

## Vacse AB (publ)

Full Rating Report

### LONG-TERM RATING

**A-**

### OUTLOOK

**Stable**

### SHORT-TERM RATING

**N2**

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### RATING RATIONALE

Our 'A-' long-term issuer rating on Swedish community service property manager Vacse AB (publ) 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 its high operating efficiency and virtually 100% occupancy rate. We take a positive view of the company's low development risk as projects are carried out on fixed-price contracts with payment upon completion. The rating is supported by Vacse's long fixed-interest periods, strong liquidity and balanced debt maturity profile. It is also underpinned by strong owners with a commitment to maintaining a stable financial risk profile.

These strengths are offset by the limited number of Vacse's properties (23) 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 few years.

### STABLE OUTLOOK

The outlook is stable, reflecting our expectations that Vacse will continue to grow through contracted acquisitions of development projects without deviating from its current low-risk financial risk profile. We expect interest coverage to weaken as the company's interest fixing arrangements expire, but that stable long-term rental contracts with strong counterparties will support cash flows. It also reflects our view that the company's property values have limited downside risk.

### POTENTIAL POSITIVE RATING DRIVERS

- Stronger credit metrics, together with significant portfolio growth and diversification that do not compromise low-risk business profile.

### POTENTIAL NEGATIVE RATING DRIVERS

- Net loan to value (LTV) above 45% or EBITDA/net interest below 3.5x over a protracted period.
- Deviation from low-risk business profile.
- Adverse change in ownership or increase in owners' risk appetite.

Figure 1. Key credit metrics, 2020–2026e

SEKm	2020	2021	2022	2023	2024e	2025e	2026e
Total revenue*	384	459	490	559	612	660	688
EBITDA	298	352	360	415	446	482	502
EBITDA margin (%)	77.6	76.7	73.4	74.2	72.8	73.0	72.9
Investment property	7,169	8,928	9,348	9,754	9,870	10,791	11,506
Net debt	2,793	3,325	3,496	3,501	3,333	4,005	4,468
Total assets	7,431	9,506	9,886	10,279	10,525	11,335	12,099
Net debt/EBITDA (x)	9.4	9.4	9.7	8.4	7.5	8.3	8.9
EBITDA/net interest (x)	5.6	5.8	5.5	4.9	5.0	4.9	4.5
Net LTV (%)	39.0	37.2	37.4	35.9	33.8	37.1	38.8
FFO/net debt (%)	8.7	8.3	8.3	8.6	10.0	9.0	8.2

Source: company and NCR. e–estimate. FFO–funds from operations. All metrics adjusted in line with NCR methodology. \*Includes service fees and other rental-related income.

**ISSUER PROFILE**

Vacse is a Swedish property manager focused on community service properties leased under long-term contracts to agencies of the Swedish government (mainly the police, custody services and courts administration) and municipalities. The company was founded in 2009 by pension foundations associated with Apoteket AB, Atlas Copco AB, Ericsson AB, Sandvik AB, Skanska AB, Stora Enso AB and AB Volvo. On 20 Dec. 2022, Volvo Personvagnars Pensionsstiftelse acquired Atlas Copco Pension's stake in Vacse, resulting in two separate Volvo pension funds holding stakes in the company. As of 30 Jun. 2024, the company's property portfolio consisted of 23 properties valued at a total of SEK 9.9bn.

**BUSINESS RISK ASSESSMENT**

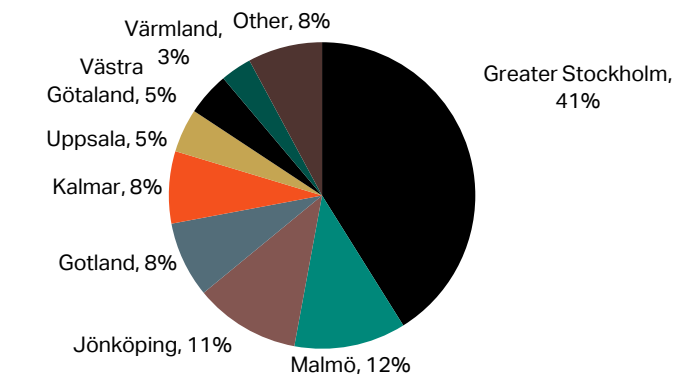
Our business risk assessment reflects Vacse's modern portfolio, high operating efficiency, and mainly government-funded public-sector tenants. It also reflects the company's long remaining lease terms at its virtually 100%-occupied properties. Tenant concentration and overall size offset some of these strengths.

