

31 October, 2016

Swedavia

Q3 2016

- EBIT unaffected by the strong growth in passenger volume
- 2016 to bring all-time passenger record
- Marketweight SEK bonds

EBIT unaffected by the strong growth in passenger volume

Passenger growth amounted to 4.4% y/y at Swedavia's airports in third quarter, totaling 10.8m passengers (10.4m). Especially large volume increases were to Germany and Spain, while Turkey and France saw no increase. Demand for flights was overall very strong as airlines continue to invest in the Swedish market. In addition, a number of airlines decided to introduce or expand destinations. Net revenue increased by 3.4% y/y, amounting to SEK 1,410m (SEK 1,364m). Operating profit, which was SEK 347m, remained completely flat y/y. Airport Operations' operating profit decreased somewhat y/y to SEK 307m (SEK 313m), whereas Real Estate's operating profit increased y/y to SEK 39m (SEK 35m) amid higher revenues.

Cash flow for the third quarter was SEK 81m (SEK -2,972m); last year's Q3 cash flow was impacted negatively by the large volume of loan repayments. LTM FFO/debt remained intact with the previous quarter's figure (34% vs 35% in Q2), whereas LTM FOCF/debt reached negative territory (5% in Q2 2016). At the end of the quarter, the group's loan liabilities consisted of corporate notes of SEK 3,048m and a commercial paper of SEK 950m. Quarter-on-quarter, interest-bearing net debt was unchanged and amounted to SEK 3.8bn. Consequently, net debt/LTM EBITDA stayed the same q/q at 1.99x.

2016 to bring all-time passenger record

The continuous strong passenger volume growth is challenging Swedavia's airports infrastructure as check-in counters and baggage handling facilities are seeing heavy load at times. To meet the passenger growth, Swedavia is currently engaged with several major construction projects (incl. Stockholm Arlanda, Göteborg Landvetter and Bromma Stockholm airports), although they are still on the way and unable to meet the current increase in passenger volume. On the upside, Swedavia's outlook is certainly looking bright on the back of the booming Swedish economy, strong balance sheet and stable credit metrics.

Marketweight SEK bonds

A credit/spread neutral/neutral quarter in our view. Though sales increased somewhat, operating result was flat and credit metrics remained unchanged. Swedavia's SEK bonds are priced at fair levels compared with rating peers (Nordic government-related entities, or GRIs/GREs, being the relevant peer group here), albeit a bit on the expensive side. In the longer end Swedavia's bonds trade marginally below e.g. Sveaskog, but well in line with Jernhusen. In the shorter end the pricing pattern is quite homogenous in this group and on balance we remain marketweight SEK bonds.

Swedavia

Industrial Transportation

Bloomberg Equity: 0256996D SS

Bloomberg Debt: SWEDAV

Corporate Ratings

Moody's: -

S&P: -

Fitch: -

Recommendations

CDS – No instruments

EUR bonds – No instruments

SEK bonds – Marketweight

SEK CP – NA

Credit Strengths

- Strong ownership structure (government controlled through Sweden Aaa/AAA)
- Solid competitive position being the owner of basically all the major airports in Sweden
- Predictable regulatory regime in the region

Credit Weaknesses

- Soft macroeconomic environment in Europe with uncertainties around traffic levels
- Significant customer concentration through the exposure to SAS
- Political risks related to environmental concerns surrounding the airline industry

