

LONG-TERM RATING

AA-

OUTLOOK

Stable

SHORT-TERM RATING

N1

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AB Transitio 'AA-' long-term issuer rating affirmed; Outlook stable

Nordic Credit Rating (NCR) said today that it had affirmed its 'AA-' long-term issuer rating on Sweden-based provider and manager of passenger railway rolling stock [AB Transitio](#). The outlook is stable. The 'N1' short-term issuer rating was also affirmed.

Rating rationale

The affirmation reflects the owner's continued strong and stable credit quality as well as lease-rate adjustments, which have resulted in performance in line with our expectations. The long-term planning structure and long lead times in the Swedish railway industry provides high transparency and predictability of operations. We expect the company to increase its share of Sweden's total rolling stock.

The long-term rating reflects Transitio's heavily regulated financial and commercial relationship with its owners, which are its sole customers. The company is jointly owned by 20 Swedish counties, which have significant financial capacity to honour their commitments. According to a shareholder agreement, all debt maturities, costs, and loss exposures are guaranteed by the county (or counties) using the company's services. We see the guarantees extended by the owners as irrevocable, unconditional, and timely, broadly aligning the company's financial strength with that of its owners. The rating further reflects the company's insulated competitive position and the high barriers to entry in the Swedish passenger rolling stock leasing market. It is also supported by the company's long average debt maturity of 6.6 years and low refinancing risk.

The rating is constrained by Transitio's limited size and diversity. The company owns about one-fourth of the regional railway rolling stock in Sweden, which limits its geographic diversity, and is notably smaller than its European peers. Transitio has minimal book equity as a not-for-profit entity, which results in comparatively high leverage in comparison with its peers. Conversely, the not-for-profit policy allows for full pass through of all interest and operating costs to its owners. Guarantees from the owners ensure stability and support the company's overall financial risk profile.

The rating reflects our expectations that potential debt issues will have similar guarantees to those on Transitio's existing loans, given the structure of the company's shareholder and leasing agreements. Given the current ownership and NCR's current credit assessments of Swedish counties, we would expect to rate guaranteed issues at 'AAA' or 'AA+' depending on our credit assessment of the relevant guarantor or guarantors. We expect the company to receive support from the Swedish central government, should any of the owner counties encounter financial trouble.

Stable outlook

The stable outlook reflects our expectations that Transitio's risk profile will remain strong thanks to the extensive shareholder guarantees and the company's increasing importance for fulfilling the political targets of its owners. The long-term planning structure of Swedish railways contributes to stability and predictability of operations. The outlook incorporates our view that the owners' credit quality will remain unchanged and that they will remain the company's sole customers.

We could raise the rating to reflect a reintroduction of cross-county guarantees and substantially higher utilisation by owners, significantly increasing the scale of operations.

We could lower the rating to reflect a decline in credit quality among the combined owner pool or changes in the ownership profile. We could also lower the rating due to any change in financial and/or operational guarantees.

Rating list

Long-term issuer credit rating:

To	From
AA-	AA-

Rating list

Outlook:

Short-term issuer credit rating:

To
Stable
N1

From
Stable
N1

Figure 1. Transitio rating scorecard

Subfactors	Impact	To	From
Operating environment	20.0%	a	a
Market position	10.0%	a	a
Size and diversification	10.0%	bb	bb
Operating efficiency	10.0%	a	a
Business risk assessment	50.0%	a-	a-
Ratio analysis		b	b
Risk appetite		aa-	aa-
Financial risk assessment	50.0%	a+	a+
Indicative credit assessment		a	a
Liquidity		Adequate	Adequate
ESG		Adequate	Adequate
Peer calibration		Neutral	Neutral
Stand-alone credit assessment		a	a
Support analysis		+2 notches	+2 notches
Issuer rating		AA-	AA-
Outlook		Stable	Stable
Short-term rating		N1	N1

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating
Publication date:	The rating was first published on 27 Sep. 2023.
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:	<p>NCR's Corporate Rating Methodology published on 8 May 2023 NCR's Rating Principles published on 14 Feb. 2024 NCR's Group and Government Support Rating Methodology published on 14 Feb. 2024</p> <p>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).</p>
Materials used when determining the credit rating:	Annual- and quarterly reports of the rated entity, 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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