

Biggest troubles now behind

SRV's operative operating profit remained barely positive, at EUR 0.5m, despite notable FX impact and one-off items burden. SRV specified its guidance for the operative operating profit, implying a range of EUR 0–27m. Our revised estimate for 2019 stands at EUR 21.1m (prev. 32.7m), attributable to a re-evaluation of the impact of on-going lower margin projects. We retain our HOLD-rating with a target price of EUR 1.9 (2.0)

Earnings impacted by approx. EUR 3m one-offs

SRV's Q1 revenue amounted to EUR 222.6m, supported by increased housing unit completions. The operative operating profit fell below expectations, at EUR 0.5m, primarily due to approx. EUR 3m expense entries for REDI Majakka's water damage and the dissolution of the VTBC fund. The operating profit was aided by a stronger ruble and amounted to EUR 3.3m. SRV further specified its operative operating profit guidance for 2019, expecting it to be positive but below the EUR 27m operative operating profit in 2017.

Downwards revisions on our estimates

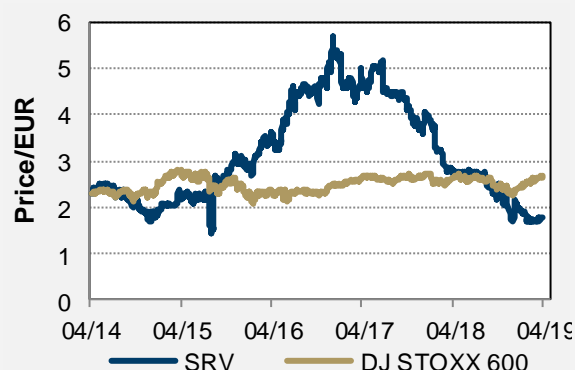
We have lowered our 2019 revenue estimates by approx. 5% to EUR 1,029m, mainly through lowered business construction estimates. We have also lowered our operative operating profit estimates to EUR 21.1m (prev. 32.7m) in accordance with the specified guidance. We note that in our pre-Q1 estimates we underestimated the impact of on-going lower margin projects, which are expected to continue to have an effect during 2019. With the delay of REDI Majakka we expect a bulk of housing units to be completed in late-2019 and such our estimates, especially for earnings, are heavily skewed towards Q4/19.

HOLD with a target price of EUR 1.9 (2.0)

The introduction of IFRS 16 and the treatment of plot leases, causes severe comparability uncertainty for peer multiples, as for SRV the change increased net interest-bearing debt by more than 50%, and for now we refrain from relying on per multiples. With the downward revisions of our estimates we lower our target price to EUR 1.9 (2.0) and retain our HOLD-rating.

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 1.77

Target price, EUR 1.9

Latest change in recommendation 17-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 105

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 17-Jul-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	0.04	98.6	0.5	-6.2	36.1	0.06
2018	960	-20	-2.1%	-37	-0.57	-3.0	0.6	-0.8	-30.2	0.00
2019E	1,028	25	2.4%	8	0.03	51.7	0.6	3.2	23.9	0.04
2020E	983	28	2.9%	11	0.07	26.8	0.6	2.3	20.4	0.06
2021E	1,020	35	3.4%	18	0.21	8.6	0.6	105.8	17.5	0.06
Market cap, EURm			105	BV per share 2019E, EUR		3.5	CAGR EPS 2018-21, %			0.0
Net debt 2019E, EURm			484	Price/book 2019E		0.5	CAGR sales 2018-21, %			2.1
Enterprise value, EURm			588	Dividend yield 2019E, %		2.3	ROE 2019E, %			1.0
Total assets 2019E, EURm			1,088	Tax rate 2019E, %		30.1	ROCE 2019E, %			4.4
Goodwill 2019E, EURm			2	Equity ratio 2019E, %		21.2	PEG, P/E 19/CAGR			0.6

