

22 | March | 2024

■ **Price (Euro)** **13.44**
52 weeks range 14.84 / 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)	527.9
Free Float Market Cap (million)	244.4
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	4.8	3.7	3.5
Dividend Yield	5.6%	7.4%	9.7%	11.2%
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**

AGM	30 April 2024
1Q 2024 report	23 May 2024
1H 2024 report	22 August 2024

■ **Main Shareholders**

Syndicate (Strauss-group / IGO-Ortner-group)	50.4%
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■ **Analyst**

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FY2023 numbers show strong growth – new margin goal set for FY2025 targeting an EBIT-margin of 3% – Very strong balance sheet and order book provide security for coming years – Buy and Euro 20.50 affirmed

Yesterday, PORR released the annual report for 2023 and invited for a conference call. The reported numbers were good and delivered some strong growth. While the top line of the P&L was slightly below our expectation, the firm managed to deliver earnings above our estimates. Production output for 2023 amounted to Euro 6.77bn, reflecting a hike of almost 6% from last year's number of Euro 6.23bn. This growth was driven by almost all segments. The strongest growth came from the Poland segment with a hike of about 28% and the Germany segment with a hike of almost 17%. Revenues were up 4.5% from Euro 5.79bn to Euro 6.05bn, representing a new record level. Income from equity companies was up almost 75% and amounted to almost Euro 99m. This result was mainly driven by higher income from consortiums. Other income amounted to Euro 182m. On the cost side, the cost of materials and other related production services position increased only by 3.4% from Euro 4.01bn to Euro 4.14bn and thus at a clearly slower rate than revenues. Staff expenses on the other hand rose by almost 8% to more than Euro 1.45bn, driven by an increased number of staff and increased labour costs. Other operating expenses also rose by almost 10% and came in at Euro 394m. Thus, all in all, the firm's operating profit on EBIT-basis hiked by almost 17% from Euro 120m to Euro 140m. **This translates into an EBIT-margin in relation to revenues of 2.3%, which will be the new key metric for PORR instead of the previous EBT-margin measure. Here the newly defined target until FY 2025 is now a 3% EBIT-margin, which is in our opinion a somewhat less demanding target than the previous 3% EBT-margin goal.** The financial result improved from Euro -10.1m to Euro -9.6m. While financial income was up significantly from Euro 14.1m to Euro 22.4m, finance costs were also up from Euro 24.2m to Euro 38.7m. The firm's pre-tax profit thus amounted to almost Euro 131m, up about 19% from last year's number of Euro 110m and on top of our estimate of Euro 129m. This translates into an EBT-margin of 2.0% (FY 2022: 1.8%). Net profit after minorities amounted to Euro 85.0m, up 32% from last year's number of Euro 64.4m. Earnings per share for the period thus amount to Euro 2.21, up about 34% year-over-year, and at a new record level. Following the successful FY 2023 results, the management will propose a dividend of 75 cents per share, up 25% from last year's dividend of 60 cents. While this number is below our estimate of 90 cents and with about 34% at the lower end of the dividend policy payout ratio corridor between 30% and 50%, we can also see the benefit of retaining a higher amount of cash.

The order book of the company remains on a very strong level and thus continues to provide a good level of certainty for the next quarters. The order backlog at year end amounted to Euro 8.45bn while the order intake in 2023 was at a very high level of Euro 6.84bn. Both balances profited from the tunnelling segment, where the firm managed to acquire some major projects, including the largest new order, the Arge H53 Brenner Base tunnel project with a volume of Euro 480m.

Given the progress regarding the balance sheet in 2023 and early 2024, we see the firm in a very solid financial position for the coming years (see next page). In terms of numbers, while not being very specific, the firm gave an indication for the current year. Here the management expects a moderate increase in output and an improvement in earnings. Furthermore, the order book is supposed to remain strong in 2024. Given the changed and less demanding mid-term target, we somewhat adjusted our P&L estimates for the current and next years and now expect the firm to reach an EBIT of Euro 161m instead of Euro 164m in 2024 at an unchanged revenue estimate of about Euro 6.29bn. We confirm our Euro 20.50 target price and clearly stick to our Buy rating.

