

Vasakronan

Limited impact from rising interest rates and higher bond yields

- Credit profile remain solid
- Bond spreads appear fair

Credit profile remain solid

Vasakronan reported unrealised value changes amounting to SEK 10bn in Q2 2022, resulting in a total of SEK 13bn for H1 2022, due to lower yield requirements and higher market rents (primarily in Stockholm CBD). Reported LTV was slightly higher (due to higher debt levels), standing at 39% at the end of the quarter, while the ICR was marginally lower, standing at 5.4x. All metrics remain well within Moody's demand for its A3 rating. The average debt maturity and interest maturity stood at 5.2 years and 4.0 years respectively; thus Vasakronan's credit profile remains solid, and supported by its strong AP fund ownership. However, we note that 47% of Vasakronan's interest fixing (SEK 38bn) is maturing in the coming twelve months, which make us believe that also Vasakronan could see its interest costs increasing significantly, if current market conditions prevail.

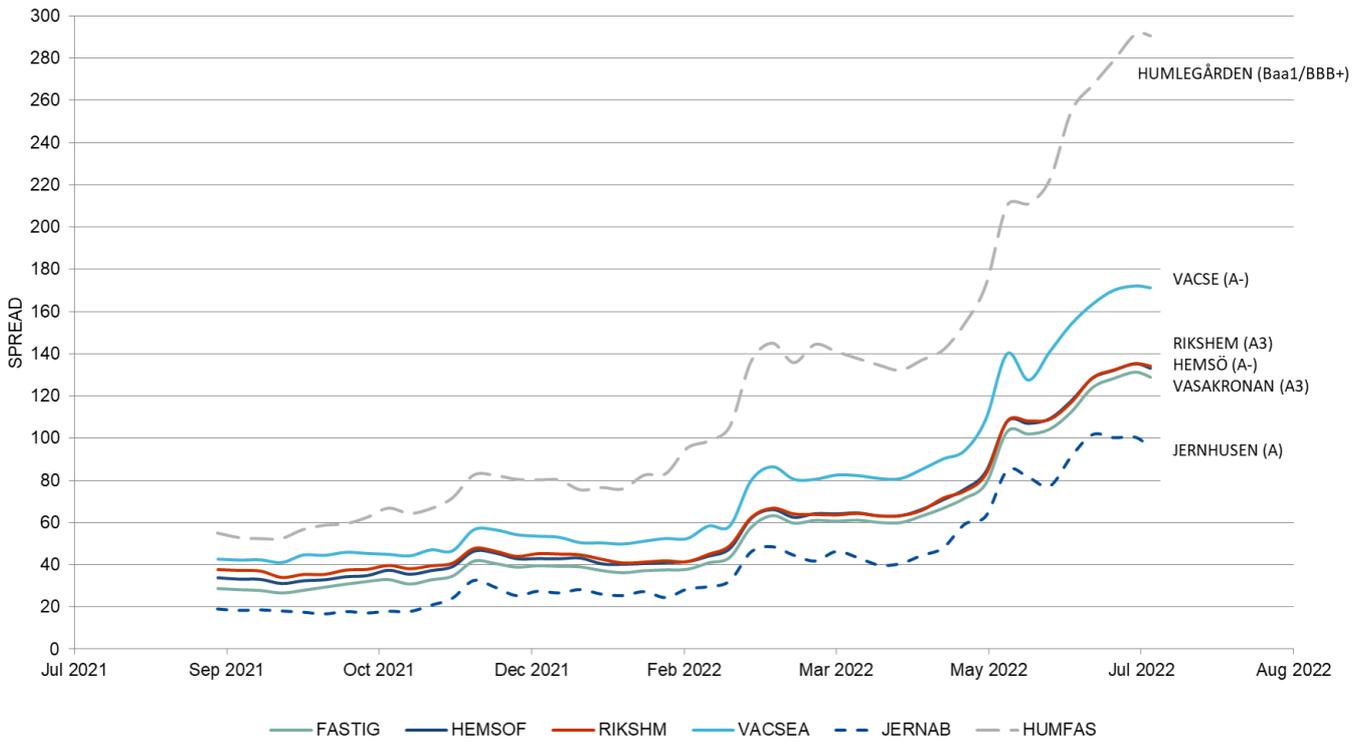
Bond spreads appear fair

We view Vasakronan's Q2 2022 results as credit neutral. 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 standalone credit profile (i.e. excluding ownership support notching), we view this as fair.

Key figures

SEKm	2017	2018	2019	2020	2021	Q2-22LTM
Rental revenues	6,490	6,718	7,040	7,006	7,425	7,657
Op. net (NOIRE)	4,678	4,869	5,200	5,189	5,533	5,730
Income fr property mgmt adj	3,413	3,884	4,914	3,577	4,391	4,439
Net income adj	9,295	12,964	13,983	3,714	16,359	23,449
Property value	126,875	138,934	161,314	167,583	186,732	200,963
Gross debt adj	58,421	61,087	71,882	74,481	78,996	84,784
Net debt to prop value adj (%)	44.9	42.4	42.4	42.9	40.4	40.2
Total debt to total assets adj (%)	44.2	42.1	42.4	42.3	40.3	39.1
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	15.1
EBITDA/interest expense adj (x)	3.9	4.6	4.0	4.0	4.5	4.8
Dividends/FFO adj (%)	118	112	109	84.6	56.0	103
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	4.7
Valuation yield (%)	4.5	4.3	4.2	4.1	3.9	3.7

Interpolated 3-year SEK spreads (bid)



Michael Andersson

Vasakronan

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Jul 11. 2022: Vasakronan - Handelsbanken's analyst Michael Andersson has no position in Vasakronan or a related instrument.

Handelsbanken has participated in a public offering of financial instruments of the subject company during the past twelve months. Handelsbanken is party to an agreement with the following issuers relating to the provision of services of investment firms over the past twelve months. A senior board member of the bank is a director or advisory board member of the subject company or one of its subsidiaries.

On 2018-05-08 the recommendation (SEK Senior unsecured) Underperform, which was set on 2016-08-30, was changed to the current recommendation Market Perform.