**Highly creditworthy tenants and strong market fundamentals support operating environment**

Operating environment

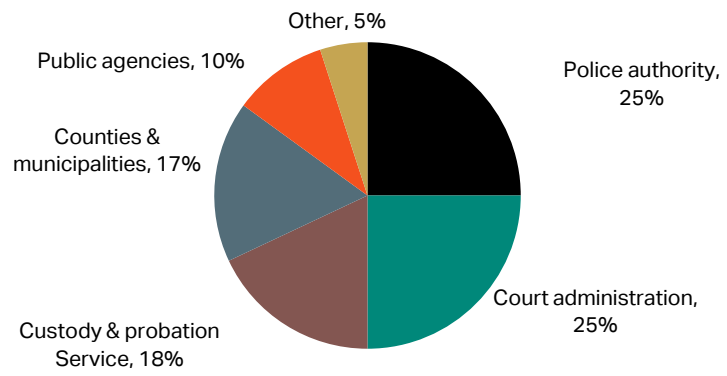
Vacse operates in the Swedish community service property market, with revenues almost exclusively derived from public and government bodies. The sector has undergone a structural shift in recent years and about 25% of public-sector tenant properties are now owned by private companies. An increasing number of Swedish municipalities are heavily debt-laden with limited possibilities to increase tax revenues, which supports a greater transfer of ownership to private-sector property managers. However, the appropriateness of private ownership of public infrastructure has been heavily debated after record high lease indexations in 2022 and 2023 along with large divestments to foreign investors. Geopolitical tensions have also contributed to highlighting the importance of long-term domestic ownership of critical social infrastructure. Shifting market dynamics have resulted in some municipalities taking the opportunity to buy back previously leased properties. We expect a larger proportion of lease contracts to contain a right-of-first-refusal clause. We believe, however, that private ownership can play a role when municipalities or government bodies are unable to meet the demands of changing demographics and are unable to expand social infrastructure sufficiently by themselves to meet their social welfare commitments.

Figure 2. Rental value by area, 30 Jun. 2024



Source: company.

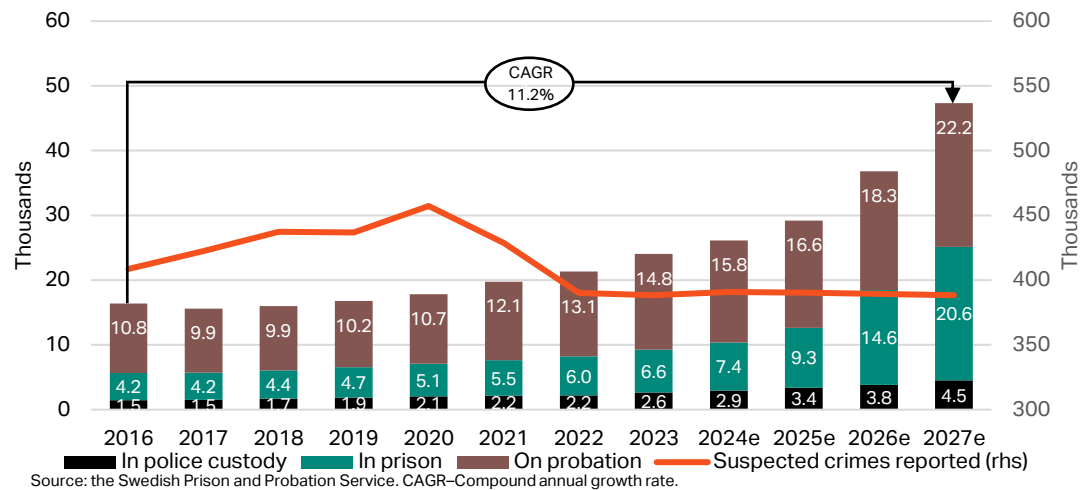
Figure 3. Rental value by tenant type, 30 Jun. 2024



Source: company.

Historically, Vacse has proven successful in acquiring and developing properties for community services such as custody, court and police authorities. We view most of the company's tenants as essential to domestic public security, and our understanding is that most political parties in Sweden are committed to increasing resources for the police and judiciary. The need for law enforcement services is also growing; prisons are at maximum capacity, while levels of processed crimes and supervised sentences are likely to increase (see Figure 4).

Figure 4. Swedish crime statistics, 2016–2027e



Vacse's portfolio is concentrated in municipalities with strong projected demographics; seven of the 10 largest having greater population growth than the national average. The company's largest municipal exposure, Sollentuna, benefits from strong demographics in nearby Stockholm and the capital's importance within the judicial system. We see the company's exposure to growth regions as supportive of long-term demand.

Figure 5. Rental value from top 10 municipal exposures, 30 Jun . 2024

Municipality	Share of rental value (%)	Population, 2023	Expected population change among 15–64-year-olds, 2023–2045 (%)	Unemployment, Aug. 2024 (%)
Sollentuna	30.8	76,790	5.8	7.0
Malmö	11.8	362,133	12.6	12.6
Jönköping	11.1	146,161	9.6	5.6
Gotland	8.0	61,029	4.9	4.1
Kalmar	5.7	72,304	7.4	6.4
Huddinge	5.7	113,920	11.7	7.2
Södertälje	4.0	102,519	9.7	11.1
Karlstad	3.3	97,233	3.9	6.6
Linköping	2.9	167,404	9.9	6.0
Skövde	2.8	57,763	9.0	4.7
<b>Total/Sweden average</b>	<b>86.2</b>	<b>10,551,700</b>	<b>6.7</b>	<b>6.8</b>

Source: company, Statistics Sweden and the Swedish Public Employment Service.

