

## Vacse AB (publ)

Rating Update

## LONG-TERM RATING

A-

## OUTLOOK

Stable

## SHORT-TERM RATING

N-1+

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## RATING RATIONALE

Our 'A-' long-term issuer rating on Swedish property manager Vacse AB (publ) (Vacse) reflects the company's strong portfolio of modern, tailor-made properties leased on long contracts to highly creditworthy public-sector authorities that are essential to Sweden's public security. It is supported by Vacse's strong financial position, low risk appetite, and relatively moderate leverage, as reflected in our adjusted loan to value (LTV) ratio of 40% and interest coverage ratio of 5.6x (as of 30 Jun. 2020). We consider Vacse's approach to sustainability a supportive factor in our assessment of its property portfolio, primarily because government tenants tend to demand higher-than-average sustainability credentials as Sweden strives to meet its commitments to the Paris Agreement.

These strengths are somewhat offset by the limited number of Vacse's properties (16) and tenants, with the top 10 tenants generating virtually all of the company's revenues. Nordic Credit Rating (NCR) believes Vacse's tenant concentration creates some risk at contract expiry, though this is low as only 11% of the company's contracts (by value) expire within the next four years.

## STABLE OUTLOOK

The stable outlook reflects our expectation that Vacse will continue to focus on similar types of properties and tenants, and long lease terms. We expect the company to keep development projects at around 5% of the overall portfolio by area and maintain its low-risk financial profile. The outlook reflects our expectation that the company will continue to obtain certification of new properties and maintain its proactive attitude towards sustainability. It also reflects our stable economic outlook for Sweden's wider community-service sector.

## POTENTIAL POSITIVE RATING DRIVERS

- Significant portfolio growth and diversification without compromising low-risk business profile and credit metrics.

## POTENTIAL NEGATIVE RATING DRIVERS

- Increased leverage resulting in LTV above 50% and EBITDA/net interest moving towards 4.5x.
- Deviation from low-risk business profile.

Figure 1. Vacse key credit metrics, 2016-2022e

SEKm	2016	2017	2018	2019	2020e	2021e	2022e
Rental income	339	334	340	369	382	418	447
NCR-adjusted EBITDA	268	264	263	282	292	320	342
NCR-adjusted investment property	5,344	5,257	5,943	6,525	6,961	7,661	7,961
NCR-adjusted net debt	2,365	2,069	2,463	2,687	2,806	3,303	3,389
Total assets	5,472	5,389	6,166	6,702	7,128	7,770	8,039
NCR-adjusted debt/EBITDA (x)	8.8	7.8	9.4	9.5	9.6	10.3	9.9
NCR-adjusted EBITDA/interest (x)	3.9	3.9	4.1	5.1	5.3	5.3	5.2
NCR-adjusted LTV (%)	44.2	39.4	41.4	41.2	40.3	43.1	42.6

Based on NCR estimates and company data. e-estimate. All metrics adjusted in line with NCR methodology.

## COMPANY PROFILE

Vacse was founded in 2009 by pension foundations associated with Apoteket AB, Atlas Copco AB, Ericsson AB, Sandvik AB, Skanska AB, Stora Enso AB and AB Volvo, the initials of which give the company its name. The company is a Swedish property provider focused on owning, managing and developing public-sector properties leased under long-term contracts to agencies of the Swedish government (mainly the police, custody services and courts administration) and municipalities. As of 30 Jun. 2020, the company's property portfolio consisted of 16 properties valued at SEK 6.8bn.

## BUSINESS RISK ASSESSMENT

Business risk assessment  
scores 'a-'

Our business risk assessment of Vacse reflects the company's stable operating environment, low-risk property portfolio, and very high operating efficiency. It further reflects the company's long remaining lease terms at its 100%-occupied properties. Tenant concentration and overall size offset some of these strengths.

### Strong operating environment supported by government creditworthiness

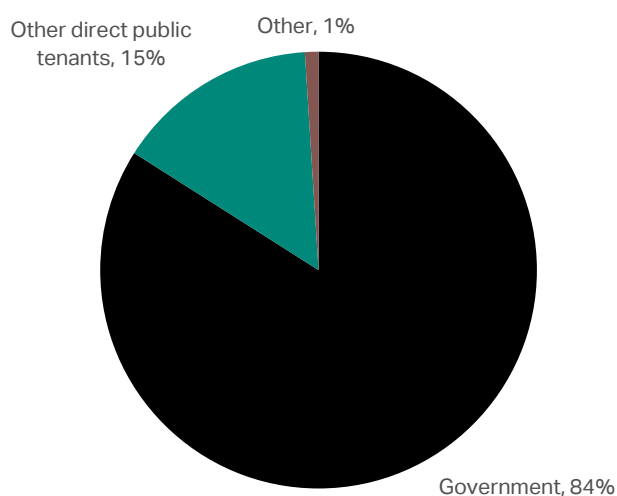
Operating environment  
scores 'a'

Vacse operates in the Swedish community-service property market, with 99% of revenues coming public government bodies. The sector has undergone a structural shift in recent years and a large proportion of public-tenant properties are now owned by private companies. An increasing number of Swedish municipalities are heavily debt-laden with limited possibilities of increasing tax revenues, and need to review their investments.

