

## Moving towards positive profitability

SRV's Q3 results were slightly better than we expected. Revenue fell slightly short of our estimates due to lower revenue in business construction. Profitability was better than expected, mainly due to a smaller impact of the REDI project than we had anticipated. Further cost exceeding in the project is still possible but unlikely and with the project having been completed the potential additional costs should be significantly smaller. We retain our HOLD rating with a target price of EUR 2.4 (2.7).

### Q3 slightly better than anticipated

SRV's Q3 revenue came in at EUR 208.4m (Evli 216.8m), while the operative operating profit amounted to EUR -3.1m (Evli EUR -6.9m). The revenue was mainly in line with expectations but fell short of our estimates in business construction in Finland. The profitability beat was mainly due to the negative impact of the REDI project being smaller than we had anticipated. SRV's order backlog remained solid at EUR 1,678.5m, up 9.3 % y/y. SRV made agreements for releasing capital tied on the balance sheet for approx. EUR 50m, of which around EUR 20m will materialize in Q4 along with an additional goal of EUR 20-30m.

### Estimates revisions minor

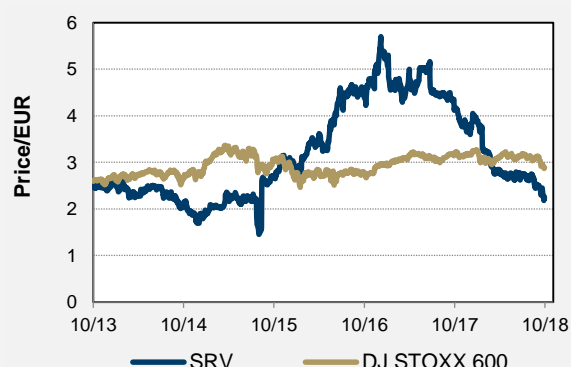
We have made minor changes to our estimates, with our 2018E revenue and operative operating profit figures at EUR 959.3m (prev. 960.5m) and EUR -2.3m (prev. -5.2m). SRV expects revenue in 2018 to decline compared to 2017 (EUR 1,114.4m) and the operative operating profit to be negative. We have also checked down our 2019E sales growth estimates by approx. 2 percentage points, mainly in business construction in Finland.

### HOLD with a target price of EUR 2.4 (2.7)

On our estimates SRV trades at EV/EBIT and P/E 2019E of 10.8x and 7.7x respectively. SRV trades at a discount to peer P/E 2019E multiples, which we currently consider reasonable following the profitability issues. We retain our HOLD-rating at a target price of EUR 2.4 (2.7).

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 2.22

Target price, EUR 2.4

Latest change in recommendation 18-Sep-18

Latest report on company 26-Oct-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 132

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

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■ BUY ■ HOLD ■ SELL

## 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	960	-12	-1.3%	-27	-0.47	-4.7	0.5	5.0	-38.3	0.00
2019E	1,078	40	3.7%	26	0.29	7.7	0.4	3.0	10.8	0.08
2020E	1,084	45	4.2%	32	0.37	6.0	0.4	3.4	9.2	0.10
Market cap, EURm			132	BV per share 2018E, EUR			3.5	CAGR EPS 2017-20, %		123.5
Net debt 2018E, EURm			331	Price/book 2018E			0.6	CAGR sales 2017-20, %		-0.9
Enterprise value, EURm			464	Dividend yield 2018E, %			0.0	ROE 2018E, %		-12.5
Total assets 2018E, EURm			852	Tax rate 2018E, %			11.0	ROCE 2018E, %		-1.9
Goodwill 2018E, EURm			2	Equity ratio 2018E, %			26.7	PEG, P/E 18/CAGR		0.0

