

Tear Sheet:

P3 Group S.a.r.l.

November 28, 2022

Recent Developments

P3 Group's rental income will likely benefit from indexation-linked rent contracts, but we remain cautious on the long-term growth trajectory. P3 recorded a like-for-like (l-f-l) net rental growth of 6% in first-half 2022. We forecast an l-f-l rental growth of 2.5%-3.0% in 2023 and 1.5%-2.0% in 2024, mostly supported by leases indexed to consumer price index, mitigated by our expectations of lower occupancy of 96.5%-97%. The portfolio valuation was positive (at 5%) on June 30, 2022, but we see capitalization hitting valuations in second-half 2022 and 2023. This could weigh on P3's leverage, and we forecast our debt to debt plus equity at 52%-53% in 2022 and 53%-54% in 2024, still below our rating downside threshold of 55%. P3's financial policy targets a loan to value under 47.5%, leading to adjusted debt to debt plus equity of 51%-52%.

Increasing interest rates and a relatively short average debt maturity will affect P3's EBITDA interest coverage ratio (ICR) strongly. As interest rates increase (50% debt unhedged) and given high refinancing needs in next 12-18 months (about €600 million of debt matures in 12 months and €1.2 billion the following six), we believe funding costs will rise to 2.0%-2.2% from 1.02% currently, and its ICR to decline to 3.5x-3.8x until end-2023 from 10.2x as of June 30, 2022, but remaining above our downside threshold of 2.4x. We understand the weighted-average debt maturity might not improve in 2022, but we expect P3 to extend its average debt maturity in the next three-to-six months to above three years and maintain adequate liquidity.

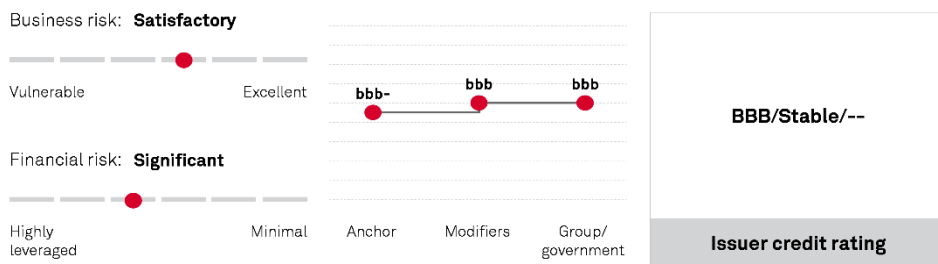
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Ratings Score Snapshot



Company Description

P3 is a limited liability company incorporated in Luxembourg and a real estate owner of industrial properties. The company was established in 2001 and owns a gross portfolio value of about €8.2 billion (7.1 million sq. m. of gross leasable area) as of June 30, 2022. The total portfolio includes about 298 logistics properties spread across 11 European countries.

P3 is 100% owned by Euro Vitus Private Ltd., which is ultimately controlled by the sovereign wealth fund GIC.

Outlook

The stable outlook reflects our view of P3's strong asset quality and high geographic diversity, which will likely enable it to continue generating stable and predictable income. Our base-case scenario also factors in P3's continuing expansion of its portfolio and increasing exposure to high-quality logistic assets, while maintaining its credit metrics. Under our base-case scenario, we anticipate that P3 should maintain adjusted EBITDA interest coverage ratio above 3.5x-3.8x and a debt-to-debt-plus-equity ratio of about 52%-53% in the next 12-18 months.

Downside scenario

We could lower the rating if financial ratios weaken such that:

- Debt to debt plus equity moves toward 55% or above on a sustained basis;
- EBITDA interest coverage moves toward 2.4x or below; and
- A change in its current ownership structure that we view as less favorable or a change in existing or future shareholder loans leads us to review the equity treatment.

We would also take a negative view if P3 acquired properties with weaker characteristics--for example, properties in less fundamentally solid locations--or if the company were to increase its exposure to underperforming assets.

Upside scenario

We see a rating upside as limited, unless P3 significantly expands its portfolio scale and scope beyond our base case, while maintaining positive like-for-like rental growth and stable occupancy levels. In addition, the company would need:

- A maintained EBITDA interest coverage as per our base case;
- Debt to debt plus equity below 40% over a sustained period; and
- Debt-to-annualized EBITDA ratio well below 13.0x on a sustainable basis.

