CIBUS

Real Estate/Sweden, May 12, 2020
Company report

Graduating the property ladder

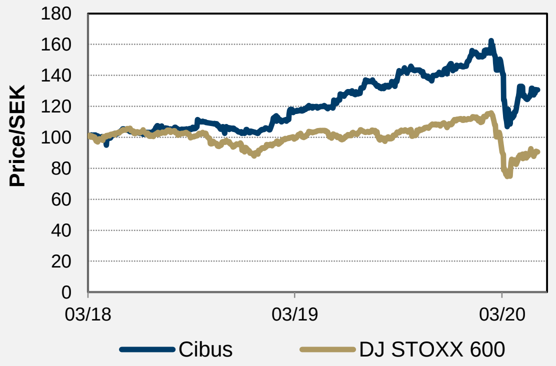
Our updated TP is SEK 150 (155), rating now BUY (HOLD).

Cibus has performed according to expectations
Cibus' portfolio performance has delivered the promises since the IPO in March 2018. Moreover, the portfolio's exposure to supermarkets, in our view the preferred daily-goods store type, has increased following a string of acquisitions large and small. The company has also advanced on the organizational side. Cibus is now more independent entity, and Sirius' partial exit made entry for other institutional investors easier and helped facilitate the Swedish property market expansion earlier this spring.

The Swedish market entry fits the strategy well
Cibus was able to acquire the EUR 180m Coop supermarket portfolio at a yield of close to 6%, which to us was a surprisingly high level, especially considering the portfolio's quality, 10-year triple-net lease structure as well as Coop's agreement to invest SEK 3m into each of the 110 stores for rebranding purposes (Coop acquired the stores from Netto last year). We view the portfolio a good base for further expansion in Sweden.

We base our TP on the portfolio's current CF capacity
Cibus continues to trade at attractive levels relative to other listed Nordic property portfolios since Cibus' assets are small in the institutional investor context and thus there's a paucity of buyers as this specific asset class isn't the most convenient way to deploy large amounts of capital. Single grocery stores can often be purchased at high yields. We'd describe Cibus a vehicle for capitalizing on the yield differential. Since Cibus' portfolio is well diversified we see there's scope for fair value gains every time Cibus buys a property. Having said that Cibus isn't the only Nordic daily-goods property portfolio (although it's the only publicly traded one) and so we view it prudent to focus on the current portfolio cash flow capacity. We value Cibus' current cash flow prospects with a yield we see sufficiently below that of the underlying daily-goods property market (to account for diversification benefits) on the one hand, and adequately above that of the wider property market (the vehicular benefits shouldn't be exaggerated) on the other. Our TP is now SEK 150 (155), rating BUY (HOLD).

Rating — BUY



Share price, SEK (Last trading day's closing price)	130.60
Target price, SEK	150.0
Latest change in recommendation	12-May-20
Latest report on company	06-Mar-20
Research paid by issuer:	YES
No. of shares outstanding, '000's	37,320
No. of shares fully diluted, '000's	37,320
Market cap, EURm	460
Free float, %	91.4
Exchange rate EUR/SEK	10.60
Reuters code	CIBUS.ST
Bloomberg code	CIBUS SS
Average daily volume, EURm	1.0
Next interim report	15-May-20
Web site	www.cibusnordic.com

Analyst	Joonas Ilvonen
E-mail	joonas.ilvonen@evli.com
Telephone	+358 44 430 9071

BUY HOLD SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2018	39.8	33.7	84.7%	17.8	0.54	19.6	19.8	23.4	5.5	0.84
2019	51.5	43.5	84.5%	-17.5	0.76	18.8	18.5	21.9	-3.9	0.89
2020E	62.7	55.1	87.9%	-149.5	0.85	14.5	17.0	19.3	-32.5	0.93
2021E	65.8	58.3	88.5%	34.4	0.93	13.2	16.2	18.3	7.5	0.98
2022E	66.6	59.0	88.5%	34.3	0.92	13.4	16.0	18.1	7.5	1.03

Market cap, EURm	460	Gearing 2020E, %	143.3	CAGR EPS 2019-22, %	6.7
Net debt 2020E, EURm	603	Price/book 2020E	1.1	CAGR sales 2019-22, %	9.0
Enterprise value, EURm	1,063	Dividend yield 2020E, %	7.6	ROE 2020E, %	8.4
Total assets 2020E, EURm	1,099	Tax rate 2020E, %	17.0	ROCE 2020E, %	5.7
Goodwill 2020E, EURm	0	Equity ratio 2020E, %	38.3	PEG, P/E 20/CAGR	4.6

All the important disclosures can be found on the last pages of this report.

Investment summary

Cibus Nordic is a pure-play daily-goods property portfolio

Cibus Nordic owns and manages a large and diversified portfolio of daily-goods properties located in Finland and Sweden. Supermarket-size stores dominate the portfolio, with discount stores the second-most important property type. Cibus follows an anchor tenant strategy and most of the properties are leased to leading local daily-goods retailers, namely Kesko, Tokmanni and Coop. Currently the portfolio includes more than 250 properties, encompassing some 625,000 square meters in total lettable area and valued at EUR 1,055m.

In our view the portfolio is positioned for stable and defensive cash flow

We see portfolio performance highly predictable as the rents are fully linked to inflation and are structured mostly as either triple-net or net lease agreements. It follows that income will increase steadily while renovation-related property expenses are kept in check. The stores mostly serve basic consumer needs and stand at convenient micro-locations, which means there is very little reason to expect significant changes to the current 95% occupancy rate. The weighted average unexpired lease term (WAULT) should likewise continue to stand close to 5 years. No individual property generates more than 3% of total net rental income. Since the asset base is also geographically diversified across Finland and Southern Sweden we think it's fair to say the property mass will keep on generating strong and secure cash flow, and allows for relatively high financial leverage to be used (the company has established a policy according to which net LTV ratio should be within the 55-65% range).

Cibus has performed steady, as expected, since the IPO more than two years ago

The key portfolio metrics have remained largely unchanged since Cibus floated its shares in Stockholm in March 2018. The steady WAULT and occupancy rates testify to a stable tenant base. Most of the tenancies are now signed with triple-net lease agreements, so the risk of Cibus being exposed to major renovation costs is further reduced. We don't view possible renovation costs due to net (or gross) leases a large financial risk so long as the capex expenses solidify the specific tenant relationship. The tenants are creditworthy daily-goods retailers with stores at viable micro-locations, and thus any renovation is likely to prove a sound investment. Many properties stand in small towns far from major cities, yet such locales' residents still need to make daily-goods purchases. Indeed, as Cibus' portfolio is tilted towards supermarkets (particularly in the larger cities but also in smaller towns) and discount stores (especially in the rural areas) we see the property mass well-positioned against the ever-growing e-commerce threat. Overall, we believe the steady performance will continue.

In our opinion the Coop supermarkets deal looks a promising first major step in Sweden

Cibus acquired a portfolio of Coop supermarkets in March 2020 for EUR 180m. The properties, located in Southern Sweden, have been let to Coop with ten-year triple-net agreements. The purchase price, financed by equity issue and new debt, implies a yield of close to 6%, which we view an attractive level.

Cibus is transitioning to its own independent organization in a cost-neutral manner

Cibus' portfolio management used to rely heavily on Sirius Capital Partners' services. However, during the last twelve months Cibus has come a long way building its own independent organization. The shift is expected to happen in a cost-neutral fashion; Sirius' funds sold a large portion of their stake in May 2019 and the recent new share issue was also heavily oversubscribed by institutional investors. We thus see Cibus standing at a strong base from which to build the organization further.

Valuation is mostly driven by other Nordic property portfolios

In our view Cibus should be valued at a premium relative to GAV and NAV since these measures do not fully reflect the portfolio's degree of diversification. We see the stable and diversified cash flows' fair value driven mostly by other Nordic property portfolios' valuation levels; any estimate changes tend to be due to increased rents attributable to new purchases.

The pandemic will not have a meaningful impact on cash flow either way

While e.g. Kesko's volumes increased sharply with the onset of the pandemic the situation will have no impact on Cibus' performance as such since the rents are not tied to revenue. Cibus expects to make concessions amounting to some EUR 0.2m in Q2 as certain small ancillary tenants like hair salons need help. Cibus says that in a disaster scenario no more than 2% of annual net rent bears a temporary risk.

We rate Cibus BUY, TP SEK 150 (155) per share

Cibus now trades at a 5.4% yield, compared to the ca. 4% figure at which a typical Nordic property portfolio is valued. We view a 100bps yield pick-up to be more appropriate; our updated TP is SEK 150 (155) per share. We therefore rate the shares BUY (HOLD).

Company overview

Cibus Nordic background

Cibus Nordic wholly owns a portfolio of more than 250 daily-goods properties located around Finland and Southern Sweden. The properties have an average remaining lease maturity of 5.5 years, the rents are fully linked to inflation and the main tenants are reputable local daily-goods retailers, namely Kesko, Tokmanni and Coop. The leases are predominantly structured as either triple-net or net leases, meaning Cibus' exposure to any property-related costs is quite limited at any point in time. The diversified portfolio is tilted towards the supermarket store type, which we estimate represents some 53% of net rental income. Discount stores, which are all Tokmanni stores save for a few assets, generate almost 25% of net rental income. We estimate the hypermarket exposure at slightly over 10%, and that for markets at 8%. Stores other than daily-goods retail account for no more than 5%.

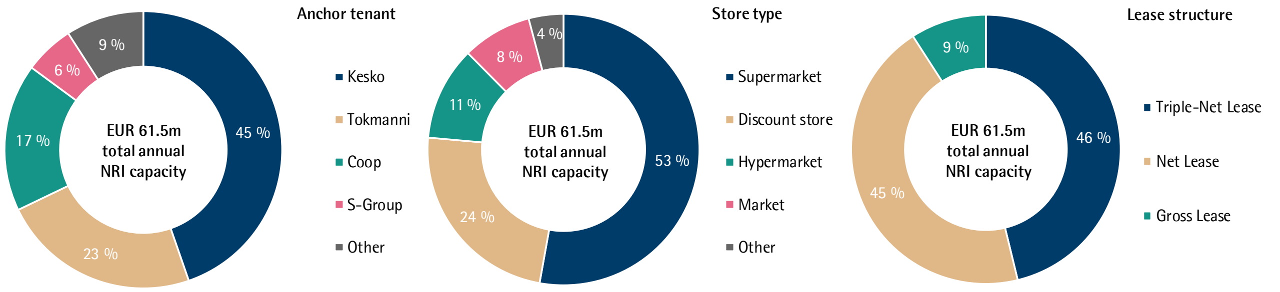
Cibus (Latin for food) was established for the purpose of offering an effectively diversified Nordic daily-goods property portfolio. Properties' physical nature constrains their investment potential as there is only so much business and footfall a single asset can support. Managing the downside becomes crucial since a property's upside potential is limited. This unfavorable asymmetry is best tackled with diversification; a highly diversified portfolio with hundreds of assets effectively limits the location-specific risk exposures to a very manageable level, while the overall yield stays basically unchanged.

The current portfolio's foundation was cast in 2015-17 when Sirius Capital Partners acquired a string of Finnish daily-goods properties for the two real estate private equity funds it managed. Cibus was consequently founded in late 2017; the portfolio assets were transferred to Cibus in early 2018 in connection with the company's IPO.

Two years after the IPO, Cibus is in the process of gradually building up its own organization. Sirius' role has been reduced following the decision to sell three-quarters of the funds' stake in May 2019 to other institutional investors. Cibus is headquartered in Stockholm with another office in Helsinki; the company now employs five personnel and expects to add a few by the end of 2020. Cibus' administration and consolidated financial reporting used to be outsourced to Pareto Business Management, but the contract has now been terminated. Colliers International and Newsec are responsible for facility management and financial accounting in Finland and Sweden respectively. Mr Sverker Källgården has acted in the role of CEO since March 2019. Mr Patrick Gylling, CEO and Partner of Sirius Capital Partners, continues to hold the position of Chairman.

Cibus entered the Swedish daily-goods property market in March 2020 by acquiring a portfolio of 111 Coop supermarkets for EUR 180m; Cibus' GAV amounts to ca. EUR 1.1bn after the deal. This makes Cibus one of the largest Nordic daily-goods property portfolios, and the company plans to continue its expansion by acquiring EUR 50m assets annually.

Figure 1: Cibus Nordic portfolio net rental income capacity by anchor tenants, store types and lease structures



Source: Evli Research, Cibus Nordic

Business model

Cibus' business is about owning a robust daily-goods property portfolio

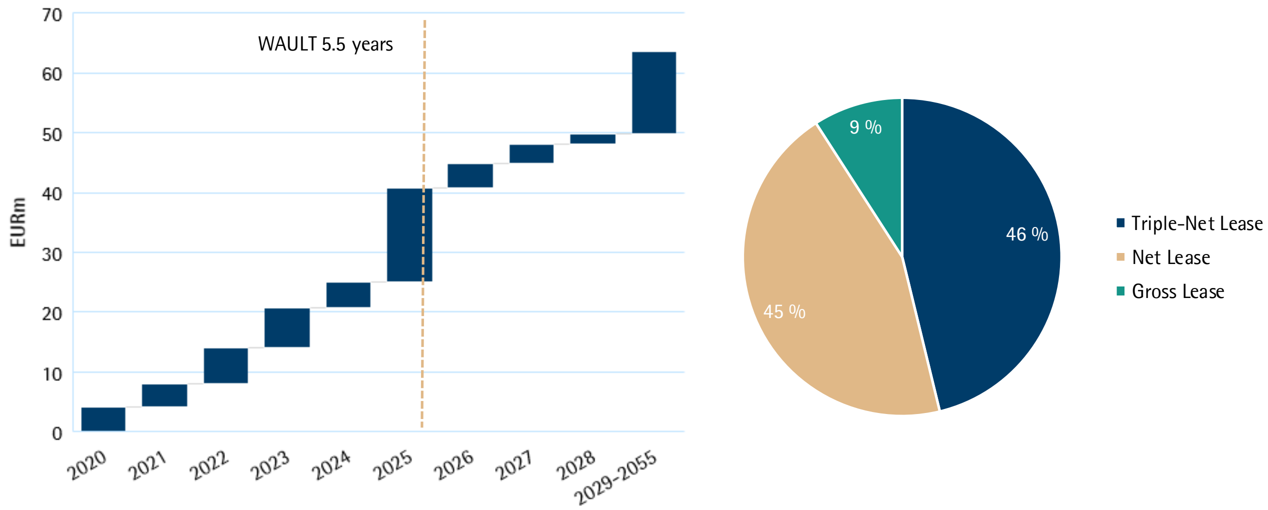
Cibus Nordic focuses on creating long-term value through the acquisition, development and management of high-quality daily-goods properties in the Nordic region by working primarily with leading local grocery and daily-goods chains. As a result, the company owns a diversified Nordic daily-goods property portfolio and leases the assets with an anchor tenant strategy. This enables stable and secure cash flows from the properties, and consequently Cibus is a highly bankable entity and positioned to pay consistently high dividends to its shareholders. The company has formulated a strategy according to which active cost control and property management, market intelligence and close tenant relationships are the keys to maintaining and increasing cash flows and property values.

Cibus' asset base is well diversified with more than 250 properties; no individual property in the portfolio makes up more than 3% of total net rental income. The properties are geographically diversified across Finland and Southern Sweden and stand at convenient micro-locations. These locations also attract ancillary tenants, e.g. postal services, in addition to the anchor names who operate store types such as supermarkets, discount stores, hypermarkets and smaller markets.

Cibus utilizes significant financial leverage as a key component of its investment strategy. In our view Cibus' diversified portfolio with its solid anchor tenants is highly creditworthy, and so a large amount of debt financing makes sense from the shareholders' point of view.

The individual assets Cibus acquires tend not to attract significant attention from other institutional investors as the properties are small in the global real estate investment context and often located outside the major Nordic growth centers. Although Cibus is not the only entity interested in acquiring such Nordic daily-goods properties we consider Cibus well-positioned to continue purchasing assets at reasonable prices compared to the yield which the company's shareholders assume fair.

Figure 2: Cibus' portfolio weighted average unexpired lease term and lease structures



Source: Evli Research, Cibus Nordic

The portfolio WAULT is expected to stay steady at around 5 years

The portfolio's weighted average unexpired lease term (WAULT) currently stands at 5.5 years. The number of leases coming up for renewal each year is rather stable. The contracts are typically extended with the same terms for the next five years at the time of renewal. Cibus has no plans to significantly alter its leases' average duration. It is common industry practice to sign ten or 15-year leases for single assets, and while 15-

year leases are attractive for individual daily-goods properties, from Cibus' diversified portfolio viewpoint it doesn't make that much of a difference whether the leases are signed with shorter or longer contracts as long as the properties stand at viable micro-locations and the agreements are eventually extended.

A triple-net lease defines the tenant to be fully responsible for all property-related costs, including capex (i.e. structural maintenance and repairs). Following the acquisition of 111 Coop supermarkets, which were signed with 10-year triple-net leases, Cibus' triple-net lease base grew to surpass the value of net leases; we estimate some 46% of Cibus' net rental income is now attributable to triple-net lease agreements, compared to the 45% figure standing for net leases.

