

21 | November | 2024

Strong 9M results: Output +4.6%, EBIT +18%, rising profitability, stable equity ratio despite repayment of some hybrid capital, bottom line jumps 23% to Euro 61m – we lift our target price to 24 Euros

Today PORR released the 9M 2024 report. We liked the set of results, as the group's output was up almost 5%, from Euro 4.8bn to now more than Euro 5.0bn. **The group's EBITDA and EBIT climbed even more and underlined the growing profitability. Cash driven EBITDA was up 9%, from Euro 229m to Euro 250m. The EBIT was flattered by just very slightly rising material costs and other production related services and even jumped 18%, from Euro 78m to Euro 92m. The EBIT margin in relation to group's revenues improved from 1.8% to 2.0%. At the end, the bottom line of net profit was up +22.5%, from Euro 50m to Euro 61m.** As PORR was very focused on working off the existing huge mountain of lucrative orders, the order backlog came a bit down from Euro 8.7bn a year ago to now Euro 8.2bn. Accordingly, the order intake also came down 10%, from Euro 5.3bn to Euro 4.8bn. Keep in mind that last year's number was flattered by the order intake of the very huge Brenner Base Tunnel Lot 53 project. Without this very huge project the current order intake would be almost on the same level like last year. **With a closer look to the single regional units, we attest a decent +5.3% upswing in the Austrian / Swiss market, from Euro 2.5bn to more than Euro 2.6bn. The market in Poland even delivered a +54% jump in order intake, from Euro 563m to Euro 869m. The highlights of order intakes were a data centre near Frankfurt building up tremendous expertise in this new megatrend and also a medical plant in Germany for pharm giant Eli Lilly at Alzey, 30 km south of Mainz. Another highlight is a thermal waste-to-energy plant in Gorlice, Poland, also a future megatrend in our view.** The equity ratio is very stable at 19.5%, despite the Euro 40m hybrid capital repayment earlier the year. The firm strives to further bring down the hybrid share in the equity position, what helps for a better balance sheet structure and lower financing expenses. We feel sure that in February 2025 the remaining Euro 46.5m of the 2020 hybrid bond and in November 2026 the remaining Euro 18.6m from the November 2021 hybrid bond will be paid back. With these two repayments the share of hybrids in the equity position should fall back to only about 15%. The net debt position is at Euro 336m, not too high and within our expectations (9M 2023: Euro 237m). Keep in mind that Euro 79m were spent for M&A deals like Pannonia and Wagershauser Group and Euro 40m for the hybrid repayment. Without these one-offs the net debt would be slightly below the previous year with an almost 5% hike in the production output. **The 9M numbers speak a clear language of growth and rising profitability. The infrastructure demand remains high and the resi construction will probably bounce back soon. The balance sheet structure improved and will further improve. The debt maturity profile is undemanding for the next 4 years. The recent decision for a share buyback of up to 786k shares will give an edge to the already sound equity story. Buy affirmed, target up to 24 Euros.**

Price (Euro)	15,42			
52 weeks range	15.46 / 11.68			
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)	605,7			
Free Float Market Cap (million)	280,4			
CAGR pre-tax profit ('23 - '26e)	11,5%			
Multiples	2023	2024e	2025e	2026e
MarketCap/ Revenues	0,10	0,10	0,09	0,09
PE-Ratio	7,0	5,5	4,2	4,1
Dividend Yield	4,9%	6,5%	8,4%	9,7%
Price-to-Book ratio	0,7	0,6	0,6	0,5
Key Data per Share (Euro)	2023	2024e	2025e	2026e
Earnings per Share (EPS)	2,21	2,79	3,64	3,80
Dividends per Share (DPS)	0,75	1,00	1,30	1,50
Book Value per share	21,90	23,80	26,42	28,91
Financial Data (Euro '000)	2023	2024e	2025e	2026e
Revenues	6.048.546	6.290.488	6.542.107	6.738.371
EBITDA	344.258	369.534	418.038	431.932
Operating Profit (EBIT)	140.271	161.305	206.056	216.200
Pre-tax profit (EBT)	130.698	151.666	194.100	201.775
Pre-tax margin	2,0%	2,2%	2,8%	2,9%
Net profit (after minorities)	85.013	109.147	142.076	148.394
Adjusted Shareholders' Equity	834.956	914.645	1.017.443	1.114.775
RoE after tax (adjusted)	10,2%	11,9%	14,0%	13,3%
Equity Ratio	20,8%	22,2%	24,1%	25,7%
Financial Calendar				
2024 annual report		27 March 2025		
AGM		29 April 2025		
1Q 2025 report		22 May 2025		
2Q 2025 report		21 August 2025		
Main Shareholders				
Syndicate (Strauss-group / IGO-Ortner-group)			50,4%	
Analyst	Dipl.-Kfm. Stefan Scharff, CREA			
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PORR AG

