

# UBM Development AG

**Buy** (unchanged) **Target: Euro 47.00** (old: Euro 45.00)



Der Spezialist für Finanzaktien

23 | November | 2020

## Forward sale of landmark FAZ Tower project for a very lucrative price helps to drive future results and proves the smart building concept for modern green building office spaces – Target upgrade to € 47.00

This morning UBM released a very pleasing news regarding the forward sale of the Frankfurt based landmark project FAZ tower, which has about 25k sqm superior office space on 18 floors at a good Frankfurt location in the Europaviertel, to be finished in 3Q 2022. The project, which UBM has a 75% stake and Paulus Immobiliengruppe with the remaining 25%, has been sold for Euro 196m to Hamburg based HanseMerkur insurer and asset manager, namely to the vehicle of HanseMerkur Grundvermögen AG.

The FAZ newspaper and media house as the 100% tenant has already signed a long 15 years lease contract for the FAZ tower and according to our inquiries and assumptions the price reflects over 30x of the annual rental income. With that in mind, we expect a first positive contribution coming from the forward sale to UBM's P & L book for the fourth quarter of the current year in a range of Euro 4.0m to Euro 5.0m (percentage of completion).

The deal proves the new UBM strategy to focus now even more on green and smart office solutions and the good thing is that there is Frankfurt's first timber construction office with 8 floors to be developed right next door, with a rental space of about 15k sqm. In our view, the building permission for this construction might probably come in the first half of 2021 and a forward sale might be a possible and lucrative option for the second half of next year, as the demand for green smart office space remains high for the German hubs like Frankfurt.

For the moment, we leave our P & L forecasts unchanged for 2020 and the following years, as we wait for more details with the 9M report to be published soon, on Thursday, 26 November.

As the very lucrative forward sale of FAZ Tower proves once more the right focus of UBM to go for smart and green office buildings (besides lucrative residential projects in sought-after German metropolitan regions), we lift our target price from Euro 45.00 to Euro 47.00 now. We clearly confirm our Buy recommendation for the share. The share price increased 12% since the good half-year numbers in August and we expect the good momentum to continue until the end of the year.

<b>Price (Euro)</b>	<b>34,00</b>			
52 weeks range	50.80 / 23.60			
<b>Key Data</b>				
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)	254,1			
Number of shares (million)	7,47			
Free Float	49,8%			
Free Float MCap (million)	126,5			
CAGR pre tax profit '19 - '22e	-0,2%			
<b>Multiples</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
MarketCap/revenues	1,05	1,04	0,51	0,59
PE ratio	4,8	7,1	6,7	5,1
Dividend yield	6,5%	6,5%	6,5%	7,4%
Price-to-Book ratio	0,56	0,53	0,51	0,48
<b>Key Data per Share (Euro)</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
Earnings per share (EPS)	7,10	4,79	5,10	6,71
Dividends per share (DPS)	2,20	2,20	2,20	2,50
Book Value per share (BVpS)	61,14	63,73	66,63	70,84
<b>Financial Data (Euro '000)</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
Revenues	241.999	245.336	495.174	432.554
Operating profit (EBITDA)	74.966	65.306	68.702	82.873
Operating profit (EBIT)	71.451	60.752	63.714	77.853
Pre-tax profit (EBT)	70.512	55.654	54.010	70.152
Net profit (after minorities)	53.071	35.800	38.115	50.129
Adj. shareholders' equity	456.833	476.194	497.871	529.321
RoE after tax	12,0%	7,7%	7,8%	9,8%
<b>Financial Calendar</b>				
9M 2020 report			26 November 2020	
Annual report 2020			23 April 2021	
<b>Main Shareholders</b>				
Syndicate Ortner/ Strauss			38,8%	
IGO Ortner Gruppe			6,4%	
J. Dickinger			5,0%	
Management & Supervisory board			3,9%	
<b>Analysts</b>	<b>Dipl.-Kfm. Stefan Scharff, CREA</b>			
	<b>Christopher Mehl, MBA</b>			
E-Mail	scharff@src-research.de			
	mehl@src-research.de			
Internet	www.src-research.de			
	www.aktienmarkt-international.at			
	www.aktienmarkt-international.de			

## UBM Development AG

**Industry:** Real Estate Development  
**Sub-segment:** Resi, Office, Hotels  
**Country:** Austria  
**Headquarter:** Vienna  
**Foundation:** 1873  
**Employees:** 342

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

**IR Contact**  
Mag. (FH) Anna Vay  
Phone: +43 (0) 50 626 1863  
Mail: investor.relations@ubm.at

**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

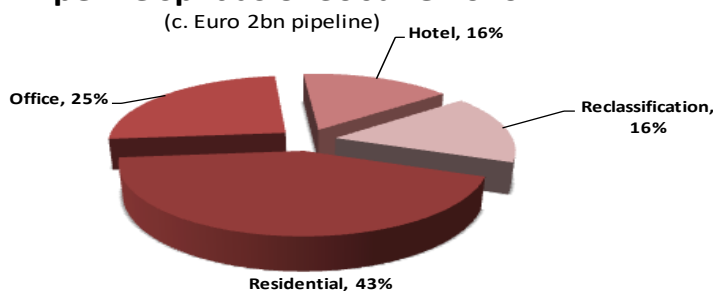
Founded in 1873 as "Union-Baumaterialien-Gesellschaft" the company has now an outstanding history of more than 145 years. Keep in mind, that since 1873, the firm is also listed on the Viennese stock market and thus is the oldest Austrian real estate company. After the initial focus was on the renting 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 2bn, the pipeline is split at about 43% residential units, about 25% office space 16% hotels and 16% 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 June 2020



