

# UBM Development AG

Buy (unchanged) Target: Euro 53.00 (old: Euro 52.00)



Der Spezialist für Finanzaktien

22 | July | 2021

■ **Price (Euro)** **41.40**  
52 weeks range 45.00 / 26.20

## ■ 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)	309.3
Number of shares (million)	7.47
Free Float	49.8%
Free Float MCap (million)	154.1
CAGR pre tax profit '19 - '22e	8.4%

■ Multiples	2020	2021e	2022e	2023e
MarketCap/revenues	1.69	1.54	0.72	0.93
PE ratio	7.8	9.7	6.2	5.5
Dividend yield	5.3%	4.3%	6.0%	6.8%
Price-to-Book ratio	0.65	0.57	0.53	0.50

■ Key Data per Share (Euro)	2020	2021e	2022e	2023e
Earnings per share (EPS)	5.33	4.26	6.71	7.49
Dividends per share (DPS)	2.20	1.80	2.50	2.80
Book Value per share (BVpS)	64.03	72.78	77.69	82.68

■ Financial Data (Euro '000)	2020	2021e	2022e	2023e
Revenues	183,339	200,687	432,554	332,669
Operating profit (EBITDA)	65,099	62,401	82,856	97,202
Operating profit (EBIT)	62,014	57,413	77,836	91,445
Pre-tax profit (EBT)	62,259	47,709	70,135	79,362
Net profit (after minorities)	39,804	31,814	50,112	55,946
Adj. shareholders' equity	478,467	543,843	580,506	617,772
RoE after tax	8.5%	6.2%	8.9%	9.3%

## ■ Financial Calendar

1H 2021 report	25 August 2021
SRC Forum Financials & Real Estate	8 September 2021
9M 2021 report	25 November 2021

## ■ Main Shareholders

Syndicate Ortner/ Strauss	38.8%
IGO Ortner Gruppe	6.4%
J. Dickinger	5.0%
Management & Supervisory board	3.9%

■ **Analysts** Dipl.-Kfm. Stefan Scharff, CREA  
Christopher Mehl, MBA, CFA

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**Acquisition of another project in Munich shows the firm's strong position – additional cash raised from highly demanded sustainability-linked hybrid bond – target up to 53.00 Euros, Buy affirmed**

Today, the company announced the acquisitions of a new project in the Moosach district of Munich. The firm acquired a 6.5k sqm site, which used to be the corporate headquarters of Gall + Heckelmann. The property is very well located next to the "Olympia Einkaufszentrum" shopping mall and further convenience stores, as well as next to the public transportation network. Currently, an office building with a lettable space of about 6k sqm and two warehouses are on the site. While the company has not given any further details so far, given the surrounding area, we believe that the construction an office project over the coming years will be the most likely option, and we would not be surprised if the project will be a timber construction as well, like the Timber Pioneer in Frankfurt, given the green focus of the company. **This is already the third major project (together with Baubergerstrasse and the Bogner headquarters) in the highly attractive city of Munich within the recent quarters and proofs that UBM can manage to lucratively expand the project pipeline even in more difficult times with attractive new projects.**

Already mid of June, only shortly after the placement of a Euro 150m sustainability linked bond in May, the company announced the issue of a sustainability-linked hybrid bond. Within a few hours, the maximum volume of Euro 100m was fully subscribed, reflecting trust in the company and the demand for sustainability linked financing. The coupon is at 5.5% and about 50% of the 2018 hybrid bond holders converted to the new issue.

**The addition of another attractive project in Munich underlines again the very solid position of UBM and how the company can make use of its financial strength that allows to act quickly on opportunities. Talking about the financial strength, with the recent activities on the financing side, we estimate that the company should still have about Euro 400m of cash left, which gives them plenty of firepower for more projects and a continuation of the growth path. With the good news of today and from the financing side, we decided to lift our target price from Euro 52.00 to Euro 53.00 and clearly confirm our Buy rating.**

### UBM Development AG

**Industry:** Real Estate Development  
**Sub-segment:** Resi, Office, Hotels  
**Country:** Austria  
**Headquarter:** Vienna  
**Foundation:** 1873  
**Employees:** 339

**Management Board of UBM**  
 Thomas G. Winkler, LL.M. (CEO)  
 Dipl.-Ökonom Patric Thate (CFO)  
 Dipl.-Ing. Martin Löcker (COO)

**IR Contact**  
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**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 Kudlicska Hannes Muster  
 Anke Duchow Günter Schnötzingner

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.

