

## Lowers profit guidance

SRV issued a profit warning on October 10<sup>th</sup>, estimating that its operative operating profit will be at a loss due to impairments relating to its investments in Russia and decreasing margins in certain projects. We had expected profitability to improve towards the end of 2019 with the completion of a significant number of developer-contracting housing units and the new guidance puts the operative operating profit well below our estimates (Evli EUR 14.7m).

### 2019 operative operating profit to be negative

SRV downgraded its operative operating guidance for 2019, estimating that its operative operating profit will be at a loss due to impairments relating to its investments in Russia and decreasing margins in certain projects. Previous guidance put the operative operating profit between EUR 0-27m. SRV's estimate for completed developer-contracting housing units in 2019 remains unchanged, at 809 units. We had estimated a 2019 operative operating profit of EUR 14.7m, based on the expected large number of completions in Q4/2019.

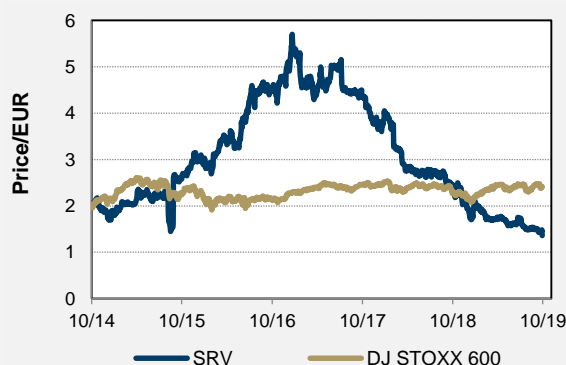
### We expect a 2019 EUR -6.3m operative operating profit

Based on the limited information given we have adjusted our H2/19 operative operating profit estimate for the Construction segment by EUR -11m to account for the weaker margins and costs related to the delay of REDI Majakka. We have further included a EUR -10m impairment charge to Q4/19, relating to the Russian investments, which on a speculative note may relate to the on-going Pearl Plaza negotiations. Our revised operative operating profit for 2019 is at EUR -6.3m. We do not expect a dividend in 2019/2020, with our other estimates unchanged until further clarity from the Q3 results on October 31<sup>st</sup>.

### HOLD with a target price of EUR 1.40 (1.80)

Following the vague guidance revision, uncertainty regarding our end of year estimates is significant, but 2019 will nonetheless be another weak year. We adjust our target price to EUR 1.40 (1.80) following the estimates revisions and retain our HOLD-rating.

### Rating

**HOLD**


Share price, EUR (Last trading day's closing price) **1.36**

Target price, EUR **1.4**

Latest change in recommendation **18-Sep-18**

Latest report on company **18-Jul-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 **81**

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 **31-Oct-19**

Web site **www.srv.fi**

Analyst **Jerker Salokivi**

E-mail **jerker.salokivi@evli.com**

Telephone **+358 9 4766 9149**

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	1,025	-3	-0.3%	-24	-0.39	-3.5	0.6	6.6	-168.0	0.04
2020E	983	28	2.9%	11	0.09	14.9	0.6	1.7	20.4	0.06
2021E	1,020	35	3.4%	18	0.25	5.5	0.6	20.9	17.4	0.07
Market cap, EURm			81	BV per share 2019E, EUR		3.0	CAGR EPS 2018-21, %			0.0
Net debt 2019E, EURm			508	Price/book 2019E		0.4	CAGR sales 2018-21, %			2.1
Enterprise value, EURm			588	Dividend yield 2019E, %		2.9	ROE 2019E, %			-12.3
Total assets 2019E, EURm			1,086	Tax rate 2019E, %		16.8	ROCE 2019E, %			0.8
Goodwill 2019E, EURm			2	Equity ratio 2019E, %		18.6	PEG, P/E 19/CAGR			0.0

