

Next step of recovery measures

SRV is approaching the final leg of its recovery programme and initiated a rights issue, seeking to raise EUR 50m gross proceeds. The good progress so far remains somewhat overshadowed by the development of the Russian economy. We adjust our TP to EUR 0.64 (1.10), HOLD-rating intact.

Seeking to raise EUR 50m gross proceeds

SRV initiated a rights issue with the aim of raising gross proceeds of EUR 50m and resolved upon offering up to ~131m new shares, corresponding to 49.8% of all shares if fully completed, with existing shareholders receiving one subscription right for each owned share and the subscription price for new shares set at EUR 0.38. The share issue proceeds are primarily intended for strengthening of the company's balance sheet. SRV also completed a directed share issue in May, resulting in gross proceeds of approx. EUR 75m but no cash proceeds, as outstanding hybrid bonds were converted into equity. The company expects that the issues along with measures taken as part of the company's recovery programme will improve the company's equity ratio excl. lease liabilities from 26.4% (31.12.2019) to 30-33% by the end of Q2.

Profitability improving, financial expenses hamper earnings

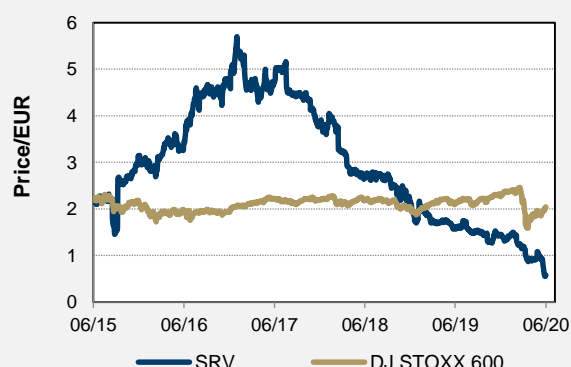
We assume full completion of the rights issue in our estimates given the EUR 40m commitments made and the discount of the subscription price. Apart from adjustments due to the expected expenses related to the share issues our estimates remain intact. We expect the operative operating profit to improve to EUR 15.3m following improved construction profitability, while expecting net earnings to remain negative due to the high financial expenses.

HOLD with a target price of EUR 0.64 (1.10)

Our SOTP implies an equity value of EUR 0.69 per share while peer multiples remain challenging. The ruble has seen recovery from its Q1 dip but together with the state of the Russian economy pose a risk to easing balance sheet strains through exits. We adjust our target price to EUR 0.64 (1.10) with our HOLD-rating intact.

Rating

HOLD



Share price, EUR (Last trading day's closing price) 0.58
Target price, EUR 0.64

Latest change in recommendation 18-Sep-18
Latest report on company 30-Apr-20
Research paid by issuer: YES
No. of shares outstanding, '000's 263,017
No. of shares fully diluted, '000's 263,017
Market cap, EURm 77
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 21-Jul-20
Web site srv.fi/en/investors

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BUY HOLD SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2018	959.9	-19.9	-2.1%	10.7	-0.57	-3.0	0.6	-30.2	10.6	0.00
2019	1,061.0	-93.1	-8.8%	-36.9	-1.80	-0.8	0.6	-6.3	-45.6	0.00
2020E	957.2	14.8	1.5%	76.3	-0.07	-8.0	0.4	28.3	99.7	0.00
2021E	986.0	23.2	2.4%	-8.0	0.00	137.4	0.4	18.4	-10.5	0.00
2022E	962.7	25.4	2.6%	65.1	0.01	53.0	0.4	16.3	85.0	0.02
Market cap, EURm			77	Gearing 2020E, %		165.4	CAGR EPS 2019-22, %			0.0
Net debt 2020E, EURm			344	Price/book 2020E		0.4	CAGR sales 2019-22, %			-3.2
Enterprise value, EURm			419	Dividend yield 2020E, %		0.0	ROE 2020E, %			-13.6
Total assets 2020E, EURm			858	Tax rate 2020E, %		6.6	ROCE 2020E, %			3.6
Goodwill 2020E, EURm			2	Equity ratio 2020E, %		25.8	PEG, P/E 20/CAGR			0.0

