# Fastpartner AB
# Kingdom of Sweden, Real Estate

SCOPE BB Negative

## Key metrics

| | | | Scope estimates | |
|---|---|---|---|---|
| **Scope credit ratios** | **2021** | **2022** | **2023E** | **2024E** |
| Scope-adjusted EBITDA/interest cover | 4.4x | 3.5x | 1.9x | 1.8x |
| Scope-adjusted debt/EBITDA | 12.9x | 13.2x | 11.7x | 10.7x |
| Scope-adjusted loan/value ratio (LTV) | 43% | 47% | 49% | 48% |

## Rating rationale

The downgrade reflects Fastpartner's deteriorating interest cover, given almost full exposure to floating rate debt. At Q2 2023 interest cover stands at 2.5x but is expected to deteriorate towards 1.8x in 2024. The Negative Outlook reflects the pressure on interest cover which diminishes the headroom to secured bank debt covenants.

Fastpartner's business risk profile remains unchanged (assessed at BBB-) benefiting from its market position in the Swedish real estate market, with a strong standing in its core market of Stockholm, an above-average weighted average unexpired lease term (WAULT) of 4.7 years, and profitability around 70% as measured by the Scope-adjusted EBITDA margin.

Fastpartner's financial risk profile (assessed at BB) has deteriorated significantly over the last twelve months as a function of unhedged debt, applying pressure on its interest cover ratio. LTV has been relatively stable despite fair value depreciations. Liquidity remains adequate as the company can cover upcoming maturities with internal funds and external committed facilities.

## Outlook and rating-change drivers

The Outlook for Fastpartner has been revised to Negative, taking into account the expected pressure on the interest coverage ratio as the company is predominantly exposed to floating rate debt. We expect the interest coverage ratio, which was last at 2.5x in Q2/23, to fall below 2.0x by the end of 2023 due to the rising interest rate environment which is likely persisting at elevated levels throughout 2024. Such levels reducing headroom to bank covenants, which if touched might result in waiver fees or forced sales of properties to amortise loans. We understand that Fastpartner is in active discussions with the banks to proactively address the tightness of covenants. In addition, the Negative Outlook reflects further downward pressure on the leverage ratio, as capitalisation rates could widen beyond our expectations and the Scope-adjusted loan-to-value ratio could rise above 50%.

A negative rating action could occur if Fastpartner's leverage, as measured by its LTV, reached 50% or above on a sustained basis, or if Scope-adjusted EBITDA interest cover weakened below 1.8x. This could be driven by an unfavourable remortgaging of existing debt or base interest rates rising further than currently forecasted by us. Amore pronounced downward adjustment in the company's asset value than expected could affect the LTV trigger. Deteriorating headroom to bank covenants without amending those could also trigger a negative rating action.

A positive rating action (i.e. a revision of Outlook to Stable) could be warranted if interest coverage does not permanently fall below 1.8x and LTV remains below 50%. An upgrade could be warranted if interest coverage recovers sustainably above 2.2x over the forecast horizon or if debt reduction leads to an LTV of around 40%, supported by a tightened financial policy. This could be achieved by deleveraging, e.g. an equity increases and/or interest base rates in Sweden abating faster than anticipated by us.

## Rating history

| Date | Rating action/monitoring review | Issuer rating & Outlook |
|---|---|---|
| 7 Sep 2023 | Downgrade and Outlook change | BB/Negative |
| 7 Sep 2022 | Affirmation | BBB-/Stable |
| 3 Sep 2021 | Affirmation | BBB-/Stable |

### Ratings & Outlook

| | |
|---|---|
| Issuer | BB/Negative |
| Short-term debt | S-3 |
| Senior unsecured debt | BB |


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### Related Methodologies and Related Research

Corporate Rating Methodology; July 2022

European Real Estate Methodology; January 2023


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Bloomberg: RESP SCOP

## Rating and rating-change drivers

| Positive rating drivers | Negative rating drivers |
|---|---|
| • Medium-sized commercial real estate company enjoying good access to capital markets with high visibility in the Swedish market thanks to 1.6m sq m lettable area under management<br>• Moderate and stable profitability with the Scope-adjusted EBITDA margin around 70% supports internal financing capabilities<br>• Moderate tenant diversification with Top 3/10 accounting for 9%/19% and good tenant industry diversification<br>• Above-average WAULT in the Nordic market with 4.5 years | • Moderately geographic diversification with 77% of assets (fair value) located in Stockholm, somewhat mitigated by the economic power and liquidity the capital provides<br>• High share of floating rate debt, resulting in previously high interest cover deteriorating close to bank debt covenants |

| Positive rating-change drivers | Negative rating-change drivers |
|---|---|
| • Interest cover does not sustainably fall below 1.8x while LTV remains below 50% | • Interest cover sustainably below 1.8x or if LTV moves above 50% |

## Corporate profile

Fastpartner is a large commercial real estate company in Sweden, with a geographic focus on greater Stockholm. The company owns and manages a diversified portfolio across asset classes comprising around 200 properties worth SEK 37bn. Fastpartner is listed on the Nasdaq Stockholm large cap market. Its largest shareholder, holding 72%, is company CEO Sven-Olof Johansson through his investment holding Compactor Fastigheter AB.

