

## Still looking fairly good

SRV's Q4 results were quite in line with our expectations. 2021 guidance is slightly softer than anticipated but the wide range leaves room for solid figures in 2021. We have made minor downwards revisions to our estimates but good order intake during H1/2021 could swing our expectations more towards the upper half of the guidance range.

### Results quite in line with expectations

SRV's Q4 results were rather well in line with our estimates. Net sales in Q4 amounted to EUR 292.5m, quite in line with our and consensus estimates (EUR 294.1m/299.6m Evli/cons.). EBIT amounted to EUR -8.0m, slightly below our and consensus estimates (EUR -6.6m/-6.9m Evli/cons.). Although full-year EBIT was quite weak due to the booked negative changes in the value of investments in Q4, 2020 operating cash flow was at a commendable EUR 46.3m. SRV as expected proposed that no dividend be distributed for 2020.

### Guidance slightly soft but room for solid figures in 2021

In SRV's outlook for 2021 revenue is expected to amount to EUR 900-1,050m and operative operating profit to EUR 16-26m. Our earlier estimates (EUR 999m and EUR 23.8m) were slightly above the mid-point of the guidance range. The guidance is somewhat soft, but the upper points of the range still leaves room for a solid 2021. We have made minor downward revisions to our estimates, as we are not fully convinced on sales development given the order backlog and order intake. Solid order intake during H1/21 could still swing expectations more strongly towards the upper half of the guidance range. We now expect revenue of EUR 962.1m and operative operating profit of EUR 22.0m.

### BUY-rating with a target price of EUR 0.64

SRV's Q4 results and the outlook for 2021 all in all were quite as expected and although earnings remained quite weak more importantly cash flows were at good levels. We reiterate our target price of EUR 0.64 and BUY-rating.

### 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 02-Feb-21

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 29-Apr-21

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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
2019	1,061.0	-93.1	-8.8%	-36.9	-1.80	-0.8	0.6	-6.3	-45.6	0.00
2020	975.5	1.5	0.2%	72.0	-0.10	-5.7	0.5	304.1	46.4	0.00
2021E	962.1	22.0	2.3%	8.4	-0.02	-31.9	0.5	19.9	5.7	0.00
2022E	961.9	27.2	2.8%	3.6	0.01	41.7	0.5	16.0	2.5	0.00
2023E	991.6	35.3	3.6%	68.2	0.06	9.6	0.4	11.8	46.3	0.01
Market cap, EURm			147	Gearing 2021E, %		159.1	CAGR EPS 2020-23, %			0.0
Net debt 2021E, EURm			296	Price/book 2021E		0.9	CAGR sales 2020-23, %			0.5
Enterprise value, EURm			440	Dividend yield 2021E, %		0.0	ROE 2021E, %			-2.8
Total assets 2021E, EURm			881	Tax rate 2021E, %		20.0	ROCE 2021E, %			4.7
Goodwill 2021E, EURm			2	Equity ratio 2021E, %		22.2	PEG, P/E 21/CAGR			0.0

