

Bonnier Fastigheter AB

Full Rating Report

LONG-TERM RATING

BBB

OUTLOOK

Negative

SHORT-TERM RATING

N3

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RATING RATIONALE

Our 'BBB' long-term issuer rating on Sweden-based property manager Bonnier Fastigheter AB reflects the company's high-quality property portfolio and its primary focus on office premises in central Stockholm and Uppsala. The rating also reflects the company's low financial gearing and strong operating margins, as well as an operating environment supported by continued strong demand for office premises in prime locations.

These strengths are partly offset by Bonnier Fastigheter's small and concentrated property portfolio comprising only 15 properties (as of 31 Aug. 2022) with the top 10 tenants accounting for 41% of rental income. The rating also reflects the company's large project development pipeline, which has speculative elements, and its ambition to expand the portfolio substantially and increase net loan to value (LTV) towards 50%.

NEGATIVE OUTLOOK

The outlook is negative, reflecting our expectations that Bonnier Fastigheter's credit metrics will weaken from currently strong levels as the company pursues a portfolio value target of SEK 25bn by 2025. We expect rising interest rates and a probable decline in asset values to increase financial risk. However, we also expect that any weakening in the company's financial position will be mitigated by a stronger business risk profile due to a larger and less concentrated property portfolio, possibly with meaningful residential exposure. Nevertheless, we view the net effect as broadly credit negative.

DRIVERS FOR A STABLE OUTLOOK

- Continued strong credit metrics, including net LTV below 35% or net interest coverage above 3.5x over a protracted period.
- An increased proportion of residential properties under management, combined with reduced growth ambitions and stronger credit metrics.

POTENTIAL NEGATIVE RATING DRIVERS

- Weakened credit metrics, including net LTV above 35% and net interest coverage below 3.5x over a protracted period.
- Deteriorating market fundamentals, negatively affecting profitability and/or occupancy.

Figure 1. Bonnier Fastigheter key credit metrics, 2018–2024e

SEKm	2018	2019	2020	2021	2022e	2023e	2024e
Revenues	591	712	740	675	676	823	896
NCR-adj. EBITDA	379	476	497	431	419	563	649
NCR-adj. EBITDA margin* (%)	64.2	66.9	67.2	63.9	62.0	68.4	72.4
NCR-adj. investment property	12,705	13,717	14,038	15,614	16,444	16,064	16,664
NCR-adj. net debt	3,538	3,447	2,997	3,688	5,458	6,289	7,192
Total assets	12,782	13,972	14,540	16,829	18,758	18,606	19,371
NCR-adj. net debt/EBITDA (x)	9.3	7.2	6.0	8.6	13.0	11.2	11.1
NCR-adj. EBITDA/net interest (x)	5.8	7.2	7.8	9.6	4.5	3.1	2.9
NCR-adj. net LTV (%)	27.8	25.1	21.3	23.6	33.2	39.1	43.2
NCR-adj. FFO/net debt (%)	8.3	11.8	13.9	10.3	6.0	6.1	5.8

Based on NCR estimates and company data. e–estimate. FFO–funds from operations. All metrics adjusted in line with NCR methodology. *Includes dividends received from joint ventures.

ISSUER PROFILE

Bonnier Fastigheter is a Sweden-based property manager primarily focusing on office properties in central Stockholm and Uppsala. The company's history dates back to 1856 and eight of its 15 properties have been in the portfolio since 1990 or earlier. Bonnier Fastigheter is one of three legs of the Bonnier family's corporate holdings – the other two being media conglomerate Bonnier Group AB and investment company AB Boninvest. As of 31 Aug. 2022, the company's property portfolio had a value of SEK 15.7bn (excluding properties held by joint ventures [JVs]). Including proportionate JV exposures, the value was SEK 19.1bn. The company aims to expand its portfolio to SEK 25bn by 2025 (including JVs), with residential properties accounting for 20%.

Bonnier Fastigheter's JV investments consist of its shareholdings in Trecore Fastigheter AB (50% ownership), HållBo AB (50%), and Fastighets AB Hemmaplan (93%). Trecore owns and manages retail properties in which major grocery operator ICA is the main tenant. HållBo acquires and owns residential properties developed by JV-partner Byggesta AB. Hemmaplan currently has a single investment – 50% of the Rosengård Centrum development in Malmö – and expects to add Gottsunda Centrum to the portfolio in October 2022.

