

## Profitability remains weak

SRV's net sales in Q2 amounted to EUR 143.1m, below our estimate of EUR 156.1m. Due to volume miss, the profitability was a disappointment, with EBIT at EUR -3.0m (EUR 1.2m Evli).

- 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 order backlog in Q2 was EUR 993.1m (EUR 745.9m in Q2/22), up by 33.1% y/y.
- SRV's order intake during Q2 was impressive at EUR 245.9m (EUR 72.3m in Q2/22).
- Business construction revenue in Q2 was EUR 111.0m (EUR 130.0m Evli estimate). The reason for the weak revenue development for business construction was that the projects recognized in the order backlog during the review period have not yet generated significant revenue.
- Housing construction revenue in Q2 was EUR 32.1m (EUR 25.8m. Evli estimate). The housing construction activity was slightly above the level that we expected, as we estimated, the company did not recognize any developer-contracted units as income during the period yet the company was able to launch multiple residential projects during the period.
- Despite the weaker than expected profitability, the company's improving backlog was a clear positive and will serve as a catalyst for growth in the forthcoming quarters.
- Outlook for 2023 remains unchanged.

### Rating

HOLD

Q2/23	Actual	Evli	Q2/22	Q1/23
Net sales	143.1	156.1	211.4	138.3
EBIT	-3.0	1.2	10.1	-2.0
Adj. EBIT	-3.9	1.2	9.8	-2.0
EPS	-0.50	-0.03	5.36	-0.20
Deviation	Actual	Evli	Year ago	Q1/23
Net sales		-8 %	-32 %	3 %
EBIT		-	-	-50 %
Adj. EBIT		-	-	-95 %
EPS		<-100%	-	<-100%

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

Target price, EUR 4.4

Latest change in recommendation 04-Feb-22

Latest report on company 04-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 20-Jul-23

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BUY HOLD SELL

### PRE-REPORT 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	624.2	6.2	1.0%	-3.4	-0.09	-44.9	0.3	29.6	-5.1	0.00
2024E	720.7	16.4	2.3%	-2.1	0.36	10.9	0.3	11.4	-3.1	0.11
2025E	826.4	27.1	3.3%	-3.5	0.93	4.2	0.2	7.1	-5.3	0.28
Market cap, EURm	67		BV per share 2023E, EUR		105.3		CAGR EPS 2022-25, %		0.0	
Net debt 2023E, EURm	117		Price/book 2023E		0.6		CAGR sales 2022-25, %		2.4	
Enterprise value, EURm	184		Dividend yield 2023E, %		0.0		ROE 2023E, %		-1.3	
Total assets 2023E, EURm	414		Tax rate 2023E, %		71.6		ROCE 2023E, %		2.3	
Goodwill 2023E, EURm	2		Equity ratio 2023E, %		44.2		PEG, P/E 23/CAGR		0.0	

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

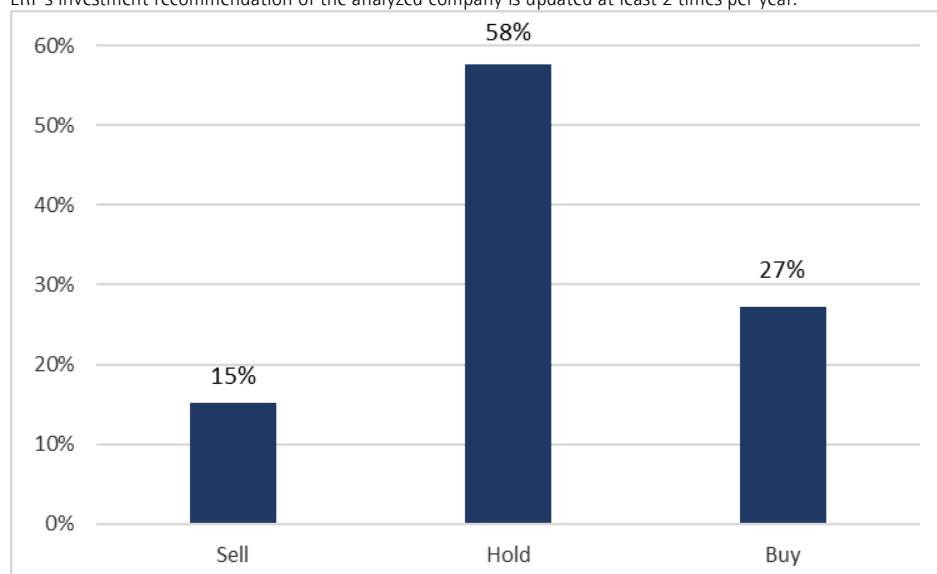
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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