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

SRV	2019	Q1/'20	Q2/'20	Q3/'20	Q4/'20	2020E	Q1/'21E	Q2/'21E	Q3/'21E	Q4/'21E	2021E	2022E	2023E
Revenue	1 060.9	208.0	265.1	209.9	292.5	975.5	205.7	234.9	217.1	304.5	962.1	961.9	991.6
change, %	10.6%	-6.6%	27.8%	-7.6%	-27.6%	-8.0%	-1.1%	-11.4%	3.4%	4.1%	-1.4%	0.0%	3.1%
Operative operating profit	-96.9	5.0	0.5	7.1	-6.8	5.8	4.4	5.5	4.3	7.7	22.0	27.2	35.3
-margin	-9.1%	2.4%	0.2%	3.4%	-2.3%	0.6%	2.2%	2.4%	2.0%	2.5%	2.3%	2.8%	3.6%
Items affecting comparability*	3.8	-0.5	2.7	-5.4	-1.2	-4.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit	-93.0	4.5	3.3	1.7	-8.0	1.5	4.4	5.5	4.3	7.7	22.0	27.2	35.3
-margin	-8.8%	2.2%	1.2%	0.8%	-2.7%	0.2%	2.2%	2.4%	2.0%	2.5%	2.3%	2.8%	3.6%
Net financials	-29.3	-11.1	-3.0	-8.8	-6.4	-29.4	-6.5	-6.5	-6.5	-6.5	-26.0	-21.0	-16.0
Pre-tax profit	-122.4	-6.6	0.2	-7.0	-14.5	-28.0	-2.1	-1.0	-2.2	1.2	-4.0	6.2	19.3
Income taxes	18.7	-1.0	-0.3	0.2	4.0	2.9	0.4	0.2	0.4	-0.2	0.8	-1.2	-3.9
Non-controlling interest	-0.7	1.4	1.1	-0.1	0.0	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	-104.4	-6.2	1.0	-6.9	-10.5	-22.8	-1.7	-0.8	-1.7	1.0	-3.2	5.0	15.4
EPS rep.**	-1.82	-0.11	0.02	-0.01	-0.05	-0.15	-0.01	0.00	-0.01	0.00	-0.01	0.02	0.06
<b>Construction</b>	<b>2019</b>	<b>Q1/'20</b>	<b>Q2/'20</b>	<b>Q3/'20</b>	<b>Q4/'20</b>	<b>2020E</b>	<b>Q1/'21E</b>	<b>Q2/'21E</b>	<b>Q3/'21E</b>	<b>Q4/'21E</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Revenue	1 057.6	204.8	264.1	209.1	292.0	970.0	204.6	233.8	216.0	303.4	957.7	957.4	987.6
change, %	10.7%	-7.7%	27.8%	-7.4%	-27.6%	-8.3%	-0.1%	-11.5%	3.3%	3.9%	-1.3%	0.0%	3.2%
<i>Business construction</i>	679.7	154.0	182.2	157.8	186.7	680.7	161.0	171.8	165.0	179.1	676.9	666.7	686.7
change, %	2.0%	5.9%	12.1%	-7.8%	-6.9%	0.1%	4.5%	-5.7%	4.6%	-4.1%	-0.6%	-1.5%	3.0%
<i>Housing construction</i>	377.9	50.8	81.9	51.3	105.3	289.3	43.6	62.0	51.0	124.3	280.9	290.7	300.9
change, %	30.7%	-34.0%	87.8%	-6.2%	-48.0%	-23.4%	-14.2%	-24.3%	-0.6%	18.0%	-2.9%	3.5%	3.5%
Operating profit	7.0	6.2	7.4	5.2	8.7	27.5	6.6	7.7	6.5	10.5	31.4	35.4	41.5
-margin	0.7%	3.0%	2.8%	2.5%	3.0%	2.8%	3.2%	3.3%	3.0%	3.5%	3.3%	3.7%	4.2%
<b>Investments</b>	<b>2019</b>	<b>Q1/'20</b>	<b>Q2/'20</b>	<b>Q3/'20</b>	<b>Q4/'20</b>	<b>2020E</b>	<b>Q1/'21E</b>	<b>Q2/'21E</b>	<b>Q3/'21E</b>	<b>Q4/'21E</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Revenue	5.9	1.6	1.2	1.1	0.9	4.8	1.1	1.1	1.1	1.1	4.4	4.5	4.0
change, %	28.3%	23.1%	-20.0%	-21.4%	-47.1%	-18.6%	-31.3%	-8.3%	0.0%	22.2%	-8.3%	2.3%	-11.1%
Operative operating profit	-96.2	-1.0	-4.4	1.6	-14.2	-18.0	-1.3	-1.3	-1.3	-1.3	-5.0	-4.0	-2.0
Items affecting comparability*	3.8	-0.5	2.7	-5.4	-1.2	-4.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit	-92.4	-1.4	-1.7	-3.8	-15.4	-22.4	-1.3	-1.3	-1.3	-1.3	-5.0	-4.0	-2.0
<b>Other operations and elim.</b>	<b>2019</b>	<b>Q1/'20</b>	<b>Q2/'20</b>	<b>Q3/'20</b>	<b>Q4/'20</b>	<b>2020E</b>	<b>Q1/'21E</b>	<b>Q2/'21E</b>	<b>Q3/'21E</b>	<b>Q4/'21E</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Revenue	-2.6	1.6	-0.2	-0.3	-0.3	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit	-7.6	-0.2	-2.4	0.3	-1.3	-3.6	-0.9	-0.9	-0.9	-1.5	-4.2	-4.2	-4.2

