

UBM Development AG

Buy (unchanged) Target: Euro 32.00 (old: Euro 40.00)



Der Spezialist für Finanzaktien

22 | August | 2023

The rough market climate translates into down-valuations of projects and standing assets which bring 1H bottom line into red, the prelim Bauberger Street building permit helps for cash and P & L

Yesterday evening, the company released a profit warning for the coming half-year results next week, on 31 August. Due to the rough market conditions and the significant rise in overall yields, the management decided for a down-valuation of the 1.4bn portfolio by Euro 31.3m. The portfolio is about Euro 900m in development projects and Euro 530m in standing cash generating assets, thereof the 4 hotels in Prague, the Hague, Dusseldorf and Potsdam stand for about Euro 245m and Warsaw Poleczki Business Park for Euro 145m as well as some Austrian prime assets stand for Euro 100m.

The down-valuation is spread relatively widely over the portfolio to react to the surge in yields in almost all asset classes and the difficult market environment that impairs lucrative sale transactions. After the firm still delivered a small Euro 0.9m net profit in an uneventful first quarter, the half year bottom line might now decrease to up to Euro -35m. The company delivered so far very good news in these shaky times with a very big letting success of 10,000 sqm in Frankfurt at Timber Pioneer to Universal Investment in March, the closing of FAZ Tower in June and the issue of a Euro 50m bond in July (7% coupon) with a four years duration. The down-valuation is a non-cash item, even if it brings down the so far quite comfortable equity (Euro 446m at 1Q) and LTV (41% at 1Q) positions a little bit.

It is important to mention that the prelim construction permit (Bauvorbescheid) for Munich's Bauberger Strasse (28,000 sqm mixed use) just came some days ago, end of July, and will have a positive impact on the firm's cash level (by payments from partner ARE) and also for the UBM P & L, but it came one month too late to offset the down-valuations in the half-year report. It will come in the 9M report to be published on 23 November. That might lead to bring back UBM to black numbers for 9M. For the full year the firm is cautious with no tailwind from persisting weak markets and expects a loss to come in a range of Euro 16m, which is about the half of the 1H 2023 loss.

The whole development industry in Germany is impaired by the high ca. 4% interest level for 15 years private mortgages and also by the much more restrictive banks when it comes to office projects. For the private sector and potential apartment buyers the public support should be somehow extended to bring down the interest expenses which allow to buy apartments and finance them for a long-term.

Despite the sluggish overall momentum UBM does a good job at residential Prague Arcus City and Astrid Garden with 400 apartments to be completed in the second half of 2024. Moreover, there is some success at selling at Mainz Flösserhöfe with 92 apartments to be completed until year-end 2023. About 60% is already sold here despite the tough financing conditions for all buyers. **We cut our P & L for this year and 2024 and also skip our dividend expectation. Our new target price is Euro 32.00. After the 9% slump in today's share price, we maintain our Buy recommendation.**

| | | | | |
|---|--|--------------|-------------------|--------------|
| Price (Euro) | 21,30 | | | |
| 52 weeks range | 34.50 / 21.10 | | | |
| 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) | 159,2 | | | |
| Number of shares (million) | 7,47 | | | |
| Free Float | 49,2% | | | |
| Free Float MCap (million) | 78,3 | | | |
| CAGR pre tax profit '22 - '25e | 15,5% | | | |
| Multiples | 2022 | 2023e | 2024e | 2025e |
| MarketCap/revenues | 1,19 | 0,82 | 0,71 | 0,57 |
| PE ratio | 9,5 | -6,8 | 23,5 | 5,7 |
| Dividend yield | 5,2% | 0,0% | 0,0% | 7,0% |
| Price-to-Book ratio | 0,32 | 0,34 | 0,33 | 0,32 |
| Key Data per Share (Euro) | 2022 | 2023e | 2024e | 2025e |
| Earnings per share (EPS) | 2,25 | -3,11 | 0,90 | 3,72 |
| Dividends per share (DPS) | 1,10 | 0,00 | 0,00 | 1,50 |
| Book Value per share (BVPs) | 67,11 | 62,90 | 63,80 | 67,52 |
| Financial Data (Euro '000) | 2022 | 2023e | 2024e | 2025e |
| Revenues | 133.944 | 195.023 | 225.056 | 279.922 |
| Operating profit (EBITDA) | 39.173 | 25.336 | 34.526 | 72.643 |
| Operating profit (EBIT) | 33.907 | -16.122 | 25.745 | 67.523 |
| Pre-tax profit (EBT) | 31.450 | -32.085 | 7.095 | 48.463 |
| Net profit (after minorities) | 16.790 | -23.272 | 6.761 | 27.759 |
| Adj. shareholders' equity | 501.449 | 469.957 | 476.718 | 504.477 |
| RoE after tax | 3,2% | -4,8% | 1,4% | 5,7% |
| Financial Calendar | | | | |
| 1H 2023 report | | | 31 August 2023 | |
| SRC Forum Financials & Real Estate 2023 | | | 12 September 2023 | |
| 9M 2023 report | | | 23 November 2023 | |
| 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 | | | |
| E-Mail | scharff@src-research.de | | | |
| Internet | www.src-research.de www.aktienmarkt-international.at www.aktienmarkt-international.de | | | |

