ScopeHamburg

Issuer Rating and Issue Rating

Infogroup Holding Kft. HUF 4.5 bn Bond 2021/2031 – "Infogroup 2031/A"		27 April 2021 Issuer rating	BB-
		Issue rating	BB
		Outlook	stable
Industry	Real estate business; development, ownership and management of commercial real estate	Net Income 2020	HUF 3.3 bn

BUSINESS RISK
slightly increased

FINANCIAL RISK
moderate/slightly increased

ANCHOR RATING
BB-

Modification
Operational risks and external influences

ISSUER RATING
BB-

Derivation
Creditor protections and recovery analysis

ISSUE RATING
BB

BUSINESS RISK	slightly increased

- Moderate to slightly increased market risk: contrary to the economic trend, rising demand for logistics properties; lower demand for office space with expected supply surplus from new construction activity; structural changes in demand as a consequence of the pandemic; political risks
- Slightly increased strategic risk: typical project development risks; improvement of diversification profile; establishment of own portfolio in order to reduce risk

MODIFICATION	± 0

- Management of operational risks viewed to be generally consistent with rating
- No rating-relevant external influences

FINANCIAL RISK	moderate / slightly increased

- Rising rental income with satisfactory diversification; top five tenants (51% share) have solid credit ratings
- Profitability at a very satisfactory level
- Good capital structure and debt relief ratios
- Stable cash flows and good financial flexibility thanks to liquidity held and saleable assets; dependencies on individual tenants
- Planning reflects strong improvement in financial ratios excluding new projects; however, eventual trends anticipated at level of past reported years

ISSUE RATING	+1

- Adequate creditor protections through negative pledges and termination rights for creditors
- Group companys guarantate for payment obligations under the bond
- Expected recovery rate for bondholders very satisfactory in a range of 70% – 90% (rating case); in the worst case scenario at only a weak level

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

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

Rating Rationale

Scope Hamburg GmbH assigns a BB- rating to Infogroup Holding Kft. (issuer rating). The planned issue Infogroup 2031/A is awarded a BB issue rating by Scope Hamburg GmbH. The outlook for the rating is stable.

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

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

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

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

No modifications applied to anchor rating

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

Issue rating +1 notch

Based on the final drafts of the bond documentation, we regard the planned creditor protections as appropriate. We take a positive view on the guarantees from two group companys for the payment obligations under the bond. In our view, the expected recovery rate for bondholders stands at a very satisfactory level, as a consequence of which we rate the issue rating one notch higher than the issuer rating.

Upgrade / Downgrade Factors

Factors that could prompt an upgrade

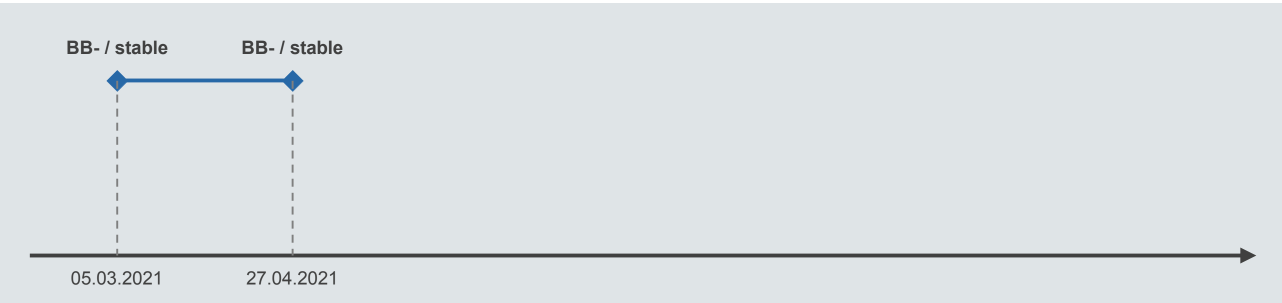
- Sustainable increase in earnings margins (EBITDA margin excluding property disposals >~60 %)
- Sustainable improvement in capital structure and deleveraging potential (LTV < 40 %, net debt/EBITDA < 4.0)
- Sustainable improvement in diversification of rental income (e.g. no single tenant > 5% share)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

