SCOPE | Ratings

4iG Nyrt.

Hungary, Telecommunication Services

Issuer

BB-

Outlook

Stable

Senior unsecured debt

BB-

Rating composition

Business risk profile		
Industry risk profile	A-	BBB-
Competitive position	BB+	
Financial risk profile		
Credit metrics	B+	B+
Liquidity	+/- 0 notches	
Standalone credit assessment		**BB**
Supplementary rating drivers		
Financial policy	-1 notch	-1 notch
Governance & structure	+/- 0 notches	
Parent/government support	+/- 0 notches	
Peer context	+/- 0 notches	
Issuer rating		**BB-**

Key metrics

			Scope estimates	
Scope credit ratios*	**2023**	**2024**	**2025E**	**2026E**
Scope-adjusted EBITDA interest cover	3.4x	4.9x	3.7x	3.7x
Scope-adjusted debt/EBITDA	5.0x	4.1x	4.4x	4.9x
Scope-adjusted funds from operations/debt	13%	18%	15%	13%
Scope-adjusted free operating cash flow/debt	2%	3%	-3%	0%
Liquidity	>200%	>200%	128%	>200%

Rating sensitivities

The upside scenarios for the ratings and Outlook (collectively):

- Improved view on financial policy driven by stabilisation of the group's structure and business model including no material M&A activity or other discretionary spendings
- Improved financial risk profile as signalled by a debt/EBITDA significantly below 4.0x on a sustained basis

The downside scenarios for the ratings and Outlook (individually):

- Debt/EBITDA at or above 5.0x
- Significantly negative cash flow cover

*All credit metrics refer to Scope-adjusted figures.

Lead Analyst

Herta Loka

+39 02 3054 4988

h.loka@scoperatings.com

Related methodologies

General Corporate Rating Methodology, Feb 2025

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1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Strong number two position in the Hungarian telecom market; market leader in mobile in Albania and Montenegro, and number two in fixed broadband in Albania • Low cyclicity of telecommunication services • Strong customer diversification • Moderate profitability, with an EBITDA margin of around 30%-35% over the last couple of years, although margins are expected to dilute as the contribution from the space and defence segments increases, given their lower profitability during the investment and development phase • The space and defence activities provide additional diversification and support the group's business profile, although their contribution remains limited at this stage	• Financial policy remains a constraining factor of the issuer rating considering 4iG's external growth and diversification ambitions, mostly being debt funded. This limits visibility on the sustainable level of credit metrics • The financial risk profile reflects the impact of debt-funded acquisitions completed in recent years and envisaged, leading to a slower deleveraging trajectory than previously expected • Execution and integration risks associated with acquisitions and the expansion into the space and defence segment • Defence operations are modest in scale, resulting in limited market positioning within the global sector; this is partly mitigated by strategic partnerships with larger industry players, which support capability development, technology transfer and potential access to wider markets • Low geographical diversification, with Hungary accounting for more than 85% of the group's EBITDA as of 2024. We expect this to moderately ease over time as the space and defence segment develops, given its greater potential for growth outside Hungary

2. Rating Outlook

The Stable Outlook reflects our expectation that leverage (debt/EBITDA) will peak at around 5.0x in 2026 due to the execution of the envisaged transactions, before declining to more comfortable levels well below 5.0x, with EBITDA interest cover expected to stabilise in the 3.5x–4.5x range. The Outlook also captures our view that potential upside is constrained by the group's financial policy, which has been characterised by an ambitious, debt-funded M&A strategy in recent years and is expected to continue.

3. Corporate profile

Hungarian integrated Telecom, IT, Space and Defence Group

4iG Nyrt. is a publicly listed company on the Budapest Stock Exchange and acts as the holding company of the eponymous group. The group was originally one of the largest players in Hungary's fragmented IT market. Following a change in ownership in 2018, 4iG revised its business strategy and implemented a comprehensive growth plan across several business areas. From 2021 onwards, 4iG pursued a debt-funded, M&A-driven expansion into the telecommunications sector, completing several major acquisitions in Hungary, including Vodafone Hungary, DIGI, Invitech, Invitel and Antenna Hungária, as well as in the Balkans, notably One Albania and One Montenegro. As a result, telecommunications became the group's core business, accounting for over 80% of group revenue and more than 90% of EBITDA as of the September 2025 results.

The group's transformation continued with recent implementation of its strategic expansion into the space and defence sector through its dedicated subsidiary, 4iG Space and Defence Technologies Plc., which focuses on satellite development, drone and anti-drone systems, defence digitalisation and related technologies.

