

CA Fastigheter AB

Full Rating Report

LONG-TERM RATING

BBB-

OUTLOOK

Stable

SHORT-TERM RATING

N4

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RATING RATIONALE

Our 'BBB-' long-term issuer rating on Sweden-based property manager and developer CA Fastigheter AB reflects the company's relatively low financial gearing, high occupancy, diversification benefits from the company's share of residential properties and low tenant concentrations in its commercial portfolio. It also reflects our expectations that the residential rental market will remain strong and that the company will continue to increase rental income from its commercial portfolio and completed projects.

These strengths are offset by the company's active project and development activities and associated capital expenditure, which create volatility in cash flows and have a higher risk than pure property management. We also view CA Fastigheter's intra-group lending and short debt maturity profile with large single-year maturities as credit weaknesses in our standalone assessment. We consider CA Fastigheter's market position to be modest, given the relatively small portfolio in most of its core geographic locations.

STABLE OUTLOOK

The stable outlook reflects our expectation that the investment properties will continue to generate stable cash flows, allowing the company to invest in future projects for its own portfolio. Given the uncertain economic environment, the company has postponed many projects in its pipeline to support capital metrics and demonstrate its long-term investment horizon. We expect CA Fastigheter to complete the sale of current tenant-owned property projects at a modest profit and maintain the flexibility to postpone projects if markets deteriorate further.

POTENTIAL POSITIVE RATING DRIVERS

- Improved credit metrics, with EBITDA/net interest sustainably over 3.5x and net loan to value (LTV) sustainably below 35%.
- Reduced risk appetite and extended debt maturity profile.

POTENTIAL NEGATIVE RATING DRIVERS

- Increased financial gearing, with net LTV at levels sustainably over 50% or EBITDA/net interest below 2.2x over a protracted period.
- Deteriorating market fundamentals, affecting occupancy and/or profitability.
- Increased lending exposure to, or deteriorating credit quality of, CA Group.

Figure 1. CA Fastigheter key credit metrics, 2019–2025e

SEKm	2019	2020	2021	2022	2023e	2024e	2025e
Rental income	620	664	704	770	835	876	908
Total income	667	786	1,553	1,180	1,084	1,122	1,001
NCR-adj. EBITDA	316	364	482	505	503	546	518
NCR-adj. EBITDA margin (%)	47.3	46.3	31.1	42.8	46.5	48.7	51.8
NCR-adj. investment property	12,967	13,704	14,985	15,245	14,358	13,845	14,537
NCR-adj. net debt	5,304	5,424	5,518	5,752	5,940	6,038	6,498
Total assets	14,724	15,331	17,694	18,209	17,369	16,946	17,567
NCR-adj. net debt/EBITDA (x)	16.8	14.9	11.4	11.4	11.8	11.1	12.5
NCR-adj. EBITDA/net interest (x)	2.9	3.2	4.2	3.9	2.9	2.9	2.6
NCR-adj. net LTV (%)	40.9	39.6	36.8	37.7	41.4	43.6	44.7
NCR-adj. FFO/net debt (%)	3.6	4.4	6.3	6.2	6.2	6.3	4.3

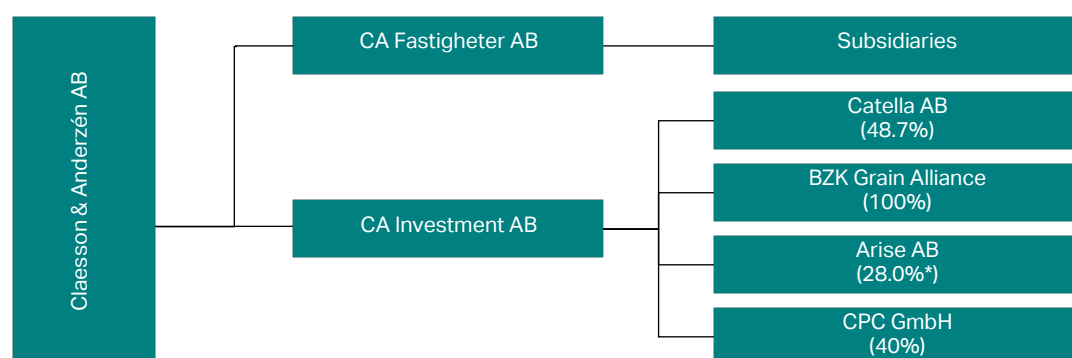
Based on NCR estimates and company data. e–estimate. FFO–funds from operations. All metrics adjusted in line with NCR methodology.

ISSUER PROFILE

CA Fastigheter is a Sweden-based property manager, with a mixed portfolio of residential and commercial properties in Sweden, Germany and Estonia. The Swedish portfolio is mostly concentrated on the regional cities of Borås, Jönköping, Kalmar, Malmö, Stockholm and Växjö, while the German portfolio is focused on Berlin, where CA Fastigheter has been active since the 1990s. As of 31 Dec. 2022, CA Fastigheter's portfolio comprised 158 properties, totalling 654,000sqm, valued at SEK 14.9bn.

CA Fastigheter was started in 1912 and is 100% owned by Claesson & Anderzén AB (CA Group). The company was founded by Claes Johansson, grandfather of the company's current principal owners, brothers Johan and Magnus Claesson. CA Fastigheter remains the primary revenue generator for CA Group. CA Group, via CA Investment, owns 48.7% of the shares in Swedish property services company Catella AB, 100% in Ukrainian agriculture business BZK Grain Alliance AB (see Ownership Analysis), as well as major stakes in Swedish wind power company Arise AB and German property developer CPC GmbH.

