

Studentbostäder i Norden AB (publ)

Full Rating Report

LONG-TERM RATING

BB-

OUTLOOK

Stable

SHORT-TERM RATING

N-2

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RATING RATIONALE

Our 'BB-' long-term issuer rating on Studentbostäder i Norden AB (publ) (Studentbostäder) reflects the company's small portfolio, high geographic concentrations, weak financial ratios, limited covenant headroom, and recent strong growth rates. It also reflects a focus on project development, increasing risk compared with pure property management. We view the company's brief operating history (founded in 2018), and limited track record (only one completed development project to date), as credit weaknesses. The rating is constrained by Studentbostäder's below-average operating efficiency, reflected in low operating margins and an occupancy rate that fell significantly during the COVID-19 pandemic.

These weaknesses are partly offset by strong demand for student accommodation; many of Studentbostäder's operating locations have significant supply shortages. Although we view geographic concentration as material, we see negligible tenant concentrations as a credit strength, and take a positive view of the company's efforts to reduce project risk. We believe that Studentbostäder could develop an attractive niche position as its property portfolio grows.

STABLE OUTLOOK

The outlook is stable, reflecting our expectation that Studentbostäder's credit metrics will weaken as the company pursues its ambitious growth plans. In our assessment, new equity is needed if the company is to maintain credit metrics within policy levels and covenants, given its plans for continued rapid growth. We expect the company to maintain its focus on student housing and believe that the operating environment will remain favourable. We also expect Studentbostäder to complete development projects successfully and in a timely manner, strengthening the company's market position over time.

POTENTIAL POSITIVE RATING DRIVERS

- Improved credit metrics, with a net loan-to-value (LTV) ratio below 60% and net interest coverage above 2.2x over a protracted period.
- Increased proportion of properties under management.
- Improved operating efficiency combined with a larger property portfolio and reduced geographic concentrations.

POTENTIAL NEGATIVE RATING DRIVERS

- Reduced covenant headroom or breach of covenants.
- Weakened credit metrics, with net LTV above 75% and net interest coverage below 1.5x over a protracted period.
- Deteriorating market fundamentals, adversely affecting occupancy and/or profitability.

Figure 1. Studentbostäder key credit metrics, 2018–2023e

SEKm	2018	2019	2020	2021e	2022e	2023e
Rental income	19	102	148	237	317	359
NCR-adj. EBITDA	3	40	64	105	152	183
NCR-adj. EBITDA margin (%)	16.2	39.1	42.4	44.5	48.0	51.0
NCR-adj. investment property	894	2,098	3,573	5,797	7,773	8,960
NCR-adj. net debt	630	1,430	1,835	3,705	5,218	6,143
Total assets	925	2,154	3,921	6,141	7,889	9,040
NCR-adj. net debt/EBITDA (x)	207.7	35.8	28.8	35.2	34.3	33.6
NCR-adj. EBITDA/net interest (x)	1.0	1.9	2.1	1.6	1.8	1.7
NCR-adj. net LTV (%)	70.5	68.2	51.4	63.9	67.1	68.6

Based on NCR estimates and company data. e—estimate. All metrics adjusted in line with NCR methodology.

ISSUER PROFILE

Studentbostäder is a Sweden-based property management company, which owns, develops, and manages student housing in the Nordic countries. As of 30 Sep. 2021, the portfolio comprised 4,501 student apartments under management, totalling 130,512 sqm of lettable area valued at SEK 5.4bn. In addition, we expect announced acquisitions to add another 529 apartments (valued at SEK 939m) to the portfolio, taking the company closer to its targeted 10,000 apartments under management by 2025. Studentbostäder was established in 2018, when it acquired student housing properties from Samhällsbyggnadsbolaget i Norden AB (publ) (SBB), Amasten Fastighets AB (publ) (Amasten) and Offentliga Hus i Norden AB (publ) (Offentliga Hus). As of 30 Sep. 2021, the largest shareholder was Aktiebolaget Fastator AB (publ) (the previous majority owner of Offentliga Hus, which acquired Offentliga Hus' ownership stake in 2020) while SBB remained the second-largest shareholder when considering exposure through financial derivatives.

In December 2020, Studentbostäder acquired residential developer Prime Living AB (publ) (Prime Living) and has since been listed on the Nasdaq First North Premier Growth Market. In June 2021, the company changed its name to Studentbostäder i Norden AB from Studentbostäder i Sverige AB, to reflect its broader geographic scope.

BUSINESS RISK ASSESSMENT

Business risk assessment 'bb+'

Our business risk assessment reflects Studentbostäder's small property portfolio focusing on a property subsector which benefits from a strong operating environment due to regulated rents and a shortage of supply. Although tenant concentrations are insignificant, the portfolio is concentrated in just a few university cities leading to dependence on the ability of the respective universities to attract students. Our assessment is constrained by a large project development pipeline, which increases risk.

