

PORR

Buy (old: Accumulate) Target: Euro 17.50 (unchanged)



Der Spezialist für Finanzaktien

29 | November | 2021

Price (Euro) **11.80**
52 weeks range 16.64 / 11.56

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)	463.5
Free Float Market Cap (million)	214.6
CAGR pre-tax profit ('19 - '23e)	28.9%

Multiples	2020	2021e	2022e	2023e
MarketCap/ Revenues	0.10	0.09	0.09	0.09
PE-Ratio	-5.2	9.6	8.8	7.7
Dividend Yield	0.0%	3.4%	5.1%	6.8%
Price-to-Book ratio	0.5	0.5	0.6	0.5

Key Data per Share (Euro)	2020	2021e	2022e	2023e
Earnings per Share (EPS)	-2.28	1.23	1.35	1.54
Dividends per Share (DPS)	0.00	0.40	0.60	0.80
Book Value per share	22.36	26.05	21.18	21.97

Financial Data (Euro '000)	2020	2021e	2022e	2023e
Revenues	4,651,842	5,040,736	5,167,258	5,296,440
EBITDA	131,438	258,329	271,344	302,991
Operating Profit (EBIT)	-37,209	88,882	99,859	123,339
Pre-tax profit (EBT)	-51,048	71,253	89,099	103,170
Pre-tax margin	-1.0%	1.3%	1.6%	1.8%
Net profit (after minorities)	-65,802	37,643	52,576	60,113
Adjusted Shareholders' Equity	635,985	765,827	806,086	842,632
RoE after tax (adjusted)	-10.3%	4.9%	6.5%	7.1%
Equity Ratio	18.5%	20.3%	20.7%	20.9%

Financial Calendar

2021 annual report	28 April 2022
1Q 2022 report	30 May 2022
AGM	17 June 2022

Main Shareholders

Syndicate (Strauss-group / IGO-Ortner-group)	50.4%
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Analysts

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Production output well on track, EBT margin burdened by anti-trust settlement but target still within reach – Order book remains high – Rating up to Buy after slump, Euro 17.50 target affirmed

Today, the company released the report for the first nine months of 2021 and delivered good numbers despite the impact of the antitrust settlement, which hit the P&L in the third quarter. Production output for the first three quarters amounted to almost Euro 4.14bn, up more than 9% from last year's number of Euro 3.78bn. The growth was mainly driven by the markets Austria and Poland. The segment Austria/CH grew by more than 13%, while the segment Poland recorded a hike of almost 22% in production output. Revenues hiked by almost 11% compared to the previous year and reached a new record level of more than Euro 3.72bn. Earnings from at-equity companies contributed Euro 57m (9M 2020: Euro 20m), while other operating income added more than Euro 117m (9M 2020: Euro 86m). Expenses for materials and other purchased services hiked by almost 9%, clearly driven by the increased price level for raw and other materials. Staff costs increased by 8%, while the other operating expenses, hiked by about 13% as it benefited from savings in fixed costs but includes the provisions for the cartel fine of more than Euro 30m in our estimate. The firm's operating profit on EBIT basis all in all came in at almost Euro 56m compared to last year's loss of Euro -48m. With a slightly improved financial result, the firm's pre-tax profit amounted to Euro 42.5m, representing an EBT margin of 1.0%. Net profit came in at more than Euro 26m (9M 2020: Euro -47m).

Looking at the order book, the order backlog continues to be at a very high level of about Euro 7.8bn. Order intake hiked by almost 14% and stood at more than Euro 4.8bn at 9M. Included here are the two large scale projects "ARGE U2 lot 17-21 subway" in Vienna and the largest single building construction order in Germany with the 150-meter high ABC Tower at Alexanderplatz in Berlin, both projects with a value of about Euro 240m. The balance sheet along with the recently closed capital hike with gross proceeds of more than Euro 122m allow for further growth and an expansion of the project pipeline. The pro-forma equity ratio stands at 19.5% and thus is now very close to the targeted range between 20% and 25%, while the net debt position, which has already declined by more than 27% year-over-year to Euro 315m as of 9M 2021 will also further decline till year-end.

