Nordic Credit Rating

CORPORATE: REAL ESTATE

Sweden
23 Feb. 2022

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 (Bonnier Fastigheter). The outlook is stable. At the same time, NCR affirmed its 'N-1+' short-term issuer rating and 'BBB' senior unsecured rating on instruments issued by subsidiary AB Bonnier Fastigheter Finans (publ). The issuer and issue ratings are no longer under criteria review.

Rating rationale

On 18 Feb. 2022, NCR published its new Group and Government Support Methodology. At the same time, it placed the issuer rating on Bonnier Fastigheter and the ratings on senior unsecured instruments issued by AB Bonnier Fastigheter Finans (publ), which is fully guaranteed by Bonnier Fastigheter, under criteria review. Using the rating principles for special-purpose financing entities, defined in the new methodology, we have assigned a 'BBB' long-term issuer rating and an 'N-1+' short-term issuer rating to AB Bonnier Fastigheter Finans (publ). The outlook is stable.

Stable outlook

The stable outlook on the parent 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+	bbb+
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 3. Associated entities

Name	LT rating	Outlook	ST rating
AB Bonnier Fastigheter Finans (publ)	BBB	Stable	N-1+
Senior unsecured	BBB		

Type of credit rating:	Long-term issuer credit rating Short-term issuer 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
Rating committee chairperson responsible for approval of the credit rating:	Sean Cotten, +46735600337, sean.cotten@nordiccreditrating.com
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 Rating Methodology published on 18 Feb. 2022 NCR's Group and Government Support Rating Methodology published on 18 Feb. 2022 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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