FitchRatings

Corporates
Property/Real Estate
Switzerland

Peach Property Group AG

Peach Property Group AG's ratings reflects the stability of the group's rental income stemming from its EUR2.6 billion (preliminary end-2022) German regional residential-for-rent portfolio, the benefits of its now larger scale and diversification, and reduced refinancing risk for its upcoming 2023 bond maturity.

Fitch forecasts Peach's net debt/EBITDA to reduce to 20x in 2023 and to 19x in 2024 as its Swiss development project completes, and its interest cover to improve to 1.9x at end-2024 from 1.4x at end-2022. The issuance of a CHF67 million mandatory convertible bond in January 2023 and the proposal to cut dividends in 2023 (subject to Annual General Meeting approval) aids this profile.

Peach's senior unsecured debt's rating is aligned with its Issuer Default Rating (IDR), reflecting additional investment properties being pledged as collateral for secured financings signed in July and August 2022. This leaves a smaller pool of unencumbered assets (CHF0.5 billion) for its unsecured creditors. Fitch therefore no longer expects above-average recoveries in line with its criteria for the EMEA Real Estate Sector Uplift. Fitch estimates the unencumbered asset cover at around 1x (1H21: 1.5x) pro forma for the new financings.

Key Rating Drivers

Reduced Refinancing Risk: The company actively managed its February 2023 bond maturity via bond buybacks and by issuing a mandatory convertible bond in January 2023. In August 2022, Peach signed a new EUR100 million secured bank loan and in April 2022 a EUR100 million unsecured revolving credit facility (RCF), with four- and five-year maturities, respectively, including extension options.

Together with CHF42 million cash on balance sheet at end-1H22 (less about EUR20 million in bond buybacks in July 2022), this covered Peach's February 2023 bond maturity, and the bond was repaid on 26 January 2023.

Unencumbered Asset Cover Declines: The additional secured debt has reduced refinancing risk in this period of more expensive bond-market funding, but also led to more investment properties being pledged as collateral for the group's secured debt. This has reduced the pool of unencumbered investment properties available for its unsecured creditors. Fitch estimates that unencumbered investment property/unsecured debt has declined to around 1x pro forma for the refinancing completed in August 2022.

Sector Uplift Removed: Fitch no longer applies the EMEA Real Estate Sector Uplift for to Peach, with the alignment of Peach's senior unsecured debt rating to its IDR, reflecting average, rather than above-average, recovery expectations for senior unsecured debt. Fitch would expect at least a 1.5x unencumbered asset cover to apply the sector uplift for property companies in the 'BB' rating category. Peach still fulfils the other criteria (including liquid property markets and regular valuations) for the sector uplift.

Portfolio Scale Achieved: Peach's German residential-for-rent property portfolio has achieved scale and benefits from diversification through its 27,500 units spread across good locations in German B-cities. Peach's rental income is supported by affordable regulated German rents, which have been stable over time. German below-market rents provide reversionary potential and Peach estimates that its in-place rents were on average 18% below market at end-1H22.

Ratings

Foreign Currency

Long-Term IDR	BB

Outlook

Long-Term Foreign-Currency IDR	Stable

Debt Ratings

Peach Property Group AG

Senior Unsecured Debt Rating	BB

Peach Property Finance GmbH

Senior Unsecured Debt Rating	BB

Click here for the full list of Ratings

Applicable Criteria

Corporate Rating Criteria (October 2022)

Corporates Recovery Ratings and Instrument Ratings Criteria (April 2021)

Corporate Hybrids Treatment and Notching Criteria (November 2020)

Related Research

EMEA Real Estate Updated Base Case (August 2022)

Real Estate and Property – Long-Term Climate Vulnerability Scores (June 2022)

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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 European Public Real Estate Association (EPRA) vacancy rate at 8.5% at end-1H22 was higher than the 2%-4% industry norms for residential. Peach's strategy includes acquiring portfolios with pockets of vacancies and gradually reducing these after renovating the buildings.

This higher vacancy represents potential rental uplift after capex. Until then, Peach incurs the cost of acquisition and vacancies. During 2022 Peach continued its renovation programme and reduced its EPRA vacancy to 8.5% at end-1H22 (end-1H21: 9.1%).

