

Persisting challenges

SRV's Q3 results were below our expectations, as while revenue beat our estimates slightly (Act./Evli 227.1m/222.1m), EBIT was below our estimates at EUR -6.3m (Evli -2.5m). Profitability was impacted by impairments relating to investments in Russia and weaker margins in the Construction segment, driven by two larger projects. SRV announced the initiation of a recovery programme, with the short-term goal of ensuring positive cash flow and operating profit in 2020.

Results below expectations

SRV's Q3 results were weaker than expected. Revenue was slightly above our estimates, at EUR 227.1m (Evli EUR 222.1m), while EBIT was below our estimates at EUR -6.3m (Evli -2.5m). EBIT was weaker partly due to impairments relating to investments in Russia, which we had forecast to Q4/19, but the weaker margins also hit EBIT of the Construction segment harder than we had estimated and was EUR -3.4m (Evli -0.5m). Positive operational news in the quarter were quite frankly limited, but the announced recovery programme and comments from recently joined CEO Saku Sipola point towards stronger determination in improving cash flows and the balance sheet.

Initiated a recovery programme

SRV announced the launch of a recovery programme, with the short-term goal of ensuring its operative operating profit and cash flow for 2020 are positive and returning its operative operating profit for 2021 to the level of 2017 (EUR 27.1m). We interpret the information given as a continued subpar performance in 2020 and take a more conservative stance on earnings improvement, lowering our 2020 EBIT estimate to EUR 12.6m (prev. EUR 28.2m). The slowing down of the construction sector and the more non-recurring nature of a larger part of the problems in 2019 in our view, however, still continue to speak for clear profitability improvements.

HOLD with a target price of EUR 1.30

Following revisions to our estimates we lower our target price to EUR 1.3 (1.4), retaining our HOLD-rating.

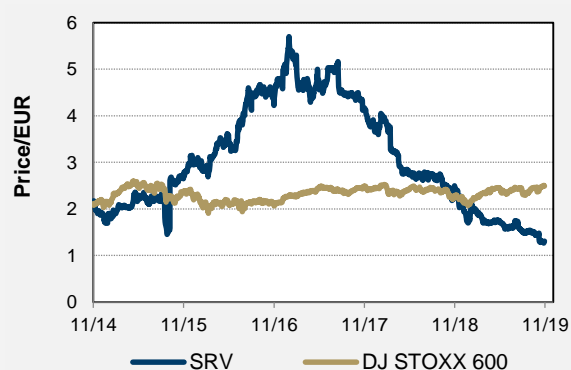
KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2017	1,114.1	15.4	1.4%	-61.7	0.04	98.6	0.5	36.1	-28.8	0.06
2018	959.9	-19.9	-2.1%	18.1	-0.57	-3.0	0.6	-30.2	17.9	0.00
2019E	1,027.3	-3.9	-0.4%	-14.3	-0.47	-2.8	0.6	-153.5	-18.3	0.00
2020E	984.3	12.6	1.3%	20.5	-0.36	-3.7	0.6	46.3	26.3	0.00
2021E	989.3	23.5	2.4%	49.6	-0.11	-12.2	0.6	26.3	63.6	0.05
Market cap, EURm			78	Gearing 2019E, %			171.2	CAGR EPS 2018-21, %		-42.8
Net debt 2019E, EURm			522	Price/book 2019E			0.4	CAGR sales 2018-21, %		1.0
Enterprise value, EURm			599	Dividend yield 2019E, %			0.0	ROE 2019E, %		-15.2
Total assets 2019E, EURm			1,058	Tax rate 2019E, %			19.6	ROCE 2019E, %		0.5
Goodwill 2019E, EURm			2	Equity ratio 2019E, %			27.6	PEG, P/E 19/CAGR		0.0

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

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 1.31

Target price, EUR 1.3

Latest change in recommendation 18-Sep-18

Latest report on company 11-Oct-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 78

