

Platzer Fastigheter Holding AB (publ)

Full Rating Report

LONG-TERM RATING

BBB-

OUTLOOK

Stable

SHORT-TERM RATING

N-1

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RATING RATIONALE

Our 'BBB-' long-term issuer rating on Sweden-based commercial property manager Platzer Fastigheter Holding AB (publ) (Platzer) reflects the company's strong market position in Greater Gothenburg, one of Sweden's fastest growing regions. It further reflects Platzer's clear focus on offices and logistics/industrial properties, primarily in attractive locations, as well as its relatively modest financial gearing and strong interest coverage. We take a positive view of Platzer's green credentials; the company's common stock has been certified as green, 90% of its properties have obtained environmental certification, and 61% of the company's loans qualify as green loans.

These strengths are offset by Platzer's relatively high tenant concentrations and ambitious project development pipeline, which has some speculative elements. We view Platzer's relatively weak cash flow and short debt maturity profile with significant maturities concentrated in single years, as negative factors in our assessment of the company's financial risk profile.

STABLE OUTLOOK

The stable outlook reflects our expectation that Platzer will maintain net loan to value (LTV) below 50% and keep interest coverage at around current levels. We expect Platzer to continue focusing on commercial properties in the Greater Gothenburg area, while seeking growth primarily through project development. We also expect the company to complete its current development projects without substantial cost overruns or delays.

POTENTIAL POSITIVE RATING DRIVERS

- Improved credit metrics, with net LTV below 40% and interest coverage above 5x over a protracted period.
- Reduced tenant concentrations resulting from a larger and more diverse portfolio.
- Improved debt maturity profile with reduced maturity concentrations.

POTENTIAL NEGATIVE RATING DRIVERS

- Worsened credit metrics, with net LTV above 50% over a protracted period.
- Deteriorating market fundamentals, adversely affecting occupancy and/or profitability.
- Increased exposure to and risk taking in development projects.

Figure 1. Platzer key credit metrics, 2017–2023e

SEKm	2017	2018	2019	2020	2021e	2022e	2023e
Rental income	995	1,044	1,124	1,142	1,222	1,302	1,498
NCR-adj. EBITDA	681	731	785	814	855	938	1,075
NCR-adj. investment property	15,559	18,388	20,509	22,605	23,449	24,439	25,689
NCR-adj. net debt	8,236	9,468	9,802	10,740	11,473	12,043	12,772
Total assets	15,936	19,016	21,106	23,286	24,514	25,560	26,831
NCR-adj. net debt/EBITDA (x)	12.1	13.0	12.5	13.2	13.4	12.8	11.9
NCR-adj. EBITDA/net interest (x)	3.5	3.6	4.3	4.1	3.9	4.1	4.3
NCR-adj. net LTV (%)	52.9	51.5	47.8	47.5	48.9	49.3	49.7

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

ISSUER PROFILE

Platzer is a Sweden-based commercial property management company, which owns, manages, and develops office and industrial/logistics properties in Gothenburg. As of 31 Mar. 2021, Platzer's portfolio comprised 66 properties totalling 819,000 sqm valued at SEK 23.0bn, making it the largest manager of office property and the second-largest industrial/logistics property operator in Gothenburg (according to property data provider Datscha AB). In its current form, Platzer was founded in 2008, when it acquired 44 properties from Ernström & C:o, Länsförsäkringar Gothenburg and Bohuslän, and Brinova Fastigheter AB (publ). The former two remain the company's largest shareholders, while Brinova (controlled by Swedish businessman Erik Paulsson) sold its shareholdings in 2017. The company's stock has been listed on the main market of the Nasdaq Stockholm exchange since 2013.

BUSINESS RISK ASSESSMENT

Business risk
assessment is 'bbb-'

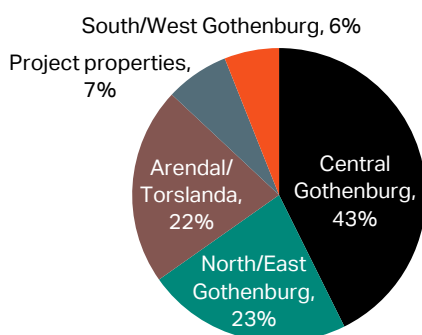
Our business risk assessment reflects Platzer's strong market position in Greater Gothenburg, one of Sweden's fastest growing regions. It further reflects the company's clear focus on offices and logistics/industrial properties, primarily in attractive locations. Moreover, the assessment reflects relatively high tenant concentrations as well as an ambitious project development pipeline with some speculative elements.

Greater Gothenburg's strong fundamentals support the operating environment

Operating environment
scores 'bbb-'

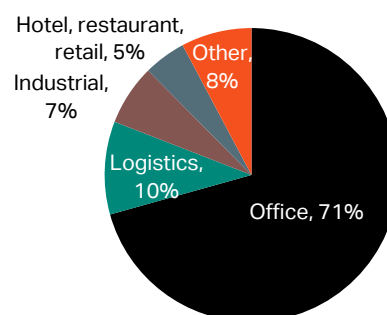
Platzer's property portfolio is primarily focused on office premises which generate most of the company's rental value. In addition, 17% of rental value comes from two major industrial/logistics properties in Arendal and Torslanda, to the west of Gothenburg. We expect the company to continue to focus on and grow within these two property segments, especially through project development.

