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Research Update:

Vivion Investments Outlook Revised To Negative On Slower EBITDA Growth And Higher Leverage; Affirmed At 'BB'

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Rating Action Overview

- Vivion Investments S.a.r.l. reported weaker-than-expected progress of its rental income and EBITDA during the first half of 2026, primarily due to a challenging office take-up environment in Germany, while higher-than-expected cash outflows related to indirect real estate investments resulted in higher leverage than anticipated.
- We have revised our base case, incorporating a tougher operating environment and recent capital market conditions, and now expect the improvement in credit metrics will be delayed, with S&P Global Ratings-adjusted EBITDA interest coverage reaching 1.4x-1.5x (versus 1.6x in our previous forecast and 1.3x on June 30, 2026) and adjusted debt to EBITDA exceeding 9.5x in 2026, compared with our previous projection of 8.5x-9.5x and 10.0x on June 30, 2026.
- We have therefore revised the outlook on Vivion to negative from stable and affirmed our 'BB' long-term issuer credit rating on Vivion, our 'BB+' issue rating on its senior secured notes, and our 'B' rating on its subordinated perpetual notes.
- The negative outlook reflects a one-in-three likelihood that we could downgrade Vivion over the next 12 months, in particular if Vivion fails to improve its EBITDA interest coverage close to 1.8x and debt to EBITDA to 9.5x or below.

Rating Action Rationale

Our outlook revision follows lower-than-expected revenue and EBITDA generation as of June 30, 2026, and reflects our assumption of a delay in operating improvement given the difficult market environment. Vivion reported total revenue of €122.7 million as of June 30, 2026, representing a 0.7% drop versus the same period last year, mainly affected by weaker pound sterling despite a slight improvement in the German office occupancy ratio to 86% as of June 30, 2026 from 80% on June 30, 2025. S&P Global Ratings-adjusted EBITDA on a rolling 12-month basis as of June 30, 2026, stood at €191.5 million, down from €195.3 million as of year-end 2025. Therefore, despite the reduction in the company’s absolute interest burden, following the company's recent liability management actions, S&P Global Ratings-adjusted EBITDA interest coverage improved only modestly to 1.3x as of June 30, 2026, compared with 1.2x as of year-end 2025. We believe the German office market will remain constrained by the country' s muted economic growth and we expect market occupancy rates will remain pressured over the next 12 months. We further understand that our previous expected delivery of a hotel asset in Germany, as well as planned refinancing activities, will take longer. We have therefore updated our base case with recent developments, anticipating 2.1% revenue growth in 2026 versus 6.4% revenue in our previous base case. Similarly, coupled with slightly lower EBITDA margins, as a result of the higher property expenses, we now expect adjusted EBITDA of €197 million in 2026 compared with €206 million previously, resulting in our revised expectation of S&P Global Ratings EBITDA interest coverage of 1.4x in 2026 and 1.5x-1.6x in 2027 versus our previous forecasts of 1.6x and 1.7x, respectively.

Similarly, the use of equity raise proceeds to fund indirect real estate investments resulted in higher-than-expected leverage. As a result, we now expect S&P Global Ratings-adjusted debt to EBITDA will be about 10x at year-end 2026 (10.0x as of June 30, 2026), compared with our previous expectation of 9.0x for 2026. Vivion reported loans to third parties totaling €32.5 million and loans to related parties of €10.2 million as of June 30, 2026, as well as a further provision of a €46 million term loan facility with a third party in order to finance investments in nonperforming loans. While we understand these loans generate interest income for Vivion and that these are indirect investments in real estate assets that are expected to generate rental income in the medium term, these cash outflows were not part of our previous base case. We expected equity raise proceeds and cash available at Vivion group level to be prioritized for immediate debt repayment and therefore gross debt reduction to continue reducing the absolute gross interest burden. Similarly, the mentioned cash outflows resulted in higher overall net debt as of June 30, 2026, which stood at €1,913.4 million compared with €1,850.9 million as of year-end 2025, despite the completed €60 million equity raise in March 2026. As a result, coupled with the decrease in adjusted EBITDA, S&P Global Ratings-adjusted debt to EBITDA deteriorated to 10.0x as of June 30, 2026, compared with 9.5x as of year-end 2025. We previously expected 9.0x for 2026, which is the threshold for the 'BB' rating. Given the lower-than-expected EBITDA generation in 2026 as well as the higher absolute net debt expected at year-end 2026, we now expect debt to EBITDA of about 9.9x in 2026 before improving toward 9.4x in 2027 on the back of a positive contribution from investments and positive like-for-like rental income growth and occupancy improvement.

