

Backlog promises a better tomorrow

SRV reported Q2 figures that were lower than we estimated for both net sales (EUR 141.3m vs. Evli est. EUR 156.1m) and operative EBIT (EUR -3.9m vs. Evli est. EUR 1.2m). SRV's healthy backlog provides support for H2 and beyond.

Profitability remained under pressure during Q2

Revenue in Q2 was EUR 143.1m (EUR 211.4m in Q2/22), below our estimate of EUR 156.1m. Revenue declined -32.3% y/y. Operating profit in Q2 amounted to EUR -3.0m (EUR 10.1m in Q2/22), below our estimate of EUR 1.2m, at a margin of -2.1%. The operative operating profit in Q2 amounted to EUR -3.9m, also below our estimate of EUR 1.2m. The outlook for 2023 was kept unchanged and SRV still expects y/y revenue decline in 2023 and positive yet lower than 2022 operative operating profit.

Soft H1 increases pressure for H2

SRV's order intake during Q2 was impressive at EUR 245.9m (EUR 72.3m in Q2/22). With the strong order intake, the company's order backlog was at a healthy level of EUR 993.1m at the end of Q2 2023 (EUR 745.9m in Q2/22), up by 33.1% y/y. The company expects that the strong backlog in business construction will start to bring in net sales especially during the Q4 2023 and beyond. We have kept our estimates for business construction net sales intact as we keep forecasting substantially higher volumes for Q4 2023. For housing construction, we increased our estimates for H2 2023 as the activity level was higher than expected during Q2 2023 and the company was able to start new units at the end of the quarter. With the Q2 figures and our revised estimates, our estimate for FY 2023 operative EBIT is at EUR 1.1m. Our revised estimates align with the company's 2023 outlook, yet the risk of falling short of the guidance has increased.

HOLD with a target price of EUR 4.3 (4.4)

We estimate that the current backlog will start delivering net sales at the latter part of H2 2023 and beyond. With the soft H1 profitability, risk of falling short of the current guidance has increased. Despite near-term pressure, the healthy backlog promises a better future. We revise our target price to EUR 4.3 (4.4) and retain our HOLD rating.

Rating ■ HOLD

 Share price, EUR (Last trading day's closing price) **3.93**

 Target price, EUR **4.3**

Latest change in recommendation	04-Feb-22
Latest report on company	05-Jun-23
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	67
Free float, %	78.9
Exchange rate	1.000
Reuters code	SRV1V.HE
Bloomberg code	SRV1V FH
Average daily volume, EURm	0.06
Next interim report	26-Oct-23
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
2021	932.5	-1.8	-0.2%	113.9	-2.27	-6.5	0.3	-180.4	81.7	0.00
2022	770.1	-76.3	-9.9%	-67.8	-5.05	-0.8	0.2	-2.3	-105.1	0.00
2023E	623.4	2.0	0.3%	-5.4	-0.43	-9.2	0.3	93.7	-8.0	0.00
2024E	716.2	15.5	2.2%	-5.5	0.21	18.6	0.3	12.4	-8.2	0.06
2025E	813.4	23.8	2.9%	-2.1	0.70	5.6	0.2	8.2	-3.2	0.21
Market cap, EURm		67	Gearing 2023E, %			61.6	CAGR EPS 2022-25, %			0.0
Net debt 2023E, EURm		119	Price/book 2023E			0.6	CAGR sales 2022-25, %			1.8
Enterprise value, EURm		186	Dividend yield 2023E, %			0.0	ROE 2023E, %			-6.6
Total assets 2023E, EURm		410	Tax rate 2023E, %			21.2	ROCE 2023E, %			0.7
Goodwill 2023E, EURm		2	Equity ratio 2023E, %			42.9	PEG, P/E 23/CAGR			0.0