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>245,336</b>	<b>495,174</b>	<b>432,554</b>	<b>21.4%</b>
Changes in the portfolio	-36,961	-24,051	-42,405	20,294	8,247	-19,778	-28,774	
Share of profit/loss of companies accounted for under the equity method	25,124	16,469	35,921	59,980	-7,631	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	-181,532	-357,231	-350,687	
Staff expenses	-44,278	-41,389	-45,318	-36,644	-37,127	-35,741	36,789	
Expenses from fair-value adjustments to investment property	-20,514	-9,218	-7,340	-24,582	-4,511	-4,475	-5,441	
Other operating expenses	-52,427	-50,601	-54,471	-40,641	-48,774	-51,457	-44,575	
<b>Operating profit (EBITDA)</b>	<b>49,612</b>	<b>52,445</b>	<b>58,888</b>	<b>74,966</b>	<b>65,306</b>	<b>68,702</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>60,752</b>	<b>63,714</b>	<b>77,853</b>	<b>2.9%</b>
Financial income	13,147	21,233	32,001	20,711	16,445	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>-5,098</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>55,654</b>	<b>54,010</b>	<b>70,152</b>	<b>-0.2%</b>
Income tax expense	-10,709	-13,498	-16,057	-20,450	-19,535	-15,021	-18,998	
Tax rate	26.7%	26.7%	28.9%	29.0%	35.1%	27.8%	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>36,120</b>	<b>38,989</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>35,800</b>	<b>38,115</b>	<b>50,129</b>	<b>-1.9%</b>
Earnings per share (EPS)	3.90	4.88	5.31	7.10	4.79	5.10	6.71	
Dividends per share (DPS)	1.60	2.00	2.20	2.20	2.20	2.20	2.50	
Payout ratio	41.1%	41.0%	41.4%	31.0%	45.9%	43.1%	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>476,194</b>	<b>497,871</b>	<b>529,321</b>	<b>5.0%</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>33.7%</b>	<b>32.6%</b>	<b>34.0%</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>63.73</b>	<b>66.63</b>	<b>70.84</b>	<b>5.0%</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>7.8%</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%	1.4%	101.8%	-12.6%	
EBIT	-37.3%	5.2%	15.1%	27.7%	-15.0%	4.9%	22.2%	
EBT	-20.3%	26.0%	10.1%	26.9%	-21.1%	-3.0%	29.9%	
Net profit after minorities	-13.9%	25.3%	8.9%	33.6%	-32.5%	6.5%	31.5%	
<b>Margins in %</b>								
Operating profit (EBIT)	11.1%	13.3%	10.9%	29.5%	24.8%	12.9%	18.0%	
Pre-tax profit (EBT)	9.6%	13.8%	10.8%	29.1%	22.7%	10.9%	16.2%	
Net Profit (after minorities)	7.0%	10.0%	7.7%	21.9%	14.6%	7.7%	11.6%	
<b>Expense ratios in %</b>								
Personnel costs to sales	10.6%	11.3%	8.8%	15.1%	15.1%	7.2%	-8.5%	
Cost of material to sales	72.0%	75.0%	68.6%	83.6%	74.0%	72.1%	81.1%	
Depreciation to sales	0.8%	1.0%	0.6%	1.5%	1.9%	1.0%	1.2%	
<b>Profitability in %</b>								
Return on equity (RoE) after tax	8.9%	10.6%	10.2%	12.0%	7.7%	7.8%	9.8%	
Return on assets (RoA)	2.4%	3.2%	3.2%	3.8%	2.5%	2.5%	3.2%	
<b>Valuation</b>								
P/E-ratio	7.8	6.2	5.7	4.3	6.3	6.0	4.5	
Price/ BV per Share	0.68	0.65	0.53	0.50	0.48	0.46	0.43	
Dividend yield	5.3%	4.9%	7.2%	7.2%	7.2%	7.2%	8.2%	

## SRC Research

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

SRC - Scharff Research und Consulting GmbH

Klingerstr. 23

D-60313 Frankfurt

Germany

Fon: +49 (0)69/ 400 313-80

Mail: [scharff@src-research.de](mailto:scharff@src-research.de)

Internet: [www.src-research.de](http://www.src-research.de)

Rating Chronicle	Date	Rating	Former Price	Former Target
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 €
UBM Development AG	29 November 2018	Buy	36,00 €	50,00 €

#### Please note:

The UBM share price mentioned in this report is from 20 November 2020. UBM mandated SRC Research for covering the UBM share.

Disclaimer © 2020: This equity research report is published by: SRC-Scharff Research und Consulting GmbH, Klingerstr. 23, D-60313 Frankfurt, Germany (short name: SRC Research). All rights reserved.

Although we feel sure that all information in this SRC report originates from carefully selected sources with high credibility, we cannot give any guarantee for accuracy, trueness and completeness. All opinions quoted in this report give the current judgement of the author which is not necessarily the same opinion as SRC-Scharff Research und Consulting GmbH or another staff member. All the opinions and assessment made in this report may be changed without prior notice. Within the scope of German regulative framework the author and SRC-Scharff Research und Consulting GmbH do not assume any liability for this document or its content being used. This report is solely for information purposes and does not constitute a request or an invitation or a recommendation to buy or sell any stock that is mentioned here. Private clients should obtain personal advice at their bank or investment house and should keep in mind that prices and dividends of equities can rise and fall and that nobody can give a guarantee of the future development of equities. The author of this report and the SRC-Scharff Research und Consulting GmbH commit themselves on a unsolicited basis to having no long or short-positions in equities or derivatives related to equities mentioned in this report.

Reproduction, distribution or publishing this report and its content as a whole or in parts is only allowed with approval of SRC management written form. With acceptance of this document you agree with all regulations mentioned here and all general terms and conditions you will find at anytime at our website [www.src-research.de](http://www.src-research.de).