

Studentbostäder i Norden AB (publ)

Rating Action Report

LONG-TERM RATING

C

Watch Negative

SHORT-TERM RATING

N6

PRIMARY ANALYST

Ylva Forsberg
+46768806742
ylva.forsberg@nordiccreditrating.com

SECONDARY CONTACTS

Yun Zhou
+46732324378
yun.zhou@nordiccreditrating.comSean Cotten
+46735600337
sean.cotten@nordiccreditrating.com**Studentbostäder i Norden AB (publ) long-term issuer rating lowered to 'C'; Rating on Watch Negative**

Nordic Credit Rating said today that it had lowered its long-term issuer rating on Sweden-based residential property manager [Studentbostäder i Norden AB \(publ\)](#) to 'C' from 'CC', reflecting our expectation of an imminent event of default on the company's sole outstanding senior unsecured bond. At the same time, we placed the rating on Watch Negative and affirmed the 'N6' short-term rating. We do not rate the unsecured bond.

Rating rationale

Earlier today, Studentbostäder initiated a written procedure proposing revisions to the terms of its outstanding bond, including an extended maturity period of 2.5 years (15 Nov. 2026 from 14 May 2024 previously) and a downward revision of the bond's interest coverage covenant. According to our definition, the revisions would qualify as a distressed exchange and an event of default on the bond, given that the proposed amendments are necessary to avoid near-term default by the issuer. Although we do not rate the unsecured bond, the distressed exchange would be defined as an instance of selective default, and result in a long-term 'SD' issuer rating upon the revision of terms, providing the company fulfils its other commitments.

According to Studentbostäder, 63.8% of bondholders have committed to approve the proposals (which require the support of two-thirds of eligible investors), and we consider it highly likely that the revisions will be approved and the bond terms changed.

At the same time, Studentbostäder announced a directed equity issue to raise SEK 331m, resulting in SEK 271m in net proceeds. The company will use SEK 120m to amortise the bond and SEK 90m to finalise ongoing projects, leaving SEK 61m in new cash. Studentbostäder also announced that it will not divest its Danish portfolio as originally planned. Further, we note that the proposed revisions include other adjustments to the terms of the bond, including amortisation requirements.

At this point, the 'C' issuer rating reflects our expectation of an imminent distressed exchange, but does not represent our assessment of the impact of the proposed actions on Studentbostäder's long-term creditworthiness.

Watch Negative

The placement of the rating on Watch Negative reflects our expectation that the written procedure will be approved by bondholders in the near term. If the procedure is approved, we will review the long-term rating, with the outcome depending on Studentbostäder's prospects of avoiding further covenant breaches and fulfilling its debt obligations.

In the unlikely event of the written procedure not receiving sufficient approval from bondholders, we believe the risk of reconstruction increases materially. Without the amended terms, we would expect Studentbostäder to breach the interest coverage ratio covenant in the current quarter, which would put the financial future of the company at risk.

Related publications:

- i) [Corporate Rating Methodology](#), publ. 8 May 2023
- ii) [Rating principles](#), publ. 24 May 2022
- iii) [Studentbostäder i Norden AB \(publ\) long-term issuer rating lowered to 'CC'; Rating on Watch Negative](#), publ. 18 Jul. 2023
- iv) [Studentbostäder i Norden AB \(publ\) long-term issuer rating lowered to 'CCC'; Rating on Watch Negative](#), publ. 24 May 2023
- v) [Studentbostäder i Norden AB \(publ\) long-term issuer rating lowered to 'B+'; Outlook negative](#), publ. 19 Jan. 2023

Rating list

Long-term issuer credit rating:

Watch:

Short-term issuer credit rating:

To

C

Watch Negative

N6

From

CC

Watch Negative

N6

Figure 1. Studentbostäder rating scorecard

Subfactors	Impact	To	From
Operating environment	20.0%	bbb+	bbb+
Market position, size and diversification	12.5%	b+	b+
Portfolio assessment	12.5%	bb+	bb+
Operating efficiency	5.0%	bb+	bb+
Business risk assessment	50.0%	bb+	bb+
Ratio analysis		b-	b-
Risk appetite		b-	b-
Financial risk assessment	50.0%	b-	b-
Indicative credit assessment		bb-	bb-
Liquidity		Negative	Negative
ESG		Adequate	Adequate
Peer calibration		Neutral	Neutral
Stand-alone credit assessment		b-	b-
Support analysis		Neutral	Neutral
Issuer rating		C	CC
Watch		Watch Negative	Watch Negative
Short-term rating		N6	N6

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating
Publication date:	The rating was first published on 13 Jan. 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.
Primary analyst:	Ylva Forsberg, +46768806742, ylva.forsberg@nordiccreditrating.com
Rating committee chairperson responsible for approval of the credit rating:	Sean Cotten, +46735600337, sean.cotten@nordiccreditrating.com
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, 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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