While the elevated interest rate environment may weigh on asset valuations, we expect the impact on the debt-to-debt-plus-equity ratio to remain limited. We therefore expect Vivion to maintain sufficient headroom compared with our downside thresholds. We forecast further yield expansion over the next 12 months, driven by persistent inflationary pressures and rising interest rates. Although this expansion may reduce gross asset valuations, we anticipate that rental indexation across Vivion's portfolio, alongside cash flow growth from expected improvement in office occupancy levels, will partially offset the impact of higher interest rates. Consequently, we project a slight like-for-like portfolio devaluation of Vivion's overall portfolio of approximately 1% over the next 12 months, followed by flat valuations thereafter. We assume its hotel assets will remain stable while its office asset values will drop by 3% over the next 12 months.

As a result, we expect the debt-to-debt-plus-equity ratio to deteriorate slightly to the 44.5%–45.0% range in 2026 (from 44.4% at year-end 2025), driven by higher net debt and devaluations. The impact remains limited thanks to the completed €60 million equity raise and the expected absence of material dividends. Additionally, these levels remain well within current downside thresholds and are commensurate with the 'BB' rating. Similarly, we expect Vivion to maintain modest leverage, with the S&P Global Ratings-adjusted debt-to-debt-plus-equity ratio projected to remain between 44% and 45% in 2027 and 2028. We understand the company aims to support its balance sheet with equity-like instruments in the future.

Large cash balances, lack of sizable upcoming debt maturities, and proactive refinancing of secured loans mitigate refinancing risk. We continue to view Vivion's liquidity position as adequate, thanks to its sizable cash balances of about €386 million as of June 30, 2026, limited upcoming debt maturities over the next 12 months totaling €155 million, and the signing of refinancings and additional liquidity of €110 million since July 1, 2026. We note the company's weighted average debt maturity stood at 3.3 years as of June 30, 2026, although we understand the company will proactively refinance upcoming debt maturities well in advance as well as tackling the 2029 senior notes well ahead of its maturity. The company secured a £75 million secured loan facility and increased an existing £50 million facility by £20 million in August and September 2026, which supports the group's liquidity position. Additionally, these facilities carry comparatively favorable margins, which should help compensate for higher base rates and mitigate the impact of the current higher-interest-rate environment on the average cost of debt. That said, the group's structure, including significant minorities at Golden Capital level, and the associated cash flow leakage hampers access to liquidity and cash flow from the group.

Outlook

The negative outlook indicates a one-in-three chance that we could lower the ratings on Vivion, if persistent challenging operating conditions continue to weigh on EBITDA recovery trajectory resulting in Vivion failing to improve its EBITDA interest coverage ratio to close to 1.8x and debt to EBITDA to below 9.5x over the next 12 months.

Downside scenario

We could lower our rating on Vivion if:

- Vivion fails to improve EBITDA interest coverage to close to 1.8x in the next 12 months; or
- Debt to EBITDA fails to decrease below 9.5x; or
- Debt to debt plus equity increases toward 60%.

This could happen if Vivion's operating performance deteriorates such that occupancy rates decline or rental growth is lower than anticipated, or if the company fails to continue reducing its average cost of debt resulting in a higher-than-expected absolute interest burden.

Rating pressure could also stem if unexpected events weaken Vivion's creditworthiness, such as an increase in related party transactions delaying its delivering plan or legal risks.

Upside scenario

We could revise the outlook back to stable if Vivion's operating performance improves further than expected within the next 12 months, so that:

- EBITDA interest coverage improves close to 1.8x ;
- Adjusted debt to EBITDA decreases below 9.5x on a sustainable basis; and
- Debt to debt plus equity remains well below 60%.

The revision to stable would also hinge on the company maintaining an adequate liquidity cushion.

Company Description

Vivion is a privately owned, Luxembourg-registered, commercial real estate company with a gross asset value (GAV) of about €4.2 billion on June 30, 2026. Its GAV is split between the U.K. (54%) and Germany (46%). Vivion's portfolio mainly comprises U.K. hotel assets with a GAV of €2.3 billion and German commercial and other real estate assets with a GAV of €1.8 billion. About 54% of its U.K. hotel assets are in or around London. Most of its German office assets are in or near metropolitan cities: 54% are in Berlin or the state of Brandenburg, 28% are in the Rhein-Ruhr metropolitan region, and the remaining 18% in the Frankfurt region.

