

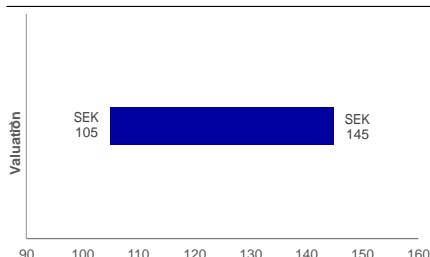
KEY DATA

Stock country	Sweden
Bloomberg	SRNKEB.SS
Reuters	SRNKEB.ST
Share price (close)	SEK 51.00
Free Float	
Market cap. (bn)	EUR 0.11/SEK 1.14
Website	www.serneke.se
Next report date	17 Jul 2019

PERFORMANCE



VALUATION APPROACH



ESTIMATE CHANGES

Year	2019E	2020E	2021E
Sales	0%	0%	0%
EBIT (adj)	-12%	1%	0%

Source: Nordea estimates

Nordea Markets - Analysts

Niclas Höglund
Senior Analyst, Sector Coordinator

Carl Wahlberg
Associate

Slow quarter burdened by expansion costs

Serneke delivered a soft Q1 report – EBIT came in 35% below our expectation, burdened by expansion costs and a change in accounting principles for profit recognition in housing development. The company reiterates its view that there will be a slowdown in the residential market but foresees stronger demand for community service projects. Better visibility into the Karlastaden project is an important factor to turn current negative investor sentiment and favourable outcomes are included in the higher end of our fair value range of SEK 105-145 (110-160), which is based on our SOTP, DCF and peer multiples approach.

Q1 outcome: Soft results in a seasonally slow quarter

Serneke delivered a soft quarter with sales 8% below our estimates and flat y/y. Group EBIT came in substantially lower than we expected, partly due to expansion costs of SEK 11.5m and SEK 6m stemming from a change in accounting policy for projects (from percentage of completion to completed contracts).

Value drivers: Construction margins and clarity in Karlastaden

Expansion costs limit margins in Q1, in part due to seasonality, and we see solid potential for margin improvement in H2-2019 and 2020. Project financing of the residential part of Karlastaden is pending and we expect clarity on the divestment of building rights/new joint ventures to act as important value drivers in 2019 and 2020.

Estimate changes

We cut our adjusted EPS estimates for 2019 by 12% to reflect the slightly softer outlook and the change in accounting principles, which affects the projects for the coming three quarters. For 2020-21, we leave our adjusted EPS estimates largely unchanged.

Valuation

Our multiples valuation disregards the solid asset base in Property Management and Development Properties, partly because of project volatility and fair value accounting of properties. Downside risks relate to further project cost overruns and the backend-loaded nature of results from the development, given the limited contribution we expect in 2019. We reach a fair value of SEK 105-145 (110-160) per share based on our SOTP, DCF and peer multiples valuation approach.

SUMMARY TABLE - KEY FIGURES

SEKm	2015	2016	2017	2018	2019E	2020E	2021E
Total revenue	3,107	3,978	5,605	6,516	7,237	10,988	9,403
EBITDA (adj)	128	479	439	617	217	527	501
EBIT (adj)	128	411	419	665	192	497	471
EBIT (adj) margin	4.1%	10.3%	7.5%	10.2%	2.7%	4.5%	5.0%
EPS (adj)	8.11	21.22	13.81	30.33	5.34	15.64	14.73
EPS (adj) growth	94.4%	161.6%	-34.9%	119.7%	-82.4%	192.8%	-5.8%
DPS (ord)	0.00	0.00	4.00	0.00	0.00	4.00	4.10
EV/Sales	n.a.	0.5	0.4	0.3	0.3	0.2	0.1
EV/EBIT (adj)	n.a.	4.7	5.6	2.9	10.3	3.4	2.5
P/E (adj)	n.a.	4.9	6.5	2.0	9.5	3.3	3.5
P/BV	n.a.	1.3	1.1	0.6	0.5	0.4	0.4
Dividend yield (ord)	n.a.	0.0%	4.5%	0.0%	0.0%	7.8%	8.0%
FCF Yield bef acq & disp	n.a.	-6.7%	-0.7%	13.7%	-24.2%	26.0%	52.8%
Net debt	243	-37	254	552	831	531	12
Net debt/EBITDA	1.9	-0.1	0.6	0.9	3.8	1.0	0.0
ROIC after tax	12.1%	23.3%	15.7%	18.3%	4.3%	10.4%	10.1%

Source: Company data and Nordea estimates

Q1 2019 Review

Soft sales and EBIT 51% below our estimate in Q1

Soft underlying quarter topped by negative effect from accounting

Serneke reported Q1 sales of SEK 1,480m, 8% below our expectations and more or less flat y/y. The construction segment delivered y/y growth of ~6%. Total group EBIT was SEK 18m, 51% below our estimates and down 65% y/y. Serneke's EBIT in Q1 2018 was positively affected by a non-recurring effect of SEK 20m (related to a dispute that resulted in a positive outcome for Serneke) and thus partly explains the material y/y drop in EBIT. On a segmental level, EBIT for the Construction division was SEK 26m, 33% below our expectations, and down 26% y/y. The underlying margins would have been unchanged if they had been adjusted for expansion costs of SEK 11.5m in the quarter and, according to the company, they expect growth to gradually pick up and thus limit dilution for the full year. The accumulated EBIT margin for Construction and Civil Engineering was 1.7%, ~0.7 pp below our estimates and down 0.8 pp y/y.

Serneke's financial net was up materially y/y from SEK 3m in Q1 2018 to SEK 10m in Q1 2019, which was primarily driven by the issuance of a corporate bond during Q2 2018. Nevertheless, net profit came in at SEK 10m, 50% below our estimates and down 74% y/y. The tax was positive SEK 2m, due to the company having no taxable income and because of a change in deferred tax. This resulted in an EPS of SEK 0.44 per share compared to our estimates of SEK 0.90 per share.

Orders inclined 4% y/y

Serneke reported an order intake of SEK 1,177m in Q1, up 4% y/y. The Construction division had order intake of SEK 1,096m, which implies an increase of 18% y/y. For Civil Engineering, order intake amounted to SEK 18m.

New accounting principles for housing development

After Nasdaq Stockholm's investigation regarding housing developers, Serneke chose to change its accounting principles regarding housing development so that they are in line with the recommendations of the investigation. In general terms, Serneke will move from percentage-of-completion to completed-contracts accounting, meaning that housing associations will be included in the Group's consolidated accounts. Furthermore, project revenue and profit/loss will be recognised when fully completed.

As a consequence of the change in accounting principles, EBIT was affected negatively by SEK 6m in the quarter. According to the company, this accounting effect will affect the y/y comparison in the coming three quarters as well.

Since the housing associations are now included in the balance sheet, there was a significant negative impact on working capital. Serneke asserts that the operating cash flow was adversely affected by SEK 84m and that the cash flow effect in total was negative SEK 300m.

Outlook

Serneke reiterates its view that there is a slowdown in the Swedish housing market and again highlights the shift in the demand mix primarily towards larger community service projects.

The company opened up for not only growing organically in the near term but also through a selective M&A-strategy. The company did not comment on an M&A-pipeline but said that it is actively looking for strategic acquisition targets.

DEVIATION: GROUP, Q1 2019

SEKm	Actual	NDA est.	Deviation		Actual	Actual		
	Q1 2019	Q1 2019E	vs. actual		Q4 2018	q/q	Q1 2018	y/y
Net Sales	1,480	1,606	-126	-8%	1,991	-26%	1,485	0%
EBIT	18	37	-19	-51%	509	-96%	52	-65%
EBIT-margin	1.2%	2.3%		-1.1pp	25.6%	-24.3pp	3.5%	-2.3pp
of which non-recurring	-	-			-		-	
EBIT adj	24.0	37	-13	-35.1%	509	-95%	52	-54%
EBIT adj - margin	1.6%	2.3%			25.6%		3.5%	
Pretax profit	8	26	-18	-69.2%	501	-98%	49	-84%
Net profit	10	20	-10	-50.0%	572	-98%	39	-74%
EPS	0.44	0.90	(0)	-51%	25.34	-98%	1.68	-74%
Order Intake	1,177				1,000	18%	1,128	4%

Source: Company data and Nordea estimates

DEVIATION: SEGMENTS, Q1 2019

Segmental mix	Actual	NDA est.	Deviation		Actual	Actual		
	Q1 2019	Q1 2019E	vs. actual		Q4 2018	q/q	Q1 2018	y/y
Sales								
Construction	1,339	1,386	-47	-3%	1,680	-20%	1,260	6.3%
Civil engineering	200	197	3	2%	284	-30%	179	12%
Project development	11	65	-54	-83%	121	-91%	62	-82%
Property management	18	15	3	20%	29	-38%	21	-14%
Other sales		42	-42		-		41	-100%
Eliminations	-88	-99	11.00	-11%	-123	-28%	-78	13%
Total Serneke	1,480	1,606	-126.00	-8%	1,991	-26%	1,485	0%
EBIT reported								
Construction	26	39	-13	-33%	54	-52%	35	-26%
- margin, %	1.9%	2.8%		-0.9pp	3.2%	-1.3pp	2.8%	-0.8pp
Civil engineering	-	1	-1		2	-100%	1	-100%
- margin, %	0.0%	0.7%		-0.7pp	0.7%	-0.7pp	0.6%	-0.6pp
Construction and civil acc. margin, %	1.7%	2.5%		-0.8pp	2.9%	-1.2pp	2.5%	-0.8pp
Project development	-8	2	-10	-5	237	-103%	9	-189%
- margin, %	-44.4%	3.1%		-47.5pp	195.9%	-240.3pp	14.5%	-59.0pp
Property management	-1	-	-1		222	-100%	-10	-90%
- margin, %	-5.6%	0.0%		-5.6pp	765.5%	-771pp	-47.6%	42.1pp
Other	1	-5	6	-1	-6	-117%	17	-94%
Total EBIT	18	37	-19	-1	509	-96%	52	-65%
- margin, %	1.2%	2.3%		-1.1pp	25.6%	-24pp	3.5%	-2.3pp

Source: Company data and Nordea estimates

Estimates cut for 2019, but 2020 is largely unchanged

We reduce our estimates for EPS adjusted for 2019E by ~12% on the back of a slightly weaker outlook and a change in accounting principles that affects the project development business area. For 2020-21E, we leave our EPS adjusted estimates largely unchanged.

Overall, we believe that Serneke will continue delivering top-line growth, despite prevailing uncertainties in the Swedish housing market. Furthermore, we believe that the Karlastaden project will start contributing substantially to sales growth in 2020. In terms of profitability, Serneke keeps its ambitious target of an 8% EBIT margin on the group level. However, we think that the cautious profit-recognition approach communicated for the Karlastaden project will hold margins below the target for 2019E-20E.

