

CMD notes

SRV's CMD provided color on the company's revised strategy and the path towards sustainable profitability. We continue to consider the company's long-term targets rather ambitious, yet the current valuation remains undemanding.

Operative EBIT of at least EUR 50m by the end of 2027

With the revised strategy, SRV strives towards sustainable profitability and aims to reach the updated long-term financial objectives through the continuous optimization of its business operations. SRV targets to have operative EBIT of at least EUR 50m (prev. 6%) and revenue >EUR 900m (prev. EUR 900m). The company seeks to achieve the long-term financial objectives by the end of 2027 (prev. 2026).

Story remains largely unchanged

As commented in our previous company update, SRV is in a strong position to navigate the current challenging construction market. We still see that the profitability will remain depressed in 2024E as the share of developer contracted housing will remain small with the current low level of starts. Going forward, the two main drivers for the company to reach operative EBIT of at least EUR 50m by 2027 are 1) volume increase and 2) increase in development and developer contracting projects. SRV has a substantial amount of floor space in its project development pipeline which is ready to be utilized during the strategy period. We revise our long-term estimates slightly driven by the refined strategy of boosting the proportion of development and developer-contracted projects. This is further backed by the company's preparedness to execute projects, supported by the development pipeline. Our estimates remain below the long-term financial targets as our long-term margin estimates are roughly in line with the company's historical operative margin levels.

BUY with a TP of EUR 4.1 (4.0)

Our 2023E estimates do not support the current pricing, on the other hand, SRV trades at roughly 9-10x 2024E P/E and EV/EBIT which we view as a fairly moderate level. We continue to see long-term potential, however, visibility remains low, especially in the midst of the current unpredictable market conditions. With slight revisions to our estimates and higher peer group multiples, we adjust our TP to EUR 4.1 (4.0) with BUY-rating intact.

Rating + BUY



Share price, EUR (Last trading day's closing price) **3.70**

Target price, EUR **4.1**

Latest change in recommendation **26-Oct-23**

Latest report on company **26-Oct-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 **63**

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 **01-Feb-24**

Web site **srv.fi/en/investors**

Analyst **Atte Jortikka**

E-mail **atte.jortikka@evli.com**

Telephone **+358 400 543 725**

+ 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	631.6	-3.4	-0.5%	-11.1	-0.67	-5.5	0.3	-55.8	-17.6	0.00
2024E	749.8	18.7	2.5%	-7.4	0.37	10.1	0.3	10.5	-11.8	0.11
2025E	849.7	26.2	3.1%	-0.9	0.79	4.7	0.2	7.5	-1.4	0.24
Market cap, EURm		63	Gearing 2023E, %			67.7	CAGR EPS 2022-25, %			0.0
Net debt 2023E, EURm		125	Price/book 2023E			0.6	CAGR sales 2022-25, %			3.3
Enterprise value, EURm		188	Dividend yield 2023E, %			0.0	ROE 2023E, %			-10.6
Total assets 2023E, EURm		413	Tax rate 2023E, %			10.0	ROCE 2023E, %			-1.3
Goodwill 2023E, EURm		2	Equity ratio 2023E, %			41.2	PEG, P/E 23/CAGR			0.0

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

Aiming towards sustainable profitability

SRV's revised strategy contained familiar themes that were also part of the company's previous strategy. In the revised strategy for 2024-2027, SRV has four strategic objectives: increase shareholder value, provide an excellent customer experience, be a desired employer and mitigate climate change. The company will focus on five strategic priorities to achieve the objectives: 1) A portfolio that is optimised for market conditions and risk management, 2) Lifecycle-wise construction, 3) Customer work that produces value, 4) Efficiency and digitalization and 5) Corporate culture, people and expertise. SRV aims to have operative EBIT of at least EUR 50m (prev. 6%) and revenue >EUR 900m (prev. EUR 900m). The company targets to achieve the long-term financial objectives by the end of 2027 (prev. 2026). In order to meet the long-term financial targets, the company strives to optimize its portfolio and pursue profitable growth by increasing the share of development and developer contracted projects. The portfolio is planned to manage as follows:

- SRV aims to bolster its leading position in cooperative project management contracting and alliance projects
- The share of revenue accounted for by housing construction will be increased to 30-40%
- The relative share of the portfolio accounted for by business premises based on in-house project development, residential development projects and residential developer contracting projects will be raised to 30-40% of revenue.