Over the years, Vacse has proven successful in acquiring and developing properties for community services such as custody, court and police authorities. NCR views most of Vacse's tenants as essential to Sweden's public security, and our understanding is that most political parties in Sweden are committed to increasing resources for the police and judiciary.

Furthermore, there is widespread political acceptance that community services will require more investment due to the country's increasing population, which is expected to continue to show strong growth, especially within the age groups above 75 and below 20. As the dependent part of the population grows, municipalities will face increasing pressure to provide community services amid increasing public sector debt, the constraints of COVID-19, related costs, and loss of revenues. This supports the business case for companies such as Vacse, as municipalities increasingly outsource ownership of community service properties. Accordingly, we expect Vacse's operating environment to remain stable.

Figure 2. Vacse rental income by tenant type, 30 Jun. 2020



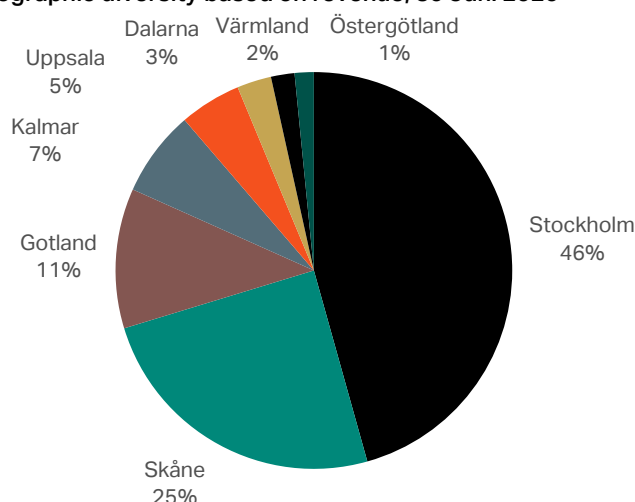
Source: company data

Market position, size and diversification scores 'bb-'

### Small portfolio and high tenant concentration, but strong market position in niche segment

As of 30 Jun. 2020, Vacse's property portfolio consisted of 16 buildings totalling 170,000 sqm with a market value of SEK 6.8bn. Most of Vacse's property portfolio is located in the Stockholm region (46%) with the municipality of Sollentuna just north of the capital representing the largest single exposure. The geographic concentration arises from the proximity of complementary community services including custody and probation services and the national courts administrator. A similar arrangement can be seen in the southern county of Skåne, which generates 25% of the company's revenue.

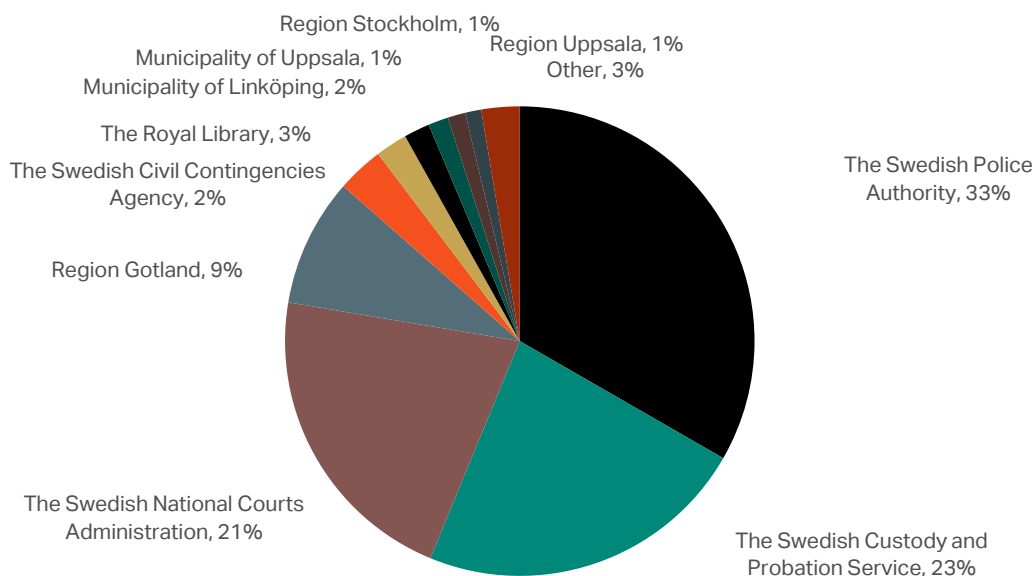
**Figure 3. Vacse's geographic diversity based on revenue, 30 Jun. 2020\***



Source: company data. \*Includes Vacse's landmark Färagskrapan project in Sollentuna, which houses law courts and commercial premises. The project is scheduled for initial occupation in the third quarter of 2020.

Vacse's property portfolio is limited in size. However, the company has gained a strong foothold in a niche market. Some tenants occupy multiple buildings in several locations, and the company's long-term focus and stable ownership supports long-term contracts with demanding, socially important tenants. Following completion of the landmark Färagskrapan project in Sollentuna (see Figure 7), 1% will consist of commercial tenants.

