

From one challenge to another

Main points in SRV's Q1 report related to the write-downs of holdings relating to Russia and Fennovoima and the program to strengthen the financial position. Operationally, SRV fared rather decently. We lower our TP to EUR 0.35 (0.54) and retain our HOLD-rating.

Write-downs on essentially all holdings related to Russia

SRV reported its Q1 results, with the main topic clearly being the write-downs to its operations in Russia and the announced program to strengthen the balance sheet. Operationally, Q1 was slightly better than expected. Construction revenue amounted to EUR 175.2m (Evli 186.7m) and operative operating profit 6.3m (Evli EUR 5.2m). The Group operating profit was clearly negative, at EUR -85.7m, as SRV wrote-down essentially all of its holdings in Russia and the Fennovoima project. The order backlog was at EUR 858m in Q1, down 19% y/y. SRV however says that it has 1.4bn worth of won contracts not yet in the order backlog.

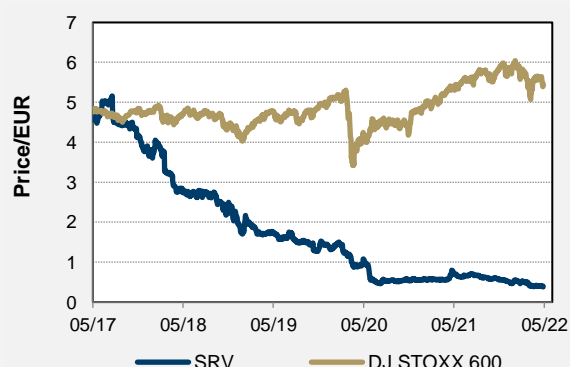
Initiated program to strengthen balance sheet

SRV initiated a program to strengthen its balance sheet (illustrated in Figure 1 of this report), seeking to increase equity by around EUR 100m and reduce IB net-debt by the same amount, due to the impact of the write-downs on SRV's equity and gearing. Operationally, we have made no significant changes to our estimates, expecting revenue of EUR 877.8m and operative operating profit of EUR 22.9m. The uncertainty relating to material prices and availability has increased due to the war in Ukraine, with some more bulk type construction material such as steel used in reinforcing concrete in particular being affected. So far, the impact does not appear to have limited SRV's abilities to run current operations.

HOLD with a target price of EUR 0.35 (0.54)

Although SRV's Russian assets still hold some value, due to the current uncertainty valuation relies primarily on construction operations. On 2022e EV/EBIT (using operative operating profit), SRV trades at 14.6x. We lower our TP to EUR 0.35 (0.54) and retain our hold rating. We will account for the impact of the financing program once details are finalized.

Rating

■ HOLD


Share price, EUR (Last trading day's closing price) 0.38

Target price, EUR 0.35

Latest change in recommendation 04-Feb-22

Latest report on company 04-Feb-22

Research paid by issuer: YES

No. of shares outstanding, '000's 263,017

No. of shares fully diluted, '000's 263,017

Market cap, EURm 100

Free float, % 33.2

Exchange rate 1.000

Reuters code SRV1V.HE

Bloomberg code SRV1V FH

Average daily volume, EURm 0.06

Next interim report 21-Jul-22

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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
2020	975.5	1.5	0.2%	72.0	-0.10	-5.7	0.5	304.1	46.4	0.00
2021	932.5	-1.8	-0.2%	122.9	-0.08	-6.5	0.3	-180.4	88.2	0.00
2022E	877.8	-67.4	-7.7%	-98.2	-0.49	-0.8	0.4	-5.0	-98.2	0.00
2023E	956.3	28.2	2.9%	15.6	0.08	4.7	0.3	11.3	15.6	0.00
2024E	1,007.2	32.1	3.2%	30.9	0.11	3.4	0.3	9.0	30.9	0.03
Market cap, EURm			100	Gearing 2022E, %		601.9	CAGR EPS 2021-24, %			0.0
Net debt 2022E, EURm			235	Price/book 2022E		4.8	CAGR sales 2021-24, %			2.6
Enterprise value, EURm			335	Dividend yield 2022E, %		0.0	ROE 2022E, %			-150.7
Total assets 2022E, EURm			589	Tax rate 2022E, %		-5.3	ROCE 2022E, %			-17.5
Goodwill 2022E, EURm			2	Equity ratio 2022E, %		7.2	PEG, P/E 22/CAGR			0.0

