Heba Fastighets 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 Heba Fastighets AB (Heba) reflects the company's long and stable history of managing residential rental properties in Stockholm, Sweden's highest-demand housing market. Due in part to its stable ownership, the company's financial position, risk appetite, and leverage remain at stronger levels than those of its peers.

The rating is constrained by Heba's increased exposure to project development in less attractive locations than its very strong historical markets. This exposure includes up-front funding commitments in joint venture projects to build and sell apartments to tenants. The resulting shift in focus has led to an increase in risk appetite and financial risk.

STABLE OUTLOOK

The outlook is stable, reflecting our expectation that Heba will maintain a long-term ratio of projects to management properties of close to 15% by value. In our view, this is likely to prevent any significant improvement in financial leverage or credit metrics. It also reflects our expectation that the company will continue to focus on non-cyclical residential and community service properties, while maintaining the level of properties developed for sale. In addition, the outlook reflects our expectation that Heba's financial risk appetite will remain unchanged.

POTENTIAL POSITIVE RATING DRIVERS

- Deleveraging, resulting in NCR-adjusted net loan to value (LTV) of below 40% over a protracted period and net interest coverage of above 5x.
- Commitment to a reduced risk appetite.
- Greater diversification and an improved market position, combined with lower risk exposure to in-house projects and joint-venture agreements.

POTENTIAL NEGATIVE RATING DRIVERS

- Net LTV increasing towards 50% over a protracted period with reduced or decreasing net interest coverage.
- Deteriorating market fundamentals, adversely affecting occupancy and/or profitability.
- Severe complications involving in-house projects, joint venture agreements, or other collaborative efforts.

Figure 1. Heba key credit metrics, 2018–2024e

SEKm	2018	2019	2020	2021	2022e	2023e	2024e
Rental income	381	388	394	450	497	530	574
NCR-adj. EBITDA	221	232	244	294	326	352	503
NCR-adj. investment property	9,656	10,293	12,213	14,831	15,947	16,737	17,037
NCR-adj. net debt	3,532	3,492	4,985	6,024	6,974	7,558	7,487
Total assets	9,724	10,399	12,776	15,516	16,530	17,295	17,483
NCR-adj. net debt/EBITDA (x)	16.0	15.1	20.4	20.5	21.4	21.5	14.9
NCR-adj. EBITDA/net interest (x)	4.1	4.4	4.3	4.5	4.3	4.2	5.9
NCR-adj. net LTV (%)	36.6	33.9	40.8	40.6	43.7	45.2	43.9

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

ISSUER PROFILE

Heba is a Sweden-based property manager focusing on residential properties in the greater Stockholm area. The company's portfolio consists of a mix of apartment properties dating from the mid-20th century to newly built dwellings. The company also manages and develops community service properties for care of the elderly, special-needs housing and preschools, though these account for a smaller proportion of the portfolio. Heba also develops apartments and community service properties for sale and management through joint ventures.

The company was founded in 1952 and has been publicly listed since 1994, with many of the original founders' families maintaining active ownership roles. As of 31 Dec. 2021, the property portfolio included 69 properties – 3,479 apartments and eight community service properties – with a value of SEK 14.7bn.

BUSINESS RISK ASSESSMENT

Business risk assessment 'bbb+'

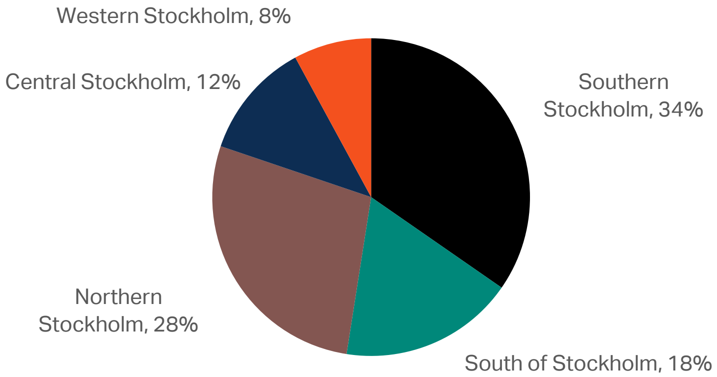
Our business risk assessment reflects the stable operating environment and high demand for residential rental and community service properties in the Stockholm region. It also reflects the company's history of achieving constant growth, driven by refurbishment of existing properties and development and acquisition of low-risk properties while steadily improving its operating efficiency. Our assessment is constrained by Heba's increased exposure to development projects, which we expect to continue.

