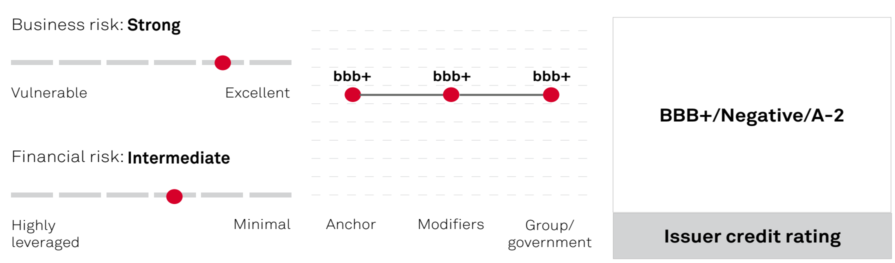
Aroundtown S.A.

December 11, 2024

Ratings Score Snapshot



Primary contact

Manish Kejriwal
Dublin
353-0-1-568-0609
manish.kejriwal@spglobal.com

Secondary contact

Nicole Reinhardt
Frankfurt
49-693-399-9303
nicole.reinhardt@spglobal.com

Credit Highlights

Overview

Key strengths	Key risks
Large portfolio of about €24.0 billion--including Grand City Properties S.A. (GCP)--spread across several segments, including offices, residential, and hotel properties.	S&P Global Ratings-adjusted debt to debt plus equity remains above our rating downside threshold of 50% in 2024 (53.1% as of Sept. 30,2024) however, we expect it to improve in line with our rating requirements over the next six-to-nine months.
Focus mainly on German metropolitan areas and cities that have favourable market fundamentals, which help generate strong positive like-for-like rental growth.	Following rising interest rates, AT's debt servicing capacity has declined to 2.1x on a rolling 12-month basis as of Sept. 30, 2024, versus 3.4x year-end 2022 (excluding interest income), breaching our rating downside threshold temporarily.
Good tenant diversity with the top 10 tenants accounting for less than 20% of annual rent--spread across industries--with a long weighted average lease maturity of 7.7 years.	About 39% of the portfolio is focused on the office segment, which is facing demand pressure and rising vacancies (around 12.8% as of Sept. 30, 2024).
Strong liquidity with available cash and liquid assets of €3.3 billion (including €1.45 billion at GCP) as of Sept. 30, 2024, which covers debt maturities well until the second quarter of 2026.	

We expect Aroundtown S.A. (AT) will accelerate its deleveraging efforts over the next six-to-nine months to ensure that its debt-to-debt-plus-equity ratio returns to below 50%, to be commensurate with our current 'BBB+' rating. This ratio peaked at 54.8% as of Dec. 31, 2023, and improved to 53.1% as of Sept.,30 2024, mainly supported by the successful exchange of its hybrid notes, which got reassessed to intermediate equity content (50% equity; 50% debt); suspension of common dividends; bonds repayment at discount and the partial completion of the asset disposal. We believe the ratio will likely improve just below 50% by mid-2025, mainly through the company's deleveraging plan and our assumptions such as:

- Ramping up the asset disposal program, with a plan to dispose and cash in assets worth about €1.2 billion over the next six months (€100 million in fourth-quarter 2024 and €1.1 billion in the first six months of 2025);
- Cashing in the large part of outstanding vendor loans and other receivables (about €300 million-€350 million);
- We assume that AT will continue to suspend common dividends in 2025 at least; and
- We include a 2.5%-3.0% portfolio devaluation for 2024 (2.4% reported as of the first half of 2024).

On the back of deleveraging measures, we also expect AT's debt to EBITDA to improve to 14.0x-14.5x in 2024 and around 12.5x-13.0x in 2025 (from 16.2x in December 2023). This will be mainly supported by slightly lower net debt levels as we assume a large portion of vendor loans and signed sales will be cashed in and we forecast a solid recovery in EBITDA from hotel assets. We understand that AT remains committed to its deleveraging plan and we assume, if any shortfalls arise, the company may explore leverage-improving options, such as issuing equity or equity-like instruments, or other measures, to ensure that credit metrics are commensurate with our current rating by mid-2025..

