

Wihlborgs

10% CEPS CAGR while deleveraging

- Beating competition in resilient end markets
- 10% CEPS CAGR 24'-25e despite deleveraging 4pp...
- ...which opens up for both projects and M&A: up to BUY (Hold)

Leasing track record persists

The Q4'23 results were a bit on the soft side, while the operational metrics, such as the occupancy rate at 93.3% (93.3%), stayed flat q-o-q, and net leasing of SEK 18m (32m) bodes well ahead. On top of this, Wihlborgs has announced several quality leases so far into Q1'24 (e.g., mega-lease to Novo Nordisk of DKK 56m). We have trimmed our estimates, and we are ~1% above Infront cons. for '24e, and 10% above for '25e rec. PTP. The deviation in 2025 is driven by our lower net interest forecasts, as we are only ~1% ahead on rental income.

Local presence is key

Since its inception, Wihlborgs' local presence has enabled growth by it acquiring assets, often at attractive yields. It also focuses on value-accretive tenant adaptations and new construction projects. Given the increased uncertainty in 2023, Wihlborgs acquired for just ~SEK 130m, relative to SEK 2.4bn in 2022. Project investments have continued to rise, from SEK 1.5bn in 2022 to SEK 1.9bn in 2023, relative to SEK 1.3bn on average in '17-'21. For 2024, we forecast SEK 1.6bn, which leads to healthy rental growth in '25-'26e.

One of the most reliable out there

Although we expect two more quarters of negative CEPS growth, we argue it is time to be excited about this reliable compounder, as the next ten will showcase solid earnings growth. We argue that Wihlborgs is one of the best-managed property companies in Sweden, and we think it will remain so, i.e., by finding attractive value-adding acquisitions and delivering stable margins on projects. The share is trading at 13x 2025e CEPS, a ~10% discount to its 10-year average. This is appealing, and the '25e leverage will be ~4pp below the 10-year average, implying upside potential to estimates, and/or multiple expansion. We upgrade Wihlborgs to BUY (Hold) with an unchanged target price of SEK 95.

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| SEKm | 2022 | 2023 | 2024e | 2025e | 2026e |
|----------------|--------|--------|--------|--------|--------|
| Sales | 3,335 | 3,881 | 4,127 | 4,341 | 4,568 |
| NOI | 2,331 | 2,763 | 2,947 | 3,122 | 3,218 |
| NOI margin (%) | 69.9 | 71.2 | 71.4 | 71.9 | 70.4 |
| CEPS | 5.9104 | 5.5135 | 5.7418 | 6.7231 | 6.9622 |
| DPS | 3.10 | 3.15 | 3.25 | 3.63 | 3.75 |
| EPRA NRVPs | 90.64 | 89.17 | 93.04 | 103.19 | 112.18 |
| EPS | 7.44 | -0.09 | 5.71 | 10.80 | 10.19 |
| Rental growth | 8.99 | 16.37 | 6.33 | 5.19 | 5.24 |
| CEPS growth | 3.36 | -6.71 | 4.14 | 17.09 | 3.56 |

Source: ABG Sundal Collier, Company Data

Reasons:

Recommendation change
Post-results comment



Constr. & Real Estate

| Estimate changes (%) | 2024e | 2025e | 2026e |
|----------------------|-------|-------|-------|
| Sales | -2.4 | -2.5 | 0.0 |
| NOI | -2.6 | -2.7 | 0.0 |
| CEPS | -2.6 | -2.4 | 0.0 |
| EPRA NRV per share | 6.3 | 6.1 | 0.0 |

Source: ABG Sundal Collier

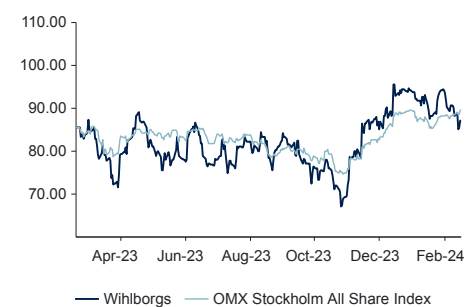
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| | | |
|-------------------|-----------|-------|
| Share price (SEK) | 15/2/2024 | 85.60 |
| Target price | | 95.0 |

| | |
|----------------------|--------|
| MCap (SEKm) | 26,316 |
| MCap (EURm) | 2,330 |
| No. of shares (m) | 307.4 |
| Free float (%) | 86.8 |
| Av. daily volume (k) | 568 |

