

# UBM Development AG

**Buy** (unchanged) **Target: Euro 44.00** (unchanged)



Der Spezialist für Finanzaktien

24 | November | 2022

**Price (Euro)** **30.40**  
52 weeks range 44.00 / 26.30

## 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)	227.2
Number of shares (million)	7.47
Free Float	49.2%
Free Float MCap (million)	111.8
CAGR pre tax profit '21 - '24e	8.2%

Multiples	2021	2022e	2023e	2024e
MarketCap/revenues	0.82	1.09	0.62	0.54
PE ratio	6.8	10.5	6.2	5.7
Dividend yield	7.4%	4.9%	8.1%	8.7%
Price-to-Book ratio	0.42	0.41	0.39	0.38

Key Data per Share (Euro)	2021	2022e	2023e	2024e
Earnings per share (EPS)	4.50	2.89	4.94	5.35
Dividends per share (DPS)	2.25	1.50	2.45	2.65
Book Value per share (BVpS)	73.00	73.64	77.08	79.98

Financial Data (Euro '000)	2021	2022e	2023e	2024e
Revenues	278,313	207,853	364,742	421,134
Operating profit (EBITDA)	75,929	59,260	90,955	93,802
Operating profit (EBIT)	73,302	55,805	86,680	89,213
Pre-tax profit (EBT)	60,139	41,801	72,357	76,148
Net profit (after minorities)	33,625	21,599	36,931	39,961
Adj. shareholders' equity	545,435	550,222	575,945	597,599
RoE after tax	6.6%	3.9%	6.6%	6.8%

## Financial Calendar

2022 preliminary numbers	29 March 2023
Annual Report 2022	17 April 2023

## Main Shareholders

Syndicate Ortner/ Strauss	38.8%
IGO Ortner Gruppe	7.0%
J. Dickinger	5.0%
Management & Supervisory board	3.9%

**Analysts** **Dipl.-Kfm. Stefan Scharff, CREA**  
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## 3Q rather neutral on earnings side, full-year outcome dependent on two effects – Balance sheet continues to be very solid and allows for more arising opportunities – Buy and Euro 44.00 affirmed

Today, the company released the report for the first nine months of 2022. While the third quarter was relatively neutral in regards to the firm's EBT, we are still confident that the firm can reach its full year guidance with a more relevant closing quarter.

Total output for the first three quarters amounted to Euro 320m compared to Euro 340m last year. Here, the main contributors were the F.A.Z Tower and the Siebenbrunnengasse project. Revenues came in at Euro 115m. Profit from at-equity companies was at Euro 20m more or less unchanged to last year's number. The EBIT for the first nine months stood at Euro 17.2m (9M 2021: Euro 55.3m). The net financial result was at only Euro -630m compared to Euro -9.1m last year and reflected from both increased financial income and slightly lower financial costs. Keep in mind, that here the sale of the alba Bau is included with a positive contribution. All in all, the firm's EBT amounted to Euro 16.6m while the bottom line after minorities was at Euro 7.5m. The earnings per share amounted to Euro 1.00.

Looking at the balance sheet, it can be clearly seen that the firm continues to be in a very solid position. Following the repayment of the outstanding Euro 80.5m of the 2022 bond in October, the debt maturity profile of the firm is very undemanding with a bond maturity of Euro 120m only due in November 2023 and no maturities in 2024. The equity position is also still very solid at an equity ratio of 33.4%, despite a Euro 27m correction to equity in the third quarter resulting from an error in the 2020 financial statements. Along with a very comfortable cash balance at Euro 358m, this allows the firm to quickly react to arising opportunities from distressed competitors, as it has already done in Düsseldorf in September with the acquisition of the project in the Medienhafen.