Source: SRV

According to the company's CMD presentation, volume growth in cooperative project management contracting and alliance projects is expected to bring 1/3 of the growth towards the profitability target while increase in the share of revenue accounted for by business premises based on in-house project development, residential development projects and residential developer contracting projects is expected to bring the remaining 2/3.

The long-term financial targets partly at the mercy of the market

SRV updated its profitability target, shifting from a margin-based target to a focus on absolute profitability. Considering the lower limit of the current profitability goal, which is EUR 50m by the end of 2027, the operating EBIT margin would be approximately 5.5% given total net sales of EUR 900m. This is a slight decrease from the former operational margin target of 6%. The company did not specify a margin target since the primary objective is to reach an operative EBIT of EUR 50m by the end of 2027, and the margin is contingent on the mix of projects in the portfolio. The company's management indicated that achieving the EUR 50m target would necessitate significantly higher net sales with the current project portfolio which is focused on cooperative project management contracting and alliance projects. The growth in business development projects and especially in residential development and developer contracting projects requires improved market conditions for which the visibility remains low.

Slight revisions to long-term estimates

We keep our short-term estimates unchanged as we still see that the profitability will remain depressed in 2024E as the share of developer contracted housing will remain small with the current low level of starts. On the other hand, SRV's strong backlog of cooperative project management contracts and alliance projects will boost its volumes. We have made slight upward adjustments to our estimates for 2025 and beyond, yet our estimates remain below the company's own long-term financial targets. We continue to see long-term potential, however, visibility remains low, especially in the midst of the current unpredictable market conditions. SRV trades at roughly 9-10x 2024E P/E and EV/EBIT which we view as a fairly moderate level. With slight revisions to our estimates and higher peer group multiples, we adjust our TP to EUR 4.1 (4.0) with BUY-rating intact.

Table 1: Estimate overview

SRV	2020	2021	Q1/'22	Q2/'22	Q3/'22	Q4/'22	2022	Q1/'23	Q2/'23	Q3/'23	Q4/'23E	2023E	2024E	2025E
Revenue	975.6	932.6	190.7	211.4	186.8	181.4	770.4	138.3	143.1	146.9	203.3	631.6	749.8	849.7
change, %	-8.0%	-4.4%	1.9%	-3.0%	-2.3%	-46.1%	-17.4%	-27.5%	-32.3%	-21.4%	12.1%	-18.0%	18.7%	13.3%
Revenue - B business construction	680.7	581.4	98.7	120.9	95.3	112.3	427.2	113.9	111.0	130.5	187.9	543.3	677.0	744.7
change, %	0.1%	-14.6%	-29.8%	-14.2%	-17.3%	-39.2%	-26.5%	15.4%	-8.2%	36.9%	67.3%	27.2%	24.6%	10.0%
Revenue - Housing construction	289.3	348.8	76.5	85.9	88.6	68.1	319.1	24.0	32.1	16.3	15.0	87.4	71.9	104.1
change, %	-23.4%	20.6%	61.7%	10.7%	21.7%	-54.9%	-8.5%	-68.6%	-62.6%	-81.6%	-78.0%	-72.6%	-17.8%	44.8%
Operative operating profit	15.8	5.3	4.9	9.8	3.9	1.1	19.7	-2.0	-3.9	4.6	6.5	5.2	18.7	26.2
-margin	1.6%	0.6%	2.6%	4.6%	2.1%	0.6%	2.6%	-1.4%	-2.7%	3.1%	3.2%	0.8%	2.5%	3.1%
Operating profit	1.5	-1.7	-85.7	10.1	5.5	-6.2	-76.3	-2.0	-3.0	-4.9	6.5	-3.4	18.7	26.2
-margin	0.2%	-0.2%	-44.9%	4.8%	2.9%	-3.4%	-9.9%	-1.4%	-2.1%	-3.3%	3.2%	-0.5%	2.5%	3.1%
Net financials	-29.4	-18.6	-42.8	43.6	0.3	-3.8	-2.7	-2.5	-2.5	-1.6	-2.0	-8.6	-9.3	-9.5
Pre-tax profit	-28.0	-20.3	-128.5	53.7	5.8	-10.0	-79.0	-4.4	-5.5	-6.5	4.5	-11.9	9.4	16.8
Income taxes	2.9	0.5	-4.8	-2.4	-0.4	1.1	-6.5	1.3	0.8	0.0	-0.9	1.2	-1.9	-3.4
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	-6.5	3.6	-10.7	7.5	13.4

