

PORR

Buy (unchanged) Target: Euro 17.50 (unchanged)



Der Spezialist für Finanzaktien

28 | November | 2022

Price (Euro)	12.50			
52 weeks range	14.10 / 8.90			
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)	491.0			
Free Float Market Cap (million)	227.3			
CAGR pre-tax profit ('19 - '23e)	25.5%			
Multiples	2021	2022e	2023e	2024e
MarketCap/ Revenues	0.09	0.09	0.09	0.09
PE-Ratio	10.6	7.3	3.7	3.4
Dividend Yield	4.0%	5.2%	6.4%	8.8%
Price-to-Book ratio	0.5	0.6	0.5	0.5
Key Data per Share (Euro)	2021	2022e	2023e	2024e
Earnings per Share (EPS)	1.18	1.72	3.40	3.73
Dividends per Share (DPS)	0.50	0.65	0.80	1.10
Book Value per share	26.77	20.73	23.12	26.02
Financial Data (Euro '000)	2021	2022e	2023e	2024e
Revenues	5,169,831	5,428,323	5,564,031	5,703,688
EBITDA	287,542	316,630	407,731	436,808
Operating Profit (EBIT)	95,219	123,043	209,068	235,454
Pre-tax profit (EBT)	85,361	106,277	195,010	212,079
Pre-tax margin	1.5%	1.8%	3.2%	3.3%
Net profit (after minorities)	35,934	67,289	132,893	145,551
Adjusted Shareholders' Equity	790,541	780,234	887,596	1,001,724
RoE after tax (adjusted)	4.5%	8.6%	15.0%	14.5%
Equity Ratio	20.3%	19.4%	21.2%	23.4%
Financial Calendar				
2022 annual report		30 March 2023		
1Q 2023 report		24 May 2023		
1H 2023 report		29 August 2023		
Main Shareholders				
Syndicate (Strauss-group / IGO-Ortner-group)		50.4%		
Analysts	Dipl.-Kfm. Stefan Scharff, CREA Christopher Mehl, MBA, CFA			
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Production output up more than 9%, EBT increased by almost 36%, order backlog remains high at Euro 7.9bn – full-year guidance somewhat lifted and concretized – Buy and Euro 17.50 target confirmed

Today, the company released the report for the first nine months of 2022 and concretized the full-year guidance. The numbers of the first three quarters are pleasing and on track to reach our estimates for the full-year. Production output rose from more than Euro 4.1bn to more than Euro 4.5bn, up 9.4%. Here, all five segments contributed positively, while the AT/CH segment delivered the largest share of growth with 12.4%. Revenues hiked by 11.5% from Euro 3.72bn to Euro 4.15bn, reaching a new all-time high. At both production output and revenues, the firm also benefited from successfully passing on the higher construction costs. Income from at-equity companies contributed Euro 45.4m in the first three quarters. On the cost side, the costs of materials and other production services hiked by almost 16%, somewhat faster than revenues. While staff expenses rose somewhat slower. The firm's EBIT hiked by more than 27% from Euro 55.8m last year to now Euro 71.0m. With an almost unchanged financial result of Euro -13.4m, the firm's pre-tax profit of the first nine months came in at Euro 57.5m, up 35.5% from last year's number of Euro 42.5m. This translates into an EBT margin of 1.3% compared to last year's 1.0%, thus developing in the right direction towards the 3% EBT margin target. The bottom line after minorities amounted to more than Euro 28m, significantly up from last year's number of Euro 5.9m. The order backlog remains strong at a high level of almost Euro 7.9bn, up year-over-year by 1.1%. The order intake amounted to more than Euro 4.6bn. The balance sheet of the company continues to be solid as well. The equity ratio stood at 18.5% at 9M 2022, up from 17.1% at 9M 2021. Net debt stood at Euro 190m (9M 2021: Euro 315m) and we expect that number to turn into a net cash position by year-end.

Regarding the outlook for the full-year, the firm now went into more detail regarding the guidance and even lifted the production output level. While the management at 1H expected production output to be in a range between Euro 5.7bn and Euro 5.9bn, the new guidance is now for production output to reach about Euro 6.0bn. Furthermore, the firm now expects pre-tax profit to be at more than Euro 100m instead of the previous expectation of a higher level than in 2021. While we slightly lifted our production output and revenue estimates for 2022, we continue to feel comfortable with our EBT estimate of about Euro 106m, which we leave more or less unchanged. This would translate into an EBT margin of 1.8%.

We are satisfied with the numbers and the developments of the first nine months and are confident that the full-year results will be pleasing as well. We thus remain positive also for the coming quarters and believe that PORR will continue its strategic goals and further improves its profitability. We confirm our Euro 17.50 target price and also stick to our Buy rating for the share.



