

### Euro 62m anti-trust settlement significantly higher than expected, but the full year guidance was confirmed – consideration of capital hike announced – Buy rating and Euro 19.00 target price affirmed

Last week, on 30 September, the company announced that a settlement with the Federal Competition Authority was reached regarding the cartel proceedings. Both parties agreed on a fine in the amount of Euro 62.35m. This amount is significantly higher than we expected, as we estimated the fine to be in a range between Euro 30m to Euro 40m. The final decision regarding the amount of the fine is yet to be made by the Cartel Court, however, is now capped at the agreed upon amount. The firm has already built provisions in the past to account for some part of the fine. We expect these to be in at about Euro 30m according to our calculations. With the settlement, the company now managed to take out some level of uncertainty also regarding the FY 2021 results, which were guided for an output in a range between Euro 5.3bn to Euro 5.5bn at an EBT margin between 1.3% to 1.5%, conditional to the outcome of the settlement. Now that the maximum amount of the fine is set, PORR mentioned a negative impact of the fine on the 2021 EBT margin of 0.5% under consideration of the provisions, however, due to the good business development, is still able to confirm its guidance for FY 2021.

On the same day, the firm reported on the consideration of a cash capital increase by issuing new shares with subscription rights. The purpose of the capital hike is to strengthen the balance sheet. So far, no further details regarding the timing or size of the capital hike has been given. However, the company currently has an authorized capital for almost 10.2m new shares, representing about 35% of the current shares outstanding. The syndicate as core shareholders have already signaled to participate in the transaction in a substantial amount. We expect more details to follow in the coming weeks. Furthermore, it is also being considered to issue a new hybrid bond in order to refinance the outstanding Euro 99m of the 2017 hybrid bond, which will be repayable for the first time in February 2022.

While the settlement amount of more than Euro 62m is significantly above our estimate and should have a negative impact of about Euro 27m on the 2021 earnings in addition to the already built provisions, the firm has reaffirmed the full year guidance as the business has developed positively. As our estimates were already somewhat more cautious overall and at the bottom end of the firm's guidance, we all in all stick to our estimates and continue to expect an EBT of about Euro 69m at a margin of 1.3%. While the conditions of the capital hike are yet to be determined, the transactions will overall benefit the balance sheet and give the company further fire power and leeway for further growth. We confirm our Euro 19.00 target price and stick to our Buy recommendation at a current upside of about 20%.

<b>Price (Euro)</b>	<b>15.86</b>			
52 weeks range	17.50 / 10.70			
<b>Key Data</b>				
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)	461.4			
Free Float Market Cap (million)	213.6			
CAGR pre-tax profit ('19 - '23e)	28.1%			
<b>Multiples</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
MarketCap/ Revenues	0.10	0.09	0.09	0.09
PE-Ratio	-7.0	12.8	9.2	7.9
Dividend Yield	0.0%	2.5%	3.8%	5.0%
Price-to-Book ratio	0.7	0.7	0.6	0.6
<b>Key Data per Share (Euro)</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
Earnings per Share (EPS)	-2.28	1.24	1.72	2.02
Dividends per Share (DPS)	0.00	0.40	0.60	0.80
Book Value per share	22.36	23.28	24.75	26.25
<b>Financial Data (Euro '000)</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
Revenues	4,651,842	4,954,212	5,078,067	5,205,019
EBITDA	131,438	255,693	268,502	300,444
Operating Profit (EBIT)	-37,209	86,246	97,017	120,792
Pre-tax profit (EBT)	-51,048	68,617	86,257	100,623
Pre-tax margin	-1.0%	1.3%	1.6%	1.8%
Net profit (after minorities)	-65,802	35,666	49,734	58,202
Adjusted Shareholders' Equity	635,985	641,651	679,747	720,492
RoE after tax (adjusted)	-10.3%	5.6%	7.3%	8.1%
Equity Ratio	18.5%	19.1%	19.9%	20.6%
<b>Financial Calendar</b>				
9M 2021	29 November 2021			
<b>Main Shareholders</b>				
Syndicate (Strauss-group / IGO-Ortner-group)	53.7%			
<b>Analysts</b>	<b>Dipl.-Kfm. Stefan Scharff, CREA</b>			
	<b>Christopher Mehl, MBA, CFA</b>			
E-Mail	scharff@src-research.de			
	mehl@src-research.de			
Internet	www.src-research.de			
	www.aktienmarkt-international.de			
	www.aktienmarkt-international.at			