Source: Evli Research

Table 2: Peer group

Company name	Market capitalization mEUR	EV/EBITDA			EV/EBIT			P/E		
		23	24	25	23	24	25	23	24	25
YIT	381	18.6x	14.5x	11.5x	18.6x	12.1x		118.7x	21.9x	10.8x
Skanska	5799	11.2x	8.2x	7.5x	17.0x	11.2x	9.9x	16.3x	11.4x	10.2x
NCC	1018	5.2x	5.5x	5.5x	8.5x	9.6x	9.4x	7.9x	8.5x	8.4x
Peab	1119	8.5x	9.8x	9.2x	13.7x	16.7x	15.2x	8.4x	10.2x	9.0x
JM AB	817	17.6x	30.0x	24.3x	20.1x	29.3x	25.7x	11.6x	18.2x	14.1x
Bonava	126	11.8x	39.7x	35.3x	11.9x	40.7x	36.1x	7.3x		
AF Gruppen	1039	9.9x	7.3x	6.8x	15.7x	10.1x	9.2x	21.9x	13.5x	12.4x
Veidekke	1152	4.6x	4.3x	4.1x	8.3x	7.3x	6.9x	13.5x	12.4x	11.9x
Peer group average	1273	10.9x	14.9x	13.0x	14.2x	17.1x	16.1x	25.7x	13.7x	11.0x
Peer group median	1018	10.5x	9.0x	8.3x	14.7x	11.6x	9.9x	12.5x	12.4x	10.8x
SRV (Evli est.)	60	16.5x	7.9x	6.1x	34.1x	10.1x	7.6x	neg.	9.1x	4.4x

SRV prem./disc. to peer median

Source FactSet, Bloomberg, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	3.70 PV of Free Cash Flow	123 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	11.11 PV of Horizon value	179 WACC, %	9.5 Market risk premium, %
Share price potential, %	200.3 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	12.5 Marketable securities	45 Minimum WACC, %	9.0 Equity beta coefficient
Minimum value	9.9 Debt - dividend	-159 Maximum WACC, %	10.0 Target debt ratio, %
Horizon value, %	59.3 Value of stock	189 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	632	750	850	875	893	911	929	947	966	986	1,006
<i>Sales growth, %</i>	-17.4	-18.0	18.7	13.3	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	-76	-3	19	26	32	34	35	35	36	37	37	38
<i>Operating income margin, %</i>	-9.9	-0.5	2.5	3.1	3.6	3.8	3.8	3.8	3.8	3.8	3.8	3.8
+ Depreciation+amort.	9	6	5	7	9	9	9	9	9	9	9	9
EBITDA	-67	2	24	33	40	43	44	44	45	46	47	
- Paid taxes	-2	0	-4	-5	-6	-7	-7	-7	-7	-7	-7	
- Change in NWC	11	-4	-9	-9	-4	-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	
+ Change in other liabs	5	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-52	-1	-6	-8	-5	-5	-6	-6	-6	-6	-6	
<i>opCAPEX / Sales, %</i>	7.5	0.1	1.2	1.4	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
- 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	50	-1	-1	0	0	0	0	0	0	0	0	
= FCFF	-55	-3	4	10	24	28	28	29	29	30	30	411
= Discounted FCFF		-3	3	9	18	19	18	16	15	14	13	179
= DFCF min WACC		-3	3	9	19	19	18	17	16	15	14	200
= DFCF max WACC		-3	3	9	18	19	17	16	15	14	13	161

INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1	2023Q2	2023Q3	2023Q4E	2023E	2024E	2025E
Net sales	190.7	211.4	186.9	181.1	770.1	138.3	143.1	146.9	203.3	631.6	749.8	849.7
EBITDA	-84.4	11.4	6.8	-0.8	-67.0	-0.6	-1.6	-3.5	7.9	2.2	23.8	33.0
<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>-2.4</i>	<i>3.9</i>	<i>0.4</i>	<i>3.2</i>	<i>3.9</i>
EBIT	-85.7	10.1	5.5	-6.2	-76.3	-2.0	-3.0	-4.9	6.5	-3.4	18.7	26.2
<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>-3.3</i>	<i>3.2</i>	<i>-0.5</i>	<i>2.5</i>	<i>3.1</i>
Net financial items	-42.8	43.6	0.3	-3.8	-2.7	-2.5	-2.5	-1.5	-2.0	-8.5	-9.3	-9.5
Pre-tax profit	-128.5	53.7	5.8	-10.0	-79.0	-4.5	-5.5	-6.4	4.5	-11.9	9.4	16.8
Tax	-4.8	-2.4	-0.5	1.1	-6.6	1.3	0.8	0.0	-0.9	1.2	-1.9	-3.4
<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>0.0</i>	<i>20.0</i>	<i>10.0</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	-6.4	3.3	-11.3	6.2	13.4
EPS	-7.87	2.99	0.29	-0.47	-5.05	-0.21	-0.28	-0.38	0.19	-0.67	0.37	0.79
EPS adjusted (diluted no. of shares)	-7.87	2.99	0.29	-0.47	-5.05	-0.21	-0.28	-0.38	0.19	-0.67	0.37	0.79
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.11	0.24
SALES, EURm												
Group	190.7	211.4	186.9	181.1	770.1	138.3	143.1	146.9	203.3	631.6	749.8	849.7
Total	190.7	211.4	186.9	181.1	770.1	138.3	143.1	146.9	203.3	631.6	749.8	849.7
SALES GROWTH, Y/Y %												
Group	1.9	-3.0	-2.2	-46.1	-17.4	-27.5	-32.3	-21.4	12.3	-18.0	18.7	13.3
Total	1.9	-3.0	-2.2	-46.1	-17.4	-27.5	-32.3	-21.4	12.3	-18.0	18.7	13.3
EBIT, EURm												
Group	-85.7	10.1	5.5	-6.2	-76.3	-2.0	-3.0	-4.9	6.5	-3.4	18.7	26.2
Total	-85.7	10.1	5.5	-6.2	-76.3	-2.0	-3.0	-4.9	6.5	-3.4	18.7	26.2
EBIT margin, %												
Group	-44.9	4.8	2.9	-3.4	-9.9	-1.4	-2.1	-3.3	3.2	-0.5	2.5	3.1
Total	-44.9	4.8	2.9	-3.4	-9.9	-1.4	-2.1	-3.3	3.2	-0.5	2.5	3.1

