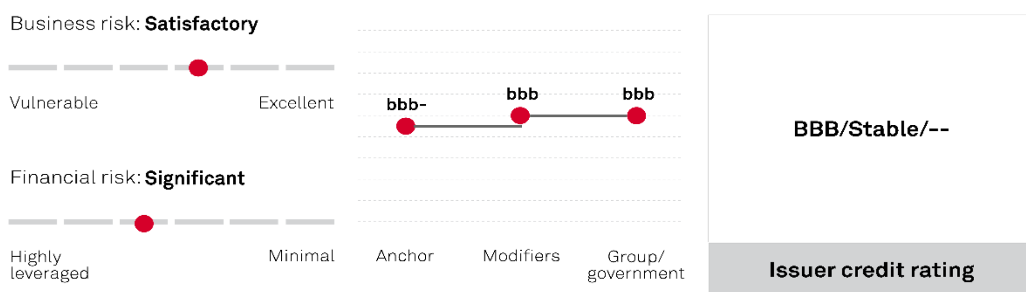
P3 Group S.a.r.l.

February 13, 2023

Ratings Score Snapshot



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Credit Highlights

Overview

Key strengths	Key risks
High-quality property portfolio of about €8.3 billion as of Dec. 31, 2022, well spread across the main logistics corridors of Central and Eastern Europe (CEE), and Western Europe.	Long-term growth trend possibly impaired by macroeconomic uncertainties and rising interest rates, which will likely pressure portfolio valuations and demand over the next 12-24 months.
Good track record of stable operating performance, with an average occupancy rate of 96%-98% and high EBITDA margins of above 80%.	Increasing interest rates and a relatively short average debt maturity profile will likely strongly affect P3's EBITDA interest coverage ratio (ICR).
Strong shareholder support and prudent financial policy, should help credit metrics in the next 12-24 months to stay in line with our current rating.	Relatively moderate leverage compared with peers, we expect S&P Global Ratings-adjusted rolling-12 months debt to EBITDA of 12x-13x (13.9x) and debt to debt plus equity of 51%-52% in 2023 (48.5% as of June 30, 2020).

P3 Group S.a.r.l. (P3)'s rental income will benefit from indexation-linked rent contracts, but we remain cautious on the company's long-term growth path. The logistics segment in Europe benefited from increasing e-commerce penetration and CEE markets further benefited from nearshoring in recent years. That said, our expectations for like-for-like growth and occupancy levels over the short- to medium-term remain cautious because a potential recession represents a major threat to operational growth for real estate landlords as we see demand for products on the e-commerce platform already declining. Although we expect the overall higher inflation for the eurozone area to be around 5.0%-6.0% for 2023, slowing demand could hit property landlords' occupancy levels and rental income over the medium term. Hence, we expect overall like-for-like rental growth of 2.0%-3.0% in 2023 and 1.5%-2.0% in 2024, mostly spurred by leases either linked annually to the consumer price index (CPI; about 94% of total leases, subject to some leases with caps), or regular rent reviews, and mitigated by our expectations of slightly lower occupancy levels as we expect occupancy will decline to 96.5%-97.0% in the next two years from 98.0% on June 30, 2022.

P3 refinanced its 2023 debt maturities successfully, however the company still has large refinancing needs over the next two years, which constrains its capital structure and will likely strongly impact its EBITDA ICR. Considering increasing interest rates, and P3's low hedging ratio (71% pro forma the recent announced refinancing) and significant refinancing needs in the next two years (approximately €1.1 billion of debt maturing in 2024 and further €600 million in 2025), we forecast average cost of debt will increase to 3.0%-3.2% from 1.05% as of June 2022 in the next 12-18 months. We forecast P3's EBITDA ICR will decline to 3.0x-3.3x until the end of 2023 and slightly below 3.0x in 2024, from 10.2x on June 30, 2022, but remaining still well above our downside threshold of 2.4x. We note the company managed to improve its weighted average debt maturity to about 3.0 years (pro forma the recent announced refinancing) from 2.7 as of fourth quarter 2022. We expect this will improve to above 3.5 years in the next six months because the company would like to refinance its 2024 maturities well in advance of the due date. However, if P3 does not manage to improve its weighted average debt maturity profile in a timely manner, this may increase the risk on its overall capital structure and liquidity needs over the next 12 months. As of Dec. 31, 2022, P3's liquidity remains adequate, as the company has unrestricted cash and cash equivalents of €178.7 million and €900 million available under its credit facilities, which would be sufficient to cover the next 12 months' maturities (about €600 million in first quarter 2024). We understand that P3 recently refinanced €600 million of its unsecured bank loan, which was due in second quarter 2023, with another €450 million of secured bank loans and €150 million repaid from cash and cash equivalent in December 2022.