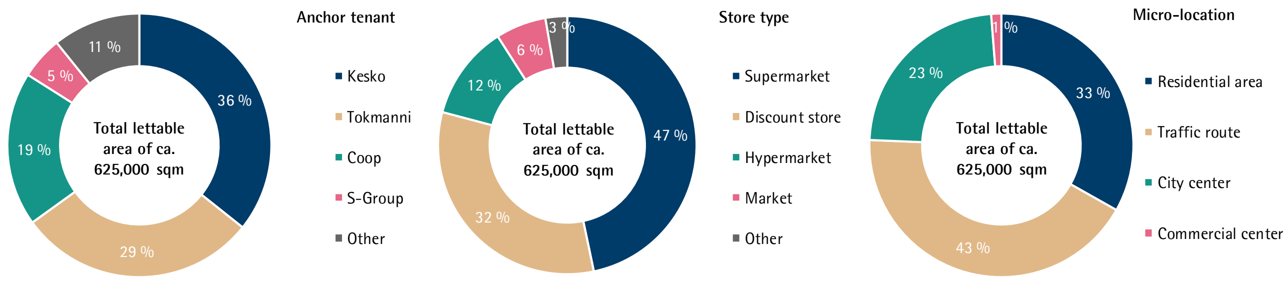
A net lease stipulates the tenant to be responsible for all costs excluding items such as property tax, property insurance and capex. A gross lease leaves the property owner liable for all property-related costs. We estimate approximately 9% of Cibus' net rental income is attributable to gross lease agreements.

The property portfolio and anchor tenants

The portfolio is tilted towards supermarkets

Cibus' portfolio encompasses about 255 properties with a total lettable area of some 625,000 square meters. We estimate approximately 47% of the portfolio's total lettable area (295,000 sqm) and 53% of net rental income capacity (EUR 32.5m) to be attributable to the supermarket-size store type. The portfolio currently holds ca. 160 supermarket properties, meaning the average supermarket store amounts to 1,850 square meters in lettable area. In practice Cibus' Finnish supermarkets, some 50 in number, tend to be considerably larger than those in Sweden as the assets in Finland are mostly K-Supermarkets averaging 3,500 square meters whereas the Swedish portfolio comprises about 110 Coop supermarket stores with an average area of 1,100 square meters. The Finnish supermarkets' average construction year is 1995, while 83% of the Swedish supermarkets were either constructed or renovated during the past 15 years. Most Cibus' supermarket properties stand conveniently within residential areas or next to traffic routes.

Figure 3: Cibus' portfolio total lettable area by anchor tenant, store type and micro-location

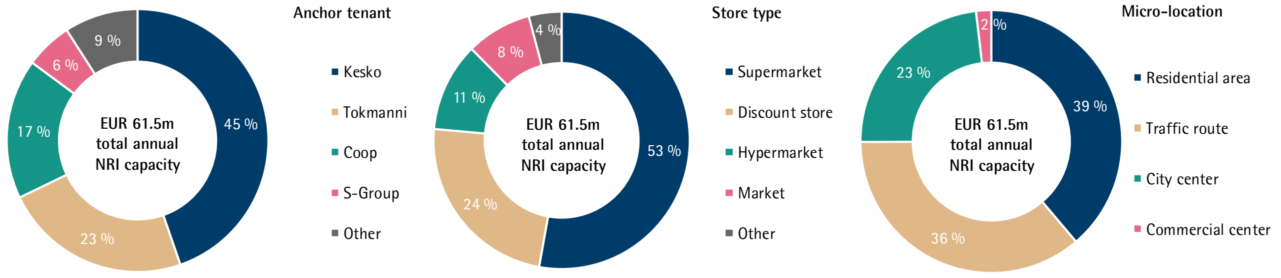


Source: Evli Research, Cibus Nordic

The discount stores are predominantly anchored by Tokmanni and located outside major cities

Discount store properties currently number 43, amounting to 32% of total lettable area (200,000 sqm) and 24% of net rental income (EUR 14.8m). The average discount store thus amounts to 4,700 square meters in lettable area. The discount store properties are mostly anchored by Tokmanni as Cibus currently has 39 leases signed with the company. The discount stores tend to be relatively new (the average construction year is 2003) thanks to Tokmanni and its store network expansion during the last decade or so. The discount stores are mostly located outside the major Finnish growth centers with their micro-locations often next to traffic routes.

Figure 4: Cibus' portfolio net rental income capacity by anchor tenant, store type and micro-location

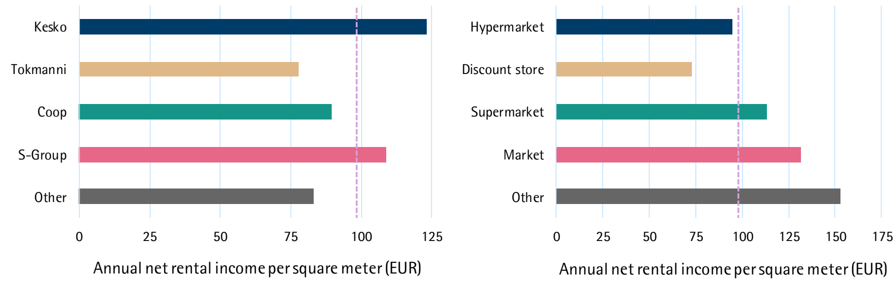


Source: Evli Research, Cibus Nordic

The portfolio includes 7 hypermarket properties, all anchored with Kesko's K-Citymarkets. These properties make up 12% of the portfolio's total lettable area (75,000 sqm) and 11% of net rental income (EUR 6.8m) and are on average more than 9,000 square meters in size. The hypermarket properties' average construction year is 1992 and all the stores are located outside the major Finnish cities. The hypermarkets stand at viable micro-locations either in city centers or next to traffic routes.

Cibus' portfolio currently holds about 40 market-size properties; the stores are predominantly Kesko's K-Markets. Markets amount to 6% of Cibus' total lettable area (38,000 sqm) and 8% of net rental income capacity (EUR 4.9m). A typical market property therefore measures 950 square meters in lettable area while the average construction year is 1993. The markets are predominantly located in residential areas.

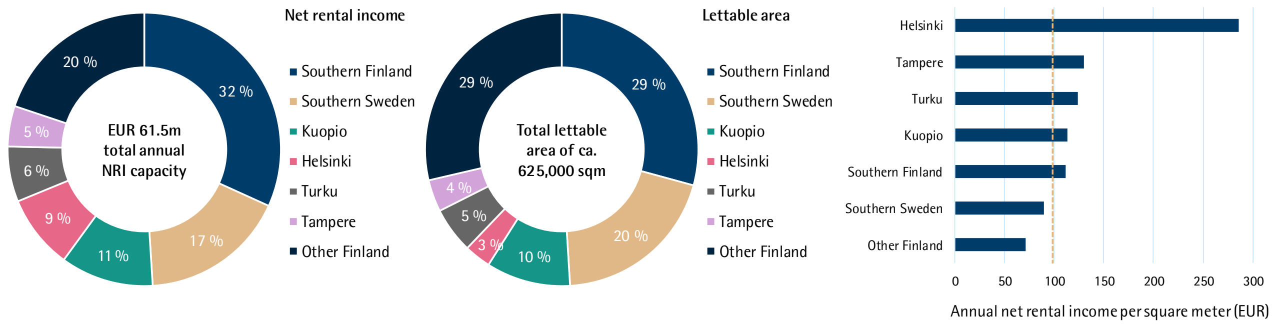
Figure 5: Cibus' portfolio rent levels by anchor tenant and store type



Source: Evli Research, Cibus Nordic

The portfolio's rent levels vary depending on the tenant and lease structure, store type as well as geographic location. We also note a typical Cibus-owned property hosts two or three tenants in addition to the anchoring tenant. This premise holds true equally both in Finland and Sweden, and so the current 255 properties are leased through some 600 lease agreements. All the lease agreements are fully inflation-linked, and the terms hold no risk exposure to store-specific revenue. Cibus' properties' relatively low rent levels in Southern Sweden are due to their triple-net lease nature.

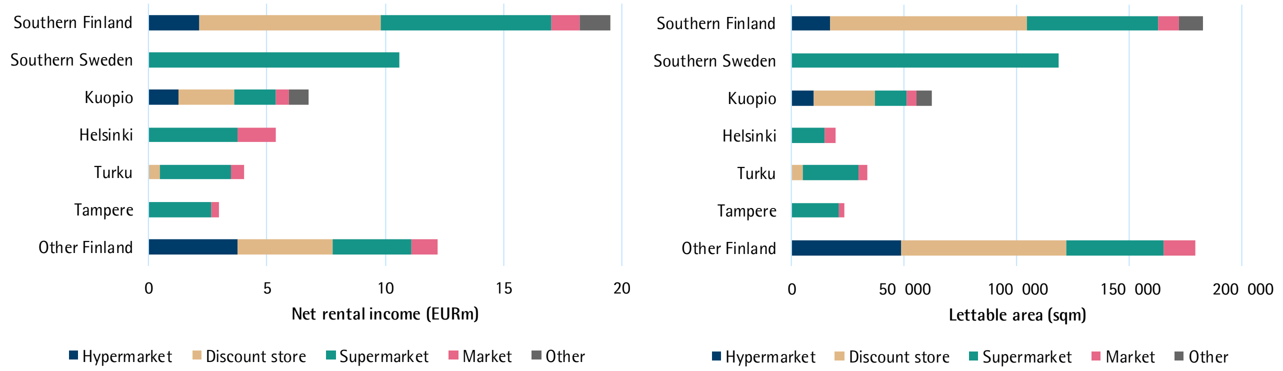
Figure 6: Cibus' portfolio key metrics by geographic region



Source: Evli Research, Cibus Nordic

With regards to Cibus' Finnish assets, the properties' anchor tenants tend to have slightly longer remaining lease terms (with an average of 5.6 years) than other tenants (an average of 4.9 years). Such smaller ancillary tenants are typically the likes of Alko (the Finnish liquor monopoly) and Posti (the national postal service). The properties are located across more than 80 Finnish towns and cities. The portfolio's occupancy rate has remained steady at around 95% and we do not expect meaningful changes to happen in this respect.

Figure 7: Geographic net rental income and lettable area by store type



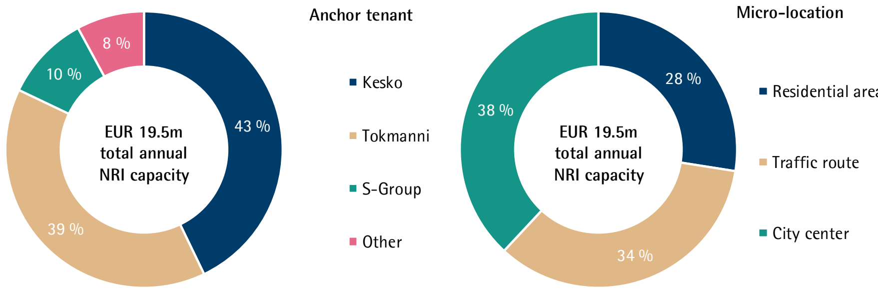
Source: Evli Research, Cibus Nordic

The properties are positioned favorably

We have reviewed the Finnish properties' locations through Google Maps and Street View; in our opinion the stores stand at convenient micro-locations within their respective catchment areas. Although many properties belonging to our Southern Finland and Other Finland regional categories are located in municipalities with declining populations, we nevertheless see the daily-goods stores' commercial prospects largely sound owing to Cibus' anchoring tenant leasing strategy; the specific retail stores tend to play a crucial role in serving the inhabitants' daily-goods needs. We are thus not expecting any meaningful increase in vacancy rates going forward. Properties in such regions of course need to be valued more conservatively compared to locations like Helsinki, Tampere and Turku.

We define Southern Finland to exclude Helsinki and to include Espoo and Vantaa, which are typically counted as parts of the Helsinki metropolitan area (or the Capital Region). Our Southern Finland definition also counts towns relatively near the Capital Region, such as Järvenpää, Tuusula and Hyvinkää; such areas are usually included by the definition Greater Helsinki. We also include municipalities further away such as Forssa, Hamina, Hämeenlinna, Kouvola, Lahti and Sysmä. All in all, this definition encompasses about 45 properties with a total net rental income capacity of ca. EUR 19.5m; both discount stores and supermarkets contribute roughly EUR 7.5m. The average property is some 4,000 square meters in lettable area and was constructed around 1996.

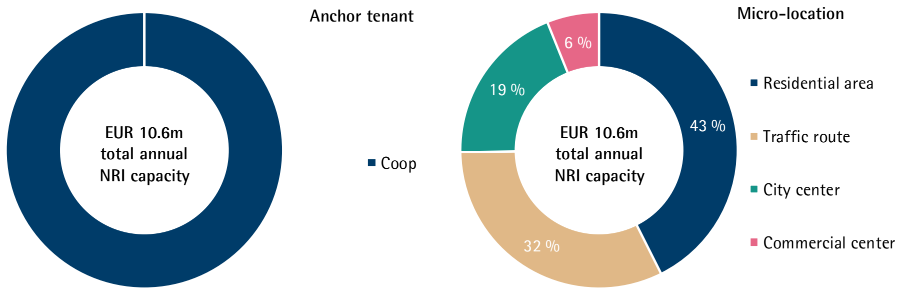
Figure 8: Southern Finland net rental income by anchor tenant and micro-location



Source: Evli Research, Cibus Nordic

Southern Sweden includes 110 supermarket-size properties, all let to Coop. The properties contribute EUR 10.6m in net rental income. The average property amounts to 1,100 square meters in lettable area, while 83% of the assets were either constructed or renovated during the last 15 years. Overall, the Coop portfolio is very homogenous as almost all the properties are close to the average size. The stores are located across a number of municipalities and towns in Southern Sweden.

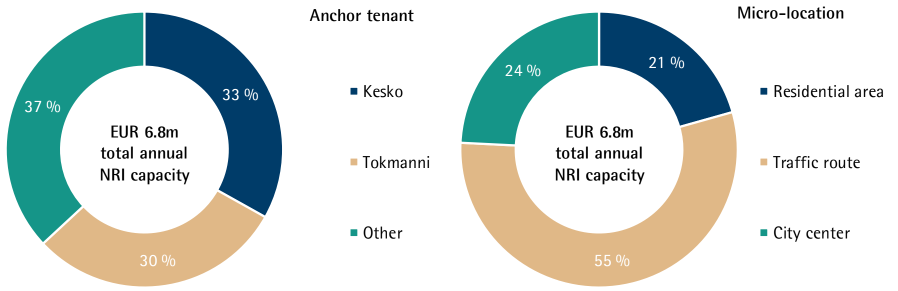
Figure 9: Southern Sweden net rental income by anchor tenant and micro-location



Source: Evli Research, Cibus Nordic

We define the Kuopio region to include nearby towns such as Iisalmi, and consequently the region counts one hypermarket property. We count Cibus' portfolio to include some 15 properties located within the Kuopio region with a total net rental income capacity amounting close to EUR 7m. The region has rather diverse exposure to different store types. A typical property measures some 4,200 square meters in lettable area. The properties' average construction year is 1995.

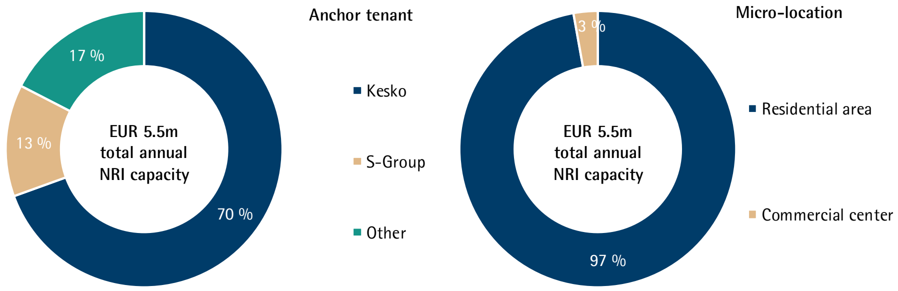
Figure 10: Kuopio net rental income by anchor tenant and micro-location



Source: Evli Research, Cibus Nordic

Cibus' portfolio currently counts about a dozen properties located in the city of Helsinki. We estimate the properties to have a total net rental income capacity of some EUR 5.5m, two-thirds of which is attributable to supermarkets and the remainder to markets. The stores average about 1,500 square meters in lettable area while the average construction year is 2001.

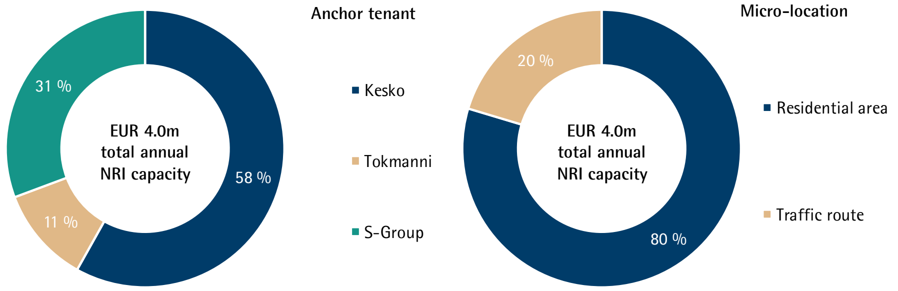
Figure 11: Helsinki net rental income by anchor tenant and micro-location



Source: Evli Research, Cibus Nordic

According to our definition the Turku region includes adjacent towns like Naantali and Parainen. We count the region to include approximately 15 properties with a total net rental income capacity of EUR 4.0m, three-quarters of which is attributable to supermarkets. The properties average 2,600 square meters in lettable area with an average construction year of 1990.