## Financial overview

| | | | | Scope estimates | | |
|---|---|---|---|---|---|---|
| **Scope credit ratios** | **2020** | **2021** | **2022** | **2023E** | **2024E** | **2025E** |
| Scope-adjusted EBITDA/interest cover | 3.9x | 4.4x | 3.5x | 1.9x | 1.8x | 2.2x |
| Scope-adjusted debt/EBITDA | 12.4x | 12.9x | 13.2x | 11.7x | 10.7x | 10.2x |
| Scope-adjusted LTV | 47% | 43% | 47% | 49% | 48% | 47% |
| **Scope-adjusted EBITDA in SEK m** | | | | | | |
| EBITDA | 1,247 | 1,259 | 1,341 | 1,522 | 1,641 | 1,699 |
| Other items | 0 | 0 | 0 | 0 | 0 | 0 |
| **Scope-adjusted EBITDA** | **1,247** | **1,259** | **1,341** | **1,522** | **1,641** | **1,699** |
| **Funds from operations in SEK m** | | | | | | |
| Scope-adjusted EBITDA | 1,247 | 1,259 | 1,341 | 1,522 | 1,641 | 1,699 |
| less: (net) cash interest paid | -317 | -287 | -387 | -795 | -932 | -766 |
| less: cash tax paid per cash flow statement | -72 | -149 | -155 | -167 | -163 | -215 |
| Change in provisions | -3 | 2 | 0 | 0 | 0 | 0 |
| **Funds from operations (FFO)** | **855** | **824** | **800** | **559** | **545** | **719** |
| **Free operating cash flow in SEK m** | | | | | | |
| Funds from operations | 855 | 824 | 800 | 559 | 545 | 719 |
| Change in working capital | -52 | -299 | -49 | 20 | 6 | 3 |
| less: divestments | 1 | 325 | 228 | 10 | 10 | 10 |
| less: capital expenditure (net) | -540 | -777 | -1,289 | -400 | -150 | -150 |
| less: dividends preference shares | -38 | 0 | 0 | 0 | 0 | 0 |
| **Free operating cash flow (FOCF)** | **225** | **73** | **-310** | **189** | **412** | **582** |
| **Net cash interest paid in SEK m** | | | | | | |
| Net cash interest per cash flow statement | 317 | 287 | 387 | 795 | 932 | 766 |
| **Net cash interest paid** | **317** | **287** | **387** | **795** | **932** | **766** |
| **Scope-adjusted total assets in SEK m** | | | | | | |
| Total assets | 33,148 | 37,922 | 38,124 | 36,713 | 36,846 | 36,588 |
| Less: cash and cash equivalents | -147 | -211 | -182 | -57 | -37 | -43 |
| **Scope-adjusted total assets** | **33,001** | **37,711** | **37,942** | **36,656** | **36,809** | **36,545** |
| **Scope-adjusted debt in SEK m** | | | | | | |
| Reported gross financial debt | 15,638 | 16,446 | 17,913 | 17,851 | 17,671 | 17,347 |
| less: subordinated (hybrid) debt | 0 | 0 | 0 | 0 | 0 | 0 |
| less: cash and cash equivalents | -147 | -211 | -182 | -57 | -37 | -43 |
| add: non-accessible cash | 0 | 0 | 0 | 0 | 0 | 0 |
| add: pension adjustment | 0 | 0 | 0 | 0 | 0 | 0 |
| add: operating lease obligations | 0 | 0 | 0 | 0 | 0 | 0 |
| Other items | 0 | 0 | 0 | 0 | 0 | 0 |
| **Scope-adjusted debt** | **15,491** | **16,235** | **17,731** | **17,794** | **17,634** | **17,304** |

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## Environmental, social and governance (ESG) profile[1]

| Environment | | Social | | Governance | |
|---|---|---|---|---|---|
| Resource management (e.g. raw materials consumption, carbon emissions, fuel efficiency) | | Labour management | | Management and supervision (supervisory boards and key person risk) | |
| Efficiencies (e.g. in production) | | Health and safety (e.g. staff and customers) | | Clarity and transparency (clarity, quality and timeliness of financial disclosures, ability to communicate) | |
| Product innovation (e.g. transition costs, substitution of products and services, green buildings, clean technology, renewables) | | Clients and supply chain (geographical/product diversification) | | Corporate structure (complexity) | |
| Physical risks (e.g. business/asset vulnerability, diversification) | | Regulatory and reputational risks | | Stakeholder management (shareholder payouts and respect for creditor interests) | |

**Legend**

Green leaf (ESG factor: credit positive)

