FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Akropolis at 'BB+'; Outlook Stable

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Fitch Ratings - Frankfurt am Main - 14 Jul 2025: Fitch Ratings has affirmed Akropolis Group, UAB's Long-Term Issuer Default Rating (IDR) at 'BB+' with a Stable Outlook. Fitch has also affirmed Akropolis's senior unsecured rating at 'BB+' with a Recovery Rating of 'RR4'.

Akropolis's rating reflects its concentrated portfolio of five shopping centres in Lithuania (A/Stable) and Latvia (A-/Stable) with an average retail gross lettable area (GLA) of 64,000 square metres (sqm) and dominant positions in their catchment areas. The main rating constraint is limited asset diversification, resulting in tenant and geographical concentration.

Operating performance is robust, reflected in low vacancies and continued like-for-like rent increases. Fitch-calculated net debt/EBITDA was 2.9x at end-2024 and we forecast the financial profile to stay strong with leverage of 2.4x-4.0x in 2025-2028 despite substantial planned capex on its Akropolis Vingis mixed-use development. The new EUR350 million green bond was issued with higher coupon than the previous bond, in line with the current interest rate environment, but we expect EBITDA net interest cover to be at least 3.1x.

KEY RATING DRIVERS

Successful Bond Refinancing: In May 2025 the company successfully refinanced its EUR300 million bond maturing in 2026 with the new five-year issue. The new EUR350 million green notes were obtained predominantly by UK (46%) and Continental Europe investors (24%), and the order book reached around EUR1.1 billion. We forecast the Fitch-calculated EBITDA net interest cover at 3.1x-4.3x in 2025-2028 (2024: 8.1x) as the new bond has higher coupon of 6% compared to the previous 2.875%. The new issue improved the average maturity of debt from 1.8 years at end-2024 to 4.1 years at end-1H25 with no major debt maturity until 2027.

Strong Rental Income Performance: In 2024, Akropolis's like-for-like rental income rose by 9% (2023: 12%), primarily due to an around 7% increase from CPI indexation. The average indexation implemented in January 2025 was 2.3%. The EBITDA margin remained steady at about 95%.

Robust Occupancy Levels: Occupancy increased from average 97% at end-2023 to over 98% at the end of 2024, with only Akropole Alfa in Riga reporting occupancy below portfolio average rate (96.6%). The portfolio's weighted average lease term (to break) was 3.7 years at end-2024 (down from 3.9 years at end-2023), and would be shorter if weighted by income. Akropolis's strong market position limits the re-letting risk for major lease expiries in 2025 (20% by rent), much of which has already been addressed.

Portfolio and Tenant Concentration: Akropolis owns five assets valued at over EUR1 billion (end-2024), located in the relatively small Lithuanian (about 61% by value) and Latvian (about 39%) retail markets. Its largest property, Akropolis Vilnius, represents around 33% of the total portfolio value. The small number of assets and market size, where some well-known international brands are present via franchisees, result in high tenant and asset concentration. The top 10 retail tenant groups account for 39% of rental income, including 11.5% (10% retail only) from tenants owned by related companies of Vilniaus Prekyba Group (VP Group).

Conservative Leverage Profile: Fitch projects Akropolis's net debt/EBITDA to fall to 2.4x in 2025 (from 2.9x in 2024), supported by rental indexation, limited capital expenditure, and no dividend distributions. We expect leverage to gradually rise to 4.0x by 2028, mainly due to investments in the Akropolis Vingis project. Loan to value (LTV), as calculated by Fitch, was 24% at end-2024 and we forecast it to increase to 34% by 2028.

Akropolis Vingis Progress: The Akropolis Vingis project, which is now delayed, received its building permit in August 2024 and the permit for the transport infrastructure improvement project in May 2025. These were the last major documents necessary to start the construction. From the decision to proceed, the works are likely to last around 3.5 years and total cost may reach about EUR320 million, predominantly uncommitted at this stage. Akropolis Vingis is planned to have a total gross leasable area of about 190,000 sq m, including retail, office, residential for rent and entertainment space.

Steady Tenant Sales and Footfall: Tenant sales and visitor numbers remained broadly stable in 2024 compared to 2023. The occupancy cost ratio for tenants increased from 10% in 2023 to a still affordable 11%, largely due to continued high, although lower than in 2023, rent indexation of around 7% in 2024. Akropolis assets had over 44 million visitors in 2024, in line with the previous year.

Limited Independent Oversight: Akropolis's concentrated ownership by the privately held Vilniaus Prekyba (VP) Group results in financial disclosure and corporate governance practices not comparable with listed companies. The lack of independent board members means related-party transactions (including with Maxima Group and affiliated tenants) are not subject to the same independent scrutiny as those of listed peers.

