NP3 Fastigheter AB (publ)

Full Rating Report

LONG-TERM RATING

BB

OUTLOOK

Negative

SHORT-TERM RATING

N4

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RATING RATIONALE

Our 'BB' long-term issuer rating on Sweden-based commercial property manager NP3 Fastigheter AB (publ) reflects the company's highly leveraged balance sheet, modest size and its focus on properties outside city centre locations. The rating is constrained by below-average liquidity in NP3's main markets and a financial risk appetite that, in our view, is greater than warranted by the company's financial ratios. Specifically, we view NP3's rapid growth and single-year debt maturity concentrations as credit weaknesses.

These weaknesses are offset by a highly cash flow-generative property portfolio, the company's strong position in its main markets, long lease terms and its highly diverse revenue streams, with the 10 largest tenants accounting for only 11% of rental income.

NEGATIVE OUTLOOK

The outlook is negative, reflecting our expectation that NP3's net interest coverage is likely to come under pressure in 2023–2024 due to rising interest rates. Our base case projects that this metric will temporarily fall below the level of 2.2x that we define as a potential negative rating driver, but that it will improve over our forecast period through 2025. We see downside risk to this metric, reducing covenant headroom, as well as increased uncertainty arising from an impending slowdown in the Swedish economy. We expect NP3 to maintain its focus on highly cash flow-generative commercial properties in northern and central Sweden, supporting cashflow metrics and the potential for organic deleveraging over time. We expect the company to continue targeting growth, but believe that it will be less focused on acquisitions until the real-estate and capital markets stabilise.

DRIVERS FOR A STABLE OUTLOOK

- Stable credit metrics, with net interest coverage stabilising above 2.2x over a protracted period.
- Improved portfolio quality, combined with a reduced risk appetite as the portfolio grows.

POTENTIAL NEGATIVE RATING DRIVERS

- Risk of a covenant breach or weakening liquidity.
- Weakened credit metrics, with net interest coverage below 2.2x over a protracted period.
- Deteriorating market fundamentals, negatively affecting occupancy and profitability.

Figure 1. NP3 key credit metrics, 2019–2025e

SEKm	2019	2020	2021	2022	2023e	2024e	2025e
Rental income	1,006	1,091	1,238	1,551	1,781	1,915	1,977
NCR-adj. EBITDA	668	766	890	1,126	1,301	1,431	1,478
NCR-adj. EBITDA margin (%)*	66.4	70.2	71.9	72.6	73.0	74.7	74.8
NCR-adj. investment property	11,474	12,665	17,441	19,923	20,459	20,576	20,876
NCR-adj. net debt	7,165	7,983	10,768	12,720	12,632	12,580	12,441
Total assets	11,937	13,352	18,718	21,854	22,369	22,639	23,130
NCR-adj. net debt/EBITDA (x)	10.7	10.4	12.1	11.3	9.7	8.8	8.4
NCR-adj. EBITDA/net interest (x)	3.2	3.0	3.1	2.7	2.0	2.2	2.4
NCR-adj. net LTV (%)	62.5	63.0	61.7	63.8	61.7	61.1	59.6
NCR-adj. FFO/net debt (%)	5.8	5.8	5.2	5.2	4.7	5.7	6.5

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 and associates.

ISSUER PROFILE

NP3 focuses on commercial properties in northern and central Sweden. As of 30 Sep. 2023, the portfolio comprised 504 properties totalling 1,982,000 sqm valued at SEK 20.0bn. The portfolio is mixed in terms of property type, with the two largest segments, industrial/warehousing and retail, accounting for about three-quarters of rental value. The Bäckvall family has been the company's largest shareholder since it was founded in 2010 through a spin-off from real-estate developer Norrlandspojkarna Aktiebolag. NP3's common and preferred shares are listed on the main market of the Nasdaq Stockholm exchange.

BUSINESS RISK ASSESSMENT

Business risk assessment 'bb+'

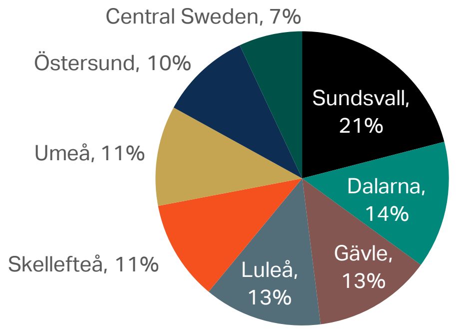
Our business risk assessment reflects NP3's solid position in its main markets, as well as its diverse revenue streams and long lease terms. It also reflects the below-average liquidity of NP3's main markets, the company's focus on properties situated outside city centre locations, and relatively weak fundamentals in some of the larger municipalities in which the company operates.