BUSINESS RISK ASSESSMENT

Business risk
assessment 'bb+'

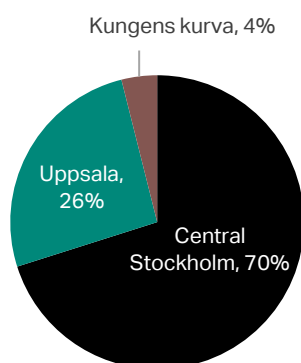
Our business risk assessment reflects Bonnier Fastigheter's high-quality property portfolio and primary focus on office premises in central Stockholm and Uppsala, complemented by other property exposures through JVs. It also reflects the company's long-term ownership and high occupancy, while taking into account its small portfolio size and significant degree of tenant concentration. Although the concentrations are considerable, the company's JV exposures add diversity. Our assessment also reflects a large project development pipeline, which has speculative elements.

Demand for office space in central Stockholm remains high amid uncertain market conditions

Operating environment
'bbb-'

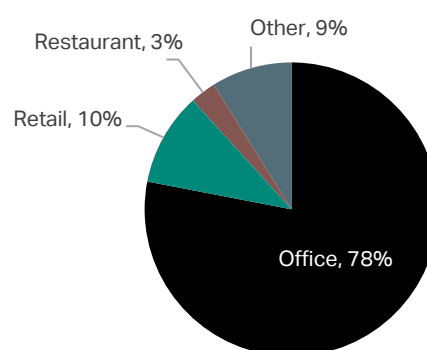
Bonnier Fastigheter owns and manages mainly office premises in central Stockholm and Uppsala. The company's properties are located in three municipalities, all of which have stronger projected population growth than the Swedish average (see Figure 4).

Figure 2. Bonnier Fastigheter rental value by area, 31 Aug. 2022



Source: company.

Figure 3. Bonnier Fastigheter rental value by property type, 31 Aug. 2022



Source: company.

The lion's share of Bonnier Fastigheter's revenues come from office properties in central Stockholm; a market that in recent years has benefited from benign economic conditions, coupled with low interest rates and yield compression. In 2022, uncertainty has increased amid sharply higher inflation and interest rates. We expect property managers in general, as well as their tenants, to face more challenging economic conditions over the next few years. Nonetheless, Bonnier Fastigheter's office properties are typically in central locations but outside the Central Business District (CBD), where both rental levels and property values are less volatile than in the CBD, which we deem positive from a credit perspective. Although, the future of the office space market has come into question in the past few years, we believe that the physical office will continue to play an important role.

Bonnier Fastigheter's 10% retail exposure mainly comes from a shopping centre on Södermalm in Stockholm and a former printing factory at Kungens kurva, but also complementary retail premises

located in office properties. Although we generally view retail properties as more cyclical than offices, we believe that the conditions for the sector have gradually improved since the height of the COVID-19 pandemic. In fact, foot traffic and in-store sales at Bonnier Fastigheter's Södermalm retail property are in line with pre-pandemic levels. Nevertheless, we expect weakening economic conditions to have a negative impact on demand for non-essential retail goods, while high inflation rates are likely to hurt retailers with little pricing power. In addition, physical retailers face increasing competition from e-commerce.

In addition to the in-house property portfolio, Bonnier Fastigheter's 50% stake in Trecore (SEK 3.9bn property values as of 31 Aug. 2022) provides exposure to the non-cyclical grocery retail business. We would view an increased proportion of residential properties in the portfolio as positive from a business risk perspective, because of the stability of the segment due to favourable rental regulations and suppressed supply coupled with strong demand for rental apartments. Currently the company has only minor exposure to the residential market through HållBo (50% of properties valued at SEK 2.2bn).

Figure 4. Bonnier Fastigheter rental value from municipal exposures, 31 Aug. 2022

Municipality	Share of rental value	Population, 2021	Expected population change, 2021–2040	Unemployment, 2021
Stockholm	70.1%	978,770	14.7%	7.6%
Uppsala	26.0%	237,596	15.5%	7.3%
Huddinge	3.9%	113,951	17.2%	8.4%
Total/Sweden average		-	8.1%	7.9%

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

JV exposures add to revenue diversity

As of 31 Aug. 2022, Bonnier Fastigheter's portfolio comprised 15 properties totalling 265,000 sqm and valued at SEK 15.7bn. Due to the limited scale of the portfolio, the company has a relatively minor position in the Nordic real estate landscape. Most property managers with a comparable focus on office premises in Sweden (see Figure 5) have considerably larger, more diverse portfolios and materially lower tenant concentrations. Due to the highly competitive nature of regional markets, the company views project development as an effective way of generating value-adding business opportunities.

