HEBA Fastighets Aktiebolag

Initial Rating Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N-1+

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RATING RATIONALE

Our 'A-' long-term issuer rating on HEBA Fastighets Aktiebolag (HEBA) reflects the company's long and stable history of managing residential rental properties in Stockholm, Sweden's highest-demand housing market, and its relatively low leverage. HEBA's portfolio consists of a mix of housing properties in Stockholm, ranging from apartment buildings built in the mid-1900s to modern and newly built apartment complexes. The company also manages and develops community-service properties with long rental contracts as well as other facilities and parking associated with its rental properties. Due in part to HEBA's stable ownership, the company has maintained a strong financial position, low risk appetite, and relatively moderate leverage as it has grown its property portfolio. We project that the company will have an adjusted loan to value (LTV) ratio of 40-42% in the coming years with an interest coverage ratio improving to over 5x once development investments begin to yield over the next 12 months. HEBA also maintains a high share of equity-to-assets (52%) despite doubling the value of its portfolio to SEK 10.3bn since 2014.

Nordic Credit Rating (NCR) believes the demand for housing in Stockholm reduces the risks associated with HEBA's relatively small balance sheet and geographic concentration. Despite an increase in unemployment in the Stockholm region as a result of the COVID-19 pandemic, we do not anticipate a decline in the company's occupancy rates given a multi-year waiting list for rental apartments in the Stockholm region. We note that the company is stepping up its growth efforts with a series of acquisitions and new developments in regions on the outskirts of its historical markets and targets an increasing share of rental income from elderly care properties, group housing, and day care facilities. This expansion is likely to be financed by debt and result in higher leverage and LTV levels, which are captured in our financial risk assessment of the company.

STABLE OUTLOOK

The stable outlook reflects NCR's expectation that HEBA will maintain relatively strong financial metrics as it expands into new areas of Stockholm and increases the share of revenues from community-service properties. Given the current disruptions in the certificate market, the company is likely to rely on its strong banking relationships and increase its use of bank financing in the interim. We also expect that the company will retain its moderate leverage (including LTV between 40-42%) as it expands its residential and community-service portfolio.

POTENTIAL POSITIVE RATING DRIVERS

- Improvements in diversification and market position with similar risk appetite.
- LTV ratio falling towards 35%.

POTENTIAL NEGATIVE RATING DRIVERS

- LTV ratio increasing towards 50%.
- Increased share of development projects in which HEBA carries the associated risk.

Figure 1. HEBA key credit metrics, 2017-2022e

SEKm	2017	2018	2019	2020e	2021e	2022e
Revenue	335	381	388	390	446	488
Adjusted EBITDA	187	221	232	235	271	299
Investment properties	8,771	9,655	10,135	11,341	12,111	12,541
Adjusted net debt	3,221	3,532	3,492	4,500	5,087	5,359
Total assets	8,804	9,724	10,399	11,636	12,398	12,855
NCR-adjusted debt/EBITDA (x)	17.2	16.0	15.1	19.2	18.8	18.0
NCR-adjusted EBITDA/interest (x)	3.7	4.1	4.9	4.1	5.1	6.0
NCR-adjusted LTV (%)	36.7	36.6	33.9	39.1	41.5	42.2

Based on NCR estimates and company data. e–estimate. All metrics adjusted in line with NCR methodology

COMPANY PROFILE

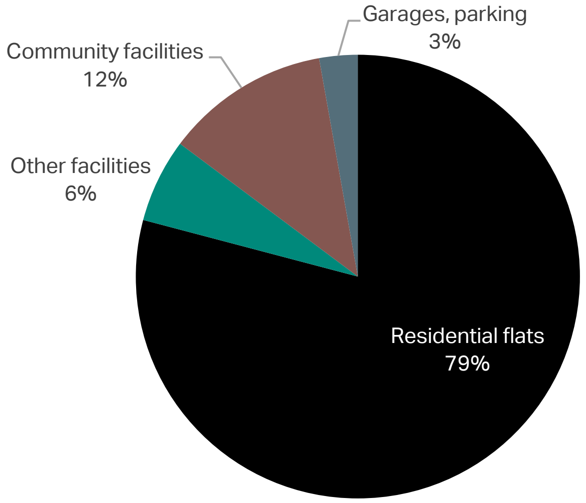
HEBA was founded in 1952 and has been listed since 1994, with many of the original founders' families maintaining active ownership in the company. HEBA primarily manages and develops residential rental properties in the greater Stockholm area. The company also manages community-service properties for care of the elderly, group homes, and day care facilities in the region and plans to increase its share of its community-service properties to 20% from 10% by 2024. As of 31 Mar. 2020, the property portfolio included 66 properties – 3,174 apartments and 348 community-service and other facilities – with a value of SEK 10.4bn.

OPERATING ENVIRONMENT

Operating environment scores 'a+'

Our business risk assessment for HEBA reflects the stable operating environment and high demand for residential rental properties in the Stockholm region. It also reflects the company's history of delivering steady growth driven by refurbishing existing properties and developing and acquiring low-risk properties while steadily improving its operating efficiency.

