

23 February 2023

Commissioned research: Cibus – Dividend cut by 9% but target is to continue to grow dividend – Q4 results below consensus due to financial costs

Marketing material commissioned by Cibus

Cibus posted Q4 net operating income of EUR 26.5m, up 30% y/y on the back of acquisitions and 1% above our estimate and 2% above Infront consensus. Income from property management (IFPM) was EUR 12.4m, down 3% y/y and 21% below our estimate and 17% below consensus. However, IFPM included EUR 1.6m of negative one-offs. Adjusting for these, IFPM was 11% below our estimate and 7% below consensus. Fair value changes were EUR -24.5 (~1.3% of portfolio) as average valuation yield expanded by ~20 bps. Earnings capacity-based IFPM per share was down q/q at EUR 1.16 from EUR 1.27 owing mainly to increased financial expenses. Net financial expenses in earnings capacity is EUR -44.3m, we were at EUR -41.3m for 2023. EPRA NRV was EUR 14.7 (SEK 162), down from EUR 15.2 in Q3. Cibus is currently trading at a 15% discount to EPRA NRV and an implied yield of 6.3% versus the average valuation yield of ~6.0%. 75% of Cibus debt is bank loans with an average interest rate margin of 1.6% and EUR 65m of debt maturities within next 22 months. The hedging ratio is 70% on bank loans. The dividend was cut to EUR 0.90 from EUR 0.99 while consensus expected a dividend of EUR 1.04. The company expects to be able to grow the dividend from the new base level. We expect a negative share price reaction.

Q4 IFPM below expectations also adjusting for one-offs in net financials

- Net operating income of EUR 26.5m, up 30% y/y on the back of acquisitions and 1% above our estimate and 2% above Infront consensus.
- Income from property management (IFPM) was EUR 12.4m, down 3% y/y but 21% below our estimate and 17% below consensus. However, IFPM included EUR 1.6m in total negative one-offs. Adjusting for these, IFPM was 11% below our estimate and 7% below consensus.
- EPS of EUR -0.23 (no consensus) due to negative fair value changes of EUR -24.5m as the valuation yield increased by 20 bps to ~6.0%, we estimate based on earnings capacity disclosure.
- ERPA NRV was EUR 14.7 (SEK 162 on current FX rate), down from EUR 15.2 in Q3. Cibus is trading at a 15% discount to the Q4 EPRA NRV and an implied yield of ~6.3%, we estimate..
- Earnings capacity-based IFPM per share declined from EUR 1.27 to EUR 1.16 mainly owing to increased financial costs. Net financial expenses in earnings capacity is EUR -44.3m, we were at EUR -41.3m for 2023.
- Net LTV increased slightly to 59.1% from 58.0% in Q3. The average bank loan margin was 1.6% at the end of Q4. Currently 70% of Cibus's loans are hedged with interest rate derivatives.

- The dividend is cut from EUR 0.99 for 2021 to EUR 0.90 for 2022 (dividend paid monthly). Owing to the rising interest rates, Cibus has set a new level for the dividend, which it expects to be able to grow annually. Cibus has earlier targeted an increasing dividend of 5% annually.

We expect a negative share price reaction

Operationally, the Q4 report was broadly in line with consensus when adjusting for one-offs. However, interest costs were clearly higher and thus the adjusted IFPM was below expectations. The dividend cut was a negative, although understandable in the current environment. We expect an initially negative share price reaction on the dividend cut.

Cibus: Deviation table

EURm	Actual Q4 2022	NDA est. Q4 2022E	Deviation vs. actual		Cons est. Q4 2022E	Deviation vs. actual		Actual Q4 2021	y/y	Actual Q3 2022	q/q
Rental income	28.3	28.1	0	1%	28.0	0	1%	21.6	31%	27.8	2%
Net operating income	26.5	26.3	0	1%	26.0	0	2%	20.4	30%	26.2	1%
NOI margin	93.7%	93.8%	-0.1pp		92.9%	0.9pp	0.9pp	94.4%	-0.6pp	94.1%	-0.4pp
Income from property mgmt	12.4	15.8	-3	-21%	15.0	-3	-17%	12.8	-3%	14.7	-15%
EPS	(0.23)	0.32	-0.55	-172%	-	n.a.	n.a.	0.37	-162%	0.30	-177%

Source: Infront and Nordea estimates

The Q4 presentation will start at 10.00 CET and can be joined via telephone or the web and will be available on-demand on the company's website.

If you wish to participate via webcast, please use the link below. Via the webcast you can ask written questions.

<https://ir.financialhearings.com/cibus-nordic-real-estate-q4-2022>

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

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022E	2023E	2024E
Total revenue	60	74	94	123	138	142
NOI margin	80.8%	82.5%	81.4%	81.1%	82.9%	83.2%
EPS (adj, EUR)	0.88	0.92	1.18	1.19	1.24	1.25
EPS (adj) growth	120.2%	5.0%	28.8%	0.6%	3.8%	1.2%
P/E (adj)	15.9	18.1	24.0	10.5	10.1	10.0
DPS, EUR	0.89	0.94	0.99	1.04	1.10	1.16
NAV per share	11	11	12	15	16	18
NAV growth	1.9%	-2.1%	10.7%	29.0%	6.8%	9.0%
NOI/EV (adj)	5.1%	4.2%	3.6%	5.9%	6.9%	7.1%
P/NAV	128.0%	156.5%	241.2%	82.0%	76.8%	70.5%
P/EPRA NAV	124.7%	152.9%	213.3%	79.3%	74.5%	68.4%
Dividend yield	6.4%	5.7%	3.5%	8.4%	8.8%	9.3%
Loan-to-value (net debt)	58.7%	61.3%	58.0%	56.8%	56.4%	55.6%
Net debt/EBITDA(adj)	11.9	14.3	12.5	11.7	9.9	9.5

Source: Company data and Nordea estimates

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