

## Stendörren Fastigheter AB (publ)

Rating Action Report

## LONG-TERM RATING

BB-

## OUTLOOK

Stable

## SHORT-TERM RATING

N4

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Nordic Credit Rating said today that it had affirmed its 'BB-' long-term issuer rating on Sweden-based property manager [Stendörren Fastigheter AB \(publ\)](#). The outlook is stable. At the same time, the 'N4' short-term issuer was also affirmed.

**Rating rationale**

The affirmation reflects continued performance in line with our expectations. Stendörren's net loan-to value (LTV) and net interest coverage ratio (ICR) will weaken as a result of rising market interest rates and declining property values. However, the effect on the financial metrics is mitigated by the company's extensive interest rate hedging, with roughly 80% of interest-bearing liabilities hedged as of 30 Sep. 2022, mainly using interest rate caps. Our base case foresees LTV increasing towards 58% and ICR weakening towards 1.6x by the end of 2024, but the financial metrics remain within the boundaries of our assessment of the financial risk profile.

We have raised our assessment of Stendörren's business risk profile and operating efficiency to reflect improved EBITDA margins and occupancy rates.

**Stable outlook**

The stable outlook reflects our belief that Stendörren will reduce its growth ambitions, maintain leverage in the short term and focus on pre-let projects. We expect the company to find new tenants to mitigate the contract maturity of its single largest tenant, but note that vacancies might increase temporarily. We also expect the company to be proactive in managing its upcoming debt maturities in 2024.

We could lower the rating to reflect an NCR-adjusted LTV ratio above 65% and EBITDA/net interest below 1.5x, an impending or actual covenant breach, or to reflect a deteriorating liquidity position.

We could raise the rating to reflect an NCR-adjusted LTV ratio below 55% and EBITDA/net interest above 2.2x. We could also raise the rating to reflect a significant decrease in project exposure, with limited speculative elements.

**Rating list**

	To	From
Long-term issuer credit rating:	BB-	BB-
Outlook:	Stable	Stable
Short-term issuer credit rating:	N4	N4

**Figure 1. Stendörren rating scorecard**

<b>Subfactors</b>	<b>Impact</b>	<b>To</b>	<b>From</b>
Operating environment	20.0%	bb	bb
Market position, size and diversification	12.5%	bb	bb
Portfolio assessment	12.5%	bb+	bb+
Operating efficiency	5.0%	bbb	bbb-
<b>Business risk assessment</b>	<b>50.0%</b>	<b>bb+</b>	<b>bb</b>
Ratio analysis		b+	b+
Risk appetite		b+	b+
<b>Financial risk assessment</b>	<b>50.0%</b>	<b>b+</b>	<b>b+</b>
<b>Indicative credit assessment</b>		<b>bb-</b>	<b>bb-</b>
Liquidity		Adequate	Adequate
ESG		Adequate	Adequate
Peer comparisons		Neutral	Neutral
<b>Stand-alone credit assessment</b>		<b>bb-</b>	<b>bb-</b>
Support analysis		Neutral	Neutral
<b>Issuer rating</b>		<b>BB-</b>	<b>BB-</b>
Outlook		Stable	Stable
<b>Short-term rating</b>		<b>N4</b>	<b>N4</b>

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating
Publication date:	The rating was first published on 18 Jan. 2021.
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>
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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:	<p><a href="#">NCR's Corporate Rating Methodology published on 18 Feb. 2022</a>  <a href="#">NCR's Rating Principles published on 24 May 2022</a>  <a href="#">NCR's Group and Government Support Rating Methodology published on 18 Feb. 2022</a></p> <p>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="https://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>.</p>
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="https://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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