

UBM Development AG

Buy (unchanged) Target: Euro 40.00 (unchanged)



Der Spezialist für Finanzaktien

26 | May | 2023

■ **Price (Euro)** **27.40**
52 weeks range 40.40 / 22.20

■ Key Data

Country	Austria
Industry	Real Estate
Segment	Development (trading oriented)
ISIN	AT0000815402
WKN	852735
Reuters	UBMV.VI
Bloomberg	UBS VI
Internet	www.ubm-development.com
Reporting Standard	IFRS
Fiscal Year	31/12
Market Cap (EUR million)	204.7
Number of shares (million)	7.47
Free Float	49.2%
Free Float MCap (million)	100.7
CAGR pre tax profit '22 - '25e	22.3%

■ Multiples	2022	2023e	2024e	2025e
MarketCap/revenues	1.53	0.97	0.76	0.71
PE ratio	12.2	9.8	7.4	6.7
Dividend yield	4.0%	5.1%	6.6%	7.3%
Price-to-Book ratio	0.41	0.40	0.39	0.37

■ Key Data per Share (Euro)	2022	2023e	2024e	2025e
Earnings per share (EPS)	2.25	2.79	3.68	4.10
Dividends per share (DPS)	1.10	1.40	1.80	2.00
Book Value per share (BVpS)	67.11	68.80	71.08	73.38

■ Financial Data (Euro '000)	2022	2023e	2024e	2025e
Revenues	133,944	210,231	270,560	288,987
Operating profit (EBITDA)	39,173	60,594	76,030	81,708
Operating profit (EBIT)	33,907	56,319	71,441	76,588
Pre-tax profit (EBT)	31,450	40,357	52,791	57,528
Net profit (after minorities)	16,790	20,830	27,499	30,635
Adj. shareholders' equity	501,449	514,060	531,098	548,283
RoE after tax	3.2%	4.1%	5.3%	5.7%

■ Financial Calendar

1H 2023 report	31 August 2023
SRC Forum Financials & Real Estate 2023	12 September 2023

■ Main Shareholders

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

■ **Analyst** **Dipl.-Kfm. Stefan Scharff, CREA**

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Uneventful first quarter in terms of numbers, but remarkable letting success at the Timber Pioneer – more significant P&L impact expected in the second half – Buy and Euro 40.00 affirmed

Yesterday, the company released the report for the first quarter of 2023. As expected, the first three months of the year were rather uneventful in regard to the numbers. Total output for the period was at Euro 54m and was thus expectedly below last year's number of Euro 81m. Notable here was the hike of output in the hotel business from Euro 6.7m to Euro 15.7m, as the segment showed a clear recovery from the Covid-19 impacts. Revenues came in at almost Euro 18m while income from changes in the portfolio contributed Euro 5.6m. Cost of materials and other related production services amounted to Euro 14.5m (1Q 2022: Euro 19.4m) while personnel expenses came down from Euro 8.7m to Euro 7.3m. All in all, the firm's operating profit on an EBIT basis declined from Euro 9.0m to Euro 4.1m. With a slightly improved financial result from Euro -3.7m to Euro -3.1m, the firm's pre-tax profit amounted to Euro 1.1m. The bottom line after minorities showed a loss of Euro -1.1m or Euro -0.15 per share respectively.

While the P&L of the first quarter was as expected not too eventful and also not representative for the full-year in our opinion, the firm managed to convince with a success with the letting of about two-thirds of the Timber Pioneer, which was also the largest letting transaction in Frankfurt in 1Q. As already described in our update from 5 April, UBM delivered a decent 12 years letting contract for the 8 floors Highrise, that starts in 2Q 2024. Almost 10,000 sqm of this very innovative and sustainable building in the heart of Europaviertel are now rented to the leading fund service platform Universal Investment. Furthermore, the company stated today that an LOI was signed last week for the remaining space of the Timber Pioneer and expects a contract signing before the summer break. Regarding a sale of the property, we expect no news within the current year. Keep in mind, that the hand over to the tenants will only take place in 2Q 2024 as well. Another convincing factor remains to be the very solid balance sheet. The equity ratio remains at 31.6% well within the targeted corridor between 30% and 35% and already reflects the repayment of the Hybrid in 1Q with cash. The cash position now stands at Euro 250m, which is still a comfortable level and will further increase after the F.A.Z closing and the permit for the Baubergerstraße project.

