

# Peach Property Group AG

The upgrade of Peach Property Group AG's Long-Term Issuer Default Rating (IDR) and senior unsecured debt rating reflects expected improvements in Peach's financial profile (cash flow leverage and interest coverage) combined with the business and financial profile improvements already achieved. Fitch Ratings forecasts Peach's cash flow leverage (net debt/EBITDA) will improve to 19x in 2022, and less than 18x in 2023, when the company collects a full year's worth of rents from part-year acquisitions, and receives the scale benefits of its operational platform.

We expect interest coverage to improve to 1.7x in 2021 and 1.9x in 2022. Peach has already achieved other improvements: greater diversification, larger scale and improved profitability together with a larger unencumbered asset base and improved access to capital.

Peach is a growing Switzerland-based residential-for-rent property company investing in German regulated residential. Its properties are primarily located in the North-Rhine-Westphalia region.

## Key Rating Drivers

**Achieving Portfolio Scale:** Peach has more than doubled its German residential-for-rent property portfolio to CHF2.6 billion and achieved scale through acquisitions. The June 2021 acquisition of the 'Eagle' German residential portfolio increased residential units to 27,500 and a gross lettable area of 1.8 million square metres (sqm). The combined portfolio has approximately CHF120 million in annualised rental income. Fitch expects the larger portfolio to improve the group's operating margins and profitability, as Peach can leverage its operating platform across a larger portfolio.

**Improving Cash Flow Leverage:** Fitch forecasts Peach's financial profile will improve, with net debt/EBITDA falling to 19x in 2022, before improving to less than 18x in 2023. The improvement will be driven by higher profitability and the gradual completion and disposal of its remaining Swiss development property assets. Fitch treats the remaining mandatory convertible issued in 2021 as having converted at YE21. We forecast interest coverage to improve to 1.7x in 2021 and more than 2.0x in 2023, driven by higher profitability and a lower average cost of debt.

**Improved Unencumbered Asset Coverage:** The funding of recent acquisitions has increased Peach's unencumbered portfolio to CHF0.9 billion, with a Fitch-calculated unencumbered investment property assets/unsecured debt ratio of around 1.5x at 1H21. This is in line with Fitch's expectations for a 'BB' category rating and for applying the EMEA senior unsecured debt uplift relative to the IDR. Fitch expects the group's loan-to-value (LTV) ratio will improve to less than 60% (Fitch-adjusted) at end-2021. Fitch treats Peach's hybrid warrant bond as 100% debt.

**Sector Uplift Applied:** Peach's share of unsecured debt is increasing with the issuance of unsecured bonds, and by repayment of secured facilities with inefficient use of collateral. Peach's secured debt was 56% of total debt at 1H21 but this proportion is unlikely to result in a residual claim against unencumbered assets, thus is detrimental to unsecured debt. Fitch believes that Peach's German residential-for-rent assets have not and will not have the volatility of capital values associated with commercial real estate (whose historical peak-to-trough 50% EMEA valuation declines inform criteria parameters).

Fitch believes that Peach's high proportion of secured debt does not indicate overarching control of secured creditors to the detriment of its unsecured creditors' segregated assets.

## Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term IDR	BB	Stable	Upgrade 12 Oct 21
Senior Unsecured	BB+		Upgrade 12 Oct 21

[Click here for full list of ratings](#)

## Applicable Criteria

[Corporate Rating Criteria \(October 2021\)](#)  
[Corporates Recovery Ratings and Instrument Ratings Criteria \(April 2021\)](#)  
[Corporate Hybrids Treatment and Notching Criteria \(November 2020\)](#)

## Related Research

[Heimstaden Bostad AB, Heimstaden AB \(October 2021\)](#)  
[Spotlight: Akelius Residential AB \(March 2021\)](#)  
[Annington Limited \(February 2021\)](#)  
[Grainger plc \(December 2020\)](#)  
[2021 Outlook: EMEA Property and Real Estate \(December 2020\)](#)

## Analysts

Fredric Liljestrand  
+46 85510 9441  
[fredric.liljestrand@fitchratings.com](mailto:fredric.liljestrand@fitchratings.com)

John Hatton  
+44 20 3530 1061  
[john.hatton@fitchratings.com](mailto:john.hatton@fitchratings.com)

**North-Rhine-Westphalia-Focused Portfolio:** Peach's off-market acquired portfolios have core metrics broadly comparable with German peers, but pockets of high vacancies to work through. The completed acquisitions were selected to complement Peach's existing footprint (including the Eagle portfolio). Its Peach Point network of customer service centres and digital platform leads to better communication with local tenants and cost savings, compared with peers covering a Germany-wide portfolio. Peach's small market share does not work against it, as no participants command a regional market share that can influence evidence for local rent setting.

