Wingholding Zrt.

Hungary, Real Estate

Issuer

B+

Outlook

Negative

Senior unsecured debt

B+

Rating composition

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

Key metrics

			Scope estimates	
Scope credit ratios*	**2023**	**2024**	**2025E**	**2026E**
Scope-adjusted EBITDA interest cover	1.2x	0.9x	2.0x	2.7x
Scope-adjusted debt/EBITDA	21.6x	22.6x	8.2x	8.2x
Scope-adjusted loan/value	63%	60%	55%	55%
Scope-adjusted free operating cash flow/debt	-16%	-6%	10%	2%
Liquidity	66%	36%	62%	39%

Rating sensitivities

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

- EBITDA interest cover above 1.5x on a sustained basis
- Debt/EBITDA below 15x on a sustained basis

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

- EBITDA interest cover not above 1.5x
- Debt/EBITDA not below 15x
- A further downside is linked to a perceived deterioration in liquidity.

**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

Table of content

1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Strong position in the residential property development market in Poland and as a commercial real estate developer/investor in Hungary • Well diversified portfolio/development pipeline across different asset classes, benefitting from slightly different demand patterns and prospects • Stable and high-quality commercial portfolio located in Budapest, providing recurring rental cash flow and supporting assets' attractiveness for tenants • High pre-sale rate (140% as of Q1 2025) providing good visibility over future cash flows	• Exposure to the inherent cyclicality of real estate development leading to volatile cash flows and earnings • High leverage driven by largely debt-financed growth (both organic and external) • Debt protection constrained by high exposure to floating rate debt (about 55% of total debt as Q1 2025), mainly indexed to WIBOR and EURIBOR reference rates

2. Rating Outlook

The **Negative Outlook** reflects continued downside risks stemming from elevated leverage and weak interest coverage, compounded by earnings volatility, which could lead to pronounced swings in credit metrics. The Negative Outlook also reflects inadequate liquidity. Although this has been managed successfully, it points to the limited capacity for reducing debt through internal cash flow, making the company reliant on asset sales and/or the extension and increase of external financing.

3. Corporate profile

Wingholding Zrt. (Wing) is one of the largest privately-owned Hungarian real estate developer, investor and service provider, active across all segments (office, industrial, retail, hospitality and residential development). WING is the majority owner (62.4% stake) of one of the leading residential property developers in Poland (Echo Investment, majority-owner of Archicom), and more recently, has acquired a majority stake (54%) in the Berlin-based property developer, Bauwert AG.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
4 Jul 2025	Affirmation	B+/Negative
5 Jul 2024	Affirmation	B+/Negative
27 Dec 2023	Outlook change	B+/Negative

5. Financial overview (financial data in HUF m)

				Scope estimates	
Scope credit ratios	**2022**	**2023**	**2024**	**2025E**	**2026E**
EBITDA interest cover	2.0x	1.2x	0.9x	2.0x	2.7x
Debt/EBITDA	10.3x	21.6x	22.6x	8.2x	8.2x
Loan/value ratio	60%	63%	60%	55%	55%
Free operating cash flow/debt	8%	-16%	-6%	10%	2%
Liquidity	144%	66%	36%	62%	39%
EBITDA					
Reported EBITDA	42,656	32,682	35,815	90,462	91,724
add: recurring dividends from associates	2,716	-	-	-	-
Other items (incl. one-offs)	-	-	-	-	-
EBITDA	**45,372**	**32,682**	**35,815**	**90,462**	**91,724**
Funds from operations (FFO)					
EBITDA	45,372	32,682	35,815	90,462	91,724
less: interest	(22,157)	(27,529)	(41,808)	(46,038)	(34,083)
less: cash tax paid	(8,752)	(9,149)	(10,691)	(6,103)	(8,028)
Other non-operating charges before FFO	5,008	(1,300)	141	-	-
Funds from operations	**19,472**	**(5,296)**	**(16,543)**	**38,321**	**49,613**
Free operating cash flow (FOCF)					
Funds from operations	19,472	(5,296)	(16,543)	38,321	49,613
Change in working capital	(4,011)	(88,651)	(20,774)	(23,786)	(28,659)
Non-operating cash flow	(6,146)	1,244	7,011	-	-
less: capital expenditures (net)	27,842	(23,385)	(22,188)	56,727	(2,675)
Other items	-	-	-	-	-
Free operating cash flow	**37,157**	**(116,088)**	**(52,494)**	**71,262**	**18,279**
Interest					
Interest paid as per cash flow statement	23,611	29,178	42,789	46,903	35,397
Interest received	(1,454)	(1,649)	(981)	(865)	(1,314)
Interest	**22,157**	**27,529**	**41,808**	**46,038**	**34,083**
Scope-adjusted total assets					
Total assets	918,222	1,219,056	1,435,584	1,419,772	1,468,069
less: cash and cash equivalents	(132,620)	(93,799)	(73,149)	(73,211)	(95,640)
Scope-adjusted total assets	**785,602**	**1,125,257**	**1,362,435**	**1,346,561**	**1,372,429**
Debt					
Reported financial (senior) debt	485,832	723,779	845,392	776,315	790,321
less: cash and cash equivalents[1]	-	-	-	-	-
add: other items[2]	(16,668)	(18,086)	(34,684)	(34,684)	(34,684)
Debt	**469,164**	**705,693**	**810,708**	**741,631**	**755,637**

