

UBM Development AG

Buy (unchanged) Target: Euro 50.00 (unchanged)

30 | August | 2018



■ **Price (Euro)** **41.40**
52 weeks range 44.10 / 36.00

■ 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)	309.3
Number of shares (million)	7.47
Free Float	50.4%
Free Float MCap (million)	155.9
CAGR pre tax profit '17 - '20e	4.4%

■ Multiples	2017	2018e	2019e	2020e
MarketCap/revenues	0.85	0.60	0.66	0.65
PE ratio	8.5	8.0	7.9	0.0
Dividend yield	4.8%	5.3%	5.6%	5.8%
Price-to-Book ratio	0.88	0.72	0.68	0.66

■ Key Data per Share (Euro)	2017	2018e	2019e	2020e
Earnings per share (EPS)	4.88	5.18	5.25	5.49
Dividends per share (DPS)	2.00	2.20	2.30	2.40
Book Value per share (BVpS)	47.13	57.89	60.84	62.38

■ Financial Data (Euro '000)	2017	2018e	2019e	2020e
Revenues	364,668	515,296	466,587	476,063
Operating profit (EBITDA)	52,445	65,466	70,621	74,305
Operating profit (EBIT)	48,618	62,125	67,281	70,966
Pre-tax profit (EBT)	50,464	54,262	55,285	57,445
Net profit (after minorities)	36,463	38,736	39,209	41,027
Adj. shareholders' equity	352,146	432,572	454,596	466,110
RoE after tax	10.6%	9.9%	8.8%	8.9%

■ Financial Calendar

SRC Forum Financials & Real Estate	6 September 2018
3Q 2018 report	29 November 2018
Annual report 2018	11 April 2019

■ Main Shareholders

Syndicate Ortner/ Strauss	38.8%
Management & Supervisory board	10.8%

■ Analysts

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1H total output increased by 31% while net profit reaches new record high with a hike of 28% – Pipeline remains high at Euro 1.8bn despite numerous sales – still Buy and € 50.00

Today, the company published the report for the first half of the year and reported a new record level. Total output hiked by 31% from Euro 422m to Euro 553m, while revenues increased by more than 57%, from Euro 234m to Euro 368m. These increases are mostly a result from the higher revenue from property sales, such as the Leuchtenbergring project in Munich, which already contributed more than Euro 180m to total output. While last year's other operating income was positively impacted by foreign exchange gains of Euro 16.5m, this year showed the opposite effect and the company had to record more than Euro 10m exchange losses from the Polish Zloty in their other operating expenses. Despite that, operating profit on EBIT basis still increased significantly by almost 80% from more than Euro 20m to more than Euro 36m. Financial income declined from more than Euro 12m to almost Euro 6m as last year's number included more income from share deals. Furthermore, financial costs increased from almost Euro -10m to almost Euro -14m. This number is impacted by a Euro 2.3m impairment loss to an investment in Poland recorded in the first six months of the year. Pretax profit still rose from almost Euro 23m to more than Euro 28m, a plus of more than 24%. The bottom line even climbed by 28%, from Euro more than 16m to almost Euro 28m, representing a new record high for the company. This translates into earnings per share of Euro 2.53. With these numbers at hand, the company is well on track regarding the given guidance and also fully in line with our full year estimates, which are above the firm's guidance. Improvements in the balance sheet became visible as well. Since year-end 2017 the firm's equity ratio climbed from 31% to about 37%. The LTV ratio declined significantly from 42% at year-end to only 28% as net debt was reduced from Euro 478m to Euro 311m due to the sales proceeds and the hybrid bond placement. The pipeline for future projects remains high at Euro 1.8bn, of which 75% are located in Germany and Austria. At 1H 2018, the pipeline included more than 130k sqm of office space, more than 3,750 apartments and 11 Hotels. Just a few days ago the number of hotels in the pipeline was increased to 12 as the company reported the addition of a luxury hotel project in the city of Prague. Construction is expected to begin in fall 2019 and to be completed by the end of 2021. **All in all, the outlook for the remainder of the year, as well as for the years to come is promising. The company manages to keep the pipeline high despite the high number of completions in the recent quarters. Furthermore the currently high cash position gives the company further leeway and firepower. We confirm our Euro 50.00 target price and also confirm our Buy recommendation for the UBM share.**

