

UBM Development AG

Buy (unchanged) **Target: Euro 40.00** (unchanged)



Der Spezialist für Finanzaktien

05 | July | 2023

Good news flow as closing for FAZ tower was done end of June and a Euro 50m Green Bond was placed yesterday – still € 40 TP

Yesterday, the company released a very good news on the debt side, as UBM placed the first green bond in the company history, with a 7% coupon and a 4 years duration until 2027. From the Euro 50m placement approx. Euro 29m came from the investors of the 2018 - 2023 bond with a size of Euro 120m (3.125% coupon), which is due in November. The remaining Euro 21m were new investors.

This Euro 50m bond placement underlines the trust in the attractive and green product pipeline of UBM, as we already reported about the timber office towers in Frankfurt, Mainz, Düsseldorf and Vienna, for instance.

The second good news came last week, on 29 June, right at the end of the second quarter, that closing is now done for the FAZ tower in Frankfurt, which was sold to Hamburg-based HanseMerkur Grundvermögen, which bought this modern office tower with 18 floors with the renown FAZ newspaper as long-term tenant for one of its investment funds. The final purchase price for this JV of UBM (75%) with Paulus Immobiliengruppe (25%) is around Euro 198m, which means a multiple of about 32x in our opinion.

This good news flow underlines the trust of investors in UBM's financial strength even in very challenging times and the great attraction of their products, that should continue with a sale of Frankfurt's Timber Pioneer in the next year. With the acquisition of Donaumarina Tower project at the Vienna Handelskai district from Signa group on 21 June for only Euro 24.5m (including existing land financing), UBM will continue their timber-hybrid product line with the world's highest timer skyscraper with 32 upper floors and more than 44k sqm gross floor space. The initial acquisition price of about Euro 550 per sqm gives room for another very lucrative deal in future. The building will comply EU Taxonomy Regulations and a LEED Gold certification is also targeted.

The above mentioned news of closing of the FAZ tower deal is positive for 1H 2023 numbers to be reported on 31 August and the building permit in 3Q 2023 for the Munich-based Bauberger Strasse (mixed use, 28k sqm) would be another important trigger.

With the good news flow from the debt side and the quite cheap acquisition of Donaumarina Tower project in Vienna as well as the finalized closing of Frankfurt's FAZ tower we are optimistic for the next quarters ahead. With these milestones, we maintain our positive view with our Euro 40.00 target price and a Buy recommendation.

Price (Euro)	26,50			
52 weeks range	36.80 / 22.00			
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)	198,0			
Number of shares (million)	7,47			
Free Float	49,2%			
Free Float MCap (million)	97,4			
CAGR pre tax profit '22 - '25e	22,3%			
Multiples	2022	2023e	2024e	2025e
MarketCap/revenues	1,48	0,94	0,73	0,69
PE ratio	11,8	9,5	7,2	6,5
Dividend yield	4,2%	5,3%	6,8%	7,5%
Price-to-Book ratio	0,39	0,39	0,37	0,36
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				
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			
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	www.aktienmarkt-international.de			

UBM Development AG

Industry: Real Estate Development
Sub-segment: Residential, Office
Country: Austria
Headquarter: Vienna
Foundation: 1873
Employees: 283

IR Contact

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Management Board of UBM

Thomas G. Winkler, LL.M. (CEO)
 Dipl.-Ökonom Patric Thate (CFO)
 Dipl.-Ing. Martin Löcker (COO) (until 30 June)
 Martina Maly-Gärtner, MRICS (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 Mann Hannes Muster
 Anke Duchow 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 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 and Düsseldorf as well as in Vienna with the TimberOffice at Leopoldquartier. Another deal was just recently done mid of June with the acquisition of Donaumarina Tower at Vienna Handelskai for only Euro 24.5m. Another good news came end of June with the closing of FAZ Tower deal with HanseMerkur 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.

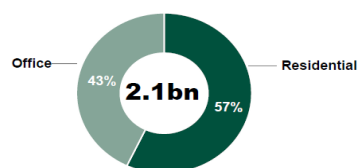
5 >250,000m² in timber construction.



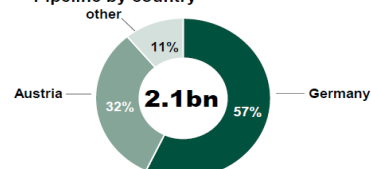
Timber pipeline

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



Source: Company data, SRC Research

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**- The Specialist for Financial and Real Estate Stocks -**

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Rating Chronicle	Date	Rating	Former Price	Former Target
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 €
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 €

Please note:

The UBM share price mentioned in this report is from 4 July 2023. UBM mandated SRC Research for covering the UBM share.

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