

Construction margins shaping up

Given the previously specified outlook the Q4 profitability is largely known, with the Investments segment overshadowing good construction progress. The Q4 report should bring a lot to the table, especially in regards of previous communication of restoring profitability back to 2017 levels, clearly above the 2020 guidance.

Good construction development burdened by investments

SRV will report Q4 results on February 4th. SRV specified its guidance earlier on, expecting the operative operating profit for 2020 to be in the range of EUR 3–6m. The Q4 results will be affected by changes in the value of the Investment segment's balance sheet items for a total negative impact of EUR 12m. Although the negative impact casts a shadow on the good operative operating profit development during earlier quarters these items should to our understanding be non-cash, and the guidance still implies continued healthy construction margin development. Our estimate for the Construction segment's operative operating profit margin in 2020 is at 2.9% (2019: 0.7%) and Group operative operating profit estimate at EUR 6.0m.

Expectations of a better year in 2021

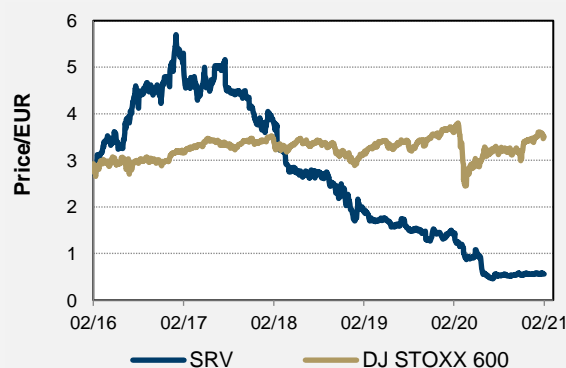
We do not expect a dividend distribution for FY2020. Although the company's cash flows have improved clearly through divestments and financial measures taken, the company still has a rather strained balance sheet given current operating cash flows. The guidance for 2021 will be of key interest, as SRV has previously communicated intentions to restore the operative operating profit in 2021 to levels seen in 2017 (EUR 27.0m). SRV will also release its updated strategy and financial targets in conjunction with the Q4 results.

BUY with a target price of EUR 0.64

Apart from the changes to the Investments segment's balance sheet item changes, our estimates remain intact. We retain our BUY-rating and target price of EUR 0.64.

Rating

BUY



Share price, EUR (Last trading day's closing price) 0.56

Target price, EUR 0.64

Latest change in recommendation 21-Jul-20

Latest report on company 30-Oct-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 147