**Figure 4. Vacse rental income by tenant, 30 Jun. 2020\***

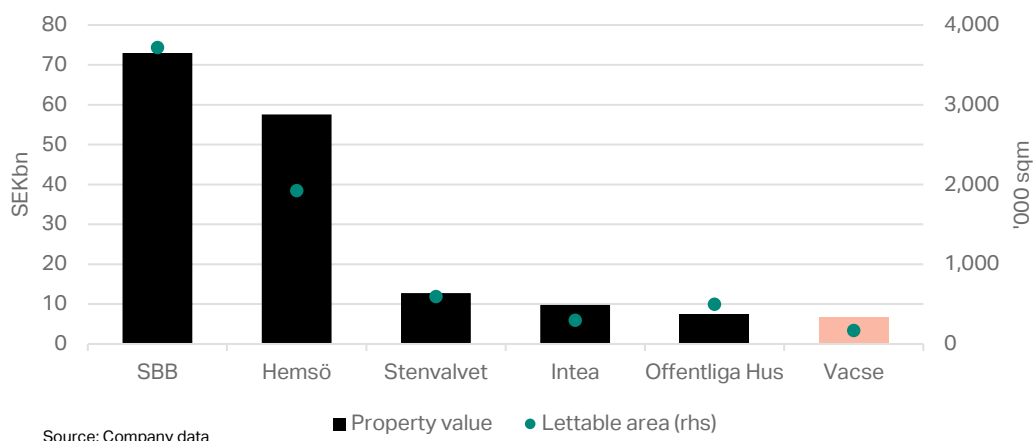


Source: company data. \*including the Färagskrapan project.

Vacse is small in comparison with its peers (see Figure 5). The largest are SBB i Norden AB and Hemsö Fastighets AB which, thanks to their large size, have greater tenant diversity. Smaller peers, such as Stenvalvet AB, Intea Fastigheter AB, and Offentliga Hus i Norden AB, also have greater tenant diversity

but lower levels of public-sector tenants. Vacse's top 10 tenants generate close to 100% of the company's revenues. While the company's tenant concentration is significant, the quality of the tenants mitigates this risk in our view. We view virtually all of the company's tenants as highly creditworthy as 99% of revenues are funded through regional or national government budgets.

**Figure 5. Vacse peer group by property value and lettable area, 30 Jun. 2020**

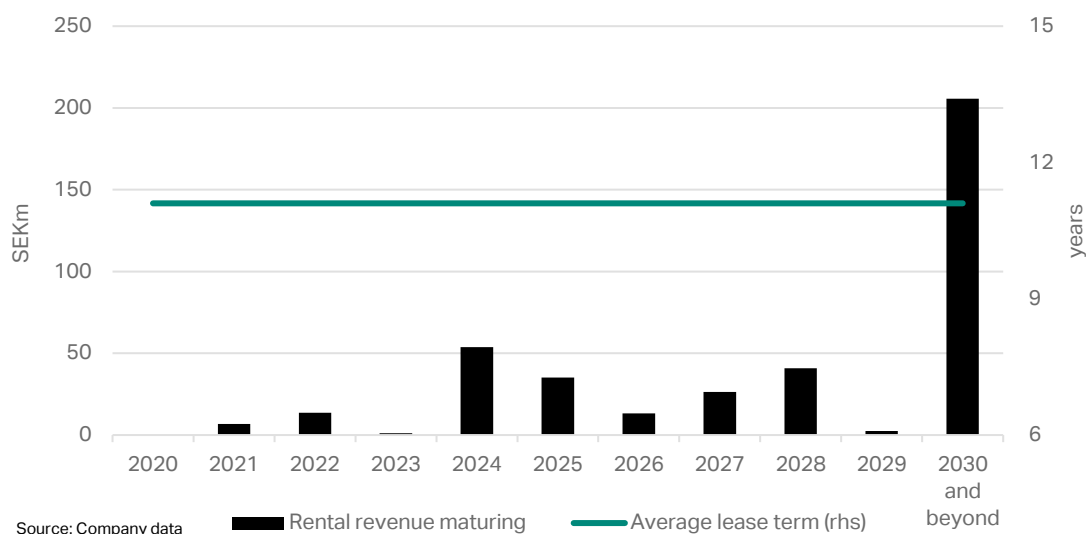


#### Project portfolio reduced due to finalisation of first phase of Färgskrapan

Most of Vacse's properties (85%) are custom-built and highly specialised, encouraging tenant loyalty. The company has a very long remaining lease-term of above 11 years (see Figure 6), in high quality properties with a weighted average age of 10 years.

The real estate segment accounts for 20% of Sweden's emissions and one-third of its waste, with the majority arising during development and refurbishing. As most of Vacse's tenants are publicly funded, and the Swedish government is committed to the Paris Agreement, we expect that Vacse's tenants will become more demanding in terms of sustainability. Most of Vacse's properties are certified within the BREEAM or LEED frameworks, and the company aims to obtain similar certifications for all new developments and acquisitions. There is a risk that new tenants might not be forthcoming if existing contracts are not extended, and alternative use of specialised properties could result in increased capital expenditures. However, we see the company's proactive stance on certification and sustainability as supportive of its property values and a positive factor in extending contract maturities.