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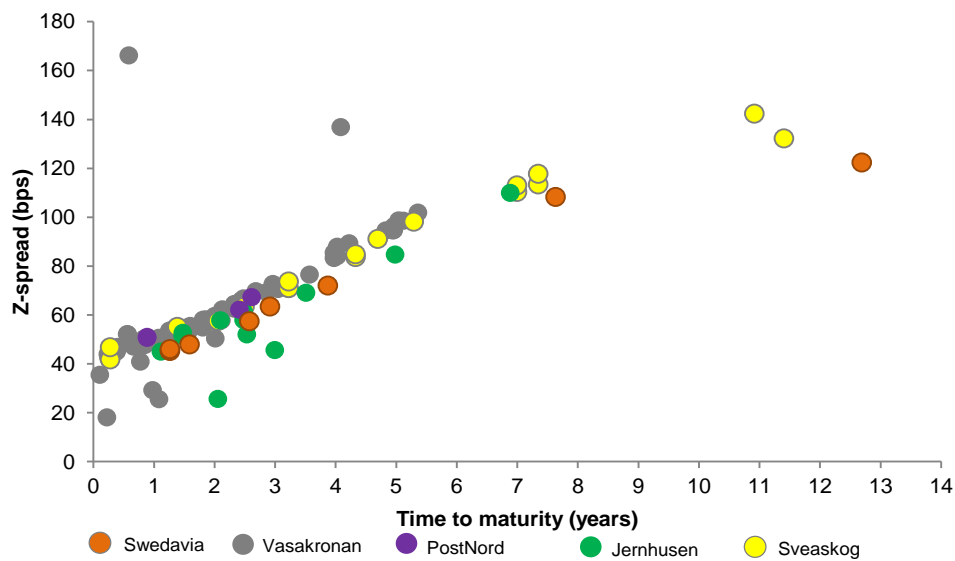
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Spread versus rating/sector (GRI/GRE) Nordic peers

Marketweight SEK bonds



Source: Bloomberg, Swedbank

Quarterly Results

Income Statements (SEKm)	2014Q4	2015Q1	2015Q2	2015Q3	2015Q4	2016Q1	2016Q2	2016Q3	Q/Q	Y/Y
Net sales	1,364	1,299	1,436	1,364	1,317	1,299	1,425	1,410	-1.1%	3.4%
EBITDA	297	393	1,383	570	323	355	637	577	-9.4%	1.2%
EBITDA margin	21.8%	30.3%	96.3%	41.8%	24.5%	27.3%	44.7%	40.9%	-8.5%	-2.1%
EBIT	9.0	173	1,158	347	75.0	126	407	348	-14.5%	0.3%
EBIT margin	0.7%	13.3%	80.6%	25.4%	5.7%	9.7%	28.6%	24.7%	-13.6%	-3.0%
Cash Earnings in Operations/Net Sales	26.2%	22.1%	26.0%	33.5%	21.3%	16.9%	28.1%	32.0%	13.9%	-4.5%
Free Cash Flow/Net Sales	11.1%	4.7%	-0.2%	16.6%	-2.3%	1.3%	-1.6%	-5.2%	-chg	-chg
Cash Flow Post Dividends/Net Sales	11.1%	4.7%	-16.3%	16.6%	-2.3%	1.3%	-17.9%	-5.2%	+chg	-chg
LTM Net sales	5,385	5,426	5,477	5,463	5,416	5,416	5,405	5,451	0.9%	-0.2%
LTM EBITDA	2,352	2,287	2,742	2,643	2,669	2,631	1,885	1,892	0.4%	-28.4%
LTM EBITDA margin	43.7%	42.1%	50.1%	48.4%	49.3%	48.6%	34.9%	34.7%	-0.5%	-28.3%
LTM EBIT	1,407	1,356	1,797	1,687	1,753	1,706	955	956	0.1%	-43.3%
LTM EBIT margin	26.1%	25.0%	32.8%	30.9%	32.4%	31.5%	17.7%	17.5%	-0.7%	-43.2%
Shareholder's equity	5,571	5,596	6,491	6,723	6,863	6,932	7,015	7,243	3.3%	7.7%
Total Liabilities	8,347	8,176	8,233	5,005	5,002	4,979	5,282	5,389	2.0%	7.7%
Total Interest Bearing Debt	6,907	6,811	6,968	3,770	3,727	3,771	3,922	4,030	2.8%	6.9%
Equity/(Equity+Liabilities)	36.5%	37.0%	40.5%	51.4%	51.8%	52.1%	51.2%	51.4%	0.4%	0.0%
Equity/(Equity+Total Interest Bearing Debt)	44.6%	45.1%	48.2%	64.1%	64.8%	64.8%	64.1%	64.3%	0.2%	0.3%
Last 12m Credit ratios	2014Q4	2015Q1	2015Q2	2015Q3	2015Q4	2016Q1	2016Q2	2016Q3	Q/Q	Y/Y
LTM EBITDA/LTM Interest (x)	8.7	9.4	8.4	8.3	11.5	12.0	19.4	22.5	15.9%	171%
FFO/Total Interest Bearing Debt	4.4%	3.5%	3.1%	10.8%	8.3%	4.8%	9.3%	10.3%	10.7%	-5.3%
FFO/Net Debt	4.5%	3.5%	5.4%	11.1%	8.3%	5.0%	9.7%	11.0%	12.9%	-1.0%
FOCF/Total Interest Bearing Debt	2.4%	1.1%	0.1%	5.9%	-0.7%	0.6%	-0.5%	-1.8%	-chg	-chg
FOCF/Net Debt	2.4%	1.1%	0.2%	6.0%	-0.7%	0.6%	-0.5%	-1.9%	-chg	-chg
Total Interest Bearing Debt / LTM EBITDA (x)	2.9	3.0	2.5	1.4	1.4	1.4	2.1	2.1	2.4%	49.3%
Net Debt / LTM EBITDA (x)	2.9	2.9	1.4	1.4	1.4	1.4	2.0	2.0	0.3%	42.9%