Mixed property types in less liquid northern Sweden market

Operating environment 'bb'

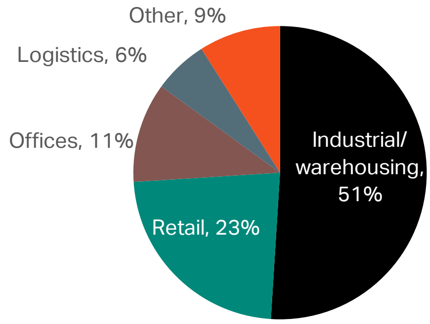
NP3 divides its property portfolio into seven areas in northern and central Sweden, each with separate management organisations. The portfolio is diverse in terms of property type, but is mainly focused on industrial/warehousing and retail properties.

Figure 2. NP3 rental value by area, 30 Sep. 2023



Source: company.

Figure 3. NP3 rental value by property type, 30 Sep. 2023



Source: company.

NP3 has a presence in 44 of Sweden's 290 municipalities. We view the company's diverse municipal exposure as positive, but note that some of the municipalities in question have projected weak population growth and/or poor employment prospects, increasing the risk of declining demand for commercial properties (see Figure 4). However, these risks are partly offset, in our opinion, by substantial planned industrial investment in northern Sweden.

Compared with property yields in most parts of Sweden, yield levels in the north of the country are relatively high, supporting cash flows. Although we view this comparatively high cash flow generation as positive, we believe that the higher yield levels indicate below-average liquidity and relatively low investor numbers in NP3's main markets. This below-average liquidity affects our overall assessment of the operating environment, as it might negatively affect the company's prospects of disposing of assets in times of distress.

Figure 4. NP3 rental value from top 10 municipal exposures, 30 Sep. 2023

Municipality	Share of rental value	Population, 2022	Expected population change among 15–64-year-olds, 2022–2040	Unemployment, Aug. 2023
Sundsvall	14%	99,296	-4.8%	5.5%
Skellefteå	11%	73,234	-3.7%	3.2%
Gävle	11%	103,628	1.8%	8.7%
Östersund	10%	64,630	2.7%	4.5%
Umeå	8%	132,073	10.8%	3.8%
Falun	6%	60,131	4.4%	4.1%
Borlänge	6%	52,401	-0.3%	7.5%
Luleå	6%	79,111	-0.2%	4.5%
Timrå	3%	17,811	-12.4%	6.2%
Piteå	3%	42,310	-4.2%	3.8%
Total/Sweden average	**78%**	**10,512,820**	**5.8%**	**6.4%**

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

We consider the industrial/warehousing property subsector to be largely dependent on the overall health of the wider Swedish economy. Although we see this subsector as relatively stable, we believe that a marked downturn in economic activity could have a sizable impact, adversely affecting NP3's occupancy and profitability.

The retail subsector, which accounts for 23% of NP3's rental value, has been adversely affected by the rising e-commerce trend. However, NP3's retail exposure is predominantly related to less affected subsectors such as discount retail, consumer discretionary, and suppliers to industrial and construction companies. Tenants that are more likely to struggle (such as operators of clothing stores, play centres and trampoline parks) contribute only marginally to NP3's revenues.

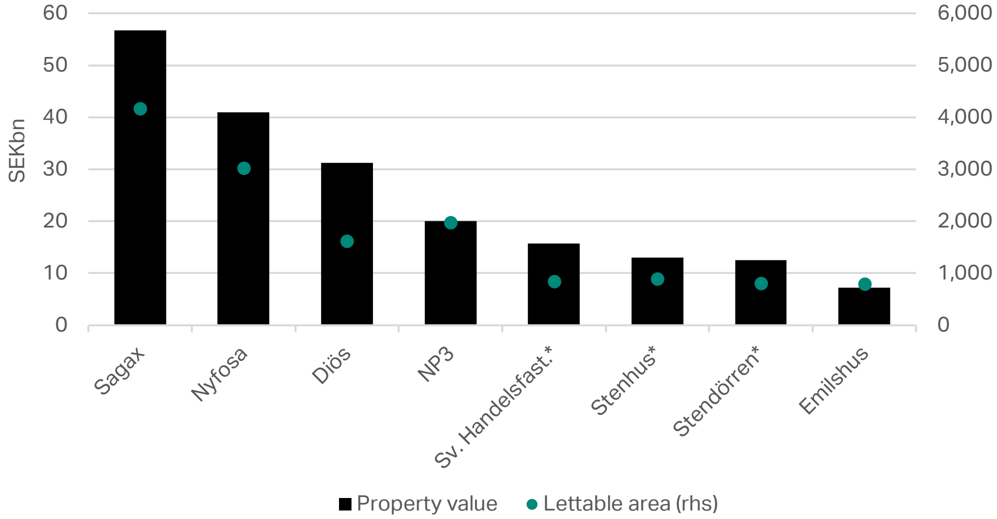
Strong market position and solid tenant diversity, despite limited size

Market position, size and diversification 'bbb-'

NP3's clear geographic focus on northern Sweden leads to somewhat limited geographic diversity, but also a strong market presence in target markets. Despite this focus, the company's exposure to as many as 44 municipalities, in our view, improves revenue diversity and reduces risk.