**Figure 6. Vacse rental maturities and average remaining lease term, 30 Jun. 2020**



Vacse is currently involved in five projects, of which the largest, Färgskrapan, is undergoing finalisation and was included as a property under management in the company's report for the second

Portfolio assessment  
scores 'a+'

quarter of 2020. Some 66% of the Färagskrapan property has been completed and the first tenants have moved in, while the remainder should be finalised during the next six months as adjustments requested by tenants proceed. Vacse's portfolio is set to expand to 196,000 sqm by end-2022 once all projects in hand are finalised. Project risk varies with each property. As Vacse is committed to the Jönköping and Öckerö school projects through purchase agreements, the company has no responsibility until completion and the tenants start their respective lease periods. Accordingly, we view the associated development risk as low. We assess the remainder of the development projects as carrying higher risk. The ongoing development projects, including the remaining adaptations at Färagskrapan, amount to 6% of the future portfolio by area. The initial occupancy of Färagskrapan reduces development risk in the overall portfolio and has increased rental income. Once the entire building is complete, development risk will be significantly reduced, in our view, to 4% of total area.

**Figure 7. Vacse overview of projects and acquisitions, 30 Jun. 2020**

Property	Main tenant(s)	Estimated completion	Size (sqm)	Occupancy	Process
Färagskrapan	Swedish National Courts Administration	First tenants move in Q3 2020	15,000	88%	Development
Håbo	Royal Library	Tenant moves in Q4 2020	3,000	100%	Development
Norrköping	District Court	2022	4,000	100%	Development
Jönköping	Swedish Board of Agriculture and the Swedish Forest Agency	1 Apr. 2021	16,000	100%	Purchase at completion
Öckerö	Björkö municipality	1 Dec. 2020	3,200	100%	Purchase at completion

Source: Company data

### Strong operating efficiency

As most of Vacse's properties are modern and highly specialised, typically with one long-term tenant, operating efficiency in terms of occupancy rates and EBITDA margins is high. The average 11.1-year remaining maturity in the virtually 100%-occupied property portfolio (including projects), provides transparency into the company's income prospects. We further expect the company's EBITDA margin to remain above 75% as a result of negligible tenant turnover, the newness of the properties, and outsourced maintenance contracts. A large number of triple net contracts reduces most of the volatility in the operational costs of property management.

Revenue stability is further supported by lease contracts that effectively guarantee long-term relationships and stable rental income that has low correlation with the economic cycle. Vacse has reported no financial effects on revenues due to COVID-19, although some minor delays at the Färagskrapan project resulted in the first tenant moving in some 20 days behind schedule.

We expect Vacse to continue to operate with very high occupancy rates of close to 100%. The risk of increased vacancy rates and reduced revenues due to project properties is offset by the fact that most of its development properties are pre-let, leaving only 1% of the total future portfolio uncontracted. New contracts typically have lease terms of 20–25 years with mostly highly creditworthy tenants.

### FINANCIAL RISK ASSESSMENT

Our financial risk assessment reflects Vacse's relatively modest leverage, stable LTV, and strong net interest coverage. We view the company's overall financial policies and risk appetite as relatively prudent and supported by long-term, risk-averse owners.

### Low leverage in comparison with peers provides high stable returns

On the basis of the current project pipeline we expect Vacse to increase its outstanding debt during the next six months to cover acquisitions in Jönköping and Öckerö. In the short-term, acquisitions and development projects will affect the interest coverage ratio negatively as debt is added prior to revenues. In our calculation of the company's credit metrics we adjust Vacse's cash and equivalents by

Operating efficiency scores 'aa'

Financial risk assessment scores 'a-'

Financial ratio assessment scores 'a-'

25%, reflecting ongoing projects, potential delays, and adaptations requested by tenants. We further adjust the metrics for leasing commitments and right-of-use assets.

**Figure 8. Vacse adjusted metric calculations, 2018-2022e**

SEKm	2018	2019	2020e	2021e	2022e
EBITDA	263	282	292	320	342
NCR-adjusted EBITDA	263	282	292	320	342
Cash and cash equivalents	188	120	100	42	11
75 % cash and equivalents	-47	-30	-25	-10	-3
NCR-adjusted cash and equivalents	141	90	75	31	8
Gross interest-bearing debt	2,604	2,774	2,878	3,331	3,394
Long-term leasing liabilities	0	3	3	3	3
NCR-adjusted cash and equivalents	-141	-90	-75	-31	-8
NCR-adjusted net debt	2,463	2,687	2,806	3,303	3,389
Net interest cost	145	55	55	61	66
Interest paid on shareholder loans (100% debt treatment)	-81	0	0	0	0
NCR-adjusted net interest	64	55	55	61	66
Investment property	5,943	6,522	6,958	7,658	7,958
Non-current right-of-use assets	0	3	3	3	3
NCR-adjusted investment property	5,943	6,525	6,961	7,661	7,961

Based on NCR estimates and company data. e=estimate

In our base-case scenario, we assume the following:

- rental income growth of 4% in 2020, 10% in 2021, and 7% in 2022, with growth mainly resulting from the leasing of new space and completion of existing projects;
- EBITDA margin will remain above 75%;
- interest costs on external debt reflecting 2% annual interest rate;
- acquisitions of SEK 850m during our forecast period;
- investments in existing properties and new projects of about SEK 450m during our forecast period; and
- no increase in the value of the existing portfolio other than increases from completion of new projects.

Based on these assumptions, we arrive at the following projected metrics for 2020-2022:

- LTV of 42-43%;
- EBITDA to net interest of above 5.3x; and
- debt to EBITDA of 10x.

