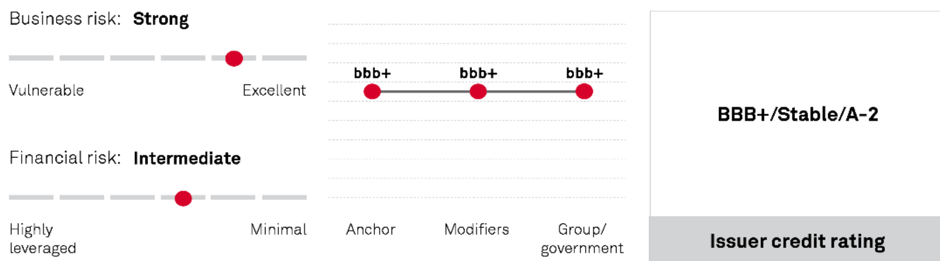
Aroundtown S.A.

December 21, 2021

Ratings Score Snapshot



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Credit Highlights

Overview

Key strengths	Key risks
• Large portfolio of about €29 billion--fully consolidating Grand City Properties SA (GCP)--spread across several segments, including offices, residential, and hotel properties. • Focus mainly on German metropolitan areas and cities with favorable market fundamentals. • Strong track record of developing its portfolio and generating positive like-for-like (LfL) rental growth. • Good tenant diversity with the top 10 tenants accounting for less than 20% of annual rent, good spread across industries, and a long weighted average lease maturity at 7.8 years. • Strong liquidity and access to diversified funding sources, with low average cost of debt of 1.3% and a long average debt maturity profile of 5.8 years.	• Significant exposure to hotel assets (18% of total gross asset value [GAV] at the end of September 2021). This property segment remains among the most affected by the measures taken to control the COVID-19 pandemic and it is still uncertain when and how it will recover. • Moderate leverage, with S&P Global Ratings-adjusted debt to debt plus equity expected to remain at 46%-48%. • Concentration of the majority of the portfolio on a single economy, Germany, albeit with some exposure to the Netherlands and London. • Despite the consolidation of GCP, about 72% of the portfolio is commercial properties (office, hotels, logistics, and retail), which have been less resilient than residential assets. • The office and residential portfolio had vacancy rates of 10.5% and 5.3%, respectively, as of September 2021, which is slightly higher than other rated investment-grade peers.

Aroundtown's segment diversification continues to mitigate the effects of the pandemic. Governments have continued making restrictions to travel and mobility, which has again severely affected the hotel property segment this year. This challenging environment for hotel operators translated into rent collection rates for Aroundtown's hotel portfolio of 34% in the first half of the fiscal year ending Dec. 31, 2021 and 60% during the third quarter of the year (compared with 60% for FY2020). However, Aroundtown's remaining assets, representing 82% of the total GAV, continue to perform well and in line with our expectations, mitigating the hit in its hotels. The company reported LfL rental income, excluding hotel assets, at 1.2% at Sept. 30, 2021 and occupancy rates remained broadly stable across its portfolio. Given the weaker performance in its hotel portfolio this year compared to 2020, we expect Aroundtown's EBITDA at a comparable perimeter this year (including provisions for non-collected rent) to be slightly below the €851.4 million achieved in 2020. Thereafter, we assume Aroundtown's hotel assets will recover progressively during 2022 and 2023. The recovery in its hotel assets, together with relatively stable operating performance in its office, residential, retail, and logistics assets, should support rental growth and credit metrics in the coming 24 months.

