



## ERIK PENSER BANK

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# Arlandastad Group

## Synergies and low LTV pave the way for further growth

### Continues to show strong rental growth

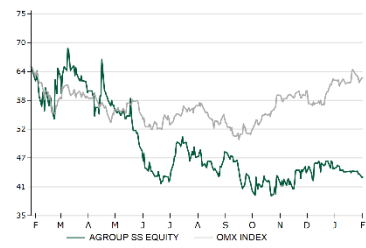
Revenues for full year came in at SEK 296m, representing y/y growth of 48%, versus our forecast of SEK 237m. The operating businesses are the area that has grown the strongest, following the easing of coronavirus-related restrictions. Operating businesses accounted for around 57% of total revenues and reported growth of some 60% y/y. Rental income from property management amounted to SEK 122.7m, corresponding to 39% growth y/y. Property values decreased by SEK 111m (down 1.7%) in Q4. On an annual basis, the value was up 6.6% versus 2021. The company maintains a low loan-to-value ratio of 25%.

### Visibility of synergies between business areas

The company remains focused on developing the business conducted during 2022. Work at Explore Skavsta continues, and new routes have been added. Skavsta has also been designated a standby airport. At Explore Arlandastad, a lease agreement worth around SEK 110m was signed with Regeringskansliet (the Swedish Government Offices) in connection with Sweden's EU presidency. This demonstrates how the company has been creating synergies to generate revenues and build value across the value chain and strengthen its business model. We believe this type of business will expand in the future in both property management and operating businesses as the company grows through these clear synergies.

### Raising estimates for 2023–2025 and lifting the fair value

The real estate industry is facing a more challenging 2023 owing to rising financing costs and weaker business cycles. We believe, however, that Arlandastad Group is well equipped thanks to its relatively low loan-to-value rate and a business model that offers several revenue streams. In light of the robust revenue growth in the operating businesses and the solid order backlog, we raise our 2023–2025 revenue estimates by 12% and 19%, respectively. We nudge up our fair value to SEK 74–78 (72–74).

Estimate changes				Forecasts (SEKm)					Valuation and risk	
	23e	24e	25e		2022	2023e	2024e	2025e	Fair value	SEK 74 - 78
Rental income	0,0%	8,6%	-	Rental income	123	136	190	193	Share price	SEK 43,8
IFPM	21,2%	64,6%	-	Rental growth	39%	11%	39%	2%	Risk level	Medium
Long-term NAV per share	-4,3%	-3,9%	-	NOI	68	132	183	190	12m share price development	
				Surplus ratio	56%	97%	96%	98%		
Coming events				IFPM	270	7	48	52		
				IFPM growth	-8%	93%	38%	4%		
Q1 - report	17 May 2023			Long-term NAV per share	88,0	89,7	96,7	102,1	Conflicts of interest	
Q2 - report	18 July 2023			Long-term NAV, growth	10%	2%	8%	6%		
Company details (SEKm)				CEPS	0,0	0,0	0,0	0,0	YesNo	
Number of shares	63m			P/IFPM per share	10,8x	399,4x	57,6x	53,7x		
Market capitalisation	2 771			P/NAV	0,5x	0,5x	0,5x	0,4x	Market maker✓	
Net debt	1 208			Implicit yield	2,2%	4,2%	5,8%	6,1%		
EV	2 771			ROE	11,0%	2,2%	9,0%	6,3%	Certified adviser✓	
Free float	40%			Dividend per share	0,0	0,0	0,0	0,0		
Daily trading volume, average	1k			Loan-to-value ratio	0,2x	0,2x	0,2x	0,2x	Transactions, 12m✓	
Bloomberg ticker	AGROUP SS EQUITY			EBITDA/interest costs	-0,3x	1,1x	1,7x	1,7x		
Analysts				Avg interest rate	3,2%	3,4%	3,5%	3,6%		
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## Investment case

Arlandastad Group is a property development company engaged in active property development in the vicinity of Stockholm's Arlanda and Skavsta airports. The company has acquired undeveloped land at low prices, providing it with a high return on invested capital as this has developed. To some extent, Arlandastad Group differs from many real estate companies by running companies that operate at its own portfolio properties. This brings synergies within property development alongside the activities in the projects that are entered into and built up.