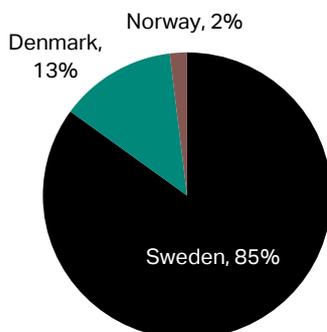
Strong demand, regulated rents and long waiting lists create favourable operating environment

Operating environment 'bbb+'

Studentbostäder's property portfolio is focused on student accommodation which generates virtually all of the company's rental value. The portfolio is primarily focused on Swedish university cities, with increasing exposure to other Nordic countries. The Nordic student housing market is characterised by limited supply and long waiting lists for affordable accommodation. In addition, the Swedish market benefits from regulated rents. The number of students per student apartment is between four and five times in Sweden, Denmark and Norway, and even higher in major cities such as Stockholm where the ratio is 8.7 students per apartment.

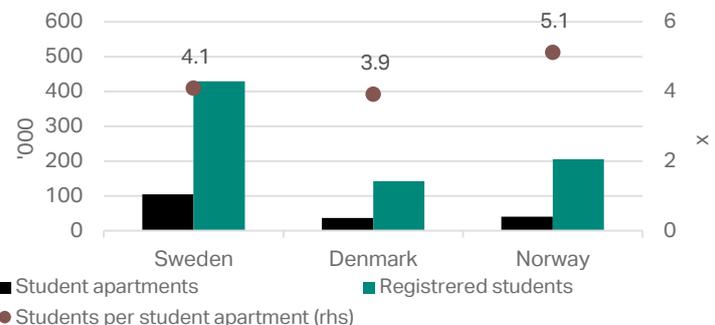
According to a report by the Swedish National Union of Students, most of Studentbostäder's student apartments are in locations characterised by student housing shortages, supporting underlying demand for the company's properties. Since the onset of the COVID-19 pandemic, many students have been studying from a distance, with a negative impact on occupancy in the subsector. In 2021, students have returned to physical attendance in universities following the removal of restrictions and we expect demand for student housing to remain high in the near future.

Figure 2. Studentbostäder rental value by country, 30 Sep. 2021



Source: company.

Figure 3. Number of students and student apartments in Sweden, Denmark, and Norway 2020



Source: Statistics Sweden, Statistics Norway, Statistics Denmark, National Union of Students in Norway.

From 2017 to end-2021, the Swedish government supported developers of rental apartments and student housing. Development projects were be entitled to financial support of up to SEK 7,100 per sqm. This new-build grant could be increased by 75% if the property fulfilled an energy efficiency requirement set by the National Board of Housing, Building and Planning (Boverket), resulting in a maximum grant of SEK 12,425 per sqm. In November 2021, the Swedish parliament decided to abolish the investment grant and energy bonus, although development projects for which grant applications were submitted before end-2021 are still eligible. Studentbostäder has several eligible projects which will likely receive grants, improving project margins and providing liquidity upon completion.

Studentbostäder's high proportion of project development weighs negatively on our assessment of business risk. Although we view efforts to reduce construction and project risk as positive, we believe that unpredicted changes to plans such as delays or issues with subcontractors could negatively affect the company's liquidity position and credit metrics. Strong competition and volatile access to financing further increase cyclicity in the development industry. The operating environment therefore involves greater risk for Studentbostäder than for pure portfolio managers.

We view Studentbostäder's diverse exposure by municipality as positive but note that some of the largest municipalities of operation have projected weak population growth and/or poor employment prospects (see Figure 4). However, we believe that the risk of declining demand is partly offset by the stability of the residential subsector and the fact that several properties are located close to universities.

Figure 4. Studentbostäder rental value from top 10 municipal exposures, 30 Sep. 2021

Municipality	Share of rental value	Population, 2020	Expected population change, 2021–2040	Unemployment, 2020
Luleå	27.3%	80,000	2.2%	7.2%
Stockholm	14.0%	976,000	15.0%	8.1%
Copenhagen	13.1%	800,000	12.2%	5.5%
Malmö	9.4%	348,000	17.1%	15.3%
Gothenburg	8.4%	583,000	13.5%	9.4%
Ronneby	8.2%	29,000	-4.8%	14.0%
Karlstad	4.4%	95,000	7.1%	8.6%
Karlskrona	4.4%	67,000	-1.7%	8.7%
Kristianstad	3.0%	86,000	6.3%	11.2%
Jönköping	2.4%	142,000	12.6%	6.4%
Total/Sweden average	94.6%	-	8.9%	8.5%

Source: company, Statistics Sweden, Arbetsförmedlingen (based on population forecast by Statistics Sweden), Ekonomifakta (based on data from Arbetsförmedlingen), Statistics Denmark.

Tenant concentrations low, but geographic concentrations high

As of 30 Sep. 2021, Studentbostäder's property portfolio comprised 4,501 student apartments under management, totalling 130,512 sqm of lettable area valued at SEK 5.4bn. Including announced acquisitions, the portfolio value amounts to SEK 6.3bn. In addition to management properties, the company's project development pipeline includes 2,906 apartments. Studentbostäder's portfolio is small in comparison with those of its Nordic real-estate peers which tend to focus on residential properties. We note, however, that the Nordic student housing markets are characterised by numerous local players. In Sweden, most student apartments are owned by foundations or municipal real estate companies, while only 16% are owned by private companies.

