# Axfast AB (publ)

Initial Rating Report

LONG-TERM RATING

**BBB**

OUTLOOK

**Stable**

SHORT-TERM RATING

**N-1+**

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*CORRECTION (31 Aug. 2020): This report has been republished due to a correction in the treatment of operational leases. Please see our website for further information on the correction.*

## RATING RATIONALE

Our 'BBB' long-term issuer credit rating on Swedish commercial property manager Axfast AB (publ) (Axfast) reflects the company's strong financial profile and long-term strategic ownership. Axfast had exceptional adjusted credit metrics, including a low loan-to-value (LTV) ratio of 19.4% and rolling 12-month net interest coverage of 4.6x EBITDA as of 30 Jun. 2020. The company is part of the Axel Johnson Group, which we view as a strong and long-term owner.

The rating is constrained by Axfast's geographic concentration in the Stockholm region, high single-name and sector concentration of tenants, and the challenging outlook for some of its largest tenants. In particular, tenants within the retail and hotel segments have been affected by the economic impacts of COVID-19 on private consumption and travel, which could negatively affect rental income. In addition, the company has a relatively high share of project properties as part of its strategy to purchase properties in central locations and increase the attractiveness of certain areas of Stockholm.

## STABLE OUTLOOK

The stable outlook reflects our expectations that Axfast will maintain a strong financial position despite the challenges facing some of its primary tenants. We expect the negative impact on revenues to continue through 2020, with a risk that renegotiated rates and temporary rebates could affect revenues in 2021 as well. The outlook also assumes that the company will be successful in securing tenants for its largest project.

### POTENTIAL POSITIVE RATING DRIVERS

- Improved economic environment for tourism and retail.
- Extended debt maturity profile.
- Reduced tenant and segment concentration.

### POTENTIAL NEGATIVE RATING DRIVERS

- Protracted COVID-19 impact on rents and key tenants.
- Deterioration of credit metrics with LTV rising above 35% or interest coverage falling below 3.5x EBITDA.

**Figure 1. Axfast key credit metrics, 2017–2022e**

| SEKm | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|---|---|---|---|---|---|---|
| Revenue | 562 | 595 | 594 | 557 | 643 | 668 |
| NCR-adjusted EBITDA | 427 | 404 | 389 | 379 | 437 | 454 |
| Property portfolio (market value) | 12,550 | 14,318 | 14,948 | 15,409 | 16,057 | 16,557 |
| NCR-adjusted net debt | 3,267 | 3,519 | 2,761 | 3,039 | 3,345 | 3,529 |
| Total assets | 6,504 | 7,521 | 6,885 | 7,190 | 7,764 | 8,351 |
| NCR-adjusted debt/EBITDA (x) | 7.7 | 8.7 | 7.1 | 8.0 | 7.7 | 7.8 |
| NCR-adjusted EBITDA/interest (x) | 3.5 | 3.8 | 4.1 | 4.4 | 5.0 | 5.1 |
| NCR-adjusted LTV (%) | 26.0 | 24.6 | 18.5 | 19.7 | 20.8 | 21.3 |

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

## COMPANY PROFILE

Axfast is a commercial property management company focusing on high-end and centrally located properties in the Stockholm region. Having previously held properties in both Gothenburg and Uppsala, the company now focuses entirely on office, retail, hotel and logistics properties in Stockholm. The company's primary strategy is to manage multi-use properties for office and ground-level retail and restaurants and to grow via large one-off acquisitions and development in Stockholm's central business districts.

The company is part of the Axel Johnson Group. However, 95% of the company's tenants are from outside the group. The company will replace its CEO of 16 years, Erik Lindvall, in August 2020 with Johan Berfenstam, who has spent his career in acquisitions and development of Swedish real estate.

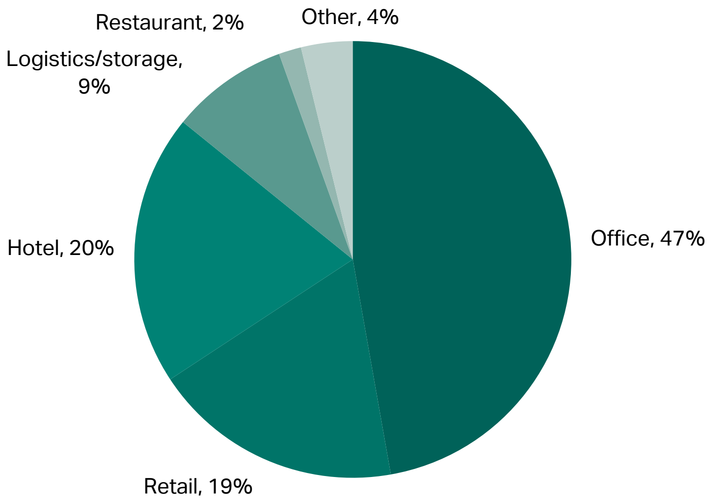
## OPERATING ENVIRONMENT

Business risk assessment scores 'bb+'

Our business risk assessment reflects the concentration of Axfast's properties in Stockholm city centre. It also reflects the company's diverse tenant exposure through several sectors such as retail, restaurants and offices – albeit with significant concentrations on single name tenants. Our view of the portfolio and operating environment is affected by the negative economic impact of COVID-19, especially on retail and hotels, which account for nearly 40% of the company's tenant base. Despite potential for renegotiation of rental rates, Axfast maintains strong earnings and a relatively high average occupancy rate, which supports our overall view of the company's business risk.

