



### ■ Price (Euro)

52 weeks range **27.80**

34.50 / 22.69

### ■ Key Data

Country	Austria
Industry	Technology & Construction
ISIN	AT0000609607
WKN	850185
Reuters	ABGV.VI
Bloomberg	POS AV
Internet	<a href="http://www.porr-group.com">www.porr-group.com</a>
Reporting Standard	IFRS
Fiscal Year	31/12
IPO	2001
Number of shares (million)	29.1
Free Float	46.3%
Market Cap (million)	808.8
Free Float Market Cap (million)	374.5
CAGR pre-tax profit ('17 - '20e)	28.5%

### ■ Multiples

	2017	2018e	2019e	2020e
MarketCap/ Revenues	0.19	0.17	0.17	0.16
PE-Ratio	13.3	9.7	8.2	6.0
Dividend Yield	4.0%	4.7%	5.4%	6.3%
Price-to-Book ratio	1.4	1.3	1.1	1.1

### ■ Key Data per Share (Euro)

	2017	2018e	2019e	2020e
Earnings per Share (EPS)	2.09	2.86	3.37	4.65
Dividends per Share (DPS)	1.10	1.30	1.50	1.75
Book Value per share	20.52	22.20	24.42	26.30

### ■ Financial Data (Euro '000)

	2017	2018e	2019e	2020e
Revenues	4,292,886	4,627,731	4,826,724	5,053,580
EBITDA	200,680	251,939	279,902	332,618
Operating Profit (EBIT)	90,219	127,176	150,028	198,139
Pre-tax profit (EBT)	85,324	113,709	132,359	181,070
Pre-tax margin	1.8%	2.1%	2.3%	3.0%
Net profit (after minorities)	60,492	83,327	98,090	135,434
Adjusted Shareholders' Equity	551,166	596,670	651,117	714,587
RoE after tax (adjusted)	11.0%	14.0%	15.1%	19.0%
Equity Ratio	20.7%	21.3%	22.3%	22.9%

### ■ Financial Calendar

SRC Forum Financials & Real Estate	<b>6 September 2018</b>
3Q 2018 report	29 November 2018
Annual report 2018	April 2019

### ■ Main Shareholders

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

### ■ Analysts

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**1H output +22%, order backlog +15%, pre-tax +66%, German market with improving profitability – acquisition of Alpine Czech is close – still Buy and €37.00**

Today, the company released the 1H 2018 report and invited to a conference call. In a challenging environment with labor shortage and rising labor costs as well as rising material prices and a more fierce competition for getting the right subcontractors, the company delivered a satisfying first half of the year.

The firm's production output climbed significantly by 22% from Euro 2.0bn to almost Euro 2.5bn in 1H 2018. All four business units contributed to that growth. BU 3 International was strongest with a steep 36% hike to Euro 0.75bn, driven in particular by Poland, Romania and tunneling projects. The home market BU 1 (Austria, Switzerland and Czech) was also very strong with an 18% hike in the production output to 1.14bn. The EBT in BU 1, standing for 47% of total group's output, remained under last year's level (Euro 8m after Euro 16m) but management is confident to reach at least last year's EBT level here, when it comes to full year numbers. The Germany picture (BU 2) was satisfying in our opinion with a steep hike of 14% in output similar to Austria and with a bottom line suffering less from reorganization and restructuring efforts after the acquisition of some firms in last year. The EBT result improved from Euro -11m to Euro -8m. As the management confirmed great efforts to quickly increase efficiency and streamline the German organization, we believe that a positive overall result is already possible in 2018 and will further steeply increase in the coming years as the firm has built up a much stronger market position then.

The balance sheet is more stretched for the moment, as normal in this seasonal business and in addition with regards to the impressive growth in the core markets. Equity ratio came back from 20.7% at year-end 2017 to 18.6% at half-year, the net debt up from Euro 147m at year-end to now Euro 414m. This number will come back again until year-end, a range of Euro 150m to Euro 250m net debt might be realistic in our view, regarding some large scale infrastructure projects. PORR is geared to steadily improve its working capital management, as there is almost a Euro 300m spread between trade receivables of Euro 1.30bn and trade payables of Euro 1.03bn.

