

UBM Development AG

Buy (unchanged) **Target: Euro 55.00** (unchanged)



Der Spezialist für Finanzaktien

30 | May | 2022

■ **Price (Euro)** **38.50**
52 weeks range 45.90 / 36.00

■ Key Data

Country	Austria
Industry	Real Estate
Segment	Development (trading oriented)
ISIN	AT0000815402
WKN	852735
Reuters	UBMV.VI
Bloomberg	UBS VI
Internet	www.ubm.at
Reporting Standard	IFRS
Fiscal Year	31/12
Market Cap (EUR million)	287.7
Number of shares (million)	7.47
Free Float	49.4%
Free Float MCap (million)	142.1
CAGR pre tax profit '21 - '24e	8.2%

■ Multiples	2021	2022e	2023e	2024e
MarketCap/revenues	1.03	0.89	0.79	0.68
PE ratio	8.6	8.2	7.8	7.2
Dividend yield	5.8%	6.1%	6.4%	6.9%
Price-to-Book ratio	0.53	0.51	0.49	0.48

■ Key Data per Share (Euro)	2021	2022e	2023e	2024e
Earnings per share (EPS)	4.50	4.70	4.94	5.35
Dividends per share (DPS)	2.25	2.35	2.45	2.65
Book Value per share (BvP\$)	73.00	75.45	78.04	80.94

■ Financial Data (Euro '000)	2021	2022e	2023e	2024e
Revenues	278,313	323,574	364,742	421,134
Operating profit (EBITDA)	75,929	81,941	90,955	93,802
Operating profit (EBIT)	73,302	78,486	86,680	89,213
Pre-tax profit (EBT)	60,139	64,482	72,357	76,148
Net profit (after minorities)	33,625	35,140	36,931	39,961
Adj. shareholders' equity	545,435	563,763	583,135	604,789
RoE after tax	6.6%	6.3%	6.4%	6.7%

■ Financial Calendar

1H 2022 report	25 August 2022
SRC Forum Financials & Real Estate	13 September 2022
9M 2022 report	24 November 2022

■ Main Shareholders

Syndicate Ortner/ Strauss	38.8%
IGO Ortner Gruppe	6.8%
J. Dickinger	5.0%
Management & Supervisory board	3.9%

■ Analysts

Dipl.-Kfm. Stefan Scharff, CREA
Christopher Mehl, MBA, CFA

E-Mail scharff@src-research.de
mehl@src-research.de

Internet www.src-research.de
www.aktienmarkt-international.at
www.aktienmarkt-international.de

First quarter was unspectacular in terms of numbers, but good progress on the transaction side with the project acquisition in Mainz and ESG rating uplift – Buy and Euro 55.00 affirmed

On Wednesday, 25 May, the company published the report for the first quarter of 2022. While the numbers of the first quarter are in line with our expectations, the more prominent news of the first three months are the addition of the Zollhafen Mainz projects and the ESG rating uplift to B-.

Total output was down 10% from Euro 89.6m to Euro 80.6m while revenues decreased by 27% from Euro 41.9m to Euro 30.6m. The profit from at-equity companies hiked from Euro 5.7m to Euro 7.3m. Income from fair value adjustments amounted to Euro 6.7m (1Q 2021: Euro 10.0m). Material cost came down significantly from Euro 27.6m to Euro 19.4m, while personnel expenses and other operating income and expenses were slightly higher than last year. The firm's EBIT of the first three months amounted to Euro 9m compared to almost Euro 14m last year. While financial income fell from Euro 6.6m to Euro 3.2m, financial cost increased from Euro 4.4m to Euro 6.9m, resulting in an EBT of Euro 5.3m compared to Euro 16.1m last year. The bottom line after minorities all in all stood at Euro 2.4m, translating into earnings per share of 32 cents. The balance sheet remains very solid with an equity ratio of 35.6% and a LTV of only 30.4% (FY 2021: 34.2% and 36.5% respectively). The cash position remains high at almost Euro 380m, despite the all cash purchase of the land in Mainz.

On the transaction side, the firm managed to land a large project in the first quarter of the year at Zollhafen Mainz, on which we already reported with our update from 2 March. Here, the firm acquired four plots, where a total or more than 42k sqm of floor space are to be developed. Of that space, about 25% will be allocated to office and commercial use, while about 75% will be developed for residential use. The completion is expected to be in 2025 and 2026 and the sales volume amounts to more than Euro 300m.

Another very good step was the ESG rating uplift by ISS from C+ to B- which makes UBM the best rated real estate and construction business in Austria and Germany. This also means that there will be no step-up payment for the sustainability-linked bonds in 2022.

