

UBM Development AG

Buy (unchanged) **Target: Euro 30.00** (old: Euro 28.00)



Der Spezialist für Finanzaktien

22 | October | 2024

UBM with the second successful Green Bond placement – A more staggered debt maturity profile for coming years and more financial scope – Buy affirmed, target up to Euro 30.00

Price (Euro)	19,40
52 weeks range	23.20 / 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)	145,0
Number of shares (million)	7,47
Free Float	49,2%
Free Float MCap (million)	71,3
CAGR pre tax profit '22 - '26e	4,0%

Multiples	2023	2024e	2025e	2026e
MarketCap/revenues	1,70	0,82	0,62	0,51
PE ratio	-2,8	-16,7	12,4	0,0
Dividend yield	0,0%	0,0%	2,6%	5,2%
Price-to-Book ratio	0,38	0,39	0,38	0,36

Key Data per Share (Euro)	2023	2024e	2025e	2026e
Earnings per share (EPS)	-7,03	-1,16	1,56	3,04
Dividends per share (DPS)	0,00	0,00	0,50	1,00
Book Value per share (BVpS)	50,82	49,66	51,22	53,76

Financial Data (Euro '000)	2023	2024e	2025e	2026e
Revenues	85.315	176.090	234.287	286.554
Operating profit (EBITDA)	-27.284	12.450	42.014	63.457
Operating profit (EBIT)	-30.063	9.195	38.538	59.230
Pre-tax profit (EBT)	-39.363	-5.975	18.838	36.787
Net profit (after minorities)	-52.499	-8.660	11.683	22.711
Adj. shareholders' equity	379.722	371.062	382.745	401.720
RoE after tax	-11,9%	-2,3%	3,1%	5,8%

Financial Calendar	
9M 2024	28 November 2024
2024 annual report	11 April 2025
1Q 2025 report	May 2025

Main Shareholders	
Syndicate Ortner/ Strauss	38,8%
IGO Ortner Gruppe	7,0%
J. Dickinger	5,0%
Management & Supervisory board	3,9%

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This morning, UBM announced the successful finalization of the company's second Green Bond, with a Euro 93m volume, almost double of the Euro 50m placed with the first Green Bond in July 2023. The duration is 5 years until 29 October 2029, one year more than the last year's 4 years Green Bond.

About almost Euro 74m stem from the acceptance of the exchange offers from the 2019 – 2025 bond (Euro 33.1m out of Euro 120m, 2.75% coupon) and 2021- 2026 bond (Euro 40.5m out of Euro 150m, 3.125% coupon) what means a conversion of about 27% for both. The remaining Euro 19.4m is fresh capital.

The targeted issue volume of this second Green Bond was up to Euro 100m and UBM came close to that.

With the successful bond placement, the debt maturity profile becomes more staggered, as the repayment amount for Nov. 2025 declines from Euro 120m to Euro 87m and for the May 2026 date the sustainability-linked bond comes down from Euro 150m to now only Euro 109.5m. We welcome that much improved debt profile even if it means that for 2025 the interest expenses will go up by about Euro 3.0m. In our view the improved balance sheet and debt profile is a much bigger asset in this fully changed competitive and market landscape.

Another good news already came last Friday with some rental success at Leopold Office Quartier in Vienna, where UBM managed to rent about 16% of the rental space in an early stage for this first and biggest landmark urban quarter timber project.

All in all, with this good news flow we affirm our positive view with a Buy recommendation for the UBM stock and lift our price target from Euro 28.00 to Euro 30.00. The 9M report will be published in about one month, on 28 November.

UBM Development AG

Industry: Real Estate Development
Sub-segment: Residential, Office
Country: Austria
Headquarter: Vienna
Foundation: 1873
Employees: 278

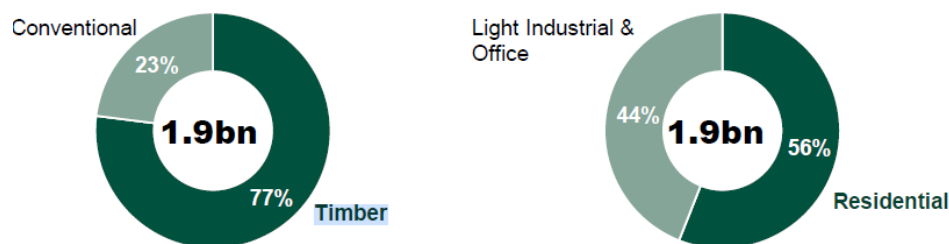
Management Board of UBM
Thomas G. Winkler, LL.M. (CEO)
Dipl.-Ökonom Patric Thate (CFO)
Martina Maly-Gärtner, MRICS (COO)
Dipl.-Ing. Peter Schaller (CTO)

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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 Schnötzinger

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 market environment and mainly the high increase of interest rates, the firm reported a net loss for 2023 of Euro 46m, driven by the negative impact of revaluations. 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 done mid of June 23 with the acquisition of Donaumarina Tower at Vienna Handelskai for only Euro 24.5m. Another good news came end of June 23 with the closing of FAZ Tower deal with HanseMerkur 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.



