

Nya Svensk FastighetsFinansiering

Industry (GICS): Real Estate Management & Development
Sector (Nordea): Construction and Real Estate

BBB
Stable

Key info

Country	Sweden
Bloomberg debt	NYSVFI Corp
Bloomberg equity	1237682D SS
Moody's	NR/---
S&P	NR/---
Market cap. (bn)	n.a.

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Safeguarding asset quality

We reaffirm our BBB issue rating on the senior secured notes issued by NSFF following a planned bond issue in May 2016. The rating of the notes is based on our view of NSFF as having a bbb- anchor, reflecting moderately supportive portfolio restrictions, with a one notch uplift for the notes reflecting strong asset protection and adequate geographical composition. The outlook on NSFF's issue rating is currently Stable, reflecting our expectation that the credit quality of the pool will not weaken down to the minimum allowed levels as stipulated by the portfolio restrictions.

Moderately supportive portfolio restrictions

Our bbb- anchor on NSFF reflects the weighted credit profile of its originators with the addition of structural credit enhancement through portfolio restrictions and liquidity and covenant provisions. As properties in the pool are exchangeable, restrictions – including limitations on property type, geographical market, vacancies and lease maturity – have been put in place to safeguard the asset quality of the pool. These enhancements are, in our view, likely to provide a substantial (~80%) recovery in the property pool in the event of default.

Additional enhancement through covenants and minimum cash

Our bbb- anchor on NSFF is further underpinned by covenant restrictions on the equity ratio as well as on loan to value levels, which vary according to property type. Moreover, a minimum 4.75% cash reserve requirement in NSFF – with a gradual step-up linked to Stibor – provides a liquidity bridge should NSFF need to monetise properties in the pool in an environment with distressed property values.

Stable outlook based on asset protection and geography

We assign a Stable outlook to NSFF's issue rating. In monitoring this, we specifically look at the composition of the pool in terms of geography and property type, as well as the robustness of the security package. Should the credit quality of the pool weaken to reach the minimum allowed levels – in terms of either collateral protection, geography and/or property type – we might lower the issue rating on the notes to the level of the anchor, BBB-.

Key credit metrics and ratios (adjusted numbers)

SEKm	2009	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E
EBITDA	0	0	0	0	0	0	-4	-4	-4	-4
- margin	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBIT	0	0	0	0	0	0	-4	-4	-4	-4
- margin	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Shareholders' equity	0	0	0	0	0	0	392	391	389	388
Debt	0	0	0	0	0	0	3,396	3,396	3,396	3,396
Debt/(Debt+Equity)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.9	0.9	0.9	0.9
FFO/Debt	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-0.1%	0.0%	0.0%	0.0%
FOCF/Debt	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-110.3%	-0.1%	-0.1%	-0.1%
DCF/Debt	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-110.3%	-0.1%	-0.1%	-0.1%
EBITDA interest coverage	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-0.3	-0.3	-0.3	-0.3
Debt/EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
ROC	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.a.	n.a.	n.a.	n.a.

Source: Company data and Nordea Markets

Credit profile

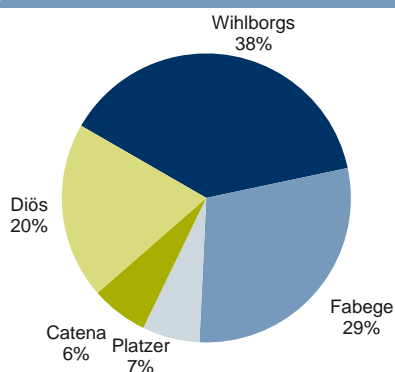
We affirm our BBB issue rating on the senior secured notes issued by Nya Svensk FastighetsFinansiering (“NSFF”) following a planned bond issue in May 2016 backed by properties in Diös and Catena. The rating of the notes is based on our view of NSFF as having a bbb- anchor, reflecting moderately supportive portfolio restrictions, with a one notch uplift for the notes reflecting strong asset protection and adequate geographical composition. We have assigned a Stable outlook to NSFF’s issue rating. Should the credit quality of the pool weaken to reach the minimum allowed levels – either in terms of collateral protection, geography and/or property type – we might lower the rating of the notes to the level of the anchor, BBB-.

Strong asset protection and adequate regional composition

We affirm our BBB issue rating on the senior secured notes issued by Nya Svensk FastighetsFinansiering (“NSFF”) following a planned bond issue in May 2016 backed by properties in Diös and Catena. The rating of the notes is based on our view of NSFF as having a bbb- anchor, reflecting moderately supportive portfolio restrictions, with a one notch uplift for the notes reflecting strong asset protection. This includes a backing of 94% mortgage certificates as well as share pledges in the relevant PropCos amounting to SEK 295m as of 31 May, 2016, and pro-forma the planned bond issue backed by properties in Diös and Catena.

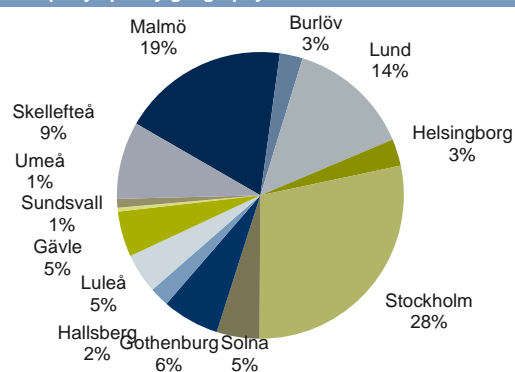
The rating of the notes is underpinned by sound geographical exposure – as manifested by the properties provided by Fabege, Platzer and Wihlborgs – although we note that this has weakened over time given the participation of Diös and to a limited extent also Catena in the pool. Pro-forma the planned bond issue, the Stockholm region, Malmö region and Gothenburg accounted for 78% of the pool, respectively, as at 31 May, 2016.

