

Axfast AB (publ)

Rating Action Report

LONG-TERM RATING

BBB

OUTLOOK

Stable

SHORT-TERM RATING

N3

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**Axfast 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 commercial property manager [Axfast AB \(publ\)](#). The outlook is stable. At the same time, NCR affirmed the 'N3' short-term rating.

Rating rationale

The long-term issuer rating reflects Axfast's long remaining lease terms, low vacancy rate and long-term strategic ownership. It also takes account of the company's strong portfolio of properties in prime locations. In addition, the rating reflects Axfast's solid financial position and low loan-to-value (LTV) ratio compared with those of its Nordic peers. We expect the company's owners to support its growth ambitions and help maintain strong credit metrics.

These strengths are offset by the concentration of Axfast's properties in the Stockholm region, as well as its relatively high exposure to single-name and sector-specific tenants. Our assessment factors in the company's small portfolio in comparison with its peer group average and relatively short debt maturity profile.

We have raised our assessment of Axfast's market position, size and diversification to better reflect the company's strong position in Stockholm's central business district. In accordance with its growth strategy to achieve a portfolio value of SEK 30bn by 2030, the company is expanding by acquiring new properties.

We have also revised our assessment of Axfast's operating efficiency to reflect the improved EBITDA margin and occupancy rates. Despite the market uncertainty, we expect occupancy rates to stay strong, supported by the central locations of the properties.

Stable outlook

The stable outlook reflects Axfast's solid revenues from a steady base of primary tenants on long-term contracts. It also reflects our expectation that vacancies will remain low, supported by the company's central locations and the completion of major projects. We see Axfast's financial metrics weakening over our forecast period through 2025 due to increases in interest rates. However, we believe the company's overall financial leverage will remain low. We expect Axfast to expand by acquiring new properties, which should reduce concentrations in the portfolio over time and compensate for our forecast decline in interest coverage.

We could raise the rating if the company were to expand its portfolio size and increase the diversity of its tenants and locations, while maintaining strong portfolio quality and credit metrics. We could lower the rating if net LTV were to rise above 35% or interest coverage were to fall below 2.2x. We could also lower the rating to reflect deteriorating market fundamentals that could negatively affect occupancy and profitability, or to reflect a material increase in the company's development exposure.

Rating list

	To	From
Long-term issuer credit rating:	BBB	BBB
Outlook:	Stable	Stable
Short-term issuer credit rating:	N3	N3

Figure 1. Axfast rating scorecard

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

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating
Publication date:	The rating was first published on 10 Aug. 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:	<p>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</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, 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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