

Market Data

Ticker	SRE	Broker Views	Click Here
Sector	Real Estate Investment & Services	Market Cap (£m)	£790.63
Technical analysis	Click Here	12 Month High/Low (p)	93.5 / 44.35

Overview

Sirius Real Estate owns and operates light industrial business parks in exclusively in Germany offering a range of conventional and flexible workspace solutions. Sirius is listed in London and Johannesburg with a market capitalisation of £800m.

Sirius is a member of the FTSE 250 and various indices including FTSE EPRA/NAREIT Global Real Estate Index and the FTSE/JSE SA Listed Property Index.

Sirius' key differentiator is its fully integrated operating platform of over 250 people spread across 60+ locations in Germany which significantly enhances returns whilst reducing the risks commonly associated with the asset class. Sirius' property portfolio comprises 57 assets valued at €1.19bn equating to a gross yield of 7.6%.



Investment Case

Sirius provides investors the opportunity to invest into the high yielding light industrial asset class in Germany through a market leading owner and operator with a proven track record of active management and value creation.

High yielding asset class

- Acquire assets at c7% EPRA NIY with 20% vacancy
- 3 year geared IRRs of 25%
- 33% net LTV
- Well covered dividend representing 65% FFO pay out ratio with headroom to flex as required
- Double digit accounting returns throughout the cycle

Well diversified tenant base

- 43% of revenue is derived from the top 50 anchor tenants who are typically international blue chip corporations occupying sizeable production, storage and office workspace
- 51% of revenue is derived from SME tenants occupying conventional and flexible workspaces
- 6% of revenue is derived from micro SME and retail tenants occupying flexible workspaces and self-storage

Transformation and conversion of structural vacancy and vacant space

- Increases in income and capital values through the utilisation of structural vacancy and transformation of vacant space
- Focused capex investment programmes delivering 40% return on cost

Investment Case Continued...

Higher returns and reduced risk through use of internal operating platform

- Direct sourcing of acquisition opportunities
- No reliance on agents or brokers
- Greater lead and new tenant generation
- Increased optionality in space configuration
- Enhanced control and speed in developing space
- Motivated, target focused team of professionals

Titanium venture with AXA Investment Managers – Real Assets

- Alternative source of capital and enhanced deal access and execution potential
- Sirius participates through 35% equity stake and management fee income
- Seed portfolio sold into venture July 2019
- Portfolio grown to €230m as at 31 March 2020
- Opportunity to leverage cost of operating platform



Market overview

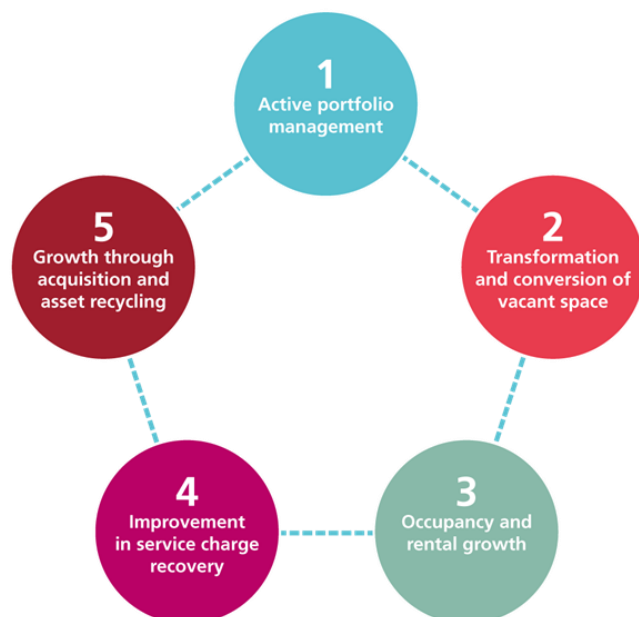
As the largest and strongest economy in Europe, Germany has consistently delivered robust economic growth over the past decade and remains the central driver of the European economy.

During the Covid-19 pandemic, the German government was one of the first in Europe to implement lockdown measures balanced with a comprehensive economic support package aimed at sustaining businesses and the economy. It was also one of the first countries in Europe to emerge from lockdown.

SMEs continue to represent a fundamental pillar of the German economy and form a significant part of Sirius's tenant base. According to KfW, 99.95% of German enterprises are SMEs and 68% of workers (29.1 million people) are employed by an SME in Germany. Within the SME category are microenterprises with fewer than 10 employees and these account for 34% of workplaces in Germany. These are the tenants to which Sirius's flexible space offerings are most appealing.