Figure 2. HEBA's rental income by property type, 2019



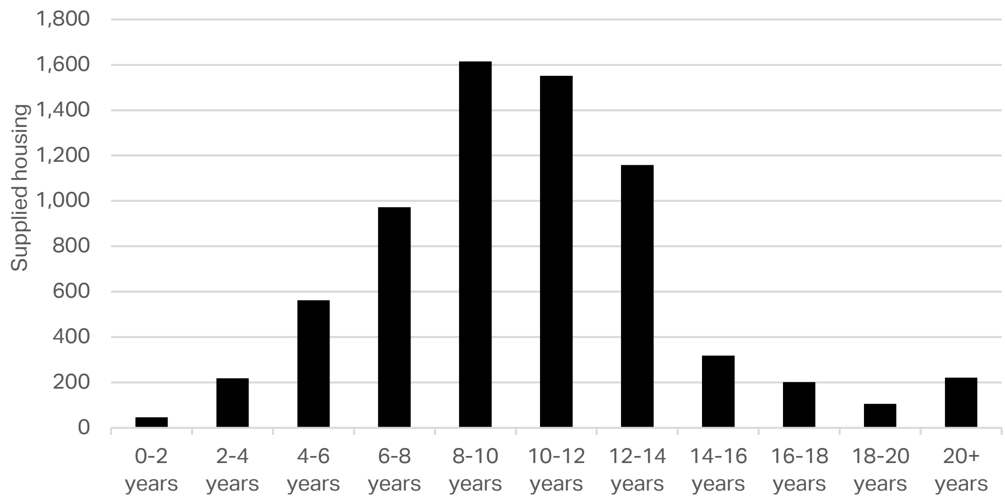
Source: company data

HEBA's existing residential and community-service properties are expected to generate stable rental incomes, with increases based on inflation and refurbishment of older apartment buildings. This is driven by a shortage of available and affordable rental housing in Stockholm and the need for additional care facilities for the elderly, special needs individuals and pre-school children. Thus, we expect HEBA's portfolio to maintain very low vacancy rates (less than 0.1% as of March 2020) excluding temporary evacuations for the renovation of older apartment buildings.

The Swedish rental market is regulated through a value system, i.e. rent levels are regulated by the government with the aim of reflecting the value of utilising a property. Accordingly, property owners cannot increase rents by levels deemed unreasonable, with rent increases having to be agreed between landlords and the respective residents' associations. In 2019, the average increase was 1.9%, while the level for 2020 is expected to average 2%. Newly built and refurbished apartments can, however, obtain higher rent levels, albeit still below what would be expected in an unregulated market.

Sweden's housing authority (Boverket) reports that across Sweden the housing deficit represents a need for 64,000 housing starts in 2020 compared with a previously estimated 50,000 (Boverket, December 2019). Much of this deficit is associated with Stockholm, where the population exceeds the national average and the impact of rental regulations is most evident. According to Stockholm's housing authority, Bostadsförmedlingen, there are nearly 700,000 individuals on the waiting list for an apartment in the city. The average waiting period for the nearly 7,000 individuals and families that received first-hand rental contracts in the Stockholm region in 2019 was approximately 10 years. In our view, it is unlikely that supply and demand in the Stockholm rental market will achieve balance without a variety of material changes.

Figure 3. Waiting period for Stockholm-area rental apartments supplied in 2019



Source: Bostadsförmedlingen

HEBA intends to increase its share of community-service properties to 20% of its portfolio by 2024. The company entered this segment in 2014 and plans to grow with facilities for the elderly, group homes, subsidised social housing, and day care facilities, where property specialisation and project complexity are minimal. As the population grows and ages, the demand for elderly care facilities and child care is likely to continue to grow in line with national and local demographics.

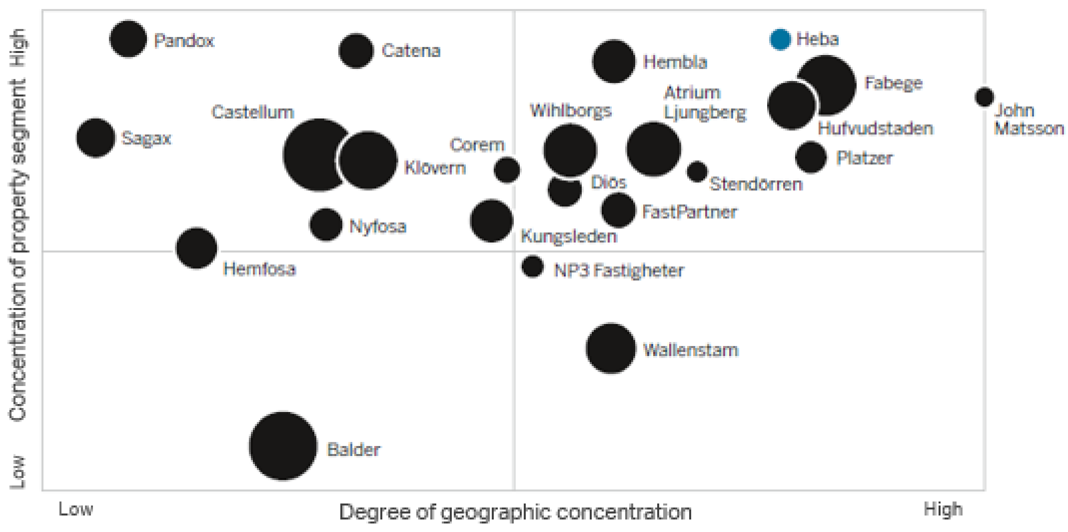
MARKET POSITION, SIZE AND DIVERSIFICATION

Market position, size and diversification assessed as 'bb'

HEBA has a long history of providing housing in the Stockholm region and maintains above average satisfaction of its tenants as one of its key corporate goals. The company has also set out targets for reducing its environmental footprint to maintain the future attractiveness of its properties to individual and community-service tenants.

