Nordic Credit Rating

CORPORATE: REAL ESTATE

Sweden
20 Oct. 2023

Bonnier Fastigheter AB

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

These strengths are partly offset by Bonnier Fastigheter's small and concentrated property portfolio comprising only 18 properties (as of 31 Aug. 2023), with the top 10 tenants accounting for 41% of rental income. The rating also reflects the near-term pressure on margins and rapidly increasing financing costs as a result of more debt from earlier acquisitions and higher interest rates.

STABLE OUTLOOK

The stable outlook reflects our expectations that Bonnier Fastigheter will have weaker financial metrics over our forecast period. However, we believe these metrics will be accompanied by a stronger business risk profile with extensive joint venture (JV) exposures, resulting in a more diversified and less concentrated property portfolio. We also expect the company to postpone some higher-risk projects in the near term, but that it will continue to pursue its growth ambitions once market conditions stabilise.

POTENTIAL POSITIVE RATING DRIVERS

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

POTENTIAL NEGATIVE RATING DRIVERS

- Weakened credit metrics, including net LTV above 50% or net interest coverage below 2.2x over a protracted period.
- Deteriorating market fundamentals, negatively affecting profitability and/or occupancy.

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

SEKm	2019	2020	2021	2022	2023e	2024e	2025e
Total revenue	712	740	675	704	893	979	1,009
NCR-adj. EBITDA	476	497	431	435	522	637	676
NCR-adj. EBITDA margin* (%)	66.9	67.2	63.9	61.8	58.4	65.1	67.0
NCR-adj. investment property	13,717	14,038	15,614	15,922	16,830	16,645	16,965
NCR-adj. net debt	3,447	2,997	3,324	5,305	6,010	5,909	5,825
Total assets	13,972	14,540	16,829	18,392	19,563	19,472	19,859
NCR-adj. net debt/EBITDA (x)	7.2	6.0	7.7	12.2	11.5	9.3	8.6
NCR-adj. EBITDA/net interest (x)	7.2	7.8	9.6	4.3	2.3	2.5	2.6
NCR-adj. net LTV (%)	25.1	21.3	21.3	33.3	35.7	35.5	34.3
NCR-adj. FFO/net debt (%)	11.8	13.9	11.4	6.3	4.5	6.2	6.9

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

ISSUER PROFILE

Bonnier Fastigheter is a Sweden-based property manager primarily focusing on office properties in central Stockholm and Uppsala. The company's history dates back to 1856, and eight of its 18 properties have been in the portfolio since 1990 or earlier. Bonnier Fastigheter is one of three arms of the Bonnier family's corporate holdings, the other two being media conglomerate Bonnier Group AB and investment company AB Boninvest. As of 31 Aug. 2023, the company's property portfolio had a value of SEK 16.2bn (excluding properties held by JVs). Including proportionate JV exposures, the value was SEK 19.5bn. The company aims to expand its portfolio to SEK 25bn by 2025 (including JVs), with residential properties accounting for 20%.

Bonnier Fastigheter's JV investments consist of its shareholdings in Trecore Fastigheter AB (50% ownership), HållBo AB (50%), and Fastighets AB Hemmaplan (83%). Trecore owns and manages retail properties in which major grocery operator ICA is the main tenant. HållBo acquires and owns residential properties developed by JV partner Byggvesta AB. Hemmaplan now holds two investments; 50% of the Rosengård Centrum development in Malmö, acquired in 2021, and 100% of Gottsunda Centrum in Uppsala, acquired in October 2022.

BUSINESS RISK ASSESSMENT

Business risk assessment 'bbb-'

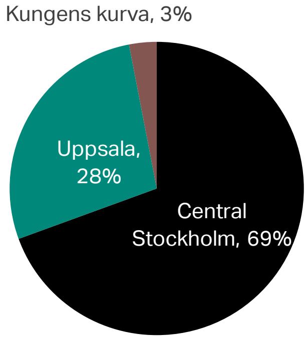
Our business risk assessment reflects Bonnier Fastigheter's high-quality property portfolio and primary focus on office premises in central Stockholm and Uppsala, complemented by other property exposures through JVs. It also reflects the company's long-term ownership and high occupancy, while taking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

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

Operating environment 'bbb-'

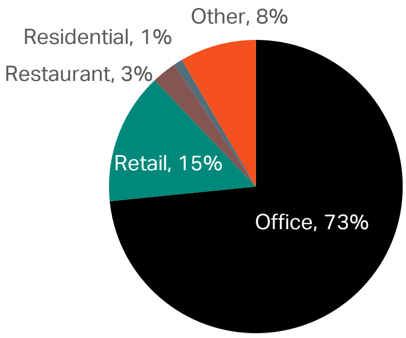
Bonnier Fastigheter owns and manages mainly office premises in central Stockholm and Uppsala. The company's properties are located in three municipalities, all with stronger projected population growth than the Swedish national average (see Figure 4).