P3's strong shareholder support and prudent financial policy should support credit metrics in line with our 'BBB' rating. We foresee the company's portfolio valuations being hit by widening capitalization rates and therefore, we expect negative portfolio revaluations of 5%-7% in 2023 and 2%-3% in 2024. This could weigh on the company's leverage, but we understand it would be supported by sufficient equity contributions from ultimate shareholder GIC (Realty) Private Ltd (GIC), if needed. For instance, in December 2022 the shareholder injected €400 million of new shareholder loans, which we assess as 100% equity under our calculations, in line with P3's financial policy of maintaining a loan-to-value (LTV) ratio of below 47.5% (reported 44.7% as of Dec. 31, 2022). This would correspond to adjusted debt to debt plus equity of about 51%. We revised our forecast of debt to debt plus equity to 51%-53% in 2023 and 52%-53% in 2024, below our rating downside threshold of 55% but with tighter headroom.

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 an adjusted EBITDA interest coverage ratio of about 2.8x-3.2x 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 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.

Our Base-Case Scenario

Assumptions

- Eurozone GDP growth of only 0%-0.5% in 2023 and 1.0%-1.5% in 2024 and CPI of about 5.0%-6.0% in 2023 and 2.0%-3.0% in 2024.
- A stable unemployment rate of 6.5%-7.0% over the next 12-24 months.
- Like-for-like growth in net rental income of about 2.0%-3.0% in 2023 and 1.5%-2.0% in 2024, mostly spurred by leases either linked annually to CPI (about 94% of total leases, subject to some leases with caps), or regular rent reviews.
- Stable occupancy levels of 96%-97% in the coming 12 months.
- Overall negative portfolio revaluations of about 5%-7% for 2023 and 2%-3% for 2024.
- Capital expenditure (capex) of €300 million-€400 million per year in 2023 and 2024 to fund new developments, in line with the company's strategy to expand its portfolio.
- We assume acquisition spending of €200 million-€300 million per year in 2023 and 2024 to grow the portfolio.
- Stable margins of 80%-81% in 2023-2024 as the company focuses on income generation through asset management and limited developments.
- No dividend payouts, in line with the company's strategy to expand the business.
- An increase in the overall cost of debt to closer to 3.0%-3.2% from 1.05% over the next 12-18 months.

Key metrics

P3 Group S.a.r.l. --Key Metrics*

Mil. €	2020a	2021a	2022e	2023f	2024f
EBITDA	175.1	260.5	293.6	326.4	353.1
EBITDA margin (%)	70.3	81.8	80-81	80-81	80-81
Debt to EBITDA (x)	16.9	13.3	13-14	12-13	11-12
EBITDA interest coverage (x)	9.6	11.7	4.0-4.5	3.0-3.3	2.5-3.0
Debt to debt plus equity (%)	49.7	49.1	49-50	51-52	52-53

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

Company Description

P3 is a limited liability company incorporated in Luxembourg and a real estate owner of logistics and industrial properties. The company was established in 2001 and owns a gross portfolio value of about €8.3 billion (about 7.2 million square meters of gross leasable area) as of Dec. 31, 2022. The total portfolio includes about 300 logistics properties across 134 locations spread across 11 European countries. 34% of the total gross asset value (GAV) is located in Germany and a further 27% is located in other western European locations.