UBM Development AG

Industry: Real Estate Development
Sub-segment: Resi, Office, Hotels
Country: Austria
Headquarter: Vienna
Foundation: 1873
Employees (1H 2018): 760
* of which hotel staff: 455

Management Board of UBM
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Supervisory Board of UBM
 Ing. Karl-Heinz Strauss (Chairman)
 DI Iris Ortner (Dep. Chairwoman)
 MMag. Christian Maier Dr. Bernhard Vanas
 DI Klaus Ortner Dr. Susanne Weiss
 Dr. Ludwig Steinbauer
 Mag. Paul Unterluggauer

Founded in 1873 as "Union-Baumaterialien-Gesellschaft" the company has now an outstanding history of more than 140 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.

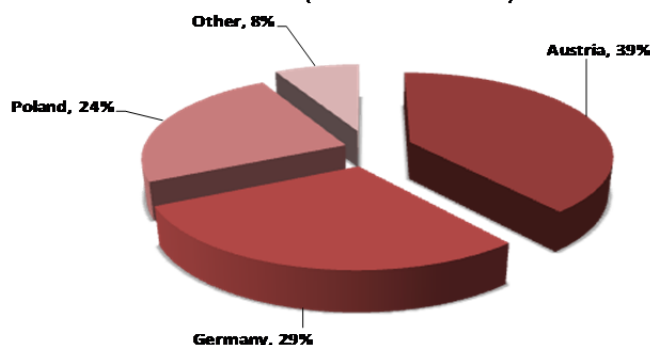
In 1992 the firm started to develop numerous lucrative projects in Eastern Europe, in particular in Poland and Czech Republic. Between 2001 and 2010 UBM entered some opportunistic marketes like France and the Netherlands with hotels. In 2014 PORR, the Vienna-based construction and development conglomerate decided to seperate its non-core real estate development activities from its construction activities with the destination to create two pure play entities and seperately listed companies. In this spirit, PIAG was used as a spin-off vehicle which held PORR's non-core realestate 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 1.1bn (as of 30.06.2018), thereof 39% is in Austria, 29% in Germany and 24% Poland. The remaining 8% is widely spread in several countries (France, Netherlands, CZ etc.).

In 2017, numbers were similar to the record numbers of 2015 as the company had a net profit of Euro 37m. Furthermore, the company paid a record dividend of Euro 2.00 per share, representing a yield of 4.9%, which is the highest of all austrian real estate companies. For 2018, the copmany expects a new record high with more than 750m in total output, more than Euro 50m of EBT, and earnings per share of more than Euro 5.00. At 1H the company is well on track to reach and even exceed the guidance for FY 2018.

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 currently Euro 311 at 1H 2018. The current project pipeline remains high at Euro 1.8m despite numerous sales in the recent quarters.

Portfolio split as of 30 June 2018

(c. Euro 1.1bn assets)



