Research Update:

Vivion Investments 'BB' Ratings Affirmed; Outlook Remains Negative

October 3, 2025

Primary Contact

Manish Kejriwal
Dublin
353-0-1-568-0609
manish.kejriwal
@spglobal.com

Secondary Contacts

Nicole Reinhardt
Frankfurt
49-693-399-9303
nicole.reinhardt
@spglobal.com

G.Andrew A Stillman, CFA
London
44-0-2071767036
andrew.stillman
@spglobal.com

Rating Action Overview

- Vivion Investments S.a.r.l's first-half 2025 results indicate a further weakening of operating performance compared to the first half of 2024. This, coupled with persistent higher funding costs, has kept Vivion’s S&P Global Ratings-adjusted EBITDA interest coverage ratio at about 1.2x as of June 30, 2025--significantly below our previous expectations of 1.6x by 2025 and our downside threshold of 1.8x.
- That said, we understand Vivion's management is in advanced discussions regarding potential credit enhancement measures aimed at restoring the coverage ratio to 1.8x. We will closely monitor developments over the next three months.
- Despite the company's relatively weak EBITDA interest coverage, we expect leverage to remain relatively low and well within our thresholds for a 'BB' rating. We anticipate that S&P Global Ratings-adjusted debt to EBITDA will improve to 8.6x-8.7x (9.6x as of June 30, 2025) and debt to debt plus equity will decrease to 40%-41% (46.6%) over the next 12 months, primarily supported by planned measures.
- We therefore affirmed our 'BB' long-term issuer credit rating on Vivion and our 'BB+' issue rating on its senior secured notes.
- The negative outlook indicates that we could lower the rating within the next six months if Vivion fails to improve its EBITDA interest coverage ratio to 1.8x, its adjusted debt to EBITDA remains above 9.5x, or the debt-to-debt plus equity ratio increases to above 60%.

Rating Action Rationale

We understand Vivion is in an advanced stage of negotiations regarding potential credit enhancement measures mainly aimed at restoring its coverage ratio to 1.8x, a level commensurate with the 'BB' rating. As of June 30, 2025, the company's adjusted EBITDA interest coverage ratio for the first half of 2025 remained at 1.2x, (1.2x as of Dec. 31, 2024, and 1.6x as of Dec. 31, 2023) well below our previous base-case expectation of 1.6x and our rating downside threshold of 1.8x. The weaker coverage ratio was largely due to a decline in German office occupancy, which fell to 75% as of June 2025, compared with 82% the previous year, and sustained higher funding costs, with the company's adjusted weighted-average cost of debt remaining at about 7.2%-7.3% (including the payment in kind [PIK] interest on the outstanding bonds) as of June 30, 2025. We understand Vivion could take the following measures to improve credit metrics:

- Reducing net debt through cash proceeds from potential asset disposals, or the issuance of equity or equity-like instruments or other measures.
- Early refinancing of the existing higher-cost debt at more favorable rates.
- Projected recovery in EBITDA from both hotel assets and a slight improvement in German office occupancy.

We anticipate, based on the above measures, the average cost of debt could decrease to approximately 6.0%-6.3% over the next six months, contributing to lower absolute interest expenses. This, alongside potential higher EBITDA generation, could improve Vivion's EBITDA interest coverage ratio to 1.6x-1.8x in 2026.

Vivion's operating performance weakened during the first half of 2025, primarily due to a further decline in German office occupancy. For the first half of June 2025, occupancy in Vivion's German office portfolio decreased to 75%, compared with 79% in December 2024 and 82% as of June 2024. This decline is largely attributable to increased vacancy within a single asset in Essen, with overall occupancy declining to 91% in June 2025, from 95% a year previously. We still anticipate continued challenges in the German office segment over the next six to 12 months, stemming from muted demand for office space and ongoing uncertainty related to geopolitical factors impacting corporate real estate decisions. That said, we understand Vivion is in advanced negotiations with potential tenants to sign new leases, and to extend existing leases. We therefore anticipate German office occupancy levels could improve gradually to approximately 78%-82% over the next 12 months, reaching about 84%-85% by 2027 (taking into consideration rent-free periods and tenants' incentives). This projected improvement could be supported by returning office trends, a lower supply of new office space in key German cities, and moderate upcoming lease maturities of about 10%-11% in 2026. Furthermore, we understand that the acquisition of hotel asset--the Fermina hotel in Berlin acquired in 2024--should begin contributing to rental income in the near future.

