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## Nya SFF

Corporate rating: **BBB/Stable**

**Public ratings**

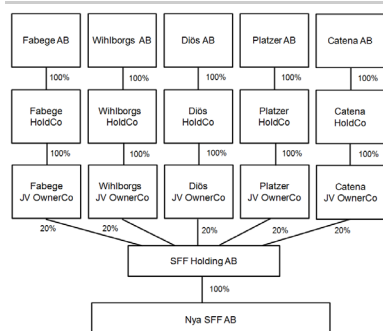
Moody's: N.R.

S&P: N.R.

Fitch: N.R.

Market cap (SEKm) Not listed

**Nya SFF, ownership structure**



Source: Nya SFF, SEB

## A BBB funding vehicle for its owners

- **Size and geographic diversity of the owner group offset high leverage**

Nya Svensk FastighetsFinansiering AB (Nya SFF) is a funding vehicle created to provide its owners with cost efficient funding by issuing secured debt through a SEK 8bn medium term note (MTN) programme. The five owners, Fabege, Wihlborgs, Diös, Platzer and Catena, are well known Swedish listed property companies within or closely related to the Paulsson family sphere. Due to the strong ownership relations and, to our understanding, strong incentive to support Nya SFF, we take the view that the owners could be seen as one group when assessing Nya SFF's creditworthiness. Supporting factors are the size of the 'group' with close to SEK 90bn of property assets combined, the leading positions in all major Swedish metropolitan areas, good geographical diversity, sound growth prospects and a broad shareholder and funding base. The main restricting factor is the relatively high leverage of the 'group' as well as of the individual owners, with loan-to-value (LTV) of around and above 60%. This is significantly higher than the 40-50% LTV reported by European BBB publicly rated property companies. Other offsetting factors include the exposure to Swedish office properties (70% of the total portfolio) which makes Nya SFF sensitive to a downturn in the Swedish economy.

- **Substantial recovery prospects from a highly restricted security pool**

The bonds are secured by a pool of property assets from the owners/lenders. To ensure the quality of the pool, various portfolio and covenant restrictions have been put in place, such as maximum LTV levels on the separate properties and geographical restrictions. The secured bonds are also backed by at least 50% mortgage certificates and share pledges in the relevant property owning company (PropCo) to cover the remaining part of the bond loan. The issuer, Nya SFF, also has liquidity requirements to be able to fulfil its obligation to investors ahead of a potential realisation of the assets in the pool, in the event of one or more of the owner/lenders defaulting. We believe that the solid structure should result in a substantial 80-90% recovery in the case of a default and restructuring. We see Nya SFF as a BBB issuer on the basis of the strong and diversified ownership group combined with the significant recovery prospects of the security pool.

- **Future secured issues will be rated BBB**

As of 30 June 2015, Nya SFF had issued SEK 2.8bn under the SEK 8bn programme. The value of the pool was SEK 4.5bn resulting in an LTV of 62%. We will rate future issues BBB.

**Analyst**

Michael Andersson  
 (46) 8 5062 3482  
 michael.x.andersson@seb.se

**Market value and LTV of property pool as of 30 June 2015**

Market value properties	4532
Outstanding bonds	2822
Loan to value	62%

The estimates in this research report have been produced in collaboration with SEB equity research analysts

Source: Company data, SEB

### Credit strengths

- Favourable fundamental conditions for real estate companies in Sweden.
- Relatively large size of group with properties valued at SEK 88bn.
- Good geographical diversification within Sweden.
- Broad funding base.
- All five owners are well known listed Swedish property companies.

### Credit concerns

- High leverage of the group and owners.
- Large exposure to cyclical office properties.
- Low diversification from an international perspective.
- High exposure to a downturn in the Swedish economy.
- Legal and structural risks attached to the SPV structure.

### Properties in the secured property pool as of 30 June 2015

Lende	Area	Property	Type code	Typ	Max allowed
Wihlborg	Malm	Väktare 3	325	Commercial/Office/Retail	67%
Wihlborg	Malm	Sankt Jörgen 2	325	Commercial/Office/Retail	67%
Wihlborg	Malm	Skrovet	325	Commercial/Office/Retail	67%
Wihlborg	Burölv	Sunnanå 1 :27	432	Industrial	60%
Wihlborg	Lund	Brytarebacken	325	Commercial/Office/Retail	67%
Wihlborg	Helsingbor	Svea	325	Commercial/Office/Retail	67%
Fabege	Stockhol	Getingen	325	Commercial/Office/Retail	67%
Fabege	Stockhol	Hägerm 7	325	Commercial/Office/Retail	67%
Fabege	Stockhol	Korhoppet	325	Commercial/Office/Retail	67%
Fabege	Solna	Uarda	325	Commercial/Office/Retail	67%
Catena	Hallsber	Terminalen	829	Communication	70%
Diös	Gävle	Norr 11:4	321	Residential/Commercial	67%
Diös	Gävle	Norr	325	Commercial/Office/Retail	67%
Diös	Gävle	Norr	325	Commercial/Office/Retail	67%
Diös	Gävle	Norr	325	Commercial/Office/Retail	67%
Diös	Sundsval	Rätte 1	321	Residential/Commercial	67%
Diös	Luleå	Braxen	325	Commercial/Office/Retail	67%
Diös	Luleå	Siken	325	Commercial/Office/Retail	67%
Diös	Luleå	Störe 1	325	Commercial/Office/Retail	67%
Diös	Umeå	Skarpskytten	321	Residential/Commercial	67%
Market value					4532
Outstanding					2822
Loan to					62%