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

SRV	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19	2019	Q1/'20	Q2/'20E	Q3/'20E	Q4/'20E	2020E	2021E	2022E
Revenue	959.6	222.6	207.4	227.1	403.9	1 060.9	208.0	243.4	205.8	299.9	957.1	986.0	962.7
change, %	-13.9%	3.2%	-12.0%	8.9%	34.7%	10.6%	-6.6%	17.4%	-9.4%	-25.7%	-9.8%	3.0%	-2.4%
Operative operating profit	-10.1	0.5	-3.1	-7.0	-87.2	-96.9	5.0	3.8	1.5	5.0	15.3	23.2	25.4
-margin	-1.1%	0.2%	-1.5%	-3.1%	-21.6%	-9.1%	2.4%	1.6%	0.7%	1.7%	1.6%	2.4%	2.6%
Items affecting comparability*	-9.8	2.8	0.0	0.6	0.4	3.8	-0.5	0.0	0.0	0.0	-0.5	0.0	0.0
Operating profit	-19.9	3.3	-3.2	-6.3	-86.8	-93.0	4.5	3.8	1.5	5.0	14.8	23.2	25.4
-margin	-2.1%	1.5%	-1.5%	-2.8%	-21.5%	-8.8%	2.2%	1.6%	0.7%	1.7%	1.5%	2.4%	2.6%
Net financials	-17.5	-3.6	-7.7	-7.6	-10.4	-29.3	-11.1	-9.0	-6.0	-6.0	-32.1	-20.0	-20.0
Pre-tax profit	-37.3	-0.3	-10.8	-14.0	-97.2	-122.4	-6.6	-5.2	-4.5	-1.0	-17.3	3.2	5.4
Income taxes	6.1	0.7	1.9	2.3	13.8	18.7	-1.0	1.0	0.9	0.2	1.1	-0.6	-1.1
Non-controlling interest	1.1	-0.7	0.0	-0.1	0.1	-0.7	1.4	0.0	0.0	0.0	1.4	0.0	0.0
Net earnings	-30.1	-0.4	-9.0	-11.7	-83.3	-104.4	-6.1	-4.2	-3.6	-0.8	-14.7	2.6	4.3
EPS rep.**	-0.56	-0.02	-0.18	-0.22	-1.43	-1.85	-0.13	-0.04	-0.01	0.00	-0.06	0.01	0.02
Construction	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19	2019	Q1/'20	Q2/'20E	Q3/'20E	Q4/'20E	2020E	2021E	2022E
Revenue	955.4	221.9	206.7	225.9	403.1	1 057.6	204.8	242.7	205.1	299.2	951.8	981.1	957.8
change, %		3.4%	-11.9%	8.8%	35.0%	10.7%	-7.7%	17.4%	-9.2%	-25.8%	-10.0%	3.1%	-2.4%
<i>Business construction</i>	666.3	145.4	162.6	171.2	200.5	679.7	154.0	162.2	171.0	183.8	671.0	637.4	627.9
change, %	-7.0%	-6.4%	-2.5%	6.8%	9.0%	2.0%	5.9%	-0.3%	-0.1%	-8.3%	-1.3%	-5.0%	-1.5%
<i>Housing construction</i>	289.1	77.0	43.6	54.7	202.6	377.9	50.8	80.5	34.1	115.4	280.9	343.7	330.0
change, %	-23.9%	29.8%	-35.7%	15.4%	76.8%	30.7%	-34.0%	84.7%	-37.6%	-43.0%	-25.7%	22.4%	-4.0%
Operating profit	-13.4	4.8	2.0	-3.5	3.6	7.0	6.2	6.3	4.0	8.5	25.0	31.4	31.6
-margin	-1.4%	2.2%	1.0%	-1.5%	0.9%	0.7%	3.0%	2.6%	2.0%	2.8%	2.6%	3.2%	3.3%
Investments	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19	2019	Q1/'20	Q2/'20E	Q3/'20E	Q4/'20E	2020E	2021E	2022E
Revenue	4.6	1.3	1.5	1.4	1.7	5.9	1.6	1.2	1.2	1.2	5.2	4.8	4.8
change, %		8.3%	25.0%	16.7%	70.0%	28.3%	23.1%	-20.0%	-14.3%	-29.4%	-11.9%	-7.7%	0.0%
Operative operating profit	-7.8	-2.7	-1.9	-3.7	-87.9	-96.2	-1.0	-1.5	-1.5	-1.5	-5.5	-4.0	-2.0
Items affecting comparability*	-9.8	2.8	0.0	0.6	0.4	3.8	-0.5	0.0	0.0	0.0	-0.5	0.0	0.0
Operating profit	-17.6	0.1	-1.9	-3.1	-87.5	-92.4	-1.4	-1.5	-1.5	-1.5	-6.0	-4.0	-2.0
Other operations and elim.	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19	2019	Q1/'20	Q2/'20E	Q3/'20E	Q4/'20E	2020E	2021E	2022E
Revenue	-0.4	-0.6	-0.8	-0.3	-0.9	-2.6	1.6	-0.5	-0.5	-0.5	0.1	0.1	0.1
Operating profit	11.1	-1.6	-3.2	0.2	-2.9	-7.6	-0.2	-1.0	-1.0	-2.0	-4.2	-4.2	-4.2

