

Waiting for residential volumes to pick up

SRV's current low risk backlog will support it through the tougher market with hopes for higher margins on hold until the housing construction volumes pick up.

Sales and operative EBIT missed, backlog kept growing

Revenue in Q4 was EUR 181.8m (EUR 181.2m in Q4/22), below our estimate of EUR 195.6m, with 0.3% y/y growth. With the lower-than-expected volumes, operative operating profit in Q4 amounted to EUR 2.4m, also below our estimate of EUR 5.6m. For FY 2024, SRV expects revenue to grow compared to 2023 (EUR 610.0m 2023) and operative EBIT to improve on 2023 (EUR 1.1m 2023). The company's order backlog grew for the fifth consecutive quarter to EUR 1049m (EUR 839m Q4/22) driven by business construction backlog growth. As expected, the BoD proposes no dividend to be paid for the FY 2023.

Business construction will remain the main driver in 2024

The backlog is extremely heavily tilted towards business construction as it comprises roughly 90% of the current backlog. With no developer contracting start-ups during 2023 and none under construction, we expect no completions for 2024. While we estimate some sales of the current unsold finished developer contracted units, larger sales could provide a positive surprise to our estimates. In addition to developer contracting, the company has only a small amount of residential contracting and investor projects. We lower our estimate for 2024E net sales from EUR 714.8m to EUR 698.5m, as we continue to expect revenue growth from business construction area while housing construction is estimated to decline further. With the low margin yet low risk business construction backlog, we now estimate operative EBIT of EUR 14.6m (prev. EUR 18.1m) for FY 2024 with an operative EBIT margin of 2.1%.

HOLD with a TP of EUR 4.1

With our updated estimates for 2024E, SRV is priced at roughly 12.9x P/E and 14.6x EV/EBIT, with a slight premium when compared to the Nordic construction peers. The multiples for 2025E are already at a low level as we estimate a minor pick up in housing construction and therefore margins. Despite the long-term potential, we consider SRV as fairly valued especially given the low visibility into 2025E.



KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2022	770.1	-76.3	-9.9%	-67.8	-5.05	-0.8	0.2	-2.3	-105.1	0.00
2023	610.1	-6.8	-1.1%	-21.1	-0.90	-4.4	0.3	-29.6	-31.4	0.00
2024E	698.5	14.6	2.1%	-18.4	0.31	13.0	0.3	15.0	-27.1	0.05
2025E	771.9	20.7	2.7%	-6.6	0.61	6.6	0.3	11.0	-9.8	0.18
2026E	821.6	27.0	3.3%	3.1	0.91	4.4	0.3	8.4	4.5	0.27

Market cap, EURm	68	Gearing 2024E, %	81.8	CAGR EPS 2023-26, %	0.0
Net debt 2024E, EURm	151	Price/book 2024E	0.6	CAGR sales 2023-26, %	10.4
Enterprise value, EURm	219	Dividend yield 2024E, %	1.2	ROE 2024E, %	4.8
Total assets 2024E, EURm	497	Tax rate 2024E, %	20.0	ROCE 2024E, %	5.0
Goodwill 2024E, EURm	2	Equity ratio 2024E, %	35.0	PEG, P/E 24/CAGR	0.2

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

Profitability remained at a modest level in Q4

Revenue in Q4 was EUR 181.8m (EUR 181.2m in Q4/22), below our estimate of EUR 195.6m, with 0.3% y/y growth. With the lower volumes, operative operating profit in Q4 amounted to EUR 2.4m, also below our estimate of EUR 5.6m. Otherwise the company's cost structure in Q4 brought no real surprises as the profitability miss was mainly driven by the lower-than-expected volumes. The business construction revenue missed our estimates as the large projects started during the earlier quarters did not support volumes to the extent that we estimated. For housing construction, the completion of the fourth tower building Visio affected net sales more positively than we had expected. In cash flow terms Q4 was strong as the company's FCF was at EUR 14m, up from EUR 5m in Q4/22 (excl. leases). For FY 2023, cash flow from operating and investing activities totaled to EUR 0m (excl. leases), up from EUR -8m in FY 2022.

Market uncertainty shows in the outlook for 2024

With the Q4 report, SRV gave its outlook for 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. The broad guidance came as no surprise due to the current uncertainty regarding the market conditions. Our estimates for 2024 are in line with the broad guidance as we expect net sales of EUR 698.5m and operative EBIT of EUR 14.6m. While the current backlog is expected to provide lower margins in 2024, we continue to note that the company is exceptionally well positioned for the challenging construction market with strong balance sheet, low amount of unsold developer contracted units and a strong low-risk project backlog.