High demand and regulated market create favourable operating conditions

Operating environment 'a'

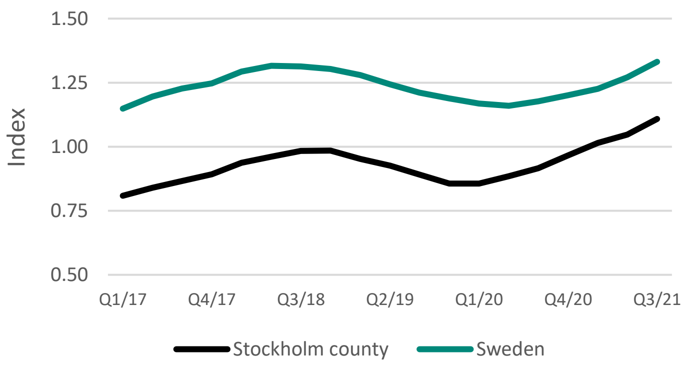
Our assessment of the operating environment is supported by Heba's exposure to the non-cyclical Swedish rental housing market, which is characterised by government-regulated rents and long tenant waiting lists. It is further supported by the company's geographic focus on Stockholm. The capital has traditionally outperformed the domestic average in terms of housing prices and population growth and has a relatively low unemployment rate. Accordingly, we expect property values to remain stable and demand for rent-controlled apartments to increase. While Sweden has historically had a rental apartment deficit, the country is now moving towards surplus, although Stockholm lags other regions in this respect.

Figure 2. Heba rental value by geography, 31 Dec. 2021



Source: company.

Figure 3. Rental apartment deficit/surplus in Stockholm county and Sweden, 2017-Q3 2021



Source: SBAB Booli HMI. Index value above 1.5=surplus. Index value below 0.5=shortage.

The Swedish rental market is regulated by the government with the aim of reflecting the value of using a property. This reduces property managers' ability to increase rents, though less so for newly built apartments. Over the past three years, annual rent increases have averaged slightly below 2%. We expect the current regulations to remain in place following a failed attempt in 2021 by the government to remove some restrictions on the rent levels of newly built apartments. Investment grants for new-build rental apartments were abolished at end-2021. We believe Heba will adjust but note that the abolition could make it harder to fill properties in less attractive locations.

According to Stockholm's housing authority, Bostadsförmedlingen, about 740,000 individuals are currently on the waiting list for a rental apartment in the city, with an average waiting period of nine years. In our opinion, this strengthens Heba's occupancy prospects. We expect the company to maintain its current level of community service properties (about 12% of the portfolio by value), with a focus on property types with low specialisation requirements. As the population grows and ages, demand for elderly care and childcare facilities is likely to continue to grow in line with national and local demographics.

During 2020 and 2021, Heba intensified its focus on development projects, which we reflect in our assessment of the operating environment. Risk related to delays, development issues, cost fluctuations, and demand can reduce revenue from properties built for sale and yields achievable from properties under management.

Portfolio small compared with peers', but diversity strong

Market position, size, and diversification 'bb'

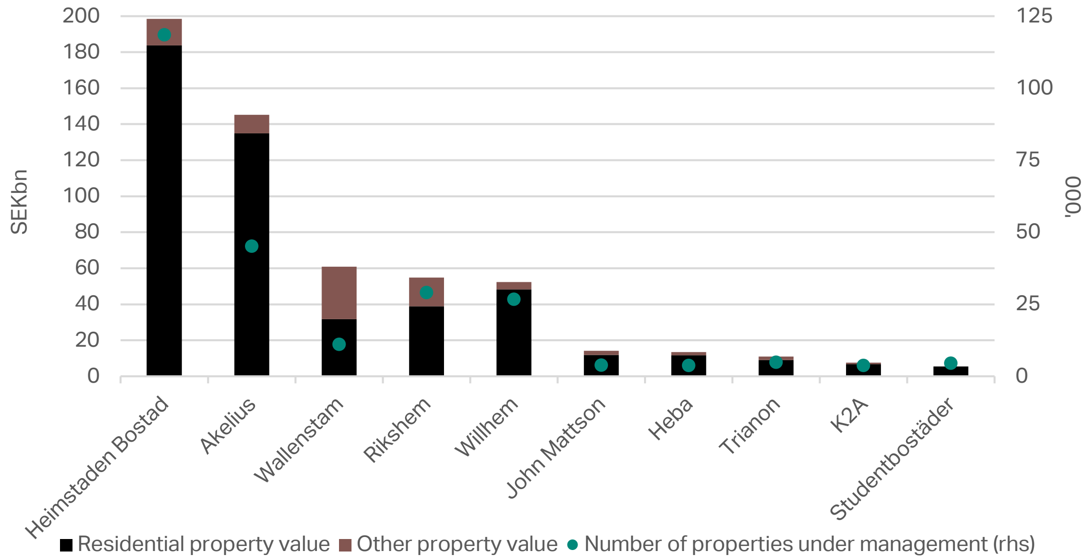
As of 31 Dec. 2021, Heba's portfolio comprised 69 properties, totalling 267,600 sqm and valued at SEK 14.7bn. The company is a relatively small player in a domestic context. Many of Sweden's largest real-estate managers primarily run office buildings and tend to have higher-value portfolios but are subject to materially greater tenant concentrations and risks associated with the business cycle.

