

Well positioned for a difficult market

SRV enters difficult market with a low-risk project portfolio and a healthy balance sheet. We see the near-term upside limited yet the valuation looks rather undemanding in the long-term. We retain our HOLD-rating and TP of EUR 4.3.

Q4 was weaker than expected

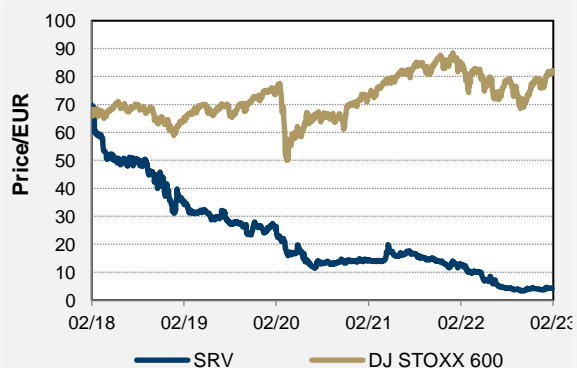
SRV reported Q4 results which were below our estimates. Revenue amounted to EUR 181.2m (EUR 211.9m/214.0m Evli/cons.) and EBIT was EUR -6.3m (EUR 3.6/4.1m Evli/cons.). The company estimates that 2023 group revenue is lower and operative operating profit is positive but lower than in 2022. SRV also updated its long-term financial targets (by 2026): Revenue EUR 900m and operative operating profit margin 6%. In addition, SRV aims to distribute 30-50% of earnings as dividend.

Challenging market ahead

The current estimates point towards a slowdown for 2023 in the Finnish construction market driven particularly by decreasing housing construction volumes. The market conditions are starting to show in the company's numbers as the housing construction backlog continued to decline and the company's revenue for Q4 was affected by delays in project starts. In our view, SRV is well positioned for a difficult market as the company's order intake in business construction was strong during the fourth quarter. In addition to the strong presence in the lower risk business construction contracting market, the company's balance sheet is healthy after the financing arrangements completed during H1 2022.

HOLD with a target price of EUR 4.3

We estimate revenue to decline 13.7% y/y in 2023 driven by a lack of developer contracted housing units and lower residential construction volumes while seeing healthy conditions for business construction supported by backlog growth. Because of the estimated project mix, we have also lowered our margin expectations for 2023. In our view, the near-term upside is limited yet the valuation looks rather undemanding in the long-term. We retain our HOLD-rating and TP of EUR 4.3.

Rating 🟡 HOLD


| | |
|---|------|
| Share price, EUR (Last trading day's closing price) | 4.20 |
| Target price, EUR | 4.3 |

| | |
|-------------------------------------|---------------------|
| Latest change in recommendation | 03-Feb-22 |
| Latest report on company | |
| 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 | 71 |
| 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 | 27-Apr-23 |
| 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 |
|--------------------------|---------------|--------------|-----------|-------------------------|------------|------------|-----------------|-----------------------|----------------|------------|
| 2021 | 932.5 | -1.8 | -0.2% | 113.9 | -2.27 | -6.5 | 0.3 | -180.4 | 81.7 | 0.00 |
| 2022 | 770.0 | -76.3 | -9.9% | -67.8 | -5.05 | -0.8 | 0.2 | -2.3 | -105.1 | 0.00 |
| 2023E | 664.6 | 10.3 | 1.6% | 18.6 | 0.39 | 10.7 | 0.3 | 16.2 | 26.1 | 0.00 |
| 2024E | 787.0 | 24.1 | 3.1% | 3.8 | 0.97 | 4.4 | 0.2 | 6.8 | 5.3 | 0.29 |
| 2025E | 835.9 | 29.2 | 3.5% | 14.0 | 1.28 | 3.3 | 0.2 | 5.3 | 19.6 | 0.38 |
| Market cap, EURm | | | 71 | Gearing 2023E, % | | | 40.4 | CAGR EPS 2022-25, % | | 0.0 |
| Net debt 2023E, EURm | | | 95 | Price/book 2023E | | | 0.6 | CAGR sales 2022-25, % | | 2.8 |
| Enterprise value, EURm | | | 167 | Dividend yield 2023E, % | | | 0.0 | ROE 2023E, % | | 5.7 |
| Total assets 2023E, EURm | | | 410 | Tax rate 2023E, % | | | 20.0 | ROCE 2023E, % | | 3.9 |
| Goodwill 2023E, EURm | | | 2 | Equity ratio 2023E, % | | | 47.2 | PEG, P/E 23/CAGR | | 0.2 |

