

# LSTH Svenska Handelsfastigheter 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 commercial property manager LSTH Svenska Handelsfastigheter AB (publ) reflects the company's large proportion of non-cyclical tenants, diverse property portfolio, long remaining average lease terms, high occupancy levels, and low refinancing risk. The rating also reflects the stable operating environment and the company's relatively strong cash flow generation. We take a positive view of increased shareholder commitments from the company's owners, which we regard as strong, and their more pronounced management role through increased board participation. The rating is further supported by the company's commitment to a more conservative financial risk profile.

The rating is constrained by Svenska Handelsfastigheter's relatively high, but stable, leverage as we expect the value of the company's properties to be more resilient than those of its peers due to its relatively low sensitivity to changes in yield requirements and the comparatively healthy yield gap of its assets. The rating is further constrained by the relatively small size of the company's portfolio, which includes a high proportion of customised properties outside city centres. Although these properties encourage tenant loyalty, they have a higher risk of lengthy vacancies if contracts are not renewed.

## STABLE OUTLOOK

The outlook is stable, reflecting our expectation that Svenska Handelsfastigheter will maintain its financial risk profile thanks to strong shareholder commitments. In our assessment, the company is well equipped to meet upcoming debt maturities and remain resilient to higher market interest rates. The outlook incorporates our expectation that Svenska Handelsfastigheter will continue to pursue a higher proportion of less cyclical tenants. In addition, it reflects the portfolio's resilience to the negative effects of e-commerce and the declining discretionary purchasing power of consumers.

## POTENTIAL POSITIVE RATING DRIVERS

- Improved credit metrics, with net loan-to-value (LTV) below 40% and net debt/EBITDA below 9x over a protracted period.
- An increased proportion of non-cyclical tenants combined with a larger and more diverse portfolio.
- Strengthened long-term ownership.

## POTENTIAL NEGATIVE RATING DRIVERS

- Worsened credit metrics, with net LTV above 55% and EBITDA/net interest below 3.0x over a protracted period.
- A change in ownership structure that negatively affects financial risk.
- A higher proportion of cyclical tenants or deteriorating market fundamentals that negatively impact profitability or occupancy.

Figure 1. Svenska Handelsfastigheter key credit metrics, 2019–2025e

SEKm	2019	2020	2021	2022	2023e	2024e	2025e
Rental income	584	670	897	1,062	1,219	1,496	1,690
NCR-adj. EBITDA	394	453	591	710	840	1,016	1,151
NCR-adj. EBITDA margin (%)	67.5	67.6	65.9	66.8	68.9	67.9	68.1
NCR-adj. investment property	8,597	10,565	14,228	15,460	17,249	19,171	21,093
NCR-adj. net debt	6,919	5,140	7,640	8,061	8,303	9,562	10,772
Total assets	8,747	10,867	15,123	16,318	17,987	19,900	21,822
NCR-adj. net debt/EBITDA (x)	17.6	11.3	12.9	11.4	9.9	9.4	9.4
NCR-adj. EBITDA/net interest (x)	1.7	2.4	3.8	3.9	3.4	3.1	2.9
NCR-adj. net LTV (%)	80.5	48.7	53.7	52.1	48.1	49.9	51.1
NCR-adj. FFO/net debt (%)	2.0	4.9	5.4	6.0	7.0	6.9	6.6

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

**ISSUER PROFILE**

Svenska Handelsfastigheter is a commercial property manager specialising in retail properties with a high proportion of non-cyclical tenants. The company targets grocery-anchored big-box retail properties in suburban locations. Svenska Handelsfastigheter has grown rapidly through new-builds and acquisitions. The company's portfolio comprises 290 properties in Sweden valued at SEK 15.8bn, with a lettable area of 851,000 sqm as of mid-2023. The company was set up in 2015 by founders Lennart Sten, Thomas Holm and Johan Röhss with the support of three large pension funds: Kåpan Tjänstepensionsförening (Kåpan); the Fourth AP-fund (AP4); and Länsförsäkringar Liv Försäkringsaktiebolag (publ) (Länsförsäkringar). The founding partners and pension funds remain the largest owners.

**BUSINESS RISK ASSESSMENT**

Business risk assessment 'bbb-'

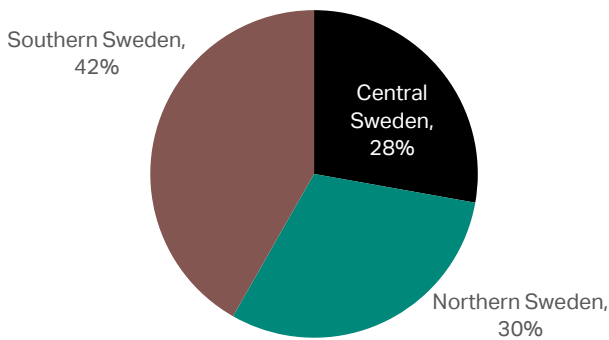
Our business risk assessment reflects Svenska Handelsfastigheter's high proportion of non-cyclical tenants and resilience to the rapid growth of e-commerce. It also reflects the company's strong operating margins and high occupancy rates. The satisfactory geographic diversity of the portfolio is offset by the company's limited presence in each location, highly concentrated tenant composition, and limited prospects for alternative use of properties.