We expect Vacse's gross debt and LTV to increase somewhat over the next few years as a result of new investment and stable valuation of existing properties (see Figure 9).

Figure 9. Vacse net debt, property value and LTV, 2016-2022e

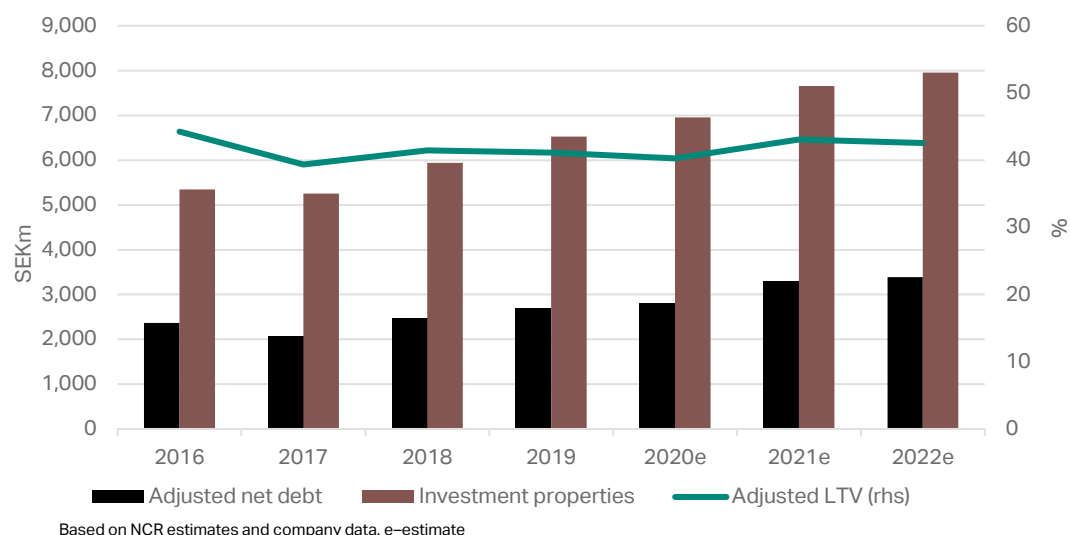
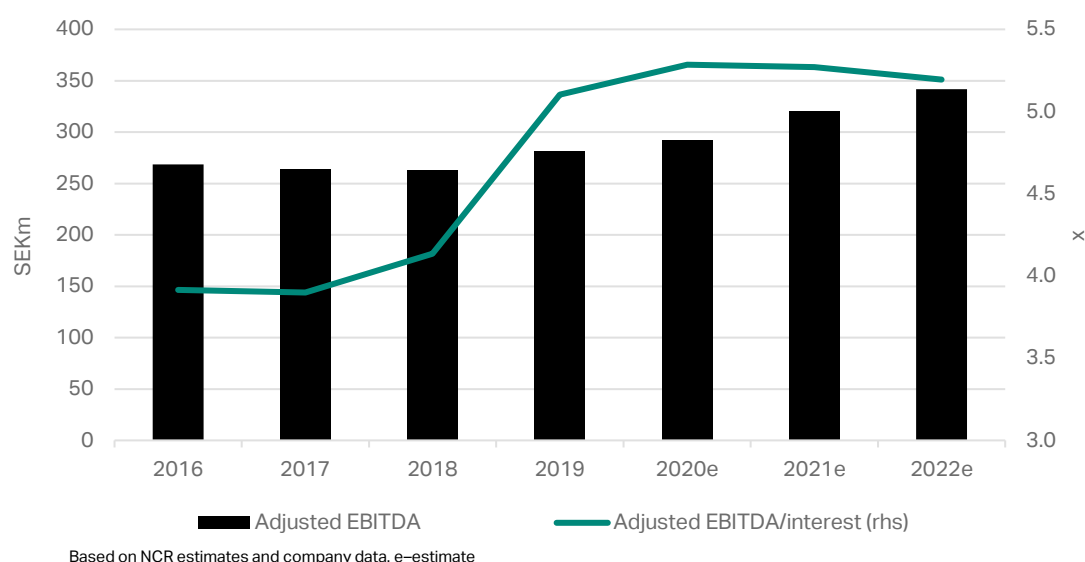
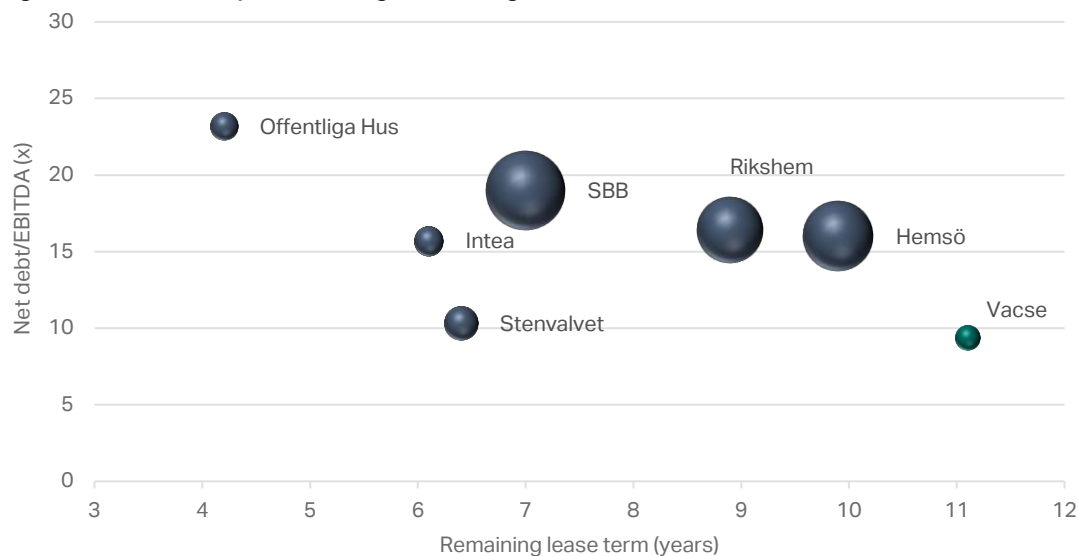


