

Intea Fastigheter AB (publ)

Full Rating Report

LONG-TERM RATING

BBB

OUTLOOK

Stable

SHORT-TERM RATING

N3

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RATING RATIONALE

Our 'BBB' long-term issuer rating on Sweden-based community service property manager Intea Fastigheter AB (publ) (Intea) reflects the company's low-risk portfolio of largely custom-built properties and its generally long contracts with highly creditworthy public-sector authorities in the education, law enforcement and healthcare sectors. The rating also reflects the company's strong operating environment, stable cash flows and healthy profitability. We view the company's solid owners and long fixed-interest periods as credit strengths.

These benefits are offset by Intea's overall financial risk profile, as the company's credit metrics are notably weak in comparison with those of its peers. Furthermore, the rating is constrained by the lack of formal commitments from owners and an increasingly front-loaded debt maturity profile. We view the company's relatively high project exposure, modest size, high portfolio concentrations and restricted geographic scope, with concentration risk in certain municipalities, as negative. However, the significant proportion of government-backed tenants and multiple contracts across different locations is beneficial for operational diversity.

STABLE OUTLOOK

The stable outlook reflects our expectations that Intea's interest coverage ratio and property values will stabilise over our forecasting period. The outlook reflects our expectations that owners will support the company and that Intea will be able to refinance its upcoming debt maturities. We believe the company will maintain its focus on specialised community service properties with long leases and government-backed counterparties. We expect Intea to primarily grow through its project portfolio, in which properties appear to be on schedule for completion, while maintaining its current financial risk profile.

POTENTIAL POSITIVE RATING DRIVERS

- Improved credit metrics, with a net loan-to-value (LTV) ratio below 50% and net interest coverage above 3.5x over an extended period.
- Substantial shareholder commitments, improving the overall financial risk profile.
- Increased portfolio size and diversification, combined with reduced project development.

POTENTIAL NEGATIVE RATING DRIVERS

- Net LTV above 60% and net interest coverage below 2.2x on a sustained basis.
- Increased financial risk appetite or change in ownership.
- A lower proportion of public-sector tenants.

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

SEKm	2019	2020	2021	2022	2023e	2024e	2025e
Rental income	488	549	733	902	1,040	1,294	1,509
NCR-adj. EBITDA	321	383	540	677	790	991	1,161
NCR-adj. EBITDA margin (%)	65.8	69.9	73.7	75.0	75.9	76.6	76.9
NCR-adj. investment property	9,372	10,270	18,024	20,453	20,715	22,678	23,819
NCR-adj. net debt	5,056	5,363	9,960	10,695	11,855	13,275	14,032
Total assets	9,622	10,816	18,539	21,550	21,767	23,710	24,844
NCR-adj. net debt/EBITDA (x)	15.7	14.0	18.4	15.8	15.0	13.4	12.1
NCR-adj. EBITDA/net interest (x)	4.0	3.7	4.4	3.8	2.5	2.7	2.9
NCR-adj. net LTV (%)	53.9	52.2	55.3	52.3	57.2	58.5	58.9
NCR-adj. FFO/net debt (%)	4.7	5.1	4.1	4.6	4.0	4.6	5.3

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

ISSUER PROFILE

Intea is a Sweden-based property manager focused on highly specialised, purpose-built community service properties, primarily in urban centres in southern Sweden. About 95% of the company's rental income comes from agencies of the Swedish government and municipalities. As of 31 Mar. 2023, the property portfolio consisted of 37 properties with a total lettable area of 494,000 sqm, valued at SEK 20.6bn. Intea was founded in 2015 with support from pension foundations associated with, among others, Svenska Handelsbanken AB, SAAB AB and AB Volvo. About 32% of votes in the company remain with the CEO Henrik Lindekrantz and advisor Christian Haglund (formerly Deputy CEO), providing strategic stability.

BUSINESS RISK ASSESSMENT

Business risk
assessment 'a'

Our business risk assessment reflects Intea's strong position in the specialised community service property market, its low-risk property portfolio and strong operating efficiency. It also reflects the company's long-term ownership, high proportion of government-supported tenants, long lease terms and high occupancy rates. The assessment also considers Intea's highly concentrated tenant composition, limited scale and diversity, and the limited scope for alternative use of the company's properties.

Operating environment
'a'

Highly creditworthy tenants and strong market fundamentals support operating environment

Intea operates in the Swedish community service property market, with most of its revenue coming from government-related bodies. The sector has undergone a structural shift in recent years, and about 20% of public-sector tenant properties are now owned by private companies. An increasing number of Swedish municipalities are heavily debt-laden with limited possibilities of increasing tax revenues to meet investment needs, which supports a greater transfer of ownership to private-sector property managers. The appropriateness of private ownership of public infrastructure has been debated throughout 2022 due to surging inflation and lease indexation. This represents a political risk, which we believe to be minor. We expect the operating environment to remain stable.

Intea caters mainly to providers of essential public services. The company seeks to earn at least 90% of its rental income from public-sector tenants, a figure it has continuously surpassed. The market for highly customised premises deters new entrants, as it is clearly imprudent to build such properties on a speculative basis. Limitations on alternative uses constrain substitution and help underpin Intea's position in its operating areas (see Figure 2).

