Nordic Credit Rating

CORPORATE: REAL ESTATE

Sweden
19 May 2022

Fastighets AB Stenvalvet (publ)

Full Rating Report

LONG-TERM RATING

BBB+

OUTLOOK

Stable

SHORT-TERM RATING

N-1+

PRIMARY ANALYST
Yun Zhou
+46732324378
yun.zhou@nordiccreditrating.com

SECONDARY ANALYST
Marcus Gustavsson
+46700442775
marcus.gustavsson@nordiccreditrating.com

RATING RATIONALE

Our 'BBB+' long-term issuer rating on Sweden-based community service property manager Fastighets AB Stenvalvet reflects the company's strong property portfolio and long-term contracts with highly creditworthy public-sector tenants. About 92% of the company's rental income is generated directly or indirectly by government funding. The rating further reflects the strong average remaining lease term of around six years, an occupancy rate of about 96%, and the stable operating environment. Stenvalvet's stable cash flows and strong debt-servicing abilities also support the rating, as do the company's low-risk shareholders, which we regard as stable, long-term owners. The shareholders have provided SEK 2.8bn in long-term loans, which we regard as equity.

Although, most of Stenvalvet's income comes from government-related anchor tenants, about 8% of tenants are purely commercial entities, and 42% of the company's revenues come from office tenants, which tend to be less loyal than occupants of specialised properties. The company has high tenant concentrations, with the top 10 tenants generating 51% of revenues, albeit with a high level of public funding.

STABLE OUTLOOK

The outlook is stable, reflecting our expectation that Stenvalvet will continue to focus on community service properties, with long lease contracts under which rents are funded directly or indirectly by public institutions. We also expect that the company will retain its moderate leverage and risk appetite as it grows via development and acquisitions.

POTENTIAL POSITIVE RATING DRIVERS

- NCR-adjusted net loan to value (LTV) levels below 35% and NCR-adjusted EBITDA to net interest over 5.0x over the long term.
- Increased diversity and quality in the property portfolio.

POTENTIAL NEGATIVE RATING DRIVERS

- Increased leverage over the long term, with NCR-adjusted net LTV above 50% and NCR-adjusted EBITDA to net interest below 3.5x.
- A higher proportion of non-public tenants.
- A substantial change in ownership structure.

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

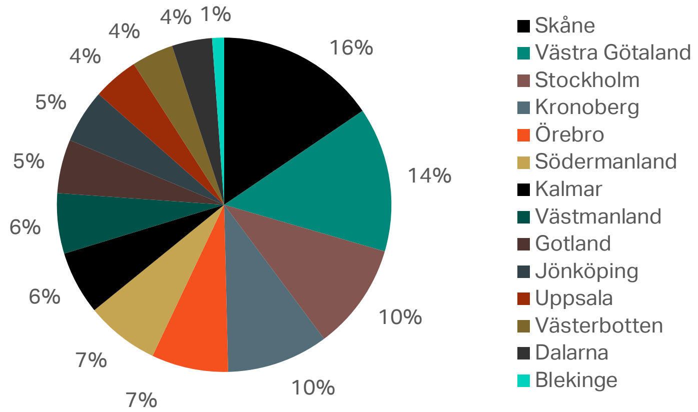
SEKm	2018	2019	2020	2021	2022e	2023e	2024e
Rental income	801	888	890	940	926	976	1,014
NCR-adj. EBITDA	541	586	595	627	618	651	677
NCR-adj. EBITDA margin (%)	66.6	66.0	66.9	66.7	66.7	66.7	66.7
NCR-adj. investment property	11,105	12,070	13,564	17,955	16,697	17,377	18,057
NCR-adj. net debt	5,121	5,116	6,147	7,477	6,185	6,625	7,080
Total assets	11,484	12,541	13,990	18,834	17,122	17,770	18,423
NCR-adj. net debt/EBITDA (x)	9.5	8.7	10.3	11.9	10.0	10.2	10.5
NCR-adj. EBITDA/net interest (x)	5.7	5.5	5.4	5.5	5.5	5.1	4.0
NCR-adj. net LTV (%)	46.1	42.4	45.3	41.6	37.0	38.1	39.2
NCR-adj. FFO/net debt (%)	8.6	9.0	7.4	6.5	7.8	7.5	6.8