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

Peer Comparison

	P3 Group S.a.r.l.	**Argan S.A.**	**CTP N.V.**	**Logicor Financing S.a.r.l.***	**Goodman European Partnership**
Ratings as of Feb. 6, 2023	BBB/Stable/--	BBB-/Stable/--	BBB-/Stable/--	BBB/Stable/A-2	BBB+/Stable/--
Portfolio value (bil. €)	8.2	4.03	11.0 (including assets under development)	16.2	4.6
Share of development (including land)	~5%	~8%	~15%	~2%	~0%
WAULT (years)	7.1	5.8	6.4	3.6	5.3
Occupancy (%)	98	99	95	94	100
Geographical diversity, based on gross asset value	Germany 31%, Czech Republic 22%, Poland 10%, Spain 10%, Italy 8%, Slovakia 6%, others 12%	France 100%	Czechia: 53%, Romania: 15%, Hungary: 9%, Slovakia: 7%, others: 16%	U.K. 30%, Northern Europe 23%, France 16%, Southern Europe 13%, Nordics 10%, CEE 8%	Germany 40%, France 21%, Netherlands 17%, Spain 14%, Belgium 7%, Poland 1%
Asset diversity	100% logistics	100% logistics	91% logistics, 9% office, hotel, retail, and others.	100% logistics	100% logistics

*Data as of June 30, 2022.

	P3 Group S.a.r.l.	**Argan S.A.**	**CTP N.V.**	**Logicor Financing S.a.r.l.**	**Goodman European Partnership**
Foreign currency issuer credit rating	BBB/Stable/--	BBB-/Stable/--	BBB-/Stable/--	BBB/Stable/A-2	BBB+/Stable/--
Period (rolling twelve months)	2022-06-30	2022-06-30	2022-06-30	2022-06-30	2022-06-30
Revenue (mil. €)	331	162.9	446	713	154
EBITDA	272	147.3	298	581	130
Funds from operations (FFO)	221	106.8	152	340	93
Interest expense	27	35.1	74	137	21
Operating cash flow (OCF)	150	129.3	191	369	42

Capex	804	113.5	775	325	499
Dividends paid	0	21.8	6	808	89
Cash and short-term investments	148	249.1	640	369	63
Debt	3,777	1744.3	4,792	7,074	918
Equity	4,013	2472.0	5,027	8,336	2,855
Valuation of investment property	8,042	4,090.1	10,440	16,220	4,364
Adjusted ratios					
EBITDA margin (%)	83.0	90.4	66.1	80.1	84.2
EBITDA interest coverage (x)	10.2	4.2	4.0	4.2	6.1
Debt/EBITDA (x)	13.9	11.8	16.1	12.2	7.1
Debt/debt and equity (%)	48.5	41.4	48.8	45.9	24.3

Business Risk

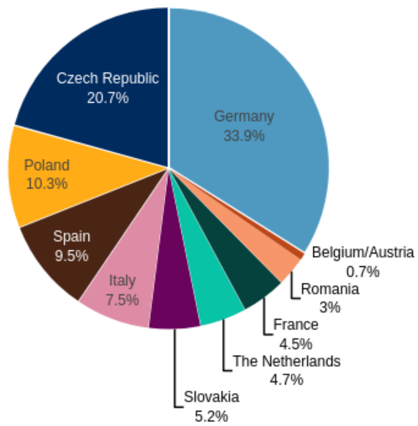
P3's high-quality GAV of about €8.3 billion as of Dec. 31, 2022, is well spread across the main logistics corridors in Europe, making the company the fourth largest rated logistics property company in Continental Europe by GAV. The portfolio mainly comprises large assets, about 94% of the portfolio is larger than 10,000 square meters with an average property age of 12 years, slightly less favorable than other rated European players like CTP N.V. (BBB-/Stable/--), which has an average asset age of less than ten years. Occupancy across the portfolio is 98% as of June 30, 2022, increasing from 95% on June 30, 2021.

