

# UBM Development AG

**Buy** (unchanged) **Target: Euro 50.00** (unchanged)

11 | April | 2019



**Price (Euro)** **37.80**  
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)	282.4
Number of shares (million)	7.47
Free Float	45.1%
Free Float MCap (million)	127.4
CAGR pre tax profit '18 - '21e	3.0%

Multiples	2018	2019e	2020e	2021e
MarketCap/revenues	0.55	0.60	0.59	0.58
PE ratio	7.1	6.8	6.6	6.4
Dividend yield	5.8%	6.1%	6.3%	6.6%
Price-to-Book ratio	0.66	0.62	0.59	0.56

Key Data per Share (Euro)	2018	2019e	2020e	2021e
Earnings per share (EPS)	5.31	5.57	5.75	5.89
Dividends per share (DPS)	2.20	2.30	2.40	2.50
Book Value per share (BVpS)	57.40	60.67	64.02	67.42

Financial Data (Euro '000)	2018	2019e	2020e	2021e
Revenues	514,048	470,658	478,125	489,124
Operating profit (EBITDA)	58,888	64,550	64,227	65,928
Operating profit (EBIT)	55,942	61,210	60,713	62,327
Pre-tax profit (EBT)	55,544	56,938	58,666	60,775
Net profit (after minorities)	39,711	41,602	42,995	44,039
Adj. shareholders' equity	428,902	453,319	478,381	503,740
RoE after tax	10.2%	9.4%	9.2%	9.0%

## Financial Calendar

1Q 2019 report	28 May 2019
AGM	29 May 2019
1H 2019 report	28 August 2019

## Main Shareholders

Syndicate Ortner/ Strauss	38.8%
Management & Supervisory board	5.8%
IGO Ortner Gruppe	5.3%
J. Dickinger	5.0%

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## 2018 EBT and bottom line at record levels – Euro 2.20 dividend per share reflects an attractive yield of currently about 6% – solid financial position for further projects

Today, UBM released the 2018 annual report and confirmed the record year as announced with the preliminary numbers on 7 March. Total output was lifted from last year's number of Euro 745m to Euro 898m, particularly driven by a 41% hike in revenues from Euro 365m to Euro 514m following a high amount of property sales, such as the Leuchtenbergring hotel and office project in Munich, the Zalando headquarters in Berlin and the Office Provider project in Vienna. Furthermore, the first time application of IFRS 15 contributed about Euro 78m to revenues. The share of profit from companies accounted for at equity was at almost Euro 36m more than twice the amount of last year's number of Euro 16.5m. Other operating income was at about Euro 11m significantly below last year's number of Euro 31m, which was coined by foreign exchange gains of Euro 21m however. The firm's cost side was even slightly below our estimates. All in all, this led to an operating profit on EBIT basis of almost Euro 56m, up 15% year-over-year. Financial income was at Euro 32m (2017: Euro 21.2m), driven by a higher income from share deals and an increase in project financing and the related interest payments. Financial costs on the other hand were at Euro 32.4m significantly higher than last year as well, as the 2018 number suffered from more than Euro 10m of valuation adjustments to project financing and investments in Croatia and Russia. The firm's EBT was at more than Euro 55.5m about 10% from last year's Euro 50.5m and at a new record level. Net profit after minorities increased almost 9% from Euro 36.5m to Euro 39.7m, translating into earnings per share of Euro 5.31. Following the record year, the management will propose a dividend of Euro 2.20 per share at the AGM in May, which is exactly our estimate and represents a very attractive dividend yield of about 6%.

The company's financial position is very solid. The net debt position is at Euro 422m, down more than 12% from last year's number of Euro 478m, leading to a low LTV-ratio of 34%. The equity ratio improved from more than 31% at year-end 2017 to now 35% and is on the upper end of the firm's targeted corridor of 30% to 35%. Despite a record high in sales of Euro 660m in 2018, the pipeline remains high at Euro 1.8bn, with a clear focus on Germany (42%) and Austria (37%). UBM invested Euro 300m in new projects in 2018, which also sets a new record high, and a total of Euro 530m.

