Bulletin:

Mercialys' Surge In Leverage From Acquisitions Is Temporary And Will Improve By Year End

July 29, 2025

Primary contact

Luis Peiro Camaro, CFA
Madrid
34-91-423-31-97
luis.peiro-camaro
@spglobal.com

Secondary contact

Marie-Aude Vialle
Paris
33-6-15-66-90-56
marie-aude.vialle
@spglobal.com

This report does not constitute a rating action.

Madrid (S&P Global Ratings) July 29, 2025--S&P Global Ratings stated today it expects France-based retailer Mercialys' increase in leverage from recent acquisitions and a dividend payout to be temporarily and in line with the rating. In fact, the recent transactions will enhance Mercialys' (BBB/Stable/A-2) rental income base and drive EBITDA growth. So far this year, Mercialys has acquired the Saint-Genis 2 shopping center, a 70% stake in ImocomPartners, a 49% stake in Hyperthetis, and a land plot in Marseille, totaling nearly €200 million. Additionally, the company distributed close to €100 million in accordance with its proposed annual dividend. As of June 30, 2025, this resulted in a reported loan-to-value ratio of 45.1% (excluding transfer taxes), up from 39.4% a year earlier. This translates to S&P Global Ratings-adjusted debt-to-debt-plus-equity ratios of 44.9% and 40.1%, respectively, approaching our rating downside threshold of 45%. As of the same date, adjusted leverage with debt to EBITDA also increased to 8.6x from 7.2x a year earlier, due to the timing of the acquisitions, which closed at the end of June and did not contribute to the previous twelve months' EBITDA.

However, by year-end 2025 we anticipate leverage will decrease slightly to approximately 42.5%-43.5%, with debt to EBITDA improving to about 8x, driven by EBITDA growth from the recent acquisitions and resilient performance in line with our base case. Mercialys reported a 2.7% like-for-like increase in rental income in the first half of 2025, primarily due to indexation at 2.5%. Footfall and retail sales growth remained robust at 3.4% and 1.7%, respectively, despite challenging conditions for French retailers, while collection rates were high at 96.7%, up from 95.1% in the same period last year. Consequently, despite ongoing rental growth from indexation and positive rental reversion, in the first half of this year Mercialys maintained a stable occupancy cost ratio of 10.9% and a low vacancy rate of 2.9%, consistent with year-end 2024.

We expect sustained rental growth over the next 6-12 months to drive EBITDA growth, resulting in asset revaluations of about 1% due to positive cash flow effects and limited negative impact from widening yields. Mercialys extended its debt maturity profile to 4.0 years as of June 30, 2025, from 3.8 years at year-end 2024, following the issuance of a €300 million seven-year unsecured bond to pre-refinance the €300 million bond maturing in February 2026, with no significant debt maturities until November 2027. That said, given the company will hold both bonds until February 2026, resulting in higher gross interest expenses, we expect the EBITDA interest coverage ratio to be 3.6x-3.8x in 2025 and 3.3x-3.5x in 2026.

We will continue to monitor the company's performance and adjust our base case and ratings, if necessary.

Related Research

- Mercialys 'BBB/A-2' Ratings Affirmed On Resilient Operating Performance And Prudent Financial Policy; Outlook Stable, Oct. 24, 2024
- Mercialys, June 8 2022