

Axfast AB (publ)

Rating Action Report

LONG-TERM RATING

BBB

OUTLOOK

Stable

SHORT-TERM RATING

N-1+

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Axfast AB (publ) 'BBB' long-term issuer rating affirmed; Outlook stable

Nordic Credit Rating (NCR) said today it had affirmed its 'BBB' long-term issuer rating on Sweden-based commercial-property management company [Axfast AB \(publ\)](#) (Axfast). The outlook is stable. At the same time, the short-term rating was affirmed at 'N-1+'.

Rationale

Our long-term rating on Axfast is supported by the company's long remaining lease terms, low vacancy rate and long-term strategic ownership. It also reflects the company's efforts to reduce single-name tenant exposure and increase diversification of tenants across sectors. In addition, our long-term rating reflects Axfast's strong financial position and low loan-to-value ratio (LTV), compared with Nordic real-estate peers. We expect the company's growth ambitions to be supported by its owners in order to maintain strong credit metrics.

These strengths are offset by Axfast's concentration of properties in the Stockholm region, as well as its relatively high exposure to single-name tenants and sector-specific tenants. Our assessment also reflects the company's smaller portfolio than those of peers, as well as a relatively short debt maturity profile.

We have revised our assessment of operating environment and efficiency upwards to reflect the improved hotel and retail outlook, due to reduced social-distancing measures, and to better reflect the EBITDA margin. We have revised our financial risk assessment downwards to reflect higher leverage and a more rapid growth rate than previously anticipated. However, we expect the owners to play an active role in providing equity support for future growth, if needed.

Stable outlook

The stable outlook reflects our view of stable revenues based on Axfast's steady base of primary tenants on long-term contracts. We expect Axfast to be able to manage what we believe to be the final phase of the pandemic without granting additional rebates to its tenants. Our outlook also factors in our expectation of decreasing vacancies as major projects are completed, despite the increase in the vacancy rate over the past year. We expect Axfast to continue to grow through the acquisition of new properties, increasing its net LTV. We could raise the rating if the company were able to improve its portfolio size and diversification of tenants and locations, while maintaining strong portfolio quality and credit metrics. We could lower the rating in the event of net LTV rising above 35% and interest coverage falling below 3.5x, an occupancy rate below 90% for a prolonged period, or increased risk appetite or a change in profile as a result of future acquisitions.

Rating list

	To	From
Long-term issuer credit rating:	BBB	BBB
Outlook:	Stable	Stable
Short-term issuer credit rating:	N-1+	N-1+

Figure 1. Axfast rating scorecard

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