Construction & Engineering/Finland, November 22, 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	631.6	749.8	849.7
<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>-18.0</i>	<i>18.7</i>	<i>13.3</i>
EBITDA	-14.6	-3.1	20.4	4.5	-67.0	2.2	23.8	33.0
<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>0.4</i>	<i>3.2</i>	<i>3.9</i>
Depreciation	-5.3	-90.0	-18.9	-6.3	-9.3	-5.6	-5.1	-6.7
EBITA	-19.9	-93.1	1.5	-1.8	-76.3	-3.4	18.7	26.2
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	-3.4	18.7	26.2
<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>-0.5</i>	<i>2.5</i>	<i>3.1</i>
Reported EBIT	-19.9	-14.7	1.5	-1.8	-76.3	-3.4	18.7	26.2
<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>-0.5</i>	<i>2.5</i>	<i>3.1</i>
Net financials	-17.5	-29.3	-29.4	-18.6	-2.7	-8.5	-9.3	-9.5
Pre-tax profit	-37.4	-122.4	-27.9	-20.4	-79.0	-11.9	9.4	16.8
Taxes	6.1	18.7	2.9	0.5	-6.6	1.2	-1.9	-3.4
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	-11.3	6.2	13.4
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	155	180	204
Receivables	122	204	155	143	103	88	97	110
Liquid funds	93	28	97	68	45	37	44	50
Total assets	1,120	913	899	686	448	413	459	507
Liabilities								
Shareholder's equity	191	95	170	150	113	101	108	119
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	49	63	72
Non-interest bearing current liabilities	304	244	285	243	148	121	146	174
Other interest-free debt	9	21	21	15	7	7	7	7
Total liabilities	1,120	914	899	686	449	413	459	507
CASH FLOW, EURm								
+ EBITDA	-15	-3	20	5	-67	2	24	33
- Net financial items	-17	-29	-29	-19	-3	-9	-9	-9
- Taxes	-1	-1	-2	-2	-2	1	-2	-3
- Increase in Net Working Capital	56	-75	107	98	11	-4	-9	-9
+/- Other	2	98	-49	-13	50	-1	-1	0
= Cash flow from operations	26	-11	46	69	-10	-10	2	11
- 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	-11	-7	-1
+/- New issues/buybacks	-12	-67	100	5	49	0	0	0
- Paid dividend	-4	0	0	0	0	0	0	-2
+/- Other	75	39	-103	-148	-4	3	14	9
Change in cash	70	-65	69	-29	-23	-8	7	6

Construction & Engineering/Finland, November 22, 2023
Company update

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	81	155	139	65	63	63	63
Net debt (excl. convertibles)	422	289	170	80	91	99	102
Enterprise value	584	456	325	178	188	195	198
Sales	1,061	976	933	770	632	750	850
EBITDA	-3	20	5	-67	2	24	33
EBIT	-93	2	-2	-76	-3	19	26
Pre-tax	-122	-28	-20	-79	-12	9	17
Earnings	-107	-27	-21	-86	-11	6	13
Equity book value (excl. minorities)	95	170	150	113	101	108	119
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	83.9	8.2	6.0
EV/EBITA	-6.3	304.1	-180.4	-2.3	-55.8	10.5	7.5
EV/EBIT	-6.3	304.1	-180.4	-2.3	-55.8	10.5	7.5
EV/OCF	-54.5	9.9	4.7	-17.7	-18.4	101.7	17.7
EV/FCFF	-15.2	5.5	3.4	-3.2	-57.6	51.8	18.9
P/FCFE	-0.1	0.1	0.0	-1.0	-5.7	-8.4	-70.6
P/E	-0.8	-5.7	-6.5	-0.8	-5.5	10.1	4.7
P/B	0.9	0.9	0.9	0.6	0.6	0.6	0.5
Target EV/EBITDA	0.0	0.0	0.0	0.0	87.0	8.5	6.2
Target EV/EBIT	0.0	0.0	0.0	0.0	-57.8	10.8	7.8
Target EV/FCF	0.0	0.0	0.0	0.0	-17.6	-27.1	-230.1
Target P/B	0.0	0.0	0.0	0.0	0.7	0.6	0.6
Target P/E	0.0	0.0	0.0	0.0	-6.1	11.2	5.2
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	-0.67	0.37	0.79
Operating cash flow per share	-5.02	4.91	7.31	-0.59	-0.60	0.11	0.66
Free cash flow per share	-17.29	7.64	12.08	-3.99	-0.65	-0.44	-0.05
Book value per share	44.34	17.99	15.88	6.64	5.97	6.34	7.02
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.11	0.24
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	3.0	6.4
FCF yield, %	-45.6	46.4	81.7	-105.1	-17.6	-11.8	-1.4
Efficiency measures							
ROE	-74.9	-20.5	-13.4	-65.3	-10.6	6.0	11.8
ROCE	-12.1	0.9	0.7	-21.4	-1.3	6.8	8.9
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	1.2	1.4
CAPEX/sales (incl. acquisitions), %	2.5	-0.6	-4.8	7.5	0.1	1.2	1.4
FCFF/EBITDA	12.4	4.1	21.5	0.8	-1.5	0.2	0.3
Net debt/EBITDA, book-weighted	-136.2	14.2	37.8	-1.2	40.9	4.2	3.1
Debt/equity, market-weighted	3.7	1.6	1.1	0.5	0.8	1.0	1.1
Equity ratio, book-weighted	21.2	22.3	27.5	40.3	41.2	37.9	36.3
Gearing, %	240.4	159.8	103.0	55.0	67.7	70.0	66.5