*Foreign exchange rate impact, **incl. tax adjusted hybrid interest, historical figures not split adjusted

SRV PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		20	21	22	20	21	22	20	21	22
Skanska	7706	9.1x	9.1x	7.8x	11.5x	11.0x	10.3x	13.1x	13.3x	12.3x
Peab	2231	9.5x	8.9x	8.4x	13.6x	12.6x	11.8x	11.4x	10.5x	9.8x
NCC	1597	6.1x	5.7x	5.6x	10.2x	9.2x	8.8x	12.1x	10.9x	10.3x
AF Gruppen	1683	10.1x	8.6x	8.0x	13.1x	10.9x	10.4x	22.1x	17.6x	15.7x
Veidekke	1276	7.8x	6.6x	6.1x	15.4x	11.2x	9.4x	12.1x	9.7x	8.0x
JM	1276	10.8x	11.2x	10.0x	10.7x	11.1x	9.9x	10.9x	11.4x	10.1x
YIT	1060	9.4x	9.6x	8.2x	12.8x	13.2x	10.9x	12.4x	12.0x	9.0x
Bonava	474	13.5x	9.6x	9.4x	13.4x	9.5x	9.4x	9.6x	6.5x	6.3x
Lehto Group	105	18.0x	10.6x	9.9x	34.4x	15.9x	13.9x	27.8x	11.5x	9.8x
Peer Group Average	1751	10.5x	8.9x	8.2x	15.0x	11.6x	10.5x	14.6x	11.5x	10.1x
Peer Group Median	1276	9.5x	9.1x	8.2x	13.1x	11.1x	10.3x	12.1x	11.4x	9.8x
SRV (Evl est.)*	77	18.0x	13.6x	12.3x	27.4x	18.4x	16.3x	neg.	137.4x	53.0x
SRV prem./disc. to peer median		89%	50%	49%	>100%	66%	58%	-	>100%	>100%

Source Bloomberg, Evli Research. *EBIT: Operative operating profit

VALUATION						
	METRIC	Est., EURm	Multiple	EV	Per share*	Comments
Construction	EV/EBIT 20E	25	13.1x	328	1.25	Construction peers
4Daily	NPV	6	1x	6	0.02	Exit '22, yld. 10 %
Okhta mall	NPV	47	1x	47	0.18	Exit '22, yld. 10 %
Investments plots	BV	64	0.7x	45	0.17	2019
Assets held for sale + receivables	BV	28	1x	28	0.11	Q1/2020
Other operations		-4.2	10x	-42	-0.16	2020E EBIT
Net debt				-230	-0.87	2020E
Equity value	SOTP			181	0.69	
Equity value	DCF				0.78	
Target price (EUR)					0.64	

