

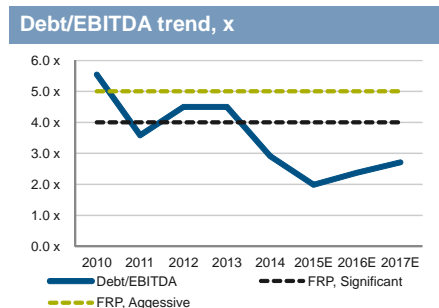
Swedavia

Industry (GICS): Transportation Infrastructure
Sector (Nordea): Business Services

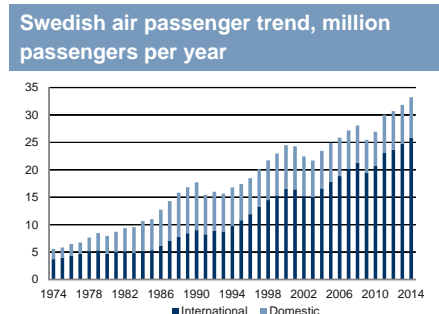
A+
Stable

Key info	
Country	Sweden
Bloomberg debt	SWEDAV Corp
Bloomberg equity	0256996D SS
Moody's	NR/---
S&P	NR/---
Market cap. (bn)	n.a.

Nordea Markets - Analysts	
Andreas Zsiga	+46 8 614 96 70
Chief analyst, Credit	
andreas.zsiga@nordea.com	
Elisabeth Adebäck	+46 70 417 1034
Senior analyst, Credit	
elisabeth.adeback@nordea.com	



Source: Company data and Nordea Markets (2015E and 2016E Nordea Credit Research expectations)



Source: Luftfartsverket and Nordea Markets

Flying smoothly with a lighter debt burden

Swedavia is benefitting from solid growth in flight activity that we expect to continue longer term, with some cyclical volatility. The recent property portfolio transfer to a JV co-owned with Alecta will reduce leverage and improve credit ratios, providing headroom for upcoming major capex projects. Our shadow rating is firm at A+ given Swedavia's solid credit profile and the undisputed strong government ownership link.

Positive performance trend continues in early 2015

The positive demand trend in Swedavia's business continued in Q1 2015. The passenger volume increased 4% y/y, translating into 3.7% revenue growth. The operating margin declined to 13% (18% Q1 2015), but was more at par when adjusting for the Q1 2014 disposal gains. Passenger volumes continue to increase, fuelled by solid economic growth, and Swedavia benefits from more international destinations. Meanwhile, Swedavia's capex plans are significant.

Real estate transaction is credit positive

We view the recent SEK 3.9bn property disposal to a JV company co-owned with Alecta as credit positive, as it makes the balance sheet lighter, including substantial debt reduction. Credit ratios improve as a result (eg we expect adj. debt/EBITDA at ~2x in 2015 vs. 3x in 2014).

We see limited downside risk in our A+ shadow rating

Our shadow rating reflects the combination of a solid performance, moderate debt leverage, a positive long-term growth trend, and Swedavia's important policy functions. We do not expect any medium term change in these factors.

Swedavia's bond looks fairly attractive

We view Swedavia's bond as being fair bordering on cheap when comparing to the broader A category government related names. We think they are attractive vs. eg Jernhusen, Vasakronan and Willhem in the 3-4 year maturity bucket given its stronger credit profile.

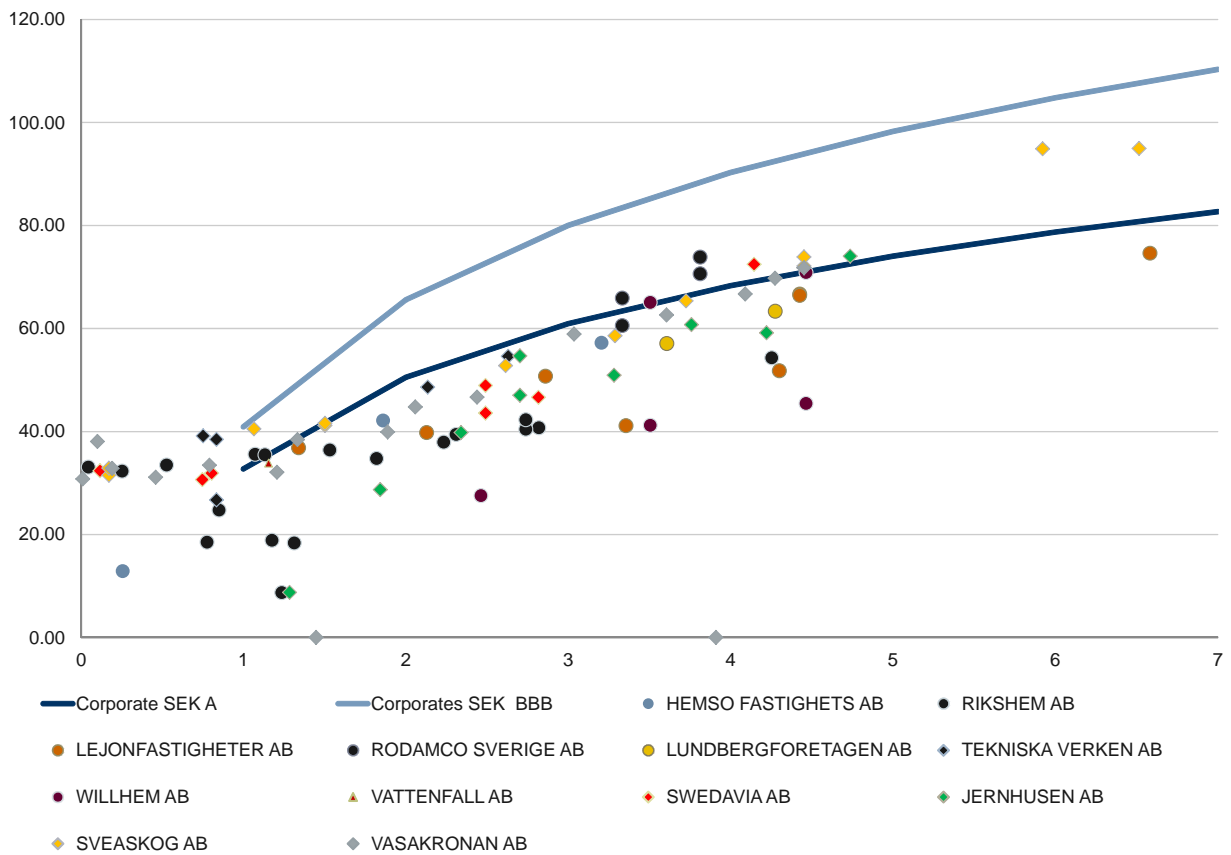
Key credit metrics and ratios (adjusted numbers)										
SEKm	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E
EBITDA	0	0	1,069	1,599	1,681	1,887	2,351	2,265	2,332	2,402
- margin	n.m.	n.m.	33%	34%	34%	36%	40%	37%	37%	37%
EBIT	0	0	420	781	831	947	1,405	1,285	1,332	1,362
- margin	n.m.	n.m.	13%	17%	17%	18%	24%	21%	21%	21%
Shareholders' equity	0	0	3,806	3,989	4,300	4,904	5,571	6,889	7,347	7,829
Debt	0	0	5,922	5,724	7,569	8,486	6,823	4,493	5,528	6,499
Debt/(Debt+Equity)	n.m.	n.m.	0.6	0.6	0.6	0.6	0.6	0.4	0.4	0.5
FFO/Debt	n.m.	n.m.	18.8%	19.1%	15.7%	15.9%	24.2%	36.2%	33.6%	29.6%
FOCF/Debt	n.m.	n.m.	2.6%	2.0%	-2.0%	-11.8%	17.1%	-18.7%	-11.5%	-8.8%
DCF/Debt	n.m.	n.m.	2.5%	1.9%	-2.1%	-11.9%	17.0%	-23.8%	-18.7%	-14.9%
EBITDA interest coverage	n.m.	n.m.	4.6	7.1	6.1	6.9	9.5	9.1	9.0	9.2
Debt/EBITDA	n.m.	n.m.	5.5	3.6	4.5	4.5	2.9	2.0	2.4	2.7
ROC	n.m.	n.m.	8.4%	7.8%	7.5%	7.3%	10.6%	10.5%	10.7%	9.8%

