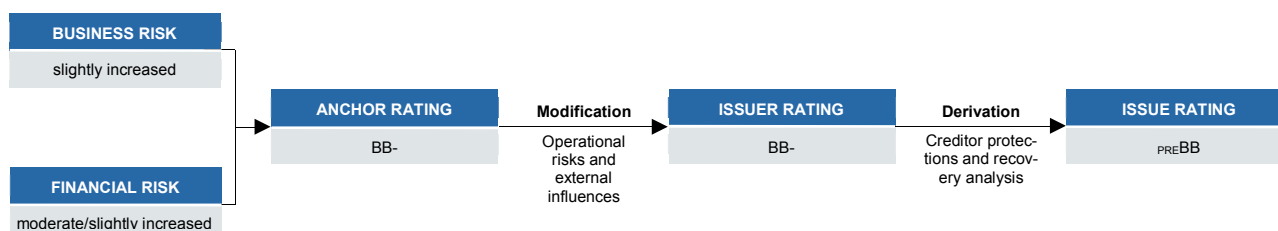


# Issuer Rating and preliminary issue rating

<b>Infogroup Holding Kft.</b>		5 March 2021	<b>BB-</b>		
		Issuer rating			
		<b>HUF 4.5 bn Bond 2021/2031</b>		Issue rating	<b>PREBB</b>
				Outlook	<b>stable</b>
Industry	Real estate business; development, ownership and management of commercial real estate	Net Income 2020	HUF 3.3 bn		



<b>BUSINESS RISK</b>	<b>slightly increased</b>
<ul style="list-style-type: none"> <li>Moderate to slightly increased market risk: contrary to the economic trend, rising demand for logistics properties; lower demand for office space with expected supply surplus from new construction activity; structural changes in demand as a consequence of the pandemic; political risks</li> <li>Slightly increased strategic risk: typical project development risks; improvement of diversification profile; establishment of own portfolio in order to reduce risk</li> </ul>	

<b>MODIFICATION</b>	<b>± 0</b>
<ul style="list-style-type: none"> <li>Management of operational risks viewed to be generally consistent with rating</li> <li>No rating-relevant external influences</li> </ul>	

<b>FINANCIAL RISK</b>	<b>moderate / slightly increased</b>
<ul style="list-style-type: none"> <li>Rising rental income with satisfactory diversification; top five tenants (51% share) have solid credit ratings</li> <li>Profitability at a very satisfactory level</li> <li>Good capital structure and debt relief ratios</li> <li>Stable cash flows and good financial flexibility thanks to liquidity held and saleable assets; dependencies on individual tenants</li> <li>Planning reflects strong improvement in financial ratios excluding new projects; however, eventual trends anticipated at level of past reported years</li> </ul>	

<b>ISSUE RATING</b>	<b>+1</b>
<ul style="list-style-type: none"> <li>Assumption: adequate creditor protections through negative pledges and termination rights for creditors</li> <li>Expected recovery rate for bondholders very satisfactory in a range of 70% – 90% (rating case); in the worst case scenario at only a weak level</li> </ul>	

Financial ratios *	2019 actual	FC 2020	2021 planned	2022 planned	2023 planned
EBITDA margin (%)	40.4	53.8	64.1	63.0	61.7
ROCE (%)	1.9	5.5	7.5	7.9	8.1
Loan-to-value book value (%)	54.4	54.7	53.6	47.1	40.6
Loan-to-value market value (%)	44.1	43.6	41.0	34.8	29.3
Net debt / EBITDA	16.1	6.8	5.6	4.7	4.0
EBITDA interest coverage	7.5	4.7	5.4	5.8	6.1

\* adjusted on the basis of Scope Hamburg's analytical principles

# Rating Rationale

**Scope Hamburg GmbH assigns a BB- rating to Infogroup Holding Kft. (issuer rating). The planned issue is awarded a PREBB preliminary issue rating by Scope Hamburg GmbH. The outlook for the rating is stable.**

***Slightly increased business risk due to focus on development projects and associated project development risks, with good diversification strategy in the existing portfolio***