We expect credit metrics to remain commensurate with our existing 'BBB+' rating. We assume the company will fund capital expenditure (capex), acquisitions, and potential additional share buybacks with cash flow generation, disposals, and a funding mix in line with Aroundtown's existing financial policy and our current rating. We forecast debt to debt plus equity will remain at 46%-48% in the next 12 to 24 months (47.5% at Sept. 30, 2021) assuming its office and residential assets could offset potential further drops in value of its hotel assets (of 4.8% in FY2020). At the end of September 2021, Aroundtown reported a total portfolio LfL revaluation of 0.8% compared to year-end FY2020. The company's long average debt maturity profile (5.8 years) and its low cost of debt (1.3% as of Sept. 30, 2021, an improvement from 1.6% at the same period last year), with 97% being fixed-rate or hedged, should also support EBITDA interest coverage remaining above 3x (3.2x at Sept. 30, 2021). This is despite another year in which the provisions created for deferred rents in its hotel portfolio will continue to affect EBITDA. We expect debt to EBITDA to recover to 15x-16x next year and to 13x-14x in 2023 (15.4x at June 30, 2021 and 19.1x at Sept. 30, 2021 due to the consolidation of GCP).

In our view, the accounting consolidation of GCP does not affect Aroundtown's overall credit quality. The company decided to consolidate GCP from the third quarter of 2021, given its increased stake (45% at the end of September 2021) and position of de facto control. In our view, the size of Aroundtown's equity stake and composition of GCP's management bodies, which include several members of Aroundtown's management, give Aroundtown the ability to influence GCP's strategy and the disposition of its cash flow. Moreover, we note the absence of a strong minority shareholder, which could temper Aroundtown's influence over GCP. Therefore, we have started to apply our group rating methodology to the two entities, and we will fully consolidate GCP under our analysis. We see GCP as a highly strategic subsidiary of Aroundtown. That said, our ratings already incorporated Aroundtown's exposure to Germany's resilient residential market through its significant stake in GCP and we have historically calculated our credit metrics by proportionally consolidating GCP. Therefore, we think the decision to fully consolidate GCP, together with its increased stake in its subsidiary (45% at Sept. 30, 2021 versus 40% in the same period last year), does not represent a significant change in its overall credit quality for now.

S&P Global Ratings believes the omicron variant is a stark reminder that the COVID-19 pandemic is far from over. Uncertainty still surrounds its transmissibility, severity, and the effectiveness of existing vaccines against it. Early evidence points toward faster transmissibility, which has led many countries to reimpose social distancing measures and international travel restrictions. Over coming weeks, we expect additional evidence and testing will show the extent of the danger it poses to enable us to make a more informed assessment of the risks to credit. In our view, the emergence of the omicron variant shows once again that more coordinated and decisive efforts are needed to vaccinate the world's population to prevent the emergence of new, more dangerous variants.

Outlook

The stable outlook indicates that we expect Aroundtown to continue to withstand the effects of the pandemic. Its segment diversification should allow it to mitigate the pandemic's effect on its hotel portfolio. The company's relatively prudent financial policy supports our outlook.

Downside scenario

We would downgrade the company if, on a prolonged basis:

- Debt to debt plus equity increased to 50% or higher;

- Debt to EBITDA deviated materially from our forecast;
- The company substantially increased its acquisitions of properties, which would reduce the stability of cash flows; or
- Vacancy rates in its commercial property portfolio increased to 10% or higher, including newly acquired assets.

Upside scenario

We would upgrade the company if, on a sustained basis:

- Debt to debt plus equity improved close to 40%;
- The EBITDA interest coverage ratio was at 4x or above;
- Debt to EBITDA moved below 13x;
- These credit metrics were maintained as part of a more conservative financial policy; and
- The company maintains a portfolio with scale and diversification comparable with those of peers in a higher rating category, as well as high governance standards.