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

| VALUATION RESULTS | BASE CASE DETAILS | VALUATION ASSUMPTIONS | ASSUMPTIONS FOR WACC | |
|--------------------------|-----------------------------|-------------------------|--------------------------------|------|
| Current share price | 4.20 PV of Free Cash Flow | 145 Long-term growth, % | 2.0 Risk-free interest rate, % | 2.25 |
| DCF share value | 13.09 PV of Horizon value | 191 WACC, % | 8.3 Market risk premium, % | 5.8 |
| Share price potential, % | 211.7 Unconsolidated equity | 0 Spread, % | 0.5 Debt risk premium, % | 3.5 |
| Maximum value | 14.9 Marketable securities | 45 Minimum WACC, % | 7.8 Equity beta coefficient | 1.30 |
| Minimum value | 11.6 Debt - dividend | -159 Maximum WACC, % | 8.8 Target debt ratio, % | 40 |
| Horizon value, % | 56.9 Value of stock | 222 Nr of shares, Mn | 17.0 Effective tax rate, % | 20 |

| DCF valuation, EURm | 2022 | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E | Horizon |
|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| Net sales | 770 | 665 | 787 | 836 | 853 | 870 | 887 | 905 | 923 | 941 | 961 | 980 |
| <i>Sales growth, %</i> | -17.4 | -13.7 | 18.4 | 6.2 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Operating income (EBIT) | -76 | 10 | 24 | 29 | 28 | 28 | 29 | 29 | 30 | 31 | 31 | 32 |
| <i>Operating income margin, %</i> | -9.9 | 1.6 | 3.1 | 3.5 | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 |
| + Depreciation+amort. | 9 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 6 | 6 | 6 | |
| EBITDA | -67 | 16 | 29 | 34 | 33 | 34 | 34 | 35 | 36 | 36 | 37 | |
| - Paid taxes | -2 | -2 | -5 | -6 | -6 | -6 | -6 | -6 | -6 | -6 | -6 | |
| - Change in NWC | 11 | 11 | -12 | -7 | -2 | -3 | -3 | -3 | -3 | -3 | -3 | |
| <i>NWC / Sales, %</i> | 15.1 | 15.8 | 14.8 | 14.8 | 14.8 | 14.8 | 14.8 | 14.8 | 14.8 | 14.8 | 14.8 | |
| + Change in other liabs | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| - Operative CAPEX | -52 | -1 | -2 | -2 | -2 | -2 | -2 | -2 | -2 | -2 | -2 | |
| <i>opCAPEX / Sales, %</i> | 7.5 | 0.7 | 0.8 | 0.7 | 0.7 | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | |
| - 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 | 0 | -1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| = FCFF | -55 | 24 | 9 | 19 | 23 | 24 | 24 | 24 | 25 | 25 | 26 | 420 |
| = Discounted FCFF | | 22 | 8 | 15 | 17 | 16 | 15 | 14 | 13 | 12 | 12 | 191 |
| = DFCF min WACC | | 22 | 8 | 16 | 17 | 16 | 15 | 15 | 14 | 13 | 12 | 218 |
| = DFCF max WACC | | 22 | 8 | 15 | 17 | 16 | 15 | 14 | 13 | 12 | 11 | 169 |

