S&P Global Ratings

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Tear Sheet:

Steen & Strom AS

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This report does not constitute a rating action.

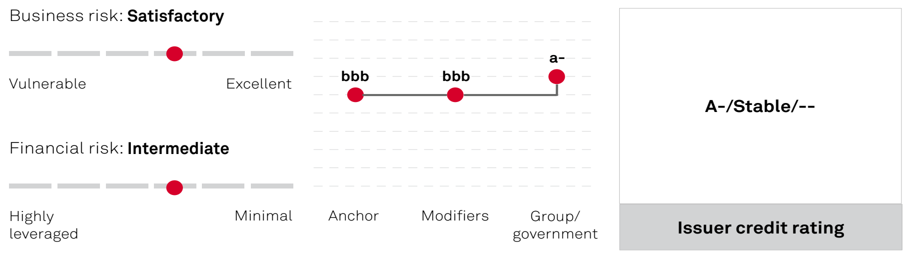
We expect Steen & Strom AS' (S&S') operating performance to remain resilient over the next 12 months. S&S reported a strong performance during the first half of 2025 with like-for-like rental growth of 6.3%, supported by rent indexation of about 1.54% and positive reletting. Over the next 12-24 months, we expect the company's revenue to increase by about 2.0%-3.5%. This will be sustained by rental income indexation based on the consumer price index in Nordic markets (we assume to be 2.0%-2.5%), strong sector fundamentals, and stable occupancy rates of about 95%-96% amid resilient tenant demand--particularly in the health and beauty and supermarkets segments.

We anticipate S&S' credit metrics to remain sustainably in line with our rating thresholds. As of June 30, 2025, S&S reported a slightly positive like-for-like property valuation of about 1.6%, which was partially offset by slightly higher net debt of Norwegian krone (NOK) 6.8 billion (from NOK6.7 billion at year-end 2024), resulting in S&P Global Ratings-adjusted debt to debt plus equity of 26.6%. S&S' interest coverage stood at 9.5x for the 12 months ending June 30, 2025, benefiting from a relatively low average cost of debt of 2.2% and slightly higher adjusted EBITDA of about NOK1.38 billion (from NOK1.33 billion at year-end 2024), due to rent growth and an EBITDA margin increase in line with historical levels. We expect the company's cost of debt to remain at 2.2%-2.3%, benefiting from a hedging ratio exceeding 90%, leading to interest coverage of about 8.0x-8.4x over the next two years. Additionally, we expect S&S' leverage to remain stable over the next 12-24 months, underpinned by relatively stable net debt and our assumption that property prices will stabilize. This will maintain the debt-to-debt plus equity ratio at about 26%-27%, with material headroom relative to the threshold for the stand-alone credit profile (SACP).

We forecast S&S' liquidity will remain strong in the 12-24 months starting July 2025. This is supported by cash and cash equivalents of NOK680 million, undrawn credit lines of NOK1.9 billion (including a NOK1 billion line from DNB Bank which we assume will be renewed annually), and our estimation of funds from operations of about NOK1.1 billion-NOK1.2 billion. We expect these to cover S&S' committed liquidity needs by more than 1.5x over the forecast period, despite our assumption of higher dividend payments of about NOK1.0 billion per year and committed capex of about NOK240 million-NOK290 million. Our liquidity assessment is also supported by S&S' long average debt maturity of about 13.5 years, which compares favorably to its Nordic peers.

We continue to see S&S as a core subsidiary of the Klépierre group. We believe S&S remains a key company and an integral part of Klépierre's operating strategy to keep operations in Nordic countries, given that S&S' portfolio value accounts for about 12% of Klépierre's, and about 12% of the parent's consolidated sales are generated by S&S. We also view both business models as aligned, with similar asset quality and financial policies. Therefore, we factor Klépierre's creditworthiness into the issuer credit rating on S&S, applying a two-notch uplift for extraordinary group support above the 'bbb' SACP.

