

NP3 Fastigheter AB (publ)

Full Rating Report

LONG-TERM RATING

BB

OUTLOOK

Stable

SHORT-TERM RATING

N-2

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RATING RATIONALE

Our 'BB' long-term issuer rating on Sweden-based commercial property manager NP3 Fastigheter AB (publ) (NP3) reflects the company's highly leveraged balance sheet, small size, and focus on properties outside city centre locations. The rating is constrained by below-average liquidity in NP3's main markets, and a financial risk appetite that in our view is greater than warranted by the company's financial ratios. Specifically, we view NP3's rapid growth and single-year debt maturity concentrations, as a credit weakness.

These weaknesses are offset by a highly cash-flow generative property portfolio, the company's strong position in its main markets, its long lease terms and its highly diverse revenue streams with the 10 largest tenants accounting for only 13% of rental income.

STABLE OUTLOOK

The outlook is stable, reflecting our expectation that NP3 will maintain its focus on highly cash-flow generative commercial properties in northern Sweden and the Karlstad–Västerås region. We expect the company to continue pursuing growth through acquisitions and to maintain its key credit metrics in line with our forecast figures.

POTENTIAL POSITIVE RATING DRIVERS

- Improved credit metrics, with net LTV below 55% and net interest coverage above 3.5x over a protracted period.
- Improved portfolio quality combined with a reduced risk appetite as the portfolio grows.

POTENTIAL NEGATIVE RATING DRIVERS

- Weakened credit metrics with net LTV above 65% or net interest coverage below 2.2x over a protracted period.
- Deteriorating market fundamentals, negatively affecting occupancy and profitability.

Figure 1. NP3 key credit metrics, 2017–2023e

SEKm	2017	2018	2019	2020	2021e	2022e	2023e
Rental income	677	842	1,006	1,091	1,256	1,431	1,465
NCR-adj. EBITDA	436	546	668	766	886	1,007	1,030
NCR-adj. EBITDA margin (%)	64.4	64.8	66.4	70.2	70.5	70.4	70.3
NCR-adj. investment property	7,732	10,496	11,474	12,665	16,649	17,149	17,649
NCR-adj. net debt	4,704	6,797	7,165	7,983	10,835	10,940	11,081
Total assets	7,959	10,677	11,937	13,352	17,649	18,194	18,703
NCR-adj. net debt/EBITDA (x)	10.8	12.4	10.7	10.4	12.2	10.9	10.8
NCR-adj. EBITDA/net interest (x)	3.6	3.2	3.2	3.0	3.0	3.1	3.1
NCR-adj. net LTV (%)	60.8	64.8	62.5	63.0	65.1	63.8	62.8

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

ISSUER PROFILE

NP3 is a Sweden-based property management company focusing on commercial properties in northern and central Sweden. As of 30 Sep. 2021, the portfolio comprised 406 properties totalling 1,576,000 sqm valued at SEK 14.4bn. The portfolio is mixed in terms of property type, with the two largest segments, industrial/warehousing and retail properties, accounting for about two-thirds of rental value. Lars Göran Bäckvall has been the company's largest shareholder since it was founded in 2010 through a spin-off from real estate developer Norrlandspojarkarna Aktiebolag. NP3's common and preferred shares are listed on the main market of the Nasdaq Stockholm exchange.

BUSINESS RISK ASSESSMENT

Business risk
assessment is 'bb+'

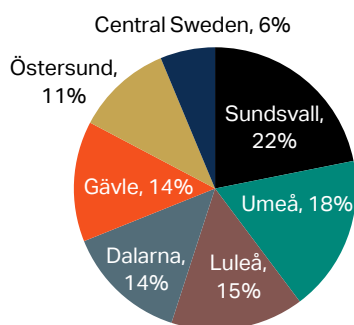
Our business risk assessment reflects NP3's solid position in its main markets, as well as its diverse revenue streams and long lease terms. It also reflects the below-average liquidity of NP3's main markets, the company's focus on properties situated outside city centre locations, and relatively weak fundamentals in some of the larger municipalities of operation.

Mixed property types in less liquid northern Sweden

Operating environment
scores 'bb'

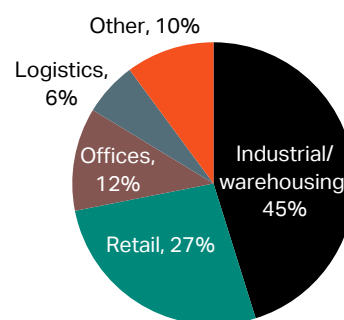
NP3 divides its property portfolio into seven areas in northern and central Sweden, each with separate management organisations. The portfolio is diverse in terms of property type, but mainly focused on industrial/warehousing and retail properties.

Figure 2. NP3 rental value by area, 30 Sep. 2021



Source: company.

Figure 3. NP3 rental value by property type, 30 Sep. 2021



Source: company.

