

## Catena AB (publ)

Full Rating Report

### LONG-TERM RATING

**BBB-**

### OUTLOOK

**Positive**

### SHORT-TERM RATING

**N4**

### PRIMARY ANALYST

Ylva Forsberg  
+46768806742  
ylva.forsberg@nordiccreditrating.com

### SECONDARY CONTACTS

Yun Zhou  
+46732324378  
yun.zhou@nordiccreditrating.com

Sean Cotten  
+46735600337  
sean.cotten@nordiccreditrating.com

### RATING RATIONALE

Our 'BBB-' long-term issuer rating on Sweden-based logistics property manager Catena AB (publ) reflects the company's strong position as one of the country's largest logistics property managers, its long remaining lease terms, and its high occupancy rate. It also reflects the benefits to the logistics sector of the growth in e-commerce, as well as Catena's solid profitability, improved financial leverage and strong interest coverage.

These strengths are offset by a significant development portfolio, combined with a growth strategy that includes acquisitions. We also view Catena's short debt maturity profile, with significant maturities concentrated in single years, as a credit weakness that adversely affects our overall opinion of the company's financial position. Furthermore, we view the high tenant concentrations in the portfolio as a weakness, although they are mitigated by a significant proportion of government-backed tenants and tenants with exposure to the non-cyclical grocery business.

### POSITIVE OUTLOOK

The outlook is positive, reflecting our view that if Catena performs in line with our expectations, despite the uncertain market environment and the company's investment ambitions, we could lift our assessment of the financial risk and raise the rating. The outlook also reflects our belief that Catena will continue its focus on attractive logistics properties in prime locations in Sweden and Denmark. Furthermore, we expect the positive long-term trend in e-commerce to continue to benefit the logistics subsector, and that Catena will proactively refinance upcoming debt maturities.

### POTENTIAL POSITIVE RATING DRIVERS

- Proven commitment to a more moderate financial risk profile, keeping net debt/EBITDA close to 8x, net loan to value (LTV) below 45% and interest coverage above 3.5x.
- Increased portfolio size combined with reduced portfolio concentrations.
- Less concentrated debt maturity profile and improved liquidity.

### DRIVERS FOR A STABLE OUTLOOK

- Net LTV above 45% and net debt/EBITDA close to 9x for a protracted period.
- Interest coverage below 3.5x over a protracted period.
- Deteriorating market fundamentals adversely affecting occupancy and/or profitability.

Figure 1. Catena key credit metrics, 2019–2025e

SEKm	2019	2020	2021	2022	2023e	2024e	2025e
Rental income	1,183	1,264	1,387	1,544	1,817	2,014	2,233
NCR-adj. EBITDA	873	970	1,065	1,176	1,384	1,531	1,697
NCR-adj. EBITDA margin (%)	73.5	76.5	76.4	76.2	76.2	76.0	76.0
NCR-adj. investment property	16,601	18,947	23,735	27,494	27,805	30,193	32,767
NCR-adj. net debt	8,984	9,658	10,410	8,890	10,627	12,274	13,994
Total assets	17,770	20,399	25,864	31,206	30,475	32,648	35,046
NCR-adj. net debt/EBITDA (x)	10.3	10.0	9.8	7.6	7.7	8.0	8.2
NCR-adj. EBITDA/net interest (x)	3.7	4.0	4.4	4.9	4.2	4.2	4.1
NCR-adj. net LTV (%)	54.1	51.0	43.9	32.3	38.2	40.7	42.7
NCR-adj. FFO/net debt (%)	6.9	7.1	7.7	10.6	10.1	9.4	9.0

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

**ISSUER PROFILE**

Catena is a Sweden-based property manager, focusing on logistics properties primarily located in the country's largest cities and along connecting railways and highways. Over the past few years, the company has increased its presence in Denmark, and is likely to continue to grow there. As of 31 Mar. 2023, Catena's portfolio comprised 128 properties totalling 2.2m sqm valued at SEK 27.9bn. The company's history goes back to 1967. However, in its current form it was established in 2013, when it acquired the logistics property portfolio of Brinova Fastigheter AB (publ), making it one of the largest owners of logistics properties in Sweden. Catena's ordinary shares have been listed on the main market of the Nasdaq Stockholm exchange since 2006. As of 31 Mar. 2023, the company was 22.5% owned by Swedish businessman Erik Paulsson (via Backahill Inter AB).

**BUSINESS RISK ASSESSMENT**

Our business risk assessment reflects Catena's strong market position as one of the largest logistics property managers in Sweden, its long remaining lease terms, solid profitability margins and high occupancy rate. It also reflects a strong logistics sector supported by increasing e-commerce, but also high tenant concentrations in the portfolio.

**Increases in both demand and supply making sector more varied**

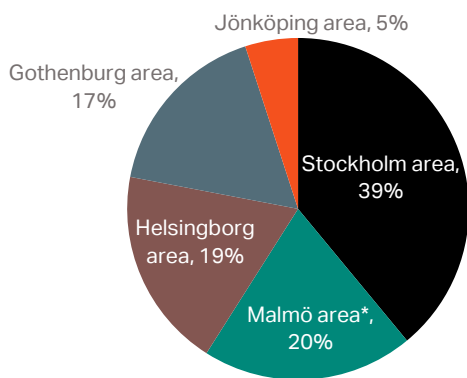
Catena divides its property portfolio into five geographic areas, each with separate management organisations. The management areas include locations outside the eponymous cities. For example, the Stockholm area includes locations such as Borlänge, Eskilstuna, Gävle, Östersund and Umeå, while the Malmö area includes properties in Denmark. In terms of property type, the portfolio has a strong focus on logistics properties, which account for 96% of rental value.

