

Growth rests on non-residential volumes

SRV publishes its Q1/24 figures on Thursday 25th of April. We expect growth driven by non-residential construction while higher margin residential volumes remain low.

Residential construction outlook remains bleak for 2024

According to the Confederation of Finnish Construction Industries RT, the Finnish residential construction volumes will continue declining in 2024 by 22%. The continued decline is backed by residential building permit and start data by Statistics Finland which have both continued in freefall during 2023. Driven by the current market environment, SRV has no developer contracted projects under construction and only a relatively small number of contracted units and units sold to investors under construction. On the positive side, SRV had less than a hundred units of completed and unsold developer contracted units at the end of 2023. During Q1, SRV agreed to two new sizeable residential projects which will be implemented as competitive and negotiated contracts. While positive for residential volumes, contracts have lower project margin potential and on the other hand, lower risks when compared to own developer contracted projects and projects sold to investors.

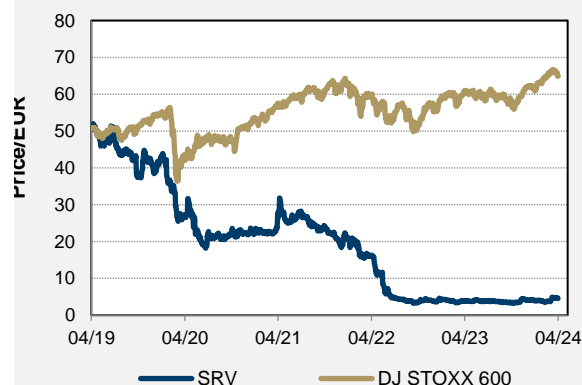
Non-residential construction sustains volumes

While residential construction will not support the company's volumes in 2024, we estimate SRV's strong non-residential backlog to support group wide revenue growth for the FY. Whilst we estimate revenue growth, the relatively lower margin non-residential construction will keep the profitability modest. For Q1/24, we now estimate revenue of EUR 152m (prev. EUR 159m, Q1/23 EUR 138.3m) with operative EBIT of EUR 1.5m (prev. EUR 2.6m, Q1/23 EUR -2.0m). Despite the lower margin sales mix, we expect increased volumes, profitability improvement initiatives and lower material costs to improve operative EBIT y/y.

HOLD with a TP of EUR 4.1

After slight adjustments to our estimates, valuation remains elevated on our 2024E estimates. Following the recent share price surge, we consider the largest mid-term potential diminished especially given the low visibility into 2025E and beyond.

Rating 🟡 HOLD



Share price, EUR (Last trading day's closing price)	4.51
Target price, EUR	4.1

Latest change in recommendation	29-Jan-24
Latest report on company	02-Feb-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	77
Free float, %	78.9
Exchange rate	1.000
Reuters code	SRV1V.HE
Bloomberg code	SRV1V.FH
Average daily volume, EURm	
Next interim report	25-Apr-24
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
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	684.5	13.3	1.9%	-14.7	0.25	18.2	0.3	16.9	-19.2	0.00
2025E	757.9	20.0	2.6%	-6.8	0.60	7.5	0.3	11.5	-8.9	0.09
2026E	807.2	27.0	3.3%	3.6	0.93	4.8	0.3	8.5	4.7	0.28

Market cap, EURm	77	Gearing 2024E, %	79.7	CAGR EPS 2023-26, %	0.0
Net debt 2024E, EURm	148	Price/book 2024E	0.7	CAGR sales 2023-26, %	9.8
Enterprise value, EURm	224	Dividend yield 2024E, %	0.0	ROE 2024E, %	3.9
Total assets 2024E, EURm	488	Tax rate 2024E, %	20.0	ROCE 2024E, %	4.6
Goodwill 2024E, EURm	2	Equity ratio 2024E, %	35.5	PEG, P/E 24/CAGR	0.3