As the third quarter did not deliver a relevant contribution in terms of EBT, the achievement of the firm's full year guidance of an EBT between Euro 38m to Euro 42m clearly depends on a more relevant fourth quarter and more specifically on the timing of the F.A.Z. Tower closing and the grant of the permit for the Baubergerstrasse project. While the firm sees it as a "photo finish", we stick to our estimates for the full year and expect an EBT of close to Euro 42m. Regarding the mid- to long term outlook we also remain positive. We believe that UBM can be one of the companies benefiting from the new market environment due to the described firepower to react to arising opportunities as well as due to the pipeline, where close to half of it is already timber construction. For one of these projects, the Leopoldquartier, Europe's first urban quarter in timber construction with 75k sqm of floor space in Vienna, a permit was now granted and the project is planned to be completed by 2025, delivering a strong earnings contribution in the coming years. **We confirm our Euro 44.00 target price as well as our Buy rating for the share.**

## UBM Development AG

**Industry:** Real Estate Development  
**Sub-segment:** Resi, Office, Hotels  
**Country:** Austria  
**Headquarter:** Vienna  
**Foundation:** 1873  
**Employees:** 369

### Management Board of UBM

Thomas G. Winkler, LL.M. (CEO)  
Dipl.-Ökonom Patric Thate (CFO)  
Dipl.-Ing. Martin Löcker (COO)  
Martina Maly-Gärtner, MRICS (COO)

### 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

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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.

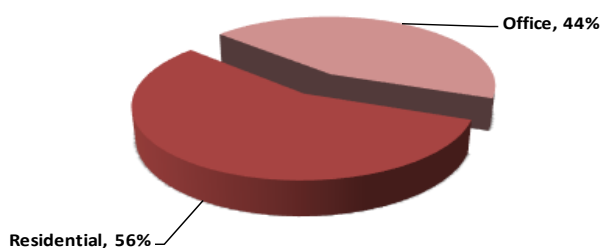
The UBM Development AG acts now since 2016 as a pure-play trade developer.

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 (9M 2022) of Euro 2.1bn, the pipeline is split at about 56% residential and 44% office.

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 with a high equity ratio of 33.4% and a LTV of only 32.2% certainly allow the company to react to arising opportunities from distressed competitors, which we see to happen over the course of 2023. Due to the current uncertainties regarding the war in Ukraine, the ongoing Covid picture, the inflationary environment and the unclear interest rate developments, which lead also to a more or less stand-still status of the transaction markets, the company expects a lower pre-tax profit of Euro 38m to Euro 42m for FY 2022.

### Pipeline split as of 30 September 2022

(c. Euro 2.1bn pipeline)