Healthy Rental Growth: Peach achieved healthy like-for-like rental growth of 3.8% in 2021 and around 5% in 2022 (preliminary end-2022), through the realisation of some of its reversionary potential, higher market rents and vacancy reduction. Historically, German residential rents have followed the consumer price index, which should support rental growth in the new inflationary environment.

Peach's utility costs are mostly passed on to tenants via service charges. Peach benefits from gas price hedging until 2024 for a large part of its tenants to reduce the cost increase for them, and has increased the monthly pre-payments it charges for the remaining tenants to flatten the increase. Government subsidies to households to cover utility bills are likely to reduce pressure on tenants further.

North-Rhine-Westphalia-Focused Portfolio: Peach's off-market acquired portfolios have core metrics broadly comparable with German peers', but with pockets of high vacancies. The completed acquisitions were selected to complement Peach's existing footprint (including 2021's 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.

Improving Cash Flow Leverage: Fitch forecasts Peach's financial profile will improve, with net debt/EBITDA falling to 20x in 2023, and improving to 19x in 2024 and 18x in 2025. The improvement will be driven by rental growth from its renovations and leasing activity, and from indexation and the gradual completion and disposal of its Swiss development property. We forecast interest cover to improve to 1.6x in 2023 and to 1.9x in 2024, driven by higher profitability despite rising interest rates.

Financial Summary

(CHFm)	2019	2020	2021	2022F	2023F	2024F
Gross revenue	38.9	54.7	108.6	117.4	125.4	132.9
EBITDA	12.0	22.2	53.9	60.7	68.3	74.1
EBITDA margin (%)	30.8	40.6	49.6	51.7	54.5	55.8
EBITDA interest coverage	1.0	1.0	1.2	1.4	1.6	1.9
EBITDA net leverage	64.2	58.5	27.1	24.3	20.5	18.7

F = Forecast
Source: Fitch Ratings, Fitch Solutions

Property Portfolio at 1H22 (end-June 2022)

Asset Class	Residential-for-Rent
Geography	Germany
Portfolio size	CHF2.7bn (about EUR2.7bn)
Number of units	27,400
Gross leasable area	1,496,857 sqm
Net initial yield	3.1%
Vacancy rate	8.5%

Source: Fitch Ratings, Peach Property Group AG, as at end-June 2022

Rating Derivation Relative to Peers

Fitch compares Peach with German residential peers, and Fitch-rated residential peers D.V.I. Deutsche Vermogens- und Immobilienverwaltungs GmbH (BBB-/Stable), Heimstaden Bostad AB (BBB/Negative), Akelius Residential Property AB (BBB/Stable) and Grainger Plc (BBB-/Stable).

Peach's portfolio is broadly comparable with larger German peers', as measured by market value per square metre (sq m), in-place-rent per sq m, gross yield for the location and quality. Peach's portfolio focuses more on B-cities, and has markedly higher vacancy rates (1H22: 8.5% 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 high vacancy rate, which we expect to improve as its renovation projects are completed.

Peach's forecast end-2023 net debt/EBITDA of around 20x is high, consistent with its historical high loan-to-values (end-2021 Fitch-calculated: 55%), 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 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 the portfolio (given vacancies, and average rents), exposure to secured funding, and current high leverage frame its 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.

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
Akelius Residential Property AB	BBB/Stable	aa	bbb	a	bbb+	bbb	a-	bbb	bbb	bbb+
Annington Limited	BBB/Stable	aa-	a-	bbb	a	a	a-	bb	bbb	bbb+
D.V.I. Deutsche Vermogens- und Immobilienverwaltungs GmbH	BBB-/Stable	aa	bb+	bbb+	a-	a-	bb+	a	bbb-	bbb+
Grainger plc	BBB-/Stable	aa	a	bbb	bbb	bbb+	bb+	bbb+	bbb-	bbb
Heimstaden Bostad AB	BBB/Negative	aa	bbb+	a	a-	a-	a-	bbb	bbb	bbb+
Peach Property Group AG	BB/Stable	aa-	bbb	bbb	a-	bbb-	bbb-	a	bb-	bbb
SCI LAMARTINE	BBB+/Stable	aa	bbb+	a-	a-	a	bbb+	bbb-	bbb	a

Source: Fitch Ratings.