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

Figure 1: SRV's planned balance sheet reorganization measures

Segment of the solution	Size	Description	Commitments
Senior bond conversion and cash tender	EUR 100m	<ul style="list-style-type: none"> Senior bonds of EUR 100m converted at 100% of par value into new 4-year hybrid bonds with a coupon of 4.875% p.a. Simultaneous cash tender offer to repurchase bonds at 60% of par value 	<ul style="list-style-type: none"> 2016/2025 Bonds: Voting commitments in favour of the proposal secured for 51.5% of the aggregate amount 2016/2025 Bonds: Voting commitments in favour of the proposal secured for 60.8% of the aggregate amount
Hybrid bond conversion	EUR 15m	<ul style="list-style-type: none"> Hybrid bonds of EUR 15m converted at 45% of par value into common shares at a subscription price of EUR 0.10 per share 	<ul style="list-style-type: none"> 2019 hybrid bonds: Voting commitments in favour of the proposal secured for 56.2% of the aggregate amount 2016 hybrid bonds: Voting commitments in favour of the proposal secured for 28.8% of the aggregate amount
Rights issue	EUR 35m	<ul style="list-style-type: none"> Rights offering of €35M at a subscription price of EUR 0.10 per share 	<ul style="list-style-type: none"> Subscription commitments in place for 68% Voting commitments in place for 71.5% of SRV's all shares
Extension of credit facilities	EUR 30m (RCF) EUR 40m + EUR 63m (Project financing facility)	<ul style="list-style-type: none"> Extension of the current EUR 30m RCF, EUR 40m binding project financing facility and EUR 63m non-binding project financing facility and extension of respective maturities by 12 months. 	<ul style="list-style-type: none"> The planned measures are conditional on the implementation of the rights issue and the Hybrid Conversion and require a decision by SRV's Annual General Meeting on the necessary authorizations to issue shares and issue special rights.