P3's portfolio is favorably located and approximately 61% of its GAV is located in Western Europe and 39% in CEE. The CEE region generally experiences more volatility in terms of performance compared with Western Europe, however, it performed strongly in the past number of years. The region also experienced an inflow of migrants caused by the Russia-Ukraine conflict, which can benefit the region's labor stock and macroeconomic prospects. Additionally, lower wages compared to Western Europe make the region attractive to multinational distributors. We note recently the region has experienced quite low vacancy rates (less than 5%) with the Czech Republic reaching a vacancy rate of 1%-2% in 2022. That said, we understand supply could be built quicker in some markets owing to low barriers to entry and could pressure occupancy and rent levels going forward.

Outside of CEE, P3 is well geographically diversified and has exposure in Germany (34% of GAV), Spain (9.5%), Italy (7.5%), The Netherlands (4.7%), France (4.5%), and others (1%). These markets are currently benefiting from a lower level of development compared to CEE and performing well due to positive structural factors including strong consumer demand especially in e-commerce. Manufacturers and retailers are seeking high quality assets in prime locations that allow them to distribute their goods quickly and efficiently. E-commerce demand slowed in the second half of 2022, which may result in slow demand for logistics assets and could pressure occupancy going forward. P3 has no exposure to the U.K., which we view as currently more volatile compared with other European markets due to Brexit and declining macroeconomic indicators.

P3 Group - Geographical Diversification (% of GAV)

As of December 31st, 2022

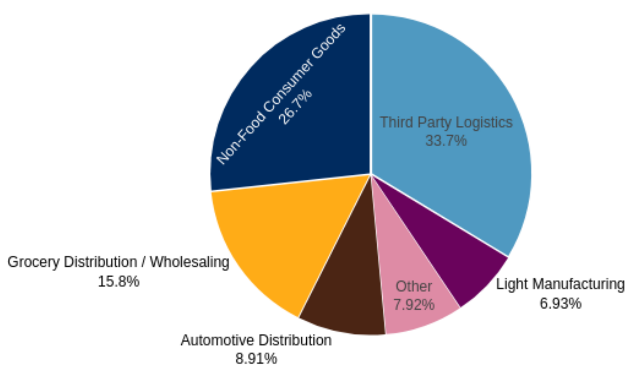


Source: Company. GAV--Gross asset value

P3 benefits from a strong and diversified tenant base of approximately 470 customers. Its customer exposure is well diversified across industries such as third-party logistics (34%), nonfood consumer goods (27%), grocery distribution (16%), automotive distribution (9%), and manufacturing (7%). P3's tenants include high profile and large firms such as Amazon, DHL, Airbus, and Carrefour. As of June 30, 2022, the top twenty tenants contribute to 44% of GRI. This, however, is higher than that of some rated peers such as Prologis (34%), and CTP (19%). P3's higher tenant concentration risk is slightly offset by a weighted-average lease term of 4.8 years, which is higher than Prologis (4.7 years) and Logicor (3.6 years).

P3 Group - Tenant Industry Diversifcation

As of June 30th, 2022



Source: Company

Financial Risk

Our assessment of P3's financial risk profile is supported by the company's prudent financial policy with a net LTV ratio of up to 47.5% (which translates to adjusted debt to debt plus equity of about 51%). That said, we understand the company aims to expand its portfolio base mainly through developments and some acquisitions, while maintaining its current leverage. We assume €500 million-€600 million of net asset growth each year and some negative portfolio revaluation. We therefore expect P3's debt to debt plus equity to increase toward 52%-53% in the next 12-24 months, (48.5% as of June 30, 2022). We expect debt to EBITDA to remain high at 12x-13x over the same period (13.9x on June 30, 2022), because P3 may not achieve its full EBITDA contribution and part of its growth expenses are expensed in line with the company's accounting standards and not capitalized like some of its peers'. In line with the company's strategy, we assume a mix of debt and equity to fund future portfolio growth.

