

UBM Development AG

Buy (unchanged) **Target: Euro 54.00** (old: Euro 52.00)



THOMSON REUTERS
ANALYST AWARDS
2018 WINNER



Der Spezialist für Finanzaktien

28 | November | 2019

Price (Euro) **46.00**
52 weeks range 48.50 / 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)	343.7
Number of shares (million)	7.47
Free Float	47.2%
Free Float MCap (million)	162.2
CAGR pre tax profit '18 - '21e	17.9%

Multiples	2018	2019e	2020e	2021e
MarketCap/revenues	0.67	1.29	0.67	0.65
PE ratio	8.7	7.1	5.6	4.9
Dividend yield	4.8%	5.7%	6.1%	6.5%
Price-to-Book ratio	0.80	0.75	0.69	0.63

Key Data per Share (Euro)	2018	2019e	2020e	2021e
Earnings per share (EPS)	5.31	6.48	8.19	9.40
Dividends per share (DPS)	2.20	2.60	2.80	3.00
Book Value per share (BVpS)	57.40	61.59	66.98	73.38

Financial Data (Euro '000)	2018	2019e	2020e	2021e
Revenues	514,048	265,896	514,125	527,884
Operating profit (EBITDA)	58,888	75,957	90,498	102,931
Operating profit (EBIT)	55,942	72,703	85,944	97,943
Pre-tax profit (EBT)	55,544	64,737	79,644	91,099
Net profit (after minorities)	39,711	48,391	61,212	70,265
Adj. shareholders' equity	428,902	460,189	500,480	548,329
RoE after tax	10.2%	10.9%	12.7%	13.4%

Financial Calendar

Annual report 2019	27 April 2020
1Q report 2020	26 May 2020

Main Shareholders

Syndicate Ortner/ Strauss	38.8%
IGO Ortner Gruppe	5.3%
J. Dickinger	5.0%
Management & Supervisory board	3.7%

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

9M numbers show increase in EBT of 31%, +37% in the bottom line – major project acquisitions expected for 2020 – dividend estimate lifted – target price up to Euro 54.00, Buy affirmed

Today, the company released the 9M 2019 report, delivering numbers that are fully on track to reach the guidance, which was already lifted at 1H, and our estimates. Total output was as expected at Euro 460m more than 31% below last year's number of Euro 670m. Revenues were down as well and came in at Euro 183m. These declines are caused by significantly less property sales compared to last year, which saw several large-scale projects being completed. Profits from at-equity companies on the other hand were substantially higher at Euro 36m compared to almost Euro 22m last year. These were mainly driven by the sale of the two Paris Disney hotels in September. Net fair value adjustments were at more than Euro 27m (9M 2018: Euro -2.2m). Personnel expenses were significantly reduced by Euro 8m, primarily from the deconsolidation of UBM hotels Management GmbH. Changes in the portfolio came in at more than Euro 15m, resulting from increased investments in projects in early development stages that are not in the sales process yet. The firm's operating profit on EBIT basis all in all was at more than Euro 50m, up 15% to last year's number of almost Euro 44m. The net financial result improved from Euro -8.4m to Euro -4.2m, on the one hand due to about Euro 2.7m of higher income from share deals and on the other hand due to a decline in interest expenses and a write-down in last year's numbers. Thus, the pre-tax profit hiked by almost 31% from Euro 35m to more than Euro 46m. Net profit after minorities even jumped 45% and came in at almost Euro 40m. Earnings per share rose by the same amount from Euro 3.66 to Euro 5.30.

The steep growth, which is even accelerating along the P&L, highlights the remarkable improvements of the UBM's profitability. Based on these numbers, the firm reaffirmed its full-year guidance, and we would not be surprised if the company might even over-deliver on their targets.

In terms of balance sheet, UBM is currently very conservatively positioned with a LTV of only 34% and an equity ratio of 36% and a high cash position. Given that leeway, the company plans to invest amongst others in major project acquisitions in the coming year and we believe that the company will manage to find further lucrative projects to at least keep the pipeline at the current level of Euro 2bn and to further grow earnings in the coming years.

As mentioned, we are very satisfied with the 9M results. We further believe that the company can propose an even higher dividend for 2019 as originally expected, and lift our 2019 dividend estimate from Euro 2.40 to Euro 2.60 per share. Along with the positive outlook given the financial flexibility regarding new projects, we decided to lift our target price from Euro 52.00 to Euro 54.00. The share has performed very well and has gained more than 35% since the beginning of the year. We believe that trend to continue. We maintain our Buy recommendation.

UBM Development AG

Industry: Real Estate Development
Sub-segment: Resi, Office, Hotels
Country: Austria
Headquarter: Vienna
Foundation: 1873
Employees: 368

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. Bernhard Vanas
 Dr. Ludwig Steinbauer Dr. Susanne Weiss
 Mag. Paul Unterluggauer Dkff. Birgit Wagner
 Martin Kudlicska Hannes Muster
 Johann Kaller Günter Schnötzing

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

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.

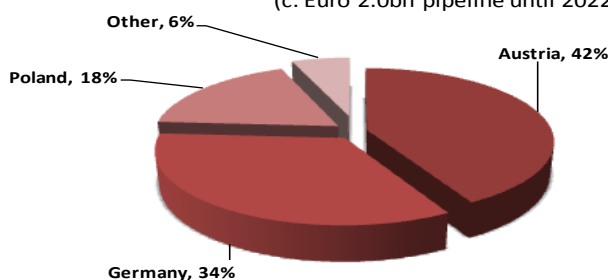
In 1992 the firm started to develop numerous lucrative projects in Eastern Europe, in particular in Poland and Czech Republic. Between 2001 and 2010 UBM entered some opportunistic markets like France and the Netherlands with hotels. In 2014 PORR, the Vienna-based construction and development conglomerate 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 1.3bn (as of 30 September 2019), thereof 39% in Austria, 30% in Germany and 19% Poland. The remaining 12% is widely spread in several countries.