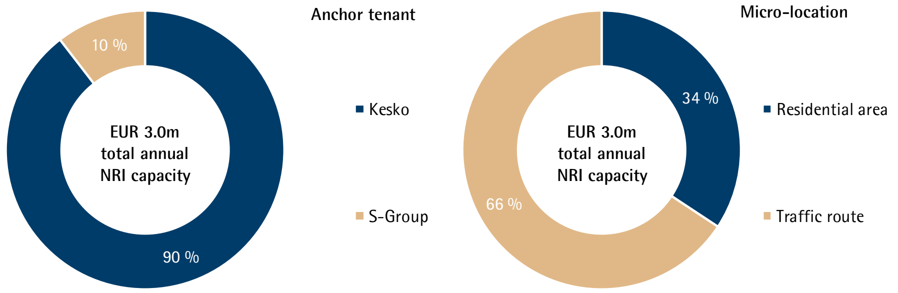
Figure 12: Turku net rental income by anchor tenant and micro-location



Source: Evli Research, Cibus Nordic

We define the Tampere region to include certain nearby towns like Ikaalinen and Kangasala. The region includes close to 10 properties, which we estimate generate a total net rental income of EUR 3.0m; the rents are mostly attributable to supermarkets. The average property measures 2,800 square meters in lettable area and was constructed in 1997.

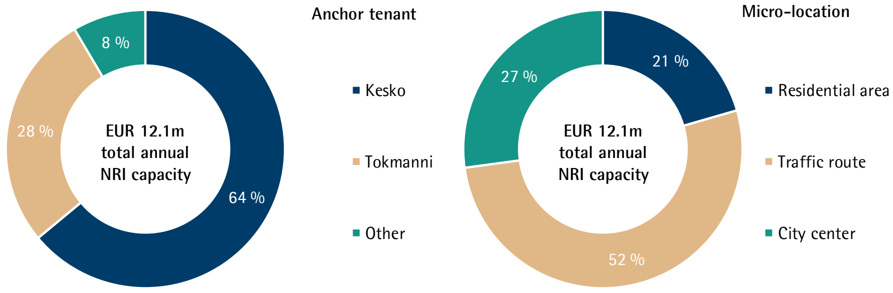
Figure 13: Tampere net rental income by anchor tenant and micro-location



Source: Evli Research, Cibus Nordic

Other Finland counts all the places that fall outside any reasonable definition of Southern Finland or the established regional growth centers. These include cities like Pori (on the Western coast), Lappeenranta (next to the Eastern border), Jyväskylä (in the middle of the country) and Oulu (up North) as well as many more rural towns. We count a total of about 50 properties belonging to this regional category. We estimate the properties' total net rental income capacity at about EUR 12m; markets generate only EUR 1m, while the remainder is spread quite evenly between hypermarkets, discount stores and supermarkets. The properties average 3,600 square meters in lettable area and have an average construction year of 1998.

Figure 14: Other Finland net rental income by anchor tenant and micro-location

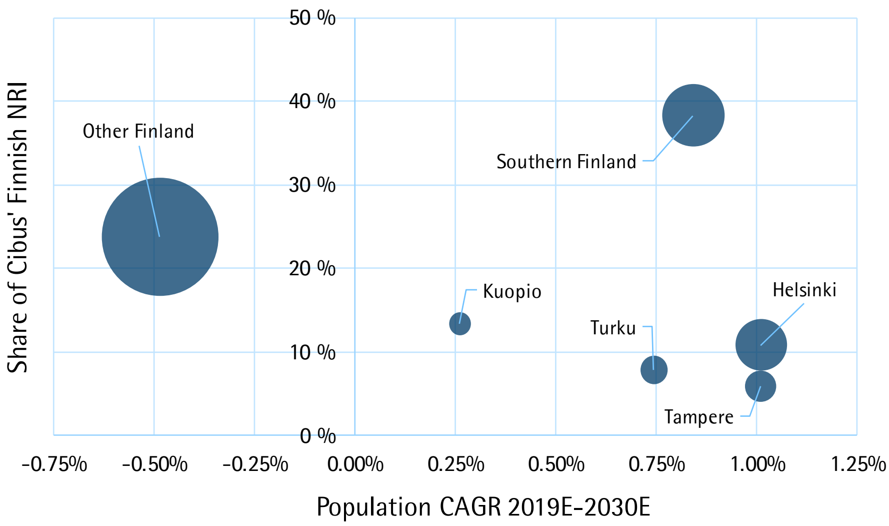


Source: Evli Research, Cibus Nordic

Cibus' Finnish properties are mostly located in growing cities and regions

Statistics Finland forecasts the city of Helsinki's population will grow at a 1.0% CAGR during the next decade. The national statistical institution sees the neighboring towns Espoo, Vantaa and Kauniainen growing even faster, at a rate some 20bps above that of Helsinki. The growth rate slows considerably, to some 0.3% CAGR, in the smaller towns such as Hyvinkää and Järvenpää, which are included in the common definition of Helsinki Region. Thus, the growth rate stands at 0.8% for our Southern Finland definition. The other six regional growth centers (namely Tampere, Oulu, Turku, Jyväskylä, Lahti and Kuopio) together comprise slightly more than 1m inhabitants and are set to grow at an average CAGR of 0.6%. The average rate applies well to both Oulu and Jyväskylä, while Lahti is forecast to grow only very marginally. Oulu, Jyväskylä and Lahti are included in our Other Finland definition.

Figure 15: Cibus' Finnish portfolio and regional population growth forecasts



Source: Statistics Finland, Evli Research
Note: Bubble size indicates the latest population size

Cibus' properties' average year of construction currently stands at 1999, while the renovation-adjusted construction year is 2010. The properties located in Helsinki and Southern Sweden tend to be slightly more recently built or renovated than the ones in other geographic regions. Major renovation costs not covered by the tenants are estimated to be spread evenly throughout the coming years. Cibus has established an annual EUR 2.5m reservation charge for such capital expenditures.

Kesko is Cibus' most important tenant and has a solid strategic and financial position

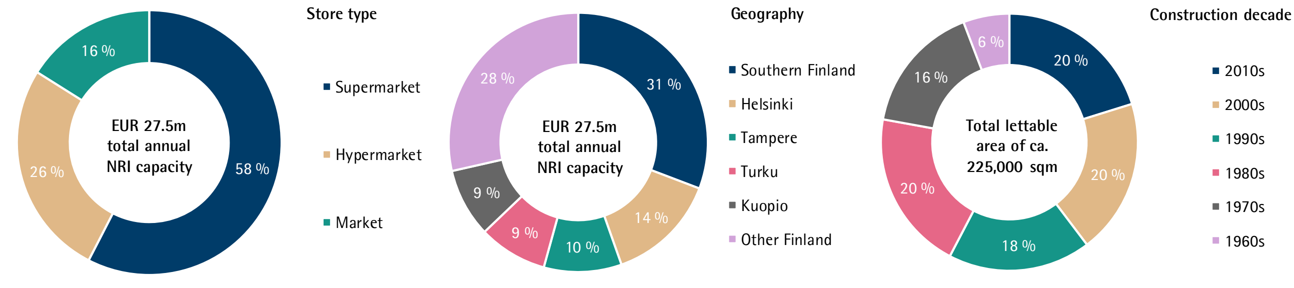
Kesko is the number two Finnish grocery retailer with a market share of close to 37% in 2019. Kesko operates with a chain business model, meaning independent K-retailers manage retail stores within the framework of Kesko's chains. The group reported EUR 10.7bn in 2019 revenue. The company's grocery trade sales amounted to EUR 5.5bn, generated by some 1,200 K-food stores in Finland with 1.2m daily customer visits. The grocery trade operation is highly profitable and stable. Kesko's shares are listed on Nasdaq Helsinki.

Source: Cibus Nordic

Kesko currently leases some 75% of its grocery trade space from third parties, and Cibus' properties make up 11% of Kesko's total grocery trade facility sourcing. This makes Cibus one of Kesko's key facility sourcing partners. Cibus signs lease agreements only with Kesko's centralized facility department; this means independent Kesko retailers are unaware of their occupied premises' actual owner. Such a leasing process is efficient in administrative terms.

Cibus properties anchored by Kesko, a total of about 75 assets at the end of 2019, amount to some 225,000 square meters in lettable area and generate approximately 45% of Cibus' net rental income. The lease agreements with Kesko had a remaining term of 5.4 years at the end of 2019; the average remaining term for the properties anchored by Kesko stood at 4.6 years. We count Cibus owned 35 Kesko-anchored supermarkets, 7 such hypermarkets and 32 markets at the end of 2019; we estimate these stores respectively generate 26%, 12% and 7% of Cibus' net rental income. Kesko's rent share within these properties is about 90%.

Figure 16: Kesko-anchored properties' store types, geographies and construction decades



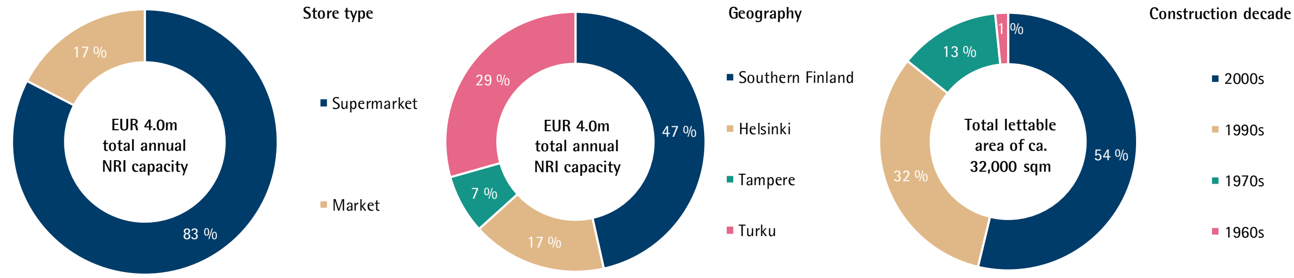
Source: Evli Research, Cibus Nordic

Kesko's other major facility sourcing partners include Trophi and Mercada, which happen to be respectively the largest and third-largest Nordic daily-goods property portfolios (Cibus' property mass is not far behind that of Trophi).

S-Group is the largest grocery retailer in Finland but a relatively minor tenant for Cibus

S-Group is the number one Finnish grocery retailer with a market share of some 46%. S-Group's grocery stores generated 2019 revenue of EUR 8.2bn. The major difference between Kesko and S-Group is their organizational structure. While Kesko's store network is operated by hundreds of individual K-retailers, S-Group is made up of 19 independent regional cooperatives, which are owned by their customers. Neither Kesko nor S-Group post collateral on their lease agreements.

Figure 17: S-Group-anchored properties' store types, geographies and construction decades



Source: Evli Research, Cibus Nordic

Cibus properties anchored by S-Group, a total of 16 properties, comprise more than 32,000 square meters in lettable area and produce ca. 6% of Cibus' net rental income. The lease agreements with S-Group had a remaining term of 6.1 years at the end of 2019, whereas the average remaining lease term for the properties anchored by S-Group was at 4.8 years. The stores include both supermarket-sized S-Markets as well as market-sized Alepa and Sale stores.

Tokmanni is the undisputed market leader in Finnish discount retail and the second-most important tenant for Cibus

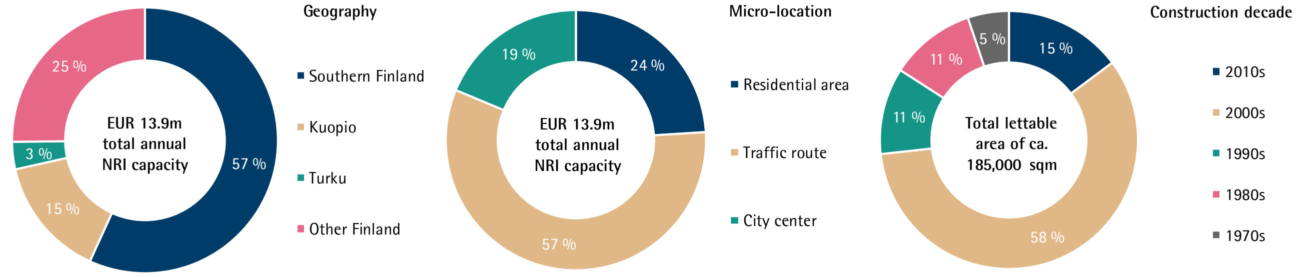
Tokmanni is the leading Finnish discount retailer with its above 40% market share. Tokmanni's 191 discount stores (at the end of 2019) are responsible for about 3% of Finnish grocery market volumes. Tokmanni reported EUR 944m in 2019 revenue and posted EUR 132m in comparable EBITDA. Tokmanni's shares are listed on Nasdaq Helsinki.

Source: Cibus Nordic, WasaGroup

Cibus' properties account for 40% of all Tokmanni stores' total lettable retail area. In terms of store numbers Cibus' Tokmanni stores amount to 20% of all Tokmanni stores, meaning the average store owned by Cibus is twice the size of a typical Tokmanni store. Tokmanni's other landlords include e.g. Serena Properties, a Nordic daily-goods property portfolio owned by Balder, Varma Mutual Pension Insurance Company and Redito.

Cibus properties anchored by Tokmanni, a total 39 of discount store properties at the end of 2019, have a combined lettable area of ca. 185,000 square meters. These properties generate ca. 23% of Cibus' net rental income. At the end of 2019, the lease agreements with Tokmanni had a remaining term of 6.0 years, while the average remaining term for Tokmanni-anchored properties was 5.5 years. Tokmanni's share of rent within these assets is ca. 89%.

Figure 18: Tokmanni-anchored properties' geographies, micro-locations and construction decades



Source: Evli Research, Cibus Nordic

Coop is a major grocery retailer in Sweden

Coop is the number two grocery retailer in Sweden with a market share of close to 20% following the acquisition of Netto stores in 2019. Coop has in total more than 800 grocery stores located around Sweden. The Coop brand covers five store chains, four of which deal in daily-goods retail. Coop operates as a cooperative and in that sense resembles the Finnish grocery market leader S-Group.

Source: Coop, RetailDetail

Cibus properties anchored by Coop number 110 and have a total lettable area of some 118,000 square meters, meaning the average Cibus property leased by Coop amounts to about 1,100 square meters. The properties can thus be described as small-sized supermarkets and they generate 17% of Cibus' net rental income. All the properties were signed in March 2020 with 10-year triple-net lease agreements. As the stores are converted under the Coop brand, Coop has agreed to make an initial SEK 3m investment into each store for rebranding purposes. The properties are modern and homogenous as 83% of the buildings were either constructed or renovated during the past 15 years. In terms of size most of the stores adhere very closely to the 1,100 sqm average lettable area.

Other anchor tenants play a rather minor role

Anchor tenants other than Kesko, Tokmanni, Coop or S-Group include Lidl, Halpa-Halli, Jysk and H&M. At the end of 2019 Cibus' portfolio held 14 such properties, all located in Finland and measuring a combined 67,000 square meters. We count these to include three Lidl supermarkets, a few discount and grocery stores let to players other than Cibus' key tenants as well as a handful of other retail stores. These properties account for approximately 11% of Cibus' Finnish net rental income and thus 9% of total net rental income. Net rental income attributable to retail stores supplying other than daily goods is therefore less than 5% of total.

Company structure and organization

Cibus comprised 146 limited companies at the end of 2019. This means the parent company Cibus Nordic Real Estate AB (publ) owns no properties directly. Cibus says it plans to implement segment reporting for Finland and Sweden beginning in Q2'20.

Cibus' asset management used to rely heavily on an agreement made with Sirius Capital Partners. Under the agreement Sirius was responsible for the development and asset management of Cibus' properties in Finland and was compensated by an amount equal to 3.75% of the projected annual net operating income, invoiced on a quarterly basis. Sirius' role has since been reduced. The transition away from Sirius' services towards an independent organization is to be completed in a cost neutral way. Colliers International still acts as the property manager responsible for property and financial management in Finland, while Newsec does the equivalent task in Sweden. Pareto Business Management used to conduct corporate administration and consolidated financial reporting, but the outsourcing agreement was terminated in late 2019.

Table 1: Cibus Nordic CEO and COB biographies

Sverker Källgården Chief Executive Officer 	**Patrick Gylling** Chairman of the Board 
• **CEO since March 2019** • **More than 20 years of real estate and construction industry experience** o CEO of ByggPartner prior to Cibus o Executive positions at NCC and Hufvudstaden prior to ByggPartner • **MSc in Civil Engineering from the Royal Institute of Technology**	• **Board member since 2018** • **Substantial real estate investment experience** o Partner and CEO of Sirius Capital Partners o Key positions at Sveafastigheter and HGR Property Partners prior to co-founding Sirius o Positions at Morgan Stanley and Advium Corporate Finance prior to co-founding HGR Property Partners • **MSc in Economics and Business from Hanken School of Economics**

Source: Cibus Nordic

Cibus currently employs five professionals and has plans to grow the organization by additional two people during 2020. The Stockholm office now employs three personnel, while two people work in Helsinki.

Strategy and financial targets

Cibus has communicated an annual target of EUR 50m in daily-goods property acquisitions and says it sees supermarket-size properties as the most attractive asset type. The company has indeed, since its IPO, been acquiring mostly supermarkets but has also been active with Tokmanni discount store properties. We do not expect any significant changes in deal flow in this respect and view e.g. hypermarket acquisitions somewhat unlikely. Acquisitions tend to rely on the availability of debt financing and larger acquisitions also require additional equity.

Cibus has now entered the Swedish daily-goods property market with the acquisition of the supermarket portfolio from Coop in March 2020. In our view Cibus is now well-positioned to make add-on transactions in Sweden and has better access to Swedish lenders. We expect Cibus to be actively sourcing especially supermarket-size properties. As Cibus currently has no properties leased out to the other two leading Swedish grocery market players, namely ICA and Axfood, we would expect such acquisitions to be more than likely.

Cibus has established a policy for financial leverage which allows the loan-to-value ratio to stand in the 55-65% range. The net LTV ratio has remained quite steady at slightly below 60% so far.