Red leaf (ESG factor: credit negative)

Grey leaf (ESG factor: credit neutral)

**High share of certified green buildings and 100% use of renewable energy boosts net rent ratio**

Fastpartner adheres to the UN Sustainability Development Goals and has written 10 of the 17 goals into its business plan. Some 41% of its assets by property value are certified as environmentally friendly and sustainable. It aims to increase this ratio by at least 10% annually to reach 80% by 2025. The company reduced its greenhouse emissions by 61% between 2020-21 through carbon-offset district heating and a small addition of self-generated energy – this comes on top of switching to 100% renewable energy in 2020, with a vision to become 100% carbon neutral in 2030. The company exceeded its own goal of halving $CO_2$ emissions by 2025 compared to 2019 already in 2021 and aims to continue to decrease $CO_2$ emissions by over 15% per annum and continuously reduce energy consumption in the existing portfolio by more than 1% per annum. Fastpartner's effort in high-grading its portfolio is a requirement for some multinational tenants and a desirable feature for the remainder, which increases the appeal of its properties to existing and potential new clients and assures a continued high occupancy and related cash-flows also in a potentially softer economic environment and/or changing demand patterns. Fastpartner's social and environmental efforts not only make its portfolio more attractive to tenants but may also boost profitability through higher net rent ratios.

[1] These evaluations are not mutually exclusive or exhaustive as ESG factors may overlap and evolve over time. We only consider ESG factors that are credit-relevant, i.e. those that have a discernible, material impact on the rated entity's cash flow and, by extension, its credit quality.

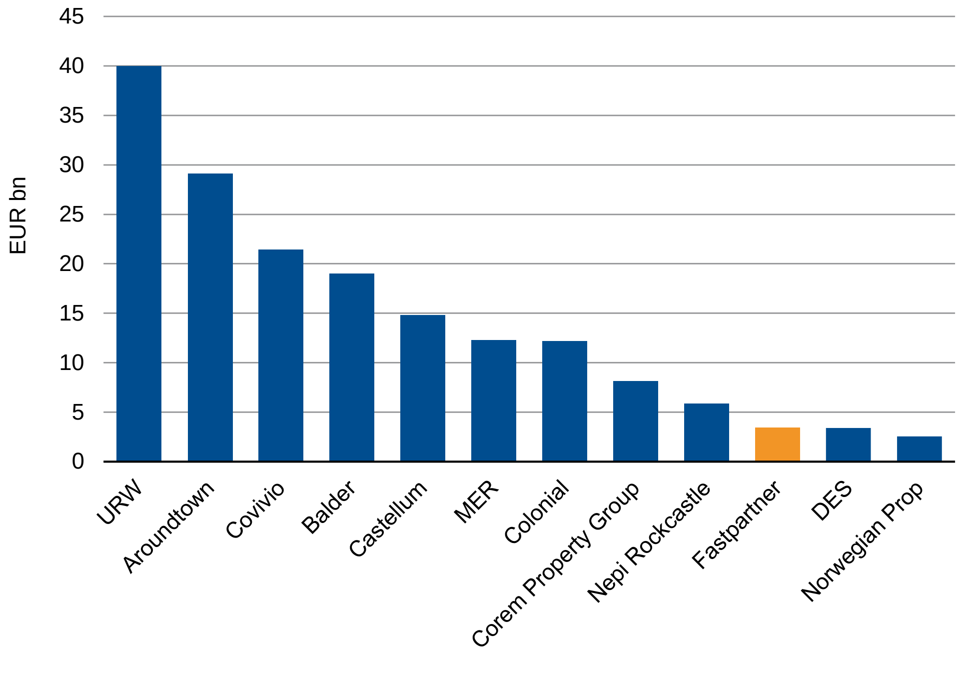
## Business risk profile: BBB-

**Industry risk profile: BB**

Fastpartner's industry risk is modest given its exposure to the highly cyclical commercial real estate industry (its main segments comprise the development, leasing and management of office buildings).

Fastpartner is a medium-sized commercial real estate company based in Sweden with Scope-adjusted total assets of SEK 36.8bn (EUR 3.1bn). Its total lettable area amounts to 1,563,641 sqm, in addition to which the company also owns unutilised building rights for 131,000 sq m of residential space and 333,000 sq m of commercial buildings, some of which it plans to develop at a later stage. The latter might prove to be a more attractive option to grow than acquiring properties, but in the current market environment it is not an option the company pursues. The company's size translates into good diversification in terms of tenants and locations, which should enhance its resilience to cash flow volatility caused by economic cycles, industry developments, regulatory changes and the loss/default of single tenants. It also affords good access to capital markets, proven by the regular issuance of class A shares, class D shares, the issuance of unsecured bonds in Swedish markets (SEK 6.3bn outstanding), as well as a SEK 2bn commercial paper programme and secured bank loans with all the major Nordic banks (SEK 10.1bn). The continued rollover of commercial paper demonstrates the continued access of Fastpartner to capital markets, despite the current negative sentiment.

