FitchRatings

Corporates
Property/Real Estate
Belgium

VGP N.V.

The affirmation of VGP N.V.'s ratings reflect its disciplined approach to property development risk, from land purchase price, location and quality of product, pre-lets, development profit headroom, to building completion and monetising assets into pre-funded, identified joint ventures (JVs). Under VGP's financial template, depending on the development profit headroom, it gets its cost-to-build outlay back in cash from monetisations. These factors have been instrumental in attracting other JV partners as the historical Allianz JV exclusivity has changed.

With the benefit of 2H22's well-subscribed EUR300 million equity issue, Fitch Ratings' pro forma profile for VGP (as if it built-out the end-2022 pre-let development programme) achieves ratios comparable with investment-grade, rental income-focused investment property peers. VGP retains a 50% equity stake in the JVs, is remunerated for asset management and other services, and receives recurring dividends.

Key Rating Drivers

Valuation Recalibration Mitigants: Interest rates and related property valuation changes affect VGP's development profits and cash receipts from JV monetisations. This is partly mitigated by: (i) yield shift in valuations compensated by rental rises (CPI on rents in 2022: +7%, or higher rents on newbuilds). Furthermore, (ii) property completion values for JV monetisations pre-agreed (Munich JV, Deka JV) with JV partner, or JV monetisation values set at 1H22 so VGP received the cash benefit before end-2022 negative year-on-year valuations.

(iii) High construction costs and subsequent adverse valuations reduced VGP's development profit margins to an aggregate template 20%-30% (above cost, using contemporary yields and pre-let rents). This was despite (iv) the company halting new land purchases due to what it called "insane" land prices in early 2022 and, instead, focusing on pre-letting existing developments at higher rates. Effectively, VGP had stepped away from deals at the peak of the market.

Less Severe Yield Shifts: VGP's independent values of its industrial parks were not aggressive. Now revalued at 4.5%-5.0% yields, its development profit margins are more like 20%-30%. Year-on-year, VGP's own portfolios have a different country mix and assets at different stages of development, so its like-for-like yield changes are wider (YE21: 4.64%, YE22: 5.29% and 1H23: 5.56%). Its more like-for-like JV portfolio's yield widened by a narrower net 70bp (end-2021: 4.28%, end-2022: 4.68% and 1H23: 4.98%, the latter with a central and eastern Europe mix).

This compares with more volatile UK-focused SEGRO YE21: 3.3%, YE22: 3.9%, 1H23: 4.2% and more conservative WDP (excluding Romania) at YE21: 4.2%, YE22: 4.4%, 1H23: 4.5%.

Construction Cost Increases Abated: Some construction materials prices were far higher in 2022. Similar to peers, VGP reports main costs returning to 2021 levels, although some items are still more expensive (concrete, given fuel production costs, and wages). Lower levels of property development (in housing, offices and infrastructure) are creating better pricing from construction product producers and construction companies.

New JV Partners, Same Disciplines: The exclusive historical Allianz partnership is over, but the concept of VGP developing substantially pre-let income-producing assets, for identified and funded JVs, has not changed. In Fitch's view, as VGP expanded in capacity, JV partner exclusivity was bound to evolve. VGP will periodically continue to receive cash monetisations for completed assets from known pre-funded JVs, so it recycles its capital, retains an equity stake in the JV and benefits from recurring fee income from its long-term non-recourse funded JVs.

Ratings

Foreign Currency

Long-Term IDR	BBB-

Outlook

Long-Term Foreign-Currency IDR	Stable

Debt Rating

Senior Unsecured Debt – Long-Term Rating	BBB-

2035 Climate Vulnerability Signal: 30

Click here for the full list of ratings

Applicable Criteria

Sector Navigators: Addendum to the Corporate Rating Criteria (May 2023)

Corporate Rating Criteria (October 2022)

Corporates Recovery Ratings and Instrument Ratings Criteria (April 2021)

Related Research

Spotlight: VGP N.V. (September 2023)

EMEA Real Estate Values Undergo the "Great Recalibration" (June 2023)

EMEA Real Estate – The Adverse Effects of Rising Interest Rates (November 2022)

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JV Capital Structure Templates: The new Deka JV template of 30% loan-to-value (LTV), meaning the 50:50 partners contribute 35% and 35%, is less advantageous to VGP than Allianz's 60%, 17.5% and 17.5% template. Assuming a 20% valuation uplift on-cost (the developer margin), VGP would have got all its at-cost capital outlay from Allianz JV monetisations after its equity stake outlay. This is reduced by the Deka template and points to more equity required at the VGP level, although more remuneration (forms of dividends) from this low-leveraged JV.

