Research Update:

Property Company New Immo Holding Downgraded To 'BB-' After Same Action On Parent ELO; Outlook Stable

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Rating Action Overview

- On March 6, 2025, we lowered our ratings on ELO (Auchan Holding), owner of Auchan Retail and New Immo Holding (NIH), on consistently weaker-than-expected results for 2024, the execution risks associated with its transformation plan over 2025-2026, and expected negative cash flow generation throughout the period.
- Additionally, we consider the underperforming real estate operations, which suffered from lower collection rates than peers at 91.1% as of year-end 2024. This was due to a struggling retailer base, especially in France, translating into higher vacancy levels of 4.31% compared with 3.45% last year and rental reversion of negative 1.5%.
- That said, our expectation of stability in real estate values, proven capacity to execute asset disposals, and prudent financial policy, together with considerable net debt reduction in 2024, should support lower leverage with S&P Global Ratings-adjusted debt to debt plus equity remaining around 40%-43% and debt to EBITDA around 8.5x-9.0x over the next 12-24 months.
- We therefore lowered our issuer credit ratings on NIH and our issue ratings on NIH's senior unsecured notes to 'BB-' from 'BB'. We also affirmed the short-term rating on NIH at 'B' and kept our assessment of the stand-alone credit profile (SACP) at 'bbb'.
- The stable outlook reflects our expectation that the management’s transformation plan will gradually improve the deteriorated performance of the French retail business, driving a gradual recovery of EBITDA, while asset disposals keep net financial debt under control, such that S&P Global Ratings-adjusted leverage (excluding the Russia operations) declines to 4.5x-5.0x in 2025-2026. We expect NIH's stable and predictable income generation to result in the EBITDA interest coverage ratio remaining around 2.8x-3.2x, debt to EBITDA of about 8.5x-9.0x, and debt to debt plus equity remaining below our 45% downside SACP threshold, thanks to prudent financial policy, asset disposals, and minimal, if any, portfolio devaluation.

Rating Action Rationale

On March 6, 2025, we lowered our long-term rating on NIH's parent ELO to 'BB-' from 'BB'. We continue to view NIH as integral to ELO's identity and future strategy, since it is one of the group's three main businesses, contributed about 40% of consolidated EBITDA in 2024, and represented 60% of its €5.4 billion adjusted debt. As a result, we link NIH's creditworthiness to that of its parent, and therefore we also lowered our issuer credit ratings and issue ratings on NIH to 'BB-' from 'BB', (see "Link to ELO RU which will be published," published on March 6, 2025, on RatingsDirect).

Asset disposals in 2024, stabilization in asset values, and prudent financial policy restore headroom under downside thresholds. NIH made sizable asset disposals in 2024, with €498 million in cash net sale proceeds and stabilization in asset values with a 1.4% increase in like-for-like terms. Robust cash flow growth compensated for the negative impact on asset valuations of a small rise in yields in 2024. NIH's yields are already slightly higher than those of some peers in the office or residential sectors (7.82% discount rate in France, 9.01% in Western Europe, and 11.79% in Eastern Europe). The company reduced its S&P Global Ratings-adjusted debt to debt plus equity to around 42.9% at year-end 2024, from 45.5% a year earlier, restoring headroom under the 45% downside threshold. That said, and despite the notable debt reduction following the asset disposals and subsequent debt repayment, NIH suffered deteriorating operating performance, lower EBITDA margins, and higher cost of debt, which resulted in deteriorated EBITDA interest coverage to around 3.0x at year-end 2024 from 3.2x as of year-end 2023. Debt to EBITDA improved only slightly to around 8.5x from 8.8x last year. While NIH has large capital spending (capex) needs in line with the group's strategy focusing on reducing the footprint of Auchan Retail operations and converting them into mall space on NIH's balance sheet, we understand that the capex efforts will be funded via a combination of internally generated cash flow and asset disposals, with no recourse to additional debt funding. As a result, we expect net debt levels to remain around €3.1 billion, overall stable throughout our forecast period ending 2027. Therefore, we expect stability in asset values, S&P Global Ratings-adjusted debt to debt plus equity remaining around 40%-43% over the next 12-24 months, and debt to EBITDA remaining around 8.5x-9.0x over the same period.

