

# UBM Development AG

Buy (unchanged) Target: Euro 55.00 (old: Euro 53.00)



Der Spezialist für Finanzaktien

25 | August | 2021

**Price (Euro)** **43,20**  
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)	322,8
Number of shares (million)	7,47
Free Float	49,8%
Free Float MCap (million)	160,8
CAGR pre tax profit '19 - '22e	8,4%

Multiples	2020	2021e	2022e	2023e
MarketCap/revenues	1,76	1,34	0,75	0,97
PE ratio	8,1	7,2	6,4	5,8
Dividend yield	5,1%	5,1%	5,8%	6,5%
Price-to-Book ratio	0,67	0,58	0,55	0,51

Key Data per Share (Euro)	2020	2021e	2022e	2023e
Earnings per share (EPS)	5,33	5,98	6,71	7,49
Dividends per share (DPS)	2,20	2,20	2,50	2,80
Book Value per share (BVpS)	64,03	74,51	79,01	84,00

Financial Data (Euro '000)	2020	2021e	2022e	2023e
Revenues	183.339	241.778	432.554	332.669
Operating profit (EBITDA)	65.099	85.186	82.856	97.202
Operating profit (EBIT)	62.014	81.509	77.836	91.445
Pre-tax profit (EBT)	62.259	59.712	70.135	79.362
Net profit (after minorities)	39.804	44.674	50.112	55.946
Adj. shareholders' equity	478.467	556.703	590.377	627.643
RoE after tax	8,5%	8,6%	8,7%	9,2%

## Financial Calendar

<b>SRC Forum Financials &amp; Real Estate</b>	<b>8 September 2021</b>
9M 2021 report	25 November 2021
2021 annual report	8 April 2022
AGM	16 May 2022

## 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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## UBM gives full year guidance above market and SRC expectations – Euro 400m cash and a very healthy balance open the scope to further expand the well filled pipeline – Target up to Euro 55.00

Today, UBM released the 1H report and invited for a conference call in the afternoon. The picture of the first half of the year was very decent with a 31% jump in total output, from Euro 181m last year to over Euro 237m now. The total output was even above the 2019 pre Corona level of Euro 183m. All core markets Germany, Austria and Poland contributed to this remarkable increase, as Germany was up 11% to Euro 80m, Austria +65% to Euro 103m and Poland +19% to Euro 42m. The revenues in P & L even increased 85%, from Euro 80m to Euro 147m, translating into an unchanged EBIT result of Euro 38m. Keep in mind that last year's EBIT result was flattered by higher revaluation gains of Euro 70m, which came down to Euro 10m this year. With the unchanged EBIT the company managed to deliver a net profit after minorities of Euro 23.1m, slightly above 1H 2020 at Euro 22.3m. EPS slightly up from Euro 2.98 to Euro 3.09.

**With the strong half-year results UBM gives the first guidance after the Covid 19 outbreak, expecting a pre-tax profit in the full 2021 year in a range of Euro 55m to Euro 60m, whereas the market consensus stood 30% lower at around Euro 45m and SRC Research forecasted Euro 48m. That would mean to come very close to the 2020 pre-tax level (Euro 62m), no Corona dent, despite a full pandemic 12 months period and an ongoing low hotel business due to the general travel restrictions, as output from hotel operations came down from Euro 9.3m to Euro 3.0m.**

The company has a rock-solid balance with an equity position that increased 11% in the first six months of the year to Euro 538m and a more or less unchanged equity ratio of 34.5%, at the upper end of the targeted 30% - 35% range. With the two ESG related bonds (corporate and hybrid) in the second quarter with a volume of Euro 250m, the cash and cash equivalents boosted 65% from Euro 247m to Euro 407m in the first six months. LTV is down from 34.9% at year-end 2020 to low 28.9% in June 2021.

With the quick shift of the current developments to green and smart residential and office buildings and the build-up of an attractive ESG conform development pipeline of Euro 2.4bn (year-end 2020 Euro 2.3bn), that is 88% residential and office, UBM is in the sweet spot of institutional real estate investors seeking yields, like big pension funds or insurers. The ISS rating on a very high C level underlines the strong ESG orientation and the superior position within the industry as one of the leaders.

**The given guidance leads us to uplift our too conservative 2021 P & L forecast. We expect now Euro 59.7m pre-tax profit. Some new interesting deals on the acquisition side (like done so far twice in Munich this year) or also from trading (both mainly from Germany) might further fuel the news flow and the share price development. Target up from Euro 53.00 to Euro 55.00.**

## UBM Development AG

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

### IR Contact

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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  
Anke Duchow  
Dr. Bernhard Vanas  
Dr. Susanne Weiss  
Dkff. Birgit Wagner  
Hannes Muster  
Günter Schnötzingner

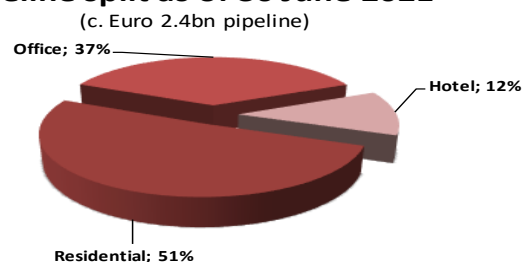
Founded in 1873 as "Union-Baumaterialien-Gesellschaft" the company has now an outstanding history of more than 145 years. Keep in mind, that since 1873, the firm is also listed on the Viennese stock market and thus is the oldest Austrian real estate company. After the initial focus was on the renting 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 2.4bn, the pipeline is split at about 51% residential units, about 37% office space, and 12% 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 kept 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 5%. With the good 1H 2021 figures (+31% in output, net profit after minorities slightly up to Euro 23.1m after Euro 22.3m last year), the company gave a full year pre-tax guidance of Euro 55m to Euro 60m, close to the Euro 62m pre-tax result in 2020. We expect UBM to reach the upper end of targeted range and keep the next dividend payment stable again at Euro 2.20.