In our opinion, the first half of the year is a promising start to reach good or at least satisfying full year results. PORR managed to gain big and lucrative orders in almost every important country and will maintain on a selective route as the order backlog on a record high allows to be picky. **Another good news came today, as PORR signed the agreements for acquiring Alpine Bau Czech a.s., which means an additional output of about Euro 100m and 450 people headcount, for about Euro 12m and is subject to merger control approval and some other conditions. We keep our Buy recommendation and also maintain our 37 Euros target price for PORR.**

## PORR AG

**Industry:** Construction / Infrastructure  
**Sub-segment:** all kinds of real estate  
**Country:** Austria  
**Headquarter:** Vienna  
**Foundation:** 1869  
**Employees:** 17,464

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**Management Board of PORR**  
 Ing. Karl-Heinz Strauss, MBA, FRICS (CEO)  
 Dipl.-Kfm. Andreas Sauer (CFO)  
 Dipl.-Ing. J. Johannes Wenkenbach (COO)

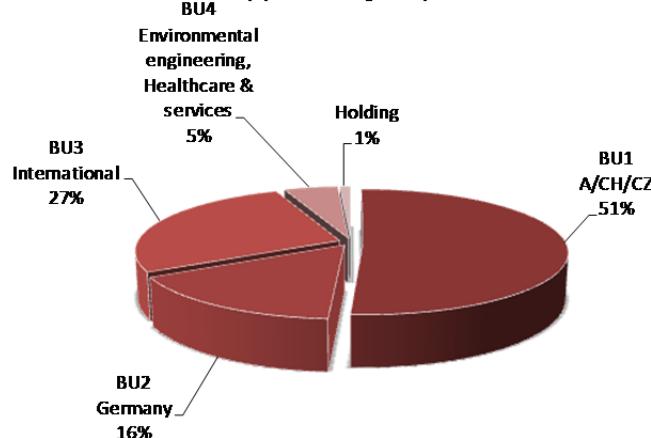
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**Founded in 1869 as Allgemeine österreichische Baugesellschaft PORR AG is today a full service provider for construction and infrastructure projects with a leading market position in Austria and also a good footprint as one of the leading firms in 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 Roadmap 2020).**

For 2017 PORR reported decent figures. Production output totalled to Euro 4.7bn, 20.7% higher than 2016. Order intake once again climbed after a strong growth in 2014, from Euro 4.0bn in 2015 to almost 4.2bn in 2016 and to 6.3bn in 2017. After the spin-off of the real estate portfolio / UBM-PIAG development business in 2014, PORR is now a pure construction and technology-driven company with a clear focus on its five home markets Germany, Austria, Switzerland as well as CZ and Poland (67% of 2017 production output). Furthermore, the firm is geared to export its highly sophisticated infrastructure technology to some more target markets like UK, Scandinavia and Qatar. As a result of the acquisition of Bilfinger Infrastructure, PORR will further increase its market share in Poland and Norway in the upcoming years. Two new acquisitions in Germany (Franki Grundbau and Heijmans Oevermann) will further boost the market position in the important German market, where PORR follows an expansion strategy. The 2017 dividend remained at Euro 1.10. PORR delivered a low net debt position at year-end 2017 of Euro 147m, despite the high amount of investments and acquisitions in 2017. The equity ratio hiked from 18.7% to 20.7% at year-end 2017.

### Production output Euro 4.7bn in 2017

{by business segments}



Source: Company Data, SRC Research

**The largest rail construction tender in Poland was received just in this week**

**Already mid of August PORR announced the formal completion of the order for the Brenner Basis tunnel, the largest construction lot in Austria's history.**

**Another big Polish expressway order already came in at the beginning of the month**

**According to half-year presentation the hike in order book is characterized by an increasing number of large-scale projects**

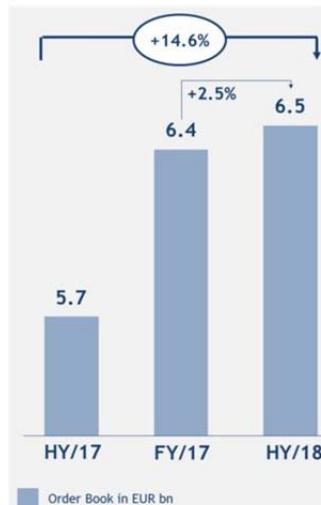
## Positive recent news flow to further expand the order backlog