Source: Nya SFF, SEB

### Nya SFF owners financial overview as of as of 30 June 2015

LTM	Property value (SEKm)	Loan to Value	Equity ratio	Interest coverage (x)
Fabege	36,361	56%	38%	2.2
Wihlborgs	25,142	58%	29%	3.
Diös	12,498	61%	27%	4.
Platzer	9,192	61%	33%	2.9
Catena	4,737	64%	38%	5.3

Source: Nya SFF, SEB

## A vehicle created for cost efficient funding

Nya Svensk FastighetsFinansiering AB (Nya SFF) is a funding vehicle created to provide its owners with cost efficient funding by issuing secured debt through a SEK 8bn medium term note (MTN) programme. Through the joint ownership of Nya SFF and pooling of property assets used to secure the bond issuances, in combination with a number of financial and portfolio covenants, the owners are seeking to reduce their funding cost rather than by issuing debt on a standalone basis.

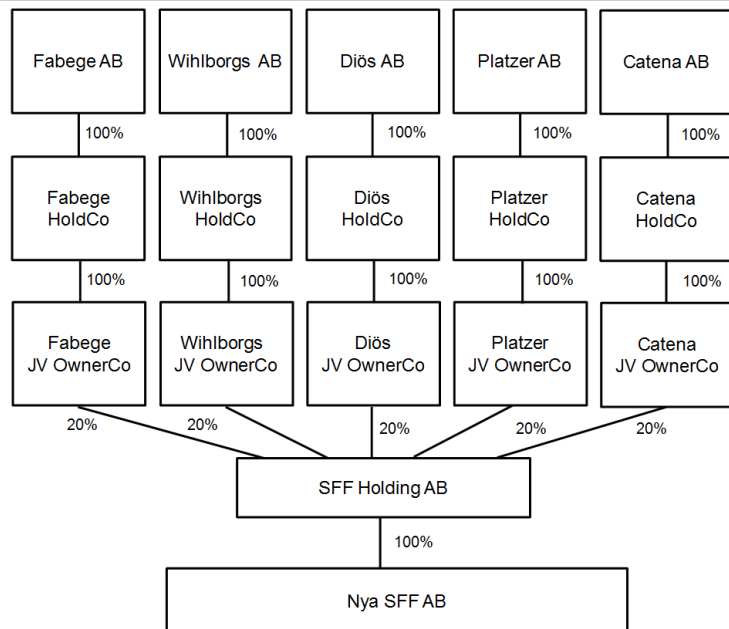
The five owners, Fabege, Wihlborgs, Diös, Platzer and Catena, are all Swedish listed property companies within or closely related to the Paulsson sphere. Erik Paulsson, with his family, is one of Sweden's better known industrialists and a major player within the Swedish property sector through the holding company Backahill. The five owner companies are among the leaders within office and logistics properties in the Stockholm, Gothenburg and Öresund regions and in northern Sweden. The combined market cap of the five owners is SEK 44bn and the market value of the properties is SEK 88bn.

The original SFF was created in 2011, jointly owned by Peab, Fabege, Brinova and Wihlborgs and issued several bonds through a SEK 5bn MTN programme. 'Old' SFF is gradually being phased out as the bonds mature. In recent years Erik Paulsson and family have sold their shares in the Swedish construction company Peab to, among others, Erik's brother Mats Paulsson and family, so as to concentrate on property management and development.

## Ownership structure

Nya SFF is indirectly owned through several layers of intermediate holding companies and joint ventures. The holding structure is designed in order to comply with laws and regulations around lending within a group.

### Ownership structure



Source: Nya SFF, SEB

## The lending process

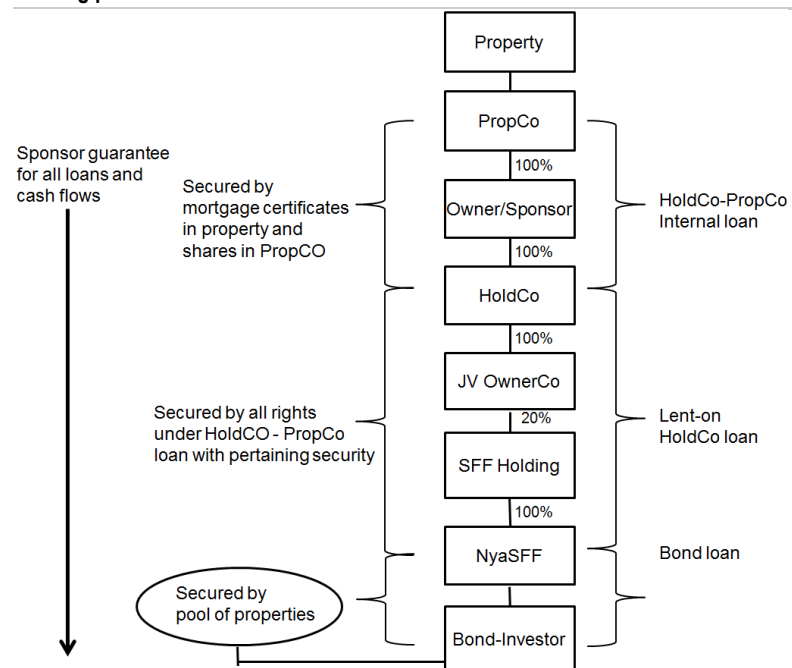
Nya SFF is established as a finance company for its owners. It could be seen as an internal bank for the owner group, in which the five owners are the only allowed lenders. When one of the owner companies needs new financing, Nya SFF issues a secured bond under the MTN programme. The proceeds are then loaned-on to the respective HoldCo which in its turn issues a secured loan to the property holding company (PropCo) that is 100% owned by the respective owner/lender.

