

# Quarterly update 3Q23

## Vasakronan

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Note: Swedbank has ongoing or completed public investment banking services with Vasakronan in the last two calendar months.

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Credit update

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# Strong report with supportive cash flow and healthy metrics

Tenant demand is solid for high quality assets, however future demand is more uncertain

## Swedbank estimates vs. Company result

Results analysis	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23E	Dev %	Δ %
Rental income	2 132	2 143	2 221	2 283	2 322	2 330	-0%	9%
% growth, y/y	15%	12%	17%	15%	9%	9%		
Operating expenses	-620	-586	-601	-592	-523	-677	-23%	-16%
<b>NOI</b>	<b>1 512</b>	<b>1 557</b>	<b>1 620</b>	<b>1 691</b>	<b>1 799</b>	<b>1 652</b>	<b>9%</b>	<b>19%</b>
SG&A	-26	-33	-23	-37	-26	-38	-31%	0%
<b>Operating income</b>	<b>1 486</b>	<b>1 524</b>	<b>1 597</b>	<b>1 654</b>	<b>1 773</b>	<b>1 614</b>	<b>10%</b>	<b>19%</b>
Net interests	-319	-381	-409	-432	-453	-533	-15%	42%
Other financials	-38	-162	-70	-102	-56	-40		
<b>Income from prop. mgmt.</b>	<b>1 129</b>	<b>981</b>	<b>1 118</b>	<b>1 120</b>	<b>1 264</b>	<b>1 041</b>	<b>21%</b>	<b>12%</b>
Revaluation of properties	-2 140	-6 111	-5 048	-2 631	-1 481	-4 191		
Other value changes	-52	-426	-229	-26	-600	0		
Other non-op. Expenses	0	0	-2	0	-2	0		
<b>Income before tax</b>	<b>-1 063</b>	<b>-5 556</b>	<b>-4 161</b>	<b>-1 537</b>	<b>-819</b>	<b>-3 150</b>		
Current tax	-106	159	-97	-140	-98	16		
Deferred tax	337	1 076	948	426	270	611		
<b>Net income</b>	<b>-832</b>	<b>-4 321</b>	<b>-3 310</b>	<b>-1 251</b>	<b>-647</b>	<b>-2 523</b>		
MV properties	194 037	188 317	183 809	181 926	181 088	178 231	2%	-7%
MV property development %	-1,1%	-3,1%	-2,7%	-1,4%	-0,8%	-0		
NOI margin	71%	73%	73%	74%	77%	71%	9%	9%
FFO	1 086	1 125	1 083	1 011	1 271	1 057	20%	17%
Debt / Total assets	39%	40%	40%	41%	40%	41%	-1%	4%
Debt / debt + equity	46%	47%	48%	48%	48%	49%	-1%	5%
ICR	5,3x	4,8x	4,4x	4,1x	3,9x	3,6x	-0,3x	-1,7x
Interest rate %	2,0%	2,1%	2,4%	2,6%	2,7%	2,8%		
Yield requirement	3,8%	4,0%	4,1%	4,2%	4,2%	4,3%		

## Comment on report

- Vasakronan reported 3Q-numbers that were stronger than our estimates across the board. NOI beat our forecast by 9%, as LFL NOI growth was 13% YTD. IFPM was significantly stronger as Vasakronan continues to refinance upcoming bond maturities at favourable conditions. As such, the average interest rate only increased by 10bps. Property value changes were also lower than our estimates, where the average yield increased by 5bps to 4.24%, creating a support yield gap of 1.54%
- Metrics were relatively stable in the quarter due to the financial development. Leverage based on Moody's definition decreased from 41% to 40% q/q, while the ICR amounted to 3.9x, albeit a decrease q/q
- The company reported positive net letting in the quarter of SEK 17m (-78m YTD), however states that the economic uncertainty is most present in tenant dialogs. At the same time, demand for the most high-quality assets remain good. There is some uncertainty regarding the development of the company's occupancy rate going forward, as it has started to decrease. The largest uncertainty is related to the company's ongoing projects and their ability to attract new tenants. Currently, the occupancy rate is 58% for the larger projects, with most of the projects estimated to be completed in 2024, after remaining investments of SEK 2,747m