Cibus has established an ambitious target to increase dividends at a 5% annual rate

Cibus aims to increase its annual dividend payments by 5%. The company schedules annual distributions in four lots at the end of each quarter so that each payment represents a 5% y/y increase. Cibus is also investigating the possibility of switching to monthly payments. In our opinion Cibus is well-positioned to distribute a very high share of earnings as dividends (close to a 90% pay-out ratio) owing to its diversified property portfolio and favorable overall lease structure, a set-up which tends to lead to very modest maintenance costs in any given year. We see the 5% annual dividend per share increase target can be challenging to meet in the long-term perspective as the existing portfolio's income growth is capped by the inflation rate. Small and large acquisitions done at attractive prices, the likes of which Cibus has been able to sign, are the main tool for achieving the target. Debt refinancing at lower interest rates also helps (Cibus could be able to refinance e.g. its existing unsecured bond at a rate below that of the current 4.5% coupon). In our view it can be helpful to set the bar high, however we do not consider dividend payments to affect the shares' fair value.

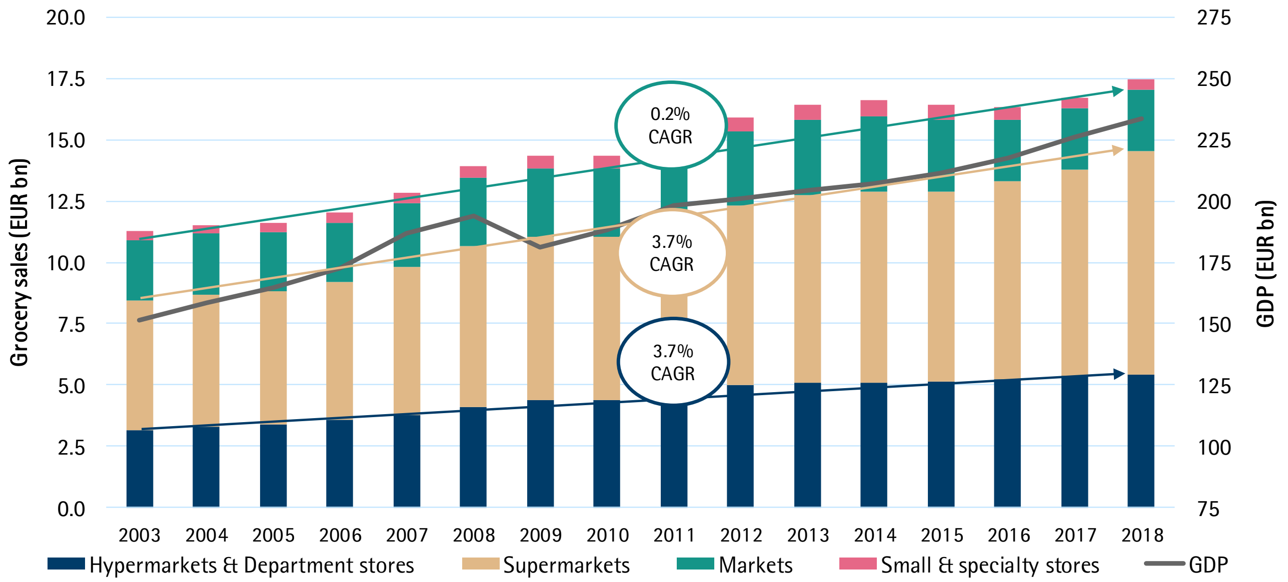
The daily-goods property market

Property markets are often segmented into various sectors. These include office, residential, retail, hotel, industrial and logistics as well as public sector (e.g. education, health and elderly care) properties. Retail properties can be further divided into shopping centers, department stores, high street shops and daily-goods stores. Daily-goods stores focus on distributing consumer staples whereas the other types of retail stores tend to be mostly exposed to discretionary spending habits. There are also distinct types of daily-goods stores such as small specialty shops, markets, supermarkets, hypermarkets and discount stores.

The Finnish grocery retail market

The Finnish Grocery Trade Association estimates the national grocery market has continued to grow at a 3% CAGR throughout the last two decades. The Finnish grocery market has also exhibited resilient performance in the face of wider macroeconomic shocks as demand for daily goods like nutrition and toilet paper is largely immune to any given crisis. The Finnish grocery trade amounted to EUR 18.2bn in 2018 (including sales attributable to discount retail stores, gas stations and discontinued shops). Kesko estimates the market grew by 2% in 2019 to EUR 18.6bn.

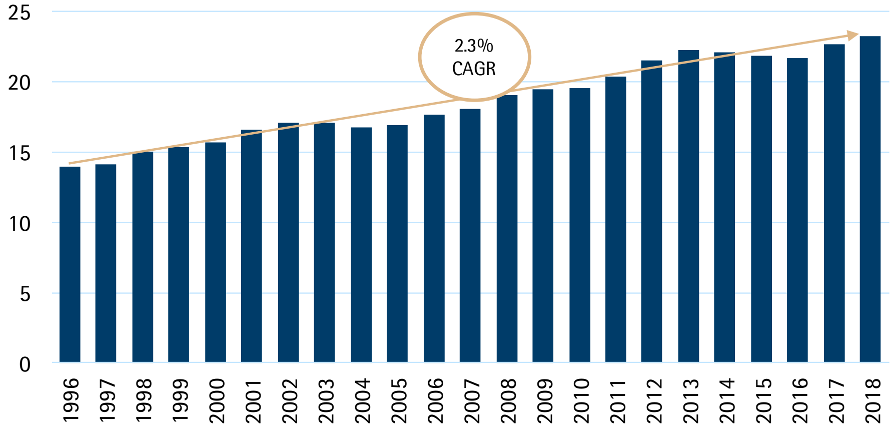
Figure 19: Finnish grocery retail sales and GDP development



Source: The Finnish Grocery Trade Association, Statistics Finland
Note: The figures do not include sales attributable to discount stores, gas stations and discontinued shops

The Finnish Grocery Trade Association estimates a typical Finnish household manages about 3 grocery shopping trips per week; the average shopping basket now amounts to more than EUR 23. Meanwhile Kesko reports its grocery stores are visited by 1.2 million daily customers.

Figure 20: Average Finnish grocery shopping basket value development (EUR)



Source: Nielsen Homescan

Two players dominate the Finnish grocery market

The Finnish grocery market is basically a duopoly; procurement and logistics are centralized. The market is not unlike those in the other Nordic countries, where sparsely populated landscapes mean grocery chains need to achieve large volumes in order to reach the necessary cost-efficiencies. Diminished grocery chain volumes would lead to shrinking selections and higher prices, and customers would be inconvenienced by loss of accessibility and poorer service standards.

S-Group and Kesko dominate the Finnish grocery market; between them the two account for more than 80% of total grocery sales. Each company has structured its grocery operations into three chains, respectively addressing either the hypermarket, supermarket or market store type. The big two are followed by Lidl with its supermarket-size stores and 10% market share.

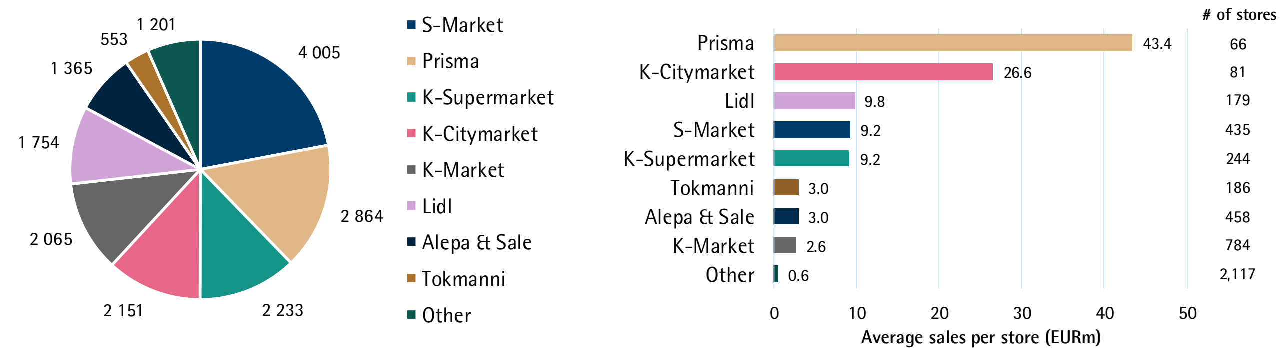
S-Group is the market leader in terms of volume, yet Kesko acts in a crucial role in making rural areas habitable

S-Group is clearly stronger than Kesko when looking at the hypermarket and supermarket segments, since the Prisma and S-Market chains are way ahead of the K-Citymarket and K-Supermarket stores in terms of grocery sales. The S-Market supermarket chain is almost twice its main rival K-Supermarket's size when measured by the number of stores and sales. S-Market is responsible for almost a quarter of Finnish grocery sales. Meanwhile Kesko is stronger within the smaller market-size stores as its K-Market operations have a wider geographic reach than S-Group's Alepa and Sale chains. The K-Market chain plays a pivotal role in maintaining the food supply and general habitability of areas far removed from the few major regional growth centers. That said, the larger store types make up more than three-quarters of the Finnish grocery retail trade. Larger stores are also taking increasing share of the market.

Larger store types have gained from various demographic and technological developments

The large stores' efficiency is manifest in the fact that during the last quarter century the number of market-size stores shrank from almost 10,000 units to around 3,000; meanwhile item selections more than tripled. Coincidentally significant parts of the Finnish population migrated to certain regional growth centers, the utilization of cars increased, and IT systems' development facilitated a widened goods selection. Large stores are also naturally better positioned to compete with lower prices. Moreover, 2016 saw the deregulation of all retail stores' opening hours, meaning stores can now remain open without any restrictions irrespective of their size or location. Previously only certain smaller stores were endowed with the privilege to remain open 24/7. Hypermarkets are now responsible for almost 30% of Finnish grocery sales, while supermarkets' share stands above 40%. Market-sized stores' share is estimated at approximately 20%.

Figure 21: Finnish grocery sales by chain and average sales per store (EURm), 2018



Source: The Finnish Grocery Trade Association

We view supermarkets better positioned for further growth than hypermarkets

Both hypermarkets and supermarkets have gained from wide economic trends this century. However, in our view supermarkets are better positioned to capture further grocery retail volumes going forward. It seems that the largest hypermarkets have now been built and the number of Finnish hypermarkets has reached its inflection point. We are also of the opinion that hypermarkets are not as resilient towards e-commerce as supermarkets. While hypermarkets are not similarly exposed to consumers' discretionary spending habits as shopping centers are, their customary locations outside city centers make them a relatively inconvenient supply source for daily grocery needs. This holds true particularly among more urban populations and is not helped by trends such as increasing reluctance towards car ownership. Yet we do expect hypermarkets to retain their role in rural areas by remaining vital sources of local grocery supply for sparsely populated municipalities.

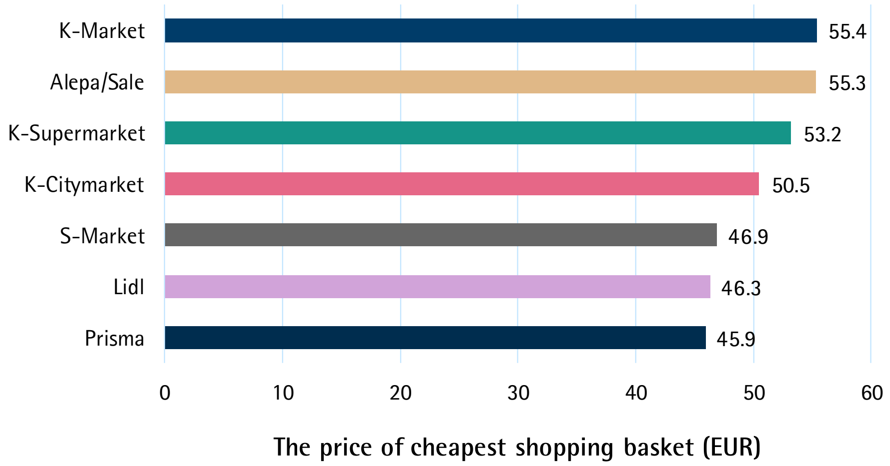
We expect hypermarkets and the associated large baskets remain popular in rural regions

While we expect hypermarkets to lose grocery market share to supermarkets, at least within the major Finnish cities due to numerous demographic trends such as increasing proportion of single-person households, it should also be noted logistics and economics continue to work favorably for hypermarkets particularly in the regions of Finland beyond the major growth centers. The Finnish Grocery Trade Association finds the average Finnish online daily-goods shopping basket amounts to some EUR 50 i.e. more than twice the value of a typical daily-goods basket. The experience is similar with that in the UK where large baskets are also more liable to be purchased online. UK hypermarkets, unlike those in Finland, suffered during the 2008-09 economic downturn as shoppers chose more regular visits to discount stores, local shops and online sites. Going forward, we expect hypermarkets located within the major Finnish growth centers to be more vulnerable to economic cycles and online daily-goods trade as both forces primarily affect large shopping baskets. However, we also expect online grocery logistics to remain very challenging in the more remote and sparsely populated regions of Finland, and thus do not see rural deliveries economically viable.

S-Group is better positioned within large stores, while Kesko has a strong network of small stores

S-Group and Kesko have adopted somewhat contrasting growth strategies. S-Group prefers to focus on larger stores, while Kesko strives to remain more competitive within the smaller end of the store spectrum. One concrete measure was the acquisition of Suomen Lähikauppa, a chain of mostly market-size stores, which Kesko completed in 2016. The former brands and stores of Suomen Lähikauppa have been completely subsumed within the K-Market chain; Kesko has consequently widened its market-size store lead over S-Group's Alepa and Sale chains. Kesko's independent retailer network also improves the company's positioning to compete within the market-size segment since the retailers can flexibly adapt their store offering to best cater to local tastes. Yet it should be noted Kesko does also look after its larger stores as the company updated the look of its K-Citymarket hypermarkets not that long ago.

Figure 22: Finnish grocery basket prices by chain store, Sep 2019



Source: Analyse2, Kauppalehti

Kesko's grocery stores tend to be quite cosy, but clearly lag those of S-Group and Lidl in terms of price competitiveness

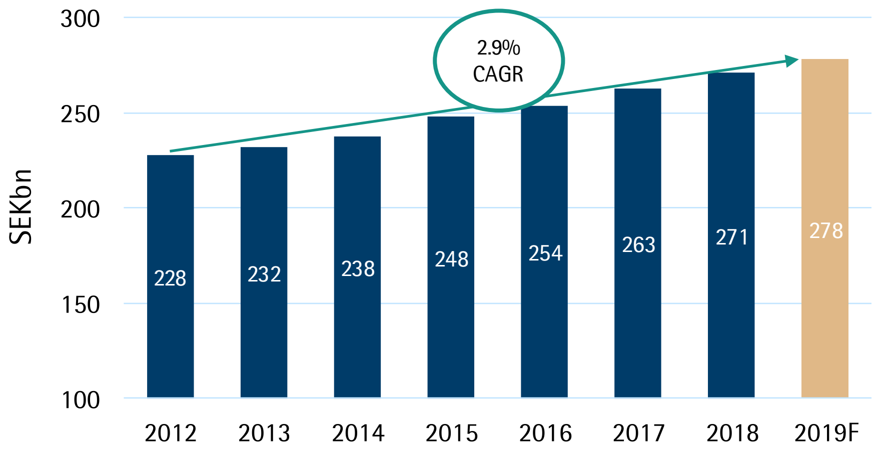
Kesko commanded over 35% share of the Finnish grocery market in 2011; the company's market share slipped during the following years and was down to about 33% in 2015. The share consequently rose to 36% due to the acquisition of Suomen Lähikauppa. During the same period Lidl, owing to its store network expansion, managed to grow its market share from around 5% to close to 9%, while S-Group's share increased from 45% to 47%. Even though Kesko's grocery stores are arguably more pleasing places to visit, it is also a well-established fact they are not nearly as price-competitive as those of S-Group and Lidl. In our view Kesko's positioning as the pricier alternative explains its relatively soft performance over the period in question. A 2019 survey by Analyse2 and Kauppalehti found the select daily-goods items in the survey shopping basket tend to be cheapest at either S-Market, Prisma or Lidl stores. Yet Kesko's focus on high-quality service seems to be paying off now as the grocery store network's market share increased by some 50bps in 2019, and thus stood close to 37%. Kesko says the strong results were due to robust like-for-like food sales growth in K-Citymarket and K-Supermarket chain stores. Kesko also reported its online grocery sales doubled in 2019 and reached EUR 36m.

The Swedish grocery retail market

The Swedish grocery retail market's general characteristics closely resemble those of Finland. Grocery sales in Sweden have grown at about a 3% CAGR during the past decade and were estimated to be close to SEK 280bn in 2019. This translates to Swedish grocery spending per capita of some SEK 27,000 which can be compared to the EUR 3,300 Finnish figure.

ICA is by far the largest Swedish grocery market player with a market share of some 45% in 2018 (depending on the source and estimation methodology), followed by Coop and Axfood with their basically equal 15-20% shares. ICA Group generated SEK 119bn in 2019 sales and a 4.5% operating margin (in other words, the group's financial performance is basically in line with Kesko). The company's set-up also mirrors Kesko in the sense that independent ICA retailers are empowered to tailor their offering to suit local demand. The grocery business comprised close to 1,300 stores at the end of 2019 and operates through four store types: Maxi ICA Stormarknad (hypermarkets), ICA Kvantum, ICA Supermarket and ICA Nära. ICA's shares are listed on Nasdaq Stockholm.