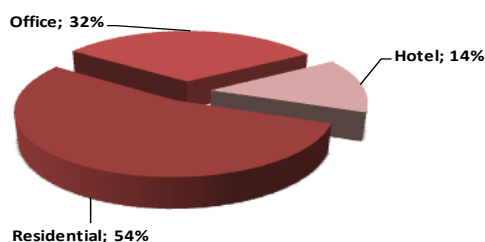
In 1992 the firm started to develop numerous lucrative projects in Eastern Europe, in particular in Poland and Czech Republic. Between 2001 and 2010 UBM entered some opportunistic markets like France and the Netherlands with hotels. In 2014 PORR, the Vienna-based construction and development conglomerate 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 of Euro 2.3bn, the pipeline is split at about 54% residential units, about 32% office space, and 14% hotels. From potentially 16 hotels, 7 hotels are in current development, and from the 7 hotels 3 are already sold. The remaining 4 hotels are 1 in The Netherlands, 2 in Germany and 1 in Czech and it is quite likely that UBM will put them on its own balance for the next 1 or 2 years after completion as to sell them for an unsatisfying price.

In 2018, the numbers marked a new record year as UBM had a net profit of almost Euro 40m. 2019 was another record year 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 were successful as well and above expectations. UBM will suggest to keep the dividend stable at Euro 2.20 per share given the strong own balance with a high equity ratio of 35% and a net LTV of only 35%. The dividend payment translates into a current dividend yield of almost 6%.

#### Pipeline split as of 31 December 2020

(c. Euro 2.3bn pipeline)



