

NCR assigns 'BBB+' long-term issuer rating to Intea Fastigheter AB (publ); Outlook stable

Nordic Credit Rating (NCR) said today that it had assigned its 'BBB+' long-term issuer credit rating and N-1+ short-term issuer credit rating to Swedish community-service property manager Intea Fastigheter AB (publ) (Intea). The outlook is stable. NCR has also assigned 'BBB+' issue ratings to Intea's outstanding and future senior unsecured bonds issued within its medium-term note program.

"The ratings primarily reflect the company's relatively low-risk portfolio of largely tailor-made properties," said NCR rating analyst Daniel Johansson.

Rating Rationale

Most of Intea's properties are leased on long-term contracts to highly creditworthy public-sector authorities within the education, healthcare and law enforcement sectors in various municipalities.

NCR views most of Intea's tenants as critical public service providers in Sweden with long-term growth prospects on the basis of projected demographics. Intea's low risk profile is supported by an occupancy rate close to 100%, close relations with its tenants, good cost controls, a balanced approach to project investment and acquisitions, and committed ownership support.

These factors contribute to our assessments of Intea's business and financial risk which are underpinned by moderate leverage. At end-March 2020, Intea's loan-to-value (LTV) ratio stood at 54.8%, its interest coverage ratio at 3.9x, and its ratio of secured debt at a relatively low 27.4%, according to the company.

These positive factors are somewhat offset by the limited number of the company's properties and tenants, slight concentration risk in certain municipalities, and limited geographic diversification.

Outlook

The stable outlook reflects NCR's expectation that Intea will finalise its current development projects on schedule while remaining relatively protected from the negative impact that COVID-19 is having on parts of the wider real estate sector given its government-related tenants. In our view, disruptions in the capital markets could negatively impact the company's cost of financing relative to budget, but earnings and operational cash flows should remain relatively secure through the coronavirus crisis.

Potential positive rating drivers

- Continuing improvements in credit metrics, especially LTV consistently to below 50% and net interest coverage over 5x.
- Projects finalised on or ahead of schedule and within budget.

Potential negative rating drivers

- Continued financial market abnormalities impacting e.g. bond refinancing abilities in 2021-2022.
- Project delays and contract cancellations affecting rental income growth.

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The methodology documents used for this rating are NCR's Corporate Methodology published on 14 Aug. 2018 and NCR's Rating Principles published on 16 Sep. 2019. For the full regulatory disclaimer please see the rating report.

About Us

Nordic Credit Rating AS is a credit rating agency headquartered in Oslo with a branch in Stockholm. The company provides credit ratings to companies and financial institutions in the Nordic region, and bases its analysis on local insights. Nordic Credit Rating is registered with the European Securities and Markets Authority (ESMA).

Attachments

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