

# Swedavia AB

## Q3 16: Stable metrics as passenger traffic increased

Swedavia reported stable earnings and credit metrics for Q3. Capex increased somewhat due to continued development of the larger Stockholm Arlanda and Göteborg Landvetter airports. We see Swedavia's bonds as fairly valued compared with those of peers in the SEK market such as Jernhusen, Sveaskog and Tekniska verken and thus assign Swedavia's bonds a Marketweight recommendation.

Swedavia had higher revenue in Q3 16 than in Q3 15 due mainly to higher passenger volumes across its airports. International traffic was the main driver, with 4.9% higher y/y passenger volumes and Germany and Spain notable destinations. Domestic traffic also increased, by 3.3% in Q3 16 compared with Q3 15. Airline directed services (within the Aviation Business division) saw higher revenues in line with the increased passenger numbers, while revenue in Commercial Services – retail, restaurant and parking – did not increase as much as traffic. The trend of lower y/y EBITDA was broken in Q3, with a 1% increase, although the LTM EBITDA margin (32%) is still lower than the recent years' average.

### Stable credit metrics

Capex continued to increase sequentially and amounted to SEK571m in the quarter, offset slightly by SEK45m in asset divestments. Capex is attributable mainly to continued development of the larger Stockholm Arlanda and Göteborg Landvetter airports. Leverage increased slightly with adjusted net debt/EBITDA at 2.8x at end-Q3 (Q2 2.7x). Swedavia has a debt/equity target of 1.0-1.5x and at end-Q3 there was significant headroom to that target, with reported debt/total equity at 0.56x.

### Key figures

SEKm	Q3 15	Q2 16	Q3 16	y/y	q/q
Total sales	1 391	1 425	1 410	1.4%	-1.1%
EBITDA (rep.)	570	636	576	1.1%	-9.4%
EBITDA (adj.)	573	496	582	1.7%	17.3%
Net income	230	326	257	11.7%	-21.2%
FFO (rep.)	455	400	451	-0.9%	12.8%
FFO (adj.)	457	405	456	-0.1%	12.6%
Equity	6 723	7 015	7 243	7.7%	3.3%
Net debt	3 687	3 744	3 771	2.3%	0.7%
Net debt (adj.)	4 689	4 838	4 909	4.7%	1.5%
Ratios	Q3 15	Q2 16	Q3 16	y/y	q/q
EBITDA margin	41%	34%	41%	0pp	6pp
Net debt/EBITDA	1.9x	2.2x	2.2x	0.3x	0.0x
Adj. net debt/adj. EBITDA	2.4x	2.7x	2.8x	0.4x	0.0x
FFO/net debt	41%	35%	35%	-7pp	0pp
Adj. FFO/adj. net debt	33%	27%	27%	-6pp	0pp
Adj. Total debt/total capital	42%	42%	42%	0pp	0pp
Net debt/total capital	35%	34%	33%	-2pp	-1pp

Source: Company data, Danske Bank Markets

## Marketweight

Sector: Industrials, Transportation

Corporate ticker: SWEDAV

Equity ticker: 0256996D SS

### Ratings:

S&P: NR / NR

Moody's: NR / NR

Fitch: NR / NR

### Analysts

Gabriel Bergin

[gabe@danskebank.com](mailto:gabe@danskebank.com)

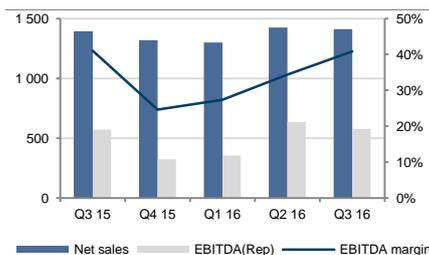
+46 8 568 80602

Louis Landeman

[llan@danskebank.com](mailto:llan@danskebank.com)