**High Vacancy Rates:** Vacancies suggest opportunities for landlords to re-set an apartment's rent closer to market rent, particularly if it has been renovated. Peach's EPRA vacancy rate of 9.1% at end-1H21 is higher than the 2.0%-4.0% industry norm for residential. Peach's strategy includes acquiring portfolios with pockets of vacancies and gradually reducing their high vacancies after renovating the buildings. This higher vacancy represents potential rental uplift after capex. Until then, Peach incurs the cost of acquisition and vacancy costs. EPRA vacancy was flat in 1H21 compared with end-2020, as the impact of the pandemic on student housing, and renovation of entire buildings, increased vacancies. This was offset by a low vacancy rate of 5.3% in the acquired portfolio.

## Financial Summary

### Peach Property Group AG

(CHFm)	Dec 19	Dec 20	Dec 21F	Dec 22F	Dec 23 F
Gross revenue	39	55	126	132	136
Operating EBITDA	12	23	74	79	83
FFO fixed-charge coverage (x)	0.5	1.1	1.7	1.9	2.2
Total adjusted net debt/operating EBITDAR (x)	64.2	57.0	20.3	18.8	17.7

F - Forecast. FY19 and FY20 net debt/EBITDA ratios do not include a full year EBITDA from recent acquisitions  
Source: Fitch Ratings, Fitch Solutions

## Rating Derivation Relative to Peers

Fitch compares Peach with German residential peers, and Fitch-rated residential peers Akelius Residential Property AB (BBB/Stable), Heimstaden Bostad AB (BBB/Stable) and Grainger plc (BBB-/Stable). Peach's portfolio is broadly comparable with larger German peers' portfolios, as measured by market value per square metre, in-place-rent per square metre, gross yield for the location and quality. Peach's portfolio is different in that it has markedly higher vacancy rates (1H21: 9.1% on an EPRA basis), which stems from some portfolios being acquired with properties awaiting renovation and re-letting. Over time, this provides an opportunity for increased rents. The vacancy is similar to Akelius's higher, renovation-driven, vacancy rate, which we expect to improve as renovation projects are completed.

Peach's pro forma end-2021 net debt/EBITDA leverage of around 19x is high, consistent with its historical high LTV ratios, although lower than 22x-23x for Akelius (not including its large disposal), Heimstaden Bostad and Grainger. These three peers' portfolios have lower average income yielding assets reflecting their location in more attractive prime cities. Relative to office and retail property company metrics, residential net debt/EBITDA ratios will be higher because of the asset class's tighter income yield and lower risk profile. Given the current and prospective conducive supply and demand dynamics, German residential has a more stable income profile.

Peach's overall secondary quality of portfolio (given vacancies and average rents), exposure to secured funding, and current high leverage frames Peach's IDR within the 'BB' rating category. Fitch expects this profile to improve as the company acquires similar portfolios and accesses additional unsecured debt, and improves its portfolio quality by completing renovations.