Axfast's property portfolio consists of 19 properties, mostly within the central business and city districts of Stockholm. The company's strategy is to maintain a balanced diversity of tenants in its offices, hotels, and logistics and retail premises within its mostly multi-use properties. Axfast puts an emphasis on creating attractive environments for workers, tourists and shoppers in central locations.

**Figure 2. Axfast tenant exposure, June 2020**




Based on company data

Operating environment scores 'bb'

The commercial real estate segment has benefited from benign economic conditions in recent years, coupled with low interest rates, high rent levels, and yield compression, which have resulted in increasing property values.

However, the economic response to the COVID-19 pandemic has resulted in the furloughing of employees, redundancies, significant reductions in demand for many business services, and lower demand for office space. We expect the ongoing economic conditions and overall success of remote working during the crisis to reduce demand for office space, in turn resulting in shorter-term contracts or a failure to renegotiate maturing contracts on existing terms. One long-term effect of the pandemic could be increased vacancy rates as usage of office space could be going through a structural shift as employees and companies become increasingly comfortable with remote working. This could result in more flexible contract structures, such as shorter lease terms or more flexible usage of office space.

In addition, a significant part of Axfast's tenant base is exposed to the effects of COVID-19. About 20% of the company's revenue is associated with two Scandic hotels and an additional 19% comes primarily from clothing-related retail tenants, which could affect revenues if travel and shopping behaviour fails to normalise in the next few quarters. The hotel and restaurant segment remains severely affected by sharply reduced business and leisure travel. The retail industry, which was already under pressure from rising e-commerce, has also been negatively affected as customers stay at home, forcing shopkeepers to reduce their operating hours as a result of lower foot traffic and in-store sales. We note that Swedish retailers MQ (now MQ Marquet) and RNB Retail and Brands AB (publ), which operate in a similar customer segment to many of Axfast's retail tenants, have faced severe economic distress since March 2020. As noted in our recent report, Logistics property operators ride out COVID-19 downturn, published 25 Jun. 2020, a rapid rise in the proportion of e-commerce within the overall retail sector could be imminent. The share was above 10% in Sweden in 2019 and we expect e-commerce growth to accelerate due to COVID-19, as retailers experience decreasing physical footfall.

Axfast's logistics exposures are associated with two properties in Jordbro, south of Stockholm, which have stable tenants. However, we note that the construction of a large grocery distribution centre for sister company AxFood, covering Stockholm and the nearby cities of Västerås and Uppsala is scheduled for completion in 2023 and could negatively affect one of Axfast's largest logistics-related tenants.

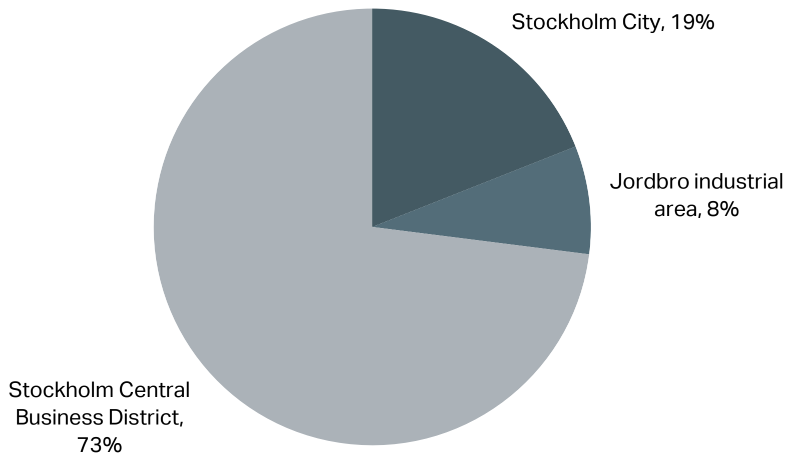
### MARKET POSITION, SIZE AND DIVERSIFICATION

Market position, size and diversification scores 'b'

As of June 2020, Axfast's property portfolio was valued at SEK 14.5bn. The portfolio consists of 19 properties with more than 150 tenants, a total area of 173,000 sqm and annual rental value of nearly SEK 600m. By all measures the company has a relatively minor position in the Nordic real estate landscape. Property companies with a comparable focus on the Stockholm region include Fabege, Hufvudstaden, Humlegården, Atrium Ljungberg, Castellum and Vasakronan, all of which have considerably larger and more diverse property portfolios and materially lower tenant concentrations than Axfast.

Having divested properties in Gothenburg and Uppsala, Axfast is concentrated on the Stockholm region. The geographic diversity of the property portfolio is quite narrow, especially given the small number of properties and high concentration of tenant revenues. Most of the properties are located within the central business and city districts of Stockholm although the logistics properties are located in Jordbro, a logistics hub south of the city.