NP3 has a presence in 44 of Sweden's 290 municipalities. We view the company's diverse municipal exposure as positive but note that some of the municipalities in question have projected weak population growth and/or poor employment prospects, increasing the risk of declining demand for commercial properties (see Figure 4). However, these risks are partly offset, in our opinion, by substantial planned industrial investments in northern Sweden.

In contrast with the significant yield compression experienced in most Swedish regions, yield levels in the north of the country have remained relatively high, supporting cash flows. Although we view this relatively high cash flow generation as positive, we believe that the higher yield levels indicate below-average liquidity and relatively low investor numbers in NP3's main markets. This below-average liquidity affects our overall assessment of the operating environment, as it might negatively affect the company's prospects of disposing of assets in times of distress.

Figure 4. NP3 rental value from top 10 municipal exposures, 30 Sep. 2021

Municipality	Share of rental value	Population, 2020	Expected population change, 2021–2040	Unemployment, 2020
Sundsvall	15.1%	99,000	-2.4%	8.5%
Östersund	11.9%	64,000	3.9%	6.9%
Gävle	11.0%	103,000	5.2%	10.7%
Umeå	10.2%	130,000	12.6%	6.4%
Luleå	7.1%	79,000	2.3%	7.2%
Borlänge	6.5%	52,000	1.1%	9.2%
Skellefteå	6.4%	73,000	-4.9%	6.0%
Falun	4.5%	60,000	5.5%	5.9%
Timrå	3.2%	18,000	-7.8%	8.2%
Sollefteå	3.2%	19,000	-14.8%	8.7%
Total/Sweden average	-	-	8.9%	8.5%

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

We consider the industrial/warehousing property subsector as largely dependent on the overall health of the wider Swedish economy. Although we consider the subsector as relatively stable, we believe that a marked downturn in economic activity could have a sizable impact, adversely affecting NP3's occupancy and profitability.

The retail subsector, which accounts for 27% of NP3's rental income, has been adversely affected by rising e-commerce and the COVID-19 pandemic. However, NP3's retail exposure is predominantly related to less-affected subsectors such as discount retail, consumer discretionary, and suppliers to industrial and construction companies. Tenants that are more likely to struggle (such as operators of clothing stores, playgrounds and trampoline parks) contribute only marginally to NP3's revenues.

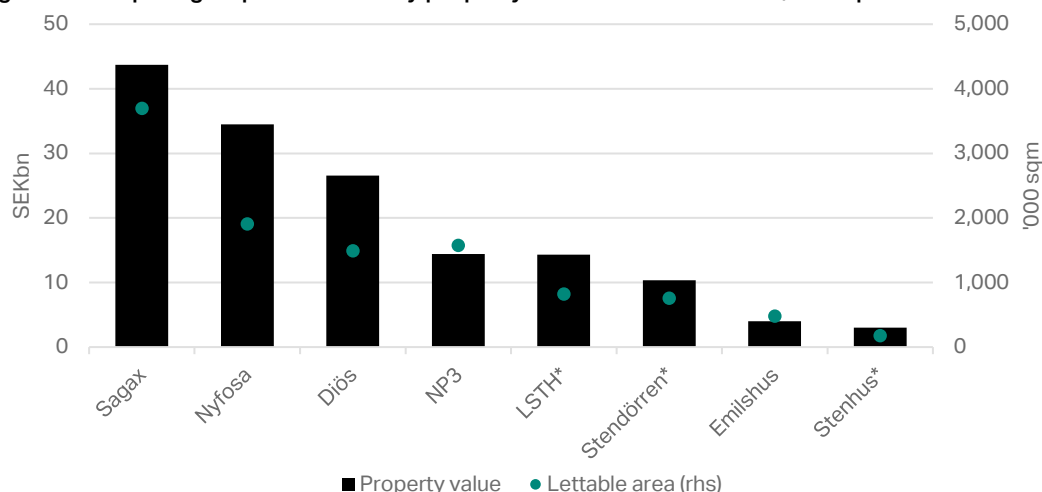
Strong market position and solid tenant diversity despite limited size

As of 30 Sep. 2021, NP3's property portfolio comprised 406 properties valued at SEK 14.4bn. In addition, we expect already announced acquisitions, including a SEK 1.3bn transaction in Skellefteå, to increase the portfolio value to SEK 16.5bn by end-2021. Among listed Sweden-based property managers, NP3 is one of just a few focusing on the north of the country. This geographic focus leads to somewhat limited geographic diversity, but also a strong market presence in target markets. Despite its geographic focus, NP3's exposure to as many as 44 municipalities, in our view, improves revenue diversity and reduces risk.

There are few obvious peers with a similar geographic focus. One such is Diös Fastigheter AB (publ). However, NP3's portfolio is tilted towards industrial and retail premises outside city centres, while Diös tends to focus on office premises in central locations. The scarcity of obvious peers with a similar geographic focus demonstrates that many property owners favour markets other than NP3's target market, while underlining that NP3 has a solid market position despite its limited size. NP3 views its main competitors as local property owners and real estate funds, rather than other listed real estate companies. The company favours acquisitions with values of SEK 10–100m, which typically are too small to interest larger listed peers but too big for small local property managers. We view NP3's close relationships with banks and satisfactory capital market access as a competitive advantage over local property managers.