We forecast Vivion's like-for-like rental income will contract by approximately 3.0%-3.5% in 2025, primarily reflecting the impact of vacancies within the German office portfolio. However, some of this negative impact could be mitigated by our expectation of positive indexations (we note that all Vivion's U.K. leases and more than 90% of its German leases are indexed to inflation or include step-up rent components). We then expect rental income growth to turn positive, with projected like-for-like growth of 3.0%-3.5% in 2026 and 2.0%-2.5% in 2027, assuming a slight improvement in German office occupancy rates and the incremental contribution from the acquired hotel assets.

Despite the company's relatively weak EBITDA interest coverage, its leverage remains relatively low. As of the first half of 2025, adjusted debt to EBITDA was 9.6x and debt to debt plus equity was 46.6%. We anticipate that the company's debt-to-EBITDA ratio could improve to approximately 8.6x-8.7x over the next 12 months, driven by expected full contribution in rental income from acquired hotel assets and lower leverage. We anticipate that debt to debt plus equity could improve to 40%-41%, incorporating our assumption of a flat portfolio valuation in 2025. This is consistent with the nearly flat valuation reported as of the first half of 2025 and we expect yields to stabilize this year. Our projections also assume slightly lower net debt levels, reflecting the anticipated use of cash proceeds from potential planned credit enhancement measures.

Vivion's liquidity remains adequate, supported by a strong cash position and limited short-term debt maturities for the 12 months from July 1, 2025. As of June. 30, 2025, Vivion's cash and liquid assets stood at about €427 million (including €13.0 million of marketable securities), which is more than sufficient to cover its next 12 months of debt maturities of about €140 million. The company recently extended the maturity of a €33 million German secured bank loan to 2027. We understand that it is in discussion with banks to refinance an additional €128 million of secured bank loans, at or before their maturity dates. Of its debt, 99% is fixed or hedged, which limits volatility risk arising from interest-rate movements. The company had sufficient headroom under its covenants, as of June 30, 2025. A high proportion of its cash is held at Vivion's subsidiary (around €303 million as of June 30, 2025), Golden Capital Partners, but we understand there are no restrictions limiting Vivion from accessing this cash, if needed, via intracompany loans or dividend payments. We note that as of June 30, 2025, Vivion's weighted-average debt maturity (WAM) stood at 3.2 years, very close to our rating threshold of a minimum of three years. That said, we understand that Vivion is taking credit enhancement measures to ensure a WAM of comfortably above three years, going forward.

Outlook

The negative outlook indicates that we could lower the rating within the next six months if Vivion fails to improve its EBITDA interest coverage ratio to 1.8x, or its adjusted debt to EBITDA remains above 9.5x, or the debt-to-debt plus equity ratio increases to above 60%.

Downside scenario

We could downgrade Vivion if it fails to maintain:

- EBITDA interest coverage close to 1.8x sustainably;
- Debt to EBITDA below 9.5x; or
- Debt to debt plus equity below 60%.

We could also lower the rating if Vivion's operating performance deteriorates, so that occupancy rates decline or rental growth is lower than anticipated, or if it sees further asset devaluations.

Upside scenario

We could revise the outlook to stable if:

- EBITDA interest coverage remains at or above 1.8x;
- Debt to EBITDA remains below 9.5x;
- Debt to debt plus equity remains well below 60%;
- Liquidity remains adequate and Vivion's operating performance--including occupancy rates, rental growth, and asset values--remains stable; and
- The company maintains a prudent financial policy under which it uses its high cash balance to make asset acquisitions that would increase its asset and EBITDA bases or prioritizes the repayment of high-interest debt.

Company Description

Vivion is a privately owned, Luxembourg-registered, commercial real estate company with a gross asset value (GAV) of about €4.1 billion on June 30, 2025. Its GAV was split between the U.K. (55%) and Germany (45%). Vivion's portfolio mainly comprises U.K. hotel assets with a GAV of €2.2 billion and German commercial real estate assets with a GAV of €1.8 billion. About 55% of its U.K. hotel assets are in or around London. Most of its German office assets are in or near metropolitan cities: 53% are in Berlin or the state of Brandenburg and 28% are in the Rhein-Ruhr metropolitan region.

