

Studentbostäder i Norden AB (publ)

Rating Action Report

LONG-TERM RATING

NR

OUTLOOK

-

SHORT-TERM RATING

NR

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Studentbostäder i Norden AB (publ) long-term issuer rating raised to 'CC' and withdrawn

Nordic Credit Rating (NCR) said today that it had raised its long-term issuer rating on Sweden-based residential property manager [Studentbostäder i Norden AB \(publ\)](#) to 'CC' from 'SD'. The outlook is developing. The short-term issuer rating was raised to 'N6', also from 'SD'. The ratings were subsequently withdrawn at the issuer's request.

Rationale

The rating action reflects continued uncertainty about the long-term viability of Studentbostäder's capital structure. We expect continued pressure on the company's cash flows due to higher financing costs, despite the recent conversion of the coupon on an outstanding bond to payment-in-kind (PIK) interest. We believe that, without mitigating action, the company faces a drain on liquidity and substantial refinancing risk in the immediate future due to inadequate operational cash flows. We expect NCR-adjusted EBITDA/net interest to approach 1.1x by end-2024 (excluding PIK-interest) and fall marginally below 1.0x (including PIK-interest). In addition, we expect Studentbostäder's covenant-calculated interest coverage ratio to rise to about 1.7x by end-2024 (compared with the stipulated level of 1.3x). This estimate excludes capitalised interest costs and PIK interest and would provide the company with a degree of covenant headroom.

Studentbostäder's high financial gearing and downside risk to the company's property values weigh on our assessment of its capital structure. As of mid-2023, the NCR-adjusted net loan-to-value ratio stood at 71.7%. A significant level of highly encumbered assets could impair the company's ability to generate sufficient net proceeds through sales and could complicate bank refinancing. In addition, uncertainties exist about the ability to divest some of the company's assets given the currently sluggish Swedish transaction market and poor financing conditions. Positively, the company has indicated that it has received expressions of interest in its Danish portfolio.

Developing outlook

The developing outlook at the point of withdrawal reflected a likelihood that the rating could have been lowered or raised within the subsequent 12 months. The outlook also reflected our expectations that difficult market conditions, including elevated financing costs and rising yield requirements, could continue to pressure Studentbostäder's financial metrics and liquidity. In addition, we see risk related to the refinancing of more than SEK 500m in bank loans over the next 12 months. Conversely, Studentbostäder could take mitigating action, including divestments or adding further equity, which, together with lower floating rates, could improve interest coverage and reduce the drain on liquid resources.

Rating list	Withdrawal	To	From
Long-term issuer credit rating:	NR	CC	SD
Outlook:	-	Developing	N/A
Short-term issuer credit rating:	NR	N6	SD

Related publications:

- i) [Corporate Rating Methodology](#), 8 May 2023
- ii) [Rating principles](#), 24 May 2022
- iii) [Studentbostäder i Norden AB \(publ\) long-term issuer rating lowered to 'SD' due to distressed exchange on bond](#), 13 Oct. 2023
- iv) [Studentbostäder i Norden AB \(publ\) long-term issuer rating lowered to 'C'; Rating on Watch](#)

Negative, 22 Sep. 2023

v) Studentbostäder i Norden AB (publ) long-term issuer rating lowered to 'CC'; Rating on Watch

Negative, 18 Jul. 2023

vi) Studentbostäder i Norden AB (publ) long-term issuer rating lowered to 'CCC'; Rating on Watch

Negative, 24 May 2023

vii) Studentbostäder i Norden AB (publ) long-term issuer rating lowered to 'B+'; Outlook negative, 19 Jan. 2023

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.
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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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