Market position, size and diversification scores 'bbb-'

Figure 5. NP3 peer group breakdown by property value and lettable area, 30 Sep. 2021



Source: companies. *as of 30 Jun. 2021. LSTH–LSTH Svenska Handelsfastigheter.

Despite NP3's modest portfolio size, the company's revenue streams are quite diverse with the 10 largest tenants accounting for only 13% of rental income (see Figure 6). NP3's single largest property generates about 3% of rental income, while the 10 largest properties account for only 14% of rental income, further illustrating the diversity of revenues.

Figure 6. NP3 tenant concentration, 30 Sep. 2021

Tenant	Type of tenant	Share of rental income
Dagab Inköp & Logistik AB	Groceries	-
Postnord	Logistics	-
Plantagen Sverige AB	Retail	-
Assemblin El AB	Construction and engineering	-
Granngården AB	Retail	-
Mekonomen	Automotive service	-
Svensk Cater AB	Wholesaler	-
LEAX Falun AB	Manufacturing	-
Swedol AB	Industry and construction supplier	-
Sollefteå municipality	Municipality	-
Top 10 tenants	-	12.7%

Source: company.

Long contracts at properties outside city centres

As of 30 Sep. 2021, NP3's property portfolio consisted of 406 properties. The portfolio contains a mix of property types with industrial/warehousing, retail, and office premises accounting for 84% of rental value. Properties are typically located outside city centres but often near transport routes, transit hubs, or industrial areas. NP3 has a stated strategy of focusing on properties that are not in tier 1 locations, resulting in a reported average yield of 6.6%, which is substantially higher than that of most peers (typically between 5.5% and 6%). The higher yield on NP3's portfolio reflects both the higher-risk assets in the portfolio and the lower liquidity of the company's main markets. Consequently, the company enjoys stronger cash flows than most of its peers.

The average age of NP3's properties is about 20 years (measured either from construction or most recent significant refurbishment). The somewhat seasoned portfolio, together with NP3's focus on properties located outside city centres, means that alternative usage of some of the properties could be limited. However, the low degree of specialisation in the portfolio means that it would be relatively

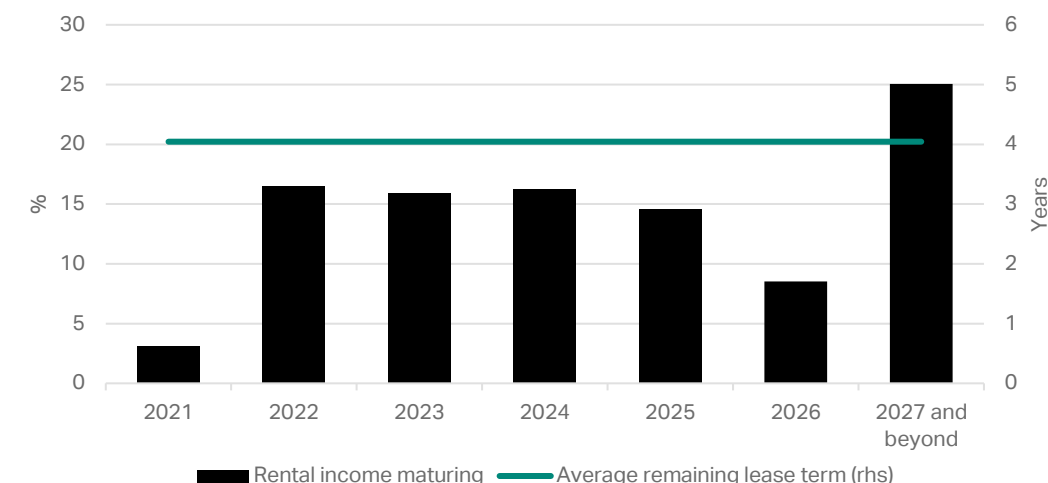
Portfolio assessment scores 'bb+'

easy to adapt the properties for new tenants. We view limited alternative usage as an area of possible concern if vacancy rates were to rise.

In addition to its in-house property portfolio, NP3 has property exposure through associated companies and joint ventures (JVs). Through a 21.3% ownership stake, the company is the third-largest shareholder in Fastighetsbolaget Emilshus AB (publ), a mixed real estate company focusing on the Swedish province of Småland. JV Fastighetsaktiebolaget Ess-Sierra, a 50/50 JV owned together with AB Sagax (publ), owns 33 properties, valued at SEK 1.4bn, with Beijer Byggmaterial AB as the sole tenant.

As of 30 Sep. 2021, the average lease term in NP3's portfolio was 4.0 years. Among the 10 largest tenants, representing 13% of rental income, the figure was 4.6 years. The maturity structure is well spread with maturities in no single year exceeding 20% of total rental value.

Figure 7. NP3 lease maturity profile, 30 Sep. 2021



Source: company.