Construction & Engineering/Finland, November 22, 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. The current market environment presents challenges yet several factors support the company including a healthy balance sheet, low amount of unsold developer contracted units and a solid backlog of lower-risk business construction projects. With the revised strategy, SRV aims towards sustainable profitability driven by increasing the share accounted for by housing construction and especially by housing and business premises construction based on in-house project development in a controlled manner.

OWNERSHIP STRUCTURE	SHARES	EURm	%
As Pontos Baltic	2,877,709	10.648	16.9%
Ilmarinen Mutual Pension Insurance Company	1,942,246	7.186	11.4%
Kolpi Investments Oy	1,446,353	5.352	8.5%
Havu Capital Oy	957,562	3.543	5.6%
OP Life Assurance Company Ltd	758,547	2.807	4.5%
Tungelin Investments Oy	654,055	2.420	3.9%
Lareale Investments Oy	654,055	2.420	3.9%
Varma Mutual Pension Insurance Company	483,611	1.789	2.8%
Pohjola Insurance Ltd	394,650	1.460	2.3%
Nordea Life Assurance Finland Ltd.	344,510	1.275	2.0%
Ten largest	10,513,298	38.899	62%
Residual	6,469,045	23.935	38%
Total	16,982,343	62.835	100%

EARNINGS CALENDAR

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

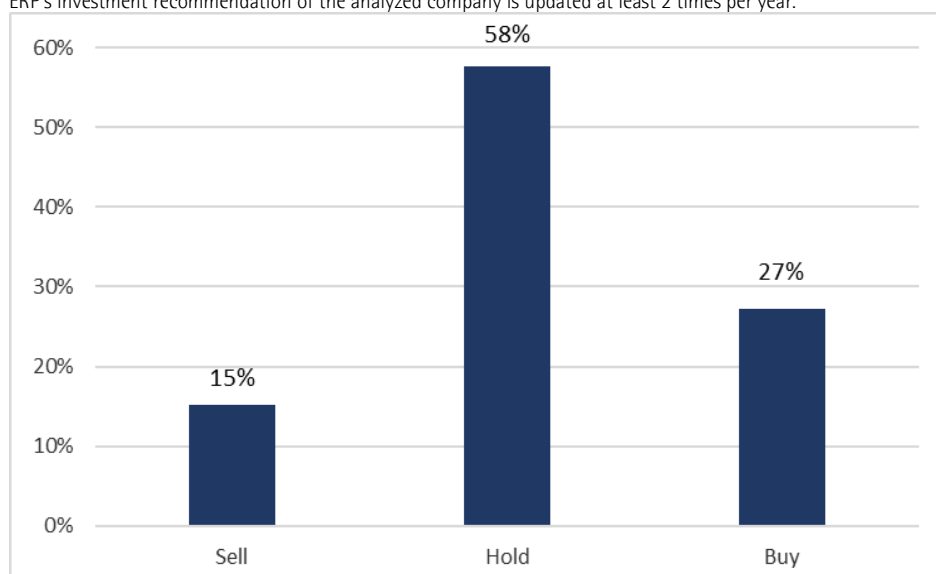
Important Disclosures

Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at [Analysts' recommendations and ratings revisions](#).

Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

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

This research report has been prepared by Evli Research Partners Plc ("ERP" or "Evli Research"). ERP is a subsidiary of Evli Plc. Production of the investment recommendation has been concluded on 22.11.2023, 8:30. This report has been published on 22.11.2023, 8:40.

None of the analysts contributing to this report, persons under their guardianship or corporations under their control have a position in the shares of the company or related securities.

The date and time for any price of financial instruments mentioned in the recommendation refer to the previous trading day's closing price(s) unless otherwise stated in the report.

Each analyst responsible for the content of this report assures that the expressed views accurately reflect the personal views of each analyst on the covered companies and securities. Each analyst assures that (s)he has not been, nor are or will be, receiving direct or indirect compensation related to the specific recommendations or views contained in this report.

