

Stenus Fastigheter i Norden AB (publ)

Full Rating Report

LONG-TERM RATING

BB

OUTLOOK

Negative

SHORT-TERM RATING

N4

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RATING RATIONALE

Our 'BB' long-term issuer rating on Sweden-based BB commercial property manager Stenus Fastigheter i Norden AB (publ) reflects the company's brief operating history, high growth rates and limited covenant headroom. It also reflects the company's high-yielding property portfolio, often in non-central locations, and our expectation that interest coverage will weaken due to higher financing costs.

The weaknesses are partly offset by Stenus Fastigheter's exceptionally long lease terms, strong profitability and high occupancy. The company's primary geographic focus, the Mälardalen region including Stockholm, has strong economic fundamentals, which we view as a credit strength. We take a positive view of Stenus Fastigheter's 21% exposure to public-sector tenants, which provide stability, while the high-yielding assets in the portfolio generate relatively strong cash flows. Furthermore, Stenus Fastigheter's recent portfolio growth has resulted in greater revenue diversity, which we regard positively.

NEGATIVE OUTLOOK

The outlook is negative, reflecting our expectation that Stenus Fastigheter's net interest coverage will weaken through 2024. In our base-case projection, we expect net interest coverage to remain above covenant levels, but that headroom will become limited in the remainder of 2023 and 2024. We see a risk that covenant headroom could diminish faster than we currently expect, despite the mitigating effect of the completion of development projects and inflation-linked rental contracts. Our forecast assumes improvements in margins as the company finalises integration of its 2022 acquisition of Randviken Fastigheter AB (publ). We also expect the company to continue to focus on its currently targeted property subsectors and regions.

DRIVERS FOR A STABLE OUTLOOK

- Increased or stable covenant headroom and a visible improvement in net interest coverage
- Continued adequate liquidity position.

POTENTIAL NEGATIVE RATING DRIVERS

- Impending or actual covenant breach.
- A deterioration in credit metrics, with net loan to value (LTV) above 60% or net interest coverage below 1.5x over a protracted period.
- Deteriorating market fundamentals, adversely affecting profitability.

Figure 1. Stenus Fastigheter key credit metrics, 2020–2025e

SEKm	2020	2021	2022	2023e	2024e	2025e
Rental income	21	284	712	948	999	1,039
NCR-adj. EBITDA	14	194	479	664	729	759
NCR-adj. EBITDA margin (%)*	65.7	68.6	67.3	70.1	73.0	73.0
NCR-adj. investment property	1,646	7,303	14,446	13,173	13,257	13,607
NCR-adj. net debt	254	3,397	8,199	7,376	7,312	7,322
Total assets	2,115	8,071	15,357	13,913	14,037	14,428
NCR-adj. net debt/EBITDA (x)	18.7	17.5	17.1	11.1	10.0	9.7
NCR-adj. EBITDA/net interest (x)	3.6	3.7	2.5	1.8	1.8	2.1
NCR-adj. net LTV (%)	15.5	46.5	56.8	56.0	55.2	53.8
NCR-adj. FFO/net debt (%)	3.8	4.2	3.5	3.4	3.9	5.0

Based on NCR estimates and company data. e–estimate. FFO–funds from operations. All metrics adjusted in line with NCR methodology. *Includes dividends received from joint ventures and associates.

ISSUER PROFILE

Stenhus Fastigheter is a Sweden-based commercial property management company that owns, manages and develops properties, primarily in the country's Mälardalen region. The company was founded in September 2020. Over its short operating history, it has established a property portfolio which, as of 30 Jun. 2023, comprised 157 properties, valued at SEK 13.0bn. In 2021 and 2022, Stenhus Fastigheter successfully acquired MaxFastigheter i Sverige AB (publ) and Randviken. In September 2023, the company announced that it had made a public offer to acquire all of the shares in Backaheden Fastighets AB (Backaheden). On 16 Oct. 2023, Stenhus Fastigheter said that it controlled 66% of the outstanding shares in Backaheden.

Stenhus Fastigheter's largest owner, Sterner Stenhus Holding AB, with 24% of the shares (as of 30 Jun. 2023), is owned by brothers Elias and Tomas Georgiadis, respectively the CEO and CFO of Stenhus Fastigheter. The company's ordinary shares have been listed on the Nasdaq First North exchange since November 2020.

BUSINESS RISK ASSESSMENT

Business risk assessment 'bb+'

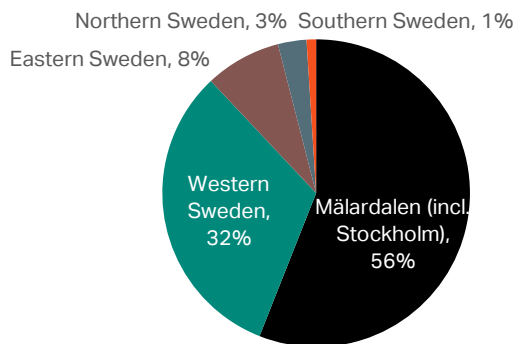
Our business risk assessment reflects Stenhus Fastigheter's diverse portfolio, which is characterised by a mix of different property types and low tenant and property concentrations. It also reflects the company's high-yielding property portfolio, often in non-central locations, and its exceptionally long lease terms, strong profitability and high occupancy. Further stability is provided by Stenhus Fastigheter's focus on the Mälardalen region, as well as its 21% exposure to public-sector tenants.