With a portfolio worth around SEK 10bn, HEBA is a relatively small real estate manager in a Swedish context. Many of Sweden's largest real estate managers are primarily associated with office buildings in various regions of the country and tend to have higher valued portfolios, but with materially higher tenant concentrations and risks associated with the business cycle.

Figure 4. HEBA and Swedish real estate companies' geographic and segment distribution

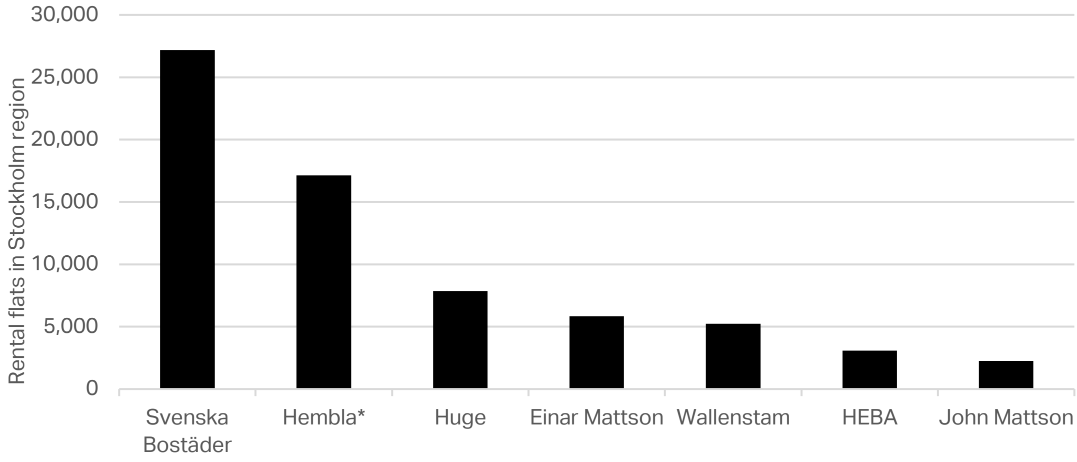


Source: Nordanö

The residential housing segment is dominated by municipality-owned companies such as Svenska Bostäder (owned by Stockholm city) and Huge Bostäder (Huddinge county), Riksbyggen (owned by building unions, local housing associations and other cooperative associations), and a collection of property owners which are members of Fastighetsägarna, an umbrella organisation of property owners. Diversified real estate managers such as Wallenstam are also major actors in Stockholm's residential rental market. HEBA's closest privately-owned domestic peers are John Mattson, Einar Mattson and Hembla. John Mattson has revenues, apartments and property values about one-third lower than those of HEBA as well as a narrower geographic focus on Stockholm's Lidingö island. Einar Mattson's portfolio and revenues are one-third larger over a broader geographic area of Stockholm. Hembla, majority owned by Germany-registered Vonovia, has a portfolio about 3.5 times larger than HEBA's and revenues nearly five times higher. Hembla also reports that more than one-third of its property value is in markets outside Stockholm.

While HEBA does not have a leading market position, this is not necessarily a weakness in terms of the company's ability to generate value given the regulation of the housing market and need to continue to expand the Stockholm rental market.

Figure 5. HEBA and selected real estate companies' Stockholm rental apartments, 2019**



Source: company data. *Hembla assumed to have 80% of all rental flats in Stockholm. ** Definition of Stockholm region as defined by each company and may include neighboring cities like Uppsala and Tyresö.

Demand for housing in Stockholm, as described above, reduces the risks associated with HEBA's concentration in the capital's rental market. In our view, the company's portfolio of more than 3,000 apartments across the Stockholm region is highly likely to remain attractive, especially as HEBA invests in renovations of its aging stock of rental apartments. The rental portfolio is spread across the Stockholm landscape with the bulk of the properties to the south and west of the city centre.

HEBA's current portfolio includes six community-service group homes and elderly care properties, all completed since 2014. In addition, two of HEBA's active projects with a total planned investment of over SEK 700m include community-service facilities (see Figure 7). In Norrtälje Hamn (Kvarteret Alen 3), the company is forward funding a project including residential housing as well as an elderly care facility. In Österåker, the Näs project combines elderly care and day care facilities.

As part of the company's efforts to increase its share of community-service properties and expand its regional focus, HEBA sold six apartment buildings with over 400 apartments for a total of SEK 755m and acquired an elderly care facility in Salem, about 30km south of Stockholm, during 2019. The apartment buildings dated from 1947 to 1960 and had an approximate annual rental income of SEK 35m. The sale of these properties provided some of the cash for the company to increase its investments in newly produced apartments and community-service properties with potential for higher yields.