The five value drivers

The Group's core strategy is the acquisition of business parks at attractive yields and/or with value-add potential which are transformed through investment and asset management to become higher quality real estate assets



There are three main types of assets that Sirius looks to acquire: traditional business parks developed for large-scale production; mixed use business parks with high quality office; service and warehouse properties and office buildings in secondary and tertiary locations. The management team has a tried and tested approach to maximising the return on investment of these types of assets.

- 52% return on cost from original capex programme at 31 March 2020
- 6.1% increase in like for like rent roll in year to 31 March 2020
- 4.1% increase in like for like rate in year to 31 March 2020
- 7.6% gross yield on property portfolio as at 31 March 2020
- 1.49% average cost of debt, 33% net LTV as at March 2020
- €178.1m of disposals at 5.7% EPRA NIY with 10% vacancy in year to 31 March 2020
- €120.0m of acquisitions at 5.7% EPRA NIY with 26% vacancy in year to 31 March 2020
- €28.4m investment into 102k sqm with ERV of €7.4m to commence

Performance against our KPIs

KPI	KPI measure	Commentary	FY20/21 ambition
Adjusted profit before tax (€m)	€54.9m	Adjusted profit before tax for the year ended 31 March 2020 was €54.9 million, representing an increase of 18.8% on the same period the previous year. A strong contribution to earnings from recently acquired assets together with excellent organic growth more than offset the drag on earnings due to the completion of the Titanium venture.	To increase adjusted profit before tax as a result of continued organic growth and the contribution to earnings of recently acquired assets.
	↑ 18.8%		
Reported profit before tax adjusted for property revaluation, gains and losses relating to disposal of properties, gains and losses relating to loss of control of subsidiaries, changes in fair value of derivative financial instruments and other adjusting items including expenses relating to share incentive plans and other costs considered to be non-recurring in nature such as restructuring costs and expected selling costs relating to assets held for sale.	2020	54.9	
	2019	46.2	
	2018	36.7	
	2017	35.3	
	2016	22.9	

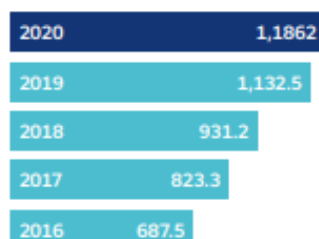
Performance against our KPIs continued...

KPI	KPI measure	Commentary	FY20/21 ambition												
EPRA earnings per share (c)	<p>EPRA earnings per share is a definition of earnings as set out by the European Public Real Estate Association. EPRA earnings represents earnings after adjusting for property revaluation, changes in fair value of derivative financial instruments, profits and losses on disposals and deferred tax in respect of EPRA adjustments.</p> <p>5.44c ↑ 21.7%</p> <table><tr><th>Year</th><th>EPRA earnings per share (c)</th></tr><tr><td>2020</td><td>5.44</td></tr><tr><td>2019</td><td>4.47</td></tr><tr><td>2018</td><td>3.04</td></tr><tr><td>2017</td><td>3.18</td></tr><tr><td>2016</td><td>1.88</td></tr></table>	Year	EPRA earnings per share (c)	2020	5.44	2019	4.47	2018	3.04	2017	3.18	2016	1.88	<p>EPRA earnings per share for the year ended 31 March 2020 was 5.44c, representing an increase of 21.7% on the previous year. The development in EPRA earnings per share is mainly due to strong organic growth, the contribution to earnings of assets that were acquired in the prior year and within the year under review and the increase in number of shares in issue.</p>	<p>To increase EPRA earnings per share as a result of continued organic growth and the contribution to earnings of recently acquired assets.</p>
Year	EPRA earnings per share (c)														
2020	5.44														
2019	4.47														
2018	3.04														
2017	3.18														
2016	1.88														
Dividend per share (c)	<p>Total dividend for the reporting period which is calculated as a percentage of funds from operations ("FFO"). The Company has chosen to pay out 67% of FFO in relation to the dividend for the first half of the financial year and 65% of FFO in relation to the dividend for the second half of the financial year ended 31 March 2020. The Directors maintain discretion to pay out more than 65% of FFO in order to compensate for the timing effect of for instance asset recycling activity or equity raises in order to continue to pay a progressive dividend where appropriate.</p> <p>3.57c ↑ 6.3%</p> <table><tr><th>Year</th><th>Dividend per share (c)</th></tr><tr><td>2020</td><td>3.57</td></tr><tr><td>2019</td><td>3.36</td></tr><tr><td>2018</td><td>3.16</td></tr><tr><td>2017</td><td>2.92</td></tr><tr><td>2016</td><td>2.22</td></tr></table>	Year	Dividend per share (c)	2020	3.57	2019	3.36	2018	3.16	2017	2.92	2016	2.22	<p>The Board has authorised a dividend in respect of the second half of the financial year ended 31 March 2020 of 1.80c per share representing 65% of FFO, an increase of 4.0% on the equivalent dividend last year, which represented 70% of FFO. The total dividend for the year is 3.57c, an increase of 6.3% on the 3.36c total dividend for the year ended 31 March 2019. The Group has not received any direct state financial assistance in connection with the Covid-19 crisis.</p> <p>The Company continues to offer shareholders through a scrip dividend alternative the ability to receive some or all of their dividend in shares rather than cash.</p>	<p>To grow the dividend primarily through the accretive impact on earnings of acquisitions and the continued roll-out of the capex investment programmes, which are key drivers of organic growth. The Company remains committed to its policy of paying shareholders at least 65% of FFO semi-annually.</p>
Year	Dividend per share (c)														
2020	3.57														
2019	3.36														
2018	3.16														
2017	2.92														
2016	2.22														