Source: Company data and Nordea Markets

Relative value

We view Swedavia's bond as being fair bordering on cheap when comparing to the broader A category government related names. We think they are attractive vs. eg Jernhusen and Vasakronan in the three-year maturity bucket given its stronger credit profile. For investors that are agnostic to public ratings, we would switch from WILLHEM 2019 and 2020 to Swedavia bonds with the same maturity.

Swedavia SEK bonds vs. A category peers



Source: Company data and Nordea Markets

Shadow rating approach and rationale

We view Swedavia as a BBB+ standalone credit, reflecting our assessment that the business risk profile is Strong and the financial risk profile is Intermediate. We notch up our shadow rating to A+ to reflect the government ownership and the strategic policy role of the company.

Shadow rating based on S&P's methodology

Shadow rating BBB+, uplift to A+ given government ownership

In line with S&P, we base our shadow rating on Swedavia on the company's stand-alone credit profile, adding ratings uplift for potential extraordinary ownership support, reflecting the likelihood for timely, extraordinary support by its sole shareholder, the Swedish state, in a situation of financial distress.

BBB+ stand-alone

Our BBB+ stand-alone shadow rating is based on a Strong business risk profile, and a Significant financial risk profile.

S&P's rating matrix applied to Swedavia

Business risk profile	Financial risk profile					
	Minimal	Modest	Intermediate	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Source: Company data, S&P and Nordea Markets

S&P financial key ratio scoring matrix

	Core ratios		Supplementary coverage ratios		Supplementary payback ratios		
	FFO/debt	Debt/EBITDA	FFO/Cash interest(x)	EBITDA/interest(x)	CFO/debt(%)	FOCF/debt(%)	DCF/debt(%)
Minimal	>60	<1.5	>13	>15	>50	>40	>25
Modest	45-60	1.5-2	9-13	10-15	35-50	25-40	15-25
Intermediate	30-45	2-3	6-9	6-10	25-35	15-25	10-15
Significant	20-30	3-4	4-6	3-6	15-25	10-15	5-10
Aggressive	12-20	4-5	2-4	2-3	10-15	5-10	2-5
Highly leveraged	<12	>5	<2	<2	<10	<5	<2

Source: Company data, S&P and Nordea Markets

Supported by attractive business

Credit-supportive factors

- **Quasi-monopolistic position** and utility like features as owner and operator of Sweden's national airport infrastructure, a sector with very high barriers to entry and a limited degree of direct competition.
- **Affluent and stable economic catchment area** servicing Sweden.
- **Strong pricing power and ability to secure cost coverage**, albeit the company's pricing strategy focuses on stability, longer-term growth and securing good access for Sweden to international air connections.
- **Highly valuable and largely well invested airport infrastructure** and real estate asset base.
- **Good prospective growth in passenger and cargo volumes**, indirectly supporting revenue growth, and limited share of more volatile transfer passenger volumes.
- **Sound operating cash flow capacity.**
- **Solid financial risk management framework**, including adequate liquidity profile, with access to various funding sources.

Moderate gearing and some cyclicity

Credit-constraining factors

- **Moderately high debt leverage**, including debt/EBITDA at about 5x, reflecting high capital intensity of the business, and recent major expansion.
- **Significant investment plans**, including expansion of real estate projects in the airport vicinity.
- **Direct and indirect cyclical revenue exposure** to passenger and cargo volume volatility affected by eg macroeconomic conditions.

*Full state ownership and transport
policy role*

- **Exposure to customers within the airline industry**, including a large dependence on SAS, and single-server exposure at several airports.

Uplift to A+ given ownership support

A three notch uplift to A+, reflecting our view that Swedavia would benefit from a high likelihood of extraordinary government ownership support. This is based on our understanding of Swedavia as having an important role for the Kingdom of Sweden, and benefitting from a very strong link to the owner. This reflects the following:

- Swedavia is 100% owned by the Kingdom of Sweden, with no political agenda within the ruling government or the opposition parties to be privatised.
- We believe that the Swedish government has a strong influence on Swedavia's strategies and business plans.
- We understand that Swedavia has an important strategic and policy role to fulfil in securing and developing Sweden's airway access in a secure and sustainable way, both internationally and regionally within Sweden.
- Swedavia operates as a profit seeking company, but a default and disruption of the company's activities would have significant systematic impact for the Swedish economy.

Company overview

Swedavia operates Sweden's national airport infrastructure, and is 100% government owned. The company derives the bulk of its revenues from airport volumes, and is operated and financed on a fully commercial basis.

Manager of Sweden's airport infrastructure

Sweden's national airport operator

Swedavia owns, operates and develops Sweden's national infrastructure for airports. This includes ten larger international and regional airports across Sweden, including the key airports Stockholm Arlanda, Gothenburg Landvetter and Malmö Sturup. Swedavia's revenues were about SEK 5.4bn and it had SEK 15.3bn in assets in 2014. The company has about 2,400 employees. Its operations are divided into two segments, Airport operations and Real Estate.

Airport operations (97% of 2014 revenues, excluding disposals) are organised in two parts:

- **Aviation Business (53% of revenues excluding disposals in 2014).** Provides take-off, landing and passenger services, ground handling, airline security and aircraft parking. This includes eg goods loading/unloading, security screening of passenger and goods, luggage management, airport surveillance.
- **Commercial Service (44%).** Offers premises for lease of shops, restaurants, office space, warehousing, logistics and advertisement, with supporting IT & telecom infrastructure.