A mix of property types, primarily in the Mälardalen region

Operating environment 'bb+'

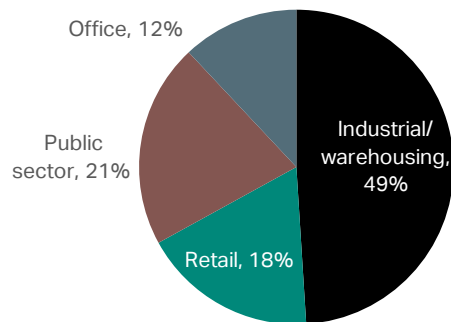
Stenhus Fastigheter's property portfolio contains commercial properties primarily located in the Mälardalen region. The portfolio is diverse in terms of property type, with most rental income coming from industrial/warehousing, retail and office space, but also from properties housing public-sector tenants.

Figure 2. Stenhus Fastigheter rental value by location, 30 Jun. 2023



Source: company.

Figure 3. Stenhus Fastigheter rental value by property type, 30 Jun. 2023



Source: company.

We view the company's focus on the Mälardalen region as supportive, since many municipalities in the region benefit from their proximity to Stockholm. Among Stenhus Fastigheter's 10 largest operating municipalities, seven are projected to have higher population growth than the Swedish average until 2040. In our view, this indicates the strong economic fundamentals of many of the company's operating locations. In terms of unemployment, six of the municipalities in which Stenhus Fastigheter operates have higher unemployment than the Swedish average.

Figure 4. Stenhus Fastigheter rental value from top 10 municipal exposures, 30 Jun. 2023

Municipality	Share of rental value	Population, 2022	Expected population change among 15–64-year-olds, 2022–2040	Unemployment, Aug. 2023
Västerås	13%	158,258	8.1	7.9%
Karlstad	11%	96,003	4.7	6.3%
Stockholm	9%	987,869	12.2	6.3%
Botkyrka	6%	96,207	18.0	10.5%
Lidköping	6%	40,647	1.6	3.7%
Borås	6%	114,806	7.7	6.6%
Södertälje	4%	102,017	9.1	10.5%
Uppsala	3%	240,312	15.0	6.3%
Eskilstuna	3%	108,025	1.9	11.0%
Upplands-bro	3%	31,514	15.1	7.4%
Total/Sweden average	61%	10,512,820	5.8%	6.3%

Source: company, Statistics Sweden and the Swedish Public Employment Service (Arbetsförmedlingen).

Stenhus Fastigheter's two largest property types are industrial/warehousing and retail, together accounting for roughly two-thirds of rental income. We consider the industrial/warehousing property subsectors as largely dependent on the overall state of the Swedish economy. Although we view these subsectors as relatively stable, we believe that a marked downturn in economic activity could have a considerable negative impact, which would adversely affect Stenhus Fastigheter's occupancy and profitability.

Although physical retail has been under pressure from the growth in e-commerce in recent years, the performance of big-box retail has been much steadier. In particular, grocery retailers (accounting for about 14% of Stenhus Fastigheter's retail exposure) have performed well and discount stores (about 21% of retail exposure) have also proven resilient. We typically see grocery retailers as strong tenants that help drive traffic to adjacent tenants with higher exposure to discretionary consumer spending. In most cases, we view discount retailers as stronger-than-average retail tenants and expect relatively stable performance, even if future economic conditions deteriorate.

We view the community service properties (about 21% of rental income) as the strongest subsector in which Stenhus Fastigheter operates. Such properties typically benefit from long-term contracts with strong tenants, directly or indirectly funded by the Swedish government.