### PORR AG

**Industry:** Construction / Infrastructure  
**Sub-segment:** all kinds of real estate  
**Country:** Austria  
**Headquarter:** Vienna  
**Foundation:** 1869  
**Employees:** 19,808

**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/CFO)  
 Bmst. Ing. Josef Pein (COO)  
 Dipl.-Ing. Jürgen Raschendorfer (COO)

**Supervisory Board of PORR**

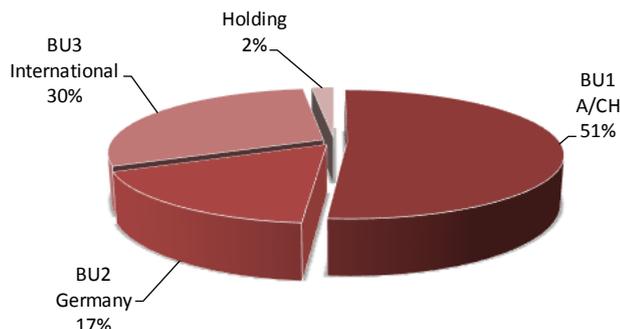
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Founded in 1869 as Allgemeine österreichische Baugesellschaft PORR AG is today a full service provider for construction and infrastructure projects with a leading market position in Austria and also a good footprint as one of the leading firms in other 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: 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 Leverkusen Bridge and H51 Pfons - Brenner, and even further climbed to almost Euro 8bn at 1H 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
<b>Production output</b>	<b>5,592,914</b>	<b>5,569,781</b>	<b>5,037,915</b>	<b>5,365,379</b>	<b>5,547,802</b>	<b>5,708,689</b>	<b>0.6%</b>
<b>Revenues</b>	4,959,109	4,880,414	4,651,842	4,954,212	5,078,067	5,205,019	1.6%
Own work capitalized in non-current assets	5,186	4,105	3,787	1,052	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	155,471	162,473	144,876	
Cost of materials and other related production services	-3,462,635	-3,286,674	-3,117,518	-3,250,013	-3,331,263	-3,396,889	0.8%
Staff expense	-1,178,798	-1,243,180	-1,210,093	-1,225,147	-1,275,441	-1,291,371	1.0%
Other operating expenses	-373,869	-398,530	-364,222	-445,778	-432,142	-436,221	
<b>Operating result (EBITDA)</b>	<b>219,467</b>	<b>222,316</b>	<b>131,438</b>	<b>255,693</b>	<b>268,502</b>	<b>300,444</b>	<b>7.8%</b>
Depreciation, amortisation and impairment expense	-127,143	-167,594	-168,647	-169,447	-171,485	-179,652	1.8%
<b>Operating result (EBIT)</b>	<b>92,324</b>	<b>54,722</b>	<b>-37,209</b>	<b>86,246</b>	<b>97,017</b>	<b>120,792</b>	<b>21.9%</b>
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	
<b>Earnings before tax (EBT)</b>	<b>88,131</b>	<b>37,409</b>	<b>-51,048</b>	<b>68,617</b>	<b>86,257</b>	<b>100,623</b>	<b>28.1%</b>
<b>EBT margin</b> (in relation to production output)	<b>1.6%</b>	<b>0.7%</b>	<b>-1.0%</b>	<b>1.3%</b>	<b>1.6%</b>	<b>1.8%</b>	
Income tax expense	-21,936	-9,576	8,681	-17,154	-19,743	-25,156	
<b>Profit/loss for the period</b>	<b>66,195</b>	<b>27,833</b>	<b>-42,367</b>	<b>51,463</b>	<b>66,514</b>	<b>75,467</b>	<b>28.3%</b>
of which attributable to non-controlling interest	805	2,292	5,281	1,583	533	1,583	
<b>Profit/loss for the period attributable to shareholders of the parent and holders of profit-participation rights</b>	<b>65,390</b>	<b>25,541</b>	<b>-47,648</b>	<b>49,880</b>	<b>65,981</b>	<b>73,884</b>	<b>30.4%</b>
