



Please note: the statement at the rear of this report contains details of investment banking services recently provided by SEB which could be considered relevant to the subject matter of this report.

	Company Update	Property	Sweden	26 February 2020
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Stand-alone rating: BBB

Public ratings

Moody's: N.R.

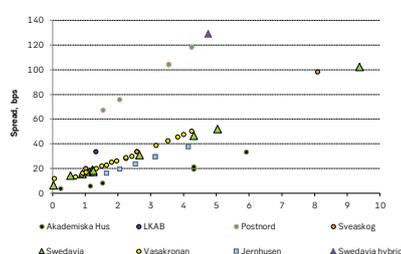
S&P: N.R.

Fitch: N.R.

Market cap (SEKm) Not listed

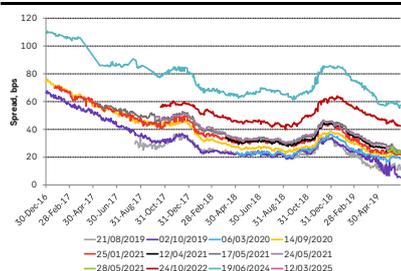
Decision to change rec: 26 Feb 20, 13:20 CET

### Relative value



Source: SEB and Bloomberg

### Spreads



Source: SEB and Bloomberg

### Analyst

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The estimates in this research report have been produced in collaboration with SEB equity research analysts

## Expansion continues

**Swedavia's 2019 earnings were largely as we expected. The recent hybrid bond issue and zero dividend payouts are positive for credit, while its large expansion programme weighs on cash flow. We expect tariff increases to support 2020 earnings although recent passenger stats have continued to be negative with COVID-19 adding uncertainty. We think seniors are fairly priced but hybrids offer attractive pick-up.**

### Support from price increases also in 2020, COVID-19 brings uncertainty

Earlier price increases assisted revenue growth despite reduction in passenger volumes, and Q4 and 2019 earnings were largely as we had expected. For 2020 we estimate slight growth in revenues and clean EBITDA from 2019 based on 5% increase in airport tariffs and our assumed 2% decline in passenger volumes. The possible impact of coronavirus are a key 2020 uncertainty however. With five weekly flights to China (of which three currently cancelled), the isolated impact appears limited, but acceleration in cases outside China could increase significance of the impact. The issue of hybrid bonds helped to bring down leverage on senior level to 5.2x (5.7x on hybrid level) from 5.4x in 2018. The board proposed again zero dividends, but high growth investments implies slight increase in leverage to around 6x in 2020, in line with our earlier thinking.

### Marketweight seniors, Overweight on hybrids

We maintain our Marketweight recommendation on Swedavia's senior bonds, including the new 25s. The relative value to the European sector as well as the local peers seems fair to us. Compared with Swedish peers, spreads are broadly in line with Jernhusen, slightly tighter than Vasakronan and at a premium to Akademiska Hus. The new hybrids are indicated at a fairly wide premium over senior bonds – we assign Overweight.

### Q4 EBIT slightly down y/y

Q4 clean EBIT of SEK 62m was slightly down from SEK 100m in Q4 2018. Passenger volumes declined by 5% y/y (2019 down 4%), which was partly offset by improved price/mix and lower employee costs on EBIT line. Pre-financing cash flow was SEK 325m negative in Q4.

### Key credit metrics & ratios

	2016	2017	2018	2019	2020E	2021E	2022E
Revenues (SEKm)	5,546	5,745	5,922	6,235	6,397	6,525	6,854
EBITDA (SEKm)	1,954	1,703	1,784	2,018	2,193	2,224	2,314
EBIT (SEKm)	966.0	651.0	681.0	709.0	842.5	824.2	873.9
FFO (SEKm)	1,483	1,330	1,496	1,796	1,838	1,903	1,983
FOCF (SEKm)	-1,936	-1,563	-1,675	-1,069	-1,538	-1,693	-1,606
Net debt (m)	4,896	7,290	9,195	10,604	12,142	13,834	15,481
Equity	7,351	7,665	8,066	9,440	10,358	11,022	11,547
EBITDA margin	35.2	29.6	30.1	32.4	34.3	34.1	33.8
EBIT margin (%)	17.4	11.3	11.5	11.4	13.2	12.6	12.7
Adjusted EBITDA net int. cover. (x)	11.2	14.3	15.7	107.8	17.6	14.3	12.2
Adjusted net debt to EBITDA (x)	3.2	4.2	5.4	5.7	6.0	6.7	7.1
Adjusted FFO / Net debt	25%	16%	15%	15%	14%	13%	12%
Adjusted net debt to capital	45%	52%	56%	58%	58%	60%	61%

