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Company Comment	Property	Sweden	05 May 2025
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Q1: Financially stable but soft operationally

Vasakronan's Q1 operational performance was rather soft, with visible effect from a tougher rental market, resulting in weaker l-f-l figures. However, the company maintained stable credit metrics with a slight reduction in net debt and cost of debt, and continued investments in projects linked to new lettings. Focus in 2025 is to enhancing customer offering and to improve the occupancy rate (88.8% currently).

Q1: Soft operationally with visible effect from a tougher rental market

Vasakronan's operational performance in Q1 was rather soft with visible effects from a more challenging rental market. This was reflected in negative net lettings, resulting in weaker l-f-l figures. In comparable property holdings, the decrease in rental income and NOI were -1% and -4% respectively. Nonetheless, we note that the decline in NOI-margin was largely impacted explained by a positive nonrecurring effect in the comparable period (Q1/24). The economic occupancy rate, including projects, declined by 0.3% q/q to 88.8% (87.6% among office and 95.7% among retail). Net lettings were small but negative in Q1 at EUR -18m (SEK -189m LTM). Looking at renegotiations' lettings taking place in Q1, the total price change was -4.2% (2% a year-ago), reflecting high rents in Stockholm following several years with high CPI-adjustments. Unrealised value changes in Q1 amounted to SEK -914m, corresponding to a 0.5% (certain suburban locations in Stockholm weighing negatively). The average yield requirement increased by 2bps q/q to 4.54%.

Sequentially steady credit metrics with a tad lower net debt and cost of debt

The company's financial development remained stable and resilient. Credit metrics were mostly unchanged sequentially, supported by a modest reduction in both indebtedness and the cost of debt. Net investments totaled SEK 517m during the quarter, with 26% allocated to projects directly linked to new lettings. The average interest rate for loans and derivatives decreased by 0.1% q/q to 2.5%, driven primarily by lower short interest rates. Twelve-month earnings metrics remained steady, with an EBITDA/net interest ratio of 3.6x and a net debt/EBITDA of 10.6x. The net LTV declined 0.2% sequentially to 39.8% per end-Q1. At the same time, we calculated an effective leverage of 40.8% (35-45% required) and fixed-charge coverage of 3.3x (3.0-4.0x) according to Moody's definitions. In line with previous quarters, Vasakronan continues to maintain adequate rating leeway's and liquidity position.

Focus in 2025 is to enhancing customer offering and to improve the occupancy

While the operating environment remains dynamic and subject to market changes, Vasakronan's long-term strategy and ambition to be the preferred choice for tenants seeking office and retail space remain firmly in place. In 2025, the company will focus on enhancing its customer offering and driving increased lettings. According to the CEO, many businesses are now seeking solutions that balance

flexibility with cost efficiency, often willing to reduce total office space in exchange for higher-quality premises in more attractive locations. Recent lettings to IBM and Fujitsu exemplify this trend. Overall, we view the report as slightly credit negative and will continue to closely monitor market fundamentals and the operational performance. Additionally, we have refined our financial base case to better reflect the impact of renegotiation outcomes and the timing effects of historical net lettings, while recent changes in rates movements and credit margins largely taking each other out.

Deviation between actual Q1 results and SEB DCM Research estimates (SEKm)

Deviation table	Q1/24	Q2/24	Q3/24	Q4/24	Q1/25E	Q1/25	Q1 vs SEB
Rental income	2 338	2 366	2 344	2 399	2 350	2 331	-1%
NOI	1 698	1 692	1 728	1 729	1 676	1 642	-2%
EBITDA	1 679	1 654	1 700	1 702	1 647	1 606	-3%
Interest expense	-525	-530	-510	-504	-499	-478	-4%
Net interest expense	-468	-486	-468	-463	-470	-450	-4%
Investment properties	175 455	176 369	177 625	178 183	178 250	177 786	0%
Total debt	76 797	75 641	74 479	74 767	74 088	74 044	0%
Net debt	73 975	73 313	71 676	70 889	70 230	70 338	0%
Total debt / EBITDA (x)	11,5x	11,3x	11,1x	11,1x	11,1x	11,1x	
Net debt / EBITDA (x)	11,1x	10,9x	10,7x	10,6x	10,5x	10,6x	
EBITDA / net interest (x)	3,7x	3,6x	3,6x	3,6x	3,6x	3,6x	
FFO / net debt (%)	6,3%	6,4%	6,4%	6,4%	6,5%	6,0%	
Gross LTV	43,8%	42,9%	41,9%	42,0%	41,6%	41,6%	
Net LTV	42,2%	41,6%	40,4%	39,8%	39,4%	39,6%	

Property	Q1/24	Q2/24	Q3/24	Q4/24	Q1/25E	Q1/25	DEV
Net acquisitions	-692	0	0	-87	0	45	
Investments in existing properties	-652	-685	-467	-611	-512	-562	
Property revaluation	-458	230	788	-140	-445	-914	
Yield	4,54%	4,54%	4,53%	4,52%	4,51%	4,54%	

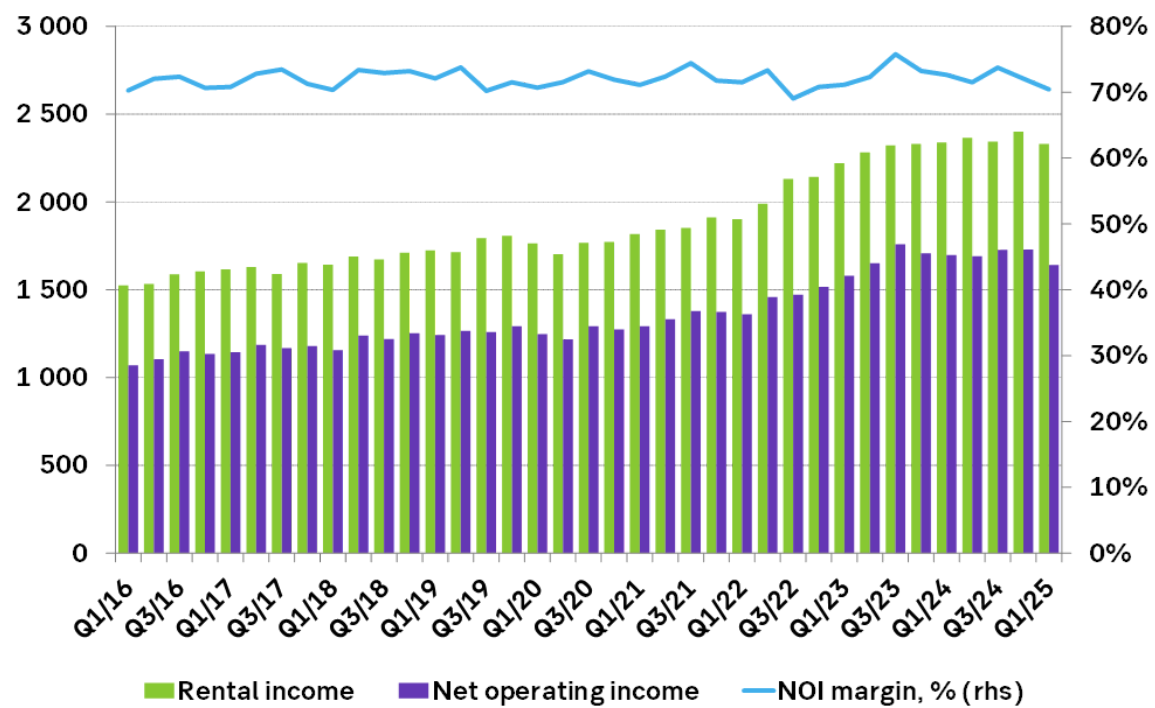
Operating costs	Q1/24	Q2/24	Q3/24	Q4/24	Q1/25E	Q1/25	
Central administration	-19	-38	-28	-27	-28	-36	28%
Running costs	-243	-231	-200	-248	-259	-253	-2%
Repairs and maintenance	-42	-41	-32	-48	-42	-38	-10%
Property administration	-93	-132	-119	-110	-106	-124	17%
Property taxes	-209	-220	-215	-209	-212	-216	2%
Leasehold rents	-53	-50	-50	-55	-56	-58	3%
Total property costs	-640	-674	-616	-670	-674	-689	2%

