

**Price (Euro)** **25.65**  
52 weeks range 42.13 / 22.69

### 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)	746.3
Free Float Market Cap (million)	345.5
CAGR pre-tax profit ('16 - '19e)	11.0%

Multiples	2016	2017e	2018e	2019e
MarketCap/ Revenues	0.22	0.21	0.20	0.19
PE-Ratio	11.7	12.3	9.6	8.1
Dividend Yield	4.3%	4.3%	5.1%	5.8%
Price-to-Book ratio	1.7	1.3	1.2	1.1

Key Data per Share (Euro)	2016	2017e	2018e	2019e
Earnings per Share (EPS)	2.20	2.09	2.68	3.16
Dividends per Share (DPS)	1.10	1.10	1.30	1.50
Book Value per share	15.15	19.43	21.34	23.32

Financial Data (Euro '000)	2016	2017e	2018e	2019e
Revenues	3,417,100	3,590,145	3,824,502	4,019,552
EBITDA	187,338	187,112	211,321	228,137
Operating Profit (EBIT)	100,055	97,357	120,319	135,682
Pre-tax profit (EBT)	91,068	85,161	106,852	124,481
Pre-tax margin	2.3%	1.9%	2.3%	2.5%
Net profit (after minorities)	63,880	60,850	78,116	92,063
Adjusted Shareholders' Equity	400,984	537,283	577,575	625,995
RoE after tax (adjusted)	15.9%	11.3%	13.5%	14.7%
Equity Ratio	18.7%	19.0%	19.9%	20.7%

### Financial Calendar

2017 Annual Report	26 April 2018
1Q 2018 report	28 May 2018
AGM	29 May 2018

### Main Shareholders

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

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## 9M results still below 2016, but good 3Q makes up for some of the slumps at 1H – €36 target confirmed

Yesterday the company published the 9M report and held a conference call in the morning. The results for the first nine months of the year are still beat down from the effects of the political turbulences in Qatar, in accordance with the Qatar diplomatic crisis that started in June 2017, as well as the high additional costs resulting from the expansion strategy in Germany. On a stand-alone basis, however, the third quarter showed some good growth compared to 3Q 2016 and made up for some of the negative effects from the last quarter. The total production output for the first nine months was at more than Euro 3.3bn about 20% higher than in last year's period at about Euro 2.8bn. The same applies for revenue, which was up more than 21% y-o-y, from almost Euro 2.5bn to more than Euro 3bn. The above mentioned effects significantly increased costs in the first nine months, which led to a decrease in operating profit on EBIT basis of almost 33%, down from more than Euro 49m at 9M 2016 to more than Euro 33m now. EBT declined from almost Euro 41m in last year's period to more than Euro 28m, by about 30%. The company confirms its guidance from the 1H 2017 report and expects an EBT for FY2017 slightly below the 2016 numbers. Our estimate is in line with that guidance as we forecast an EBT of Euro 85m for the full year, down about 6% from last year. This would translate into an EBT margin of 1.9%. The firm has improved its equity ratio with the issue of the hybrid bond early 2017 and is currently at 19.6% (FY 2016: 18.7%). The currently high amount of net debt of about Euro 500m compared to a net cash position at FY 2016 should, in our estimate, come back down to about Euro 250m till year end. On 15 November, PORR announced that CFO Christian Maier will resign at the end of the year. Effective 1 February 2018, Andreas Sauer will become the new CFO. Mr. Sauer is currently CFO at Nokia Mobile Networks and has extensive experience in integration, transformation and project management.

The outlook for the coming years looks promising. The firms order backlog is at a historic high of more than Euro 5.8bn (+12%) and order intake is at more than Euro 4.3bn, up by more than 28% y-o-y. Furthermore, the recent acquisitions this year should start to reap the fruits in the coming years. The acquisition of the Hinteregger Group will push revenues in Austria starting 4Q. The growth intention in the German market was in our opinion the right strategy and will provide PORR with good margins in the future. The focus of the company will now again shift to cost efficiencies and margin improvements. We expect PORR to reach its goal of a 3% EBT margin by 2020, about one year later than originally planned, with a continuous increase until then.