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

VALUATION						
	METRIC	Est., EURm	Multiple	EV	Per share	Comments
Construction	EV/EBIT	31	13.1x	412	1.57	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	54	0.8x	43	0.16	2020
Other assets	BV	20	1x	20	0.08	2020 Evli est.
Other operations		-4.2	10x	-42	-0.16	2021E EBIT
Net debt				-168	-0.64	Q4/2020 incl. hybrid, excl. IFRS 16
Equity value	SOTP			314	1.19	
Equity value	DCF				1.16	
Peer multiples	EV/EBIT 21-22E				0.39-0.44	
	EV/EBITDA 21-22E				0.43-0.46	
<b>Target price (EUR)</b>					<b>0.64</b>	

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	<b>13.7x</b>	<b>9.5x</b>	<b>8.1x</b>	<b>12.7x</b>	<b>12.5x</b>	<b>10.5x</b>	<b>15.5x</b>	<b>14.2x</b>	<b>11.9x</b>
Peer Group Median	1420	<b>10.3x</b>	<b>9.7x</b>	<b>8.6x</b>	<b>12.7x</b>	<b>13.2x</b>	<b>10.6x</b>	<b>14.0x</b>	<b>13.9x</b>	<b>12.3x</b>
SRV (Evli est.)*	<b>148</b>	<b>22.4x</b>	<b>14.4x</b>	<b>12.2x</b>	<b>75.9x</b>	<b>19.8x</b>	<b>15.4x</b>	<b>neg.</b>	<b>neg.</b>	<b>41.8x</b>

SRV prem./disc. to peer median >100% 49% 43% >100% 50% 46% - - >100%

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	292 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	1.16 PV of Horizon value	315 WACC, %	7.8 Market risk premium, %	5.8
Share price potential, %	107.7 Unconsolidated equity	4 Spread, %	0.5 Debt risk premium, %	3.5
Maximum value	1.4 Marketable securities	97 Minimum WACC, %	7.3 Equity beta coefficient	1.30
Minimum value	1.0 Debt - dividend	-401 Maximum WACC, %	8.3 Target debt ratio, %	50
Horizon value, %	51.9 Value of stock	306 Nr of shares, Mn	263.0 Effective tax rate, %	20

DCF valuation, EURm	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Horizon
Net sales	976	962	962	992	1,011	1,032	1,052	1,073	1,095	1,117	1,140	1,163
<i>Sales growth, %</i>	-8.1	-1.4	0.0	3.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	2	22	27	35	40	41	42	43	44	45	46	47
<i>Operating income margin, %</i>	0.2	2.3	2.8	3.6	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
+ Depreciation+amort.	19	9	8	8	9	9	9	8	8	8	8	8
EBITDA	20	31	36	44	49	50	51	51	52	53	54	
- Paid taxes	-5	-4	-5	-7	-8	-8	-8	-9	-9	-9	-9	
- Change in NWC	107	11	0	3	6	-4	-4	-4	-4	-4	-5	
<i>NWC / Sales, %</i>	23.1	22.3	22.3	21.3	20.3	20.3	20.3	20.3	20.3	20.3	20.3	
+ Change in other liabs	3	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-12	-2	-3	-3	-3	-3	-3	-3	-3	-3	-3	
<i>opCAPEX / Sales, %</i>	-0.2	0.7	0.9	0.9	0.7	0.7	0.7	0.7	0.7	0.7	0.6	
- Acquisitions	-5	0	0	0	0	0	0	0	0	0	0	
+ Divestments	29	0	0	0	0	0	0	0	0	0	0	
- Other items	-53	-1	-1	50	0	15	0	0	0	0	0	
= FCFF	83	33	26	87	44	50	35	36	36	37	37	663
= Discounted FCFF		31	23	70	33	34	23	21	20	19	18	315
= DFCF min WACC		31	23	71	33	35	23	22	21	20	19	362
= DFCF max WACC		31	23	69	32	34	22	21	19	18	17	277