Importance: Higher | Moderate | Lower

Rating Sensitivities

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

- Net debt/EBITDA below 17x
- EBITDA net interest coverage above 1.75x
- Vacancies below 7%
- Liquidity score above 1.0x, and maturities refinanced well in advance and supported by undrawn committed credit facilities
- For the senior unsecured debt rating: the unencumbered assets/unsecured debt improving to above 1.5x and a commitment to a lower proportion of secured debt

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

- Net debt/EBITDA above 19x
- EBITDA net interest coverage below 1.5x
- Costs for holding vacancies increasing to 5% of rent roll

Liquidity and Debt Structure

Sufficient Liquidity: At end-1H22, Peach had CHF42 million (about EUR42 million) of readily available cash. In July 2022, Peach reduced the upcoming 2023 bond to EUR181 million via another EUR20 million bond buybacks, signed a EUR100 million new secured loan in August and a EUR100 million unsecured revolving credit facility in April.

Together these facilities and the remaining cash (after bond buybacks) coved the EUR181 million bond maturing in February 2023. The bond was the only debt maturity in the next 12 months besides its secured debt amortisation and the bond was repaid on 26 January 2023. Proceeds from its CHF67 million mandatory convertible issuance are to be used for debt repayment.

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

Liquidity and Debt Maturities

(CHFm)	30 June 2022
Fitch available cash	42
+ Undrawn portion of committed facility[c]	100
+ Expected free cash flow[a]	0
+ Uncommitted capex/developments[b]	0
-/+ Analyst adjustments[c]	143
Total sources	**285**
(12-month debt maturities)[d]	227
Total uses	**227**
Fitch liquidity ratio	**1.3x**

[a] Including all the capex (committed and uncommitted)
[b] Add back the uncommitted capex
[c] Add EUR100m RCF signed in April, Secured loan EUR100m signed in August and CHF63m mandatory convertible issued, deduct EUR20m bond buy-back
[d] Deduct EUR20m bond-back
Source: Fitch Ratings, Peach Property Group AG

Debt maturities schedule	
(CHFm)	**31 December 2021**
2022	89
2023	260
2024	115
2025	558
2026	143
Thereafter	335
Total	**1,500**

Source: Fitch Ratings, Peach Property Group AG

Key Assumptions

Fitch's Key Assumptions within our Rating Case for the Issuer

- For net debt/EBITDA calculation in forecast years, Fitch has annualised rents of signed and planned acquisitions, disposals and developments rather than include part-year contributions.
- Moderate 2%-4% like-for-like rental growth is driven by annual uplifts, indexation and re-letting upon tenants vacating apartments, in addition to vacancy reduction due to renovation activity.
- We assume around CHF140 million of renovation and development capex during 2022-2025.
- We assume completion and disposal of relevant parts of Peach's Swiss ongoing development projects.
- Interest costs on euro-denominated variable-rate funded debt (FY23 policy rate: 3%, FY24: 2%) rise due to policy rate changes and higher cost of new debt generally.

