

Headwinds remain, financially stable

SRV reported surprisingly good Q2 profitability, but headwinds still remain. With the recently completed transactions the company is now financially in good shape.

Q2 profitability exceptionally good

SRV reported good Q2 results in term of P&L figures. Revenue was on par with comparison period figures at EUR 211.4m (EUR 191.7m/219.0m Evli/cons.), while profitability was above expectations, with an operating profit of EUR 10.1m (EUR 4.1m/5.5m Evli/cons.). The relative profitability was exceptionally good and not expected to be as high during H2. The order backlog development remained unfavourable, at EUR 745.9m at the end of Q2. H1 contained new agreements of EUR 202.4m. SRV specified its guidance, now expecting revenue of EUR 800-860m (prev. 800-950m) and an operative operating profit of EUR 15-25m (prev. >5.3m), which compared with our pre-Q2 estimates is slightly on the weaker side but understandable given the current market situation.

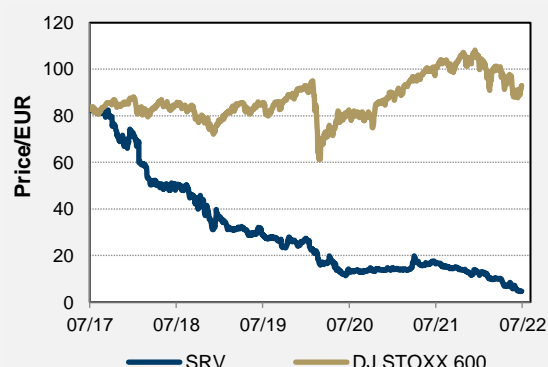
Current uncertainty threatening growth outlook

We have lowered our 2022 revenue estimate by 5% while our operative operating profit estimate is essentially intact nearer the upper end of the new guidance. We have lowered our estimates somewhat for 2023. Although SRV currently has EUR 1.3bn in won projects that are not yet entered into the order backlog, with the current uncertainty, order backlog development and lack of developer contracting housing unit start-ups we currently see limited signs of growth. Cost pressure is also still clearly present, but at least in some areas peak increases appear to be behind and the sector in general appears to have coped quite well with the pressure so far. With the completed financing arrangements SRV is now virtually net debt-free (excl. IFRS 16), thus clearly improving the risk profile.

HOLD with a TP of EUR 5.0 (prev. 0.18 pre-reverse split)

Following revisions to our estimates and with the reverse split completed in July we adjust our target price to EUR 5.0 (prev. 0.18) and retain our HOLD-rating. Our target price values SRV at around 6x EV/EBIT.