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/'19	Q2/'19E	Q3/'19E	Q4/'19E	2019E	2020E	2021E
Revenue	1 114.4	215.6	235.7	208.5	299.8	959.6	222.6	209.8	222.6	373.4	1 029.0	983.0	1 020.4
change, %	26.1%	-3.6%	-17.0%	-22.1%	-11.6%	-13.9%	3.2%	-11.0%	6.8%	24.6%	7.2%	-4.5%	3.8%
Operative operating profit	27.1	-5.1	-3.4	-3.1	1.5	-10.1	0.5	2.9	3.9	13.8	21.1	28.2	34.6
-margin	2.4%	-2.4%	-1.4%	-1.5%	0.5%	-1.1%	0.2%	1.4%	1.8%	3.7%	2.1%	2.9%	3.4%
Items affecting comparability*	-11.7	-3.7	-2.1	-2.6	-1.4	-9.8	2.8	0.7	0.0	0.0	3.5	0.0	0.0
Operating profit	15.4	-8.8	-5.5	-5.7	0.1	-19.9	3.3	3.6	3.9	13.8	24.6	28.2	34.6
-margin	1.4%	-4.1%	-2.3%	-2.7%	0.0%	-2.1%	1.5%	1.7%	1.8%	3.7%	2.4%	2.9%	3.4%
Net financials	-10.7	-3.4	-4.3	-3.5	-6.3	-17.5	-3.6	-4.5	-4.5	-4.5	-17.1	-17.0	-17.0
Pre-tax profit	4.6	-12.2	-9.8	-9.1	-6.2	-37.3	-0.3	-0.9	-0.6	9.3	7.5	11.2	17.6
Income taxes	1.2	1.5	1.3	1.0	2.3	6.1	0.7	0.2	0.1	-1.9	-0.9	-2.2	-3.5
Non-controlling interest	0.2	0.2	0.3	0.3	0.3	1.1	-0.7	0.0	0.0	0.0	-0.7	0.0	0.0
Net earnings	6.0	-10.5	-8.2	-7.8	-4.0	-30.1	-0.4	-0.7	-0.5	7.4	5.8	9.0	14.1
EPS**	0.05	-0.19	-0.34	-0.14	-0.08	-0.56	-0.02	-0.03	-0.02	0.11	0.05	0.14	0.22
Construction	2017	Q1/'18	Q2/'18	Q3/'18	Q4/'18	2018	Q1/'19	Q2/'19E	Q3/'19E	Q4/'19E	2019E	2020E	2021E
Revenue		214.7	234.5	207.7	298.5	955.4	221.9	208.6	221.4	372.2	1 024.1	978.0	1 015.9
change, %							3.4%	-11.0%	6.6%	24.7%	7.2%	-4.5%	3.9%
<i>Business construction</i>		155.4	166.7	160.3	183.9	666.3	144.9	159.6	167.5	178.9	650.8	672.0	685.4
change, %							-6.8%	-4.3%	4.5%	-2.7%	-2.3%	3.3%	2.0%
<i>Housing construction</i>		59.3	67.8	47.4	114.6	289.1	77.0	49.0	53.9	193.3	373.2	306.0	330.5
change, %							29.8%	-27.7%	13.7%	68.7%	29.1%	-18.0%	8.0%
Operating profit		-3.2	-1.1	-1.6	-7.5	-13.4	4.8	5.4	5.9	16.8	32.9	35.2	38.6
-margin		-1.5%	-0.5%	-0.8%	-2.5%	-1.4%	2.2%	2.6%	2.7%	4.5%	3.2%	3.6%	3.8%
Investments	2017	Q1/'18	Q2/'18	Q3/'18	Q4/'18	2018	Q1/'19	Q2/'19E	Q3/'19E	Q4/'19E	2019E	2020E	2021E
Revenue		1.2	1.2	1.2	1.0	4.6	1.3	1.2	1.2	1.2	4.9	5.0	4.5
change, %							8.3%	0.0%	0.0%	20.0%	6.5%	2.0%	-10.0%
Operative operating profit		-1.9	-0.8	-1.1	-4.0	-7.8	-2.7	-2.0	-1.5	-1.5	-7.7	-4.0	-1.0
Items affecting comparability*		-3.7	-2.1	-2.6	-1.4	-9.8	2.8	0.7	0.0	0.0	3.5	0.0	0.0
Operating profit		-5.6	-2.9	-3.7	-5.4	-17.6	0.1	-1.3	-1.5	-1.5	-4.2	-4.0	-1.0
Other operations and elim.	2017	Q1/'18	Q2/'18	Q3/'18	Q4/'18	2018	Q1/'19	Q2/'19E	Q3/'19E	Q4/'19E	2019E	2020E	2021E
Revenue	0.4	-0.3	0.0	-0.4	0.3	-0.4	-0.6	0.0	0.0	0.0	-0.6	0.0	0.0
Operating profit	-4.8	0.0	-1.5	-0.4	13.0	11.1	-1.6	-0.5	-0.5	-1.5	-4.1	-3.0	-3.0