**Figure 3. Axfast property portfolio by region of Stockholm, June 2020**




Based on company data

In addition to geographic concentrations, Axfast has material concentrations on individual clients and sectors. In particular, nearly 40% of the company's rental income is associated with the hotel, restaurant and retail segments, all of which are struggling to cope with the economic consequences of measures to slow the transmission of COVID-19. The company's top 10 tenants represent nearly 60%

of total revenues, which we view as a material weakness. We note that the Swedish government's support for rental contracts could help reduce the impact of the pandemic on Axfast's most affected customers and that the company has applied for support in respect of SEK 11m of its second-quarter revenues, that would leave Axfast with SEK 5.5m in associated loss of rental income.

As of June 2020, Axfast's largest tenant, Scandic Hotel, accounted for approximately 20% of the company's revenues, primarily via the landmark Haymarket hotel in central Stockholm. We understand that rental rebates for 2020 are under discussion and dependent on the recovery of business and personal travel, which remains subdued despite a recent reduction of travel restrictions within Sweden and between Nordic and other European countries.

Axfast also has large single-name concentrations on competitors in the mid-level fashion industry. This industry was already under pressure from e-commerce prior to the pandemic and faces additional challenges due to reductions in foot traffic in central Stockholm and changing customer behaviour as a result of social distancing measures. In Sweden, the segment has already seen the default and restructuring of major brand names since March 2020 and the outlook for the industry remains weak due to uncertainty about the third quarter of 2020. Sweden's Public Health Agency recently recommended that domestic employees continue to work from home where possible for the remainder of 2020 to reduce the use of public transport, and this is likely to continue to affect foot traffic in central Stockholm.

The office segment accounts for nearly 50% of Axfast's rental revenues and despite increased working from home and the potential for rental re-negotiations, has demonstrated resilience thus far. Key office clients include management consulting companies and global retailers on multi-year contracts.

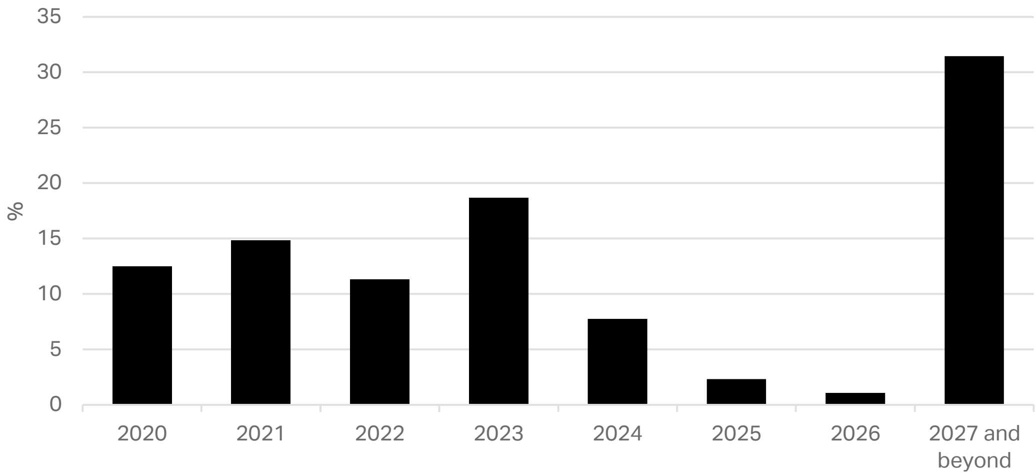
## PORTFOLIO ASSESSMENT

Portfolio assessment scores 'bbb+'

Despite Axfast's concentrations, the majority of the company's properties are Tier 1 in terms of location and attractiveness, reducing the risk of long-term vacancies. Our overall view of the portfolio is negatively affected by the large Boken 6 project (see Figure 5), at which tenant contracts have yet to be finalised. We estimate that securing contracts at Boken 6 will reduce Axfast's vacancy rate by more than 50% and have included the impact of increased revenue generation in our 2021 and 2022 revenue forecasts given the likelihood that tenants will be secured in the next few months.

Axfast has an average tenant contract of 4.5 years (including vacancies) which supports our assessment of the portfolio. We note that the current economic situation has resulted in renegotiations and rebates on existing contracts prior to maturity, as well as conversion of payments from quarterly to monthly in many cases. Our base-case expectation is that some rebates will continue into 2021 before normalising in 2022.

**Figure 4. Axfast rental revenue maturities and average remaining lease terms, June 2020**




Source: Company data

Axfast aims to obtain recognised certification for its property portfolio, and as of 31 Dec. 2019, three existing properties had been certified by building sustainability certification agency BREEAM, according to its in-use criteria. In addition, the company's development properties are expected to be eligible for certification. Due to the diversity of the property portfolio, the effect for each tenant is likely to be different depending on its sector of operation. Provision of low-cost green energy could make the properties more attractive to both tenants and prospective buyers and decrease operating costs in cases where Axfast is responsible for such costs.