Fitch understands that the lower 30% JV LTV template is not a bank funding requirement but is Deka prudence for its fund vehicles.

JV Monetisations Continue: Despite the Allianz change in investment appetite, monetisations to JVs have continued (over EUR100 million of assets in 2022 and over EUR360 million in 2023 so far). VGP announced in August an above EUR700 million Deka closure as five identified projects are monetised. The Munich JV is also largely unleveraged, with about EUR150 million of external debt for a EUR600 million park, so further proceeds to JV shareholders can be expected from re-gearing it.

Uplift in Rents: This has occurred with existing leases' annual contractual CPI-linked uplifts (2022: +7% aggregate), and increased starting rents for newbuild pre-lets (which helps mitigate the adverse valuation yield-shift, and protects VGP's development profit margin). The higher rental yield helps the net debt/EBITDA ratio.

Fundamentals Set For Growth: Behind property valuations' recalibration to the new interest rate environment, the fundamentals for the industrial asset class remain poised for growth. Tenant demand outstrips supply, aided by lack of land and the market's pre-let requirements, lack of speculative-build funding from banks, industrial space demand for new energy-efficient green-builds, industrial on-shoring or near-shoring, and the increase in ecommerce distribution units (some with expensive automation). New production (auto sector R&D, for example) requires higher quality industrial space.

VGP as HoldCo Rating Approach: As well as assessing VGP's risk appetite for development, development profit margin and periodic monetisations, Fitch compiles a financial profile based on VGP retaining and funding all pre-let developments, checking that the resultant metrics are comparable with peers funding investment property portfolios. This acknowledges VGP's consistent approach of pre-letting, long lease length, new builds and portfolio diversity. These factors also support the attraction to other JV partners now the Allianz JV exclusivity has changed.

Resultant Financial Profile: Fitch's VGP HoldCo profile shows end-2022 net debt/EBITDA (using dividends paid from JVs) at 9.8x. When adjusted for JV monetisations in 1H23 and the Deka JV in September, this improves to 8.3x. This adjustment reflects the delayed 2022 JV monetisations in a period of uncertainty about property values. Interest cover of about 3x reflects an assumed 3.5% cost of debt (VGP actual 2.3%, and JVs below 2%) for this pro forma debt.

Financial Summary

	VGP as HoldCo		VGP proportionally consolidated	
(EURm)	**2021**	**2022**	**2021**	**2022**
Net rental income	126.6	125.3	174.8	197.1
EBITDA: JV dividend capacity	182.7	196.8	--	--
Gross interest cover ratio (x)	3.0	2.6	--	--
Net debt/EBITDA (x)	9.7	10.8	--	--
EBITDA: actual cash dividends from JVs	170.6	217.3	211.6	278.9
Gross interest cover ratio (x)	2.8	2.9	2.4	2.3
Net debt/EBITDA (x)	10.3	9.8	10.5	9.6

Note: See Spotlight: VGP N.V. for analysis of the VGP as HoldCo and VGP proportionally consolidated profile.
Source: Fitch Ratings, Fitch Solutions, VGP

Property Portfolio Profile (End-December 2022)

Asset Class:	Industrial and Logistics Parks
Portfolio Size:	VGP Investment Properties: EUR2.7bn JVs at 100%: EUR3.7bn
Geographies:	Continental Europe Group with JVs at 100%: Germany 54%, Czech: 13%, Spain 9%, The Netherlands 7%, Slovakia 4%, Romania 3%, Hungary 3%, Austria 2%, Italy 2%, Other 3%
Weighted Average Yield:	VGP Portfolio: 5.29% JVs Portfolio: 4.68%
Vacancy Rate:	VGP: 1.5% JVs: 0.9%
Weighted Average Lease:	VGP: 9.5 years JVs: 6.7 years

Source: Fitch Ratings, VGP

Rating Derivation Relative to Peers

VGP is more of an industrial and logistics park developer than rated peers, some of which are more investment entities (AXA Logistics Europe Master S.C.A. (AXA LEM; IDR: BBB+/Stable), Tritax EuroBox plc (BBB-/Negative) and Catena AB (publ) (BBB-/Stable), and some with more active development programmes (SEGRO PLC (BBB+/Negative), SELP Finance SARL (BBB/Stable) and Warehouses de Pauw NV/SA (WPD, BBB+/Stable)) at various sizes relative to their core rental income investment portfolio. Catena's portfolio is Nordic, WPD's Benelux-focused and SEGRO's UK-biased, whereas the others are pan-European.