NSFF: Originators' share of issuance*



Source: Company data and Nordea Markets *As of 31 May, 2016, and pro-forma a planned bond issue in May 2016

NSFF: Property split by geography*



Source: Company data and Nordea Markets *As of 31 May, 2016, and pro-forma a planned bond issue in May 2016

Credit enhancement through restrictions and covenants

Our bbb- anchor on NSFF reflects the weighted credit profile of its originators (Sweden-based real estate companies Catena, Diös, Fabege, Platzer and Wihlborgs), which in our view is BB, adding structural credit enhancement provided by portfolio restrictions as well as liquidity and covenant provisions. As properties in the pool are exchangeable, restrictions, including limitations on property type, geographical market, vacancies and lease maturity, have been put in place to safeguard the asset quality of the pool. These enhancements in our view are likely to produce a substantial (~80%) recovery in the event of default (see "Asset protection, covenants and stress test").

The bbb- anchor is further underpinned by covenant restrictions on equity

ratio as well as loan-to-value (LTV) levels, which vary according to property type. Moreover, a 4.75% minimum cash reserve requirement in NSFF – with a gradual step-up linked to Stibor – provides a liquidity bridge in the event that NSFF needed to monetise properties in the pool.

We continue to see a strong link between NSFF and its originators, and also assume a relatively high correlation in credit quality and default dependency between originators, given their shared underlying exposure to macro-economic and industry trends and risks.

Stable outlook based on asset protection and regions

We assign a Stable outlook to NSFF's issue rating. In monitoring this, we specifically look at the composition of the pool in terms of geography and property type, as well as the robustness of the security package (such as the use of "*springing lien*") provided at any given point in time.

Should the credit quality of the pool weaken to reach the minimum allowed levels – either in terms of collateral protection, geography and/or property type – we might lower the issue rating of the notes to the level of the anchor, BBB-. Specifically, we expect that issuance backed by Diös should not exceed 20% of the pool for an extended time period, otherwise it could weaken the geographical composition of the pool.

Business description and structural considerations

The key function of NSFF is to raise capital externally through the issuance of senior bonds that are secured with first-priority mortgages in pledged properties and/or PropCo shares. NSFF's portfolio restrictions, including limitations on respective property type, are moderately supportive, as they allow some variation in the pool's credit quality over time, ultimately depending on the composition of the originators and their respective contributed property holdings in terms of region, asset quality and collateral.

A broadened shareholder base

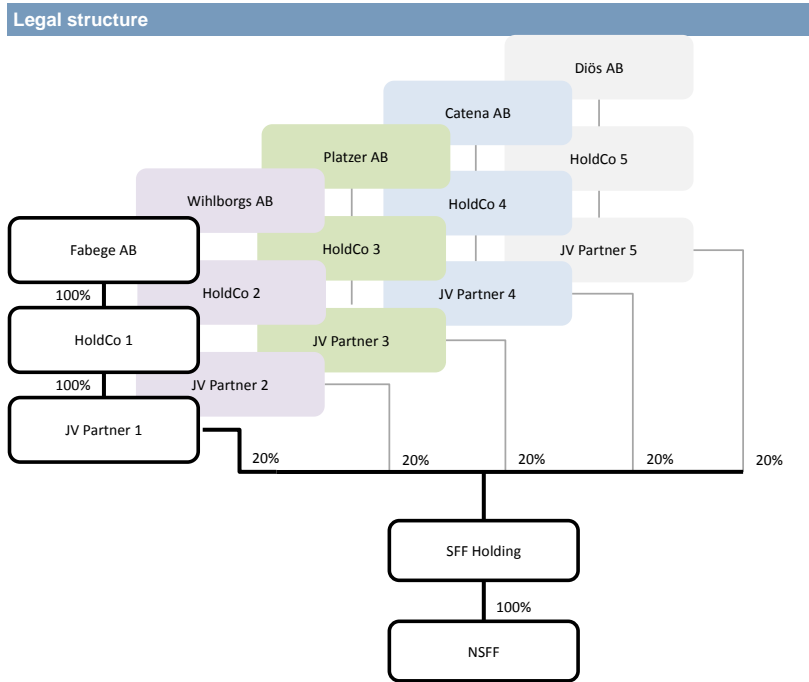
Fabege, Wihlborgs, Catena, Diös and Platzer each hold 20% in NSFF. We are positive towards a broad ownership and increased shareholder diversity. All current sponsors are listed on Nasdaq OMX. The combined market capitalisation of NSFF's shareholders was about SEK 48bn as of 31 March, 2016, with a property market value of about SEK 102.5bn as of the same date. Property segments include offices, residential, retail, industry and logistics. Geographical coverage includes Stockholm, Gothenburg and Öresund, as well as a number of regional city areas in the middle and northern parts of Sweden (for details of NSFF's shareholders, please refer to Appendix 1).

In our view, the weighted average credit quality at the shareholder level is BB.

- In the absence of any formal research coverage, we assess Catena, Diös and Platzer as being in the low BB category and Fabege as being in the low BBB category. Our Nordea issuer shadow rating on Wihlborgs remains at BBB-.
- Generally, the composition of property portfolios and geographical exposure differ between the sponsors. We note that the sponsors' financial profiles are segmented, with LTV in Catena and Diös ranging between 60% and 65%, and Fabege, Wihlborgs and Platzer in the range of 55-60%. In this context, we note Fabege's more conservative LTV target of maximum 55% as a supportive factor.
- We assume a continued strong default correlation between originators, given the respective companies' strong affiliations to the Paulsson sphere and their similarities in terms of industry risk and underlying drivers for operating performance. These risks are only partly mitigated by the geographical diversification between the companies.

