Infogroup Holding Kft.

Hungary, Real Estate

Issuer
BB-
Outlook
Stable
Senior unsecured debt
BB-

Rating composition

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

Key metrics

			Scope estimates	
Scope credit ratios	**2022**	**2023**	**2024P**	**2025E**
Scope-adjusted EBITDA interest cover	4.9x	13.8x	4.4x	2.8x
Scope-adjusted debt/EBITDA	9.0x	3.7x	5.1x	9.1x
Scope-adjusted loan/value	31%	22%	32%	41%
Scope-adjusted free operating cash flow/debt	-9%	-16%	-10%	-28%
Liquidity	>100%	>100%	>100%	100%

Rating sensitivities

The upside scenario for the ratings and Outlook is:

- Remote: significant improvement in business risk profile through increase in size, leading to enhanced tenant diversification while keeping credit metrics at the current level

The downside scenarios for the ratings and Outlook are (collectively):

- Scope-adjusted loan/value (LTV) ratio above 55%
- Scope-adjusted EBITDA interest cover below 2x on a sustained basis

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Related methodologies

General Corporate Rating Methodology, Feb 2025

European Real Estate Rating Methodology, March 2024

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1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Focus on industrial logistics assets, which are experiencing strong momentum and proving resilient to economic downturns • Strong occupancy of 96% in both office and industrial logistics segments • Good profitability • Moderate leverage despite expected rise in indebtedness	• Small player in a highly fragmented market, with total asset value of EUR 227m as of 30 June 2024 and moderate expected growth • Concentrated tenant portfolio with top three clients accounting for 40% of rental income, although this risk is partially mitigated by the high credit quality of counterparties • Poor geographical diversification with portfolio concentrated in Hungary and partially in 'C' locations

2. Rating Outlook

The Stable Outlook reflects our assessment that Infogroup will maintain moderate growth. We anticipate that strong operating performance, supported by secure and recurring revenue, will offset expected pressure on interest coverage and leverage from pipeline execution. This will enable Infogroup to keep its Scope-adjusted loan/value ratio below 50% and interest coverage above 2x. The Outlook also assumes continued high occupancy and pre-leasing rates.

3. Corporate profile

Logistics/industrial real estate

Infogroup Holding Kft (Infogroup) is a real estate development and investment company. Its main activity is developing and buying buildings in Hungary to be held on its portfolio. Founded in 1990 as a family office to build residential real estate, the company shifted focus in the 2000s to industrial logistics and commercial properties. The industrial properties are mainly located in eastern and central Hungary at six locations in Kecskemét, Karcag, Polgár, Miskolc, Tiszaújváros and Debrecen, while the offices and hotels are in Budapest. In addition, Infogroup offers asset and facility management services to its tenants.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
19 Mar 2025	Affirmation	BB-/Stable
25 Mar 2024	Affirmation	BB-/Stable
27 Mar 2023	New	BB-/Stable

5. Financial overview (financial data in HUF m)

				Scope estimates		
Scope credit ratios	**2021**	**2022**	**2023**	**2024P[1]**	**2025E**	**2026E**
Scope-adjusted EBITDA interest cover	6.3x	4.9x	13.8x	4.4x	2.8x	2.2x
Scope-adjusted debt/EBITDA	8.5x	9.0x	3.7x	5.1x	9.1x	9.8x
Scope-adjusted loan/value ratio	40%	31%	22%	32%	41%	43%
Scope-adjusted free operating cash flow/debt	-28%	-9%	-16%	-17%	-25%	-12%
Liquidity	65%	137%	172%	143%	100%	134%
Scope-adjusted EBITDA						
EBITDA	2,454	2,811	6,677	8,191	6,428	6,418
Scope-adjusted EBITDA	**2,454**	**2,811**	**6,677**	**8,191**	**6,428**	**6,418**
Scope-adjusted funds from operations						
Scope-adjusted EBITDA	2,454	2,811	6,677	8,191	6,428	6,418
less: Scope-adjusted interest	(388)	(572)	(483)	(1,856)	(2,261)	(2,983)
less: cash tax paid	-	(40)	(285)	(89)	(37)	(29)
Other non-operating charges before FFO	-	-	-	-	-1	-
Scope-adjusted funds from operations (FFO)	**2,066**	**2,199**	**5,909**	**6,246**	**4,129**	**3,407**
Scope-adjusted free operating cash flow						
Funds from operations	2,066	2,199	5,909	6,246	4,129	3,407
Change in working capital	(2,666)	3,212	(798)	203	293	(2)
Non-operating cash flow	(10)	2,683	349	1	-	-1
less: capital expenditures (net)	(5,208)	(10,315)	(9,405)	(13,412)	(19,247)	(11,014)
Scope-adjusted free operating cash flow (FOCF)	**(5,818)**	**(2,221)**	**(3,945)**	**(6,962)**	**(14,825)**	**(7,610)**
Scope-adjusted total assets						
Total assets	50,900	74,188	94,338	119,919	137,919	143,335
less: cash and cash equivalents	(5,560)	(11,406)	(15,030)	(20,673)	(18,879)	(16,353)
Scope-adjusted total assets	**45,340**	**62,781**	**79,308**	**99,246**	**119,040**	**126,982**
Scope-adjusted interest						
Net cash interest per cash flow statement	388	572	483	1,856	2,261	2,983
Scope-adjusted net cash interest paid	**388**	**572**	**483**	**1,856**	**2,261**	**2,983**
Scope-adjusted debt						
Reported financial (senior) debt	23,744	31,113	32,308	52,346	67,658	71,299
less: cash and cash equivalents[2]	(2,780)	(5,703)	(7,515)	(10,336)	(9,440)	(8,176)
Scope-adjusted debt (SaD)	**20,964**	**25,410**	**24,793**	**42,009**	**58,218**	**63,122**

