

# Fastpartner

## Debt on floating rates hurts

- Significant est. revisions from higher interest rates
- Second credit rating downgrade has no impact
- LTV below 50%, but 2024e ICR below 2x (target >3x)

### All about financing costs

Fastpartner delivered a Q2 report with rental income of SEK 553m (-3% vs ABGSCe) while the NOI margin was strong and expanded by 1.9pp y-o-y, taking NOI and EBIT -1% and -0%, respectively. We attribute the top-line miss to a smaller incremental contribution from projects than expected (rental income was down q-o-q), which filters through to forward-looking estimates. IFPM in Q2 was yet again below ABGSCe, fully explained by net financial expenses. FPAR has most of its debt on floating terms, and the recent increase in interest rate expectations takes down CEPS estimates by ~11-21% in our forecast period.

### Second credit rating downgrade in a month

FPAR has been downgraded by Moody's twice in the last month, taking the credit rating from Baa3 (IG) to Ba3 (HY). The second downgrade quotes higher effective leverage and deteriorating ICR. We think the most important metric in the current environment is liquidity and the possibility to refinance existing bonds in the bank market. FPAR has less than 40% of its outstanding debt split between six different bonds (total volume of SEK 6.25bn) and the bond maturities are relatively evenly split between 2023 and 2027. A property portfolio of less than SEK 40bn and a net LTV peak at ~49% (ABGSC Q4'23e) indicate FPAR should be able to refinance the outstanding bonds, but an ICR expected to trough at ~1.8x (ABGSC 2024e) is likely the largest issue. FPAR targets an ICR of >3.0x, although does not state the covenants in its bank terms. In addition, FPAR has cross default covenants.

### 2023e P/CEPS at ~14x, ~15-30% below sector average

FPAR is trading some ~15% to ~30% below the real estate sector average (2023e P/CEPS of ~14x vs average at ~16x and 2023e P/NAV of ~0.5x vs sector average at ~0.7x).

**Analyst(s):** fredrik.stensved@abgsc.se, +46 8 566 294 08  
markus.henriksson@abgsc.se, +46 8 566 286 21

SEKm	2021	2022	2023e	2024e	2025e
Sales	1,856.3	1,997.5	2,224.9	2,351.3	2,430.3
NOI	1,301	1,398	1,581	1,684	1,748
NOI margin (%)	70.1	70.0	71.1	71.6	71.9
CEPS	4.20	4.53	3.20	3.16	3.70
DPS	2.20	1.00	1.00	1.00	1.00
EPRA NRVPs	103.93	100.73	84.74	90.72	97.31
EPS	17.72	-0.13	-11.39	5.60	6.13
Rental growth	3.04	7.61	11.38	5.68	3.36
CEPS growth	-0.48	7.92	-29.44	-1.03	16.81

Source: ABG Sundal Collier, Company Data

Reason: Post-results comment

Commissioned research

Not rated

Constr. & Real Estate

Estimate changes (%)

	2023e	2024e	2025e
Sales	-2.7	-2.9	-2.0
NOI	-2.1	-2.5	-1.4
CEPS	-12.4	-20.7	-10.9
EPRA NRV per share	-6.1	-6.6	-6.7

Source: ABG Sundal Collier

FPAR.A-SE/FPAR SS

Share price (SEK) 23/7/2023 47.75

MCap (SEKm)	9,557
MCap (EURm)	826
No. of shares (m)	197.9
Free float (%)	22.8
Av. daily volume (k)	51

Next event Q3 Report 19 October 2023

Performance



	2023e	2024e	2025e
P/CEPS	14.9	15.1	12.9
P/EPRA NRV	0.56	0.53	0.49
Implicit yield (%)	5.5	5.8	5.9
Dividend yield (%)	2.1	2.1	2.1
Net LTV (%)	49.70	48.19	46.52

Disclosures and analyst certifications are located on pages 5-6 of this report.

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## Company description

Fastpartner owns, manages and develops primarily commercial real estate. The portfolio consists mainly of offices and logistics/warehouse/production properties, but with some premises within retail and hospitality, residential and community service properties. Greater Stockholm remains Fastpartner's most prioritised investment area, accounting for a majority of rental income. Besides Stockholm, the company focuses on Gothenburg, Gävle, Malmö, Norrköping and Uppsala.

## Risks

The main risk for a real estate company is the macro development in the markets in which it operates. The demand situation should be more sustainable in Stockholm given the growing population, but historically volatility has been higher in the downturns. Moreover, the major shareholder and CEO of Fastpartner, Sven-Olof Johansson, is very important to the company.

