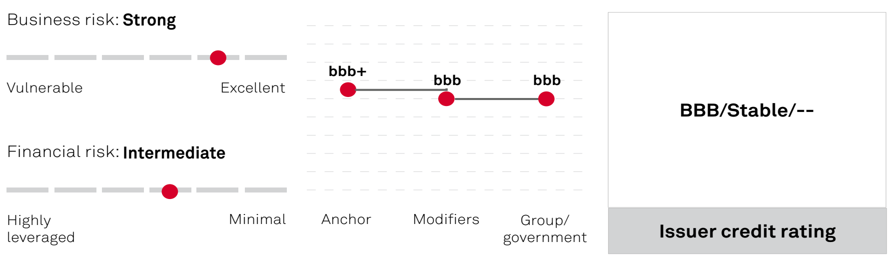
# Aedifica N.V./S.A.

**September 5, 2024**

## Ratings Score Snapshot




Primary contact

**Teresa Stromberg**
Stockholm
46-8-440-5922
teresa.stromberg
@spglobal.com

Secondary contact

**Marie-Aude Vialle**
Paris
33-6-15-66-90-56
marie-aude.vialle
@spglobal.com

## Credit Highlights

### Overview

| Key strengths | Key risks |
|---|---|
| Robust property portfolio of €6.0 billion as of June 30, 2024, comprising mainly elderly care homes (68% of the portfolio's gross asset value [GAV]); mixed-use elderly care buildings (15%); and senior housing, childcare, and others (17%); benefiting from demographic trends such as growing and aging populations. | Cost inflation as well as increasing regulation and reputational risks are weighing on health care operators' margins and implying potentially higher tenant credit risk for landlords. |
| Geographically well diversified across eight European countries, with the top five markets--Belgium (21% of the portfolio's GAV), Germany (20%), the U.K (20%), Finland (19%), and the Netherlands (12%)--together accounting for 92% of the portfolio as of June 30, 2024. | Pure health care player with a somewhat high tenant concentration: Clariane (formerly Korian) is the largest tenant comprising 10% of Aedifica's rental income, followed by Colisee (6%), and MMCG (5%) as of June 30, 2024. |
| Long-term lease structure (19 years as of June 30, 2024) and consistent 100% occupancy supports cash flow visibility and stability. | Moderate portfolio size compared with higher-rated European peers with similar capital structures and credit metrics. |
| Prudent financial policy with target of maintaining a debt-to-asset ratio of about 40% (with a maximum of 45%) translating into similar S&P Global Ratings-adjusted debt-to-debt-plus-equity ratios and solid debt servicing capability with healthy adjusted interest coverage ratio of about 5.0x as of June 30, 2024. | Liquidity profile remains healthy for the next 12 months but exposure to near-term maturity remains high, reflecting reliance on short-term debt as a funding source. |

**We anticipate Aedifica's credit metrics to be broadly stable over the next 12-24 months in line with its financial policy maintaining an S&P Global Ratings-adjusted debt to debt plus equity well below 50%.** For 2024, we anticipate that the S&P Global Ratings-adjusted debt-to-debt-plus-equity ratio will remain at 40%-42% including our assumption of flattish valuation in 2024 and thereafter (we note like-for-like air value change was +0.1% in the first half of 2024). Overall portfolio EPRA (European Public Real Estate Association) net initial yield has started stabilizing over the first half of 2024 at 5.3%, with the U.K. market generating some positive fair value adjustments of 1.6% on a like-for-like basis given solid operating performance similar to that in Finland (+0.6%) whereas negative fair value adjustment was generated in Belgium (-1.1%) and Germany (-0.7%). In line with our expectations, the health care sector has remained more resilient compared with other segments in the real estate sector holding lower yielding assets, as evidenced by a relatively low reported cumulative -3.3% asset decline by Aedifica since Sept. 30, 2022. We anticipate that Aedifica will increase its portfolio, although slower than before, primarily by completing its project pipeline (which represents less than 5% of its property fair value) using a balanced mix of debt and equity, while maintaining financial discipline.