Source: Evli Research, *nr. of shares assumes full completion of rights issue

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	0.58 PV of Free Cash Flow	371 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	0.78 PV of Horizon value	339 WACC, %	7.4 Market risk premium, %	5.8
Share price potential, %	35.1 Unconsolidated equity	1 Spread, %	0.5 Debt risk premium, %	3.5
Maximum value	1.0 Marketable securities	28 Minimum WACC, %	6.9 Equity beta coefficient	1.40
Minimum value	0.6 Debt - dividend	-533 Maximum WACC, %	7.9 Target debt ratio, %	60
Horizon value, %	47.8 Value of stock	206 Nr of shares, Mn	263.0 Effective tax rate, %	20

DCF valuation, EURm	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Horizon
Net sales	1,061	957	986	963	982	1,002	1,022	1,042	1,063	1,084	1,106	1,129
<i>Sales growth, %</i>	<i>10.5</i>	<i>-9.8</i>	<i>3.0</i>	<i>-2.4</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	-93	15	23	25	34	40	41	42	43	43	44	45
<i>Operating income margin, %</i>	<i>-8.8</i>	<i>1.5</i>	<i>2.4</i>	<i>2.6</i>	<i>3.5</i>	<i>4.0</i>	<i>4.0</i>	<i>4.0</i>	<i>4.0</i>	<i>4.0</i>	<i>4.0</i>	<i>4.0</i>
+ Depreciation+amort.	90	9	8	8	8	8	8	8	8	8	8	8
EBITDA	-3	23	31	34	42	48	49	50	51	51	52	
- Paid taxes	-6	0	-5	-5	-7	-8	-8	-8	-9	-9	-9	
- Change in NWC	-75	53	-8	6	5	5	-5	-5	-5	-5	-6	
<i>NWC / Sales, %</i>	<i>31.3</i>	<i>29.1</i>	<i>29.1</i>	<i>29.1</i>	<i>28.1</i>	<i>27.0</i>	<i>27.0</i>	<i>27.0</i>	<i>27.0</i>	<i>26.9</i>	<i>26.9</i>	
+ Change in other liabs	-4	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-201	-8	-2	-2	-2	-2	-2	-3	-3	-3	-3	
<i>opCAPEX / Sales, %</i>	<i>2.5</i>	<i>1.2</i>	<i>1.0</i>	<i>0.5</i>	<i>0.7</i>	<i>0.7</i>	<i>0.7</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	172	41	-1	51	0	0	35	0	0	0	0	
= FCFF	-38	109	15	84	38	42	68	34	34	35	35	671
= Discounted FCFF		105	13	70	29	31	46	21	20	19	18	339
= DFCF min WACC		105	13	70	30	31	47	22	21	20	19	391
= DFCF max WACC		104	13	69	29	30	45	20	19	18	17	297