The company will need a margin strong fourth quarter in order to reach the guided range between 1.3% and 1.5%, which was again reaffirmed by the management today. While the production output is well on track to reach the guided range, the EBT margin of 1% for the first three quarters needs to see some improvements, as it was burdened with the effects from the antitrust settlement. Nevertheless, we believe that the company can reach the targets and also stick to our margin estimate, which is at the lower end of the firm's guidance. We confirm our Euro 17.50 target price. As the share has seen a slump since our last update likely driven by the capital hike, we lift our Rating from Accumulate to Buy, as the share now offers an upside of almost 50% to our target price.



PORR AG

Industry: Construction / Infrastructure
Sub-segment: all kinds of real estate
Country: Austria
Headquarter: Vienna
Foundation: 1869
Employees: 20,135

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Management Board of PORR
 Ing. Karl-Heinz Strauss, MBA, FRICS (CEO/CFO)
 Bmst. Ing. Josef Pein (COO)
 Dipl.-Ing. Jürgen Raschendorfer (COO)

Supervisory Board of PORR

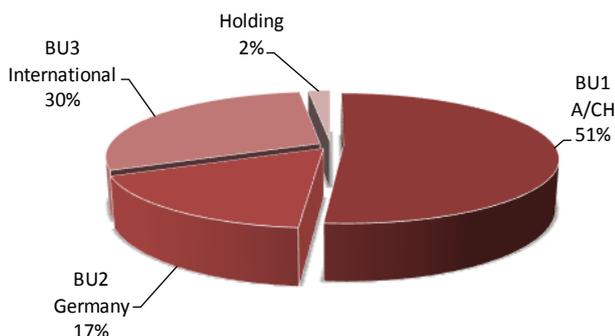
Dr. Dr. Karl Pistotnik (Chairman)	Dr. Susanne Weiss
Dipl.-Ing. Klaus Ortner (Deputy Chairman)	DI Michael Tomitz
Dr. Thomas Winischhofer, LL.M., MBA	Gottfried Hatzenbichler
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Dr. Walter Knirsch	Michael Kaincz
DI Iris Ortner, MBA	
Hon.-Prof. Dr. Bernhard 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: 2-3% 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 to PORR 2025 strategy program and the transformation. Some of these effects will now already become visible in 2021. Furthermore, the order book increased to an all-time high of almost Euro 7.1bn at year-end 2020, despite the adjustments for the projects A1 Leverkuasen Bridge and H51 Pfons - Brenner, and even further climbed to almost Euro 7.8bn at 9M 2021.

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 for 2020 will be paid as the results turned deep red. A return to the targeted payout ratio of 30% to 50% is expected for the current year, however.

Production output Euro 5.2bn at FY 2020
 (by business segments)