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

Operative model													
SRV	2016	Q1/'17	Q2/'17	Q3/'17	Q4/'17	2017	Q1/'18	Q2/'18	Q3/'18	Q4/'18E	2018E	2019E	2020E
Net sales	884.0	223.7	283.9	267.8	339.0	1 114.4	215.6	235.7	208.4	299.6	959.3	1 078.2	1 083.9
<i>sales growth %</i>	23.0%	55.5%	29.9%	38.8%	3.2%	26.1%	-3.6%	-17.0%	-22.2%	-11.6%	-13.9%	12.4%	0.5%
Other operations and elim.	-6.4	0.0	0.0	0.4	0.0	0.4	0.1	0.4	0.1	0.0	0.6	0.0	0.0
Operating EBIT	26.3	2.8	1.8	8.4	14.1	27.1	-5.1	-3.4	-3.1	9.3	-2.3	40.2	45.1
<i>Adjusted EBIT margin</i>	3.0%	1.3%	0.6%	3.1%	4.2%	2.4%	-2.4%	-1.4%	-1.5%	3.1%	-0.2%	3.7%	4.2%
Items affecting comparability	1.4	4.6	-12.2	-1.2	-2.9	-11.7	-3.7	-2.1	-2.6	-1.5	-9.9	0.0	0.0
Reported EBIT	27.7	7.4	-10.4	7.2	11.2	15.4	-8.8	-5.5	-5.7	7.8	-12.2	40.2	45.1
<i>Reported EBIT margin</i>	3.1%	3.3%	-3.7%	2.7%	3.3%	1.4%	-4.1%	-2.3%	-2.7%	2.6%	-1.3%	3.7%	4.2%
Other operations and elim.	-6.3	-0.8	-2.1	-0.1	-1.8	-4.8	0.4	-1.1	-0.2	-1.5	-2.4	-5.0	-5.2
Operations in Finland													
SRV	2016	Q1/'17	Q2/'17	Q3/'17	Q4/'17	2017	Q1/'18	Q2/'18	Q3/'18	Q4/'18E	2018E	2019E	2020E
Net sales	832.1	219.3	276.9	263.2	336.7	1 096.1	213.8	233.5	206.5	297.6	951.4	1 070.7	1 074.9
<i>sales growth %</i>	27.2%	66.8%	38.2%	45.5%	5.4%	31.7%	-2.5%	-15.7%	-21.5%	-11.6%	-13.2%	12.5%	0.4%
<i>Business construction</i>	559.5	164.4	180.1	173.0	198.6	716.1	154.5	165.7	159.1	183.0	662.3	699.6	735.0
<i>sales growth %</i>		53.8%	25.2%	22.3%	18.6%	28.0%	-6.0%	-8.0%	-8.0%	-7.9%	-7.5%	5.6%	5.1%
<i>Housing construction</i>	272.6	54.8	96.8	90.2	138.1	379.9	59.3	67.8	47.4	114.6	289.1	371.1	339.9
<i>sales growth %</i>		122.8%	71.0%	128.4%	-9.1%	39.4%	8.2%	-30.0%	-47.5%	-17.0%	-23.9%	28.4%	-8.4%
EBIT	38.2	5.0	5.7	9.7	18.2	38.6	-3.7	-1.7	-1.8	11.8	4.6	42.8	45.1
<i>EBIT margin</i>	4.6%	2.3%	2.1%	3.7%	5.4%	3.5%	-1.7%	-0.7%	-0.9%	4.0%	0.5%	4.0%	4.2%
International operations													
SRV	2016	Q1/'17	Q2/'17	Q3/'17	Q4/'17	2017	Q1/'18	Q2/'18	Q3/'18	Q4/'18E	2018E	2019E	2020E
Net sales	52.3	4.4	7.0	4.2	2.3	17.9	1.7	1.8	1.8	2.0	7.3	7.5	9.0
<i>sales growth %</i>	-19.8%	-64.5%	-62.0%	-65.3%	-75.5%	-65.8%	-61.4%	-74.3%	-57.1%	-13.0%	-59.2%	2.7%	20.0%
Operating profit	-5.6	-1.4	-1.8	-1.2	-2.3	-6.7	-1.8	-0.6	-1.1	-1.0	-4.5	2.4	5.2
<i>Operating profit margin</i>	-10.7%	-31.8%	-25.7%	-28.6%	-100%	-37.4%	-106%	-33.3%	-61.1%	-50%	-61.6%	32.0%	57.8%
Items affecting comparability	1.4	4.6	-12.2	-1.2	-2.9	-11.7	-3.7	-2.1	-2.6	-1.5	-9.9	0.0	0.0
EBIT	-4.2	3.2	-14.0	-2.4	-5.2	-18.4	-5.4	-2.7	-3.7	-2.5	-14.4	2.4	5.2
<i>EBIT margin</i>	-8.0%	72.7%	-200%	-57.1%	-226%	-103%	-318%	-150%	-206%	-125%	-197%	32.0%	57.8%