**The increasing cost of debt may weigh on interest coverage ratios, but growing EBITDA and solid hedging policy in place helps to limit the effect.** We expect that our adjusted EBITDA interest calculation will drop slightly further in 2024 due to higher refinancing costs but remain comfortably above 4.0x (5.0x in the first half of 2024) over the next 12-24 months keeping solid headroom to ratings thresholds. Despite some use of short-term debt (12% of gross debt comprises commercial papers, and 5% consists of revolving credit loans maturing within 12 months as of the first half 2024), Aedifica benefits from an overall low average cost of debt (1.9% as of June 30, 2024) supported by a solid hedging ratio in place of close to 90% for both in 2024 and 2025. In addition, we anticipate S&P Global Ratings-adjusted debt to EBITDA to remain below 9.5x (8.9x as of June 30, 2024) over the forecast period, supported by a growing EBITDA.

**Favorable dynamics across the elderly health care sector will underpin Aedifica's solid operating performance.** Aedifica managed to increase its rental income during the first half of 2024 with 3.2% like-for-like growth underpinned by particularly high indexation in Sweden (6.5%), the U.K. (3.8%), and Ireland (3.7%); while growth was slower in Belgium (1.5%) and Germany (1.1%)--contracts are not fully indexed in Germany. Completed projects over the same period also contributed to increasing total revenues (7.0% and as of June 30), and we anticipate that the project pipeline (currently worth €261 million) will start to generate rental income over the next couple of quarters and further enhance cash flow generation. We expect that structural undersupply of nursing homes across Europe combined with increasing demand from an aging population, should also support strong demand and full occupancy rates.
As all lease agreements are linked to inflation, we forecast like-for-like rental income growth to slow down over the coming 12-24 months as inflation is falling. Subsequently, going forward we expect like-for-like rental growth of 2.0%-2.5% in 2024 and 1.5%-2.0% in 2025.

**Despite the challenging market conditions for health care operators, we anticipate that the operational affect will be limited.** Although there is some recovery in health care operators' occupancy rate across Europe over the first half of the year supporting EBITDA fixed-charge coverage ratio going forward, market conditions remain challenging for operators in the wake of cost inflation and increasing regulations. As such, we remain cautious on the sector and understand that markets such as France, Germany, and Belgium remain particularly difficult for the operators implying higher tenant credit risk for nursing home landlords. In addition, some operators such as Clariane (10% of Aedifica's contractual rent, June 30, 2024) and Emeis (3%) have carried out broader restructurings of their capital structure to strengthen the balance sheets. Although we factor in potential negative rent reversions (-0.4% in the first half of 2024), we anticipate that the effect on Aedifca's operating performance should be limited because of its diversified portfolio with regard to tenants and to geographic exposure of operating in eight countries.

**Aedifica holds a solid liquidity position with a spread-out debt maturity profile.** Aedifica has an average debt maturity of 3.9 years and a relatively well spread maturity profile amounting to a total financial debt of about €2.5 billion as of the first half of 2024. Over the next 12 months, the company faces debt of about €421 million falling due including both commercial paper (CP) and loans from credit institutions. We understand Aedifica intends to roll over existing short-term debt but should volatile market conditions arise and make the plan challenging, it has about €650 million available under its committed undrawn back-up facility maturing beyond 12 months as of June 30, 2024, as well as about €20 million in cash. The cash and credit lines available, combined with funds from operations of about €160 million-€170 million and committed asset disposals of about €50 million, should therefore cover liquidity uses including debt maturities, capital expenditure (capex) needs, and dividend payments over the next 12 months.

# Outlook

The stable outlook reflects our expectation that Aedifica's predictable rental income, supported by its resilient health care assets and long overall leases (19 years), will likely enable it to continue generating stable cash flow over the next 24 months. We also expect the company will maintain S&P Global Ratings-adjusted debt to debt plus equity of well below 50% by funding its investments with a balanced mix of debt and equity, in line with its financial policy.

## Downside scenario

We could lower our rating on Aedifica if:

- Its S&P Global Ratings-adjusted debt to debt plus equity surpasses 50%, which could occur if it funds its external growth purely with debt or experiences a material portfolio devaluation;
- Its annualized debt to EBITDA materially exceeds 13.0x;
- Its rental income declines markedly due to lower occupancy, for example, causing its S&P Global Ratings-adjusted EBITDA interest coverage to fall below 2.4x; or
- Its liquidity deteriorates due to a high committed investment pipeline that it does not sufficiently back with available undrawn credit lines, or it substantially increases its usage of short-term debt, such as CP.

## Upside scenario

We could raise our rating on Aedifica if:

- It improves its S&P Global Ratings-adjusted debt to debt plus equity toward 40% or less on a sustainable basis, supported by a change in its financial policy;
- Debt to EBITDA declines toward 9.5x;
- Its EBITDA interest coverage remains at current levels; or
- It significantly expands the scale and scope of its portfolio such that it becomes more aligned with those of its peers we rate in a higher category.