**Niche market position strong despite limited size and high portfolio concentrations**

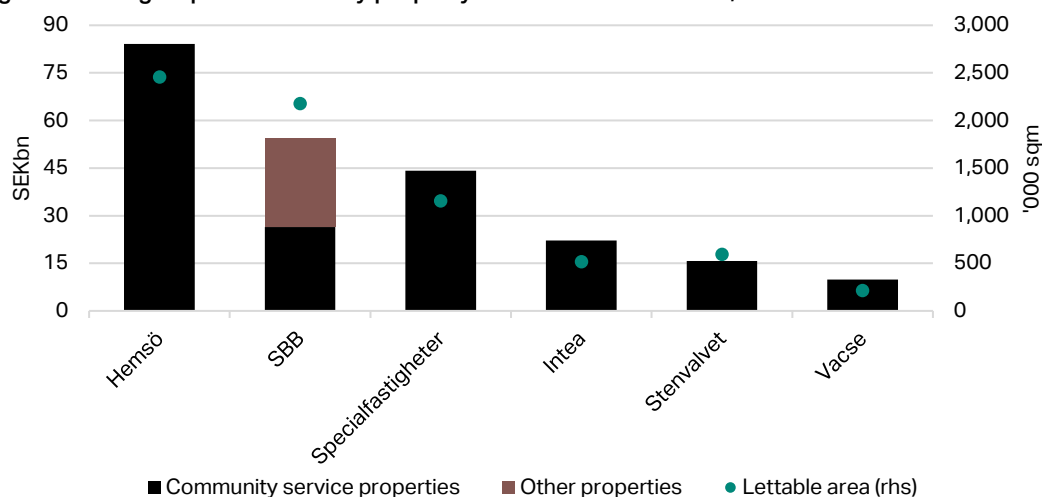
As of 30 Jun. 2024, Vacse's property portfolio consisted of 23 buildings totalling 213,300 sqm with a market value of SEK 9.9bn. Most of the properties are located in the Greater Stockholm region (41%), with the municipality of Sollentuna just north of the capital representing the largest single exposure and accounting for about 31% of rental income. In Sollentuna, three adjacent properties provide complementary community services, including custody and probation services and the national courts administrator. The 10 largest properties account for about 68% of rental income, while the largest property, Tabellen 4, represents about 18% of annual rental income.

Despite acquiring three properties over the past year, Vacse's property portfolio remains limited in size. However, the company has gained a strong foothold in a niche market. The focus on specialised properties with relatively low substitution risk supports the company's market position. Some tenants occupy multiple buildings in several locations, and the company's long-term focus and stable ownership profile supports long-term contracts with demanding, socially important tenants.

Market position, size and diversification

Vacse is small in comparison with its peers (see Figure 6). The largest are Hemsö and Samhällsbyggnadsbolaget i Norden (SBB) which, owing to their size, have greater tenant diversity. We note that SBB has recently divested a significant proportion of its specialised community service properties to joint ventures. Intea and Stenvalvet have greater tenant diversity and less concentrated property portfolios, although Stenvalvet has a lower proportion of public-sector tenants than Vacse and Intea.

Figure 6. Peer group breakdown by property value and lettable area, 30 Jun. 2024



Source: companies.

Vacse's top 10 tenants generate about 90% of the company's revenues. While the tenant concentration is significant, the quality of the tenants reduces this risk, in our view. We regard virtually all of the company's tenants as highly creditworthy, as 99% of revenues are funded through regional or national government budgets.

Figure 7. Tenant concentrations, 30 Jun. 2024

Tenant	Type of tenant	Share of rental income, %
Swedish National Courts Administration	Public	24.8
Swedish Police Authority	Public	24.8
Swedish Custody and Probation Service	Public	18.5
Swedish Board of Agriculture & Swedish Forest Agency	Public	5.6
Gotland county	Public	4.4
The Swedish Civil Contingencies Agency	Public	3.3
Linköping municipality	Public	2.9
Västra Götaland county	Public	2.6
Öckerö municipality	Public	1.8
Kalmar municipality	Public	1.5
<b>Top 10 tenants</b>	-	<b>90.0</b>

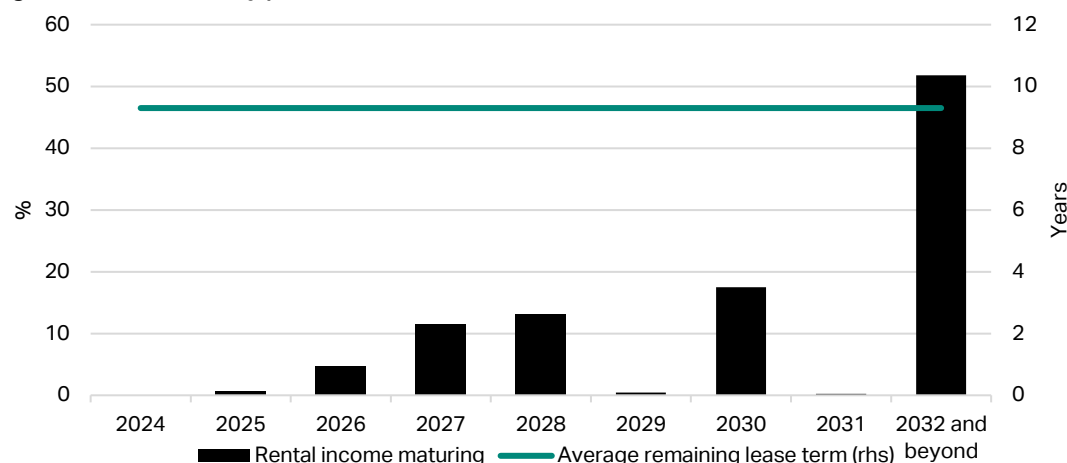
Source: company.