**Grocery-anchored tenants likely to remain strong despite challenging economic headwinds**

Operating environment 'bbb-'

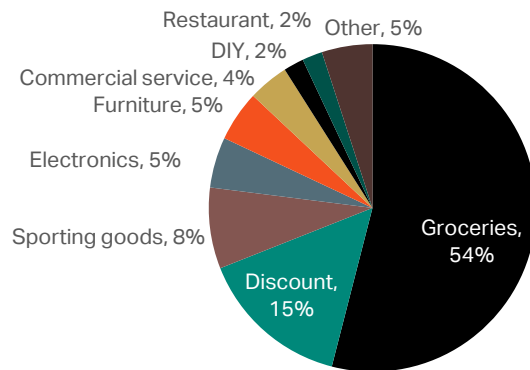
About two-thirds of Svenska Handelsfastigheter's rental revenue is generated from grocery and discount retailers (see Figure 3) mostly located in big-box properties outside city centres. In our view, anchor grocery retailers are non-cyclical, have high customer footfall and encourage traffic to adjacent tenants with greater exposure to discretionary consumer spending such as discount, electronic, furniture, and DIY stores. In our view, rising inflation and interest rates are likely to erode consumers' purchasing power, potentially resulting in reduced discretionary spending by households, with a negative impact on demand for non-essential retail goods.

Figure 2. Svenska Handelsfastigheter rental value by management area, 31 May 2023



Source: company.

Figure 3. Svenska Handelsfastigheter rental value by property type, 31 May 2023



Source: company.

The Swedish retail sector has experienced significant turbulence due to the recent economic downturn and the growth of online retail channels, which has resulted in reduced spending and traffic to physical retail locations. Even though e-commerce experienced negative growth in 2022, it is nonetheless at higher levels than before the COVID-19 pandemic and we anticipate growing competition from online channels, which could have an adverse impact on the outlook for the physical retail sector. Amid these challenges, while total sales volumes have decreased, many discount stores have experienced higher growth than previously due to changed consumer behaviour. We expect discount stores to remain a growing segment as consumers become increasingly price-conscious and selective in their spending habits. Rising interest rates have negatively affected property values as financing has become more expensive, and we expect this challenge to remain throughout 2023. However, we expect Svenska Handelsfastigheter's properties to remain more resilient than those of its peers due to their relatively low sensitivity to changes in yield requirements and the healthy yield gap of its assets.

Svenska Handelsfastigheter's portfolio spans 145 Swedish municipalities, with its largest management area (Southern Sweden) representing about 42% of rental value (see Figure 2). The largest municipalities of operation have projected population growth above the national average, which we see as positive for stability of demand for grocery-anchored retail facilities.

Figure 4. Svenska Handelsfastigheter rental value from top 10 municipal exposures, 31 May. 2023

Municipality	Share of rental value	Population, 2022	Expected population change among 15–64-year-olds, 2022–2040	Unemployment, 2022
Uppsala	7.0%	242,140	13.6%	6.3%
Södertälje	4.4%	102,426	8.5%	10.9%
Kristianstad	4.2%	86,738	4.0%	9.5%
Umeå	4.1%	132,235	10.3%	4.2%
Linköping	3.8%	166,673	9.0%	6.0%
Katrineholm	3.7%	34,604	2.1%	9.0%
Luleå	3.3%	79,244	-0.5%	5.0%
Kungsbacka	3.3%	85,801	5.7%	2.6%
Norrköping	3.0%	145,120	6.4%	9.3%
Kalmar	2.7%	72,018	6.7%	6.0%
<b>Total/Sweden average</b>	<b>39.6%</b>	<b>10,521,556</b>	<b>5.5%</b>	<b>6.6%</b>

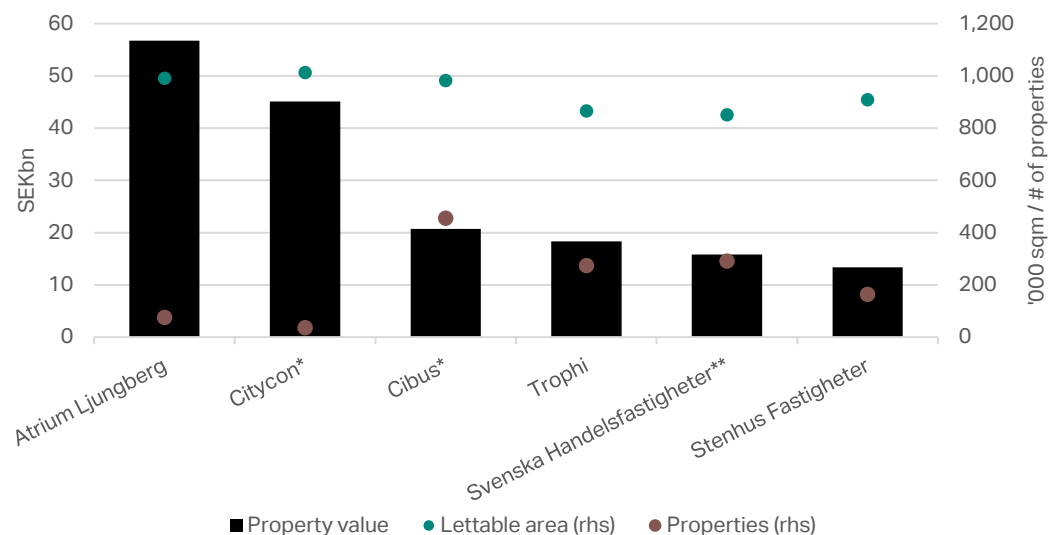
Source: company, Statistics Sweden and the Swedish Public Employment Service (Arbetsförmedlingen).

