

PORR

Buy (unchanged) Target: Euro 17.50 (unchanged)



Der Spezialist für Finanzaktien

31 | August | 2022

Price (Euro) 11,56
52 weeks range 16.51 / 9.75

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)	454,1
Free Float Market Cap (million)	210,2
CAGR pre-tax profit ('19 - '23e)	14,9%

Multiples	2021	2022e	2023e	2024e
MarketCap/ Revenues	0,09	0,09	0,08	0,08
PE-Ratio	9,8	6,5	5,3	4,7
Dividend Yield	4,3%	5,6%	6,9%	9,5%
Price-to-Book ratio	0,4	0,5	0,5	0,5

Key Data per Share (Euro)	2021	2022e	2023e	2024e
Earnings per Share (EPS)	1,18	1,77	2,19	2,48
Dividends per Share (DPS)	0,50	0,65	0,80	1,10
Book Value per share	26,77	22,16	23,54	25,21

Financial Data (Euro '000)	2021	2022e	2023e	2024e
Revenues	5.169.831	5.231.869	5.362.666	5.497.269
EBITDA	287.542	303.417	346.161	373.679
Operating Profit (EBIT)	95.219	109.830	147.498	172.325
Pre-tax profit (EBT)	85.361	105.736	133.440	148.950
Pre-tax margin	1,5%	1,8%	2,2%	2,4%
Net profit (after minorities)	35.934	69.213	85.484	96.941
Adjusted Shareholders' Equity	790.541	844.358	904.312	969.831
RoE after tax (adjusted)	4,5%	8,2%	9,5%	10,0%
Equity Ratio	20,3%	21,0%	21,8%	22,9%

Financial Calendar

SRC Forum Financials & Real Estate	13 September 2022
9M 2022 report	28 November 2022
2022 annual report	April 2023

Main Shareholders

Syndicate (Strauss-group / IGO-Ortner-group)	50,4%
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Analysts

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1H production output +11%, order backlog at Euro 8bn top level, pre-tax profit doubled to Euro 22m, net debt reduced, full year guidance is to beat 2021 level, still Buy and target still Euro 17.50

Yesterday, the company released the report for the first half of 2022 and delivered strong numbers in terms of production output and operating profit as well as bottom line. With expanding the leading position in home markets and extending the value chain, the group's total output steeply increased by 11% from Euro 2.5bn to almost Euro 2.8bn. While all segments contributed to that growth, the main drivers were the segments AT/CH and CEE. While AT/ CH production output was up 14% to Euro 1.5bn, the CEE market even jumped 28% to Euro 249m. The international Infrastructure unit with tunnelling, railway construction and specialist civil engineering was also strong, +9% to Euro 261m. With regards to Germany, the hike in production output was a smaller 5% to Euro 400m but the firm improved its risk profile as some old contracts are coming to an end. That helped to improve the German EBT from Euro -9.9m to Euro -6.3m in a first step. In our opinion, the full year German EBT should rebound back into the profit zone. **With regards to group's EBT, PORR delivered a very positive picture already in the 1H report, as it doubled from Euro 11.5m to Euro 22.1m, fueled by very high growth rates in AT/CH, Poland and in the Infrastructure unit.** The net profit after minorities and hybrid capital came back to black, from Euro -3.0m last year to Euro 6.3m now. The net debt position also significantly improved from Euro 310m to now only Euro 198m. The equity ratio was at 18.4% at the end of June, a bit higher than 12 months ago (18.1%) and just little below year-end 2021 (20.3%), despite the Euro 76m repayment of hybrid capital, which brings up balance sheet quality and reduces future interest expenses. The cash and cash-near assets are still high in a range above Euro 700m.

With regards to the order backlog, PORR reached an all-time high of almost Euro 8.05bn, +2.6% compared to Euro 7.85bn last year, despite a quite selective approach for all new projects to secure lucrative margins in a challenging environment of higher material prices and probably higher wages. PORR timely introduced a new pricing model in the project acquisition and thus managed to hand over the rising material costs and wages within the industry. In the conference call, management stated that it already surpassed the peak in material costs. The resulting 1H EBT margin was at 0.8%, much better than last year (0.5%).