In recent years, the logistics property subsector has benefited substantially from growth in e-commerce. This trend was accelerated by the COVID-19 pandemic; in 2020 Swedish e-commerce grew by 40%, followed by a 7% increase in 2021, according to Postnord AB. We were already expecting slower post-pandemic growth in 2022 before the economic downturn, but not to the extent of the 7% decline in e-commerce volumes seen in 2022. This was, however, largely driven by lower overall consumption as household and company budgets tightened. E-commerce's share of total consumption was virtually unchanged in 2022, at 15% compared with 16% one year earlier. We believe the long-term trend of e-commerce taking an increasing share of total consumption will remain, which should continue to support demand for modern logistics properties of varying locations, types, and sizes.

Business risk assessment 'bbb'

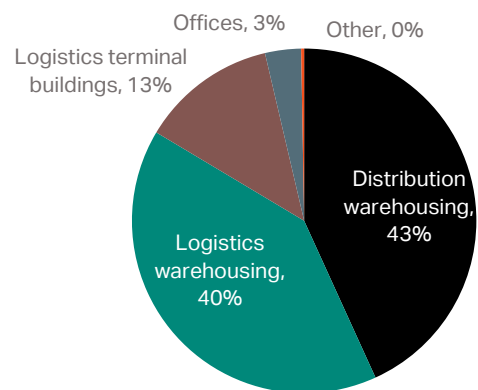
Operating environment 'bbb'

Figure 2. Catena rental value by area, 31 Mar. 2023



Source: company. \*Including Denmark.

Figure 3. Catena rental value by property type, 31 Mar. 2023



Source: company.

Logistics properties in general, and logistics terminal buildings in particular, constitute a vital part of an economy's infrastructure. In our view, the risk associated with terminal buildings, which generate 13% of Catena's rental value, is particularly low, especially since these properties are located in prime locations.

The rapid increase in demand for logistics solutions in recent years has led to a significant development project pipeline in this subsector. The segment is also seeing considerable international interest, both through direct investment and through investment in Swedish property managers such

as Catena. In our view, the high volume of new development is further differentiating between older and less specialised properties, and newer and more modern logistics properties. In addition, attractive land is becoming more scarce due to the importance of location, making well-located landbanks more beneficial to a company's ability to expand its portfolio at lower vacancy risk. In general, the logistics property sector is becoming more varied.

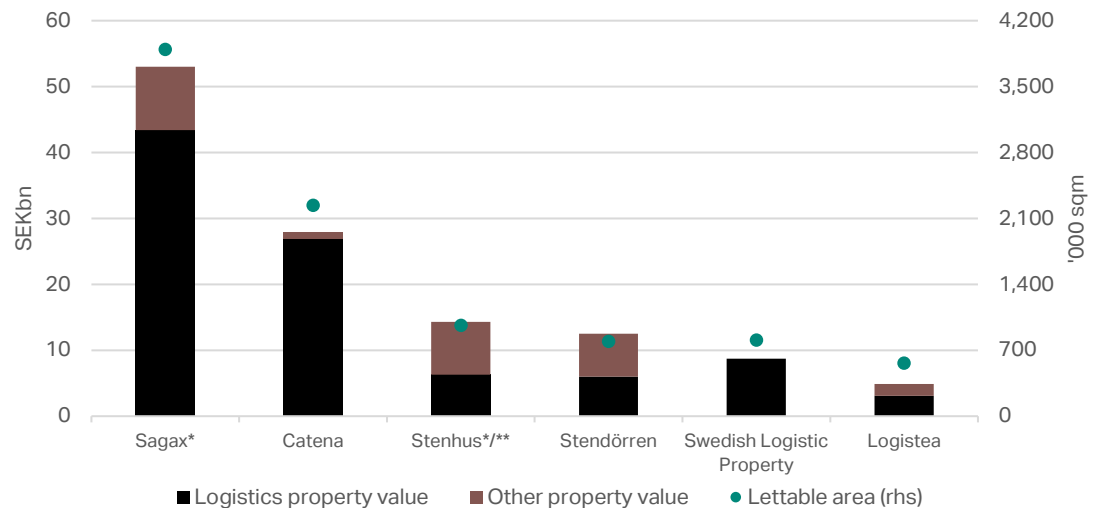
**Market position strong, but tenant concentrations high**

As of 31 Mar. 2023, Catena's property portfolio comprised 128 properties totalling 2.2m sqm valued at SEK 27.9bn. The portfolio, which we consider mid-sized by domestic standards, and the company's clear focus on logistics make it one of the largest logistics property owners in Sweden. We view Catena's market position as strong, as the company has a presence in all major logistics areas in Sweden and, increasingly, in strategic locations in Denmark.

Catena's sharp focus on logistics properties sets it apart from listed peers such as AB Sagax (publ), Corem Property Group AB (publ) and Stendörren Fastigheter AB (publ), which typically have some exposure to other property types. The average lettable area of Catena's properties is around 17,500 sqm, which is roughly three times that of its listed peers, underscoring the company's niche role.

Market position, size and diversification 'bbb'

**Figure 4. Catena peer group breakdown by property value and lettable area, 31 Mar. 2023**



Source: companies. Logistics property values are based on area. \*logistics and industrial properties. \*\*per Q4/2022.

