

UBM Development AG

Buy (unchanged) Target: Euro 40.00 (unchanged)



Der Spezialist für Finanzaktien

05 | April | 2023

UBM with the biggest letting transaction in the first quarter in Frankfurt, 70% of Timber Pioneer let to Universal Investment for 12 years, handover in 2Q 2024, more Timber offices to come

On last Thursday, 30 March, Vienna-based leading developer for modern and sustainable timber offices concluded the first quarter with a very good news regarding Frankfurt's Timber Pioneer, that is built in a 75% / 25% JV with Paulus Immobiliengruppe.

UBM delivered a decent 12 years letting contract for the 8 floors Highrise, next to the FAZ Tower, that starts in 2Q 2024. Almost 10,000 sqm of this very innovative and sustainable building in the heart of Europaviertel are now rented to the leading fund service platform Universal Investment, which is Germany's fastest growing capital management firm with a very long track record of more than 50 years and more than Euro 970bn assets under administration.

The 10k sqm mean 70% of the total 14,100 office space that is available at this property. The Timber Pioneer also offers 1,500 sqm retail space in the ground floor. The sqm price for the Universal letting was not disclosed with last week's news but we assume a range of Euro 27 to Euro 30 per sqm to be quite realistic, which translates into an annualized rental income of Euro 3.2m to Euro 3.6m. The deal is the biggest office letting in Frankfurt in the first quarter and underlines the attractive product, that UBM has to offer and is a valuable advantage in more challenging times. With this deal we expect it to be easier to rent out the remaining space and to attract investors for a later sale transaction.

More Timber offices to come in Mainz Zollhafen with the 12 floors Timber Peak that will offer about 8,500 sqm office space. The construction here will start end of this year. The Leopoldquartier in Vienna (over 75k sqm, thereof over 21k sqm Leopoldquartier Office) will also start in 4Q 2023. Another big Timber office project in Germany is the Düsseldorf Timber Port in the prominent Medienhafen and should have similar to Mainz an office space of 8,500 to 9,500 sqm with parking space for e-cars in the basement to provide an attractive offer in the Holzstrasse 12 for small and large tenants. The land plot was bought last year in September in an off-market deal.

The attractive product pipeline of modern timber offices is an important argument for UBM in a much more challenging overall economic framework. The big Universal letting deal in Frankfurt speaks a clear language here. The annual report will be published soon, after the Easter holidays, on 17 April. We maintain our Buy as the share is undervalued below 30 Euros and also keep our Euro 40.00 target price.

Price (Euro)	26,90			
52 weeks range	43.90 / 22.20			
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)	201,0			
Number of shares (million)	7,47			
Free Float	49,2%			
Free Float MCap (million)	98,9			
CAGR pre tax profit '21 - '24e	-4,6%			
Multiples	2021	2022e	2023e	2024e
MarketCap/revenues	0,72	1,00	0,86	0,70
PE ratio	6,0	12,8	8,5	7,3
Dividend yield	8,4%	3,7%	5,6%	6,7%
Price-to-Book ratio	0,37	0,39	0,38	0,37
Key Data per Share (Euro)	2021	2022e	2023e	2024e
Earnings per share (EPS)	4,50	2,11	3,17	3,66
Dividends per share (DPS)	2,25	1,00	1,50	1,80
Book Value per share (BVpS)	73,00	68,15	70,33	72,49
Financial Data (Euro '000)	2021	2022e	2023e	2024e
Revenues	278.313	201.257	233.472	285.364
Operating profit (EBITDA)	75.929	47.947	61.359	69.883
Operating profit (EBIT)	73.302	44.492	57.084	65.294
Pre-tax profit (EBT)	60.139	30.488	42.761	52.229
Net profit (after minorities)	33.625	15.732	23.721	27.358
Adj. shareholders' equity	545.435	509.247	525.496	541.646
RoE after tax	6,6%	3,0%	4,6%	5,1%
Financial Calendar				
Annual Report 2022			17 April 2023	
AGM			19 May 2023	
1Q 2023 report			25 May 2023	
1H 2023 report			31 August 2023	
SRC Forum Financials & Real Estate 2023			12 September 2023	
Main Shareholders				
Syndicate Ortner/ Strauss			38,8%	
IGO Ortner Gruppe			7,0%	
J. Dickinger			5,0%	
Management & Supervisory board			3,9%	
Analysts	Dipl.-Kfm. Stefan Scharff, CREA			
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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)

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Supervisory Board of UBM

Ing. Karl-Heinz Strauss (Chairman)
DI Iris Ortner (Dep. Chairwoman)
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Dr. Ludwig Steinbauer
Mag. Paul Unterluggauer
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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.