[1] 2024P = preliminary results

[2] 50% of cash considered to be permanent and accessible (on average, 50% of cash is used for loan guarantees, therefore we assume that it is permanently available in the company)

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 considerations

Infogroup maintains a clear separation between ownership and management, implementing a robust governance framework to minimise key person risk. This framework comprises three distinct functions: i) the board of directors, responsible for defining long-term strategy and financial planning; ii) operational management, focused on project implementation and key account management; and iii) a comprehensive corporate governance element, encompassing an investment committee for project approval, regulatory liaison, external auditing, risk management, and financial oversight. In alignment with its commitment to sustainability, the company has formed a green committee tasked with identifying and monitoring environmentally sound projects, reinforcing its ESG policy. The main achievements in 2024 were: the first industrial building with exclusively electric heating; launch of the first BREEAM certified warehouse project; cooperation with the Department of Ecology (University of Debrecen) to reduce the ecological footprint of Innovinia's development in Debrecen; new solar panels in Kecskemét (0.5 MW); and a new electric vehicle charging station in Polgár.

[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: B+

Industry risk profile BB-

Infogroup's main activity consists of developing commercial real estate properties to hold in its portfolio, with a focus on logistics. Most of the revenues come from rental income, which translates to a BB industry risk profile; the blended industry risk profile of BB- reflects the higher industry risk of real estate development.

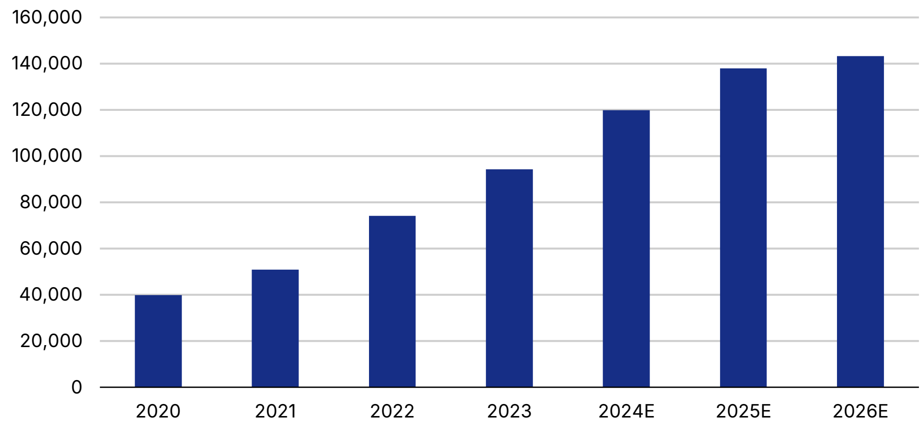
Modest size…

Despite its modest size within the European context, Infogroup continues to grow, reporting Scope-adjusted total assets of EUR 227m as of 30 June 2024 (15% growth YoY).

…but consistent growth thanks to strong momentum of industrial segment

Founded as a residential developer in the early 1990s, the company has strategically shifted its focus to the robust industrial/logistics sector, complemented by a selected office and hotel portfolio. This strategic evolution, combined with impressive pre-letting rates, underpins Infogroup's strong prospects for sustained growth and market leadership in Hungary. We believe the company focus on less saturated markets in central and north-eastern Hungary have driven its growth, allowing it to capitalize on opportunities overlooked by international competitors, who tend to concentrate on Budapest.