The Swedish logistics sector generally has higher yield levels than other property types in both Sweden and other European countries. However, increasing demand has pushed yields lower in recent years. Sector yields widened in the second half of 2022 and, for many, in the first quarter of 2023 as well. However, we believe the relatively high yields mitigate against steep changes in property values as valuations adapt to a higher risk-free interest rate. In addition, the strong interest from international investors in the segment, as Catena has proven through its equity injections in 2022, ensures yields do not widen too far.

Figure 5. Catena tenant concentration, 31 Mar. 2023

Tenant	Type of tenant	Share of rental income
DHL* (incl. subsidiaries)	TPL (partly-owned by German govt.)	11%
ICA Fastigheter AB	Groceries	8%
Martin & Servera (incl. subsidiaries)	Restaurant wholesale	6%
PostNord (incl. subsidiaries)	TPL (100% owned by Swedish and Danish govt.)	6%
Boozt Fulfilment & Logistics AB	Online retail	3%
Nowaste Logistics AB	TPL	3%
DKI Logistics	TPL	3%
Dagab Inköp & Logistik AB	Groceries	2%
Intervare A/S	Groceries	2%
Menigo Food Service AB	Restaurant wholesale	2%
<b>Top 10 tenants</b>	-	<b>44%</b>

Source: company. TPL—third-party logistics.

The typically large size of Catena's properties, and the fact that roughly half the properties are occupied by a single tenant, leads to relatively high concentrations in revenue streams. The 10 largest tenants together account for 44% of rental income. Although we view tenant concentrations as high, we note that two of the largest tenants are wholly or partly government owned, while most other large tenants operate in stable markets and/or benefit from strong underlying economic trends.

#### Prime locations generate strong rental income

Catena's property portfolio is primarily concentrated in Sweden's largest cities and along connecting railways and highways. In addition, the company is actively increasing its presence in Denmark, along the main routes to the rest of Europe. As of 31 Mar. 2023, Danish properties accounted for 9% of rental value. Furthermore, we consider the company's high occupancy rate (97.5% as of 31 Mar. 2023) as indicative of the strength of the portfolio.

Figure 6. Catena's exposure to top Swedish logistics locations (2023), 31 Mar. 2023

Rank	Location	Score (max 100)	Share of Catena's rental value
1	Greater Gothenburg	93	17%
2	Greater Helsingborg	92	18%
3	Jönköping area	88	6%
5	Stockholm North	85	39%*
8	Greater Malmö	82	11%
11	Stockholm South	72	39%*

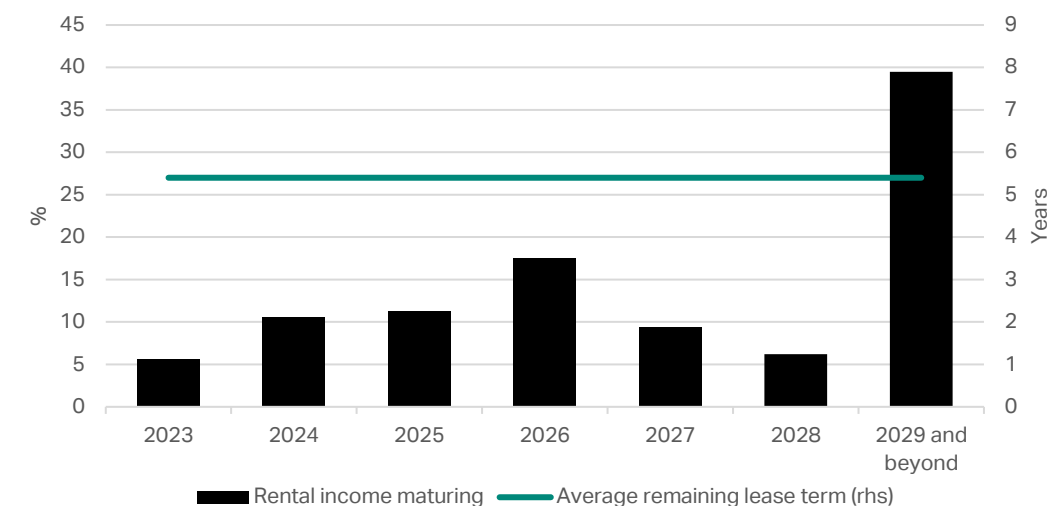
Source: Intelligent Logistik and company. \*Total Stockholm rental value. Note: definition/scope of regions may differ.

Logistics properties have historically been generic buildings lacking in complexity. However, as the segment has grown, so has the demand for more specialised and high-quality properties. We believe that Catena's property portfolio is well suited to this demand, differentiating the company from some logistics peers who mainly operate older and simpler properties. As issues such as energy efficiency, green and wellness certifications, and areas of nature continue to rise in importance for many tenants, we view Catena's efforts in these areas as positive. While we believe that any major shift in the flow of goods or a lack of local logistics skills could create risk in a given geographic area, we note that Catena operates in the main logistics regions (see Figure 6).

As of 31 Mar. 2023, the average remaining lease term in Catena's portfolio was 5.4 years. Contract maturities are well spread, and the risk of significant non-renewals is mitigated by the high number of leases: 452 leases for 285 tenants per 31 Mar. 2023. Furthermore, tenant churn is low, due to the prospect of substantial moving costs and business disruption for tenants that choose to relocate. We view Catena's lease maturity profile as a positive factor in our overall assessment of the company.

Portfolio assessment  
'bbb'

Figure 7. Catena lease maturity profile, 31 Mar. 2023



Source: company.

