

Residential a thorn in the side

SRV's revenue declined clearly in Q1, as residential construction volumes were low, and profitability as a result in the red. Market conditions remain challenging, but we expect bottom levels to have been seen and a bounce back in top- and bottom-line figures going forward.

Q1 below already low expectations

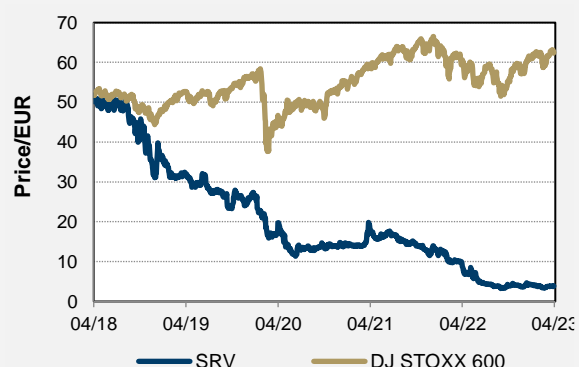
SRV reported Q1 results below our already very cautious estimates. Revenue amounted to EUR 138.3m (EUR 147.4m/151.5m Evli/cons.) and declined some 28% y/y. Housing construction volumes came down clearly, with revenue at EUR 24.0m in Q1 compared with EUR 76.5m in Q1/22. EBIT was at EUR -2.0m (EUR 1.5/1.6m Evli/cons.), weakened by the lower volumes and higher share of lower-margin construction projects.

Challenging market ahead

The market challenges are becoming more and more visible and the new residential construction in Finland is seeing a particularly bleak outlook. Fortunately for SRV, the already earlier declining share of developer contracted projects clearly lowers the balance sheet risk. New developer contracted residential projects and residential development projects start-ups, potential sources of growth and higher margins, will however be a challenge going forward. We have revised our views for residential construction and expect essentially no revenue from developer contracted projects in 2023 and just slight improvement in 2024, mostly coming from revenue recognition of units currently under construction and unsold inventory. For residential development projects we expect slight improvement in volumes towards the end of 2023. Simultaneously, we have revised our estimates for business construction upwards driven by the improved backlog. Estimate changes: Revenue 23E 619.4m (prev. EUR 664.6m) and 24E EUR 698.5m (prev. EUR 787.0m), for EBIT, our estimate for 23E is at EUR 7.0m (prev. EUR 10.3m) and for 2024 EUR 15.4m (prev. EUR 24.1m).

HOLD with a target price of EUR 4.1 (4.3)

On our estimates, near-term valuation upside remains limited. Long-term potential remains in place should also the potentially higher-margin residential projects pick-up. We retain our HOLD-rating and adjust our TP to EUR 4.1 (EUR 4.3).

 Rating HOLD

 Share price, EUR (Last trading day's closing price) 3.90

 Target price, EUR 4.1

 Latest change in recommendation 03-Feb-22

 Latest report on company 27-Apr-23

 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 66

 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 20-Jul-23

 Web site srv.fi/en/investors

 Analyst Jerker Salokivi

 E-mail jerker.salokivi@evli.com

 Telephone +358 9 4766 9149
+ 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	770.1	-76.3	-9.9%	-67.8	-5.05	-0.8	0.2	-2.3	-105.1	0.00
2023E	619.4	7.0	1.1%	20.0	0.01	332.2	0.3	22.9	30.2	0.00
2024E	698.5	15.4	2.2%	-0.5	0.32	12.3	0.2	10.5	-0.8	0.09
2025E	785.1	23.6	3.0%	-0.1	0.78	5.0	0.2	6.9	-0.1	0.23
Market cap, EURm			66	Gearing 2023E, %			41.2	CAGR EPS 2022-25, %		0.0
Net debt 2023E, EURm			94	Price/book 2023E			0.6	CAGR sales 2022-25, %		0.6
Enterprise value, EURm			160	Dividend yield 2023E, %			0.0	ROE 2023E, %		0.2
Total assets 2023E, EURm			391	Tax rate 2023E, %			3,411.2	ROCE 2023E, %		2.7
Goodwill 2023E, EURm			2	Equity ratio 2023E, %			48.0	PEG, P/E 23/CAGR		1.0