Revenues derived from airport volumes

Real Estate (3%), under the name Swedavia Real Estate AB, is tasked with owning, developing and managing properties and exploitable land at or in the vicinity of the group's airports. This has involved major acquisitions and disposals of properties.

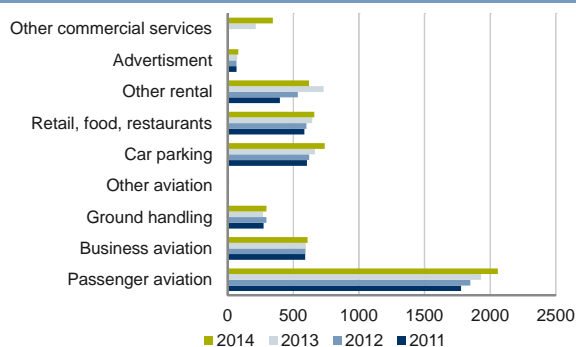
Fully government owned

The company is 100% owned by the Kingdom of Sweden. Swedavia was formed in 2010 when it assumed the ownership and operational responsibility of the airport portfolio from the Swedish Civil Aviation Authority (LFV).

Operated and financed on a commercial basis

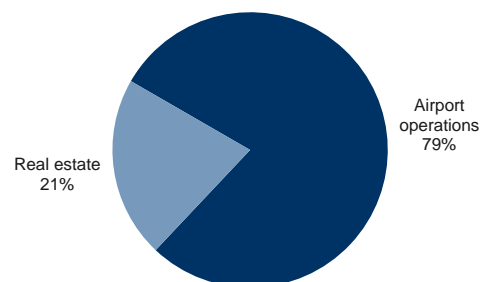
Swedavia is operated on a commercial basis. The overall objective is to create long-term profitability in order to meet Sweden's needs for air access in line with the transport policy goals set by the Swedish Parliament. As a state-owned company, Swedavia shall also be a role model for sustainable development.

Revenues split, SEKm



Source: Company data and Nordea Markets

Total asset split 2014, %



Source: Company data and Nordea Markets

Business overview

Swedavia operates in a quasi-monopoly position, in our view, as it is Sweden's largest airport operator and controls the country's key airports. Its pricing power is strong, but we understand that the company takes a balanced approach with the aim of securing Sweden long-term domestic and international air transport access. There is cyclicality in airport demand, but the long-term trend is positive.

Controlling Sweden's airport infrastructure

Strong market position based on a quasi-monopoly

In our view, Swedavia operates in a quasi-monopoly position, as the largest airport operator in Sweden, appointed by the government owner to run the national airport infrastructure. The barriers to entry into Sweden's airport market are high due to almost insurmountable cost and regulatory challenges. The regulatory framework allows the company cost-cover of the airport service. In all, this makes the operation utility-like.

Utility-like service facing some competition

The company is exposed to some competition from smaller Swedish airports (eg Skavsta), other modes of transport (eg rail, largely domestic) and foreign air hubs. This mutes Swedavia's pricing power and provides some demand price elasticity, but we do not see it as a major concern.

Pricing strategy focused on stability and long-term growth

Good revenue quality but some cyclicality

Swedavia has strong pricing power based on a strong market position. We understand that it uses its negotiating power prudently. Apart from providing a reasonable return, it aims to secure the long-term stability and growth of its volumes, Sweden's air transport access and the quality and expansion of its operations and infrastructure. We take this to mean that price stability and long-term incentives to secure Sweden's air access have priority over short-term changes in revenue and profit maximisation.

Revenues are still cyclical

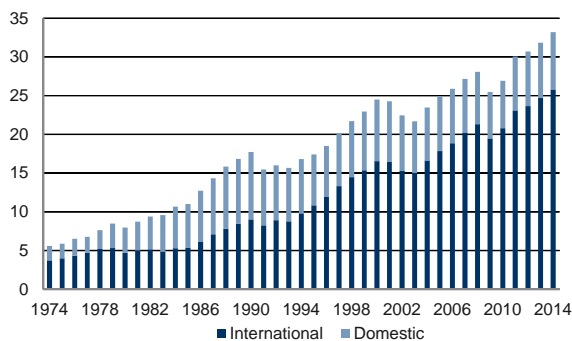
Swedavia's pricing strategy implies a cyclical revenue exposure.

Revenues are linked to passenger and air cargo volumes. In turn, these are influenced to a large extent by the prevailing macroeconomic environment as well as air traffic-specific events, such as terrorist threats, weather and volcanic activity. This influences passenger volumes, flight movement and air cargo charges directly, and parking and rent revenues indirectly (as shops and restaurants tend to have turnover-based contracts).

Underlying growth provides support

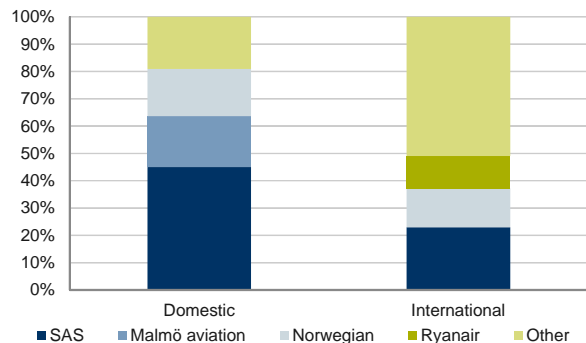
Long-term growth potential is credit supportive. Barring cyclical and event-based fluctuations, the long-term air passenger and cargo volume trend is positive, internationally and in Sweden. We expect this trend to prevail for the foreseeable future. Factors that could dent this trend include eg a severe, prolonged economic downturn or a major shift in customer behaviour (potentially linked to environmental issues or travel costs).

No. of air passengers per year in Sweden, m



Source: Trafikverket and Nordea Markets

Market shares Swedish air passenger service 2013, %



Source: Trafikverket and Nordea Markets

Financial profile

Swedavia's capital structure has features of both an operating service company and a heavy capital-intensive utility or real estate company. Cash flow generation is fairly strong. At the same time, capital intensity is high. The recent disposal of properties for the JV formed with Alecta has improved the financial profile, in our view, resulting in stronger forecast credit ratios. The company's track record is relatively short, which blurs visibility somewhat.

High gearing reflects asset portfolio

Capital structure reflects asset-intense business model

Swedavia's capital structure is a constraining credit factor from a stand-alone point of view. The company operates with an equity ratio of about 30-35%, and a reported net gearing ratio of about 160-180%, with debt/capital at about 60-70%. The equity ratio compares to mid/low BBB industrials, but the leverage position is higher (equivalent to BB rated industrials or utilities). We understand that capitalization and leverage have been inflated by the significant airport infrastructure and real estate portfolio, which tolerate a higher leverage, in our view.