NP3 has few obvious peers with a similar geographic focus. One relevant peer is Diös Fastigheter AB (publ). However, NP3's portfolio is tilted towards industrial and retail premises outside city centres, while Diös tends to focus on office premises in central locations. The scarcity of obvious peers with a similar geographic focus demonstrates that many property owners favour markets other than NP3's target market, while underlining that NP3 has a solid market position despite its limited size. We view NP3's close relationships with banks and satisfactory capital market access, under normal circumstances, as a competitive advantage over local property managers.

Figure 5. NP3 peer group breakdown by property value and lettable area, 30 Sep. 2023



Source: companies. *as of 30 Jun. 2023

Despite NP3's modest portfolio size, the company's revenue streams are quite diverse, with the 10 largest tenants accounting for only 11% of rental income (see Figure 6). The company's single largest property generates about 2.5% of rental income, while the 10 largest properties account for only 12% of rental income, further illustrating the diversity of revenues.

Figure 6. NP3 tenant concentration, 30 Sep. 2023

Tenant	Type of tenant	Share of rental income
PostNord	Logistics	-
Dagab Inköp & Logistik AB	Groceries	-
Ahlberg-Dollarstore AB	Retail	-
Assemblin El AB	Construction and engineering	-
Swedol AB	Retail	-
Plantagen Sverige AB	Retail	-
Granngården AB	Retail	-
Fortifikationsverket	Government	-
LEAX Falun AB	Manufacturing	-
Svenska Krämfabriken AB	Retail	-
Top 10 tenants	**-**	**11%**

Source: company.

Long contracts at properties outside city centres

Portfolio assessment 'bb+'

As of 30 Sep. 2023, NP3's property portfolio consisted of 504 properties. The portfolio contains a mix of property types, with industrial/warehousing, retail and office premises accounting for 85% of rental value. Properties are typically located outside city centres but often near transport routes, transit hubs or industrial areas. NP3 has a stated strategy of focusing on properties that are not in tier 1 locations, resulting in a reported average yield of 6.6%, which is higher than that of most of its peers (typically between 5.5% and 6%). The higher yield on NP3's portfolio reflects both the higher-risk assets in the portfolio and the lower liquidity of the company's main markets. Consequently, the company enjoys stronger cash flows than most of its peers.

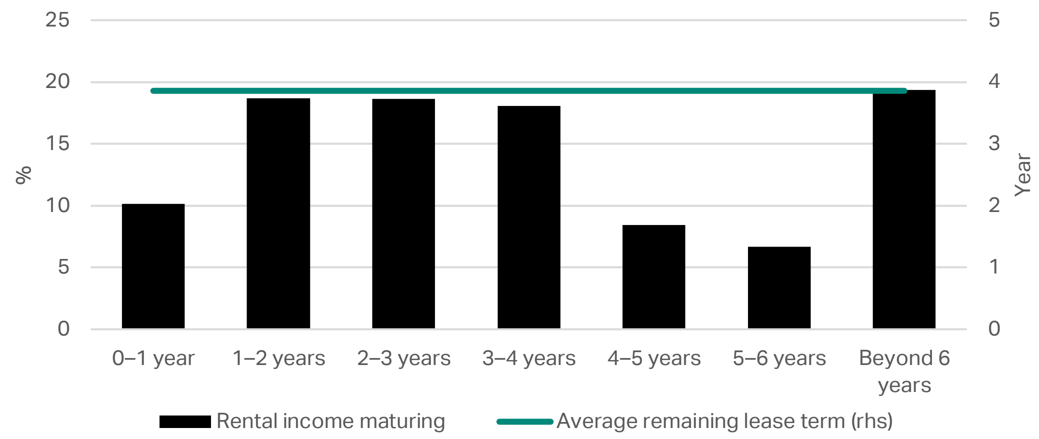
In our view, NP3's focus on properties located outside city centres means that alternative usage of some of the properties could be limited. However, the low degree of specialisation in the portfolio means that it would be relatively easy to adapt the properties for new tenants. We view limited alternative usage as an area of possible concern if vacancy rates were to rise.

In addition to its in-house property portfolio, NP3 has property exposure through associated companies and joint ventures (JVs). Through a 17.5% ownership stake, the company is the third-largest shareholder in Fastighetsbolaget Emilshus AB (publ), a mixed real-estate company focusing on the

Swedish province of Småland. JV Fastighetsaktiebolaget Ess-Sierra, a 50/50 JV owned together with AB Sagax (publ), owns 39 properties with Beijer Byggmaterial AB as the sole tenant.

