

# UBM Development AG

Buy (unchanged) Target: Euro 50.00 (unchanged)

10 | January | 2019



**Price (Euro)** **36.00**  
52 weeks range 43.90 / 33.00

## 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)	269.0
Number of shares (million)	7.47
Free Float	45.4%
Free Float MCap (million)	122.1
CAGR pre tax profit '17 - '20e	4.4%

Multiples	2017	2018e	2019e	2020e
MarketCap/revenues	0.74	0.51	0.58	0.57
<b>PE ratio</b>	<b>7.4</b>	<b>6.8</b>	<b>6.9</b>	<b>6.6</b>
<b>Dividend yield</b>	<b>5.6%</b>	<b>6.1%</b>	<b>6.4%</b>	<b>6.7%</b>
<b>Price-to-Book ratio</b>	<b>0.76</b>	<b>0.62</b>	<b>0.59</b>	<b>0.58</b>

Key Data per Share (Euro)	2017	2018e	2019e	2020e
<b>Earnings per share (EPS)</b>	<b>4.88</b>	<b>5.27</b>	<b>5.25</b>	<b>5.49</b>
<b>Dividends per share (DPS)</b>	<b>2.00</b>	<b>2.20</b>	<b>2.30</b>	<b>2.40</b>
Book Value per share (BVpS)	47.13	57.89	60.84	62.38

Financial Data (Euro '000)	2017	2018e	2019e	2020e
<b>Revenues</b>	<b>364,668</b>	<b>522,687</b>	<b>466,587</b>	<b>476,063</b>
<b>Operating profit (EBITDA)</b>	<b>52,445</b>	<b>63,857</b>	<b>70,621</b>	<b>74,305</b>
Operating profit (EBIT)	48,618	60,516	67,281	70,966
Pre-tax profit (EBT)	50,464	52,653	55,285	57,445
<b>Net profit (after minorities)</b>	<b>36,463</b>	<b>39,406</b>	<b>39,209</b>	<b>41,027</b>
Adj. shareholders' equity	352,146	432,572	454,596	466,110
<b>RoE after tax</b>	<b>10.6%</b>	<b>10.0%</b>	<b>8.8%</b>	<b>8.9%</b>

## Financial Calendar

Annual report 2018	11 April 2019
1Q 2019 report	29 May 2019

## Main Shareholders

Syndicate Ortnet/ Strauss	38.8%
Management & Supervisory board	10.8%
J. Dickinger	5.0%

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**“Office Provider” project refurbished within two years and sold to Korean investor for almost Euro 69m shortly before the end of FY 2018 – Buy and Euro 50.00 affirmed**

Yesterday, the company announced the sale of the “Office Provider” project in Vienna. The sale was closed at the end of December 2018 and therefore will still contribute to the recently finished 2018 fiscal year. The sale of the Office Provider project will increase 4Q 2018 total output by almost Euro 69m and reduce the firms net debt accordingly by the same amount. The sold property was acquired by UBM in early 2017 and was refurbished after, which led to a substantial increase in value. The fully let complex was sold for almost Euro 69m to a fund directed by Inmark Asset Management from Korea. After the sale of the Zalando headquarters project in Berlin in early 2017 to a Korean investor, this represents now the second project that was sold to investors from Korea and further deals are likely.

As of 9M 2018, the Office Provider project was the only remaining project with completion in 2018 that had not been sold. Hence, with this sale, all 2018 projects were now successfully sold and completed. Looking at the current 2019 fiscal year, five of the seven projects in the pipeline as of 9M 2018 are already forward sold and the remaining two projects, namely the “NeuHouse” residential project in Berlin and the “The Brick” residential project in Hamburg, both to be completed in 3Q, are already partially sold.

**After reaching the 52 week low of 33.00 Euros at the end of 2018, the UBM share has recovered some of the recent losses and gained about 8% since the start of the 2019. We still see the share as a good investment opportunity, as we currently see an upside potential of almost 40%. UBM is well positioned with a large pipeline for the next more than 3 years, which can further be extended given the financial position and the current low leverage. Furthermore, UBM should have a record year in 2018 and we expect the next years to be continuing that trend. We confirm our Euro 50.00 target price and also confirm our Buy recommendation.**

## UBM Development AG

**Industry:** Real Estate Development  
**Sub-segment:** Resi, Office, Hotels  
**Country:** Austria  
**Headquarter:** Vienna  
**Foundation:** 1873  
**Employees (1H 2018):** 678  
 \* of which hotel staff: 370

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

**IR Contact**  
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**Supervisory Board of UBM**  
 Ing. Karl-Heinz Strauss (Chairman)  
 DI Iris Ortner (Dep. Chairwoman)  
 MMag. Christian Maier Dr. Bernhard Vanas  
 DI Klaus Ortner Dr. Susanne Weiss  
 Dr. Ludwig Steinbauer  
 Mag. Paul Unterluggauer

Founded in 1873 as "Union-Baumaterialien-Gesellschaft" the company has now an outstanding history of more than 140 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.