*Foreign exchange rate impact, **incl. tax adjusted hybrid interest

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	1.77 PV of Free Cash Flow	288 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	2.00 PV of Horizon value	170 WACC, %	8.6 Market risk premium, %	5.8
Share price potential, %	13.1 Unconsolidated equity	1 Spread, %	0.5 Debt risk premium, %	3.5
Maximum value	2.5 Marketable securities	93 Minimum WACC, %	8.1 Equity beta coefficient	1.40
Minimum value	1.6 Debt – dividend*	-433 Maximum WACC, %	9.1 Target debt ratio, %	45
Horizon value, %	37.1 Value of stock	119 Nr of shares, Mn	59.6 Effective tax rate, %	20

*Assuming plot-leases not treated as interest-bearing debt

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	960	1,028	983	1,020	1,041	1,062	1,083	1,105	1,127	1,149	1,173	1,197
<i>Sales growth, %</i>	-13.8	7.1	-4.4	3.8	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	-20	25	28	35	36	37	38	39	39	40	41	42
<i>EBIT margin, %</i>	-2.1	2.4	2.9	3.4	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
+ Depreciation+amort.	5	12	13	12	13	13	13	14	14	14	14	
- Income taxes	-4	-6	-7	-9	-9	-10	-10	-10	-10	-11	-11	
- Change in NWC	-105	3	11	-37	-6	5	5	-5	-6	-6	-6	
<i>NWC / Sales, %</i>	43.5	40.3	41.1	43.2	42.9	41.6	40.3	40.0	39.7	39.4	39.1	
+ Change in other liabs	2	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-15	-13	-13	-13	-13	-13	-13	-14	-14	-14	-15	-15
<i>Investments / Sales, %</i>	1.5	1.2	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
- Other items	-4	20	-4	80	85	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	-139	41	29	68	106	32	33	23	23	24	24	376
= Discounted FCF (DFCF)		39	25	55	78	22	21	13	12	12	11	170
= DFCF min WACC		39	25	55	80	23	21	14	13	12	11	192
= DFCF max WACC		39	25	54	77	22	20	13	12	11	10	151

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2E	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	216	236	209	300	960	223	210	223	373	1,028	983	1,020
EBITDA	-8	-5	-5	3	-15	6	7	7	17	37	41	47
<i>EBITDA margin (%)</i>	-3.7	-2.1	-2.3	1.0	-1.5	2.8	3.2	3.1	4.5	3.6	4.2	4.6
EBIT	-9	-5	-6	0	-20	3	4	4	14	25	28	35
<i>EBIT margin (%)</i>	-4.1	-2.3	-2.7	0.0	-2.1	1.5	1.7	1.8	3.7	2.4	2.9	3.4
Net financial items	-3	-4	-3	-6	-17	-4	-4	-4	-4	-17	-17	-17
Pre-tax profit	-12	-10	-9	-6	-37	0	-1	-1	9	8	11	18
Tax	2	1	1	2	6	-1	0	0	-2	-2	-3	-5
<i>Tax rate (%)</i>	12.3	13.3	10.9	37.1	16.3	-233.3	20.0	20.0	20.0	30.1	30.1	30.1
Net profit	-11	-9	-9	-4	-34	-1	-2	-1	6	2	4	12
EPS	-0.19	-0.15	-0.15	-0.07	-0.57	-0.02	-0.03	-0.02	0.11	0.03	0.07	0.21
EPS adjusted (diluted no. of shares)	-0.19	-0.15	-0.15	-0.07	-0.57	-0.02	-0.03	-0.02	0.11	0.03	0.07	0.21
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.06	0.06
SALES, EURm												
Construction	215	235	208	298	955	222	209	221	372	1,024	978	1,016
Investments	1	1	1	1	5	1	1	1	1	5	5	5
Other	0	0	0	0	0	-1	0	0	0	-1	0	0
Total	216	236	209	300	960	223	210	223	373	1,028	983	1,020
SALES GROWTH, Y/Y %												
<i>Construction</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>3.3</i>	<i>-11.1</i>	<i>6.6</i>	<i>24.7</i>	<i>7.2</i>	<i>-4.5</i>	<i>3.9</i>
<i>Investments</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>8.3</i>	<i>0.0</i>	<i>0.0</i>	<i>20.0</i>	<i>6.5</i>	<i>2.0</i>	<i>-10.0</i>
<i>Other</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>100.0</i>	<i>0.0</i>	<i>-100.1</i>	<i>-100.0</i>	<i>500.0</i>	<i>-100.1</i>	<i>0.0</i>
Total	-3.6	-16.9	-22.1	-11.5	-13.8	3.2	-11.0	6.7	24.6	7.1	-4.4	3.8
EBIT, EURm												
Construction	-3	-1	-2	-7	-13	5	5	6	17	33	35	39
Investments	-6	-3	-4	-5	-18	0	-1	-1	-1	-4	-4	-1
Other	0	-1	0	13	11	-2	0	0	-1	-4	-3	-3
Total	-9	-5	-6	0	-20	3	4	4	14	25	28	35
EBIT margin, %												
<i>Construction</i>	<i>-1.5</i>	<i>-0.5</i>	<i>-0.8</i>	<i>-2.5</i>	<i>-1.4</i>	<i>2.2</i>	<i>2.6</i>	<i>2.7</i>	<i>4.5</i>	<i>3.2</i>	<i>3.6</i>	<i>3.8</i>
<i>Investments</i>	<i>-466.7</i>	<i>-241.7</i>	<i>-308.3</i>	<i>-540.0</i>	<i>-382.6</i>	<i>7.7</i>	<i>-108.3</i>	<i>-125.0</i>	<i>-125.0</i>	<i>-85.7</i>	<i>-80.0</i>	<i>-22.2</i>
<i>Other</i>	<i>0.0</i>		<i>399.6</i>	<i>4,333.3</i>	<i>-11,100.0</i>	<i>266.7</i>				<i>683.3</i>		
Total	-4.1	-2.3	-2.7	0.0	-2.1	1.5	1.7	1.8	3.7	2.4	2.9	3.4

