

Bonnier Fastigheter AB

Rating Action Report

LONG-TERM RATING

BBB

OUTLOOK

Stable

SHORT-TERM RATING

N-1+

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Bonnier Fastigheter AB 'BBB' long-term issuer rating affirmed; Outlook stable

Nordic Credit Rating (NCR) said today that it had affirmed its 'BBB' long-term issuer rating on Sweden-based property manager Bonnier Fastigheter AB. The outlook is stable. At the same time the 'N-1+' short-term rating and 'BBB' senior unsecured issue rating were affirmed. Issue ratings are applicable to senior unsecured bonds issued by wholly owned subsidiary AB Bonnier Fastigheter Finans (publ) with a full guarantee from Bonnier Fastigheter.

Rationale

The long-term issuer rating reflects the company's high-quality property portfolio and focus on office premises in central Stockholm and Uppsala. It also reflects the company's low financial gearing and strong operating margins, as well as the stable operating environment.

These strengths are offset by Bonnier Fastigheter's small and concentrated property portfolio of only 15 properties (as of 31 Aug. 2021) with the top 10 tenants accounting for 46% of rental income. The rating also reflects the company's large project development pipeline, which has speculative elements, and its ambition to expand the portfolio substantially and increase leverage towards 50%. Furthermore, the rating is constrained by large single-year debt maturities, increasing refinancing risk, and our expectations of a decrease in occupancy, which negatively affects our view of Bonnier Fastigheter's operating efficiency.

Stable outlook

The stable outlook reflects our expectations that Bonnier Fastigheter's credit metrics will weaken from their currently strong levels as the company pursues a portfolio value target of SEK 25bn by 2025. We expect this weaker financial position to be offset by a stronger business profile due to a larger and less concentrated property portfolio, possibly with meaningful residential exposure.

We could raise the rating to reflect an increased proportion of residential properties under management, combined with a financial risk profile that is significantly stronger than we currently expect.

We could lower the rating to reflect deteriorating market fundamentals that could reduce profitability, or substantially weaker credit metrics such as net loan to value above 50% and net interest coverage below 5x over a protracted period.

Rating list	To	From
Long-term issuer credit rating:	BBB	BBB
Outlook:	Stable	Stable
Short-term issuer credit rating:	N-1+	N-1+
Senior unsecured issue rating*:	BBB	BBB

*Issued by AB Bonnier Fastigheter Finans (publ).

Figure 1. Bonnier Fastigheter rating scorecard

Subfactors	Impact	To	From
Operating environment	20.0%	bbb-	bbb-
Market position, size and diversification	12.5%	b+	b+
Portfolio assessment	12.5%	bbb-	bbb-
Operating efficiency	5.0%	bbb+	a-
Business risk assessment	50.0%	bb+	bb+
Ratio analysis		a-	a-
Risk appetite		bbb	bbb
Financial risk assessment	50.0%	bbb+	bbb+
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+

Figure 2. Capital structure ratings

Seniority	To	From
Senior unsecured	BBB	BBB

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 14 Oct. 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.
Primary analyst:	Marcus Gustavsson, +46700442775, marcus.gustavsson@nordiccreditrating.com
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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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