INTERIM FIGURES

| EVLI ESTIMATES, EURm | 2022Q1 | 2022Q2 | 2022Q3 | 2022Q4 | 2022 | 2023Q1E | 2023Q2E | 2023Q3E | 2023Q4E | 2023E | 2024E | 2025E |
|--------------------------------------|-----------------|--------------|--------------|---------------|-----------------|---------------|--------------|--------------|--------------|---------------|--------------|--------------|
| Net sales | 190.7 | 211.4 | 186.9 | 181.0 | 770.0 | 148.0 | 157.4 | 151.6 | 207.5 | 664.6 | 787.0 | 835.9 |
| EBITDA | -84.4 | 11.4 | 6.8 | -0.8 | -67.0 | 2.8 | 3.3 | 4.0 | 5.4 | 15.5 | 29.1 | 34.4 |
| <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>1.9</i> | <i>2.1</i> | <i>2.6</i> | <i>2.6</i> | <i>2.3</i> | <i>3.7</i> | <i>4.1</i> |
| EBIT | -85.7 | 10.1 | 5.5 | -6.2 | -76.3 | 1.5 | 2.0 | 2.7 | 4.1 | 10.3 | 24.1 | 29.2 |
| <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>1.0</i> | <i>1.3</i> | <i>1.8</i> | <i>2.0</i> | <i>1.6</i> | <i>3.1</i> | <i>3.5</i> |
| Net financial items | -42.8 | 43.6 | 0.3 | -3.8 | -2.7 | -0.5 | -0.5 | -0.5 | -0.5 | -2.0 | -2.0 | -2.0 |
| Pre-tax profit | -128.5 | 53.7 | 5.8 | -10.0 | -79.0 | 1.0 | 1.5 | 2.2 | 3.6 | 8.3 | 22.1 | 27.2 |
| Tax | -4.8 | -2.4 | -0.5 | 1.1 | -6.6 | -0.2 | -0.3 | -0.4 | -0.7 | -1.7 | -4.4 | -5.4 |
| <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>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 | -133.6 | 50.8 | 5.0 | -7.9 | -85.7 | 0.8 | 1.2 | 1.7 | 2.9 | 6.6 | 16.4 | 21.8 |
| EPS | -7.87 | 2.99 | 0.29 | -0.47 | -5.05 | 0.05 | 0.07 | 0.10 | 0.17 | 0.39 | 0.97 | 1.28 |
| EPS adjusted (diluted no. of shares) | -7.87 | 2.99 | 0.29 | -0.47 | -5.05 | 0.05 | 0.07 | 0.10 | 0.17 | 0.39 | 0.97 | 1.28 |
| Dividend per share | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.29 | 0.38 |
| SALES, EURm | | | | | | | | | | | | |
| Construction | 175.2 | 206.8 | 183.9 | 180.4 | 746.3 | 147.1 | 156.5 | 150.7 | 206.6 | 661.0 | 783.4 | 832.3 |
| Investments | 1.1 | 4.8 | 3.2 | 0.8 | 9.9 | 1.1 | 1.1 | 1.1 | 1.1 | 4.4 | 4.4 | 4.4 |