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

Table 1: Peer group

Company name	Market capitalization mEUR	EV/EBITDA			EV/EBIT			P/E			EV/Sales		
		24	25	26	24	25	26	24	25	26	24	25	26
YIT	419	20.1x	14.8x	11.0x	31.4x	19.9x	14.1x	25.7x	11.1x	0.7x	0.7x	0.6x	
Skanska	6640	8.1x	7.4x	7.2x	10.7x	9.5x	8.9x	13.1x	11.6x	11.0x	0.5x	0.4x	0.4x
NCC	1154	5.8x	5.8x	5.7x	9.9x	9.7x	9.3x	9.4x	9.3x	8.9x	0.3x	0.3x	0.3x
Peab	1422	9.9x	9.3x	8.6x	17.4x	15.7x	14.0x	13.5x	11.8x	10.2x	0.6x	0.6x	0.6x
JM AB	1086	40.7x	29.1x	20.8x	37.5x	29.3x	21.0x	24.9x	19.1x	13.4x	2.4x	2.3x	2.0x
Bonava	306	24.0x	31.6x	14.1x	25.3x	34.0x	14.3x	113.3x	57.0x	21.9x	1.0x	1.1x	0.9x
AF Gruppen	1241	8.3x	7.6x	7.3x	11.8x	10.6x	10.0x	16.1x	14.6x	13.8x	0.6x	0.5x	0.5x
Veidekke	1313	5.3x	5.1x	4.9x	8.7x	8.4x	8.1x	13.4x	12.8x	12.1x	0.3x	0.3x	0.3x
Peer group average	1698	14.6x	13.7x	9.8x	17.3x	16.7x	12.2x	29.1x	19.5x	13.0x	0.8x	0.8x	0.7x
Peer group median	1197	9.1x	8.5x	7.9x	14.6x	13.1x	12.0x	13.5x	13.7x	11.6x	0.6x	0.5x	0.5x
SRV (Evli est.)	78	11.9x	8.7x	6.5x	16.9x	11.5x	8.5x	26.2x	8.5x	5.2x	0.3x	0.3x	0.3x
<i>SRV prem./disc. to peer median</i>		30%	3%	-18%	16%	-12%	-29%	94%	-38%	-55%	-41%	-44%	-45%

SRV prem./disc. to peer median

Source FactSet, Evli Research

Table 2: Estimate summary

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	152.0	165.0	177.0	190.5	684.5	757.9	807.2
change, %	-17.4%	-27.5%	-32.3%	-21.4%	0.3%	-20.8%	9.9%	15.3%	20.5%	4.8%	12.2%	10.7%	6.5%
Operative operating profit	18.8	-2.0	-3.9	4.6	2.4	1.1	1.5	2.5	5.1	4.1	13.3	20.0	27.0
-margin	2.4%	-1.4%	-2.7%	3.1%	1.3%	0.2%	1.0%	1.5%	2.9%	2.1%	1.9%	2.6%	3.3%
Operating profit	-76.4	-2.0	-3.0	-4.9	3.1	-6.8	1.5	2.5	5.1	4.1	13.3	20.0	27.0
-margin	-9.9%	-1.4%	-2.1%	-3.3%	1.7%	-1.1%	1.0%	1.5%	2.9%	2.1%	1.9%	2.6%	3.3%
Net financials	-2.7	-2.5	-2.5	-1.6	-2.5	-9.0	-2.0	-2.0	-2.0	-2.0	-8.0	-7.2	-6.9
Pre-tax profit	-79.1	-4.4	-5.5	-6.5	0.7	-15.8	-0.4	0.5	3.1	2.1	5.3	12.8	20.1
Income taxes	-6.5	1.3	0.8	0.0	-1.4	0.7	0.1	-0.1	-0.6	-0.4	-1.1	-2.6	-4.0
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	-0.3	0.4	2.5	1.7	4.2	10.3	16.1