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 06-Feb-20

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+ BUY ■ HOLD - SELL

SRV	2017	Q1/'18	Q2/'18	Q3/'18	Q4/'18	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19E	2019E	2020E	2021E
Revenue	1 114.4	215.6	235.7	208.5	299.8	959.6	222.6	207.4	227.1	370.2	1 026.7	984.3	989.3
change, %	26.1%	-3.6%	-17.0%	-22.1%	-11.6%	-13.9%	3.2%	-12.0%	8.9%	23.5%	7.0%	-4.1%	0.5%
Operative operating profit	27.1	-5.1	-3.4	-3.1	1.5	-10.1	0.5	-3.1	-7.0	2.3	-7.3	12.6	23.5
-margin	2.4%	-2.4%	-1.4%	-1.5%	0.5%	-1.1%	0.2%	-1.5%	-3.1%	0.6%	-0.7%	1.3%	2.4%
Items affecting comparability*	-11.7	-3.7	-2.1	-2.6	-1.4	-9.8	2.8	0.0	0.6	0.0	3.4	0.0	0.0
Operating profit	15.4	-8.8	-5.5	-5.7	0.1	-19.9	3.3	-3.2	-6.3	2.3	-3.9	12.6	23.5
-margin	1.4%	-4.1%	-2.3%	-2.7%	0.0%	-2.1%	1.5%	-1.5%	-2.8%	0.6%	-0.4%	1.3%	2.4%
Net financials	-10.7	-3.4	-4.3	-3.5	-6.3	-17.5	-3.6	-7.7	-7.6	-8.0	-26.9	-29.0	-24.0
Pre-tax profit	4.6	-12.2	-9.8	-9.1	-6.2	-37.3	-0.3	-10.8	-14.0	-5.7	-30.8	-16.4	-0.5
Income taxes	1.2	1.5	1.3	1.0	2.3	6.1	0.7	1.9	2.3	1.1	6.0	3.3	0.1
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	-11.7	-4.6	-25.7	-13.2	-0.4
EPS**	0.05	-0.19	-0.34	-0.14	-0.08	-0.56	-0.02	-0.18	-0.22	-0.09	-0.51	-0.23	-0.02
Construction	2017	Q1/'18	Q2/'18	Q3/'18	Q4/'18	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19E	2019E	2020E	2021E
Revenue		214.7	234.5	207.7	298.5	955.4	221.9	206.7	225.9	368.7	1 022.7	978.0	982.3
change, %							3.4%	-11.9%	8.8%	23.5%	7.0%	-4.4%	0.4%
<i>Business construction</i>		155.4	166.7	160.3	183.9	666.3	144.9	162.6	171.2	178.9	657.6	672.0	651.8
change, %							-6.8%	-2.5%	6.8%	-2.7%	-1.3%	2.2%	-3.0%
<i>Housing construction</i>		59.3	67.8	47.4	114.6	289.1	77.0	43.6	54.7	189.8	365.1	306.0	330.5
change, %							29.8%	-35.7%	15.4%	65.6%	26.3%	-16.2%	8.0%
Operating profit		-3.2	-1.1	-1.6	-7.5	-13.4	4.8	2.0	-3.5	8.8	12.1	19.6	27.5
-margin		-1.5%	-0.5%	-0.8%	-2.5%	-1.4%	2.2%	1.0%	-1.5%	2.4%	1.2%	2.0%	2.8%
Investments	2017	Q1/'18	Q2/'18	Q3/'18	Q4/'18	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19E	2019E	2020E	2021E
Revenue		1.2	1.2	1.2	1.0	4.6	1.3	1.5	1.4	1.5	5.7	6.3	7.0
change, %							8.3%	25.0%	16.7%	50.0%	23.9%	10.5%	11.1%
Operative operating profit		-1.9	-0.8	-1.1	-4.0	-7.8	-2.7	-1.9	-3.7	-5.0	-13.3	-4.0	-1.0
Items affecting comparability*		-3.7	-2.1	-2.6	-1.4	-9.8	2.8	0.0	0.6	0.0	3.4	0.0	0.0
Operating profit		-5.6	-2.9	-3.7	-5.4	-17.6	0.1	-1.9	-3.1	-5.0	-9.9	-4.0	-1.0
Other operations and elim.	2017	Q1/'18	Q2/'18	Q3/'18	Q4/'18	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19E	2019E	2020E	2021E
Revenue	0.4	-0.3	0.0	-0.4	0.3	-0.4	-0.6	-0.8	-0.3	0.0	-1.7	0.0	0.0
Operating profit	-4.8	0.0	-1.5	-0.4	13.0	11.1	-1.6	-3.2	0.2	-1.5	-6.1	-3.0	-3.0