Vivion is ultimately owned by founder Amir Dayan, who owns about 87% of Vivion Investments S.à r.l. through Vivion Holdings S. à 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 0.9% and 0.4%, respectively, in 2026, followed by 1.2% and 1.1% in 2027.
- Consumer price index (CPI) inflation in the U.K. and Germany of about 3.2% and 3.1%, respectively, in 2026 and 2.5% and 2.2% in 2027.
- Like-for-like rental income growth of approximately 2.0%-2.5% in 2026, primarily reflecting rental indexation across the portfolio and occupancy improvement of Vivion's office portfolio. We assume sustained like-for-like rental income growth of 2.0%-2.5% in 2027 on the back of rental indexation and further occupancy improvement of the German portfolio on the back of expected economic recovery.
- Overall occupancy to improve to 93%-95% in 2026. We expect office occupancy will improve modestly to approximately 86%-88% over the next six months, with hotel occupancy remaining near 100%.
- Slightly negative portfolio valuation in 2026 of about 1% for the overall portfolio, with office assets to decline by about 3%, stemming mainly from yield expansion as a result of the current higher-interest-rate environment partially compensated by rental income growth of its hotel portfolio.
- EBITDA margin 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) annually over the next few years.
- Acquisitions of about €90 million-€100 million per year and disposals of about €30 million-€40 million in 2026, and about €75 million per year thereafter in line the company's asset rotation strategy to partially fund investments.
- We understand that Vivion aims to take additional capital structure actions, such as refinancing of other secured bank debt or existing secured notes, in the next 6 to 12 months to support the credit metrics, as well as equity-like instruments to be used for debt repayment.

- No material dividend distributions over the next 12-24 months.
- We assume the adjusted weighted-average cost of debt will improve to about 6.0%-6.3% from 7.5%-8.0% in the next 12 months, including payment-in-kind (PIK) interest on the senior bonds.

Key metrics

Period ending	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028
(Mil. EUR)	2024a	2025a	2026e	2027f	2028f
Revenue	259	249	254	270	283
Gross profit	236	224	229	244	255
EBITDA	197	195	197	210	220
Interest expense	159	165	137	133	131
Capital expenditure (capex)	50	40	65	65	65
Debt	1,896	1,851	1,944	1,976	1,988
Equity	2,227	2,317	2,394	2,444	2,507
Adjusted ratios					
Annual revenue growth (%)	6.6	(4.0)	2.1	6.4	4.7
EBITDA margin (%)	76.1	78.6	77.6	77.6	77.6
Debt/EBITDA (x)	9.6	9.5	9.9	9.4	9.1
EBITDA interest coverage (x)	1.2	1.2	1.4	1.6	1.7
Debt/debt and equity (%)	46.0	44.4	44.8	44.7	44.2

Liquidity

We assess Vivion's liquidity as adequate and expect liquidity sources to cover uses by more than 2x for the 12 months started July 1, 2026. This is supported by Vivion's sizable cash balance and absence of refinancing needs in the next 12 months, thanks to proactive bank refinancings over the first half of 2026. That said, the group's corporate structure, including significant minorities at subsidiary Golden Capital, hampers the group's cash accessibility and control over cash flow.

Principal liquidity sources	Principal liquidity uses
• €383.3 million in available unrestricted cash; • €2.6 million of marketable securities; • Our cash funds from operations forecast of about €80 million-€85 million; and • €110 million in upsized and new secured loans million, completed in August and September 2026.	• About €155 million in debt maturing in the 12 months from July 1, 2026; • Maintenance and development capex of €60 million-€70 million, most of which is not committed; and • About €42 million relating to the acquisition of the freehold interest of one of its U.K. hotels in August 2026.

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, 2026, 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.

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 €1.2 billion, mature in 2029 and 2030, and pay an interest rate of 6.5% plus PIK interest for 2029 and 5.625% for 2030.
- 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 event 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 €4.2 billion.

Simulated default assumptions

- Simulated year of default: 2031.
- 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 at Golden Capital Partners level: €530 million.
- Value available to minorities at Golden Capital Partners: €570 million.
- Value available for senior secured claims (including pro rata residual value from Golden Capital Partners) at Vivion: €1.44 billion.
- Senior secured debt at Vivion Investments level: €1.26 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

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: Recovery Rating Criteria For Corporate Issuers, March 31, 2026
- General Criteria: Hybrid Capital: Methodology And Assumptions, Oct. 13, 2025
- 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 | Recovery: Methodology: Jurisdiction Ranking Assessments, Jan. 20, 2016
- General Criteria: Methodology For Companies With Noncontrolling Equity Interests, Jan. 5, 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 Outlook Revised To Stable On Expected Ratio Stabilization After Recent Transactions; 'BB' Rating Affirmed, June 12, 2026

Ratings List

Ratings List		
Ratings Affirmed; Outlook Action		
	To	**From**
Vivion Investments S.a.r.l.		
Issuer Credit Rating	BB/Negative/--	BB/Stable/--
Ratings Affirmed		
Vivion Investments S.a.r.l.		
Subordinated	B	
Ratings Affirmed; Recovery Ratings Unchanged		
Vivion Investments S.a.r.l.		
Senior Secured	BB+	
Recovery Rating	2(85%)	