Figure 2. Platzer rental value by area, 31 Mar. 2021



Source: company.

Figure 3. Platzer rental value by property type, 31 Mar. 2021



Source: company.

With 100% of Platzer's rental value coming from Greater Gothenburg, the company is effectively exposed to one of the largest and fastest growing regions in the Nordic countries. Gothenburg municipality, which accounts for 95% of Platzer's rental value, has more than 500,000 inhabitants, while the population of Greater Gothenburg, which includes 12 additional municipalities, exceeds 1 million. Expected population growth in Gothenburg municipality is strong, while unemployment is slightly higher than the national average (see Figure 4). Population growth projections and unemployment in Härryda and Mölndal municipalities, as well as other municipalities in Greater Gothenburg, are significantly stronger than the national average.

Figure 4. Platzer rental value from municipal exposures, 31 Mar. 2021

Municipality	Share of rental value	Population, 2020	Expected population change among 16–64-year olds, 2018–2030	Unemployment, 2020
Gothenburg	95%	583,056	9.7%	9.4%
Härryda	4%	38,246	11.3%	4.7%
Mölndal	1%	69,901	9.5%	5.1%
Total/Sweden average	100%	-	7.2%	8.5%

Source: company, Statistics Sweden, Arbetsförmedlingen (based on population forecast by Statistics Sweden), Ekonomifakta (based on data from Arbetsförmedlingen).

In recent years, Sweden's office sector has benefited from falling interest rates, steady yield compression, and increasing rent levels. However, since the outbreak of the COVID-19 pandemic in 2020, the future for office space has come into question as employees have embraced working from home. We believe that office premises will remain important, but expect demand to decrease somewhat, putting pressure on rent levels in the segment. In the Gothenburg office market, the slower market has led to lower letting volumes and increased vacancy rates. According to data from real estate services provider JLL, office vacancies in Gothenburg have been the lowest of the six largest cities in the Nordic region since 2018. However, vacancies in the city increased more than in comparable cities in 2020 due to the effects of COVID-19 and substantial project development. Vacancy rates vary substantially between different parts of Gothenburg, and we expect steady results from most of Platzer's properties given their mostly central locations.

In contrast to office premises, the logistics subsector has benefited from COVID-19, which has accelerated the rise of e-commerce. In 2020 alone, Swedish e-commerce grew by 40% compared with 2019 levels, according to Postnord AB, and we expect the trend to continue. We note that Intelligent Logistik magazine has ranked the Greater Gothenburg region as Sweden's leading logistics location in consecutive years.

In general, we expect the performance of the industrial property subsector to show a close correlation with the wider Swedish economy. However, we note that the development of Platzer's industrial properties is primarily dependent on progress at the sites in Torslanda and consequently the fortunes of manufacturing company AB Volvo, which has a strong presence in the area.

Strong market position but relatively high tenant concentrations

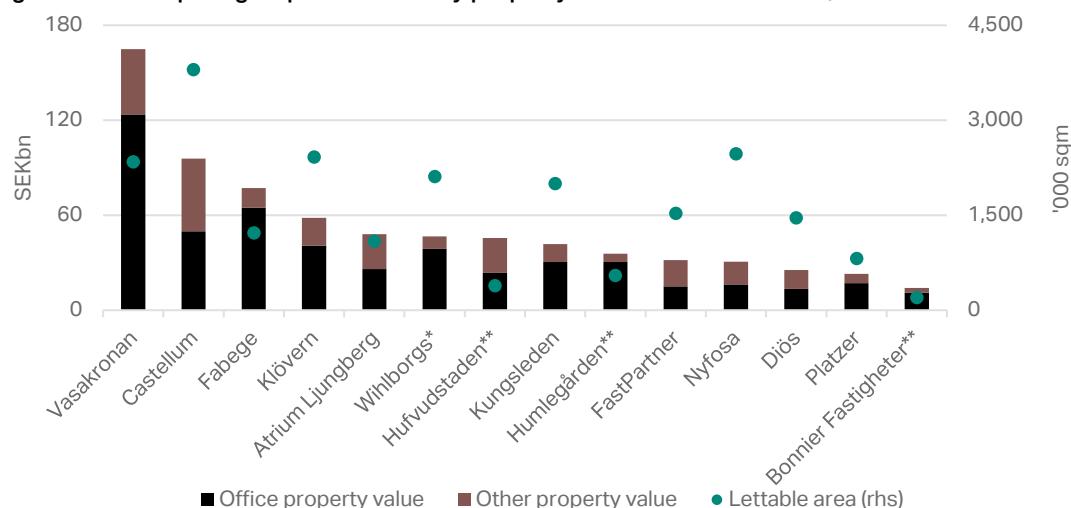
As of 31 Mar. 2021, Platzer's portfolio comprised 66 properties totalling 819,000 sqm, making it the largest manager of office property and the second-largest industrial/logistics property operator in Gothenburg. The company's clear geographic focus combined with its mid-sized portfolio has created a strong market position in its region of operation, but also a lack of geographic diversity. We believe that Platzer's large urban development projects will solidify the company's position in its target market.

In a domestic comparison, Platzer's property portfolio is moderate in size (see Figure 5). Competition in the Gothenburg property market is fierce, and liquidity is generally satisfactory. Other significant owners of office property in the area include Vasakronan AB (publ), Wallenstam AB (publ), Fastighets AB Balder (publ) and Castellum AB (publ). Vasakronan and Wallenstam own a large number of office properties inside the central business district, while most of Platzer's properties are in the city centre, but outside the business district.