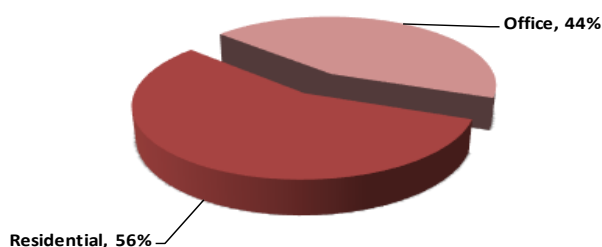
In 1992 the firm started to develop numerous lucrative projects in Eastern Europe, in particular in Poland and Czech Republic. Between 2001 and 2010 UBM entered some opportunistic markets like France and the Netherlands with hotels. In 2014 PORR, the Vienna-based construction and development conglomerate 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. 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 (9M 2022) of Euro 2.1bn, the pipeline is split at about 56% residential and 44% 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 33.4% and a LTV of only 32.2% certainly allow the company to react to arising opportunities from distressed competitors, which we see to happen over the course of 2023. 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. Based on the preliminary numbers from 20 February, pre-tax profit for 2022 will be in a range between Euro 30m to Euro 31m.

Pipeline split as of 30 September 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	201,257	233,472	285,364	0.8%
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	10,723	6,847	8,553	
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	-133,471	-158,641	
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	47,947	61,359	69,883	-2.7%
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	44,492	57,084	65,294	-3.8%
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	30,488	42,761	52,229	-4.6%
Income tax expense	-20,450	-21,506	-16,428	-8,543	-11,529	-14,737	
Tax rate	29.0%	34.5%	27.3%	28.0%	27.0%	28.2%	
Net profit before minorities	50,062	40,753	43,711	21,945	31,232	37,492	-5.0%
Minorities	-4,011	-7,984	-10,086	-6,213	-7,511	-10,134	
Net profit after minorities	46,051	32,769	33,625	15,732	23,721	27,358	-6.6%
Earnings per share (EPS)	6.16	4.39	4.50	2.11	3.17	3.66	
Dividends per share (DPS)	2.20	2.20	2.25	1.00	1.50	1.80	
Payout ratio	35.7%	50.2%	50.0%	47.5%	47.2%	49.2%	
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	509,247	525,496	541,646	-0.2%
Total assets	1,316,389	1,372,021	1,494,463	1,554,242	1,647,496	1,696,921	4.3%
Equity ratio	35.3%	35.5%	37.1%	33.4%	32.5%	32.5%	
Book value per share (BVpS)	61.14	64.03	73.00	68.15	70.33	72.49	-0.2%
RoE (after tax)	10.4%	7.0%	6.6%	3.0%	4.6%	5.1%	
Key ratios & figures	2019	2020	2021	2022e	2023e	2024e	
Growth rates in %							
Sales revenues	-52.9%	-24.2%	51.8%	-27.7%	16.0%	22.2%	
EBIT	27.7%	-13.2%	18.2%	-39.3%	28.3%	14.4%	
EBT	26.9%	-11.7%	-3.4%	-49.3%	40.3%	22.1%	
Net profit after minorities	16.0%	-28.8%	2.6%	-53.2%	50.8%	15.3%	
Margins in %							
Operating profit (EBIT)	29.5%	33.8%	26.3%	22.1%	24.5%	22.9%	
Pre-tax profit (EBT)	29.1%	34.0%	21.6%	15.1%	18.3%	18.3%	
Net Profit (after minorities)	19.0%	17.9%	12.1%	7.8%	10.2%	9.6%	
Expense ratios in %							
Personnel costs to sales	15.1%	19.0%	13.2%	18.5%	16.3%	13.9%	
Cost of material to sales	83.6%	63.1%	50.8%	55.0%	57.2%	55.6%	
Depreciation to sales	1.5%	1.7%	0.9%	1.7%	1.8%	1.6%	
Profitability in %							
Return on equity (RoE) after tax	10.4%	7.0%	6.6%	3.0%	4.6%	5.1%	
Return on assets (RoA)	3.5%	2.4%	2.2%	1.0%	1.4%	1.6%	
Valuation							
P/E-ratio	4.8	6.7	6.6	14.1	9.3	8.1	
Price/ BV per Share	0.48	0.46	0.41	0.43	0.42	0.41	
Dividend yield	7.4%	7.4%	7.6%	3.4%	5.1%	6.1%	

SRC Research

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Rating Chronicle	Date	Rating	Former Price	Former Target
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 €
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 €

Please note:

The UBM share price mentioned in this report is from 4 April 2023. UBM mandated SRC Research for covering the UBM share.

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