

OBOS BBL

Rating Action Report

LONG-TERM RATING

BBB-

OUTLOOK

Stable

SHORT-TERM RATING

N3

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OBOS BBL 'BBB-' long-term issuer rating affirmed; Outlook stable

Nordic Credit Rating (NCR) has affirmed its 'BBB-' long-term issuer rating on Norway-based residential property developer [OBOS BBL](#). The outlook is stable. The 'N3' short-term issuer rating and the 'BBB-' issue rating on the company's senior unsecured debt were also affirmed.

Rating rationale

The affirmation reflects our projection of an improved interest coverage ratio of 2.1–3.4x through 2027, driven by an increase in EBITDA. The company reported a significantly lower EBITDA in 2024 than our previous projections due to a weak housing market and slower-than-expected recovery in the residential property development sector. This led to the EBITDA-to-net-interest ratio weakening to 1.6x at end-2024. While we have observed positive momentum in residential property sales this year, we remain cautious given postponed interest cuts and high building costs. We expect the company's EBITDA to improve over the coming quarters, and see recent joint venture agreements with Thon Gruppen as positive for the company's EBITDA and cash flows. Alongside dividend contributions from OBOS-banken and increased cash flow from OBOS Eiendom, we believe OBOS is equipped to weather the ongoing downturn in residential property development. In our view, the divestment of a 50% share in the projects at Fornebu to Thon Gruppen underscores the value of the company's land bank and demonstrates the financial flexibility afforded by the company's strong balance sheet.

The long-term issuer rating reflects the company's continued strong market position as one of the largest residential developers in the Nordic region. OBOS has been a fixture in the Norwegian housing sector for nearly 100 years and has become a major component of the Swedish housing market over the past decade. Our assessment takes into account the benefits of OBOS' diverse range of business, property holdings, investment and financial activities. It also reflects the company's strong balance sheet, in particular the large excess values in its land bank, equity investments and subsidiaries. We take a positive view of OBOS' demonstrated ability to generate liquidity via partial divestments and partnerships, as well as its healthy covenant headroom.

These strengths are partly offset by a weak residential property development market, in which demand for new housing has declined significantly since the sharp rise in interest rates in 2022. Our assessment is also constrained by OBOS' weak leverage and interest coverage metrics. In our view, the company's structure as a member association results in a limited ability to inject equity, if needed, increasing the importance of its ability to divest its equity investments and land bank to generate liquidity.

Stable outlook

The stable outlook reflects our expectations of a financial risk profile that continues to benefit from a strong balance sheet, with divestments and the completion of housing projects supporting near-term liquidity and continued investment. It also reflects our expectations that OBOS will maintain modest capital spending and control debt increases over the next few years. We believe the company is well-positioned to capitalise when the residential property development market recovers.

We could raise the rating to reflect improved credit metrics with EBITDA to net interest above 4x over an extended period, alongside improved stability and growth in cash flows, and the recovery of the residential development market.

We could lower the rating to reflect lack of recovery in the residential development market, deteriorating credit metrics with an equity ratio below 55%, or weakened liquidity. We could also lower the rating to reflect EBITDA to net interest below 1.5x over an extended period.

Rating list

Long-term issuer credit rating:
 Outlook:
 Short-term issuer credit rating:
 Senior unsecured issue rating:

To	From
BBB-	BBB-
Stable	Stable
N3	N3
BBB-	BBB-

Figure 1. OBOS BBL rating scorecard

Subfactors	Impact	To	From
Operating environment	20.0%	bb-	bb-
Market position	10.0%	a-	a-
Size and diversification	10.0%	a-	a-
Operating efficiency	10.0%	bb	bb
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 17 Jun. 2022.
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 have been provided in the last 12 months.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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