PORR AG

Industry: Construction / Infrastructure
Sub-segment: all kinds of real estate
Country: Austria
Headquarter: Vienna
Foundation: 1869
Employees: 20,140

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Management Board of PORR
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 WP/StB Mag. Klemens Eiter (CFO)
 Brnst. Ing. Josef Pein (COO)
 Dipl.-Ing. Jürgen Raschendorfer (COO)

Supervisory Board of PORR

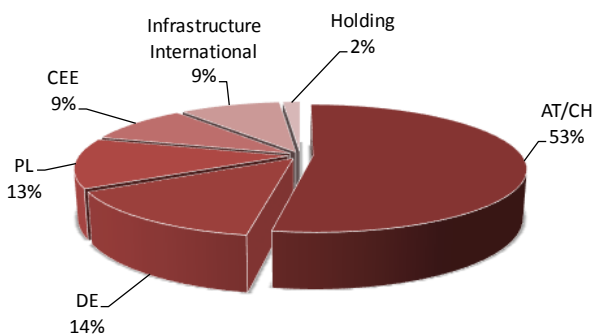
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Founded in 1869 as Allgemeine österreichische Baugesellschaft PORR AG is today a full service provider for construction and infrastructure projects with a leading market position in Austria and also a good footprint as one of the leading firms in other 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 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 stands a high volume of Euro 7.9bn at 9M 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 firm distributed 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	CAGR '21 - '24e
Production output	5,569,781	5,037,915	5,727,323	6,013,689	6,188,086	6,373,729	2.7%
Revenues	4,880,414	4,651,842	5,169,831	5,428,323	5,564,031	5,703,688	2.5%
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	196,347	144,876	153,442	
Cost of materials and other related production services	-3,286,674	-3,117,518	-3,446,627	-3,625,852	-3,676,614	-3,768,529	2.3%
Staff expense	-1,243,180	-1,210,093	-1,275,817	-1,357,423	-1,301,371	-1,318,301	0.8%
Other operating expenses	-398,530	-364,222	-402,934	-391,574	-398,221	-416,744	
Operating result (EBITDA)	222,316	131,438	287,542	316,630	407,731	436,808	11.0%
Depreciation, amortisation and impairment expense	-167,594	-168,647	-192,323	-193,587	-198,663	-201,354	1.2%
Operating result (EBIT)	54,722	-37,209	95,219	123,043	209,068	235,454	25.4%
Income from financial investments and other current financial assets	15,396	12,771	12,284	12,687	11,056	2,985	
Finance costs	-32,709	-26,610	-22,142	-29,453	-25,114	-26,360	
Earnings before tax (EBT)	37,409	-51,048	85,361	106,277	195,010	212,079	25.5%
EBT margin (in relation to production output)	0.7%	-1.0%	1.5%	1.8%	3.2%	3.3%	
Income tax expense	-9,576	8,681	-23,953	-22,468	-44,852	-48,778	
Profit/loss for the period	27,833	-42,367	61,408	83,809	150,158	163,301	27.7%
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	83,276	148,575	160,668	31.5%
of which attributable to holders of profit-participation rights	11,227	18,154	17,786	15,987	15,682	15,117	
Net profit after minorities	14,314	-65,802	35,934	67,289	132,893	145,551	
Diluted/basic earnings per share (EPS)	0.50	-2.28	1.18	1.72	3.40	3.73	
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	780,234	887,596	1,001,724	6.1%
Shareholders' Equity (including minorities and hybrid)	599,038	650,549	824,410	814,268	908,043	1,022,038	
RoE after Tax	2.5%	-10.8%	5.0%	8.6%	15.9%	15.4%	
Total assets (Euro million)	3,664.9	3,509,463.0	4,065,002.0	4,186,952.1	4,283,252.0	4,368,917.0	
Equity ratio	16.4%	18.5%	20.3%	19.4%	21.2%	23.4%	
Key ratios & figures	2019	2020	2021	2022e	2023e	2024e	
Growth rates in %							
Revenues	-1.6%	-4.7%	11.1%	5.0%	2.5%	2.5%	
EBITDA	1.3%	-40.9%	118.8%	10.1%	28.8%	7.1%	
EBIT	-40.7%	-168.0%	-355.9%	29.2%	69.9%	12.6%	
EBT	-57.6%	-236.5%	-267.2%	24.5%	83.5%	8.8%	
Net profit after minorities	-58.0%	-252.2%	-244.9%	36.5%	79.2%	8.8%	
Margins in % (based on production output)							
EBITDA margin	4.0%	2.6%	5.0%	5.3%	6.6%	6.9%	
EBIT margin	1.0%	-0.7%	1.7%	2.0%	3.4%	3.7%	
EBT margin	0.7%	-1.0%	1.5%	1.8%	3.2%	3.3%	
Net profit margin	0.5%	-0.8%	1.1%	1.4%	2.4%	2.6%	
Expense ratios in %							
Personnel costs to sales	25.5%	26.0%	24.7%	25.0%	23.4%	23.1%	
Cost of material to sales	67.3%	67.0%	66.7%	66.8%	66.1%	66.1%	
Depreciation to sales	3.4%	3.6%	3.7%	3.6%	3.6%	3.5%	
Tax rate	-25.6%	-17.0%	-28.1%	-21.1%	-23.0%	-23.0%	
Profitability in %							
Gross profit margin	32.7%	33.0%	33.3%	33.2%	33.9%	33.9%	
Return on adjusted shareholders equity (ROE)	2.4%	-10.3%	4.5%	8.6%	15.0%	14.5%	
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	20.7	23.1	26.0	
Equity ratio	16.4%	18.5%	20.3%	19.4%	21.2%	23.4%	
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	1.72	3.40	3.73	
Dividend per share (DPS)	0.00	0.00	0.50	0.65	0.80	1.10	

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	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 €
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 €

Please note:

The PORR share price mentioned in this report is from 25 November 2022. PORR AG mandated SRC Research for covering the PORR share.

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