SRV PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		18E	19E	20E	18E	19E	20E	18E	19E	20E
Skanska	5548	9.6x	7.6x	7.3x	13.8x	9.8x	9.3x	14.6x	10.8x	10.3x
Peab	2101	8.0x	7.8x	7.7x	11.0x	10.7x	10.5x	11.1x	10.9x	10.7x
NCC	1427	79.3x	7.2x	6.0x		10.2x	8.0x		11.5x	9.0x
AF Gruppen	1339	10.4x	9.2x	8.6x	12.1x	10.5x	9.7x	18.3x	15.7x	14.6x
Veidekke	1185	10.3x	7.4x	7.0x	16.0x	10.7x	9.9x	13.5x	10.2x	9.5x
JM	1031	6.1x	7.3x	7.0x	6.3x	7.3x	7.1x	7.2x	8.5x	8.1x
Bonava	1110	10.8x	11.3x	10.9x	10.1x	10.7x	10.1x	9.8x	10.3x	9.9x
YIT	1058	11.6x	7.3x	7.3x	14.8x	8.8x	9.1x	13.6x	7.2x	7.6x
Lehto Group	279	7.0x	5.6x	4.8x	7.6x	6.0x	5.1x	8.3x	6.6x	5.5x
Peer Group Average	1675	17.0x	7.9x	7.4x	11.5x	9.4x	8.7x	12.0x	10.2x	9.5x
Peer Group Median	1185	10.3x	7.4x	7.3x	11.5x	10.2x	9.3x	12.3x	10.3x	9.5x
SRV (By Evli)*	132	-56.6x	10.0x	8.5x	-38.3x	10.8x	9.2x	neg.	7.7x	6.0x

SRV prem./disc. to peer median - 34% 16% - 6% -2% - -25% -37%

Source Bloomberg, Evli Research, \*hybrid adjusted

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	2.22 PV of Free Cash Flow	335 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	3.72 PV of Horizon value	233 WACC, %	8.6 Market risk premium, %	5.8
Share price potential, %	67.7 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	3.5
Maximum value	4.3 Marketable securities	24 Minimum WACC, %	8.1 Equity beta coefficient	1.40
Minimum value	3.2 Debt - dividend	-370 Maximum WACC, %	9.1 Target debt ratio, %	45
Horizon value, %	41.0 Value of stock	222 Nr of shares, Mn	59.6 Effective tax rate, %	20