While Heba does not have a leading market position, we do not see this as a weakness in terms of the company's ability to generate value, given the regulation of the housing market and social demand for rental properties in Stockholm. High demand for housing in the capital reduces the risk associated with Heba's competitive position and concentration in the city's rental market.

Due to its focus on residential properties, Heba has low tenant concentrations. In 2021, 14% of rental revenue came from commercial properties, mainly community service properties, out of which 20% came from the 10 largest tenants. While Heba's focus on the Swedish capital limits its geographic diversity in comparison with competitors with wider coverage, the strength of the Stockholm market is a mitigating factor.

The residential housing market is dominated by large municipal owners and private-sector companies. Diverse real-estate managers such as Wallenstam and niche privately owned companies such as John Mattson are creating additional competition.

Figure 4. Heba peer group breakdown by property value and lettable area, 30 Sep. 2021



Source: companies.

Portfolio stable, but project risk increasing

Portfolio assessment 'bbb+'

Heba's property portfolio consists of newly built properties (33%) and aging, but mostly refurbished, residential properties, with good public transport connections. The company's average remaining lease term is short for residential housing, with lease contracts typically varying between one and three months. However, high demand and long waiting lists suggest that occupancy rates are likely to remain strong and the average remaining lease term is consequently of reduced importance.

Community service properties typically carry 15–20-year lease terms, which creates some revenue transparency.

Most of the buildings in Heba's portfolio were built between the 1960s and 1980s. The company launched a long-term refurbishment plan in 2010 to upgrade the properties to current standards. By end-2021, Heba had refurbished most of its aging housing stock and is on track to complete the refurbishment plan within the next few years. The company relocates residents to empty apartments during refurbishment, which typically takes about eight months. It also relocates tenants during environmental and other improvements. The refurbishments allow Heba to increase rental incomes and ensure property values remain stable.

Heba's portfolio of active projects contained outstanding commitments of about SEK 1.3bn at end-2021. We expect projects to continue to account for about 15% of the value of the in-use portfolio. The company's increasing geographic footprint across the Stockholm region is generally positive and although Heba is expanding into locations that are technically outside the capital, most are within a comfortable commute.

Figure 5. Heba active projects* and commitments, 31 Dec. 2021

Property	Property type	Project type	Estimated completion	Remaining investment (SEKm)
Kvarteret Alen 3, Norrtälje Hamn	Elderly care and rental apartments	Forward funding	Q2/22	72
Terassen, Uppsala	Rental apartments	Acquisition	Q4/22	250
Älvdansen, Enköping	Elderly care and rental apartments	Forward funding	Q3/23	247
Ekerö, Stockholm	Elderly care	Development	Q1/24	240
Källberga, Nynäshamn	Rental apartments	Forward funding	Q2/24	290
Skridskon, Stockholm	Rental apartments	Development	Q3/24	141
Förgyllda Bägaren, Stockholm	Preschool	Development	Q4/23	65
Total				**1,305**

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

In addition to ongoing projects, Heba's portfolio of building rights for 2,000 apartments creates possibilities for continued development.

In 2020, Heba entered a joint venture with construction company Åke Sundvall Byggnads AB. Over the subsequent year, the company increased its project exposure through similar joint ventures, also with Åke Sundvall Byggnads AB, mostly involving construction of apartments for sale, as well as some for rent. We expect Heba to continue with its existing agreements through our forecast period, and note the possibility of the company entering more collaborative agreements, with existing or new partners.

The projects within the joint venture agreements mainly involve development of properties for sale, whereas Heba's in-house project portfolio consists primarily of development properties for management. While we view development for sale as a more risk-sensitive business activity than development for management, some of the projects have permission for alternative use as rental apartments and could be converted to attractive rental properties if market conditions are not conducive to the sale of new apartments.