Higher refinancing costs and a hybrid coupons reassessment have weighed on AT's EBITDA interest coverage ratio, but we anticipate that it will improve in the next six to 12 months. Its S&P Global Ratings-adjusted EBITDA interest coverage ratio bottomed out in June 2024 at 2.06x before improving to 2.12x as of September 2024 (but still below our rating threshold of 2.4x) following successful hybrid notes exchange--with a large portion therefore reassessed to intermediate equity content--and a strong operating performance. The company's overall average cost of debt was around 2.0% as of Sept. 30, 2024, and we forecast that it will increase to about 2.5% over the next 12-18 months, assuming some upcoming maturities are refinanced at a higher cost of around 4.5%-5.0% in 2024 and 3.5%-4.0% in 2025. We understand that the company plans to use its high cash balance for debt repayment and use the cash from expected asset disposals and vendor loans receivable for reducing debt. This should reduce overall absolute interest expenses. We therefore expect the EBITDA interest coverage ratio to improve to about 2.4x by mid-2025 and 2.50x by year-end 2025 (2.10x on rolling 12-month basis as of Sept. 30, 2024) and further toward 2.6x by 2026. Additionally, the ratio will continue to be supported by the improved hedging ratio, to 98%, from 83% as of March 2023, an additional EBITDA contribution from the hotel segment due to recovery and refurbishments of few hotel assets, strong operating performance, and the company's long weighted average debt maturity of 4.0 years. Our adjusted ratio does not include cash interest income, in line with our criteria, and we do not include it in our ratio calculation. However, we estimate that the cash interest income--if netted off interest expenses--could have a positive impact of about 0.3x-0.4x on our EBITDA interest coverage calculation.

We expect AT's operating performance will remain solid for the next 12-24 months, albeit slower. AT posted a solid 3.0% like-for-like increase in its rental income in its third-quarter results, driven by the contractual inflation-linked nature of part of its commercial portfolio, with a contribution notably from the hotel portfolio. This has made a strong recovery and is back to pre-pandemic levels. The company's lease length in the office segment stood at 4.3 years and is in line with the industry average, with only 3.0% of leases expiring in second-half 2024 and about 11.0% in 2025. Although we expect occupancy levels will remain broadly stable at 92%-92.5% (versus 92.4% as of third-quarter 2024), benefiting from solid demand for its residential and hotel assets, we think the office segment could continue to see some pressure on occupancy rates because of slowing tenant demand and macroeconomic challenges in the German market, as well as the widening gap between assets in prime and secondary locations and corporate downsizing their office space.

We note that AT has announced that it will not call its December 2024 and January 2025 hybrid notes. Most recently, on Nov 28, 2024, the company announced the non-call of two of its hybrids with first call dates in December 2024 and January 2025. This follows the completion of the exchange and tender offers in April, May, and September 2024. As communicated when the exchange offer was launched, intermediate equity content was assigned to the exchanged amounts. Aroundtown recently announced the non-call of the nominal outstanding €218 million hybrid notes with first call dates in December 2024 (€156 million) and January 2025, (€62 million). We will remove the equity content at their respective call dates, as the effective maturities will fall under 20 years at that time. Our base case assumes the company's hybrid bond, with a first call date in July 2026, of €600 million will be replaced with another similar instrument with a coupon of about 5%-6%.

Outlook

In our view, there is a one-in-three likelihood of a downgrade over the next six-to-nine months if AT's credit metrics deteriorate beyond our base-case assumptions, with debt to debt plus equity remaining above 50%, or EBITDA interest coverage below 2.4x. This could happen due to slower-than-anticipated asset disposal progress, a higher devaluation of its properties, or a weakening operational performance with a lower growing EBITDA base or a decline in margins.

Downside scenario

We would downgrade AT if, over the next six to nine months:

- Debt to debt plus equity remains above 50%;
- EBITDA interest coverage remains below 2.4x; or
- Debt to EBITDA deviated materially from our forecast.

Rating pressure would also stem from a material deterioration in AT's operating environment, leading to a further increase in vacancy rates in its commercial property portfolio or a further devaluation of its asset base than we currently anticipate.

