



Viceroy Research LLC  
[viceroy@viceroyresearch.com](mailto:viceroy@viceroyresearch.com)

**March 1, 2022**

Ms. Kjersti Flåten  
Director General – Department for Schools & Kindergartens  
Ministry of Education & Research

Ms. Hege Nygård  
Director General – Legal Affairs  
Ministry of Education & Research

Mr. Petter Skarheim  
Secretary General  
Ministry of Education & Research

Ms. Tonje Brenna  
Minister of Education

Dear Esteemed Recipients,

**Whistleblower Report – Laeringsverkstedet & Trygge Barnehager**

Viceroy Research has become aware of significant contract risks between **Laeringsverkstedet** (“LV”) and **Trygge Barnehager** (“TB”) (together “the Tenants”), and their new landlord: **Samhallsbyggnadsbolaget i Norden AB** (“SBB”). Together, the Tenants and SBB operate over 10% of Norway’s Kindergarten facilities<sup>1</sup>.

This letter, together with enclosed annexures, will provide background on tenant agreements and historical transactions between the Tenants and SBB, which we show has resulted in dangerously inflated rental pricing. This inflated rent is subsidized via dividends from SBB, which we believe are at risk of failure.

Should this be the case, we believe the Tenants will default on their lease obligations and cause significant damage to the taxpayer, who will inevitably end up carrying these costs.

We address you in your collective capacity in overseeing and subsidizing Norway’s Kindergarten system, and in your capacity to investigate perceived impropriety within private organizations in this system.

We remain at your disposal should you have any further questions. Please feel free to contact us on [legal@viceroyresearch.com](mailto:legal@viceroyresearch.com).

Yours faithfully,

Viceroy Research Group

cc. Gabriel Novella  
EY Sweden

---

<sup>1</sup> <https://corporate.sbbnorden.se/en/sbb-acquires-preschool-portfolio-in-norway-for-4580-mnok-and-signs-long-term-leases/>



## Contents

1. Background.....	2
2. SBB Transaction & Leaseback with LV .....	3
The Implication of SBB-D Share Consideration.....	3
Financial Risk – A look at LV’s accounts.....	5
3. Proof of excessive rents - LV.....	6
Effective rent per child .....	6
Rent as a % of total expenses .....	6
Increase in rent.....	7
Valuation comparisons .....	7
Additional property costs – Triple Net.....	8
Netting Clause.....	8
4. Trygge Barnehaager – The latest SBB transaction.....	9
5. Conclusion .....	10

**PLEASE READ IMPORTANT DISCLAIMER ON PAGE 11.**

## 1. Background

Viceroy Research is a specialist investigative research agency. Our team specializes in deep due-diligence and reporting of corporate/accounting fraud.

Our investigations have spanned across the globe, and our previous works include:

- |                           |               |                  |
|---------------------------|---------------|------------------|
| ▪ Wirecard AG             | ▪ Grenke AG   | ▪ Adler Group AG |
| ▪ Steinhoff International | ▪ Athenex Inc | ▪ Pareteum Inc   |
| ▪ MiMedx Group            | ▪ ProSeiben   | ▪ Quintis        |

We hold ourselves accountable to stakeholders and have provided whistleblower reports and assisted in various regulatory investigations.

On February 21, 2022, we published a report on SBB, and outlined several financial risks to the business, undisclosed related party transactions, and round tripping of revenues and transaction funds. You can find this report on our website:

<https://viceroyresearch.org/2022/02/21/samhallsbyggnadsbolaget-hard-to-pronounce-harder-to-justify-value/>

Our report highlights that SBB’s second- and third-largest customers (LV & TB respectively) appear to have an informal rent round-tripping agreements, whereby triple-net facility rent is inflated, then subsidized by SBB’s quasi-preferred dividends.



## 2. SBB Transaction & Leaseback with LV

Over the course of our investigation into SBB we investigated the circumstances of the sale and leaseback from Laeringsverkstedet AS to SBB of 138 properties in Norway at an agreed property value of NOK4,250m<sup>2</sup>. This consideration was paid out in part NOK 2,850m cash and NOK 1,400m in-kind with SBB’s “D” class shares (capped dividend quasi-preference shares).