As of 30 Sep. 2023, the average lease term in NP3's portfolio was 3.9 years. Among the 10 largest tenants, representing 12% of rental income, the figure was 5.7 years. The maturity structure is well spread, with maturities in no single year exceeding 20% of total rental value.

Figure 7. NP3 lease maturity profile, 30 Sep. 2023



Source: company.

As of 30 Sep. 2023, NP3 had a total of SEK 145m in budgeted remaining investments in ongoing projects. Most projects are comparatively small, while only four involve total budgeted investments exceeding SEK 20m. The risks associated with NP3's projects are generally low, as projects are typically tenant-driven adaptions and non-speculative. Furthermore, construction is often contracted on turnkey contracts, reducing construction risk.

Figure 8. NP3 major projects with investments exceeding SEK 20m, 30 Sep. 2023

Project	Municipality	Occup. rate	Lettable area (sqm)	Invested (SEKm)	Total investment (SEKm)	Estimated completion
Hågelsta 3:115	Sollefteå	100%	2,330	26	33	Dec-2023
Slagan 4	Sundsvall	100%	1,657	6	30	Jul-2024
Skotet 1	Luleå	100%	4,516	1	20	Jul-2024
Sköns Prästbord 1:47	Sundsvall	100%	3,451	2	38	Nov-2023
Total	**-**	**-**	**11,954**	**35**	**121**	**-**

Source: company.

Local management presence and strong margins support operating efficiency

Operating efficiency 'bbb+'

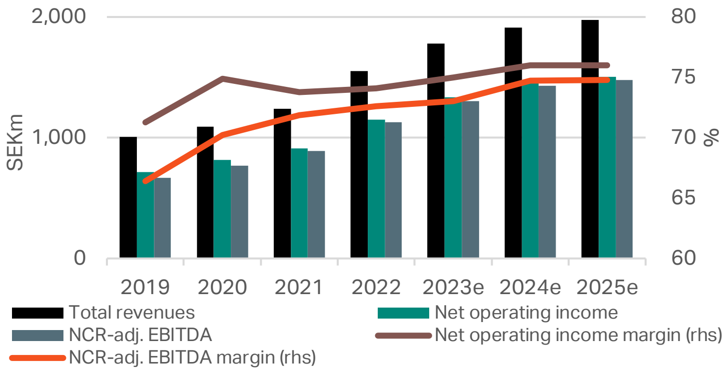
NP3 views local management representation in its established markets as an essential part of the company's business model. Property management is carried out through regional management organisations with in-house personnel taking care of property management, while all technical maintenance is outsourced to local partners.

As of 30 Sep. 2023, the occupancy rate of NP3's portfolio amounted to 93%, broadly in line with that of its peers. We expect the occupancy rate to remain at around current levels over our forecast period through 2025.

About 70% of NP3's rental contracts are either triple-net or contracts under which the company is compensated for incurred costs. The high proportion of triple-net leases has a positive effect on NP3's

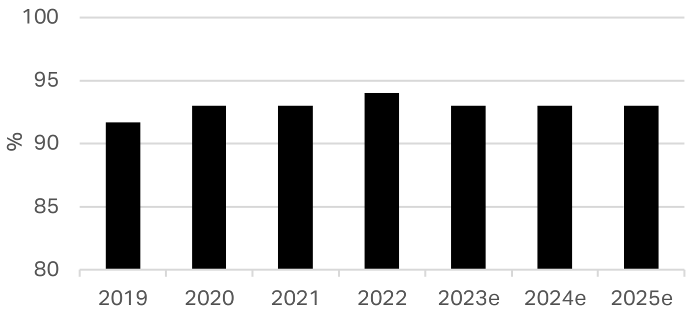
EBITDA margin; the margin averaged about 65% in 2016–2019 but increased to 70–73% in 2020 and thereafter. Our forecast assumes an EBITDA margin (excluding dividends received from JVs and associated companies) of 71–73%.

Figure 9. NP3 revenues, net operating income, EBITDA, and margins, 2019–2025e



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

Figure 10. NP3 occupancy rate, 2019–2025e



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

FINANCIAL RISK ASSESSMENT

Financial risk assessment 'b+'

Our financial risk assessment reflects NP3's high financial gearing, but is supported by the high cash flow generation of NP3's portfolio. The ratio analysis is affected by our 50% equity treatment of the company's preferred shares. We assess NP3's risk appetite as somewhat greater than warranted by our ratio analysis, due to the company's rapid growth and front-loaded debt maturity profile with concentrations in single years.