Subdued operating performance, lower scale, and below-par profitability weigh on EBITDA generation. Although NIH posted a 4.7% increase in rental income in 2024, fueled mainly by indexation, a lower rent collection rate (91.1% as of year-end 2024) compares negatively with that of peers like Mercialys and Carmila, at around 96%-98%. Increasing vacancy to 4.31% from 3.45% as of year-end 2023 and negative rental reversion on lease renewals also weigh on the group's cash flow generation and profitability ratios, with the EBITDA margin deteriorating to around 55% in 2024 from 61.1% as of year-end 2023. Similarly, the company's sizable disposals representing around 10% of portfolio value in 2024 resulted in the portfolio shrinking to €6.7 billion, from €7.3 billion as of year-end 2023. The overall portfolio value decrease was partially compensated by a positive 1.4% like-for-like increase in asset values. As a result, profitability deteriorated further because of the shrinking revenue base and considerable operating leverage associated with the large employee base and limited scale of Nhood's third-party asset management services. We expect NIH to generate EBITDA of about €350 million-€360 million in 2025 and €360 million-€370 million in 2026 as capex investments generate additional rents and the group optimizes its cost structure and improves its collection rates with EBITDA margin improving slightly toward 56%-57%. The subdued operating performance and profitability weighed on the company's interest-servicing capacity, as the higher average cost of debt and lower EBITDA base resulted in EBITDA interest coverage deteriorating to about 3.0x as of year-end 2024 from 3.2x at year-end 2023. The lower overall gross debt following the completed asset disposals and subsequent debt repayment should partially compensate the higher expected cost of debt of upcoming refinancing. As a result, we expect EBITDA interest coverage to remain around 2.8x-3.2x over the next 12-24 months.

NIH's liquidity profile depends on that of the group in the current context of a comparatively low average debt maturity profile at 2.9 years and a high proportion of intragroup financing. NIH's capital structure is made mainly of intragroup loans toward ELO, which represented 78% of total gross debt at the NIH level. The average debt maturity stood at 2.9 years, which compares negatively with that of other real estate peers. These have longer-dated debt maturity schedules around four to six years, which mitigates refinancing risk and average cost of debt volatility. We understand that, while the large proportion of intragroup financing and the existing revolving credit facility (RCF) in place that was provided by ELO at the NIH level partially mitigates the refinancing risk, it increases the dependency of the stand-alone liquidity profile. As a result, we will continue to monitor the liquidity at the ELO level and the capacity of ELO to roll over NIH debt. We understand the company is seeking to externalize its funding sources and replace intragroup loans with longer-dated external funding. This should reduce liquidity dependency and improve the company's weighted average debt maturity profile. That said, the process will be gradual, and we will reevaluate the SACP when we have more visibility on the group's strategy regarding the capital structure of its subsidiaries.

Outlook

The stable outlook reflects that of ELO and our expectation that the management's transformation plan will gradually improve the deteriorated performance of the French retail business, driving a gradual recovery of EBITDA, while asset disposals keep net financial debt under control, such that S&P Global Ratings-adjusted leverage (excluding the Russia operations) declines to 4.5x-5.0x in 2025-2026.

Downside scenario

We could lower the rating if, over the next 12 months, ELO continues to underperform our base case, due to lack of performance recovery of retail operations or higher-than-expected costs from the transformation plan. In particular, we could lower the rating if:

- We see no tangible sign of recovery in the performance of the French retail operations from their 2024 level;
- S&P Global Ratings-adjusted leverage does not decline structurally below 5.5x from 2025;
- ELO's cash flow does not improve in line with our projections; or
- The company is unable to execute disposals in a timely manner, putting its liquidity profile under pressure.

Although it would not result in a downgrade, we could revise down our assessment of the SACP on NIH from 'bbb' if its ratio of debt to debt plus equity exceeds 45%. This could arise due to more substantial capex or additional debt-funded acquisitions, indicating a less prudent financial policy at the subsidiary level and the potential for negative interference from the group. It could also happen with more pronounced devaluations than currently expected, or lower disposals than in our base case. Additionally, we could revise down the SACP if operating performance deteriorates further, for example because of falling occupancy rates, difficult rent collections, or persistent negative rental reversion, with a deteriorating EBITDA margin resulting in worsening credit metrics. As a result, we could revise down the SACP if the company's EBITDA interest coverage ratio decreases to below 2.4x. This would most likely be because of higher interest rates, higher margins on intragroup financing, or if its debt-to-EBITDA ratio exceeded 11x on a sustained basis.

Upside scenario

We could raise the ratings if ELO overperforms our base case, showing a stronger-than-expected recovery in profitability and cash-flow generation of Auchan Retail, while disposals or shareholder support help maintain a grip on net leverage. An upgrade would also be conditional on ELO's S&P Global Ratings-adjusted leverage (excluding the Russia operations) structurally declining below 4.5x (excluding the Russia operations), and the group committed to retain such a level of leverage through the cycle and the transformation plan.