Source: Company data, SEB DCM Research estimate

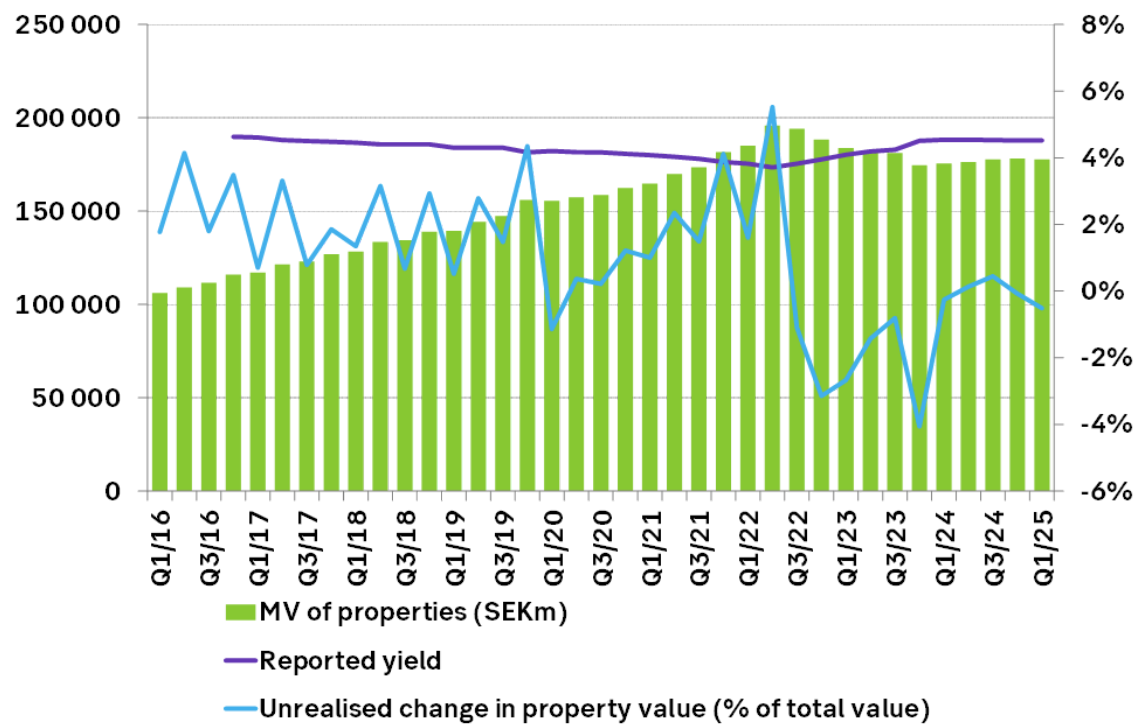
Vasakronan's LTM financial accounts and forecast, SEB DCM Research base case

SEKm	Q1/24	Q2/24	Q3/24	Q4/24	Q1/25	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Rental income	9 274	9 357	9 379	9 447	9 440	7 040	7 000	7 425	8 167	9 157	9 447	9 585	9 400	9 615
NOI	6 815	6 850	6 825	6 847	6 791	5 060	5 032	5 377	5 808	6 697	6 847	6 742	6 800	6 913
EBITDA	6 672	6 713	6 680	6 710	6 660	5 268	4 961	5 461	5 832	6 575	6 710	6 618	6 681	6 793
FFO	4 683	4 670	4 622	4 517	4 242	3 899	3 608	4 090	4 384	4 645	4 517	4 600	4 601	4 637
Y/Y growth in rental income (%)	9%	7%	5%	3%	2%	5%	0%	6%	10%	12%	3%	-1%	1%	2%
NOI margin (%)	73%	73%	73%	72%	72%	72%	72%	72%	71%	73,1%	72,5%	72%	72%	72%
EBITDA margin (%)	72%	72%	71%	71%	71%	75%	71%	74%	71%	72%	71%	71%	71%	71%
Interest expense	-1 974	-2 037	-2 055	-2 069	-2 022	-1 135	-1 127	-1 055	-1 238	-1 884	-2 069	-2 047	-2 076	-2 146
Net interest expense	-1 789	-1 843	-1 858	-1 885	-1 867	-1 131	-1 118	-1 051	-1 208	-1 730	-1 885	-1 969	-2 027	-2 100
Hybrid / preferred interest/dividends	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted interest expense	-1 967	-2 031	-2 056	-2 093	-2 080	-1 278	-1 276	-1 211	-1 368	-2 103	-2 093	-2 185	-2 244	-2 321
Investment properties	175 455	176 369	177 625	178 183	177 786	156 071	162 420	181 575	188 317	174 569	178 183	180 227	183 402	186 869
Total debt	76 797	75 641	74 479	74 767	74 044	66 638	69 317	73 838	77 425	76 259	74 767	73 055	73 900	77 054
Cash and equivalents	2 822	2 328	2 803	3 878	3 706	3 515	2 558	3 521	2 984	3 225	3 878	2 372	2 318	3 560
Net debt	73 975	73 313	71 676	70 889	70 338	63 123	66 759	70 317	74 441	73 034	70 889	70 683	71 582	73 494
Hybrid / preferred debt / capital	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted debt	80 508	79 844	78 205	78 444	77 891	68 367	71 923	75 475	79 592	79 364	78 444	78 238	79 137	81 049
Secured debt	11 131	11 130	11 130	11 138	11 139	11 603	10 971	7 866	11 131	11 131	11 138	11 500	11 500	11 500
Equity	79 646	80 331	81 550	82 701	83 011	70 156	70 869	85 290	89 767	78 902	82 701	84 135	85 399	85 888
Adjusted equity	79 646	80 331	81 550	82 701	83 011	70 156	70 869	85 290	89 767	78 902	82 701	84 135	85 399	85 888
Net debt+equity	153 621	153 644	153 226	153 590	153 349	133 279	137 628	155 607	164 208	151 936	153 590	154 818	156 981	159 382
Credit metrics	Q1/24	Q2/24	Q3/24	Q4/24	Q1/25	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Total debt / EBITDA (x)	11,5x	11,3x	11,1x	11,1x	11,1x	12,0x	14,0x	13,5x	13,3x	11,6x	11,1x	11,0x	11,1x	11,3x
Net debt / EBITDA (x)	11,1x	10,9x	10,7x	10,6x	10,6x	12,0x	13,5x	12,9x	12,8x	11,1x	10,6x	10,7x	10,7x	10,8x
Adjusted debt / EBITDA (x)	11,8x	11,6x	11,4x	11,3x	11,3x	12,6x	14,1x	13,4x	13,3x	11,4x	11,3x	11,4x	11,5x	11,6x
EBITDA / interest (x)	3,4x	3,3x	3,3x	3,2x	3,3x	4,6x	4,4x	5,2x	4,7x	3,5x	3,2x	3,2x	3,2x	3,2x
EBITDA / net interest (x)	3,7x	3,6x	3,6x	3,6x	3,6x	4,7x	4,4x	5,2x	4,8x	3,8x	3,6x	3,4x	3,3x	3,2x
EBITDA / adjusted interest (x)	3,5x	3,4x	3,3x	3,3x	3,3x	4,2x	4,0x	4,6x	4,4x	3,3x	3,3x	3,1x	3,1x	3,0x
Fixed charge coverage (x)	0,4x	0,4x	0,4x	0,4x	0,4x	0,4x	0,3x	0,4x	0,5x	0,5x	0,4x	0,4x	0,3x	0,3x
FFO / total debt (%)	6,1%	6,2%	6,2%	6,0%	5,7%	5,9%	5,2%	5,5%	5,7%	6,1%	6,0%	6,3%	6,2%	6,0%
FFO / net debt (%)	6,3%	6,4%	6,4%	6,4%	6,0%	6,2%	5,4%	5,8%	5,9%	6,4%	6,4%	6,5%	6,4%	6,3%
FFO / adjusted debt (%)	6,0%	6,1%	6,2%	6,0%	5,7%	5,9%	5,2%	5,6%	5,7%	6,3%	6,0%	6,2%	6,1%	6,0%
Gross LTV	43,8%	42,9%	41,9%	42,0%	41,6%	42,7%	42,7%	40,7%	41,1%	43,7%	42,0%	40,5%	40,3%	41,2%
Net LTV	42,2%	41,6%	40,4%	39,8%	39,6%	40,4%	41,1%	38,7%	39,5%	41,8%	39,8%	39,2%	39,0%	39,3%
Adjusted LTV	44,2%	43,7%	42,5%	42,2%	42,0%	42,4%	42,9%	40,4%	41,1%	43,9%	42,2%	41,7%	41,4%	41,7%
Net debt / debt+equity	48,2%	47,7%	46,8%	46,2%	45,9%	47,4%	48,5%	45,2%	45,3%	48,1%	46,2%	45,7%	45,6%	46,1%
Adjusted debt / debt+equity	52,4%	52,0%	51,0%	51,1%	50,8%	51,3%	52,3%	48,5%	48,5%	52,2%	51,1%	50,5%	50,4%	50,9%
Secured LTV	6,3%	6,3%	6,3%	6,3%	6,3%	7,4%	6,8%	4,3%	5,9%	6,4%	6,3%	6,4%	6,3%	6,2%
Equity ratio	40,4%	40,8%	41,5%	41,6%	41,5%	41,2%	40,2%	43,5%	43,0%	40,5%	41,6%	42,2%	42,2%	41,4%

