

Vacse AB (publ)

Rating Action Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

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Vacse AB (publ) 'A-' long-term issuer rating affirmed; Outlook stable

Nordic Credit Rating said today that it had affirmed its 'A-' long-term issuer rating on Swedish community service property manager [Vacse AB \(publ\)](#). The outlook is stable. The 'N2' short-term issuer rating and the 'A-' senior unsecured issue rating were also affirmed.

Rating rationale

The long-term issuer rating reflects Vacse's strong financial position, prudent financial risk management, low financial leverage, and strong interest coverage. The company has strong liquidity and a diverse debt maturity profile with no maturities until May 2026. We expect the company to continue to refinance maturing debt proactively. The rating also reflects our view that the company's property values have limited downside risk and will remain relatively flat after write downs of about 5% from the third quarter of 2022. We expect ongoing projects to be finalised on schedule, effectively reducing tenant and property concentrations. Projects are acquired upon completion and entail no ongoing cash outflows.

In addition, the rating reflects Vacse'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 the company's 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 stable outlook reflects 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.

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 an adverse change in ownership or the owners' risk appetite.

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-

Related publications

- (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 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 14 Feb. 2024 NCR's Group and Government Support Rating Methodology published on 14 Feb. 2024 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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