

Intea Fastigheter AB (publ)

Rating Action Report

LONG-TERM RATING

BBB+

OUTLOOK

Stable

SHORT-TERM RATING

N-1+

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Intea Fastigheter AB (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 [Intea Fastigheter AB \(publ\)](#). The outlook is stable. The 'N-1+' short-term issuer rating and the 'BBB+' issue ratings on the company's senior unsecured bonds were also affirmed.

Rating rationale

The long-term rating reflects Intea's relatively low-risk portfolio of largely custom-built properties and its generally long contracts with highly creditworthy public-sector authorities in the education, healthcare and law enforcement sectors. The rating also reflects the strong operating environment and Intea's stable cash flows, healthy profitability and debt-servicing capabilities. We view the company's solid and committed owners, and long fixed-interest periods as credit strengths.

These benefits are offset by Intea's overall financial risk profile, as the company's credit metrics are notably weak in comparison with those of its peers. Furthermore, the rating is constrained by the company's relatively modest size, high portfolio concentrations and restricted geographic scope, with concentration risk in certain municipalities. However, the significant proportion of government-backed tenants and multiple contracts across different locations is beneficial for operational diversity.

We have raised our market position, size and diversification score to reflect Intea's larger scale and improved market position. We have raised our operating efficiency score to reflect improved operating margins resulting from an increased focus on in-house operations. However, we have lowered our financial ratio score to reflect Intea's relatively high leverage compared with peers, along with our projection of weaker interest coverage.

Stable outlook

The stable outlook reflects our expectations of continued substantial shareholder commitment, which supports Intea's overall financial risk profile. We believe the company will maintain its focus on specialised community service properties with long leases with government-backed counterparties. We expect Intea to primarily grow through its project portfolio, in which properties appear to be on schedule for completion, while maintaining its current financial risk profile.

We could raise the rating to reflect improved credit metrics, with a net loan-to-value (LTV) ratio below 40%, and net interest coverage above 5x over an extended period, or an increased portfolio size and diversification, combined with reduced project development. We could lower the rating to reflect net LTV above 55% and net interest coverage below 3.5x on a sustained basis, a withdrawal of shareholder commitments or change in ownership, or a lower proportion of public tenants.

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. Intea 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%	a-	a-
Operating efficiency	5.0%	a+	a
Business risk assessment	50.0%	a-	bbb+
Ratio analysis		bb+	bbb-
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 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 26 May. 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.
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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 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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