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

ISSUER PROFILE

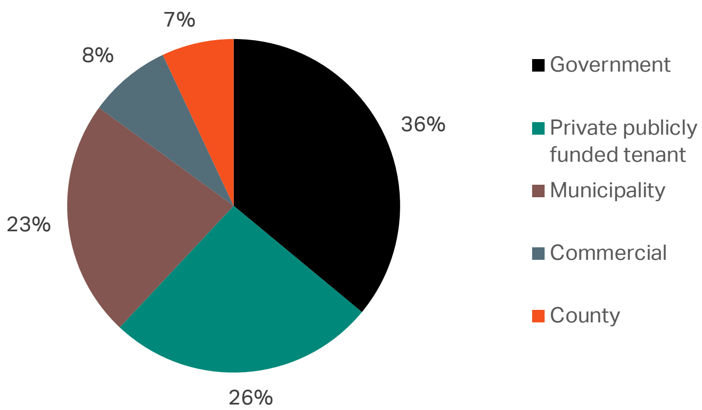
Stenvalvet is a Sweden-based property manager focusing on community service properties throughout the country. The company was founded in 2010 when AI Pension, the Alecta Pension foundation, and the Church of Sweden's pension foundation came together with the purpose of purchasing, developing and managing homes for the elderly in the Mälardalen region. Following the acquisition of Roxanne Real Estate Foundation AB in 2014, the ownership structure was broadened to include Kåpan Pensions and the Swedish Foundation for Strategic Research. During 2019, the ownership consolidated when AI and Alecta sold their positions on a pro rata basis to the other three owners. In January 2022, Kåpan Pensions sold its entire stake to the other two owners. Consequently, the company is now 100% owned by the Church of Sweden's pension foundation and the Swedish Foundation for Strategic Research. As of 31 Mar. 2022, the company's property portfolio consisted of 109 properties with a lettable area of 593,000 sqm, valued at SEK 16.3bn.

Figure 2. Stenvalvet rental value by county, 31 Mar. 2022



Source: company.

Figure 3. Stenvalvet rental value by type of tenant, 31 Mar. 2022



Source: company.

BUSINESS RISK ASSESSMENT

Business risk assessment 'bbb+'

Our business risk assessment reflects the stable operating environment and Stenvalvet's high level of public-sector funding. It also reflects the company's moderately diverse portfolio and high occupancy ratio. We regard the company's remaining average lease term as supportive, enabling predictable operating margins.

Highly creditworthy public tenants create a stable operating environment

Operating environment 'a-'

Stenvalvet's property portfolio consists mainly of community service properties with rental income paid directly or indirectly by the Swedish government or municipalities. The company's focus is on homes for the elderly, health care institutions, schools, police stations, court houses, and other government and municipal agencies with tenants that are important for Sweden's welfare system. Given the government's association with many tenants, we expect rental income to remain stable with low correlation with the economic cycle.

Under the company's business strategy, at least 20% of rental revenue should come from facilities providing residential care for the elderly and people with disabilities, properties which tend to have relatively high specialisation needs and long rental contracts. As of 31 Mar. 2022, this segment generated 25% of revenues. Schools are another focus area for Stenvalvet, generating 22% of revenues. This is a growing segment given that the Swedish government expects a shortage of about 1,400 schools nationally over the next decade as the population grows and new areas are developed. We believe that projected demographic changes in Sweden will lead to further increases in demand for these types of properties, especially from the youngest and oldest age groups.

Close to 22% of the company's revenues come from the judicial sector, which is currently under strain as the country's prisons are at maximum capacity and the number of processed crimes and supervised sentences are likely to increase according to the Swedish Prison and Probation Service.

Figure 4. Stenvalvet rental value from top 10 municipal exposures, 31 Mar. 2022

Municipality	Share of rental value	Population, 2021	Expected population change among 15–64-year-olds, 2021–2040	Unemployment, 2021
Växjö	9.8%	95,995	8.5%	7.5%
Örebro	7.4%	156,987	10.9%	8.3%
Eskilstuna	7.1%	107,593	3.5%	12.3%
Kalmar	6.1%	71,328	5.8%	6.5%
Västerås	5.6%	156,838	8.7%	9.4%
Jönköping	5.2%	143,579	10.2%	5.3%
Stockholm	5.2%	978,770	10.2%	6.6%
Kristianstad	5.1%	86,641	4.0%	10.1%
Uppsala	4.7%	237,596	14.4%	6.8%
Umeå	4.4%	130,997	10.6%	4.9%
Total/Sweden average	**60.8%**	**-**	**5.9%**	**7.2%**

Source: company, Statistics Sweden and the Swedish Public Employment Service (Arbetsförmedlingen).

In our view, Swedish political parties are committed to providing for public security, and health and care services. However, most municipalities face financial constraints, with capital tied up in fixed assets and already heavy tax burdens limiting the possibility of revenue increases. Increasing demand for social services is likely to increase municipal costs. In response, the sector is undergoing a transformation as municipal owners seek to sell community service properties to reduce growing debt burdens. This could provide a growth opportunity for private community service property providers as most public-tenant properties are still owned by public entities.

