

09 November 2022

Commissioned research: Cibus – Q3 operationally in line, growth targets postponed

Marketing material commissioned by Cibus

Cibus posted Q3 net operating income of EUR 26.2m, up 36% y/y on the back of acquisitions and 1% above our estimate and Infront consensus. Income from property management (IFPM) was EUR 14.7m, up 17% y/y but 3% below our estimate and 9% below consensus. However, IFPM included EUR 0.4m of negative exchange rate losses and EUR 1.4m costs from bond redemption premium and reversal of capitalised arrangement fees. Adjusting for these, IFPM was 9% above our estimate and 2% above consensus. Fair value changes were EUR 8.9m positive (~0.5% of portfolio). Earnings capacity-based IFPM per share was down q/q at EUR 1.27 from EUR 1.34 owing to increased financial expenses. EPRA NRV was EUR 15.2 (SEK 165). Cibus is currently trading at a 6% discount to EPRA NRV and an implied yield of 5.7% versus the average valuation yield of ~5.6%. During Q3 Cibus has refinanced a loan of EUR 200m with an unchanged margin. The CEO also comments that bank relationships remain strong, in our view implying that bond maturities could be refinanced with bank loans if needed. We expect a neutral share price reaction. The EPRA NRV premium turning into a discount 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 neutral share price reaction.

Q3 IFPM in line with expectations adjusting for one-offs in net financials

- Net operating income of EUR 26.2m, up 36% y/y on the back of acquisitions and 1% above our estimate and Infront consensus.
- Income from property management (IFPM) was EUR 14.7m, up 17% y/y but 3% below our estimate and 9% below consensus. However, IFPM included EUR 0.4m in negative exchange rate differences and EUR 1.4m in costs from bond redemption premium and reversal of capitalised arrangement fees. Adjusting for these, IFPM was 9% above our estimate and 2% above consensus.
- EPS of EUR 0.49 was clearly better than our EUR 0.30 estimate (no consensus) of as positive fair value changes amounted to EUR 9m after EUR 17m in Q2, and was due to rent indexation increases mainly in Finland in Finland. We had expected fair value changes of EUR +2m.
- ERPA NRV was EUR 15.2 (SEK 165 on current FX rate). Cibus is trading at a 6% discount to the Q3 EPRA NRV.

- Earnings capacity-based IFPM per share declined from EUR 1.34 to EUR 1.27 mainly owing to increased financial costs.
- Net LTV was unchanged at 58.0%. Cibus refinanced a EUR 200m bank loan during the quarter at an unchanged margin. The average bank loan margin was 1.6% at the end of Q3. Currently more than 70% of Cibus's loans are hedged with interest rate derivatives.
- In the CEO comments, it is highlighted that Cibus maintains its objective of owning a property portfolio valued at between EUR 2.5 billion and EUR 3 billion and meeting the criteria for Investment Grade. Given the new market situation, Cibus has chosen to postpone the timing for the achievement of the targets until the markets are more stable. Cibus currently has a portfolio worth EUR 1.9bn and the targets were initially set to be reached by the end of 2023.

We expect a neutral share price reaction

Operationally, the Q3 report was broadly in line with consensus when adjusting for one-offs. The postponement of targets is not a surprise given the current tough credit market. 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	
	Q3 2022	Q3 2022E	vs. actual		Q3 2022E	vs. actual		Q3 2021	y/y	Q2 2022	q/q
Rental income	27.8	27.9	0	0%	27.5	0	1%	20.2	37%	27.2	2%
Net operating income	26.2	25.8	0	1%	26.0	0	1%	19.3	36%	25.2	4%
NOI margin	94.1%	92.6%		1.5pp	94.5%	-0.4pp	-0.4pp	95.2%	-1.1pp	92.6%	1.5pp
Income from property mgmt	14.7	15.1	0	-3%	16.2	-1	-9%	12.5	17%	13.6	8%
EPS	0.49	0.30	0.19	62%	n.a.	n.a.	n,a,	0.30	62%	0.28	74%

Source: Infront and Nordea estimates

Cibus invite to teleconference and audio cast on November 9, at 10.00 CET:

<https://tv.streamfabriken.com/cibus-nordic-real-estate-q3-2022>

Telephone numbers to call-in and join the presentation:

If you wish to participate via conference call, register via the link below. After registration, you will receive a phone number and a conference ID to log in to the conference. Via the telephone conference, there is an opportunity to ask oral questions.

<https://conference.financialhearings.com/teleconference/?id=5005137>

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022E	2023E	2024E
Total revenue	60	74	94	121	134	136
NOI margin	80.8%	82.5%	81.4%	83.0%	84.0%	84.2%
EPS (adj, EUR)	0.88	0.92	1.18	1.24	1.27	1.29
EPS (adj) growth	120.2%	5.0%	28.8%	5.0%	1.9%	2.1%
P/E (adj)	15.9	18.1	24.0	11.3	11.1	10.9
DPS, EUR	0.89	0.94	0.99	1.04	1.10	1.16
NAV per share	11	11	12	16	18	20
NAV growth	1.9%	-2.1%	10.7%	34.5%	15.6%	8.3%
NOI/EV (adj)	5.1%	4.2%	3.6%	5.7%	6.4%	6.6%
P/NAV	128.0%	156.5%	241.2%	88.9%	76.9%	71.0%
P/EPRA NAV	124.7%	152.9%	213.3%	86.3%	74.4%	68.8%
Dividend yield	6.4%	5.7%	3.5%	7.4%	7.8%	8.2%
Loan-to-value (net debt)	58.7%	61.3%	58.0%	57.5%	54.9%	54.0%
Net debt/EBITDA(adj)	11.9	14.3	12.5	11.7	10.2	9.9

Source: Company data and Nordea estimates

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