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

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2	2019Q3	2019Q4E	2019E	2020E	2021E
Net sales	215.7	235.8	208.7	299.7	959.9	222.6	207.4	227.1	370.2	1,027.3	984.3	989.3
EBITDA	-7.9	-4.9	-4.8	3.0	-14.6	6.1	-0.8	-2.0	5.3	8.6	25.4	35.8
<i>EBITDA margin (%)</i>	<i>-3.7</i>	<i>-2.1</i>	<i>-2.3</i>	<i>1.0</i>	<i>-1.5</i>	<i>2.7</i>	<i>-0.4</i>	<i>-0.9</i>	<i>1.4</i>	<i>0.8</i>	<i>2.6</i>	<i>3.6</i>
EBIT	-8.8	-5.5	-5.7	0.1	-19.9	3.3	-3.1	-6.4	2.3	-3.9	12.6	23.5
<i>EBIT margin (%)</i>	<i>-4.1</i>	<i>-2.3</i>	<i>-2.7</i>	<i>0.0</i>	<i>-2.1</i>	<i>1.5</i>	<i>-1.5</i>	<i>-2.8</i>	<i>0.6</i>	<i>-0.4</i>	<i>1.3</i>	<i>2.4</i>
Net financial items	-3.4	-4.3	-3.5	-6.3	-17.5	-3.6	-7.7	-7.6	-8.0	-26.9	-29.0	-24.0
Pre-tax profit	-12.2	-9.8	-9.2	-6.2	-37.4	-0.3	-10.8	-14.0	-5.7	-30.8	-16.4	-0.5
Tax	1.5	1.3	1.0	2.3	6.1	0.7	1.9	2.3	1.1	6.0	3.2	0.1
<i>Tax rate (%)</i>	<i>12.3</i>	<i>13.3</i>	<i>10.9</i>	<i>37.1</i>	<i>16.3</i>	<i>233.3</i>	<i>17.6</i>	<i>16.4</i>	<i>20.0</i>	<i>19.6</i>	<i>19.6</i>	<i>19.6</i>
Net profit	-11.5	-9.2	-9.1	-4.3	-34.1	0.1	-9.8	-12.6	-5.5	-28.0	-21.3	-6.4
EPS	-0.19	-0.15	-0.15	-0.07	-0.57	0.00	-0.17	-0.21	-0.09	-0.47	-0.36	-0.11
EPS adjusted (diluted no. of shares)	-0.19	-0.15	-0.15	-0.07	-0.57	0.00	-0.17	-0.21	-0.09	-0.47	-0.36	-0.11
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05
SALES, EURm												
Construction	214.8	234.6	207.6	298.4	955.4	221.9	206.7	226.0	368.7	1,023.3	978.0	982.3
Investments	1.2	1.2	1.2	1.0	4.6	1.3	1.5	1.4	1.5	5.7	6.3	7.0
Other	-0.3	0.0	-0.1	0.3	-0.1	-0.6	-0.8	-0.3	0.0	-1.7	0.0	0.0
Total	215.7	235.8	208.7	299.7	959.9	222.6	207.4	227.1	370.2	1,027.3	984.3	989.3
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>-11.9</i>	<i>8.9</i>	<i>23.6</i>	<i>7.1</i>	<i>-4.4</i>	<i>0.4</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>25.0</i>	<i>16.7</i>	<i>50.0</i>	<i>23.9</i>	<i>10.5</i>	<i>11.1</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>199.7</i>	<i>-100.0</i>	<i>1,600.0</i>	<i>-100.0</i>	<i>0.0</i>
<i>Group</i>	<i>-100.0</i>	<i>-100.0</i>	<i>-100.0</i>	<i>-100.0</i>	<i>-100.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Total	-3.6	-16.9	-22.1	-11.5	-13.8	3.2	-12.0	8.8	23.5	7.0	-4.2	0.5
EBIT, EURm												
Construction	-3.2	-1.1	-1.6	-7.5	-13.4	4.8	2.0	-3.5	8.8	12.1	19.6	27.5
Investments	-5.6	-2.9	-3.7	-5.4	-17.6	0.1	-1.9	-3.1	-5.0	-9.9	-4.0	-1.0
Other	0.0	-1.5	-0.4	13.0	11.1	-1.6	-3.2	0.2	-1.5	-6.1	-3.0	-3.0
Total	-8.8	-5.5	-5.7	0.1	-19.9	3.3	-3.1	-6.4	2.3	-3.9	12.6	23.5
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>1.0</i>	<i>-1.5</i>	<i>2.4</i>	<i>1.2</i>	<i>2.0</i>	<i>2.8</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>-126.7</i>	<i>-221.4</i>	<i>-333.3</i>	<i>-173.7</i>	<i>-63.5</i>	<i>-14.3</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>400.0</i>	<i>-66.7</i>		<i>358.8</i>		
Total	-4.1	-2.3	-2.7	0.0	-2.1	1.5	-1.5	-2.8	0.6	-0.4	1.3	2.4