Ratings Score Snapshot



Recent Research

- Norwegian Property Company Steen & Strom Upgraded To 'A-' After Similar Upgrade To Parent; Outlook Stable, Feb. 26, 2025
- Norwegian Property Company Steen & Strom Outlook Revised To Positive After Same Action On Parent; 'BBB+' Rating Affirmed, May 29, 2024, May 29, 2024

Company Description

S&S is a Norwegian retail property company operating in Scandinavia. As of June 30, 2025, the company's portfolio includes nine shopping centers and has a relatively broadly stable value of about NOK27.5 billion. These centers are in Denmark (45% of the portfolio value), Sweden (39%), and Norway (16%). S&S is fully owned by Storm Holding Norway AS, which is, in turn, owned by Nordica Holdco AB. Nordica has two major shareholders: France's Klépierre (56.1%) and APG Holdco (43.9%). Klépierre is one of the leading shopping center owners in Europe, with a presence in 12 countries, managing a property portfolio worth €20.6 billion as of June 30, 2025.

Outlook

The stable outlook on S&S reflects our expectation that Klépierre's asset portfolio will continue to generate steady cash flow due to its investment strategy focused on strategic regional assets that maintain strong credit ratios. Specifically, its debt to debt plus equity remains below 45%, its debt to EBITDA is at or below 7.5x, and its EBITDA to interest comfortably exceeds 3.8x. Additionally, the outlook reflects our expectation that S&S will remain a strategically important company under Klépierre's group.

Downside scenario

We could lower the long-term rating on S&S if Klépierre changes its stance toward S&S in a way that could lead us to revise our view of the latter's status within the group.

We could lower our long-term rating on Klépierre, and hence S&S, if:

- Klépierre's debt to debt plus equity approaches or exceeds 45%;
- EBITDA interest coverage decreases toward 3.8x; or
- Debt to annualized EBITDA deviates from our base case, standing materially above 7.5x on a sustained basis.

We would also take a negative view of Klépierre undertaking debt-funded acquisitions or exceptional shareholder distributions beyond our expectations, resulting in a material deviation from our base case. In addition, we could take a negative rating action on S&S if Klépierre's portfolio performance degrades, which could come from vacancy increases or negative releasing spreads, resulting in a lower assessment of Klépierre's overall portfolio quality and competitiveness.

Although it might not result in a lower issuer credit rating, we would likely revise down our SACP on S&S if:

- S&P Global Ratings-adjusted debt-to-debt plus equity ratio surpasses 50% for a prolonged period;
- Adjusted debt-to-EBITDA ratio exceeds 11x; or
- EBITDA interest coverage ratio decreases to below 3.8x.

Additionally, we could revise our SACP on S&S downward if we consider its portfolio is not comparable to the assets of other real estate companies in the same rating category. This could be triggered, for example, by a meaningful reduction of S&S' portfolio value.

Upside scenario

A positive rating action on Klépierre, and therefore on S&S, is unlikely since it would hinge on a substantial change in financial policy such that leverage metrics would materially decrease. This would mean, on a prolonged basis:

- S&P Global Ratings-adjusted debt to debt plus equity improves below 35%;
- EBITDA interest coverage remains well above 4.5x; and
- Debt to annualized EBITDA improves toward 4.5x.

We would also consider an upgrade to Klépierre if its asset portfolio materially increases while maintaining a high level of asset quality and geography diversity, which is not in our base-case scenario.

Although it might not result in an upgrade to S&S, we would likely revise up our SACP if:

- Organic revenue and portfolio value returns to sustainable growth, demonstrating strong operating resilience, while the scale and scope of its portfolio increase to levels more comparable to a 'BBB+' rating;
- The adjusted debt-to-debt plus-equity ratio stays below 35% on a prolonged basis;
- The EBITDA interest coverage ratio remains below 4.5x; and

