

UBM Development AG

Buy (unchanged) Target: Euro 26.00 (old: Euro 30.00)



Der Spezialist für Finanzaktien

18 | March | 2024

■ Price (Euro)	18,95			
52 weeks range	33.00 / 18.00			
■ Key Data				
Country	Austria			
Industry	Real Estate			
Segment	Development (trading oriented)			
ISIN	AT0000815402			
WKN	852735			
Reuters	UBMV.VI			
Bloomberg	UBS VI			
Internet	www.ubm-development.com			
Reporting Standard	IFRS			
Fiscal Year	31/12			
Market Cap (EUR million)	141,6			
Number of shares (million)	7,47			
Free Float	49,2%			
Free Float MCap (million)	69,7			
CAGR pre tax profit '22 - '25e	13,9%			
■ Multiples	2022	2023e	2024e	2025e
MarketCap/revenues	1,06	0,98	0,80	0,53
PE ratio	8,4	-3,4	32,7	4,7
Dividend yield	5,8%	0,0%	0,0%	7,9%
Price-to-Book ratio	0,28	0,31	0,31	0,29
■ Key Data per Share (Euro)	2022	2023e	2024e	2025e
Earnings per share (EPS)	2,25	-5,65	0,58	4,04
Dividends per share (DPS)	1,10	0,00	0,00	1,50
Book Value per share (BVpS)	67,11	60,36	60,94	64,98
■ Financial Data (Euro '000)	2022	2023e	2024e	2025e
Revenues	133.944	145.045	176.090	265.921
Operating profit (EBITDA)	39.173	-23.654	33.467	70.591
Operating profit (EBIT)	33.907	-26.908	25.137	65.471
Pre-tax profit (EBT)	31.450	-38.958	6.957	46.411
Net profit (after minorities)	16.790	-42.243	4.327	30.187
Adj. shareholders' equity	501.449	450.987	455.314	485.501
RoE after tax	3,2%	-8,9%	1,0%	6,4%
■ Financial Calendar				
2023 annual report			11 April 2024	
AGM			21 May 2024	
1Q 2024			29 May 2024	
1H 2024			29 August 2024	
■ Main Shareholders				
Syndicate Ortner/ Strauss			38,8%	
IGO Ortner Gruppe			7,0%	
J. Dickinger			5,0%	
Management & Supervisory board			3,9%	
■ Analyst	Dipl.-Kfm. Stefan Scharff, CREA			
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As expected, the 2023 devaluations translated into a pre-tax loss, but still a high liquidity and a superior asset base, helped by an undemanding maturity profile on the debt side, Buy confirmed

Last week, on 12 March, the company released some prelim figures for last fiscal year 2023. As expected, the general rough market climate with a low level of transaction activity and the resulting hike in yields led to some devaluations throughout the entire portfolio, which added up to Euro -70m, after Euro -21m in the 9M report. The devaluations are more or less equally split between development projects and the standing assets. Following the negative revaluation picture, UBM released a Euro -39m pre-tax loss, a bit above our Euro -28m forecast, but still quite moderate, given the bad overall market circumstances and problems elsewhere.

With regards to the liquidity position and balance sheet, the situation still looks good, as liquidity is still over Euro 150m, at Euro 151.5m, despite paying back Euro 91m for the 2018 – 2023 bond in fourth quarter. Moreover, and more important, there is no bond repayment this year and next year the first three quarters are also clean. The next point on the time line is the 13 November 2025, with the repayment of the Euro 120m bond with a 2.75% coupon. Even with a look at this year's project financings, the capital need is only at about Euro 65m, which is not too high, given the financial strength.

The 2023 equity ratio was also announced last week, with satisfying 30%, despite paying back a 53m hybrid bond. The issue of the Euro 50m green bond in July 2023 was a good timing in a retrospective view and it underlined the firm's reputation on the debt market for attractive green and ESG financings. With the report of the 2023 prelims, UBM also announced the sale of the 33.57% stake in Vienna Palais Hansen to the Vienna Insurance Group, which is good in terms of cash inflow and streamlining the portfolio. UBM also reported the acquisition of a 25% stake in Central Hub, a part of the Vienna based TwentyOne project, which will offer 23k sqm modern and flexible office workspaces and another 5k sqm for conference rooms and laboratory services, to be completed in one year.

To sum it up, the company is still very stable and well positioned for another difficult year ahead, which is a quite likely scenario. The firm will continue to sell some non-core assets and perhaps the Timber Pioneer in Frankfurt in the next 12 months in a scenario of a market recovery, and of course further drive its milestone timber projects as leading timber developer, as building permits or prelim. building permits are already secured for Timber Works, Timber Factory and Timber Living in Munich as well as for Timber Peak in Mainz Zollhafen at the waterfront. With regards to Timber Port in Düsseldorf the building permit should come soon in 2H 2024 which means the construction start might follow until the year-end. Another good news came for Germany, as industry expert David Christman will follow Dr. Bertold Wild as the Chairman of the Board of UBM Germany from April on. **We keep our Buy. With the remaining sluggish market conditions, we reduce our target price from € 30.00 to € 26.00.**

