

NP3 Fastigheter AB (publ)

Rating Action Report

LONG-TERM RATING

BB

OUTLOOK

Stable

SHORT-TERM RATING

N4

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NP3 Fastigheter AB (publ) outlook revised to stable; 'BB' long-term issuer rating affirmed

Nordic Credit Rating (NCR) said today that it had revised its outlook on Sweden-based property manager [NP3 Fastigheter AB \(publ\)](#) to stable from negative. At the same time, we affirmed our 'BB' long-term and 'N4' short-term issuer ratings on the company.

Rating rationale

The outlook revision reflects our expectation that the company's net interest coverage is likely to improve towards 2.5x over our forecast period through 2026. We also expect that NP3 will continue to grow through acquisitions, while maintaining net loan to value at 56–57%, which is lower than historical levels. The company focuses on high cash flow generating commercial properties, supporting its cash flow metrics through organic deleveraging.

Our long-term issuer rating reflects NP3's leveraged balance sheet, modest size and 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 the company's high cash flow generating property portfolio and its strong positions in its main markets. We also take a positive view on the company's long lease terms, combined with its highly diverse revenue streams, where the 10 largest tenants account for only 11% of its rental income.

Stable outlook

The outlook is stable, reflecting our expectation that NP3's net interest coverage will remain well above 2.2x while the company targets continued growth through acquisitions. We also expect the company to maintain its focus on high cash flow generating commercial properties in northern and central Sweden, supporting cash flow metrics. We anticipate leverage lower than historical levels and believe that the company will maintain its net loan to value around 56% despite its growth focus.

We could raise the rating to reflect the company's improved credit metrics, with adjusted loan to value (LTV) below 55% and net interest coverage above 3x over a protracted period and continued proactive refinancing and liquidity management.

We could lower the rating to reflect NP3's weakened credit metrics, with net interest coverage below 2.2x and net LTV approaching 65% over a protracted period, or deteriorating market fundamentals, negatively affecting occupancy and profitability.

Rating list

Long-term issuer credit rating:
Outlook:
Short-term issuer credit rating:

To	From
BB	BB
Stable	Negative
N4	N4

Figure 1. NP3 rating scorecard

Subfactors	Impact	To	From
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+
Business risk assessment	50.0%	bb+	bb+
Ratio analysis		bb-	bb-
Risk appetite		b+	b+
Financial risk assessment	50.0%	b+	b+
Indicative credit assessment		bb	bb
Liquidity		Adequate	Adequate
ESG		Adequate	Adequate
Peer calibration		Neutral	Neutral
Stand-alone credit assessment		bb	bb
Support analysis		Neutral	Neutral
Issuer rating		BB	BB
Outlook		Stable	Negative
Short-term rating		N4	N4

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.
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Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	NCR's Corporate Rating Methodology published on 8 May 2023 NCR's Rating Principles published on 14 Feb. 2024 NCR's Group and Government Support Rating Methodology published on 14 Feb. 2024 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 nordiccreditrating.com/governance/policies . The historical default rates of entities and securities rated by NCR will be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA) .
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: https://nordiccreditrating.com/governance/policies
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: nordiccreditrating.com/governance/policies .
Ancillary services provided:	No ancillary services were provided.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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