

Tougher times ahead

SRV's Q3 was rather uneventful and construction profitability remained at reasonable levels. Near-term upside remains limited in the challenging market, and we lower our TP to EUR 4.3 (5.0), HOLD-rating intact.

Reasonable profitability given market conditions

SRV's Q3 results were largely rather uneventful. Revenue in Q3 was EUR 186.8m (EUR 176.7m/194.0m Evli/Cons.), near previous year levels. The operating profit amounted to EUR 5.5m (EUR 3.1m/2.7m Evli/cons.). The difference was due to capital gains from the sale of a commercial centre and the operating profit margin in construction was slightly below our expectations (2.6%/2.9% act./Evli). Profitability was supported by improved controllability of projects, successful inflation control and ensuring the availability of materials. The order backlog at the end of the review period stood at EUR 717.1m, down some 30% y/y. SRV announced the initiation of change negotiations to meet the current market demand situation.

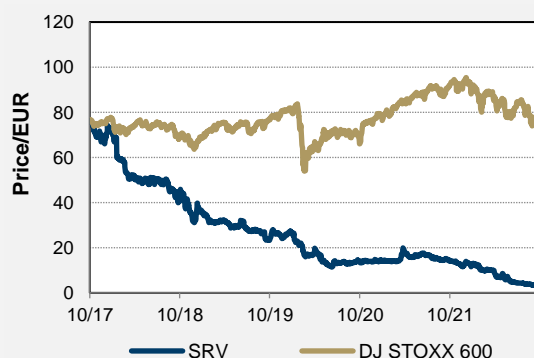
Heading into challenging market conditions

SRV is heading into a quite tough market, with construction material costs and inflation continuing to cause some hassle along with expectations of a decline in new building construction volumes. The pipeline for business construction appears to be somewhat fruitful but we see little support for the generally more profitable housing construction volumes. The visibility into 2023 is weak and currently we expect a sales decline of some 6%. There is still some potential for margin improvement potential, although we see the current headwinds limiting that in the short-term, and the completed financing arrangements will support bottom-line figures.

HOLD with a TP of EUR 4.3 (5.0)

Although valuation looks cheap, with the market challenges we see little potential for materialization of valuation upside compared with peers in the near-term. In the mid-term, improved margins and initiation of dividend payments could act as a catalyst, again however limited by current uncertainties. We retain our HOLD-rating with a TP of EUR 4.3 (5.0).

Rating



Share price, EUR (Last trading day's closing price) 4.03

Target price, EUR 4.3

Latest change in recommendation 03-Feb-22

Latest report on company 22-Jul-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 68

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 02-Feb-23

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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	800.9	-66.5	-8.3%	-27.7	-4.45	-0.9	0.2	-2.2	-40.5	0.00
2023E	754.0	21.1	2.8%	31.7	0.68	5.9	0.2	5.6	46.3	0.00
2024E	778.3	25.1	3.2%	20.2	0.92	4.4	0.1	3.9	29.4	0.27
Market cap, EURm		68	Gearing 2022E, %			24.5	CAGR EPS 2021-24, %			0.0
Net debt 2022E, EURm		80	Price/book 2022E			0.4	CAGR sales 2021-24, %			-5.8
Enterprise value, EURm		149	Dividend yield 2022E, %			0.0	ROE 2022E, %			-49.1
Total assets 2022E, EURm		533	Tax rate 2022E, %			-12.7	ROCE 2022E, %			-18.2
Goodwill 2022E, EURm		2	Equity ratio 2022E, %			42.8	PEG, P/E 22/CAGR			0.0