Disposals have improved capitalization

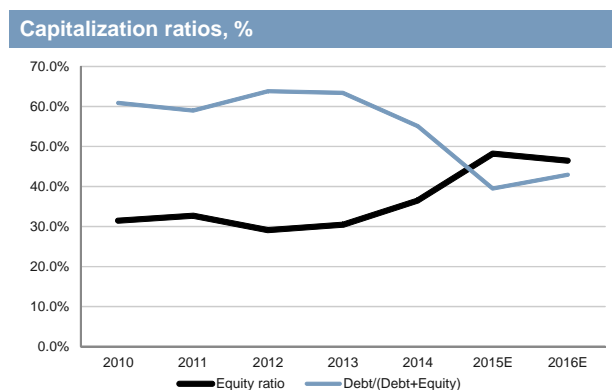
Property JV improves capitalization. The formation of the property joint venture with Alecta in mid-2015 has strengthened the capitalization, in our view. To our knowledge, the transaction involves transferring a property portfolio valued at SEK 3.9bn from Swedavia to the JV company, also resulting in a SEK 0.9bn realization gain at Swedavia, with accompanying debt reduction. We understand that the JV will be accounted using the equity method. As a result, we expect that the debt to capital ratio will improve to 40-45%. We see room to trim down gearing ratios once projects have been completed and to temper investment activity to weakening market conditions.

Strong operating cash balances high capex

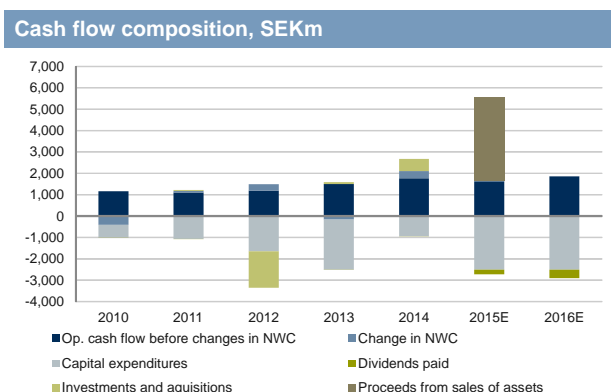
Good cash flow generation but high capex

Improving credit ratios. Swedavia's credit protection measures have been on the weak side for the stand alone and GRE supported rating, including adjusted FFO/debt of around 15% and adjusted debt/EBITDA of about 4.5x. A solid underlying performance and reducing debt improved these ratios in 2014, and we expect the 2015 JV formation to allow further improvement. We anticipate adjusted FFO/debt of 30-35%, while FOCF could be slightly negative owing to continued capex level.

Adequate credit ratios



Source: Company data and Nordea Markets (2015-16E Nordea Credit Research estimate)



Source: Company data and Nordea Markets (2015-16E Nordea Credit Research estimate)

Move to market funding

Funding and Liquidity on an improving trend

Swedavia is a fairly new company, with a relatively short funding profile track record. The company was originally funded with loans from the State Treasury and banks. This has gradually been replaced by market funding, and we understand that funding via the State Treasury is not an option for the future.

Major issuer of bonds

As part of the refinancing, the company has issued a total of SEK 4.1bn of bonds under its SEK5 bn MTN programme. The company is also active in the Swedish CP market, with around SEK 2.4bn outstanding at year-end 2014. This has reduced bank lending to SEK 0.3bn. The company does not have any secured debt, which is supportive of senior unsecured investors.

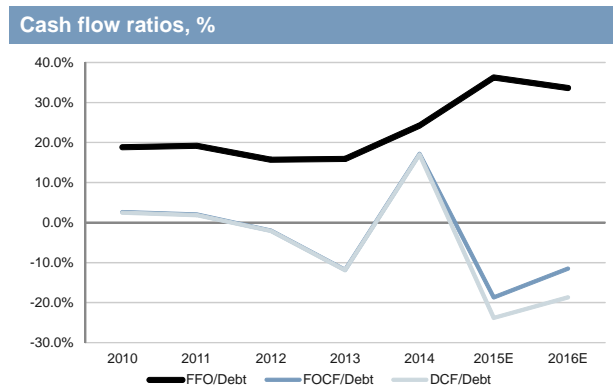
Adequate financial targets

Financial policy indicates ambitions to reduce debt

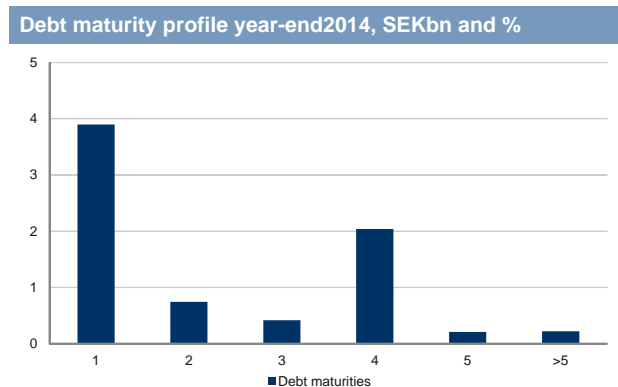
Swedavia’s financial policy is fair in our view, and long-term targets imply an improved credit profile for the company. The long-term objectives were adopted by the AGM (effectively the Government owner) in 2014, and are valid until altered. They target a 7% return on operating capital (7.1% 2013, previous target RoE of 9%) and a debt/equity ratio of 1.0-1.5x (1.7x at Q1 2014).

Summary of Swedavia financial targets and policies		
Area	Policy requirement	Comment
Refinancing risk of outstanding debt	Max 40% within 1 year	Fairly high considering the significant debt levels, balanced by the assessed strong credit quality
Unutilized credit facilities	SEK 500m	Adequate
Diversified funding base		Positive, improves financial flexibility
Average interest rate maturity	3 years +/- 1 year	Moderately conservative, should limit significant interest rate exposure
Debt/Equity ratio	1.0-1.5x	Adequate, provide adequate tolerance guidance and signals a conservative approach
Total return	At least 7%/year	
Dividend policy	30-50% of net profit	Fair, but could require debt funding of expansion investments

Source: Company data and Nordea Markets



Source: Company data and Nordea Markets



Source: Company data and Nordea Markets

Financial forecast

Our base case forecasts assume a steady growth at stable margins and significant capex. The negative free cash flow generation results in slightly declining credit ratios but still adequate for an intermediate financial profile, eg adjusted debt/EBITDA in the 2.3-3x. The sensitivity level assumes lower growth and some margin pressure, and the resulting credit ratios could indicate a slightly lower credit profile.

Base case scenario: Solid performance despite high capex

Our base case scenario assumes a positive macroeconomic environment, with Swedish GDP growth resuming at ~2% following the soft patch in 2013. This translates into higher passenger and cargo volumes, as well as increased rental revenue. The 2015 real estate JV disposal improves capitalisation and has a modest impact on earnings and operating cash flow.

This translates into a 5% sales growth, with reported EBITDA margins maintained at 37%. We also incorporate significant additional expansion investments at about SEK 2.5bn per year. Interest rates are expected to trend up slightly towards 3% on average, with a 25% tax rate.