Considering the expansion of its scale of activities, in November 2023, 4iG launched a comprehensive Group Transformation Program to streamline operations, eliminate redundancies, and enhance revenue and cost synergies. The programme focused on the structural separation of the Hungarian telecom operations and the reorganisation of the group into three business segments:

- Telecommunication Services (4iG Telecommunications Holding Plc): comprising all domestic and international telecom activities. This unit includes 4iG ComCo Holding Zrt (operating under the One brand and responsible for customer-facing activities) and 4iG InfraCo Holding Zrt (operating under the 2Connect brand and managing fixed and mobile network assets).
- IT and System Integration Services (4iG Information Technology Plc): covering software and hardware sales, as well as system operation and support services.
- Space & Defence Technologies (4iG Space and Defence Technologies Zrt – 4iG SDT): consolidating the group's activities in space and defence technology. 4iG SDT is the first large privately owned Hungarian enterprise to focus on the space and defence sector, encompassing satellite, drone, anti-drone and defence digitalisation technologies, solutions, and services.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
20 Jan 2026	Affirmation	BB-/Stable
22 May 2025	Affirmation	BB-/Stable
02 Dec 2024	Outlook change	BB-/Stable

5. Financial overview (financial data in HUF m)

				Scope estimates		
Scope credit ratios	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**
EBITDA interest cover	3.1x	3.4x	4.9x	3.7x	3.7x	4.4x
Debt/EBITDA	6.4x	5.0x	4.1x	4.4x	4.9x	4.1x
Funds from operations/debt	10%	13%	18%	15%	13%	17%
Free operating cash flow/debt	1%	2%	3%	-3%	0%	0%
Liquidity	No ST Debt	>200%	>200%	128%	>200%	>200%
EBITDA						
Reported EBITDA	74,074	202,633	231,055	247,302	267,568	332,739
add: recurring dividends from associates	2,251	1,250	-	-	-	1,746
Other items (incl. one-offs)[1]	(20)	(20,833)	2,229	-	-	-
EBITDA	**76,305**	**183,050**	**233,284**	**247,302**	**267,568**	**334,485**
Funds from operations (FFO)						
EBITDA	76,305	183,050	233,284	247,302	267,568	334,485
less: interest	(24,866)	(53,414)	(47,521)	(66,476)	(72,715)	(76,119)
less: cash tax paid	(4,002)	(9,910)	(11,092)	(21,009)	(24,028)	(21,362)
Funds from operations	**47,437**	**119,726**	**174,671**	**159,818**	**170,826**	**237,003**
Free operating cash flow (FOCF)						
Funds from operations	47,437	119,726	174,671	159,818	170,826	237,003
Change in working capital	6,923	(10,596)	17,715	(28,619)	(8,415)	(11,431)
Non-operating cash flow	(16,038)	21,082	7,294	13,037	6,002	(16,032)
less: capital expenditures (net)	(25,978)	(91,510)	(139,833)	(157,361)	(142,277)	(191,819)
less: lease amortisation	(9,055)	(24,663)	(29,828)	(24,260)	(24,104)	(23,638)
Free operating cash flow	**3,289**	**14,039**	**30,019**	**(37,385)**	**2,031**	**(5,917)**
Interest						
Net cash interest per cash flow statement	24,568	53,128	47,257	66,212	72,451	75,856
add: other items	298	286	264	264	264	264
Interest	**24,866**	**53,414**	**47,521**	**66,476**	**72,715**	**76,119**
Debt						
Reported financial (senior) debt	475,610	898,975	938,540	998,038	1,115,240	1,095,137
less: cash and cash equivalents[2]	-	-	-	-	-	-
add: non-accessible cash	-	-	-	-	-	-
add: asset retirement obligations	5,961	5,724	5,274	5,274	5,274	5,274
add: other debt-like items[3]	3,601	16,050	21,802	76,543	200,102	278,510
Debt	**485,172**	**920,749**	**965,616**	**1,079,855**	**1,320,616**	**1,378,921**

[1] Includes change in provisions and gains (losses) on asset disposals (HUF 17.4bn in 2023).

[2] We do not include cash and cash equivalents in our calculations, as, given the complexity of the transactions and the group's growth and investment phase, such balances may not be permanent or readily accessible. However, for indicative purposes, we project unrestricted cash and cash equivalents of HUF 154bn in 2025, HUF 65bn in 2026 and HUF 40bn in 2027.

[3] Includes provisions, Earn-out liabilities, deferred purchase prices and other debt like items such as off-balance sheet bank guarantees.