Over the past three years, Catena has made average annual investments of around SEK 700–1,000m in new construction and refurbishment. As of 31 Mar. 2023, the company had nine projects in progress, totalling 247,080 sqm, one of which has been paused. One more project was added in April, which is due to start later in 2023. Although project development is always accompanied by some project risk, we view Catena's projects as relatively low risk as construction is contracted through turnkey contracts, while construction generally lacks complexity due to the relative simplicity of the properties. Project properties are typically pre-let, although some projects have speculative elements, which increases risk.

Catena has a large landbank of about 5m sqm, of which around 1m sqm is owned by the company. If developed, it could virtually double the lettable area of the property portfolio. The company has started groundwork on parts of this landbank, and we expect the company to continue to focus on growth, through new projects and selective acquisitions. Costs for projects have generally increased, making strong project yields and demand even more important. A slower economy might lead to a lower volume of projects going forward, as Catena tends to grow with tenants (although a portion of the project might be speculative).

Figure 8. Catena large projects in progress, 31 Mar. 2023

Project	Location	Occupancy rate	Lettable area (sqm)	Invested (SEKm)	Total investment (SEKm)	Estimated completion
Planeraren 2	Borlänge	100%	3,570	49	90	Q2/2023
Statorn 31	Norrköping	100%	8,400	67	115	Q3/2023
Sockret 4	Malmö	62%	18,700	123	208	Q1/2024
Stenvreten 8:33	Enköping	100%	5,800	5	124	Q1/2024
Dansered 1:66	Härryda	100%	8,690	25	105	Q2/2024
Hyltena 1:98	Jönköping	100%	86,600	249	813	Q2/2024
Dansered 1:66	Härryda	100%	42,300	221	607	Q3/2024
Norra Varalöv 31:11	Ängelholm	100%	6,900	33	83	Q3/2024
Dansered 1:66	Härryda	(paused)	33,120	102	344	(paused)
Stigamo 1:49	Jönköping	39%	33,000	0	379	Q4/2024*
<b>Total</b>	-	-	<b>247,080</b>	<b>874</b>	<b>2,868</b>	-

Source: company. \*Estimated start in Q3/2023.

**Strong profitability and occupancy**

Property management is carried out through the company's five regional management organisations. Most contracts with tenants are double-net leases, under which maintenance costs are paid by Catena,

Operating efficiency 'a+'

unlike triple-net leases under which the tenant pays. The lease contracts are typically linked to the Swedish consumer price index, reducing the impact of inflation on earnings. For 2023 rent levels, the 2022 October inflation of 10.7% was largely charged onto tenants without significant issues. However, in the event of continued high inflation in autumn 2023, we believe that charging on inflation in full to tenants could be difficult. Nevertheless, the company maintains strong earnings, even with our forecast of a rent increase more in line with historical levels in 2024.

Since 2017, Catena's net operating income (NOI) and EBITDA margins have followed a steady upward trend. We believe there is an upside to our projection of margins, but have forecast stable margins of 79% and 76% for NOI and EBITDA respectively through 2023–2025, due to the uncertainty from persistently high inflation.

Over the past four years, the occupancy rate of Catena's portfolio has averaged 95%. As of 31 Mar. 2023, it stood at 97.5%. We expect occupancy to decline somewhat in the anticipated mild recession of 2023, and to stabilise around 96.5% for 2024–2025.

Figure 9. Catena revenues, net operating income, EBITDA, and margins, 2019–2025e

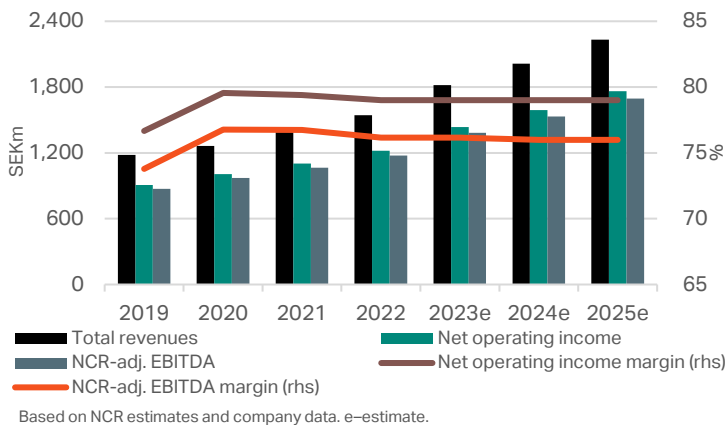
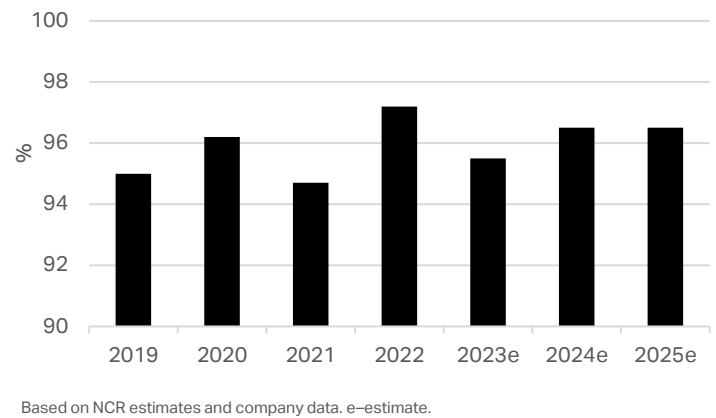


Figure 10. Catena occupancy rate, 2019–2025e



**FINANCIAL RISK ASSESSMENT**

Financial risk assessment 'bbb-'

Our financial risk assessment reflects Catena's improved credit metrics and maintained strong interest coverage as interest rates have increased. It also reflects a high degree of uncertainty as Catena retains a clear growth strategy, which could negatively impact metrics. We consider the financial risk appetite to be commensurate with our assessment of financial ratios. Although the company has a short debt maturity profile, with significant refinancing needs in the coming 12 months, its equity injections and new target metrics are signs of financial strength.

