Futureal Development Holding Kft.

Hungary, Real Estate

Issuer
BB-

Outlook
Stable

Senior unsecured debt
BB-

Rating composition

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

Key metrics

			Scope estimates	
Scope credit ratios*	**2023**	**2024**	**2025E**	**2026E**
Scope-adjusted EBITDA interest cover	2.0x	1.9x	1.5x	1.6x
Scope-adjusted debt/EBITDA	22.1x	15.4x	16.9x	15.3x
Scope-adjusted loan/value	55%	51%	47%	52%
Scope-adjusted free operating cash flow/debt	-24%	-4%	1%	-12%
Liquidity	111%	179%	>200%	150%

Rating sensitivities

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

- EBITDA interest cover above 2.2x on a sustained basis
- Loan/value ratio below 50%

The downside scenario for the ratings and Outlook:

- EBITDA interest cover below 1.5x

**All credit metrics refer to Scope-adjusted figures.*

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Related methodologies

General Corporate Rating Methodology, Feb 2025
European Real Estate Rating Methodology, Jun 2025

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1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Sizeable and balanced develop-to-hold pipeline, limiting development risk and supporting long-term growth • Well diversified investment portfolio across different asset classes, each subject to slightly different demand patterns • High-quality, modern and energy-efficient commercial property portfolio, providing resilience to valuation fluctuations and supporting transition risk mitigation • Strong liquidity position, supported by EUR 196m in cash and EUR 114m of earmarked financial investments for bond repayments, enhancing financial flexibility	• Moderate leverage, driven by predominantly debt-funded portfolio expansion; deleveraging remains contingent on timely delivery and stabilisation of assets under development • Still-limited recurring cash flows relative to debt service and capex plans, pointing to continued reliance on external funding sources • Geographic concentration in the Budapest metropolitan area, exposing the company to cluster risk and limiting diversification benefits

2. Rating Outlook

The **Stable Outlook** reflects our expectation that the issuer's portfolio will contain an increasing proportion of stabilised assets, which will reduce the volatility of earnings associated with executing the development pipeline. This will lead to stabilised credit metrics, with an EBITDA interest coverage ratio maintained at above 1.5x and a loan/value ratio of around 50%. The Outlook also indicates that the issuer will continue to demonstrate strong liquidity coverage.

3. Corporate profile

Futureal (Futureal Holding B.V. together with its subsidiaries) is one of the largest commercial property developers and investors in Central Europe, active across office, retail, logistics, and urban redevelopment projects. The company's core market is Hungary — particularly the Budapest metropolitan area — supplemented by a presence in Poland and the United Kingdom. With nearly two decades of experience, Futureal has built a strong execution track record and developed recognised leadership in the delivery of large-scale urban developments.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
4 Jul 2025	Outlook change	BB-/Stable
8 Dec 2023	Downgrade	BB-/Negative
4 Nov 2022	Outlook change	BB/Negative