As of 30 Sep. 2021, NP3 had a total of SEK 407m in budgeted investments in ongoing projects. Most projects are comparatively small. Together they correspond to about 3% of NP3's total area. The risks associated with NP3's projects are generally low as projects are typically tenant-driven adaptations and non-speculative. Furthermore, construction is often contracted on turnkey contracts, reducing construction risk.

Figure 8. NP3 projects in progress with budgeted investments exceeding SEK 30m, 30 Sep. 2021

Property	Location	Property type	Tenant(s)	Lettable area (sqm)	Total investment (SEKm)	Estimated completion
Sörby Urfäll 36:5	Gävle	Other	PDL	2,500	39	Q1/22
Öjebyn 3:496	Piteå	Other/industrial/warehousing	PDL, Besikta, Carglass	3,200	37	Q1/22
Näringen 15:5	Gävle	Other	Top Padel	5,000	28	Q2/22
Grepén 1	Borlänge	Logistics	PostNord	4,000	83	Q3/22
Buskåker 4:13	Borlänge	Industrial/warehousing	Krämfabriken	11,900	35	Q3/22
Gällivare 12:573	Gällivare	Retail/other	Company Line, Gymmet i Sverige	3,400	43	Q1/23
Sum of smaller projects	-	-	-	20,803	142	Q4/21–Q1/23
Total	-	-	-	50,803	407	-

Source: company.

Operating efficiency scores 'bbb+'

Local management presence and strong margins support operating efficiency

NP3 views local management representation in its established markets as an essential part of the company's business model. Property management is carried out through regional management organisations with in-house personnel taking care of property management, while all technical maintenance is outsourced to local partners.

As of 30 Sep. 2021, the occupancy rate of NP3's portfolio amounted to 93%, broadly in line with that of sector peers. We expect the occupancy rate to remain at around current levels over our forecast period through 2023.

About 70% of NP3's rental contracts are either triple-net or contracts under which the company is compensated for incurred costs. The high proportion of triple-net leases affects NP3's EBITDA margin positively; the margin has historically averaged 65% but increased to 70% in 2020 and remained at 69% through the 12 months ended 30 Sep. 2021. In our forecast, we assume an EBITDA margin (excluding dividends received from JVs and associated companies) of 68%.

Figure 9. NP3 revenues, net operating income, EBITDA, and margins*, 2017–2023e

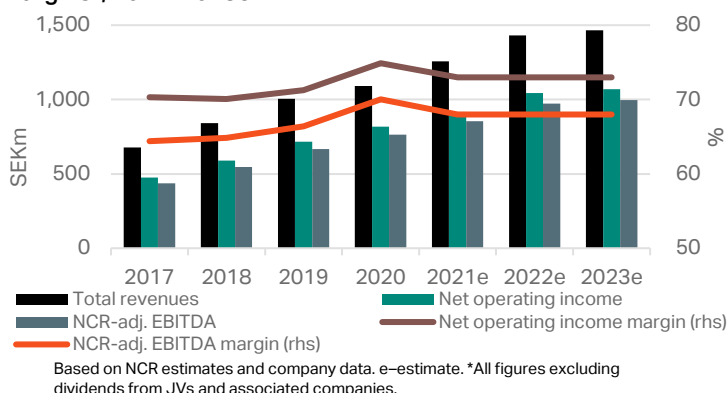
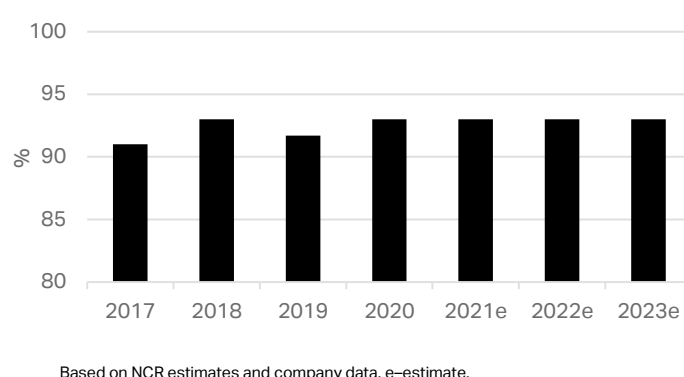


Figure 10. NP3 occupancy rate, 2017–2023e



FINANCIAL RISK ASSESSMENT

Financial risk assessment is 'bb-'

Our financial risk assessment reflects NP3's high financial gearing. The assessment is supported by the high cash-flow generation of NP3's portfolio. The ratio analysis is affected by our 50% equity treatment of the company's preferred shares. We assess NP3's risk appetite as somewhat greater than warranted by our ratio analysis, due to the company's rapid growth and debt maturity concentrations in single years.

High leverage but solid interest coverage due to strong cash-flow generation

Ratio analysis scores 'bb-'

Over the past few years, NP3 has maintained net debt/EBITDA and net interest coverage at 10–12x and 3.0–3.6x, respectively. In that period, net LTV has remained between 60% and 65% and stood at 61% as of 30 Sep. 2021. We expect net LTV to increase to 65% by end-2021 following closing of SEK 1.9bn in announced but not closed acquisitions.