Source: Company data, SRC Research

**P & L UBM Development AG**

31/12 IFRS (Euro '000 except for per share-data)	2018	2019	2020	2021e	2022e	2023e	CAGR '20 - '23e
<b>Revenues</b>	<b>514,048</b>	<b>241,999</b>	<b>183,339</b>	<b>200,687</b>	<b>432,554</b>	<b>332,669</b>	<b>22.0%</b>
Changes in the portfolio	-42,405	20,294	-21,145	25,987	12,478	-16,928	
Share of profit/loss of companies accounted for under the equity method	35,921	59,980	27,813	14,554	12,447	55,369	
Income from fair-value adjustments to investment property	223	46,270	69,853	14,112	15,440	19,587	
Other operating income	10,652	10,488	8,224	13,544	15,120	16,648	
Cost of materials and other related production services	-352,422	-202,198	-115,673	-123,569	-318,478	-221,589	
Staff expenses	-45,318	-36,644	-34,847	-35,741	-36,689	-37,241	
Expenses from fair-value adjustments to investment property	-7,340	-24,582	-7,543	-4,475	-5,441	-5,711	
Other operating expenses	-54,471	-40,641	-44,922	-42,698	-44,575	-45,604	
<b>Operating profit (EBITDA)</b>	<b>58,888</b>	<b>74,966</b>	<b>65,099</b>	<b>62,401</b>	<b>82,856</b>	<b>97,202</b>	<b>14.3%</b>
Depreciation, amortisation and impairment expenses	-2,946	-3,515	-3,085	-4,988	-5,020	-5,757	
<b>Operating profit (EBIT)</b>	<b>55,942</b>	<b>71,451</b>	<b>62,014</b>	<b>57,413</b>	<b>77,836</b>	<b>91,445</b>	<b>13.8%</b>
Financial income	32,001	20,711	23,899	16,597	19,744	17,687	
Finance costs	-32,399	-21,650	-23,654	-26,301	-27,445	-29,771	
<b>Financial result</b>	<b>-398</b>	<b>-939</b>	<b>245</b>	<b>-9,704</b>	<b>-7,701</b>	<b>-12,084</b>	
<b>Earnings before tax (EBT)</b>	<b>55,544</b>	<b>70,512</b>	<b>62,259</b>	<b>47,709</b>	<b>70,135</b>	<b>79,362</b>	<b>8.4%</b>
Income tax expense	-16,057	-20,450	-21,506	-15,021	-18,998	-20,449	
Tax rate	28.9%	29.0%	34.5%	31.5%	27.1%	25.8%	
<b>Net profit before minorities</b>	<b>39,487</b>	<b>50,062</b>	<b>40,753</b>	<b>32,688</b>	<b>51,137</b>	<b>58,913</b>	<b>13.1%</b>
Minorities	224	3,009	-949	-874	-1,025	-2,967	
<b>Net profit after minorities</b>	<b>39,711</b>	<b>53,071</b>	<b>39,804</b>	<b>31,814</b>	<b>50,112</b>	<b>55,946</b>	<b>12.0%</b>
Earnings per share (EPS)	5.31	7.10	5.33	4.26	6.71	7.49	
Dividends per share (DPS)	2.20	2.20	2.20	1.80	2.50	2.80	
Payout ratio	41.4%	31.0%	41.3%	42.3%	37.3%	37.4%	
Number of shares ('000)	7,472	7,472	7,472	7,472	7,472	7,472	
<b>Adjusted shareholders' equity without minorities</b>	<b>428,902</b>	<b>456,833</b>	<b>478,467</b>	<b>543,843</b>	<b>580,506</b>	<b>617,772</b>	<b>8.9%</b>
<b>Total assets</b>	<b>1,234,655</b>	<b>1,316,389</b>	<b>1,372,021</b>	<b>1,481,783</b>	<b>1,526,236</b>	<b>1,602,548</b>	<b>5.3%</b>
<b>Equity ratio</b>	<b>35.3%</b>	<b>35.3%</b>	<b>35.5%</b>	<b>37.3%</b>	<b>38.6%</b>	<b>39.1%</b>	
<b>Book value per share (BVpS)</b>	<b>57.40</b>	<b>61.14</b>	<b>64.03</b>	<b>72.78</b>	<b>77.69</b>	<b>82.68</b>	<b>8.9%</b>
<b>RoE (after tax)</b>	<b>10.2%</b>	<b>12.0%</b>	<b>8.5%</b>	<b>6.2%</b>	<b>8.9%</b>	<b>9.3%</b>	
* Figures of UBM Realitäten AG (before merger)							
<b>Key ratios &amp; figures</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>	
<b>Growth rates in %</b>							
Sales revenues	41.0%	-52.9%	-24.2%	9.5%	115.5%	-23.1%	
EBIT	15.1%	27.7%	-13.2%	-7.4%	35.6%	17.5%	
EBT	10.1%	26.9%	-11.7%	-23.4%	47.0%	13.2%	
Net profit after minorities	8.9%	33.6%	-25.0%	-20.1%	57.5%	11.6%	
<b>Margins in %</b>							
Operating profit (EBIT)	10.9%	29.5%	33.8%	28.6%	18.0%	27.5%	
Pre-tax profit (EBT)	10.8%	29.1%	34.0%	23.8%	16.2%	23.9%	
Net Profit (after minorities)	7.7%	21.9%	21.7%	15.9%	11.6%	16.8%	
<b>Expense ratios in %</b>							
Personnel costs to sales	8.8%	15.1%	19.0%	17.8%	8.5%	11.2%	
Cost of material to sales	68.6%	83.6%	63.1%	61.6%	73.6%	66.6%	
Depreciation to sales	0.6%	1.5%	1.7%	2.5%	1.2%	1.7%	
<b>Profitability in %</b>							
Return on equity (RoE) after tax	10.2%	12.0%	8.5%	6.2%	8.9%	9.3%	
Return on assets (RoA)	3.2%	4.0%	2.9%	2.1%	3.3%	3.5%	
<b>Valuation</b>							
P/E-ratio	7.8	5.8	7.8	9.7	6.2	5.5	
Price/ BV per Share	0.72	0.68	0.65	0.57	0.53	0.50	
Dividend yield	5.3%	5.3%	5.3%	4.3%	6.0%	6.8%	

## SRC Research

### - The Specialist for Financial and Real Estate Stocks -

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Rating Chronicle	Date	Rating	Former Price	Former Target
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 €
UBM Development AG	25 March 2020	Buy	27.20 €	44.00 €
UBM Development AG	28 November 2019	Buy	46.00 €	54.00 €

#### Please note:

The UBM share price mentioned in this report is from 21 July 2021. UBM mandated SRC Research for covering the UBM share.

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