We could revise upward our assessment of NIH's SACP if the company's financial policy becomes more stringent. Such that its debt-to-debt-plus-equity decreases consistently to 35% or lower, while improving EBITDA interest coverage above 4.0x and debt-to-EBITDA materially below 9.5x. A positive revision would also hinge on NIH outperforming its peers. That said, such a revision of the SACP would not result in an upgrade.

Company Description

NIH (formerly named Ceetrus S.A.) is a real estate property owner fully owned by ELO (formerly named Auchan) since 1976. It is one of ELO's three interlocking businesses, alongside Auchan Retail and Oney Bank. NIH operates in 11 countries, owning and managing a portfolio of about €6.7 billion as of Dec. 31, 2024. Out of this, 58% is located in France, 25% in Western Europe, and 17% in Eastern Europe.

Our Base-Case Scenario

Assumptions

- Real GDP growth in the eurozone of 1.2% in 2025, and 1.3% in 2026. We forecast the consumer price index in the region will continue slowing to 2.1% in 2025 and 1.8% in 2026, from 2.4% in 2024.
- Annual like-for-like rental growth of 1.5%-2.0% in 2025 and 1.0%-1.5% in 2026--driven by inflation since most leases are indexed—partially mitigated by some negative rental reversion.
- We also expect occupancy levels to deteriorate slightly to around of 92%-94% due to tenant rotation and tenant bankruptcies.
- We forecast EBITDA margins to remain around 55%-57% over the forecast period through 2027, on the back of lower collection rates, higher asset management costs, and lower economies of scale.
- We conservatively assume portfolio value on a like-for-like basis to remain flat over the coming 12-24 months. Still, we acknowledge that NIH reported a 1.4% like-for-like increase in valuations in 2024 with cash flow growth that compensated for a small yield expansion.

- About €400 million of investments per year over the forecast period in line with the group's strategy of hypermarket surface restructuring at the Auchan Retail level and portfolio improvements.
- Disposals of roughly €300 million per year over the forecast period. We also understand capex amounts would be dependent on the successful disposal of noncore assets.
- No dividend distributions assumed.

Key metrics

New Immo Holding S.A.--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	494	538	582	652	657	642	657	671
Gross profit	430	480	554	594	578	569	581	594
EBITDA	301	299	372	398	360	358	367	376
Funds from operations (FFO)	218	215	239	213	174	182	169	170
EBIT	251	287	380	396	241	347	356	363
Interest expense	72	79	89	123	121	113	136	143
Cash flow from operations (CFO)	139	187	178	180	139	142	128	128
Capital expenditure (capex)	204	289	412	208	162	200	200	200
Free operating cash flow (FOCF)	(65)	(102)	(234)	(28)	(23)	(58)	(72)	(72)
Discretionary cash flow (DCF)	(74)	(104)	(239)	(33)	(33)	(68)	(82)	(82)
Debt	3,380	3,259	3,428	3,492	3,059	3,063	3,081	3,098
Equity	4,026	4,008	4,258	4,191	4,064	4,261	4,443	4,624
Adjusted ratios								
Debt/EBITDA (x)	11.2	10.9	9.2	8.8	8.5	8.6	8.4	8.2
FFO/debt (%)	6.4	6.6	7.0	6.1	5.7	6.0	5.5	5.5
EBITDA interest coverage (x)	4.2	3.8	4.2	3.2	3.0	3.2	2.7	2.6
EBITDA margin (%)	60.9	55.5	63.9	61.1	54.7	55.7	55.9	56.0
Debt/debt and equity (%)	45.6	44.8	44.6	45.5	42.9	41.8	40.9	40.1

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

Liquidity

We assess NIH's liquidity as adequate, and we anticipate liquidity sources will cover uses by more than 1.2x over the 12 months started Jan. 1, 2025. The €700 million committed credit line from its parent entity and NIH’s capital structure, made mainly of intragroup loans toward ELO, representing 78% of total debt, partially mitigates refinancing risk but heightens NIH dependency on the group’s liquidity. Additionally, a weighted average debt maturity profile of about three years--which compares negatively with that of peers and just meets our criteria requirement for real estate companies—is reflected via NIH's core status to ELO group and its dependency on continuous support of the group.

We also understand the capex amounts will depend on the company's internal cash flow generation and disposals secured to fund the capex investments, reducing the recourse to additional debt funding.

Principal liquidity sources

- €127 million in available unrestricted cash;
- €700 million of backup facilities with a maturity of more than 12 months; and
- Funds from operations of about €150 million-€160 million.