High leverage but comparatively strong cash flow generation

Ratio analysis 'bb-'

Over the past few years, NP3 has maintained net debt/EBITDA and net interest coverage at 10–12x and 2.7–3.1x, respectively. At the same time, net LTV has remained around 63% and stood at 61% as of 30 Sep. 2023. We expect NP3's net interest coverage ratios to continue to be pressured by higher interest rates, but to improve slightly over our forecast period as projects are finalised. However, we anticipate that the company's net debt/EBITDA ratio and net LTV will improve due to a large proportion of inflation-linked rental contracts, while comparatively high cash flows should allow for organic deleveraging over time.

In calculating NP3's credit metrics, we treat the company's preferred shares as 50% debt. Consequently, 50% of preferred dividends are treated as interest costs. The debt treatment reflects an option to defer preferred dividends with an obligation to pay a 10% penalty interest rate on the deferred amount. We view the 10% interest penalty as sufficiently high to be considered a deterrent to deferral. As of 30 Sep. 2023, NP3 had 38m preferred shares outstanding, which, according to our calculations, entitle their holders to SEK 1.1bn of the equity on the company's balance sheet, assuming a liquidation value of SEK 30 per share.

Our 2021 'other net interest adjustment' (see Figure 11) includes a SEK 2m write-down of financial assets and SEK 5m in financial income from the divestment of shares in MaxFastigheter. Our yearly EBITDA adjustment includes our expectations of dividend pay-outs from Ess-Sierra and Emilshus.

Our base-case forecast of NP3's future performance assumes:

- rental income growth of 15% in 2023, 8% in 2024, and 3% in 2025;
- an EBITDA margin (excluding dividends received from JVs and associated companies) of 71–73% in 2022–2024;
- investment in properties through development and refurbishment of SEK 358m in 2023, and SEK 300m per year in 2024 and 2025;
- average interest rates on debt of 5.0% in 2023, 5.1% in 2024, and 4.8% in 2025;
- property value changes of minus 1.1% in 2023, minus 0.9% in 2024 and no change in 2025;
- dividends amounting to SEK 296m in 2023 and yearly dividends of SEK 290m thereafter.

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

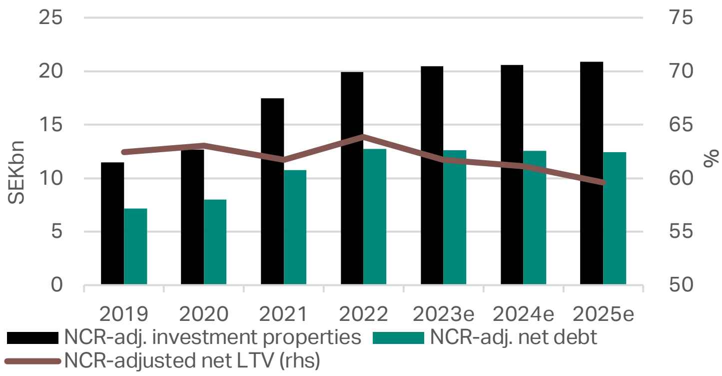
- NCR-adjusted net LTV of 60–62%;
- NCR-adjusted EBITDA/net interest of 2.0–2.4x; and
- NCR-adjusted net debt/EBITDA of 8.4–10x.

Figure 11. NCR's adjustments to NP3's credit metrics, 2019–2025e

SEKm	2019	2020	2021	2022	2023e	2024e	2025e
EBITDA	668	764	856	1,081	1,268	1,387	1,434
Dividends from JVs and associates		2	34	45	33	44	44
NCR-adj. EBITDA	668	766	890	1,126	1,301	1,431	1,478
Net interest	-186	-223	-251	-373	-601	-607	-574
Financial costs from leases	-2	-2	-3	-3	-3	-3	-3
Dividends on preferred shares (50% debt treatment)	-23	-27	-34	-38	-38	-38	-38
Other net interest adjustment	0		-3		0	0	0
NCR-adj. net interest	-211	-252	-291	-414	-642	-648	-615
NCR-adj. EBITDA	668	766	890	1,126	1,301	1,431	1,478
NCR-adj. net interest	-211	-252	-291	-414	-642	-648	-615
Current tax	-38	-49	-44	-55	-62	-60	-52
NCR-adj. FFO	419	465	555	657	596	723	812
Investment property	11,402	12,582	17,335	19,805	20,327	20,444	20,744
Non-current right-of-use assets	72	83	106	118	132	132	132
NCR-adj. investment property	11,474	12,665	17,441	19,923	20,459	20,576	20,876
Cash and cash equivalents	192	104	269	204	78	80	119
NCR-adj. cash and equivalents	192	104	269	204	78	80	119
Gross interest-bearing debt	6,914	7,585	10,361	12,236	12,008	11,958	11,858
Preferred shares (50% debt treatment)	373	419	570	570	570	570	570
Long-term lease liabilities	71	83	106	118	132	132	132
NCR-adj. cash and equivalents	-192	-104	-269	-204	-78	-80	-119
NCR-adj. net debt	7,165	7,983	10,768	12,720	12,632	12,580	12,441