Figure 5. Bonnier Fastigheter peer group by property value and lettable area, 30 Jun. 2022



Source: companies. Where office property values are not available, we base our figures on the respective proportion of rental value or lettable area within each property type. *The Wihlborgs office data include retail, due to a lack of precise breakdown. **as of 31 Dec. 2021. ***as of 31 Aug. 2022.

To increase the competitiveness of its properties, Bonnier Fastigheter offers a range of services to tenants through facility-management company Bonnier Service AB. These include project management, conference, reception, and janitorial services. Bonnier Fastigheter views its offering as a premium service that strengthens the appeal of its properties.

Market position, size and diversification 'bb-'

Due to the limited size of Bonnier Fastigheter's portfolio, the largest property accounts for as much as 24% of rental value, while the five largest properties contribute 65% of rental value. The 10 largest tenants account for 41% of rental income, again illustrating the concentration of the portfolio. However, concentration risk is mitigated by a large number of creditworthy tenants (see Figure 6). As of 31 Aug. 2022, about 11% of Bonnier Fastigheter's rental income originated from tenants controlled by the Bonnier family. This proportion has decreased over the past few years and we expect it to decline further as the company tries to meet its portfolio value target of SEK 25bn by 2025.

We view the company's 50% stake in Trecore as a positive contribution to revenue diversity. Bonnier Fastigheter plans to increase the proportion of residential premises in its portfolio towards 20%, which should result in more diverse revenue streams, both in terms of tenants and property segments.

Figure 6. Bonnier Fastigheter tenant concentration, 31 Aug. 2022

Tenant	Type of tenant	Share of rental income
Öhrlings PricewaterhouseCoopers AB	Audit	14.2%
Bonnierförlagen AB	Media	4.3%
Kry International AB	Health care	4.0%
BDO Mälardalen AB	Accounting	3.8%
Stockholm Regional Council	Public	3.8%
Bonnier Service AB	Media	2.3%
K Kjellgren Livs AB	Groceries	2.1%
Swedish Public Employment Service	Public	2.1%
Bonnier Group AB	Media	2.0%
Bjerking AB	Engineering	2.0%
Top 10 tenants	-	40.7%

Source: company.

Large project development pipeline increases risk in an otherwise attractive portfolio

Bonnier Fastigheter's portfolio is mainly comprised of prime office properties in central Stockholm and Uppsala. About 78% of the company's rental income comes from office premises, while the remainder comes from supporting and retail premises. Most properties are in central locations, but outside the CBD, strengthening the possibility of finding new tenants if an existing tenant moves out. In addition, 74% of total lettable area had obtained green building certification as of end-2021, strengthening the competitiveness of the portfolio.

As of 31 Aug. 2022, the average remaining lease term of Bonnier Fastigheter's portfolio stood at 3.2 years. Among the 10 largest contracts, representing 37% of rental income, the figure was 4.3 years, mitigating vacancy risk. The maturity structure is reasonably balanced with the largest single-year maturities equal to 21% of total rental income.

Figure 7. Bonnier Fastigheter lease maturity profile, 31 Aug. 2022



Source: company.

Portfolio assessment
'bbb-'

In addition to Bonnier Fastigheter's JV exposures, the company owns a 13.7% stake in property manager Eastnine AB (publ), adding exposure to Lithuania, Latvia and Poland. We view the JVs and financial investments as positive from a diversification standpoint but note that they increase overall risk as the financial and/or business risk profiles of the investments are greater than that of the company itself.

Bonnier Fastigheter has a history of running large development projects and currently has an ambitious project pipeline with the largest project located in Värtahamnen in Stockholm, where the company has received a land allocation to develop about 58,000 sqm of office and retail space in three different zoning plans. These projects, as well as other smaller-scale projects could contain speculative elements, increasing associated risk.