Figure 23: Swedish grocery retail sales development



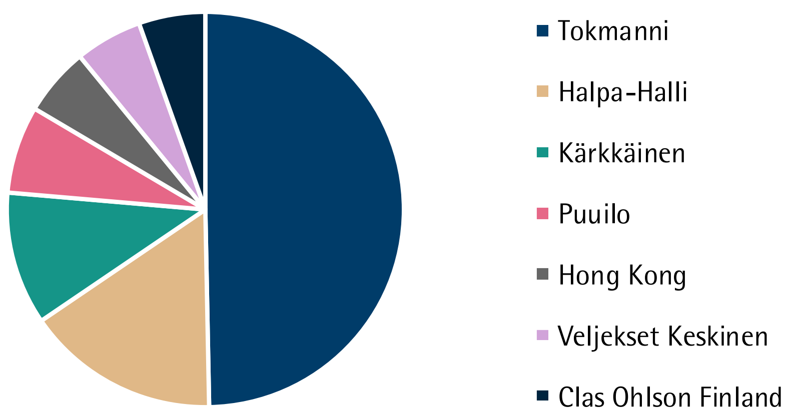
Source: Euromonitor

Axfood had a close to 20% share of the Swedish grocery market in 2018. The company has two grocery store chains, namely Willys and Hemköp (the former is many times the size of the latter). Axfood posted almost SEK 51bn in 2019 sales with a 4.5% operating margin. Axfood's shares are listed on Nasdaq Stockholm.

The Finnish discount store market

The Finnish discount retailers are generally growing faster than the overall retail market. Besides Tokmanni, an undisputed leader controlling almost half the market, a handful of other operators are also competing for market share. Halpa-Halli is the second largest player with its 15% share of the market; various other names (e.g. Kärkkäinen, Puuilo, Hong Kong, Veljekset Keskinen) follow with approximately 10% market shares each. The hypermarket chains Prisma and K-Citymarket are also competing in the same market space to some extent. Clas Ohlson is yet another competitor through its home improvement offering.

Figure 24: Finnish discount retail market structure (illustrative)



Source: Asiakastieto, Company reports
Note: Prisma and K-Citymarket hypermarket chains also address the discount retail market

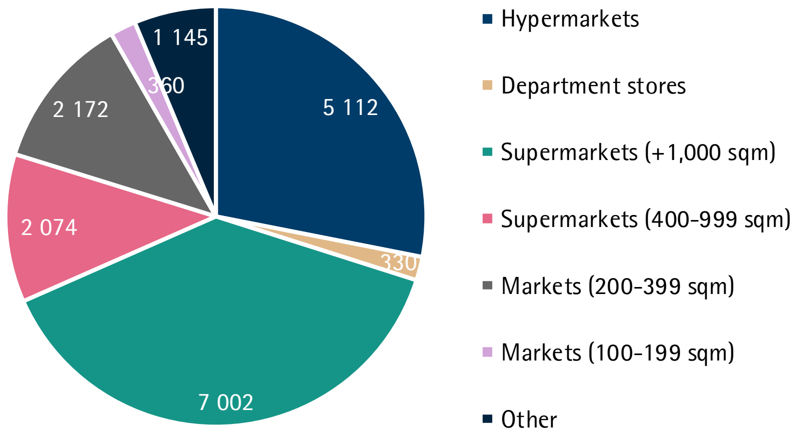
A significant portion of Tokmanni's sales are attributable to groceries. The company also shifts a lot of items belonging to categories such as home cleaning and personal hygiene, clothing, tools and electrical equipment, home, interior decoration and gardening, as well as outdoor equipment and consumer electronics. Tokmanni operates through a nationwide network of more than 190 stores; the company plans to open around five new stores each year. In terms of affordability Tokmanni is positioned close to Lidl yet offers a considerably wider assortment of goods. Tokmanni's operating margin, now above 7%, has historically been clearly above those of its key competitors, who average roughly 3% operating margins.

Discount stores' sensitivity to economic cycles, relative to pure grocery stores, is not that straightforward to judge. On one hand the low prices will help store traffic in turbulent times, while on the other hand the exposure to product categories such as DIY and electronics will likely hamper volumes at the same time.

Daily-goods trends

In our opinion the store types operated from most of Cibus' properties (namely markets, supermarkets, hypermarkets and discount stores) are all resilient towards economic cycles. By contrast, we view retail properties like department stores and shopping centers as rather vulnerable to macroeconomic shocks. Shopping centers' business will probably turn out to be even more sensitive to cycles going forward as the sector has positioned itself more intimately with experiences like restaurants in order to adapt to a consumer landscape dominated by e-commerce.

Figure 25: Finnish grocery sales by store type (EURm), 2018



Source: Nielsen Grocery Shop Directory 2018

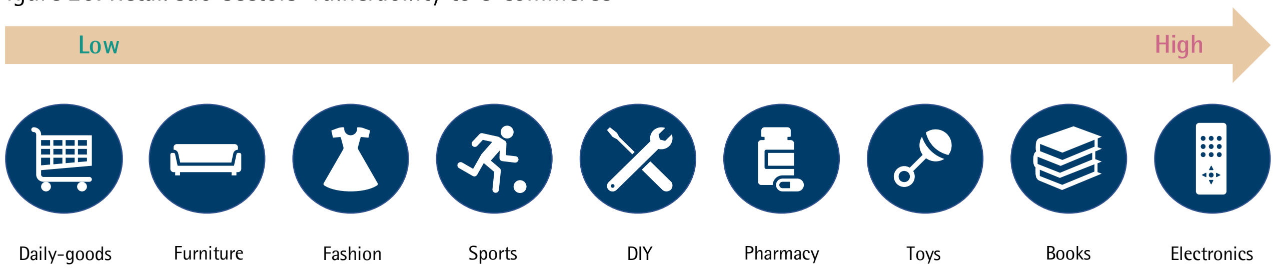
We don't view supermarkets vulnerable to e-commerce as we see consumers prefer to buy many food items on the spot

In our view daily-goods, and especially foodstuffs, are well immunized to the threat of e-commerce. We base our opinion on the premise that consumers will continue to find strolling the supermarket aisle a superior way to explore the selection of perishable foodstuffs such as fruits and vegetables, meat and dairy produce. We expect this trend applies as well to most dry goods such as cereals, spices, teas and coffee (certain non-perishable categories unideal for daily consumption, such as candies, might be more susceptible to online buying, however we would expect consumers to mostly continue to pick these items up through their regular grocery store visits). It follows that store types that focus largely on daily-goods, namely supermarkets and markets, are well-positioned to weather a future otherwise increasingly shaped by online shopping.

We see grocery e-commerce supply constraints even more formidable than demand considerations

The share of online daily-goods trade is less than 1% of the total daily-goods volume in Finland. While online market penetration might be considerably higher in some other countries, it can be reasonably argued the share in Finland will stay rather low also going forward. There might be growth potential in terms of demand, however Finland poses significant challenges in terms of supply. Challenging logistics have turned online grocery retailing economically unattractive also in more densely populated countries (online grocery retailers are struggling to generate profits even in the UK, arguably the most mature market for online grocery shopping), and thus the hurdle is further elevated in sparsely populated Finland. Moreover, the Finnish economy is characterized by relatively high wages for low-skilled labor, another major problem for grocery e-commerce when reasonable order delivery times across long distances between households are required.

Figure 26: Retail sub-sectors' vulnerability to e-commerce



Source: Handelsrådet Sverige, HUI Research

UK consumers view online grocery retail as a complement to brick-and-mortar

The perishable nature of many foodstuffs turns online grocery logistics particularly challenging. Most other goods frequently purchased online can be stacked efficiently and don't need to be delivered cooled or frozen. Also, consumers probably don't mind that much if their online order for clothes or electronics is not delivered the same day.
With respect to Western countries, so far online grocery retailing has advanced the most in the UK. Online grocery retail makes up around 7 percent of total UK grocery sales. Nielsen estimates a typical consumer in the UK tends to buy groceries online less than once a month, thus averaging 11 shopping baskets per year; the consumer visits physical stores nearly 21 times per month (or 247 visits per year). Two-thirds of people who buy groceries shop online and the average online basket is around four times the size of that bought from a physical store. In other words, Nielsen finds online grocery shopping is dominated by big baskets, which are twice as popular for online trips (82% of total) compared to in-store trips (44%). Conversely, the regular smaller "top-up" trips account for just 18% of online shopping compared to 57% for in-store visits. The implication is that UK consumers view online grocery shopping as a complementary option to visiting physical stores, which is in stark contrast to many other sectors where the online channel has completely substituted in-store visits. Indeed, the online channel's share of the total UK grocery market has been rising only marginally in recent years.

Tesco, the market leader in UK online grocery sales, decided to raise the minimum basket size for online purchases in 2015. The minimum spend was raised to £40 (previously £25), meaning orders below £40 will face a surcharge of £4 in addition to delivery charges ranging between £1 to £6. The move highlights how complex and costly online grocery logistics are even for major players like Tesco, a company which launched its online shopping service already back in 1997.

Amazon's online grocery shopping concept only works in a limited scale

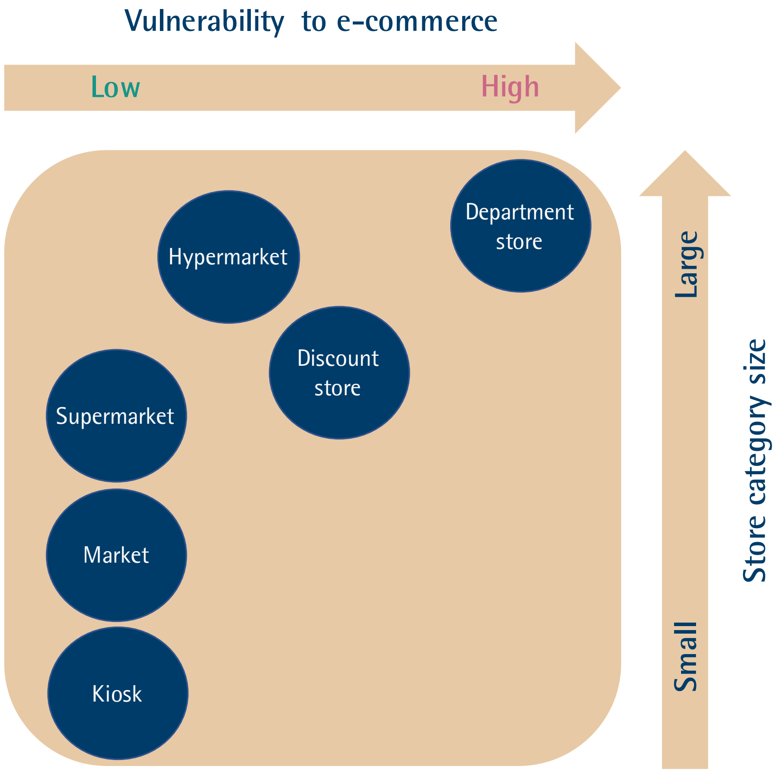
The online grocery space has proved a struggle even for Amazon. The Internet giant decided to scale back its Amazon Fresh online grocery delivery service in late 2017 by closing the business in a handful of states; the decision was taken only shortly after the Whole Foods supermarket chain acquisition earlier that same year. Amazon Fresh first launched in the Seattle area in 2007 and for more than five years didn't expand to other cities. It finally slowly rolled out to a dozen or so cities, and changed its payment model many times in the process. Amazon Fresh is now established in select cities also outside the US, but it seems the service might be unable to expand beyond its niche of affluent densely packed cities such as New York City, Boston, Chicago, London, Berlin and Tokyo. Such positioning happens to fit with the Whole Foods acquisition since the organic foods chain's stores tend to be located within densely populated cities where there are plenty of affluent households. According to CNBC only about 3% of groceries are ordered online today in the US. Amazon Fresh grocery deliveries were also overwhelmed by the recent coronavirus outbreak as customers rushed to order supplies in great numbers.

Amazon continues to refine its grocery operations with a focus on affluent US households

Amazon has also launched a concept called Amazon Go, a chain of partially automated convenience stores where customers can purchase products without being checked out by a cashier. The store concept relies on several technologies such as computer vision, deep learning algorithms and sensor fusion to automate much of the physical retail process; the aim is to enhance the customer experience as well as the supply chain and inventory management aspects of physical retailing. The various technologies however still need a lot of refining as there have been issues with stealing and mistaken customer identities. As of March 2020, there were 27 established and announced store locations in Seattle, Chicago, San Francisco and New York City. One of the major hurdles might be the stores' scalability as e.g. the original Seattle store only amounts to some 170 square meters in floor space and holds a very limited goods selection. Indeed, the Amazon Go stores are primarily meant to serve business districts during breakfast and lunch hours. Amazon subsequently opened the first supermarket-size store, called Amazon Go Grocery, in Seattle in February 2020, which at 970 square meters is significantly larger than other Go stores yet only a quarter of the size of a typical US grocery store. The store stocks some 5,000 items, including fresh produce, meats and alcohol.

We expect Amazon's Fresh and Go concepts to continue to scale up in the US. These services might well reach significant scale in certain big cities someday. However, we wouldn't expect the concepts to be rolled out in Finland even if Amazon were to expand its conventional e-commerce platform operations into the Nordics.

Figure 27: Daily-goods store category types' vulnerability to e-commerce



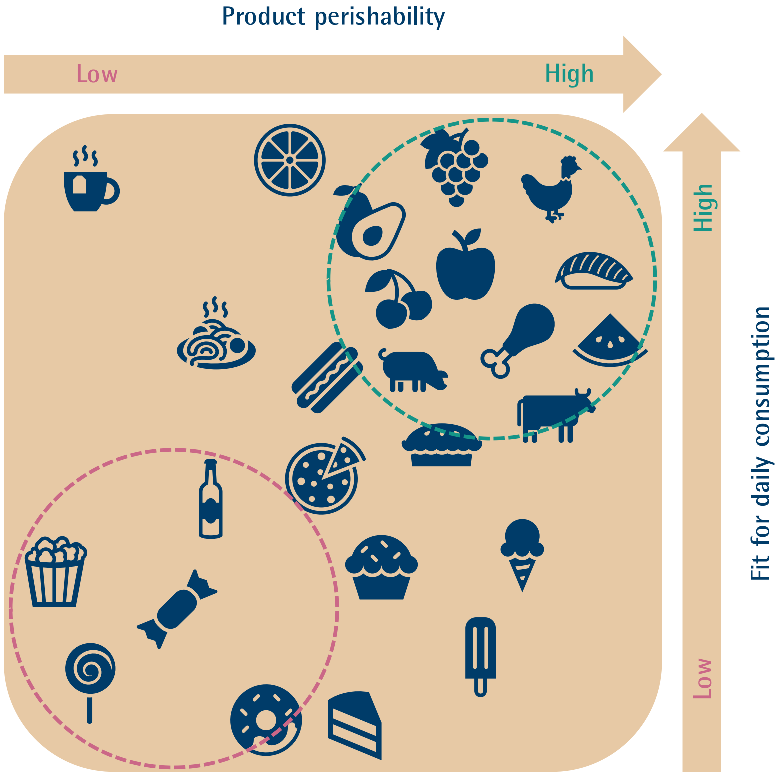
Source: Evli Research

Discount stores are, in our view, somewhat more susceptible to the e-commerce threat as they not only retail daily-goods like groceries, but also offer products that fall within categories such as electronics, toys, DIY, sports, fashion and furniture. In our opinion hypermarkets' degree of vulnerability to e-commerce lies somewhere between supermarkets and discount stores as hypermarkets' business relies more on daily-goods relative to discount stores.

E-commerce vulnerability is determined by product assortment as well as population density

Besides product-category specific considerations, we view a given geographic region's population density as an important factor in determining retailers' degree of vulnerability to e-commerce. Amazon, for example, has only launched its Fresh online grocery delivery concept in select major cities. In our view the service is very unlikely to be launched in sparsely populated regions, and thus the risk is not relevant for grocery-focused stores i.e. markets, supermarkets and hypermarkets located in the Nordics.

Figure 28: Foodstuff categories' vulnerability to e-commerce



Source: Evli Research

We see most grocery product categories as invulnerable to online shopping habits. One could imagine non-perishable daily items like spices, teas and coffee to be purchased in large lots online, however we view the number of consumers ready to store significant amounts of these goods in the pantry negligible. Certain goods more special in nature, e.g. candies, might be more susceptible to e-commerce, yet in our view this applies mainly to some high-end artisan products; we wouldn't expect many consumers to be willing to order large lots of mass-produced candies online.

We view grocery stores as crucial pick-up locations in the online order distribution network

Supermarkets and markets are in fact positioned to benefit from the growing prevalence of e-commerce. Physical grocery retail stores are often the most convenient pick-up locations for online purchases, which makes them a natural order distribution network for e-commerce operations. Parcel service companies also prefer this arrangement, especially in the rural areas, since the orders don't have to be delivered door-to-door across sparsely populated landscapes. An urban customer might likewise prefer to visit their nearby grocery store for a parcel pick-up instead of having to wait in their apartment for a delivery that will arrive at some indefinite point within several hours' frame. Furthermore, consumers often pick up online grocery purchases from a physical store in a click-and-collect fashion. Grocery stores are likely to retain and even strengthen their role as service centers for residential areas since ancillaries like pharmacies sit well within their premises. This development is particularly prevalent in the rural areas.

