

UBM Development AG

Buy (unchanged) Target: Euro 30.00 (unchanged)



Der Spezialist für Finanzaktien

28 | November | 2024

UBM with satisfying 9M in a challenging market environment – stable balance sheet and a solid liquidity, the sale of non-core assets and the second green bond bolster the equity story

Today UBM released the 9M 2024 report and invited for a conference call in the morning. The 9M results were satisfying in the light of a still depressed office transaction market and a rougher climate from banks for future financing or prolongation issues. With a solid balance sheet and a solid liquidity position UBM is amongst the better performing firms in the development industry. **The total output increased remarkably by 76%, from Euro 182m to Euro 319m. In particular the output in Austria was very strong and almost quadrupled from Euro 32m to Euro 118m.** Reasons here were the successful sale transactions of parts of LeopoldQuertier section A and the W3 office property in Vienna. Another important impetus came from the 67 sold apartments in Vienna of the new PEAK HOMES project at the VIL-LAGE IM DRITTEN.

The output in Germany remained more or less stable at Euro 46m, after Euro 50m in the year before. Keep in mind that 9M 2023 output was flattered by the sale of Frankfurt's FAZ tower. This big landmark project was transferred to the buyer in the second quarter of 2023.

The output in Poland also delivered a positive picture, as it doubled from Euro 37m to Euro 75m, driven by a sale of a share in Warsaw Poleczki Business Park and revenues from ongoing hotel operations.

In terms of revenues, the company came in at Euro 63.4m, a bit above the Euro 62.9m in the previous year. With a very significant decline in personnel expenses down from Euro 21.5m to Euro 16.1m and the other operating expenses almost halving from Euro 30m to Euro 18m, **the cash driven EBITDA result came quite close to a Zero (Euro -0.9m), after Euro -38m in the year before. The 9M pre-tax result also improved a bit from Euro -17.4m in 9M 2023 to now Euro -14.5m.**

With regards to the balance sheet, the company has a stable and unchanged 30.2% equity ratio and a stable cash position of Euro 143m (year-end 2023: Euro 151m). Keep in mind that the issue of the second Green Bond in October is not included here. With this successful placement the company could improve their debt profile by prolongations of Euro 74m until October 2029 and in addition to that Euro 19.4m fresh money.

The focus for the remaining year is to continue the good residential sales flow and to keep the cost discipline to halve the full year loss compared to the last year. For the full year the cash position should even step up to more than Euro 150m. **UBM has an attractive Euro 1.9bn product pipeline (60% resi in Germany and Austria) and 40% light industrial and office. In times of a general market recovery UBM should prove as one of the winners. We stick to our € 30.00 target that we gave in October after the second Green Bond and keep our Buy rating.**

Price (Euro)	17,10			
52 weeks range	23.20 / 16.95			
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)	127,8			
Number of shares (million)	7,47			
Free Float	49,2%			
Free Float MCap (million)	62,9			
CAGR pre tax profit '22 - '26e	-18,0%			
Multiples	2023	2024e	2025e	2026e
MarketCap/revenues	1,50	1,35	0,83	0,61
PE ratio	-2,4	-4,7	26,1	0,0
Dividend yield	0,0%	0,0%	1,5%	2,3%
Price-to-Book ratio	0,34	0,36	0,36	0,35
Key Data per Share (Euro)	2023	2024e	2025e	2026e
Earnings per share (EPS)	-7,03	-3,63	0,66	0,84
Dividends per share (DPS)	0,00	0,00	0,25	0,40
Book Value per share (BVpS)	50,82	47,19	47,84	48,43
Financial Data (Euro '000)	2023	2024e	2025e	2026e
Revenues	85.315	94.520	154.112	210.745
Operating profit (EBITDA)	-27.284	210	30.932	40.405
Operating profit (EBIT)	-30.063	-2.440	27.602	36.751
Pre-tax profit (EBT)	-39.363	-19.568	9.582	14.199
Net profit (after minorities)	-52.499	-27.139	4.898	6.243
Adj. shareholders' equity	379.722	352.583	357.481	361.856
RoE after tax	-11,9%	-7,4%	1,4%	1,7%
Financial Calendar				
2024 annual report			11 April 2025	
AGM			21 May 2025	
1Q 2025			28 May 2025	
2Q 2025			28 August 2025	
Main Shareholders				
Syndicate Ortnr/ Strauss			38,8%	
IGO Ortnr Gruppe			7,0%	
J. Dickinger			5,0%	
Management & Supervisory board			3,9%	
Analyst	Dipl.-Kfm. Stefan Scharff, CREA			
E-Mail	scharff@src-research.de			
Internet	www.src-research.de www.aktienmarkt-international.at www.aktienmarkt-international.de			