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 04-Feb-21

Web site srv.fi/en/investors

Analyst Jerker Salokivi

E-mail jerker.salokivi@evli.com

Telephone +358 9 4766 9149

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	977.1	2.9	0.3%	55.0	-0.10	-5.7	0.5	174.3	37.3	0.00
2021E	9,99.9	23.8	2.4%	2.1	0.01	91.2	0.5	21.1	1.4	0.00
2022E	976.1	27.0	2.8%	74.7	0.02	22.5	0.5	18.0	50.7	0.01
Market cap, EURm		147	Gearing 2020E, %			185.6	CAGR EPS 2019-22, %			0.0
Net debt 2020E, EURm		361	Price/book 2020E			0.8	CAGR sales 2019-22, %			-2.7
Enterprise value, EURm		505	Dividend yield 2020E, %			0.0	ROE 2020E, %			-19.2
Total assets 2020E, EURm		878	Tax rate 2020E, %			4.9	ROCE 2020E, %			1.3
Goodwill 2020E, EURm		2	Equity ratio 2020E, %			23.5	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/'20	Q3/'20	Q4/'20E	2020E	2021E	2022E
Revenue	959.6	222.6	207.4	227.1	403.9	1 060.9	208.0	265.1	209.9	294.1	977.1	999.9	976.1
change, %	-13.9%	3.2%	-12.0%	8.9%	34.7%	10.6%	-6.6%	27.8%	-7.6%	-27.2%	-7.9%	2.3%	-2.4%
Operative operating profit	-10.1	0.5	-3.1	-7.0	-87.2	-96.9	5.0	0.5	7.1	-6.6	6.0	23.8	27.0
-margin	-1.1%	0.2%	-1.5%	-3.1%	-21.6%	-9.1%	2.4%	0.2%	3.4%	-2.2%	0.6%	2.4%	2.8%
Items affecting comparability*	-9.8	2.8	0.0	0.6	0.4	3.8	-0.5	2.7	-5.4	0.0	-3.2	0.0	0.0
Operating profit	-19.9	3.3	-3.2	-6.3	-86.8	-93.0	4.5	3.3	1.7	-6.6	2.9	23.8	27.0
-margin	-2.1%	1.5%	-1.5%	-2.8%	-21.5%	-8.8%	2.2%	1.2%	0.8%	-2.2%	0.3%	2.4%	2.8%
Net financials	-17.5	-3.6	-7.7	-7.6	-10.4	-29.3	-11.1	-3.0	-8.8	-5.0	-27.9	-20.0	-17.0
Pre-tax profit	-37.3	-0.3	-10.8	-14.0	-97.2	-122.4	-6.6	0.2	-7.0	-11.6	-25.0	3.8	10.0
Income taxes	6.1	0.7	1.9	2.3	13.8	18.7	-1.0	-0.3	0.2	2.3	1.2	-0.8	-2.0
Non-controlling interest	1.1	-0.7	0.0	-0.1	0.1	-0.7	0.0	2.5	2.4	0.0	4.9	0.0	0.0
Net earnings	-30.1	-0.4	-9.0	-11.7	-83.3	-104.4	-6.1	2.4	-4.5	-9.3	-17.5	3.1	8.0
EPS rep.**	-0.56	-0.02	-0.15	-0.22	-1.43	-1.82	-0.11	0.02	-0.01	-0.04	-0.07	0.01	0.03
Construction	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20E	2020E	2021E	2022E
Revenue	955.4	221.9	206.7	225.9	403.1	1 057.6	204.8	264.1	209.1	293.5	971.5	994.8	971.0
change, %		3.4%	-11.9%	8.8%	35.0%	10.7%	-7.7%	27.8%	-7.4%	-27.2%	-8.1%	2.4%	-2.4%
Business construction	666.3	145.4	162.6	171.2	200.5	679.7	154.0	182.2	157.8	180.8	674.8	641.1	631.4
change, %	-7.0%	-6.4%	-2.5%	6.8%	9.0%	2.0%	5.9%	12.1%	-7.8%	-9.8%	-0.7%	-5.0%	-1.5%
Housing construction	289.1	77.0	43.6	54.7	202.6	377.9	50.8	81.9	51.3	112.7	296.7	353.7	339.6
change, %	-23.9%	29.8%	-35.7%	15.4%	76.8%	30.7%	-34.0%	87.8%	-6.2%	-44.4%	-21.5%	19.2%	-4.0%
Operating profit	-13.4	4.8	2.0	-3.5	3.6	7.0	6.2	7.4	5.2	8.9	27.7	32.8	34.0
-margin	-1.4%	2.2%	1.0%	-1.5%	0.9%	0.7%	3.0%	2.8%	2.5%	3.0%	2.9%	3.3%	3.5%
Investments	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20E	2020E	2021E	2022E
Revenue	4.6	1.3	1.5	1.4	1.7	5.9	1.6	1.2	1.1	1.1	5.0	4.5	4.5
change, %		8.3%	25.0%	16.7%	70.0%	28.3%	23.1%	-20.0%	-21.4%	-35.3%	-15.3%	-10.0%	0.0%
Operative operating profit	-7.8	-2.7	-1.9	-3.7	-87.9	-96.2	-1.0	-4.4	1.6	-13.5	-17.3	-4.0	-2.0
Items affecting comparability*	-9.8	2.8	0.0	0.6	0.4	3.8	-0.5	2.7	-5.4	0.0	-3.2	0.0	0.0
Operating profit	-17.6	0.1	-1.9	-3.1	-87.5	-92.4	-1.4	-1.7	-3.8	-13.5	-20.5	-4.0	-2.0
Other operations and elim.	2018	Q1/'19	Q2/'19	Q3/'19	Q4/'19	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20E	2020E	2021E	2022E
Revenue	-0.4	-0.6	-0.8	-0.3	-0.9	-2.6	1.6	-0.2	-0.3	-0.5	0.6	0.6	0.6
Operating profit	11.1	-1.6	-3.2	0.2	-2.9	-7.6	-0.2	-2.4	0.3	-2.0	-4.3	-5.0	-5.0

