



A healthy balance and a mixed pipeline should help to get through the Corona crisis – Buy rating maintained and Euro 44.00 target affirmed

On Monday, 27 April, UBM released the 2019 annual report, which was another record year after the sound 2018 results. Even if these data from the past are not very interesting in the light of the global Covid-19 pandemic, we have to state a hike in pre-tax profit of 27%, from Euro 55.5m to Euro 70.5m. We only projected Euro 64.7m. The hike in the bottom line was even better, as the net profit after minorities surged 34%, from Euro 39.7m to Euro 53.1m. We only expected Euro 48.4m.

The most encouraging news is that all the last good years have been used to strengthen the balance sheet, increase the group's cash position and bring down the debt as well as the cost of debt. With regards to the equity, it steeply increased by Euro 121m, from Euro 341.5m in 2016 to Euro 462.5m at year-end 2019. A remarkable +35% in only three years. The equity ratio is at relatively high 35% for a development company. In contrast to that, the net debt shrank from almost Euro 700m in 2016 to only Euro 442m at year-end 2019, by about Euro 250m (-36%). The net LTV which was at high 56% in 2016 went down to low 34.2% in 2018 and now even to only 33.6% in 2019. **The successful track record of many completed and sold projects in the last five years, the strong operating performance translating into steeply rising bottom line results as well as a high transparency level strongly supported a reduction in cost of debt.** A Euro 120m six years bond was issued in November 2019 and sold for a coupon of only 2.75%. Another corporate bond was placed in 4Q 2018 and tapped in June 2019 and has a total volume of Euro 120m as well and runs five years until November 2023. The coupon here is quite similar at 3.125%. Some older bonds have higher interest rates but the debt maturity profile is flat and quite undemanding for the next 24 months. **Only a Euro 50m bond is due in December 2020 (4.25%). A 3.8% promissory note in the volume of Euro 50m is due in November 2021.**

The company has about 40% of its Euro 2.5bn pipeline in hotels. Keep in mind that all completions in the commercial development business (hotels and offices) to be finished in 2020 are already sold. And also 70% of the residential units to be completed in 2020 are already sold. With regards to the hotel business, UBM has 7 hotels right now in development and luckily 3 of them are already sold. 1 Dutch hotel, 2 German hotels and 1 Czech hotel are still to be sold. Apart from hotels, almost 60% of the pipeline is not hotels, but residential (41%) and offices (16%). The company may turn some mixed-use projects in early stages, like the Vienna based Leopoldquartier in a good inner-city location, more into residential use and bring down or delete the hotel usage plans. Perhaps there are some more examples and some more opportunities to shift the development more to residential.

With almost all near term projects fully financed and Euro 212m cash in the wings, still valid at present according to management and in fact triple the amount of the Euro 75m two years ago in 2017, we expect UBM to sail through this crisis with a drop in net profit, by about 30% to a range of Euro 35m to Euro 40m in our most realistic 2020 scenario. But with a PE ratio of only around 7x for the years 2020 and 2021 and having a low price-to-book ratio of below 0.6x, the share is still cheap, even after a small recovery rally the last days. We maintain our Buy rating and our Euro 44.00 target price.

