

Price (Euro) **14.50**
52 weeks range 22.20 / 12.14

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)	421.9
Free Float Market Cap (million)	195.3
CAGR pre-tax profit ('19 - '22e)	55.3%

Multiples	2019	2020e	2021e	2022e
MarketCap/ Revenues	0.09	0.08	0.08	0.08
PE-Ratio	29.3	8.3	5.6	3.9
Dividend Yield	0.0%	5.5%	7.9%	10.7%
Price-to-Book ratio	0.7	0.7	0.6	0.5

Key Data per Share (Euro)	2019	2020e	2021e	2022e
Earnings per Share (EPS)	0.50	1.75	2.58	3.69
Dividends per Share (DPS)	0.00	0.80	1.15	1.55
Book Value per share	20.59	22.11	24.03	26.95

Financial Data (Euro '000)	2019	2020e	2021e	2022e
Revenues	4,880,414	5,026,826	5,227,899	5,447,471
EBITDA	222,316	206,590	238,326	285,286
Operating Profit (EBIT)	54,722	74,442	104,779	149,412
Pre-tax profit (EBT)	37,409	66,785	97,203	140,068
Pre-tax margin	0.7%	1.2%	1.7%	2.4%
Net profit (after minorities)	14,314	50,678	74,371	106,619
Adjusted Shareholders' Equity	587,081	614,483	655,395	716,899
RoE after tax (adjusted)	2.4%	8.2%	11.3%	14.9%
Equity Ratio	16.4%	16.7%	17.4%	18.6%

Financial Calendar

AGM	28 May 2020
1H 2020 report	26 August 2020
SRC Forum Financials & Real Estate	10 September 2020

Main Shareholders

Syndicate (Strauss-group / IGO-Ortner-group)	53.7%
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Analysts

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Corona effects visible in the first quarter with a reduced production output of Euro 942m – Order backlog remains high at Euro 7.3bn – Buy and Euro 19.00 target affirmed

Yesterday, the company released the report for the first quarter of 2020 and held a conference call. The numbers expectedly showed the first impacts of the COVID-19 pandemic, as e.g. the majority of the construction sites in Austria had to temporarily shut down. The firm's production output declined by 10%, from Euro 1.05bn to Euro 942m. While the German business unit recorded an increase of production output of 6.3%, business unit 1 declined by 12.5% due to the effects of Corona and the completion of several large-scale projects and business unit 3 came down by 17.2% due to a more selective acquisition policy in Poland and the completion of major projects in Qatar. With a decrease of more than 7% in cost of materials, the EBITDA declined by 33% from Euro 32m to Euro 21m. As common for the industry due to the seasonality, the EBT of the firm was negative, however, fell from Euro -11.8m in the previous period to Euro -25.5m. The bottom line stood at Euro -21m (1Q 2019: -9m). The order backlog remained high at almost Euro 7.3bn, only slightly below last year's number of more than Euro 7.4bn and above FY 2019 level of Euro 7.1bn. Order intake came down by more than 17% to more than Euro 1.1bn. New orders in the first quarter include the modernization of the LK351 rail line in Poland with a volume of about Euro 88m.

While by now construction sites in Austria, the market which was most affected by the pandemic due to the temporary shutdown, are back in operation, the full impact of the pandemic remains highly uncertain. Next to more possible issues on the existing sites due to setbacks such as a possible second wave, some of the new investments might be delayed. While the company sees the long-term prospects intact, it is aware of the challenges in the short to medium term and has also put some measures in place to counteract the impact and even sees some opportunities such as the acceleration of the corporate transformation (PORR 2025) and the digitalization of the construction. In terms of the financial position, the equity ratio improved from 16.3% at FY 2019 to 19.4% due to the placement of the hybrid bond at the end of January with a volume of Euro 150m. The net debt was at Euro 519m, about 26% below last year's level. The cash level as of the end of the first quarter stands at Euro 406m.

At the moment, the company believes that a serious re-evaluation of the given 2020 targets is not possible, which is very much understandable. For the moment until a clearer picture of the situation can be drawn, we feel comfortable with our 2020 P&L estimates, which we have already reduced twice at an earlier time. We confirm our Euro 19.00 target price. With an upside of currently about 30% we stick to our Buy recommendation.

PORR AG

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

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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 Kaincz
DI Iris Ortner, MBA	
Hon.-Prof. Dr. Bernhard Vanas	

