

Leaving first unprofitable year behind

SRV's Q4 profitability was below our expectations mainly due to additional REDI shopping centre costs. We continue to expect significant profitability improvement in 2019 but have lowered our estimates due to expected slower shopping centre development in Russia and continued higher construction costs during 2019. We retain our HOLD-rating with a TP of EUR 2.0 (2.4).

Weak profitability in Q4

SRV's Q4 earnings fell below our estimates, with operating profit at EUR 0.1m (Evli EUR 7.8m). The operating profit was affected by EUR 11.1m additional costs from the REDI shopping centre along with an EUR 4m impairment charge in International Operations but aided by the EUR 14m capital gain of the sale of SRV Kalusto. The operational profitability in Operations in Finland, adjusted for the REDI impact, remained rather weak despite the high revenue and many completed developer-contracting housing units, affected by weaker margins in certain projects.

2019 profitability estimates lowered

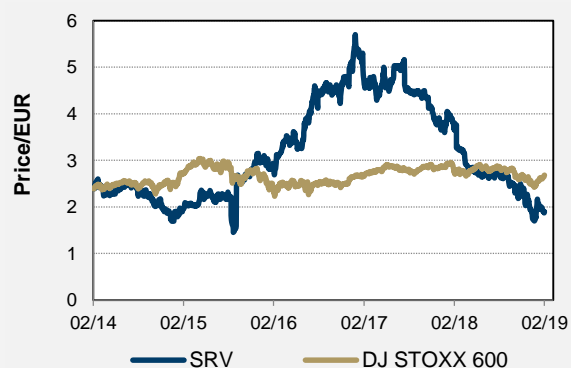
SRV expects revenue to grow in 2019 compared to 2018 and the operative operating profit to improve compared to 2018 and be positive. The profitability in 2019 is expected to be affected by higher construction costs due to long-term procurement agreements. We have lowered our 2019E operative operating profit estimate to EUR 32.7m (EUR 40.2m) due to both expected lower profitability in International Operations from slower shopping centre development in Russia and Operations in Finland due to the expected higher construction costs.

HOLD with a target price of EUR 2.0 (2.4)

On our revised estimates valuation looks challenging based on peer multiples, with SRV trading at a larger premium to peers, but is still supported by our SOTP. The balance sheet remains excessive, although some EUR 90m in capital employed was released during the year and with the uncertainty regarding shopping centre divestments we retain our HOLD rating with a TP of EUR 2.0 (2.4).

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 1.90

Target price, EUR 2.0

Latest change in recommendation 18-Sep-18

Latest report on company 7-Feb-19

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 113

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-Apr-19

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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
2017	1,114	15	1.4%	5	0.03	108.6	0.5	-6.2	36.1	0.06
2018	960	-20	-2.1%	-37	-0.59	-3.8	0.5	3.5	-23.3	0.00
2019E	1,083	29	2.7%	15	0.13	14.4	0.4	6.7	15.0	0.06
2020E	1,050	36	3.4%	22	0.23	8.1	0.4	2.7	11.6	0.08
2021E	1,078	42	3.9%	28	0.38	5.0	0.4	60.9	10.3	0.11
Market cap, EURm		113	BV per share 2019E, EUR			3.6	CAGR EPS 2018-21, %			0.0
Net debt 2019E, EURm		319	Price/book 2019E			0.5	CAGR sales 2018-21, %			4.0
Enterprise value, EURm		430	Dividend yield 2019E, %			3.2	ROE 2019E, %			3.9
Total assets 2019E, EURm		948	Tax rate 2019E, %			20.0	ROCE 2019E, %			5.4
Goodwill 2019E, EURm		2	Equity ratio 2019E, %			23.7	PEG, P/E 19/CAGR			0.3