**We are very pleased with the 2018 results as these numbers mark new record levels and the company has once again delivered on all its promises. For 2019, the company expects to reach earnings on the same level as 2018. Our estimate is slightly on top as we see a hike of EBT to Euro 57m as not too unrealistic. 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, we see UBM as well positioned for the coming years. We confirm our Buy recommendation and stick to our Euro 50.00 target, which currently represents an upside potential of more than 30%.**

## UBM Development AG

**Industry:** Real Estate Development  
**Sub-segment:** Resi, Office, Hotels  
**Country:** Austria  
**Headquarter:** Vienna  
**Foundation:** 1873  
**Employees:** 365

\* of which hotel staff: 52

### IR Contact

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### Management Board of UBM

Thomas G. Winkler, LL.M. (CEO)  
 Patric Thate (CFO)  
 Dipl.-Ing. Martin Löcker (COO)

### 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 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.

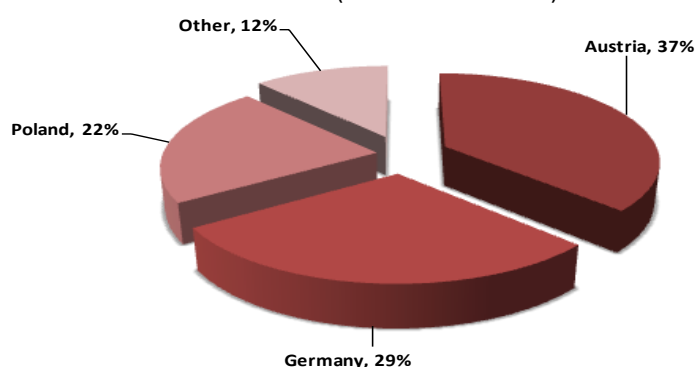
In 1992 the firm started to develop numerous lucrative projects in Eastern Europe, in particular in Poland and Czech Republic. Between 2001 and 2010 UBM entered some opportunistic markets like France and the Netherlands with hotels. In 2014 PORR, the Vienna-based construction and development conglomerate 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 (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 1.1bn (as of 31.12.2018), thereof 37% is in Austria, 29% in Germany and 22% Poland. The remaining 12% is widely spread in several countries (France, Netherlands, CZ etc.).

In 2018, the numbers marked a new record year as the company had a net profit of almost Euro 40m. Furthermore, the company paid a record dividend of Euro 2.20 per share, representing a yield of 6.6%, which is the highest of all Austrian real estate companies. For 2019, the company expects a strong second half to make up for a slower first half, and expects earnings to remain on 2018 level despite the fact that there are no spectacular completions like in 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 Euro 420m in 2018. The current project pipeline remains high at Euro 1.8bn despite numerous sales in the recent quarters.

### Portfolio split as of 31 December 2018

(c. Euro 1.1bn assets)



Source: Company data, SRC Research

## High quality pipeline of Euro 1.8bn between 2019 and 2022 secures profits and earnings growth in coming years

Despite record completions and sales of Euro 660m in 2018, the firm' pipeline still looks very solid and includes many projects over the coming years. Projects to be completed in 2019 are already forward sold or at least partially sold. Sales for projects with completions in 2020 have already started as well and we expect these to continue over the coming quarters. The pipeline includes 16 hotels with about 4,200 rooms as well as 3,500 apartments, thereby strengthening the focus on residential properties. Furthermore, about 100k sqm of office space are under development. The focus is clearly on Germany and Austria, where almost 80% of the pipeline is located.

Project	Asset	Rooms, Lettable Area, Apartments	Share	Compl.	Status
QBC 6.2., Vienna	Residential	131 apartments	100%	Q2/19	Fwd.S.*
Storchengrund, Vienna	Residential	82 apartments	100%	Q2/19	Fwd.S.*
Holiday Inn, Gdansk	Hotel	236 rooms	100%	Q2/19	Fwd.S.*
The Brick, Hamburg	Residential	101 apartments	63%	Q3/19	Part.S.*
NeuHouse, Berlin	Residential	75 apartments	100%	Q4/19	Part.S.*
Holiday Inn, Hamburg	Hotel	316 rooms	47%	Q4/19	Fwd.S.*
Super 8, Hamburg	Hotel	276 rooms	47%	Q4/19	Fwd.S.*
Super 8, (Zollhafen) Mainz	Hotel	216 rooms	100%	Q1/20	Fwd.S.*
Waterkant, Mainz	Residential	82 apartments	100%	Q2/20	Part.S.*
Neugraf, Prague	Residential	177 apartments	50%	Q3/20	Part. S.*
QBC 1 & 2, Vienna	Office	36,000 m <sup>2</sup>	65%	Q4/20	-
Voco Kneuterdijk, The Hague	Hotel	206 rooms	100%	Q4/20	-
Kelsenstraße 7, Vienna	Hotel	300 rooms	50%	Q4/20	-
Mlynska, Katowice	Hotel	268 rooms	100%	Q4/20	-
Am Kanal, Potsdam	Hotel/Residential	197 rooms/126 micro apartm.	50%	Q1/21	-
Astrid, Prague	Office	4,000 m <sup>2</sup>	100%	Q1/21	-
Holiday Inn Express, Düsseldorf	Hotel	455 rooms	50%	Q1/21	-
Pohlgasse, Vienna	Residential	121 apartments	50%	Q3/21	-