Vivion is ultimately owned by founder Amir Dayan, who, together with his relatives, indirectly owns about 87% of Vivion Investments S.ar.l. through Vivion Holdings S.a.r.l. Vivion holds its German portfolio under its subsidiary Golden Capital Partners. It owns 51.5% of Golden Capital Partners; the remainder is owned by a pool of institutional investors.

Our Base-Case Scenario

Assumptions

- Real GDP growth in the U.K. and Germany of 1.2%-1.3% and 0.2%-0.3% in 2025, followed by 1.3-1.5 % and 1.0%-1.1% in 2026.
- Consumer price index (CPI) inflation in the U.K. and Germany of about 3.0%-3.5% and 2.0%-2.5% in 2025 and 2.0%-2.5% and 1.5%-2.0% in 2026.
- We forecast like-for-like rental income contraction of approximately 3.0%-3.5% in 2025, primarily reflecting the impact of vacancies within the German office portfolio. We then expect like-for-like rental growth of 3.0%-4.0% in 2026 and 2.0%-2.5% in 2027, assuming a modest improvement in German office occupancy rates and the incremental contribution from the newly acquired hotel assets.
- We assume overall occupancy to decline to 89%-90% in 2025 and improve to 91%-92% in 2026. We expect the German office occupancy levels will improve modestly to approximately 80%-82% over the next 12 months (taking into consideration rent-free periods and tenants' incentives), with hotel occupancy remaining near 100%.
- We assume flat portfolio valuation in 2025 and thereafter consistent with the nearly flat valuation reported as of the first half of 2025 as we assume yields to stabilize this year.
- EBITDA margins to remain stable at just over 76%-78% for the next two years, bolstered by Vivion's triple-net leases in its hotel portfolio and double-net leases in its German office portfolio.
- We assume annual capital expenditure (capex) of €60 million-€70 million (including maintenance and renovation capex) each year over the next few years.
- No acquisitions and signed disposals of about €35 million-€40 million disposals within the next 12 months, in line with the company's current strategy.
- We understand that company would take measures such as potential assets disposal or issuance of equity instrument in the next three months to support the credit metrics.
- No material dividend distributions over the next 12-24 months.

- We assume adjusted weighted-average cost of debt to improve to about 6.0%-6.3% in the next 12 months (including PIK interest on the bonds).

Key metrics

Period ending	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. EUR)	2023a	2024a	2025e	2026f	2027f
Revenue	243	259	248	264	279
Gross profit	221	236	226	240	254
EBITDA	171	197	185-195	195-205	210-220
Funds from operations (FFO)	94	53	46	71	81
Interest expense	109	159	150-160	120-130	120-130
Cash flow from operations (CFO)	99	19	55	79	89
Capital expenditure (capex)	40	50	65	65	65
Dividends	--	--	--	--	--
Adjusted debt	1,700	1,896	1692-1,792	1,716-1,816	1,670-1,770
Adjusted equity	2,020	2,227	2,502	2,633	2,776
Adjusted ratios					
EBITDA margin (%)	70.3	76.1	76-77	76-77	76-77
Debt/EBITDA (x)	10.0	9.6	9.0-9.5	8.5-9.0	8.0-8.5
FFO/debt (%)	5.5	2.8	2.6	4.1	4.7
EBITDA interest coverage (x)	1.6	1.2	1.2-1.3	1.6 -1.7	1.6-1.7
Debt/debt and equity (%)	45.7	46.0	40-41	40-41	39-40

Liquidity

We assess Vivion's liquidity as adequate and expect liquidity sources to cover uses by more than 1.2x for the 12 months starting July 1, 2025. Our liquidity assessment is supported by the company's substantial cash and liquid assets of about €427 million (including €13.0 million of marketable securities).

Principal liquidity sources

- €414 million in available unrestricted cash;
- €13.0 million of marketable securities;
- Cash funds from operations forecast at about €60 million-€70 million; and
- €50 million equity raised from a new institutional investor in August 2025.

Principal liquidity uses

- About €140 million of debt maturing in the 12 months from July 1, 2025; and
- Maintenance and development capex of €60 million-€70 million, most of which is not committed.

Covenants

Financial covenants apply to the secured notes. No additional debt may be incurred if the loan-to-value (LTV) ratio is above 53%; and the net LTV ratio may not exceed 65%. In addition, the cash interest coverage ratio must be at least 1.15x until the end of 2026; it steps up to 1.20x in 2027.

