UBM Development AG

Buy (unchanged) **Target: Euro 28.00** (unchanged)

01 | October | 2024

Der Spezialist für Finanzaktien

Price (Euro)	**20,70**
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)	154,7
Number of shares (million)	7,47
Free Float	49,2%
Free Float MCap (million)	76,1
CAGR pre tax profit '22 - '26e	4,3%

Multiples	**2023**	**2024e**	**2025e**	**2026e**
MarketCap/revenues	1,81	0,88	0,66	0,54
PE ratio	**-2,9**	**-19,2**	**11,4**	**0,0**
Dividend yield	**0,0%**	**0,0%**	**2,4%**	**4,8%**
Price-to-Book ratio	**0,41**	**0,42**	**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 issues a new 5 years Green Bond – good timing and fair pricing- Buy and Euro 28.00 target price confirmed

Yesterday, UBM announced a corporate news about **the issue of a new Green Bond, with a 5 years duration until 29 October 2029 and a yearly 7% coupon. The targeted issue volume of the Green Bond 2024 – 2029 is up to Euro 100m with a possible increase to up to Euro 150m.** The final volume will be based on the acceptance rate of the exchange offer for the bondholders of the 2019 – 2025 bond (Euro 120m / 2.75%) and the 2021 – 2026 sustainability linked bond (Euro 150m / 3.125%). Both groups of bondholders are allowed to request an exchange in the period from 1 October to 15 October. The remaining amount of the 2024 – 2029 Green Bond will be offered then in a public offer in Germany, Austria and Luxembourg with prospectus and in other countries in the way of a private placement. Here the subscription period runs from 16 October to 22 October.

The company plans to use the proceeds for the financing and / or refinancing of existing or new green projects in accordance to their Green Finance Framework, which is available for review on the company homepage. The company has a profound track record in financing by sustainable and green bonds since 2021. It began with the above-mentioned sustainability linked Euro 150m Bond in 2021, followed by a sustainability hybrid Euro 100m bond in the same year and the Euro 50m Green Bond which came in July 2023 despite a sluggish economic and shaky market environment.

In our view, the timing for the new bond placement is right with an improving sentiment after the recent interest rate cuts of ECB, Fed and SNB. Moreover, UBM managed some sale transactions within the first half of the year to set free additional capital and to further strengthen a good balance sheet with an equity ratio of above 30% and an LTV of 46%. The liquidity position went up to Euro 180m above the Euro 151m at year-end 2023. The company has a clear and modern timber hybrid construction focus in the Euro 1.9bn pipeline for the next four years and more than 60% weighting on residential developments where we face a demand overhang since several years that steadily drives the prices. The remaining 40% is office and light industrial in sought-after locations like Vienna, Munich, Mainz and Düsseldorf with a very high level of comfort and sustainability for the tenants.

The debt maturity profile is undemanding with no big repayments until November 2025.

We welcome the timing of the new Green Bond placement with an improving situation at capital markets and a fair 7% coupon pricing. The proceeds should not only allow for a prolongation of the debt side but also for more financial scope to quickly react if buying opportunities occur. We keep our Buy recommendation and also our Euro 28.00 target for the stock.

UBM Development AG

Industry:	Real Estate Development
Sub-segment:	Residential, Office
Country:	Austria
Headquarter:	Vienna
Foundation:	1873
Employees:	278

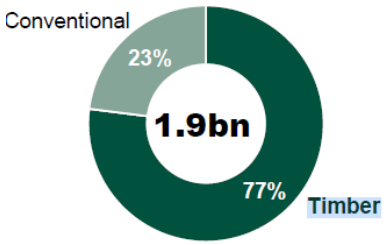
IR Contact
Christoph Rainer
Phone: +43664801873200
Mail: investor.relations@ubm-development.com

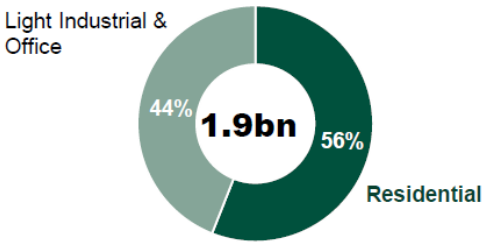
Management Board of UBM
Thomas G. Winkler, LL.M. (CEO)
Dipl.-Ökonom Patric Thate (CFO)
Martina Maly-Gärtner, MRICS (COO)
Dipl.-Ing. Peter Schaller (CTO)

Supervisory Board of UBM
Ing. Karl-Heinz Strauss (Chairman)
DI Iris Ortner (Dep. Chairwoman)
DI Klaus Ortner
Dr. Ludwig Steinbauer
Mag. Paul Unterluggauer
Martin Mann
Anke Duchow
Dr. Bernhard Vanas
Dr. Susanne Weiss
Dkff. Birgit Wagner
Hannes Muster
Günter Schnötzinger

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 marktes 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 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 appealling 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 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. After the repayment of 2018 -2023 bond on 16 November 2023 there is no bond maturity until Nov. 2025.





Source: Company data, SRC Research

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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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SRC - Scharff Research und Consulting GmbH

Klingerstr. 23

D-60313 Frankfurt

Germany

Fon: +49 (0)69/ 400 313-80

Mail: scharff@src-research.de

Internet: www.src-research.de

Rating Chronicle	Date	Rating	Former Price	Former Target
UBM Development AG	29 August 2024	Buy	20,50 €	28,00 €
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 30 September 2024. UBM mandated SRC Research for covering the UBM share.

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