In addition to in-house development projects, Bonnier Fastigheter has a large pipeline of residential projects through 50%-owned HållBo. In addition to 480 apartments under management in the Stockholm area, the JV has 832 apartments in production in Stockholm and Malmö.

Figure 8. Bonnier Fastigheter larger projects in progress, 31 Aug. 2022

Project	Municipality	Property type	Occup. rate	Lettable area (sqm)	Invested (SEKm)	Total investment (SEKm)	Estimated completion
Munin NXT	Uppsala	Commercial	95%	3,592	177	189	Sep-22
Cykelfabriken	Uppsala	Commercial	100%	7,421	42	196	Jun-23
Kv. Hangö (Portalen)	Stockholm	Commercial	n/a	12,302	96	755	Dec-26
Kv. Neapel (Pirhuset)	Stockholm	Commercial	n/a	38,925	0	2,390	Dec-28
Kv. Bristol	Stockholm	Commercial	n/a	7,000	0	335	Dec-32
Properties by HållBo*	Several	Residential	n/a	73,000	2,170	7,205	Ongoing until Dec-27
Total	-	-	-	142,240	2,485	11,070	-

Source: company. Kv-Kvarter. n/a-not applicable. *Figures include the JV partner's proportion of lettable area and investments.

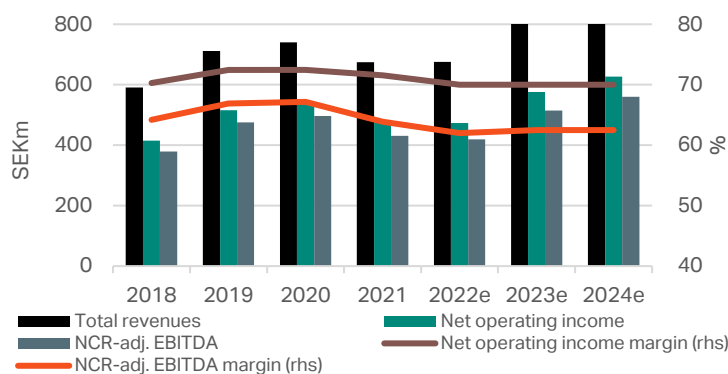
Strong operating efficiency supported by solid margins

Operating efficiency
'bbb+'

Bonnier Fastigheter manages its property portfolio through an in-house organisation with personnel covering both property management and technical maintenance. The company's EBITDA margin has historically averaged around 65%, although it decreased slightly to about 62% as of 31 Aug. 2022 (on the basis of last-12-month figures). Over our forecast period, we expect the EBITDA margin (excluding dividends received from JVs) to remain at around current levels.

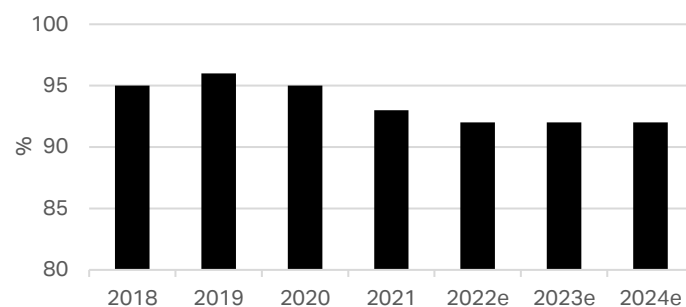
Over the past few years, Bonnier Fastigheter's occupancy ratio has averaged between 92% and 96%. Over our forecast period through 2024, we expect occupancy to remain at 90–95%.

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



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

Figure 10. Bonnier Fastigheter 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 our expectation that credit metrics will weaken from strong levels as Bonnier Fastigheter pursues its ambitious growth plans.

In our ratio analysis we include some acquisitions, but note that if Bonnier Fastigheter is to reach its target portfolio value of SEK 25bn by 2025, it will have to make additional acquisitions that are not included in our forecast, especially if property values fall as a consequence of rising interest rates as our forecast suggests.

Strong financial metrics to weaken as company pursues ambitious growth plan

Ratio analysis 'bbb+'

Over the past few years, Bonnier Fastigheter has run its operations with very low financial gearing, as demonstrated by NCR-adjusted net LTV of 21–28% and net interest coverage of 5.8–9.6x during 2018–2021. The company's net debt/EBITDA ratio was 6–9x in the same period, lower than the corresponding ratios of most of its real-estate peers. Leverage has increased since the beginning of 2022 due to further investments in JVs. Over our forecast period through 2024, we expect metrics to worsen as the property portfolio grows. In addition, we expect interest coverage to weaken materially as interest rates rise, and anticipate that property values will come under pressure due to higher rates.