As of June 30, 2025, the company was compliant with all its covenants, and we expect it to maintain sufficient headroom under its debt covenants for at least the next 12 months.

Environmental, Social, And Governance

Governance factors are a moderately negative consideration in our credit ratings analysis of Vivion, given that the company is ultimately controlled by one principal shareholder, Amir Dayan (87% stake including relatives). The eight members of the board of managers (board of directors) includes one representative from Vivion's minority shareholders. The company has two independent members to the board of managers; the remaining six are non-independent (including one minority shareholder's representative). Vivion also has an advisory board that has three members--one of which is independent and two are non-independent. The company has improved the transparency and disclosures in its financial statements, and we note that the company has further improved its transparency with stakeholders; for example, it started publishing in 2024, a quarterly report on its key performance indicators to the market.

Environmental and social factors are an overall neutral consideration in our credit analysis of Vivion. Although about a half of Vivion's portfolio comprises hotel assets, we view social factors as an overall neutral consideration, given that these assets have fixed leases.

Issue Ratings--Recovery Analysis

Key analytical factors

- Vivion's two senior secured bonds are rated 'BB+' with a recovery rating of '2'. They have a combined amount outstanding of €1.4 billion, mature in 2028 and 2029, and pay a 6.5% interest rate plus payment-in-kind (PIK) interest.
- Our ratings reflect the company's robust asset base and the limited amount of prior-ranking debt.
- The '2' recovery rating on the secured debt reflects our expectation of substantial recovery (70%-90%; rounded estimate: 85%) for Vivion's secured lenders in the case of a default.
- Our recovery rating on the senior secured notes is capped at '2' to account for the risk that additional debt ranking at the same or a senior level could be raised on the path to default. It also reflects the omission from the collateral package of direct charges over property, which we regard as real estate companies' most valuable asset.
- Bondholders and noteholders benefit from a significant asset base comprising well-located properties that generate stable incomes in the U.K. and Germany. The German assets are held by Golden Capital Partners; for recovery purposes, we only give credit to Vivion's 51.5% stake in its subsidiary.
- The bond security mainly consists of share pledges, with 100% of shares pledged on several subsidiaries, including Vivion Capital Partners, which holds 51.5% of the shares in Golden Capital Partners.

- The note documentation includes limitations on total indebtedness--a maximum maintenance LTV ratio of 65% and an incurrence LTV ratio of 53%.
- Our hypothetical default scenario assumes a severe economic downturn in Germany and the U.K. that puts pressure on rents, exacerbated by an increase in competition and a material decline in asset values.
- We value Vivion as a going concern, reflecting its relationships with hotel operators and its solid German property portfolio. We use a distressed asset valuation to reflect Vivion's robust asset base, which is valued at €4.1 billion.

Simulated default assumptions

- Simulated year of default: 2030
- Jurisdiction: U.K. and Germany

Simplified waterfall

- Consolidated net enterprise value at default (after 5% administrative costs): €2.5 billion
- Priority debt linked to mortgages and the value available to minorities at Golden Capital Partners: €1.0 billion
- Value available for senior secured claims: €1.47 billion
- Senior secured debt: €1.69 billion
- --Recovery expectations: 70%-90%; rounded estimate: 85%, with the recovery rating at '2'

All debt amounts at default include six months of accrued prepetition interest and all accrued PIK interest.

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	BB/Negative/--
Local currency issuer credit rating	BB/Negative/--
Business risk	Fair
Country risk	Low risk
Industry risk	Low risk
Competitive position	Fair
Financial risk	Significant
Cash flow/leverage	Significant
Anchor	bb
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Moderately negative
Comparable rating analysis	Neutral
Stand-alone credit profile	bb

Related Criteria

- Criteria | Corporates | General: Methodology For Assessing Financing Contributed By Controlling Shareholders, May 15, 2025
- 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
- Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Vivion Investments 'BB' Ratings Affirmed; Outlook Remains Negative, June 14, 2024

Ratings List

Ratings List	
Ratings Affirmed	
Vivion Investments S.a.r.l.	
Issuer Credit Rating	BB/Negative/--
Ratings Affirmed; Recovery Ratings Unchanged	
Vivion Investments S.a.r.l.	
Senior Secured	BB+
Recovery Rating	2(85%)