Research Update:

Branicks Group AG Downgraded To 'SD' On Maturity Extension

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Rating Action Overview

- On July 31, 2026, Branicks Group AG announced it had reached 100% agreement with promissory note holders and over 50% with unsecured note holders for a lock-up agreements regarding the restructuring of its nominal €400 million senior unsecured notes, due September 2026, and €180 million promissory notes with various maturities.
- The agreements include, among other provisions, an extension of maturities in a first step and about €95 million in additional liquidity, and in a second step, the bifurcation of the senior unsecured and promissory notes into reinstated senior secured and subordinated instruments. We understand Branicks will continue to meet its interest service during the transaction process.
- Under our criteria, we view the currently implemented maturity extension as tantamount to a default because the change in maturity constitutes a modification of the original terms of these instruments, with the promissory notes having a first maturity of July 31, 2026.
- Therefore, we lowered our long-term issuer credit rating on Branicks Group AG to 'SD' (selective default), from 'CCC', and our issue rating on its bond to 'D' (default) from 'CCC'.
- We will reassess our ratings on Branicks once the first step of the transaction is completed, including the bond maturity extension, after which we expect to upgrade the company to 'CCC-' ahead of implementation of the second part of the transaction, which we would likely again view as tantamount to default.

Rating Action Rationale

We view Branicks' proposed maturity extension as tantamount to a default, in line with our criteria. In our view, the transaction is being undertaken in a distressed situation, in light of large short-term maturities due on July 31 (€87 million) and Sept. 22 (€400 million), with total maturities reaching €580 million over the next 12 months. The transaction foresees an extension of the bond's and promissory notes' maturity to Dec. 31, 2026, from Sept. 22, 2026, with a further potential extension to March 31, 2027. We understand all conditions for the effectiveness of the lock-up agreements have been met and bondholders will now be asked to formally vote on the bond extension. Given more than 50% of noteholders agreed to the lock-up already, we think that the implementation of the maturity extension is virtually certain and will occur over the course of August. Therefore, we lowered our issuer rating on the company to 'SD' and on its bond to 'D'.

We understand that complete implementation and closing the proposed plan with the second step will likely take several months. The second step, set for third-quarter 2026, will be the approval of the implementation of the transaction. Once approved we expect the transaction to provide the company €95 million in new financing (€35 million at the Branicks level and €60 million at VIB Vermögen AG level) to address short-term debt maturities, specifically the €58 million VIB promissory notes due in September 2026 and March 2027. Under the proposed terms, existing notes will be amended into senior secured notes with a reduced principal amount of €258.8 million and carrying a 7.5% cash interest, while the remaining €151.5 million will be issued as unsecured subordinated notes at a 15% annual interest rate, likely to be payment in kind from the date of issuance. The transaction includes several fees that we anticipate will impact the company's cash flow base over the next few years.

The proposed transaction includes some changes to the company's strategy and governance. The restructuring carries a reset of governance at the Branicks level, with the appointment of a chief restructuring officer (CRO), the resignation of the supervisory board chairman, and the appointment of new independent supervisory board members at both Branicks and VIB, as well as the resignation of the CEO by year-end 2026. We also expect asset disposals to continue, guided by a more detailed plan that will be developed by the CRO.

Our rating action considers the first step of the transaction. Upon successful completion of this stage, we expect to raise our long-term issuer credit rating to 'CCC-'. We will reassess our ratings on Branicks as soon as the bondholders have formally voted on the first step of the transaction, which we expect to be concluded before the end of August. Given the plan to bifurcate the respective instruments into new senior secured notes and subordinated instruments, we believe there is a high likelihood that we would view the second step of the transaction as tantamount to a default under our criteria. We will review the timing and final details of the second step closer to its implementation date and update our ratings accordingly.

Company Description

Branicks is a listed company specializing in the management of commercial real estate properties in Germany. As of Sept. 30, 2025, its managed a portfolio totaled €10.7 billion, split into two segments:

- Commercial portfolio: Comprising about 125 properties with a market value of €2.3 billion, generating about 92% of annualized EBITDA; and
- Institutional business: Comprising 148 properties with a value of €8.4 billion, generating about 8% of annualized EBITDA.

Related Criteria

- Criteria | Corporates | General: Recovery Rating Criteria For Corporate Issuers, March 31, 2026
- Criteria | Corporates | General: Sector-Specific Corporate Methodology, July 7, 2025

- 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 | 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: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Industry Credit Outlook: Industry Credit Outlook 2026: Real Estate, Jan. 14, 2026
- Branicks' Credit Quality Unchanged On Standstill Agreement, April 7, 2026
- Tear Sheet: Branicks Group AG, July 28, 2025

Ratings List

Ratings List		
Downgraded; Outlook Action		
	To	**From**
Branicks Group AG		
Issuer Credit Rating	SD/--	CCC/Negative/--
Downgraded; Recovery Ratings Unchanged		
	To	**From**
Branicks Group AG		
Senior Unsecured	D	CCC
Recovery Rating	3(60%)	3(60%)

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.