SERNEKE: OUR ESTIMATE REVISIONS, SEKm

	New			Old			Diff (SEKm)			Diff (%)		
	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E
Total Sales	7,237	10,988	9,403	7,269	11,027	9,441	-32	-39	-37	0%	0%	0%
Total EBIT adj	192	497	471	220	492	471	-27	5	-1	-12%	1%	0%
Non recurring items	-	-	-	-	-	-	0	0	0	na	na	na
Total reported EBIT	192	497	471	220	492	471	-27	5	-1	-12%	1%	0%
-of which Property and project	9	149	118	36	149	121	-27	0	-3	-75%	0%	-2%
Total EBIT adj excluding Prop and Project	183	348	352	184	343	350	0	5	2	0%	1%	1%
Pretax	148	447	421	174	441	421	-26	6	0	-15%	1%	0%
Net profit	120	353	333	137	349	333	-17	5	0	-12%	1%	0%
EPS	5.34	15.64	14.73	6.10	15.43	14.72	-1	0	0	-12%	1%	0%
EPS adj	5.34	15.64	14.73	6.10	15.43	14.72	-1	0	0	-12%	1%	0%
DPS	5.00	5.00	5.00	5.00	5.00	5.00	-	-	-	0%	0%	0%
Net debt (- Cash)	552	943	755	552	939	754	-	4	2	0%	0%	0%
Segments												
Sales												
Construction	6,351	10,277	8,620	6,312	10,237	8,576	38	40	44	1%	0%	1%
Construction ex Karlastaden	6,121	6,427	7,070	6,083	6,387	7,026	38	40	44	1%	1%	1%
Infrastructure	956	1,023	1,094	938	1,003	1,074	18	19	21	2%	2%	2%
Project Development	263	271	284	317	326	343	-54	-56	-59	-17%	-17%	-17%
Property Management	63	60	60	60	60	60	3	0	0	5%	0%	0%
Other sales	62	63	65	104	106	108	-42	-43	-44	-40%	-40%	-40%
Eliminations	-457	-706	-720	-462	-706	-720	5	0	0	-1%	0%	0%
Total Sales	7,237	10,988	9,403	7,269	11,027	9,441	-32	-39	-37	0%	0%	0%
EBIT excl non recurring items												
Construction	183	352	350	188	346	349	-6	5	2	-3%	2%	0%
Construction ex Karlastaden	181	231	247	187	225	246	-6	5	2	-3%	2%	1%
Infrastructure	15	21	27	15	21	27	0	0	1	-2%	-1%	2%
Project Development	-18	120	89	8	120	92	-26	0	-3	-325%	0%	-3%
Property Management	27	29	29	28	29	29	-1	0	0	-4%	0%	0%
Other	-14	-25	-26	-20	-25	-26	6	0	0	-30%	0%	0%
Total EBIT adj	192	497	471	220	492	471	-27	5	-1	-12%	1%	0%
Non recurring items	0	0	0	0	0	0	0	0	0	na	na	na
Total reported EBIT	192	497	471	220	492	471	-27	5	-1	-12%	1%	0%
Sales growth y/y												
Construction	15%	62%	-16%	14%	62%	-16%	1%	0%	0%	1%	0%	0%
Infrastructure	10%	7%	7%	8%	7%	7%	2%	0%	0%	2%	0%	0%
Project Development	-14%	3%	5%	4%	3%	5%	-18%	0%	0%	-18%	0%	0%
Property Management	-41%	-5%	0%	-44%	0%	0%	3%	-5%	0%	3%	-5%	0%
Total Sales growth	11%	52%	-14%	12%	52%	-14%	0%	0%	0%	0%	0%	0%
EBIT % excl non rec.												
Construction	2.9%	3.4%	4.1%	3.0%	3.4%	4.1%	0%	0%	0%	0%	0%	0%
Construction ex Karlastaden	3.0%	3.6%	3.5%	3.1%	3.5%	3.5%	0%	0%	0%	0%	0%	0%
Infrastructure	1.5%	2.0%	2.5%	1.6%	2.1%	2.5%	0%	0%	0%	0%	0%	0%
Project Development	-6.9%	44.4%	31.4%	2.5%	36.8%	26.9%	-9%	8%	5%	-9%	8%	5%
Property Management	42.9%	48.3%	48.3%	46.7%	48.3%	48.3%	-4%	0%	0%	-4%	0%	0%
Total EBIT %	2.7%	4.5%	5.0%	3.0%	4.5%	5.0%	0%	0%	0%	0%	0%	0%

Source: Nordea estimates

Factors to consider when investing in Serneke

Serneke is an entrepreneurial Swedish construction company with a strong growth record and high ambitions to improve its underlying profitability. Profitability has been held back by investments in growth and by weaker acquired projects, resulting in lower investor confidence. Karlatornet, a substantial residential development project, adds complexities and risks to the portfolio and also weighs on confidence. In our view, the main rebound potential stems from stabilisation of construction margins, asset divestments and reduced risk perception of the development of Karlatornet. Downside risks mainly relate to project risks and a relatively weaker 2019E, burdened by the project backlog and margin dilution from development. We derive a fair value range of SEK 105-145 (110-160) per share for Serneke, based on a combination of DCF, peer multiples and asset-based scenarios.

Highlights

Reported sales of SEK 6.5bn in 2018 imply a CAGR of ~50% for 2003-18

Serneke is a Gothenburg-based company with operations and subsidiaries throughout Sweden. In 2018, it was by far the fastest-growing company in the sector, reaching 41% in annual sales, with sales amounting to SEK 6.5bn for the year. The company's two largest business areas are Construction, with sales totalling SEK 5,530m in 2018, and Civil Engineering, with sales of SEK 866m in the same period. Growth has been a vital part of the company's strategy to establish an organisation capable of accommodating large orders from the public and private sectors. Serneke's revenue has grown from SEK 14m in 2003 up to SEK 6.5bn in 2018, implying a CAGR of ~50% for 2003-18.

One of Serneke's primary targets is to establish an organisation capable of handling large-scale projects from public and private customers. The company aims to continue growing its existing operations in Stockholm, Gothenburg and Malmö, but also to further expand to other parts of Sweden, primarily in larger cities.

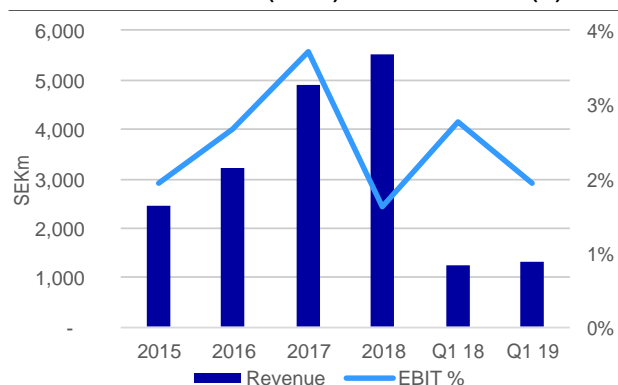
Contracting operations: Construction and Civil Engineering

Construction

The Construction business area includes all phases: new construction, renovation and expansion. Focus is primarily on rental apartments and community properties. The income from the Construction business area amounted to SEK 1,339m in Q1 2019 and its operating margin was 1.9%, a decline from 2.8% in Q1 2018. The material drop was related to a positive one-off effect of SEK 20m in Q1 2019, changes to the accounting policy of profit recognition for projects in Q1 2019 and expansion costs of approximately SEK 11.5m.

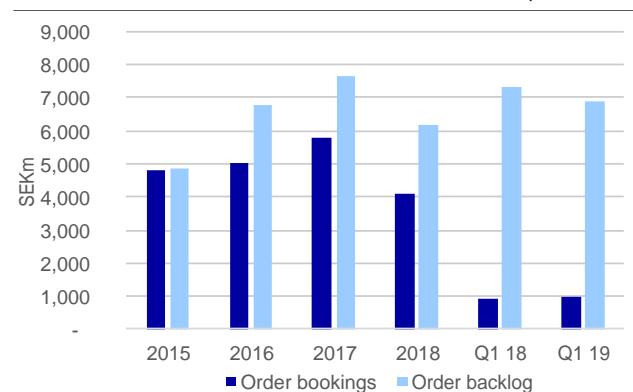
Order bookings increased by 4% in the quarter, whereas the backlog decreased. Serneke asserts that the slowdown in the Swedish residential market is the major reason behind the decrease.

CONSTRUCTION: INCOME (SEKm) AND EBIT MARGIN (%)



Source: Company data and Nordea

CONSTRUCTION: ORDER BOOKINGS AND BACKLOG, SEKm



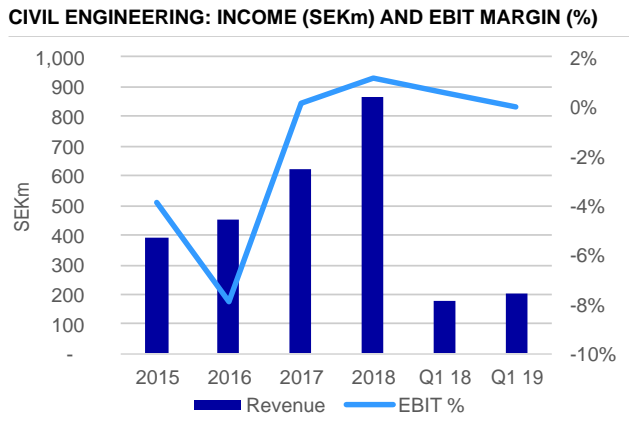
Source: Company data and Nordea

Civil Engineering

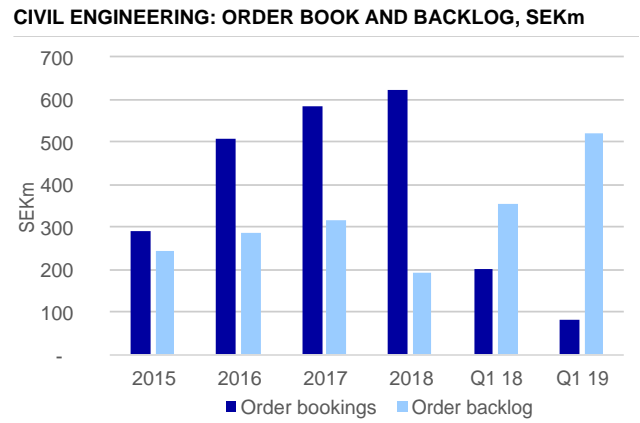
The Civil Engineering business area is engaged in all types of civil engineering work, including earthworks, foundations, infrastructure, electrical grids, power plants, harbour contracts and concrete works. The focus is on large, complex, national and regional infrastructure projects within industry and maintenance services. The income from Civil Engineering amounted to SEK 200m in Q1 2019 and its operating margin was ~0% (compared with 1.8% in Q1 2018).

Action programme to improve profitability initiated in 2016

According to Serneke, one of the pivotal drivers of positive development is the action programme initiated in 2016. The programme's goal was to improve profitability and strengthen internal controls. Among other things, it included reviewing the organisation, processes, working methods, objectives and focus.