**On 27 August**, PORR has published that they have received the largest rail construction tender in Poland. The mission is to modernize the rail-way line from Oświęcim to Czechowice-Dziedzice. The contract value is around Euro 116m and the work is expected to be completed by the end of July 2021. This route is part of the railway line no. 93 Trzebinia – Zebrzydowice and is of great importance for passengers and freight traffic. At the latest 16 months after signing the contract, all of the requisite construction permits have to be in place. On the railway a total of 63 km of tracks and 106 turnouts will be renewed and the complete control and safety technology, the overhead line and 13 level crossings will be modernized.

**On 14 August**, the formal completion of the order for the Brenner Basis Tunnel at Steinach am Brenner was announced. The order letter was signed by all parties four days earlier, on 10 August. This project is the largest construction lot in Austria's history. The planned construction period of the project, which will start shortly, is around 6 years and the order volume is around Euro 1bn. The building is about 18km long. Despite the complex geological conditions and the limited space, we are convinced that PORR AG has the skills to realize the construction project effectively, so the two single-track main tunnel tubes are driven primarily with tunnel boring machines with a break-out diameter of 10.37m. As a result, a distance of up to 30m per day and tunnel boring machine can be driven forward. The outbreak of the planned exploration tunnel is carried out by blasting with shotcrete protection. PORR already has more than 600km of tunneling experience and we are confident that this construction project will be a success. In addition, PORR has already built an exploration and access tunnel for the Brenner Base Tunnel.

**On 6 August**, the contract for the design and construction of the final section of the S61 expressway in the Warmia-Masuria Voivodeship was signed. The 23km long route from Szcuczyn to Ełk will be realized by a consortium of PORR and UNIBEP S.A. Bielsk Podlaski. The order volume amounts to around 163.6 million euros. The construction period is 29 months. Since the project is implemented according to the "Design and Build" principle, PORR first prepares the entire planning documents and obtains the necessary approvals and decisions. This will be followed by the construction work to be completed in 3Q 2021. In addition to the construction of the new expressway, selected local roads will be renovated, as well as technical structures and environmental protection facilities. This route is also very important as part of the Via Baltica, the most important road connection between the Baltic States and Western Europe.

## Order Book at a High Level



- Evolution of backlog (+14.6%) across all business units
- Order book characterized by increasing number of large-scale projects
- Disciplined and selective approach for new project tenders

### Top 5 New Orders HY 2018

Selected Projects <sup>1</sup>	Country	EUR m <sup>2</sup>	Plan
FAIR ring accelerator, Darmstadt	DE	207.0	2018-2021
S6 Expressway Bożepole-Luzino	PL	63.8	2018-2021
Nowe Miasto Lubaw ringroad	PL	62.1	2018-2021
Franklinturm, Zurich	CH	60.9	2018-2021
Appartments Thulestr., Berlin	DE	58.4	2018-2020

<sup>1</sup> Recently confirmed Brenner Base Tunnel project of a proportionate order volume of EUR 483m not yet included.

