

UBM Development AG

Buy (unchanged) Target: Euro 40.00 (unchanged)



Der Spezialist für Finanzaktien

19 | April | 2023

UBM's annual report 2022 with no big surprises, the dividend payment above our forecast, stable equity ratio, still high cash, focus on low carbon timber products will pay off in future

On Monday, 17 April, UBM delivered the 2022 annual report and invited for an analyst's conference call. The numbers were not a big surprise, as the company delivered a stable balance sheet with an almost unchanged equity ratio of 34.5% (2021: 35.7%) in their targeted range of 30% to 35% and a high amount of cash, which is an advantage for a developer in shaky economic times with rising interest rates and a low level of transaction activity. The cash stood at more than Euro 320m at December 2022, despite the fact that UBM repaid over Euro 100m in bonds and hybrid capital in the last year and furthermore invested in acquisitions in Mainz Zollhafen (Timber Peak etc.) and for Düsseldorf Timber Port for about Euro 80m. The total output was down 17% from last year from Euro 471m to Euro 391m, the bottom line was also down, as net profit after minorities halved from Euro 34m to Euro 17m. There were two major delays, which prohibited a much better result. One was the delay in closing of Frankfurt's FAZ Tower and the other delay was the permit for Munich Bauberger Strasse.

Nevertheless, the pre-tax profit came out a bit higher than the guided Euro 30m to Euro 31m, at Euro 31.5m (2021: Euro 60.1m). With regards to the dividend payment, the management will propose a Euro 1.10 payment to the AGM on 19 May, which is a bit above our Euro 1.00 forecast and underlines the shareholder friendly and very reliable dividend policy. The pay-out ratio of 49% of EPS is pretty much the same as in the last years and translates into a current decent yield of 4%.

After the first half of last year was quite good from a deal point of view, with the acquisitions in Zollhafen Mainz, and the sale of Mainz Kaufmannshof, Graz Rankency and some other residential units as well as Munich-based Alba project and construction management company, the second half of the year was more a transaction standstill, except for the off-market acquisition of the land plot at the Medienhafen for the Düsseldorf Timber Port in September.

We understand that the management for the moment avoids to give a concrete guidance for 2023 results, as market uncertainties and interest rates remain high and more time seems to be needed to find a new overall price equilibrium.

We would assume the firm to deliver better numbers in 2023 than in 2022, not only expecting FAZ Tower to close and the building permit for Bauberger to come in the next few months, but also value that the firm offers the right sustainable green products with a low carbon footprint, that have the highest demand and offer the best value for institutional buyers in the long-term. **The 10k sqm rental contract announced for Timber Pioneer shortly before the Easter break was a good pointer here. With the remaining 4,000 sqm to be rented, this property might even come closer to a forward sale in 4Q or 1Q 2024. We keep our Buy and € 40 target.**

Price (Euro)	27,50			
52 weeks range	43.70 / 22.20			
Key Data				
Country	Austria			
Industry	Real Estate			
Segment	Development (trading oriented)			
ISIN	AT0000815402			
WKN	852735			
Reuters	UBMV.VI			
Bloomberg	UBS VI			
Internet	www.ubm-development.com			
Reporting Standard	IFRS			
Fiscal Year	31/12			
Market Cap (EUR million)	205,5			
Number of shares (million)	7,47			
Free Float	49,2%			
Free Float MCap (million)	101,1			
CAGR pre tax profit '22 - '25e	22,3%			
Multiples	2022	2023e	2024e	2025e
MarketCap/revenues	1,53	0,98	0,76	0,71
PE ratio	12,2	9,9	7,5	6,7
Dividend yield	4,0%	5,1%	6,5%	7,3%
Price-to-Book ratio	0,41	0,40	0,39	0,37
Key Data per Share (Euro)	2022	2023e	2024e	2025e
Earnings per share (EPS)	2,25	2,79	3,68	4,10
Dividends per share (DPS)	1,10	1,40	1,80	2,00
Book Value per share (BVpS)	67,11	68,80	71,08	73,38
Financial Data (Euro '000)	2022	2023e	2024e	2025e
Revenues	133.944	210.231	270.560	288.987
Operating profit (EBITDA)	39.173	60.594	76.030	81.708
Operating profit (EBIT)	33.907	56.319	71.441	76.588
Pre-tax profit (EBT)	31.450	40.357	52.791	57.528
Net profit (after minorities)	16.790	20.830	27.499	30.635
Adj. shareholders' equity	501.449	514.060	531.098	548.283
RoE after tax	3,2%	4,1%	5,3%	5,7%
Financial Calendar				
AGM			19 May 2023	
1Q 2023 report			25 May 2023	
1H 2023 report			31 August 2023	
SRC Forum Financials & Real Estate 2023			12 September 2023	
Main Shareholders				
Syndicate Ortner/ Strauss			38,8%	
IGO Ortner Gruppe			7,0%	
J. Dickinger			5,0%	
Management & Supervisory board			3,9%	
Analyst	Dipl.-Kfm. Stefan Scharff, CREA			
E-Mail	scharff@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: Residential, Office
Country: Austria
Headquarter: Vienna
Foundation: 1873
Employees: 330