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

Table 1: Estimate summary, figures in EUR m

SRV	2020	2021	Q1/'22	Q2/'22	Q3/'22	Q4/'22	2022	Q1/'23	Q2/'23	Q3/'23E	Q4/'23E	2023E	2024E	2025E
Revenue	975.6	932.6	190.7	211.4	186.8	181.4	770.4	138.3	143.1	151.7	190.3	623.4	716.2	813.4
change, %	-8.0%	-4.4%	1.9%	-3.0%	-2.3%	-46.1%	-17.4%	-27.5%	-32.3%	-18.8%	4.9%	-19.1%	14.9%	13.6%
Revenue - B business construction	680.7	581.4	98.7	120.9	95.3	112.3	427.2	113.9	111.0	114.4	151.4	490.6	564.2	620.6
change, %	0.1%	-14.6%	-29.8%	-14.2%	-17.3%	-39.2%	-26.5%	15.4%	-8.2%	20.0%	34.8%	14.8%	15.0%	10.0%
Revenue - Housing construction	289.3	348.8	76.5	85.9	88.6	68.1	319.1	24.0	32.1	36.9	38.6	131.6	150.8	191.6
change, %	-23.4%	20.6%	61.7%	10.7%	21.7%	-54.9%	-8.5%	-68.6%	-62.6%	-58.3%	-43.4%	-58.8%	14.6%	27.0%
Operative operating profit	15.8	5.3	4.9	9.8	3.9	1.1	19.7	-2.0	-3.9	1.6	5.4	1.1	15.5	23.8
-margin	1.6%	0.6%	2.6%	4.6%	2.1%	0.6%	2.6%	-1.4%	-2.7%	1.1%	2.8%	0.2%	2.2%	2.9%
Operating profit	1.5	-1.7	-85.7	10.1	5.5	-6.2	-76.3	-2.0	-3.0	1.6	5.4	2.0	15.5	23.8
-margin	0.2%	-0.2%	-44.9%	4.8%	2.9%	-3.4%	-9.9%	-1.4%	-2.1%	1.1%	2.8%	0.3%	2.2%	2.9%
Net financials	-29.4	-18.6	-42.8	43.6	0.3	-3.8	-2.7	-2.5	-2.5	-2.5	-2.5	-10.0	-9.3	-9.0
Pre-tax profit	-28.0	-20.3	-128.5	53.7	5.8	-10.0	-79.0	-4.4	-5.5	-0.9	2.9	-8.0	6.1	14.8
Income taxes	2.9	0.5	-4.8	-2.4	-0.4	1.1	-6.5	1.3	0.8	0.2	-0.6	1.7	-1.2	-3.0
Non-controlling interest	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	-22.8	-19.9	-133.3	51.3	5.3	-8.9	-85.6	-3.1	-4.7	-0.7	2.3	-6.3	4.9	11.9
EPS*	-0.15	-2.26	-14.02	5.36	0.29	-0.54	-8.91	-0.20	-0.30	-0.06	0.12	-0.45	0.21	0.62

*incl. tax adjusted hybrid interest

Source: SRV, Evli Research

Table 2: Peer group summary table

Company name	Market capitalization mEUR	EV/EBITDA			EV/EBIT			P/E			EV/Sales		
		23	24	25	23	24	25	23	24	25	23	24	25
YIT	450	19.1x	13.5x	10.4x	25.6x	17.3x	13.4x	26.6x	12.9x	9.1x	0.6x	0.6x	0.6x
Lehto Group	18		10.5x	8.8x		21.3x	14.5x		11.8x	5.0x	0.4x	0.4x	0.4x
Skanska	5659	8.8x	7.5x	7.1x	12.2x	10.0x	9.3x	13.2x	11.0x	10.3x	0.4x	0.4x	0.4x
NCC	989	5.0x	5.2x	5.2x	8.2x	9.1x	8.9x	7.9x	8.4x	8.2x	0.3x	0.3x	0.3x
Peab	1013	8.7x	9.5x	9.1x	13.6x	15.7x	14.8x	6.7x	8.1x	7.6x	0.6x	0.6x	0.6x
JM AB	870	18.1x	22.2x	18.9x	18.7x	21.1x	19.1x	11.0x	12.9x	10.8x	1.7x	2.0x	1.9x
Bonava	180	12.3x	28.7x	20.1x	10.5x	30.2x	20.8x	4.9x	31.7x	9.8x	0.7x	1.2x	1.1x
AF Gruppen	1274	8.9x	7.3x	7.0x	12.4x	9.5x	9.0x	17.9x	13.8x	13.1x	0.5x	0.5x	0.5x
Veidekke	1387	5.0x	4.6x	4.4x	8.4x	7.6x	7.2x	13.2x	12.2x	11.9x	0.3x	0.3x	0.3x
Peer group average	1316	10.7x	12.1x	10.1x	13.7x	15.8x	13.0x	12.7x	13.6x	9.5x	0.6x	0.7x	0.7x
Peer group median	989	8.8x	9.5x	8.8x	12.3x	15.7x	13.4x	12.1x	12.2x	9.8x	0.5x	0.5x	0.5x
SRV (Evli est.)	67	24.6x	9.3x	6.4x	93.9x	12.4x	8.2x	-9.2x	18.6x	5.7x	0.3x	0.3x	0.2x
<i>SRV prem./disc. to peer median</i>		>100%	-2%	-27%	>100%	-21%	-39%	neg.	53%	-42%	-44%	-49%	-52%