| Other | 14.4 | -0.2 | -0.2 | -0.2 | 13.8 | -0.2 | -0.2 | -0.2 | -0.2 | -0.8 | -0.8 | -0.8 |
| Total | 190.7 | 211.4 | 186.9 | 181.0 | 770.0 | 148.0 | 157.4 | 151.6 | 207.5 | 664.6 | 787.0 | 835.9 |
| SALES GROWTH, Y/Y % | | | | | | | | | | | | |
| <i>Construction</i> | <i>-6.7</i> | <i>-5.4</i> | <i>-2.2</i> | <i>-46.3</i> | <i>-19.8</i> | <i>-16.0</i> | <i>-24.3</i> | <i>-18.0</i> | <i>14.5</i> | <i>-11.4</i> | <i>18.5</i> | <i>6.2</i> |
| <i>Investments</i> | <i>12.5</i> | <i>380.0</i> | <i>-24.4</i> | <i>33.3</i> | <i>45.6</i> | <i>-2.2</i> | <i>-77.1</i> | <i>-65.4</i> | <i>37.5</i> | <i>-55.6</i> | <i>0.0</i> | <i>0.0</i> |
| <i>Other</i> | <i>-947.1</i> | <i>-86.7</i> | <i>-81.8</i> | <i>0.0</i> | <i>-406.7</i> | <i>-101.4</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>-105.8</i> | <i>0.0</i> | <i>0.0</i> |
| Total | 1.9 | -3.0 | -2.2 | -46.2 | -17.4 | -22.4 | -25.5 | -18.9 | 14.6 | -13.7 | 18.4 | 6.2 |
| EBIT, EURm | | | | | | | | | | | | |
| Construction | 6.3 | 9.9 | 4.8 | 2.3 | 23.3 | 2.6 | 3.1 | 3.8 | 5.2 | 14.7 | 28.2 | 33.3 |
| Investments | -105.4 | 1.4 | 1.9 | -7.2 | -109.3 | 0.1 | 0.1 | 0.1 | 0.1 | 0.4 | 0.4 | 0.4 |
| Other | 13.4 | -1.2 | -1.2 | -1.3 | 9.7 | -1.2 | -1.2 | -1.2 | -1.2 | -4.8 | -4.5 | -4.5 |
| Total | -85.7 | 10.1 | 5.5 | -6.2 | -76.3 | 1.5 | 2.0 | 2.7 | 4.1 | 10.3 | 24.1 | 29.2 |
| EBIT margin, % | | | | | | | | | | | | |
| <i>Construction</i> | <i>3.6</i> | <i>4.8</i> | <i>2.6</i> | <i>1.3</i> | <i>3.1</i> | <i>1.8</i> | <i>2.0</i> | <i>2.5</i> | <i>2.5</i> | <i>2.2</i> | <i>3.6</i> | <i>4.0</i> |
| <i>Investments</i> | <i>-9,368.9</i> | <i>29.2</i> | <i>59.8</i> | <i>-900.0</i> | <i>-1,104.0</i> | <i>9.1</i> | <i>9.1</i> | <i>9.1</i> | <i>9.1</i> | <i>9.1</i> | <i>9.1</i> | <i>9.1</i> |
| <i>Other</i> | <i>93.1</i> | <i>600.0</i> | <i>600.0</i> | <i>650.0</i> | <i>70.3</i> | <i>600.0</i> | <i>600.0</i> | <i>600.0</i> | <i>600.0</i> | <i>600.0</i> | <i>562.5</i> | <i>562.5</i> |
| Total | -44.9 | 4.8 | 2.9 | -3.4 | -9.9 | 1.0 | 1.3 | 1.8 | 2.0 | 1.6 | 3.1 | 3.5 |