Source: SRV, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	4.51 PV of Free Cash Flow	142 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	10.44 PV of Horizon value	168 WACC, %	9.5 Market risk premium, %	5.8
Share price potential, %	131.4 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	9.2 Debt - dividend	-172 Maximum WACC, %	10.0 Target debt ratio, %	20
Horizon value, %	54.1 Value of stock	177 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	684	758	807	823	840	857	874	891	909	928	947
<i>Sales growth, %</i>	-20.8	12.2	10.7	6.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	-7	13	20	27	31	32	33	33	34	35	35	36
<i>Operating income margin, %</i>	-1.1	1.9	2.6	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	19	27	35	40	41	41	42	43	43	44	
- Paid taxes	-1	-3	-4	-5	-6	-6	-7	-7	-7	-7	-7	
- Change in NWC	9	-4	-4	-8	-2	-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	3.0	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	9	12	18	27	28	28	29	29	29	30	406
= Discounted FCFF		9	10	14	20	18	17	16	14	13	12	168
= DFCF min WACC		9	10	14	20	18	17	16	15	14	13	188
= DFCF max WACC		9	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	152.0	165.0	177.0	190.5	684.5	757.9	807.2
EBITDA	-0.6	-1.6	-3.5	4.5	-1.2	2.9	3.9	6.5	5.5	18.9	26.6	35.2
<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>1.9</i>	<i>2.4</i>	<i>3.7</i>	<i>2.9</i>	<i>2.8</i>	<i>3.5</i>	<i>4.4</i>
EBIT	-2.0	-3.0	-4.9	3.1	-6.8	1.5	2.5	5.1	4.1	13.3	20.0	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>1.0</i>	<i>1.5</i>	<i>2.9</i>	<i>2.1</i>	<i>1.9</i>	<i>2.6</i>	<i>3.3</i>
Net financial items	-2.5	-2.5	-1.5	-2.4	-9.0	-2.0	-2.0	-2.0	-2.0	-8.0	-7.2	-7.2
Pre-tax profit	-4.5	-5.5	-6.4	0.7	-15.8	-0.5	0.5	3.1	2.1	5.3	12.8	19.8
Tax	1.3	0.8	0.0	-1.4	0.7	0.1	-0.1	-0.6	-0.4	-1.1	-2.6	-4.0
<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	-0.4	0.4	2.5	1.7	4.2	10.3	15.8
EPS	-0.21	-0.28	-0.38	-0.04	-0.90	-0.02	0.02	0.15	0.10	0.25	0.60	0.93
EPS adjusted (diluted no. of shares)	-0.21	-0.28	-0.38	-0.04	-0.90	-0.02	0.02	0.15	0.10	0.25	0.60	0.93
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.09	0.28
SALES, EURm												
Group	138.3	143.1	146.9	181.8	610.1	152.0	165.0	177.0	190.5	684.5	757.9	807.2
Total	138.3	143.1	146.9	181.8	610.1	152.0	165.0	177.0	190.5	684.5	757.9	807.2
SALES GROWTH, Y/Y %												
Group	-27.5	-32.3	-21.4	0.4	-20.8	9.9	15.3	20.5	4.8	12.2	10.7	6.5
Total	-27.5	-32.3	-21.4	0.4	-20.8	9.9	15.3	20.5	4.8	12.2	10.7	6.5
EBIT, EURm												
Group	-2.0	-3.0	-4.9	3.1	-6.8	1.5	2.5	5.1	4.1	13.3	20.0	27.0
Total	-2.0	-3.0	-4.9	3.1	-6.8	1.5	2.5	5.1	4.1	13.3	20.0	27.0
EBIT margin, %												
Group	-1.4	-2.1	-3.3	1.7	-1.1	1.0	1.5	2.9	2.1	1.9	2.6	3.3
Total	-1.4	-2.1	-3.3	1.7	-1.1	1.0	1.5	2.9	2.1	1.9	2.6	3.3