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

VALUATION						
	METRIC	Est., EURm	Multiple	EV	Per share	Comments
Construction	EV/EBIT	33	13.1x	430	1.64	2021E, construction peers
4Daily	NPV	5	1x	5	0.02	Exit '23, yld. 10 %
Okhta mall	NPV	44	1x	44	0.17	Exit '23, yld. 10 %
Investments plots	BV	59	0.7x	41	0.16	2020E
Other assets	BV	20	1x	20	0.08	2020E
Other operations		-5	10x	-50	-0.19	2021E EBIT
Net debt				-210	-0.80	Q3/2020 incl. hybrid, excl. IFRS 16
Equity value	SOTP			281	1.07	
Equity value	DCF				0.98	
Peer multiples	EV/EBIT 21-22E				0.39-0.45	
	EV/EBITDA 21-22E				0.46	
Target price (EUR)					0.64	

Source: Evli Research

SRV PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		20	21	22	20	21	22	20	21	22
Skanska	8913	6.6x	10.2x	8.7x	7.7x	13.2x	11.7x	10.1x	16.1x	14.2x
Peab	2761	8.4x	10.3x	9.7x	11.2x	15.0x	13.8x	10.7x	13.4x	12.3x
NCC	1486	6.7x	5.6x	5.4x	13.8x	10.0x	9.5x	12.2x	10.8x	10.5x
AF Gruppen	1730	10.3x	8.9x	8.1x	14.3x	12.2x	10.5x	20.4x	18.9x	16.3x
Veidekke	1354	4.7x	4.3x	3.9x	8.2x	7.9x	6.9x	17.7x	18.2x	16.2x
JM	2027	13.5x	13.5x	12.0x	13.2x	13.4x	11.8x	14.5x	14.4x	12.8x
YIT	1038	15.2x	9.7x	8.6x	20.6x	12.9x	11.1x	25.2x	11.9x	9.6x
Bonava	986	11.6x	13.6x	10.2x	12.2x	14.1x	10.6x	13.5x	13.9x	10.0x
Lehto Group	109	46.5x	9.0x	6.2x		13.6x	8.3x		9.9x	5.6x
Peer Group Average	2053	13.7x	9.5x	8.1x	12.7x	12.5x	10.5x	15.5x	14.2x	11.9x
Peer Group Median	1420	10.3x	9.7x	8.6x	12.7x	13.2x	10.6x	14.0x	13.9x	12.3x
SRV (Evli est.)*	149	46.1x	16.0x	14.0x	84.6x	21.2x	18.1x	neg.	92.5x	22.8x

