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Research Update:

Akropolis Group UAB 'BB+' Ratings Affirmed On Planned Galio Group Acquisition

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Primary Contact

Teresa Stromberg
Stockholm
46-8-440-5922
teresa.stromberg
@spglobal.com

Secondary Contact

Kathleen Allard
Paris
33-14-420-6657
kathleen.allard
@spglobal.com

Rating Action Overview

- On Sept. 22, 2025, Akropolis Group UAB announced it has agreed to acquire 100% of Galio Group UAB, a real estate company in the Baltics, increasing its assets base by about 30% with an expected closing in the next few days
- Although this acquisition would slightly weaken Akropolis' credit metrics over the coming 12 months, we think it would also strengthen its portfolio scale and segment diversity.
- We therefore maintained our assessment of Akropolis' stand-alone credit profile (SACP) at 'bb+'. Based on that, we affirmed our 'BB+' issuer credit and issue ratings on Akropolis and the company's senior unsecured debt. The rating on Akropolis is in line with our rating on Maxima Grupe UAB, Vilniaus Prekyba's (VP group's) main subsidiary.
- The stable outlook on Akropolis reflects that on Maxima. We expect Maxima will maintain its leading market position in the Baltics, despite intensifying competition, and soundly execute its planned store expansion in Poland and Bulgaria, while we expect VP's (not rated) debt to EBITDA of about 2.0-2.5x and annual FOCF after leases to largely cover dividend payments.

Rating Action Rationale

The transaction would moderately enhance Akropolis' scale and diversity, further strengthening its market position in the Baltics. The Galio acquisition will likely improve Akropolis' business risk profile, in our view. We expect the combined portfolio's pro forma gross asset value to increase to approximately €1.4 billion from €1.1 billion as of Dec. 31, 2024. Following the transaction's completion, the company will own 60 income-producing assets, from five currently, reducing asset concentration risk, although acquired assets are much smaller and not comparable to Akropolis' existing five large shopping centers. The transaction, once completed, will reduce the exposure to shopping centers to 73% of total gross asset value, from 96% currently. The remainder of the portfolio will include office assets (8%), single-tenant retail properties (7%), residential development (3%), the Vingis development project (3%), and other assets (6%), supporting further diversification across asset classes. Akropolis' geographic presence will remain concentrated in its core markets of Lithuania (representing an anticipated 63% of the pro forma property portfolio value) and Latvia (34%), with a modest expansion into Estonia (3%). On the other hand, the transaction will moderately increase the company's concentration to its 10 largest tenants to 26% of rental income from 21% as of Dec. 31, 2024, in particular to its largest tenant of Maxima, the anchor grocery store, which would contribute to 11% of total rental income of the combined group up from 6.1% currently. Lastly, the transaction will increase the company's exposure to development activities through Galio residential projects, which we view riskier, but we understand this business will remain well below 10% of EBITDA.

We anticipate operating fundamentals for Akropolis' properties to be broadly stable over the next 12 months, underpinned by solid demand across all asset classes. In first semester 2025, the company demonstrated solid performance, reporting 5.4% like-for-like growth in net rental income. This compares to 8.8% growth recorded in 2024 and 11.8% in 2023. This growth has been supported by both contractual indexation and positive reversion rates observed across Akropolis' five prime, well-located shopping malls. At the same time, the average standing vacancy rate of the portfolio has remained low, at 2.0%-2.5% over the past few years (it was 1.3% as of June 30, 2025). Also, Galio's income-producing assets reported a high and stable 99.5% occupancy as of end of 2024 across its single tenant's assets as well as the office premises. We expect the company post-transaction will continue benefiting from positive like-for-like growth in rental income, while maintaining the current low vacancy rate.

