Bonnier Fastigheter AB

Rating Action Report

LONG-TERM RATING

BBB-

OUTLOOK

Stable

SHORT-TERM RATING

N3

PRIMARY ANALYST
Elisabeth Adebäck
+46700442775
elisabeth.adeback@nordiccreditrating.com

SECONDARY CONTACTS
Yun Zhou
+46732324378
yun.zhou@nordiccreditrating.com

Sean Cotten
+46735600337
sean.cotten@nordiccreditrating.com

# Bonnier Fastigheter AB 'BBB-' long-term issuer rating affirmed; Outlook stable

Nordic Credit Rating said today that it had affirmed its 'BBB-' long-term issuer rating on Sweden-based property manager Bonnier Fastigheter AB. The outlook is stable. At the same time, the 'N3' short-term issuer rating and 'BBB-' issue rating on senior unsecured bonds issued by subsidiary AB Bonnier Fastigheter Finans (publ) were affirmed.

**Rating rationale**
The affirmation of the issuer rating reflects the company's high-quality property portfolio and its primary focus on office premises in central Stockholm and Uppsala. The rating also reflects the company's sound financial gearing, albeit increased after recent acquisitions, and adequate liquidity position. Recent growth with widened residential exposure is improving diversification. The rating factors in an operating environment supported by continued strong demand for office premises in prime locations.

These strengths are partly offset by Bonnier Fastigheter's small and concentrated property portfolio comprising some 20 properties, with the top 10 tenants accounting for around 35% of rental income. The rating also reflects the near-term pressure on margins and rapidly increasing financing costs owing to mounting debt from earlier acquisitions and higher interest rates.

**Stable outlook**
The stable outlook reflects our expectations that Bonnier Fastigheter's interest coverage ratio will remain around 2.3x as the company adds leverage from its consolidation of joint ventures. We believe these metrics will be supported over time with increased residential exposure, resulting in a more diversified and less concentrated property portfolio. We also expect continued adequate liquidity supported by potential intra-group financing to meet upcoming debt maturities.

We could raise our rating to reflect improved credit metrics, including a net loan-to-value ratio below 35% and net interest coverage above 3.5x over a protracted period. We could also raise the rating if we observed an increased proportion of residential properties under management, combined with stronger and more stable credit metrics.

We could lower the rating to reflect weakened credit metrics, including net loan-to-value approaching 50% or net interest coverage below 2.2x over a protracted period, or to incorporate deteriorating market fundamentals that dampen profitability and/or occupancy.

| **Rating list** | **To** | **From** |
|---|---|---|
| Long-term issuer credit rating: | BBB- | BBB- |
| Outlook: | Stable | Stable |
| Short-term issuer credit rating: | N3 | N3 |

Figure 1. Bonnier Fastigheter rating scorecard

| Subfactors | Impact | To | From |
|---|---|---|---|
| Operating environment | 20.0% | bbb- | bbb- |
| Market position, size and diversification | 12.5% | bb | bb |
| Portfolio assessment | 12.5% | bbb- | bbb- |
| 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 | | Neutral | Neutral |
| **Issuer rating** | | **BBB-** | **BBB-** |
| Outlook | | Stable | Stable |
| **Short-term rating** | | **N3** | **N3** |

Figure 2. Associated entities

| Name | LT rating | Outlook | ST rating |
|---|---|---|---|
| AB Bonnier Fastigheter Finans (publ) | BBB- | Stable | N3 |
| Senior unsecured | BBB- | | |

| | |
|---|---|
| Type of credit rating: | Long-term issuer credit rating<br>Short-term issuer credit rating |
| Publication date: | The rating was first published on 14 Oct. 2020. |
| 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: | Elisabeth Adebäck, +46700442775, elisabeth.adeback@nordiccreditrating.com |
| Rating committee chairperson responsible for approval of the credit rating: | Sean Cotten, +46735600337, sean.cotten@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<br>NCR's Rating Principles published on 14 Feb. 2024<br>NCR's Group and Government Support Rating Methodology published on 14 Feb. 2024<br>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.<br>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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