According to our assessment, Infogroup Holding has a slightly increased business risk. The decisive factor for our valuation is the in our view slightly increased strategic risk, which arises particularly from the focus on project development activities. We take a positive view of the planned further development of the company's own property portfolio, which we believe will improve the diversification profile in terms of regionality and tenant structure in the medium term. Project development risks are to be reduced by contractual provisions in general contractor agreements and by pre-lettings. We assess the overall market risk as moderate to slightly increased, including given the economic consequences of the COVID-19 pandemic. In our opinion, risks exist particularly in relation to future demand for office properties, possible structural changes in working environments, and the simultaneously expected surplus of supply of office space in Budapest. We take a positive view of current trends in logistics real estate, which run counter to the expected cycle. Here we anticipate, inter alia, higher demand due to the overall increase in e-commerce volumes, which will continue to rise and be accompanied by somewhat scarce supply of space. We also see political risks that could negatively affect demand, especially from international investors.

***Moderate to slightly increased financial risk due to good capital structure, accompanied by very satisfactory profitability***

We assess the group's financial risk as moderate to slightly increased. We take a positive view of the good capital structure and comfortable liquidity position, which currently covers more than one year's total rent. Further reserves for financial flexibility exist in the form of numerous reserve plots (approximately 200 ha), which could be divested if required. Rental income is highly stable thanks to long-term leases in conjunction with a vacancy rate that has been very low for several years, and nearly no rent losses. Profitability stands at a very satisfactory level in our view with EBITDA margins of > 54 %. As almost all (97 %) of the rental income is in EUR, a natural hedge exists at present to service bank borrowings, which also have to be paid mainly in EUR. The bank borrowings exhibit an accumulation of maturities in 2026, which we view as increasing risk. The planned bond issue of HUF 4.5 billion is intended to (re)finance an acquisition (share increase), the construction of a new warehouse and a bank loan. In our view, risks to profitability exist from longer and higher vacancy rates and an appreciation of the Hungarian Forint against the Euro. In addition, development projects/acquisitions that are planned but not included in the business plan may lead to a weaker trend in the financial ratios than shown.

***No modifications applied to anchor rating***

We believe that the group of companies has appropriate structured, processes and systems to successfully implement its strategic objectives. We consider the operational risks to be in line with the anchor rating. We do not see any rating-relevant external influences. Therefore, the anchor rating has not been adjusted.

***Issue rating +1 notch***

Based on our current knowledge and a preliminary assessment, we regard the planned creditor protections as appropriate. The detailed clauses are still being drafted and negotiated, so we make our assessment on only a preliminary basis, and will review it once finalised. In our view, the expected recovery rate for bondholders stands at a very satisfactory level, as a consequence of which we rate the issue rating one notch higher than the issuer rating.

## Upgrade / Downgrade Factors

### Factors that could prompt an upgrade

- Sustainable increase in earnings margins (EBITDA margin excluding property disposals > -60 %)
- Sustainable improvement in capital structure and deleveraging potential (LTV < 40 %, net debt/EBITDA < 4.0)
- Sustainable improvement in diversification of rental income (e.g. no single tenant > 5% share)
- Issue rating: sustained increase in real estate values, leading to a higher expected recovery rate for bondholders

### Factors that could prompt a downgrade

- Declining trend in profit margins (EBITDA margin excluding land disposals < 40 %)
- Deterioration of capital structure and deleveraging potential (LTV > 60 %, net debt/EBITDA > 8.0)
- Greater concentration of rental income on individual tenants or on sectors
- Increase in the planned interest rate for the bond issue, so that interest coverage ratios weaken long-term
- Issue rating: changes to the planned creditor protection clauses and/or inappropriate structuring of clauses
- Issue rating: sustained drop in real estate values, leading to a weaker expected recovery rate for bondholders