Favourable local market position but high tenant concentrations

Market position, size and diversification 'bb+'

Stenvalvet's property portfolio is worth about SEK 16.3bn and generates annual revenues of about SEK 900m, making the company a mid-sized community service property manager by domestic standards. Stenvalvet maintains its diversity by stipulating that a maximum 25% of the portfolio's market value can be held in any one municipality, and a maximum 10% of its market value can reside in a single property. In our view, the company remains well positioned and relatively diverse within Sweden's main areas of population growth.

Stenvalvet has some concentration among its largest tenants (see Figure 5) but most of the largest tenants have direct or indirect government financing, mitigating counterparty credit risk. In our view, the relative concentration of private care companies, which are financed by municipalities, represents the main concentration risk. However, we believe that this risk is offset by the social responsibility of the respective municipality to provide housing and care for the elderly and those with special needs. We note that the rental contracts for specialised care and school facilities have the longest average length in Stenvalvet's portfolio.

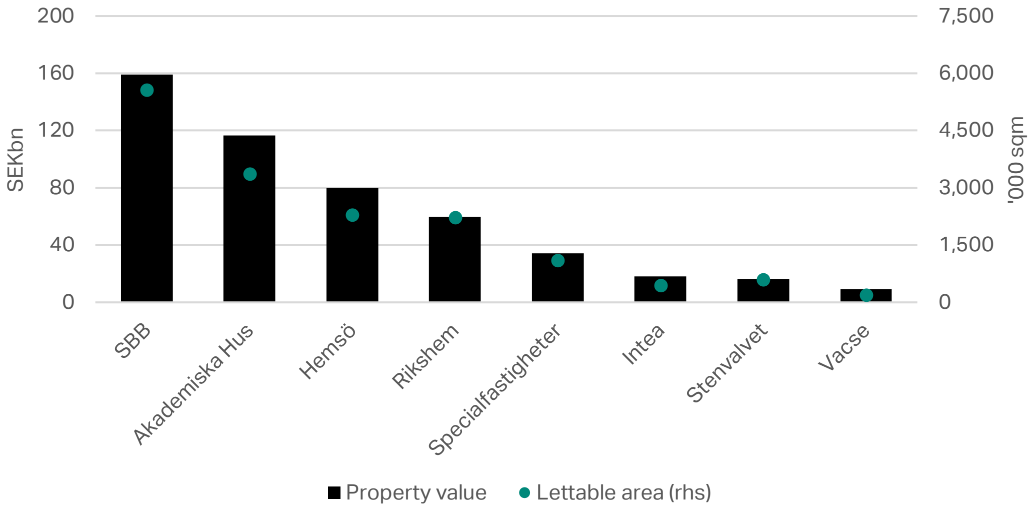
Figure 5. Stenvalvet tenant concentration, 31 Mar. 2022

Tenant	Type of tenant	Share of rental income
Swedish Police Authority	Public	12%
International English School in Sweden	Private school	8%
Örebro municipality	Public	6%
Swedish National Courts Administration	Public	5%
Attendo Sweden AB	Private health care	4%
Skåne County	Public	4%
Umeå municipality	Public	4%
Swedish Tax Agency	Public	3%
Swedish Prison and Probation Service	Public	3%
Jensen Education AB	Private school	2%
Top 10 tenants	**-**	**51%**

Source: company.

Stenvalvets' largest peers are considerably more diverse, though with somewhat weaker financial risk profiles. Vacse AB and Intea Fastigheter AB have more concentrated portfolios, but higher levels of specialised properties, providing strong risk-adjusted returns with direct government revenues on long-term contracts. In addition, the growth opportunities and relatively low risk of the community service market have increased the competition from diverse real estate managers and international funds, which have strategic positions in less specialised community service property markets alongside more traditional commercial real estate assets.

Figure 6. Stenvalvet peer group breakdown by property value and lettable area, 31 Mar. 2022



Source: companies.