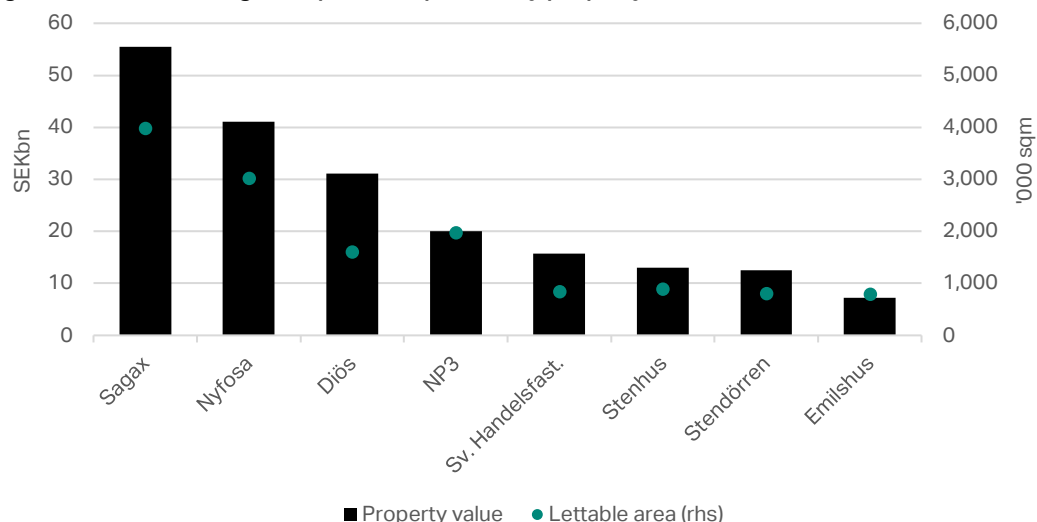
Diverse property portfolio with low concentrations

Stenhus Fastigheter's property portfolio effectively doubled in size following the acquisition of Randviken, broadening the company's geographic presence and strengthening its market position. Despite this, the portfolio is still small relative to the wider real-estate sector. The company made property divestments amounting to nearly SEK 1bn in early 2023 as part of the ongoing consolidation of earlier acquisitions.

The company operates in locations generally characterised by strong competition and satisfactory liquidity. However, since most competing property managers focus on higher-quality properties, competition and liquidity are generally lower at Stenhus Fastigheter's targeted properties, enabling the company to gain a relatively strong niche position, despite its short history.

Market position, size and diversification 'bb'

Figure 5. Stenhus Fastigheter peer comparison by property value and lettable area, 30 Jun. 2023



Source: companies.

Tenant and property concentrations have decreased as Stenhus Fastigheter has expanded its portfolio through acquisitions. As of 30 Jun. 2023, the company's 10 largest tenants accounted for 26% of rental income, while the 10 largest contracts accounted for 18% of rental income. The company's single largest property, an industrial property in Västerås, accounted for only 9% of rental income as of 30 Jun. 2023.

Figure 6. Stenhus Fastigheter tenant concentration, 30 Jun. 2023

Tenant	Type of tenant	Share of rental income
Alstom Rail Sweden AB	Industrial	-
Bilia AB	Industrial	-
Botkyrka Municipality	Public sector	-
Ahlberg-Dollarstore AB	Discount retail	-
Capio Legevisitten AB	Public sector	-
IAC Group Sweden AB	Industrial	-
City Gross Sverige AB	Grocery retail	-
Willys Dagab Inköp & Logistik AB	Grocery retail	-
Tyresö Municipality	Public sector	-
Momentum Group AB	Industrial	-
Top 10 tenants	-	26%

Source: company.

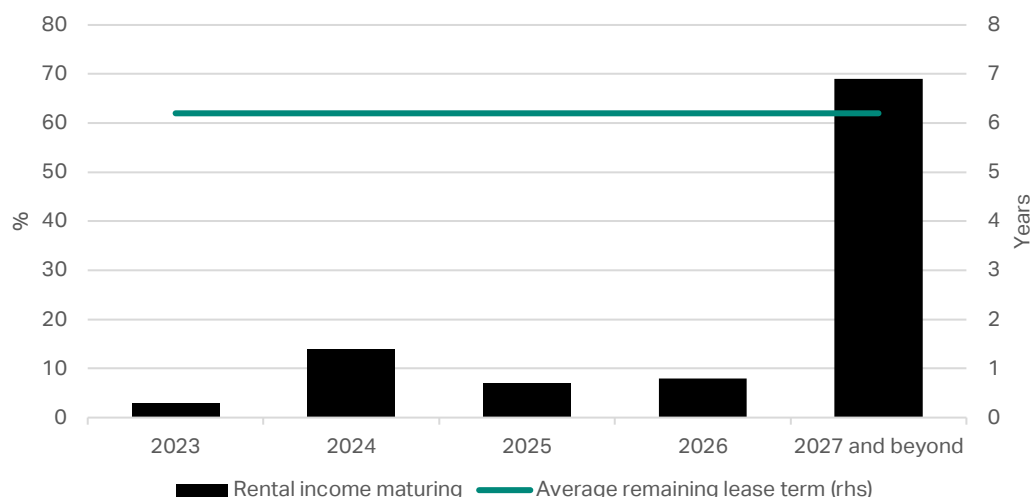
Long lease terms at high-yield properties

As of 30 Jun. 2023, the average property yield in Stenhus Fastigheter's portfolio was 5.9%. The company's yield is similar to those of its closest peers, but significantly higher than those in many other property subsectors. We view the relatively high yields as indicative of the higher-risk assets in Stenhus Fastigheter's portfolio and the company's strong cash flow generation in comparison with that of many other domestic property managers.

