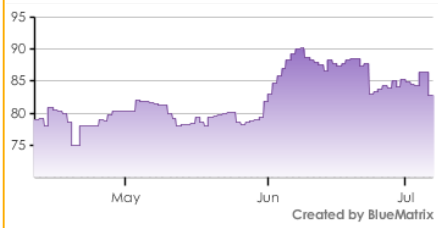
SIRIUS REAL ESTATE LTD (LON:SRE)

October 10, 2023

Real Estate

52-WEEK HIGH	**£96.50**
52-WEEK LOW	**£64.20**
PRICE	**£83.05**
MARKET CAP MLN	£1,019.91

Share Price



Major Shareholders

Shares in issue	1,177,722,985
Avg Three-month trading volume	2,463,654
Primary index	LON

Company Information

Address: Trafalgar Court, St Peter Port GY1 3EL
Website: www.sirius-real-estate.com

Analyst Details

Manos Halicioglu
manos.halicioglu@proactiveinvestors.com

Sirius Real Estate: Steadfast growth amidst economic headwinds

Summary

Sirius Real Estate, the premier owner and operator of branded business and industrial parks in Germany and the UK, brings to light two salient announcements since our last communication on June 13. The company demonstrates resilience and operational coherence with a 7.7% rise in like-for-like rent roll for the half-year ending 30th September 2023, aligning seamlessly with management expectations amidst the economic tremors in its operative regions. In unison with these developments, our model inputs are sustained, predicting a 100% return over the next five years (15% per annum), with the shares still being fortified by a favourable dividend yield of 6.5%.

Trading update for H1 2023

In Germany, despite economic headwinds, Sirius has maintained a stable occupancy and exceeded rental rate growth beyond inflation, thanks to its proprietary asset management platform. The company's disposal of Kassel at a value above its book value and potent trading across the German portfolio signals defiance against any negative yield expansion, thereby sustaining valuations for the period end.

In the UK, the narrative portrays continued momentum in value extraction from BizSpace. UK rent roll has triumphantly eclipsed £50 million for the first time, a reflection of deft management and capitalisation on an increasingly voracious demand for affordable, strategically located space.

The robust balance sheet with cash reserves of €112 million, a recalibrated loan facility with Deutsche Pfandbriefbank (PBB), and an assertive strategy on acquisitions and disposals, particularly in the UK market at a 9.6% net initial yield (NIY), offer a stabilising financial foundation. Furthermore, a meticulous approach towards both disposals (6.0% NIY in Germany) and acquisitions across both markets substantiates a disciplined and strategic financial management.

A notable change in the management team, with the induction of Chris Bowman as CFO and the consequential departure of Alistair Marks, embeds a refreshed financial leadership whilst maintaining a well-calibrated succession plan to ensure operational continuity.

Asset recycling programme:

On 3rd October 2023, Sirius continued its astute asset recycling program with the disposal of its Kassel business park at a 5% premium to its book value (€7.3 million), coupled with the completion of a £9.5m acquisition of two industrial assets in the UK, reflecting a pragmatic strategy of recycling capital from mature assets to those with ample room for income and value growth through adept management.

Year end Mar 31	2020	2021	2022	2023
Portfolio value, €-bn	1.19	1.36	2.08	2.10
FFO, €-mln	55.7	60.9	74.6	102.1
FFO/Shr, €-cents	5.41	5.84	6.78	8.74
Div/Shr, €-cents	3.57	3.80	4.41	5.68
Adj. NAV/shr €-cents	80.6	93.8	108.5	109.2

Andrew Coombs, chief executive officer, joined the Sirius Facilities Group in January 2010. Before that, he worked for the Regus Group as UK sales director and before that as director and general manager for MWB Business Exchange PLC.

Chris Bowman, a finance expert with close to 25 years' experience, became Sirius's CFO in July 2023 and a Board Member in August 2023. With a background in investment banking and a Chartered Accountant qualification, he oversees the company's financial operations, aids in strategic planning, and serves on the Board of Sirius Real Estate Limited.

Alistair Marks, chief investment officer, joined the then external asset manager of Sirius in 2007 from MWB Business Exchange PLC just before the IPO on AIM and has remained with the group following the management internalisation in January 2012. Prior to MWB, Alistair held financial roles with BBA Group Plc and Pfizer Ltd and qualified as a Chartered Accountant with BDO in Australia.