Source: SEB

**Credit strengths**

- Very strong competitive position
- 100% government owned
- Strong pricing power and solid cash flow capacity
- Favourable long term trends in aviation globally

**Credit concerns**

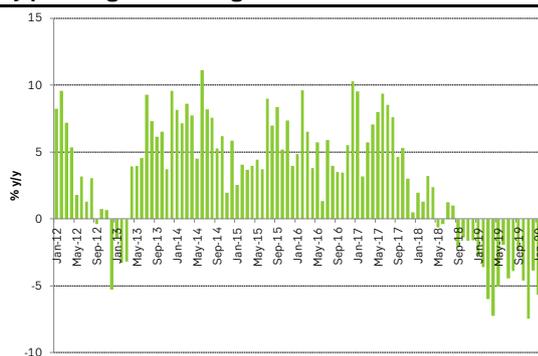
- Large investment program requiring continued debt accumulation in the coming years
- Weak passenger traffic in Sweden over the past year
- Significant exposure to a few airlines, including SAS and Norwegian
- Somewhat limited liquidity

**Selected outstanding bonds**

Issuer	Public	Issue date	Maturity date	Cpn type	Cpn	Amount	Z-sprd mid	Recommendation
Swedavia	N.R./N.R.	06-Mar-18	06-Mar-20	Fixed	0.075	SEK 300	6	Marketweight
Swedavia	N.R./N.R.	14-Sep-16	14-Sep-20	Fixed	0.435	SEK 250	14	Marketweight
Swedavia	N.R./N.R.	25-Jan-17	25-Jan-21	FRN	3mS+70	SEK 250	15	Marketweight
Swedavia	N.R./N.R.	12-Apr-18	12-Apr-21	Fixed	0.3625	SEK 500	17	Marketweight
Swedavia	N.R./N.R.	17-May-17	17-May-21	Fixed	0.7125	SEK 350	19	Marketweight
Swedavia	N.R./N.R.	24-May-17	24-May-21	FRN	3mS+100	SEK 200	17	Marketweight
Swedavia	N.R./N.R.	28-May-19	28-May-21	FRN	3mS+75	SEK 250	18	Marketweight
Swedavia	N.R./N.R.	24-Oct-17	24-Oct-22	Fixed	0.935	SEK 2,000	31	Marketweight
Swedavia	N.R./N.R.	05-Dec-19	12-Mar-25	Fixed	0.89	SEK 1,000	52	Marketweight
Swedavia	N.R./N.R.	10-Jul-14	10-Jul-29	Fixed	3mS+97	SEK 100	102	Marketweight
Swedavia	N.R./N.R.	19-Nov-19	Perpetual (24 call)	FRN	3mS+150	SEK 1,000	129	Overweight