Most of Stenhus Fastigheter's properties are in non-central locations. Although most have potential alternative usage possibilities, their non-central locations could increase the time it takes to find new tenants in the event of vacancy. The relatively high risk in the company's industrial and retail properties is mitigated by long lease terms, in many cases with financially strong tenants. Apart from industrial and retail properties, Stenhus Fastigheter also manages community service properties (about 21% of rental income) with public-sector tenants such as municipalities, public agencies, schools and healthcare providers. As of 30 Jun. 2023, the average remaining lease term was 6.2 years, while 17% of rental income came from leases scheduled to mature by end-2024.

Portfolio assessment
'bb+'

Figure 7. Stenus Fastigheter lease maturity profile*, 30 Jun. 2023



Source: company. *Only contracts with annual rent above SEK 0.2m.

Stenus Fastigheter’s ongoing projects are relatively small and constitute only 2.3% of the company’s total lettable area as of 30 Jun. 2023. The two largest projects, Finnslätten 6 in Västerås and Spinnaren 6 in Köping, which together represent 48% of remaining total investments are scheduled for completion by end-2023. Stenus Fastigheter’s development projects typically carry low risk, as they are contracted on fixed-price turnkey agreements, under which the contractor assumes the construction risk. The properties are entirely pre-let before construction.

Figure 8. Stenus Fastigheter large projects in progress, 30 Jun. 2023

Project	Location	Tenant(s)	Lease duration (years)	Lettable area (sqm)	Invested (SEKm)	Total investment (SEKm)	Estimated completion
Finnslätten 6	Västerås	Alstom	10	10,600	223	261	Q3 2023
Spinnaren 6, phase 1 & 2	Köping	Rusta, Stadium Outlet	10	3,600	61	63	Q3 2023
Dikesrenen 12	Västberga	Cramo	12	1,310	4	16	Q3 2023
Librobäck (2 phases)	Uppsala	Swedish Police	6	2,920	23	25	Q3 2023
Kolgården 14	Visby	Adela LSS AB	15	478	22	25	Q4 2023
Skiftinge 1:5 & 1:6	Eskilstuna	Blomsterlandet	10	1,570	2	25	Q1 2024
Other projects	-	-	-	-	0	5	-
Total	-	-	-	20,478	335	419	-

Source: company.

Profitability set to increase with scale

Stenus Fastigheter’s net operating income margin is supported by a large proportion of double- and triple-net contracts, under which tenants bear a large proportion of property-related costs. Over our forecast period through 2025, we expect the net operating income margin to increase slightly compared with 75.1% over the 12 months ended 30 Jun. 2023, due to lower operating costs. We forecast the EBITDA margin to increase towards 69% (excluding dividends received from joint ventures and associated companies), factoring in the likelihood that central administrative costs will decrease as a proportion of revenues as the property portfolio grows.

As of 30 Jun. 2023, the occupancy rate in Stenus Fastigheter’s portfolio was 95.2% and we expect the rate to remain at around current levels over our forecast period.

Operating efficiency 'a-'

Figure 9. Stenhus Fastigheter revenues, net operating income, EBITDA, and margins, 2020–2025e

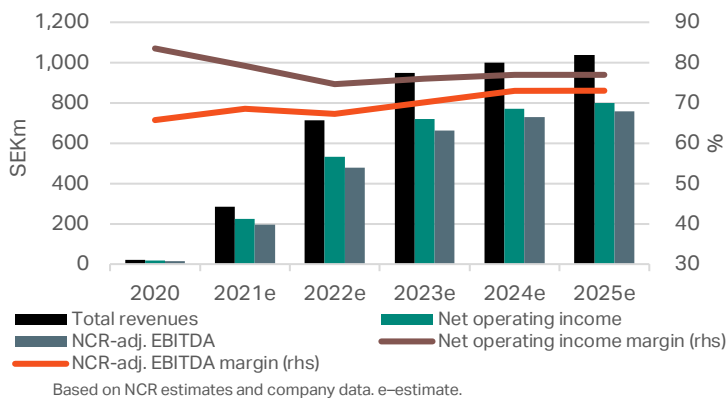
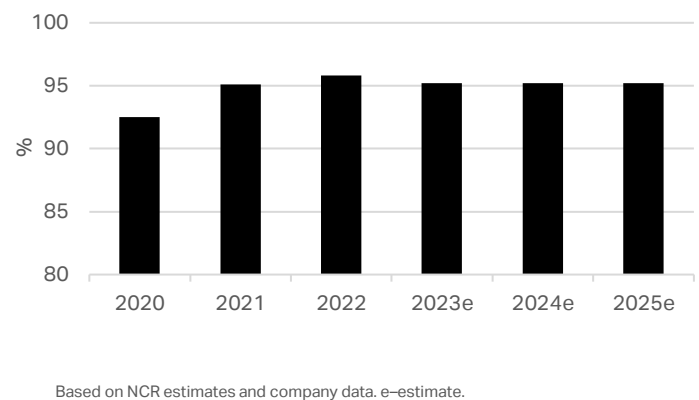


Figure 10. Stenhus Fastigheter occupancy rate, 2020–2025e



FINANCIAL RISK ASSESSMENT

Financial risk assessment 'b+'

Our financial risk assessment reflects our expectation that Stenhus Fastigheter's interest coverage will weaken over our forecast period. We view the company's financial risk appetite as greater than warranted by our ratio analysis. Specifically, we view the company's limited covenant headroom, liquidity risk and short fixed-interest period as negative factors in our overall financial risk assessment.