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/'19	Q3/'19E	Q4/'19E	2019E	2020E	2021E
Revenue	1 114.4	215.6	235.7	208.5	299.8	959.6	222.6	207.4	222.1	373.4	1 025.0	983.0	1 020.4
change, %	26.1%	-3.6%	-17.0%	-22.1%	-11.6%	-13.9%	3.2%	-12.0%	6.5%	24.6%	6.8%	-4.1%	3.8%
Operative operating profit	27.1	-5.1	-3.4	-3.1	1.5	-10.1	0.5	-3.1	-2.5	-1.2	-6.3	28.2	34.6
-margin	2.4%	-2.4%	-1.4%	-1.5%	0.5%	-1.1%	0.2%	-1.5%	-1.1%	-0.3%	-0.6%	2.9%	3.4%
Items affecting comparability*	-11.7	-3.7	-2.1	-2.6	-1.4	-9.8	2.8	0.0	0.0	0.0	2.8	0.0	0.0
Operating profit	15.4	-8.8	-5.5	-5.7	0.1	-19.9	3.3	-3.2	-2.5	-1.2	-3.5	28.2	34.6
-margin	1.4%	-4.1%	-2.3%	-2.7%	0.0%	-2.1%	1.5%	-1.5%	-1.1%	-0.3%	-0.3%	2.9%	3.4%
Net financials	-10.7	-3.4	-4.3	-3.5	-6.3	-17.5	-3.6	-7.7	-4.5	-4.5	-20.3	-17.0	-17.0
Pre-tax profit	4.6	-12.2	-9.8	-9.1	-6.2	-37.3	-0.3	-10.8	-7.0	-5.7	-23.8	11.2	17.6
Income taxes	1.2	1.5	1.3	1.0	2.3	6.1	0.7	1.9	1.4	1.1	5.1	-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	-9.0	-5.6	-4.6	-19.6	9.0	14.1
EPS**	0.05	-0.19	-0.34	-0.14	-0.08	-0.56	-0.02	-0.18	-0.11	-0.09	-0.40	0.14	0.22
<b>Construction</b>	<b>2017</b>	<b>Q1/'18</b>	<b>Q2/'18</b>	<b>Q3/'18</b>	<b>Q4/'18</b>	<b>2018</b>	<b>Q1/'19</b>	<b>Q2/'19</b>	<b>Q3/'19E</b>	<b>Q4/'19E</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Revenue		214.7	234.5	207.7	298.5	955.4	221.9	206.7	220.9	372.2	1 021.2	978.0	1 015.9
change, %							3.4%	-11.9%	6.3%	24.7%	6.9%	-4.2%	3.9%
Business construction		155.4	166.7	160.3	183.9	666.3	144.9	162.6	167.5	178.9	653.9	672.0	685.4
change, %							-6.8%	-2.5%	4.5%	-2.7%	-1.9%	2.8%	2.0%
Housing construction		59.3	67.8	47.4	114.6	289.1	77.0	43.6	53.4	193.3	367.3	306.0	330.5
change, %							29.8%	-35.7%	12.7%	68.7%	27.1%	-16.7%	8.0%
Operating profit		-3.2	-1.1	-1.6	-7.5	-13.4	4.8	2.0	-0.5	11.8	18.1	35.2	38.6
-margin		-1.5%	-0.5%	-0.8%	-2.5%	-1.4%	2.2%	1.0%	-0.2%	3.2%	1.8%	3.6%	3.8%
<b>Investments</b>	<b>2017</b>	<b>Q1/'18</b>	<b>Q2/'18</b>	<b>Q3/'18</b>	<b>Q4/'18</b>	<b>2018</b>	<b>Q1/'19</b>	<b>Q2/'19</b>	<b>Q3/'19E</b>	<b>Q4/'19E</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Revenue		1.2	1.2	1.2	1.0	4.6	1.3	1.5	1.2	1.2	5.2	5.0	4.5
change, %							8.3%	25.0%	0.0%	20.0%	13.0%	-3.8%	-10.0%
Operative operating profit		-1.9	-0.8	-1.1	-4.0	-7.8	-2.7	-1.9	-1.5	-11.5	-17.6	-4.0	-1.0
Items affecting comparability*		-3.7	-2.1	-2.6	-1.4	-9.8	2.8	0.0	0.0	0.0	2.8	0.0	0.0
Operating profit		-5.6	-2.9	-3.7	-5.4	-17.6	0.1	-1.9	-1.5	-11.5	-14.8	-4.0	-1.0
<b>Other operations and elim.</b>	<b>2017</b>	<b>Q1/'18</b>	<b>Q2/'18</b>	<b>Q3/'18</b>	<b>Q4/'18</b>	<b>2018</b>	<b>Q1/'19</b>	<b>Q2/'19</b>	<b>Q3/'19E</b>	<b>Q4/'19E</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Revenue		0.4	-0.3	0.0	-0.4	0.3	-0.4	-0.6	0.0	0.0	-1.4	0.0	0.0
Operating profit		-4.8	0.0	-1.5	-0.4	13.0	-1.6	-3.2	-0.5	-1.5	-6.8	-3.0	-3.0