Figure 2. Bonnier Fastigheter rental value by area, 31 Aug. 2023



Source: company.

Figure 3. Bonnier Fastigheter rental value by property type, 31 Aug. 2023



Source: company.

The lion's share of Bonnier Fastigheter's revenues come from office properties in central Stockholm; a market that in recent years has benefited from benign economic conditions, coupled with low interest rates and yield compression. In 2022, this market saw an increase in uncertainty due to sharply higher inflation, rapidly rising interest rates and tighter capital markets. We now see both property managers and their tenants facing more challenging economic conditions. Nonetheless, Bonnier Fastigheter's office properties are typically in central locations but outside the Central Business District (CBD), where both rental levels and property values are less volatile than in the CBD, which we deem positive from a credit perspective. Although the future of the office space market has been much debated over the last few years, we believe that physical offices will continue to play an important role.

Bonnier Fastigheter's retail exposure has increased to 15% of the portfolio with the addition of Gottsunda Centrum in Uppsala, as of 31 Aug. 2023. Its other shopping centre holdings are located on

Södermalm in Stockholm and in Kungens Kurva, along with complementary retail premises located in office properties. We generally view retail properties as more cyclical than offices, but the sector has gradually improved since the height of the COVID-19 pandemic. Nevertheless, we expect weakening economic conditions to have a negative impact on demand for non-essential retail goods, while high inflation rates are likely to hurt retailers with little pricing power. In addition, physical retailers face increasing competition from e-commerce.

Figure 4. Bonnier Fastigheter rental value from top 10 municipal exposures, 31 Aug. 2023

Municipality	Share of rental value	Population, 2022	Expected population change among 15–64-year-olds, 2022–2040	Unemployment, 2022
Stockholm	69.4%	984,748	12.4%	6.2%
Uppsala	27.6%	242,140	13.6%	6.3%
Huddinge	3.0%	114,504	9.6%	7.0%
Total/Sweden average	**-**	**-**	**5.5%**	**6.6%**

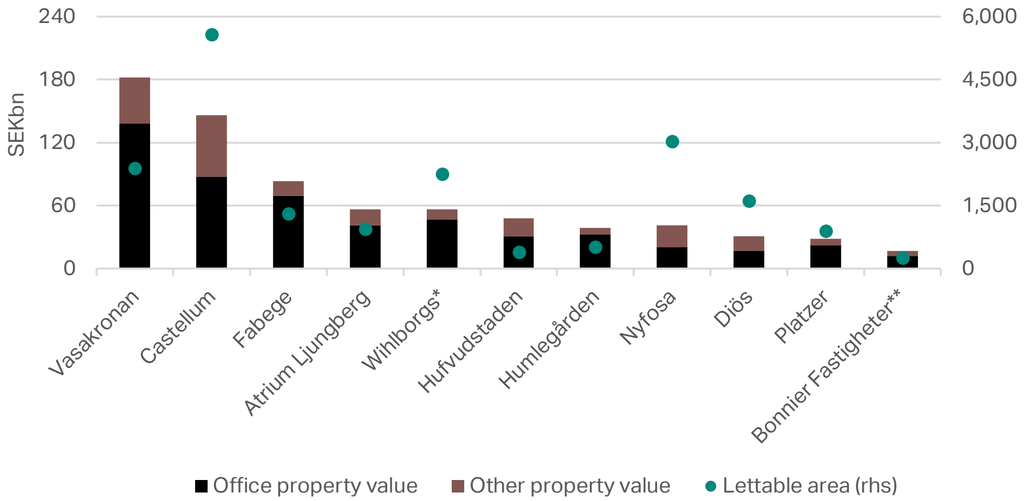
Source: company, Statistics Sweden and the Swedish Public Employment Service.

Joint venture exposures add to revenue diversity

Market position, size and diversification 'bb'

As of 31 Aug. 2023, Bonnier Fastigheter's portfolio comprised 18 properties valued at SEK 16.2bn. Due to the limited scale of the portfolio, the company has a relatively minor position in the Nordic real-estate landscape. Most property managers with a comparable focus on office premises in Sweden (see Figure 5) have considerably larger, more diverse portfolios and materially lower tenant concentrations. Due to the highly competitive nature of regional markets, the company views project development as an effective way of generating value-adding business opportunities.