Table 1: Estimate overview

SRV	2022	Q1/'23	Q2/'23	Q3/'23	Q4/'23	2023	Q1/'24E	Q2/'24E	Q3/'24E	Q4/'24E	2024E	2025E	2026E
Revenue	770.1	138.3	143.1	146.9	181.8	610.0	159.5	171.5	177.0	190.5	698.5	771.9	821.6
change, %	-17.4%	-27.5%	-32.3%	-21.4%	0.3%	-20.8%					14.5%	10.5%	6.4%
Revenue - Business construction	427.2	113.9	111.0	130.5	153.1	508.5	148.0	155.0	162.0	172.5	637.5	685.4	705.9
change, %	-26.5%	15.4%	-8.2%	36.9%	36.3%	19.0%	29.9%	39.6%	24.1%	12.7%	25.4%	7.5%	3.0%
Revenue - Housing construction	319.1	24.0	32.1	16.3	28.7	101.1	11.5	16.5	15.0	18.0	61.0	86.0	115.2
change, %	-8.5%	-68.6%	-62.6%	-81.6%	-57.9%	-68.3%	-52.1%	-48.6%	-8.0%	-37.3%	-39.7%	41.0%	34.0%
Operative operating profit	18.8	-2.0	-3.9	4.6	2.4	1.1	2.6	3.5	4.9	3.6	14.6	20.7	27.0
-margin	2.4%	-1.4%	-2.7%	3.1%	1.3%	0.2%	1.6%	2.0%	2.8%	1.9%	2.1%	2.7%	3.3%
Operating profit	-76.4	-2.0	-3.0	-4.9	3.1	-6.8	2.6	3.5	4.9	3.6	14.6	20.7	27.0
-margin	-9.9%	-1.4%	-2.1%	-3.3%	1.7%	-1.1%	1.6%	2.0%	2.8%	1.9%	2.1%	2.7%	3.3%
Net financials	-2.7	-2.5	-2.5	-1.6	-2.5	-9.0	-2.2	-2.0	-1.9	-1.9	-8.0	-7.2	-7.4
Pre-tax profit	-79.1	-4.4	-5.5	-6.5	0.7	-15.8	0.5	1.5	3.0	1.7	6.6	13.4	19.6
Income taxes	-6.5	1.3	0.8	0.0	-1.4	0.7	-0.1	-0.3	-0.6	-0.3	-1.3	-2.7	-3.9
Non-controlling interest	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	-85.7	-3.1	-4.7	-6.5	-0.7	-15.1	0.4	1.2	2.4	1.4	5.3	10.7	15.7

Source: SRV, Evli Research

Table 2: Peer group overview

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	415	19.8x	12.2x	9.1x	38.9x	17.5x	12.2x	23.3x	12.3x	0.6x	0.7x	0.7x	
Skanska	6 119	15.3x	8.5x	7.6x	28.0x	11.4x	10.0x	25.5x	12.6x	11.3x	0.5x	0.5x	0.5x
NCC	1 130	5.6x	5.4x	5.1x	9.4x	8.9x	8.3x	9.1x	9.1x	8.6x	0.3x	0.3x	0.3x
Peab	1 154	8.5x	8.0x	7.7x	14.4x	14.5x	13.1x	9.7x	11.0x	9.8x	0.6x	0.6x	0.6x
JM AB	937	26.9x	19.2x	12.8x	25.1x	20.8x	13.7x	25.3x	18.6x	12.5x	1.9x	2.4x	2.3x
Bonava	114	21.1x	14.4x		24.6x	15.8x			12.0x	1.8x	0.6x	1.1x	1.2x
AF Gruppen	1 127	10.0x	6.9x	6.3x	15.9x	9.4x	8.5x	23.6x	13.0x	12.3x	0.5x	0.5x	0.5x
Veidekke	1 153	4.5x	4.2x	4.0x	8.2x	7.2x	6.8x	13.7x	12.4x	11.7x			
Peer group average	1519	13.1x	9.5x	7.3x	18.0x	12.6x	10.1x	17.8x	12.6x	9.7x	0.7x	0.9x	0.9x
Peer group median	1128	12.6x	8.3x	7.6x	20.2x	12.9x	10.0x	18.6x	12.5x	11.5x	0.6x	0.6x	0.5x
SRV (Evli est.)	67	29.5x	10.6x	7.7x	182.4x	14.6x	10.2x	neg.	12.9x	6.3x	0.3x	0.3x	0.3x
		>100%	28%	1%	>100%	13%	2%	-	3%	-45%	-42%	-46%	-50%