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	3.93 PV of Free Cash Flow	114 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	9.04 PV of Horizon value	153 WACC, %	9.5 Market risk premium, %
Share price potential, %	130.0 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	10.3 Marketable securities	45 Minimum WACC, %	9.0 Equity beta coefficient
Minimum value	7.9 Debt - dividend	-159 Maximum WACC, %	10.0 Target debt ratio, %
Horizon value, %	57.2 Value of stock	153 Nr of shares, Mn	17.0 Effective tax rate, %

DCF valuation, EURm	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Horizon
Net sales	770	623	716	813	830	846	863	880	898	916	935	954
<i>Sales growth, %</i>	-17.4	-19.0	14.9	13.6	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	-76	2	15	24	29	30	30	31	31	32	33	33
<i>Operating income margin, %</i>	-9.9	0.3	2.2	2.9	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
+ Depreciation+amort.	9	6	5	7	9	9	9	9	9	9	9	9
EBITDA	-67	8	21	30	38	38	39	40	40	41	42	
- Paid taxes	-2	0	-3	-5	-6	-6	-6	-6	-6	-6	-6	-7
- Change in NWC	11	-3	-5	-9	-3	-3	-3	-3	-3	-3	-3	-3
<i>NWC / Sales, %</i>	15.1	19.1	17.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4
+ Change in other liabs	5	0	0	0	0	0	0	0	0	0	0	0
- Operative CAPEX	-52	-1	-5	-8	-5	-5	-5	-5	-5	-5	-6	-6
<i>opCAPEX / Sales, %</i>	7.5	0.1	1.3	1.4	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0
- 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	50	-1	-1	0	0	0	0	0	0	0	0	0
= FCFF	-55	3	6	9	24	25	25	25	26	26	27	362
= Discounted FCFF		3	5	7	18	16	15	14	13	12	11	153
= DFCF min WACC		3	5	7	18	17	16	14	14	13	12	171
= DFCF max WACC		3	5	7	17	16	15	14	13	12	11	137

INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1	2023Q2	2023Q3E	2023Q4E	2023E	2024E	2025E
Net sales	190.7	211.4	186.9	181.1	770.1	138.3	143.1	151.7	190.3	623.4	716.2	813.4
EBITDA	-84.4	11.4	6.8	-0.8	-67.0	-0.6	-1.6	3.0	6.8	7.6	20.6	30.4
<i>EBITDA margin (%)</i>	<i>-44.3</i>	<i>5.4</i>	<i>3.6</i>	<i>-0.4</i>	<i>-8.7</i>	<i>-0.4</i>	<i>-1.1</i>	<i>2.0</i>	<i>3.6</i>	<i>1.2</i>	<i>2.9</i>	<i>3.7</i>
EBIT	-85.7	10.1	5.5	-6.2	-76.3	-2.0	-3.0	1.6	5.4	2.0	15.5	23.8
<i>EBIT margin (%)</i>	<i>-44.9</i>	<i>4.8</i>	<i>2.9</i>	<i>-3.4</i>	<i>-9.9</i>	<i>-1.4</i>	<i>-2.1</i>	<i>1.1</i>	<i>2.8</i>	<i>0.3</i>	<i>2.2</i>	<i>2.9</i>
Net financial items	-42.8	43.6	0.3	-3.8	-2.7	-2.5	-2.5	-2.5	-2.5	-10.0	-9.3	-9.0
Pre-tax profit	-128.5	53.7	5.8	-10.0	-79.0	-4.5	-5.5	-0.9	2.9	-8.0	6.1	14.8
Tax	-4.8	-2.4	-0.5	1.1	-6.6	1.3	0.8	0.2	-0.6	1.7	-1.2	-3.0
<i>Tax rate (%)</i>	<i>-3.7</i>	<i>4.5</i>	<i>8.6</i>	<i>11.0</i>	<i>-8.4</i>	<i>28.9</i>	<i>14.5</i>	<i>20.0</i>	<i>20.0</i>	<i>21.2</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-133.6	50.8	5.0	-7.9	-85.7	-3.5	-4.7	-1.0	2.0	-7.3	3.6	11.9
EPS	-7.87	2.99	0.29	-0.47	-5.05	-0.21	-0.28	-0.06	0.12	-0.43	0.21	0.70
EPS adjusted (diluted no. of shares)	-7.87	2.99	0.29	-0.47	-5.05	-0.21	-0.28	-0.06	0.12	-0.43	0.21	0.70
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06	0.21
SALES, EURm												
Group	190.7	211.4	186.9	181.1	770.1	138.3	143.1	151.7	190.3	623.4	716.2	813.4
Total	190.7	211.4	186.9	181.1	770.1	138.3	143.1	151.7	190.3	623.4	716.2	813.4
SALES GROWTH, Y/Y %												
Group	1.9	-3.0	-2.2	-46.1	-17.4	-27.5	-32.3	-18.8	5.1	-19.0	14.9	13.6
Total	1.9	-3.0	-2.2	-46.1	-17.4	-27.5	-32.3	-18.8	5.1	-19.0	14.9	13.6
EBIT, EURm												
Group	-85.7	10.1	5.5	-6.2	-76.3	-2.0	-3.0	1.6	5.4	2.0	15.5	23.8
Total	-85.7	10.1	5.5	-6.2	-76.3	-2.0	-3.0	1.6	5.4	2.0	15.5	23.8
EBIT margin, %												
Group	-44.9	4.8	2.9	-3.4	-9.9	-1.4	-2.1	1.1	2.8	0.3	2.2	2.9
Total	-44.9	4.8	2.9	-3.4	-9.9	-1.4	-2.1	1.1	2.8	0.3	2.2	2.9