5. Financial overview (financial data in EUR '000s)

				Scope estimates	
Scope credit ratios	**2022**	**2023**	**2024**	**2025E**	**2026E**
EBITDA interest cover	2.1x	2.0x	1.9x	1.5x	1.6x
Debt/EBITDA	27.6x	22.1x	15.4x	16.9x	15.3x
Loan/value ratio[1]	42%	55%	51%	47%	52%
Free operating cash flow/debt	-20%	-24%	-4%	1%	-12%
Liquidity	>200%	111%	179%	>200%	150%
EBITDA					
Reported EBITDA	18,519	34,195	48,374	45,901	58,113
add: recurring dividends from associates	-	-	-	-	-
Other items (incl. one-offs)	-	-	-	-	-
EBITDA	**18,519**	**34,195**	**48,374**	**45,901**	**58,113**
Funds from operations (FFO)					
EBITDA	18,519	34,195	48,374	45,901	58,113
less: interest	(8,776)	(17,225)	(25,463)	(31,532)	(35,913)
less: cash tax paid	(639)	(1,472)	(944)	(718)	(1,110)
Other non-operating charges before FFO	10,865	(10,865)	9,852	-	-
Funds from operations	**19,969**	**4,634**	**31,818**	**13,651**	**21,090**
Free operating cash flow (FOCF)					
Funds from operations	19,969	4,634	31,818	13,651	21,090
Change in working capital	22,263	(125,601)	7,319	(8,181)	(7,366)
Non-operating cash flow	18,466	(4,155)	(12,815)	-	-
less: capital expenditures (net)	(164,140)	(56,842)	(58,239)	135	(116,440)
less: lease amortisation	(996)	(44)	(556)	(556)	(556)
Other items	-	-	-	-	-
Free operating cash flow	**(104,437)**	**(182,008)**	**(32,473)**	**5,049**	**(103,272)**
Interest					
Interest paid	17,385	26,393	34,631	40,676	45,470
Interest received	(8,609)	(9,168)	(9,167)	(9,144)	(9,557)
Interest	**8,776**	**17,225**	**25,463**	**31,532**	**35,913**
Scope-adjusted total assets					
Total assets	1,449,755	1,544,965	1,719,839	1,945,518	1,936,660
less: cash and cash equivalents	(242,424)	(131,459)	(195,588)	(236,913)	(172,353)
less: positive value of derivatives	(3,183)	(4,205)	(1,424)	(1,424)	(1,424)
Scope-adjusted total assets	**1,204,147**	**1,409,302**	**1,522,827**	**1,707,181**	**1,762,883**
Debt					
Reported financial debt	762,388	963,490	1,021,865	1,068,830	1,116,953
less: cash and cash equivalents	(242,424)	(131,459)	(195,588)	(236,913)	(172,353)
less: other cash-like items[2]	-	(41,901)	(57,054)	(57,054)	(57,054)
add: other items[3]	(9,004)	(33,303)	(23,447)	(372)	(372)
Debt	**510,959**	**756,828**	**745,777**	**774,491**	**887,174**

[1] For the loan/value computation, we have deducted other cash-like items (partial cash consideration from financial investments) from total assets.
[2] Partial consideration of financial investments as near-cash.
[3] Include 'net value of derivatives' and 'loans and borrowings related cash deposits'.

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

ESG profile: neutral

With regard to sustainability, Futureal aims to follow common ESG principles by minimising waste generation, energy consumption, and harmful emissions during the implementation and operation of development projects and standing assets. Futureal is a founding member of the Hungarian Green Building Council and committed more than a decade ago to only developing commercial buildings with at least a BREEAM 'Very Good' certification.

Sustainability is a core pillar of Futureal's dedicated logistics platform, HelloParks, which is being developed to the highest environmental standards. All completed HelloParks buildings have achieved BREEAM certifications of 'Excellent' or higher. The platform is committed to achieving carbon neutrality across the entire portfolio and its own operations (Scope 1 & 2) by 2035.

Furthermore, the company introduced its 'Green bond framework' in February 2021, under which proceeds from green bonds/loans issuances will be directed towards existing or future buildings to reduce the carbon footprint and improve the company's environmental performance.

[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: BB

Futureal is primarily exposed to commercial real estate through both rental and development activities, with the relative contribution of each segment having gradually stabilised in recent periods. This reflects the company's strategic shift towards a develop and/or buy-to-hold model, with rental income playing an increasingly prominent role — accounting for 52% of total revenue as of end-2024. Accordingly, we have factored in both historic and projected median contributions, alongside development-related risks from the existing pipeline to derive an industry risk assessment of BB-.