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1E	2021Q2E	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	208.1	265.1	209.8	292.5	975.5	205.7	234.9	217.1	304.5	962.1	961.9	991.6
EBITDA	6.5	5.1	3.5	5.3	20.4	6.3	7.4	6.2	10.6	30.6	35.7	43.7
<i>EBITDA margin (%)</i>	<i>3.1</i>	<i>1.9</i>	<i>1.7</i>	<i>1.8</i>	<i>2.1</i>	<i>3.1</i>	<i>3.2</i>	<i>2.9</i>	<i>3.5</i>	<i>3.2</i>	<i>3.7</i>	<i>4.4</i>
EBIT	4.5	3.3	1.7	-8.0	1.5	4.4	5.5	4.3	7.7	22.0	27.2	35.3
<i>EBIT margin (%)</i>	<i>2.2</i>	<i>1.2</i>	<i>0.8</i>	<i>-2.7</i>	<i>0.2</i>	<i>2.2</i>	<i>2.4</i>	<i>2.0</i>	<i>2.5</i>	<i>2.3</i>	<i>2.8</i>	<i>3.6</i>
Net financial items	-11.1	-3.1	-8.7	-6.5	-29.4	-6.5	-6.5	-6.5	-6.5	-26.0	-21.0	-16.0
Pre-tax profit	-6.6	0.2	-7.0	-14.5	-27.9	-2.1	-1.0	-2.2	1.2	-4.0	6.2	19.3
Tax	-1.0	-0.3	0.2	4.0	2.9	0.4	0.2	0.4	-0.2	0.8	-1.2	-3.9
<i>Tax rate (%)</i>	<i>-15.2</i>	<i>157.9</i>	<i>2.9</i>	<i>27.6</i>	<i>10.4</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-9.9	1.0	-7.3	-11.0	-27.1	-2.0	-1.1	-2.1	0.6	-4.6	3.5	15.4
EPS	-0.04	0.00	-0.03	-0.04	-0.10	-0.01	0.00	-0.01	0.00	-0.02	0.01	0.06
EPS adjusted (diluted no. of shares)	-0.04	0.00	-0.03	-0.04	-0.10	-0.01	0.00	-0.01	0.00	-0.02	0.01	0.06
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
<b>SALES, EURm</b>												
Construction	204.9	264.1	209.0	292.0	970.0	204.6	233.8	216.0	303.4	957.7	957.4	987.6
Investments	1.6	1.2	1.1	0.9	4.8	1.1	1.1	1.1	1.1	4.4	4.5	4.0
Other	1.6	-0.2	-0.3	-0.4	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	208.1	265.1	209.8	292.5	975.5	205.7	234.9	217.1	304.5	962.1	961.9	991.6
<b>SALES GROWTH, Y/Y %</b>												
Construction	-7.7	27.8	-7.5	-27.6	-8.3	-0.2	-11.5	3.3	3.9	-1.3	0.0	3.2
Investments	23.1	-20.0	-21.4	-47.1	-18.6	-31.2	-8.3	0.0	22.2	-8.3	2.3	-11.1
Other	-366.7	-75.0	0.0	-55.6	-126.9	-100.0	-100.0	-100.0	-100.0	-99.9	0.0	0.0
Total	-6.5	27.8	-7.6	-27.6	-8.1	-1.2	-11.4	3.5	4.1	-1.4	0.0	3.1
<b>EBIT, EURm</b>												
Construction	6.2	7.3	5.2	8.7	27.4	6.6	7.7	6.5	10.5	31.4	35.4	41.5
Investments	-1.4	-1.7	-3.8	-15.5	-22.4	-1.3	-1.3	-1.3	-1.3	-5.2	-4.0	-2.0
Other	-0.2	-2.4	0.3	-1.2	-3.5	-0.9	-0.9	-0.9	-1.5	-4.2	-4.2	-4.2
Total	4.5	3.3	1.7	-8.0	1.5	4.4	5.5	4.3	7.7	22.0	27.2	35.3
<b>EBIT margin, %</b>												
Construction	3.0	2.8	2.5	3.0	2.8	3.2	3.3	3.0	3.5	3.3	3.7	4.2
Investments	-89.4	-139.2	-345.5	-1,722.2	-466.7	-118.2	-118.2	-118.2	-118.2	-118.2	-88.9	-50.0
Other	-14.4	1,185.0	-100.0	300.0	-500.0							
Total	2.2	1.2	0.8	-2.7	0.2	2.2	2.4	2.0	2.5	2.3	2.8	3.6

