

18 | November | 2020

Price (Euro) **13,08**
52 weeks range 22.10 / 10.70

Key Data

Country	Austria
Industry	Technology & Construction
ISIN	AT0000609607
WKN	850185
Reuters	ABGV.VI
Bloomberg	POS AV
Internet	www.porr-group.com
Reporting Standard	IFRS
Fiscal Year	31/12
IPO	2001
Number of shares (million)	29,1
Free Float	46,3%
Market Cap (million)	380,6
Free Float Market Cap (million)	176,2
CAGR pre-tax profit ('19 - '22e)	38,4%

Multiples	2019	2020e	2021e	2022e
MarketCap/ Revenues	0,08	0,08	0,08	0,08
PE-Ratio	26,4	-7,9	14,9	8,1
Dividend Yield	0,0%	0,0%	3,1%	6,1%
Price-to-Book ratio	0,6	0,5	0,4	0,4

Key Data per Share (Euro)	2019	2020e	2021e	2022e
Earnings per Share (EPS)	0,50	-1,65	0,88	1,61
Dividends per Share (DPS)	0,00	0,00	0,40	0,80
Book Value per share	20,59	23,93	30,49	35,04

Financial Data (Euro '000)	2019	2020e	2021e	2022e
Revenues	4.880.414	4.563.187	4.811.881	4.951.425
EBITDA	222.316	135.744	238.093	261.349
Operating Profit (EBIT)	54.722	-30.174	68.646	109.902
Pre-tax profit (EBT)	37.409	-47.007	51.017	99.142
Pre-tax margin	0,7%	-0,9%	1,0%	1,8%
Net profit (after minorities)	14.314	-47.693	25.416	46.419
Adjusted Shareholders' Equity	587.081	639.388	753.165	876.309
RoE after tax (adjusted)	2,4%	-7,5%	3,4%	5,3%
Equity Ratio	16,4%	18,1%	22,0%	24,2%

Financial Calendar

9M 2020 report	26 November 2020
2020 prelims	March 2021
2020 annual report	26 April 2021
1Q 2021	26 May 2021
AGM	27 May 2021
1H 2021	26 August 2021

Main Shareholders

Syndicate (Strauss-group / IGO-Ortner-group)	53,7%
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Analysts

Dipl.-Kfm. Stefan Scharff, CREA
Christopher Mehl, MBA

E-Mail scharff@src-research.de
mehl@src-research.de

Internet www.src-research.de
www.aktienmarkt-international.de
www.aktienmarkt-international.at

Yesterday's ad-hoc forecasts a negative 9M bottom line and also a negative full year result – we cut our P & L projections and reduce our target price from Euro 19.00 to Euro 16.00

Yesterday evening, PORR released an ad-hoc news regarding some preliminary 9M figures and the consequences for the full year result. After delivering a positive pre-tax profit of Euro 14.4m in 9M 2019, PORR struggled with several direct and indirect effects of the Covid-19 pandemic that impair profitability and bottom line of business in all regions and several lines of business. The 9M EBT goes deep to a loss of Euro -62.4m and leads PORR to expect a full year EBT loss in a range between Euro -45m to Euro -55m. As the pandemic keeps going on and translates into many local lockdowns and restrictions, there are performance defaults and disruptions, that will bring down the full year production output to just slightly above Euro 5.0bn, after Euro 5.57bn last year and well below management's expectations, which was close to Euro 5.5bn. Our old forecast after 1H was at Euro 5.32bn. The former plan of management was to come close to Euro 5.5bn. In addition to some own pandemic related performance defaults and disruptions there have been subcontractor failures, increased expenses for hygiene and safety measures that could not be passed on and general project postponements as well. Furthermore, PORR reassessed all projects and the belonging receivables, and made several down adjustments, in particular in civil engineering and infrastructure in Germany. The order backlog of 9M 2020 stands at high Euro 6.8bn, +2.6% against last year (Euro 6.6bn) and management strives to translate this base into a production output of Euro 5.3bn to Euro 5.5bn for next year 2021, with a positive pre-tax margin of 1.3% to 1.5%, based on the positive assumption that the firm and the general economic situation will overcome the Corona crisis.