Source: Company data and Nordea



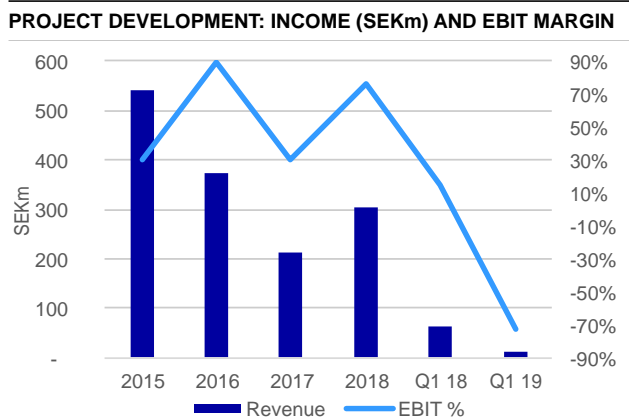
Source: Company data and Nordea

Project Development

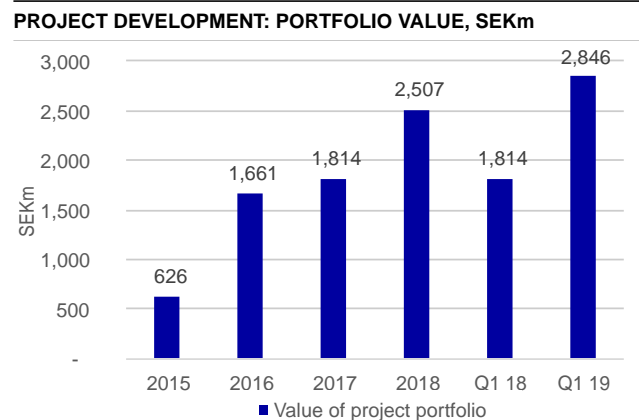
Project Development involves the acquisition and the development of projects and properties, typically of developed and underdeveloped land for use in residential and commercial properties.

The income of the Project Development business area amounted to SEK 11m in Q1 2019 and its operating margin was -73%. As can be seen in the chart below on the left, the operating margin for the Project Development business area has fluctuated materially during 2015-18. For example, the 2016 figure was affected by the sale of 50% of the Karlastaden project in Q2 2016. The fact that there are a lot of one-off income items in this business area makes it difficult to compare or draw any conclusions about its operating margin.

The Project Development portfolio was valued at SEK 2,846m as of Q1 2019, of which the Karlastaden project holding amounted to SEK 2,177m.



Source: Company data and Nordea



Source: Company data and Nordea

Karlatornet

Karlatornet – the tallest skyscraper to be built in the Nordics so far

Serneke is developing a new miniature city, just outside Gothenburg city centre, where the company aims to develop approximately 2,000 apartments, office properties, shops, restaurants, a health centre and a school. The flagship of the project is undoubtedly

Karlatornet, the tallest skyscraper to be built in the Nordics to date. Of the 594 apartments in the skyscraper, approximately 80% were sold as of 31 December 2018. These have been sold at an average m² price of SEK 100,000, which can be compared to the last three months' average m² price in Gothenburg of SEK 47,427, according to Svensk Mäklarstatistik. We believe the fact that Serneke has managed to sell 80% of the apartments at these unprecedented prices (>2.0x of average Gothenburg prices) is a positive sign.

Furthermore, Serneke's management roughly estimates that Karlatornet will generate income of around SEK 6.5bn in total, with corresponding production costs of SEK 5.5bn, leaving SEK ~1bn in total profit, ie SEK 500m in profit per the joint venture agreement. We believe this bodes well for securing the income of the skyscraper. However, constructing a skyscraper this tall is inevitably associated with risks, which we believe investors considering an investment in Serneke should keep in mind.

The 245-metre-tall skyscraper will have 73 stories, with 594 apartments of different sizes and a publicly accessible Skybar on the 69th floor. Karlatornet should be completed in 2022, but occupancy in the apartments, according to the plan, will commence from 2021. The apartments are operated by four different housing associations, except for the penthouse apartments on the so-called Skylevel, which will be fully owned by the apartment owners and are not associated with any housing associations.

The financing of the Karlatornet project is not yet final, but Serneke believes there will not be any issues with it as it has already sold 80% of the apartments and secured a 20-year lease contract with Nordic Choice for the hotel operations. The financing of Karlatornet, according to management, will be settled during spring 2019.

At first, the Karlastaden project was jointly operated by Serneke and NREP (a real estate investment company). In December 2018, however, Serneke acquired NREP's share of Karlastaden Holding AB, which means that Serneke now owns 100% of the project.

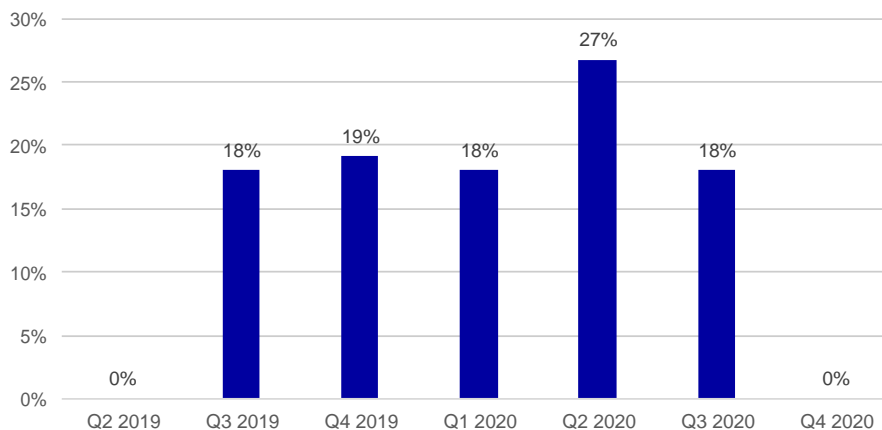
Ongoing projects

In the table and chart below, we show Serneke's current pipeline of residential projects. The project portfolio contains 203 units, of which 151 (74%) are already sold as of Q1 2019.

THE CURRENT RESIDENTIAL PROJECT PORTFOLIO COMPRISES 203 UNITS...

Projects ongoing	Type	Units in production	Sold	Sold%	Finalised	ASP
Magasinhusen etapp 1	Ongoing	33	32	97%	Q3 2019	2.0
Magasinhusen etapp 1	Ongoing	33	27	82%	Q1 2020	2.0
Magasinhusen etapp 1	Ongoing	33	16	48%	Q3 2020	2.0
Offerhällsparketrn	Ongoing	20	8	40%	Q2 2021	2.8
Stenhuggaren	Ongoing	35	20	57%	Q4 2019	3.2
Trevågor	Ongoing	49	48	98%	Q2 2020	5.4
Total		203	151	74%		

Source: Company data and Nordea

...OF WHICH SERNEKE EXPECTS 37% TO BE FINALISED IN 2019

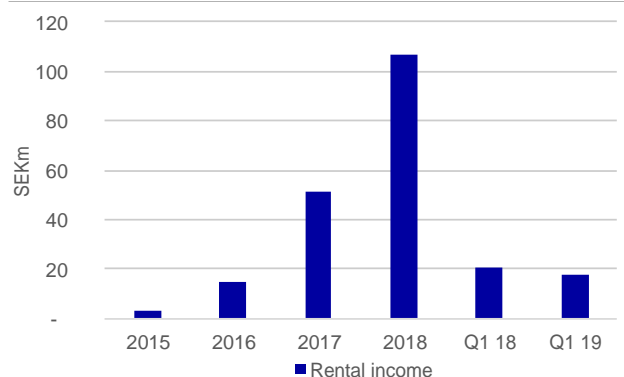
Source: Company data and Nordea

Property Management

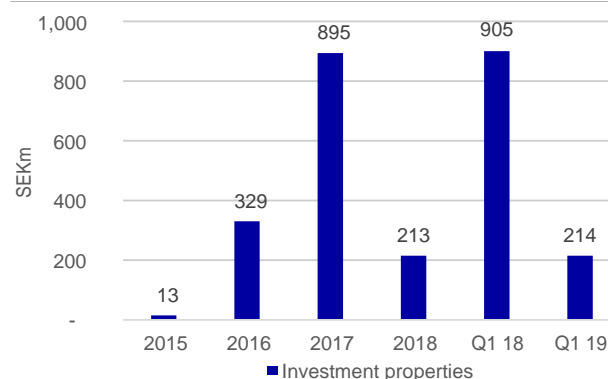
In the Property Management business area, the property portfolio comprises acquired commercial properties primarily in the Gothenburg region. The business area also develops and manages the properties with the goal of capital appreciation, rental income or a combination of both. The business area aims to acquire properties with development potential and grow them by investing, developing, streamlining and rationalising property management.

The value of investment properties was estimated by Serneke at SEK 214m as of Q1 2019, down substantially from SEK 905m in Q1 2018, due to the divestment of Säve Airport in December 2018.

The income from the Property Management business area was SEK 18m in Q1 2019 and its operating profit was negative SEK 1m. The company announced the divestment of Säve Airport in Q4 2018 for SEK 1.1bn, which generated value changes of around SEK 271m in Q4 and cash flow of SEK 750m. The additional guaranteed cash flow of SEK 350m will be received by 2030 at the latest. The company also could be supported by earn-outs linked to ongoing planning processes until 2030. Much like Project Development, sales of properties are one-off items, making it difficult to compare the operating margin for this business area over time.

PROPERTY MANAGEMENT: RENTAL INCOME, SEKm

Source: Company data and Nordea

PROPERTY MANAGEMENT: PROPERTY VALUE, SEKm

Source: Company data and Nordea

A major holding in the current portfolio is the jointly owned Prioritet Serneke Arena, the largest multi-sport facility in the Nordic region, containing an indoor ski facility, full-sized soccer field, schools, a restaurant, a gym and offices. The letting ratio was 100% as of Q1 2019.

Joint ventures

Serneke partners with other investors through joint ventures and associate agreements. After the divestment of Säve Airport and the consolidation of the Karlstad project, JVs no longer have a significant effect on the share price. The two

major JVs/associates are Änglagården Holding AB and Fjätersvålen; Serneke owns 40% of each JV/associate.

OWNERSHIP AND BOOK VALUE FOR JOINT VENTURE AND ASSOCIATES AS OF Q1 2019

Joint ventures/Associates	Ownership share, %	Serneke Book Value SEKm
Änglagården Holding AB	40%	126
Fjätersvålen	40%	10
Total		136

Source: Company data and Nordea

Summary valuation approaches

We use several valuation approaches for Serneke based on current and historical multiples for peers, SOTP valuation, and DCF, so as to build a framework for investors. Short-term valuation has come under pressure owing to the recent announcement of the dividend cut for 2018, the announced slowdown in activity for Karlatornet and top-down concerns about the Swedish construction market, particularly residential development, to which Serneke is exposed mainly through its Karlstad joint venture.

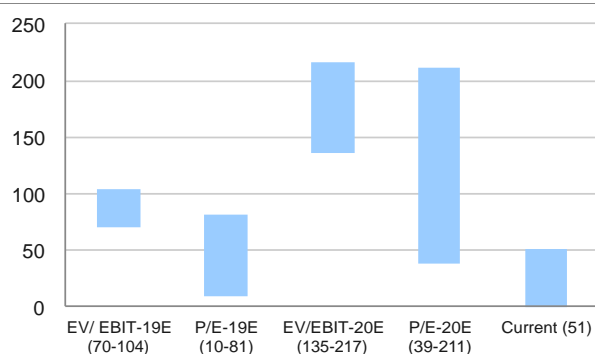
Solid asset value, primarily related to project management, is not visible in 2018-19 estimates owing to the buildup of projects. Looking ahead to 2020E, we assume that visibility into these projects should have improved, which suggests a move towards the higher end of our fair value range of SEK 105-145 per share.