Axfast's development portfolio accounts for less than 10% of the overall property portfolio measured by rental value and floor area. NCR views the risk associated with development projects as high because of possible delays and unexpected costs. Axfast's development strategy is to acquire properties and redevelop or refurbish them over time, creating new environments for its tenants and their customers. Currently the company has three major renovation projects: Boken 6; Jakob Mindre 5 (mostly complete); and the recently commenced Jakob Mindre 11, which is being developed for the existing tenants. It also has a few smaller projects (see Figure 5). While renovation projects carry lower risk than greenfield projects, we note that new tenant contracts have not been finalised at the Boken 6 project.

While Axfast has stated that it will focus on developing existing properties, we believe that the company's financial position and completion of the Jakob Mindre 5 project could free capacity for further acquisitions and include annual acquisitions of SEK 500m a year in our projections, starting in the second half of 2020. We note that actual acquisitions are likely to be somewhat larger and more one-off in nature. However, we expect any such acquisitions to be financed according to the company's stated intent of keeping LTV below 50%.

**Figure 5. Axfast project overview, June 2020**

| Property | Property type | Estimated completion | Invested (SEKm) | Total investment (SEKm) |
|---|---|---|---|---|
| Boken 6 | Offices | Q1 2021 | 63 | 350 |
| Jakob Mindre 11 | Offices | 2022 | 4 | 250 |
| Jakob Mindre 5 | Offices | Q3 2020 | 94 | 102 |
| Riddaren 16 | Offices | 2021 | 1 | 25 |
| Sporren 16 | Shops | Q3 2020 | 7 | 13 |
| Other | | | 2 | 23 |
| **Total** | | | **170** | **763** |

Based on company data.

## OPERATING EFFICIENCY

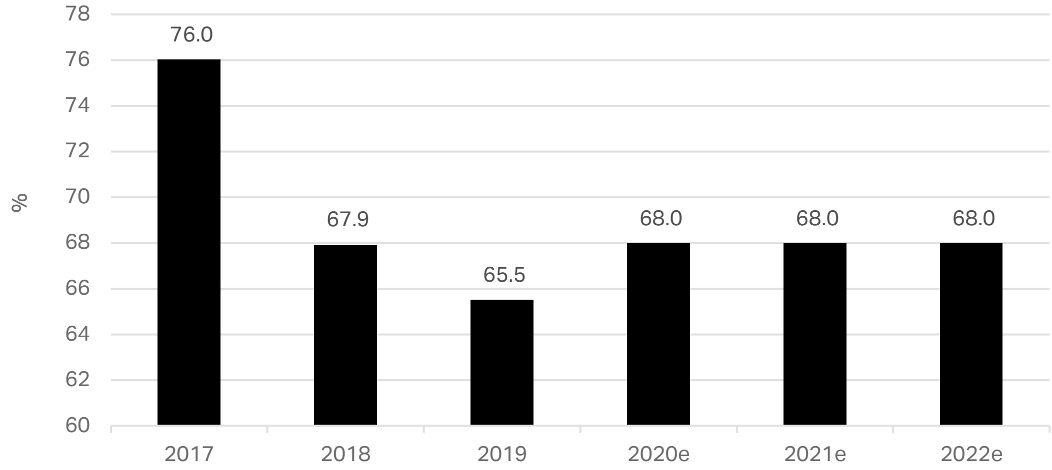
Operating efficiency scores 'bbb'

Axfast's average remaining lease term of 4.5 years as of 30 Jun. 2020 ensures some revenue transparency despite the potential for short-term rebates or renegotiations related to COVID-19. The majority of Axfast's contracts are linked to the Swedish consumer price index, mitigating some inflation risk.

Despite these concerns, Axfast says that most revenues have been received for the third quarter of 2020. However, given weak operating conditions for hotels and retailers, some of Axfast's tenants face liquidity problems, which affect their ability to make rental payments, and have forced some changes in rental terms, rebates, or deferral of rent payments. A protracted effect on these tenants could negatively affect Axfast's revenues and occupancy ratio, both through renegotiations of existing contracts and through financial distress afflicting tenants under longer contracts.

We expect Axfast to focus on reducing property management costs in response to lower revenues and, for this reason, we expect the EBITDA margin to remain stable throughout our forecast period.

Figure 6. Axfast EBITDA margin performance, 2017-2022e




Source: Company data. e-Estimate

Axfast's occupancy ratio was 92.3% as of 30 Jun. 2020, down from 96% at the same date last year. Excluding project properties, the ratio was 96.7%. The decline was due to evacuation of the Boken 6 property to enable refurbishment and development. We expect the occupancy ratio to remain at around 93% until the project is completed. Once the project is finalised at the end of the first quarter of 2021, we expect the ratio to increase depending on progress in negotiations with prospective tenants. Our stable outlook assumes that the company will find tenants for most of the property once the project is completed.