In the Gothenburg industrial/logistics property subsector, the largest competitor is Castellum, with 390,000 sqm of lettable space compared with Platzer's 330,000 sqm, which is about two times that of the Wallenberg Foundations, the third-largest property owner in the local subsector (according to Datscha AB).

Market position, size and diversification scores 'bb+'

Figure 5. Platzer peer group breakdown by property value and lettable area, 31 Mar. 2021



Source: companies. Where office property values are not available, we base our figures on the respective proportion of rental value or lettable area within each property type. *The Wihlborgs data include retail, due to a lack of precise breakdown. **as of 31 Dec. 2020.

Although Platzer's portfolio is moderate in size, some of the properties are comparatively large (the largest single property generates 21% of rental value). For this reason, the company's revenue streams are relatively concentrated. As of 31 Mar. 2021, Platzer's 10 largest tenants accounted for 35% of rental income (see Figure 6). Although, we view these concentrations as relatively high, we acknowledge that most large tenants are of high credit quality, while some 21% of rental income comes from public tenants, reducing vacancy risk.

Figure 6. Platzer tenant concentration, 31 Mar. 2021

Tenant	Type of tenant	Share of rental income
Sveafjord AB	Manufacturing (subsidiary of AB Volvo)	10.0%
Swedish Migration Agency	Public	-
Swedish Tax Agency	Public	-
DFDS Logistics Contracts AB	Logistics	-
Swedish Social Insurance Agency	Public	-
Nordea Bank Abp, filial i Sverige	Bank	-
Västra Götaland county	Public	-
Mölnlycke Health Care AB	Life science	-
Zenseact AB	Automotive industry (contract guaranteed by Volvo Car Group)	-
Plasman Sverige AB	Manufacturing	-
Top 10 tenants	-	35.5%

Source: company.

Focused portfolio in attractive locations; ambitious project pipeline

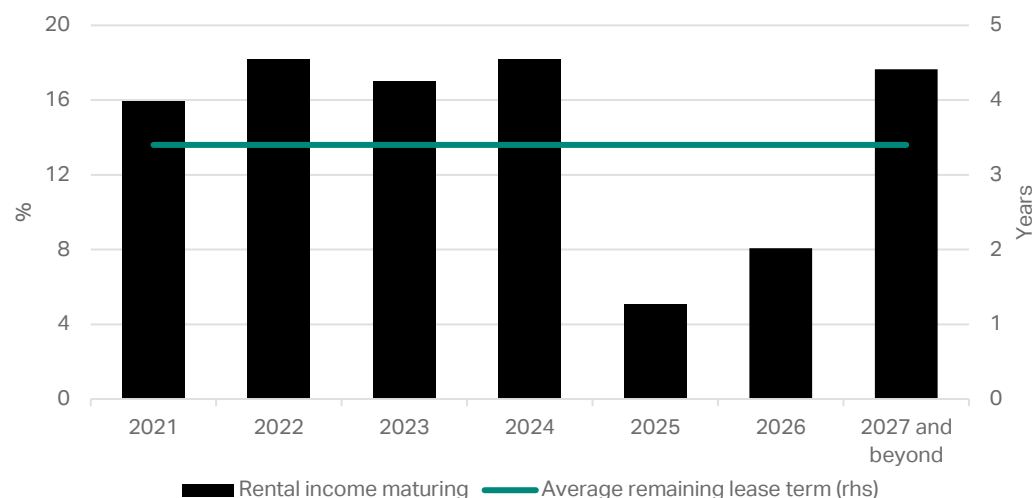
Of Platzer's 66 properties, 22 are project properties (including land), with limited rental income generation. In addition, the company owns three properties through joint ventures (JVs). Platzer's properties are typically located in attractive locations. We view the locations of the company's central Gothenburg properties, generating 43% of rental value, as especially attractive. We also view the locations of Platzer's logistics properties as attractive, given Greater Gothenburg's position as Sweden's leading logistics location.

As sustainability is of increasing importance for many tenants, we view Platzer's established and clear focus on environmental certification of properties as positive for the portfolio's competitiveness. As of 31 Mar. 2021, 90% of properties had obtained environmental certification.

Portfolio assessment scores 'bbb-'

As of 31 Mar. 2021, the average remaining lease term in Platzer's portfolio was 3.4 years. Rental maturities are well spread with less than 20% of rental income maturing in any single year (see Figure 7).

Figure 7. Platzer lease maturity profile, 31 Mar. 2021



Source: company.

Recently, Platzer has increased its focus on project development, as greater competition and property yield compression have reduced the financial incentives for acquiring properties. Currently, the company has six large projects under development (see Figure 11), involving total budgeted investments of SEK 4.9bn (including investments made by JV partners). Four of these projects are being developed through JVs, effectively reducing Platzer's investment commitments. Some of the projects are substantial, both in terms of lettable area and expected investment, but in our view the use of JVs typically helps to reduce project risk. Some of the development projects have speculative characteristics; construction of in-house projects can start with only 50% pre-letting in place, while construction through JVs with Bockasjö AB can start with even less.