Figure 2. Intea rental income by location, 31 Mar. 2023

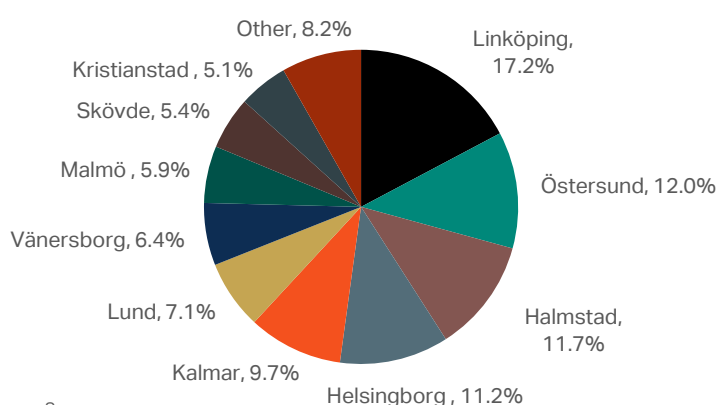
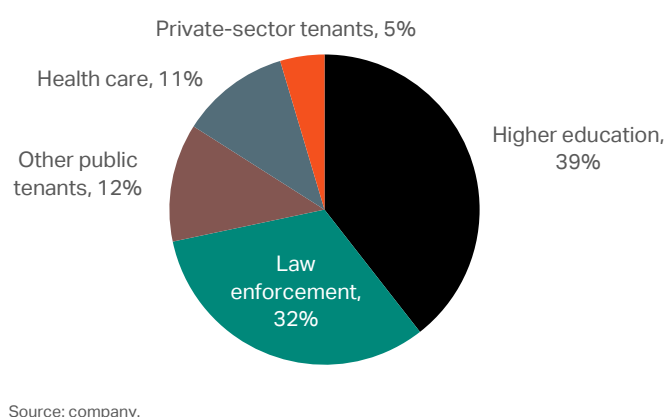


Figure 3. Intea rental income by property type, 31 Mar. 2023



Favourable demographic trends such as increasing numbers of school children and elderly people, and general population growth are increasing the need for critical social infrastructure, which points to structural growth in the sector. Rising demand for higher education and healthcare services, together with community service properties in need of upgrades, are key drivers in the niche areas that Intea serves. The number of citizens above the age of 65 is projected to increase by 35% between year-end 2022 and 2040 in the locations where Intea operates, driving an underlying need for healthcare facilities.

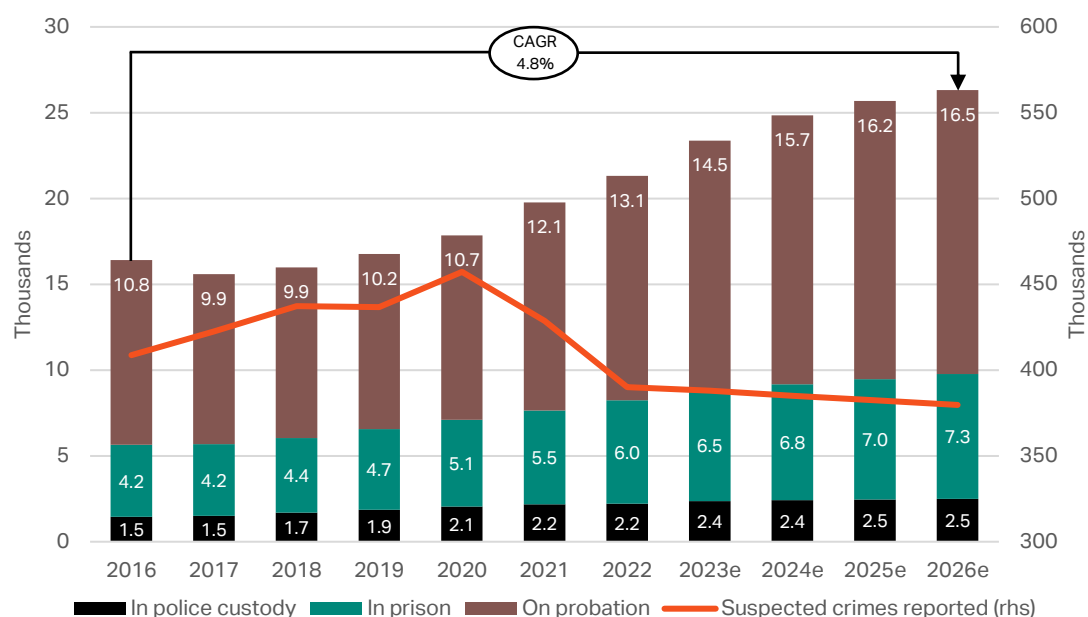
Figure 4. Intea rental value from top 10 municipal exposures, 31 Mar. 2023

Municipality	Share of rental value	Population, 2022	Expected population change among 15–64-year-olds, 2022–2040	Unemployment, Dec 2022
Linköping	17.2%	166,700	9.0%	6.0%
Östersund	12.0%	64,700	2.3%	4.8%
Halmstad	11.7%	105,100	9.7%	7.2%
Helsingborg	11.2%	151,000	10.3%	10.2%
Kalmar	9.7%	72,000	6.7%	6.0%
Lund	7.1%	128,400	8.3%	5.9%
Vänersborg	6.4%	39,900	-2.6%	7.7%
Malmö	5.9%	357,400	13.1%	12.3%
Skövde	5.4%	57,500	7.5%	4.9%
Kristianstad	5.1%	86,700	4.0%	9.5%
Total/Sweden average	91.8%	10,521,600	5.5%	6.6%

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

The need for law enforcement services is also increasing; Swedish prisons are at maximum capacity, while levels of processed crimes and probationary sentences are likely to increase (see Figure 5). The Swedish government, elected in 2022, has intensified its efforts to combat criminality, with proposals for more stringent sentences and increased resources for authorities within law enforcement.

