

# UBM Development AG

**Buy** (unchanged) **Target: Euro 26.00** (unchanged)



Der Spezialist für Finanzaktien

29 | May | 2024

## UBM managed some trading success in challenging times – balance sheet still stable – Buy and Euro 26.00 target affirmed

<b>Price (Euro)</b>	<b>20,30</b>
52 weeks range	29.00 / 18.00

### 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)	151,7
Number of shares (million)	7,47
Free Float	49,2%
Free Float MCap (million)	74,6
CAGR pre tax profit '22 - '26e	4,3%

<b>Multiples</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
MarketCap/revenues	1,78	0,86	0,65	0,53
<b>PE ratio</b>	<b>-2,9</b>	<b>-18,8</b>	<b>11,2</b>	<b>0,0</b>
<b>Dividend yield</b>	<b>0,0%</b>	<b>1,5%</b>	<b>4,2%</b>	<b>9,4%</b>
<b>Price-to-Book ratio</b>	<b>0,40</b>	<b>0,41</b>	<b>0,40</b>	<b>0,38</b>

<b>Key Data per Share (Euro)</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
<b>Earnings per share (EPS)</b>	<b>-7,03</b>	<b>-1,08</b>	<b>1,82</b>	<b>3,09</b>
<b>Dividends per share (DPS)</b>	<b>0,00</b>	<b>0,30</b>	<b>0,85</b>	<b>1,90</b>
Book Value per share (BVpS)	50,82	49,74	51,26	53,50

<b>Financial Data (Euro '000)</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
<b>Revenues</b>	<b>85.315</b>	<b>176.090</b>	<b>234.287</b>	<b>286.554</b>
<b>Operating profit (EBITDA)</b>	<b>-27.284</b>	<b>12.450</b>	<b>42.014</b>	<b>63.457</b>
Operating profit (EBIT)	-30.063	9.195	38.538	59.230
Pre-tax profit (EBT)	-39.363	-5.373	21.813	37.290
<b>Net profit (after minorities)</b>	<b>-52.499</b>	<b>-8.058</b>	<b>13.587</b>	<b>23.082</b>
Adj. shareholders' equity	379.722	371.664	383.009	399.740
<b>RoE after tax</b>	<b>-11,9%</b>	<b>-2,1%</b>	<b>3,6%</b>	<b>5,9%</b>

### Financial Calendar

1H 2024	29 August 2024
9M 2024	28 November 2024

### Main Shareholders

Syndicate Ortner/ Strauss	38,8%
IGO Ortner Gruppe	7,0%
J. Dickinger	5,0%
Management & Supervisory board	3,9%

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Today the company released the first quarter report and held a conference call in the morning. Total output remarkably increased by 59%, from Euro 53.5m to Euro 85.0m and mainly profited from some asset sales, as UBM sold a piece of Poleczki Business Park, an office property, to the tenant PORR for a net transaction price of Euro 6.8m and a 15% minority stake in Prague Andaz Hotel to IGO Industries Group minority shareholder, which lifted their stake from 25% to 40% now. The transaction price here was Euro 8.5m.

The real estate markets in Germany and Austria are still quite sluggish and far away from pre-crisis levels, but UBM managed at least some successful headlines as it is also worth to mention that UBM sold 5 land plots at the Prague based Arcus development project to a Czech construction company. Also in the residential business, there was an upward trend, as UBM managed now to sell 37 units in the first three months, in particular in Vienna and Prague, after only 16 in 1Q 2023. The 37 units was more than in each and every quarter of the last year, that makes us optimistic that we have seen now a kind of a bottom for the residential market and a slight upward trend should follow, which is fostered by the immense demand for residential space and the scarcity in the market, that became bigger, as many residential developers left some projects incompleting due to financial problems and bankruptcies. We expect for the next quarters the residential sales of UBM to accelerate, in particular Arcus Prague after a strong 1Q, but also for Mainz Flösserhof and Havn projects as well as for the Vienna Village im Dritten and the Leopoldquartier, where the sales will start soon.

With regards to the balance, the picture is still stable with a 30% equity ratio, unchanged to year-end 2023, and liquid funds still at satisfying Euro 127m level (year-end 2023: Euro 151m). Keep in mind that there are no bond maturities coming until November and December 2025. In these 2 months, which are one and half year ahead, Euro 172m in bonds and promissory notes with an interest rate of about 2.8% are open for prolongation or repayment.

