

UBM Development AG

Buy (unchanged) Target: Euro 28.00 (old: Euro 26.00)



Der Spezialist für Finanzaktien

29 | August | 2024

UBM with improved liquidity and balance sheet after some sale transactions – resi market is picking up – target up to Euro 28.00

Today UBM released the 1H report and held a conference call. The picture was good in terms of a higher liquidity, a reduced net debt and better balance sheet ratios. Total output more than doubled, from Euro 116m to Euro 249m and mainly profited from several asset sales, as UBM sold a piece of Poleczki Business Park, an office property, to the tenant PORR in 1Q, but also the Vienna W3 Office Center was sold in 2Q to the co-owner and 4 more property sales or stakes on properties were sold within the first six months, helping to significantly foster the liquidity position of UBM. **The cash position boosted by more than Euro 50m, from Euro 127m at 1Q to over Euro 179m at the end of June. This liquidity is even well above the Euro 152m at year-end 2023 and we may not exclude one or two sales of non-core assets to come in the second half of 2024 or at the beginning of 2025 to further help to secure high liquidity levels. This is an important priority for UBM and all development competitors in these shaky times with quite little or no economic growth which results in an ongoing reluctance of many prospective office tenants to sign for long term contracts. The good trading success and the massive Euro 75m cash inflow helped to significantly reduce the net debt position by 10% in just 6 months, from Euro 610m at year-end 2023 to Euro 550m at the end of 2Q.** The LTV was down from 48.7% at year-end 2023 to 46.3% in June and equity ratio was up from 30.3% to 30.4% in the same time.

But it is not only the sale of several non-core assets that makes us optimistic for the company's future and it is not only the strong orientation to sustainable timber solutions with a low carbon footprint. It is also the steeply rising demand for residential units in Germany and Austria, as the numbers of recently completed apartments will more or less halve the next three years as many developers did not start new projects the last two years. This is as a result of the current market shakeout coming along with the steep rise in interest rates, but the demand for residential living remained at much higher levels, about 50% to 100% above the level of the current supply. **The rising problem of undersupply allows for higher sqm rents and in particular in German metropole regions like Berlin, Munich, Hamburg, Frankfurt and Leipzig the prospects are good for a steeply rising level of new rents. For instance, Germany would need about 750k to 800k new apartments this year and the completions will come in close to 200k. A big 600k gap that will most probably even widen the next two or three years. UBM has to offer about 3,000 residential units in metropole regions like Vienna, Munich, Frankfurt and Prague. These units are in the development process or already on the market. UBM sold more apartments in the first half of the year than in the entire year 2023.**

UBM has a consequent market positioning as a leading carbon friendly timber developer in Europe and the sufficient financial strength to drive the attractive Euro 1.9bn pipeline until 2028 which is almost 60% residential and 40% light industry and office. Moreover, UBM wants to drive the standardization of processes and products to improve their margin, for instance bathroom modules in resi constructions. As we see the improvement of balance sheet and a pick-up in the residential market, we lift our target price from € 26.00 to € 28.00. Buy rating affirmed.

Price (Euro)	20,50			
52 weeks range	23.20 / 18.00			
Key Data				
Country	Austria			
Industry	Real Estate			
Segment	Development (trading oriented)			
ISIN	AT0000815402			
WKN	852735			
Reuters	UBMV.VI			
Bloomberg	UBS.VI			
Internet	www.ubm-development.com			
Reporting Standard	IFRS			
Fiscal Year	31/12			
Market Cap (EUR million)	153,2			
Number of shares (million)	7,47			
Free Float	49,2%			
Free Float MCap (million)	75,4			
CAGR pre tax profit '22 - '26e	4,3%			
Multiples	2023	2024e	2025e	2026e
MarketCap/revenues	1,80	0,87	0,65	0,53
PE ratio	-2,9	-19,0	11,3	0,0
Dividend yield	0,0%	0,0%	2,4%	4,9%
Price-to-Book ratio	0,40	0,41	0,40	0,38
Key Data per Share (Euro)	2023	2024e	2025e	2026e
Earnings per share (EPS)	-7,03	-1,08	1,82	3,09
Dividends per share (DPS)	0,00	0,00	0,50	1,00
Book Value per share (BVpS)	50,82	49,74	51,56	54,15
Financial Data (Euro '000)	2023	2024e	2025e	2026e
Revenues	85.315	176.090	234.287	286.554
Operating profit (EBITDA)	-27.284	12.450	42.014	63.457
Operating profit (EBIT)	-30.063	9.195	38.538	59.230
Pre-tax profit (EBT)	-39.363	-5.373	21.813	37.290
Net profit (after minorities)	-52.499	-8.058	13.587	23.082
Adj. shareholders' equity	379.722	371.664	385.251	404.597
RoE after tax	-11,9%	-2,1%	3,6%	5,8%
Financial Calendar				
9M 2024			28 November 2024	
2024 annual report			April 2025	
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: 278