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

SRV	2017	Q1/'18	Q2/'18	Q3/'18	Q4/'18	2018	Q1/'19E	Q2/'19E	Q3/'19E	Q4/'19E	2019E	2020E	2021E
Revenue	1 114.4	215.6	235.7	208.4	299.8	959.5	224.7	283.4	270.5	304.0	1 082.5	1 050.0	1 077.9
change, %	26.1%	-3.6%	-17.0%	-22.2%	-11.6%	-13.9%	4.2%	20.2%	29.8%	1.4%	12.8%	-3.0%	2.7%
Other operations and elim.	0.4	0.1	0.4	0.1	0.8	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operative operating profit	27.1	-5.1	-3.4	-3.1	1.5	-10.1	4.8	10.4	8.0	9.5	32.7	35.6	41.7
-margin	2.4%	-2.4%	-1.4%	-1.5%	0.5%	-1.1%	2.1%	3.7%	2.9%	3.1%	3.0%	3.4%	3.9%
Items affecting comparability	-11.7	-3.7	-2.1	-2.6	-1.4	-9.8	-1.0	-1.0	-1.0	-1.0	-4.0	0.0	0.0
Operating profit	15.4	-8.8	-5.5	-5.7	0.1	-19.9	3.8	9.4	7.0	8.5	28.7	35.6	41.7
-margin	1.4%	-4.1%	-2.3%	-2.7%	0.0%	-2.1%	1.7%	3.3%	2.6%	2.8%	2.7%	3.4%	3.9%
Other operations and elim.	-4.8	0.4	-1.1	-0.2	13.3	12.4	-0.5	-0.5	-0.5	-1.5	-3.0	-3.0	-3.0
Operations in Finland	2017	Q1/'18	Q2/'18	Q3/'18	Q4/'18	2018	Q1/'19E	Q2/'19E	Q3/'19E	Q4/'19E	2019E	2020E	2021E
Revenue	1 096.1	213.8	233.5	206.5	296.3	950.1	222.9	281.6	268.7	301.9	1 075.0	1 041.0	1 067.9
change, %	31.7%	-2.5%	-15.7%	-21.5%	-12.0%	-13.3%	4.2%	20.6%	30.1%	1.9%	13.1%	-3.2%	2.6%
Business construction	716.1	154.5	165.7	159.1	182.4	661.8	161.1	175.2	177.7	185.6	699.6	735.0	749.7
change, %	28.0%	-6.0%	-8.0%	-8.0%	-8.2%	-7.6%	4.3%	5.7%	11.7%	1.7%	5.7%	5.1%	2.0%
Housing construction	379.9	59.3	67.8	47.4	113.9	288.4	61.8	106.4	91.0	116.3	375.4	306.0	318.2
change, %	39.4%	8.2%	-30.0%	-47.5%	-17.5%	-24.1%	4.1%	56.9%	92.0%	2.1%	30.2%	-18.5%	4.0%
Operating profit	38.6	-3.7	-1.7	-1.8	-7.2	-14.4	6.1	11.4	9.7	13.0	40.2	40.6	42.7
-margin	3.5%	-1.7%	-0.7%	-0.9%	-2.4%	-1.5%	2.7%	4.0%	3.6%	4.3%	3.7%	3.9%	4.0%
International operations	2017	Q1/'18	Q2/'18	Q3/'18	Q4/'18	2018	Q1/'19E	Q2/'19E	Q3/'19E	Q4/'19E	2019E	2020E	2021E
Revenue	17.9	1.7	1.8	1.8	2.7	8.0	1.8	1.8	1.8	2.1	7.5	9.0	10.0
change, %	-65.8%	-61.4%	-74.3%	-57.1%	17.4%	-55.3%	5.9%	0.0%	0.0%	-22.2%	-6.3%	20.0%	11.1%
Operative operating profit	-6.7	-1.8	-0.6	-1.1	-4.6	-8.1	-0.8	-0.5	-1.2	-2.0	-4.5	-2.0	2.0
-margin	-37.4%	<-100 %	-33.3%	-61.1%	<-100 %	<-100 %	-44.4%	-27.8%	-66.7%	-95.2%	-60.0%	-22.2%	20.0%
Items affecting comparability	-11.7	-3.7	-2.1	-2.6	-1.4	-9.8	-1.0	-1.0	-1.0	-1.0	-4.0	0.0	0.0
Operating profit	-18.4	-5.4	-2.7	-3.7	-6.0	-17.8	-1.8	-1.5	-2.2	-3.0	-8.5	-2.0	2.0
-margin	<-100 %	<-100 %	<-100 %	<-100 %	<-100 %	<-100 %	-100.0%	-83.3%	<-100 %	<-100 %	<-100 %	-22.2%	20.0%