Figure 2. CA Group organisational structure



Source: CA Group. *Johan Claesson and companies.

BUSINESS RISK ASSESSMENT

Business risk
assessment 'bbb-'

Our business risk assessment reflects CA Fastigheter's diverse residential and commercial portfolio across Sweden and Berlin, stable and high occupancy rates, and low tenant concentrations across the portfolio. These factors are partly offset by the relatively large project portfolio, a modest market position and relatively low operational efficiency.

Residential portfolio stability supports risks in project and commercial portfolio

Operating environment
'bbb'

Our view of CA Fastigheter's operating environment reflects the mix of properties in its investment portfolio, as well as the volatility created by its portfolio of residential apartments, which it develops for sale. The company operates primarily in its seven core regions, all of which are expected to continue to have increasing populations and growing economies for the foreseeable future, supporting demand for CA Fastigheter's properties.

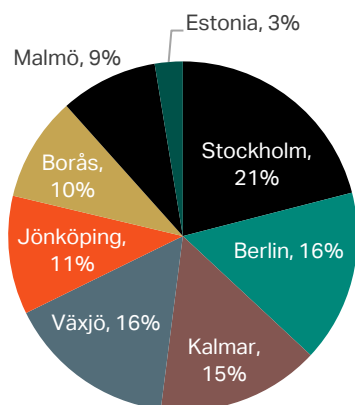
Figure 3. CA Fastigheter core markets, 31 Dec. 2022

Municipality	Population, 2022	Expected population change among 15–64-year-olds, 2021–2040	Unemployment, 2022
Stockholm	984,478	10.2%	6.2%
Kalmar	72,018	5.8%	6.0%
Växjö	97,137	8.5%	7.1%
Borås	114,445	7.5%	6.5%
Jönköping	145,114	10.2%	5.1%
Malmö	357,377	14.5%	12.3%
Total/Sweden average	10,521,556	5.9%	6.6%
Berlin*	3,645,000	7.3%	7.4%

Source: company, Statistics Sweden and the Swedish Public Employment Service. *Berlin data from the Federal Statistical Office of Germany.

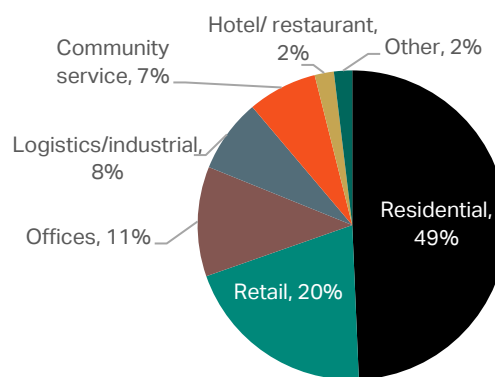
The company earns about 34% of its rental value from residential rental properties in its core markets in Sweden. However, it does not have any residential properties in Stockholm due to high land prices and less attractive returns on rental properties. CA Fastigheter has maintained low vacancies in its residential portfolio, with most residential vacancies associated with property renovations of aging buildings. While rental revenues are predictable, rental controls in Sweden's cities prohibit material increases in rent levels unless accompanied by renovations to increase a property's standard.

Figure 4. CA Fastigheter rental value by area, 31 Dec. 2022



Source: company data.

Figure 5. CA Fastigheter rental value by property type, 31 Dec. 2022



Source: company data.

About 15% of rental revenues and one-third of the residential portfolio, worth about SEK 3.2bn, are associated with apartments in central Berlin. The commercial portfolio is diversified across the core markets, as well as by property type. Around 40% of CA Fastigheter's commercial properties are associated with low-cyclical retail tenants. The company's office, logistics and community service properties have performed well, with limited impact from the past year's turbulent market conditions. In addition to core markets, CA Fastigheter has a small commercial portfolio in Estonia and a minor joint venture in Russia with the Swedish government.

In addition to managing its existing properties, the company is an active developer of tenant-owned properties in Sweden, with its largest current projects in Kalmar and Lomma (Malmö; see Figure 10). The risk associated with speculative residential apartment projects negatively affects our view of the company's operating environment, given the higher volatility and increased project risk compared with property management. However, we note that the company has made material reductions in its project pipeline due to increased macroeconomic uncertainty and increased risk with speculative development projects.

Diversified tenants and segments, despite modest portfolio size and market position

As of 31 Dec. 2022, CA Fastigheter's investment portfolio comprised 158 properties, totalling 654,000sqm, valued at SEK 14.9bn. In addition, the company has a substantial project portfolio, including projects for sale, and investments in and renovations of its own portfolio. In early 2023, CA Fastigheter became established in Norrköping through the SEK 155m acquisition of several commercial properties. We view this as positive in terms of geographic diversification.

CA Fastigheter's investment portfolio balances low-risk residential rental and community service properties with office, retail and logistics facilities. The Swedish portfolio, with about SEK 11bn in domestic assets, is relatively small for a Swedish real-estate company. We view CA Fastigheter's market position as modest at a national level and above average in its smaller core markets due to its niche position.

