

UBM Development AG

Buy (unchanged) **Target: Euro 48.00** (old: Euro 47.00)



Der Spezialist für Finanzaktien

1 | February | 2021

■ **Price (Euro)** **35.00**
52 weeks range 50.00 / 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)	261.5
Number of shares (million)	7.47
Free Float	49.8%
Free Float MCap (million)	130.2
CAGR pre tax profit '19 - '22e	-0.2%

■ Multiples	2019	2020e	2021e	2022e
MarketCap/revenues	1.08	1.41	1.30	0.60
PE ratio	4.9	7.3	8.2	5.2
Dividend yield	6.3%	5.7%	5.1%	7.1%
Price-to-Book ratio	0.57	0.55	0.53	0.50

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

■ Analysts

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New large-scale residential project in Munich with a 12k sqm site acquired – QBC 1 & 2 in Vienna handed over and fully completed before year-end 2020 – Target up to Euro 48.00, Buy affirmed

Today, the company announced the acquisition of a new large-scale residential project in the city of Munich, underlining the strategic shift to office and residential properties. For a purchase price of Euro 55m, UBM acquired the current headquarters of Bogner, a renowned sports fashion manufacturer. The site has a size of 12k sqm and is located in a popular residential area with good access to public transportation. The Bogner company will stay at the current headquarters for at least two more years as a tenant before the flats are to be built, thus giving the company some rental income until the construction work can start. We are estimating a timeline of five to six years for the project to be completed. As for the financial side, we believe that conservatively speaking, the project can finally be sold for a sales price in a range of Euro 160m to Euro 200m and generate a profit between Euro 30m and Euro 40m. **This project is a very good example of how UBM can make use of its financial strength that allows the company to act quickly on opportunities and benefit from the current situation, and we believe that more of these opportunities will arise in the coming months and years.**

Shortly before the end of the last fiscal year, on 30 December, the handover of the QBC 1 & 2 office project in Vienna with a selling price of Euro 230m was announced, which was already sold forward in 2019. More than Euro 150m are accounted for UBM, while the remainder goes to the joint-venture partner S Immo. Thus, the last two construction sections of the large-scale project with a total volume of more than Euro 450m were completed on schedule, marking the end of that project.

With the good progress in 2020 despite the corona pandemic and the closing of the QBC project before year-end, we are convinced that the year 2020 marked another strong year of UBM considering the circumstances, and we would not be too surprised if the company even came out on top of our estimates. Thus, we lift our target price from Euro 47.00 to Euro 48.00 and stick to our Buy recommendation at a current upside of more than 35%.

UBM Development AG

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

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Management Board of UBM

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

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 Schnötzing

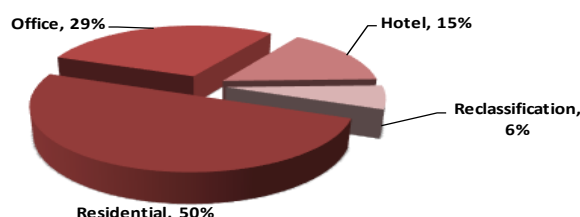
Founded in 1873 as "Union-Baumaterialien-Gesellschaft" the company has now an outstanding history of more than 145 years. Keep in mind, that since 1873, the firm is also listed on the Viennese stock market and thus is the oldest Austrian real estate company. After the initial focus was on the renting 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. 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 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
Revenues	417,020	364,668	514,048	241,999	186,125	200,687	432,554	21.4%
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	
Operating profit (EBITDA)	49,612	52,445	58,888	74,966	59,043	62,401	82,873	3.4%
Depreciation, amortisation and impairment expenses	-3,406	-3,827	-2,946	-3,515	-4,554	-4,988	-5,020	
Operating profit (EBIT)	46,206	48,618	55,942	71,451	54,489	57,413	77,853	2.9%
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	
Financial result	-6,141	1,846	-398	-939	1,155	-9,704	-7,701	
Earnings before tax (EBT)	40,065	50,464	55,544	70,512	55,644	47,709	70,152	-0.2%
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%	
Net profit before minorities	29,356	36,966	39,487	50,062	36,113	32,688	51,154	0.7%
Minorities	-247	-503	224	3,009	-320	-874	-1,025	
Net profit after minorities	29,109	36,463	39,711	53,071	35,793	31,814	50,129	-1.9%
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	
Adjusted shareholders' equity without minorities	333,893	352,146	428,902	456,833	477,682	496,047	527,496	4.9%
Total assets	1,233,761	1,130,933	1,234,655	1,395,160	1,439,805	1,554,990	1,582,980	4.3%
Equity ratio	27.7%	31.4%	35.3%	33.3%	33.8%	32.5%	33.9%	
Book value per share (BVpS)	44.68	47.13	57.40	61.14	63.93	66.39	70.60	4.9%
RoE (after tax)	8.9%	10.6%	10.2%	12.0%	7.7%	6.5%	9.8%	
* Figures of UBM Realitäten AG (before merger)								
Key ratios & figures	2016	2017	2018	2019	2020e	2021e	2022e	
Growth rates in %								
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%	
Margins in %								
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%	
Expense ratios in %								
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%	
Profitability in %								
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%	
Valuation								
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	26 November 2020	Buy	35.70 €	47.00 €
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 €

Please note:

The UBM share price mentioned in this report is from 31 January 2021. UBM mandated SRC Research for covering the UBM share.

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