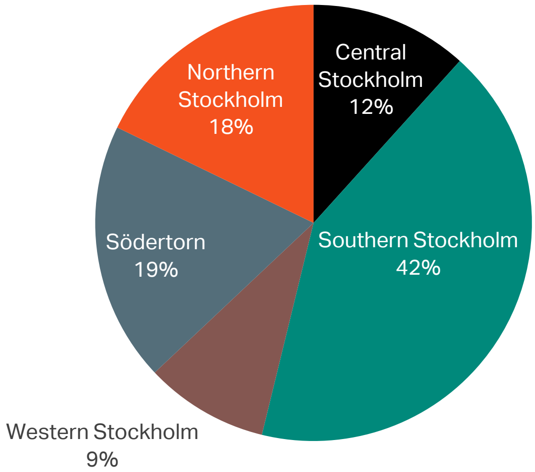
PORTFOLIO ASSESSMENT

Portfolio assessment is 'a-'

HEBA's portfolio consists of 240,000 square metres of property with 3,174 apartments and 348 community-service facilities. In addition, the company has nearly 600 apartments under construction.

The community service properties provide a stable operational inflow, albeit low as they represent only 11% of the current portfolio.

Figure 6. HEBA's rental income by region of Stockholm, 2019



Source: company data

HEBA's project and acquisition portfolio consists of commitments of about SEK 1.5bn, of which about one-fifth is assumed to have been invested already as of end-April 2020. We view the development risks as higher for properties where HEBA owns the property prior to finalisation, rather than projects where HEBA acquires a project under development upon its completion.

HEBA has two development projects underway together with Magnolia Bostad in Norrtälje Hamn and Österåker. In these projects, HEBA has acquired the shares in the companies that own the properties and finances the projects with forward flow agreements. The financing of these projects is estimated at nearly SEK 700m, with SEK 232m already invested as of 31 Mar. 2020.

The acquisitions in Täby Park and Silverdal are being built by Skanska with apartments available for rental on Stockholm's housing authority's website. Final payment for these projects is due in the fourth quarter of 2020 and we anticipate that HEBA will be able to finance these acquisitions with bank loans. In April 2020, the company agreed to acquire an additional project in Norrtälje Hamn which is to be completed by the summer of 2021.

Figure 7. HEBA active projects* and commitments, as of 31 Mar. 2020

Property	Property type	Project type	Estimated completion	Total investment (SEKm)
Norrtälje Hamn, Kvarteret Alen 3	Rental apartments and care of the elderly	Development	2022 Q1	484
Näs Österåker	Elder care and pre school	Development	2021 Q3	222
Täby Park, Opalen	Rental apartments	Acquisition	2020 H2	449
Silverdal, Murklan	Rental apartments	Acquisition	2020 H2	179
Norrtälje Hamn, Gråalen	Rental apartments	Acquisition	2021 Q2	N/A
Bredäng Panorama	Apartments for sale	Joint venture	N/A	N/A

Source: company data. *Excluding refurbishment of existing rental apartments

HEBA also has a long-term refurbishment plan for its older rental apartments which we estimate will result in further capital expenditure of about SEK 200m per year through 2022. The company uses available apartments in its portfolio to evacuate each building for approximately 8-month renovations, environmental improvements (where financially justified), and other standard improvements. The completed renovations allow HEBA to increase rental incomes on these properties by about 50%, justifying the investment and improving the rental income in our projections.

In addition to adding to its share of community-service properties, HEBA has also identified further growth potential by expanding to new areas of the Stockholm region, adding apartments within or close to its existing buildings, seeking cooperation and joint ventures for new projects, and rationalising older residential properties. HEBA has the right to build 12 properties with a mixed profile of rental apartments, elderly care facilities, and apartments for sale in or near its existing portfolio with an estimated rental income of over SEK 200m. As these building rights are not yet in the development phase, they are not considered a material risk at this stage and the building rights could be transferred or sold if necessary.

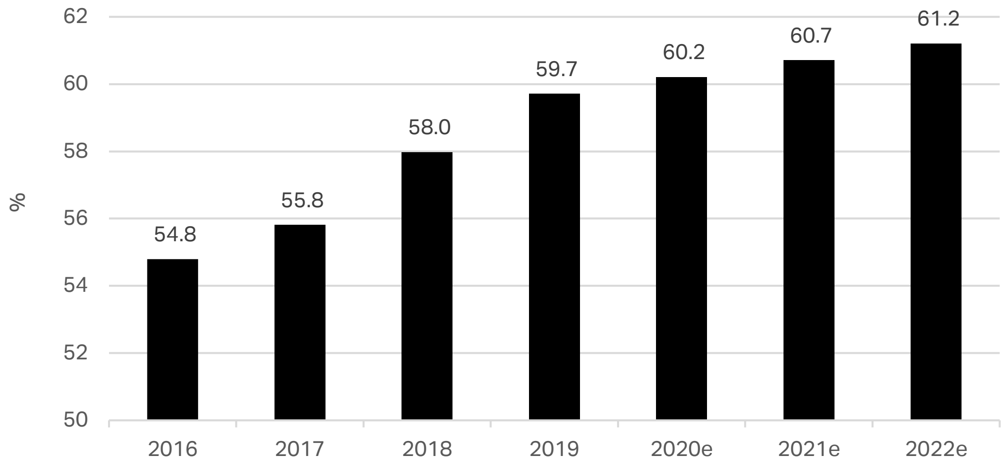
The company has announced a project to build 200 apartments for sale in Bredäng via a joint venture with Åke Sundvall Byggnads AB which will commence in the third quarter of 2020. This project will represent both HEBA's first collaboration and first venture into the apartments-for-sale (bostadsrätter) market. The company has secured the right to convert the apartments to rental apartments if market demand for newly produced apartments is low.

