

## CA Fastigheter AB

Rating Action Report

### LONG-TERM RATING

**BBB-**

### OUTLOOK

**Stable**

### SHORT-TERM RATING

**N4**

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

Nordic Credit Rating (NCR) said today that it had affirmed its 'BBB-' long-term issuer rating on Sweden-based property manager [CA Fastigheter AB](#). The outlook is stable. At the same time, the 'N4' short-term rating was also affirmed.

### Rating rationale

The affirmation reflects continued performance in line with our expectations. We expect CA Fastigheter's net interest coverage to weaken in the short term due to higher financing costs but to improve over time as projects are finalised. We take a positive view of the flexibility to postpone projects to support credit metrics and believe that the company prioritises long-term investment opportunities and stability over pure growth.

Our long-term issuer rating on CA Fastigheter reflects the company's relatively low financial gearing, high occupancy, diversification benefits from its share of residential properties and low tenant concentrations in its commercial portfolio. It also reflects our expectations that the residential rental market will remain strong and that CA Fastigheter will continue to increase rental income from its commercial portfolio and completed projects.

These strengths are offset by the company's active project and development activities and associated capital expenditure, which create volatility in cash flows and have a higher risk than pure property management. We also view CA Fastigheter's intra-group lending and short debt maturity profile with large single-year maturities as credit weaknesses in our standalone assessment. We consider CA Fastigheter's market position to be modest, given the relatively small portfolio in most of its core geographic locations.

### Stable outlook

The stable outlook reflects our expectation that CA Fastigheter's credit metrics will continue to weaken but remain above our rating drivers over the forecast period. We expect that occupancy will remain strong and that the company will continue to generate stable cash flows. The company has postponed many projects in its pipeline to support capital metrics and we believe that this demonstrates its long-term investment horizon. We expect CA Fastigheter to complete the sale of current tenant-owned property projects and maintain the flexibility to postpone projects further.

We could raise the rating to reflect improved credit metrics (EBITDA/net interest sustainably over 3.5x and net loan to value (LTV) sustainably below 35%) or to reflect reduced risk appetite and an extended debt maturity profile. We could lower the rating to reflect increased financial gearing (net LTV at levels sustainably over 50% or EBITDA/net interest below 2.2x over a protracted period), deteriorating market fundamentals that affect occupancy and/or profitability, or to reflect increased lending exposure to, or deteriorating credit quality of, its owner CA Group.

### Rating list

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

**Figure 1. CA Fastigheter rating scorecard**

<b>Subfactors</b>	<b>Impact</b>	<b>To</b>	<b>From</b>
Operating environment	20.0%	bbb	bbb
Market position, size and diversification	12.5%	bbb-	bbb-
Portfolio assessment	12.5%	bbb-	bbb-
Operating efficiency	5.0%	bbb-	bbb-
<b>Business risk assessment</b>	<b>50.0%</b>	<b>bbb-</b>	<b>bbb-</b>
Ratio analysis		bbb-	bbb-
Risk appetite		bb	bb
<b>Financial risk assessment</b>	<b>50.0%</b>	<b>bb+</b>	<b>bb+</b>
<b>Indicative credit assessment</b>		<b>bbb-</b>	<b>bbb-</b>
Liquidity		Adequate	Adequate
ESG		Adequate	Adequate
Peer calibration		Neutral	Neutral
<b>Stand-alone credit assessment</b>		<b>bbb-</b>	<b>bbb-</b>
Support analysis		Neutral	Neutral
<b>Issuer rating</b>		<b>BBB-</b>	<b>BBB-</b>
Outlook		Stable	Stable
<b>Short-term rating</b>		<b>N4</b>	<b>N4</b>

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating
Publication date:	The rating was first published on 20 May. 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:	<p><a href="#">NCR's Corporate Rating Methodology published on 8 May 2023</a>  <a href="#">NCR's Rating Principles published on 14 Feb. 2024</a>  <a href="#">NCR's Group and Government Support Rating Methodology published on 14 Feb. 2024</a></p> <p>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 <a href="https://nordiccreditrating.com/governance/policies">nordiccreditrating.com/governance/policies</a>.  The historical default rates of entities and securities rated by NCR will be viewed on <a href="#">the central platform (CEREP) of the European Securities and Markets Authority (ESMA)</a>.</p>
Materials used when determining the credit rating:	Annual- and quarterly reports of the rated entity, Company presentations, Data provided by external data providers, 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: <a href="https://nordiccreditrating.com/governance/policies">https://nordiccreditrating.com/governance/policies</a>
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: <a href="https://nordiccreditrating.com/governance/policies">nordiccreditrating.com/governance/policies</a> .
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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