7 November 2023

Commissioned research: Cibus – Strong operations in Q3 and earnings capacity-based EPS turned to a positive trend

Marketing material commissioned by Cibus

Cibus posted Q3 net operating income of EUR 31.0m, up 18% y/y but included as much as EUR 2.7m in one-offs. Adjusted for one-off NOI was in line with Infront consensus. Income from property management (IFPM) excluding one-offs was EUR 14.2m, down 3% y/y and 8% above our estimate, and 16% above consensus. Reported IFPM included EUR -0.1m of negative one-offs in financial items. Fair value changes were EUR -5.4m (0.3% of portfolio) as yields expanded slightly and average valuation yield was 6.2% (6.1% in Q2). Earnings capacity-based IFPM per share was up q/q at EUR 0.93 from EUR 0.91 owing to slightly lower financial expense. Net financial expenses in earnings capacity is EUR 51.1m versus EUR 52.1m in Q2. EPRA NRV was EUR 13.0 (SEK 150), flat from EUR 13.0 in Q2. Cibus is currently trading at a ~25% discount to EPRA NRV and an implied yield of 7.1% versus the average valuation yield of 6.2%. Cibus has effectively capped interest rates until H1 2025. We expect a clearly positive share price reaction as balance sheet measures are coming through, the earnings capacity-based EPS turned to a positive trend and should support the EUR 0.9 being sustainable and underlying business is performing as expected.

Q3 IFPM clearly above expectations also adjusting for one-offs

- Net operating income of EUR 31.0m, up 18% y/y while in line with our and consensus adjusting for one-offs.
- Income from property management adjusted for one-offs (IFPM) was EUR 14.2m, down 3% y/y and 8% above our estimate, and 16% above consensus. IFPM included EUR 2.6m in total positive one-offs.
- Total net financial costs were EUR 12.2m including limit fees, expenses for derivatives, arrangement fees and site leasehold fees; we expected EUR 13.3m. The average interest rate in the loan portfolio was 4.4% at the end of Q3 (4.6% in Q2). Earnings capacity-based interest costs were EUR 51.1m; we expect 2023 total net financials to amount to EUR 54.9m.
- Negative fair value changes of EUR 5.4m as the average valuation yield increased slightly and stood at 6.2% (6.1% in Q2).
- ERPA NRV was EUR 13.0 (SEK 150 on end-Q3 FX rate), flat versus EUR 13.0 in Q2. Cibus is trading at a 25% discount to the Q3 EPRA NRV and an implied yield of ~7.1%, we estimate.

- Earnings capacity-based IFPM per share increased from EUR 0.91 to EUR 0.93 mainly due to lower financial costs. Net financial expenses in earnings capacity is EUR 51.1m, down from EUR 52.1m in Q2 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 2.3x 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 56.7% at the end of Q3. The average bank loan margin was 1.7% at the end of Q3 (1.7% in Q2) and average capital maturity 2.2 years.

We expect a clearly positive share price reaction

Operationally, the Q3 report was largely as expected. The hedging activity has been high in recent quarters and the company is safeguarding its dividend payments going forward, evidenced by the increase in earnings capacity-based EPS of EUR 0.93. The interest costs are declining owing to active hedging measures. We expect a clearly positive share price reaction

Cibus: Deviation table

EURm	Actual Q3 2023	NDA est. Q3 2023E	Deviation vs. actual		Cons est. Q3 2023E	Deviation vs. actual		Actual Q3 2022	y/y	Actual Q2 2023	q/q
Rental income	**29.8**	**30.5**	**-1**	**-2%**	**30.0**	**0**	**-1%**	**27.8**	**7%**	**29.6**	**0%**
Net operating income	**31.0**	**28.5**	**2**	**9%**	**28.0**	**3**	**11%**	**26.2**	**18%**	**28.1**	**10%**
NOI margin	104.0%	93.4%		10.5pp	93.3%	10.7pp	10.7pp	94.1%	9.9pp	94.7%	9.3pp
Income from property mgmt	**16.8**	**13.1**	**4**	**28%**	**12.2**	**5**	**38%**	**14.7**	**15%**	**11.5**	**46%**
EPS	**0.13**	**0.07**	**0.06**	**85%**	**-**	**n.a.**	**n.a.**	**0.50**	**-74%**	**0.07**	**85%**

Source: Infront and Nordea estimates

The Q3 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-q3-report-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=5001172

SUMMARY TABLE - KEY FIGURES

EURm	2020	2021	2022	2023E	2024E	2025E
Total revenue	74	94	124	136	142	145
NOI margin	82.5%	81.4%	80.3%	82.6%	83.0%	83.2%
EPS (adj, EUR)	0.92	1.18	1.12	0.85	0.90	0.88
EPS (adj) growth	5.0%	28.8%	-5.5%	-23.6%	5.1%	-2.0%
P/E (adj)	18.1	24.0	11.5	11.5	11.0	11.2
DPS, EUR	0.94	0.99	0.90	0.90	0.90	0.90
NAV per share	11	12	12	13	14	15
NAV growth	-2.1%	10.7%	2.4%	6.8%	7.8%	8.6%
NOI/EV (adj)	4.2%	3.6%	5.8%	7.1%	7.4%	7.7%
P/NAV	156.5%	241.4%	107.1%	76.7%	71.1%	65.5%
P/EPRA NAV	152.9%	213.3%	87.9%	74.5%	69.2%	63.8%
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%	55.9%	55.5%	54.9%
Net debt/EBITDA(adj)	14.3	12.5	12.1	9.8	9.4	9.1

Source: Company data and Nordea estimates

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