

OBOS BBL

Rating Action Report

LONG-TERM RATING

BBB-

OUTLOOK

Stable

SHORT-TERM RATING

N3

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

Nordic Credit Rating (NCR) said today that it had assigned a 'BBB-' long-term issuer rating to Norway-based residential developer [OBOS BBL](#). The outlook is stable. At the same time, an 'N3' short-term issuer rating was assigned. NCR also assigned 'BBB-' issue ratings to OBOS' senior unsecured bonds.

Rating rationale

The long-term issuer rating reflects OBOS' 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 account of the benefits of OBOS' diverse range of business, investment and financial activities. It also reflects OBOS' strong balance sheet, especially given the large excess values in its land bank, equity investments and subsidiaries. We take a positive view of OBOS' generally strong liquidity position and healthy covenant headroom.

These strengths are partly offset by the cyclical nature of the residential market, in which demand for new-build housing is closely linked to the state of the overall economy. Our assessment is constrained by OBOS' weak leverage, cash flow and interest coverage metrics, which we expect to weaken further as a result of a slowing residential market. In our view, additional financial risk arises from the company's structure as a member association, which results in a limited ability to inject equity if needed.

Stable outlook

The stable outlook reflects our expectations of a financial risk profile that continues to benefit from a strong balance sheet, ample liquidity and healthy covenant headroom. It also reflects our expectations of a slowing residential market, negatively impacting OBOS' home sales and key credit metrics over our forecast period through 2024. We could raise the rating to reflect: improved credit metrics, with net debt/EBITDA below 4x and EBITDA/net interest above 6x over an extended period; or increased scale and improved operating margins, combined with a strengthened market position in Sweden. We could lower the rating to reflect: deteriorating credit metrics, with an equity ratio below 50% or EBITDA/net interest below 1.5x over an extended period; or a residential market deteriorating beyond our expectations, reducing prospects for home sales and further weakening credit metrics.

Rating list

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

Rating

BBB-
Stable
N3
BBB-

Figure 1. OBOS rating scorecard

Subfactors	Impact	Score
Operating environment	20.0%	bb-
Market position	10.0%	a-
Size and diversification	10.0%	a-
Operating efficiency	10.0%	bb
Business risk assessment	50.0%	bbb-
Ratio analysis		bbb-
Risk appetite		bbb-
Financial risk assessment	50.0%	bbb-
Indicative credit assessment		bbb-
Liquidity		Adequate
ESG		Adequate
Peer comparisons		Neutral
Stand-alone credit assessment		bbb-
Support analysis		Neutral
Issuer rating		BBB-
Outlook		Stable
Short-term rating		N3

Figure 2. Capital structure ratings

Seniority	Rating
Senior unsecured	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 18 Feb. 2022 NCR's Group and Government Support Rating Methodology published on 18 Feb. 2022 NCR's Rating Principles published on 24 May 2022 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 were provided.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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