

21 July 2022

Commissioned research: Cibus – Q2 somewhat below expectations even when adjusting for negative one-offs

Marketing material commissioned by Cibus

Cibus posted Q2 net operating income of EUR 25.2m, up 36% y/y on the back of acquisitions but 2% below our estimate and 3% below Infront consensus. Income from property management (IFPM) was EUR 13.6m, up 25% y/y but 18% below our estimate and 22% below consensus. However, IFPM included EUR 2.1m of negative exchange rate losses and EUR 0.4m costs from bridge financing for the Danish acquisition. Adjusting for these, IFPM was 2% below our estimate and 8% below consensus. Fair value changes were EUR 17m positive (~1% of portfolio). Earnings capacity-based IFPM per share was unchanged q/q at EUR 1.34. EPRA NRV was EUR 15.0 (SEK 157). Cibus is currently trading at a 13% premium to EPRA NRV. We conclude that the report was somewhat on the weak side even adjusting for one-offs. The declined EPRA NRV premium makes the compounder case less attractive as Cibus, in order to reach its growth targets and investment grade rating, will need to issue new shares. We expect a slightly negative share price reaction on the Q2 report.

Q2 IFPM below expectations even adjusting for FX losses and bridge loan one off

- Net operating income of EUR 25.2m, up 36% y/y on the back of acquisitions but 2% below our estimate and 3% below Infront consensus.
- Income from property management (IFPM) was EUR 13.6m, up 25% y/y but 18% below our estimate and 22% below consensus. However, IFPM included EUR 2.1m in negative exchange rate differences and EUR 0.4m in costs for bridge loan financing of the Danish acquisition. Adjusting for these, IFPM was 2% below our estimate and 8% below consensus.
- EPS of EUR 0.63 was clearly better than our EUR 0.32 estimate and consensus of EUR 0.39 as positive fair value changes amounted to a strong EUR 17m after EUR 27m in Q1, and was due to rent indexation mainly and also lower yield requirements in Finland. We had expected fair value changes of EUR +2.4m.
- ERPA NRV was EUR 15.0 (SEK 157 on current FX rate). Cibus is trading at a 13% premium to the Q2 EPRA NRV.
- Earnings capacity-based IFPM per share was unchanged at EUR 1.34.
- Net LTV was 58.0%, up from 52.0% in Q1 2022 as the Danish acquisition was completed in Q2.

- In the CEO comments, it is highlighted that Cibus' rents are CPI-linked, giving a partial inflation hedge, and that leases to a large extent are net leases meaning tenants bear the increased property costs. It is also highlighted that interest rates have room to increase by 5 pp before jeopardising Cibus' interest rate covenants. Further, it is highlighted that a 2 pp increase in interest rates would have a cash flow effect of EUR 10.4m, which is largely in line with our earlier presented calculations. Cibus will continue to monitor M&A opportunities, but it appears a more conservative approach has been taken given the changes in the market.

We expect a slightly share price reaction

Operationally, the Q2 report was on the weak side even when adjusting for one-offs. In an environment that has rapidly changed for real estate companies, we find the growth targets demanding for Cibus with a EUR 1.8bn property portfolio at the end of Q2. The company has ambitions to grow the portfolio to EUR 2.5-3bn by the end of 2023 and given the changed circumstances and share price decline, we believe reaching even EUR 2.5bn is challenging over the next 18 months. Cibus will need to use a significant amount of equity when growing, keeping in mind the investment grade ambition, which likely requires an LTV closer to 50% than 60%. We expect a slightly negative share price reaction on the Q2 report.

Cibus: Deviation table

EURm	Actual	NDA est.	Deviation		Cons est.	Deviation			Actual	Actual	
	Q2 2022	Q2 2022E	vs. actual		Q2 2022E	vs. actual		Q2 2021	y/y	Q1 2022	q/q
Rental income	27.2	27.1	0	0%	27.5	0	-1%	19.8	37%	23.5	16%
Net operating income	25.2	25.6	0	-2%	26.0	-1	-3%	18.5	36%	21.8	16%
NOI margin	92.6%	94.5%	-1.9pp		94.5%	-1.9pp	-1.9pp	93.3%	-0.7pp	92.8%	-0.1pp
Income from property mgmt	13.6	16.4	-3	-18%	17.4	-4	-22%	10.8	25%	14.6	-7%
EPS	0.63	0.32	0.31	95%	0.39	0.24	62%	0.31	100%	0.32	96%

Source: Infront and Nordea estimates

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022E	2023E	2024E
Total revenue	60	74	94	118	128	130
NOI margin	80.8%	82.5%	81.4%	84.4%	85.0%	85.1%
EPS (adj, EUR)	0.88	0.92	1.18	1.26	1.28	1.28
EPS (adj) growth	120.2%	5.0%	28.8%	6.3%	1.7%	0.1%
P/E (adj)	15.9	18.1	24.0	13.3	13.1	13.0
DPS, EUR	0.89	0.94	0.99	1.04	1.10	1.16
NAV per share	11	11	12	15	17	19
NAV growth	1.9%	-2.1%	10.7%	31.7%	10.9%	8.7%
NOI/EV (adj)	5.1%	4.2%	3.6%	5.3%	5.8%	5.9%
P/NAV	128.0%	156.5%	241.2%	107.9%	97.3%	89.5%
P/EPRA NAV	124.7%	152.9%	213.3%	105.3%	94.9%	87.4%
Dividend yield	6.4%	5.7%	3.5%	6.2%	6.6%	6.9%
Loan-to-value (net debt)	58.7%	61.3%	58.0%	58.2%	56.8%	55.9%
Net debt/EBITDA(adj)	11.9	14.3	12.5	11.7	10.6	10.3

Source: Company data and Nordea estimates

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