OPERATING EFFICIENCY

Operating efficiency scores 'a'

Demand for rental housing in Stockholm ensures that HEBA's occupancy rate remains very high and operating efficiency remains stable. Current vacancy rates are below 0.1% and reflect periodic rotation of residential rental tenants. Increasing volume in the company's community-service buildings is expected to continue to contribute to steady improvements in operating efficiency. In addition, new production and renovations to older rental properties will allow for rental increases in excess of cost inflation. Accordingly, we project EBITDA margins will continue their steady increase and improve towards 61% by 2022.

Figure 8. HEBA's operating efficiency, 2016-2022e



Source: Company data

FINANICIAL RISK PROFILE

Financial risk profile scores 'bbb+'

HEBA has historically maintained modest leverage and continues to improve its rental income and net interest coverage as it updates its portfolio via refurbishments and acquisitions. We view the company's overall financial policy and risk appetite as prudent and consider the long-term nature of its ownership in our overall assessment of financial risk. We note that HEBA's growth plans for the coming year will increase the company's LTV and leverage enabling it to finance new projects, resulting in an LTV ratio of 40-42% through 2022. We consider our forecast LTV, net interest coverage and leverage as well as the company's low risk appetite and financial targets in our financial risk assessment.

Figure 9. HEBA financial targets, 31 Mar. 2020

Financial policy	Target	31 Mar. 2020*
Equity/total assets (%)	> 40	51.9
LTV (%)	< 50	34.3
Share of community-service properties (%)	< 20	11
Dividend payout (%)	70	70.5**

Source: company data. *HEBA's own calculations **2019 dividend payout

We expect HEBA to use bank financing as its main source of future funding aside of equity (52% of total assets), complemented by short-term certificate financing via a SEK 2bn certificate programme. The company's bank loans are typically secured by its property assets, with SEK 3.1bn in mortgaged assets (29% of total assets and 87% of outstanding debt) as of 31 Mar. 2020. We expect management to remain well within its financial targets despite increases in debt and leverage over the coming year.

Figure 10. HEBA's balance sheet structure, 31 Mar. 2020

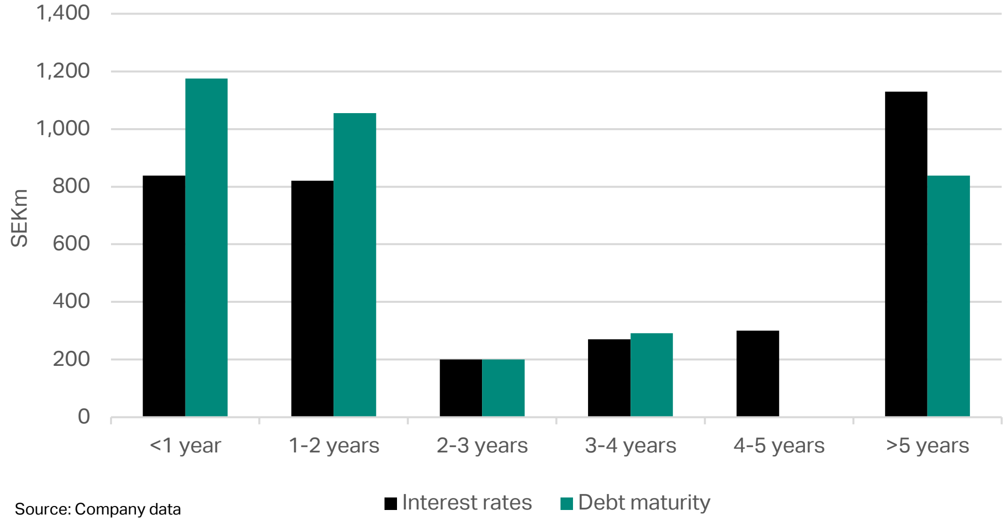
Source: Company data

Despite the current market conditions resulting from the COVID-19 pandemic and the disruptions in market access, HEBA continues to move ahead with its growth objectives in large part due to its strong banking relationships and committed acquisition financing. Given the current increase in market spreads we believe that the company could face a temporary increase in its average interest costs (1.32% as of 31 Mar. 2020) during 2020 and 2021.