Parent-Subsidiary Linkage Evaluation: Fitch rates Akropolis on a consolidated plus one-notch basis under its Parent-Subsidiary Linkage Criteria. Legal ringfencing is 'porous' due to self-imposed restrictions in the documentation for its EUR350 million bond maturing in May 2030, such as a maximum 60% total indebtedness/total assets (quasi-LTV) and relatively relaxed limits on affiliate transactions and dividends, which constrain potential value transfers to the VP Group. Access and control are 'open' given the full ownership by VP Group, despite Akropolis's separate funding structure, treasury, and cash management.

PEER ANALYSIS

Akropolis's EUR1 billion retail portfolio is similar in size to MAS PLC's (BB-/Rating Watch Negative) nearly EUR1.0 billion central and eastern European portfolio located predominantly in Romania (BBB-/Negative) but has slightly higher asset concentration. DL Invest Group PM S.A.'s (DLIG; BB-/Positive) portfolio of EUR0.8 billion has higher concentration on Poland (A-/Stable), but its portfolio benefits from asset-class diversification, with logistics (67% of market value) supplemented with offices (24%) and retail (9%).

The portfolios of NEPI Rockcastle N.V. (BBB+/Stable), valued at EUR7.6 billion, of Globalworth Real Estate Investments Limited (BBB-/Stable) at EUR2.5 billion, and of Globe Trade Centre S.A. (GTC; BB/Rating Watch Negative) at EUR2.4 billion are bigger and more diversified. GTC also benefits from diversification across asset classes, including offices (52% of market value), retail (29%) and residential-for-rent in Germany (19%).

Akropolis's end-2024 occupancy of 98.3% is comparable to NEPI's 98.6% and MAS's 98%, and higher than 96% for GTC's retail portfolio.

Akropolis has the most conservative financial profile; we expect with net debt/EBITDA below 4.0x until 2028 and an LTV below 35%. However, its rating is constrained by limited diversification by asset, tenant and geography. We expect NEPI's net debt/EBITDA at below 6.0x. NEPI's assets are lower-yielding at a net initial yield of 7.0%. Globalworth and GTC's financial profiles are weaker.

KEY ASSUMPTIONS

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

- Rent increase of around 2% annually in 2025-2028, predominantly due to CPI indexation

- Stable occupancy of around 98%

- Around EUR280 million capex until 2028, mainly related to the Akropolis Vingis project

- No dividend in 2025 and EUR10 million yearly in 2026-2028

RATING SENSITIVITIES

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

- Net debt/EBITDA above 9.0x and LTV trending above 55%

- Unencumbered assets/unsecured debt cover below 1.75x

- Failure, once begun, to complete the Akropolis Vingis development on schedule and/or materially outside the assumed budget

- Twelve-month liquidity score below 1.0x

- Transactions with related-parties that are detrimental to Akropolis's interests

- Deterioration of the consolidated profile of VP Group/or weaker limitation on value transfers to VP Group leading to 'open' assessment of legal ringfencing

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

- Expansion of the portfolio in less correlated markets while maintaining portfolio quality

- Unencumbered assets/unsecured debt cover above 2.0x

- Net debt/EBITDA below 8.5x

- A consistent interest-rate hedging policy

- Improved corporate governance

- Improvement of the consolidated profile of VP Group

LIQUIDITY AND DEBT STRUCTURE

At end-2024 Akropolis had access to EUR192 million of readily available cash after excluding the EUR14 million held on the accounts pledged to the banks as collateral. That comfortably covers the debt amortisation of EUR8 million in 2025. After repayment of the EUR300 million bond maturing in 2026 with the new EUR350 million five-year bond in May 2025 the next ample debt maturity is repayment of secured term loan in 2027.

Whereas the new bond was issued with a higher interest rate we expect the EBITDA net interest cover to be at least 3.1x until 2028. The company does not hedge the interest rate on its sole secured term loan. The loan is secured on only one asset, whereas the other four remain unpledged resulting in unencumbered assets/unsecured debt of 2.0x pro forma after the new bond issue.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

Click here to access Fitch's latest quarterly Global Corporates Macro and Sector Forecasts data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG CONSIDERATIONS

Akropolis has an ESG Relevance Score of '4' for Governance Structure, reflecting the lack of corporate governance attributes to mitigate key-person risk from its dominant shareholder Nerijus Numa and ensure independent oversight of related-party transactions. This has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT	RATING			RECOVERY	PRIOR
Akropolis Group, UAB	LT IDR	BB+	Affirmed		BB+
senior unsecured	LT	BB+	Affirmed	RR4	BB+

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VIEW ADDITIONAL RATING DETAILS

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

Corporates Recovery Ratings and Instrument Ratings Criteria (pub. 03 Aug 2024) (including rating assumption sensitivity)

Parent and Subsidiary Linkage Rating Criteria (pub. 27 Jun 2025)

Corporate Rating Criteria (pub. 27 Jun 2025) (including rating assumption sensitivity)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub. 27 Jun 2025)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Akropolis Group, UAB	EU Issued, UK Endorsed

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