Construction & Engineering/Finland, April 28, 2019
Spot comment

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	685	719	884	1,114	960	1,028	983	1,020
<i>Sales growth (%)</i>	<i>0.8</i>	<i>5.1</i>	<i>22.9</i>	<i>26.0</i>	<i>-13.8</i>	<i>7.1</i>	<i>-4.4</i>	<i>3.8</i>
Costs	-658	-691	-850	-1,093	-974	-992	-942	-973
Reported EBITDA	27	28	34	21	-15	37	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>3.6</i>	<i>4.2</i>	<i>4.6</i>
Depreciation	-2	-3	-7	-6	-5	-12	-13	-12
EBITA	25	25	28	15	-20	25	28	35
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	25	25	28	15	-20	25	28	35
<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>2.4</i>	<i>2.9</i>	<i>3.4</i>
Net financials	-6	-7	-11	-11	-17	-17	-17	-17
Pre-tax profit	18	18	16	5	-37	8	11	18
Extraordinary items	0	0	0	0	0	0	0	0
Taxes	-4	-4	-2	1	6	-2	-3	-5
Minority shares	0	0	0	0	1	1	0	0
Net profit	10	10	9	2	-34	2	4	12
BALANCE SHEET, EURm								
Assets								
Fixed assets	152	263	295	287	286	286	286	286
<i>% of sales</i>	<i>22</i>	<i>37</i>	<i>33</i>	<i>26</i>	<i>30</i>	<i>28</i>	<i>29</i>	<i>28</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	391	374	388
<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	283	291	286	318
<i>% of sales</i>	<i>12</i>	<i>17</i>	<i>14</i>	<i>13</i>	<i>29</i>	<i>28</i>	<i>29</i>	<i>31</i>
Liquid funds	18	35	55	24	93	100	95	99
<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	1,120	1,088	1,061	1,112
Liabilities								
Equity	180	232	250	238	189	204	205	214
<i>% of sales</i>	<i>26</i>	<i>32</i>	<i>28</i>	<i>21</i>	<i>20</i>	<i>20</i>	<i>21</i>	<i>21</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>1</i>	<i>0</i>
Interest bearing debt	270	311	346	366	594	584	566	599
<i>% of sales</i>	<i>39</i>	<i>43</i>	<i>39</i>	<i>33</i>	<i>62</i>	<i>57</i>	<i>58</i>	<i>59</i>
Non-interest bearing current liabilities	114	202	253	252	304	267	256	265
<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	1,120	1,088	1,061	1,112
CASH FLOW, EURm								
+ EBITDA	27	28	34	21	-15	37	41	47
- Net financial items	-6	-7	-11	-11	-17	-17	-17	-17
- Taxes	-4	-3	-2	0	-1	-2	-3	-5
- Increase in Net Working Capital	39	29	-15	-44	-105	3	11	-37
+/- Other	-8	2	25	-1	-3	21	-4	80
= Cash flow from operations	47	50	31	-35	-134	40	28	67
- Capex	-34	-118	-13	-13	-15	-13	-13	-13
- 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	-149	27	15	55
+/- Change in interest-bearing debt	-81	41	35	20	228	-10	-17	32
+/- New issues/buybacks	-3	47	15	-8	-12	13	0	0
- Paid dividend	-4	-4	-6	-6	-4	0	-2	-4
+/- Change in loan receivables	-1	5	-43	10	2	0	0	0
Change in cash	-71	12	19	-33	65	30	-4	83