## Company profile

Arlandastad Group was founded in 2005 and the following year acquired a property in the area it today calls Explore Arlandastad. Acquisitions have been completed and today Arlandastad Group holds 290 hectares in the area. Of these, it directly owns 200 hectares, while 40 hectares are on long-term leases, and it can access 50 hectares on winning in the zoning plans. The company has also acquired Stockholm Skavsta Airport AB, an acquisition that brought with it 4.84 million sqm of land. We anticipate major infrastructure investments in these areas, as Arlanda will need to expand as the cities of Stockholm and Uppsala grow towards one another. Globally, larger meeting places have been developed around airports. We believe Explore Arlandastad can constitute something similar in the Stockholm region, as the company co-operates with several stakeholders in the area around Arlanda. Arlandastad Group differs from many traditional real estate companies and developers in that it operates out of its properties. It has two main such activities today. The first, the DRIVELAB CONCEPT, chiefly includes educational activities, along with events and parties. The second, Scandinavian XPO, is a major international meeting place. By both owning the property and conducting business there, the company can take a larger share of end-customers' wallet, such as through trade fairs and similar events.

Arlandastad Group has acquired large areas of undeveloped land at a low initial value. By doing so, the company can focus on the area of property development that offers the greatest value increase: detailed planning work. Arlandastad Group collaborates with all stakeholders (municipalities, authorities, and other companies operating in the area) in this detailed planning work, thus increasing its chances of getting detailed planning projects approved. The low input values also allow for a high degree of flexibility in projects. Estimated returns on assets for the projects where Arlandastad Group has brought in partners are 30–40%. In Q1 2022, Arlandastad Group sold a project to a JV partner for an underlying property value of SEK 520m, of which the JV partner bought 50%. It had acquired the undeveloped land in this project for less than SEK 10m. We expect to see more such deals in the near future. In conclusion, we believe there are many hidden values on Arlandastad Group's balance sheet that should be reflected in the share price.

## Valuation

Our valuation approach uses a sum-of-the-parts (SOTP) valuation, based on a separate valuation of the property development portfolio and the investment properties. The development portfolio and the property management portfolio justify a valuation of approximately SEK 71 and SEK 6 per share, respectively, adding up to a fair value of SEK 74–78 per share.

## The quarter in detail

Total revenues during Q4 2022 amounted to SEK 87.2m, equivalent to growth of some 14% versus the same period last year. Approximately 36% of total revenues stemmed from rental income and 64% from income from the operating businesses. The operating businesses continue their strong recovery following the easing of coronavirus-related restrictions. Gross profits amounted to SEK 14.5m, a decrease of 49% versus the same period last year. This has largely been driven by rising property costs and elevated costs for the operating businesses.

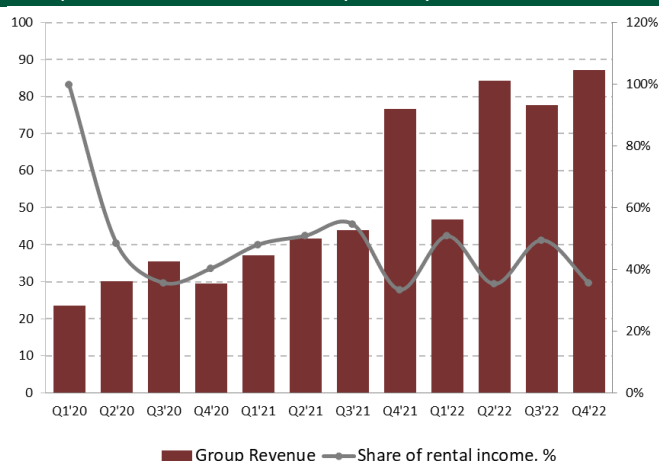
### Property management

Rental income totalled SEK 31m during the quarter, representing growth of 21%, driven by new rental contracts, increased sales rent, and property management acquisitions at Skavsta. Net operating income reached SEK 23.2m, corresponding to a profit margin of 64% (69). The loan-to-value ratio was unchanged from Q4 2021 at 25%.