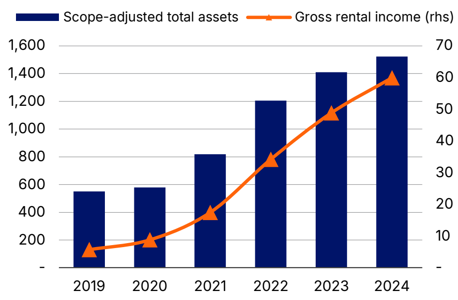
Industry risk profile: BB-

Futureal is a relatively small real estate company in the European context but ranks among the largest commercial property developers and investors in the CEE region, particularly in its home market of Hungary, where operations are concentrated in the Budapest metropolitan area. The company has grown significantly in recent years, with Scope-adjusted total assets reaching EUR 1.5bn as of end-December 2024 (up 8% YoY). Steady and continued growth is anticipated going forward, underpinned by a sizeable development pipeline with over 600,000 sq m of potential gross leasable area (GLA).

Market-leading real estate company in the Budapest metropolitan area

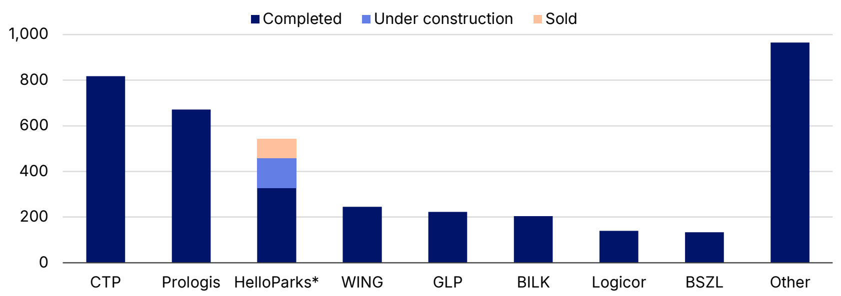
As of end-December 2024, the fair value of Futureal's investment properties stood at approximately EUR 1.1bn, up 3% YoY, split across office (35%), industrial (33%) and retail (32%) segments. The portfolio generated EUR 59.9m in rental income during 2024, representing a 23% YoY increase.

Figure 1: Scope-adjusted total assets and rental income (EUR m)



Sources: Futureal, Scope

Figure 2: Top logistics developers in Hungary – Total area ('000s sq m) As of YE 2024



Sources: Futureal, Public information, Scope

*Futureal's industrial platform

The Hungarian real estate market is highly fragmented, with large players typically concentrated in specific segments – most notably in industrial and logistics, where large operators like CTP N.V and Prologis dominate. Within this landscape, Futureal holds moderate market shares in Budapest, ranking among the top ten landlords across key segments.

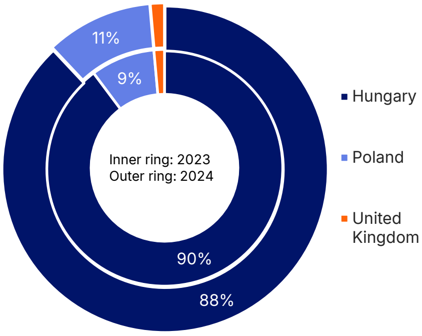
Moderate market shares in highly fragmented Hungarian commercial real estate market

HelloParks, Futureal's logistics platform, has been among the most active developers of logistics space in the Greater Budapest area, demonstrating strong and rapid growth between 2019 and 2024 to become a dominant industrial landlord. As of Q1 2025, HelloParks had over 130,000 sq m under construction, with an additional development potential exceeding 450,000 sq m – well ahead of other active developers.

Strong leadership in the industrial segment

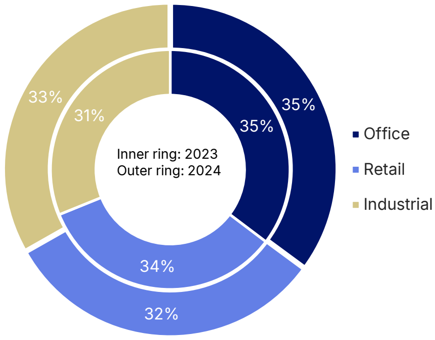
Backed by its existing portfolio and sizeable development pipeline, Futureal is well-positioned to sustain its market presence in the office and retail segments and to further strengthen its leadership in the industrial segment.