The secured notes are thus ultimately secured by properties and/or shares in the respective PropCo, which are placed in pool of assets which is governed by several property and portfolio covenants and restrictions that are described below. The assets are ultimately pledged in favour of the MTN investor. All loans and cash flows in the lending process are guaranteed by respective owner/lender.

We have outlined the main steps in the bullet points and chart below:

- Prior to the issuance, SFF Holding (the immediate parent of Nya SFF) is capitalised through the issuance of preferences shares that are acquired by the relevant joint venture company. SFF Holding then makes a similar shareholder contribution to Nya SFF in order to fulfil the required minimum 10% equity ratio and liquidity requirement (see below).
- Nya SFF issues a secured bond under the MTN programme.
- The secured loan is extended to the relevant HoldCo.
- HoldCo extends the secured loan to the relevant PropCo.
- The PropCo pledges mortgage certificates covering of at least 50% of the loan. If less than a 100%, share in the relevant PropCo is pledged, an application for mortgage certificates for the remainder of the loan is taken out. These applications are triggered and taken out by the security agent at trigger LTV levels of 70-75% depending on the property type. Usually, share pledges in the PropCo are preferred as the process of realisation in a stress situation is usually much faster and cheaper than going through the realisation of mortgage certificates.
- The owner/lender guarantees all steps, cash flows and loans.

### Lending process



Source: Nya SFF, SEB

## Covenant and security package

In order to improve the credit quality of the structure and quality of the security package and property assets, Nya SFF has put in place several covenants and restrictions. This is both for the issuing company Nya SFF itself, as well as for the property pool on a portfolio basis and to the specific properties in the pool. Below we have outlined some of the main restrictions and covenants:

- Nya SFF needs to have a minimum equity ratio of 10% at all times.
- Nya SFF needs to have a minimum liquidity of 4.75% of total bonds outstanding, 5.75% if STIBOR is over 3%, 6.75% if STIBOR is over 6%, 7.75% if STIBOR is over 9%.
- No properties in the property pool can be pledged for any other obligation.
- No borrower may account for more than 50% of the outstanding secured loans.
- Properties must be located in the owner's respective core market.
- Loan to value (LTV) restrictions ranging from 60% to 72% depending on property type.
- Weighted average lease maturity (WALE) restrictions.
- At least 65% of the property pool needs to be located in the Stockholm, Gothenburg and Öresund/Malmö regions.
- Restrictions on property types.
- Rental origination and vacancy restrictions.

The properties in the pool are exchangeable and thus the credit quality can change over time as loans mature and new loans are taken up.

### Properties in the secured property pool as of 30 June 2015

Lender	Area	Property name	Type code	Type	Max allowed LTV (%)
Wihlborgs	Malmö	Väktaren 3	325	Commercial/Office/Retail	67
Wihlborgs	Malmö	Sankt Jörgen 21	325	Commercial/Office/Retail	67
Wihlborgs	Malmö	Skrovet 6	325	Commercial/Office/Retail	67
Wihlborgs	Burlöv	Sunnanå 12:27	432	Industrial warehouse	60
Wihlborgs	Lund	Brytarebacken 39	325	Commercial/Office/Retail	67
Wihlborgs	Helsingborg	Svea7	325	Commercial/Office/Retail	67
Fabege	Stockholm	Getingen 13	325	Commercial/Office/Retail	67
Fabege	Stockholm	Hägem Mindre 7	325	Commercial/Office/Retail	67
Fabege	Stockholm	Korphoppet 6	325	Commercial/Office/Retail	67
Fabege	Solna	Uarda 4	325	Commercial/Office/Retail	67
Catena	Hallsberg	Terminalen 1	829	Communication building	70
Diös	Gävle	Norr 11:4	321	Residential/Commercial	67
Diös	Gävle	Norr 16:5	325	Commercial/Office/Retail	67
Diös	Gävle	Norr 40:3	325	Commercial/Office/Retail	67
Diös	Gävle	Norr 23:5	325	Commercial/Office/Retail	67
Diös	Sundsvall	Rätten 1	321	Residential/Commercial	67
Diös	Luleå	Braxen 1	325	Commercial/Office/Retail	67
Diös	Luleå	Siken 7	325	Commercial/Office/Retail	67
Diös	Lulå	Stören 17	325	Commercial/Office/Retail	67
Diös	Umeå	Skarpskytten 3	321	Residential/Commercial	67

Source: Nya SFF, SEB

### Market value and LTV of property pool as of 30 June 2015

Current market value properties (SEKm)	4,532
Outstanding bonds (SEKm)	2,822
Loan to value (LTV) (%)	62

Source: Nya SFF, SEB

All covenants and property valuations are submitted and followed up by the Security Agent CorpNordic on a quarterly basis. Ahead of a new bond issue, the law firm Glimstedt writes a legal opinion.