Legal and funding structure

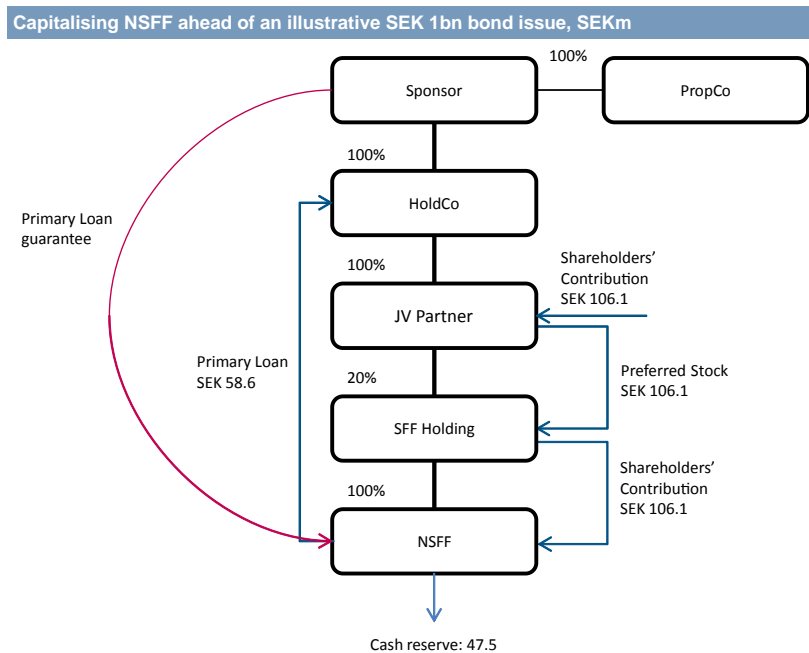
The originators have indirect ownership in NSFF Holding AB, an SPV which is the 100% owner of the issuing entity, NSFF AB. The intermediate layers in the structure (holding companies and joint ventures) have been established to comply with laws and regulations around lending within a group.



Source: Company data and Nordea Markets

NSFF was initially capitalised by SEK 5m in common stock. Ahead of a new bond issue, additional equity-like capital is contributed to NSFF through the issuance of preferred stock by NSFF Holding, in order for NSFF to comply with its 10% minimum equity ratio covenant at all times.

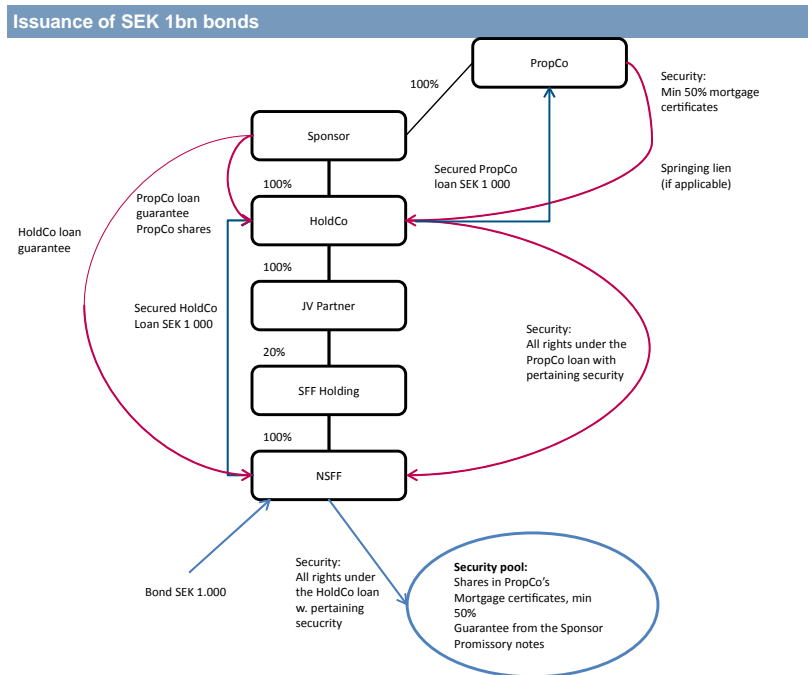
The preferred stock issued by SFF Holding is acquired by each of the JVs and each of the shareholders will subsequently stream down the corresponding proceeds through the respective HoldCo (see chart below).



Source: Company data and Nordea Markets

The issuance of senior secured bonds by NSFF will be made according to the following steps:

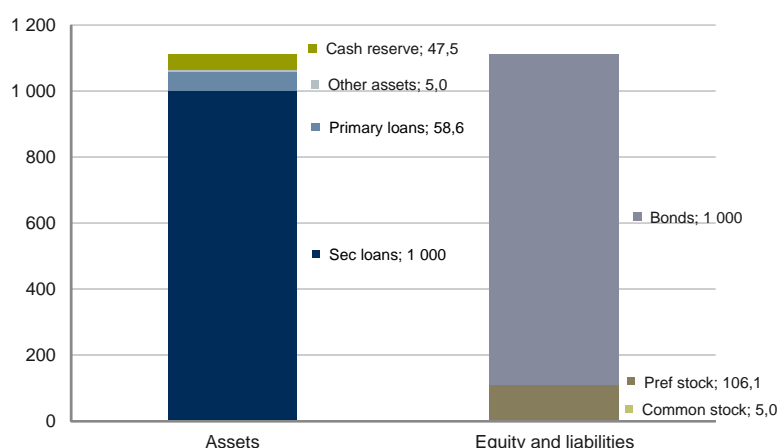
- NSFF issues senior secured bonds
- The proceeds are on-lent as a secured loan to the relevant HoldCo
- The HoldCo extends a secured loan to the relevant PropCo
- Sponsor issues guarantee in favour of the HoldCo for the PropCo loan
- Sponsor pledges 100% of the shares in the PropCo to the HoldCo
- Sponsor issues a guarantee in favour of NSFF for the HoldCo loan
- PropCo pledges mortgage certificates covering a minimum of 50% of the PropCo loan to the HoldCo
- PropCo signs application for mortgage certificates (“*pantbrevsansökningar*”) covering the remaining PropCo loan and submits them to the Security Agent
- HoldCo pledges the promissory notes (the PropCo loan), the mortgage certificates and the shares in the PropCo to NSFF
- NSFF pledges the HoldCo loan, the PropCo loan, the HoldCo loan guarantee, the mortgage certificates and the promissory notes to the Security Agent to form the security pool.



