

Q3 as expected - pricing offsets lower volumes

Profit improvements continued largely as we expected in Q3, driven mainly by higher pricing. This also helped to bring a slight reduction in adjusted leverage despite the heavy expansion capex. Our 2019-21E FFO/adjusted net estimates at 14-17% remain unchanged. We maintain Marketweight on the bonds.

Price increases offset passenger volume decline

Revenue and EBIT growth continued in Q3 driven by earlier price adjustments (price/mix in aviation +11% y/y) largely in line with our estimates. Passenger volumes (-3% y/y in Q3) were also in line with our forecast and the efficiency measures started to have an impact on opex. Swedavia, however, mentioned it had lost certain important routes to competing airports during the reporting period. We estimate a slight weakening in credit metrics through 2018-21, but expect the company to remain within its 70-150% gearing target. FFO/adjusted net debt at 14-17% for 2019-21E remains comparable to key peers.

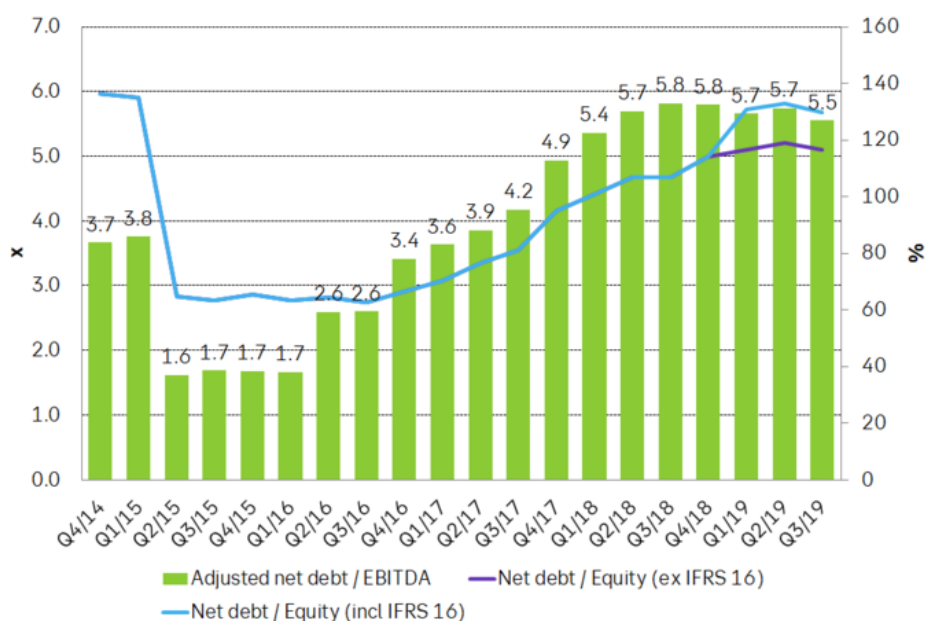
We maintain Marketweight on the bonds

We maintain our Marketweight recommendation on Swedavia's bonds. The relative value to the European sector as well as the local peers seems fair to us. Compared with Swedish peers, Swedavia's spreads are broadly in line with Jernhusen, slightly tighter than Vasakronan and at a premium to Akademiska Hus.

Q3 EBIT ex NRI up 15% y/y, leverage slightly down

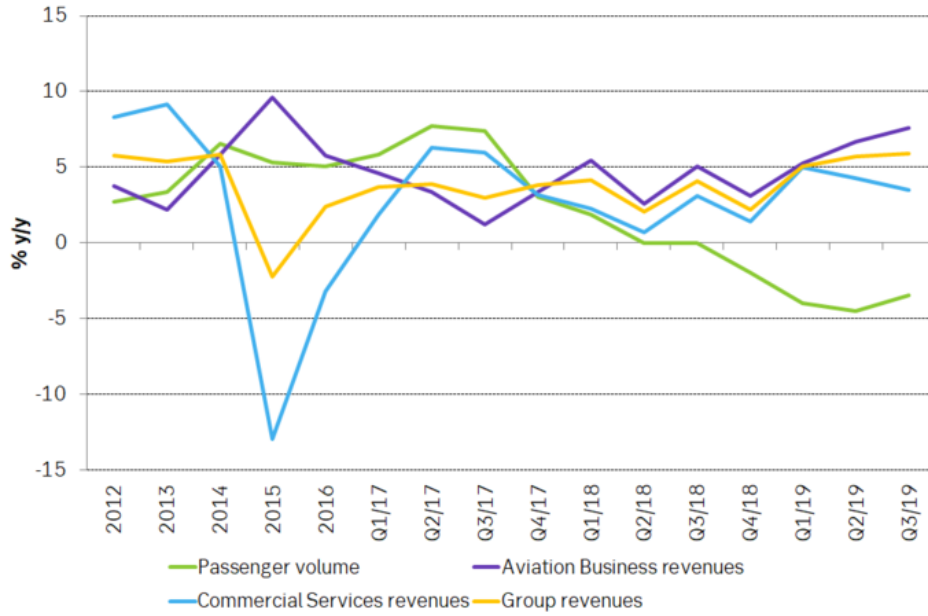
Q3 EBIT ex NRI at SEK 384m increased by 15% on 6% revenue growth y/y, slightly above our forecast. Price increases more than offset the passenger volume declined by 3% in Q3 (year-to-date volumes were 4% y/y). Earnings improvement came mainly on pricing, while earlier efficiency measures slightly contributed to Q3 costs. Operating cash flow improved y/y in Q3, but CF after investments was SEK 150m negative on continued high capex. Adjusted net debt to EBITDA at 5.5x was slightly down both q/q and y/y.

