Réside Études Investissement S.A.

Issuer	Issuer Rating	Outlook
Réside Études Investissement S.A.	BB Medium and Long-Term	Negative

RATING RATIONALE

ARC Ratings, S.A. (ARC) has downgraded the public medium and long-term issuer rating assigned to Réside Études Investissement S.A. to "BB", with Negative outlook, from "BBB-", with Negative outlook. This action is based on the worsening of the Group's debt coverage ratios in 2019, due to its performance below expectations, and expected further deterioration of these ratios, particularly in 2020 and in 2021 due to the impact of Covid-19. The Group expects a negative EBITDA in 2020 and a low value in 2021, while its net financial debt will increase, despite the adjustment of its strategy. In addition, there remains uncertainty about the impact of the second wave of the pandemic on the Group's ability to generate cash flow, hence the negative outlook. However, it is worth highlighting the improvement in the Group's debt maturity profile in 2019 and that the Group faces no current liquidity pressure. While the Group's expansion strategy is expected to improve its ability to generate EBITDA and therefore its debt coverage ratios this is unlikely to be evident until 2024. ARC will maintain its monitoring of the Group's performance and its debt coverage ratios.

GROUP PROFILE

Réside Études Investissement S.A. is the holding company of a French Group created in 1989 and headquartered in Paris. The company continues to present a stable shareholder structure.

The Group's principal activities are real estate management and operation (management), real estate development (development) and the creation of a property portfolio (including investment properties and operational assets) mainly related to aparthotels and residences with services (residences from now on) for students and non-disabled elderly people (seniors from now on). 93.4% of accommodation units managed and operated by the Group in December 2019 are held by a mix of private and institutional investors (21,109 at the end of 2019, 3.4% more than at the end of 2018) for whom the Group manages the properties (including invoicing and collecting rents) and with whom the Group seeks to create long-term relationships. For more details, please see the Rating Review Report dated 12 July 2019.

The application of International Financial Reporting Standard 16 (IFRS 16) for the first time in 2019 had a significant accounting impact, but no cash flow impact.

RATING DATE
30 November 2020

NEXT REVIEW DATE
30 November 2021

INITIAL RATING
12 September 2013

LAST REVIEW
11 May 2020

PERIOD OF ANALYSIS
Historic: 2015 to June 2020
Forecast: 2020 to 2024

INFORMATION ANALYSED
Réside Études 2019 Annual Report
Financial Debt Details
Réside Études Interim Information
Peers Annual Reports

METHODOLOGY APPLIED
ARC Ratings' Corporates Entities Rating Methodology available at www.arcratings.com

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RÉSIDE ÉTUDES' KEY RATING DRIVERS ARE THE FOLLOWING:

- Debt maturity profile - Most of the Group's debt, before IFRS 16, is contracted in the medium and long-term (mainly at fixed interest rates) to finance the property portfolio. Thus, its short-term debt is primarily connected to the real estate development activity and is being repaid from the proceeds of the sale of accommodation units.
- Experienced management board - The Group benefits from a committed experienced management board. An additional Group Deputy Chief Executive Officer was appointed at the end of 2019, covering finance, strategy and governance, which will strengthen the Board of Directors. The Group's CFO was replaced at the end of 2019.
- Market position - A leading player in the residences for students, the most stable source of funds, and the second largest player in the aparthotels and residences for seniors sectors.
- Growth strategy, particularly in France - There is good growth potential in France due to a shortage of residential housing construction in the country coinciding with an increasing number of seniors (i.e. those aged over 65). The country also continues to receive international students and to be a hub for international business.
- Conservative dividend distribution – The payout ratio remains conservative, with no forecasted payment of dividends in the 2020 – 2023 period, followed by an EUR 1.8 million distribution in 2024.

THE KEY CONSTRAINTS ON RÉSIDE ÉTUDES' CREDIT RATING ARE:

- The Group's EBITDA decreased in 2019, before IFRS 16, to EUR 14.2 million (from EUR 30.5 million in 2018), that led to significantly worse debt coverage ratios. The net financial debt/EBITDA ratio in 2019, before IFRS 16, was 25.2x, while the coverage of net interest costs by EBITDA was 1.2x, against respectively 8.9x and 3.7x in 2018.
- Negative impact of Covid-19 pandemic - Despite the resilience shown by the residences for students and for seniors, the pandemic is having a significant negative impact on the aparthotel sector, hence the Group's EBITDA. The additional loans granted to support its treasury during the pandemic increased its net financial debt, thus its debt metrics will worsen in 2020. In addition the deferral of its social and tax charges payments, expected to reach EUR 15.0 million by end of 2020, will become due in 2021.
- Economic growth in France - Due to the pandemic, it is expected that French Gross Domestic Product will fall by 9.8% in 2020 (and recover by 6.0% in 2021), while unemployment will rise to 8.9% in 2020 and reach 10.2% in 2021. The possible decline in households' disposable income could affect occupancy rates in residences and private investors' ability to invest, although institutional investors are expected to be less affected. Notwithstanding, the sovereign ratings assigned to France remain strong: "AA/Stable" by Standard and Poor's, "AA/Negative" by Fitch Ratings and "Aa2/Stable" by Moody's Investors Service.

KEY TIPPING POINTS	
Positive Turning Points	Negative Turning Points
• a faster than expected recovery post lockdown in France with a positive impact on the Group's turnover and EBITDA; • the raising of equity to improve the Group's financial ratios; and • a better than expected ramp-up of the assisted living sector (residences for seniors).	• a larger than expected negative Covid-19 pandemic impact on EBITDA and net financial debt in case of a third lockdown in France; and • a substantially slower recovery than forecasted in the loss making residential segments that is not offset by other profitable activities.

COVID-19 PANDEMIC

The lockdown in France in the first wave of the Covid-19 pandemic (from 16th March to 10th July 2020) had a negative impact on all of the Group's activities. The management of aparthotels (60% of which were closed) and the development activity (construction and sales to investors) were the most affected. All residences for students and for seniors remained open, showing resilience. The Group benefited from a set of government measures to support its treasury during the first wave lockdown, which mainly included:

- the partial lay-off of staff (a little over 50% of the Group's staff) which ended on 30 June 2020;
- the issue of credits for rental cancellations in the aparthotels (without immediate impact on treasury). Reimbursement to customers was not significant in aparthotels as well as in residences for students;
- the deferral of 74.9% (equivalent to EUR 6.7 million) of loan instalments, including interests costs, due in the second quarter of 2020 (2Q2020) and in 3Q2020;
- the deferral of its social and tax charges up to the end of June 2020; and
- loans guaranteed by the French state, in the amount of EUR 83.2 million, drawn down in October 2020 and November 2020, with a 6-year maturity with regular instalments after one year's grace.

The Group partially suspended the rent payment to investors in the students and aparthotel sectors, and proposed plans for the regularization of this situation (total for students residences and partial for aparthotels).

A second national lockdown was imposed on 30th October 2020 for one month. Schools and universities will stay open with part distance learning. In the Group's view, up to now, the negative impact of the second lockdown is far lower than in the first wave: there is a non significant impact on the management of residences for students and for seniors, on the development activity and on the marketing and sale of accommodation units to investors; the impact is relatively more significant on the aparthotel sector though weaker than the first lockdown. The Group is benefiting from a set of government measures to support its treasury, including the partial lay-off of staff (although less than in the first wave) and the deferral of its social charges.

CASH FLOW GENERATION CAPACITY AND RECENT DEVELOPMENTS

On 13 October 2020, ARC had a conference call with senior management of Réside Études Group to discuss the Group's performance in the Covid-19 context, its strategy and its business plan. All relevant information is included in this report.

The Group's turnover breakdown by business area, before IFRS 16, is showed in the table below.

GROUP'S TURNOVER BREAKDOWN BY BUSINESS AREA (MILLION EUROS)

	2018	2019
Management	327.2	358.0
Development	144.8	137.8
Property	10.6	13.6
Holding and not related to other business areas	28.2	31.1
Intergroup	(47.0)	(54.5)
Total	**463.9**	**485.9**

Sources:
Groupe Réside Études.

Management Business Area

RÉSIDE ÉTUDES GROUP - BREAKDOWN OF THE NUMBER OF ACCOMMODATION UNITS MANAGED

	Dec. 2018	*Dec. 2019*	*Jun 2019*	*Jun 2020*
Total Number of Accommodations Units	**27,243**	**29,304**	**27,558**	**29,918**
Breakdown by Segment:				
For Students	15,783	16,520	15,831	16,733
Aparthotels	7,884	8,280	7,955	8,451
For Seniors	3,576	4,504	3,772	4,734
For Students	57.9%	56.4%	57.4%	55.9%
Aparthotels	28.9%	28.3%	28.9%	28.2%
For Seniors	13.1%	15.4%	13.7%	15.8%

Sources:
Groupe Réside Études Annual Reports and Interim Information Group.