**All in all, the picture of the first quarter is good as there was a rising number of residential units sales and the liquidity position and balance sheet are still stable and satisfying. The pipeline of Euro 1.9bn is very much geared to serial and efficient timber construction which makes up for a high 77% stake. The majority with 56% shifts a bit more into the residential direction, bringing down the overall risk profile, if investment demand for office assets will remain weak for a longer period. But even with a weaker demand for office products in the coming years we expect a clear above average demand for the timber oriented sustainable office spaces of UBM that follow important EU taxonomy requirements. With the picture of the first quarter we keep our Buy recommendation at the quite low share price level of UBM We also maintain our Euro 26.00 target price.**

### UBM Development AG

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

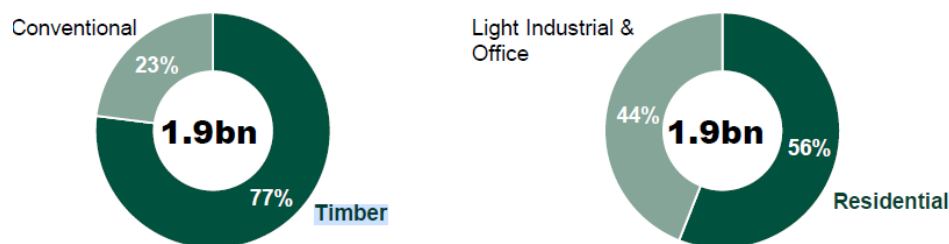
**Management Board of UBM**  
Thomas G. Winkler, LL.M. (CEO)  
Dipl.-Ökonom Patric Thate (CFO)  
Martina Maly-Gärtner, MRICS (COO)  
Dipl.-Ing. Peter Schaller (CTO)

