

Handelsbanken Capital Markets

Vasakronan - Vacancies remain somewhat elevated

- Credit-neutral Q3 results
- One of the strongest issuers in the Nordic real estate sector, in our view
- Bond spreads appear fair

Credit-neutral Q3 results

In our view, Vasakronan's Q3 2021 numbers were, overall, credit-neutral. Rental income grew by 5% in the first nine months of 2021 (+2% like-for-like) due to higher gross rents. Net lettings were positive, while the vacancy rate remained somewhat elevated at 9%. Renegotiated rents were up 10% for offices, on average, negative 10% for retail premises. Value changes in the first nine months of 2021 amounted to a whopping SEK 8.1bn (up 5% compared with the property value at the end of 2020), due to lower yield requirements and higher market rent assumptions. The CEO's comments were positive in regards to the rental market, transaction market as well as financing. We do however note an increasing focus on improving the occupancy rate.

One of the strongest issuers in the Nordic real estate sector, in our view

With reported LTV of 40%, interest coverage of 5.0x and an average debt maturity of 5.1 years (diversified over different debt types and currencies), we find that Vasakronan's financial risk profile remains very solid. Total property assets amounted to SEK 173bn. Supported by its strong AP fund ownership, we argue that Vasakronan remains one of the strongest issuers in the Nordic real estate market.

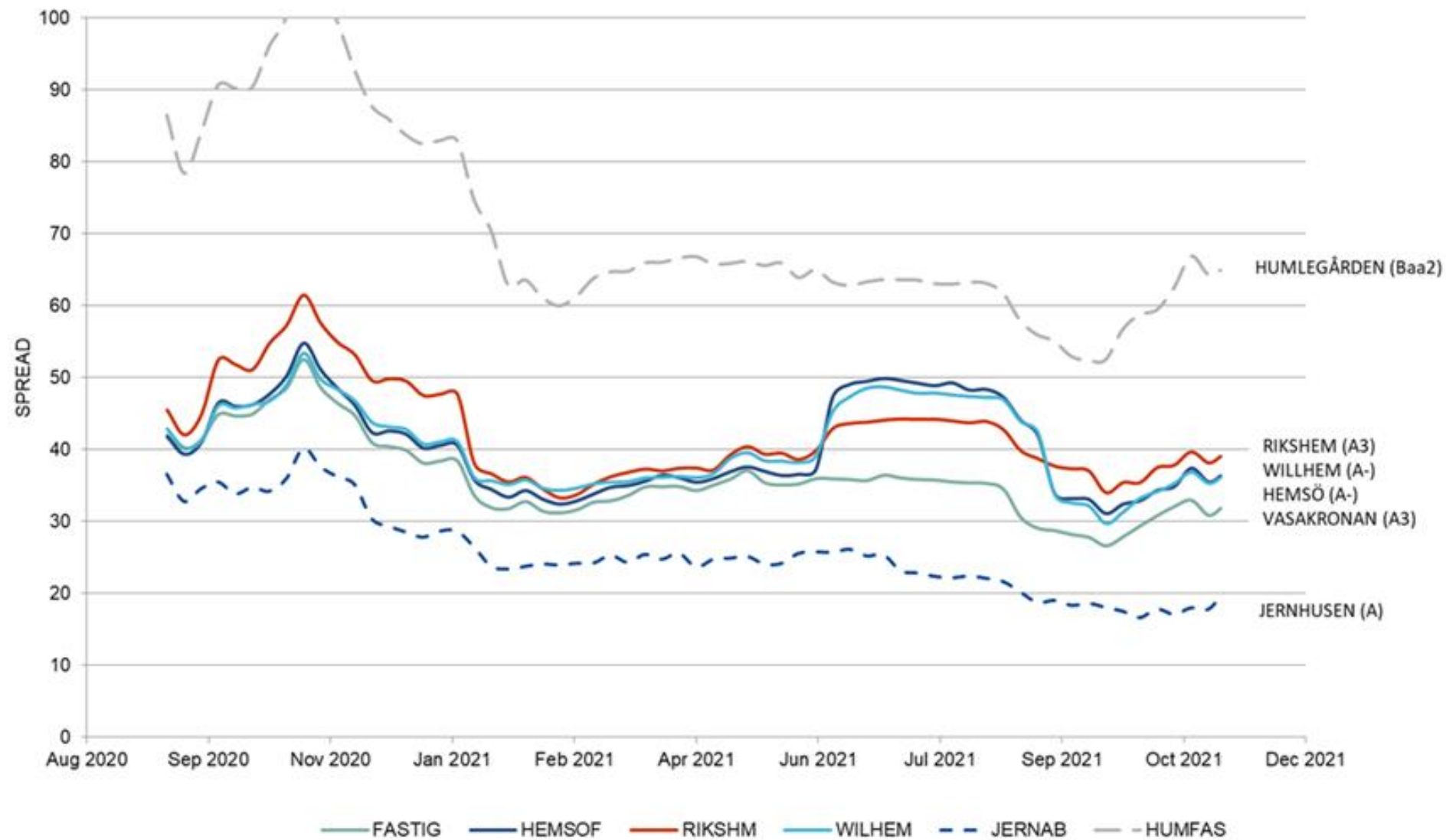
Bond spreads appear fair

Vasakronan's bond spreads continue to trade inside its A3/A- rated peers such as Hemsö, Rikshem and Willhem. Due to our view of Vasakronan's stronger stand-alone credit profile (i.e. excluding ownership support notching), we see this as fair.

Credit key figures - Vasakronan

SEKm	2016	2017	2018	2019	2020	Q3-21LTM
Rental revenues	6,251	6,490	6,718	7,040	7,006	7,284
Op. net (NOIRE)	4,459	4,678	4,869	5,200	5,189	5,434
Income fr property mgmt adj	3,217	3,413	3,884	4,914	3,577	4,313
Net income adj	11,490	9,295	12,964	13,983	3,714	11,945
Property value	115,922	126,875	138,934	161,314	167,583	178,630
Gross debt adj	55,240	58,421	61,087	71,882	74,481	78,923
Net debt to prop value adj (%)	45.8	44.9	42.4	42.4	42.9	41.8
Total debt to total assets adj (%)	45.4	44.2	42.1	42.4	42.3	41.8
FFO/gross debt adj (%)	6	6	6	5	5	5
Gross debt/EBITDA adj (x)	12.6	12.7	12.8	14.1	14.7	14.9
EBITDA/interest expense adj (x)	3.8	3.9	4.6	4.0	4.0	4.3
Dividends/FFO adj (%)	235	118	112	109	84.6	133
Vacancy rate (%)	5.8	6.9	6.9	5.9	8.1	9.0
Pledged assets to total assets (%)	13.8	11.7	9.0	6.9	6.2	n.m
Secured debt to total assets (%)	12.7	11.6	8.9	6.8	6.2	4.2
Valuation yield (%)	4.6	4.5	4.3	4.2	4.1	4.0

Interpolated 3-year SEK spreads (bid)



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Disclosures

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Vasakronan

- Handelsbanken's analyst Michael Andersson has no position in Vasakronan or a related instrument.

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