Despite higher property costs and increased depreciation of operating properties, gross profits for the full year rose by 57.4%, primarily driven by higher property income, and amounted to SEK 81.2m. Administrative expenses came in at SEK -21.4m (-11.5). The y/y increase was largely the result of higher personnel costs. Financial items amounted to SEK -50.1m (-35.4), stemming mainly from interest expenses for loan financing. The increase came in the wake of higher interest-bearing debt and a hiked interest rate. The average interest rate in Q4 was 4.5% versus 2.8% in the previous period.

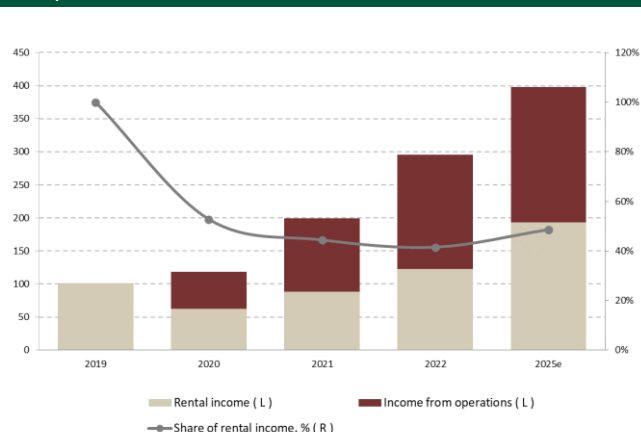
The market value of the investment property portfolio was SEK 2,341m, representing an average return requirement of 6.48% (6.38%)

Graph 1: Rental income on a quarterly basis



Source: EPB, Company

Graph 2: Rental income on an annual basis



Source: EPB, Company

### Property development

This business area manages the strategy, or concept development, as well as the development of the existing land portfolio at the company's disposal. The business model is based on controlling the entire value chain from the acquisition of land and planning processes to the construction and subsequent management of the properties.

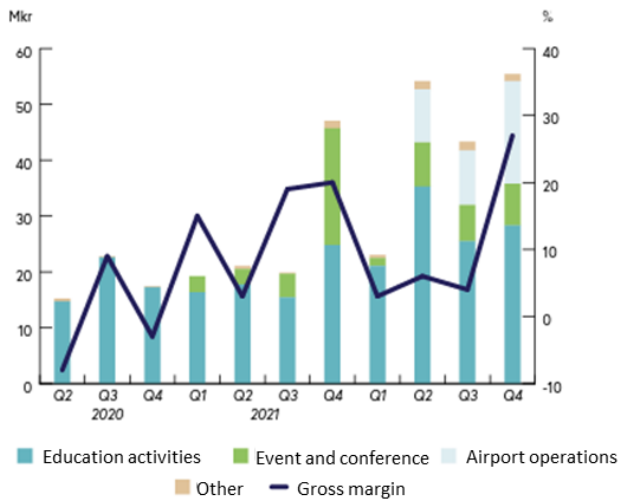
As of 31 December 2022, the company had exercised less than 10% of the potential building rights of the some 1.3m sqm of the gross area at Explore Arlandastad. The value of the building rights and development properties in Arlandastad Group was in line with the previous year at SEK 3m. The company has divested approximately 134 sqm of gross area to associated businesses. At the same time, the acquisition of Skavsta has contributed an additional SEK 204m in value, of which SEK 163m relates to building rights and the remainder to the undeveloped land.

The construction rights at Explore Arlandastad are valued at SEK 3 per sqm of gross area, stemming primarily from the business carried out by the company there. The construction rights at Explore Skavsta are valued at an average value of SEK 302 per sqm of gross area.