Our Base-Case Scenario

Assumptions

- Real GDP growth of 2.7% in Germany in 2021, followed by a rebound of 4.3% in 2022 and 2.5% in 2023. We forecast the consumer price index in Germany at 2.9% in 2021, 2.2% in 2022, and 1.7% in 2021.
- 2021 EBITDA, including provisions, of about €800 million-€900 million. We assume net rental income LfL growth of 2.5%-5.0% overall in the coming two years, factoring in a progressive recovery in its hotel assets.
- Overall occupancy levels to stay stable at about 92%-93% in the coming 12-24 months.
- The overall portfolio to reach about €29 billion in 2021. We conservatively assume LfL asset revaluation of about 1.0%-2.0% per year in the following years, mainly stemming from the positive contributions of its residential assets.
- Total capex of about €500 million a year, mainly linked to repositioning activities and modernization projects in existing assets.
- Steady gross EBITDA margins of about 60% in the next few years.
- Net seller position in 2021 with asset disposals of about €2.5 billion in the year. Thereafter, we assume a balanced asset rotation and potential additional share buybacks to be covered with a funding mix in line with our existing rating.
- Stable dividend policy, with cash distributions to shareholders following a payout policy of 75% of reported funds from operations (FFO).
- Average cost of debt to remain stable at about 1.3%.

Key metrics

Aroundtown S.A.--Key Metrics*

Mil. $	2019a	2020a	2021e	2022f	2023f
EBITDA	762.1	851.4	800-900	900-1100	1000-1250
EBITDA margin (%)§	68.3	60.8	58-60	~60	~60
Dividends	209.4	21.9	~300	350-450	450-550

Debt	9,934.0	11,906.1	~15,000	15,000-16,000	15,000-16,000
Debt to EBITDA (x)	13.0	14.0	16-18†	15-16	13-14
EBITDA interest coverage (x)	3.9	3.1	3.0-3.5	3.0-4.0	3.5-4.5
Debt to debt plus equity (%)	44.3	45.1	46-48	46-48	46-48

*All figures adjusted by S&P Global Ratings. §Margin is based on gross revenue. †Debt to EBITDA affected in this period by the consolidation of GCP a--Actual. e--Estimate. f--Forecast.

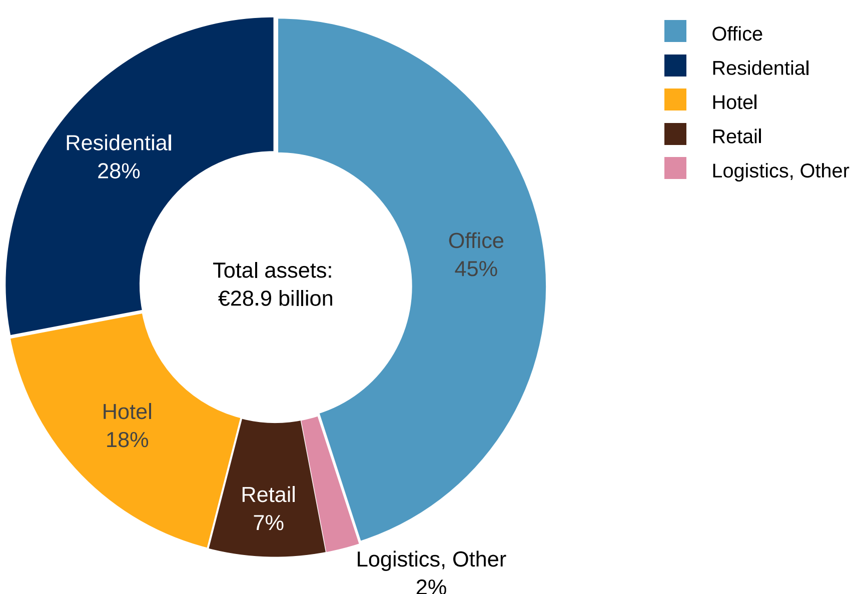
Our credit metrics reflect the full consolidation of GCP from Q3 2021. Previously, we consolidated GCP proportionally.

Company Description

Aroundtown is the largest listed Germany-based commercial real estate company. It focuses on investing in rental-income-generating properties, mainly in Germany. Aroundtown carries out its residential investments through its 45% holding in GCP (47% excluding shares GCP holds in treasury).

