

## Stendörren Fastigheter AB (publ)

Rating Action Report

### LONG-TERM RATING

**BB-**

### OUTLOOK

**Positive**

### SHORT-TERM RATING

**N4**

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## Stendörren Fastigheter AB (publ) outlook revised to positive; 'BB-' long-term issuer rating affirmed

Nordic Credit Rating (NCR) said today that it had revised its outlook on Sweden-based property manager [Stendörren Fastigheter AB \(publ\)](#) (Stendörren) to positive from stable. At the same time, the 'BB-' long-term and 'N4' short-term issuer ratings were affirmed.

### Rating rationale

The outlook revision reflects Stendörren's successful deleveraging and proactive hedging of interest rate risk and energy costs, which have supported its financial risk profile, despite adverse market conditions. The outlook revision also takes account of the reduced operational risk in connection with the company's single largest tenant exposure, which has been a general concern in the past few years.

We have raised our assessment of Stendörren's market position, size and diversification to reflect the successful elimination of the potential vacancy risk in connection with its single largest tenant exposure. This lease, which expires at the end of September 2024, has been replaced by a new six-year lease with the Swedish Fortifications Agency. We believe that a government agency taking over the single largest tenant exposure demonstrates continued demand for Stendörren's premises in Mälardalen. It also factors in a more geographically diversified portfolio and diverse tenant base than peers.

In addition, we have raised our assessment of operating efficiency in response to the company's improved operating margins and occupancy rates.

### Positive outlook

The positive outlook reflects our view that if Stendörren performs in line with our expectations, despite the uncertain market environment, we could lift our assessment of the financial risk and raise the rating. The outlook also reflects our belief that the company will maintain moderate growth ambitions and retain its current leverage throughout our forecast period. We expect the company to maintain adequate interest coverage covenant headroom and to be proactive in managing its upcoming debt maturities.

We could raise the rating to reflect a proven commitment to a more moderate financial risk profile, with NCR-adjusted loan to value (LTV) below 60% and EBITDA/net interest above 2.0x, or in response to maintained market fundamentals that support continued strong operating performance.

We could revise the outlook to stable to reflect NCR-adjusted LTV above 60% and EBITDA/net interest below 2.0x or in response to a deteriorating liquidity position.

### Related publications

- (i) [Swedish real estate sector adapts to tougher financing climate](#), 18 Jan. 2024.
- (ii) [Real estate quarterly snapshot \(2023Q3\) - is it a sigh of relief?](#), 28 Nov. 2023.
- (iii) [The Swedish real estate sector- waiting for sunshine after the rain](#), 27 Sep. 2023.
- (iv) [Decoding Swedish real estate in an uncertain market environment](#), 29 Aug. 2023.

### Rating list

	To	From
Long-term issuer credit rating:	BB-	BB-
Outlook:	Positive	Stable
Short-term issuer credit rating:	N4	N4

**Figure 1. Stendörren rating scorecard**

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

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating
Publication date:	The rating was first published on 18 Jan. 2021.
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><a href="#">NCR's Corporate Rating Methodology published on 8 May 2023</a>  <a href="#">NCR's Rating Principles published on 24 May 2022</a>  <a href="#">NCR's Group and Government Support Rating Methodology published on 18 Feb. 2022</a></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 <a href="https://nordiccreditrating.com/governance/policies">nordiccreditrating.com/governance/policies</a>.  The historical default rates of entities and securities rated by NCR will be viewed on <a href="#">the central platform (CEREP) of the European Securities and Markets Authority (ESMA)</a>.</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: <a href="https://nordiccreditrating.com/governance/policies">https://nordiccreditrating.com/governance/policies</a>
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: <a href="https://nordiccreditrating.com/governance/policies">nordiccreditrating.com/governance/policies</a> .
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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