According to Statistics Sweden, the number of student apartments in Sweden was estimated at about 105,000 at end-2020. We estimate that Studentbostäder has a market share of about 4%. Although the figure is low, Studentbostäder is specialised within this area and we expect it to grow in the near term both through acquisitions and finalisation of its project portfolio. We also believe the company is well placed to create a strong niche position for itself over time.

Market position, size and diversification 'b+'

Figure 5. Studentbostäder peer group breakdown by property value and number of apartments, 30 Sep. 2021



Source: companies.

Studentbostäder's focus on residential properties results in negligible tenant concentrations, supporting our view of revenue diversity. However, in terms of geographic diversity, the portfolio is concentrated. Luleå accounts for 27% of rental value, followed by Stockholm and Copenhagen, which contribute 14% and 13% respectively. Although the geographic concentrations are high, the properties' proximity to universities supports demand and reduces risk. Nevertheless, we assess the company's dependence on individual university populations as a weakness. Studentbostäder's largest single property accounts for 13% of rental value, while the 10 largest properties account for 37%, indicating relatively high dependence on single properties.

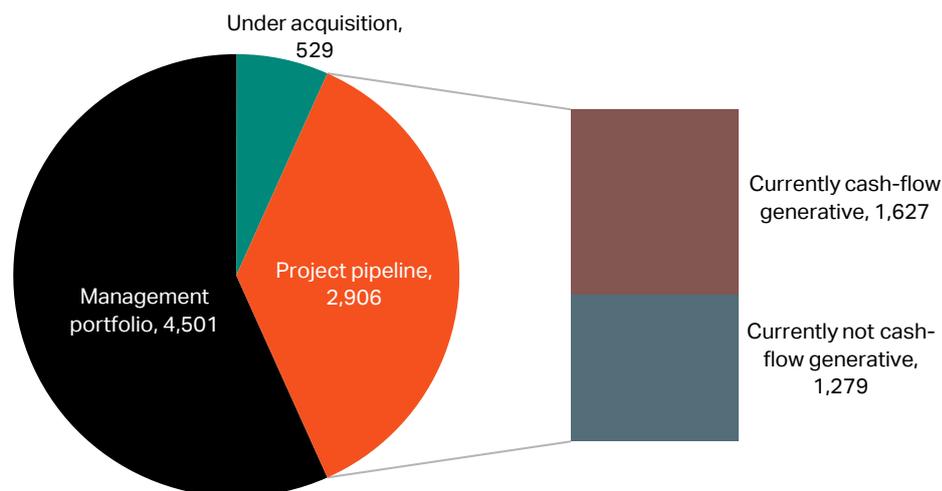
Locations mixed, while project development pipeline remains substantial

Studentbostäder's properties are mainly located in Swedish university cities. We view the attractiveness of the locations as mixed. Some properties, such as most of those in Luleå, are strategically located close to the local university, which supports demand. Other properties, such as those in Oxie outside Malmö and Ronneby outside Karlskrona, are in less strategic locations where demand would likely be at risk if supply of alternative student accommodation were to increase. We expect completion of development projects to improve the average attractiveness of the company's property locations.

Studentbostäder's properties are typically space-efficient apartments averaging 29 sqm. The average property age is 15.5 years. We expect both the average apartment size and property age to decrease as the company completes its project development pipeline. We view the relatively young portfolio as a rating strength, implying relatively low refurbishment needs in the near term. Through its acquisition of Prime Living in 2020, Studentbostäder acquired a portfolio of properties in which amenities such as ventilation and electricity did not meet Swedish standards. In 2021, the company made investments in these properties, resulting in an improvement in vacancy rates from previously elevated levels.

Portfolio assessment
'bb+'

Figure 6. Studentbostäder property portfolio by number of apartments as of 30 Sep. 2021



Source: company.

Typically, lease contracts for student housing are for three months, leading to an average remaining lease-term that is extremely short compared with those of real-estate peers focused on other property types, but similar to levels common among other residential property managers. We believe that the strong demand for student accommodation limits vacancy risk despite the high tenant turnover that is customary with student apartments.

As of 30 Sep. 2021, the company had a substantial project development portfolio of 2,906 apartments with combined budgeted investments of SEK 3.8bn. The development pipeline represents a significant proportion of the total portfolio of 7,936 apartments, while Studentbostäder targets production start of 700–1,000 apartments a year. We view the company's significant development focus negatively in our overall portfolio assessment as it creates additional risk. Positively, project and construction risk are offset by fixed turn-key construction contracts, which increase predictability, while 56% of the project portfolio consists of cash-flow generative properties. Although Studentbostäder's development projects are standardised, we note that the company has a limited track record in project development; to date it has completed only one project.