Figures 1 & 2 SBB LV Property Acquisition Analysis & Viceroy Transaction Analysis

Under a new sale and leaseback agreement: Laeringsverkstedet is currently paying an annual rental of NOK 251.4m or NOK 2,205/m<sup>2</sup> on its childcare.

Laeringsverkstedet - Rent Analysis		
SBB reported rent	NOKm	251.4
Area	m <sup>2</sup>	114,000
Rent per m <sup>2</sup>	NOK/m <sup>2</sup>	2,205

Figure 3 Viceroy Analysis

### The Implication of SBB-D Share Consideration

SBB-D class shareholders receive preferential dividends over other shareholders, capped at SEK 2 per share per year. At the implied transaction cost, the in-kind consideration of ~45m SBB-D shares can net LV around NOK 90m per annum. The SBB D shares are currently valued at ~ NOK 28/share, which represents an attractive yield (6-7%) at face value.

Given this face-value yield, we can eliminate the possibility of LV selling SBB-D shares for another “safer” financial investment. At this return, they simply do not exist.

<sup>2</sup> <https://corporate.sbbnorden.se/sv/samhallsbyggnadsbolaget-i-norden-ab-forvarvar-forskoleportfolj-i-norge-med-nytecknade-35-ariga-triple-net-avtal-for-4-250-mnok/>



With this in mind, LV has agreed to alarmingly high rental costs to SBB, which we will evidence below. These costs are so high that we do not believe that LV could meet rent obligations on its long-dated rental agreements without the support of SBB-D dividends. This is an unacceptable and real risk, and we do not believe the circumstances surrounding this deal constitute an arm's length transaction.



Figure 4 Viceroy Analysis

By charging high rents and (poorly) hiding rent support via SBB-D dividends, SBB is able to “prove” to its investors and its valuers that its properties are worth more than they really are. In the event of LV, we believe SBB recorded revaluation gains of ~50% in the same year it bought the properties. This is, of course, ridiculous. SBB then borrows more money from banks and from the market against these artificially high valuations.

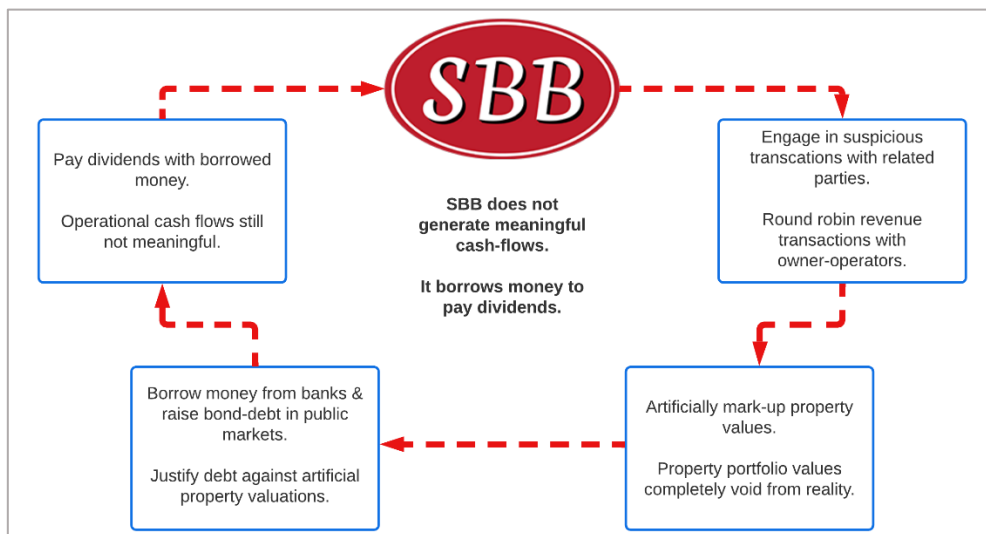


Figure 5 Viceroy Analysis

LV is not an isolated incident. Our report has highlighted several transactions whereby SBB have artificially “hacked” values through undisclosed related party transactions, and through revenue round tripping.