We like the positive half-year numbers and trust the guidance to beat the 2021 level of earnings despite the current shaky economic framework. The firm confirmed once more the 2025 mid-term target of a much higher 3% pre-tax margin according to the PORR 2025 roadmap for a higher digitalization and overall efficiency level.

With the 1H 2022 report we confirm our P & L projection for the full year and our Buy recommendation at these current low share price levels below 12 Euros. We also stick to our Euro 17.50 target price.



PORR AG

Industry: Construction / Infrastructure
Sub-segment: all kinds of real estate
Country: Austria
Headquarter: Vienna
Foundation: 1869
Employees: 19,559

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Management Board of PORR

Ing. Karl-Heinz Strauss, MBA, FRICS (CEO)
 WP/StB Mag. Klemens Eiter (CFO)
 Bmst. Ing. Josef Pein (COO)
 Dipl.-Ing. Jürgen Raschendorfer (COO)

Supervisory Board of PORR

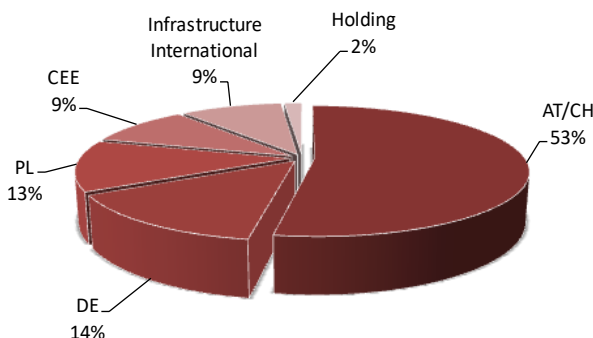
Dr. Dr. Karl Pistotnik (Chairman)	Dr. Susanne Weiss
Dipl.-Ing. Klaus Ortner (Deputy Chairman)	DI Michael Tomitz
Dr. Thomas Winischhofer, LL.M., MBA	Gottfried Hatzenbichler
Mag. Robert Grüneis	Wolfgang Ringhofer
Dr. Walter Knirsch	Michael Kaincz
DI Iris Ortner, MBA	
Hon.-Prof. Dr. Bernhard Vanas	

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 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 became visible in 2021, which represents a record level year in terms of production output and also delivered a strong EBT on top of the firm's guidance. Furthermore, the order book increased to a high of Euro 8.03bn at 1Q 2022.

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. For 2021, the management will propose a dividend of 50 cents per share, which is on top of our estimate and within the targeted payout ratio of 30% to 50%.

Production output Euro 5.73bn at FY 2021
 (by business segments)