Figure 7. Studentbostäder larger projects in progress, 30 Sep. 2021

Project	Location	No. of new apartments	Lettable area (sqm)	Invested (SEKm)	Total investment (SEKm)	Estimated completion
Ekhagen 2:1 (Träbyn)	Jönköping	318	11,197	296	423	2022
Mungigan & Munspelet	Karlstad	297	11,278	10	470	2022–2023
Ferdinand 14, 15	Stockholm	1,043	20,397	0	1,020	2022–2024
Ankarstocken 27*	Norrköping	202	5,176	0	220	2023
Kuratorn	Trollhättan	298	11,118	5	470	2024
Grenadjären	Karlskrona	162	6,595	0	240	2024
Stråken	Lund	94	6,253	0	230	2024
Utfarten	Växjö	177	5,802	0	220	2024
Löjtnanten & Kaptenen	Kristianstad	315	13,526	0	480	2026
Total	-	2,906	91,342	311	3,773	-

Source: company. *Joint venture with Lotshamn AB.

Occupancy recovers to pre-pandemic levels

As of 30 Sep. 2021, Studentbostäder had 25 employees, compared with just four a year earlier. The increase is mainly due to a shift to a more in-house based organisation with personnel covering both technical and administrative maintenance of properties. In 2019 and 2020, Studentbostäder's EBITDA margin averaged around 40%, improving to 44% over the 12 months ended 30 Sep. 2021. In our forecast, we expect an EBITDA margin of 45% in 2021 to rise gradually to 51% in 2023 due to improved

Operating efficiency
'bb+'

efficiency and an increase in portfolio size. Even when taking this expected increase into account, Studentbostäder's margins are lower than those of many of its Swedish residential real-estate peers, which we view negatively in our assessment.

As with other residential property types, student housing vacancy rates are typically low, although they show clear seasonal patterns which reflect the academic year. Prior to the COVID-19 pandemic, the occupancy rate in Studentbostäder's portfolio was 97%. By end-2020, it had decreased to 89% and declined further to 85% by mid-2021. In the third quarter of 2021, however, occupancy rates improved to pre-pandemic levels as students resumed physical attendance. In line with this, the company's occupancy rate had risen to 96% as of 30 Sep. 2021. Over our forecast period through 2023, we expect occupancy to remain stable at around current levels. However, we believe that increased COVID-19 infection rates and new social distancing recommendations could have a negative impact on occupancy and profitability.

Figure 8. Studentbostäder revenues, net operating income, EBITDA, and margins, 2018–2023e

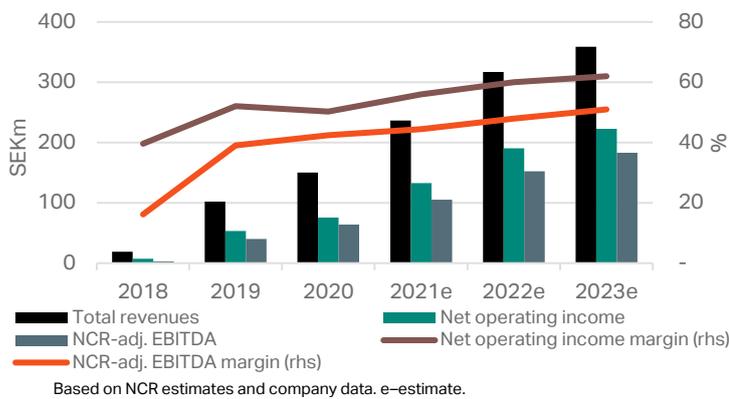
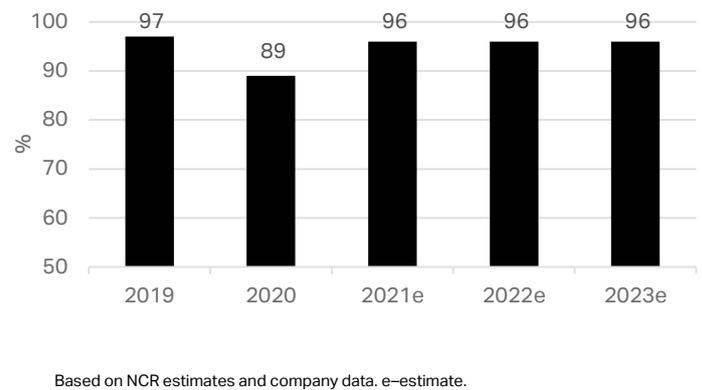


Figure 9. Studentbostäder occupancy rate, 2019–2023e



FINANCIAL RISK ASSESSMENT

Financial risk assessment 'b'

Our financial risk assessment reflects our expectation that Studentbostäder's key credit metrics will weaken. We expect the company's net LTV ratio to remain high in comparison with those of its real-estate peers, while interest coverage and net debt/EBITDA are likely to remain relatively weak due to its ambitious growth plans and focus on project development. We view the company's financial risk appetite as commensurate with our ratio analysis, although we view its aggressive growth plans, short debt maturity profile, and limited interest coverage covenant headroom as credit weaknesses.

Credit metrics likely to weaken as company pursues growth plans

Ratio analysis 'b'

Over the past two years, Studentbostäder's financial position has improved. NCR-adjusted net LTV improved to 51% in 2020 from 68% in 2019, while net interest coverage has been maintained at around 2x. In the same period, NCR-adjusted net debt/EBITDA was weak, even though it improved to 29x in 2020 from 36x in 2019. As of 30 Sep. 2021, net LTV had returned to 62% on the back of completed acquisitions. We expect financial gearing to increase further as announced acquisitions enter the portfolio. On the basis of Studentbostäder's large development pipeline and announced acquisitions, we expect EBITDA to increase significantly over the next few years.