Source: Company data, SRC Research

P & L UBM Development AG

31/12 IFRS (Euro '000 except for per share-data)	2015	2016	2017	2018e	2019e	2020e	CAGR '17 - '20e
Revenues	307,781	417,020	364,668	515,296	466,587	476,063	9.3%
Changes in the portfolio	45,105	-36,961	-24,051	-20,147	-18,634	-19,863	
Own work capitalised in non-current assets	1,205	0	0	0	0	0	
Share of profit/loss of companies accounted for under the equity method	25,322	25,124	16,469	23,147	7,953	8,618	
Income from fair-value adjustments to investment property	29,675	54,570	39,420	2,148	3,721	2,974	
Other operating income	8,759	7,450	30,576	17,450	12,879	11,479	
Cost of materials and other related production services	-252,720	-300,372	-273,429	-366,489	-301,589	-305,723	
Staff expenses	-37,305	-44,278	-41,389	-43,562	-44,036	-44,510	
Expenses from fair-value adjustments to investment property	-3,109	-20,514	-9,218	-6,954	-5,782	-3,330	
Other operating expenses	-48,263	-52,427	-50,601	-55,423	-50,478	-51,403	
Operating profit (EBITDA)	76,450	49,612	52,445	65,466	70,621	74,305	
Depreciation, amortisation and impairment expenses	-2,807	-3,406	-3,827	-3,341	-3,340	-3,339	
Operating profit (EBIT)	73,643	46,206	48,618	62,125	67,281	70,966	13.4%
Financial income	7,407	13,147	21,233	14,587	9,874	7,769	
Finance costs	-30,765	-19,288	-19,387	-22,450	-21,870	-21,290	
Financial result	-23,358	-6,141	1,846	-7,863	-11,996	-13,521	
Earnings before tax (EBT)	50,285	40,065	50,464	54,262	55,285	57,445	4.4%
Income tax expense	-12,952	-10,709	-13,498	-14,601	-14,978	-15,147	
Tax rate	25.8%	26.7%	26.7%	26.9%	27.1%	26.4%	
Net profit before minorities	37,333	29,356	36,966	39,661	40,307	42,298	4.6%
Minorities	-3,525	-247	-503	-925	-1,098	-1,271	
Net profit after minorities	33,808	29,109	36,463	38,736	39,209	41,027	4.0%
Earnings per share (EPS)	4.90	3.90	4.88	5.18	5.25	5.49	
Dividends per share (DPS)	1.60	1.60	2.00	2.20	2.30	2.40	6.3%
Payout ratio	32.7%	41.1%	41.0%	42.4%	43.8%	43.7%	
Number of shares ('000)	6,902	7,472	7,472	7,472	7,472	7,472	
Adjusted shareholders' equity without minorities	323,196	333,893	352,146	432,572	454,596	466,110	
Total assets	1,185,236	1,233,761	1,130,933	1,163,258	1,192,339	1,210,225	
Equity ratio	28.0%	27.7%	31.4%	37.8%	38.7%	39.1%	
Book value per share (BVpS)	46.83	44.68	47.13	57.89	60.84	62.38	9.8%
RoE (after tax)	14.8%	8.9%	10.6%	9.9%	8.8%	8.9%	
* Figures of UBM Realitäten AG (before merger)							
Key ratios & figures	2015	2016	2017	2018e	2019e	2020e	
Growth rates in %							
Sales revenues	-2.4%	35.5%	-12.6%	41.3%	-9.5%	2.0%	
EBIT	20.1%	-37.3%	5.2%	27.8%	8.3%	5.5%	
EBT	28.1%	-20.3%	26.0%	7.5%	1.9%	3.9%	
Net profit after minorities	-0.7%	-13.9%	25.3%	6.2%	1.2%	4.6%	
Margins in %							
Operating profit (EBIT)	23.9%	11.1%	13.3%	12.1%	14.4%	14.9%	
Pre-tax profit (EBT)	16.3%	9.6%	13.8%	10.5%	11.8%	12.1%	
Net Profit (after minorities)	11.0%	7.0%	10.0%	7.5%	8.4%	8.6%	
Expense ratios in %							
Personnel costs to sales	12.1%	10.6%	11.3%	8.5%	9.4%	9.3%	
Cost of material to sales	82.1%	72.0%	75.0%	71.1%	64.6%	64.2%	
Depreciation to sales	0.9%	0.8%	1.0%	0.6%	0.7%	0.7%	
Profitability in %							
Return on equity (RoE) after tax	14.8%	8.9%	10.6%	9.9%	8.8%	8.9%	
Return on assets (RoA)	2.9%	2.4%	3.2%	3.3%	3.3%	3.4%	
Valuation							
P/E-ratio	8.5	10.6	8.5	8.0	7.9	7.5	
Price/ BV per Share	0.88	0.93	0.88	0.72	0.68	0.66	
Dividend yield	3.9%	3.9%	4.9%	5.3%	5.6%	5.8%	

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Rating Chronicle	Date	Rating	Former Price	Former Target
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 €
UBM Development AG	13 October 2017	Buy	38.94 €	46.00 €
UBM Development AG	29 August 2017	Buy	38.30 €	44.00 €
UBM Development AG	31 May 2017	Buy	35.30 €	44.00 €
UBM Development AG	07 April 2017	Buy	33.10 €	44.00 €
UBM Development AG	07 March 2017	Buy	32.78 €	44.00 €
UBM Development AG	23 November 2016	Buy	30.95 €	48.00 €

Please note:

The UBM share price mentioned in this report is from 29 August 2018. UBM mandated SRC Research for covering the UBM share.

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