- Debt to EBITDA remains comfortably below 9.5x

Key Metrics

Steen & Strom AS--Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028
(Mil. NOK)	2021a	2022a	2023a	2024a	2025e	2026f	2027f	2028f
Revenue	1,684	1,486	1,586	1,647	~1,707	~1,742	~1,770	~1,798
EBITDA	1,366	1,193	1,250	1,328	~1,374	~1,402	~1,425	~1,447
Funds from operations (FFO)	1,109	958	987	1,103	1,100-1,200	1,150-1,250	1,150-1,250	1,200-1,300
Interest expense	194	147	164	157	~166	~163	~163	~164
Capital expenditure (capex)	148	110	143	136	330-360	200-250	230-270	230-270
Dividends	1,922	1,579	258	679	~1,000	~1,000	~1,000	~1,000
Debt	9,584	7,850	7,199	6,771	~6,616	~6,674	~6,719	~6,744
Equity	18,486	17,753	17,969	18,652	~18,878	~18,804	~18,747	~18,705
Adjusted ratios								
Debt/EBITDA (x)	7.0	6.6	5.8	5.1	4.5-4.9	4.5-4.9	4.5-4.8	4.5-4.8
EBITDA interest coverage (x)	7.1	8.1	7.6	8.5	8.0-8.5	8.5-9.0	8.5-9.0	8.7-9.2
EBITDA margin (%)	81.1	80.3	78.8	80.6	80-81	80-81	80-81	80-81
Debt/debt and equity (%)	34.1	30.7	28.6	26.6	~26.0	26.0-27	26.0-27	26.0-27

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. NOK--Norwegian krone.

Peer Comparison

Steen & Strom AS--Peer comparisons

	Steen & Strom AS	NEPI Rockcastle N.V.	Mercialys	Carmila S.A.
Foreign currency issuer credit rating	A-/Stable/--	BBB/Positive/--	BBB/Stable/A-2	BBB/Stable/A-2
Local currency issuer credit rating	A-/Stable/--	BBB/Positive/--	BBB/Stable/A-2	BBB/Stable/A-2
Period	Annual	Annual	Annual	Annual
Period ending	2024-12-31	2024-12-31	2024-12-31	2024-12-31
Revenue	1,647	6,765	2,065	4,753
EBITDA	1,328	6,185	1,780	3,617
Funds from operations (FFO)	1,103	4,576	1,341	2,179
Interest	157	1,281	543	1,252
Capital expenditure	136	1,609	339	830
Debt	6,771	30,603	11,996	30,563
Equity	18,652	57,735	19,435	40,219
EBITDA margin (%)	80.6	91.4	86.2	76.1

Steen & Strom AS--Peer comparisons

	Steen & Strom AS	NEPI Rockcastle N.V.	Mercialys	Carmila S.A.
EBITDA interest coverage (x)	8.5	4.8	3.3	2.9
Debt/EBITDA (x)	5.1	4.9	6.7	8.5

Liquidity

We assess S&S's liquidity as strong. We anticipate that liquidity sources will likely cover uses by about 1.5x for the 12 months starting July 1, 2025, and comfortably above 1.0x during the subsequent 12 months.

Principal liquidity sources

- Cash balance of NOK680 million.
- Undrawn bank lines of about NOK1.9 billion (which we assume will be renewed annually).
- Funds from operations of about NOK1.1 billion-NOK1.2 billion over next 12 months.

Principal liquidity uses

- About NOK214 million in debt maturities over the next 12 months.
- Capex investment of about NOK290 million.
- Dividend payments of about NOK1.0 billion.

Environmental, Social, And Governance

ESG factors are a neutral consideration in our credit rating analysis of S&S. The company aims to achieve net-zero emission for scopes 1 and 2 by 2030. It also plans to reduce its energy intensity per square meter to 70 per kilowatt-hour (kWh) until 2030 from 77 kWh in 2024. All nine centers are BREEAM certified (part 1) and are planned to be certified (part 2) in 2026.

As of June 30, 2025, Klépierre owns 56.1% of S&S, whose current leverage and financial discipline are commensurate with those of Klépierre. We have not seen the controlling shareholder exert any negative operational influence on S&S over the past few years. On the contrary, Klépierre has a track record of injecting capital into S&S to sustain conservative financial leverage during the company's selective acquisitions.

Rating Component Scores	
Foreign currency issuer credit rating	**A-/Stable/--**
Local currency issuer credit rating	**A-/Stable/--**
Business risk	**Satisfactory**
Country risk	Very Low
Industry risk	Low
Competitive position	Satisfactory
Financial risk	**Intermediate**
Cash flow/leverage	Intermediate
Anchor	**bbb**
Modifiers	
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Strong (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**bbb**

Related Criteria

- Criteria | Corporates | General: Corporate Methodology, Jan. 7 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10 2021
- General Criteria: Group Rating Methodology, July 1 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1 2019
- Criteria | Corporates | Industrials: Key Credit Factors For The Real Estate Industry, Feb. 26 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19 2013
- General Criteria: Methodology: Industry Risk, Nov. 19 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16 2011