Interest coverage weakening amid tougher market conditions

Ratio analysis 'bb-'

Stenhus Fastigheter has a limited operating track record, but its historical financial metrics have been relatively strong in relation to its financial policy stipulations. We expect net interest coverage to weaken towards 1.8x–2.1x because of higher financing costs, even if the effect is partly offset by higher rental income from finalised projects and inflation-linked rental contracts.

In our base-case forecast of Stenhus Fastigheter's future performance, we assume:

- revenue growth of 33% in 2023, 6% in 2024, and 4% in 2025;
- an NCR-adjusted EBITDA margin (excluding dividends received from joint ventures and associated companies) of around 70%–71% in 2023–2025;
- an average interest rate on external debt of 4.9% in 2023, 5.5% in 2024, and 5.0% in 2025; and
- property value changes of minus 4% in 2023, minus 1% in 2024, but no changes in 2025.

On the basis of these assumptions, we estimate the following metrics for 2023-2025:

- NCR-adjusted net LTV of 54%–56%;
- NCR-adjusted EBITDA to net interest weakening to 1.8x–2.1x; and
- NCR-adjusted net debt to EBITDA of 10x–11x.

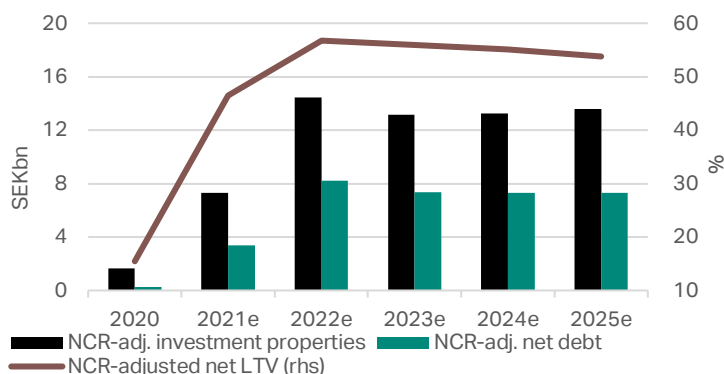
Our EBITDA adjustment includes our expectations of dividend pay-outs from associated companies Backaheden Fastighets AB and Krona Public Real Estate AB, totalling SEK 6m quarterly. Our EBITDA calculation excludes non-recurring costs related to the previous acquisitions of MaxFastigheter and Randviken, in line with the company's reported figures.

Figure 11. NCR's adjustments to Stenhus Fastigheter's credit metrics, 2020–2025e

SEKm	2020	2021	2022	2023e	2024e	2025e
EBITDA	14	194	479	658	705	735
Dividends from JVs and associates				6	24	24
NCR-adj. EBITDA	14	194	479	664	729	759
Net interest	-4	-52	-194	-376	-401	-365
NCR-adj. net interest	-4	-52	-194	-376	-401	-365
NCR-adj. EBITDA	14	194	479	664	729	759
NCR-adj. net interest	-4	-52	-194	-376	-401	-365
Current taxes				-38	-40	-31
NCR-adj. FFO	10	142	285	251	289	363
Investment property	1,634	7,168	14,259	12,977	13,060	13,410
Non-current right-of-use assets	12	134	187	196	196	196
NCR-adj. investment property	1,646	7,303	14,446	13,173	13,257	13,607
Cash and cash equivalents	452	334	294	172	187	201
NCR-adj. cash and equivalents	452	334	294	172	187	201
Gross interest-bearing debt	694	3,597	8,306	7,353	7,303	7,328
Leasing liabilities	12	134	187	196	196	196
NCR-adj. cash and equivalents	-452	-334	-294	-172	-187	-201
NCR-adj. net debt	254	3,397	8,199	7,376	7,312	7,322

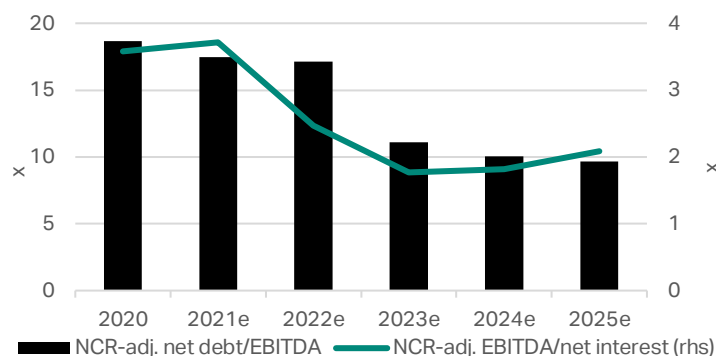
Based on NCR estimates and company data. e–estimate.

