EthiFinance Ratings

NEXITY SA

444346795 CORPORATE

B+ ISSUER RATING
Long term

OUTLOOK
Stable

EF4 ISSUER RATING
Short-term

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Rating Action and Rationale

- EthiFinance Ratings downgrades the long-term rating of Nexity SA from BB- to B+, maintaining a Stable outlook. EthiFinance Ratings also downgraded the short-term rating of Nexity from EF3 to EF4.
- Nexity is a French real estate group that operates in almost all areas of real estate development and services in France.
- The downgrade of our ratings is a consequence of the strong deterioration in profitability in FY24, leading to very poor credit ratios. Profitability was lower than expected, as the group adapted to the new market conditions by selling unprofitable developments and cancelling 2.8k reservations. In FY24, our EBITDA (adjusted from reorganization costs) amounted to €134m (vs €411m in FY23), and the EBITDA margin sharply decreased to 4.0% (vs above 12.0% in average for 2019-22). Consequently, Nexity's credit ratios deteriorated, with the adjusted net leverage reaching 11.7x at end-2024 (vs 4.6x at end-2023). Given the limited visibility on revenues, as the backlog strongly decreased to €4.4bn (vs €5.4bn at end-2023, and €6.1bn at end-2022), we expect this ratio to remain poor over our forecast period (2025-27), with a net leverage of c. 7.0x on average.
- In addition, Nexity is now focused only on France, following the divestment of international operations, rendering it vulnerable to local regulatory changes and market volatility, which constraints our ratings. French real estate dynamics remain challenging with the end of several fiscal measures (such as Pinel one), the entry into force of the 'zéro artificialization nette' law leading to a shortage of land, while construction costs remain high. However, the decrease in interest rates, following the cut implemented by the ECB in 2024, and the recent measures announced to support first time buyers, were expected to support the sector. In 2H24, Nexity has already recorded a good dynamic in retail reservations (+14% in 2H24 and +7% over the FY24). But it will take some time to turn this upturn into profitability, given the lag to build new homes (around 2 years).
- However, Nexity has taken action to mitigate the deterioration of its credit profile. It is pursuing a debt reduction strategy, supported by some divestment, completed in FY24, for a total of €375m (mainly related to the management property business disposal), after the disposal of its international operations in FY23. Also, Nexity cut its dividend for FY23, which helped the group to preserve cash, and we do not expect it to pay dividends before FY28 given its guidance (leverage ratio - excluding IFRS 16 - below 3.5x). Consequently, adjusted net debt has been reduced to €1.6bn (vs €1.9bn at end-2023). Over our forecast period, we expect the adjusted net debt to remain in this area, considering debt repayments in FY25, and limited cash flow generation. Finally, Nexity's covenants (net leverage below 3.5x and interest coverage above 2.5x) have been waived for 2024. For the coming years, these covenants have been adjusted; from 8.5x at end-2025, 7.0x at end-2026, and 3.5x at end-2027 for net leverage, while interest coverage has been removed. Over our forecast period, we expect Nexity to comply with its new covenants.
- Under our methodology, real estate developers have medium ESG risks (sector heatmap score between 3 and 3.5), given their impact on the environment. This results in a sectoral assessment that does not affect the rating. Regarding environmental factors, real estate developers have a medium impact on climate as they are not heavy producers of GHG. However, the GHG emissions from the production of cement, wood, bricks, and other materials used by the industry are extremely high. The industry is a heavy user of raw materials and land, which creates dependencies and impacts, in particular as usage can be at the expense of agriculture. The financial materiality is relatively limited as regulation is low. Regarding supply chain, the industry is competitive, limiting dependence. The industry can also have a positive impact on consumers, particularly in emerging countries where home access remains key, and on communities, being a large provider of jobs.
- Our assessment of the company's ESG policy is neutral (company ESG score of between 1.5 and 3.5), which has no impact on our financial assessment. Our assessment is based on the 2023 data, as the data for 2024 has not yet been published. Nexity has good governance practices, with a high independence of its board, and a good analysis of ESG issues. However, the chairman of board is also the CEO, from January 2023. Regarding social factors, Nexity benefits from a good assessment, with a decrease of accident frequency rates, and a good representation of women within management's teams, despite the rise of staff turnover. In terms of environmental factors, our assessment of Nexity has deteriorated due to the lack of data on energy consumption, and the increase of direct emissions (scope 1 & 2). As a reminder, Nexity is committed to reducing its direct emissions, and its indirect emissions related to promotion (scope 3) by 47% and 42%, respectively, this is by 2030 (vs 2019). However, as of 2023, direct emissions increased by 36% vs 2019, while indirect emissions decreased by 5% vs 2019.

Issuer Description

Nexity, headquartered in Paris, France, is a prominent real estate group. The company operates in almost all areas of French real estate development and services, but it doesn't own real estate assets to rent. The group has recently reviewed its portfolio of activities and refocused on its operations in France.