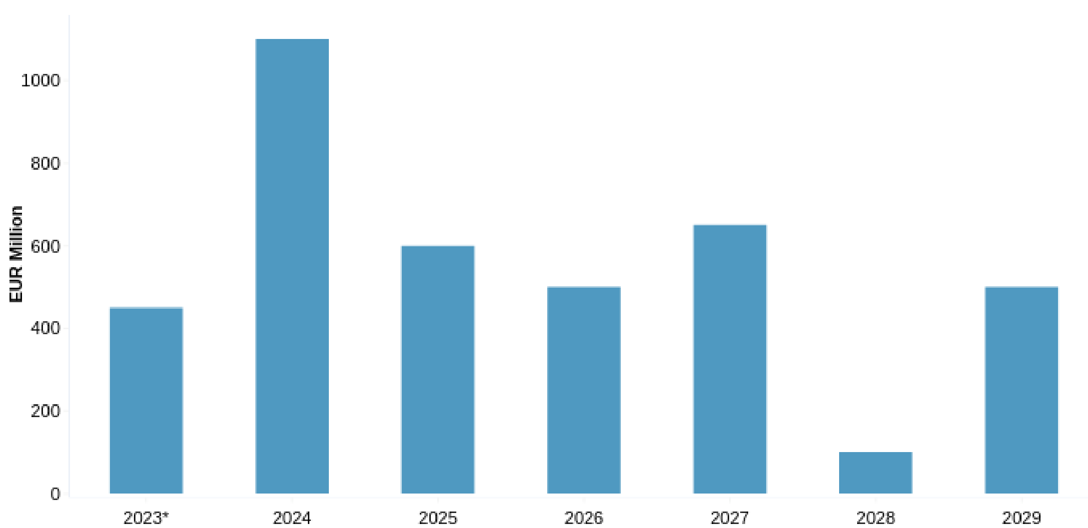
Considering increasing interest rates, and P3's relatively low hedging ratio (71% pro forma the recent announced refinancing) and significant refinancing needs in next two years (approximately €1.1 billion of debt maturing in 2024 and further €600 million in 2025), we forecast its average cost of debt will increase to 3.0%-3.2%, from 1.05% in June 2022, in the next 12-18 months. These factors will strongly affect P3's EBITDA ICR and therefore we forecast it will decline to 3.0x-3.3x until the end of 2023 and slightly below 3.0x in 2024, from 10.2x on June 30, 2022, but still well above our downside threshold of 2.4x.

Our rating on P3 incorporates a one-notch upward adjustment based on our comparable ratings analysis. We consider the ultimate shareholder, Singapore sovereign fund GIC, as a very strong strategic owner. We understand that GIC has a long-term investment horizon for P3 and supports its capital structure by providing guarantees to the part of existing unsecured bank loans. This allows P3 to benefit from unsecured bank funding at low interest costs, versus the traditional secured bank financing that most peers have as part of their capital structure. We understand that no guarantees will be given for future issuances or refinanced debt, (as evidenced by the company's recent issuances of €450 million of secured bank debt in January 2023 without GIC's guarantee); however, we expect that GIC will continue to support P3 with additional equity contributions in the future, which may be used for acquisitions and new project capex requirements. This should help the company grow its portfolio while maintaining financial discipline in line with our current ratings. In addition, P3's overall credit metrics are better positioned than those of other real estate companies with the same financial risk profile assessment.

Debt maturities

P3 Group S.a.r.l.- Debt Maturity Profile

As of December 2022



Source: S&P Global Ratings.*Includes €450 million of 2023 debt, which was refinanced in January 2023

Financial Summary

P3 Group S.a.r.l.

Period ending	Dec-31-2020	Jun-30-2021	Dec-31-2021	Jun-30-2022
Reporting period	2020a	Rolling twelve months	2021a	Rolling twelve months
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	8,268
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

Reconciliation Of P3 Group S.a.r.l. Reported Amounts With S&P Global Ratings' Adjusted Amounts - EUR (Millions)

	Debt	Shareholder equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adj. EBITDA	OCF	Dividends	Capex
Period date	2022-06-30									
Company reported amounts	4,860.5	2,939.1	331.3	277.9	1,170.0	165.1	271.7	164.8	0.0	810.7
Cash taxes paid	-	-	-	-	-	-	(15.9)	-	-	-
Cash interest paid	-	-	-	-	-	-	(34.6)	-	-	-

Reconciliation Of P3 Group S.a.r.l. Reported Amounts With S&P Global Ratings' Adjusted Amounts - EUR (Millions)