Aroundtown's Asset Diversity

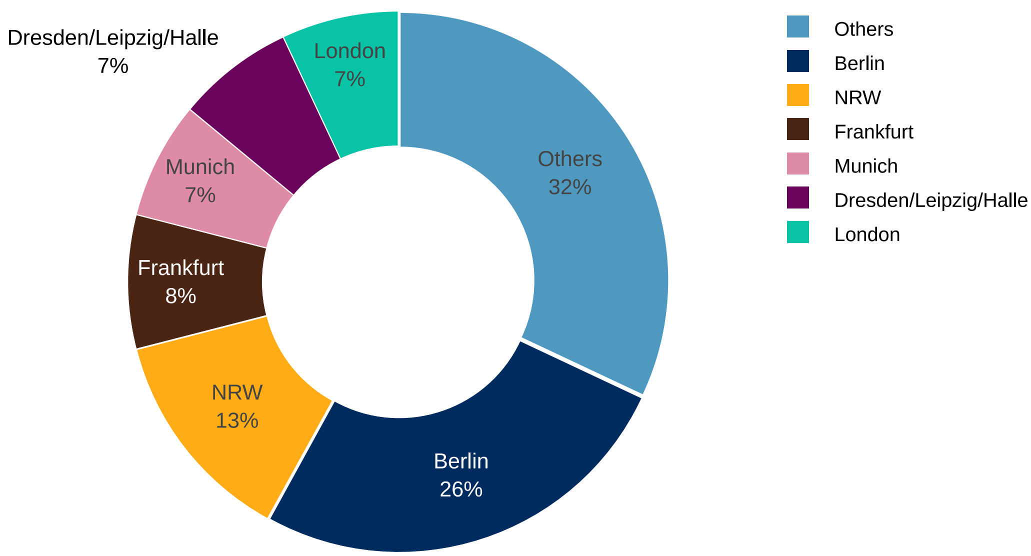
Based on portfolio value as of September 2021



Source: Company report.

Aroundtown's Geographic Diversity

Based on portfolio value as of September 2021



Source: Company report.

Aroundtown is incorporated in Luxembourg and listed at the Prime Standard on the Frankfurt Stock Exchange. As of Sept 30, 2021, the largest shareholder was Aroundtown's founder Mr. Yakir Gabay, through Avisco Group PLC, with a 10% stake. The company owns 28% of its own shares (12% are held through TLG) and the remaining 62% is free float.

Peer Comparison

Aroundtown S.A.--Peer Comparison--Operating Metrics

	Aroundtown S.A.	Gecina	Covivio	Icade S.A.
As of Nov. 29, 2021	BBB+/Stable/A-2	A-/Stable/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2
Business risk profile	Strong	Strong	Strong	Strong
Financial risk profile	Intermediate	Intermediate	Intermediate	Intermediate
Portfolio value (bil. €)	28.9	20	17.3 (Group Share)	11.8 (Group Share)
Asset diversity	45% Office; 28% Residential; 18% Hotel; 7% Retail; 2% Logistics/Other	81% offices, 17% traditional residential, 2% student residences	33% France offices, 16% Italy offices, 9% German offices, 27% residential Germany, 15% hotels in Europe	70% Office, 30% Healthcare
Geographic diversity	Mainly Germany (26% Berlin, 13% NRW, 8% Frankfurt, 7% Munich),8% Netherlands, 7% London	59% Paris, 37% Paris region, 5% Other French regions/international	39% France, 39% Germany, 16% Italy, 6% Europe	100% France
Occupancy (%)	92.3	91.6	94.6	90.2% Office; 100% Healthcare
WALT (years)	Total: 7.8 (Office: 4.6; Hotel: 15.6; Logistics/Other: 5.0, Retail: 4.7)	~4.6§	8.2	4.2 offices, 7.2 health care
Top-10 tenants	<20% of rental income	28% of the rental base	34% of rental income	34% of annualized rental income

WALT--Weighted average lease term. *For Aroundtown S.A. data refers to Sept. 30, 2021. For Gecina, Covivio, and Icade S.A. data refers to June 30, 2021. §As of year-end 2020.