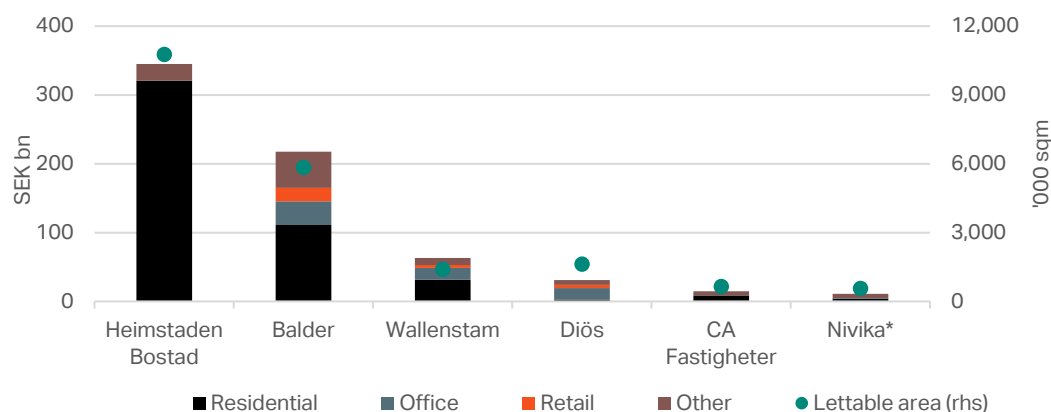
Few Nordic real-estate companies have both material commercial and residential exposures, with most focusing instead on specific segments. Fastighets AB Balder has a similar share of retail properties and approximately half of its portfolio outside Sweden, but it has a portfolio value of over SEK 215bn and over 5m sqm in lettable area. Wallenstam is another company with 50% residential exposure and

Market position, size and diversification 'bbb'

a material focus on project development. Other property managers with a mix of commercial and residential management include Nivika Fastigheter (SEK 11bn in property assets), which has about 35% of its portfolio in residential properties in southern Sweden.

CA Fastigheter has more than SEK 3bn in property value, 23 properties and over 1,100 apartments in Berlin. This positions CA Fastigheter as a marginal residential property owner in Berlin, given the size and volumes of companies like Vonovia SE (SEK 1tn in total investment properties and over 140,000 apartments in the state of Berlin at year-end 2022) and Adler Group SA (SEK 60bn, 18,580 apartments in Berlin).

Figure 6. CA Fastigheter peer group breakdown by property value and lettable area, 31 Dec. 2022



Source: companies. If office property values are not available, these are based on the property type's share of rental value or lettable area. *Nivika as of Nov. 2022.

Given the high share of residential properties, tenant diversification is strong, despite the company's modest size. The 10 largest tenants together account for 38% of commercial rental income and 20% of total rental income, given the large residential portfolio. Most of CA Fastigheter's major commercial tenants are on longer than average contracts.

Figure 7. CA Fastigheter tenant concentration, 31 Dec. 2022

Tenant	Type of tenant
Bauhaus (Sicklaallén Fastighets AB)	Building materials retailer
Berghs School of Communication AB	Private educational institution
Akademikliniken HJ AB	Private healthcare
Sandvik Machining Solutions AB	Manufacturer of industrial tools
Dagab Inköp & Logistik	Grocery retailer
Kalmar Kommun	Municipality
Beijer Bygghem AB	Building materials retailer
Matvärlden Veddesta AB	Grocery retailer
NetOnNet AB	IT products retailer
Wikholm Form AB	Furnishing and decor retailer
Top 10 tenants' share of rental income	19.8%

Source: company.

Consistent residential occupancy, though some speculative project risk

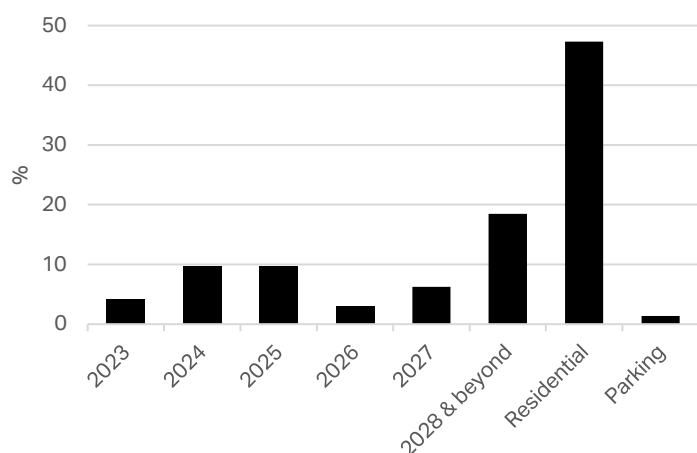
CA Fastigheter's property portfolio is primarily located in its seven core markets. Our view of the portfolio is supported by the high share of residential properties in the portfolio, which are likely to remain attractive given population growth in its markets. In addition, the customer base is diverse, with many relatively small commercial contracts and a large share of residential tenants, which reduces concentrations in lease maturities.

Historically, turnover in the residential portfolio has remained manageable, as evidenced by the low vacancy rates in the segments in Sweden and Berlin. The residential properties in Sweden are a mix

of facilities built before 1970 that have been renovated or are undergoing refurbishment and newly constructed buildings. We view the overall residential portfolio as being centrally located and attractive enough to maintain low vacancies (2.5% as of year-end 2022, reflecting current refurbishment activity).

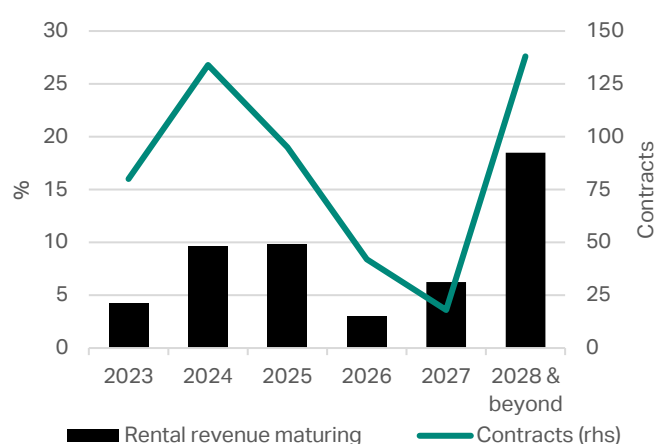
As of 31 Dec. 2022, commercial properties accounted for 50% of rental revenue and the weighted average remaining lease term in CA Fastigheter's commercial portfolio was 5 years, reflecting the length of its largest contracts. Nearly half of the commercial portfolio is located in Stockholm, with the remaining portfolio split evenly across its other Swedish core markets and 6% in Germany and Estonia.