Source: Company data, SEB DCM Research estimate

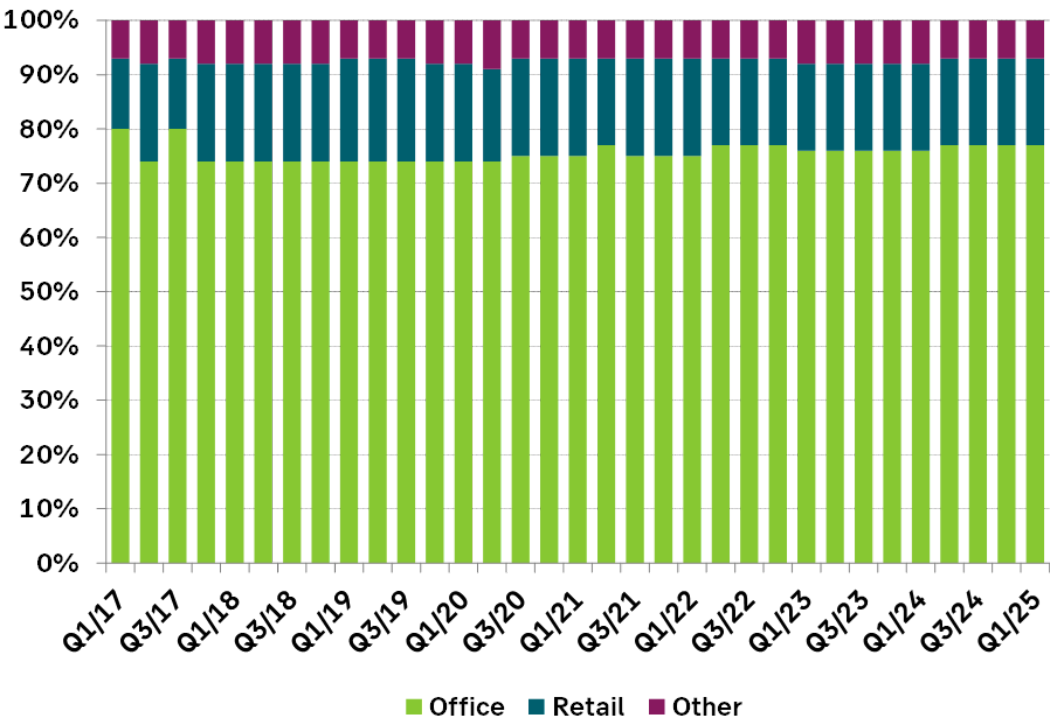
Quarterly rental income and NOI (SEKm)

Source: Company reports, SEB

Property portfolio statistics (SEKm)

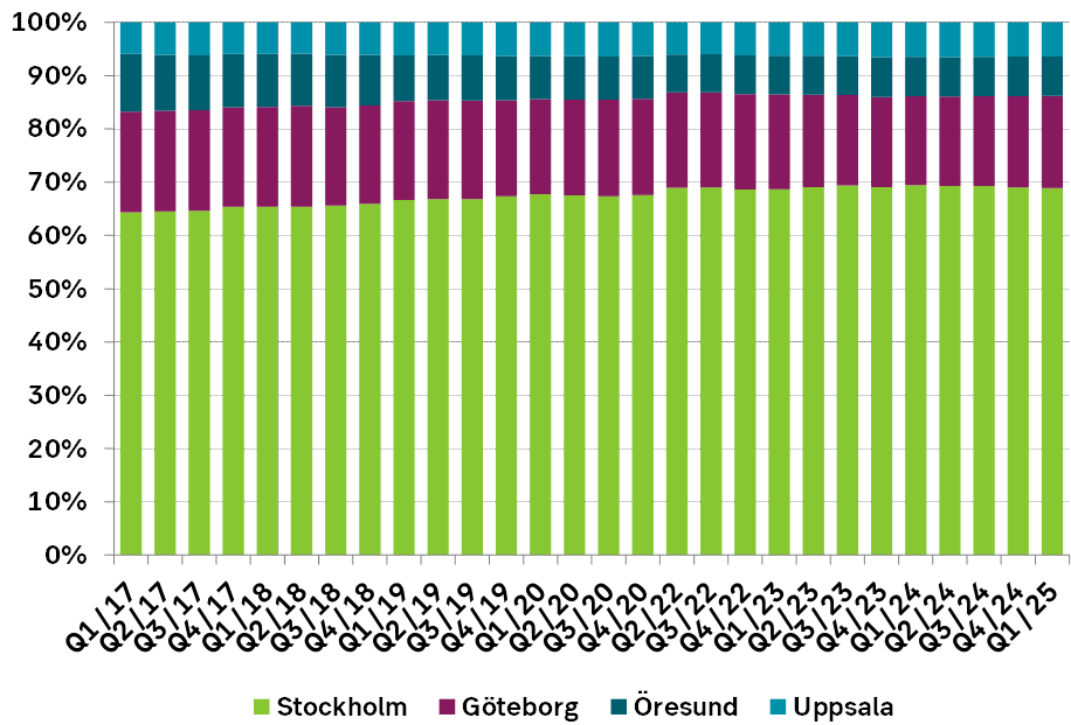
Source: Company reports, SEB

Property portfolio composition by property type (%)