<sup>2</sup> Stated values are project values at time of contract award



**P & L PORR AG**

31/12 IFRS (Euro '000)	2014	2015	2016	2017	2018e	2019e	2020e	CAGR '17 - '20e
<b>Production output</b>	<b>3,474,885</b>	<b>3,523,752</b>	<b>3,925,000</b>	<b>4,738,164</b>	<b>5,374,632</b>	<b>5,697,110</b>	<b>6,095,908</b>	<b>8.8%</b>
<b>Revenues</b>	<b>3,009,118</b>	<b>3,139,687</b>	<b>3,417,100</b>	<b>4,292,886</b>	<b>4,627,731</b>	<b>4,826,724</b>	<b>5,053,580</b>	<b>5.6%</b>
Own work capitalized in non-current assets	890	539	727	4,363	990	1,120	1,086	
Share of profit/loss of associates	66,156	46,233	46,252	59,220	62,452	67,489	70,456	
Other operating income	119,475	101,818	105,548	170,918	127,920	105,387	107,863	
Cost of materials and other related production services	-2,026,001	-2,060,827	-2,251,409	-2,944,027	-3,129,501	-3,217,127	-3,316,858	<b>4.1%</b>
Staff expense	-752,960	-807,638	-874,068	-1,036,068	-1,147,963	-1,218,631	-1,298,746	<b>7.8%</b>
Other operating expenses	-260,254	-253,870	-256,812	-346,612	-289,690	-285,060	-284,763	
<b>Operating result (EBITDA)</b>	<b>156,424</b>	<b>165,942</b>	<b>187,338</b>	<b>200,680</b>	<b>251,939</b>	<b>279,902</b>	<b>332,618</b>	<b>18.3%</b>
Depreciation, amortisation and impairment expense	-74,716	-78,172	-87,283	-110,461	-124,763	-129,874	-134,479	<b>6.8%</b>
<b>Operating result (EBIT)</b>	<b>81,708</b>	<b>87,770</b>	<b>100,055</b>	<b>90,219</b>	<b>127,176</b>	<b>150,028</b>	<b>198,139</b>	<b>30.0%</b>
Income from financial investments and other current financial assets	24,762	18,968	15,320	15,985	16,100	17,120	18,672	
Finance costs	-40,370	-25,625	-24,307	-20,880	-29,567	-34,789	-35,741	
<b>Earnings before tax (EBT)</b>	<b>66,100</b>	<b>81,113</b>	<b>91,068</b>	<b>85,324</b>	<b>113,709</b>	<b>132,359</b>	<b>181,070</b>	<b>28.5%</b>
<b>EBT margin (in relation to production output)</b>	<b>1.9%</b>	<b>2.3%</b>	<b>2.3%</b>	<b>1.8%</b>	<b>2.1%</b>	<b>2.3%</b>	<b>3.0%</b>	
Income tax expense	-17,542	-20,069	-24,242	-21,633	-27,290	-31,104	-42,551	
<b>Profit/loss for the period</b>	<b>48,558</b>	<b>61,044</b>	<b>66,826</b>	<b>63,691</b>	<b>86,419</b>	<b>101,255</b>	<b>138,518</b>	<b>29.6%</b>
of which attributable to non-controlling interest	-68	133	282	535	425	498	412	
<b>Profit/loss for the period attributable to shareholders of the parent and holders of profit-participation rights</b>	<b>48,626</b>	<b>60,911</b>	<b>66,544</b>	<b>63,156</b>	<b>85,994</b>	<b>100,757</b>	<b>138,106</b>	<b>29.8%</b>
of which attributable to holders of profit-participation rights	4,200	3,200	2,664	2,664	2,667	2,667	2,672	
<b>Net profit after minorities</b>	<b>44,426</b>	<b>57,711</b>	<b>63,880</b>	<b>60,492</b>	<b>83,327</b>	<b>98,090</b>	<b>135,434</b>	<b>30.8%</b>
Diluted/basic earnings per share (EPS)	3.22	2.02	2.20	2.09	2.86	3.37	4.65	
Dividends per share (DPS)	1.50	1.50	1.10	1.10	1.30	1.50	1.75	
Number of shares ('000)	13,803	28,533	29,095	29,095	29,095	29,095	29,095	
<b>Adjusted Shareholders' Equity without minorities</b>	<b>340,140</b>	<b>369,108</b>	<b>400,984</b>	<b>551,166</b>	<b>596,670</b>	<b>651,117</b>	<b>714,587</b>	<b>9.0%</b>