The assets VGP completes have comparable qualities in terms of yields (all European portfolios moving towards 4.8%-5.0%), long-weighted average lease lengths with CPI-annual indexation, low vacancy rates and newbuilds with green credentials. VGP has created larger-scale multi-unit parks (Munich 276,000 square metres (sq m) GLA, Hamburg 246,000 sq m, and, in other countries, above 100,000 sq m). Understandably, it has the youngest portfolio, at 3.7 years (1H23).

All companies have diversified tenant bases, with the concentration on Amazon and third-party logistics (3PLs). All have experienced an increase in lettings to industrial, retailer distribution and 3PLs, rather than e-commerce expansion.

The Fitch-created VGP HoldCo profile has end-2022 net debt/EBITDA, adjusted for 1H23 JV monetisations, at 8.3x. This cash flow leverage ratio and forecast rating case are within Fitch's rating sensitivity for an upgrade to 'BBB' at 7x and a downgrade to 'BB+' of above 9x.

The 7x-9x net debt/EBITDA ratio boundary for VGP's 'BBB-' rating reflects the different mix of activities compared with Tritax Eurobox (a non-developer), with 'BBB-' rating sensitivities of 9.5x-10.5x and SELP's downgrade to 'BBB-' guidelines of above 10x. The VGP guidelines acknowledge the different mix of EBITDA (including JV dividend receipts and proportionally less rental-derived profits) and development programme vulnerabilities, although VGP's management is more disciplined than peers.

If future Deka and equivalent JV financings are at 30% LTV, VGP's financial profile will include more JV dividend income (although from low-leveraged JVs) but smaller JV monetisation receipts to cover VGP's cost-to-build compared with the Allianz JV template, at 60%-65% LTV.

Navigator Peer Comparison

Issuer		Business profile						Financial profile		
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Property Portfolio	Rental Income Risk Profile	Liability Profile	Access to Capital	Profitability	Financial Structure	Financial Flexibility
AXA Logistics Europe Master S.C.A.	BBB+/Stable	aa	bbb	bbb+	bbb	bbb	bbb+	bb+	bbb+	a-
Catena AB (publ)	BBB-/Stable	aa	a	bbb	bbb	bb	bbb-	bbb	bbb	bbb-
SEGRO PLC	BBB+/Negative	aa	a	bbb+	a-	a-	a	bbb	bbb+	a-
SELP Finance SARL	BBB/Stable	aa	bbb	bbb+	bbb+	bbb-	a-	bbb	bbb	a-
Tritax EuroBox plc	BBB-/Negative	aa	a-	bb+	bbb	bbb-	bbb	bb+	bbb-	a-
VGP N.V.	BBB-/Stable	aa	bbb	bbb	bbb+	bb+	bbb-	bb+	bb+	bbb+
Warehouses De Pauw NV/SA	BBB+/Stable	aa	a-	bbb	bbb+	bbb-	a-	bbb	bbb+	bbb+

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Using the VGP as HoldCo with annualised committed rental profile:

- VGP EBITDA interest cover (including JV fees and JV cash dividends, shareholder loan interest income, excluding development activities' administration expenses, relative to interest expense) greater than 5.0x.
- Net debt/EBITDA (including JV income and cash dividends) under 7x.
- Actual year-end unencumbered investment properties and held for sale assets greater than unsecured debt at all times.
- Fitch liquidity score greater than 1.0x.

Using the proportionally consolidated profile with annualised committed rental profile:

- LTV (excluding development land) less than 50%.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

Using the VGP as HoldCo with annualised committed rental profile:

- VGP EBITDA interest cover (including JV fees and JV cash dividends, shareholder loan interest income, excluding development activities' administration expenses, relative to interest expense under 1.5x.
- Net debt/EBITDA (including JV income and cash dividends) greater than 9x.
- Actual year-end unencumbered investment properties and held for sale assets less than unsecured debt.
- Fitch liquidity score under 1.0x.
- Not maintaining a high percentage of pre-lets.

Using the proportionally consolidated profile with annualised committed rental profile:

- LTV (excluding development land) more than 50%.

Liquidity and Debt Structure

Good Liquidity: End-June 2023 (1H23) cash was EUR334.9 million with monetisations (Munich JV: EUR50 million received post-1H23, and Deka JV EUR450 million received in September) relative to the remaining scheduled EUR225 million September 2023 bond. Undrawn RCFs total EUR400 million. Following that, the main next debt maturity is a EUR75 million bond due in July 2024.

Development capex in 1H23 was about EUR350 million, with about EUR350 million assumed by Fitch for 2H23. Thereafter, the remaining Deka scheduled monetisations (2024: EUR270 million receipts) and other JVs' planned monetisations will be phased with 2024 capex and land purchases, according to market conditions.