VALUATION SUMMARY: VALUE PER SHARE AND IMPLIED P/E

	Value	Hist	Implied P/E		
		Multiple	2018E	2019E	2020E
1) SOTP avg	159		5.2	29.7	10.1
2) Multiple avg	131		4.3	24.5	8.4
a) P/E (19E)	64	12	2.1	12.0	4.1
b) EV/EBIT (20E)	198	10	6.5	37.0	12.6
3) Long term DCF	138		4.6	25.9	8.8
Fair value NDA					
	Low	105	3.5	19.7	6.7
	High	145	4.8	27.1	9.3

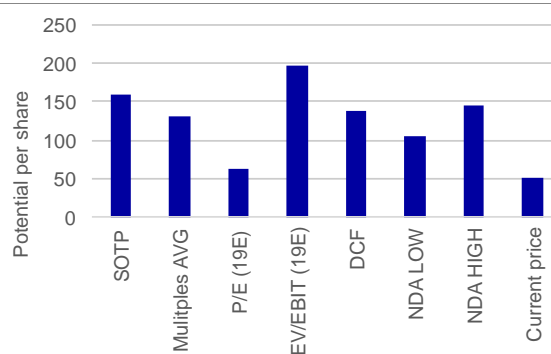
Source: Company data, Thomson Reuters and Nordea estimates

PEER MULTIPLE APPROACH



Source: Company data, Thomson Reuters and Nordea estimates

VALUATION SUMMARY: SOTP, MULTIPLES AND DCF



Source: Company data, Thomson Reuters and Nordea estimates

PEER AND SERNEKE VALUATION MULTIPLES (THOMSON REUTERS ESTIMATES)

Name	Share	Mcap	EV/Sales			EV/EBIT				P/E				Div. yield		
	Price	(SEKm)	18A	19E	20E	18A	19E	20E	17A	18A	19E	20E	17A	18A	19E	20E
Nordic Construction																
Skanska AB	176	70,704	0.4	0.4	0.4	14.1	11.7	10.9	13.4	16.9	14.4	13.4	4.7%	4.6%	4.1%	4.3%
Peab AB	87	23,003	0.5	0.5	0.5	11.6	10.8	10.5	12.9	13.0	12.2	11.8	4.4%	4.8%	4.9%	5.2%
Ncc AB	153	16,729	0.3	0.3	0.3	na	12.5	9.0	17.4	na	15.3	10.9	5.2%	5.2%	3.4%	4.7%
Veidekke ASA	105	13,978	0.4	0.4	0.4	26.4	12.2	10.9	12.5	22.8	12.1	11.3	4.9%	5.0%	5.3%	5.5%
Yit Oyj	57	12,051	0.5	0.5	0.5	14.8	9.1	9.5	8.9	13.4	8.6	9.2	4.3%	5.0%	5.5%	5.9%
Median		13,834	0.4	0.4	0.4	11.5	10.7	9.3	12.4	12.9	11.7	10.5	4.9%	5.1%	5.0%	5.2%
80th percentile		32,543	0.5	0.5	0.5	19.4	12.2	10.9	14.2	19.3	14.5	12.2	0.0	5.1%	5.3%	5.6%
20th percentile		13,978	0.4	0.4	0.4	13.4	10.8	9.5	12.5	13.3	12.1	10.9	0.0	4.8%	4.1%	4.7%
Nordic Residential Development																
Bonava AB (publ)	127	13,912	1.3	1.3	1.2	11.0	11.7	10.9	10.1	11.0	11.6	10.8	3.8%	4.2%	4.2%	4.4%
JM AB	184	12,858	0.8	0.9	0.9	6.7	8.3	8.0	6.3	8.9	10.8	10.6	5.9%	5.7%	6.0%	6.1%
Selvaag Bolig ASA	52	4,850	1.9	2.0	1.9	9.3	9.3	11.5	12.9	8.8	8.9	11.2	4.5%	9.1%	8.5%	7.3%
Besqab AB (publ)	87	1,359	1.0	0.8	0.8	6.7	8.4	6.3	5.3	8.9	11.1	8.3	7.5%	7.5%	3.4%	4.0%
Magnolia Bostad AB	32	1,199	1.9	2.0	2.0	8.0	7.8	7.1	5.3	5.9	3.5	5.4	6.0%	7.1%	8.0%	5.7%
Oscar prop. AB	8	339	0.7	1.2	2.4	na	12.9	19.1	0.5	na	5.8	4.8	7.6%	0%	0.0%	0.0%
Median		3,105	1.1	1.2	1.5	8.0	8.9	9.4	5.8	8.9	9.9	9.4	6.0%	6.4%	5.1%	5.0%
80th percentile		12,858	1.9	2.0	2.0	9.6	11.7	11.5	10.1	9.3	11.1	10.8	7.5%	7.5%	8.0%	6.1%
20th percentile		1,199	0.8	0.9	0.9	6.7	8.3	7.1	5.3	8.2	5.8	5.4	4.5%	4.2%	3.4%	4.0%
Total Nordic Constr. and Dev.		12,858	0.7	0.8	0.8	11.0	10.8	10.5	10.1	11.0	11.1	10.8	4.9%	5.0%	4.9%	5.2%
80th percentile		70,704	1.9	2.0	2.4	14.4	12.2	10.9	17.4	22.8	15.3	13.4	7.6%	9%	8.5%	7.3%
20th percentile		339	0.3	0.3	0.3	7.5	8.4	8.0	0.5	5.9	3.5	4.8	3.8%	0.0%	0.0%	0.0%
Serneke	51	1,144	0.3	0.3	0.2	2.9	10.3	3.4	3.5	1.9	9.5	3.2	8.1%	0.0%	0.0%	7.8%
Serneke High	145	3,253	0.6	0.6	0.3	6.4	21.2	7.6	10.1	5.4	27.1	9.2	2.9%	0.0%	0.0%	2.8%
Serneke Low	105	2,356	0.4	0.4	0.3	4.9	16.6	5.8	7.3	3.9	19.6	6.7	3.9%	0.0%	0.0%	3.8%

Source: Thomson Reuters and Nordea estimates

Valuation

We use a broad valuation approach for Serneke, looking at all aspects, including multiples, SOTP and DCF. We combine the valuation approach with sensitivity related to estimates to capture both downside and upside. We argue that a combination of SOTP and DCF approaches is appropriate for determining the fair value of Serneke. Our fair value range of SEK 105-145 per share is quite wide, as it includes a cautious approach to the Karlastaden project at the lower end of our range. Downside to our base case is mainly found when comparing our 2019 estimates with the peer group, which implies a value of SEK 10-81 per share. The key driver for normalisation of multiples in line with the sector stems from the stability of Serneke's construction margins (in line with the sector) and improved visibility in both property management and project development assets.

Summary valuation approaches

We use several valuation approaches for Serneke based on current and historical multiples for peers, SOTP valuation and DCF so as to build a framework for investors. Short-term valuation has come under pressure owing to the recent announcement of the dividend being cut for 2018, the communicated slowdown in activity for Karlatornet and top-down concerns about the Swedish construction market, particularly residential development, to which Serneke is exposed mainly through its Karlastaden joint venture.

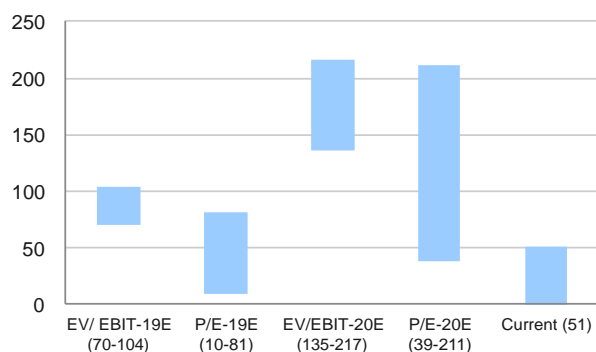
Solid asset value related to project management is not visible in the 2019 estimates owing to the buildup of projects. Looking ahead to 2020E, we assume that visibility in these projects should have improved, which helps push towards the higher end of our fair value range of SEK 105-145 per share.

VALUATION SUMMARY: VALUE PER SHARE AND IMPLIED P/E

	Value	Hist	Implied P/E		
		Multiple	2018E	2019E	2020E
1) SOTP avg	159		5.2	29.7	10.1
2) Multiple avg	131		4.3	24.5	8.4
a) P/E (19E)	64	12	2.1	12.0	4.1
b) EV/EBIT (20E)	198	10	6.5	37.0	12.6
3) Long term DCF	138		4.6	25.9	8.8
Fair value NDA					
	Low	105	3.5	19.7	6.7
	High	145	4.8	27.1	9.3

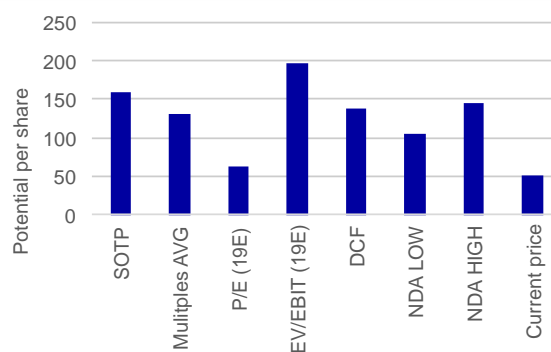
Source: Company data, Thomson Reuters and Nordea estimates

PEER MULTIPLES APPROACH



Source: Company data, Thomson Reuters and Nordea estimates

VALUATION SUMMARY: SOTP, MULTIPLES AND DCF



Source: Company data, Thomson Reuters and Nordea estimates

Relative valuation

We look at several multiples in our valuation of Serneke but contend that a relative

valuation based on EV/EBIT and P/E provides the best benchmark for valuing the company. We use a Nordic construction peer group of five companies and include six residential development companies in our multiple comparison, making a total peer group of eleven companies.