As of 31 Mar. 2020, HEBA had SEK 1.2 billion in maturing financing over the coming 12 months, including SEK 875m in unsecured certificate financing. We expect the company to use a SEK 1bn revolving credit facility (maturing from 2022 to 2025) to repay maturing certificates, if necessary, and to manage liquidity with an additional SEK 140m overdraft facility. In addition, HEBA has contracted to acquire properties under development (Täby Park and Silverdal) totalling nearly SEK 600m during 2020 for which it plans to rely on its strong banking relationships.

The company has actively increased its loan maturity in 2020 with the average maturity of the loan book, including commitments, rising to 3.9 years in the first quarter (compared with 2.5 years at end-2019), with interest rate maturity of 3.8 years (3.3 years). We note that in May 2020 the company was able to obtain a 10-year loan with a spread of 1.1% over the 3-month Stockholm interbank offered rate, which was used in part to repay outstanding short-term debt. HEBA uses interest rate derivatives to limit the effects of interest rate changes. A total of SEK 1,250 million of the loan portfolio had been tied through interest rate derivatives as of 31 Mar. 2020. During the fourth quarter of 2018 HEBA realised a loss of SEK 46m to swap existing derivatives with longer-dated derivatives at lower interest rates.

Figure 11. HEBA's debt and interest rate maturities, 31 Mar. 2020



Source: Company data

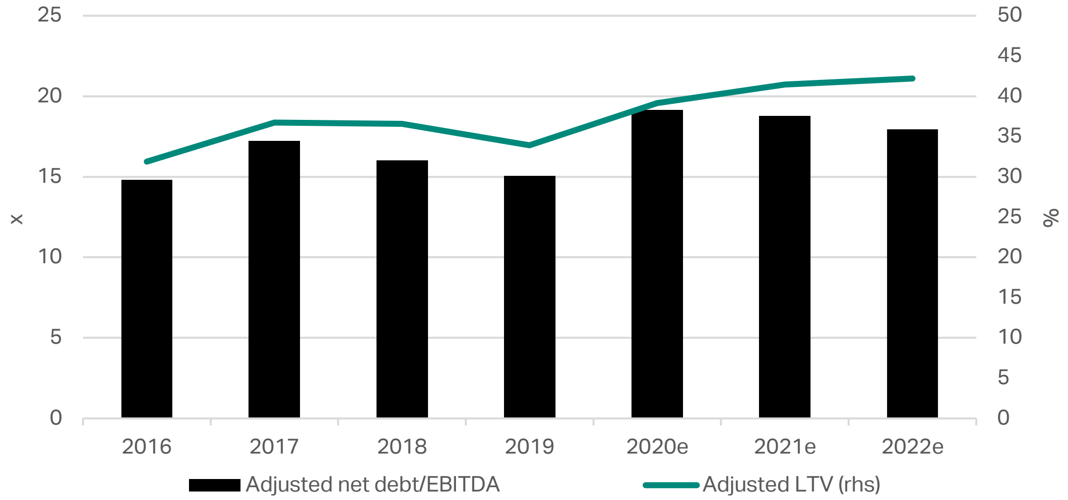
In our base-case scenario, we assume the following:

- Rental income growth of 1% in 2020, 14% in 2021 and 9% in 2022, with growth mainly resulting from the completion of existing projects and refurbishment of properties allowing rental increases for existing apartments.
- EBITDA margin to improve to 62% by 2022.
- Interest costs on external debt of SEK 50-55m a year in 2020-2022.
- Investments in new projects of about SEK 700m in 2020 and SEK 300m in 2021, including agreed acquisitions, and capital expenditure of about SEK 400m in 2020-2022.
- We include contracted acquisition financing and assume that other capital expenditures are financed by 75% debt.
- We assume that the company will use its SEK 140m overdraft facility to maintain cash levels at a minimum.
- We anticipate a dividend payment of 70% of the post-tax earnings from property management.
- Value increases of the existing portfolio reflect only a 5% increase from the finalisation of new projects, refurbishments and acquisitions.

Based on these assumptions, we arrive at the following for 2020–2022:

- adjusted LTV of 40-42%;
- adjusted EBITDA to net interest (including leasing costs) increasing above 5x in 2021 after falling to 4.1x in 2020 due to project investments and higher financing spreads due to COVID-19 effects; and
- adjusted debt to EBITDA increasing to nearly 20x in 2020 before falling as new project revenues improve in 2021 and 2022.

Figure 12. HEBA's adjusted net debt/EBITDA and adjusted LTV, 2016-2022e



Source: Company data

We expect HEBA to remain well within its financial targets despite likely increases in debt and leverage over the coming year. We expect HEBA's net debt to increase by SEK 1bn during 2020 (200m in the first quarter), as a result of new investment which increases our expectations of LTV to above 40%. However, we note that the company sold cash-generating properties in 2019 to make new investments which will only begin generating revenues in 2020 and 2021. The resulting improvement in earnings is expected to reduce leverage. While we include only modest value changes for completed projects and acquisitions in our projections, capital expenditures on new projects, refurbishment and acquisitions could result in lower-than-projected LTV as properties begin generating cash flow.

