

UBM Development AG

Buy (unchanged) Target: Euro 55.00 (unchanged)



Der Spezialist für Finanzaktien

11 | April | 2022

■ **Price (Euro)** **40.40**
52 weeks range 45.90 / 36.00

■ Key Data

Country	Austria
Industry	Real Estate
Segment	Development (trading oriented)
ISIN	AT0000815402
WKN	852735
Reuters	UBMV.VI
Bloomberg	UBS VI
Internet	www.ubm.at
Reporting Standard	IFRS
Fiscal Year	31/12
Market Cap (EUR million)	301.9
Number of shares (million)	7.47
Free Float	49.4%
Free Float MCap (million)	149.1
CAGR pre tax profit '21 - '24e	8.2%

■ Multiples	2021	2022e	2023e	2024e
MarketCap/revenues	1.08	0.93	0.83	0.72
PE ratio	9.0	8.6	8.2	7.6
Dividend yield	5.6%	5.8%	6.1%	6.6%
Price-to-Book ratio	0.55	0.54	0.52	0.50

■ Key Data per Share (Euro)	2021	2022e	2023e	2024e
Earnings per share (EPS)	4.50	4.70	4.94	5.35
Dividends per share (DPS)	2.25	2.35	2.45	2.65
Book Value per share (BVpS)	73.00	75.45	78.04	80.94

■ Financial Data (Euro '000)	2021	2022e	2023e	2024e
Revenues	278,313	323,574	364,742	421,134
Operating profit (EBITDA)	75,929	81,941	90,955	93,802
Operating profit (EBIT)	73,302	78,486	86,680	89,213
Pre-tax profit (EBT)	60,139	64,482	72,357	76,148
Net profit (after minorities)	33,625	35,140	36,931	39,961
Adj. shareholders' equity	545,435	563,763	583,135	604,789
RoE after tax	6.6%	6.3%	6.4%	6.7%

■ Financial Calendar

AGM	16 May 2022
1Q 2022 report	25 May 2022
1H 2022 report	25 August 2022
SRC Forum Financials & Real Estate	13 September 2022

■ Main Shareholders

Syndicate Ortnr/ Strauss	38.8%
IGO Ortnr Gruppe	6.8%
J. Dickinger	5.0%
Management & Supervisory board	3.9%

■ Analysts

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UBM reports very solid 2021 numbers – record dividend of Euro 2.25 per share to be proposed – very strong financial position puts firm in a good place – Euro 55.00 target and Buy rating affirmed

Last week Friday, on 8 April, the company released the 2021 annual report and delivered satisfying numbers for a fiscal year that was originally expected to show a corona dent, but turned out to deliver the second highest net profit in the firm's history. That was driven by revenues from property sales, which contributed Euro 372m to the total output of Euro 471m, which was more or less at the same level as the previous year. Revenues amounted to more than Euro 278m, a plus of about 52% and close to our expectation. Profit from at-equity investments hiked from about Euro 28m to Euro 36m, driven by forward sold projects such as the F.A.Z. Tower in Frankfurt. Fair value adjustments contributed Euro 5m to the P&L, while last year's number stood at more than Euro 62m. On the expense side, cost of materials and other related production services hiked by 22% from Euro 116m to Euro 141m and thus significantly less than revenues as the share of apartments sold from inventory declined compared to last year. While personnel expenses grew in line with our expectations, other operating expenses fell from Euro 45m to Euro 31m. Operating profit on EBIT basis hiked from Euro 62.0m to Euro 73.3m and was slightly above our expectation of Euro 72.5m. With a financial result of Euro -13.2m, the pre-tax profit amounted to Euro 60m and thus exactly met our expectation. The bottom line came in at Euro 44m and recorded the second highest net profit in the company's history. This translates into earnings per share of Euro 4.50, up from last year's Euro 4.39. The management decided to propose a dividend of Euro 2.25 per share, representing a record dividend and a very lucrative dividend yield of currently 5.6%. Our estimate was at Euro 2.20.

The pipeline has an expected sales volume until the end of 2025 of about Euro 2.2bn. As there are no more hotels under development, the pipeline now comprises 55% of residential projects and 45% of offices, of which more than 90% are located in Germany and Austria. With the firm's very healthy financial position, UBM certainly has enough leeway to acquire new projects and also the ability to quickly react to arising opportunities. As of the end of 2021, the cash position stood at a very high level of more than Euro 420m and the equity stood at more than Euro 550m, both new record levels. The equity ratio was at Euro 36.8%, while the LTV was at a very low level of only 25.5% with a net debt level of only Euro 381m.

Due to the current uncertainties regarding the war in Ukraine, the ongoing Covid picture, the inflationary environment and the unclear interest rate developments, the company has not yet given a guidance for the current year, which is reasonable also in our opinion. We believe a reasonable guidance can be released most likely with the half-year report in August. While we are also very aware of the possibility of rocky times ahead, we see the company still in a good position and believe that some further lucrative projects can be acquired in the coming months that will further lift the pipeline and can still deliver good margins for the future years, however will keep a close eye on the future developments of the mentioned topics that could have a negative impact on the overall economy, but also on the business of developers. For the moment, we confirm our Euro 55.00 target price and stick to our Buy recommendation at a current upside of more than 35%.