These two events will also be a driver for the full-year numbers. We now expect the respective news flow most likely in 3Q. While the firm has understandably not yet given a guidance for FY 2023, we stick to our previous estimates as we believe that the second half of the year should be much more significant than the first quarter and first half. The pipeline of the firm remains very attractive with the clear focus on timber construction and we are confident that once the transaction market picks up again, the demand for these products will be high. We stick to our Buy rating and confirm our Euro 40.00 target price.

UBM Development AG

Industry: Real Estate Development
Sub-segment: Residential, Office
Country: Austria
Headquarter: Vienna
Foundation: 1873
Employees: 283

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) (until 30 June)
 Martina Maly-Gärtner, MRICS (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 Mann
 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. 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 remained with the full year 2022 numbers as equity ratio remained at almost 35% and with Euro 1.10 the company continued the shareholder friendly policy in a much more rough economic and interest environment. The 2022 bottom line was impaired by two major delays, the permit for Munich Bauberger Strasse and the Frankfurt FAZ tower closing did not come in 2022. Net profit after minorities halved from Euro 34m to Euro 17m. Due to the current uncertainties regarding the war in Ukraine, the ongoing weak economic picture in UBM's markets with a low level of transaction activity, the inflationary environment and the unclear interest rate developments, UBM gave no guidance for the 2023 result, so far. The times could be easier for developers, but UBM has an appealing and sustainable pipeline for residential and office properties, as for instance the highly rated Timber Highrises in Germany to come in Frankfurt, Mainz and Düsseldorf as well as in Vienna with the TimberOffice at Leopoldquartier. The demand for this kind of office space with a low carbon footprint should be quite high, as UBM recently delivered a big rental contract for 10k sqm with fund specialist Universal Investment for Frankfurt's Timber Pioneer.

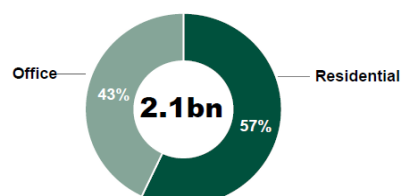
5 >250,000m² in timber construction.



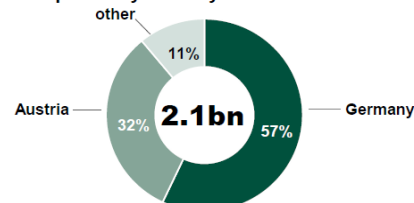
Timber pipeline

Project	GFA ¹ in m ²	Asset class
LeopoldQuartier	75,700 m ²	Mix
Timber Factory	57,600 m ²	Office
Bogner Gründe	24,100 m ²	Residential
Timber Pioneer	17,600 m ²	Office
Timber View	17,000 m ²	Residential
Amras	16,600 m ²	Residential
Timber Port	10,900 m ²	Office
Pelkovenstraße	10,800 m ²	Office
Molenkopf	9,800 m ²	Residential
Timber Peak	9,500 m ²	Office
Unterbibergerstr.	8,400 m ²	Office
Timber Praha	7,400 m ²	Residential
Total	265,400 m²	