In addition, Platzer is undertaking two major urban development projects (Södra Änggården and Gamlestad). The company has signed contracts with residential developers for the divestment of the related residential building rights, while it will develop the related commercial buildings itself with a view to managing them in future. We view the sale of building rights as a positive factor in our assessment, as it could generate substantial profits and cash flows, possibly more than SEK 1.5bn over the next four years, without creating significant additional risk.

Figure 8. Platzer larger projects in progress, 31 Mar. 2021

Project	Location	Property type	Occupancy rate	Lettable area (sqm)	Invested (SEKm)*	Total investment (SEKm)*	Estimated completion
Gårda Vesta	Central Gothenburg	Office	95%	27,000	1,020	1,191	Q4 2021
Merkur**	Central Gothenburg	Office	62%	5,400	175	270	Q4 2021
Sörred 8:12***	Torslanda	Logistics	-	-	264	362	Q4 2021
Aria	Central Gothenburg	Office	46%	9,000	856	1,003	Q4 2022
Kineum****	Central Gothenburg	Office	82%	42,000	1,401	1,998	Q3 2022
Sörred 7:21***	Torslanda	Logistics	-	-	49	81	Q3 2022
Total	-	-	-	83,400	3,765	4,905	-

Source: company. All figures include 100% of JVs. *Including value of existing property. **50% JV with Bygg-Göta Göteborg AB. ***50% JV with Bockasjö AB. ****50% JV with NCC AB (publ).

Operating efficiency scores 'bbb+'

COVID-19 has limited impact on earnings, but occupancy rates decrease

Over the past few years, Platzer's net operating income margin has averaged around 75%, while the company's EBITDA margin has averaged around 70%. In our forecast period through 2023, we expect net operating income and EBITDA margins (excluding dividends received from JVs) of 75% and 70%, respectively.

Despite the substantial impact of COVID-19 in 2020, Platzer saw only a marginal effect on earnings. In 2020, the company made rental rebates amounting to 0.4% of rental income, while the corresponding figure in the first quarter of 2021 was 0.2%, suggesting that the pandemic continues to have only a marginal impact on earnings.

Although earnings have remained stable, Platzer has seen increased vacancies in 2020 and so far in 2021, which are in line with increases in the overall Gothenburg office property market. As of 31 Mar. 2021, the occupancy rate in Platzer's portfolio was 91%, compared with 94% a year earlier. The decline was partly due to a sluggish office property market, and partly a result of increased project development with properties being intentionally vacated for refurbishment. In our forecast, we assume that occupancy rates will remain in line with current levels, although we acknowledge that occupancy might overshoot our estimates as the company completes its development projects.

Figure 9. Platzer revenues, net operating income, EBITDA, and margins*, 2017–2023e

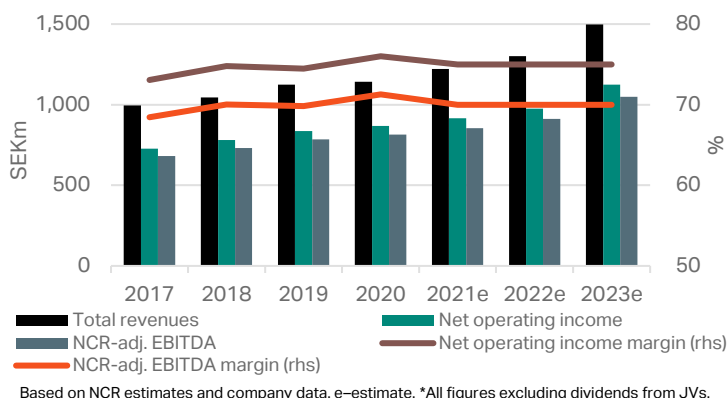
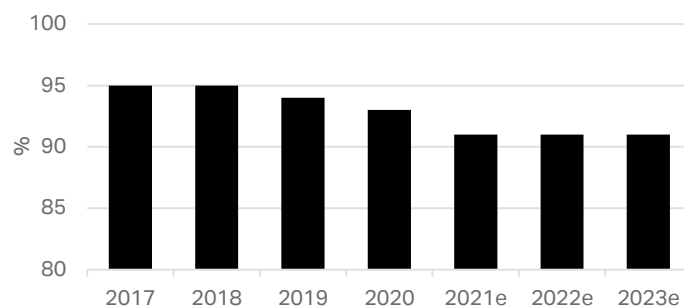


Figure 10. Platzer occupancy rate, 2017–2023e



Based on NCR estimates and company data. e—estimate.

FINANCIAL RISK ASSESSMENT

Financial risk assessment is 'bb+'

Our financial risk assessment reflects Platzer's commitment to maintaining gross LTV below 50% on a sustained basis, while we expect interest coverage to remain at around current levels. It further reflects Platzer's relatively weak net debt/EBITDA resulting from comparatively low property yields. We view Platzer's financial risk appetite as somewhat greater than warranted by our ratio analysis. Specifically, we view the relatively short debt maturity profile as a negative contributor in our overall financial risk assessment.

Weak cash flow generation offset by moderate gearing and strong interest coverage

Over the past few years, Platzer's net debt/EBITDA and net interest coverage have been maintained at 12–13x and 3.5–4.5x, respectively, while the benign property market has led to substantial increases in property values. Consequently, net LTV decreased to 47.5% in 2020 from 53% in 2017. In our forecast, we expect Platzer's credit metrics to remain at around current levels and that the company will prove committed to its gross LTV target of maximum 50% on a sustained basis.