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

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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 Mann
Anke Duchow
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. After a record year in 2019 with a net profit of Euro 53m, the 2020 fiscal year was impacted by the Covid pandemic, however, considering the circumstances turned out to be very successful as well and above expectations. 2021, which was originally considered to be a year that reflects a Corona dent, turned out to deliver the second highest bottom line in the firm's history at almost Euro 44m. Thus, UBM lifted the dividend to Euro 2.25 per share, representing a new record dividend. The strong balance sheet remained with the full year 2022 numbers as equity ratio remained at almost 35% and with Euro 1.10 the company continued the shareholder friendly policy in a much more rough economic and interest environment. The 2022 bottom line was impaired by two major delays, the permit for Munich Bauberger Strasse and the Frankfurt FAZ tower closing did not come in 2022. Net profit after minorities halved from Euro 34m to Euro 17m. Due to the current uncertainties regarding the war in Ukraine, the ongoing weak economic picture in UBM's markets with a low level of transaction activity, the inflationary environment and the unclear interest rate developments, UBM gave no guidance for the 2023 result, so far. The times could be easier for developers, but UBM has an appealing and sustainable pipeline for residential and office properties, as for instance the highly rated Timber Highrises in Germany to come in Frankfurt, Mainz Düsseldorf as well as in Vienna with the TimberOffice at Leopoldquartier. The demand for this kind of office space with a low carbon footprint should be quite high, as UBM recently delivered a big rental contract for 10k sqm with fund specialist Universal Investment for Frankfurt's Timber Pioneer.

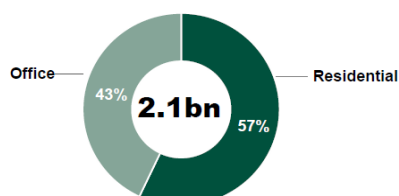
5 >250,000m² in timber construction.



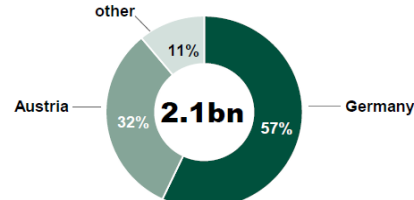
Timber pipeline

Project	GFA ¹ in m ²	Asset class
LeopoldQuartier	75,700 m ²	Mix
Timber Factory	57,600 m ²	Office
Bogner Gründe	24,100 m ²	Residential
Timber Pioneer	17,600 m ²	Office
Timber View	17,000 m ²	Residential
Amras	16,600 m ²	Residential
Timber Port	10,900 m ²	Office
Pelkovenstraße	10,800 m ²	Office
Molenkopf	9,800 m ²	Residential
Timber Peak	9,500 m ²	Office
Unterbibergerstr.	8,400 m ²	Office
Timber Praha	7,400 m ²	Residential
Total	265,400 m²	