6. Environmental, social and governance (ESG) profile[4]

Environment	Social	Governance
Resource management (e.g. raw materials consumption, carbon emissions, fuel efficiency)	Labour management	Management and supervision (supervisory boards and key person risk)
Efficiencies (e.g. in production)	Health and safety (e.g. staff and customers)	Clarity and transparency (clarity, quality and timeliness of financial disclosures, ability to communicate)
Product innovation (e.g. transition costs, substitution of products and services, green buildings, clean technology, renewables)	Clients and supply chain (geographical/product diversification)	Corporate structure (complexity)
Physical risks (e.g. business/asset vulnerability, diversification)	Regulatory and reputational risks	Stakeholder management (shareholder payouts and respect for creditor interests)

ESG factors: credit-positive credit-negative credit-neutral

Stakeholder management risk mitigated by increased structured corporate governance and management team

While Mr Jászai (52.76% controlling shareholder as of September 2025) plays a key role in the company, we consider the associated risks to be mitigated by 4iG's overall governance framework. In recent years, and in parallel with the group's significant expansion, largely driven by debt-funded acquisitions, 4iG has strengthened its governance structures and broadened its management team. As of 15 January 2026, the group restructured its top management by separating strategic and operational leadership, reflecting the increased scale and diversification of the group while supporting effective and efficient operations.

Inherent ESG risks in the aerospace and defence industry

Certain ESG risk factors are inherent to the aerospace and defence (A&D) industry, and we view them as sector-wide structural characteristics that may affect investor sentiment, stakeholder expectations and access to capital, particularly for investors subject to restrictive ESG mandates. A&D manufacturing typically involves complex and energy-intensive processes, as well as the use of specialised metals, chemicals and materials, resulting in a structurally elevated emissions profile. In addition, companies operating in this sector are subject to stringent regulatory frameworks and face heightened reputational and compliance risks due to the sensitive nature of military and dual-use products, export control regimes and potential end-use considerations in conflict-affected environments.

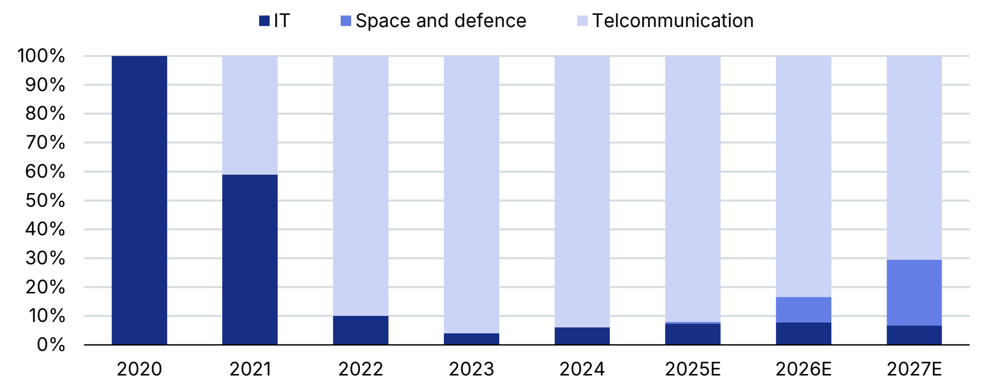
[4] These evaluations are not mutually exclusive or exhaustive as ESG factors may overlap and evolve over time. We only consider ESG factors that are credit-relevant, i.e. those that have a discernible, material impact on the rated entity's cash flow and, by extension, its credit quality.

7. Business risk profile: BBB-

Blended industry risk profile assessed at A-

As shown in Figure 1, the intensive M&A activity undertaken over the past five years has significantly reshaped 4iG's business model, shifting it from a pure IT group to one primarily focused on telecommunications. Following major acquisitions such as Vodafone Hungary, Antenna Hungária, DIGI, Invitech,ALBTelekom and One Telecommunication, the telecommunications segment contribution has increased and accounts for over 90% of EBITDA as of September 2025, with the remainder generated by the group's legacy IT activities. With defence-sector acquisitions concluded in late 2025 and early 2026, further transactions expected during 2026, and the ramp-up of the space and defence segment, we expect 4iG's business model to continue evolving, with space and defence contributing more than 20% of group EBITDA as early as 2027.

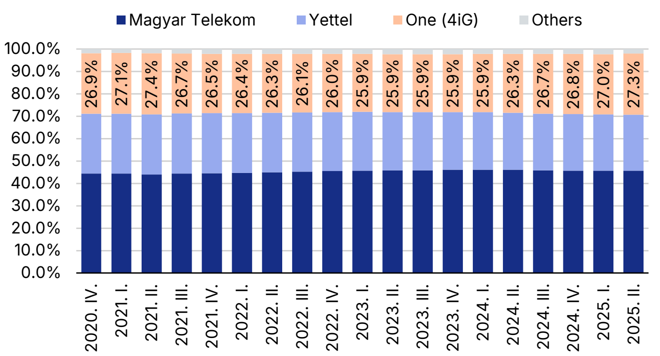
Figure 1: EBITDA contribution reflecting business model transformation



