

Intea Fastigheter AB (publ)

Rating Action Report

LONG-TERM RATING

BBB

Watch Negative

SHORT-TERM RATING

N3

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Intea Fastigheter AB (publ) 'BBB' long-term issuer rating placed on watch negative

Nordic Credit Rating (NCR) said today that it had placed its 'BBB' long-term issuer rating on Sweden-based community service property manager and developer [Intea Fastigheter AB \(publ\)](#) on watch negative. The 'N3' short-term issuer rating and 'BBB' senior unsecured issue rating were also placed on watch negative.

Rating rationale

The watch placement reflects recent acceleration of growth, with announced acquisitions of SEK 1.6bn and a prospective ramp-up in project development. Accordingly, we now expect weaker key credit metrics than previously. In our previous base-case forecast we projected Intea's NCR-adjusted EBITDA/net interest would fall to 2.1x and net loan-to-value (LTV) to 57.4% by end-2024, before improving to 2.5x and 56% by end-2025. As of end-September 2024, these metrics stood at 1.9x and 58%, respectively. We now expect interest coverage for full-year 2024 of about 1.8x due to a rise in financing costs. We also expect that net LTV will approach 60% in an absence of offsetting measures.

Because Intea has added new projects to its pipeline and plans additional investments that we estimate at SEK 4.4bn, we now expect the company's credit metrics to rebound less strongly in 2025 than in our previous base-case projection. This would effectively offset the impact of any positive cash flow from completion of projects. Positively, we believe that yield-based rental contracts could offset risk to rental income and largely contain risk that might negatively affect liquidity management. We have revised our assessment of the company's portfolio, reflecting our expectations of larger and more complex projects and higher growth than previously.

Intea has a front-loaded debt maturity profile and is reliant on uncommitted capital for meeting both maturing debt and project-related outflows. As of end-September, the company had committed unused credit facilities with maturities longer than 12 months of SEK 1.4bn (excluding SEK 3.1bn earmarked for the repayment of outstanding commercial paper obligations). While the company has ready access to the capital markets, its liquidity profile is weaker than that of its investment-grade peers, which typically have committed sources of liquidity in excess of expected cash outflows.

We believe that Intea is likely to refinance a currently unused credit facility of SEK 700m maturing within 12 months and that a prospective initial public offering (IPO) could offset some of the current weaknesses in its capital structure. The company has indicated that it is preparing for an IPO, which we believe could take place in the near future, although uncertainty remains as to timing and size, as well as market sentiment.

Watch negative

The watch placement reflects recent acceleration of growth, and uncertainty about the timing of a prospective IPO and the subsequent use of proceeds. We see a risk that the recent increase in project development and the possibility of new growth could put further pressure on Intea's key credit metrics and weaken the company's financial risk profile.

We could lower the rating if the company fails to raise new equity in the near term and continues to operate with interest coverage below 2.2x or net LTV above 55%. We could also lower the rating following a successful IPO if the company fails to improve its financial metrics or increases project exposure without improving its liquidity management and capital structure.

We could assign a stable outlook if the company raises new equity in the near term, bringing net LTV back within its stipulated target range of 50–55% and net interest coverage to above 2.2x over a sustained period, while committing to a more moderate financial risk profile. We could also assign a stable outlook if the company moderates growth through project development, effectively reducing financial leverage, while improving its debt maturity and liquidity profile.



Related rating actions

- i) [Intea Fastigheter AB \(publ\) 'BBB' long-term issuer rating affirmed](#); Outlook stable, 21 May 2024.
- ii) [Intea Fastigheter AB \(publ\) long-term issuer rating lowered to 'BBB'; Outlook stable](#), 19 May 2023.

Related publications

- i) [Swedish real estate: Likely interest rate cuts allow for cautious optimism](#), 24 Sep. 2024.
- ii) [Swedish real estate snapshot \(Q2 2024\): Interest rate cuts likely to continue](#), 5 Sep. 2024.
- iii) [Real-estate snapshot \(Q1 2024\): A step towards long-term normalised interest rate levels](#), 23 May 2024.
- iv) [Real-estate quarterly snapshot \(Q4 2023\): Strong performance despite highest Swedish corporate defaults](#), 11 Mar. 2024.
- v) [Swedish real estate sector adapts to tougher financing climate](#), 18 Jan. 2024.

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

Figure 1. Intea 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%	bbb+	a-
Operating efficiency	5.0%	aa-	aa-
Business risk assessment	50.0%	bbb+	a-
Ratio analysis		bb+	bb+
Risk appetite		bb+	bb+
Financial risk assessment	50.0%	bb+	bb+
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
Watch		Watch Negative	
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 26 May. 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.
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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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