

# **FITCH RATINGS: VICEROY REPORT NEUTRAL TO NEPI ROCKCASTLE'S RATINGS**

Fitch Ratings-London-04 December 2018: The publication of an investment report by Viceroy Research (the report) on 28 November 2018, which contained numerous accusations of accounting irregularities in the financial reporting of NEPI Rockcastle plc, as well as the company's detailed repudiation of the report, is neutral to the company's ratings (BBB/Stable), Fitch Rating says.

The report accuses real estate and property company NEPI Rockcastle, which has listings in Johannesburg and Amsterdam, of, among others, overstating profits from Romania, its largest market. The publication triggered a roughly 14% drop in the company's equity price. NEPI Rockcastle, however, in a detailed report issued on 29 November, as well as in an investor call, refutes the report as misleading, specifying numerous inaccuracies, material errors, incorrect assumptions and unsubstantiated claims. The equity price has largely recovered following the company's statements.

Fitch views the allegations in the report as unsubstantiated and therefore neutral to the company's ratings. The ratings of NEPI Rockcastle, which Fitch affirmed on 31 October 2018, reflect the company's large portfolio of dominant shopping centres across central and eastern Europe (CEE), mainly located in Romania (37% by market value) and Poland (24% by market value). Despite rapid growth, the company has maintained a conservative financial profile with sound liquidity and a high degree of financial flexibility. In addition, this expansion is steadily reducing asset concentration, while increasing geographic diversification into higher-rated countries. The Stable Outlook reflects our expectations that NEPI Rockcastle will continue its expansion, while maintaining its conservative financial profile, by funding through a combination of debt and equity.

Fitch will continue to closely follow developments related to the report.

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