

PORR

Buy (unchanged) Target: Euro 20.50 (old: Euro 19.50)



Der Spezialist für Finanzaktien

29 | August | 2023

Price (Euro)	11,50			
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)	451,7			
Free Float Market Cap (million)	209,1			
CAGR pre-tax profit ('22 - '25e)	17,4%			
Multiples	2022	2023e	2024e	2025e
MarketCap/ Revenues	0,08	0,08	0,07	0,07
PE-Ratio	7,0	4,5	3,8	3,1
Dividend Yield	5,2%	7,8%	9,6%	11,3%
Price-to-Book ratio	0,6	0,5	0,5	0,4
Key Data per Share (Euro)	2022	2023e	2024e	2025e
Earnings per Share (EPS)	1,65	2,55	3,01	3,68
Dividends per Share (DPS)	0,60	0,90	1,10	1,30
Book Value per share	20,34	21,92	24,01	26,57
Financial Data (Euro '000)	2022	2023e	2024e	2025e
Revenues	5.786.011	6.005.879	6.125.997	6.239.328
EBITDA	318.899	367.542	397.728	445.255
Operating Profit (EBIT)	120.107	167.231	196.374	243.254
Pre-tax profit (EBT)	110.034	151.195	175.239	209.051
Pre-tax margin	1,8%	2,3%	2,6%	3,0%
Net profit (after minorities)	64.413	99.518	117.515	143.803
Adjusted Shareholders' Equity	764.605	840.556	922.721	1.023.316
RoE after tax (adjusted)	8,4%	11,8%	12,7%	14,1%
Equity Ratio	19,3%	20,3%	21,8%	23,6%
Financial Calendar				
SRC Forum Financials & Real Estate 2023	9M 2023 report	12 Sept 2023		
		23 November 2023		
Main Shareholders				
Syndicate (Strauss-group / IGO-Ortner-group)			50,4%	
Analyst	Dipl.-Kfm. Stefan Scharff, CREA			
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A decent six months report in a challenging economic framework – cash-driven EBITDA +9%, EBT +25%, order intake in the second quarter goes up more than 50% - target up to € 20.50 – Buy affirmed

Today the leading construction and infrastructure company PORR published the 1H 2023 report and invited for a conference call in the afternoon. The company is resilient in a still challenging economic framework with very little overall growth in Austria and even some recession tendencies in Germany. The production output jumped 9% from Euro 2.77bn to Euro 3.02bn and Order backlog was even up +12% to Euro 9.0bn.

We want to underline the very high order intake in the second quarter. On a 2Q stand-alone view, it rocketed +56.5% from Euro 1.62bn to Euro 2.53bn, showing a high demand for civil engineering and infrastructure projects from the public side, and also giving room for a margin improvement as PORR keeps its selective policy in underwriting. The good situation in production output and order intake translated into a steep hike of cash-driven EBITDA, +9% from Euro 126m to Euro 137m, and even +25% in the group's pre-tax profit, from Euro 22.1m to Euro 27.5m.

While residential building construction in Germany and also some other regions of Europe is impaired by high financing costs for the potential buyers and translates into serious financial problems of several development companies (residential construction is just at 8% of order backlog), PORR is more focused on civil engineering, public infrastructure projects like airport Vienna and Brenner base tunnel or some large-scale building construction projects like the new hospital in Polish Wroclaw with 100k sqm and 670 beds, which is a Design & Build contract as a general contractor. Another big future topic is to handle the climate change and improve the public energy infrastructure in Germany and Europe in general. For instance, in Germany, PORR builds two big electricity underground lines, named SuedLink, to transport energy from the windy north of Germany to the economically strong hubs in southern Germany.

These infrastructure and energy projects and other large-scale public projects will be decisive for the future revenues and margins development of PORR, together with a progress of internal digitalization and streamlining of processes to bring down costs and carbon footprint, the LEAN and GREEN strategy.

On a more concrete regional view Austria / CH was impressive, +4% in production output to almost Euro 1.6bn and a high overproportionate 47% hike in pre-tax profit, from Euro 21.5m to Euro 31.7m, with construction costs now stabilizing on a somewhat higher level. The market in Germany even delivered a 15% hike in production output to Euro 458m, and the pre-tax result turned black, from Euro -6.3m (coming from some old unprofitable projects) to now Euro 0.2m. With regards to Poland, the 53% hike in production output was impressive, but did not translate in a higher EBT contribution, which remained at Euro 7.6m.

All in all, we like the 1H results which give a good basis for the full year. The management guides a hike in output from Euro 6.22bn last year to a range of Euro 6.5bn to 6.7bn in 2023, along with a hike in earnings. Both is realistic in our view. We lift our production output forecast to Euro 6.63bn and our EBT forecast from Euro 136m to Euro 151m. After the good 1H results we also lift our target price to Euro 20.50. Still Buy.