The forecast implies a slightly weakening credit measure development following the disposal led improvement in 2015, with FFO/debt at about 30-35%, and debt/EBITDA at around 2.5x. We see significant room to trim gearing ratios once projects have been completed, as well as adjust investment activity to weakening market conditions.

Sensitivity scenario: Weaker margin and sales but still healthy

The sensitivity scenario assumes an economic downturn translating into weaker sales growth at some 2% 2014/16. The reported EBITDA margin declines to 35%. Capex remains at SEK 2.5bn a year. Credit ratios weakens versus the base case as absolute EBITDA and cash flow levels drop, with debt/EBITDA at around 3x and FFO/debt 25-30%.

Summary of financial forecast figures												
Credit adjusted figures					Base case				Credit case			
SEK(m)	2010	2011	2012	2013	2014	2015E	2016E	2017E	2014	2015E	2016E	2017E
Revenues	3,277	4,693	4,965	5,233	5,885	6,120	6,304	6,493	5,885	6,003	6,123	6,245
EBITDA	1,069	1,599	1,681	1,887	2,351	2,265	2,332	2,402	2,351	2,281	2,265	2,186
- margin	33%	34%	34%	36%	40%	37%	37%	37%	40%	38%	37%	35%
Debt	5,922	5,724	7,569	8,486	6,823	4,493	5,528	6,499	6,823	4,853	5,972	7,145
Equity	3,806	3,989	4,300	4,904	5,571	6,889	7,347	7,829	5,571	6,637	6,975	7,219
FFO	1,114	1,096	1,188	1,349	1,652	1,628	1,858	1,922	1,652	1,796	1,777	1,724
Change in NWC	-414	70	305	-158	344	32	7	7	344	-38	3	3
OCF	746	1,178	1,493	1,339	2,109	1,660	1,865	1,929	2,109	1,758	1,781	1,727
Capex	-593	-1,063	-1,646	-2,344	-941	-2,500	-2,500	-2,500	-941	-2,500	-2,500	-2,500
FOCF	153	115	-153	-1,005	1,168	-840	-635	-571	1,168	-742	-719	-773
Net acquisitions	0	0	-1,775	0	-54	3,900	0	0	-54	3,900	0	0
Dividends	-7	-9	-9	-9	-10	-230	-400	-400	-10	-230	-400	-400
									0			
FFO/debt	18.8%	19.1%	15.7%	15.9%	24.2%	36.2%	33.6%	29.6%	24.2%	37.0%	29.8%	24.1%
FOCF/debt	2.6%	2.0%	-2.0%	-11.8%	17.1%	-18.7%	-11.5%	-8.8%	17.1%	-15.3%	-12.0%	-10.8%
DCF/debt	2.7%	2.2%	-1.9%	-11.7%	17.3%	-13.6%	-4.3%	-2.6%	17.3%	-10.5%	-5.3%	-5.2%
Debt/EBITDA	5.5 x	3.6 x	4.5 x	4.5 x	2.9 x	2.0 x	2.4 x	2.7 x	2.9 x	2.1 x	2.6 x	3.3 x
EBITDA/interest	4.6 x	7.1 x	6.1 x	6.9 x	9.5 x	9.1 x	9.0 x	9.2 x	9.5 x	9.1 x	9.1 x	8.7 x

Source: Company data and Nordea Markets

Peer comparison

In comparison with Swedish government-rated entities such as Vattenfall and Akademiska Hus, we consider Swedavia to have a somewhat weaker standalone credit profile. This is mitigated by its closer ties to the government, in our view. Compared with rated European airport operators, Swedavia is smaller with a weaker financial risk profile, balanced by its closer ties to the government and broader asset base.

Swedish peers among public sector entities

Government-related companies

Swedavia's mix of commercial and transportation infrastructure policy-related operations and government ownership suggest that a relevant peer group is to be found among other government or publicly-owned Swedish companies. These include rated names such as Vattenfall, Lunds Energikoncernen, Tekniska Verken and Akademiska Hus, as well as the unrated Jernhusen.

Swedavia is weaker than Vattenfall and Akademiska Hus on a standalone basis

In comparison with these names, we believe that the government ownership support is at least as strong for Swedavia. From a standalone rating perspective, we see Swedavia as somewhat weaker than Vattenfall (major diversified Northern European utility) and Akademiska Hus (supplier of properties to government universities under long-term contracts, low LTV of 45%).

Jernhusen is a close peer, but it is more tilted towards real estate

We believe Jernhusen has a similar credit profile to Swedavia, with commercially exposed revenue streams from utilities like rail properties, a speculative development process and moderately aggressive LTV levels of 55-60%. Jernhusen is more akin to a real estate company than Swedavia, a factor that influences the company's financial profile.

Swedish government-related peers					
	Swedavia	Vattenfall	Kraftringen Energi AB	Akademiska Hus	Jernhusen
Rating (S&P)	A+ (Nordea)	A-/Watch Neg	BBB+/Stable	AA+/Stable	A (Nordea shadow)
Business/Financial risk profile	Strong/Significant	Strong/Significant	Satisfactor/Significant	No information	Strong/Significant
Standalone rating	bbb+ (Nordea)	bbb+	bbb-	aa-	bbb (Nordea)
GRE support/notching	+3/High	+1/Moderate	+2/Moderately High	+1/High	+3/High
GRE importance	Important	Strong	Important	Important	Important
GRE link	Very strong	Moderate	Strong	Very strong	Strong
Government/Public ownership	100%	100%	82% owned by City of Lund, 18% other municipalities	100%	100%
Operating focus	Airport infrastructure in Sweden	Energy utility operations in the Nordic region, Germany and the Netherlands	Energy utility operation in Lund, Sweden	Real estate supply to government controlled universities under long term contracts	Owns and operate key railway stations, cargo terminal and depos, property development in
Sales	€0.6bn	€17.9bn	€0.3bn	€0.6bn	€0.1 bn
Fixed assets	€1bn	€28.8 bn	€0.3bn	€6bn	€1.2 bn
Debt/Capital	50-55%	55%	50-55%	50%	55%
Debt/EBITDA	2-2.5x	3.5-4x	3.5-4x	6-7x	10-12x
FFO/Debt	25-35%	20-25%	20-25%	8-10%	~5%

Source: Company data, Standard & Poor's and Nordea Markets

International airport operators

Some of Swedavia's European peers are publicly rated, and they constitute good peers for the company. Our key observations are summarised as follows:

Larger European peers

Peers have stronger financial profiles

Swedavia has greater scope for government support

Avinor is the closest peer at AA-

- **Peers are larger but include more single-asset operators than Swedavia.** Although Aeroport de Paris (AdP), Flughafen Zurich (FZ) and Schiphol Group (Schiphol) have concentrated operations on one major airport, their turnover and passenger volumes tend to be significantly larger than Swedavia's. They benefit from operating central European air hubs, with significant destination and transfer passenger volumes, as well as large cargo operations. FZ (some 35% Swiss) is weighed down by airline concentration risk, resulting in a lower business risk profile score.
- **Peers tend to be financially stronger than Swedavia.** Given their lower debt leverage and more concentrated passenger flows (increasing capital utilisation and hence capital intensity), peers have credit measures such as FFO/debt of 20-30% and EBITDA/debt of 3-3.5x. This compares with Swedavia's 12-15% and 5x, respectively.
- **Peers have less scope for government support.** Excluding Avinor, the GRE uplift is limited to 1 notch in all cases compared with our 3 notches for Swedavia. We believe that Swedavia's 100% government ownership and strong link to national transportation policy is the key differentiator.
- **Norway's Avinor seems to be the closest peer.** It is rated AA- by S&P. This could imply that our shadow rating on Swedavia is on the conservative side, given the similarities in operational setup, government ownership and policy responsibilities as well as the stronger financial profile. Meanwhile, we understand that Avinor has broader responsibilities, including flight control.