## Operational businesses

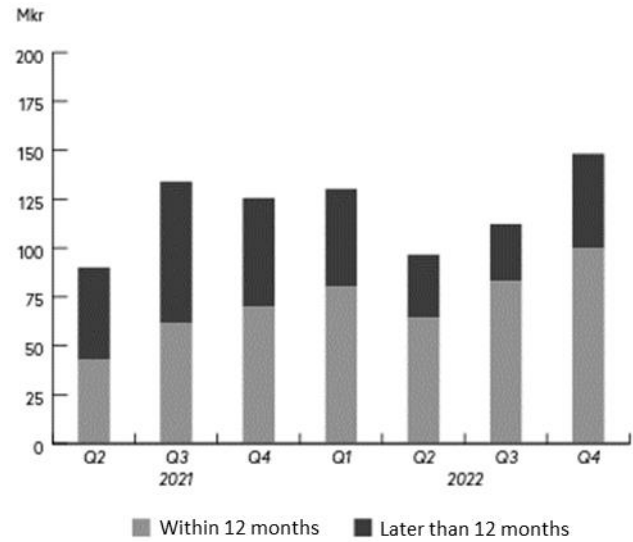
This business area consists of three subsidiaries: Training Partners, Scandinavian XPO, and Stockholm Skavsta Airport. Total revenues for full-year 2022 reached SEK 170.2m (106.6). Revenues from the educational activities increased by 41% to SEK 105m, and thus accounted for 62% of total revenues. Revenues from events, meanwhile, were down 25% to SEK 23.3m, and accounted for 14% of revenues. The Skavsta airport operations accounted for 22% of revenues at SEK 37.6m. Gross profits came in at SEK -20.2m (16.8), representing a margin of -12% (16). The weaker results were mainly caused by the acquisition of Stockholm Skavsta Airport.

Graph 3: Revenues and gross margins



Source: EPB, Company

Graph 4: Order backlog



Source: EPB, Company

## Valuation

Our valuation approach is based on a sum-of-the-parts valuation (SOTP) using a separate valuation of the property development businesses and the investment properties. We exclude the operating businesses as their values will be relatively low and especially as we consider Arlandastad Group a pure real estate company in the long term.

### Property development

We base our valuation of the property development business area (building rights portfolio) on the book value of the building rights per sqm. We subsequently make adjustments based on the development of construction costs over the previous 12 months. We take into consideration several factors when valuing the building rights portfolio, such as the book value of this portfolio, recent building rights transactions, and so on.

Project	Planned building rights (sqm)	Value/sqm	Total value (mSEK)	No. shares	Value/share	Discount	Value/share
Explore Arlandastad (inkl. Golf)	1 512 814	3 429	5 187	63,3	82,0	25%	62
Explore Skavsta	1 042 000	601	626	63,3	9,9		10
<b>Total</b>	<b>2 554 814</b>	<b>2 276</b>	<b>5 814</b>	<b>63,3</b>	<b>91,9</b>		<b>71</b>

Given these factors, we assess the value of the company's building rights portfolio at SEK 71 per share at the time of writing. When valuing the company's building rights portfolio at Arlandastad, we set a discount but stick to the most recent valuation of Skavsta. We see this discount as justified for several reasons: (i) the continued high uncertainty associated with the price development of construction costs, (ii) the volatility in the interest rate market, and (iii) the turbulence in the financing market for real estate companies. However, should prices stabilise or start to decline alongside other market observations, we cannot exclude the possibility of removing this discount or even setting a premium, as the company made a deal relatively recently at a price of SEK 4,350 per sqm of building rights.

### Property management

Given that the company's expansion plans imply it broadening and expanding its property management portfolio over time, we choose to value this area separately. Our valuation approach is based on what profits (minus tax) the company is expected to generate from property management in 2025, and we thus arrive at a multiple of 10x, which we then discount with a WACC of 9%. A multiple of 10x is realistic given comparable companies' valuations when taking the size discount into account.