Construction & Engineering/Finland, February 3, 2023
Company update

| INCOME STATEMENT, EURm | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E |
|--|--------------|-------------|-------------|-------------|--------------|--------------|-------------|------------|
| Sales | 959.9 | 1,061.0 | 975.5 | 932.5 | 770.0 | 664.6 | 787.0 | 835.9 |
| <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>-13.7</i> | <i>18.4</i> | <i>6.2</i> |
| EBITDA | -14.6 | -3.1 | 20.4 | 4.5 | -67.0 | 15.5 | 29.1 | 34.4 |
| <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>2.3</i> | <i>3.7</i> | <i>4.1</i> |
| Depreciation | -5.3 | -90.0 | -18.9 | -6.3 | -9.3 | -5.2 | -5.0 | -5.3 |
| EBITA | -19.9 | -93.1 | 1.5 | -1.8 | -76.3 | 10.3 | 24.1 | 29.2 |
| 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 | 10.3 | 24.1 | 29.2 |
| <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>1.6</i> | <i>3.1</i> | <i>3.5</i> |
| Reported EBIT | -19.9 | -14.7 | 1.5 | -1.8 | -76.3 | 10.3 | 24.1 | 29.2 |
| <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>1.6</i> | <i>3.1</i> | <i>3.5</i> |
| Net financials | -17.5 | -29.3 | -29.4 | -18.6 | -2.7 | -2.0 | -2.0 | -2.0 |
| Pre-tax profit | -37.4 | -122.4 | -27.9 | -20.4 | -79.0 | 8.3 | 22.1 | 27.2 |
| Taxes | 6.1 | 18.7 | 2.9 | 0.5 | -6.6 | -1.7 | -4.4 | -5.4 |
| 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 | 6.6 | 16.4 | 21.8 |
| 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 | 15 | 15 |
| Goodwill | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Right of use assets | 173 | 149 | 130 | 82 | 84 | 84 | 84 | 84 |
| Inventory | 438 | 372 | 355 | 227 | 163 | 141 | 166 | 177 |
| Receivables | 122 | 204 | 155 | 143 | 103 | 93 | 102 | 109 |
| Liquid funds | 93 | 28 | 97 | 68 | 45 | 39 | 46 | 49 |
| Total assets | 1,120 | 913 | 899 | 686 | 448 | 410 | 453 | 473 |
| Liabilities | | | | | | | | |
| Shareholder's equity | 191 | 95 | 170 | 150 | 113 | 119 | 136 | 153 |
| 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 | 84 | 84 | 84 |
| Deferred taxes | 5 | 3 | 3 | 1 | 1 | 1 | 1 | 1 |
| Interest bearing debt | 375 | 300 | 250 | 149 | 34 | 17 | 20 | 14 |
| Non-interest bearing current liabilities | 304 | 244 | 285 | 243 | 148 | 128 | 151 | 161 |
| Other interest-free debt | 9 | 21 | 21 | 15 | 7 | 7 | 7 | 7 |
| Total liabilities | 1,120 | 914 | 899 | 686 | 449 | 410 | 453 | 473 |
| CASH FLOW, EURm | | | | | | | | |
| + EBITDA | -15 | -3 | 20 | 5 | -67 | 16 | 29 | 34 |
| - Net financial items | -17 | -29 | -29 | -19 | -3 | -2 | -2 | -2 |
| - Taxes | -1 | -1 | -2 | -2 | -2 | -2 | -4 | -5 |
| - Increase in Net Working Capital | 56 | -75 | 107 | 98 | 11 | 11 | -12 | -7 |
| +/- Other | 2 | 98 | -49 | -13 | 50 | 0 | -1 | 0 |
| = Cash flow from operations | 26 | -11 | 46 | 69 | -10 | 23 | 10 | 20 |
| - Capex | -15 | -26 | 1 | 45 | -58 | -5 | -6 | -6 |
| - 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 | 19 | 4 | 14 |
| +/- New issues/buybacks | -12 | -67 | 100 | 5 | 49 | 0 | 0 | 0 |
| - Paid dividend | -4 | 0 | 0 | 0 | 0 | 0 | 0 | -5 |
| +/- Other | 75 | 39 | -103 | -148 | -4 | -25 | 3 | -6 |
| Change in cash | 70 | -65 | 69 | -29 | -23 | -6 | 7 | 3 |