In our base-case forecast of Platzer's future performance, we assume:

- rental income growth of 7% in 2021, 7% in 2022, and 15% in 2023;
- an EBITDA margin (excluding dividends received from JVs) of 70% in 2021–2023;
- investments in properties through development and refurbishment of SEK 1.2bn in 2021, SEK 1.3bn in 2022, and SEK 1.3bn in 2023;
- net property acquisitions of SEK 1.1bn in 2021;
- cash flows related to divestments of self-developed properties and building rights of SEK 693m in 2021;

Ratio analysis scores 'bbb-'

- cash flows related to acquisitions of project properties on completion of SEK 260m in 2022; and
- no valuation changes in investment properties.

On the basis of these assumptions, we estimate the following metrics for 2021–2023:

- NCR-adjusted net LTV slightly below 50%;
- NCR-adjusted EBITDA/net interest of 3.9–4.3x; and
- NCR-adjusted net debt/EBITDA of 12–13x.

In calculating Platzer's credit metrics, we include right-of-use assets in investment property values, and long-term leasing liabilities and retirement benefit obligations in net debt, before deducting 100% of cash and equivalents (see Figure 11). For 2019 and 2020, we include assets classified as held for sale in investment property, while related liabilities are added to net debt. We expect the net value of these entries to convert to positive cash flows in 2021 as the Gårda Vesta development project is completed and 50% of the project is sold to Länsförsäkringar Gothenburg and Bohuslän (Platzer's second-largest owner).

We note that our estimates could be affected by the divestment of residential building rights in Södra Änggården, possibly adding more than SEK 1.5bn to cash flows over the next four years. However, since the sale of these building rights is conditional on the construction plan obtaining legal approval, we currently exclude these possible cash flows from our calculations.

As valuation of properties has a significant impact on a property manager's balance sheet, Platzer contracts external appraisals of a selection of properties accounting for a minimum of 30% of property values each year (40% in 2020). The remainder of the portfolio is valued internally each quarter. Consequently, Platzer has a higher proportion of internally valued properties than many of its peers.

Figure 11. NCR's adjustments to Platzer's credit metrics, 2017–2023e

SEKm	2017	2018	2019	2020	2021e	2022e	2023e
EBITDA	681	731	785	814	855	911	1,049
Dividends received from JVs	0	0	0	0	0	26	26
NCR-adj. EBITDA	681	731	785	814	855	938	1,075
Cash and cash equivalents	141	355	268	148	58	114	135
NCR-adj. cash and equivalents	141	355	268	148	58	114	135
Gross interest-bearing debt	8,371	9,817	9,845	10,662	11,494	12,119	12,869
Long-term leasing liabilities	0	0	30	30	30	30	30
Retirement benefit obligations	6	6	7	8	8	8	8
Liabilities related to assets held for sale	0	0	188	188	0	0	0
NCR-adj. cash and equivalents	-141	-355	-268	-148	-58	-114	-135
NCR-adj. net debt	8,236	9,468	9,802	10,740	11,473	12,043	12,772
Net interest	-195	-205	-181	-199	-216	-230	-250
Financial costs from leasing	0	0	-1	-1	-1	-1	-1
NCR-adj. net interest	-195	-205	-182	-200	-217	-231	-251
Investment property	15,559	18,388	20,009	21,887	23,419	24,409	25,659
Assets classified as held for sale	0	0	470	688	0	0	0
Non-current right-of-use assets	0	0	30	30	30	30	30
NCR-adj. investment property	15,559	18,388	20,509	22,605	23,449	24,439	25,689

Based on NCR estimates and company data. e–estimate.

Figure 12. Platzer NCR-adj. investment properties, net debt, and net LTV, 2017–2023e

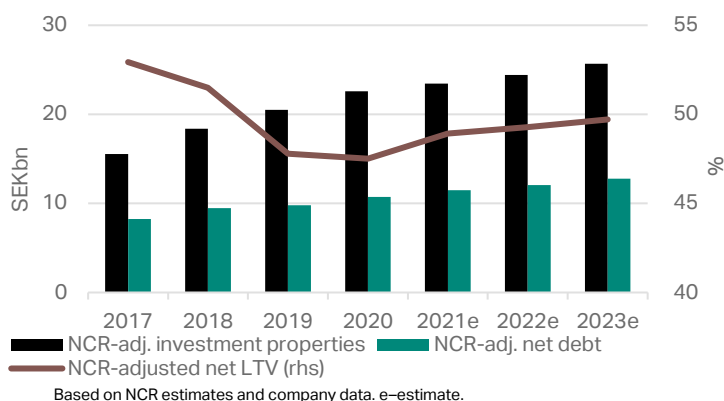
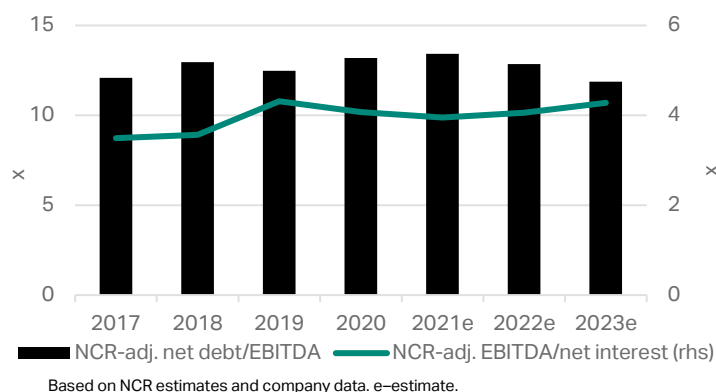