Source: SRV

SRV	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22	Q2/'22E	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Revenue	975.6	187.1	218.0	191.1	336.3	932.6	190.7	191.7	196.9	298.5	877.8	956.3	1,007.2
change, %	-8.0%	-10.1%	-17.8%	-9.0%	15.0%	-4.4%	1.9%	-12.1%	3.0%	-11.2%	-5.9%	8.9%	5.3%
Operative operating profit	15.8	4.8	5.7	-1.5	-4.5	5.3	4.9	4.0	4.8	9.2	22.9	28.2	32.1
-margin	1.6%	2.6%	2.6%	-0.8%	-1.3%	0.6%	2.6%	2.1%	2.4%	3.1%	2.6%	2.9%	3.2%
Operating profit	1.5	5.2	6.3	-1.6	-11.5	-1.7	-85.7	4.0	4.8	9.2	-67.7	28.2	32.1
-margin	0.2%	2.8%	2.9%	-0.8%	-3.4%	-0.2%	-44.9%	2.1%	2.4%	3.1%	-7.7%	2.9%	3.2%
Net financials	-29.4	-4.1	-3.7	-2.8	-8.0	-18.6	-42.8	-2.5	-2.5	-2.5	-50.3	-8.0	-8.0
Pre-tax profit	-28.0	1.1	2.6	-4.4	-19.6	-20.3	-128.5	1.5	2.3	6.7	-118.0	20.2	24.1
Income taxes	2.9	0.5	-0.5	0.4	0.1	0.5	-4.8	-0.1	-0.3	-1.2	-6.4	-4.0	-4.8
Non-controlling interest	2.3	-0.1	-0.1	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	-22.8	1.5	2.0	-4.0	-19.3	-19.9	-133.3	1.4	2.0	5.6	-124.4	16.2	19.3
EPS rep.*	-0.15	0.00	0.01	-0.02	-0.07	-0.08	-0.51	0.00	0.01	0.02	-0.47	0.06	0.07
Construction	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22	Q2/'22E	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Revenue	970.0	187.8	218.5	188.0	335.9	930.1	175.2	191.7	196.9	298.5	862.3	941.3	992.2
change, %	-8.3%	-8.3%	-17.3%	-10.1%	15.0%	-4.1%	-6.7%	-12.3%	4.7%	-11.1%	-7.3%	9.2%	5.4%
Business construction	680.7	140.5	140.9	115.2	184.8	581.4	98.7	115.1	118.7	150.3	482.8	497.2	517.1
change, %	0.1%	-8.8%	-22.7%	-27.0%	-1.0%	-14.6%	-29.8%	-18.3%	3.0%	-18.7%	-17.0%	3.0%	4.0%
Housing construction	289.3	47.3	77.6	72.8	151.1	348.8	76.5	76.6	78.2	148.2	379.5	444.0	475.1
change, %	-23.4%	-6.9%	-5.3%	41.9%	43.5%	20.6%	61.7%	-1.3%	7.4%	-1.9%	8.8%	17.0%	7.0%
Operative operating profit	25.1	6.9	7.0	1.6	-1.3	14.1	6.3	6.1	6.9	11.3	30.7	35.8	39.7
-margin	2.6%	3.7%	3.2%	0.9%	-0.4%	1.5%	3.6%	3.2%	3.5%	3.8%	3.6%	3.8%	4.0%
Adjustment items	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit	27.4	6.9	7.0	1.6	-1.3	14.1	6.3	6.1	6.9	11.3	30.7	35.8	39.7
-margin	2.8%	3.7%	3.2%	0.9%	-0.4%	1.5%	3.6%	3.2%	3.5%	3.8%	3.6%	3.8%	4.0%
Investments	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22	Q2/'22E	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Revenue	4.8	1.0	1.0	4.2	0.6	6.8	1.1	1.1	1.1	1.1	4.5	4.0	4.0
change, %	-18.6%	-37.5%	-16.7%	281.8%	-33.3%	41.7%	12.5%	12.5%	-73.2%	87.5%	-33.8%	-11.1%	0.0%
Operative operating profit	-5.7	-0.8	-0.9	-2.5	-1.7	-4.6	-0.2	-1.0	-1.0	-1.0	-3.2	-3.0	-3.0
Adjustment items	-16.8	0.4	1.0	-0.1	-6.9	-7.0	-105.2	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit	-22.5	-0.4	0.1	-2.6	-8.6	-11.6	-105.4	-1.0	-1.0	-1.0	-3.2	-3.0	-3.0
Other operations and elim.	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22	Q2/'22E	Q3/'22E	Q4/'22E	2022E	2023E	2024E
Revenue	0.8	-1.7	-1.5	-1.1	-0.2	-4.5	14.4	-1.1	-1.1	-1.1	11.0	11.0	11.0
Operating profit	-3.5	-1.3	-0.8	-0.6	-1.5	-4.2	13.4	-1.0	-1.0	-1.0	10.3	-4.6	-4.6
Operative operating profit	-3.5	-1.3	-0.8	-0.6	-1.5	-4.2	-1.2	-1.1	-1.1	-1.1	-4.6	-4.6	-4.6