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

SRV	2020	Q1/'21	Q2/'21	Q3/'21	Q4/'21	2021	Q1/'22	Q2/'22	Q3/'22	Q4/'22	2022	Q1/'23	Q2/'23E	Q3/'23E	Q4/'23E	2023E	2024E	2025E
Revenue	975,6	187,1	218,0	191,1	336,3	932,6	190,7	211,4	186,8	181,4	770,4	138,3	156,1	141,2	183,8	619,4	698,5	785,1
change, %	-8,0%	-10,1%	-17,8%	-9,0%	15,0%	-4,4%	1,9%	-3,0%	-2,3%	-46,1%	-17,4%	-27,5%	-26,1%	-24,4%	1,3%	-19,6%	12,8%	12,4%
Revenue - Business construction	680,7	140,5	140,9	115,2	184,8	581,4	98,7	120,9	95,3	112,3	427,2	113,9	130,0	109,6	151,4	504,8	565,4	605,0
change, %	0,1%	-8,8%	-22,7%	-27,0%	-1,0%	-14,6%	-29,8%	-14,2%	-17,3%	-39,2%	-26,5%	15,4%	7,5%	15,0%	34,8%	18,2%	12,0%	7,0%
Revenue - Housing construction	289,3	47,3	77,6	72,8	151,1	348,8	76,5	85,9	88,6	68,1	319,1	24,0	25,8	31,2	32,1	113,0	133,1	180,1
change, %	-23,4%	-6,9%	-5,3%	41,9%	43,5%	20,6%	61,7%	10,7%	21,7%	-54,9%	-8,5%	-68,6%	-70,0%	-64,8%	-52,9%	-64,6%	17,8%	35,4%
Operative operating profit	15,8	4,8	5,7	-1,5	-4,5	5,3	4,9	9,8	3,9	1,1	19,7	-2,0	1,9	2,5	4,6	7,0	15,4	23,6
margin	1,6%	2,6%	2,6%	-0,8%	-1,3%	0,6%	2,6%	4,6%	2,1%	0,6%	2,6%	-1,4%	1,2%	1,8%	2,5%	1,1%	2,2%	3,0%
Operating profit	1,5	5,2	6,3	-1,6	-11,5	-1,7	-85,7	10,1	5,5	-6,2	-76,3	-2,0	1,9	2,5	4,6	7,0	15,4	23,6
margin	0,2%	2,8%	2,9%	-0,8%	-3,4%	-0,2%	-44,9%	4,8%	2,9%	-3,4%	-9,9%	-1,4%	1,2%	1,8%	2,5%	1,1%	2,2%	3,0%
Net financials	-29,4	-4,1	-3,7	-2,8	-8,0	-18,6	-42,8	43,6	0,3	-3,8	-2,7	-2,5	-1,5	-1,5	-1,5	-7,0	-7,0	-7,2
Pre-tax profit	-28,0	1,1	2,6	-4,4	-19,6	-20,3	-128,5	53,7	5,8	-10,0	-79,0	-4,4	0,4	1,0	3,1	0,0	8,3	16,4
Income taxes	2,9	0,5	-0,5	0,4	0,1	0,5	-4,8	-2,4	-0,4	1,1	-6,5	1,3	-0,1	-0,2	-0,6	0,4	-1,7	-3,3
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	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	51,3	5,3	-8,9	-85,6	-3,1	0,3	0,8	2,5	0,4	6,7	13,1
EPS*	-0,15	0,12	0,17	-0,46	-2,09	-2,26	-14,02	5,36	0,29	-0,54	-8,91	-0,20	0,00	0,03	0,13	-0,05	0,32	0,70