RISK APPETITE

Risk appetite is considered low

Our view of HEBA's risk appetite reflects the company's long history, stable ownership, steady growth and commitment to its customers and employees. We view the company's growth objectives as supportive for improved diversification and earnings, with only a marginal increase in risk appetite. We note that the company is transforming its portfolio by expanding further into community-service properties and increasing its coverage of the Stockholm region, and even considering opportunities in neighbouring locations such as Uppsala and Tyresö. However, additional risk is low given that the company's leasing contracts for community-service properties are 15-20 years, with both private and public tenants such as Attendo Care, Vardaga, Frösunda Omsorg, and Salem municipality.

We also view the joint venture agreement to develop apartments for sale as a small step into a somewhat riskier property segment. However, we understand that the properties are also approved as rental apartments and would be converted to attractive new rentals if the housing market is not conducive to the sale of newly produced apartments. We believe these considerations, as well as the increase in leverage via new acquisitions in our projections, is captured in our forward-looking financial risk assessment.

LIQUIDITY

Liquidity is a neutral factor due to strong bank relationships

We assess HEBA's liquidity profile as adequate, reflecting its strong relationships with Nordic banks. The company's SEK 1.14bn in revolving credit facilities and overdraft facilities provides additional liquidity support given the ongoing disruption in the corporate bond and certificate markets. Thus far in 2020, management has actively extended the company's debt maturity profile and replaced some short-term financing with an SEK 400m 10-year bank loan and a one-year 100m bank loan since the end of March. The company has committed to new projects, but we believe it has good access to further financing from its banks for its 2020 maturities as well as new financing. HEBA has a very low cash balance, but manages liquidity with its SEK 140m overdraft facility, which was increased from SEK 80m during May 2020.

We estimate the following primary liquidity sources for the next 12 months as of 31 Mar. 2020, a total of SEK 2,352m:

- cash and equivalents of SEK 2m;
- SEK 400m in 10-year bank loans signed in May 2020;
- a SEK 100m 1-year bank loan signed in April 2020;
- an additional SEK 750m in bank loans for committed acquisitions over the next 12 months;
- SEK 950m in undrawn credit facilities maturing in 2022-2025; and
- funds from operations, we consider SEK 150m through 31 Mar. 2021 (stressed downwards 25% from our base case).

We anticipate liquidity to be used for the following over the next 12 months, a total of SEK 2,275m:

- maturing secured debt of SEK 212m through 31 Mar. 2021 (including SEK 52m which matured 30 Apr. 2020);
- SEK 875m in outstanding certificates maturing in 2020;
- costs of acquisitions and deposits for committed projects of SEK 688m;
- a dividend pay-out of about SEK 100m for 2020; and
- planned capital expenditure of about SEK 400m.

Given that HEBA secures financing for its contracted acquisitions sources outweigh uses of liquidity and we believe that the company has sufficient liquidity over the next 12 months. In our view, the company's ability to obtain long-term financing in the weeks following the outbreak of the COVID-19 pandemic demonstrates banks' long-term commitments to HEBA.

FOCUS ON ESG IS INGRAINED IN STRATEGIC GOALS

ESG assessment is neutral

HEBA's environmental, social and corporate (ESG) governance policies support our view of the company's overall business risk and competitive position. In addition to its financial goals, the company includes measurable customer and employee satisfaction as well as sustainability goals among its corporate goals.

HEBA's environmental commitment is focused on reducing the energy consumption of its buildings as well as environmentally certifying all of its newly produced buildings. Refurbishing apartments often includes installing geothermal heating, additional insulation, energy efficient windows and appliances, solar panels and other measures to improve energy efficiency. All of the company's energy usage is monitored in an effort to identify areas for improvement. The company claims to have reduced its properties' energy consumption by 7% on its way to a 2028 target of a 20% reduction. The company's ambition is to be climate neutral and until it achieves this operationally it contributes to a UN climate compensation program (compensating 950 tons of CO_2 emissions in 2019). The company manages one solar panel park and plans to install a second during 2020. For its new production, HEBA targets a silver-level certification from Miljöbyggnad, which measures 16 environmental factors for each building. As of end-2009, three of the company's developments had been certified.

HEBA also assumes social responsibility for its community-service facilities and rental apartments. The company conducts surveys of tenants and employees and has established minimum levels of satisfaction in its corporate goals. The company also contributes to charity organisations focused on improving the local community.

Given the demand for rental housing in Stockholm, the company acknowledges the risk of bribes, corruption, and illegal property transfers. HEBA conducts internal education programs and has instituted a no tolerance code of conduct to ensure that its employees understand their ethical responsibilities. NCR's view is that the HEBA's focus on employee and tenant satisfaction as well as sustainable environmental and financial goals is consistent with the company's long history, stable ownership, and long-term approach to corporate culture.

