

# UBM Development AG

Buy (unchanged) Target: Euro 47.00 (unchanged)

26 | November | 2020



Der Spezialist für Finanzaktien

■ **Price (Euro)** **35.70**  
52 weeks range 50.80 / 23.60

## ■ 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)	266.8
Number of shares (million)	7.47
Free Float	49.8%
Free Float MCap (million)	132.8
CAGR pre tax profit '19 - '22e	-0.2%

■ Multiples	2019	2020e	2021e	2022e
MarketCap/revenues	1.10	1.43	1.33	0.62
PE ratio	5.0	7.5	8.4	5.3
Dividend yield	6.2%	5.6%	5.0%	7.0%
Price-to-Book ratio	0.58	0.56	0.54	0.51

■ Key Data per Share (Euro)	2019	2020e	2021e	2022e
Earnings per share (EPS)	7.10	4.79	4.26	6.71
Dividends per share (DPS)	2.20	2.00	1.80	2.50
Book Value per share (BVpS)	61.14	63.93	66.39	70.60

■ Financial Data (Euro '000)	2019	2020e	2021e	2022e
Revenues	241,999	186,125	200,687	432,554
Operating profit (EBITDA)	74,966	59,043	62,401	82,873
Operating profit (EBIT)	71,451	54,489	57,413	77,853
Pre-tax profit (EBT)	70,512	55,644	47,709	70,152
Net profit (after minorities)	53,071	35,793	31,814	50,129
Adj. shareholders' equity	456,833	477,682	496,047	527,496
RoE after tax	12.0%	7.7%	6.5%	9.8%

## ■ Financial Calendar

Annual report 2020	23 April 2021
1Q 2021 report	25 May 2021

## ■ Main Shareholders

Syndicate Ortnr/ Strauss	38.8%
IGO Ortnr Gruppe	6.4%
J. Dickinger	5.0%
Management & Supervisory board	3.9%

## ■ Analysts

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## Good 9M numbers in line with estimates as EBT is up more than 10% despite reduced topline due to Corona impacts - released guidance confirms our midterm estimates - Euro 47.00 and Buy rating affirmed

Today, the company published the report for the first nine months of 2020 and invited to a conference call. The numbers were very good as of 9M given the economic environment due to the Covid-19 pandemic, which burdened the company with significant impacts and led to a very fast transformation of the firm's strategy which is in full swing and already delivered the first results. While the top line numbers came down significantly compared to last year's period, pre-tax profit was even on top of the previous year. Total output amounted to Euro 292m compared to last year's Euro 460m. Revenues came down by about 31% as well from Euro 183m to Euro 127m. While last year's numbers were driven by several larger sales, this year's numbers are mainly from the construction progress during the year and is also heavily coined by the negative impacts from the hotel segment due to Corona, as already described in our update after the 1H numbers. Profit from at-equity accounted companies stood at about Euro -2m, down from last year's Euro 36m. The income from fair value adjustments on the other hand was at Euro 70m (9M 2019: Euro 46m), as a result of the sale of a 40% interest in a large-scale project, "Baubergerstraße", in Munich, as part of the formed partnership with ARE. Other operating expenses significantly increased from Euro 29.6m to Euro 39.1m due to foreign exchange losses of almost Euro 17m linked to the Polish zloty and the Czech koruna. With reduced cost of material of Euro 86m compared to Euro 156m, the EBIT came in at Euro 46m, about 8% below last year's number of Euro 50m. The financial result benefited from financial income of more than Euro 20m and was all in all even positive at about Euro 5m. Thus, the EBT was at Euro 51m on top of last year's number of Euro 46m, a plus of more than 10%.

The transformation of the company has proceeded well in the third quarter as well. The project pipeline for the coming years now stands at Euro 2.2bn. While the share of residential projects and office projects increased to 50% and 30% respectively, the share of hotel assets has continued to shrink to 15%. One proof for the demand of the new focus on green buildings and smart offices is the transaction announced on Monday with the sale of the FAZ tower for almost Euro 200m at more than 30x annual rental income. We have commented in more detail on that deal in our update from 23 November.

**The company today also gave a general outlook for the coming years. For the current year, UBM expects a strong earnings but significantly below last year. This is in line with our current estimate of an EBT of Euro 56m, which we confirm again, while we also could imagine a somewhat higher turnout at the end of the year. For 2021 the management estimates a Corona related dip in earnings. We in turn also decreased our estimate, however, only slightly as we are not too pessimistic for the business developments of UBM also in 2021 and the impacts of Corona. For 2022, the company expects earnings to return to pre-Corona levels, which confirms our estimate of an EBT of more than Euro 70m in 2022. All in all we confirm our Euro 47.00 target price, which we lifted earlier this week. We also confirm our Buy recommendation.**

## UBM Development AG

**Industry:** Real Estate Development  
**Sub-segment:** Resi, Office, Hotels  
**Country:** Austria  
**Headquarter:** Vienna  
**Foundation:** 1873  
**Employees:** 335

**Management Board of UBM**  
Thomas G. Winkler, LL.M. (CEO)  
Dipl.-Ökonom Patric Thate (CFO)  
Dipl.-Ing. Martin Löcker (COO)

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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 Kudlicska  
Johann Kaller  
Dr. Bernhard Vanas  
Dr. Susanne Weiss  
Dkff. Birgit Wagner  
Hannes Muster  
Günter Schnötzingner

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.