In our base-case forecast of Studentbostäder's future performance, we assume:

- rental income growth of 60% in 2021, 34% in 2022 and 13% in 2023;
- an EBITDA margin of 45% in 2021, gradually increasing to 51% in 2023;
- investments in properties through acquisitions, development and refurbishment of SEK 2.1bn in 2021, SEK 2.0bn in 2022 and SEK 1.2bn in 2023;
- no valuation changes in investment properties other than in line with capital spending;
- equity injections of SEK 166m in 2021 and SEK 457m in 2022;
- receipt of government investment grants of SEK 198m in 2023; and
- a tax agency claim of SEK 50m, affecting profits and cash flows in 2022.

On the basis of these assumptions, we estimate the following metrics for 2021–2023:

- NCR-adjusted net LTV of 64–69%;
- NCR-adjusted EBITDA/net interest of 1.6–1.8x; and
- NCR-adjusted net debt/EBITDA of 33–35x.

Our calculations of Studentbostäder's credit metrics include right-of-use assets in investment property values and long-term leasing liabilities in net debt, before deducting 100% of cash and equivalents (see Figure 10). We treat the company's shareholder loans from SBB and Amasten as debt (SEK 160m as of 30 Sep. 2021). Our 2021 EBITDA adjustment reflects non-recurring costs associated with the acquisition of Prime Living. In our forecast, we assume a SEK 50m tax agency claim to be paid in 2022. We note, however, that the amount and timing are not fixed and that a lower or cancelled claim could have a positive impact on credit metrics. We also note that our assumption that investment grants will be received carries some uncertainty and that failure to obtain such contributions could have a negative impact on metrics.

Through its acquisition of Prime Living in 2020, Studentbostäder took over Prime Living's outstanding preference shares (class B and C). To achieve a cleaner balance sheet, all preference shares were converted to common equity in March 2021. In view of the conversion, we treat the company's preference shares as 100% equity (effective 31 Dec. 2020).

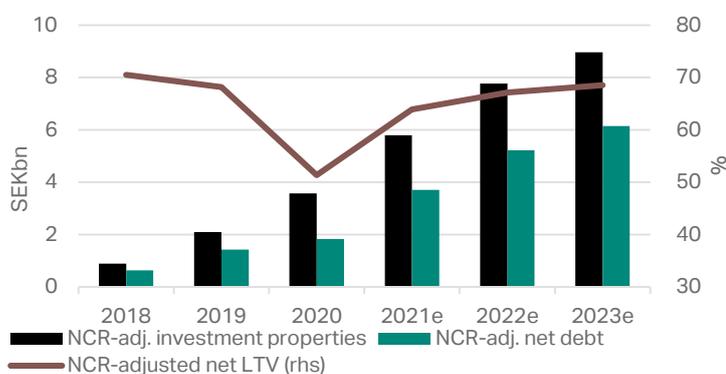
As re-valuation can have a significant impact on a property manager's balance sheet, Studentbostäder contracts external appraisals of all properties at least once a year.

Figure 10. NCR's adjustments to Studentbostäder's credit metrics, 2018–2023e

SEKm	2018	2019	2020	2021e	2022e	2023e
EBITDA	3	40	64	97	152	183
Non-recurring items	0	0	0	8	0	0
NCR-adj. EBITDA	3	40	64	105	152	183
Cash and cash equivalents	4	46	296	277	48	13
Restricted cash	0	0	-1	0	0	0
NCR-adj. cash and equivalents	4	46	295	277	48	13
Gross interest-bearing debt	475	1,309	1,955	3,805	5,090	5,980
Shareholder loans	160	160	160	160	160	160
Long-term leasing liabilities	0	7	15	16	16	16
NCR-adj. cash and equivalents	-4	-46	-295	-277	-48	-13
NCR-adj. net debt	630	1,430	1,835	3,705	5,218	6,143
Net interest (incl. fin. costs from leasing)	-3	-21	-30	-65	-87	-105
NCR-adj. net interest	-3	-21	-30	-65	-87	-105
Investment property	894	2,091	3,563	5,781	7,757	8,944
Non-current right-of-use assets	0	7	10	16	16	16
NCR-adj. investment property	894	2,098	3,573	5,797	7,773	8,960

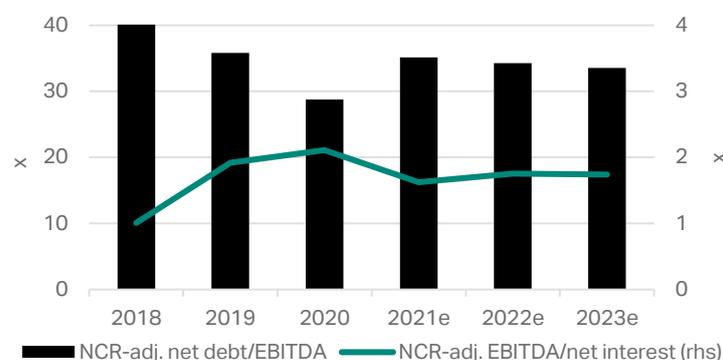
Based on NCR estimates and company data. e-estimate.