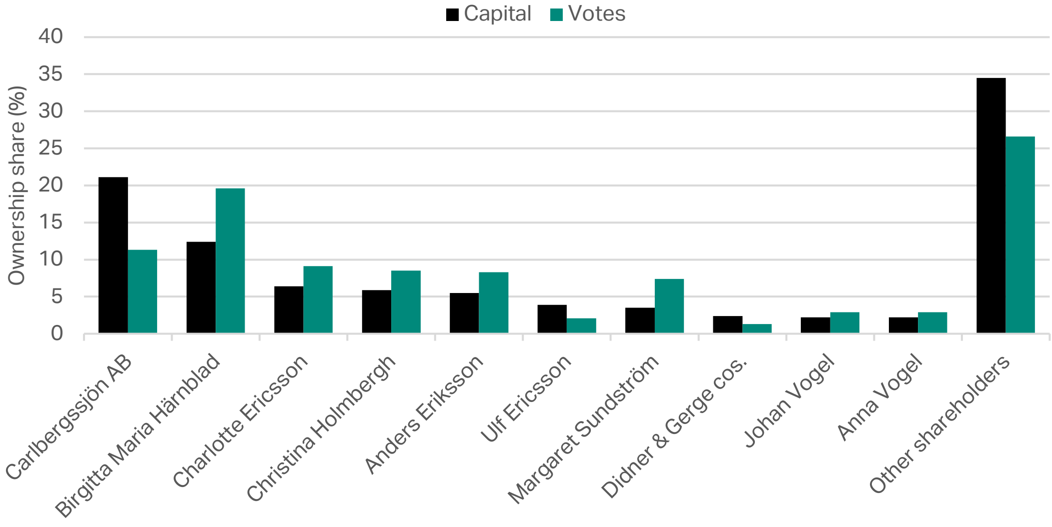
SUPPORT, OWNERSHIP AND CREDIT ENHANCEMENT

Ownership support is neutral

We view HEBA's ownership structure as supportive of the company's long-term and low-risk strategy and solid financial position, which we factor into our assessment via the financial risk profile and overall rating on the company. The largest owners are, or are associated with, descendants of HEBA's founders, which suggests they have a long-term financial commitment to the company.

As a testament to the stability of the company, it has not been necessary for the owners to inject capital for decades and the paid-in capital has been constant since the company began IFRS reporting in 2005.

Figure 13. HEBA's capital and voting ownership structure, 30 Apr. 2020



Source: HEBA website, as of 30 Apr. 2020

ISSUE RATINGS

HEBA is financed primarily by secured bank loans and senior unsecured obligations. The share of secured bank loans is more than 50% of outstanding debt. If the company begins issuing long-term senior unsecured obligations, NCR is likely to notch such instruments down by one notch in line with our criteria.

Figure 14. HEBA key financial data

SEKm	2017	2018	2019	Q12020 LTM
INCOME STATEMENT				
Revenue	335	381	388	385
Cost of goods sold	-120	-130	-127	-122
Selling, general & admin. expenses	-28	-30	-29	-30
EBITDA	187	221	232	233
Interest costs	-51	-55	-49	-49
Pre-tax profit	471	724	781	726
Net Profit	368	654	724	684
BALANCE SHEET				
Property, plant and equipment	8,771	9,655	10,135	10,367
Total non-current assets	8,777	9,693	10,337	10,661
Cash and cash equivalents	6	6	25	2
Total current assets	27	31	62	37
Total assets	**8,804**	**9,724**	**10,399**	**10,698**
Total equity	4,293	4,873	5,506	5,554
Long-term interest-bearing loans	2,472	2,101	1,747	2,385
Other long-term liabilities	1,175	1,201	1,411	1,446
Total non-current liabilities	3,648	3,302	3,158	3,831
Total current liabilities	863	1,549	1,735	1,313
Total equity and liabilities	**8,804**	**9,724**	**10,399**	**10,698**
CASH FLOW STATEMENT				
Pre-tax profit	471	724	781	726
Operating cash flow	172	170	173	196
Cash flow from investing activities	-929	-377	121	-107
Cash flow from financing activities	761	207	-275	-89
Cash and cash equivalents beginning of the year	2	6	6	1
Cash flow for the year	**4**	**0**	**19**	1
Cash and cash equivalents at the end of the year	6	6	25	2

Figure 15. Scoring summary sheet

Subfactors	Impact	Score
Operating environment	20.0%	a+
Market position, size and diversification	12.5%	bb
Portfolio assessment	12.5%	a-
Operating efficiency	5.0%	a
Business risk assessment	50.0%	a-
Ratio analysis		bbb+
Risk appetite		a-
Financial risk assessment	50.0%	bbb+
Indicative credit assessment		**a-**
Liquidity		Adequate
ESG		Adequate
Peer comparisons		Neutral
Stand-alone credit assessment		**a-**
Support analysis		Neutral
Issuer rating		**A-**
Outlook		Stable
Short-term rating		**N-1+**

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating Issue credit rating
Publication date:	The rating was first published on 28 May. 2020.
Office responsible for the credit rating:	Nordic Credit Rating AS (NCR), Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009.
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Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	NCR's Corporate Methodology published on 14 Aug. 2018 NCR's Rating Principles published on 16 Sep. 2019 The methodology and principles documents provide analytical guidance to NCR's rating activities including but not limited to, assumptions, parameters, cash flow analysis, and stress-testing. NCR's methodologies and principles can be found on our website nordiccreditrating.com/governance/policies. The historical default rates of entities and securities rated by NCR will be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA).
Materials used when determining the credit rating:	Annual- and quarterly reports of the rated entity, Bond prospectuses, Company presentations, External market reports, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity.
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Ancillary services provided:	No ancillary services were provided.
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