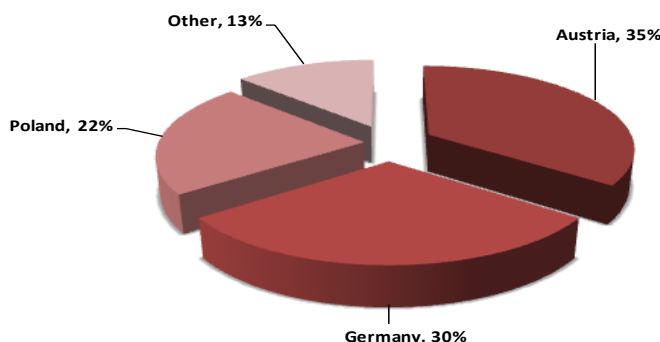
In 1992 the firm started to develop numerous lucrative projects in Eastern Europe, in particular in Poland and Czech Republic. Between 2001 and 2010 UBM entered some opportunistic markets like France and the Netherlands with hotels. In 2014 PORR, the Vienna-based construction and development conglomerate 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 (S&P) to the "new" UBM Development AG, which will act in the future as a pure-play trade developer. As a consequence of the intended portfolio reduction in 2015 and 2016, the firm will focus on the home markets Austria, Germany and Poland. At the moment the portfolio has a size of c. Euro 1.2bn (as of 30.09.2018), thereof 35% is in Austria, 30% in Germany and 22% Poland. The remaining 13% is widely spread in several countries (France, Netherlands, CZ etc.).

In 2017, numbers were similar to the record numbers of 2015 as the company had a net profit of Euro 37m. Furthermore, the company paid a record dividend of Euro 2.00 per share, representing a yield of 4.9%, which is the highest of all Austrian real estate companies. For 2018, the company expects a new record high with more than 750m in total output, more than Euro 50m of EBT, and earnings per share of more than Euro 5.00. At 9M the company is well on track to reach or even exceed the guidance for FY 2018.

The fast track 2017 program was a full success as well. The company managed to reduce their net debt position by about 31% to only Euro 478m in 2017 and to currently Euro 330 at 9M 2018. The current project pipeline remains high at Euro 1.8m despite numerous sales in the recent quarters.

### Portfolio split as of 30 September 2018

(c. Euro 1.1bn assets)



