

Fastighets AB Stenvalvet (publ)

Rating Action Report

LONG-TERM RATING

BBB

OUTLOOK

Stable

SHORT-TERM RATING

N3

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Nordic Credit Rating (NCR) said today that it had affirmed its 'BBB' long-term issuer rating on Sweden-based community service property manager [Fastighets AB Stenvalvet \(publ\)](#). The outlook is stable. At the same time, the 'N3' short-term issuer rating and 'BBB' senior unsecured issue rating were also affirmed.

Rating rationale

The rating affirmation reflects our view that Stenvalvet has performed largely in line with our expectations. Except for a dip in interest coverage in 2024, we expect that the company's credit metrics will improve over our forecast period through 2026.

We have revised our assessment of Stenvalvet's operating efficiency to reflect marginally weaker occupancy rates over the last few years.

We have also lowered our assessment of Stenvalvet's risk appetite to reflect the continued uncertainty related to its main owner, the Church of Sweden, which has indicated plans to reduce its ownership in Stenvalvet to below 50%. We view the previous repayment of shareholder loans as an indication of a lower degree of financial owner support. There is currently no further news regarding a potential change in ownership, but we will follow any news about this on an ongoing basis.

Stable outlook

The stable outlook reflects our expectation that Stenvalvet will continue to focus on community service properties, with long lease contracts under which rents are funded directly or indirectly by public institutions. We expect the net interest coverage to weaken but stabilise over our forecast period. The outlook also reflects our expectation that Stenvalvet will maintain its leverage and remain cautious with regard to capital expenditure and growth.

We could raise the rating to reflect credit metrics improving over the long term to NCR-adjusted net loan to value (LTV) below 40%, net debt/EBITDA below 10.0x and EBITDA/net interest over 3.0x, combined with reduced uncertainty over ownership and shareholder commitment.

We could lower the rating to reflect leverage increasing on a long-term basis to NCR-adjusted net LTV above 55% with EBITDA/net interest below 2.2x, given the current ownership. We could also lower the rating to reflect a higher proportion of non-public-sector tenants or increased ownership uncertainty.

Related rating actions

i) [Fastighets AB Stenvalvet long-term issuer rating lowered to 'BBB'; Outlook stable](#), 30 May 2023

Rating list	To	From
Long-term issuer credit rating:	BBB	BBB
Outlook:	Stable	Stable
Short-term issuer credit rating:	N3	N3
Senior unsecured issue rating:	BBB	BBB

Figure 1. Stenvalvet rating scorecard

Subfactors	Impact	To	From
Operating environment	20.0%	a-	a-
Market position, size and diversification	12.5%	bb+	bb+
Portfolio assessment	12.5%	a-	a-
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	Stable
Short-term rating		N3	N3

Figure 2. Capital structure ratings

Seniority	To	From
Senior unsecured	BBB	BBB

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 14 May. 2019.
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:	Yun Zhou, +46732324378, yun.zhou@nordiccreditrating.com
Rating committee chairperson responsible for approval of the credit rating:	Elisabeth Adebäck, +46700442775, elisabeth.adeback@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 Rating Principles published on 14 Feb. 2024 NCR's Group and Government Support Rating Methodology published on 14 Feb. 2024 NCR's Corporate Rating Methodology published on 8 May 2023 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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