**Improved credit metrics in recent years**

Ratio analysis 'bbb-'

Catena's financial position has strengthened in recent years, with net LTV falling to 44% at year-end 2021 before its first equity injection, from 57% in 2018. Interest coverage has also improved during these years and remains strong despite higher interest rates. Historically, the company's net debt/EBITDA ratio has remained at around 10x, but the company has announced a new target of keeping it below 9x. Through to 2025, we expect leverage metrics to worsen slightly, but remain well below historical levels, and interest coverage to remain stable. Interest coverage is supported by strong earnings and the impact is lessened by an already high average interest rate, at 3.4% in the Q1 report, as well as by interest rate hedging.

We note that the two equity injections in 2022 are tied to commitments on continued growth and investments in existing properties of approximately SEK 2.5bn. Our forecast includes investment volumes beyond those commitments. However, given the weak economy, it might be difficult to start this volume of new projects, since the company prefers to do so in collaboration with tenants. This is unlikely to affect our overall view, as it would lead to lower leverage to counteract the lower projected earnings.

We expect property values to fall further in 2023, as yields continue to widen as a consequence of higher risk-free rates. While the transaction market has been slow in some segments through the latter

half of 2022 and into 2023, there has been more activity in the logistics segment, due partly to significant interest from international investors. Consequently, in our view Catena has revalued its portfolio relatively quickly, and we expect yields to stabilise by the end of this year.

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

- revenue growth of 8% in 2023, 11% in 2024, and 11% in 2025;
- an EBITDA margin of 76% in 2022–2024;
- investments in properties through acquisitions, development and refurbishment of SEK 2.4bn in 2023, SEK 2.4bn in 2024, and SEK 2.6bn in 2025;
- a decrease in property valuations of 7.4% in 2023 on the back of widening yields, 2.5% of which occurred in Q1 2023; and
- no valuation changes in investment properties in 2024–2025, nor in finished projects.

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

- NCR-adjusted net LTV of 38%–43%;
- NCR-adjusted EBITDA/net interest of 4.1x–4.2x; and
- NCR-adjusted net debt/EBITDA of 7.7x–8.2x.

**Figure 11. NCR's adjustments to Catena's credit metrics, 2019–2025e**

SEKm	2019	2020	2021	2022	2023e	2024e	2025e
EBITDA	873	970	1,065	1,176	1,384	1,531	1,697
NCR-adj. EBITDA	873	970	1,065	1,176	1,384	1,531	1,697
Net interest	-226	-233	-232	-214	-317	-356	-407
Financial costs from leases	-10	-10	-10	-10	-10	-10	-10
FX gain reported as interest income	0	0	0	-14	0	0	0
NCR-adj. net interest	-236	-243	-241	-238	-327	-366	-417
NCR-adj. EBITDA	873	970	1,065	1,176	1,384	1,531	1,697
NCR-adj. net interest	-236	-243	-241	-238	-327	-366	-417
Current tax	-22	-39	-27	-16	14	-14	-16
NCR-adj. FFO	616	689	797	922	1,070	1,150	1,264
Investment property	16,271	18,612	23,400	27,219	27,530	29,918	32,492
Non-current right-of-use assets	330	335	335	275	275	275	275
NCR-adj. investment property	16,601	18,947	23,735	27,494	27,805	30,193	32,767
Cash and cash equivalents	131	411	993	2,167	985	770	594
NCR-adj. cash and equivalents	131	411	993	2,167	985	770	594
Gross interest-bearing debt	8,785	9,735	11,068	10,782	11,337	12,769	14,314
Lease liabilities	330	335	335	275	275	275	275
NCR-adj. cash and equivalents	-131	-411	-993	-2,167	-985	-770	-594
NCR-adj. net debt	8,984	9,658	10,410	8,890	10,627	12,274	13,994

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

Figure 12. Catena NCR-adj. investment properties, net debt, and net LTV, 2019–2025e

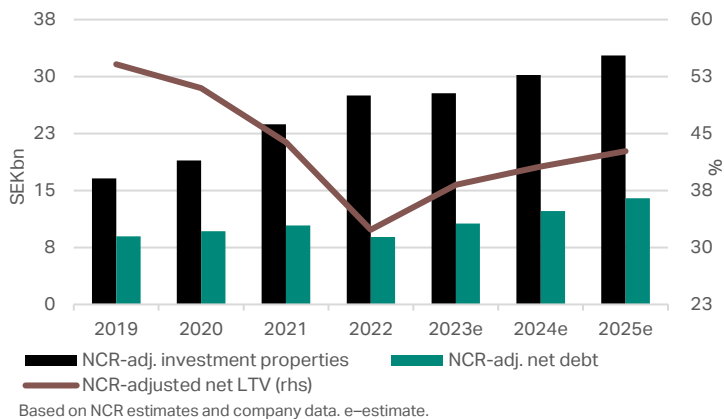
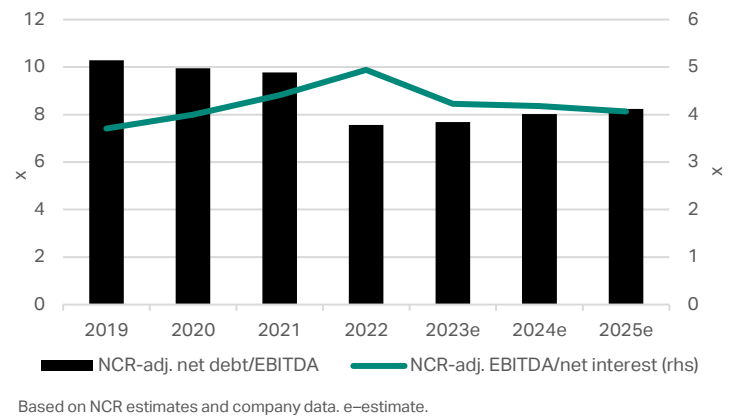