All in all the year 2017 has been affected by the consolidation and a few negative one-off effects in regards to political distress in Qatar and problems and higher costs in the German market, where PORR also learned some lessons valuable for the future. The trend has already been turned back upwards, however, with a good result in the third quarter on a stand-alone basis. We confirm our target price of Euro 36.00 and maintain our Buy recommendation for the PORR share.

### PORR AG

**Industry:** Construction / Infrastructure  
**Sub-segment:** all kinds of real estate  
**Country:** Austria  
**Headquarter:** Vienna  
**Foundation:** 1869  
**Employees (9M 2017):** 17,279

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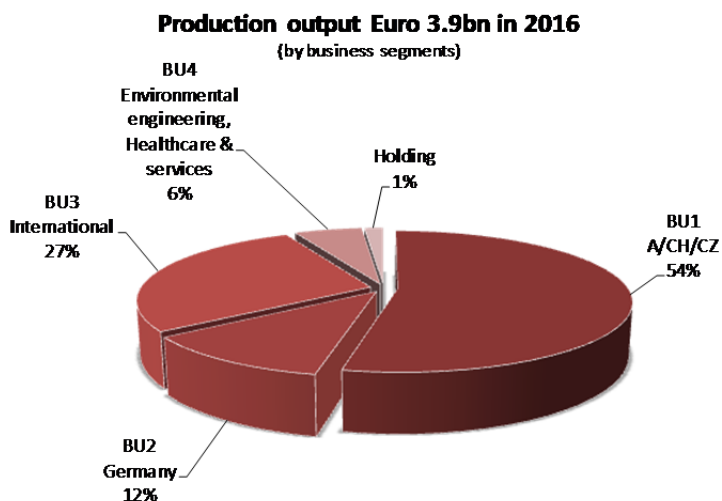
**Management Board of PORR**  
 Ing. Karl-Heinz Strauss, MBA, FRICS (CEO)  
 Mmag. Christian B. Maier (CFO)  
 Dipl.-Ing. J. Johannes Wenkenbach (COO)

**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	Walter Jenny
DI Iris Ortner, MBA	Walter Huber
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 Quatar. 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 costefficiently, 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 2016 PORR reported decent figures. Production output totalled to Euro 3.9bn, 11.4% ahead of 2015. Order intake climbed after a strong growth in 2014 again, from Euro 4.0bn in 2015 to almost 4.2bn in 2016 and is at 9M 2017 already at 4.3bn. 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 (87% of 2016 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 2016 dividend was lifted by 10% to Euro 1.10. PORR again delivered a sound net cash position at year-end 2016 of Euro 53m, despite the steep growth (Euro 187m in 2015). The equity ratio hiked from 18.7% to 19.6% after 3Q 2017.