Figure 8. CA Fastigheter lease maturity profile for all properties, 31 Dec. 2022



Source: company data.

Figure 9. CA Fastigheter lease maturity profile for commercial properties, 31 Dec. 2022



Source: company data.

Our assessment of the company's property portfolio considers the risks in CA Fastigheter's projects. The company has several ongoing projects; both development of projects for sale and projects developed for own management. Ongoing development of sales properties are related to new-build tenant-owned apartments in Kalmar and Malmö, with a combined investment requirement of about SEK 500m through 2025. The company also has a number of development and refurbishment projects in its portfolio, totalling over SEK 600m through 2024. In addition, the company is expected to make more than SEK 3.8bn in investments in its Gasverket project as part of Stockholm's revitalisation of Norra Djurgården over the next 10 years.

The project risk in CA Fastigheter's development portfolio weighs on our assessment of the overall portfolio. While the investment in Gasverket is for the long term, there are also speculative elements to such a long-term commercial property project. In addition, the company's investments in sales properties are, by nature, speculative, given that projects are around 60% sold when they start. In contrast, projects for the company's own portfolio are typically started once a signed rental agreement is in place. Given the uncertain economic environment, the company has postponed many projects in its development pipeline to preserve strong credit metrics and demonstrate its long-term investment horizon. We believe the company has the support of ownership to continue to postpone projects in its sales portfolio if markets deteriorate further.

Figure 10. CA Fastigheter projects in progress, 31 Dec. 2022

Project	Location	Property type	Lettable area (sqm)	Total investment (SEKm)	Estimated completion
Tampen phase 2-3	Kalmar	Tenant-owned	5,152	209	Q1 2023-Q4-2023
Kvirkelhusen phase 1-2	Malmö	Tenant-owned	6,464	297	Q1 2023-Q4 2026
Araby 6:69	Växjö	Residential	8,208	221	TBD
Växjö 6:69 phase 3	Växjö	Refurbishment	7,022	78	Q2 2023
Hevea 6	Borås	Warehouse	14,850	123	Q3 2023
Tobaksmonopolet	Stockholm	Offices	1,511	45	Q1 2023
Veddesta Handel	Stockholm	Retail	1,900	12	Q2 2023
Gasverket	Stockholm	Retail, offices	1,627	87	Q4 2023-Q2 2024
Taxeringsrevisorn 1	Malmö	Refurbishment	2,002	43	Q1 2023
Total	-	-	48,736	1,115	-

Source: company.

Stable occupancy offsets sales revenue volatility

Operating efficiency
'bbb-'

The company has a decentralised organisation, allowing local management to make decisions affecting their own portfolio, and outsources the management of its German and Estonian properties. Most of CA Fastigheter's contracts with commercial tenants are double-net leases, under which maintenance costs are paid by the company and typically linked to the consumer price index, reducing the impact of inflation on earnings.

Given a preference for being hands-on and local, CA Fastigheter's EBITDA margins from its rental portfolio are in line with those of many Swedish residential real-estate peers, rather than in line with commercial property managers. Solely in terms of rental revenues and related costs, we forecast the company's margins to be around 55%. Including the company's project and other revenues adds uncertainty and reduces the average projected margin in our forecast to 49%, demonstrating a meaningful impact from property sales. Over the past few years, the occupancy rate of CA Fastigheter's portfolio has improved towards 95%, and as of 31 Dec. 2022, it stood at 95.4%. We expect the occupancy rate to remain around 95% within our forecast period.

Figure 11. CA Fastigheter revenues, net operating income (NOI), EBITDA, and margins, 2019–2025e

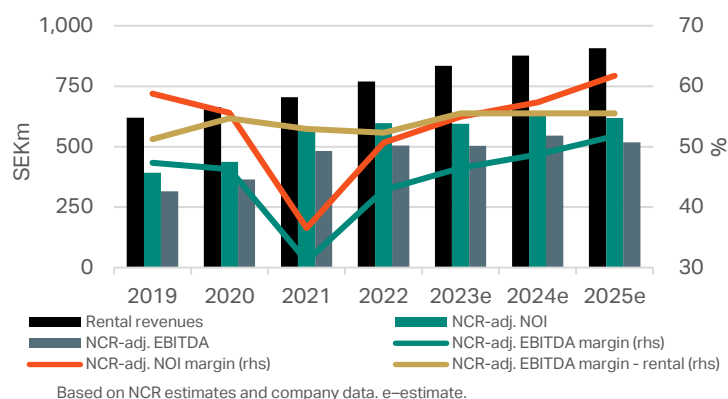
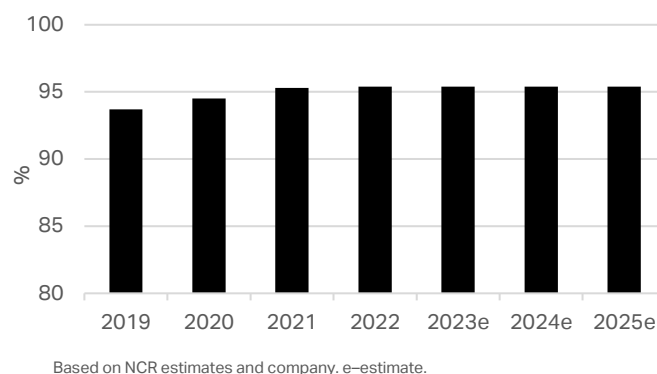


