

UBM Development AG

Buy (unchanged) Target: Euro 55.00 (unchanged)

25 | November | 2021



Der Spezialist für Finanzaktien

■ **Price (Euro)** **40.60**
52 weeks range 45.90 / 33.40

■ 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)	303.4
Number of shares (million)	7.47
Free Float	49.4%
Free Float MCap (million)	149.9
CAGR pre tax profit '19 - '22e	8.3%

■ Multiples	2020	2021e	2022e	2023e
MarketCap/revenues	1.65	1.06	0.70	0.83
PE ratio	7.6	6.8	6.0	5.5
Dividend yield	5.4%	5.4%	6.2%	6.9%
Price-to-Book ratio	0.63	0.54	0.51	0.48

■ Key Data per Share (Euro)	2020	2021e	2022e	2023e
Earnings per share (EPS)	5.33	6.00	6.73	7.45
Dividends per share (DPS)	2.20	2.20	2.50	2.80
Book Value per share (BVpS)	64.03	74.53	79.06	84.01

■ Financial Data (Euro '000)	2020	2021e	2022e	2023e
Revenues	183,339	287,431	432,554	364,742
Operating profit (EBITDA)	65,099	75,067	81,466	95,417
Operating profit (EBIT)	62,014	72,531	78,011	91,142
Pre-tax profit (EBT)	62,259	59,884	70,310	79,058
Net profit (after minorities)	39,804	44,846	50,287	55,643
Adj. shareholders' equity	478,467	556,875	590,724	627,686
RoE after tax	8.5%	8.7%	8.8%	9.1%

■ Financial Calendar

2021 annual report	8 April 2022
AGM	16 May 2022
1Q 2022 report	25 May 2022

■ Main Shareholders

Syndicate Ortner/ Strauss	38.8%
IGO Ortner Gruppe	6.8%
J. Dickinger	5.0%
Management & Supervisory board	3.9%

■ **Analysts** Dipl.-Kfm. Stefan Scharff, CREA
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UBM reports very solid 9M numbers and is well on track to reach our full year estimates – more news from the transaction side expected till year end – Euro 55.00 target price and Buy affirmed

Today, the company released the report for the first nine months and delivered yet another very solid quarter. The results of the first three quarters are fully in line with our estimates, which we keep on the very top end of the firm's guided EBT range of Euro 55m to Euro 60m.

Total output hiked by about 17% from Euro 292m to Euro 340m and was mainly driven by the sale of projects in the pre-development stage as well as by the construction progress on projects in progress. Revenues were up almost 73% from Euro 127m to Euro 219m. The profit from at-equity accounted companies came in at Euro 20m after a loss of about Euro -2m in last year's period. Income from fair value adjustments amounted to Euro 10m (9M 2020: Euro 70m), while changes in the portfolio contributed almost Euro 44m (9M 2020: Euro 1m). Cost of materials for the first nine months amounted to Euro 193m, leading all in all to an operating profit on EBIT basis of more than Euro 55m, up almost 20%. With a decreasing financial income and increased financial costs due to the higher debt basis, the pre-tax profit was down about 10% from Euro 51m to more than Euro 46m, representing the second best EBT in the firm's history. Due to a reduced tax burden, the bottom line after minorities increased by about 7% however, from Euro 27m to almost Euro 29m. This translates into earnings per share of Euro 3.86.

For the remainder of the year, we expect the fourth quarter to be very solid as well. We believe that some further sales will be reported in the coming weeks and also expect a significant acquisition coming up, possibly even with the current year. The firm's balance sheet certainly allows for a further expansion of the currently Euro 2.2bn large pipeline. The firm has a cash position of more than Euro 440m at the reporting date, with an equity ratio of 35.1% and a very low LTV of only 26.3%. Good news also came relating to the timber pioneer project, where a building permit was recently obtained. Thus, we would not be too surprised, if the company will report a lucrative forward sale in the opening months of 2022, as demand should be high in our opinion given the combination of an attractive office building with a high green focus due to the timber construction. Talking about ESG, UBM has received the Gold rating from EcoVadis and once again underlines the strong ESG orientation and the superior position within the industry as one of the leaders. We believe that the firm's early high focus on ESG will benefit the company in the coming years.

We see the company well on the way to reach our estimates as well as the firm's full year guidance. We furthermore are convinced that further deals will follow in the coming weeks and months, that will allow the company to continue its successful path of the recent years and allows the company to even further grow the business and the numbers in the coming years. Regarding the worsening Covid-19 picture and the current lockdown in Austria, with other countries possibly following soon, we see the company in a good position as well and do not expect any material impacts as of today. We confirm our Euro 55.00 target price and stick to our Buy recommendation.

UBM Development AG

Industry: Real Estate Development
Sub-segment: Resi, Office, Hotels
Country: Austria
Headquarter: Vienna
Foundation: 1873
Employees: 345

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)

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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 Kudlicska
Anke Duchow
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.