Financial Data

Peach Property Group AG

	Historical			Forecast		
(CHFm)	2019	2020	2021	2022	2023	2024
Summary income statement						
Gross revenue	38.9	54.7	108.6	117.4	125.4	132.9
Revenue growth (%)	31.4	40.6	98.5	8.1	6.8	6.0
EBITDA (before income from associates)	12.0	22.2	53.9	60.7	68.3	74.1
EBITDA margin (%)	30.8	40.6	49.6	51.7	54.5	55.8
EBITDAR	12.0	22.3	53.9	60.7	68.3	74.1
EBITDAR margin (%)	30.8	40.8	49.6	51.7	54.5	55.8
EBIT	11.9	21.3	52.2	58.5	66.1	71.8
EBIT margin (%)	30.6	38.9	48.1	49.8	52.7	54.0
Gross interest expense	-12.2	-24.1	-41.9	-44.1	-43.4	-39.3
Pretax income (including associate income/loss)	109.6	153.4	259.5	14.4	22.7	32.5
Summary balance sheet						
Readily available cash and equivalents	46.2	67.7	37.2	109.5	37.5	35.3
Debt	816.5	1,366.9	1,499.5	1,570.0	1,420.0	1,405.0
Lease-adjusted debt	816.5	1,366.9	1,499.5	1,570.0	1,420.0	1,405.0
Net debt	770.3	1,299.2	1,462.3	1,460.5	1,382.5	1,369.7
Summary cash flow statement						
EBITDA	12.0	22.2	53.9	60.7	68.3	74.1
Cash interest paid	-12.6	-22.7	-46.2	-44.1	-43.4	-39.3
Cash tax	-4.4	1.6	-1.1	-0.5	-0.7	-1.0
Dividends received less dividends paid to minorities (inflow/(out)flow)	—	—	—	-0.5	-0.9	-0.9
Other items before FFO	-0.9	2.1	2.5	0.0	0.0	0.0
Funds flow from operations	-5.9	3.5	9.4	15.6	23.3	32.9
FFO margin (%)	-15.2	6.4	8.7	13.3	18.6	24.8
Change in working capital	8.0	-5.4	-16.2	0.0	0.0	0.0
Cash flow from operations (Fitch defined)	2.1	-1.9	-6.8	15.6	23.3	32.9
Total non-operating/nonrecurring cash flow	—	—	—	—	—	—
Capex	-22.8	-210.1	-45.4	—	—	—
Capital intensity (capex/revenue) (%)	58.6	384.1	41.8	—	—	—
Common dividends	-2.7	-1.9	-3.8	—	—	—
Free cash flow	-23.4	-213.9	-56.0	—	—	—
Net acquisitions and divestitures	-248.2	-499.5	-137.9	—	—	—
Other investing and financing cash flow items	-6.2	5.4	4.9	—	—	—
Net debt proceeds	263.9	729.6	160.6	70.5	-150.0	-15.0
Net equity proceeds	5.8	-0.3	-1.0	0.0	63.0	0.0
Total change in cash	-8.1	21.3	-29.4	72.3	-72.0	-2.1
Leverage ratios (x)						
EBITDA leverage	68.0	61.6	27.8	26.1	21.1	19.2
EBITDA net leverage	64.2	58.5	27.1	24.3	20.5	18.7
EBITDAR leverage	68.0	61.3	27.8	26.1	21.1	19.2
EBITDAR net leverage	64.2	58.3	27.1	24.3	20.5	18.7
EBITDAR net fixed charge coverage	1.0	1.0	1.2	1.4	1.6	1.9
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-273.7	-711.5	-187.1	-13.8	-8.3	-20.0
Free cash flow after acquisitions and divestitures	-271.6	-713.4	-193.9	1.8	15.0	12.9
Free cash flow margin (after net acquisitions) (%)	-698.2	-1,304.2	-178.5	1.5	12.0	9.7

	Historical			Forecast		
(CHFm)	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Coverage ratios (x)						
EBITDAR fixed charge coverage	1.0	1.0	1.2	1.4	1.6	1.9
EBITDA interest coverage	1.0	1.0	1.2	1.4	1.6	1.9
Additional metrics (%)						
CFO-capex/debt	-2.5	-15.5	-3.5	-2.5	-2.2	-1.6
CFO-capex/net debt	-2.7	-16.3	-3.6	-2.7	-2.3	-1.6
CFO/capex	9.2	-0.9	-15.0	28.4	42.4	59.8

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

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

Peach Property Group AG

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+			

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+			

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.

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			

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			

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			

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 Structure

bb+	Loan-To-Value	bb	60%
bb	Unencumbered Asset Cover	b	1.0x
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 EBITDA	ccc	>11.0x
b			

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.

Credit-Relevant ESG Derivation

Peach Property Group AG has 7 ESG potential rating drivers

- 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	7	issues	3
not a rating driver	2	issues	2
	5	issues	1

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

FitchRatings

Peach Property Group AG

Corporates Ratings Navigator
EMEA Real Estate and Property

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	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	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)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
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)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
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 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.