Figure 10. Vacse EBITDA and EBITDA/net interest, 2016-2022e



While projected net debt/EBITDA of 10x weighs negatively on our assessment of Vacse's financial risk, the risk is mitigated by the company's long remaining average lease term. Vacse is the only issuer among its nearest peer group with existing contracts exceeding net debt/EBITDA (see Figure 10). This reflects a theoretical ability to repay existing debt with current contracts. Combined with the high proportion of government-related tenant revenues, this supports our view that the company's risk appetite is commensurate with the financial ratio analysis, as its portfolio quality is less dependent on building size and economic cycles than that of many of its peers.

Figure 11. Vacse and peers' average remaining lease terms vs net debt/EBITDA\*.



Source: company data. \*Bubble size reflects size of property portfolio, market value. Data as of 30 Jun. 2020, Offentliga Hus as of 31 Aug. 2020

### Low risk appetite supports overall financial analysis

Vacse finances its operations through equity, secured bank debt, a secured loan from Nordic Investment Bank (NIB), and senior unsecured bonds (see Figure 12). As of 30 Jun. 2020, reported outstanding debt stood at SEK 2.8bn, of which senior unsecured bonds represented SEK 1.7bn, secured bank debt SEK 700m, and the NIB loan SEK 400m. The company uses interest rate swaps to limit its exposure to interest-rate risk. As of 30 Jun. 2020, the average interest fixing period amounted to 5.1 years, which we consider as high and supportive of the company's financial risk appetite. Long-term interest rate hedging affects Vacse's average interest cost, reflecting the company's focus on reducing long-term risk at the expense of short-term metrics.

Risk appetite assessment scores 'a-'

Figure 12. Vacse balance sheet, 30 Jun. 2020



Source: Company data

After converting a shareholder loan of SEK 1.5bn to common equity in December 2018, Vacse made a first dividend pay-out of SEK 70m in 2019. The company paid a similar dividend for 2019 during the third quarter this year. Vacse remains well within its financial policies and we expect the company to continue to pay dividends of about SEK 70m per year.



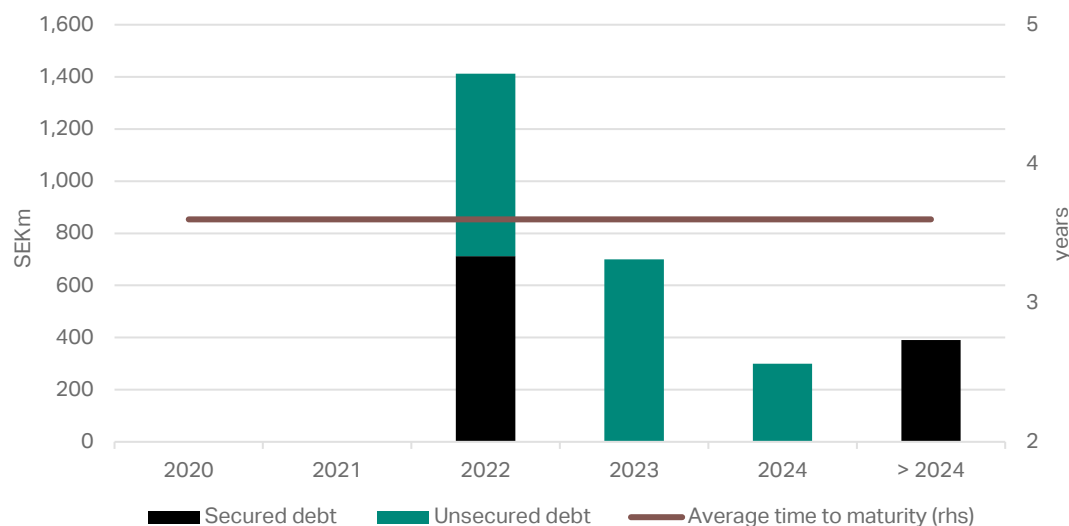
Figure 13. Vacse financial targets, 30 Jun. 2020

Financial policy	Policy	30 Jun. 2020 Reported
Secured debt/total assets (%)	< 20	16
LTV (%)	< 50	39.3
EBITDA/interest (x)	> 2	5.6*
Average debt maturity (years)	> 2	3.4

Source: company data. \*year to date.

