

## Project risks materialized

SRV issued a profit warning due to the materialization of cost risks in the Tampere Arena project and postponement of the expected Pearl Plaza divestment, creating a dent in the improved progress so far during 2021.

### Profitability guidance lowered

SRV issued a profit warning on Monday, December 13<sup>th</sup>. The company now expects its operative operating profit to be positive (prev. EUR 16-21m). The revenue guidance of EUR 900-1,000 remains unchanged. The guidance revision is mainly due to cost risk materialization in the Tampere Arena project. The impact on 2021 figures has been approx. EUR -20m, of which EUR -13m was already included in Q3/2021 figures. Further affecting the guidance revision is the postponement of the sale of the Pearl Plaza shopping centre, which was earlier expected to be finalized during 2021.

### Project risks continue to materialize

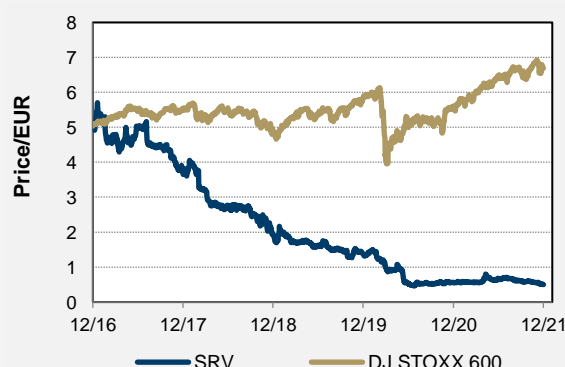
SRV has previously had challenges in managing certain projects of significant size, with these risks unfortunately materializing again. The project has been completed and further risks should be limited to certain final cost calculations. The P&L impact is unfortunate but shouldn't cause financial risks, especially with the completion of the Loisto tower project and subsequent cash flows during Q4. The significant negative impact of the Tampere Arena project does continue to highlight that the underlying construction profitability is actually at rather good levels, but this is unfortunately of little consolation when risks in single major projects continue to materialize. We have lowered our 2021 operative operating profit estimate to EUR 4.4m (prev. EUR 17.2m) but apart from that our estimates remain largely unchanged.

### BUY with a target price of EUR 0.6 (0.7)

With the risks to the company's turnaround at elevated levels we lower our target price to EUR 0.6 (0.7). Upside potential is in our view still clearly in place but appears more remote with the postponement of expected Pearl Plaza divestment. Our rating remains BUY.

## Rating

BUY



Share price, EUR (Last trading day's closing price) 0.50  
 Target price, EUR 0.6