DCF valuation, EURm	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	Horizon
Net sales	1,114	960	1,078	1,084	1,106	1,128	1,150	1,173	1,197	1,221	1,246	1,271
<i>Sales growth, %</i>	<i>26.0</i>	<i>-13.9</i>	<i>12.4</i>	<i>0.5</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	15	-12	40	45	44	43	44	45	45	46	47	48
<i>EBIT margin, %</i>	<i>1.4</i>	<i>-1.3</i>	<i>3.7</i>	<i>4.2</i>	<i>4.0</i>	<i>3.8</i>	<i>3.8</i>	<i>3.8</i>	<i>3.8</i>	<i>3.8</i>	<i>3.8</i>	<i>3.8</i>
+ Depreciation+amort.	6	4	3	4	4	4	7	7	7	7	7	7
- Income taxes	2	1	-8	-9	-9	-9	-9	-9	-9	-9	-9	-9
- Change in NWC	-44	33	9	-1	-26	-6	5	6	-6	-6	-6	-6
<i>NWC / Sales, %</i>	<i>28.0</i>	<i>29.1</i>	<i>25.1</i>	<i>25.1</i>	<i>27.0</i>	<i>27.0</i>	<i>26.0</i>	<i>25.0</i>	<i>25.0</i>	<i>25.0</i>	<i>25.0</i>	
+ Change in other liabs	10	0	0	0	0	0	0	0	0	0	0	0
- Capital Expenditure	-13	-2	-4	-4	-4	-12	-7	-7	-7	-8	-7	-7
<i>Investments / Sales, %</i>	<i>1.2</i>	<i>0.2</i>	<i>0.4</i>	<i>0.3</i>	<i>0.4</i>	<i>1.1</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>
- Other items	-18	-4	20	-4	78	80	0	0	0	0	0	0
= Unlevered Free CF (FCF)	-43	20	60	31	87	100	40	41	30	31	32	496
= Discounted FCF (DFCF)		19	54	26	67	71	26	25	17	16	15	233
= DFCF min WACC		19	54	26	68	72	27	25	17	16	16	264
= DFCF max WACC		19	54	25	66	70	26	24	16	15	14	208

