

Stendörren Fastigheter AB (publ)

Rating Action Report

LONG-TERM RATING

BB

OUTLOOK

Stable

SHORT-TERM RATING

N4

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Stendörren Fastigheter AB (publ) long-term issuer rating raised to 'BB'; Outlook stable

Nordic Credit Rating said today that it had raised its long-term issuer rating on Sweden-based property manager [Stendörren Fastigheter AB \(publ\)](#) (Stendörren) to 'BB' from 'BB-'. The outlook is stable. At the same time, the 'N4' short-term issuer rating was affirmed.

Rating rationale

The rating action reflects an improved financial risk profile, following successful deleveraging, proactive hedging, and a stronger balance sheet following an equity injection earlier this year. We expect that net interest coverage will strengthen to above 2x on a lasting basis and that net loan to value (LTV) will remain around 55% over our forecast period through 2026, despite continued growth through acquisitions and development projects. The stronger financial risk profile also reflects the company's proactive refinancing approach and adequate liquidity position.

Stendörren has attracted negative media attention about chemical contamination at its largest property, located in Upplands-Bro. We expect the issue to be resolved with minimal financial impact on the company.

The long-term rating reflects Stendörren's diverse tenant base and improved occupancy rates and operating margins. The company's properties are mostly located in attractive logistics hubs, which supports their long-term appeal. We take a positive view of the company's extensive interest rate hedging, with about 64% of interest-bearing liabilities hedged, mainly using interest rate caps. It also reflects the owners' growth ambitions and Stendörren's significant project pipeline, which point to continued high project development risk over the next few years.

Stable outlook

The stable outlook reflects our view that Stendörren's net interest coverage will improve to above 2x, as the company grows through acquisitions and project development. The company strengthened its balance sheet through an equity injection of about SEK 500m earlier in the year and we believe it will maintain its current LTV at around 55% through our forecast period. We expect the company to remain proactive in managing its debt maturities. We also expect that the chemical contamination at the Upplands-Bro site will be resolved with limited financial impact.

We believe a higher rating is unlikely at this time. We could, however, raise it to reflect a proven commitment to a more moderate financial risk profile combined with an improved operating environment and greater diversity.

We could lower the rating to reflect net LTV above 60%, diminishing covenant headroom, or deteriorating liquidity.

Rating list

	To	From
Long-term issuer credit rating:	BB	BB-
Outlook:	Stable	Positive
Short-term issuer credit rating:	N4	N4

Figure 1. Stendörren 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%	bbb+	bbb+
Business risk assessment	50.0%	bb+	bb+
Ratio analysis		bb-	b+
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	Positive
Short-term rating		N4	N4

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating
Publication date:	The rating was first published on 18 Jan. 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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