Source: Company Data, SRC Research

**P & L PORR AG**

31/12 IFRS (Euro '000)	2013	2014	2015	2016	2017e	2018e	2019e	CAGR '16 - '19e
<b>Production output</b>	<b>3,162,079</b>	<b>3,474,885</b>	<b>3,523,752</b>	<b>3,925,000</b>	<b>4,435,250</b>	<b>4,745,718</b>	<b>4,888,089</b>	<b>7.6%</b>
<b>Revenues</b>	<b>2,630,025</b>	<b>3,009,118</b>	<b>3,139,687</b>	<b>3,417,100</b>	<b>3,590,145</b>	<b>3,824,502</b>	<b>4,019,552</b>	<b>6.8%</b>
Own work capitalized in non-current assets	4,453	890	539	727	875	990	1,120	
Share of profit/loss of associates	34,604	66,156	46,233	46,252	50,060	62,452	75,980	
Other operating income	112,700	119,475	101,818	105,548	115,720	127,920	133,600	
Cost of materials and other related production services	-1,748,711	-2,026,001	-2,060,827	-2,251,409	-2,384,536	-2,576,353	-2,671,349	<b>5.9%</b>
Staff expense	-669,814	-752,960	-807,638	-874,068	-910,400	-938,500	-1,045,706	<b>6.2%</b>
Other operating expenses	-216,643	-260,254	-253,870	-256,812	-274,752	-289,690	-285,060	
<b>Operating result (EBITDA)</b>	<b>146,614</b>	<b>156,424</b>	<b>165,942</b>	<b>187,338</b>	<b>187,112</b>	<b>211,321</b>	<b>228,137</b>	<b>6.8%</b>
Depreciation, amortisation and impairment expense	-65,736	-74,716	-78,172	-87,283	-89,755	-91,002	-92,455	<b>1.9%</b>
<b>Operating result (EBIT)</b>	<b>80,878</b>	<b>81,708</b>	<b>87,770</b>	<b>100,055</b>	<b>97,357</b>	<b>120,319</b>	<b>135,682</b>	<b>10.7%</b>
Income from financial investments and other current financial assets	12,354	24,762	18,968	15,320	16,452	16,100	17,120	
Finance costs	-33,641	-40,370	-25,625	-24,307	-28,648	-29,567	-28,321	
<b>Earnings before tax (EBT)</b>	<b>59,591</b>	<b>66,100</b>	<b>81,113</b>	<b>91,068</b>	<b>85,161</b>	<b>106,852</b>	<b>124,481</b>	<b>11.0%</b>
<b>EBT margin</b> (in relation to production output)	<b>1.9%</b>	<b>1.9%</b>	<b>2.3%</b>	<b>2.3%</b>	<b>1.9%</b>	<b>2.3%</b>	<b>2.5%</b>	
Income tax expense	-7,059	-17,542	-20,069	-24,242	-21,290	-25,644	-29,253	
<b>Profit/loss for the period</b>	<b>52,532</b>	<b>48,558</b>	<b>61,044</b>	<b>66,826</b>	<b>63,871</b>	<b>81,208</b>	<b>95,228</b>	<b>12.5%</b>
of which attributable to non-controlling interest	-225	-68	133	282	354	425	498	
<b>Profit/loss for the period attributable to shareholders of the parent and holders of profit-participation rights</b>	<b>52,757</b>	<b>48,626</b>	<b>60,911</b>	<b>66,544</b>	<b>63,517</b>	<b>80,783</b>	<b>94,730</b>	<b>12.5%</b>
of which attributable to holders of profit-participation rights	6,433	4,200	3,200	2,664	2,667	2,667	2,667	
<b>Net profit after minorities</b>	<b>46,324</b>	<b>44,426</b>	<b>57,711</b>	<b>63,880</b>	<b>60,850</b>	<b>78,116</b>	<b>92,063</b>	<b>13.0%</b>
Diluted/basic earnings per share (EPS)	3.88	3.22	2.02	2.20	2.09	2.68	3.16	
Dividends per share (DPS)	1.00	1.50	1.50	1.10	1.10	1.30	1.50	
Number of shares ('000)	11,947	13,803	28,533	29,095	29,095	29,095	29,095	