UBM Development AG

Industry: Real Estate Development
Sub-segment: Resi, Office, Hotels
Country: Austria
Headquarter: Vienna
Foundation: 1873
Employees: 355

Management Board of UBM

Thomas G. Winkler, LL.M. (CEO)
Dipl.-Ökonom Patric Thate (CFO)
Dipl.-Ing. Martin Löcker (COO)
Martina Maly-Gärtner, MRICS (COO)

Supervisory Board of UBM

Ing. Karl-Heinz Strauss (Chairman)
DI Iris Ortner (Dep. Chairwoman)
DI Klaus Ortner
Dr. Ludwig Steinbauer
Mag. Paul Unterluggauer
Martin Kudlicska
Anke Duchow
Dr. Bernhard Vanas
Dr. Susanne Weiss
Dkff. Birgit Wagner
Hannes Muster
Günter Schnötzing

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Founded in 1873 as "Union-Baumaterialien-Gesellschaft" the company has now an outstanding history of more than 145 years. Keep in mind, that since 1873, the firm is also listed on the Viennese stock market and thus is the oldest Austrian real estate company. After the initial focus was on the renting of construction equipment, the firm made a significant step ahead since the early Nineties where the firm started to initiate many new development projects after a 50% increase of share capital in 1991.

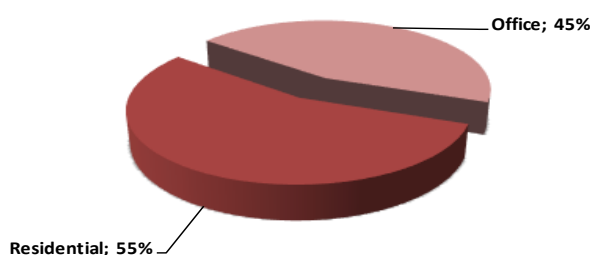
In 1992 the firm started to develop numerous lucrative projects in Eastern Europe, in particular in Poland and Czech Republic. Between 2001 and 2010 UBM entered some opportunistic markets like France and the Netherlands with hotels. In 2014 PORR, the Vienna-based construction and development conglomerate decided to separate its non-core real estate development activities from its construction activities with the destination to create two pure play entities and separately listed companies. In this spirit, PIAG was used as a spin-off vehicle which held PORR's non-core real estate development activities as well as PORR's share in UBM. In a second step UBM Realitäten AG was merged with PIAG and Strauss & Partner to the "new" UBM.

The UBM Development AG acts now since 2016 as a pure-play trade developer. The high-quality development pipeline in European top metropole regions has broken the Euro 2bn threshold in mid of 2019 and stood at a record high level of Euro 2.5bn at year-end 2019 for the next 4 years 2020 to 2023 (2018 pipeline: Euro 1.8bn). Due to the Corona pandemic, the company rightsized the pipeline. Depending on the recovery, the pipeline is now seen somewhere between Euro 1.25bn and Euro 2.5bn. At the current level (FY 2021) of Euro 2.2bn, the pipeline is split at about 55% residential and 45% office.

After a record year in 2019 with a net profit of Euro 53m, the 2020 fiscal year was impacted by the Covid pandemic, however, considering the circumstances turned out to be very successful as well and above expectations. 2021, which was originally considered to be a year that reflects a Corona dent, turned out to deliver the second highest bottom line in the firm's history at almost Euro 44m. Thus, UBM lifted the dividend proposal to Euro 2.25 per share, representing a new record dividend. The strong balance sheet with a high equity ratio of 36.8% and a LTV of only 25.5% certainly allows for that payout. The dividend payment translates into a current dividend yield of 5.4%. Due to the current uncertainties regarding the war in Ukraine, the ongoing Covid picture, the inflationary environment and the unclear interest rate developments, the company has not yet given a guidance for the current year.

Pipeline split as of 31 December 2021

(c. Euro 2.2bn pipeline)