Source: SNL, company data

Financial statements and analysis

P&L (SEKm)	2011	2012	2013	2014	2015
Net sales	4,693	4,965	5,233	5,384	5,416
Other revenues	0.0	0.0	0.0	501	1,059
Operating expenses	-3,080	-3,284	-3,346	-3,534	-3,805
Selling expenses	-1,821	-1,890	-1,976	-2,009	-2,121
Administrative costs	-1,259	-1,394	-1,370	-1,476	-1,675
Other operating costs	0.0	0.0	0.0	-49.0	-9.0
EBITDA	1,613	1,681	1,887	2,351	2,670
Depreciation of property, plant & equipment	-831	-850	-940	-946	-915
EBITA	782	831	947	1,405	1,755
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	782	831	947	1,405	1,755
Write-downs	0.0	0.0	0.0	0.0	0.0
Capital gains	0.0	0.0	0.0	0.0	0.0
Restructuring charges and provisions	0.0	0.0	0.0	0.0	0.0
Other non-recurring items	0.0	0.0	0.0	0.0	0.0
Operating profit	782	831	947	1,405	1,755
Income from associated companies	14.0	19.0	8.0	0.0	22.0
Net interest	-239	-296	-268	-242	-230
Interest Income	8.0	3.0	4.0	6.0	4.0
Interest expenses	-247	-299	-272	-248	-234
Interest on convertible bonds.	0.0	0.0	0.0	0.0	0.0
Other financial items	0.0	0.0	0.0	0.0	0.0
Foreign exchange items	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Other financial items	0.0	0.0	0.0	0.0	0.0
Reported pre-tax profit	557	554	687	1,163	1,547
Recurring pre-tax profit	557	554	687	1,163	1,547
Total tax	-118	-108	-185	-236	-136
Minority interests	-9.0	-10.0	-10.0	0.0	0.0
Reported net profit	430	436	492	927	1,411