+46 8 568 80524

### Profitability



Source: Company data, Danske Bank Markets

### Financial metrics



Source: Company data, Danske Bank Markets

## Company summary

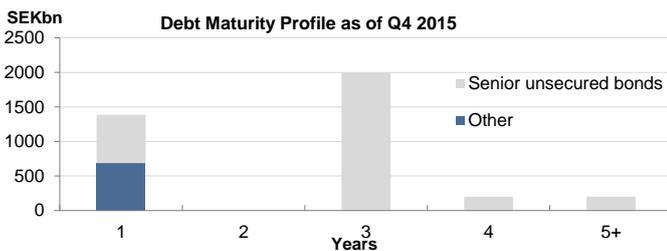
### Company description

Swedavia AB is the main airport operator in Sweden. Swedavia owns and operates the 10 largest airports in Sweden, with Stockholm Arlanda Airport the largest by far, with 52% of all landings and take-offs at Swedavia airports. The main driver of Swedavia's business activity is the air traffic volume at Swedish airports. Within the Aviation Business segment, Swedavia provides services to airlines and cargo companies, while the Commercial Services segment is concerned with providing services for customers other than airlines.

### Key credit strengths

- Strong regional market position as the owner of Sweden's 10 largest airports.
- Very low share of transfer traffic at its airports.
- Swedavia is 100% government owned with some likelihood of extraordinary financial support.

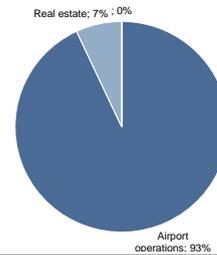
### Debt maturity profile



### Selected outstanding bonds

Isin	Coupon	Currency	Maturity/Call	Seniority	Rating*
SE0005035649	2.5%	SEK	2018-02-05	Sr Unsecured	NR/NR
SE0008992523	0.435%	SEK	2020-09-14	Sr Unsecured	NR/NR
SE0005454907	3.125%	SEK	2019-10-02	Sr Unsecured	NR/NR
SE0006055430	FRN	SEK	2024-06-19	Sr Unsecured	NR/NR

### EBITDA breakdown, segments



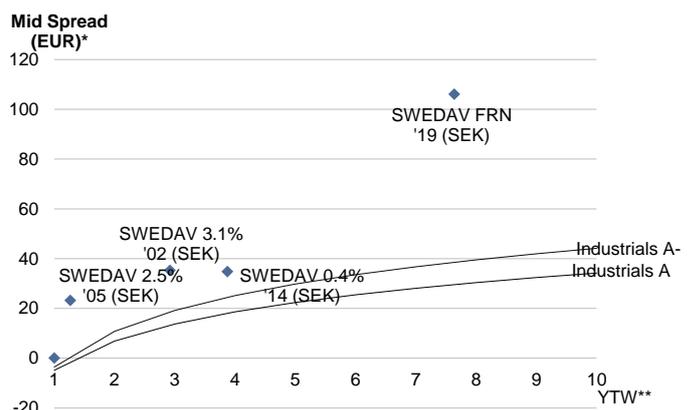
### Key credit challenges

- Capex programme underway, partly involving more risky real estate investments.
- Lower margins than international peers.
- At times, high leverage in conjunction with investments in development projects.

### Main shareholders

Name	Votes (%)	Capital (%)
Swedish government	100.0%	100.0%

### Relative valuation



\* Z-spreads. Discount margin for floaters. Swapped to indicated currency. \*\* Years-to-worst  
Note: Fair value curve(s) based on Danske Bank Markets' peer groups of European issuers

Source: Company data, Bloomberg, Danske Bank Markets [all charts and tables]

