

Handelsbanken Capital Markets

Vasakronan - High demand for Stockholm offices

- **Solid Q1 results**
- **One of the strongest issuers in the Nordic real estate sector**
- **Bond spreads appear fair**

Solid Q1 results

In our view, Vasakronan's solid Q1 2022 numbers were, overall, credit-neutral. Rental income grew by 5% the quarter (+3% like-for-like), and net letting amounted to SEK 125m. The vacancy rate improve 1pp to 8% q-o-q. Value changes amounted to SEK 2.9bn primarily driven by high demand (and thus lower yield requirements) for office properties in central Stockholm.

One of the strongest issuers in the Nordic real estate sector

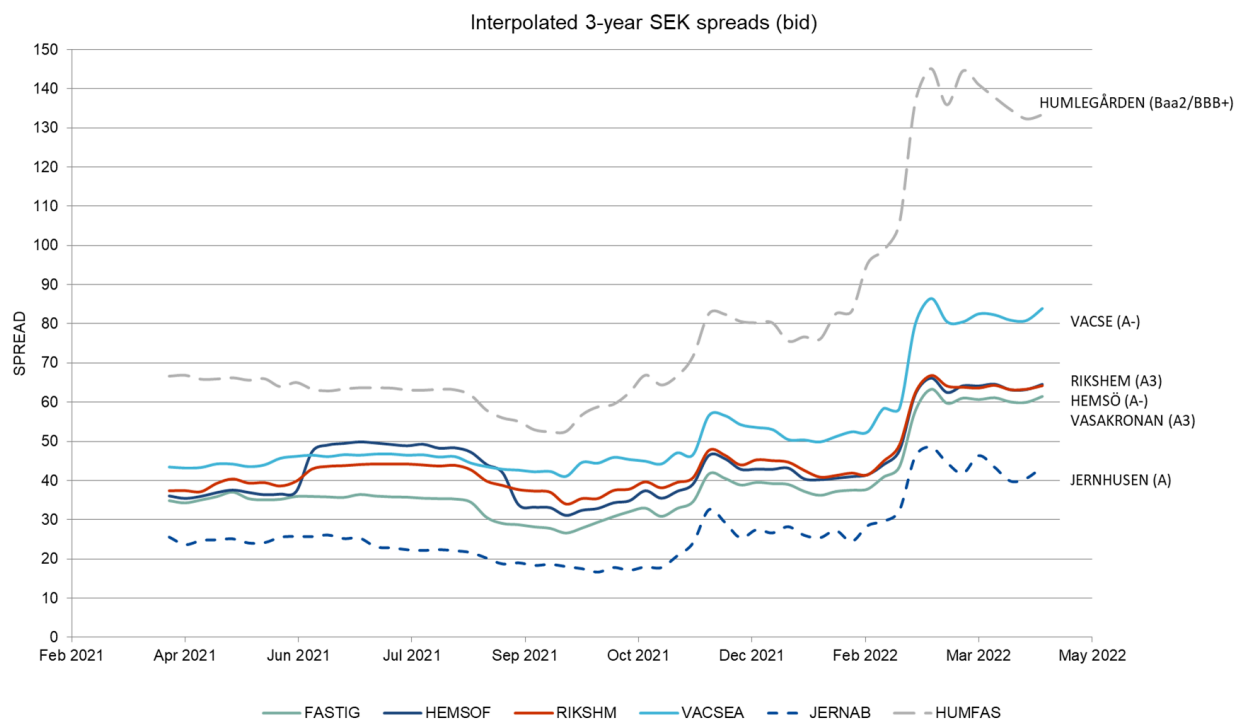
With reported LTV of 38%, interest coverage of 5.5x and an average debt maturity of 5.6 years (diversified over different debt types and currencies), we find that Vasakronan's financial risk profile remains very solid. Total property assets amounted to SEK 185bn. Supported by its strong AP fund ownership, 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 view this as fair.

Credit key figures - Vasakronan

SEKm	2017	2018	2019	2020	2021	Q1- 22LTM
Rental revenues	6,490	6,718	7,040	7,006	7,425	7,509
Op. net (NOIRE)	4,678	4,869	5,200	5,189	5,533	5,600
Income fr property mgmt adj	3,413	3,884	4,914	3,577	4,391	4,463
Net income adj	9,295	12,964	13,983	3,714	16,359	17,943
Property value	126,875	138,934	161,314	167,583	186,732	190,189
Gross debt adj	58,421	61,087	71,882	74,481	78,996	78,907
Net debt to prop value adj (%)	44.9	42.4	42.4	42.9	40.4	39.7
Total debt to total assets adj (%)	44.2	42.1	42.4	42.3	40.3	39.0
FFO/gross debt adj (%)	6	6	5	5	5	5
Gross debt/EBITDA adj (x)	12.7	12.8	14.1	14.7	14.6	14.4
EBITDA/interest expense adj (x)	3.9	4.6	4.0	4.0	4.5	4.6
Dividends/FFO adj (%)	118	112	109	84.6	56.0	53.0
Vacancy rate (%)	6.9	6.9	5.9	8.1	9.0	8.0
Pledged assets to total assets (%)	11.7	9.0	6.9	6.2	4.0	n.m
Secured debt to total assets (%)	11.6	8.9	6.8	6.2	4.0	3.9
Valuation yield (%)	4.5	4.3	4.2	4.1	3.9	3.8



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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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