In calculating Bonnier Fastigheter'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 view the company's investment in Eastnine as a long-term financial investment, but take a conservative approach to future dividends by excluding them from our estimates.

Although our forecast metrics do not take Bonnier Fastigheter's JV exposures into account, we consider the greater financial leverage of these exposures in our overall financial risk assessment. Including JV exposures, NCR-adjusted net LTV was 37% as of 31 Aug. 2022, compared with the 31% recorded on the company's balance sheet.

In our base-case forecast of Bonnier Fastigheter's financial ratios, we assume the following:

- revenue growth of 0% in 2022, 24% in 2023, and 9% in 2024;
- an EBITDA margin (excluding dividends from JVs) of 62–63% through 2024;
- net acquisitions of investment properties amounting to SEK 220m in 2022, and SEK 500m a year in 2023–2024;
- investments in joint ventures of SEK 1.1bn in 2022, SEK 270m in 2023, and SEK 230m in 2024;
- investments through development and refurbishment of SEK 600m in 2022, SEK 350m in 2023, and SEK 500m in 2024;
- property value changes of 0% in 2022, -7.5% in 2023, and -2.5% in 2024;
- increased interest rates, resulting in average interest rates on external debt of 2.2% in 2022, 3.0% in 2023, and 3.2% in 2024; and
- no dividend in 2022 followed by SEK 90m yearly dividend payments in 2023–2024.

On the basis of these assumptions, we estimate Bonnier Fastigheter's financial ratios for 2022–2024 as follows:

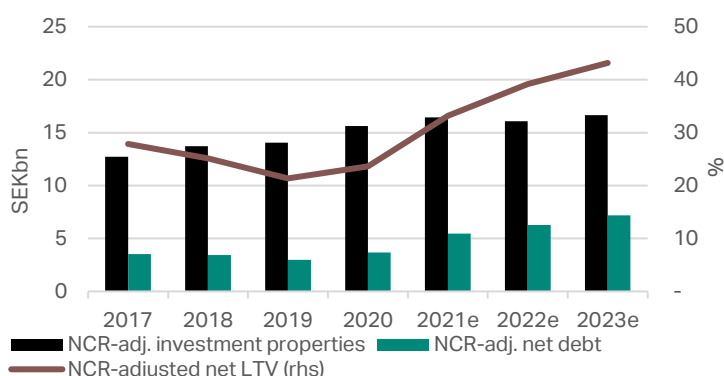
- NCR-adjusted net LTV increasing to 43% in 2024 from 33% in 2022;
- NCR-adjusted EBITDA/net interest decreasing towards 3x; and
- NCR-adjusted net debt/EBITDA of about 11–13x.

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

SEKm	2018	2019	2020	2021	2022e	2023e	2024e
EBITDA	379	476	497	422	419	514	560
Dividends from JVs	0	0	0	0	0	48	89
One-offs	0	0	0	9	0	0	0
NCR-adj. EBITDA	379	476	497	431	419	563	649
Net interest	-57	-58	-54	-42	-89	-177	-218
Financial costs from leasing	-9	-9	-10	-3	-3	-3	-3
NCR-adj. net interest	-65	-66	-64	-45	-92	-180	-221
NCR-adj. EBITDA	379	476	497	431	419	563	649
NCR-adj. net interest	-65	-66	-64	-45	-92	-180	-221
Current tax	-21	-3	-16	-6	-1	-1	-10
NCR-adj. FFO	293	406	417	380	326	382	418
Investment property	12,663	13,608	13,969	15,525	16,344	15,964	16,564
Investment property under development	42	48	62	84	97	97	97
Non-current right-of-use assets	0	62	7	5	3	3	3
NCR-adj. investment property	12,705	13,717	14,038	15,614	16,444	16,064	16,664
Cash and cash equivalents	13	68	12	38	33	12	10
NCR-adj. cash and equivalents	13	68	12	38	33	12	10
Gross interest-bearing debt	3,551	3,453	3,001	3,721	5,487	6,298	7,199
Long-term leasing liabilities	0	61	8	5	3	3	3
NCR-adj. cash and equivalents	-13	-68	-12	-38	-33	-12	-10
NCR-adj. net debt	3,538	3,447	2,997	3,688	5,458	6,289	7,192

