

## Fastighets AB Stenvalvet (publ)

Rating Action Report

### LONG-TERM RATING

**BBB+**

### OUTLOOK

**Stable**

### SHORT-TERM RATING

**N-1+**

#### PRIMARY ANALYST

Yun Zhou  
+46732324378  
yun.zhou@nordiccreditrating.com

#### SECONDARY ANALYST

Marcus Gustavsson  
+46700442775  
marcus.gustavsson@nordiccreditrating.com

## Fastighets AB Stenvalvet (publ) '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 community service property manager [Fastighets AB Stenvalvet \(publ\)](#). The outlook is stable. The 'N-1+' short-term issuer rating and 'BBB+' senior unsecured issue rating were also affirmed.

### Rating rationale

The long-term issuer rating reflects Stenvalvet's strong property portfolio and long-term contracts with highly creditworthy public-sector tenants. About 92% of the company's rental income is generated directly or indirectly by government funding. The rating further reflects the strong average remaining lease term of around six years, an occupancy rate of about 96%, and the stable operating environment. Stenvalvet's stable cash flows and strong debt-servicing abilities also support the rating, as do the company's low-risk shareholders, which we regard as stable, long-term owners. The shareholders have provided SEK 2.8bn in long-term loans, which we regard as equity.

Although, most of Stenvalvet's income comes from government-related anchor tenants, about 8% of tenants are purely commercial entities, and 42% of the company's revenues come from office tenants, which tend to be less loyal than occupants of specialised properties. The company has high tenant concentrations, with the top 10 tenants generating 51% of revenues, albeit with a high level of public funding.

We have revised our assessment of Stenvalvet's risk appetite to reflect the company's prudent growth strategy, strong liquidity position, and financially strong owners, which take a long-term view of their investments. Our risk appetite assessment is supported by the company's interest fixing and stable debt maturity profile.

### Stable outlook

The stable outlook reflects our expectation that Stenvalvet will continue to focus on community service properties, with long lease contracts under which rents are funded directly or indirectly by public institutions. We also expect that the company will retain its moderate leverage and risk appetite as it grows via development and acquisitions.

We could raise the rating to reflect improved credit metrics over the long term (NCR-adjusted net loan to value [LTV] below 35% and EBITDA/net interest over 5.0x). We could also raise the rating to reflect increased diversity and quality in the property portfolio. We could lower the rating to reflect increased leverage on a long-term basis (NCR-adjusted net LTV above 50% and EBITDA/net interest below 3.5x). We could also lower the rating to reflect a higher proportion of non-public tenants or a substantial change in the ownership structure.

### 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+

**Figure 1. Stenvalvet rating scorecard**

Subfactors	Impact	To	From
Operating environment	20.0%	a-	a-
Market position, size and diversification	12.5%	bb+	bb+
Portfolio assessment	12.5%	bbb+	bbb+
Operating efficiency	5.0%	a	a
<b>Business risk assessment</b>	<b>50.0%</b>	<b>bbb+</b>	<b>bbb+</b>
Ratio analysis		bbb+	bbb+
Risk appetite		a-	bbb+
<b>Financial risk assessment</b>	<b>50.0%</b>	<b>bbb+</b>	<b>bbb+</b>
<b>Indicative credit assessment</b>		<b>bbb+</b>	<b>bbb+</b>
Liquidity		Adequate	Adequate
ESG		Adequate	Adequate
Peer comparisons		Neutral	Neutral
<b>Stand-alone credit assessment</b>		<b>bbb+</b>	<b>bbb+</b>
Support analysis		Neutral	Neutral
<b>Issuer rating</b>		<b>BBB+</b>	<b>BBB+</b>
Outlook		Stable	Stable
<b>Short-term rating</b>		<b>N-1+</b>	<b>N-1+</b>

**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 May. 2019.
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:	Yun Zhou, +46732324378, <a href="mailto:yun.zhou@nordiccreditrating.com">yun.zhou@nordiccreditrating.com</a>
Rating committee chairperson responsible for approval of the credit rating:	Sean Cotten, +46735600337, <a href="mailto:sean.cotten@nordiccreditrating.com">sean.cotten@nordiccreditrating.com</a>
Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	<a href="#">NCR's Corporate Rating Methodology published on 18 Feb. 2022</a> <a href="#">NCR's Group and Government Support Rating Methodology published on 18 Feb. 2022</a> <a href="#">NCR's Rating Principles published on 16 Sep. 2019</a> 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 <a href="http://nordiccreditrating.com/governance/policies">nordiccreditrating.com/governance/policies</a> . The historical default rates of entities and securities rated by NCR will be viewed on <a href="#">the central platform (CEREP) of the European Securities and Markets Authority (ESMA)</a> .
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: <a href="https://nordiccreditrating.com/governance/policies">https://nordiccreditrating.com/governance/policies</a>
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: <a href="http://nordiccreditrating.com/governance/policies">nordiccreditrating.com/governance/policies</a> .
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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