Figures may not add up due to rounding.

[1] Netting of cash is generally only applicable to ratings in the BB category or higher.
[2] Includes 'restricted cash'.

6. Environmental, social and governance (ESG) profile[3]

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

In 2022, Wing published its first ESG report, which portrays the ambitions and objectives of the company regarding sustainability. This report provides a starting point for monitoring future achievements, while demonstrating Wing's commitment and transparency, as ESG-related data disclosure is usually lacking from companies in the CEE region. The group achieved its first BREEAM certification in 2009 for an office development, and targets at least BREEAM 'good' and/or LEED 'silver' certification on all new office developments since 2017.

Furthermore, the company introduced its 'Green bond framework' in August 2021, under which proceeds will be directed to developing new buildings with improved energy efficiency (likely 2/3) and refurbishment of buildings (1/3), initially in Hungary. As of September 2022, WING issued HUF 24.5bn of green bonds, which were fully allocated towards two eligible projects (Liberty and East Gate Pro phase II). Concurrently, Wing has established a Green Committee, who's responsible for selecting and monitoring eligible projects, as well as setting medium and long-term sustainability targets.

[3] 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

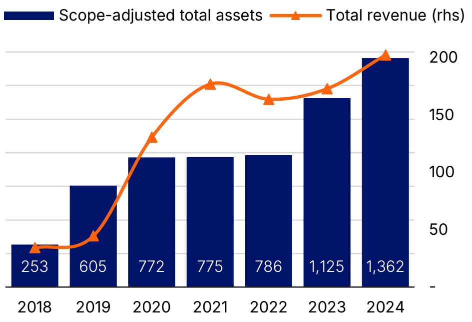
Industry risk profile: BB

WING's industry risk assessment is primarily driven by its exposure to commercial real estate (mostly rental activities) and residential property development, both of which hold an industry risk profile of BB. The group also undertakes commercial development projects (develop-to-hold at Wing and develop-to-sell projects at Echo in Poland to a lesser extent), while the sale of investment properties is considered on an opportunistic basis. Other revenues are mostly comprised of property management and hotel service revenues. Altogether, we assigned a weighted industry risk assessment of BB.

Market-leading real estate company in CEE

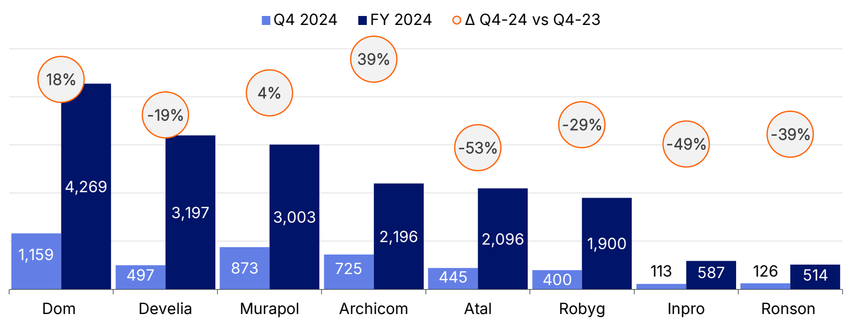
Wing is among the largest real estate developers and investors in the CEE region, with a strong presence in Hungary (active across all real estate segments) and Poland through Echo[4] (focused on residential development). The group's asset base has grown steadily in recent years, supported by successful project execution, opportunistic investments and acquisitions. Scope-adjusted total assets reached EUR 3.4bn (equivalent) as of end-December 2024, up 21% YoY.