Figure 5. Swedish crime statistics, 2016–2026e



Source: the Swedish Prison and Probation Service. CAGR—Compound annual growth rate. e—estimate.

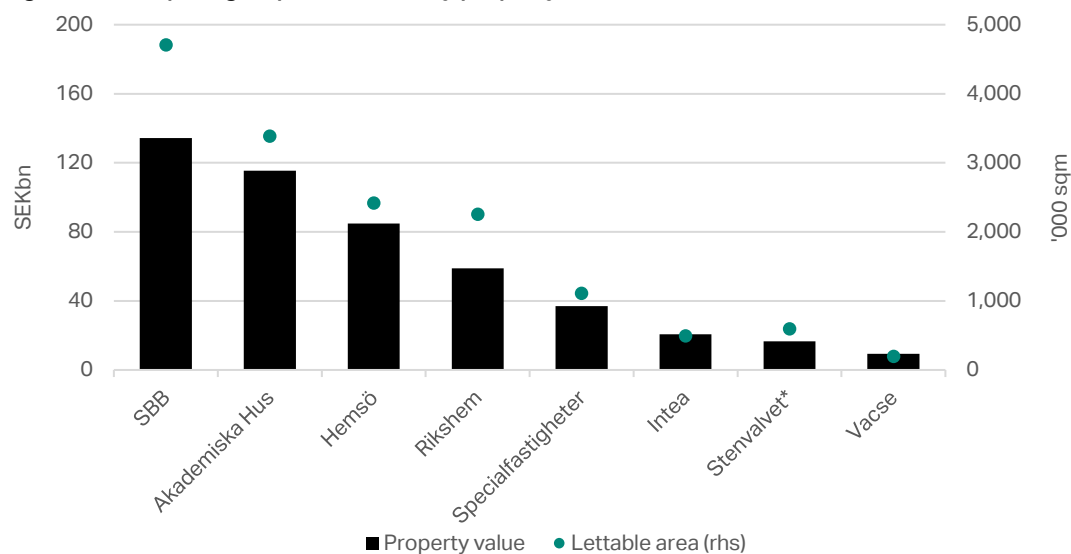
Strong market position constrained by high concentrations

Market position, size and diversification 'bb+'

As of 31 Mar. 2023, Intea's property portfolio covered 15 municipalities and comprised 37 properties valued at SEK 20.6bn, with a combined lettable area of 494,000 sqm. While the property portfolio is small, the company is one of only 10 companies in Sweden that solely manage community service properties. The focus on highly specialised properties with relatively low substitution risk results in a favourable market position.

Favourable demographic trends, along with high demand for newer facilities from government-backed entities, have resulted in the strong development of Intea's project portfolio, which is the company's main source of growth. We expect the company to benefit from its niche position as the preferred partner for new-build properties.

Figure 6. Intea peer group breakdown by property value and lettable area, 31 Mar. 2023



Source: companies. *Full-year 2022 figures.

Because most of Intea's properties are custom-built for specific tenants, we expect greater than average customer loyalty, with contracts likely to be extended on expiry. However, should contracts be terminated, we would expect Intea to incur significant adaption costs for accommodating new tenants. The high degree of specialisation has resulted in a concentrated revenue stream, with the 10 largest tenants and 10 largest properties representing 74% and 78% of rental income, respectively, as of 31 Mar. 2023. Despite the high concentration, we consider that multiple leases in a variety of locations with strong government-backed counterparties offset some concentration risk. We believe the vital social functions provided by tenants and favourable societal trends contribute to low relocation risk.

Figure 7. Intea tenant concentration, 31 Mar. 2023

Tenant	Type of tenant	Share of rental income
The Swedish Police Authority	Law enforcement	16.8%
The Swedish Prison and Probation Service Authority	Law enforcement	9.9%
Linnaeus University	Higher education	9.3%
Halmstad University	Higher education	8.2%
Skåne county	County council	7.1%
Malmö University	Higher education	5.9%
Mid Sweden University	Higher education	5.3%
Kristianstad University	Higher education	5.0%
University of Skövde	Higher education	3.3%
The Swedish Courts Authority	Law enforcement	3.2%
Top 10 tenants	Public	74.0%

Source: company.