We admit that our full year forecast after 1H of a Euro 5.32bn 2020 production output and a small Euro 18m pre-tax profit was cautious, but still too optimistic. We cut our 2020 pre-tax projection now to Euro -47m, being in the guided range. Accordingly, we cut our 2020 dividend forecast to Zero. Our new 2020 production output forecast is also much lower at only Euro 5.04bn. For 2021 we remain cautious at the current critical situation with Covid-19 related heavy lockdowns in almost all states and expect an output of around Euro 5.25bn with a margin of around 1.0% which leads us to expect about Euro 51m pre-tax profit for 2021 (1.0% margin). The bigger acceleration we expect for 2022 from the PORR future program with the streamlining of management structures and several cost savings as well as an accelerating business after the crisis which PORR should profit strongly from as a leading player. With a still robust balance and a 2020 net debt still to be expected at least Euro 50m below year-end 2019 (Euro 346m) we maintain our Buy rating. The new target price is Euro 16.00.

PORR AG

Industry: Construction / Infrastructure
Sub-segment: all kinds of real estate
Country: Austria
Headquarter: Vienna
Foundation: 1869
Employees: 19,828

IR Contact

Mag. Milena loveva
 Mail: ir@porr-group.at
 Phone: +43 (0) 50 626 1763

Management Board of PORR

Ing. Karl-Heinz Strauss, MBA, FRICS (CEO)
 Dipl.-Kfm. Andreas Sauer (CFO)
 Bmst. Ing. Josef Pein (COO)
 Dipl.-Bw. Thomas Stiegler (COO)

Supervisory Board of PORR

Dr. Dr. Karl Pistotnik (Chairman)	Dr. Susanne Weiss
Dipl.-Ing. Klaus Ortner (Deputy Chairman)	DI Michael Tomitz
Dr. Thomas Winischhofer, LL.M., MBA	Gottfried Hatzenbichler
Mag. Robert Grüneis	Wolfgang Ringhofer
Dr. Walter Knirsch	Michael Kaincez
DI Iris Ortner, MBA	
Hon.-Prof. Dr. Bernhard Vanas	

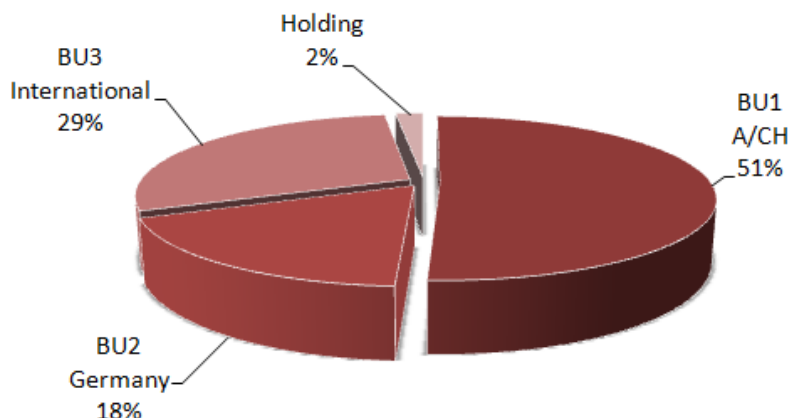
Founded in 1869 as Allgemeine österreichische Baugesellschaft PORR AG is today a full service provider for construction and infrastructure projects with a leading market position in Austria and also a good footprint as one of the leading firms in other important European home markets like Germany, Switzerland, Poland and Czech Republic. Furthermore, there are also some project-specific activities and profitable niches in target markets like UK, Scandinavia and Qatar. From building construction and civil engineering to road and tunnel, as well as slab track construction – the watertight value chain and universal knowhow in every sector of the modern construction industry enables PORR to realise highly complex projects professionally and cost efficiently, without ever losing sight of the individual needs of their customers and principals. Besides Infrastructure there is also another modern and quickly growing business unit that has a focus on environmental engineering (waste management, dumps and sorting plants etc.), which will accelerate future profits outside the classic building construction business. PORR's strategy is to strengthen group's profitability by setting the focus on profitable projects (hurdle rate: 3% EBT margin to be reached in mid-term) like large-scale infrastructure business and by a cost cutting and a leaner organization structure to answer the digitalization trend in industry (named PORR 2025).