Project	Asset	Rooms, Lettable Area, Apartments	Share	Compl.	Status
Mogilska, Krakow	Hotel	259 rooms	100%	Q2/21	-
immergrün, Berlin	Residential	501 apartments	50%	Q2/21	Part. S.*
Barany.Seven, Vienna	Residential	126 apartments	100%	03/21	-
Hafeninsel V, Mainz	Residential	50 apartments	47%	Q4/21	-
Anders Wohnen, Munich	Residential	373 apartments	47%	Q4/21	Part. S.*
Sugar Palace, Prague	Hotel	175 rooms	100%	Q4/21	-
Rankencity, Graz	Residential	210 apartments	70%	Q4/21	-
Moxy Central Tower, Berlin	Hotel	445 rooms	50%	Q1/22	-
Residence Inn Central Tower, Berlin	Hotel	115 rooms	50%	Q1/22	-
Hafeninsel IV, Mainz	Residential	92 apartments	47%	Q2/22	-
Colmarer Str., Frankfurt	Office	14,100 m <sup>2</sup>	100%	Q2/22	-
Kelsenstraße 5, Vienna	Residential	222 apartments	50%	Q3/22	-
LeopoldQuartier, Vienna	Hotel/Residential	>700 rooms / 700 apartments	90%	> 2022	-
Unterbiberg, Munich	Residential	64 apartments	100%	> 2022	-
Astrid, Prague	Residential	128 apartments	100%	> 2022	-
Baubergerstr., Munich	Mixed	Site 28,000 m <sup>2</sup>	100%	> 2022	-
Paket 6, Austria	Mixed	28 properties **	50%	> 2022	-