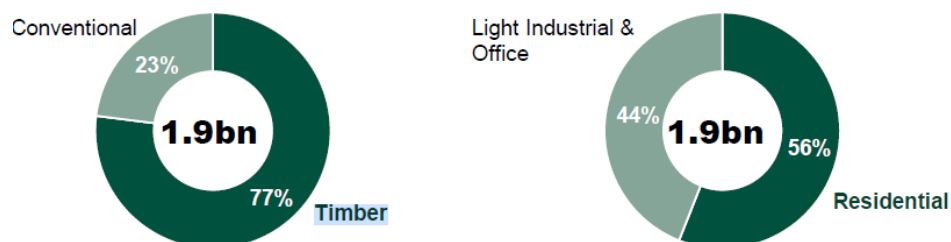
Management Board of UBM
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Dipl.-Ökonom Patric Thate (CFO)
Martina Maly-Gärtner, MRICS (COO)
Dipl.-Ing. Peter Schaller (CTO)

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Supervisory Board of UBM
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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. 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 market environment and mainly the high increase of interest rates, the firm reported a net loss for 2023 of Euro 46m, driven by the negative impact of revaluations. 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 and Düsseldorf as well as in Vienna with the TimberOffice at Leopoldquartier. Another deal was done mid of June 23 with the acquisition of Donaumarina Tower at Vienna Handelskai for only Euro 24.5m. Another good news came end of June 23 with the closing of FAZ Tower deal with HanseMercur Grundvermögen AG. The demand for this kind of office space with a low carbon footprint should remain quite high from tenants and from investors, as UBM recently delivered a big rental contract for 10k sqm with fund specialist Universal Investment for Frankfurt's Timber Pioneer. With regards to the debt side, UBM issued a 4 years Euro 50m Green bond in July 2023 with a 7% coupon. After the repayment of 2018-2023 bond on 16 November 2023 there is no bond maturity until Nov. 2025.



