

Price (Euro)	14,68			
52 weeks range	14.84 / 8.90			
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)	39,3			
Free Float	46,3%			
Market Cap (million)	576,6			
Free Float Market Cap (million)	267,0			
CAGR pre-tax profit ('22 - '25e)	16,0%			
Multiples	2022	2023e	2024e	2025e
MarketCap/ Revenues	0,10	0,10	0,09	0,09
PE-Ratio	8,9	6,6	5,2	4,2
Dividend Yield	4,1%	5,8%	7,5%	9,2%
Price-to-Book ratio	0,7	0,7	0,6	0,6
Key Data per Share (Euro)	2022	2023e	2024e	2025e
Earnings per Share (EPS)	1,65	2,24	2,84	3,46
Dividends per Share (DPS)	0,60	0,85	1,10	1,35
Book Value per share	20,34	21,61	23,59	25,93
Financial Data (Euro '000)	2022	2023e	2024e	2025e
Revenues	5.786.011	5.930.661	6.072.997	6.224.822
EBITDA	318.899	346.931	390.191	434.873
Operating Profit (EBIT)	120.107	148.268	188.837	230.828
Pre-tax profit (EBT)	110.034	136.067	167.236	199.136
Pre-tax margin	1,8%	2,1%	2,5%	2,9%
Net profit (after minorities)	64.413	87.507	111.022	135.100
Adjusted Shareholders' Equity	764.605	828.545	906.181	998.073
RoE after tax (adjusted)	8,4%	10,6%	12,3%	13,5%
Equity Ratio	19,3%	20,0%	21,4%	23,0%
Financial Calendar				
1H 2023 report				29 August 2023
SRC Forum Financials & Real Estate 2023				12 Sept 2023
9M 2023 report				23 November 2023
Main Shareholders				
Syndicate (Strauss-group / IGO-Ortner-group)				50,4%
Analyst	Dipl.-Kfm. Stefan Scharff, CREA			
E-Mail	scharff@src-research.de			
Internet	www.src-research.de www.aktienmarkt-international.de www.aktienmarkt-international.at			

A good initial quarter, with production output +10%, order backlog still on record high and a jump in pre-tax profit, the demand in public and infrastructure projects will continue – target up to € 19.50

Today the leading construction and infrastructure company PORR published the 1Q 2023 report and invited for a conference call in the morning. Production output was at Euro 1.27bn, up almost 10% from last year's number of 1.16bn. Drivers of the growth were the markets in Poland with +51% to Euro 204m and Austria / CH up almost 7% to Euro 637m and Germany quite similar +6% to Euro 197m. A clear upside picture in all important markets, also CEE (CZ, Slovakia, Romania) delivered a high +29%. The order backlog remained at Euro 8.2bn at the record level of year-end 2022 and was 2% above the level of 1Q 2022 (Euro 8.0bn).

PORR mentioned the prevailing high interest rate level and more challenging economic framework, that impairs the residential construction market. In our view it might also impair the future demand in the office construction but the 1Q picture was very clear, that PORR can more than offset a decline in these business areas by a much higher demand in industrial construction, tunnelling and all kinds of infrastructure and civil engineering. The first quarter profited from a mild winter and a slowing down in cost increases, but PORR also improved its internal price and cost management and the good market positioning allows to sign only if there are lucrative and margin rich new projects on the table.

Looking at first quarter, the cash-driven operating profit in terms of EBITDA was up 7% from Euro 50m to Euro 54m, the EBIT jumped 64% from Euro 6m to Euro 10m and the pre-tax profit, which was clearly negative in first quarters of 2019 to 2021 due to the typical seasonality and just close to Zero in the last year (Euro 0.6m) was now at a high Euro 4.5m. **The pre-tax margin, which was negative or at maximum Zero in former years, turned to a positive 0.4% which is a very good start into the year and underlines the underlying profitability and makes the mid-term 2025 target of 3.0% EBT-margin quite realistic, after 2.6% in 2022. Keep in mind, that the increased order backlog is mainly in high margin areas of sustainable construction, following the given Green and Lean strategy, which means a clear commitment to ecological construction and keeping a cost-conscious stance at the same time. For instance, in Germany, which contributed little or even no profit to the group in recent years, PORR has now already over 70% of all current projects with margins already above 3% and this share will gradually rise throughout the next two or three years.**

Besides the significant hike in profitability, we also see a better balance sheet picture with the equity up 7%, from Euro 746m to Euro 795m and a reduced net debt position of only Euro 100m, after Euro 135m in the year before. With the prevailing high public demand in civil engineering and infrastructure, which is boosted by the EU Recovery and Resilience Facility and the EU Green Deal, we expect a high and profitable production output to follow in the remaining three quarters of the year.

That leads to a full year production output an EBT clearly above the 2022 level, even in a still challenging overall economic framework. With the very good start into the new year, we confirm our Buy recommendation and lift our target price from Euro 18.50 to Euro 19.50.

