

NP3 Fastigheter AB (publ)

Rating Action Report

LONG-TERM RATING

BB

OUTLOOK

Stable

SHORT-TERM RATING

N-2

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NP3 Fastigheter AB (publ) 'BB' long-term issuer rating affirmed; Outlook stable

Nordic Credit Rating said today that it had affirmed its 'BB' long-term issuer rating on Sweden-based property manager [NP3 Fastigheter AB \(publ\)](#) (NP3). The outlook is stable. At the same time, the 'N-2' short-term issuer rating was affirmed.

Rationale

The long-term rating reflects NP3's highly leveraged balance sheet, small size, and focus on properties outside city centre locations. The rating is constrained by below-average liquidity in the company'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 stable outlook reflects 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. We could raise the rating to reflect improved credit metrics, with net LTV below 55% and net interest coverage above 3.5x over a protracted period, or improved portfolio quality combined with a lower risk appetite as the portfolio grows. We could lower the rating to reflect weakened credit metrics with net LTV above 65% or net interest coverage below 2.2x over a protracted period, or deteriorating market fundamentals that might negatively affect occupancy and profitability.

Rating list

Long-term issuer credit rating:
Outlook:
Short-term issuer credit rating:

To	From
BB	BB
Stable	Stable
N-2	N-2

Figure 1. NP3 rating scorecard

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

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating
Publication date:	The rating was first published on 27 Nov. 2020.
Office responsible for the credit rating:	Nordic Credit Rating AS (NCR), Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009.
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Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	NCR's Corporate Methodology published on 14 Aug. 2018 NCR's Rating Principles published on 16 Sep. 2019 The methodology and principles documents provide analytical guidance to NCR's rating activities including but not limited to, assumptions, parameters, cash flow analysis, and stress-testing. NCR's methodologies and principles can be found on our website nordiccreditrating.com/governance/policies . The historical default rates of entities and securities rated by NCR will be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA) .
Materials used when determining the credit rating:	Annual- and quarterly reports of the rated entity, Bond prospectuses, Company presentations, Data provided by external data providers, External market reports, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity.
Potential conflicts of interest:	The rating is NCR's independent opinion of the rated entity's relative creditworthiness. The rating is solicited, i.e. it is prepared for a fee paid by the rated entity. At the time of analysis and publication neither NCR nor any of the analysts or persons involved in the rating process held any interest, ownership interest or securities in the rated entity. NCR does not have any direct or indirect shareholder with a holding of more than 5% of NCR's shares and votes. For further information, please refer to NCR's conflict of interest policy which is available on: https://nordiccreditrating.com/governance/policies
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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