Figure 6. Heba projects and commitments in joint ventures, as of 31 Dec. 2021*

Property	Property type	Apartments	Project start	Total investment (SEKm)
Panorama, Bredäng	Apartments for sale	200	Q4/20	500
Verket, Rosendal Uppsala	Rental apartments and apartments for sale	304	Q2/21	640
Vårbergstoppen	Apartments for sale	300	Q2/21	600
Skärgårdsskogen Skarpnäck	Apartments for sale	100	Early phase	250
Framtidens Stora Sköndal	Rental apartments and apartments for sale	600	Early phase	2,000
Total		**1,504**		**3,990**

Source: company. *includes Åke Sundsvall Byggnads AB's share.

Occupancy rate excellent due to stable demand

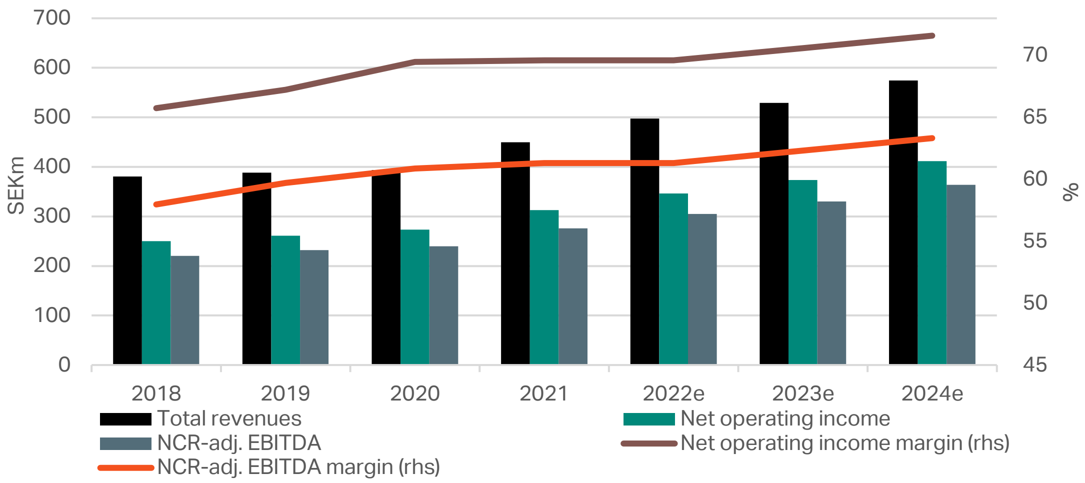
Operating efficiency 'a'

Strong demand for rental housing in Stockholm ensures that Heba's occupancy rate is high and operating efficiency stable. Vacancy rates in the portfolio stood at less than 0.5% at end- 2021 or about 2% including vacancies for renovations and we expect them to remain low. We also expect Heba's existing residential and community service properties to continue to generate stable rental income due to rental increases (based on inflation and refurbishment) in excess of cost increases.

The community service properties provide stable operating revenue, but account for only 12% of the current portfolio by value. We expect the proportion of community service properties in the portfolio to remain stable due to strong competition in the transaction market for such properties. We also expect EBITDA margins (excluding interest income and dividends received from joint ventures) to rise to above 63% by 2024.

In our view, developments held for sale through joint ventures will make revenues more volatile, as the resulting income is generated only upon completion and not on a recurring basis. Consequently, we do not include such revenues in our assessment of Heba's operating efficiency.

Figure 7. Heba revenues, net operating income, EBITDA, and margins, 2018–2024e*



Based on NCR estimates and company data. *All figures exclude interest income and dividends from JVs.

FINANCIAL RISK ASSESSMENT

Financial risk 'bbb+'

Our financial risk assessment reflects our expectation that Heba's credit metrics will remain weaker than their historical levels. It also reflects high dividend payouts and an increase in the company's risk appetite as a result of financial commitments to joint ventures. Positively, we note Heba's strong debt maturity profile and relatively long average fixed-interest period.

Credit metrics likely to weaken due to increased project activity

Ratio analysis 'bbb+'

Although financial risk remains at relatively low levels, we note an increasing trend in recent years, with a more active expansion strategy weakening the company's metrics. We take a conservative view of value changes in the existing property portfolio, but recognise the potential for improved net LTV in favourable market conditions.

We expect Heba's revenues from property management to rise by 2% annually, reflecting the predictability of regulated rentals and additional revenue generated from completed projects and acquisitions. We include interest income from loans to joint ventures in EBITDA, rather than under net interest, to reflect the operational nature of the loans. In 2024, we expect an increase in EBITDA due to finalisation of the first joint-venture project.

