

Intea Fastigheter AB (publ)

Rating Action Report

LONG-TERM RATING

BBB+

OUTLOOK

Negative

SHORT-TERM RATING

N3

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Intea Fastigheter AB (publ) outlook revised to negative; 'BBB+' long-term issuer rating affirmed

Nordic Credit Rating (NCR) said today that it had revised its outlook on Sweden-based property manager [Intea Fastigheter AB \(publ\)](#) to negative from stable. At the same time, the 'BBB+' long-term and 'N3' short-term issuer ratings were affirmed. The 'BBB+' senior unsecured issue ratings were also affirmed.

Rating rationale

The outlook revision reflects our expectations of a weakening of Intea's financial risk profile, due to a deterioration in financing conditions. The company has used up its shareholder commitments, which previously provided support for the company's financial risk profile. Despite more challenging real-estate and financing markets, we understand that Intea intends to obtain new shareholder commitments. We could lower the rating if the timeliness and extent of the commitments remain uncertain.

The company has a front-loaded debt maturity profile, but maintains SEK 2.9bn in unutilised credit facilities, and has demonstrated access to the commercial paper market. However, we view its reliance on capital market financing and a large bond maturity of SEK 1.35bn in Sep. 2023 as increasingly negative in a more challenging financing market. We expect the company to be proactive in refinancing upcoming debt maturities.

We expect Intea's interest coverage to decrease, despite a longer average fixed-interest period than many of its peers (3.5 years as of 30 Sep. 2022). Our base case estimates an NCR-adjusted net interest coverage ratio of below 3x by year-end 2023, down from 4.1x as of 30 Sep. 2022 and compared with our previous estimate of 3.2x by year-end 2023. In addition, we expect Intea's net loan-to-value (LTV) ratio to come under pressure on the back of rising interest rates and property yields. However, we assess that Intea's business risk profile remains strong and that the company will be able to raise rents considerably thanks to its substantial proportion of inflation-linked contracts with public-sector tenants.

As of 30 Sep. 2022, Intea's unsecured debt accounted for 61% of its total debt. If the share of unsecured debt falls below 50% over a protracted period, it could affect our view of recovery prospects for senior unsecured bondholders and, consequently, our issue ratings.

Negative outlook

The negative outlook reflects uncertainty regarding the status of shareholder commitments, which support our view of the company's financial risk profile. We also expect Intea's credit metrics to come under pressure on the back of rising interest rates and more challenging capital markets.

We could lower the rating if the company fails to obtain new shareholder commitments and net LTV remains above 50% or net interest coverage falls below 3.5x. We could also lower the rating if new shareholder commitments are established but net LTV remains above 50% or net interest coverage falls below 2.2x. In addition, we could lower the rating if the company is not proactive in refinancing its large upcoming bond maturity.

We could revise the outlook to stable if the company obtains new shareholder commitments and net LTV falls below 50% and net interest coverage remains above 2.2x. We could also revise the outlook to stable if the company fails to obtain new shareholder commitments but deleveraging results in net LTV falling below 50% and net interest coverage stabilising above 3.5x.

Rating list

Long-term issuer credit rating:
Outlook:

To	From
BBB+	BBB+
Negative	Stable

Rating list

Short-term issuer credit rating:

Senior unsecured issue rating:

To

N3

BBB+

From

N3

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-	a-
Ratio analysis		bb+	bb+
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		Negative	Stable
Short-term rating		N3	N3

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 Rating Principles published on 24 May 2022 NCR's Group and Government Support Rating Methodology published on 18 Feb. 2022 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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