PEER GROUP: FUNDAMENTALS

Name	Share Price	Mcap (SEKm)	Sales			EBIT %			Net debt/EBITDA			Equity/Total assets		
			18A	19E	20E	18A	19E	20E	18A	19E	20E	18A	19E	20E
Nordic Construction														
Skanska AB	175	69,970	168,274	162,769	162,119	3.0%	3.7%	4.0%	-0.3	-0.4	-0.3	25%	28%	29%
Peab AB	88	22,967	53,164	55,162	56,546	4.7%	4.8%	4.8%	0.4	0.4	0.1	33%	32%	34%
Ncc AB	152	16,419	58,075	59,868	61,563	na	2.4%	3.3%	4.8	0.4	0.0	15%	13%	17%
Veidekke ASA	105	13,978	37,022	40,266	41,427	1.6%	3.3%	3.5%	1.0	0.7	0.6	21%	23%	24%
Yit Oyj	56	11,868	37,880	38,561	38,044	3.3%	5.3%	5.1%	3.9	2.2	2.1	33%	34%	35%
Median		13,834	53,164	55,162	56,546	3.2%	3.7%	4.0%	1.0	0.4	0.1	25%	28%	29%
80th percentile		32,368				3.9%	4.9%	4.9%	4.1	1.0	0.9	33%	33%	34%
20th percentile		13,978				2.7%	3.3%	3.5%	0.4	0.4	0.0	21%	23%	24%
Nordic Residential Development														
Bonava AB (publ)	127	13,699	15,414	15,362	15,797	11.7%	10.8%	11.1%	2.8	2.8	2.5	35%	35%	38%
JM AB	184	12,754	16,057	14,631	14,224	12.0%	10.8%	11.3%	-1.3	-1.9	-2.0	42%	42%	45%
Selvaag Bolig ASA	52	4,850	3,536	3,335	3,346	20.2%	21.4%	16.3%	2.8	2.9	3.5	0%	49%	49%
Besqab AB (publ)	85	1,320	1,283	1,446	1,622	14.2%	10.1%	12.0%	-3.2	-3.5	-2.8	na	na	na
Magnolia Bostad AB	32	1,216	1,463	1,356	1,466	23.9%	27.6%	27.5%	9.3	3.7	2.8	32%	28%	31%
Oscar prop. AB	7	309	2,032	1,184	626	na	17.9%	25.1%	-10.0	4.9	6.6	na	na	na
Median		3,085	2,784	2,391	2,484	13.6%	15.0%	18.1%	0.7	2.9	2.6	34%	39%	42%
80th percentile		12,754				21.0%	21.4%	25.1%	2.8	3.7	3.5	38%	45%	46%
20th percentile		1,216				12.0%	10.8%	11.3%	-3.2	-1.9	-2.0	19%	32%	35%
Total Nordic Constr. and Dev.		12,754				11.7%	10.1%	11.1%	1.0	0.7	0.6	32%	32%	34%
80th percentile		69,970												
20th percentile		309												
Serneke	51	1,144	6,516	7,237	10,988	9.1%	2.7%	4.5%	0.9	3.8	1.0	41%	39%	37%

Note: Share price as of 17 April 2019

Source: Company data, Thomson Reuters and Nordea estimates

The multiples for the peer group are listed in the table below.

PEER GROUP: MULTIPLES

Name	Share Price	Mcap (SEKm)	EV/Sales			EV/EBIT			P/E				Div. yield			
			18A	19E	20E	18A	19E	20E	17A	18A	19E	20E	17A	18A	19E	20E
Nordic Construction																
Skanska AB	176	70,704	0.4	0.4	0.4	14.1	11.7	10.9	13.4	16.9	14.4	13.4	4.7%	4.6%	4.1%	4.3%
Peab AB	87	23,003	0.5	0.5	0.5	11.6	10.8	10.5	12.9	13.0	12.2	11.8	4.4%	4.8%	4.9%	5.2%
Ncc AB	153	16,729	0.3	0.3	0.3	na	12.5	9.0	17.4	na	15.3	10.9	5.2%	5.2%	3.4%	4.7%
Veidekke ASA	105	13,978	0.4	0.4	0.4	26.4	12.2	10.9	12.5	22.8	12.1	11.3	4.9%	5.0%	5.3%	5.5%
Yit Oyj	57	12,051	0.5	0.5	0.5	14.8	9.1	9.5	8.9	13.4	8.6	9.2	4.3%	5.0%	5.5%	5.9%
Median		13,834	0.4	0.4	0.4	11.5	10.7	9.3	12.4	12.9	11.7	10.5	4.9%	5.1%	5.0%	5.2%
80th percentile		32,543	0.5	0.5	0.5	19.4	12.2	10.9	14.2	19.3	14.5	12.2	0.0	5.1%	5.3%	5.6%
20th percentile		13,978	0.4	0.4	0.4	13.4	10.8	9.5	12.5	13.3	12.1	10.9	0.0	4.8%	4.1%	4.7%
Nordic Residential Development																
Bonava AB (publ)	127	13,912	1.3	1.3	1.2	11.0	11.7	10.9	10.1	11.0	11.6	10.8	3.8%	4.2%	4.2%	4.4%
JM AB	184	12,858	0.8	0.9	0.9	6.7	8.3	8.0	6.3	8.9	10.8	10.6	5.9%	5.7%	6.0%	6.1%
Selvaag Bolig ASA	52	4,850	1.9	2.0	1.9	9.3	9.3	11.5	12.9	8.8	8.9	11.2	4.5%	9.1%	8.5%	7.3%
Besqab AB (publ)	87	1,359	1.0	0.8	0.8	6.7	8.4	6.3	5.3	8.9	11.1	8.3	7.5%	7.5%	3.4%	4.0%
Magnolia Bostad AB	32	1,199	1.9	2.0	2.0	8.0	7.8	7.1	5.3	5.9	3.5	5.4	6.0%	7.1%	8.0%	5.7%
Oscar prop. AB	8	339	0.7	1.2	2.4	na	12.9	19.1	0.5	na	5.8	4.8	7.6%	0%	0.0%	0.0%
Median		3,105	1.1	1.2	1.5	8.0	8.9	9.4	5.8	8.9	9.9	9.4	6.0%	6.4%	5.1%	5.0%
80th percentile		12,858	1.9	2.0	2.0	9.6	11.7	11.5	10.1	9.3	11.1	10.8	7.5%	7.5%	8.0%	6.1%
20th percentile		1,199	0.8	0.9	0.9	6.7	8.3	7.1	5.3	8.2	5.8	5.4	4.5%	4.2%	3.4%	4.0%
Total Nordic Constr. and Dev.		12,858	0.7	0.8	0.8	11.0	10.8	10.5	10.1	11.0	11.1	10.8	4.9%	5.0%	4.9%	5.2%
80th percentile		70,704	1.9	2.0	2.4	14.4	12.2	10.9	17.4	22.8	15.3	13.4	7.6%	9%	8.5%	7.3%
20th percentile		339	0.3	0.3	0.3	7.5	8.4	8.0	0.5	5.9	3.5	4.8	3.8%	0.0%	0.0%	0.0%
Serneke	51	1,144	0.3	0.3	0.2	2.9	10.3	3.4	3.5	1.9	9.5	3.2	8.1%	0.0%	0.0%	7.8%
Serneke High	145	3,253	0.6	0.6	0.3	6.4	21.2	7.6	10.1	5.4	27.1	9.2	2.9%	0.0%	0.0%	2.8%
Serneke Low	105	2,356	0.4	0.4	0.3	4.9	16.6	5.8	7.3	3.9	19.6	6.7	3.9%	0.0%	0.0%	3.8%

Note: Closing price as of 17 April 2019. Source: Thomson Reuters and Nordea estimates

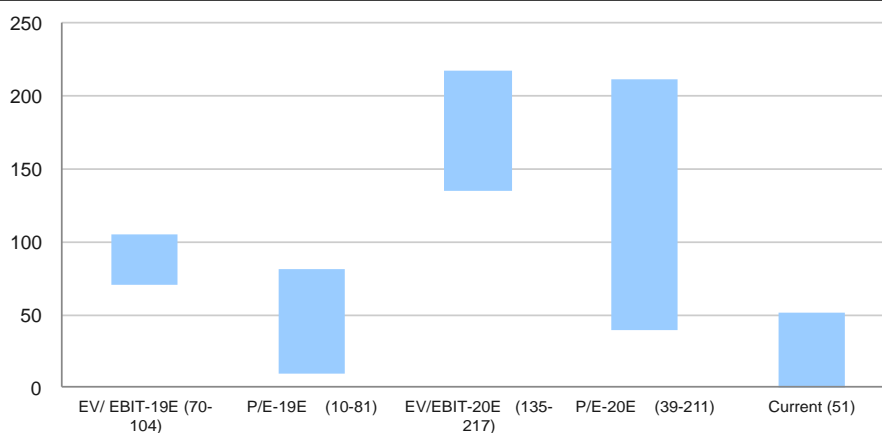
When comparing P/B with ROE, the difference in financial gearing might distort the comparison (likewise when only looking at P/E).

We summarise the fair value range for Serneke in the following graphs, based on multiples from the 20th-80th percentile of relative peers (after removing outliers from the sample).

Total peer group EV/EBIT for 2019E-20E implies a value of SEK 70-217 per share, a broad range including both construction and development peers in the Nordics. Total peer group P/E for 2019E-20E implies a very wide value range of SEK 10-211 per share.

All in all, the multiples value ranges are very wide and imply a value of SEK 10-217 per share for Serneke (2019-20E). The low point in the value range relates to 2019E P/E multiples, as multiples of residential developers remain under pressure owing to volatility in the market in combination with limited contribution from development and property management in our Serneke estimates for 2019. EV/EBIT multiples are more stable and capture the differences in financial risks among the peers but fail in part to adjust for different accounting methods.

IMPLIED VALUE PER SHARE TOTAL PEER GROUP



Source: Company data, Thomson Reuters and Nordea estimates

Fundamental valuation

Based on our estimates and DCF assumptions, we arrive at a fair fundamental equity value of SEK 105-180 per share for Serneke. This is based on a sensitivity of +/-0.5% on WACC and the EBIT margin with fundamental assumptions presented below.

Note that we do not include future acquisitions in our model.

We combine our own assumptions for the risk-free interest rate and market risk premium with our bottom-up estimate on equity beta and equity weight in our calculation. All in all, we assume WACC of 8.06% in our DCF calculations, following the detailed breakdown below.

Our in-house model is based on the underlying assumption that ROIC = WACC in the terminal period, meaning the model assumes that the EBIT margin gradually declines to a conservative 2% in 2048. 87% of the present value in our model relates to the period until 2048, with only 13% related to the terminal period, owing to our cautious ROIC = WACC assumption. We also adjust for SEK 400m related to project investments and weaker cash flow in 2019E.

DCF VALUE (EXCLUDING M&A POTENTIAL)

	Value	Per share
NPV FCFF	3,967	176.8
(Net debt)	-552	-24.6
Market value of associates	0	0.0
(Market value of minorities)	0	0.0
Surplus values	0	0.0
(Market value preference shares)	0	0.0
Share based adjustments	0	0.0
Other adjustments	-400	-17.8
Time value	85	3.8
DCF Value	3,100	138.2

WACC COMPONENTS

Risk-free interest rate	1.5%
Market risk premium	5.5%
Forward looking asset beta	nm
Beta debt	1.00
Forward looking equity beta	1.30
Cost of equity	8.65%
Cost of debt	3.5%
Tax-rate used in WACC	20.6%
Equity weight	90.0%
WACC	8.06%

Source: Nordea estimates

Source: Nordea estimates

DCF: UNDERLYING ASSUMPTIONS

Averages and assumptions	2019-24	2025-29	2030-34	2035-39	2040-44	2045-49	Sust.
Sales growth, CAGR	5.41%	5.0%	5.0%	3.0%	3.0%	2.5%	
EBIT-margin, excluding associate:	4.2%	4.0%	3.5%	3.0%	2.0%	2.0%	
Capex/depreciation, x	3.1	1.00	1.00	1.00	1.00	1.00	
Capex/sales	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	
NWC/sales	24.0%	24.0%	15.0%	15.0%	15.0%	13.2%	
FCFF, CAGR	-220.4%	na	-30.8%	2.4%	-7.7%	-17.2%	2.5%

Source: Nordea estimates

Below we illustrate how various changes to our assumptions would affect the fair fundamental value of Serneke. A 1.0 pp change in either direction in the EBIT margin would affect our fair value by approximately 34% up or 20% down, having the most significant impact on the value. If sales growth were to change by 1.0 pp in either direction, the value would increase or decrease by around 5%. If WACC were to decrease/increase by 1.0 pp, it would increase/decrease the equity value by 23%/17%.