# Our Base-Case Scenario

**Assumptions**

- Economic uncertainty and restrictive monetary policy to weigh on eurozone GDP growth, which we forecast at 0.6% in 2024 and 0.9% in 2025.
- Indexation to be positive on the back of Consumer Price Index (CPI) for Europe as Aedifica has primarily CPI-indexed contracts. We assume like-for-like growth in rental income of about 2.0%-2.5% in 2024 and then 1.5%-2.0% in 2025; we forecast eurozone CPI growth of 5.6% in 2024 and 2.7% in 2025.
- High and stable occupancy of close to 100% in the next 24 months, thanks to Aedifica's long lease contracts.
- Overall stable EBITDA margin at 84%-86%, given most of the leases are triple- and double-net.
- Annual capex of €200 million-€220 million in 2024 and €100 million-€120 million annually thereafter.
- Asset devaluation of about--1% in the upcoming 12 months given price pressures amid high interest rates environment and flat thereafter.
- Acquisitions of about €70 million in 2024 and €50 million annually thereafter.
- Asset disposals of €110 million-€120 million in 2024 and €25 million per year after that.
- Annual dividend of €120 million-€125 million, in line with company policy.

## Key metrics

**Aedifica NV/SA--Forecast summary**

| Period ending | Dec-31-2020 | Dec-31-2021 | Dec-31-2022 | Dec-31-2023 | Dec-31-2024 | Dec-31-2025 | Dec-31-2026 | Dec-31-2027 |
|---|---|---|---|---|---|---|---|---|
| (Mil. EUR) | 2020a | 2021a | 2022a | 2023a | 2024e | 2025f | 2026f | 2027f |
| Revenue | 185 | 231 | 272 | 313 | 331 | 345 | 355 | 365 |
| EBITDA | 153 | 195 | 232 | 268 | 283 | 295 | 304 | 312 |
| Interest expense | 30 | 34 | 39 | 56 | 64 | 70 | 75 | 78 |
| Capital expenditure (capex) | 386 | 310 | 306 | 255 | 211 | 118 | 91 | 90 |
| Dividends | 130 | 48 | 119 | 116 | 119 | 123 | 127 | 131 |
| Debt | 1,702 | 2,131 | 2,520 | 2,346 | 2,461 | 2,568 | 2,649 | 2,755 |
| Equity | 2,173 | 2,785 | 3,289 | 3,581 | 3,575 | 3,609 | 3,642 | 3,675 |
| **Adjusted ratios** | | | | | | | | |
| EBITDA margin (%) | 82.8 | 84.3 | 85.3 | 85.6 | 85.6 | 85.6 | 85.6 | 85.6 |
| EBITDA interest coverage (x) | 5.1 | 5.7 | 5.9 | 4.8 | 4.4 | 4.2 | 4.1 | 4.0 |
| Debt/EBITDA (x) | 11.1 | 10.9 | 10.9 | 8.8 | 8.7 | 8.7 | 8.7 | 8.8 |
| Debt/debt and equity (%) | 43.9 | 43.3 | 43.4 | 39.6 | 40.8 | 41.6 | 42.1 | 42.8 |

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

# Company Description

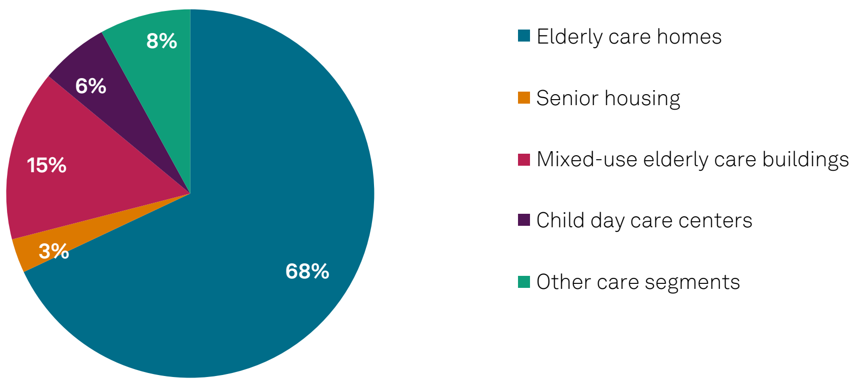
Established in 2005, Aedifica is a listed Belgian company that specializes in health care properties, particularly housing for elderly people with care needs. Aedifica is headquartered in Belgium and has been listed on Euronext Brussels since 2006; the company operates under the

Real Estate Investment Trust regime in Belgium and has recently obtained the SIIC status in the U.K. In the Netherlands Aedifica has benefitted from the Fiscal Investment Institution regime that will be abolished from Jan. 1, 2025.