SRV PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		19	20	21	19	20	21	19	20	21
Skanska	6572	9.0x	8.7x	10.0x	11.7x	11.0x	12.8x	12.9x	12.0x	14.9x
Peab	2172	8.6x	8.5x	7.3x	11.4x	11.3x		11.2x	11.1x	
NCC	1424	7.3x	5.8x	6.1x	11.2x	8.1x	8.6x	14.0x	10.1x	11.0x
AF Gruppen	1438	9.7x	9.0x	10.0x	11.1x	10.2x	11.6x	16.8x	15.7x	18.0x
Veidekke	1271	7.8x	7.2x		11.3x	10.2x		11.3x	10.3x	
JM	1178	9.8x	9.7x	9.2x	10.0x	9.7x	9.2x	10.4x	10.2x	9.6x
Bonava	1192	11.5x	11.4x	10.8x	11.3x	11.0x	10.8x	10.8x	10.6x	10.7x
YIT	1118	7.2x	7.5x	7.4x	8.9x	9.4x	9.1x	8.2x	8.9x	8.9x
Lehto Group	267	5.9x	5.1x	5.0x	6.3x	5.4x	6.7x	6.9x	5.9x	7.5x
Peer Group Average	1848	8.5x	8.1x	8.2x	10.3x	9.6x	9.8x	11.4x	10.5x	11.5x
Peer Group Median	1271	8.6x	8.5x	8.3x	11.2x	10.2x	9.2x	11.2x	10.3x	10.7x
SRV (Evli est.)	112	13.2x	9.9x	8.9x	15.4x	11.3x	10.0x	15.9x	8.0x	4.9x

SRV prem./disc. to peer median

53% 16% 7% 37% 11% 9% 42% -23% -55%

Source Bloomberg, Evli Research

VALUATION						
	METRIC	Est., EURm	Multiple	EV	Per share	Comments
Operations in Finland	EV/EBIT 19E	40	10x	402	6.7	
Pearl Plaza	NPV	26	1x	26	0.4	Exit '19, yld. 10 %
4Daily	NPV	7	1x	7	0.1	Exit '21, yld. 10 %
Okhta mall	NPV	71	1x	71	1.2	Exit '21, yld. 10 %
REDI	NPV	82	1x	82	1.4	Exit '22, yld. 4.75 %
Etmia II	BV	3	1x	3	0.1	2017 BV
International op. plots	BV	83	0.5x	43	0.7	2018 BV
Other operations		-8	10x	-80	-1.3	
Net debt				-328	-5.5	Q4/18
Equity value	SOTP			225	3.8	

Construction & Engineering/Finland, February 7, 2019
Spot comment

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	1.90 PV of Free Cash Flow	307 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	3.32 PV of Horizon value	217 WACC, %	8.6 Market risk premium, %	5.8
Share price potential, %	74.9 Unconsolidated equity	1 Spread, %	0.5 Debt risk premium, %	3.5
Maximum value	3.9 Marketable securities	93 Minimum WACC, %	8.1 Equity beta coefficient	1.40
Minimum value	2.8 Debt - dividend	-421 Maximum WACC, %	9.1 Target debt ratio, %	45
Horizon value, %	41.4 Value of stock	198 Nr of shares, Mn	59.6 Effective tax rate, %	20