SRV PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		22	23	24	22	23	24	22	23	24
Skanska	7535	6.7x	6.0x	5.8x	8.9x	8.5x	8.4x	11.1x	10.7x	10.5x
Peab	2681	8.8x	8.4x	8.2x	12.6x	11.9x	11.6x	11.1x	10.4x	10.2x
NCC	1279	4.4x	4.2x	4.0x	7.4x	6.8x	6.2x	8.4x	7.6x	6.7x
AF Gruppen	2042	8.8x	8.3x	7.8x	11.7x	10.9x	10.2x	17.8x	17.3x	16.4x
Veidekke	1659	5.5x	5.1x	4.9x	9.1x	8.2x	7.7x	14.9x	13.5x	12.7x
JM AB	1531	9.2x	8.8x	8.5x	9.1x	8.9x	8.1x	9.4x	8.8x	8.3x
YIT	780	9.3x	8.0x	7.1x	11.9x	9.9x	8.6x	13.7x	10.7x	8.9x
Bonava	512	6.7x	5.9x	5.5x	6.9x	6.0x	5.6x	6.1x	5.3x	4.9x
Lehto Group	35		9.0x	6.1x		15.0x	7.9x		6.7x	3.1x
Peer Group Average	1818	7.4x	7.1x	6.4x	9.7x	9.6x	8.3x	11.6x	10.1x	9.1x
Peer Group Median	1405	7.7x	8.0x	6.1x	9.1x	8.9x	8.1x	11.1x	10.4x	8.9x

Source FactSet, Evli Research

Construction & Engineering/Finland, April 29, 2022
Company update

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	0.38 PV of Free Cash Flow	186 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	1.33 PV of Horizon value	349 WACC, %	7.8 Market risk premium, %	5.8
Share price potential, %	250.3 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	3.5
Maximum value	1.5 Marketable securities	68 Minimum WACC, %	7.3 Equity beta coefficient	1.30
Minimum value	1.2 Debt - dividend	-253 Maximum WACC, %	8.3 Target debt ratio, %	50
Horizon value, %	65.2 Value of stock	350 Nr of shares, Mn	263.0 Effective tax rate, %	20

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	933	878	956	1,007	1,027	1,048	1,069	1,090	1,112	1,134	1,158	1,181
<i>Sales growth, %</i>	-4.4	-5.9	8.9	5.3	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	-2	-67	28	32	33	34	35	35	36	37	38	38
<i>Operating income margin, %</i>	-0.2	-7.7	2.9	3.2	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
+ Depreciation+amort.	6	6	6	6	6	6	6	6	6	6	6	6
EBITDA	5	-61	34	38	40	40	41	42	42	43	44	
- Paid taxes	-3	-4	1	2	2	2	2	2	2	2	2	
- Change in NWC	98	11	-1	4	-2	-2	-2	-2	-2	-3	-3	
<i>NWC / Sales, %</i>	13.7	13.3	12.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	
+ Change in other liabs	-5	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	0	13	-2	-2	-2	-2	-2	-3	-3	-3	-3	
<i>opCAPEX / Sales, %</i>	-4.6	-1.6	1.1	0.8	0.5	0.5	0.5	0.5	0.5	0.5	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	-1	-2	0	0	0	0	0	0	0	0	0	
= FCFF	93	-43	32	41	37	37	38	39	39	40	41	722
= Discounted FCFF		-41	28	34	28	26	25	23	22	21	20	349
= DFCF min WACC		-41	29	34	28	27	25	24	23	22	21	400
= DFCF max WACC		-41	28	33	27	26	24	23	21	20	19	307