In calculating NP3's credit metrics, we include right-of-use assets in investment property values, and long-term leasing liabilities in net debt, before deducting 100% of cash and equivalents (see Figure 11). We treat the company's preferred shares as 50% debt. Consequently 50% of preferred dividends are treated as interest costs. The debt treatment reflects an option to defer preferred dividends with an obligation to pay a 10% penalty interest rate on the deferred amount. We view the 10% interest penalty as sufficiently high to be considered a deterrent to deferral. As of 30 Sep. 2021, NP3 had 35m preferred shares outstanding, which, according to our calculations, entitle their holders to SEK 1.05bn of the equity on the company's balance sheet assuming a liquidation value of SEK 30 per share.

Our EBITDA adjustment (see Figure 11) includes our expectations of dividend pay-outs from JV Fastighetsaktiebolaget Ess-Sierra equal to the JV's profit from property management, and a quarterly SEK 1m preferred share dividend from associated company Fastighetsbolaget Emilshus AB (publ).

In our base case, we assume:

- rental income growth of 15% in 2021, 14% in 2022, and 2% in 2023;
- an EBITDA margin (excluding dividends received from JVs and associated companies) of 68% in 2021–2023;
- investments in properties through acquisitions, development and refurbishment of SEK 3.2bn in 2021, SEK 500m in 2022, and SEK 500m in 2023;
- no acquisitions other than committed or highly likely acquisitions; and
- no changes in the valuation of investment properties other than changes to reflect capital spending.

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

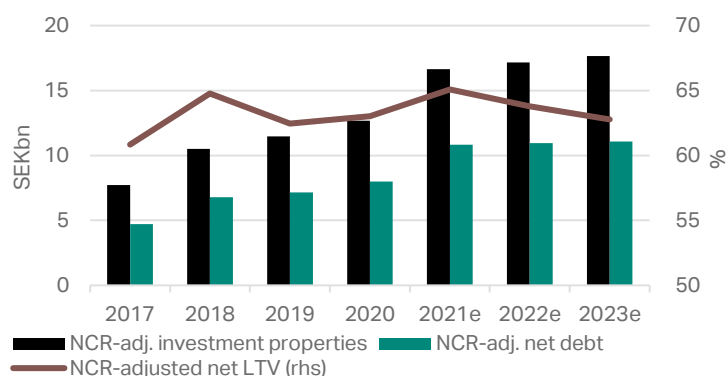
- NCR-adjusted net LTV of 63–65%;
- NCR-adjusted EBITDA/net interest of slightly above 3x; and
- NCR-adjusted net debt/EBITDA of 11–12x.

Figure 11. NCR's adjustments to NP3's credit metrics, 2017–2023e

SEKm	2017	2018	2019	2020	2021e	2022e	2023e
EBITDA	436	546	668	764	854	973	996
Dividends from JVs and associates	0	0	0	2	32	34	34
NCR-adj. EBITDA	436	546	668	766	886	1,007	1,030
Cash and cash equivalents	150	71	192	104	144	189	198
NCR-adj. cash and equivalents	150	71	192	104	144	189	198
Gross interest-bearing debt	4,854	6,542	6,914	7,585	10,300	10,450	10,600
Long-term leasing liabilities	0	0	71	83	104	104	104
Preferred shares (50% debt treatment)	0	326	373	419	575	575	575
NCR-adj. cash and equivalents	-150	-71	-192	-104	-144	-189	-198
NCR-adj. net debt	4,704	6,797	7,165	7,983	10,835	10,940	11,081
Net interest (incl. financial costs from leasing)	-122	-163	-188	-225	-254	-290	-294
Dividends on preferred shares (50% debt treatment)	0	-8	-23	-27	-34	-38	-38
Write-down of financial assets	0	0	0	0	2	0	0
Financial income from divestment of shares in MaxFastigheter	0	0	0	0	-5	0	0
NCR-adj. net interest	-122	-171	-211	-252	-291	-328	-332
Investment property	7,732	10,496	11,402	12,582	16,545	17,045	17,545
Non-current right-of-use assets	0	0	72	83	104	104	104
NCR-adj. investment property	7,732	10,496	11,474	12,665	16,649	17,149	17,649

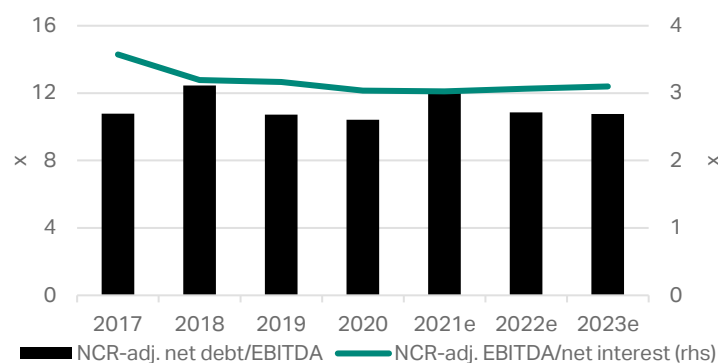
Based on NCR estimates and company data. e-estimate.