For 2019 PORR reported strong figures. Production output totalled Euro 5.6bn. Order intake once again climbed from almost 4.2bn in 2016, 6.3bn in 2017 to more than 6.3bn in 2018 and regarding Order backlog, 2018 was a record year surpassing the Euro 7bn threshold at Euro 7.1bn. In 2019, production output remained constant at almost Euro 5.6bn, while order intake declined by about 12.5% to Euro 5.5bn due to the more selective acquisition approach of the company.

For 2019 the company decided to suspend the dividend payment and revoked the previous proposal of 40 cents per share as a precautionary measure following the COVID-19 pandemic and as a sign of solidarity towards all stakeholders of the company. A return to the targeted payout ratio of 30% to 50% is expected for the next year. Due to IFRS effects of about Euro 200m, the net debt position at year-end 2019 amounts to about Euro 350m, about the same level as 2018 taking into consideration the effects of IFRS 16.

Production output Euro 5.6bn at FY 2019

(by business segments)



Source: Company Data, SRC Research

P & L PORR AG

31/12 IFRS (Euro '000)	2017	2018	2019	2020e	2021e	2022e	CAGR '19 - '22e
Production output	4.738.164	5.592.914	5.569.781	5.037.915	5.249.507	5.448.989	-0,7%
Revenues	4.292.886	4.959.109	4.880.414	4.563.187	4.811.881	4.951.425	0,5%
Own work capitalized in non-current assets	4.363	5.186	4.105	1.086	1.052	2.034	
Share of profit/loss of associates	59.220	86.551	87.448	70.456	57.445	64.774	
Other operating income	170.918	183.923	178.733	112.004	155.471	174.320	
Cost of materials and other related production services	-2.944.027	-3.462.635	-3.286.674	-3.142.060	-3.236.322	-3.304.285	0,2%
Staff expense	-1.036.068	-1.178.798	-1.243.180	-1.106.781	-1.129.887	-1.275.441	0,9%
Other operating expenses	-346.612	-373.869	-398.530	-362.148	-421.547	-351.478	
Operating result (EBITDA)	200.680	219.467	222.316	135.744	238.093	261.349	5,5%
Depreciation, amortisation and impairment expense	-110.461	-127.143	-167.594	-165.918	-169.447	-151.447	-3,3%
Operating result (EBIT)	90.219	92.324	54.722	-30.174	68.646	109.902	26,2%
Income from financial investments and other current financial assets	15.985	18.466	15.396	8.955	11.056	19.127	
Finance costs	-20.880	-22.659	-32.709	-25.788	-28.685	-29.887	
Earnings before tax (EBT)	85.324	88.131	37.409	-47.007	51.017	99.142	38,4%
EBT margin (in relation to production output)	1,8%	1,6%	0,7%	-0,9%	1,0%	1,8%	
Income tax expense	-21.633	-21.936	-9.576	6.304	-10.911	-19.743	
Profit/loss for the period	63.691	66.195	27.833	-40.703	40.106	79.399	41,8%
of which attributable to non-controlling interest	535	805	2.292	412	476	533	
Profit/loss for the period attributable to shareholders of the parent and holders of profit-participation rights	63.156	65.390	25.541	-41.115	39.630	78.866	45,6%
of which attributable to holders of profit-participation rights	2.664	2.664	11.227	6.578	14.214	32.447	
Net profit after minorities	60.492	62.726	14.314	-47.693	25.416	46.419	