All of VGP's YE22, EUR2.35 billion of unsecured debt is fixed-rated and has an average cost of 2.3%. JVs' secured non-recourse debt with mid-2026 and 2029 debt maturities, and an aggregate sub-2% fixed-rate average cost. JV LTV covenants have headroom, despite valuation declines. In aggregate, at end-2022, JV I's LTV was low, at 40%, JV II's LTV was higher, at 51% (1H23: 53%), but with headroom under the 75% covenant.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

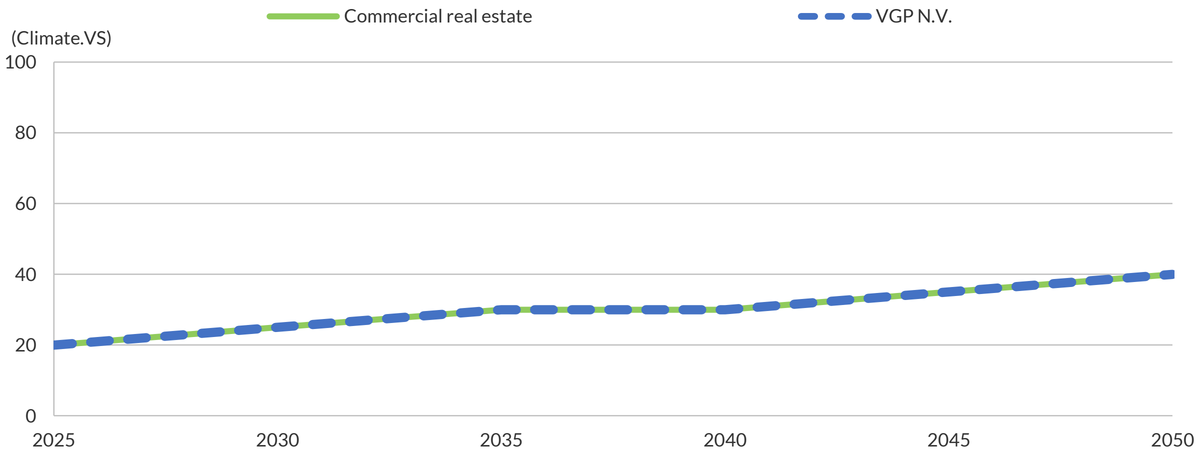
Climate Vulnerability Considerations

Fitch's *Climate Vulnerability in Corporate Ratings Criteria* report describes how we use Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). Click here for the criteria.

The FY22 revenue weighted Climate.VS for VGP for 2035 is 30 out of 100, suggesting low exposure to climate-related risks in that year. For further information on how Fitch perceives climate-related risks in Real Estate and Property sector, see *Real Estate & Property-Long Term Climate Vulnerability Scores*.

Climate.VS Evolution

As of Dec. 31, 2022



Source: Fitch Ratings

Liquidity and Debt Maturities

Liquidity Analysis

VGP N.V.

(EURm)	2023F	2024F
Available liquidity		
Beginning cash balance	699	446
Rating case FCF after acquisitions and divestitures	122	35
Total available liquidity (A)	**821**	**480**
Liquidity uses		
Debt maturities	-375	-75
Total liquidity uses (B)	**-375**	**-75**
Liquidity calculation		
Ending cash balance (A+B)	446	405
Revolver availability	400	400
Ending liquidity	**846**	**805**
Liquidity score (x)	3.3	11.7

F – Forecast Source: Fitch Ratings, Fitch Solutions, VGP

Scheduled debt maturities

(EURm)	31 Dec 22
2023	375
2024	75
2025	80
2026	190
2027	500
Thereafter	1,129
Total	**2,349**

Source: Fitch Ratings, Fitch Solutions, VGP

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer:

- Continuation of VGP's operating model of acquiring land, developing pre-let properties, periodic monetisations of completed projects into bespoke JVs, and receiving cash proceeds representing a net 85% of valued assets transferred (which recovers VGP's spend on its costs) for the Allianz JVs and, depending on VGP's development profit margin, a template 70% of valued assets for the Deka JV template.
- Annual capex of EUR700 million with resultant investment properties transferring to JVs a year later, largely repaying VGP's cost-to-build, including a template 20% valuation uplift on these newbuilds.
- Rental income representing 5.0% gross initial yield, relative to VGP's retained year-end investment properties (end-2022: 5.3%, 1H23: 5.6% both probably reflecting a trough in values).
- Fees from JVs include management fees based on each JV's net asset value, facilities management fees, development management fees, shareholder loan interest income from expanding JV base.
- JV I (and its successor) and JV II continue to raise up to an initial 60%-65% LTV non-recourse secured debt against new assets. The Deka JV raises 30% initial LTV.
- Munich JV 2023 actual capital inflows to VGP are included. We do not include the potential for this JV to have increased debt funding, the proceeds of which would be distributed to its two shareholders in our forecasts.
- Cost of debt at VGP and JVs averages about 3.5% (refinanced debt has higher rates) and 2%, respectively. No interest receivable from large cash balances.