Pipeline by asset class ²



Pipeline by country ²



P & L UBM Development AG

31/12 IFRS (Euro '000 except for per share-data)	2019	2020	2021	2022	2023e	2024e	2025e	CAGR '22 - '25e
Revenues	241.999	183.339	278.313	133.944	210.231	270.560	288.987	29,2%
Changes in the portfolio	20.294	-21.145	-45.874	2.965	-36.327	-39.112	-42.545	
Share of profit/loss of companies accounted for under the equity method	59.980	27.813	36.003	25.396	50.519	37.846	42.545	
Income from fair-value adjustments to investment property	46.270	69.853	11.568	25.454	6.847	10.212	11.454	
Other operating income	10.488	8.224	11.767	12.740	13.558	12.347	14.541	
Cost of materials and other related production services	-202.198	-115.673	-141.421	-86.858	-110.901	-139.741	-155.774	
Staff expenses	-36.644	-34.847	-36.807	-37.255	-38.607	-39.182	-40.105	
Expenses from fair-value adjustments to investment property	-24.582	-7.543	-6.550	-4.619	-2.557	-1.299	-1.250	
Other operating expenses	-40.641	-44.922	-31.070	-32.594	-32.169	-35.603	-36.145	
Operating profit (EBITDA)	74.966	65.099	75.929	39.173	60.594	76.030	81.708	27,8%
Depreciation, amortisation and impairment expenses	-3.515	-3.085	-2.627	-5.266	-4.275	-4.589	-5.120	
Operating profit (EBIT)	71.451	62.014	73.302	33.907	56.319	71.441	76.588	31,2%
Financial income	20.711	23.899	14.040	23.442	13.808	12.822	13.450	
Finance costs	-21.650	-23.654	-27.203	-25.899	-29.771	-31.472	-32.510	
Financial result	-939	245	-13.163	-2.457	-15.963	-18.650	-19.060	
Earnings before tax (EBT)	70.512	62.259	60.139	31.450	40.357	52.791	57.528	22,3%
Income tax expense	-20.450	-21.506	-16.428	-4.338	-10.982	-15.007	-16.358	
Tax rate	29,0%	34,5%	27,3%	13,8%	27,2%	28,4%	28,4%	
Net profit before minorities	50.062	40.753	43.711	27.112	29.375	37.784	41.170	14,9%
Minorities	-4.011	-7.984	-10.086	-10.322	-8.545	-10.285	-10.535	
Net profit after minorities	46.051	32.769	33.625	16.790	20.830	27.499	30.635	22,2%
Earnings per share (EPS)	6,16	4,39	4,50	2,25	2,79	3,68	4,10	
Dividends per share (DPS)	2,20	2,20	2,25	1,10	1,40	1,80	2,00	
Payout ratio	35,7%	50,2%	50,0%	49,0%	50,2%	48,9%	48,8%	
Number of shares ('000)	7.472	7.472	7.472	7.472	7.472	7.472	7.472	
Adjusted shareholders' equity without minorities	456.833	478.467	545.435	501.449	514.060	531.098	548.283	3,0%
Total assets	1.316.389	1.372.021	1.494.463	1.451.831	1.538.941	1.585.109	1.601.254	3,3%
Equity ratio	35,3%	35,5%	37,1%	35,1%	34,0%	34,1%	34,8%	
Book value per share (BVpS)	61,14	64,03	73,00	67,11	68,80	71,08	73,38	3,0%
RoE (after tax)	10,4%	7,0%	6,6%	3,2%	4,1%	5,3%	5,7%	
Key ratios & figures	2019	2020	2021	2022	2023e	2024e	2025e	
Growth rates in %								
Sales revenues	-52,9%	-24,2%	51,8%	-51,9%	57,0%	28,7%	6,8%	
EBIT	27,7%	-13,2%	18,2%	-53,7%	66,1%	26,8%	7,2%	
EBT	26,9%	-11,7%	-3,4%	-47,7%	28,3%	30,8%	9,0%	
Net profit after minorities	16,0%	-28,8%	2,6%	-50,1%	24,1%	32,0%	11,4%	
Margins in %								
Operating profit (EBIT)	29,5%	33,8%	26,3%	25,3%	26,8%	26,4%	26,5%	
Pre-tax profit (EBT)	29,1%	34,0%	21,6%	23,5%	19,2%	19,5%	19,9%	
Net Profit (after minorities)	19,0%	17,9%	12,1%	12,5%	9,9%	10,2%	10,6%	
Expense ratios in %								
Personnel costs to sales	15,1%	19,0%	13,2%	27,8%	18,4%	14,5%	13,9%	
Cost of material to sales	83,6%	63,1%	50,8%	64,8%	52,8%	51,6%	53,9%	
Depreciation to sales	1,5%	1,7%	0,9%	3,9%	2,0%	1,7%	1,8%	
Profitability in %								
Return on equity (RoE) after tax	10,4%	7,0%	6,6%	3,2%	4,1%	5,3%	5,7%	
Return on assets (RoA)	3,5%	2,4%	2,2%	1,2%	1,4%	1,7%	1,9%	
Valuation								
P/E-ratio	4,5	6,3	6,1	12,2	9,9	7,5	6,7	
Price/ BV per Share	0,45	0,43	0,38	0,41	0,40	0,39	0,37	
Dividend yield	8,0%	8,0%	8,2%	4,0%	5,1%	6,5%	7,3%	

SRC Research

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Rating Chronicle	Date	Rating	Former Price	Former Target
UBM Development AG	05 April 2023	Buy	26,90 €	40,00 €
UBM Development AG	21 February 2023	Buy	29,60 €	40,00 €
UBM Development AG	24 November 2022	Buy	30,40 €	44,00 €
UBM Development AG	28 September 2022	Buy	28,50 €	44,00 €
UBM Development AG	26 August 2022	Buy	32,90 €	50,00 €
UBM Development AG	30 May 2022	Buy	38,50 €	55,00 €
UBM Development AG	11 April 2022	Buy	40,40 €	55,00 €
UBM Development AG	02 March 2022	Buy	39,50 €	55,00 €
UBM Development AG	25 November 2021	Buy	40,60 €	55,00 €
UBM Development AG	25 August 2021	Buy	43,20 €	55,00 €
UBM Development AG	22 July 2021	Buy	41,40 €	53,00 €
UBM Development AG	25 May 2021	Buy	43,50 €	52,00 €
UBM Development AG	23 April 2021	Buy	38,80 €	50,00 €
UBM Development AG	01 February 2021	Buy	35,00 €	48,00 €

Please note:

The UBM share price mentioned in this report is from 18 April 2023. UBM mandated SRC Research for covering the UBM share.

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