Despite a deterioration of its credit metrics, we still view Akropolis' creditworthiness remaining consistent with the 'bb+' SACP, which is unchanged. The company will fund the transaction with cash on the balance sheet (as part of the €262 million available as of June 2025), and a secured term loan of €110 million, signed at the announcement of the transaction. We understand the acquisition price would be broadly in line with the latest target book values . We understand the company intends to roll over existing debt at the Galio level of approximately €119 million. As a result, Akropolis' gross debt will increase from €487 million as of Dec. 31, 2024, to approximately €714 million, increasing S&P Global Ratings-adjusted debt-to-debt-plus-equity ratio to 47%-48% pro forma the acquisition, compared with 38.5% as of Dec. 31, 2024. At the same time, we forecast debt-to-EBITDA rising to approximately 7.5x-7.7x as of year-end 2025, from 5.1x end-2024, before improving to 6.0x-6.5x over 2026-2027 due to EBITDA contribution from Galio. In our view, this deterioration of the company's credit metrics is offset by the improvement in its business risk profile, pro forma the transaction, and we therefore still view the SACP remaining consistent at the 'bb+' level.

We still consider VP group's holding in Akropolis as core with a high likelihood of group support and reducing the refinancing risks markedly, in our view. VP group owns 100% of Akropolis and we view the latter as a core to the former and integral to the group's identity and strategy--for instance, about 50% of VP group's fixed assets are Akropolis' shopping centers, and VP group's subsidiaries represent about 32% pro forma the acquisition of Akropolis' total gross leasable area (20% before the acquisition) and approximately 15% of its total income (11.5%). As such, we think it is unlikely VP will sell its subsidiary. We expect the group to support Akropolis under foreseeable circumstances, as demonstrated by the group's flexible dividend policy (to maintain the capital structure in line with its financial policy). We could also envision the parent could issue debt should its subsidiary fail to access the debt capital market. In addition, under our corporate methodology, the liquidity of core entities can be supported by that of the parent. In our view this potential support from the owners reduces refinancing risk considerably for the coming 24-36 months and partly offsets the risk associated with the average debt maturity being below three years. Our rating on Akropolis is aligned with our assessment of VP's overall group credit profile and the 'BB+' rating on Maxima. This is because Maxima is the main factor in VP's credit quality and the main core subsidiary of the group, representing more than 70% of its EBITDA. The acquisition of Galio is an arm's length transaction from entities controlled by beneficial owner, Nerijus Numa, who also controls VP group.

Outlook

The stable outlook on the rating on Akropolis reflects our expectations that Maxima will maintain its leading market position in the Baltics despite intensifying competition, soundly execute its planned store expansion in Poland and Bulgaria, and pass on inflation-related costs to end-customers. This will lead to continued revenue growth and a recovery in EBITDA margins toward 7.9% in 2026. The outlook also considers Maxima's dividend distributions, funded with free operating cash flow (FOCF), and our expectation of adjusted funds from operations (FFO) to debt of more than 30% and adjusted debt to EBITDA of 2.0x-2.5x over the next 12-18 months, with annual FOCF after leases to largely cover dividend payments.

Downside scenario

We could lower the rating on Akropolis if we took a similar rating action on Maxima, which could happen if:

- Maxima significantly underperformed our base-case scenario, including a material decline in operating performance and profitability because of intensifying market competition or economic weakness in the Baltics or Poland weighing on margins and cash flows;
- Maxima's or VP group's financial policies became less prudent, either due to increased dividends or large-scale, debt-funded acquisitions that keep leverage at about 3.0x or above and FFO to debt below 30% at either Maxima or the wider group level;
- Maxima and VP group's liquidity deteriorated; or
- The refinancing of the senior notes was not addressed in a timely manner.

Although it would not result in a downgrade due to expected group support, we could revise downward our assessment of Akropolis' SACP if:

- Debt-to-debt-plus-equity ratio did not remain below 50%, which could stem from a higher portfolio devaluation than anticipated, or higher-than-expected investments
- EBITDA-interest-coverage ratio falls below 2.4x,
- Debt to EBITDA nears or surpasses 7.5x;

Upside scenario

We could raise the ratings on Akropolis if we took a similar action on Maxima, which could happen if the group successfully expands its scale, gains market position, and improves profitability translating into the following:

- Adjusted debt to EBITDA falling sustainably below 2.0x for Maxima and VP;
- Maxima's FOCF after leases substantially exceeding its dividend payments, resulting in debt reduction; and
- Robust liquidity and capital structure with at least adequate headroom and weighted-average debt maturity.