Figure 12. NP3 NCR-adj. investment properties, net debt, and net LTV, 2017–2023e



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

Figure 13. NP3 NCR-adj. net debt/EBITDA and EBITDA/net interest, 2017–2023e



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

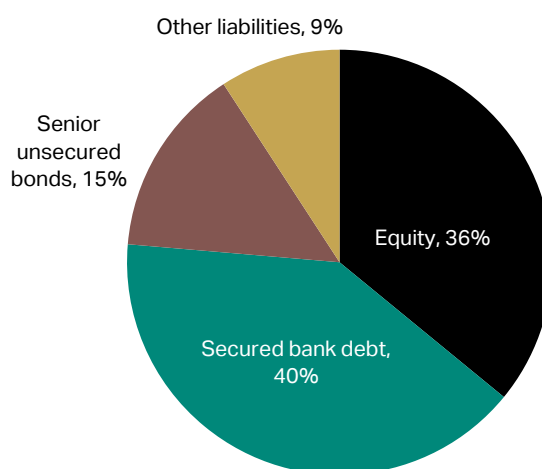
Risk appetite scores 'b+'

Rapid growth and concentrated debt maturities increase financial risk

NP3 has a history of rapid growth, and has more than doubled its property portfolio by value over the past five years. We expect the company to continue its acquisitive strategy to achieve a targeted recurring annual increase of 12% in profit from property management and a return on equity of more than 15% a year on a rolling five-year basis. Despite NP3's ambitious growth plans, the company aims to pay out 50% of after-tax profit from property management as dividends, limiting the prospects of deleveraging the balance sheet.

NP3 finances its operations through a mix of common equity, preferred shares, secured bank debt, and senior unsecured bonds. In October 2021, the company issued commercial paper for the first time under a SEK 2bn framework, adding a new funding source to the mix. NP3 is a recurring issuer of senior unsecured bonds and has historically been proactive in refinancing bonds prior to maturity, which in our view is an adequate strategy to limit refinancing risk.

Figure 14. NP3 funding profile, 30 Sep. 2021



Source: company.

NP3's interest-bearing debt is governed by financial covenants and the company's financial policy (see Figure 15). The company has adhered to policy levels and financial covenants historically, and we note that reported levels as of 30 Sep. 2021 left significant headroom. Reported gross LTV was in fact lower than the target range, but we expect it to increase by end-2021 as the company completes already announced acquisitions.

Figure 15. NP3 financial covenants, policies and reported metrics

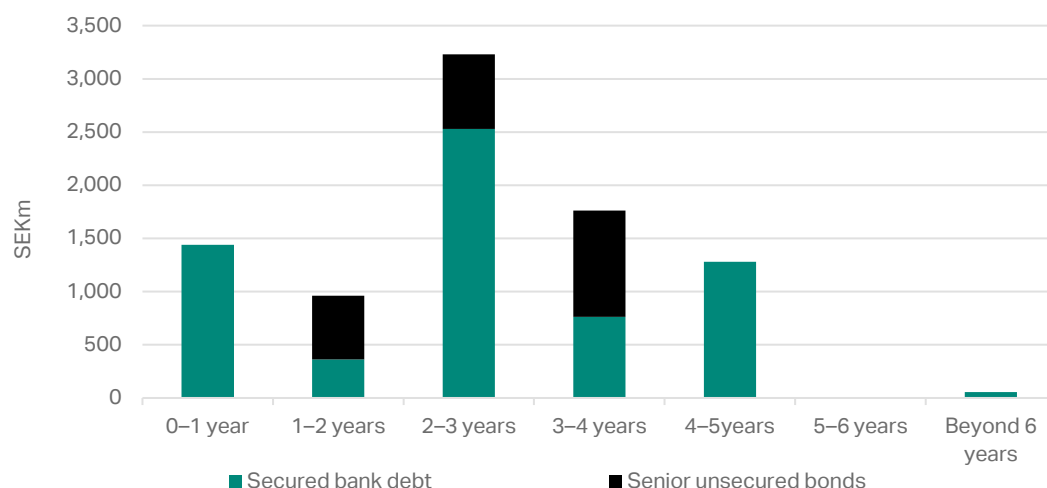
Metric	Bond covenants	Financial policy/targets	Reported 30 Sep. 2021
Gross LTV	≤70%	55–65%	54.3%
Interest coverage ratio	≥1.8x	≥2.0x	3.4x

Source: company.

NP3's financial policy stipulates that the company's average debt maturity should be at least two years while a maximum 40% of debt can mature within the next 12 months on a rolling basis. As of 30 Sep. 2021, the average debt maturity was 2.6 years while debt maturities over the subsequent 12 months amounted to 17% of total debt. NP3's debt maturity profile has improved over the past year, which we view positively, although we still see the concentrations of maturities in single years as a credit weakness.