Property valuation – owned properties (€m)

The book value of owned investment property including that categorised as held for sale as derived from an independent valuation performed by Cushman & Wakefield LLP.

€1,186.2
↑ 4.7%



The book value of the Group's owned investment property increased by 4.7% as a result of the net effect of asset recycling and organic growth. The like-for-like portfolio increased in book value by €96.3 million or 9.9%. The portfolio is now valued at an average gross yield of 7.6% (31 March 2019: 7.8%) and net yield of 6.8% (31 March 2019: 6.8%).

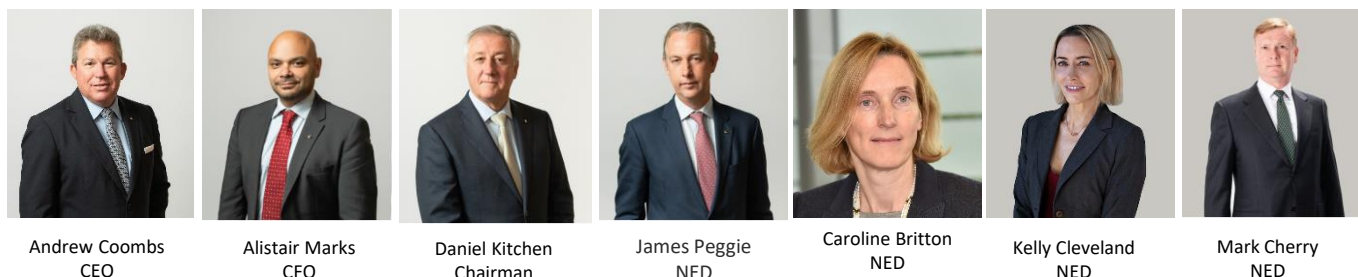
To continue to grow the value of the Group's portfolio through acquisitions and valuation increases through increases in income across the portfolio. Valuation gains are expected to come partly from contracted rental increases and uplifts on renewals but more importantly through the development and letting up of sub-optimal and vacant space through the Group's capex investment programmes.

Performance against our KPIs continued...