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Company update

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2E	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	187.1	218.0	191.1	336.3	932.5	190.7	191.7	196.9	298.5	877.8	956.3	1,007.2
EBITDA	6.7	8.2	-0.6	-9.8	4.5	-84.4	5.5	6.3	11.2	-61.4	33.8	38.1
<i>EBITDA margin (%)</i>	<i>3.6</i>	<i>3.8</i>	<i>-0.3</i>	<i>-2.9</i>	<i>0.5</i>	<i>-44.3</i>	<i>2.9</i>	<i>3.2</i>	<i>3.8</i>	<i>-7.0</i>	<i>3.5</i>	<i>3.8</i>
EBIT	5.2	6.3	-1.6	-11.7	-1.8	-85.7	4.1	4.9	9.3	-67.4	28.2	32.1
<i>EBIT margin (%)</i>	<i>2.8</i>	<i>2.9</i>	<i>-0.8</i>	<i>-3.5</i>	<i>-0.2</i>	<i>-44.9</i>	<i>2.1</i>	<i>2.5</i>	<i>3.1</i>	<i>-7.7</i>	<i>2.9</i>	<i>3.2</i>
Net financial items	-4.1	-3.7	-2.8	-8.0	-18.6	-42.8	-3.5	-3.5	-3.5	-53.3	-8.0	-4.4
Pre-tax profit	1.1	2.6	-4.4	-19.7	-20.4	-128.5	0.6	1.4	5.8	-120.7	20.2	27.7
Tax	0.5	-0.5	0.4	0.1	0.5	-4.8	-0.1	-0.3	-1.2	-6.4	1.1	1.5
<i>Tax rate (%)</i>	<i>-45.5</i>	<i>20.0</i>	<i>9.1</i>	<i>0.5</i>	<i>2.4</i>	<i>-3.7</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>-5.3</i>	<i>-5.3</i>	<i>-5.3</i>
Net profit	1.2	1.7	-4.6	-19.8	-21.4	-133.7	0.1	0.7	4.3	-128.7	21.2	29.1
EPS	0.00	0.01	-0.02	-0.08	-0.08	-0.51	0.00	0.00	0.02	-0.49	0.08	0.11
EPS adjusted (diluted no. of shares)	0.00	0.01	-0.02	-0.08	-0.08	-0.51	0.00	0.00	0.02	-0.49	0.08	0.11
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03
SALES, EURm												
Construction	187.8	218.5	188.0	335.9	930.2	175.2	191.7	196.9	298.5	862.3	941.3	992.2
Investments	1.0	1.0	4.2	0.6	6.8	1.1	1.1	1.1	1.1	4.5	4.0	4.0
Other	-1.7	-1.5	-1.1	-0.2	-4.5	14.4	-1.1	-1.1	-1.1	11.0	11.0	11.0
Total	187.1	218.0	191.1	336.3	932.5	190.7	191.7	196.9	298.5	877.8	956.3	1,007.2
SALES GROWTH, Y/Y %												
Construction	-8.3	-17.3	-10.0	15.0	-4.1	-6.7	-12.3	4.7	-11.1	-7.3	9.2	5.4
Investments	-37.5	-16.7	281.8	-33.3	41.7	12.5	12.5	-73.2	87.5	-33.8	-11.1	0.0
Other	-206.2	650.0	266.7	-50.0	-742.9	-947.1	-25.0	2.3	462.5	-345.0	0.0	0.0
Total	-10.1	-17.8	-8.9	15.0	-4.4	1.9	-12.1	3.0	-11.2	-5.9	8.9	5.3
EBIT, EURm												
Construction	6.9	7.0	1.6	-1.4	14.1	6.3	6.1	6.9	11.3	30.7	35.8	39.7
Investments	-0.4	0.1	-2.6	-8.7	-11.6	-105.4	-1.0	-1.0	-1.0	-108.4	-3.0	-3.0
Other	-1.3	-0.8	-0.6	-1.6	-4.3	13.4	-1.0	-1.0	-1.0	10.3	-4.6	-4.6
Total	5.2	6.3	-1.6	-11.7	-1.8	-85.7	4.1	4.9	9.3	-67.4	28.2	32.1
EBIT margin, %												
Construction	3.7	3.2	0.9	-0.4	1.5	3.6	3.2	3.5	3.8	3.6	3.8	4.0
Investments	-40.0	10.0	-61.9	-1,450.0	-170.6	-9,368.9	-88.9	-88.9	-88.9	-2,408.9	-75.0	-75.0
Other	76.5	53.3	54.5	800.0	95.6	93.1	91.1	91.1	91.1	93.7	-41.7	-41.7
Total	2.8	2.9	-0.8	-3.5	-0.2	-44.9	2.1	2.5	3.1	-7.7	2.9	3.2