Figure 12. CA Fastigheter occupancy rate, 2019–2025e



FINANCIAL RISK ASSESSMENT

Financial risk
assessment 'bb+'

Our financial risk assessment reflects our expectation that CA Fastigheter's credit metrics will weaken moderately over our forecast period due to rising interest rates and falling property values as a result of higher property yields. Furthermore, it reflects a financial risk appetite that, in our view, is higher than indicated by our ratio analysis, given the company's short debt maturity profile and intra-group loans to its parent and investment holding sister companies.

Ratio analysis 'bbb-'

Higher financing costs and expected property value decline weaken projected credit metrics

CA Fastigheter's leverage has been stable in recent years, with net LTV below 40% while interest coverage has been above 3x. However, we project decreased interest coverage and higher leverage. Increasing leverage is due to a combination of capital investment in ongoing projects and our projection of a decline in property values as property yields increase to reflect the rise in long-term market interest rates since early 2022.

We expect revenues to grow steadily as the company delivers on its development project pipeline. However, the one-off nature of tenant-owned property sales adds some volatility to our EBITDA forecast, depending on the full revenue and cost accounting upon the sale of properties.

Our base-case forecast of CA Fastigheter's future performance assumes:

- rental revenue growth of 4–9% for 2023–2025;
- an EBITDA margin of around 56% for rental revenues;
- an average EBITDA margin of 49% for 2023–2025, though dependent on the timing of project sales;
- investments in the development and refurbishment of own properties totalling SEK 1bn for 2023–2025;
- dividend payments of SEK 50m per year;
- changes in property values of -8.6% in 2023, -6.7% in 2024 and 0% in 2025; and
- investments in sales properties totalling SEK 775m for 2023–2025, with more than half occurring in 2025 and dependent on market conditions.

On the basis of these assumptions, we estimate the following metrics for 2023–2025:

- NCR-adjusted net LTV between 41.4% and 44.7%;
- NCR-adjusted EBITDA/net interest between 2.6x and 2.9x; and
- NCR-adjusted net debt/EBITDA between 11.1x and 12.5x.

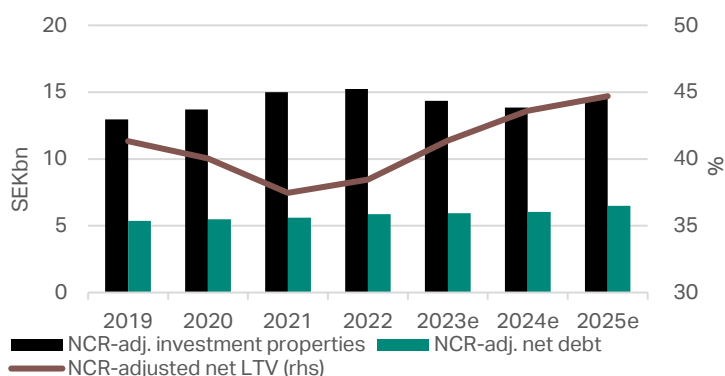
In assessing CA Fastigheter's financial risk profile, our EBITDA forecast for the sales portfolio uses sales revenue estimates based on CA Fastigheter's expected pricing for apartments under construction. We have adjusted the company's expected sales revenues for pipeline projects by 10% in our ratios to reflect the potential need to adjust future pricing, given current market conditions. In addition, our calculation of net debt includes an SEK 63m earn-out commitment associated with Gasverket. Net debt is reduced by cash and equivalents and 50% of the company's short-term holdings. We view the short-term holdings as liquid, but note that nearly 80% of investments are equities and the remainder are fixed-income investments. We do not consider the company's long-term investment holdings to be liquid.

Figure 13. NCR's adjustments to CA Fastigheter's credit metrics, 2019–2025e

SEKm	2019	2020	2021	2022	2023e	2024e	2025e
EBITDA (property management)	318	363	373	403	463	487	504
EBITDA (projects and other activities)	-2	1	110	102	40	60	14
NCR-adj. EBITDA	316	364	482	505	503	546	518
Net interest	-105	-111	-111	-125	-171	-183	-197
Financial costs from leases	-3	-3	-3	-4	-4	-4	-4
NCR-adj. net interest	-108	-113	-115	-129	-174	-187	-201
NCR-adj. EBITDA	316	364	482	505	503	546	518
NCR-adj. net interest	-105	-111	-111	-125	-171	-183	-197
Current taxes	-15	-11	-18	-20	40	19	-35
NCR-adj. FFO	193	240	350	356	369	379	282
Investment property	12,249	12,729	14,460	14,884	14,050	13,483	13,876
Properties for sale	715	968	519	356	303	358	656
Non-current right-of-use assets	3	7	6	5	5	5	5
NCR-adj. investment property	12,967	13,704	14,985	15,245	14,358	13,845	14,537
Cash and cash equivalents	78	94	559	400	436	522	448
Liquid assets	222	255	381	450	450	450	450
Less 50% liquid asset adjustment	-111	-128	-190	-225	-225	-225	-225
NCR-adj. cash and equivalents	245	285	844	737	661	747	673
Gross interest-bearing debt	5,225	5,385	6,026	6,129	6,242	6,426	6,811
Long-term lease liabilities	261	261	273	297	297	297	297
Committed earn-out	63	63	63	63	63	63	63
NCR-adj. cash and equivalents	-245	-285	-844	-737	-661	-747	-673
NCR-adj. net debt	5,304	5,424	5,518	5,752	5,940	6,038	6,498