**Long-term contracts and custom-built properties foster tenant loyalty**

Most of Vacse's properties (85%) are custom-built and highly specialised, encouraging tenant loyalty. The portfolio consists of high-quality, modern properties, with a long average remaining lease term of 9.3 years as of 30 Jun. 2024. Lease maturities are generally diverse, with 30% of contracts maturing over the next five years. The company's 10 largest contracts have slightly longer average lease duration compared with the overall portfolio and generate about 63% of rental income. We view the likelihood of tenant churn as low, due to high operational inertia among tenants and their demand for specialised facilities, making them less likely to relocate. We see the company's lease maturity profile as positive for stability.

Portfolio assessment

Figure 8. Lease maturity profile, 30 Jun. 2024



Source: company.

As most of Vacse's tenants are publicly funded, and the Swedish government is committed to the Paris Agreement, we expect the company's tenants to become more demanding in terms of sustainability. As of end-2023, 100% of Vacse's properties were certified within the BREEAM, Leed or Miljöbyggnad frameworks, and the company aims to obtain similar certifications for all new developments and acquisitions. New tenants might not be forthcoming if current contracts are not extended, and alternative use of specialised properties could result in increased capital spending to adapt properties for new tenants if contracts are terminated. However, we see the company's proactive stance on certification and sustainability as a positive factor in extending contract maturities.

Vacse currently has five ongoing development projects; an agency headquarters in Karlskrona, a district court in Borås, a municipal hall in Enköping, a district court in Växjö and a health centre in Kalmar. The company uses forward funding arrangements for these projects, acquiring the properties upon completion at a fixed price, which reduces development risk and strengthens the company's financial situation during construction. The project development portfolio accounts for about 12% of the total portfolio by area. We expect development risk to remain low, as new projects are generally pre-let before acquisition or construction. At finalisation, we expect Vacse's average remaining lease term to increase due to long-dated rental contracts.

Figure 9. Major projects in progress, 30 Jun. 2024

Project	Location	Lettable area (sqm)	Estimated total investment (SEKm)	Estimated completion
Boverket	Karlskrona	4,200	250	Q2 2025
District court	Borås	5,100	320	Q2 2025
Municipal hall	Enköping	3,900	250	Q2 2025
District court	Växjö	10,500	500	Q4 2026
Health centre	Kalmar	3,000	160	Q4 2026
<b>Total</b>	-	<b>26,700</b>	<b>1,525</b>	-

Source: company.

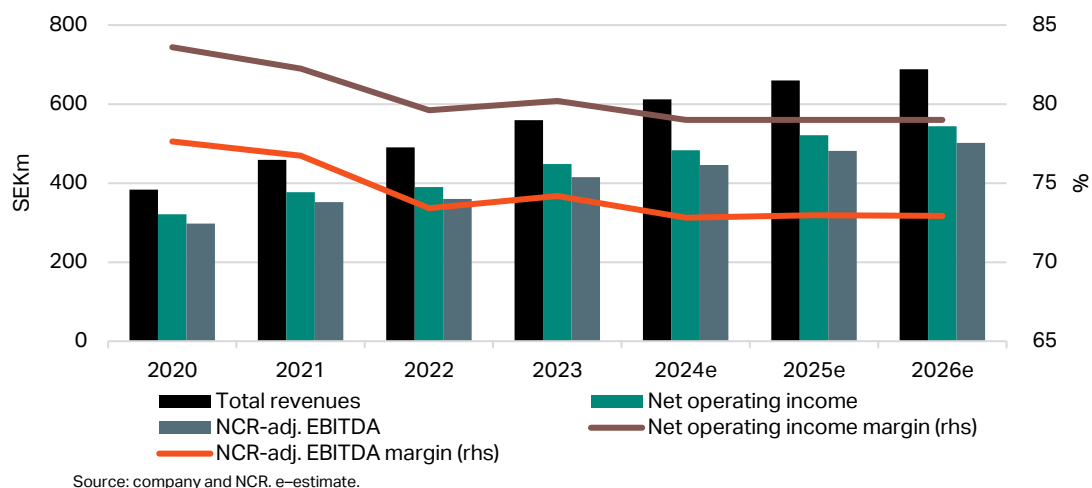
**Strong operating margins and high revenue visibility support operating efficiency**

Operating efficiency

Vacse's operating efficiency is characterised by the company's long inflation-linked leases, with some ancillary costs passed onto tenants. The long average remaining lease maturity of 9.3 years and strong government-related counterparties provide high revenue transparency with negligible downside risk. The company's long contracts guarantee long-term relationships, and tenants are sufficiently strong to absorb any increases in rental payments. We expect Vacse to continue to operate with high occupancy rates of close to 100%.

Historically, Vacse has operated with net operating income margins of over 80% (see Figure 10). However, margins have declined below this level in recent years due to higher costs. We expect the net operating income margin to remain at 79-80% through our forecast period, resulting in an EBITDA margin of about 73% over the same period.

Figure 10. Revenues, net operating income, EBITDA, and margins, 2020–2026e



Source: company and NCR. e–estimate.

### FINANCIAL RISK ASSESSMENT

Our financial risk assessment reflects Vacse's relatively modest and stable leverage and strong net interest coverage. We view the company's overall financial policies and risk appetite as prudent and supported by long-term, risk-averse owners.

#### Strong cash flow generation and interest-fixing offset impact of higher market rates

Over the past few years, Vacse has maintained a strong financial position with NCR-adjusted net LTV of 34–39% and net debt/EBITDA of 7.5–8.9x. We expect the company to maintain a controlled growth strategy, mainly using operational cash flows and a smaller proportion of debt for acquisitions and projects (see Figure 9) to maintain LTV below 40% over time. The company's large proportion of long-dated inflation-linked rental contracts combined with long fixed-interest periods enable stable debt servicing and interest coverage. However, we expect interest coverage to weaken in 2026 as some swap contracts with low interest rates expire. Acquisition of finalised projects scheduled for the fourth quarter of 2026 should result in an increase in net debt/EBITDA. However, we expect net debt/EBITDA to fall back beyond our forecast period as the projects in question generate earnings.