The company had a portfolio value of about €6.0 billion as of June 30, 2024, comprising 630 properties. Its portfolio generates annual contractual rent of €342 million with an EPRA gross yield of 5.9%. The company's largest shareholder is BlackRock with 5.4% as of June 2024. The free float is 100%.

**Breakdown of Aedifica's portfolio value by segment**

As of June 30, 2024




Source: Aedifica reports and S&P Global Ratings



# Peer Comparison

**Aedifica N.V./S.A.--Peer Comparisons**

| | Aedifica N.V./S.A. | Cofinimmo S.A./N.V. | Praemia Healthcare | Hemso Fastighets AB |
|---|---|---|---|---|
| Foreign currency issuer credit rating | BBB/Stable/-- | BBB/Stable/A-2 | BBB/Stable/A-2 | A-/Stable/A-2 |
| Local currency issuer credit rating | BBB/Stable/-- | BBB/Stable/A-2 | BBB/Stable/A-2 | A-/Stable/A-2 |
| Period | RTM | RTM | RTM | RTM |
| Period ending | Jun-24 | Jun-24 | Jun-24 | Jun-24 |
| Revenue | 325 | 352 | 346 | 441 |
| EBITDA | 278 | 277 | 312 | 315 |
| Funds from operations (FFO) | 221 | 237 | 269 | 275 |
| Interest expense | 56 | 39 | 64 | 107 |
| Operating cash flow (OCF) | 177 | 232 | 263 | 219 |
| Capital expenditure | 208 | 141 | 52 | 279 |
| Dividends paid | 167 | 155 | 229 | 40 |
| Cash and short-term investments | 22 | 22 | 201 | 90 |
| Debt | 2,571 | 2,803 | 2,432 | 4,523 |
| Equity | 3,570 | 3,588 | 3,554 | 2,505 |
| Valuation of investment property | 5,946 | 6,113 | 5,969 | 7,408 |

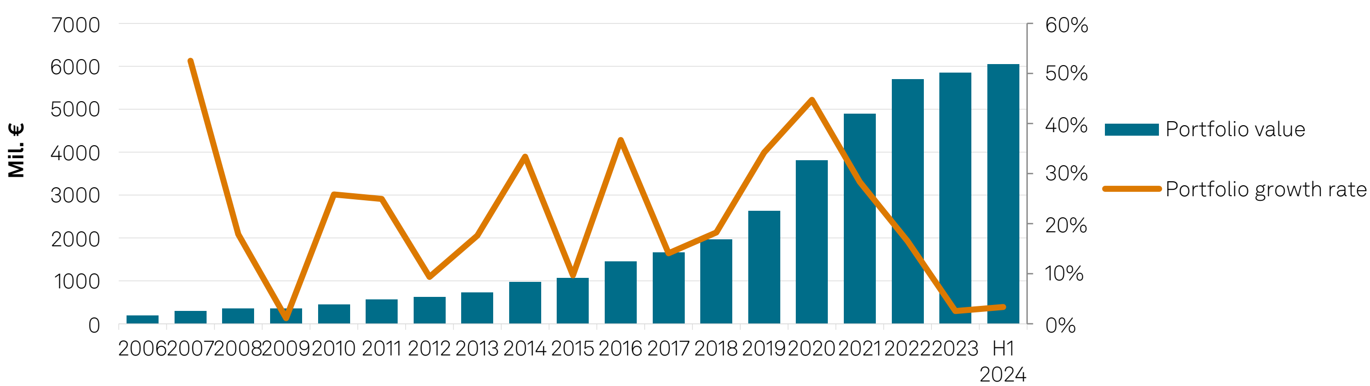
| Adjusted Ratios | | | | |
|---|---|---|---|---|
| EBITDA margin (%) | 86 | 78.6 | 90.3 | 71.4 |
| EBITDA interest coverage (x) | 5 | 7.1 | 4.8 | 3.0 |
| Debt/EBITDA (x) | 9 | 10.1 | 7.8 | 14.4 |
| Debt/debt and equity (%) | 42 | 43.9 | 40.6 | 64.4 |

# Business Risk

Aedifica's portfolio has increased materially to €6.0 billion as of June 30, 2024, from €2.6 billion as of Dec. 31, 2019, through acquisitions and project developments entering new geographic markets. We anticipate that Aedifica's portfolio growth will continue within the European health care sector but at a slower pace than before, primarily by completing its project pipeline using a balanced mix of debt and equity, while maintaining financial discipline.

