

Catena AB (publ)

Rating Action Report

LONG-TERM RATING

BBB

OUTLOOK

Stable

SHORT-TERM RATING

N3

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Catena AB long-term issuer rating raised to 'BBB'; Outlook stable

Nordic Credit Rating (NCR) said today that it had raised its long-term issuer rating on Sweden-based property manager [Catena AB](#) to 'BBB' from 'BBB-'. The outlook is stable. At the same time the short-term rating was raised to 'N3' from 'N4'.

Rating rationale

The rating action reflects a gradual shift in financial leverage and risk appetite since Catena received the first of a series of equity injections in 2021. We view the latest injection, in March 2024, as an indication that Catena's owners are likely to continue to support the company's growth. Since 2021, Catena has received over SEK 7bn in new equity and in 2023 revised its financial policy, committing to significantly lower leverage.

The long-term rating reflects Catena's strong position as one of Sweden's largest logistics property managers. The company has long remaining lease terms, a high occupancy rate, and solid profitability. The rating also reflects the benefits of growth in e-commerce for the sector. These strengths are offset by Catena's growth focus. We view high tenant concentrations as a weakness, though this is partly offset by strong tenant profiles.

In our base case, we expect Catena's net debt/EBITDA to remain below 8x and net loan to value (LTV) to remain below 40% through 2026. We note that the company has a high proportion of interest rate fixing and has improved its debt maturity profile and liquidity. As a result, we have revised our assessment of financial risk upward. We incorporate a degree of caution due to the possibility that future investments could exceed the assumptions in our forecast. We view Catena's financial risk appetite as commensurate with our assessment of the company's financial ratios, given the high probability of continued owner support and further improvements in its financial risk management.

We have revised our assessment of Catena's market position, size and diversification upward to reflect expansion of the property portfolio as a result of recent investments, combined with the company's solid brand awareness and improved geographic diversity in Sweden and Denmark.

Stable outlook

The stable outlook reflects our view that Catena will maintain its revised strategy of growth with more moderate financial leverage, while funding expansion with both equity and debt. It further reflects our belief that Catena's landbank will enable growth at attractive yields despite increasing competition in the logistics subsector, and that the company's largest tenants are well positioned to withstand a weaker economy and reduced consumption. We expect a positive long-term trend in e-commerce to benefit the subsector.

We could raise the rating to reflect further improvements in the financial risk profile and a less concentrated debt maturity profile, more predictable ratios (net debt/EBITDA below 7x and net LTV below 35% on a sustained basis), or an increased portfolio with continued property quality and reduced concentrations.

We could lower the rating to reflect a greater financial risk appetite, with net debt/EBITDA above 9x, net LTV above 45%, and interest coverage below 3x over a protracted period. We could also lower the rating to reflect deteriorating market fundamentals that adversely affect occupancy and/or profitability.

Related publications

i) [NCR Comments: Catena AB 'BBB-' rating and outlook unchanged following equity issue](#), 14 Apr. 2024

Rating list

Long-term issuer credit rating:

Outlook:

Short-term issuer credit rating:

To

BBB

Stable

N3

From

BBB-

Positive

N4

Figure 1. Catena rating scorecard

Subfactors	Impact	To	From
Operating environment	20.0%	bbb-	bbb-
Market position, size and diversification	12.5%	bbb	bbb-
Portfolio assessment	12.5%	bbb	bbb
Operating efficiency	5.0%	a+	a+
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		Neutral	Neutral
Issuer rating		BBB	BBB-
Outlook		Stable	Positive
Short-term rating		N3	N4

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating
Publication date:	The rating was first published on 03 May. 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:	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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