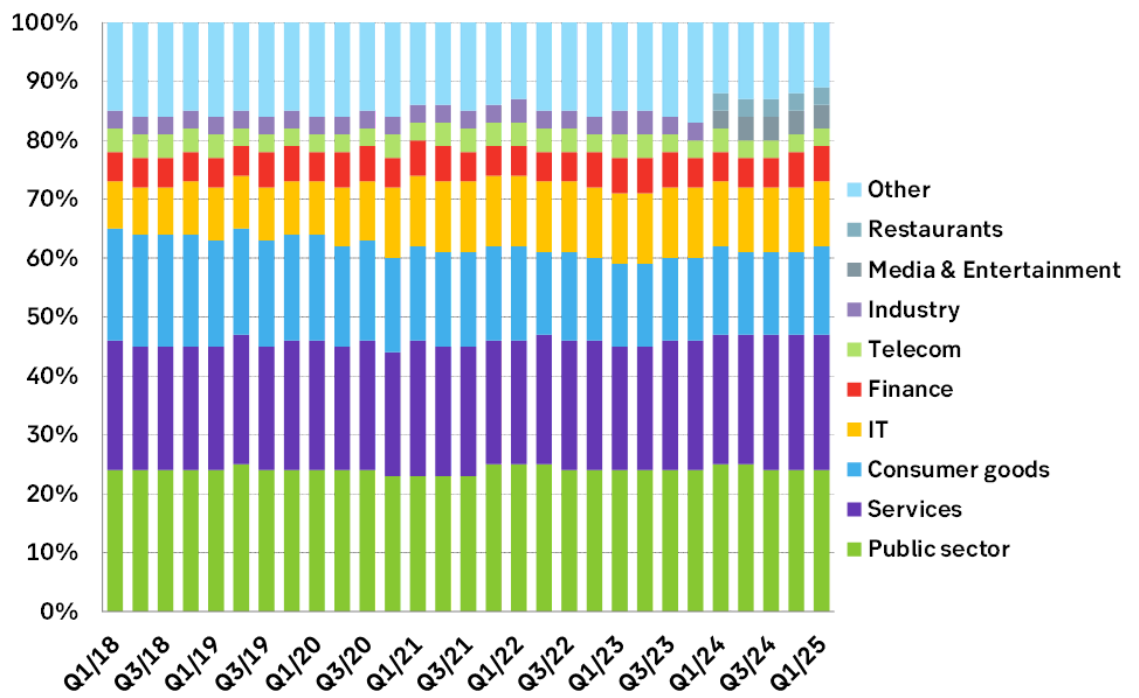
Source: Company reports

Property portfolio composition by region (%)