Upside scenario

An outlook revision to stable hinges on AT achieving:

- Debt to debt plus equity improving to below 50%;
- EBITDA interest coverage improving above 2.4x; and
- Debt to EBITDA moving toward 13x.

A continuing strong operating environment would also be supportive, with an improvement in occupancy levels in all segments, including the commercial portfolio, positive like-for-like rental income growth, and flat or positive portfolio value growth in its property portfolio.

Our Base-Case Scenario

Assumptions

- Real GDP growth in Germany of 1.1% in 2025 and 1.3% in 2026. We forecast consumer price index growth of 2.2% in 2025, reducing to below 2.0% in 2026.
- Real GDP in the U.K. of 1.3% in 2025, increasing to 1.6% in 2026. We forecast the consumer price index to remain around 2.0%-2.2% over the next two years.
- Annual like-for-like revenue growth of about 2.5%-3.0% in 2024, moderating to 2.0%-2.5% in 2025 through 2026, factoring in benefits from the company's commercial indexation-linked rental contract, solid tenant demand for residential assets, and positive momentum in the hotel assets.
- Occupancy sustained near current levels of 92%-93% in the coming 12-24 months, with stable or some improvement expected in occupancy levels in the commercial real estate segment.
- Negative 2.0%-3.0% like-for-like portfolio revaluation in 2024, as we assume stable property portfolio valuation for the second half of 2024 (2.4% devaluation as of the first half of 2024) and flat thereafter.
- Prudent capex with €350 million assumed in 2024 and €300 million each year annually assumed thereafter.
- Asset disposals of about €500 million in 2024 (€440 million signed so far this year) and more material disposals of about €1.1 billion in 2025, most of it closed and cashed in during the first six months of the year.
- No further significant increases in vendor loans provided to the buyers of its disposal exposure. We conservatively forecast that the outstanding vendor loan will be received at 50% in 2025 and 50% in 2026, although we understand that the vendor loans repayments' weighted average is the end of 2025.
- No shareholders dividend for 2024, as announced by the company, and we assume no dividend for 2025, which will support the credit metrics.
- Replacement of hybrids that have first call dates in 2026 with an equivalent instrument that would be treated as being at least 50% equity with a coupon of 5%-6%.
- Our base case doesn't include any equity or other measures, but we assume if any shortfalls arise, the company will explore leverage-improving options, such as issuing equity or equity-like instruments, or other measures, to support its anticipated deleveraging target by mid-2025.

Key metrics

Period ending	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026
(Mil. EUR)	2022a	2023a	2024e	2025f	2026f
Revenue	1,568	1,564	1,579	1,595	1,639
EBITDA	872	903	942	965	992
Funds from operations (FFO)	510	498	486	516	545
Interest expense	258	392	438	390	388

Cash flow from operations (CFO)	522	478	593	622	618
Capital expenditure (capex)	434	351	350	300	300
Free operating cash flow (FOCF)	88	127	243	322	318
Debt	14,709	14,619	13,591	12,216	12,241
Equity	15,349	12,059	12,199	12,574	12,848
Cash and short-term investments (reported)	2,709	3,026	3,808	2,882	579
Adjusted ratios					
EBITDA margin (%)	55.6	57.7	59.6	60.5	60.5
EBITDA interest coverage (x)	3.4	2.3	2.2	2.5	2.6
Debt/EBITDA (x)	16.9	16.2	14.4	12.7	12.3
Debt/debt and equity (%)	48.9	54.8	52.7	49.3	48.8

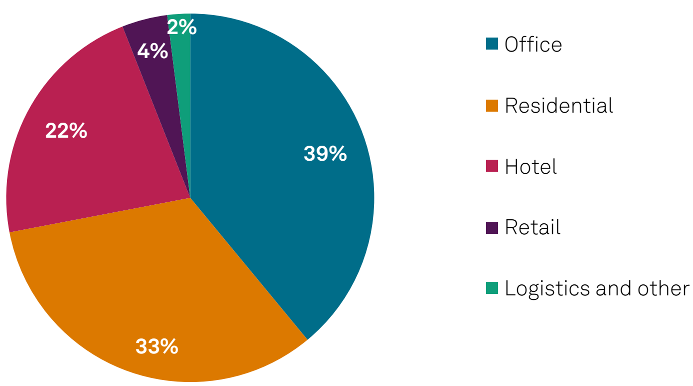
Company Description

Aroundtown is the largest listed Germany-based commercial real estate company, and it focuses on investing in rental-income-generating properties, mainly in Germany. AT carries out its residential investments through its 62% holding in GCP as of Sept. 30, 2024.