Source: Company data and Nordea Markets

At 10%, we note that the capitalisation of NSFF is relatively weak. We assign less analytical importance to NSFF’s capitalisation, however, as all borrowings are ultimately on-lent back to back with NSFF’s shareholders, thereby eliminating any mark-to-market risks at the NSFF level.

NSFF balance sheet assuming SEK 1bn bond issue, SEKm



Source: Company data and Nordea Markets

Portfolio restrictions put in place to safeguard asset quality

As properties in the pool are exchangeable, restrictions have been put in place to safeguard the quality of properties. Some of the most important features include:

- Properties must be located within the core markets of the respective originator
- No cross-collateralisation of properties allowed; properties cannot be pledged for other obligations
- Restrictions on the total collateral provided in the pool with respect to property type/region
- Restrictions on vacancy levels according to property type
- No more than 20% of rental income originating from a specific property within the pool should come from one of NSFF's shareholders
- Strict maximum allowed loan-to-value (LTV) for respective property/property type (ranging from 60% to 72%); minimum weighted average lease maturity (WALE) requirements
- Full property valuation to be carried out annually by authorised valuation firm. In addition, an external desk-top valuation is performed annually, in addition to two internal valuations.

Moderately supportive portfolio restrictions

We view the portfolio restrictions in NSFF as being moderately supportive, allowing a certain geographical concentration, with a minimum 65% of office properties to be located in Stockholm *and/or* Gothenburg *and/or* Öresund. They also allow exposure to less liquid, secondary property markets, including cities in the middle and north of Sweden, which may reach a maximum of 35% of the market value of the pool.

Other key restrictions include:

- Minimum 75% of outstanding loans to be held in offices
- A 20% maximum allowed share of logistics properties
- No borrower may account for more than 50% of outstanding secured loans.

Asset protection, covenants and stress test

We view NSFF's collateral protection as moderately supportive, reflecting the minimum 50% requirement of pledged mortgage certificates backing bond issuance, with the remainder taken out as a "springing lien" mortgage at specified trigger LTV levels. Moreover, the originators are allowed to post property companies' (PropCo) shares as collateral. The cash reserve requirement of a minimum 4.75% (which we consider to be somewhat low) is partly mitigated by a gradual step-up in the cash reserve linked to Stibor. Our harsh stress test models a default of two of the weaker originators, with NSFF producing a substantial expected recovery at ~80%.

High share of mortgage certificates expected as collateral

NSFF allows a minimum of 50% in mortgage certificates to be taken out as collateral in the pool, with the remainder taken out as a "springing lien" mortgage at specified trigger LTV levels (ranging between 70% and 75%, depending on property type). In practice, however, we expect NSFF to operate with a much higher share of mortgage certificates as collateral in the pool.

In addition, shareholders are able to post security in the form of PropCo shares, which allows them to comply with the lower 4.75% liquidity requirement (in contrast to posting 100% mortgage certificates as security, which requires a 5.75% minimum cash reserve).

Property restrictions						
Tax code	Property type	Max initial LTV	"Trigger-LTV"	Max LTV	Min. initial WALE	Max. initial vacancy
320	Mainly residential	72%	75%	77%	--	10%
321	Mixed, commercial and residential	67%	75%	77%	24	10%
322	Hotel and restaurants	60%	70%	72%	30	5%
325, 326	Mainly commercial	67%	75%	77%	24	10%
420, 423, 426, 431, 432	Industrial, storage	60%	70%	72%	24	5%
820	Distribution	65%	75%	77%	24	5%
823, 825, 826, 829	Education, care	70%	75%	77%	24	10%

Source: Company data and Nordea Markets

We assess little, or even no, collateral value to "springing lien", arguing that an originator in distress may not necessarily be incentivised to put bondholders first in line in the process of securing the remaining mortgage in the property. Moreover, mortgage certificates that are taken out under "springing lien" short before default by an originator may be contested in court by its creditors ("*Sent ställd pant*" in Swedish), thereby eroding the value of the springing lien.

At the same time, we believe that NSFF and its shareholders have a strong incentive to avoid breaching the "trigger-LTV" levels and take out remaining mortgage headroom under "springing lien", especially as there is no remedy period offered in connection with such a breach.

We also note that costs for taking out "springing lien" may not be honoured by an originator potentially in distress and these charges would eventually be paid by NSFF, which may lead to a rapid erosion of its cash reserve. In this context, we note that failure to pay by NSFF for taking out mortgages would constitute a default.

NSFF has a negative pledge that acts as a reinforcement for the "springing

lien" structure. However, in a stress scenario we still view this feature as being a remedy with limitations compared with a pledge based on 100% mortgage certificates.

Financial covenants and liquidity provisions

NSFF must maintain a minimum cash reserve of 4.75% of total outstanding bonds. In practice, the cash reserve is likely to be slightly higher because of a mixture of collateral (containing both mortgage certificates and PropCo shares) that carries different cash reserve requirements. A share pledge in a PropCo carries a lower cash requirement as it would likely require less time and effort to monetise in a hypothetical enforcement scenario compared with the enforcement of property pledged with 100% mortgage certificates.

If a PropCo were to choose to take out 100% in mortgage certificates as an alternative to share pledges (such as in the case of Diös, which has fewer of its properties in the form of single ownership PropCos), no shares would be pledged and the cash reserve would instead increase to 5.75%. In our view, this will only be a partly offsetting factor though, as NSFF allows shares in limited partnerships (*Kommanditbolags- och handelsbolagsandelar* in Swedish) to qualify as collateral, which we view as weaker than a pledge in common stock in a limited company.