Latest change in recommendation 21-Jul-20  
 Latest report on company 29-Oct-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 132  
 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 03-Feb-22  
 Web site [srv.fi/en/investors](http://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
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	912.2	4.4	0.5%	22.2	-0.03	-15.0	0.4	93.3	16.9	0.00
2022E	938.5	29.1	3.1%	8.7	0.05	11.0	0.4	14.0	6.6	0.00
2023E	981.2	33.1	3.4%	73.3	0.07	7.2	0.4	11.8	55.7	0.02
Market cap, EURm		132	Gearing 2021E, %			154.9	CAGR EPS 2020-23, %			0.0
Net debt 2021E, EURm		282	Price/book 2021E			0.8	CAGR sales 2020-23, %			0.2
Enterprise value, EURm		410	Dividend yield 2021E, %			0.0	ROE 2021E, %			-5.3
Total assets 2021E, EURm		843	Tax rate 2021E, %			22.6	ROCE 2021E, %			1.7
Goodwill 2021E, EURm		2	Equity ratio 2021E, %			22.7	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/'21	Q2/'21	Q3/'21	Q4/'21E	2021E	2022E	2023E
Revenue	1,060.9	208.1	265.1	209.9	292.5	975.6	187.1	218.0	191.1	316.0	912.2	938.5	981.2
change, %	10.6%	-6.5%	27.8%	-7.6%	-27.6%	-8.0%	-10.1%	-17.8%	-9.0%	8.0%	-6.5%	2.9%	4.5%
Operative operating profit	-103.8	4.3	0.5	5.6	5.3	15.8	4.8	5.7	-0.6	-5.5	4.4	29.1	33.1
-margin	-9.8%	2.1%	0.2%	2.7%	1.8%	1.6%	2.6%	2.6%	-0.3%	-1.7%	0.5%	3.1%	3.4%
Adjustment items	3.8	0.2	2.7	-3.9	-13.4	-14.4	0.4	0.6	-1.0	0.0	0.0	0.0	0.0
Operating profit	-93.0	4.5	3.3	1.7	-8.0	1.5	5.2	6.3	-1.6	-5.5	4.4	29.1	33.1
-margin	-8.8%	2.2%	1.2%	0.8%	-2.7%	0.2%	2.8%	2.9%	-0.8%	-1.7%	0.5%	3.1%	3.4%
Net financials	-29.3	-11.1	-3.0	-8.8	-6.4	-29.4	-4.1	-3.7	-2.8	-3.0	-13.6	-12.0	-10.0
Pre-tax profit	-122.4	-6.6	0.2	-7.0	-14.5	-28.0	1.1	2.6	-4.4	-8.5	-9.2	17.1	23.1
Income taxes	18.7	-1.0	-0.3	0.2	4.0	2.9	0.5	-0.5	0.4	1.7	2.1	-3.4	-4.6
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	1.6	2.1	-4.0	-6.8	-7.1	13.6	18.5
EPS rep.*	-1.82	-0.11	0.02	-0.01	-0.05	-0.15	0.00	0.01	-0.02	-0.03	-0.03	0.05	0.07
<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/'21</b>	<b>Q2/'21</b>	<b>Q3/'21</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	187.8	218.5	188.0	315.9	910.2	939.3	982.5
change, %	10.7%	-7.7%	27.8%	-7.4%	-27.6%	-8.3%	-8.3%	-17.3%	-10.1%	8.2%	-6.2%	3.2%	4.6%
<b>Business construction</b>	<b>679.7</b>	<b>154.0</b>	<b>182.2</b>	<b>157.8</b>	<b>186.7</b>	<b>680.7</b>	<b>140.5</b>	<b>140.9</b>	<b>115.2</b>	<b>150.9</b>	<b>547.5</b>	<b>563.9</b>	<b>580.8</b>
change, %	2.0%	5.9%	12.1%	-7.8%	-6.9%	0.1%	-8.8%	-22.7%	-27.0%	-19.2%	-19.6%	3.0%	3.0%
<b>Housing construction</b>	<b>377.9</b>	<b>50.8</b>	<b>81.9</b>	<b>51.3</b>	<b>105.3</b>	<b>289.3</b>	<b>47.3</b>	<b>77.6</b>	<b>72.8</b>	<b>165.0</b>	<b>362.7</b>	<b>375.4</b>	<b>401.7</b>
change, %	30.7%	-34.0%	87.8%	-6.2%	-48.0%	-23.4%	-6.9%	-5.3%	41.9%	56.7%	25.4%	3.5%	7.0%
Operative operating profit		5.5	7.4	3.7	8.5	25.1	6.9	7.0	1.6	-3.0	12.5	34.8	39.3
-margin		2.7%	2.8%	1.8%	2.9%	2.6%	3.7%	3.2%	0.9%	-0.9%	1.4%	3.7%	4.0%
Adjustment items		0.7	0.0	1.5	0.2	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit	7.0	6.2	7.4	5.2	8.7	27.4	6.9	7.0	1.6	-3.0	12.5	34.8	39.3
-margin	0.7%	3.0%	2.8%	2.5%	3.0%	2.8%	3.7%	3.2%	0.9%	-0.9%	1.4%	3.7%	4.0%
<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/'21</b>	<b>Q2/'21</b>	<b>Q3/'21</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	1.0	1.0	4.2	1.1	7.3	4.5	4.0
change, %	28.3%	23.1%	-20.0%	-21.4%	-47.1%	-18.6%	-37.5%	-16.7%	281.8%	22.2%	52.1%	-38.4%	-11.1%
Operative operating profit	-96.2	-1.0	-4.4	1.6	-1.9	-5.7	-0.8	-0.9	-1.6	-1.0	-4.3	-1.5	-2.0
Adjustment items	3.8	-0.5	2.7	-5.4	-13.6	-16.8	0.4	1.0	-1.0	0.0	0.4	0.0	0.0
Operating profit	-92.4	-1.4	-1.7	-3.8	-15.5	-22.5	-0.4	0.1	-2.6	-1.0	-3.9	-1.5	-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/'21</b>	<b>Q2/'21</b>	<b>Q3/'21</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	-1.7	-1.5	-1.1	-1.0	-5.3	-5.3	-5.3
Operating profit	-7.6	-0.2	-2.4	0.3	-1.3	-3.5	-1.3	-0.8	-0.6	-1.5	-4.2	-4.2	-4.2