KPI	KPI measure	Commentary	FY20/21 ambition										
EPRA NAV per share (c)	<p>EPRA NAV per share is a definition of net asset value as set out by the European Public Real Estate Association. EPRA NAV represents net assets after adjusting for derivative financial instruments and deferred tax relating to valuation movements and derivatives. EPRA NAV per share also takes into account the effect of the granting of shares relating to long-term incentive plans.</p> <p>80.62c ↑ 7.8%</p> <table><tr><td>2020</td><td>80.62</td></tr><tr><td>2019</td><td>74.82</td></tr><tr><td>2018</td><td>64.18</td></tr><tr><td>2017</td><td>57.84</td></tr><tr><td>2016</td><td>52.72</td></tr></table>	2020	80.62	2019	74.82	2018	64.18	2017	57.84	2016	52.72	<p>EPRA NAV per share increased in the period by 7.8% to 80.62c (31 March 2019: 74.82c). The increase is attributable to the valuation increases seen in the year as well as the retention of a portion of FFO which is generated.</p>	<p>To grow EPRA net tangible assets per share ("EPRA NTA"), which will replace EPRA NAV per share in the new financial year through the continued execution of the Group's asset management initiatives relating to organic growth and asset recycling.</p>
2020	80.62												
2019	74.82												
2018	64.18												
2017	57.84												
2016	52.72												
Average rate per sqm (€)	<p>Average letting rate per sqm for the total portfolio.</p> <p>€5.98 ↑ 3.5%</p> <table><tr><td>2020</td><td>5.98</td></tr><tr><td>2019</td><td>5.78</td></tr><tr><td>2018</td><td>5.46</td></tr><tr><td>2017</td><td>5.27</td></tr><tr><td>2016</td><td>5.06</td></tr></table>	2020	5.98	2019	5.78	2018	5.46	2017	5.27	2016	5.06	<p>The average rate per sqm increased to €5.98 at 31 March 2020 from €5.78 at the same point of the previous year, representing an increase of 3.5%.</p>	<p>To continue to grow average rate and rental income whilst also improving the quality of the sites through investment and management of the tenant base.</p>
2020	5.98												
2019	5.78												
2018	5.46												
2017	5.27												
2016	5.06												
Occupancy (%)	<p>Percentage of total lettable space occupied as at reporting date.</p> <p>85.3% ↓ 0.9%</p> <table><tr><td>2020</td><td>85.3</td></tr><tr><td>2019</td><td>86.1</td></tr><tr><td>2018</td><td>79.7</td></tr><tr><td>2017</td><td>80.5</td></tr><tr><td>2016</td><td>80.1</td></tr></table>	2020	85.3	2019	86.1	2018	79.7	2017	80.5	2016	80.1	<p>Occupancy decreased marginally to 85.3% in the period due to the impact of the disposal of high occupancy assets into Titanium and acquisition of assets with higher volumes of vacant space. Like-for-like occupancy increased from 85.8% to 87.1%.</p>	<p>To reduce vacancy relating to sub-optimal space by the continued transformation of this space into higher-quality conventional space and flexible workspace, increasing occupancy in recently acquired sites with significant vacancy as well as continuing to refuel the vacancy opportunity through asset recycling.</p>
2020	85.3												
2019	86.1												
2018	79.7												
2017	80.5												
2016	80.1												



Experienced Board of Directors

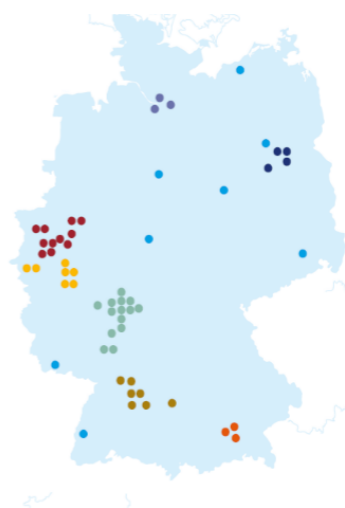


Andrew and **Alistair** were appointed as CEO and CFO respectively of Sirius in January 2012, when Sirius internalised the asset management platform. **Andrew** had joined the asset manager in 2010 and **Alistair** had been with the asset manager since formation. **Danny Kitchen** is non-executive chairman of Workspace Group, Hibernia REIT and Applegreen. He is also a Director of the Irish Takeover Panel. **James** is a director and co-founder of the Principle Capital Group and prior to that was head of legal and corporate affairs at the Active Value group. **Caroline** is a Chartered Accountant and was an audit partner at Deloitte LLP from April 2000 to May 2018. In addition to providing audit and advisory services in the financial services sector, Caroline ran the FTSE 250 Deloitte NextGen CFO programme and is a non-executive director of Moneysupermarket.com Group PLC and Revolut Limited. **Kelly** is a Chartered Accountant, having qualified in New Zealand in 2001 at PriceWaterhouseCoopers, and has worked in real estate in the UK since 2004. She is currently Head of Investment for British Land Co PLC, where she has worked for more than nine years. **Mark** was a Main Board Director of Green Property PLC for 10 years and held a board level role at Teesland plc, a Fund and Asset manager specialising in small industrial estates with offices throughout Europe including three in Germany.