The purpose of the cash reserve is to bridge any liquidity gap that may arise from the point of default of one or several originators up to the monetising of the pledged property related to the defaulted originator(s), which may be time-consuming in a situation of distress.

The cash may be held in bank accounts and invested in Swedish covered bonds, government bonds, municipal bonds and certificates (AA-) and Kommuninvest benchmark bonds. In our view, the cash requirement in NSFF is relatively weaker than the provisions in its predecessor, SFF, but somewhat mitigated by a gradual increase in the cash reserve tied to Stibor levels (+1 pp at Stibor >300 bp, +2 pp at Stibor > 600 bp and +3 pp at Stibor > 900 bp).

The default LTV in the new structure is set at 77% except for hotel and industrial/storage properties, which have a default LTV of 72%. These levels imply more stretched debt leverage in the pool than for its predecessor. Springing liens signed by the originators will be sent off by the security agent at an LTV level of 70-75% (depending on property type) for taking out remaining mortgage certificates.

Harsh stress test still producing meaningful recovery

We apply conservative assumptions in our stress test of NSFF, assuming a hypothetical default of two out of five originators. In our modelled path to default, we assume the following:

- A hypothetical default of NSFF in Q1 (with LTV exceeding 77%).
- A severe economic downturn; including stress in the Swedish banking system with Stibor reaching about 600 bp.
- Falling property values, especially in secondary locations where transaction market liquidity rapidly dries up, as banks do not provide any financing.
- NSFF has utilised the full amount under the SEK 8bn MTN programme. We also assume 100% of the bonds to be a floating rate at an average spread of Stibor + 175 bp.

- The security agent will have realised the respective pledged properties of the two defaulting originators in Q6.
- A haircut of 35% to the market value will apply to the realised properties, based on the assumption that the default LTV will be triggered at 77% as early as in Q1, reflecting the downturn in the Swedish economy.

Stress test									
SEKm	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	
Interest income	155	93	93	93	93	93	93	93	
SG&A	-0,8	-0,8	-0,8	-0,8	-0,8	-0,8	-0,8	-0,8	
Mortgage fee/springing lien	0	-40	0	0	0	0	0	0	
Interest expense, issued MTN bonds	-155	-155	-155	-155	-155	-155	-62	-62	
Interest income Primary Loans	1,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6	
Interest income cash reserve	0	0	0	5,4	0	0	0	0	
Paid tax	0	0	0	0	0	0	0	0	
Cash flow from operations	0,6	-102	-62	-57	-62	-62	31	31	
Proceeds from realization of security due to default	0	0	0	0	0	2 701	0	0	
Debt redemption/issuance	0	0	0	0	0	-3 200	0	0	
Dividends/capital contribution	0	0	0	0	0	0	0	0	
Cash flow from Credit Event items and financing	0	0	0	0	0	-499	0	0	
Net cash flow	0,6	-102	-62	-57	-62	-561	31	31	
Cash & equivalents, opening balance	540	541	438	376	320	257	-304	-273	
Cash & equivalents, closing balance	541	438	376	320	257	-304	-273	-242	
Total recovery at NSFF default (expected in Q6)							81%		

Source: Company data and Nordea Markets

Given the above assumptions, the cash reserve of 4.75% will be sufficient to cover debt service up to the point of realising the assets, suggesting a substantial (~80%) recovery upon disposal of properties in the pool. However, in connection with the stress test we also note the following;

- Should one or several originators default, NSFF's board of directors will seek in the first place to divest the pledged properties related to the defaulted originators, and if this is not sufficient, then with other properties from the pool. Note that this will not automatically constitute a default in NSFF as long as the maximum LTV is not breached.
- Springing lien and the resulting mortgage fees are likely to consume part of NSFF's cash reserve (2% on assumed 25% in mortgage certificates), leading to a cash claim on NSFF as early as in Q2 (as applied in our model), thereby impairing its ability to pay timely interest to bondholders during the process of property disposal.

Appendix: Description of originators

Catena (Nordea: no shadow rating)

With no formal research coverage on Catena, we assess the company's shadow rating to be in the low BB category. Catena focuses on management and project development of logistics and industrial properties in the greater city areas of Stockholm, Gothenburg, Jönköping, Malmö and Helsingborg.

Following the merger with logistics company Tribona in 2016, Catena doubled its property value from SEK 5bn to SEK 10bn, gaining a firm foothold within the retail food sector, with tenants including ICA and Netto.

We assess Catena's financial profile as Aggressive

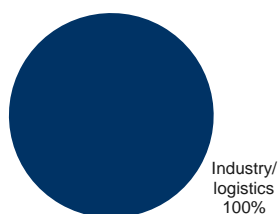
We assess Catena's financial profile as *Aggressive*, with a reported LTV of 64% in Q1 2016. The equity ratio stood at 28.4% (below the company's 30% minimum target), while interest coverage was 2.0x (exceeding the minimum 1.75x target).

Catena is listed on Nasdaq OMX Mid Cap. The largest shareholder is Backahill Kil AB, a holding company associated with Erik Paulsson and family.

Key financial metrics						
	2011	2012	2013	2014	2015	2016 Q1
Market value (SEKm)	n/a	3,382	4,722	5,751	5,340	10,132
Loan to value	n/a	60.9%	62.8%	60.1%	70.3%	64.4%
Equity ratio	n/a	21.4%	32.6%	32.4%	35.7%	28.4%
Interest coverage	n/a	4.0x	3.2x	3.1x	4.8x	2.0x

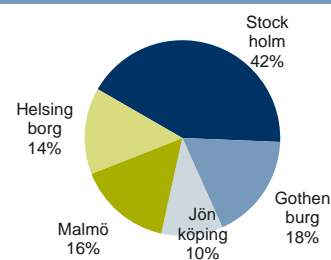
Source: Company data and Nordea Markets

Property type (Q1 2016)



Source: Company data and Nordea Markets

Geographical distribution (Q1 2016)



Source: Company data and Nordea Markets

Diös Fastigheter AB (Nordea: no shadow rating)

With no formal coverage on Diös, we assess the company's shadow rating to be in the low BB category. Our assessment is based on Diös's position as a medium-sized commercial property company, with a SEK 12.2bn market value in properties at year-end 2014. In terms of geography, Diös's property portfolio is focused on the northern part of Sweden, with an emphasis on Gävle, Sundsvall and Östersund.