Arlandastad Group is unique among real estate companies in that it focuses on value creation across all stages of real estate development projects, from land acquisition to management of the buildings. This makes it difficult to find peer companies. We believe Atrium Ljungberg is the listed company most similar to Arlandastad Group, given its focus on the Sickla area. Our fair value for the property management business amounts to some SEK 6 per share.

Table 1: Valuation

FFO (2025)	46,7
Multiple	10x
Value	467
No. shares (m)	63,3
<b>Value per share</b>	<b>7,4</b>
No. periods	2e
WACC	9%
<b>Present value</b>	<b>6,2</b>

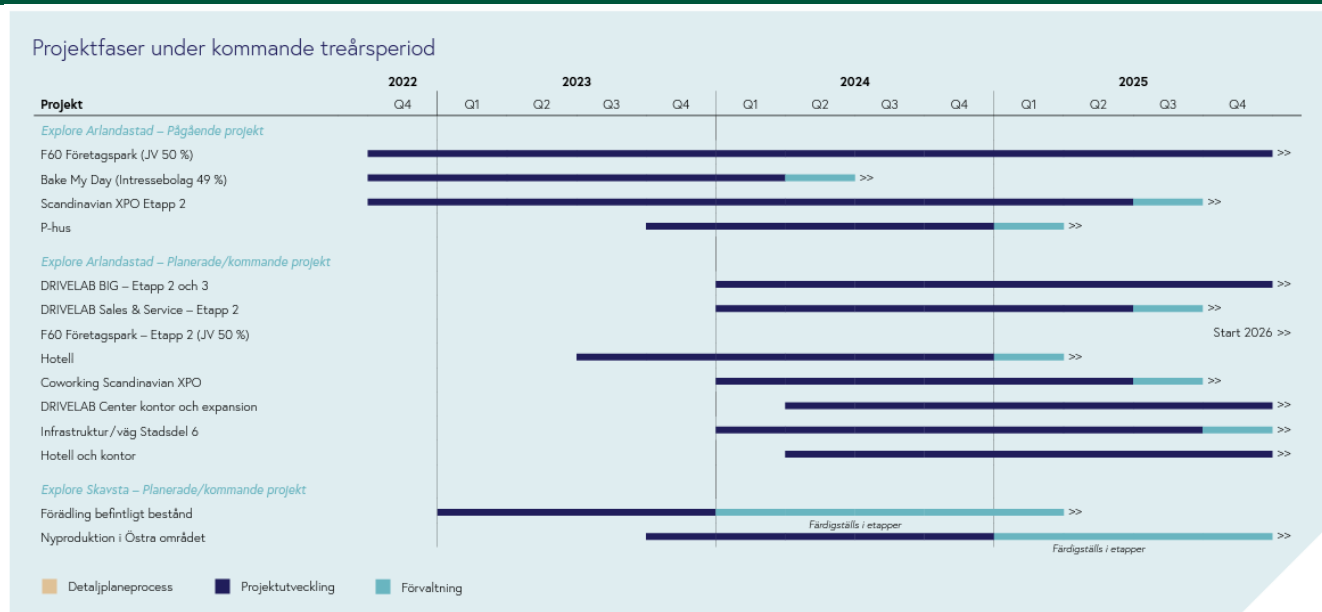
Source: EPB

Table 2: Sensitivity analysis

Explore Arlandastad			Explore Skavsta		
Value/sqm	Value/share	Delta (%)	Value/sqm	Value/share	Delta (%)
429	10,3	-87%	451	7,4	-25%
1 429	34,2	-58%	501	8,3	-17%
2 429	58,1	-29%	551	9,1	-8%
3 429	82,0	0%	601	9,9	0%
4 429	105,9	29%	651	10,7	8%
5 429	129,8	58%	701	11,5	17%
6 429	153,8	87%	751	12,4	25%