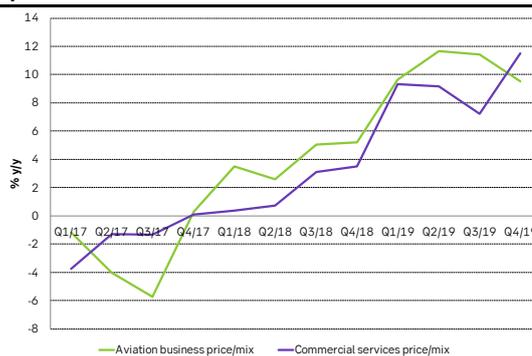
Source: Bloomberg and SEB

**Monthly passenger volume growth**



Source: SEB

**Price/mix**



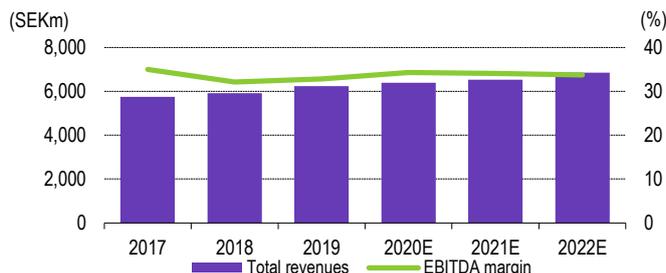
Source: SEB

**Financial statement summary - Adjusted numbers (SEKm)**

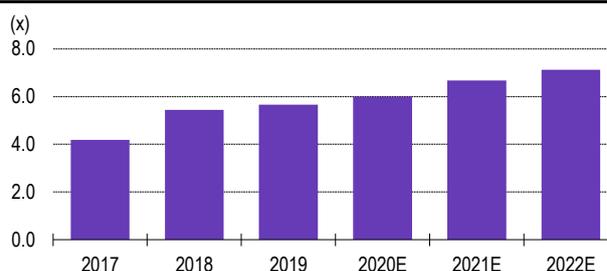
	2018	2019	2020E	2021E
<b>Income statement</b>				
Revenues	5,922	6,235	6,397	6,525
EBITDA	1,902	2,048	2,193	2,224
Net income (reported)	517.0	583.0	918.5	663.8
<b>Cash flow statement</b>				
Funds from operations (FFO)	1,554	1,796	1,838	1,903
Operating Cash Flow	1,417	1,977	2,062	1,907
Free Operating cash flow	-1,617	-1,069	-1,538	-1,693
Pre-financing cash flow	-1,739	-1,069	-1,538	-1,693
<b>Balance sheet</b>				
Cash (and equivalents)	10.0	77.0	79.3	76.6
Total debt	10,360	11,681	13,221	14,911
Net debt	10,350	11,604	13,142	14,834
Equity	8,066	8,440	9,358	10,022
Total assets (reported)	19,725	22,952	24,958	27,339
<b>Key credit metrics &amp; ratios</b>				
Net debt to EBITDA (x)	5.4	5.7	6.0	6.7
Net debt to capital	56%	58%	58%	60%
FFO / Net debt	15%	15%	14%	13%
Equity ratio	41%	37%	37%	37%

Source: SEB and Swedavia financial reports

**Revenues and EBITDA margin**



**Adjusted net debt / EBITDA**



Source: SEB and Swedavia financial reports

**Profit & loss statement**

(SEKm)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Total revenues	4,693	4,965	5,233	5,538	5,416	5,546	5,745	5,922	6,235	6,397	6,525	6,854
Total expenses	-3,080	-3,284	-3,346	-3,187	-2,746	-3,592	-4,042	-4,138	-4,217	-4,205	-4,301	-4,540
<b>EBITDA</b>	<b>1,613</b>	<b>1,681</b>	<b>1,886</b>	<b>2,351</b>	<b>2,670</b>	<b>1,954</b>	<b>1,703</b>	<b>1,784</b>	<b>2,018</b>	<b>2,193</b>	<b>2,224</b>	<b>2,314</b>
Depreciation	-831	-850	-940	-946	-915	-988	-1,052	-1,103	-1,309	-1,350	-1,400	-1,440
Intangibles amortisation	0	0	0	0	0	0	0	0	0	0	0	0
<b>EBIT</b>	<b>782</b>	<b>831</b>	<b>946</b>	<b>1,405</b>	<b>1,755</b>	<b>966</b>	<b>651</b>	<b>681</b>	<b>709</b>	<b>843</b>	<b>824</b>	<b>874</b>
Associated companies	14	19	8	0	22	41	37	53	45	20	21	22
Net interest expenses	-239	-296	-268	-242	-230	-138	-113	-92	-19	-124	-155	-190
Value changes	0	0	0	0	0	0	0	0	0	410	140	0
Other financial items	0	0	0	0	0	0	0	0	0	0	0	0
<b>Reported pre-tax profit</b>	<b>557</b>	<b>554</b>	<b>686</b>	<b>1,162</b>	<b>1,547</b>	<b>869</b>	<b>575</b>	<b>642</b>	<b>735</b>	<b>1,148</b>	<b>830</b>	<b>706</b>
Minority interests	9	10	10	0	0	0	0	0	0	0	0	0
Total taxes	-118	-108	-185	-236	-136	-152	-167	-125	-152	-230	-166	-141
<b>Net profit</b>	<b>448</b>	<b>456</b>	<b>511</b>	<b>926</b>	<b>1,411</b>	<b>717</b>	<b>408</b>	<b>517</b>	<b>583</b>	<b>918</b>	<b>664</b>	<b>564</b>
EBITDA margin	34.4	33.9	36.0	42.4	49.3	35.2	29.6	30.1	32.4	34.3	34.1	33.8
EBIT margin (%)	16.7	16.7	18.1	25.4	32.4	17.4	11.3	11.5	11.4	13.2	12.6	12.7
Tax rate (%)	21.2	19.5	27.0	20.3	8.8	17.5	29.0	19.5	20.7	20.0	20.0	20.0
<b>Growth rates y-o-y (%)</b>												
Total revenues	8.8	5.8	5.4	5.8	(2.2)	2.4	3.6	3.1	5.3	2.6	2.0	5.0
EBITDA	n.a.	4.2	12.2	24.6	13.6	(26.8)	(12.8)	4.8	13.1	8.6	1.4	4.0
EBIT	95.0	6.3	13.9	48.4	24.9	(45.0)	(32.6)	4.6	4.1	18.8	(2.2)	6.0
Pre-tax profit	309.6	(0.5)	23.9	69.4	33.1	(43.8)	(33.8)	11.7	14.5	56.2	(27.7)	(15.0)

