-3.7	-4.0	-4.0	-15.8	-14.0	-14.0
Pre-tax profit	-6.6	0.2	-7.0	-14.5	-27.9	1.1	2.6	1.3	1.3	6.3	13.1	18.6
Tax	-1.0	-0.3	0.2	4.0	2.9	0.5	-0.5	-0.3	-0.3	-0.5	-2.6	-3.7
<i>Tax rate (%)</i>	<i>-15.2</i>	<i>157.9</i>	<i>2.9</i>	<i>27.6</i>	<i>10.4</i>	<i>-45.5</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>8.6</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-9.9	1.0	-7.3	-11.0	-27.1	1.2	1.7	0.7	0.7	4.3	9.0	14.9
EPS	-0.04	0.00	-0.03	-0.04	-0.10	0.00	0.01	0.00	0.00	0.02	0.03	0.06
EPS adjusted (diluted no. of shares)	-0.04	0.00	-0.03	-0.04	-0.10	0.00	0.01	0.00	0.00	0.02	0.03	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	0.00	0.01
SALES, EURm												
Construction	204.9	264.1	209.0	292.0	970.0	187.8	218.5	261.0	240.9	908.2	936.9	977.1
Investments	1.6	1.2	1.1	0.9	4.8	1.0	1.0	1.1	1.1	4.2	4.5	4.0
Other	1.6	-0.2	-0.3	-0.4	0.7	-1.7	-1.5	-1.0	-1.0	-5.2	-5.2	-5.2
Total	208.1	265.1	209.8	292.5	975.5	187.1	218.0	261.1	241.0	907.2	936.2	975.9
SALES GROWTH, Y/Y %												
Construction	-7.7	27.8	-7.5	-27.6	-8.3	-8.3	-17.3	24.9	-17.5	-6.4	3.2	4.3
Investments	23.1	-20.0	-21.4	-47.1	-18.6	-37.5	-16.7	0.0	22.2	-12.5	7.1	-11.1
Other	-366.7	-75.0	0.0	-55.6	-126.9	-206.2	650.0	233.3	150.0	-842.9	0.0	0.0
Total	-6.5	27.8	-7.6	-27.6	-8.1	-10.1	-17.8	24.5	-17.6	-7.0	3.2	4.2
EBIT, EURm												
Construction	6.2	7.3	5.2	8.7	27.4	6.9	7.0	7.2	7.8	28.9	35.6	39.1
Investments	-1.4	-1.7	-3.8	-15.5	-22.4	-0.4	0.1	-1.0	-1.0	-2.3	-4.0	-2.0
Other	-0.2	-2.4	0.3	-1.2	-3.5	-1.3	-0.8	-0.9	-1.5	-4.5	-4.5	-4.5
Total	4.5	3.3	1.7	-8.0	1.5	5.2	6.3	5.3	5.3	22.1	27.1	32.6
EBIT margin, %												
Construction	3.0	2.8	2.5	3.0	2.8	3.7	3.2	2.8	3.2	3.2	3.8	4.0
Investments	-89.4	-139.2	-345.5	-1,722.2	-466.7	-40.0	10.0	-90.9	-90.9	-54.8	-88.9	-50.0
Other	-14.4	1,185.0	-100.0	300.0	-500.0	76.5	53.3	90.0	150.0	86.5	86.5	86.5
Total	2.2	1.2	0.8	-2.7	0.2	2.8	2.9	2.0	2.2	2.4	2.9	3.3