Vacse has significant shareholder commitments, which we believe the company could call on to restore its credit metrics if NCR-adjusted net LTV were to exceed 40% for a significant period. In the second quarter of 2024, the fair value of Vacse's investment properties was revised upward following a writedown of about 5% since the third quarter of 2022. We now expect values to remain robust and relatively stable.

Figure 11. Key base-case forecast assumptions and credit metrics, 2024–2026e

SEKm	2024e	2025e	2026e
Rental growth (%)	9.4	7.8	4.3
EBITDA margin (%)	72.8	73.0	72.9
Average interest rate (%)	2.6	2.5	2.6
Capital expenditure (SEKm)	66	922	717
Dividend payment (SEKm)	100	110	110
Net debt/EBITDA (x)	7.5	8.3	8.9
EBITDA/net interest (x)	5.0	4.9	4.5
Net LTV (%)	33.8	37.1	38.8
FFO/net debt (%)	10.0	9.0	8.2

Source: NCR. e–estimate. All metrics adjusted in line with NCR methodology.

Ratio analysis

Figure 12. NCR-adj. investment properties, net debt, and net LTV, 2020–2026e

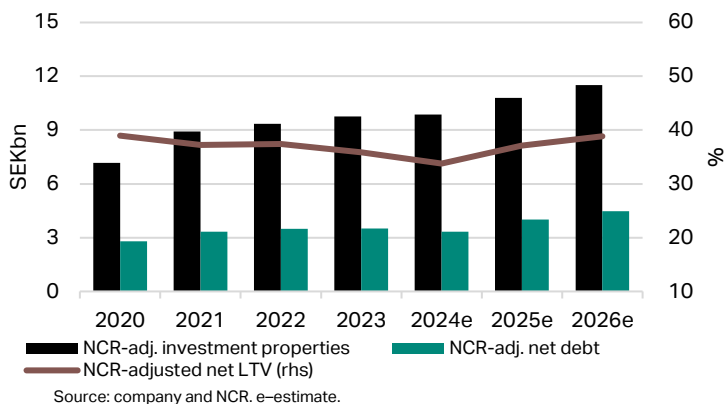
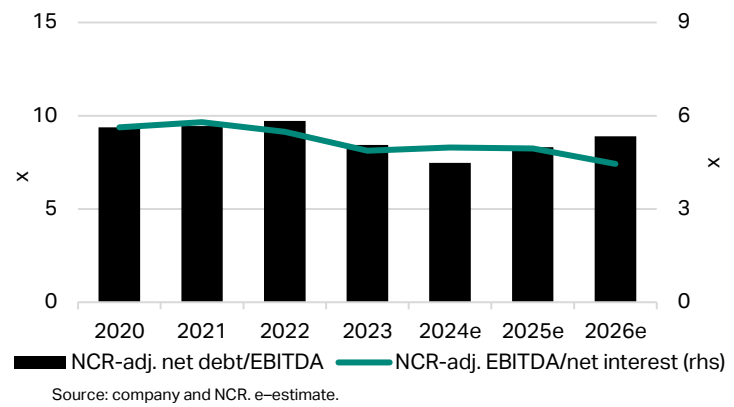


Figure 13. NCR-adj. net debt/EBITDA and EBITDA/net interest, 2020–2026e

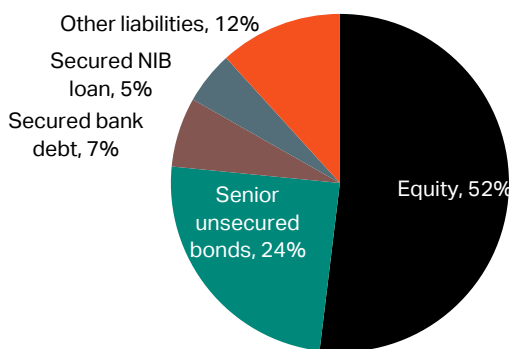


**Low risk appetite supported by shareholder commitments and prudent capital structure**

Risk appetite

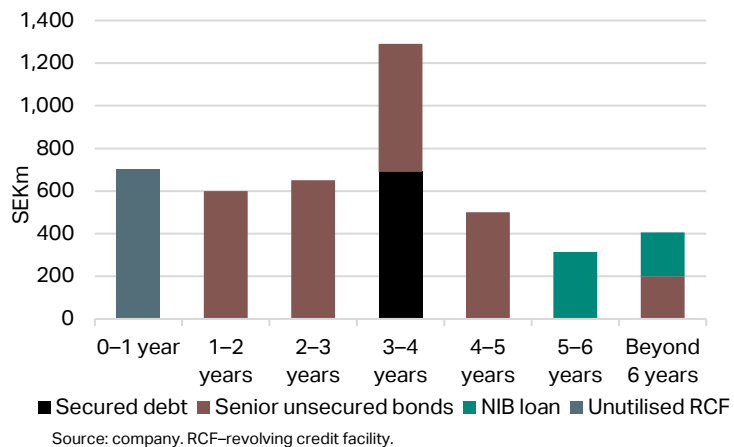
We assess Vacse's financial risk appetite as conservative. This view is mainly supported by the company's strong ownership structure and shareholder commitments. Vacse was created to provide its owners with long-term low risk returns. Following relatively rapid growth between 2011 and 2015, management has been prudent in its approach to growth and financing, in our view. We expect Vacse to maintain a controlled growth strategy and stable financial risk, in line with what we believe to be the owners' objectives. In addition, the company's high proportion of revenues from government-related tenants supports our risk appetite assessment.

