

UBM Development AG

Buy (unchanged) Target: Euro 50.00 (old: Euro 48.00)



Der Spezialist für Finanzaktien

23 | April | 2021

Price (Euro) **38,80**
52 weeks range 40.40 / 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)	289,9
Number of shares (million)	7,47
Free Float	49,8%
Free Float MCap (million)	144,4
CAGR pre tax profit '19 - '22e	8,4%

Multiples	2020	2021e	2022e	2023e
MarketCap/revenues	1,58	1,44	0,67	0,87
PE ratio	7,3	9,1	5,8	5,2
Dividend yield	5,7%	4,6%	6,4%	7,2%
Price-to-Book ratio	0,61	0,59	0,55	0,51

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	66,09	71,00	75,99

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	493.843	530.506	567.772
RoE after tax	8,5%	6,5%	9,8%	10,2%

Financial Calendar

1Q 2021 report	25 May 2021
AGM	27 May 2021
1H 2021 report	25 August 2021
SRC Forum Financials & Real Estate	8 September 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**
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Very good 2020 results above our expectations, dividend remains at stable Euro 2.20, a promising green pipeline, a high cash position to exploit opportunities, Buy confirmed, target price up to 50 Euros

Today, UBM released the 2020 annual report. **The numbers were convincing and above our expectations. The pre-tax profit came in at Euro 62.3m, quite stable in a very challenging Covid-19 pandemic year (2019: Euro 70.5m), as the company swiftly streamlined the development business, away from hotels and even much stronger to residential and smart green offices.** Our expectation for the pre-tax result was at a lower Euro 55.6m level. The net profit was also above our expectation, at Euro 40.8m, after Euro 50.1m in record year 2019. Our forecast was at only Euro 36.1m. The good bottom line result translates into a stable dividend proposal of Euro 2.20 for the next AGM on 27 May. Our dividend forecast was again a bit lower at Euro 2.00 and many investors even expected a dividend payment below the Euro 2.00 threshold. The firm's total output was -29%, at approx. Euro 479m (2019: Euro 678m), driven by the 77% slump in hotel segment (from Euro 229m to Euro 52m), which was partly offset by the huge increase in residential output, +24% from Euro 145m to Euro 180m, and +62% in the office segment, from Euro 89m to Euro 144m. With the overall pandemic background there was a much higher level of reluctance in the trading activities as well as in the field of acquisitions. Thus, the output was impaired by a lower level of the proceeds from the sale of properties, after Euro 524m in 2019 (incl. the big QBC 1 & 2) it came in at Euro 362m in 2020. The Euro 196m forward sale of FAZ tower in 4Q 2020, with 18k sqm superior office space on 18 floors was a lucrative landmark transaction. The "Timber Pioneer" first wood-hybrid office building next to FAZ tower with about 15k sqm office space might be another lucrative forward sale possibly coming in the second half of 2021, a transaction volume of Euro 130m to Euro 150m might be quite realistic. **The Timber Pioneer is also a perfect example for UBM's new strategic orientation: "Green, Smart. And more." The most important thing is to create sustainable green spaces for a modern living or a modern office life with a very aesthetic appeal.** Even if it is too early to give a precise guidance for 2021, the healthy balance sheet and the very comfortable liquidity position help to exploit coming opportunities for acquisitions, as recently done in February in Munich by the buy of the headquarters of luxury sports fashion producer Bogner for Euro 55m, which will translate into a huge 12k sqm residential development area and a sales price of Euro 160m to Euro 200m in the next 5 to 6 years. The cash position was up +16%, from Euro 212m to Euro 247m. It sextupled in only four years, as it was at Euro 42m in 2016. The equity ratio was unchanged at 35.2% (2019: 35.1%) at the upper end of target range (30% - 35%), the net debt position only slightly up from Euro 442m to Euro 479m, driven by new investments. The Euro 2.3bn pipeline is over 80% Germany and Austria and over 85% resi and smart green office. **With the prosperous 2020 results, the positive dividend surprise (translating into a >5.5% dividend yield) and the promising pipeline we confirm our Buy recommendation and lift the target price from Euro 48.00 to Euro 50.00.**

UBM Development AG

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

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Management Board of UBM

Thomas G. Winkler, LL.M. (CEO)
 Dipl.-Ökonom Patric Thate (CFO)
 Dipl.-Ing. Martin Löcker (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
 Johann Kaller
 Dr. Bernhard Vanas
 Dr. Susanne Weiss
 Dkff. Birgit Wagner
 Hannes Muster
 Günter Schnötzing

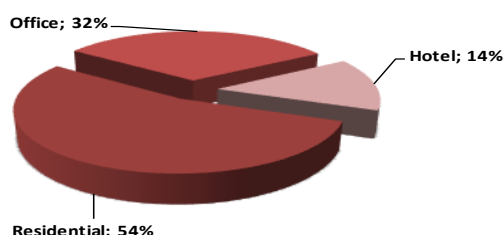
Founded in 1873 as "Union-Baumaterialien-Gesellschaft" the company has now an outstanding history of more than 145 years. Keep in mind, that since 1873, the firm is also listed on the Viennese stock market and thus is the oldest Austrian real estate company. After the initial focus was on the renting 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. 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%.