Next event Q1 Report 23 April 2024

Performance



| | 2024e | 2025e | 2026e |
|--------------------|-------|-------|-------|
| P/CEPS | 14.9 | 12.7 | 12.3 |
| P/EPRA NRV | 0.92 | 0.83 | 0.76 |
| Implicit yield (%) | 4.8 | 5.0 | 5.0 |
| Dividend yield (%) | 3.8 | 4.2 | 4.4 |
| Net LTV (%) | 49.41 | 47.20 | 45.59 |

Company description

Wihlborgs is one of the leading property companies in the Öresund region with a strong local footprint, which has enabled growth by acquiring assets, often underdeveloped at attractive yields. The total property portfolio exceeds SEK 45bn where Malmö is the largest market, followed by Helsingborg, Lund and Copenhagen. Offices and retail make up over 80% of the portfolio while industrial/warehouses and developments make up the rest. Backahill is the largest shareholder.

Risks

Property supply has been relatively high for a long time, which has increased vacancies despite a solid uptake. However, prime rents have also been increasing. Supply is expected to come down in the near term, but the many potential project starts in the region are a threat. The main risk for a real estate company is the macro events. The refinancing risk is also important but Wihlborgs has a longer duration credit facilities and interest maturity compared to the sector average. In our view, the strong capitalization for Swedish banks also reduces the refinancing risk for Swedish real estate companies.

Quarterly estimates

| Income statement (SEKm) | 1Q'23 | 2Q'23 | 3Q'23 | 4Q'23 | 1Q'24e | 2Q'24e | 3Q'24e | 4Q'24e |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Rental income | 971 | 964 | 977 | 969 | 1,014 | 1,023 | 1,043 | 1,047 |
| Operating costs | -304 | -242 | -262 | -310 | -308 | -278 | -278 | -316 |
| Net operating income | 667 | 722 | 715 | 659 | 706 | 745 | 765 | 731 |
| <i>NOI margin (%)</i> | 68.7% | 74.9% | 73.2% | 68.0% | 69.6% | 72.8% | 73.3% | 69.8% |
| Adm. Costs | -23 | -21 | -23 | -25 | -22 | -23 | -23 | -24 |
| All other income & costs | 2 | 25 | 5 | 7 | 5 | 6 | 6 | 5 |
| Recurring EBIT | 646 | 706 | 697 | 641 | 689 | 728 | 748 | 712 |
| Net financial items | -189 | -235 | -264 | -275 | -278 | -277 | -259 | -244 |
| Income from property management | 457 | 471 | 433 | 366 | 411 | 451 | 489 | 468 |
| Value chg. Realized | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Value chg. Unrealized | -28 | -59 | -828 | -297 | -50 | -232 | 277 | 396 |
| Value chg. Derivatives | -99 | 35 | 11 | -506 | 0 | 0 | 0 | 0 |
| Pretax profit | 467 | -384 | -437 | 361 | 219 | 766 | 864 | 896 |
| Deferred tax | -68 | -89 | 87 | 99 | -62 | -32 | -143 | -164 |
| Current tax | -7 | -8 | -5 | -12 | -12 | -13 | -14 | -14 |
| Net profit | 255 | 370 | -302 | -350 | 287 | 174 | 608 | 686 |
| Minority interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Div. Pref/D-shares and hybrids | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net profit to shareholders | 255 | 370 | -302 | -350 | 287 | 174 | 608 | 686 |
| Cash earnings | 450 | 463 | 428 | 354 | 399 | 438 | 474 | 454 |
| CEPS | 1.46 | 1.51 | 1.39 | 1.15 | 1.30 | 1.42 | 1.54 | 1.48 |