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2017Q1	2017Q2	2017Q3	2017Q4	2017	2018Q1	2018Q2	2018Q3	2018Q4E	2018E	2019E	2020E
Net sales	224	284	268	339	1,114	216	236	209	300	960	1,078	1,084
EBITDA	8	-9	8	14	21	-8	-5	-5	9	-8	44	49
<i>EBITDA margin (%)</i>	<i>3.7</i>	<i>-3.3</i>	<i>3.1</i>	<i>4.1</i>	<i>1.9</i>	<i>-3.6</i>	<i>-2.1</i>	<i>-2.3</i>	<i>3.1</i>	<i>-0.9</i>	<i>4.0</i>	<i>4.5</i>
EBIT	7	-10	7	11	15	-9	-6	-6	8	-12	40	45
<i>EBIT margin (%)</i>	<i>3.3</i>	<i>-3.7</i>	<i>2.7</i>	<i>3.3</i>	<i>1.4</i>	<i>-4.0</i>	<i>-2.4</i>	<i>-2.7</i>	<i>2.6</i>	<i>-1.3</i>	<i>3.7</i>	<i>4.2</i>
Net financial items	0	-5	-4	-2	-11	-3	-4	-3	-3	-15	-14	-13
Pre-tax profit	7	-15	3	9	5	-12	-10	-9	4	-27	26	32
Tax	-1	0	0	2	1	2	1	1	-1	3	-5	-6
<i>Tax rate (%)</i>	<i>10.8</i>	<i>-0.6</i>	<i>0.0</i>	<i>-22.3</i>	<i>-25.0</i>	<i>12.4</i>	<i>13.1</i>	<i>11.0</i>	<i>20.0</i>	<i>11.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	6	-16	2	10	2	-12	-10	-9	2	-28	17	22
EPS	0.09	-0.28	0.04	0.17	0.03	-0.19	-0.16	-0.16	0.04	-0.47	0.29	0.37
EPS adjusted (diluted no. of shares)	0.09	-0.28	0.04	0.17	0.03	-0.19	-0.16	-0.16	0.04	-0.47	0.29	0.37
Dividend per share	0.00	0.00	0.00	0.00	0.06	0.00	0.00	0.00	0.00	0.00	0.08	0.10
<b>SALES, EURm</b>												
Finnish operations	219	277	263	337	1,096	214	234	207	298	952	1,071	1,075
International	4	7	4	2	18	2	2	2	2	7	8	9
Other	0	0	0	0	0	0	1	0	0	1	0	0
Total	224	284	268	339	1,114	216	236	209	300	960	1,078	1,084
<b>SALES GROWTH, Y/Y %</b>												
<i>Finnish operations</i>	<i>66.8</i>	<i>38.2</i>	<i>45.5</i>	<i>5.4</i>	<i>31.7</i>	<i>-2.5</i>	<i>-15.7</i>	<i>-21.5</i>	<i>-11.6</i>	<i>-13.2</i>	<i>12.5</i>	<i>0.4</i>
<i>International</i>	<i>-64.5</i>	<i>-62.0</i>	<i>-65.3</i>	<i>-78.7</i>	<i>-66.3</i>	<i>-61.4</i>	<i>-74.3</i>	<i>-54.8</i>	<i>0.0</i>	<i>-58.0</i>	<i>1.4</i>	<i>20.0</i>
<i>Other</i>	<i>0.0</i>	<i>-100.0</i>	<i>299.8</i>	<i>-100.1</i>	<i>-200.0</i>	<i>99,900.0</i>		<i>-75.0</i>	<i>0.0</i>	<i>75.0</i>	<i>-99.9</i>	<i>0.0</i>
<i>Total</i>	<i>55.5</i>	<i>30.0</i>	<i>38.7</i>	<i>3.1</i>	<i>26.0</i>	<i>-3.6</i>	<i>-16.9</i>	<i>-22.1</i>	<i>-11.5</i>	<i>-13.9</i>	<i>12.4</i>	<i>0.5</i>
<b>EBIT, EURm</b>												
Finnish operations	5	6	10	18	39	-4	-2	-2	12	5	43	45
International	3	-14	-2	-5	-18	-5	-3	-4	-2	-14	2	5
Other	-1	-2	0	-2	-5	0	-1	0	-1	-2	-5	-5
Total	7	-10	7	11	15	-9	-6	-6	8	-12	40	45
<b>EBIT margin, %</b>												
<i>Finnish operations</i>	<i>2.3</i>	<i>2.1</i>	<i>3.7</i>	<i>5.4</i>	<i>3.5</i>	<i>-1.7</i>	<i>-0.7</i>	<i>-0.9</i>	<i>4.0</i>	<i>0.5</i>	<i>4.0</i>	<i>4.2</i>
<i>International</i>	<i>72.7</i>	<i>-200.0</i>	<i>-57.1</i>	<i>-260.0</i>	<i>-104.5</i>	<i>-317.6</i>	<i>-150.0</i>	<i>-194.7</i>	<i>-125.0</i>	<i>-193.2</i>	<i>32.0</i>	<i>57.8</i>
<i>Other</i>			<i>-25.0</i>		<i>-1,199.7</i>	<i>400.0</i>	<i>-240.0</i>	<i>-100.0</i>		<i>-342.9</i>		
<i>Total</i>	<i>3.3</i>	<i>-3.7</i>	<i>2.7</i>	<i>3.3</i>	<i>1.4</i>	<i>-4.0</i>	<i>-2.4</i>	<i>-2.7</i>	<i>2.6</i>	<i>-1.3</i>	<i>3.7</i>	<i>4.2</i>