Sources: 4iG, Scope estimates

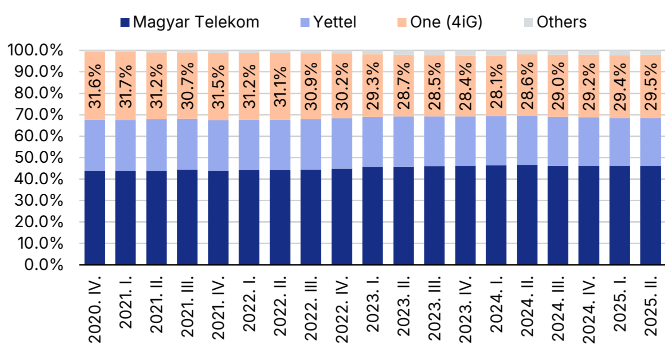
Given the diverse nature of the sectors in which 4iG operates, we apply a blended industry risk profile based on the average EBITDA (reported) contribution of the telecommunications segment (industry risk profile: A), the IT and software segment (industry risk profile: BBB), and the aerospace and defence segment (industry risk profile: BBB). This results in a blended industry risk profile of A–, one notch below the previous A assessment, which reflected the dominance of the telecommunications segment.

Figure 2: 4iG's market share in the Hungarian mobile market based on the number of voice call subscriptions



Sources: NMHH, Scope

Figure 3: 4iG's market share in the Hungarian mobile market based on call traffic

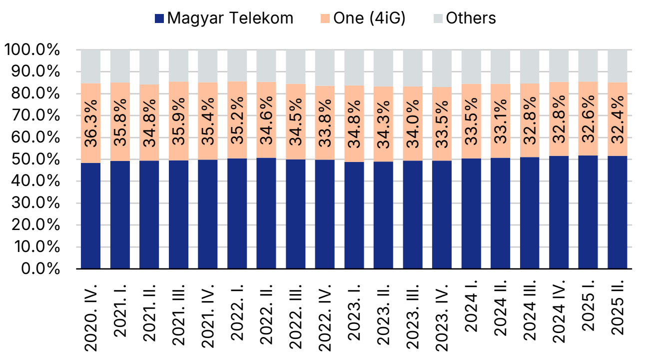


Sources: NMHH, Scope

Second-largest telco operator in Hungary

4iG has positioned itself as the second-largest telecommunications operator in Hungary. In the mobile segment, following the consolidation of Vodafone Hungary, 4iG holds an estimated market share of approximately 27%, based on number of subscriptions providing voice call, on par with Yettel. In the smaller fixed broadband market, 4iG's position is significantly stronger, with a market share of approximately 40%, driven by the integration of Vodafone Hungary's and DIGI's combined operations, including Vodafone's earlier acquisition of UPC Hungary. This establishes 4iG as the clear number two in the segment, behind the market leader, Magyar Telekom. In the television market, 4iG is the leading operator, commanding approximately 47% market share, a position that has been further strengthened by its acquisitions of PR Telekom and the Canal+ customer base. In conclusion, while Magyar Telekom remains the leader in the Hungarian mobile and fixed broadband market, 4iG's growth reflects its focus and strategy on strengthening its presence in Hungary's telecommunications industry. We do not expect 4iG's standing in the Hungarian telecommunications market to be affected by the divestment of 4iG Broadcast Infrastructure Ltd., as the transaction relates solely to the infrastructure component of the broadcasting business.

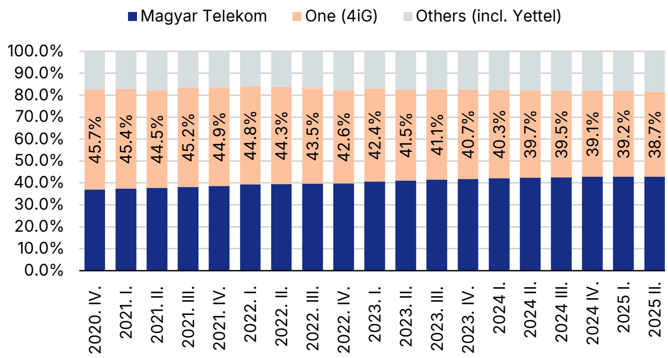
Figure 4: 4iG's* market share in the Hungarian fixed internet market for non-residential customers



Sources: NMHH, Scope

* Vodafone, Invitech, Invitel and DIGI

Figure 5: 4iG's* market share in the Hungarian fixed internet market for residential customers