Figure 12. Stenhus Fastigheter NCR-adj. investment properties, net debt, and net LTV, 2020–2025e



Based on NCR estimates and company data. e–estimate.

Figure 13. Stenhus Fastigheter NCR-adj. net debt/EBITDA and EBITDA/net interest, 2020–2025e



Based on NCR estimates and company data. e–estimate.

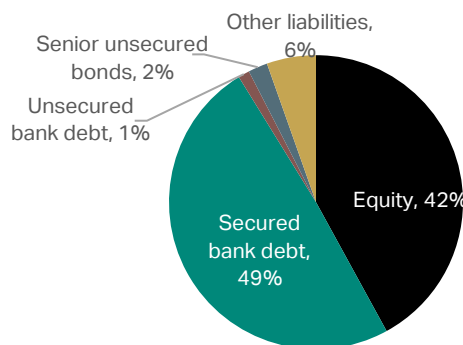
Limited covenant headroom increases financial risk

Risk appetite 'b+'

We view Stenhus Fastigheter's financial risk appetite as greater than warranted by the company's financial ratios. In particular, we consider the company's limited covenant headroom, liquidity risk and short average fixed-interest period as negative factors in our financial risk assessment.

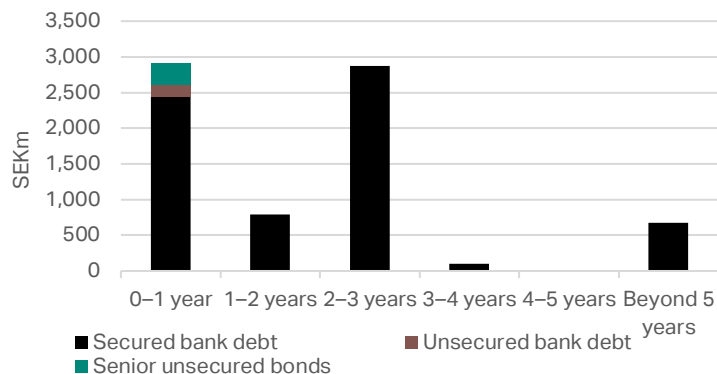
Since it was founded in September 2020, Stenhus Fastigheter has grown rapidly. The portfolio was valued at SEK 3bn as of 30 Jun. 2021 and the portfolio size has doubled twice with the acquisition of MaxFastigheter in 2021 and Randviken in 2022. Several acquisitions have been partly financed with the company's listed shares as payment, reducing the negative impact on cash flow and financial metrics. Stenhus Fastigheter has an ambitious growth target of achieving a portfolio value of SEK 20bn by 2025. However, given current uncertainty in the real-estate and capital markets, we anticipate that the company will be less growth oriented until these markets stabilise.

Figure 14. Stenhus Fastigheter funding profile, 30 Jun. 2023



Source: company.

Figure 15. Stenhus Fastigheter debt maturity profile, 30 Jun. 2023



Source: company.

As of 30 Jun. 2023, Stenhus Fastigheter's average debt maturity profile was 3.3 years, which is in line with the company's minimum 2.5-year target. The debt maturity profile was moderately front-loaded, with 40% of debt maturing within the subsequent 12 months. However, the company has been actively reducing its refinancing risk and during the third quarter of 2023 refinanced SEK 2.3bn of its short-term bank debt by extending most of the maturities by 3-4 years. The company uses interest rate swaps to mitigate interest rate risk, and as of 30 Jun. 2023 the average fixed interest period was 1.0 year, while the average interest rate on the company's loans was 5.1%, significantly higher than 3.2% a year previously. We view the short average fixed interest period as a weakness, as it increases the company's vulnerability to further increases in market interest rates.

Stenhus Fastigheter's interest-bearing debt is governed by financial covenants and targets (see Figure 16). In the course of its limited operating history, the company has historically maintained sufficient covenant and policy headroom. Negatively, we expect the interest coverage ratio to come under pressure due to higher financing costs. The company aims to reduce financial risk by lowering leverage and employing other measures to keep its financial metrics within covenant and policy levels. Stenhus Fastigheter has never paid dividends. We expect the company to reinvest cash flows and continue to refrain from paying dividends over the next few years. The company issued a new SEK 500m senior unsecured green bond in Oct. 2023 with covenants stipulating an equity ratio of at least 30%, interest coverage of at least 1.5x, and net LTV of no more than 70%.