## FINANCIAL RISK ASSESSMENT

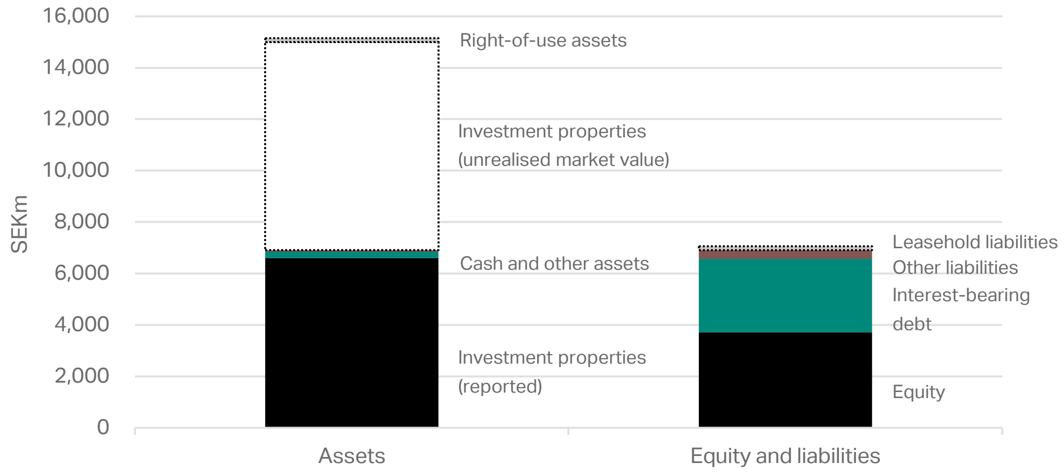
Financial risk assessment scores 'a-'

As of 30 Jun. 2020, Axfast had a strong financial position and low leverage compared with its Nordic real estate peers. We anticipate that the company will increase its leverage by acquiring new properties and investing in the transformation of existing properties. We note that valuations of its existing properties could decline if the economic impacts of COVID-19 continue to affect travel and retail behaviour.

The company's balance sheet and the additional unreported market value of its investment properties as of 30 Jun. 2020 are shown in Figure 7 and indicate a relative lack of leverage given the value of the portfolio. Axfast does not report the market value of its properties as the company is not listed and does not report according to International Financial Reporting Standards (IFRS). The company reports assets according to acquisition cost, and depreciates them over time.

In our assessment of Axfast's balance sheet structure, we adjust the company's investment properties according to external valuations to reflect market value. These external valuations report a standard deviation of +/- 10%. We do not accord the properties any other value increase. We also adjust assets and liabilities for right-of-use leasehold contracts by assuming 10-year leasehold and a 6% discount rate. In addition, we have reclassified property leasing expenses as net interest income. This differs from Axfast's public reporting according to Swedish Generally Accepted Accounting Principles, which includes leasing expenses as cost of goods sold and does not include right-of-use assets or liabilities. See Figure 7 for the effect of market value and right-of-use assets and leasing liabilities on the balance sheet and Figure 8 for the impacts on adjusted credit metrics.

**Figure 7. Axfast's adjusted balance sheet and unrealised market value, 30 Jun. 2020**




Based on company data and NCR

In our base case, we assume:

- a rental income decline of 6% in 2020 due in large part to COVID-19 related rebates and vacancies in project properties. In 2021 and 2022, we expect a 15% and 4% increase, respectively;
- an EBITDA margin of 68% through 2022;
- adjusted interest costs of SEK 85-90m in 2020-2022, including leasing costs;
- investments in properties through acquisitions and development of around SEK 1.7bn during the forecast period, reflecting an expectation of SEK 500m per acquisition per year beginning in the second half of 2020;
- acquisitions and ongoing projects financed through 50% external debt; and
- unchanged property values, except official valuations as of 30 Jun. 2020 and improvements due to capital expenditures.

**Figure 8. NCR adjustments to Axfast's reported credit metrics**

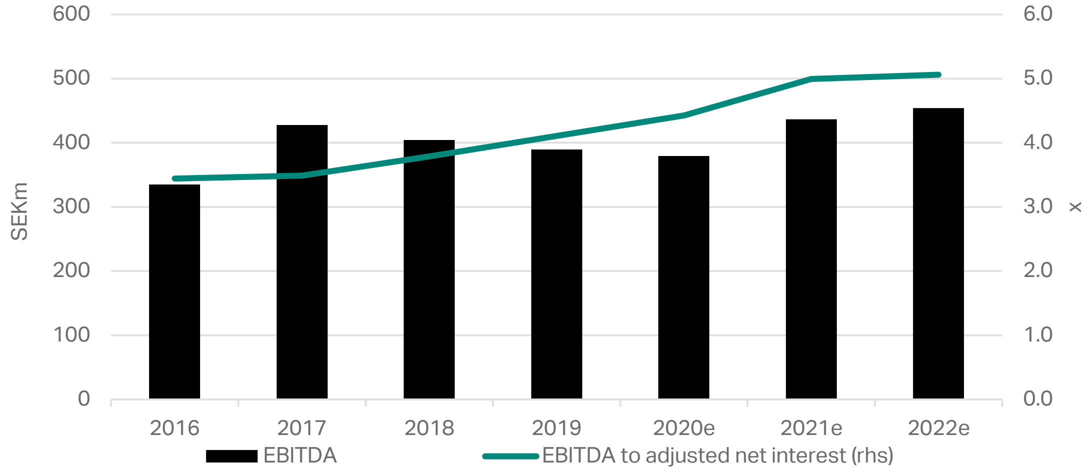
| SEKm | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|---|---|---|---|---|---|---|
| EBITDA | 427 | 404 | 389 | 379 | 437 | 454 |
| **Adjusted EBITDA** | **427** | **404** | **389** | **379** | **437** | **454** |
| Gross debt | 3,290 | 3,659 | 2,745 | 2,937 | 3,187 | 3,437 |
| Leasehold liabilities | 120 | 129 | 154 | 177 | 177 | 177 |
| Net 75% cash and equivalents | 143 | 269 | 137 | 75 | 19 | 85 |
| **Adjusted net debt** | **3,267** | **3,519** | **2,761** | **3,039** | **3,345** | **3,529** |
| Net interest | 106 | 89 | 74 | 62 | 63 | 66 |
| Financial costs from leasing | 16 | 18 | 21 | 24 | 24 | 24 |
| **Adjusted net interest** | **122** | **107** | **95** | **86** | **87** | **90** |
| Property portfolio | 6,273 | 7,110 | 6,642 | 7,086 | 7,734 | 8,234 |
| Market value adjustment | 6,157 | 7,079 | 8,152 | 8,146 | 8,146 | 8,146 |
| Right-of-use assets | 120 | 129 | 154 | 177 | 177 | 177 |
| **Adjusted investment properties** | **12,550** | **14,318** | **14,948** | **15,409** | **16,057** | **16,557** |