Construction & Engineering/Finland, November 1, 2019
Company update

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	684.6	719.2	884.0	1,114.1	959.9	1,027.3	984.3	989.3
<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>7.0</i>	<i>-4.2</i>	<i>0.5</i>
EBITDA	26.9	28.0	34.2	21.1	-14.6	8.6	25.4	35.8
<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>2.6</i>	<i>3.6</i>
Depreciation	-2.1	-3.5	-6.6	-5.7	-5.3	-6.4	-6.9	-6.6
EBITA	24.8	24.5	27.6	15.4	-19.9	-3.9	12.6	23.5
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	24.8	24.5	27.6	15.4	-19.9	-3.9	12.6	23.5
<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>-0.4</i>	<i>1.3</i>	<i>2.4</i>
Reported EBIT	24.8	24.5	27.6	15.4	-19.9	-3.9	12.6	23.5
<i>EBIT margin (reported) (%)</i>	<i>3.6</i>	<i>3.4</i>	<i>3.1</i>	<i>1.4</i>	<i>-2.1</i>	<i>-0.4</i>	<i>1.3</i>	<i>2.4</i>
Net financials	-6.4	-6.9	-11.3	-10.7	-17.5	-26.9	-29.0	-24.0
Pre-tax profit	18.4	17.6	16.3	4.7	-37.4	-30.8	-16.4	-0.5
Taxes	-3.6	-3.6	-2.1	1.2	6.1	6.0	3.2	0.1
Minority shares	-0.2	0.0	0.0	0.2	1.1	1.0	1.0	1.0
Net profit	10.2	9.6	9.2	2.2	-34.1	-28.0	-21.3	-6.4
Cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	152	263	295	287	273	276	256	256
Goodwill	2	2	2	2	2	2	2	2
Right of use assets	0	0	0	0	173	170	162	163
Inventory	313	337	400	419	438	390	374	376
Receivables	84	119	122	146	122	130	125	153
Liquid funds	18	35	55	24	93	62	59	79
Total assets	576	763	883	889	1,120	1,058	1,006	1,057
Liabilities								
Shareholder's equity	179	231	252	240	191	176	155	149
Minority interest	1	1	-2	-2	-3	-3	-3	-3
Convertibles	45	45	45	45	45	83	83	83
Lease liabilities	0	0	0	0	174	170	162	163
Deferred taxes	2	2	4	5	5	5	5	5
Interest bearing debt	225	266	301	321	375	331	319	374
Non-interest bearing current liabilities	114	202	253	252	304	267	256	257
Other interest-free debt	0	4	14	18	9	9	9	9
Total liabilities	576	763	883	889	1,120	1,058	1,006	1,057
CASH FLOW, EURm								
+ EBITDA	27	28	34	21	-15	9	25	36
- Net financial items	-6	-7	-11	-11	-17	-27	-29	-24
- Taxes	-4	-3	-2	0	-1	-3	3	0
- Increase in Net Working Capital	39	29	-15	-44	56	3	10	-29
+/- Other	-13	-3	15	-14	-3	-3	16	79
= Cash flow from operations	42	44	21	-48	20	-22	26	63
- Capex	-34	-118	-13	-13	-2	8	-5	-13
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	8	-74	8	-62	18	-14	21	50
+/- New issues/buybacks	-3	47	15	-8	-12	13	0	0
- Paid dividend	-4	-4	-6	-6	-4	0	0	0
+/- Other	-72	49	2	45	67	-30	-23	-30
Change in cash	-72	17	20	-31	70	-31	-3	20