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

Construction & Engineering/Finland, October 28, 2022
Company update

SRV	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22	Q2/'22	Q3/'22	Q4/'22E	2022E	2023E	2024E
Revenue	975.6	187.1	218.0	191.1	336.3	932.6	190.7	211.4	186.8	211.9	800.8	754.0	778.3
change, %	-8.0%	-10.1%	-17.8%	-9.0%	15.0%	-4.4%	1.9%	-3.0%	-2.3%	-37.0%	-14.1%	-5.8%	3.2%
Operative operating profit	15.8	4.8	5.7	-1.5	-4.5	5.3	4.9	9.8	3.9	3.6	22.2	21.1	25.1
-margin	1.6%	2.6%	2.6%	-0.8%	-1.3%	0.6%	2.6%	4.6%	2.1%	1.7%	2.8%	2.8%	3.2%
Operating profit	1.5	5.2	6.3	-1.6	-11.5	-1.7	-85.7	10.1	5.5	3.6	-66.5	21.1	25.1
-margin	0.2%	2.8%	2.9%	-0.8%	-3.4%	-0.2%	-44.9%	4.8%	2.9%	1.7%	-8.3%	2.8%	3.2%
Net financials	-29.4	-4.1	-3.7	-2.8	-8.0	-18.6	-42.8	43.6	0.3	-0.4	0.7	-1.6	-1.6
Pre-tax profit	-28.0	1.1	2.6	-4.4	-19.6	-20.3	-128.5	53.7	5.8	3.2	-65.8	19.5	23.5
Income taxes	2.9	0.5	-0.5	0.4	0.1	0.5	-4.8	-2.4	-0.4	-0.6	-8.2	-3.9	-4.7
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	5.3	2.5	-74.2	15.6	18.8
EPS*	-0.15	0.12	0.17	-0.46	-2.09	-2.26	-14.02	5.36	0.29	0.13	-8.24	0.84	1.03
Construction	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22	Q2/'22	Q3/'22	Q4/'22E	2022E	2023E	2024E
Revenue	970.0	187.8	218.5	188.0	335.9	930.1	175.2	206.8	183.9	211.9	777.8	752.2	776.5
change, %	-8.3%	-8.3%	-17.3%	-10.1%	15.0%	-4.1%	-6.7%	-5.4%	-2.2%	-36.9%	-16.4%	-3.3%	3.2%
<i>Business construction</i>	680.7	140.5	140.9	115.2	184.8	581.4	98.7	120.9	95.3	136.6	451.5	465.0	483.6
change, %	0.1%	-8.8%	-22.7%	-27.0%	-1.0%	-14.6%	-29.8%	-14.2%	-17.3%	-26.1%	-22.3%	3.0%	4.0%
<i>Housing construction</i>	289.3	47.3	77.6	72.8	151.1	348.8	76.5	85.9	88.6	75.3	326.3	287.1	292.9
change, %	-23.4%	-6.9%	-5.3%	41.9%	43.5%	20.6%	61.7%	10.7%	21.7%	-50.2%	-6.5%	-12.0%	2.0%
Operative operating profit	25.1	6.9	7.0	1.6	-1.3	14.1	6.3	9.9	4.7	5.3	26.2	27.1	31.1
-margin	2.6%	3.7%	3.2%	0.9%	-0.4%	1.5%	3.6%	4.8%	2.6%	2.5%	3.4%	3.6%	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	4.7	5.3	26.2	27.1	31.1
-margin	2.8%	3.7%	3.2%	0.9%	-0.4%	1.5%	3.6%	4.8%	2.6%	2.5%	3.4%	3.6%	4.0%
Investments	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22	Q2/'22	Q3/'22	Q4/'22E	2022E	2023E	2024E
Revenue	4.8	1.0	1.0	4.2	0.6	6.8	1.1	4.8	3.2	1.1	10.3	3.0	3.0
change, %	-18.6%	-37.5%	-16.7%	281.8%	-33.3%	41.7%	12.5%	380.0%	-23.8%	87.5%	50.7%	-70.7%	0.0%
Operative operating profit	-5.7	-0.8	-0.9	-2.5	-1.7	-4.6	-0.2	1.1	0.4	-0.6	0.7	-1.5	-1.5
Adjustment items	-16.8	0.4	1.0	-0.1	-6.9	-7.0	-105.2	0.3	1.5	0.0	-103.4	0.0	0.0
Operating profit	-22.5	-0.4	0.1	-2.6	-8.6	-11.6	-105.4	1.4	1.9	-0.6	-102.7	-1.5	-1.5
Other operations and elim.	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22	Q2/'22	Q3/'22	Q4/'22E	2022E	2023E	2024E
Revenue	0.8	-1.7	-1.5	-1.1	-0.2	-4.5	14.4	-0.2	-0.3	-1.1	12.8	-1.2	-1.2
Operating profit	-3.5	-1.3	-0.8	-0.6	-1.5	-4.2	13.4	-1.2	-1.2	-1.1	9.9	-4.5	-4.5
Operative operating profit	-3.5	-1.3	-0.8	-0.6	-1.5	-4.2	-1.2	-1.2	-1.2	-1.1	-4.7	-4.5	-4.5

