

UBM Development AG

Buy (unchanged) Target: Euro 50.00 (old: Euro 55.00)



Der Spezialist für Finanzaktien

26 | August | 2022

■ Price (Euro)	32.90			
52 weeks range	45.90 / 32.20			
■ 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)	245.8			
Number of shares (million)	7.47			
Free Float	49.2%			
Free Float MCap (million)	121.0			
CAGR pre tax profit '21 - '24e	8.2%			
■ Multiples	2021	2022e	2023e	2024e
MarketCap/revenues	0.88	1.18	0.67	0.58
PE ratio	7.3	11.4	6.7	6.2
Dividend yield	6.8%	4.6%	7.4%	8.1%
Price-to-Book ratio	0.45	0.45	0.43	0.41
■ 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				
SRC Forum Financials & Real Estate			13 September 2022	
9M 2022 report			24 November 2022	
Annual Report 2022			14 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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1H numbers and outlook below our estimates, but the firm is still in a good position and financially strong in a very tough market environment– Target price down to Euro 50.00, Buy affirmed

Yesterday, the company released the report for the first half of 2022 and also issued a guidance for the full year. While both the numbers and the guidance remain below our previous estimates, this is not too big of a surprise given the developments of the real estate market and the overall markets of the recent months. Total output was down about 13% from Euro 237.3m to Euro 206.2m. Revenues decreased by more than 40% from Euro 147.3m to Euro 86.1m. This sharp decline was mainly caused by the sale of fully consolidated projects that led to lower respective contributions. The profit from at-equity companies on the other hand rose by almost 42% from Euro 12.2m to Euro 17.3m, mainly driven by the ongoing but forward sold projects like the F.A.Z tower, CTB and Kaufmannshof. Income from fair value adjustments amounted to Euro 6.7m (1Q 2021: Euro 10.0m). Material costs were reduced from Euro 103.4m to Euro 60.3m. The firm's EBIT all in all came back from Euro 37.8m to 14.5m. While the financial income hiked from Euro 10.1m to Euro 15.3m, driven by the sale of alba Bau as reported by UBM on 1 July, financial costs increased slightly from Euro 12.2m to Euro 13.6m, resulting in an EBT of Euro 16.1m (1H 2021: Euro 35.7m). The bottom line after minorities stood at Euro 11.2m, translating into earnings per share of Euro 1.49.

As mentioned above, the current market environment with inflation, rising interest rates, rising construction costs and energy prices and a looming recession is very challenging. Nevertheless, UBM has still managed to deliver a solid performance in the first half also on the transaction side. While the market is currently practically in a wait-and-see mode, the firm has still delivered a large acquisition at Zollhafen Mainz, sold multiple projects worth far above Euro 100m and also sold its project and construction management subsidiary Alba to the international consultancy Currie & Brown. As ALBA's activities are not in line with UBM's strategic focus, we see this as good news, as it while not having a big impact on the P&L, but delivered a good sales profit. Furthermore, we clearly see the company in a very good position even in turbulent times, as the balance sheet remains very solid with an equity ratio of 34.6% and a LTV of only 37%. Furthermore, the cash position is still at a high level of Euro 344m. Thus, as already mentioned several times in our former updates, the company can also benefit from the current market conditions as many competitors and respective projects are in a much worse situation when facing additional headwinds in the coming quarters.

With the numbers of the first six months in the books, the firm also released a guidance for the full year yesterday. Here, the management expects the pre-tax profit to be in a range between Euro 38m to Euro 42m. While, as mentioned, this is clearly below our estimates from May, given the market developments of the recent months this also is not too surprising and we also adjusted our estimates now. Our new EBT forecast is now at Euro 41.8m at the upper end of the guidance. We also reduced our dividend expectations accordingly from Euro 2.35 per share to Euro 1.50. Along with the reduced P&L, the market conditions and especially the rising interest rate levels burden our valuation for the share. Taking the new factors into account, the fair value per share now stands at about 50 Euros, which is also our new target price for the share. With a current upside of still about 50%, we clearly confirm our Buy recommendation.



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)
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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.

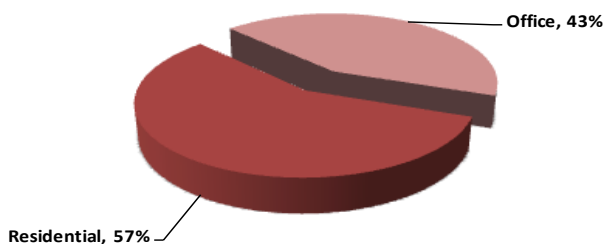
In 1992 the firm started to develop numerous lucrative projects in Eastern Europe, in particular in Poland and Czech Republic. Between 2001 and 2010 UBM entered some opportunistic markets like France and the Netherlands with hotels. In 2014 PORR, the Vienna-based construction and development conglomerate 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 (1H 2022) of Euro 2.1bn, the pipeline is split at about 57% residential and 43% 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 35.6% and a LTV of only 30.4% certainly allows for that payout. The dividend payment translates into a current dividend yield of 5.4%. 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 June 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
Revenues	241,999	183,339	278,313	207,853	364,742	421,134	14.8%
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	
Operating profit (EBITDA)	74,966	65,099	75,929	59,260	90,955	93,802	7.3%
Depreciation, amortisation and impairment expenses	-3,515	-3,085	-2,627	-3,455	-4,275	-4,589	
Operating profit (EBIT)	71,451	62,014	73,302	55,805	86,680	89,213	6.8%
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	
Financial result	-939	245	-13,163	-14,004	-14,324	-13,065	
Earnings before tax (EBT)	70,512	62,259	60,139	41,801	72,357	76,148	8.2%
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%	
Net profit before minorities	50,062	40,753	43,711	30,657	50,715	54,117	7.4%
Minorities	-4,011	-7,984	-10,086	-9,058	-13,784	-14,156	
Net profit after minorities	46,051	32,769	33,625	21,599	36,931	39,961	5.9%
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	
Adjusted shareholders' equity without minorities	456,833	478,467	545,435	550,222	575,945	597,599	3.1%
Total assets	1,316,389	1,372,021	1,494,463	1,554,242	1,686,352	1,829,692	7.0%
Equity ratio	35.3%	35.5%	37.1%	36.0%	34.8%	33.3%	
Book value per share (BVpS)	61.14	64.03	73.00	73.64	77.08	79.98	3.1%
RoE (after tax)	10.4%	7.0%	6.6%	3.9%	6.6%	6.8%	
Key ratios & figures	2019	2020	2021	2022e	2023e	2024e	
Growth rates in %							
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%	
Margins in %							
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%	
Expense ratios in %							
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%	
Profitability in %							
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%	
Valuation							
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%	

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Rating Chronicle	Date	Rating	Former Price	Former Target
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 €
UBM Development AG	23 November 2020	Buy	34.00 €	47.00 €
UBM Development AG	27 August 2020	Buy	30.40 €	45.00 €

Please note:

The UBM share price mentioned in this report is from 25 August 2022. UBM mandated SRC Research for covering the UBM share.

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