Construction & Engineering/Finland, July 20, 2023
Company update

INCOME STATEMENT, EURm	2018	2019	2020	2021	2022	2023E	2024E	2025E
Sales	959.9	1,061.0	975.5	932.5	770.1	623.4	716.2	813.4
<i>Sales growth (%)</i>	<i>-13.8</i>	<i>10.5</i>	<i>-8.1</i>	<i>-4.4</i>	<i>-17.4</i>	<i>-19.0</i>	<i>14.9</i>	<i>13.6</i>
EBITDA	-14.6	-3.1	20.4	4.5	-67.0	7.6	20.6	30.4
<i>EBITDA margin (%)</i>	<i>-1.5</i>	<i>-0.3</i>	<i>2.1</i>	<i>0.5</i>	<i>-8.7</i>	<i>1.2</i>	<i>2.9</i>	<i>3.7</i>
Depreciation	-5.3	-90.0	-18.9	-6.3	-9.3	-5.6	-5.1	-6.6
EBITA	-19.9	-93.1	1.5	-1.8	-76.3	2.0	15.5	23.8
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-19.9	-93.1	1.5	-1.8	-76.3	2.0	15.5	23.8
<i>EBIT margin (%)</i>	<i>-2.1</i>	<i>-8.8</i>	<i>0.2</i>	<i>-0.2</i>	<i>-9.9</i>	<i>0.3</i>	<i>2.2</i>	<i>2.9</i>
Reported EBIT	-19.9	-14.7	1.5	-1.8	-76.3	2.0	15.5	23.8
<i>EBIT margin (reported) (%)</i>	<i>-2.1</i>	<i>-1.4</i>	<i>0.2</i>	<i>-0.2</i>	<i>-9.9</i>	<i>0.3</i>	<i>2.2</i>	<i>2.9</i>
Net financials	-17.5	-29.3	-29.4	-18.6	-2.7	-10.0	-9.3	-9.0
Pre-tax profit	-37.4	-122.4	-27.9	-20.4	-79.0	-8.0	6.1	14.8
Taxes	6.1	18.7	2.9	0.5	-6.6	1.7	-1.2	-3.0
Minority shares	1.1	0.7	2.3	0.0	0.0	0.0	0.0	0.0
Net profit	-34.1	-28.8	-27.1	-21.4	-85.7	-7.3	3.6	11.9
Cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	78.4	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	273	122	120	122	15	14	18	23
Goodwill	2	2	2	2	2	2	2	2
Right of use assets	173	149	130	82	84	80	80	80
Inventory	438	372	355	227	163	153	172	195
Receivables	122	204	155	143	103	87	93	106
Liquid funds	93	28	97	68	45	37	42	48
Total assets	1,120	913	899	686	448	410	444	491
Liabilities								
Shareholder's equity	191	95	170	150	113	106	109	120
Minority interest	-3	-2	-4	0	0	0	0	0
Convertibles	45	83	15	15	34	34	34	34
Lease liabilities	174	150	136	89	92	80	80	80
Deferred taxes	5	3	3	1	1	1	1	1
Interest bearing debt	375	300	250	149	34	42	53	62
Non-interest bearing current liabilities	304	244	285	243	148	120	140	167
Other interest-free debt	9	21	21	15	7	7	7	7
Total liabilities	1,120	914	899	686	449	410	444	491
CASH FLOW, EURm								
+ EBITDA	-15	-3	20	5	-67	8	21	30
- Net financial items	-17	-29	-29	-19	-3	-10	-9	-9
- Taxes	-1	-1	-2	-2	-2	2	-1	-3
- Increase in Net Working Capital	56	-75	107	98	11	-3	-5	-9
+/- Other	2	98	-49	-13	50	-1	-1	0
= Cash flow from operations	26	-11	46	69	-10	-5	4	10
- Capex	-15	-26	1	45	-58	-1	-9	-12
- Acquisitions	0	0	-5	0	0	0	0	0
+ Divestments	0	0	29	0	0	0	0	0
= Free cash flow	11	-37	72	114	-68	-5	-5	-2
+/- New issues/buybacks	-12	-67	100	5	49	0	0	0
- Paid dividend	-4	0	0	0	0	0	0	-1
+/- Other	75	39	-103	-148	-4	-3	11	9
Change in cash	70	-65	69	-29	-23	-9	5	6