Figure 1: Scope-adjusted total assets and total revenue (HUF bn)



Sources: Scope, Wing

Figure 2: Top Polish residential developers – Number of units sold



Sources: Archicom, Rynekpierwotny, Scope

Looking ahead, the company's scale will remain supported by a sizeable development pipeline (exceeding 400,000 sq m of GLA potential in Hungary as of Q1 2025) but tempered by more cautious development activity and planned asset disposals. As of end-March 2025, the group's investment portfolio[5] totalled over 670,000 sq m of GLA (unweighted), generating HUF 37.1bn in rental income in 2024 (up 19% YoY).

Moderate market share in fragmented market

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, Wing holds moderate market shares in Budapest, ranking among the top ten landlords across key segments.

Strong position in the Polish residential market via Archicom

In the residential development market, Wing holds a strong position in Poland through Archicom which has gained considerable traction in terms of contracted sales in recent quarters, exceeding 2,000 units in 2024 and in the LTM to Q1 2025. This is supported by a sizeable landbank with a development potential of approximately 11,600 units as of Q1 2025.

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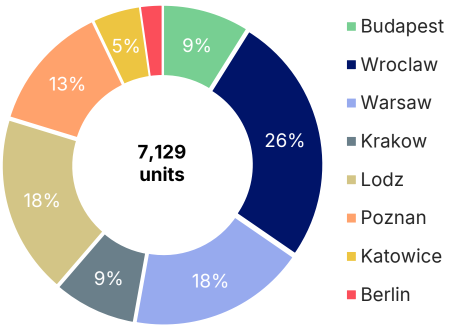
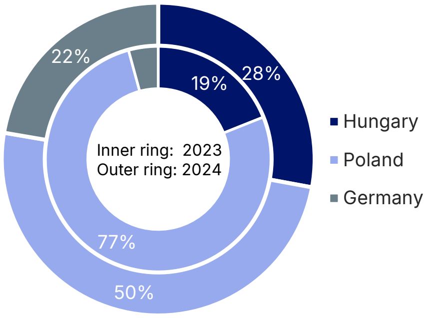
[4] Including Archicom when Echo is referred.
[5] Unweighted GLA of standing properties in Hungary, Poland and Germany.

Figure 3: Location of residential projects – Share of units under construction (Q1 2025)



Sources: Wing, Scope

Figure 4: Geographic revenue distribution



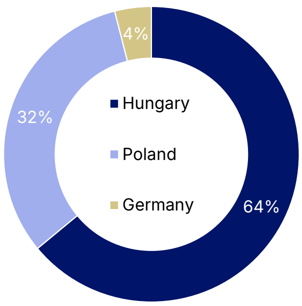
Sources: Wing, Scope

Wing's standing portfolio remains largely concentrated in Budapest (64% of total gross leasable area as of Q1 2025), whereas its development activities are more geographically diversified. The group benefits from a solid level of diversification across property types, with exposure to all major real estate segments through its investment and development portfolios. This balanced allocation helps to mitigate potential cash flow volatility, as performance drivers and demand dynamics may vary across sectors.

Budapest-heavy portfolio, balanced by diversified pipeline and segments

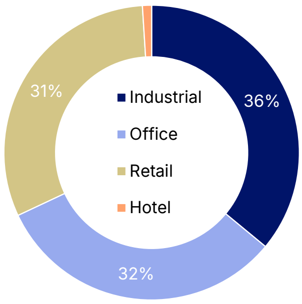
The industrial segment – comprising 36% of the standing portfolio by GLA and 61% of the development pipeline as of Q1 2025 – has proven resilient, despite cooling occupier activity following a period of peak demand. Wing's office projects – representing 21% of the pipeline GLA potential, with about two-thirds carried out by Echo in Poland — does not carry elevated risk, being well-balanced, phased progressively along with leasing progress, thereby largely mitigating development risks.