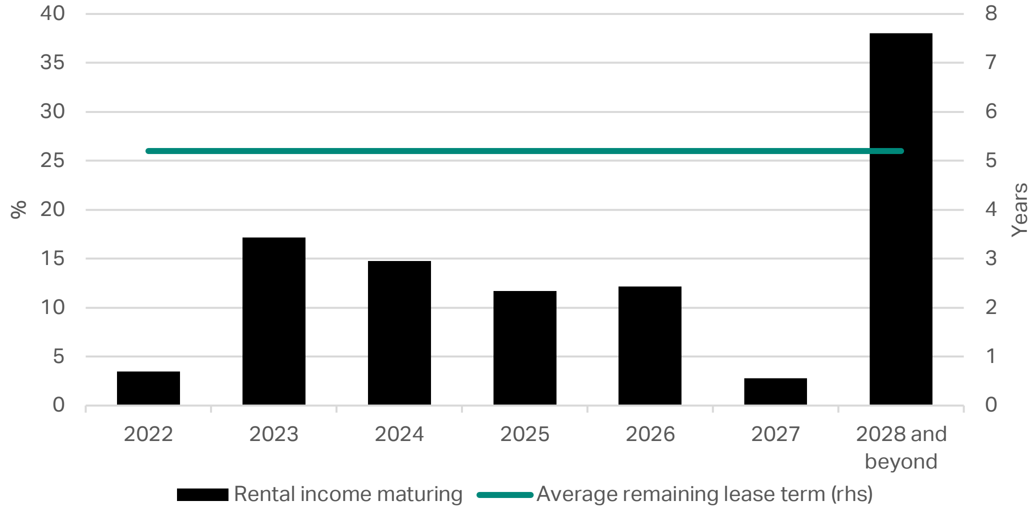
Diverse lease maturity profile and prudent project portfolio

Portfolio assessment 'bbb+'

As of 31 Mar. 2022, Stenvalvet's property portfolio consisted of 109 properties totalling 593,000 sqm of lettable area. The average remaining lease term was 5.2 years and maturities were well spread; the largest single-year maturity date is 2023, when contracts representing 17.1% of current revenues mature. Although the company's rental contracts vary in length, they are typically prolonged at maturity. We view Stenvalvet's portfolio assets as relatively strong given the social role of many of the properties as well as the importance of stability and specialised properties for schools and care facilities, law enforcement, and the judicial system.

Stenvalvet's properties are located throughout Sweden with a significant proportion near the Stockholm and Malmö. Most of the properties are located in or near city centres, supporting potential for alternative usage. The average property size is 5,400 sqm, which is smaller than the averages of peers Intea and Vacse, while the number of properties is significantly higher, increasing diversity and reducing specific property risk.

Figure 7. Stenvalvet lease maturity profile, 31 Mar. 2022



Source: company.

Stenvalvet currently has three projects under development representing a low 5% of the total portfolio by area. Rental revenues easily generate enough cash for necessary capital spending. Typically, development and refurbishment projects are carried out at the request of providers of care for the elderly and local authorities and generate long contracts that limit risk. Such improvements generally result in full occupation. The ongoing projects are all scheduled for completion by end-2022 and most of the required investment has already been made (see Figure 8). Stenvalvet reduces project risk by passing most of the related development risk on to the contractor and ensuring that project properties are fully pre-let before construction starts.

Figure 8. Stenvalvet larger projects in progress, 31 Dec. 2021

Project	Location	Property type	Lettable area (sqm)	Invested (SEKm)	Total investment (SEKm)	Estimated completion
Sicklaön 118:2	Nacka	School	6,450	361	365	Q2/22
Vägbrytaren 1	Eskilstuna	Government	23,875	294	351	Q2/22
Valören 1	Eskilstuna	Courts	3,648	120	136	Q3/22
Total	**-**	**-**	**33,973**	**775**	**852**	**-**

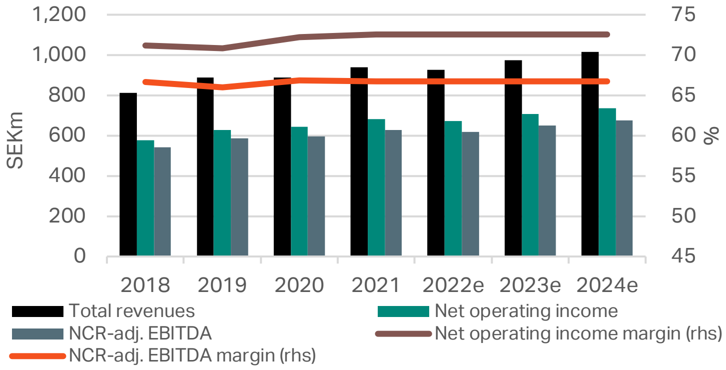
Source: company.