In 2018, the numbers marked a new record year as UBM had a net profit of almost Euro 40m. Furthermore, UBM paid a record dividend of Euro 2.20 per share, representing a yield of almost 6%, which is the highest of all Austrian real estate firms. For 2019, the company expects the net profit to steeply increase again to a range of Euro 47m to Euro 50m. Even this optimistic guidance might be a bit too cautious regarding the good progress in trading activities, so far in this year.

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 422m in 2018. The 9M 2019 net debt was at about the same level at Euro 419m while the current project pipeline climbed to Euro 2.0bn despite numerous sales in 1H 2019.

Pipeline split as of 30 September 2019

(c. Euro 2.0bn pipeline until 2022)



Source: Company data, SRC Research

P & L UBM Development AG

31/12 IFRS (Euro '000 except for per share-data)	2016	2017	2018	2019e	2020e	2021e	CAGR '18 - '21e
Revenues	417,020	364,668	514,048	265,896	514,125	527,884	0.9%
Changes in the portfolio	-36,961	-24,051	-42,405	13,489	-26,445	-19,778	
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	45,136	8,618	14,554	
Income from fair-value adjustments to investment property	54,570	39,420	223	54,771	412	14,112	
Other operating income	7,450	30,576	10,652	9,658	21,445	13,544	
Cost of materials and other related production services	-300,372	-273,429	-352,422	-208,476	-341,114	-355,071	
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	-20,586	-4,511	-4,475	
Other operating expenses	-52,427	-50,601	-54,471	-51,786	-48,774	-52,098	
Operating profit (EBITDA)	49,612	52,445	58,888	75,957	90,498	102,931	
Depreciation, amortisation and impairment expenses	-3,406	-3,827	-2,946	-3,254	-4,554	-4,988	
Operating profit (EBIT)	46,206	48,618	55,942	72,703	85,944	97,943	20.5%
Financial income	13,147	21,233	32,001	15,545	16,445	18,597	
Finance costs	-19,288	-19,387	-32,399	-23,511	-22,745	-25,441	
Financial result	-6,141	1,846	-398	-7,966	-6,300	-6,844	
Earnings before tax (EBT)	40,065	50,464	55,544	64,737	79,644	91,099	17.9%
Income tax expense	-10,709	-13,498	-16,057	-14,557	-17,445	-19,489	
Tax rate	26.7%	26.7%	28.9%	22.5%	21.9%	21.4%	
Net profit before minorities	29,356	36,966	39,487	50,180	62,199	71,610	21.9%
Minorities	-247	-503	224	-1,789	-987	-1,345	
Net profit after minorities	29,109	36,463	39,711	48,391	61,212	70,265	21.0%
Earnings per share (EPS)	3.90	4.88	5.31	6.48	8.19	9.40	
Dividends per share (DPS)	1.60	2.00	2.20	2.60	2.80	3.00	10.9%
Payout ratio	41.1%	41.0%	41.4%	40.1%	34.2%	31.9%	
Number of shares ('000)	7,472	7,472	7,472	7,472	7,472	7,472	
Adjusted shareholders' equity without minorities	333,893	352,146	428,902	460,189	500,480	548,329	
Total assets	1,233,761	1,130,933	1,234,655	1,395,160	1,520,725	1,642,383	
Equity ratio	27.7%	31.4%	35.3%	33.6%	33.5%	34.0%	
Book value per share (BVpS)	44.68	47.13	57.40	61.59	66.98	73.38	8.5%
RoE (after tax)	8.9%	10.6%	10.2%	10.9%	12.7%	13.4%	
* Figures of UBM Realitäten AG (before merger)							
Key ratios & figures	2016	2017	2018	2019e	2020e	2021e	
Growth rates in %							
Sales revenues	35.5%	-12.6%	41.0%	-48.3%	93.4%	2.7%	
EBIT	-37.3%	5.2%	15.1%	30.0%	18.2%	14.0%	
EBT	-20.3%	26.0%	10.1%	16.6%	23.0%	14.4%	
Net profit after minorities	-13.9%	25.3%	8.9%	21.9%	26.5%	14.8%	
Margins in %							
Operating profit (EBIT)	11.1%	13.3%	10.9%	27.3%	16.7%	18.6%	
Pre-tax profit (EBT)	9.6%	13.8%	10.8%	24.3%	15.5%	17.3%	
Net Profit (after minorities)	7.0%	10.0%	7.7%	18.2%	11.9%	13.3%	
Expense ratios in %							
Personnel costs to sales	10.6%	11.3%	8.8%	12.1%	6.5%	6.8%	
Cost of material to sales	72.0%	75.0%	68.6%	78.4%	66.3%	67.3%	
Depreciation to sales	0.8%	1.0%	0.6%	1.2%	0.9%	0.9%	
Profitability in %							
Return on equity (RoE) after tax	8.9%	10.6%	10.2%	10.9%	12.7%	13.4%	
Return on assets (RoA)	2.4%	3.2%	3.2%	3.5%	4.0%	4.3%	
Valuation							
P/E-ratio	11.8	9.4	8.7	7.1	5.6	4.9	
Price/ BV per Share	1.03	0.98	0.80	0.75	0.69	0.63	
Dividend yield	3.5%	4.9%	4.8%	5.7%	6.1%	6.5%	

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

Internet: www.src-research.de

Rating Chronicle	Date	Rating	Former Price	Former Target
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 €
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 €

Please note:

The UBM share price mentioned in this report is from 27 November 2019. UBM mandated SRC Research for covering the UBM share.

Disclaimer © 2019: 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.