

Vasakronan

Credit-positive rating affirmation

- A3 rating affirmed and ICR requirement lowered

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Moody's affirmed Vasakronan's A3 rating on November 17, 2023. While we are not surprised, we still see the rating affirmation as credit positive, as we have previously had some concerns that Moody's could revise the rating outlook to negative on a weakening interest coverage ratio (ICR). Moody's now requires an ICR of more than 3.0x for the current rating, compared with 3.5x previously. Moody's also expects Vasakronan's ICR to weaken to 3.2x by the end of 2023, but to start improving again to 3.4x-3.8x in 2024-2025 due to deleveraging and continued good rental growth. Moody's also expects adjusted LTV to remain well below 45%. The A3 rating continues to reflect Vasakronan's strong property portfolio and market positions, very strong liquidity position and its ownership profile. All in all, this is positive news, as it reduces our previous rating concerns, which were our main credit concern with regard to Vasakronan.

Key figures

SEKm	2018	2019	2020	2021	2022	Q3-23LTM
Rental revenues	6,718	7,040	7,006	7,425	8,167	8,969
Op. net (NOIRE)	4,869	5,200	5,189	5,533	5,968	6,667
Income fr property mgmt adj	3,884	4,914	3,577	4,391	4,333	4,483
Net income adj	12,964	13,983	3,714	16,359	8,465	-9,530
Property value	138,934	161,314	167,583	186,732	193,467	186,245
Gross debt adj	61,087	71,882	74,481	78,996	82,576	82,300
Net debt to prop value adj (%)	42.4	42.4	42.9	40.4	41.1	42.4
Total debt to total assets adj (%)	42.1	42.4	42.3	40.3	39.6	40.5
FFO/gross debt adj (%)	6	5	5	5	5	5
Gross debt/EBITDA adj (x)	12.8	14.1	14.7	14.6	14.1	12.6
EBITDA/interest expense adj (x)	4.6	4.0	4.0	4.5	4.2	3.4
Dividends/FFO adj (%)	112	109	84.6	56.0	93.6	0
Vacancy rate (%)	6.9	5.9	8.1	9.0	9.1	8.8
Pledged assets to total assets (%)	9.0	6.9	6.2	4.0	5.5	n.m
Secured debt to total assets (%)	8.9	6.8	6.2	4.0	5.3	5.5
Valuation yield (%)	4.3	4.2	4.1	3.9	4.0	4.2

Source: Handelsbanken Capital Markets

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Nov 20. 2023: Vasakronan - Handelsbanken's analyst Michael Andersson has no position in Vasakronan or a related instrument.

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On 2022-11-28 the recommendation (SEK Senior unsecured) Market Perform, which was set on 2018-05-08, was changed to the current recommendation Underperform.

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