


Profitability remained modest

SRV's net sales in Q4 amounted to EUR 181.8m, below our estimate of EUR 195.6m. Driven by lower volumes, the operative EBIT was also lower than our estimate.

- Revenue in Q4 was EUR 181.8m (EUR 181.2m in Q4/22), below our estimate of EUR 195.6m. Revenue grew 0.3% y/y.
- The operative operating profit in Q4 amounted to EUR 2.4m, also below our estimate of EUR 5.6m.
- SRV's signed new agreements worth EUR 253.1m (EUR 287.2m in Q4/22).
- The order backlog in Q4 was EUR 1048.6m (EUR 838.8m in Q4/22), up by 25% y/y.
- Business construction revenue in Q4 was EUR 153.1m, (EUR 180.2m Evli estimate) up 36.3% y/y. The large projects such as Laakso Joint Hospital and Metsä Wood's Kerto timber mill supported volumes yet not as strongly as we expected.
- Housing construction revenue in Q4 was EUR 28.7m (EUR 15.0m. Evli estimate). SRV recognized only 4 residential units as income which was expected. Revenue from development projects exceeded our estimates.
- Despite the weaker than expected revenue and profitability, the company's improving backlog was a clear positive and will serve as a catalyst for growth in the forthcoming quarters and years.
- SRV outlook 2024: Full-year consolidated revenue for 2024 is expected to grow compared to 2023 (revenue in 2023: EUR 610.0 million). Operative operating profit is expected to improve on 2023 (operative operating profit in 2023: EUR 1.1 million).
- Revenue is expected to consist of low-margin yet low-risk cooperative contracting and, to a lesser extent, of development projects sold to investors and housing construction contracting.

Rating

 HOLD

Q4/23	Actual	Evli	Q4/22	Q3/23
Net sales	181.8	195.6	181.2	146.9
EBIT	3.1	5.6	-6.3	-4.9
Op. EBIT	2.4	5.6	0.2	4.6
EPS	0.09	0.15	-0.77	-0.50
Deviation	Actual	Evli	Year ago	Q3/23
Net sales		-7 %	0 %	24 %
EBIT		-44 %	-	-
Adj. EBIT		-57 %	>100%	-48 %
EPS		-39 %	-	-

Share price, EUR (Last trading day's closing price) 3.95

Target price, EUR 4.1

Latest change in recommendation 30-Jan-24

Latest report on company 30-Jan-24

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 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

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	623.9	-4.3	-0.7%	-10.3	-0.71	-5.5	0.3	-44.0	-15.4	0.00
2024E	714.8	18.1	2.5%	-2.6	0.36	11.1	0.3	10.7	-3.9	0.11
2025E	795.1	24.0	3.0%	1.1	0.71	5.6	0.2	8.1	1.6	0.21
Market cap, EURm	67		BV per share 2023E, EUR		123.3		CAGR EPS 2022-25, %		0.0	
Net debt 2023E, EURm	124		Price/book 2023E		0.7		CAGR sales 2022-25, %		1.1	
Enterprise value, EURm	191		Dividend yield 2023E, %		0.0		ROE 2023E, %		-11.4	
Total assets 2023E, EURm	410		Tax rate 2023E, %		10.8		ROCE 2023E, %		-1.6	
Goodwill 2023E, EURm	2		Equity ratio 2023E, %		41.4		PEG, P/E 23/CAGR		0.0	

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

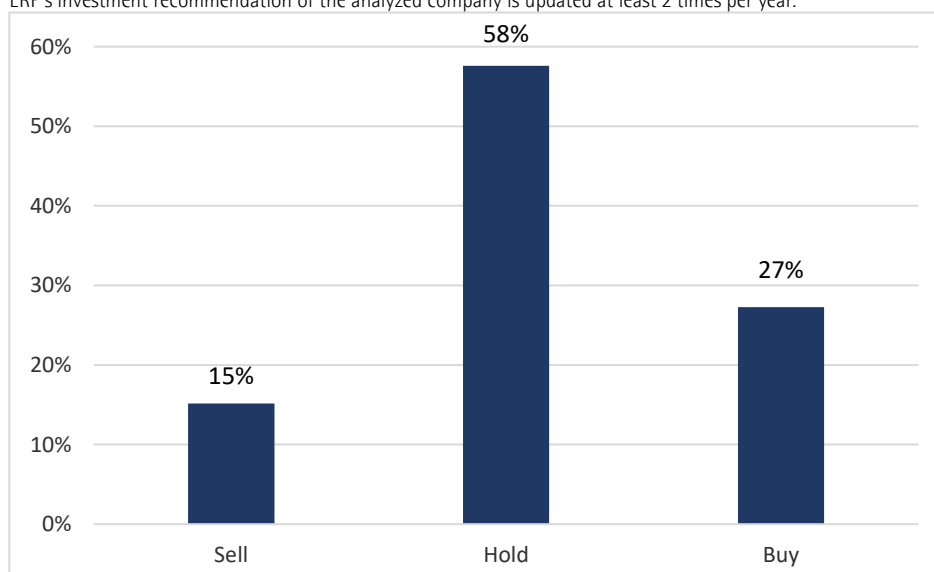
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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February 1, 2024

Contact information

SALES, TRADING AND RESEARCH

Equity, ETF and Derivatives Sales

Joachim Dannberg +358 9 4766 9123
Ari Laine +358 9 4766 9115
Kimmo Lijja +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

Atte Jortikka +358 40 054 3725
Joonas Ilvonen +358 44 430 9071
Jerker Salokivi +358 9 4766 9149

Evli Investment Solutions

Johannes Asuja +358 9 4766 9205

EVLI

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