Industry: Construction / Infrastructure
Sub-segment: all kinds of real estate
Country: Austria
Headquarter: Vienna
Foundation: 1869
Employees: 20,665

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Management Board of PORR
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 WP/StB Mag. Klemens Eiter (CFO)
 Dipl.-Ing. Claude-Patrick Jeutter (COO)
 Dipl.-Ing. Jürgen Raschendorfer (COO)

Supervisory Board of PORR

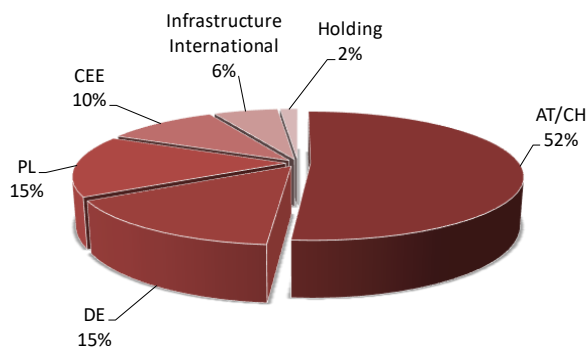
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Founded in 1869 as Allgemeine österreichische Baugesellschaft PORR AG is today a full service provider for construction and infrastructure projects with a leading market position in Austria and also a good footprint as one of the leading firms in other 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 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. Since then, the firma managed to progress on the outlined strategy, which has also become more and more visible in the numbers. The numbers of the most recently ended FY2023 showed a record level production output of almost Euro 6.6bn and an EBT of about Euro 130m, representing an EBT-margin of 2.0%.

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. Dividend distributions were resumed starting for FY2021 and have been increased steadily since. The management has decided to propose a dividend of 75 cents per share at the upcoming AGM for the FY2023. For 2024 we expect another hike in earnings and dividend payment.

Production output Euro 6.58bn at FY 2023
 (by business segments)



