

23 April 2024

## Commissioned research: Cibus - Q1 IFPM below consensus, earnings capacity-based EPS continues to increase

*Marketing material commissioned by Cibus*

Cibus posted Q1 net operating income of EUR 28.1m, up 2% y/y and 1% below Infront consensus. Income from property management (IFPM) excluding one-offs was EUR 12.5m, up 6% y/y but 9% below our estimate, and 7% below consensus. The reported IFPM was EUR 12.2m. Reported IFPM included EUR -0.3m of one-off items (FX differences). Fair value changes were EUR -22.3m (1.2% of portfolio) as average valuation yield expanded by ~0.1pp and was 6.5% (6.4% in Q4 2023). Also, a writedown was made on an asset in Lahti, leased to Kesko, from where Kesko will move out in 2-3 years. Discussions are ongoing to find a new tenant/solution for the property. Earnings capacity-based IFPM per share was slightly up q/q at EUR 0.96 from EUR 0.95 owing to higher rental income. Net financial expenses in earnings capacity is EUR 51.3m versus EUR 51.5m in Q4. EPRA NRV was EUR 11.9 (SEK 138), down from EUR 12.5 in Q4. Cibus is currently trading at a 2% premium to EPRA NRV and an implied yield of 6.5%. Cibus has effectively capped interest rates until H1 2025 and the average interest rate was 4.6% versus 4.5% at the end of 2023. We expect a slightly negative share price reaction on the IFPM miss and relatively large negative fair value changes. However, the sustainable 7.5% dividend yield should offer support.

### Q1 IFPM adjusted for one-offs 7% below consensus

- Net operating income was EUR 28.1m, up 2% y/y and 1% below our estimate and consensus.
- Income from property management (IFPM) adjusted for one-offs was EUR 12.5m, up 6% y/y but 9% below our estimate, and 7% below consensus. Reported IFPM of EUR 12.2m included EUR -0.3m in total one-offs.
- Total net financial costs were EUR 13.4m including limit fees, expenses for derivatives, arrangement fees and site leasehold fees; we expected EUR 12.7m. The average interest rate in the loan portfolio was 4.6% at the end of Q1 (4.5% in Q4 2023). Earnings capacity-based interest costs were EUR 51.3m; we expect 2024 total net financials to amount to EUR 51.4m.
- Fair value changes of EUR -22.3m as the average valuation yield increased by ~0.1 pp and stood at 6.5% (6.4% in Q4 2023). Also, a writedown of a property in Lahti leased to Kesko contributed to negative fair value changes as Kesko plans to move out of a ~8,500 sqm property in Lahti into a new Kesko-built premise in 2-3 years. The property is centrally located in Lahti and Cibus has initiated discussions for potential other tenants/use for the property.

- ERPA NRV was EUR 11.9 (SEK 138 on current FX rate), down from EUR 12.5 in Q4 2023. Cibus is trading at a 2 % premium to the Q1 EPRA NRV and an implied yield of ~6.5%, we estimate.
- Earnings capacity-based IFPM per share increased from EUR 0.95 to EUR 0.96 mainly due to higher rental income. Net financial expenses in earnings capacity is EUR 51.3m, slightly down from EUR 51.5m in Q4 2023.
- The company disclosed that current hedges will cap interest rate of bank loans at 3.95% from September 2023 to December 2024 and then to reach 4.05% in H1 2025. After that, the interest rate hedges will gradually mature. ICR was 2.2x on a 12 month rolling basis. Bond covenants are at 1.75x and the company's target is >2.0x.
- The reported net LTV was 58.7% at the end of Q1. The average bank loan margin was 1.7% at the end of Q1 (1.7% in Q4 2023) and average capital maturity 1.7 years. The company's LTV target range is 55-65% and we believe Cibus intends to stay close to the lower end of the range.

### We expect initially a slightly negative share price reaction

Operationally, the Q1 report was largely as expected with somewhat elevated administration costs, partly explained by the change of CEO. Net financial costs were also slightly higher than we expected. Fair value changes were more negative than we expected, partly explained by an asset in Lahti. 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 0.96. We expect initially a slightly negative share price reaction.

#### Cibus: Deviation table

EURm	Actual	NDA est.	Deviation		Cons est.	Deviation		Actual	Actual		
	Q1 2024	Q1 2024E	vs. actual		Q1 2024E	vs. actual		Q1 2023	y/y	Q42023	q/q
Rental income	30.5	30.4	0	0%	30.7	0	-1%	29.7	3%	30.1	2%
Net operating income	28.1	28.5	0	-1%	28.3	0	-1%	27.6	2%	28.1	0%
NOI margin	92.1%	93.6%	-1.5pp		92.1%	0.0pp	0.0pp	93.0%	-0.9pp	93.6%	-1pp
Income from property mgmt	12.5	13.7	-1	-9%	13.4	-1	-7%	11.8	6%	11.8	6%
EPS	(0.08)	0.23	-0.31	-134%	-	n.a.	n.a.	0.04	-293%	(0.59)	-87%

Source: Infront and Nordea estimates

The Q1 presentation will start at 10.00 CEST 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-report-2024>

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.

## SUMMARY TABLE - KEY FIGURES

EURm	2021	2022	2023	2024E	2025E	2026E
Total revenue	94	124	140	143	147	150
NOI margin	81.4%	80.3%	81.9%	80.6%	80.9%	81.2%
EPS (adj, EUR)	1.18	1.12	0.89	0.96	0.97	0.98
EPS (adj) growth	28.8%	-5.5%	-20.3%	7.2%	1.8%	0.5%
P/E (adj)	24.0	11.5	13.5	12.4	12.2	12.1
DPS, EUR	0.99	0.90	0.90	0.90	0.90	0.90
NAV per share	12	12	12	13	14	15
NAV growth	10.7%	2.4%	-1.4%	8.7%	8.7%	8.0%
NOI/EV (adj)	3.6%	5.8%	6.6%	6.7%	6.9%	7.1%
P/NAV	241.4%	107.1%	101.6%	92.1%	84.7%	78.4%
P/EPRA NAV	213.3%	87.9%	99.3%	89.7%	82.6%	76.5%
Dividend yield	3.5%	7.0%	7.5%	7.6%	7.6%	7.6%
Loan-to-value (net debt)	58.0%	59.1%	57.7%	57.5%	56.9%	56.4%
Net debt/EBITDA(adj)	12.5	12.1	10.0	9.8	9.4	9.1

Source: Company data and Nordea estimates

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