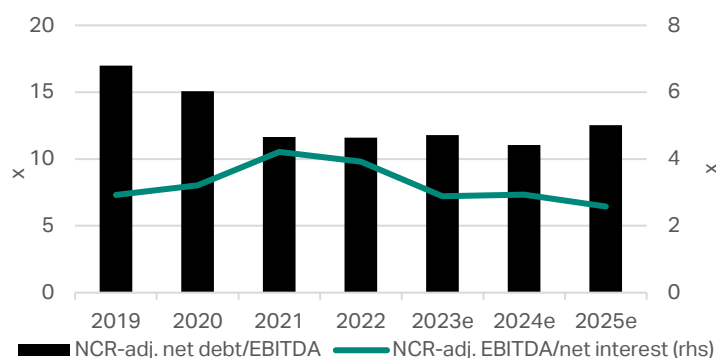
Based on NCR estimates and company data. e—estimate. FFO—funds from operations.

Figure 14. CA Fastigheter NCR-adj. investment properties, net debt, and net LTV, 2019–2025e



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

Figure 15. CA Fastigheter NCR-adj. net debt/EBITDA and EBITDA/net interest, 2019–2025e



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

Internal loans and short debt maturity increase financial risk

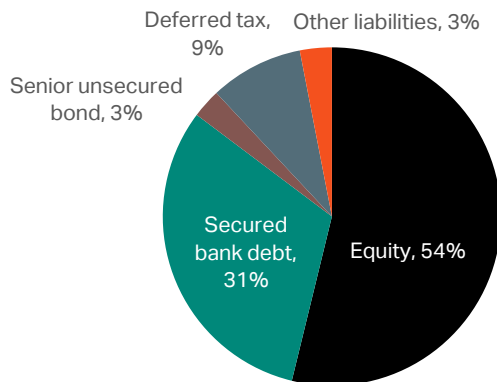
Risk appetite 'bb'

We view CA Fastigheter's financial risk appetite as higher than reflected by the company's financial ratios. Specifically, and we view the short debt maturity profile and significant near-term maturities as a credit weakness, despite the company's history of strong banking relationships. In addition, the company's increasing amount of intra-group lending adds complexity.

We view CA Fastigheter's short debt maturity profile as indicative of a somewhat higher overall financial risk profile. CA Fastigheter reported around 75% of its debt as maturing in the next 2 years as of 31 Dec. 2022, reflecting the company's expectations and track record of refinancing its bank loans within months of maturity. We note, however, that CA Fastigheter is prudent in its management of interest rate risk, with average interest fixing of 3.2 years, which has helped maintain average interest rates on the company's loans at 2.9% as of 31 Dec. 2022. In addition to secured bank debt and a senior

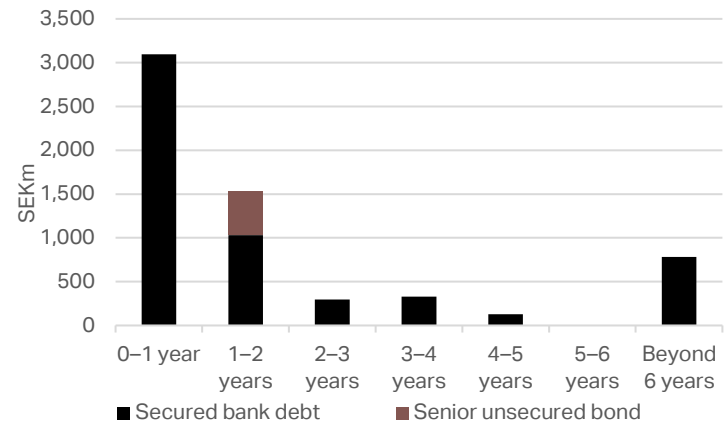
unsecured bond of SEK 500m maturing in July 2024, the company has a SEK 200m revolving credit facility, which was unutilised as of year-end 2022.

Figure 16. CA Fastigheter funding profile, 31 Dec. 2022



Source: company.

Figure 17. CA Fastigheter debt maturity profile, 31 Dec. 2022



Source: company.

CA Fastigheter's dividend policy is dependent on the performance of the investment portfolio of CA Investment. CA Group proposed an SEK 50m dividend for 2022 and there is no external interest-bearing debt in CA Group outside of CA Fastigheter. However, CA Group uses CA Fastigheter's balance sheet to provide financing for other parts of the company. In our view, this adds complexity and financial risk to CA Fastigheter when evaluated on a standalone basis, given the potential for losses or investment needs in CA Group's investment companies. CA Fastigheter has internal loans to its parent and sister investment companies which are consolidated in CA Group reporting. We note that these internal loans have increased in recent years, from SEK 850m at year-end 2020 to SEK 1.4bn at year-end 2022, and could increase further at short notice to address financing needs within the group. We also note that CA Fastigheter reports additional claims totalling over SEK 100m due from non-consolidated investment companies and other related parties that are not consolidated in CA Group reporting.

CA Fastigheter's financial policy provides the company with additional headroom for higher leverage. Our forecasts anticipate that the company will increase its LTV, but we do not expect the company to take full advantage of its internal 55% net LTV limit (debt net of 100% of current financial assets and cash) over our three-year forecast horizon.