SENSITIVITY: WACC VS EBIT MARGIN

		WACC				
		7.1%	7.6%	8.1%	8.6%	9.1%
EBIT marg. change	+1.0pp	232.4	206.6	185.1	166.9	151.3
	+0.5pp	201.5	179.8	161.6	146.2	132.9
		170.5	153.0	138.2	125.5	114.6
	-0.5pp	139.6	126.2	114.7	104.8	96.2
	-1.0pp	108.6	99.4	91.3	84.2	77.8

Source: Nordea estimates

SENSITIVITY: WACC VS SALES GROWTH

		WACC				
		7.1%	7.6%	8.1%	8.6%	9.1%
Sales gr. change	+1.0pp	182.1	162.1	145.6	131.5	119.4
	+0.5pp	176.1	157.4	141.7	128.4	116.9
		170.5	153.0	138.2	125.5	114.6
	-0.5pp	165.4	148.9	134.9	122.9	112.4
	-1.0pp	160.7	145.1	131.8	120.4	110.3

Source: Nordea estimates

Sum-of-the-parts (SOTP) valuation

Owing to the exposure to project development and property management, multiples valuation and a DCF method need to be complemented with or at least double checked against an SOTP approach.

Our SOTP value approach assumes a base-case value of SEK 159 per share, with the bear case at SEK 76 per share and bull case at SEK 253 per share, the major swing effect on valuation coming from property management and project development assets. Assuming our base-case scenario for Construction and Civil Engineering are correct, the current share price implies a value of SEK -68m (SEK -3 per share) for the Project Development and Property Management businesses, which suggests an impairment of assets worth SEK 3.1bn versus current book values (as of Q1 2019).

We believe it is valid to estimate the fair unleveraged value of construction activities using EV/EBIT multiples, either as a snapshot compared with peers currently or with an over-the-cycle approach on both multiples and earnings.

Serneke has substantial assets (and risks) related to its project development and property management portfolios. Since property management is booked at fair value, Serneke accounts for unrealised gains and profits every quarter, in line with other real estate companies but unlike its listed construction peers that account for divestment gains with assets booked at costs.

The project development portfolio is difficult to value since it is still in its early days, and although 85% of the units have been sold in the Karlatornet, profit will likely to be booked towards completion (owing to construction and completion risks). Our base case assumes 80% of the book value, while our bear case assumes that the equity will have to be written down by 50%, which we argue is overly cautious and disregards office/hotel/residential rental building rights, etc.

SUM-OF-THE-PARTS VALUATION APPROACH, SEKm AND SEK PER SHARE

	Sales			EBIT margin			Multiple	per		per		per							
	18A	19E	20E	18A	19E	20E		19E	Value	share	Bull	SEKm	share	Bear	SEKm	share			
Construction	5,530	6,351	10,277	1.6%	2.9%	3.4%	10	1,826	81	12	2,191	98	8	1,460	65				
Infrastructure	866	956	1,023	1.2%	1.5%	2.0%	10	148	7	12	177	8	8	118	5				
Contracting	6,396	7,306	11,300	1.6%	2.7%	3.3%	10	1,973	88	12	2,368	106	8	1,578	70				
Project Development	304	263	271	75.7%	-6.9%	44%	*	2,277	101	**	3,171	141	**	712	32				
Property Management	107	63	60	240%	43%	48%	x	278	12	xx	659	29	xxx	185	8				
Other	-	291	-	395	-	642	-2.7%	3.5%	3.9%	10	-	140	-6	12	309	14	8	64	3
Total operations	6,516	7,237	10,988	10.2%	2.7%	4.5%		4,388	196		6,507	290		2,539	113				
	18A	19E	20E																
Net debt (- Net cash)	552	831	531					831	37		831	37		831	37				
Dividend	0	-90	-92					0	0		0	0		0	0				
SOTP Fair value								3,557	159		5,676	253		1,708	76				
Projects dev. + Karla	Q1 2019 Per share																		
Equity value	2,846		127																
Property Management incl Änglagården excl Säve																			
IFRS market value	309		14																
* 80% Book value, **+5% return, *** 50% of book value																			
x 90% Market value, xx Market value + Building rights potential, xxx 60% Market value																			

Source: Company data and Nordea estimates

Estimates

DETAILED ESTIMATES INCLUDING SEGMENTS, SEKm

	Q2	2018 Q3	Q4	2019 Q1	Q2E	2018	2019E	2020E	2021E
SUMMARY INCOME STATEMENT									
Sales									
Construction	1,437	1,153	1,680	1,339	1,609	5,530	6,351	10,277	8,620
Infrastructure	190	213	284	200	209	866	956	1,023	1,094
Project Development	89	32	121	11	93	304	263	271	284
Property Management	27	30	29	18	15	107	63	60	60
Other sales	40	21	0	0	41	102	62	63	65
Eliminations	-102	-90	-123	-88	-118	393	457	706	720
Total Sales	1,681	1,359	1,991	1,480	1,850	6,516	7,237	10,988	9,403
Sales growth y/y									
Construction	11.2%	3.6%	11.2%	6.3%	12.0%	12.4%	14.8%	61.8%	-16.1%
Infrastructure	25.0%	52.1%	36.5%	11.7%	10.0%	39.0%	10.4%	7.0%	7.0%
Project Development	67.9%	-42.9%	128.3%	-82.3%	5.0%	43.4%	-13.6%	3.0%	5.0%
Property Management	200.0%	150.0%	61.1%	-14.3%	-44.4%	109.8%	-41.1%	-4.8%	0.0%
Total Sales growth	14.8%	6.9%	15.0%	-0.3%	10.0%	16.3%	11.1%	51.8%	-14.4%
EBIT excl non recurring items									
Construction	42	29	54	26	47	90	183	352	350
Infrastructure	2	5	2	0	3	10	15	21	27
Project Development	-6	-10	237	-8	-6	230	-18	120	89
Property Management	42	3	222	-1	1	257	27	29	29
Other	-6	3	-6	1	-5	8	-14	-25	-26
Total EBIT adj	74	30	509	18	40	665	192	497	471
Non recurring items	0	-70	0	0	0	-70	0	0	0
Total reported EBIT	74	-40	509	18	40	595	192	497	471
EBIT % excl non rec.									
Construction	2.9%	2.5%	3.2%	1.9%	2.9%	1.6%	2.9%	3.4%	4.1%
Infrastructure	1.1%	2.3%	0.7%	0.0%	1.3%	1.2%	1.5%	2.0%	2.5%
Project Development	-6.7%	-31.3%	195.9%	-72.7%	-6.4%	75.7%	-6.9%	44.4%	31.4%
Property Management	155.6%	10.0%	765.5%	-5.6%	6.7%	240.2%	42.9%	48.3%	48.3%
Total EBIT %	4.4%	2.2%	25.6%	1.2%	2.1%	10.2%	2.7%	4.5%	5.0%
Financial net	-16	-10	-8	-10	-13	-37	-45	-49	-49
Pretax	58	-50	501	8	27	558	148	447	421
Tax	-10	-5	71	2	-6	46	-27	-94	-88
Net profit	48	-55	572	10	21	604	120	353	333
EPS	2.06	-2.42	25.34	0.45	0.94	26.95	5.34	15.64	14.73
EPS adj						30.33	5.34	15.64	14.73

Source: Company data and Nordea estimates

Risk factors

Below we provide an overview of the various risks that we believe Serneke may encounter in its operations and that could affect its financial performance. It is not a comprehensive overview of all the risks that the company may face, but rather a discussion of those we find the most relevant.

Specific macroeconomic development

Nominal interest rates

The Fed has started to raise rates and lower bond repurchases, in parallel with higher inflation expectations; taken altogether, this pushed ten-year US government bonds back above 3% in December 2018, for the first time since 2013. Furthermore, the Swedish Riksbank hiked its rate with 25 bp in December 2018, the first time since 2011. However, during the beginning of 2019, both the Fed and other central banks have had a softer tone on its tightening policies.

Changes in rates can lead to changes in cash flow and asset prices

We believe there is uncertainty over which direction interest rates will take in the near term, but signs of increasing inflation in the US and Japan as well as market support from major central banks should continue abating over the coming quarters. Nordea's macro outlook forecasts that the ten-year Swedish government bond will gradually increase, hitting 0,95% at the end of 2019, up from 0.43% currently.

Uncertain near-term outlook for the Swedish economy

Sluggish economy

The near-term outlook for the Swedish economy is uncertain, with a slowdown in GDP growth and export growth that has levelled off. On the other hand, the unemployment rate has been moving downwards. In combination with a growing population, we believe the downside risk is fairly limited.

The construction and real estate markets are largely affected by prevailing economic conditions. These markets may be hampered by economic uncertainty and a corresponding slowdown in GDP growth, unemployment, household income, consumer confidence, the rising cost of financing and measures affecting housing prices and household starts. When investing in Serneke, we advise investors to pay attention to macroeconomic trends.

The equity ratio in the Karlastaden JV could pose a risk to obtaining financing

Level of leverage

Serneke has exceeded its equity/asset target ratio of 25% in the last four years, reaching a touch below 40% in Q1 2019. In that sense, we believe that the company's level of leverage does not pose any major risk. In several cases, however, Serneke needs to obtain debt capital to finance its projects. As an example, in the Karlastaden project, the equity/asset ratio is relatively low. This could pose a risk of limiting the company's ability to proceed with the project, forcing it to postpone until the adequate level of equity is in place.

Furthermore, a portion of Serneke's debt bears interest at a variable rate. As interest rates are extremely low at present, there is room for rates to rise in the future and increase the company's interest expenses. This would, in turn, reduce the cash flows available for capital expenditures and hinder Serneke's ability to make debt payments.

Political risk and regulation

Political decisions, including tax regulation, conditions of tenure, changed regulations on housing construction, infrastructure investments and municipal planning could impact the conditions of the market and, in turn, Serneke's operations.

Taxes

Taxes could change for the better or for the worse. At present, the nominal tax rate in Sweden is 22%, and will be lowered to 20.6% in 2020, according to the Swedish Ministry of Finance. The tax Serneke has paid has varied historically but has been below the nominal rate. Changes in the tax law could have an adverse effect on its tax position and, in turn, on net profit.