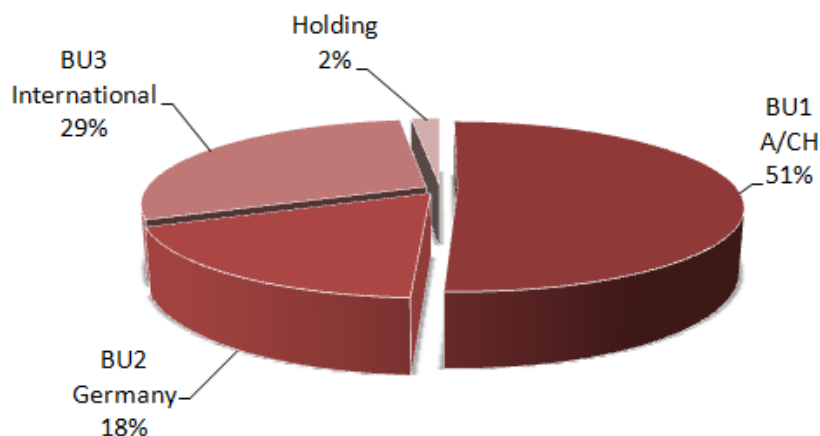
Founded in 1869 as Allgemeine österreichische Baugesellschaft PORR AG is today a full service provider for construction and infrastructure projects with a leading market position in Austria and also a good footprint as one of the leading firms in other important European home markets like Germany, Switzerland, 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	5,544,972	5,711,321	5,894,083	1.9%
Revenues	4,292,886	4,959,109	4,880,414	5,026,826	5,227,899	5,447,471	3.7%
Own work capitalized in non-current assets	4,363	5,186	4,105	1,086	1,052	2,547	
Share of profit/loss of associates	59,220	86,551	87,448	70,456	73,423	76,321	
Other operating income	170,918	183,923	178,733	181,256	167,963	174,320	
Cost of materials and other related production services	-2,944,027	-3,462,635	-3,286,674	-3,381,988	-3,496,975	-3,640,351	3.5%
Staff expense	-1,036,068	-1,178,798	-1,243,180	-1,329,789	-1,388,540	-1,423,544	4.6%
Other operating expenses	-346,612	-373,869	-398,530	-361,258	-346,496	-351,478	
Operating result (EBITDA)	200,680	219,467	222,316	206,590	238,326	285,286	8.7%
Depreciation, amortisation and impairment expense	-110,461	-127,143	-167,594	-132,148	-133,547	-135,874	-6.8%
Operating result (EBIT)	90,219	92,324	54,722	74,442	104,779	149,412	39.8%
Income from financial investments and other current financial assets	15,985	18,466	15,396	18,003	19,756	19,127	
Finance costs	-20,880	-22,659	-32,709	-25,660	-27,332	-28,471	
Earnings before tax (EBT)	85,324	88,131	37,409	66,785	97,203	140,068	55.3%
EBT margin (in relation to production output)	1.8%	1.6%	0.7%	1.2%	1.7%	2.4%	
Income tax expense	-21,633	-21,936	-9,576	-15,694	-22,357	-32,916	
Profit/loss for the period	63,691	66,195	27,833	51,090	74,847	107,152	56.7%
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	50,678	74,371	106,619	61.0%
of which attributable to holders of profit-participation rights	2,664	2,664	11,227	0	0	0	
Net profit after minorities	60,492	62,726	14,314	50,678	74,371	106,619	
Diluted/basic earnings per share (EPS)	2.09	2.16	0.50	1.75	2.58	3.69	
Dividends per share (DPS)	1.10	1.10	0.00	0.80	1.15	1.55	
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	614,483	655,395	716,899	6.9%
Shareholders' Equity (including minorities and hybrid)	597,038	618,234	599,038	643,165	699,030	784,175	
RoE after Tax	12.7%	11.2%	2.5%	8.4%	11.7%	15.5%	
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%	16.7%	17.4%	18.6%	
Key ratios & figures	2017	2018	2019	2020e	2021e	2022e	
Growth rates in %							
Revenues	25.6%	15.5%	-1.6%	3.0%	4.0%	4.2%	
EBITDA	7.1%	9.4%	1.3%	-7.1%	15.4%	19.7%	
EBIT	-9.8%	2.3%	-40.7%	36.0%	40.8%	42.6%	
EBT	-6.3%	3.3%	-57.6%	78.5%	45.5%	44.1%	
Net profit after minorities	-4.7%	3.9%	-58.0%	83.6%	46.5%	43.2%	
Margins in % (based on production output)							
EBITDA margin	4.2%	3.9%	4.0%	3.7%	4.2%	4.8%	
EBIT margin	1.9%	1.7%	1.0%	1.3%	1.8%	2.5%	
EBT margin	1.8%	1.6%	0.7%	1.2%	1.7%	2.4%	
Net profit margin	1.3%	1.2%	0.5%	0.9%	1.3%	1.8%	
Expense ratios in %							
Personnel costs to sales	24.1%	23.8%	25.5%	26.5%	26.6%	26.1%	
Cost of material to sales	68.6%	69.8%	67.3%	67.3%	66.9%	66.8%	
Depreciation to sales	2.6%	2.6%	3.4%	2.6%	2.6%	2.5%	
Tax rate	-25.4%	-24.9%	-25.6%	-23.5%	-23.0%	-23.5%	
Profitability in %							
Gross profit margin	31.4%	30.2%	32.7%	32.7%	33.1%	33.2%	
Return on adjusted shareholders equity (ROE)	11.0%	11.0%	2.4%	8.2%	11.3%	14.9%	
Return on investment (ROI)	3.1%	3.3%	1.9%	1.9%	2.6%	3.5%	
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	22.1	24.0	27.0	
Equity ratio	20.7%	19.8%	16.4%	16.7%	17.4%	18.6%	
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	1.75	2.58	3.69	
Dividend per share (DPS)	1.10	1.10	0.00	0.80	1.15	1.55	

Source: Company data, SRC Research estimates

SRC Research

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Rating Chronicle	Date	Rating	Former Price	Former Target
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 27 May 2020. PORR AG mandated SRC Research for covering the PORR share.

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