## Property Portfolios

Asset class	The portfolio sold by Akelius to Heimstaden Bostad	Heimstaden Bostad	Akelius	Grainger	Peach
Data as of	September 2021	End-March 2021 (pre-acquisition)	End-2020 (pre-disposal)	End-September 2020	End-2020
Geography	Nordics (Stockholm, Malmo, Copenhagen), Germany (Berlin, Hamburg)	Nordics, Netherlands, Germany, Czech Republic, Poland	Europe, North America	UK	Germany
Portfolio size	Bought for SEK92.5bn (approx EUR9.1bn)	SEK179bn (approx EUR18bn)	EUR12.1bn	EUR3.5bn	EUR1.8bn
Number of units	28,776	114,000	44,443	8,787 (of which PRS <sup>a</sup> : 5,817; regulated: 2,970)	23,000
Gross leasable area (sqm)	1,877,000	8,114,000	2,986,000		1,500,000
Net initial yield (%)	Estimated 2.2	Implied 2.7	Estimated: 2.3	PRS: 4; regulated: 2	3.5
Vacancy rate (%)	1	2.4	7.5 (1.7 adjusted)	4	7

<sup>a</sup> PRS: Private rented sector. Source: Fitch Ratings, Heimstaden Bostad as of March 2021, companies' accounts

## Navigator Peer Comparison

Issuer	Business profile										Financial profile		
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Property Portfolio	Rental Income Risk Profile	Asset-Liability Matching	Access to Capital	Profitability	Financial Structure	Financial Flexibility			
Akelius Residential Property AB	BBB/Stable	aa	bbb+	a	a	bbb+	a-	bbb	bbb	bbb+			
Annington Limited	BBB/Stable	aa-	a-	bbb	a	a	a-	bb	bbb	bbb+			
Grainger plc	BBB-/Stable	aa-	a	bbb	bbb	bbb+	bb+	bbb+	bbb-	bbb			
Heimstaden AB	BB+/Stable	aa	bbb	a	a-	a-	bb+	bb+	bb+	bb			
Heimstaden Bostad AB	BBB/Stable	aa	bbb+	a	a-	a-	a-	bbb	bbb	bbb+			
Peach Property Group AG	BB/Stable	aa+	bbb	bbb	a-	bbb+	bb+	a	b+	bbb			

## Rating Sensitivities

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

- Leverage below 17x net debt/EBITDA
- EBITDA net interest coverage above 1.75x
- Vacancies below 7%
- Liquidity score above 1.0x, and maturities handled well in advance and supported by undrawn committed credit facilities.
- If Peach's IDR was upgraded to 'BB+', for the senior unsecured to also be upgraded (to 'BBB-') and continue to include the EMEA REIT sector uplift: commitment to an unencumbered balance sheet resulting in an unencumbered assets/unsecured debt ratio towards 2.0x and 30% of secured debt to total debt.

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

- Leverage above 18x net debt/EBITDA
- EBITDA net interest coverage below 1.5x
- Costs for holding vacancies increasing to 5% of rent roll

- For the sector uplift: the unencumbered assets/unsecured debt ratio falling below 5x by encumbering properties or a decrease in the valuation of the unencumbered portfolio

## Liquidity and Debt Structure

**Limited Liquidity:** Available liquidity at end-1H21 was CHF76.1 million of cash on balance sheet. Peach has signed CHF55 million in secured credit facilities in 2H21. Together this covers the CHF106 million of debt maturing within 12 months, including secured debt amortisation. Peach's management intends to run the group with CHF20 million of cash on balance sheet.

## ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This 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. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg).

## Liquidity and Debt Maturities

Liquidity analysis (CHFm)	Original 31 Dec 20	Original 30 Jun 21
Total cash and cash equivalents	68	76
Short-term investments		
Less: Not readily available cash and cash equivalents	0	0
Fitch-defined readily available cash and cash equivalents	68	68
Availability under committed lines of credit	0	0
<b>Total liquidity</b>	<b>68</b>	<b>68</b>
LTM EBITDA after associates and minorities	23	
LTM free cash flow	-214	

Source: Fitch Ratings, Fitch Solutions, Peach Property Group AG

Scheduled debt maturities (CHFm)	Original 30 June 2021
2021	0
2022	77
2023	275
2024	123
2025	596
Thereafter	472
<b>Total</b>	<b>1,543</b>

Source: Fitch Ratings, Fitch Solutions, Peach Property Group AG

## Key Assumptions

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

- For net debt/EBITDA calculation purposes in forecast years, Fitch has annualised rents of signed and planned acquisitions, disposals and developments rather than include part-year contributions.
- Moderate 2.5% like-for-like rental growth driven by annual regular uplifts, indexation and reletting upon tenants vacating apartments, in addition to vacancy reduction due to renovation.
- A total of around CHF150 million of renovation and development capex in 2021-2024
- Completion and disposal of relevant parts of Peach's Swiss ongoing development projects.