***This SBB-D dividend is not sustainable.***

***Viceroy believes SBB DOES NOT have the ability to maintain this dividend without artificially hiking its portfolio value and borrowing money from other investors.***



## Financial Risk – A look at LV’s accounts

In consideration of the above leaseback agreement, we have taken a cursory look at LV’s financial accounts for 2020. Rent increases will take up substantially all of LV’s operating income. Note that in the 2020 financial year, only NOK ~105m of the total rent increase of NOK ~251m was applied.

	Note	2020	2019
<b>RESULTATREGNSKAP</b>			
<b>DRIFTSINNT EKTER</b>			
Salgsinntekt	9	649 756	554 829
Annen driftsinntekt	9, 12	2 375 085	2 028 886
<b>SUM DRIFTSINNT EKTER</b>		<b>3 024 841</b>	<b>2 583 715</b>
<b>DRIFTSKOSTNADER</b>			
Lønnskostnad	1	2 143 572	1 815 182
Avskrivning av driftsmidler og immaterielle eiendeler	3	160 165	182 033
Annen driftskostnad	1, 12	537 834	397 430
<b>SUM DRIFTSKOSTNADER</b>		<b>2 841 571</b>	<b>2 394 645</b>
<b>DRIFTSRESULTAT</b>		<b>183 271</b>	<b>189 070</b>

### Note 0 Fisjon

Selskapet og konsernet har i 2020 gjennomført en fisjon. Med regnskapsmessig effekt 1.8.2020 ble ca 130 eiendommer fisjonert ut til selskapet Barnehagebo AS, som ved fisjonen eies 100% av Læringsverkstedet Gruppen AS og er et søsterselskap til Læringsverkstedet AS. Fisjonen er en ren fisjon med jevndeling og er bokført til selskapsmessig kontinuitet. I tillegg til eiendommene med tilhørende utsatt skatt ble det også fisjonert ut aksjer i datter knyttet til ett datterselskap samt husbankgjeld på ca 1,1 milliard tilhørende de utfisjonerte eiendommene. I forbindelse med fisjonen oppsto det en fisjonsfordring for Læringsverkstedet AS på ca 1,1 mrd som i etterkant av fisjonen er gjort opp. Den beløpsmessig konsekvensen for varige driftsmidler fremgår av note 3, mens effekten på egenkapitalen fremgår av note 7.

Læringsverkstedet har inngått en triple net leieavtale knyttet til alle eiendommene som ble fisjonert ut. Leieavtalen er for 35 år med fornyelsesopsjoner. Læringsverkstedet beholder således full bruksrett til eiendommene. Årlig leie utgjør 251,4 millioner og Læringsverkstedet har i 2020 betalt husleie på 104,8 millioner.

Figures 6 & 7 Extracts from LV Financial Accounts 2020

Adjusting for these timing differences, Viceroy Research have prepared an annualized look at LV’s earnings before tax below which accounts for a whole year of rent to SBB. We note that, after overheads (which include debt servicing and management costs), LV have substantially negative earnings without the support of an SBB dividend.

<b>Læringsverkstedet - 2020 Financial Analysis (excl. SBB-D Dividend)</b>	
Reported Operating Income	183,271
Less: annualized rent difference	(146,600)
<b>Adjusted Annualized Operating Income</b>	<b>36,671</b>
Laeringsverkstedet reported overheads	(235,451)
Add: exceptional items	147,008
<b>Adjusted overheads</b>	<b>(88,443)</b>
<b>Laeringsverkstedet Adjusted 2020 Earnings before tax</b>	<b>(51,772)</b>

Figure 8 Viceroy Analysis

**The above analysis does NOT include the impact of non-yielding cash investments which LV must make as part of its triple net lease. See more on Page 7.**

**The effective rent is substantially higher.**

### 3. Proof of excessive rents - LV

To show how disjointed LV's rent expenses are we have compared them to the average Norwegian figures found in the Kostnader I barnehagene 2019 (Costs in Kindergartens 2019) compiled by Telemarkforskning and hosted on the Utdanningsdirektoratet website<sup>3</sup>. The results show that LV is paying rent far in excess of the baseline.