UBM Development AG

Industry: Real Estate Development
Sub-segment: Residential, Office
Country: Austria
Headquarter: Vienna
Foundation: 1873
Employees: 283

Management Board of UBM
 Thomas G. Winkler, LL.M. (CEO)
 Dipl.-Ökonom Patric Thate (CFO)
 Martina Maly-Gärtner, MRICS (COO)
 Dipl.-Ing. Peter Schaller (CTO)

Supervisory Board of UBM

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

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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. 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 to Euro 2.25 per share, representing a new record dividend. The strong balance sheet remained with the full year 2022 numbers as equity ratio remained at almost 35% and with Euro 1.10 the company continued the shareholder friendly policy in a much more rough economic and interest environment. The 2022 bottom line was impaired by two major delays, the permit for Munich Bauberger Strasse and the Frankfurt FAZ tower closing did not come in 2022. Net profit after minorities halved from Euro 34m to Euro 17m. Due to the current uncertainties regarding the war in Ukraine, the ongoing weak economic picture in UBM's markets with a low level of transaction activity, the inflationary environment and the unclear interest rate developments, UBM gave no guidance for the 2023 result, so far. The times could be easier for developers, but UBM has an appealing and sustainable pipeline for residential and office properties, as for instance the highly rated Timber Highrises in Germany to come in Frankfurt, Mainz and Düsseldorf as well as in Vienna with the TimberOffice at Leopoldquartier. Another deal was just recently done mid of June with the acquisition of Donaumarina Tower at Vienna Handelskai for only Euro 24.5m. Another good news came end of June with the closing of FAZ Tower deal with HanseMercur Grundvermögen AG. The demand for this kind of office space with a low carbon footprint should remain quite high from tenants and from investors, as UBM recently delivered a big rental contract for 10k sqm with fund specialist Universal Investment for Frankfurt's Timber Pioneer. With regards to the debt side, UBM issued a 4 years Euro 50m Green bond in July 2023 with a 7% coupon. After the repayment of 2018 -2023 bond on 16 November 2023 there is no bond maturity until Nov. 2025.

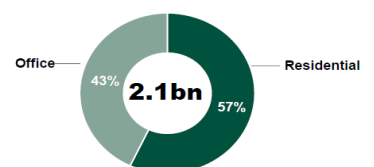
5 >250,000m² in timber construction.



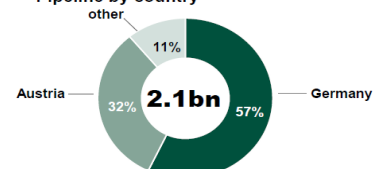
Timber pipeline

Project	GFA ¹ in m ²	Asset class
LeopoldQuartier	75,700 m ²	Mix
Timber Factory	57,600 m ²	Office
Bogner Gründe	24,100 m ²	Residential
Timber Pioneer	17,600 m ²	Office
Timber View	17,000 m ²	Residential
Amras	16,600 m ²	Residential
Timber Port	10,900 m ²	Office
Pelkovenstraße	10,800 m ²	Office
Molenkopf	9,800 m ²	Residential
Timber Peak	9,500 m ²	Office
Unterbibergerstr.	8,400 m ²	Office
Timber Praha	7,400 m ²	Residential
Total	265,400 m²	