Source: EPB

Figure 1: Project portfolio



Source: Company

Figure 2: Project portfolio

Explore Arlandastad – Byggrätter							
Projekt	Typ av projekt	Planerad yta (kvm)	Status	Tidplan	Bedömd investering (Mkr)	Varav återstår, (Mkr)	Uthyrningsgrad
Antagna	Ej specificerat	493 524	Projektutveckling	-	-	-	-
Antagna i JV/Intressebolag	Ej specificerat	134 120	Projektutveckling	-	-	-	-
Under detaljplaneering Stadsdel 6	Ej specificerat	Bedömd 500 000	Detaljplaneering	-2023	-	-	-
Under detaljplaneering Stadsdel för idrott, hälsa och innovation	Ej specificerat	Bedömd 150 000	Detaljplaneering	-2024	-	-	-
<b>Delsumma</b>		<b>1 277 644</b>			-	-	-

Explore Arlandastad – Pågående projekt							
Projekt	Typ av projekt	Planerad yta (kvm)	Status	Tidplan	Bedömd investering (Mkr)	Varav återstår, (Mkr)	Uthyrningsgrad
F60 Företagspark (JV 50 %)	Företagspark	124 444	Projektutveckling	2022-2027	1 813	1 750	1%
Bake My Day (Intressebolag 49 %)	Bageri	9 676	Projektutveckling	2022-2024	170	145	100%
Scandinavian XPO – Etapp 2	Kontor, service, hotell, vård	16 550	Projektutveckling	2020-2025	160	100	22%
P-hus	P-hus	19 500	Projektutveckling	2023-2024	68	65	0%
<b>Delsumma</b>		<b>170 170</b>			<b>2 211</b>	<b>2 060</b>	-

Explore Arlandastad – Planerade/kommande projekt							
Projekt	Typ av projekt	Planerad yta (kvm)	Status	Tidplan	Bedömd investering (Mkr)	Varav återstår, (Mkr)	Uthyrningsgrad
DRIVELAB BIG – Etapp 2 och 3	Utbildning och möten	12 000	Projektutveckling	2024-2026	180	180	-
DRIVELAB Sales & Service – Etapp 2	Bilförsäljning och -service	9 000	Projektutveckling	2024-2025	95	95	-
F60 Företagspark – Etapp 2	Företagspark	38 000	Projektutveckling	2026-2028	551	551	-
Hotell	Hotell	6 000	Projektutveckling	2023-2024	150	150	-
Co-working Scandinavian XPO	Kontor	6 000	Projektutveckling	2024-2025	120	120	-
DRIVELAB Center kontor och expansion	Kontor/utbildning	8 000	Projektutveckling	2024-2026	170	170	-
Infrastruktur/väg Stadsdel 6	Infrastruktur/väg		Detaljplaneering	2024-2025	50	50	-
Stadsdel 6 – Etapp 1	Kontor och verksamheter	17 000	Detaljplaneering	2024-2025	375	375	-
<b>Delsumma</b>		<b>96 000</b>			<b>1 691</b>	<b>1 691</b>	-

Explore Skavsta – Byggrätter							
Projekt	Typ av projekt	Planerad yta (kvm)	Status	Tidplan	Bedömd investering (Mkr)	Varav återstår, (Mkr)	Uthyrningsgrad
Antagna	Ej specificerat	612 000	Projektutveckling	-	-	-	-
Under detaljplaneering	Ej specificerat	Bedömd 430 000	Detaljplaneering	-2024	-	-	-
<b>Delsumma</b>		<b>1 042 000</b>			-	-	-

Explore Skavsta – Planerade/kommande projekt							
Projekt	Typ av projekt	Planerad yta (kvm)	Status	Tidplan	Bedömd investering (Mkr)	Varav återstår, (Mkr)	Uthyrningsgrad
Förädling befintligt bestånd	Hytsgästpassering	10 000	Projektutveckling	2023-2025	100	100	0%
Nyproduktion i Östra området	Kontor/verksamhet	15 000	Projektutveckling	2023-2025	150	150	0%
<b>Delsumma</b>		<b>25 000</b>			<b>250</b>	<b>250</b>	-