As of June 30, 2024, Aedifca's portfolio comprised 630 properties diversified across eight European countries: Belgium (21% of portfolio value), Germany (20%), the U.K. (20%), Finland (19%), the Netherlands (12%), Ireland (7%), Sweden (1%), and Spain (>0%).

**Aedifica's portfolio growth over the years**




Source: Aedifica reports and S&P Global Ratings



A resilient and tenant-diversified property portfolio of elderly care homes (68% of property value as of June 30, 2024), mixed-use elderly care buildings (15%), and senior housing (3%) underpins Aedifica's business risk profile. Aedifica benefits from favorable demographic trends such as the aging and growing population generating an increasing need for elderly care and health care facilities; hence general demand should remain strong and new supply should moderate in the next few years.

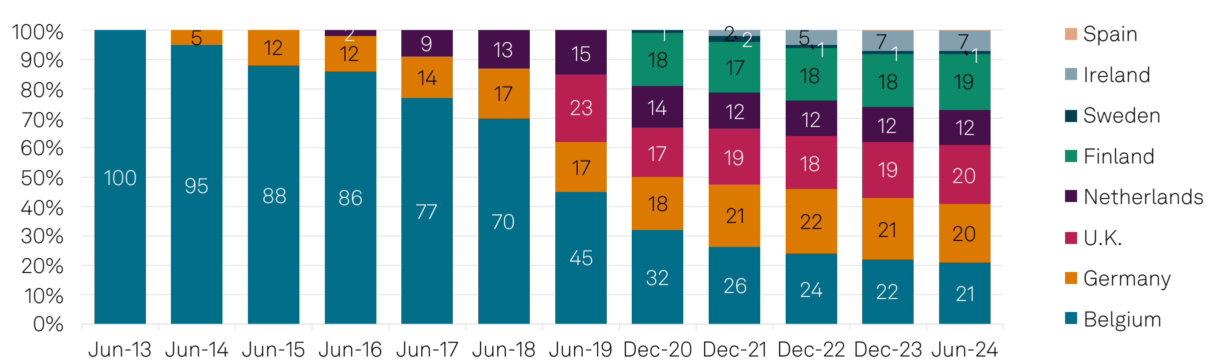
Strong operating parameters also support the business risk profile, such as an occupancy rate close to 100% and very long-dated inflation-linked lease tenures that offer rental growth and downside protection. We understand Aedifica fully leases out its premises to operators on a long-term basis averaging 19 years, which provides high cash flow visibility and predictability. The company has a relatively modern asset base and more than 60% of its assets are less than 15 years old, so we think maintenance costs should remain limited. We expect these operating parameters to remain strong, leading to stable and predictable cash flows.

During the first half of 2024, the company increased its rental income by 3.2%. Positive indexation and renegotiation of contracts primarily in Sweden, Finland, and the Netherlands helped like-for-like growth, whereas Germany and Belgium have seen slower growth. After five consecutive quarters of negative portfolio valuations, fair value of the portfolio stabilized in the first half of 2024 (+0.1%). The operational performance is in line with other peers in the Europe, Middle East, and Africa health care sector, for instance Cofinimmo AS reported like-for-like rental growth of 2.1% and fair value adjustments of -1.4%, and Praemia Health Care reported 4.4% and -1.8% over the same period. Moreover, Aedifica has a relatively large project pipeline (4.3% of property value at the end of the first half of 2024), although development risk is limited given near 100% are pre-let and the majority are turnkey projects. However, we anticipate some deterioration in development return given the inflationary environment and increased cost of funding.

Furthermore, Aedifica benefits from high barriers to entry in the elderly care homes sector, underpinned by its solid relationship with municipal governments. We recognize that privatization in some of Aedifica's regions of operation, like the Nordics, could result in increased supply. Furthermore, municipal governments are increasingly opting to outsource. This dynamic provides growth opportunities to Aedifica. That said, barriers to entry for long-term care assets are slightly lower than for short-term stay assets like the clinics that contain a significant amount of technical equipment and limited accommodation space.