Figure 11. Studentbostäder NCR-adj. investment properties, net debt, and net LTV, 2018–2023e



Based on NCR estimates and company data. e-estimate.

Figure 12. Studentbostäder NCR-adj. net debt/EBITDA and EBITDA/net interest, 2018–2023e



Based on NCR estimates and company data. e-estimate.

Risk appetite 'b'

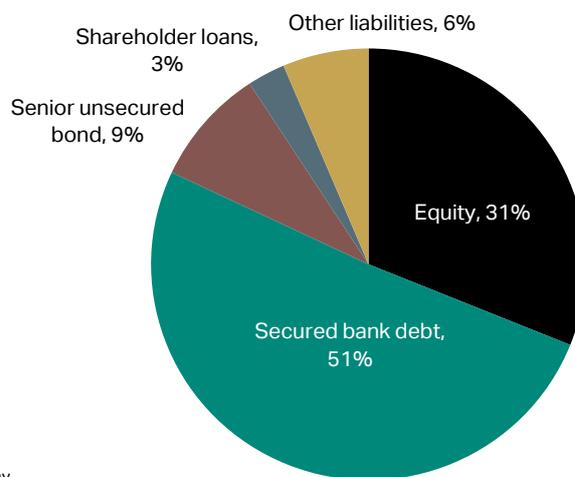
High growth, short debt maturity profile and limited covenant headroom increase financial risk

We view Studentbostäder's financial risk appetite as commensurate with the company's financial ratios, although we consider its ambitious growth plans, short debt maturity profile and limited covenant headroom as negative rating factors. The assessment is also constrained by Studentbostäder's relatively brief operating history and lack of unutilised credit facilities.

Since Studentbostäder was founded in 2018, its property portfolio has grown rapidly, and stood at SEK 5.4bn as of 30 Sep. 2021. We expect the company to further prioritise growth to achieve a target of 10,000 apartments under management by 2025 (compared with 4,501 currently).

Since the acquisition of Prime Living in 2020, Studentbostäder has converted the legacy preference shares (class B and C) into common equity, resulting in a cleaner balance sheet. As of 30 Sep. 2021, the company's funding sources included common equity, secured bank debt, a senior unsecured bond, and shareholder loans (see Figure 13).

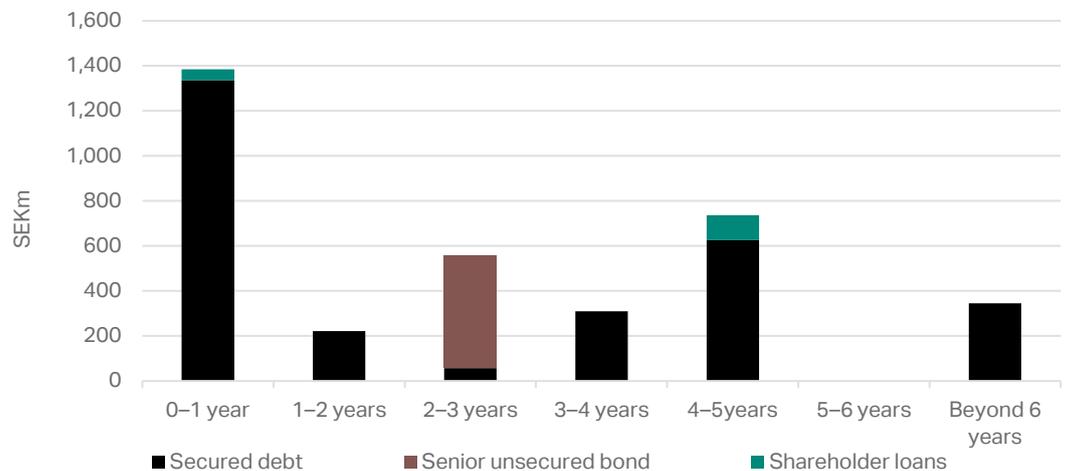
Figure 13. Studentbostäder funding profile, 30 Sep. 2021



Source: company.

As of 30 Sep. 2021, Studentbostäder's average debt maturity was 2.8 years while 39% of its debt was set to mature within the subsequent 12 months. We view the company's relatively short debt maturity profile and relatively front-loaded maturity profile as negative factors in our financial risk assessment. However, we note that a significant proportion of short-term loan maturities were refinanced in the fourth quarter of 2021, significantly reducing near-term refinancing risk. Studentbostäder currently has no revolving credit facilities. If obtained, such facilities would support liquidity. The company uses interest rate swaps to reduce interest rate risk. As of 30 Sep. 2021, the average fixed interest period was 2.5 years, while the average interest rate on the company's loans was 2.35%.

Figure 14. Studentbostäder debt maturity profile, 30 Sep. 2021



Source: company.

Studentbostäder's interest-bearing debt is governed by financial covenants and financial policy targets (see Figure 15). Since it was founded in 2018, the company has adhered to its covenants. However, headroom in terms of interest coverage is less than that of many real-estate peers, and was especially low as of 30 Sep. 2021, when interest coverage was calculated at 1.8x compared with the 1.5x required.

