

31 | March | 2023

■ Price (Euro)	13.90			
52 weeks range	14.60 / 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)	546.0			
Free Float Market Cap (million)	252.8			
CAGR pre-tax profit ('22 - '25e)	16.0%			
■ Multiples	2022	2023e	2024e	2025e
MarketCap/ Revenues	0.09	0.09	0.09	0.09
PE-Ratio	8.4	6.2	4.9	4.0
Dividend Yield	4.3%	6.1%	7.9%	9.7%
Price-to-Book ratio	0.7	0.6	0.6	0.5
■ Key Data per Share (Euro)	2022	2023e	2024e	2025e
Earnings per Share (EPS)	1.65	2.24	2.84	3.46
Dividends per Share (DPS)	0.60	0.85	1.10	1.35
Book Value per share	20.34	21.61	23.59	25.93
■ Financial Data (Euro '000)	2022	2023e	2024e	2025e
Revenues	5,786,011	5,930,661	6,072,997	6,224,822
EBITDA	318,899	346,931	390,191	434,873
Operating Profit (EBIT)	120,107	148,268	188,837	230,828
Pre-tax profit (EBT)	110,034	136,067	167,236	199,136
Pre-tax margin	1.8%	2.1%	2.5%	2.9%
Net profit (after minorities)	64,413	87,507	111,022	135,100
Adjusted Shareholders' Equity	764,605	828,545	906,181	998,073
RoE after tax (adjusted)	8.4%	10.6%	12.3%	13.5%
Equity Ratio	19.3%	20.0%	21.4%	23.0%
■ Financial Calendar				
AGM	28 April 2023			
1Q 2023 report	24 May 2023			
1H 2023 report	29 August 2023			
■ Main Shareholders				
Syndicate (Strauss-group / IGO-Ortner-group)	50.4%			
■ Analyst	Dipl.-Kfm. Stefan Scharff, CREA			
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Annual report confirms 2022 prelims – 60 cents dividend to be proposed at the AGM – positive outlook with expected growth in earnings and order book – Euro 18.50 target and Buy rating affirmed

Yesterday, the company published the 2022 annual report and confirmed the preliminary numbers, which were already released on 28 February. Production output was at Euro 6.23bn, up almost 9% from last year's number of 5.73bn. Drivers here were major projects in Romania as well as the growth in Austrian railway construction. The largest market was again Austria with a share of about 46% (53% in 2021), followed by Germany with a share of about 22% (14% in 2021). Revenues hiked by almost 12% from Euro 5.17bn to Euro 5.79bn and reached a new record level. Income from at-equity companies contributed Euro 57m, while other operating income amounted to Euro 189m. The cost of materials and other related production services increased by more than 15% to Euro 3.98bn and suffered from the significant hikes in raw material costs and other building materials, but also from price increases of subcontractors. Staff expenses increased by about 6% to Euro 1.35bn. All in all, the firm's operating profit on EBIT basis hiked by more than 26% from Euro 95m to Euro 120m. The financial result was more or less unchanged to last year, as a hike in financial income from Euro 12.3m to Euro 14.2m made up for the increase in finance costs from Euro 22.1m to Euro 24.2m. The firm's pre-tax profit amounted to Euro 110m and was up 29% from last year's number of Euro 85m. This translates into an EBT margin of 1.8% an improvement to last year's 1.5% and a development in the right direction towards the 3% EBT margin goal for 2025. The bottom line after minorities amounted to Euro 64.4m, up almost 80% from last year's Euro 35.9m. Earnings per share amounted to Euro 1.65 (FY 2021: Euro 1.18). The management will propose a dividend of 60 cents per share at the AGM in April. Looking at the order backlog the firm delivered some very strong numbers as well. The order backlog was at a new record level of Euro 8.2bn at year-end, up 5.7% from last year of Euro 7.76bn. Here, the firm stated that especially major projects in building construction in the AT/CH segment contributed positively to the growth. Order intake rose by 3.8% to a level of Euro 6.66bn. Included here are several major projects in industrial construction, such as the BMW Group plant in Munich. The financial position of the firm continues to be solid. The equity ratio remains almost unchanged at 19.3% and almost in the target range between 20% and 25% despite the repayment of Euro 51m hybrid capital. For the current year, we expect that the equity ratio will return back into the targeted corridor. Furthermore, the firm once again delivered a net cash position, which was more or less unchanged at Euro 59m. The cash position stands at Euro 656m despite the repayment of Euro 143m of gross debt in 2022 and the maturity profile is very manageable. **For the current year the management expects production output to at least be on the same level as 2022 and earnings to further improve and we are confident that the firm will reach these goals. Furthermore, another record level order book is expected. We are pleased with the reported numbers and developments and are also optimistic that the positive development will continue in the current year. We clearly confirm our Euro 18.50 target price and also stick to our Buy recommendation.**