### Pipeline split as of 30 June 2021



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>241.778</b>	<b>432.554</b>	<b>332.669</b>	<b>22,0%</b>
Changes in the portfolio	-42.405	20.294	-21.145	-12.030	12.478	-16.928	
Share of profit/loss of companies accounted for under the equity method	35.921	59.980	27.813	18.778	12.447	55.369	
Income from fair-value adjustments to investment property	223	46.270	69.853	16.445	15.440	19.587	
Other operating income	10.652	10.488	8.224	12.100	15.120	16.648	
Cost of materials and other related production services	-352.422	-202.198	-115.673	-121.569	-318.478	-221.589	
Staff expenses	-45.318	-36.644	-34.847	-37.120	-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	-28.721	-44.575	-45.604	
<b>Operating profit (EBITDA)</b>	<b>58.888</b>	<b>74.966</b>	<b>65.099</b>	<b>85.186</b>	<b>82.856</b>	<b>97.202</b>	<b>14,3%</b>
Depreciation, amortisation and impairment expenses	-2.946	-3.515	-3.085	-3.677	-5.020	-5.757	
<b>Operating profit (EBIT)</b>	<b>55.942</b>	<b>71.451</b>	<b>62.014</b>	<b>81.509</b>	<b>77.836</b>	<b>91.445</b>	<b>13,8%</b>
Financial income	32.001	20.711	23.899	14.197	19.744	17.687	
Finance costs	-32.399	-21.650	-23.654	-35.994	-27.445	-29.771	
<b>Financial result</b>	<b>-398</b>	<b>-939</b>	<b>245</b>	<b>-21.797</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>59.712</b>	<b>70.135</b>	<b>79.362</b>	<b>8,4%</b>
Income tax expense	-16.057	-20.450	-21.506	-13.793	-18.998	-20.449	
Tax rate	28,9%	29,0%	34,5%	23,1%	27,1%	25,8%	
<b>Net profit before minorities</b>	<b>39.487</b>	<b>50.062</b>	<b>40.753</b>	<b>45.919</b>	<b>51.137</b>	<b>58.913</b>	<b>13,1%</b>
Minorities	224	3.009	-949	-1.245	-1.025	-2.967	
<b>Net profit after minorities</b>	<b>39.711</b>	<b>53.071</b>	<b>39.804</b>	<b>44.674</b>	<b>50.112</b>	<b>55.946</b>	<b>12,0%</b>
Earnings per share (EPS)	5,31	7,10	5,33	5,98	6,71	7,49	
Dividends per share (DPS)	2,20	2,20	2,20	2,20	2,50	2,80	
Payout ratio	41,4%	31,0%	41,3%	36,8%	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>556.703</b>	<b>590.377</b>	<b>627.643</b>	<b>9,5%</b>
<b>Total assets</b>	<b>1.234.655</b>	<b>1.316.389</b>	<b>1.372.021</b>	<b>1.564.104</b>	<b>1.634.489</b>	<b>1.752.172</b>	<b>8,5%</b>
<b>Equity ratio</b>	<b>35,3%</b>	<b>35,3%</b>	<b>35,5%</b>	<b>36,2%</b>	<b>36,7%</b>	<b>36,4%</b>	
<b>Book value per share (BVpS)</b>	<b>57,40</b>	<b>61,14</b>	<b>64,03</b>	<b>74,51</b>	<b>79,01</b>	<b>84,00</b>	<b>9,5%</b>
<b>RoE (after tax)</b>	<b>10,2%</b>	<b>12,0%</b>	<b>8,5%</b>	<b>8,6%</b>	<b>8,7%</b>	<b>9,2%</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%	31,9%	78,9%	-23,1%	
EBIT	15,1%	27,7%	-13,2%	31,4%	-4,5%	17,5%	
EBT	10,1%	26,9%	-11,7%	-4,1%	17,5%	13,2%	
Net profit after minorities	8,9%	33,6%	-25,0%	12,2%	12,2%	11,6%	
<b>Margins in %</b>							
Operating profit (EBIT)	10,9%	29,5%	33,8%	33,7%	18,0%	27,5%	
Pre-tax profit (EBT)	10,8%	29,1%	34,0%	24,7%	16,2%	23,9%	
Net Profit (after minorities)	7,7%	21,9%	21,7%	18,5%	11,6%	16,8%	
<b>Expense ratios in %</b>							
Personnel costs to sales	8,8%	15,1%	19,0%	15,4%	8,5%	11,2%	
Cost of material to sales	68,6%	83,6%	63,1%	50,3%	73,6%	66,6%	
Depreciation to sales	0,6%	1,5%	1,7%	1,5%	1,2%	1,7%	
<b>Profitability in %</b>							
Return on equity (RoE) after tax	10,2%	12,0%	8,5%	8,6%	8,7%	9,2%	
Return on assets (RoA)	3,2%	4,0%	2,9%	2,9%	3,1%	3,2%	
<b>Valuation</b>							
P/E-ratio	8,1	6,1	8,1	7,2	6,4	5,8	
Price/ BV per Share	0,75	0,71	0,67	0,58	0,55	0,51	
Dividend yield	5,1%	5,1%	5,1%	5,1%	5,8%	6,5%	

## 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	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 €
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 24 August 2021. UBM mandated SRC Research for covering the UBM share.

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