

Svensk FastighetsFinansiering AB (publ)

Rating Action Report

LONG-TERM RATING

BBB+

OUTLOOK

Stable

SHORT-TERM RATING

N3

PRIMARY ANALYST

Ylva Forsberg
+46768806742
ylva.forsberg@nordiccreditrating.com

SECONDARY CONTACTS

Yun Zhou
+46732324378
yun.zhou@nordiccreditrating.comGeir Kristiansen
+4790784593
geir.kristiansen@nordiccreditrating.com

Svensk FastighetsFinansiering 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 property manager financing vehicle [Svensk FastighetsFinansiering AB \(publ\)](#) (SFF). The outlook is stable. At the same time, the 'N3' short-term issuer rating and the 'BBB+' senior secured issue rating were also affirmed.

Rating rationale

The affirmation reflects our view that, despite decreasing loan and collateral volumes, SFF will maintain sufficient size and diversification to not materially increase concentration risk or risk of breached portfolio covenants. In addition, the affirmation reflects our forecast that, despite a decrease in property values due to widening yield requirements, the NCR-adjusted net loan-to-value (LTV) ratio will remain below 55%.

The 'BBB+' long-term issuer rating on SFF reflects the company's purpose as a financing vehicle for its owners, five of Sweden's largest real-estate companies. The rating also reflects the company's low risk appetite, the creditworthiness and continuous support provided by its owners, and the collateral available for senior secured bondholders. The rating is also indicative of the relatively long average remaining lease term and the high occupancy rates of the properties in the pledged portfolio, as well as the stable operating environment.

These strengths are partially offset by increasingly high net LTV for the rating level, at 49.5% as of 31 Dec. 2022, and the company's short debt maturity profile, with large maturities concentrated in single years and quarters.

Stable outlook

The stable outlook reflects our expectations of stable performance by both SFF's property segments and its owners. Net LTV is elevated, but we believe the owners will add sufficient collateral to ensure the financial risk profile is maintained. We expect SFF to maintain sufficient diversity in its collateral pool, and for loan and collateral volumes to increase once markets allow. We see the company's risk appetite remaining low, given the restrictions in SFF's MTN prospectus. Furthermore, we expect SFF to remain an attractive funding source for its five owners and its current ownership to stay unchanged.

We could raise the rating to reflect a sustainable reduction in NCR-adjusted net LTV to below 45%. We could also raise the rating to reflect an improvement in portfolio quality and/or a greater proportion of pledged residential properties, or to reflect a greater number of pledged properties, together with improved tenant diversification.

We could lower the rating to reflect a deterioration in the creditworthiness or withdrawal of one or more of the owners. We could also lower the rating to reflect an increase in NCR-adjusted net LTV to above 55% over a protracted period, or collateral pool value and diversification remaining at or below levels around 2023 expectations.

Rating list

	To	From
Long-term issuer credit rating:	BBB+	BBB+
Outlook:	Stable	Stable
Short-term issuer credit rating:	N3	N3
Senior secured issue rating:	BBB+	BBB+

Figure 1. SFF rating scorecard

Subfactors	Impact	To	From
Operating environment	20.0%	bbb-	bbb-
Market position, size and diversification	12.5%	bb+	bb+
Portfolio assessment	12.5%	bbb	bbb
Operating efficiency	5.0%	bbb+	bbb+
Business risk assessment	50.0%	bbb-	bbb-
Ratio analysis		bb	bb
Risk appetite		a	a
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		+1 notch	+1 notch
Issuer rating		BBB+	BBB+
Outlook		Stable	Stable
Short-term rating		N3	N3

Figure 2. Capital structure ratings

Seniority	To	From
Senior secured	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 13 Feb. 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:	Ylva Forsberg, +46768806742, ylva.forsberg@nordiccreditrating.com
Rating committee chairperson responsible for approval of the credit rating:	Geir Kristiansen, +4790784593, geir.kristiansen@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 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.
Legal exemption from liability:	Disclaimer © 2023 Nordic Credit Rating AS (NCR, the agency). All rights reserved. All information and data used by NCR in its analytical activities come from sources the agency considers accurate and reliable. All material relating to NCR's analytical activities is provided on an "as is" basis. The agency does not conduct audits or similar warranty validations of any information used in its analytical activities and related material. NCR advises all users of its services to carry out individual assessments for their own specific use or purpose when using any information or material provided by the agency. Analytical material provided by NCR constitutes only an opinion on relative credit risk and does not address other forms of risk such as volatility or market risk and should not be considered to contain facts of any kind for the purpose of assessing an issuer's or an issue's historical, current or future performance. Analytical material provided by NCR may include certain forward-looking statements relating to the business, financial performance and results of an entity and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words "believes", "expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets", and similar expressions. Forward-looking statements contained in any analytical material provided by NCR, including assumptions, opinions and views either of the agency or cited from third-party sources are solely opinions and forecasts which are subject to risk, uncertainty and other factors that could cause actual events to differ materially from anticipated events. NCR and its personnel and any related third parties provide no assurance that the assumptions underlying any statements in analytical material provided by the agency are free from error, nor are they liable to any party, either directly or indirectly, for any damages, losses or similar, arising from use of NCR's analytical material or the agency's analytical activities. No representation or warranty (express or implied) is made as to, and no reliance should be placed upon, any information, including projections, estimates, targets and opinions, contained in any analytical material provided by NCR, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained in any analytical material provided by the agency. Users of analytical material provided by NCR are solely responsible for making their own assessment of the market and the market position of any relevant entity, conducting their own investigations and analysis, and forming their own view of the future performance of any relevant entity's business and current and future financial situation. NCR is independent of any third party, and any information and/or material resulting from the agency's analytical activities should not be considered as marketing or a recommendation to buy, sell, or hold any financial instruments or similar. Relating to NCR's analytical activities, historical development and past performance does not safeguard or guarantee any future results or outcome. All information herein is the sole property of NCR and is protected by copyright and applicable laws. The information herein, and any other information provided by NCR, may not be reproduced, copied, stored, sold, or distributed without NCR's written permission.

NORDIC CREDIT RATING AS

nordiccreditrating.com