# Continued strong credit profile going forward

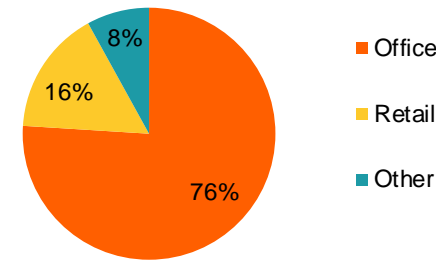
Some pressure on the company's ICR, but not enough to change the rating - Marketweight

## Key metrics SEKm

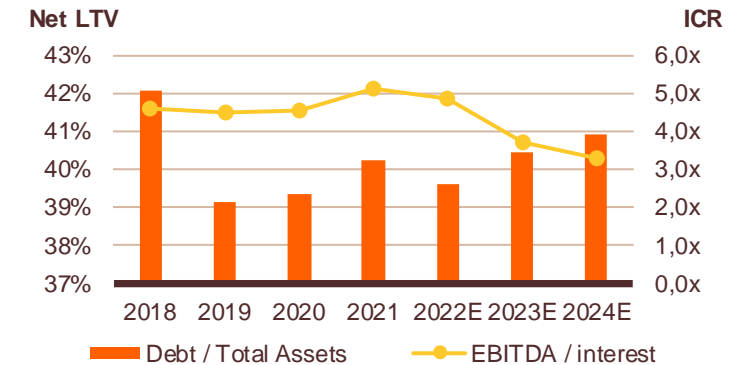
SEKm	2020	2021	2022	2023E	2024E	2025E
Rental Income	7 006	7 425	8 167	9 195	9 860	10 250
Revenue growth	-0,5 %	6,0 %	10,0 %	12,6 %	7,2 %	3,9 %
EBITDA	5 071	5 411	5 852	6 719	7 214	7 499
EBITDA margin	72%	73%	72%	73%	73%	73%
Market value, Properties	162 420	181 575	188 317	179 551	180 103	182 554
IBD	69 317	78 996	82 576	81 613	82 820	84 157
NIBD	66 755	75 397	79 592	78 276	79 467	76 633
Cash	2 558	3 521	2 984	3 337	3 354	7 524
Equity	70 869	85 290	89 767	83 822	82 534	86 795
FFO	3 547	3 572	4 273	4 509	4 830	5 070
Capex	-5 314	-4 137	-2 366	-2 452	-2 013	-2 228
FOCF	-1 496	-190	2 071	1 868	2 817	2 842
Net debt repayments	4 427	3 132	1 650	-324	1 208	1 337
Change in cash	-957	963	-536	353	16	4 171
LTV	43%	44%	44%	45%	46%	46%
Net LTV	41%	42%	42%	44%	44%	42%
Debt / Total Assets	39%	40%	40%	40%	41%	40%
Debt / Debt + Equity	49%	47%	47%	48%	49%	47%
NIBD/ EBITDA	13,2x	13,9x	13,6x	11,6x	11,x	10,2x
FFO/NIBD	5%	5%	5%	6%	6%	7%
Equity ratio	40%	43%	43%	42%	41%	42%
EBITDA / net interest	4,5x	5,1x	4,8x	3,7x	3,3x	3,3x
Interest rate %	1,6%	1,3%	2,1%	2,8%	3,0%	3,0%
Floating	29%	43%	29%	28%	33%	36%
Yield requirement	3,7%	3,9%	4,0%	4,3%	4,3%	4,3%