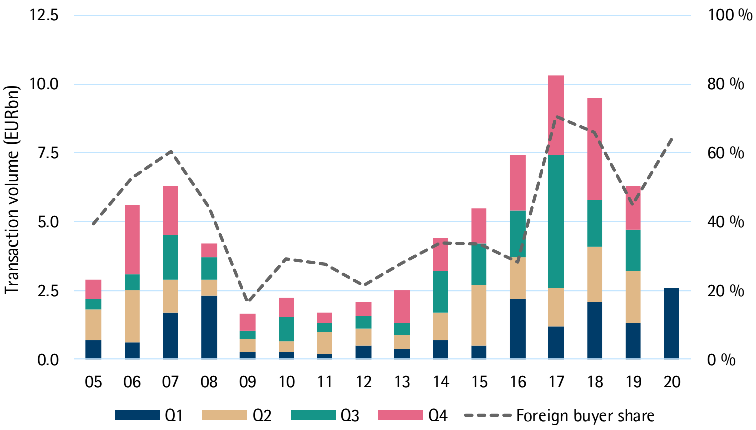
Kesko is committed to increasing the number of ancillary services available within its grocery retail stores. The company has already rolled out numerous additional parcel service points in co-operation with players like Posti and DHL. Parcel and postal services are now available at nearly 1,000 Kesko grocery stores.

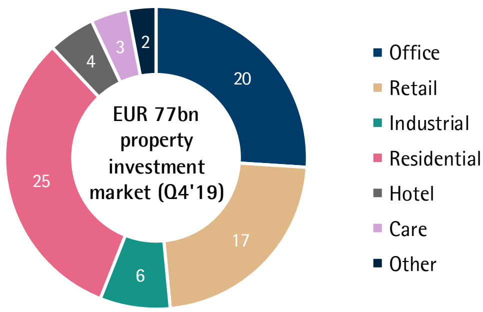
Property market trends

Certain large international investments drove Finnish property market transaction volumes to very high levels in 2017-18

The Finnish property market has grown more popular among international investors during the past decade. New records in terms of transaction volumes were set in 2017 when landmark deals such as the acquisition of Sponda by Blackstone materialized. 2018 proved similarly strong year with total transaction volume close to EUR 10bn, helped by e.g. the acquisition of Technopolis. Total transaction volume was a little subdued in 2019, at some EUR 6.5bn, compared to the few previous years and can be viewed a return to more normal levels as exceptionally large deals were absent and the share of international buyers declined closer to its long-term 40% average. Offices retained their position as the most traded property sector and contributed close to 40% of total volume, a similar share compared to the two previous years. CBRE estimates residential and retail properties accounted for respective 30% and 15% shares of total 2019 transaction volume. Retail property transaction volumes slowed markedly during the past two years, declining by approximately two-thirds in absolute value from 2017 to 2019. Meanwhile residential deal volumes more than doubled in absolute value. CBRE estimates the Helsinki Metropolitan Area represented 62% of 2019 transaction volume. KTI reports Q1'20 saw over EUR 2.6bn in transactions, the highest first quarter volume ever and the fourth highest of all recorded quarters, as four exceptionally large property deals closed. The pandemic is bound to put a cap on volumes for a while.

Figure 29: Finnish property market transaction volumes and total market size





Source: KTI

Foreign investors' exposure to Finland continued to increase in 2019, and KTI estimates such interests now represent about a third of the EUR 77bn Finnish total property investment universe. Domestic property investment funds and companies continued to add to their portfolios. During the last five years Finnish institutional investors' direct domestic assets have fallen to some 22% from 32% as a share of the total market.

Residential property investment has boomed in Finland

KTI estimates residential investment properties' total value grew by some EUR 4.5bn in 2019 as the existing property stock's value increased by 9.7% (or EUR 2.0bn) and significant amounts of new rental residential properties were developed (EUR 2.5bn). Finnish rental residential properties attracted wide interest and foreign investors participated more actively than before. Residential properties' share of the total investment property stock increased to 32% from 29% in 2018. Office property investment stock increased by some EUR 0.6bn but declined from 28% to 26% as a share of the total market. One important milestone was reached in 2018 when the major Finnish residential property investment company Kojamo floated its shares in Nasdaq Helsinki. Indeed, the Finnish residential property investment market has come close to catching up with Sweden and other European countries.

Plentiful shopping center supply will continue to pressure retail property sector returns

The overall Finnish property investment market continued to develop well in 2019, generating a total return of 8.8% for the year (of which 4.7% was attributable to rental income) and can be compared to the 6.6% total return in 2018, according to KTI. This means the latter part of last decade recorded a very strong overall performance. Residential properties retained their position as the best performing sector with a total return of 14.3% (8.8% in 2018), including a rental income component of some 4.6%. The two other major sectors, office and retail, did not perform nearly as strong with offices producing a 5.9% total return (prime properties continued to record increasing rents as well as yield compression, while less desirable office assets still faced headwinds from high vacancy rates and increased costs) and further widening in shopping centers' yields left retail properties' total return to 2.3%. These observations are quite well in line with what has happened during the few previous years, although in our view residential property performance was exceptionally strong even if the rental outlook remains positive. In our view Helsinki prime office properties are positioned rather neutrally relative to other European cities in terms of rents and yields. It remains to be seen how the wider retail property sector will develop going forward as the onset of the coronavirus pandemic and the ample supply in shopping center space coincide at a time when e-commerce has already battered many retailers' commercial prospects (the situation is not helped by the recent opening of two notable shopping centers in Helsinki).

Swedish retail property deal volumes have mostly vanished

The Swedish property market witnessed a record SEK 218bn in 2019 transaction volume, and thus handily topped the previous all-time high of SEK 201bn set in 2016, according to Newsec. Foreign investors accounted for 30% of 2019 transaction volume. The residential sector remained the most traded one for the third year in a row and accounted for 32% of deal volume, driven by a transaction in which Vonovia purchased a majority stake in the residential giant Hembla. The office sector was the second-most traded with a 24% share of total transaction volume, driven by large number of separate major office purchases (17 such properties were valued at over SEK 1bn in 2019). The year was notable for its lack of retail property transaction volume. Retail transactions accounted for just 6% of total deal volume in 2019, in other words the lowest level since 2003. A common bifurcation story is playing out as prime retail rents continued to rise while retail properties in less attractive locations, limited catchment areas and lower adaptability to different uses still struggled. Newsec views certain strong shopping centers and out-of-town retail still able to attract considerable interest when put up for sale.

Other Nordic daily-goods property portfolios

Trophi Fastighets holds a portfolio of over 280 daily-goods properties located in Sweden and Finland. The portfolio amounts to more than 900,000 square meters of lettable area and 83% of rental income is generated by grocery retail. Trophi's largest tenants are ICA, Coop, Axfood, Kesko and S-Group. Trophi (Greek for food) is managed by Redito and wholly owned by the Third Swedish National Pension Fund.

Mercada owns 41 daily-goods properties in Finland and Sweden with a total lettable area of 338,000 square meters. Three of the properties are shopping centers. Kesko generates ca. 80% of Mercada's gross rental income with long triple-net lease agreements. Mercada is owned by Kesko, Ilmarinen Mutual Pension Insurance Company and AMF in equal shares. The property portfolio was valued at EUR 674m at the end of 2019 and generated a 6.2% yield during the year (based on the third-party valuation). The portfolio was thus valued at ca. EUR 2,000 per sqm.

Financials and estimates

Income statement and cash flow

Cibus' rental income is fully-linked to inflation and thus can be expected to increase by 1-2% annually like-for-like. The company's rental income is based on signed lease contracts (including service charges and potential rental discounts) as well as other property-related income.

Property expenses include certain maintenance charges and property-related administration costs. Property expenses also include property tax, which is based on the properties' current tax values.

The company has made an annual capex reservation charge of EUR 2.5m, whereas the base case capex amounts to some EUR 1.5m. The respective charge covers such renovation costs that are not borne by the tenants. Such larger renovations are expected to occur in a steady fashion throughout the coming years.

Currently central administration expenses are projected at some EUR 4m on an annual level. Administration expenses have traditionally included fees payable to Sirius Capital Partners. We estimate, based on the old agreement, that such fees could have amounted to some EUR 1.5-2.0m annually. Thus Cibus' own internal organization charges amounted to ca. EUR 2.0m. The figure also includes such items payable to Colliers and Newsec, the property managers in Finland and Sweden respectively, that are not directly attributable to portfolio properties. As Sirius' role in property portfolio management has already been reduced the amount of fees charged has also decreased accordingly. Cibus says the transition from Sirius' services to own independent portfolio management is to be completed on a cost neutral basis.

Besides interest rate costs net financial expenses include, in accordance with IFRS 16, site leasehold fees. Prepaid arrangement fees are included as well; such one-off items do not affect future cash flow.

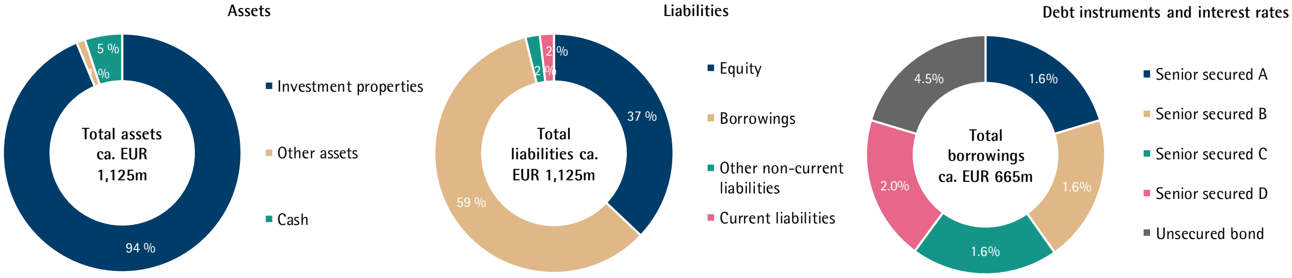
Balance sheet

Cibus' balance sheet is fairly straightforward and consists mostly of investment properties on the asset side; meanwhile the liabilities side holds a significant amount of borrowings (both senior secured debt as well as an unsecured junior bond). At the end of 2019 the investment properties were valued at EUR 875m. These represent Cibus' Finnish properties and since then the company has added some EUR 180m of properties located in Sweden. Total borrowings stood at EUR 535m at the end of 2019 while the cash position was EUR 25m. The Swedish transaction was financed with new senior bank debt and proceeds from share issue. Cibus assumed SEK 1.35bn in secured bank debt from

Swedbank in connection with the acquisition. The loan has a 4-year tenor and carries a 2% interest rate. Cibus issued 6.22m new shares in a directed share issue, raising some SEK 886m for the acquisition. The transaction, completed in early March 2020, allowed the company to tap funding in excess of the purchase price, and thus Cibus now has roughly EUR 50m in cash waiting for deployment.

The investment properties' external valuation is conducted by Newsec and the latest (pro-forma following the Coop portfolio acquisition) gross asset value stands at EUR 1,055m.

Figure 30: Cibus Nordic pro-forma balance sheet and debt financing composition



Source: Evli Research, Cibus Nordic

Cibus currently has four senior secured debt facilities from large Nordic banks and institutions, representing a total of ca. EUR 530m in borrowings, in addition to a EUR 135m unsecured junior bond. The senior debt facilities are basically of equal size and have an average interest rate of about 1.7% while the bond carries a 4.5% coupon. The company thus pays an average interest rate of some 2.3%. None of the debt is subject to amortization payments. The bank loans' weighted average tenor is some 3.5 years, while the bond has its maturity date in May 2021. The bond is listed on the corporate bond list of Nasdaq Stockholm and has been trading well above par, translating to a yield meaningfully below the coupon rate and thus implying refinancing opportunity at more favorable terms. The bond contains a covenant that stipulates a 70% LTV limit on leverage.

The company used to pay slightly higher interest rates on its secured debt facilities, some 2.3%, but has been able to refinance the bank loans at better terms since the IPO. Cibus now pays 1.6% on those same three facilities. The agreements were upsized in order to allow capacity for new acquisitions, and therefore the absolute financing costs remain at the previous level while the asset base has expanded. 71% of these bank loans are hedged with interest-rate derivatives.

EPRA NAV amounted EUR 11.4 per share at the end of 2019. We would expect the Swedish acquisition to have had a slightly positive effect on the figure. We note Cibus' EPRA NAV growth rate is curtailed by the company's very high dividend pay-out ratio.

Estimates

Cibus produces its own earnings capacity assessment each quarter. The assessment is not meant to serve as a forecast, but rather provides a theoretical snapshot reflecting current lease agreements, occupancy rate, property expenses, interest rates, and other items affecting results. We base our current estimates on the company's latest reported earnings capacity and include the acquisition of Coop properties by incorporating the disclosed figures.

Table 2: Cibus Nordic estimates summary

Cibus Nordic	Q1'19	Q2'19	Q3'19	Q4'19	2019	Q1'20e	Q2'20e	Q3'20e	Q4'20e	2020e	2021e
Rental income	12.7	12.6	13.2	13.2	51.5	13.9	16.2	16.3	16.3	62.7	65.8
Net rental income [1]	12.1	11.5	12.5	12.6	48.6	13.0	15.3	15.4	15.5	59.2	62.3
Operating income [2]	11.2	10.5	11.3	10.6	43.5	11.9	14.3	14.4	14.4	55.1	58.3
Net operating income [3]	7.6	6.8	7.3	7.0	28.7	7.6	10.2	10.2	10.2	38.2	42.3

1) Rental income less Property expenses

2) Net rental income less Central administration expenses

3) Operating income less Net financial costs

Source: Evli Research

With regards to Q1'20 Cibus has communicated the Coop acquisition will record no items affecting rental income or property expenses comparability. Administrative costs as well as financial expenses will be temporarily elevated due to the acquisition. Cibus is going to book EUR 1m positive change in unrealized property value for the quarter. Cibus says it expects to make rental concessions to certain few small ancillary tenants, such as hair salons, during Q2'20 perhaps to the tune of EUR 0.2m.

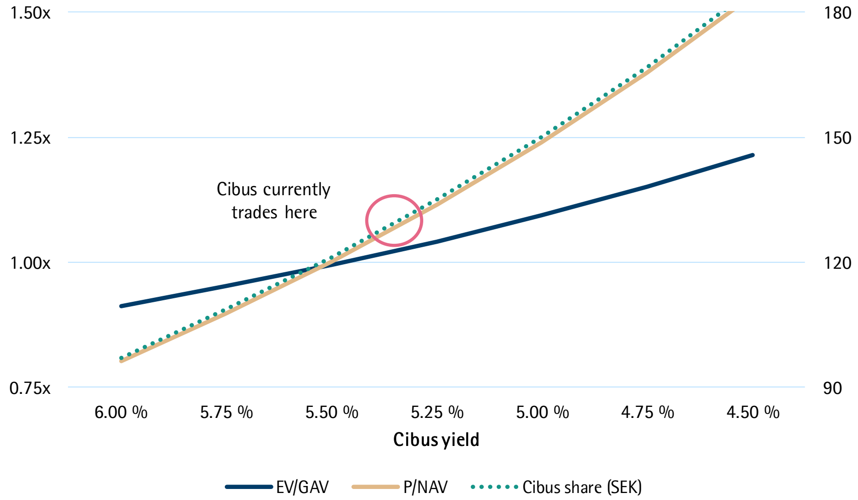
Valuation

Cibus' shares currently trade on Nasdaq First North Premier Growth Market, however the company has plans to switch to the main market at Nasdaq Stockholm during 2020. Our current TP of SEK 150 (155) per share is based on the assessment that a yield spread of 100bps in comparison to large Nordic property portfolios would be enough to compensate for both relative illiquidity as well as certain moderate amount of residual value risk. Our rating is therefore now BUY (HOLD).

GAV and NAV valuation

In our view premium GAV and NAV valuations (i.e. price multiple above par) are justified in Cibus' case as the 5.5% valuation yield used in the third-party valuation is rather on the conservative side. Moreover, Cibus' external valuation per square meter, at some EUR 1,700, is quite conservative compared to e.g. Mercada, whose property portfolio is valued at around EUR 2,000 per square meter. The 18% GAV premium would imply, applied to Cibus' current portfolio and capital structure, a NAV valuation almost 50% above the current level. We see upside to Cibus' current 1.01x EV/GAV and 1.08x P/NAV multiples.

Figure 31: Cibus Nordic GAV and NAV valuation



Source: Evli Research

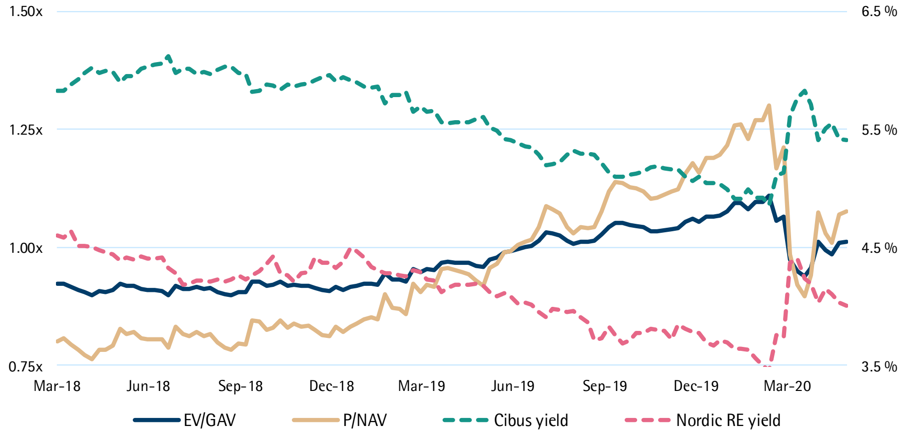
In our opinion it is reasonable to expect Cibus will be able to acquire properties at attractive prices, relative to its own valuation level, also going forward. However, as Cibus is not the only player with an interest in Nordic daily-goods properties we view it prudent not to incorporate any associated upside potential in our valuation.

