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Commissioned research: Cibus – Q2 underlying operations in line with expectations

Marketing material commissioned by Cibus

Cibus posted Q2 results largely in line with expectations. Reported Income from property management (IFPM) was 6% above Infront consensus and included EUR -1.6m net of one-off items, relating to insurance compensation, bond refinancing, FX and extra admin costs related to options programme. Net operating income adjusted for insurance compensations was bang in line. Fair value changes were EUR -8.3m with a slight increase in valuation yield (6.5%) with Finland and Denmark in particular impacting. Earnings capacity-based IFPM per share was slightly up q/q at EUR 0.97 from EUR 0.96 which is a key focus for the company. Net financial expenses in earnings capacity is EUR 51.0m versus EUR 51.3m in Q1. EPRA NRV was EUR 11.8 (SEK 136), down from EUR 11.9 in Q1. Cibus is currently trading at a 26% premium to EPRA NRV and an implied yield of 5.9%. Cibus has effectively capped interest rates until H1 2025 and the average interest rate was 4.5% versus 4.6% at the end of Q1. We expect a neutral share price reaction on the Q2 report. The sustainable 6% dividend yield should also offer support.

Cibus: Deviation table

EURm	Actual	NDA est.	Deviation		Cons est.	Deviation		Actual	Actual		
	Q2 2024	Q2 2024E	vs. actual		Q2 2024E	vs. actual		Q2 2023	y/y	Q42023	q/q
Rental income	30.4	30.5	0	0%	30.6	0	0%	29.6	3%	30.5	0%
Net operating income	30.5	28.4	2	7%	28.7	2	6%	28.1	9%	28.1	8%
NOI margin	100.0%	93.1%		6.9pp	94.0%	6.0pp	6.0pp	94.7%	5.4pp	92.1%	8pp
Income from property mgmt	10.3	9.4	1	10%	9.7	1	6%	11.5	-11%	12.2	-16%
EPS	0.03	0.16	-0.13	-82%	-	n.a.	n.a.	0.07	-57%	(0.07)	-143%

Source: Infront and Nordea estimates

Reported Q2 IFPM 6% above consensus

- Net operating income was EUR 30.4m, up 3% y/y, in line with our estimate and Infront consensus.
- Income from property management (IFPM) was EUR 10.3m, down 11% y/y but 10% above our estimate, and 6% above consensus. IFPM excluding one-offs was EUR 11.9, up 3% y/y. It is worth noting that IFPM includes a net of EUR -1.6m in one-offs, consisting of an insurance compensation of EUR +1.8m, EUR -1.1m in employee options related costs, EUR -3.6m from bond repurchases and EUR +1.3m in FX.
- Total net financial costs were EUR 16.7m including limit fees, expenses for derivatives, arrangement fees and site leasehold fees; we expected EUR 16.9m including EUR 3.9m from one-offs. The interest expenses for the period were EUR 12.9m (we expected EUR -13m). The average interest rate in the loan portfolio was 4.5% at the

end of Q2 (4.6% in Q1). Earnings capacity-based interest costs were EUR 51.0m; we expect 2024 total net financials to amount to EUR 54.6m including the EUR 3.9m one-off.

- Fair value changes of EUR -8.3m as the average valuation yield increased slightly and stood at 6.5% (6.5% in Q1). Denmark in particular but also Finland contributed to the negative net in fair value changes.
- ERPA NRV was EUR 11.8 (SEK 136 on current FX rate), down from EUR 11.9 in Q1 2023. Cibus is trading at a 26 % premium to the Q2 EPRA NRV and an implied yield of ~5.9%, we estimate.
- Earnings capacity-based IFPM per share increased from EUR 0.96 to EUR 0.97 mainly due to higher rental income and slightly lower interest costs. Net financial expenses in earnings capacity is EUR 51.0m, slightly down from EUR 51.3m in Q1 2023.
- The hedging ratio is high at 97% and 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 58.9% at the end of Q2 (Q1: 58.7%). The average bank loan margin was 1.6% at the end of Q2 (1.7% in Q1) and average capital maturity 1.5 years versus 1.7 years in Q1. The company is currently renegotiating its bank loans and the current part of its bank loans (EUR 262m) are expected to be refinanced during H2. The company's LTV target range is 55-65% and we believe Cibus intends to stay closer to the lower end of the range.

We view initially a neutral share price reaction as warranted

Operationally, the Q2 report was largely as expected. Net financial costs were in line with our expectations. Fair value changes were marginally negative. The earnings capacity-based EPS continues to increase, which should support the dividend capacity. We view a neutral share price reaction as warranted on the Q2 results, although the share has performed strongly into the Q2 report.

The Q2 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-q2-report-2024>

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<https://conference.financialhearings.com/teleconference/?id=50048795>

SUMMARY TABLE - KEY FIGURES

EURm	2021	2022	2023	2024E	2025E	2026E
Total revenue	94	124	140	142	147	151
NOI margin	81.4%	80.3%	81.9%	80.6%	80.9%	81.2%
EPS (adj, EUR)	1.18	1.12	0.89	0.90	0.98	0.97
EPS (adj) growth	28.8%	-5.5%	-20.3%	0.8%	9.1%	-1.3%
P/E (adj)	24.0	11.5	13.5	16.6	15.2	15.4
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%	5.5%	9.2%	8.3%
NOI/EV (adj)	3.6%	5.8%	6.6%	6.0%	6.3%	6.5%
P/NAV	241.4%	107.1%	101.6%	118.7%	108.7%	100.4%
P/EPRA NAV	213.3%	87.9%	99.3%	115.8%	106.1%	98.0%
Dividend yield	3.5%	7.0%	7.5%	6.1%	6.1%	6.1%
Loan-to-value (net debt)	58.0%	59.1%	57.7%	58.5%	57.9%	57.3%
Net debt/EBITDA(adj)	12.5	12.1	10.0	9.9	9.5	9.2

Source: Company data and Nordea estimates

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