Construction & Engineering/Finland, February 5, 2021  
Company update

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	884.0	1,114.1	959.9	1,061.0	975.5	962.1	961.9	991.6
<i>Sales growth (%)</i>	<i>22.9</i>	<i>26.0</i>	<i>-13.8</i>	<i>10.5</i>	<i>-8.1</i>	<i>-1.4</i>	<i>0.0</i>	<i>3.1</i>
EBITDA	34.2	21.1	-14.6	-3.1	20.4	30.6	35.7	43.7
<i>EBITDA margin (%)</i>	<i>3.9</i>	<i>1.9</i>	<i>-1.5</i>	<i>-0.3</i>	<i>2.1</i>	<i>3.2</i>	<i>3.7</i>	<i>4.4</i>
Depreciation	-6.6	-5.7	-5.3	-90.0	-18.9	-8.6	-8.4	-8.4
EBITA	27.6	15.4	-19.9	-93.1	1.5	22.0	27.2	35.3
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	27.6	15.4	-19.9	-93.1	1.5	22.0	27.2	35.3
<i>EBIT margin (%)</i>	<i>3.1</i>	<i>1.4</i>	<i>-2.1</i>	<i>-8.8</i>	<i>0.2</i>	<i>2.3</i>	<i>2.8</i>	<i>3.6</i>
Reported EBIT	27.6	15.4	-19.9	-14.7	1.5	22.0	27.2	35.3
<i>EBIT margin (reported) (%)</i>	<i>3.1</i>	<i>1.4</i>	<i>-2.1</i>	<i>-1.4</i>	<i>0.2</i>	<i>2.3</i>	<i>2.8</i>	<i>3.6</i>
Net financials	-11.3	-10.7	-17.5	-29.3	-29.4	-26.0	-21.0	-16.0
Pre-tax profit	16.3	4.7	-37.4	-122.4	-27.9	-4.0	6.2	19.3
Taxes	-2.1	1.2	6.1	18.7	2.9	0.8	-1.2	-3.9
Minority shares	0.0	0.2	1.1	0.7	2.3	0.0	0.0	0.0
Net profit	9.2	2.2	-34.1	-28.8	-27.1	-4.6	3.5	15.4
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	78.4	0.0	0.0	0.0	0.0
<b>BALANCE SHEET, EURm</b>								
<b>Assets</b>								
Fixed assets	295	287	273	122	120	120	120	120
Goodwill	2	2	2	2	2	2	2	2
Right of use assets	0	0	173	149	130	128	128	128
Inventory	400	419	438	372	355	350	350	361
Receivables	122	146	122	204	155	144	144	139
Liquid funds	55	24	93	28	97	95	95	98
Total assets	883	889	1,120	913	899	881	881	889
<b>Liabilities</b>								
Shareholder's equity	252	240	191	95	170	165	169	184
Minority interest	-2	-2	-3	-2	-4	-4	-4	-4
Convertibles	45	45	45	83	15	15	15	0
Lease liabilities	0	0	174	150	136	128	128	128
Deferred taxes	4	5	5	3	3	3	3	3
Interest bearing debt	301	321	375	300	250	248	245	244
Non-interest bearing current liabilities	253	252	304	244	285	281	281	289
Other interest-free debt	14	18	9	21	21	21	21	21
Total liabilities	883	889	1,120	914	899	881	881	889
<b>CASH FLOW, EURm</b>								
+ EBITDA	34	21	-15	-3	20	31	36	44
- Net financial items	-11	-11	-17	-29	-29	-26	-21	-16
- Taxes	-2	0	-1	-1	-2	1	-1	-4
- Increase in Net Working Capital	-15	-44	56	-75	107	11	0	3
+/- Other	15	2	2	98	-49	-1	-1	50
= Cash flow from operations	21	-33	26	-11	46	15	12	77
- Capex	-13	-24	-15	-26	1	-7	-8	-9
- Acquisitions	0	0	0	0	-5	0	0	0
+ Divestments	0	0	0	0	29	0	0	0
= Free cash flow	8	-57	11	-37	72	8	4	68
+/- New issues/buybacks	15	-8	-12	-67	100	0	0	0
- Paid dividend	-6	-6	-4	0	0	0	0	0
+/- Other	2	40	75	39	-103	-10	-4	-65
Change in cash	20	-31	70	-65	69	-1	0	3