SRV	2018	Q1/'19	Q2/'19	Q3/'19E	Q4/'19E	2019E	2019E	2020E	2020E	2021E	2021E			
Estimates revisions						New	Old	Change	New	Old	Change	New	Old	Change
Revenue	959.6	222.6	207.4	222.1	373.4	1 025.0	1 025.0	0.0%	983.0	983.0	0.0%	1 020.4	1 020.4	0.0%
Construction	955.4	221.9	206.7	220.9	372.2	1 021.2	1 021.2	0.0%	978.0	978.0	0.0%	1 015.9	1 015.9	0.0%
-Business construction	666.3	144.9	162.6	167.5	178.9	653.9	653.9	0.0%	672.0	672.0	0.0%	685.4	685.4	0.0%
-Housing construction	289.1	77.0	43.6	53.4	193.3	367.3	367.3	0.0%	306.0	306.0	0.0%	330.5	330.5	0.0%
Investments	4.6	1.3	1.5	1.2	1.2	5.2	5.2	0.0%	5.0	5.0	0.0%	4.5	4.5	0.0%
Other operations and elim.	-0.4	-0.6	-0.8	0.0	0.0	-1.4	-1.4	0.0%	0.0	0.0	-	0.0	0.0	-
Operative operating profit	-10.1	0.5	-3.1	-2.5	-1.2	-6.3	14.7	-	28.2	28.2	0.0%	34.6	34.6	0.0%
Construction	-13.4	4.8	2.0	-0.5	11.8	18.1	29.1	-37.8%	35.2	35.2	0.0%	38.6	38.6	0.0%
Investments	-7.8	-2.7	-1.9	-1.5	-11.5	-17.6	-7.6	-132%	-4.0	-4.0	0.0%	-1.0	-1.0	0.0%
Other operations and elim.	11.1	-1.6	-3.2	-0.5	-1.5	-6.8	-6.8	0.0%	-3.0	-3.0	0.0%	-3.0	-3.0	0.0%
Operating profit	-19.9	3.3	-3.2	-2.5	-1.2	-3.5	17.5	-	28.2	28.2	0.0%	34.6	34.6	0.0%

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	1.36 PV of Free Cash Flow	306 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	1.99 PV of Horizon value	206 WACC, %	8.6 Market risk premium, %	5.8
Share price potential, %	-84.6 Unconsolidated equity	1 Spread, %	0.5 Debt risk premium, %	3.5
Maximum value	0.8 Marketable securities	93 Minimum WACC, %	8.1 Equity beta coefficient	1.40
Minimum value	-0.3 Debt - dividend	-594 Maximum WACC, %	9.1 Target debt ratio, %	45
Horizon value, %	40.3 Value of stock	12 Nr of shares, Mn	59.6 Effective tax rate, %	20

IFRS 16 net-debt adjusted

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	960	1,025	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	6.8	-4.1	3.8	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	-20	-3	28	35	36	37	38	39	39	40	41	42
<i>EBIT margin, %</i>	-2.1	-0.3	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	1	-5	-6	-6	-6	-6	-6	-7	-7	-7	
- Change in NWC	-105	3	10	-37	-6	5	5	-5	-6	-6	-6	
<i>NWC / Sales, %</i>	43.5	40.4	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	85	91	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	-139	20	30	76	115	36	37	27	27	28	28	440
= Discounted FCF (DFCF)		20	27	63	88	25	24	16	15	14	13	206
= DFCF min WACC		20	27	64	90	26	24	16	15	15	14	233
= DFCF max WACC		19	27	63	87	25	23	15	14	14	13	184

