



26 April 2024

Vasakronan: Decent operational performance and stable credit metrics q/q; credit-neutral

S&P NR/---
Moody's A3/Stable

Vasakronan's Q1 report was credit-neutral, in our view, reflecting stable asset values and key credit metrics q/q and a decent operational performance (underpinned by 5% LFL growth in rental income and a 2 pp NOI margin expansion y/y, although the development in occupancy and net letting was slightly negative). Following smaller investments/acquisitions and only a minor ~0.3% value writedown (yield requirement raised to 4.54% from 4.51%), the net LTV remained unchanged q/q at 44%. The average interest rate on debt increased marginally q/q to 2.8% (2.7% in Q4 2023), resulting in a slightly decreasing, albeit still relatively strong, ICR of 3.5x (3.6x in Q4 2023). Although weakening slightly q/q, the liquidity situation remained adequate, with an available liquidity/NTM debt maturities ratio of 1.6x (1.9x in Q4 2023). In terms of outlook, the CEO points to a more challenging rental market, but highlights that the company is well positioned to meet the challenging times given its strong offering and good financial position. We agree, but continue think that the combination of relatively low-yielding assets, a weaker rental market and higher interest rates could continue to put pressure on Vasakronan's property values and credit metrics. Given Vasakronan's strong owners (the AP funds), however, we are not concerned. Also, we note that Moody's recently affirmed Vasakronan's A3 rating and lowered the ICR threshold to 3.0x from 3.5x, providing some extra rating headroom.

QUARTERLY PERFORMANCE

Issuer	Revenue	Margins	Vs. expectations	Outlook	Credit impact
Vasakronan	Slightly stronger	Slightly stronger	In line	Slightly negative	Neutral

Source: Company data and Nordea estimates

CREDIT RISK HEATMAP

Issuer	Headroom	Trend	Outlook	Event risk	Cyclicality	Liquidity
Vasakronan	o	o	-	o	o	+

Source: Company data and Nordea estimates

Key highlights

- Rental income increased by 5% y/y to SEK 2,338m, while NOI grew by 8% y/y to SEK 1,751m, for an expanding margin of 75% (73%). The occupancy rate decreased slightly to 90.1% (90.9% in Q4 2023 and 91.7% in Q1 2023), and the net letting was marginally negative at SEK -25m (14m in Q4 2023, -46m in Q1 2023).

- Property value including leases decreased by 4% y/y but increased by 1% q/q to SEK 182bn (181bn in Q4 2023). The q/q increase was driven by SEK 1.3bn in capitalised investments and acquisitions, slightly offset by SEK -0.5bn in negative value changes (-0.3%) – driven by a raised average yield requirement of 4.54% (4.51% in Q4 2023 and 4.09% in Q1 2023).
- Net property LTV was 44% (44% in Q4 2023 and 42% in Q1 2023), which is a clearly stronger level compared to the Nordic sector average of ~53%.
- LTM EBITDA ICR was 3.5x (3.6x in Q4 2023 and 3.8x in Q1 2023).
- Financial risk management remained strong with an average capital duration of 4.8 years (4.9 in Q4 2023) and an average interest duration of 3.8 years (4.1 in Q4 2023), which is above the industry average of around 2.5-3.5 years for capital duration and interest duration. The reported average interest rate on debt increased marginally q/q to 2.8% (2.7% in Q4 2023).
- The liquidity situation weakened slightly q/q, with cash and unutilised commitments from the owners (the AP funds), covering loans maturing in the next 12 months by a factor of 1.6x (1.9x in Q4 2023).

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As of today Nordea Abp holds no positions of 0.5% or more of shares issued

This report has not been reviewed by the Issuer prior to publication.

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