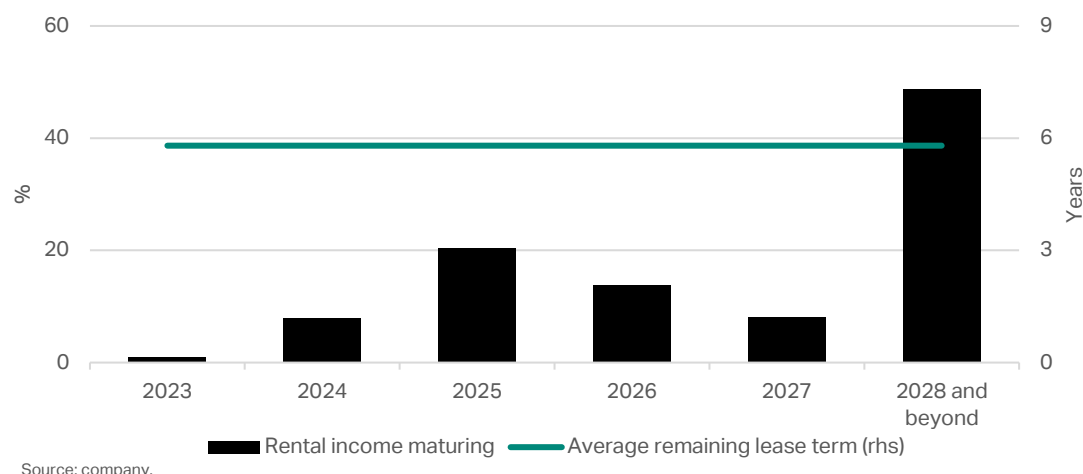
Large share of projects offsets attractive portfolio with long remaining lease terms

Intea's property portfolio is mostly custom-built for specialist, long-term single tenants, which reduces churn. The properties are mostly located in attractive urban centres in southern Sweden. The company's average property size is much larger than its closest peers such as Vacse and Stenvalvet. This is mainly due to the company's large university properties. Its largest single property is Intea Garnisonen in Linköping, a former military facility converted into multiple-use civilian buildings with a combined area of 86,000 sqm.

As of 31 Mar. 2023, Intea had a long average remaining lease term of 5.8 years. Lease maturities are generally well diversified, with only one year in the next five (2025) scheduled to see lease maturities exceeding 15% of rental income (see Figure 7). The company's 10 largest contracts generate about 45% of total rental income. Among these contracts, the average lease maturity is 7.1 years, which reduces vacancy risk. We view the likelihood of tenant churn as low, as most of Intea's properties are purpose-

built and highly specialised, in line with tenant demand, while operational inertia is high among most tenants, making them less likely to relocate. Overall, we assess Intea's lease maturity profile as positive for stability.

Figure 8. Intea lease maturity profile, 31 Mar. 2023



In our view, Intea's project property portfolio carries lower than average development risk, due to the company only engaging in fully pre-let projects with a large proportion of yield-based contracts, often with development carried out in collaboration with tenants. The project portfolio is an integral component for Intea in reaching its target property value of SEK 30bn by 2026. Because of this growth ambition, the company's project portfolio, whether under construction or planned, is large, and would expand Intea's total lettable area by about 34% upon completion. The company's largest project is the Sahlgrenska Life joint venture, comprising multipurpose healthcare facilities in Gothenburg, for which Intea has an option to purchase the remaining 70% of ownership upon completion, which is scheduled for Q1 2027. Project risk is limited and mostly borne by the contractor, resulting in relatively low risk in the development portfolio. Nevertheless, we regard the relatively large scale of the development portfolio as negative in our overall portfolio assessment, as it subjects the company to additional risk.

Figure 9. Intea's large projects in progress, 31 Mar. 2023

Location	Tenant(s)	Main use	Lettable area (sqm)	Estimated completion
Örebro	The Swedish Police Authority and Emergency Services	Command centre	12,262	Q4 2023
Kristianstad	The Swedish Prison and Probation Service Authority	Custody centre	16,398	Q2 2024
Kristianstad	The Swedish Police Authority and Prosecutor's Office	Police station	19,438	Q4 2024
Ånge	The Swedish Police Authority	Prison	14,272	Q1 2025
Gothenburg	Västra Götaland County, Gothenburg University and others*	Health care	49,880	Q1 2027
Total	-	-	112,250	-

Source: company. *Intended tenants.

Slimmer in-house organisation and hydropower assets set to improve margins

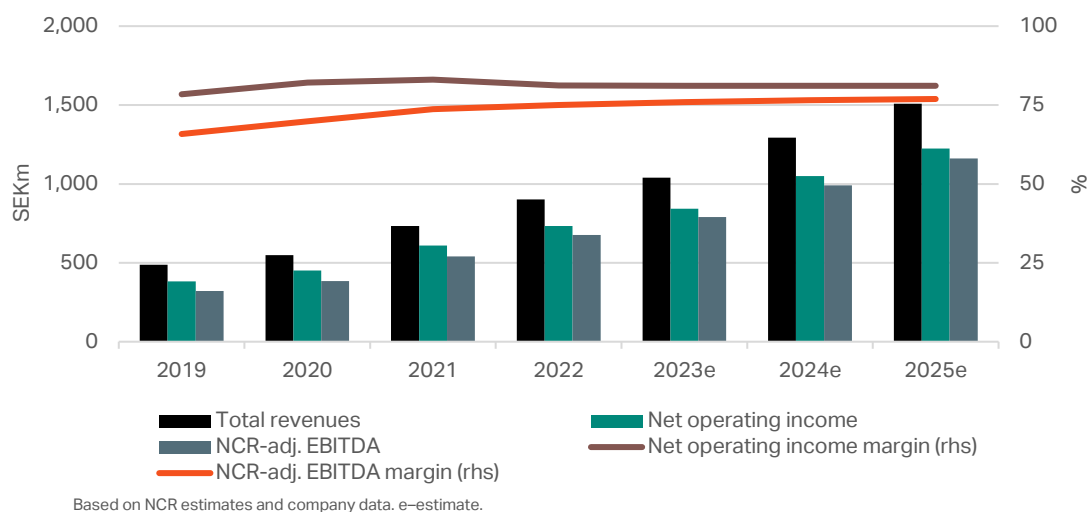
Intea's operating efficiency is characterised by the company's long inflation-linked leases, with some ancillary costs passed onto tenants, close to 100% occupancy rate and good cost control. In the second quarter of 2021, the company terminated its contract with Intea AB and moved administrative operations in-house. This resulted in a reduction in central administrative expenses in 2021 and will continue to have a positive impact on EBITDA margins compared with historical figures. We assess Intea to be less exposed to energy prices than its peers, due to the company becoming a net producer of electricity in the first quarter of 2023, as it acquired a portfolio of hydropower assets.