Construction & Engineering/Finland, October 26, 2018  
Spot comment

INCOME STATEMENT, EURm	2013	2014	2015	2016	2017	2018E	2019E	2020E
Sales	679	685	719	884	1,114	960	1,078	1,084
<i>Sales growth (%)</i>	<i>5.9</i>	<i>0.8</i>	<i>5.1</i>	<i>22.9</i>	<i>26.0</i>	<i>-13.9</i>	<i>12.4</i>	<i>0.5</i>
Costs	-650	-658	-691	-850	-1,093	-968	-1,035	-1,035
Reported EBITDA	30	27	28	34	21	-8	44	49
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	<i>4.3</i>	<i>3.9</i>	<i>3.9</i>	<i>3.9</i>	<i>1.9</i>	<i>-0.9</i>	<i>4.0</i>	<i>4.5</i>
Depreciation	-3	-2	-3	-7	-6	-4	-3	-4
EBITA	26	25	25	28	15	-12	40	45
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	26	25	25	28	15	-12	40	45
<i>EBIT margin (%)</i>	<i>3.9</i>	<i>3.6</i>	<i>3.4</i>	<i>3.1</i>	<i>1.4</i>	<i>-1.3</i>	<i>3.7</i>	<i>4.2</i>
Net financials	-4	-6	-7	-11	-11	-15	-14	-13
Pre-tax profit	22	18	18	16	5	-27	26	32
Extraordinary items	0	0	0	0	0	0	0	0
Taxes	-4	-4	-4	-2	1	3	-5	-6
Minority shares	0	0	0	0	0	0	0	0
Net profit	14	10	10	9	2	-28	17	22
<b>BALANCE SHEET, EURm</b>								
Assets								
Fixed assets	121	152	263	295	287	280	276	271
<i>% of sales</i>	<i>18</i>	<i>22</i>	<i>37</i>	<i>33</i>	<i>26</i>	<i>29</i>	<i>26</i>	<i>25</i>
Goodwill	2	2	2	2	2	2	2	2
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Inventory	365	313	337	400	419	413	410	412
<i>% of sales</i>	<i>54</i>	<i>46</i>	<i>47</i>	<i>45</i>	<i>38</i>	<i>43</i>	<i>38</i>	<i>38</i>
Receivables	78	84	119	122	146	126	141	142
<i>% of sales</i>	<i>11</i>	<i>12</i>	<i>17</i>	<i>14</i>	<i>13</i>	<i>13</i>	<i>13</i>	<i>13</i>
Liquid funds	90	18	35	55	24	20	23	23
<i>% of sales</i>	<i>13</i>	<i>3</i>	<i>5</i>	<i>6</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>2</i>
Total assets	663	576	763	883	889	852	864	862
Liabilities								
Equity	178	180	232	250	238	210	227	245
<i>% of sales</i>	<i>26</i>	<i>26</i>	<i>32</i>	<i>28</i>	<i>21</i>	<i>22</i>	<i>21</i>	<i>23</i>
Deferred taxes	3	2	2	4	5	5	5	5
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>0</i>	<i>0</i>
Interest bearing debt	350	270	311	346	366	351	324	304
<i>% of sales</i>	<i>52</i>	<i>39</i>	<i>43</i>	<i>39</i>	<i>33</i>	<i>37</i>	<i>30</i>	<i>28</i>
Non-interest bearing current liabilities	121	114	202	253	252	259	280	282
<i>% of sales</i>	<i>18</i>	<i>17</i>	<i>28</i>	<i>29</i>	<i>23</i>	<i>27</i>	<i>26</i>	<i>26</i>
Other interest free debt	1	0	4	14	18	18	18	18
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>2</i>
Total liabilities	663	576	763	883	889	852	864	862
<b>CASH FLOW, EURm</b>								
+ EBITDA	30	27	28	34	21	-8	44	49
- Net financial items	-4	-6	-7	-11	-11	-15	-14	-13
- Taxes	-5	-4	-3	-2	0	3	-5	-6
- Increase in Net Working Capital	34	39	29	-15	-44	33	9	-1
+/- Other	9	-8	2	25	-1	-4	20	-4
= Cash flow from operations	62	47	50	31	-35	9	53	24
- Capex	-10	-34	-118	-13	-13	-2	-4	-4
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	52	18	-76	18	-48	7	49	21
+/- Change in interest-bearing debt	5	-81	41	35	20	-15	-27	-21
+/- New issues/buybacks	-2	-3	47	15	-8	3	0	0
- Paid dividend	-2	-4	-4	-6	-6	-4	0	-5
+/- Change in loan receivables	0	-1	5	-43	10	0	0	0
Change in cash	53	-71	12	19	-32	-8	22	-5

