

Helvetica Swiss Commercial Fund (HSC)

Helvetica examines merger of HSC Fund with HSO Fund

Rating: Market Perform

Sector: Investment Funds

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In CHF	2022	2023E	2024E
EPS	6.75	6.13	6.14
P/E	13.9x	15.3x	15.3x
P/B	0.8x	0.8x	0.8x
Dividend	5.35	5.35	5.35

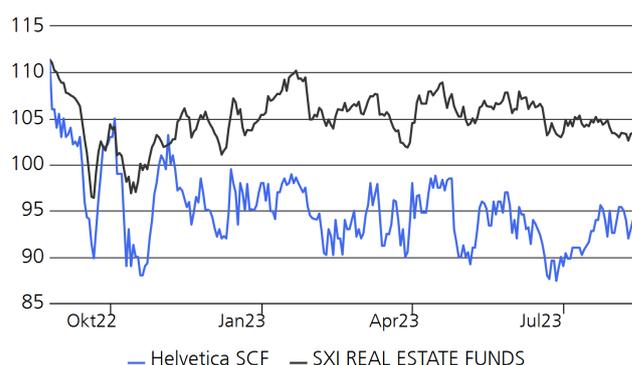
Source: Zürcher Kantonalbank

Facts / Assessment: Helvetica Swiss Commercial Fund ("HSC") was able to increase rental and building lease income by around 1% to CHF 21.4 mn with the half-year report as at 30 June 2023. This is mainly due to rent adjustments. The rent default rate was 6.2% at the end of June (previous year: 6.5%). The remaining term of the commercial leases ("WAULT") was 3.6 years (previous year: 3.7 years).

The fair value of the properties decreased by 0.8% to CHF 750 mn (2022: CHF 756 mn), which was partly due to an increase in the average weighted real discount rate from 3.45% to 3.47%. Net income also decreased due to higher interest expenses to CHF 13.8 mn (previous year: CHF 15.1 mn). The financing costs bore an average interest rate of 2.0% in the year under review (previous year: 1.3%) with an average, very short remaining term of 0.44 years (0.48 years).

Sec. no.: FP: 33 550 793

Price: CHF 93.80



Sources: Zürcher Kantonalbank, Refinitiv

Conclusion: According to the fund management, no further capital increase is currently planned. In order to reduce the relatively high leverage ratio of 30.7%, the fund management plans to sell real estate worth CHF 30 to 40 mn by the end of the year. In addition, a merger of the HSC with the Helvetica Swiss Opportunity Fund ("HSO") is being examined.

HSC trades at a discount to 2024E NAV before deferred taxes of 24% (commercial peers' discount: 14%). The expected distribution yield in 2024E is 5.8% and is significantly higher than that of the weighted commercial peers (3.8%). The relatively high yield is offset by the typical risks of commercial properties, a high leverage ratio and the risk of further redemptions (around 1% at the end of the previous year).

We consider the valuation fair due to the high debt and the planned merger. We are sticking with our "Market Perform" rating.

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– Credit research analysts: Bell Food Group (18.08.2015; CHF 250.5); Emmi (01.11.2007; CHF 169); Holcim (27.03.2020; CHF 34.34); SGS (21.09.2015; CHF 1718)

² Participation in capital market transactions

Zürcher Kantonalbank has participated in capital market transactions of the issuer in the last 12 months.

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–³ Zürcher Kantonalbank owns more than 5% of the voting rights in Banque Cantonale du Jura.

–⁹ According to the latest notification, Zürcher Kantonalbank holds over 10% in Pfandbriefzentrale der schweizerischen Kantonalbanken (Pfandbriefzentrale) and refinances part of its mortgage business through Pfandbriefzentrale. This may result in conflicts of interest affecting the Pfandbriefzentrale rating assessment.

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–⁵ Zürcher Kantonalbank holds a net short position of at least 0.5% of the share capital of the company.

–⁶ Zürcher Kantonalbank holds a net long position of at least 0.5% of the share capital of the company.

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⁸ Paid equity research

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Outperform	59	34.30%	72.88%
Market Perform	104	60.47%	52.88%
Underperform	9	5.23%	33.33%

The table is updated at the beginning of each quarter and reflects the data at that time: 30.06.2023

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