

## NP3 Fastigheter AB (publ)

Rating Action Report

### LONG-TERM RATING

**BB**

### OUTLOOK

**Negative**

### SHORT-TERM RATING

**N4**

### PRIMARY ANALYST

Yun Zhou  
+46732324378  
yun.zhou@nordiccreditrating.com

### SECONDARY CONTACTS

Gustav Nilsson  
+46735420446  
gustav.nilsson@nordiccreditrating.com

Elisabeth Adebäck  
+46700442775  
elisabeth.adeback@nordiccreditrating.com

## NP3 Fastigheter AB (publ) 'BB' long-term issuer rating affirmed; Outlook negative

Nordic Credit Rating said today that it had affirmed its 'BB' long-term issuer rating on Sweden-based property manager [NP3 Fastigheter AB \(publ\)](#). The outlook is negative. At the same time, the 'N4' short-term issuer was also affirmed.

### Rating rationale

The affirmation of the rating reflects continued performance in line with our estimates. We expect the company's net interest coverage to weaken on a temporary basis but improve over our forecast period through 2025.

The 'BB' long-term issuer rating on NP3 Fastigheter 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 negative outlook reflects 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.

We could lower the rating to reflect the risk of a covenant breach or weakening liquidity. We could also lower the rating to reflect weaker credit metrics, with net interest coverage below 2.2x over a protracted period, or if deteriorating market fundamentals negatively affect occupancy and profitability.

We could revise the outlook to stable to reflect stable credit metrics, with net interest coverage stabilising above 2.2x over a protracted period. We could also revise the outlook to stable to reflect improved portfolio quality, combined with a reduced risk appetite as the portfolio grows.

### Related publications

- (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.

Rating list	To	From
Long-term issuer credit rating:	BB	BB
Outlook:	Negative	Negative
Short-term issuer credit rating:	N4	N4

**Figure 1. NP3 rating scorecard**

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

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating
Publication date:	The rating was first published on 27 Nov. 2020.
Office responsible for the credit rating:	Nordic Credit Rating AS (NCR), Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009.
Primary analyst:	Yun Zhou, +46732324378, <a href="mailto:yun.zhou@nordiccreditrating.com">yun.zhou@nordiccreditrating.com</a>
Rating committee chairperson responsible for approval of the credit rating:	Elisabeth Adebäck, +46700442775, <a href="mailto:elisabeth.adeback@nordiccreditrating.com">elisabeth.adeback@nordiccreditrating.com</a>
Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	<p><a href="#">NCR's Corporate Rating Methodology published on 8 May 2023</a>  <a href="#">NCR's Rating Principles published on 24 May 2022</a>  <a href="#">NCR's Group and Government Support Rating Methodology published on 18 Feb. 2022</a></p> <p>The methodology and principles documents provide analytical guidance to NCR's rating activities including but not limited to, assumptions, parameters, cash flow analysis, and stress-testing. NCR's methodologies and principles can be found on our website <a href="https://nordiccreditrating.com/governance/policies">nordiccreditrating.com/governance/policies</a>.  The historical default rates of entities and securities rated by NCR will be viewed on <a href="#">the central platform (CEREP) of the European Securities and Markets Authority (ESMA)</a>.</p>
Materials used when determining the credit rating:	Annual- and quarterly reports of the rated entity, Bond prospectuses, Company presentations, Data provided by external data providers, External market reports, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity.
Potential conflicts of interest:	The rating is NCR's independent opinion of the rated entity's relative creditworthiness. The rating is solicited, i.e. it is prepared for a fee paid by the rated entity. At the time of analysis and publication neither NCR nor any of the analysts or persons involved in the rating process held any interest, ownership interest or securities in the rated entity. NCR does not have any direct or indirect shareholder with a holding of more than 5% of NCR's shares and votes. For further information, please refer to NCR's conflict of interest policy which is available on: <a href="https://nordiccreditrating.com/governance/policies">https://nordiccreditrating.com/governance/policies</a>
Additional information:	Prior to publication, the rating was disclosed to the rated entity. The issuer was given 24 hours (of which 8 business hours) to remark on factual errors and/or the inadvertent inclusion of confidential information, if applicable. The rating was not amended after the review by the issuer. No stress test was performed. Standard cash flow forecasting was performed. NCR's rating is an opinion regarding the relative creditworthiness of an entity or an instrument. It is not a prediction, guarantee or recommendation to buy, hold or sell securities. NCR assigns outlooks to issuer ratings to indicate where they could move in the near term, normally 12–18 months. Further information on the rating process, rating definitions and limitations is available on our website: <a href="https://nordiccreditrating.com/governance/policies">nordiccreditrating.com/governance/policies</a> .
Ancillary services provided:	No ancillary services were provided.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
Legal exemption from liability:	Disclaimer © 2023 Nordic Credit Rating AS (NCR, the agency). All rights reserved. All information and data used by NCR in its analytical activities come from sources the agency considers accurate and reliable. All material relating to NCR's analytical activities is provided on an "as is" basis. The agency does not conduct audits or similar warranty validations of any information used in its analytical activities and related material. NCR advises all users of its services to carry out individual assessments for their own specific use or purpose when using any information or material provided by the agency. Analytical material provided by NCR constitutes only an opinion on relative credit risk and does not address other forms of risk such as volatility or market risk and should not be considered to contain facts of any kind for the purpose of assessing an issuer's or an issue's historical, current or future performance. Analytical material provided by NCR may include certain forward-looking statements relating to the business, financial performance and results of an entity and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words "believes", "expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets", and similar expressions. Forward-looking statements contained in any analytical material provided by NCR, including assumptions, opinions and views either of the agency or cited from third-party sources are solely opinions and forecasts which are subject to risk, uncertainty and other factors that could cause actual events to differ materially from anticipated events. NCR and its personnel and any related third parties provide no assurance that the assumptions underlying any statements in analytical material provided by the agency are free from error, nor are they liable to any party, either directly or indirectly, for any damages, losses or similar, arising from use of NCR's analytical material or the agency's analytical activities. No representation or warranty (express or implied) is made as to, and no reliance should be placed upon, any information, including projections, estimates, targets and opinions, contained in any analytical material provided by NCR, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained in any analytical material provided by the agency. Users of analytical material provided by NCR are solely responsible for making their own assessment of the market and the market position of any relevant entity, conducting their own investigations and analysis, and forming their own view of the future performance of any relevant entity's business and current and future financial situation. NCR is independent of any third party, and any information and/or material resulting from the agency's analytical activities should not be considered as marketing or a recommendation to buy, sell, or hold any financial instruments or similar. Relating to NCR's analytical activities, historical development and past performance does not safeguard or guarantee any future results or outcome. All information herein is the sole property of NCR and is protected by copyright and applicable laws. The information herein, and any other information provided by NCR, may not be reproduced, copied, stored, sold, or distributed without NCR's written permission.

**NORDIC CREDIT RATING AS**

[nordiccreditrating.com](https://nordiccreditrating.com)