Source: Company Data, SRC Research

P & L PORR AG

31/12 IFRS (Euro '000)	2020	2021	2022	2023	2024e	2025e	2026e	CAGR '23 - '26e
Production output	5.037.915	5.727.323	6.226.409	6.577.174	6.741.603	6.842.727	6.911.155	1,2%
Revenues	4.651.842	5.169.831	5.786.011	6.048.546	6.290.488	6.542.107	6.738.371	2,7%
Own work capitalized in non-current assets	3.787	2.875	1.567	5.292	2.848	3.255	3.582	
Share of profit/loss of associates	34.036	62.124	56.466	98.576	74.224	76.588	79.920	
Other operating income	133.606	178.090	189.124	181.928	195.136	182.993	180.810	
Cost of materials and other related production services	-3.117.518	-3.446.627	-3.976.756	-4.142.102	-4.277.532	-4.409.380	-4.534.923	2,3%
Staff expense	-1.210.093	-1.275.817	-1.349.993	-1.453.726	-1.497.338	-1.542.258	-1.607.033	2,5%
Other operating expenses	-364.222	-402.934	-387.520	-394.256	-418.292	-435.267	-428.794	
Operating result (EBITDA)	131.438	287.542	318.899	344.258	369.534	418.038	431.932	5,8%
Depreciation, amortisation and impairment expense	-168.647	-192.323	-198.792	-203.987	-208.229	-211.982	-215.732	1,4%
Operating result (EBIT)	-37.209	95.219	120.107	140.271	161.305	206.056	216.200	11,4%
EBIT Margin (in relation to revenues)	-0,8%	1,8%	2,1%	2,3%	2,6%	3,1%	3,2%	
Income from financial investments and other current financial assets	12.771	12.284	14.150	26.665	28.654	27.776	26.182	
Finance costs	-26.610	-22.142	-24.223	-36.238	-38.293	-39.732	-40.607	
Earnings before tax (EBT)	-51.048	85.361	110.034	130.698	151.666	194.100	201.775	11,5%
EBT margin (in relation to production output)	-1,0%	1,5%	1,8%	2,0%	2,2%	2,8%	2,9%	
Income tax expense	8.681	-23.953	-27.399	-35.680	-34.883	-44.643	-46.408	
Profit/loss for the period	-42.367	61.408	82.635	95.018	116.783	149.457	155.367	13,1%
of which attributable to non-controlling interest	5.281	7.688	4.009	-4.207	2.302	2.615	3.544	
Profit/loss for the period attributable to shareholders of the parent and holders of profit-participation rights	-47.648	53.720	78.626	99.225	114.481	146.842	151.823	11,2%
of which attributable to holders of profit-participation rights	18.154	17.786	14.213	14.212	5.334	4.766	3.429	
Net profit after minorities	-65.802	35.934	64.413	85.013	109.147	142.076	148.394	
Diluted/basic earnings per share (EPS)	-2,28	1,18	1,65	2,21	2,79	3,64	3,80	
Dividends per share (DPS)	0,00	0,50	0,60	0,75	1,00	1,30	1,50	
Number of shares ('000)	29.095	30.792	39.278	39.278	39.278	39.278	39.278	
Adjusted Shareholders' Equity without minorities	635.985	790.541	764.605	834.956	914.645	1.017.443	1.114.775	7,5%
Shareholders' Equity (including minorities and hybrid)	650.549	824.410	798.925	860.245	934.959	1.037.890	1.135.652	
RoE after Tax	-10,8%	5,0%	8,3%	10,6%	12,5%	14,7%	13,9%	
Total assets (Euro million)	3.509.463,0	4.065.002,0	4.146.795,0	4.135.696,0	4.218.409,9	4.315.433,3	4.423.319,2	
Equity ratio	18,5%	20,3%	19,3%	20,8%	22,2%	24,1%	25,7%	
Key ratios & figures	2020	2021	2022	2023	2024e	2025e	2026e	
Growth rates in %								
Revenues	-4,7%	11,1%	11,9%	4,5%	4,0%	4,0%	3,0%	
EBITDA	-40,9%	118,8%	10,9%	8,0%	7,3%	13,1%	3,3%	
EBIT	-168,0%	-355,9%	26,1%	16,8%	15,0%	27,7%	4,9%	
EBT	-236,5%	-267,2%	28,9%	18,8%	16,0%	28,0%	4,0%	
Net profit after minorities	-252,2%	-244,9%	34,6%	15,0%	22,9%	28,0%	4,0%	
Margins in % (based on production output)								
EBITDA margin	2,6%	5,0%	5,1%	5,2%	5,5%	6,1%	6,2%	
EBIT margin	-0,7%	1,7%	1,9%	2,1%	2,4%	3,0%	3,1%	
EBT margin	-1,0%	1,5%	1,8%	2,0%	2,2%	2,8%	2,9%	
Net profit margin	-0,8%	1,1%	1,3%	1,4%	1,7%	2,2%	2,2%	
Expense ratios in %								
Personnel costs to sales	26,0%	24,7%	23,3%	24,0%	23,8%	23,6%	23,8%	
Cost of material to sales	67,0%	66,7%	68,7%	68,5%	68,0%	67,4%	67,3%	
Depreciation to sales	3,6%	3,7%	3,4%	3,4%	3,3%	3,2%	3,2%	
Tax rate	-17,0%	-28,1%	-24,9%	-27,3%	-23,0%	-23,0%	-23,0%	
Profitability in %								
Gross profit margin	33,0%	33,3%	31,3%	31,5%	32,0%	32,6%	32,7%	
Return on adjusted shareholders equity (ROE)	-10,3%	4,5%	8,4%	10,2%	11,9%	14,0%	13,3%	
Return on investment (ROI)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	
Balance sheet key figures								
Net debt (-)/ net cash (+)	-136.691	65.322	58.950	40.051	34.043	28.937	24.596	
Book value	22,4	26,8	20,3	21,9	23,8	26,4	28,9	
Equity ratio	18,5%	20,3%	19,3%	20,8%	22,2%	24,1%	25,7%	
Data per share								
Number of shares in ('000)	29.095	30.792	39.278	39.278	39.278	39.278	39.278	
Earnings per share (EPS)	-2,28	1,18	1,65	2,21	2,79	3,64	3,80	
Dividend per share (DPS)	0,00	0,50	0,60	0,75	1,00	1,30	1,50	

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	22 August 2024	Buy	13,56 €	22,00 €
PORR	23 May 2024	Buy	14,20 €	21,00 €
PORR	22 March 2024	Buy	13,44 €	20,50 €
PORR	23 November 2023	Buy	12,40 €	20,50 €
PORR	29 August 2023	Buy	11,50 €	20,50 €
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 €

Please note:

The PORR share price mentioned in this report is from 20 November 2024. PORR AG mandated SRC Research for covering the PORR share.

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