Source: Company data, SRC Research

**P & L UBM Development AG**

31/12 IFRS (Euro '000 except for per share-data)	2015	2016	2017	2018e	2019e	2020e	CAGR '17 - '20e
<b>Revenues</b>	<b>307,781</b>	<b>417,020</b>	<b>364,668</b>	<b>522,687</b>	<b>466,587</b>	<b>476,063</b>	<b>9.3%</b>
Changes in the portfolio	45,105	-36,961	-24,051	-29,147	-18,634	-19,863	
Own work capitalised in non-current assets	1,205	0	0	0	0	0	
Share of profit/loss of companies accounted for under the equity method	25,322	25,124	16,469	23,147	7,953	8,618	
Income from fair-value adjustments to investment property	29,675	54,570	39,420	2,148	3,721	2,974	
Other operating income	8,759	7,450	30,576	17,450	12,879	11,479	
Cost of materials and other related production services	-252,720	-300,372	-273,429	-366,489	-301,589	-305,723	
Staff expenses	-37,305	-44,278	-41,389	-43,562	-44,036	-44,510	
Expenses from fair-value adjustments to investment property	-3,109	-20,514	-9,218	-6,954	-5,782	-3,330	
Other operating expenses	-48,263	-52,427	-50,601	-55,423	-50,478	-51,403	
<b>Operating profit (EBITDA)</b>	<b>76,450</b>	<b>49,612</b>	<b>52,445</b>	<b>63,857</b>	<b>70,621</b>	<b>74,305</b>	
Depreciation, amortisation and impairment expenses	-2,807	-3,406	-3,827	-3,341	-3,340	-3,339	
<b>Operating profit (EBIT)</b>	<b>73,643</b>	<b>46,206</b>	<b>48,618</b>	<b>60,516</b>	<b>67,281</b>	<b>70,966</b>	<b>13.4%</b>
Financial income	7,407	13,147	21,233	14,587	9,874	7,769	
Finance costs	-30,765	-19,288	-19,387	-22,450	-21,870	-21,290	
<b>Financial result</b>	<b>-23,358</b>	<b>-6,141</b>	<b>1,846</b>	<b>-7,863</b>	<b>-11,996</b>	<b>-13,521</b>	
<b>Earnings before tax (EBT)</b>	<b>50,285</b>	<b>40,065</b>	<b>50,464</b>	<b>52,653</b>	<b>55,285</b>	<b>57,445</b>	<b>4.4%</b>
Income tax expense	-12,952	-10,709	-13,498	-12,895	-14,978	-15,147	
Tax rate	25.8%	26.7%	26.7%	24.5%	27.1%	26.4%	
<b>Net profit before minorities</b>	<b>37,333</b>	<b>29,356</b>	<b>36,966</b>	<b>39,758</b>	<b>40,307</b>	<b>42,298</b>	<b>4.6%</b>
Minorities	-3,525	-247	-503	-352	-1,098	-1,271	
<b>Net profit after minorities</b>	<b>33,808</b>	<b>29,109</b>	<b>36,463</b>	<b>39,406</b>	<b>39,209</b>	<b>41,027</b>	<b>4.0%</b>
Earnings per share (EPS)	4.90	3.90	4.88	5.27	5.25	5.49	
Dividends per share (DPS)	1.60	1.60	2.00	2.20	2.30	2.40	<b>6.3%</b>
Payout ratio	32.7%	41.1%	41.0%	41.7%	43.8%	43.7%	
Number of shares ('000)	6,902	7,472	7,472	7,472	7,472	7,472	
<b>Adjusted shareholders' equity without minorities</b>	<b>323,196</b>	<b>333,893</b>	<b>352,146</b>	<b>432,572</b>	<b>454,596</b>	<b>466,110</b>	
<b>Total assets</b>	<b>1,185,236</b>	<b>1,233,761</b>	<b>1,130,933</b>	<b>1,163,258</b>	<b>1,192,339</b>	<b>1,210,225</b>	
<b>Equity ratio</b>	<b>28.0%</b>	<b>27.7%</b>	<b>31.4%</b>	<b>37.8%</b>	<b>38.7%</b>	<b>39.1%</b>	
<b>Book value per share (BVpS)</b>	<b>46.83</b>	<b>44.68</b>	<b>47.13</b>	<b>57.89</b>	<b>60.84</b>	<b>62.38</b>	<b>9.8%</b>
<b>RoE (after tax)</b>	<b>14.8%</b>	<b>8.9%</b>	<b>10.6%</b>	<b>10.0%</b>	<b>8.8%</b>	<b>8.9%</b>	
* Figures of UBM Realitäten AG (before merger)							
<b>Key ratios &amp; figures</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018e</b>	<b>2019e</b>	<b>2020e</b>	
<b>Growth rates in %</b>							
Sales revenues	-2.4%	35.5%	-12.6%	43.3%	-10.7%	2.0%	
EBIT	20.1%	-37.3%	5.2%	24.5%	11.2%	5.5%	
EBT	28.1%	-20.3%	26.0%	4.3%	5.0%	3.9%	
Net profit after minorities	-0.7%	-13.9%	25.3%	8.1%	-0.5%	4.6%	
<b>Margins in %</b>							
Operating profit (EBIT)	23.9%	11.1%	13.3%	11.6%	14.4%	14.9%	
Pre-tax profit (EBT)	16.3%	9.6%	13.8%	10.1%	11.8%	12.1%	
Net Profit (after minorities)	11.0%	7.0%	10.0%	7.5%	8.4%	8.6%	
<b>Expense ratios in %</b>							
Personnel costs to sales	12.1%	10.6%	11.3%	8.3%	9.4%	9.3%	
Cost of material to sales	82.1%	72.0%	75.0%	70.1%	64.6%	64.2%	
Depreciation to sales	0.9%	0.8%	1.0%	0.6%	0.7%	0.7%	
<b>Profitability in %</b>							
Return on equity (RoE) after tax	14.8%	8.9%	10.6%	10.0%	8.8%	8.9%	
Return on assets (RoA)	2.9%	2.4%	3.2%	3.4%	3.3%	3.4%	
<b>Valuation</b>							
P/E-ratio	7.3	9.2	7.4	6.8	6.9	6.6	
Price/ BV per Share	0.77	0.81	0.76	0.62	0.59	0.58	
Dividend yield	4.4%	4.4%	4.9%	6.1%	6.4%	6.7%	

## SRC Research

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Rating Chronicle	Date	Rating	Former Price	Former Target
UBM Development AG	29 November 2018	Buy	36.00 €	50.00 €
UBM Development AG	30 August 2018	Buy	41.40 €	50.00 €
UBM Development AG	04 July 2018	Buy	41.00 €	50.00 €
UBM Development AG	30 May 2018	Buy	42.90 €	50.00 €
UBM Development AG	10 April 2018	Buy	41.80 €	50.00 €
UBM Development AG	07 March 2018	Buy	40.00 €	50.00 €
UBM Development AG	23 January 2018	Accumulate	42.50 €	46.00 €
UBM Development AG	28 November 2017	Buy	39.48 €	46.00 €
UBM Development AG	13 October 2017	Buy	38.94 €	46.00 €
UBM Development AG	29 August 2017	Buy	38.30 €	44.00 €
UBM Development AG	31 May 2017	Buy	35.30 €	44.00 €
UBM Development AG	07 April 2017	Buy	33.10 €	44.00 €

#### Please note:

The UBM share price mentioned in this report is from 9 January 2019. UBM mandated SRC Research for covering the UBM share.

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