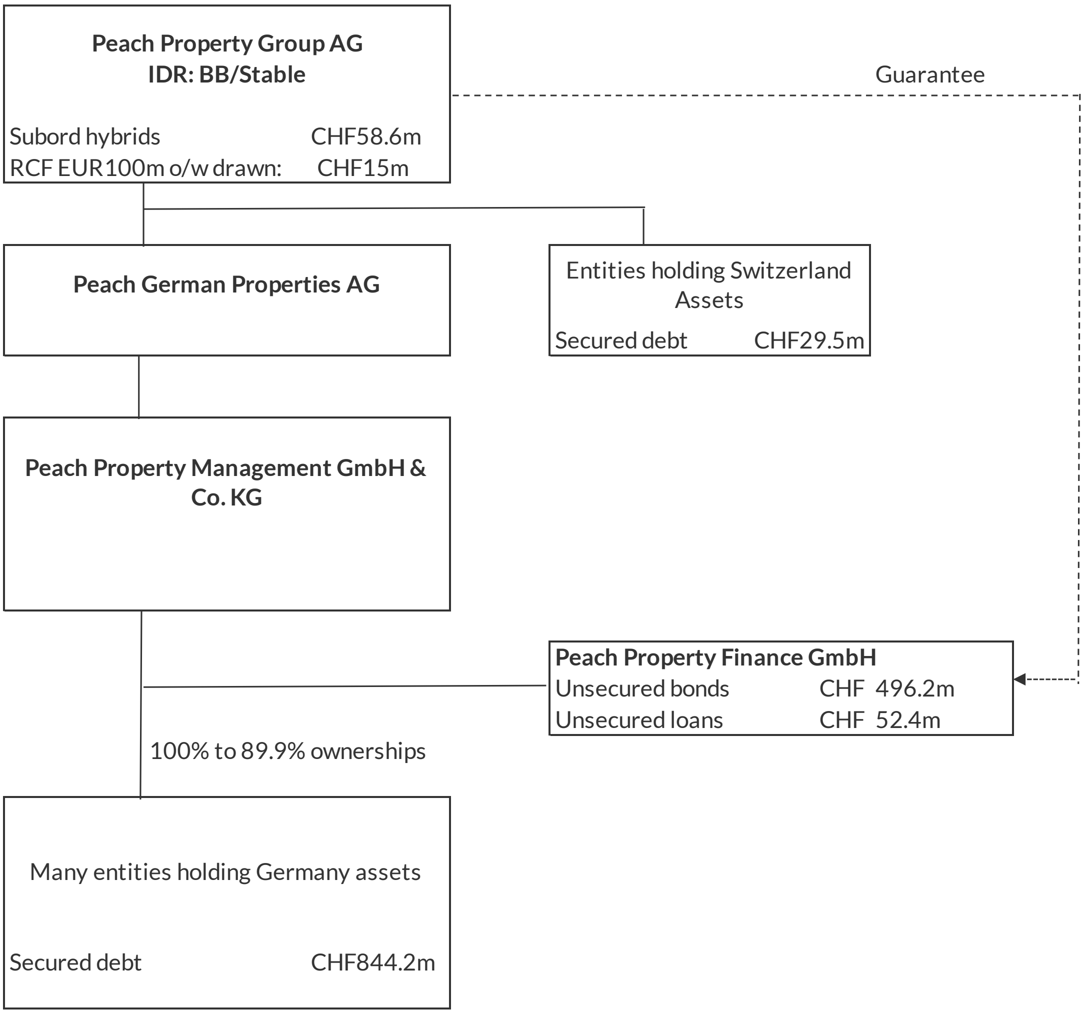
Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