*incl. tax adjusted hybrid interest

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	4.03 PV of Free Cash Flow	114 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	6.93 PV of Horizon value	189 WACC, %	8.3 Market risk premium, %	5.8
Share price potential, %	71.9 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	3.5
Maximum value	8.6 Marketable securities	68 Minimum WACC, %	7.8 Equity beta coefficient	1.30
Minimum value	5.5 Debt - dividend	-253 Maximum WACC, %	8.8 Target debt ratio, %	40
Horizon value, %	62.2 Value of stock	118 Nr of shares, Mn	17.0 Effective tax rate, %	20

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	933	801	754	778	794	810	826	842	859	877	894	913
<i>Sales growth, %</i>	-4.4	-14.1	-5.9	3.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	-2	-67	21	25	26	26	27	27	28	28	29	30
<i>Operating income margin, %</i>	-0.2	-8.3	2.8	3.2	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	26	30	30	31	32	32	33	33	34	
- Paid taxes	-3	-8	-4	-5	-5	-5	-5	-5	-6	-6	-6	
- Change in NWC	98	21	14	5	-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	-2.6	-0.2	0.6	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	-36	33	26	22	22	22	23	23	24	24	391
= Discounted FCFF		-36	30	22	17	16	15	14	13	12	12	189
= DFCF min WACC		-36	30	22	17	16	15	14	14	13	12	214
= DFCF max WACC		-36	30	22	17	16	15	14	13	12	11	167

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3	2022Q4E	2022E	2023E	2024E
Net sales	187.1	218.0	191.1	336.3	932.5	190.7	211.4	186.9	211.9	800.9	754.0	778.3
EBITDA	6.7	8.2	-0.6	-9.8	4.5	-84.4	11.4	6.8	5.5	-60.7	26.1	29.7
<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>3.6</i>	<i>2.6</i>	<i>-7.6</i>	<i>3.5</i>	<i>3.8</i>
EBIT	5.2	6.3	-1.6	-11.7	-1.8	-85.7	10.1	5.5	3.6	-66.5	21.1	25.1
<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>4.8</i>	<i>2.9</i>	<i>1.7</i>	<i>-8.3</i>	<i>2.8</i>	<i>3.2</i>
Net financial items	-4.1	-3.7	-2.8	-8.0	-18.6	-42.8	43.6	0.3	-0.4	0.7	-5.0	-4.0
Pre-tax profit	1.1	2.6	-4.4	-19.7	-20.4	-128.5	53.7	5.8	3.2	-65.8	16.1	21.1
Tax	0.5	-0.5	0.4	0.1	0.5	-4.8	-2.4	-0.5	-0.6	-8.3	-3.2	-4.2
<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>8.6</i>	<i>20.0</i>	<i>-12.7</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	5.0	2.2	-75.6	11.6	15.6
EPS	0.13	0.18	-0.48	-2.10	-2.27	-7.87	2.99	0.29	0.13	-4.45	0.68	0.92
EPS adjusted (diluted no. of shares)	0.13	0.18	-0.48	-2.10	-2.27	-7.87	2.99	0.29	0.13	-4.45	0.68	0.92
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	0.27
SALES, EURm												
Construction	187.8	218.5	188.0	335.9	930.2	175.2	206.8	183.9	211.9	777.8	752.2	776.5
Investments	1.0	1.0	4.2	0.6	6.8	1.1	4.8	3.2	1.1	10.2	3.0	3.0
Other	-1.7	-1.5	-1.1	-0.2	-4.5	14.4	-0.2	-0.2	-1.1	12.9	-1.2	-1.2
Total	187.1	218.0	191.1	336.3	932.5	190.7	211.4	186.9	211.9	800.9	754.0	778.3
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>-5.4</i>	<i>-2.2</i>	<i>-36.9</i>	<i>-16.4</i>	<i>-3.3</i>	<i>3.2</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>380.0</i>	<i>-24.4</i>	<i>87.5</i>	<i>50.4</i>	<i>-70.7</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>-86.7</i>	<i>-81.8</i>	<i>462.5</i>	<i>-386.1</i>	<i>-109.3</i>	<i>0.0</i>
Total	-10.1	-17.8	-8.9	15.0	-4.4	1.9	-3.0	-2.2	-37.0	-14.1	-5.9	3.2
EBIT, EURm												
Construction	6.9	7.0	1.6	-1.4	14.1	6.3	9.9	4.8	5.3	26.3	27.1	31.1
Investments	-0.4	0.1	-2.6	-8.7	-11.6	-105.4	1.4	1.9	-0.6	-102.7	-1.5	-1.5
Other	-1.3	-0.8	-0.6	-1.6	-4.3	13.4	-1.2	-1.2	-1.1	9.9	-4.5	-4.5
Total	5.2	6.3	-1.6	-11.7	-1.8	-85.7	10.1	5.5	3.6	-66.5	21.1	25.1
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>4.8</i>	<i>2.6</i>	<i>2.5</i>	<i>3.4</i>	<i>3.6</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>29.2</i>	<i>59.8</i>	<i>-53.3</i>	<i>-1,004.4</i>	<i>-50.0</i>	<i>-50.0</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>600.0</i>	<i>600.0</i>	<i>97.8</i>	<i>76.9</i>	<i>375.0</i>	<i>375.0</i>
Total	2.8	2.9	-0.8	-3.5	-0.2	-44.9	4.8	2.9	1.7	-8.3	2.8	3.2