	Debt	Shareholder equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adj. EBITDA	OCF	Dividends	Capex
Reported lease liabilities	133.1	-	-	-	-	-	-	-	-	-
Accessible cash and liquid investments	(148.4)	-	-	-	-	-	-	-	-	-
Reclassification of interest and dividend cash flows	-	-	-	-	-	-	-	(15.3)	-	-
Noncontrolling/ minority interest	-	4.0	-	-	-	-	-	-	-	-
Debt: Put options on minority stakes	1.9	-	-	-	-	-	-	-	-	-
Debt: Shareholder loans	(1,070.3)	-	-	-	-	-	-	-	-	-
Equity: Other	-	1,070.3	-	-	-	-	-	-	-	-
EBITDA: Gain/(loss) on disposals of PP&E	-	-	-	(6.1)	(6.1)	-	-	-	-	-
D&A: Asset valuation gains/(losses)	-	-	-	-	(898.7)	-	-	-	-	-
Interest: Shareholder loan	-	-	-	-	-	(138.6)	-	-	-	-
Total adjustments	(1,083.7)	1,074.3	0.0	(6.1)	(904.8)	(138.6)	(50.4)	(15.3)	0.0	0.0
S&PGR adjusted	3,776.9	4,013.4	331.3	271.7	265.2	26.6	221.3	149.5	0.0	810.7

Liquidity

We assess P3's liquidity as adequate because we expect liquidity sources to exceed uses by 1.2x over the 12 months from Jan. 1, 2023.

Principal liquidity sources

- An unrestricted cash balance of roughly €178.7 million.
- Committed undrawn credit facilities of about €900 million, maturing in more than 12 months.
- Our estimate of cash funds from operations of €200 million-€220 million.

Principal liquidity uses

- Short-term debt repayments of €450 million.
- Capex of €200 million-€300 million, some of which we understand is uncommitted.
- Signed assets acquisition of €120 million-€140 million.

Covenant Analysis

Requirements

The company has financial covenants under its unsecured bonds, which include:

- LTV ratio shall not exceed 60%.
- Interest cover shall not be less than 1.5x.
- Unencumbered assets ratio shall not be less than 150%.
- Priority debt ratio shall not exceed 40%.

Compliance expectations

As of June 30, 2022, we understand that P3 has adequate headroom under all its covenants, and we forecast that it will maintain sufficient headroom of more than 10% under all its covenants in the next 12 months.

Environmental, Social, And Governance

ESG Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	**G-2**	G-3	G-4	G-5

- N/A	- N/A	- N/A

N/A—Not applicable. ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicator Definitions And Applications," published Oct. 13, 2021.

ESG factors have no material influence on our credit rating analysis of P3. We understand that the company planned to certify 75% of the total portfolio in the near future with a target to achieve large portfolio at BREEAM very good plus. This is in line with other rated peers in the logistics property segment. We believe customer (tenant) demand for sustainable buildings has been increasing across Europe in the past couple of years.

Issue Ratings--Subordination Risk Analysis

Capital structure

The group's capital structure mainly comprises unsecured debt. P3's existing bank term loans are unsecured, because GIC (the ultimate shareholder) provides guarantees to the part of existing unsecured bank term loans. The company recently partially replaced its 2023 bank loan maturity with a new secured bank loan and has more unsecured bank maturities in the next two years, which it may replace with secured bank loans. Hence, we expect P3's overall secured debt will increase over the next two years.

Analytical conclusions

We expect P3's group exposure to secured debt will remain below 40% of total fair market value of the assets in the next 12-24 months. Although unsecured debt issuance is structurally subordinated to other debt obligations, the subordination does not affect the rating on the unsecured debt. Therefore, our issue rating is the same as the issuer credit rating.

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**

Related Criteria

- 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: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: The Treatment Of Non-Common Equity Financing In Nonfinancial Corporate Entities, April 29, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, 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

Ratings Detail (as of February 13, 2023)*

P3 Group S.a.r.l.

Issuer Credit Rating	BBB/Stable/--
Senior Unsecured	BBB

Issuer Credit Ratings History

Ratings Detail (as of February 13, 2023)*

27-Jan-2022	BBB/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.