*incl. tax adjusted hybrid interest

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	3.90 PV of Free Cash Flow	148 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	13.77 PV of Horizon value	200 WACC, %	8.3 Market risk premium, %	5.8
Share price potential, %	253.2 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	3.5
Maximum value	15.6 Marketable securities	45 Minimum WACC, %	7.8 Equity beta coefficient	1.30
Minimum value	12.2 Debt - dividend	-159 Maximum WACC, %	8.8 Target debt ratio, %	40
Horizon value, %	57.6 Value of stock	234 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	619	698	785	801	817	833	850	867	884	902	921
<i>Sales growth, %</i>	-17.4	-19.6	12.8	12.4	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	-76	7	15	24	28	29	29	30	30	31	32	32
<i>Operating income margin, %</i>	-9.9	1.1	2.2	3.0	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
+ Depreciation+amort.	9	6	5	5	6	6	6	6	6	6	6	6
EBITDA	-67	13	21	29	34	34	35	35	36	37	37	
- Paid taxes	-2	-1	-3	-5	-6	-6	-6	-6	-6	-6	-6	-6
- Change in NWC	11	19	-6	-13	-2	-2	-2	-2	-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	0.7	0.7	0.7	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	29	9	9	24	24	25	25	26	26	26	432
= Discounted FCFF		28	8	8	18	17	16	15	14	13	12	200
= DFCF min WACC		28	8	8	18	17	16	15	14	14	13	228
= DFCF max WACC		28	8	7	18	16	15	14	13	13	12	177

INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1	2023Q2E	2023Q3E	2023Q4E	2023E	2024E	2025E
Net sales	190.7	211.4	186.9	181.1	770.1	138.3	156.1	141.2	183.8	619.4	698.5	785.1
EBITDA	-84.4	11.4	6.8	-0.8	-67.0	-0.6	3.3	3.9	6.0	12.6	20.6	29.0
<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>-0.4</i>	<i>2.1</i>	<i>2.8</i>	<i>3.3</i>	<i>2.0</i>	<i>3.0</i>	<i>3.7</i>
EBIT	-85.7	10.1	5.5	-6.2	-76.3	-2.0	1.9	2.5	4.6	7.0	15.4	23.6
<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>-1.4</i>	<i>1.2</i>	<i>1.8</i>	<i>2.5</i>	<i>1.1</i>	<i>2.2</i>	<i>3.0</i>
Net financial items	-42.8	43.6	0.3	-3.8	-2.7	-2.5	-1.5	-1.5	-1.5	-7.0	-7.0	-7.0
Pre-tax profit	-128.5	53.7	5.8	-10.0	-79.0	-4.5	0.4	1.0	3.1	0.0	8.3	16.5
Tax	-4.8	-2.4	-0.5	1.1	-6.6	1.3	-0.1	-0.2	-0.6	0.2	-1.7	-3.3
<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>28.9</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>3,411.2</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-133.6	50.8	5.0	-7.9	-85.7	-3.2	0.3	0.8	2.5	0.2	5.4	13.2
EPS	-7.87	2.99	0.29	-0.47	-5.05	-0.19	0.02	0.05	0.15	0.01	0.32	0.78
EPS adjusted (diluted no. of shares)	-7.87	2.99	0.29	-0.47	-5.05	-0.19	0.02	0.05	0.15	0.01	0.32	0.78
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	0.23
SALES, EURm												
Group	190.7	211.4	186.9	181.1	770.1	138.3	156.1	141.2	183.8	619.4	698.5	785.1
Total	190.7	211.4	186.9	181.1	770.1	138.3	156.1	141.2	183.8	619.4	698.5	785.1
SALES GROWTH, Y/Y %												
Group	1.9	-3.0	-2.2	-46.1	-17.4	-27.5	-26.1	-24.5	1.5	-19.6	12.8	12.4
Total	1.9	-3.0	-2.2	-46.1	-17.4	-27.5	-26.1	-24.5	1.5	-19.6	12.8	12.4
EBIT, EURm												
Group	-85.7	10.1	5.5	-6.2	-76.3	-2.0	1.9	2.5	4.6	7.0	15.4	23.6
Total	-85.7	10.1	5.5	-6.2	-76.3	-2.0	1.9	2.5	4.6	7.0	15.4	23.6
EBIT margin, %												
Group	-44.9	4.8	2.9	-3.4	-9.9	-1.4	1.2	1.8	2.5	1.1	2.2	3.0
Total	-44.9	4.8	2.9	-3.4	-9.9	-1.4	1.2	1.8	2.5	1.1	2.2	3.0