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	216	236	209	300	960	223	207	222	373	1,025	983	1,020
EBITDA	-8	-5	-5	3	-15	6	0	1	2	9	41	47
<i>EBITDA margin (%)</i>	-3.7	-2.1	-2.3	1.0	-1.5	2.8	0.0	0.2	0.5	0.8	4.2	4.6
EBIT	-9	-5	-6	0	-20	3	-3	-2	-1	-3	28	35
<i>EBIT margin (%)</i>	-4.1	-2.3	-2.7	0.0	-2.1	1.5	-1.5	-1.1	-0.3	-0.3	2.9	3.4
Net financial items	-3	-4	-3	-6	-17	-4	-8	-4	-4	-20	-17	-17
Pre-tax profit	-12	-10	-9	-6	-37	0	-11	-7	-6	-24	11	18
Tax	2	1	1	2	6	-1	2	1	1	4	-2	-3
<i>Tax rate (%)</i>	12.3	13.3	10.9	37.1	16.3	-233.3	20.0	20.0	20.0	16.8	16.8	16.8
Net profit	-11	-9	-9	-4	-34	-1	-10	-7	-6	-23	5	15
EPS	-0.19	-0.15	-0.15	-0.07	-0.57	-0.02	-0.16	-0.11	-0.09	-0.39	0.09	0.25
EPS adjusted (diluted no. of shares)	-0.19	-0.15	-0.15	-0.07	-0.57	-0.02	-0.16	-0.11	-0.09	-0.39	0.09	0.25
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	0.07
<b>SALES, EURm</b>												
Construction	215	235	208	298	955	222	207	221	372	1,022	978	1,016
Investments	1	1	1	1	5	1	2	1	1	5	5	5
Other	0	0	0	0	0	-1	-1	0	0	-1	0	0
Total	216	236	209	300	960	223	207	222	373	1,025	983	1,020
<b>SALES GROWTH, Y/Y %</b>												
Construction	0.0	0.0	0.0	0.0	0.0	3.3	-11.9	6.4	24.7	6.9	-4.3	3.9
Investments	0.0	0.0	0.0	0.0	0.0	8.3	25.0	0.0	20.0	13.0	-3.8	-10.0
Other	0.0	0.0	0.0	0.0	0.0	100.0		-100.1	-100.0	1,300.0	-100.0	0.0
Group	-100.0	-100.0	-100.0	-100.0	-100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	-3.6	-16.9	-22.1	-11.5	-13.8	3.2	-12.0	6.4	24.6	6.8	-4.1	3.8
<b>EBIT, EURm</b>												
Construction	-3	-1	-2	-7	-13	5	2	0	12	18	35	39
Investments	-6	-3	-4	-5	-18	0	-2	-1	-11	-15	-4	-1
Other	0	-1	0	13	11	-2	-3	0	-1	-7	-3	-3
Total	-9	-5	-6	0	-20	3	-3	-2	-1	-3	28	35
<b>EBIT margin, %</b>												
Construction	-1.5	-0.5	-0.8	-2.5	-1.4	2.2	1.0	-0.2	3.2	1.8	3.6	3.8
Investments	-466.7	-241.7	-308.3	-540.0	-382.6	7.7	-126.7	-125.0	-958.3	-284.6	-80.0	-22.2
Other	0.0		399.6	4,333.3	-11,100.0	266.7	400.0			485.7		
Total	-4.1	-2.3	-2.7	0.0	-2.1	1.5	-1.5	-1.1	-0.3	-0.3	2.9	3.4