Due to the continued high level of economic and geopolitical uncertainties, UBM has still not released a guidance for the full year, but we expect that to come maybe with the half-year numbers in August. Nevertheless, as the first quarter of the year does not give an indication for the remainder of the year, we are confident, that the firm will deliver another good year and will reach our estimates. We also expect news about sales to come in the coming weeks. While for the mid-term it remains to be seen how the margins of developers will develop, as construction costs continue to rise and the pressure on sales prices is getting higher due to rising interest levels, we also believe that financially solid and more prudent companies such as UBM could possibly benefit from distressed projects and competitors on the acquisition side. We confirm our Euro 55.00 target price as well as 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)
 Martina Maly-Gärtner, MRICS (COO)

Supervisory Board of UBM

Ing. Karl-Heinz Strauss (Chairman)
 DI Iris Ortner (Dep. Chairwoman)
 DI Klaus Ortner Dr. Bernhard Vanas
 Dr. Ludwig Steinbauer Dr. Susanne Weiss
 Mag. Paul Unterluggauer Dkff. Birgit Wagner
 Martin Kudlicska Hannes Muster
 Anke Duchow Günter Schnötzing

IR Contact

Christoph Rainer
 Phone: +43 (0) 664 626 3969
 Mail: investor.relations@ubm.at

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.

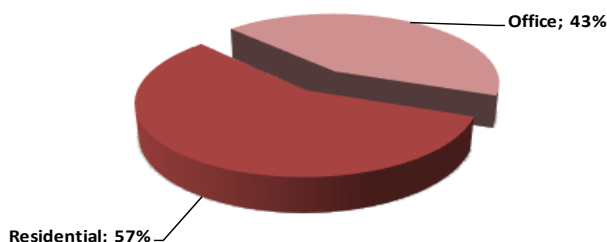
In 1992 the firm started to develop numerous lucrative projects in Eastern Europe, in particular in Poland and Czech Republic. Between 2001 and 2010 UBM entered some opportunistic markets like France and the Netherlands with hotels. In 2014 PORR, the Vienna-based construction and development conglomerate 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 (1Q 2022) of Euro 2.2bn, 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, the company has not yet given a guidance for the current year.

Pipeline split as of 31 March 2022

(c. Euro 2.2bn 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	323,574	364,742	421,134	14.8%
Changes in the portfolio	20,294	-21,145	-45,874	-32,846	-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	-201,274	-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	-35,257	-32,169	-35,603	
Operating profit (EBITDA)	74,966	65,099	75,929	81,941	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	78,486	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	64,482	72,357	76,148	8.2%
Income tax expense	-20,450	-21,506	-16,428	-18,998	-21,642	-22,031	
Tax rate	29.0%	34.5%	27.3%	29.5%	29.9%	28.9%	
Net profit before minorities	50,062	40,753	43,711	45,484	50,715	54,117	7.4%
Minorities	-4,011	-7,984	-10,086	-10,344	-13,784	-14,156	
Net profit after minorities	46,051	32,769	33,625	35,140	36,931	39,961	5.9%
Earnings per share (EPS)	6.16	4.39	4.50	4.70	4.94	5.35	
Dividends per share (DPS)	2.20	2.20	2.25	2.35	2.45	2.65	
Payout ratio	35.7%	50.2%	50.0%	50.0%	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	563,763	583,135	604,789	3.5%
Total assets	1,316,389	1,372,021	1,494,463	1,569,186	1,702,567	1,847,285	7.3%
Equity ratio	35.3%	35.5%	37.1%	36.5%	34.9%	33.3%	
Book value per share (BVpS)	61.14	64.03	73.00	75.45	78.04	80.94	3.5%
RoE (after tax)	10.4%	7.0%	6.6%	6.3%	6.4%	6.7%	
Key ratios & figures	2019	2020	2021	2022e	2023e	2024e	
Growth rates in %							
Sales revenues	-52.9%	-24.2%	51.8%	16.3%	12.7%	15.5%	
EBIT	27.7%	-13.2%	18.2%	7.1%	10.4%	2.9%	
EBT	26.9%	-11.7%	-3.4%	7.2%	12.2%	5.2%	
Net profit after minorities	16.0%	-28.8%	2.6%	4.5%	5.1%	8.2%	
Margins in %							
Operating profit (EBIT)	29.5%	33.8%	26.3%	24.3%	23.8%	21.2%	
Pre-tax profit (EBT)	29.1%	34.0%	21.6%	19.9%	19.8%	18.1%	
Net Profit (after minorities)	19.0%	17.9%	12.1%	10.9%	10.1%	9.5%	
Expense ratios in %							
Personnel costs to sales	15.1%	19.0%	13.2%	11.5%	10.4%	9.4%	
Cost of material to sales	83.6%	63.1%	50.8%	62.2%	68.0%	65.4%	
Depreciation to sales	1.5%	1.7%	0.9%	1.1%	1.2%	1.1%	
Profitability in %							
Return on equity (RoE) after tax	10.4%	7.0%	6.6%	6.3%	6.4%	6.7%	
Return on assets (RoA)	3.5%	2.4%	2.2%	2.2%	2.2%	2.2%	
Valuation							
P/E-ratio	6.6	9.2	9.0	8.6	8.2	7.6	
Price/ BV per Share	0.66	0.63	0.55	0.54	0.52	0.50	
Dividend yield	5.4%	5.4%	5.6%	5.8%	6.1%	6.6%	

SRC Research

- The Specialist for Financial and Real Estate Stocks -

SRC - Scharff Research und Consulting GmbH

Klingerstr. 23

D-60313 Frankfurt

Germany

Fon: +49 (0)69/ 400 313-80

Mail: scharff@src-research.de

Internet: www.src-research.de

Rating Chronicle	Date	Rating	Former Price	Former Target
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 €
UBM Development AG	26 May 2020	Buy	36.70 €	44.00 €

Please note:

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

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