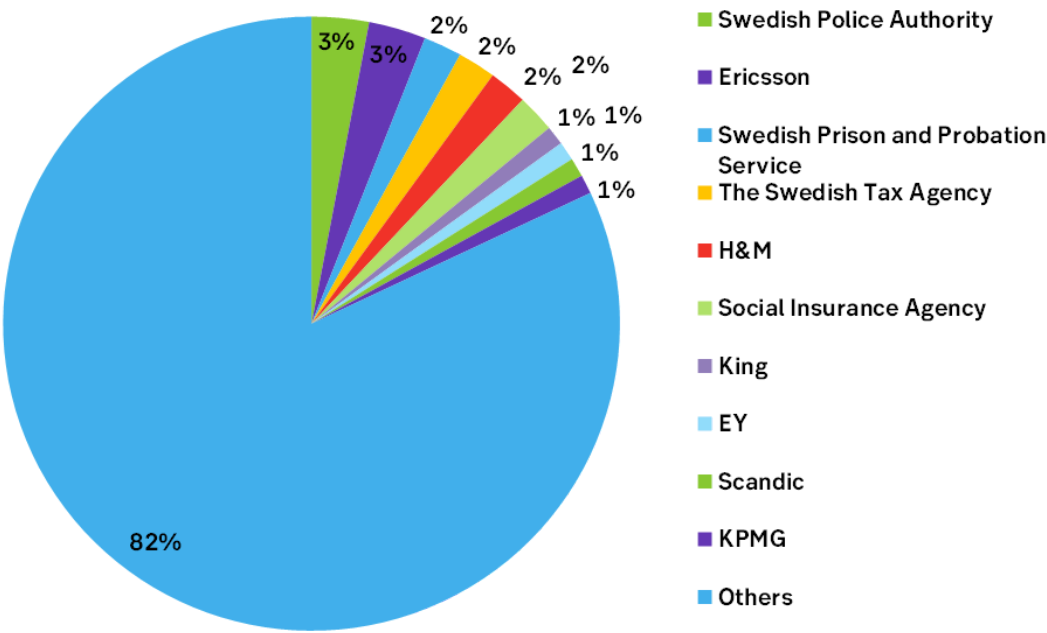
Source: Company reports

Breakdown of tenant by sector, % of contracted rent

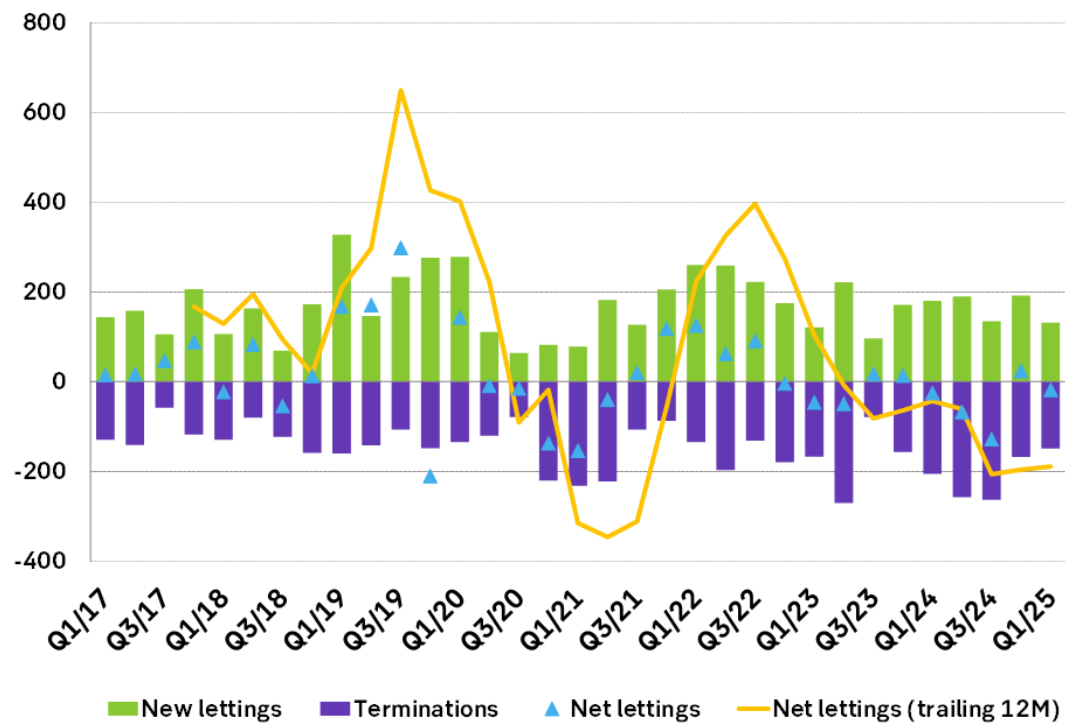


Source: Company reports

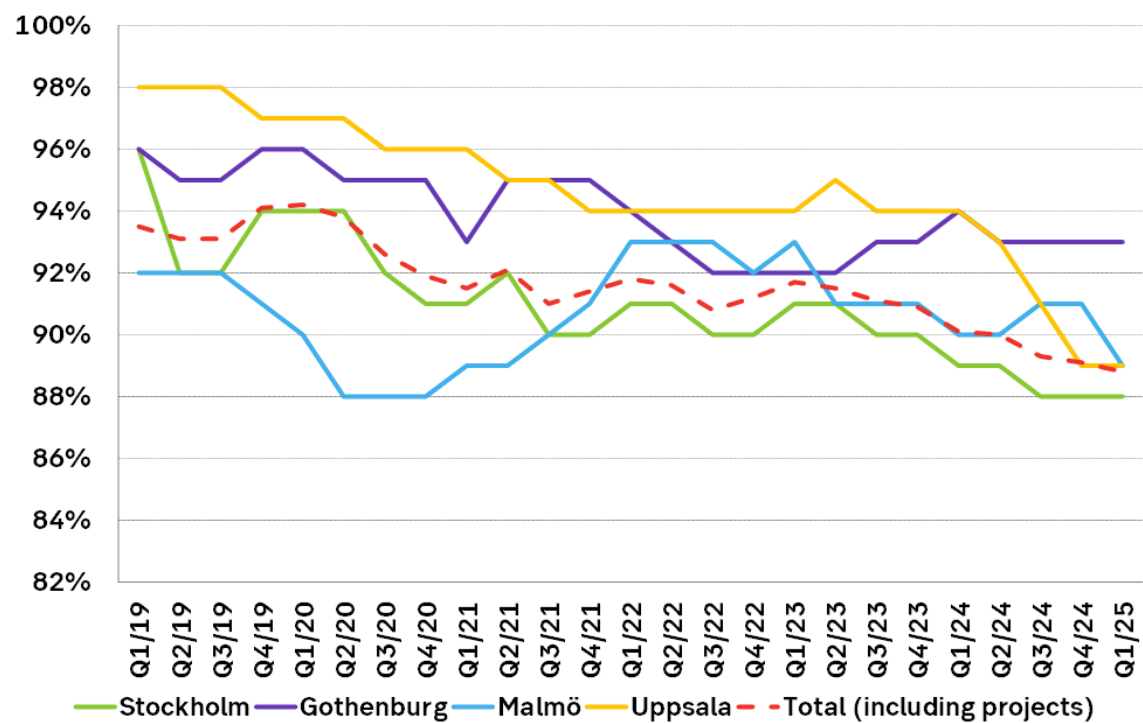
Tenant composition per end-Q1/25 (%)



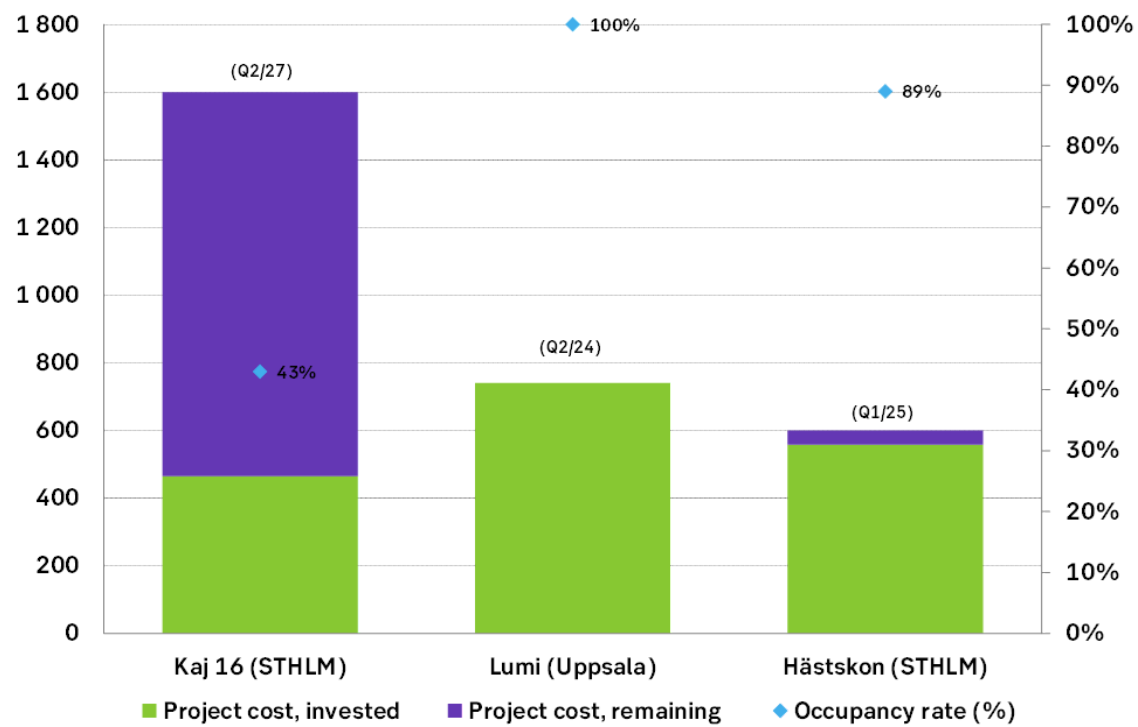
Source: Company report

Historical evolution of net leasing per quarter (SEKm)

Source: Company reports, SEB

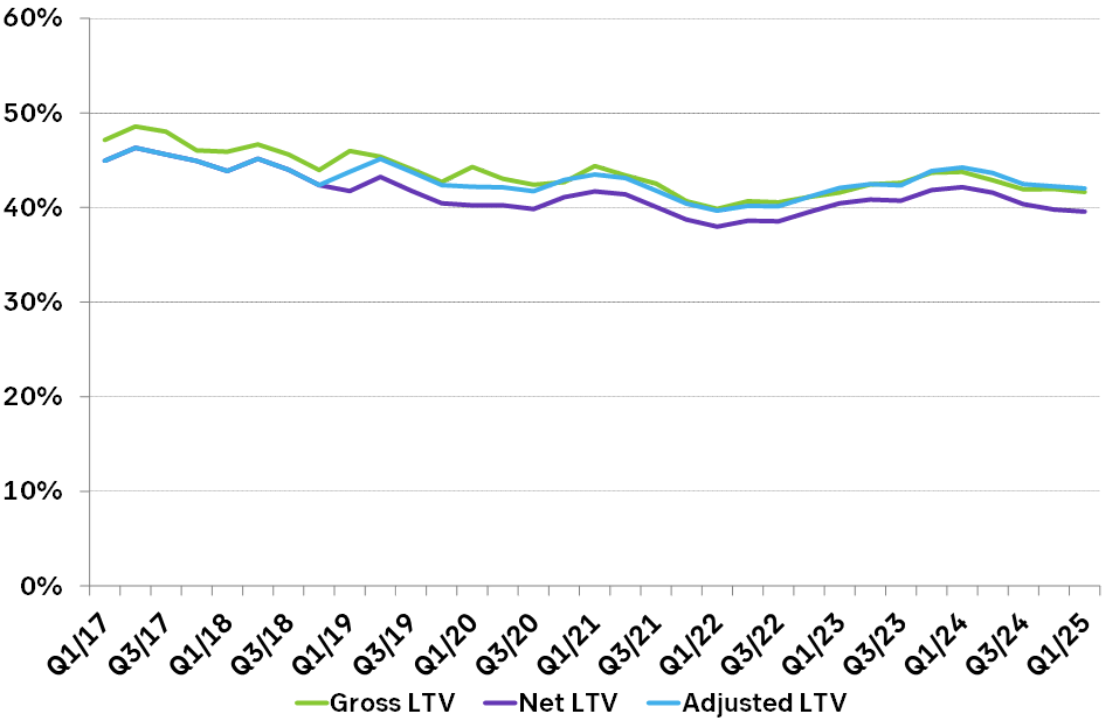
Occupancy rate development per region (%)