In our base-case scenario we assume the following:

- rental income growth of 11% in 2022, 6% in 2023, and 9% in 2024, with growth mainly resulting from the completion of existing projects and refurbishment of properties, allowing rental increases at existing apartments;
- an EBITDA margin (excluding interest income and dividends received from joint ventures) of 61-63% in 2022–2024
- investments in new projects and joint ventures of about SEK 2bn;
- dividend payments equal to 70% of post-tax earnings from property management;
- an 10% increase in property value upon completion of projects and refurbishments; and
- no value increases in the existing portfolio.

On the basis of these assumptions, we arrive at the following projections for 2022–2024:

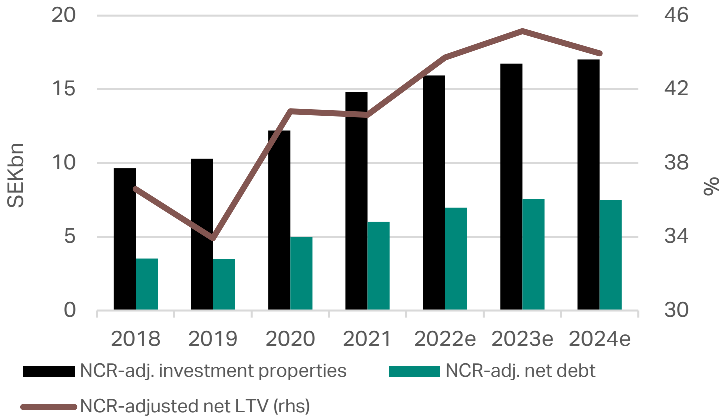
- NCR-adjusted net LTV of 44–45%;
- NCR-adjusted EBITDA to net interest of 4.2–5.9x; and
- NCR-adjusted net debt to EBITDA of 15-21x.

Figure 8. NCR's adjustments to Heba's credit metrics, 2018–2024e

SEKm	2018	2019	2020	2021	2022e	2023e	2024e
EBITDA	221	232	240	276	305	330	364
Interest income from JVs	0	0	4	19	21	22	22
Dividends received from JVs	0	0	0	0	0	0	117
NCR-adj. EBITDA	221	232	244	294	326	352	503
Cash and cash equivalents	6	25	97	159	57	33	29
NCR-adj. cash and equivalents	6	25	97	159	57	33	29
Gross interest-bearing debt	3,538	3,359	4,915	6,025	6,874	7,434	7,359
Long-term leasing liabilities	0	158	167	158	158	158	158
NCR-adj. cash and equivalents	-6	-25	-97	-159	-57	-33	-29
NCR-adj. net debt	3,532	3,492	4,985	6,024	6,974	7,558	7,487
Net interest	-52	-53	-52	-46	-54	-61	-64
Interest income from JVs	0	0	-4	-19	-21	-22	-22
Other financial costs	-2	0	0	0	0	0	0
NCR-adj. net interest	-54	-53	-57	-65	-75	-83	-86
Investment property	9,656	10,135	12,046	14,673	15,789	16,580	16,879
Non-current right-of-use assets	0	158	167	158	158	158	158
NCR-adj. investment property	9,656	10,293	12,213	14,831	15,947	16,737	17,037

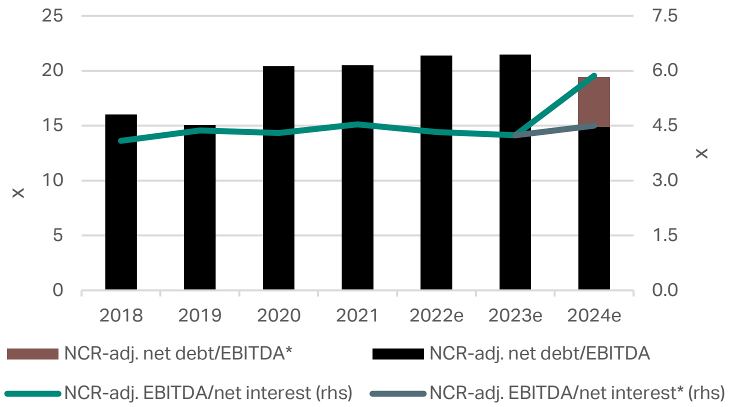
Based on NCR estimates and company data. e–estimate. JVs–joint ventures.

Figure 9. Heba NCR-adj. investment properties, net debt, and net LTV, 2018–2024e



Based on NCR estimates and company data.

Figure 10. Heba NCR-adj. net debt/EBITDA, and EBITDA/net interest, 2018–2024e



Based on NCR estimates and company data. *excluding sale of joint venture project in 2024.