SRV prem./disc. to peer median

Source Bloomberg, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	3.99 PV of Free Cash Flow	141 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	10.34 PV of Horizon value	167 WACC, %	9.5 Market risk premium, %	5.8
Share price potential, %	159.2 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	3.8
Maximum value	11.8 Marketable securities	40 Minimum WACC, %	9.0 Equity beta coefficient	1.30
Minimum value	9.1 Debt - dividend	-172 Maximum WACC, %	10.0 Target debt ratio, %	20
Horizon value, %	54.3 Value of stock	176 Nr of shares, Mn	17.0 Effective tax rate, %	20

DCF valuation, EURm	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	Horizon
Net sales	610	698	772	822	838	855	872	889	907	925	944	964
<i>Sales growth, %</i>	-20.8	14.5	10.5	6.4	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	-7	15	21	27	32	32	33	34	34	35	36	37
<i>Operating income margin, %</i>	-1.1	2.1	2.7	3.3	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
+ Depreciation+amort.	6	6	7	8	9	9	9	9	9	9	9	9
EBITDA	-1	20	27	35	41	41	42	43	43	44	45	
- Paid taxes	-1	-3	-4	-5	-6	-6	-7	-7	-7	-7	-7	
- Change in NWC	9	-6	-4	-8	-3	-3	-3	-3	-3	-3	-3	
<i>NWC / Sales, %</i>	17.6	16.3	15.3	15.3	15.3	15.3	15.3	15.3	15.3	15.3	15.3	
+ Change in other liabs	-4	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-3	-3	-7	-4	-4	-4	-4	-4	-4	-4	-4	
<i>opCAPEX / Sales, %</i>	3.1	3.3	2.5	1.6	0.9	0.9	0.9	0.9	0.9	0.9	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	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	0	8	12	18	28	28	29	29	30	30	30	413
= Discounted FCFF		7	10	14	19	18	17	15	14	13	12	167
= DFCF min WACC		7	10	14	20	18	17	16	15	14	13	188
= DFCF max WACC		7	10	14	19	18	16	15	14	13	12	150

INTERIM FIGURES

EVLI ESTIMATES, EURm	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1E	2024Q2E	2024Q3E	2024Q4E	2024E	2025E	2026E
Net sales	138.3	143.1	146.9	181.8	610.1	159.5	171.5	177.0	190.5	698.5	771.9	821.6
EBITDA	-0.6	-1.6	-3.5	4.5	-1.2	4.0	4.9	6.3	5.0	20.2	27.3	35.3
<i>EBITDA margin (%)</i>	<i>-0.4</i>	<i>-1.1</i>	<i>-2.4</i>	<i>2.5</i>	<i>-0.2</i>	<i>2.5</i>	<i>2.9</i>	<i>3.6</i>	<i>2.6</i>	<i>2.9</i>	<i>3.5</i>	<i>4.3</i>
EBIT	-2.0	-3.0	-4.9	3.1	-6.8	2.6	3.5	4.9	3.6	14.6	20.7	27.0
<i>EBIT margin (%)</i>	<i>-1.4</i>	<i>-2.1</i>	<i>-3.3</i>	<i>1.7</i>	<i>-1.1</i>	<i>1.6</i>	<i>2.0</i>	<i>2.8</i>	<i>1.9</i>	<i>2.1</i>	<i>2.7</i>	<i>3.3</i>
Net financial items	-2.5	-2.5	-1.5	-2.4	-9.0	-2.2	-2.0	-2.0	-2.0	-8.1	-7.7	-7.7
Pre-tax profit	-4.5	-5.5	-6.4	0.7	-15.8	0.4	1.5	2.9	1.7	6.5	12.9	19.2
Tax	1.3	0.8	0.0	-1.4	0.7	-0.1	-0.3	-0.6	-0.3	-1.3	-2.6	-3.8
<i>Tax rate (%)</i>	<i>28.9</i>	<i>14.5</i>	<i>0.0</i>	<i>200.3</i>	<i>4.4</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-3.5	-4.7	-6.4	-0.7	-15.4	0.3	1.2	2.3	1.3	5.2	10.3	15.4
EPS	-0.21	-0.28	-0.38	-0.04	-0.90	0.02	0.07	0.14	0.08	0.31	0.61	0.91
EPS adjusted (diluted no. of shares)	-0.21	-0.28	-0.38	-0.04	-0.90	0.02	0.07	0.14	0.08	0.31	0.61	0.91
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.18	0.27
SALES, EURm												
Group	138.3	143.1	146.9	181.8	610.1	159.5	171.5	177.0	190.5	698.5	771.9	821.6
Total	138.3	143.1	146.9	181.8	610.1	159.5	171.5	177.0	190.5	698.5	771.9	821.6
SALES GROWTH, Y/Y %												
Group	-27.5	-32.3	-21.4	0.4	-20.8	15.3	19.8	20.5	4.8	14.5	10.5	6.4
Total	-27.5	-32.3	-21.4	0.4	-20.8	15.3	19.8	20.5	4.8	14.5	10.5	6.4
EBIT, EURm												
Group	-2.0	-3.0	-4.9	3.1	-6.8	2.6	3.5	4.9	3.6	14.6	20.7	27.0
Total	-2.0	-3.0	-4.9	3.1	-6.8	2.6	3.5	4.9	3.6	14.6	20.7	27.0
EBIT margin, %												
Group	-1.4	-2.1	-3.3	1.7	-1.1	1.6	2.0	2.8	1.9	2.1	2.7	3.3
Total	-1.4	-2.1	-3.3	1.7	-1.1	1.6	2.0	2.8	1.9	2.1	2.7	3.3