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)

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 Dipl.-Ing. Klaus Ortner (Deputy Chairman)
 Dr. Thomas Winischhofer, LL.M., MBA
 Mag. Robert Grüneis
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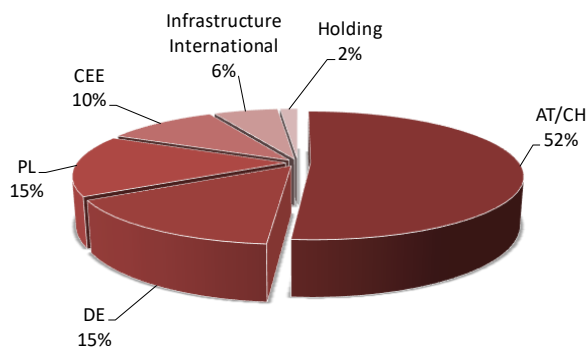
Dr. Susanne Weiss
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 Wolfgang Ringhofer
 Martina Stegner
 Christian Supper

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)

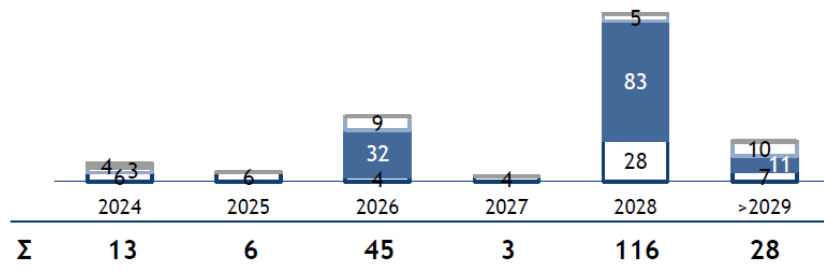


Source: Company Data, SRC Research

Capital management leads to very robust financial position

The firm continued its capital management in the recent months and quarters and managed to significantly improve the financial position, putting the firm in a very strong position for the coming years. With the measures from the last quarters, the firm is now fully financed for the long term according to management. The firm prematurely refinanced its hybrid and profit participation capital. On the debt side the firm refinanced its bonded loans and thus significantly extended its maturity profile. The firm has close to no debt obligations in the coming years until 2028, where about Euro 116m mature. Putting this in relation to the current cash position of Euro 632m as of year-end 2023, this is a highly undemanding repayment schedule.

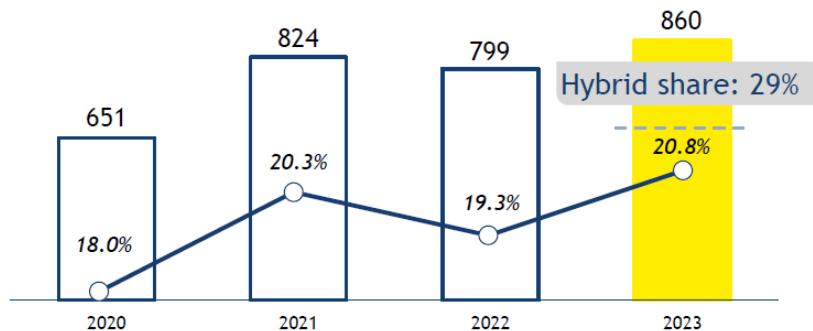
Maturity profile (in EUR m)



Source: Conference Call Presentation FY 2023

At year-end 2023 the firm furthermore for the third consecutive year reported a net cash position, standing at Euro 40m and we expect that trend to continue in the coming years as well. The working capital management has been strong in the past two years and working capital was close to zero in 2022 and 2023.

Equity (in EUR m)



Source: Conference Call Presentation FY 2023

All in all, the firm managed to bring the equity ratio up to 20.8% at year-end 2023 and thus back into the target range between 20% and 25%. The pro-forma equity ratio taking into account the refinancing of the hybrid capital in early 2024 also remains above the 20% mark. The share of hybrid capital within the equity position was at 29% and the plan is to further reduce the share to below 20% by FY 2025.

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 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 €
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 €

Please note:

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

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