Rating

■ HOLD


Share price, EUR (Last trading day's closing price) 4.77

Target price, EUR 5.0

Latest change in recommendation 03-Feb-22

Latest report on company 09-Jun-22

Research paid by issuer: YES

No. of shares outstanding, '000's 16,982

No. of shares fully diluted, '000's 16,982

Market cap, EURm 81

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 27-Oct-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	-2.88	-5.7	0.5	304.1	46.4	0.00
2021	932.5	-1.8	-0.2%	122.9	-2.27	-6.5	0.3	-180.4	88.2	0.00
2022E	837.4	-66.8	-8.0%	-38.4	-4.59	-1.0	0.2	-2.6	-47.4	0.00
2023E	805.9	23.1	2.9%	30.5	0.78	6.2	0.2	6.1	37.6	0.00
2024E	847.9	26.4	3.1%	18.3	0.98	4.9	0.1	4.7	22.6	0.29
Market cap, EURm	81		Gearing 2022E, %	30.4		CAGR EPS 2021-24, %		0.0		0.0
Net debt 2022E, EURm	91		Price/book 2022E	0.5		CAGR sales 2021-24, %		-3.1		-3.1
Enterprise value, EURm	172		Dividend yield 2022E, %	0.0		ROE 2022E, %		-51.1		-51.1
Total assets 2022E, EURm	540		Tax rate 2022E, %	-12.6		ROCE 2022E, %		-18.3		-18.3
Goodwill 2022E, EURm	2		Equity ratio 2022E, %	41.6		PEG, P/E 22/CAGR		0.0		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/'22	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Revenue	975.6	187.1	218.0	191.1	336.3	932.6	190.7	211.4	176.7	258.6	837.4	805.9	847.9
change, %	-8.0%	-10.1%	-17.8%	-9.0%	15.0%	-4.4%	1.9%	-3.0%	-7.5%	-23.1%	-10.2%	-3.8%	5.2%
Operative operating profit	15.8	4.8	5.7	-1.5	-4.5	5.3	4.9	9.8	3.0	5.6	23.3	23.0	26.4
-margin	1.6%	2.6%	2.6%	-0.8%	-1.3%	0.6%	2.6%	4.6%	1.7%	2.2%	2.8%	2.9%	3.1%
Operating profit	1.5	5.2	6.3	-1.6	-11.5	-1.7	-85.7	10.1	3.0	5.6	-67.0	23.0	26.4
-margin	0.2%	2.8%	2.9%	-0.8%	-3.4%	-0.2%	-44.9%	4.8%	1.7%	2.2%	-8.0%	2.9%	3.1%
Net financials	-29.4	-4.1	-3.7	-2.8	-8.0	-18.6	-42.8	43.6	-1.0	-1.0	-1.2	-5.0	-4.0
Pre-tax profit	-28.0	1.1	2.6	-4.4	-19.6	-20.3	-128.5	53.7	2.0	4.6	-68.2	18.0	22.4
Income taxes	2.9	0.5	-0.5	0.4	0.1	0.5	-4.8	-2.4	-0.4	-0.9	-8.6	-3.6	-4.5
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	51.3	1.6	3.7	-76.7	14.4	17.9
EPS*	-0.15	0.12	0.17	-0.46	-2.09	-2.26	-14.02	5.36	0.07	0.20	-8.39	0.77	0.98
Construction	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22	Q2/'22	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Revenue	970.0	187.8	218.5	188.0	335.9	930.1	175.2	206.8	176.7	258.6	817.3	806.9	848.9
change, %	-8.3%	-8.3%	-17.3%	-10.1%	15.0%	-4.1%	-6.7%	-5.4%	-6.0%	-23.0%	-12.1%	-1.3%	5.2%
<i>Business construction</i>	680.7	140.5	140.9	115.2	184.8	581.4	98.7	120.9	98.5	149.6	467.7	481.7	501.0
change, %	0.1%	-8.8%	-22.7%	-27.0%	-1.0%	-14.6%	-29.8%	-14.2%	-14.5%	-19.0%	-19.6%	3.0%	4.0%
<i>Housing construction</i>	289.3	47.3	77.6	72.8	151.1	348.8	76.5	85.9	78.2	109.0	349.6	325.1	347.9
change, %	-23.4%	-6.9%	-5.3%	41.9%	43.5%	20.6%	61.7%	10.7%	7.4%	-27.9%	0.2%	-7.0%	7.0%
Operative operating profit	25.1	6.9	7.0	1.6	-1.3	14.1	6.3	9.9	5.1	7.8	29.1	30.7	34.0
-margin	2.6%	3.7%	3.2%	0.9%	-0.4%	1.5%	3.6%	4.8%	2.9%	3.0%	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	9.9	5.1	7.8	29.1	30.7	34.0
-margin	2.8%	3.7%	3.2%	0.9%	-0.4%	1.5%	3.6%	4.8%	2.9%	3.0%	3.6%	3.8%	4.0%
Investments	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22	Q2/'22	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Revenue	4.8	1.0	1.0	4.2	0.6	6.8	1.1	4.8	1.1	1.1	8.2	3.0	3.0
change, %	-18.6%	-37.5%	-16.7%	281.8%	-33.3%	41.7%	12.5%	380.0%	-73.2%	87.5%	20.2%	-63.3%	0.0%
Operative operating profit	-5.7	-0.8	-0.9	-2.5	-1.7	-4.6	-0.2	1.1	-1.0	-1.0	-1.1	-3.0	-3.0
Adjustment items	-16.8	0.4	1.0	-0.1	-6.9	-7.0	-105.2	0.3	0.0	0.0	-104.9	0.0	0.0
Operating profit	-22.5	-0.4	0.1	-2.6	-8.6	-11.6	-105.4	1.4	-1.0	-1.0	-106.0	-3.0	-3.0
Other operations and elim.	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22	Q2/'22	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Revenue	0.8	-1.7	-1.5	-1.1	-0.2	-4.5	14.4	-0.2	-1.1	-1.1	12.0	-4.0	-4.0
Operating profit	-3.5	-1.3	-0.8	-0.6	-1.5	-4.2	13.4	-1.2	-1.0	-1.0	10.2	-4.6	-4.6
Operative operating profit	-3.5	-1.3	-0.8	-0.6	-1.5	-4.2	-1.2	-1.2	-1.1	-1.1	-4.7	-4.7	-4.7