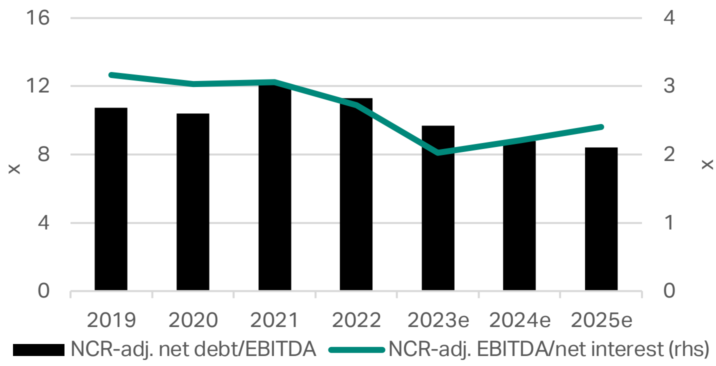
Based on NCR estimates and company data. e–estimate. FFO–funds from operations.

Figure 12. NP3 NCR-adj. investment properties, net debt, and net LTV, 2019–2025e



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

Figure 13. NP3 NCR-adj. net debt/EBITDA and EBITDA/net interest, 2019–2025e



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

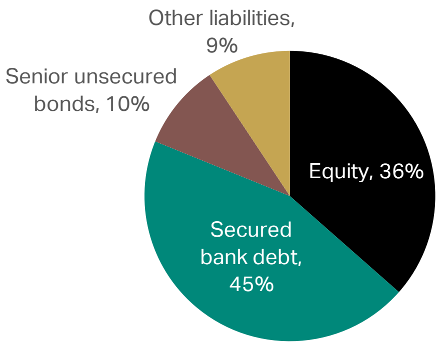
Rapid growth and concentrated debt maturities increase financial risk

Risk appetite 'b+'

NP3 has a history of rapid growth, having roughly doubled its property portfolio by value over the past five years. We expect the company to continue its acquisitive strategy to achieve a targeted recurring annual increase of 12% in profit from property management and a return on equity of more than 15% a year on a rolling five-year basis. However, given current uncertainty in the real-estate and capital markets, we anticipate that the company will be less growth oriented until the markets stabilise. Despite NP3's ambitious growth plans, the company aims to pay out 50% of after-tax profit from property management as dividends, limiting the prospects of deleveraging the balance sheet.

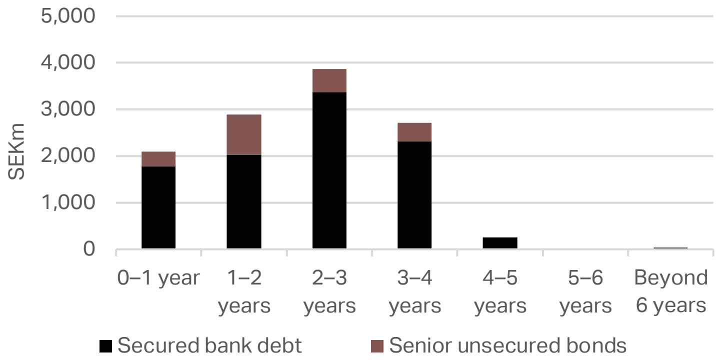
NP3 finances its operations through a mix of common equity, preferred shares, secured bank debt and senior unsecured bonds. The company is a recurring issuer of senior unsecured bonds and historically has been proactive in refinancing bonds prior to maturity, even in tougher market conditions, which in our view is an adequate strategy to limit refinancing risk.

Figure 14. NP3 funding profile, 30 Sep. 2023



Source: company.

Figure 15. NP3 debt maturity profile, 30 Sep. 2023



Source: company.

NP3's interest-bearing debt is governed by financial covenants and the company's financial policy (see Figure 16). The company has adhered to policy levels and financial covenants historically. We expect this headroom to become increasingly limited in 2023 due to higher financing costs, but to improve towards the end of our forecast period through 2025.

Figure 16. NP3 financial covenants, policies and reported metrics

Metric	Bond covenants	Financial policy/targets	Reported 30 Sep. 2023
Net LTV	≤70%	55–65%	55.4%
Interest coverage ratio	≥1.8x	≥2.0x	2.2x

Source: company.

NP3's financial policy stipulates that the company's average debt maturity should be at least two years, while a maximum 40% of debt can mature within the next 12 months on a rolling basis. As of 30 Sep. 2023, the average debt maturity was 2.2 years, while debt maturities over the subsequent 12 months amounted to 17% of total debt. We view the company's relatively high proportion of near-term debt maturities with concentrations of maturities in single years as a credit weakness.