Although it would not result in an upgrade, because the final rating is aligned with that on the group, we could revise upward our assessment of Akropolis' SACP if the company significantly expands its portfolio to a scale that would be comparable with those of investment-grade ratings companies, while maintaining positive like-for-like rental growth and stable occupancy levels.

In addition, the company would need to sustain the following credit metrics:

- EBITDA interest coverage above 3.8x;
- Debt to debt plus equity falling well below 35%; and
- A debt-to-annualized EBITDA ratio below 4.5x.

Company Description

Akropolis is a real estate development and management company. It develops, manages, and leases shopping and entertainment centers and office buildings in Lithuania and Latvia. The company was incorporated in 2010 and is based in Vilnius, Lithuania. Akropolis is a subsidiary of VP Group. Pro forma the acquisition, the property portfolio amounts to €1.4 billion, including a project pipeline worth €149 million. It has 60 income producing assets with a lettable area of 469,749 square meters.

Our Base-Case Scenario

Assumptions

- Real GDP growth in Lithuania of 2.8% in 2025 and 2.5% in 2026, broadly stable from 2.8% in 2024. Real GDP growth in Latvia of about 1.0% in 2025 and 2.3% in 2026, after a decline of 0.4% in 2024. We expect a CPI growth of about 3.6% in 2025 and 2.6% in 2026 in Lithuania, from 0.8% in 2024, and 3.0% and 2.5% in Latvia, after 1.4%.
- Annual like-for-like net rental income growth of 2%-3% in 2025.
- Occupancy rates to remain broadly stable at 97%-98% over the forecast horizon, given the company's track record of stable occupancy rates and because Akropolis is a dominant player in the Baltics with high demand for its assets.
- Adjusted EBITDA margins to be broadly stable at about 80% over the next few years, in line with average historical levels.
- We anticipate neutral fair value adjustments, given already-high yields (7.5% in Vilnius and 7.8% in Riga) and decreasing inflation.
- Development capital expenditure (capex) of €65 million-€70 million in 2025-2026, mainly including Galio's development projects. We anticipate that the Vingis project (total project value of more than €300 million) will be postponed by a couple of years.
- Limited maintenance capex of about €2 million per year over the forecast period.
- Acquisitions of €200 million-€300 million over the forecast horizon, including the Galio transaction.
- No disposals, in line with management's business plan.
- No further dividend in our forecast period, as we understand the company intends to focus on Galio integration. Akropolis distributed €70 million in 2024.

- The refinancing of a €350 million senior unsecured bond at 6% coupon. Furthermore, we anticipate that the bank loan maturing in 2027 will be refinanced at 4.5% in 2026.
- Average cost of debt to gradually rise to 6.0% over 2025-2026, from 3.8% in 2024.

Key metrics

Akropolis Group UAB--S&P Global Ratings forecast summary

	--Fiscal year ended Dec. 31--						
(Mil. EUR)	**2021a**	**2022a**	**2023a**	**2024a**	**2025e**	**2026f**	**2027f**
Revenue	66	96	99	105	114	138	148
EBITDA	57	71	83	88	92	112	115
Funds from operations (FFO)	47	54	61	60	57	66	69
Interest expense	8	11	16	18	25	36	36
Cash flow from operations (CFO)	43	62	64	61	59	73	76
Capital expenditure (capex)	--	--	--	--	35	72	75
Dividends	--	--	--	70	--	--	--
Debt	423	460	453	445	701	727	708
Equity	571	632	719	710	766	831	899
Cash and short-term investments (reported)	82	176	225	206	229	256	237
Adjusted ratios							
EBITDA margin (%)	86.1	73.8	83.4	84.1	81.0	81.0	78.0
EBITDA interest coverage (x)	7.1	6.4	5.3	5.0	3.6	3.1	3.2
Debt/EBITDA (x)	7.4	6.5	5.5	5.1	7.6	6.5	6.1
Debt/debt and equity (%)	42.6	42.1	38.6	38.5	47.8	46.7	44.1

Liquidity

We assess Akropolis' liquidity as adequate and anticipate that liquidity sources will cover liquidity uses more than 1.2x for the 12 months after June 30, 2025.