\*incl. tax adjusted hybrid interest

SRV PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		21	22	23	21	22	23	21	22	23
Skanska	8811	9.0x	9.1x	7.9x	11.3x	11.6x	10.8x	13.1x	13.7x	12.7x
Peab	3083	11.2x	10.4x	9.9x	16.8x	15.1x	14.2x	14.8x	13.2x	12.3x
NCC	1616	5.6x	5.3x	5.0x	9.7x	8.9x	8.2x	11.1x	10.2x	9.6x
AF Gruppen	1972	10.1x	8.7x	7.6x	14.0x	11.9x	10.1x	21.2x	18.6x	16.1x
Veidekke	1689	6.4x	6.0x	5.6x	10.7x	9.8x	8.8x	17.7x	15.7x	14.3x
JM	2717	15.2x	14.5x	13.3x	14.5x	14.2x	12.9x	16.7x	16.0x	14.5x
YIT	907	10.2x	8.2x	7.3x	12.8x	10.2x	9.0x	13.5x	10.4x	8.7x
Bonava	858	11.0x	8.5x	7.2x	11.1x	8.7x	7.4x	11.5x	8.6x	7.2x
Lehto Group	66		10.3x	6.4x		19.5x	9.0x		19.1x	6.4x
Peer Group Average	2185	<b>9.8x</b>	<b>9.0x</b>	<b>7.8x</b>	<b>12.6x</b>	<b>12.2x</b>	<b>10.0x</b>	<b>15.0x</b>	<b>13.9x</b>	<b>11.3x</b>
Peer Group Median	1652	<b>10.1x</b>	<b>8.7x</b>	<b>7.3x</b>	<b>12.0x</b>	<b>11.6x</b>	<b>9.0x</b>	<b>14.1x</b>	<b>13.7x</b>	<b>12.3x</b>
SRV (Evli est.)*	130	<b>35.0x</b>	<b>11.3x</b>	<b>9.7x</b>	<b>93.0x</b>	<b>14.0x</b>	<b>11.8x</b>	<b>-14.9x</b>	<b>10.9x</b>	<b>7.1x</b>

SRV prem./disc. to peer median >100% 30% 34% >100% 21% 31% neg. -21% -42%

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

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	0.50 PV of Free Cash Flow	302 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	1.24 PV of Horizon value	324 WACC, %	7.8 Market risk premium, %	5.8
Share price potential, %	147.5 Unconsolidated equity	3 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	1.1 Debt - dividend	-401 Maximum WACC, %	8.3 Target debt ratio, %	50
Horizon value, %	51.8 Value of stock	326 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	912	939	981	1,001	1,021	1,041	1,062	1,083	1,105	1,128	1,151
<i>Sales growth, %</i>	-8.1	-6.5	2.9	4.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	2	4	29	33	40	41	42	42	43	44	45	46
<i>Operating income margin, %</i>	0.2	0.5	3.1	3.4	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
+ Depreciation+amort.	19	7	7	7	7	7	7	7	7	7	7	7
EBITDA	20	12	36	40	47	48	49	50	51	51	52	
- Paid taxes	-5	-1	-6	-7	-8	-8	-8	-8	-9	-9	-9	
- Change in NWC	107	22	-6	0	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	-2	-2	-2	-2	-3	-3	-3	-3	-3	
<i>opCAPEX / Sales, %</i>	-0.2	-0.2	1.1	0.9	0.6	0.6	0.6	0.6	0.6	0.5	0.5	
- 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	5	57	0	15	0	0	0	0	0	
= FCFF	83	30	27	88	43	48	34	34	35	35	36	639
= Discounted FCFF		29	25	75	34	36	23	22	21	19	18	324
= DFCF min WACC		29	25	76	34	36	24	22	21	20	19	371
= DFCF max WACC		29	25	75	33	35	23	21	20	19	17	286