Figure 13. Platzer NCR-adj. net debt/EBITDA and EBITDA/net interest, 2017–2023e



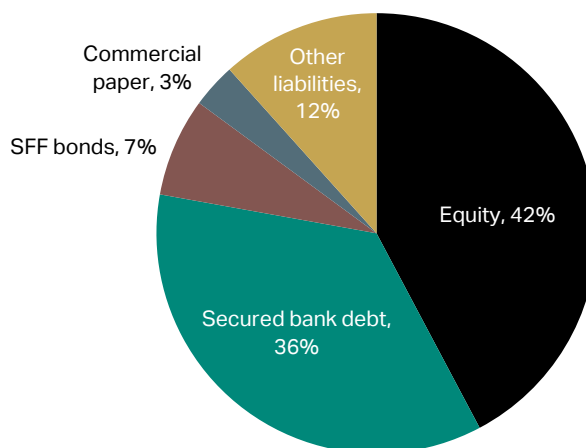
Risk appetite scores
'bb+'

Relatively short debt maturity profile increases financial risk

We view Platzer's financial risk appetite as somewhat greater than warranted by the company's financial ratios. We consider Platzer's financial and dividend policies as adequate, although we view the company's relatively short debt maturity profile with significant maturity concentrations in single years as a negative factor in our financial risk assessment.

Platzer finances its operations through a mix of common equity, secured bank debt, secured bonds issued via 20%-owned Svensk FastighetsFinansiering (SFF), and commercial paper (see Figure 14). Other liabilities are primarily related to deferred taxes. The company's secured bank debt is provided by six different banks, with the largest amount from a single bank accounting for 22% of Platzer's total debt. As of 31 Mar. 2021, Platzer had SEK 1.7bn in outstanding secured bonds via SFF, while outstanding commercial paper amounted to SEK 788m. The company's SEK 2bn commercial paper programme is backed by two dedicated backup facilities of SEK 350m each, while the remaining outstanding volume is backed by SEK 1.2bn in unutilised credit facilities (as of 31 Mar. 2021).

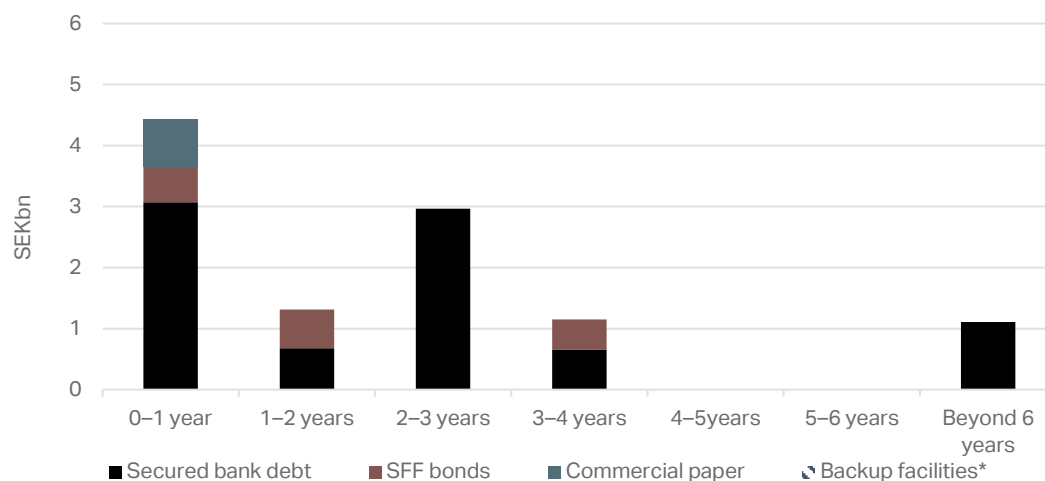
Figure 14. Platzer funding profile, 31 Mar. 2021



Source: company.

As of 31 Mar. 2021, Platzer's average debt maturity was 2.2 years, while debt maturing within the subsequent 12 months was 40% of total interest-bearing debt (33% excluding commercial paper). We view the company's debt maturity profile as relatively short with maturities concentrated in single years having a negative impact on our overall financial risk assessment. As of 31 Mar. 2021, Platzer's average interest fixing was 3.1 years while the average interest rate on the company's loans was 2.0%.

Figure 15. Platzer debt maturity profile, 31 Mar. 2021



Source: company. *Unutilised credit facilities related to outstanding commercial paper.

Platzer's interest-bearing debt is governed by financial covenants as well as the company's financial policy. In 2020, the company revised its gross LTV target to "shall not sustainably exceed 50%" from the previous "maximum 60%". We view the policy change as a clear improvement given the company's historical tendency of keeping LTV above 50% (see Figure 12), and understand that Platzer is committed to the new target despite the currently limited headroom.

Platzer aims to pay dividends amounting to 50% of after-tax profit from property management, excluding value changes in joint ventures and associated companies. The target is similar to those of several of its peers and the company has adhered to it historically.