Strong and stable operating margins supported by high occupancy rates

Operating efficiency 'a'

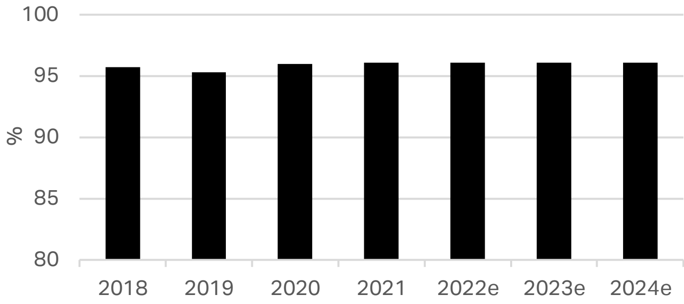
Stenvalvet's recent operating performance has been strong with high occupancy rates of around 95% over the past few years. The company's net operating income margin has remained relatively stable at 71-73% in recent years and we expect that trend to continue over our forecast period through 2024 (see Figure 9). This is mainly due to the nature of the company's contracts and tenants, as well as an increased focus on retaining long-term tenants and improving cost efficiency. We project Stenvalvet's EBITDA margins will remain at around 67% as its current projects reach completion. The company's revenue prospects carry limited risk due to the high proportion of contracts linked to the Swedish consumer price index and the long-term nature of most lease agreements.

Figure 9. Stenvalvet revenues, net operating income, EBITDA, and margins, 2018–2024e



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

Figure 10. Stenvalvet occupancy rate, 2018–2024e



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

FINANCIAL RISK ASSESSMENT

Financial risk assessment 'bbb+'

Our financial risk assessment reflects Stenvalvet's stable credit metrics and modest risk appetite, and the owners' long-term low-risk approach. We assess the shareholder loans provided by the owners as equity due to their subordination and the long remaining time to maturity. Our assessment is supported by the company's debt maturity profile and interest fixing.

Strong metrics despite slightly lower interest coverage

Ratio analysis 'bbb+'

In recent years, Stenvalvet's leverage has been relatively stable, with net LTV averaging 44% and interest coverage constantly above 5.4x. Over our forecast period, we expect interest coverage to decrease towards 4.0x due to generally higher interest rates. We also expect net LTV to remain at around 40%, as the company is scheduled to finish all current projects by end-2022 and no large projects are scheduled to enter the construction phase within the next few years, indicating low capital spending. We expect Stenvalvet to continue to grow through a moderate amount of acquisitions.

In addition to providing equity, the shareholders fund the company through SEK 2.8bn in shareholder loans with a 9% annual interest rate. Although the rate is relatively high, we expect the board to continue balancing shareholder returns against the company's growth ambitions and funding needs, and so retain credit metrics at current levels.

We classify these loans as equity in our credit metric calculations. This is because:

- we view the owners as strategic and long-term;
- the loans mature well beyond all other debt;
- they are subordinate to all other debt; and
- interest payments can be deferred.

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

- rental revenue will decrease by 1.5% in 2022 due to divestments completed in the first quarter of 2022 and then increase by 4-5.4% annually in 2023 and 2024;
- the NCR-adjusted EBITDA margin will remain at around 67%;
- increased interest rates averaging 1.6% in 2022, 2.0% in 2023, and 2.5% in 2024;
- capital spending of around SEK 300m per year;
- acquisitions of around SEK 400m per year; and
- no further valuation changes in investment properties.

On the basis of these assumptions, we estimate the following metrics for 2022-2024:

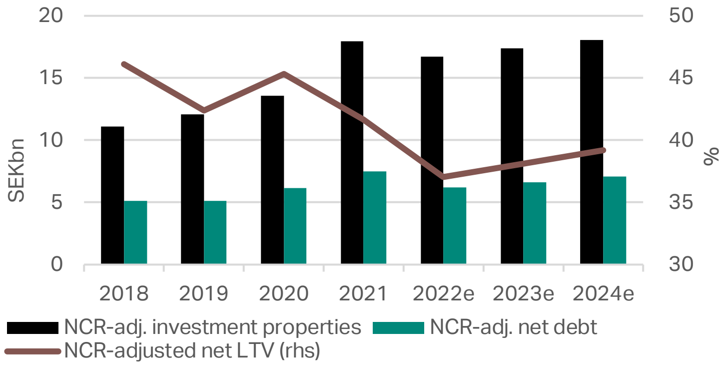
- NCR-adjusted net LTV of between 37% and 39%;
- NCR-adjusted EBITDA/net interest of between 4.0x and 5.5x; and
- NCR-adjusted net debt/EBITDA of between 10x and 10.5x.