Construction & Engineering/Finland, April 28, 2023
Company update

INCOME STATEMENT, EURm	2018	2019	2020	2021	2022	2023E	2024E	2025E
Sales	959.9	1,061.0	975.5	932.5	770.1	619.4	698.5	785.1
<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>-19.6</i>	<i>12.8</i>	<i>12.4</i>
EBITDA	-14.6	-3.1	20.4	4.5	-67.0	12.6	20.6	29.0
<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>2.0</i>	<i>3.0</i>	<i>3.7</i>
Depreciation	-5.3	-90.0	-18.9	-6.3	-9.3	-5.6	-5.3	-5.4
EBITA	-19.9	-93.1	1.5	-1.8	-76.3	7.0	15.4	23.6
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	7.0	15.4	23.6
<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>1.1</i>	<i>2.2</i>	<i>3.0</i>
Reported EBIT	-19.9	-14.7	1.5	-1.8	-76.3	7.0	15.4	23.6
<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>1.1</i>	<i>2.2</i>	<i>3.0</i>
Net financials	-17.5	-29.3	-29.4	-18.6	-2.7	-7.0	-7.0	-7.0
Pre-tax profit	-37.4	-122.4	-27.9	-20.4	-79.0	0.0	8.3	16.5
Taxes	6.1	18.7	2.9	0.5	-6.6	0.2	-1.7	-3.3
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	0.2	5.4	13.2
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	14	15
Goodwill	2	2	2	2	2	2	2	2
Right of use assets	173	149	130	82	84	84	84	83
Inventory	438	372	355	227	163	131	148	166
Receivables	122	204	155	143	103	87	91	102
Liquid funds	93	28	97	68	45	36	41	46
Total assets	1,120	913	899	686	448	391	417	452
Liabilities								
Shareholder's equity	191	95	170	150	113	113	118	130
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	83
Deferred taxes	5	3	3	1	1	1	1	1
Interest bearing debt	375	300	250	149	34	13	18	25
Non-interest bearing current liabilities	304	244	285	243	148	119	134	151
Other interest-free debt	9	21	21	15	7	7	7	7
Total liabilities	1,120	914	899	686	449	391	417	452
CASH FLOW, EURm								
+ EBITDA	-15	-3	20	5	-67	13	21	29
- Net financial items	-17	-29	-29	-19	-3	-7	-7	-7
- Taxes	-1	-1	-2	-2	-2	0	-2	-3
- Increase in Net Working Capital	56	-75	107	98	11	19	-6	-13
+/- Other	2	98	-49	-13	50	0	-1	0
= Cash flow from operations	26	-11	46	69	-10	24	5	6
- Capex	-15	-26	1	45	-58	-4	-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	20	-1	0
+/- New issues/buybacks	-12	-67	100	5	49	0	0	0
- Paid dividend	-4	0	0	0	0	0	0	-2
+/- Other	75	39	-103	-148	-4	-29	5	7
Change in cash	70	-65	69	-29	-23	-9	5	5

