



MARKET COMMENT

12 July 2018

Event: Humlegården H1/18 initial

Humlegården's H1/18 report was slightly ahead of our expectations across the line. The deviation was primarily driven by material positive property revaluations (6%), but the company also beat our NOI forecast. The latter was mainly due to lower property and admin costs than we had expected. Consequently, credit metrics were strong. We calculate net LTV at 36%, compared with our expectations of 37.8%. 12M ND/EBITDA and ICR was 11x and 4.1x respectively (11.3x and 3.9x expected).

The company said that the majority of the property valuations were driven by NOI improvements and project gains (84%) and only to a minor extent by yield compression (16%).

Implications:

We will likely make minor revisions to our financial base case on the back of what appears to be sustainable cost improvements. We note that the company has reduced short term debt somewhat compared with YE2017. On a first impression basis, the report supports Humlegården's credit profile.

Deviation table	H1/15	H2/15	H1/16	H2/16	H1/17	H2/17	H1/18E	H1/18	DEV
Rental income	448	467	483	498	523	533	607	599	-1%
NOI	293	295	322	342	373	384	419	434	4%
EBITDA	275	274	301	320	351	362	398	414	4%
FFO	161	157	203	199	232	284	295	342	16%
FOCF	-30	86	-6	-4	6	18	-122	-22	-82%
Interest expense	-120	-124	-124	-118	-122	-99	-98	-92	-7%
Net interest expense	-116	-122	-122	-118	-122	-97	-98	-90	-8%
Investment properties	0	15,563	17,014	17,806	19,104	22,050	22,644	23,706	5%
Total debt	0	7,738	7,807	7,870	9,055	6,929	9,679	8,762	-9%
Net debt	0	7,503	7,713	7,706	7,720	6,792	8,564	8,541	0%
Total debt / EBITDA (x)	0.0x	14.1x	13.6x	12.7x	13.5x	12.0x	12.7x	11.3x	
Net debt / EBITDA (x)	0.0x	13.7x	13.4x	12.4x	11.5x	11.8x	11.3x	11.0x	
EBITDA / net interest (x)	0.0x	2.3x	2.4x	2.6x	2.8x	3.3x	3.9x	4.1x	
FFO / net debt (%)	0.0%	4.1%	4.3%	4.9%	5.6%	5.8%	6.5%	6.9%	
Gross LTV	0.0%	49.7%	45.9%	44.2%	47.4%	38.9%	42.7%	37.0%	
Net LTV	0.0%	48.2%	45.3%	43.3%	40.4%	38.3%	37.8%	36.0%	
Deviation table property	H1/15	H2/15	H1/16	H2/16	H1/17	H2/17	H1/18E	H1/18	DEV
Net acquisitions	0	0	-321	10	-21	-2,089	0	-69	n/a
Investments in existing/dev. properties	0	0	-145	-275	-209	-298	-417	-343	-18%
Property revaluation	0	0	984	528	1,067	560	176	1,244	605%
Yield	5.23%	4.50%	4.75%	4.70%	4.52%	4.50%	4.50%	4.40%	
Deviation table opcosts	H1/15	H2/15	H1/16	H2/16	H1/17	H2/17	H1/18E	H1/18	DEV
Central administration	-18	-21	-20	-25	-22	-19	-21	-20	-6%
Running costs	-63	-69	-70	-61	-66	-62	-79	-74	-6%
Repairs and maintenance	-29	-26	-21	-19	-12	-10	-18	-8	-58%
Property administration	-29	-36	-32	-33	-32	-36	-42	-39	-7%
Property taxes	-29	-36	-33	-38	-36	-36	-42	-40	-7%
Leasehold rents	-5	-5	-5	-5	-5	-5	-6	-4	-34%
Depreciations	0	0	0	0	0	0	0	0	
Total property costs	-155	-172	-161	-156	-151	-149	-188	-165	-13%

Source: SEB Credit Research