Figure 11. NCR's adjustments to Stenvalvet's credit metrics, 2018–2024e

SEKm	2018	2019	2020	2021	2022e	2023e	2024e
EBITDA	541	586	595	627	618	651	677
NCR-adj. EBITDA	541	586	595	627	618	651	677
Net financial items incl. financial costs from leasing	-321	-360	-366	-369	-369	-384	-427
Interest expenses, shareholder loans	226	254	256	256	256	256	256
NCR-adj. net interest	-95	-106	-110	-113	-113	-128	-171
NCR-adj. EBITDA	541	586	595	627	618	651	677
NCR-adj. net interest	-95	-106	-110	-113	-113	-128	-171
Current taxes	-4	-19	-28	-26	-24	-26	-25
NCR-adj. FFO	442	461	457	488	481	497	480
Investment property	11,105	12,025	13,464	17,853	16,595	17,275	17,955
Non-current right-of-use assets	0	45	100	102	102	102	102
NCR-adj. investment property	11,105	12,070	13,564	17,955	16,697	17,377	18,057
Cash and cash equivalents	315	349	300	749	248	216	189
NCR-adj. cash and equivalents	315	349	300	749	248	216	189
Gross interest-bearing debt	5,436	5,420	6,348	8,125	6,332	6,740	7,168
Leasing liabilities	0	45	99	101	101	101	101
NCR-adj. cash and equivalents	-315	-349	-300	-749	-248	-216	-189
NCR-adj. net debt	5,121	5,116	6,147	7,477	6,185	6,625	7,080

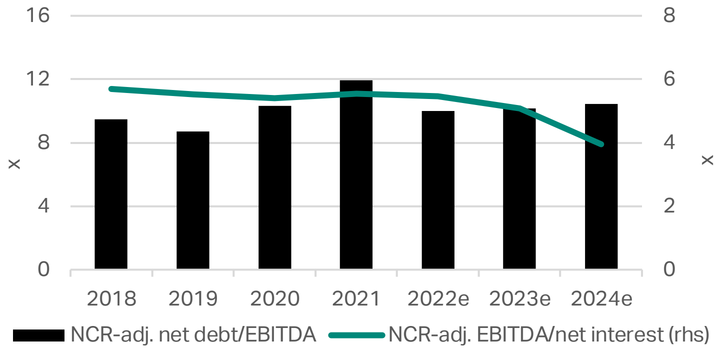
Based on NCR estimates and company data. e–estimate.

Figure 12. Stenvalvet NCR-adj. investment properties, net debt, and net LTV, 2018–2024e



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

Figure 13. Stenvalvet NCR-adj. net debt/EBITDA and EBITDA/net interest, 2018–2024e



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

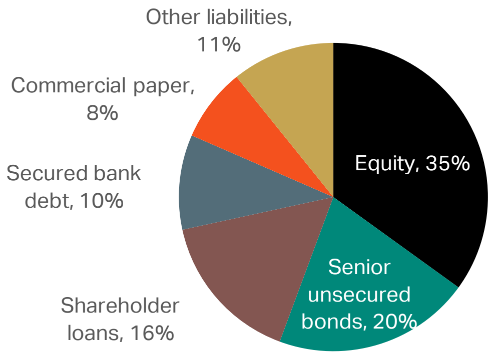
Financially strong long-term owners pursue strategy of controlled growth

Risk appetite 'a-'

We assess Stenvalvet's risk appetite as more prudent than might be expected from its financial ratios. We consider the owners to be financially strong and note that their long-term investment focus is supportive of the company's financial risk profile. In our opinion, the company has a controlled growth strategy, and we expect its currently prudent approach to acquisitions and development to continue. In our view, Stenvalvet's strong liquidity position and relatively long fixed interest-rate periods support the current level of risk appetite.

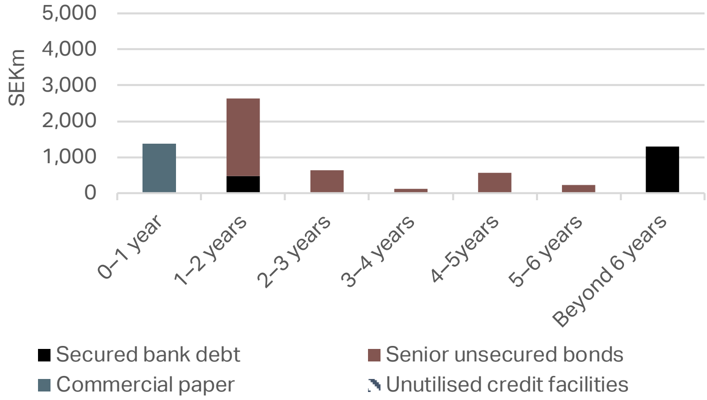
Since 2020, Stenvalvet has been actively reducing its dependence on secured bank debt, while increasing its use of unsecured bonds and commercial paper. As of 31 Mar. 2022, the company had about SEK 6.8bn in external debt, excluding shareholder loans of SEK 2.8bn. Some SEK 1.3bn was commercial paper, with back-up facilities of SEK 1.7bn consisting of revolving credit facilities and unutilised credit. The secured bank debt is spread between two large Nordic financial institutions and the company has internal limits on single lenders to ensure diversity of funding. We assess the diversity of Stenvalvet's funding sources as supportive of the company's risk appetite. The company has never paid dividends but pays significant interest on its shareholder loans.