**Cash flow**

(SEKm)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
FFO	1,108	1,188	1,498	1,765	1,397	1,483	1,330	1,496	1,796	1,838	1,903	1,983
Changes in working capital	70	305	-158	344	-23	167	207	-137	181	224	4	11
<b>Operating cash flow</b>	<b>1,178</b>	<b>1,493</b>	<b>1,340</b>	<b>2,109</b>	<b>1,374</b>	<b>1,650</b>	<b>1,537</b>	<b>1,359</b>	<b>1,977</b>	<b>2,062</b>	<b>1,907</b>	<b>1,994</b>
Net capital expenditures	-1,584	-4,066	-679	-744	651	-3,586	-3,100	-3,034	-3,046	-3,600	-3,600	-3,600
<b>Free operating cash flow</b>	<b>-406</b>	<b>-2,573</b>	<b>661</b>	<b>1,365</b>	<b>2,025</b>	<b>-1,936</b>	<b>-1,563</b>	<b>-1,675</b>	<b>-1,069</b>	<b>-1,538</b>	<b>-1,693</b>	<b>-1,606</b>
Dividend paid	-9	-9	-9	-10	-231	-232	-143	-122	0	0	0	-40
Acquisitions, divestments net	0	0	0	0	0	0	0	0	0	0	0	0
<b>Pre-financing cash flow</b>	<b>-415</b>	<b>-2,582</b>	<b>652</b>	<b>1,355</b>	<b>1,794</b>	<b>-2,168</b>	<b>-1,706</b>	<b>-1,797</b>	<b>-1,069</b>	<b>-1,538</b>	<b>-1,693</b>	<b>-1,646</b>
Net loan proceeds	34	2,570	-729	-1,296	-1,900	2,332	1,524	1,749	141	1,540	1,690	1,650
Share issue	0	0	0	0	0	0	0	0	996	0	0	0
Other	0	0	0	1	0	0	0	0	0	0	0	0
<b>Net change in cash</b>	<b>-381</b>	<b>-12</b>	<b>-77</b>	<b>60</b>	<b>-106</b>	<b>164</b>	<b>-182</b>	<b>-48</b>	<b>68</b>	<b>2</b>	<b>-3</b>	<b>4</b>
Capex/sales (%)	33.8	81.9	13.0	13.4	-12.0	64.7	54.0	51.2	48.9	56.3	55.2	52.5