## Rating History

### Infogroup Holding Kft. – Issuer Rating

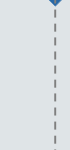
BB- / stable



05.03.2021

### Infogroup Holding Kft. – preliminary Issuance Rating

BB / stable



05.03.2021

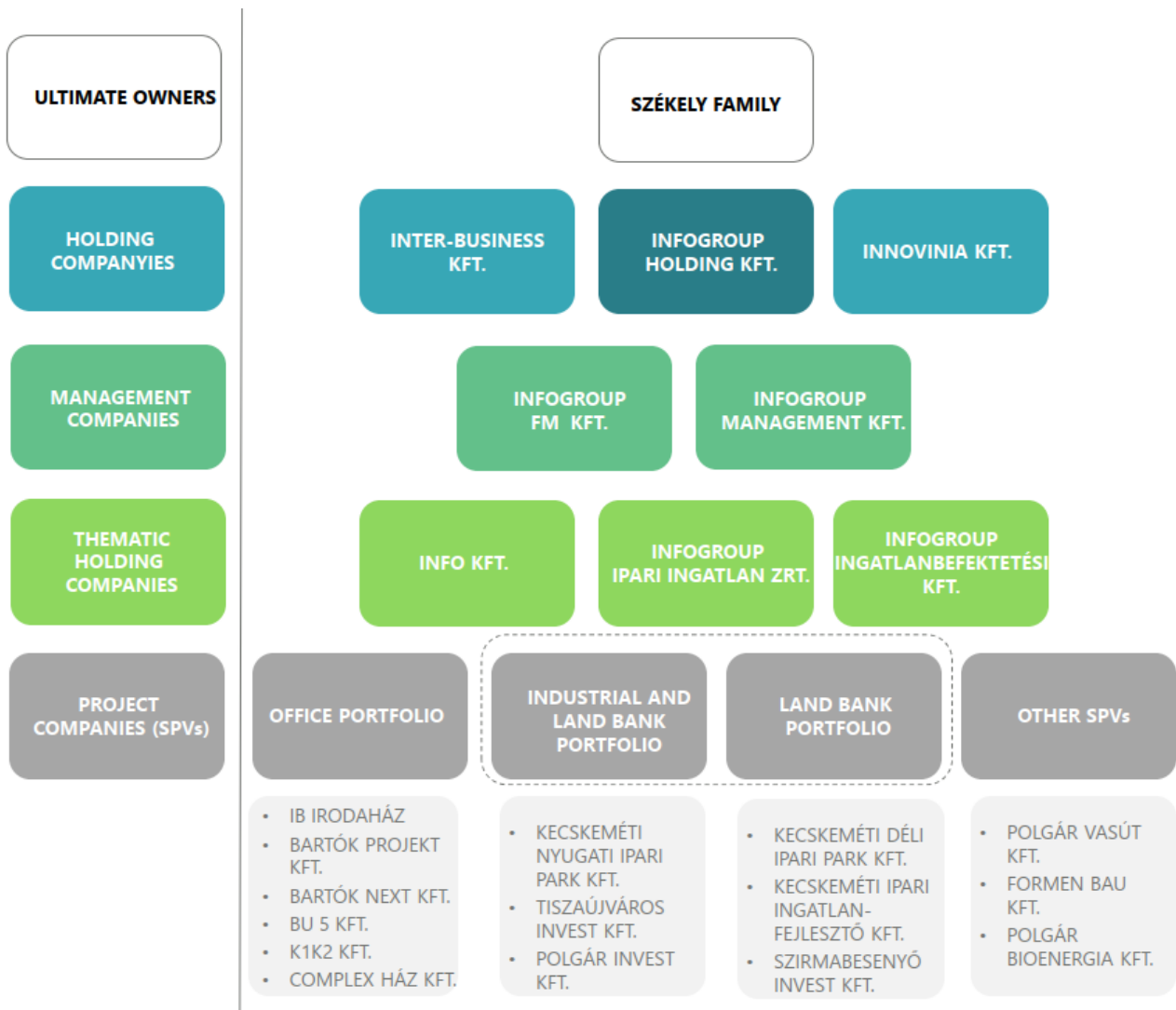
# Company

**Infogroup is a Hungarian project developer for commercial real estate**

Infogroup was founded in 1990 as a family office, and originally focused on development projects for residential construction. The group has focused on the development of commercial real estate since 2000. The company ranks today as one of the larger national real estate developers in Hungary, having built more than 90,000 m<sup>2</sup> of industrial and logistics real estate as well as more than 25,000 m<sup>2</sup> of office space. Infogroup develops real estate mainly for its own portfolio, although it also provides project development as well as asset and facility management services for third parties.

**Family-managed Infogroup Holding Kft. is the rating subject.**

Infogroup Holding Kft. is the rating subject (also referred to below as “Infogroup” or “Infogroup Group”), which performs the holding function for the entire group. Infogroup Holding Kft. is owned by the Székely family. Founder Dr. István Székely and his son Ádám Székely form the management. The management team also includes four division heads.