Figure 5: Geographic diversification of standing properties – GLA share as of Q1 2025



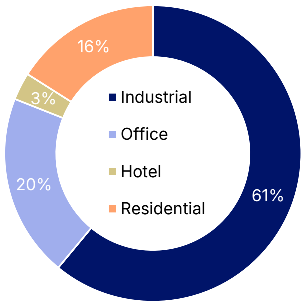
Sources: Wing, Scope

Figure 6: Asset class diversification of standing properties – GLA share as of Q1 2025



Sources: Wing, Scope

Figure 7: Project pipeline diversification – GLA share as of Q1 2025



Sources: Wing, Scope

The credit quality and granularity of the tenant base has become an increasingly important consideration amid weaker economic environment, which heightens the risk of defaults or payment delays. Wing's portfolio includes over 320 tenants, with moderate concentration: the top three tenants are expected to contribute 23% of estimated 2025 rental income, and the top ten 36%. These groups represented 4% and 7% of consolidated revenues in 2024, respectively.

Moderate tenant concentration...

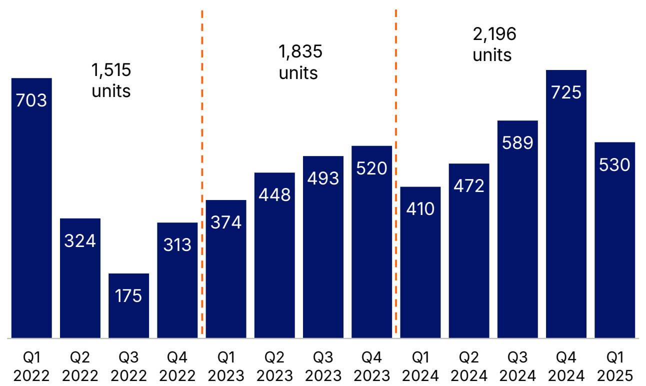
The tenant base is further supported by a high share of blue-chip companies, with broad sectorial exposure beyond telecommunications (low cyclicality) and financial services. While top-tenant concentration is notable, it is mitigated by the strong credit quality and long lease durations of key occupiers. Letting risks in Poland are viewed as transitional, with stabilised assets largely earmarked for disposal.

...mitigated by credit strength and sector diversification of the tenant base

The Polish residential market remains constrained by affordability pressures, with high inflation and interest rates weighing on household purchasing power. However, expected mortgage rate cuts in H2 2025 may support a recovery in buyer sentiment. Despite the challenging backdrop, Wing's exposure is well managed, supported by a diversified pipeline and strong pre-sale levels that help cushion near-term demand volatility.

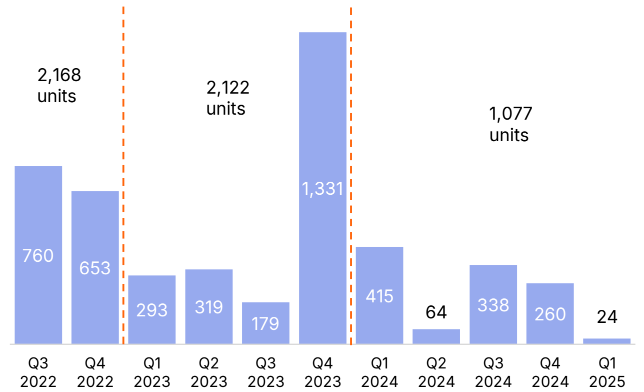
Managed exposure in the Polish residential development market