Principal liquidity uses

- €5 million of contractual debt amortization payments; and
- About €200 million of committed capex.

Covenants

NIH's bond and bank financing includes a debt limit (maximum loan-to-value ratio of 50% and maximum senior secured debt ratio of 20%) and a minimum interest coverage ratio of 2x. As of Dec. 31, 2024, the company's loan-to-value ratio was 35.2% and interest coverage ratio was 3.9x. We expect NIH will maintain sufficient headroom under the covenants.

Issue Ratings--Recovery Analysis

Key analytical factors

- We rate ELO's and NIH's senior unsecured bonds at 'BB-' with a recovery rating of '3', indicating our expectation of meaningful (50%-70%; rounded estimated 65%) recovery to creditors in the event of a payment default.
- ELO's consolidated capital structure includes €6.0 billion of debt, of which €0.3 billion is senior secured and the rest--including the rated bonds--is senior unsecured. ELO also has €1.66 billion of RCF, currently undrawn, which we understand rank pari-passu with the rest of its senior unsecured debt. Out of ELO's consolidated €6.0 billion of debt, about €0.55 billion is issued by NIH, and the rest by ELO itself.
- The capital structure of NIH--which is fully controlled and consolidated by ELO--includes €3.1 billion of debt, of which €0.55 billion of external debt and €2.55 billion is constituted by ELO's intercompany loans. We understand the intercompany loans rank pari-passu with NIH's senior unsecured debt, including its €300 million rated notes.
- Our default scenario assumes fierce competition in the French retail market, resulting in additional revenue decline, margin pressure, and negative free operating cash flow generation, putting ELO's liquidity at risk, while pressuring real-estate valuation and ability to execute timely disposals.
- We value Auchan Retail's operations using a multiple of EBITDA at emergence, while we value NIH's real-estate assets using a discrete asset valuation approach, based on the third-party appraisal of its portfolio and a discount rate to reflect the uncertainty of that value in 2029 (assumed year of default).

- We assume that NIH's real estate value is available to ELO and its creditors via the reimbursement of intercompany loans and dividends.
- Although the numerical recovery outcome is higher than 65%, we apply an unsecured debt recovery rating cap of '3' due to the unsecured nature of the rated debt, both to ELO's and NIH's bonds. This is because, in line with our criteria, we expect the group may pledge security to raise additional debt or refinance the existing one as its credit quality deteriorates. Additionally, we assume that, on the path to default, NIH would sell its most liquid assets to provide liquidity to ELO.
- We understand there are no cross-default or cross-guarantee clauses between ELO and NIH, including in the intercompany loans.

Simulated default assumptions

- Year of default: 2029
- Jurisdiction: France

Simplified waterfall

- Auchan Retail emergence EBITDA: €0.5 billion
- Multiple: 5.0x
- Gross recovery value of Auchan Retail: €2.5 billion
- Discounted value of NIH's real estate assets: €4.0 billion
- Gross recovery value of the group: €6.5 billion
- Net recovery value for waterfall after administrative expenses (5%): €6.2 billion
- Estimated NIH external debt, including the €300 million rated bond: €0.55 billion
- --Recovery range: more than 100% (capped at 65%)
- Estimated ELO priority and secured debt: €0.3 billion
- Remaining value for ELO's senior unsecured creditors: €5.4 billion
- Estimate ELO's senior unsecured debt at default (excluding NIH): €6.5 billion*
- --Recovery range: 80% (capped at 65%)

*All debt amounts include six months of prepetition interest. We assume that 85% of all RCFs will be drawn at the point of default.

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	BB-/STABLE/B
Local currency issuer credit rating	BB-/STABLE/B
Business risk	3 - Satisfactory
Country risk	2 - Low Risk
Industry risk	2 - Low Risk
Competitive position	3 - Satisfactory
Financial risk	3 - Intermediate
Cash flow/leverage	3 - Intermediate
Anchor	bbb
Diversification/portfolio effect	3 - Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Moderately Negative
Comparable rating analysis	Neutral
Stand-alone credit profile	bbb

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
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: 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

- Research Update: ELO Downgraded To 'BB-' On Higher Leverage Due To Restructuring Costs And Continuous Challenges In Retail; Outlook Stable, March 6, 2025

Ratings List

Ratings list		
Downgraded; Outlook Action		
	To	**From**
New Immo Holding S.A.		
Issuer Credit Rating	BB-/Stable/B	BB/Negative/B
Downgraded; Recovery Ratings Unchanged		
	To	**From**
New Immo Holding S.A.		
Senior Unsecured	BB-	BB
Recovery Rating	3(65%)	3(65%)