Construction & Engineering/Finland, November 1, 2019
Company update

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	184	322	214	101	78	78	78
Net debt (excl. convertibles)	231	246	298	456	439	423	458
Enterprise value	460	611	555	601	599	582	618
Sales	719	884	1,114	960	1,027	984	989
EBITDA	28	34	21	-15	9	25	36
EBIT	25	28	15	-20	-4	13	24
Pre-tax	18	16	5	-37	-31	-16	0
Earnings	10	9	2	-34	-28	-21	-6
Equity book value (excl. minorities)	231	252	240	191	176	155	149
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	69.4	22.9	17.2
EV/EBITA	18.8	22.2	36.1	-30.2	-153.5	46.3	26.3
EV/EBIT	18.8	22.2	36.1	-30.2	-153.5	46.3	26.3
EV/OCF	10.4	28.8	-11.5	29.4	-27.2	22.4	9.8
EV/FCFF	-6.7	-20.4	-13.0	17.8	67.2	13.9	8.3
P/FCFE	-2.5	40.1	-3.5	5.6	-5.5	3.8	1.6
P/E	19.2	35.1	98.6	-3.0	-2.8	-3.7	-12.2
P/B	0.8	1.3	0.9	0.5	0.4	0.5	0.5
Target EV/EBITDA	0.0	0.0	0.0	0.0	69.1	22.8	17.2
Target EV/EBIT	0.0	0.0	0.0	0.0	-153.0	46.2	26.2
Target EV/FCF	0.0	0.0	0.0	0.0	-41.7	28.3	12.4
Target P/B	0.0	0.0	0.0	0.0	0.4	0.5	0.5
Target P/E	0.0	0.0	0.0	0.0	-2.8	-3.6	-12.1
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	-0.47	-0.36	-0.11
Operating cash flow per share	0.74	0.36	-0.81	0.34	-0.37	0.44	1.05
Free cash flow per share	-1.25	0.14	-1.04	0.30	-0.24	0.34	0.83
Book value per share	3.90	4.25	4.03	3.21	2.96	2.60	2.49
Dividend per share	0.10	0.10	0.06	0.00	0.00	0.00	0.05
Dividend payout ratio, %	61.8	64.5	164.3	0.0	0.0	0.0	-46.6
Dividend yield, %	3.2	1.8	1.7	0.0	0.0	0.0	3.8
FCF yield, %	-40.4	2.5	-28.8	17.9	-18.3	26.3	63.6
Efficiency measures							
ROE	4.7	3.8	0.9	-15.8	-15.2	-12.9	-4.2
ROCE	5.1	5.2	3.5	-2.1	0.5	2.5	4.0
Financial ratios							
Inventories as % of sales	46.8	45.3	37.6	45.7	38.0	38.0	38.0
Receivables as % of sales	16.6	13.7	13.1	12.7	12.7	12.7	15.5
Non-interest bearing liabilities as % of sales	28.1	28.7	22.7	31.7	26.0	26.0	26.0
NWC/sales, %	35.2	30.4	28.0	26.7	24.7	24.7	27.5
Operative CAPEX/sales, %	16.5	1.5	1.2	0.2	-0.8	0.6	1.3
CAPEX/sales (incl. acquisitions), %	16.5	1.5	1.2	0.2	-0.8	0.6	1.3
FCFF/EBITDA	-2.5	-0.9	-2.0	-2.3	1.0	1.6	2.1
Net debt/EBITDA, book-weighted	8.2	7.2	14.1	-31.2	50.9	16.6	12.8
Debt/equity, market-weighted	1.4	0.9	1.5	3.7	4.2	4.1	4.8
Equity ratio, book-weighted	39.7	36.1	35.5	23.6	27.6	26.8	24.6
Gearing, %	83.2	83.4	105.0	195.1	171.2	179.7	200.4

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	15.072	19.3%
Kokkila Timo Tapani	7,617,216	9.979	12.8%
Kokkila Tuomas	6,494,422	8.508	10.9%
Kokkila Lauri	6,494,422	8.508	10.9%
Tiiviste-Group Oy	6,411,821	8.399	10.8%
Nordea Life Insurance Finland Ltd.	1,725,685	2.261	2.9%
The State Pension Fund	1,170,000	1.533	2.0%
Ilmarinen Mutual Pension Insurance Company	962,822	1.261	1.6%
SRV Yhtiöt Oyj	918,599	1.203	1.5%
OP-Suomi Value fund	716,666	0.939	1.2%
Ten largest	44,017,110	57.662	74%
Residual	15,563,866	20.389	26%
Total	59,580,976	78.051	100%

EARNINGS CALENDAR

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	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	DPS	Dividend for the financial period per share
Market cap	Price per share * Number of shares	OCF (Operating cash flow)	EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow)	Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, %	$\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital	Current assets – current liabilities
Net debt	Interest bearing debt – financial assets	Capital employed/Share	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
Total assets	Balance sheet total	Gearing	$\frac{\text{Net debt}}{\text{Equity}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

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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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