#### Geographic diversity constrained by high tenant concentration

Svenska Handelsfastigheter's geographically diverse portfolio, consisting of 290 properties with a combined lettable area of 851,000 sqm (as of mid-2023), results in a relatively small presence in each location. The company's comparatively small portfolio (see Figure 5), combined with its geographic footprint, constrains its local market position. However, the portfolio is similar in size to those of its closest peers (Trophis and Cibus) suggesting a significant presence in a less competitive niche.

Market position, size and diversification 'bb'

Figure 5. Svenska Handelsfastigheter peer group breakdown by property value and lettable area, 31 Mar. 2023



Source: companies. \*Exchange rate of EUR/SEK 11.28 on 31 Mar. 2023. \*\*As of mid-2023.

Svenska Handelsfastigheter's grocery-anchored strategy has resulted in material tenant and industry concentration, with the 10 largest tenants accounting for more than 50% of overall rental value. However, the largest tenants are strong counterparties spread across multiple contracts, properties and locations, which in our view offsets concentration risk. In addition, the company's 10 largest

contracts represent 11% of rental value, split across eight municipalities, while the 10 largest properties, all of which are located in different municipalities, account for 24%.

Figure 6. Svenska Handelsfastigheter tenant concentration, 31 May. 2023

Tenant	Type of tenant	Share of rental income
ICA	Grocery	14.0%
Coop	Grocery	10.0%
Axfood	Grocery	7.5%
City Gross**	Grocery	6.7%
Systembolaget	State alcohol monopoly	4.2%
Rusta	Discount	3.7%
Jula	Discount	3.0%
Eko**	Discount	2.9%
Lager 157	Clothing	2.5%
Jysk	Furniture	2.2%
<b>Top 10 tenants</b>	-	<b>56.8%</b>

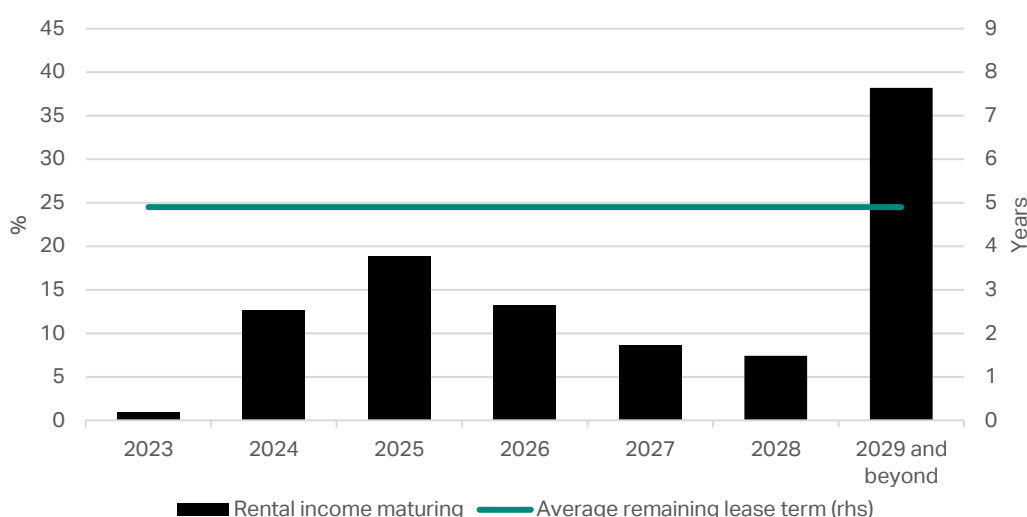
Source: company. \*\*Part of Bergendahls.

**Long contracts and limited project risk offset by locations outside city centres**

Portfolio assessment  
'bb+'

Svenska Handelsfastigheter's portfolio consists largely of big-box properties outside city centres and local grocery stores. We view grocery tenants as stable counterparties due to their non-cyclical operations, with relatively low relocation risk at contract expiry because of their demand for customised premises. However, the suburban location of the company's premises could result in lengthy vacancies if contracts are terminated. We see the company's relatively high yield levels, with exit yield in its valuations of 6.0%, as indicative of greater risk than the wider real estate sector. Yields are about 1pp higher than those of its closest peer (Trophis) and slightly higher than those of Stenhus Fastigheter. We do not consider the fundamentals of these companies' properties to be vastly different. As of mid-2023, Svenska Handelsfastigheter had an average remaining lease term of 4.9 years, and a well-balanced lease maturity structure. We view the company's long contracts as a positive rating factor as they limit vacancy risk.