Source: ABG Sundal Collier, Company data

| Income Statement (SEKm) | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024e | 2025e | 2026e |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Rental income | 2,296 | 2,684 | 2,983 | 3,074 | 3,060 | 3,335 | 3,881 | 4,127 | 4,341 | 4,568 |
| Other income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating costs | -579 | -743 | -843 | -852 | -865 | -1,004 | -1,118 | -1,180 | -1,219 | -1,350 |
| NOI | 1,717 | 1,941 | 2,140 | 2,222 | 2,195 | 2,331 | 2,763 | 2,947 | 3,122 | 3,218 |
| NOI margin (%) | 74.8 | 72.3 | 71.7 | 72.3 | 71.7 | 69.9 | 71.2 | 71.4 | 71.9 | 70.4 |
| Adm. costs | -55 | -65 | -72 | -77 | -83 | -88 | -92 | -92 | -94 | -100 |
| All other income & costs | 0 | 1 | 34 | 3 | 6 | 8 | 39 | 22 | 22 | 22 |
| Recurring EBIT | 1,662 | 1,877 | 2,102 | 2,148 | 2,118 | 2,251 | 2,690 | 2,877 | 3,050 | 3,140 |
| Net financial items | -483 | -471 | -327 | -318 | -303 | -390 | -963 | -1,058 | -920 | -934 |
| Income from property management | 1,179 | 1,406 | 1,775 | 1,830 | 1,815 | 1,861 | 1,727 | 1,819 | 2,130 | 2,206 |
| Value chg. realized | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Value chg. unrealized | 1,851 | 1,312 | 1,479 | 826 | 2,153 | 396 | -1,212 | 392 | 2,052 | 1,739 |
| Value chg. derivatives | 201 | 37 | 13 | -73 | 202 | 654 | -559 | 0 | 0 | 0 |
| Pretax profit | 3,231 | 2,755 | 3,267 | 2,583 | 4,170 | 2,911 | -24 | 2,211 | 4,182 | 3,945 |
| Deferred tax | -636 | -313 | -290 | -315 | -765 | -579 | 29 | -401 | -798 | -747 |
| Current tax | -27 | -39 | -54 | -46 | -57 | -44 | -32 | -54 | -63 | -66 |
| Net profit | 2,568 | 2,403 | 2,923 | 2,222 | 3,348 | 2,288 | -27 | 1,755 | 3,321 | 3,132 |
| Minority interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Div. Pref/D-shares and hybrids | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net profit to shareholders | 2,568 | 2,403 | 2,923 | 2,222 | 3,348 | 2,288 | -27 | 1,755 | 3,321 | 3,132 |
| Cash earnings | 1,152 | 1,367 | 1,721 | 1,784 | 1,758 | 1,817 | 1,695 | 1,765 | 2,067 | 2,140 |
| Other related information | - | - | - | - | - | - | - | - | - | - |
| Tax Rate (%) | 20.5 | 12.8 | 10.5 | 14.0 | 19.7 | 21.4 | 12.5 | 20.6 | 20.6 | 20.6 |
| Investments in developments | -1,061 | -1,239 | -1,659 | -1,231 | -1,236 | -1,518 | -1,862 | -1,583 | -1,504 | -1,579 |
| Acquisitions | -2,780 | -900 | -2,881 | -327 | -412 | -2,438 | -134 | -500 | 0 | 0 |
| Other investments | -24 | -42 | -8 | -14 | -35 | 0 | -18 | 0 | 0 | 0 |
| Divestments | 11 | 195 | 2,764 | 1,486 | 3 | 98 | 18 | 0 | 0 | 0 |
| EPS | 8.35 | 7.82 | 9.51 | 7.23 | 10.89 | 7.44 | -0.09 | 5.71 | 10.80 | 10.19 |
| CEPS | 3.7472 | 4.4466 | 5.5981 | 5.8030 | 5.7184 | 5.9104 | 5.5135 | 5.7418 | 6.7231 | 6.9622 |
| Dividend per share | 1.56 | 1.88 | 2.25 | 2.63 | 3.00 | 3.10 | 3.15 | 3.25 | 3.63 | 3.75 |
| Payout ratio of CEPS | 41.70 | 42.17 | 40.19 | 45.24 | 52.46 | 52.45 | 57.13 | 56.60 | 53.92 | 53.86 |
| Rental growth | 12.83 | 16.90 | 11.14 | 3.05 | -0.46 | 8.99 | 16.37 | 6.33 | 5.19 | 5.24 |
| NOI growth | 13.11 | 13.05 | 10.25 | 3.83 | -1.22 | 6.20 | 18.53 | 6.65 | 5.95 | 3.07 |
| CEPS growth | 12.06 | 18.66 | 25.90 | 3.66 | -1.46 | 3.36 | -6.71 | 4.14 | 17.09 | 3.56 |