Construction & Engineering/Finland, April 29, 2022
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INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	1,114.1	959.9	1,061.0	975.5	932.5	877.8	956.3	1,007.2
<i>Sales growth (%)</i>	<i>26.0</i>	<i>-13.8</i>	<i>10.5</i>	<i>-8.1</i>	<i>-4.4</i>	<i>-5.9</i>	<i>8.9</i>	<i>5.3</i>
EBITDA	21.1	-14.6	-3.1	20.4	4.5	-61.4	33.8	38.1
<i>EBITDA margin (%)</i>	<i>1.9</i>	<i>-1.5</i>	<i>-0.3</i>	<i>2.1</i>	<i>0.5</i>	<i>-7.0</i>	<i>3.5</i>	<i>3.8</i>
Depreciation	-5.7	-5.3	-90.0	-18.9	-6.3	-6.0	-5.6	-6.0
EBITA	15.4	-19.9	-93.1	1.5	-1.8	-67.4	28.2	32.1
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	15.4	-19.9	-93.1	1.5	-1.8	-67.4	28.2	32.1
<i>EBIT margin (%)</i>	<i>1.4</i>	<i>-2.1</i>	<i>-8.8</i>	<i>0.2</i>	<i>-0.2</i>	<i>-7.7</i>	<i>2.9</i>	<i>3.2</i>
Reported EBIT	15.4	-19.9	-14.7	1.5	-1.8	-67.4	28.2	32.1
<i>EBIT margin (reported) (%)</i>	<i>1.4</i>	<i>-2.1</i>	<i>-1.4</i>	<i>0.2</i>	<i>-0.2</i>	<i>-7.7</i>	<i>2.9</i>	<i>3.2</i>
Net financials	-10.7	-17.5	-29.3	-29.4	-18.6	-53.3	-8.0	-4.4
Pre-tax profit	4.7	-37.4	-122.4	-27.9	-20.4	-120.7	20.2	27.7
Taxes	1.2	6.1	18.7	2.9	0.5	-6.4	1.1	1.5
Minority shares	0.2	1.1	0.7	2.3	0.0	0.0	0.0	0.0
Net profit	2.2	-34.1	-28.8	-27.1	-21.4	-128.7	21.2	29.1
Cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	78.4	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	287	273	122	120	122	58	58	58
Goodwill	2	2	2	2	2	2	2	2
Right of use assets	0	173	149	130	82	77	82	84
Inventory	419	438	372	355	227	214	233	246
Receivables	146	122	204	155	143	132	134	131
Liquid funds	24	93	28	97	68	64	70	73
Total assets	889	1,120	913	899	686	589	621	636
Liabilities								
Shareholder's equity	240	191	95	170	150	21	42	71
Minority interest	-2	-3	-2	-4	0	0	0	0
Convertibles	45	45	83	15	15	15	0	0
Lease liabilities	0	174	150	136	89	77	82	84
Deferred taxes	5	5	3	3	1	1	1	1
Interest bearing debt	321	375	300	250	149	206	207	178
Non-interest bearing current liabilities	252	304	244	285	243	229	249	263
Other interest-free debt	18	9	21	21	15	15	15	15
Total liabilities	889	1,120	914	899	686	589	621	636
CASH FLOW, EURm								
+ EBITDA	21	-15	-3	20	5	-61	34	38
- Net financial items	-11	-17	-29	-29	-19	-53	-8	-4
- Taxes	0	-1	-1	-2	-2	-6	1	1
- Increase in Net Working Capital	-44	56	-75	107	98	11	-1	4
+/- Other	2	2	98	-49	-1	-2	0	0
= Cash flow from operations	-33	26	-11	46	80	-112	26	39
- Capex	-24	-15	-26	1	43	14	-10	-8
- Acquisitions	0	0	0	-5	0	0	0	0
+ Divestments	0	0	0	29	0	0	0	0
= Free cash flow	-57	11	-37	72	123	-98	16	31
+/- New issues/buybacks	-8	-12	-67	100	5	0	0	0
- Paid dividend	-6	-4	0	0	0	0	0	0
+/- Other	40	75	39	-103	-157	94	-10	-27
Change in cash	-31	70	-65	69	-29	-4	6	4