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2E	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	222.6	207.4	227.1	403.9	1,061.0	208.1	243.4	205.8	299.9	957.2	986.0	962.7
EBITDA	6.2	-0.9	-2.0	-6.4	-3.1	6.5	5.8	3.5	7.5	23.3	31.4	33.7
<i>EBITDA margin (%)</i>	<i>2.8</i>	<i>-0.4</i>	<i>-0.9</i>	<i>-1.6</i>	<i>-0.3</i>	<i>3.1</i>	<i>2.4</i>	<i>1.7</i>	<i>2.5</i>	<i>2.4</i>	<i>3.2</i>	<i>3.5</i>
EBIT	3.3	-3.1	-6.4	-86.9	-93.1	4.5	3.8	1.5	5.0	14.8	23.2	25.4
<i>EBIT margin (%)</i>	<i>1.5</i>	<i>-1.5</i>	<i>-2.8</i>	<i>-21.5</i>	<i>-8.8</i>	<i>2.2</i>	<i>1.6</i>	<i>0.7</i>	<i>1.7</i>	<i>1.5</i>	<i>2.4</i>	<i>2.6</i>
Net financial items	-3.6	-7.7	-7.6	-10.4	-29.3	-11.1	-9.0	-6.0	-6.0	-32.1	-20.0	-20.0
Pre-tax profit	-0.3	-10.8	-14.0	-97.3	-122.4	-6.6	-5.2	-4.5	-1.0	-17.3	3.2	5.4
Tax	0.7	1.9	2.3	13.8	18.7	-1.0	1.0	0.9	0.2	1.1	-0.6	-1.1
<i>Tax rate (%)</i>	<i>233.3</i>	<i>17.6</i>	<i>16.4</i>	<i>14.2</i>	<i>15.3</i>	<i>-15.2</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>6.6</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0.1	-9.8	-12.6	-84.7	-107.2	-8.5	-5.6	-3.9	-1.2	-19.1	1.1	2.9
EPS	0.00	-0.17	-0.21	-1.42	-1.80	-0.03	-0.02	-0.01	0.00	-0.07	0.00	0.01
EPS adjusted (diluted no. of shares)	0.00	-0.17	-0.21	-1.42	-1.80	-0.03	-0.02	-0.01	0.00	-0.07	0.00	0.01
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	0.02
SALES, EURm												
Construction	221.9	206.7	226.0	403.1	1,057.7	204.9	242.7	205.1	299.2	951.9	981.1	957.8
Investments	1.3	1.5	1.4	1.7	5.9	1.6	1.2	1.2	1.2	5.2	4.8	4.8
Other	-0.6	-0.8	-0.3	-0.9	-2.6	1.6	-0.5	-0.5	-0.5	0.1	0.1	0.1
Total	222.6	207.4	227.1	403.9	1,061.0	208.1	243.4	205.8	299.9	957.2	986.0	962.7
SALES GROWTH, Y/Y %												
<i>Construction</i>	<i>3.3</i>	<i>-11.9</i>	<i>8.9</i>	<i>35.1</i>	<i>10.7</i>	<i>-7.7</i>	<i>17.4</i>	<i>-9.2</i>	<i>-25.8</i>	<i>-10.0</i>	<i>3.1</i>	<i>-2.4</i>
<i>Investments</i>	<i>8.3</i>	<i>25.0</i>	<i>16.7</i>	<i>70.0</i>	<i>28.3</i>	<i>23.1</i>	<i>-20.0</i>	<i>-14.3</i>	<i>-29.4</i>	<i>-11.9</i>	<i>-7.7</i>	<i>0.0</i>
<i>Other</i>	<i>100.0</i>	<i>0.0</i>	<i>200.0</i>	<i>-400.0</i>	<i>2,500.0</i>	<i>-366.7</i>	<i>-37.5</i>	<i>66.7</i>	<i>-44.4</i>	<i>-103.8</i>	<i>0.0</i>	<i>0.0</i>
Total	3.2	-12.0	8.8	34.8	10.5	-6.5	17.4	-9.4	-25.7	-9.8	3.0	-2.4
EBIT, EURm												
Construction	4.8	2.0	-3.5	3.7	7.0	6.2	6.3	4.0	8.5	25.0	31.4	31.6
Investments	0.1	-1.9	-3.1	-87.6	-92.5	-1.4	-1.5	-1.5	-1.5	-5.9	-4.0	-2.0
Other	-1.6	-3.2	0.2	-3.0	-7.6	-0.2	-1.0	-1.0	-2.0	-4.2	-4.2	-4.2
Total	3.3	-3.1	-6.4	-86.9	-93.1	4.5	3.8	1.5	5.0	14.8	23.2	25.4
EBIT margin, %												
<i>Construction</i>	<i>2.2</i>	<i>1.0</i>	<i>-1.5</i>	<i>0.9</i>	<i>0.7</i>	<i>3.0</i>	<i>2.6</i>	<i>2.0</i>	<i>2.8</i>	<i>2.6</i>	<i>3.2</i>	<i>3.3</i>
<i>Investments</i>	<i>7.7</i>	<i>-126.7</i>	<i>-221.4</i>	<i>-5,152.9</i>	<i>-1,567.8</i>	<i>-89.4</i>	<i>-125.0</i>	<i>-125.0</i>	<i>-125.0</i>	<i>-114.0</i>	<i>-83.3</i>	<i>-41.7</i>
<i>Other</i>	<i>266.7</i>	<i>400.0</i>	<i>-66.7</i>	<i>333.3</i>	<i>292.3</i>	<i>-14.4</i>	<i>200.0</i>	<i>200.0</i>	<i>400.0</i>	<i>-4,230.0</i>	<i>-4,200.0</i>	<i>-4,200.0</i>
Total	1.5	-1.5	-2.8	-21.5	-8.8	2.2	1.6	0.7	1.7	1.5	2.4	2.6