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2	2021Q3	2021Q4E	2021E	2022E	2023E
Net sales	208.1	265.1	209.8	292.5	975.5	187.1	218.0	191.1	316.0	912.2	938.5	981.2
EBITDA	6.5	5.1	3.5	5.3	20.4	6.7	8.2	-0.6	-2.6	11.7	35.9	40.1
<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>3.6</i>	<i>3.8</i>	<i>-0.3</i>	<i>-0.8</i>	<i>1.3</i>	<i>3.8</i>	<i>4.1</i>
EBIT	4.5	3.3	1.7	-8.0	1.5	5.2	6.3	-1.6	-5.5	4.4	29.1	33.1
<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>2.8</i>	<i>2.9</i>	<i>-0.8</i>	<i>-1.7</i>	<i>0.5</i>	<i>3.1</i>	<i>3.4</i>
Net financial items	-11.1	-3.1	-8.7	-6.5	-29.4	-4.1	-3.7	-2.8	-3.0	-13.6	-12.0	-10.0
Pre-tax profit	-6.6	0.2	-7.0	-14.5	-27.9	1.1	2.6	-4.4	-8.5	-9.2	17.1	23.1
Tax	-1.0	-0.3	0.2	4.0	2.9	0.5	-0.5	0.4	1.7	2.1	-3.4	-4.6
<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>-45.5</i>	<i>20.0</i>	<i>9.1</i>	<i>20.0</i>	<i>22.6</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-9.9	1.0	-7.3	-11.0	-27.1	1.2	1.7	-4.6	-7.2	-8.8	12.0	18.3
EPS	-0.04	0.00	-0.03	-0.04	-0.10	0.00	0.01	-0.02	-0.03	-0.03	0.05	0.07
EPS adjusted (diluted no. of shares)	-0.04	0.00	-0.03	-0.04	-0.10	0.00	0.01	-0.02	-0.03	-0.03	0.05	0.07
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
<b>SALES, EURm</b>												
Construction	204.9	264.1	209.0	292.0	970.0	187.8	218.5	188.0	315.9	910.2	939.3	982.5
Investments	1.6	1.2	1.1	0.9	4.8	1.0	1.0	4.2	1.1	7.3	4.5	4.0
Other	1.6	-0.2	-0.3	-0.4	0.7	-1.7	-1.5	-1.1	-1.0	-5.3	-5.3	-5.3
Total	208.1	265.1	209.8	292.5	975.5	187.1	218.0	191.1	316.0	912.2	938.5	981.2
<b>SALES GROWTH, Y/Y %</b>												
Construction	-7.7	27.8	-7.5	-27.6	-8.3	-8.3	-17.3	-10.0	8.2	-6.2	3.2	4.6
Investments	23.1	-20.0	-21.4	-47.1	-18.6	-37.5	-16.7	281.8	22.2	52.1	-38.4	-11.1
Other	-366.7	-75.0	0.0	-55.6	-126.9	-206.2	650.0	266.7	150.0	-857.1	0.0	0.0
Total	-6.5	27.8	-7.6	-27.6	-8.1	-10.1	-17.8	-8.9	8.0	-6.5	2.9	4.5
<b>EBIT, EURm</b>												
Construction	6.2	7.3	5.2	8.7	27.4	6.9	7.0	1.6	-3.0	12.5	34.8	39.3
Investments	-1.4	-1.7	-3.8	-15.5	-22.4	-0.4	0.1	-2.6	-1.0	-3.9	-1.5	-2.0
Other	-0.2	-2.4	0.3	-1.2	-3.5	-1.3	-0.8	-0.6	-1.5	-4.2	-4.2	-4.2
Total	4.5	3.3	1.7	-8.0	1.5	5.2	6.3	-1.6	-5.5	4.4	29.1	33.1
<b>EBIT margin, %</b>												
Construction	3.0	2.8	2.5	3.0	2.8	3.7	3.2	0.9	-0.9	1.4	3.7	4.0
Investments	-89.4	-139.2	-345.5	-1,722.2	-466.7	-40.0	10.0	-61.9	-90.9	-53.4	-33.3	-50.0
Other	-14.4	1,185.0	-100.0	300.0	-500.0	76.5	53.3	54.5	150.0	79.2	79.2	79.2
Total	2.2	1.2	0.8	-2.7	0.2	2.8	2.9	-0.8	-1.7	0.5	3.1	3.4