Figure 14. Stenvalvet funding profile, 31 Mar. 2022



Source: company.

Figure 15. Stenvalvet debt maturity profile, 31 Mar. 2022



Source: company.

Stenvalvet has a stable debt maturity profile, with the largest maturities, mostly senior unsecured bonds, falling in two years' time (see Figure 15). As of 31 Mar. 2022, the company's average debt maturity was 3.0 years, which we consider satisfactory, while its average fixed-interest period of 3.6 years should dampen the impact of higher interest rates.

Historically, Stenvalvet has remained in compliance with its targets for net LTV, interest fixing, debt maturities, and liquidity. In our view, the company's financial targets, debt maturity profile, and growth ambitions are commensurate with our risk appetite assessment.

Figure 16. Stenvalvet financial policies and reported metrics

Metric	Financial policy	Reported 31 Mar. 2022
Net LTV	<55%	35%
Debt maturities in the next 12 months	max 40%	20%

Source: company.

We view Stenvalvet's specific business focus as prudent given its size and the synergies it generates from managing properties in select mid-sized growth markets. We expect the company to continue to acquire new income-generating assets that fit with its corporate strategy and view its internal limits on revenues from individual municipalities and properties as a strong management tool to avoid portfolio concentrations.

ADJUSTMENT FACTORS

Adjustment factors neutral

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

Liquidity

Liquidity adequate

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 typically expect an investment grade company to cover all liquidity needs over the coming 12 months.

We assess Stenvalvet's liquidity profile as adequate and expect the company's current cash position and back-up facilities to cover upcoming debt maturities and financial commitments.

We estimate the following primary funding sources for the 12 months ending 31 Mar. 2023, totalling SEK 2.9bn:

- SEK 1.1bn in cash and equivalents, 100% of reported value;
- SEK 1.5bn in committed back-up facilities maturing in more than 12 months; and
- SEK 364m in expected FFO, equalling 75% of estimated adjusted FFO over the period.

We estimate the following uses of funds for the 12 months ending 31 Mar. 2023, totalling SEK 1.5bn:

- SEK 1.4bn in maturing debt; and

- SEK 77m in planned capital spending and investments.

Environmental, social and governance factors

ESG factors adequate

Stenvalvet's environmental efforts are focused on reducing energy and water consumption at its buildings. The company prioritises sustainable material selection in the production and refurbishment of its buildings and aims to achieve net-zero emissions by 2030. During 2021, Stenvalvet continued to obtain external environmental building certification under the Nordic Swan Ecolabel and from certification agencies such as BREEAM and Sweden's Miljöbyggnad. The company also published a green bond framework in 2021 that has been classified "medium green" in a second opinion from Norway's CICERO climate research centre.

Stenvalvet has a well-defined and prudent risk appetite and a limit system to avoid concentration risk and maintain financial targets. It also seeks to ensure that key information is reported to management at least monthly.

The main ESG issues that could affect our credit rating on Stenvalvet are factors that could contribute to loss of revenue, increased operational costs, increased need for capital spending on current and new properties, and reduced access to funding (see Figure 17).

Figure 17. Stenvalvet ESG considerations

Issue	Risk	Mitigating efforts	Result
CO2 emissions	Increased costs due to regulatory and/or taxation changes.	Efforts to increase energy efficiency and reduce CO_2 emissions. Environmental certification of properties.	Scope 1 and 2 emissions decreased by 24% and 21% in 2021 compared with 2020. The company has not yet begun measuring Scope 3 emissions from development projects. Development projects typically generate high levels of Scope 3 emissions.
Impact of climate change on operations	Loss of revenues or increased capital spending.	Environmental certification of properties, appropriate insurance, and evaluation of the possible impact on each property.	Evaluation has concluded that none of the company's properties are likely to be directly affected by e.g. rising water levels or landslides.
Increased environmental focus on financial markets	Adverse effect on financing possibilities or higher financing costs due to slow transitioning to lower CO_2 dependence.	Efforts to increase energy efficiency and reduce CO_2 emissions. Published green finance framework in 2021.	Leading ESG reporting standards, possibly leading to a competitive advantage rather than greater risk. Issued a green bond in 2021.

Source: company.

OWNERSHIP ANALYSIS

Ownership neutral

We view Stenvalvet's ownership structure as supportive of the rating as we believe the owners have a long-term focus on their investments. In January 2022, Kåpan Pensions sold its entire stake in Stenvalvet to the other two owners. Consequently, the company is now 100% owned by the Church of Sweden's pension foundation and the Swedish Foundation for Strategic Research. Both owners are financially strong, have a long-term view of the company, and have clearly stated sustainability objectives in their investment guidelines. Accordingly, we believe they have sufficient economic strength to support Stenvalvet, if needed. We also believe that the owners will balance growth, investment and shareholder returns in a way that does not weaken the company's creditworthiness.