Source: Company Data, SRC Research

P & L PORR AG

31/12 IFRS (Euro '000)	2018	2019	2020	2021e	2022e	2023e	CAGR '19 - '23e
Production output	5,592,914	5,569,781	5,037,915	5,466,138	5,651,986	5,815,894	1.1%
Revenues	4,959,109	4,880,414	4,651,842	5,040,736	5,167,258	5,296,440	2.1%
Own work capitalized in non-current assets	5,186	4,105	3,787	3,256	2,034	2,441	
Share of profit/loss of associates	86,551	87,448	34,036	65,896	64,774	72,589	
Other operating income	183,923	178,733	133,606	153,244	162,473	144,876	
Cost of materials and other related production services	-3,462,635	-3,286,674	-3,117,518	-3,325,476	-3,408,613	-3,475,763	1.4%
Staff expense	-1,178,798	-1,243,180	-1,210,093	-1,283,553	-1,284,441	-1,301,371	1.2%
Other operating expenses	-373,869	-398,530	-364,222	-395,774	-432,142	-436,221	
Operating result (EBITDA)	219,467	222,316	131,438	258,329	271,344	302,991	8.0%
Depreciation, amortisation and impairment expense	-127,143	-167,594	-168,647	-169,447	-171,485	-179,652	1.8%
Operating result (EBIT)	92,324	54,722	-37,209	88,882	99,859	123,339	22.5%
Income from financial investments and other current financial assets	18,466	15,396	12,771	11,056	19,127	11,056	
Finance costs	-22,659	-32,709	-26,610	-28,685	-29,887	-31,225	
Earnings before tax (EBT)	88,131	37,409	-51,048	71,253	89,099	103,170	28.9%
EBT margin (in relation to production output)	1.6%	0.7%	-1.0%	1.3%	1.6%	1.8%	
Income tax expense	-21,936	-9,576	8,681	-17,813	-19,743	-25,793	
Profit/loss for the period	66,195	27,833	-42,367	53,440	69,356	77,378	29.1%
of which attributable to non-controlling interest	805	2,292	5,281	1,583	533	1,583	
Profit/loss for the period attributable to shareholders of the parent and holders of profit-participation rights	65,390	25,541	-47,648	51,857	68,823	75,795	31.3%
of which attributable to holders of profit-participation rights	2,664	11,227	18,154	14,214	16,247	15,682	
Net profit after minorities	62,726	14,314	-65,802	37,643	52,576	60,113	
Diluted/basic earnings per share (EPS)	2.16	0.50	-2.28	1.23	1.35	1.54	
Dividends per share (DPS)	1.10	0.00	0.00	0.40	0.60	0.80	
Number of shares ('000)	29,095	29,095	29,095	30,792	39,278	39,278	
Adjusted Shareholders' Equity without minorities	571,646	587,081	635,985	765,827	806,086	842,632	9.5%
Shareholders' Equity (including minorities and hybrid)	618,234	599,038	650,549	802,074	832,073	863,079	
RoE after Tax	11.2%	2.5%	-10.8%	5.4%	6.7%	7.3%	
Total assets (Euro million)	3,114.7	3,664.9	3,509,463.0	3,950,332.0	4,029,338.6	4,122,013.4	
Equity ratio	19.8%	16.4%	18.5%	20.3%	20.7%	20.9%	
Key ratios & figures	2018	2019	2020	2021e	2022e	2023e	
Growth rates in %							
Revenues	15.5%	-1.6%	-4.7%	8.4%	2.5%	2.5%	
EBITDA	9.4%	1.3%	-40.9%	96.5%	5.0%	11.7%	
EBIT	2.3%	-40.7%	-168.0%	-338.9%	12.3%	23.5%	
EBT	3.3%	-57.6%	-236.5%	-239.6%	25.0%	15.8%	
Net profit after minorities	3.9%	-58.0%	-252.2%	-226.1%	29.8%	11.6%	
Margins in % (based on production output)							
EBITDA margin	3.9%	4.0%	2.6%	4.7%	4.8%	5.2%	
EBIT margin	1.7%	1.0%	-0.7%	1.6%	1.8%	2.1%	
EBT margin	1.6%	0.7%	-1.0%	1.3%	1.6%	1.8%	
Net profit margin	1.2%	0.5%	-0.8%	1.0%	1.2%	1.3%	
Expense ratios in %							
Personnel costs to sales	23.8%	25.5%	26.0%	25.5%	24.9%	24.6%	
Cost of material to sales	69.8%	67.3%	67.0%	66.0%	66.0%	65.6%	
Depreciation to sales	2.6%	3.4%	3.6%	3.4%	3.3%	3.4%	
Tax rate	-24.9%	-25.6%	-17.0%	-25.0%	-22.2%	-25.0%	
Profitability in %							
Gross profit margin	30.2%	32.7%	33.0%	34.0%	34.0%	34.4%	
Return on adjusted shareholders equity (ROE)	11.0%	2.4%	-10.3%	4.9%	6.5%	7.1%	
Return on investment (ROI)	3.3%	1.9%	0.0%	0.0%	0.0%	0.0%	
Balance sheet key figures							
Net debt (-)/ net cash (+)	-150,184	-345,689	-136,691	-116,187	-98,759	-83,945	
Book value	21.2	20.6	22.4	26.0	21.2	22.0	
Equity ratio	19.8%	16.4%	18.5%	20.3%	20.7%	20.9%	
Data per share							
Number of shares in ('000)	29,095	29,095	29,095	30,792	39,278	39,278	
Earnings per share (EPS)	2.16	0.50	-2.28	1.23	1.35	1.54	
Dividend per share (DPS)	1.10	0.00	0.00	0.40	0.60	0.80	

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	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 €
PORR	28 May 2020	Buy	14.50 €	19.00 €
PORR	29 April 2020	Buy	14.50 €	19.00 €
PORR	10 March 2020	Buy	13.84 €	20.00 €

Please note:

The PORR share price mentioned in this report is from 26 November 2021. PORR AG mandated SRC Research for covering the PORR share.

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