**Figure 1: European peers, assets under management in EUR bn**




Sources: Peers, Fastpartner, Scope

Fastpartner's strongest foothold, with assets worth SEK 26.5bn, is in Stockholm, where it holds a top-three position by square metres. The company is mostly in the top five in the other markets in which it operates except for Gothenburg and Malmö, where its exposure is too small to qualify as being dominant. Having a high share in most of its markets, including Sweden's capital Stockholm, is positive. It often translates into higher visibility to potential tenants and offers more flexibility to accommodate the changing needs of existing tenants. Thus, high market shares increase tenant retention and lead to more stable occupancy and reduced capex needs linked to tenant fluctuation.

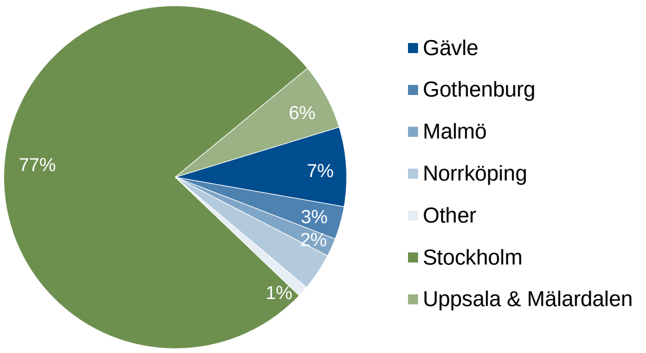
Long term, Fastpartner intends to grow within its current home territory, predominantly in Stockholm and the city of Norrköping. Given the current sentiment in the property market, we do not expect the company to acquire or grow in the short-to-medium term.

Fastpartner's geographical diversification is moderate, with activities spread across Sweden with a focus on Stockholm (77% of assets by fair value), allowing it to benefit from a broad range of tenants from regional to multinational, and keep tenants with relocation/resizing needs. However, Fastpartner's performance hinges on the macroeconomic development of Sweden, a mature and stable economy with a strong welfare/social system in place. The latter softens the economic burden in times of distress as could be seen during the Covid-19 crisis, with labour costs being partially borne by the state and subsidies provided for fixed costs such as rent, resulting in decreased rental losses for commercial real estate owners.

**Moderate geographical diversification, with a strong Stockholm bias**

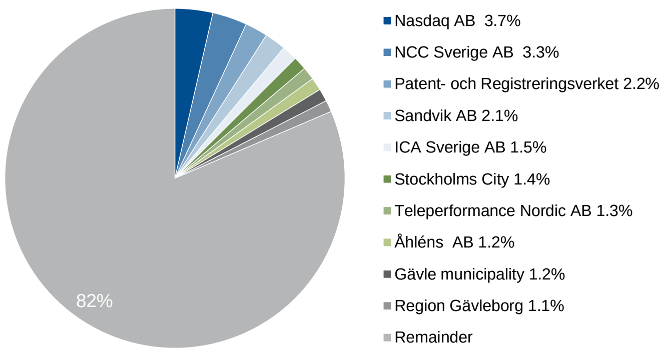
Fastpartner does not intend to broaden its exposure abroad. The company plans to focus on the markets it knows best and achieve further growth by acquiring properties and developing its building rights.

**Figure 2: Geographic diversification by value of assets**




Sources: Fastpartner, Scope

**Figure 3: Tenant diversification by rental income**




Sources: Fastpartner, Scope

**Moderately diversified by property type with 46% offices and a growing logistics portfolio**

Fastpartner's largest segment by rental value is offices, at 46%, followed by logistics and warehousing at 17% and shops/restaurants at 12%. Diversification into different asset classes enables the company to dampen short-term effects like those triggered by the pandemic. While the shops/restaurants segment has been adversely affected during the past two years, demand for the logistics segment has increased significantly. This increased demand has balanced out rental losses/bad debt impairments from shops/restaurants. In addition, Fastpartner's exposure to the healthcare and education segments and the residential segment acts as a low-risk, stabilising factor, segments we understand the company would like to expand in.

The feared increase in remote working with related decreased office demand post-Covid-19 has not happened in the Nordics, contrary to what can be observed in the USA. The Nordics were already quite habituated to a flexible home office environment which might explain the behaviour, and most people happily came back to the office to meet colleagues and collaborate while partly working remotely as before the pandemic.

Fastpartner's tenant diversification is moderate, with the top three tenants accounting for 8.9% of rental income and the top 10 tenants accounting for 18.6%. The largest tenant is Nasdaq AB, which provides 3.7% of rental income, followed by NCC Sverige AB with 3.3% and the Swedish Patent registration office with 2.2%. Overall tenant quality, based on historical rental loss statistics over the last five years, is assessed as investment grade. We therefore view the risk of a significant deterioration in cash flows due to single tenant defaults/delayed payments as marginal.

