



Vasakronan Q4: Improving operational development and strengthened key credit metrics; slightly credit-positive

We find Vasakronan's Q4 report slightly credit-positive, reflecting an improving operational performance (positive LFL growth and net letting, and a slightly improving occupancy) and sequentially improving key credit metrics. Net LTV decreased to 40% (42% in Q3 2021), whereas the ICR strengthened to 4.5x (4.3x in Q3 2021). Vasakronan's CEO acknowledges that they have noted some higher costs for materials and some cost increases in its daily operations from a rising inflation, but that the cost increases has been offset by its inflation-indexed rents.

- Rental income increased by 8% y/y to SEK 1,913m, while NOI grew by 8% y/y to SEK 1,413m, for a margin of 74% (74%). For a second consecutive quarter, net lettings turned increasingly positive, this time at SEK 132m (20m in Q3 2021, -136m in Q4 2020), and the occupancy rate was stable at 91.4% (91.0% in Q3 2021 and 91.9% in Q4 2020).
- Property value including leases grew by 11% y/y and 5% sequentially to SEK 187bn (179bn in Q3 2021). The sequential growth was mainly explained by SEK 7bn in unrealised value changes, driven by lower yield requirements and higher rent assumptions. The Q4 2021 yield requirement was lowered to 3.87% (3.97% in Q3 2021 and 4.12% in Q4 2020).
- Net property LTV improved to 40% (-2 pp q/q and -3 pp y/y), which is a clearly stronger level compared to the Nordic sector average of ~50%.
- LTM EBITDA ICR strengthened to 4.5x (vs. 4.3x in Q3 2021 and 3.9x in Q4 2020), which is above the Nordic sector average of ~4x.
- Financial risk management remained strong with an average capital duration of 5.0 years (5.1 in Q3 2021) and an average interest duration of 4.6 years (4.8 in Q3 2021), which is above the industry average of around 3-4 years for capital duration and interest duration.
- Available liquidity was solid, with commitments from the AP Funds, unutilised credit facilities with EIB and cash/cash equivalents covering loans maturing in the next 12 months by 1.6x.