Factors that could prompt a downgrade

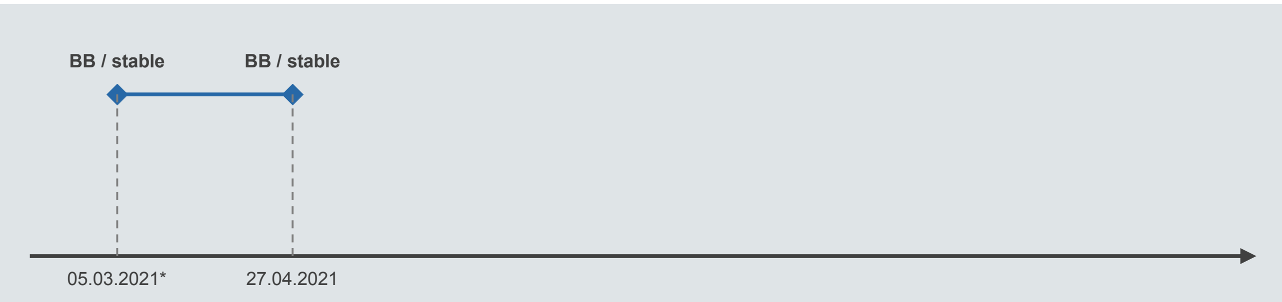
- Declining trend in profit margins (EBITDA margin excluding land disposals < 40 %)
- Deterioration of capital structure and deleveraging potential (LTV > 60 %, net debt/EBITDA > 8.0)
- Greater concentration of rental income on individual tenants or on sectors
- Increase in the planned interest rate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