In its report for the third quarter of 2021, NP3 reported short-term debt of SEK 154m despite maturities within the subsequent 12 months amounting to SEK 1.5bn. This reflects the company's expectations of successfully refinancing its secured bank debt. The company hedges interest risk through interest rate swaps. As of 30 Sep. 2021, the average interest fixing in the loan portfolio was 1.7 years, while the average interest on loans was 2.7%.

Figure 16. NP3 debt maturity profile, 30 Sep. 2021



Source: company.

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 assess NP3's liquidity profile as neutral despite funding uses exceeding sources in the 12 months ending 30 Sep. 2022. We believe that the company's long-standing banking relationships, together with its satisfactory access to several funding channels, mitigate liquidity risk. Nevertheless, the current funding deficit is material, and if the banking or capital markets were to come under pressure, the deficit could have an adverse impact on our overall assessment.

In our calculation of adjusted funds from operations we incorporate 50% of the dividend paid on preferred shares. The remaining 50% of the preferred share dividend is listed in uses of funding.

We estimate the following primary funding sources for the 12 months ending 30 Sep. 2022, totalling SEK 2.6bn:

- SEK 523m in cash and equivalents as of 30 Sep. 2021;
- SEK 455m from funds from operations, equalling 75% of estimated adjusted funds from operations over the four quarters to September 2022;
- SEK 1.3bn in proceeds from borrowings for committed acquisitions;
- SEK 103m in preferred share issue proceeds; and
- SEK 220m in unutilised credit facilities.

We estimate the following uses of funds for the 12 months ending 30 Sep. 2022, totalling SEK 4.1bn:

- SEK 1.6bn in maturing debt and amortisation;
- SEK 1.9bn in completed or committed acquisitions;
- SEK 460m in expected capital spending;
- SEK 98m in paid ordinary share dividends; and
- SEK 38m corresponding to the 50% of preferred share dividends not included in adjusted funds from operations.

Environmental, social and governance factors

ESG factors assessed as adequate

NP3 is relatively new to both environmental, social and governance (ESG) reporting and integrating ESG into its operations. Since 2020, the company's ESG reporting has followed Global Reporting Initiative Standards. NP3 identifies, measures and reports ESG indicators such as CO₂ emissions and

energy usage. It has adopted seven of the UN's Sustainable Development Goals and is currently switching its electricity supply to 100% hydro power. To reduce energy usage, the company often signs leases under which the tenant pays for electricity, incentivising tenants to reduce electricity costs.

NP3 is seeking to increase its levels of environmental property certification, although only a few properties had obtained certification as of 31 Dec. 2020. Since 2020, the company has been an issuer of green bonds under a framework rated Medium Green by environmental agency CICERO. We view certification as an adequate approach to secure the attractiveness of the company's properties, as an increasing number of tenants demand sustainable workspaces. Furthermore, a focus on green buildings can lead to more cost-efficient property management and increase the likelihood of obtaining green financing.

NP3 has adequate governance policies in place, including a code of conduct to guide employees, business partners, and other stakeholders. The company follows Swedish governance guidelines (Svensk kod för bolagsstyrning) and its board of directors consists of five members, among which three are independent of both the company and its largest shareholders.

Figure 17. NP3 ESG considerations

Issue	Risk	Mitigating efforts	Result
CO ₂ emissions	Increased costs due to regulatory and/or taxation changes	NP3 measures and reports Scope 1 and Scope 2 (but not Scope 3) CO ₂ emissions, and has set out quantitative targets for reduction of CO ₂ emissions and energy usage	Energy usage decreased by 4% in 2020. NP3 targets a reduction in CO ₂ emissions of 75% by 2025 compared with 2017, and a decrease in energy usage of 20% in the same period
Impact of climate change on operations	Loss of revenues or increased capital spending	Environmental certification of properties	As of 31 Dec. 2020, some 2% of NP3's lettable area had obtained environmental certification, a quite low figure in comparison with its peer group
Increased environmental focus on financial markets	Adverse effect on financing possibilities or higher financing costs due to slow transitioning to lower CO ₂ dependence	Relatively new to ESG reporting and measuring ESG issues	Investor demand for green credentials is increasing. We view sustainability reporting and a focus on ESG as necessary to remain attractive to investors and expect to see continued efforts in this respect

Source: company.

OWNERSHIP ANALYSIS

Ownership assessed as neutral

NP3's common and preferred shares have been publicly listed since 2014 and 2018 respectively. Lars Göran Bäckvall through company Poularde AB is the largest owner, with 18.7% of the capital and 24.3% of the votes. The second-largest owner, AB Sagax (publ) (through Satrap Kapitalförvaltning AB), is a Sweden-based commercial property manager focusing on warehousing and light industrial properties. NP3 and Sagax collaborate through 50/50 JV Fastighetsaktiebolaget Ess-Sierra, as well as through associated company Fastighetsbolaget Emilshus AB (publ) in which Sagax and NP3 are the second- and third-largest shareholders, respectively. At present, we see no major concerns or conflicts of interest arising from the close ties between NP3 and Sagax.