PORR AG

Industry: Construction / Infrastructure
Sub-segment: all kinds of real estate
Country: Austria
Headquarter: Vienna
Foundation: 1869
Employees: 20.232

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

Supervisory Board of PORR

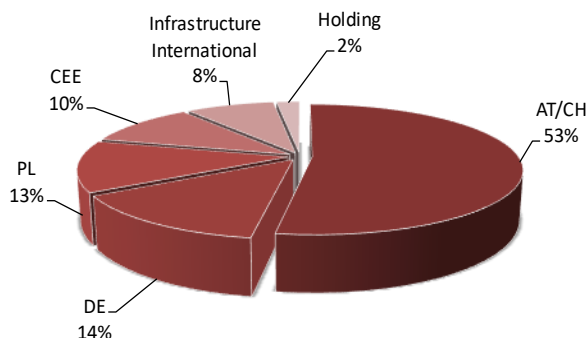
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Hon.-Prof. Dr. Bernhard Vanas	

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 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 paid a dividend of 60 cents per share for 2022. For 2023 we expect another significant hike in earnings and dividend payment.

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	6.629.880	6.762.478	6.863.915	2,5%
Revenues	4.880.414	4.651.842	5.169.831	5.786.011	6.005.879	6.125.997	6.239.328	1,9%
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	195.136	209.183	
Cost of materials and other related production services	-3.286.674	-3.117.518	-3.446.627	-3.976.756	-4.086.117	-4.180.097	-4.267.880	1,8%
Staff expense	-1.243.180	-1.210.093	-1.275.817	-1.349.993	-1.406.321	-1.378.640	-1.384.583	0,6%
Other operating expenses	-398.530	-364.222	-402.934	-387.520	-403.641	-441.740	-435.267	
Operating result (EBITDA)	222.316	131.438	287.542	318.899	367.542	397.728	445.255	8,7%
Depreciation, amortisation and impairment expense	-167.594	-168.647	-192.323	-198.792	-200.311	-201.354	-202.001	0,4%
Operating result (EBIT)	54.722	-37.209	95.219	120.107	167.231	196.374	243.254	19,3%
Income from financial investments and other current financial assets	15.396	12.771	12.284	14.150	19.653	7.452	-5.086	
Finance costs	-32.709	-26.610	-22.142	-24.223	-35.689	-28.587	-29.117	
Earnings before tax (EBT)	37.409	-51.048	85.361	110.034	151.195	175.239	209.051	17,4%
EBT margin (in relation to production output)	0,7%	-1,0%	1,5%	1,8%	2,3%	2,6%	3,0%	
Income tax expense	-9.576	8.681	-23.953	-27.399	-34.775	-40.305	-48.082	
Profit/loss for the period	27.833	-42.367	61.408	82.635	116.420	134.934	160.970	18,1%
of which attributable to non-controlling interest	2.292	5.281	7.688	4.009	1.220	2.302	2.615	
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	115.200	132.632	158.355	19,1%
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	99.518	117.515	143.803	
Diluted/basic earnings per share (EPS)	0,50	-2,28	1,18	1,65	2,55	3,01	3,68	
Dividends per share (DPS)	0,00	0,00	0,50	0,60	0,90	1,10	1,30	
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	840.556	922.721	1.023.316	7,6%
Shareholders' Equity (including minorities and hybrid)	599.038	650.549	824.410	798.925	861.003	943.035	1.043.763	
RoE after Tax	2,5%	-10,8%	5,0%	8,3%	12,4%	13,3%	14,8%	
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%	20,3%	21,8%	23,6%	
Key ratios & figures	2019	2020	2021	2022	2023e	2024e	2025e	
Growth rates in %								
Revenues	-1,6%	-4,7%	11,1%	11,9%	3,8%	2,0%	1,9%	
EBITDA	1,3%	-40,9%	118,8%	10,9%	15,3%	8,2%	11,9%	
EBIT	-40,7%	-168,0%	-355,9%	26,1%	39,2%	17,4%	23,9%	
EBT	-57,6%	-236,5%	-267,2%	28,9%	37,4%	15,9%	19,3%	
Net profit after minorities	-58,0%	-252,2%	-244,9%	34,6%	40,9%	15,9%	19,3%	
Margins in % (based on production output)								
EBITDA margin	4,0%	2,6%	5,0%	5,1%	5,5%	5,9%	6,5%	
EBIT margin	1,0%	-0,7%	1,7%	1,9%	2,5%	2,9%	3,5%	
EBT margin	0,7%	-1,0%	1,5%	1,8%	2,3%	2,6%	3,0%	
Net profit margin	0,5%	-0,8%	1,1%	1,3%	1,8%	2,0%	2,3%	
Expense ratios in %								
Personnel costs to sales	25,5%	26,0%	24,7%	23,3%	23,4%	22,5%	22,2%	
Cost of material to sales	67,3%	67,0%	66,7%	68,7%	68,0%	68,2%	68,4%	
Depreciation to sales	3,4%	3,6%	3,7%	3,4%	3,3%	3,3%	3,2%	
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%	32,0%	31,8%	31,6%	
Return on adjusted shareholders equity (ROE)	2,4%	-10,3%	4,5%	8,4%	11,8%	12,7%	14,1%	
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	21,9	24,0	26,6	
Equity ratio	16,4%	18,5%	20,3%	19,3%	20,3%	21,8%	23,6%	
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	2,55	3,01	3,68	
Dividend per share (DPS)	0,00	0,00	0,50	0,60	0,90	1,10	1,30	

Source: Company data, SRC Research estimates

SRC Research

- The Specialist for Financial and Real Estate Stocks -

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Rating Chronicle	Date	Rating	Former Price	Former Target
PORR	24 May 2023	Buy	14,68 €	19,50 €
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 28 August 2023. PORR AG mandated SRC Research for covering the PORR share.

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