Construction & Engineering/Finland, December 14, 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	912.2	938.5	981.2
<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>-6.5</i>	<i>2.9</i>	<i>4.5</i>
EBITDA	34.2	21.1	-14.6	-3.1	20.4	11.7	35.9	40.1
<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>1.3</i>	<i>3.8</i>	<i>4.1</i>
Depreciation	-6.6	-5.7	-5.3	-90.0	-18.9	-7.3	-6.8	-7.0
EBITA	27.6	15.4	-19.9	-93.1	1.5	4.4	29.1	33.1
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	4.4	29.1	33.1
<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>0.5</i>	<i>3.1</i>	<i>3.4</i>
Reported EBIT	27.6	15.4	-19.9	-14.7	1.5	4.4	29.1	33.1
<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>0.5</i>	<i>3.1</i>	<i>3.4</i>
Net financials	-11.3	-10.7	-17.5	-29.3	-29.4	-13.6	-12.0	-10.0
Pre-tax profit	16.3	4.7	-37.4	-122.4	-27.9	-9.2	17.1	23.1
Taxes	-2.1	1.2	6.1	18.7	2.9	2.1	-3.4	-4.6
Minority shares	0.0	0.2	1.1	0.7	2.3	-0.2	-0.2	-0.2
Net profit	9.2	2.2	-34.1	-28.8	-27.1	-8.8	12.0	18.3
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	119	119	120
Goodwill	2	2	2	2	2	2	2	2
Right of use assets	0	0	173	149	130	121	125	126
Inventory	400	419	438	372	355	332	342	357
Receivables	122	146	122	204	155	137	141	137
Liquid funds	55	24	93	28	97	90	93	97
Total assets	883	889	1,120	913	899	843	863	881
<b>Liabilities</b>								
Shareholder's equity	252	240	191	95	170	161	173	191
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	121	125	126
Deferred taxes	4	5	5	3	3	3	3	3
Interest bearing debt	301	321	375	300	250	236	233	234
Non-interest bearing current liabilities	253	252	304	244	285	266	274	286
Other interest-free debt	14	18	9	21	21	21	21	21
Total liabilities	883	889	1,120	914	899	843	863	881
<b>CASH FLOW, EURm</b>								
+ EBITDA	34	21	-15	-3	20	12	36	40
- Net financial items	-11	-11	-17	-29	-29	-14	-12	-10
- Taxes	-2	0	-1	-1	-2	2	-3	-5
- Increase in Net Working Capital	-15	-44	56	-75	107	22	-6	0
+/- Other	15	2	2	98	-49	-2	5	56
= Cash flow from operations	21	-33	26	-11	46	21	19	82
- Capex	-13	-24	-15	-26	1	1	-10	-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	22	9	73
+/- 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	-28	-6	-69
Change in cash	20	-31	70	-65	69	-6	3	4

Construction & Engineering/Finland, December 14, 2021  
Company update

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	214	101	81	155	132	132	132
Net debt (excl. convertibles)	298	456	422	289	267	264	263
Enterprise value	555	601	584	456	410	408	392
Sales	1,114	960	1,061	976	912	939	981
EBITDA	21	-15	-3	20	12	36	40
EBIT	15	-20	-93	2	4	29	33
Pre-tax	5	-37	-122	-28	-9	17	23
Earnings	2	-34	-107	-27	-9	12	18
Equity book value (excl. minorities)	240	191	95	170	161	173	191
<b>Valuation multiples</b>							
EV/sales	0.5	0.6	0.6	0.5	0.4	0.4	0.4
EV/EBITDA	26.3	-41.1	-188.5	22.4	35.1	11.4	9.8
EV/EBITA	36.1	-30.2	-6.3	304.1	93.3	14.0	11.8
EV/EBIT	36.1	-30.2	-6.3	304.1	93.3	14.0	11.8
EV/OCF	-17.1	23.5	-54.5	9.9	19.7	21.4	4.8
EV/FCFF	-10.6	26.3	-15.2	5.5	13.9	15.3	4.5
P/FCFE	-3.8	9.5	-2.2	2.2	5.9	15.2	1.8
P/E	98.6	-3.0	-0.8	-5.7	-15.0	11.0	7.2
P/B	0.9	0.5	0.9	0.9	0.8	0.8	0.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	37.3	12.1	10.4
Target EV/EBIT	0.0	0.0	0.0	0.0	99.1	14.9	12.6
Target EV/FCF	0.0	0.0	0.0	0.0	19.6	50.0	5.7
Target P/B	0.0	0.0	0.0	0.0	1.0	0.9	0.8
Target P/E	0.0	0.0	0.0	0.0	-18.0	13.2	8.6
<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	-0.03	0.05	0.07
Operating cash flow per share	-0.55	0.43	-0.18	0.18	0.08	0.07	0.31
Free cash flow per share	-0.96	0.18	-0.62	0.27	0.08	0.03	0.28
Book value per share	4.03	3.21	1.59	0.64	0.61	0.66	0.73
Dividend per share	0.06	0.00	0.00	0.00	0.00	0.00	0.02
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	3.5
FCF yield, %	-26.6	10.6	-45.6	46.4	16.9	6.6	55.7
<b>Efficiency measures</b>							
ROE	0.9	-15.8	-74.9	-20.5	-5.3	7.2	10.0
ROCE	3.5	-2.1	-12.1	0.9	1.7	6.2	6.8
<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	-0.2	1.1	0.9
CAPEX/sales (incl. acquisitions), %	2.2	1.5	2.5	-0.6	-0.2	1.1	0.9
FCFF/EBITDA	-2.5	-1.6	12.4	4.1	2.5	0.7	2.2
Net debt/EBITDA, book-weighted	14.1	-31.2	-136.2	14.2	22.8	7.4	6.6
Debt/equity, market-weighted	1.5	3.7	3.7	1.6	1.8	1.8	1.8
Equity ratio, book-weighted	35.5	23.6	21.2	22.3	22.7	23.7	23.5
Gearing, %	105.0	195.1	240.4	159.8	154.9	143.4	140.6