Construction & Engineering/Finland, October 11, 2019  
Company update

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	685	719	884	1,114	960	1,025	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>6.8</i>	<i>-4.1</i>	<i>3.8</i>
Costs	-658	-691	-850	-1,093	-974	-1,017	-942	-973
Reported EBITDA	27	28	34	21	-15	9	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>0.8</i>	<i>4.2</i>	<i>4.6</i>
Depreciation	-2	-3	-7	-6	-5	-12	-13	-12
EBITA	25	25	28	15	-20	-3	28	35
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	25	25	28	15	-20	-3	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>-0.3</i>	<i>2.9</i>	<i>3.4</i>
Net financials	-6	-7	-11	-11	-17	-20	-17	-17
Pre-tax profit	18	18	16	5	-37	-24	11	18
Extraordinary items	0	0	0	0	0	0	0	0
Taxes	-4	-4	-2	1	6	4	-2	-3
Minority shares	0	0	0	0	1	1	0	0
Net profit	10	10	9	2	-34	-23	5	15
<b>BALANCE SHEET, EURm</b>								
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	390	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	99	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	1,086	1,061	1,112
Liabilities								
Equity	180	232	250	238	189	179	182	193
<i>% of sales</i>	<i>26</i>	<i>32</i>	<i>28</i>	<i>21</i>	<i>20</i>	<i>17</i>	<i>18</i>	<i>19</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	608	590	620
<i>% of sales</i>	<i>39</i>	<i>43</i>	<i>39</i>	<i>33</i>	<i>62</i>	<i>59</i>	<i>60</i>	<i>61</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	1,086	1,061	1,112
<b>CASH FLOW, EURm</b>								
+ EBITDA	27	28	34	21	-15	9	41	47
- Net financial items	-6	-7	-11	-11	-17	-20	-17	-17
- Taxes	-4	-3	-2	0	-1	4	-2	-3
- Increase in Net Working Capital	39	29	-15	-44	-105	3	10	-37
+/- Other	-8	2	25	-1	-3	21	-4	85
= Cash flow from operations	47	50	31	-35	-134	16	29	74
- 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	3	16	62
+/- Change in interest-bearing debt	-81	41	35	20	228	14	-18	30
+/- 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	88

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	184	322	214	101	81	81	81
Net debt	276	291	343	501	508	495	521
Enterprise value	460	611	555	601	588	574	601
Sales	719	884	1,114	960	1,025	983	1,020
EBITDA	28	34	21	-15	9	41	47
EBIT	25	28	15	-20	-3	28	35
Pre-tax	18	16	5	-37	-24	11	18
Earnings	10	9	2	-34	-23	5	15
Book value	231	252	240	191	181	184	195
<b>Valuation multiples</b>							
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	68.9	14.0	12.8
EV/EBITA	18.8	22.2	36.1	-30.2	-168.0	20.4	17.4
EV/EBIT	18.8	22.2	36.1	-30.2	-168.0	20.4	17.4
EV/operating cash flow	9.3	19.7	-16.0	-4.9	47.7	12.3	154.6
EV/cash earnings	25.6	29.3	55.7	-18.3	-75.7	25.9	22.3
P/E	19.2	35.1	98.6	-3.0	-3.5	14.9	5.5
P/E excl. goodwill	19.2	35.1	98.6	-3.0	-3.5	14.9	5.5
P/B	0.8	1.3	0.9	0.5	0.4	0.4	0.4
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	6.6	1.7	20.9
Target EV/EBIT	0.0	0.0	0.0	0.0	-168.2	20.4	17.4
Target P/E	0.0	0.0	0.0	0.0	-3.6	15.4	5.7
Target P/B	0.0	0.0	0.0	0.0	0.5	0.5	0.4
<b>Per share measures</b>							
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	-0.39	0.09	0.25
EPS excl. goodwill	0.16	0.15	0.04	-0.57	-0.39	0.09	0.25
Cash EPS	0.30	0.35	0.17	-0.55	-0.13	0.37	0.45
Operating cash flow per share	0.84	0.52	-0.59	-2.06	0.21	0.78	0.07
Capital employed per share	5.08	5.55	6.56	8.55	8.50	8.32	8.95
Book value per share	3.90	4.25	4.03	3.21	3.04	3.09	3.28
Book value excl. goodwill	3.87	4.22	4.01	3.18	3.01	3.07	3.25
Dividend per share	0.10	0.10	0.06	0.00	0.04	0.06	0.07
Dividend payout ratio, %	61.8	64.5	164.3	0.0	-10.4	65.9	30.0
Dividend yield, %	3.2	1.8	1.7	0.0	2.9	4.4	5.4
<b>Efficiency measures</b>							
ROE	4.7	3.8	0.9	-15.8	-12.3	3.0	7.7
ROCE	5.1	5.2	3.5	-2.1	0.8	4.4	5.1
<b>Financial ratios</b>							
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	104.3	97.4	102.4
Net debt/EBITDA, book-weighted	9.9	8.5	16.2	-34.3	59.6	12.0	11.1
Debt/equity, market-weighted	1.7	1.1	1.7	5.9	7.5	7.3	7.7
Equity ratio, book-weighted	33.3	30.6	29.8	19.0	18.6	19.5	19.6
Gearing	1.19	1.16	1.44	2.66	2.85	2.72	2.70
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	970,185	929,991	965,393
EBIT per employee, EUR	24,306	25,532	13,899	-18,827	-3,311	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 and Russia.

## INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Kolpi Investments Oy	11,505,457	15.647	19.3%
Kokkila Timo Tapani	7,617,216	10.359	12.8%
Kokkila Tuomas	6,494,422	8.832	10.9%
Kokkila Lauri	6,494,422	8.832	10.9%
Tiiviste-Group Oy	6,411,821	8.720	10.8%
Nordea Life Insurance Finland Ltd.	1,725,685	2.347	2.9%
The State Pension Fund	1,170,000	1.591	2.0%
Ilmarinen Mutual Pension Insurance Company	962,822	1.309	1.6%
SRV Yhtiöt Oyj	918,599	1.249	1.5%
OP-Suomi Value fund	716,666	0.975	1.2%
Ten largest	44,017,110	59.863	74%
Residual	15,563,866	21.167	26%
Total	59,580,976	81.030	100%

## EARNINGS CALENDAR

October 31, 2019	Q3 report
February 06, 2020	FY 2019 Results
April 29, 2020	Q1 report
July 21, 2020	Q2 report

## OTHER EVENTS

## COMPANY MISCELLANEOUS

CEO: Saku Sipola	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 timer per year.

Recommendation	Percentage
Sell	8%
Hold	53%
Buy	39%

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

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**Contact information****SALES, TRADING AND RESEARCH****Equity Sales**

Ari Laine +358 9 4766 9115  
Lauri Ahokanto +358 9 4766 9117  
Niclas Henelius +358 9 4766 9116

**Trading**

Lauri Vehkaluoto (Head) +358 9 4766 9130  
Pasi Väisänen +358 9 4766 9120  
Antti Kässi +358 9 4766 9120

**ETFs and Derivatives**

Tobias Björk (Head) +358 9 4766 9130  
Joachim Dannberg +358 9 4766 9123  
Kimmo Lijja +358 9 4766 9130  
Sami Järvinen +358 9 4766 9110

**Structured Investments**

Heikki Savijoki +358 9 4766 9726  
Aki Lakkisto +358 9 4766 9123

**Equity Research**

Jonas Forslund +358 9 4766 9314  
Joonas Ilvonen +358 44 430 9071  
Jerker Salokivi +358 9 4766 9149  
Anna-Liisa Rissanen +358 40 157 9919

**Evli Investment Solutions**

Johannes Asuja +358 9 4766 9205  
Markku Reinikainen +358 9 4766 9669



**EVLI BANK PLC**  
Aleksanterinkatu 19 A  
P.O. Box 1081  
FIN-00101 Helsinki, FINLAND  
Phone +358 9 476 690  
Fax +358 9 634 382  
Internet www.evli.com  
E-mail firstname.lastname@evli.com

**EVLI BANK PLC,  
STOCKHOLMSFILIAL**  
Regeringsgatan 67 P.O. Box 16354  
SE-103 26 Stockholm  
Sverige  
stockholm@evli.com  
Tel +46 (0)8 407 8000  
Fax +46 (0)8 407 8001