Figure 16. Platzer financial covenants, policies and reported metrics

Metric	Common loan covenants	Financial policy/targets	Reported 31 Mar. 2021
Equity ratio	≥25%	>30%	42%
Gross LTV	≤70%	≤50%	48%
Interest coverage ratio	≥1.5x	>2x	4.2x
Debt maturities in any 12-month period*	-	≤35%	33%**
Average interest rate maturity	-	1.5-5 years	3.1 years

Source: company. *Excluding commercial paper. **Calculated by NCR.

ADJUSTMENT FACTORS

Adjustment factors are neutral

Adjustment factors are assessed as neutral and have no effect on our stand-alone credit assessment.

Liquidity

Liquidity assessed as adequate

Our 12-month liquidity analysis is based on a stressed scenario under which the company cannot access the capital markets or extend bank loans, and therefore has to rely on internal or committed external funding sources to cover its liquidity needs. We typically expect an investment grade company to cover all liquidity needs over the coming 12 months.

We assess Platzer's liquidity as adequate even though our analysis results in a SEK 800m funding deficit in the 12 months ending 31 Mar. 2022. We view the company's long-standing banking relationships, together with its satisfactory access to several funding channels as sufficient mitigators of liquidity risk in the near term.

We estimate the following primary funding sources for the 12 months ending 31 Mar. 2022, totalling SEK 5.4bn:

- SEK 152m in cash and equivalents, as of 31 Mar. 2021;
- SEK 486m from funds from operations, equalling 75% of estimated NCR-adjusted funds from operations over the period;

- SEK 2.1bn in proceeds from borrowings since the end of the first quarter of 2021;
- SEK 300m through an available credit facility related to committed capital spending;
- SEK 693m in proceeds from divestment of properties and building rights;
- SEK 1.6bn in unutilised credit facilities maturing in more than 12 months; and
- SEK 55m in received value added tax compensation related to the Gårda Vesta project.

We estimate the following uses of funds for the 12 months ending 31 Mar. 2022, totalling SEK 6.2bn:

- SEK 5.3bn in maturing debt and amortisation (including commercial paper issued after 31 Mar. 2021);
- SEK 800m in committed capital spending; and
- SEK 126m in dividends paid in Apr. 2021 (we expect an additional SEK 126m to be paid in Oct. 2021).

Environmental, social and governance factors

ESG factors assessed as adequate

Platzer's environmental, social and governance (ESG) policies support our view of the company's overall business risk and competitive position. The company strives for a green profile in all operations. Since the fourth quarter of 2020 Platzer's stock has been certified as green by environmental institute CICERO, while 61% of the company's loans are green loans (as of 31 Dec. 2020).

Platzer's ESG reporting follows the Global Reporting Initiative. As of 31 Dec. 2020, 90% of the company's properties had obtained environmental certification. We view certification as a pragmatic way to access green financing, increase the attractiveness of properties, and enable more cost-efficient property management. The company measures and reports Scope 1 and 2, but not Scope 3 CO₂ emissions, which are more difficult to control and typically make up a large proportion of a property manager's emissions. Platzer expects to implement reporting of Scope 3 emissions in 2021.

Platzer follows Swedish governance guidelines (Svensk kod för bolagsstyrning) with no deviations. The company's board of directors consists of eight members, of which four are independent in relation to both the company and its largest shareholders, solidifying the board's independence.

The main ESG issues that could affect our overall assessment of Platzer's creditworthiness are factors that might contribute to loss of revenues, increased costs, higher capital spending, or worsened financing possibilities (see Figure 17).

Figure 17. Platzer ESG considerations

Issue	Risk	Mitigating efforts	Result
CO ₂ emissions	Increased costs due to regulatory and/or taxation changes	Efforts to increase energy efficiency and reduce CO ₂ emissions. Environmental certification of properties	Energy usage decreased by 6.6% in 2020, compared with 2019, while Scope 1 and 2 CO ₂ emissions decreased by 40% and 20%, respectively. Climate neutral operations since 2011 (Scope 1 and 2). However, Scope 3 emissions are likely to account for a large proportion of CO ₂ emissions, and are more difficult to reduce
Impact of climate change on operations	Loss of revenues or increased capital spending	Environmental certification of properties, evaluation of impact on properties	As of 31 Dec. 2020, 90% of properties had obtained environmental certification. Gothenburg is expected to see a negative impact from rising water levels, which could have an impact on the company in the long run
Increased environmental focus in financial markets	Adverse effect on financing possibilities or higher financing costs due to slow transitioning to lower CO ₂ dependence	Green profile in all operations, as illustrated by green equity, green financing via SFF, and a large proportion of green loans	Strong ESG profile, possibly leading to a competitive advantage rather than greater risk
Employee relations	Reduced operating efficiency due to loss of key personnel	Focus on equality and employee satisfaction	Women make up about 40% of the workforce. Certified by Great Place to Work. Employee survey (Great Place to Work) score of 80, compared with targeted 90

Source: company.