Construction & Engineering/Finland, October 28, 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	800.9	754.0	778.3
<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>-14.1</i>	<i>-5.9</i>	<i>3.2</i>
EBITDA	21.1	-14.6	-3.1	20.4	4.5	-60.7	26.1	29.7
<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>-7.6</i>	<i>3.5</i>	<i>3.8</i>
Depreciation	-5.7	-5.3	-90.0	-18.9	-6.3	-5.8	-5.0	-4.6
EBITA	15.4	-19.9	-93.1	1.5	-1.8	-66.5	21.1	25.1
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	-66.5	21.1	25.1
<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>-8.3</i>	<i>2.8</i>	<i>3.2</i>
Reported EBIT	15.4	-19.9	-14.7	1.5	-1.8	-66.5	21.1	25.1
<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>-8.3</i>	<i>2.8</i>	<i>3.2</i>
Net financials	-10.7	-17.5	-29.3	-29.4	-18.6	0.7	-5.0	-4.0
Pre-tax profit	4.7	-37.4	-122.4	-27.9	-20.4	-65.8	16.1	21.1
Taxes	1.2	6.1	18.7	2.9	0.5	-8.3	-3.2	-4.2
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	-75.6	11.6	15.6
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	57	57	57
Goodwill	2	2	2	2	2	2	2	2
Right of use assets	0	173	149	130	82	71	64	65
Inventory	419	438	372	355	227	195	184	190
Receivables	146	122	204	155	143	120	106	101
Liquid funds	24	93	28	97	68	46	49	70
Total assets	889	1,120	913	899	686	533	504	526
Liabilities								
Shareholder's equity	240	191	95	170	150	158	170	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	64	65
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	209	197	203
Other interest-free debt	18	9	21	21	15	15	15	15
Total liabilities	889	1,120	914	899	686	533	504	526
CASH FLOW, EURm								
+ EBITDA	21	-15	-3	20	5	-61	26	30
- Net financial items	-11	-17	-29	-29	-19	1	-5	-4
- Taxes	0	-1	-1	-2	-2	-8	-3	-4
- Increase in Net Working Capital	-44	56	-75	107	98	21	14	5
+/- Other	2	2	98	-49	-1	-1	-1	-1
= Cash flow from operations	-33	26	-11	46	80	-49	30	25
- Capex	-24	-15	-26	1	43	21	1	-5
- 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	-28	32	20
+/- 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	-28	0
Change in cash	-31	70	-65	69	-29	-22	4	20

