

# Quarterly update 4Q22

## Vasakronan

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# Despite pressure on valuations, leverage held up well

The proposal of no dividend will strengthen the company's liquidity and allow for debt repayment with FFO

## Swedbank estimates vs. Company result

Results analysis	4Q21	1Q22	2Q22	3Q22	4Q22	4Q22E	Dev %	Δ %
Rental income	1 913	1 902	1 990	2 132	2 143	2 144	-0%	12%
% growth, y/y	8%	5%	8%	15%	12%	12%		
Operating expenses	-497	-502	-491	-620	-586	-557	5%	18%
<b>NOI</b>	<b>1 416</b>	<b>1 400</b>	<b>1 499</b>	<b>1 512</b>	<b>1 557</b>	<b>1 587</b>	<b>-2%</b>	<b>10%</b>
SG&A	-20	-28	-29	-26	-33	-26	26%	65%
<b>Operating income</b>	<b>1 396</b>	<b>1 372</b>	<b>1 470</b>	<b>1 486</b>	<b>1 524</b>	<b>1 561</b>	<b>-2%</b>	<b>9%</b>
Net interests	-244	-243	-265	-319	-381	-438	-13%	56%
Other financials	-15	-45	-66	-38	-162	-40		
<b>Income from prop. mgmt.</b>	<b>1 137</b>	<b>1 084</b>	<b>1 139</b>	<b>1 129</b>	<b>981</b>	<b>1 083</b>	<b>-9%</b>	<b>-14%</b>
Revaluation of properties	7 176	2 922	10 246	-2 140	-6 111	0		
Other value changes	82	901	862	-52	-426	0		
Other non-op. Expenses	-7	-2	-1	0	0	0		
<b>Income before tax</b>	<b>8 388</b>	<b>4 905</b>	<b>12 246</b>	<b>-1 063</b>	<b>-5 556</b>	<b>1 083</b>		
Current tax	86	-90	-98	-106	159	-5		
Deferred tax	-1 790	-920	-2 425	337	1 076	-210		
<b>Net income</b>	<b>6 684</b>	<b>3 895</b>	<b>9 723</b>	<b>-832</b>	<b>-4 321</b>	<b>868</b>		
MV properties	181 575	185 034	195 809	194 037	188 317	195 036	-3%	4%
NOI margin	74%	74%	75%	71%	73%	74%	-2%	-2%
FFO	783	996	1 066	1 086	1 125	1 078	4%	44%
Debt / Total assets	40%	39%	39%	39%	40%	39%	2%	-2%
Adj. Debt / Total assets	40%	39%	39%	39%	40%	39%	2%	-2%
Debt / debt + equity	47%	46%	46%	46%	47%	46%	3%	0%
Adj. Debt / debt + equity	47%	46%	46%	46%	47%	46%	3%	0%
ICR	5,1x	5,4x	5,5x	5,3x	4,8x	4,7x	-0,2x	-0,5x

## Comment on report

- Vasakronan reported numbers that came in somewhat below our expectations, with NOI and income from property management 2% and 9% below our forecasts. Income from property management was naturally burdened by higher cost of debt, however the company has reduced its floating interest exposure from 39% to 29% q/q, which dampens the recent rate hike, although not enough as the ICR fell from 5.3x to 4.8x q/q
- Similar to other companies, Vasakronan wrote down the asset value by SEK 6.1bn, which corresponds to 3.1%. As a consequence, leverage increased, however the company repaid net SEK 1.6bn in debt which "only" increased the LTV by 100bps q/q to 40%
- On the back of the more challenging market environment, the board of directors proposed that no dividend will be distributed. Despite having good access to the capital market, in addition to SEK 20.9bn in available liquidity, the decision will strengthen the company's liquidity further and allow the company to repay some of the maturing debt with its own cash flow
- Metrics will obviously be under pressure going forward, however the company appears to be in a fairly good position to manage the challenges

# Vasakronan is well position to manage the upcoming challenges...

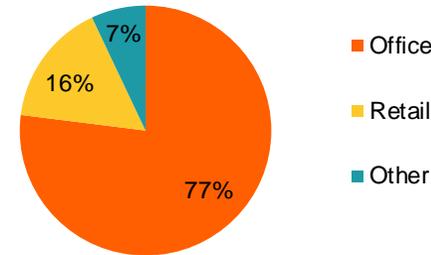
...with a solid liquidity position, comfortable LTV and adequate ICR