Peer table: international airport operators					
	Swedavia	Aeroports de Paris	Avinor	Flughafen Zurich	N.V. Luchtaven Schiphol
Rating (S&P)	A+ (Nordea shadow)	A+/Stable	AA-/Stable	A/Stable	A+/Stable
Business/Financial risk profile	Strong/Significant	Excellent/Intermediate	Strong/Intermediate	Strong/Intermediate	Excellent/Significant
Standalone rating	bbb+ (Nordea shadow)	a+	bbb+	a	a-
GRE support/notching	+3/High (Nordea)	0/Moderate	+4/Very High	+1/Moderate	+1/Moderate
GRE importance	Important	Important	Very important	Important	Important
GRE link	Very strong	Limited	Very strong	Strong	Limited
Gov. Ownership	100%	50.60%	100%	33% Caton Zurich, listed	69% Gov, 22% Cities, 8% private
Operating focus	Sweden's national airport infrastructure, including the 4 largest airports	Paris airports (CDG and Orly), 8% in Schipol, Turkish operations	Operates most of Norway's air infrastructure including flight control	Zurich airport	Schipol Airport, 8% in Aeroport de Paris
Sales	€0.6bn	€2.8 bn	€1.2 bn	€0.8bn	€1.5bn
Fixed assets	€1bn	€6.4 bn	€3.1 bn	€2.4bn	€2.9bn
Debt/Capital	50-55%	45-50%	50-55%	~33%	35-40%
Debt/EBITDA	2-2.5x	2.5-3.5x	4.5-5x	~2x	2.5-3x
FFO/Debt	25-35%	20-25%	~15%	~40%	25-30%

Source: Company data, Standard & Poor's and Nordea Markets

Reported numbers and forecasts

Income statement										
SEKm	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E
Total revenue	0	0	3,277	4,693	4,965	5,233	5,885	6,120	6,304	6,493
- growth	n.a.	n.a.	n.a.	43.2%	5.8%	5.4%	12.5%	4.0%	3.0%	3.0%
Gross profit	0	0	1,069	1,599	1,681	1,887	2,351	2,448	2,522	2,597
- margin	n.m.	n.m.	32.6%	34.1%	33.9%	36.1%	39.9%	40.0%	40.0%	40.0%
EBITDA	0	0	1,069	1,599	1,681	1,887	2,351	2,265	2,332	2,402
- margin	n.m.	n.m.	32.6%	34.1%	33.9%	36.1%	39.9%	37.0%	37.0%	37.0%
EBITA	0	0	1,069	1,599	1,681	1,887	2,351	1,285	1,332	1,362
- margin	n.m.	n.m.	32.6%	34.1%	33.9%	36.1%	39.9%	21.0%	21.1%	21.0%
EBIT	0	0	420	781	831	947	1,405	1,285	1,332	1,362
- margin	n.m.	n.m.	12.8%	16.6%	16.7%	18.1%	23.9%	21.0%	21.1%	21.0%
Net finance	0	0	-231	-225	-277	-268	-242	-250	-260	-260
Pre-tax profit	0	0	189	556	554	687	1,163	1,935	1,072	1,102
Taxes	0	0	-52	-64	-81	-185	-236	-387	-214	-220
Net profit, continuing operations	0	0	137	492	473	502	927	1,548	858	882
Discontinued operations	0	0	0	0	0	0	0	0	0	0
Net profit to equity	0	0	137	492	473	502	927	1,548	858	882
EBITDA (credit adj)	0	0	1,069	1,599	1,681	1,887	2,351	2,265	2,332	2,402
EBIT (credit adj)	0	0	420	781	831	947	1,405	1,285	1,332	1,362
Interest expense (credit adj)	0	0	-231	-225	-277	-272	-248	-250	-260	-260

Source: Company data and Nordea Markets

Balance Sheet										
SEKm	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E
Goodwill	0	0	79	87	105	0	0	0	0	0
Other intangibles	0	0	352	352	352	452	621	621	621	621
Tangible assets	0	0	10,259	10,487	13,040	10,590	10,389	11,909	13,409	14,869
Shares associates	0	0	0	0	0	0	0	500	500	500
Interest bearing assets	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	0	0	353	272	211	147	108	108	108	108
Other non-interest bearing non-current assets	0	0	0	0	0	0	0	0	0	0
Other non-current assets	0	0	0	0	0	3,934	236	236	236	236
Non-current assets	0	0	11,043	11,198	13,708	15,123	11,354	13,374	14,874	16,334
Inventory	0	0	34	36	38	46	42	43	44	45
Accounts receivable	0	0	716	776	857	492	424	441	454	468
Other current assets	0	0	0	63	56	420	307	318	328	338
Cash and cash equivalents	0	0	314	141	129	52	112	112	112	112
Current assets	0	0	1,064	1,016	1,080	1,010	885	914	938	963
Assets held for sale	0	0	0	0	0	0	3,027	0	0	0
Total assets	0	0	12,107	12,214	14,788	16,133	15,266	14,288	15,812	17,297
Shareholders equity	0	0	3,806	3,989	4,300	4,904	5,571	6,889	7,347	7,829
Minority interest	0	0	16	0	0	11	0	0	0	0
Deferred tax	0	0	270	271	242	332	363	363	363	363
Convertible debt	0	0	0	0	0	0	0	0	0	0
Long term interest bearing debt	0	0	4,029	3,532	3,013	6,308	3,107	777	1,812	2,783
Non-current liabilities	0	0	0	198	133	0	0	48	48	48
Pension provisions	0	0	0	0	0	0	0	0	0	0
Other long-term provisions	0	0	706	734	784	882	983	983	983	983
Other long-term liabilities	0	0	200	158	241	202	390	400	400	400
Non-current liabilities	0	0	5,205	4,893	4,413	7,724	4,843	2,571	3,606	4,577
Short-term provisions	0	0	0	0	0	20	4	6	6	6
Accounts payable	0	0	327	371	631	490	333	349	359	370
Other current liabilities	0	0	625	663	791	766	630	673	693	714
Short term interest bearing debt	0	0	2,128	2,298	4,653	2,217	3,800	3,800	3,800	3,800
Current liabilities	0	0	3,080	3,332	6,075	3,493	4,767	4,828	4,859	4,891
Liabilities for assets held for sale	0	0	0	0	0	0	83	0	0	0
Total liabilities and equity	0	0	12,107	12,214	14,788	16,132	15,264	14,288	15,812	17,297
Cash and cash eq (credit adj)	0	0	79	35	32	13	28	28	28	28
Total assets (credit adj)	0	0	11,872	12,108	14,691	16,094	15,182	14,204	15,728	17,213
Shareholders equity (credit adj)	0	0	3,806	3,989	4,300	4,904	5,571	6,889	7,347	7,829
Debt (credit adj)	0	0	5,922	5,724	7,569	8,486	6,823	4,493	5,528	6,499