Tenant industry diversification benefits the rating, with the state/municipality as the largest single industry and no industry larger than 12% of rental income.

**Asset quality benefits from 83% of portfolio in 'A' metropolitan areas**

Fastpartner's portfolio is concentrated around larger cities in southern Sweden, with Stockholm as the dominant exposure. 82% of the portfolio, as measured by the fair value of its assets, is located in metropolitan regions with more than 1m inhabitants (Stockholm, Gothenburg, Malmö). These are classified as 'A' cities according to our methodology. The rest of the portfolio is divided among smaller cities, with 9% as 'B' locations and 9% as 'C' locations. The high share in large liquid markets results in good fungibility in times of financial distress, which would result in limited haircuts on its portfolio. This is, however, a remote scenario given Fastpartner's investment-grade financial risk profile.

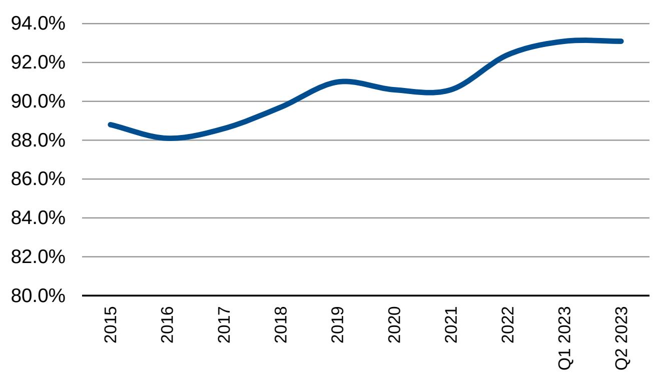
**Above-average vacancy due to strategy**

Fastpartner's historical strategy was to acquire properties in near-city locations with good transportation links, but with below-par occupancy that allows them to develop the property and increase occupancy after a refurbishing process. This resulted in an average occupancy rate that has hovered around 90%, a level relatively low compared to traditional buy-and-hold competitors. However, over the last 24 months the company has focused on reducing vacancies in its existing portfolio over growth and has managed to increase occupancy to 93.3% (as at end-June 2023) and sees further upside from here. We view such increased occupancy positively, underlining the asset quality of its existing portfolio.

**Above-average WAULT by Nordic standards benefits the rating**

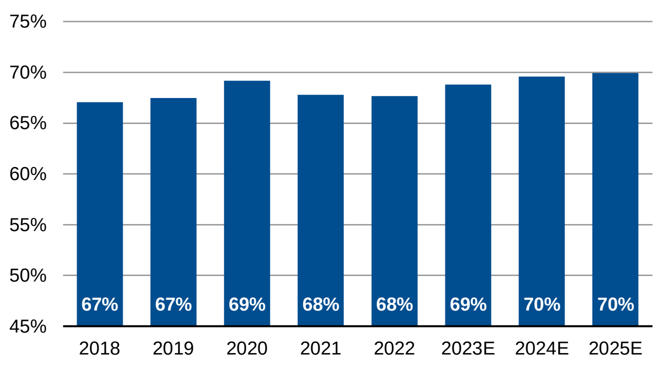
Fastpartner's WAULT of 4.5 years is average by European standards and exposes the company somewhat to ongoing re-letting risk. The company has managed to increase its lease terms slightly over the last few years and is comfortable with the current level, which has been stable since 2017. Compared to Nordic peers' rather short WAULT of four years, Fastpartner is above average. With an average of 16% of rental contracts maturing yearly for 2023-26, we view reletting risk as manageable.

**Figure 4: Economic occupancy**




Sources: Fastpartner, Scope

**Figure 5: Profitability (Scope-adjusted EBITDA margin)**




Sources: Fastpartner, Scope estimates

**Stable profitability in line with peers**

Fastpartner's profitability as measured by its Scope-adjusted EBITDA margin is in the middle of its peer group. The margin is stable over time with very little volatility. We forecast a slight increase in 2023 and beyond to 68%-70%, with continued improvement driven by economies of scale and positive reletting contributions, rental cash flows are lifted up by CPI-links while utility bills are billed through.

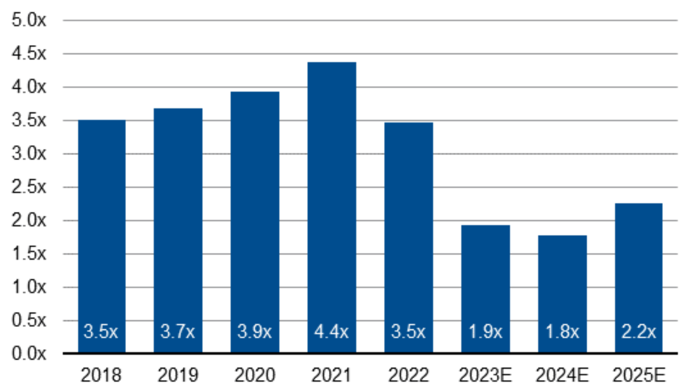
## Financial risk profile: BB

Fastpartner's debt protection has been historically strong at levels above 3.5x. Severe increases in the Swedish central bank rates during the second half of 2022 and 2023 in combination with management's view of being able to tolerate such interest rate increases without hedging the exposure has led interest cover to fall to 2.5x the last twelve months to end-June 2023. We expect interest cover to further deteriorate until YE 2023, falling to 1.9x and reaching a trough in 2024 at 1.8x.