## Key metrics SEKm

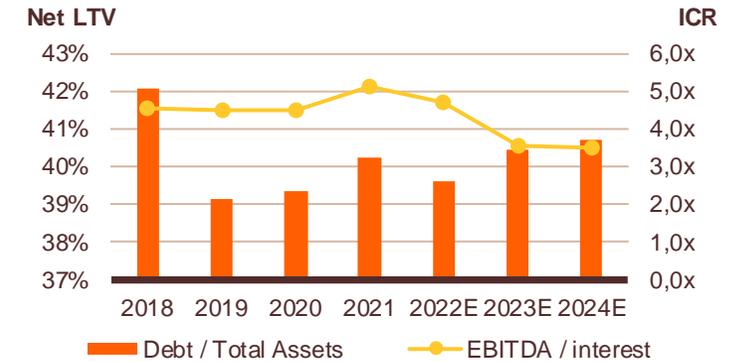
SEKm	2019	2020	2021	2022	2023E	2024E
Rental Income	7 040	7 006	7 425	8 167	9 108	9 605
Revenue growth	4,8 %	-0,5 %	6,0 %	10,0 %	11,5 %	5,5 %
EBITDA	5 094	5 071	5 411	5 852	6 518	6 875
EBITDA margin	72%	72%	73%	72%	72%	72%
Market value, Properties	156 071	162 420	181 575	188 317	177 273	180 100
IBD	66 638	69 317	78 996	82 576	79 828	81 370
NIBD	63 096	66 755	75 397	79 592	77 388	79 519
Cash	3 515	2 558	3 521	2 984	2 440	1 851
Equity	70 156	70 869	85 290	89 767	82 876	82 882
FFO	3 664	3 547	3 572	4 273	4 571	4 719
Capex	-4 440	-5 314	-4 137	-2 366	-2 087	-2 570
FOCF	-611	-1 496	-190	2 071	2 484	2 149
Net debt repayments	5 165	4 427	3 132	1 650	-2 748	1 542
Change in cash	1 300	-957	963	-536	-544	-589
LTV	43%	43%	44%	44%	45%	45%
Net LTV	40%	41%	42%	42%	44%	44%
Debt / Total Assets	39%	39%	40%	40%	40%	41%
Debt / Debt + Equity	47%	49%	47%	47%	48%	49%
NIBD/ EBITDA	12,4x	13,2x	13,9x	13,6x	11,9x	11,6x
FFO/NIBD	6%	5%	5%	5%	6%	6%
Equity ratio	41%	40%	43%	43%	42%	41%
EBITDA / interest	4,5x	4,5x	5,1x	4,7x	3,6x	3,5x
Interest rate %	1,7%	1,6%	1,3%	2,1%	2,5%	2,6%
Floating	0%	29%	43%	29%	29%	35%
Yield requirement	4,2%	3,7%	3,9%	4,0%	4,3%	4,3%

