

EBIT above expectations

SRV's Q3 results were slightly better than expected. Although revenue fell slightly short of our estimates, EUR 208.4m vs. Evli EUR 216.8m, EBIT came in above our estimates, at EUR -5.7m vs. Evli EUR -8.4m. The earnings impact of REDI was slightly smaller than we had anticipated in Q3. SRV expects a positive operative operating profit and cash flow in Q4/18.

- SRV's revenue in Q3 amounted to EUR 208.4m, compared to EUR 216.8m/233.7m Evli/cons. Sales declined 22 % y/y.
- EBIT in Q3 was EUR -5.7m compared to EUR -8.4m/-7.6m Evli/cons. International Operations stood for EUR -3.7m of EBIT. The EBIT-margin in Q3 was -2.7 %. The operating operative profit amounted to EUR -3.1m vs. EUR -6.9m Evli.
- Order backlog at EUR 1,678.5m, up 9.3 % y/y.
- Negative impact of the REDI project on earnings during Jan-Sep 2018 was EUR 29.7m, and EUR 9.4m in Q3.
- In its preliminary outlook SRV expects the operative operating profit and cash flow to be positive in Q4.
- **Operations Finland:** Business construction revenue EUR 159.1m (Evli 167.1m), housing construction revenue EUR 47.4m (Evli 48.2m). Operative operating profit EUR -1.8m (Evli -4.7m)
- **International operations:** Revenue EUR 1.8m (Evli EUR 1.5m) and operative operating profit EUR -1.1m (Evli EUR -1.2m)
- The completion of the REDI Majakka housing project I expected to be delayed from May 2019 to June-July 2019.

Rating 🟡 HOLD

Q3/18	Actual	Evli	Consensus	Year ago	Q2/18
Net sales	208.4	216.8	233.7	267.8	235.8
EBITDA	-4.8	-7.4	-7.4	8.3	-5.0
EBIT	-5.7	-8.4	-7.6	7.2	-5.6
EPS	-0.14	-0.26	-0.23	0.04	-0.16
Deviation	Actual	Evli	Consensus	Year ago	Q2/18
Net sales		-4%	-11%	-22%	-12%
EBITDA		35%	35%	-	4%
EBIT		32%	25%	-	-2%
EPS adj.		45%	39%	-	13%

**Consensus by Bloomberg*

 Share price, EUR (Last trading day's closing price) 2.27

 Target price, EUR 2.7

 Latest change in recommendation 18-Sep-18

 Latest report on company 18-Sep-18

 Research paid by issuer: YES

 No. of shares outstanding, '000's 59,581

 No. of shares fully diluted, '000's 59,581

 Market cap, EURm 135

 Free float, % 33.2

 Exchange rate 1.000

 Reuters code SRV1V.HE

 Bloomberg code SRV1V.FH

 Average daily volume, EURm 0.149

 Next interim report 25-Oct-18

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+ BUY + HOLD - SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2016	884	28	3.1%	16	0.15	35.1	0.7	10.4	22.2	0.10
2017	1,114	15	1.4%	5	0.03	108.6	0.5	-6.2	36.1	0.06
2018E	961	-13	-1.4%	-28	-0.51	-4.4	0.5	5.6	-34.8	0.00
2019E	1,100	41	3.7%	27	0.30	7.6	0.4	3.4	10.8	0.08
2020E	1,090	45	4.2%	33	0.37	6.1	0.4	3.2	9.2	0.10
Market cap, EURm	135		BV per share 2018E, EUR		3.5		CAGR EPS 2017-20, %		123.8	
Net debt 2018E, EURm	334		Price/book 2018E		0.7		CAGR sales 2017-20, %		-0.7	
Enterprise value, EURm	470		Dividend yield 2018E, %		0.0		ROE 2018E, %		-13.7	
Total assets 2018E, EURm	853		Tax rate 2018E, %		5.5		ROCE 2018E, %		-2.1	
Goodwill 2018E, EURm	2		Equity ratio 2018E, %		26.4		PEG, P/E 18/CAGR		0.0	

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

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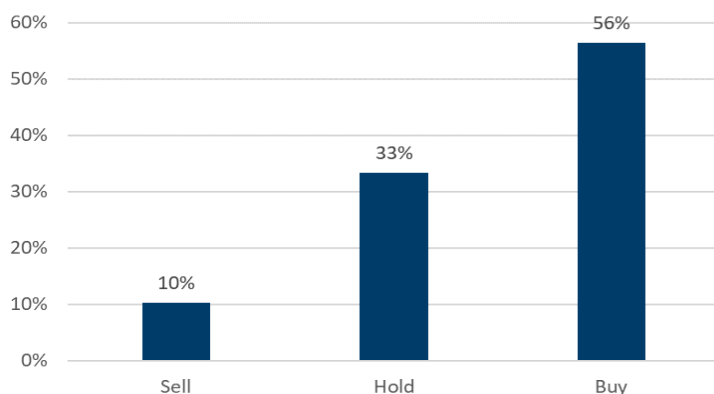
Detailed information about the valuation or methodology and the underlying assumptions is accessible via ERP:

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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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