Figure 5. Bonnier Fastigheter peer group breakdown by property value and lettable area, 30 Jun. 2023



Source: companies. Where office property values are not available, we base our figures on the respective proportion of rental value or lettable area within each property type. *The Wihlborgs office data include retail, due to a lack of precise breakdown. **As of 31 Aug. 2023.

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

Due to the limited size of Bonnier Fastigheter's portfolio, the largest property accounts for as much as 24% of rental value, while the five largest properties contribute 54% of rental value. The 10 largest tenants account for 41% of rental income, again illustrating the concentration of the portfolio. However, concentration risk is mitigated by a large number of creditworthy tenants (see Figure 6). As of 31 Aug. 2023, about 11% of Bonnier Fastigheter's rental income originated from tenants controlled by the Bonnier family. This proportion has decreased over the past few years and we expect it to decline further as the company tries to meet its portfolio value target of SEK 25bn by 2025.

In addition to the in-house property portfolio, Bonnier Fastigheter's 50% stake in Trecore (with total property value of SEK 4.5bn as of 31 Aug. 2023) provides exposure to the non-cyclical grocery retail business and contributes positively to revenue diversity.

Bonnier Fastigheter plans to increase the proportion of residential premises in its portfolio towards 20%, which should result in more diverse revenue streams, both in terms of tenants and property segments. We would view an increased proportion of residential properties in the portfolio as positive from a business risk perspective, because of the stability of the segment, with regulations leading to supressed supply, coupled with strong demand for rental apartments. The company currently has only minor exposure to the residential market through HållBo (50% of properties valued at a total of SEK 2.5bn).

Figure 6. Bonnier Fastigheter tenant concentration, 31 Aug. 2023

Tenant	Type of tenant	Share of rental income
Öhrlings PricewaterhouseCoopers AB	Audit	12.5%
Bonnierförlagen AB	Media	4.4%
Uppsala Municipality	Public	4.1%
Olink Proteomics AB	Biotechnology	3.8%
Kry International AB	Health care	3.6%
Stockholm Regional Council	Public	3.6%
BDO Mälardalen AB	Accounting	3.4%
Uppsala Regional Council	Public	2.2%
Swedish Public Employment Service	Public	1.8%
Bonnier Group AB	Media	1.8%
Top 10 tenants	**-**	**41.2%**

Source: company.

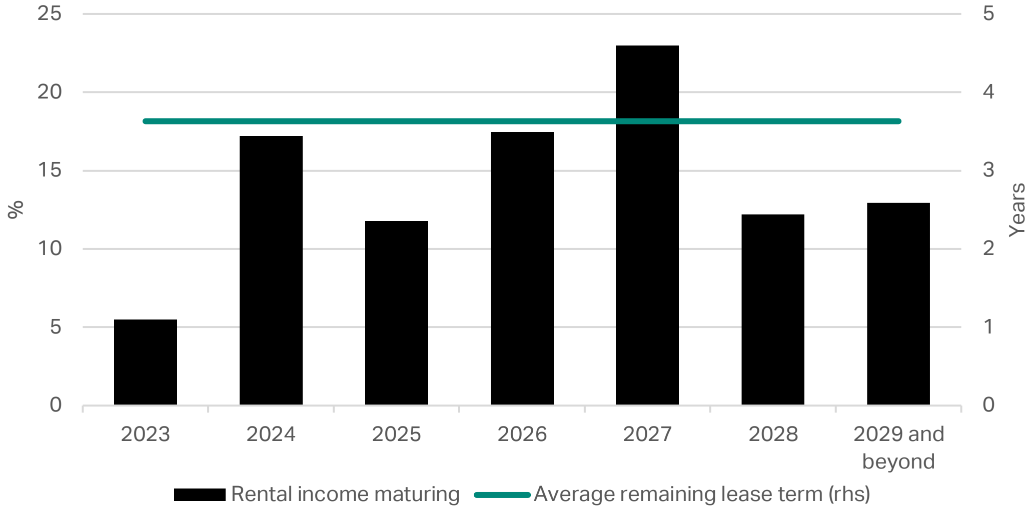
Some concentration, but an overall attractive portfolio

Portfolio assessment 'bbb-'

Bonnier Fastigheter's portfolio mainly comprises prime office properties in central Stockholm and Uppsala. About 73% of the company's rental income comes from office premises, while the remainder comes from service and retail premises. Most properties are in central locations, but outside the CBD, strengthening the possibility of finding new tenants if an existing tenant moves out. In addition, 74% of the total lettable area had obtained green building certification as of year-end 2022, strengthening the competitiveness of the portfolio.