## Owner description

### Fabege

Fabege is one of Sweden's largest listed property companies with a portfolio size of 1.1m sqm and a market value of SEK 36bn. Fabege's portfolio is focused on commercial properties in central Stockholm, mainly in the city centre and Solna (particularly the Solna Business Park and Arenastaden). The quality of the properties is generally high: of the listed Swedish property companies, Fabege has the third highest market value per square metre. Development properties comprise around 7% of the portfolio by value. Historically, Fabege has been involved in a large number of structural transactions, including the takeover of Tornet and the creation of Klöver.

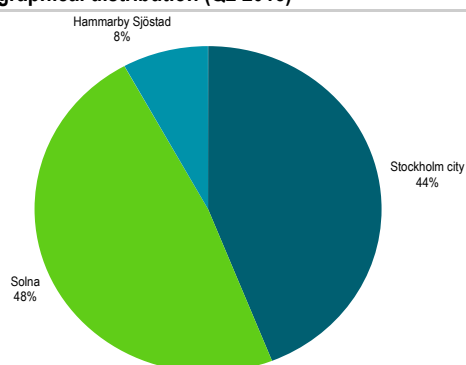
#### Fabege credit metrics and ownership

Fabege	2012	2013	2014	Q2/15	Largest owners	Votes (%)
Property value (SEKm)	31,636	33,384	32,559	36,361	Erik Paulsson w. family	15.1
Loan to value (%)	57	57	60	56	Black Rock	5.4
Equity ratio (%)	34	35	38	38	Öresund	3.3
Interest coverage (x)	2.3	2	2.4	2.2	Länsförsäkringar	2.6

Source: Fabege, SEB

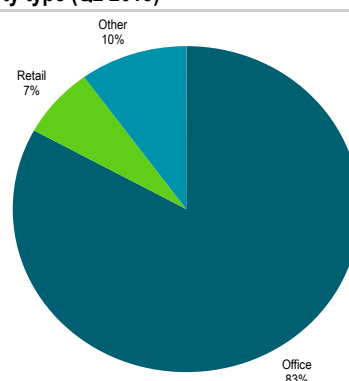
The company is listed on the Nasdaq OMX with a market cap of SEK 21bn. Fabege's leverage is relatively high, with an LTV of around 60% and we would assess its standalone rating in the BB+ area. Its high leverage and concentration risk are the main factors behind our sub-investment grade rating assessment (i.e. BB+ and lower).

#### Fabege geographical distribution (Q2 2015)



Source: Fabege, SEB

#### Fabege property type (Q2 2015)



Source: Fabege, SEB

### Wihlborgs

Wihlborgs was spun off from Fabege and listed on the Stockholm Stock Exchange in 2005, and today is one of the larger property companies in Sweden. Its focus is on commercial premises in the Öresund region, primarily Malmö, Helsingborg, Lund and Copenhagen. The asset base includes SEK 23bn of property by value and 1.5m sqm of rental premises. Malmö accounts for about 50% of the portfolio and Helsingborg about 25%. As the remainder is located in Skåne and Copenhagen, we believe the portfolio is well focused. Of the portfolio, about 80% comprises office space and about 25% industrial/warehouses. Over the years, Wihlborgs has shown that it takes a long-term approach to property ownership.

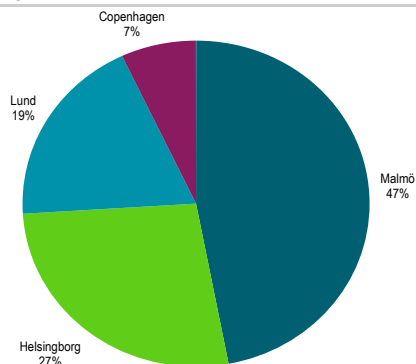
#### Wihlborgs credit metrics and ownership

Wihlborgs	2012	2013	2014	Q2/15	Largest owners	Votes (%)
Property value (SEKm)	19,876	22,584	24,299	25,142	Erik Paulsson w. family	10.1
Loan to value (%)	59	61	58	58	Länsförsäkringar	5.9
Equity ratio (%)	30	30	28	29	SEB funds	4.4
Interest coverage (x)	2.7	2.6	2.8	3.1	SHB funds	3.4

Source: Wihlborgs, SEB

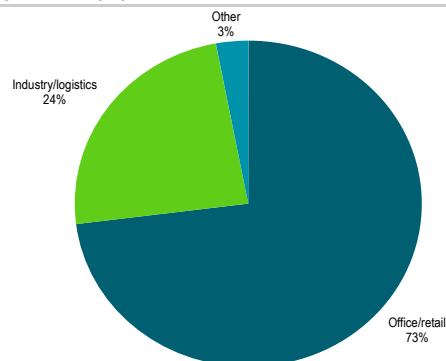
The company is listed on the Nasdaq OMX with a market cap of SEK 12bn. Wihlborgs' leverage is relatively high with an LTV of around 60% and we would assess its standalone rating in the BB+ area. Its high leverage and concentration risk are the main factors behind the sub-investment grade rating assessment (i.e. BB+ and lower).