SRV prem./disc. to peer median

>100% 65% 63% >100% 61% 72% - >100% 85%

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

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	0.56 PV of Free Cash Flow	377 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	0.98 PV of Horizon value	322 WACC, %	7.8 Market risk premium, %	5.8
Share price potential, %	74.3 Unconsolidated equity	3 Spread, %	0.5 Debt risk premium, %	3.5
Maximum value	1.2 Marketable securities	83 Minimum WACC, %	7.3 Equity beta coefficient	1.30
Minimum value	0.8 Debt - dividend	-444 Maximum WACC, %	8.3 Target debt ratio, %	50
Horizon value, %	46.1 Value of stock	197 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	977	1,000	976	996	1,016	1,036	1,057	1,078	1,099	1,122	1,145
<i>Sales growth, %</i>	<i>10.5</i>	<i>-7.9</i>	<i>2.3</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	3	24	27	35	41	41	42	43	44	45	46
<i>Operating income margin, %</i>	<i>-8.8</i>	<i>0.3</i>	<i>2.4</i>	<i>2.8</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	8	8	8	8	8	8	8	8	8	8	8
EBITDA	-3	11	32	35	43	48	49	50	51	52	53	
- Paid taxes	-6	1	-5	-5	-7	-8	-8	-8	-9	-9	-9	
- Change in NWC	-75	39	3	7	5	5	-5	-5	-5	-6	-6	
<i>NWC / Sales, %</i>	<i>31.3</i>	<i>30.0</i>	<i>29.0</i>	<i>29.0</i>	<i>28.0</i>	<i>26.9</i>	<i>26.9</i>	<i>26.9</i>	<i>26.9</i>	<i>26.8</i>	<i>26.8</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	-2	-2	-2	-3	
<i>opCAPEX / Sales, %</i>	<i>2.5</i>	<i>1.2</i>	<i>1.1</i>	<i>0.4</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</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	56	0	0	35	0	0	0	0	
= FCFF	-38	83	27	91	38	43	68	34	34	35	35	628
= Discounted FCFF		84	25	78	31	32	47	22	20	19	18	322
= DFCF min WACC		84	25	79	31	33	48	22	21	20	19	368
= DFCF max WACC		84	25	78	30	31	46	21	20	19	17	284

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3	2020Q4E	2020E	2021E	2022E
Net sales	222.6	207.4	227.1	403.9	1,061.0	208.1	265.1	209.8	294.1	977.1	9,99.9	976.1
EBITDA	6.2	-0.9	-2.0	-6.4	-3.1	6.5	5.1	3.5	-4.1	11.0	31.7	35.0
<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>1.9</i>	<i>1.7</i>	<i>-1.4</i>	<i>1.1</i>	<i>3.2</i>	<i>3.6</i>
EBIT	3.3	-3.1	-6.4	-86.9	-93.1	4.5	3.3	1.7	-6.6	2.9	23.8	27.0
<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>1.2</i>	<i>0.8</i>	<i>-2.2</i>	<i>0.3</i>	<i>2.4</i>	<i>2.8</i>
Net financial items	-3.6	-7.7	-7.6	-10.4	-29.3	-11.1	-3.1	-8.7	-5.0	-27.9	-20.0	-17.0
Pre-tax profit	-0.3	-10.8	-14.0	-97.3	-122.4	-6.6	0.2	-7.0	-11.6	-25.0	3.8	10.0
Tax	0.7	1.9	2.3	13.8	18.7	-1.0	-0.3	0.2	2.3	1.2	-0.8	-2.0
<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>157.9</i>	<i>2.9</i>	<i>20.0</i>	<i>4.9</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0.1	-9.8	-12.6	-84.7	-107.2	-9.9	1.0	-7.3	-9.6	-25.8	1.6	6.5
EPS	0.00	-0.17	-0.21	-1.42	-1.80	-0.04	0.00	-0.03	-0.04	-0.10	0.01	0.02
EPS adjusted (diluted no. of shares)	0.00	-0.17	-0.21	-1.42	-1.80	-0.04	0.00	-0.03	-0.04	-0.10	0.01	0.02
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	0.01
SALES, EURm												
Construction	221.9	206.7	226.0	403.1	1,057.7	204.9	264.1	209.0	293.5	971.5	9,94.8	971.0
Investments	1.3	1.5	1.4	1.7	5.9	1.6	1.2	1.1	1.1	5.0	4.5	4.5
Other	-0.6	-0.8	-0.3	-0.9	-2.6	1.6	-0.2	-0.3	-0.5	0.6	0.6	0.6
Total	222.6	207.4	227.1	403.9	1,061.0	208.1	265.1	209.8	294.1	977.1	9,99.9	976.1
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>27.8</i>	<i>-7.5</i>	<i>-27.2</i>	<i>-8.1</i>	<i>2.4</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>-21.4</i>	<i>-35.3</i>	<i>-15.3</i>	<i>-10.0</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>-75.0</i>	<i>0.0</i>	<i>-44.4</i>	<i>-123.1</i>	<i>0.0</i>	<i>0.0</i>
Total	3.2	-12.0	8.8	34.8	10.5	-6.5	27.8	-7.6	-27.2	-7.9	2.3	-2.4
EBIT, EURm												
Construction	4.8	2.0	-3.5	3.7	7.0	6.2	7.3	5.2	8.9	27.6	32.8	34.0
Investments	0.1	-1.9	-3.1	-87.6	-92.5	-1.4	-1.7	-3.8	-13.5	-20.4	-4.0	-2.0
Other	-1.6	-3.2	0.2	-3.0	-7.6	-0.2	-2.4	0.3	-2.0	-4.3	-5.0	-5.0
Total	3.3	-3.1	-6.4	-86.9	-93.1	4.5	3.3	1.7	-6.6	2.9	23.8	27.0
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>2.8</i>	<i>2.5</i>	<i>3.0</i>	<i>2.8</i>	<i>3.3</i>	<i>3.5</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>-139.2</i>	<i>-345.5</i>	<i>-1,227.3</i>	<i>-408.0</i>	<i>-88.9</i>	<i>-44.4</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>1,185.0</i>	<i>-100.0</i>	<i>400.0</i>	<i>-716.7</i>	<i>-833.3</i>	<i>-833.3</i>
Total	1.5	-1.5	-2.8	-21.5	-8.8	2.2	1.2	0.8	-2.2	0.3	2.4	2.8