Figure 8: Apartment sales in Poland



Sources: Wing, Scope *Number of units*

Figure 9: Apartment handovers in Poland



Sources: Wing, Scope *Number of units*

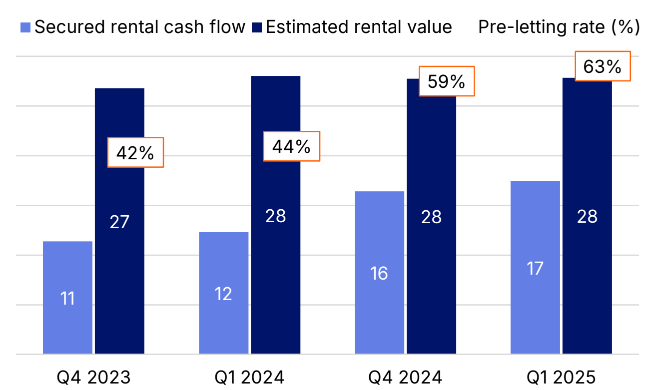
As of Q1 2025, Wing had three active residential projects in Hungary, while Bauwert launched two new developments in Germany. In Poland, Echo was active on 31 projects, with a current offer of 3,493 units – equivalent to around 8 months of sales based on LTM performance.

As of Q1 2025, Echo had 6,335 units under construction, with a 51% pre-sale rate (by units sold), and began construction on an additional 1,597 units during the quarter.

As of Q1 2025, the overall pre-sale rate[6] across active projects stood at 140%, providing strong visibility over future cash flows. The robust pre-sale performance reflects the saleability of the projects, underpinned by quality standards and favourable locations. It also highlights the company's well-phased and balanced development approach, along with effective control over development costs, despite the inflated construction environment.

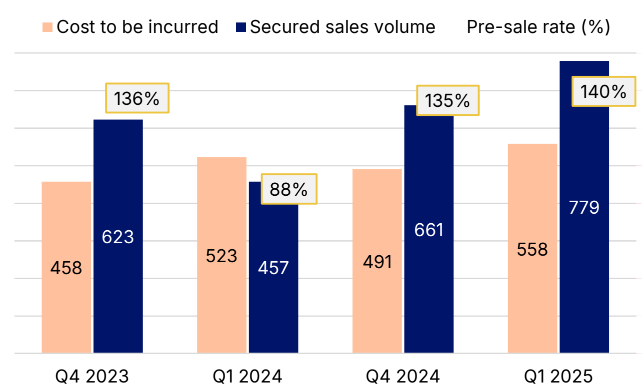
High pre-sale/pre-letting rates continue to support cash flow visibility and mitigate development risks

Figure 10: Pre-letting rates



Sources: Wing, Scope *Amounts in EUR m.*

Figure 11: Pre-sale rates



Sources: Wing, Scope *Amounts in EUR m.*

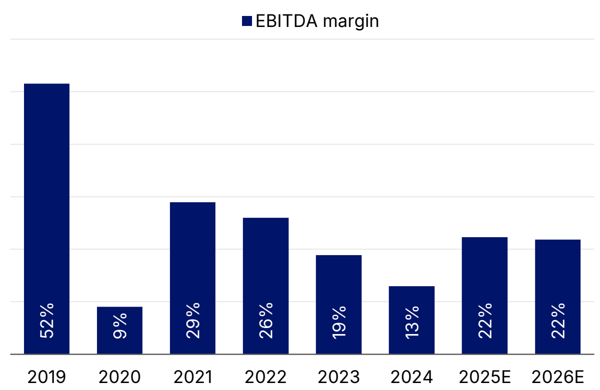
The pre-letting rate for commercial properties under construction stood at 63%. Development projects in Hungary are generally intended for long-term hold, with no speculative construction. In contrast, Echo follows a value-optimisation strategy, aiming to stabilise properties before

[6] According to our definition.

divestment. Echo finalised the sale of React in Lodz in Q4 2024 and had further five properties earmarked for disposal as of Q1 2025.