e-Estimate

Based on the above assumptions, we arrive at the following adjusted credit metric forecasts for 2020-2022:

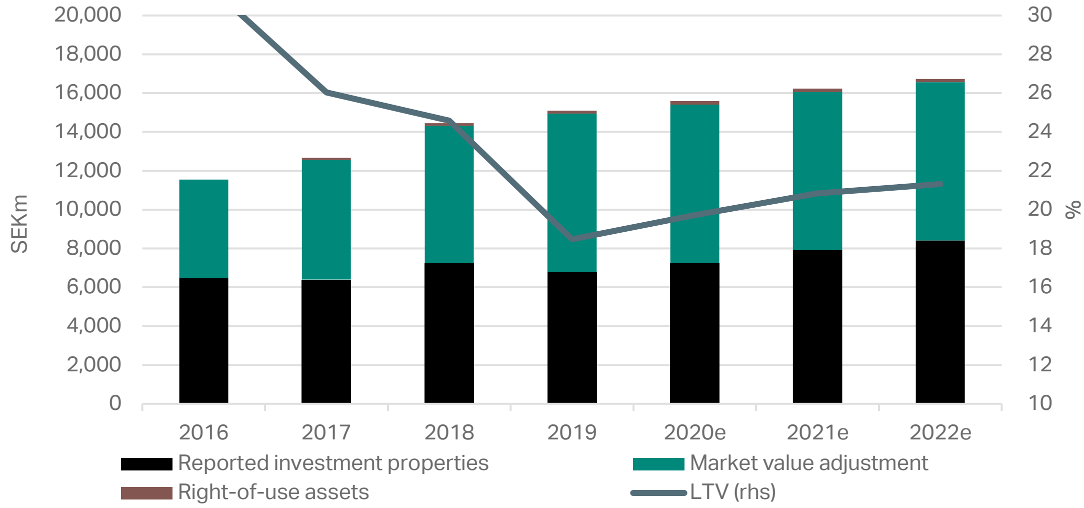
- adjusted debt to EBITDA of just under 8x;
- EBITDA to adjusted net interest increasing to above 5x; and
- LTV increasing as the company makes new investments, but staying well below 35%.

