

## Handelsbanken Capital Markets

### Vasakronan - The Nordic leader signing off on a good real estate week

- Somewhat more cautious on valuations compared to peers
- Very strong financial situation
- Bonds spreads continue to tighten, but the relative outperformance has slowed

#### Somewhat more cautious on valuations compared to peers

The main take from Vasakronan's Q2 report is a continued somewhat more cautious stance on property valuations. Vasakronan made a SEK 1.8bn write-down of its assets in Q1 (mainly related to retail properties), something many comparable peers did not. In Q2 value changes in the property portfolio was SEK 578m (0.4% compared to total property value of SEK 157bn). Gains in the project portfolio contributed positively to the increase in value, while office valuations are seen as stable. Rental income, vacancies, and the overall operational development saw limited effect from the current crisis. We believe that the many question marks surrounding property valuations in the Nordic Real estate sector will be at the top of the agenda in H2.

#### Very strong financial situation

Vasakronan reported a loan to value of 38%, an interest coverage of 4.2x and available liquid funds and credit facilities of about SEK 25bn (corresponding to 209% of debt maturing in the coming twelve months). In addition, Vasakronan has shown significantly better access to the capital markets throughout the crisis, which in our view strengthens Vasakronan's leading position in the Nordic real estate sector. In addition we believe that Moody's A3 rating (which was affirmed at the end of May) is very secure.

#### Bonds spreads continue to tighten, but the relative outperformance has slowed

Vasakronan's (FASTIG) bond spreads clearly outperformed its rated peers (primarily the large BBB rated segment) during the peak of the crisis. As the (somewhat overblown) fear of real estate companies has eased, and credit funds are seeing solid cash inflows, lower rated BBB bonds have performed well lately, slowing down Vasakronan's outperformance.

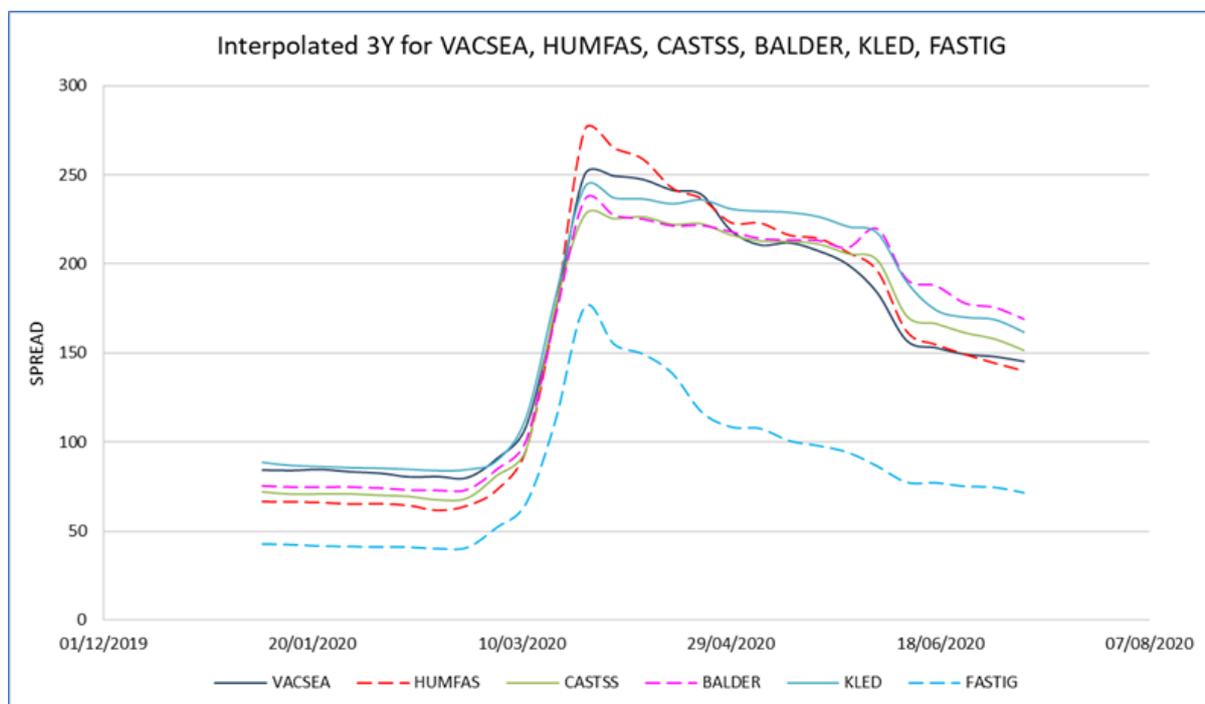
For more on Swedish fund flows and SEK real-estate spreads, please see our recently published comment: "Fund flows and SEK real-estate spreads"

<https://reon.researchonline.se/document/gnctHsR4fMrqeeYDQpogz2N3qAjGGQg1>

#### Credit key figures - Vasakronan

SEKm	2015	2016	2017	2018	2019	Q1-20LTM
Rental revenues	6,009	6,251	6,490	6,718	7,040	7,080
Op. net (NOIRE)	4,274	4,459	4,678	4,869	5,200	5,213
Income fr property mgmt adj	3,064	3,217	3,413	3,884	4,914	4,884
Net income adj	11,015	11,490	9,295	12,964	13,983	12,942
Property value	103,894	115,922	126,875	138,934	161,314	160,711
Gross debt adj	50,750	55,240	58,421	61,087	71,882	74,110
Net debt to prop value adj (%)	46.6	45.8	44.9	42.4	42.4	42.2
Total debt to total assets adj (%)	46.2	45.4	44.2	42.1	42.4	42.5
FFO/gross debt adj (%)	6	6	6	6	5	5
Gross debt/EBITDA adj (x)	12.1	12.6	12.7	12.8	14.1	14.5
EBITDA/interest expense adj (x)	3.7	3.8	3.9	4.6	4.0	3.9
Dividends/FFO adj (%)	172	235	118	112	109	111

Vacancy rate (%)	7.4	5.8	6.9	6.9	5.9	5.8
Pledged assets to total assets (%)	13.7	13.8	11.7	9.0	6.9	n.m
Secured debt to total assets (%)	13.2	12.7	11.6	8.9	6.8	6.7
Valuation yield (%)	4.9	4.6	4.5	4.3	4.2	4.2



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