

REDI amortization driven miss

SRV's net sales in Q4 amounted to EUR 403.8m, above our estimates and above consensus estimates (EUR 370.2m/381.0m Evli/cons.). EBIT amounted to EUR -86.8m, below our and consensus estimates (EUR 2.3m/0.2m Evli/cons.). Q4 was affected by significant amortization charges relating mainly to the REDI shopping centre.

- Revenue in Q4 was EUR 403.8m (EUR 299.7m in Q4/18), above our estimates and consensus estimates (EUR 370.2m/381.0m Evli/Cons.). Growth in Q4 amounted to 34.7 % y/y.
- Operating profit in Q4 amounted to EUR -86.8m (EUR 0.1m in Q4/18), below our estimates and consensus estimates (EUR 2.3m/0.2m Evli/cons.). SRV recorded amortization charges totaling EUR 92.9m, relating mainly to the REDI shopping centre sale.
- Construction: Revenue in Q4 was EUR 403.1m vs. EUR 368.7m Evli. Operating profit in Q4 amounted to EUR 3.6m vs. EUR 8.8m Evli.
- Investments: Revenue in Q4 was EUR 1.7m vs. EUR 1.5m Evli. Operating profit in Q4 amounted to EUR -87.5m vs. EUR -5.0m Evli.
- Other operations and elim.: Revenue in Q4 was EUR -0.9m vs. EUR 0.0m Evli. Operating profit in Q4 amounted to EUR -2.9m vs. EUR -1.5m Evli.
- SRV expects revenue in 2020 to decline compared with 2019 and the operative operating profit to be positive and improve compared with 2019.
- SRV proposes that no dividend will be paid for 2019 (EUR 0.0 Evli/Cons.).
- SRV further informed of a sale of its ownership in the REDI shopping centre and is decreasing its ownership in the Tampere Deck and Arena project along with a series of financing decisions.

 Rating 🟡 HOLD

Q4/19	Actual	Evli	Cons.	Q4/18
Net sales	403.8	370.2	381.0	299.7
EBIT	-86.8	2.3	0.2	0.1
EPS	-1.43	-0.09	-0.11	-0.07
Deviation	Actual	Evli	Cons.	Q4/18
Net sales		9%	6%	35%
EBIT		-	-	-
EPS		<-100%	<-100%	<-100%

*Consensus by Factset

 Share price, EUR (Last trading day's closing price) 1.44

 Target price, EUR 1.3

 Latest change in recommendation 18-Sep-18

 Latest report on company 01-Nov-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 86

 Free float, % 33.2

 Exchange rate 1.000

 Reuters code SRV1V.HE

 Bloomberg code SRV1V.FH

 Average daily volume, EURm 0.06

 Next interim report 06-Feb-20

 Web site srv.fi/en/investors

 Analyst Jerker Salokivi

 E-mail jerker.salokivi@evli.com

 Telephone +358 9 4766 9149
+ BUY 🟡 HOLD - SELL

PRE-REPORT 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%	-57.0	0.04	98.6	0.5	36.1	-26.6	0.06
2018	959.9	-19.9	-2.1%	10.7	-0.57	-3.0	0.6	-30.2	10.6	0.00
2019E	1,027.3	-3.9	-0.4%	-14.3	-0.47	-3.1	0.6	-155.5	-16.7	0.00
2020E	984.3	12.6	1.3%	20.5	-0.36	-4.0	0.6	47.0	23.9	0.00
2021E	989.3	23.5	2.4%	50.1	-0.11	-13.4	0.6	26.6	58.4	0.05

Market cap, EURm	86	BV per share 2019E, EUR	300.8	CAGR EPS 2018-21, %	-42.8
Net debt 2019E, EURm	522	Price/book 2019E	0.5	CAGR sales 2018-21, %	1.0
Enterprise value, EURm	606	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.

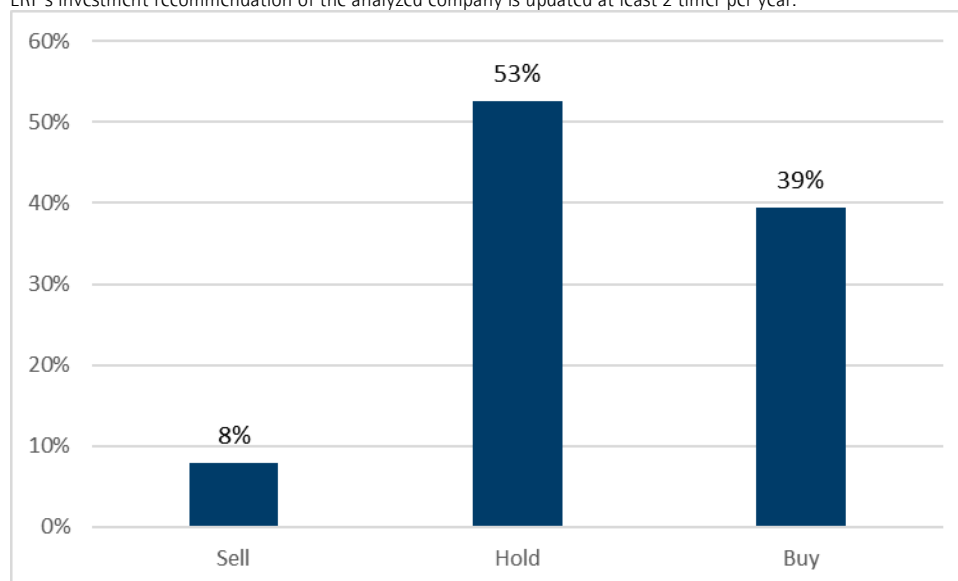
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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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 9120
Pasi Väisänen +358 9 4766 9120
Antti Kässi +358 9 4766 9120
Miika Ronkanen +358 9 4766 9120

ETFs and Derivatives

Joachim Dannberg +358 9 4766 9123
Kimmo Lijja +358 9 4766 9130

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