Figure 7. Svenska Handelsfastigheter lease maturity profile, 31 May. 2023



Source: company.

Projects account for a minor proportion of Svenska Handelsfastigheter's overall operations, and we expect the company to keep construction activity at a reduced level throughout our forecast period through 2025. We see development risk as low as the company's projects are relatively small, non-speculative and carried out in close collaboration with tenants under fixed-price contracts, which effectively mitigates project risk.

**Strong margins and high occupancy**

Operating efficiency 'a'

Svenska Handelsfastigheter's operating efficiency is characterised by a high degree of inflation-linked leases, low vacancy rates, and strong cost control. Most of the company's rental contracts are linked to the Swedish consumer price index, effectively offsetting cost inflation. The company has five administrative offices and expects to manage new properties from them to gain scale and improve cost efficiency. Over our forecast period, we expect Svenska Handelsfastigheter's margins to return to their previous high levels due to a reduction in non-recurring expenses and high numbers of index-linked rental contracts, which increases the estimated net operating income margin. Our forecast of Svenska Handelsfastigheter's financial ratios assumes a net operating income margin of 75% and an EBITDA margin averaging 68%.

As of mid-2023, Svenska Handelsfastigheter's economic occupancy rate was 97.3%. We expect earnings and occupancy to remain stable throughout our forecast period because of the company's long average lease-terms and high proportion of strong, non-cyclical tenants. Short temporary vacancies could arise in the discretionary retail sector depending on how severely the purchasing power of Swedish households is eroded over the next few years, which could negatively affect margins.

Figure 8. Svenska Handelsfastigheter revenues, net operating income, EBITDA, and margins, 2019–2025e

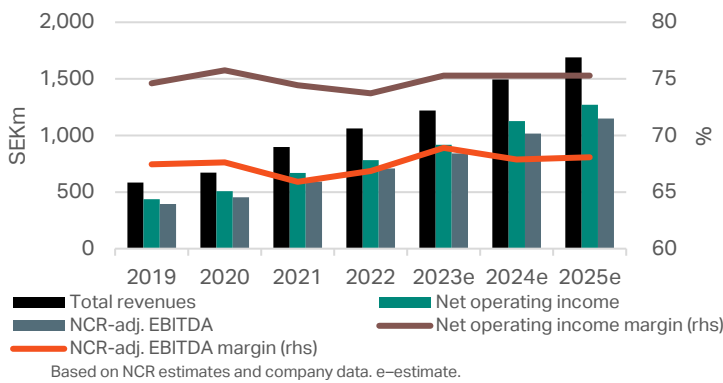
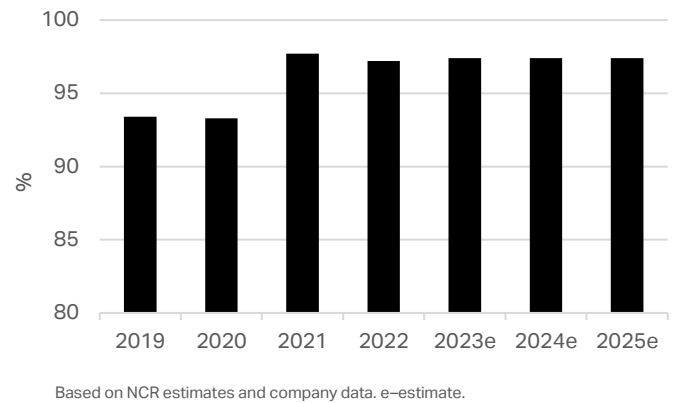


Figure 9. Svenska Handelsfastigheter occupancy rate, 2019–2025e



**FINANCIAL RISK ASSESSMENT**

Financial risk assessment 'bbb'

Our financial risk assessment reflects Svenska Handelsfastigheter's robust property values and comparatively strong cash flow generation and interest coverage, even though the latter is weakening. Negatively, it reflects the company's relatively high financial gearing. We assess Svenska Handelsfastigheter's financial risk appetite as more prudent than the company's financial ratios would warrant due to its supportive ownership structure, commitments to limit financial risk, balanced debt maturity profile with limited refinancing risk, and stable cash flows.

**Interest rate coverage likely to fall despite improved cash flow generation**

Ratio analysis 'bb+'

In our forecast, we expect Svenska Handelsfastigheter to accelerate the pace of acquisitions and to use committed capital from its owners to undertake acquisitions at attractive prices. In addition, higher interest rates are likely to negatively impact the company's interest coverage ratio, which could approach 2.9x. The impact should be partly offset by increased cash flows from lease indexation. The company is committed to maintaining its net LTV below 50% on a lasting basis, however we believe that without additional support from its owners this could prove challenging if property values decline as we project.

Our calculations include right-of-use assets in investment property values, while long-term leasing liabilities are included in net debt before deducting 100% of cash and equivalents. We treat the company's preference shares as 100% equity, which has a positive effect on its credit metrics relative to 2019 when a SEK 2.7bn bond was accredited 100% debt treatment.