The tenant base comprises predominately private operators (90% of contractual rent). In Sweden and Finland, operators are mainly funded via public health care spending whereas the UK is predominately a private payer's market where the residents pay themselves unless they qualify for support from National Health Service. Elsewhere in Europe funding is mainly supplied by health care insurance and fees from end-users, which ultimately reduces earnings volatility over business cycles. We note the potential political risks related to reimbursements and changes in the regulatory environment, but we do not expect any political or regulatory risk to materially harm Aedifica's operational performance in the short to medium term. We anticipate demand for Aedifica's assets will remain solid, underpinned by demographic trends such as rapidly growing elderly populations and subsequently increasing needs for nursing homes and health care assets.

**Breakdown of Aedifica's portfolio value by country**




Source: Aedifica reports and S&P Global Ratings

Our rating on Aedifica incorporates a one-notch downward adjustment to our comparable rating analysis, reflecting its higher leverage in the wake of an elevated project pipeline and the relatively small asset base compared with higher rated peers. We view Aedifica's smaller, and therefore more concentrated, asset base as a rating constraint. Particularly when compared with higher rated peers with similar capital structures and credit metrics, such as German residential real estate landlord Grand City Properties or French retail landlord Klepierre S.A. Aedifica's absolute cash flow is also more limited when compared with peers. Its intensive investment pipeline--including development projects and acquisitions--of about €261 million, most (87%)of which is targeted for completion by end-2025 while remainder in 2026 which will limit further improvement in S&P Global Ratings-adjusted debt to EBITDA over the forecast horizon.

# Financial Risk

Our assessment of Aedifica's financial risk profile is underpinned by the company's long commitment to its financial policy and the prudent mix of debt and equity funding that fuels its growth strategy. We understand that the company aims to expand its portfolio base while remaining committed to its financial policy target of keeping reported debt to assets at about 40% or a maximum of 45%. As of end-June 2024, its S&P Global Ratings-adjusted debt-to-debt-plus-equity ratio amounted to 41.1%, compared to 44.3% as of the first half of 2023 due to the equity issuance in 2023 and supported by the stabilization of portfolio valuations.

To assess the capital structure, we consider Aedifica's solid track record of accessing capital markets, raising additional equity financing to fund its growth plans, and maintain financial discipline. In 2023, Aedifica raised €406 million in additional equity (including the optional dividend of €26 million and equity issuance of €380 million) after raising similar amounts in 2022 and 2021. This has increased its capital base enabling deleveraging despite large investments over the last 12-18 months. We understand that it aims to keep expanding its portfolio base while remaining committed to its current financial policy, and we expect this growth will be funded with similar mix of debt and equity.

In the next 12-24 months, we forecast the debt-to-debt-plus-equity ratio to remain at existing levels (between 40%-42%) taking into account the company's growth plans and the anticipated stabilization of valuation in the real estate sector. At the end of the first half of 2024, Aedifica had project developments of about €261 million (of which €101 remains to be invested) mostly allocated to Finland. We expect most of the pipeline to be completed over the next 12-24 months and contribute to high future cash flows.

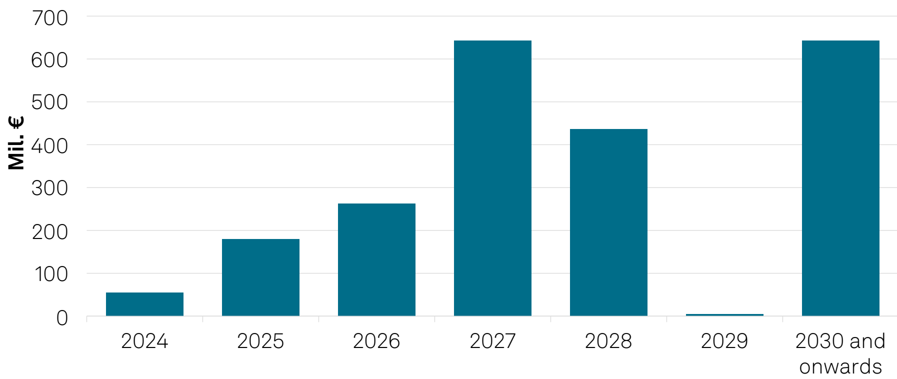
Aedifica has a solid capacity to cover its interest expense and generated an S&P Global Ratings-adjusted EBITDA interest coverage of 5.0x for the first half of 2024 resulting from low cost of debt (1.9% as of the first half of 2024), and a relatively high net initial yield of 5.3%. We expect that interest coverage will deteriorate slightly in the current high interest rate environment but should stay at about 4.0x-4.5x in the upcoming 24-36 months. We view solid interest rate hedging as positive evident by the company's use of mainly fixed-rated debt and hedged floating-rate debt amounting to 89% and 91% over the next 12-24 months of its borrowings as of June 30, 2024. We expect debt to EBITDA to remain at about 8.5x-9.0x (8.8x as of the first half of 2024) given the company's intensive investment plans.