As of 31 Aug. 2023, the average remaining lease term of Bonnier Fastigheter's portfolio stood at 3.6 years. Among the 10 largest contracts, accounting for 35% of rental income, the figure was 4.6 years, mitigating vacancy risk. The maturity structure is reasonably balanced, with the largest single-year maturities corresponding to 23% of total rental income.

Figure 7. Bonnier Fastigheter lease maturity profile, 31 Aug. 2023



Source: company.

In addition to Bonnier Fastigheter's JV exposures, the company owns a 17.2% stake in property manager Eastnine AB (publ), adding exposure to Lithuania, Latvia and Poland. We view the JVs and financial investments as positive from a diversification standpoint, but note that they increase overall risk, as the financial and/or business risk profiles of the investments are higher than that of the company itself.

Bonnier Fastigheter has a history of running large development projects and currently has an ambitious project pipeline, the largest project of which is located in Värtahamnen/Stockholm (including Portalen, below), where the company has received a land allocation to develop about 58,000 sqm of office and retail space in three different zoning plans. These projects, as well as other smaller-scale projects, could contain speculative elements, increasing associated risk. We note, however, that Bonnier is currently putting some of these projects on hold in view of the difficult market conditions.

In addition to in-house development projects, Bonnier Fastigheter has a large pipeline of residential projects through 50%-owned HållBo. In addition to some 500 apartments under management in the Stockholm area, this JV is building apartments in Stockholm and Malmö.

Figure 8. Bonnier Fastigheter major projects in progress, 31 Aug. 2023

Project	Location	Property type	Invested (SEKm)	Total investment (SEKm)	Estimated completion
Kv. Munin (Kungsängen 15:1)	Uppsala	Commercial	174	192	2024
Cykelfabriken (Kv. Kvarngärdet 27:2)	Uppsala	Commercial	270	299	2024
Centralhuset (Fålhagen 70:1)	Uppsala	Commercial	47	89	2024
Portalen (Kv. Hangö)	Stockholm	Commercial	129	871	2026
Other projects	-	-	195	288	2024
Total	**-**	**-**	**815**	**1,739**	**-**

Source: company.

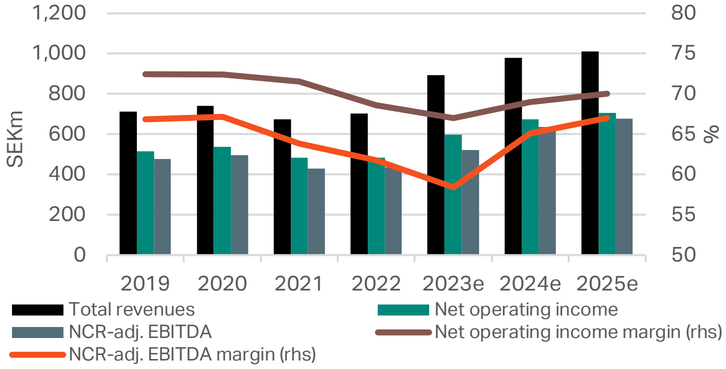
Strong operating efficiency but with some near-term pressure on margins

Operating efficiency 'bbb+'

Bonnier Fastigheter manages its property portfolio through an in-house organisation, with personnel covering both property management and technical maintenance. The company's EBITDA margin has historically averaged around 65%, but as of 31 Aug. 2023 dropped to around 60% (excluding dividends received from JVs). We forecast a slight improvement in the EBITDA margin in 2024 and then see it approaching 62% from 2025 onwards. We forecast that the JVs will contribute some dividends from 2024 onwards, enabling the EBITDA margin, including dividends, to improve to around 65% (see Figure 9).