Key Metrics

Company Name--Key Metrics*

Mil. \$	2020a	2021a	2022e	2023f	2024f
EBITDA	175.1	260.5	290-310	320-340	350-370
EBITDA margin (%)	70.3	81.8	80.0-81.0	80.0-81.0	80.0-81.0
Debt to EBITDA (x)	16.9	13.3	13.0-14.0	12.0-13.0	11.5-12.5
EBITDA interest coverage (x)	9.6	11.7	3.5-4.0	3.5-4.0	3.0-3.5

P3 Group S.a.r.l.

Debt to Debt plus Equity (x) 49.7 49.1 52.0-53.0 53.0-54.0 53.0-54.0

*All figures adjusted by S&P Global Ratings. a--Actual. e--Estimate. f--Forecast.

Financial Summary

P3 Group S.a.r.l.--Financial Summary

Period ending (rolling twelve months)	Dec-31-2020	Jun-30-2021	Dec-31-2021	Jun-30-2022
Display currency (mil.)	EUR	EUR	EUR	EUR
Revenues	249	290	319	331
EBITDA	175	194	261	272
Funds from operations (FFO)	146	167	226	221
Interest expense	18	20	22	27
Operating cash flow (OCF)	128	202	188	150
Capital expenditure	1,994	1,111	561	811
Dividends paid	0	0	0	0
Cash and short-term investments	152	161	78	148
Debt	2,951	3,352	3,476	3,777
Common equity	2,985	2,992	3,602	4,013
Valuation of investment property	6,273	6,776	7,561	8,267
Adjusted ratios				
EBITDA margin (%)	70.3	66.7	81.8	82.0
EBITDA interest coverage (x)	9.6	9.9	11.7	10.2
Debt/EBITDA (x)	16.9	17.3	13.3	13.9
Debt/debt and equity (%)	49.7	52.8	49.1	48.5

Peer Comparison

P3 Group S.a.r.l.--Peer Comparisons

	P3 Group S.a.r.l.	CTP N.V.	Logicor Financing S.a.r.l.	Blackstone Property Partners Europe Holdings S.a.r.l.	Goodman European Partnership
Foreign currency issuer credit rating	BBB/Stable/--	BBB-/Stable/--	BBB/Stable/A-2	BBB/Stable/--	BBB+/Stable/--
Local currency issuer credit rating	BBB/Stable/--	BBB-/Stable/--	BBB/Stable/A-2	BBB/Stable/--	BBB+/Stable/--
Period ending (rolling twelve months)	2022-06-30	2022-06-30	2022-06-30	2022-06-30	2022-06-30
Revenue	331	446	713	445	154
EBITDA	272	298	581	342	130

P3 Group S.a.r.l.--Peer Comparisons

Funds from operations (FFO)	221	152	340	208	93
Interest expense	27	74	137	110	21
Operating cash flow (OCF)	150	191	369	195	42
Capital expenditure	811	775	325	122	499
Dividends paid	0	6	808	97	89
Cash and short-term investments	148	640	369	769	63
Debt	3,777	4,792	7,074	6,524	918
Equity	4,013	5,027	8,336	7,024	2,855
Valuation of investment property	8,267	10,440	16,220	13,583	4,364
Adjusted Ratios					
EBITDA margin (%)	82.0	66.1	80.1	76.9	84.2
EBITDA interest coverage (x)	10.2	4.0	4.2	3.1	6.1
Debt/EBITDA (x)	13.9	16.1	12.2	19.1	7.1
Debt/debt and equity (%)	48.5	48.8	45.9	48.2	24.3

Rating Component Scores

Foreign currency issuer credit rating	BBB/Stable/--
Local currency issuer credit rating	BBB/Stable/--
Business risk	Satisfactory
Country risk	Low
Industry risk	Low
Competitive position	Satisfactory
Financial risk	Significant
Cash flow/leverage	Significant
Anchor	bbb-
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Fair (no impact)
Comparable rating analysis	Positive (+1 notch)
Stand-alone credit profile	bbb

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