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	719.2	884.0	1,114.1	959.9	1,061.0	957.2	986.0	962.7
<i>Sales growth (%)</i>	<i>5.1</i>	<i>22.9</i>	<i>26.0</i>	<i>-13.8</i>	<i>10.5</i>	<i>-9.8</i>	<i>3.0</i>	<i>-2.4</i>
EBITDA	28.0	34.2	21.1	-14.6	-3.1	23.3	31.4	33.7
<i>EBITDA margin (%)</i>	<i>3.9</i>	<i>3.9</i>	<i>1.9</i>	<i>-1.5</i>	<i>-0.3</i>	<i>2.4</i>	<i>3.2</i>	<i>3.5</i>
Depreciation	-3.5	-6.6	-5.7	-5.3	-90.0	-8.5	-8.2	-8.3
EBITA	24.5	27.6	15.4	-19.9	-93.1	14.8	23.2	25.4
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	24.5	27.6	15.4	-19.9	-93.1	14.8	23.2	25.4
<i>EBIT margin (%)</i>	<i>3.4</i>	<i>3.1</i>	<i>1.4</i>	<i>-2.1</i>	<i>-8.8</i>	<i>1.5</i>	<i>2.4</i>	<i>2.6</i>
Reported EBIT	24.5	27.6	15.4	-19.9	-14.7	14.8	23.2	25.4
<i>EBIT margin (reported) (%)</i>	<i>3.4</i>	<i>3.1</i>	<i>1.4</i>	<i>-2.1</i>	<i>-1.4</i>	<i>1.5</i>	<i>2.4</i>	<i>2.6</i>
Net financials	-6.9	-11.3	-10.7	-17.5	-29.3	-32.1	-20.0	-20.0
Pre-tax profit	17.6	16.3	4.7	-37.4	-122.4	-17.3	3.2	5.4
Taxes	-3.6	-2.1	1.2	6.1	18.7	1.1	-0.6	-1.1
Minority shares	0.0	0.0	0.2	1.1	0.7	1.4	0.0	0.0
Net profit	9.6	9.2	2.2	-34.1	-28.8	-19.1	1.1	2.9
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	78.4	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	263	295	287	273	122	108	109	108
Goodwill	2	2	2	2	2	2	2	2
Right of use assets	0	0	0	173	149	147	148	144
Inventory	337	400	419	438	372	336	346	338
Receivables	119	122	146	122	204	158	163	159
Liquid funds	35	55	24	93	28	72	74	72
Total assets	763	883	889	1,120	913	858	875	858
Liabilities								
Shareholder's equity	231	252	240	191	95	187	188	191
Minority interest	1	-2	-2	-3	-2	-4	-4	-4
Convertibles	45	45	45	45	83	15	15	15
Lease liabilities	0	0	0	174	150	147	148	144
Deferred taxes	2	4	5	5	3	2	2	2
Interest bearing debt	266	301	321	375	300	254	263	252
Non-interest bearing current liabilities	202	253	252	304	244	215	222	217
Other interest-free debt	4	14	18	9	21	21	21	21
Total liabilities	763	883	889	1,120	914	858	875	858
CASH FLOW, EURm								
+ EBITDA	28	34	21	-15	-3	23	31	34
- Net financial items	-7	-11	-11	-17	-29	-32	-20	-20
- Taxes	-3	-2	0	-1	-1	2	-1	-1
- Increase in Net Working Capital	29	-15	-44	56	-75	53	-8	6
+/- Other	-3	15	2	2	98	42	-1	51
= Cash flow from operations	44	21	-33	26	-11	88	1	70
- Capex	-118	-13	-24	-15	-26	-12	-9	-5
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-74	8	-57	11	-37	76	-8	65
+/- New issues/buybacks	47	15	-8	-12	-67	110	0	0
- Paid dividend	-5	-6	-6	-4	0	0	0	0
+/- Other	49	2	40	75	39	-142	10	-67
Change in cash	17	20	-31	70	-65	44	2	-2