PORR AG

Industry: Construction / Infrastructure
Sub-segment: all kinds of real estate
Country: Austria
Headquarter: Vienna
Foundation: 1869
Employees: 20,232

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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

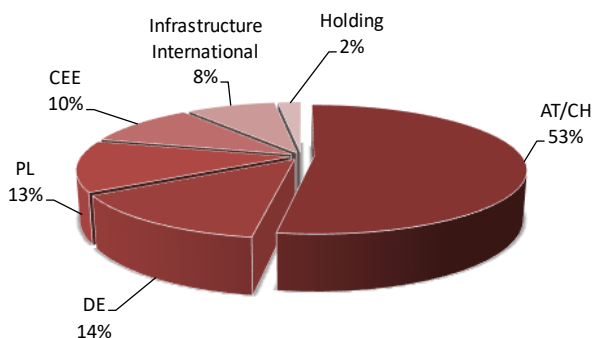
Dr. Dr. Karl Pistotnik (Chairman)	Dr. Susanne Weiss
Dipl.-Ing. Klaus Ortner (Deputy Chairman)	Gottfried Hatzenbichler
Dr. Thomas Winischhofer, LL.M., MBA	Wolfgang Ringhofer
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Hon.-Prof. Dr. Bernhard Vanas	

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 the PORR 2025 strategy program and the transformation. Some of these effects already became visible in 2021, which represented a record level year in terms of production output and also delivered a strong EBT. With the 2022 numbers, the record level of 2021 was further increased by almost 9% to Euro 6.23bn. Furthermore, the order book reached a new record level at FY2022 of Euro 8.2bn.

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 was on top of our estimate and within the targeted payout ratio of 30% to 50%. The management will propose a dividend of 60 cents per share for 2022 at the upcoming AGM.

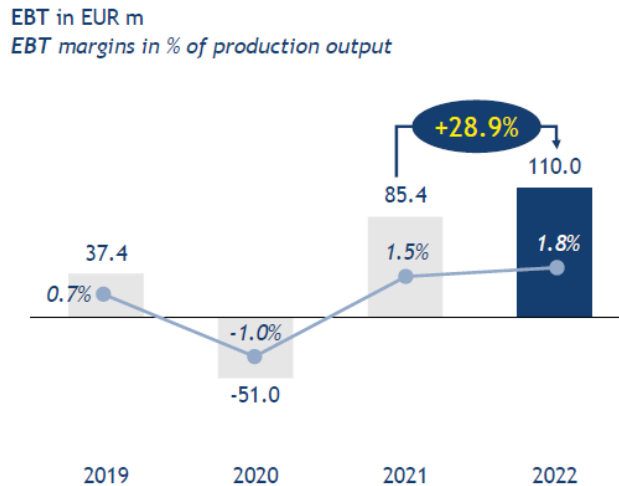
Production output Euro 6.23bn at FY 2022
(by business segments)



