



**Price (Euro)** **22.25**  
52 weeks range 34.50 / 21.80

### 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)	647.4
Free Float Market Cap (million)	299.7
CAGR pre-tax profit ('17 - '20e)	3.6%

Multiples	2017	2018e	2019e	2020e
MarketCap/ Revenues	0.15	0.14	0.13	0.13
PE-Ratio	10.6	10.7	9.8	9.3
Dividend Yield	4.9%	4.9%	5.2%	5.4%
Price-to-Book ratio	1.1	1.1	1.0	0.8

Key Data per Share (Euro)	2017	2018e	2019e	2020e
Earnings per Share (EPS)	2.09	2.09	2.27	2.39
Dividends per Share (DPS)	1.10	1.10	1.15	1.20
Book Value per share	20.52	20.97	22.23	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	207,925	221,532	228,672
Operating Profit (EBIT)	90,219	92,261	97,658	102,493
Pre-tax profit (EBT)	85,324	84,810	89,920	94,836
Pre-tax margin	1.8%	1.6%	1.6%	1.6%
Net profit (after minorities)	60,492	60,669	66,074	69,465
Adjusted Shareholders' Equity	551,166	579,830	612,444	714,587
RoE after tax (adjusted)	11.0%	10.5%	10.8%	9.7%
Equity Ratio	20.7%	20.1%	20.3%	22.9%

### Financial Calendar

Annual report 2018	29 April 2019
1Q 2019 report	28 May 2019
AGM	29 May 2019
2Q 2019 report	29 August 2019

### Main Shareholders

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

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## New records at production output (+21%) and order backlog (+18%) but bottom line grows only 8% - the numbers are good but a bit too weak for our optimistic full year outlook – target price down to € 33.00

Today, PORR released the 9M 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 (in particular in Poland) and a more fierce competition for getting the right subcontractors, the company delivered a satisfying quarterly result on the revenues and production output and also a hike in bottom line but this was remarkably below the top line indicators and brings now down our full year P & L and dividend forecast.

**The production output climbed significantly 21% from Euro 3.3bn to Euro 4.1bn in 9M 2018. The group's revenues also climbed 21% from Euro 3.0bn to more than Euro 3.6bn.** All four business units contributed to that growth. BU 3 International was strongest with a steep 31% hike in production output, from Euro 911m to almost Euro 1.2bn, driven in particular by Poland, and lucrative tunneling projects. The home market BU 1 (Austria, Switzerland and Czech) was also strong with a 15% hike in the production output (+18% at half-year) to almost 2.0bn. The Germany picture (BU 2) was very good in terms of production output with an over proportionate rise of 27% to now Euro 678m. The EBT result improved from Euro -11m to Euro -8m at half-year levels and in today's conference call management stated that with a satisfying development at the newly acquired German firms they still strive to reach a black Zero at 2018 EBT for Germany.

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 17.8% at 9M, the net debt up from Euro 147m at year-end 2017 to now Euro 460m, but just a little bit over the group's half year level of Euro 414m and net debt even stayed under 9M 2017 where it was at Euro 501m. That shows that PORR has a strong focus on steering key financials and improving the working capital. The full year net debt might be lower again, in a range between Euro 200m and Euro 250m.

PORR stated as full year guidance that it expects a more or less similar EBITDA and EBT result like in 2017 which is below our assumptions as we expected PORR to translate the very high and double digit production output and revenues growth of 20% into a much higher bottom line and also a higher dividend, despite the higher costs and the integration expenses in Germany. We have to state that we underestimated these effects and cut now our 2018 EBT forecast from Euro 114m to Euro 85m which is the 2017 level. We also cut our dividend forecast from Euro 1.30 to Euro 1.10 which means an unchanged dividend as for 2017.

**The PORR share price lost 20% in the last 3 months which is not justified given the good market position. We confirm our Buy rating but bring down our target from € 37.00 to € 33.00.**

## PORR AG

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

### IR Contact

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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)