Figure 3: Portfolio geographic diversification – By fair value



Sources: Futureal, Scope

Figure 4: Portfolio asset class diversification – By fair value



Sources: Futureal, Scope

Portfolio concentration in the Budapest metropolitan area

Futureal's investment properties remain concentrated in the Budapest metropolitan area, accounting for approximately 88% of total portfolio value as of end-December 2024. All ongoing and planned development projects are primarily located in Budapest, with some refurbishment initiatives and industrial projects in Poland. This limited geographical diversification increases exposure to local market volatility risks. However, cash flow risks have eased following the stabilisation of large-scale assets such as BudapestOne and Etele Plaza, although letting risks remain at the 59,000 sq m warehouse completed in Q1 2025 (Alsónémedi).

The company expanded into Poland in 2021 through a series of acquisitions, including the Manhattan and Bemowo shopping centres and the Wratislavia Tower office building. Since then, Futureal has taken a more cautious stance, halting major acquisitions and focusing on its existing development pipeline. Recent activity has been limited to selected industrial land plot purchases around Budapest and in Poland. Looking ahead, Futureal may seek to gradually diversify by pursuing opportunities in select foreign markets.

Balanced diversification across asset classes

Futureal's investment portfolio is diversified across three property segments: office (35% of total portfolio value as of end-2024), industrial (33%), and retail (32%). The more balanced diversification helps to mitigate exposure to cyclical volatility in any single segment, given the slightly differing demand dynamics across asset classes.

Development pipeline largely skewed towards logistics projects

Through its dedicated industrial and logistics platform, HelloParks, Futureal is seeking to establish a leading position in Hungary's industrial real estate market, with a strategic focus on the Greater Budapest area. The share of industrial assets within the company's portfolio is set to further increase given the remaining development potential.

As of end-2024, three logistics buildings were under construction, totalling 147,000 sq m. Alsónémedi building was completed in Q1 2025, while the remaining two are scheduled for delivery in Q4 2025.

The credit quality and granularity of the tenant base has become an increasingly important consideration amid weaker economic conditions, which heighten the risk of defaults or payment delays.

Solid quality-mix of the tenant base

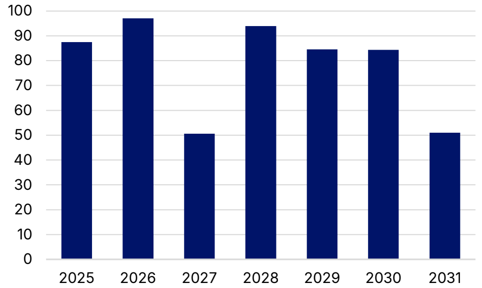
Futureal's tenant portfolio mix has strengthened in recent periods, supported by active leasing activity, including notable office leases signed at BudapestOne and Corvin Innovation Campus, lifting occupancy to 96% and 84%, respectively. The number of individual tenants rose to over 90 (from around 60 in H1 2023), reducing tenant concentration and enhancing income granularity.

Although tenant concentration remains

The top three tenants account for 13%, and the top ten for 28%, of average effective rents for 2025-2027 (excluding indexation). The portfolio features a high proportion of blue-chip tenants such as One (formerly Vodafone), BT Group, IBM, Oracle, and DHL, which significantly mitigates exposure to smaller tenants with weaker or less established credit profiles.

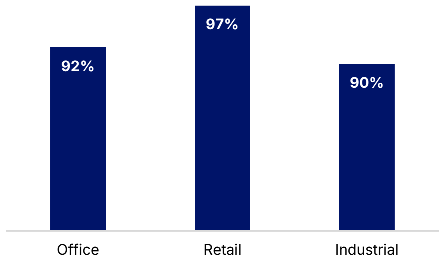
Additionally, tenant exposure is weighted towards low-cyclicality sectors, particularly telecommunications and IT consulting among the top-ten contributors, supporting the resilience of rental cash flows. The company has historically remained well shielded from tenants defaults or payment delays.