## Portfolio split - segments

Contracted rent by type

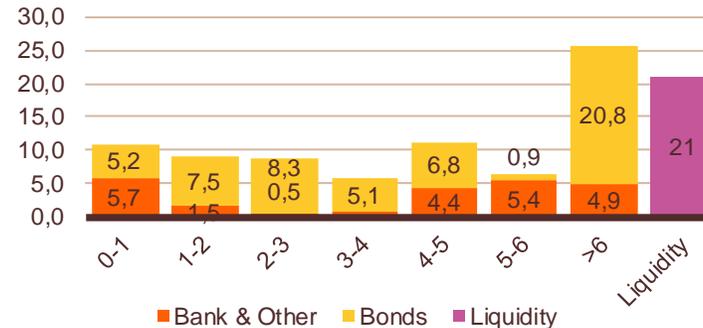


## Leverage development



## Maturity schedule

Debt maturity schedule, SEKbn



## Recommendation

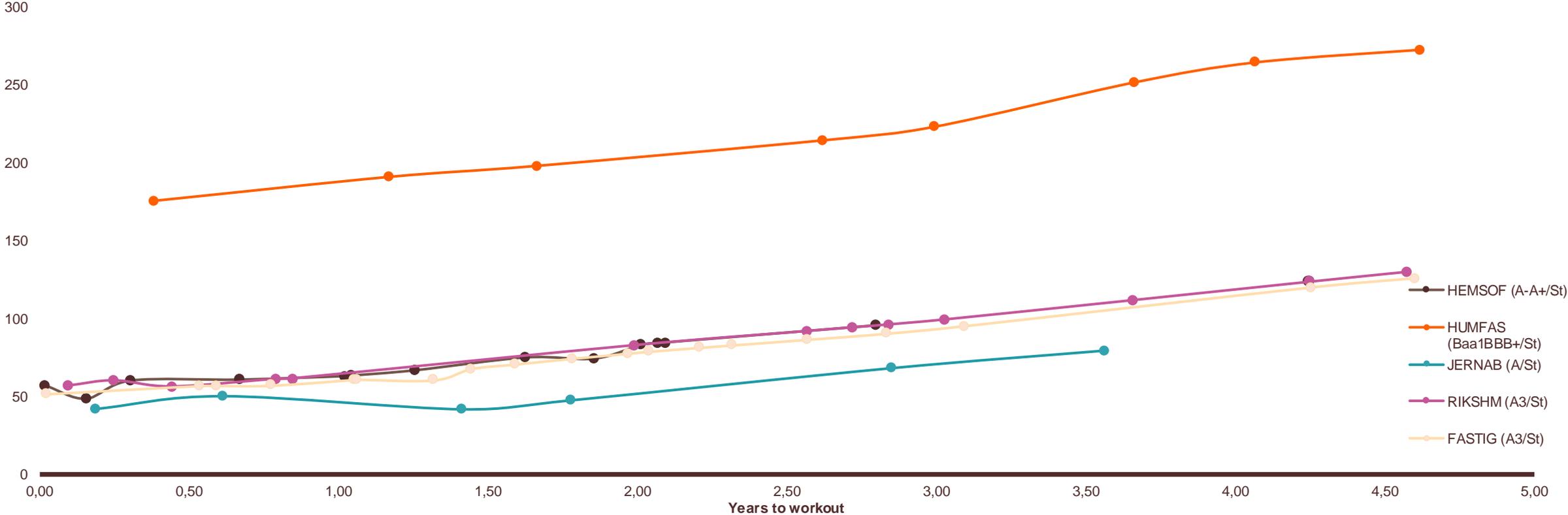
- Going forward we expect Vasakronan's ICR to fall as cost of debt to increases to 2.6% from 2.1% in 2022, however offset by rent increases from CPI, where we have assumed a modest increase of 8%. As a result, the ICR is expected to fall close to the rating trigger of 3.5x. We have also assumed asset write-downs of 7% in 2023 which will push the LTV from 40% to 41%, still with headroom to the rating trigger of 45%
- We argue that Vasakronan is fairly well positioned to manage the upcoming challenges and to protect its rating through constructive actions. Vasakronan's bonds are priced slightly inside of Hemsö which seems fair. We therefore reiterate our "Marketweight" recommendation

# Vasakronan's SEK bonds are priced inside Hemsö which is fair

We reiterate "Marketweight" on Vasakronan

## Higher rated SEK floaters

Discount Margin, Mid



# A strong Credit Research team with a broad Nordic scope



## Axel Andersson

- M.Sc. in Business Economics from Jönköping International Business School (2018)
- Previous experience: Summer internship at DNB Finans and has worked with collateral management at SEB LC&FI



## Kyle Koka

- BA in Economics from Washington & Lee University; M.Sc. in Finance from Stockholm School of Economics with MBA exchange to National University of Singapore
- Previous experience: S&T at Nomura and Leveraged Finance Investment Banking at RBC Capital Markets in New York



## Taavi Jürgenson

- BA and MA in Economics from University of Tartu (2015)
- Joined Swedbank's Credit Research team in 2014

**Real Estate**

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Business Services  
Gaming  
Airlines**

**Pulp & Paper  
Metals & Mining**



## Ola Södermark

- MBA and a BSc.(Econ) (Hons) in Accounting and Financial Management from the University of Buckingham, England
- Previous experience: Equity research at Kepler Cheuvreux, Swedbank, Pareto Securities in addition to industrial experience



## Elinor Hallkvist

- BSc. in Finance from the School of Business, Economics and Law at the University of Gothenburg
- Commercial real estate valuations at Croisette Real Estate Partner and internship at Nordea Corporate Finance



## Timothy Brett Becker

- BA in Economics (2015) and MBA (2016) from the University of New Mexico. CFA charterholder
- Previous experience: Fixed Income Valuation Specialist in Swedbank

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