Svenska Handelsfastigheter's preference shares have several features that we took into account when determining their 100% equity treatment:

- they are solely owned by three institutional investors (Kåpan, AP4 and Länsförsäkringar). We see the owners as long-term, supportive, and committed to the low risk appetite stipulated in a shareholder agreement;
- they are perpetual and subordinate to all debt;
- their owners have to purchase class A shares in 2024; and
- the ownership structure cannot easily be changed and the shares cannot be traded freely or listed.

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

- rental income growth of 15% in 2023, 23% in 2024, and 13% in 2025;
- an EBITDA margin of 68-69% in 2023–2025;
- net acquisitions of investment properties and development of existing properties amounting to SEK 1.9bn annually in 2023-2025;
- a modest decline in property values reflecting our expectations of moderate increases in valuation yields;
- an equity injection from owners amounting to SEK 1.2bn in 2023, corresponding to renewed shareholder commitments;
- increased market interest rates, resulting in an average interest rate of 3.0% in 2023, 3.6% in 2024, and 3.9% in 2025; and
- no dividend payments over the forecast period.

On the basis of these assumptions, we estimate Svenska Handelsfastigheter's financial metrics for 2023–2025 as follows:

- NCR-adjusted net LTV between 48.1% and 51.1%;
- NCR-adjusted EBITDA/net interest of 2.9x–3.4x; and
- NCR-adjusted net debt/EBITDA of 9.4x–9.9x.

**Figure 10. NCR's adjustments to Svenska Handelsfastigheter's credit metrics, 2019–2025e**

SEKm	2019	2020	2021	2022	2023e	2024e	2025e
EBITDA	394	453	588	700	835	1,016	1,151
NCR-adj. EBITDA	394	453	591	710	840	1,016	1,151
Net interest	-236	-190	-155	-183	-249	-325	-402
Financial costs from leasing	0	0	-1	-1	-1	-1	-1
NCR-adj. net interest	-236	-190	-156	-183	-250	-326	-403
NCR-adj. EBITDA	394	453	591	710	840	1,016	1,151
NCR-adj. net interest	-236	-190	-156	-183	-250	-326	-403
Current tax	-19	-9	-23	-44	-12	-26	-35
NCR-adj. FFO	140	254	412	482	578	663	712
Investment property	8,577	10,545	14,200	15,432	17,221	19,143	21,065
Non-current right-of-use assets	20	20	28	28	28	28	28
NCR-adj. investment property	8,597	10,565	14,228	15,460	17,249	19,171	21,093
Cash and cash equivalents	74	197	741	289	133	125	125
NCR-adj. cash and equivalents	74	197	741	289	133	125	125
Gross interest-bearing debt	6,973	5,317	8,354	8,322	8,409	9,659	10,869
Long-term leasing liabilities	20	20	28	28	28	28	28
NCR-adj. cash and equivalents	-74	-197	-741	-289	-133	-125	-125
NCR-adj. net debt	6,919	5,140	7,640	8,061	8,303	9,562	10,772

Based on NCR estimates and company data.

Figure 11. Svenska Handelsfastigheter NCR-adj. investment properties, net debt, and net LTV, 2019–2025e

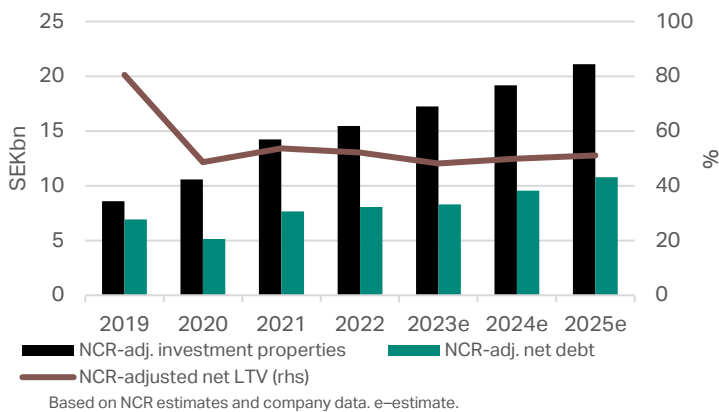
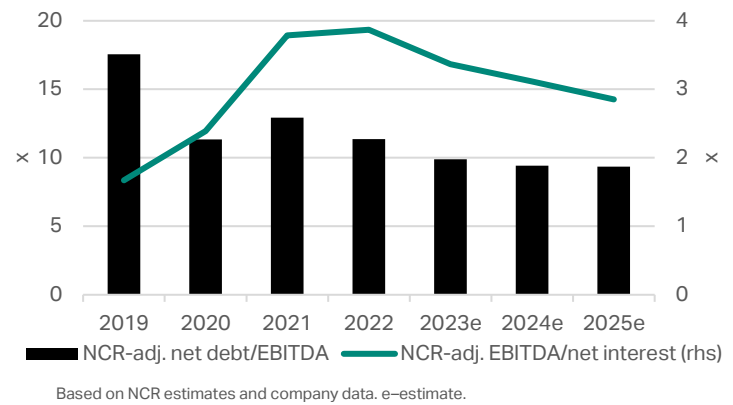