Construction & Engineering/Finland, July 22, 2021
Company update

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	884.0	1,114.1	959.9	1,061.0	975.5	907.2	936.2	975.9
<i>Sales growth (%)</i>	<i>22.9</i>	<i>26.0</i>	<i>-13.8</i>	<i>10.5</i>	<i>-8.1</i>	<i>-7.0</i>	<i>3.2</i>	<i>4.2</i>
EBITDA	34.2	21.1	-14.6	-3.1	20.4	30.3	34.7	40.4
<i>EBITDA margin (%)</i>	<i>3.9</i>	<i>1.9</i>	<i>-1.5</i>	<i>-0.3</i>	<i>2.1</i>	<i>3.3</i>	<i>3.7</i>	<i>4.1</i>
Depreciation	-6.6	-5.7	-5.3	-90.0	-18.9	-8.2	-7.6	-7.8
EBITA	27.6	15.4	-19.9	-93.1	1.5	22.1	27.1	32.6
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	27.6	15.4	-19.9	-93.1	1.5	22.1	27.1	32.6
<i>EBIT margin (%)</i>	<i>3.1</i>	<i>1.4</i>	<i>-2.1</i>	<i>-8.8</i>	<i>0.2</i>	<i>2.4</i>	<i>2.9</i>	<i>3.3</i>
Reported EBIT	27.6	15.4	-19.9	-14.7	1.5	22.1	27.1	32.6
<i>EBIT margin (reported) (%)</i>	<i>3.1</i>	<i>1.4</i>	<i>-2.1</i>	<i>-1.4</i>	<i>0.2</i>	<i>2.4</i>	<i>2.9</i>	<i>3.3</i>
Net financials	-11.3	-10.7	-17.5	-29.3	-29.4	-15.8	-14.0	-14.0
Pre-tax profit	16.3	4.7	-37.4	-122.4	-27.9	6.3	13.1	18.6
Taxes	-2.1	1.2	6.1	18.7	2.9	-0.5	-2.6	-3.7
Minority shares	0.0	0.2	1.1	0.7	2.3	0.0	0.0	0.0
Net profit	9.2	2.2	-34.1	-28.8	-27.1	4.3	9.0	14.9
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	78.4	0.0	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	295	287	273	122	120	119	119	120
Goodwill	2	2	2	2	2	2	2	2
Right of use assets	0	0	173	149	130	120	124	126
Inventory	400	419	438	372	355	330	341	355
Receivables	122	146	122	204	155	136	140	137
Liquid funds	55	24	93	28	97	90	93	97
Total assets	883	889	1,120	913	899	839	861	877
Liabilities								
Shareholder's equity	252	240	191	95	170	174	183	198
Minority interest	-2	-2	-3	-2	-4	-4	-4	-4
Convertibles	45	45	45	83	15	15	15	0
Lease liabilities	0	0	174	150	136	120	124	126
Deferred taxes	4	5	5	3	3	3	3	3
Interest bearing debt	301	321	375	300	250	221	222	226
Non-interest bearing current liabilities	253	252	304	244	285	265	273	285
Other interest-free debt	14	18	9	21	21	21	21	21
Total liabilities	883	889	1,120	914	899	839	861	877
CASH FLOW, EURm								
+ EBITDA	34	21	-15	-3	20	30	35	40
- Net financial items	-11	-11	-17	-29	-29	-16	-14	-14
- Taxes	-2	0	-1	-1	-2	-1	-3	-4
- Increase in Net Working Capital	-15	-44	56	-75	107	23	-6	1
+/- Other	15	2	2	98	-49	-1	-1	53
= Cash flow from operations	21	-33	26	-11	46	36	10	77
- Capex	-13	-24	-15	-26	1	1	-12	-9
- Acquisitions	0	0	0	0	-5	0	0	0
+ Divestments	0	0	0	0	29	0	0	0
= Free cash flow	8	-57	11	-37	72	37	-1	68
+/- New issues/buybacks	15	-8	-12	-67	100	0	0	0
- Paid dividend	-6	-6	-4	0	0	0	0	0
+/- Other	2	40	75	39	-103	-44	4	-64
Change in cash	20	-31	70	-65	69	-7	3	4

