

23 | May | 2024

**Price (Euro)** **14,20**  
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)	557,8
Free Float Market Cap (million)	258,2
CAGR pre-tax profit ('23 - '26e)	11,5%

Multiples	2023	2024e	2025e	2026e
MarketCap/ Revenues	0,09	0,09	0,09	0,08
PE-Ratio	6,4	5,1	3,9	3,7
Dividend Yield	5,3%	7,0%	9,2%	10,6%
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

1H 2024 report	22 August 2024
9M 2024 report	21 November 2024

### Main Shareholders

Syndicate (Strauss-group / IGO-Ortner-group)	50,4%
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## A good start into the year with +4% production output, +3% order backlog, the growth in civil engineering and infrastructure construction helps the pre-tax profit to almost double to Euro 8m – TP up to € 21.00

Today PORR released the 1Q 2024 quarterly report. The reported numbers were good as group's production output was up +4.1%, from Euro 1.27bn to Euro 1.32bn, and order backlog and order intake were both up almost 3%, order backlog increased to Euro 8.44bn and order intake was up to Euro 1.31bn. The overall environment in the construction industry is stable, as civil engineering and infrastructure projects prevail a more sluggish demand in building construction, in particular from the lower number of residential projects. Whereas the order intakes for infrastructure rocketed +12% in the first quarter, we might see a gradual recovery in residential construction coming throughout the second half of 2024 and even more in 2025. In the first quarter the infrastructure projects in Romania and Germany were mainly responsible for the remarkable growth in production output. The Germany segment increased the production output from Euro 197m to Euro 212m by more than 8%. The CEE region, which is Romania plus Czech Republic and Slovakia, even delivered a very steep 33% hike, from Euro 110m to Euro 146m.

**Thanks to the higher output level and a reduced cost of materials, the firm could translate the good top-line numbers into a decent Euro 8.0m EBT in the first quarter, almost doubled from last year's 1Q of Euro 4.5m. Cost of materials was reduced 5.5% to Euro 236.4m, while the cost of purchased services also declined 3.3% to Euro 596.2m. That means a full cost savings of more than 34m for the first quarter, which is more than 3 percentage points of the group's revenues. The first quarter is never that much decisive for a construction company as this means the winter months but we judge it as success that even the 1Q bottom line was positive, as net profit after minorities and participation rights and hybrid capital swung from Euro -1.8m to the profit zone, at Euro 1.0m, and earnings per share turned black from Euro -0,05 to Euro 0.03.**

With the above mentioned improvement in profitability, we have to state, that the first quarter was encouraging in terms of group's profitability with stable revenues of Euro 1.28bn (1Q 2023: Euro 1.27bn) and rising EBIT margin from 0.8% to 0.9%. We judge this a very good success, as the general cost indices in Germany and Austria remain on quite high level for the last one or two years. With the good top-line and bottom line results, the equity ratio was quite stable at 19.7%, after 20.8% at year-end 2023. Keep in mind the Euro 40m redemption of profit participation rights (hybrid capital) in February, which underlines the important success in reducing working capital and improving the receivables management, that allowed to take this step to bring down the capital costs.

**After 1Q, on 7 May, PORR announced that PORR and Strabag will acquire parts of VAMED Group via a 50% / 50% joint holding firm, which means the Vienna General Hospital and some Austrian development projects in the health sector and some SPA buildings. This is a very special business but PORR has 20 years experience in construction and operation of hospitals and healthcare facilities and a later roll-out to other countries might be an option, as well as a Spin-Off of this business field. With the good 1Q results in a still challenging economic framework we bring up our TP from Euro 20.50 to Euro 21.00 and reaffirm our Buy recommendation.**