**P & L UBM Development AG**

31/12 IFRS (Euro '000 except for per share-data)	2016	2017	2018	2019e	2020e	2021e	CAGR '18 - '21e
<b>Revenues</b>	<b>417,020</b>	<b>364,668</b>	<b>514,048</b>	<b>470,658</b>	<b>478,125</b>	<b>489,124</b>	<b>-1.6%</b>
Changes in the portfolio	-36,961	-24,051	-42,405	-18,634	-19,863	-25,893	
Own work capitalised in non-current assets	0	0	0	0	0	0	
Share of profit/loss of companies accounted for under the equity method	25,124	16,469	35,921	7,953	8,618	12,876	
Income from fair-value adjustments to investment property	54,570	39,420	223	621	412	379	
Other operating income	7,450	30,576	10,652	12,879	11,479	12,497	
Cost of materials and other related production services	-300,372	-273,429	-352,422	-319,214	-324,478	-330,257	
Staff expenses	-44,278	-41,389	-45,318	-32,145	-33,258	-35,741	
Expenses from fair-value adjustments to investment property	-20,514	-9,218	-7,340	-5,782	-3,330	-4,359	
Other operating expenses	-52,427	-50,601	-54,471	-51,786	-53,478	-52,698	
<b>Operating profit (EBITDA)</b>	<b>49,612</b>	<b>52,445</b>	<b>58,888</b>	<b>64,550</b>	<b>64,227</b>	<b>65,928</b>	
Depreciation, amortisation and impairment expenses	-3,406	-3,827	-2,946	-3,340	-3,514	-3,601	
<b>Operating profit (EBIT)</b>	<b>46,206</b>	<b>48,618</b>	<b>55,942</b>	<b>61,210</b>	<b>60,713</b>	<b>62,327</b>	<b>3.7%</b>
Financial income	13,147	21,233	32,001	17,598	19,243	18,597	
Finance costs	-19,288	-19,387	-32,399	-21,870	-21,290	-20,149	
<b>Financial result</b>	<b>-6,141</b>	<b>1,846</b>	<b>-398</b>	<b>-4,272</b>	<b>-2,047</b>	<b>-1,552</b>	
<b>Earnings before tax (EBT)</b>	<b>40,065</b>	<b>50,464</b>	<b>55,544</b>	<b>56,938</b>	<b>58,666</b>	<b>60,775</b>	<b>3.0%</b>
Income tax expense	-10,709	-13,498	-16,057	-14,978	-15,147	-15,489	
Tax rate	26.7%	26.7%	28.9%	26.3%	25.8%	25.5%	
<b>Net profit before minorities</b>	<b>29,356</b>	<b>36,966</b>	<b>39,487</b>	<b>41,960</b>	<b>43,519</b>	<b>45,286</b>	<b>4.7%</b>
Minorities	-247	-503	224	-358	-524	-1,247	
<b>Net profit after minorities</b>	<b>29,109</b>	<b>36,463</b>	<b>39,711</b>	<b>41,602</b>	<b>42,995</b>	<b>44,039</b>	<b>3.5%</b>
Earnings per share (EPS)	3.90	4.88	5.31	5.57	5.75	5.89	
Dividends per share (DPS)	1.60	2.00	2.20	2.30	2.40	2.50	<b>4.4%</b>
Payout ratio	41.1%	41.0%	41.4%	41.3%	41.7%	42.4%	
Number of shares ('000)	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>453,319</b>	<b>478,381</b>	<b>503,740</b>	
<b>Total assets</b>	<b>1,233,761</b>	<b>1,130,933</b>	<b>1,234,655</b>	<b>1,308,734</b>	<b>1,387,258</b>	<b>1,456,621</b>	
<b>Equity ratio</b>	<b>27.7%</b>	<b>31.4%</b>	<b>35.3%</b>	<b>35.2%</b>	<b>35.1%</b>	<b>35.2%</b>	
<b>Book value per share (BVpS)</b>	<b>44.68</b>	<b>47.13</b>	<b>57.40</b>	<b>60.67</b>	<b>64.02</b>	<b>67.42</b>	<b>5.5%</b>
<b>RoE (after tax)</b>	<b>8.9%</b>	<b>10.6%</b>	<b>10.2%</b>	<b>9.4%</b>	<b>9.2%</b>	<b>9.0%</b>	

\* Figures of UBM Realitäten AG (before merger)

<b>Key ratios &amp; figures</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>
<b>Growth rates in %</b>						
Sales revenues	35.5%	-12.6%	41.0%	-8.4%	1.6%	2.3%
EBIT	-37.3%	5.2%	15.1%	9.4%	-0.8%	2.7%
EBT	-20.3%	26.0%	10.1%	2.5%	3.0%	3.6%
Net profit after minorities	-13.9%	25.3%	8.9%	4.8%	3.3%	2.4%
<b>Margins in %</b>						
Operating profit (EBIT)	11.1%	13.3%	10.9%	13.0%	12.7%	12.7%
Pre-tax profit (EBT)	9.6%	13.8%	10.8%	12.1%	12.3%	12.4%
Net Profit (after minorities)	7.0%	10.0%	7.7%	8.8%	9.0%	9.0%
<b>Expense ratios in %</b>						
Personnel costs to sales	10.6%	11.3%	8.8%	6.8%	7.0%	7.3%
Cost of material to sales	72.0%	75.0%	68.6%	67.8%	67.9%	67.5%
Depreciation to sales	0.8%	1.0%	0.6%	0.7%	0.7%	0.7%
<b>Profitability in %</b>						
Return on equity (RoE) after tax	8.9%	10.6%	10.2%	9.4%	9.2%	9.0%
Return on assets (RoA)	2.4%	3.2%	3.2%	3.2%	3.1%	3.0%
<b>Valuation</b>						
P/E-ratio	9.7	7.7	7.1	6.8	6.6	6.4
Price/ BV per Share	0.85	0.80	0.66	0.62	0.59	0.56
Dividend yield	4.2%	4.9%	5.8%	6.1%	6.3%	6.6%

## SRC Research

### - The Specialist for Financial and Real Estate Stocks -

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Rating Chronicle	Date	Rating	Former Price	Former Target
UBM Development AG	07 March 2019	Buy	36.60 €	50.00 €
UBM Development AG	10 January 2019	Buy	36.00 €	50.00 €
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 €

#### Please note:

The UBM share price mentioned in this report is from 10 April 2019. UBM mandated SRC Research for covering the UBM share.

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