Figure 18. Stenvalvet ownership structure, 31 Mar. 2022

Owner	Share of capital and votes
Church of Sweden	69%
Swedish Foundation for Strategic Research	31%
Total	**100%**

Source: company.

ISSUE RATINGS

Stenvalvet is financed primarily by secured bank loans and senior unsecured obligations. Following a series of issuance of senior unsecured bonds, the company reduced its dependence on secured bank debt to 26.0% of total debt as of 31 Mar. 2022, from 35.3% a year earlier. We rate the company's long-term senior unsecured obligations in line with the issuer rating.

Figure 19. Stenvalvet key financial data, 2018–Q1 2022

SEKm	FY	FY	FY	FY	LTM
Period-end	31 Dec. 2018	31 Dec. 2019	31 Dec. 2020	31 Dec. 2021	31 Mar. 2022
INCOME STATEMENT					
Rental income	801	888	890	940	947
Other income	11	–	–	–	–
Total costs from operations	-234	-259	-247	-258	-263
Net operating income	**578**	**629**	**643**	**682**	**684**
Administrative expenses	-37	-43	-48	-55	-55
Administrative expenses, project portfolio	–	–	–	–	–
EBITDA	**541**	**586**	**595**	**627**	**629**
Share of profit in associated companies and joint ventures	–	–	–	–	–
Interest expenses	-96	-115	-117	-113	-139
Interest income	1	9	7	–	–
Interest expenses, shareholder loans	-226	-254	-256	-256	-256
Financial costs from leasing	–	–	–	–	–
Other financial costs	–	–	–	–	–
Changes in investment property	319	475	185	2,796	2,794
Gain (loss) on financial assets held at fair value	141	-41	-39	–	–
Disposals of investment properties	–	84	3	–	197
Gain (loss) on derivatives	–	–	–	112	272
Depreciation and amortisation	–	–	–	–	–
Restructuring activities	–	–	–	–	–
Income (expense) on discontinued operations	–	–	–	–	–
Pre-tax profit	**680**	**744**	**378**	**3,166**	**3,497**
Current taxes	-4	-19	-28	-26	-40
Deferred taxes	-92	-166	-95	-690	-705
Net profit	**584**	**559**	**255**	**2,450**	**2,752**
BALANCE SHEET					
Investment property	11,105	12,025	13,464	17,853	16,267
Other non-current assets	15	63	118	181	397
Total non-current assets	**11,120**	**12,088**	**13,582**	**18,034**	**16,664**
Cash and cash equivalents	315	349	300	749	1,077
Other current assets	49	104	108	51	98
Total current assets	**364**	**453**	**408**	**800**	**1,175**
Total assets	**11,484**	**12,541**	**13,990**	**18,834**	**17,839**
Total equity	**2,566**	**3,125**	**3,380**	**5,829**	**6,239**
Non-current borrowings	4,124	2,708	4,943	6,220	5,457
Non-current borrowings, shareholder loans	2,558	2,848	2,845	2,845	2,845
Deferred tax liabilities	522	641	729	1,421	1,333
Other non-current liabilities	24	116	184	100	97
Total non-current liabilities	**7,228**	**6,313**	**8,701**	**10,586**	**9,732**
Total current liabilities	**1,690**	**3,103**	**1,909**	**2,419**	**1,868**
Total equity and liabilities	**11,484**	**12,541**	**13,990**	**18,834**	**17,839**
CASH FLOW STATEMENT					
Pre-tax profit	680	744	378	3,166	3,497
... of which changes in investment property	319	475	185	2,796	2,794
Depreciation and amortisation	–	–	–	–	–
Tax paid	–	-2	-2	-48	-64
Adjustment for items not in cash flow	-344	-515	-171	-2,925	-3,295
Cash flow from operating activities before changes in working capital	336	227	205	193	138
Changes in working capital	13	16	95	76	116
Cash flow from operating activities	**349**	**243**	**300**	**269**	**254**
Cash flow from investment activities	**-849**	**-448**	**-1,266**	**-1,593**	**113**
Cash flow from financing activities	**480**	**239**	**917**	**1,773**	**430**
Cash and cash equivalents at beginning of period	335	315	349	300	281
Cash flow for period	-20	34	-49	449	797
Cash and cash equivalents at end of period	**315**	**349**	**300**	**749**	**1,077**

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

Figure 20. Stenvalvet 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		a-
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 21. Capital structure ratings

Seniority	Rating
Senior unsecured	BBB+

DISCLAIMER

NORDIC CREDIT RATING AS

nordiccreditrating.com