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	719.2	884.0	1,114.1	959.9	1,061.0	977.1	999.9	976.1
<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>-7.9</i>	<i>2.3</i>	<i>-2.4</i>
EBITDA	28.0	34.2	21.1	-14.6	-3.1	11.0	31.7	35.0
<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>1.1</i>	<i>3.2</i>	<i>3.6</i>
Depreciation	-3.5	-6.6	-5.7	-5.3	-90.0	-8.1	-7.8	-8.0
EBITA	24.5	27.6	15.4	-19.9	-93.1	2.9	23.8	27.0
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	2.9	23.8	27.0
<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>0.3</i>	<i>2.4</i>	<i>2.8</i>
Reported EBIT	24.5	27.6	15.4	-19.9	-14.7	2.9	23.8	27.0
<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>0.3</i>	<i>2.4</i>	<i>2.8</i>
Net financials	-6.9	-11.3	-10.7	-17.5	-29.3	-27.9	-20.0	-17.0
Pre-tax profit	17.6	16.3	4.7	-37.4	-122.4	-25.0	3.8	10.0
Taxes	-3.6	-2.1	1.2	6.1	18.7	1.2	-0.8	-2.0
Minority shares	0.0	0.0	0.2	1.1	0.7	2.4	0.0	0.0
Net profit	9.6	9.2	2.2	-34.1	-28.8	-25.8	1.6	6.5
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	98	99	98
Goodwill	2	2	2	2	2	2	2	2
Right of use assets	0	0	0	173	149	147	150	146
Inventory	337	400	419	438	372	343	351	342
Receivables	119	122	146	122	204	170	164	160
Liquid funds	35	55	24	93	28	83	85	83
Total assets	763	883	889	1,120	913	878	885	867
Liabilities								
Shareholder's equity	231	252	240	191	95	174	176	183
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	150	146
Deferred taxes	2	4	5	5	3	2	2	2
Interest bearing debt	266	301	321	375	300	282	279	263
Non-interest bearing current liabilities	202	253	252	304	244	220	225	220
Other interest-free debt	4	14	18	9	21	21	21	21
Total liabilities	763	883	889	1,120	914	878	885	867
CASH FLOW, EURm								
+ EBITDA	28	34	21	-15	-3	11	32	35
- Net financial items	-7	-11	-11	-17	-29	-28	-20	-17
- Taxes	-3	-2	0	-1	-1	2	-1	-2
- Increase in Net Working Capital	29	-15	-44	56	-75	39	3	7
+/- Other	-3	15	2	2	98	43	-1	56
= Cash flow from operations	44	21	-33	26	-11	67	13	79
- Capex	-118	-13	-24	-15	-26	-12	-11	-4
- 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	55	2	75
+/- New issues/buybacks	47	15	-8	-12	-67	104	0	0
- Paid dividend	-5	-6	-6	-4	0	0	0	0
+/- Other	49	2	40	75	39	-104	0	-77
Change in cash	17	20	-31	70	-65	55	2	-2