Source: EPB, Company

## Income statement

	2020	2021	2022	2023e	2024e	2025e
<b>Rental income</b>	<b>63</b>	<b>89</b>	<b>123</b>	<b>136</b>	<b>190</b>	<b>193</b>
Other operating income	49	107	170	175	190	205
<b>Total revenues</b>	<b>119</b>	<b>199</b>	<b>296</b>	<b>311</b>	<b>380</b>	<b>398</b>
Property expenses	-31	-51	-61	-59	-66	-67
Expenses from operating companies	-38	-74	-166	-121	-131	-141
<b>Net operating income</b>	<b>50</b>	<b>74</b>	<b>68</b>	<b>132</b>	<b>183</b>	<b>190</b>
Central administration	-45	-74	-83	-61	-64	-65
Impairment of goodwill/gain on acquisitions	-5	0	337	0	0	0
<b>EBITDA, adjusted</b>	<b>5</b>	<b>0</b>	<b>-15</b>	<b>71</b>	<b>119</b>	<b>125</b>
<b>EBIT, adjusted</b>	<b>0</b>	<b>0</b>	<b>322</b>	<b>71</b>	<b>119</b>	<b>125</b>
<b>EBIT</b>	<b>0</b>	<b>0</b>	<b>322</b>	<b>71</b>	<b>119</b>	<b>125</b>
Financial items	-31	-41	-53	-64	-71	-73
Unrealised changes in property values	682	281	146	99	409	300
<b>Profit/loss before tax</b>	<b>651</b>	<b>243</b>	<b>416</b>	<b>106</b>	<b>458</b>	<b>352</b>
Taxes	-154	-64	71	-1	-10	-11
<b>Net income, adj.</b>	<b>496</b>	<b>179</b>	<b>487</b>	<b>105</b>	<b>448</b>	<b>341</b>
<b>Net income</b>	<b>496</b>	<b>179</b>	<b>487</b>	<b>105</b>	<b>448</b>	<b>341</b>

Source: EPB

## Cash flow analysis

	2020	2021	2022	2023e	2024e	2025e
Income from property management	-31	-38	270	7	48	52
Other items affecting cash flows	7	22	-310	20	21	21
Taxes paid	-3	2	-4	-1	-10	-11
Changes in working capital	30	1	-48	0	0	0
<b>Cash flows from operating activities</b>	<b>7</b>	<b>-16</b>	<b>-429</b>	<b>26</b>	<b>59</b>	<b>62</b>
Divestment of properties	1	0	0	0	0	0
Other items	-432	-140	-247	-357	-195	0
<b>Cash flows from investment activities</b>	<b>-430</b>	<b>-140</b>	<b>-277</b>	<b>-357</b>	<b>-195</b>	<b>0</b>
Rights issues / buybacks	105	426	0	0	0	0
Acquisitions	1	0	-30	0	0	0
Changes in debt	309	8	86	250	137	0
<b>Cash flows from financing activities</b>	<b>415</b>	<b>434</b>	<b>85</b>	<b>250</b>	<b>136</b>	<b>0</b>
<b>Net debt</b>	<b>1 408</b>	<b>1 140</b>	<b>1 273</b>	<b>1 604</b>	<b>1 739</b>	<b>1 677</b>