Diös's property portfolio is relatively well diversified in terms of property types, including offices (41%), industrial/warehousing (21%), retail (20%) and residential (8%). We view Diös's 30% share of rent derived from public tenants favourably. These factors partly offset the company's focus on secondary locations outside the larger Swedish city regions.

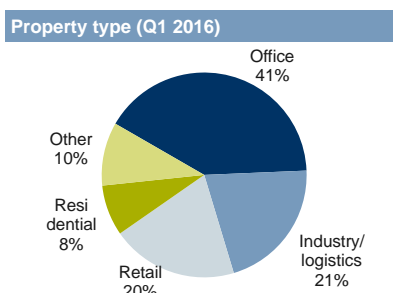
We assess Diös's financial risk profile as Aggressive

We assess Diös's financial risk profile as *Aggressive*, although debt leverage has declined in recent years to reach about 61%.

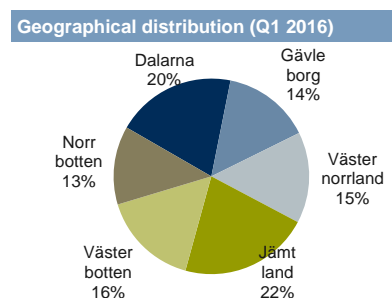
Diös was listed in 2006 and is on Nasdaq OMX Mid Cap. Backahill Inter AB, a company associated with the Paulsson family, is the second-largest shareholder, with 10.5% of capital as of 31 March, 2016.

Key financial metrics							
	2011	2012	2013	2014	2015	2016	Q1
Market value (SEKm)	11,562	11,878	11,823	12,200	13,381	13,001	
Loan to value	69.2%	66.4%	64.8%	62.9%	60.7%	61.4%	
Equity ratio	22.9%	25.3%	26.8%	27.3%	27.4%	29.0%	
Interest coverage	1.9x	2.0x	2.2x	2.5x	3.4x	3.1x	

Source: Company data and Nordea Markets



Source: Company data and Nordea Markets



Source: Company data and Nordea Markets

Fabege (Nordea: no shadow rating)

With no formal coverage on Fabege, we assess the company's shadow rating to be in the low BBB category. Fabege ranks as one of the larger listed Swedish property companies. With SEK 40.5bn in portfolio market value, it is focused on commercial properties (mainly offices) in four areas in the greater Stockholm area: Stockholm's inner city, Arenastaden, Solna Business Park and Hammarby Sjöstad. In addition, the company has significant project development activities, mainly comprising the development of Arenastaden.

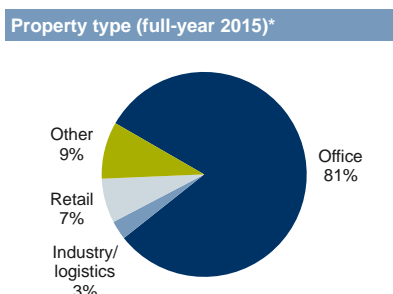
We assess Fabege's financial risk profile as being Significant

We assess Fabege's financial risk profile as being *Significant*, bordering on *Aggressive*, with debt leverage trending down to reach 48% as of 31 March, 2016.

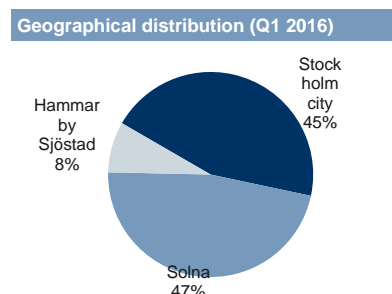
Fabege is listed on Nasdaq OMX, with Erik Paulsson and family as the largest shareholder, with 15.1% of the capital as of 31 March, 2016.

Key financial metrics							
	2011	2012	2013	2014	2015	2016	Q1
Market value (SEKm)	29,150	31,636	33,384	32,559	40,279	40,467	
Loan to value	58.0%	57.0%	57.0%	60.0%	52.0%	48.0%	
Equity ratio	39.0%	34.0%	35.0%	38.0%	39.0%	43.0%	
Interest coverage	2.2x	2.3x	2.0x	2.4x	2.1x	2.6x	

Source: Company data and Nordea Markets



Source: Company data and Nordea Markets
*Share of rental value



Source: Company data and Nordea Markets

Platzer Fastigheter AB (Nordea: no shadow rating)

With no formal coverage on Platzer, we assess the company's shadow rating to be in the low BB category. Platzer is a mid-sized real estate company with a portfolio valued at SEK 9.9bn in Q1 2016. The company's geographical focus is geared towards the greater Gothenburg area. Office properties accounted for the bulk of the portfolio, with the remainder consisting of industrial/warehousing properties and projects.

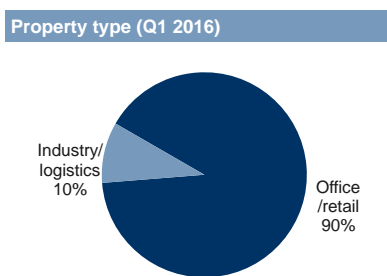
We assess Platzer's financial risk profile as being Aggressive

We assess Platzer's financial risk profile as being *Aggressive*, reflecting a loan-to-value ratio of 57% as of 31 March, 2016. The equity ratio and interest coverage stood at 35% and 2.9x, respectively, in the same period.