Since it was founded in 2010, NP3 has completed several issuances of common and preferred shares, the most recent being a directed issuance of preferred shares in October 2021. We take a favourable view of NP3's history of successful share issuance and access to the equity market, which enhances the company's ability to strengthen the balance sheet when needed.

Figure 18. NP3 ownership structure, 30 Sep. 2021

Owner	Share of capital	Share of votes
Lars Göran Bäckvall (Poularde AB)	18.7%	24.3%
AB Sagax (Satrap Kapitalförvaltning AB)	15.5%	21.6%
Fjärde AP-fonden	8.2%	7.0%
Länsförsäkringar Fondförvaltning AB	3.8%	5.8%
Försäkringsaktiebolaget Avanza Pension	3.4%	1.1%
RBC Investor Services Bank S.A.	3.1%	2.5%
SEB Investment Management	2.7%	4.2%
Erik Selin Fastigheter AB	2.5%	2.8%
Patrik Brummer (PPB Holding AB)	1.9%	0.3%
J.A. Göthes AB	1.6%	1.9%
Top 10 owners	61.4%	71.5%
Other	38.6%	28.5%

Source: company.

Figure 19. NP3 key financial data, 2017–Q3 2021

SEKm	FY	FY	FY	FY	LTM
Period-end	31 Dec. 2017	31 Dec. 2018	31 Dec. 2019	31 Dec. 2020	30 Sep. 2021
INCOME STATEMENT					
Rental income	677	842	1,006	1,091	1,177
Other income	–	–	–	–	–
Total costs from operations	-201	-252	-289	-274	-304
Net operating income	476	590	717	817	873
Administrative expenses	-40	-44	-49	-53	-54
Administrative expenses, project portfolio	–	–	–	–	–
EBITDA	436	546	668	764	819
Share of profit in associated companies and joint ventures	–	–	14	60	152
Interest expenses	-123	-164	-190	-224	-239
Interest income	1	1	4	1	8
Interest expenses, shareholder loans	–	–	–	–	–
Financial costs from leasing	–	–	-2	-2	–
Other financial costs	–	–	–	–	-2
Changes in investment property	245	212	448	263	945
Gain (loss) on financial assets held at fair value	-5	-22	-8	-38	58
Depreciation and amortisation	–	–	–	–	–
Restructuring activities	–	–	–	–	–
Pre-tax profit	554	572	934	824	1,742
Current taxes	-16	-25	-38	-49	-69
Deferred taxes	-91	-79	-107	-115	-262
Net profit	447	468	789	660	1,411
BALANCE SHEET					
Investment property	7,732	10,496	11,402	12,582	14,413
Other non-current assets	24	20	244	573	869
Total non-current assets	7,756	10,516	11,645	13,156	15,282
Cash and cash equivalents	150	71	192	104	523
Other current assets	53	90	99	92	98
Total current assets	203	161	291	197	621
Total assets	7,959	10,677	11,937	13,352	15,903
Total equity	2,584	3,464	4,140	4,637	5,714
Non-current borrowings	4,508	6,216	6,720	7,404	8,569
Non-current borrowings, shareholder loans	–	–	–	–	–
Deferred tax liabilities	275	350	450	568	756
Other non-current liabilities	2	24	107	156	132
Total non-current liabilities	4,785	6,590	7,277	8,128	9,457
Total current liabilities	590	622	519	587	733
Total equity and liabilities	7,959	10,677	11,937	13,352	15,904
CASH FLOW STATEMENT					
Pre-tax profit	554	572	934	824	1,742
... of which changes in investment property	245	212	448	263	945
Depreciation and amortisation	–	–	–	–	–
Tax paid	-25	-29	-28	-37	-40
Adjustment for items not in cash flow	-237	-189	-451	-289	-1,094
Cash flow from operating activities before changes in working capital	292	355	455	498	608
Changes in working capital	58	-79	-34	47	45
Cash flow from operating activities	350	276	422	545	653
Cash flow from investment activities	-784	-1,750	-637	-1,159	-1,885
Cash flow from financing activities	433	1,396	336	526	1,204
Cash and cash equivalents at beginning of period	151	150	71	192	560
Cash flow for period	-1	-79	121	-88	-28
Cash and cash equivalents at end of period	150	71	192	104	523

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

Figure 20. NP3 rating scorecard

Subfactors	Impact	Score
Operating environment	20.0%	bb
Market position, size and diversification	12.5%	bbb-
Portfolio assessment	12.5%	bb+
Operating efficiency	5.0%	bbb+
Business risk assessment	50.0%	bb+
Ratio analysis		bb-
Risk appetite		b+
Financial risk assessment	50.0%	bb-
Indicative credit assessment		bb
Liquidity		Adequate
ESG		Adequate
Peer comparisons		Neutral
Stand-alone credit assessment		bb
Support analysis		Neutral
Issuer rating		BB
Outlook		Stable
Short-term rating		N-2

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