Competition

Limited market share in the construction industry due to several large competitors

As in all other sectors, the market in which Serneke operates faces competition. In this case, the market participants compete for contracts and tenants. As Serneke's main business involves construction and civil engineering, its competitors primarily comprise other construction companies competing for contracts of housing projects or infrastructure projects among other things. There are several construction companies that are larger than Serneke, meaning their market share is limited. There is hence a risk that Serneke will not be able to win important contracts in the future, curbing its further growth, or that it accepts a lower price on projects, putting pressure on margins.

Project risks

Risk of planning process being delayed

In contracting operations, the primary limitation of operation risk usually occurs in the tender process. Tenders that are not sufficiently elaborate or are based on inaccurate calculations can lead to lower earnings, loss of internal control and higher expenses. There is also a risk that the planning process is delayed, detailed development plans are not approved or that building permits are not obtained, which could impact Serneke's sales and earnings.

There is also a risk that the property market develops negatively during the period of the project, leading to difficulties in selling it.

The possibility of suppliers defaulting poses a risk for construction companies in general

We also believe suppliers are a material risk in the contracting sector. In an effort to maximise profits, construction companies may end up assuming too much risk and suppliers may default. In some cases, the construction companies overestimate the profitability of the projects and have to depreciate the sales and value of the project. The realisation of such risks could result in additional capital being tied up, as well as losses.

Reported numbers and forecasts

INCOME STATEMENT

SEKm	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Net revenue	893	1,012	1,143	1,800	3,107	3,978	5,605	6,516	7,237	10,988	9,403
Revenue growth	n.a.	13.3%	12.9%	57.5%	72.6%	28.0%	40.9%	16.3%	11.1%	51.8%	-14.4%
of which organic	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
of which FX	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	11	0	16	82	128	479	439	617	217	527	501
Depreciation and impairments PPE	-9	-8	0	0	0	-68	-20	-22	-25	-30	-30
EBITA	2	-8	16	82	128	411	419	595	192	497	471
Amortisation and impairments	0	0	0	0	0	0	0	0	0	0	0
EBIT	2	-8	16	82	128	411	419	595	192	497	471
of which associates	0	0	0	0	0	0	0	0	0	0	0
Associates excluded from EBIT	0	0	0	0	0	0	0	0	0	0	0
Net financials	-6	-7	-14	-15	-16	-17	-18	-37	-45	-49	-49
Changes in value, net	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	-4	-15	2	67	112	394	401	558	148	447	421
Reported taxes	-4	0	9	-2	25	0	-78	46	-27	-94	-88
Net profit from continued operations	-8	-15	11	65	137	394	323	604	120	353	333
Discontinued operations	0	0	0	0	0	0	0	0	0	0	0
Minority interests	2	0	0	0	0	0	0	0	0	0	0
Net profit to equity	-6	-15	11	65	137	394	323	604	120	353	333
EPS	-0.64	-1.31	0.77	4.17	8.11	21.22	13.81	26.95	5.34	15.64	14.73
DPS	0.00	0.00	0.00	0.00	0.00	0.00	4.00	0.00	0.00	4.00	4.10
of which ordinary	0.00	0.00	0.00	0.00	0.00	0.00	4.00	0.00	0.00	4.00	4.10
of which extraordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Profit margin in percent

EBITDA	1.3%	0.0%	1.4%	4.6%	4.1%	12.0%	7.8%	9.5%	3.0%	4.8%	5.3%
EBITA	0.2%	-0.8%	1.4%	4.6%	4.1%	10.3%	7.5%	9.1%	2.7%	4.5%	5.0%
EBIT	0.2%	-0.8%	1.4%	4.6%	4.1%	10.3%	7.5%	9.1%	2.7%	4.5%	5.0%

Adjusted earnings

EBITDA (adj)	11	0	16	82	128	479	439	617	217	527	501
EBITA (adj)	2	-8	16	82	128	411	419	595	192	497	471
EBIT (adj)	2	-8	16	82	128	411	419	665	192	497	471
EPS (adj)	-0.64	-1.31	0.77	4.17	8.11	21.22	13.81	30.33	5.34	15.64	14.73

Adjusted profit margins in percent

EBITDA (adj)	1.3%	0.0%	1.4%	4.6%	4.1%	12.0%	7.8%	9.5%	3.0%	4.8%	5.3%
EBITA (adj)	0.2%	-0.8%	1.4%	4.6%	4.1%	10.3%	7.5%	9.1%	2.7%	4.5%	5.0%
EBIT (adj)	0.2%	-0.8%	1.4%	4.6%	4.1%	10.3%	7.5%	10.2%	2.7%	4.5%	5.0%

Performance metrics

CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	n.a.	n.a.	34.8%	40.8%	41.6%	32.1%	28.7%	18.8%
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	111.4%	357.1%	107.6%	21.5%	32.7%	0.9%
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	188.1%	n.m.	106.1%	18.6%	31.1%	2.7%
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	103.4%	5.1%	14.0%	-7.0%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Average last 5 years											
Average EBIT margin	n.a.	n.a.	n.a.	n.a.	2.8%	5.7%	6.8%	7.8%	6.6%	6.2%	5.5%
Average EBITDA margin	n.a.	n.a.	n.a.	n.a.	3.0%	6.4%	7.3%	8.3%	7.1%	6.6%	5.8%

VALUATION RATIOS - ADJUSTED EARNINGS

SEKm	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
P/E (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	4.9	6.5	2.0	9.5	3.3	3.5
EV/EBITDA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	4.0	5.3	3.1	9.1	3.2	2.3
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	4.7	5.6	3.2	10.3	3.4	2.5
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	4.7	5.6	2.9	10.3	3.4	2.5

VALUATION RATIOS - REPORTED EARNINGS

SEKm	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
P/E	n.a.	n.a.	n.a.	n.a.	n.a.	4.9	6.5	2.2	9.5	3.3	3.5
EV/Sales	n.a.	n.a.	n.a.	n.a.	n.a.	0.48	0.42	0.29	0.27	0.15	0.15
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	4.0	5.3	3.1	9.1	3.2	2.3
EV/EBITA	n.a.	n.a.	n.a.	n.a.	n.a.	4.7	5.6	3.2	10.3	3.4	2.5
EV/EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	4.7	5.6	3.2	10.3	3.4	2.5
Dividend yield (ord.)	n.a.	n.a.	n.a.	n.a.	n.a.	0.0%	4.5%	0.0%	0.0%	7.8%	8.0%
FCF yield	n.a.	n.a.	n.a.	n.a.	n.a.	-7.2%	-13.0%	-15.7%	-24.2%	26.0%	52.8%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	29.0%	0.0%	0.0%	25.6%	27.8%

Source: Company data and Nordea estimates

BALANCE SHEET

SEKm	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Intangible assets	6	0	0	23	23	23	23	23	23	23	23
of which R&D	0	0	0	0	0	0	0	0	0	0	0
of which other intangibles	0	0	0	0	0	0	0	0	0	0	0
of which goodwill	6	0	0	23	23	23	23	23	23	23	23
Tangible assets	69	43	47	74	74	404	990	335	409	518	611
Shares associates	0	0	0	0	0	424	446	122	122	122	122
Interest bearing assets	0	0	0	0	0	30	10	51	51	51	51
Deferred tax assets	0	0	4	2	37	48	0	0	0	0	0
Other non-IB non-current assets	0	0	0	0	0	0	0	0	0	0	0
Other non-current assets	11	52	97	105	274	231	213	563	563	563	563
Total non-current assets	86	95	148	204	408	1,160	1,682	1,094	1,168	1,277	1,370
Inventory	124	5	5	5	4	2	1	1	1	2	2
Accounts receivable	193	372	444	566	588	589	845	972	1,158	1,758	1,505
Other current assets	12	28	26	501	641	1,115	1,445	3,099	3,445	3,846	3,291
Cash and bank	16	5	13	84	11	571	431	389	310	610	729
Total current assets	345	410	488	1,156	1,244	2,277	2,722	4,461	4,914	6,216	5,526
Assets held for sale	0	0	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total assets	431	505	636	1,360	1,652	3,437	4,404	5,555	6,083	7,493	6,897
Shareholders equity	51	141	177	280	453	1,469	1,821	2,272	2,392	2,746	2,989
Of which preferred stocks	0	0	0	0	0	0	0	0	0	0	0
Of which equity part of hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Minority interest	2	0	0	0	0	0	0	0	0	0	0
Total Equity	52	141	177	280	453	1,469	1,821	2,272	2,392	2,746	2,989
Deferred tax	9	8	0	0	0	0	29	157	157	157	157
Long term interest bearing debt	106	57	60	134	107	436	641	826	1,026	1,026	626
Pension provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term provisions	2	0	0	0	0	120	158	223	228	233	238
Other long-term liabilities	1	16	0	62	291	208	152	83	83	83	83
Convertible debt	0	0	0	0	0	0	0	0	0	0	0
Shareholder debt	0	0	0	0	0	0	0	0	0	0	0
Hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Total non-current liabilities	117	81	60	196	398	764	980	1,289	1,494	1,499	1,104
Short-term provisions	1	0	0	3	13	10	8	13	14	22	19
Accounts payable	189	121	153	273	349	541	799	991	1,101	1,671	1,430
Other current liabilities	69	88	125	325	292	525	742	824	915	1,390	1,189
Short term interest bearing debt	4	73	121	283	147	128	54	166	166	166	166
Total current liabilities	262	282	399	884	801	1,204	1,603	1,994	2,196	3,249	2,804
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	432	505	636	1,360	1,652	3,437	4,404	5,555	6,083	7,493	6,897
Balance sheet and debt metrics											
Net debt	94	125	168	333	243	-37	254	552	831	531	12
Working capital	71	195	197	474	592	640	750	2,257	2,588	2,545	2,178
Invested capital	157	290	345	678	1,000	1,800	2,432	3,351	3,757	3,823	3,548
Capital employed	168	222	237	476	851	2,233	2,801	3,561	3,886	4,245	4,093
ROE	-25.1%	-15.8%	6.9%	28.4%	37.4%	41.0%	19.6%	29.5%	5.2%	13.8%	11.6%
ROIC	2.1%	-2.9%	4.0%	12.7%	12.1%	23.3%	15.7%	18.3%	4.3%	10.4%	10.1%
ROCE	1.2%	-3.6%	6.8%	17.2%	15.0%	18.4%	15.0%	16.7%	4.9%	11.7%	11.5%
Net debt/EBITDA	8.3	569.2	10.5	4.1	1.9	-0.1	0.6	0.9	3.8	1.0	0.0
Interest coverage	0.3	-0.8	n.m.	n.m.	n.m.	n.m.	n.a.	n.m.	n.m.	n.m.	n.m.
Equity ratio	11.7%	27.9%	27.8%	20.6%	27.4%	42.7%	41.3%	40.9%	39.3%	36.6%	43.3%
Net gearing	179.8%	88.7%	94.9%	118.9%	53.6%	-2.5%	13.9%	24.3%	34.7%	19.3%	0.4%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