Operating efficiency 'aa'

The company's net operating income and EBITDA margins have improved steadily since 2017 as the company has increased in scale and acquired properties with high margins on attractive contract terms. Our forecast of Intea's financial ratios assumes a sustainable net operating income margin of 81% and an EBITDA margin of about 76–77% over the forecast period through 2025.

In our view, Intea's rental income streams carry limited downside risk, due to low correlation with the economic cycle. The customised property portfolio with long-term leases contributes to negligible tenant turnover and high, stable occupancy rates. We expect occupancy rates to remain above 98% through our forecast period.

Figure 10. Intea revenues, net operating income, EBITDA, and margins, 2019–2025e



FINANCIAL RISK ASSESSMENT

Financial risk
assessment 'bb+'

Our financial risk assessment reflects Intea's moderately strong interest coverage and moderately high net LTV. The assessment is further constrained by the company's relatively weak debt/EBITDA. We assess Intea's risk appetite to be commensurate with its financial ratios. In our opinion, the company's ownership structure and relatively long fixed-interest arrangement offset the heightened refinancing risk stemming from the company's front-loaded debt maturity profile.

Pressure expected on interest coverage following increased market rates

Ratio analysis 'bb+'

We expect Intea to mainly grow through project development and only make minor acquisitions until economic uncertainty recedes and financing conditions improve. Our forecast sees the company's net LTV increasing in 2023 following our expectations of lower inflation indexation on rental leases than in 2022 and increased yield requirements because of a weak transaction and financing market. However, we believe Intea's property values to be relatively robust, considering the healthy yield gap of its operating assets and large valuation headroom in its project portfolio, which offsets some pressure on net LTV. We expect higher market and swap interest rates to result in weaker interest coverage than has historically been the case.

We have adjusted Intea's historical financial ratios by treating the shareholder loans that Intea converted into class D shares in the second quarter of 2021 as 100% equity, excluding them from net debt. Accordingly, we exclude interest paid on the loans from net interest. Our SEK 172m adjustment to 2021 EBITDA reflects the cost of terminating the agreement with Intea AB and expenses for the preparation of a planned initial public offering (IPO), which has been postponed due to unfavourable market conditions. The SEK 1m adjustment in 2022 is the net impact from the premature termination of a tenant lease agreement and non-recurring advisory expenses. We include Intea's hydropower assets, which we estimate have a value of SEK 137m, in our calculation of the company's NCR-adjusted investment property. We have included financial guarantees for the Sahlgrenska Life joint venture in our calculation of the company's net debt and treated the joint-venture asset as an investment property under construction.

Our base case forecast of Intea's future performance assumes:

- rental income growth of 15% in 2023, 24% in 2024, and 17% in 2025;
- an EBITDA margin of 76% in 2023, and 77% in 2024 and 2025;
- capital spending of SEK 1.2bn in 2023, SEK 1.5bn in 2024 and SEK 1.0bn in 2025;
- acquisition of investment properties and hydropower plants of SEK 250m per year;
- increased market interest rates, resulting in an average interest rate of 2.8% in 2023, 3.0% in 2024 and 2.9% in 2025;
- dividends paid amounting to 50% of the previous year's income from property management per year; and
- property value changes, including projects, of minus 5.8% in 2023, plus 0.8% in 2024 and minus 0.3% in 2025.

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

- NCR-adjusted net LTV of 57–59%;
- NCR-adjusted EBITDA/net interest of 2.5–2.9x; and
- NCR-adjusted net debt/EBITDA of 12–15x.

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

SEKm	2019	2020	2021	2022	2023e	2024e	2025e
EBITDA	321	383	368	675	790	991	1,161
Non-recurring EBITDA adjustments			172	1			
NCR-adj. EBITDA	321	383	540	677	790	991	1,161
Net interest, excluding shareholder loans	-80	-104	-121	-174	-307	-361	-391
Financial costs from leasing			-1	-4	-4	-4	-4
NCR-adj. net interest	-80	-104	-122	-178	-311	-365	-396
NCR-adj. EBITDA	321	383	540	677	790	991	1,161
NCR-adj. net interest	-80	-104	-122	-178	-311	-365	-396
Current tax	-2	-5	-5	-11	-10	-21	-16
NCR-adj. FFO	239	274	413	488	469	605	749
Investment property (incl. Sahlgrenska Life)	9,372	10,270	17,866	20,291	20,441	22,404	23,546
Non-current right-of-use assets			158	137	137	137	137
Fair value of Hydropower assets				25	137	137	137
NCR-adj. investment property	9,372	10,270	18,024	20,453	20,715	22,678	23,819
Cash and cash equivalents	144	395	198	215	170	150	143
NCR-adj. cash and equivalents	144	395	198	215	170	150	143
Gross interest-bearing debt	5,199	5,758	9,814	11,688	11,688	13,088	13,838
Lease liabilities			143	137	137	137	137
Financial guarantees to Sahlgrenska Life			200	200	200	200	200
NCR-adj. cash and equivalents	-144	-395	-198	-215	-170	-150	-143
NCR-adj. net debt	5,056	5,363	9,960	10,695	11,855	13,275	14,032