Adjusted leverage slightly declined q/q and y/y



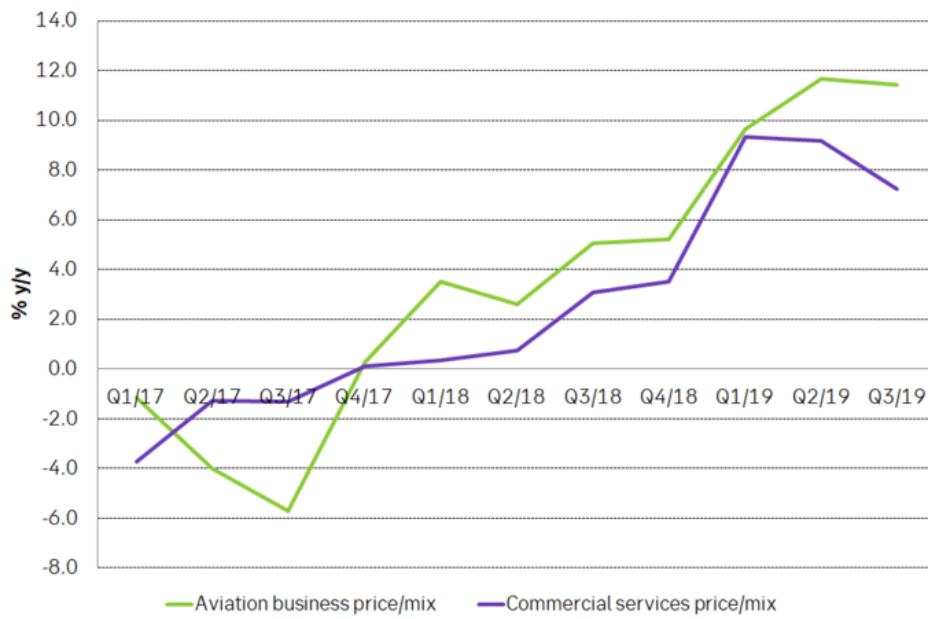
Source: SEB

Group revenues grew by 6% y/y despite 3% decline in passenger volumes



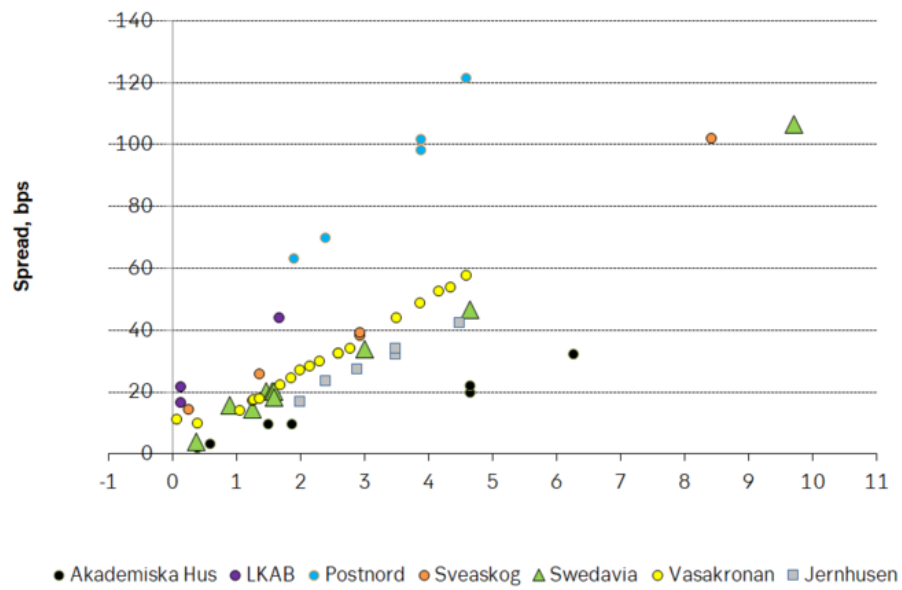
Source: SEB

Price/mix increased in Aviation business and Commercial services



Source: SEB

Relative value



Source: SEB and Bloomberg

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Instrument	Recommendation	Date
Swedavia Jul 2029 3mS+97	Marketweight	2015-09-08
Swedavia Jun 2024 3mS+80	Marketweight	2015-09-08
Swedavia Apr 2021 0.3625	Marketweight	2019-06-27
Swedavia Jan 2021 3m+70	Marketweight	2019-06-27
Swedavia Jul 2029 3m+97	Marketweight	2019-06-27
Swedavia Jun 2024 3m+80	Marketweight	2019-06-27
Swedavia Mar 2020 0.075	Marketweight	2019-06-27
Swedavia May 2021 0.7125	Marketweight	2019-06-27
Swedavia May 2021 3m+100	Marketweight	2019-06-27
Swedavia May 2021 3m+75	Marketweight	2019-06-27
Swedavia Oct 2022 0.935	Marketweight	2019-06-27
Swedavia Sep 2020 0.435	Marketweight	2019-06-27
Swedavia Apr 2021 0.3625	Marketweight	2019-06-28
Swedavia Jan 2021 3m+70	Marketweight	2019-06-28
Swedavia Jul 2029 3m+97	Marketweight	2019-06-28
Swedavia Jun 2024 3m+80	Marketweight	2019-06-28
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Swedavia May 2021 0.7125	Marketweight	2019-06-28
Swedavia May 2021 3m+100	Marketweight	2019-06-28
Swedavia May 2021 3m+75	Marketweight	2019-06-28
Swedavia Oct 2022 0.935	Marketweight	2019-06-28
Swedavia Sep 2020 0.435	Marketweight	2019-06-28

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