The number of accommodation units managed by the Group has shown an increasing trend, as per the above table. The residences for seniors have experienced a major boom. However, accommodation units for students still accounted for 55.9% of the total in June 2020, accommodation for seniors 15.8% and aparthotels 28.2%.

The table below shows the breakdown of the accommodation units managed by the Group regarding aparthotels.

RÉSIDE ÉTUDES GROUP - BREAKDOWN OF THE NUMBER OF ACCOMMODATION UNITS MANAGED - APARTHOTELS

	Dec. 2018	*Dec. 2019*	*Jun 2019*	*Jun 2020*
Total Number of Accommodations Units - Aparthotels	**7,884**	**8,280**	**7,955**	**8,451**
Breakdown by segment (%):				
Sejours & Affaires 2*	37.7%	36.1%	37.7%	35.3%
Residhome 3*	31.5%	31.2%	31.5%	32.6%
Residhome 4*	22.3%	24.6%	22.3%	24.1%
Relais SPA 4*/5*	8.5%	8.1%	8.5%	8.0%

Source:
Réside Études Group.

The Group's growth strategy led to opening 18 new residences in 2019 (compared with 10 in 2018 and 17 in 2017) and 6 in the first half of 2020 (1H2020). The Group's portfolio of managed residences reached 205 in June 2020.

The average occupancy rates of the residences under management and operation by the Group evolved as indicated below (including also comparable values if different i.e. considering only the like-for-like performance of existing residences/units):

- for students – slight decrease y-o-y in 2019 (to 88.2%) and in 1H2020 (to 86.1%), still a high occupancy rate; based on like-for-like number of residences, there was an improvement in 2019 (to 91.4%);
- for seniors - improved to 63.4% in 2019 and was 68.4% in 1H2020. In comparable terms, there was an improvement in 2019 (to 87.9%). The poor occupancy levels of these residences is due to the significant number of residences opened in recent years that usually take time to achieve higher occupancy rates. The Group is working to open the residences with higher occupancy rates (and acceptable average rates).
- aparthotels (except Relais Spa) - small decreases in 2019 to around 74.0%. In the 4-star aparthotels the drop was to 59.5% (70.6% in 2018) due to the opening of new aparthotels close to the end of year (a small decrease based on like-for-like number of aparthotels). The two Relais Spa aparthotels showed a slight improvement to 77.2% in 2019. The overall occupancy rate for the entire aparthotel activity in 2019 was 73.1%. The average occupancy rates of the entire aparthotels portfolio in 1H2020 significantly decreased by between 28.5% and 45.9% (vs between 66.8% and 76.3% in the 1H2019), due to the Covid-19 pandemic impact.

Regarding the Revenue Per Available Room (RevPAR), it should be noted that an improvement took place in the residences for seniors and, conversely, a large decrease occurred in the aparthotels in 1H2020, in the Covid-19 pandemic context. The RevPAR in the residences for students recorded small decreases in 2019 and in the 1H2020.

The revenues from management business area (the main source of the Group's revenues, equivalent to 73.7% of the 2019 Group's turnover, before IFRS 16, vs 70.5% in 2018), which results from the average occupancy rates of the residences under management and its RevPAR, exhibited the following:

- increased by 9.4% in 2019, to EUR 357.9 million. In the residences for seniors the increase was 32.8%, boosted by the 26.0% increase in the number of units managed; and

- recorded an overall decrease of 20.6% in the 1H2020, to EUR 130.0 million, mainly resulting from: a 48.6% decrease from aparthotels (to EUR 38.3 million), due to the decrease in the average occupancy rate and the closure of aparthotels in the first lockdown; a 9.9% decrease from residences for students (to EUR 53.0 million); a 26.8% increase from residences for seniors (to EUR 37.4 million).

Development Business Area

In this business area, real estate sales are recorded according to the progress accounting rule by applying to the value of signed sales (through notary deed) an amount equal to the rate of progress of the works. The Group's sales in this business area (not counting the programmes in co-promotion that are recorded by the equity method) reached EUR 119.0 million in 2019 (a decrease of 4.6% vs the 2018 figure). In 1H2020 these sales were EUR 16.9 million, against EUR 67.5 million in 1H2019 (including a EUR 13.0 million point in time reclassification). There was a delay in the launching of new projects and the temporary shutdown of ongoing projects due to the lockdown. By the end of June 2020, however, all the work had resumed.