Figure 5: Futureal's industrial pipeline schedule (uncommitted) – Planned GLA ('000s sq m)



Sources: Futureal, Scope

Figure 6: Occupancy rate by segment – As of year-end 2024



Sources: Futureal, Scope

Solid portfolio key performance indicators

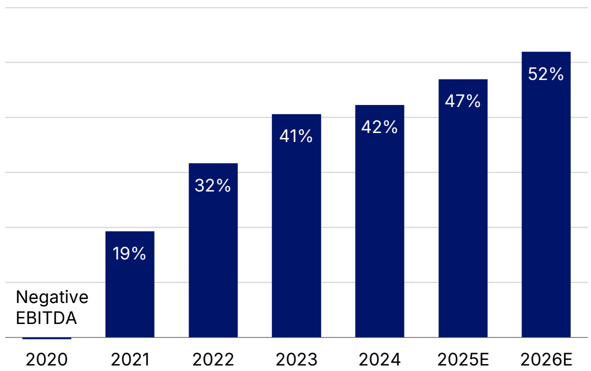
Portfolio[5] occupancy stood at 90% at year-end 2024, up from 80% at year-end 2023, while the WAULT remained stable at around 4.9 years, offering good visibility on future rental income. Industrial properties, which previously exhibited the shortest WAULT within the portfolio, showed a notable improvement to 5.1 years (up from 4.5 years as of Q1 2024), in line with market standards. These typically involve initial lease term of 3-6 years with extension options, while longer lease terms of 10-15 years are preferred by major logistics tenants in built-to-suit projects, such as DHL, Amazon, and FedEx. Notably, weighted occupancy of industrial properties has improved to 90% by YE 2024 from 85% in Q1 2024. However, the completion of Alsónémedi building in Q1 2025 with only 9% pre-letting temporarily weighs on occupancy at the start of 2025.

With regards to logistics properties under development, the pre-letting rate stood at 50% as of YE 2024. The commencement of other planned projects remains fully discretionary and can be aligned with specific tenant demand. As of Q1 2025, three logistics properties were under construction, with completion expected throughout 2025. We count one project with outstanding project financing (59% LTC) and another building without any signed pre-lease agreement thus far. Further logistics buildings are in preparation and scheduled for 2026 and through 2027.

Profitability supported by recurring revenues, though still subject to volatility linked to development activity

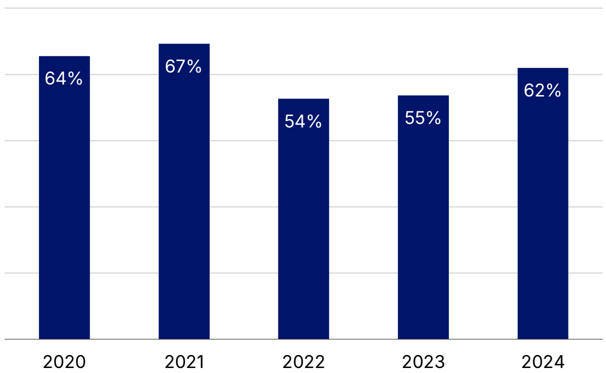
Futureal's operating profitability has been volatile and shaped by the lumpiness of large-scale projects. Nonetheless, the strategic shift is gradually translating into more stable profitability levels, converging towards those observed in buy-hold-hold real estate platforms.

Figure 7: Profitability (EBITDA margin)



Sources: Futureal, Scope estimates

Figure 8: EBITDA margin from rental activities



Sources: Futureal, Scope

[5] Excluding standing properties earmarked for refurbishments.