Figure 13. Catena NCR-adj. net debt/EBITDA and EBITDA/net interest, 2019–2025e



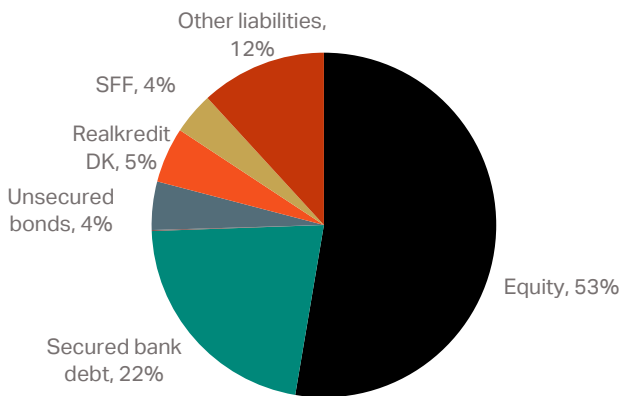
**Short debt maturity profile increases financial risk**

Risk appetite 'bbb-'

We view Catena's financial risk appetite as commensurate with our assessment of the company's financial ratios. The introduction of a new owner in 2022, the subsequent two equity injections and the addition of a new financial target limiting leverage are all indicative of a lower financial risk appetite. The company's debt maturity profile has improved in recent years, with an average debt maturity of 3.6 years, compared with 2.2 years at year-end 2020. This metric is boosted by the very long loans from Realkredit Danmark A/S, with maturities up to 2041, and nearly half of the company's outstanding debt is set to mature within the coming two years.

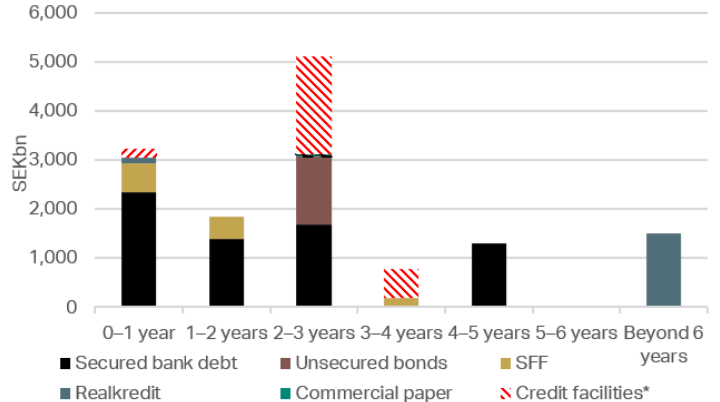
As of 31 Mar. 2023, Catena's average fixed-interest period was 3 years, while the average interest on the company's loans was 3.4%. We believe that short-term market rates could rise somewhat further, both in Sweden and Denmark, but that, compared with some peers, a significant portion of the interest hikes are priced into Catena's average interest cost. Catena's bank debt is spread among different banks, with significant volumes at several banks. In our view, this mitigates some of the refinancing risk, as no single bank needs to refinance major volumes, indicating strong relationships.

Figure 14. Catena funding profile, 31 Mar. 2023



Source: company. SFF–secured bonds through Svensk Fastighetsfinansiering AB.

Figure 15. Catena debt maturity profile, 31 Mar. 2023



Source: company. \*Unutilised credit facilities SFF–secured bonds through Svensk Fastighetsfinansiering AB.

Catena raised two rounds of equity in 2022. First in March, when Belgian property company WDP NV/SA joined as an owner, and again in November, aimed at a broader group of investors. In total, these two rounds raised SEK 3.8bn. In conjunction with the second issue, Catena committed to investments of SEK 1bn in projects, SEK 1bn in acquisitions and SEK 500m in renewable energy investments. Our projections include a significantly larger volume of investments, excluding remaining investments in ongoing projects. While the demonstrated support from owners is positive for our assessment, we note that Catena is clear about its intention to use new capital for growth. At the same time, we expect the company to grow cautiously in this uncertain environment, as indicated by its new debt/EBITDA target of 9x.



Catena's interest-bearing debt is governed by financial covenants and targets (see Figure 16). Historically, the company has maintained sufficient policy and covenant headroom. Catena aims to pay dividends amounting to 50% of profit from property management after standardised tax. The target is similar to those of several of its domestic peers and the company has adhered to it historically.

**Figure 16. Catena financial covenants, policies and reported metrics**

Metric	Common loan covenants	Financial policy/targets	Reported 31 Mar. 2023
Equity ratio	≥25%	≥40%	52.7%
Net LTV	n.a.	≤50%	35.1%
Gross LTV	≤60–75%	n.a.	39.3%
Interest coverage ratio	≥1.5–2.0x	≥2.0x	4.6x
Average debt maturity	n.a.	>2.5 years	3.6 years
Net debt/EBITDA (LTM)	n.a.	<9x	8.1x

Source: company. LTM—last 12 months. n.a.—not applicable.