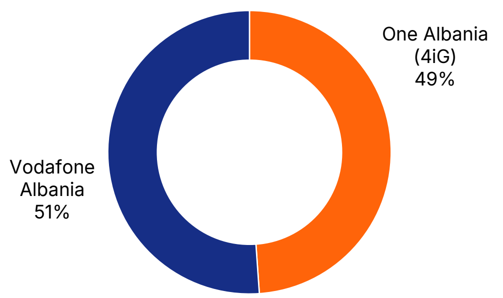
Sources: NMHH, Scope

* Vodafone, Invitech, Invitel and DIGI

Solid market position in Albania and Montenegro

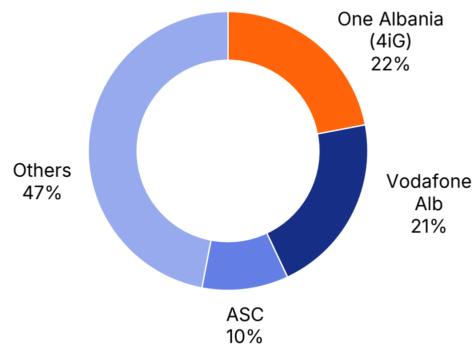
In Albania (about 9% of group revenue as of 2024), 4iG's business is complemented by two operators ALBtelecom and One Telecommunication, now merged under the brand One, making it the clear market leader, with a market share of about 49% in the mobile segment and 22% in the fixed broadband segment as of Q1 2024, an exceptionally high level in Europe. In Montenegro, the subsidiary is the market leader (in revenue) in a three-player mobile market.

Figure 6: One Albania (4iG) market share in the Albanian mobile market as of Q1 2024



Sources: Albanian Electronic and Postal Communications Authority (AKEP), Scope

Figure 7: One Albania (4iG) market share in the Albanian fixed broadband market as of Q1 2024



Sources: Albanian Electronic and Postal Communications Authority (AKEP), Scope

Limited historical diversification as a constraint on the business risk profile…

4iG's diversification profile in recent year has been shaped by its significant focus on the Hungarian market, with most of its operations concentrated within a single industry: telecommunication services. The acquisition of Vodafone Hungary enhanced service diversification, notably through substantial expansion in the mobile segment, and broadened the company's customer base. However, these gains are offset by the increased geographic revenues concentration, with over 85% of total revenues generated in Hungary as of September 2025, constraining the overall business risk profile assessments.

...but aerospace and defence expansions to strengthen diversification

However, we view the steps taken by the group to develop the space and defence segment as supportive of diversification, particularly as the contribution of this segment is expected to increase over time. Recently, 4iG has started to broaden its business profile through expansion into space and defence, increasing exposure to new activities and customer groups, mainly institutional and governmental. This is being pursued through a number of strategic acquisitions executed in late 2025 and early 2026, including the arms developer Gestamen Zrt., the acquisition of a controlling stake in the Hungarian automotive manufacturer Rába Nyrt., and the planned acquisition of a majority stake in the newly established, state-owned N7 Defence Zrt., which brings together companies active across key defence industry segments such as aircraft maintenance, small arms and defence components, ammunition production and military vehicle systems. In parallel, the group has been developing its space-related activities, notably through its involvement in the HUSAT programme, which focuses on satellite development and space-based communications capabilities.

Taken together, these initiatives extend the group's operations beyond its core telecommunications business into defence manufacturing, equipment and vehicle production, and space technologies, while also providing potential for geographic diversification given the typically export-oriented nature of the defence industry. While the contribution of the space and defence segment remains limited at this stage, we expect its EBITDA contribution to increase from 2026 and to exceed 20% in 2027, as integration progresses and projects move into execution, supporting a gradual strengthening of diversification over the medium term. At the same time, given the early stage of development, we apply a cautious approach to reflect execution and integration considerations.

Limited global positioning in aerospace and defence sector...

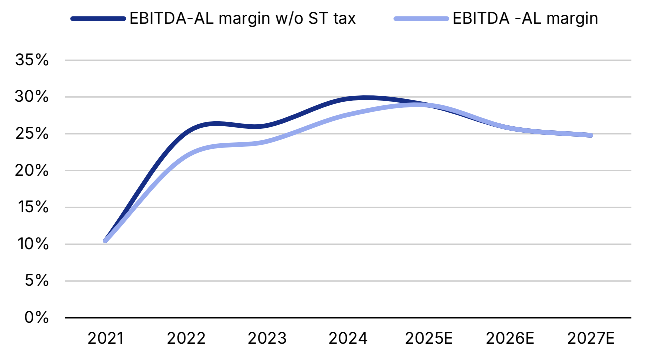
We view 4iG's standing in the global aerospace and defence sector as modest, slightly weakening the group's aggregated market positioning. This reflects the limited scale of its activities and the early stage of development of the consolidated businesses. The global defence industry is highly concentrated at the level of prime contractors, with a small number of large, vertically integrated groups accounting for a significant share of global revenues, while remaining structurally multipolar. According to the SIPRI Arms Industry Database, the world's top 100 arms-producing and military-services companies generated revenues of USD 679bn in 2024, with the ten largest players accounting for around half of this total. US-based contractors dominate the sector, generating nearly USD 334bn of Top-100 revenues, while European companies accounted for approximately USD 151bn. Against this backdrop, we expect 4iG's aerospace and defence activities to grow, but their scale is likely to remain relatively limited compared with established international peers over the next few years.