Figure 1: Scope-adjusted total assets (HUF m)

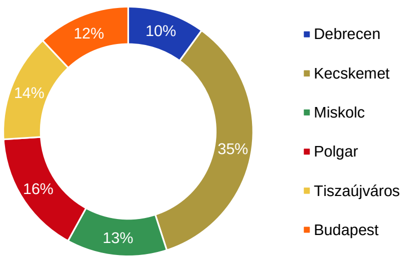


Sources: Infogroup Kft, Scope estimates

Presence in only one country constrains diversification

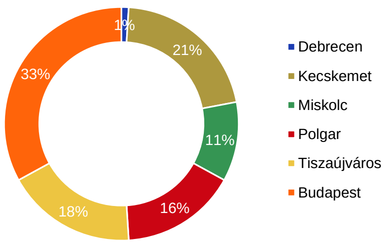
With all assets located in Hungary, we assess geographical diversification as poor. Assets are distributed between Budapest (33% of annualised rental income as of 2024P, 39% in 2023) and central and northeastern Hungary (67% of annualised rental income). Given the highly cyclical nature of the real estate industry, the concentration of projects in a single country carries a high risk of volatile cash generation and property values. This risk is partially mitigated by the presence of assets in Budapest (office and hospitality portfolio), as capital cities tend to be more resilient to macroeconomic downturns.

Figure 2: Geographical diversification by GLA[4] (2024)



Sources: Infogroup Kft., Scope

Figure 3: Geographical diversification by rental income (2024, developed portfolio)



Sources: Infogroup Kft., Scope

[4] Gross lettable area. Excludes project not yet launched

High tenant concentration

Diversification is also limited by weak tenant diversification, as 40% of rental income is provided by the top three customers and 76% by the top 10 customers. This risk is partially mitigated by the strong credit quality of the largest tenants, such as Bosch, Lidl, Jabil and LG, as well as the absence of significant SME exposure, which reduces the likelihood of payment delays.

Good diversification across asset classes...

Infogroup's presence in three property segments, office, hospitality and industrial/logistics, is credit positive. These sectors are subject to slightly different demand trends, making the company less sensitive to cash flow volatility. Based on the project pipeline, we expect the portion of rental income from the industrial/logistics segment to grow in the future, to 80% in 2026 from 67% in 2024. In fact, the logistics sub-market in Hungary appears to be under-utilised. Here, strong momentum is driven by: i) an increase in e-commerce; ii) supply chain optimisation strategies; and iii) Hungary's ambition to become a major hub for electric vehicles parts (which Infogroup is taking advantage of by developing units close to BMW in Debrecen-Polgar and Mercedes in Kecskemet).

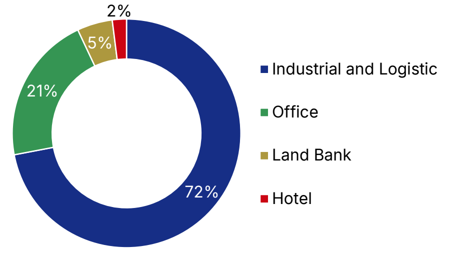
...future focus on logistics developments

Asset quality is moderate, but strengthened by important partners

Infogroup's current and future strategy is to focus on investing in suburban areas in eastern Hungary (Miskolc, Kecskemét, Polgár), which host major multinational companies, while maintaining the office and hospitality portfolio in Budapest. Although these areas offer high potential for logistics development, we consider them less favourable in terms of asset quality due to their greater exposure to demand fluctuations and lower investor appeal compared to Budapest properties. However, the company has established a strong reputation in this segment, demonstrated by its involvement in large built-to-suit solutions for multinational companies in Miskolc and Tiszaújváros. We believe the proximity of these assets to highways, airports, and major corporations such as BMW in Debrecen-Polgár and Mercedes-Benz in Kecskemét partially mitigates re-letting risk and the risk of asset devaluation associated with suburban locations.

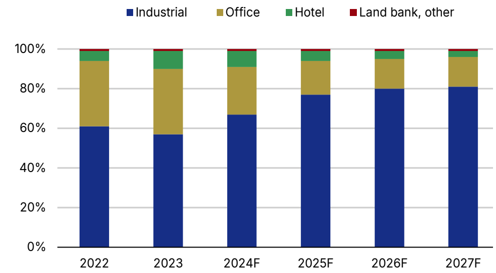
Infogroup has consistently had a high occupancy rate of around 96% over the years. This further strengthens asset quality.