Aroundtown S.A. -- Peer Comparison -- Financial Metrics

Mil. €	Aroundtown S.A.	Gecina	Covivio	Icade
Foreign currency issuer credit rating	BBB+/Stable/A-2	A-/Stable/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2
Local currency issuer credit rating	BBB+/Stable/A-2	A-/Stable/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2
Period	RTM	RTM	Annual	RTM
Period ending	2021-09-30	2021-06-30	2020-12-31	2021-06-30
Revenue	1,395.2	639.4	637.7	1,652.5
EBITDA	796.9	495.8	493.5	627.9
Funds from operations (FFO)	420.5	383.5	359.8	495.1
Interest expense	252.3	97.9	139.3	121.8
Cash flow from operations	376.8	393.1	214.5	588.4
Capital expenditure	568.6	260.2	486.1	644.3
Dividends paid	318.5	379.9	74.1	394.5

Cash and short-term investments	3,268.6	584.8	1,134.0	886.4
Debt	15,212.9	7,154.1	7,861.0	6,659.7
Equity	16,797.0	12,501.3	8,582.0	8,406.6
Valuation of investment property	30,570.7	17,586.7	17,105.0	14,796.9
Adjusted Ratios				
EBITDA margin (%)	57.1*	77.5	77.4	38.0
EBITDA interest coverage (x)	3.2	5.1	3.5	5.2
Debt/EBITDA (x)	19.1	14.4	15.9	10.6
Debt/debt and equity (%)	47.5	36.4	47.8	44.2

*Margin is based on gross revenue.

Business Risk

Aroundtown's portfolio benefits from large scale and scope. It is diversified across multiple property types, including commercial (72% of portfolio value) and residential assets (28%), worth about €28.9 billion as of September 2021. Aroundtown carries out its residential investments through its 45% stake in GCP (47% excluding shares GCP holds in treasury). At the end of September 2021, GCP owned 64,939 residential units, mainly in Germany, with a total value of €8.9 billion. We fully consolidate GCP in our analysis of Aroundtown as of the third quarter of 2021, having proportionately consolidated it previously. The group's total fully owned portfolio comprises more than 500 commercial assets and 168 hotels (totalling about 6.9 million square meters). The company has now fully integrated TLG Immobilien AG and owns a minority stake of 30.3% in Globalworth Real Estate Investments Ltd. (BBB-/Stable/--) through a consortium with CPI Property Group S.A. (BBB/Negative/--). Globalworth is an office landlord focused on Romania and Poland with a portfolio of about €3 billion.

Aroundtown's sizable portfolio is well diversified across asset types and regions across Germany, mainly in or close to metropolitan areas. We consider the areas of Aroundtown's greatest exposure--namely Berlin (26% of its portfolio value), North Rhine-Westphalia (13%), Frankfurt (8%), and Munich (7%)--to have healthy economic fundamentals, including low unemployment and solid supply and demand characteristics. The company has some exposure to the Netherlands (about 8% of the portfolio, mainly office assets) located in the Randstad area, primarily comprising the three largest Dutch cities (Amsterdam, Rotterdam, and Utrecht). It also has some exposure to London (7% of total portfolio, mainly residential and hotel assets).

Our assessment is further supported by the portfolio's long lease structure, with a current weighted-average lease term (WALT) of 7.8 years in its commercial portfolio. Aroundtown's WALT in its office assets is 4.6 years, and it is longer at 15.6 years in its hotel assets, which also have 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 3,500 tenants. The two largest tenants remain Group Pierre & Vacances Center Parcs (not rated) and Siemens AG (A+/Stable/A-1+), accounting for about 6%

and 3% of total annual rental income, respectively. There is no further tenant dependency, with the 10 largest commercial and hotel tenants representing less than 20% of total rental income.