Source: Company reports

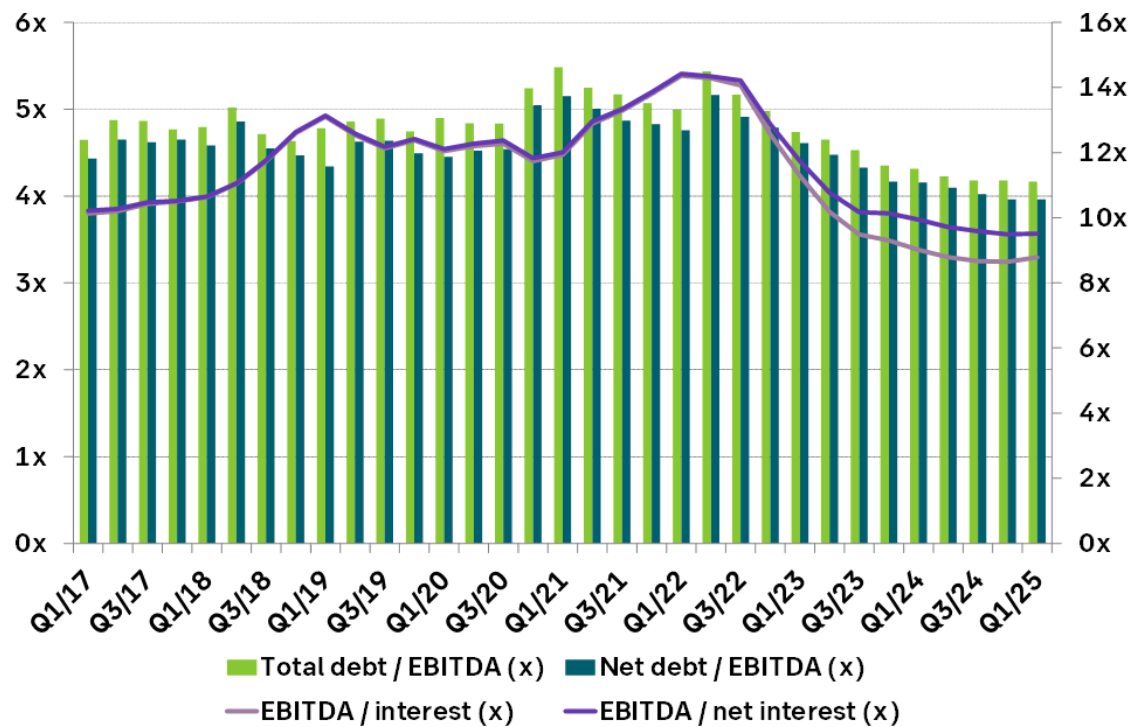
Overview of Vasakronan's major projects ongoing per end-Q1/25 (SEKm)

Source: Company reports, SEB

LTV (%)

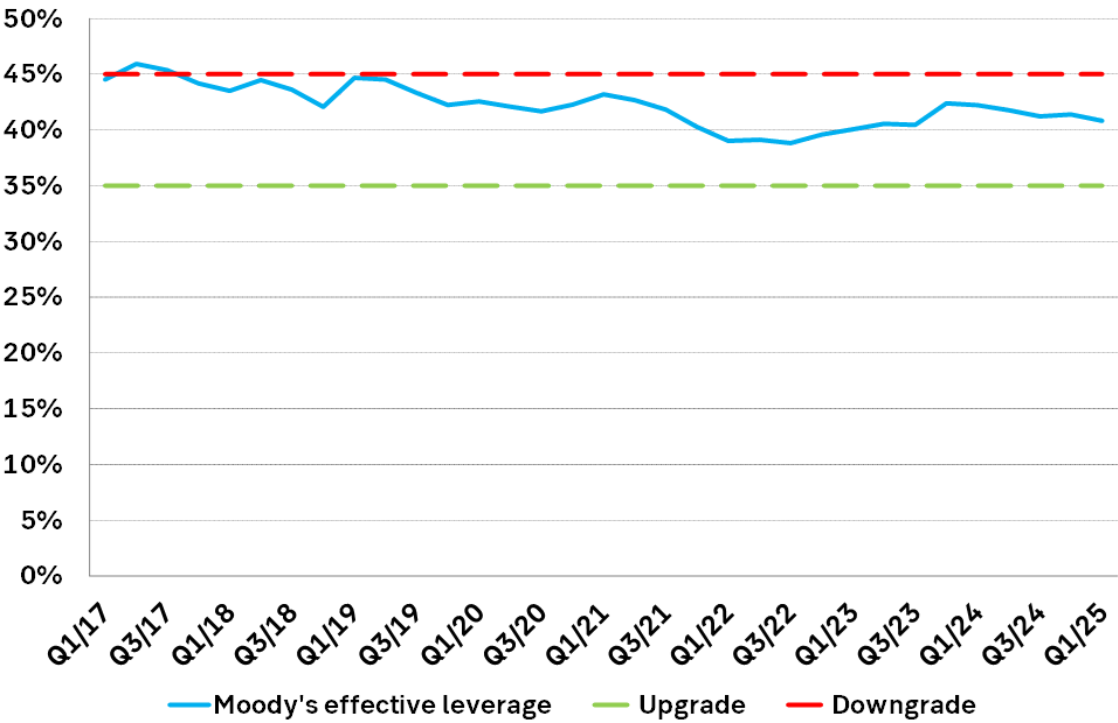


Source: Company reports, SEB

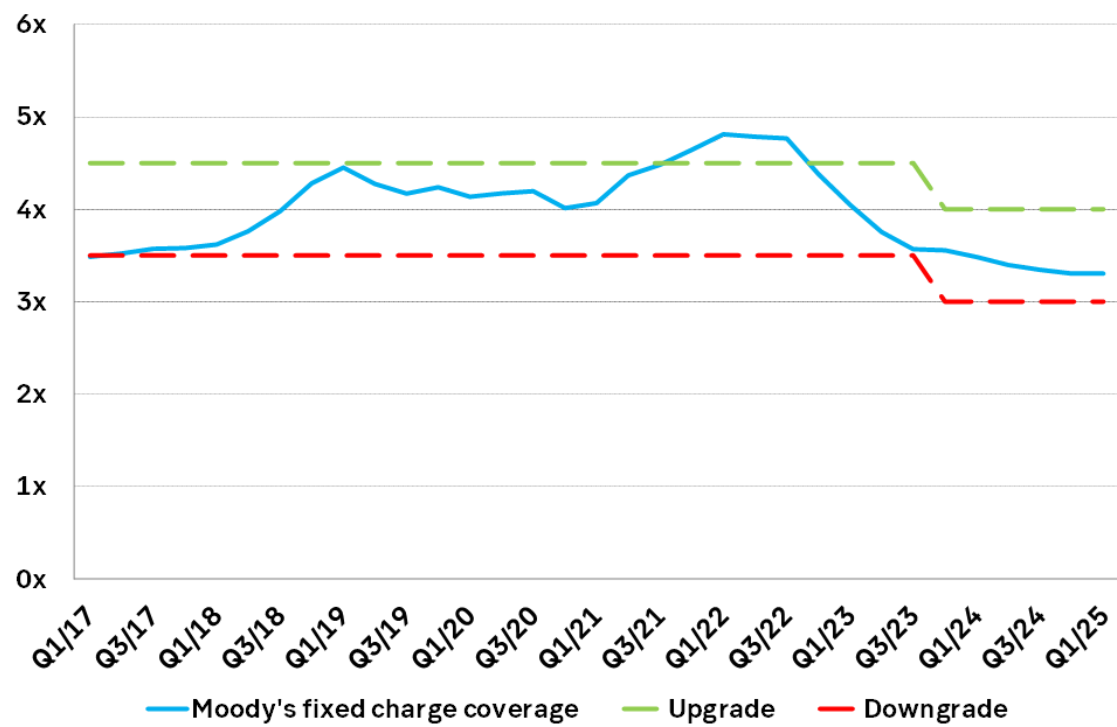
LTM leverage and interest coverage (x)