Construction & Engineering/Finland, February 2, 2024
Company update

INCOME STATEMENT, EURm	2019	2020	2021	2022	2023	2024E	2025E	2026E
Sales	1,061.0	975.5	932.5	770.1	610.1	698.5	771.9	821.6
<i>Sales growth (%)</i>	<i>10.5</i>	<i>-8.1</i>	<i>-4.4</i>	<i>-17.4</i>	<i>-20.8</i>	<i>14.5</i>	<i>10.5</i>	<i>6.4</i>
EBITDA	-3.1	20.4	4.5	-67.0	-1.2	20.2	27.3	35.3
<i>EBITDA margin (%)</i>	<i>-0.3</i>	<i>2.1</i>	<i>0.5</i>	<i>-8.7</i>	<i>-0.2</i>	<i>2.9</i>	<i>3.5</i>	<i>4.3</i>
Depreciation	-90.0	-18.9	-6.3	-9.3	-5.6	-5.6	-6.7	-8.4
EBITA	-93.1	1.5	-1.8	-76.3	-6.8	14.6	20.7	27.0
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-93.1	1.5	-1.8	-76.3	-6.8	14.6	20.7	27.0
<i>EBIT margin (%)</i>	<i>-8.8</i>	<i>0.2</i>	<i>-0.2</i>	<i>-9.9</i>	<i>-1.1</i>	<i>2.1</i>	<i>2.7</i>	<i>3.3</i>
Reported EBIT	-14.7	1.5	-1.8	-76.3	-6.8	14.6	20.7	27.0
<i>EBIT margin (reported) (%)</i>	<i>-1.4</i>	<i>0.2</i>	<i>-0.2</i>	<i>-9.9</i>	<i>-1.1</i>	<i>2.1</i>	<i>2.7</i>	<i>3.3</i>
Net financials	-29.3	-29.4	-18.6	-2.7	-9.0	-8.1	-7.7	-7.7
Pre-tax profit	-122.4	-27.9	-20.4	-79.0	-15.8	6.5	12.9	19.2
Taxes	18.7	2.9	0.5	-6.6	0.7	-1.3	-2.6	-3.8
Minority shares	0.7	2.3	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	-28.8	-27.1	-21.4	-85.7	-15.4	5.2	10.3	15.4
Cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	78.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	122	120	122	15	18	19	24	25
Goodwill	2	2	2	2	2	2	2	2
Right of use assets	149	130	82	84	96	112	120	124
Inventory	372	355	227	163	157	180	199	212
Receivables	204	155	143	103	89	101	112	119
Liquid funds	28	97	68	45	40	45	50	53
Total assets	913	899	686	448	439	497	544	572
Liabilities								
Shareholder's equity	95	170	150	113	105	110	120	132
Minority interest	-2	-4	0	0	0	0	0	0
Convertibles	83	15	15	34	34	34	34	0
Lease liabilities	150	136	89	92	106	112	120	124
Deferred taxes	3	3	1	1	0	0	0	0
Interest bearing debt	300	250	149	34	33	51	55	88
Non-interest bearing current liabilities	244	285	243	148	138	168	193	205
Other interest-free debt	21	21	15	7	3	3	3	3
Total liabilities	914	899	686	449	439	497	544	572
CASH FLOW, EURm								
+ EBITDA	-3	20	5	-67	-1	20	27	35
- Net financial items	-29	-29	-19	-3	-9	-8	-8	-8
- Taxes	-1	-2	-2	-2	0	-1	-3	-4
- Increase in Net Working Capital	-75	107	98	11	9	-6	-4	-8
+/- Other	98	-49	-13	50	0	0	0	0
= Cash flow from operations	-11	46	69	-10	-2	4	13	16
- Capex	-26	1	45	-58	-19	-23	-19	-13
- Acquisitions	0	-5	0	0	0	0	0	0
+ Divestments	0	29	0	0	0	0	0	0
= Free cash flow	-37	72	114	-68	-21	-18	-7	3
+/- New issues/buybacks	-67	100	5	49	8	0	0	0
- Paid dividend	0	0	0	0	0	0	-1	-3
+/- Other	39	-103	-148	-4	8	24	12	3
Change in cash	-65	69	-29	-23	-6	6	5	3