NP3 hedges interest risk through interest rate swaps. As of 30 Sep. 2023, the average interest fixing in the loan portfolio was 2.2 years, with 58% of interest rate maturities in the subsequent 12 months. This low degree of interest fixing leaves the company more exposed to rising interest rates than many of its peers. This has been apparent over the past year, during which the company's average interest on loans has increased to 5.2% from 3.5% a year earlier.

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 assess NP3's liquidity profile as adequate, despite funding uses exceeding sources in the 12 months ending 30 Sep. 2023. The company has ongoing discussions to refinance near-term debt, and we believe that the resulting liquidity risk is mitigated by the company's long-standing banking relationships and access to several funding channels.

Our calculation of adjusted FFO incorporates 50% of the dividend paid on preferred shares. The remaining 50% of the preferred share dividend is listed in uses of funding.

We estimate the following primary funding sources for the 12 months ending 30 Sep. 2024, totalling SEK 1.9bn:

- SEK 190m in cash and equivalents as of 30 Sep. 2023;
- SEK 519m from FFO, equalling 75% of estimated adjusted FFO over the period;
- SEK 603m in net proceeds from long-term borrowings since the end of the third quarter;
- SEK 570m in unutilised credit facilities; and
- SEK 15m in committed divestment.

We estimate the following uses of funds for the 12 months ending 30 Sep. 2024, totalling SEK 2.8bn:

- SEK 2.3bn in maturing debt and amortisation;
- SEK 93m in committed acquisitions;
- SEK 310m in committed capital spending;
- SEK 72m in already agreed ordinary share dividends; and
- SEK 38m corresponding to the 50% of preferred share dividends not included in adjusted FFO.

Environmental, social and governance factors

ESG factors adequate

NP3's environmental, social and governance (ESG) reporting follows Global Reporting Initiative Standards. The company identifies, measures and reports ESG indicators such as CO_2 emissions and energy usage. It has adopted seven of the UN's Sustainable Development Goals and is currently switching its electricity supply to 100% hydro power. To reduce energy usage, the company often signs leases under which the tenant pays for electricity, incentivising tenants to reduce electricity consumption.

Since 2020, NP3 has been issuing green bonds under a framework rated Medium Green by Norway-based environmental agency CICERO, with most eligible assets focusing on energy classification. However, few of the company's properties have obtained environmental certification. NP3's main region of operations is experiencing significant growth in climate transition investments, and we expect increased demand for properties with green credentials.

Figure 17. NP3 ESG considerations

Issue	Risk	Mitigating efforts	Result
CO_2 emissions	Increased costs due to regulatory and/or taxation changes	NP3 measures and reports Scope 1 and Scope 2 CO_2 emissions (but not Scope 3 emissions, other than from travel), and has set out quantitative targets for the reduction of CO_2 emissions and energy usage.	By 2022, cumulative energy usage had decreased by 14% compared with 2017. NP3 targets a 20% decrease in energy usage by 2025 compared with 2017, and a 75% reduction in CO_2 emissions over the same period.
Impact of climate change on operations	Loss of revenues or increased capital spending	Environmental certification of properties.	As of 31 Dec. 2022, some 2% of NP3's lettable area had obtained environmental certification, a relatively low figure in comparison with its peer group.
Increased environmental focus on financial markets	Adverse effect on financing possibilities or higher financing costs due to slow transitioning to lower CO_2 emissions	Relatively new to ESG reporting and measuring ESG issues.	Investor demand for green credentials is increasing. We view sustainability reporting and a focus on ESG as necessary to remain attractive to investors and expect to see continued efforts in this respect.

Source: company. See ESG factors in corporate ratings.

OWNERSHIP ANALYSIS

Ownership neutral

NP3's common and preferred shares have been publicly listed since 2014 and 2018, respectively. The Bäckvall family, through the company Poularde AB, is the largest owner, with 16% of the capital and 23% of the votes. The second-largest owner, AB Sagax (publ) (through Satrap Kapitalförvaltning AB), is a Sweden-based commercial property manager focusing on warehousing and light industrial properties. NP3 and Sagax collaborate through the 50/50 JV Ess-Sierra, as well as through associated company Emilshus, in which Sagax and NP3 are the second- and third-largest shareholders, respectively. At present, we see no major concerns or conflicts of interest arising from the close ties between NP3 and Sagax.

Since it was founded in 2010, NP3 has completed several issuances of common and preferred shares, the most recent being a directed issuance of ordinary shares in February 2023. We take a favourable view of NP3's history of successful share issuance and access to the equity market, which enhances the company's ability to strengthen the balance sheet when needed.

