

# Offentliga Hus i Norden AB (publ) long-term issuer rating raised to 'BB' from 'BB-'; Outlook stable

Nordic Credit Rating (NCR) said today that it had raised its long-term issuer rating on Swedish community-service property manager **Offentliga Hus i Norden AB (publ)** (**Offentliga Hus**) to 'BB' from 'BB-'. The outlook is stable. The short-term rating was raised to 'N-1' from 'N-2'.

The upgrade follows a successful initial public offering. We expect the listing to result in improved governance and increased transparency, while at the same time improving access to equity funding and reducing reliance on the company's main owner.

## Rationale

The long-term rating reflects **Offentliga Hus**' highly leveraged balance sheet. We expect the company to maintain an adjusted loan-to-value (LTV) ratio of 67%, adjusted debt-to-EBITDA of 17–24x and an adjusted net interest coverage ratio of 1.6–1.9x over our forecast period. Furthermore, the rating is constrained by a somewhat large proportion of non-public tenants, representing 21% of rental revenues, a low EBITDA margin, and the company's significant risk appetite.

These weaknesses are offset by a strong operating environment, **Offentliga Hus**' long-term contracts, and its high proportion of highly creditworthy tenants. Public sector tenants account for 64% of the company's rental revenue, and a further 15% comes from private-sector tenants indirectly funded by the Swedish government. The rating further reflects the company's geographically diverse portfolio and its increased focus on in-house operations.

## Outlook

The outlook is stable, reflecting our view that **Offentliga Hus** will maintain its focus on community-service properties with a large proportion of creditworthy tenants on long-term contracts. We further expect the company to proactively refinance its upcoming debt maturities and continue to fund its new investments in line with its short-term portfolio LTV target of 60% (as calculated by the company). The outlook also reflects the stable economic outlook for the community-service sector in Sweden. We could raise the rating to reflect decreased leverage (with adjusted LTV below 60% and EBITDA/net interest above 2.2x over a protracted period), an increased focus on quality properties in tier 1 locations with desirable LTV levels, or an increased proportion of public tenants and/or specialised properties in the portfolio. We could lower the rating to reflect any erosion in financial metrics or breach of covenants, a deterioration in economic conditions that might affect revenues, property values or covenant headroom, or an increased proportion of commercial tenants.

Rating list	To	From
Long-term issuer credit rating:	BB	BB-

Outlook:	Stable	Watch Positive
Short-term issuer credit rating:	N-1	N-2

All research for this issuer is available [here](#).

**If you have any questions, please contact:**

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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

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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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