#### Effective rent per child

Using LV 2020 figures for capacity and kindergarten numbers to find average children per kindergarten we can see that **LV is paying an effective rent more than triple the Norwegian average of NOK7,745 per child.**

Laeringsverkstedet - Effective rent per child		
<b>LV Childcare Data</b>		
Child capacity 2020	#	18,500
Number of kindergartens 2020	#	239
Average children per kindergarten	#	77
<b>SBB Property Segment</b>		
SBB-owned kindergartens	#	138
Est. number of children in SBB-owned properties	#	10,682
<b>Rent per child in SBB-owned properties</b>	<b>NOK</b>	<b>23,535</b>
<b>Comparison to Norwegian Average</b>		
Norwegian average rent per child*	NOK	7,745
<b>SBB to Average - NOK difference</b>	<b>NOK</b>	<b>15,790</b>
<b>SBB to average - % difference</b>	<b>%</b>	<b>304%</b>

*\*Source: Kostnader I barnehagene 2019*

Figure 9 Viceroy Analysis

In 2021 it was reported that the Oslo municipality had required several kindergartens to repay funds due to violations of the Kindergarten Act due to high rental prices. We believe that these prices qualify for similar actions.

#### Rent as a % of total expenses

**LV's SBB-owned property rent is more than double the national average rent as a percentage of expenses.** Note that the national average figure includes depreciation, meaning this multiple is almost certainly higher in like-for-like terms.

Rent as a % of expenses per kindergarten		
LV Expenses	NOKm	2,842
Number of kindergartens 2020	#	239
<b>Expense per kindergarten</b>	<b>NOKm</b>	<b>11.9</b>
Rent per SBB-owned property	NOKm	1.822
Rent per SBB-owned property as % of expenses	%	15.3%
Norwegian avg. rent & depreciation as % of expenses*	%	6.3%
<b>SBB to average - % Difference</b>	<b>%</b>	<b>243%</b>

*\*Source: Kostnader I barnehagene 2019*

Figure 10 Viceroy Analysis

<sup>3</sup> <https://www.udir.no/tall-og-forskning/finn-forskning/rapporter/kostnader-i-barnehager/>



## Increase in rent

LV's 2019 financials which show the company paid NOK 21m for 50 properties, or NOK420,000 per property.

**In 2020 the company rented a further 40 properties, for NOK18m or NOK450k per property. Contrast this with the NOK1.75m per property charged by SBB, almost 4X higher.**

SBB and Non-SBB rental comparison		
<b>LV - Rental Analysis (excl. SBB)</b>		
Non-SBB rented properties	#	40
Non-SBB rental expense	NOKm	18.0
Non-SBB rental expense per property	NOK	450,000
<b>LV - SBB Rental Analysis</b>		
SBB rented properties	#	138
SBB rental expense	NOKm	241.5
SBB rental expense per property	NOK	1,750,000
<b>Comparison</b>		
<b>SBB to non-SBB - Rental Difference</b>		<b>1,300,000</b>
<b>SBB to non-SBB - Rental Difference %</b>		<b>389%</b>

Figure 11 Viceroy Analysis

## Valuation comparisons

To dispel the notion that LV rents are higher due to their prime locations we have broken down the company's kindergartens by location. A web-scrape of Laeringsverkstedet's locations webpage shows only 9% of LV's locations and 8.2% of its childcare places are in Oslo.

LV Location Analysis	Locations	Capacity	% of locations	% of capacity
Oslo	21	1,448	9%	8%
Kristiansand S	11	1,012	4%	6%
Jessheim	8	571	3%	3%
Skien	8	731	3%	4%
Trondheim	8	555	3%	3%
Bodø	7	391	3%	2%
Vennesla	5	182	2%	1%
Ålesund	4	294	2%	2%
Kleppestø	4	301	2%	2%
Other	170	12,153	69%	69%
<b>Total</b>	<b>246</b>	<b>17,638</b>	<b>100%</b>	<b>100%</b>

Figure 12 Viceroy Analysis

Note that, given this data, the vast majority of the 138 properties purchased by SBB must exist outside major cities. We will not accept argument of prime real estate.