Studentbostäder targets 20% yearly growth in both profit from property management and net asset value per share. In the long term, Studentbostäder aims to pay dividends amounting to 50% of profit from property management. However, over the next few years, it intends to reinvest cash flows and pay low or no dividends to support growth. The company's long-term target is similar to those of many of its listed real-estate peers.

Figure 15. Studentbostäder financial covenants, policies and reported metrics

Metric	Common loan covenants	Senior unsecured bond covenants	Financial policy/targets	Reported 30 Sep. 2021
Equity ratio	≥ 25%	≥ 20%	≥ 25%	31%
Gross LTV	≤ 75%	n.a.	< 70%	63%
Interest coverage ratio*	≥ 1.5x	≥ 1.5x	> 2.0x	1.5x

Source: company. n.a.–not applicable. *Reported interest coverage includes shareholder loan interest, which is not included in covenant calculations. As of 30 Sep. 2021, interest coverage as calculated in covenants was 1.8x.

ADJUSTMENT FACTORS

Adjustment factors neutral

Adjustment factors are assessed as neutral and have no effect on our standalone credit assessment.

Liquidity

Liquidity adequate

Our 12-month liquidity analysis is based on a stressed scenario in which the company cannot access the capital markets or extend bank loans, and therefore has to rely on internal or committed external funding sources to cover its liquidity needs.

We assess Studentbostäder's liquidity as adequate, even though our analysis results in a SEK 1.4bn deficit in the 12 months ending 30 Sep. 2022. Despite the company's relatively short history, we view its banking relationships and equity market listing, as sufficient mitigators of liquidity risk in the near term. However, we assess an equity injection in 2022 as necessary for the company to remain compliant with financial policy levels, given its high growth rate and substantial project development pipeline.

We estimate the following primary funding sources for the 12 months ending 30 Sep. 2022, totalling SEK 1.5bn:

- SEK 226m in cash and equivalents, as of 30 Sep. 2021;
- SEK 36m from funds from operations, equalling 75% of estimated NCR-adjusted funds from operations over the period;
- SEK 853m in proceeds from borrowings from the end of the third quarter of 2021;
- SEK 389m in borrowings related to acquisitions; and
- SEK 14m in equity injections related to acquisitions.

We estimate the following uses of funds for the 12 months ending 30 Sep. 2022, totalling SEK 2.9bn:

- SEK 1.5bn in maturing debt and amortisation;
- SEK 575m in committed acquisitions;
- SEK 775m in expected capital spending; and
- SEK 50m to meet a claim from the Swedish Tax Agency.

Environmental, social and governance factors

ESG factors adequate

Studentbostäder is relatively new to both environmental, social and governance (ESG) reporting and integrating ESG efforts into its operations. The company has identified several areas in which improvements could be made. The areas are split into initiatives targeting sustainable student accommodation and long-term social development.

Currently, no Studentbostäder properties have obtained environmental certification. However, the company aims for all new-built properties to fulfil the necessary requirements for certification. In this respect it targets energy usage at new-built properties at a maximum 56% of a requirement set by Sweden's National Board of Housing, Building and Planning. Studentbostäder aims to lower the water and energy usage of tenants by installation of monitoring systems, making tenants aware of their resource usage.

Studentbostäder has adequate governance policies, including policies on whistleblowing and the working environment as well as codes of conduct for employees, suppliers, and tenants. The company follows Swedish governance guidelines (*Svensk kod för bolagsstyrning*). As of 30 Sep. 2021, the board of directors consisted of five members, three of which were independent in relation to either the company or its largest shareholders.

The main ESG issues that could affect our overall assessment of Studentbostäder's creditworthiness are factors that might contribute to loss of revenues, increased costs, higher capital spending, or worsened financing possibilities (see Figure 16).

Figure 16. Studentbostäder ESG considerations

Issue	Risk	Mitigating efforts	Result
CO ₂ emissions	Increased costs due to regulatory and/or taxation changes	Intentions to increase energy efficiency and reduce CO ₂ emissions	Studentbostäder does not currently report CO ₂ emissions and has no measurable targets in this respect. We anticipate greater efforts
Impact of climate change on operations	Loss of revenues or increased capital spending	Environmental certification of properties	Currently no properties have obtained environmental certification. All new-built properties will fulfil requirements for certification
Increased environmental focus on financial markets	Adverse effect on financing possibilities or higher financing costs due to slow transitioning to lower CO ₂ dependence	Efforts to increase energy efficiency and reduce CO ₂ emissions. Overall sustainability focus throughout operations	Investor demand for green credentials is increasing. We view sustainability reporting and a focus on ESG issues as necessary to remain attractive to investors. We anticipate greater efforts
Delayed zoning plans	Reduced efficiency due to municipalities' slow processing of zoning plans	Limited dependence on single projects. Project properties often cash-flow generative prior to construction start	No issues during the company's short history

Source: company.

