

Price (Euro)

23.40

52 weeks range

14.52 / 23.99

Key Data

Country	Austria
Industry	Real Estate
Segment	Development
ISIN	AT0000815402
WKN	852735
Reuters	UBMV.VI
Bloomberg	UNBM AV
Internet	www.ubm.at
Reporting Standard	IFRS
Fiscal Year	31/12
Market Cap (EUR million)	140.4
Number of shares (million)	6.0
Free Float	12.4%
Free Float MCap (million)	17.4
CAGR pre tax profits 13-16e	15.6%

Multiples

	2013	2014e	2015e	2016e
MarketCap/sales	0.65	0.57	0.55	0.58
PE-ratio	10.9	8.8	7.5	7.2
Dividend yield	2.6%	3.4%	4.3%	4.3%
Price-to-Book ratio	0.87	0.81	0.76	0.70

Key Data per Share (Euro)

	2013	2014e	2015e	2016e
Earnings per share (EPS)	2.14	2.66	3.12	3.23
Dividends per share (DPS)	0.62	0.80	1.00	1.00
Book Value per share (BVpS)	26.98	28.84	30.96	33.19

Financial Data (Euro '000)

	2013	2014e	2015e	2016e
Sales Revenues	217,226	248,141	253,458	242,344
Operating profit (EBIT)	29,400	36,217	40,691	40,818
Pre-tax profit (EBT)	17,844	22,616	26,990	27,591
Net profit (after minorities)	12,857	15,973	18,741	19,388
Shareholders' equity	144,445	152,758	161,867	173,040
RoE after tax	8.2%	9.5%	10.4%	10.1%

Financial Calendar

SRC Forum Financials & Real Estate	10 September 2014
9M interim report	6 November 2014

Main Shareholders

PORR AG	41.3%
CA Immo	25.0%
Group Folian/Jurkowitsch (Amber/Bocca)	14.8%
Ortner group	6.0%

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PORR and UBM reveal plans regarding a merger of its development businesses into new entity – spin-off intended – Hold!

Yesterday, on 1 September, PORR, the Austrian construction giant hosted a conference call to give more insights on its 1H-figures as well as its plans to integrate UBM and its own real estate development business (including STRAUSS & PARTNER) into PIAG and conduct a spin-off of this combined entity in a second step. As a result, PORR and PIAG (including UBM) would both offer investors the opportunity to invest separately in two pure-play, exchange-listed companies.

On Friday, 11 July, PORR AG had already announced the acquisition of CA Immo's 25%-stake in UBM, boosting its total shareholdings to about 75% upon closing of the transaction, which is subject to approval by authorities. With a total transaction volume of Euro 36m, each share will be priced at Euro 24.00, exactly matching our target price published in our initiating coverage as of April, implying a positive carry of more than 40% compared to the share price of Euro 17.00 as of 28 April. We welcome the strategic plans, as we see some significant synergies of the two players and also take the advantage of a more diversified portfolio and larger market capitalization for investors into account.

After the successful refinancing of two outstanding corporate bonds with a new issue, maturing in 2019 at a 4.875% coupon and a reasonable equity ratio of about 26%, we also regard UBM's financing structure as sound. After the 2013 numbers already showed a strong picture regarding both sales and profitability, this positive operating development could be continued in the first six months of fiscal 2014. UBM published its 1H numbers on Sunday, 31 August. Revenues rose by 24% and amounted to Euro 87.2m, after Euro 70.6m in 1H 2013. Operating result (EBIT) also increased substantially from Euro 11.6m to Euro 14.5m (+25%). As a result of the higher EBT of Euro 8.3m and lower tax expenses, the net profit after minorities rose by 23% from Euro 5.3m to Euro 6.5m, implying earnings per share of Euro 1.09, or a P/E-ratio of about 10.7, when adjusted for the fully year. This is fully in line with our most recent forecast. As the offered transaction price of Euro 24.00 represents the minimum price for the mandatory takeover offer that is to be released after the closing of the PORR-deal, the share offers a very stable outlook with almost no downside at the moment.