AT is incorporated in Luxembourg and listed at the Prime Standard on the Frankfurt Stock Exchange. As of Sept. 30, 2024, the largest shareholder was AT's founder Mr. Yakir Gabay, who held a 15% stake through Avisco Group PLC and Vergepoint followed by Stumpf Capital GmbH owning about 10%. The company owns 29% of its own shares (including 12% through TLG Immobilien AG) and the remaining 46% is free float. We note thatStumpf Capital GmbH, controlled by Austrian Georg Stumpf and has no board seat.

Aroundtown's Asset Diversity

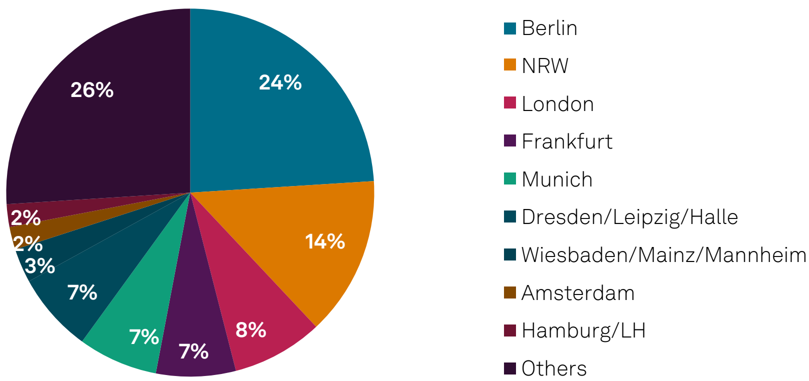
Based on portfolio value as of September 2024



Source: S&P Global Ratings.

Aroundtown's Geographic Diversity

Based on total portfolio value as of September 2024



Source: S&P Global Ratings.

Peer Comparison

Aroundtown S.A. –Peer Comparison—Operating Metrics

	Aroundtown S.A.	Covivio S.A.	Inmobiliaria Colonial	Merlin Properties S.A.	Icade S.A*
Foreign currency issuer credit rating	**BBB+/Negative/A-2**	**BBB+/Stable/A-2**	**BBB+/Stable/A-2**	**BBB+/Stable/A-2**	**BBB/Stable/A-2**
Business risk profile	Strong	Strong	Strong	Satisfactory	Satisfactory
Financial risk profile	Intermediate	Intermediate	Intermediate	Intermediate	Intermediate
Portfolio value (bil. €)	€24 bn	€15.4 bn*	€11.3 bn*	€11.4 bn	€6.6 bn
Geographic diversity	73% Germany, 8% UK,& 8% Netherlands, 11% others	42% Germany, 34% France, 17% Italy, 7% other*	66% France, 34% Spain	88% Spain, 12% Portugal	100% France
Asset diversity	39% office, 33% residential, 22% hotel, 4% retail % 2% logistics/others	50% office, 30% residential, 20% hotel*	97% office, 3% retail/others	58% office, 19% shopping centres, 13% logistics, 5% data centers, 5% other	88% office, 11% light industrials, 6% other/land bank
Occupancy (%)	92.4	97.3	95.9	95.4	87.2
WALT	7.7 years	6.4 years	Paris- 7.6 years; Madrid- 5.7 years; Barcelona- 6.3 years*	3.1 years	3.5 years

WALT--Weighted average lease term. All figures are as of September 2024. *Data as of June 2024.