Construction & Engineering/Finland, April 28, 2023
Company update

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	81	155	139	65	66	66	66
Net debt (excl. convertibles)	422	289	170	80	60	61	63
Enterprise value	584	456	325	178	160	161	162
Sales	1,061	976	933	770	619	698	785
EBITDA	-3	20	5	-67	13	21	29
EBIT	-93	2	-2	-76	7	15	24
Pre-tax	-122	-28	-20	-79	0	8	17
Earnings	-107	-27	-21	-86	0	5	13
Equity book value (excl. minorities)	95	170	150	113	113	118	130
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	12.7	7.8	5.6
EV/EBITA	-6.3	304.1	-180.4	-2.3	22.9	10.5	6.9
EV/EBIT	-6.3	304.1	-180.4	-2.3	22.9	10.5	6.9
EV/OCF	-54.5	9.9	4.7	-17.7	6.5	31.8	28.4
EV/FCFF	-15.2	5.5	3.4	-3.2	5.4	18.0	17.4
P/FCFE	-0.1	0.1	0.0	-1.0	3.3	-122.5	-741.6
P/E	-0.8	-5.7	-6.5	-0.8	332.2	12.3	5.0
P/B	0.9	0.9	0.9	0.6	0.6	0.6	0.5
Target EV/EBITDA	0.0	0.0	0.0	0.0	13.0	7.9	5.7
Target EV/EBIT	0.0	0.0	0.0	0.0	23.4	10.7	7.0
Target EV/FCF	0.0	0.0	0.0	0.0	8.2	-303.4	-1,855.1
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	349.2	13.0	5.3
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	0.01	0.32	0.78
Operating cash flow per share	-5.02	4.91	7.31	-0.59	1.44	0.30	0.34
Free cash flow per share	-17.29	7.64	12.08	-3.99	1.18	-0.03	-0.01
Book value per share	44.34	17.99	15.88	6.64	6.65	6.97	7.65
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.09	0.23
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	2.4	6.0
FCF yield, %	-45.6	46.4	81.7	-105.1	30.2	-0.8	-0.1
Efficiency measures							
ROE	-74.9	-20.5	-13.4	-65.3	0.2	4.6	10.6
ROCE	-12.1	0.9	0.7	-21.4	2.7	6.2	9.0
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	2.3	0.4	0.3
Net debt/EBITDA, book-weighted	-136.2	14.2	37.8	-1.2	4.8	2.9	2.2
Debt/equity, market-weighted	3.7	1.6	1.1	0.5	0.2	0.3	0.4
Equity ratio, book-weighted	21.2	22.3	27.5	40.3	48.0	45.9	44.7
Gearing, %	240.4	159.8	103.0	55.0	41.2	40.1	38.3

Construction & Engineering/Finland, April 28, 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	184.496	278.6%
Ilmarinen Mutual Pension Insurance Company	33,295,636	129.853	196.1%
Kolpi Investments Oy	23,776,663	92.729	140.0%
OP Life Assurance Company Ltd	16,942,050	66.074	99.8%
Pohjola Insurance Ltd	15,785,996	61.565	93.0%
Havu Capital Oy	15,741,398	61.391	92.7%
Etola Group	13,373,642	52.157	78.8%
Tungelin Investments Oy	6,926,660	27.014	40.8%
Lareale Investments Oy	6,926,660	27.014	40.8%
Kokkila Lauri	6,494,422	25.328	38.2%
Ten largest	186,569,914	727.623	1,099%
Residual	-169,587,571	-661.392	-999%
Total	16,982,343	66.231	100%

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

Important Disclosures

Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at [Analysts' recommendations and ratings revisions](#).

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

This research report has been prepared by Evli Research Partners Plc ("ERP" or "Evli Research"). ERP is a subsidiary of Evli Plc. Production of the investment recommendation has been concluded on 28.4.2023, 9:30. This report has been published on 28.4.2023, 9:40.

None of the analysts contributing to this report, persons under their guardianship or corporations under their control have a position in the shares of the company or related securities.
OR
The following analyst contributing to this report, persons under their guardianship or corporations under their control has a position in the shares of the company or related securities:

The date and time for any price of financial instruments mentioned in the recommendation refer to the previous trading day's closing price(s) unless otherwise stated in the report.

Each analyst responsible for the content of this report assures that the expressed views accurately reflect the personal views of each analyst on the covered companies and securities. Each analyst assures that (s)he has not been, nor are or will be, receiving direct or indirect compensation related to the specific recommendations or views contained in this report.

