

Catena AB (publ)

Rating Action Report

LONG-TERM RATING

BBB-

OUTLOOK

Positive

SHORT-TERM RATING

N4

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Catena AB (publ) outlook revised to positive; 'BBB-' long-term issuer rating affirmed

Nordic Credit Rating (NCR) said today that it had revised its outlook on Sweden-based logistics property manager [Catena AB \(publ\)](#) to positive from stable. At the same time, the 'BBB-' long-term and 'N4' short-term issuer ratings were affirmed.

Rating rationale

The outlook revision reflects an improved financial risk profile, following two equity injections in 2022, and a new debt/EBITDA target of below 9x, effectively setting a limit on future leverage. We do, however, remain cautious, given the uncertain market environment and Catena's history of extensive growth through projects and acquisitions. If the company demonstrates its commitment to lower leverage and maintains strong cash flows in a weaker economy, we would likely raise the rating.

We have revised our assessment of Catena's operating environment to reflect our view that Catena's property portfolio, with a large share of modern logistics properties in prime locations, is likely to be less volatile than the logistics segment as a whole. It also takes account of the increasing importance of logistics properties to the economy as e-commerce grows in importance to overall consumption. We have also raised our assessment of Catena's financial risk appetite to reflect the company's new leverage target and its owner support through equity injections.

Positive outlook

The positive outlook reflects our view that if Catena performs in line with our expectations, despite the uncertain market environment and the company's investment ambitions, we could lift our assessment of the financial risk and raise the rating. The outlook also reflects our belief that Catena will continue its focus on attractive logistics properties in prime locations in Sweden and Denmark. Furthermore, we expect the positive long-term trend in e-commerce to continue to benefit the logistics subsector, and that Catena will proactively refinance upcoming debt maturities.

We could raise the rating to reflect a proven commitment to a more moderate financial risk profile, keeping net debt/EBITDA close to 8x, net loan to value (LTV) below 45%, and interest coverage above 3.5x. We could also raise the rating to reflect an increased portfolio size combined with reduced portfolio concentrations, or a less concentrated debt maturity profile and improved liquidity.

We could revise the outlook to stable to reflect net LTV above 45% and net debt/EBITDA close to 9x for a protracted period, or to reflect interest coverage below 3.5x over a protracted period. We could also revise the outlook to stable to reflect deteriorating market fundamentals adversely affecting occupancy and/or profitability.

Rating list	To	From
Long-term issuer credit rating:	BBB-	BBB-
Outlook:	Positive	Stable
Short-term issuer credit rating:	N4	N4

Figure 1. Catena rating scorecard

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

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating
Publication date:	The rating was first published on 03 May, 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.
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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>NCR's Group and Government Support Rating Methodology published on 18 Feb. 2022 NCR's Corporate Rating Methodology published on 8 May 2023 NCR's Rating Principles published on 24 May 2022</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 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).</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: 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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