Figure 12. Svenska Handelsfastigheter NCR-adj. net debt/EBITDA and EBITDA/net interest, 2019–2025e



**Strong ownership and funding profile reduce financial risk**

Risk appetite 'bbb'

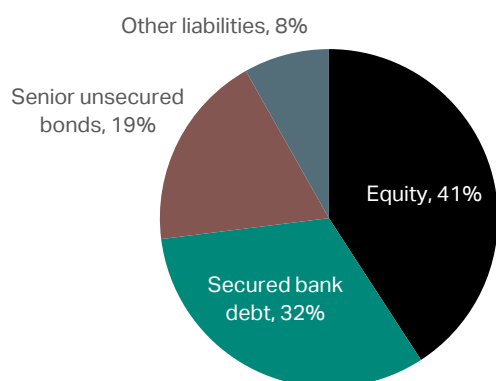
We assess Svenska Handelsfastigheter's financial risk appetite as more prudent than warranted by our financial ratio analysis. We consider the owners as integral to our overall assessment of the company's financial risk profile. We view Svenska Handelsfastigheter's balance sheet composition, balanced debt maturity profile, good standing in the capital markets, and newly signed credit facilities as supportive of our assessment. We also note that the company has satisfactory interest rate fixing arrangements in place, allowing it to adapt its balance sheet to higher interest rates.

We consider the ownership structure as supportive of Svenska Handelsfastigheter's financial risk profile due to the owners' positive role in the company's governance structure. We view their ability to provide relief in times of financial distress as positive in that it opens up the possibility of adjusting the capital structure to accommodate specific needs and to reduce refinancing risk. In early 2023, Svenska Handelsfastigheter entered a new shareholder agreement. We consider the renewed commitment as positive as it harnesses the strength of the company's owners, which through the agreement have taken a more prominent role on the board. The owners have committed to strengthen the balance sheet with SEK 1.2bn in new equity, effectively reducing leverage. In addition, the company has obtained new credit facilities of SEK 1.1bn, improving its financial flexibility and reducing refinancing risk. Shareholders agreed at the most recent annual general meeting to suspend dividends to enable expansion and achieve net LTV below 50%.

Svenska Handelsfastigheter targets a balanced maturity structure, allowing a maximum of 25% of total outstanding debt to mature within a given year. We see this financial target as positive, as it reduces refinancing risk. As of mid-2023, the company's average debt maturity was 2.2 years (see Figure 14). At that time, the company had an average fixed-interest period of about 2.5 years, while the average interest rate on its loans was 3%. In addition, a large proportion of its floating interest rates was hedged.

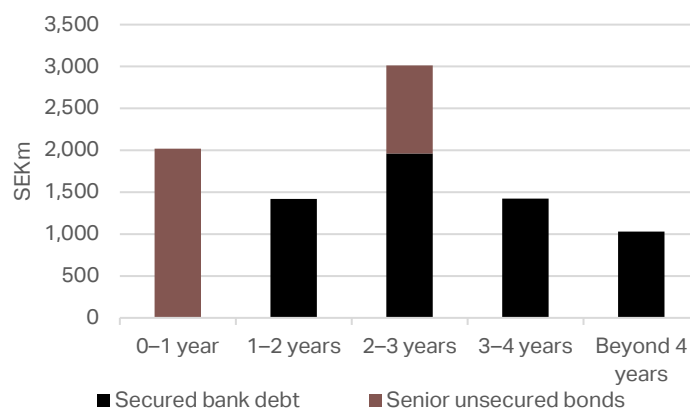


Figure 13. Svenska Handelsfastigheter funding profile, 31 Mar. 2023



Source: company.

Figure 14. Svenska Handelsfastigheter debt maturity profile, 31 Mar. 2023



Source: company.

Svenska Handelsfastigheter's financial risk profile is governed by financial targets and covenants (see Figure 15). In our view, the company has healthy levels of policy and covenant headroom.

Figure 15. Svenska Handelsfastigheter financial covenants, policies and reported metrics

Metric	Financial policy	Financial covenants	Reported 31 Mar. 2023
Interest coverage ratio	n.a.	≥1.5-2.5x	3.6x <sup>4)</sup>
Net LTV	≤50% <sup>1)</sup>	n.a.	52%
Secured debt/total assets	n.a.	≤50%	32%
Debt maturities in any 12-month period	≤25% <sup>2)</sup>	n.a.	24%
Interest rate fixing	≥2.0 years <sup>3)</sup>	n.a.	2.5 years

Source: company. 1) In effect after use of some of the shareholder commitments. 2) Maximum of 70% can mature between one and three years or three and five years while 100% can mature after five years. 3) No more than 40% of fixed interest rates can mature within any given 12-month period. 4) Last 12 months. 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 in which the company cannot access the capital markets or extend bank loans, and therefore has to rely on internal or committed external funding sources to cover its liquidity needs. We typically expect an investment grade company to cover all liquidity needs over the coming 12 months.