Source: Company reports, SEB

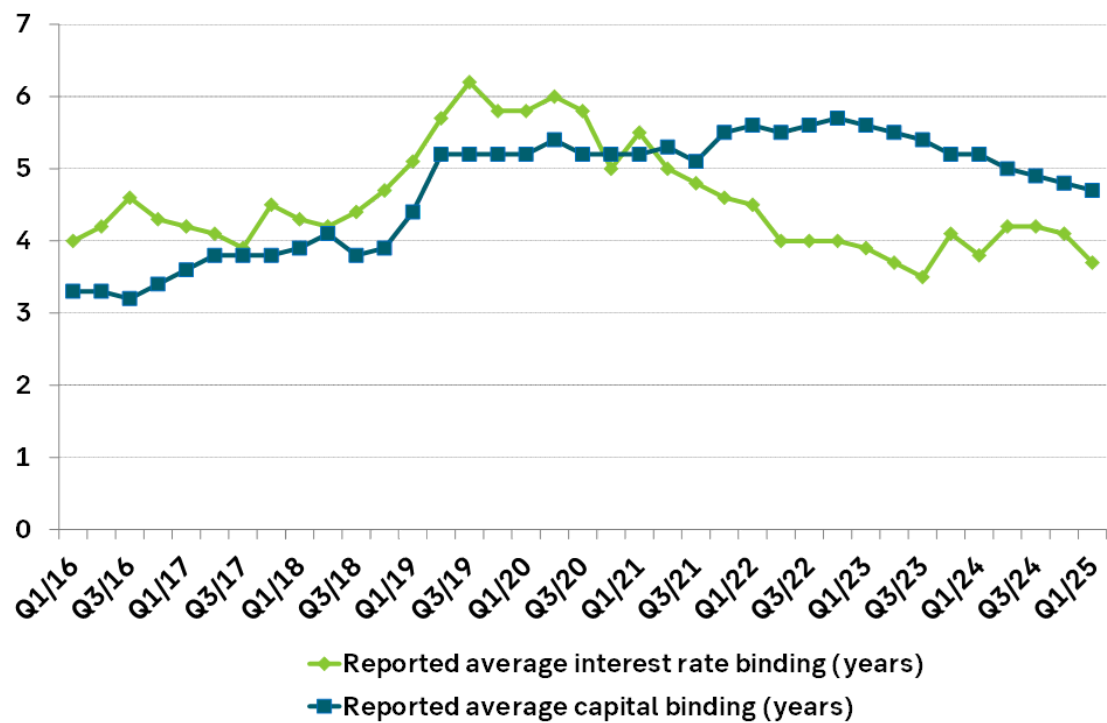
Moody's effective leverage and rating triggers



Source: SEB, Moody's

Moody's fixed charge coverage and current rating triggers

Source: SEB, Moody's

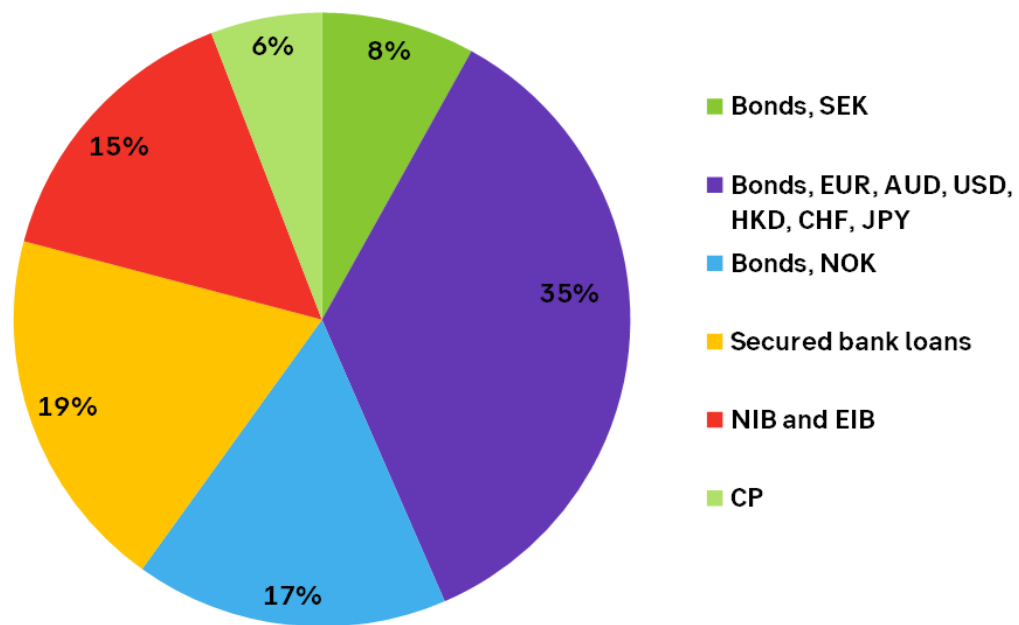
Capital and interest binding (years)

Source: Company reports

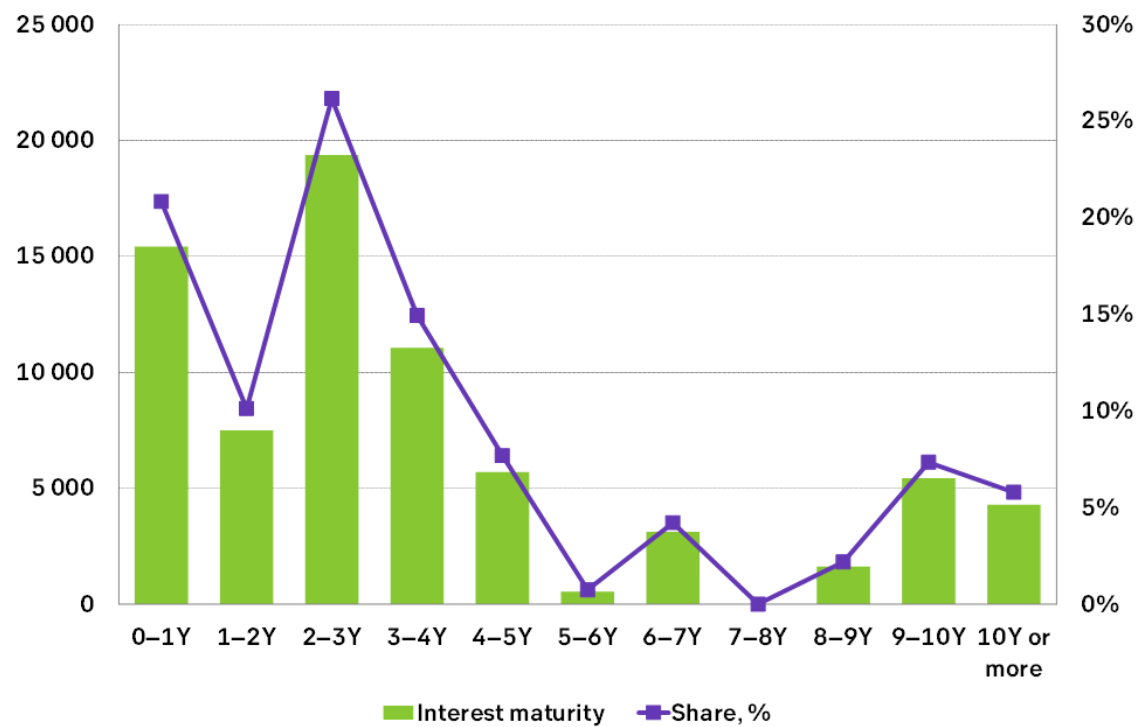
Debt maturity profile per end-Q1/25 (SEKm)

