

Bonnier Fastigheter AB

Rating Action Report

LONG-TERM RATING

BBB-

OUTLOOK

Stable

SHORT-TERM RATING

N3

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Nordic Credit Rating (NCR) said today that it had lowered its long-term issuer rating on Sweden-based property manager [Bonnier Fastigheter AB](#) to 'BBB-' from 'BBB'. The outlook is stable. At the same time, the 'N3' short-term issuer rating was affirmed. NCR also lowered its senior unsecured issue ratings on bonds issued by subsidiary AB Bonnier Fastigheter Finans (publ) to 'BBB-' from 'BBB'. The outlook and the long- and short-term issuer ratings on the subsidiary are aligned with those of the parent.

Rating rationale

The lowering of the long-term issuer rating reflects Bonnier Fastigheter's weaker financial risk profile, with significantly lower interest coverage and higher loan to value (LTV). We believe that the challenging market conditions with high interest rates and further pressure on asset values will remain over our forecast period. As a result, we believe the increased financial risk is of a more permanent nature than previously anticipated. The weaker financial risk profile also reflects the higher LTV in Bonnier Fastigheter's joint venture (JV) portfolio, which contributes to higher overall financial risk. If consolidated, the inclusion of the JVs would result in weaker financial metrics.

We have, however, also raised our assessment of the company's business risk profile and market position, size and diversification to better reflect the diversification benefits from the JV exposures. The company's JVs add to revenue diversification and result in lower tenant concentrations, despite a limited portfolio size.

Stable outlook

The stable outlook reflects our expectations that Bonnier Fastigheter will have weaker financial metrics over our forecast period. However, we believe these metrics will be accompanied by a stronger business risk profile with extensive JV exposures, resulting in a more diversified and less concentrated property portfolio. We also expect the company to postpone some higher-risk projects in the near term, but that it will continue to pursue its growth ambitions once market conditions stabilise.

We could raise the rating to reflect improved credit metrics, including net LTV below 35% and net interest coverage above 3.5x over a protracted period. We could also raise the rating to reflect an increased proportion of residential properties under management, combined with reduced growth ambitions and stronger credit metrics.

We could lower the rating to reflect weakened credit metrics, including net LTV above 50% or net interest coverage below 2.2x over a protracted period, or to reflect deteriorating market fundamentals that negatively affect profitability and/or occupancy.

Rating list

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

Figure 1. Bonnier Fastigheter rating scorecard

| Subfactors | Impact | To | From |
|---|--------------|-------------|-------------|
| Operating environment | 20.0% | bbb- | bbb- |
| Market position, size and diversification | 12.5% | bb | bb- |
| Portfolio assessment | 12.5% | bbb- | bbb- |
| Operating efficiency | 5.0% | bbb+ | 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 | Negative |
| Short-term rating | | N3 | N3 |

Figure 2. Associated entities

| Name | LT rating | Outlook | ST rating |
|--------------------------------------|-----------|---------|-----------|
| AB Bonnier Fastigheter Finans (publ) | BBB- | Stable | N3 |
| Senior unsecured | BBB- | | |

| | |
|---|--|
| Type of credit rating: | Long-term issuer credit rating Short-term issuer credit rating |
| Publication date: | The rating was first published on 14 Oct. 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, 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. |
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