Source: Company data, SRC Research

**P & L UBM Development AG**

31/12 IFRS (Euro '000 except for per share-data)	2019	2020	2021	2022e	2023e	2024e	CAGR '21 - '24e
<b>Revenues</b>	<b>241,999</b>	<b>183,339</b>	<b>278,313</b>	<b>207,853</b>	<b>364,742</b>	<b>421,134</b>	<b>14.8%</b>
Changes in the portfolio	20,294	-21,145	-45,874	-31,960	-35,327	-39,112	
Share of profit/loss of companies accounted for under the equity method	59,980	27,813	36,003	42,142	49,113	37,846	
Income from fair-value adjustments to investment property	46,270	69,853	11,568	15,440	19,587	13,474	
Other operating income	10,488	8,224	11,767	12,430	13,558	12,347	
Cost of materials and other related production services	-202,198	-115,673	-141,421	-110,633	-247,885	-275,413	
Staff expenses	-36,644	-34,847	-36,807	-37,144	-38,107	-39,574	
Expenses from fair-value adjustments to investment property	-24,582	-7,543	-6,550	-5,124	-2,557	-1,299	
Other operating expenses	-40,641	-44,922	-31,070	-33,744	-32,169	-35,603	
<b>Operating profit (EBITDA)</b>	<b>74,966</b>	<b>65,099</b>	<b>75,929</b>	<b>59,260</b>	<b>90,955</b>	<b>93,802</b>	<b>7.3%</b>
Depreciation, amortisation and impairment expenses	-3,515	-3,085	-2,627	-3,455	-4,275	-4,589	
<b>Operating profit (EBIT)</b>	<b>71,451</b>	<b>62,014</b>	<b>73,302</b>	<b>55,805</b>	<b>86,680</b>	<b>89,213</b>	<b>6.8%</b>
Financial income	20,711	23,899	14,040	13,441	15,447	17,419	
Finance costs	-21,650	-23,654	-27,203	-27,445	-29,771	-30,484	
<b>Financial result</b>	<b>-939</b>	<b>245</b>	<b>-13,163</b>	<b>-14,004</b>	<b>-14,324</b>	<b>-13,065</b>	
<b>Earnings before tax (EBT)</b>	<b>70,512</b>	<b>62,259</b>	<b>60,139</b>	<b>41,801</b>	<b>72,357</b>	<b>76,148</b>	<b>8.2%</b>
Income tax expense	-20,450	-21,506	-16,428	-11,144	-21,642	-22,031	
Tax rate	29.0%	34.5%	27.3%	26.7%	29.9%	28.9%	
<b>Net profit before minorities</b>	<b>50,062</b>	<b>40,753</b>	<b>43,711</b>	<b>30,657</b>	<b>50,715</b>	<b>54,117</b>	<b>7.4%</b>
Minorities	-4,011	-7,984	-10,086	-9,058	-13,784	-14,156	
<b>Net profit after minorities</b>	<b>46,051</b>	<b>32,769</b>	<b>33,625</b>	<b>21,599</b>	<b>36,931</b>	<b>39,961</b>	<b>5.9%</b>
Earnings per share (EPS)	6.16	4.39	4.50	2.89	4.94	5.35	
Dividends per share (DPS)	2.20	2.20	2.25	1.50	2.45	2.65	
Payout ratio	35.7%	50.2%	50.0%	51.9%	49.6%	49.6%	
Number of shares ('000)	7,472	7,472	7,472	7,472	7,472	7,472	
<b>Adjusted shareholders' equity</b> without minorities	<b>456,833</b>	<b>478,467</b>	<b>545,435</b>	<b>550,222</b>	<b>575,945</b>	<b>597,599</b>	<b>3.1%</b>
<b>Total assets</b>	<b>1,316,389</b>	<b>1,372,021</b>	<b>1,494,463</b>	<b>1,554,242</b>	<b>1,686,352</b>	<b>1,829,692</b>	<b>7.0%</b>
<b>Equity ratio</b>	<b>35.3%</b>	<b>35.5%</b>	<b>37.1%</b>	<b>36.0%</b>	<b>34.8%</b>	<b>33.3%</b>	
<b>Book value per share (BVpS)</b>	<b>61.14</b>	<b>64.03</b>	<b>73.00</b>	<b>73.64</b>	<b>77.08</b>	<b>79.98</b>	<b>3.1%</b>
<b>RoE (after tax)</b>	<b>10.4%</b>	<b>7.0%</b>	<b>6.6%</b>	<b>3.9%</b>	<b>6.6%</b>	<b>6.8%</b>	
<b>Key ratios &amp; figures</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>	
<b>Growth rates in %</b>							
Sales revenues	-52.9%	-24.2%	51.8%	-25.3%	75.5%	15.5%	
EBIT	27.7%	-13.2%	18.2%	-23.9%	55.3%	2.9%	
EBT	26.9%	-11.7%	-3.4%	-30.5%	73.1%	5.2%	
Net profit after minorities	16.0%	-28.8%	2.6%	-35.8%	71.0%	8.2%	
<b>Margins in %</b>							
Operating profit (EBIT)	29.5%	33.8%	26.3%	26.8%	23.8%	21.2%	
Pre-tax profit (EBT)	29.1%	34.0%	21.6%	20.1%	19.8%	18.1%	
Net Profit (after minorities)	19.0%	17.9%	12.1%	10.4%	10.1%	9.5%	
<b>Expense ratios in %</b>							
Personnel costs to sales	15.1%	19.0%	13.2%	17.9%	10.4%	9.4%	
Cost of material to sales	83.6%	63.1%	50.8%	53.2%	68.0%	65.4%	
Depreciation to sales	1.5%	1.7%	0.9%	1.7%	1.2%	1.1%	
<b>Profitability in %</b>							
Return on equity (RoE) after tax	10.4%	7.0%	6.6%	3.9%	6.6%	6.8%	
Return on assets (RoA)	3.5%	2.4%	2.2%	1.4%	2.2%	2.2%	
<b>Valuation</b>							
P/E-ratio	5.3	7.5	7.3	11.4	6.7	6.2	
Price/ BV per Share	0.54	0.51	0.45	0.45	0.43	0.41	
Dividend yield	6.7%	6.7%	6.8%	4.6%	7.4%	8.1%	

## 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	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 €

#### Please note:

The UBM share price mentioned in this report is from 23 November 2022. UBM mandated SRC Research for covering the UBM share.

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