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	322	214	101	81	147	147	147
Net debt (excl. convertibles)	246	298	456	422	346	344	327
Enterprise value	611	555	601	584	505	503	487
Sales	884	1,114	960	1,061	977	1,000	976
EBITDA	34	21	-15	-3	11	32	35
EBIT	28	15	-20	-93	3	24	27
Pre-tax	16	5	-37	-122	-25	4	10
Earnings	9	2	-34	-107	-26	2	7
Equity book value (excl. minorities)	252	240	191	95	174	176	183
Valuation multiples							
EV/sales	0.7	0.5	0.6	0.6	0.5	0.5	0.5
EV/EBITDA	17.9	26.3	-41.1	-188.5	46.0	15.9	13.9
EV/EBITA	22.2	36.1	-30.2	-6.3	174.3	21.1	18.0
EV/EBIT	22.2	36.1	-30.2	-6.3	174.3	21.1	18.0
EV/OCF	28.8	-17.1	23.5	-54.5	7.6	38.8	6.2
EV/FCFF	-20.4	-10.6	26.3	-15.2	6.1	18.9	5.4
P/FCFE	40.1	-3.8	9.5	-2.2	2.7	70.8	2.0
P/E	35.1	98.6	-3.0	-0.8	-5.7	91.2	22.5
P/B	1.3	0.9	0.5	0.9	0.8	0.8	0.8
Target EV/EBITDA	0.0	0.0	0.0	0.0	47.8	16.5	14.5
Target EV/EBIT	0.0	0.0	0.0	0.0	181.4	22.0	18.8
Target EV/FCF	0.0	0.0	0.0	0.0	9.6	251.7	6.8
Target P/B	0.0	0.0	0.0	0.0	1.0	1.0	0.9
Target P/E	0.0	0.0	0.0	0.0	-6.5	104.3	25.7
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	-0.10	0.01	0.02
Operating cash flow per share	0.36	-0.55	0.43	-0.18	0.25	0.05	0.30
Free cash flow per share	0.14	-0.96	0.18	-0.62	0.21	0.01	0.28
Book value per share	4.25	4.03	3.21	1.59	0.66	0.67	0.69
Dividend per share	0.10	0.06	0.00	0.00	0.00	0.00	0.01
Dividend payout ratio, %	64.5	164.3	0.0	0.0	0.0	0.0	40.2
Dividend yield, %	1.8	1.7	0.0	0.0	0.0	0.0	1.8
FCF yield, %	2.5	-26.6	10.6	-45.6	37.3	1.4	50.7
Efficiency measures							
ROE	3.8	0.9	-15.8	-74.9	-19.2	0.9	3.6
ROCE	5.2	3.5	-2.1	-12.1	1.3	5.2	5.7
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	17.4	16.4	16.4
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	30.0	29.0	29.0
Operative CAPEX/sales, %	1.5	2.2	1.5	2.5	1.2	1.1	0.4
CAPEX/sales (incl. acquisitions), %	1.5	2.2	1.5	2.5	1.2	1.1	0.4
FCFF/EBITDA	-0.9	-2.5	-1.6	12.4	7.6	0.8	2.6
Net debt/EBITDA, book-weighted	7.2	14.1	-31.2	-136.2	31.4	10.9	9.3
Debt/equity, market-weighted	0.9	1.5	3.7	3.7	1.9	1.9	1.8
Equity ratio, book-weighted	36.1	35.5	23.6	21.2	23.5	23.5	24.9
Gearing, %	83.4	105.0	195.1	240.4	185.6	182.9	168.1