- Fitch assumed annual cash dividends from JVs at EUR45 million (FY23: EUR60 million). Fitch calculates dividend capacity as a higher EUR75 million (and rising each year) over the forecast period.
- VGP's investment property activity-related administration expenses are 10% of net rental income.
- The resultant financial profile results in consolidated gearing about 40% (company's target of 30%-40%).

Financial Data

(EURm)	2021	2022	2023F	2024F
Summary income statement				
Gross revenue	18	51	94	96
Revenue growth (%)	45.5	190.9	84.2	1.6
EBITDA before income from associates	-13	35	127	133
EBITDA margin (%)	-73.9	68.6	135.1	138.9
EBITDA after associates and minorities	8	57	172	178
EBITDAR	-13	35	127	133
EBITDAR margin (%)	-73.9	68.6	135.1	138.9
EBIT	-15	31	123	129
EBIT margin (%)	-87.5	59.8	130.9	134.8
Gross interest expense	-34	-44	-48	-42
Pre-tax income including associate income/loss	-28	4	76	88
Summary balance sheet				
Readily available cash and equivalents	222	699	446	480
Debt	1,372	2,349	1,974	1,974
Lease-adjusted debt	1,372	2,349	1,974	1,974
Net debt	1,150	1,649	1,528	1,493
Summary cash flow statement				
EBITDA	-13	35	127	133
Cash interest paid	-29	-39	-48	-42
Cash tax	-0	-8	—	—
Dividends received less dividends paid to minorities (inflow/outflow)	21	21	45	45
Other items before funds from operations (FFO)	—	-17	—	—
FFO	-21	10	125	137
FFO margin (%)	-121.0	18.8	132.4	142.5
Change in working capital	-41	-56	—	—
Cash flow from operations (CFO) (Fitch-defined)	-62	-46	125	137
Total non-operating/non-recurring cash flow	—	—	—	—
Capex	-680	-852	—	—
Capital intensity (capex/revenue) (%)	3,863.6	1,663.7	—	—
Common dividends	-80	-153	—	—
Free cash flow (FCF)	-822	-1,051	—	—
FCF margin (%)	-4,670.5	-2,052.0	—	—
Net acquisitions and divestitures	50	347	—	—
Other investing and financing cash flow items	-116	-86	—	—
Net debt proceeds	593	967	-375	—
Net equity proceeds	295	299	—	—
Total change in cash	-0	477	-254	35
Leverage ratios (x)				
EBITDA leverage	180.6	41.6	11.4	11.1
EBITDA net leverage	151.3	29.2	8.9	8.4
EBITDAR leverage	180.6	41.6	11.4	11.1
EBITDAR net leverage	151.3	29.2	8.9	8.4
EBITDAR net fixed-charge coverage	0.3	2.6	3.6	4.3
FFO leverage	185.5	74.3	11.4	11.1
FFO net leverage	155.4	52.2	8.9	8.4

(EURm)	2021	2022	2023F	2024F
Calculations for forecast publication				
Capex, dividends, acquisitions and other items before FCF	-710	-657	-3	-102
FCF after acquisitions and divestitures	-772	-703	122	35
FCF margin after net acquisitions (%)	-4,388.1	-1,373.4	128.8	36.0
Coverage ratios (x)				
FFO interest coverage	0.3	0.8	3.6	4.3
FFO fixed-charge coverage	0.3	0.8	3.6	4.3
EBITDAR fixed-charge coverage	0.3	1.4	3.6	4.3
EBITDA interest coverage	0.3	1.4	3.6	4.3
Additional metrics (%)				
CFO-capex/debt	-54.1	-38.2	-29.1	-28.6
CFO-capex/net debt	-64.5	-54.4	-37.6	-37.7
CFO/capex	-9.1	-5.4	17.8	19.5

FY21 and FY22 are from VGP's Annual Accounts, FY23 and FY24 is a VGP as HoldCo-based financial profile
F – Forecast
Source: Fitch Ratings, Fitch Solutions, VGP

How to Interpret the Forecast Presented

The forecast presented above is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator

Bar Chart Legend:	
Vertical Bars = Range of Rating Factor	Bar Arrows = Rating Factor Outlook
Bar Colors = Relative Importance	Positive
Higher Importance	Negative
Average Importance	Evolving
Lower Importance	Stable

FitchRatings

VGP N.V.