Price (Euro)	35,00			
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)	261,5			
Number of shares (million)	7,47			
Free Float	50,0%			
Free Float MCap (million)	130,8			
CAGR pre tax profit '19 - '22e	-0,2%			
Multiples	2019	2020e	2021e	2022e
MarketCap/revenues	1,08	0,56	0,53	0,60
PE ratio	4,9	7,1	6,9	5,2
Dividend yield	6,3%	6,3%	6,3%	7,1%
Price-to-Book ratio	0,57	0,55	0,52	0,49
Key Data per Share (Euro)	2019	2020e	2021e	2022e
Earnings per share (EPS)	7,10	4,92	5,10	6,71
Dividends per share (DPS)	2,20	2,20	2,20	2,50
Book Value per share (BVpS)	61,14	63,86	66,76	70,97
Financial Data (Euro '000)	2019	2020e	2021e	2022e
Revenues	241.999	466.557	495.174	432.554
Operating profit (EBITDA)	74.966	62.049	68.702	82.873
Operating profit (EBIT)	71.451	57.495	63.714	77.853
Pre-tax profit (EBT)	70.512	51.153	54.010	70.152
Net profit (after minorities)	53.071	36.779	38.115	50.129
Adj. shareholders' equity	456.833	477.174	498.851	530.300
RoE after tax	12,0%	7,9%	7,8%	9,7%
Financial Calendar				
1Q report 2020			26 May 2020	
AGM (probably virtual)			28 May 2020	
2Q report 2020			27 August 2020	
SRC Forum Financials & Real Estate			10 September 2020	
Main Shareholders				
Syndicate Ortner/ Strauss			38,8%	
IGO Ortner Gruppe			6,1%	
J. Dickinger			5,0%	
Management & Supervisory board			3,7%	
Analysts	Dipl.-Kfm. Stefan Scharff, CREA			
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UBM Development AG

Industry: Real Estate Development
Sub-segment: Resi, Office, Hotels
Country: Austria
Headquarter: Vienna
Foundation: 1873
Employees: 389

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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
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 Mag. Paul Unterluggauer
 Martin Kudlicska
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 Dr. Bernhard Vanas
 Dr. Susanne Weiss
 Dkff. Birgit Wagner
 Hannes Muster
 Günter Schnötzingner

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.

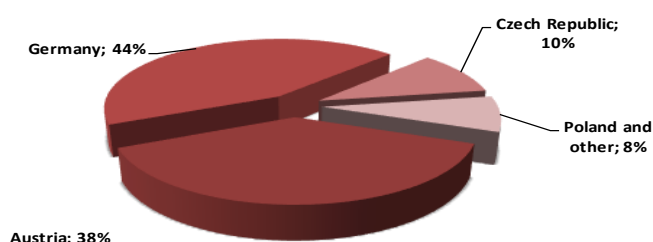
In 1992 the firm started to develop numerous lucrative projects in Eastern Europe, in particular in Poland and Czech Republic. Between 2001 and 2010 UBM entered some opportunistic markets like France and the Netherlands with hotels. In 2014 PORR, the Vienna-based construction and development conglomerate 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). The company is quick and very reliable at realizing project related acquisition deals and often even acquires off-market for very reasonable prices. The current pipeline is c. 3,500 residential units, about 100k sqm office space and 16 hotels. From the 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 confirmed the good Euro 2.20 dividend level per share given the strong own balance with a high equity ratio of 35% and a net LTV of only 34%. The confirmed dividend payment which translates into a current dividend yield of more than 6%.

Pipeline split as of 31 December 2019

(c. Euro 2.5bn pipeline until 2023)



Source: Company data, SRC Research

High cash levels and undemanding debt repayment issues

high cash level. flexibility.

Cash
in €m



- Cash preservation as #1 priority
- Series of measures implemented to protect liquidity
- Cash buffer creates flexibility to counter-balance uncertainties

Flat repayment profile:

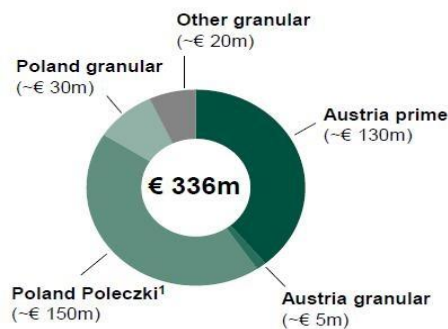
Bond	Redemption	Amount
4.25% Bond	Dec. 2020	€ 49.8m
Promissory note loans	Nov. 2021	€ 50.5m

Source: company presentation annual report 2019, 27 April 2020

50% of the standing assets come from Poland, mainly Poleczki with a yield far over 6% and good core tenants

standing assets.