We take into account Aroundtown's strong operating track record, with continuous like-for-like rental income growth of about 4% over the past years, supported by increasing occupancy rates of existing premises and rental increases for in-place contracts and new leases. However, compared with peers at a similar rating level, overall vacancy rates for Aroundtown's commercial portfolio remain slightly higher at 10.5% in its office assets at Sept. 30, 2021, mainly resulting from new acquisitions and its repositioning strategy. We also note that the pandemic is having a significant effect on its hotel assets, despite being under fixed leases, with rent collection levels at 34% in the first half of the year and 60% during the third quarter of the year (compared with 60% for FY2020).

Our assessment also considers the concentration of Aroundtown in two economies (Germany and Netherlands), compared with peers that are more geographically diversified. That said, we recognize Aroundtown's geographic diversification within these two countries and that they are among the strongest economies in Europe. We also think the commercial properties are less resilient than residential assets, especially in regulated markets such as Germany. That has been the case during the recent crisis, with pandemic-related headwinds weighing on the performance of the commercial real estate sector, especially retail and hotel assets. We understand Aroundtown's hotel assets are focused on the four-star category, which should be able to attract both leisure and business travellers. That said, we remain cautious about the recovery of the hotel industry. At the same time, we will continue to monitor the working-from-home trend's effect on the office sector in Germany.

Financial Risk

Our assessment of Aroundtown's financial risk profile reflects the company's moderate financial policy and commitment to maintaining its debt-to-debt-plus-equity ratio comfortably below 50% on a sustainable basis. We assume the company will fund capex, acquisitions, and potential additional share buybacks with cash flow generation, disposals, and a funding mix in line with Aroundtown's existing financial policy and our current rating.

We forecast debt to debt plus equity will remain at 46%-48% in the next 12 to 24 months (47.5% at Sept. 30, 2021), assuming its office and residential assets could offset potential further drops in the value of its hotel assets (of 4.8% in FY2020). The company's long average debt maturity profile and its low cost of debt should also support EBITDA interest coverage above 3x (3.2x at Sept. 30, 2021), despite another year in which provisions created for deferred rents will continue to affect EBITDA. We expect debt to EBITDA to recover to 15x-16x next year and to 13x-14x in 2023 (from 15.4x at June 30, 2021 and 19.1x at Sept. 30, 2021 due to the consolidation of GCP).

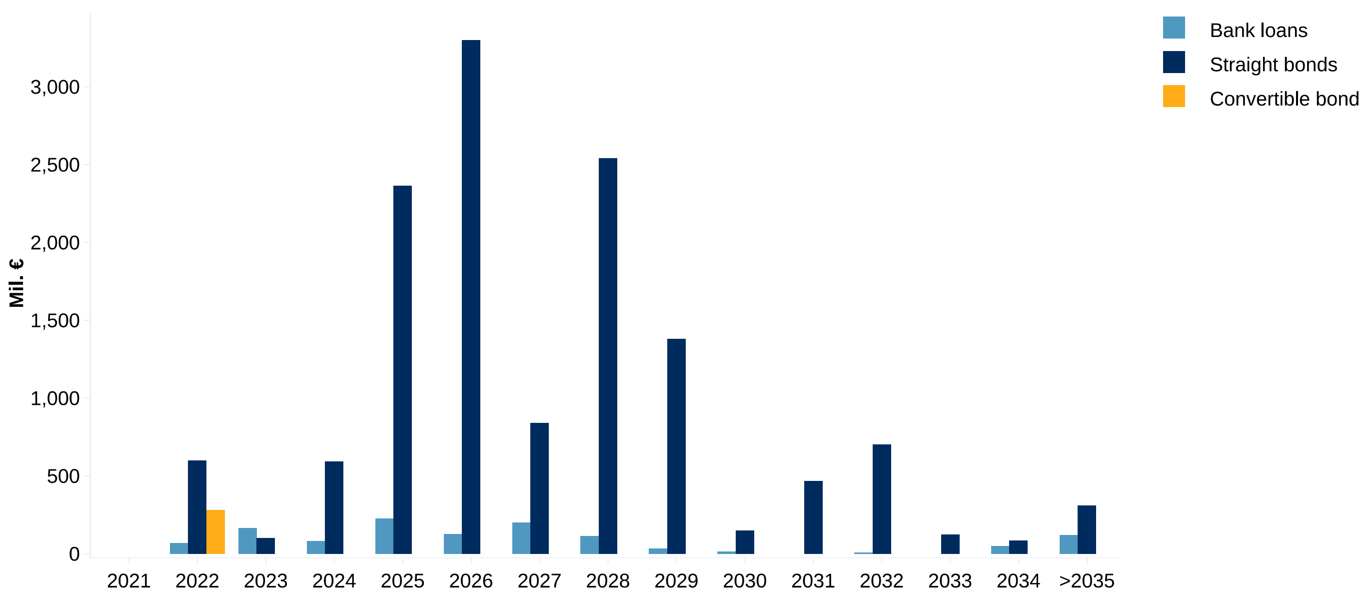
Aroundtown has a long average debt maturity profile of 5.8 years and low cost of debt of 1.3% as of Sept. 30, 2021. The company has well-diversified funding sources, and a very good track record in accessing both equity and debt capital markets in the past couple of years. Aroundtown's proportion of unencumbered assets is relatively high at 82% of the total rent, or €23.5 billion.