Source: EPB

## Balance sheet

	2020	2021	2022	2023e	2024e	2025e
<b>ASSETS</b>						
Goodwill	16	16	16	16	16	16
Investment properties	5 222	5 610	5 954	6 409	7 014	7 314
Other fixed assets	33	38	302	302	302	302
<b>Total fixed assets</b>	<b>5 784</b>	<b>6 185</b>	<b>6 943</b>	<b>7 379</b>	<b>7 962</b>	<b>8 241</b>
Accounts receivable	95	105	148	148	148	148
Cash and cash equivalents	163	441	394	313	314	376
<b>Total current assets</b>	<b>259</b>	<b>546</b>	<b>542</b>	<b>461</b>	<b>462</b>	<b>524</b>
<b>TOTAL ASSETS</b>	<b>6 043</b>	<b>6 731</b>	<b>7 485</b>	<b>7 840</b>	<b>8 424</b>	<b>8 765</b>
<b>EQUITY AND LIABILITIES</b>						
Equity	3 556	4 160	4 649	4 754	5 202	5 543
<b>Total equity</b>	<b>3 556</b>	<b>4 160</b>	<b>4 649</b>	<b>4 754</b>	<b>5 202</b>	<b>5 543</b>
Bank loans, long term	1 552	1 505	1 635	1 885	2 022	2 022
Non-current lease liabilities	8	5	4	4	4	4
<b>Total long-term liabilities</b>	<b>2 386</b>	<b>2 400</b>	<b>2 607</b>	<b>2 857</b>	<b>2 994</b>	<b>2 994</b>
Bank loans, short-term	8	67	24	24	24	24
Other current liabilities	5	8	3	3	3	3
<b>Total current liabilities</b>	<b>101</b>	<b>171</b>	<b>229</b>	<b>229</b>	<b>229</b>	<b>229</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6 043</b>	<b>6 731</b>	<b>7 486</b>	<b>7 840</b>	<b>8 424</b>	<b>8 765</b>

Source: EPB

## Growth and margins

	2020	2021	2022	2023e	2024e	2025e
Rental growth	-	42%	39%	11%	39%	2%
Vacancy rate	0%	0%	0%	0%	0%	0%
NOI-margin	80%	84%	56%	97%	96%	98%
EPS growth, adjusted	-	N.m.	>100%	N.m.	>100%	N.m.
CEPS, growth	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
Long-term NAV, growth	Neg.	3,8%	10,2%	1,9%	7,9%	5,6%
Equity per share, growth	Neg.	17,0%	11,7%	2,3%	9,4%	6,6%
Income from property management, growth	Neg.	49,6%	Neg.	93,4%	38,2%	3,9%
DPS growth	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.

Source: EPB

## Profitability

	2020	2021	2022	2023e	2024e	2025e
ROE, adjusted	Neg.	5%	11%	2%	9%	6%
Yield	1%	1%	1%	2%	3%	3%
Implicit yield	Neg.	2%	2%	4%	6%	6%

Source: EPB



Financial position						
	2020	2021	2022	2023e	2024e	2025e
Net debt	1 408	1 140	1 273	1 604	1 739	1 677
Equity ratio	59%	62%	62%	61%	62%	63%
Net debt/EBITDA	28,3x	15,3x	18,6x	12,1x	9,5x	8,8x
Average interest rate	2,0%	2,7%	3,2%	3,4%	3,5%	3,6%

Source: EPB

Share data						
	2020	2021	2022	2023e	2024e	2025e
IFPM per share	-0,55	-0,60	4,24	0,11	0,76	0,81
EPS	8,71	2,82	7,66	1,65	7,05	5,37
EPS, adjusted	8,71	2,82	7,66	1,65	7,05	5,37
Book value per share	62,4	65,5	73,2	74,8	81,9	87,2
Number of shares at year-end, m	57,0	63,5	63,5	63,5	63,5	63,5
Number of shares after dilution, average	57,0	63,5	63,5	63,5	63,5	63,5
Long-term NAV per share	76,9	79,8	88,0	89,7	96,7	102

Source: EPB

Valuation						
	2020	2021	2022	2023e	2024e	2025e
P/IFPM per share	-	-114,7x	10,8x	399,4x	57,6x	53,7x
P/E, adjusted	-	24,5x	6,0x	26,6x	6,2x	8,2x
P/BV	-	1,1x	0,6x	0,6x	0,5x	0,5x
Dividend yield	-	0,0%	0,0%	0,0%	0,0%	0,0%
Payout ratio, adjusted	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
EV	-	5 504	4 157	2 771	2 771	2 771
Share price	-	69,0	45,6	43,8	43,8	43,8

Source: EPB

## Share Price and Fair Value Chart

### Arlandastad Group (AGROUP SS EQUITY)



Source: EPB, IDC

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