Source: Company reports

Distribution of funding sources per end-Q1/25 (%)

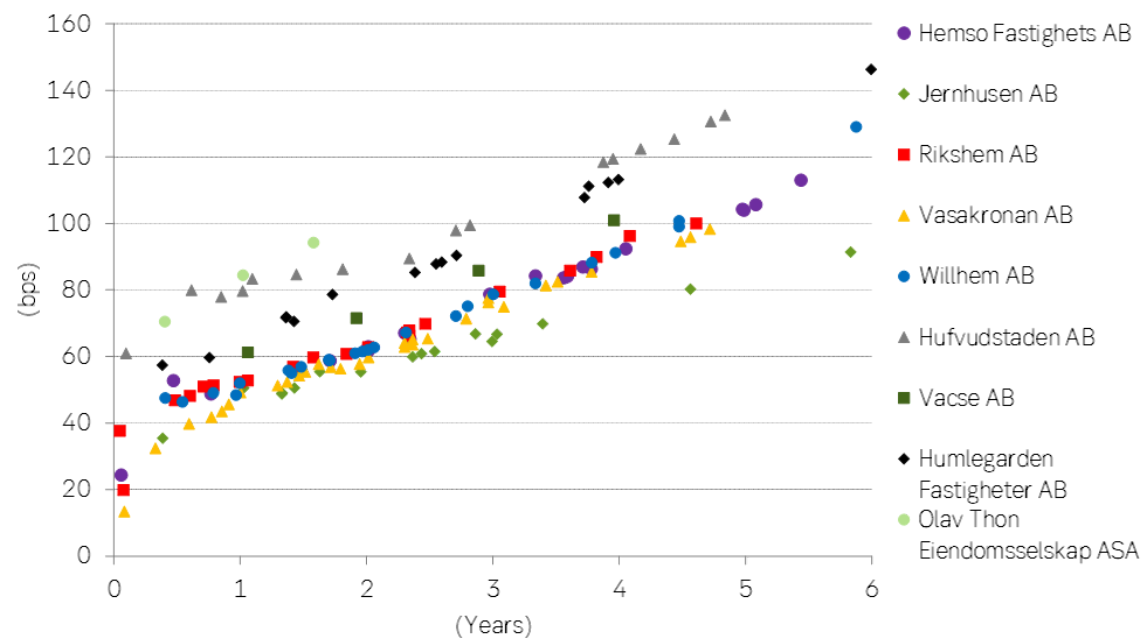


Source: Company report

Interest maturity profile per end-Q1/25 (SEKm)

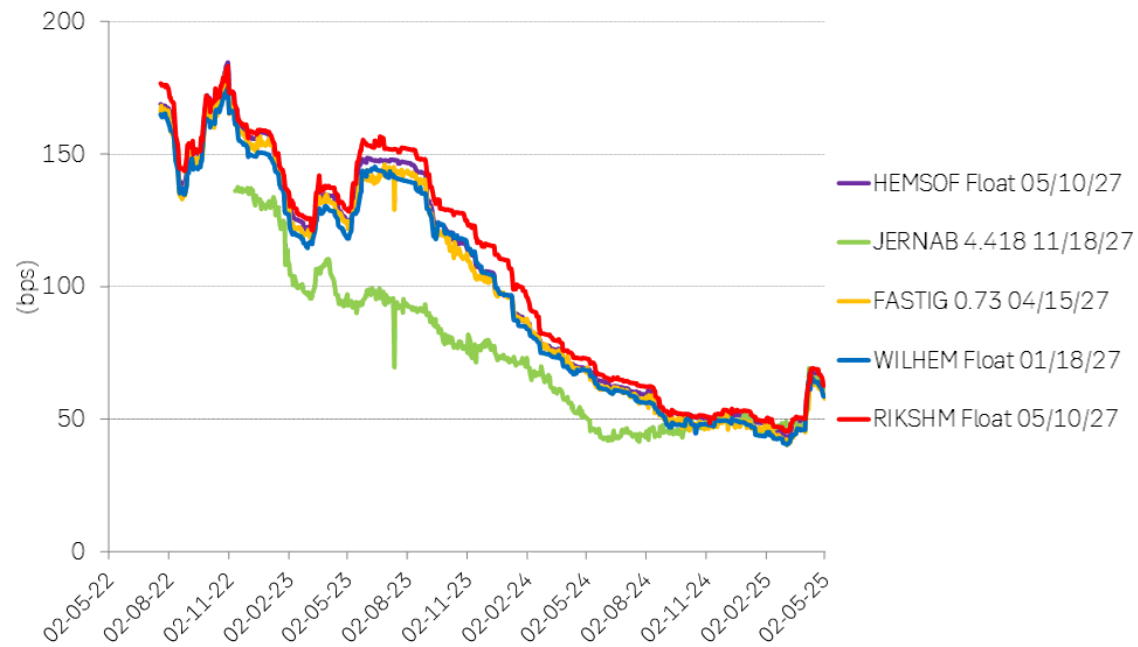
Source: Company report

Relative value, selective SEK bonds



Source: Bloomberg, SEB

Spread development, selective SEK bonds



Source: Bloomberg, SEB

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Within the past 12 months SEB has been involved in a public offering and/or underwriting of Vasakronan.

The analyst(s) responsible for this research (jointly with their closely related persons) hold(s) 0 shares in Vasakronan and do(es) not have holdings in other instruments related to the company.

Explanation of DCM Research recommendations

SEB derives its Recommendations from its appraisal of the credit quality of the issuer and issue in combination with the market price. The analyst may express a recommendation in various ways, depending on the complexity of the issuer's debt structure or the complexity of the analysed instrument, including:

1) Formal terminology

Overweight over the next six months we expect a position in this instrument to exceed the relevant index, sector or benchmark.

Marketweight over the next six months we expect a position in this instrument to perform in line with the relevant index, sector or benchmark.

Underweight over the next six months we expect a position in this instrument to underperform the relevant index, sector or benchmark.

- 2) An expression of relative value compared with instruments or debt classes issued by peers or comparable entities.
- 3) A list of so called “Top Picks” from a group of issuers, instruments or debt classes.

DCM Research recommendations are valid during the day of publication only and are therefore not necessarily updated or adjusted even if credit quality and market pricing have changed materially.

Methodology

SEB's DCM Research makes its assessment of the creditworthiness of an issuer based on the assessment of an issuer's business risk profile as well as its financial risk profile. The business risk profile includes country risk, industry risk, competitive position, and profitability. The financial risk profile includes financial policies, accounting, cash flow adequacy, capital structure and liquidity. The outcome of the assessment of the two risk profiles is weighed together for a final overall assessment.

In addition to SEB's credit assessment of creditworthiness, other factors considered in a particular issuer include the credit ratings assigned to a specific issuer by independent agencies, the value and market price of its securities, macroeconomic factors such as interest rates, promised coupon or yield of the specific instruments, and historical spread developments.