## Additional property costs – Triple Net

These leases are also triple-net leases meaning the tenant (Laeringsverkstedet) is responsible for all property taxes, insurance, expenses, maintenance, and capital expenditures. Typically, triple-net leases command cheaper rents but that is clearly not the case here. SBB's property costs amount to 27.8% of its rental revenue. Assuming a conservative annual property cost of 13.5% of rental expense for LV, this increases the effective annual rental expense to NOK385.34m or NOK3,380/m<sup>2</sup>.

<b>Property expense forecast</b>		
<b>SBB Property Expense Analysis</b>		
Revenue	SEKm	5,121
Operating costs	SEKm	(987)
Maintenance	SEKm	(323)
Property tax	SEKm	(115)
<b>Total property expenses</b>	<b>SEKm</b>	<b>(1,425)</b>
<b>Property expense as % of revenue</b>	<b>%</b>	<b>28%</b>
LV SBB reported rent	NOKm	251.4
Expected LV property expenses	NOKm	69.96
<b>LV effective rent</b>	<b>NOKm</b>	<b>321.36</b>

Figure 13 Viceroy Analysis

## Netting Clause

The only immediate justification that comes to mind for these high rent increases is that a netting clause exists in the contract between SBB and LV.

A netting clause would effectively allow LV to “net off” payable rent in the event that SBB was not able to pay its SBB-D dividend.





## 4. Trygge Barnehager – The latest SBB transaction

On December 2021, SBB announced it had expanded its kindergarten property portfolio through the acquisition of 142 of Trygge Barnehager’s facilities for an agreed price of NOK 4,580m. How this payment was made (i.e. cash consideration vs. SBB-D shares consideration) and details of the leaseback agreement to TB is not immediately available to the market.

10 December 2021 | Non Regulatory

**SBB acquires preschool portfolio in Norway for 4,580 MNOK and signs long-term leases**

Figure 14 SBB TB Property Acquisition Announcement

Viceroy advise caution with the above transaction, and note that it is not unreasonable to suggest that similar deals have been struck between SBB and TB. A cursory look at preliminary lending terms already suggests this rent has been increased dramatically as with LV. It was not disclosed whether the leases were on triple-net terms.

Trygge Barnehager - Effective rent per child		
<b>LV Childcare Data</b>		
Child capacity 2020 (est)	#	13,500
Number of kindergartens	#	186
Average children per kindergarten	#	73
<b>SBB Property Segment</b>		
SBB-owned kindergartens	#	142
Est. number of children in SBB-owned property	#	10,306
<b>Rent per child in SBB-owned properties</b>	<b>NOK</b>	<b>25,421</b>
<b>Comparison to Norwegian Average</b>		
Norwegian average rent per child*	NOK	7,745
<b>SBB to Average - NOK difference</b>	<b>NOK</b>	<b>17,676</b>
<b>SBB to average - % difference</b>	<b>%</b>	<b>328%</b>

*\*Source: Kostnader i barnehagene 2019*

TB Location Analysis	Locations	% of locations	
Oslo	21	11%	
Haugesund	6	3%	
Stord	6	3%	
Sandnes	5	3%	
Lillehammer	4	2%	
Trondheim	4	2%	
Bryne	3	2%	
Kristiansand	3	2%	
Moss	3	2%	
Other	131	70%	
<b>Total</b>	<b>186</b>	<b>100%</b>	

Figures 15 & 16 Viceroy Analysis

Due to TB’s financial reporting structure analysis of rent as a percentage of current expenses was not possible, and calculation of additional property costs would be speculative without knowing whether the leases are triple-net.

