

# NCR comments: HEBA Fastighets AB (publ) Q4 2020 report

**Our 'A-' issuer rating on Swedish property company HEBA Fastighets AB (publ) (HEBA) is unchanged following the publication of its fourth-quarter results.**

## **Earnings metrics in line with expectations**

HEBA's fourth-quarter report was in line with our expectations. Revenues in the quarter were SEK 103m (compared with SEK 93m in the fourth quarter of 2019 and EBITDA was SEK 59m (SEK 52m), corresponding to an EBITDA margin of 57% (56%). The EBITDA margin for the full year was 60.9%, compared with our expectation of 60.2%.

The company remains unaffected by the ongoing COVID-19 pandemic. The residential property market is robust with no signs of tenants struggling to pay rent and given ongoing government support for furloughed employees. HEBA's vacancy rate remains low.

HEBA finalised four renovation projects during 2020, and will aim to finalise five projects in 2021 in accordance with its overall aim of rejuvenating the portfolio. As of end-2020, the project portfolio included approximately 1,600 apartments under construction; these are located in seven rental properties, five properties for sale, and two properties designed for the elderly. Under a 50/50 joint venture with construction company Åke Sundvall Byggnads AB, HEBA has entered a project to build 300 residential apartments in Vårberg, received an allocation of land to build 100 apartments in Skarpnäck, and entered a commitment to build 600 residential apartments in Stora Sköndal, of which half will be rental apartments. In addition, the company has acquired two properties in Vallentuna, which are scheduled to enter the portfolio in May 2021.

## **Focus on reducing dependence on secured debt**

HEBA launched a SEK 2bn medium-term note programme in January 2021 as well as a green bond framework with a second opinion from Norwegian environmental consultancy CICERO. The company has said it plans to refinance debt maturing in 2021 with unsecured bonds, with the aim of reducing its proportion of secured debt to total debt below 50% well ahead of year-end.

HEBA's interest coverage ratio was 4.6x as of end-2020, unchanged from a year earlier. The average debt maturity was 4.0 years (2.5 previously) and the average interest fixing 3.4 years (3.3). As of end-2020, HEBA's reported loan-to-value ratio had increased, as we expected, to 40.8%.

Some 53% of HEBA's debt matures within the next 12 months, with more than half being commercial paper. The company's liquidity profile remains adequate, with cash holdings of SEK 97m. Committed and unutilised revolving credit facilities and overdraft facilities amount to roughly SEK 1.8bn, compared with SEK 1.6bn in outstanding commercial paper.

This commentary does not constitute a rating action.

**If you have any questions, please contact:**

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**Attachments**

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