

OBOS BBL

Rating Action Report

LONG-TERM RATING

BBB-

OUTLOOK

Stable

SHORT-TERM RATING

N3

PRIMARY ANALYST

Sean Cotten  
+46735600337  
sean.cotten@nordiccreditrating.com

SECONDARY CONTACTS

Yun Zhou  
+46732324378  
yun.zhou@nordiccreditrating.com

Geir Kristiansen  
+4790784593  
geir.kristiansen@nordiccreditrating.com

## OBOS BBL '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 Norway-based [OBOS BBL](#). The outlook is stable. At the same time, the 'N3' short-term issuer rating and the 'BBB-' issue ratings on the company's senior unsecured bonds were also affirmed in accordance with our revised corporate rating methodology. The ratings are no longer under criteria review.

### Rating rationale

The long-term issuer rating reflects OBOS' strong market position as one of the largest residential developers in the Nordic region. The company 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' ability to generate liquidity and its healthy covenant headroom.

These strengths are partly offset by a weakened residential development market, in which demand for new-build housing has fallen materially due to the sharp rise in interest rates since February 2022. Our assessment is also constrained by OBOS' weak leverage and interest coverage metrics, which we expect to decline further as a result of the ailing residential property market. In our view, the company's structure as a member association results in a limited ability to inject equity, if needed, increasing the importance of its ability to divest its equity investments and land bank to generate liquidity.

### Stable outlook

The stable outlook reflects our expectations of a financial risk profile that continues to benefit from a strong balance sheet and the completion of housing projects supporting near-term liquidity and continued investment. It also reflects our expectations that OBOS will reduce its capital spending and debt accumulation as a result of the weakened residential market, which we expect to impact residential development sales negatively and erode key credit metrics if low demand extends into 2024.

We could raise the ratings to reflect improved credit metrics (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 ratings to reflect deteriorating credit metrics (equity ratio below 50% or EBITDA/net interest below 1.5x over an extended period) or further deterioration in the residential property market, limiting production and reducing prospects for home sales in 2025 and beyond.

### Rating list

	To	From
Long-term issuer credit rating:	BBB-	BBB-
Outlook:	Stable	Stable
Short-term issuer credit rating:	N3	N3
Senior unsecured issue rating:	BBB-	BBB-

**Figure 1. False rating scorecard**

<b>Subfactors</b>	<b>Impact</b>	<b>To</b>	<b>From</b>
Operating environment	20.0%	bb-	bb-
Market position	10.0%	a-	a-
Size and diversification	10.0%	a-	a-
Operating efficiency	10.0%	bb	bb
<b>Business risk assessment</b>	<b>50.0%</b>	<b>bbb-</b>	<b>bbb-</b>
Ratio analysis		bbb-	bbb-
Risk appetite		bbb-	bbb-
<b>Financial risk assessment</b>	<b>50.0%</b>	<b>bbb-</b>	<b>bbb-</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>N3</b>	<b>N3</b>

**Figure 2. Capital structure ratings**

<b>Seniority</b>	<b>To</b>	<b>From</b>
Senior unsecured	BBB-	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.
Primary analyst:	Sean Cotten, +46735600337, <a href="mailto:sean.cotten@nordiccreditrating.com">sean.cotten@nordiccreditrating.com</a>
Rating committee chairperson responsible for approval of the credit rating:	Geir Kristiansen, +4790784593, <a href="mailto:geir.kristiansen@nordiccreditrating.com">geir.kristiansen@nordiccreditrating.com</a>
Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	<a href="#">NCR's Corporate Rating Methodology published on 8 May 2023</a> <a href="#">NCR's Rating Principles published on 24 May 2022</a> <a href="#">NCR's Group and Government Support Rating Methodology published on 18 Feb. 2022</a> 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> .
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: <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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