We note as before that rent per child is more than triple the 2019 Norwegian average, and that most of the portfolio is located outside of Oslo, despite SBB claiming a “strong focus” on the Oslo area. Assuming that SBB purchased every Oslo property in TB’s portfolio it would account for only 14.7% of the properties purchased. A



cursory view of TB's operating subsidiary accounts shows that their operations are largely funded by the public sector via the municipality.

It is our view that the TB transaction is on equally unfair terms to the LV transaction.

## 5. Conclusion

It is our view that SBB's lease terms with Nordic Kindergarten operators present an unacceptable level of risk. These leases are extremely long dated at a minimum of 25-35 years. It is not in the best interest of the taxpayer or the Norwegian Government to fund onerous leases to SBB in the event that SBB-D shares cease paying dividends (the risks of which we have also demonstrated).

We encourage the Norwegian government to explore its legal options to rectify what we believe to be massive overcharging of the government for the benefit of SBB's private shareholders at the expense of the Norwegian taxpayer. We also note that we do not have an opinion on whether the actions of TB or LV in executing these agreements were in bad faith. We believe that SBB's negotiation was in bad faith.



### **Attention: Whistleblowers**

Viceroy encourage any parties with information pertaining to misconduct within Samhällsbyggnadsbolaget, its affiliates, or any other entity to file a report with the appropriate regulatory body.

We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on [viceroy@viceroyresearch.com](mailto:viceroy@viceroyresearch.com).

### **About Viceroy**

Viceroy Research are an investigative financial research group. As global markets become increasingly opaque and complex – and traditional gatekeepers and safeguards often compromised – investors and shareholders are at greater risk than ever of being misled or uninformed by public companies and their promoters and sponsors. Our mission is to sift fact from fiction and encourage greater management accountability through transparency in reporting and disclosure by public companies and overall improve the quality of global capital markets.

### **Important Disclaimer – Please read before continuing**

This report has been prepared for educational purposes only and expresses our opinions. This report and any statements made in connection with it are the authors' opinions, which have been based upon publicly available facts, field research, information, and analysis through our due diligence process, and are not statements of fact. All expressions of opinion are subject to change without notice, and we do not undertake to update or supplement any reports or any of the information, analysis and opinion contained in them. We believe that the publication of our opinions about public companies that we research is in the public interest. We are entitled to our opinions and to the right to express such opinions in a public forum. You can access any information or evidence cited in this report or that we relied on to write this report from information in the public domain.

To the best of our ability and belief, all information contained herein is accurate and reliable, and has been obtained from public sources we believe to be accurate and reliable, and who are not insiders or connected persons of the stock covered herein or who may otherwise owe any fiduciary duty or duty of confidentiality to the issuer. We have a good-faith belief in everything we write; however, all such information is presented "as is," without warranty of any kind – whether express or implied.

In no event will we be liable for any direct or indirect trading losses caused by any information available on this report. Think critically about our opinions and do your own research and analysis before making any investment decisions. We are not registered as an investment advisor in any jurisdiction. By downloading, reading or otherwise using this report, you agree to do your own research and due diligence before making any investment decision with respect to securities discussed herein, and by doing so, you represent to us that you have sufficient investment sophistication to critically assess the information, analysis and opinions in this report. You should seek the advice of a security professional regarding your stock transactions.

This document or any information herein should not be interpreted as an offer, a solicitation of an offer, invitation, marketing of services or products, advertisement, inducement, or representation of any kind, nor as investment advice or a recommendation to buy or sell any investment products or to make any type of investment, or as an opinion on the merits or otherwise of any particular investment or investment strategy.

Any examples or interpretations of investments and investment strategies or trade ideas are intended for illustrative and educational purposes only and are not indicative of the historical or future performance or the chances of success of any particular investment and/or strategy. As of the publication date of this report, you should assume that the authors have a direct or indirect interest/position in all stocks (and/or options, swaps, and other derivative securities related to the stock) and bonds covered herein, and therefore stand to realize monetary gains in the event that the price of either declines.

The authors may continue transacting directly and/or indirectly in the securities of issuers covered on this report for an indefinite period and may be long, short, or neutral at any time hereafter regardless of their initial recommendation.