Corporates Ratings Navigator
EMEA Real Estate and Property

Operating Environment

aa+	Economic Environment	aa	Very strong combination of countries where economic value is created and where assets are located.
aa	Financial Access	aa	Very strong combination of issuer specific-funding characteristics and the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption, government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc+			

Property Portfolio

a-	Portfolio Liquidity and Ability to Leverage Assets	bbb	Average institutional appetite (buyers/sellers/lenders) in strong markets, indicating liquidity and ability to leverage assets.
bbb+	Investment Granularity	bbb	High portfolio granularity. Top 10 assets comprise 20%-40% of net rental income or value.
bbb	Geographic Strategy	bbb	A strong and focused presence in a prime market; or focus on two to three markets with appropriate scale. Markets display different economic and business cycles.
bbb-	Asset Quality	bbb	Prime and good secondary.
bb+	Development Exposure	b	Committed development cost to complete of more than 20% of investment properties for average risk projects.

Liability Profile

bbb	Debt Maturity Profile	bb	Average debt tenor between three to five years. No year represents more than 25% of total debt.
bbb-	Fixed/Floating Interest Rate Liability Profile	bbb	Fixed or hedged debt 50%-75% of total debt. Evidence of consistent policy.
bb+			
bb			
bb-			

Profitability

bbb	FFO Dividend Cover	b	below 1.0x
bbb-	Asset Class Volatility	bb	Portfolio values change less than 40% peak to trough with a track record of recovery
bb+			
bb			
bb-			

Financial Flexibility

a	Financial Discipline	bbb	Less conservative policy but generally applied consistently.
a-	Liquidity Coverage	a	1.25x
bbb+	Recurring Income EBITDA Interest Cover	a	2.5x
bbb	FX Exposure	a	Profitability potentially exposed to FX but efficient hedging. Debt and cash flow well matched.
bbb-			

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Management and Corporate Governance

a-	Management Strategy	bbb	Strategy may include opportunistic elements but soundly implemented.
bbb+	Governance Structure	bbb	Good CG track record but effectiveness/independence of board less obvious. No evidence of abuse of power even with ownership concentration.
bbb	Group Structure	a	Group structure shows some complexity but mitigated by transparent reporting.
bbb-	Financial Transparency	bbb	Good quality reporting without significant failing. Consistent with the average of listed companies in major exchanges.
bb+			

Rental Income Risk Profile

a	Occupancy	a	Limited occupancy volatility through cycles. Occupancy consistently above 95%. Track record of limited tenant defaults.
a-	Lease Duration, Renewal and NOI Volatility	a	Lease duration (or average tenure for residential) longer than eight years with large majority renewed, sustained net rental income growth and/or low volatility.
bbb+	Lease Expiry Schedule	a	Smoothed lease maturity profile with no large lease expiries in the medium term.
bbb	Tenant Concentration and Tenant Credit	bb	Top 10 tenants comprise more than 30% of annual base rent revenue; high tenant credit risk.
bbb-			

Access to Capital

bbb+	Sources of Capital	bbb	Solid access to all common and preferred equity, unsecured bonds/bank debt, secured debt, and/or joint ventures.
bbb	Unencumbered Asset Pool	bbb	Leveragable unencumbered pool with limited adverse selection.
bbb-	Absolute Scale	bbb	Rent-yielding property assets of at least EUR1.5bn.
bb+			
bb			

Financial Structure

bbb	Loan-To-Value	b	65%
bbb-	Unencumbered Asset Cover	b	1.0x
bb+	Managing Balance Sheet Through the Cycle	bbb	Maintenance of a suitable LTV taking asset volatility into account.
bb	Net Debt/Recurring EBITDA	bb	10.0x
bb-			

Credit-Relevant ESG Derivation

VGP N.V. has 9 ESG potential rating drivers

- n.a.
- n.a.
- Sustainable building practices including Green building certificate credentials
- Portfolio's exposure to climate change-related risk including flooding
- Shift in market preferences
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG
key driver	0	issues	5
driver	0	issues	4
potential driver	9	issues	3
not a rating driver	3	issues	2
	2	issues	1

For further details on Credit-Relevant ESG scoring, see page 3.

FitchRatings

VGP N.V.