Companies in the Evli Group, affiliates or staff of companies in the Evli Group, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report.

Neither ERP nor any company within the Evli Group have managed or co-managed a public offering of the company's securities during the last 12 months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the research report.

ERP may pursue an assignment from the issuer(s) of the financial instruments mentioned in the recommendation or this report. These assignments may have a limited economic or financial impact on ERP and/or Evli. Under such assignments ERP may perform services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP has signed an agreement with the issuer of the financial instruments mentioned in the recommendation, which includes production of research reports. This assignment has a limited economic and financial impact on ERP and/or Evli. Under the assignment ERP performs services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP or another company within the Evli Group does not have an agreement with the company to perform market making services.

For the prevention and avoidance of conflicts of interests with respect to this report, there is an information barrier (Chinese wall) between Investment Research and Corporate Finance units concerning unpublished investment banking services to the company. The remuneration of the analyst(s) is not tied directly or indirectly to investment banking transactions performed by Evli Plc or any company within Evli Group.

This report has not been disclosed to the company prior to its dissemination.

This report is provided and intended for informational purposes only and may not be used or considered under any circumstances as an offer to sell or buy any securities or as advice to trade any securities.

This report is based on sources ERP considers to be correct and reliable. The sources include information providers Reuters and Bloomberg, stock-exchange releases from the companies and other company news, Statistics Finland and articles in newspapers and magazines. However, ERP does not guarantee the materialization, correctness, accuracy or completeness of the information, opinions, estimates or forecasts expressed or implied in the report. In addition, circumstantial changes may have an influence on opinions and estimates presented in this report. The opinions and estimates presented are valid at the moment of their publication and they can be changed without a separate announcement. Neither ERP nor any company within the Evli Group are responsible for amending, correcting or updating any information, opinions or estimates contained in this report. Neither ERP nor any company within the Evli Group will compensate any direct or consequential loss caused by or derived from the use of the information represented in this publication.

All information published in this report is for the original recipient's private and internal use only. ERP reserves all rights to the report. No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any retrieval system of any nature, without the written permission of ERP.

This report or its copy may not be published or distributed in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore or South Africa. The publication or distribution of this report in certain other jurisdictions may also be restricted by law. Persons into whose possession this report comes are required to inform themselves about and to observe any such restrictions.

Evli Plc is not registered as a broker-dealer with the U. S. Securities and Exchange Commission ("SEC"), and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Evli is not a member of the Financial Industry Regulatory Authority ("FINRA"). It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest. This research report is only being offered in U.S. by Auerbach Grayson & Company, LLC (Auerbach Grayson) to Major U.S. Institutional Investors and is not available to, and should not be used by, any U.S. person or entity that is not a Major U.S. Institutional Investor. Auerbach Grayson is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of the FINRA. U.S. entities seeking more information about any of the issuers or securities discussed in this report should contact Auerbach Grayson. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements.

ERP is not a supervised entity but its parent company Evli Plc is supervised by the Finnish Financial Supervision Authority.

Contact information**SALES, TRADING AND RESEARCH****Equity, ETF and Derivatives Sales**

Joachim Dannberg	+358 9 4766 9123
Ari Laine	+358 9 4766 9115
Kimmo Lilja	+358 9 4766 9130

Trading

Lauri Vehkaluoto (Head)	+358 9 4766 9120
Pasi Väisänen	+358 9 4766 9120
Antti Kässi	+358 9 4766 9120
Miika Ronkanen	+358 9 4766 9120

Structured Investments

Heikki Savijoki	+358 9 4766 9726
Aki Lakkisto	+358 9 4766 9123

Equity Research

Arttu Heikura	+358 40 082 8098
Joonas Ilvonen	+358 44 430 9071
Jerker Salokivi	+358 9 4766 9149

Evli Investment Solutions

Johannes Asuja	+358 9 4766 9205
----------------	------------------



EVLI PLC
Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Internet www.evli.com
E-mail firstname.lastname@evli.com

**EVLI PLC,
STOCKHOLMSFILIAL**
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000