Figure 16. Stenhus Fastigheter financial covenants, policies and reported metrics

Metric	Bond covenants	Common loan covenants	Financial policy/targets	Reported 30 Jun. 2023
Equity ratio	>30%	>30%	>35%	42.6%
Gross LTV	-	<65-70%	<60%	55.4%
Net LTV	<70%	-	<55%	53.5%
Interest coverage ratio	>1.5x	1.7-2.0x*	>2.25x	2.1x
Average debt maturity	-	-	>2.5 years	3.3 years

Source: company. *Amortisation requirement when interest coverage ratio < 2.5x for some agreements

ADJUSTMENT FACTORS

Adjustment factors neutral

Adjustment factors are assessed as neutral and have no effect on our standalone credit assessment.

Liquidity

Liquidity adequate

Our 12-month liquidity analysis is based on a stressed scenario in which the company cannot access the capital markets or extend bank loans, and therefore has to rely on internal or committed external funding sources to cover its liquidity needs.

Our liquidity analysis results in a SEK 64m funding surplus in the 12 months ending 30 Jun. 2024 and we assess liquidity as adequate. The company has been actively reducing its short-term debt during the third quarter of 2023 and has demonstrated its ability to roll over maturing secured bank debt.

We estimate the following primary funding sources for the 12 months ending 30 Jun. 2024, totalling SEK 3.3 billion:

- SEK 249m in cash and equivalents, as of 30 Jun. 2023;
- SEK 202m in FFO, equalling 75% of estimated NCR-adjusted FFO over the period;
- SEK 2.3bn in refinanced borrowings since mid- 2023;
- SEK 35m in property divestment;
- SEK 493m in completed bond issues; and
- SEK 31m in unutilised credit facilities.

We estimate the following uses of funds for the 12 months ending 30 Jun. 2024, totalling SEK 3.2 billion:

- SEK 3.1bn in maturing debt;
- SEK 60m on acquiring shares in Backaheden to achieve 66% ownership; and
- SEK 85m in committed capital spending.

Environmental, social and governance factors

ESG factors adequate

Because of Stenhus Fastigheter's short operating history, the company is relatively new to ESG practices. Since 2022, the company has increased its ESG focus and started reporting in line with the standards of Global Reporting Initiative. The company is working on environmental certification of existing and newbuild properties with the goal of increasing the number of BREEAM certified properties.

In October 2023, Stenhus Fastigheter established a green financing framework and successfully issued a SEK500m senior unsecured green bond. We take a positive view of the company's ESG efforts, as we believe that green credentials are increasingly important to attract and retain finance.

The main ESG issues that could affect our overall assessment of Stenhus Fastigheter's creditworthiness are factors that might contribute to loss of revenues, increased costs, higher capital spending or a deterioration in financing possibilities (see Figure 17).

Figure 17. Stenhus Fastigheter ESG considerations

Issue	Risk	Mitigating efforts	Result
CO ₂ emissions	Increased costs due to regulatory and/or taxation changes	The company started to measure and report Scope 1 and 2 emissions in 2022. Established a goal to reach 0% heating from oil and gas in 2023.	In 2022, the company signed an agreement to use 100% green electricity in its properties.
Impact of climate change on operations	Loss of revenues or increased capital spending	The company has a goal of increasing the number of environmentally certified properties in its portfolio.	Limited number of certified properties. The largest property Finnslätten 6 in Västerås is certified LEED Gold.
Increased environmental focus on financial markets	Adverse effect on financing possibilities or higher financing costs due to slow transitioning to lower CO ₂ dependence	The company established a green financing framework in October 2023.	The company issued a SEK 500m senior unsecured green bond in October 2023.

Source: company. See [ESG factors in corporate ratings](#).

OWNERSHIP ANALYSIS

Ownership neutral

Through their respective 70% and 30% ownership stakes in Sterner Stenhus Holding AB, brothers Elias and Tomas Georgiadis are together the largest shareholder in Stenhus Fastigheter. Over the past decade, the two men have run a construction company focused on façade and exterior renovations, made property investments through joint ventures with Kvalitena AB (publ), and, until 2019, were the largest owners of listed property management company Amasten Fastighets AB (publ).

In conjunction with the listing of Stenhus Fastigheter's shares on the Nasdaq First North market in November 2020, Fastighets AB Balder, led by real-estate investor Erik Selin, and Länsförsäkringar real-estate fund became significant shareholders in the company. In addition, investment company Investment AB Öresund became a significant owner in conjunction with the acquisition of MaxFastigheter.

Over Stenhus Fastigheter's short operating history, the company has financed several acquisitions with newly issued equity, reducing the need for excessive debt despite rapid growth. Recently it acquired Randviken through a mixed offering, consisting of a combination of cash and shares. We assess Stenhus Fastigheter's overall ownership as neutral, although we take a positive view of the company's proven ability to use its shares as currency in transactions.

Figure 18. Stenhus Fastigheter ownership structure, 30 Jun. 2023

Owner	Share of capital and votes
Sterner Stenhus Holding AB	24.4%
Fastighets AB Balder	19.7%
Investment AB Öresund	8.9%
Länsförsäkringar fund	5.9%
Conny Ryk	5.1%
FastPartner AB	2.8%
Creades AB	2.5%
PriorNilsson fund	2.4%
Movestic Livförsäkring AB	1.7%
Uddetorp Invest AB	1.6%
Top 10 owners	75.1%
Other	24.9%

Source: company.