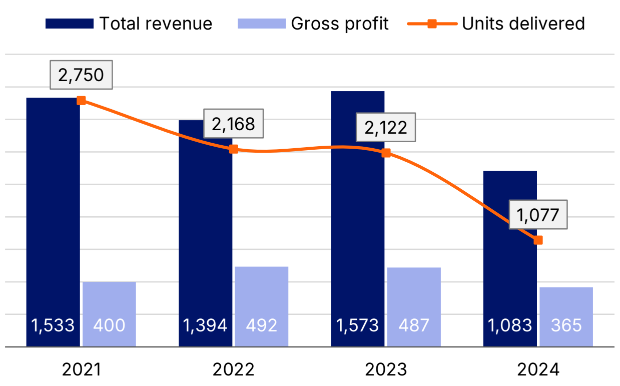
Development and letting risks are largely mitigated by a balanced mix of income-generating assets and ongoing projects, providing a buffer against delayed disposals or softer leasing activity. As of Q1 2025, Echo had three office projects underway in Warsaw, Kraków and Wroclaw, totalling 67,300 sq m. Leasing momentum remains strong, as seen in the T22 B and Swobodna projects. T22 B (32,500 sq m), Echo's largest ongoing project, is being developed under a risk-sharing structure (30% ownership), with pre-letting progressing to 90% by end-Q1 2025 from 0% in Q4 2023.

Figure 12: Profitability



Sources: Wing, Scope

Figure 13: Echo's revenue and gross profit



Sources: Wing, Echo, Scope *Amounts in PLN m*

Development focus weighs on profitability stability

Wing's strategic focus on development over rental activities has led to lower operating profitability compared to pre-2019 levels, when the portfolio was more weighted towards income-generating assets (2015-19 median EBITDA margin: 60%). Current profitability remains subject to the inherent volatility of property development, particularly the timing of completions and handovers.

Looking ahead, profitability is anticipated to remain in the range of 15% to 25%, supported by (i) stable recurring income from the investment portfolio; (ii) disciplined cost control and a cautious development approach; (iii) resilient apartment prices offsetting elevated construction costs, with a targeted gross margin of at least 30%; (iv) strong procurement capabilities, economies of scale, and competitive land acquisition cost; and (v) easing construction cost pressures amid improving contractor availability.

Profitability remains volatile due to the typical two-year development cycle and timing mismatches between cost recognition and revenue realisation. As Echo continues to scale up, earnings volatility is expected to moderate, supported by a more balanced project pipeline and a steadier pace of annual handovers.

Projects' individual margins standing strong, with IRR above 15%

The group targets a minimum internal rate of return (IRR) of 20% across all segments. Underperformance has been limited to a few projects, primarily due to administrative delays or cost overruns, though financial impact has remained contained due to conservative budgeting.

8. Financial risk profile: B-

Debt protection constrained by EBITDA volatility…

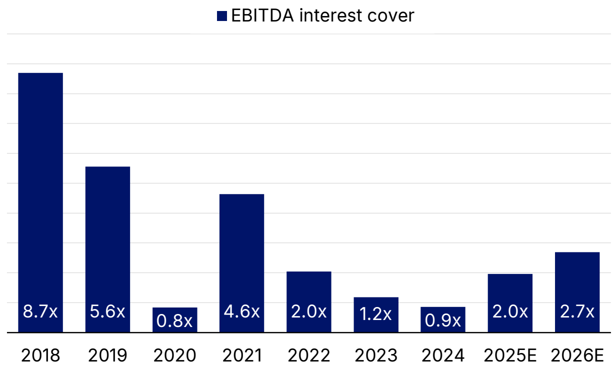
Debt protection has weakened significantly from pre-2020 levels (2024: 0.9x; 2023: 1.2x), reflecting the increased interest burden and a lag in EBITDA contribution from development activities. This decline does not reflect a deterioration in the group's underlying performance, but rather timing mismatch arising from revenue recognition across jurisdictions.

In Hungary and Poland, residential sales are recognised at a specific point in time – once the occupancy permit is granted, the unit is handed over, and the full purchase price is received. Conversely, in Germany, sales contracts permit revenue recognition over time, as performance obligations are progressively fulfilled.

As a result, EBITDA may understate the actual operational performance in certain periods. When adjusted for these timing effects, and applying a completion-approach, EBITDA interest cover for 2024 would have reached 1.5x (completion-adjusted), providing a more accurate reflection of the group's underlying debt-servicing capacity.

