

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's assigns a Baa2 rating to Atrium Ljungberg AB; stable outlook

Global Credit Research - 20 Feb 2017

London, 20 February 2017 -- Moody's Investors Service ("Moody's") has today assigned a first-time Baa2 long-term issuer rating to Atrium Ljungberg AB, a leading Swedish real estate company. The outlook on the rating is stable.

"Atrium Ljungberg's Baa2 rating reflects its strong market position and solid portfolio that is concentrated in Stockholm and well positioned for long term growth," says Ramzi Kattan, a Moody's Vice President and lead analyst for Atrium Ljungberg.

RATINGS RATIONALE

Atrium Ljungberg's Baa2 issuer rating reflects its strong market position as one of the leading commercial real estate companies in Sweden. The company's solid portfolio of mostly large office and retail led mixed-use estates is concentrated in Stockholm, and is well positioned for sustainable long-term growth with a controlled development programme and a solid pipeline. Other key strengths underpinning the rating include a moderate 42.5% leverage and a strong 3.4x fixed charge coverage. We expect continued strong occupier demand for the company's properties and robust investor appetite for Swedish commercial real estate to sustain the company's cash flows and values.

Counterbalancing these strengths is the company's short-dated debt maturity profile of around three years, and a 25% reliance in its funding mix on commercial paper that is fully backed by undrawn long-dated credit facilities. We expect the company's unencumbered asset pool to grow as it reduces reliance on secured bank lending as its main funding source.

RATIONALE FOR STABLE OUTLOOK

The stable outlook reflects our expectation that the company will continue to generate stable cash flows, maintain good liquidity and solid debt and coverage metrics while keeping high occupancy levels and a balanced growth strategy. The outlook also reflects Sweden's strong occupier and investment commercial real estate markets.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Sustaining leverage below 40%, as measured by Moody's-adjusted gross debt/assets, with financial policies that support the lower leverage
- Fixed charge coverage above 3.75x on a sustained basis
- Considerably less reliance on short term funding

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Effective leverage sustained above 45%
- Fixed charge coverage sustained below 3x
- Continued heavy reliance on short term funding, especially if it is no longer fully backed by undrawn long-dated credit facilities

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was Global Rating Methodology for REITs and Other Commercial Property Firms published in July 2010. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

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