Cibus could be an acquisition target; there should be many possible acquirers since Cibus' relatively modest size would make the purchase easily palatable for numerous global property investors. The acquisition of Cibus would be a convenient way to gain exposure to the Nordic daily-goods property market. On the other hand, many institutional investors might not find such small individual assets (typical property valued at some EUR 4m) fitting for their portfolio management approach, preferring to concentrate instead on larger types of properties (e.g. case Sponda).

Nordic Real Estate peer valuation

As far as we know, Cibus Nordic is the only European publicly traded daily-goods property portfolio. We find there are a few such US-based portfolios, namely Brixmor Property Group, Regency Centers and Acadia Realty Trust. Cibus' fair valuation is, to an extent, made more challenging by the lack of publicly traded Nordic daily-goods property portfolios. In our view Cibus' valuation should closely track the (hypothetical) market value of such portfolios.

Figure 32: Cibus Nordic valuation and yield development

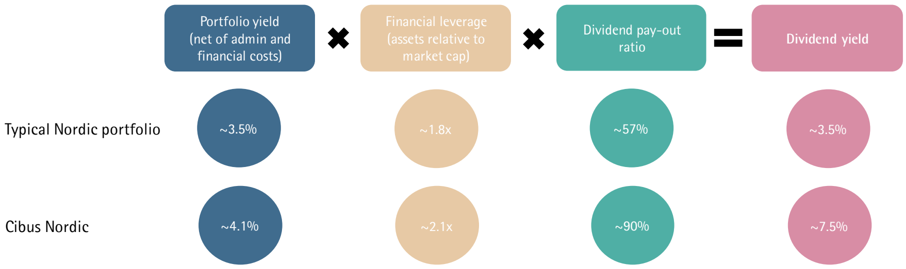


Source: Evli Research, Bloomberg, Cibus Nordic
Note: Yields based on earnings before financial expenses

Cibus' underlying properties are relatively illiquid

Large listed Nordic real estate companies generally trade at quite low yields in comparison to Cibus. In our view this is especially due to the different types of underlying assets: compared to Cibus' smallish grocery stores the individual assets are major properties (often located in e.g. Stockholm CBD) sought after by many local and international institutional investors alike. Frequent institutional trading compresses yields for such large assets. As individual grocery stores usually trade at rather wide yield levels we see it appropriate Cibus' portfolio is also valued somewhat conservative relative to major listed Nordic property portfolios. This underlying yield differential, coupled with Cibus' relatively high financial leverage and lofty dividend pay-out ratios, means some of Cibus' valuation multiples can appear very attractive when set against such a peer group. The three factors combine to produce a particularly elevated dividend yield.

Figure 33: Cibus' financial profile relative to Nordic portfolios



Source: Evli Research

Third-party valuations place a typical listed Nordic property portfolio at a level which translates to a 4% yield net of administrative costs. Residential property portfolios like Wallenstam and Kojamo tend to be valued highest as a sub-sector i.e. the yields are tightest there. Prime office properties, the likes of which Fabege and Hufvudstaden hold (Hufvudstaden also has high-end retail assets), are valued similarly high. Meanwhile financial leverage, as defined by the net LTV ratio, usually amounts to 43%, and dividend pay-out ratios average 57%.

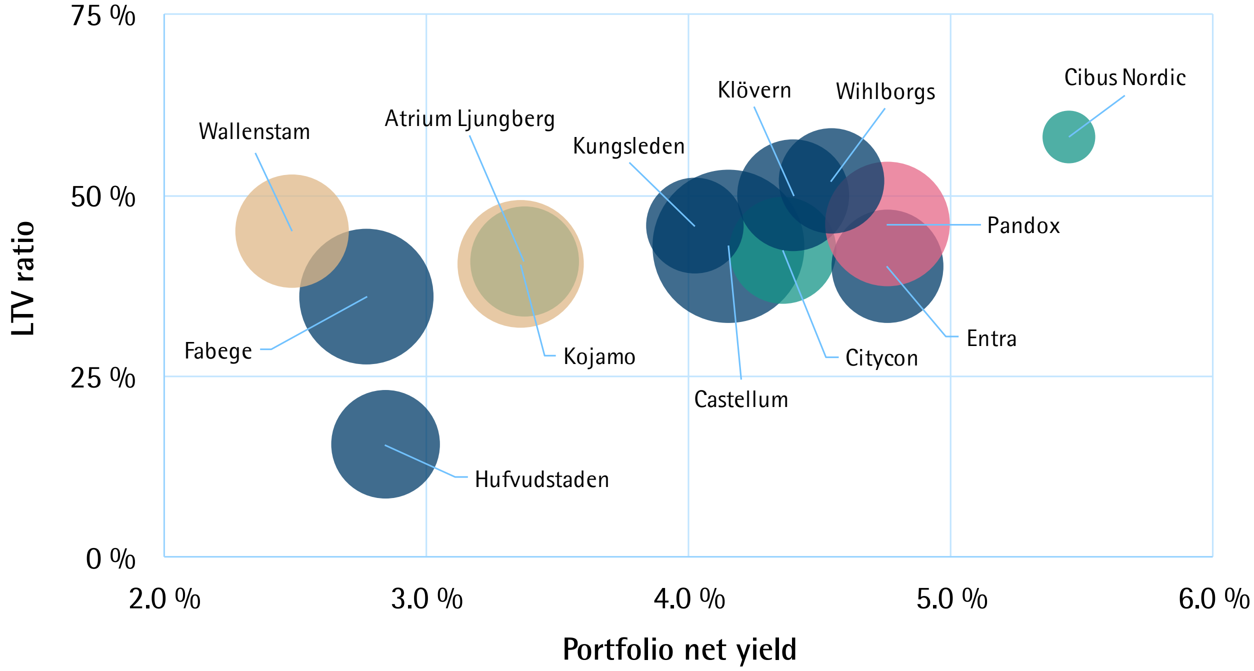
Table 3: Cibus Nordic peer valuation multiples

	MCAP	EV/EBITDA			P/B			Div. yield		
CIBUS PEER GROUP	MEUR	19	20	21	19	20	21	19	20	21
Atrium Ljungberg	1624				0.7x	0.7x	0.7x	3.8 %	3.2 %	3.9 %
Castellum	4567	25.8x	23.1x	22.1x	1.1x	1.2x	1.1x	3.7 %	3.7 %	3.9 %
Citycon	1061	20.4x	19.7x	18.6x	0.5x	0.5x	0.5x	10.9 %	8.7 %	8.2 %
Entra	2027	22.8x	21.3x	20.9x	1.0x	1.0x	1.0x	3.8 %	3.1 %	4.0 %
Fabege	3487	38.4x	30.8x	29.0x	0.9x	0.9x	0.9x	2.8 %	2.9 %	3.0 %
Hufvudstaden	2365	34.6x	25.6x	23.6x	0.8x	0.8x	0.8x	3.2 %	3.3 %	3.4 %
Klovern	1140	23.5x	22.2x	20.8x	0.9x	0.8x	0.7x	2.2 %	3.2 %	3.7 %
Kojamo	4295	30.3x	30.1x	28.5x	1.1x	1.1x	1.0x	2.0 %	2.1 %	2.2 %
Kungsleden	1424	25.3x	20.8x	19.8x	0.8x	0.8x	0.8x	1.1 %	3.9 %	4.2 %
Pandox	1548	21.1x	31.1x	18.3x	0.6x	0.6x	0.6x	4.0 %	0.7 %	3.0 %
Wallenstam	3190	45.4x	41.7x	39.9x	1.4x	1.3x	1.3x	1.8 %	1.9 %	2.0 %
Wihlborgs Fastigheter	2042	24.8x	21.3x	20.6x	1.2x	1.2x	1.1x	3.2 %	3.4 %	3.6 %
Peer Group Average	2397	**28.4x**	**26.2x**	**23.8x**	**0.9x**	**0.9x**	**0.9x**	**3.5 %**	**3.3 %**	**3.8 %**
Peer Group Median	2035	**25.3x**	**23.1x**	**20.9x**	**0.9x**	**0.9x**	**0.9x**	**3.2 %**	**3.2 %**	**3.6 %**
Cibus (Evli est.)	**459**	**21.9x**	**19.3x**	**18.2x**	**1.1x**	**1.1x**	**1.1x**	**6.2 %**	**7.6 %**	**8.0 %**
Cibus prem./disc. to peer median		*-13 %*	*-17 %*	*-13 %*	*21 %*	*25 %*	*26 %*	*96 %*	*136 %*	*120 %*

Source FactSet, Evli Research

Large Nordic real estate companies tend to have portfolios comprising relatively few assets (compared to Cibus); a typical portfolio numbers about a hundred office properties, but since such assets are on average considerably larger than Cibus' daily-goods sites these companies usually have significantly more property mass. Indeed, a typical large listed Nordic property portfolio holds close to 2m square meters of lettable area.

Figure 34: Cibus' GAV, yield and leverage in the context of large listed Nordic property portfolios



Source: Company reports (YE 2019)
Note: Bubble size indicates GAV, while blue color refers to office focus, yellow residential, green retail and pink hotel; portfolio net yield defined as property income post administration costs pre financial expenses relative to GAV

There are some good reasons why Cibus should continue to trade at a yield wider than that for a typical large listed Nordic RE company

In our view Cibus' diversified daily-goods portfolio generates highly secure and defensive cash flows, and in this sense Cibus should be valued at multiples or yields close to where large Nordic real estate companies are trading. On the other hand, Cibus is still meaningfully smaller than the largest companies in terms of GAV, in addition to which certain individual Cibus assets are associated with significant financial risk. First, there are some properties where residual value risk is meaningful. In our view these properties amount to no more than a few percentage points of Cibus' GAV, so the risk is not in fact that great. The second and in our opinion more significant risk is due to certain properties' age and consequent technical condition. We calculate the Finnish assets' average square-meter weighted construction year to be around 1997 i.e. a typical property is some 23 years old. While this situation is improved by the fact that many properties have been renovated over the years (Cibus says the average renovation-adjusted construction year is 2008), Cibus' cash flows, at least in any given year, are still exposed to some risk of being negatively impacted by capex items due to renovations. In terms of construction year (unadjusted for renovations), about 3% of Cibus' Finnish lettable area was constructed in the 1960s, 12% in the 1970s, 14% in the 1980s and 14% in the 1990s. Considering slightly more than 50% of the Finnish portfolio is leased through net leases (i.e. the tenant is not responsible for capex), Cibus can be liable for some meaningful amount of capex in any given year. Such considerations imply Cibus should continue to trade at a wider yield than large listed Nordic real estate companies.

Cibus' EUR 180m acquisition of 111 Coop supermarkets significantly improved the company's risk profile as the properties were signed with 10-year triple-net leases; the Swedish assets are also clearly less in need of renovation as 83% were either constructed or renovated during the last 15 years.

We also argue the capex risk is not necessarily such a negative factor for Cibus' shareholders, assuming a renovation will greatly extend an asset's technical lifespan. This should be the case when a property stands at a favorable micro-location, which in our view is by and large the situation for most of Cibus' assets even in the rural areas of

Finland. A temporal decrease in cash flow should not affect long-term value when the asset's viability remains intact. This consideration implies Cibus' diversified portfolio should not trade meaningfully wider than a typical large listed Nordic real estate company.

In our opinion Cibus' highly diversified portfolio should be valued at a premium relative to the individual daily-goods assets traded in small separate transactions. The main question is just how much dearer should Cibus' valuation be. If an individual supermarket property can be purchased at a 6.0% yield, should Cibus be valued at 5.5% or 5.0%? We would say Cibus' appropriate valuation should strike a correct balance between the two aforementioned yield levels, namely that of the wider Nordic real estate market (which establishes the appropriate lower bound for yield) and that of the specific daily-goods property markets where Cibus is present (which is the higher bound).

Considering the valuation levels currently witnessed in the listed Nordic property portfolio space we arrive at a TP of SEK 150 (155) per share for Cibus, based on the view that a 100bps yield differential represents an appropriate degree of spread compensating for the underlying daily-goods property illiquidity as well as any potential residual value risks. Our updated rating is thus BUY (HOLD).

VALUATION RESULTS		BASE CASE DETAILS		VALUATION ASSUMPTIONS		ASSUMPTIONS FOR WACC	
Current share price	130.60	PV of Free Cash Flow	203	Long-term growth, %	1.2	Risk-free interest rate, %	2.25
DCF share value	13.11	PV of Horizon value	796	WACC, %	5.2	Market risk premium, %	5.8
Share price potential, %	6.4	Unconsolidated equity	0	Spread, %	0.5	Debt risk premium, %	3.3
Maximum value	17.5	Marketable securities	25	Minimum WACC, %	4.7	Equity beta coefficient	0.60
Minimum value	9.7	Debt - dividend	-535	Maximum WACC, %	5.7	Target debt ratio, %	40
Horizon value, %	79.7	Value of stock	489	Nr of shares, Mn	37.3	Effective tax rate, %	20

DCF valuation, EURm	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Horizon
Net sales	52	63	66	67	67	68	69	70	71	71	72	73
Sales growth, %	*29.4*	*21.7*	*5.0*	*1.2*	*1.2*	*1.2*	*1.2*	*1.2*	*1.2*	*1.2*	*1.2*	*1.2*
Operating income (EBIT)	44	55	58	59	60	60	61	62	63	63	64	65
Operating income margin, %	*84.5*	*87.9*	*88.5*	*88.5*	*88.5*	*88.5*	*88.5*	*88.5*	*88.5*	*88.5*	*88.5*	*88.5*
+ Depreciation+amort.	0	0	0	0	0	0	0	0	0	0	0	
EBITDA	44	55	58	59	60	60	61	62	63	63	64	
- Paid taxes	-3	-9	-10	-12	-12	-12	-12	-12	-13	-13	-13	
- Change in NWC	-1	0	0	0	0	0	0	0	0	0	0	
NWC / Sales, %	*-33.1*	*-27.0*	*-25.7*	*-25.4*	*-25.1*	*-24.8*	*-24.5*	*-24.2*	*-23.9*	*-23.6*	*-23.3*	
+ Change in other liabs	6	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-51	-180	0	0	0	0	0	0	0	0	0	
opCAPEX / Sales, %	*99.7*	*289.2*	*0.5*	*0.1*	*0.1*	*0.1*	*0.1*	*0.1*	*0.1*	*0.1*	*0.1*	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	7	0	0	0	0	0	0	0	0	0	0	
= FCFF	1	-134	48	47	48	48	49	49	50	51	51	1,296
= Discounted FCFF		-130	44	41	40	38	37	35	34	33	31	796
= DFCF min WACC		-130	44	42	40	39	38	36	35	34	33	953
= DFCF max WACC		-130	44	41	39	37	36	34	33	31	30	676

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1E	2020Q2E	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	12.7	12.5	13.2	13.1	51.5	13.9	16.2	16.3	16.3	62.7	65.8	66.6
EBITDA	11.2	10.4	11.3	10.6	43.5	11.9	14.3	14.4	14.4	55.1	58.3	59.0
EBITDA margin (%)	*88.5*	*82.9*	*85.6*	*80.9*	*84.5*	*85.6*	*88.5*	*88.5*	*88.5*	*87.9*	*88.5*	*88.5*
EBIT	11.2	10.4	11.3	10.6	43.5	11.9	14.3	14.4	14.4	55.1	58.3	59.0
EBIT margin (%)	*88.5*	*82.9*	*85.6*	*80.9*	*84.5*	*85.6*	*88.5*	*88.5*	*88.5*	*87.9*	*88.5*	*88.5*
Net financial items	-3.5	-3.6	-4.0	-3.6	-14.8	-4.3	-4.1	-4.1	-4.1	-16.7	-16.0	-16.0
Pre-tax profit	7.7	6.8	7.3	7.0	28.7	7.6	10.2	10.2	10.3	38.3	42.3	43.0
Tax	-1.1	-2.1	-0.8	-1.1	-5.1	-1.5	-1.5	-1.5	-2.0	-6.5	-7.5	-8.6
Tax rate (%)	*13.9*	*31.1*	*11.5*	*15.7*	*17.8*	*19.7*	*14.7*	*14.6*	*19.4*	*17.0*	*17.7*	*20.0*
Net profit	6.6	4.7	6.5	5.9	23.6	6.1	8.7	8.7	8.3	31.8	34.8	34.4
EPS	0.21	0.15	0.21	0.19	0.76	0.16	0.23	0.23	0.22	0.85	0.93	0.92
EPS adjusted (diluted no. of shares)	0.21	0.15	0.21	0.19	0.76	0.16	0.23	0.23	0.22	0.85	0.93	0.92
Dividend per share	0.00	0.00	0.00	0.00	0.89	0.00	0.00	0.00	0.00	0.93	0.98	1.03
SALES, EURm												
Cibus Nordic	12.7	12.5	13.2	13.1	51.5	13.9	16.2	16.3	16.3	62.7	65.8	66.6
Total	12.7	12.5	13.2	13.1	51.5	13.9	16.2	16.3	16.3	62.7	65.8	66.6
SALES GROWTH, Y/Y %												
Cibus Nordic	*308.2*	*7.6*	*5.2*	*4.8*	*29.4*	*9.8*	*29.1*	*23.2*	*24.6*	*21.7*	*5.0*	*1.2*
Total	*308.2*	*7.6*	*5.2*	*4.8*	*29.4*	*9.8*	*29.1*	*23.2*	*24.6*	*21.7*	*5.0*	*1.2*
EBIT, EURm												
Cibus Nordic	11.2	10.4	11.3	10.6	43.5	11.9	14.3	14.4	14.4	55.1	58.3	59.0
Total	11.2	10.4	11.3	10.6	43.5	11.9	14.3	14.4	14.4	55.1	58.3	59.0
EBIT margin, %												
Cibus Nordic	*88.5*	*82.9*	*85.6*	*80.9*	*84.5*	*85.6*	*88.5*	*88.5*	*88.5*	*87.9*	*88.5*	*88.5*
Total	*88.5*	*82.9*	*85.6*	*80.9*	*84.5*	*85.6*	*88.5*	*88.5*	*88.5*	*87.9*	*88.5*	*88.5*