PORR AG

Industry: Construction / Infrastructure
Sub-segment: all kinds of real estate
Country: Austria
Headquarter: Vienna
Foundation: 1869
Employees: 20,232

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)
 WP/StB Mag. Klemens Eiter (CFO)
 Bmst. Ing. Josef Pein (COO)
 Dipl.-Ing. Jürgen Raschendorfer (COO)

Supervisory Board of PORR

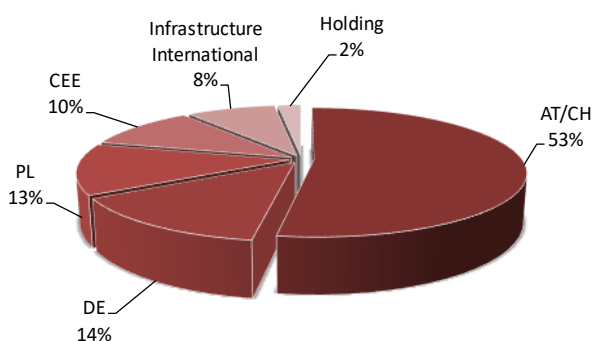
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Founded in 1869 as Allgemeine österreichische Baugesellschaft PORR AG is today a full service provider for construction and infrastructure projects with a leading market position in Austria and also a good footprint as one of the leading firms in other 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 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 by 2025) 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).

The year 2020 was significantly coined by the impacts of the global Covid-19 pandemic, which led to, amongst other effects, a temporary shutdown of construction sites in Austria for several months, severely impacting the numbers of the fiscal year. Nevertheless, the year was not wasted as the company reacted quickly and e.g. accelerated the PORR 2025 strategy program and the transformation. Some of these effects already became visible in 2021, which represented a record level year in terms of production output and also delivered a strong EBT. With the 2022 numbers, the record level of 2021 was further increased by almost 9% to Euro 6.23bn. Furthermore, the order book reached a new record level at FY2022 of Euro 8.2bn.

After suspending the dividend payment for 2019 as a precautionary measure following the COVID-19 pandemic and as a sign of solidarity towards all stakeholders of the company, no dividend was paid for 2020 as well, as the results turned deep red. For 2021, the firm distributed a dividend of 50 cents per share, which was on top of our estimate and within the targeted payout ratio of 30% to 50%. The management will propose a dividend of 60 cents per share for 2022 at the upcoming AGM.

Production output Euro 6.23bn at FY 2022
 (by business segments)