Fastpartner hedged only 12% of its debt exposure at Q2 2023, leaving the remainder exposed to 3-month Stibor, which moves broadly in line with the Swedish central bank rate. As such, the company's average cost of debt has dramatically increased over the last 12 months to 4.9% as of Q2 2023, a rate we expect to increase further before peaking at year-end 2023. The low hedging ratio is a conscious decision of Fastpartner's management which they do not intend to change as they see themselves in a position to weather this storm thanks to strong cash flow generation and they foresee a relatively quick return to more modest interest rates during 2024 with the related recovery in the interest rate cover ratio. We forecast a more prolonged period of higher interest rates throughout 2024, which results in interest cover deteriorating to 1.8x despite the positive effect of inflation-linked rents on EBITDA. On our forecast, central bank rates will ease in 2025, with the related relief on Fastpartner's interest cover ratio. Such deterioration of interest cover drastically reduces Fastpartner's headroom to bank covenants and we understand that Fastpartner is in discussions with banks to address the reduced headroom.

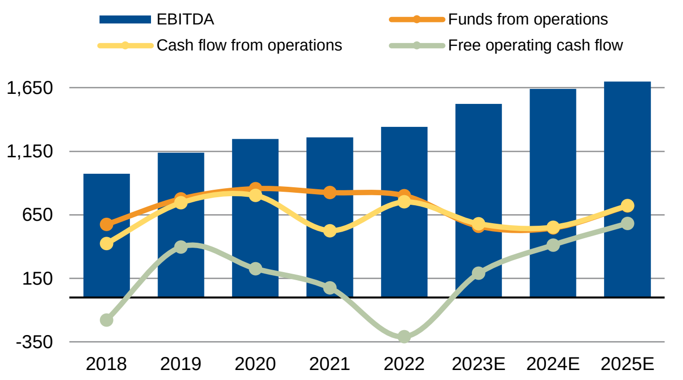
Given the current market sentiment, Fastpartner is turning to secured bank financing to refinance maturing unsecured bond financing, which could potentially benefit the interest cover ratio as observed bank spreads are below some of its maturing bonds.

**Figure 6: Scope-adjusted EBITDA/interest cover**




Sources: Fastpartner, Scope estimates

**Figure 7: Cash flows (SEK m)**




Sources: Fastpartner, Scope estimates

Fastpartner demonstrates continuously growing Scope-adjusted EBITDA from SEK 770m in 2015 to SEK 1,341m in 2022, growth in line with its growing asset base. Given indexed rental income, we expect further EBITDA growth to SEK 1.5bn this year and towards SEK 1.7bn in 2025. The company's FFO has developed in tandem with EBITDA, reaching its highest value so far in 2020/2021 with SEK 855/823m and has thereafter been affected by a growing interest burden, but remains comfortably above SEK 650m going forward.

**Maintenance capex covered by free operating cash flow**

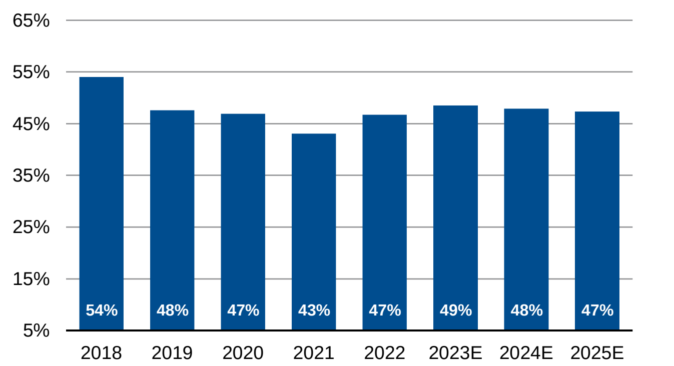
Scope-adjusted FOCF (excluding discretionary capex) is impacted by the significant investments into Fastpartner's own portfolio which took the measure below zero in 2016 and 2018. Going forward, we expect no discretionary capex given the economic environment, while maintenance capex is comfortably covered by internal cash flows in 2023 to 2025.

The company has two different share classes with different voting rights, with the preference share class being redeemed in full in Q1 2022. Its target is to pay a long-term dividend of 33% of the profit generated by property management; on average, 33% was paid during the last five years. Management, which includes the main shareholder, has been open to cutting dividends if the situation requires such an action, and has executed on this during 2023, cutting dividends for 2022 by half.