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	322	214	101	81	77	77	77
Net debt (excl. convertibles)	246	298	456	422	329	337	324
Enterprise value	611	555	601	584	419	427	414
Sales	884	1,114	960	1,061	957	986	963
EBITDA	34	21	-15	-3	23	31	34
EBIT	28	15	-20	-93	15	23	25
Pre-tax	16	5	-37	-122	-17	3	5
Earnings	9	2	-34	-107	-19	1	3
Equity book value (excl. minorities)	252	240	191	95	187	188	191
Valuation multiples							
EV/sales	0.7	0.5	0.6	0.6	0.4	0.4	0.4
EV/EBITDA	17.9	26.3	-41.1	-188.5	18.0	13.6	12.3
EV/EBITA	22.2	36.1	-30.2	-6.3	28.3	18.4	16.3
EV/EBIT	22.2	36.1	-30.2	-6.3	28.3	18.4	16.3
EV/OCF	28.8	-17.1	23.5	-54.5	4.7	317.1	5.9
EV/FCFF	-20.4	-10.6	26.3	-15.2	3.8	28.7	5.0
P/FCFE	40.1	-3.8	9.5	-2.2	2.0	-19.0	2.3
P/E	35.1	98.6	-3.0	-0.8	-8.0	137.4	53.0
P/B	1.3	0.9	0.5	0.9	0.4	0.4	0.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	21.8	16.5	15.0
Target EV/EBIT	0.0	0.0	0.0	0.0	34.3	22.3	19.8
Target EV/FCF	0.0	0.0	0.0	0.0	6.7	-64.4	7.7
Target P/B	0.0	0.0	0.0	0.0	0.9	0.9	0.9
Target P/E	0.0	0.0	0.0	0.0	-8.8	151.6	58.5
Per share measures							
Number of shares	59,500	59,500	59,581	59,581	263,017	263,017	263,017
Number of shares (diluted)	59,500	59,500	59,581	59,581	263,017	263,017	263,017
EPS	0.15	0.04	-0.57	-1.80	-0.07	0.00	0.01
Operating cash flow per share	0.36	-0.55	0.43	-0.18	0.34	0.01	0.26
Free cash flow per share	0.14	-0.96	0.18	-0.62	0.29	-0.03	0.25
Book value per share	4.25	4.03	3.21	1.59	0.71	0.72	0.73
Dividend per share	0.10	0.06	0.00	0.00	0.00	0.00	0.02
Dividend payout ratio, %	64.5	164.3	0.0	0.0	0.0	0.0	182.7
Dividend yield, %	1.8	1.7	0.0	0.0	0.0	0.0	3.4
FCF yield, %	2.5	-26.6	10.6	-45.6	99.7	-10.5	85.0
Efficiency measures							
ROE	3.8	0.9	-15.8	-74.9	-13.6	0.6	1.5
ROCE	5.2	3.5	-2.1	-12.1	3.6	5.2	5.5
Financial ratios							
Inventories as % of sales	45.3	37.6	45.7	35.1	35.1	35.1	35.1
Receivables as % of sales	13.7	13.1	12.7	19.2	16.5	16.5	16.5
Non-interest bearing liabilities as % of sales	28.7	22.7	31.7	23.0	22.5	22.5	22.5
NWC/sales, %	30.4	28.0	26.7	31.3	29.1	29.1	29.1
Operative CAPEX/sales, %	1.5	2.2	1.5	2.5	1.2	1.0	0.5
CAPEX/sales (incl. acquisitions), %	1.5	2.2	1.5	2.5	1.2	1.0	0.5
FCFF/EBITDA	-0.9	-2.5	-1.6	12.4	4.7	0.5	2.5
Net debt/EBITDA, book-weighted	7.2	14.1	-31.2	-136.2	14.1	10.7	9.6
Debt/equity, market-weighted	0.9	1.5	3.7	3.7	3.3	3.4	3.3
Equity ratio, book-weighted	36.1	35.5	23.6	21.2	25.8	25.3	26.2
Gearing, %	83.4	105.0	195.1	240.4	165.4	168.4	159.7