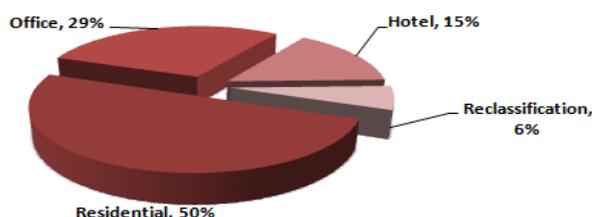
In 1992 the firm started to develop numerous lucrative projects in Eastern Europe, in particular in Poland and Czech Republic. Between 2001 and 2010 UBM entered some opportunistic markets like France and the Netherlands with hotels. In 2014 PORR, the Vienna-based construction and development conglomerate 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, PLAG 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 PLAG 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 of Euro 2.2bn, the pipeline is split at about 50% residential units, about 29% office space, 15% hotels and 6% is currently in reclassification. From potentially 16 hotels, 7 hotels are in in current development, and from the 7 hotels 3 are already sold. The remaining 4 hotels are 1 in The Netherlands, 2 in Germany and 1 in Czech and it is quite likely that UBM will put them on its own balance for the next 1 or 2 years after completion as to sell them for an unsatisfying price.

In 2018, the numbers marked a new record year as UBM had a net profit of almost Euro 40m. 2019 was another record year with a net profit of Euro 53m. UBM paid out a good Euro 2.20 dividend per share given the strong own balance with a high equity ratio of 34% and a net LTV of only 36%. The dividend payment translates into a current dividend yield of more than 7%.