We assess Svenska Handelsfastigheter's liquidity position as adequate, supported by net sources/uses of SEK 1.2bn for the 12 months to 31 Mar. 2024. In our view, the company's ownership commitments and credit facilities mitigate near-term liquidity risk. In addition, the company's liquidity profile is further strengthened by its shareholder commitments.

We estimate the following primary funding sources for the 12 months ending 31 Mar. 2024, totalling SEK 3.6bn:

- SEK 327m in cash and cash equivalents;
- SEK 450m from FFO, equalling 75% of estimated NCR-adjusted FFO over the period;
- SEK 678m in proceeds from borrowings;
- SEK 1.2bn in committed capital from the owners; and
- SEK 1bn in unutilised credit facilities.

We estimate the following uses of funds for the 12 months ending 31 Mar. 2024, totalling SEK 2.5bn:

- SEK 2bn in maturing debt; and
- SEK 489m in committed capital spending.



ESG factors adequate

### Environmental, social and governance factors

In our view, Svenska Handelsfastigheter's environmental, social and governance (ESG) efforts and reporting are comparable with those of its closest peers. In 2022, the company obtained a negligible risk score, the lowest possible ESG risk classification, from research and data provider Sustainalytics. Svenska Handelsfastigheter has assessed its entire property portfolio and seeks to improve the energy efficiency of its buildings to ensure it meets the requirements of the EU taxonomy. Thorough climate risk analysis of properties is ongoing. The company aims to reduce its CO<sub>2</sub> emissions by 42% by 2030. Since 2020, it has used only 100% fossil-free electricity. Svenska Handelsfastigheter has a strong focus on solar photovoltaic systems and produces its own electricity to power its facilities. The company works closely with tenants to optimise its environmental footprint and encourages tenants to participate in such efforts. All new construction is certified "Silver" or higher by Swedish environmental agency Miljöbyggnad and we view the company's efforts as positive in terms of the quality of its portfolio and its ability to attract tenants. As of mid-2023, 53% of the portfolio (by value) had obtained certification. In addition, the company's climate related targets were verified and approved by the Science Based Targets Initiative in 2022. In 2023, Lennart Sten stepped down as CEO and was replaced by founding partner Thomas Holm who has been with the company since its foundation.

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.

**Figure 16. Svenska Handelsfastigheter ESG considerations**

Issue	Risk	Mitigating efforts	Result
CO <sub>2</sub> emissions	Increased costs due to regulatory and/or taxation changes	Efforts to increase energy efficiency and reduce CO <sub>2</sub> emissions. Environmental certification of properties.	Produced 859 MWh electricity with solar cells in 2022, reducing CO <sub>2</sub> emissions by 215 tonnes. Reduced emission intensity by 40% per sqm between 2019 and 2022. 53% of the property portfolio was certified at end-2022.
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 stakeholder demands for project properties.	Materiality assessment of properties and locations.
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	Efforts to increase energy efficiency and reduce CO <sub>2</sub> emissions. Overall sustainability focus throughout operations.	Introduced ESG and impact reporting, obtained ESG risk score, environmental certification and green bond framework.

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

### OWNERSHIP ANALYSIS

Ownership neutral

Svenska Handelsfastigheter has two types of share (see Figure 17); class A shares and preference shares. The A shares are held by the founding partners and carry 10 votes apiece, whereas the preference shares are held by AP4, Kåpan and Länsförsäkringar and carry one. A shares cannot represent more than 70% of the total amount of shares in the company, while preference shares can represent up to 100%.

Because the A shares carry most of the voting rights, the founding partners have a voting majority. However, their ability to enforce certain actions is limited by a shareholder agreement. This effectively prevents misconduct and reduces the potential for conflicts of interest. The three pension funds have the right to replace the founders if they have valid grounds. We have factored the benefits of renewed

commitments, reduced ownership uncertainty, and the increased likelihood of further owner support into our assessment of the company's financial risk appetite.

Figure 17. Svenska Handelsfastigheter ownership structure, 31 May, 2023

Owner	Number of class A shares	Number of preference shares	Share of votes	Share of capital
Lennart Sten*	407,930	0	44.6%	23.5%
Thomas Holm*	250,000	0	27.3%	14.4%
Johan Röhss* (through company)	136,876	0	15.2%	8.0%
Elivågor AB	13,834	0	1.5%	0.8%
Utbildningsinstitutet I Sverige AB	6,630	0	0.7%	0.4%
Arja Taaveniku	6,000	0	0.7%	0.3%
Kåpan	0	379,292	4.1%	21.9%
AP4	0	379,292	4.1%	21.9%
Länsförsäkringar	0	151,717	1.7%	8.8%
<b>Total</b>	<b>821,270</b>	<b>910,301</b>	<b>100%</b>	<b>100%</b>

Source: company. \*Founding partners.

### ISSUE RATINGS

We do not assign issue ratings to Svenska Handelsfastigheter's outstanding debt. In line with our methodology, we consider a property manager's secured gross LTV as an indicator of loss given default for unsecured debtholders. At 31 Mar. 2023, Svenska Handelsfastigheter's secured gross LTV was 34%, which is 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) [NCR-rated Swedish property managers \(Q1 2023\)](#), 26 May 2023.
- (ii) [Nordic Credit Rating's view on corporate preferred shares](#), 25 Aug. 2020.