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	47,306,787	26.492	18.0%
Ilmarinen Mutual Pension Insurance Company	33,295,636	18.646	12.7%
Kolpi Investments Oy	23,776,663	13.315	9.0%
OP Life Assurance Company Ltd	18,597,268	10.414	7.1%
Pohjola Insurance Ltd	15,896,954	8.902	6.0%
Havu Capital Oy	15,741,398	8.815	6.0%
Tiiviste-Group Oy	13,373,642	7.489	5.1%
Tungelin Investments Oy	6,926,660	3.879	2.6%
Lareale Investments Oy	6,926,660	3.879	2.6%
Kokkila Lauri	6,494,422	3.637	2.5%
Ten largest	188,336,090	105.468	72%
Residual	74,681,251	41.822	28%
Total	263,017,341	147.290	100%

EARNINGS CALENDAR	
February 04, 2021	FY 2020 Results
April 29, 2021	Q1 report
July 21, 2021	Q2 report
October 28, 2021	Q3 report
OTHER EVENTS	
March 29, 2021	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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

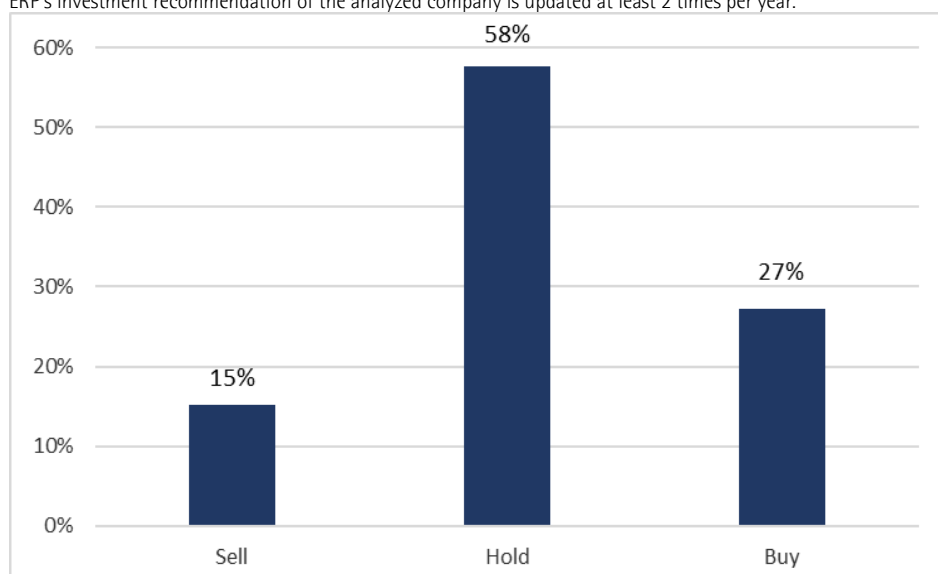
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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Contact information**SALES, TRADING AND RESEARCH****Equity, ETF and Derivatives Sales**

Joachim Dannberg	+358 9 4766 9123
Ari Laine	+358 9 4766 9115
Kimmo Lilja	+358 9 4766 9130

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

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
Teemu Reiman	+358 40 352 6175

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