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	960	1,083	1,050	1,078	1,099	1,121	1,144	1,167	1,190	1,214	1,239	1,264
<i>Sales growth, %</i>	-13.9	12.8	-3.0	2.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	-20	29	36	42	42	43	43	44	45	46	47	48
<i>EBIT margin, %</i>	-2.1	2.7	3.4	3.9	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
+ Depreciation+amort.	5	5	5	5	5	5	5	5	6	6	6	
- Income taxes	-4	-6	-7	-8	-8	-9	-9	-9	-9	-9	-9	
- Change in NWC	56	-11	8	-36	-6	5	6	-6	-6	-6	-6	
<i>NWC / Sales, %</i>	26.7	24.7	24.7	27.4	27.4	26.4	25.4	25.4	25.4	25.4	25.4	
+ Change in other liabs	2	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-2	-6	-5	-5	-5	-5	-5	-6	-6	-6	-6	-6
<i>Investments / Sales, %</i>	0.2	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
- Other items	-4	20	-4	77	82	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	34	31	33	74	109	39	40	30	30	31	31	490
= Discounted FCF (DFCF)		29	28	58	79	26	25	17	16	15	14	217
= DFCF min WACC		29	28	59	81	27	25	17	16	15	15	246
= DFCF max WACC		29	28	58	78	26	24	16	15	14	13	193

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1E	2019Q2E	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	216	236	209	300	960	225	283	271	304	1,083	1,050	1,078
EBITDA	-8	-5	-5	3	-14	5	11	8	10	33	41	47
<i>EBITDA margin (%)</i>	<i>-3.6</i>	<i>-2.1</i>	<i>-2.3</i>	<i>1.0</i>	<i>-1.5</i>	<i>2.2</i>	<i>3.7</i>	<i>3.0</i>	<i>3.2</i>	<i>3.1</i>	<i>3.9</i>	<i>4.3</i>
EBIT	-9	-6	-6	0	-20	4	9	7	9	29	36	42
<i>EBIT margin (%)</i>	<i>-4.0</i>	<i>-2.4</i>	<i>-2.7</i>	<i>0.1</i>	<i>-2.1</i>	<i>1.7</i>	<i>3.3</i>	<i>2.6</i>	<i>2.8</i>	<i>2.7</i>	<i>3.4</i>	<i>3.9</i>
Net financial items	-3	-4	-3	-6	-17	-3	-3	-3	-3	-14	-13	-13
Pre-tax profit	-12	-10	-9	-6	-37	0	6	3	5	15	22	28
Tax	2	1	1	2	6	0	-1	-1	-1	-3	-4	-6
<i>Tax rate (%)</i>	<i>12.4</i>	<i>13.1</i>	<i>11.0</i>	<i>37.7</i>	<i>16.4</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	-12	-10	-9	-4	-35	-1	4	2	3	8	14	23