**Figure 18. Svenska Handelsfastigheter 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	584	670	897	1,062	1,103
Other income	–	–	–	–	–
Total costs from operations	-148	-163	-229	-279	-293
<b>Net operating income</b>	<b>436</b>	<b>508</b>	<b>668</b>	<b>783</b>	<b>810</b>
Administrative expenses	-42	-54	-80	-83	-82
Administrative expenses, project portfolio	–	–	–	–	–
<b>EBITDA</b>	<b>394</b>	<b>453</b>	<b>588</b>	<b>700</b>	<b>728</b>
Share of profit in associated companies and joint ventures	–	–	–	–	–
Interest expenses	-240	-190	-155	-183	-202
Interest income	4	0	0	0	0
Interest expenses, shareholder loans	–	–	–	–	–
Financial costs from leasing	–	–	-1	-1	–
Other financial costs	-1	-2	-3	-1	–
Changes in investment property	310	604	871	444	443
Gain (loss) on financial assets held at fair value	–	-19	102	–	–
Disposals of investment properties	–	–	–	–	–
Gain (loss) on derivatives	-22	–	–	448	169
Depreciation and amortisation	–	–	–	–	–
Restructuring activities	–	–	–	–	–
Income (expense) on discontinued operations	–	–	–	–	–
<b>Pre-tax profit</b>	<b>446</b>	<b>846</b>	<b>1,425</b>	<b>1,408</b>	<b>1,138</b>
Current taxes	-19	-9	-23	-44	-47
Deferred taxes	-93	-176	-264	-222	-166
<b>Net profit</b>	<b>334</b>	<b>661</b>	<b>1,138</b>	<b>1,142</b>	<b>926</b>
<b>BALANCE SHEET</b>					
Investment property	8,577	10,545	14,200	15,432	15,460
Other non-current assets	21	20	67	477	419
<b>Total non-current assets</b>	<b>8,597</b>	<b>10,565</b>	<b>14,267</b>	<b>15,909</b>	<b>15,879</b>
Cash and cash equivalents	74	197	741	289	327
Other current assets	76	106	115	120	129
<b>Total current assets</b>	<b>150</b>	<b>302</b>	<b>856</b>	<b>409</b>	<b>456</b>
<b>Total assets</b>	<b>8,747</b>	<b>10,867</b>	<b>15,123</b>	<b>16,318</b>	<b>16,334</b>
<b>Total equity</b>	<b>1,220</b>	<b>4,686</b>	<b>5,603</b>	<b>6,687</b>	<b>6,670</b>
Non-current borrowings	6,619	5,003	8,322	6,674	6,042
Non-current borrowings, shareholder loans	–	–	–	–	–
Deferred tax liabilities	206	382	658	880	884
Other non-current liabilities	100	120	67	29	29
<b>Total non-current liabilities</b>	<b>6,925</b>	<b>5,506</b>	<b>9,046</b>	<b>7,582</b>	<b>6,955</b>
<b>Total current liabilities</b>	<b>602</b>	<b>676</b>	<b>474</b>	<b>2,049</b>	<b>2,710</b>
<b>Total equity and liabilities</b>	<b>8,747</b>	<b>10,867</b>	<b>15,123</b>	<b>16,318</b>	<b>16,334</b>
<b>CASH FLOW STATEMENT</b>					
Pre-tax profit	446	846	1,425	1,408	1,138
... of which changes in investment property	310	604	871	444	443
Depreciation and amortisation	0	0	–	–	0
Tax paid	-2	-1	-47	-27	-24
Adjustment for items not in cash flow	-288	-585	-973	-892	-612
<b>Cash flow from operating activities before changes in working capital</b>	<b>156</b>	<b>260</b>	<b>405</b>	<b>489</b>	<b>503</b>
Changes in working capital	-13	63	58	-75	-30
<b>Cash flow from operating activities</b>	<b>142</b>	<b>324</b>	<b>463</b>	<b>415</b>	<b>473</b>
<b>Cash flow from investment activities</b>	<b>-1,326</b>	<b>-1,346</b>	<b>-1,027</b>	<b>-818</b>	<b>-597</b>
<b>Cash flow from financing activities</b>	<b>1,203</b>	<b>1,145</b>	<b>1,108</b>	<b>-49</b>	<b>-104</b>
Cash and cash equivalents at beginning of period	55	74	197	741	555
Cash flow for period	19	123	544	-452	-228
<b>Cash and cash equivalents at end of period</b>	<b>74</b>	<b>197</b>	<b>741</b>	<b>289</b>	<b>327</b>

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

**Figure 19. Svenska Handelsfastigheter rating scorecard**

<b>Subfactors</b>	<b>Impact</b>	<b>Score</b>
Operating environment	20.0%	bbb-
Market position, size and diversification	12.5%	bb
Portfolio assessment	12.5%	bb+
Operating efficiency	5.0%	a-
<b>Business risk assessment</b>	<b>50.0%</b>	<b>bbb-</b>
Ratio analysis		bb+
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		Stable
<b>Short-term rating</b>		<b>N3</b>

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