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)

IR Contact
 Christoph Rainer
 Phone: +43664801873200
 Mail: investor.relations@ubm-development.com

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

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.

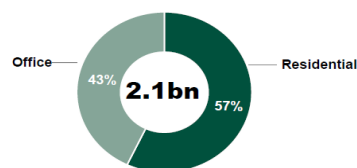
5 >250,000m² in timber construction.



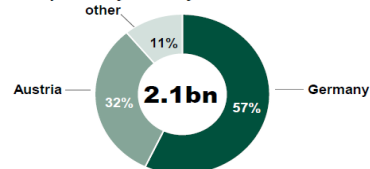
Timber pipeline

| 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 | 195.023 | 225.056 | 279.922 | 27,9% |
| Changes in the portfolio | 20.294 | -21.145 | -45.874 | 2.965 | -36.327 | -39.112 | -42.545 | |
| Share of profit/loss of companies accounted for under the equity method | 59.980 | 27.813 | 36.003 | 25.396 | 35.519 | 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 | 13.558 | 12.347 | 14.541 | |
| Cost of materials and other related production services | -202.198 | -115.673 | -141.421 | -86.858 | -115.951 | -135.741 | -155.774 | |
| Staff expenses | -36.644 | -34.847 | -36.807 | -37.255 | -38.607 | -39.182 | -40.105 | |
| Expenses from fair-value adjustments to investment property | -24.582 | -7.543 | -6.550 | -4.619 | -2.557 | -1.299 | -1.250 | |
| Other operating expenses | -40.641 | -44.922 | -31.070 | -32.594 | -32.169 | -35.603 | -36.145 | |
| Operating profit (EBITDA) | 74.966 | 65.099 | 75.929 | 39.173 | 25.336 | 34.526 | 72.643 | 22,9% |
| Depreciation, amortisation and impairment expenses | -3.515 | -3.085 | -2.627 | -5.266 | -41.458 | -8.781 | -5.120 | |
| Operating profit (EBIT) | 71.451 | 62.014 | 73.302 | 33.907 | -16.122 | 25.745 | 67.523 | 25,8% |
| Financial income | 20.711 | 23.899 | 14.040 | 23.442 | 13.808 | 12.822 | 13.450 | |
| Finance costs | -21.650 | -23.654 | -27.203 | -25.899 | -29.771 | -31.472 | -32.510 | |
| Financial result | -939 | 245 | -13.163 | -2.457 | -15.963 | -18.650 | -19.060 | |
| Earnings before tax (EBT) | 70.512 | 62.259 | 60.139 | 31.450 | -32.085 | 7.095 | 48.463 | 15,5% |
| Income tax expense | -20.450 | -21.506 | -16.428 | -4.338 | 6.125 | -1.209 | -13.160 | |
| Tax rate | 29,0% | 34,5% | 27,3% | 13,8% | 19,1% | 17,0% | 27,2% | |
| Net profit before minorities | 50.062 | 40.753 | 43.711 | 27.112 | -25.959 | 5.886 | 35.303 | 9,2% |
| Minorities | -4.011 | -7.984 | -10.086 | -10.322 | 2.687 | 875 | -7.544 | |
| Net profit after minorities | 46.051 | 32.769 | 33.625 | 16.790 | -23.272 | 6.761 | 27.759 | 18,2% |
| Earnings per share (EPS) | 6,16 | 4,39 | 4,50 | 2,25 | -3,11 | 0,90 | 3,72 | |
| 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% | 40,4% | |
