

Studentbostäder i Norden AB (publ)

Rating Action Report

LONG-TERM RATING

BB-

OUTLOOK

Stable

SHORT-TERM RATING

N-2

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Nordic Credit Rating (NCR) said today that it had assigned a 'BB-' long-term issuer rating to Sweden-based property manager [Studentbostäder i Norden AB \(publ\)](#) (Studentbostäder). The outlook is stable. An 'N-2' short-term issuer rating was also assigned.

Rationale

The long-term issuer rating reflects Studentbostäder'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 stable outlook reflects 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 plans for continued rapid growth. We expect the company to maintain its focus on student housing and believe that the operating environment will remain strong. We also expect Studentbostäder to complete development projects successfully and in a timely manner, strengthening the company's market position over time.

We could raise the rating to reflect improved credit metrics (net loan to value (LTV) below 60% and net interest coverage above 2.2x) over a protracted period, an increased proportion of properties under management, or improved operating efficiency combined with a larger property portfolio and reduced geographic concentrations. We could lower the rating to reflect reduced covenant headroom or breach of covenants, weakened credit metrics (net LTV above 75% and net interest coverage below 1.5x) over a protracted period, or deteriorating market fundamentals, adversely affecting occupancy and/or profitability.

Rating list

Long-term issuer credit rating:
Outlook:
Short-term issuer credit rating:

Rating

BB-
Stable
N-2

Figure 1. 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 |

| | |
|---|--|
| Type of credit rating: | Long-term issuer credit rating Short-term issuer credit rating |
| Publication date: | The rating was first published on 13 Jan. 2022. |
| 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. |
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