...with strategic partnerships and market prospectus offering a basis for further development

These constraints are partly mitigated by 4iG's strategic partnerships, including its investment in Axiom Space Inc., cooperation with Eutelsat and CSG Defence a.s., and selected joint ventures. In this context, 4iG has concluded agreements with Nurol Makina, Aselsan and the Türkiye Wealth Fund, including exclusive distribution rights in Hungary for Gidran armoured vehicles, as well as an exclusive agreement with TATRA Trucks to represent and distribute TATRA military vehicles in Hungary.

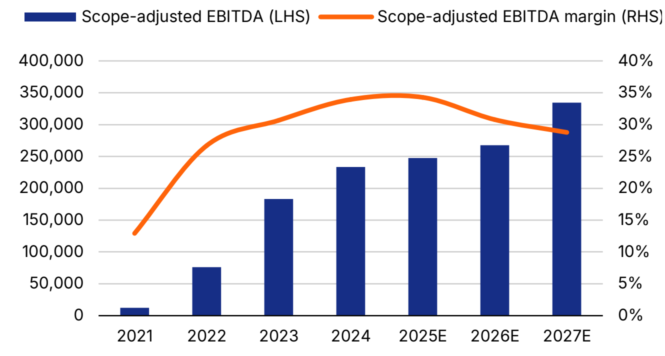
These arrangements provide access to established platforms, intellectual property and international production capabilities, which may support the gradual development of the space and defence segment. The group may also benefit indirectly from higher defence spending by NATO member states and potential funding under the EU's EUR 150bn SAFE instrument. The expected ramp-up of the space segment is linked to the start of operations of the REMRED MAIT centre in 2026 and the implementation of the HUSAT programme. In addition, 4iG has disclosed a signed backlog of HUF 1.37bn for the space and defence segment, excluding any potential backlog from recently acquired companies, supporting its medium-term development.

Figure 8: Scope-adjusted EBITDA AL margin vs Scope-adjusted EBITDA margin AL excluding ST tax



Sources: 4iG, Scope estimates

Figure 9: Scope-adjusted EBITDA (HUF m) and EBITDA margin



Sources: 4iG, Scope estimates

Profitability expected stable in 2025, but declining in 2026-2027 due to the consolidation of the ramp up of the defence and space segment

For 2025, we project that EBITDA will increase to around HUF 247bn and foresees an EBITDA margin about 34% also supported by the abolition of the supplementary telecom tax, which was phased out in January 2025. In 2026, we forecast that EBITDA will rise further to over HUF 260bn and exceed HUF 330bn in 2027. This is mainly due to the full-year impact of 2025 acquisitions, the execution of defence-related acquisitions in the first half of 2026, and the ramp-up of the space and defence segment, supported by a backlog of HUF 1.37bn (excluding the acquired companies). However, we expect the EBITDA margin to decline to 28–30% over the same period, driven by: i) the consolidation of companies with lower profitability and ii) higher operating expenditure in the space and defence segment, as the production phase typically carries lower margins. These negative effects will be partly mitigated by cost savings in the core telecom business. Similarly, we project an EBITDA AL margin of around 29% in 2025, gradually declining to slightly below 25% over the following two years.

8. Financial risk profile: B+

Our adjustments

The debt is calculated according to our definition and assumptions, including:

- Gross financial debt including bank loans, bonds and lease liabilities
- Contingent liabilities mainly referring to provisions and asset retirement obligations
- Earn-out liabilities and deferred purchase prices as well as off balance sheet bank guarantees
- We do not include cash and cash equivalent in our calculation, as considering the complexity of transaction and the groups growth and investment phase cash and cash equivalent might not be permanent and accessible

Capex and acquisition execution to increase 4iG's financing needs

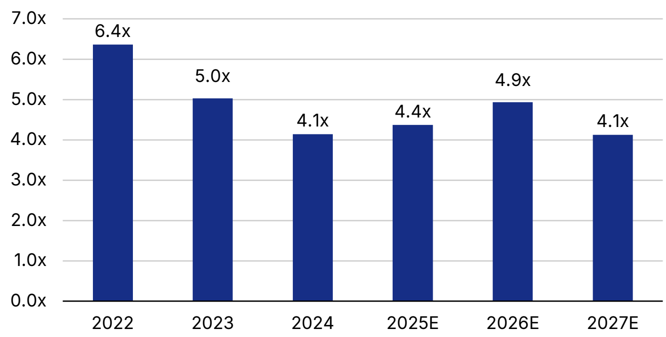
We expect the higher level of executed and planned capex, projected to average around HUF 164bn per year over the 2025-2027 period, together with the execution of planned acquisitions amounting to over HUF 160bn in 2025–2026 (the vast majority expected in 2026), to increase 4iG's financing needs over the next couple of years.