Book values (IFRS)



- Austria prime assets and Poleczki represent close to € 280m (83%) of standing assets
- Sale of Austrian prime assets dependent on equity partners (Palais Hansen Kempinski, Jochberg Kempinski, Wien Mitte)
- Poleczki Business Park in Poland - good yield, lump investment
- High granularity of remaining assets requires time and management attention

As of 31 Dec 2019

¹ Poleczki business park in Warsaw, € 150m represent % of holding

Source: company presentation annual report 2019, 27 April 2020

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	466.557	495.174	432.554	21,4%
Changes in the portfolio	-36.961	-24.051	-42.405	20.294	-26.445	-19.778	-28.774	
Share of profit/loss of companies accounted for under the equity method	25.124	16.469	35.921	59.980	8.618	14.554	12.447	
Income from fair-value adjustments to investment property	54.570	39.420	223	46.270	412	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	-321.995	-357.231	-350.687	
Staff expenses	-44.278	-41.389	-45.318	-36.644	-33.258	-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	
Operating profit (EBITDA)	49.612	52.445	58.888	74.966	62.049	68.702	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	57.495	63.714	77.853	2,9%
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	-22.787	-26.301	-27.445	
Financial result	-6.141	1.846	-398	-939	-6.342	-9.704	-7.701	
Earnings before tax (EBT)	40.065	50.464	55.544	70.512	51.153	54.010	70.152	-0,2%
Income tax expense	-10.709	-13.498	-16.057	-20.450	-14.054	-15.021	-18.998	
Tax rate	26,7%	26,7%	28,9%	29,0%	27,5%	27,8%	27,1%	
Net profit before minorities	29.356	36.966	39.487	50.062	37.099	38.989	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	36.779	38.115	50.129	-1,9%
Earnings per share (EPS)	3,90	4,88	5,31	7,10	4,92	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%	44,7%	43,1%	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	477.174	498.851	530.300	5,1%
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%	33,7%	32,7%	34,1%	
Book value per share (BVpS)	44,68	47,13	57,40	61,14	63,86	66,76	70,97	5,1%
RoE (after tax)	8,9%	10,6%	10,2%	12,0%	7,9%	7,8%	9,7%	
* 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%	92,8%	6,1%	-12,6%	
EBIT	-37,3%	5,2%	15,1%	27,7%	-19,5%	10,8%	22,2%	
EBT	-20,3%	26,0%	10,1%	26,9%	-27,5%	5,6%	29,9%	
Net profit after minorities	-13,9%	25,3%	8,9%	33,6%	-30,7%	3,6%	31,5%	
Margins in %								
Operating profit (EBIT)	11,1%	13,3%	10,9%	29,5%	12,3%	12,9%	18,0%	
Pre-tax profit (EBT)	9,6%	13,8%	10,8%	29,1%	11,0%	10,9%	16,2%	
Net Profit (after minorities)	7,0%	10,0%	7,7%	21,9%	7,9%	7,7%	11,6%	
Expense ratios in %								
Personnel costs to sales	10,6%	11,3%	8,8%	15,1%	7,1%	7,2%	-8,5%	
Cost of material to sales	72,0%	75,0%	68,6%	83,6%	69,0%	72,1%	81,1%	
Depreciation to sales	0,8%	1,0%	0,6%	1,5%	1,0%	1,0%	1,2%	
Profitability in %								
Return on equity (RoE) after tax	8,9%	10,6%	10,2%	12,0%	7,9%	7,8%	9,7%	
Return on assets (RoA)	2,4%	3,2%	3,2%	3,8%	2,6%	2,5%	3,2%	
Valuation								
P/E-ratio	9,0	7,2	6,6	4,9	7,1	6,9	5,2	
Price/ BV per Share	0,78	0,74	0,61	0,57	0,55	0,52	0,49	
Dividend yield	4,6%	4,9%	6,3%	6,3%	6,3%	6,3%	7,1%	

SRC Research

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Rating Chronicle	Date	Rating	Former Price	Former Target
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 €
UBM Development AG	07 March 2018	Buy	40,00 €	50,00 €
UBM Development AG	23 January 2018	Accumulate	42,50 €	46,00 €

Please note:

The UBM share price mentioned in this report is from 29 April 2020. UBM mandated SRC Research for covering the UBM share.

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