EPS	-0.19	-0.16	-0.16	-0.08	-0.59	-0.01	0.06	0.03	0.05	0.13	0.23	0.38
EPS adjusted (diluted no. of shares)	-0.19	-0.16	-0.16	-0.08	-0.59	-0.01	0.06	0.03	0.05	0.13	0.23	0.38
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06	0.08	0.11
SALES, EURm												
Finnish operations	214	234	207	296	950	223	282	269	302	1,075	1,041	1,068
International	2	2	2	3	8	2	2	2	2	8	9	10
Other	0	1	0	1	2	0	0	0	0	0	0	0
Total	216	236	209	300	960	225	283	271	304	1,083	1,050	1,078
SALES GROWTH, Y/Y %												
<i>Finnish operations</i>	<i>-2.5</i>	<i>-15.7</i>	<i>-21.5</i>	<i>-12.0</i>	<i>-13.3</i>	<i>4.2</i>	<i>20.6</i>	<i>30.1</i>	<i>1.9</i>	<i>13.1</i>	<i>-3.2</i>	<i>2.6</i>
<i>International</i>	<i>-61.4</i>	<i>-74.3</i>	<i>-54.8</i>	<i>30.0</i>	<i>-54.5</i>	<i>5.9</i>	<i>0.0</i>	<i>-5.3</i>	<i>-19.2</i>	<i>-6.2</i>	<i>20.0</i>	<i>11.1</i>
<i>Other</i>	<i>0.0</i>	<i>0.0</i>	<i>-75.0</i>	<i>0.0</i>	<i>275.0</i>	<i>-99.9</i>	<i>-100.0</i>	<i>-99.9</i>	<i>-100.0</i>	<i>-100.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Total</i>	<i>-3.6</i>	<i>-16.9</i>	<i>-22.1</i>	<i>-11.5</i>	<i>-13.9</i>	<i>4.2</i>	<i>20.2</i>	<i>29.8</i>	<i>1.5</i>	<i>12.8</i>	<i>-3.0</i>	<i>2.7</i>
EBIT, EURm												
Finnish operations	-4	-2	-2	-7	-14	6	11	10	13	40	41	43
International	-5	-3	-4	-6	-18	-2	-1	-2	-3	-8	-2	2
Other	0	-1	0	13	12	0	0	0	-1	-3	-3	-3
Total	-9	-6	-6	0	-20	4	9	7	9	29	36	42
EBIT margin, %												
<i>Finnish operations</i>	<i>-1.7</i>	<i>-0.7</i>	<i>-0.9</i>	<i>-2.4</i>	<i>-1.5</i>	<i>2.7</i>	<i>4.0</i>	<i>3.6</i>	<i>4.3</i>	<i>3.7</i>	<i>3.9</i>	<i>4.0</i>
<i>International</i>	<i>-317.6</i>	<i>-150.0</i>	<i>-194.7</i>	<i>-230.8</i>	<i>-222.5</i>	<i>-100.0</i>	<i>-83.3</i>	<i>-122.2</i>	<i>-142.9</i>	<i>-113.3</i>	<i>-22.2</i>	<i>20.0</i>
<i>Other</i>	<i>400.0</i>	<i>-240.0</i>	<i>-100.0</i>	<i>1,662.5</i>	<i>826.7</i>							
<i>Total</i>	<i>-4.0</i>	<i>-2.4</i>	<i>-2.7</i>	<i>0.1</i>	<i>-2.1</i>	<i>1.7</i>	<i>3.3</i>	<i>2.6</i>	<i>2.8</i>	<i>2.7</i>	<i>3.4</i>	<i>3.9</i>