Income Statement (SEKm)	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
<b>Rental income</b>	<b>1,270.8</b>	<b>1,381.0</b>	<b>1,450.6</b>	<b>1,686.5</b>	<b>1,801.6</b>	<b>1,856.3</b>	<b>1,997.5</b>	<b>2,224.9</b>	<b>2,351.3</b>	<b>2,430.3</b>
Other income	0	0	0	0	0	0	0	0	0	0
Operating costs	-418	-445	-469	-514	-517	-555	-599	-644	-667	-683
<b>NOI</b>	<b>853</b>	<b>936</b>	<b>982</b>	<b>1,173</b>	<b>1,285</b>	<b>1,301</b>	<b>1,398</b>	<b>1,581</b>	<b>1,684</b>	<b>1,748</b>
NOI margin (%)	67.1	67.8	67.7	69.5	71.3	70.1	70.0	71.1	71.6	71.9
Adm. costs	-30	-29	-32	-35	-38	-42	-47	-46	-52	-53
All other income & costs	29	17	53	24	22	1	3	-3	0	0
Recurring EBIT	823	907	950	1,138	1,247	1,259	1,351	1,535	1,633	1,695
Net financial items	-276	-258	-269	-341	-348	-318	-421	-857	-939	-892
Income from property management	579	682	715	828	930	972	964	713	728	838
Value chg. realized	14	34	1	423	1	1	0	0	0	0
Value chg. unrealized	1,478	935	1,199	2,588	1,074	3,028	-864	-3,176	698	712
Value chg. derivatives	-100	61	144	-33	-17	238	-2	-15	0	0
Pretax profit	1,968	1,694	2,077	3,800	1,979	4,209	58	-2,516	1,392	1,515
Deferred tax	-326	-185	-195	-590	-285	-764	55	561	-218	-231
Current tax	-75	-92	-110	-94	-93	-108	-62	-55	-76	-89
Net profit	1,566	1,417	1,772	3,116	1,601	3,337	50	-2,010	1,098	1,195
Minority interest	0	0	0	0	0	0	0	0	0	0
Div. Pref/D-shares and hybrids	-38	-38	-57	-38	-66	-96	-73	-73	-73	-73
Net profit to shareholders	1,528	1,379	1,715	3,078	1,535	3,241	-23	-2,083	1,025	1,122
<b>Cash earnings</b>	<b>466</b>	<b>553</b>	<b>547</b>	<b>696</b>	<b>771</b>	<b>768</b>	<b>829</b>	<b>585</b>	<b>579</b>	<b>676</b>
<b>Other related information</b>	-	-	-	-	-	-	-	-	-	-
Tax Rate (%)	20.4	16.3	14.7	18.0	19.1	20.7	12.5	20.1	21.1	21.1
Investments in developments	-468	-2,412	-702	-812	-540	-777	-747	-491	-505	-510
Acquisitions	0	0	-435	-2,443	-1,558	-498	-523	0	0	0
Other investments	-	-	-	-	-	-	-	-	-	-
Divestments	53	300	122	0	0	324	-0	0	0	0
<b>EPS</b>	<b>8.45</b>	<b>7.62</b>	<b>9.48</b>	<b>17.01</b>	<b>8.40</b>	<b>17.72</b>	<b>-0.13</b>	<b>-11.39</b>	<b>5.60</b>	<b>6.13</b>
<b>CEPS</b>	<b>2.58</b>	<b>3.06</b>	<b>3.02</b>	<b>3.85</b>	<b>4.22</b>	<b>4.20</b>	<b>4.53</b>	<b>3.20</b>	<b>3.16</b>	<b>3.70</b>
Dividend per share	0.00	0.00	1.60	1.90	2.00	2.20	1.00	1.00	1.00	1.00
Payout ratio of CEPS	0.00	0.00	52.90	49.36	47.40	52.39	22.07	31.28	31.60	27.05
Rental growth	11.96	8.67	5.04	16.26	6.82	3.04	7.61	11.38	5.68	3.36
NOI growth	10.66	9.69	4.92	19.45	9.56	1.25	7.48	13.08	6.51	3.78
CEPS growth	-6.19	18.55	-1.04	27.26	9.62	-0.48	7.92	-29.44	-1.03	16.81

