

NCR comments: Offentliga Hus i Norden AB (publ) Q4 2020 report

Non-recurring costs weigh on earnings.

Our 'BB' issuer rating on Offentliga Hus i Norden AB (publ) (Offentliga Hus) is unchanged following the publication of its fourth-quarter results.

Income statement heavily impacted by non-recurring costs

Adjusted for one-off items, Offentliga Hus' fourth-quarter report was in line with our expectations. Reported revenues in the quarter were SEK 152.1m (compared with SEK 103.0m in the fourth quarter of 2019) and reported EBITDA was SEK 66.0m (SEK 55.1m), corresponding to an EBITDA margin of 43.4% (53.5%) for the quarter. The material decrease in margins was a result of substantially higher administrative expenses; SEK 46.9m in the quarter, compared with SEK 14.1m a year earlier. Adjusted for non-recurring expenses (including SEK 10m associated with an initial public offering (IPO) and SEK 4m associated with retroactive value-added tax) the EBITDA margin was 52.6%. In addition, financial costs increased significantly in the quarter, due to early redemption of a senior unsecured bond and provisions for synthetic options.

On the back of these increased expenses, along with a substantially negative deferred tax provision, the company recorded a net loss of SEK 70.5m for the quarter and a net profit of SEK 2.4m for the full year.

The average lease duration in Offentliga Hus' portfolio was 5.2 years, an increase from 4.7 years a quarter earlier. The occupancy ratio was 93%, broadly unchanged from the previous quarter.

Lowered financial gearing after IPO

The NCR-adjusted loan-to-value ratio (including 50% equity treatment of a SEK 575m hybrid bond) was 58.9%, a substantial and expected decrease from 70.1% a quarter earlier, on the back of a successful IPO in October. The NCR-adjusted EBITDA to net interest ratio was 1.5x, unchanged from the previous quarter. As a result of the IPO, the company had substantial cash holdings of SEK 522.7m at year-end.

Samhällsbyggnadsbolaget i Norden AB (publ) (SBB) acquires majority stake

In December, SBB acquired a 54.3% stake in Offentliga Hus, following which we placed the long-term issuer rating on the company on Watch with positive implications. Since then, the acquisition has gained approval from the Swedish Competition Authority, and SBB has announced a public offering of SEK 15.4 per share with the acceptance period expiring around 13 Apr. 2021.