	Aroundtown S.A.	Covivio	Inmobiliaria Colonial	Merlin	Icade S.A.
Foreign currency issuer credit rating	BBB+/Negative/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2	BBB/Stable/A-2
Local currency issuer credit rating	BBB+/Negative/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2	BBB/Stable/A-2
Period (rolling twelve months)	RTM	RTM	RTM	RTM	RTM

Period ending	2024-Sep-30	2023-12-31	2024-06-30	2024-06-30	2024-06-30
Mil.	EUR	EUR	EUR	EUR	EUR
Revenue	1,507	633	389	483	1,520
EBITDA	946	551	329	382	354
Funds from operations (FFO)	496	421	195	250	271
Interest	446	140	113	110	92
Capital expenditure	428	353	167	237	231
Dividends paid	34	73	285	98	354
Cash and short-term investments	3,258	778	425	725	1,152
Debt	13,730	6,918	4,880	4,188	3,623
Equity	12,132	8,097	5,946	6,581	4,501
Valuation of investment property	24,014	15,760	11,336	11,280	6,423
Adjusted Ratios					
EBITDA margin (%)	62.8*	87.0	82.6	79.1	82,0
EBITDA interest coverage (x)	2.1	3.9	2.9	3.5	3.9
Debt/EBITDA (x)	14.5	12.6	14.8	11.0	10.2
Debt/debt and equity (%)	53.1	46.1	45.1	38.9	44.6

*Based on gross rental income.

Business Risk

AT's portfolio benefits from its large scale and scope. It is diversified across multiple property types, including commercial (67% of portfolio value) and residential assets (33%), worth about €24.0 billion as of Sept. 30, 2024.

AT carries out its residential investments through its 62% stake in GCP. At the end of September 2024, GCP owned 62,014 residential units, mainly in Germany, with a total value of €8.4 billion. The group's total portfolio comprises more than 500 commercial assets and 150 hotels, totaling about 9.2 million square meters (including residential). The company owns a minority stake of just above 30% in Globalworth Real Estate Investments Ltd. (BB+/Negative/--) through a consortium with CPI Property Group S.A. (BB+/Negative/--), adding up to a total stake of slightly above 60% together with CPI Property Group. Globalworth is an office landlord focused on Romania and Poland and has a portfolio of about €2.7 billion (including development projects).

AT's sizable portfolio is well diversified across Germany, mainly in or close to metropolitan areas. We consider the areas of AT's greatest exposure--namely Berlin (24% of its portfolio value), North Rhine-Westphalia (14%), Frankfurt (7%), and Munich (7%) --to have supportive economic fundamentals, including low unemployment rates and solid demand characteristics. The company has some exposure to the Netherlands (about 8% of the portfolio, mainly office assets) in the Randstad area, primarily comprising the three largest Dutch cities (Amsterdam, Rotterdam, and Utrecht). It also has some exposure to London (8% of total portfolio, mainly residential and hotel assets).

The company continued with disposals throughout 2024 and used the proceeds to strengthen its liquidity position and reduce net leverage. It signed €630 million in disposals in the first nine months of 2024 and closed about €440 million disposals, which mostly took place at book value, mainly office properties (31%), residential (35%), development sites/land (23%), retail assets (8%), and hotels (3%).

Our assessment is further supported by the portfolio's long lease structure; its weighted-average lease term (WALT) is 7.7 years. For its office assets, AT's WALT is 4.3 years, while for its hotel assets it has increased slightly to 14.5 years with a fixed lease structure only. Although its German residential leases have no fixed contractual term, the average residential tenancy is very long, at more than 10 years.

The commercial and hotel tenant base is relatively strong and diverse across industries, with approximately 3,000 tenants. The two largest tenants are still Group Pierre & Vacances Center Parcs (not rated) and Siemens AG (A+/Stable/A-1+), which account for about 7% and 3% of total annual rental income, respectively. There is no further tenant dependency--the 10 largest commercial and hotel tenants represent less than 20% of total rental income. We note that a good recovery in hotel segment in last 12 months supported improved rental collection at the AT level and should support EBITDA. The company also recently refurbished some assets, which we understand will contribute about €50 million-€60 million in additional reported EBITDA over the next two-to-three years.