**Figure 9. Axfast EBITDA and EBITDA to adjusted net interest, 2016-2022e**




Based on company and NCR data. e-Estimate

**Figure 10. Axfast reported investment properties, market value adjustment, right-of-use assets and LTV 2016-2022e**

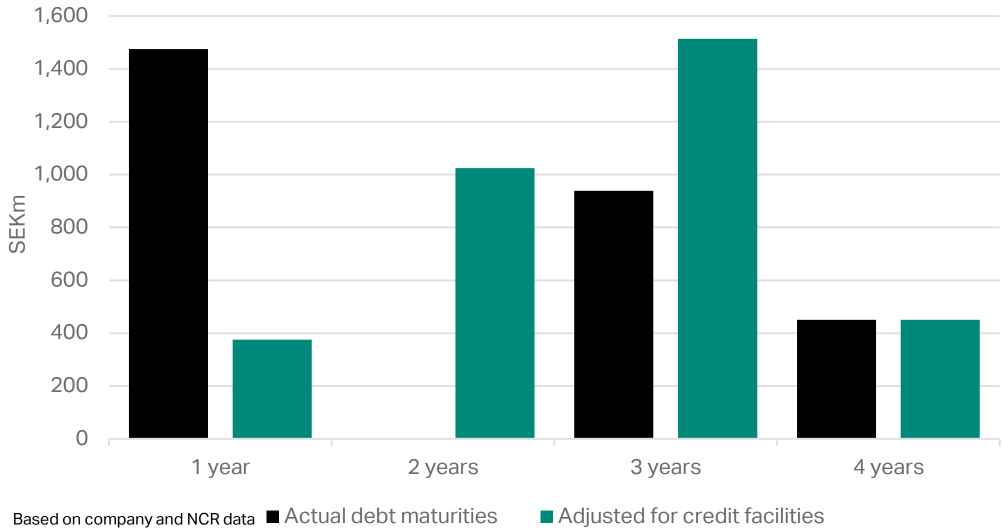



Based on company and NCR data

As of 30 Jun. 2020, Axfast reported average debt maturity of 2.5 years, with short-term commercial paper maturities adjusted for backup facilities. Considering contractual maturities, Axfast's average debt maturity is 1.8 years, which is somewhat shorter than other rated real estate companies, however, we note the company's ability to use its existing credit facilities to extend its short-term financing, if necessary. The company has two bank loans totalling SEK 375m maturing during the next 12 months, in addition to maturing commercial paper. In total, Axfast has access to about SEK 2.1bn in secured bank debt and SEK 1.0bn in commercial paper. In addition, the company had SEK 1.1bn in available credit facilities from two banks maturing in 2021 and 2022 as of June 2020.

We view the company's relationships with three strong domestic banks as supportive of our overall financial risk assessment. The covenants on the bank loans are rather modest given Axfast's current financial position and expected performance. Credit spreads and access to capital market and commercial paper financing have recovered for the most part since the outbreak of the COVID-19 pandemic. In addition, we expect low policy rates to continue throughout our forecast period and note that the three-month Stockholm Interbank Offered Rate has returned to levels of about 0%. Accordingly, we do not expect any material increase in prevailing interest rates in the current economic conditions.

**Figure 11. Axfast debt maturity profile, June 2020**




Based on company and NCR data

Axfast uses interest rate swaps with strong financial institutions as counterparties. We note that fixed rates paid on interest rate swaps extend the average interest rate maturity to 3.1 years and the average interest rate to 2.1% as of June 2020.

We assess Axfast's risk appetite as somewhat weaker than our financial ratio analysis given the company's debt maturity profile. In our view, the company's financial risk profile could be further strengthened by extending the maturity structure of outstanding debt, which is reflected in our key rating drivers. Our risk appetite assessment also reflects the company's aim of maintaining LTV below 50%, its narrow investment focus, and long-term business strategy. Given the very high valuations in the Stockholm market, Axfast entered 2020 with a plan to focus its investment on renovating development properties it acquired in 2018 and 2019. The company is considering further acquisitions given the COVID-19 related disruptions in the market and its strong financial position, which we reflect in our forecast acquisition estimates. While we reflect the related project risk in our portfolio assessment, we see this as a prudent business strategy.

## LIQUIDITY ASSESSMENT

Liquidity assessed as neutral

We assess Axfast's liquidity profile as neutral. In our view, the company's freely available cash, operating cash flow, and unutilised credit facilities cover its upcoming maturities and committed capital expenditures. We include no unidentified projects, acquisitions, or other commitments in our calculations.

We estimate the following uses of funds through the second quarter of 2021, totalling SEK 1.4bn:

- SEK 1bn in debt maturities; and
- approximately SEK 400m in capital expenditures.

We estimate the following sources of funds through the second quarter of 2021, totalling SEK 1.5bn:

- SEK 180m in cash and equivalents, equalling 75% of current cash and equivalents;
- SEK 235m in funds from operations, equalling 75% of estimated funds from operations (over the next four quarters); and
- SEK 1.1bn in unutilised credit facilities.

We note that Axfast has refinanced close to SEK 1bn since the end of the first quarter of 2020, of which the majority is within the company's SEK 2bn commercial paper programme. SEK 600m of debt maturing in the period ending 30 Jun. 2021 is commercial paper which we expect to be refinanced given the company's demonstrated market access. We do not include our projections for future acquisitions in our liquidity analysis, but believe that the company will add about SEK 500m a year to its property portfolio starting in the second half of 2020 using secured bank financing.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

ESG factors assessed as neutral

Environmental, social and corporate governance (ESG) factors are assessed as neutral.

The real estate segment in Sweden represents approximately 20% of the country's emissions and one-third of its waste. It is expected that the industry will do its part in cutting emissions and increasing efficiency so that Sweden can reach its goal of becoming a net zero emitter by 2045 and honour its commitment to the Paris Agreement. The majority of emissions come from development and refurbishment, while the remainder come from energy usage and waste generated over the lifetime of a building, a period of typically 50 years. A prudent and dedicated hands-on approach to the life cycle of properties is therefore important.

As of 31 Dec. 2019, three properties had been certified according to BREEAM in-use criteria and the company aims to have a further seven certified in the remainder of 2020. Axfast has a goal of certifying the remainder of its property portfolio before the end of 2021. In our opinion, such certifications provide additional funding opportunities, such as green or sustainable loans. Certification has the added benefit of making the properties in question potentially more saleable in an event of the need to liquidate. This is supported by transactions in which new bidders have emerged representing green funds or firms. We further believe that the use of renewable energy sources or efficient energy consumption could reduce the risk of regulatory changes in taxation. In our opinion, a strong focus on ESG factors can strengthen a company's competitive position in terms of attracting stable and creditworthy tenants.