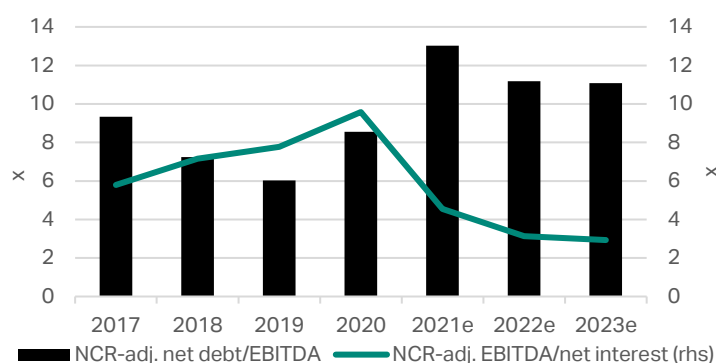
Based on NCR estimates and company data. e–estimate. FFO–funds from operations.

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



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

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



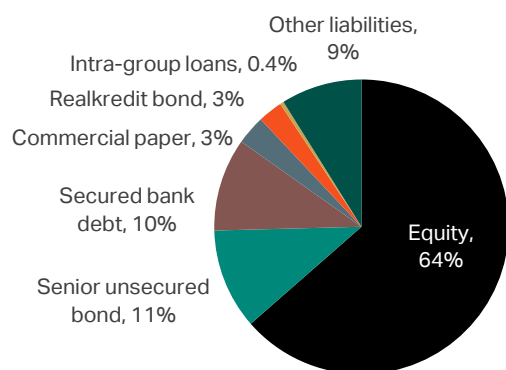
Based on NCR estimates and company data. e–estimate.

Risk appetite commensurate with ratio analysis

Risk appetite 'bbb+'

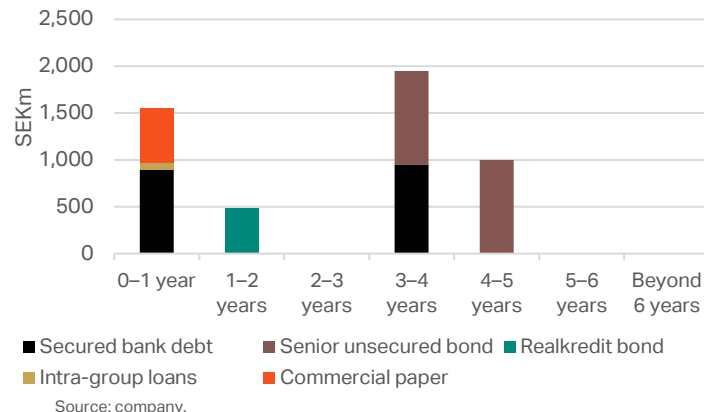
Bonnier Fastigheter finances its operations primarily through common equity, secured bank loans, commercial paper, realkredit bonds, and senior unsecured bonds. In addition, as of 31 Aug. 2022, the company had a SEK 75m short-term loan from sister company AB Bonnier Finans.

Figure 14. Bonnier Fastigheter funding profile, 31 Aug. 2022



Source: company.

Figure 15. Bonnier Fastigheter debt maturity profile, 31 Aug. 2022



Source: company.

As of 31 Aug. 2022, Bonnier Fastigheter's average debt maturity was 2.35 years, with 31% of debt, totalling SEK 1.6bn, maturing within the next 12 months. In our view, the debt maturity profile is relatively short with significant maturities in single years, which increases refinancing risk. Positively, this risk is mitigated by large unutilised credit facilities, which amounted to SEK 1.4bn as of 31 Aug. 2022.

Bonnier Fastigheter's debt is governed by covenants based on its interest coverage ratio and LTV levels at certain encumbered properties and across the wider portfolio. The company's prudent financial metrics result in significant covenant headroom, and we expect such headroom to remain at manageable levels despite the increased growth rate of the portfolio.