Source: Company Data, SRC Research

P & L PORR AG						
31/12 IFRS (Euro '000)	2019	2020	2021	2022e	2023e	2024e
Production output	5,569,781	5,037,915	5,727,323	5,813,233	5,981,817	6,161,271
Revenues	4,880,414	4,651,842	5,169,831	5,231,869	5,362,666	5,497,269
Own work capitalized in non-current assets	4,105	3,787	2,875	2,034	2,441	2,848
Share of profit/loss of associates	87,448	34,036	62,124	64,774	72,589	80,404
Other operating income	178,733	133,606	178,090	168,741	144,876	153,442
Cost of materials and other related production services	-3,286,674	-3,117,518	-3,446,627	-3,487,987	-3,536,818	-3,625,239
Staff expense	-1,243,180	-1,210,093	-1,275,817	-1,284,441	-1,301,371	-1,318,301
Other operating expenses	-398,530	-364,222	-402,934	-391,574	-398,221	-416,744
Operating result (EBITDA)	222,316	131,438	287,542	303,417	346,161	373,679
Depreciation, amortisation and impairment expense	-167,594	-168,647	-192,323	-193,587	-198,663	-201,354
Operating result (EBIT)	54,722	-37,209	95,219	109,830	147,498	172,325
Income from financial investments and other current financial assets	15,396	12,771	12,284	19,127	11,056	2,985
Finance costs	-32,709	-26,610	-22,142	-23,221	-25,114	-26,360
Earnings before tax (EBT)	37,409	-51,048	85,361	105,736	133,440	148,950
EBT margin (in relation to production output)	0.7%	-1.0%	1.5%	1.8%	2.2%	2.4%
Income tax expense	-9,576	8,681	-23,953	-19,743	-30,691	-34,258
Profit/loss for the period	27,833	-42,367	61,408	85,993	102,749	114,691
of which attributable to non-controlling interest	2,292	5,281	7,688	533	1,583	2,633
Profit/loss for the period attributable to shareholders of the parent and holders of profit-participation rights	25,541	-47,648	53,720	85,460	101,166	112,058
of which attributable to holders of profit-participation rights	11,227	18,154	17,786	16,247	15,682	15,117
Net profit after minorities	14,314	-65,802	35,934	69,213	85,484	96,941
Diluted/basic earnings per share (EPS)	0.50	-2.28	1.18	1.77	2.19	2.48
Dividends per share (DPS)	0.00	0.00	0.50	0.65	0.80	1.10
Number of shares ('000)	29,095	29,095	30,792	39,278	39,278	39,279
Adjusted Shareholders' Equity without minorities	587,081	635,985	790,541	844,358	904,312	969,831
Shareholders' Equity (including minorities and hybrid)	599,038	650,549	824,410	870,345	924,759	990,145
RoE after Tax	2.5%	-10.8%	5.0%	8.5%	9.8%	10.3%
Total assets (Euro million)	3,664.9	3,509,463.0	4,065,002.0	4,146,302.0	4,241,667.0	4,326,500.3
Equity ratio	16.4%	18.5%	20.3%	21.0%	21.8%	22.9%
Key ratios & figures	2019	2020	2021	2022e	2023e	2024e
Growth rates in %						
Revenues	-1.6%	-4.7%	11.1%	1.2%	2.5%	2.5%
EBITDA	1.3%	-40.9%	118.8%	5.5%	14.1%	7.9%
EBIT	-40.7%	-168.0%	-355.9%	15.3%	34.3%	16.8%
EBT	-57.6%	-236.5%	-267.2%	23.9%	26.2%	11.6%
Net profit after minorities	-58.0%	-252.2%	-244.9%	40.0%	19.5%	11.6%
Margins in % (based on production output)						
EBITDA margin	4.0%	2.6%	5.0%	5.2%	5.8%	6.1%
EBIT margin	1.0%	-0.7%	1.7%	1.9%	2.5%	2.8%
EBT margin	0.7%	-1.0%	1.5%	1.8%	2.2%	2.4%
Net profit margin	0.5%	-0.8%	1.1%	1.5%	1.7%	1.9%
Expense ratios in %						
Personnel costs to sales	25.5%	26.0%	24.7%	24.6%	24.3%	24.0%
Cost of material to sales	67.3%	67.0%	66.7%	66.7%	66.0%	65.9%
Depreciation to sales	3.4%	3.6%	3.7%	3.7%	3.7%	3.7%
Tax rate	-25.6%	-17.0%	-28.1%	-18.7%	-23.0%	-23.0%
Profitability in %						
Gross profit margin	32.7%	33.0%	33.3%	33.3%	34.0%	34.1%
Return on adjusted shareholders equity (ROE)	2.4%	-10.3%	4.5%	8.2%	9.5%	10.0%
Return on investment (ROI)	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%
Balance sheet key figures						
Net debt (-)/ net cash (+)	-345,689	-136,691	65,322	55,524	47,195	40,116
Book value	20.6	22.4	26.8	22.2	23.5	25.2
Equity ratio	16.4%	18.5%	20.3%	21.0%	21.8%	22.9%
Data per share						
Number of shares in ('000)	29,095	29,095	30,792	39,278	39,278	39,279
Earnings per share (EPS)	0.50	-2.28	1.18	1.77	2.19	2.48
Dividend per share (DPS)	0.00	0.00	0.50	0.65	0.80	1.10

SRC Research

- The Specialist for Financial and Real Estate Stocks -

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Rating Chronicle	Date	Rating	Former Price	Former Target
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 €
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 €

Please note:

The PORR share price mentioned in this report is from 30 August 2022. PORR AG mandated SRC Research for covering the PORR share.

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