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	0.0	0.0	0.0	39.8	51.5	62.7	65.8	66.6
Sales growth (%)	*0.0*	*0.0*	*0.0*	*0.0*	*29.4*	*21.7*	*5.0*	*1.2*
EBITDA	0.0	0.0	0.0	33.7	43.5	55.1	58.3	59.0
EBITDA margin (%)	*0.0*	*0.0*	*0.0*	*84.7*	*84.5*	*87.9*	*88.5*	*88.5*
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITA	0.0	0.0	0.0	33.7	43.5	55.1	58.3	59.0
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	0.0	0.0	0.0	33.7	43.5	55.1	58.3	59.0
EBIT margin (%)	*0.0*	*0.0*	*0.0*	*84.7*	*84.5*	*87.9*	*88.5*	*88.5*
Reported EBIT	0.0	0.0	0.0	65.7	50.2	55.1	58.3	59.0
EBIT margin (reported) (%)	*0.0*	*0.0*	*0.0*	*165.1*	*97.5*	*87.9*	*88.5*	*88.5*
Net financials	0.0	0.0	0.0	-10.0	-14.8	-16.7	-16.0	-16.0
Pre-tax profit	0.0	0.0	0.0	23.7	28.7	38.3	42.3	43.0
Taxes	0.0	0.0	0.0	-7.0	-5.1	-6.5	-7.5	-8.6
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	0.0	0.0	0.0	48.7	30.3	31.8	34.8	34.4
Cash NRIs	0.0	0.0	0.0	32.0	6.7	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	0	0	768	817	875	1,055	1,055	1,055
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	0	6	7	8	8
Inventory	0	0	0	0	0	0	0	0
Receivables	0	0	5	3	6	6	6	6
Liquid funds	0	0	17	26	25	30	32	32
Total assets	0	0	792	848	913	1,099	1,101	1,102
Liabilities								
Shareholder's equity	0	0	334	329	333	421	421	419
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	0	0	7	8	8
Deferred taxes	0	0	7	9	14	14	14	14
Interest bearing debt	0	0	440	486	535	626	628	631
Non-interest bearing current liabilities	0	0	0	0	0	0	0	0
Other interest-free debt	0	0	11	24	31	31	31	31
Total liabilities	0	0	792	848	913	1,099	1,101	1,102
CASH FLOW, EURm								
+ EBITDA	0	0	0	34	44	55	58	59
- Net financial items	0	0	0	-10	-15	-17	-16	-16
- Taxes	0	0	5	0	0	-6	-7	-9
- Increase in Net Working Capital	0	0	5	14	-1	0	0	0
+/- Other	0	0	0	-16	7	0	0	0
= Cash flow from operations	0	0	10	21	34	32	35	34
- Capex	0	0	-768	-4	-51	-181	0	0
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	0	0	-758	18	-17	-150	34	34
+/- New issues/buybacks	0	0	334	-29	0	84	0	0
- Paid dividend	0	0	0	-25	-26	-28	-35	-37
+/- Other	0	0	442	44	43	98	2	3
Change in cash	0	0	17	8	-1	5	2	0

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	0	0	327	443	460	460	460
Net debt (excl. convertibles)	0	423	461	510	603	604	606
Enterprise value	0	423	787	954	1,063	1,064	1,066
Sales	0	0	40	52	63	66	67
EBITDA	0	0	34	44	55	58	59
EBIT	0	0	34	44	55	58	59
Pre-tax	0	0	24	29	38	42	43
Earnings	0	0	17	24	32	35	34
Equity book value (excl. minorities)	0	334	329	333	421	421	419
Valuation multiples							
EV/sales	0.0	0.0	19.8	18.5	17.0	16.2	16.0
EV/EBITDA	0.0	0.0	23.4	21.9	19.3	18.3	18.1
EV/EBITA	0.0	0.0	23.4	21.9	19.3	18.3	18.1
EV/EBIT	0.0	0.0	23.4	21.9	19.3	18.3	18.1
EV/OCF	0.0	42.7	36.8	28.2	33.5	30.6	31.0
EV/FCFF	0.0	-0.6	-4.4	1,142.0	-7.9	22.2	22.6
P/FCFE	0.0	0.0	1.8	-2.5	-32.6	141.8	142.2
P/E	0.0	0.0	19.6	18.8	14.5	13.2	13.4
P/B	0.0	0.0	1.0	1.3	1.1	1.1	1.1
Target EV/EBITDA	*0.0*	*0.0*	*0.0*	*0.0*	*112.6*	*106.5*	*105.2*
Target EV/EBIT	*0.0*	*0.0*	*0.0*	*0.0*	*112.6*	*106.5*	*105.2*
Target EV/FCF	*0.0*	*0.0*	*0.0*	*0.0*	*-41.5*	*180.4*	*181.0*
Target P/B	*0.0*	*0.0*	*0.0*	*0.0*	*13.3*	*13.3*	*13.4*
Target P/E	*0.0*	*0.0*	*0.0*	*0.0*	*175.9*	*161.0*	*162.9*
Per share measures							
Number of shares	31,100	31,100	31,100	31,100	37,320	37,320	37,320
Number of shares (diluted)	31,100	31,100	31,100	31,100	37,320	37,320	37,320
EPS	0.00	0.00	0.54	0.76	0.85	0.93	0.92
Operating cash flow per share	0.00	0.32	0.69	1.09	0.85	0.93	0.92
Free cash flow per share	0.00	-24.38	0.57	-0.56	-4.01	0.92	0.92
Book value per share	0.00	10.74	10.57	10.70	11.29	11.28	11.22
Dividend per share	0.00	0.80	0.84	0.89	0.93	0.98	1.03
Dividend payout ratio, %	0.0	0.0	156.4	117.3	109.6	105.3	111.9
Dividend yield, %	0.0	0.0	8.0	7.2	7.6	8.0	8.4
FCF yield, %	0.0	0.0	5.5	-3.9	-32.5	7.5	7.5
Efficiency measures							
ROE	0.0	0.0	5.0	7.1	8.4	8.3	8.2
ROCE	0.0	0.0	4.2	5.2	5.7	5.5	5.6
Financial ratios							
Inventories as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables as % of sales	0.0	0.0	8.4	11.2	9.3	8.9	8.8
Non-interest bearing liabilities as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NWC/sales, %	0.0	0.0	-45.6	-33.1	-27.0	-25.7	-25.4
Operative CAPEX/sales, %	0.0	0.0	9.0	99.7	289.2	0.5	0.1
CAPEX/sales (incl. acquisitions), %	0.0	0.0	9.0	99.7	289.2	0.5	0.1
FCFF/EBITDA	0.0	0.0	-5.3	0.0	-2.4	0.8	0.8
Net debt/EBITDA, book-weighted	0.0	0.0	13.7	11.7	11.0	10.4	10.3
Debt/equity, market-weighted	0.0	0.0	1.5	1.2	1.4	1.4	1.4
Equity ratio, book-weighted	0.0	42.2	38.8	36.5	38.3	38.2	38.0
Gearing, %	0.0	126.5	140.1	153.4	143.3	143.4	144.8

COMPANY DESCRIPTION: Cibus Nordic Real Estate owns a highly diversified portfolio of daily-goods properties located around Finland and Southern Sweden. With regards to the Finnish portfolio, roughly 90% of rental income is generated by properties where either Kesko, Tokmanni or S-Group is the anchor tenant, and consequently portfolio income is largely attributable to the supermarket and discount store types. Southern Sweden is responsible for some 17% of net rental income following the acquisition of 111 Coop supermarket properties. The portfolio exhibits defensive characteristics and is expected to produce stable cash flows as the lease agreements mostly stipulate the properties' upkeep and renovation costs to be paid by the tenants.

INVESTMENT CASE: Cibus' cash flow profile is very stable and tenant risks manageable. In our view the supermarket segment is a particularly attractive type of daily-goods property. We see Cibus' current net yield level still rather high compared to other listed Nordic real estate companies, implying further upside potential.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Fourth Swedish National Pension Fund	3,304,462	40.714	8.9%
SFC Holding S.à r.l.	3,200,000	39.427	8.6%
Amiral Gestion	1,806,879	22.263	4.8%
Marjan Dragicevic	1,604,000	19.763	4.3%
Länsförsäkringar Funds	1,509,575	18.599	4.0%
Talomon Capital Limited	1,087,176	13.395	2.9%
Dragfast AB	1,000,000	12.321	2.7%
BMO Global Asset Management	894,434	11.020	2.4%
Avanza Pension	882,623	10.875	2.4%
Svenska Handelsbanken AB for PB	871,276	10.735	2.3%
Ten largest	16,160,425	199.112	43%
Residual	21,159,575	260.707	57%
Total	37,320,000	459.819	100%

EARNINGS CALENDAR	
May 15, 2020	Q1 report
August 20, 2020	Q2 report
November 12, 2020	Q3 report
OTHER EVENTS	
April 23, 2020	AGM

COMPANY MISCELLANEOUS	
CEO: Sverker Källgården	Kungsgatan 56, 111 22 Stockholm
CFO: Pia-Lena Olofsson	Tel:
IR:	

DEFINITIONS

P/E $\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS $\frac{\text{Profit before extraord. items and taxes– income taxes + minority interest}}{\text{Number of shares}}$
P/BV $\frac{\text{Price per share}}{\text{Shareholders' equity + taxed provisions per share}}$	DPS Dividend for the financial period per share
Market cap Price per share * Number of shares	OCF (Operating cash flow) EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value) Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow) Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales $\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, % $\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA $\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales $\frac{\text{Capital expenditure – divestments – acquisitions}}{\text{Sales}}$
EV/EBIT $\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital Current assets – current liabilities
Net debt Interest bearing debt – financial assets	Capital employed/Share $\frac{\text{Total assets – non-interest bearing debt}}{\text{Number of shares}}$
Total assets Balance sheet total	Gearing $\frac{\text{Net debt}}{\text{Equity}}$
Div yield, % $\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, % $\frac{\text{Interest bearing debt}}{\text{Shareholders' equity + minority interest + taxed provisions}}$
Payout ratio, % $\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes – income taxes + minority interest}}$	Equity ratio, % $\frac{\text{Shareholders' equity + minority interest + taxed provisions}}{\text{Total assets – interest-free loans}}$
ROCE, % $\frac{\text{Profit before extraordinary items + interest expenses+ other financial costs}}{\text{Balance sheet total – non-interest bearing debt (average)}}$	CAGR, % Cumulative annual growth rate = Average growth per year
ROE, % $\frac{\text{Profit before extraordinary items and taxes – income taxes}}{\text{Shareholder's equity + minority interest + taxed provisions (average)}}$	

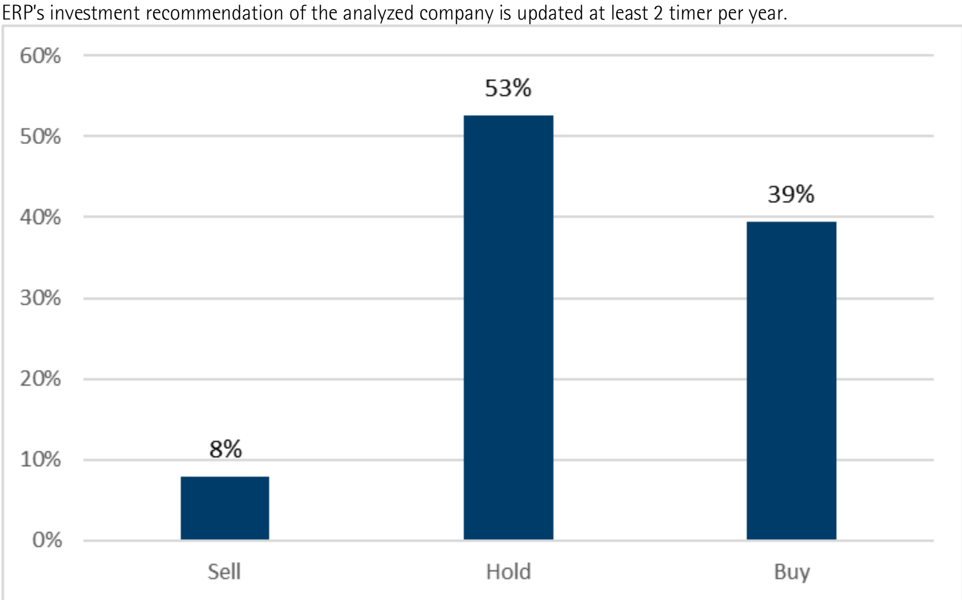
Important Disclosures

Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at Analysts' recommendations and ratings revisions.

Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

ERP's investment recommendation of the analyzed company is updated at least 2 timer per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Ilvonen

This research report has been prepared by Evli Research Partners Plc ("ERP" or "Evli Research"). ERP is a subsidiary of Evli Bank Plc. Production of the investment recommendation has been concluded on [12.5.2020, 9:15]. This report has been published on [12.5.2020, 9:30].

None of the analysts contributing to this report, persons under their guardianship or corporations under their control have a position in the shares of the company or related securities.

The date and time for any price of financial instruments mentioned in the recommendation refer to the previous trading day's closing price(s) unless otherwise stated in the report.

Each analyst responsible for the content of this report assures that the expressed views accurately reflect the personal views of each analyst on the covered companies and securities. Each analyst assures that (s)he has not been, nor are or will be, receiving direct or indirect compensation related to the specific recommendations or views contained in this report.

Companies in the Evli Group, affiliates or staff of companies in the Evli Group, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report.

Neither ERP nor any company within the Evli Group have managed or co-managed a public offering of the company's securities during the last 12 months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the research report.

ERP has signed an agreement with the issuer of the financial instruments mentioned in the recommendation, which includes production of research reports. This assignment has a limited economic and financial impact on ERP and/or Evli. Under the assignment ERP performs services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP or another company within the Evli Group does not have an agreement with the company to perform market making or liquidity providing services.

For the prevention and avoidance of conflicts of interests with respect to this report, there is an information barrier (Chinese wall) between Investment

Research and Corporate Finance units concerning unpublished investment banking services to the company. The remuneration of the analyst(s) is not tied directly or indirectly to investment banking transactions or other services performed by Evli Bank Plc or any company within Evli Group.

This report has been disclosed to the company prior to its dissemination. The company has not made any amendments to its contents. Selected portions of the report were provided to the company for fact checking purposes only.

This report is provided and intended for informational purposes only and may not be used or considered under any circumstances as an offer to sell or buy any securities or as advice to trade any securities.

This report is based on sources ERP considers to be correct and reliable. The sources include information providers Reuters and Bloomberg, stock-exchange releases from the companies and other company news, Statistics Finland and articles in newspapers and magazines. However, ERP does not guarantee the materialization, correctness, accuracy or completeness of the information, opinions, estimates or forecasts expressed or implied in the report. In addition, circumstantial changes may have an influence on opinions and estimates presented in this report. The opinions and estimates presented are valid at the moment of their publication and they can be changed without a separate announcement. Neither ERP nor any company within the Evli Group are responsible for amending, correcting or updating any information, opinions or estimates contained in this report. Neither ERP nor any company within the Evli Group will compensate any direct or consequential loss caused by or derived from the use of the information represented in this publication.

This report or its copy may not be published or distributed in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore or South Africa. The publication or distribution of this report in certain other jurisdictions may also be restricted by law. Persons into whose possession this report comes are required to inform themselves about and to observe any such restrictions.

Evli Bank Plc is not registered as a broker-dealer with the U. S. Securities and Exchange Commission ("SEC"), and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Evli Bank is not a member of the Financial Industry Regulatory Authority ("FINRA"). It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest. This research report is only being offered in U.S. by Auerbach Grayson & Company, LLC (Auerbach Grayson) to Major U.S. Institutional Investors and is not available to, and should not be used by, any U.S. person or entity that is not a Major U.S. Institutional Investor. Auerbach Grayson is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of the FINRA. U.S. entities seeking more information about any of the issuers or securities discussed in this report should contact Auerbach Grayson. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements.

ERP is not a supervised entity but its parent company Evli Bank Plc is supervised by the Finnish Financial Supervision Authority.

Contact information

SALES, TRADING AND RESEARCH

Equity Sales

Ari Laine	+358 9 4766 9115
Lauri Ahokanto	+358 9 4766 9117
Niclas Henelius	+358 9 4766 9116

Trading

Lauri Vehkaluoto (Head)	+358 9 4766 9120
Pasi Väisänen	+358 9 4766 9120
Antti Kässi	+358 9 4766 9120
Miika Roankanen	+358 9 4766 9120

ETFs and Derivatives

Joachim Dannberg	+358 9 4766 9123
Kimmo Lilja	+358 9 4766 9130

Structured Investments

Heikki Savijoki	+358 9 4766 9726
Aki Lakkisto	+358 9 4766 9123

Equity Research

Jonas Forslund	+358 9 4766 9314
Joonas Ilvonen	+358 44 430 9071
Jerker Salokivi	+358 9 4766 9149
Anna-Liisa Rissanen	+358 40 157 9919

Evli Investment Solutions

Johannes Asuja	+358 9 4766 9205
Markku Reinikainen	+358 9 4766 9669

EVLI BANK PLC
Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Fax +358 9 634 382
Internet www.evli.com
E-mail firstname.lastname@evli.com

**EVLI BANK PLC,
STOCKHOLMSFILIAL**
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000
Fax +46 (0)8 407 8001