### 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 Catena's liquidity profile as adequate, even though its expected funding uses exceed sources in the 12 months ending 31 Mar. 2024 by SEK 619m.

We note that the company has a diverse funding structure, as well as strong relationship with its banks. Consequently, we believe that it will be able to refinance maturing loans as well as establish new credit facilities within a year. In addition, Catena has proven access to the capital markets, and can afford to bear the cost of more expensive funding if the need arises.

We estimate the following primary funding sources for the 12 months ending 31 Mar. 2024, totalling SEK 4.5bn:

- SEK 1.1bn in cash and cash equivalents;
- SEK 792m, corresponding to 75% of NCR-adjusted funds from operations; and
- SEK 2.6bn in unutilised credit facilities, maturing beyond 12 months.

We estimate the following uses of funds for the 12 months ending 31 Mar. 2024, totalling 5.2bn:

- SEK 3bn in repayment of borrowings;
- SEK 1.9bn in committed capital spending; and
- SEK 206m in dividends paid in May 2023.

#### Environmental, social and governance factors

ESG factors adequate

Catena's strong environmental, social and governance (ESG) policies are incorporated in our view of the company's overall business risk and competitive position.

As of 31 Mar. 2023, 31% of Catena's lettable area had obtained environmental certification. The company aims to achieve certification of 100% of its total lettable area by 2030, with a minimum level of BREEAM Very Good. While financial markets are increasingly looking for metrics on energy efficiency, to qualify under EU regulation of green classifications, we continue to view certification as a pragmatic way to increase the attractiveness of properties and enable more cost-efficient property management. As of 31 Mar. 2023, 36% of Catena's financing was classified as green, consisting of both green secured and unsecured bonds, as well as bank financing.

In 2021, the company announced a target of net positive biodiversity by 2030. Logistics properties are often located in rural areas and the impact on biodiversity can be substantial. At year-end 2022, 14% of Catena's total land area had been mapped by ecologists. Biodiversity is the focus of increasing

scrutiny, and we believe Catena's efforts to reduce its impact could improve its position in negotiations with municipalities. It could also increase the attractiveness of properties for tenants, both as a risk mitigator against physical climate risks and because of improved aesthetics and employee wellbeing.

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

**Figure 17. Catena ESG considerations**

Issue	Risk	Mitigating efforts	Result
CO <sub>2</sub> emissions	Increased costs due to regulatory and/or taxation changes. Loss of tenants due to incompatibility with their climate targets.	Drive to increase energy efficiency and reduce CO <sub>2</sub> emissions.	Measuring and reporting on scope 1–3 emissions. Absolute emissions vary depending on volume of projects. Established CO <sub>2</sub> budget for projects in 2022 of 230–300 kg/sqm, depending on type.
Impact of climate change on operations	Loss of revenues or increased capital spending.	Evaluation of impact on properties.	Conducted additional assessment of physical risk in 2022. Began working in a more focused manner on risk mitigation and adaptation.
Increased environmental focus on financial markets	Adverse effect on financing possibilities or higher financing costs due to slow transitioning to lower CO <sub>2</sub> dependence.	Property certification. Energy efficiency. Overall sustainability focus and reporting/target-setting under established frameworks.	Energy usage trending down since 2018. 51% of turnover and 76% of capital expenditure compatible with taxonomy*. 97% fossil-free energy in Q1 2023. Reports according to EU taxonomy, TCFD and Global Reporting Initiative standards, targets approved by SBTi.

Source: company. See [ESG factors in corporate ratings](#). \*For properties, compatibility requires energy class A or top 15% of national energy efficiency.

**OWNERSHIP ANALYSIS**

Ownership neutral

Catena's ordinary shares have been listed on the main market of the Nasdaq Stockholm exchange since 2006. The largest owner is Swedish businessman Erik Paulsson (through Backahill Inter AB) with 22.5% of the capital and votes (as of 31 Mar. 2023). Other significant owners include WDP, equity and pension funds and Catena board chairman Gustaf Hermelin. Following a private placement in April 2022, WDP became the second-largest owner, later increasing its holding to 10% of both share capital and votes. In addition, WDP's CEO has joined Catena's board of directors, marking the transaction as a strategic decision for both parties rather than a purely financial one.

Figure 18. Catena ownership structure, 31 Mar. 2023

Owner	Share of capital and votes
Backahill Inter AB	22.5%
WDP NV/SA	10.0%
Länsförsäkringar Funds	4.9%
PGGM Pensioenfonds	4.7%
Cohen & Steers	4.4%
SEB Funds	2.5%
Vanguard	2.5%
BlackRock	2.3%
Fourth AP Fund	2.2%
Gustaf Hermelin	2.1%
<b>Top 10 owners</b>	<b>58.1%</b>
Other	41.9%

Source: company.

### ISSUE RATINGS

We do not assign issue ratings on Catena's outstanding debt. In line with our methodology, we consider a property manager's secured gross LTV as an indicator of risk of loss to unsecured debtholders. At 31 Mar. 2023, Catena's secured gross LTV was 34.2%, and we expect the company to maintain this ratio below our threshold of 40%, supporting recovery prospects for unsecured debtholders.

### METHODOLOGIES USED

- (i) [Corporate Rating Methodology](#), 8 May 2023.
- (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.