Construction & Engineering/Finland, February 2, 2024
Company update

KEY FIGURES	2020	2021	2022	2023	2024E	2025E	2026E
M-cap	155	139	65	67	68	68	68
Net debt (excl. convertibles)	289	170	80	99	118	125	159
Enterprise value	456	325	178	200	219	226	226
Sales	976	933	770	610	698	772	822
EBITDA	20	5	-67	-1	20	27	35
EBIT	2	-2	-76	-7	15	21	27
Pre-tax	-28	-20	-79	-16	6	13	19
Earnings	-27	-21	-86	-15	5	10	15
Equity book value (excl. minorities)	170	150	113	105	110	120	132
Valuation multiples							
EV/sales	0.5	0.3	0.2	0.3	0.3	0.3	0.3
EV/EBITDA	22.4	72.2	-2.7	-173.7	10.8	8.3	6.4
EV/EBITA	304.1	-180.4	-2.3	-29.6	15.0	11.0	8.4
EV/EBIT	304.1	-180.4	-2.3	-29.6	15.0	11.0	8.4
EV/OCF	9.9	4.7	-17.7	-105.2	49.2	17.7	14.0
EV/FCFF	5.5	3.4	-3.2	-558.8	28.3	18.5	12.5
P/FCFE	0.1	0.0	-1.0	-3.2	-3.7	-10.2	22.0
P/E	-5.7	-6.5	-0.8	-4.4	13.0	6.6	4.4
P/B	0.9	0.9	0.6	0.6	0.6	0.6	0.5
Target EV/EBITDA	0.0	0.0	0.0	0.0	10.9	8.3	6.5
Target EV/EBIT	0.0	0.0	0.0	0.0	15.1	11.0	8.5
Target EV/FCF	0.0	0.0	0.0	0.0	-12.0	-34.4	74.2
Target P/B	0.0	0.0	0.0	0.0	0.6	0.6	0.5
Target P/E	0.0	0.0	0.0	0.0	13.4	6.7	4.5
Per share measures							
Number of shares	9,429	9,429	16,982	16,982	16,982	16,982	16,982
Number of shares (diluted)	9,429	9,429	16,982	16,982	16,982	16,982	16,982
EPS	-2.88	-2.27	-5.05	-0.90	0.31	0.61	0.91
Operating cash flow per share	4.91	7.31	-0.59	-0.11	0.26	0.75	0.95
Free cash flow per share	7.64	12.08	-3.99	-1.24	-1.08	-0.39	0.18
Book value per share	17.99	15.88	6.64	6.20	6.51	7.07	7.79
Dividend per share	0.00	0.00	0.00	0.00	0.05	0.18	0.27
Dividend payout ratio, %	0.0	0.0	0.0	0.0	15.0	30.0	30.0
Dividend yield, %	0.0	0.0	0.0	0.0	1.2	4.6	6.8
FCF yield, %	46.4	81.7	-105.1	-31.4	-27.1	-9.8	4.5
Efficiency measures							
ROE	-20.5	-13.4	-65.3	-14.1	4.8	9.0	12.2
ROCE	0.9	0.7	-21.4	-2.5	5.0	6.5	8.0
Financial ratios							
Inventories as % of sales	36.4	24.4	21.1	25.8	25.8	25.8	25.8
Receivables as % of sales	15.8	15.4	13.3	14.5	14.5	14.5	14.5
Non-interest bearing liabilities as % of sales	29.2	26.1	19.2	22.7	24.0	25.0	25.0
NWC/sales, %	23.1	13.7	15.1	17.6	16.3	15.3	15.3
Operative CAPEX/sales, %	-0.2	-4.8	7.5	3.1	3.3	2.5	1.6
CAPEX/sales (incl. acquisitions), %	-0.6	-4.8	7.5	3.1	3.3	2.5	1.6
FCFF/EBITDA	4.1	21.5	0.8	0.3	0.4	0.4	0.5
Net debt/EBITDA, book-weighted	14.2	37.8	-1.2	-86.3	5.8	4.6	4.5
Debt/equity, market-weighted	1.6	1.1	0.5	0.5	0.8	0.8	1.3
Equity ratio, book-weighted	22.3	27.5	40.3	39.4	35.0	33.5	27.2
Gearing, %	159.8	103.0	55.0	71.6	81.8	81.5	119.9