| 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 | 469.957 | 476.718 | 504.477 | 0,2% |
| 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% | 32,6% | 35,1% | 35,9% | |
| Book value per share (BVpS) | 61,14 | 64,03 | 73,00 | 67,11 | 62,90 | 63,80 | 67,52 | 0,2% |
| RoE (after tax) | 10,4% | 7,0% | 6,6% | 3,2% | -4,8% | 1,4% | 5,7% | |
| Key ratios & figures | 2019 | 2020 | 2021 | 2022 | 2023e | 2024e | 2025e | |
| Growth rates in % | | | | | | | | |
| Sales revenues | -52,9% | -24,2% | 51,8% | -51,9% | 45,6% | 15,4% | 24,4% | |
| EBIT | 27,7% | -13,2% | 18,2% | -53,7% | -147,5% | -259,7% | 162,3% | |
| EBT | 26,9% | -11,7% | -3,4% | -47,7% | -202,0% | -122,1% | 583,1% | |
| Net profit after minorities | 16,0% | -28,8% | 2,6% | -50,1% | -238,6% | -129,1% | 310,6% | |
| Margins in % | | | | | | | | |
| Operating profit (EBIT) | 29,5% | 33,8% | 26,3% | 25,3% | -8,3% | 11,4% | 24,1% | |
| Pre-tax profit (EBT) | 29,1% | 34,0% | 21,6% | 23,5% | -16,5% | 3,2% | 17,3% | |
| Net Profit (after minorities) | 19,0% | 17,9% | 12,1% | 12,5% | -11,9% | 3,0% | 9,9% | |
| Expense ratios in % | | | | | | | | |
| Personnel costs to sales | 15,1% | 19,0% | 13,2% | 27,8% | 19,8% | 17,4% | 14,3% | |
| Cost of material to sales | 83,6% | 63,1% | 50,8% | 64,8% | 59,5% | 60,3% | 55,6% | |
| Depreciation to sales | 1,5% | 1,7% | 0,9% | 3,9% | 21,3% | 3,9% | 1,8% | |
| Profitability in % | | | | | | | | |
| Return on equity (RoE) after tax | 10,4% | 7,0% | 6,6% | 3,2% | -4,8% | 1,4% | 5,7% | |
| Return on assets (RoA) | 3,5% | 2,4% | 2,2% | 1,2% | -1,6% | 0,5% | 1,9% | |
| Valuation | | | | | | | | |
| P/E-ratio | 3,5 | 4,9 | 4,7 | 9,5 | -6,8 | 23,5 | 5,7 | |
| Price/ BV per Share | 0,35 | 0,33 | 0,29 | 0,32 | 0,34 | 0,33 | 0,32 | |
| Dividend yield | 10,3% | 10,3% | 10,6% | 5,2% | 0,0% | 0,0% | 7,0% | |

SRC Research**- The Specialist for Financial and Real Estate Stocks -**

SRC - Scharff Research und Consulting GmbH

Klingerstr. 23

D-60313 Frankfurt

Germany

Fon: +49 (0)69/ 400 313-80

Mail: scharff@src-research.de

Internet: www.src-research.de

| Rating Chronicle | Date | Rating | Former Price | Former Target |
|--------------------|-------------------|--------|--------------|---------------|
| UBM Development AG | 26 May 2023 | Buy | 26,50 € | 40,00 € |
| 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 € |
| 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 € |

Please note:

The UBM share price mentioned in this report is from 22 August 2023 (12:30).

UBM mandated SRC Research for covering the UBM share.

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