OWNERSHIP ANALYSIS

Ownership assessed as neutral

Platzer's common stock has been listed on the main market of the Nasdaq Stockholm exchange since 2013. Between 2001 and 2008, the company was fully owned by its current largest owner Ernström & C:o until Platzer was established in its current form through a property transaction between Ernström & C:o, Länsförsäkringar Gothenburg and Bohuslän, and Brinova Fastigheter AB (publ). The former two remain Platzer's largest shareholders. Ernström & C:o is an investment company fully owned by the Hielte/Hobohm family, which, in addition, is the company's fourth largest shareholder. The company's most recent equity injection was carried out in 2016 when the acquisition of properties in Western Gothenburg from AB Volvo was partly financed by new equity. We assess the company's overall ownership as neutral, although we take a positive view of its largest long-term largest shareholders and its access to the equity market.

Figure 18. Platzer ownership structure, 31 Mar. 2021

Owner	Share of capital	Share of votes
Ernström & C:o	13.8%	38.5%
LF Gothenburg and Bohuslän	16.8%	21.7%
LF Skaraborg Förvaltning AB	4.1%	13.7%
Hielte/Hobohm family	15.3%	6.1%
LF Funds	10.3%	4.1%
Fourth AP Fund	9.5%	3.8%
SEB Investment Management	4.3%	1.7%
Lesley Invest (incl. private holdings)	3.4%	1.3%
State Steet Bank and Trust Co	1.8%	0.7%
Third AP Fund	1.6%	0.6%
Top 10 owners	80.9%	92.2%
Treasury shares*	<0.0%	<0.0%
Other	19.2%	7.7%

Source: company. LF=Länsförsäkringar. *Remnants from employee share purchase programme discontinued in 2018.

ISSUE RATINGS

Most of Platzer's interest-bearing debt is secured by mortgage certificates in encumbered properties. More than 50% of the company's interest-bearing debt is secured, and, if Platzer were to issue senior unsecured obligations, we would likely lower the ratings on such instruments by one notch to reflect their effective subordination.

Figure 19. Platzer key financial data, 2017–Q1 2021

SEKm	FY	FY	FY	FY	LTM
Period-end	31 Dec. 2017	31 Dec. 2018	31 Dec. 2019	31 Dec. 2020	31 Mar. 2021
INCOME STATEMENT					
Rental income	995	1,044	1,124	1,142	1,149
Other income	–	–	–	–	–
Total costs from operations	-268	-263	-287	-274	-276
Net operating income	727	781	837	868	873
Administrative expenses	-46	-50	-52	-54	-54
Administrative expenses, project portfolio	–	–	–	–	–
EBITDA	681	731	785	814	819
Share of profit in associated companies and joint ventures	22	5	8	66	44
Interest expenses	-195	-206	-182	-206	-197
Interest income	–	1	1	7	–
Interest expenses, shareholder loans	–	–	–	–	–
Financial costs from leasing	–	–	-1	-1	-2
Other financial costs	–	–	–	–	–
Changes in investment property	1,214	1,311	1,522	1,006	740
Gain (loss) on financial assets held at fair value	–	-19	-94	74	90
Depreciation and amortisation	–	–	–	–	–
Restructuring activities	–	–	–	–	–
Pre-tax profit	1,776	1,835	1,913	1,671	1,589
Current taxes	-56	-9	-85	-14	14
Deferred taxes	-327	-315	-352	-283	-293
Net profit	1,393	1,511	1,476	1,374	1,310
BALANCE SHEET					
Investment property	15,559	18,388	20,009	21,887	22,258
Other non-current assets	127	158	228	388	427
Total non-current assets	15,686	18,546	20,237	22,275	22,685
Cash and cash equivalents	141	355	268	148	152
Other current assets	109	115	601	863	962
Total current assets	250	470	869	1,011	1,114
Total assets	15,936	19,016	21,106	23,286	23,799
Total equity	5,962	7,288	8,556	9,687	10,053
Non-current borrowings	4,500	5,762	6,906	7,028	7,144
Non-current borrowings, shareholder loans	–	–	–	–	–
Deferred tax liabilities	815	1,122	1,440	1,707	1,797
Other non-current liabilities	374	355	619	614	505
Total non-current liabilities	5,689	7,239	8,965	9,349	9,446
Total current liabilities	4,285	4,489	3,585	4,250	4,300
Total equity and liabilities	15,936	19,016	21,106	23,286	23,799
CASH FLOW STATEMENT					
Pre-tax profit	1,776	1,835	1,913	1,671	1,589
... of which changes in investment property	1,214	1,311	1,522	1,006	740
Depreciation and amortisation	–	–	–	–	–
Tax paid	-26	-55	-88	-30	-34
Adjustment for items not in cash flow	-1,286	-1,307	-1,307	-1,056	-970
Cash flow from operating activities before changes in working capital	464	473	518	585	585
Changes in working capital	-36	70	25	-95	-99
Cash flow from operating activities	428	543	543	490	486
Cash flow from investment activities	-672	-1,308	-609	-1,127	-1,147
Cash flow from financing activities	253	979	-21	517	551
Cash and cash equivalents at beginning of period	132	141	355	268	263
Cash flow for period	9	214	-87	-120	-110
Cash and cash equivalents at end of period	141	355	268	148	152

Source: company. FY–full year. LTM–last 12 months.

Figure 20. Platzer rating scorecard

Subfactors	Impact	Score
Operating environment	20.0%	bbb-
Market position, size and diversification	12.5%	bb+
Portfolio assessment	12.5%	bbb-
Operating efficiency	5.0%	bbb+
Business risk assessment	50.0%	bbb-
Ratio analysis		bbb-
Risk appetite		bb+
Financial risk assessment	50.0%	bb+
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

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