## Financial Data

### Peach Property Group AG

(CHFm)	Annual 31 Dec 18	Annual 31 Dec 19	Annual 31 Dec 20	Annual 31 Dec 21	Annual 31 Dec 22	Annual 31 Dec 23
Statement type:	Original	Original	Original	Forecast	Forecast	Forecast
<b>Summary income statement</b>						
Revenue	30	39	55	126	131	136
Revenue growth (%)	81.6	31.4	40.6	129.9	4.3	3.6
Operating EBITDA	11	12	23	74	79	83
Operating EBITDA margin (%)	36.5	30.8	41.5	59.1	60.4	60.8
Operating EBITDAR	12	12	23	75	80	83
Operating EBITDAR margin (%)	39.5	30.8	41.7	59.3	60.6	61.0
Operating EBIT	11	12	22	73	78	81
Operating EBIT margin (%)	35.8	30.6	39.9	57.9	59.2	59.7
Gross interest expense	-9	-12	-25	-44	-40	-36
Pretax income	56.9	109.6	153.4	29.2	37.5	44.9
<b>Summary balance sheet</b>						
Readily available cash	54	46	68	110	22	30
Total debt with equity credit	571	817	1,367	1,612	1,501	1,479
Total adjusted debt with equity credit	578	817	1,367	1,614	1,502	1,481
Short-term debt	34	37	177	292	271	-
Net debt	518	770	1,299	1,502	1,479	1,450
<b>Summary cash flow statement</b>						
Operating EBITDA	11	12	23	74	79	83
Recurring associate dividends less distributions to NCI	-	-	-	-1	-1	-1
Cash interest paid	-9	-13	-23	-44	-40	-36
Implied interest cost (%)	1.5	1.5	1.7	2.7	2.7	2.4
Cash interest received	-	-	0.30	-	-	-
Cash tax	-10	-4	2	-1	-1	-1
Other items before FFO	-	-	-	-0	0	-0
Funds flow from operations	45	-6	4	29	37	44
FFO margin (%)	152.4	-15.2	6.4	23.3	28.1	32.4
Change in working capital	9	8	-5	-	-	-
Cash flow from operations (Fitch defined)	54	2	-2	29	37	44
Total non-operating/non-recurring cash flow	-	-	-	-	-	-
Capital expenditure	-219	-23	-210	-	-	-
Capital intensity (capex/revenue) (%)	738.2	58.6	384.1	-	-	-
Common dividends	-2	-3	-2	-	-	-
Net acquisitions & divestitures	-	-248	-500	-	-	-
Capex, dividends, acquisitions & other items before FCF	-	-	-	-	-	-
Free cash flow after acquisitions & divestitures	54	2	-2	-398	23	29
Free cash flow margin (after net acquisitions) margin (%)	183.8	5.4	-3.5	-316.0	17.7	21.6
Other investing and financing cash flow items	1	-6	5	10	-	-
Net debt proceeds	163	264	730	212	-112	-21
Net equity proceeds	6	6	-0	218	-	-
Total change in cash	4	-8	21	42	-89	8
<b>Coverage ratios (x)</b>						
FFO interest coverage	6.1	0.5	1.1	1.7	1.9	2.2
FFO fixed-charge coverage	5.6	0.5	1.1	1.7	1.9	2.2
Operating EBITDAR/gross interest expense + rents <sup>a</sup>	1.2	1.0	1.0	1.7	1.9	2.2
Operating EBITDA/gross interest expense <sup>a</sup>	1.2	1.0	1.0	1.7	1.9	2.3
<b>Leverage ratios (x)</b>						
Total adjusted debt/operating EBITDAR <sup>a</sup>	49.4	68.0	60.0	21.8	19.1	18.1
Total adjusted net debt/operating EBITDAR <sup>a</sup>	44.9	64.2	57.0	20.3	18.8	17.7
Total debt with equity credit/operating EBITDAR <sup>a</sup>	52.9	68.0	60.2	21.8	19.2	18.1
FFO adjusted leverage	11	122	53	22	19	18
FFO adjusted net leverage	10	115	50	21	19	18