Therefore, we stick to our Euro 24.00 Target Price and confirm our Hold-rating.

SWOT Analysis

Strengths

- UBM is a strong brand in the European real estate development business. The company is very flexible and has a high local knowledge of all its markets to shift the focus of activities to the most promising regional markets and asset classes (from residential to office or retail and also to hotels or complete urban district developments) where it finds the best opportunities to deliver a significant added value and may unlock high development margins. As the German residential market gained a very strong momentum in the last 3 or 4 years, UBM quickly started to boost the business with its German development subsidiary Münchner Grund AG. The total group's output in 2013 steeply increased by 11% to Euro 287m. And more than half of it (57%) came from Germany, after only 17% one year before.
- The firm has a good pipeline of lucrative developments in stable European economies like Germany, Poland and Netherlands to come the next three years that will help to even further lift the group's output and profit numbers.
- The firm has some very attractive hotels in its portfolio which might help for more lucrative asset sales to come the next 12 – 24 months, namely the Berlin-based andel's Hotel (557 rooms) and the French EuroDisney Hotels Dream Castle and Magic Circus (each approx. 400 rooms). These 3 hotels alone stand for a net operating profit of more than Euro 6m per year. UBM holds 50% on each of these three hotels. Warimpex holds the other 50%.
- The balance sheet improved after the good FY 2013. Equity ratio hiked from 24.2% to 26.0%. Net debt came down from Euro 333.4m to Euro 321.9m (-3.4%). The net debt to equity ratio improved from 217% to 197%.
- The price-to-book ratio is only little above 0.6 at the moment. Thus, in our view the UBM share price is relatively protected against set-backs. The good and probably rising dividend yield of 3.6% is also an argument.

Weaknesses

- The free float of shares is small at less than 15%, as the firm has four anchor shareholders. This also translates into a small liquidity of the stock.
- The firm has a low transparency level with regards to all project related data as investment costs, targeted yields and concrete dates of completions and pre-lease data, as well as for some items on its P & L account. As the volatile P & L of a developer is always a challenge in itself, the low transparency makes future P & L items hard to predict.

Opportunities

- As the transaction price for the 25%-stake bought by PORR of Euro 24.00 represents the minimum threshold for a mandatory takeover offer that will follow the closing of the deal, the downside risks regarding the share price development are limited. Approval of the deal is expected for early October.
- Germany is currently the biggest market of UBM but the brand awareness of UBM and Münchner Grund is still relatively low, despite the favorable operating success. An IPO of German subsidiary Münchner Grund AG would also be an option in our view, to lift awareness and gain more capital to quickly grow.

Threats

- The economic situation might remain shaky in many Eastern European countries which have to struggle with only little or even no growth. Even the overall sentiment for the Polish office market, which was stable the last years has become worse and UBM has the Poleczki Business Park on its agenda.