## Appendix 1: Execution

Analysts	Rating committee
<ul style="list-style-type: none"><li>Maike Holzhauer, Senior Analyst / Lead Analyst</li><li>Gundel Bergknecht, Senior Analyst</li></ul>	<ul style="list-style-type: none"><li>Holger Ludewig, Director</li><li>Jörg Walbaum, Senior Analyst</li></ul>
<b>Contact:</b> Tel.: +49 (0) 40/60 77 81 200 <a href="mailto:info@scopehamburg.com">info@scopehamburg.com</a>	

Rating, Solicitation, Principal Sources of Information
<ul style="list-style-type: none"><li>This credit rating has been issued in accordance with the CRA Regulation. <input checked="" type="checkbox"/> Solicited Rating      <input type="checkbox"/> Unsolicited Rating <input type="checkbox"/> No participation of the rated entity or related third party <input type="checkbox"/> With participation of the rated entity or related third party <input type="checkbox"/> Access to internal documents <input type="checkbox"/> Access to management</li><li>Prior to its publication the rating was disclosed to the rated entity. During this period, the rated entity had the opportunity to review the rating and to verify the underlying assumptions. Following this review, the rating was not amended</li><li>Principal sources of information:<ul style="list-style-type: none"><li>Consolidated financial statements for 2019 and as per 30 June 2020</li><li>Internal reporting (e.g. Business Plan FC 2020-2024, financing overview, rent roll, etc.)</li><li>Market analyses</li><li>Information on strategy and company planning</li><li>Information on real estate portfolio</li><li>Documents on the corporate structure</li><li>Interviews with the management</li><li>Overview on planned issue (presentation January 2021)</li></ul></li></ul>

Rating methodologies and definitions
<ul style="list-style-type: none"><li><a href="#">Methodology: Issuer Rating as of May 2016</a></li><li><a href="#">Basic Principles for Assigning Credit Ratings and Other Services as of July 2020</a></li><li><a href="#">Guidance Regarding the Consideration of ESG Factors in Scope Hamburg Credit Ratings as of March 2020</a></li></ul> <p>Scope Ratings GmbH and Scope Ratings UK Limited apply the same methodologies/models and key rating assumptions for their credit rating services, while <a href="#">Scope Hamburg GmbH's</a> methodologies/models and key rating assumptions are different from those of Scope Ratings GmbH and Scope Ratings UK Limited.</p>

Scope Hamburg GmbH
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## Appendix 2: Rating categories\*

Category	Explanation
<b>AAA</b>	In the opinion of Scope Hamburg, AAA rated entities demonstrate an excellent credit quality and the lowest default risk.
<b>AA</b>	In the opinion of Scope Hamburg, AA rated entities demonstrate a very high credit quality with a very low default risk.
<b>A</b>	In the opinion of Scope Hamburg, A rated entities demonstrate a high credit quality with a low default risk.
<b>BBB</b>	In the opinion of Scope Hamburg, BBB rated entities demonstrate a medium credit quality with a moderate default risk.
<b>BB</b>	In the opinion of Scope Hamburg, BB rated entities demonstrate a medium-low credit quality with a slightly increased default risk.
<b>B</b>	In the opinion of Scope Hamburg, B rated entities demonstrate a low credit quality with an increased default risk.
<b>CCC</b>	In the opinion of Scope Hamburg, CCC rated entities demonstrate a very low credit quality with a high default risk.
<b>CC</b>	In the opinion of Scope Hamburg, CC rated entities demonstrate a very low credit quality, an event of default is very likely.
<b>C</b>	In the opinion of Scope Hamburg, C rated entities demonstrate a very low credit quality, an event of default is imminent.
<b>D / SD</b>	D rated entities have defaulted, as defined by the rating agency. The rated entity is assigned an SD rating (Selective Default) if it has only defaulted on certain debt obligations.
<b>PLUS (+) MINUS (-)</b>	Rating categories from AA to CCC are modified by a PLUS (+) or MINUS (-), where required, in order to show their relative position within the rating category.