In June 2020, the Group had 35 development plans undergoing marketing and construction, 26 of which for seniors, 5 aparthotels and 4 for students. In addition, two residences for students are under construction which were bought for the Group's property investment. The purpose of the development plans is to increase the management business area in the coming years.

Property Business Area

The value of the property portfolio increased by 10.8% in 2019 (or EUR 31.9 million), to EUR 327.2 million, comprising:

- EUR 213.4 million of investment properties (residences in exploitation) recorded by their fair value determined by four independent valuations; it generated gains of EUR 5.0 million in 2019 (vs EUR 15.3 million in 2018); and
- EUR 113.8 million of exploitation assets comprising residences for seniors (since 2019, before were recorded as investment properties), common spaces of several residences and investment properties in progress, recorded at cost net of depreciation.

The turnover from the property portfolio (rentals received) increased by 27.6% in 2019, to EUR 13.6 million, and by 47.4% in 1H2020, to EUR 8.4 million (due to the opening of two aparthotels and the increase of common spaces).

2019 Consolidated Financial Statements

The Group only prepare annual financial statements. The 2019 and 2018 consolidated accounts were audited without qualification.

The application of IFRS 16, for the first time in 2019, related to operational leases (long-term contracts with investors allowing Réside Études to manage the accommodation units held by them) and had a significant accounting impact on the Group’s financial statements as shown in the table below (with no cash flow impact).

GROUP RÉSIDE ÉTUDES - IFRS 16 IMPACT ON SPECIFIC ACCOUNTS ITEMS (MILLION EUROS)

Profit and Loss:	
Turnover	(36.1)
EBITDA	102.2
EBIT	30.0
Interest Costs	44.1
Income tax savings	3.5
Net Profit	(10.6)
Balance Sheet:	
Rights use of Accomodation Units	1,081.0
Deferred tax assets	3.5
Total assets (non-current assets)	1,084.5
Equity	80.0
Medium - Long Term Debt	931.6
Short - Term Debt	72.9
Total Debt	1,004.5

Sources:
Réside Études 2019 Annual Report.

GROUP RÉSIDE ÉTUDES - FINANCIALS AND RATIOS (THOUSAND EUROS)

					IFRS 16	Before IFRS 16
	2015	2016	2017	2018	2019	2019
TURNOVER	342,389	334,543	380,017	463,871	449,855	485,919
EBITDA	20,768	14,756	19,398	30,493	116,438	14,200
EBITDAR	117,568	123,756	138,838	155,594	n.ap.	149,445
EBIT	16,601	10,473	15,910	21,857	32,694	2,646
FINANCIAL COSTS NET OF FINANCIAL GAINS	6,582	8,393	7,559	8,140	55,981	11,340
NET PROFIT (AFTER MINORITY INTERESTS)	5,178	4,569	6,090	11,793	(17,268)	(6,714)
TOTAL ASSETS	384,548	422,439	510,290	578,217	1,775,110	690,625
NET WORKING CAP. REQUIREMENTS (NWCR)	54,970	67,771	66,263	57,250	72,392	73,692
CASH FLOW POSITION	8,374	5,604	10,153	16,944	61,399	(1,164)
NET CASH POSITION (NCP)	(8,054)	(16,962)	(37,562)	(22,809)	(64,529)	12,254
FINANCIAL DEBT	193,687	225,362	272,664	319,953	1,424,995	420,523
NET FINANCIAL DEBT	166,451	200,174	255,347	272,730	1,361,881	357,409
EBITDA Margin (%)	6.1%	4.4%	5.1%	6.6%	25.9%	2.9%
EBITDAR Margin (%)	34.3%	37.0%	36.5%	33.5%	n.ap.	30.8%
Net Return on Turnover (%)	1.5%	1.4%	1.6%	2.5%	(3.8%)	(1.4%)
Payout Ratio (%)	23.2%	26.3%	19.7%	15.3%	0.0%	0.0%
Coverage of Net Interest Costs by EBITDA (x)	3.2	1.8	2.6	3.7	2.1	1.2
Net Financial Debt / EBITDA (x)	8.0	13.6	13.2	8.9	11.7	25.2
Equity (Incl. Minor. Int.) / Assets (%)	21.0%	19.9%	17.3%	17.1%	9.7%	13.4%
Liquidity Risk	100%	100%	100%	100%	100%	n.av.
Current Assets Ratio	139.1%	138.6%	116.3%	117.4%	102.8%	n.av.
Acid Test Ratio	103.0%	94.5%	78.1%	93.1%	82.5%	n.av.