Figure 4: Portfolio diversification by asset value (2024, gross asset value)



Sources: Infogroup Kft., Scope

Figure 5: Portfolio diversification by rental income (Infogroup's projections)



Sources: Infogroup Kft., Scope

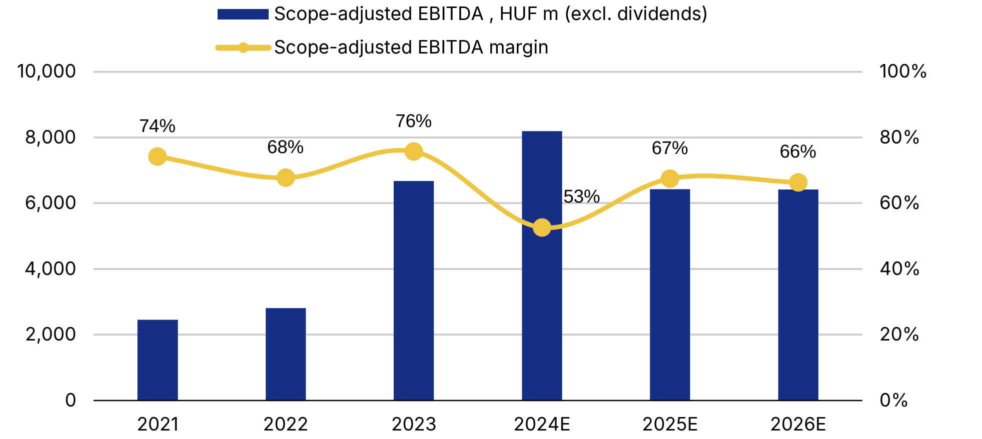
Good profitability

Profitability is the main supportive driver of Infogroup's business risk profile.

The Scope-adjusted EBITDA margin, though slightly volatile due to development activity, has been consistently above 65%. It is, however, projected to decline to around 53% in 2024. This is driven by the sale of a develop-to-sell industrial hall in Kecskemet to Hyundai Mobis, which generated significant revenues in 2024. With the completion of the one-off project, we expect the Scope-adjusted EBITDA margin to rebound to above 60% in 2025, bolstered by the expanding rental portfolio.

We believe Infogroup's high profitability is driven by: i) successful pipeline execution, including the delivery of projects on time and on budget; and ii) the strategy of working with local SMEs as contractors (approximately HUF 20m to HUF 50m in turnover), which ensures greater flexibility and bargaining power.

Figure 6: Scope-adjusted EBITDA margin



Sources: Infogroup Kft, Scope estimates

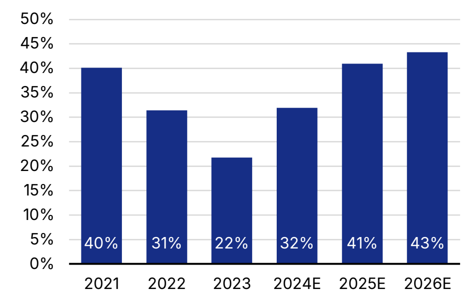
8. Financial risk profile: BB

Leverage increasing in line with new debt-financed projects

Leverage, as measured by the Scope-adjusted LTV ratio, has been somewhat volatile over the years, but has remained moderate. Following a decrease to 22% in 2023, we expect the LTV ratio to rise again in 2024 and remain between 40% and 45% in the forecast period. This increase will be driven by new debt financing required to support ongoing development activities and landbank investments. However, we project that the LTV ratio will remain below 50% throughout the forecast period. Likewise, the Scope-adjusted debt/EBITDA ratio has been fluctuating for years. After bottoming out in 2024 at around 5x, driven by the exceptional growth in EBITDA, we expect it to remain between 9x and 10x for the next two years, with new assets generating enough EBITDA to partially offset the increase in debt used to finance their development. Access to additional financing, needed to execute further developments, is supported by Infogroup's high level of unencumbered assets, which cover unsecured debt by 4.86x as of December 2024. In addition, the company's conservative financial policy, with no major acquisitions or speculative developments, supports our expectation of broadly stable credit metrics going forward.