**Summary tables**

<b>Income statement (SEKm)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Total sales	4 693	4 965	5 233	5 384	5 416
Operating expenses	-3 094	-3 284	-3 347	-3 033	-2 746
EBITDA	1 599	1 681	1 886	2 351	2 670
EBITDA adjusted	1 599	1 681	1 886	2 354	2 676
Non-recurring items	0	0	0	0	0
Depreciation and amortisation	-862	-850	-940	-946	-915
EBIT	737	831	946	1 405	1 755
EBIT adjusted	737	831	946	1 406	1 756
Net interest	-239	-296	-268	-242	-230
Other financial items (net)	0	0	0	0	0
Pre-tax profit	498	535	678	1 163	1 525
Tax	-123	-88	-177	-237	-115
Net income	375	447	501	926	1 410
<b>Balance sheet (SEKm)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Fixed assets	0	13 040	14 524	10 625	10 781
Goodwill	0	352	352	352	352
Associates	0	0	0	0	0
Other non-current assets	0	316	246	376	1 252
Working capital assets	0	593	538	466	496
Cash and cash equivalents	141	129	52	112	6
of which restricted cash	0	0	0	0	0
Other current assets	0	358	421	307	372
Total assets	12 143	14 788	16 133	15 265	13 259
Total assets (adj.)	12 143	14 788	16 133	15 278	13 274
Total interest-bearing debt	5 830	7 661	8 524	6 907	3 727
Total interest-bearing debt adjusted	5 830	7 661	8 524	7 909	4 773
Net interest-bearing debt	5 689	7 532	8 472	6 795	3 721
Net interest-bearing debt adjusted	5 689	7 532	8 472	7 797	4 767
Working capital liabilities	0	1 240	1 136	793	893
Other current liabilities	-2 298	174	140	174	165
Other non-current liabilities	-3 532	1 413	1 416	1 736	1 610
Total equity	3 992	4 300	4 915	5 571	6 863
Total equity and liabilities	3 992	14 788	16 131	15 181	13 258
Total equity and liabilities (adj.)	3 992	14 788	16 131	15 194	13 273
<b>Cash flow statement (SEKm)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
EBITDA	1 599	1 681	1 886	2 351	2 670
Tax paid	0	0	0	0	0
Other cash flow from operations	-336	-493	-389	-586	-1 272
Funds from operations (FFO)	1 263	1 188	1 497	1 765	1 398
FFO (adjusted)	1 263	1 188	1 497	1 767	1 403
Change in working capital	7	305	-158	344	-24
Operating cashflow (CFO)	1 270	1 493	1 339	2 109	1 374
CFO (adjusted)	1 270	1 493	1 339	2 111	1 379
Capex	1 057	35	80	170	24
Divestments /acquisitions of businesses	0	0	0	0	0
Free operating cashflow (FOCF)	2 327	1 528	1 419	2 281	1 403
FOCF (adjusted)	-9	-9	-9	-10	-231
Dividend paid	0	0	0	0	0
Share buyback	2 318	1 519	1 410	2 269	1 167
Free cashflow (FCF)	0	0	0	0	0
Other investing activities	0	-2 290	-11 642	-6 663	-7 748
Debt repayment	2 318	-771	-10 232	-4 394	-6 581
Funding shortfall	0	4 135	12 493	5 001	4 563
New debt	0	0	0	0	0
New equity	-2 318	-3 376	-2 338	-547	1 911
Other financing activities	0	-12	-77	60	-107
Change in cash	0	0	0	0	0

Source: Company data, Danske Bank Markets

## Summary tables

(SEKm)	2011	2012	2013	2014	2015
Sales growth	9%	6%	5%	3%	1%
EBITDA margin	34.1%	33.9%	36.0%	43.7%	49.3%
Adj. EBITDA margin	34.1%	33.9%	36.0%	43.7%	49.4%
EBIT margin	15.7%	16.7%	18.1%	26.1%	32.4%
Adj. EBIT margin	15.7%	16.7%	18.1%	26.1%	32.4%
EBITDA interest coverage	5.4x	6.2x	7.6x	10.1x	n.m.
Adj. EBITDA interest coverage	5.4x	6.2x	7.6x	10.0x	2 507.2x
EBIT interest coverage	2.5x	3.1x	3.8x	6.0x	n.m.
Adj. EBIT interest coverage	2.5x	3.1x	3.8x	6.0x	1 644.3x
FFO interest coverage	4.2x	4.4x	6.1x	7.6x	n.m.
Adj. FFO interest coverage	4.2x	4.4x	6.0x	7.5x	1 314.4x
CFO interest coverage	4.3x	5.5x	5.4x	9.0x	n.m.
Adj. CFO interest coverage	4.3x	5.5x	5.4x	9.0x	1 292.0x
Net debt/EBITDA (reported)	3.6x	4.5x	4.5x	2.9x	1.4x
Net debt/EBITDA	3.6x	4.5x	4.5x	2.9x	1.4x
Adj. net debt/adj. EBITDA	3.6x	4.5x	4.5x	3.3x	1.8x
Debt/EBITDA	3.6x	4.6x	4.5x	2.9x	1.4x
Adj. debt/adj. EBITDA	3.6x	4.6x	4.5x	3.4x	1.8x
Debt/EBITDA (reported)	3.6x	4.6x	4.5x	2.9x	1.4x
FFO/net debt	22.2%	15.8%	17.7%	26.0%	37.6%
Adj. FFO/adj. debt	21.7%	15.5%	17.6%	22.3%	29.4%
Adj. FFO/adj. net debt	22.2%	15.8%	17.7%	22.7%	29.4%
FFO/debt	21.7%	15.5%	17.6%	25.6%	37.5%
Adj. total debt/total capital	59.4%	64.0%	63.4%	58.7%	41.0%
Net debt/total capital	57.9%	63.0%	63.0%	54.5%	35.1%
Adj. net debt/adj. total capital	57.9%	63.0%	63.0%	57.8%	41.0%
<b>Quarterly overview (SEKm)</b>	<b>Q3 15</b>	<b>Q4 15</b>	<b>Q1 16</b>	<b>Q2 16</b>	<b>Q3 16</b>
Net Sales	1 391	1 317	1 299	1 425	1 410
EBITDA	570	324	355	636	576
Adj. EBITDA	573	330	361	496	582
EBIT	347	76	126	406	347
Net Income	230	145	87	326	257
Capex	-266	-430	-252	-448	-571
FFO	455	279	171	400	451
Total debt	3 770	3 727	3 771	3 922	4 030
Net debt	3 687	3 721	3 618	3 744	3 771
Adjusted net debt	4 689	4 767	4 664	4 838	4 909
Equity (incl. minorities)	6 723	6 863	6 932	7 015	7 243
<b>Ratios:</b>					
Net debt to EBITDA	1.9x	2.0x	2.0x	2.2x	2.2x
Adj. net debt to EBITDA	2.4x	2.6x	2.6x	2.7x	2.8x
FFO to net debt	41%	39%	35%	35%	35%
Adj. FFO to net debt	33%	31%	28%	27%	27%