Source: ABG Sundal Collier, Company Data

Balance Sheet (SEKm)	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
<b>Properties</b>	<b>17,216</b>	<b>20,047</b>	<b>22,264</b>	<b>27,877</b>	<b>31,168</b>	<b>35,323</b>	<b>35,377</b>	<b>33,040</b>	<b>34,243</b>	<b>35,465</b>
Goodwill	0	0	0	0	0	0	0	0	0	0
Deferred tax asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ass. companies and JVs	77	50	403	387	406	443	419	543	543	543
Financial assets	33	98	14	14	118	618	733	302	302	302
Other assets	325	573	172	1,444	1,309	1,328	1,413	1,525	1,540	1,549
Cash and liquid assets	806	216	676	264	147	211	182	326	182	434
<b>Total assets</b>	<b>18,456</b>	<b>20,983</b>	<b>23,529</b>	<b>29,987</b>	<b>33,148</b>	<b>37,922</b>	<b>38,124</b>	<b>35,736</b>	<b>36,810</b>	<b>38,293</b>
Shareholders equity	5,879	7,051	8,572	12,089	12,813	15,705	15,193	12,833	13,709	14,683
Pref. and D shares + minorities	556	556	543	543	1,244	1,752	1,209	1,209	1,209	1,209
Hybrids	0	0	0	0	0	0	0	0	0	0
Deferred tax	1,209	1,394	1,589	2,179	2,464	3,227	3,172	2,611	2,829	3,060
Interest bearing debt	10,116	11,194	12,157	13,395	14,608	15,281	16,723	17,048	16,984	17,235
Other liabilities	696	789	668	1,781	2,020	1,957	1,827	2,035	2,078	2,106
<b>Total liabilities and equity</b>	<b>18,456</b>	<b>20,983</b>	<b>23,529</b>	<b>29,987</b>	<b>33,148</b>	<b>37,922</b>	<b>38,124</b>	<b>35,736</b>	<b>36,810</b>	<b>38,293</b>

Source: ABG Sundal Collier, Company Data

Other balance sheet related infor. (SEKm)	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
Net IB debt	9,278	10,880	11,467	13,116	14,342	14,452	15,808	16,420	16,501	16,500
Rental area m2 (000)	1,394	1,438	1,443	1,511	1,533	1,519	1,566	1,564	1,564	1,564
Equity ratio (%)	32	34	36	40	39	41	40	36	37	38
Net loan to value	53.89	54.27	51.50	47.05	46.02	40.91	44.68	49.70	48.19	46.52
ICR real estate	3.38	4.04	4.04	3.67	3.94	4.38	3.49	1.87	1.80	1.98
BVPS	32.50	38.98	47.38	66.83	70.15	85.87	83.07	70.16	74.95	80.28
EPRA NRV per share	42.66	47.14	56.69	79.57	84.31	103.93	100.73	84.74	90.72	97.31

Source: ABG Sundal Collier, Company Data

Valuation (SEKm)	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
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## Fastpartner

Valuation (SEKm)	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
Shares outstanding adj.	166	181	181	181	183	183	183	183	183	183
Share price	47.75	47.75	47.75	47.75	47.75	47.75	47.75	47.75	47.75	47.75
Market cap. (m)	7,934	8,638	8,638	8,638	8,733	8,733	8,733	8,733	8,733	8,733
P/E (x)	5.7	6.3	5.0	2.8	5.7	2.7	-379.8	-4.2	8.5	7.8
P/CEPS	18.5	15.6	15.8	12.4	11.3	11.4	10.5	14.9	15.1	12.9
Implicit yield (%)	4.4	4.3	4.4	4.8	4.7	4.6	4.8	5.5	5.8	5.9
Yield on BV (%)	5.0	4.7	4.4	4.2	4.1	3.7	4.0	4.8	4.9	4.9
Dividend yield (%)	0.0	0.0	3.4	4.0	4.2	4.6	2.1	2.1	2.1	2.1
P/EPRA NRV	1.12	1.01	0.84	0.60	0.57	0.46	0.47	0.56	0.53	0.49
P/BVPS (x)	1.47	1.23	1.01	0.71	0.68	0.56	0.57	0.68	0.64	0.59
EV/NOI (x)	9.86	9.77	8.94	7.50	7.45	7.72	6.81	5.94	5.58	5.38

Source: ABG Sundal Collier, Company Data

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Norway	Sweden	Denmark	United Kingdom	USA	Germany	Singapore
Ruseløkkveien 26, 8th floor 0251 Oslo	Regeringsgatan 25, 8th floor 111 53 Stockholm	Forbindelsesvej 12, 2100 Copenhagen	10 Paternoster Row, 5th floor London EC4M 7EJ	140 Broadway, Suite 4604 New York, NY 10005	Schillerstrasse 2, 5. OG 60313 Frankfurt	10 Collyer Quay Ocean Financial Center
Norway Tel: +47 22 01 60 00 Fax: +47 22 01 60 60	Sweden Tel: +46 8 566 286 00 Fax: +46 8 566 286 01	Denmark Tel: +45 35 46 61 00 Fax: +45 35 46 61 10	UK Tel: +44 20 7905 5600 Fax: +44 20 7905 5601	USA Tel: +1 212 605 3800 Fax: +1 212 605 3801	Germany Tel: +49 69 96 86 96 0 Fax: +49 69 96 86 96 99	#40-07, Singapore 049315 Tel +65 6808 6082