\* For more explanations and definitions please refer to:  
[Basic Principles for Assigning Credit Ratings and Other Services as of July 2020](#)

## Appendix 3: Definition of financial ratios

### Earnings power

#### EBITDA margin

EBITDA margin	
<b>Numerator</b>	
	EBITDA
<b>Denominator</b>	
	Total revenues

#### Returns

ROCE	
<b>Numerator</b>	
	Adjusted operating result (= EBIT)
<b>Denominator</b>	
	Net debt + economic equity (= capital employed)

Return on total assets	
<b>Numerator</b>	
	Adjusted operating and financial result + interest expense
<b>Denominator</b>	
	Adjusted total assets

#### Cash flow return on investment

Cash flow return on investment (Cash flow ROI)	
<b>Numerator</b>	
	EBITDA
<b>Denominator</b>	
	Adjusted total assets

## Capital structure

### Indebtedness

Equity-to-total assets ratio
<b>Numerator</b>
Adjusted equity (= economic capital)
<b>Denominator</b>
Adjusted total assets

Leverage
<b>Numerator</b>
Net debt
<b>Denominator</b>
Net debt + economic equity (= capital employed)

Loan to value
<b>Numerator</b>
Net Debt
<b>Denominator</b>
Real Estate Market Value

### Net debt

Net debt
Bonds
+ Liabilities to banks
+ Bill liabilities
+ Other interest-bearing liabilities
+ Operating lease liabilities
+ Adjustments for ABS/factoring transactions
- Cash and cash equivalents

### Deleveraging potential

Total liabilities / EBITDA
<b>Numerator</b>
Total assets - economic capital (= total liabilities)
<b>Denominator</b>
EBITDA

Net debt / EBITDA
<b>Numerator</b>
Net debt
<b>Denominator</b>
EBITDA

### Interest coverage

EBIT interest coverage
<b>Numerator</b>
Adjusted operating result (= EBIT)
<b>Denominator</b>
Interest expenses

EBITDA interest coverage
<b>Numerator</b>
EBITDA
<b>Denominator</b>
Interest expenses



## Disclaimer

Infogroup Holding Kft. (client and rated entity) engaged Scope Hamburg GmbH to conduct a rating on 18 December 2020. The management meeting was held on 25 February 2021.

The Rating Committee of Scope Hamburg GmbH reviewed the rating process, issued the rating notation and approved the rating report in its current form on 05 March 2021. This rating report was given to the client on 01 April 2021, thereby concluding the rating process.

The rating is Scope Hamburg GmbH's opinion of the creditworthiness of a rating subject. It is not a statement of fact. Scope Hamburg GmbH is not engaged in buying or selling securities. Its rating report is neither a prospectus nor a substitute for information assembled and presented by companies or issuers for investors regarding the purchase of a security or for assessing the creditworthiness of a rated entity. The rating is not a recommendation to participate in certain facilities. All recipients of the information must conduct their own independent analyses, credit assessments and other verifications and evaluations that are customary and necessary in order to reach a final decision about participating in any facility.

The rated entity is solely and exclusively liable for any errors and omissions in the documents and information openly and willingly provided to us in response to our requests for information. The rated entity has reviewed the rating report and certified that all the information considered in the rating report is accurate and complete in all significant respects, no significant aspects have been concealed and any forward-looking statements are based on plausible, verifiable and current data and were prepared by the rated entity exercising reasonable and commercial care. The rated entity's representatives have issued a written certification of completeness to Scope Hamburg GmbH. However, the rated entity cannot be held liable if actual results differ from the forward-looking statements presented in this document, particularly the projections. Forward-looking statements and projections may be adversely affected by unforeseeable events and changes in the economic environment. Scope Hamburg GmbH assumes no liability for the accuracy of the information it considers when issuing a rating and extends no guarantee whatsoever that the information is explicitly or implicitly correct, timely, complete, suitable for the market or fit for any particular purpose.

The rating is published on Scope Hamburg GmbH's website ([www.scopehamburg.com](http://www.scopehamburg.com)) or published for subscribers (e.g. on a portal) and will be followed by a subsequent one-year monitoring process. During this period, the rated entity and the sector and business environment in which it operates will remain under observation. The representatives of the rated entity remain subject to a full disclosure obligation during this period. Any change in Scope Hamburg GmbH's rating assessment will result in a change in the published rating notation, meaning that this notation represents the current rating assessment at all times. The rating will only remain published after the end of the monitoring period if a follow-up rating is performed.

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Scope Hamburg GmbH

Hamburg, 01 April 2021