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

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

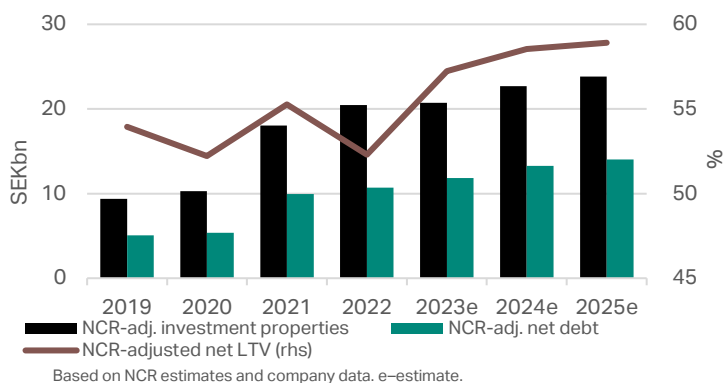
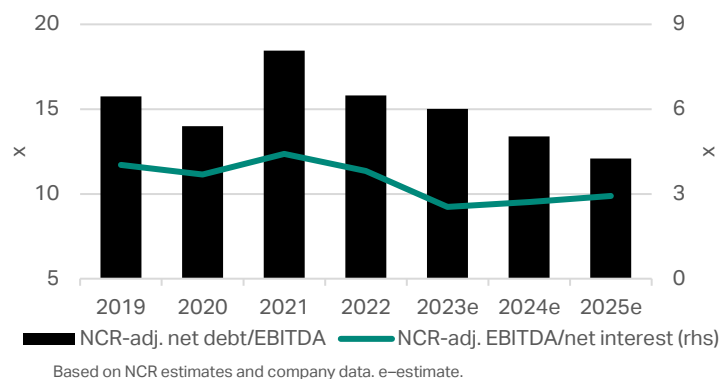


Figure 13. Intea NCR-adj. net debt/EBITDA and EBITDA/net interest, 2019–2025e



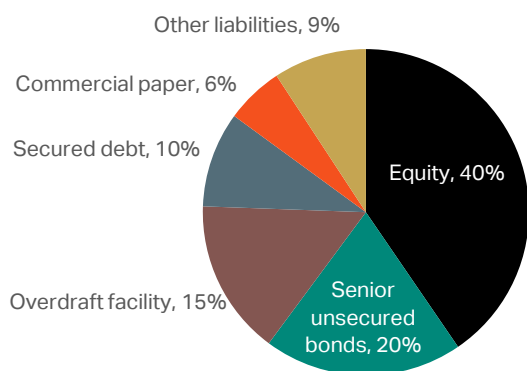
Risk appetite supported by current ownership structure

Risk appetite 'bb+'

We assess Intea's financial risk appetite as commensurate with its financial ratios, which is largely attributable to the company's ownership structure keeping its risk appetite conservative. However, we expect the company to proceed with its IPO plans once financing conditions are deemed favourable, which could slightly alter the ownership structure. Our overall financial risk assessment is supported by Intea's low income volatility and moderately long fixed-interest arrangements.

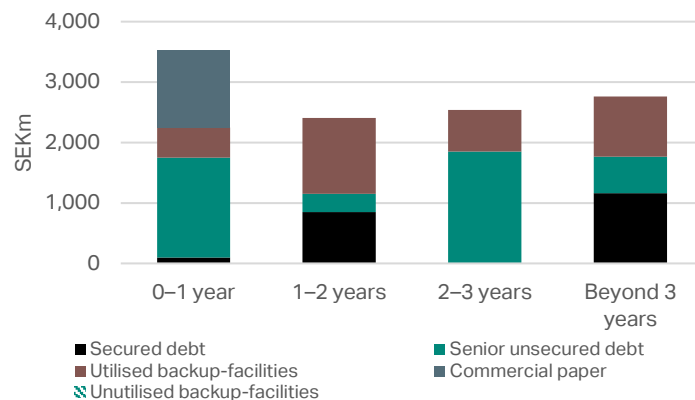
Intea finances its operations through a mix of common equity, secured bank debt, senior unsecured bonds and commercial paper. As of 31 Mar. 2023, the company reported outstanding debt of SEK 11.2bn, including unsecured bonds of SEK 4.4bn, a drawn overdraft facility of SEK 3.4bn, secured debt amounting to SEK 2.1bn and commercial paper of SEK 1.3bn. The company aims to pay dividends amounting to 50% of income from property management.

Figure 14. Intea funding profile, 31 Mar. 2023



Source: company.

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



Source: company.