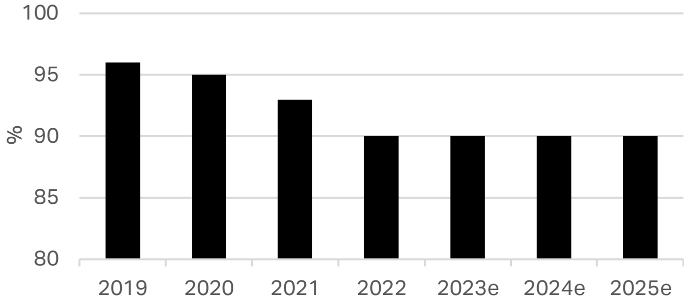
Over the past few years, Bonnier Fastigheter's occupancy ratio has averaged between 92% and 96%, but weakened to 90% in 2022, mainly due to the inclusion of project development properties and the addition of new properties. While the company expects this to strengthen over time, we conservatively estimate that this will remain at 90% over the forecast period.

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



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

Figure 10. Bonnier Fastigheter occupancy rate, 2019–2025e



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

FINANCIAL RISK ASSESSMENT

Financial risk assessment 'bbb-'

Our financial risk assessment reflects weakened credit metrics from previous strong levels as Bonnier Fastigheter pursues its growth plans. It also reflects the company's improved average debt maturity and strong liquidity position. In addition, our assessment also weighs the higher financial risk profile of JVs.

Strong financial metrics weakening due to growth plan

Ratio analysis 'bbb-'

Acquisitions of new properties and investments in joint ventures in 2022 and, more recently, the acquisition of two properties and projects in Uppsala in early 2023 have resulted in a spike in leverage. This has led to rising interest costs and, combined with the adverse market conditions, increased pressure on property values. For now, we expect a pause in the company's growth ambitions and believe its target of achieving a portfolio value of SEK 25bn by 2025 can be reached by including the full portfolios of the joint ventures.

Historically, Bonnier Fastigheter has run its operations with very low financial gearing, as demonstrated by NCR-adjusted net LTV of 21–25% and net interest coverage of 7.2–9.6x during 2019–2021. The company's net debt/EBITDA ratio was 6–8x in the same period, lower than the corresponding ratios of most of its real-estate peers. Leverage has increased since early 2022 due to further investments in JVs and additionally acquired properties in Uppsala, leading to net LTV of 33% at year-end 2022. Net debt/EBITDA has been at around 12x in both 2022 and 2023, still lower than many peers. We see these metrics recovering over the forecast period, with net debt/EBITDA reaching 9x as early as in 2024 and net LTV recovering to below 35% by year-end 2025.

Rapidly increasing interest rates have, however, dented the company's net interest coverage, which we now expect to average 2.5x during 2023–2025. The higher interest rates have already affected property values, with Bonnier taking write-downs totalling roughly 5% at year-end 2022, and we expect more over our forecast period.

In calculating Bonnier Fastigheter's credit metrics, we include right-of-use assets in investment property values and long-term leasing liabilities in net debt, before deducting 100% of cash and equivalents (see Figure 11). We apply a 25% haircut to the company's investment in Eastnine, which we view as a long-term financial investment.

Although our forecast metrics do not take Bonnier Fastigheter's JV exposures into account, we consider the greater financial leverage of these exposures in our overall financial risk assessment. Including JV exposures, NCR-adjusted net LTV was 40% as of 31 Aug. 2023, compared with the 35% for Bonnier Fastigheter consolidated group.

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

- revenue growth of 29% in 2023, 10% in 2024 and 3% in 2025;
- an EBITDA margin (excluding dividends from JVs) of 58–62% through 2025;
- net acquisitions of investment properties amounting to SEK 620m in 2023 and no further acquisitions in 2024–2025;
- investments through development and refurbishment of SEK 600m in 2023, SEK 265m in 2024 and SEK 320m in 2025;
- property value changes of -2% in 2023, -2.7% in 2024 and no change in 2025;
- average interest rates on external debt of 4% in 2023, 4.1% in 2024 and 2025; and
- no dividend payments in 2023–2025.

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

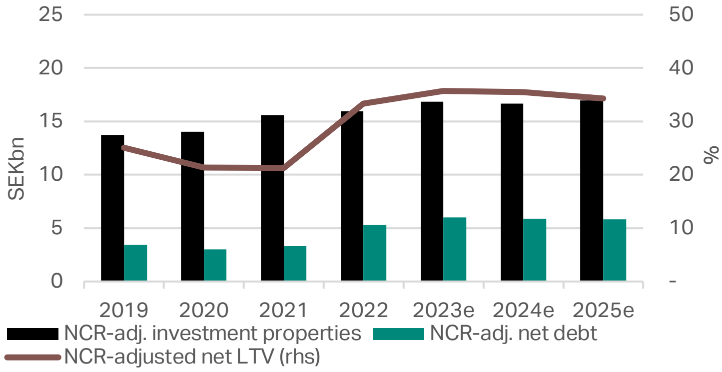
- NCR-adjusted net LTV peaking at 35.7% in 2023 then down to just above 34% in 2025;
- NCR-adjusted EBITDA/net interest of 2.3x in 2023, improving slowly to 2.6x by 2025; and
- NCR-adjusted net debt/EBITDA of about 9–12x.