<sup>a</sup> EBITDA/R after Dividends to Associations and Minorities. Source: Fitch Ratings, Fitch Solutions

### How to Interpret the Forecast Presented

The forecast presented 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

FitchRatings

### Peach Property Group AG

ESG Relevance:



Corporates Ratings Navigator  
EMEA Real Estate and Property



#### Bar Chart Legend:

Vertical Bars = Range of Rating Factor		Bar Arrows = Rating Factor Outlook	
Bar Colours = Relative Importance		↑	Positive
■	Higher Importance	↓	Negative
■	Average Importance	↕	Evolving
■	Lower Importance	□	Stable

### Operating Environment

aaa	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	a	Good institutional appetite (buyers/sellers/lenders) in best markets, indicating liquidity and ability to leverage assets.
bbb+	Investment Granularity	a	Very high portfolio granularity. Top 10 assets comprise less than 20% 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	bb	Secondary.
bb+	Development Exposure	a	Committed development cost to complete of 5% 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	a	Fixed or hedged debt above 75% of total debt. Evidence of consistent policy through the cycle.
bbb-			
bb+			
bb			

### Profitability

aa-	FFO Dividend Cover	a	1.4x
a+	Asset Class Volatility	a	Portfolio values change less than 15% peak to trough with strong track record of recovery.
a			
a-			
bbb+			

### Financial Flexibility

a-	Financial Discipline	bbb	Less conservative policy but generally applied consistently.
bbb+	Liquidity Coverage	bbb	1.0x.
bbb	Recurring Income EBITDA Interest Cover	bbb	1.75x
bbb-	FX Exposure	a	Profitability potentially exposed to FX but efficient hedging. Debt and cash flow well matched.
bb+			

**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	bbb	Moderate occupancy volatility through cycles. Occupancy consistently above 90%. 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.
a-	Lease Expiry Schedule	a	Smoothed lease maturity profile with no large lease expiries in the medium term.
bbb+	Tenant Concentration and Tenant Credit	a	Top 10 tenants comprise less than 15% of annual base rent revenue; below-average tenant credit risk.
bbb			

### Access to Capital

bbb+	Sources of Capital	bb	Limited access to some of the following markets: equity, unsecured bonds/bank debt, secured debt, and 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

bb+	Loan-To-Value	bb	60%
bb	Unencumbered Asset Cover	bb	1.5x
bb-	Managing Balance Sheet Through the Cycle	bb	Poor balance-sheet management. Some opportunistic re-leveraging of the balance sheet as property values increase.
b+	Net Debt/Recurring Operating EBITDA	ccc	>11.0x
b			

### Credit-Relevant ESG Derivation

Peach Property Group AG has 7 ESG potential rating drivers				Overall ESG
key driver	0	issues	5	
driver	0	issues	4	
potential driver	7	issues	3	
not a rating driver	2	issues	2	
not a rating driver	5	issues	1	

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



### Credit-Relevant ESG Derivation

Peach Property Group AG has 7 ESG potential rating drivers

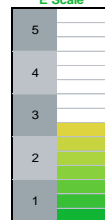
- ▶ Peach Property Group AG has exposure to unsustainable building practices risk but this has very low impact on the rating.
- ▶ Peach Property Group AG has exposure to extreme weather events but this has very low impact on the rating.
- ▶ Peach Property Group AG has exposure to shifting consumer preferences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

				Overall ESG Scale	
key driver	0	issues	5		
driver	0	issues	4		
potential driver	7	issues	3		
not a rating driver	2	issues	2		
	5	issues	1		

### Environmental (E)

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

### E Scale



### How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

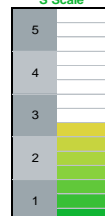
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

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) and the Sustainability Accounting Standards Board (SASB).