Source: Company data, SRC Research

P & L UBM Development AG

31/12 IFRS (Euro '000 except for per share-data)	2020	2021	2022	2023	2024e	2025e	2026e	CAGR '22 - '26e
Revenues	183.339	278.313	133.944	85.315	176.090	234.287	286.554	20,9%
Changes in the portfolio	-21.145	-45.874	2.965	33.011	-14.542	-31.532	-27.665	
Share of profit/loss of companies accounted for under the equity method	27.813	36.003	25.396	-14.059	17.655	22.239	24.244	
Income from fair-value adjustments to investment property	69.853	11.568	25.454	318	5.466	11.454	16.558	
Other operating income	8.224	11.767	12.740	51.039	3.979	14.541	17.812	
Cost of materials and other related production services	-115.673	-141.421	-86.858	-70.389	-115.741	-140.774	-179.144	
Staff expenses	-34.847	-36.807	-37.255	-30.910	-26.702	-32.442	-34.210	
Expenses from fair-value adjustments to investment property	-7.543	-6.550	-4.619	-40.767	-1.299	-1.250	-879	
Other operating expenses	-44.922	-31.070	-32.594	-40.842	-32.457	-34.509	-39.816	
Operating profit (EBITDA)	65.099	75.929	39.173	-27.284	12.450	42.014	63.457	12,8%
Depreciation, amortisation and impairment expenses	-3.085	-2.627	-5.266	-2.779	-3.255	-3.476	-4.227	
Operating profit (EBIT)	62.014	73.302	33.907	-30.063	9.195	38.538	59.230	15,0%
Financial income	23.899	14.040	23.442	21.760	15.657	15.785	12.078	
Finance costs	-23.654	-27.203	-25.899	-31.060	-30.827	-35.485	-34.521	
Financial result	245	-13.163	-2.457	-9.300	-15.170	-19.700	-22.443	
Earnings before tax (EBT)	62.259	60.139	31.450	-39.363	-5.975	18.838	36.787	4,0%
Income tax expense	-21.506	-16.428	-4.338	-6.682	-2.026	-4.711	-9.638	
Tax rate	34,5%	27,3%	13,8%	-17,0%	-33,9%	25,0%	26,2%	
Net profit before minorities	40.753	43.711	27.112	-46.045	-8.001	14.127	27.149	0,0%
Minorities and shares of hybrid capital	-7.984	-10.086	-10.322	-6.454	-659	-2.444	-4.438	
Net profit after minorities	32.769	33.625	16.790	-52.499	-8.660	11.683	22.711	7,8%
Earnings per share (EPS)	4,39	4,50	2,25	-7,03	-1,16	1,56	3,04	
Dividends per share (DPS)	2,20	2,25	1,10	0,00	0,00	0,50	1,00	
Payout ratio	50,2%	50,0%	49,0%	0,0%	0,0%	32,0%	32,9%	
Number of shares ('000)	7.472	7.472	7.472	7.472	7.472	7.472	7.472	
Adjusted shareholders' equity without minorities	478.467	545.435	501.449	379.722	371.062	382.745	401.720	-5,4%
Total assets	1.372.021	1.494.463	1.451.831	1.253.777	1.178.550	1.219.800	1.262.493	-3,4%
Equity ratio	35,5%	37,1%	35,1%	30,3%	31,5%	31,4%	31,8%	
Book value per share (BVpS)	64,03	73,00	67,11	50,82	49,66	51,22	53,76	-5,4%
RoE (after tax)	7,0%	6,6%	3,2%	-11,9%	-2,3%	3,1%	5,8%	
Key ratios & figures	2020	2021	2022	2023	2024e	2025e	2026e	
Growth rates in %								
Sales revenues	-24,2%	51,8%	-51,9%	-36,3%	106,4%	33,0%	22,3%	
EBIT	-13,2%	18,2%	-53,7%	-188,7%	-130,6%	319,1%	53,7%	
EBT	-11,7%	-3,4%	-47,7%	-225,2%	-84,8%	-415,3%	95,3%	
Net profit after minorities	-28,8%	2,6%	-50,1%	-412,7%	-83,5%	-234,9%	94,4%	
Margins in %								
Operating profit (EBIT)	33,8%	26,3%	25,3%	-35,2%	5,2%	16,4%	20,7%	
Pre-tax profit (EBT)	34,0%	21,6%	23,5%	-46,1%	-3,4%	8,0%	12,8%	
Net Profit (after minorities)	17,9%	12,1%	12,5%	-61,5%	-4,9%	5,0%	7,9%	
Expense ratios in %								
Personnel costs to sales	19,0%	13,2%	27,8%	36,2%	15,2%	13,8%	11,9%	
Cost of material to sales	63,1%	50,8%	64,8%	82,5%	65,7%	60,1%	62,5%	
Depreciation to sales	1,7%	0,9%	3,9%	3,3%	1,8%	1,5%	1,5%	
Profitability in %								
Return on equity (RoE) after tax	7,0%	6,6%	3,2%	-11,9%	-2,3%	3,1%	5,8%	
Return on assets (RoA)	2,4%	2,2%	1,2%	-4,2%	-0,7%	1,0%	1,8%	
Valuation								
P/E-ratio	4,7	4,6	9,2	-2,9	-17,9	13,2	6,8	
Price/ BV per Share	0,32	0,28	0,31	0,41	0,42	0,40	0,39	
Dividend yield	10,6%	10,9%	5,3%	0,0%	0,0%	2,4%	4,8%	

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Rating Chronicle	Date	Rating	Former Price	Former Target
UBM Development AG	01 October 2024	Buy	20,70 €	28,00 €
UBM Development AG	29 August 2024	Buy	20,50 €	28,00 €
UBM Development AG	29 May 2024	Buy	20,30 €	26,00 €
UBM Development AG	18 March 2024	Buy	18,95 €	26,00 €
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 €

Please note:

The UBM share price mentioned in this report is from 21 October 2024. UBM mandated SRC Research for covering the UBM share.

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