Figure 14. Funding profile, 30 Jun. 2024



Source: company. NIB-Nordic Investment Bank.

Figure 15. Debt maturity profile, 30 Jun. 2024



Source: company. RCF-revolving credit facility.

Vacse finances its operations through equity, secured bank debt, secured loans from the Nordic Investment Bank, and senior unsecured bonds (see Figure 14). All external financing is via green bonds and loans. The company uses interest rate swaps to limit its exposure to interest rate risk. As of 30 Jun. 2024, the average interest fixing period was four years, which we consider to be prudent and supportive of the company's financial risk appetite. We expect Vacse to be less affected by changes in interest rates than its peers, primarily due to satisfactory cash flow generation and long fixed-interest periods.

Vacse has significant exposure to the bond market, but faces limited maturities over the next two years owing to its balanced and long debt maturity profile; its average debt maturity profile of four years reduces refinancing risk. Vacse has strong access to the capital markets owing to its conservative risk appetite, having been able to issue long-dated bonds at reasonable spreads in the constrained market conditions of 2022-2023 as competitors faced sharply higher spreads and shorter times to maturity. We believe that the company's ability to issue in times of weaker market conditions is an indication of low refinancing risk. As of October 2024, the company was in the final stages of refinancing its unutilised revolving credit facility, about a year ahead of its maturity date and well in advance of other debt maturities, thereby ensuring strong liquidity. We expect the company to continue to refinance proactively.

Since 2021, Vacse has made annual dividend payments of SEK 100m. The company remains well within the stipulations of its financial policies. We expect it to increase dividends marginally as a result of a larger portfolio and stronger cash flows, but to continue to retain a large proportion of cash flows.

**Figure 16. Financial covenants, policies and reported metrics**

Metric	Common loan covenants	Financial policy/targets	Reported 30 Jun. 2024
Secured debt/total assets (%)	n.a.	<20%	11.7%
Net LTV (%)	≤60%	<50%	35.8%
Interest coverage ratio	≥1.5x	>2x	4.6*
Average debt maturity	n.a.	>2 years	4.0**
Average interest rate maturity	n.a.	>2 years	4.0

Source: company. \*Year to date. \*\*Excluding RCF, 4.2 years including RCF. n.a.–Not applicable.

### ADJUSTMENT FACTORS

Adjustment factors

Adjustment factors are assessed as neutral and have no effect on the rating.

### Liquidity

Liquidity

Our 12-month liquidity analysis is based on a stressed scenario in which the company cannot access the capital markets or extend bank loans, and therefore has to rely on internal or committed external funding sources to cover its liquidity needs. We typically expect a company with an investment grade rating ('BBB-' or above) to cover its liquidity needs, with limited need for external funding over the coming 12 months.

We assess Vacse's liquidity position as adequate, supported by net sources to uses of SEK 1.1bn for the 12 months to 30 Jun. 2025. The company has a diverse funding profile and good relationships with major Swedish banks, along with strong owners that have provided funding for the company when needed. Furthermore, the company has significant shareholder commitments which we believe could be made available to ensure sufficient liquidity, if necessary. We expect Vacse to continue to operate with surplus sources/uses on a sustainable basis.

**Figure 17. Liquidity analysis (stressed scenario) 1 Jul. 2024–30 Jun. 2025**

Liquidity, next 12 months	Amount (SEKm)
Cash and cash equivalents (100%)	226
Adjusted FFO (75%)	260
Unutilised credit facilities	700
Unutilised shareholder commitments	536
<b>Total sources</b>	<b>1,722</b>
Repayment of borrowings	39
Committed capital spending	595
<b>Total uses</b>	<b>634</b>
<b>Sources/uses (x)</b>	<b>2.7</b>
<b>Sources-uses (SEKm)</b>	<b>1,088</b>

Source: company and NCR.

### Environmental, social and governance factors

ESG factors

Vacse's environmental, social and governance (ESG) policies support our view of the company's overall business risk and competitive position. The company has demonstrated a commitment to environmental issues through certification targets, which we view as increasingly important for its government-related tenants.



Since 2021, Vacse has pursued a sustainability strategy with a focus on responsible business, sustainable properties, and social benefits. The company aims to achieve climate neutrality through its entire value chain by 2045 and has made a commitment to the Science Based Targets initiative (SBTi), which increases transparency. The focus on certification provides further debt diversification opportunities and increases the likelihood that its properties will retain their asset values over time, facilitating renegotiation of contracts at maturity. We see this as a positive factor in our portfolio assessment. In addition, Vacse conducts random checks to identify irregularities in its supply chain.

The main ESG issues that could affect our overall assessment of Vacse's creditworthiness are factors that might contribute to loss of revenues, increased costs, higher capital spending, or reduced financing possibilities (see Figure 18). Vacse has demonstrated its commitment to resolving various ESG issues and, in our view, is unlikely to face major ESG problems in the near term.

