

Intea Fastigheter AB (publ)

Rating Action Report

LONG-TERM RATING

BBB

OUTLOOK

Stable

SHORT-TERM RATING

N3

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Intea Fastigheter AB (publ) long-term issuer rating lowered to 'BBB'; Outlook stable

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

Rating rationale

The rating action on the long-term issuer rating reflects the company's weaker financial risk profile resulting from a reduction in shareholder commitments, a shortened debt maturity profile and increased financing uncertainty, as well as our lower expectations for key credit metrics. We have lowered our financial risk assessment on Intea, reflecting weaker credit metrics than those of its closest peers and projected further weakening due to higher yield requirements and further investments in its ongoing development projects. In our view, the exhaustion of previous shareholder commitments, together with an increasingly front-loaded debt maturity profile, has resulted in elevated refinancing risk and increasing uncertainty about the future capital structure. We also believe that uncertain property valuations could increase financing costs for the company's project portfolio.

On a positive note, we have raised our assessment of the company's operating efficiency, reflecting our expectations of improved EBITDA margins and low vacancy rates. In our view, the company has succeeded in reducing central administration costs by streamlining its organisation, improving cost control and obtaining a natural hedge of electricity costs by acquiring hydropower assets.

Stable outlook

The stable outlook reflects our expectations that Intea's interest coverage ratio and property values will stabilise over our forecasting period. The outlook reflects our expectations that owners will support the company and that Intea will be able to refinance its upcoming debt maturities. We believe the company will maintain its focus on specialised community service properties with long leases and government-backed counterparties. We expect Intea to primarily grow through its project portfolio, in which properties appear to be on schedule for completion, while maintaining its current financial risk profile.

We could raise the rating to reflect improved credit metrics, with a net loan-to-value (LTV) ratio below 50% and net interest coverage above 3.5x over an extended period, or to reflect substantial shareholder commitments that improve the overall financial risk profile. We could also raise the rating to reflect increased portfolio size and diversification, combined with reduced project development.

We could lower the rating to reflect worsened credit metrics, with net LTV above 60% and net interest coverage below 2.2x on a sustained basis, or to reflect an increased financial risk appetite or change in ownership. We could also lower the rating to reflect a lower proportion of public-sector tenants.

Rating list

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

Figure 1. Intea 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-	a-
Operating efficiency	5.0%	aa-	a+
Business risk assessment	50.0%	a-	a-
Ratio analysis		bb+	bb+
Risk appetite		bb+	bbb+
Financial risk assessment	50.0%	bb+	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		Stable	Negative
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 26 May. 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.
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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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