Construction & Engineering/Finland, February 7, 2019
Spot comment

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	685	719	884	1,114	960	1,083	1,050	1,078
<i>Sales growth (%)</i>	<i>0.8</i>	<i>5.1</i>	<i>22.9</i>	<i>26.0</i>	<i>-13.9</i>	<i>12.8</i>	<i>-3.0</i>	<i>2.7</i>
Costs	-658	-691	-850	-1,093	-974	-1,049	-1,009	-1,031
Reported EBITDA	27	28	34	21	-14	33	41	47
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	<i>3.9</i>	<i>3.9</i>	<i>3.9</i>	<i>1.9</i>	<i>-1.5</i>	<i>3.1</i>	<i>3.9</i>	<i>4.3</i>
Depreciation	-2	-3	-7	-6	-5	-5	-5	-5
EBITA	25	25	28	15	-20	29	36	42
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	25	25	28	15	-20	29	36	42
<i>EBIT margin (%)</i>	<i>3.6</i>	<i>3.4</i>	<i>3.1</i>	<i>1.4</i>	<i>-2.1</i>	<i>2.7</i>	<i>3.4</i>	<i>3.9</i>
Net financials	-6	-7	-11	-11	-17	-14	-13	-13
Pre-tax profit	18	18	16	5	-37	15	22	28
Extraordinary items	0	0	0	0	0	0	0	0
Taxes	-4	-4	-2	1	6	-3	-4	-6
Minority shares	0	0	0	0	0	0	0	0
Net profit	10	10	9	2	-35	8	14	23
BALANCE SHEET, EURm								
Assets								
Fixed assets	152	263	295	287	273	274	274	274
<i>% of sales</i>	<i>22</i>	<i>37</i>	<i>33</i>	<i>26</i>	<i>28</i>	<i>25</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	313	337	400	419	438	411	399	410
<i>% of sales</i>	<i>46</i>	<i>47</i>	<i>45</i>	<i>38</i>	<i>46</i>	<i>38</i>	<i>38</i>	<i>38</i>
Receivables	84	119	122	146	122	137	133	166
<i>% of sales</i>	<i>12</i>	<i>17</i>	<i>14</i>	<i>13</i>	<i>13</i>	<i>13</i>	<i>13</i>	<i>15</i>
Liquid funds	18	35	55	24	93	105	102	105
<i>% of sales</i>	<i>3</i>	<i>5</i>	<i>6</i>	<i>2</i>	<i>10</i>	<i>10</i>	<i>10</i>	<i>10</i>
Total assets	576	763	883	889	947	948	929	975
Liabilities								
Equity	180	232	250	238	189	209	220	238
<i>% of sales</i>	<i>26</i>	<i>32</i>	<i>28</i>	<i>21</i>	<i>20</i>	<i>19</i>	<i>21</i>	<i>22</i>
Deferred taxes	2	2	4	5	5	5	5	5
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>0</i>
Interest bearing debt	270	311	346	366	421	424	402	424
<i>% of sales</i>	<i>39</i>	<i>43</i>	<i>39</i>	<i>33</i>	<i>44</i>	<i>39</i>	<i>38</i>	<i>39</i>
Non-interest bearing current liabilities	114	202	253	252	304	281	273	280
<i>% of sales</i>	<i>17</i>	<i>28</i>	<i>29</i>	<i>23</i>	<i>32</i>	<i>26</i>	<i>26</i>	<i>26</i>
Other interest free debt	0	4	14	18	9	9	9	9
<i>% of sales</i>	<i>0</i>	<i>1</i>	<i>2</i>	<i>2</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>
Total liabilities	576	763	883	889	947	948	929	975
CASH FLOW, EURm								
+ EBITDA	27	28	34	21	-14	33	41	47
- Net financial items	-6	-7	-11	-11	-17	-14	-13	-13
- Taxes	-4	-3	-2	0	-1	-3	-4	-6
- Increase in Net Working Capital	39	29	-15	-44	56	-11	8	-36
+/- Other	-8	2	25	-1	-4	20	-4	77
= Cash flow from operations	47	50	31	-35	26	26	27	69
- Capex	-34	-118	-13	-13	-2	-6	-5	-5
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	18	-76	18	-48	24	20	22	63
+/- Change in interest-bearing debt	-81	41	35	20	55	3	-22	21
+/- New issues/buybacks	-3	47	15	-8	-11	13	0	0
- Paid dividend	-4	-4	-6	-6	-4	0	-4	-5
+/- Change in loan receivables	-1	5	-43	10	2	0	0	0
Change in cash	-71	12	19	-32	66	36	-3	80