UBM Development AG

Industry: Real Estate Development
Sub-segment: Residential, Office
Country: Austria
Headquarter: Vienna
Foundation: 1873
Employees: 278

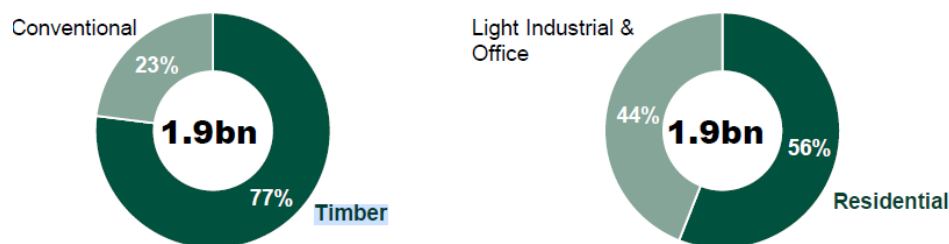
Management Board of UBM
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 Martina Maly-Gärtner, MRICS (COO)
 Dipl.-Ing. Peter Schaller (CTO)

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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. 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 market environment and mainly the high increase of interest rates, the firm reported a net loss for 2023 of Euro 46m, driven by the negative impact of revaluations. 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. Another deal was done mid of June 23 with the acquisition of Donaumarina Tower at Vienna Handelskai for only Euro 24.5m. Another good news came end of June 23 with the closing of FAZ Tower deal with HanseMercur Grundvermögen AG. The demand for this kind of office space with a low carbon footprint should remain quite high from tenants and from investors, as UBM recently delivered a big rental contract for 10k sqm with fund specialist Universal Investment for Frankfurt's Timber Pioneer. With regards to the debt side, UBM issued a 4 years Euro 50m Green bond in July 2023 with a 7% coupon. After the repayment of 2018-2023 bond on 16 November 2023 there is no bond maturity until Nov. 2025.