**Historical deleveraging trend with expected LTV of below 50% going forward**

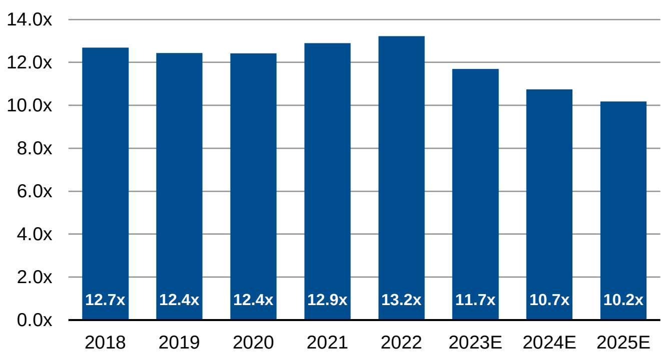
Fastpartner's leverage, as measured by its LTV, has fallen significantly from the high 50s to the low 50s and below (2019: 48%), thanks to fair value adjustments and occasional equity issuances. At YE 2022, LTV stood at 47%. The company's target LTV according to its financial policy ratios was below 48%, as calculated by net debt to property values. Given an LTV of 48% as of H1 2023 and potential fair value depreciations counteracted by indexed-rental increases, we expect LTV unchanged at 48% at year-end 2023. With no acquisitions planned in 2024 and 2025 and a continuation of the deleveraging and small negative fair value effects, we expect LTV to be relatively stable with a downward trend.

**Figure 8: Scope-adjusted loan/value ratio**




Sources: Fastpartner, Scope estimates

**Figure 9: Scope-adjusted debt/EBITDA**




Sources: Fastpartner, Scope estimates

The Scope-adjusted debt/EBITDA ratio has remained at very stable levels of between 12-13x in the last few years. Given the deleveraging the company is doing currently, we have seen the ratio decline to 12.3x in Q2 2023 and foresee a further decline towards 10x over the next 2-3 years.

**Adequate liquidity**

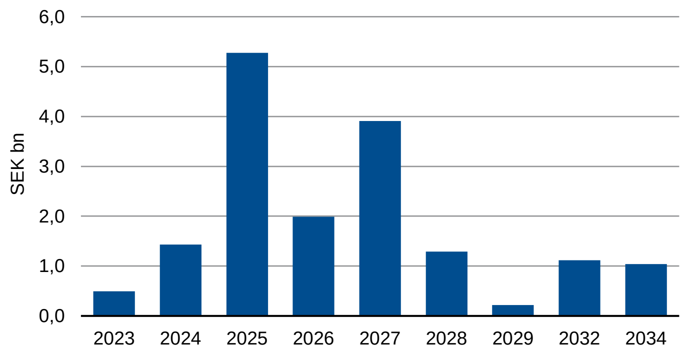
Fastpartner has historically relied on relatively short-term funding and keeping cash on the balance sheet low. Fastpartner's liquidity is adequate given that sources (SEK 180m in cash and SEK 2.2bn in committed undrawn credit lines as at Q2 2023 as well as SEK 400m in free operating cash flow forecasted for the next 12 months) cover uses (SEK 1.7bn in short-term debt as at Q2 2023) by about 1.6x for the next 12 months. On our calculations all upcoming maturities until May 2025 can be covered by available cash, committed credit lines and internal cash flow generation. We believe that liquidity is a manageable risk in the short-to-medium term as sufficient headroom is provided by: i) a reasonably low LTV of 29% on secured debt, providing ample headroom to increase debt on existing secured debt; and ii) the company's continued access to capital markets as demonstrated by commercial paper and its good banking relationships with a wide range of potential funding sources.

We caution though that Fastpartner's headroom to its bank covenants is significantly reduced given the increasing interest costs. We understand that Fastpartner is in active discussions with banks to proactively address the tightness of covenants. We highlight the maturity wall upcoming in May 2025 and expects the company to take measures to address this risk well in advance.

Given the above, liquidity is judged to be adequate.

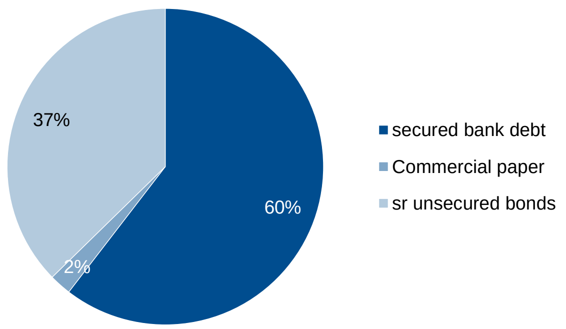
| Balance in SEK mSEK m | 2023E | 2024E | 2025E |
|---|---|---|---|
| Unrestricted cash (t-1) | 182 | 57 | 37 |
| Open committed credit lines (t-1) | 2,615 | 2,615 | 2,615 |
| FOCF | 189 | 412 | 582 |
| Short-term debt (t-1) | 3,862 | 1,430 | 5,274 |
| **Coverage** | **77%** | **216%** | **61%** |