Source: Company data, SRC Research

P & L UBM Development AG

31/12 IFRS (Euro '000 except for per share-data)	2019	2020	2021	2022e	2023e	2024e	CAGR '21 - '24e
Revenues	241,999	183,339	278,313	323,574	364,742	421,134	14.8%
Changes in the portfolio	20,294	-21,145	-45,874	-32,846	-35,327	-39,112	
Share of profit/loss of companies accounted for under the equity method	59,980	27,813	36,003	42,142	49,113	37,846	
Income from fair-value adjustments to investment property	46,270	69,853	11,568	15,440	19,587	13,474	
Other operating income	10,488	8,224	11,767	12,430	13,558	12,347	
Cost of materials and other related production services	-202,198	-115,673	-141,421	-201,274	-247,885	-275,413	
Staff expenses	-36,644	-34,847	-36,807	-37,144	-38,107	-39,574	
Expenses from fair-value adjustments to investment property	-24,582	-7,543	-6,550	-5,124	-2,557	-1,299	
Other operating expenses	-40,641	-44,922	-31,070	-35,257	-32,169	-35,603	
Operating profit (EBITDA)	74,966	65,099	75,929	81,941	90,955	93,802	7.3%
Depreciation, amortisation and impairment expenses	-3,515	-3,085	-2,627	-3,455	-4,275	-4,589	
Operating profit (EBIT)	71,451	62,014	73,302	78,486	86,680	89,213	6.8%
Financial income	20,711	23,899	14,040	13,441	15,447	17,419	
Finance costs	-21,650	-23,654	-27,203	-27,445	-29,771	-30,484	
Financial result	-939	245	-13,163	-14,004	-14,324	-13,065	
Earnings before tax (EBT)	70,512	62,259	60,139	64,482	72,357	76,148	8.2%
Income tax expense	-20,450	-21,506	-16,428	-18,998	-21,642	-22,031	
Tax rate	29.0%	34.5%	27.3%	29.5%	29.9%	28.9%	
Net profit before minorities	50,062	40,753	43,711	45,484	50,715	54,117	7.4%
Minorities	-4,011	-7,984	-10,086	-10,344	-13,784	-14,156	
Net profit after minorities	46,051	32,769	33,625	35,140	36,931	39,961	5.9%
Earnings per share (EPS)	6.16	4.39	4.50	4.70	4.94	5.35	
Dividends per share (DPS)	2.20	2.20	2.25	2.35	2.45	2.65	
Payout ratio	35.7%	50.2%	50.0%	50.0%	49.6%	49.6%	
Number of shares ('000)	7,472	7,472	7,472	7,472	7,472	7,472	
Adjusted shareholders' equity without minorities	456,833	478,467	545,435	563,763	583,135	604,789	3.5%
Total assets	1,316,389	1,372,021	1,494,463	1,569,186	1,702,567	1,847,285	7.3%
Equity ratio	35.3%	35.5%	37.1%	36.5%	34.9%	33.3%	
Book value per share (BVpS)	61.14	64.03	73.00	75.45	78.04	80.94	3.5%
RoE (after tax)	10.4%	7.0%	6.6%	6.3%	6.4%	6.7%	
Key ratios & figures	2019	2020	2021	2022e	2023e	2024e	
Growth rates in %							
Sales revenues	-52.9%	-24.2%	51.8%	16.3%	12.7%	15.5%	
EBIT	27.7%	-13.2%	18.2%	7.1%	10.4%	2.9%	
EBT	26.9%	-11.7%	-3.4%	7.2%	12.2%	5.2%	
Net profit after minorities	16.0%	-28.8%	2.6%	4.5%	5.1%	8.2%	
Margins in %							
Operating profit (EBIT)	29.5%	33.8%	26.3%	24.3%	23.8%	21.2%	
Pre-tax profit (EBT)	29.1%	34.0%	21.6%	19.9%	19.8%	18.1%	
Net Profit (after minorities)	19.0%	17.9%	12.1%	10.9%	10.1%	9.5%	
Expense ratios in %							
Personnel costs to sales	15.1%	19.0%	13.2%	11.5%	10.4%	9.4%	
Cost of material to sales	83.6%	63.1%	50.8%	62.2%	68.0%	65.4%	
Depreciation to sales	1.5%	1.7%	0.9%	1.1%	1.2%	1.1%	
Profitability in %							
Return on equity (RoE) after tax	10.4%	7.0%	6.6%	6.3%	6.4%	6.7%	
Return on assets (RoA)	3.5%	2.4%	2.2%	2.2%	2.2%	2.2%	
Valuation							
P/E-ratio	6.6	9.2	9.0	8.6	8.2	7.6	
Price/ BV per Share	0.66	0.63	0.55	0.54	0.52	0.50	
Dividend yield	5.4%	5.4%	5.6%	5.8%	6.1%	6.6%	

SRC Research

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Rating Chronicle	Date	Rating	Former Price	Former Target
UBM Development AG	02 March 2022	Buy	39.50 €	55.00 €
UBM Development AG	25 November 2021	Buy	40.60 €	55.00 €
UBM Development AG	25 August 2021	Buy	43.20 €	55.00 €
UBM Development AG	22 July 2021	Buy	41.40 €	53.00 €
UBM Development AG	25 May 2021	Buy	43.50 €	52.00 €
UBM Development AG	23 April 2021	Buy	38.80 €	50.00 €
UBM Development AG	01 February 2021	Buy	35.00 €	48.00 €
UBM Development AG	26 November 2020	Buy	35.70 €	47.00 €
UBM Development AG	23 November 2020	Buy	34.00 €	47.00 €
UBM Development AG	27 August 2020	Buy	30.40 €	45.00 €
UBM Development AG	26 May 2020	Buy	36.70 €	44.00 €
UBM Development AG	30 April 2020	Buy	35.00 €	44.00 €

Please note:

The UBM share price mentioned in this report is from 8 April 2022. UBM mandated SRC Research for covering the UBM share.

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