

HEBA Fastighets AB (publ)

Rating Action Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N-1+

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HEBA Fastighets AB assigned 'A-' senior unsecured debt rating

Nordic Credit Rating said today that it had assigned a 'A-' issue rating to senior unsecured debt issued by Swedish property company [HEBA Fastighets AB \(publ\)](#) (HEBA). The issue rating is applicable to future senior unsecured instruments issued under a SEK 2bn medium-term note programme.

Rationale

The rating reflects HEBA's plan to reduce senior secured debt as a proportion of outstanding debt below 50% by the end of 2021. It takes into account the company's near-term funding plans to replace a portion of its outstanding secured bank debt with senior unsecured bonds issued under its medium-term note programme.

The company has announced plans for an initial bond of about SEK 1bn. Given current market conditions, HEBA's creditworthiness and the market's awareness of HEBA given its listed shares, we believe that the issuance will be successful. The initial issuance will reduce the proportion of the company's senior secured debt to 56% of outstanding debt, including bank loans, commercial paper, and issued bonds. In addition, we believe that HEBA's plan to reduce its share of secured debt below 50% of outstanding debt over the next three to four quarters is credible. If the plan changes or is delayed, we could lower the issue rating by one notch.

The 'A-' long-term issuer rating on HEBA is not affected by this decision and remains unchanged.

Rating list

	To	From
Long-term issuer credit rating:	A-	A-
Outlook:	Stable	Stable
Short-term issuer credit rating:	N-1+	N-1+
Senior unsecured issue rating:	A-	NR

Figure 1. HEBA rating scorecard

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

Figure 2. Capital structure ratings

Seniority	To	From
Senior unsecured	A-	NR

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 28 May. 2020.
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:	Annual- and quarterly reports of the rated entity, Bond prospectuses, Company presentations, Data provided by external data providers, External market reports, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity.
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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