Funding stable and diverse, but risk appetite gradually increasing

Risk appetite 'bbb+'

Our view of Heba's risk appetite is commensurate with the company's financial ratios. We view the company's growth objectives as supportive of improved diversity and earnings but note that a sharper focus on development projects has increased its financial risk appetite. As part of this focus, Heba's exposure to joint venture agreements has increased over the past year. At end-2021, Heba had SEK 408m in outstanding loans to its joint ventures with Åke Sundvall Byggnads AB. As we consider these loans to be of an operational nature rather than financial, and do not net the loans or the resulting interest income against debt. In addition, Heba has made off-balance sheet financial guarantees in respect of the joint ventures amounting to SEK 1.4bn. The guarantees expire in 2024. We believe the flexibility to convert properties for sale to properties for management offsets some of the increased risk of higher leverage and expect the company to remain comfortably within its financial targets.

Figure 11. Heba financial targets, 31 Dec. 2021

Financial policy	Target	31 Dec. 2021*
Equity/total assets (%)	>40	48%
LTV (%)	<50	41.1%
Share of community service properties (%)	~20	12.5%
Dividend pay-out (%)	70	73**

Source: company data. *Heba's own calculations. **2020 dividend payout.

Heba has a history of paying dividends above 70% of after-tax operating profit, which is somewhat higher than its peers' pay-out levels. We believe the company is reluctant to diverge from this commitment.

Heba is financed with secured bank debt and commercial paper under a SEK 4bn framework and, since March 2021, unsecured bonds within a SEK 5bn framework. At end-2021, unsecured debt, including commercial paper, stood at 58% of total debt. The company's bank loans are typically secured by its property assets, with SEK 2.6bn in mortgaged assets (17% of total assets) as of 31 Dec. 2021.

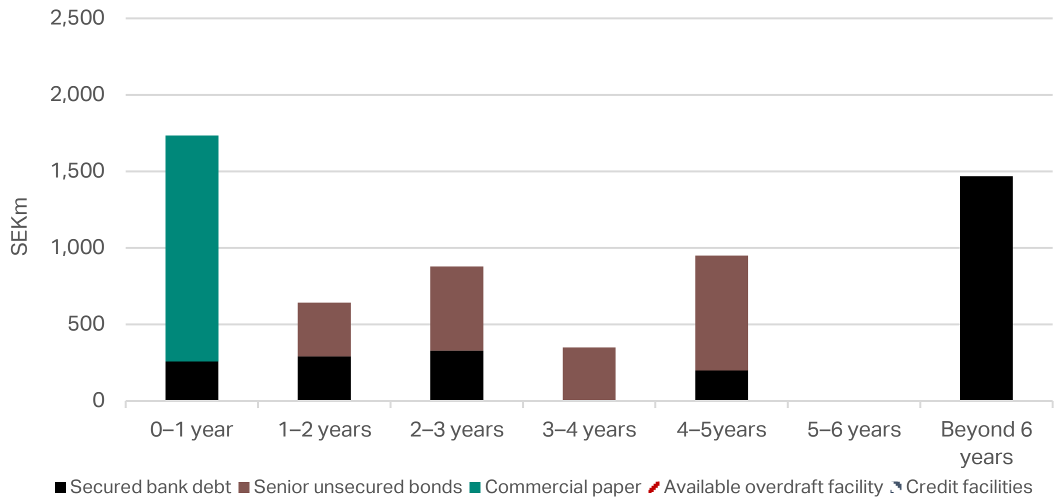
Figure 12. Heba balance sheet, 31 Dec. 2021

Source: company.

At end-2021, Heba had SEK 1.7bn in maturities over the subsequent 12 months, including SEK 1.5bn in unsecured commercial paper. We expect the company to refinance this commercial paper on a continuing basis but note that it also has backup facilities of SEK 2.1bn if necessary. The company holds relatively low levels of cash and instead manages liquidity with an additional SEK 140m overdraft facility.

At end-2021, Heba's average debt to maturity was four years (4.3 years including commitments and excluding commercial paper), and its average fixed-interest period was 3.4 years, reflecting the company's aversion to refinancing risk, which we view as positive. Heba uses derivatives to limit the effects of interest rate changes. A total of SEK 2bn of the loan portfolio was tied through interest rate derivatives at end-2021.

Figure 13. Heba debt maturities, 31 Dec. 2021



Source: company. *Unutilised credit facilities.

ADJUSTMENT FACTORS

Adjustment factors neutral

Adjustment factors are assessed as neutral and have no effect on our standalone credit assessment.

