18 July 2023

Commissioned research: Cibus – Operationally in line – hedging activity remains high

Marketing material commissioned by Cibus

Cibus posted Q2 net operating income of EUR 28.1m, up 11% y/y on the back of acquisitions and in line with our and Infront consensus estimates. Income from property management (IFPM) was EUR 11.5m, down 15% y/y and 0% below our estimate, and 8% below consensus. Reported IFPM included EUR 0.8m of negative one-offs. Fair value changes were EUR -8.3m (~0.4% of portfolio) as yields expanded 5 bps and average valuation yield was 6.1% (6.1% in Q1). Earnings capacity-based IFPM per share was down q/q at EUR 0.91 from EUR 1.11 owing to increased financial expenses and increased share count. Net financial expenses in earnings capacity is EUR 52.1m versus EUR 49.9m in Q1. EPRA NRV was EUR 13.0 (SEK 153), down from EUR 14.4 in Q1, also mostly relating to increased number of shares. Cibus is currently trading at a ~30% 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 3.95% as of Q3 2023 through Q4 2024 and reach 4.05% in H1 2025. We expect a neutral to slightly negative share price reaction on the report.

Q2 IFPM slightly below expectations also adjusting for one-offs in net financials

- Net operating income of EUR 28.1m, up 11% y/y on the back of acquisitions and in line with our and consensus estimate of EUR 28.0m

- Income from property management (IFPM) was EUR 11.5m, down 15% y/y and in line with our estimate, and 8% below consensus. However, IFPM included EUR 0.8m in total negative one-offs. We had EUR -0.9m of one-offs accounted for in our EUR 11.6m IFPM estimate

- Total net financial costs were EUR 14.4m including limit fees, expenses for derivatives, arrangement fees and site leasehold fees; we expected EUR 14.3m. The average interest rate in the loan portfolio was 4.6% at the end of Q2. Earnings capacity-based interest costs were EUR 52.1m; we expect 2023 total net financials to amount to EUR 53.1m

- EPS of EUR 0.06 (no consensus) due to negative fair value changes of EUR 8.3m as the average valuation yield increased slightly (5 bps) and stood at 6.1% (6.1% in Q1).

- ERPA NRV was EUR 13.0 (SEK 153 on end-Q2 FX rate), down from EUR 14.4 in Q1 mostly owing to increased number of shares following the EUR 70m directed share issue. Cibus is trading at a 30% discount to the Q2 EPRA NRV and an implied yield of ~7.0%, we estimate.

- Earnings capacity-based IFPM per share declined from EUR 1.11 to EUR 0.91 mainly owing to increased number of shares but also due to increased financial costs. Net financial expenses in earnings capacity is EUR 52.1m, up from EUR 49.9m in Q1 2023.

- The company disclosed that current hedges will cap interest rate of bank loans at 3.95% from September 2023 to December 2024 and the to reach 4.05% in H1 2025. After that, the interest rate hedges will gradually mature. ICR was 2.4x on a 12 month rolling basis and will remain below 2.0x if reference interest rates stay below 9%. Bond covenants are at 1.75x and the company's target is >2.0x.

- The reported net LTV was 56.5% at the end of Q2. The average bank loan margin was 1.7% at the end of Q2 and average capital maturity 2.5 years.

We expect a neutral to slightly negative share price reaction

Operationally, the Q2 report was largely as expected. The hedging activity has been active and the company is safeguarding its dividend payments going forward. We expect a neutral to slightly negative share price reaction

Cibus: Deviation table

EURm	Actual Q2 2023	NDA est. Q2 2023E	Deviation vs. actual		Cons est. Q2 2023E	Deviation vs. actual		Actual Q2 2022	y/y	Actual Q1 2023	q/q
Rental income	**29.6**	**30.0**	**0**	**-1%**	**30.0**	**0**	**-1%**	**27.2**	**9%**	**29.7**	**0%**
Net operating income	**28.1**	**28.0**	**0**	**0%**	**28.0**	**0**	**0%**	**25.2**	**11%**	**27.6**	**2%**
NOI margin	94.8%	93.3%		1.4pp	93.3%	1.4pp	1.4pp	92.6%	2.1pp	93.0%	1.7pp
Income from property mgmt	**11.5**	**11.6**	**0**	**0%**	**12.6**	**-1**	**-8%**	**13.6**	**-15%**	**11.8**	**-2%**
EPS	**0.06**	**0.20**	**-0.14**	**-71%**	**-**	**n.a.**	**n,a,**	**0.64**	**-91%**	**0.04**	**44%**

Source: Infront and Nordea estimates

The Q2 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-q2-2023

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=5004605

SUMMARY TABLE - KEY FIGURES

EURm	2020	2021	2022	2023E	2024E	2025E
Total revenue	74	94	124	137	142	146
NOI margin	82.5%	81.4%	80.3%	82.6%	83.0%	83.3%
EPS (adj, EUR)	0.92	1.18	1.12	0.87	0.88	0.86
EPS (adj) growth	5.0%	28.8%	-5.5%	-22.4%	0.9%	-2.0%
P/E (adj)	18.1	24.0	11.5	11.4	11.3	11.5
DPS, EUR	0.94	0.99	0.90	0.90	0.90	0.90
NAV per share	11	12	12	14	15	16
NAV growth	-2.1%	10.7%	2.4%	16.1%	6.2%	7.2%
NOI/EV (adj)	4.2%	3.6%	5.8%	7.1%	7.4%	7.7%
P/NAV	156.5%	241.4%	107.1%	70.8%	66.7%	62.2%
P/EPRA NAV	152.9%	213.3%	87.9%	68.9%	65.0%	60.7%
Dividend yield	5.7%	3.5%	7.0%	9.1%	9.1%	9.1%
Loan-to-value (net debt)	61.3%	58.0%	59.1%	55.2%	55.2%	54.8%
Net debt/EBITDA(adj)	14.3	12.5	12.1	9.7	9.3	9.0

Source: Company data and Nordea estimates

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Nordea analyst: Svante Krokfors

Svante Krokfors
Head of Equity Research Finland, Director – Consumer Goods and Retail, Construction and Real Estate

Nordea | Investment Banking & Equities | Equity Research FI
Visit me: Aleksis Kiven katu 7, 00500 HELSINKI, Finland
Write to me: Fleminginkatu 27, 00020 Nordea, Finland
Tel: +358 9 5300 5337 | Mob: +358 40 0436665
E-mail: svante.krokfors@nordea.com
Web: nordeamarkets.com

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