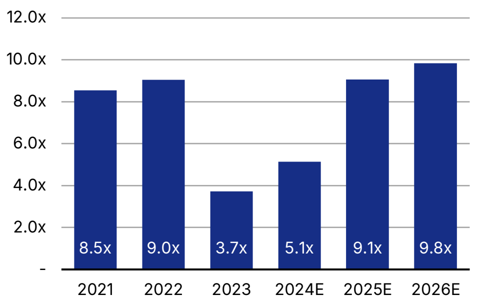
...but remains moderate in line with company's conservative growth strategy

Figure 7: Scope-adjusted LTV ratio



Sources: Infogroup Kft., Scope estimates

Figure 8: Scope-adjusted debt/EBITDA



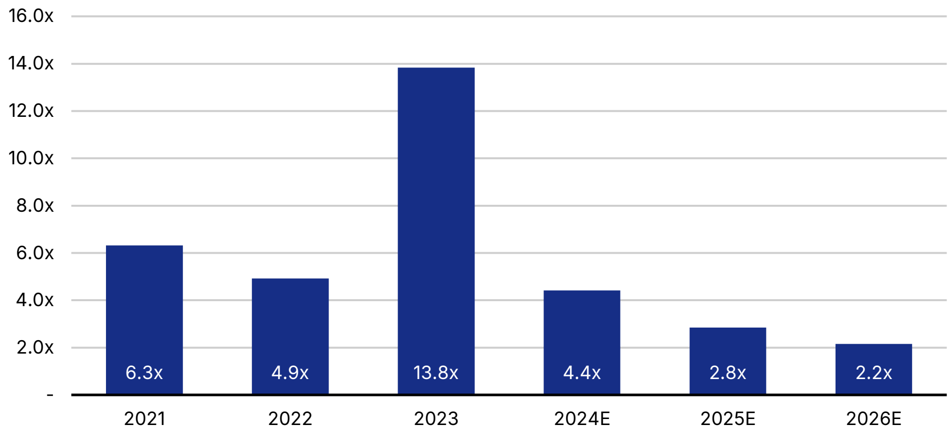
Sources: Infogroup Kft., Scope estimates

Interest cover pressured by new debt financing

Scope-adjusted EBITDA interest coverage was high in 2023, driven by the strong EBITDA results. We expect the ratio to deteriorate again and remain between 2x and 3x due to new debt funding at higher interest rates, necessary to cover development. At present, 94% of Infogroup debt (average 3.72% weighted average cost of debt) are fixed with interest rate swap derivatives as protection against interest fluctuations.

The company's proven track record of meeting deadlines gives us assurance that pipeline execution will proceed without delay. All 2024 projects – the Kecskemet BTO, Miskolc BTS, and Tiszaujvaros BTS extension – were completed and sold or are fully occupied. In 2025, the issuer expects to deliver an 86% pre-leased industrial hall in Debrecen and two Kecskemet light industrial halls tailored for logistics and Mercedes suppliers.

Figure 9: Scope-adjusted EBITDA interest cover



Sources: Infogroup Kft, Scope estimates

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

	2023	2024P	2025E
Unrestricted cash (t-1)	9,695	12,775	17,572
FOCF (t)	(3,945)	(6,962)	(14,825)
Short-term debt (t-1)	1,691	1,963	2,688
Liquidity	**>100%**	**>100%**	**>100%**

Source: Scope estimates

Adequate liquidity

Liquidity is adequate, as unrestricted cash (HUF 20.3bn as at end-2024) fully covers short-term debt obligations (HUF 2.6bn in 2025) and forecasted negative free operating cash flow of HUF 14.8bn. The issuer's internal guidance to maintain a cash-to-debt ratio of 15%-20% has been consistently surpassed (50% in 2023 and in 2024 based on preliminary results).

Covenants

Infogroup's senior unsecured bond issued under the Hungarian Central Bank's bond scheme has an accelerated repayment clause. The clause requires Infogroup to repay the nominal amount (HUF 4.5bn) in case of a rating deterioration (two-year cure period for a B/B- rating, repayment within five days after the bond rating falls below B-, which could have default implications). The rating headroom to enter the grace period is two notches; we therefore see no significant risk of the rating covenant being triggered. In addition to the rating deterioration covenant, financial bond covenants include a cap on the dividend payment (maximum 50% of profit after tax and only if the LTV ratio does not exceed 50%) and a maximum LTV ratio of 60%.

9. Debt rating

Senior unsecured debt rating: BB-

In May 2021, Infogroup issued a HUF 4.5bn senior unsecured bond (ISIN: HU0000360433) through the Hungarian Central Bank's Bond Funding for Growth Scheme. The bond proceeds were used to refinance financial debt (HUF 0.8bn) and for acquisitions (HUF 3.7bn). The bond has a tenor of 10 years and a fixed coupon of 3.0%. Bond repayment is in six tranches starting from 2026, with 10% of the face value payable yearly and a 50% balloon payment at maturity.

We have affirmed the BB- rating of Infogroup's senior unsecured debt. The assessment is based on a hypothetical default scenario in 2026 and the issuer's liquidation value, resulting in an average recovery. The rating is also supported by Infogroup's large pool of unencumbered assets.

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