### Social (S)

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

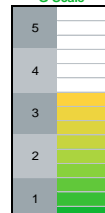
### S Scale



### Governance (G)

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

### G Scale

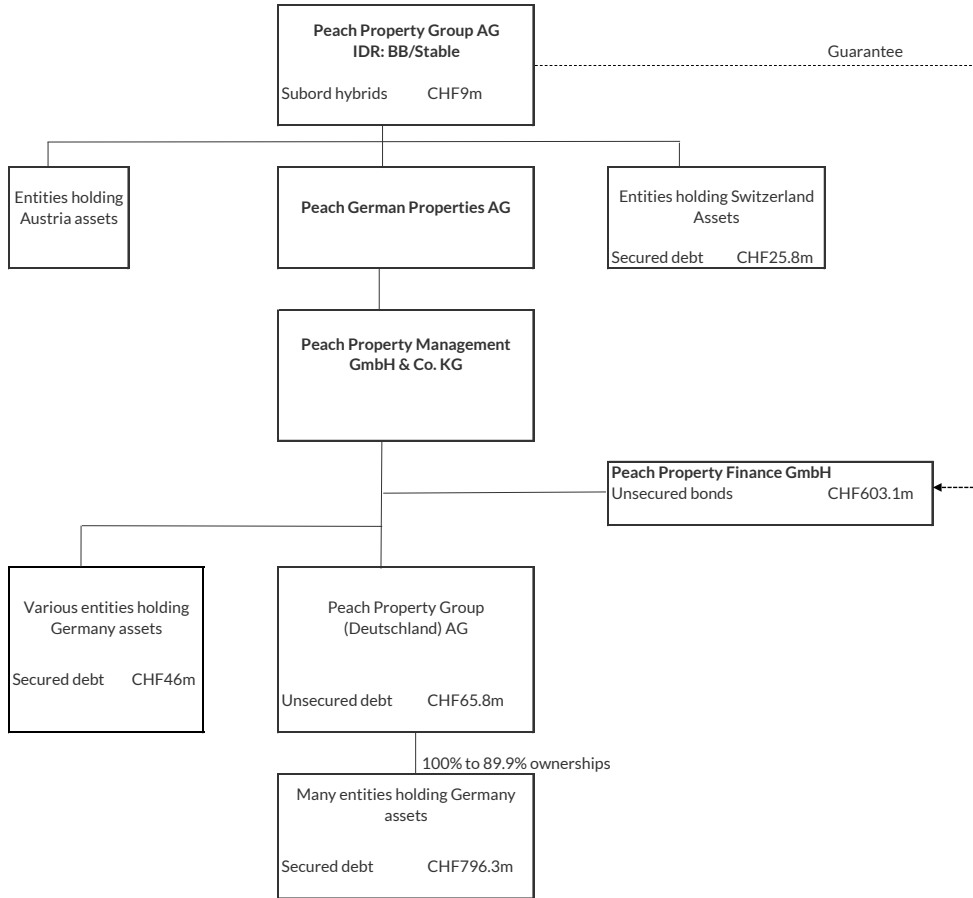


### CREDIT-RELEVANT ESG SCALE

#### 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, Peach Property Group AG, as of June 2021

## Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	Gross revenue (EURm)	Operating EBITDA margin (%)	Operating EBITDA before income from associates (EURm)	Operating EBITDA/interest paid (x)	Total net debt with equity credit/operating EBITDA (x)
Peach Property Group AG	BB						
	BB-	2020	51	41.5	21	1.0	57.2
	B+	2019	35	30.8	11	1.0	64.2
		2018	26	36.5	9	1.2	47.9
Heimstaden Bostad AB	BBB						
		2021F <sup>a</sup>	1,057	61.3	647	3.0	24.8
		2020	661	50.5	336	3.1	20.4
		2019	409	52.6	215	2.2	27.0
		2018	319	49.9	159	2.9	24.4
Akelius Residential Property AB	BBB						
		2020	380	59.5	226	2.0	23.4
		2019	399	55.9	223	1.7	22.4
		2018	373	62.5	233	1.7	26.0
Grainger plc	BBB-						
	BBB-	2020	250	53.9	135	3.2	9.2
		2019	257	47.5	122	2.9	10.2
		2018	313	39.9	125	3.6	7.8
Annington Limited	BBB						
	BBB	2020	228	91.1	208	1.7	18.3
	BBB	2019	223	91.6	204	1.7	18.1
	BBB	2018	219	89.2	195	1.4	19.0

