

Vacse AB (publ)

Rating Action Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

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Nordic Credit Rating (NCR) said today that it had affirmed its 'A-' long-term issuer rating on Sweden-based property manager [Vacse AB \(publ\)](#). The outlook is stable. At the same time, NCR affirmed the 'N2' short-term rating and 'A-' senior unsecured issue rating.

Rating rationale

The affirmation reflects Vacse's relative resilience to rising interest rates and its strong ownership profile. We expect the financial metrics to weaken somewhat from current levels but remain within the range of the company's rating drivers and current scoring of its financial ratios. The rating is also supported by Vacse's long fixed interest periods, healthy cash flow generation and strong owners with a commitment to maintaining a stable financial risk profile.

The long-term issuer rating reflects the company's strong portfolio of modern, tailor-made properties leased on long contracts to highly creditworthy public-sector authorities that are essential to Sweden's public security. It also reflects Vacse's high operating efficiency and virtually 100% occupancy rate.

These strengths are offset by the limited number of Vacse's properties (20) and tenants, with the top 10 tenants generating most of the company's revenues. We believe the concentrations in Vacse's portfolio create some risk at contract expiry, although the risk is low due to negligible lease maturities over the next three years.

We have lowered our assessment of the company's operating efficiency, reflecting our expectations of a reduction in historical net operating income and EBITDA margins due to higher operating costs. However, we see the negligible downside risk to occupancy rates, and the level of operating margins and their stability remain good relative to the wider real-estate sector and are comparable to those of Vacse's closest peer.

Stable outlook

The outlook is stable, reflecting our expectation that Vacse will continue to focus on similar types of properties and tenants, and long lease terms. We expect the company to grow through contracted acquisitions of development projects without deviating from its current low-risk financial profile, even though property values are likely to decrease moderately and interest coverage weaken as market interest rates rise. The outlook also reflects our view that public-sector tenants funded by government budgets provide stability, especially at times of high market uncertainty.

We could raise the rating to reflect stronger credit metrics together with significant portfolio growth and diversification that do not compromise the company's low-risk business profile.

We could lower the rating to reflect net loan to value above 45% or EBITDA/net interest below 3.5x over a protracted period, any deviation from the company's low-risk business profile, or a withdrawal of shareholder commitments or change in ownership.

Rating list

	To	From
Long-term issuer credit rating:	A-	A-
Outlook:	Stable	Stable
Short-term issuer credit rating:	N2	N2
Senior unsecured issue rating:	A-	A-

Figure 1. Vacse rating scorecard

Subfactors	Impact	To	From
Operating environment	20.0%	a	a
Market position, size and diversification	12.5%	bb-	bb-
Portfolio assessment	12.5%	a+	a+
Operating efficiency	5.0%	aa-	aa
Business risk assessment	50.0%	a-	a-
Ratio analysis		bbb+	bbb+
Risk appetite		a-	a-
Financial risk assessment	50.0%	bbb+	bbb+
Indicative credit assessment		a-	a-
Liquidity		Adequate	Adequate
ESG		Adequate	Adequate
Peer calibration		Neutral	Neutral
Stand-alone credit assessment		a-	a-
Support analysis		Neutral	Neutral
Issuer rating		A-	A-
Outlook		Stable	Stable
Short-term rating		N2	N2

Figure 2. Capital structure ratings

Seniority	To	From
Senior unsecured	A-	A-

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating Issue credit rating
Publication date:	The rating was first published on 25 Oct. 2018.
Office responsible for the credit rating:	Nordic Credit Rating AS (NCR), Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009.
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Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	NCR's Corporate Rating Methodology published on 8 May 2023 NCR's Rating Principles published on 24 May 2022 NCR's Group and Government Support Rating Methodology published on 18 Feb. 2022 The methodology and principles documents provide analytical guidance to NCR's rating activities including but not limited to, assumptions, parameters, cash flow analysis, and stress-testing. NCR's methodologies and principles can be found on our website nordiccreditrating.com/governance/policies . The historical default rates of entities and securities rated by NCR will be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA) .
Materials used when determining the credit rating:	Annual- and quarterly reports of the rated entity, Bond prospectuses, Company presentations, Data provided by external data providers, External market reports, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity.
Potential conflicts of interest:	The rating is NCR's independent opinion of the rated entity's relative creditworthiness. The rating is solicited, i.e. it is prepared for a fee paid by the rated entity. At the time of analysis and publication neither NCR nor any of the analysts or persons involved in the rating process held any interest, ownership interest or securities in the rated entity. NCR does not have any direct or indirect shareholder with a holding of more than 5% of NCR's shares and votes. For further information, please refer to NCR's conflict of interest policy which is available on: https://nordiccreditrating.com/governance/policies
Additional information:	Prior to publication, the rating was disclosed to the rated entity. The issuer was given 24 hours (of which 8 business hours) to remark on factual errors and/or the inadvertent inclusion of confidential information, if applicable. The rating was not amended after the review by the issuer. No stress test was performed. Standard cash flow forecasting was performed. NCR's rating is an opinion regarding the relative creditworthiness of an entity or an instrument. It is not a prediction, guarantee or recommendation to buy, hold or sell securities. NCR assigns outlooks to issuer ratings to indicate where they could move in the near term, normally 12–18 months. Further information on the rating process, rating definitions and limitations is available on our website: nordiccreditrating.com/governance/policies .
Ancillary services provided:	No ancillary services were provided.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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