#### Wihlborgs geographical distribution (Q2 2015)



Source: Wihlborgs, SEB

#### Wihlborgs property type (Q2 2015)



Source: Wihlborgs, SEB

#### Diös

Diös is the largest private property company in northern Sweden (it is medium sized in terms of the property sector as a whole) with a focus on growth areas, such as the cities Gävle, Sundsvall and Östersund. Diös is quite well-diversified in terms of property types including offices, retail, residential and industry/logistic buildings with a relatively high number of public sector tenants.

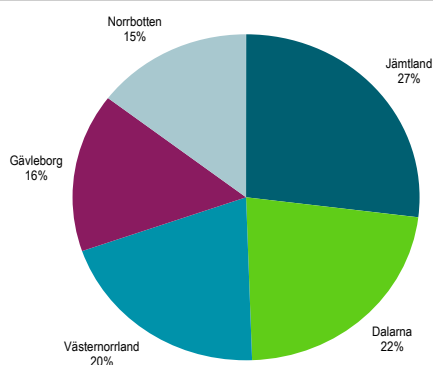
#### Diös credit metrics and ownership

Diös	2012	2013	2014	Q2/15	Largest owners	Votes (%)
Property value (SEKm)	11,878	11,823	12,200	12,498	AB Persson Invest	15.4
Loan to value (%)	66	65	63	61	Brinova(Paulsson)	10.5
Equity ratio (%)	25	27	27	27	Bengtssons Tidnings AB	10.1
Interest coverage (x)	2	2.2	2.5	4.1	Länsförsäkringar	9.6

Source: Diös, SEB

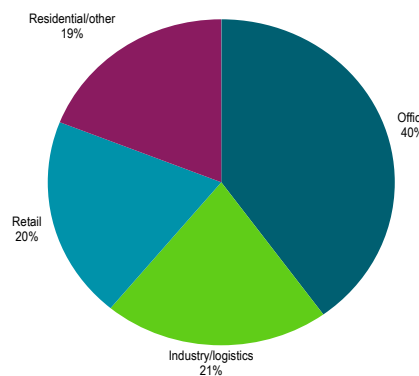
Diös is listed on Nasdaq OMX Mid Cap with a market cap of SEK 5bn. The leverage is high with an LTV of more than 60%, and we would assess its standalone rating in the BB area, with size and leverage being the two main restrictive factors behind our rating assessment.

#### Diös geographical distribution (Q2 2015)



Source: Diös, SEB

#### Diös property type (Q2 2015)



Source: Diös, SEB

#### Platzer

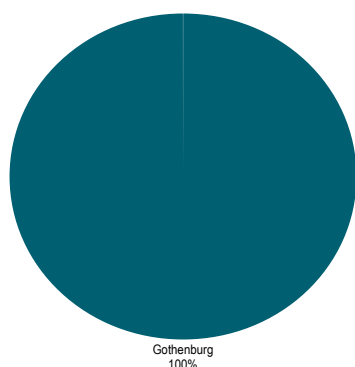
Platzer is one of the leading property companies in the Gothenburg area, focusing mainly on commercial properties in the central and western parts of Gothenburg.

**Platzer credit metrics and ownership**

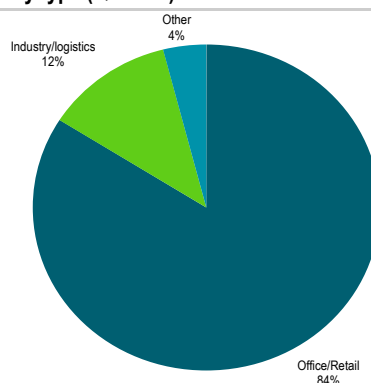
Platzer	2012	2013	2014	Q2/15	Largest owners	Votes (%)
Property value (SEKm)	6,091	6,913	8,343	9,192	Ernström & C:o	36.0
Loan to value (%)	66	65	58	61	Länsförsäkringar	22.0
Equity ratio (%)	29	36	35	33	Backahill (Paulsson)	20.0
Interest coverage (x)	2	2.1	2.4	2.9	Family Hielte/Hobolm	7.0

Source: Platzer, SEB

Platzer is listed on Nasdaq OMX Mid Cap with a market cap of SEK 3.5bn. Leverage is high, and we would assess its standalone rating in the BB/BB- area, with the main restrictive factors behind our rating assessment being size, concentration risk, and leverage.

**Platzer geographical distribution (Q2 2015)**

Source: Platzer, SEB

**Platzer property type (Q2 2015)**

Source: Platzer, SEB

**Catena**

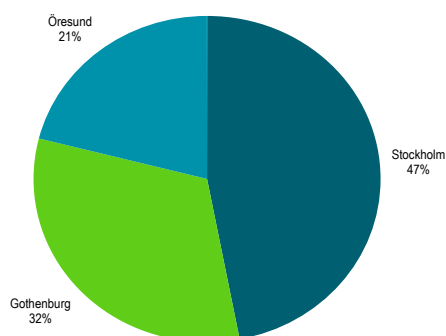
Catena is a smaller property company focusing mainly on logistics properties in the southern parts of Sweden, in the greater city areas of Stockholm, Gothenburg and Malmö and major Swedish transport routes (railways, highways).