Construction & Engineering/Finland, February 5, 2021  
Company update

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	214	101	81	155	147	147	147
Net debt (excl. convertibles)	298	456	422	289	281	277	274
Enterprise value	555	601	584	456	440	436	418
Sales	1,114	960	1,061	976	962	962	992
EBITDA	21	-15	-3	20	31	36	44
EBIT	15	-20	-93	2	22	27	35
Pre-tax	5	-37	-122	-28	-4	6	19
Earnings	2	-34	-107	-27	-5	4	15
Equity book value (excl. minorities)	240	191	95	170	165	169	184
<b>Valuation multiples</b>							
EV/sales	0.5	0.6	0.6	0.5	0.5	0.5	0.4
EV/EBITDA	26.3	-41.1	-188.5	22.4	14.4	12.2	9.6
EV/EBITA	36.1	-30.2	-6.3	304.1	19.9	16.0	11.8
EV/EBIT	36.1	-30.2	-6.3	304.1	19.9	16.0	11.8
EV/OCF	-17.1	23.5	-54.5	9.9	29.1	36.3	5.4
EV/FCFF	-10.6	26.3	-15.2	5.5	13.2	16.6	4.8
P/FCFE	-3.8	9.5	-2.2	2.2	17.6	40.8	2.2
P/E	98.6	-3.0	-0.8	-5.7	-31.9	41.7	9.6
P/B	0.9	0.5	0.9	0.9	0.9	0.9	0.8
Target EV/EBITDA	0.0	0.0	0.0	0.0	15.0	12.8	10.0
Target EV/EBIT	0.0	0.0	0.0	0.0	20.9	16.8	12.4
Target EV/FCF	0.0	0.0	0.0	0.0	54.9	126.4	6.4
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	-36.5	47.7	10.9
<b>Per share measures</b>							
Number of shares	59,500	59,581	59,581	263,017	263,017	263,017	263,017
Number of shares (diluted)	59,500	59,581	59,581	263,017	263,017	263,017	263,017
EPS	0.04	-0.57	-1.80	-0.10	-0.02	0.01	0.06
Operating cash flow per share	-0.55	0.43	-0.18	0.18	0.06	0.05	0.29
Free cash flow per share	-0.96	0.18	-0.62	0.27	0.03	0.01	0.26
Book value per share	4.03	3.21	1.59	0.64	0.63	0.64	0.70
Dividend per share	0.06	0.00	0.00	0.00	0.00	0.00	0.01
Dividend payout ratio, %	164.3	0.0	0.0	0.0	0.0	0.0	25.0
Dividend yield, %	1.7	0.0	0.0	0.0	0.0	0.0	2.6
FCF yield, %	-26.6	10.6	-45.6	46.4	5.7	2.5	46.3
<b>Efficiency measures</b>							
ROE	0.9	-15.8	-74.9	-20.5	-2.8	2.1	8.8
ROCE	3.5	-2.1	-12.1	0.9	4.7	5.7	7.1
<b>Financial ratios</b>							
Inventories as % of sales	37.6	45.7	35.1	36.4	36.4	36.4	36.4
Receivables as % of sales	13.1	12.7	19.2	15.8	15.0	15.0	14.0
Non-interest bearing liabilities as % of sales	22.7	31.7	23.0	29.2	29.2	29.2	29.2
NWC/sales, %	28.0	26.7	31.3	23.1	22.3	22.3	21.3
Operative CAPEX/sales, %	2.2	1.5	2.5	-0.2	0.7	0.9	0.9
CAPEX/sales (incl. acquisitions), %	2.2	1.5	2.5	-0.6	0.7	0.9	0.9
FCFF/EBITDA	-2.5	-1.6	12.4	4.1	1.1	0.7	2.0
Net debt/EBITDA, book-weighted	14.1	-31.2	-136.2	14.2	9.2	7.8	6.3
Debt/equity, market-weighted	1.5	3.7	3.7	1.6	1.7	1.7	1.7
Equity ratio, book-weighted	35.5	23.6	21.2	22.3	22.2	22.6	22.4
Gearing, %	105.0	195.1	240.4	159.8	159.1	154.0	152.2