Construction & Engineering/Finland, July 20, 2023
Company update

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	81	155	139	65	67	67	67
Net debt (excl. convertibles)	422	289	170	80	86	91	94
Enterprise value	584	456	325	178	186	191	195
Sales	1,061	976	933	770	623	716	813
EBITDA	-3	20	5	-67	8	21	30
EBIT	-93	2	-2	-76	2	15	24
Pre-tax	-122	-28	-20	-79	-8	6	15
Earnings	-107	-27	-21	-86	-7	4	12
Equity book value (excl. minorities)	95	170	150	113	106	109	120
Valuation multiples							
EV/sales	0.6	0.5	0.3	0.2	0.3	0.3	0.2
EV/EBITDA	-188.5	22.4	72.2	-2.7	24.5	9.3	6.4
EV/EBITA	-6.3	304.1	-180.4	-2.3	93.7	12.4	8.2
EV/EBIT	-6.3	304.1	-180.4	-2.3	93.7	12.4	8.2
EV/OCF	-54.5	9.9	4.7	-17.7	-40.8	53.6	20.3
EV/FCFF	-15.2	5.5	3.4	-3.2	70.4	32.9	22.0
P/FCFE	-0.1	0.1	0.0	-1.0	-12.4	-12.2	-31.3
P/E	-0.8	-5.7	-6.5	-0.8	-9.2	18.6	5.6
P/B	0.9	0.9	0.9	0.6	0.6	0.6	0.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	25.3	9.6	6.6
Target EV/EBIT	0.0	0.0	0.0	0.0	96.9	12.8	8.4
Target EV/FCF	0.0	0.0	0.0	0.0	-35.8	-36.2	-94.3
Target P/B	0.0	0.0	0.0	0.0	0.7	0.7	0.6
Target P/E	0.0	0.0	0.0	0.0	-10.1	20.3	6.2
Per share measures							
Number of shares	2,136	9,429	9,429	16,982	16,982	16,982	16,982
Number of shares (diluted)	2,136	9,429	9,429	16,982	16,982	16,982	16,982
EPS	-50.19	-2.88	-2.27	-5.05	-0.43	0.21	0.70
Operating cash flow per share	-5.02	4.91	7.31	-0.59	-0.27	0.21	0.57
Free cash flow per share	-17.29	7.64	12.08	-3.99	-0.32	-0.32	-0.13
Book value per share	44.34	17.99	15.88	6.64	6.21	6.43	7.06
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.06	0.21
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	30.0	30.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	1.6	5.3
FCF yield, %	-45.6	46.4	81.7	-105.1	-8.0	-8.2	-3.2
Efficiency measures							
ROE	-74.9	-20.5	-13.4	-65.3	-6.6	3.4	10.4
ROCE	-12.1	0.9	0.7	-21.4	0.7	5.8	8.3
Financial ratios							
Inventories as % of sales	35.1	36.4	24.4	21.1	24.5	24.0	24.0
Receivables as % of sales	19.2	15.8	15.4	13.3	14.0	13.0	13.0
Non-interest bearing liabilities as % of sales	23.0	29.2	26.1	19.2	19.2	19.5	20.5
NWC/sales, %	31.3	23.1	13.7	15.1	19.1	17.4	16.4
Operative CAPEX/sales, %	2.5	-0.2	-4.8	7.5	0.1	1.3	1.4
CAPEX/sales (incl. acquisitions), %	2.5	-0.6	-4.8	7.5	0.1	1.3	1.4
FCFF/EBITDA	12.4	4.1	21.5	0.8	0.3	0.3	0.3
Net debt/EBITDA, book-weighted	-136.2	14.2	37.8	-1.2	11.3	4.4	3.1
Debt/equity, market-weighted	3.7	1.6	1.1	0.5	0.6	0.8	0.9
Equity ratio, book-weighted	21.2	22.3	27.5	40.3	42.9	39.8	37.9
Gearing, %	240.4	159.8	103.0	55.0	61.6	63.9	61.5