Construction & Engineering/Finland, April 29, 2022
Company update

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	101	81	155	139	100	100	100
Net debt (excl. convertibles)	456	422	289	170	219	219	188
Enterprise value	601	584	456	325	335	319	288
Sales	960	1,061	976	933	878	956	1,007
EBITDA	-15	-3	20	5	-61	34	38
EBIT	-20	-93	2	-2	-67	28	32
Pre-tax	-37	-122	-28	-20	-121	20	28
Earnings	-34	-107	-27	-21	-129	21	29
Equity book value (excl. minorities)	191	95	170	150	21	42	71
Valuation multiples							
EV/sales	0.6	0.6	0.5	0.3	0.4	0.3	0.3
EV/EBITDA	-41.1	-188.5	22.4	72.2	-5.4	9.4	7.6
EV/EBITA	-30.2	-6.3	304.1	-180.4	-5.0	11.3	9.0
EV/EBIT	-30.2	-6.3	304.1	-180.4	-5.0	11.3	9.0
EV/OCF	23.5	-54.5	9.9	4.1	-3.0	12.3	7.4
EV/FCFF	26.3	-15.2	5.5	3.5	-7.8	9.9	7.0
P/FCFE	9.5	-2.2	2.2	1.1	-1.0	6.4	3.2
P/E	-3.0	-0.8	-5.7	-6.5	-0.8	4.7	3.4
P/B	0.5	0.9	0.9	0.9	4.8	2.4	1.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	-5.3	9.2	7.4
Target EV/EBIT	0.0	0.0	0.0	0.0	-4.8	11.0	8.7
Target EV/FCF	0.0	0.0	0.0	0.0	-3.3	20.0	9.1
Target P/B	0.0	0.0	0.0	0.0	4.4	2.2	1.3
Target P/E	0.0	0.0	0.0	0.0	-0.7	4.3	3.2
Per share measures							
Number of shares	59,581	59,581	263,017	263,017	263,017	263,017	263,017
Number of shares (diluted)	59,581	59,581	263,017	263,017	263,017	263,017	263,017
EPS	-0.57	-1.80	-0.10	-0.08	-0.49	0.08	0.11
Operating cash flow per share	0.43	-0.18	0.18	0.30	-0.43	0.10	0.15
Free cash flow per share	0.18	-0.62	0.27	0.47	-0.37	0.06	0.12
Book value per share	3.21	1.59	0.64	0.57	0.08	0.16	0.27
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.03
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	0.0	30.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	0.0	8.7
FCF yield, %	10.6	-45.6	46.4	88.2	-98.2	15.6	30.9
Efficiency measures							
ROE	-15.8	-74.9	-20.5	-13.4	-150.7	67.1	51.3
ROCE	-2.1	-12.1	0.9	0.7	-17.5	8.7	10.7
Financial ratios							
Inventories as % of sales	45.7	35.1	36.4	24.4	24.4	24.4	24.4
Receivables as % of sales	12.7	19.2	15.8	15.4	15.0	14.0	13.0
Non-interest bearing liabilities as % of sales	31.7	23.0	29.2	26.1	26.1	26.1	26.1
NWC/sales, %	26.7	31.3	23.1	13.7	13.3	12.3	11.3
Operative CAPEX/sales, %	1.5	2.5	-0.2	-4.6	-1.6	1.1	0.8
CAPEX/sales (incl. acquisitions), %	1.5	2.5	-0.6	-4.6	-1.6	1.1	0.8
FCFF/EBITDA	-1.6	12.4	4.1	20.7	0.7	0.9	1.1
Net debt/EBITDA, book-weighted	-31.2	-136.2	14.2	37.8	-3.6	6.5	4.9
Debt/equity, market-weighted	3.7	3.7	1.6	1.1	2.1	2.1	1.8
Equity ratio, book-weighted	23.6	21.2	22.3	27.5	7.2	7.9	13.0
Gearing, %	195.1	240.4	159.8	103.0	601.9	518.4	263.6