SEKm	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
EBITDA (adj) for associates	11	0	16	82	128	479	439	617	217	527	501
Paid taxes	-4	-3	-6	9	0	-6	-2	46	-27	-94	-88
Net financials	0	0	0	0	0	-17	-30	-37	-45	-49	-49
Change in provisions	3	-2	0	3	10	117	36	70	6	12	2
Change in other LT non-IB	-11	-25	-65	56	25	-51	10	-419	0	0	0
Cash flow to/from associates	0	0	0	0	0	0	0	0	0	0	0
Dividends paid to minorities	0	0	0	0	0	0	0	0	0	0	0
Other adj to reconcile to cash flow	11	76	86	-125	-238	-533	-261	-349	-27	-29	-29
Funds from operations (FFO)	11	46	31	25	-75	-11	192	-72	125	367	336
Change in NWC	-59	-104	-8	31	111	56	-145	337	-331	43	367
Cash flow from operations (CFO)	-48	-58	23	56	36	45	47	265	-206	410	703
Capital expenditure	-4	-1	-15	-18	-10	-175	-62	-81	-72	-110	-94
Free cash flow before A&D	-52	-60	8	38	26	-130	-15	184	-279	300	609
Proceeds from sale of assets	1	1	1	8	4	0	0	222	0	0	0
Acquisitions	-3	0	-1	-45	0	-10	-257	-618	0	0	0
Free cash flow	-54	-59	8	1	30	-140	-272	-212	-279	300	609
Dividends paid	0	0	0	0	0	0	0	-93	0	0	-90
Equity issues / buybacks	12	20	50	0	36	598	0	-65	0	0	0
Net change in debt	0	0	0	0	0	0	139	-338	200	0	-400
Other financing adjustments	0	0	0	0	n.a.	n.a.	-15	122	0	0	0
Other non-cash adjustments	58	29	-50	70	-139	102	0	544	0	0	0
Change in cash	16	-10	8	71	-73	560	-140	-42	-79	300	119

Cash flow metrics

Capex/D&A	42.4%	18.0%	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Capex/Sales	-0.4%	-0.1%	-1.3%	-1.0%	-0.3%	-4.4%	-1.1%	-1.2%	-1.0%	-1.0%	-1.0%

Key information

Share price year end (/current)	n.a.	n.a.	n.a.	n.a.	n.a.	105	89	60	51	51	51
Market cap.	n.a.	n.a.	n.a.	n.a.	n.a.	1,950	2,088	1,347	1,152	1,152	1,152
Enterprise value	n.a.	n.a.	n.a.	n.a.	n.a.	1,913	2,342	1,899	1,983	1,683	1,164
Diluted no. of shares, year-end (m)	10.0	11.5	14.2	15.6	16.9	18.6	23.4	22.4	22.6	22.6	22.6

Source: Company data and Nordea estimates

Disclaimer and legal disclosures

Origin of the report

This publication or report originates from: Nordea Bank Abp, including its branches Nordea Danmark, Filial af Nordea Bank Abp, Finland, Nordea Bank Abp, filial i Norge and Nordea Bank Abp, filial i Sverige (together "Nordea") acting through their unit Nordea Markets.

Nordea Bank Abp is supervised by the European Central Bank and the Finnish Financial Supervisory Authority and the branches are supervised by the European Central Bank and the Finnish Financial Supervisory Authority and the Financial Supervisory Authorities in their respective countries.

Content of report

This report has been prepared solely by Nordea Markets.

Opinions or suggestions from Nordea Markets credit and equity research may deviate from one another or from opinions presented by other departments in Nordea. This may typically be the result of differing time horizons, methodologies, contexts or other factors.

The information provided herein is not intended to constitute and does not constitute investment advice nor is the information intended as an offer or solicitation for the purchase or sale of any financial instrument. The information contained herein has no regard to the specific investment objectives, the financial situation or particular needs of any particular recipient. Relevant and specific professional advice should always be obtained before making any investment or credit decision.

Opinions or ratings are based on one or more methods of valuation, for instance cash flow analysis, use of multiples, behavioural technical analyses of underlying market movements in combination with considerations of the market situation and the time horizon. Key assumptions of forecasts or ratings in research cited or reproduced appear in the research material from the named sources. The date of publication appears from the research material cited or reproduced. Opinions and estimates may be updated in subsequent versions of the report, provided that the relevant company/issuer is treated anew in such later versions of the report.

Validity of the report

All opinions and estimates in this report are, regardless of source, given in good faith, and may only be valid as of the stated date of this report and are subject to change without notice.

No individual investment or tax advice

The report is intended only to provide general and preliminary information to investors and shall not be construed as the basis for any investment decision. This report has been prepared by Nordea Markets as general information for private use of investors to whom the report has been distributed, but it is not intended as a personal recommendation of particular financial instruments or strategies and thus it does not provide individually tailored investment advice, and does not take into account the individual investor's particular financial situation, existing holdings or liabilities, investment knowledge and experience, investment objective and horizon or risk profile and preferences. The investor must particularly ensure the suitability of an investment as regards his/her financial and fiscal situation and investment objectives. The investor bears the risk of losses in connection with an investment.

Before acting on any information in this report, it is recommendable to consult (without being limited to) one's financial, legal, tax, accounting, or regulatory advisor in any relevant jurisdiction.

The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. Each investor shall make his/her own appraisal of the tax and other financial merits of his/her investment.

Sources

This report may be based on or contain information, such as opinions, estimates and valuations which emanate from: Nordea Markets' analysts or representatives, publicly available information, information from other units of Nordea, or other named sources.

To the extent this publication or report is based on or contain information emanating from other sources ("Other Sources") than Nordea Markets ("External Information"), Nordea Markets has deemed the Other Sources to be reliable but neither Nordea, others associated or affiliated with Nordea nor any other person, do guarantee the accuracy, adequacy or completeness of the External Information.

Limitation of liability

Nordea or other associated and affiliated companies assume no liability as regards to any investment, divestment or retention decision taken by the investor on the basis of this report. In no event will Nordea or other associated and affiliated companies be liable for direct, indirect or incidental, special or consequential damages (regardless of whether being considered as foreseeable or not) resulting from the information in this report.

Risk information

The risk of investing in certain financial instruments, including those mentioned in this report, is generally high, as their market value is exposed to a lot of different factors such as the operational and financial conditions of the relevant company, growth prospects, change in interest rates, the economic and political environment, foreign exchange rates, shifts in market sentiments etc. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. Past performance is not a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. When investing in individual shares, the investor may lose all or part of the investments.

Conflicts of interest

Readers of this document should note that Nordea Markets has received remuneration from the company mentioned in this document for the production of the report. The remuneration is not dependent on the content of the report.

Nordea, affiliates or staff in Nordea, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the report.

To limit possible conflicts of interest and counter the abuse of inside knowledge, the analysts of Nordea Markets are subject to internal rules on sound ethical conduct, the management of inside information, handling of unpublished research material, contact with other units of Nordea and personal account dealing. The internal rules have been prepared in accordance with applicable legislation and relevant industry standards. The object of the internal rules is for example to ensure that no analyst will abuse or cause others to abuse confidential information. It is the policy of Nordea Markets that no link exists between revenues from capital markets activities and individual analyst remuneration. Nordea and the branches are members of national stockbrokers' associations in each of the countries in which Nordea has head offices. Internal rules have been developed in accordance with recommendations issued by the stockbrokers associations. This material has been prepared following the Nordea Conflict of Interest Policy, which may be viewed at www.nordea.com/mifid.

Distribution restrictions

The securities referred to in this report may not be eligible for sale in some jurisdictions. This report is not intended for, and must not be distributed to private customers in the UK or the US. This research report is intended only for, and may be distributed only to, accredited investors, expert investors or institutional investors in Singapore who may contact Nordea Bank, Singapore Branch of 138 Market Street, #09-01 CapitaGreen, Singapore 048946.

This report may be distributed by Nordea Bank Luxembourg S.A., 562 rue de Neudorf, L-2015 Luxembourg which is subject to the supervision of the Commission de Surveillance du Secteur Financier.

This publication or report may be distributed by Nordea Bank Abp Singapore Branch, which is subject to the supervision of the European Central Bank, the Finnish Financial Supervisory Authority and the Monetary Authority of Singapore.

This publication or report may be distributed in the UK to institutional investors by Nordea Bank Abp London Branch of 6th Floor, 5 Aldermanbury Square, London, EC2V 7AZ, which is under supervision of the European Central Bank, Finanssivalvonta (Financial Supervisory Authority) in Finland and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom. Details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request.

This report may not be mechanically duplicated, photocopied or otherwise reproduced, in full or in part, under applicable copyright laws.

Analyst Shareholding

Nordea Markets analysts do not hold shares in the companies that they cover. No holdings or other affiliations by analysts or associates.

Fair value sensitivity

We calculate our fair values by weighting DCF, DDM, SOTP, asset-based and other standard valuation methods. When applicable, we set a 12-month target price by applying an appropriate premium/discount and/or other relevant adjustment to our fair value to reflect the share price potential we see within the coming 12 months. Our fair values are sensitive to changes in valuation assumptions, of which growth, margins, tax rates, working capital ratios, investment-to-sales ratios and cost of capital are typically the most sensitive.

It should be noted that our fair values would change by a disproportionate factor if changes are made to any or all valuation assumptions, owing to the non-linear nature of the standard valuation models applied (mentioned above). As a consequence of the standard valuation models we apply, changes of 1-2 percentage points in any single valuation assumption can change the derived fair value by as much as 30% or more. Dividend payouts are included in the target price. All research is produced on an ad hoc basis and will be updated when the circumstances require it.

Marketing Material

This research report should be considered marketing material, as it has been commissioned and paid for by the subject company, and has not been prepared in accordance with the regulations designed to promote the independence of investment research and it is not subject to any legal prohibition on dealing ahead of the dissemination of the report. However, Nordea Markets analysts are according to internal policies not allowed to hold shares in the companies/sectors that they cover.

Where applicable, recommendation changes are available at: <https://research.nordea.com/compliance#equity-changes>.

Market-making obligations and other significant financial interest

Nordea Markets has no market-making obligations in Serneke.

Investment banking transactions

In view of Nordea's position in its markets readers should assume that the bank may currently or may in the coming three months and beyond be providing or seeking to provide confidential investment banking services to the company/companies

Issuer Review

This report has not been reviewed by the Issuer prior to publication.

Completion Date

23 Apr 2019, 10:37 CET

Nordea Bank Abp	Nordea Bank Abp, filial i Sverige	Nordea Danmark, Filial af Nordea Bank Abp, Finland	Nordea Bank Abp, filial i Norge
Nordea Markets Division, Research	Nordea Markets Division, Research	Nordea Markets Division, Research	Nordea Markets Division, Research
Visiting address: Aleksis Kiven katu 7, Helsinki FI-00020 Nordea Finland	Visiting address: Smålandsgatan 17 SE-105 71 Stockholm Sweden	Visiting address: Grønjørdsvej 10 DK-2300 Copenhagen S Denmark	Visiting address: Essendropsgate 7 N-0107 Oslo Norway
Tel: +358 9 1651 Fax: +358 9 165 59710	Tel: +46 8 614 7000 Fax: +46 8 534 911 60	Tel: +45 3333 3333 Fax: +45 3333 1520	Tel: +47 2248 5000 Fax: +47 2256 8650
Reg.no. 2858394-9 Satamaradankatu 5 Helsinki			