KEY FIGURES	2014	2015	2016	2017	2018E	2019E	2020E
M-cap	100	184	322	214	132	132	132
Net debt	251	276	291	343	331	302	281
Enterprise value	352	460	611	555	464	434	413
Sales	685	719	884	1,114	960	1,078	1,084
EBITDA	27	28	34	21	-8	44	49
EBIT	25	25	28	15	-12	40	45
Pre-tax	18	18	16	5	-27	26	32
Earnings	10	10	9	2	-28	17	22
Book value	179	231	252	240	210	227	244
<b>Valuation multiples</b>							
EV/sales	0.5	0.6	0.7	0.5	0.5	0.4	0.4
EV/EBITDA	13.1	16.5	17.9	26.3	-56.6	10.0	8.5
EV/EBITA	14.2	18.8	22.2	36.1	-38.3	10.8	9.2
EV/EBIT	14.2	18.8	22.2	36.1	-38.3	10.8	9.2
EV/operating cash flow	7.5	9.3	19.7	-16.0	17.7	9.8	10.8
EV/cash earnings	21.7	25.6	29.3	55.7	-23.2	17.9	13.9
P/E	9.8	19.2	35.1	108.6	-4.7	7.7	6.0
P/E excl. goodwill	9.8	19.2	35.1	108.6	-4.7	7.7	6.0
P/B	0.6	0.8	1.3	0.9	0.6	0.6	0.5
P/sales	0.1	0.3	0.4	0.2	0.1	0.1	0.1
P/CF	2.1	3.7	10.4	-6.2	5.0	3.0	3.4
Target EV/EBIT	0.0	0.0	0.0	0.0	-39.2	11.1	9.4
Target P/E	0.0	0.0	0.0	0.0	-5.1	8.4	6.5
Target P/B	0.0	0.0	0.0	0.0	0.7	0.6	0.6
<b>Per share measures</b>							
Number of shares	59,229	59,325	59,500	59,500	59,581	59,581	59,581
Number of shares (diluted)	59,229	59,325	59,500	59,500	59,581	59,581	59,581
EPS	0.17	0.16	0.15	0.03	-0.47	0.29	0.37
EPS excl. goodwill	0.17	0.16	0.15	0.03	-0.47	0.29	0.37
Cash EPS	0.27	0.30	0.35	0.17	-0.34	0.41	0.50
Operating cash flow per share	0.79	0.84	0.52	-0.59	0.44	0.74	0.64
Capital employed per share	5.60	5.08	5.55	6.56	5.97	5.85	5.87
Book value per share	3.03	3.90	4.25	4.03	3.52	3.80	4.10
Book value excl. goodwill	3.00	3.87	4.22	4.01	3.49	3.78	4.07
Dividend per share	0.07	0.10	0.10	0.06	0.00	0.08	0.10
Dividend payout ratio, %	41.8	61.8	64.5	180.9	0.0	27.9	27.0
Dividend yield, %	4.2	3.2	1.8	1.7	0.0	3.6	4.5
<b>Efficiency measures</b>							
ROE	5.7	4.7	3.8	0.8	-12.5	7.8	9.4
ROCE	5.6	5.1	5.2	2.9	-1.9	7.4	8.4
<b>Financial ratios</b>							
Capex/sales, %	4.9	16.5	1.5	1.2	0.2	0.4	0.3
Capex/depreciation excl. goodwill,%	1,602.7	3,408.1	199.0	236.8	60.9	135.3	101.5
Net debt/EBITDA, book-weighted	9.3	9.9	8.5	16.2	-40.4	6.9	5.7
Debt/equity, market-weighted	2.7	1.7	1.1	1.7	2.7	2.5	2.3
Equity ratio, book-weighted	35.3	33.3	30.6	29.0	26.7	28.5	30.7
Gearing	1.39	1.19	1.16	1.44	1.58	1.33	1.15
Number of employees, average	937	1,008	1,081	1,108	1,108	1,108	1,108
Sales per employee, EUR	730,630	713,492	817,761	1,005,505	866,065	973,125	978,249
EBIT per employee, EUR	26,467	24,306	25,532	13,899	-10,921	36,308	40,745

COMPANY DESCRIPTION: SRV is a Finnish project management contractor who develops and builds commercial and business premises, residential units as well as infrastructure and logistics projects. The company operates in Finland, Russia and Estonia.