Construction & Engineering/Finland, February 5, 2021  
Company update

**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	
April 29, 2021	Q1 report
July 21, 2021	Q2 report
October 28, 2021	Q3 report
OTHER EVENTS	
March 29, 2021	AGM

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

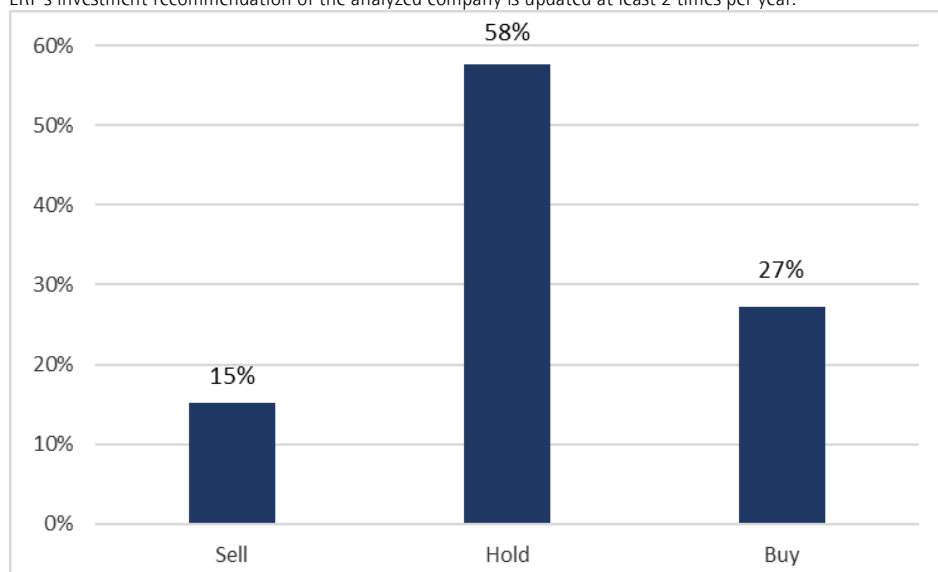
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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