Notes:
Figures rounded.
n.av. = Non available; n.ap. = Non applicable.
Accounts reclassified by ARC Ratings for analysis purposes.

Sources:
Groupe Réside Études Annual Reports.

The main evolutions in 2019 were the following:

- The Group's turnover reached EUR 449.9 million in 2019, whilst its EBITDA (excluding EUR 4.7 million of non-recurrent operational costs related to the refinancing of part of its property portfolio) was EUR 116.4 million (EBITDA margin of 25.9%);
- Before IFRS 16, its turnover increased by 4.8% to EUR 485.9 million, while its EBITDA (excluding EUR 4.7 million of non-recurrent operational costs), significantly dropped to EUR 14.2 million (from EUR 30.5 million in 2018). Thus, its EBITDA margin decreased to 2.9%, from 6.6% in 2018. The EBITDA decline took place in most of its activities, driven by the following factors: the impact of opening a greater number of residences for seniors (that usually generate negative EBITDA in the first years); in addition a set of point in time causes, such as the 'yellow vest' strikes (with negative impact on aparthotels' occupancy rates) and a more dynamic real estate construction market (that led to narrow margins in development business area). In 2020 the Group reinforced its marketing teams for assisted living residences in order to reach a higher occupancy rate when opening residences and shorten the time to reach the break-even occupancy rate. A headquarter costs cutting programme is being implemented to limit the increase of these costs, compared with the increase in turnover;
- The Group's financial costs net of financial gains were EUR 56.0 million in 2019, including EUR 44.1 million financial costs due to IFRS 16. The 46.9% increase in financial costs, against 2018 figure, was anticipated (although a little smaller) in the context of investment and partial refinancing of debt related to its property portfolio;
- The coverage of net interest costs by EBITDA was 2.1x in 2019. Before IFRS 16 this coverage would be 1.2x (compared with 3.7x in 2018), which ARC considers adequate, but with little margin for any further decrease of EBITDA; and
- The consolidated earnings before taxes were negative in 2019, EUR -23.3 million. Before IFRS 16, it would be EUR -8.0 million (vs EUR 13.7 million in 2018). Due to the saving of income taxes, its net profit, after minority interests, was EUR -17.3 million (EUR -6.7 million before IFRS 16, compared with EUR 11.8 million in 2018, due to low EBITDA).

FINANCIAL POLICY

The Group's total assets reached EUR 1,775 million at the end of 2019, compared with EUR 578 million at the end of 2018. This significant increase mainly reflects:

- the IFRS 16 impact, adding EUR 1,081 million of non-current assets, as per the table on page 7; and
- a 20.0% increase in other assets related to expansion of activity, specifically including the increase in the property portfolio and the increase of cash and cash equivalents to EUR 63.1 million (from EUR 47.2 million in 2018).

Cash and cash equivalents increased in the January to October 2020 period mainly due to the EUR 72.0 million drawdown of the loans guaranteed by the French state. In November 2020, the Group drew down the remaining EUR 11.2 million of these loans. The Group faces no current liquidity pressure.

In 2019 before IFRS 16 impact:

- the cash flow position was EUR -1.2 million (EUR 5.9 million excluding non-recurrent operational levies related to the refinancing of part of its property portfolio), against EUR 16.9 million in 2018, due to the EBITDA decrease;
- its net financial debt increased by 31.0% (or EUR 84.7 million), to EUR 357.4 million, in the context of the increase in its property portfolio and other fixed assets; and
- the net financial debt/EBITDA ratio worsened to 25.2x, against 8.9x in 2018.

With the IFRS 16 impact, the Group’s net financial debt reached EUR 1,361 million and its net financial debt/EBITDA ratio was 11.7x, a manageable leverage considering its maturity.

The Group’s gross debt of EUR 1,425 million at the end of 2019 comprised:

- EUR 1,004.5 million - recorded due to IFRS 16 (92.8% of which maturing at medium and long-term);
- EUR 349.1 million - contracted at medium and long-term (vs EUR 249.2 million in 2018), including bank loans, bonds and mortgage loans and financial leases to finance its fixed assets, namely its property portfolio. This debt has a long-term maturity, which has been improved in 2019 through the refinancing of part of its property portfolio and a new bond as forecasted. EUR 227.2 million of the EUR 349.1 million debt is related to the Group’s property portfolio contracted case by case, considering the expected revenues of the property. The LTV of the debt on its property portfolio at the end of 2019 was of 67.1%, considering its fair value, a reasonable LTV ratio;
- Only 5.5% of the debt contracted at medium and long-term (vs 11.0% in 2018), equivalent to EUR 19.6 million, matures in the short-term, which was 3.2x covered by cash and cash equivalents. 63.0% maturing at more than 5 years and the remainder 31.5% up to 5 years (including EUR 50.0 million of a bond maturing in 2023);
- EUR 30.0 million – securitisation of receivables, issued in 2018 to diversify its sources of funding with a 3 years maturity (which may be extended). A further securitisation of receivables issued in 2020 of EUR 30.0 million will mature in 2023; and
- EUR 41.4 million – to finance the development programmes, mainly includes EUR 35.2 million of bank overdrafts (vs EUR 38.6 million in 2018). The repayment of this debt will be made from progress payments received due to the system of sale of accommodation units before completion (“Ventes en l’état future d’achèvement”).

Two bonds include a gearing ratio (but based on different calculations) related to the net debt, excluding debt to finance its property portfolio and bank overdrafts, compared to its equity before IFRS 16. The gearing ratio should be below 1.0x in each case, failing which the early repayment of the bond is triggered. At the end of 2019, as in previous periods, the ratios were met (being at 0.48x and 0.32x).

The Group's medium and long-term debt to finance its fixed assets is usually subject to fixed interest rates. For the floating rate medium and long-term debt, the Group seeks customised solutions to cap or hedge these interest rates, therefore does not face significant interest rate risk. The 5 swaps contracted by the Group are valued at their fair value. At the end of 2019, the latent loss related to these swaps was EUR 1.0 million (immaterial in 2018). Floating rate debt related to development activity is not subject to interest rate hedging.

The Group's equity (including minority interests) was EUR 172.4 million in December 2019. The equity/assets ratio was 9.7% at the end of 2019. Before the IFRS 16 impact, this ratio was 13.4% (a decrease vs 17.1% in 2018, due to the increase in total assets and losses in 2019), which is deemed low, particularly in the Covid-19 context.

Because of the negative impact of Covid-19 on the Group's cash flow, it is expected that the Group might seek to raise additional equity to finance its expansion strategy and restore its financial ratios.

FORECASTS

The Group plans to continue its expansion strategy through organic growth, mainly in the French market, but in the unfavourable Covid-19 context it revised down its forecasts.

Therefore, for the 2020-2024 period it expects to open a mix of 88 residences, of which 2/3 are targeted for seniors. The Group intends to continue to be the second player in the senior segment, offering a product with a higher range of services than its competitors. All the main players want to expand their senior activity, due to the positive fundamentals supporting future increases in demand due to the post-Second World War baby boom and higher income available to seniors compared to previous periods. The forecasted investment in fixed assets linked to the residences expected to open in the 2020-2024 period is EUR 91.1 million.

Regarding their retained property portfolio, the projected investment for the 2020-2024 period of EUR 27.1 million is only related to the commitments already made. No further investments beyond that date are anticipated.

The expansion strategy is expected to be financed through a mix of equity inflow and increase of gross debt, in 2020/2021 including the EUR 83.2 million of loans received to support its treasury in the Covid-19 context. In this context the Group expects a negative EBITDA in 2020 and low value in 2021. Consequently, a worsening of its debt coverage ratios at least in this period is expected. However, in the coming years, as the base of managed residences that have already reached equilibrium increases there should be a gradual improvement of the Group's ability to generate EBITDA and thereby also its debt coverage ratios.

The Group's EBITDA and consequently its cash flow position remain sensitive to various factors associated with its activity. In ARC's view, this sensitivity is increased with the uncertainty surrounding the extension and severity of Covid-19. In an unfavourable context, the Group may slow down the development of new plans or, in case of need, sell some assets from its property portfolio. ARC will monitor the Group's EBITDA and its debt metrics.

Réside Études

Corporate Public Rating Report – Review

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This Review Report should be read together with initial Rating Report and with the subsequent Review reports.

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The rating(s) assigned by ARC Ratings in this report was / were sought by the entity whose financial commitments are being rated.

Prior to the assignment or revision of a rating ARC Ratings provides to the entity who requested the rating the documents that substantiate the rating to be attributed. This entity is thus given the opportunity to clarify or correct factual details, thus allowing the rating assigned to be as accurate as possible. The comments made by the entity whose financial commitments are being rated are taken into account by ARC Ratings in the assignment of the rating. ARC Ratings also grants the issuer the possibility of appealing a rating accorded by ARC Ratings as long as this appeal is supported on additional information that hasn't been taken into account in the original rating accordance.

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