Construction & Engineering/Finland, December 14, 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. Fluctuations in construction material prices and availability have caused some additional concerns. Successful exits from developed shopping centres and successful project management remain crucial in improving the company's balance sheet and financial performance.

OWNERSHIP STRUCTURE	SHARES	EURm	%
As Pontos Capital	47,306,787	23.653	18.0%
Ilmarinen Mutual Pension Insurance Company	33,295,636	16.648	12.7%
Kolpi Investments Oy	23,776,663	11.888	9.0%
OP Life Assurance Company Ltd	17,150,449	8.575	6.5%
Pohjola Insurance Ltd	15,785,996	7.893	6.0%
Havu Capital Oy	15,741,398	7.871	6.0%
Etola Group	13,373,642	6.687	5.1%
Tungelin Investments Oy	6,926,660	3.463	2.6%
Lareale Investments Oy	6,926,660	3.463	2.6%
Kokkila Lauri	6,494,422	3.247	2.5%
Ten largest	186,778,313	93.389	71%
Residual	76,239,028	38.120	29%
Total	263,017,341	131.509	100%

**EARNINGS CALENDAR**

April 28, 2022	Q1 report
July 21, 2022	Q2 report
October 27, 2022	Q3 report
February 03, 2022	FY 2022 Results

**OTHER EVENTS****COMPANY MISCELLANEOUS**

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



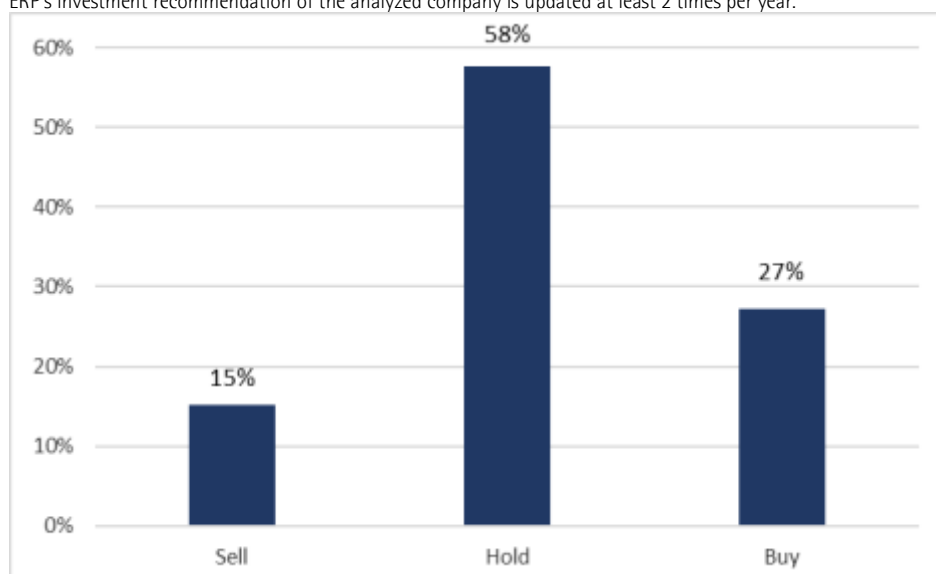
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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