Implication for investment suitability

The above revelations accentuate Sirius's capability to navigate the economic tumult, backed by a strong asset management platform, stable occupancy, and strategic financial manoeuvres. The company continues to draw value and growth through its strategic dispositions and acquisitions, boding well for its value proposition and financial health.

With the company's expected return on investment over the next five years being 100%, equivalent to an annual return of 15%, our analysis suggests a sustained attraction towards investment in Sirius. Assuming a favourable investment scenario where a suitable return level over five years is pegged at 10% per annum, Sirius emerges as a 'suitable' investment.

The key pillars underpinning our model – a substantial market, expert management, consistent delivery of robust shareholder returns, and a unique value proposition – remain steadfast. Furthermore, the shares continue to be backed by a robust dividend yield of 6.5%, underlining a compelling case for both existing and potential investors in Sirius Real Estate.

General Disclaimer and copyright

LEGAL NOTICE – IMPORTANT – PLEASE READ

Proactive Research is a trading name of Proactive Investors Limited which is regulated and authorised by the Financial Conduct Authority (FCA) under firm registration number 559082. This document is published by Proactive Research and its contents have not been approved as a financial promotion by Proactive Investors Limited or any other FCA authorised person. This communication is made on the basis of the 'journalist exemption' provide for in Article 20 of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and having regard to the FCA Rules, and in particular PERG 8.12.

This communication has been commissioned and paid for by the company and prepared and issued by Proactive Research for publication. All information used in the preparation of this communication has been compiled from publicly available sources that we believe to be reliable, however, we cannot, and do not, guarantee the accuracy or completeness of this communication.

The information and opinions expressed in this communication were produced by Proactive Research as at the date of writing and are subject to change without notice. This communication is intended for information purposes only and does not constitute an offer, recommendation, solicitation, inducement or an invitation by, or on behalf of, Proactive Research to make any investments whatsoever. Opinions of and commentary by the authors reflect their current views, but not necessarily of other affiliates of Proactive Research or any other third party. Services and/or products mentioned in this communication may not be suitable for all recipients and may not be available in all countries.

This communication has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Before entering into any transaction, investors should consider the suitability of the transaction to their individual circumstance and objectives. Any investment or other decision should only be made by an investor after a thorough reading of the relevant product term sheet, subscription agreement, information memorandum, prospectus or other offering document relating to the issue of securities or other financial instruments.

Nothing in this communication constitutes investment, legal accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate for individual circumstances or otherwise constitutes a personal recommendation for any specific investor. Proactive Research recommends that investors independently assess with an appropriately qualified professional adviser, the specific financial risks as well as legal, regulatory, credit, tax and accounting consequences.

Past performance is not a reliable indicator of future results. Performance forecasts are not a reliable indicator of future performance. The investor may not get back the amount invested or may be required to pay more.

Although the information and date in this communication are obtained from sources believed to be reliable, no representation is made that such information is accurate or complete. Proactive Research, its affiliates and subsidiaries do not accept liability for loss arising from the use of this communication. This communication is not directed to any person in any jurisdiction where, by reason of that person's nationality, residence or otherwise, such communications are prohibited.

This communication may contain information obtained from third parties, including ratings from rating agencies such as Standard & Poor's, Moody's, Fitch and other similar rating agencies. Reproduction and distribution of third-party content in any form is prohibited except with the prior written consent of the related third-party. Credit ratings are statements of opinion and are not statements of fact or recommendations to purchase, hold or sell securities. Such credit ratings do not address the market value of securities or the suitability of securities for investment purposes, and should not be relied upon as investment advice.

Persons dealing with Proactive Research or members of the Proactive Investors Limited group outside the UK are not covered by the rules and regulations made for the protection of investors in the UK.

Notwithstanding the foregoing, where this communication constitutes a financial promotion issued in the UK that is not exempt under the Financial Services and Markets Act 2000 or the Orders made thereunder or the rules of the FCA, it is issued or approved for distribution in the UK by Proactive Investors Limited.

London
+44 207 989 0813
The Business Centre
6 Wool House
74 Back Church Lane
London E1 1AF

New York
+1 347 449 0879
767 Third Avenue
Floor 17
New York
NY 10017

Vancouver
+1 604-688-8158
Suite 965
1055 West Georgia Street
Vancouver, B.C. Canada
V6E 3P3

Sydney
+61 (0) 2 9280 0700
Suite 102
55 Mountain Street
Ultimo, NSW 2007