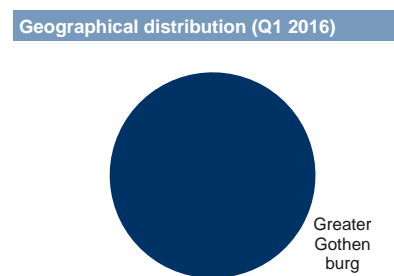
Following a new share issue and a subsequent public listing in 2013 on Nasdaq OMX Mid Cap, Platzer broadened its shareholder base. Backahill, which is associated with Erik Paulsson, is the third-largest shareholder, holding 5.2% of the capital and 18.1% of the votes, respectively.

Key financial metrics						
	2011	2012	2013	2014	2015	2016 Q1
Market value (SEKm)	4,504	6,091	6,913	8,343	9,784	9,924
Loan to value	65.0%	66.0%	65.0%	58.0%	58.0%	57.0%
Equity ratio	30.0%	29.0%	36.0%	35.0%	35.0%	35.0%
Interest coverage	1.8x	2.0x	2.1x	2.4x	3.0x	2.9x

Source: Company data and Nordea Markets



Source: Company data and Nordea Markets



Source: Company data and Nordea Markets

Wihlborgs (Nordea: BBB-/Stable)

With a property holding of SEK 29.3bn, Wihlborgs Fastigheter AB (Wihlborgs) ranks as one of the largest property companies in Sweden. Its property portfolio is focused on management and development of commercial properties in the Öresund region, including Malmö, Lund, Helsingborg and Copenhagen. The property portfolio comprises offices (73%, including a small share of retail) and logistics/warehousing and industry (23%) as of 31 March, 2016.

Wihlborgs' share was listed in 2005. The largest shareholder, with 10.1% of the shares, is Erik Paulsson.

Wihlborgs holds strong market positions in its key local property markets in the Swedish part of the Öresund region and the holdings are concentrated around a few areas in each city. Its properties in Copenhagen are concentrated in the western part of the greater city area.

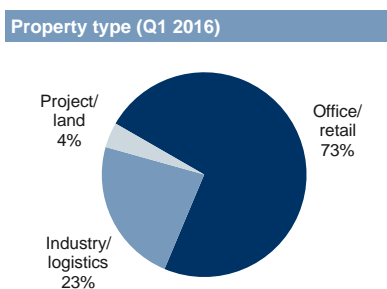
We view Wihlborgs' strong presence in its local markets and its closeness to tenants as supportive rating factors. In addition, its size and market position enable the company to retain existing clients that are seeking alternative locations. This partly helps to offset Wihlborgs' otherwise limited geographical diversity compared with peers including Castellum, Hufvudstaden and much-larger Vasakronan.

We view Wihlborgs' financial risk profile as Significant, bordering on Aggressive

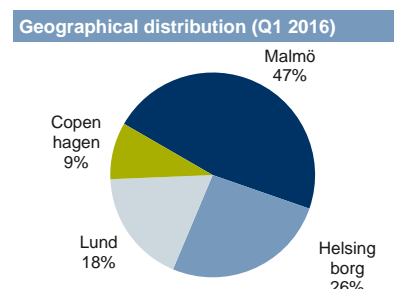
We view Wihlborgs' financial risk profile as *Significant*, bordering on *Aggressive*, mainly reflecting its maximum target loan-to-value level of 60%. Other financial targets include an equity ratio of minimum 30% and an interest coverage ratio of at least 2.0x.

Key financial metrics						
	2011	2012	2013	2014	2015	2016 Q1
Market value (SEKm)	18,046	19,876	22,584	24,299	28,623	29,296
Loan to value	58.1%	59.3%	60.8%	58.2%	56.8%	56.1%
Equity ratio	30.1%	30.0%	29.9%	28.2%	30.6%	30.5%
Interest coverage	1.9x	1.9x	2.0x	2.8x	3.2x	3.2x

Source: Company data and Nordea Markets



Source: Company data and Nordea Markets



Source: Company data and Nordea Markets

Reported numbers and forecasts

Income statement										
SEKm	2009	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E
Total revenue	0	0	0	0	0	0	0	0	0	0
- growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Gross profit	0	0	0	0	0	0	0	0	0	0
- margin	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA	0	0	0	0	0	0	-4	-4	-4	-4
- margin	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITA	0	0	0	0	0	0	-4	-4	-4	-4
- margin	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBIT	0	0	0	0	0	0	-4	-4	-4	-4
- margin	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Net finance	0	0	0	0	0	0	3	3	3	3
Pre-tax profit	0	0	0	0	0	0	-2	-2	-2	-2
Taxes	0	0	0	0	0	0	0	0	0	0
Net profit, continuing operations	0	0	0	0	0	0	-2	-1	-1	-1
Discontinued operations	0	0	0	0	0	0	0	0	0	0
Net profit to equity	0	0	0	0	0	0	-2	-1	-1	-1
EBITDA (credit adj)	0	0	0	0	0	0	-4	-4	-4	-4
EBIT (credit adj)	0	0	0	0	0	0	-4	-4	-4	-4
Interest expense (credit adj)	0	0	0	0	0	0	-15	-15	-15	-15