Companies in the Evli Group, affiliates or staff of companies in the Evli Group, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report.

IF APPLICABLE: According to ERP's best knowledge, the issuer(s) of the securities hold(s) in excess of 5% of the total issued share capital of the issuer(s).

Neither ERP nor any company within the Evli Group have managed or co-managed a public offering of the company's securities during the last 12 months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the research report.
OR
Evli OR XX (the name of the company within the Evli Group) has managed or co-managed a public offering of the company's securities during the last 12

months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the research report.

ERP may pursue an assignment from the issuer(s) of the financial instruments mentioned in the recommendation or this report. These assignments may have a limited economic or financial impact on ERP and/or Evli. Under such assignments ERP may perform services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

OR

ERP has signed an agreement with the issuer of the financial instruments mentioned in the recommendation, which includes production of research reports. This assignment has a limited economic and financial impact on ERP and/or Evli. Under the assignment ERP performs services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP or another company within the Evli Group does not have an agreement with the company to perform market making or liquidity providing services.

OR

Evli Plc or another company within the Evli Group has an agreement with the company to perform market making services.

IF APPLICABLE: Evli Group's employee XX is a Member of the Board / Director or other Officer of the company.

For the prevention and avoidance of conflicts of interests with respect to this report, there is an information barrier (Chinese wall) between Investment Research and Corporate Finance units concerning unpublished investment banking services to the company. The remuneration of the analyst(s) is not tied directly or indirectly to investment banking transactions or other services performed by Evli Plc or any company within Evli Group.

This report has not been disclosed to the company prior to its dissemination.

OR

This report has been disclosed to the company prior to its dissemination. The company has not made any amendments to its contents. Selected portions of the report were provided to the company for fact checking purposes only.

This report is provided and intended for informational purposes only and may not be used or considered under any circumstances as an offer to sell or buy any securities or as advice to trade any securities.

This report is based on sources ERP considers to be correct and reliable. The sources include information providers Reuters and Bloomberg, stock-exchange releases from the companies and other company news, Statistics Finland and articles in newspapers and magazines. However, ERP does not guarantee the materialization, correctness, accuracy or completeness of the information, opinions, estimates or forecasts expressed or implied in the report. In addition, circumstantial changes may have an influence on opinions and estimates presented in this report. The opinions and estimates presented are valid at the moment of their publication and they can be changed without a separate announcement. Neither ERP nor any company within the Evli Group are responsible for amending, correcting or updating any information, opinions or estimates contained in this report. Neither ERP nor any company within the Evli Group will compensate any direct or consequential loss caused by or derived from the use of the information represented in this publication.

All information published in this report is for the original recipient's private and internal use only. ERP reserves all rights to the report. No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any retrieval system of any nature, without the written permission of ERP.

This report or its copy may not be published or distributed in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore or South Africa. The publication or distribution of this report in certain other jurisdictions may also be restricted by law. Persons into whose possession this report comes are required to inform themselves about and to observe any such restrictions.

Evli Plc is not registered as a broker-dealer with the U. S. Securities and Exchange Commission ("SEC"), and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Evli is not a member of the Financial Industry Regulatory Authority ("FINRA"). It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest. This research report is only being offered in U.S. by Auerbach Grayson & Company, LLC (Auerbach Grayson) to Major U.S. Institutional Investors and is not available to, and should not be used by, any U.S. person or entity that is not a Major U.S. Institutional Investor. Auerbach Grayson is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of the FINRA. U.S. entities seeking more information about any of the issuers or securities discussed in this report should contact Auerbach Grayson. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements.

ERP is not a supervised entity but its parent company Evli Plc is supervised by the Finnish Financial Supervision Authority.

Contact information**SALES, TRADING AND RESEARCH****Equity, ETF and Derivatives Sales**

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

Arttu Heikura	+358 40 082 8098
Joonas Ilvonen	+358 44 430 9071
Jerker Salokivi	+358 9 4766 9149

Evli Investment Solutions

Johannes Asuja	+358 9 4766 9205
----------------	------------------



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