

Research Update:

Belgian Real Estate Company Aedifica 'BBB' Ratings Placed On Watch Positive After Announced Agreement With Cofinimmo

June 4, 2025

Rating Action Overview

- On June 3, 2025, Aedifica and Cofinimmo announced they had agreed to a proposed all-share tender offer under which Aedifica would acquire 100% of Cofinimmo. We expect the transaction, if successful, to close in fourth-quarter 2025.
- We think the proposed transaction would significantly strengthen Aedifica's market position, with it becoming the largest listed health care real estate investment company in Europe, almost doubling its portfolio size to €12.1 billion pro forma from €6.1 billion.
- We therefore placed our 'BBB' long-term issuer credit ratings on Aedifica and our 'BBB' issue rating on the company's senior unsecured bonds on CreditWatch with positive implications.
- The CreditWatch placement reflects that we could raise the ratings on Aedifica one notch if the transaction proceeds in line with proposed terms, supported by the significant expansion in scale and its credit metrics, including leverage, expected to stay near current levels.

Rating Action Rationale

If the transaction proceeds in line with the proposed terms, the combined entity's scale and market position would significantly expand, with broadly similar asset quality. The proposed exchange offer does not require debt funding, but the share issuances will have to be approved by Aedifica's shareholders, which likely will happen near July 11. Aedifica intends to acquire at least a majority interest in Cofinimmo, and the proposed exchange offer will be subject to a minimum acceptance threshold of 50% plus one of Cofinimmo shares.

Aedifica's property portfolio post-acquisition would reinforce its leading position in the health care real estate market in Europe. It would become the largest listed health care REIT in the region and be worth €12.1 billion, consisting of 88% of health care assets (916 properties), versus €6.1 billion (607 properties, all health care) currently. We think Aedifica, by reaching a higher scale, will benefit from a higher cash flow base through property cycles (€710 million

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contractual rents pro forma versus €355 million currently). We view most of Cofinimmo's €6.0 billion portfolio, with 77% exposure to health care properties that have a 99.4% occupancy (as of March 2025) and triple net lease structure with long duration (15 years on average), as complementing Aedifica's asset quality and positioning. Through this transaction, Aedifica would also enter the French and Italian health care markets, where Cofinimmo has a leading position and benefits from good market fundamentals, while reducing its concentration in the 10 largest tenants to 43% of rental income from 47% at March 31, 2025. Concentration to some operators would remain elevated, however, notably to Clariane, which would contribute 13% of total rental income of the combined group (versus 10% currently for Aedifica and 16% for Cofinimmo). We view the office and distribution networks assets as less predictable in terms of cash flow and valuation, but these segments only represent 8% and 4% of the combined entity's portfolio, respectively, and we understand they would most likely be eventually sold because they would most likely be seen as noncore.

We understand the combined financial policy would not change and expect credit metrics to remain near current levels. We think the transaction's financial impact should be moderate, because the deal is an all-share tender offer, protecting Aedifica's leverage. We understand the combined entity would remain committed to its financial policy target of keeping reported debt to assets at about 40%, with a maximum of 45%. As of Dec. 31, 2024, its adjusted debt-to-debt-plus-equity stood at 41.4%, while Cofinimmo's ratio stood at 41.5%. We forecast this to stand at 44%-46% over 2025-2027 for the combined entity, remaining consistent with the financial risk profile assessment. At the same time, we anticipate that EBITDA interest coverage and debt to EBITDA would stand at about 5x and 9.0x-10.0x, respectively, assuming a full-year EBITDA contribution, starting from 2026. Lastly, we will monitor closely the evolution of the company's exposure to tenant Colisee Group SAS (CCC-/Watch Dev/--), which is currently under financial restructuring but will still represent about 7% of rental income pro forma the proposed transaction (close to the current exposure). However, we understand there is no rent delinquency. We also understand that in similar situations with operators in financial difficulties, Cofinimmo and Aedifica have managed the situation without any operational issues and with limited impact on rent collection.

Favorable dynamics across the elderly health care sector will support Aedifica and Cofinimmo's operating performance. As of Dec. 31, 2024, like-for-like rental growth stood at 1.7% for Cofinimmo and 3.3% for Aedifica, with occupancy rates remaining high at above 98% for both entities. We expect that the structural undersupply of nursing homes across Europe, combined with increasing demand from an aging population, should support strong demand and high occupancy rates. Over the next 12-24 months, we anticipate further like-for-like rental growth of 1%-2%. A significant portion of Aedifica's and Cofinimmo's lease contracts is indexed to the consumer price index, and the average lease term is long at above 15 years, which enhances cash flow visibility.

We expect the combined entity to maintain comfortable liquidity headroom. We expect the company to preserve a liquidity profile that would be consistent with the rating, and our requirements for investment-grade entities, once the transaction closes. We understand Aedifica will benefit from up to €1.5 billion bridge loan with a 12-month maturity and two six-month extensions, which should cover any potential cash outflows that could be triggered following a change of control clauses in Cofinimmo's debt.

CreditWatch

The CreditWatch placement reflects the likelihood that we could raise ratings on Aedifica one notch following the transaction's completion, reflecting the combined entity's expanded scale. We expect a possible closing of the transaction in fourth-quarter 2025. We will monitor developments over the coming months. We expect to resolve the CreditWatch listing after necessary approvals and conditions are met and when we conclude our assessment of the acquisition's impact on the company's creditworthiness, including visibility on the final acceptance rate. A positive rating action will also be contingent on Aedifica's financial policy and governance structure staying consistent with a higher rating level.

If the transaction does not proceed, we will review our ratings on Aedifica stand-alone in resolving the CreditWatch placement.

Company Description

Aedifica is a listed Belgian company that owns a €6.1 billion portfolio as of March 31, 2025, with 607 health care properties, particularly housing for elderly people with care needs. This portfolio generated about €338 million of net rental income in 2024, with a European Public Real Estate Association net initial yield of 5.3%. The company has been listed on Euronext Brussels since 2006, with 100% free float, and its largest shareholder is BlackRock, at 7.35% as of December 2024.

Issue Ratings--Subordination Risk Analysis

Capital structure

Aedifica's capital structure will remain well diversified pro forma the transaction, with bank borrowings accounting for 55% of financing on March 31, 2025, and the remaining 45% from debt capital markets.

Analytical conclusions

We see limited subordination risk for Aedifica's unsecured debt relative to the secured debt in its capital structure and, accordingly, we align our issue rating on the unsecured bonds. We estimate the company's ratio of secured debt to total assets (4% as of March 31, 2024) will remain well below our threshold of 40% for the rating.

Related Criteria

- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024
- [Criteria | Corporates | General: Corporate Methodology](#), 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

Related Research

- [Cofinimmo's Creditworthiness Could Improve On Aedifica's Potential Takeover Offer](#), May 6, 2025
- [Aedifica's Proposed Acquisition Could Improve Its Scale And Strengthen Its Market Position](#), May 6, 2025
- [Cofinimmo S.A./N.V.](#), April 16, 2025
- [Aedifica N.V./S.A.](#), Sept. 5, 2024

Ratings List

Ratings list

Ratings Affirmed; CreditWatch Action

	To	From
Aedifica N.V./S.A.		
Issuer Credit Rating	BBB/Watch Pos/--	BBB/Stable/--
Senior Unsecured	BBB/Watch Pos	BBB

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