Source: Company data and Nordea Markets

Cash flow statement

SEKm	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E
EBITDA	0	0	1,069	1,599	1,681	1,887	2,351	2,265	2,332	2,402
Adj due to change in group structure	0	0	0	0	0	0	0	0	0	0
Change in Provisions	0	0	0	0	0	0	0	0	0	0
Other non-cash adjustments	0	0	0	0	0	0	0	0	0	0
Net financials	0	0	-231	-225	-277	-260	-250	-250	-260	-260
Dividends received	0	0	0	0	0	0	0	0	0	0
Paid taxes	0	0	-6	-52	-81	-45	-115	-387	-214	-220
Other	0	0	328	-214	-135	-85	-221	0	0	0
Operating cash flow before NWC	0	0	1,160	1,108	1,188	1,497	1,765	1,628	1,858	1,922
Change in NWC	0	0	-414	70	305	-158	344	32	7	7
Operating cash flow	0	0	746	1,178	1,493	1,339	2,109	1,660	1,865	1,929
CAPEX	0	0	-593	-1,063	-1,646	-2,344	-941	-2,500	-2,500	-2,500
Free operating cash flow	0	0	153	115	-153	-1,005	1,168	-840	-635	-571
Dividends paid	0	0	-7	-9	-9	-9	-10	-230	-400	-400
Share issues / buybacks	0	0	0	0	0	0	0	0	0	0
Discretionary cash flow	0	0	146	106	-162	-1,014	1,158	-1,070	-1,035	-971
Other investments / divestments	0	0	0	0	-1,775	0	-54	0	0	0
Other	0	0	0	45	80	86	617	0	0	0
Proceeds from sale of assets	0	0	0	0	0	0	0	3,900	0	0
Net change to group borrowing/repayments	0	0	146	-305	1,845	851	-1,662	-2,830	1,035	971
Other	0	0	0	0	0	0	1	0	0	0
Change in cash	0	0	292	-154	-12	-77	60	0	0	0
Adjusted metrics										
Funds from operations (FFO) (adj)	0	0	1,114	1,096	1,188	1,349	1,652	1,628	1,858	1,922
Operating cash flow (OCF) (adj)	0	0	746	1,178	1,493	1,339	2,109	1,660	1,865	1,929
Free operating cash flow (FOCF) (adj)	0	0	153	115	-153	-1,005	1,168	-840	-635	-571
Discretionary cash flow (DCF) (adj)	0	0	146	106	-162	-1,014	1,158	-1,070	-1,035	-971

Source: Company data and Nordea Markets

Key ratios

	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E
Profitability										
ROC	n.m.	n.m.	8.4%	7.8%	7.5%	7.3%	10.6%	10.5%	10.7%	9.8%
ROIC after tax	n.m.	n.m.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ROE after tax	n.m.	n.m.	7.2%	12.6%	11.4%	10.9%	17.7%	24.8%	12.1%	11.6%
Debt & Interest coverage										
FFO/Debt	n.m.	n.m.	18.8%	19.1%	15.7%	15.9%	24.2%	36.2%	33.6%	29.6%
FOCF/Debt	n.m.	n.m.	2.6%	2.0%	-2.0%	-11.8%	17.1%	-18.7%	-11.5%	-8.8%
DCF/Debt	n.m.	n.m.	2.5%	1.9%	-2.1%	-11.9%	17.0%	-23.8%	-18.7%	-14.9%
EBITDA interest coverage	n.m.	n.m.	4.6	7.1	6.1	6.9	9.5	9.1	9.0	9.2
FFO cash interest coverage	n.m.	n.m.	-4.8	-4.9	-4.3	-5.0	-6.7	-6.5	-7.1	-7.4
Leverage										
Debt/EBITDA	n.m.	n.m.	5.5	3.6	4.5	4.5	2.9	2.0	2.4	2.7
Equity ratio	n.m.	n.m.	31.4%	32.7%	29.1%	30.4%	36.5%	48.2%	46.5%	45.3%
Debt/(Debt+Equity)	n.m.	n.m.	0.6	0.6	0.6	0.6	0.6	0.4	0.4	0.5
Capital expenditure										
CAPEX/Depreciation and amortisation	n.m.	n.m.	0.91	1.30	1.94	2.49	0.99	2.55	2.50	2.40
CAPEX/Sales	n.m.	n.m.	0.18	0.23	0.33	0.45	0.16	0.41	0.40	0.39
Working capital ratios										
Inventory turnover (days)	n.m.	n.m.	4	3	3	3	3	3	3	3
Receivables turnover (days)	n.m.	n.m.	80	60	63	34	26	26	26	26
Days sales outstanding (days)	n.m.	n.m.	36	29	46	34	21	21	21	21
Per share data										
EPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EPS (adj.)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BVPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity valuation and yield										
Market cap.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Enterprise value	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
P/E	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
P/BV	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EV/Sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend yield	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Payout ratio	n.m.	n.m.	5.1%	1.8%	1.9%	1.8%	1.1%	14.9%	46.6%	45.4%

Source: Company data and Nordea Markets

Disclaimer and legal disclosures

Disclaimer

Origin of the publication or report

This publication or report originates from: Nordea Bank AB (publ), Nordea Bank Danmark A/S, Nordea Bank Finland Plc and Nordea Bank Norge ASA (together the "Group Companies" or "Nordea Group") acting through their unit Nordea Markets.

The Group Companies are supervised by the Financial Supervisory Authority of their respective home countries.

Content of the publication or report

This publication or report has been prepared solely by Nordea Markets.

Opinions or suggestions from Nordea Markets credit and equity research may deviate from one another or from recommendations or opinions presented by other departments or companies in the Nordea Group. This may typically be the result of differing time horizons, methodologies, contexts or other factors.

Investment opinions, ratings, recommendations and target prices are based on one or more methods of valuation, for instance cash flow analysis, use of multiples, behavioural technical analyses of underlying market movements in combination with considerations of the market situation and the time horizon. Key assumptions of forecasts, ratings, recommendations, target prices and projections in research cited or reproduced appear in the research material from the named sources. The date of publication appears from the research material cited or reproduced. Opinions and estimates may be updated in subsequent versions of the publication or report, provided that the relevant company/issuer is treated anew in such later versions of the publication or report.