## Portfolio split - segments

Contracted rent by type

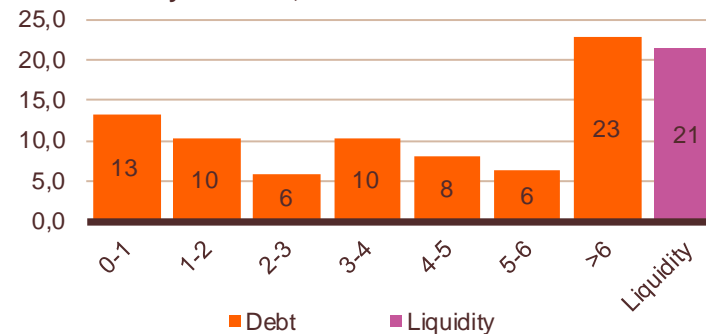


## Leverage development



## Maturity schedule

Debt maturity schedule, SEKbn



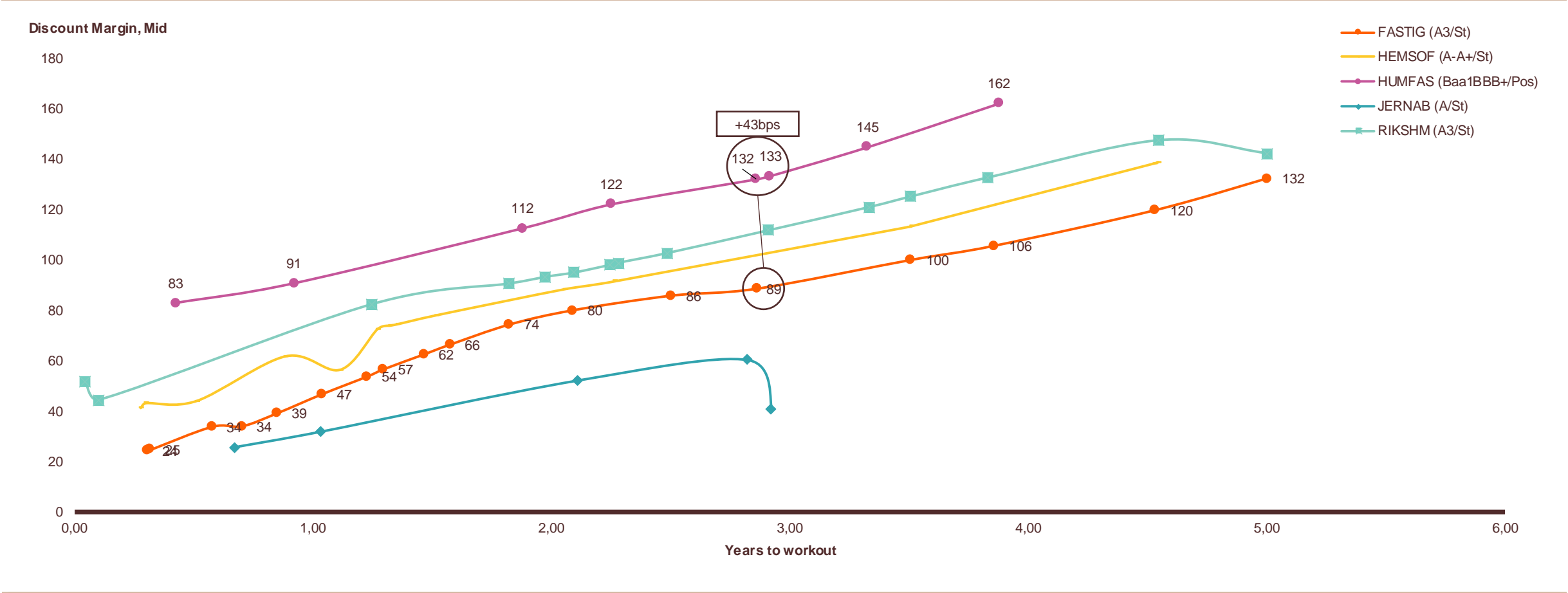
## Recommendation

- We update our estimates after Vasakronan's strong 3Q report and continue to see an overall solid credit profile. However, we expected the company's cost of debt to continue to increase to 3.0% which will suppress the ICR to 3.3x. The ICR level for 2024E is below Moody's rating trigger of 3.5x, however we don't believe that the ICR development by itself is enough to change the rating nor the outlook to negative
- Current sr. unsecured pricing is inside Rikshem and Hemsö, which we believe is fair, given Vasakronan's assets, cash flow and leverage. We recommend Marketweight on Vasakronan, although Humlegården (BBB+/pos) is our preferred pick, offering a pickup of 43bps on a 3-year paper

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

We recommend Marketweight, however Humlegården is our preferred name within the space

## Higher rated SEK floaters





# A strong Credit Research team with a broad Nordic scope



**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



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



**Robert Dinic**

- B.Sc. in Business Economics from Stockholm University (2019)
- Previous experience: Credit Analyst at Moody's FIG and Audit Associate at EY Financial Services Organization

**Telecom  
Healthcare Services  
Business Services  
Gaming  
Airlines**



**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

**Real Estate**



**Timothy Brett Becker**

- BA in Economics (2015) and MBA (2016) from the University of New Mexico. CFA charterholder
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**Industrials  
Strategy  
Other**

**Pulp & Paper  
Metals & Mining**



**Anton Dahlberg**

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**Real Estate**

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Financials**

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