P&L UBM AG

31/12 IFRS (Euro '000 except for per share-data)	2011*	2012	2013	2014e	2015e	2016e	2017e	2018e	CAGR '13 - '16e
Sales revenues	196,370	133,975	217,226	248,141	253,458	242,344	248,116	255,254	3.7%
Activated work for own account	0	0	310	0	0	0	0	0	
Result from associated companies	-1,005	4,557	12,764	14,521	15,451	11,455	11,879	12,100	
Other operating income	7,631	7,792	2,269	4,541	3,485	2,879	2,998	3,087	
Material expenses and other services	-133,914	-83,826	-145,539	-169,784	-167,357	-153,785	-158,252	-165,545	
Personnel expenses	-16,031	-17,875	-20,385	-22,581	-24,115	-23,874	-24,008	-24,455	
Amortisation and depreciation on intangible assets and property, plant and equipment	-1,726	-2,366	-2,453	-2,841	-3,121	-3,204	-3,250	-3,310	
Other operating expenses	-29,198	-30,113	-34,792	-35,780	-37,110	-34,997	-35,652	-35,150	
Operating profit (EBIT)	22,128	12,143	29,400	36,217	40,691	40,818	41,831	41,981	11.6%
Financial income	10,073	18,581	6,395	4,877	5,087	5,453	5,674	5,977	
Financial expenditure	-17,643	-17,853	-17,952	-18,478	-18,788	-18,680	-18,580	-18,450	
Financial result	-7,571	729	-11,556	-13,601	-13,701	-13,227	-12,906	-12,473	
Earnings before tax (EBT)	14,557	12,872	17,844	22,616	26,990	27,591	28,925	29,508	15.6%
Taxes on income	-5,651	812	-4,316	-5,619	-7,004	-7,215	-7,785	-7,938	
Tax rate	38.8%	-6.3%	24.2%	24.8%	26.0%	26.1%	26.9%	26.9%	
Net profit before minorities	8,906	13,684	13,528	16,997	19,986	20,376	21,140	21,570	
Minorities	995	-796	-671	-1,024	-1,245	-988	-1,087	-1,132	
Net profit after minorities	9,901	12,888	12,857	15,973	18,741	19,388	20,053	20,438	14.7%
Earnings per share (EPS)	1.65	2.15	2.14	2.66	3.12	3.23	3.34	3.41	
Dividends per share (DPS)	0.55	0.55	0.62	0.80	1.00	1.00	1.10	1.10	
Payout ratio	33.3%	25.6%	28.9%	30.1%	32.0%	30.9%	32.9%	32.3%	
Number of shares ('000)	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	
Adjusted shareholders' equity without minorities	144,445	152,758	161,867	173,040	185,782	199,170	212,623	226,461	
Book value per share (BVpS)	24.07	25.46	26.98	28.84	30.96	33.19	35.44	37.74	
RoE after tax	7.0%	8.7%	8.2%	9.5%	10.4%	10.1%	9.7%	9.3%	
Key ratios & figures	2011	2012	2013	2014e	2015e	2016e	2017e	2018e	
Growth rates in %									
Sales revenues	71.4%	-31.8%	62.1%	14.2%	2.1%	-4.4%	2.4%	2.9%	
EBIT	-10.5%	-45.1%	142.1%	23.2%	12.4%	0.3%	2.5%	0.4%	
EBT	1.4%	-11.6%	38.6%	26.7%	19.3%	2.2%	4.8%	2.0%	
Net profit after minorities	7.6%	30.2%	-0.2%	24.2%	17.3%	3.5%	3.4%	1.9%	
Margins in %									
Operating profit (EBIT)	11.3%	9.1%	13.5%	14.6%	16.1%	16.8%	16.9%	16.4%	
Pre-tax profit (EBT)	7.4%	9.6%	8.2%	9.1%	10.6%	11.4%	11.7%	11.6%	
Net Profit (after minorities)	5.0%	9.6%	5.9%	6.4%	7.4%	8.0%	8.1%	8.0%	
Expense ratios in %									
Personnel costs to sales	8.2%	13.3%	9.4%	9.1%	9.5%	9.9%	9.7%	9.6%	
Cost of material to sales	68.2%	62.6%	67.0%	68.4%	66.0%	63.5%	63.8%	64.9%	
Depreciation to sales	0.9%	1.8%	1.1%	1.1%	1.2%	1.3%	1.3%	1.3%	

* 2011 earnings per share, dividends per share and book value per share adjusted for the split 2:1 in 2012 (number of shares doubled from 3.0m to 6.0m)

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Rating Chronicle	Date	Rating	Former Price	Former Target
UBM AG	18 July 2014	Hold	23.70 €	24.00 €
UBM AG	29 April 2014	Buy	17.00 €	24.00 €

Please note:

The UBM share price mentioned in this report is from 1 Sept 2014. UBM AG mandated SRC Research for covering the UBM share.

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