AT continues to deliver strong operating performance with reported like-for-like rental income growth of about 3%-4% for the past few years (3% as of Sept. 30,2024), supported by rental increases for in-place contracts and new leases. However, we note that vacancy rates in AT's office portfolio have been increasing, to 12.8% as of Sept. 30, 2024, versus 11.2% as of year-end 2022 because of slow tenant demand in the German office market and, as well as company sold more occupied assets over the last two years. We foresee further vacancy risk for its German office assets, following slowing tenant demand and macroeconomic challenges. The hotel portfolio on the other hand has made a strong recovery and is poised to grow, with vacancies among the lowest at 2.4% for the same period.

Our assessment also incorporates AT's exposure to the German economy, due to its concentration there. That said, it has expanded into the Netherlands and the U.K. in recent years, which together now account for about 16% of the overall portfolio. In our view, commercial properties are less resilient than residential assets, especially in regulated markets such as Germany, although some protection is provided because rental contracts can be partly indexed against the consumer price index.

Financial Risk

Our assessment of AT's financial risk profile reflects the company's moderate financial policy and commitment to maintaining its reported loan to value of no more than 45% (44% as of third-quarter 2024). We assume the company will maintain its funding mix in line with its existing financial policy and our current rating.

We think AT's credit metrics will remain constrained for the full year 2024, before rebounding in mid-2025. We forecast debt to debt plus equity will decrease to just below 50% by mid-2025 (we forecast 49.3% for year-end 2025) from 53.1% as of Sept. 30, 2024, mainly through the execution of various management deleveraging initiatives, including asset sales (€1.1 billion expected in first six months of 2025) and a further common dividend suspension.

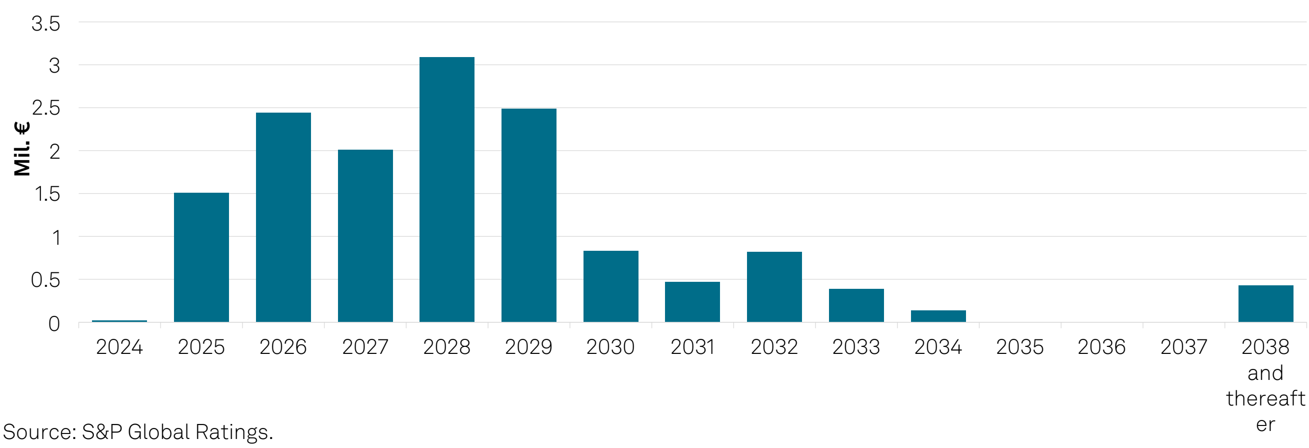
The EBITDA interest coverage ratio has declined to 2.1x as of Sept. 30, 2024, amid the rising rate environment, higher and revised hybrid coupons from hybrids where the effective maturity has become less than 20 years and therefore receives no equity content as per our criteria, and sizable financing needs. We note that it bottomed out in June 2024 at 2.06x. We also note that the company has increased its hedging ratio to 98% (versus 83% as of March 31, 2023) and faces limited issuances in upcoming years. This is because it plans to use its high cash balance for debt repayments over the next 12-18 months. Consequently, this should help coverage to recover to 2.5x-2.6x in the next 12-24 months. The company's long average debt maturity profile (4.0 years as of Sept. 30, 2024) and its relatively low cost of debt (2.0%) should also support the ratio.