We now fully consolidate the financials of Grand City Properties, since we think it better reflects the two companies' business and financial ties, and we think Aroundtown's long-term strategy is to remain a major shareholder of GCP. We also apply our group rating methodology to the two entities, and we consider GCP a highly strategic subsidiary of Aroundtown.

Debt maturities

Aroundtown's Debt Maturity

As of September 2021



Source: Company report.

REIT Financial Summary

Aroundtown S.A.--Financial Summary

Period ending	September 2020	December 2020	March 2021	June 2021	September 2021
(Mil. €)					
Revenue	355.5	350.5	328.8	321.6	394.4
EBITDA	203.1	193.7	193.7	176.5	233.0
Funds from operations (FFO)	103.9	107.9	77.0	111.1	124.6
Interest expense	69.5	74.4	58.8	54.7	64.4
Cash flow from operations	119.8	129.5	55.9	90.0	101.5
Capital expenditure	5.9	250.6	87.6	48.2	182.2
Cash and short-term investments	2,497.0	3,260.7	3,057.6	3,241.0	3,268.6
Debt	12,276.7	11,906.1	11,997.3	11,813.1	15,212.9
Equity	15,375.6	14,497.2	14,701.8	14,473.9	16,797.0
Valuation of investment property*	26,531.7	24,602.3	25,274.0	24,911.2	30,570.7
Adjusted ratios					
EBITDA margin (%)§	64.6	60.8	57.6	56.5	57.1
EBITDA interest coverage (x)	3.5	3.1	2.9	3.0	3.2
Debt/EBITDA (x)	14.1	14.0	14.9	15.4	19.1
Debt/debt and equity (%)	44.4	45.1	44.9	44.9	47.5

*Including assets held for sale. §Margin is based on gross revenue.

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	SPGR adj. EBITDA	OCF	Dividends	Capex
Period date	2021-09-30									
Company reported amounts	15,683.7	15,252.9	1,225.7	1,231.1	1,223.9	179.8	796.9	574.1	318.5	547.5
Cash taxes paid	-	-	-	-	-	-	(91.3)	-	-	-
Cash interest paid	-	-	-	-	-	-	(203.0)	-	-	-
Lease liabilities	105.9	-	-	-	-	-	-	-	-	-
Intermediate hybrids (equity)	2,365.0	(2,365.0)	-	-	-	49.7	(47.9)	(47.9)	(47.9)	-
Accessible cash and liquid investments	(2,941.7)	-	-	-	-	-	-	-	-	-
Share-based compensation expense	-	-	-	4.6	-	-	-	-	-	-