Figure 18. NP3 ownership structure, 30 Sep. 2023

Owner	Share of capital	Share of votes
Poularde AB (Bäckvall family)	16.0%	23.3%
AB Sagax (Satrap Kapitalförvaltning AB)	15.8%	21.2%
Fjärde AP-fonden	5.5%	5.5%
Länsförsäkringar Fondförvaltning AB	4.2%	6.6%
RBC Investor Services Bank SA	3.3%	2.6%
Försäkringsaktiebolaget, Avanza Pension	3.3%	0.9%
Bonnier Treasury S.A.R.L	3.1%	0.5%
Lannebo Fonder	2.8%	4.4%
SEB Investment Management	2.4%	3.7%
PPB Holding AB	2.3%	0.4%
Top 10 owners	**58.8%**	**69.0%**
Other	41.2%	31.0%

Source: company.

ISSUE RATINGS

We do not assign issue ratings to NP3's outstanding debt issues. In line with our methodology, we typically expect a higher loss in the event of default for senior unsecured instruments when a high proportion of debt is secured. As of 30 Sep. 2023, the company's gross secured LTV stood at 49%, and 82% of the company's interest-bearing debt was secured, reducing recovery prospects for senior unsecured bondholders.

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 19. NP3 key financial data, 2019–Q3 2023

SEKm	FY	FY	FY	FY	LTM
Period-end	31 Dec. 2019	31 Dec. 2020	31 Dec. 2021	31 Dec. 2022	30 Sep. 2023
INCOME STATEMENT					
Rental income	1,006	1,091	1,238	1,551	1,740
Other income	–	–	–	–	–
Total costs from operations	-289	-274	-325	-402	-428
Net operating income	**717**	**817**	**913**	**1,149**	**1,312**
Administrative expenses	-49	-53	-57	-68	-70
Administrative expenses, project portfolio	–	–	–	–	–
EBITDA	668	764	856	1,081	1,242
Share of profit in associated companies and joint ventures	14	60	158	151	3
Interest expenses	-190	-224	-261	-382	-574
Interest income	4	1	10	9	7
Interest expenses, shareholder loans	–	–	–	–	–
Financial costs from leasing	-2	-2	-3	-3	–
Other financial costs	–	–	–	–	–
Changes in investment property	448	263	1,642	341	-491
Gain (loss) on financial assets held at fair value	-8	-38	64	378	-2
Disposals of investment properties	–	–	–	–	–
Gain (loss) on derivatives	–	–	–	–	–
Depreciation and amortisation	–	–	–	–	–
Restructuring activities	–	–	–	–	–
Income (expense) on discontinued operations	–	–	–	–	–
Pre-tax profit	**934**	**824**	**2,466**	**1,575**	**185**
Current taxes	-38	-49	-44	-55	-48
Deferred taxes	-107	-115	-400	-276	-6
Net profit	**789**	**660**	**2,022**	**1,244**	**131**
BALANCE SHEET					
Investment property	11,402	12,582	17,335	19,805	19,985
Other non-current assets	244	573	988	1,690	1,622
Total non-current assets	**11,645**	**13,156**	**18,323**	**21,495**	**21,607**
Cash and cash equivalents	192	104	269	204	190
Other current assets	99	93	126	155	102
Total current assets	**291**	**197**	**395**	**359**	**292**
Total assets	**11,937**	**13,352**	**18,718**	**21,854**	**21,899**
Total equity	**4,140**	**4,637**	**6,743**	**7,663**	**7,994**
Non-current borrowings	6,720	7,404	9,285	11,641	9,855
Non-current borrowings, shareholder loans	–	–	–	–	–
Deferred tax liabilities	450	568	969	1,248	1,229
Other non-current liabilities	107	156	115	118	132
Total non-current liabilities	**7,277**	**8,128**	**10,369**	**13,007**	**11,216**
Total current liabilities	**519**	**587**	**1,606**	**1,184**	**2,689**
Total equity and liabilities	**11,937**	**13,352**	**18,718**	**21,854**	**21,899**
CASH FLOW STATEMENT					
Pre-tax profit	934	824	2,466	1,575	185
... of which changes in investment property	448	263	1,642	341	-491
Depreciation and amortisation	–	–	–	–	–
Tax paid	-28	-37	-33	-65	-53
Adjustment for items not in cash flow	-451	-289	-1,838	-839	512
Cash flow from operating activities before changes in working capital	**455**	**498**	**595**	**671**	**644**
Changes in working capital	-34	47	-23	52	21
Cash flow from operating activities	**422**	**545**	**572**	**723**	**665**
Cash flow from investment activities	**-637**	**-1,159**	**-3,242**	**-2,348**	**-734**
Cash flow from financing activities	**336**	**526**	**2,835**	**1,561**	**114**
Cash and cash equivalents at beginning of period	71	192	104	269	143
Cash flow for period	121	-88	165	-64	45
Cash and cash equivalents at end of period	**192**	**104**	**269**	**204**	**190**

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

Figure 20. NP3 rating scorecard

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

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