## Debt maturities

Aedifica's weighted-average debt maturity as of June 30, 2024, is 3.9 years.

## Aedifica's debt maturity profile

As of June 30, 2024




Source: Aedifica reports and S&P Global Ratings



**Aedifica N.V./S.A.--Financial Summary**

| Period ending | Dec-21 | Jun-22 | Dec-22 | Jun-23 | Dec-23 | Jun-24 |
|---|---|---|---|---|---|---|
| Reporting period | RTM | RTM | RTM | RTM | RTM | RTM |
| Display currency (mil.) | EUR | EUR | EUR | EUR | EUR | EUR |
| Revenues | 231 | 254 | 272 | 295 | 313 | 325 |
| EBITDA | 195 | 215 | 232 | 255 | 268 | 278 |
| Funds from operations (FFO) | 139 | 161 | 188 | 207 | 211 | 221 |
| Interest expense | 34 | 35 | 39 | 49 | 56 | 56 |
| Operating cash flow (OCF) | 157 | 136 | 175 | 186 | 172 | 177 |
| Capital expenditure | 310 | 320 | 306 | 291 | 255 | 208 |
| Dividends paid | 48 | 119 | 119 | 117 | 116 | 167 |
| Cash and short-term investments | 15 | 19 | 14 | 14 | 18 | 22 |
| Debt | 2,131 | 2,142 | 2,520 | 2,585 | 2,346 | 2,571 |
| Common equity | 2,785 | 3,162 | 3,289 | 3,245 | 3,581 | 3,570 |
| Valuation of investment property | 4,861 | 5,256 | 5,620 | 5,641 | 5,790 | 5,946 |
| **Adjusted ratios** | | | | | | |
| EBITDA margin (%) | 84.3 | 84.6 | 85.3 | 86.3 | 85.6 | 85.7 |
| EBITDA interest coverage (x) | 5.7 | 6.1 | 5.9 | 5.2 | 4.8 | 5.0 |
| Debt/EBITDA (x) | 10.9 | 10.0 | 10.9 | 10.2 | 8.8 | 9.2 |
| Debt/debt and equity (%) | 43.3 | 40.4 | 43.4 | 44.3 | 39.6 | 41.9 |

**Aedifica N.V./S.A.--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (mil. €)**

| Period date | --Rolling 12 months ended June 30, 2024-- | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Debt** | **Shareholders' equity** | **Revenue** | **EBITDA** | **Operating income** | **Interest expense** | **S&P Global Ratings' adjusted EBITDA** | **Cash flow from operations** | **Dividends** | **Capital expenditure** |
| | 2,506.4 | 3,564.5 | 324.7 | 277.6 | 186.4 | 47.5 | 278.2 | 234.3 | 166.7 | 216.4 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **S&P Global Ratings' adjustments** | | | | | | | | | | |
| Cash interest paid | -- | -- | -- | -- | -- | -- | (48.6) | -- | -- | -- |
| Reported lease liabilities | 79.5 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Accessible cash and liquid investments | (21.6) | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Capitalized interest | -- | -- | -- | -- | -- | 8.5 | (8.5) | (8.5) | -- | (8.5) |
| Nonoperating income (expense) | -- | -- | -- | -- | 2.3 | -- | -- | -- | -- | -- |
| Reclassification of interest and dividend cash flows | -- | -- | -- | -- | -- | -- | -- | (48.6) | -- | -- |
| Noncontrolling interest/minority interest | -- | 5.2 | -- | -- | -- | -- | -- | -- | -- | -- |
| Debt: Put options on minority stakes | 6.2 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| EBITDA: Gain/(loss) on disposals of PP&E | -- | -- | -- | 0.6 | 0.6 | -- | -- | -- | -- | -- |
| Depreciation and amortization: Asset valuation gains/(losses) | -- | -- | -- | -- | 63.5 | -- | -- | -- | -- | -- |
| Depreciation and amortization: Impairment charges/(reversals) | -- | -- | -- | -- | 26.1 | -- | -- | -- | -- | -- |
| **Total adjustments** | **64.1** | **5.2** | **0.0** | **0.6** | **92.4** | **8.5** | **(57.1)** | **(57.1)** | **0.0** | **(8.5)** |
| **S&P Global Ratings' adjusted amounts** | | | | | | | | | | |
| | **Debt** | **Equity** | **Revenue** | **EBITDA** | **EBIT** | **Interest expense** | **Funds from operations** | **Cash flow from operations** | **Dividends** | **Capital expenditure** |
| | 2,570.5 | 3,569.7 | 324.7 | 278.2 | 278.8 | 56.0 | 221.1 | 177.3 | 166.7 | 207.9 |