*incl. tax adjusted hybrid interest

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	4.77 PV of Free Cash Flow	116 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	7.79 PV of Horizon value	202 WACC, %	8.3 Market risk premium, %
Share price potential, %	63.3 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	9.6 Marketable securities	68 Minimum WACC, %	7.8 Equity beta coefficient
Minimum value	6.2 Debt - dividend	-253 Maximum WACC, %	8.8 Target debt ratio, %
Horizon value, %	63.5 Value of stock	132 Nr of shares, Mn	17.0 Effective tax rate, %

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	933	837	806	848	865	882	900	918	936	955	974	994
<i>Sales growth, %</i>	-4.4	-10.2	-3.8	5.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	-2	-67	23	26	28	29	29	30	30	31	32	32
<i>Operating income margin, %</i>	-0.2	-8.0	2.9	3.1	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
+ Depreciation+amort.	6	6	5	5	5	5	5	5	5	5	5	5
EBITDA	5	-61	28	31	33	34	34	35	36	36	37	
- Paid taxes	-3	-8	-5	-5	-6	-6	-6	-6	-6	-6	-6	
- Change in NWC	98	16	12	3	-2	-2	-2	-2	-2	-2	-2	
<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	13	-2	-2	-2	-2	-2	-2	-2	-2	-2	
<i>opCAPEX / Sales, %</i>	-4.6	-2.1	0.0	0.8	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	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	-1	-1	-1	-1	0	0	0	0	0	0	0	
= FCFF	93	-42	33	26	24	24	25	25	25	26	26	428
= Discounted FCFF		-40	29	21	18	17	16	15	14	13	12	202
= DFCF min WACC		-40	30	22	18	17	16	15	14	14	13	229
= DFCF max WACC		-40	29	21	18	17	15	14	14	13	12	179

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	187.1	218.0	191.1	336.3	932.5	190.7	211.4	176.7	258.6	837.4	805.9	847.9
EBITDA	6.7	8.2	-0.6	-9.8	4.5	-84.4	11.4	4.5	7.6	-60.9	28.4	31.4
<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>5.4</i>	<i>2.5</i>	<i>3.0</i>	<i>-7.3</i>	<i>3.5</i>	<i>3.7</i>
EBIT	5.2	6.3	-1.6	-11.7	-1.8	-85.7	10.1	3.1	5.7	-66.8	23.1	26.4
<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>4.8</i>	<i>1.8</i>	<i>2.2</i>	<i>-8.0</i>	<i>2.9</i>	<i>3.1</i>
Net financial items	-4.1	-3.7	-2.8	-8.0	-18.6	-42.8	43.6	-1.0	-1.0	-1.2	-5.0	-4.0
Pre-tax profit	1.1	2.6	-4.4	-19.7	-20.4	-128.5	53.7	2.1	4.7	-68.0	18.1	22.4
Tax	0.5	-0.5	0.4	0.1	0.5	-4.8	-2.4	-0.4	-0.9	-8.6	-3.6	-4.5
<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>4.5</i>	<i>20.0</i>	<i>20.0</i>	<i>-12.6</i>	<i>20.0</i>	<i>20.0</i>
Net profit	1.2	1.7	-4.6	-19.8	-21.4	-133.6	50.8	1.4	3.5	-78.0	13.2	16.6
EPS	0.13	0.18	-0.48	-2.10	-2.27	-7.87	2.99	0.08	0.20	-4.59	0.78	0.98
EPS adjusted (diluted no. of shares)	0.13	0.18	-0.48	-2.10	-2.27	-7.87	2.99	0.08	0.20	-4.59	0.78	0.98
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	0.29
SALES, EURm												
Construction	187.8	218.5	188.0	335.9	930.2	175.2	206.8	176.7	258.6	817.3	806.9	848.9
Investments	1.0	1.0	4.2	0.6	6.8	1.1	4.8	1.1	1.1	8.2	3.0	3.0
Other	-1.7	-1.5	-1.1	-0.2	-4.5	14.4	-0.2	-1.1	-1.1	12.0	-4.0	-4.0
Total	187.1	218.0	191.1	336.3	932.5	190.7	211.4	176.7	258.6	837.4	805.9	847.9
SALES GROWTH, Y/Y %												
Construction	-8.3	-17.3	-10.0	15.0	-4.1	-6.7	-5.4	-6.0	-23.0	-12.1	-1.3	5.2
Investments	-37.5	-16.7	281.8	-33.3	41.7	12.5	380.0	-73.2	87.5	20.2	-63.3	0.0
Other	-206.2	650.0	266.7	-50.0	-742.9	-947.1	-86.7	2.3	462.5	-365.6	-133.5	0.0
Total	-10.1	-17.8	-8.9	15.0	-4.4	1.9	-3.0	-7.5	-23.1	-10.2	-3.8	5.2
EBIT, EURm												
Construction	6.9	7.0	1.6	-1.4	14.1	6.3	9.9	5.1	7.8	29.1	30.7	34.0
Investments	-0.4	0.1	-2.6	-8.7	-11.6	-105.4	1.4	-1.0	-1.0	-106.0	-3.0	-3.0
Other	-1.3	-0.8	-0.6	-1.6	-4.3	13.4	-1.2	-1.0	-1.0	10.2	-4.6	-4.6
Total	5.2	6.3	-1.6	-11.7	-1.8	-85.7	10.1	3.1	5.7	-66.8	23.1	26.4
EBIT margin, %												
Construction	3.7	3.2	0.9	-0.4	1.5	3.6	4.8	2.9	3.0	3.6	3.8	4.0
Investments	-40.0	10.0	-61.9	-1,450.0	-170.6	-9,368.9	29.2	-88.9	-88.9	-1,296.6	-100.0	-100.0
Other	76.5	53.3	54.5	800.0	95.6	93.1	600.0	91.1	91.1	84.9	115.0	115.0
Total	2.8	2.9	-0.8	-3.5	-0.2	-44.9	4.8	1.8	2.2	-8.0	2.9	3.1