Construction & Engineering/Finland, February 2, 2024
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	11.482	16.9%
Ilmarinen Mutual Pension Insurance Company	1,942,246	7.750	11.4%
Kolpi Investments Oy	1,446,353	5.771	8.5%
Havu Capital Oy	957,562	3.821	5.6%
OP Life Assurance Company Ltd	770,027	3.072	4.5%
Lareale Investments Oy	654,055	2.610	3.9%
Tungelin Investments Oy	654,055	2.610	3.9%
Varma Mutual Pension Insurance Company	483,611	1.930	2.8%
Pohjola Insurance Ltd	394,650	1.575	2.3%
Nordea Life Assurance Finland Ltd.	382,510	1.526	2.3%
Ten largest	10,562,778	42.145	62%
Residual	6,419,565	25.614	38%
Total	16,982,343	67.760	100%

EARNINGS CALENDAR

April 25, 2024	Q1 report
July 18, 2024	Q2 report
October 24, 2024	Q3 report

OTHER EVENTS

March 27, 2023	AGM
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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

<p>ROE, %</p> $\frac{\text{Profit before extraordinary items and taxes - income taxes}}{\text{Shareholder's equity + minority interest + taxed provisions (average)}}$	
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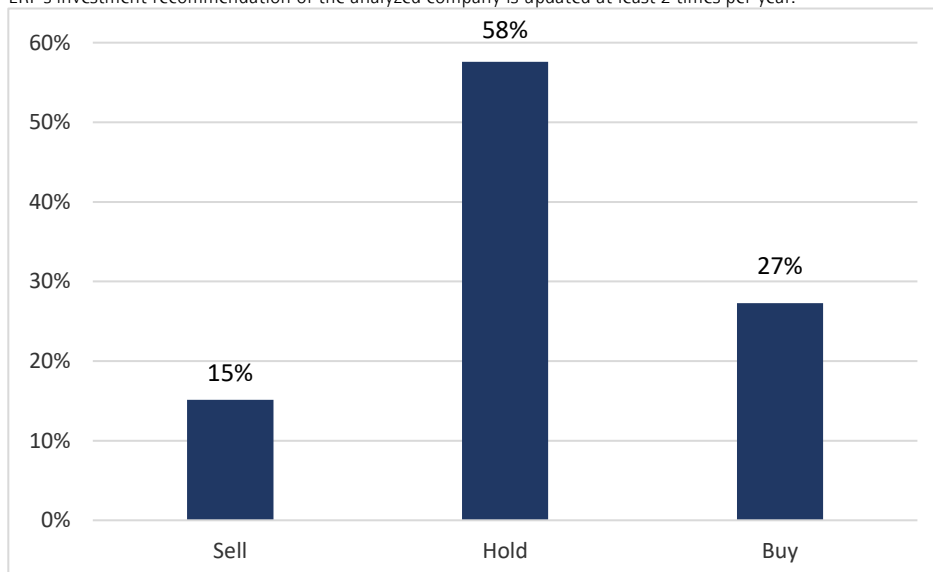
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Investment recommendations are defined as follows:

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

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