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

SEKm	2019	2020	2021	2022	2023e	2024e	2025e
EBITDA	476	497	422	427	522	594	623
Dividends from JVs	0	0	0	0	0	43	53
One-offs	0	0	9	8	0	0	0
NCR-adj. EBITDA	476	497	431	435	522	637	676
Net interest	-58	-54	-42	-99	-229	-250	-252
Financial costs from leases	-9	-10	-3	-3	-3	-3	-3
NCR-adj. net interest	-66	-64	-45	-102	-232	-253	-255
NCR-adj. EBITDA	476	497	431	435	522	637	676
NCR-adj. net interest	-66	-64	-45	-102	-232	-253	-255
Current taxes	-3	-16	-6	0	-18	-18	-16
NCR-adj. FFO	406	417	380	333	272	366	404
Investment property	13,608	13,969	15,525	15,810	16,502	16,317	16,637
Investment property under development	48	62	84	109	325	325	325
Non-current right-of-use assets	62	7	5	3	3	3	3
NCR-adj. investment property	13,717	14,038	15,614	15,922	16,830	16,645	16,965
Cash and cash equivalents	68	12	38	24	31	131	216
Adjustment for liquid assets	0	0	364	278	443	443	443
NCR-adj. cash and equivalents	68	12	402	302	474	575	659
Gross debt	3,453	3,001	3,721	5,603	6,481	6,481	6,481
Lease liabilities	61	8	5	3	3	3	3
NCR-adj. cash and equivalents	-68	-12	-402	-302	-474	-575	-659
NCR-adj. net debt	3,447	2,997	3,324	5,305	6,010	5,909	5,825

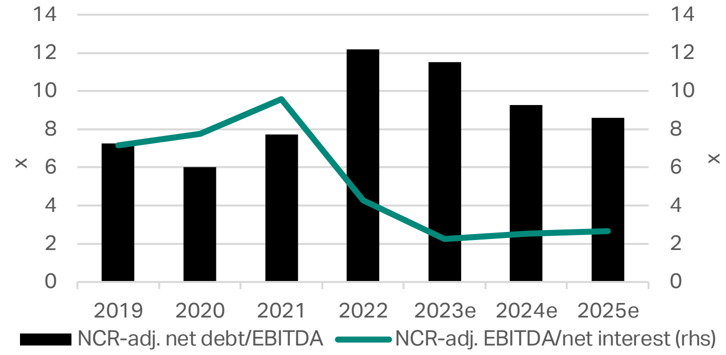
Based on NCR estimates and company data. e–estimate. FFO–funds from operations.

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



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

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



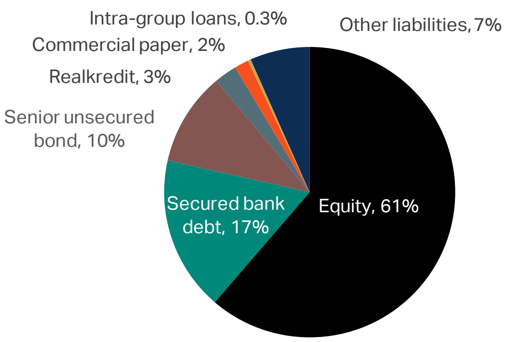
Based on NCR estimates and company data. e–estimate.

Risk appetite

Risk appetite 'bbb'

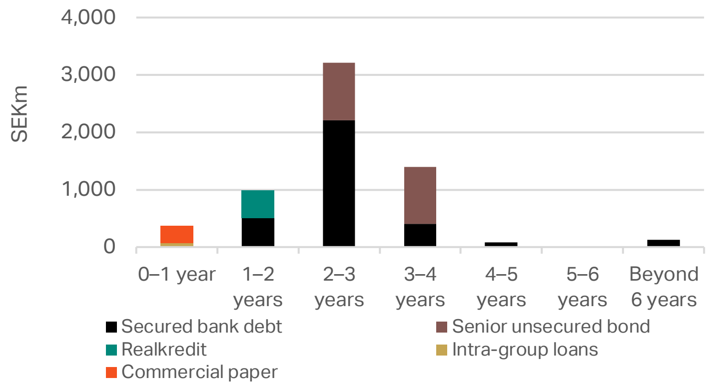
Bonnier Fastigheter finances its operations primarily through common equity, secured bank loans, commercial paper and senior unsecured bonds. In addition, as of 31 Aug. 2023, the company had a SEK 65m short-term loan from sister company AB Bonnier Finans.