Source: Company Data, SRC Research

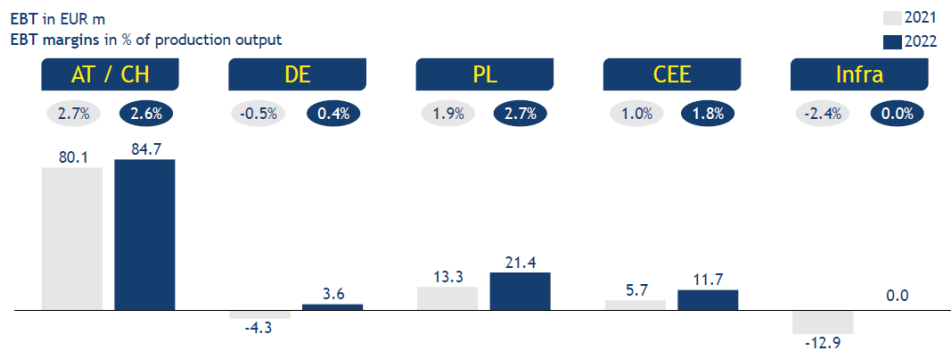
Margin improvement of the last years expected to continue in 2023

The firm efforts and the implemented PORR 2025 program with the target of a 3% EBT margin are starting to pay off as PORR's EBT margin has clearly improved over the recent years.



Source: company presentation

While the pre-tax margin was still below 1% in 2019 and even at -1% in the 2020 Covid year, it has returned to 1.5% in 2021 and further improved to 1.8% in 2022. Despite the higher pressure due to inflation, last year all segments turned back to black and now contribute to the positive development. This is the result of improved gross margins, a more selective approach to order intake and savings in administrative costs.



Source: company presentation

Germany now delivered a positive EBT of almost 4% and a respective margin of 0.4%. While this is still low, we expect the margin to steadily improve as more and more projects in the segment are now delivering higher margins of more than 3%. In our opinion, the margin in that segment should be clearly on top of 1% at FY2023. Furthermore, the Segment Infra also showed a turnaround and at least delivered a black zero. Here, we also expect a continued improvement in the current fiscal year and a respective contribution by year-end. All in all, we estimate that the EBT-Margin of the group will further improve from 1.8% to 2.1% at FY2023.