<sup>a</sup> Pro forma for Heimstaden Bostad's acquisition of the Akelius portfolio.  
Source: Fitch Ratings, Fitch Solutions

## Fitch Adjusted Financials

### Fitch Adjustments and Reconciliation Table for Peach Property Group AG

(CHFm)	Notes and Formulas	Reported Values	Sum of Adjustments	Hybrid Adjustment	Fair Value and Other Debt Adjustments	Other Adjustments	Adjusted Values
31 December 2020							
<b>Income Statement Summary</b>							
Revenue		55					55
Operating EBITDAR		23					23
Operating EBITDAR After Associates and Minorities	(a)	23					23
Operating Lease Expense	(b)	0					0
Operating EBITDA	(c)	23					23
Operating EBITDA After Associates and Minorities	(d) = (a-b)	23					23
Operating EBIT	(e)	22					22
<b>Debt and Cash Summary</b>							
Total Debt with Equity Credit	(f)	1,401	-34	34	-11	-56	1,367
Lease-Equivalent Debt	(g)	0					0
Other Off-Balance-Sheet Debt	(h)	0					0
Total Adjusted Debt with Equity Credit	(i) = (f+g+h)	1,401	-34	34	-11	-56	1,367
Readily Available Cash and Equivalents	(j)	68					68
Not Readily Available Cash and Equivalents		0					0
<b>Cash Flow Summary</b>							
Operating EBITDA After Associates and Minorities	(d) = (a-b)	23					23
Preferred Dividends (Paid)	(k)	0					0
Interest Received	(l)	0					0
Interest (Paid)	(m)	-23					-23
Cash Tax (Paid)		2					2
Other Items Before FFO		2					2
Funds from Operations (FFO)	(n)	4					4
Change in Working Capital (Fitch-Defined)		-5					-5
Cash Flow from Operations (CFO)	(o)	-2					-2
Non-Operating/Nonrecurring Cash Flow		0					0
Capital (Expenditures)	(p)	-210					-210
Common Dividends (Paid)		-2					-2
Free Cash Flow (FCF)		-214					-214
<b>Gross Leverage (x)</b>							
Total Adjusted Debt/Operating EBITDAR <sup>a</sup>	(i/a)	61.4					60.0
FFO Adjusted Leverage	(i)/(n-m-l-k+b)	53.9					52.6
FFO Leverage	(i-g)/(n-m-l-k)	54.1					52.8
Total Debt with Equity Credit/Operating EBITDA <sup>a</sup>	(i-g)/d	61.7					60.2
(CFO-Capex)/Total Debt with Equity Credit (%)	(o+p)/(i-g)	-15.1%					-15.5%
<b>Net Leverage (x)</b>							
Total Adjusted Net Debt/Operating EBITDAR <sup>a</sup>	(i-j)/a	58.5					57.0
FFO Adjusted Net Leverage	(i-j)/(n-m-l-k+b)	51.3					50.0
FFO Net Leverage	(i-g-j)/(n-m-l-k)	51.5					50.2
Total Net Debt with Equity Credit/Operating EBITDA <sup>a</sup>	(i-g-j)/d	58.7					57.2
(CFO-Capex)/Total Net Debt with Equity Credit (%)	(o+p)/(i-g-j)	-15.9%					-16.3%
<b>Coverage (x)</b>							
Operating EBITDA/(Interest Paid + Lease Expense) <sup>a</sup>	a/(-m+b)	1.0					1.0
Operating EBITDA/Interest Paid <sup>a</sup>	d/(-m)	1.0					1.0
FFO Fixed-Charge Coverage	(n-l-m-k+b)/(-m-k+b)	1.1					1.1
FFO Interest Coverage	(n-l-m-k)/(-m-k)	1.1					1.1

<sup>a</sup> EBITDA/R after dividends to associates and minorities.

Source: Fitch Ratings, Fitch Solutions, Peach Property Group AG

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

**DISCLAIMER & DISCLOSURES**

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

Copyright © 2021 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.