Figure 18. Vacse ESG considerations

Issue	Risk	Mitigating efforts	Result
CO <sub>2</sub> emissions	Increased costs due to regulatory and/or taxation changes.	Efforts to reduce CO <sub>2</sub> emissions through commitment to the SBTi and environmental certification of all properties.	Started to report Scope 3 emissions in 2021. Scope 1 and 2 CO <sub>2</sub> emissions per square meter are down by 11% since 2019. While reported Scope 3 emissions are down by 2% since 2022, we believe it is too early to draw a conclusion from Scope 3 emissions.
Impact of climate change on operations	Loss of revenues or increased capital spending.	Environmental certification of properties. Climate risk assessment of all properties conducted in early 2022.	As of 31 Dec. 2023, 100% of all properties had been certified. No significant immediate physical or transition risks identified during climate risk assessment.
Increased environmental focus on financial markets	Adverse effect on financing possibilities or higher financing costs due to slow transitioning to lower CO <sub>2</sub> dependence.	Efforts to increase energy efficiency and reduce CO <sub>2</sub> emissions. Green bond framework aligned with the UN's sustainable development goals, assigned 'Medium Green' by climate research agency CICERO.	Detailed ESG reporting on energy usage, CO <sub>2</sub> emissions, water usage and environmental certification of properties. Energy usage down by 25% per square meter since 2019. As of 30 Jun. 2024, 100% of debt was green.

Source: company. See [ESG factors in corporate ratings](#).

### OWNERSHIP ANALYSIS

#### Ownership

We view Vacse's ownership structure (see Figure 19) as supportive of the company's low-risk strategy and solid financial position, which we factor into our assessment through the financial risk profile and overall rating. The owners are pension foundations associated with a number of well-known Swedish blue-chip companies. Supporting factors include:

- financially strong and committed owners;
- an integral role in the owners' long-term investment policy;
- a change-of-control clause that stipulates that the company's bonds must be repaid in full if the current group of owners' collective stake falls below 50%;
- committed equity capital of SEK 2.8bn, of which SEK 2.3bn is unutilised; and
- a history of ownership funding injections.

**Figure 19. Ownership structure, 30 Jun. 2024**

Owner	Share of capital and votes, %
Ericsson Pensionsstiftelse	21.4
Skanska Trean Allmän Pensionsstiftelse	21.4
Apoteket AB:s Pensionsstiftelse	14.3
AB Volvo Pensionsstiftelse	14.3
Volvo Personvagnars Pensionsstiftelse	10.7
Stora Enso Svenska Gemensamma Pensionsstiftelse	10.7
Sandvik Pensionsstiftelse i Sverige	7.1

Source: company.

### ISSUE RATINGS

As of 30 Jun. 2024, Vacse's gross secured LTV was 12%. We expect the company to keep gross secured LTV below 40% on a sustained basis, as it primarily finances itself using senior unsecured debt and equity. Furthermore, the company's target capital structure allows for maximum gross secured debt to total assets of 20%, supporting our view that long-term subordination risk for senior unsecured bondholders is low. We expect meaningful recovery for unsecured lenders in the event of financial distress, because of low levels of prior ranking senior unsecured debt. For this reason our rating on Vacse's senior unsecured obligations is commensurate with the 'A-' issuer rating.

### SHORT-TERM RATING

The 'N2' short-term rating reflects Vacse's liquidity profile relative to the 'A-' long-term issuer rating. The company's committed sources to uses is 2.7x according to our liquidity analysis, which we see as indicative of an adequate liquidity profile for the long-term issuer rating.

### METHODOLOGIES USED

- (i) [Corporate Rating Methodology](#), 8 May 2023.
- (ii) [Rating Principles](#), 14 Feb. 2024.
- (iii) [Group and Government Support Rating Methodology](#), 14 Feb. 2024.

### RELEVANT RESEARCH

- (i) [Swedish real estate: Likely interest rate cuts allow for cautious optimism](#), 24 Sep. 2024.
- (ii) [Swedish real estate snapshot \(Q2 2024\): Interest rate cuts likely to continue](#), 5 Sep. 2024.
- (iii) [Real-estate snapshot \(Q1 2024\): A step towards long-term normalised interest rate levels](#), 23 May 2024
- (iv) [Real-estate quarterly snapshot \(Q4 2023\): Strong performance despite highest Swedish corporate defaults](#), 11 Mar. 2024.
- (v) [Swedish real estate sector adapts to tougher financing climate](#), 18 Jan. 2024.

**Figure 20. NCR's adjustments to credit metrics, 2020–2026e**

SEKm	2020	2021	2022	2023	2024e	2025e	2026e
EBITDA	298	352	360	415	446	482	502
NCR-adj. EBITDA	298	352	360	415	446	482	502
Net interest	-53	-61	-66	-85	-89	-97	-113
NCR-adj. net interest	-53	-61	-66	-85	-89	-97	-113
NCR-adj. EBITDA	298	352	360	415	446	482	502
NCR-adj. net interest	-53	-61	-66	-85	-89	-97	-113
Current tax	-1	-17	-3	-27	-22	-24	-24
NCR-adj. FFO	244	275	292	303	334	360	365
Investment property	7,167	8,923	9,345	9,752	9,868	10,789	11,504
Non-current right-of-use assets	2	5	3	2	2	2	2
NCR-adj. investment property	7,169	8,928	9,348	9,754	9,870	10,791	11,506
Cash and cash equivalents	210	479	176	280	390	279	327
NCR-adj. cash and equivalents	210	479	176	280	390	279	327
Gross interest-bearing debt	3,001	3,799	3,668	3,779	3,721	4,282	4,793
Long-term leasing liabilities	2	5	3	2	2	2	2
NCR-adj. cash and equivalents	-210	-479	-176	-280	-390	-279	-327
NCR-adj. net debt	2,793	3,325	3,496	3,501	3,333	4,005	4,468

Source: company and NCR. e=estimate.