Construction & Engineering/Finland, April 29, 2022
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. The company is also an investor in and manager of several shopping centres. The company operates in Finland and has holdings in Russia.

INVESTMENT CASE: SRV's road has been bumpy in the past few years and earnings have been weak despite good demand. Fluctuations in construction material prices and availability have also been a cause for concern. Additional woes have been brought by the geopolitical developments to the company's holdings in Russia. Strengthening the order backlog and improving the profitability of construction operations remain key drivers for the company's success.

OWNERSHIP STRUCTURE	SHARES	EURm	%
As Pontos Capital	47,306,787	17.977	18.0%
Ilmarinen Mutual Pension Insurance Company	33,295,636	12.652	12.7%
Kolpi Investments Oy	23,776,663	9.035	9.0%
OP Life Assurance Company Ltd	17,064,088	6.484	6.5%
Pohjola Insurance Ltd	15,785,996	5.999	6.0%
Havu Capital Oy	15,741,398	5.982	6.0%
Etola Group	13,373,642	5.082	5.1%
Tungelin Investments Oy	6,926,660	2.632	2.6%
Lareale Investments Oy	6,926,660	2.632	2.6%
Kokkila Lauri	6,494,422	2.468	2.5%
Ten largest	186,691,952	70.943	71%
Residual	76,325,389	29.004	29%
Total	263,017,341	99.947	100%

EARNINGS CALENDAR

July 21, 2022 Q2 report
October 27, 2022 Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

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

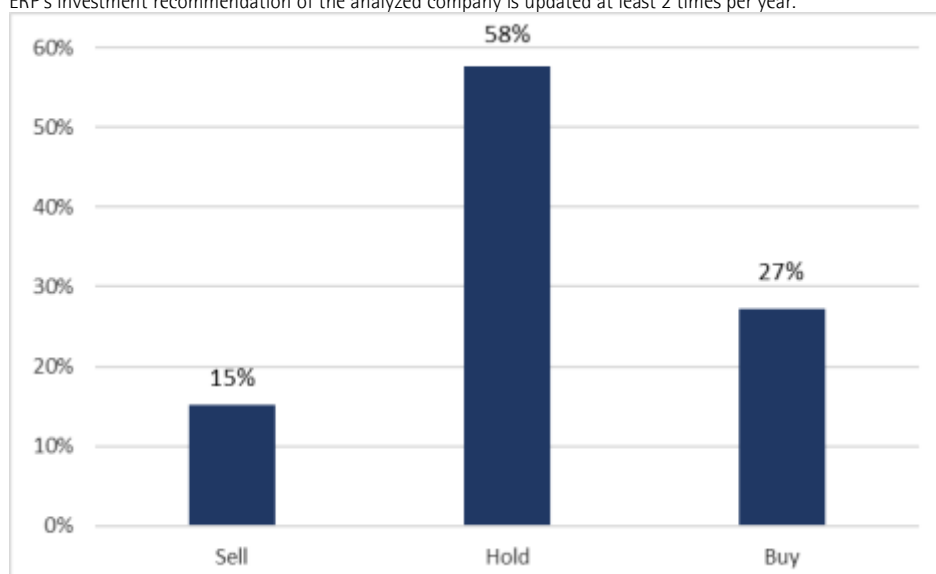
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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