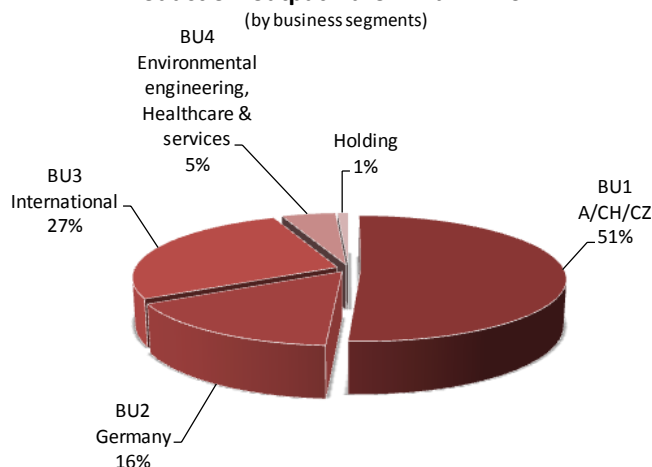
### Supervisory Board of PORR

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

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



Source: Company Data, SRC Research

<b>P &amp; L PORR AG</b>								
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	68,892	67,489	70,456	
Other operating income	119,475	101,818	105,548	170,918	156,887	105,387	107,863	
Cost of materials and other related production services	-2,026,001	-2,060,827	-2,251,409	-2,944,027	-3,168,922	-3,273,496	-3,420,804	<b>5.1%</b>
Staff expense	-752,960	-807,638	-874,068	-1,036,068	-1,187,963	-1,220,631	-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>207,925</b>	<b>221,532</b>	<b>228,672</b>	<b>4.4%</b>
Depreciation, amortisation and impairment expense	-74,716	-78,172	-87,283	-110,461	-115,664	-123,874	-126,179	<b>4.5%</b>
<b>Operating result (EBIT)</b>	<b>81,708</b>	<b>87,770</b>	<b>100,055</b>	<b>90,219</b>	<b>92,261</b>	<b>97,658</b>	<b>102,493</b>	<b>4.3%</b>
Income from financial investments and other current financial assets	24,762	18,968	15,320	15,985	14,550	16,250	18,003	
Finance costs	-40,370	-25,625	-24,307	-20,880	-22,001	-23,988	-25,660	
<b>Earnings before tax (EBT)</b>	<b>66,100</b>	<b>81,113</b>	<b>91,068</b>	<b>85,324</b>	<b>84,810</b>	<b>89,920</b>	<b>94,836</b>	<b>3.6%</b>
<b>EBT margin</b> (in relation to production output)	<b>1.9%</b>	<b>2.3%</b>	<b>2.3%</b>	<b>1.8%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.6%</b>	
Income tax expense	-17,542	-20,069	-24,242	-21,633	-20,354	-20,682	-22,286	
<b>Profit/loss for the period</b>	<b>48,558</b>	<b>61,044</b>	<b>66,826</b>	<b>63,691</b>	<b>64,456</b>	<b>69,239</b>	<b>72,549</b>	<b>4.4%</b>
of which attributable to non-controlling interest	-68	133	282	535	1,120	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>63,336</b>	<b>68,741</b>	<b>72,137</b>	<b>4.5%</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>60,669</b>	<b>66,074</b>	<b>69,465</b>	<b>4.7%</b>
Diluted/basic earnings per share (EPS)	3.22	2.02	2.20	2.09	2.09	2.27	2.39	
Dividends per share (DPS)	1.50	1.50	1.10	1.10	1.10	1.15	1.20	
Number of shares ('000)	13,803	28,533	29,095	29,095	29,095	29,095	29,095	
<b>Adjusted Shareholders' Equity</b> without minorities	<b>340,140</b>	<b>369,108</b>	<b>400,984</b>	<b>551,166</b>	<b>579,830</b>	<b>612,444</b>	<b>714,587</b>	<b>9.0%</b>
<b>Shareholders' Equity</b> (including minorities and hybrid)	<b>385,171</b>	<b>412,118</b>	<b>440,872</b>	<b>597,038</b>	<b>609,985</b>	<b>646,893</b>	<b>765,147</b>	
RoE after Tax	13.9%	16.3%	16.6%	12.7%	10.7%	11.1%	10.5%	
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%	20.1%	20.3%	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%	3.6%	6.5%	3.2%	
EBIT	1.0%	7.4%	14.0%	-9.8%	2.3%	5.8%	5.0%	
EBT	10.9%	22.7%	12.3%	-6.3%	-0.6%	6.0%	5.5%	
Net profit after minorities	-7.6%	25.7%	9.5%	-4.7%	1.2%	7.4%	4.8%	
<b>Margins in % (based on production output)</b>								
EBITDA margin	4.5%	4.7%	4.8%	4.2%	3.9%	3.9%	3.8%	
EBIT margin	2.4%	2.5%	2.5%	1.9%	1.7%	1.7%	1.7%	
EBT margin	1.9%	2.3%	2.3%	1.8%	1.6%	1.6%	1.6%	
Net profit margin	1.4%	1.7%	1.7%	1.3%	1.2%	1.2%	1.2%	
<b>Expense ratios in %</b>								
Personnel costs to sales	25.0%	25.7%	25.6%	24.1%	25.7%	25.3%	25.7%	
Cost of material to sales	67.3%	65.6%	65.9%	68.6%	68.5%	67.8%	67.7%	
Depreciation to sales	2.5%	2.5%	2.6%	2.6%	2.5%	2.6%	2.5%	
Tax rate	-26.5%	-24.7%	-26.6%	-25.4%	-24.0%	-23.0%	-23.5%	
<b>Profitability in %</b>								
Gross profit margin	32.7%	34.4%	34.1%	31.4%	31.5%	32.2%	32.3%	
Return on adjusted shareholders equity (ROE)	13.1%	15.6%	15.9%	11.0%	10.5%	10.8%	9.7%	
Return on investment (ROI)	3.8%	3.8%	4.2%	3.1%	3.3%	3.3%	3.3%	
<b>Balance sheet key figures</b>								
Working Capital	65,988	247,902	202,295	146,958	176,557	201,329	226,101	
Net working capital	-399,629	-399,341	-274,135	-211,749	-441,863	-472,651	-503,439	
Working capital/ revenues	2.2%	7.9%	5.9%	3.4%	3.8%	4.2%	4.5%	
Net debt (-)/ net cash (+)	64,551	186,525	53,312	-147,429	31,489	265,660	319,160	
Book value	27.9	14.4	15.2	20.5	17.3	18.5	19.7	
Equity ratio	17.9%	17.9%	18.7%	20.7%	19.4%	20.6%	21.0%	
Liability ratio	82.1%	82.1%	81.3%	79.3%	80.6%	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	2.09	2.27	2.39	
Dividend per share (DPS)	1.50	1.50	1.10	1.10	1.10	1.15	1.20	

\* 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**  
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Rating Chronicle	Date	Rating	Former Price	Former Target
PORR	28 August 2018	Buy	27.80 €	37.00 €
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 November 2018.  
PORR AG mandated SRC Research for covering the PORR share.

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