Figure 14. Bonnier Fastigheter funding profile, 31 Aug. 2023



Source: company.

Figure 15. Bonnier Fastigheter debt maturity profile, 31 Aug. 2023



Source: company.

As of 31 Aug. 2023, Bonnier Fastigheter's average debt maturity was 2.8 years (up from 2.4 years a year ago), with only 6% of debt, totalling SEK 370m, maturing within the next 12 months. This is a considerable improvement on last year, but there are significant maturities in single years, which increases refinancing risk. On the positive side, this risk is partly mitigated by large unutilised credit facilities, which amounted to SEK 1.4bn as of 31 Aug. 2023.

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

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

Metric	Common loan covenants	Financial policy/targets	Reported 31 Aug. 2023
Gross LTV	65–75%	<70%	38%
Interest coverage ratio	1.5–2.0x	≥2x	2.5x
Debt maturities in the next 12 months	-	≤40%	6%

Source: company.

Bonnier Fastigheter has a history of paying dividends to its shareholders, although it decided not to in 2022 and 2023. Given the more difficult market conditions, we expect no dividends to be paid out over the forecast period.

ADJUSTMENT FACTORS

Adjustment factors neutral

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

Liquidity

Liquidity adequate

Our 12-month liquidity analysis is based on a stressed scenario under which the company cannot access the capital markets or extend bank loans, and therefore has to rely on internal or committed external funding sources to cover its liquidity needs. We typically expect a company with an investment grade rating ('BBB-' and above) to cover its liquidity needs, with limited need for external funding, over the coming 12 months.

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

We estimate the following primary funding sources for the 12 months ending 31 Aug. 2024, totalling SEK 1.7 billion:

- SEK 30m in cash and equivalents as of 31 Aug. 2023;
- SEK 251m in FFO, equalling 75% of NCR-adjusted FFO over the period; and
- SEK 1.4bn in unutilised credit facilities maturing in more than 12 months.

We estimate the following uses of funds for the 12 months ending 31 Aug. 2024, totalling SEK 0.7 billion:

- SEK 370m in maturing debt; and
- SEK 282m in committed capital spending.

Environmental, social and governance factors

ESG factors adequate

Bonnier Fastigheter identifies, measures and reports several environmental, social and governance (ESG) indicators such as CO_2 emissions, energy usage, and customer satisfaction. Since year-end 2021, the company's reporting has been based on European Public Real Estate Association (EPRA) standards, which increases transparency. The company aims for all its properties to achieve environmental certification by 2025. We view certification as a means to ensure the appeal of the company's properties, as tenants increasingly demand sustainable workspaces. Furthermore, a focus on green buildings can lead to more cost-efficient property management and improve access to debt financing. As of 31 Aug. 2023, the company had green bonds issued under a medium-term note programme rated Medium Green by climate research agency CICERO.

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

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

Figure 17. Bonnier Fastigheter ESG considerations

Issue	Risk	Mitigating efforts	Result
CO_2 emissions	Increased costs due to regulatory and/or taxation changes	Efforts to increase energy efficiency and reduce CO_2 emissions. Environmental certification of properties.	Energy usage decreased by 5% year-on-year in 2022, following a 5% increase in 2021. Scope 1 and 2 CO_2 emissions decreased by 9%. Scope 3 emissions are currently not reported but are likely to account for a large proportion of emissions.
Impact of climate change on operations	Loss of revenues or increased capital spending	Environmental certification of properties. Ongoing efforts to identify climate risk at properties.	Some 74% of lettable area had achieved environmental certification as of 31 Aug. 2023. The company is in the process of implementing TCFD reporting standards.
Increased environmental focus on financial markets	Adverse effect on financing possibilities or higher financing costs due to slow transitioning to lower CO_2 dependence	Efforts to increase energy efficiency and reduce CO_2 emissions. Reporting under EPRA standards.	Improving ESG reporting, increased certification, in time possibly leading to a competitive advantage rather than greater risk.

Source: company. See ESG factors in corporate ratings.