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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 Mann  
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. 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
<b>Revenues</b>	<b>183.339</b>	<b>278.313</b>	<b>133.944</b>	<b>85.315</b>	<b>176.090</b>	<b>234.287</b>	<b>286.554</b>	<b>20,9%</b>
Changes in the portfolio	-21.145	-45.874	2.965	33.011	-14.542	-31.532	-27.665	
Share of profit/loss of companies accounted for under the equity method	27.813	36.003	25.396	-14.059	17.655	22.239	24.244	
Income from fair-value adjustments to investment property	69.853	11.568	25.454	318	5.466	11.454	16.558	
Other operating income	8.224	11.767	12.740	51.039	3.979	14.541	17.812	
Cost of materials and other related production services	-115.673	-141.421	-86.858	-70.389	-115.741	-140.774	-179.144	
Staff expenses	-34.847	-36.807	-37.255	-30.910	-26.702	-32.442	-34.210	
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	-32.457	-34.509	-39.816	
<b>Operating profit (EBITDA)</b>	<b>65.099</b>	<b>75.929</b>	<b>39.173</b>	<b>-27.284</b>	<b>12.450</b>	<b>42.014</b>	<b>63.457</b>	<b>12,8%</b>
Depreciation, amortisation and impairment expenses	-3.085	-2.627	-5.266	-2.779	-3.255	-3.476	-4.227	
<b>Operating profit (EBIT)</b>	<b>62.014</b>	<b>73.302</b>	<b>33.907</b>	<b>-30.063</b>	<b>9.195</b>	<b>38.538</b>	<b>59.230</b>	<b>15,0%</b>
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	-30.225	-32.510	-34.018	
<b>Financial result</b>	<b>245</b>	<b>-13.163</b>	<b>-2.457</b>	<b>-9.300</b>	<b>-14.568</b>	<b>-16.725</b>	<b>-21.940</b>	
<b>Earnings before tax (EBT)</b>	<b>62.259</b>	<b>60.139</b>	<b>31.450</b>	<b>-39.363</b>	<b>-5.373</b>	<b>21.813</b>	<b>37.290</b>	<b>4,3%</b>
Income tax expense	-21.506	-16.428	-4.338	-6.682	-2.026	-5.782	-9.770	
Tax rate	34,5%	27,3%	13,8%	-17,0%	-37,7%	26,5%	26,2%	
<b>Net profit before minorities</b>	<b>40.753</b>	<b>43.711</b>	<b>27.112</b>	<b>-46.045</b>	<b>-7.399</b>	<b>16.031</b>	<b>27.520</b>	<b>0,4%</b>
Minorities and shares of hybrid capital	-7.984	-10.086	-10.322	-6.454	-659	-2.444	-4.438	
<b>Net profit after minorities</b>	<b>32.769</b>	<b>33.625</b>	<b>16.790</b>	<b>-52.499</b>	<b>-8.058</b>	<b>13.587</b>	<b>23.082</b>	<b>8,3%</b>
Earnings per share (EPS)	4,39	4,50	2,25	-7,03	-1,08	1,82	3,09	
Dividends per share (DPS)	2,20	2,25	1,10	0,00	0,30	0,85	1,90	
Payout ratio	50,2%	50,0%	49,0%	0,0%	-27,8%	46,7%	61,5%	
Number of shares ('000)	7.472	7.472	7.472	7.472	7.472	7.472	7.472	
<b>Adjusted shareholders' equity without minorities</b>	<b>478.467</b>	<b>545.435</b>	<b>501.449</b>	<b>379.722</b>	<b>371.664</b>	<b>383.009</b>	<b>399.740</b>	<b>-5,5%</b>
<b>Total assets</b>	<b>1.372.021</b>	<b>1.494.463</b>	<b>1.451.831</b>	<b>1.253.777</b>	<b>1.178.550</b>	<b>1.219.800</b>	<b>1.262.493</b>	<b>-3,4%</b>
<b>Equity ratio</b>	<b>35,5%</b>	<b>37,1%</b>	<b>35,1%</b>	<b>30,3%</b>	<b>31,5%</b>	<b>31,4%</b>	<b>31,7%</b>	
<b>Book value per share (BVpS)</b>	<b>64,03</b>	<b>73,00</b>	<b>67,11</b>	<b>50,82</b>	<b>49,74</b>	<b>51,26</b>	<b>53,50</b>	<b>-5,5%</b>
<b>RoE (after tax)</b>	<b>7,0%</b>	<b>6,6%</b>	<b>3,2%</b>	<b>-11,9%</b>	<b>-2,1%</b>	<b>3,6%</b>	<b>5,9%</b>	
<b>Key ratios &amp; figures</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	
<b>Growth rates in %</b>								
Sales revenues	-24,2%	51,8%	-51,9%	-36,3%	106,4%	33,0%	22,3%	
EBIT	-13,2%	18,2%	-53,7%	-188,7%	-130,6%	319,1%	53,7%	
EBT	-11,7%	-3,4%	-47,7%	-225,2%	-86,4%	-506,0%	71,0%	
Net profit after minorities	-28,8%	2,6%	-50,1%	-412,7%	-84,7%	-268,6%	69,9%	
<b>Margins in %</b>								
Operating profit (EBIT)	33,8%	26,3%	25,3%	-35,2%	5,2%	16,4%	20,7%	
Pre-tax profit (EBT)	34,0%	21,6%	23,5%	-46,1%	-3,1%	9,3%	13,0%	
Net Profit (after minorities)	17,9%	12,1%	12,5%	-61,5%	-4,6%	5,8%	8,1%	
<b>Expense ratios in %</b>								
Personnel costs to sales	19,0%	13,2%	27,8%	36,2%	15,2%	13,8%	11,9%	
Cost of material to sales	63,1%	50,8%	64,8%	82,5%	65,7%	60,1%	62,5%	
Depreciation to sales	1,7%	0,9%	3,9%	3,3%	1,8%	1,5%	1,5%	
<b>Profitability in %</b>								
Return on equity (RoE) after tax	7,0%	6,6%	3,2%	-11,9%	-2,1%	3,6%	5,9%	
Return on assets (RoA)	2,4%	2,2%	1,2%	-4,2%	-0,7%	1,1%	1,8%	
<b>Valuation</b>								
P/E-ratio	4,6	4,5	9,0	-2,9	-18,8	11,2	6,6	
Price/ BV per Share	0,32	0,28	0,30	0,40	0,41	0,40	0,38	
Dividend yield	10,8%	11,1%	5,4%	0,0%	1,5%	4,2%	9,4%	

## 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	15 April 2024	Buy	19,45 €	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 €
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 €

#### Please note:

The UBM share price mentioned in this report is from 28 May 2024. UBM mandated SRC Research for covering the UBM share.

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