Vacse was created to provide its owners with long-term low-risk returns. Following relatively rapid growth between 2011 and 2015, the current management has been prudent in its approach to growth and financing, in our view. Due to relatively high property prices in Sweden, including in the public sector, Vacse is focused on controlled growth and lowering its financial risk, which we believe is also the objective of the company's owners. We view the lengthening of the average debt maturity profile as positive in terms of credit risk. Accordingly, Vacse's overall risk appetite supports our view of the company's financial risk profile.

Figure 14. Vacse debt maturity profile, 30 Jun. 2020



Source: Company data

## ADJUSTMENT FACTORS

Adjustment factors are neutral

Adjustment factors are assessed as neutral and have no effect on our stand-alone credit assessment.

### Refinancing efforts secure strong liquidity

Liquidity assessed as adequate

We assess Vacse's liquidity profile as adequate after the company refinanced an upcoming debt maturity due in April 2021 during the second quarter of 2020, and increased and extended an unutilised revolving credit facility, effectively providing funding for upcoming acquisitions and capital expenditures. Our assessment is supported by Vacse's good access to multiple capital sources, satisfactory standing in the capital markets, and good relationships with major Swedish banks. In addition, the company has the support of its owners, which have previously injected funds and maintain available committed capital should the need arise.

We estimate the following primary liquidity sources for the 12 months to 30 Jun. 2021, amounting to SEK 1bn:

- SEK 120m, representing 75% of cash and equivalents as of 30 Jun. 2020;
- a SEK 700m committed credit facility maturing in 2023; and
- SEK 200m, reflecting 75% of funds from operations in the 12-month period.

We anticipate liquidity to be used for the following purposes over the 12 months to 30 Jun. 2021, amounting to SEK 0.9bn:

- SEK 28m in amortisation of secured debt;
- SEK 150m in committed capital expenditures; and
- SEK 700m in committed acquisitions.

As sources outweigh uses of liquidity, we believe that Vacse has sufficient liquidity over the 12 months to 30 Jun. 2021. The company also has access to SEK 1.1bn in committed capital from its owners, given certain conditions. Accordingly, we assess that it has sufficient liquidity and available funding sources.

We note, however, that the refinanced debt shifts refinancing risk to 2022. This results in close to 50% of debt maturing in 2022, but we expect the company to refinance proactively, as it has done over the past two years.

### ESG policies enhance our view of business risk and competitive position

ESG assessed as  
supportive

Vacse's environmental, social and governance (ESG) policies enhance our view of the company's overall business risk and competitive position. The company has demonstrated a commitment to environmental issues with certification targets for its new and existing property portfolio, which we view as increasingly important for its government-related tenants. In 2018, Vacse developed a green bond framework aligned with the UN's sustainable development goals and has been accorded "Medium Green" status in a Second Opinion from CICERO, the Centre for International Climate Research. Within this framework, Vacse has issued debt of SEK 1.7m. NIB requires BREEAM Excellent certification as a condition of its 10-year loan. Vacse's focus on certification could provide the company with further debt diversification opportunities and strengthens the likelihood that its properties will retain their asset values over time, thereby facilitating renegotiation of contracts at maturity. We see this as a positive factor for the portfolio assessment.

Most of Vacse's properties are associated with social stability. In this respect, the company caters to major global trends such as demographic shifts and population growth. Continued population growth in Sweden coupled with increased immigration could result in a need for greater judicial strength and access to judicial services. To promote social responsibility, Vacse runs a programme supporting foreign post-graduate students. In our understanding, the company places an emphasis on its reputation as a good employer and landlord. We see little risk of change, conflicts or other governance-related issues in connection with the current management, board or owners.

### Supportive ownership structure

Ownership reflected in  
low risk appetite

We view Vacse's ownership structure (see Figure 15), as supportive of the company's low-risk strategy and solid financial position, which we factor into our assessment via the financial risk profile and overall rating on the company. Vacse's owners are pension foundations associated with a number of well-known Swedish blue-chip companies. Supporting factors include the following:

- Vacse's owners are financially strong and, we believe, committed for the long term.
- Vacse is integral to the owners' long-term investment policy.
- A change-of-control clause stipulates that the company's bonds must be repaid in full if the current group of owners were to have less than 50% ownership.
- Committed equity capital of SEK 2.8bn in funding, of which 1.1bn is unutilised.
- A history of the owners injecting funds into the company.

Figure 15. Vacse ownership structure, 30 Jun. 2020

Owner	Share
Ericsson Pensionsstiftelse	21.4%
Skanska Trean Allmän Pensionsstiftelse	21.4%
Apoteket AB:s Pensionsstiftelse	14.3%
AB Volvo Pensionsstiftelse	14.3%
Atlas Copco-Group Gemensamma Pensionsstiftelse	10.7%
Stora Enso Svenska Gemensamma Pensionsstiftelse	10.7%
Sandvik Pensionsstiftelse i Sverige	7.1%