Corporates Ratings Navigator
EMEA Real Estate and Property

Credit-Relevant ESG Derivation

VGP N.V. has 9 ESG potential rating drivers

- VGP N.V.
- VGP N.V.
- VGP N.V. has exposure to unsustainable building practices risk but this has very low impact on the rating.
- VGP N.V. has exposure to extreme weather events but this has very low impact on the rating.
- VGP N.V. has exposure to shifting consumer preferences but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	9	issues	3
not a rating driver	3	issues	2
	2	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	3	n.a.	n.a.	5
Energy Management	3	n.a.	n.a.	4
Water & Wastewater Management	2	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	3	Sustainable building practices including Green building certificate credentials	Rental Income Risk Profile; Profitability; Financial Structure; Financial Flexibility	2
Exposure to Environmental Impacts	3	Portfolio's exposure to climate change-related risk including flooding	Property Portfolio; Profitability; Financial Structure; Financial Flexibility	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	2	Data security	Property Portfolio; Rental Income Risk Profile; Profitability; Financial Structure; Financial Flexibility	4
Labor Relations & Practices	2	Impact of labor negotiations and employee (dis)satisfaction	Rental Income Risk Profile; Profitability; Financial Flexibility	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Shift in market preferences	Property Portfolio; Rental Income Risk Profile; Profitability; Financial Structure; Financial Flexibility	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance	5
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance	4
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance	3
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance	2
				1

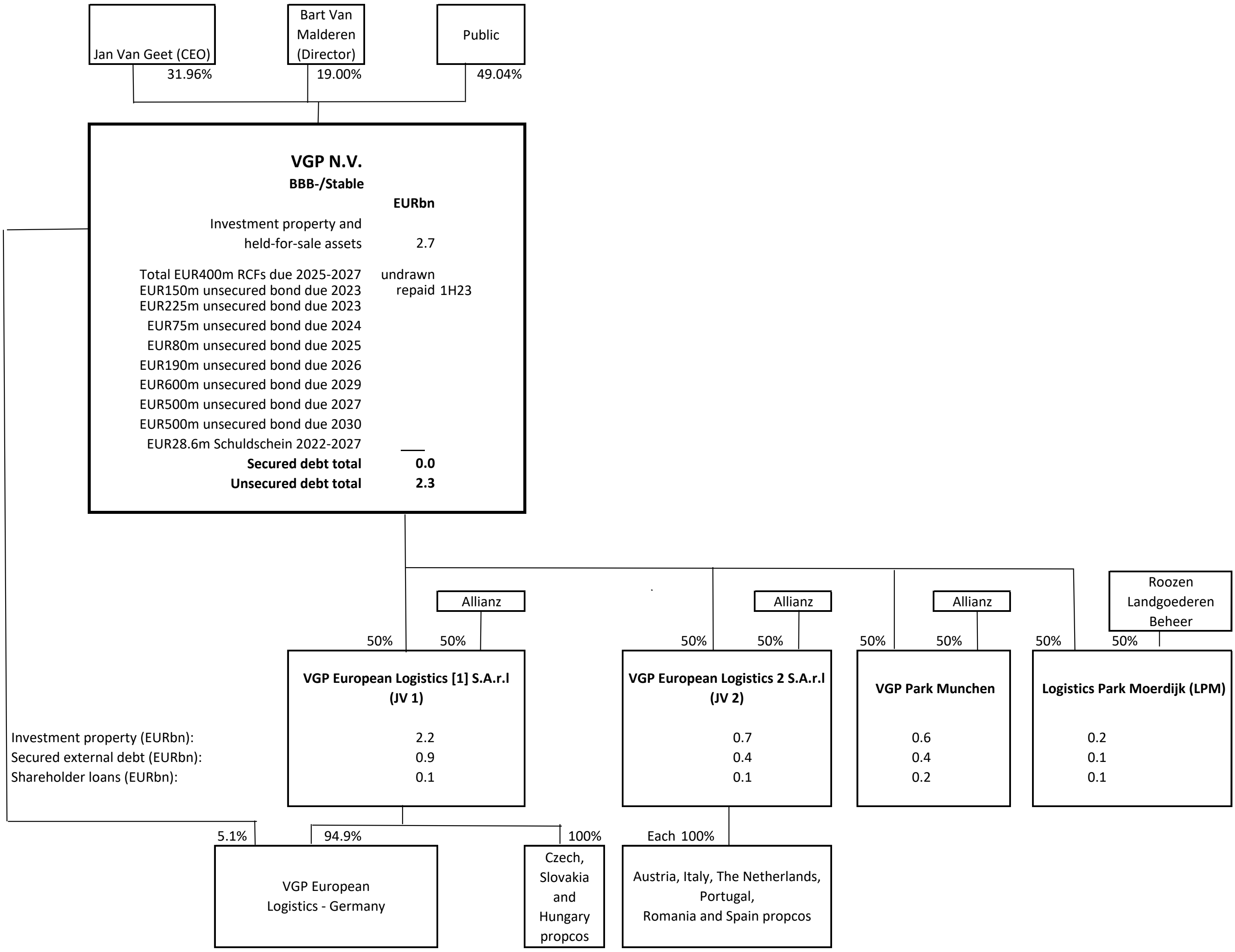
How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.
The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.
The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to result in a negative impact unless indicated with a '+' sign for positive impact.
Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram



