

UBM Development AG

Buy (unchanged) Target: Euro 32.00 (unchanged)



Der Spezialist für Finanzaktien

31 | August | 2023

Cash is King – and UBM has Cash – still Buy and 32 Euros

Today, the company released the half-year 2023 report. The numbers were not a big surprise, as the firm announced last week a profit warning for these numbers, given the down-valuation of several properties and projects in this rough market climate that translated into a general hike in yields and a down-valuation of Euro 31.3m.

The output was down from Euro 206m last year to now Euro 116m, a big portion came from Frankfurt FAZ Tower after the closing, another big portion from the good progress in the Prague Arcus City and Astrid Garden residential projects. Another impetus came from a remarkable hike in output from the hotel operations, which surged +67% from Euro 22m to almost Euro 37m, a great recovery after the difficult Covid years.

With the down-valuations and the lower output level in a challenging economic situation, the pre-tax profit made a swing from Euro 16.1m last year to Euro -31.6m. Net profit after minorities was a quite similar swing, from Euro 11.2m to Euro -32.5m.

UBM is in good shape as the firm early recognized a downtrend of the entire industry and the end of the low interest world. Cash position is still high and well above Euro 200m, at Euro 214.3m, even after repayment of Euro 53m hybrid bond in 1Q, the dividend payout for FY 2022 (Euro 8.2m) and an acquisition in Germany.

In November 2023 UBM will repay the 2018 – 2023 Euro 91m bond and before that UBM already received the tranche for the next step for the Bauberger Strasse Munich prelim. building permit (Bauvorbescheid) from the partner ARE, which is about Euro 45m. If you deduct the payment for Donau Marina Tower Vienna (Euro 15m to Euro 18m in our assumption) and some more progress in selling flats in Prague, the company should come up with around Euro 150m cash or little above at year-end 2023. With no bond obligation or other big refinancing item until 4Q 2025, the situation is still quite comfortable. The next is the Euro 120m bond (2.75%) coming in more than two years, in Nov. 2025.

This prevailing high cash position and the benign debt maturity profile together with the equity ratio of still 30%, within the range of 30% to 35%, and probably a bit higher between 31% and 33% at year-end, helps to find a good positioning in stormy times and to profit from a market consolidation, that might come sooner than later.

We remember a quite old statement from UBM management, which was published more than 10 years ago, but might still give a good insight, what is important in this difficult market scenario and the general standstill in transactions. It is from the 2012 annual report: **“Thankfully the entire Management Board has always stood behind (the) guiding principle that “profit is an opinion, cash is a fact”. This conservative approach still applies today. Our positive results are always backed by cash flow and not driven by gains on price appreciation.”**

No need to change rating or target price. Still Buy and still € 32.00. It's the quality of the projects and the deep pockets.

■ Price (Euro)	21,10			
52 weeks range	33.00 / 20.30			
■ 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)	157,7			
Number of shares (million)	7,47			
Free Float	49,2%			
Free Float MCap (million)	77,6			
CAGR pre tax profit '22 - '25e	15,5%			
■ Multiples	2022	2023e	2024e	2025e
MarketCap/revenues	1,18	0,81	0,70	0,56
PE ratio	9,4	-6,8	23,3	5,7
Dividend yield	5,2%	0,0%	0,0%	7,1%
Price-to-Book ratio	0,31	0,34	0,33	0,31
■ Key Data per Share (Euro)	2022	2023e	2024e	2025e
Earnings per share (EPS)	2,25	-3,11	0,90	3,72
Dividends per share (DPS)	1,10	0,00	0,00	1,50
Book Value per share (BVpS)	67,11	62,90	63,80	67,52
■ Financial Data (Euro '000)	2022	2023e	2024e	2025e
Revenues	133.944	195.023	225.056	279.922
Operating profit (EBITDA)	39.173	25.336	34.526	72.643
Operating profit (EBIT)	33.907	-16.122	25.745	67.523
Pre-tax profit (EBT)	31.450	-32.085	7.095	48.463
Net profit (after minorities)	16.790	-23.272	6.761	27.759
Adj. shareholders' equity	501.449	469.957	476.718	504.477
RoE after tax	3,2%	-4,8%	1,4%	5,7%
■ Financial Calendar				
SRC Forum Financials & Real Estate 2023		12 September 2023		
9M 2023 report		23 November 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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UBM Development AG

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

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

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 DI Iris Ortner (Dep. Chairwoman)
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 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 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. Another deal was just recently done mid of June with the acquisition of Donaumarina Tower at Vienna Handelskai for only Euro 24.5m. Another good news came end of June 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.