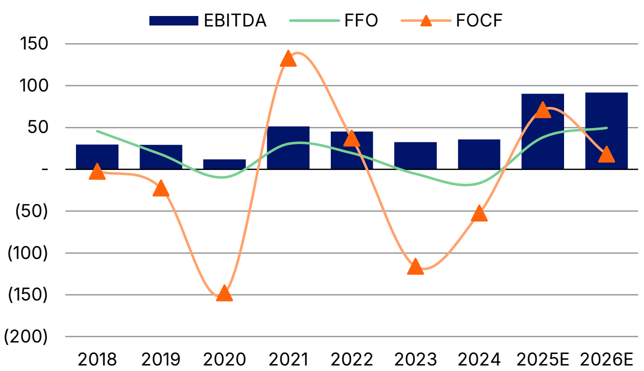
Nevertheless, the current interest cover offers limited headroom to absorb potential earnings volatility.

Figure 14: Debt protection



Sources: Wing, Scope estimates

Figure 15: Cash flows (HUF bn)



Sources: Wing, Scope estimates

... and high exposure to floating-rate debt

The group remains significantly exposed to interest rate and foreign exchange risks. As of Q1 2025, nearly 55% of its consolidated debt carried floating interest rates. Of this, 45% and 27% are indexed to Euribor and Wibor, respectively. In terms of currency exposure, 41% of total debt is denominated in either PLN or HUF.

Floating-rate exposure is primarily concentrated in the Polish and German operations, which account for 58% and 35% of the group's floating-rate debt, respectively. This is partially offset by the Hungarian entities, which hold 41% of total debt –largely fixed-rate and long-dated.

Foreign exchange risks are partially mitigated by the fact that the vast majority of rental income received is in euros, providing a natural hedge against euro-denominated debt obligations.

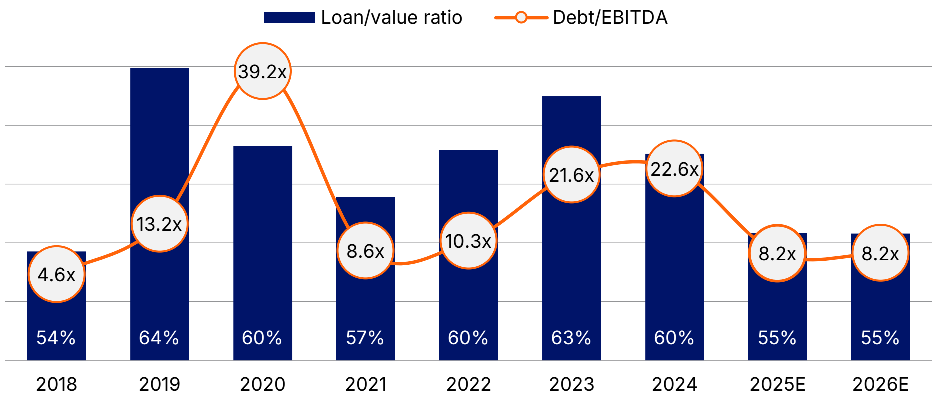
High leverage fuelled by debt-funded growth and sizeable projects

Leverage, as measured by debt/EBITDA, has materially increased since 2019, primarily as a result of debt-funded acquisitions and sustained investment in development projects. It has remained elevated and volatile throughout the period, reflecting the growing prominence of development activities in Wing's portfolio and delayed recording of earnings from completed but undelivered units. Leverage remains elevated, reaching 22.6x at YE 2024 (below 15x under a completion-adjusted view).

As of end-December 2024, consolidated gross debt stood at HUF 845bn (up 17% YoY), underscoring Wing's structurally high leverage in the context of its capital-intensive and inherently volatile develop-to-sell business model.

The loan/value ratio has similarly remained above 60% in recent years, before declining to just below 60% at YE 2024 (down 3.2 pp YoY). While still elevated, we view this as less critical in the leverage assessment of a developer-led business, where inventory turnover and capital recycling play a pivotal role in liquidity and overall balance sheet management.

Figure 16: Leverage



Sources: Wing, Scope estimates

In addition to recurring rental cash flows from its income-generating assets, Wing continues to demonstrate a strong capacity to contract development revenues, execute asset disposals, and secure project-level financing – capabilities that are essential for maintaining credit quality under a high-leverage framework.