In 2024, Nexity generated revenues of €3.3bn, down 15.9% vs 2023, and adjusted EBITDA of €134m (EBITDA margin of

4.0%). The adjusted net leverage ratio (NFD/EBITDA) strongly deteriorated to 11.7x, compared to 4.6x YE23. Nexity is listed on the Euronext Paris stock exchange, with a market capitalisation of €487m, as of 15th April 2025.

Liquidity

We assess the liquidity profile of Nexity as “Adequate”, reflecting the weak refinancing profile, following the deterioration of its financials. The company’s liquidity is considered as high, as the company can repay its debt maturing in the next 2 years.

Credit Metrics Evolution Expectation (CMEE)

Our CMEE is Stable, reflecting our view that credit metrics will remain broadly unchanged in the next 12 months.

Main Financial Figures

Main financial figures. millions of EUR						
	FY23	FY24	FY25e	FY26e	FY27e	24vs23
Turnover	3 964	3 333	2 660	2 727	3 042	-15,9%
EBITDA (1)	411	134	175	233	332	-67,3%
EBITDA Margin (1)	10,4%	4,0%	6,6%	8,5%	10,9%	-6,3pp
EBIT	178	-140	1	56	138	-178,6%
EBIT Margin	4,5%	-4,2%	0,0%	2,0%	4,5%	-8,7pp
EBT	137	-134	-70	-5	81	-197,6%
Total Assets	8 497	6 498	5 788	5 666	5 698	-23,5%
Equity	1 941	1 871	1 803	1 784	1 830	-3,6%
Total Financial Debt (2)	2 619	2 242	1 952	1 892	1 823	-14,4%
Net Financial Debt (2)	1 903	1 574	1 620	1 578	1 594	-17,3%
Equity/TFD	74,1%	83,4%	92,4%	94,3%	100,4%	9,3pp
NFD/EBITDA (2) (1)	4,6x	11,7x	9,3x	6,8x	4,8x	7,1x
Adj Funds From Operations	223	-146	125	172	252	-165,5%
Adj FFO/NFD (2)	11,7%	-9,3%	7,7%	10,9%	15,8%	-21,0pp
EBITDA/Interest (1)	4,6x	1,1x	1,7x	2,5x	3,7x	-3,5x

(1) EBITDA IFRS adjusted for reorganisation costs

(2) Debt adjusted for pensions, and nominal value of convertible bonds

Credit Rating

Credit Rating	
Business Risk Profile	**BB**
Industry risk assessment	BB
Industry's ESG	Neutral
Competitive Positioning	BB+
Governance	BB-
Financial Risk Profile	**B-**
Cash flow and leverage	CCC+
Capitalisation	BBB-
Company's ESG	Neutral
Anchor Rating	**B+**
Modifiers	-
Rating	**B+**

Rating Sensitivity

- **LT Rating: B+**
- **ST Rating: EF4**

Factors that may (individually or collectively) impact the ratings:

- **Rating positive factors (↑)**

A long-term rating upgrade to BB- could be entailed by an improvement of Nexity's credit metrics, in particular a faster deleveraging than expected, with an adjusted net leverage around 5.0x for a sustained period of time.

An upgrade of the short-term rating to EF3 would require an upgrade of the long-term rating to BB-, all things being equal.

- **Rating negative factors (↓)**

A long-term rating downgrade to B could result from the continued deterioration in Nexity's operations, which would imply a worsening financial profile. In particular, a net adjusted leverage of above 8.0x for a sustained period of time would trigger a downgrade.

A downgrade of the short-term rating to EF5 would imply a significant deterioration of the long-term rating to CCC+. This seems currently improbable, despite the challenging market.

Sources of information

The credit rating issued in this report is unsolicited. The credit rating is based exclusively on public information, being the main sources the following:

1. Annual Audit Report.
2. Corporate Governance Report.
3. Corporate Website.
4. Information published in the Official Bulletins.

The information was thoroughly reviewed to ensure that it is valid and consistent, and is considered satisfactory. Nevertheless, EthiFinance Ratings assumes no responsibility for the accuracy of the information and the conclusions drawn from it.

Level of the rated entity participation in the rating process

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	NO
With Access to Internal Documents	NO
With Access to Management	NO

Additional information

- The rating was carried out in accordance with Regulation (EC) N°1060/2009 of the European Parliament and the Council of 16 September 2009, on credit rating agencies. Principal methodology used in this research are :
  - Corporate Rating Methodology - General : https://www.ethifinance.com/download/corporate-rating-methodology-general/?wpdmdl=35203
- The rating scale used in this report is available at https://www.ethifinance.com/en/ratings/ratingScale.
- EthiFinance Ratings publishes data on the historical default rates of the rating categories, which are located in the central statistics repository CEREP, of the European Securities and Markets Authority (ESMA).
- In accordance with Article 6 (2), in conjunction with Annex I, section B (4) of the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009, it is reported that during the last 12 months EthiFinance Ratings has not provided ancillary services to the rated entity or its related third parties.
- The issued credit rating has been notified to the rated entity, and has not been modified since.