Profitability, as measured by the EBITDA margin, reached 42% in 2024 (up 1.7 pp YoY). However, this does not yet fully reflect the profitability derived from rental activities alone. On a standalone basis, the EBITDA margin of the rental segment[6] stood at 62% in 2024 (+6.3 pp YoY), supported by a 23% increase in rental income driven by the completion of industrial buildings and increased occupancy.

We anticipate profitability to remain in the 40%-50% range in the short-term, supported by anticipated rental growth. Nonetheless, profitability remains exposed to cost variability inherent in development activities. Given the current bias of the project pipeline towards logistics developments, we estimate internal rates of return in the range of 15% to 20%.

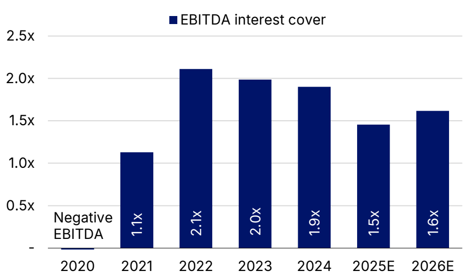
8. Financial risk profile: B+

Debt protection constrained by high indebtedness...

Debt protection has weakened significantly from pre-2020 levels (above 10x), with EBITDA interest cover standing at 1.9x in 2024 (2023: 2.0x). This reflects Futureal's dynamic and largely debt-financed growth strategy (including several bond issuances), supporting both own developments and opportunistic acquisitions. Interest cover remains constrained by the ramp-up phase of rental income, as several developments were recently completed. Following the completion of large-scale developments, the company's projects has shifted towards smaller, phased logistics projects, although the time lag between capital deployment and income stabilisation remains.

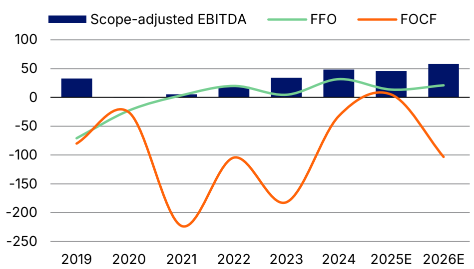
Current debt protection provides some headroom against potential earnings volatility. Besides, we draw comfort from the Futureal's prudent liquidity and financial risk management framework. Importantly, the company's development model is not heavily speculative, with projects generally initiated upon confirmation of tenant demand or pre-letting, thereby mitigating execution risk and supporting our view that Futureal remains able to meet its interest obligations.

Figure 9: Debt protection



Sources: Futureal, Scope estimates

Figure 10: Cash flows (EUR m)



Sources: Futureal, Scope estimates

... though debt structure is largely fixed-rate or hedged

Looking ahead, we expect interest cover to sustain above 1.5x over the near-term, which reflects a mix of supportive factors: the gradual ramp-up of rental income, consistent with the pipeline's execution and the leasing take-up; solid interest rate protection, with about 95% of the company's loan portfolio either fixed-rate or hedged, with no significant maturities before 2028; financing of ongoing developments secured at favourable conditions (all-in financing costs at 3.4% for construction phases and 3.1% for investment period), with further availability under approved credit facilities (EUR 74m undrawn as of end-December 2024); steady financial income generated from financial investments and cash deposits. However, we expect cash flow generation to remain under pressure due to sustained development costs and rent normalisation phase, although this is mitigated by the anticipated disposal proceeds in 2025, implying some temporary relief against negative FOCF or potential cost overruns.