**Catena credit metrics and ownership**

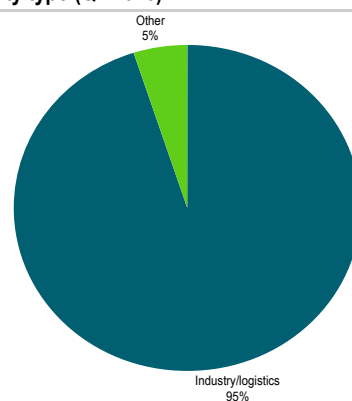
Catena	2012	2013	2014	Q2/15	Largest owners	Votes (%)
Property value (SEKm)	3,382	4,722	5,751	4,737	Backahill (Paulsson)	46
Loan to value (%)	61	63	60	64	Cls Holding	14
Equity ratio (%)	21	33	32	38	Fabege	10
Interest coverage (x)	4	2.8	3.1	5.3	Länsförsäkringar	8

Source: Catena, SEB

Catena is listed on Nasdaq OMX Mid Cap with a market cap of SEK 3.4bn. Leverage is high, and we would assess its standalone rating in the BB- area, with the main factors behind the rating size, leverage, and, to some extent, the logistics focus.

**Catena geographical distribution (Q2 2015)**

Source: Catena, SEB

**Catena property type (Q2 2015)**

Source: Catena, SEB



## Rating Nya SFF as a group

When assessing Nya SFF's anchor rating we choose to view the five owners as one group. We believe that all sponsor companies have strong incentives to support Nya SFF and to retain its creditworthiness in times of economic and financial stress. This is because all the companies, similar to all real estate companies, are very dependent on funding from the financial markets. We also believe that the fact that all the companies are closely related through the ownership of the Paulsson family is a strong argument for viewing the Nya SFF as a group.

We assess the Nya SFF 'group', prior to the security package, at the lower end of the BBB-category based on its strong market position and good geographical diversification in Sweden. This is offset mainly by the relatively high gearing and the fact that the group is just a synthetic group operating through a funding vehicle.

We lean on S&P's real estate rating criteria in our assessment, and compare the Nya SFF 'group' with rated European real estate companies (see below). The rating is based on what we see as a comparable 'Strong' business risk profile and a 'Significant' financial risk profile (bordering on 'Aggressive').

We see the main supporting factors as:

- The fact that the group operates in Sweden, which has an economy with sound fundamentals reflected in being one of the few countries in the world still to be rated AAA by all major rating agencies. SEB economic research expects average GDP growth of 2.8% for Sweden in the years 2015-2018 compared with an average of 1.9% for the eurozone over the same period.
- Favourable fundamental conditions for real estate companies in Sweden, both from a demand perspective and in economic and funding terms: the cost of lending is low and the demand for e.g. housing heavily outweighs the supply of new apartments.
- The relatively large size of the group, in a European comparison, with properties valued at SEK 88bn (EUR 9.5bn) at the end of Q2 2015.
- The good geographical diversification within Sweden, with a leading position in basically all major regions and cities of the country.
- Sound growth prospects through investment and holdings in growth segments such as the huge 'Arenastaden' project (Fabège).
- All are well-known listed Swedish property companies.
- A broad shareholder base, including all major Swedish institutions.
- A broad funding base including the stock market, banks and via the credit markets.

These factors are partly offset by:

- The high leverage of the group (and its individual members) with loan to value (LTV) and debt to debt plus equity of around, and in some years above, 60%, which is among the highest compared with other European investment grade rated companies (BBB- and above). The European property sector usually operates with LTVs of 40-50%.
- The large exposure to the office segment, making up some 70% of total assets, with logistics/industry being the second largest segment, making up some 16%. Both segments are more cyclical than residential property, in our view.
- Relatively low diversification from an international perspective, being limited to Sweden.
- High exposure to a downturn in the Swedish economy and real estate market, which could put the sponsors, as well as Nya SFF, under severe stress.

- Somewhat higher share exposure to development activities (5-10% of the property portfolio), and somewhat higher vacancies (5-10%) compared with similar European rated peers, many of which operate with less than 5% development activities and vacancies respectively.
- Legal and structural risks attached to the SPV structure that holds together the synthetic Nya SFF 'group', as well as the property pool that secures the outstanding bonds.

Comparable European peers, from a rating perspective, are the French companies Foncière des Régions (BBB-), Gecina (BBB+) and Icade (BBB+) which are all focused on commercial/office properties. However, all operate with lower gearing than the Nya SFF group. Rated Nordic property companies to compare with are Sweden-based Akelius (BBB-), which has a similar rating, but focuses mainly on less volatile, residential properties, and Finland-based Citycon (BBB), which is a smaller player in the commercial/retail sector but with significantly lower gearing than the Nya SFF 'group'.