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	SPGR adj. EBITDA	OCF	Dividends	Capex
Dividends from equity investments	-	-	-	28.1	-	-	-	-	-	-
Deconsolid./ consolid.	0.0	0.0	169.5	95.6	93.8	22.8	(34.2)	53.6	0.0	21.1
Income (expense) of unconsolid. cos.	-	-	-	(207.0)	-	-	-	-	-	-
Reclassification of interest and dividend cash flows	-	-	-	-	-	-	-	(203.0)	-	-
Noncontrolling/ minority interest	-	3,909.1	-	-	-	-	-	-	-	-
EBITDA: Gain/ (loss) on disposals of PP&E	-	-	-	(57.8)	(57.8)	-	-	-	-	-
EBITDA: Other	-	-	-	(297.7)	(297.7)	-	-	-	-	-
Dividends: Other	-	-	-	-	-	-	-	-	47.8	-
Total adjustments	(470.8)	1,544.1	169.5	(434.2)	(261.7)	72.5	(376.4)	(197.3)	(0.1)	21.1
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
S&PGR adjusted	15,212.9	16,797.0	1,395.2	796.9	962.2	252.3	420.5	376.8	318.5	568.6

Liquidity

We assess Aroundtown's liquidity as strong because we forecast that the fund's liquidity sources will exceed its uses by at least 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 three years and enjoys a high cash balance and a significant portion of liquid available assets.

Principal liquidity sources

From Sept. 30, 2021:

- About €3,272 million of cash and liquid market investments;
- Our forecast of about €500 million-€600 million in cash FFO for the next 12 months;
- Undrawn backup facilities for an amount of €425 million, maturing in more than 12 months; and
- Proceeds from signed asset disposals of about €1,000 million.

Principal liquidity uses

From Sept. 30, 2021:

- About €1,650 million of short-term debt maturities, including regular debt amortization;
- Our forecast of €500 million of capex for property, plant, and equipment and property investment, of which we understand most is not committed;
- About €350 million-€450 million of forecasted dividend distributions (including perpetual notes), conservatively assumed as full cash payment; and
- Share buybacks amounting to about €275 million, assuming completion of the existing program.

Covenant Analysis

Compliance expectations

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

Requirements

As of Sept. 30, 2021, Aroundtown is compliant with financial covenants in its debt documentation.

Environmental, Social, And Governance

ESG Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	**G-2**	G-3	G-4	G-5

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

ESG factors have an overall neutral influence on our credit rating analysis of Aroundtown. The company has embedded ESG into its strategy, although there are limited assets in its portfolio with green building certifications compared with other European peers. That said, Aroundtown constantly deploys modernization capital expenditure in its portfolio to keep high environmental standards and has started a pilot project in the Netherlands with the aim to get the Dutch portfolio green certified. The company also has an energy investment program with installations that target 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). Aroundtown has the goal of reducing its total carbon emissions by 40% by 2030 from 2018.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of Sept. 30, 2021, 82% of Aroundtown's assets, by rent, were unencumbered, and the reported capital structure comprised:

- Equity, including perpetual notes and mandatory convertible notes (55%)
- Bonds (42%); and
- Bank debt (3%).

Analytical conclusions

As of Sept. 30, 2021, Aroundtown's ratio of secured debt to total assets was about 3%, 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.

Regarding its outstanding subordinated hybrids, we assign an intermediate equity content (50% equity; 50% debt) and notch the issue rating down by two notches to 'BBB-', one notch for subordination and one for deferability.

We assess Aroundtown's $250 mandatory convertible notes due 2023 as having high equity content (100% equity).

Rating Component Scores

Foreign currency issuer credit rating	**BBB+/Stable/A-2**
Local currency issuer credit rating	**BBB+/Stable/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	Satisfactory (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**bbb+**

Related Criteria

- 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
- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- Criteria | Corporates | Industrials: Key Credit Factors For The Real Estate Industry, Feb. 26, 2018
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