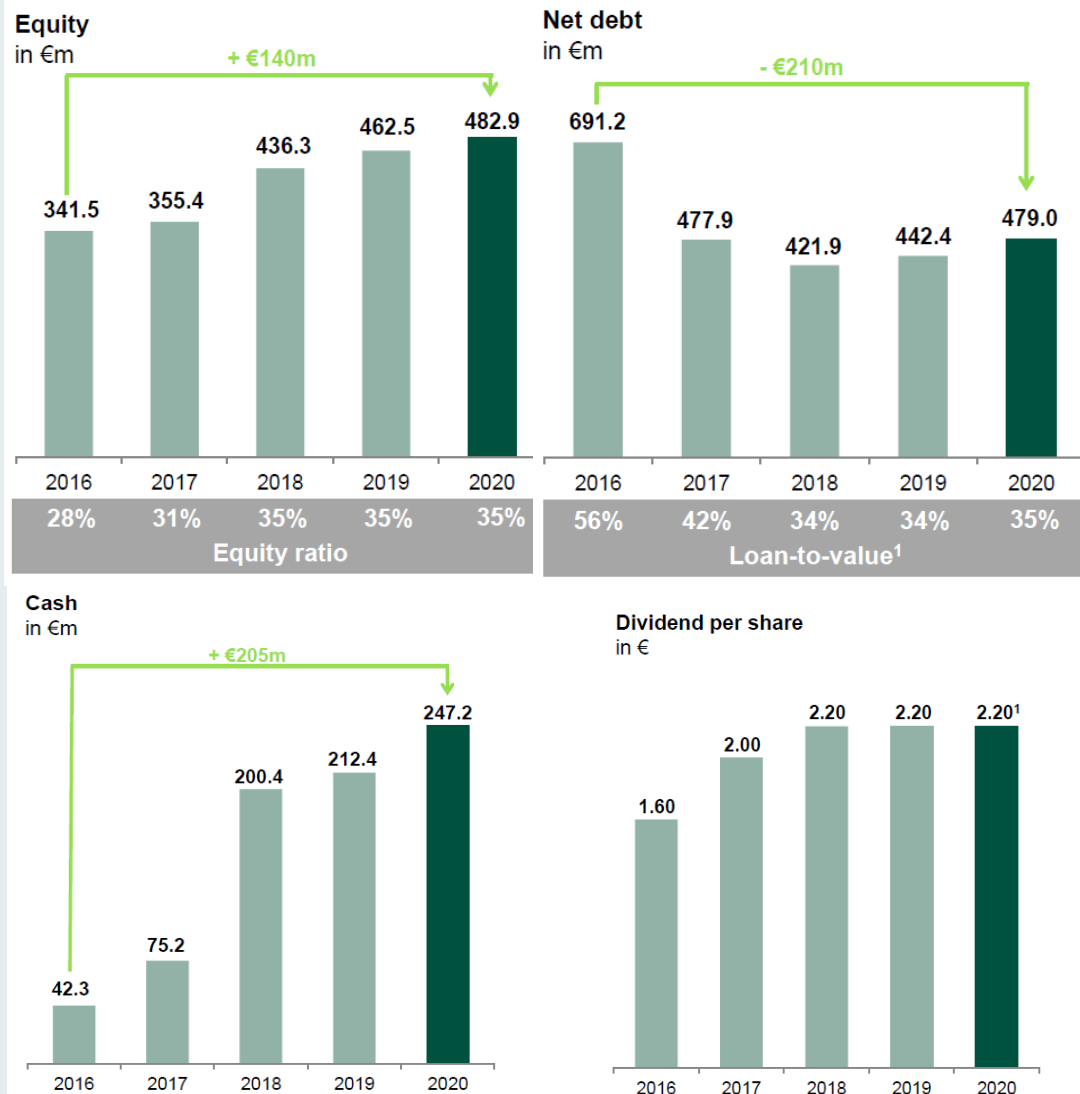
Pipeline split as of 31 December 2020
(c. Euro 2.3bn pipeline)



Source: Company data, SRC Research

Strong balance sheet allows UBM to react on upcoming opportunities and to keep the dividend at a high level

At FY 2020, the equity position reached a new high at almost Euro 0.5bn, translating into an equity ratio of 35%, thus unchanged to last year's number and at the upper end of the firm's target range of 30% to 35%. The net debt position remained also almost unchanged and only slightly increased from 34% in 2019 to 35%. This is, however, still a very comfortable level for the industry and also well in the firm's target level of below 50%. Combined with the high amount of cash, which further increased compared to last year and now stood at almost Euro 250m, this allows the company to act quickly on possible opportunities and thus gives UBM a clear advantage.



