

Bane NOR Eiendom AS

Rating Action Report

LONG-TERM RATING

A

OUTLOOK

Stable

SHORT-TERM RATING

N2

PRIMARY ANALYST

Anine Gulbrandsen
+4797501657
anine.gulbrandsen@nordiccreditrating.com

SECONDARY CONTACTS

Yun Zhou
+46732324378
yun.zhou@nordiccreditrating.com

Geir Kristiansen
+4790784593
geir.kristiansen@nordiccreditrating.com

Bane NOR Eiendom AS 'A' long-term issuer rating affirmed; Outlook stable

Nordic Credit Rating (NCR) said today that it had affirmed its 'A' long-term issuer rating on Norway-based property manager and developer [Bane NOR Eiendom AS](#) (Bane NOR Eiendom). The outlook is stable. The 'N2' short-term issuer rating and 'A' senior unsecured issue rating were also affirmed.

Rating rationale

The affirmation reflects our maintained assessment of Bane NOR Eiendom's financial risk, despite weaker financial metrics than previously anticipated. Leverage is still elevated due to the lack of sales of completed properties, but we expect that improved market sentiment could incentivise the sale of completed properties and that the company has the ability to reduce leverage through the use of surplus cash from sales. We believe that Bane NOR Eiendom has a prudent financial risk profile, with extended average debt to maturity and a longer maturity on shareholder loans, in addition to improved liquidity. We note the company has added values through various properties that are not included in the assessment of the total market value and that, if adjusted for, would further improve credit metrics.

Our long-term issuer rating on Bane NOR Eiendom reflects the company's low leverage, solid average remaining lease term and a high share of government-funded tenants. The rating is also supported by the company's de facto monopoly over domestic railway stations and workshops and its importance to Norwegian railway infrastructure. The company's large and central land bank supports future development opportunities in city centres in close proximity to existing stations.

The rating is constrained by the size of Bane NOR Eiendom's management portfolio, though this is mostly offset by the specialised nature of the properties. It is also constrained by the company's revenue concentrations and the risks associated with development projects.

We add two notches to our standalone credit assessment to reflect Bane NOR Eiendom's 100% indirect ownership by the Norwegian government and our view that the government has a strategic interest due to the company's role as a provider of critical public-transport infrastructure.

Stable outlook

The stable outlook reflects our expectation that Bane NOR Eiendom's credit metrics will remain moderate, despite increased interest costs and a rise in leverage over our forecast period. It also reflects our belief that the company can reduce leverage by selling off completed projects in its development portfolio, surpassing our base case projections. In addition, footfall through the company's railway stations is nearly back to pre-pandemic levels, supporting occupancy and increasing the attractiveness of its property locations.

We could raise the rating to reflect a loan to value (LTV) ratio of around 20% and an EBITDA margin above 65% for a prolonged period, to take account of improved profitability and revenue stability, or to reflect strengthened financial policy through tighter leverage targets. We could lower the rating to reflect net LTV above 40% or net interest coverage below 2.2x over a prolonged period, or to take account of weaker profitability or an inability to achieve competitive prices on development properties.

Rating list

	To	From
Long-term issuer credit rating:	A	A
Outlook:	Stable	Stable
Short-term issuer credit rating:	N2	N2
Senior unsecured issue rating:	A	A

Figure 1. Bane NOR Eiendom rating scorecard

Subfactors	Impact	To	From
Operating environment	20.0%	bbb+	bbb+
Market position, size and diversification	12.5%	a-	a-
Portfolio assessment	12.5%	a-	a-
Operating efficiency	5.0%	bbb-	bbb-
Business risk assessment	50.0%	bbb+	bbb+
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		+2 notches	+2 notches
Issuer rating		A	A
Outlook		Stable	Stable
Short-term rating		N2	N2

Figure 2. Capital structure ratings

Seniority	To	From
Senior unsecured	A	A

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating Issue credit rating
Publication date:	The rating was first published on 30 May. 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:	Anine Gulbrandsen, +4797501657, anine.gulbrandsen@nordiccreditrating.com
Rating committee chairperson responsible for approval of the credit rating:	Geir Kristiansen, +4790784593, geir.kristiansen@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:	NCR's Corporate Rating Methodology published on 8 May 2023 NCR's Rating Principles published on 14 Feb. 2024 NCR's Group and Government Support Rating Methodology published on 14 Feb. 2024 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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