P & L PORR AG

31/12 IFRS (Euro '000)	2019	2020	2021	2022	2023e	2024e	2025e	CAGR '22 - '25e
Production output	5,569,781	5,037,915	5,727,323	6,226,409	6,406,975	6,599,184	6,803,759	2.2%
Revenues	4,880,414	4,651,842	5,169,831	5,786,011	5,930,661	6,072,997	6,224,822	1.8%
Own work capitalized in non-current assets	4,105	3,787	2,875	1,567	2,441	2,848	3,255	
Share of profit/loss of associates	87,448	34,036	62,124	56,466	61,753	74,224	81,219	
Other operating income	178,733	133,606	178,090	189,124	193,547	201,365	209,183	
Cost of materials and other related production services	-3,286,674	-3,117,518	-3,446,627	-3,976,756	-4,072,198	-4,165,859	-4,263,756	1.8%
Staff expense	-1,243,180	-1,210,093	-1,275,817	-1,349,993	-1,365,632	-1,378,640	-1,384,583	0.6%
Other operating expenses	-398,530	-364,222	-402,934	-387,520	-403,641	-416,744	-435,267	
Operating result (EBITDA)	222,316	131,438	287,542	318,899	346,931	390,191	434,873	8.1%
Depreciation, amortisation and impairment expense	-167,594	-168,647	-192,323	-198,792	-198,663	-201,354	-204,045	0.7%
Operating result (EBIT)	54,722	-37,209	95,219	120,107	148,268	188,837	230,828	17.7%
Income from financial investments and other current financial assets	15,396	12,771	12,284	14,150	11,056	2,985	-5,086	
Finance costs	-32,709	-26,610	-22,142	-24,223	-23,257	-24,586	-26,606	
Earnings before tax (EBT)	37,409	-51,048	85,361	110,034	136,067	167,236	199,136	16.0%
EBT margin (in relation to production output)	0.7%	-1.0%	1.5%	1.8%	2.1%	2.5%	2.9%	
Income tax expense	-9,576	8,681	-23,953	-27,399	-31,295	-38,464	-45,801	
Profit/loss for the period	27,833	-42,367	61,408	82,635	104,772	128,772	153,335	16.7%
of which attributable to non-controlling interest	2,292	5,281	7,688	4,009	1,583	2,633	3,683	
Profit/loss for the period attributable to shareholders of the parent and holders of profit-participation rights	25,541	-47,648	53,720	78,626	103,189	126,139	149,652	17.5%
of which attributable to holders of profit-participation rights	11,227	18,154	17,786	14,213	15,682	15,117	14,552	
Net profit after minorities	14,314	-65,802	35,934	64,413	87,507	111,022	135,100	
Diluted/basic earnings per share (EPS)	0.50	-2.28	1.18	1.65	2.24	2.84	3.46	
Dividends per share (DPS)	0.00	0.00	0.50	0.60	0.85	1.10	1.35	
Number of shares ('000)	29,095	29,095	30,792	39,278	39,278	39,279	39,279	
Adjusted Shareholders' Equity without minorities	587,081	635,985	790,541	764,605	828,545	906,181	998,073	6.9%
Shareholders' Equity (including minorities and hybrid)	599,038	650,549	824,410	798,925	848,992	926,495	1,018,520	
RoE after Tax	2.5%	-10.8%	5.0%	8.3%	11.0%	12.8%	14.2%	
Total assets (Euro million)	3,664.9	3,509,463.0	4,065,002.0	4,146,795.0	4,242,171.3	4,327,014.7	4,426,536.0	
Equity ratio	16.4%	18.5%	20.3%	19.3%	20.0%	21.4%	23.0%	
Key ratios & figures	2019	2020	2021	2022	2023e	2024e	2025e	
Growth rates in %								
Revenues	-1.6%	-4.7%	11.1%	11.9%	2.5%	2.4%	2.5%	
EBITDA	1.3%	-40.9%	118.8%	10.9%	8.8%	12.5%	11.5%	
EBIT	-40.7%	-168.0%	-355.9%	26.1%	23.4%	27.4%	22.2%	
EBT	-57.6%	-236.5%	-267.2%	28.9%	23.7%	22.9%	19.1%	
Net profit after minorities	-58.0%	-252.2%	-244.9%	34.6%	26.8%	22.9%	19.1%	
Margins in % (based on production output)								
EBITDA margin	4.0%	2.6%	5.0%	5.1%	5.4%	5.9%	6.4%	
EBIT margin	1.0%	-0.7%	1.7%	1.9%	2.3%	2.9%	3.4%	
EBT margin	0.7%	-1.0%	1.5%	1.8%	2.1%	2.5%	2.9%	
Net profit margin	0.5%	-0.8%	1.1%	1.3%	1.6%	2.0%	2.3%	
Expense ratios in %								
Personnel costs to sales	25.5%	26.0%	24.7%	23.3%	23.0%	22.7%	22.2%	
Cost of material to sales	67.3%	67.0%	66.7%	68.7%	68.7%	68.6%	68.5%	
Depreciation to sales	3.4%	3.6%	3.7%	3.4%	3.3%	3.3%	3.3%	
Tax rate	-25.6%	-17.0%	-28.1%	-24.9%	-23.0%	-23.0%	-23.0%	
Profitability in %								
Gross profit margin	32.7%	33.0%	33.3%	31.3%	31.3%	31.4%	31.5%	
Return on adjusted shareholders equity (ROE)	2.4%	-10.3%	4.5%	8.4%	10.6%	12.3%	13.5%	
Return on investment (ROI)	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Balance sheet key figures								
Net debt (-)/ net cash (+)	-345,689	-136,691	65,322	58,950	50,108	42,591	36,203	
Book value	20.6	22.4	26.8	20.3	21.6	23.6	25.9	
Equity ratio	16.4%	18.5%	20.3%	19.3%	20.0%	21.4%	23.0%	
Data per share								
Number of shares in ('000)	29,095	29,095	30,792	39,278	39,278	39,279	39,279	
Earnings per share (EPS)	0.50	-2.28	1.18	1.65	2.24	2.84	3.46	
Dividend per share (DPS)	0.00	0.00	0.50	0.60	0.85	1.10	1.35	

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	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 €
PORR	18 November 2020	Buy	13.08 €	16.00 €
PORR	27 August 2020	Buy	12.36 €	19.00 €

Please note:

The PORR share price mentioned in this report is from 30 March 2023. PORR AG mandated SRC Research for covering the PORR share.

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