As of 31 Mar. 2023, the company's average debt maturity was 2.5 years, with 16% of debt due to mature within the next 12 months (see Figure 15). We expect the company's debt maturity profile to become increasingly front-loaded, as refinancing at longer maturities appears unattractive at current rates. We see refinancing risk as limited, as Intea is proactive in refinancing its upcoming maturities. The commercial paper programme, which is a large contributor to the short debt maturity profile, is fully backed by unutilised credit facilities at different maturities. We regard the reliance on short-term financing of long-term assets as increasing interest rate sensitivity and funding mismatches. As of 31 Mar. 2023, Intea's average interest rate was 2.8%, with nominal floating-rate hedges of SEK 7.8bn and an average fixed-interest period of 3.0 years, which we regard as important for stability and limiting sensitivity to potential interest rate hikes. We assess that the valuation of the company's properties, along with current financing conditions for its ongoing projects, increases uncertainty about its future capital structure. However, we believe that yield-based contracts used in projects will improve Intea's long-term earnings capacity beyond our forecast period of the company's financial ratios.

Figure 16. Intea financial covenants, policies and reported metrics

Metric	Common loan covenants	Financial policy/targets	Reported 31 Mar. 2023
Interest coverage ratio	n.a.	≥2.0x	3.5x*
Secured debt/total assets	≤40%	≤30%	24.9%
Net LTV	n.a.	≤60%	52.2%
Debt maturity	n.a.	≥2.0 years	2.5 years
Avg. fixed-interest period	n.a.	≥2.0 years	3.0 years

Source: company. *Last 12 month basis. 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

We view Intea's liquidity profile as neutral, despite uses exceeding funding sources over the 12 months ending 31 Mar. 2024. This is because we expect Intea to refinance its debt maturities successfully, owing to its satisfactory access to the capital markets and good banking relationships. The company has already successfully refinanced some of its debt maturities in the capital markets. We expect the company to seek additional funding for its committed project development portfolio. Our liquidity analysis does not include future acquisitions or uncommitted development projects.

We estimate the following primary funding sources for the 12 months ending 31 Mar. 2024, totalling SEK 3.3bn:

- SEK 179m in cash and cash equivalents, as of 31 Mar. 2023;
- SEK 377m from funds from operations, equalling 75% of the estimated NCR-adjusted funds from operations over the period;
- SEK 1.0bn in borrowings from 31 Mar. 2023; and
- SEK 1.8bn in unutilised backup credit facilities.

We estimate the following uses of funds for the 12 months ending 31 Mar. 2024, totalling SEK 5.6bn:

- SEK 3.9bn in maturing debt and scheduled amortisation;
- SEK 1.6bn in committed capital spending; and
- SEK 29m in dividends paid on D-shares.

Environmental, social and governance factors

ESG factors adequate

Intea's environmental, social and governance (ESG) policies support our view of the company's overall business risk and competitive position. The company is implicitly bound by Swedish government ESG practices, carries out annual internal materiality assessments and engages in dialogue with stakeholders to understand their needs. Intea's closest peers have progressed further in establishing green frameworks and transparency reporting, and we expect Intea to catch up with peers within the next year.

In the first quarter of 2023, the company acquired a portfolio of hydropower assets, as a result of which the group became a net producer of electricity. The company is expected to grow its renewable electricity production on a par with the consumption in its property portfolio, acting as a natural hedge, which we see as beneficial for its market position and cost control.

Intea intends to obtain environmental certification for all of its newly constructed properties and has intensified its sustainability efforts, which we believe could increase the company's share of green funding. On 20 Mar. 2023, the company obtained a green loan from the Nordic Investment Bank (NIB) to build a wood-construction command centre in Örebro. The company aims to achieve BREEAM Excellent environmental certification for the project. In our view, certifications increases a property's attractiveness, facilitating renegotiations of contracts and enabling more cost-efficient property management.

The main ESG issues that could impact our overall assessment are factors that could contribute to revenue losses, cost increases, higher capital spending or deteriorating financing terms (see Figure 17).

Figure 17. Intea 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.	Scope 1 and 2 emissions down by 40% in 2022 from 2019 per sqm (CO ₂ equivalents of 6.6 vs 4.0 per sqm). We expect Intea to include more upstream and downstream Scope 3 emissions as data quality and measuring improves.
Impact of climate change on operations	Loss of revenues or increased capital spending	Environmental certification of properties, materiality evaluations, technical solutions, tenant dialogue, and compliance with stakeholders' demands for project properties.	A materiality assessment has concluded that properties in Kristianstad are exposed to rising water levels.
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. Overall sustainability focus throughout operations.	Improved ESG reporting, more comprehensive mapping of emissions and property certifications. Obtained green financing from NIB for one of its projects.

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

OWNERSHIP ANALYSIS

Ownership neutral

We view Intea's broad and diverse ownership structure (see Figure 18) as supportive of the company's overall stability and long-term development. The pension fund owners have strong links with well-known Swedish corporations and banks. We believe that the concentration of votes with CEO Henrik Lindekrantz and advisor (previously deputy CEO) Christian Haglund results in strategic stability. The company has historically operated with substantial shareholder commitments from its pension fund owners, but depleted them in June 2022 to refinance a bond maturity. We regard the exhaustion of the previous commitments as negatively impacting the company's financial risk appetite and believe that the owners will be less likely to provide significant guarantees to the company if it resumes its IPO plans. We note that a change in ownership structure could further impact our view of the company's creditworthiness.

