

Fastighets AB Stenvalvet (publ)

Rating Action Report

LONG-TERM RATING

BBB+

OUTLOOK

Negative

SHORT-TERM RATING

N3

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Nordic Credit Rating (NCR) said today that it had revised its outlook on Sweden-based community service property manager [Fastighets AB Stenvalvet \(publ\)](#) to negative from stable. At the same time, the 'BBB+' long-term and 'N3' short-term issuer ratings were affirmed. The senior unsecured issue rating was affirmed at 'BBB+' in accordance with NCR's revised corporate rating methodology. The ratings are no longer under criteria review.

Rating rationale

The outlook revision reflects the uncertainty of Stenvalvet's current ownership structure and shareholder commitments, as its main owner, the Church of Sweden, has indicated it plans to reduce its ownership in Stenvalvet to below 50%. Given the inclusion of strong and committed owners in our assessment of the company's financial risk profile, a reduction in ownership by the church could negatively affect our view of the company's financial risk appetite in relation to the company's financial ratios. Combined with our lower assessment of Stenvalvet's financial risk due to a weakening of its financial metrics, a further downward revision of our projections or greater financial risk appetite could result in a lower issuer rating.

The affirmation reflects the company's strong property portfolio and long-term contracts with highly creditworthy public-sector tenants, 91% of which are directly or indirectly financed by government funding. We have raised our assessment of Stenvalvet's property portfolio to reflect a high degree of government funding and lower project exposure. Because of uncertain market conditions, we expect Stenvalvet to reduce acquisition and project activity over the next few years.

Negative outlook

The negative outlook reflects uncertainty about Stenvalvet's ownership structure and shareholder commitments. Stenvalvet's main owner, the Church of Sweden, has indicated in its annual report that it aims to reduce its ownership to below 50% in the long run, from 69% since January 2022. We also note that the Swedish FSA opened an investigation into the Church of Sweden's increased investment in Stenvalvet in October 2022, which could accelerate the church's efforts to reduce its ownership.

We could lower the rating to reflect a substantial change in the ownership structure or increased leverage on a long-term basis (NCR-adjusted net loan to value (LTV) above 45% and EBITDA/net interest below 3.0x). We could also lower the rating to reflect a higher proportion of non-public-sector tenants.

We could revise the outlook to stable if the uncertainty related to ownership and shareholder commitment is reduced and NCR-adjusted credit metrics remain strong over the long term (NCR-adjusted net LTV below 45% and EBITDA/net interest over 3.0x).

Rating list	To	From
Long-term issuer credit rating:	BBB+	BBB+
Outlook:	Negative	Stable
Short-term issuer credit rating:	N3	N3
Senior unsecured issue rating:	BBB+	BBB+

Figure 1. Stenvalvet 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-	bbb+
Operating efficiency	5.0%	a	a
Business risk assessment	50.0%	bbb+	bbb+
Ratio analysis		bbb	bbb+
Risk appetite		bbb+	a-
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		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 14 May. 2019.
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 8 May 2023 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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