

24 March 2022

Commissioned research: Cibus – Expanding into Denmark through a EUR 280m transaction – adjusted EPS increases 8% we estimate

Marketing material commissioned by Cibus

Cibus is about to complete its first acquisition in Denmark with its intention to acquire a property portfolio consisting of 34 properties, with a property value of DKK ~2,080m (EUR ~280 million). The properties are located in Denmark and are rented out with an average lease length of 5.3 years with, among others, Coop Denmark, Salling Group, Dagrofa and Reitangruppen as tenants. The rentable area amounts to ~76,600 square metres, corresponding to a purchase price of EUR 3,655/m². Cibus's earnings capacity-based net operating income (NOI) will increase to EUR 102.2m from EUR 85.5m at the end of 2021, implying an NOI of EUR 16.4m of the acquired portfolio. Hence, the net yield of the acquisition is ~5.9%, which we find attractive given Cibus's average valuation yield of ~5.7% for the current portfolio and Cibus trading at an implied yield of ~4.6%. The transaction will be financed, among others, through a directed share issue of up to 4.4m shares (EUR ~95m on 24 March closing price of SEK 223.6). The shares that Cibus will acquire will be bought for ~DKK 1,045m (EUR ~140m) and the rest with debt and available cash. We expect net debt to increase by EUR 185m. The acquisition grows Cibus's portfolio size and NOI by ~19% and we estimate EPS accretion to be around 8%, including the issuance of 4.4m new shares. The share has declined by 16% this week with no company specific news, which makes the deal somewhat less attractive given the higher dilution. We nevertheless expect a clearly positive share price reaction on the deal announcement, especially given the share price weakness over the last four days.

We estimate the EUR 280m Danish acquisition to be 8% IFPM per share accretive

In the table below we have presented the impact on the Q4 2021 earnings capacity based on our estimates of the EUR 280m Danish acquisition. We have assumed that net debt increases by EUR 185m and 4.4m shares are issued at SEK 223.6 (closing price as of 24 March). Annual net operating income increases to EUR 102.2m as disclosed by Cibus. We assume that the average cost of debt remains unchanged at ~2.6% and EUR 1.0m more in annual administration costs. This would lead to income from property management (IFPM) increasing by EUR 10.6m and IFPM per share increasing to EUR 1.35 from EUR 1.25 as of Q4 2021, corresponding to an 8% IFPM per share uplift.

EARNINGS CAPACITY – IMPACT FROM EUR 280m DANISH ACQUISITION

EURm	Q4 2021	Add M&A	After M&A
Property value	1,500	280	1,780
Gross debt	918	185	1,103
Cash and cash equivalents	51		51
Net debt	867	185	1,052
Net LTV (%)	57.8%		59.1%
Number of shares (m)	44.0	4.4	48.4
New shares issued at (SEK)		223.6	
Equity issued		95	
EPRA NRV	592	95	687
EPRA NRV per share (SEK)	139.8		147.5
Rental income	91.4	17.4	108.8
Property expenses	-5.6	-1.1	-6.7
Net operating income	85.8	16.4	102.2
Central administration	-5.9	-1.0	-6.8
Net financial expenses	-23.8	-4.8	-28.6
Income from property management (IFPM)	56.2	10.6	66.8
Expenses, hybrid bond and D shares	-1.3	0.0	-1.3
IFPM including hybrid bond and D shares	54.9	10.6	65.5
IFPM including hybrid bond and D shares per share (EUR)	1.25		1.35
Cash earnings per share after 6% tax (EUR)	1.17		1.27

Source: Company data and Nordea estimates

Deal to close subject to a directed share issue

Cibus intends to enter into a binding agreement regarding the acquisition prior to the commencement of trading on Nasdaq Stockholm on 25 March 2022, conditioned upon the financing being secured through a directed share issue of up to 4.4m shares, carried out by way of an accelerated bookbuilding procedure before trading commencing on 25 March. Closing of the transaction is estimated to take place on 6 April.

We expect a positive share price reaction of more than 5%

As presented above, based on earnings capacity, the adjusted EPS and IFPM per share accretion from the deal is 8% and we expect a positive share price reaction of over 5%, especially given the weak share price performance over the last four days.

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022E	2023E	2024E
Total revenue	60	74	94	103	108	110
NOI margin	80.8%	82.5%	81.4%	84.7%	85.3%	85.4%
EPS (adj, EUR)	0.88	0.92	1.18	1.19	1.28	1.31
EPS (adj) growth	120.2%	5.0%	28.8%	0.2%	8.3%	1.8%
P/E (adj)	15.9	18.1	24.0	19.3	17.8	17.5
DPS, EUR	0.89	0.94	0.99	1.04	1.10	1.15
NAV per share	11	11	13	15	16	18
NAV growth	1.9%	-2.1%	21.8%	13.1%	10.6%	9.7%
NOI/EV (adj)	5.1%	4.2%	3.6%	4.5%	4.9%	5.0%
P/NAV	128.0%	156.5%	219.3%	156.5%	141.6%	129.1%
P/EPRA NAV	124.7%	152.9%	213.3%	152.3%	137.9%	125.8%
Dividend yield	6.4%	5.7%	3.5%	4.5%	4.8%	5.0%
Loan-to-value (net debt)	58.7%	61.3%	58.0%	57.6%	56.3%	55.2%
Net debt/EBITDA(adj)	11.9	14.3	12.5	11.2	10.4	10.0

Source: Company data and Nordea estimates

Completion date: 24 Mar 2022, 20:42 CET

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