Source: ABG Sundal Collier, Company Data

| Balance Sheet (SEKm) | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024e | 2025e | 2026e |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Properties | 38,612 | 42,146 | 45,519 | 46,072 | 50,033 | 55,179 | 55,872 | 58,346 | 61,902 | 65,220 |
| Goodwill | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Deferred tax asset | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Ass. companies and JVs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 22 | 44 | 66 |
| Financial assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other assets | 426 | 413 | 759 | 684 | 804 | 1,471 | 1,154 | 1,116 | 1,125 | 1,132 |
| Cash and liquid assets | 179 | 183 | 280 | 205 | 315 | 159 | 346 | 345 | 498 | 269 |
| Total assets | 39,217 | 42,742 | 46,558 | 46,961 | 51,152 | 56,809 | 57,372 | 59,829 | 63,569 | 66,686 |
| Shareholders equity | 13,592 | 15,530 | 17,887 | 19,396 | 21,948 | 23,380 | 22,391 | 23,178 | 25,499 | 27,517 |
| Pref. and D shares + minorities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Hybrids | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Deferred tax | 2,989 | 3,295 | 3,582 | 3,853 | 4,622 | 5,180 | 5,171 | 5,572 | 6,371 | 7,118 |
| Interest bearing debt | 20,653 | 22,814 | 23,628 | 22,208 | 23,278 | 26,806 | 27,949 | 29,173 | 29,713 | 30,001 |
| Other liabilities | 1,983 | 1,103 | 1,461 | 1,504 | 1,304 | 1,443 | 1,861 | 1,906 | 1,986 | 2,050 |
| Total liabilities and equity | 39,217 | 42,742 | 46,558 | 46,961 | 51,152 | 56,809 | 57,372 | 59,829 | 63,569 | 66,686 |

Source: ABG Sundal Collier, Company Data

| Other balance sheet related infor. (SEKm) | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024e | 2025e | 2026e |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Net IB debt | 20,474 | 22,631 | 23,348 | 22,003 | 22,963 | 26,647 | 27,603 | 28,828 | 29,215 | 29,732 |
| Rental area m2 (000) | 2,009 | 2,106 | 2,181 | 2,103 | 2,143 | 2,229 | 2,279 | 2,340 | 2,389 | 2,399 |
| Equity ratio (%) | 35 | 36 | 38 | 41 | 43 | 41 | 39 | 39 | 40 | 41 |
| Net loan to value | 53.02 | 53.70 | 51.29 | 47.76 | 45.90 | 48.29 | 49.40 | 49.41 | 47.20 | 45.59 |
| ICR real estate | 3.44 | 3.98 | 6.32 | 6.75 | 6.97 | 5.75 | 2.77 | 2.70 | 3.29 | 3.34 |
| BVPS | 44.21 | 50.52 | 58.18 | 63.09 | 71.39 | 76.05 | 72.83 | 75.39 | 82.94 | 89.51 |
| EPRA NRV per share | 57.00 | 61.32 | 70.10 | 76.22 | 86.33 | 90.64 | 89.17 | 93.04 | 103.19 | 112.18 |