**Figure 10: Maturity profile as at Q2 2023**




Sources: Fastpartner, Scope

**Figure 11: Debt split**




Sources: Fastpartner, Scope

## Long-term and short-term debt ratings

**Senior unsecured debt rating: BB**

Fastpartner currently has SEK 6.6bn of senior unsecured debt outstanding, which comprises SEK 375m in commercial paper and SEK 6.3bn in senior unsecured bonds (of which SEK 5.2bn was issued under its green framework). These senior unsecured obligations benefit from a property pool of SEK 9.3bn in truly unencumbered assets in addition to SEK 5.0bn in unencumbered parts of secured properties (with a difference of secured LTV up to 60%). We assess the pool of unencumbered assets at SEK 14.4bn, which provides around 220% coverage by unsecured assets. Based on our General Corporate Rating methodology and reasonable discounts on the company's asset base, we expect a superior recovery for senior unsecured debt. However, we also highlight the high sensitivity of recovery expectations to advance rates and the volume of senior secured debt at the time of a hypothetical default, resulting in the downgrade of the senior unsecured debt rating to BB (in line with that of the issuer) from BBB-.

**Short-term debt rating: S-3**

The S-3 short-term debt rating is based on the BB/Negative issuer rating and supported by adequate liquidity, good banking relationships, and access to secured bank and commercial paper funding sources with regular issuances of various equity share classes and bonds.

## Appendix: Peer comparison

| | Fastpartner AB | Corem Property Group AB | Fastighets AB Balder | Merlin Properties SOCIMI S.A. | Inmobiliaria Colonial SOCIMI |
|---|---|---|---|---|---|
| | BB/Negative | BBB-/Negative | ---/---* | ---/---* | ---/---* |
| Last reporting date | 30 June 2023 | 31 December 2022 | 31 December 2022 | 31 December 2022 | 31 December 2022 |
| **Business risk profile** | | | | | |
| Scope-adjusted total assets (EUR m) | 3,100 | 6,700 | 23,400 | 11,622 | 13,310 |
| Portfolio yield | 6.2% | 5.6% | 4.6% | 4.7% | 2.7% |
| GLA (thousand sqm) | 1,563 | 3,035 | 5,837 | 3,182 | 1,688 |
| No. of residential units | na | na | 45,300 | n/a | na |
| | | | | | |
| Countries active in | 1 | 3 | 7 | 2 | 2 |
| Top 3 tenants (%) | 9.0% | 9.5% | 7.7% | 9.9% | 10.2% |
| Top 10 tenants (%) | 18.6% | 17.0% | 14.2% | 21.3% | 25.8% |
| Office (share NRI) | 46% | 47% | 24% | 54% | 96% |
| Retail (share NRI) | 12% | 11% | 12% | 27% | 3% |
| Residential (share NRI) | 0% | na | 46% | n/a | 0% |
| Hotel (share NRI) | 4% | na | na | n/a | na |
| Logistics (share NRI) | 24% | 24% | 7% | 13% | 0% |
| Others (share NRI) | 14% | 18% | 11% | n/a | 1% |
| | | | | | |
| Property location | Mainly 'A' | 'A' and 'B' | 'A' to 'B' | 'A' to 'B' | A |
| EPRA occupancy rate (%) | 93% | 91% | 96% | 95% | 96% |
| WAULT (years) | 4.5 | 3.6 | 6.2 | 3.2 | 5.0 |
| Tenant sales growth (%) | na | na | na | 27.7% | na |
| Like-for-like rent growth (%) | na | na | 3.9% | 7.3% | 7.0% |
| Occupancy cost ratio (%) | na | na | na | n/a | na |
| | | | | | |
| Scope-adjusted EBITDA margin | 68% | 65% | 64% | 75% | 77% |
| EPRA cost ratio (incl. vacancy) | na | na | na | 26.7% | 21.9% |
| EPRA cost ratio (excl. vacancy) | na | na | na | 24.5% | 20.1% |
| **Financial risk profile** | | | | | |
| Scope-adjusted EBITDA/interest cover | 1.9x | 2.0x | 3.6x | 3.3x | 3.1x |
| Scope-adjusted loan/value ratio | 48% | 50% | 50% | 33% | 38% |
| Scope-adjusted debt/EBITDA | 12x | 15x | 19x | 12x | 18x |
| | | | | | |
| Weighted average cost of debt | 4.5% | 3.5% | 2.1% | 2.0% | 1.7% |
| Unencumbered asset ratio | 220% | na | >200% | >200% | >200% |

* Subscription ratings available on ScopeOne

Sources: Public information, Scope

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