The company has well-diversified funding sources, and solid banking relationships, and a good record of accessing both equity and debt capital markets in the past couple of years. AT's proportion of unencumbered assets is relatively high, at 72% of the total portfolio, or €16.9 billion.

Debt maturities

Debt Maturity Profile

As of September 30, 2024



Source: S&P Global Ratings.

Aroundtown S.A.--Financial Summary

Period ending	Jun-31-2023	Sep-30-2023	Dec-31-2023	Mar-31-2024	Jun-30-2024	Sep-30-2024
Reporting period	RTM	RTM	RTM	RTM	RTM	RTM
Display currency (mil.)	EUR	EUR	EUR	EUR	EUR	EUR
Revenues	958	1,115	1,564	1,432	1,517	1,507
EBITDA	837	845	903	917	928	946
Funds from operations (FFO)	443	459	498	469	494	496
Interest expense	303	348	392	437	450	446
Cash interest paid	120	163	214	92	133	193
Capital expenditure	400	390	351	349	345	428
Gross available cash	2,520	2,799	3,026	2,924	2,748	3,258
Debt	14,310	14,462	14,619	14,836	14,156	13,730
Common equity	13,785	13,371	12,059	11,913	11,860	24,132
Adjusted ratios						
EBITDA margin (%)	53.3	54.6	57.7	59.3	61.2	62.8

Aroundtown S.A.--Financial Summary

Return on capital (%)	(3.7)	(4.0)	2.9	3.1	3.3	3.6
EBITDA interest coverage (x)	2.8	2.4	2.3	2.1	2.1	2.1
Debt/EBITDA (x)	17.1	17.1	16.2	16.2	15.3	14.5
Debt/debt + equity	50.9	52.0	54.8	55.5	54.4	53.1

Reconciliation Of Aroundtown S.A. Reported Amounts With S&P Global Ratings' Adjusted Amounts - EUR (Millions)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Period date	2024-09-30									
Company reported amounts	14,353	11,886	1,551	834	(1,201)	313	946	823	34	428
Cash taxes paid	-	-	-	-	-	-	(111)	-	-	-
Cash interest paid	-	-	-	-	-	-	(244)	-	-	-
Lease liabilities	238	-	-	-	-	-	-	-	-	-
Debt-like hybrids	344	(344)	-	-	-	70	(61)	(61)	(61)	-
Intermediate hybrids (equity)	2,054	(2,054)	-	-	-	62	(35)	(35)	(35)	-
Accessible cash and liquid investments	(3,258)	-	-	-	-	-	-	-	-	-
Share-based compensation expense	-	-	-	5	-	-	-	-	-	-
Dividends from equity investments	-	-	-	41	-	-	-	-	-	-
Income (expense) of unconsolid. cos.	-	-	-	74	-	-	-	-	-	-
Nonoperating income (expense)	-	-	-	-	70	-	-	-	-	-
Reclassification of interest and dividend cash flows	-	-	-	-	-	-	-	(244)	-	-
Noncontrolling/ minority interest	-	2,644	-	-	-	-	-	-	-	-
Revenue: Finance/interest income	-	-	(44)	(44)	(44)	-	-	-	-	-
EBITDA - Gain/(loss) on disposals of PP&E	-	-	-	36	36	-	-	-	-	-
D&A: Asset valuation gains/(losses)	-	-	-	-	1,884	-	-	-	-	-

Reconciliation Of Aroundtown S.A. Reported Amounts With S&P Global Ratings' Adjusted Amounts - EUR (Millions)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
D&A: Impairment charges/ (reversals)	-	-	-	-	137	-	-	-	-	-
EBIT: Finance /interest income	-	-	-	-	44	-	-	-	-	-
Dividends: other	-	-	-	-	-	-	-	-	96	-
Total adjustments	(622)	246	(44)	112	2,126	133	(450)	(340)	0	-
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	13,731	12,132	1,507	946	925	446	496	484	34	428

Liquidity

We assess AT's liquidity as strong because we forecast that the fund's liquidity sources will exceed its uses by well above 1.5x over the next 12 months and by more than 1x over the following 12 months. The company benefits from the absence of large debt maturities in the next 12 months and has a high cash balance and a significant portion of liquid available assets.