Pipeline by asset class ²



Pipeline by country ²



Source: Company data, SRC Research

P & L UBM Development AG

31/12 IFRS (Euro '000 except for per share-data)	2019	2020	2021	2022	2023e	2024e	2025e	CAGR '22 - '25e
Revenues	241.999	183.339	278.313	133.944	210.231	270.560	288.987	29,2%
Changes in the portfolio	20.294	-21.145	-45.874	2.965	-36.327	-39.112	-42.545	
Share of profit/loss of companies accounted for under the equity method	59.980	27.813	36.003	25.396	50.519	37.846	42.545	
Income from fair-value adjustments to investment property	46.270	69.853	11.568	25.454	6.847	10.212	11.454	
Other operating income	10.488	8.224	11.767	12.740	13.558	12.347	14.541	
Cost of materials and other related production services	-202.198	-115.673	-141.421	-86.858	-110.901	-139.741	-155.774	
Staff expenses	-36.644	-34.847	-36.807	-37.255	-38.607	-39.182	-40.105	
Expenses from fair-value adjustments to investment property	-24.582	-7.543	-6.550	-4.619	-2.557	-1.299	-1.250	
Other operating expenses	-40.641	-44.922	-31.070	-32.594	-32.169	-35.603	-36.145	
Operating profit (EBITDA)	74.966	65.099	75.929	39.173	60.594	76.030	81.708	27,8%
Depreciation, amortisation and impairment expenses	-3.515	-3.085	-2.627	-5.266	-4.275	-4.589	-5.120	
Operating profit (EBIT)	71.451	62.014	73.302	33.907	56.319	71.441	76.588	31,2%
Financial income	20.711	23.899	14.040	23.442	13.808	12.822	13.450	
Finance costs	-21.650	-23.654	-27.203	-25.899	-29.771	-31.472	-32.510	
Financial result	-939	245	-13.163	-2.457	-15.963	-18.650	-19.060	
Earnings before tax (EBT)	70.512	62.259	60.139	31.450	40.357	52.791	57.528	22,3%
Income tax expense	-20.450	-21.506	-16.428	-4.338	-10.982	-15.007	-16.358	
Tax rate	29,0%	34,5%	27,3%	13,8%	27,2%	28,4%	28,4%	
Net profit before minorities	50.062	40.753	43.711	27.112	29.375	37.784	41.170	14,9%
Minorities	-4.011	-7.984	-10.086	-10.322	-8.545	-10.285	-10.535	
Net profit after minorities	46.051	32.769	33.625	16.790	20.830	27.499	30.635	22,2%
Earnings per share (EPS)	6,16	4,39	4,50	2,25	2,79	3,68	4,10	
Dividends per share (DPS)	2,20	2,20	2,25	1,10	1,40	1,80	2,00	
Payout ratio	35,7%	50,2%	50,0%	49,0%	50,2%	48,9%	48,8%	
Number of shares ('000)	7.472	7.472	7.472	7.472	7.472	7.472	7.472	
Adjusted shareholders' equity without minorities	456.833	478.467	545.435	501.449	514.060	531.098	548.283	3,0%
Total assets	1.316.389	1.372.021	1.494.463	1.451.831	1.538.941	1.585.109	1.601.254	3,3%
Equity ratio	35,3%	35,5%	37,1%	35,1%	34,0%	34,1%	34,8%	
Book value per share (BVpS)	61,14	64,03	73,00	67,11	68,80	71,08	73,38	3,0%
RoE (after tax)	10,4%	7,0%	6,6%	3,2%	4,1%	5,3%	5,7%	
Key ratios & figures	2019	2020	2021	2022	2023e	2024e	2025e	
Growth rates in %								
Sales revenues	-52,9%	-24,2%	51,8%	-51,9%	57,0%	28,7%	6,8%	
EBIT	27,7%	-13,2%	18,2%	-53,7%	66,1%	26,8%	7,2%	
EBT	26,9%	-11,7%	-3,4%	-47,7%	28,3%	30,8%	9,0%	
Net profit after minorities	16,0%	-28,8%	2,6%	-50,1%	24,1%	32,0%	11,4%	
Margins in %								
Operating profit (EBIT)	29,5%	33,8%	26,3%	25,3%	26,8%	26,4%	26,5%	
Pre-tax profit (EBT)	29,1%	34,0%	21,6%	23,5%	19,2%	19,5%	19,9%	
Net Profit (after minorities)	19,0%	17,9%	12,1%	12,5%	9,9%	10,2%	10,6%	
Expense ratios in %								
Personnel costs to sales	15,1%	19,0%	13,2%	27,8%	18,4%	14,5%	13,9%	
Cost of material to sales	83,6%	63,1%	50,8%	64,8%	52,8%	51,6%	53,9%	
Depreciation to sales	1,5%	1,7%	0,9%	3,9%	2,0%	1,7%	1,8%	
Profitability in %								
Return on equity (RoE) after tax	10,4%	7,0%	6,6%	3,2%	4,1%	5,3%	5,7%	
Return on assets (RoA)	3,5%	2,4%	2,2%	1,2%	1,4%	1,7%	1,9%	
Valuation								
P/E-ratio	4,5	6,3	6,1	12,2	9,9	7,5	6,7	
Price/ BV per Share	0,45	0,43	0,38	0,41	0,40	0,39	0,37	
Dividend yield	8,0%	8,0%	8,2%	4,0%	5,1%	6,5%	7,3%	

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	19 April 2023	Buy	27.50 €	40.00 €
UBM Development AG	05 April 2023	Buy	26.90 €	40.00 €
UBM Development AG	21 February 2023	Buy	29.60 €	40.00 €
UBM Development AG	24 November 2022	Buy	30.40 €	44.00 €
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 €

Please note:

The UBM share price mentioned in this report is from 25 May 2023. UBM mandated SRC Research for covering the UBM share.

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