ISSUE RATINGS

On 6 Oct. 2023, Stenhus Fastigheter announced that it had issued a SEK 500m 3-year senior unsecured green bond. In line with our criteria, we rate the company's senior unsecured instruments one notch below the 'BB' long-term issuer rating. The issue rating reflects our expectations that the company will keep gross secured LTV above 40% on a lasting basis. Gross secured LTV stood at 53% as of 30 Jun. 2023 and is not materially affected by the new issue.

METHODOLOGIES USED

- (i) [Corporate Rating Methodology](#), 8 May. 2023.
- (ii) [Rating Principles](#), 24 May 2022.
- (iii) [Group and Government Support Rating Methodology](#), 18 Feb. 2022.

RELEVANT RESEARCH

- (i) [The Swedish real estate sector– waiting for sunshine after the rain](#), 27 Sep. 2023.
- (ii) [Decoding Swedish real estate in an uncertain market environment](#), 29 Aug. 2023.

Figure 19. Stenhus Fastigheter key financial data, 2020–Q2 2023

SEKm	FY	FY	FY	LTM
Period-end	31 Dec. 2020	31 Dec. 2021	31 Dec. 2022	30 Jun. 2023
INCOME STATEMENT				
Rental income	21	284	712	978
Other income	-	-	-	-
Total costs from operations	-3	-59	-181	-244
Net operating income	17	225	532	735
Administrative expenses	-4	-30	-53	-65
Administrative expenses, project portfolio	-	-	-	-
EBITDA	14	194	479	669
Share of profit in associated companies and joint ventures	-	-	26	-17
Interest expenses	-4	-52	-194	-331
Interest income	-	-	-	-
Interest expenses, shareholder loans	-	-	-	-
Financial costs from leasing	-	-	-	-
Other financial costs	-3	-23	-	-
Changes in investment property	76	899	-40	-735
Gain (loss) on financial assets held at fair value	-	-	-	-
Disposals of investment properties	-	-	-	-
Gain (loss) on derivatives	-	5	81	27
Depreciation and amortisation	-	-	-	-
Restructuring activities	-	-7	-5	-29
Income (expense) on discontinued operations	-	-	-	-
Pre-tax profit	83	1,016	348	-416
Current taxes	-0	-	-	-
Deferred taxes	-11	-214	-101	30
Net profit	72	801	247	-386
BALANCE SHEET				
Investment property	1,634	7,168	14,259	13,046
Other non-current assets	20	250	568	537
Total non-current assets	1,654	7,418	14,827	13,583
Cash and cash equivalents	452	334	294	249
Other current assets	10	318	236	160
Total current assets	462	652	530	409
Total assets	2,115	8,071	15,357	13,992
Total equity	1,360	3,918	6,170	5,880
Non-current borrowings	606	2,202	6,450	4,234
Non-current borrowings, shareholder loans	-	-	-	-
Deferred tax liabilities	19	214	266	211
Other non-current liabilities	12	134	187	196
Total non-current liabilities	637	2,550	6,903	4,641
Total current liabilities	118	1,603	2,285	3,471
Total equity and liabilities	2,115	8,071	15,357	13,992
CASH FLOW STATEMENT				
Pre-tax profit	83	1,016	348	-416
... of which changes in investment property	76	899	-40	-735
Depreciation and amortisation	-	-	-	-
Tax paid	2	4	-4	-1
Adjustment for items not in cash flow	-76	-904	-53	743
Cash flow from operating activities before changes in working capital	9	116	291	326
Changes in working capital	18	76	2	6
Cash flow from operating activities	27	193	293	332
Cash flow from investment activities	-1,558	-4,746	-782	525
Cash flow from financing activities	1,983	4,436	450	-1,032
Cash and cash equivalents at beginning of period	-	452	334	424
Cash flow for period	452	-118	-39	-175
Cash and cash equivalents at end of period	452	334	294	249

Source: company. FY–full year. LTM–last 12 months.

Figure 20. Stenhus Fastigheter rating scorecard

Subfactors	Impact	Score
Operating environment	20.0%	bb+
Market position, size and diversification	12.5%	bb
Portfolio assessment	12.5%	bb+
Operating efficiency	5.0%	a-
Business risk assessment	50.0%	bb+
Ratio analysis		bb-
Risk appetite		b+
Financial risk assessment	50.0%	b+
Indicative credit assessment		bb
Liquidity		Adequate
ESG		Adequate
Peer calibration		Neutral
Stand-alone credit assessment		bb
Support analysis		Neutral
Issuer rating		BB
Outlook		Negative
Short-term rating		N4

Figure 21. Capital structure ratings

Seniority	Rating
Senior unsecured	BB-

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