

Stenus Fastigheter i Norden AB (publ)

Rating Action Report

LONG-TERM RATING

BB

OUTLOOK

Stable

SHORT-TERM RATING

N4

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Stenus Fastigheter outlook revised to stable; 'BB' long-term issuer rating affirmed

Nordic Credit Rating (NCR) said today that it had revised its outlook on Sweden-based property manager [Stenus Fastigheter](#) to stable from negative. At the same time, the 'BB' long-term and 'N4' short-term issuer ratings were affirmed. We also affirmed the 'BB-' senior unsecured issue rating.

Rating rationale

The outlook revision reflects our expectation that Stenus Fastigheter's leverage will remain modest and its interest coverage ratio will improve slightly over our forecast period through 2026. We believe that the company's down-side risks to its financial metrics have decreased due to reduced uncertainty about market interest rates and lower leverage. We project that net interest coverage will reach its low point at 1.8x in 2024 before improving towards 2.2x by 2026, providing additional covenant headroom. We expect that the company will remain cautious regarding capital expenditures and maintain a small development project portfolio.

Our long-term issuer rating on Stenus Fastigheter reflects the company's brief operating history, high growth rates and limited covenant headroom. The rating also incorporates the company's high-yielding property portfolio, often in non-central locations, and our expectation that interest coverage will improve slightly while remaining somewhat weak over our forecast period.

The weaknesses are partly offset by Stenus Fastigheter's long lease terms, strong profitability and high occupancy. The company's primary geographic focus, the Mälardalen region including Stockholm, has strong economic fundamentals, which we view as a credit strength. We take a positive view of Stenus Fastigheter's 21% exposure to public-sector tenants, which provides stability, while the high-yielding assets in the portfolio generate relatively strong cash flow. Furthermore, Stenus Fastigheter's recent portfolio growth has increased revenue diversity, which we regard positively.

Stable outlook

The stable outlook reflects our expectation that Stenus Fastigheter's net interest coverage will improve over our forecast period through 2026. The outlook also factors in our view that the company will remain cautious regarding capital expenditures and continue its deleveraging plans. We also expect the company will maintain adequate liquidity, take a proactive stance in refinancing and continue to focus on its currently targeted property subsectors and regions.

We could raise the rating to reflect a more conservative financial strategy, extended debt maturity and interest profile, and a net loan-to-value (LTV) ratio below 50% and net interest coverage above 3.5x over a prolonged period. We could lower the rating to reflect diminishing covenant headroom, a deterioration in credit metrics, with net LTV approaching 60% over a protracted period, or worsening market fundamentals adversely affecting profitability.

Rating list	To	From
Long-term issuer credit rating:	BB	BB
Outlook:	Stable	Negative
Short-term issuer credit rating:	N4	N4
Senior unsecured issue rating:	BB-	BB-

Figure 1. Stenhus Fastigheter rating scorecard

Subfactors	Impact	To	From
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%	a-	a-
Business risk assessment	50.0%	bb+	bb+
Ratio analysis		bb-	bb-
Risk appetite		b+	b+
Financial risk assessment	50.0%	b+	b+
Indicative credit assessment		bb	bb
Liquidity		Adequate	Adequate
ESG		Adequate	Adequate
Peer calibration		Neutral	Neutral
Stand-alone credit assessment		bb	bb
Support analysis		Neutral	Neutral
Issuer rating		BB	BB
Outlook		Stable	Negative
Short-term rating		N4	N4

Figure 2. Capital structure ratings

Seniority	To	From
Senior unsecured	BB-	BB-

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 19 Nov. 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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