Liquidity

Liquidity neutral

Our 12-month liquidity analysis is based on a stressed scenario in 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 Heba's liquidity profile as adequate. The company has strong relationships with its banks, as well as SEK 2.2bn in revolving credit facilities and overdraft facilities available, providing additional liquidity support. Since end-2021, the company has redeemed commercial paper worth SEK 800m and issued a further SEK 685m, utilising SEK 200m of its credit facilities. We anticipate a SEK 156m surplus for the 12 months ending 31 Dec. 2022, slightly more than the SEK 132m proposed dividend payout for 2021.

We estimate the following primary liquidity sources for the 12 months to 31 Dec. 2022, totalling SEK 2.6bn:

- SEK 159m, reflecting cash and equivalents as of 31 Dec. 2021;
- SEK 1.9bn in undrawn credit facilities maturing between 2023 and 2027;
- SEK 140m in available revolving credit facilities maturing in 2023;
- SEK 200m from credit facilities utilised in the first quarter of 2022; and
- SEK 188m, reflecting 75% of funds from operations through 31 Dec. 2022.

We anticipate liquidity to be used for the following purposes over the same period, totalling SEK 2.4bn:

- SEK 260m in bank debt maturities;
- SEK 1.4bn in outstanding commercial paper;
- SEK 527m in costs of acquisitions and deposits for committed projects; and
- SEK 284m in planned capital spending for refurbishing aging apartments.

Environmental, social and governance factors

ESG factors adequate

The main environmental, social and governance (ESG) issues that could affect our credit rating on Heba are factors that could contribute to loss of revenue, increased operating costs, higher capital spending, loss of value of assets, reduced access to funding, or loss of operating rights. In addition, the company is currently assessing its properties for climate-related physical risk, and planning adjustments where necessary.

Heba is focused on reducing energy consumption at its buildings, as well as obtaining environmental certification for all newly constructed properties. Refurbishing apartments often includes measures to improve energy efficiency. All of the company's energy usage is monitored in an effort to identify areas for improvement. Heba aims to be climate neutral by 2045 at the latest, and until it achieves this, it contributes to a UN climate compensation programme. For its new production, the company targets a silver-level certification from domestic environmental certification agency Miljöbyggnad (or equivalent). Heba also assumes social responsibility for its community service facilities and rental apartments. The company conducts surveys of tenants and employees and has established minimum levels of satisfaction in its corporate goals.

Given the strong demand for rental housing in Stockholm, Heba acknowledges the risk of bribes, corruption and illegal property transfers. In this respect it conducts internal training programmes and has instituted a no-tolerance code of conduct to ensure that its employees understand their ethical responsibilities.

We note that Heba is indirectly exposed to the performance of Åke Sundvall Byggnads AB through its joint ventures and could be negatively affected if the ventures fail or encounter delays.

Figure 14. Heba 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. CO_2 offsets. Environmental certification of properties.	Scope 1 and 2 emissions decreased by 21% and 3%, respectively, in 2020 compared with 2019. However, we expect most emissions to be Scope 3 (indirect), which Heba began to measure only in 2021. At end-2020 13% of the portfolio was environmentally certified.
Political risk	Political action affecting residential rental revenues and lowering property values.	Community service properties in portfolio and development of apartments for sale diversify revenues.	Community service properties accounted for 12% of portfolio value at end-2001per 31 Dec. 2021. Significant value of apartments-for-sale projects.
Increased environmental focus on financial markets	Adverse effect on financing possibilities or higher financing costs due to slow transitioning to lower fossil-fuel dependence.	Strong focus on environmental certification. Targets net zero carbon emissions by 2045. Green-bond framework.	SEK 2bn in outstanding green bonds as of end-2021. Below 100kwh/sqm usage in property portfolio at end-2021.
Employee relations	Reduced operating efficiency due to loss of key personnel.	Focus on equality and employee satisfaction, together with competitive remuneration.	Listed on the Allbright "green list" for gender equality in 2020, indicating a high level of equality in senior positions. Low staff turnover (about 6% in 2020).

Source: company.

OWNERSHIP ANALYSIS

Ownership neutral

The majority of voting rights in Heba are held by, or associated with, descendants of the company's founders, which suggests they have a long-term financial commitment. Samhällsbyggnadsbolaget i Norden AB (SBB) purchased more than 20% of the capital in March 2021, making it the largest shareholder. In October 2021, it divested its full position, with Nordea Bank Apb acquiring the shares, however SBB remains the largest de facto owner of Nordea's shares through financial derivatives. We believe SBB intends to remain a long-term owner. Since end-2021, Birgitta Maria Härnblad has transferred about two-thirds of her shares to her children. Our assessment of Heba's risk appetite reflects the current ownership's historically prudent approach to real-estate management and we note that a significant change in ownership structure could affect our rating.