OWNERSHIP ANALYSIS

Ownership neutral

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

ISSUE RATINGS

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

As of 31 Aug. 2023, Bonnier Fastigheter's gross secured LTV was 23% and we expect the company to keep its gross secured LTV below 40%. Accordingly, the rating on the company's senior unsecured obligations is commensurate with the 'BBB-' long-term issuer rating. If gross secured LTV were to exceed 40%, we would likely lower the rating on the company's senior unsecured obligations by one notch.

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) The Swedish real estate sector– waiting for sunshine after the rain, 27 Sep. 2023.
(ii) Decoding Swedish real estate in an uncertain market environment, 29 Aug. 2023.

Figure 18. Bonnier Fastigheter key financial data, 2019–T2 2023

SEKm	FY	FY	FY	FY	LTM
Period-end	31 Dec. 2019	31 Dec. 2020	31 Dec. 2021	31 Dec. 2022	31 Aug. 2023
INCOME STATEMENT					
Rental income	669	702	637	658	776
Other income	43	38	38	46	48
Total costs from operations	-196	-204	-192	-221	-264
Net operating income	**515**	**536**	**483**	**483**	**560**
Administrative expenses	-40	-39	-61	-56	-65
Administrative expenses, project portfolio	–	–	–	–	–
EBITDA	**476**	**497**	**422**	**427**	**495**
Share of profit in associated companies and joint ventures	6	29	27	248	188
Interest expenses	-58	-55	-52	-115	-208
Interest income	0	1	10	16	14
Interest expenses, shareholder loans	–	–	–	–	–
Financial costs from leasing	-9	-10	-3	-3	-3
Other financial costs	–	–	–	–	–
Changes in investment property	827	679	1,244	-848	-848
Gain (loss) on financial assets held at fair value	–	–	22	-115	228
Disposals of investment properties	–	–	–	–	–
Gain (loss) on derivatives	–	–	–	–	–
Depreciation and amortisation	–	–	–	–	–
Restructuring activities	–	–	–	–	–
Income (expense) on discontinued operations	–	–	–	–	–
Pre-tax profit	**1,242**	**1,141**	**1,670**	**-390**	**-134**
Current taxes	-3	-16	-6	–	–
Deferred taxes	-235	-125	-330	370	326
Net profit	**1,004**	**1,000**	**1,334**	**-20**	**192**
BALANCE SHEET					
Investment property	13,608	13,969	15,525	15,810	16,184
Other non-current assets	117	226	947	2,392	2,883
Total non-current assets	**13,725**	**14,195**	**16,472**	**18,202**	**19,067**
Cash and cash equivalents	68	12	38	24	30
Other current assets	179	333	319	166	154
Total current assets	**247**	**345**	**357**	**190**	**184**
Total assets	**13,972**	**14,540**	**16,829**	**18,392**	**19,251**
Total equity	**9,222**	**10,064**	**11,309**	**11,462**	**11,802**
Non-current borrowings	1,645	1,943	2,441	3,746	4,141
Non-current borrowings, shareholder loans	–	–	–	–	–
Deferred tax liabilities	950	1,016	1,350	950	995
Other non-current liabilities	108	69	54	18	18
Total non-current liabilities	**2,703**	**3,028**	**3,845**	**4,714**	**5,154**
Total current liabilities	**2,047**	**1,448**	**1,675**	**2,216**	**2,295**
Total equity and liabilities	**13,972**	**14,540**	**16,829**	**18,392**	**19,251**
CASH FLOW STATEMENT					
Pre-tax profit	1,242	1,141	1,670	-390	-134
... of which changes in investment property	827	679	1,244	-848	-848
Depreciation and amortisation	1	1	1	–	–
Tax paid	–	-3	-10	–	–
Adjustment for items not in cash flow	-836	-714	-1,295	714	437
Cash flow from operating activities before changes in working capital	**406**	**425**	**366**	**324**	**303**
Changes in working capital	73	-47	23	95	208
Cash flow from operating activities	**479**	**378**	**389**	**419**	**511**
Cash flow from investment activities	**-255**	**167**	**-977**	**-2,318**	**-1,675**
Cash flow from financing activities	**-170**	**-601**	**614**	**1,885**	**1,176**
Cash and cash equivalents at beginning of period	13	68	12	38	18
Cash flow for period	54	-56	26	-14	12
Cash and cash equivalents at end of period	**68**	**12**	**38**	**24**	**30**

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

Figure 19. Bonnier Fastigheter rating scorecard

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

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

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