Construction & Engineering/Finland, July 20, 2023
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.

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 Baltic	2,877,709	11.309	16.9%
Ilmarinen Mutual Pension Insurance Company	1,942,246	7.633	11.4%
Kolpi Investments Oy	1,446,353	5.684	8.5%
Havu Capital Oy	957,562	3.763	5.6%
OP Life Assurance Company Ltd	758,547	2.981	4.5%
Tungelin Investments Oy	654,055	2.570	3.9%
Lareale Investments Oy	654,055	2.570	3.9%
Varma Mutual Pension Insurance Company	483,611	1.901	2.8%
Pohjola Insurance Ltd	394,650	1.551	2.3%
Nordea Life Assurance Finland Ltd.	344,510	1.354	2.0%
Ten largest	10,513,298	41.317	62%
Residual	6,469,045	25.423	38%
Total	16,982,343	66.741	100%

EARNINGS CALENDAR

October 26, 2023	Q3 report
February 01, 2024	FY 2023 Results
April 25, 2024	Q1 report
July 18, 2024	Q2 report
OTHER EVENTS	
March 27, 2023	AGM

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

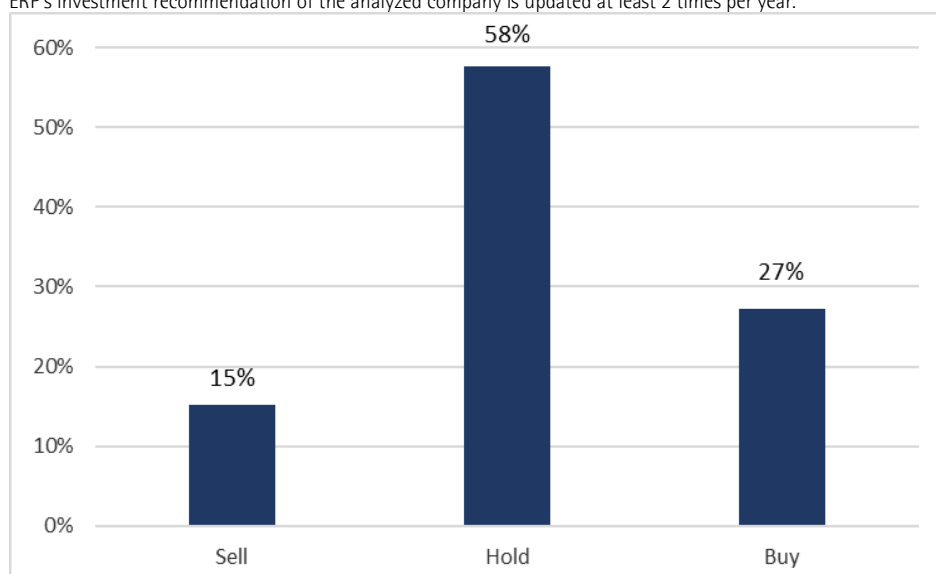
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Investment recommendations are defined as follows:

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

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

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