27 April 2023

Commissioned research: Cibus – Operationally fine Q1 but net financial costs higher than expected

Marketing material commissioned by Cibus

Cibus posted Q1 net operating income of EUR 27.6m, up 27% y/y on the back of acquisitions and 1% above our estimate and 2% above Infront consensus. Income from property management (IFPM) was EUR 11.8m, down 19% y/y and 14% below our estimate and 16% below consensus. However, IFPM included EUR 1.2m of negative one-offs. Adjusting for these, IFPM was 5% below our estimate and 7% below consensus. Fair value changes were EUR -8.5 (~0.4% of portfolio) as yields expanded slightly and average valuation yield was 6.1%. Earnings capacity-based IFPM per share was down q/q at EUR 1.05 from EUR 1.16 owing to increased financial expenses. Net financial expenses in earnings capacity is EUR 49.9m versus EUR 44.3m in Q4. EPRA NRV was EUR 14.4 (SEK 163), down from EUR 14.7 in Q4. Cibus is currently trading at a 33% discount to EPRA NRV and an implied yield of 7.0% versus the average valuation yield of 6.1%. Current hedges will cap interest rate of bank loans at 4.55% as of Q3 2023 through Q2 2025. We expect a slightly negative share price reaction on weaker than expected IFPM.

Q1 IFPM below expectations also adjusting for one-offs in net financials

- Net operating income of EUR 27.6m, up 27% y/y on the back of acquisitions and 1% above our estimate and 2% above Infront consensus.
- Income from property management (IFPM) was EUR 11.8m, down 19% y/y and 14% below our estimate and 16% below consensus. However, IFPM included EUR 1.2m in total negative one-offs. Adjusting for these, IFPM was 5% below our estimate and 7% below consensus.
- Interest expenses for Q1 were EUR 11.0m; we expected EUR 11.5m. Total net financial costs were EUR 13.6m including FX and fees from early bond redemption. The average interest rate in the loan portfolio was 4.3% at the end of Q1. Interest costs will decline on an annual level by EUR ~4.7m when the EUR 61.8m bond will be paid off with proceeds from the recent share issue.
- EPS of EUR 0.03 (no consensus) due to negative fair value changes of EUR -8.5m as the average valuation yield increased slightly and stood at 6.1% (first time disclosed explicitly). We estimated the valuation yield was 6.0% at the end of 2022.
- ERPA NRV was EUR 14.4 (SEK 163 on current FX rate), down from EUR 14.7 in Q4. Cibus is trading at a 33% discount to the Q1 EPRA NRV and an implied yield of ~7.0%, we estimate.
- Earnings capacity-based IFPM per share declined from EUR 1.16 to EUR 1.05 mainly owing to increased financial costs. Net financial expenses in earnings capacity is EUR 49.9m, up from EUR 44.3m in Q4 2022.

- The company disclosed that current hedges will cap interest rate of bank loans at 4.55% as of Q3 2023 through Q2 2025. 76% of Cibus' financing is bank loans, 21% bonds and 3% hybrid capital.

- The reported net LTV was 59.8% at the end of Q1 but adjusting for the share issue approved on 20 April, LTV was 55.9%. The average bank loan margin was 1.6% at the end of Q1 and average capital maturity 2.7 years.

We expect a slightly negative share price reaction

Operationally, the Q1 report was slightly better than our estimates and consensus. However, interest costs were clearly higher and thus the adjusted IFPM was below expectations. We expect an initially negative share price reaction on the weaker than expected IFPM due to higher interest costs

Cibus: Deviation table

	Actual	NDA est.	Deviation		Cons est.	Deviation		Actual		Actual	
EURm	**Q1 2023**	**Q1 2023E**	**vs. actual**		**Q1 2023E**	**vs. actual**		**Q1 2022**	**y/y**	**Q4 2022**	**q/q**
Rental income	**29.7**	**29.0**	**1**	**2%**	**30.0**	**0**	**-1%**	**23.5**	**26%**	**28.3**	**5%**
Net operating income	**27.6**	**27.2**	**0**	**1%**	**27.0**	**1**	**2%**	**21.8**	**27%**	**26.5**	**4%**
NOI margin	93.0%	93.8%		-0.8pp	90.0%	3.0pp	3.0pp	92.8%	0.3pp	93.7%	-0.7pp
Income from property mgmt	**11.8**	**13.7**	**-2**	**-14%**	**14.0**	**-2**	**-16%**	**14.6**	**-19%**	**12.4**	**-5%**
EPS	**0.03**	**0.28**	**-0.25**	**-89%**	**-**	**n.a.**	**n,a,**	**0.80**	**-96%**	**0.26**	**-88%**

Source: Infront and Nordea estimates

The Q1 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-q1-2023

If you wish to participate via teleconference, please register on the link below. After registration you will be provided phone numbers and a conference ID to access the conference. You can ask questions verbally via the teleconference.
https://conference.financialhearings.com/teleconference/?id=5007096

SUMMARY TABLE - KEY FIGURES

EURm	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**
Total revenue	74	94	124	137	143	147
NOI margin	82.5%	81.4%	80.3%	82.6%	83.1%	83.4%
EPS (adj, EUR)	0.92	1.18	1.12	1.03	1.07	1.08
EPS (adj) growth	5.0%	28.8%	-5.5%	-8.3%	3.8%	1.6%
P/E (adj)	18.1	24.0	11.5	9.5	9.1	9.0
DPS, EUR	0.94	0.99	0.90	0.95	1.00	1.05
NAV per share	11	12	12	14	15	17
NAV growth	-2.1%	10.7%	2.4%	17.2%	8.6%	8.4%
NOI/EV (adj)	4.2%	3.6%	5.8%	7.2%	7.6%	7.9%
P/NAV	156.5%	241.4%	107.1%	68.9%	63.4%	58.5%
P/EPRA NAV	152.9%	213.3%	87.9%	67.1%	61.9%	57.1%
Dividend yield	5.7%	3.5%	7.0%	9.8%	10.3%	10.8%
Loan-to-value (net debt)	61.3%	58.0%	59.1%	54.7%	54.0%	53.3%
Net debt/EBITDA(adj)	14.3	12.5	12.1	9.7	9.1	8.8

Source: Company data and Nordea estimates

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