Figure 16. Bonnier Fastigheter financial covenants, policies and reported metrics

Metric	Common loan covenants	Financial policy/targets	Reported 31 Aug. 2022
Gross LTV	65–75%	<70%	32%
Interest coverage ratio	1.5–2.0x	≥2x	3.6x
Debt maturities in the next 12 months	-	≤40%	31%

Source: company.

Bonnier Fastigheter has a history of paying dividends to its shareholders although it decided not to in 2022. In our forecast, we anticipate yearly dividends of SEK 90m in 2023 and thereafter, which would be broadly in line with historical levels.

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 assess Bonnier Fastigheter's liquidity as adequate although funding uses exceed sources in the 12 months ending 31 Aug. 2023. In our view, near term liquidity risk is mitigated by the company's strong bank relationships, diverse funding profile, and access to the strong liquidity of the wider Bonnier group. Furthermore, we believe that the risk of not being able to refinance secured bank loans, which make up a significant proportion of short-term debt, is low, while all commercial paper is backed by uncommitted credit facilities.

We estimate the following primary funding sources for the 12 months ending 31 Aug. 2023, totalling SEK 1.5bn:

- SEK 18m in cash and equivalents as of 31 Aug. 2022;
- SEK 272m in FFO, equalling 75% of NCR-adjusted FFO over the period; and
- SEK 1.25bn in unutilised credit facilities maturing in more than 12 months.

We estimate the following uses of funds for the 12 months ending 31 Aug. 2023, totalling SEK 2.1bn:

- SEK 1.6bn in maturing debt;
- SEK 219m in committed acquisitions; and
- SEK 353m in committed capital spending.

Environmental, social and governance factors

ESG factors adequate

Bonnier Fastigheter identifies, measures and reports several environmental, social and governance (ESG) indicators such as CO₂ emissions, energy usage, and customer satisfaction. Since end-2021, the company's reporting has been based on European Public Real Estate Association (EPRA) standards, increasing transparency. The company targets environmental certification of all properties by 2025. We view certification as a means to secure the appeal of the company's properties, as tenants increasingly demand sustainable workspaces. Furthermore, a focus on green buildings can lead to more cost-efficient property management and improve access to debt financing. As of 31 Aug. 2022, the company had green bonds issued under a medium-term note programme rated Medium Green by climate research agency CICERO.

Bonnier Fastigheter has a history of developing large projects with the ambition of contributing to appealing and sustainable neighbourhoods. Such projects include a development at Hornstull on Södermalm, the Värtahamnen project and projects carried out through the Hemmaplan JV, which focuses on developing socially vulnerable areas.

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

Figure 17. Bonnier Fastigheter ESG considerations

Issue	Risk	Mitigating efforts	Result
CO ₂ emissions	Increased costs due to regulatory and/or taxation changes.	Efforts to increase energy efficiency and reduce CO ₂ emissions. Environmental certification of properties.	Energy usage increased by 5% year-on-year in 2021, following a 10% decrease in 2020. Scope 1 and 2 CO ₂ emissions decreased by 35%. Scope 3 emissions are currently not measured but likely to account for a large proportion of emissions.
Impact of climate change on operations	Loss of revenues or increased capital spending.	Environmental certification of properties. Ongoing efforts to identify climate risk at properties.	Some 74% of lettable area had obtained environmental certification as of 31 Aug. 2022. The company is in the process of implementing TCFD reporting standards.
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. Reporting under EPRA standards.	Improving ESG reporting, increased certification, in time possibly leading to a competitive advantage rather than greater risk.

Source: company. TCFD–Task Force on Climate-related Financial Disclosures.

OWNERSHIP ANALYSIS

Ownership neutral

Bonnier Fastigheter is 100% owned by about 90 members of the Bonnier family, either directly or indirectly through Albert Bonnier AB. No single shareholder controls more than 10% of the capital or votes. To ensure that the company remains fully owned by the family, shareholder agreements exist extending over 30 years (the next expiry being 2030) between the owners stating that family members are allowed to sell shares only back to the company or to other members of the family. Although the company is owned by one of the wealthiest families in Sweden, we consider additional ownership support as unlikely in an event of distress.

ISSUE RATINGS

Bonnier Fastigheter issues senior unsecured bonds via wholly owned subsidiary AB Bonnier Fastigheter Finans (publ). The bonds are fully guaranteed by Bonnier Fastigheter.

