

PORR

Buy (unchanged) Target: Euro 22.00 (old: Euro 21.00)



Der Spezialist für Finanzaktien

22 | August | 2024

Price (Euro) **13,56**
52 weeks range 14.70 / 10.96

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)	532,6
Free Float Market Cap (million)	246,6
CAGR pre-tax profit ('23 - '26e)	11,5%

Multiples	2023	2024e	2025e	2026e
MarketCap/ Revenues	0,09	0,08	0,08	0,08
PE-Ratio	6,1	4,9	3,7	3,6
Dividend Yield	5,5%	7,4%	9,6%	11,1%
Price-to-Book ratio	0,6	0,6	0,5	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

9M 2024 report	21 November 2024
2024 annual report	March 2025

Main Shareholders

Syndicate (Strauss-group / IGO-Ortner-group)	50,4%
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A good set of 1H numbers: Output +3.3%, EBIT +24%, order intake in Germany and Poland rockets more than 40%, progress in reducing receivables and improving working capital, progress in digitalization

Today PORR released the 1H 2024 report and invited for a conference call in the afternoon. We liked the set of numbers, as the group's output was up +3.3%, from Euro 3.02bn to Euro 3.12bn. The group's EBIT climbed even much more and underlined the company being on the right path of significantly growing the profitability along the output. Group's EBIT was up almost +24%, from Euro 34m to now more than Euro 42m. The order intake of the group remained on a quite high level despite the sluggish situation in the residential real estate sector. Order intake in Germany and Poland even both rocketed by +42% in Germany and +41% in Poland, in particular in areas of civil engineering and infrastructure. That leads to a high level of order backlog of almost Euro 8.6bn, the third highest in PORR's history.

On the M & A side PORR managed to do minor but very valuable acquisitions in Austria by taking over Pannonia near Vienna with 11m tons of gravel resources and Waggerhauser Group in Kirchheim unter Teck in south Germany as a specialist in road construction with an asphalt mixing plant and a building materials recycling plant.

With regards to expenses, PORR managed to bring down cost of materials despite the hike in output, by 0.5% to Euro 585m. The expenses for other purchased services even declined 2.8% to Euro 1.34bn. We expect the operating margin also to strongly profit from a progress in the firm's overall digitalization, as the roll-out for the group-wide digital construction folder started in the first half of the year and will be completed until 1Q 2025.

The good operating performance and strong resilience in a still challenging economic framework with little or no growth also trickled down to the balance sheet. After 18.5% equity ratio in 1H 2023, it increased now to 19.4%, despite the Euro 40m early redemption of profit participation rights. The hybrid share in PORR's equity which was at 30% or slightly above in the last years, but came down now to only 25%. The company is geared to further improve the working capital management and bring down the receivables to reduce the total balance sheet sum. In the first half of the year the trade receivables were significantly reduced by almost 7%, from 1.91bn to Euro 1.78bn. Despite the above-mentioned acquisitions PORR still has a comfortable liquidity cushion of around Euro 700m and a very undemanding maturity profile with no relevant maturities until 2028, where there are about Euro 88m in promissory notes maturing.

With a good set of numbers for the first half of the year and an improvement in profitability despite the sluggish overall economic framework, the management once more confirmed the guidance of a moderate growth in output and the mid-term goal of lifting up the EBIT margin to 3.0%. The demand in civil engineering and infrastructure should further accelerate in 2H 2024 and 2025 and the situation in residential construction should gradually brighten up, at latest in 2025. Moreover, the announced acquisitions make sense to improve the firm's superior market position. Thus, we maintain our Buy recommendation for PORR and lift our target price from Euro 21.00 to Euro 22.00.

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
 Ing. Karl-Heinz Strauss, MBA, FRICS (CEO)
 WP/StB Mag. Klemens Eiter (CFO)
 Dipl.-Ing. Claude-Patrick Jeutter (COO)
 Dipl.-Ing. Jürgen Raschendorfer (COO)

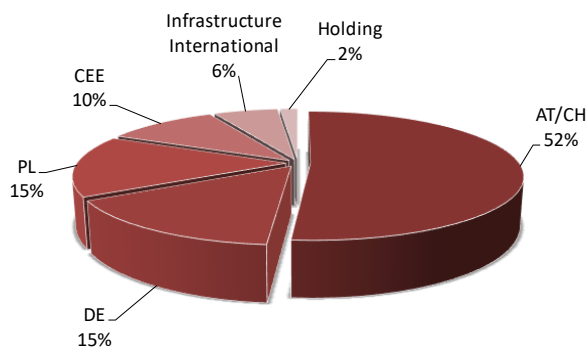
Supervisory Board of PORR
 Dr. Dr. Karl Pistotnik (Chairman)
 Dipl.-Ing. Klaus Ortner (Deputy Chairman)
 Dr. Thomas Winischhofer, LL.M., MBA
 Mag. Robert Grüneis
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 Wolfgang Ringhofer
 Martina Stegner
 Christian Supper

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	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 €
PORR	30 May 2022	Buy	12,34 €	17,50 €
PORR	28 April 2022	Buy	11,76 €	17,50 €

Please note:

The PORR share price mentioned in this report is from 21 August 2024. PORR AG mandated SRC Research for covering the PORR share.

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