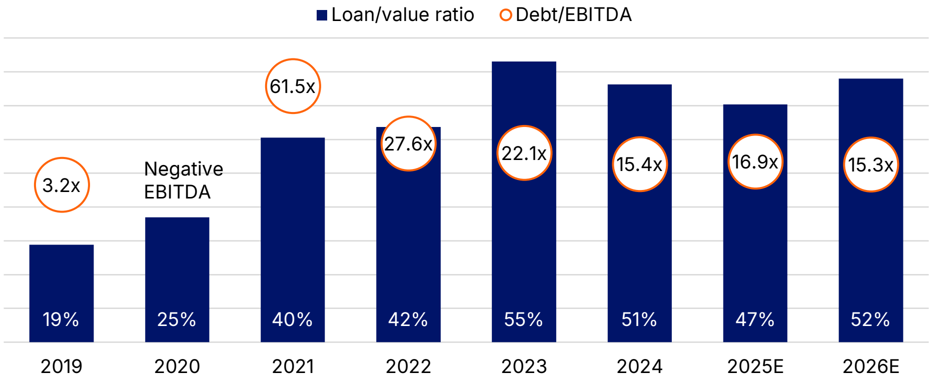
Moderate leverage driven by largely debt-financed growth

Leverage, as measured by the loan/value (LTV) ratio, improved to 51% at YE 2024 (YE 2023: 55%), supported by growth in the asset base and strengthened liquidity. Futureal continued to build up its dedicated reserves for bond repayments, which rose by 36% YoY to EUR 114m. We recognise

[6] Defined as (rental income + service revenue – direct cost of rental and operation) / (rental income + service revenue).

50% of this amount as near-cash, considering the liquidity and accessibility of the underlying investments. Excluding this recognition, the LTV would stand at 53% at YE 2024.

Figure 11: Leverage



Sources: Futureal, Scope estimates

Moderate-to-high dependence on external financing

Futureal remains reliant on external financing to fund its investment activities, reflecting its continued focus on development-led growth. This results in structurally negative FOCF during the ramp-up of projects. While internal cash flow generation has improved in line with rental income growth, it remains insufficient to fully cover the company's sizeable capex requirements over the investment cycle.

Adequate liquidity

Liquidity is adequate, supported by substantial cash sources and limited near-term debt obligations. As of end-December 2024, Futureal held unrestricted cash of EUR 196m, comfortably covering the EUR 52m of debt maturing over the 12 months to end-December 2025. The next bond maturity is not due before 2028.

To address upcoming redemptions, the company maintains a dedicated three-year reserve strategy, reallocating a portion of its liquidity into longer-dated financial investments (EUR 114m at year-end 2024), aimed at preserving capital while earning risk-adjusted returns. The company's shows great anticipation of its upcoming refinancing needs.

Table 1. Liquidity sources and uses (in EUR '000s)

	2024	2025E	2026E
Unrestricted cash (t-1)	131,459	195,588	236,913
Non-accessible cash (t-1)[7]	-	(29,338)	(35,537)
Open committed credit lines (t-1)	-	-	-
FOCF (t)	(32,473)	5,049	(103,272)
Short-term debt (t-1)	41,032	52,479	31,321
Liquidity	**179%**	**>200%**	**150%**

Sources: Futureal, Scope estimates

In view of the issuer's good relationships with a diverse and established pool of banking partners, sound track-record in capital markets, and prudent cash management, we consider liquidity and refinancing risks to be manageable. Overall, liquidity and refinancing risks are manageable in the short to medium-term, supported by the absence of significant near-term debt maturities.

[7] Haircut of 15% applied to available cash.

9. Debt rating

Senior unsecured debt rating: BB-

We have affirmed the BB- senior unsecured debt rating, in line with the issuer rating. We expect an 'above average' recovery for outstanding senior unsecured debt in a hypothetical default scenario in 2026 based on Futureal's liquidation value. The distressed enterprise value incorporates a discount of approximately 30% on investment properties, consistent with a 'BB' category stress scenario. However, the senior unsecured debt rating is capped at the issuer level. This is because recovery expectations are sensitive to minor changes in haircuts and to the expected volatility of the capital structure on the path to default.

With an unencumbered asset ratio above 110%, senior unsecured debt holders could also benefit from a pool of assets that have not been pledged as collateral.

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