**Figure 19. Catena key financial data, 2019–Q1 2023**

SEKm	FY	FY	FY	FY	LTM
Period-end	31 Dec. 2019	31 Dec. 2020	31 Dec. 2021	31 Dec. 2022	31 Mar. 2023
<b>INCOME STATEMENT</b>					
Rental income	1,183	1,264	1,387	1,544	1,614
Other income	5	4	6	–	–
Total costs from operations	-281	-262	-292	-324	-330
<b>Net operating income</b>	<b>907</b>	<b>1,006</b>	<b>1,101</b>	<b>1,220</b>	<b>1,284</b>
Administrative expenses	-34	-35	-37	-44	-48
Administrative expenses, project portfolio	–	–	–	–	–
<b>EBITDA</b>	<b>873</b>	<b>970</b>	<b>1,065</b>	<b>1,176</b>	<b>1,236</b>
Share of profit in associated companies and joint ventures	-12	-4	-3	–	1
Interest expenses	-228	-235	-236	-247	-266
Interest income	2	2	4	33	40
Interest expenses, shareholder loans	–	–	–	–	–
Financial costs from leasing	-10	-10	-10	-10	-9
Other financial costs	–	-5	–	–	–
Changes in investment property	866	1,167	2,340	765	-650
Gain (loss) on financial assets held at fair value	29	38	203	626	380
Disposals of investment properties	–	–	–	100	48
Gain (loss) on derivatives	–	–	–	–	–
Depreciation and amortisation	–	–	–	–	–
Restructuring activities	–	–	–	–	–
Income (expense) on discontinued operations	–	–	–	–	–
<b>Pre-tax profit</b>	<b>1,523</b>	<b>1,924</b>	<b>3,367</b>	<b>2,445</b>	<b>782</b>
Current taxes	-22	-39	-27	-16	–
Deferred taxes	-277	-358	-648	-433	-141
<b>Net profit</b>	<b>1,224</b>	<b>1,527</b>	<b>2,692</b>	<b>1,996</b>	<b>641</b>
<b>BALANCE SHEET</b>					
Investment property	16,271	18,612	23,400	27,219	27,939
Other non-current assets	1,092	1,086	1,159	1,467	1,412
<b>Total non-current assets</b>	<b>17,363</b>	<b>19,699</b>	<b>24,559</b>	<b>28,686</b>	<b>29,351</b>
Cash and cash equivalents	131	411	993	2,167	1,154
Other current assets	276	289	312	353	377
<b>Total current assets</b>	<b>407</b>	<b>700</b>	<b>1,305</b>	<b>2,520</b>	<b>1,531</b>
<b>Total assets</b>	<b>17,770</b>	<b>20,399</b>	<b>25,864</b>	<b>31,206</b>	<b>30,882</b>
<b>Total equity</b>	<b>6,318</b>	<b>7,590</b>	<b>11,255</b>	<b>16,697</b>	<b>16,264</b>
Non-current borrowings	4,785	6,090	9,346	7,806	7,832
Non-current borrowings, shareholder loans	–	–	–	–	–
Deferred tax liabilities	1,537	1,884	2,499	2,796	2,713
Other non-current liabilities	712	679	474	273	273
<b>Total non-current liabilities</b>	<b>7,034</b>	<b>8,654</b>	<b>12,319</b>	<b>10,875</b>	<b>10,818</b>
<b>Total current liabilities</b>	<b>4,418</b>	<b>4,154</b>	<b>2,291</b>	<b>3,634</b>	<b>3,800</b>
<b>Total equity and liabilities</b>	<b>17,770</b>	<b>20,399</b>	<b>25,864</b>	<b>31,206</b>	<b>30,882</b>
<b>CASH FLOW STATEMENT</b>					
Pre-tax profit	1,523	1,924	3,367	2,445	782
... of which changes in investment property	866	1,167	2,340	765	-650
Depreciation and amortisation	–	–	–	–	–
Tax paid	-15	-14	-20	-45	-29
Adjustment for items not in cash flow	-895	-1,197	-2,542	-1,512	198
<b>Cash flow from operating activities before changes in working capital</b>	<b>613</b>	<b>713</b>	<b>805</b>	<b>888</b>	<b>951</b>
Changes in working capital	1	32	6	353	-29
<b>Cash flow from operating activities</b>	<b>614</b>	<b>744</b>	<b>811</b>	<b>1,241</b>	<b>922</b>
<b>Cash flow from investment activities</b>	<b>-826</b>	<b>-1,001</b>	<b>-1,596</b>	<b>-1,953</b>	<b>-2,064</b>
<b>Cash flow from financing activities</b>	<b>61</b>	<b>537</b>	<b>1,366</b>	<b>1,870</b>	<b>1,822</b>
Cash and cash equivalents at beginning of period	281	131	411	993	449
Cash flow for period	-151	280	582	1,174	689
<b>Cash and cash equivalents at end of period</b>	<b>131</b>	<b>411</b>	<b>993</b>	<b>2,167</b>	<b>1,154</b>

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

**Figure 20. Catena rating scorecard**

<b>Subfactors</b>	<b>Impact</b>	<b>Score</b>
Operating environment	20.0%	bbb-
Market position, size and diversification	12.5%	bbb-
Portfolio assessment	12.5%	bbb
Operating efficiency	5.0%	a+
<b>Business risk assessment</b>	<b>50.0%</b>	<b>bbb</b>
Ratio analysis		bbb-
Risk appetite		bbb-
<b>Financial risk assessment</b>	<b>50.0%</b>	<b>bbb-</b>
<b>Indicative credit assessment</b>		<b>bbb-</b>
Liquidity		Adequate
ESG		Adequate
Peer calibration		Neutral
<b>Stand-alone credit assessment</b>		<b>bbb-</b>
Support analysis		Neutral
<b>Issuer rating</b>		<b>BBB-</b>
Outlook		Positive
<b>Short-term rating</b>		<b>N4</b>

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