Source: Fitch Ratings, Fitch Solutions, VGP, as at YE22

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	Gross revenue (EURm)	EBITDA after associates and minorities (EURm)	EBITDA interest coverage (x)	EBITDA net leverage (x)
VGP N.V.[a]	BBB-					
	BBB-	2022	132	217	2.6	9.8
	BBB-	2021	128	171	3.0	10.3
AXA Logistics Europe Master S.C.A.	BBB+					
	BBB+	2022	198	127	6.4	7.2
	BBB+	2021	143	103	6.2	5.0
		2020	113	92	4.7	3.2
Warehouses De Pauw NV/SA	BBB+					
	BBB+	2022	293	292	6.5	8.4
		2021	255	253	5.5	8.6
		2020	228	220	4.9	9.6
SELP Finance SARL	BBB					
	BBB	2022	277	225	4.1	9.9
	BBB+	2021	243	201	9.7	10.0
	BBB+	2020	217	179	6.7	9.6
Tritax EuroBox plc	BBB-					
	BBB-	2022	55	36	4.1	17.1
	BBB-	2021	44	31	5.3	5.6
		2020	36	25	3.3	12.9
Catena AB (publ)	BBB-					
		2022	139	105	5.1	7.4
		2021	135	102	4.6	9.5
		2020	125	95	4.1	9.7
SEGRO PLC	BBB+					
	A-	2022	552	451	3.0	12.0
	A-	2021	477	410	6.9	9.8

[a] VGP As HoldCo ratios.
Source: Fitch Ratings

Fitch Adjusted Financials

(EURm)	Notes and formulas	Reported values	Sum of adjustments	Adjusted values
31 December 2022				
Income statement summary				
Revenue		51		51
EBITDAR		35		35
EBITDAR after associates and minorities	(a)	57		57
Lease expense	(b)	0		0
EBITDA	(c)	35		35
EBITDA after associates and minorities	(d) = (a-b)	57		57
EBIT	(e)	31		31
Debt and cash summary				
Other off balance sheet debt	(f)	0		0
Debt	(g)	2,349		2,349
Lease-equivalent debt	(h)	0		0
Lease-adjusted debt	(i) = (g+h)	2,349		2,349
Readily available cash and equivalents	(j)	699		699
Not readily available cash and equivalents		0		0
Cash flow summary				
EBITDA after associates and minorities	(d) = (a-b)	57		57
Preferred dividends paid	(k)	0		0
Interest received	(l)	17		17
Interest paid	(m)	-39		-39
Cash tax paid		-8		-8
Other items before funds from operations (FFO)		-17		-17
FFO	(n)	10		10
Change in working capital (Fitch-defined)		-56		-56
Cash flow from operations (CFO)	(o)	-46		-46
Non-operating/non-recurring cash flow		0		0
Capex	(p)	-852		-852
Common dividends paid		-153		-153
FCF		-1,051		-1,051
Gross leverage (x)				
EBITDAR leverage[a]	(i/a)	41.6		41.6
FFO-adjusted leverage	(i/(n-m-l-k+b))	74.3		74.3
FFO leverage	(i-h)/(n-m-l-k)	74.3		74.3
EBITDA leverage[a]	(i-h)/d	41.6		41.6
(CFO-capex)/debt (%)	(o+p)/(i-h)	-38.2		-38.2
Net leverage (x)				
EBITDAR net leverage[a]	(i-j)/a	29.2		29.2
FFO-adjusted net leverage	(i-j)/(n-m-l-k+b)	52.2		52.2
FFO net leverage	(i-h-j)/(n-m-l-k)	52.2		52.2
EBITDA net leverage[a]	(i-h-j)/d	29.2		29.2
(CFO-capex)/net debt (%)	(o+p)/(i-h-j)	-54.4		-54.4
Coverage (x)				
EBITDAR fixed-charge coverage[a]	a/(-m+b)	1.4		1.4
EBITDA interest coverage[a]	d/(-m)	1.4		1.4
FFO fixed-charge coverage	(n-l-m-k+b)/(-m-k+b)	0.8		0.8
FFO interest coverage	(n-l-m-k)/(-m-k)	0.8		0.8

EBITDA/R after dividends to associates and minorities.
Note: Debt includes other off-balance-sheet debt.
Source: Fitch Ratings, Fitch Solutions, VGP

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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