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



As at end-1H22
Source: Fitch Ratings, Peach Property Group AG

Peer Financial Summary

(in EURm)	Issuer Default Rating	Financial statement date	Revenue	EBITDA margin (%)	EBITDA net leverage (x)	EBITDA leverage (x)	EBITDA interest coverage (x)
Peach Property Group AG	BB						
	BB	2021	104	49.6	27.1	27.8	1.2
	BB-	2020	51	40.6	58.5	61.6	1.0
	B+	2019	36	30.8	64.2	68.0	1.0
D.V.I. Deutsche Vermogens- und Immobilienverwaltungs GmbH	BBB-						
	BBB-	2021	73	80.1	13.3	14.7	3.9
		2020	71	90.7	9.6	10.8	3.0
Heimstaden Bostad AB	BBB						
	BBB	2021	835	55.2	32.9	37.0	2.1
		2020	627	53.6	20.4	22.7	3.1
		2019	395	52.6	27.0	29.0	2.2
Akelius Residential Property AB	BBB						
	BBB	2021	212	38.7	(7.4)	57.6	0.9
		2020	380	59.5	23.4	24.5	2.0
		2019	399	55.9	22.4	22.6	1.7
Grainger plc	BBB-						
	BBB-	2022	324	45.4	9.9	10.6	3.1
	BBB-	2021	297	47.6	8.6	11.2	2.7
		2020	240	53.9	8.8	11.9	3.2
Annington Limited	BBB						
	BBB	2022	243	89.7	21.8	22.8	1.7
	BBB	2021	236	90.1	17.9	18.8	1.7
	BBB	2020	225	91.1	18.3	18.7	1.7

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

Fitch Adjusted Financials

(CHFm) 31 December 2021	Notes and formulas	Reported values	Sum of adjustments	CORP- lease treatment	Other adjustments	Adjusted values
Income statement summary						
Revenue		109				109
EBITDAR		55	-1	-1		54
EBITDAR after associates and minorities	(a)	55	-1	-1		54
Lease expense	(b)	0				0
EBITDA	(c)	55	-1	-1		54
EBITDA after associates and minorities	(d) = (a-b)	55	-1	-1		54
EBIT	(e)	53	-1	-1		52
Debt and cash summary						
Other off-balance-sheet debt	(f)	0				0
Debt[b]	(g)	1,500				1,500
Lease-equivalent debt	(h)	0				0
Lease-adjusted debt	(i) = (g+h)	1,500				1,500
Readily available cash and equivalents	(j)	37				37
Not readily available cash and equivalents		0				0
Cash flow summary						
EBITDA after associates and minorities	(d) = (a-b)	55	-1	-1		54
Preferred dividends (paid)	(k)	0				0
Interest received	(l)	0				0
Interest (paid)	(m)	-45	-1		-1	-46
Cash tax (paid)		-1				-1
Other items before FFO		1	2	1	1	3
Funds from operations (FFO)	(n)	10	-0	-0	-0	9
Change in working capital (Fitch-defined)		-16				-16
Cash flow from operations (CFO)	(o)	-6	-0	-0	0	-7
Non-operating/nonrecurring cash flow		0				0
Capital (expenditures)	(p)	-45				-45
Common dividends (paid)		-5	1		1	-4
Free cash flow (FCF)		-57	1	-0	1	-56
Gross leverage (x)						
EBITDAR leverage[a]	(i/a)	27.3				27.8
FFO adjusted leverage	(i/(n-m-l-k+b))	27.5				27.1
FFO leverage	(i-h)/(n-m-l-k)	27.5				27.1
EBITDA leverage[a]	(i-h)/d	27.3				27.8
(CFO-capex)/debt (%)	(o+p)/(i-h)	-3.5%				-3.5%
Net leverage (x)						
EBITDAR net leverage[a]	(i-j)/a	26.6				27.1
FFO adjusted net leverage	(i-j)/(n-m-l-k+b)	26.8				26.4
FFO net leverage	(i-h-j)/(n-m-l-k)	26.8				26.4
EBITDA net leverage[a]	(i-h-j)/d	26.6				27.1
(CFO-capex)/net debt (%)	(o+p)/(i-h-j)	-3.5%				-3.6%
Coverage (x)						
EBITDAR fixed charge coverage[a]	a/(-m+b)	1.2				1.2
EBITDA interest coverage[a]	d/(-m)	1.2				1.2
FFO fixed-charge coverage	(n-l-m-k+b)/(-m-k+b)	1.2				1.2
FFO interest coverage	(n-l-m-k)/(-m-k)	1.2				1.2

[a] EBITDA/R after dividends to associates and minorities.
[b] Includes other off-balance-sheet debt.
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.