Figure 18. Intea ownership structure, 31 Mar. 2023

Owner	Share of capital	Share of votes
Henrik Lindekrantz	4.0%	14.0%
Christian Haglund	4.0%	14.0%
Svenska Handelsbanken Pension Fund	16.4%	12.8%
Saab Pension Fund	12.4%	9.7%
Volvo Pension Fund	10.8%	8.5%
Federation of Swedish Farmers	10.4%	8.1%
Pensionskassan Svenska Handelsbanken	8.2%	6.4%
The Foundation for Baltic and East European Studies	7.7%	6.0%
PRI Pensionsgaranti	7.3%	5.7%
Riksbankens Jubileumsfond	6.2%	4.9%
Top 10 owners	87.4%	90.1%
Other	12.6%	9.9%

Source: company.

ISSUE RATINGS

As of 31 Mar. 2023, Intea's gross secured LTV was 26%. We expect Intea to keep its gross secured LTV below 40% on a sustained basis as the company primarily finances itself using unsecured debt and has restrictions on the issuance of secured debt in its bond documentation. Because of the low degree of prior ranking debt to unsecured debtholders, we expect meaningful recovery for unsecured lenders in the event of financial distress. Accordingly, the rating on Intea's senior unsecured obligations is commensurate with the 'BBB' issuer rating.

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) [NCR-rated Swedish property managers \(Q4 2022\)](#), 1 Mar. 2023.
- (ii) [Sweden's real-estate sector faces growing challenges](#), 13 Dec. 2022.
- (iii) [Nordic Credit Rating's view on corporate hybrid securities](#), 3 Oct. 2019.

Figure 19. Intea 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
INCOME STATEMENT					
Rental income	488	549	733	902	929
Other income	–	–	–	–	–
Total costs from operations	-105	-98	-124	-180	-183
Net operating income	383	450	609	723	746
Administrative expenses	-61	-67	-241	-64	-63
Administrative expenses, project portfolio	–	–	–	–	–
EBITDA	321	383	368	659	682
Share of profit in associated companies and joint ventures	-0	–	–	–	–
Interest expenses	-80	-106	-123	-178	-203
Interest income	0	2	1	5	6
Interest expenses, shareholder loans	-123	-134	-79	–	–
Financial costs from leasing	–	–	-1	-4	-4
Other financial costs	–	–	–	–	–
Changes in investment property	446	453	2,207	143	121
Gain (loss) on financial assets held at fair value	–	–	–	–	–
Disposals of investment properties	–	–	–	–	–
Gain (loss) on derivatives	-33	-43	127	639	238
Depreciation and amortisation	–	–	–	–	–
Restructuring activities	–	–	–	–	–
Income (expense) on discontinued operations	–	–	–	–	–
Pre-tax profit	532	555	2,501	1,280	856
Current taxes	-2	-5	-5	-11	–
Deferred taxes	-131	-138	-527	-364	-278
Net profit	399	412	1,969	906	578
BALANCE SHEET					
Investment property	9,371	10,238	17,797	20,158	20,649
Other non-current assets	2	34	373	988	1,276
Total non-current assets	9,373	10,271	18,170	21,146	21,925
Cash and cash equivalents	144	395	198	215	179
Other current assets	105	149	171	190	230
Total current assets	249	545	369	404	409
Total assets	9,622	10,816	18,539	21,550	22,334
Total equity	1,588	1,945	7,207	8,990	9,034
Non-current borrowings	3,499	3,778	5,424	7,858	7,709
Non-current borrowings, shareholder loans	2,235	2,235	–	–	–
Deferred tax liabilities	295	439	971	1,335	1,362
Other non-current liabilities	63	99	152	128	126
Total non-current liabilities	6,093	6,551	6,547	9,321	9,198
Total current liabilities	1,941	2,320	4,786	3,239	4,103
Total equity and liabilities	9,622	10,816	18,539	21,550	22,334
CASH FLOW STATEMENT					
Pre-tax profit	532	555	2,501	1,280	856
... of which changes in investment property	446	453	2,207	143	121
Depreciation and amortisation	1	1	6	10	10
Tax paid	8	19	-7	-7	-5
Adjustment for items not in cash flow	-412	-410	-2,169	-783	-358
Cash flow from operating activities before changes in working capital	129	165	330	501	502
Changes in working capital	-13	12	-57	89	129
Cash flow from operating activities	116	177	273	590	631
Cash flow from investment activities	-1,944	-434	-5,412	-1,803	-2,317
Cash flow from financing activities	1,839	509	4,941	1,230	1,665
Cash and cash equivalents at beginning of period	134	144	395	198	199
Cash flow for period	10	252	-198	17	-20
Cash and cash equivalents at end of period	144	395	198	215	179

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

Figure 20. Intea rating scorecard

Subfactors	Impact	Score
Operating environment	20.0%	a
Market position, size and diversification	12.5%	bb+
Portfolio assessment	12.5%	a-
Operating efficiency	5.0%	aa-
Business risk assessment	50.0%	a-
Ratio analysis		bb+
Risk appetite		bb+
Financial risk assessment	50.0%	bb+
Indicative credit assessment		bbb
Liquidity		Adequate
ESG		Adequate
Peer calibration		Neutral
Stand-alone credit assessment		bbb
Support analysis		Neutral
Issuer rating		BBB
Outlook		Stable
Short-term rating		N3

Figure 21. Capital structure ratings

Seniority	Rating
Senior unsecured	BBB

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