#### Selected S&P rated European property companies (EURm)

Name	Rating	Property value	LTV (%)	ICR (x)	Sector	Country
Akelius	BBB-	6,972	58	2.6	Residential	Sweden, Germany
AtriumReal Estate	BBB-	2,888	38	5.1	Retail	Poland, Czech, Slovakia
Befimmo	BBB	2,284	46	4.5	Office, health care	Belgium
Citycon	BBB	4,900	42	4.0	Retail	Nordics
Cofinimmo	BBB	3,196	42	3.0	Office	Belgium
Corio (acquired by Klepierre)	BBB+	6,658	46	3.3	Retail	Western Europe
Derwent London	BBB+	5,695	25	2.7	Office	London
Deutsche Annington	BBB+	12,770	52	2.3	Residential	Germany
Deutsche Wohnen	A-	9,800	45	3.5	Residential	Germany
Foncière des Régions	BBB	15,151	55	2.5	Office	Western Europe
Gecina	BBB+	10,340	38	2.8	Office	Paris
Global Switch	BBB	5,320	35	4.0	Data Center	Europe Asia
GoodmanLogistics	BBB	2,000	40	3.5	Logistics	Western Europe
Grainger	BB	1,600	67	1.3	Trading, residential	UK
Grand City Properties	BBB	3,350	50	4.0	Residential	Germany
Icade	BBB+	9,124	48	2.3	Office, Health care	France
Klepierre (incl. Corio)	A-	21,000	43	3.2	Retail	Europe
Mercialys	BBB	2,889	40	4.7	Retail	France
Prologis	BBB+	4,300	43	4.0	Logistics	Western Europe
Societe Foncière Lyonnaise	BBB	3,833	43	2.6	Office	Paris
Unibail Rodamco	A	30,469	50	2.6	Retail	Europe
Vesteda Residential	BBB	3,700	35	2.9	Residential	Netherlands
<b>Nya SFF 'group' combined</b>	<b>BBB</b>	<b>9,448</b>	<b>58</b>	<b>2.7</b>	<b>Office</b>	<b>Sweden</b>

Source: S&P, SEB, company reports

## Strong recovery supports overall rating

We believe that the security and covenant package for the secured MTN programme, as described above, provides sufficient protection for the bond investor. We see substantial (80-90%) recovery prospects in the event of financial stress leading the sponsors/owners into payment default, which could trigger a sale of properties in the property pool.

In our financial stress simulation, the SEK 8bn MTN programme is fully utilised, with STIBOR at 5% and Nya SFF's spread to STIBOR at 3%, i.e. a total of 8%. In such a case Nya SFF would have a minimum liquidity of 5.75% of total outstanding bonds. If three of the five sponsors defaulted, and thus did not pay their bills to Nya SFF, we believe that liquidity would be sufficient for five to six quarters, which should be sufficient time to find a solution via either new capital injection or, eventually, the sale of properties in the property pool. We also believe that the stronger companies (Paulsson-controlled Fabège and Wihlborgs) and the Paulsson family would likely try to solve the situation before actual forced sales of properties became a reality.

**Simplified cash flow statement and liquidity stress test**

(SEKm)	Q1	Q2	Q3	Q4	Q5	Q6
Interest income	167	71	70	69	68	67
Interest expense + SG&A	161	161	161	161	161	161
Net cash flow	0	-90	-91	-92	-93	-94
<b>Liquidity (5.75% of SEK 8bn)</b>	<b>460</b>	<b>370</b>	<b>280</b>	<b>188</b>	<b>94</b>	<b>0</b>

Source: SEB

If Nya SFF and its owners were unable to come to a solution within the four to five quarters of liquidity, Nya SFF would try to sell properties in the security pool to compensate bond investors. In our simulation, we have stressed the property value with a level of 40%, which includes potential value depreciation ahead of a potential default, as well as a haircut when the properties are sold. We use a standard 7% administration cost, (of the stressed property value), which leads us to an 83% recovery, which we regard as substantial. We have made the calculation both for a potential default of all outstanding debt as well as in the event of a three or five owner default.

**Simplified recovery calculation**

(SEKm)	Max	3 out of 5 default
Bonds in default	8,000	4,800
Value of property pool	11,940	7,164
LTV ahead of default (%)	67	67
Stressed property value (40% haircut)	7,164	4,299
Admin cost (7%)	501	301
Left for bondholders	6,663	3,998
<b>Recovery (%)</b>	<b>83</b>	<b>83</b>

Source: SEB

Due to the high recovery prospects of the Nya SFF structure, we rate the outstanding bond issues from SFF as BBB. If the creditworthiness of any of the five sponsors changed, or the composition of the property pool altered, we could change our anchor and or issue rating.

**Profit & loss statement**

(SEKm)	2014	2015E	2016E	2017E
Total revenues	0	0	0	0
Total expenses	-1	-8	-8	-8
<b>EBITDA</b>	<b>-1</b>	<b>-8</b>	<b>-8</b>	<b>-8</b>
Depreciation	0	0	0	0
Intangibles amortisation	0	0	0	0
<b>EBIT</b>	<b>-1</b>	<b>-8</b>	<b>-8</b>	<b>-8</b>
Net interest expenses	0	-24	-59	-82
Value changes	0	0	0	0
Other financial items	0	0	0	0
<b>Reported pre-tax profit</b>	<b>-1</b>	<b>-32</b>	<b>-67</b>	<b>-90</b>
Minority interests	0	0	0	0
Total taxes	0	0	0	0
<b>Net profit</b>	<b>-1</b>	<b>-32</b>	<b>-67</b>	<b>-90</b>
EBITDA margin	n.a.	n.a.	n.a.	n.a.
EBIT margin (%)	0.0	0.0	0.0	0.0
Tax rate (%)	0.0	0.0	0.0	0.0
<b>Growth rates y-o-y (%)</b>				
Total revenues	0.0	0.0	0.0	0.0
EBITDA	n.a.	(700.0)	0.0	0.0
EBIT	0.0	0.0	0.0	0.0
Pre-tax profit	0.0	0.0	0.0	0.0