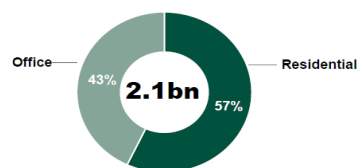
5 >250,000m² in timber construction.



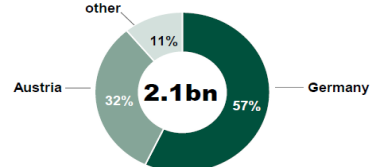
Timber pipeline

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	195.023	225.056	279.922	27,9%
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	35.519	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	-115.951	-135.741	-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	25.336	34.526	72.643	22,9%
Depreciation, amortisation and impairment expenses	-3.515	-3.085	-2.627	-5.266	-41.458	-8.781	-5.120	
Operating profit (EBIT)	71.451	62.014	73.302	33.907	-16.122	25.745	67.523	25,8%
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	-32.085	7.095	48.463	15,5%
Income tax expense	-20.450	-21.506	-16.428	-4.338	6.125	-1.209	-13.160	
Tax rate	29,0%	34,5%	27,3%	13,8%	19,1%	17,0%	27,2%	
Net profit before minorities	50.062	40.753	43.711	27.112	-25.959	5.886	35.303	9,2%
Minorities	-4.011	-7.984	-10.086	-10.322	2.687	875	-7.544	
Net profit after minorities	46.051	32.769	33.625	16.790	-23.272	6.761	27.759	18,2%
Earnings per share (EPS)	6,16	4,39	4,50	2,25	-3,11	0,90	3,72	
Dividends per share (DPS)	2,20	2,20	2,25	1,10	0,00	0,00	1,50	
Payout ratio	35,7%	50,2%	50,0%	49,0%	0,0%	0,0%	40,4%	
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	469.957	476.718	504.477	0,2%
Total assets	1.316.389	1.372.021	1.494.463	1.451.831	1.469.253	1.381.098	1.429.436	-0,5%
Equity ratio	35,3%	35,5%	37,1%	35,1%	32,6%	35,1%	35,9%	
Book value per share (BVpS)	61,14	64,03	73,00	67,11	62,90	63,80	67,52	0,2%
RoE (after tax)	10,4%	7,0%	6,6%	3,2%	-4,8%	1,4%	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%	45,6%	15,4%	24,4%	
EBIT	27,7%	-13,2%	18,2%	-53,7%	-147,5%	-259,7%	162,3%	
EBT	26,9%	-11,7%	-3,4%	-47,7%	-202,0%	-122,1%	583,1%	
Net profit after minorities	16,0%	-28,8%	2,6%	-50,1%	-238,6%	-129,1%	310,6%	
Margins in %								
Operating profit (EBIT)	29,5%	33,8%	26,3%	25,3%	-8,3%	11,4%	24,1%	
Pre-tax profit (EBT)	29,1%	34,0%	21,6%	23,5%	-16,5%	3,2%	17,3%	
Net Profit (after minorities)	19,0%	17,9%	12,1%	12,5%	-11,9%	3,0%	9,9%	
Expense ratios in %								
Personnel costs to sales	15,1%	19,0%	13,2%	27,8%	19,8%	17,4%	14,3%	
Cost of material to sales	83,6%	63,1%	50,8%	64,8%	59,5%	60,3%	55,6%	
Depreciation to sales	1,5%	1,7%	0,9%	3,9%	21,3%	3,9%	1,8%	
Profitability in %								
Return on equity (RoE) after tax	10,4%	7,0%	6,6%	3,2%	-4,8%	1,4%	5,7%	
Return on assets (RoA)	3,5%	2,4%	2,2%	1,2%	-1,6%	0,5%	1,9%	
Valuation								
P/E-ratio	3,5	4,9	4,7	9,5	-6,8	23,5	5,7	
Price/ BV per Share	0,35	0,33	0,29	0,32	0,34	0,33	0,32	
Dividend yield	10,3%	10,3%	10,6%	5,2%	0,0%	0,0%	7,0%	

SRC Research

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Rating Chronicle	Date	Rating	Former Price	Former Target
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 €
UBM Development AG	25 November 2021	Buy	40,60 €	55,00 €
UBM Development AG	25 August 2021	Buy	43,20 €	55,00 €

Please note:

The UBM share price mentioned in this report is from 30 August 2023. UBM mandated SRC Research for covering the UBM share.

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