

Stendörren Fastigheter AB (publ)

Rating Action Report

Stendörren Fastigheter AB (publ) 'BB-' long-term issuer rating affirmed; Outlook stable

Nordic Credit Rating (NCR) said today that it had affirmed its 'BB-' long-term issuer rating on Sweden-based [Stendörren Fastigheter AB \(publ\)](#) (Stendörren). The outlook is stable. The 'N-2' short-term rating was also affirmed.

Rationale

The long-term rating reflects Stendörren's high financial leverage, short debt maturity profile, and low adjusted interest coverage ratio. It also reflects the company's high single-name tenant concentrations. Rating constraints include a high vacancy rate and an aging property portfolio. Moreover, the owners' growth ambitions and the company's large project pipeline point to a continued increase in project development over the next few years.

Positively, Stendörren's properties are mostly located in strategic logistics hubs. The company also benefits from a stable operating environment and generally beneficial economic conditions. Stendörren has a moderate average remaining lease term of 3.6 years (as of 30 Sep. 2021), a diverse tenant base, and stable operating margins.

Stable outlook

The stable outlook reflects our expectation that Stendörren will continue to focus on costs, resulting in future improvements in EBITDA. It also reflects the company's proactive management of lease maturities and continued focus on reducing vacancies. We expect Stendörren to maintain its 2021 growth rate via acquisitions and to increase investments in its development pipeline. We further expect the company to keep projects under development at a manageable pace in terms of both resources and finances.

We could raise the rating to reflect an NCR-adjusted loan-to-value ratio below 55% and EBITDA/net interest above 2.2x. We could also raise the rating if the company finds long-term tenants for its large impending vacancies or increases the number of cash-generative properties through successful projects and acquisitions.

We could lower the rating to reflect an NCR-adjusted loan-to-value ratio above 65% and EBITDA/net interest below 1.5x, excessive project risk through engagement in speculative projects or increased leverage leading to tight covenant headroom.

Rating list	To	From
Long-term issuer credit rating:	BB-	BB-
Outlook:	Stable	Stable
Short-term issuer credit rating:	N-2	N-2

LONG-TERM RATING

BB-

OUTLOOK

Stable

SHORT-TERM RATING

N-2

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Figure 1. Stendörren rating scorecard

Subfactors	Impact	To	From
Operating environment	20.0%	bb	bb
Market position, size and diversification	12.5%	bb	bb
Portfolio assessment	12.5%	bb+	bb+
Operating efficiency	5.0%	bbb-	bbb-
Business risk assessment	50.0%	bb	bb
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	Stable
Short-term rating		N-2	N-2

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating
Publication date:	The rating was first published on 18 Jan. 2021.
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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