As of 31 Aug. 2022, 53% of Bonnier Fastigheter's debt was unsecured, resulting in strong recovery prospects for senior unsecured bondholders. Accordingly, the rating on the company's senior unsecured obligations is commensurate with the 'BBB' long-term issuer rating. If secured debt were to account for more than 50% of outstanding debt and, at the same time, net LTV were to increase above 40%, we would likely lower the rating on the company's senior unsecured obligations by one notch.

Figure 18. Bonnier Fastigheter key financial data, 2018–T2 2022

SEKm	FY	FY	FY	FY	LTM
Period-end	31 Dec. 2018	31 Dec. 2019	31 Dec. 2020	31 Dec. 2021	31 Aug. 2022
INCOME STATEMENT					
Rental income	551	669	702	637	631
Other income	40	43	38	38	43
Total costs from operations	-176	-196	-204	-192	-198
Net operating income	415	515	536	483	476
Administrative expenses	-36	-40	-39	-61	-69
Administrative expenses, project portfolio	–	–	–	–	–
EBITDA	379	476	497	422	407
Share of profit in associated companies and joint ventures	–	6	29	27	117
Interest expenses	-58	-58	-55	-52	-77
Interest income	1	0	1	10	17
Interest expenses, shareholder loans	–	–	–	–	–
Financial costs from leasing	-9	-9	-10	-3	-3
Other financial costs	–	–	–	–	–
Changes in investment property	749	827	679	1,244	1,242
Gain (loss) on financial assets held at fair value	–	–	–	22	-186
Disposals of investment properties	–	–	–	–	–
Gain (loss) on derivatives	–	–	–	–	–
Depreciation and amortisation	–	–	–	–	–
Restructuring activities	–	–	–	–	–
Income (expense) on discontinued operations	–	–	–	–	–
Pre-tax profit	1,063	1,242	1,141	1,670	1,517
Current taxes	-21	-3	-16	-6	–
Deferred taxes	-15	-235	-125	-330	-336
Net profit	1,027	1,004	1,000	1,334	1,181
BALANCE SHEET					
Investment property	12,663	13,608	13,969	15,525	15,753
Other non-current assets	42	117	226	947	2,034
Total non-current assets	12,705	13,725	14,195	16,472	17,787
Cash and cash equivalents	13	68	12	38	18
Other current assets	63	179	333	319	315
Total current assets	77	247	345	357	333
Total assets	12,782	13,972	14,540	16,829	18,120
Total equity	8,282	9,222	10,064	11,309	11,516
Non-current borrowings	2,337	1,645	1,943	2,441	3,440
Non-current borrowings, shareholder loans	–	–	–	–	–
Deferred tax liabilities	715	950	1,016	1,350	1,372
Other non-current liabilities	32	108	69	54	39
Total non-current liabilities	3,084	2,703	3,028	3,845	4,851
Total current liabilities	1,416	2,047	1,448	1,675	1,753
Total equity and liabilities	12,782	13,972	14,540	16,829	18,120
CASH FLOW STATEMENT					
Pre-tax profit	1,063	1,242	1,141	1,670	1,517
... of which changes in investment property	749	827	679	1,244	1,242
Depreciation and amortisation	0	1	1	1	–
Tax paid	–	–	-3	-10	-6
Adjustment for items not in cash flow	-752	-836	-714	-1,295	-1,179
Cash flow from operating activities before changes in working capital	311	406	425	366	332
Changes in working capital	-50	73	-47	23	-92
Cash flow from operating activities	261	479	378	389	240
Cash flow from investment activities	-1,788	-255	167	-977	-2,147
Cash flow from financing activities	1,354	-170	-601	614	1,799
Cash and cash equivalents at beginning of period	186	13	68	12	126
Cash flow for period	-172	54	-56	26	-108
Cash and cash equivalents at end of period	13	68	12	38	18

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

Figure 19. Bonnier Fastigheter rating scorecard

Subfactors	Impact	Score
Operating environment	20.0%	bbb-
Market position, size and diversification	12.5%	bb-
Portfolio assessment	12.5%	bbb-
Operating efficiency	5.0%	bbb+
Business risk assessment	50.0%	bb+
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		Negative
Short-term rating		N3

Figure 20. Associated entities

Name	LT rating	Outlook	ST rating
AB Bonnier Fastigheter Finans (publ)	BBB	Negative	N3
Senior unsecured	BBB		

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