Source: Presentation FY 2020, 23 April 2021

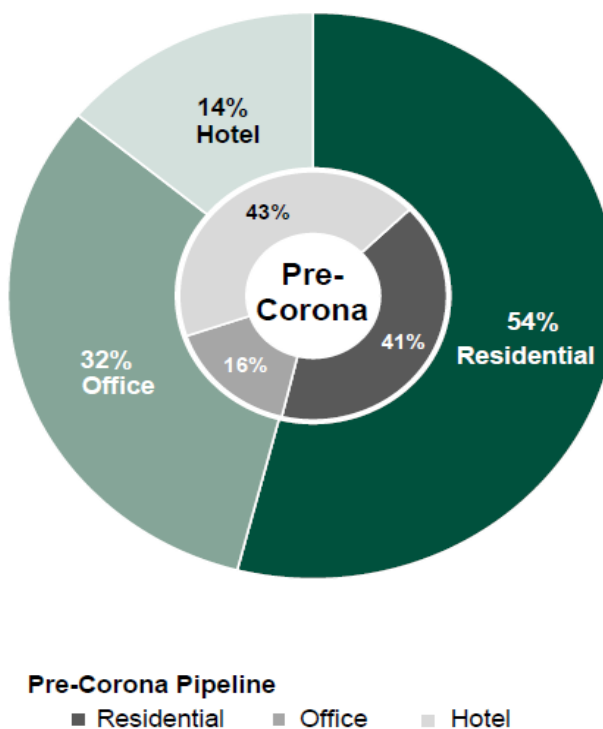
Furthermore, this rock-solid financial position allowed for a stable dividend of 2.20 Euros per share despite a Covid-19 impacted year 2020. Thus, the dividend was above our

expectation of 2.00 Euro per share and translates into a very attractive dividend yield of almost 6%, based on yesterday's closing price.

Fast reaction to the Covid pandemic followed by a successful transformation of the pipeline

Following the outbreak of the Covid pandemic more than a year ago, the company quickly adapted to the faced challenges with a reorientation of the firm's focus. Therefore, in a first step, UBM rightsized the former Euro 2.5bn pipeline, which consisted of 43% hotels, 41% residential and 16% offices, down to Euro 1.25bn and decided to shift the focus away from hotels and toward residential and office assets in the process. The next step was to increase the pipeline back up to Euro 2bn by redefining the projects, leading to a 43% residential pipeline and 25% office projects at half-year. By now, the fully reclassified new pipeline stands at Euro 2.3bn, of which 54% are in the residential segment, 32% are comprised of offices (mostly smart and green) and only the remaining 14% are hotels (no new hotels planned, so far).

Pipeline by asset class ¹



Source: Presentation FY 2020, 23 April 2021

P & L UBM Development AG

31/12 IFRS (Euro '000 except for per share-data)	2018	2019	2020	2021e	2022e	2023e	CAGR '20 - '23e
Revenues	514.048	241.999	183.339	200.687	432.554	332.669	22,0%
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	
Operating profit (EBITDA)	58.888	74.966	65.099	62.401	82.856	97.202	14,3%
Depreciation, amortisation and impairment expenses	-2.946	-3.515	-3.085	-4.988	-5.020	-5.757	
Operating profit (EBIT)	55.942	71.451	62.014	57.413	77.836	91.445	13,8%
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	
Financial result	-398	-939	245	-9.704	-7.701	-12.084	
Earnings before tax (EBT)	55.544	70.512	62.259	47.709	70.135	79.362	8,4%
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%	
Net profit before minorities	39.487	50.062	40.753	32.688	51.137	58.913	13,1%
Minorities	224	3.009	-949	-874	-1.025	-2.967	
Net profit after minorities	39.711	53.071	39.804	31.814	50.112	55.946	12,0%
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	
Adjusted shareholders' equity without minorities	428.902	456.833	478.467	493.843	530.506	567.772	5,9%
Total assets	1.234.655	1.316.389	1.372.021	1.481.783	1.526.236	1.602.548	5,3%
Equity ratio	35,3%	35,3%	35,5%	33,9%	35,4%	36,0%	
Book value per share (BVpS)	57,40	61,14	64,03	66,09	71,00	75,99	5,9%
RoE (after tax)	10,2%	12,0%	8,5%	6,5%	9,8%	10,2%	
* Figures of UBM Realitäten AG (before merger)							
Key ratios & figures	2018	2019	2020	2021e	2022e	2023e	
Growth rates in %							
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%	
Margins in %							
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%	
Expense ratios in %							
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%	
Profitability in %							
Return on equity (RoE) after tax	10,2%	12,0%	8,5%	6,5%	9,8%	10,2%	
Return on assets (RoA)	3,2%	4,0%	2,9%	2,1%	3,3%	3,5%	
Valuation							
P/E-ratio	7,3	5,5	7,3	9,1	5,8	5,2	
Price/ BV per Share	0,68	0,63	0,61	0,59	0,55	0,51	
Dividend yield	5,7%	5,7%	5,7%	4,6%	6,4%	7,2%	

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	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 €
UBM Development AG	28 August 2019	Buy	38,70 €	52,00 €

Please note:

The UBM share price mentioned in this report is from 22 April 2021. UBM mandated SRC Research for covering the UBM share.

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