Source: Company data, SRC Research

P & L UBM Development AG

31/12 IFRS (Euro '000 except for per share-data)	2020	2021	2022	2023	2024e	2025e	2026e	CAGR '22 - '26e
Revenues	183.339	278.313	133.944	85.315	176.090	234.287	286.554	20,9%
Changes in the portfolio	-21.145	-45.874	2.965	33.011	-14.542	-31.532	-27.665	
Share of profit/loss of companies accounted for under the equity method	27.813	36.003	25.396	-14.059	17.655	22.239	24.244	
Income from fair-value adjustments to investment property	69.853	11.568	25.454	318	5.466	11.454	16.558	
Other operating income	8.224	11.767	12.740	51.039	3.979	14.541	17.812	
Cost of materials and other related production services	-115.673	-141.421	-86.858	-70.389	-115.741	-140.774	-179.144	
Staff expenses	-34.847	-36.807	-37.255	-30.910	-26.702	-32.442	-34.210	
Expenses from fair-value adjustments to investment property	-7.543	-6.550	-4.619	-40.767	-1.299	-1.250	-879	
Other operating expenses	-44.922	-31.070	-32.594	-40.842	-32.457	-34.509	-39.816	
Operating profit (EBITDA)	65.099	75.929	39.173	-27.284	12.450	42.014	63.457	12,8%
Depreciation, amortisation and impairment expenses	-3.085	-2.627	-5.266	-2.779	-3.255	-3.476	-4.227	
Operating profit (EBIT)	62.014	73.302	33.907	-30.063	9.195	38.538	59.230	15,0%
Financial income	23.899	14.040	23.442	21.760	15.657	15.785	12.078	
Finance costs	-23.654	-27.203	-25.899	-31.060	-30.225	-32.510	-34.018	
Financial result	245	-13.163	-2.457	-9.300	-14.568	-16.725	-21.940	
Earnings before tax (EBT)	62.259	60.139	31.450	-39.363	-5.373	21.813	37.290	4,3%
Income tax expense	-21.506	-16.428	-4.338	-6.682	-2.026	-5.782	-9.770	
Tax rate	34,5%	27,3%	13,8%	-17,0%	-37,7%	26,5%	26,2%	
Net profit before minorities	40.753	43.711	27.112	-46.045	-7.399	16.031	27.520	0,4%
Minorities and shares of hybrid capital	-7.984	-10.086	-10.322	-6.454	-659	-2.444	-4.438	
Net profit after minorities	32.769	33.625	16.790	-52.499	-8.058	13.587	23.082	8,3%
Earnings per share (EPS)	4,39	4,50	2,25	-7,03	-1,08	1,82	3,09	
Dividends per share (DPS)	2,20	2,25	1,10	0,00	0,00	0,50	1,00	
Payout ratio	50,2%	50,0%	49,0%	0,0%	0,0%	27,5%	32,4%	
Number of shares ('000)	7.472	7.472	7.472	7.472	7.472	7.472	7.472	
Adjusted shareholders' equity without minorities	478.467	545.435	501.449	379.722	371.664	385.251	404.597	-5,2%
Total assets	1.372.021	1.494.463	1.451.831	1.253.777	1.178.550	1.219.800	1.262.493	-3,4%
Equity ratio	35,5%	37,1%	35,1%	30,3%	31,5%	31,6%	32,0%	
Book value per share (BVpS)	64,03	73,00	67,11	50,82	49,74	51,56	54,15	-5,2%
RoE (after tax)	7,0%	6,6%	3,2%	-11,9%	-2,1%	3,6%	5,8%	
Key ratios & figures	2020	2021	2022	2023	2024e	2025e	2026e	
Growth rates in %								
Sales revenues	-24,2%	51,8%	-51,9%	-36,3%	106,4%	33,0%	22,3%	
EBIT	-13,2%	18,2%	-53,7%	-188,7%	-130,6%	319,1%	53,7%	
EBT	-11,7%	-3,4%	-47,7%	-225,2%	-86,4%	-506,0%	71,0%	
Net profit after minorities	-28,8%	2,6%	-50,1%	-412,7%	-84,7%	-268,6%	69,9%	
Margins in %								
Operating profit (EBIT)	33,8%	26,3%	25,3%	-35,2%	5,2%	16,4%	20,7%	
Pre-tax profit (EBT)	34,0%	21,6%	23,5%	-46,1%	-3,1%	9,3%	13,0%	
Net Profit (after minorities)	17,9%	12,1%	12,5%	-61,5%	-4,6%	5,8%	8,1%	
Expense ratios in %								
Personnel costs to sales	19,0%	13,2%	27,8%	36,2%	15,2%	13,8%	11,9%	
Cost of material to sales	63,1%	50,8%	64,8%	82,5%	65,7%	60,1%	62,5%	
Depreciation to sales	1,7%	0,9%	3,9%	3,3%	1,8%	1,5%	1,5%	
Profitability in %								
Return on equity (RoE) after tax	7,0%	6,6%	3,2%	-11,9%	-2,1%	3,6%	5,8%	
Return on assets (RoA)	2,4%	2,2%	1,2%	-4,2%	-0,7%	1,1%	1,8%	
Valuation								
P/E-ratio	4,7	4,6	9,1	-2,9	-19,0	11,3	6,6	
Price/ BV per Share	0,32	0,28	0,31	0,40	0,41	0,40	0,38	
Dividend yield	10,7%	11,0%	5,4%	0,0%	0,0%	2,4%	4,9%	

SRC Research

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Rating Chronicle	Date	Rating	Former Price	Former Target
UBM Development AG	29 May 2024	Buy	20,30 €	26,00 €
UBM Development AG	18 March 2024	Buy	18,95 €	26,00 €
UBM Development AG	23 November 2023	Buy	20,80 €	30,00 €
UBM Development AG	31 August 2023	Buy	21,10 €	32,00 €
UBM Development AG	22 August 2023	Buy	21,30 €	32,00 €
UBM Development AG	26 May 2023	Buy	27,40 €	40,00 €
UBM Development AG	19 April 2023	Buy	27,50 €	40,00 €
UBM Development AG	05 April 2023	Buy	26,90 €	40,00 €
UBM Development AG	21 February 2023	Buy	29,60 €	40,00 €

Please note:

The UBM share price mentioned in this report is from 28 August 2024. UBM mandated SRC Research for covering the UBM share.

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