Pipeline by asset class ²



Pipeline by country ²



Source: Company data, SRC Research

P & L UBM Development AG

31/12 IFRS (Euro '000 except for per share-data)	2019	2020	2021	2022	2023e	2024e	2025e	CAGR '22 - '25e
Revenues	241.999	183.339	278.313	133.944	145.045	176.090	265.921	25,7%
Changes in the portfolio	20.294	-21.145	-45.874	2.965	26.578	-14.542	-31.532	
Share of profit/loss of companies accounted for under the equity method	59.980	27.813	36.003	25.396	14.502	37.846	42.545	
Income from fair-value adjustments to investment property	46.270	69.853	11.568	25.454	6.847	10.212	11.454	
Other operating income	10.488	8.224	11.767	12.740	14.885	12.347	14.541	
Cost of materials and other related production services	-202.198	-115.673	-141.421	-86.858	-80.470	-119.404	-155.774	
Staff expenses	-36.644	-34.847	-36.807	-37.255	-38.607	-39.182	-40.805	
Expenses from fair-value adjustments to investment property	-24.582	-7.543	-6.550	-4.619	-69.745	-1.299	-1.250	
Other operating expenses	-40.641	-44.922	-31.070	-32.594	-42.689	-28.603	-34.509	
Operating profit (EBITDA)	74.966	65.099	75.929	39.173	-23.654	33.467	70.591	21,7%
Depreciation, amortisation and impairment expenses	-3.515	-3.085	-2.627	-5.266	-3.254	-8.330	-5.120	
Operating profit (EBIT)	71.451	62.014	73.302	33.907	-26.908	25.137	65.471	24,5%
Financial income	20.711	23.899	14.040	23.442	20.548	12.822	13.450	
Finance costs	-21.650	-23.654	-27.203	-25.899	-32.598	-31.002	-32.510	
Financial result	-939	245	-13.163	-2.457	-12.050	-18.180	-19.060	
Earnings before tax (EBT)	70.512	62.259	60.139	31.450	-38.958	6.957	46.411	13,9%
Income tax expense	-20.450	-21.506	-16.428	-4.338	3.545	-1.180	-10.780	
Tax rate	29,0%	34,5%	27,3%	13,8%	9,1%	17,0%	23,2%	
Net profit before minorities	50.062	40.753	43.711	27.112	-35.413	5.777	35.631	9,5%
Minorities and shares of hybrid capital	-4.011	-7.984	-10.086	-10.322	-6.830	-1.450	-5.444	
Net profit after minorities	46.051	32.769	33.625	16.790	-42.243	4.327	30.187	21,6%
Earnings per share (EPS)	6,16	4,39	4,50	2,25	-5,65	0,58	4,04	
Dividends per share (DPS)	2,20	2,20	2,25	1,10	0,00	0,00	1,50	
Payout ratio	35,7%	50,2%	50,0%	49,0%	0,0%	0,0%	37,1%	
Number of shares ('000)	7.472	7.472	7.472	7.472	7.472	7.472	7.472	
Adjusted shareholders' equity without minorities	456.833	478.467	545.435	501.449	450.987	455.314	485.501	-1,1%
Total assets	1.316.389	1.372.021	1.494.463	1.451.831	1.469.253	1.381.098	1.429.436	-0,5%
Equity ratio	35,3%	35,5%	37,1%	35,1%	30,7%	33,0%	34,0%	
Book value per share (BVpS)	61,14	64,03	73,00	67,11	60,36	60,94	64,98	-1,1%
RoE (after tax)	10,4%	7,0%	6,6%	3,2%	-8,9%	1,0%	6,4%	
Key ratios & figures	2019	2020	2021	2022	2023e	2024e	2025e	
Growth rates in %								
Sales revenues	-52,9%	-24,2%	51,8%	-51,9%	8,3%	21,4%	51,0%	
EBIT	27,7%	-13,2%	18,2%	-53,7%	-179,4%	-193,4%	160,5%	
EBT	26,9%	-11,7%	-3,4%	-47,7%	-223,9%	-117,9%	567,2%	
Net profit after minorities	16,0%	-28,8%	2,6%	-50,1%	-351,6%	-110,2%	597,7%	
Margins in %								
Operating profit (EBIT)	29,5%	33,8%	26,3%	25,3%	-18,6%	14,3%	24,6%	
Pre-tax profit (EBT)	29,1%	34,0%	21,6%	23,5%	-26,9%	4,0%	17,5%	
Net Profit (after minorities)	19,0%	17,9%	12,1%	12,5%	-29,1%	2,5%	11,4%	
Expense ratios in %								
Personnel costs to sales	15,1%	19,0%	13,2%	27,8%	26,6%	22,3%	15,3%	
Cost of material to sales	83,6%	63,1%	50,8%	64,8%	55,5%	67,8%	58,6%	
Depreciation to sales	1,5%	1,7%	0,9%	3,9%	2,2%	4,7%	1,9%	
Profitability in %								
Return on equity (RoE) after tax	10,4%	7,0%	6,6%	3,2%	-8,9%	1,0%	6,4%	
Return on assets (RoA)	3,5%	2,4%	2,2%	1,2%	-2,9%	0,3%	2,1%	
Valuation								
P/E-ratio	3,1	4,3	4,2	8,4	-3,4	32,7	4,7	
Price/ BV per Share	0,31	0,30	0,26	0,28	0,31	0,31	0,29	
Dividend yield	11,6%	11,6%	11,9%	5,8%	0,0%	0,0%	7,9%	

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Rating Chronicle	Date	Rating	Former Price	Former Target
UBM Development AG	23 November 2023	Buy	20,80 €	30,00 €
UBM Development AG	31 August 2023	Buy	21,10 €	32,00 €
UBM Development AG	22 August 2023	Buy	21,30 €	32,00 €
UBM Development AG	26 May 2023	Buy	27,40 €	40,00 €
UBM Development AG	19 April 2023	Buy	27,50 €	40,00 €
UBM Development AG	05 April 2023	Buy	26,90 €	40,00 €
UBM Development AG	21 February 2023	Buy	29,60 €	40,00 €
UBM Development AG	24 November 2022	Buy	30,40 €	44,00 €
UBM Development AG	28 September 2022	Buy	28,50 €	44,00 €
UBM Development AG	26 August 2022	Buy	32,90 €	50,00 €
UBM Development AG	30 May 2022	Buy	38,50 €	55,00 €
UBM Development AG	11 April 2022	Buy	40,40 €	55,00 €
UBM Development AG	02 March 2022	Buy	39,50 €	55,00 €
UBM Development AG	25 November 2021	Buy	40,60 €	55,00 €

Please note:

The UBM share price mentioned in this report is from 15 March 2024. UBM mandated SRC Research for covering the UBM share.

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