

CA Fastigheter AB

Rating Action Report

LONG-TERM RATING

BBB-

OUTLOOK

Stable

SHORT-TERM RATING

N-1

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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 [CA Fastigheter AB](#). The outlook is stable. At the same time NCR affirmed the 'N-1' short-term issuer rating.

Rating rationale

Our 'BBB-' long-term issuer rating on Sweden-based property manager and developer CA Fastigheter reflects the company's relatively low financial gearing, high occupancy, diversification benefits from the company's 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 the company will continue to increase rental income from its commercial portfolio.

These strengths are offset by the company's active project and development activities, 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.

In 2021, CA Fastigheter increased its intra-group lending to group parent and sister companies, which we believe adds complexity and financial risk to the company when evaluated on a standalone basis. To reflect the increased lending exposure, combined with a short debt maturity profile and a somewhat constrained liquidity position, we have lowered our assessment of risk appetite by one notch.

Stable outlook

The stable outlook reflects our expectation that the investment properties will continue to generate stable cash flows, allowing the company to invest in future projects for its own portfolio. We also expect CA Fastigheter to complete the sale of its tenant-owned property projects at a profit, reducing the need for further gearing on its future investments. We could raise the rating in the event of improved credit metrics, with EBITDA/net interest sustainably over 3.5x and net loan to value (LTV) permanently below 35%. We could also raise the rating to reflect reduced risk appetite, in combination with an extended debt maturity profile or an increased share of non-cyclical rental revenues. We could lower the rating in the event of increased financial gearing, with net LTV at levels sustainably over 50% and EBITDA/net interest below 2.2x over a protracted period. We could also lower the rating to reflect deteriorating market fundamentals or increased exposure to, or deteriorating credit quality of, CA Group.

Rating list

	To	From
Long-term issuer credit rating:	BBB-	BBB-
Outlook:	Stable	Stable
Short-term issuer credit rating:	N-1	N-1

Figure 1. CA Fastigheter rating scorecard

Subfactors	Impact	To	From
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-
Business risk assessment	50.0%	bbb-	bbb-
Ratio analysis		bbb-	bbb-
Risk appetite		bb	bb+
Financial risk assessment	50.0%	bb+	bb+
Indicative credit assessment		bbb-	bbb-
Liquidity		Adequate	Adequate
ESG		Adequate	Adequate
Peer comparisons		Neutral	Neutral
Stand-alone credit assessment		bbb-	bbb-
Support analysis		Neutral	Neutral
Issuer rating		BBB-	BBB-
Outlook		Stable	Stable
Short-term rating		N-1	N-1

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>NCR's Corporate Rating Methodology published on 18 Feb. 2022 NCR's Group and Government Support Rating Methodology published on 18 Feb. 2022 NCR's Rating Principles published on 16 Sep. 2019</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 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).</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: 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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