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	1,114.1	959.9	1,061.0	975.5	932.5	837.4	805.9	847.9
<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>-10.2</i>	<i>-3.8</i>	<i>5.2</i>
EBITDA	21.1	-14.6	-3.1	20.4	4.5	-60.9	28.4	31.4
<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>-7.3</i>	<i>3.5</i>	<i>3.7</i>
Depreciation	-5.7	-5.3	-90.0	-18.9	-6.3	-5.9	-5.3	-5.0
EBITA	15.4	-19.9	-93.1	1.5	-1.8	-66.8	23.1	26.4
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	-66.8	23.1	26.4
<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>-8.0</i>	<i>2.9</i>	<i>3.1</i>
Reported EBIT	15.4	-19.9	-14.7	1.5	-1.8	-66.8	23.1	26.4
<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>-8.0</i>	<i>2.9</i>	<i>3.1</i>
Net financials	-10.7	-17.5	-29.3	-29.4	-18.6	-1.2	-5.0	-4.0
Pre-tax profit	4.7	-37.4	-122.4	-27.9	-20.4	-68.0	18.1	22.4
Taxes	1.2	6.1	18.7	2.9	0.5	-8.6	-3.6	-4.5
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	-78.0	13.2	16.6
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	57	58
Goodwill	2	2	2	2	2	2	2	2
Right of use assets	0	173	149	130	82	74	69	70
Inventory	419	438	372	355	227	204	196	207
Receivables	146	122	204	155	143	126	113	110
Liquid funds	24	93	28	97	68	35	42	62
Total assets	889	1,120	913	899	686	540	521	550
Liabilities								
Shareholder's equity	240	191	95	170	150	156	169	185
Minority interest	-2	-3	-2	-4	0	0	0	0
Convertibles	45	45	83	15	15	34	34	34
Lease liabilities	0	174	150	136	89	93	69	70
Deferred taxes	5	5	3	3	1	1	1	1
Interest bearing debt	321	375	300	250	149	0	0	0
Non-interest bearing current liabilities	252	304	244	285	243	218	210	221
Other interest-free debt	18	9	21	21	15	15	15	15
Total liabilities	889	1,120	914	899	686	540	521	550
CASH FLOW, EURm								
+ EBITDA	21	-15	-3	20	5	-61	28	31
- Net financial items	-11	-17	-29	-29	-19	-1	-5	-4
- Taxes	0	-1	-1	-2	-2	-9	-4	-4
- Increase in Net Working Capital	-44	56	-75	107	98	16	12	3
+/- Other	2	2	98	-49	-1	-1	-1	-1
= Cash flow from operations	-33	26	-11	46	80	-56	31	25
- Capex	-24	-15	-26	1	43	18	0	-7
- 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	-38	30	18
+/- 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	-78	-24	1
Change in cash	-31	70	-65	69	-29	-33	7	20