Principal liquidity sources over the next 12 months include:

- Available cash of €262 million as of June 30, 2025
- Our calculated FFO of €60 million-€65 million
- Proceeds of €110 million from the term loan signed for the acquisition

Principal liquidity uses in that time include:

- Contractual debt amortization payments of about €12 million pro forma the acquisition.
- Committed capex of about €5 million
- The acquisition of Galio Group

Covenants

We understand that Akropolis has some covenants for its existing unsecured bond. We estimate that the headroom under these covenants will remain adequate, at 15%-30%. The main bond covenants include:

- Loan-to-value ratio to not exceed 60% (it was 38% as of June 30, 2025)
- Consolidated coverage ratio (reported EBITDA interest coverage) of at least 2.0x (4.2x as of June 30); and
- Consolidated secured leverage ratio (total secured debt to total assets) to not exceed 40% (10% as of June 30)

Environmental, Social, And Governance

Governance factors are a moderately negative consideration in our credit rating analysis of Akropolis since we think the company's reporting transparency compares negatively with that of publicly rated retail peers, and because of the influence that VP Group, as the only shareholder, could have on the business of its fully owned subsidiary.

Environmental factors are a neutral consideration in our analysis. Like other European real estate landlord and developers, Akropolis focuses on improving its environmental impact. As of 2025, all company-managed buildings are among the top 15% most efficient buildings in Lithuania and Latvia according to energy performance certificates and every shopping centers within the group have been awarded Very Good certification under the international building sustainability standard BREEAM. Officially approved sustainability targets have been set for 2030, focusing on the reduction of greenhouse gas emissions, enhancing energy efficiency, increasing waste recycling rates, and preserving biodiversity. In 2024, Akropolis established new targets, including reducing scope 1 and 2 carbon dioxide emissions by 65% per square meter on average on gross leasing area by 2030 compared to a 2023 baseline, as well as reducing scope 3 emissions accounting for the majority of the emissions by 55%.

Issue Ratings--Subordination Risk Analysis

Capital structure

Pro forma the acquisition, Akropolis' capital structure comprised total interest bearing debt of €714.6 million split into of €364.6 million in secured bank loans and a €350 million senior unsecured bond.

Analytical conclusions

We rate the company's senior unsecured bond 'BB+', in line with the issuer credit rating. This is because we do not see significant subordination risk in the company's capital structure. Secured debt represents about 26% pro forma the acquisition of the fair-market portfolio value, well below our 50% threshold for which we would typically lower the issue rating to one notch below the issuer credit rating.

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	BB+/Stable/--
Local currency issuer credit rating	BB+/Stable/--
Business risk	Weak
Country risk	Intermediate
Industry risk	Low
Competitive position	Weak
Financial risk	Intermediate
Cash flow/leverage	Intermediate
Anchor	bb
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Moderately negative (no impact)
Comparable rating analysis	Positive (+1 notch)
Stand-alone credit profile	bb+
Group Credit Profile	BB+
Entity status within group	Core

Related Criteria

- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- 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 | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- 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
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Industry Credit Outlook Update Europe: Real Estate (REITs), July 16, 2025
- Akropolis Proposed Senior Unsecured Notes Rated 'BB+' , May 6, 2025
- European Real Estate Companies: Not Yet Fixed, But Improving, Jan. 9, 2025
- Akropolis Group UAB 'BB+' Ratings Affirmed On Robust Performance Despite Shorter-Term Debt Maturity; Outlook Stable, May 24, 2024

Ratings List

Ratings List	
Ratings Affirmed	
Akropolis Group UAB	
Issuer Credit Rating	BB+/Stable/--
Senior Unsecured	BB+