Construction & Engineering/Finland, July 22, 2021
Company update

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	214	101	81	155	176	176	176
Net debt (excl. convertibles)	298	456	422	289	252	253	255
Enterprise value	555	601	584	456	439	441	427
Sales	1,114	960	1,061	976	907	936	976
EBITDA	21	-15	-3	20	30	35	40
EBIT	15	-20	-93	2	22	27	33
Pre-tax	5	-37	-122	-28	6	13	19
Earnings	2	-34	-107	-27	4	9	15
Equity book value (excl. minorities)	240	191	95	170	174	183	198
Valuation multiples							
EV/sales	0.5	0.6	0.6	0.5	0.5	0.5	0.4
EV/EBITDA	26.3	-41.1	-188.5	22.4	14.5	12.7	10.6
EV/EBITA	36.1	-30.2	-6.3	304.1	19.9	16.3	13.1
EV/EBIT	36.1	-30.2	-6.3	304.1	19.9	16.3	13.1
EV/OCF	-17.1	23.5	-54.5	9.9	12.3	43.3	5.5
EV/FCFF	-10.6	26.3	-15.2	5.5	9.1	23.3	5.0
P/FCFE	-3.8	9.5	-2.2	2.2	4.7	-123.9	2.6
P/E	98.6	-3.0	-0.8	-5.7	40.9	19.5	11.9
P/B	0.9	0.5	0.9	0.9	1.0	1.0	0.9
Target EV/EBITDA	0.0	0.0	0.0	0.0	15.6	13.7	11.4
Target EV/EBIT	0.0	0.0	0.0	0.0	21.4	17.5	14.1
Target EV/FCF	0.0	0.0	0.0	0.0	12.8	-334.1	6.8
Target P/B	0.0	0.0	0.0	0.0	1.2	1.2	1.1
Target P/E	0.0	0.0	0.0	0.0	48.8	23.3	14.2
Per share measures							
Number of shares	59,500	59,581	59,581	263,017	263,017	263,017	263,017
Number of shares (diluted)	59,500	59,581	59,581	263,017	263,017	263,017	263,017
EPS	0.04	-0.57	-1.80	-0.10	0.02	0.03	0.06
Operating cash flow per share	-0.55	0.43	-0.18	0.18	0.14	0.04	0.29
Free cash flow per share	-0.96	0.18	-0.62	0.27	0.14	-0.01	0.26
Book value per share	4.03	3.21	1.59	0.64	0.66	0.70	0.75
Dividend per share	0.06	0.00	0.00	0.00	0.00	0.00	0.01
Dividend payout ratio, %	164.3	0.0	0.0	0.0	0.0	0.0	25.0
Dividend yield, %	1.7	0.0	0.0	0.0	0.0	0.0	2.1
FCF yield, %	-26.6	10.6	-45.6	46.4	21.1	-0.8	38.3
Efficiency measures							
ROE	0.9	-15.8	-74.9	-20.5	2.5	5.1	7.8
ROCE	3.5	-2.1	-12.1	0.9	4.9	5.8	6.7
Financial ratios							
Inventories as % of sales	37.6	45.7	35.1	36.4	36.4	36.4	36.4
Receivables as % of sales	13.1	12.7	19.2	15.8	15.0	15.0	14.0
Non-interest bearing liabilities as % of sales	22.7	31.7	23.0	29.2	29.2	29.2	29.2
NWC/sales, %	28.0	26.7	31.3	23.1	22.3	22.3	21.3
Operative CAPEX/sales, %	2.2	1.5	2.5	-0.2	-0.1	1.2	1.0
CAPEX/sales (incl. acquisitions), %	2.2	1.5	2.5	-0.6	-0.1	1.2	1.0
FCFF/EBITDA	-2.5	-1.6	12.4	4.1	1.6	0.5	2.1
Net debt/EBITDA, book-weighted	14.1	-31.2	-136.2	14.2	8.3	7.3	6.3
Debt/equity, market-weighted	1.5	3.7	3.7	1.6	1.3	1.3	1.3
Equity ratio, book-weighted	35.5	23.6	21.2	22.3	24.6	25.1	24.5
Gearing, %	105.0	195.1	240.4	159.8	135.9	130.3	131.3

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	%
As Pontos Capital	47,306,787	31.696	18.0%
Ilmarinen Mutual Pension Insurance Company	33,295,636	22.308	12.7%
Kolpi Investments Oy	23,776,663	15.930	9.0%
OP Life Assurance Company Ltd	17,657,784	11.831	6.7%
Pohjola Insurance Ltd	15,893,285	10.649	6.0%
Havu Capital Oy	15,741,398	10.547	6.0%
Tiiviste-Group Oy	13,373,642	8.960	5.1%
Tungelin Investments Oy	6,926,660	4.641	2.6%
Lareale Investments Oy	6,926,660	4.641	2.6%
Kokkila Lauri	6,494,422	4.351	2.5%
Ten largest	187,392,937	125.553	71%
Residual	75,624,404	50.668	29%
Total	263,017,341	176.222	100%

EARNINGS CALENDAR

October 28, 2021

Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

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

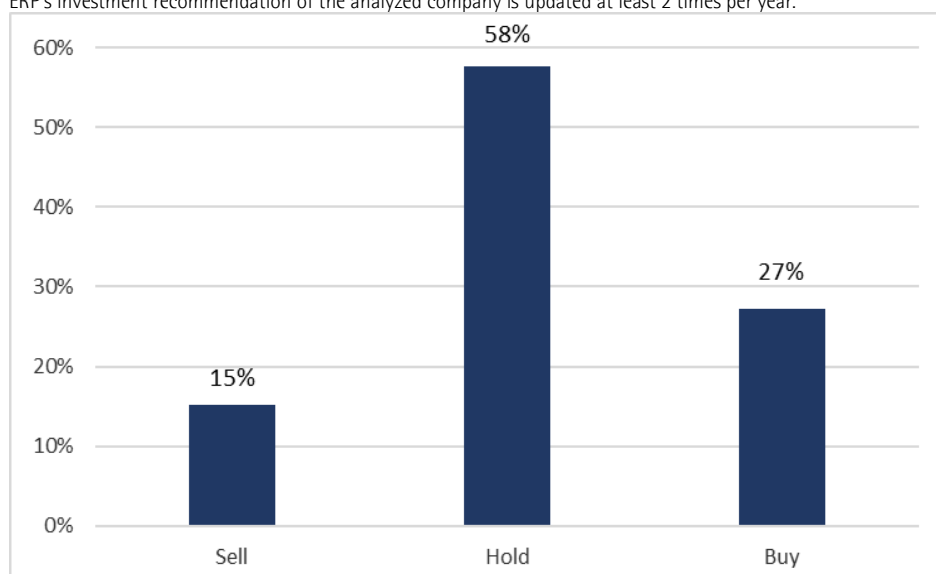
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< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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