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	101	81	155	139	81	81	81
Net debt (excl. convertibles)	456	422	289	170	57	27	9
Enterprise value	601	584	456	325	172	141	123
Sales	960	1,061	976	933	837	806	848
EBITDA	-15	-3	20	5	-61	28	31
EBIT	-20	-93	2	-2	-67	23	26
Pre-tax	-37	-122	-28	-20	-68	18	22
Earnings	-34	-107	-27	-21	-78	13	17
Equity book value (excl. minorities)	191	95	170	150	156	169	185
Valuation multiples							
EV/sales	0.6	0.6	0.5	0.3	0.2	0.2	0.1
EV/EBITDA	-41.1	-188.5	22.4	72.2	-2.8	5.0	3.9
EV/EBITA	-30.2	-6.3	304.1	-180.4	-2.6	6.1	4.7
EV/EBIT	-30.2	-6.3	304.1	-180.4	-2.6	6.1	4.7
EV/OCF	23.5	-54.5	9.9	4.1	-3.1	4.6	4.9
EV/FCFF	26.3	-15.2	5.5	3.5	-4.1	4.3	4.7
P/FCFE	0.3	-0.1	0.1	0.0	-2.1	2.7	4.4
P/E	-3.0	-0.8	-5.7	-6.5	-1.0	6.2	4.9
P/B	0.5	0.9	0.9	0.9	0.5	0.5	0.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	-2.9	5.1	4.1
Target EV/EBIT	0.0	0.0	0.0	0.0	-2.6	6.3	4.8
Target EV/FCF	0.0	0.0	0.0	0.0	-4.6	4.8	7.0
Target P/B	0.0	0.0	0.0	0.0	0.5	0.5	0.5
Target P/E	0.0	0.0	0.0	0.0	-1.1	6.5	5.1
Per share measures							
Number of shares	2,136	2,136	9,429	9,429	16,982	16,982	16,982
Number of shares (diluted)	2,136	2,136	9,429	9,429	16,982	16,982	16,982
EPS	-15.97	-50.19	-2.88	-2.27	-4.59	0.78	0.98
Operating cash flow per share	11.96	-5.02	4.91	8.50	-3.30	1.81	1.47
Free cash flow per share	5.02	-17.29	7.64	13.04	-2.26	1.80	1.08
Book value per share	89.61	44.34	17.99	15.88	9.16	9.94	10.92
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.29
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	6.1
FCF yield, %	10.6	-45.6	46.4	88.2	-47.4	37.6	22.6
Efficiency measures							
ROE	-15.8	-74.9	-20.5	-13.4	-51.1	8.1	9.4
ROCE	-2.1	-12.1	0.9	0.7	-18.3	8.3	9.4
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	-2.1	0.0	0.8
CAPEX/sales (incl. acquisitions), %	1.5	2.5	-0.6	-4.6	-2.1	0.0	0.8
FCFF/EBITDA	-1.6	12.4	4.1	20.7	0.7	1.2	0.8
Net debt/EBITDA, book-weighted	-31.2	-136.2	14.2	37.8	-0.9	1.0	0.3
Debt/equity, market-weighted	3.7	3.7	1.6	1.1	0.0	0.0	0.0
Equity ratio, book-weighted	23.6	21.2	22.3	27.5	41.6	46.4	47.1
Gearing, %	195.1	240.4	159.8	103.0	30.4	13.3	4.0

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.

EARNINGS CALENDAR

October 27, 2022

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

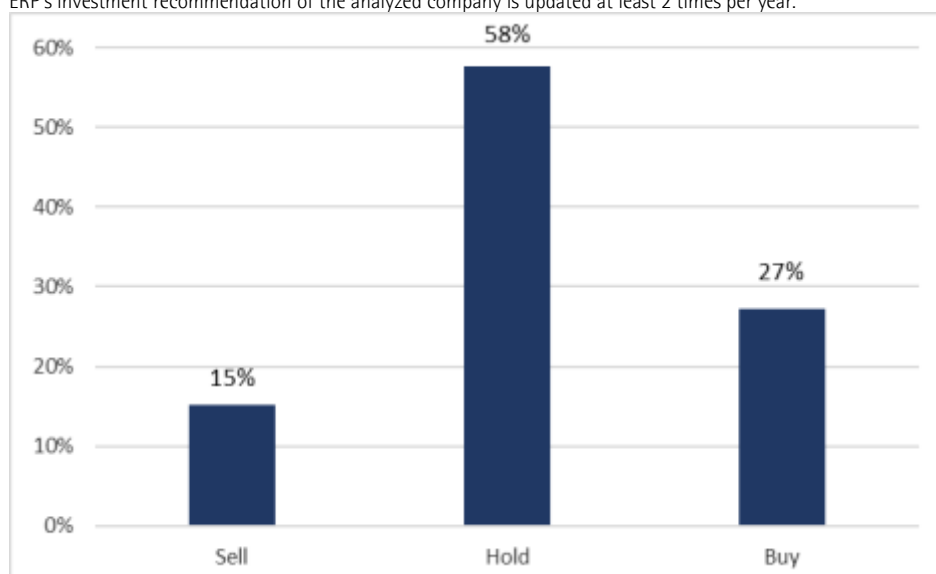
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< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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