Source: Company data, Danske Bank Markets

## Fixed Income Credit Research



**Thomas Hovard**  
Head of Credit Research  
+45 45 12 85 05  
hova@danskebank.com



**Henrik René Andresen**  
Credit Portfolios  
+45 45 13 33 27  
hena@danskebank.com



**Gabriel Bergin**  
Strategy, Industrials  
+46 8 568 80602  
gabe@danskebank.com



**Brian Børsting**  
Industrials  
+45 45 12 85 19  
brbr@danskebank.com



**Bendik Engebretsen**  
Industrials  
+47 85 40 69 14  
bee@danskebank.com



**Lars Holm**  
Financials  
+45 45 12 80 41  
laho@danskebank.com



**Katrine Jensen**  
Financials  
+45 45 12 80 56  
katri@danskebank.com



**Louis Landeman**  
TMT, Industrials  
+46 8 568 80524  
llan@danskebank.com



**Jakob Magnussen**  
Utilities, Energy  
+45 45 12 85 03  
jakja@danskebank.com



**Jonas Meyer**  
Shipping  
+47 85 40 70 79  
mey@danskebank.com



**August Moberg**  
Industrials & Construction  
+46 8 568 80593  
aumo@danskebank.com



**Niklas Ripa**  
Credit Portfolios  
+45 45 12 80 47  
niri@danskebank.com



**Mads Rosendal**  
Industrials, TMT  
+46 8 568 80594  
madro@danskebank.com



**Sondre Dale Stormyr**  
Offshore rigs  
+47 85 40 70 70  
sost@danskebank.com



**Haseeb Syed**  
Industrials  
+47 85 40 54 19  
hsy@danskebank.com

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This research report will be updated on a quarterly basis after Swedavia's quarterly results statements.

See the front page of this research report for the date of first publication.

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Investment recommendations are based on the expected development in the credit profile as well as relative value compared with the sector and peers.

As at 30 September 2016 Danske Bank Markets had investment recommendations on 55 corporate bond issuers. The distribution of recommendations is represented in the distribution of recommendations column below. The proportion of issuers corresponding to each of the recommendation categories above to which Danske Bank provided investment banking services in the previous 12 months ending 30 September 2016 is shown below.

Rating	Anticipated performance	Time horizon	Distribution of recommendations	Investment banking relationships
Overweight	Outperformance relative to peer group	3 months	34%	27%
Marketweight	Performance in line with peer group	3 months	50%	32%
Underweight	Underperformance relative to peer group	3 months	16%	33%

### Changes in recommendation within past 12 months:

Date	New recommendation	Old recommendation
31 October 2016	Marketweight	Not Rated

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