Heba has not required capital injections in recent years, and we note that the company's listed status gives it access to the equity markets should the need arise. However, we see dilution of ownership as limiting the potential for large equity injections.

Figure 15. Heba ownership structure, 28 Feb. 2022

Owner	Share of capital (%)	Share of votes (%)
Nordea Bank Abp	19.4	10.4
Charlotte Ericsson	6.4	9.1
Johan Vogel	5.9	8.4
Anna Vogel	5.9	8.4
Christina Holmbergh	5.9	8.5
Anders Eriksson	5.5	8.2
Birgitta Maria Härnblad	4.9	8.6
Ulf Ericsson	3.9	2.1
Spiltan Funds AB	2.7	1.4
SEB	2.3	1.2
Top 10 owners	**62.7**	**66.4**
Other	37.3	33.6

Source: company.

ISSUE RATINGS

Heba is financed primarily by secured bank loans, senior unsecured bonds, and commercial paper. At end-2021, secured debt accounted for 42% of total outstanding debt, well below the company's 50% policy limit. For this reason, we rate the senior unsecured debt issued under the company's SEK 2bn medium-term note programme at the same level as the long-term issuer rating.

Figure 16. Heba key financial data, 2017–2021

SEKm Period-end	FY 31 Dec. 2017	FY 31 Dec. 2018	FY 31 Dec. 2019	FY 31 Dec. 2020	FY 31 Dec. 2021
INCOME STATEMENT					
Rental income	335	380	388	394	450
Other income	–	–	–	–	–
Total costs from operations	-120	-130	-127	-120	-137
Net operating income	215	250	261	274	313
Administrative expenses	-28	-30	-29	-34	-37
Administrative expenses, project portfolio	–	–	–	–	–
EBITDA	187	221	232	240	276
Share of profit in associated companies and joint ventures	–	–	–	–	-1
Interest expenses	-51	-55	-49	-52	-60
Interest income	1	1	1	4	19
Interest expenses, shareholder loans	–	–	–	–	–
Financial costs from leasing	–	–	-6	-5	-5
Other financial costs	1	2	–	–	–
Changes in investment property	319	557	624	744	1,491
Gain (loss) on financial assets held at fair value	14	-1	-22	-21	56
Depreciation and amortisation	–	–	–	–	–
Restructuring activities	–	–	–	–	–
Income (expense) on discontinued operations	–	–	–	–	–
Pre-tax profit	471	724	781	910	1,774
Current taxes	–	–	-1	–	0
Deferred taxes	-103	-71	-55	-192	-298
Net profit	368	654	724	718	1,475
BALANCE SHEET					
Investment property	8,771	9,656	10,135	12,046	14,673
Other non-current assets	6	38	201	510	628
Total non-current assets	8,777	9,693	10,337	12,556	15,301
Cash and cash equivalents	6	6	25	97	159
Other current assets	21	25	37	122	56
Total current assets	27	31	62	219	214
Total assets	8,804	9,724	10,399	12,776	15,516
Total equity	4,293	4,873	5,506	6,125	7,493
Non-current borrowings	2,472	2,101	1,747	2,294	4,290
Non-current borrowings, shareholder loans	–	–	–	–	–
Deferred tax liabilities	–	–	1,220	1,412	1,710
Other non-current liabilities	1,175	1,201	192	222	158
Total non-current liabilities	3,648	3,302	3,158	3,928	6,158
Total current liabilities	863	1,549	1,735	2,723	1,865
Total equity and liabilities	8,804	9,724	10,399	12,776	15,516
CASH FLOW STATEMENT					
Pre-tax profit	471	724	781	910	1,774
... of which changes in investment property	319	557	624	744	1,491
Depreciation and amortisation	–	–	–	–	–
Tax paid	–	–	–	0	-1
Adjustment for items not in cash flow	-326	-561	-610	-724	-1,543
Cash flow from operating activities before changes in working capital	145	163	170	187	229
Changes in working capital	27	7	2	1	4
Cash flow from operating activities	173	170	173	188	233
Cash flow from investment activities	-929	-376	121	-1,273	-1,075
Cash flow from financing activities	761	207	-275	1,157	904
Cash and cash equivalents at beginning of period	2	6	6	25	97
Cash flow for period	4	1	19	72	62
Cash and cash equivalents at end of period	6	6	25	97	159

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

Figure 17. Heba rating scorecard

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

Figure 18. Capital structure ratings

Seniority	Rating
Senior unsecured	BBB+

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