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Preview

INCOME STATEMENT, EURm	2019	2020	2021	2022	2023	2024E	2025E	2026E
Sales	1,061.0	975.5	932.5	770.1	610.1	684.5	757.9	807.2
<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>12.2</i>	<i>10.7</i>	<i>6.5</i>
EBITDA	-3.1	20.4	4.5	-67.0	-1.2	18.9	26.6	35.2
<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>2.8</i>	<i>3.5</i>	<i>4.4</i>
Depreciation	-90.0	-18.9	-6.3	-9.3	-5.6	-5.6	-6.5	-8.2
EBITA	-93.1	1.5	-1.8	-76.3	-6.8	13.3	20.0	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	13.3	20.0	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>1.9</i>	<i>2.6</i>	<i>3.3</i>
Reported EBIT	-14.7	1.5	-1.8	-76.3	-6.8	13.3	20.0	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>1.9</i>	<i>2.6</i>	<i>3.3</i>
Net financials	-29.3	-29.4	-18.6	-2.7	-9.0	-8.0	-7.2	-7.2
Pre-tax profit	-122.4	-27.9	-20.4	-79.0	-15.8	5.3	12.8	19.8
Taxes	18.7	2.9	0.5	-6.6	0.7	-1.1	-2.6	-4.0
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	4.2	10.3	15.8
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	110	118	122
Inventory	372	355	227	163	157	177	196	208
Receivables	204	155	143	103	89	99	110	117
Liquid funds	28	97	68	45	40	44	49	52
Total assets	913	899	686	448	439	488	535	563
Liabilities								
Shareholder's equity	95	170	150	113	105	110	120	134
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	110	118	122
Deferred taxes	3	3	1	1	0	0	0	0
Interest bearing debt	300	250	149	34	33	49	52	83
Non-interest bearing current liabilities	244	285	243	148	138	164	189	202
Other interest-free debt	21	21	15	7	3	3	3	3
Total liabilities	914	899	686	449	439	488	535	563
CASH FLOW, EURm								
+ EBITDA	-3	20	5	-67	-1	19	27	35
- Net financial items	-29	-29	-19	-3	-9	-8	-7	-7
- Taxes	-1	-2	-2	-2	0	-1	-3	-4
- Increase in Net Working Capital	-75	107	98	11	9	-4	-4	-8
+/- Other	98	-49	-13	50	0	0	0	0
= Cash flow from operations	-11	46	69	-10	-2	6	12	16
- Capex	-26	1	45	-58	-19	-20	-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	-15	-7	4
+/- New issues/buybacks	-67	100	5	49	8	0	0	0
- Paid dividend	0	0	0	0	0	0	0	-2
+/- Other	39	-103	-148	-4	8	20	12	1
Change in cash	-65	69	-29	-23	-6	5	5	3

Construction & Engineering/Finland, April 18, 2024
Preview

KEY FIGURES	2020	2021	2022	2023	2024E	2025E	2026E
M-cap	155	139	65	67	77	77	77
Net debt (excl. convertibles)	289	170	80	99	114	121	152
Enterprise value	456	325	178	200	224	231	229
Sales	976	933	770	610	684	758	807
EBITDA	20	5	-67	-1	19	27	35
EBIT	2	-2	-76	-7	13	20	27
Pre-tax	-28	-20	-79	-16	5	13	20
Earnings	-27	-21	-86	-15	4	10	16
Equity book value (excl. minorities)	170	150	113	105	110	120	134
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	11.9	8.7	6.5
EV/EBITA	304.1	-180.4	-2.3	-29.6	16.9	11.5	8.5
EV/EBIT	304.1	-180.4	-2.3	-29.6	16.9	11.5	8.5
EV/OCF	9.9	4.7	-17.7	-105.2	39.0	18.6	13.9
EV/FCFF	5.5	3.4	-3.2	-558.8	24.6	20.0	12.6
P/FCFE	0.1	0.0	-1.0	-3.2	-5.2	-11.2	21.3
P/E	-5.7	-6.5	-0.8	-4.4	18.2	7.5	4.8
P/B	0.9	0.9	0.6	0.6	0.7	0.6	0.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	11.5	8.4	6.3
Target EV/EBIT	0.0	0.0	0.0	0.0	16.4	11.2	8.2
Target EV/FCF	0.0	0.0	0.0	0.0	-14.8	-32.8	61.8
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	16.5	6.8	4.4
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	0.25	0.60	0.93
Operating cash flow per share	4.91	7.31	-0.59	-0.11	0.34	0.73	0.97
Free cash flow per share	7.64	12.08	-3.99	-1.24	-0.87	-0.40	0.21
Book value per share	17.99	15.88	6.64	6.20	6.45	7.05	7.90
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.09	0.28
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	15.0	30.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	2.0	6.2
FCF yield, %	46.4	81.7	-105.1	-31.4	-19.2	-8.9	4.7
Efficiency measures							
ROE	-20.5	-13.4	-65.3	-14.1	3.9	9.0	12.5
ROCE	0.9	0.7	-21.4	-2.5	4.6	6.4	8.1
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	3.0	2.5	1.6
CAPEX/sales (incl. acquisitions), %	-0.6	-4.8	7.5	3.1	3.0	2.5	1.6
FCFF/EBITDA	4.1	21.5	0.8	0.3	0.5	0.4	0.5
Net debt/EBITDA, book-weighted	14.2	37.8	-1.2	-86.3	6.0	4.6	4.3
Debt/equity, market-weighted	1.6	1.1	0.5	0.5	0.6	0.7	1.1
Equity ratio, book-weighted	22.3	27.5	40.3	39.4	35.5	34.1	28.1
Gearing, %	159.8	103.0	55.0	71.6	79.7	78.9	113.6