Regarding cash flow cover we project negative FOCF/debt of around –3% in 2025. This is based on FOCF coming under pressure from working-capital absorption and higher capex, before it returns to breakeven in the following two years. We therefore foresee average cash flow cover of -1% over the 2025-2027 period, assuming no further material increase in capex. Elevated investment needs will be partially supported by the divestment of 4iG Broadcast Infrastructure Ltd. and equity injections from the main shareholder totalling over HUF 170bn, both completed in 2025. In addition, we expect the EUR 54m loan from CSG Defence to be converted into an equity investment in 4iG SDT EGY Plc. All these transactions should help to some extent limit the impact on the group's debt exposure. The remainder will be financed externally, resulting in higher debt.

Leverage expected in a range between 4.0x-5.0x

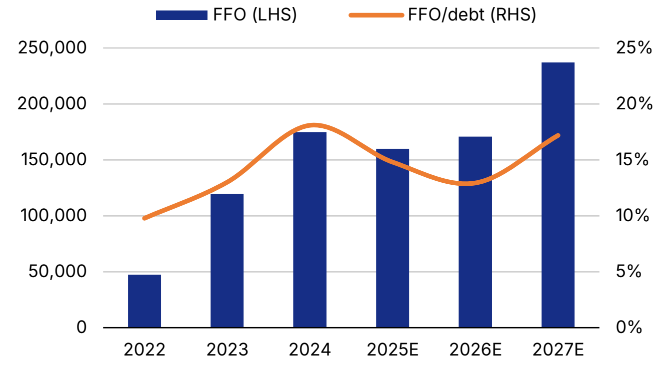
We expect debt to grow to around HUF 1.1trn in 2025, from HUF 965.6bn at YE 2024, driven by higher financial debt and a rise in other debt-like items, including bank guarantees. As a result, we project that debt/EBITDA will rise to around 4.5x, with EBITDA growth only partly offsetting the increase in indebtedness. In 2026, we forecast that leverage will climb further to close to 5.0x as debt reaches HUF 1.3trn, reflecting the execution of the M&A transactions and additional bank guarantees linked to the progression of the space programme. By 2027, we expect leverage to improve to around 4.0x, supported by a growing EBITDA contribution from the acquired entities and the ramp-up of the space and defence segment, while debt is projected in line with 2026. Please note that debt as per our calculation does not include netting of cash and cash equivalents, which we project conservatively to reach over HUF 170bn by YE 2025 before gradually normalising to a range between HUF 60bn-HUF 85bn in 2026-2027 as major acquisitions and capex are executed.

Figure 10: Debt/EBITDA



Sources: 4iG, Scope estimates

Figure 11: FFO (HUF m) versus FFO/debt



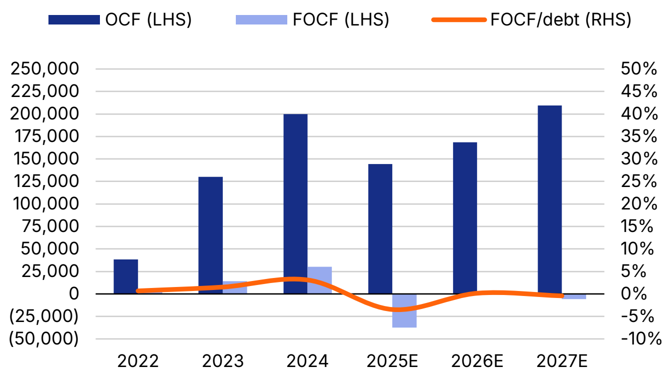
Sources: 4iG, Scope estimates

Debt protection to weaken but remain supportive of the financial risk profile

We expect the significant increase in financial debt, together with higher bond coupon, to put some pressure on EBITDA interest cover, which is projected to decline to around 3.7x in 2025–2026 before improving to above 4.0x in 2027, supported by EBITDA growth. Nevertheless, interest cover remains a supporting factor in the group's financial risk profile.