**Balance sheet**

(SEKm)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Cash and liquid assets	141	129	52	112	6	170	58	10	77	79	77	80
Other current assets	875	951	958	773	868	926	1,082	1,047	1,837	1,160	1,183	1,243
Long-term financial assets	215	211	147	108	1,254	1,022	1,089	1,192	0	20	41	62
Fixed tangible assets	10,487	13,040	14,524	13,652	10,515	11,897	14,741	16,699	20,263	22,923	25,263	27,423
Intangibles	439	457	452	621	615	632	618	777	775	775	775	775
<b>Total assets</b>	<b>12,157</b>	<b>14,788</b>	<b>16,133</b>	<b>15,266</b>	<b>13,258</b>	<b>14,647</b>	<b>17,588</b>	<b>19,725</b>	<b>22,952</b>	<b>24,958</b>	<b>27,339</b>	<b>29,584</b>
Interest bearing debt	5,830	7,674	8,525	6,907	3,727	4,331	6,618	8,440	9,916	11,456	13,146	14,796
Other liabilities	2,338	2,813	2,692	2,786	2,665	2,967	3,304	3,219	3,596	3,143	3,171	3,241
Minority interests	0	0	0	0	0	0	0	0	0	0	0	0
Shareholders' equity	3,989	4,300	4,915	5,571	6,863	7,351	7,665	8,066	9,440	10,358	11,022	11,547
<b>Total liabilities and equity</b>	<b>12,157</b>	<b>14,787</b>	<b>16,132</b>	<b>15,264</b>	<b>13,255</b>	<b>14,649</b>	<b>17,587</b>	<b>19,725</b>	<b>22,952</b>	<b>24,958</b>	<b>27,339</b>	<b>29,584</b>
Net debt (m)	6,423	8,329	8,952	7,602	4,486	4,896	7,290	9,195	10,604	12,142	13,834	15,481
Net debt/equity (%)	161.0	193.7	182.1	136.5	65.4	66.6	95.1	114.0	112.3	117.2	125.5	134.1
Equity/total assets (%)	32.8	29.1	30.5	36.5	51.8	50.2	43.6	40.9	41.1	41.5	40.3	39.0
Net debt/EBITDA (x)	4.0	5.0	4.7	3.2	1.7	2.5	4.3	5.2	5.3	5.5	6.2	6.7
EBITDA Interest cover	6.5	5.6	6.9	9.5	11.4	13.6	14.4	18.6	15.9	17.4	14.2	12.1

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Name	(%)	Votes	Capital
The state of Sweden	100.0	100.0	

**Management**

Title	Name
COB	Åke Svensson
CEO	Jonas Abrahamsson
CFO	Mats Pålsson

**Company information**

Contact	
Internet	www.swedavia.com
Phone number	+46 10 109 00 00

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**Overweight** – over the next six months we expect a position in this instrument to exceed the relevant index, sector or benchmark.

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### Methodology

SEB's Credit Research makes its assessment of the creditworthiness of an issuer based on the assessment of an issuer's business risk profile as well as its financial risk profile. The business risk profile includes country risk, industry risk, competitive position, and profitability. The financial risk profile includes financial policies, accounting, cash flow adequacy, capital structure and liquidity. The outcome of the assessment of the two risk profiles is weighed together for a final overall assessment.

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### Credit Research Distribution (as of 1 Dec 2019)

	A*	B*
Overweight	14.0%	6.8%
Marketweight	72.3%	36.6%
Underweight	13.7%	7.5%

A\* denotes recommendations for all companies covered

B\* denotes recommendation for companies to which SEB has provided investment banking services in the last 12 months.

### Recommendation History

#### Instrument Recommendation Date

Swedavia Apr 2021 0.3625	Marketweight	28 Jun 2019
Swedavia Jan 2021 3m+70	Marketweight	28 Jun 2019
Swedavia Jul 2029 3m+97	Marketweight	28 Jun 2019
Swedavia Jun 2024 3m+80	Marketweight	28 Jun 2019
Swedavia Mar 2020 0.075	Marketweight	28 Jun 2019
Swedavia May 2021 0.7125	Marketweight	28 Jun 2019
Swedavia May 2021 3m+100	Marketweight	28 Jun 2019
Swedavia May 2021 3m+75	Marketweight	28 Jun 2019
Swedavia Oct 2022 0.935	Marketweight	28 Jun 2019
Swedavia Sep 2020 0.435	Marketweight	28 Jun 2019
Swedavia Mar 2025 0.89	Marketweight	26 Feb 2020
Swedavia Hybrid Nov 2024 call	Overweight	26 Feb 2020

Recommendation changes by SEB Credit Research Analysts in the subject company over the past 12 months. If no recommendation changes were made in that period, the most recent change is stated.

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