<b>Shareholders' Equity (including minorities and hybrid)</b>	<b>385,171</b>	<b>412,118</b>	<b>440,872</b>	<b>597,038</b>	<b>645,930</b>	<b>710,532</b>	<b>765,147</b>	
RoE after Tax	13.9%	16.3%	16.6%	12.7%	14.5%	15.7%	19.8%	
Total assets (Euro million)	2,146.0	2,304.0	2,360.5	2,884.8	3,029.0	3,180.5	3,339.5	
Equity ratio	17.9%	17.9%	18.7%	20.7%	21.3%	22.3%	22.9%	
<b>Key ratios &amp; figures</b>	<b>2014</b>	<b>2015</b>	<b>2016e</b>	<b>2017e</b>	<b>2018e</b>	<b>2019e</b>	<b>2022e</b>	
<b>Growth rates in %</b>								
Revenues	14.4%	4.3%	8.8%	25.6%	7.8%	4.3%	4.7%	
EBITDA	6.7%	6.1%	12.9%	7.1%	25.5%	11.1%	18.8%	
EBIT	1.0%	7.4%	14.0%	-9.8%	41.0%	18.0%	32.1%	
EBT	10.9%	22.7%	12.3%	-6.3%	33.3%	16.4%	36.8%	
Net profit after minorities	-7.6%	25.7%	9.5%	-4.7%	35.7%	17.2%	36.8%	
<b>Margins in % (based on production output)</b>								
EBITDA margin	4.5%	4.7%	4.8%	4.2%	4.7%	4.9%	5.5%	
EBIT margin	2.4%	2.5%	2.5%	1.9%	2.4%	2.6%	3.3%	
EBT margin	1.9%	2.3%	2.3%	1.8%	2.1%	2.3%	3.0%	
Net profit margin	1.4%	1.7%	1.7%	1.3%	1.6%	1.8%	2.3%	
<b>Expense ratios in %</b>								
Personnel costs to sales	25.0%	25.7%	25.6%	24.1%	24.8%	25.2%	25.7%	
Cost of material to sales	67.3%	65.6%	65.9%	68.6%	67.6%	66.7%	65.6%	
Depreciation to sales	2.5%	2.5%	2.6%	2.6%	2.7%	2.7%	2.7%	
Tax rate	-26.5%	-24.7%	-26.6%	-25.4%	-24.0%	-23.5%	-23.5%	
<b>Profitability in %</b>								
Gross profit margin	32.7%	34.4%	34.1%	31.4%	32.4%	33.3%	34.4%	
Return on adjusted shareholders equity (ROE)	13.1%	15.6%	15.9%	11.0%	14.0%	15.1%	19.0%	
Return on investment (ROI)	3.8%	3.9%	4.4%	3.1%	5.1%	5.7%	7.3%	
<b>Balance sheet key figures</b>								
Working Capital	65,988	-2,462	112,433	146,958	176,557	201,329	226,101	
Net working capital	-399,629	-473,432	-407,267	-211,749	-441,863	-472,651	-503,439	
Working capital/ revenues	2.2%	-0.1%	3.3%	3.4%	3.8%	4.2%	4.5%	
Net debt (-)/ net cash (+)	64,551	86,897	115,940	-247,632	212,160	265,660	319,160	
Book value	27.9	13.2	15.0	20.5	17.3	18.5	19.7	
Equity ratio	17.9%	16.7%	18.9%	20.7%	20.1%	20.6%	21.0%	
Liability ratio	82.1%	83.3%	81.1%	79.3%	79.9%	79.4%	79.0%	
<b>Data per share</b>								
Number of shares in ('000)	13,803	28,533	29,095	29,095	29,095	29,095	29,095	
Earnings per share (EPS)	3.22	2.02	2.20	2.09	2.86	3.37	4.65	
Dividend per share (DPS)	1.50	1.50	1.10	1.10	1.30	1.50	1.75	

\* numbers adjusted by a share split in a ratio of 1:2 as of 19 June 2015

Source: Company data, SRC Research estimates

**SRC Research****- The Specialist for Financial and Real Estate Stocks -**

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<b>Rating Chronicle</b>	<b>Date</b>	<b>Rating</b>	<b>Former Price</b>	<b>Former Target</b>
PORR	28 May 2018	Buy	31.80 €	37.00 €
PORR	27 April 2018	Buy	28.50 €	36.00 €
PORR	30 November 2017	Buy	25.65 €	36.00 €
PORR	23 August 2017	Buy	24.25 €	36.00 €
PORR	30 May 2017	Buy	31.25 €	40.00 €
PORR	25 April 2017	Buy	33.31 €	40.00 €
PORR	29 November 2016	Buy	35.93 €	40.00 €
PORR	31 August 2016	Buy	28.65 €	36.00 €
PORR	01 June 2016	Buy	26.40 €	36.00 €

**Please note:**

The PORR share price mentioned in this report is from 28 August 2018.  
 PORR AG mandated SRC Research for covering the PORR share.

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