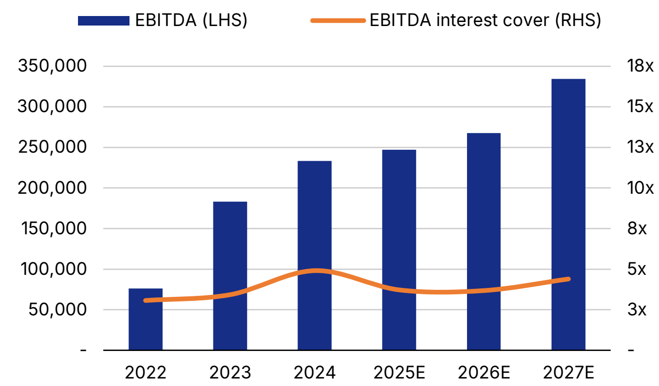
The projected increase in the bond coupon is driven by the restructuring of the HUF 370bn NKP II bond (ISIN: HU0000361019) issued under the Hungarian Central Bank's Bond Funding for Growth Scheme, which was finalised on 9 January 2026. Under the amended agreement, the full principal amount of the bond is due in a single instalment at maturity in 2031, while bondholders will receive a coupon increased by 75bp.

Figure 12: Cashflow from operations (OCF) and FOCF in HUF m versus FOCF/debt (%)



Sources: 4iG, Scope estimates

Figure 13: EBITDA (HUF m) versus EBITDA interest cover



Sources: 4iG, Scope estimates

Adequate liquidity

We view 4iG's liquidity as adequate, supported by projected liquidity ratios above 110% in 2025 and exceeding 200% in 2026–2027. Liquidity also benefits from the shift to a bullet repayment structure for the NKP II bond, which reduces debt maturing in 2026–2027 by HUF 37bn. As a result, we expect scheduled debt repayments of HUF 10.1bn in 2025, HUF 14.6bn in 2026, and HUF 21.0bn in 2027 to be covered by available cash and cash equivalents of HUF 138bn as of September 2025. However, we note that this structure increases cliff risk in 2031, when the full HUF 370bn NKP II bond matures. Failure to address this well in advance could put downward pressure on the group's liquidity profile and, ultimately, its issuer and debt ratings.

Full covenant compliance

We expect the issuer to remain in compliance with covenants over the projected period. The senior unsecured bonds issued by 4iG under the Hungarian National Bank's Bond Funding for Growth Scheme have a covenant requiring the accelerated repayment of the outstanding nominal debt amount if the debt rating of the bond stays below B+ for more than two years (grace period) or drops to CCC (or below). The rating headroom to entering the grace period remains two notches following the affirmation of the BB- rating on the senior unsecured debt. However, we see an increased risk of rating headroom erosion, given the observed decrease in recovery rates for senior unsecured bonds in a hypothetical 2027 default scenario. In addition, the bonds include a financial covenant under which exceeding a net debt/EBITDA ratio of 5.0x for three consecutive years would constitute a covenant breach and, consequently, an event of default. Based on our projections, the net debt/EBITDA ratio is expected to remain below 5.0x in 2025–2027. Therefore, we consider the risk of breaching the financial covenant to be limited during this period.

Table 1: Liquidity sources and uses (in HUF m)

	2025E	2026E	2027E
Unrestricted cash (t-1)	60,559	154,787	65,514
FOCF (t)	(37,385)	2,031	(5,917)
Short-term debt (t-1)	10,051	14,620	20,951
Liquidity	**128%**	**>200%**	**>200%**

Source: 4iG, Scope estimates

9. Supplementary rating drivers: - 1 notch

Credit negative financial policy

We view 4iG's financial policy as a negative rating driver, resulting in a one-notch negative adjustment to the standalone credit assessment of BB. This view is driven by the group's ambitious, debt-funded acquisitions in recent years and the associated execution and integration risks. The maintenance of this financial policy assessment reflects our cautious stance regarding 4iG's investment phase over the next few years. As such, the issuer rating will continue to incorporate the one-notch negative adjustment until we gain more confidence around its investments and growth plans in the medium term.

10. Debt rating

Senior unsecured debt rating: BB-

We have affirmed the BB- rating for senior unsecured debt which primarily relates to the two bonds issued by 4iG in March 2021 and December 2021, respectively, for HUF 15bn (ISIN:HU0000360276) and HUF 370bn (ISIN: HU0000361019) through the Hungarian Central Bank's Bond Funding for Growth Scheme. This is based on our recovery analysis which indicates an 'average recovery' for senior unsecured debt, based on an expected enterprise value as a going concern in a hypothetical default scenario in 2027. However, we note a lower recovery rate driven by the increase in higher ranking debt, which fully consumes the headroom to a potential downgrade of the debt rating.

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Scope Ratings GmbH

Lennéstraße 5, D-10785 Berlin
Phone: +49 30 27891-0
Fax: +49 30 27891-100
info@scoperatings.com

Scope Ratings UK Limited

52 Grosvenor Gardens
London SW1W 0AU
Phone: +44 20 7824 5180
info@scoperatings.com

in
Bloomberg: RESP SCOP
Scope contacts
scoperatings.com

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