of which attributable to holders of profit-participation rights	2,664	11,227	18,154	14,214	16,247	15,682	
<b>Net profit after minorities</b>	<b>62,726</b>	<b>14,314</b>	<b>-65,802</b>	<b>35,666</b>	<b>49,734</b>	<b>58,202</b>	
Diluted/basic earnings per share (EPS)	2.16	0.50	-2.28	1.24	1.72	2.02	
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	29,095	29,095	29,095	
<b>Adjusted Shareholders' Equity</b> without minorities	<b>571,646</b>	<b>587,081</b>	<b>635,985</b>	<b>641,651</b>	<b>679,747</b>	<b>720,492</b>	<b>5.3%</b>
<b>Shareholders' Equity</b> (including minorities and hybrid)	<b>618,234</b>	<b>599,038</b>	<b>650,549</b>	<b>677,367</b>	<b>720,105</b>	<b>763,680</b>	
RoE after Tax	11.2%	2.5%	-10.8%	5.6%	7.5%	8.3%	
Total assets (Euro million)	3,114.7	3,664.9	3,509,463.0	3,544,557.6	3,615,448.8	3,698,604.1	
Equity ratio	19.8%	16.4%	18.5%	19.1%	19.9%	20.6%	
<b>Key ratios &amp; figures</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>	
<b>Growth rates in %</b>							
Revenues	15.5%	-1.6%	-4.7%	6.5%	2.5%	2.5%	
EBITDA	9.4%	1.3%	-40.9%	94.5%	5.0%	11.9%	
EBIT	2.3%	-40.7%	-168.0%	-331.8%	12.5%	24.5%	
EBT	3.3%	-57.6%	-236.5%	-234.4%	25.7%	16.7%	
Net profit after minorities	3.9%	-58.0%	-252.2%	-221.5%	29.2%	13.5%	
<b>Margins in % (based on production output)</b>							
EBITDA margin	3.9%	4.0%	2.6%	4.8%	4.8%	5.3%	
EBIT margin	1.7%	1.0%	-0.7%	1.6%	1.7%	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%	
<b>Expense ratios in %</b>							
Personnel costs to sales	23.8%	25.5%	26.0%	24.7%	25.1%	24.8%	
Cost of material to sales	69.8%	67.3%	67.0%	65.6%	65.6%	65.3%	
Depreciation to sales	2.6%	3.4%	3.6%	3.4%	3.4%	3.5%	
Tax rate	-24.9%	-25.6%	-17.0%	-25.0%	-22.9%	-25.0%	
<b>Profitability in %</b>							
Gross profit margin	30.2%	32.7%	33.0%	34.4%	34.4%	34.7%	
Return on adjusted shareholders equity (ROE)	11.0%	2.4%	-10.3%	5.6%	7.3%	8.1%	
Return on investment (ROI)	3.3%	1.9%	0.0%	0.0%	0.0%	0.0%	
<b>Balance sheet key figures</b>							
Net debt (-)/ net cash (+)	-150,184	-345,689	-136,691	-116,187	-98,759	-83,945	
Book value	21.2	20.6	22.4	23.3	24.8	26.2	
Equity ratio	19.8%	16.4%	18.5%	19.1%	19.9%	20.6%	
<b>Data per share</b>							
Number of shares in ('000)	29,095	29,095	29,095	29,095	29,095	29,095	
Earnings per share (EPS)	2.16	0.50	-2.28	1.24	1.72	2.02	
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 -

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	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 €
PORR	25 November 2019	Buy	18.70 €	25.00 €
PORR	29 August 2019	Buy	19.10 €	33.00 €

#### Please note:

The PORR share price mentioned in this report is from 5 October 2021. PORR AG mandated SRC Research for covering the PORR share.

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