

Offentliga Hus i Norden AB (publ)

Rating Action Report

Offentliga Hus i Norden AB (publ) 'BB' long-term issuer rating on Watch positive

LONG-TERM RATING

BB**Watch Positive**

SHORT-TERM RATING

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Nordic Credit Rating (NCR) said today that it had placed its 'BB' long-term issuer rating on Swedish community service property manager Offentliga Hus i Norden AB (publ) (Offentliga Hus) on Watch with positive implications. The Watch placement follows the acquisition of a 54.3% stake in the company by Samhällsbyggnadsbolaget i Norden AB (publ) (SBB). At the same time, NCR affirmed the 'BB' long-term and 'N-1' short-term issuer ratings on the company.

The Watch placement signals a high likelihood of a one- or two-notch upgrade in the next 90 days pending the outcome of an anticipated offer by SBB to the remaining shareholders in Offentliga Hus.

Rationale

On 18 Dec. 2020, SBB entered into an agreement with Aktiebolaget Fastator (publ), Offentliga Nordic Property Holding SARL, CLBRM Private S.A., SICAR on behalf of its compartment Real Assets, and Nordact AB to acquire their shares in Offentliga Hus, corresponding to 54.3% of the shares and votes in the company. The parties agreed on a price of SEK 15.40 per share, paid 70% with cash and 30% with newly issued D-shares in SBB. The price corresponds to a premium of 21% over the closing price of 17 Dec. 2020.

The transaction is expected to close on 23 Dec. 2020, triggering an obligation on the part of SBB to make a public offer for the remaining shares in Offentliga Hus within the following four weeks, in accordance with Swedish takeover rules.

NCR understands that SBB is committed to acquiring a larger share of the company and consequently we expect SBB to make an attractive offer for the remaining shares in Offentliga Hus. Both Offentliga Hus and SBB focus on the community service property market and we believe a likely outcome would be for SBB to merge the operations of Offentliga Hus into its own, in a manner similar to its acquisition of Hemfosa Fastigheter AB (publ) in 2019–2020.

Watch positive

The Watch placement reflects our expectation of one of the following two outcomes materialising within the next 90 days;

We could raise the long-term issuer rating by up to two notches upon resolution of the Watch placement, depending on SBB's resulting equity stake and ownership control. As SBB has a stronger credit profile than Offentliga Hus, we view the commitment to a higher ownership stake as positive for Offentliga Hus' financial profile and creditworthiness as well as its outstanding obligations.

We could affirm the ratings on Offentliga Hus should SBB's ownership share remain in line with the announced acquisition of 54.3% without any material impact on Offentliga Hus' financial position, or if a deal is not finalised.

We will closely monitor any changes in Offentliga Hus' ownership. We expect to resolve the Watch placement within three months.

Rating list	To	From
Long-term issuer credit rating:	BB	BB
Outlook:		Stable
Watch	Watch Positive	
Short-term issuer credit rating:	N-1	N-1

All research for this issuer is available [here](#).

Figure 1. Offentliga Hus rating scorecard

Subfactors	Impact	To	From
Operating environment	20.0%	bbb+	bbb+
Market position, size and diversification	12.5%	bb+	bb+
Portfolio assessment	12.5%	bbb-	bbb-
Operating efficiency	5.0%	bbb	bbb
Business risk assessment	50.0%	bbb	bbb
Ratio analysis		b	b
Risk appetite		b	b
Financial risk assessment	50.0%	b	b
Indicative credit assessment		bb	bb
Liquidity		Adequate	Adequate
ESG		Adequate	Adequate
Peer comparisons		Neutral	Neutral
Stand-alone credit assessment		bb	bb
Support analysis		Neutral	Neutral
Issuer rating		BB	BB
Outlook			Stable
Watch		Watch Positive	
Short-term rating		N-1	N-1

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating
Publication date:	The rating was first published on 02 Sep. 2019.
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?	No.
Methodology used when determining the credit rating:	NCR's Corporate Methodology published on 14 Aug. 2018 NCR's Rating Principles published on 16 Sep. 2019 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 nordiccreditrating.com/governance/policies . The historical default rates of entities and securities rated by NCR will be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA) .
Materials used when determining the credit rating:	Meetings with management of the rated entity, Non-public information, Press reports/public information.
Potential conflicts of interest:	The rating is NCR's independent opinion of the rated entity's relative creditworthiness. The rating is solicited, i.e. it is prepared for a fee paid by the rated entity. At the time of analysis and publication neither NCR nor any of the analysts or persons involved in the rating process held any interest, ownership interest or securities in the rated entity. NCR does not have any direct or indirect shareholder with a holding of more than 5% of NCR's shares and votes. For further information, please refer to NCR's conflict of interest policy which is available on: https://nordiccreditrating.com/governance/policies
Additional information:	Prior to publication, the rating was disclosed to the rated entity. The issuer was given 24 hours (of which 8 business hours) to remark on factual errors and/or the inadvertent inclusion of confidential information, if applicable. The rating was not amended after the review by the issuer. No stress test was performed. Standard cash flow forecasting was performed. NCR's rating is an opinion regarding the relative creditworthiness of an entity or an instrument. It is not a prediction, guarantee or recommendation to buy, hold or sell securities. NCR assigns outlooks to issuer ratings to indicate where they could move in the near term, normally 12–18 months. Further information on the rating process, rating definitions and limitations is available on our website: nordiccreditrating.com/governance/policies .
Ancillary services provided:	No ancillary services were provided.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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