**Figure 21. Vacse key financial data, 2020–Q2 2024**

SEKm	FY	FY	FY	FY	LTM
Period-end	31 Dec. 2020	31 Dec. 2021	31 Dec. 2022	31 Dec. 2023	30 Jun. 2024
<b>INCOME STATEMENT</b>					
Rental income	384	459	490	559	594
Other income	–	–	–	–	–
Total costs from operations	-63	-81	-100	-111	-124
<b>Net operating income</b>	<b>321</b>	<b>377</b>	<b>390</b>	<b>449</b>	<b>470</b>
Administrative expenses	-23	-25	-30	-34	-36
Administrative expenses, project portfolio	–	–	–	–	–
<b>EBITDA</b>	<b>298</b>	<b>352</b>	<b>360</b>	<b>415</b>	<b>433</b>
Share of profit in associated companies and joint ventures	–	–	–	–	–
Interest expenses	-53	-61	-66	-92	-101
Interest income	0	–	–	7	9
Interest expenses, shareholder loans	–	–	–	–	–
Financial costs from leasing	–	–	–	–	–
Other financial costs	–	–	–	–	–
Changes in investment property	318	1,054	6	-378	-195
Gain (loss) on financial assets held at fair value	–	–	–	–	–
Disposals of investment properties	–	–	–	–	–
Gain (loss) on derivatives	-26	74	258	-138	-130
Depreciation and amortisation	-2	-2	-2	-2	–
Restructuring activities	–	–	–	–	–
Income (expense) on discontinued operations	–	–	–	–	–
<b>Pre-tax profit</b>	<b>535</b>	<b>1,417</b>	<b>556</b>	<b>-188</b>	<b>16</b>
Current taxes	-1	-17	-3	-27	–
Deferred taxes	-110	-263	-102	54	25
<b>Net profit</b>	<b>423</b>	<b>1,138</b>	<b>452</b>	<b>-162</b>	<b>41</b>
<b>BALANCE SHEET</b>					
Investment property	7,167	8,923	9,345	9,752	9,870
Other non-current assets	5	68	323	184	173
<b>Total non-current assets</b>	<b>7,172</b>	<b>8,991</b>	<b>9,668</b>	<b>9,936</b>	<b>10,043</b>
Cash and cash equivalents	210	479	176	280	226
Other current assets	49	37	42	62	83
<b>Total current assets</b>	<b>259</b>	<b>515</b>	<b>218</b>	<b>343</b>	<b>309</b>
<b>Total assets</b>	<b>7,431</b>	<b>9,506</b>	<b>9,886</b>	<b>10,279</b>	<b>10,352</b>
<b>Total equity</b>	<b>3,683</b>	<b>4,721</b>	<b>5,073</b>	<b>5,311</b>	<b>5,375</b>
Non-current borrowings	2,974	2,568	2,930	3,240	3,721
Non-current borrowings, shareholder loans	–	–	–	–	–
Deferred tax liabilities	517	779	880	829	867
Other non-current liabilities	48	5	3	2	1
<b>Total non-current liabilities</b>	<b>3,539</b>	<b>3,352</b>	<b>3,812</b>	<b>4,071</b>	<b>4,589</b>
<b>Total current liabilities</b>	<b>210</b>	<b>1,433</b>	<b>1,001</b>	<b>897</b>	<b>387</b>
<b>Total equity and liabilities</b>	<b>7,431</b>	<b>9,506</b>	<b>9,886</b>	<b>10,279</b>	<b>10,352</b>
<b>CASH FLOW STATEMENT</b>					
Pre-tax profit	535	1,417	556	-188	16
... of which changes in investment property	318	1,054	6	-378	-195
Depreciation and amortisation	2	2	2	-0	1
Tax paid	2	-12	-6	-25	-29
Adjustment for items not in cash flow	-292	-1,132	-263	516	324
<b>Cash flow from operating activities before changes in working capital</b>	<b>247</b>	<b>275</b>	<b>289</b>	<b>303</b>	<b>312</b>
Changes in working capital	6	26	54	33	57
<b>Cash flow from operating activities</b>	<b>253</b>	<b>301</b>	<b>343</b>	<b>336</b>	<b>369</b>
<b>Cash flow from investment activities</b>	<b>-320</b>	<b>-698</b>	<b>-415</b>	<b>-743</b>	<b>-725</b>
<b>Cash flow from financing activities</b>	<b>157</b>	<b>666</b>	<b>-231</b>	<b>511</b>	<b>381</b>
Cash and cash equivalents at beginning of period	120	210	479	176	201
Cash flow for period	90	269	-303	105	25
<b>Cash and cash equivalents at end of period</b>	<b>210</b>	<b>479</b>	<b>176</b>	<b>280</b>	<b>226</b>

Source: company. FY–full year. LTM–last 12 months.

**Figure 22. Vacse rating scorecard**

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

**Figure 23. Capital structure ratings**

Seniority	Rating
Senior unsecured	A-

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