Source: Company data and Nordea Markets

Balance Sheet										
SEKm	2009	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E
Goodwill	0	0	0	0	0	0	0	0	0	0
Other intangibles	0	0	0	0	0	0	0	0	0	0
Tangible assets	0	0	0	0	0	0	3,738	3,738	3,738	3,738
Shares associates	0	0	0	0	0	0	0	0	0	0
Interest bearing assets	0	0	0	0	0	0	3,738	3,738	3,738	3,738
Deferred tax assets	0	0	0	0	0	0	n.a.	n.a.	n.a.	n.a.
Other non-interest bearing non-current assets	0	0	0	0	0	0	0	0	0	0
Other non-current assets	0	0	0	0	0	0	0	0	0	0
Non-current assets	0	0	0	0	0	0	3,738	3,738	3,738	3,738
Inventory	0	0	0	0	0	0	0	0	0	0
Accounts receivable	0	0	0	0	0	0	n.a.	n.a.	n.a.	n.a.
Other current assets	0	0	0	0	0	0	16	16	16	16
Cash and cash equivalents	0	0	0	0	0	0	176	176	176	176
Current assets	0	0	0	0	0	0	192	192	192	192
Assets held for sale	0	0	0	0	0	0	0	0	0	0
Total assets	0	0	0	0	0	0	3,931	3,931	3,931	3,931
Shareholders equity	0	0	0	0	0	0	392	391	389	388
Minority interest	0	0	0	0	0	0	0	0	0	0
Deferred tax	0	0	0	0	0	0	n.a.	n.a.	n.a.	n.a.
Convertible debt	0	0	0	0	0	0	0	0	0	0
Long term interest bearing debt	0	0	0	0	0	0	3,528	3,528	3,528	3,528
Non-current liabilities	0	0	0	0	0	0	n.a.	n.a.	n.a.	n.a.
Pension provisions	0	0	0	0	0	0	0	0	0	0
Other long-term provisions	0	0	0	0	0	0	0	2	3	4
Other long-term liabilities	0	0	0	0	0	0	0	0	0	0
Non-current liabilities	0	0	0	0	0	0	3,528	3,530	3,531	3,532
Short-term provisions	0	0	0	0	0	0	0	0	0	0
Accounts payable	0	0	0	0	0	0	0	0	0	0
Other current liabilities	0	0	0	0	0	0	10	10	10	10
Short term interest bearing debt	0	0	0	0	0	0	0	0	0	0
Current liabilities	0	0	0	0	0	0	10	10	10	10
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	0	0	0	0	0	0	3,931	3,931	3,931	3,930
Cash and cash eq (credit adj)	0	0	0	0	0	0	44	44	44	44
Total assets (credit adj)	0	0	0	0	0	0	3,798	3,798	3,798	3,798
Shareholders equity (credit adj)	0	0	0	0	0	0	392	391	389	388
Debt (credit adj)	0	0	0	0	0	0	3,396	3,396	3,396	3,396

Source: Company data and Nordea Markets

Cash flow statement										
SEKm	2009	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E
EBITDA	0	0	0	0	0	0	-4	-4	-4	-4
Adj due to change in group structure	0	0	0	0	0	0	0	0	0	0
Change in Provisions	0	0	0	0	0	0	0	0	0	0
Other non-cash adjustments	0	0	0	0	0	0	0	0	0	0
Net financials	0	0	0	0	0	0	3	3	3	3
Dividends received	0	0	0	0	0	0	0	0	0	0
Paid taxes	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Operating cash flow before NWC	0	0	0	0	0	0	-2	-2	-2	-2
Change in NWC	0	0	0	0	0	0	-5	0	0	0
Operating cash flow	0	0	0	0	0	0	-7	-2	-2	-2
CAPEX	0	0	0	0	0	0	-3,738	0	0	0
Free Operating cash flow	0	0	0	0	0	0	-3,746	-2	-2	-2
Dividends paid	0	0	0	0	0	0	0	0	0	0
Share issues / buybacks	0	0	0	0	0	0	0	0	0	0
Discretionary cash flow	0	0	0	0	0	0	-3,746	-2	-2	-2
Other investments / divestments	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0
Net change to group borrowing/repayments	0	0	0	0	0	0	3,528	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Change in cash	0	0	0	0	0	0	-218	-2	-2	-2
Adjusted metrics										
Funds from operations (FFO) (adj)	0	0	0	0	0	0	-2	-1	-1	-1
Operating cash flow (OCF) (adj)	0	0	0	0	0	0	-7	-2	-2	-2
Free operating cash flow (FOCF) (adj)	0	0	0	0	0	0	-3,746	-2	-2	-2
Discretionary cash flow (DCF) (adj)	0	0	0	0	0	0	-3,746	-2	-2	-2

Source: Company data and Nordea Markets

Key ratios										
Profitability	2009	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E
ROC	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.a.	n.a.	n.a.	n.a.
ROIC after tax	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.a.	n.a.	n.a.	n.a.
ROE after tax	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-1.0%	-0.4%	-0.4%	-0.4%
Debt & Interest coverage	2009	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E
FFO/Debt	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-0.1%	0.0%	0.0%	0.0%
FOCF/Debt	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-110.3%	-0.1%	-0.1%	-0.1%
DCF/Debt	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-110.3%	-0.1%	-0.1%	-0.1%
EBITDA interest coverage	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-0.3	-0.3	-0.3	-0.3
FFO cash interest coverage	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.1	0.1	0.1	0.1
Leverage	2009	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E
Debt/EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity ratio	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	10.0%	9.9%	9.9%	9.9%
Debt/(Debt+Equity)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.9	0.9	0.9	0.9
Capital expenditure	2009	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E
CAPEX/Depreciation and amortisation	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
CAPEX/Sales	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Working capital ratios	2009	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E
Inventory turnover (days)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Receivables turnover (days)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.a.	n.a.	n.a.	n.a.
Days sales outstanding (days)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Per share data	2009	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E
EPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EPS (adj.)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BVPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity valuation and yield	2009	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E
Market cap.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Enterprise value	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
P/E	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
P/BV	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EV/Sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend yield	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Payout ratio	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.0%	0.0%	0.0%	0.0%

Source: Company data and Nordea Markets

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Over the next three months, the fixed income instrument's total return is expected to exceed the total return of the relevant benchmark.

Market perform

Over the next three months, the fixed income instrument's total return is expected to be below the total return of the relevant benchmark.

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Over the next three months, the fixed income instrument's total return is expected to be below the total return of the relevant benchmark.

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Outperform	75	19%
Market perform	209	52%
Under perform	116	29%
Total	400	100%

As of 1 October 2015

Distribution of recommendations (transactions)*

Recommendation	Count	% Distribution
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Market perform	180	64%
Under perform	40	14%
Total	280	100%

As of 1 October 2015

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