

Bane NOR Eiendom AS

Rating Action Report

LONG-TERM RATING

A

OUTLOOK

Stable

SHORT-TERM RATING

N2

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Bane NOR Eiendom AS 'A' long-term issuer rating affirmed; Outlook stable

Nordic Credit Rating (NCR) said today that it had affirmed its 'A' long-term issuer rating on Norway-based [Bane NOR Eiendom AS](#). The outlook is stable. NCR also affirmed the 'N2' short-term rating and the 'A' senior unsecured issue rating, in accordance with its revised corporate rating methodology. The ratings are no longer under criteria review.

Rating rationale

The long-term issuer rating reflects Bane NOR Eiendom's low leverage, solid average remaining lease term and a high share of government-funded tenants. The rating is also supported by the company's de facto monopoly over domestic railway stations and workshops and its importance to the Norwegian railway infrastructure. The company's large and central land bank supports future development opportunities in city centres in close proximity to existing stations. The rating is constrained by the size of Bane NOR Eiendom's management portfolio, though this is mostly offset by the specialised nature of the properties. It is also constrained by the company's revenue concentrations and the risks associated with development projects.

We add two notches to our standalone credit assessment to reflect Bane NOR Eiendom's 100% indirect ownership by the Norwegian government and our view that the government has a strategic interest due to the company's role as a provider of critical public-transport infrastructure.

Our view of the company's market position, size and diversification has improved as a result of stronger footfall and property management revenues as the impacts of the pandemic diminish. However, we have lowered our assessment of the company's financial risk to reflect a significant decline in the interest coverage ratio due to a sharp increase in interest costs and lower sales activity in 2022 and 2023, as well as higher loan-to-value (LTV) ratios resulting from higher property yields.

Stable outlook

The stable outlook reflects our expectation that the company's credit metrics will remain strong, despite increasing interest rates and potential financial headwinds in the form of high inflation and the potential reduction in economic activity during our forecast period. It also reflects our belief that the company will achieve competitive prices on sales in its development portfolio, allowing it to reduce leverage and improve its liquidity position. In addition, we expect footfall through the company's railway stations to return towards pre-pandemic levels, supporting occupancy and increasing the attractiveness of its property locations.

We could raise the rating to reflect NCR-adjusted LTV of around 20% and an NCR-adjusted EBITDA margin above 65% for a prolonged period. We could also raise the rating to reflect a strengthened financial policy through tighter leverage targets or improved profitability and revenue stability. We could lower the rating to reflect NCR-adjusted net LTV above 35% and NCR-adjusted net interest coverage below 3.5x over a prolonged period. We could also lower the rating due to weaker profitability in development projects or an inability to achieve competitive prices on development properties.

Rating list

	To	From
Long-term issuer credit rating:	A	A
Outlook:	Stable	Stable
Short-term issuer credit rating:	N2	N2
Senior unsecured issue rating:	A	A

Figure 1. Bane NOR Eiendom rating scorecard

Subfactors	Impact	To	From
Operating environment	20.0%	bbb+	bbb+
Market position, size and diversification	12.5%	a-	bbb+
Portfolio assessment	12.5%	a-	a-
Operating efficiency	5.0%	bbb-	bbb-
Business risk assessment	50.0%	bbb+	bbb+
Ratio analysis		bbb	a-
Risk appetite		bbb	bbb+
Financial risk assessment	50.0%	bbb	bbb+
Indicative credit assessment		bbb+	bbb+
Liquidity		Adequate	Adequate
ESG		Adequate	Adequate
Peer calibration		Neutral	Neutral
Stand-alone credit assessment		bbb+	bbb+
Support analysis		+2 notch	+2 notch
Issuer rating		A	A
Outlook		Stable	Stable
Short-term rating		N2	N2

Figure 2. Capital structure ratings

Seniority	To	From
Senior unsecured	A	A

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 30 May. 2022.
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 Rating Principles published on 24 May 2022 NCR's Group and Government Support Rating Methodology published on 18 Feb. 2022 NCR's Corporate Rating Methodology published on 8 May 2023 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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