Source: Company Data, SRC Research

P & L PORR AG

31/12 IFRS (Euro '000)	2019	2020	2021	2022	2023e	2024e	2025e	CAGR '22 - '25e
Production output	5,569,781	5,037,915	5,727,323	6,226,409	6,406,975	6,599,184	6,803,759	2.2%
Revenues	4,880,414	4,651,842	5,169,831	5,786,011	5,930,661	6,072,997	6,224,822	1.8%
Own work capitalized in non-current assets	4,105	3,787	2,875	1,567	2,441	2,848	3,255	
Share of profit/loss of associates	87,448	34,036	62,124	56,466	61,753	74,224	81,219	
Other operating income	178,733	133,606	178,090	189,124	193,547	201,365	209,183	
Cost of materials and other related production services	-3,286,674	-3,117,518	-3,446,627	-3,976,756	-4,072,198	-4,165,859	-4,263,756	1.8%
Staff expense	-1,243,180	-1,210,093	-1,275,817	-1,349,993	-1,365,632	-1,378,640	-1,384,583	0.6%
Other operating expenses	-398,530	-364,222	-402,934	-387,520	-403,641	-416,744	-435,267	
Operating result (EBITDA)	222,316	131,438	287,542	318,899	346,931	390,191	434,873	8.1%
Depreciation, amortisation and impairment expense	-167,594	-168,647	-192,323	-198,792	-198,663	-201,354	-204,045	0.7%
Operating result (EBIT)	54,722	-37,209	95,219	120,107	148,268	188,837	230,828	17.7%
Income from financial investments and other current financial assets	15,396	12,771	12,284	14,150	11,056	2,985	-5,086	
Finance costs	-32,709	-26,610	-22,142	-24,223	-23,257	-24,586	-26,606	
Earnings before tax (EBT)	37,409	-51,048	85,361	110,034	136,067	167,236	199,136	16.0%
EBT margin (in relation to production output)	0.7%	-1.0%	1.5%	1.8%	2.1%	2.5%	2.9%	
Income tax expense	-9,576	8,681	-23,953	-27,399	-31,295	-38,464	-45,801	
Profit/loss for the period	27,833	-42,367	61,408	82,635	104,772	128,772	153,335	16.7%
of which attributable to non-controlling interest	2,292	5,281	7,688	4,009	1,583	2,633	3,683	
Profit/loss for the period attributable to shareholders of the parent and holders of profit-participation rights	25,541	-47,648	53,720	78,626	103,189	126,139	149,652	17.5%
of which attributable to holders of profit-participation rights	11,227	18,154	17,786	14,213	15,682	15,117	14,552	
Net profit after minorities	14,314	-65,802	35,934	64,413	87,507	111,022	135,100	
Diluted/basic earnings per share (EPS)	0.50	-2.28	1.18	1.65	2.24	2.84	3.46	
Dividends per share (DPS)	0.00	0.00	0.50	0.60	0.85	1.10	1.35	
Number of shares ('000)	29,095	29,095	30,792	39,278	39,278	39,279	39,279	
Adjusted Shareholders' Equity without minorities	587,081	635,985	790,541	764,605	828,545	906,181	998,073	6.9%
Shareholders' Equity (including minorities and hybrid)	599,038	650,549	824,410	798,925	848,992	926,495	1,018,520	
RoE after Tax	2.5%	-10.8%	5.0%	8.3%	11.0%	12.8%	14.2%	
Total assets (Euro million)	3,664.9	3,509,463.0	4,065,002.0	4,146,795.0	4,242,171.3	4,327,014.7	4,426,536.0	
Equity ratio	16.4%	18.5%	20.3%	19.3%	20.0%	21.4%	23.0%	
Key ratios & figures	2019	2020	2021	2022	2023e	2024e	2025e	
Growth rates in %								
Revenues	-1.6%	-4.7%	11.1%	11.9%	2.5%	2.4%	2.5%	
EBITDA	1.3%	-40.9%	118.8%	10.9%	8.8%	12.5%	11.5%	
EBIT	-40.7%	-168.0%	-355.9%	26.1%	23.4%	27.4%	22.2%	
EBT	-57.6%	-236.5%	-267.2%	28.9%	23.7%	22.9%	19.1%	
Net profit after minorities	-58.0%	-252.2%	-244.9%	34.6%	26.8%	22.9%	19.1%	
Margins in % (based on production output)								
EBITDA margin	4.0%	2.6%	5.0%	5.1%	5.4%	5.9%	6.4%	
EBIT margin	1.0%	-0.7%	1.7%	1.9%	2.3%	2.9%	3.4%	
EBT margin	0.7%	-1.0%	1.5%	1.8%	2.1%	2.5%	2.9%	
Net profit margin	0.5%	-0.8%	1.1%	1.3%	1.6%	2.0%	2.3%	
Expense ratios in %								
Personnel costs to sales	25.5%	26.0%	24.7%	23.3%	23.0%	22.7%	22.2%	
Cost of material to sales	67.3%	67.0%	66.7%	68.7%	68.7%	68.6%	68.5%	
Depreciation to sales	3.4%	3.6%	3.7%	3.4%	3.3%	3.3%	3.3%	
Tax rate	-25.6%	-17.0%	-28.1%	-24.9%	-23.0%	-23.0%	-23.0%	
Profitability in %								
Gross profit margin	32.7%	33.0%	33.3%	31.3%	31.3%	31.4%	31.5%	
Return on adjusted shareholders equity (ROE)	2.4%	-10.3%	4.5%	8.4%	10.6%	12.3%	13.5%	
Return on investment (ROI)	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Balance sheet key figures								
Net debt (-)/ net cash (+)	-345,689	-136,691	65,322	58,950	50,108	42,591	36,203	
Book value	20.6	22.4	26.8	20.3	21.6	23.6	25.9	
Equity ratio	16.4%	18.5%	20.3%	19.3%	20.0%	21.4%	23.0%	
Data per share								
Number of shares in ('000)	29,095	29,095	30,792	39,278	39,278	39,279	39,279	
Earnings per share (EPS)	0.50	-2.28	1.18	1.65	2.24	2.84	3.46	
Dividend per share (DPS)	0.00	0.00	0.50	0.60	0.85	1.10	1.35	

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	31 March 2023	Buy	13,90 €	18,50 €
PORR	28 February 2023	Buy	14,10 €	18,50 €
PORR	28 November 2022	Buy	12,50 €	17,50 €
PORR	31 August 2022	Buy	11,56 €	17,50 €
PORR	30 May 2022	Buy	12,34 €	17,50 €
PORR	28 April 2022	Buy	11,76 €	17,50 €
PORR	29 November 2021	Buy	11,80 €	17,50 €
PORR	15 October 2021	Accumulate	15,98 €	17,50 €
PORR	06 October 2021	Buy	15,86 €	19,00 €
PORR	26 August 2021	Buy	15,92 €	19,00 €
PORR	26 May 2021	Accumulate	17,12 €	19,00 €
PORR	27 April 2021	Buy	14,96 €	18,00 €
PORR	18 November 2020	Buy	13,08 €	16,00 €
PORR	27 August 2020	Buy	12,36 €	19,00 €

Please note:

The PORR share price mentioned in this report is from 23 May 2023. PORR AG mandated SRC Research for covering the PORR share.

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