**Cash flow**

(SEKm)	2014	2015E	2016E	2017E
FFO	-1	-32	-67	-90
Changes in working capital	0	0	3,900	5,800
<b>Operating cash flow</b>	<b>-1</b>	<b>-32</b>	<b>3,833</b>	<b>5,710</b>
Net capital expenditures	0	0	0	0
<b>Free operating cash flow</b>	<b>-1</b>	<b>-32</b>	<b>3,833</b>	<b>5,710</b>
Dividend paid	0	0	0	0
Acquisitions, divestments net	0	-3,900	-5,800	-7,600
<b>Pre-financing cash flow</b>	<b>-1</b>	<b>-3,932</b>	<b>-1,967</b>	<b>-1,890</b>
Net loan proceeds	0	4,000	2,000	2,000
Share issue	0	0	0	0
Other	0	0	0	0
<b>Net change in cash</b>	<b>-1</b>	<b>68</b>	<b>33</b>	<b>110</b>
Capex/sales (%)	0.0	0.0	0.0	0.0

**Balance sheet**

(SEKm)	2014	2015E	2016E	2017E
Cash and liquid assets	0	68	101	211
Other current assets	0	3,900	5,800	7,600
Long-term financial assets	0	0	0	0
Fixed tangible assets	0	0	0	0
Intangibles	0	0	0	0
<b>Total assets</b>	<b>0</b>	<b>3,968</b>	<b>5,901</b>	<b>7,811</b>
Interest bearing debt	0	4,000	6,000	8,000
Other liabilities	0	0	0	0
Minority interests	0	0	0	0
Shareholders' equity	0	-32	-99	-189
<b>Total liabilities and equity</b>	<b>0</b>	<b>3,968</b>	<b>5,901</b>	<b>7,811</b>
Net debt (m)	0	3,932	5,899	7,789
Net debt/equity (%)	0.0	(12,445.9)	(5,984.1)	(4,127.7)
Equity/total assets (%)	0.0	(0.8)	(1.7)	(2.4)
Net debt/EBITDA (x)	0.0	(491.4)	(737.3)	(973.6)
EBITDA Interest cover		(0.3)	(0.1)	(0.1)

**Main shareholders**

Name	(%)	Votes	Capital	Management		Company information	
				Title	Name	Contact	
Fabege AB		20.0	20.0	COB	Peter Andersson	Internet	www.hansan.se
Wihlborgs AB		20.0	20.0	CEO	Claes Helgstrand	Phone number	+46 (0)8 508 906 14
Catena AB		20.0	20.0	CFO	Claes Helgstrand		

**Company description:** Nya Svensk FastighetsFinansiering AB (Nya SFF) is a funding vehicle created to provide its owners with cost efficient funding by issuing secured debt through a SEK 8bn Medium Term Note (MTN) programme. The five owners, Fabege, Wihlborgs, Diös, Platzer and Catena, are all Swedish, listed property companies within or closely related to the Paulsson sphere. Erik Paulsson with family, are one of Sweden's better known industrialists and a major player within the Swedish property sector through the holding company Backahill. The five owner companies are among the leaders within office and logistic properties in the Stockholm, Gothenburg, Öresund regions and Northern Sweden respectively. The combined market cap of the five owners is SEK 44bn and market value of the properties SEK 88bn.

**Please note:** The data in several tables and charts in this document have been adjusted in line with common practice in the field of credit research. This mainly refers to adjustments of operating leases, pensions, derivatives and other contingent liabilities. For a detailed breakdown of the adjustments, please contact the author of this report.

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**Copenhagen**

Bemstorffsgade 50  
DK-1577 Copenhagen  
Telephone: +45 3336 8500  
Capital Markets Sales  
Telephone: +45 3317 7720  
Treasury Sales  
Telephone: +45 3315 8065

**Frankfurt**

Stephanstrasse 14-16  
DE-60313 Frankfurt am Main  
Telephone: +49 69 258 5190  
Capital Markets Sales  
Telephone: +49 69 9727 1145

**Gothenburg**

Östra Hamngatan 24  
SE-405 04 Göteborg  
Telephone: +46 31 62 10 00  
Treasury Sales  
Telephone: +46 31 774 91 10

**Helsinki**

Unioninkatu 30  
FI-00100 Helsinki  
Telephone: +358 9 616 280 00  
Capital Markets Sales  
Telephone: +358 9 616 285 60

**Hong Kong**

17/F Jardine House  
1 Connaught Place, Central  
Hong Kong  
Telephone: +852 31592888

**London**

One Carter Lane  
London EC4V 5AN  
Telephone: +44 20 7246 4000  
Forex & Money Market  
Telephone: +44 20 7246 4282  
Treasury Sales  
Telephone: +44 20 7236 0593

**Malmö**

Östergatan 39  
SE-205 20 Malmö  
Telephone: +46 40 667 6910  
Treasury Sales  
Telephone: +46 40 667 6910

**Oslo**

Filipstad Brygge 1  
NO-0123 Oslo  
Telephone: +47 22 82 70 00  
Capital Markets Sales  
Telephone: +47 22 82 72 68  
Treasury Sales  
Telephone: +47 22 82 72 30

**Stockholm**

Kungsträdgårdsgatan 8  
SE-106 40 Stockholm  
Telephone: +46 8 763 80 00  
Capital Markets Sales  
Telephone: +46 8 506 232 18