Construction & Engineering/Finland, February 3, 2023
Company update

| KEY FIGURES | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E |
|--|--------|-------|--------|--------|--------|--------|--------|
| M-cap | 81 | 155 | 139 | 65 | 71 | 71 | 71 |
| Net debt (excl. convertibles) | 422 | 289 | 170 | 80 | 62 | 58 | 49 |
| Enterprise value | 584 | 456 | 325 | 178 | 167 | 163 | 154 |
| Sales | 1,061 | 976 | 933 | 770 | 665 | 787 | 836 |
| EBITDA | -3 | 20 | 5 | -67 | 16 | 29 | 34 |
| EBIT | -93 | 2 | -2 | -76 | 10 | 24 | 29 |
| Pre-tax | -122 | -28 | -20 | -79 | 8 | 22 | 27 |
| Earnings | -107 | -27 | -21 | -86 | 7 | 16 | 22 |
| Equity book value (excl. minorities) | 95 | 170 | 150 | 113 | 119 | 136 | 153 |
| Valuation multiples | | | | | | | |
| EV/sales | 0.6 | 0.5 | 0.3 | 0.2 | 0.3 | 0.2 | 0.2 |
| EV/EBITDA | -188.5 | 22.4 | 72.2 | -2.7 | 10.7 | 5.6 | 4.5 |
| EV/EBITA | -6.3 | 304.1 | -180.4 | -2.3 | 16.2 | 6.8 | 5.3 |
| EV/EBIT | -6.3 | 304.1 | -180.4 | -2.3 | 16.2 | 6.8 | 5.3 |
| EV/OCF | -54.5 | 9.9 | 4.7 | -17.7 | 7.1 | 16.7 | 7.8 |
| EV/FCFF | -15.2 | 5.5 | 3.4 | -3.2 | 6.9 | 17.7 | 7.9 |
| P/FCFE | -0.1 | 0.1 | 0.0 | -1.0 | 3.8 | 18.7 | 5.1 |
| P/E | -0.8 | -5.7 | -6.5 | -0.8 | 10.7 | 4.4 | 3.3 |
| P/B | 0.9 | 0.9 | 0.9 | 0.6 | 0.6 | 0.5 | 0.5 |
| Target EV/EBITDA | 0.0 | 0.0 | 0.0 | 0.0 | 10.8 | 5.7 | 4.5 |
| Target EV/EBIT | 0.0 | 0.0 | 0.0 | 0.0 | 16.3 | 6.8 | 5.3 |
| Target EV/FCF | 0.0 | 0.0 | 0.0 | 0.0 | 9.0 | 43.2 | 11.1 |
| Target P/B | 0.0 | 0.0 | 0.0 | 0.0 | 0.6 | 0.5 | 0.5 |
| Target P/E | 0.0 | 0.0 | 0.0 | 0.0 | 11.0 | 4.5 | 3.4 |
| 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 | 0.39 | 0.97 | 1.28 |
| Operating cash flow per share | -5.02 | 4.91 | 7.31 | -0.59 | 1.37 | 0.57 | 1.16 |
| Free cash flow per share | -17.29 | 7.64 | 12.08 | -3.99 | 1.10 | 0.22 | 0.82 |
| Book value per share | 44.34 | 17.99 | 15.88 | 6.64 | 7.03 | 8.00 | 8.99 |
| Dividend per share | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.29 | 0.38 |
| 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 | 6.9 | 9.1 |
| FCF yield, % | -45.6 | 46.4 | 81.7 | -105.1 | 26.1 | 5.3 | 19.6 |
| Efficiency measures | | | | | | | |
| ROE | -74.9 | -20.5 | -13.4 | -65.3 | 5.7 | 12.8 | 15.1 |
| ROCE | -12.1 | 0.9 | 0.7 | -21.4 | 3.9 | 9.1 | 10.5 |
| Financial ratios | | | | | | | |
| Inventories as % of sales | 35.1 | 36.4 | 24.4 | 21.1 | 21.1 | 21.1 | 21.1 |
| 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 | 19.2 | 19.2 |
| NWC/sales, % | 31.3 | 23.1 | 13.7 | 15.1 | 15.8 | 14.8 | 14.8 |
| Operative CAPEX/sales, % | 2.5 | -0.2 | -4.8 | 7.5 | 0.7 | 0.8 | 0.7 |
| CAPEX/sales (incl. acquisitions), % | 2.5 | -0.6 | -4.8 | 7.5 | 0.7 | 0.8 | 0.7 |
| FCFF/EBITDA | 12.4 | 4.1 | 21.5 | 0.8 | 1.5 | 0.3 | 0.6 |
| Net debt/EBITDA, book-weighted | -136.2 | 14.2 | 37.8 | -1.2 | 4.0 | 2.0 | 1.4 |
| Debt/equity, market-weighted | 3.7 | 1.6 | 1.1 | 0.5 | 0.2 | 0.3 | 0.2 |
| Equity ratio, book-weighted | 21.2 | 22.3 | 27.5 | 40.3 | 47.2 | 46.1 | 48.0 |
| Gearing, % | 240.4 | 159.8 | 103.0 | 55.0 | 40.4 | 34.2 | 26.3 |

Construction & Engineering/Finland, February 3, 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. 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 been a cause for concern. Additional woes have been brought by the geopolitical developments to the company's holdings in Russia, and the company initiated a series of measures to improve its balance sheet. 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 | 198.689 | 278.6% |
| Ilmarinen Mutual Pension Insurance Company | 33,295,636 | 139.842 | 196.1% |
| Kolpi Investments Oy | 23,776,663 | 99.862 | 140.0% |
| OP Life Assurance Company Ltd | 16,942,050 | 71.157 | 99.8% |
| Pohjola Insurance Ltd | 15,785,996 | 66.301 | 93.0% |
| Havu Capital Oy | 15,741,398 | 66.114 | 92.7% |
| Etola Group | 13,373,642 | 56.169 | 78.8% |
| Tungelin Investments Oy | 6,926,660 | 29.092 | 40.8% |
| Lareale Investments Oy | 6,926,660 | 29.092 | 40.8% |
| Kokkila Lauri | 6,494,422 | 27.277 | 38.2% |
| Ten largest | 186,569,914 | 783.594 | 1,099% |
| Residual | -169,587,571 | -712.268 | -999% |
| Total | 16,982,343 | 71.326 | 100% |

| EARNINGS CALENDAR | |
|-------------------|-----------|
| April 27, 2023 | Q1 report |
| July 20, 2023 | Q2 report |
| October 26, 2023 | Q3 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, % | $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$ | | |

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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.

| Recommendation | Percentage |
|----------------|------------|
| Sell | 15% |
| Hold | 58% |
| Buy | 27% |

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): Salokivi

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