

UBM Development AG

Buy (unchanged) **Target: Euro 44.00** (old: Euro 50.00)



Der Spezialist für Finanzaktien

28 | September | 2022

■ **Price (Euro)** **28.50**
52 weeks range 44.90 / 27.70

■ 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)	213.0
Number of shares (million)	7.47
Free Float	49.2%
Free Float MCap (million)	104.8
CAGR pre tax profit '21 - '24e	8.2%

■ Multiples	2021	2022e	2023e	2024e
MarketCap/revenues	0.77	1.02	0.58	0.51
PE ratio	6.3	9.9	5.8	5.3
Dividend yield	7.9%	5.3%	8.6%	9.3%
Price-to-Book ratio	0.39	0.39	0.37	0.36

■ 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

9M 2022 report	24 November 2022
Annual Report 2022	14 April 2023

■ Main Shareholders

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

■ **Analysts** **Dipl.-Kfm. Stefan Scharff, CREA**
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UBM reports sale of a non-strategic project and acquisition of a new project at Medienhafen Düsseldorf – Target down to Euro 44.00 due to worsening market environment, Buy rating affirmed

Despite the current uncertainties and the more or less stand still situation on the transaction market, the company managed to report an acquisition and a sale over the course of the last two weeks.

Today, UBM announced the sale of the Central Tower Berlin high-rise project in Berlin, which was in a joint-venture with CESA. Here, the firm originally planned the construction of a hotel tower on the Alexanderplatz in Berlin, however, following the change in strategy away from hotels, the project was put on hold and the decision was made to sell the project. Thus, the more than 2,000 sqm site was now sold to HB Reavis. While no financial details were published, we expect a sales price in the mid-high double digit million range, of which a 50% share belongs to UBM and will further lift the firm's cash position and reduce the net debt position at 9M 2022, both of which were already at a very good level at 1H. We also expect that the sale resulted in a slight profit for UBM, which will also be visible in the 9M numbers.

Two weeks ago, on 13 September, the company reported the acquisition of a new project in the Düsseldorfer Medienhafen. The firm will build a timber-hybrid office building with eight floors and at least 10k sqm of gross floor space. Additionally, 105 underground parking spaces are to be created with more than 4k sqm of gross floor space. The acquisition price of the project amounts to Euro 1,335 per sqm of gross floor space. The new site is located at an attractive location, where already some renown firms such as the headquarter of Trivago are located, and attracts with restaurants, bars and clubs. We believe that the location along with the convincing and future oriented concept of UBM will meet the demand of new tenants. We assume that the project should be completed by 2025/26.

We see the news flow of the last weeks as very pleasing as the sale of a no longer strategic project further strengthened the firm's balance sheet and the project acquisition further improved the firm's pipeline. Nevertheless, the overall market conditions are even further tightening, interest rates are continuing to rise and financing regulations are getting more and more restrictive. Thus, despite the positive development of the firm, we reduce our target price from Euro 50.00 to Euro 44.00, but stick to our Buy recommendation.

UBM Development AG

Industry: Real Estate Development
Sub-segment: Resi, Office, Hotels
Country: Austria
Headquarter: Vienna
Foundation: 1873
Employees: 369

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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)

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.

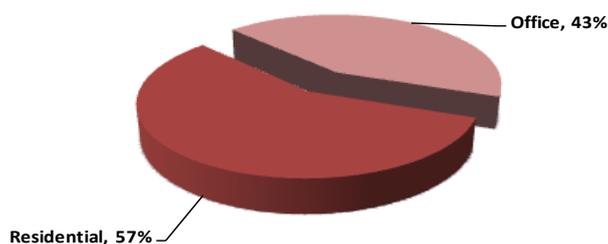
In 1992 the firm started to develop numerous lucrative projects in Eastern Europe, in particular in Poland and Czech Republic. Between 2001 and 2010 UBM entered some opportunistic markets like France and the Netherlands with hotels. In 2014 PORR, the Vienna-based construction and development conglomerate 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 (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%	

SRC Research

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Rating Chronicle	Date	Rating	Former Price	Former Target
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 €
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 €

Please note:

The UBM share price mentioned in this report is from 27 September 2022. UBM mandated SRC Research for covering the UBM share.

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