**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)

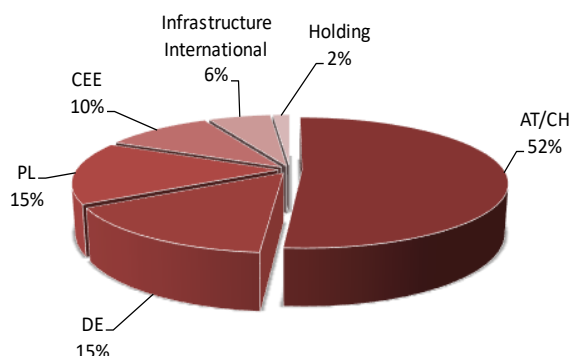
**Supervisory Board of PORR**  
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 Dipl.-Ing. Klaus Ortner Wolfgang Ringhofer  
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 Mag. Robert Grüneis Christian Supper  
 Dr. Walter Knirsch  
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Founded 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
<b>Production output</b>	<b>5,037,915</b>	<b>5,727,323</b>	<b>6,226,409</b>	<b>6,577,174</b>	<b>6,741,603</b>	<b>6,842,727</b>	<b>6,911,155</b>	<b>1.2%</b>
<b>Revenues</b>	<b>4,651,842</b>	<b>5,169,831</b>	<b>5,786,011</b>	<b>6,048,546</b>	<b>6,290,488</b>	<b>6,542,107</b>	<b>6,738,371</b>	<b>2.7%</b>
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	<b>2.3%</b>
Staff expense	-1,210,093	-1,275,817	-1,349,993	-1,453,726	-1,497,338	-1,542,258	-1,607,033	<b>2.5%</b>
Other operating expenses	-364,222	-402,934	-387,520	-394,256	-418,292	-435,267	-428,794	
<b>Operating result (EBITDA)</b>	<b>131,438</b>	<b>287,542</b>	<b>318,899</b>	<b>344,258</b>	<b>369,534</b>	<b>418,038</b>	<b>431,932</b>	<b>5.8%</b>
Depreciation, amortisation and impairment expense	-168,647	-192,323	-198,792	-203,987	-208,229	-211,982	-215,732	<b>1.4%</b>
<b>Operating result (EBIT)</b>	<b>-37,209</b>	<b>95,219</b>	<b>120,107</b>	<b>140,271</b>	<b>161,305</b>	<b>206,056</b>	<b>216,200</b>	<b>11.4%</b>
<b>EBIT Margin</b> (in relation to revenues)	<b>-0.8%</b>	<b>1.8%</b>	<b>2.1%</b>	<b>2.3%</b>	<b>2.6%</b>	<b>3.1%</b>	<b>3.2%</b>	
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	
<b>Earnings before tax (EBT)</b>	<b>-51,048</b>	<b>85,361</b>	<b>110,034</b>	<b>130,698</b>	<b>151,666</b>	<b>194,100</b>	<b>201,775</b>	<b>11.5%</b>
<b>EBT margin</b> (in relation to production output)	<b>-1.0%</b>	<b>1.5%</b>	<b>1.8%</b>	<b>2.0%</b>	<b>2.2%</b>	<b>2.8%</b>	<b>2.9%</b>	
Income tax expense	8,681	-23,953	-27,399	-35,680	-34,883	-44,643	-46,408	
<b>Profit/loss for the period</b>	<b>-42,367</b>	<b>61,408</b>	<b>82,635</b>	<b>95,018</b>	<b>116,783</b>	<b>149,457</b>	<b>155,367</b>	<b>13.1%</b>
of which attributable to non-controlling interest	5,281	7,688	4,009	-4,207	2,302	2,615	3,544	
<b>Profit/loss for the period attributable to shareholders of the parent and holders of profit-participation rights</b>	<b>-47,648</b>	<b>53,720</b>	<b>78,626</b>	<b>99,225</b>	<b>114,481</b>	<b>146,842</b>	<b>151,823</b>	<b>11.2%</b>
of which attributable to holders of profit-participation rights	18,154	17,786	14,213	14,212	5,334	4,766	3,429	
<b>Net profit after minorities</b>	<b>-65,802</b>	<b>35,934</b>	<b>64,413</b>	<b>85,013</b>	<b>109,147</b>	<b>142,076</b>	<b>148,394</b>	
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	
<b>Adjusted Shareholders' Equity</b> without minorities	<b>635,985</b>	<b>790,541</b>	<b>764,605</b>	<b>834,956</b>	<b>914,645</b>	<b>1,017,443</b>	<b>1,114,775</b>	<b>7.5%</b>
<b>Shareholders' Equity</b> (including minorities and hybrid)	<b>650,549</b>	<b>824,410</b>	<b>798,925</b>	<b>860,245</b>	<b>934,959</b>	<b>1,037,890</b>	<b>1,135,652</b>	
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%	
<b>Key ratios &amp; figures</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	
<b>Growth rates in %</b>								
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%	
<b>Margins in % (based on production output)</b>								
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%	
<b>Expense ratios in %</b>								
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%	
<b>Profitability in %</b>								
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%	
<b>Balance sheet key figures</b>								
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%	
<b>Data per share</b>								
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

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Rating Chronicle	Date	Rating	Former Price	Former Target
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 22 May 2024. PORR AG mandated SRC Research for covering the PORR share.

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