

DRAFT: German Real Estate Company DIC Asset AG's Proposed Senior Unsecured Notes Rated 'BB+'

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S&PGR Rated DIC Asset AG's Proposed Senior Unsec Notes 'BB+'

FRANKFURT (S&P Global Ratings) Sept. 13, 2021--S&P Global Ratings today assigned its 'BB+' long-term issue rating to the €300 million senior unsecured green bond to be issued by German real estate company DIC Asset AG (DIC; BB+/Stable/--). The proposed bond has an expected maturity of five years.

The recovery rating on the debt is '3', reflecting our expectation of about 50% recovery prospects in the event of a default.

Issue Ratings - Recovery Analysis

Key analytical factors

- The issue rating on DIC's proposed €300 million senior unsecured notes is 'BB+', in line with the issuer credit rating.
- The recovery rating is '3', reflecting the valuable asset base mostly consisting of stabilized income-producing investment properties.
- Our recovery prospects are constrained by the unsecured nature of the debt instrument and its contractual subordination to the current amount of secured debt.
- We understand that DIC will use the proceeds from the bond issuance to finance or refinance green projects.
- In our hypothetical default scenario, we envisage a severe macroeconomic downturn in Germany, resulting in market depression and exacerbated competitive pressures.
- We value the group as a going concern. We use a combined approach on the basis of discrete asset value and EBITDA multiple to take into consideration the stressed value of DIC's owned yielding properties (commercial portfolio) and the EBITDA contribution derived from its fee income business (institutional business).
- Recovery prospects for the proposed senior unsecured notes are very sensitive to a small change in the amount of senior secured debt or any other priority debt outstanding at default. Since there is no limitation on the incurrence of additional debt in the bond documentation, recoveries could be much lower if the amount of secured debt at default differs from our projections.

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Simulated default assumptions

- Year of default: 2026
- Jurisdiction: Germany

Simplified waterfall

- Gross enterprise value (EV) at emergence: €1.66 billion
- Net EV at emergence after administrative costs: €1.58 billion
- Estimated priority debt (mortgages and other secured debt): About €1,013 million
- Net EV available to senior unsecured bondholders: €567 million
- Senior unsecured debt claims: €1,070 million
- Recovery Rating: 3
- Recovery expectation: 50%-70% (rounded estimate: 50%)

*All debt amounts include six months of prepetition interest

Related Criteria

- 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: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352 Complete ratings

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