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Kolpi Investments Oy	11,505,457	25.542	19.3%
Kokkila Timo Tapani	7,617,216	16.910	12.8%
Kokkila Tuomas	6,494,422	14.418	10.9%
Kokkila Lauri	6,494,422	14.418	10.9%
Tiiviste-Group Oy	6,411,821	14.234	10.8%
Nordea Life Insurance Finland Ltd.	1,234,843	2.741	2.1%
The State Pension Fund	1,170,000	2.597	2.0%
Ilmarinen Mutual Pension Insurance Company	962,822	2.137	1.6%
SRV Yhtiöt Oyj	918,599	2.039	1.5%
OP-Suomi Value fund	843,251	1.872	1.4%
Ten largest	43,652,853	96.909	73%
Residual	15,928,123	35.360	27%
Total	59,580,976	132.270	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

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Tarvonsalmenkatu 15, Espoo

CFO: Ilkka Pitkänen

Tel: +358 20 145 5200

IR:

## DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/Sales	$\frac{\text{Market cap}}{\text{Sales}}$	DPS	Dividend for the financial period per share
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	CEPS	$\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$
P/CF	$\frac{\text{Price per share}}{\text{Operating cash flow per share}}$	EV/Share	$\frac{\text{Enterprise value}}{\text{Number of shares}}$
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	Sales/Share	$\frac{\text{Sales}}{\text{Number of shares}}$
Net debt	Interest bearing debt – financial assets	EBITDA/Share	$\frac{\text{Earnings before interest, tax, depreciation and amortisation}}{\text{Number of shares}}$
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	EBIT/Share	$\frac{\text{Operating profit}}{\text{Number of shares}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortisation}}$	EAFI/Share	$\frac{\text{Pretax profit}}{\text{Number of shares}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Capital employed/Share	$\frac{\text{Total assets} - \text{non interest bearing debt}}{\text{Number of shares}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Total assets	Balance sheet total
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Interest coverage (x)	$\frac{\text{Operating profit}}{\text{Financial items}}$
Net cash/Share	$\frac{\text{Financial assets} - \text{interest bearing debt}}{\text{Number of shares}}$	Asset turnover (x)	$\frac{\text{Turnover}}{\text{Balance sheet total (average)}}$
ROA, %	$\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balance sheet total} - \text{interest free short term debt} - \text{long term advances received and accounts payable (average)}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non interest bearing debt (average)}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest free loans}}$
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year



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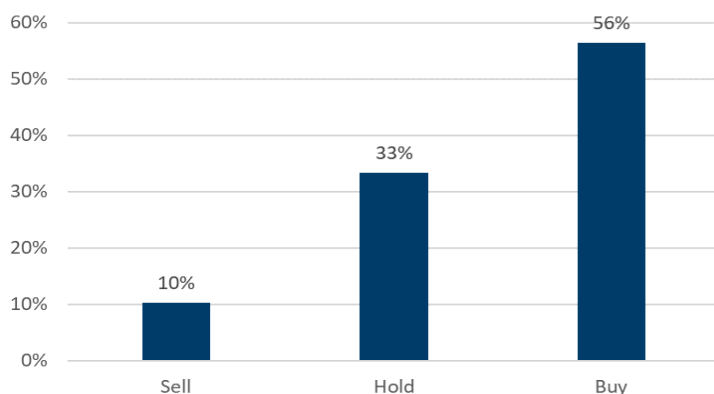
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Investment recommendations are defined as follows:

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 16th of April 2018. If recommendation is not given, it is not mentioned here.

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

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