Sources: Swedavia and Swedbank Research

Balance Sheet (SEKm)	2011	2012	2013	2014	2015
Other intangible assets	408	457	452	621	615
Tangible assets	10,449	13,040	14,525	10,625	10,781
Other fixed financial assets	272	211	147	108	988
Fixed assets	11,129	13,708	15,124	11,354	12,384
Inventories	36.0	38.0	46.0	42.0	45.0
Receivables	424	555	492	424	451
Cash and liquid assets	141	129	52.0	112	6.0
Non-trade receivables	415	358	420	3,334	372
Current assets	1,016	1,080	1,010	3,912	874
Total Assets	12,143	14,788	16,133	15,265	13,259
Shareholder's equity	3,992	4,290	4,904	5,571	6,863
Minority interest	9.0	10.0	11.0	0.0	0.0
Convertible debt	0.0	0.0	0.0	0.0	0.0
Long-term interest bearing debt	3,532	3,013	6,308	3,107	2,412
Other long-term liabilities	21.0	240	202	390	218
Total long-term liabilities	3,562	3,263	6,521	3,497	2,630
Deferred tax liability	346	242	332	363	447
Other provisions	939	917	882	983	945
Total provisions	1,285	1,159	1,214	1,346	1,392
Short-term interest bearing debt	2,298	4,661	2,217	3,800	1,315
Accounts and notes payable	368	606	490	333	372
Other short-term liabilities	637	808	786	717	685
Total short-term liabilities	3,303	6,075	3,493	4,850	2,372
Total Liabilities & Equity	12,143	14,788	16,133	15,265	13,259

Sources: Swedavia and Swedbank Research

Cash flow (SEKm)	2011	2012	2013	2014	2015
Operating profit	782	831	947	1,405	1,755
Depreciation & amortisation	831	850	940	946	915
Other non-cash adjustments	-111	-197	-76.0	-229	-906
Net financial items	-239	-296	-268	-242	-230
Paid taxes	0.0	0.0	-45.0	-115	-137
Cash earnings in operations	1,263	1,188	1,498	1,765	1,397
Change in accounts receivable	-37.0	131	-63.0	-68.0	27.0
Change in inventory	2.0	2.0	8.0	-4.0	3.0
Change in accounts payable	41.0	238	-116	-157	39.0
Change in other assets/liabilities	-90.0	-2,261	2,407	1,322	-615
Change in working capital	-314	-2,708	2,512	1,545	-560
Operating cash flow	1,270	1,493	1,339	2,109	1,374
Capex	-1,042	-3,383	-2,333	-754	-1,096
Other investments (including leasing)	-21.0	-38.0	-11.0	-187	-22.0
Free cash flow	207	-1,928	-1,005	1,168	256
Other investments/divestments	-48.0	80.0	86.0	563	3,061
Other net investments in fixed financial assets	-48.0	80.0	86.0	563	-793
Acquisitions/divestments	0.0	0.0	0.0	0.0	3,854
Free cash-flow after Div & Acq	159	-1,848	-919	1,731	3,317
Dividend paid	-6.0	-9.0	-9.0	-10.0	-231
Change in short-term debt	170	2,363	-2,444	1,583	-2,485
Change in long-term debt	-497	-519	3,295	-3,201	-695
Change in interest-bearing liabilities	-305	1,845	851	-1,662	-3,185
Others	0.0	0.0	0.0	1.0	-8.0
Change in liquid capital	-152	-12.0	-77.0	60.0	-107

Sources: Swedavia and Swedbank Research

Ratios (SEKm)	2011	2012	2013	2014	2015
Net Debt/EBITDA	3.5	4.5	4.5	2.9	1.4
EBITDA/interest	6.5	5.6	6.9	9.5	11.4
Interest coverage	3.4	2.9	3.6	5.8	7.7
EBITDA-CAPEX	571	-1,702	-446	1,597	1,574
Equity/(Equity+Liabilities)	32.9%	29.0%	30.4%	36.5%	51.8%
Equity/(Equity+Total Interest Bearing Debt)	40.6%	35.9%	36.5%	44.6%	64.8%
Cash Earnings in Operations/Net Sales	26.9%	23.9%	28.6%	32.8%	25.8%
Free Cash Flow/Net Sales	4.4%	-38.8%	-19.2%	21.7%	4.7%
Cash Flow Post Dividends/Net Sales	4.3%	-39.0%	-19.4%	21.5%	0.5%

Sources: Swedavia and Swedbank Research

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