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	12.978	16.9%
Ilmarinen Mutual Pension Insurance Company	1,942,246	8.760	11.4%
Kolpi Investments Oy	1,446,353	6.523	8.5%
Havu Capital Oy	957,562	4.319	5.6%
OP Life Assurance Company Ltd	767,377	3.461	4.5%
Tungelin Investments Oy	654,055	2.950	3.9%
Lareale Investments Oy	654,055	2.950	3.9%
Varma Mutual Pension Insurance Company	483,611	2.181	2.8%
Pohjola Insurance Ltd	394,650	1.780	2.3%
Nordea Life Assurance Finland Ltd.	382,510	1.725	2.3%
Ten largest	10,560,128	47.626	62%
Residual	6,422,215	28.964	38%
Total	16,982,343	76.590	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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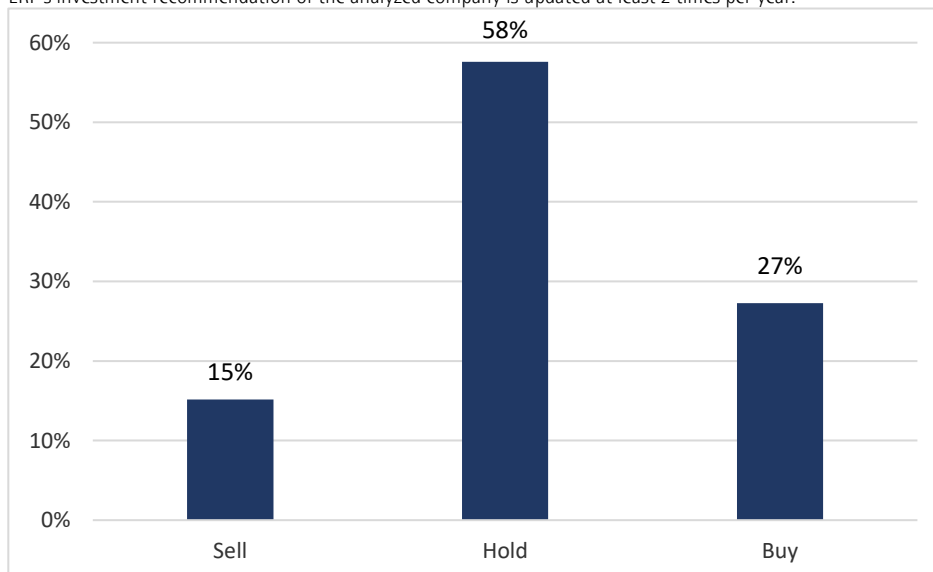
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Investment recommendations are defined as follows:

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

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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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