Portfolio at a glance – March 2020

Mar-20	No. Of Properties	Total Sqm m	Occupancy	Rate psm €	Annualised Rent €m	% of Portfolio By Rent	Book Value €m	Gross Yield
Frankfurt	14	358.1	87.6%	6.04	22.8	25.2%	280.1	8.1%
Berlin	4	103.4	97.7%	7.14	8.7	9.6%	127.1	6.8%
Stuttgart	7	257.9	91.3%	4.86	13.7	15.2%	169.1	8.1%
Cologne	7	127.1	91.0%	7.29	10.1	11.2%	133.3	7.6%
Munich	3	124.3	79.7%	7.18	8.5	9.5%	162.7	5.3%
Düsseldorf	11	197.2	88.1%	5.25	10.9	12.1%	137.1	8.0%
Hamburg	3	79.0	45.4%	4.99	2.2	2.4%	38.3	5.6%
Other	8	228.8	80.3%	6.07	13.4	14.8%	138.5	9.7%
TOTAL	57	1,475.7	85.3%	5.98	90.3	100%	1,186.2	7.6%



Financials for the year to 31 March 2020

Financials – Income Statement

	Mar 20	Mar 19	Movement
	€m	€m	€m
Rental income*	88.8	83.6	5.2
Titanium income	2.4	-	2.4
Service charge irrecoverable costs	(4.8)	(5.3)	0.5
Non-recoverable maintenance	(2.6)	(2.3)	(0.3)
Net Operating Income	83.8	76.0	7.8
Corporate costs and overheads	(18.8)	(19.4)	0.6
Adjusted EBITDA	65.1	56.6	8.5
IFRS 16 adjustment	(1.2)	-	(1.2)
Bank interest	(7.2)	(7.7)	0.5
Current tax (excluding tax on disposals)	(1.0)	(0.5)	(0.5)
FFO	55.7	48.4	7.3
Depreciation & amortisation of financing fees	(3.0)	(2.8)	(0.2)
IFRS 16 adjustment	1.2	-	1.2
Add back current taxes (excluding tax on disposals)	1.0	0.5	0.5
Adjusted profit before tax	54.9	46.1	8.8
Adjusting items	(11.0)**	(0.4)*	(10.6)
Surplus/Deficit on revaluation of investment properties	59.7	99.9	(40.2)
Gain/(Loss) on disposal of investment properties	6.4	0.6	5.8
Change in fair value of derivative financial instruments	(0.4)	(1.5)	1.1
Share of profit in associate not included in FFO	1.2	-	1.2
Profit Before Tax	110.8	144.7	(33.9)

* Includes rental and other income from operating and management agreements

** Adjusting items include restructuring costs, expected selling costs relating to assets held for sale and costs relating to share incentives

Balance sheet

	As at Mar 2020	As at Mar 2019	Movement
	€m	€m	€m
Assets			
Investment properties (owned assets)	1,186.2	1,132.5	53.7
Investment properties (leased assets)	17.8	-	17.8
Investment in associate	49.5	-	49.5
Plant and equipment	4.4	3.4	1.0
Goodwill	3.7	3.7	-
Trade and other receivables	19.4	14.0	5.4
Cash and cash equivalents	121.3	40.3	81.0
Total Assets	1,402.3	1,193.9	208.4
Liabilities			
Trade and other payables	(56.8)	(44.4)	(12.4)
Interest bearing bank loans	(480.2)	(380.1)	(100.1)
Lease liabilities	(19.2)	-	(19.2)
Current & Deferred tax liabilities	(42.9)	(42.2)	(0.7)
Derivative financial instruments	(1.4)	(1.2)	(0.2)
Total Liabilities	(600.5)	(467.9)	(132.6)
Net Assets	801.8	726.0	75.8
NAV per share	77.35c	71.01c	+8.9%
ADJUSTED NAV per share	81.54c	75.17c	+8.5%
EPRA NAV per share	80.62c	74.82c	+7.8%

Shareholder Data

LEADING SHAREHOLDERS *	(%)
Blackrock	10.36
Standard Life Aberdeen	10.02
Bank of Montreal	7.25
Homestead Holding Group	4.82
Old Mutual Investment Group	4.82

FINANCIAL CALENDAR	
Next year end	Mar 21
Next final results (approx.)	Jun 21
Next half year	Sep 2020
Next half year (approx.)	Nov 2020