Principal liquidity sources

From Sept. 30, 2024:

- About €3,258 million of cash and liquid market investments;
- Our forecast of about €725 million-€750 million annually in cash FFO for the next 12-24 months;
- Undrawn backup facilities of €600 million, maturing in more than 12 months; and
- Cash proceeds from signed asset disposals of about €320 million.

Principal liquidity uses

From Sept. 30, 2024:

- About €1,541 million of short-term debt maturities, including regular debt amortization;
- Our forecast of €300 million-€320 million annually of capex, of which we understand most is not committed; and;
- No cash common dividends for next 12 months.

Covenant Analysis

Requirements

As of Sept. 30, 2024, AT is compliant with financial covenants in its debt documentation.

Compliance expectations

We estimate headroom for the next quarters will remain significant, at 30% or more.

Environmental, Social, And Governance

ESG factors have an overall neutral influence on our credit rating analysis of AT. The company has embedded ESG into its strategy although few of the assets in its portfolio have green building certifications--about 38% of the commercial portfolio as of Sept. 30, 2024--which is below other European peers. That said, AT constantly deploys capex to modernize its portfolio and maintain high environmental standards. 100% of the Dutch offices has been certified to Building Research Establishment Environmental Assessment Method standards. We understand that the company has started green certifications at German assets as well as well as extending them to other asset types such as hotels, with 58% of German offices having been certified and hotel certifications reaching 12% so far. The company's energy investment program installs infrastructure to reduce greenhouse gas emissions on its properties through the creation and storage of green energy (photovoltaic; electric vehicles; combined heat and power; and combined cooling, heat, and power). AT's goal is to reduce its total carbon emissions by 40% by 2030 (from 2018).

Issue Ratings--Subordination Risk Analysis

Capital structure

As of Sept. 30, 2024, 72% of AT's assets by portfolio value were unencumbered.

Analytical conclusions

As of Sept. 30, 2024, AT's ratio of secured debt to total assets was less than 7.2%, well below our 40% threshold for notching the issue rating. This is why we equalize the ratings on the senior unsecured debt with our 'BBB+' issuer rating.

For the outstanding subordinated hybrids, we assign no equity content for instruments that remain outstanding after the exchange where the effective maturity became less than 20 years (as of Sept. 30, 2024 about €344.0 million) and

intermediate equity content (50% equity; 50% debt) for all other hybrid instruments with an outstanding amount of €4.1 billion, and notch the issue rating down by two notches to 'BBB-': one notch for subordination and one for deferability. We understand that the company sees a very low likelihood of deferring hybrid coupon payments at this stage. If the likelihood of coupon payments increases, we will reassess our ratings on AT.

Rating Component Scores	
Foreign currency issuer credit rating	**BBB+/Negative/A-2**
Local currency issuer credit rating	**BBB+/Negative/A-2**
Business risk	**Strong**
Country risk	Very Low
Industry risk	Low
Competitive position	Strong
Financial risk	**Intermediate**
Cash flow/leverage	Intermediate
Anchor	**bbb+**
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: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- 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
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Aroundtown’s Proposed Tap Under Perpetual Exchange Offer Has Intermediate Equity Content, September 10, 2024
- Aroundtown's Proposed USD And GBP Hybrid Notes Under Exchange Offer Assigned 'BBB-' Rating, April 22, 2024
- Aroundtown’s Proposed Hybrid Notes Under Exchange Offer Assigned 'BBB-' Rating, April 2, 2024
- Grand City Properties' Proposed Hybrid Notes Under Exchange Offer Assigned 'BBB-' Rating, April 2, 2024

Ratings Detail (as of December 11, 2024)*

Aroundtown S.A.	
Issuer Credit Rating	BBB+/Negative/A-2
Senior Unsecured	BBB+
Issuer Credit Ratings History	
21-Jun-2023	BBB+/Negative/A-2
07-Dec-2017	BBB+/Stable/A-2
21-Dec-2016	BBB/Stable/A-2

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.