Source: ABG Sundal Collier, Company Data

| Valuation (SEKm) | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024e | 2025e | 2026e |
|------------------|------|------|------|------|------|------|------|-------|-------|-------|
|------------------|------|------|------|------|------|------|------|-------|-------|-------|

| Valuation (SEKm) | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024e | 2025e | 2026e |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Shares outstanding adj. | 307 | 307 | 307 | 307 | 307 | 307 | 307 | 307 | 307 | 307 |
| Share price | 85.60 | 85.60 | 85.60 | 85.60 | 85.60 | 85.60 | 85.60 | 85.60 | 85.60 | 85.60 |
| Market cap. (m) | 26,316 | 26,316 | 26,316 | 26,316 | 26,316 | 26,316 | 26,316 | 26,316 | 26,316 | 26,316 |
| P/E (x) | 10.2 | 11.0 | 9.0 | 11.8 | 7.9 | 11.5 | -974.7 | 15.0 | 7.9 | 8.4 |
| P/CEPS | 22.8 | 19.3 | 15.3 | 14.8 | 15.0 | 14.5 | 15.5 | 14.9 | 12.7 | 12.3 |
| Implicit yield (%) | 3.3 | 3.7 | 4.0 | 4.2 | 4.0 | 4.0 | 4.6 | 4.8 | 5.0 | 5.0 |
| Yield on BV (%) | 4.4 | 4.6 | 4.7 | 4.8 | 4.4 | 4.2 | 4.9 | 5.1 | 5.0 | 4.9 |
| Dividend yield (%) | 1.8 | 2.2 | 2.6 | 3.1 | 3.5 | 3.6 | 3.7 | 3.8 | 4.2 | 4.4 |
| P/EPRA NRV | 1.50 | 1.40 | 1.22 | 1.12 | 0.99 | 0.94 | 0.96 | 0.92 | 0.83 | 0.76 |
| P/BVPS (x) | 1.94 | 1.69 | 1.47 | 1.36 | 1.20 | 1.13 | 1.18 | 1.14 | 1.03 | 0.96 |
| EV/NOI (x) | 15.33 | 13.56 | 12.30 | 11.84 | 11.99 | 11.29 | 9.52 | 8.92 | 8.41 | 8.16 |

Source: ABG Sundal Collier, Company Data

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|-----------------|-------------------|----------------------------------|---------------------------|
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| BUY | 63.07% | 20% | 9.01% |
| HOLD | 29.83% | 4% | 3.81% |
| SELL | 6.53% | 0% | 0.00% |

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Stock price, company ratings and target price history

Company: Wihlborgs

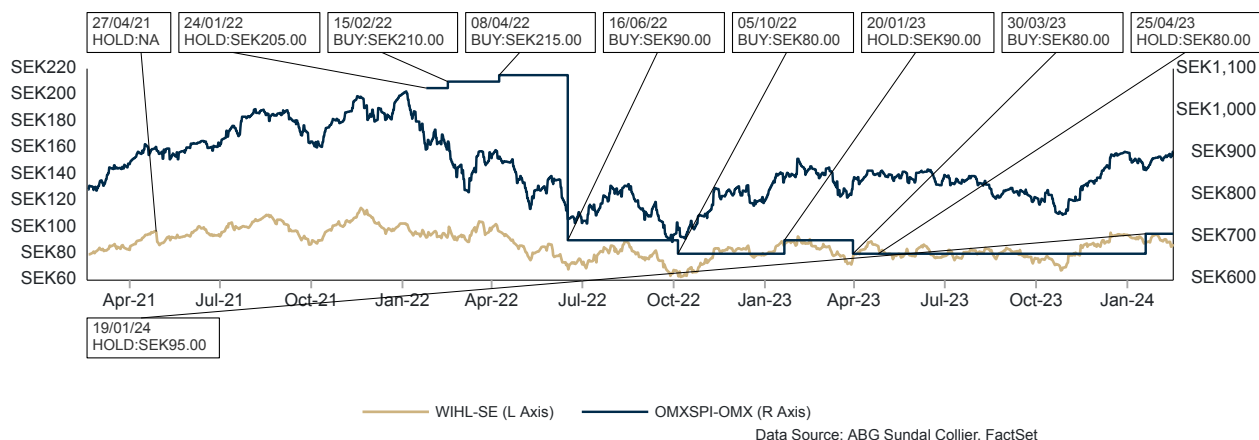
Currency: SEK

Current Recommendation: BUY

Date: 15/2/2024

Current Target price: 95.0

Current Share price: 85.60



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Production of recommendation: 2/16/2024 08:34.

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