OWNERSHIP ANALYSIS

Ownership neutral

Since Studentbostäder's acquisition of Prime Living in December 2020, its common stock has been listed on the Nasdaq First North Premier Growth Market. The largest shareholder is Aktiebolaget Fastator (publ) (following the acquisition of shares from at-the-time subsidiary Offentliga Hus – one of the three founding companies) with 19.7% of the capital and votes as of 30 Sep. 2021. SBB's direct ownership in Studentbostäder had decreased to 2.5% as of 30 Sep. 2021. However, taking exposure through financial derivatives into account, SBB remains the second-largest shareholder and has said that it intends to remain a long-term owner. Amasten, the third founding company, 93%-owned by SBB as of 4 Jan. 2022, has decreased its shareholding to 3.3%, while Israel-based The Phoenix Holdings Ltd holds 16.4% of the shares. As of 30 Sep. 2021, Studentbostäder had a total of SEK 160m in shareholder loans from SBB and Amasten.

We assess Studentbostäder's overall ownership as neutral, although we take a positive view of the company's public listing, as it gives access to the equity market, enhancing its prospects of strengthening the balance sheet when needed.

Figure 17. Studentbostäder ownership structure, 30 Sep. 2021

Owner	Share of capital and votes
Aktiebolaget Fastator	19.7%
The Phoenix Holdings Ltd.	16.4%
Träbyn Invest AB	3.7%
Amasten Fastighets AB	3.3%
Samhällsbyggnadsbolaget i Norden AB	2.5%
Estea	2.4%
Lars Runby	2.0%
Avanza Pension	1.8%
GADD & Cie S.A.	1.8%
JRS Asset Management AB Client Account	1.2%
Top 10 owners	54.8%
Other	45.2%

Source: company.

ISSUE RATINGS

We do not assign issue ratings to Studentbostäder's outstanding debt issues. In line with our methodology, we typically foresee a higher loss given default for senior unsecured instruments when there is a high proportion of secured debt. As of 30 Sep. 2021, 81% of the company's interest-bearing debt was secured, reducing recovery prospects for senior unsecured bondholders.

Figure 18. Studentbostäder key financial data, 2018–Q3 2021

SEKm	FY	FY	FY	LTM
Period-end	31 Dec. 2018	31 Dec. 2019	31 Dec. 2020	30 Sep. 2021
INCOME STATEMENT				
Rental income	19	102	148	188
Other income	0	–	2	23
Total costs from operations	-11	-49	-75	-97
Net operating income	7	53	76	113
Administrative expenses	-4	-13	-12	-28
Administrative expenses, project portfolio	–	–	–	–
EBITDA	3	40	64	85
Share of profit in associated companies and joint ventures	–	–	–	–
Interest expenses	-3	-21	-30	-57
Interest income	0	0	–	–
Interest expenses, shareholder loans	–	–	–	–
Financial costs from leasing	–	–	–	–
Other financial costs	–	–	–	–
Changes in investment property	–	75	88	171
Gain (loss) on financial assets held at fair value	–	–	–	–
Depreciation and amortisation	0	–	0	–
Restructuring activities	–	–	–	–
Pre-tax profit	0	94	122	198
Current taxes	-1	-4	-6	-6
Deferred taxes	0	-16	-24	-105
Net profit	-1	74	91	87
BALANCE SHEET				
Investment property	894	2,091	3,563	5,375
Other non-current assets	0	7	15	23
Total non-current assets	895	2,098	3,579	5,398
Cash and cash equivalents	4	46	296	226
Other current assets	26	10	46	63
Total current assets	30	56	342	289
Total assets	925	2,154	3,921	5,687
Total equity	268	571	1,535	1,768
Non-current borrowings	465	1,293	1,914	2,531
Non-current borrowings, shareholder loans	160	160	160	160
Deferred tax liabilities	–	16	41	140
Other non-current liabilities	–	58	11	14
Total non-current liabilities	625	1,527	2,126	2,845
Total current liabilities	32	55	259	1,073
Total equity and liabilities	925	2,154	3,921	5,687
CASH FLOW STATEMENT				
Pre-tax profit	0	94	122	198
... of which changes in investment property	–	75	88	171
Depreciation and amortisation	0	–	0	2
Tax paid	–	–	–	-17
Adjustment for items not in cash flow	-1	-72	-95	-150
Cash flow from operating activities before changes in working capital	-1	22	27	32
Changes in working capital	-3	0	-6	-16
Cash flow from operating activities	-3	22	21	16
Cash flow from investment activities	-894	-1,122	-80	-1,593
Cash flow from financing activities	901	1,109	310	1,758
Cash and cash equivalents at beginning of period	–	4	46	45
Cash flow for period	4	9	251	181
Cash and cash equivalents at end of period	4	46	296	226

Source: company. FY–full year. LTM–last 12 months.

Figure 19. Studentbostäder rating scorecard

Subfactors	Impact	Score
Operating environment	20.0%	bbb+
Market position, size and diversification	12.5%	b+
Portfolio assessment	12.5%	bb+
Operating efficiency	5.0%	bb+
Business risk assessment	50.0%	bb+
Ratio analysis		b
Risk appetite		b
Financial risk assessment	50.0%	b
Indicative credit assessment		bb-
Liquidity		Adequate
ESG		Adequate
Peer comparisons		Neutral
Stand-alone credit assessment		bb-
Support analysis		Neutral
Issuer rating		BB-
Outlook		Stable
Short-term rating		N-2

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