Validity of the publication or report

All opinions and estimates in this publication or report are, regardless of source, given in good faith, and may only be valid as of the stated date of this publication or report and are subject to change without notice.

No individual investment or tax advice

The publication or report is intended only to provide general and preliminary information to investors and shall not be construed as the basis for any investment decision. This publication or report has been prepared by Nordea Markets as general information for private use of investors to whom the publication or report has been distributed, but it is not intended as a personal recommendation of particular financial instruments or strategies and thus it does not provide individually tailored investment advice, and does not take into account the individual investor's particular financial situation, existing holdings or liabilities, investment knowledge and experience, investment objective and horizon or risk profile and preferences. The investor must particularly ensure the suitability of an investment as regards his/her financial and fiscal situation and investment objectives. The investor bears the risk of losses in connection with an investment.

Before acting on any information in this publication or report, it is recommendable to consult one's financial advisor.

The information contained in this publication or report does not constitute advice on the tax consequences of making any particular investment decision. Each investor shall make his/her own appraisal of the tax and other financial merits of his/her investment.

Sources

This publication or report may be based on or contain information, such as opinions, recommendations, estimates, price targets and valuations which emanate from Nordea Markets analysts or representatives, publicly available information, information from other units of the Group Companies or other companies in the Nordea Group or other named sources.

To the extent this publication or report is based on or contain information emanating from other sources ("Other Sources") than Nordea Markets ("External Information"), Nordea Markets has deemed the Other Sources to be reliable but neither the companies in the Nordea Group, others associated or affiliated with said companies nor any other person, do guarantee the accuracy, adequacy or completeness of the External Information.

The perception of opinions or recommendations such as Buy or Sell or similar expressions may vary and the definition is therefore shown in the research material or on the website of each named source.

Limitation of liability

Nordea Group or other associated and affiliated companies assume no liability as regards to any investment, divestment or retention decision taken by the investor on the basis of this publication or report. In no event will entities of the Nordea Group or other associated and affiliated companies be liable for direct, indirect or incidental, special or consequential damages resulting from the information in this publication or report.

Risk information

The risk of investing in certain financial instruments, including those mentioned in this document, is generally high, as their market value is exposed to a lot of different factors such as the operational and financial conditions of the relevant company, growth prospects, change in interest rates, the economic and political environment, foreign exchange rates, shifts in market sentiments etc. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. Past performance is not a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. When investing in individual shares, the investor may lose all or part of the investments.

Conflicts of interest

Companies in the Nordea Group, affiliates or staff of companies in the Nordea Group, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report.

To limit possible conflicts of interest and counter the abuse of inside knowledge, the analysts of Nordea Markets are subject to internal rules on sound ethical conduct, the management of inside information, handling of unpublished research material, contact with other units of the Group Companies and personal account dealing. The internal rules have been prepared in accordance with applicable legislation and relevant industry standards. The object of the internal rules is for example to ensure that no analyst will abuse or cause others to abuse confidential information. It is the policy of Nordea Markets that no link exists between revenues from capital markets activities and individual analyst remuneration. The Group Companies are members of national stockbrokers' associations in each of the countries in which the Group Companies have their head offices. Internal rules have been developed in accordance with recommendations issued by the stockbrokers associations. This material has been prepared following the Nordea Conflict of Interest Policy, which may be viewed at www.nordea.com/mifid.

Important disclosures of interests regarding this research material are available at: <http://www.nordea.com/equitydisclosure>

Distribution restriction

The securities referred to in this publication or report may not be eligible for sale in some jurisdictions. This research report is not intended for, and must not be distributed to private customers in the UK or the US.

This research report is intended only for, and may be distributed only to, accredited investors, expert investors or institutional investors in Singapore who may contact Nordea Bank, Singapore Branch of 3 Anson Road, #22-01, Springleaf Tower, Singapore 079909.

This publication or report may be distributed by Nordea Bank Luxembourg S.A., 562 rue de Neudorf, L-2015 Luxembourg which is subject to the supervision of the Commission de Surveillance du Secteur Financier.

This publication or report may be distributed by Nordea Bank, Singapore Branch, which is subject to the supervision of the Monetary Authority of Singapore.

This publication or report may be distributed in the UK to institutional investors by Nordea Bank AB, London Branch of 8th Floor, City Place House, 55 Basinghall Street, London, EC2V 5NB which is authorised by Finansinspektionen (Financial Supervisory Authority) in Sweden and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom. Details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request.

This publication or report may not be mechanically duplicated, photocopied or otherwise reproduced, in full or in part, under applicable copyright laws.

Analyst Shareholding

Nordea Markets analysts do not hold shares in the companies that they cover.
No holdings or other affiliations by analysts or associates.

Market-making obligations and other significant financial interest

Nordea Markets has no market-making obligations in Swedavia

Recommendation definitions**Outperform**

Over the next three months, the fixed income instrument's total return is expected to exceed the total return of the relevant

Market perform

Over the next three months, the fixed income instrument's total return is expected to be in line with the total return of the relevant

Underperform

Over the next three months, the fixed income instrument's total return is expected to be below the total return of the relevant

All research is produced on an ad hoc basis and will be updated when the circumstances require it.

Investment banking transactions

Nordea Markets has no ongoing or completed public investment banking transactions with Swedavia

In view of Nordea's position in its markets readers should however assume that the bank may currently or may in the coming three months and beyond be providing or seeking to provide confidential investment banking services to the company/companies

Distribution of recommendations

Recommendation	Count	% distribution
Outperform	88	17%
Market perform	284	56%
Under perform	140	27%
Total	512	100%

As of 1 January 2015

Issuer Review

This report has not been reviewed by the Issuer prior to publication.

Nordea Bank AB (publ) Nordea Markets Division, Equities	Nordea Bank Danmark A/S Nordea Markets Division, Equities	Nordea Bank Finland Plc Nordea Markets Division, Equities	Nordea Bank Norge ASA Nordea Markets Division, Equities
Hamngatan 10 SE-105 71 Stockholm Sweden	Strandgade 3 (PO Box 850) DK-0900 Copenhagen C Denmark	Aleksis Kiven katu 9, Helsinki FI-00020 Nordea Finland	Middelthuns gate 17 N-0368 Oslo Norway
Tel: +46 8 614 7000 Fax: +46 8 534 911 60	Tel: +45 3333 3333 Fax: +45 3333 1520	Tel: +358 9 1651 Fax: +358 9 165 59710	Tel: +47 2248 5000 Fax: +47 2256 8650
Reg.no. 516406-0120 Stockholm	Reg.no.2649 5903 Copenhagen	Reg.no. 399.326 Helsinki	Reg.no. 911 044 110 Oslo