COMPANY DESCRIPTION: SRV is a Finnish project management contractor that develops and builds commercial and business premises, residential units as well as infrastructure and logistics projects. The company is also an investor in and manager of several shopping centres. The company operates in Finland and Russia.

INVESTMENT CASE: SRV's road has been bumpy in the past few years and earnings have been in the red despite a construction boom and record high revenue levels. The expected slow-down in construction volumes should alleviate supply chain pressures and along with profitability improvement measures to be taken support bottom-line figures. Successful exits from developed shopping centres remain crucial in improving the company's balance sheet.

OWNERSHIP STRUCTURE	SHARES	EURm	%
As Pontos Capital	22,891,615	6.662	8.7%
Ilmarinen Mutual Pension Insurance Company	16,647,818	4.845	6.3%
Kolpi Investments Oy	11,505,547	3.348	4.4%
OP Life Assurance Company Ltd	11,021,928	3.208	4.2%
Pohjola Insurance Ltd	7,948,477	2.313	3.0%
Havu Capital Oy	7,617,216	2.217	2.9%
Kokkila Tuomas	6,494,422	1.890	2.5%
Kokkila Lauri	6,494,422	1.890	2.5%
Tiiviste-Group Oy	6,111,821	1.779	2.3%
Ilmarinen Mutual Pension Insurance Company	1,727,385	0.503	0.7%
Ten largest	98,460,651	28.653	37%
Residual	164,556,690	47.888	63%
Total	263,017,341	76.541	100%

EARNINGS CALENDAR	
July 21, 2020	Q2 report
October 29, 2020	Q3 report
OTHER EVENTS	
March 26, 2020	AGM

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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

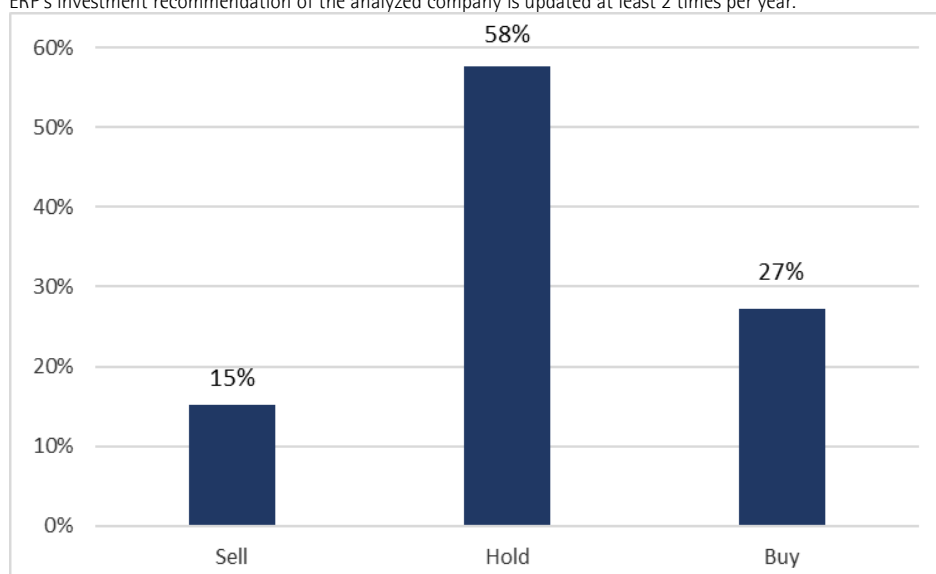
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< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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