Construction & Engineering/Finland, April 28, 2019
Spot comment

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	184	322	214	101	105	105	105
Net debt	276	291	343	501	484	471	500
Enterprise value	460	611	555	601	588	575	604
Sales	719	884	1,114	960	1,028	983	1,020
EBITDA	28	34	21	-15	37	41	47
EBIT	25	28	15	-20	25	28	35
Pre-tax	18	16	5	-37	8	11	18
Earnings	10	9	2	-34	2	4	12
Book value	231	252	240	191	206	208	217
Valuation multiples							
EV/sales	0.6	0.7	0.5	0.6	0.6	0.6	0.6
EV/EBITDA	16.5	17.9	26.3	-41.1	16.0	14.0	12.9
EV/EBITA	18.8	22.2	36.1	-30.2	23.9	20.4	17.5
EV/EBIT	18.8	22.2	36.1	-30.2	23.9	20.4	17.5
EV/operating cash flow	9.3	19.7	-16.0	-4.9	17.6	12.7	605.6
EV/cash earnings	25.6	29.3	55.7	-18.3	34.0	27.7	24.5
P/E	19.2	35.1	98.6	-3.0	51.7	26.8	8.6
P/E excl. goodwill	19.2	35.1	98.6	-3.0	51.7	26.8	8.6
P/B	0.8	1.3	0.9	0.5	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	-0.8	3.2	2.3	105.8
Target EV/EBIT	0.0	0.0	0.0	0.0	24.2	20.6	17.6
Target P/E	0.0	0.0	0.0	0.0	55.5	28.8	9.2
Target P/B	0.0	0.0	0.0	0.0	0.5	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	0.04	-0.57	0.03	0.07	0.21
EPS excl. goodwill	0.16	0.15	0.04	-0.57	0.03	0.07	0.21
Cash EPS	0.30	0.35	0.17	-0.55	0.29	0.35	0.41
Operating cash flow per share	0.84	0.52	-0.59	-2.06	0.56	0.76	0.02
Capital employed per share	5.08	5.55	6.56	8.55	8.51	8.32	8.95
Book value per share	3.90	4.25	4.03	3.21	3.46	3.49	3.64
Book value excl. goodwill	3.87	4.22	4.01	3.18	3.43	3.46	3.61
Dividend per share	0.10	0.10	0.06	0.00	0.04	0.06	0.06
Dividend payout ratio, %	61.8	64.5	164.3	0.0	116.8	90.9	30.0
Dividend yield, %	3.2	1.8	1.7	0.0	2.3	3.4	3.5
Efficiency measures							
ROE	4.7	3.8	0.9	-15.8	1.0	1.9	5.8
ROCE	5.1	5.2	3.5	-2.1	4.4	4.4	5.1
Financial ratios							
Capex/sales, %	16.5	1.5	1.2	1.5	1.2	1.3	1.2
Capex/depreciation excl. goodwill,%	3,408.1	199.0	236.8	275.5	104.5	97.2	102.4
Net debt/EBITDA, book-weighted	9.9	8.5	16.2	-34.3	13.2	11.5	10.6
Debt/equity, market-weighted	1.7	1.1	1.7	5.9	5.5	5.4	5.7
Equity ratio, book-weighted	33.3	30.6	29.8	19.0	21.2	22.0	21.8
Gearing	1.19	1.16	1.44	2.66	2.38	2.30	2.34
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	908,136	972,933	929,991	965,393
EBIT per employee, EUR	24,306	25,532	13,899	-18,827	23,273	26,687	32,739

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	20.365	19.3%
Kokkila Timo Tapani	7,617,216	13.482	12.8%
Kokkila Tuomas	6,494,422	11.495	10.9%
Kokkila Lauri	6,494,422	11.495	10.9%
Tiiviste-Group Oy	6,411,821	11.349	10.8%
Nordea Life Insurance Finland Ltd.	1,774,685	3.141	3.0%
The State Pension Fund	1,170,000	2.071	2.0%
Ilmarinen Mutual Pension Insurance Company	962,822	1.704	1.6%
SRV Yhtiöt Oyj	918,599	1.626	1.5%
OP-Suomi Value fund	720,507	1.275	1.2%
Ten largest	44,069,951	78.004	74%
Residual	15,511,025	27.455	26%
Total	59,580,976	105.458	100%

EARNINGS CALENDAR

July 17, 2019

Q2 report

October 31, 2019

Q3 report

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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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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