Axfast is owned by two key shareholders, effectively minimizing risk to minority interests. However, the company has published no information on equality in renumeration, hiring or gender diversity. It currently has 12 employees. There is no policy on whistleblowing, or how to ensure fairness in contracts with subcontractors.

### OWNERSHIP SUPPORT

Ownership support assessed as neutral

Axfast is one of four separate business groups in the Axel Johnson Group. The other three are the Nordic-focused investment holding company Axel Johnson AB, the US investment holding company Axel Johnson Inc. and the family office asset management company AltoCumulus AB. In addition, the group owns a portion of investment holding company Nordstjernan.

The primary owner, Antonia Ax:son Johnson, is a descendant of the company's original founder and namesake, demonstrating a tradition of long-term financial commitment by the group to Axfast. We view Axfast's ownership as supportive of the company's long-term strategy and solid financial position, and factor this into our assessment via the financial risk profile and overall rating on the company. The owner is represented on the board of directors with two members.

We note that the relatively modest annual dividend payment of SEK 4m allows for a high level of reinvestment and results in the strong financial position considered in our financial risk assessment.

### ISSUE RATINGS

Axfast is financed primarily by secured bank loans, which account for more than 50% of its outstanding debt. If the company begins issuing long-term senior unsecured obligations, we are likely to notch such instruments down by one notch from the issuer rating, in line with our criteria.

Figure 12. Axfast key financial data

| SEKm | 2017 | 2018 | 2019 | LTM Q2/20 |
|---|---|---|---|---|
| **INCOME STATEMENT** | | | | |
| Revenue | 562 | 595 | 594 | 596 |
| Cost of goods sold | -147 | -166 | -192 | -197 |
| Selling and administrative costs | -5 | -43 | -34 | -31 |
| **EBITDA** | **411** | **387** | **368** | **368** |
| Interest costs | -106 | -89 | -74 | -62 |
| Change in property value | 281 | 603 | 236 | -0 |
| Change in value of financial instruments | 0 | 0 | -16 | -16 |
| **Pre-tax profit** | **347** | **626** | **280** | **65** |
| Current tax | -14 | -7 | -17 | -21 |
| Deferred tax | -11 | 2 | 1 | 0 |
| **Net Profit** | **561** | **860** | **498** | **43** |
| **BALANCE SHEET** | | | | |
| Investment properties | 6,254 | 7,088 | 6,527 | 6,429 |
| Total non-current assets | 6,279 | 7,114 | 6,647 | 6,437 |
| Cash and cash equivalents | 190 | 359 | 182 | 240 |
| Total current assets | 225 | 406 | 238 | 291 |
| **Total assets** | **6,504** | **7,521** | **6,885** | **6,728** |
| Total equity | 2,826 | 3,428 | 3,687 | 3,712 |
| Long-term interest-bearing debt | 2,609 | 2,072 | 1,139 | 1,389 |
| Total non-current liabilities | 2,758 | 2,246 | 1,305 | 1,559 |
| Total current liabilities | 920 | 1,846 | 1,892 | 1,638 |
| **Total equity and liabilities** | **6,504** | **7,521** | **6,885** | **6,909** |
| **CASH FLOW STATEMENT** | | | | |
| Pre-tax profit | 347 | 626 | 280 | 68 |
| Operating cash flow | 298 | 624 | 413 | 218 |
| Cash flow from investment activities | 150 | -340 | 230 | -177 |
| Cash flow from financing activities | -458 | -116 | -820 | 24 |
| Cash and cash equivalents at beginning of year | 201 | 190 | 359 | 175 |
| **Cash flow for the year** | **-11** | **168** | **-177** | **65** |
| Cash and cash equivalents at end of year | 190 | 359 | 182 | 240 |

**Figure 13. Scoring summary sheet**

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

| | |
|---|---|
| Type of credit rating: | Long-term issuer credit rating<br>Short-term issuer credit rating |
| Publication date: | The rating was first published on 10 Aug. 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. |
| Primary analyst: | Mille O. Fjeldstad, +4799038916, mille.fjeldstad@nordiccreditrating.com |
| Rating committee chairperson responsible for approval of the credit rating: | Sean Cotten, +46735600337, sean.cotten@nordiccreditrating.com |
| 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<br>NCR's Rating Principles published on 16 Sep. 2019<br>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.<br>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, Company presentations, Meetings with management of the rated entity, Non-public information, Website of rated entity. |
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| Additional information: | Prior to publication, the rating was disclosed to the rated entity. The issuer was given 24 hours (of which 8 business hours) to remark on factual errors and/or the inadvertent inclusion of confidential information, if applicable. The rating was not amended after the review by the issuer. No stress test was performed. Standard cash flow forecasting was performed. NCR's rating is an opinion regarding the relative creditworthiness of an entity or an instrument. It is not a prediction, guarantee or recommendation to buy, hold or sell securities. NCR assigns outlooks to issuer ratings to indicate where they could move in the near term, normally 12–18 months. Further information on the rating process, rating definitions and limitations is available on our website: nordiccreditrating.com/governance/policies. |
| Ancillary services provided: | No ancillary services were provided. |
| Regulations: | This rating was issued and disclosed under Regulation (EC) No 1060/2009. |
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