Diluted/basic earnings per share (EPS)	2,09	2,16	0,50	-1,65	0,88	1,61	
Dividends per share (DPS)	1,10	1,10	0,00	0,00	0,40	0,80	
Number of shares ('000)	29.095	29.095	29.095	29.095	29.095	29.095	
Adjusted Shareholders' Equity without minorities	551.166	571.646	587.081	639.388	753.165	876.309	14,3%
Shareholders' Equity (including minorities and hybrid)	597.038	618.234	599.038	696.355	887.190	1.019.586	
RoE after Tax	12,7%	11,2%	2,5%	-7,8%	3,7%	5,7%	
Total assets (Euro million)	2.884,8	3.114,7	3.664,9	3.840,8	4.025,2	4.218,4	
Equity ratio	20,7%	19,8%	16,4%	18,1%	22,0%	24,2%	
Key ratios & figures	2017	2018	2019	2020e	2021e	2022e	
Growth rates in %							
Revenues	25,6%	15,5%	-1,6%	-6,5%	5,5%	2,9%	
EBITDA	7,1%	9,4%	1,3%	-38,9%	75,4%	9,8%	
EBIT	-9,8%	2,3%	-40,7%	-155,1%	-327,5%	60,1%	
EBT	-6,3%	3,3%	-57,6%	-225,7%	-208,5%	94,3%	
Net profit after minorities	-4,7%	3,9%	-58,0%	-246,2%	-198,5%	98,0%	
Margins in % (based on production output)							
EBITDA margin	4,2%	3,9%	4,0%	2,7%	4,5%	4,8%	
EBIT margin	1,9%	1,7%	1,0%	-0,6%	1,3%	2,0%	
EBT margin	1,8%	1,6%	0,7%	-0,9%	1,0%	1,8%	
Net profit margin	1,3%	1,2%	0,5%	-0,8%	0,8%	1,5%	
Expense ratios in %							
Personnel costs to sales	24,1%	23,8%	25,5%	24,3%	23,5%	25,8%	
Cost of material to sales	68,6%	69,8%	67,3%	68,9%	67,3%	66,7%	
Depreciation to sales	2,6%	2,6%	3,4%	3,6%	3,5%	3,1%	
Tax rate	-25,4%	-24,9%	-25,6%	-13,4%	-21,4%	-19,9%	
Profitability in %							
Gross profit margin	31,4%	30,2%	32,7%	31,1%	32,7%	33,3%	
Return on adjusted shareholders equity (ROE)	11,0%	11,0%	2,4%	-7,5%	3,4%	5,3%	
Return on investment (ROI)	3,1%	3,3%	1,9%	-0,8%	1,7%	2,6%	
Balance sheet key figures							
Net debt (-)/ net cash (+)	-147.429	-150.184	-345.689	-314.698	-267.493	-284.312	
Book value	20,5	21,2	20,6	23,9	30,5	35,0	
Equity ratio	20,7%	19,8%	16,4%	18,1%	22,0%	24,2%	
Liability ratio	79,3%	80,6%	79,4%	79,0%	79,5%	79,3%	
Data per share							
Number of shares in ('000)	29.095	29.095	29.095	29.095	29.095	29.095	
Earnings per share (EPS)	2,09	2,16	0,50	-1,65	0,88	1,61	
Dividend per share (DPS)	1,10	1,10	0,00	0,00	0,40	0,80	

Source: Company data, SRC Research estimates

SRC Research

- The Specialist for Financial and Real Estate Stocks -

SRC - Scharff Research und Consulting GmbH

Klingerstr. 23

D-60313 Frankfurt

Germany

Fon: +49 (0)69/ 400 313-80

Mail: scharff@src-research.de

Internet: www.src-research.de

Rating Chronicle	Date	Rating	Former Price	Former Target
PORR	27 August 2020	Buy	12,36 €	19,00 €
PORR	28 May 2020	Buy	14,50 €	19,00 €
PORR	29 April 2020	Buy	14,50 €	19,00 €
PORR	10 March 2020	Buy	13,84 €	20,00 €
PORR	25 November 2019	Buy	18,70 €	25,00 €
PORR	29 August 2019	Buy	19,10 €	33,00 €
PORR	28 May 2019	Buy	22,25 €	33,00 €
PORR	30 April 2019	Buy	23,65 €	33,00 €
PORR	20 March 2019	Buy	21,50 €	33,00 €
PORR	28 November 2018	Buy	22,25 €	33,00 €

Please note:

The PORR share price mentioned in this report is from 18 November 2020 (14:41 Vienna time). PORR AG mandated SRC Research for covering the PORR share.

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