Source: company data

**Figure 16. Vacse key financial data**

SEKm	2016	2017	2018	2019	LTM to Q2 2020
<b>INCOME STATEMENT</b>					
Total revenue	339	334	340	369	375
Total costs from operations	-46	-49	-54	-63	-65
Administrative expenses	-25	-21	-23	-24	-24
<b>EBITDA</b>	<b>268</b>	<b>264</b>	<b>263</b>	<b>282</b>	<b>286</b>
Net financial items	-157	-156	-145	-55	-50
Changes in investment property	301	162	267	179	189
Gain (loss) on financial assets held at fair value	-23	13	-1	-11	-11
<b>Pre-tax profit</b>	<b>389</b>	<b>284</b>	<b>384</b>	<b>395</b>	<b>413</b>
Current taxes	-1	-3	-1	-0	-96
Deferred taxes	-60	-56	-66	-92	0
<b>Net Profit</b>	<b>328</b>	<b>224</b>	<b>318</b>	<b>303</b>	<b>317</b>
<b>BALANCE SHEET</b>					
Investment property	5,322	5,228	5,943	6,522	6,763
Other non-current assets	23	31	3	7	6
<b>Non-current assets</b>	<b>5,345</b>	<b>5,259</b>	<b>5,946</b>	<b>6,529</b>	<b>6,769</b>
Cash and cash equivalents	106	92	188	120	157
Other current assets	21	39	32	54	63
<b>Total current assets</b>	<b>127</b>	<b>130</b>	<b>220</b>	<b>173</b>	<b>220</b>
<b>Total assets</b>	<b>5,472</b>	<b>5,389</b>	<b>6,166</b>	<b>6,702</b>	<b>6,989</b>
<b>Total equity</b>	<b>1,100</b>	<b>1,324</b>	<b>3,096</b>	<b>3,330</b>	<b>3,500</b>
Long-term borrowings	2,137	2,130	1,824	2,416	2,788
Shareholder loans	1,454	1,454	0	0	0
Long-term leasing liabilities	0	0	3	3	3
Other long-term liabilities	320	348	324	429	510
<b>Non-current liabilities</b>	<b>3,910</b>	<b>3,932</b>	<b>2,148</b>	<b>2,845</b>	<b>3,297</b>
Short-term borrowings	308	8	781	358	28
Other short-term liabilities	154	125	141	170	165
<b>Current liabilities</b>	<b>461</b>	<b>132</b>	<b>922</b>	<b>527</b>	<b>193</b>
<b>Total equity and liabilities</b>	<b>5,472</b>	<b>5,389</b>	<b>6,166</b>	<b>6,702</b>	<b>6,989</b>
<b>CASH FLOW STATEMENT</b>					
Pre-tax profit	389	284	384	395	413
Adjustment for items not in cash flow	-277	-175	-265	-169	-177
<b>Cash flow before changes in working capital</b>	<b>91</b>	<b>98</b>	<b>130</b>	<b>228</b>	<b>226</b>
Changes in working capital	61	-23	7	1	16
<b>Operating cash flow</b>	<b>153</b>	<b>75</b>	<b>137</b>	<b>229</b>	<b>242</b>
Cash flow from investing activities	-19	218	-415	-395	-143
Cash flow from financing activities	-74	-308	375	98	-33
Cash and cash equivalents at beginning of year	46	106	92	188	90
<b>Cash flow for year</b>	<b>60</b>	<b>-15</b>	<b>96</b>	<b>-68</b>	<b>66</b>
Cash and cash equivalents at end of year	106	92	188	120	157

Source: Company data. LTM-last 12 months.

Figure 17. Vacse AB (publ) rating scorecard

Subfactors	Impact	Score
Operating environment	20.0%	a
Market position, size and diversification	12.5%	bb-
Portfolio assessment	12.5%	a+
Operating efficiency	5.0%	aa
Business risk assessment	50.0%	a-
Ratio analysis		a-
Risk appetite		a-
Financial risk assessment	50.0%	a-
<b>Indicative credit assessment</b>		<b>a-</b>
Liquidity		Adequate
ESG		Adequate
Peer comparisons		Neutral
<b>Stand-alone credit assessment</b>		<b>a-</b>
Support analysis		Neutral
<b>Issuer rating</b>		<b>A-</b>
Outlook		Stable
<b>Short-term rating</b>		<b>N-1+</b>

Figure 18. Capital structure ratings

Seniority	Rating
Senior unsecured	A-

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating Issue credit rating
Publication date:	The rating was first published on 25 Oct. 2018.
Office responsible for the credit rating:	Nordic Credit Rating AS (NCR), Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009.
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Were ESG factors a key driver behind the change to the credit rating or rating outlook?	Yes. The key driving ESG-factors, and why they were material to the credit rating, are explained in the rating rationale in the rating report. <a href="#">Guidance explaining how ESG-factors are considered as part of NCRs credit ratings can be found here.</a>
Methodology used when determining the credit rating:	<a href="#">NCR's Corporate Methodology published on 14 Aug. 2018</a> <a href="#">NCR's Rating Principles published on 16 Sep. 2019</a> The methodology and principles documents provide analytical guidance to NCR's rating activities including but not limited to, assumptions, parameters, cash flow analysis, and stress-testing. NCR's methodologies and principles can be found on our website <a href="https://nordiccreditrating.com/governance/policies">nordiccreditrating.com/governance/policies</a> . The historical default rates of entities and securities rated by NCR will be viewed on <a href="#">the central platform (CEREP) of the European Securities and Markets Authority (ESMA)</a> .
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Ancillary services provided:	No ancillary services were provided.
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