

# UBM Development AG

**Buy** (unchanged) **Target: Euro 45.00** (old: Euro 44.00)

27 | August | 2020



Der Spezialist für Finanzaktien

**Price (Euro)** **30.40**  
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)	227.2
Number of shares (million)	7.47
Free Float	49.8%
Free Float MCap (million)	113.1
CAGR pre tax profit '19 - '22e	-0.2%

Multiples	2019	2020e	2021e	2022e
MarketCap/revenues	0.94	0.93	0.46	0.53
<b>PE ratio</b>	<b>4.3</b>	<b>6.3</b>	<b>6.0</b>	<b>4.5</b>
<b>Dividend yield</b>	<b>7.2%</b>	<b>7.2%</b>	<b>7.2%</b>	<b>8.2%</b>
<b>Price-to-Book ratio</b>	<b>0.50</b>	<b>0.48</b>	<b>0.46</b>	<b>0.43</b>

Key Data per Share (Euro)	2019	2020e	2021e	2022e
<b>Earnings per share (EPS)</b>	<b>7.10</b>	<b>4.79</b>	<b>5.10</b>	<b>6.71</b>
<b>Dividends per share (DPS)</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.50</b>
Book Value per share (BVpS)	61.14	63.73	66.63	70.84

Financial Data (Euro '000)	2019	2020e	2021e	2022e
<b>Revenues</b>	<b>241,999</b>	<b>245,336</b>	<b>495,174</b>	<b>432,554</b>
<b>Operating profit (EBITDA)</b>	<b>74,966</b>	<b>65,306</b>	<b>68,702</b>	<b>82,873</b>
Operating profit (EBIT)	71,451	60,752	63,714	77,853
Pre-tax profit (EBT)	70,512	55,654	54,010	70,152
<b>Net profit (after minorities)</b>	<b>53,071</b>	<b>35,800</b>	<b>38,115</b>	<b>50,129</b>
Adj. shareholders' equity	456,833	476,194	497,871	529,321
<b>RoE after tax</b>	<b>12.0%</b>	<b>7.7%</b>	<b>7.8%</b>	<b>9.8%</b>

## Financial Calendar

<b>SRC Forum Financials &amp; Real Estate</b>	<b>10 September 2020</b>
9M 2020 report	26 November 2020
Annual report 2020	23 April 2021

## Main Shareholders

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

## Analysts

**Dipl.-Kfm. Stefan Scharff, CREA**  
**Christopher Mehl, MBA**

**E-Mail**  
scharff@src-research.de  
mehl@src-research.de

**Internet**  
www.src-research.de  
www.aktienmarkt-international.at  
www.aktienmarkt-international.de

## 1H numbers show hike of 50% in EBT to Euro 44m despite significant impacts of Corona at the hotel business – strategic focus on green building and smart office - target up to 45.00 Euros, Buy affirmed

Today, the company published the report for the first half of 2020 and invited to a conference call. The numbers were overall better than expected and the pre-tax profit reached a new record level despite some significant impacts of Corona in the hotel segment. Total output was at Euro 181m more or less at the same level of the previous year's period, while revenues were at Euro 80m below last year's number of Euro 92m due to a higher share of projects with joint venture partners. The profit from at-equity accounted companies was at Euro -8.6m compared to last year's Euro 13.2m. The loss mainly results from write-downs in the hotel business with a total effect of Euro -15.2m. The income from fair value adjustments on the other hand was at Euro 70m (1H 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 19.7m to Euro 27.7m due to foreign exchange losses of almost Euro 13m linked to the Polish zloty and the Czech koruna. The operating profit (EBIT) was at Euro 38.4m about 13% on top of last year's Euro 34.0m. The financial result was even positive at Euro 5.4m compared to Euro -4.7m, driven by financial income of Euro 10.5m from share deals. The EBT thus hiked by about 50% from Euro 29.3m to Euro 43.8m and the bottom line was up about 25% to almost Euro 27m.

As mentioned in our last update, we see UBM as well positioned as the management has reacted fast to the pandemic with strategic adaptations, which were now even further laid out. The project pipeline for the coming years was redefined back up to Euro 2bn, with residential projects making up 43% and office projects account for 25%. Furthermore, the company declared its new focus now on green building and smart office, which the firm identified as a new trend resulting from the implications of the current Corona environment. As one example the firm decided to turn the second building of the FAZ project in Frankfurt from originally a hotel to now a smart office building. We welcome that the company focuses on these assets now, as we also believe that the trend could go in that direction and UBM can make use of the fast strategic adaptation and we believe that more good news flow in that regard will follow in the coming months.

On the transaction side, the company has delivered some good news flow in the first half with the sale of some good projects such as the large-scale project "Gmunder Höfe" in Munich, showing that demand remains strong for the products of the company despite the general uncertainties in the market. On the acquisition side the company is looking to benefit from its strong financial position and to make use of arising difficulties of competitors that showed high levels of leverage. UBM is in our opinion well prepared for these opportunities as the cash position is very comfortable at Euro 235m and the balance sheet is also very healthy with an equity ratio of more than 34% and a LTV of only about 36%.

**Following the record level numbers of the first half despite seeing high impacts of the corona pandemic on the hotel operations, we decided to lift our P&L numbers and now expect an EBT of Euro 56m and a return to the record levels of the previous year by 2022. Thus, we lift our target price from Euro 44.00 to Euro 45.00. The higher target price is also reflecting the firm's strategic adaptations, which we see as positive news. At a current upside of almost 50% we clearly confirm our Buy recommendation.**

## 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

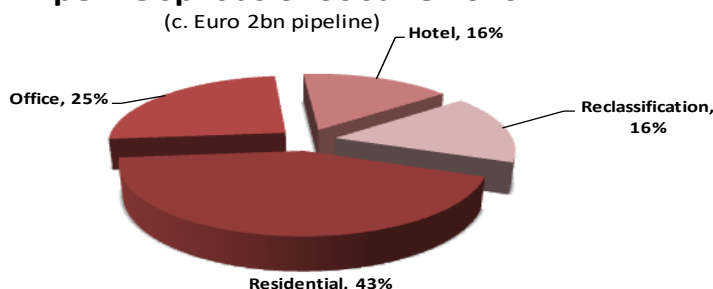
Founded in 1873 as "Union-Baumaterialien-Gesellschaft" the company has now an outstanding history of more than 145 years. Keep in mind, that since 1873, the firm is also listed on the Viennese stock market and thus is the oldest Austrian real estate company. After the initial focus was on the renting 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	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 €
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 €

#### Please note:

The UBM share price mentioned in this report is from 26 August 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).