Figure 18. CA Fastigheter financial covenants, policies and reported metrics

Metric	Common loan covenants	Financial policy/targets	Reported levels 2017-22
Equity ratio	≥25%	N.A.	50%-53%*
Interest coverage ratio	≥1.2x	≥2.0x	2.0x-3.2x
EBITDA/net financial costs	≥1.5x	N.A.	3.0x-4.2x*
Interest fixing	N.A.	≥3 years	3.5-4.5 years
Net LTV	≤65%	≤55%	34%-42%
Return on equity	N.A.	≥10%	9%-16%

Source: company. *NCR estimate for 2019-2022 based on IFRS accounting. N.A.-not applicable.

ADJUSTMENT FACTORS

Adjustment factors
neutral

Adjustment factors are assessed as neutral and have no effect on the rating.

Liquidity

Liquidity adequate

Our 12-month liquidity analysis is based on a stressed scenario under which the company cannot access the capital markets or extend bank loans, and therefore has to rely on internal or committed external funding sources to cover its liquidity needs. We typically expect a company with an investment grade rating ('BBB-' and above) to cover all liquidity requirements, with limited need for external funding over the next 12 months. However, we assess CA Fastigheter's liquidity profile as neutral, despite a funding deficit in the period.

We calculate a SEK 2.1bn shortfall for the 12 months ending 31 Dec. 2023, driven by SEK 3.1bn in secured debt refinancing and amortisation. In our view, the company has demonstrated a long track record of accessing bank financing from many leading Nordic and German banks, which mitigates refinancing concerns for CA Fastigheter's maturing secured bank debt.

We estimate the following primary funding sources for the 12 months ending 31 Dec. 2023, totalling SEK 1.7bn:

- SEK 400m in cash and equivalents, 100% of reported value;
- SEK 225m in current financial assets, 50% of outstanding value;
- SEK 458m in refinanced loans through 31 Mar. 2023;
- SEK 113m in committed acquisition financing;
- SEK 267m from funds from operations, equalling 75% of estimated adjusted funds from operations over the period; and
- SEK 200m in an unutilised credit facility.

We estimate the following uses of funds for the 12 months ending 31 Dec. 2023, totalling SEK 3.8bn:

- SEK 3.1bn in maturing secured bank debt and amortisation;
- SEK 440 in committed capital spending;
- SEK 50m in dividends for 2022; and
- SEK 164m in committed acquisition.

Environmental, social and governance factors

ESG factors adequate

In 2021, CA Fastigheter published a green bond framework that has been classified as Light Green in a second opinion from Norway-based climate research agency CICERO. Within this framework, the company issued a senior unsecured green bond of SEK 500m. CA Fastigheter publishes a sustainability report annually that is based on the GRI (Global Reporting Initiative) definition of core reporting requirements.

The company is a member of the Sweden Green Building Council, a non-profit organisation aiming to reduce the environmental impact of the real-estate sector. The company began certifying its properties to Miljöbyggnad standards in 2020, with the aim of certifying the majority of its properties to at least Miljöbyggnad Silver standard and building new projects to at least that standard. The company aims to have 20% of its property portfolio environmentally certified by the end of 2023.

The table below highlights the main environmental, social and governance (ESG) issues that we believe could affect our overall assessment of CA Fastigheter and factors that could contribute to the loss of revenues, increased costs, higher capital spending or a deterioration in financing possibilities.

Figure 19. CA 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. Aim of reducing energy consumption by 1.5% per year (like-for-like portfolio). Aim of using 75% renewable energy by 2025.	Reported 6.4% reduction in energy consumption in 2022 compared with 2021. Started reporting Scope 1–3 emissions in 2021. Began certifying properties in 2020 with aim of achieving Miljöbyggnad Silver standard.
Political risk	Political action affecting residential rental revenues and reducing property values. Cross-border ownership risks. Uncertainty related to Russian business.	Diversification of the investment portfolio. Cost management of affected properties.	The company received a positive ruling in Germany in April 2021 but the potential for alternative political solutions remains.
Impact of climate change on operations	Loss of revenues or increased capital spending	Environmental certification of properties, appropriate insurance and evaluation of impact on each property.	The company concludes that no properties in the investment portfolio are likely to be directly affected by, e.g., rising water levels or landslides. Residential properties for sale along coastal areas follow guidelines for minimum height above sea level.
Increased environmental focus on financial markets	Adverse effect on financing possibilities or higher financing costs due to slow transitioning to lower CO ₂ dependence	Published green bond framework in 2021. Increased sustainability focus and underwent second-opinion review.	Improving ESG reporting and measurement. Access to green financing; issued a green bond in 2021 with a 'Light Green' rating by CICERO.

Source: company. See [ESG factors in corporate ratings](#).

OWNERSHIP ANALYSIS

Ownership neutral

CA Fastigheter is 100% owned by Claesson & Anderzén AB (which we define as a holding company) and was established by Claes Johansson, grandfather of the company's current primary owners, brothers Johan and Magnus Claesson (via Wellsford S.A.). Johan Claesson also owns 100% of Fastighets AB Bremia, which owns the remaining shares and votes in CA Group.

CA Group has two business areas: real estate, via CA Fastigheter; and investments, via CA Investment AB. The real-estate business remains the cornerstone of the group, accounting for the majority of the company's revenues. CA Fastigheter has about SEK 1.4bn in internal loans to group parent and sister companies. These loans demonstrate the group's aim to use proceeds from CA Fastigheter to diversify the investments of the family-owned company. While the intra-group loans demonstrate the importance of CA Fastigheter in the future development and strategy of CA Group, they also limit our view of further support available to CA Fastigheter from its owner. In our view, CA Fastigheter could be supported by sales of investment assets in CA Investment, but the positions held by the investment operations are of a higher-risk nature than CA Fastigheter's real-estate operations.