### Pipeline split as of 30 September 2020

(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)	2016	2017	2018	2019	2020e	2021e	2022e	CAGR '19 - '22e
<b>Revenues</b>	<b>417,020</b>	<b>364,668</b>	<b>514,048</b>	<b>241,999</b>	<b>186,125</b>	<b>200,687</b>	<b>432,554</b>	<b>21.4%</b>
Changes in the portfolio	-36,961	-24,051	-42,405	20,294	3,545	25,987	-28,774	
Share of profit/loss of companies accounted for under the equity method	25,124	16,469	35,921	59,980	-3,269	14,554	12,447	
Income from fair-value adjustments to investment property	54,570	39,420	223	46,270	69,853	14,112	15,440	
Other operating income	7,450	30,576	10,652	10,488	21,445	13,544	15,120	
Cost of materials and other related production services	-300,372	-273,429	-352,422	-202,198	-131,489	-123,569	-350,687	
Staff expenses	-44,278	-41,389	-45,318	-36,644	-35,830	-35,741	36,789	
Expenses from fair-value adjustments to investment property	-20,514	-9,218	-7,340	-24,582	-2,563	-4,475	-5,441	
Other operating expenses	-52,427	-50,601	-54,471	-40,641	-48,774	-42,698	-44,575	
<b>Operating profit (EBITDA)</b>	<b>49,612</b>	<b>52,445</b>	<b>58,888</b>	<b>74,966</b>	<b>59,043</b>	<b>62,401</b>	<b>82,873</b>	<b>3.4%</b>
Depreciation, amortisation and impairment expenses	-3,406	-3,827	-2,946	-3,515	-4,554	-4,988	-5,020	
<b>Operating profit (EBIT)</b>	<b>46,206</b>	<b>48,618</b>	<b>55,942</b>	<b>71,451</b>	<b>54,489</b>	<b>57,413</b>	<b>77,853</b>	<b>2.9%</b>
Financial income	13,147	21,233	32,001	20,711	22,698	16,597	19,744	
Finance costs	-19,288	-19,387	-32,399	-21,650	-21,543	-26,301	-27,445	
<b>Financial result</b>	<b>-6,141</b>	<b>1,846</b>	<b>-398</b>	<b>-939</b>	<b>1,155</b>	<b>-9,704</b>	<b>-7,701</b>	
<b>Earnings before tax (EBT)</b>	<b>40,065</b>	<b>50,464</b>	<b>55,544</b>	<b>70,512</b>	<b>55,644</b>	<b>47,709</b>	<b>70,152</b>	<b>-0.2%</b>
Income tax expense	-10,709	-13,498	-16,057	-20,450	-19,531	-15,021	-18,998	
Tax rate	26.7%	26.7%	28.9%	29.0%	35.1%	31.5%	27.1%	
<b>Net profit before minorities</b>	<b>29,356</b>	<b>36,966</b>	<b>39,487</b>	<b>50,062</b>	<b>36,113</b>	<b>32,688</b>	<b>51,154</b>	<b>0.7%</b>
Minorities	-247	-503	224	3,009	-320	-874	-1,025	
<b>Net profit after minorities</b>	<b>29,109</b>	<b>36,463</b>	<b>39,711</b>	<b>53,071</b>	<b>35,793</b>	<b>31,814</b>	<b>50,129</b>	<b>-1.9%</b>
Earnings per share (EPS)	3.90	4.88	5.31	7.10	4.79	4.26	6.71	
Dividends per share (DPS)	1.60	2.00	2.20	2.20	2.00	1.80	2.50	
Payout ratio	41.1%	41.0%	41.4%	31.0%	41.8%	42.3%	37.3%	
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>333,893</b>	<b>352,146</b>	<b>428,902</b>	<b>456,833</b>	<b>477,682</b>	<b>496,047</b>	<b>527,496</b>	<b>4.9%</b>
<b>Total assets</b>	<b>1,233,761</b>	<b>1,130,933</b>	<b>1,234,655</b>	<b>1,395,160</b>	<b>1,439,805</b>	<b>1,554,990</b>	<b>1,582,980</b>	<b>4.3%</b>
<b>Equity ratio</b>	<b>27.7%</b>	<b>31.4%</b>	<b>35.3%</b>	<b>33.3%</b>	<b>33.8%</b>	<b>32.5%</b>	<b>33.9%</b>	
<b>Book value per share (BVpS)</b>	<b>44.68</b>	<b>47.13</b>	<b>57.40</b>	<b>61.14</b>	<b>63.93</b>	<b>66.39</b>	<b>70.60</b>	<b>4.9%</b>
<b>RoE (after tax)</b>	<b>8.9%</b>	<b>10.6%</b>	<b>10.2%</b>	<b>12.0%</b>	<b>7.7%</b>	<b>6.5%</b>	<b>9.8%</b>	
* Figures of UBM Realitäten AG (before merger)								
<b>Key ratios &amp; figures</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	
<b>Growth rates in %</b>								
Sales revenues	35.5%	-12.6%	41.0%	-52.9%	-23.1%	7.8%	115.5%	
EBIT	-37.3%	5.2%	15.1%	27.7%	-23.7%	5.4%	35.6%	
EBT	-20.3%	26.0%	10.1%	26.9%	-21.1%	-14.3%	47.0%	
Net profit after minorities	-13.9%	25.3%	8.9%	33.6%	-32.6%	-11.1%	57.6%	
<b>Margins in %</b>								
Operating profit (EBIT)	11.1%	13.3%	10.9%	29.5%	29.3%	28.6%	18.0%	
Pre-tax profit (EBT)	9.6%	13.8%	10.8%	29.1%	29.9%	23.8%	16.2%	
Net Profit (after minorities)	7.0%	10.0%	7.7%	21.9%	19.2%	15.9%	11.6%	
<b>Expense ratios in %</b>								
Personnel costs to sales	10.6%	11.3%	8.8%	15.1%	19.3%	17.8%	-8.5%	
Cost of material to sales	72.0%	75.0%	68.6%	83.6%	70.6%	61.6%	81.1%	
Depreciation to sales	0.8%	1.0%	0.6%	1.5%	2.4%	2.5%	1.2%	
<b>Profitability in %</b>								
Return on equity (RoE) after tax	8.9%	10.6%	10.2%	12.0%	7.7%	6.5%	9.8%	
Return on assets (RoA)	2.4%	3.2%	3.2%	3.8%	2.5%	2.0%	3.2%	
<b>Valuation</b>								
P/E-ratio	9.2	7.3	6.7	5.0	7.5	8.4	5.3	
Price/ BV per Share	0.80	0.76	0.62	0.58	0.56	0.54	0.51	
Dividend yield	4.5%	4.9%	6.2%	6.2%	5.6%	5.0%	7.0%	

## SRC Research

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Rating Chronicle	Date	Rating	Former Price	Former Target
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 €
UBM Development AG	30 April 2020	Buy	35.00 €	44.00 €
UBM Development AG	25 March 2020	Buy	27.20 €	44.00 €
UBM Development AG	28 November 2019	Buy	46.00 €	54.00 €
UBM Development AG	28 August 2019	Buy	38.70 €	52.00 €
UBM Development AG	28 May 2019	Buy	40.40 €	50.00 €
UBM Development AG	07 March 2019	Buy	36.60 €	50.00 €
UBM Development AG	10 January 2019	Buy	36.00 €	50.00 €

#### Please note:

The UBM share price mentioned in this report is from 25 November 2020. UBM mandated SRC Research for covering the UBMshare.

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