<b>Adjusted Shareholders' Equity</b> without minorities	<b>298,733</b>	<b>340,140</b>	<b>369,108</b>	<b>400,984</b>	<b>537,283</b>	<b>577,575</b>	<b>625,995</b>	<b>16.0%</b>
<b>Shareholders' Equity</b> (including minorities and hybrid)	<b>347,662</b>	<b>385,171</b>	<b>412,118</b>	<b>440,872</b>	<b>565,321</b>	<b>620,889</b>	<b>678,475</b>	
RoE after Tax	17.6%	13.9%	16.3%	16.6%	13.0%	14.0%	15.3%	
Total assets (Euro million)	2,296.5	2,146.0	2,304.0	2,360.5	2,978.0	3,126.9	3,283.2	
Equity ratio	15.1%	17.9%	17.9%	18.7%	19.0%	19.9%	20.7%	
<b>Key ratios &amp; figures</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016e</b>	<b>2017e</b>	<b>2018e</b>	<b>2019e</b>	
<b>Growth rates in %</b>								
Revenues	13.6%	14.4%	4.3%	8.8%	5.1%	6.5%	5.1%	
EBITDA	41.2%	6.7%	6.1%	12.9%	-0.1%	12.9%	8.0%	
EBIT	50.3%	1.0%	7.4%	14.0%	-2.7%	23.6%	12.8%	
EBT	170.8%	10.9%	22.7%	12.3%	-6.5%	25.5%	16.5%	
Net profit after minorities	192.0%	-7.6%	25.7%	9.5%	-4.4%	27.1%	17.3%	
<b>Margins in % (based on production output)</b>								
EBITDA margin	4.6%	4.5%	4.7%	4.8%	4.2%	4.5%	4.7%	
EBIT margin	2.6%	2.4%	2.5%	2.5%	2.2%	2.5%	2.8%	
EBT margin	1.9%	1.9%	2.3%	2.3%	1.9%	2.3%	2.5%	
Net profit margin	1.7%	1.4%	1.7%	1.7%	1.4%	1.7%	1.9%	
<b>Expense ratios in %</b>								
Personnel costs to sales	25.5%	25.0%	25.7%	25.6%	25.4%	24.5%	26.0%	
Cost of material to sales	66.5%	67.3%	65.6%	65.9%	66.4%	67.4%	66.5%	
Depreciation to sales	2.5%	2.5%	2.5%	2.6%	2.5%	2.4%	2.3%	
Tax rate	-11.8%	-26.5%	-24.7%	-26.6%	-25.0%	-24.0%	-23.5%	
<b>Profitability in %</b>								
Gross profit margin	33.5%	32.7%	34.4%	34.1%	33.6%	32.6%	33.5%	
Return on adjusted shareholders equity (ROE)	15.5%	13.1%	15.6%	15.9%	11.3%	13.5%	14.7%	
Return on investment (ROI)	3.5%	3.8%	3.9%	4.4%	4.1%	4.8%	5.2%	
<b>Balance sheet key figures</b>								
Working Capital	-52,305	65,988	-2,462	112,433	139,633	176,557	201,329	
Net working capital	-385,212	-399,629	-473,432	-407,267	-428,867	-441,863	-472,651	
Working capital/ revenues	-2.0%	2.2%	-0.1%	3.3%	3.9%	4.6%	5.0%	
Net debt (-)/ net cash (+)	-357,458	64,551	86,897	115,940	-247,632	212,160	265,660	
Book value	29.1	27.9	13.2	15.0	16.0	17.3	18.5	
Equity ratio	15.1%	17.9%	16.7%	18.9%	19.4%	20.1%	20.6%	
Liability ratio	84.9%	82.1%	83.3%	81.1%	80.6%	79.9%	79.4%	
<b>Data per share</b>								
Number of shares in ('000)	11,947	13,803	28,533	29,095	29,095	29,095	29,095	
Earnings per share (EPS)	3.88	3.22	2.02	2.20	2.09	2.68	3.16	
Dividend per share (DPS)	1.00	1.50	1.50	1.10	1.10	1.30	1.50	

\* numbers adjusted by a share split in a ratio of 1:2 as of 19 June 2015  
 Source: Company data, SRC Research estimates

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Rating Chronicle	Date	Rating	Former Price	Former Target
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 €
PORR	25 April 2016	Buy	28.00 €	36.00 €

**Please note:**

The PORR share price mentioned in this report is from 29 November 2017.  
PORR AG mandated SRC Research for covering the PORR share.

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