Source: Company data, SRC Research

P & L UBM Development AG

31/12 IFRS (Euro '000 except for per share-data)	2020	2021	2022	2023	2024e	2025e	2026e	CAGR '22 - '26e
Revenues	183.339	278.313	133.944	85.315	94.520	154.112	210.745	12,0%
Changes in the portfolio	-21.145	-45.874	2.965	33.011	45.941	23.001	12.012	
Share of profit/loss of companies accounted for under the equity method	27.813	36.003	25.396	-14.059	-10.245	19.852	22.240	
Income from fair-value adjustments to investment property	69.853	11.568	25.454	318	3.466	11.454	16.558	
Other operating income	8.224	11.767	12.740	51.039	12.578	14.541	17.812	
Cost of materials and other related production services	-115.673	-141.421	-86.858	-70.389	-98.741	-140.774	-179.144	
Staff expenses	-34.847	-36.807	-37.255	-30.910	-21.454	-26.495	-29.121	
Expenses from fair-value adjustments to investment property	-7.543	-6.550	-4.619	-40.767	-1.299	-1.250	-879	
Other operating expenses	-44.922	-31.070	-32.594	-40.842	-24.557	-23.509	-29.820	
Operating profit (EBITDA)	65.099	75.929	39.173	-27.284	210	30.932	40.405	0,8%
Depreciation, amortisation and impairment expenses	-3.085	-2.627	-5.266	-2.779	-2.650	-3.330	-3.654	
Operating profit (EBIT)	62.014	73.302	33.907	-30.063	-2.440	27.602	36.751	2,0%
Financial income	23.899	14.040	23.442	21.760	15.657	15.785	12.078	
Finance costs	-23.654	-27.203	-25.899	-31.060	-32.785	-33.805	-34.630	
Financial result	245	-13.163	-2.457	-9.300	-17.128	-18.020	-22.552	
Earnings before tax (EBT)	62.259	60.139	31.450	-39.363	-19.568	9.582	14.199	-18,0%
Income tax expense	-21.506	-16.428	-4.338	-6.682	-2.026	-2.240	-3.519	
Tax rate	34,5%	27,3%	13,8%	-17,0%	-10,4%	23,4%	24,8%	
Net profit before minorities	40.753	43.711	27.112	-46.045	-21.594	7.342	10.681	-20,8%
Minorities and shares of hybrid capital	-7.984	-10.086	-10.322	-6.454	-5.545	-2.444	-4.438	
Net profit after minorities	32.769	33.625	16.790	-52.499	-27.139	4.898	6.243	-21,9%
Earnings per share (EPS)	4,39	4,50	2,25	-7,03	-3,63	0,66	0,84	
Dividends per share (DPS)	2,20	2,25	1,10	0,00	0,00	0,25	0,40	
Payout ratio	50,2%	50,0%	49,0%	0,0%	0,0%	38,1%	47,9%	
Number of shares ('000)	7.472	7.472	7.472	7.472	7.472	7.472	7.472	
Adjusted shareholders' equity without minorities	478.467	545.435	501.449	379.722	352.583	357.481	361.856	-7,8%
Total assets	1.372.021	1.494.463	1.451.831	1.253.777	1.153.475	1.139.633	1.185.218	-4,9%
Equity ratio	35,5%	37,1%	35,1%	30,3%	30,6%	31,4%	30,5%	
Book value per share (BVpS)	64,03	73,00	67,11	50,82	47,19	47,84	48,43	-7,8%
RoE (after tax)	7,0%	6,6%	3,2%	-11,9%	-7,4%	1,4%	1,7%	
Key ratios & figures	2020	2021	2022	2023	2024e	2025e	2026e	
Growth rates in %								
Sales revenues	-24,2%	51,8%	-51,9%	-36,3%	10,8%	63,0%	36,7%	
EBIT	-13,2%	18,2%	-53,7%	-188,7%	-91,9%	-1231,2%	33,1%	
EBT	-11,7%	-3,4%	-47,7%	-225,2%	-50,3%	-149,0%	48,2%	
Net profit after minorities	-28,8%	2,6%	-50,1%	-412,7%	-48,3%	-118,0%	27,4%	
Margins in %								
Operating profit (EBIT)	33,8%	26,3%	25,3%	-35,2%	-2,6%	17,9%	17,4%	
Pre-tax profit (EBT)	34,0%	21,6%	23,5%	-46,1%	-20,7%	6,2%	6,7%	
Net Profit (after minorities)	17,9%	12,1%	12,5%	-61,5%	-28,7%	3,2%	3,0%	
Expense ratios in %								
Personnel costs to sales	19,0%	13,2%	27,8%	36,2%	22,7%	17,2%	13,8%	
Cost of material to sales	63,1%	50,8%	64,8%	82,5%	104,5%	91,3%	85,0%	
Depreciation to sales	1,7%	0,9%	3,9%	3,3%	2,8%	2,2%	1,7%	
Profitability in %								
Return on equity (RoE) after tax	7,0%	6,6%	3,2%	-11,9%	-7,4%	1,4%	1,7%	
Return on assets (RoA)	2,4%	2,2%	1,2%	-4,2%	-2,4%	0,4%	0,5%	
Valuation								
P/E-ratio	3,9	3,8	7,6	-2,4	-4,7	26,1	20,5	
Price/ BV per Share	0,27	0,23	0,25	0,34	0,36	0,36	0,35	
Dividend yield	12,9%	13,2%	6,4%	0,0%	0,0%	1,5%	2,3%	

SRC Research

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Rating Chronicle	Date	Rating	Former Price	Former Target
UBM Development AG	22 October 2024	Buy	19,40 €	30,00 €
UBM Development AG	01 October 2024	Buy	20,70 €	28,00 €
UBM Development AG	29 August 2024	Buy	20,50 €	28,00 €
UBM Development AG	29 May 2024	Buy	20,30 €	26,00 €
UBM Development AG	18 March 2024	Buy	18,95 €	26,00 €
UBM Development AG	23 November 2023	Buy	20,80 €	30,00 €
UBM Development AG	31 August 2023	Buy	21,10 €	32,00 €
UBM Development AG	22 August 2023	Buy	21,30 €	32,00 €
UBM Development AG	26 May 2023	Buy	27,40 €	40,00 €
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 €

Please note:

The UBM share price mentioned in this report is from 27 November 2024. UBM mandated SRC Research for covering the UBM share.

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