Deleveraging potential, contingent on asset disposals and project completions

Although consolidated indebtedness remains elevated in absolute terms, we consider it manageable due to the project-specific nature of most debt, governed by conservative loan/value or loan/cost parameters, and the standalone debt profiles of individual entities within Wing's group structure. A signification portion of the group's debt is linked to ongoing developments or earmarked assets for disposal, suggesting tangible deleveraging potential upon completion or exit.

As of Q1 2025, bank loans represented 52% of total debt and were primarily secured against specific projects or assets. These are typically serviced over through the project lifecycle or asset operations until divestment.

The deleveraging trajectory may face headwinds due to weaker cash flow generation, increased working capital requirements, or extended disposal timelines. Nevertheless, the company retains flexibility in its development pipeline, including full discretion to defer uncommitted projects to preserve capital where appropriate. Additionally, we do not anticipate significant pressure on leverage stemming from asset devaluations.

No significant new debt issuance is expected in the near term. Financing activity is instead expected to revolve around refinancing performing loans, extending project-specific credit lines, drawing on existing credit facilities, and selectively raising additional funding to support development activities, particularly land acquisitions and new project launches.

Inadequate liquidity

Liquidity remains inadequate, primarily due to Wing's structurally high short-term refinancing needs relative to available internal resources. However, we consider near-term liquidity risks to be manageable given the proactive refinancing measures undertaken in H1 2025 and the absence of significant bond maturities until 2027.

As of YE 2024, Wing's short-term financial obligations amounted to HUF 214bn, including HUF 61bn of shareholder loans. Liquidity sources – mainly cash on hand (HUF 73bn, not adjusted with the 15% haircut) and projected free operating cash flows – fall short of covering these obligations, resulting in a liquidity coverage ratio of below 100%.

However, a substantial portion of the 2025 maturities had already been refinanced or extended by June 2025, mitigating immediate repayment risk. We view the refinancing of the remaining 2025 and 2026 maturities – largely comprised of secured loans – as highly likely, underpinned by Wing's strong banking relationships across its operating markets and lender's expressed willingness to extend facilities. This is further supported by moderate loan/value ratios on asset-specific loans, standing below 45% on average across income-generating assets at SPV level, with no maturities in the Hungarian portfolio before 2027.

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

	2024	2025E	2026E
Unrestricted cash (t-1)	93,799	73,149	73,211
Non-accessible cash (t-1)[7]	-	(10,972)	(10,982)
Open committed credit lines (t-1)	-	-	-
FOCF (t)	(52,494)	71,262	18,279
Short-term debt (t-1)	206,596	214,077	205,994
Liquidity	**36%**	**62%**	**39%**

Sources: Wing, Scope estimates

Development projects are typically financed through dedicated construction loans, which are repaid progressively as customer advances are collected. This funding model remains a core and recurring feature of Echo's business environment. In parallel, completed and planned asset disposals continue to support liquidity and new projects, with several properties earmarked for divestment as of Q1 2025, aiming at releasing capital for new developments and reducing debt.

While the group operates under a decentralised structure, cash transferability between entities remains limited – beyond dividend distributions – due to varying access to funding sources and committed credit facilities across entities.

Nonetheless, we take comfort in Wing's prudent liquidity management, consistent refinancing track record, and strong banking relationships across its operating markets. As of Q1 2025, group entities had access to undrawn facilities totalling HUF 109bn, which are expected to adequately fund respective projects and cover short-term operational needs – particularly in Poland – via revolving facilities.

9. Debt rating

Senior unsecured debt rating: B+

We affirmed the B+ rating assigned to senior unsecured debt issued by Wingholding Zrt. We expect an 'above average' recovery for the outstanding senior unsecured debt in a hypothetical default scenario in 2026, based on Wing's estimated liquidation value. The distressed enterprise value incorporates a 50% discount on inventories and a 20% decline in the market value of investment properties, consistent with a 'B' category stress scenario. However, the debt rating is capped at the issuer level, as recovery expectations fall to 'average' under a 'BB' category stress, with higher implied haircuts, thereby not justifying a rating uplift for this debt class.

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.

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

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