Construction & Engineering/Finland, October 28, 2022
Company update

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	101	81	155	139	68	68	68
Net debt (excl. convertibles)	456	422	289	170	47	15	-5
Enterprise value	601	584	456	325	149	117	97
Sales	960	1,061	976	933	801	754	778
EBITDA	-15	-3	20	5	-61	26	30
EBIT	-20	-93	2	-2	-67	21	25
Pre-tax	-37	-122	-28	-20	-66	16	21
Earnings	-34	-107	-27	-21	-76	12	16
Equity book value (excl. minorities)	191	95	170	150	158	170	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	-2.5	4.5	3.3
EV/EBITA	-30.2	-6.3	304.1	-180.4	-2.2	5.6	3.9
EV/EBIT	-30.2	-6.3	304.1	-180.4	-2.2	5.6	3.9
EV/OCF	23.5	-54.5	9.9	4.1	-3.0	3.9	3.9
EV/FCFF	26.3	-15.2	5.5	3.5	-4.1	3.6	3.7
P/FCFE	0.3	-0.1	0.1	0.0	-2.5	2.2	3.4
P/E	-3.0	-0.8	-5.7	-6.5	-0.9	5.9	4.4
P/B	0.5	0.9	0.9	0.9	0.4	0.4	0.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	-2.5	4.7	3.4
Target EV/EBIT	0.0	0.0	0.0	0.0	-2.3	5.8	4.0
Target EV/FCF	0.0	0.0	0.0	0.0	-5.5	3.8	5.0
Target P/B	0.0	0.0	0.0	0.0	0.5	0.4	0.4
Target P/E	0.0	0.0	0.0	0.0	-1.0	6.3	4.7
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	-4.45	0.68	0.92
Operating cash flow per share	11.96	-5.02	4.91	8.50	-2.88	1.79	1.47
Free cash flow per share	5.02	-17.29	7.64	13.04	-1.63	1.87	1.19
Book value per share	89.61	44.34	17.99	15.88	9.30	9.99	10.90
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.27
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	6.8
FCF yield, %	10.6	-45.6	46.4	88.2	-40.5	46.3	29.4
Efficiency measures							
ROE	-15.8	-74.9	-20.5	-13.4	-49.1	7.1	8.8
ROCE	-2.1	-12.1	0.9	0.7	-18.2	7.6	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	-2.6	-0.2	0.6
CAPEX/sales (incl. acquisitions), %	1.5	2.5	-0.6	-4.6	-2.6	-0.2	0.6
FCFF/EBITDA	-1.6	12.4	4.1	20.7	0.6	1.3	0.9
Net debt/EBITDA, book-weighted	-31.2	-136.2	14.2	37.8	-0.8	0.6	-0.2
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	42.8	48.5	49.6
Gearing, %	195.1	240.4	159.8	103.0	24.5	7.4	-2.3

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 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	190.646	278.6%
Ilmarinen Mutual Pension Insurance Company	33,295,636	134.181	196.1%
Kolpi Investments Oy	23,776,663	95.820	140.0%
OP Life Assurance Company Ltd	16,942,050	68.276	99.8%
Pohjola Insurance Ltd	15,785,996	63.618	93.0%
Havu Capital Oy	15,741,398	63.438	92.7%
Etola Group	13,373,642	53.896	78.8%
Tungelin Investments Oy	6,926,660	27.914	40.8%
Lareale Investments Oy	6,926,660	27.914	40.8%
Kokkila Lauri	6,494,422	26.173	38.2%
Ten largest	186,569,914	751.877	1,099%
Residual	-169,587,571	-683.438	-999%
Total	16,982,343	68.439	100%

EARNINGS CALENDAR

February 02, 2023	FY 2022 Results
April 27, 2023	Q1 report
July 20, 2023	Q2 report
October 26, 2023	Q3 report

OTHER EVENTS

March 27, 2023	AGM
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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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Investment recommendations are defined as follows:

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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