CA Group owns the Ukraine-based agriculture business BZK Grain Alliance AB. The company reported strong results in 2022 despite rising costs associated with the ongoing invasion of Ukraine. Although future performance remains uncertain, Grain Alliance has very low external debt and the company has historically reinvested its own cash flows. In our view, this reduces the likelihood that CA Fastigheter could suffer spill-over effects from Grain Alliance.

Figure 20. Claesson & Anderzén AB ownership structure, 31 Dec. 2022

Owner	Share of capital and votes
Johan Claesson	44.73%
Wellsford S.A.	44.73%
Fastighets AB Bremia (100% owned by Johan Claesson)	10.54%

Source: CA Group 2022 annual report.

ISSUE RATINGS

We do not assign issue ratings to CA Fastigheter's outstanding debt. In line with our methodology, we typically anticipate a higher loss for holders of senior unsecured instruments in the event of default where there is a high proportion of secured debt. As of 31 Dec. 2022, 92% of the company's interest-bearing debt was secured, reducing recovery prospects for senior unsecured bondholders.

METHODOLOGIES USED

- (i) [Corporate Rating Methodology](#), 18 Feb. 2022.
- (ii) [Rating Principles](#), 24 May 2022.
- (iii) [Group and Government Support Rating Methodology](#), 18 Feb. 2022.

RELEVANT RESEARCH

- (i) [Sweden's real-estate sector faces growing challenges](#), 13 Dec. 2022.
- (ii) [NCR-rated Swedish property managers \(Q4 2022\)](#), 1 Mar. 2023.

Figure 21. CA Fastigheter key financial data, 2018–2022

SEKm	FY	FY	FY	FY	FY
Period-end	31 Dec. 2018	31 Dec. 2019	31 Dec. 2020	31 Dec. 2021	31 Dec. 2022
Accounting standard	Swedish GAAP	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Rental income	587	620	664	704	770
Other income	344	47	123	849	410
Total costs from operations	-522	-275	-349	-986	-583
Net operating income	409	392	437	567	598
Administrative expenses	-70	-76	-73	-85	-93
Administrative expenses, project portfolio	–	–	–	–	–
EBITDA	339	316	364	482	505
Share of profit in associated companies and joint ventures	6	-39	2	3	3
Interest expenses	-172	-129	-133	-138	-150
Interest income	21	23	22	26	25
Interest expenses, shareholder loans	–	–	–	–	–
Financial costs from leasing	–	-3	-3	-3	-4
Other financial costs	0	21	-9	53	33
Changes in investment property	–	222	420	1,107	-345
Gain (loss) on financial assets held at fair value	–	67	5	43	-68
Disposals of investment properties	265	74	-14	6	2
Gain (loss) on derivatives	–	17	-5	122	363
Depreciation and amortisation	-101	–	–	–	–
Restructuring activities	–	–	–	–	–
Income (expense) on discontinued operations	–	–	–	–	–
Pre-tax profit	358	569	648	1,701	364
Current taxes	-3	-15	-11	-18	-20
Deferred taxes	-45	-26	-26	-311	-31
Net profit	310	528	611	1,372	314
BALANCE SHEET					
Investment property	5,182	12,249	12,729	14,460	14,884
Other non-current assets	799	759	724	787	676
Total non-current assets	5,981	13,008	13,453	15,248	15,560
Cash and cash equivalents	78	78	94	559	400
Other current assets	1,765	1,637	1,784	1,887	2,249
Total current assets	1,843	1,715	1,878	2,446	2,649
Total assets	7,824	14,724	15,331	17,694	18,209
Total equity	3,168	7,378	7,835	9,237	9,739
Non-current borrowings	4,302	5,169	5,329	5,964	6,049
Non-current borrowings, shareholder loans	–	–	–	–	–
Deferred tax liabilities	–	1,202	1,217	1,527	1,598
Other non-current liabilities	–	550	541	460	361
Total non-current liabilities	4,302	6,921	7,087	7,951	8,009
Total current liabilities	355	425	409	506	461
Total equity and liabilities	7,824	14,724	15,331	17,694	18,209
CASH FLOW STATEMENT					
Pre-tax profit	358	569	648	1,701	364
... of which changes in investment property	–	222	420	1,107	-345
Depreciation and amortisation	101	–	–	–	–
Tax paid	-3	-2	-5	-19	-25
Adjustment for items not in cash flow	-277	-338	-393	-1,278	38
Cash flow from operating activities before changes in working capital	179	228	250	404	377
Changes in working capital	168	54	-163	32	-14
Cash flow from operating activities	347	282	87	436	363
Cash flow from investment activities	453	-1,189	-190	-585	-535
Cash flow from financing activities	-809	904	121	613	10
Cash and cash equivalents at beginning of period	86	78	78	94	559
Cash flow for period	-8	-0	16	465	-159
Cash and cash equivalents at end of period	78	78	94	559	400

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

Figure 22. CA Fastigheter rating scorecard

Subfactors	Impact	Score
Operating environment	20.0%	bbb
Market position, size and diversification	12.5%	bbb-
Portfolio assessment	12.5%	bbb-
Operating efficiency	5.0%	bbb-
Business risk assessment	50.0%	bbb-
Ratio analysis		bbb-
Risk appetite		bb
Financial risk assessment	50.0%	bb+
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		N4

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