Construction & Engineering/Finland, February 7, 2019
Spot comment

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	184	322	214	132	113	113	113
Net debt	276	291	343	328	319	300	319
Enterprise value	460	611	555	458	430	412	431
Sales	719	884	1,114	960	1,083	1,050	1,078
EBITDA	28	34	21	-14	33	41	47
EBIT	25	28	15	-20	29	36	42
Pre-tax	18	16	5	-37	15	22	28
Earnings	10	9	2	-35	8	14	23
Book value	231	252	240	191	212	222	240
Valuation multiples							
EV/sales	0.6	0.7	0.5	0.5	0.4	0.4	0.4
EV/EBITDA	16.5	17.9	26.3	-31.8	13.0	10.1	9.2
EV/EBITA	18.8	22.2	36.1	-23.3	15.0	11.6	10.3
EV/EBIT	18.8	22.2	36.1	-23.3	15.0	11.6	10.3
EV/operating cash flow	9.3	19.7	-16.0	12.0	25.6	9.9	231.7
EV/cash earnings	25.6	29.3	55.7	-14.0	26.4	18.0	15.6
P/E	19.2	35.1	108.6	-3.8	14.4	8.1	5.0
P/E excl. goodwill	19.2	35.1	108.6	-3.8	14.4	8.1	5.0
P/B	0.8	1.3	0.9	0.7	0.5	0.5	0.5
P/sales	0.3	0.4	0.2	0.1	0.1	0.1	0.1
P/CF	3.7	10.4	-6.2	3.5	6.7	2.7	60.9
Target EV/EBIT	0.0	0.0	0.0	0.0	15.2	11.7	10.4
Target P/E	0.0	0.0	0.0	0.0	15.2	8.6	5.3
Target P/B	0.0	0.0	0.0	0.0	0.6	0.5	0.5
Per share measures							
Number of shares	59,325	59,500	59,500	59,581	59,581	59,581	59,581
Number of shares (diluted)	59,325	59,500	59,500	59,581	59,581	59,581	59,581
EPS	0.16	0.15	0.03	-0.59	0.13	0.23	0.38
EPS excl. goodwill	0.16	0.15	0.03	-0.59	0.13	0.23	0.38
Cash EPS	0.30	0.35	0.17	-0.55	0.27	0.38	0.46
Operating cash flow per share	0.84	0.52	-0.59	0.64	0.28	0.70	0.03
Capital employed per share	5.08	5.55	6.56	5.64	5.84	5.70	6.32
Book value per share	3.90	4.25	4.03	3.21	3.56	3.73	4.03
Book value excl. goodwill	3.87	4.22	4.01	3.18	3.53	3.71	4.01
Dividend per share	0.10	0.10	0.06	0.00	0.06	0.08	0.11
Dividend payout ratio, %	61.8	64.5	180.9	0.0	45.5	34.3	30.0
Dividend yield, %	3.2	1.8	1.7	0.0	3.2	4.2	6.0
Efficiency measures							
ROE	4.7	3.8	0.8	-16.2	3.9	6.4	9.8
ROCE	5.1	5.2	2.9	-2.8	5.4	6.5	7.3
Financial ratios							
Capex/sales, %	16.5	1.5	1.2	0.2	0.5	0.5	0.5
Capex/depreciation excl. goodwill,%	3,408.1	199.0	236.8	43.4	121.5	95.0	104.5
Net debt/EBITDA, book-weighted	9.9	8.5	16.2	-22.8	9.6	7.4	6.8
Debt/equity, market-weighted	1.7	1.1	1.7	3.2	3.7	3.6	3.7
Equity ratio, book-weighted	33.3	30.6	29.0	21.4	23.7	25.4	26.1
Gearing	1.19	1.16	1.44	1.74	1.52	1.37	1.34
Number of employees, average	1,008	1,081	1,108	1,057	1,057	1,057	1,057
Sales per employee, EUR	713,492	817,761	1,005,505	907,852	1,024,157	993,378	1,019,811
EBIT per employee, EUR	24,306	25,532	13,899	-18,638	27,147	33,679	39,468

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	21.860	19.3%
Kokkila Timo Tapani	7,617,216	14.473	12.8%
Kokkila Tuomas	6,494,422	12.339	10.9%
Kokkila Lauri	6,494,422	12.339	10.9%
Tiiviste-Group Oy	6,411,821	12.182	10.8%
Nordea Life Insurance Finland Ltd.	1,234,843	2.346	2.1%
The State Pension Fund	1,170,000	2.223	2.0%
Ilmarinen Mutual Pension Insurance Company	962,822	1.829	1.6%
SRV Yhtiöt Oyj	918,599	1.745	1.5%
OP-Suomi Value fund	843,251	1.602	1.4%
Ten largest	43,652,853	82.940	73%
Residual	15,928,123	30.263	27%
Total	59,580,976	113.204	100%

EARNINGS CALENDAR

April 25, 2019	Q1 report
July 17, 2019	Q2 report
October 31, 2019	Q3 report

OTHER EVENTS

COMPANY MISCELLANEOUS

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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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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	8%
Hold	53%
Buy	39%

The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. If recommendation is not given, it is not mentioned here.

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

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