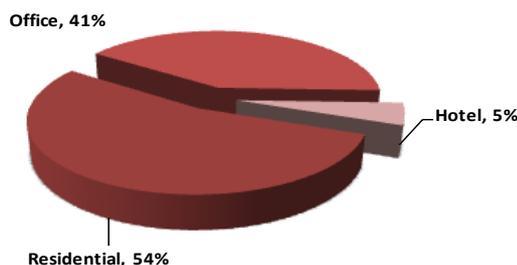
In 1992 the firm started to develop numerous lucrative projects in Eastern Europe, in particular in Poland and Czech Republic. Between 2001 and 2010 UBM entered some opportunistic markets like France and the Netherlands with hotels. In 2014 PORR, the Vienna-based construction and development conglomerate 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 2.2bn, the pipeline is split at about 54% residential units, about 41% office space, and 5% hotels.

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 September 2021

(c. Euro 2.2bn 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
Revenues	514,048	241,999	183,339	287,431	432,554	364,742	25.8%
Changes in the portfolio	-42,405	20,294	-21,145	46,255	12,478	-16,928	
Share of profit/loss of companies accounted for under the equity method	35,921	59,980	27,813	24,156	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	12,430	13,558	
Cost of materials and other related production services	-352,422	-202,198	-115,673	-238,564	-321,583	-255,511	
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	-412	-1,036	-2,557	
Other operating expenses	-54,471	-40,641	-44,922	-35,224	-44,575	-45,604	
Operating profit (EBITDA)	58,888	74,966	65,099	75,067	81,466	95,417	13.6%
Depreciation, amortisation and impairment expenses	-2,946	-3,515	-3,085	-2,536	-3,455	-4,275	
Operating profit (EBIT)	55,942	71,451	62,014	72,531	78,011	91,142	13.7%
Financial income	32,001	20,711	23,899	14,197	19,744	17,687	
Finance costs	-32,399	-21,650	-23,654	-26,844	-27,445	-29,771	
Financial result	-398	-939	245	-12,647	-7,701	-12,084	
Earnings before tax (EBT)	55,544	70,512	62,259	59,884	70,310	79,058	8.3%
Income tax expense	-16,057	-20,450	-21,506	-13,793	-18,998	-20,449	
Tax rate	28.9%	29.0%	34.5%	23.0%	27.0%	25.9%	
Net profit before minorities	39,487	50,062	40,753	46,091	51,312	58,609	12.9%
Minorities	224	3,009	-949	-1,245	-1,025	-2,967	
Net profit after minorities	39,711	53,071	39,804	44,846	50,287	55,643	11.8%
Earnings per share (EPS)	5.31	7.10	5.33	6.00	6.73	7.45	
Dividends per share (DPS)	2.20	2.20	2.20	2.20	2.50	2.80	
Payout ratio	41.4%	31.0%	41.3%	36.7%	37.1%	37.6%	
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	556,875	590,724	627,686	9.5%
Total assets	1,234,655	1,316,389	1,372,021	1,605,265	1,733,686	1,881,049	11.1%
Equity ratio	35.3%	35.3%	35.5%	35.3%	34.7%	34.0%	
Book value per share (BVpS)	57.40	61.14	64.03	74.53	79.06	84.01	9.5%
RoE (after tax)	10.2%	12.0%	8.5%	8.7%	8.8%	9.1%	
* 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%	56.8%	50.5%	-15.7%	
EBIT	15.1%	27.7%	-13.2%	17.0%	7.6%	16.8%	
EBT	10.1%	26.9%	-11.7%	-3.8%	17.4%	12.4%	
Net profit after minorities	8.9%	33.6%	-25.0%	12.7%	12.1%	10.6%	
Margins in %							
Operating profit (EBIT)	10.9%	29.5%	33.8%	25.2%	18.0%	25.0%	
Pre-tax profit (EBT)	10.8%	29.1%	34.0%	20.8%	16.3%	21.7%	
Net Profit (after minorities)	7.7%	21.9%	21.7%	15.6%	11.6%	15.3%	
Expense ratios in %							
Personnel costs to sales	8.8%	15.1%	19.0%	12.9%	8.5%	10.2%	
Cost of material to sales	68.6%	83.6%	63.1%	83.0%	74.3%	70.1%	
Depreciation to sales	0.6%	1.5%	1.7%	0.9%	0.8%	1.2%	
Profitability in %							
Return on equity (RoE) after tax	10.2%	12.0%	8.5%	8.7%	8.8%	9.1%	
Return on assets (RoA)	3.2%	4.0%	2.9%	2.8%	2.9%	3.0%	
Valuation							
P/E-ratio	7.6	5.7	7.6	6.8	6.0	5.5	
Price/ BV per Share	0.71	0.66	0.63	0.54	0.51	0.48	
Dividend yield	5.4%	5.4%	5.4%	5.4%	6.2%	6.9%	

SRC Research

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Rating Chronicle	Date	Rating	Former Price	Former Target
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 €
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 24 November 2021. UBM mandated SRC Research for covering the UBM share.

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