# Liquidity

We assess Aedifica's liquidity as adequate. We estimate the ratio of liquidity sources to uses to be more than 1.2x in next 12 months as of June 30, 2024. The company's predictable and stable cash flows--based on its long-term lease profile and available committed lines--enhance its ability to withstand high-impact, low-probability events without the need to refinance.

## Principal liquidity sources

- Unrestricted cash balances of about €20 million;
- Undrawn revolving credit facility of €650 million, not coming due within the coming 12 months;
- Cash funds from operations of about €160 million-€170 million for the next 12 months; and
- Contracted disposals with proceeds of about €50 million.

## Principal liquidity uses

- About €422 million of debt maturities in next 12 months.
- Capex of approximately €160 million-€170 million.
- Dividends of €167 million over next 12 months.

# Covenant Analysis

## Requirements

- Debt to assets below 60% (40% as of June 30, 2024).
- Interest coverage ratio above 2.0x (6.5x as of June 30, 2024).

## Compliance expectations

Aedifica has covenants under its outstanding bank debt and credit lines. We understand that the headroom under these covenants is adequate, at more than 10%. We expect Aedifica to maintain sufficient headroom under all outstanding and future financial covenants.

# Environmental, Social, And Governance

Environmental, social, and governance factors are an overall neutral consideration in our credit rating analysis of Aedifica. We view the company's focus on health care assets as positive, which addresses the need for care, with aging populations in its countries of operation. However, we do not view the ownership of, and rental income collection from, these health care assets as having a materially positive influence on our credit rating analysis from a social perspective.

Aedifica has an environmental objective to achieve net zero greenhouse gas emissions by 2050 including the target to meet energy intensity of 130 kilowatt-hour per square meter (kWh/sq m) by 2030 (158 kWh/sq m in 2023). Aedifica targets to reduce scope 1 and scope 2 emissions by 20% by 2025.

Aedifica issued its first sustainability bond for €500 million in 2021 under its sustainable finance framework and as of June 30, 2024, the group's sustainable financing was 47% of its total borrowings.

Finally, we view the company's governance as comparable with industry standards.

# Issue Ratings--Subordination Risk Analysis

## Capital structure

Aedifica's capital structure is well diversified, with bank borrowings accounting for 57% of its financing on June 30, 2024, while the remaining 43% is from the debt capital markets.

## Analytical conclusions

We see limited subordination risk for Aedifica's unsecured debt with regard to the secured debt outstanding in its capital structure and accordingly, we align our issue rating on the unsecured bonds. We estimate Aedifica's ratio of secured debt to total assets (2% as of March 31, 2024) will remain well below our threshold of 40% for the rating.

| Rating Component Scores | |
|---|---|
| **Foreign currency issuer credit rating** | **BBB/Stable/--** |
| **Local currency issuer credit rating** | **BBB/Stable/--** |
| **Business risk** | **Strong** |
| Country risk | 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 | Adequate (no impact) |
| Management and governance | Neutral (no impact) |
| Comparable rating analysis | Negative (-1 notch) |
| **Stand-alone credit profile** | **bbb** |

# Related Criteria

- 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: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

# Related Research

- Industry Credit Outlook Update Europe: Real Estate (REITs), July 18, 2024

| Ratings Detail (as of September 05, 2024)* | |
|---|---|
| **Aedifica N.V./S.A.** | |
| Issuer Credit Rating | BBB/Stable/-- |
| Senior Unsecured | BBB |

| Ratings Detail (as of September 05, 2024)* | |
| --- | --- |
| **Issuer Credit Ratings History** | |
| 30-Aug-2021 | BBB/Stable/-- |

*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.