Rating History

Infogroup Holding Kft. – Issuer Rating



Infogroup Holding Kft. –Issue Rating



*preliminary Issue Rating

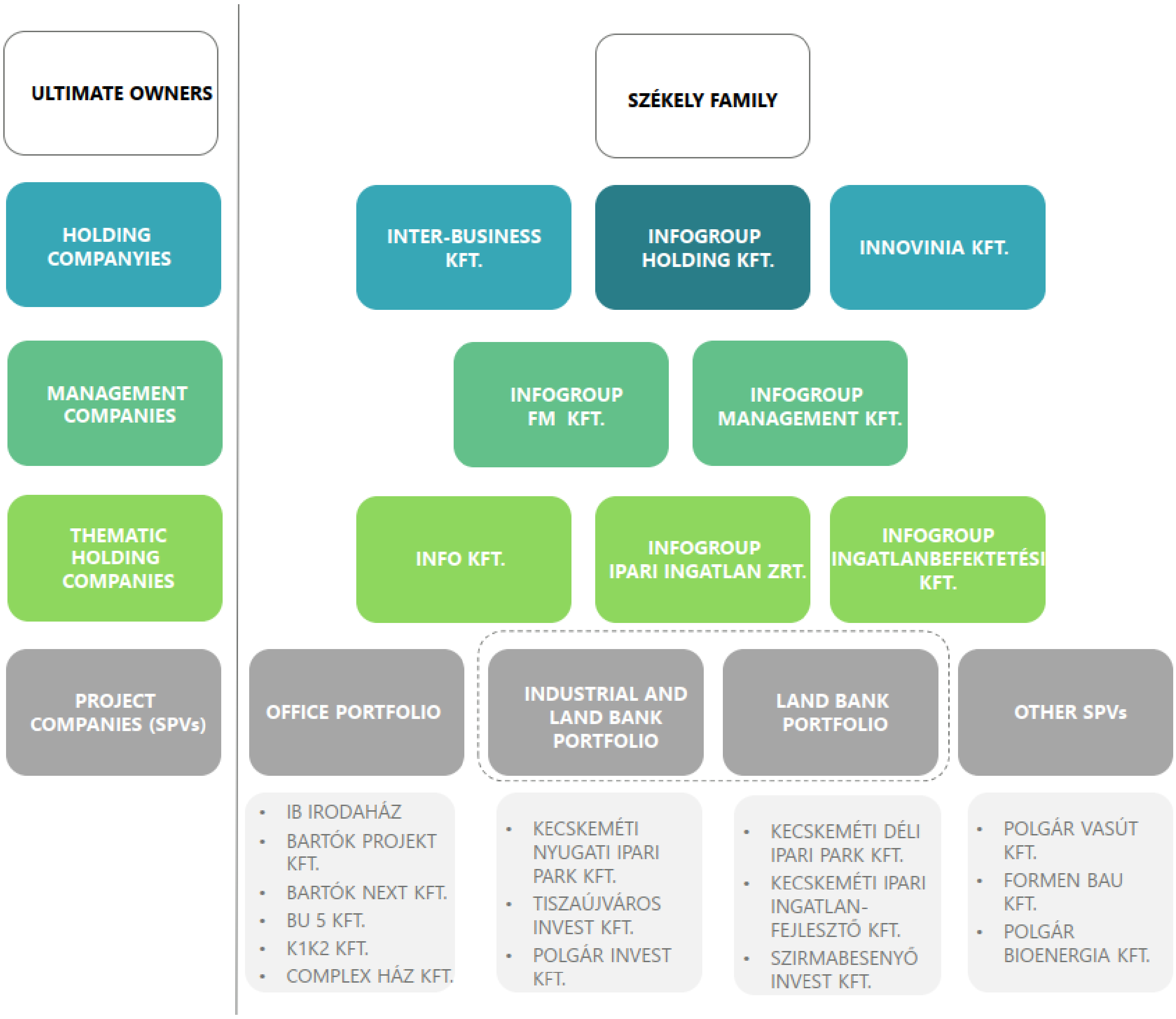
Company

Infogroup is a Hungarian project developer for commercial real estate

Infogroup was founded in 1990 as a family office, and originally focused on development projects for residential construction. The group has focused on the development of commercial real estate since 2000. The company ranks today as one of the larger national real estate developers in Hungary, having built more than 90,000 m² of industrial and logistics real estate as well as more than 25,000 m² of office space. Infogroup develops real estate mainly for its own portfolio, although it also provides project development as well as asset and facility management services for third parties.

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

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



Terms of the planned issuance

	Bond Infogroup 2031/A
Issuer	Infogroup Holding Kft.
Disbursement	April 2021
Term	10 years
Issue amount	HUF 4,500,000,000
Interest Rate	3.0 %
Repayment	10 % beginning in year 5, remaining amount due upon maturity (HUF 2.25 bn)
Guarentors	Inter-Business Kft.; Innovinia Holding Kft.

Rank

Senior bond, but structurally subordinated to real estate companies' liabilities

The proposed bond is an unsecured senior bond of the holding company Infogroup Holding Kft., and ranks pari passu with all other non-subordinated liabilities of the holding company including future liabilities. Within the group structure, the bond is structurally and effectively subordinated to the liabilities of the respective subsidiaries (real estate holding companies), in particular to their mortgage-backed real estate loans.

Collateral

No collateral

No collateral in rem or personal securities are provided.

Creditor protections

Assessment of creditor protections as appropriate overall

In principle, the clauses in regard to the creditor protection rights should apply pari passu. Furthermore, the creditor protections include regulations and/or consequences in the event that the rating is reduced below B+.

The goup companys Inter-Business Kft. and Innovinia Holding Kft. guarantate for the payment obligations under the bond especially interest payments and repayment of principal.

The Issuer undertakes not to encumber ist assets to secure ist obligations arising out of the issuance of other future debt instruments.

As far as termination rights, both a change of control clause and a third party default clause are implemented. The third party default clause is limited to debt instruments issued by the issuer.

The issuer implemented as a financial covenant a maximum LTV of 60%. We consider the envisaged limit of 60% to be appropriate.

We assess the envisaged creditor protections as appropriate overall.

Appendix 1: Execution

Analysts

- Maike Holzhauer, Senior Analyst / Lead Analyst
- Gundel Bergknecht, Senior Analyst

Contact:

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Rating committee

- Kai Gerdes, Director
- Jörg Walbaum, Senior Analyst

Rating, Solicitation, Principal Sources of Information

- This credit rating has been issued in accordance with the CRA Regulation.

[x] Solicited Rating

[ ] Unsolicited Rating
  - [ ] No participation of the rated entity or related third party
  - [ ] With participation of the rated entity or related third party
    - [ ] Access to internal documents
    - [ ] Access to management

- Prior to its publication the rating was disclosed to the rated entity. During this period, the rated entity had the opportunity to review the rating and to verify the underlying assumptions. Following this review, the rating was not amended
- Principal sources of information:
- Consolidated financial statements for 2019 and as per 30 June 2020
- Internal reporting (e,g, Business Plan FC 2020-2024, financing overview, rent roll, etc,)
- Market analyses
- Information on strategy and company planning
- Information on real estate portfolio
- Documents on the corporate structure
- Interviews with the management
- Final draft of bond documentation (23.04.2021)

Rating methodologies and definitions

- Methodology: Issuer Rating as of May 2016
- Basic Principles for Assigning Credit Ratings and Other Services as of July 2020
- Guidance Regarding the Consideration of ESG Factors in Scope Hamburg Credit Ratings as of March 2020

Scope Hamburg GmbH

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Appendix 2: Rating categories*

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

* For more explanations and definitions please refer to:
Basic Principles for Assigning Credit Ratings and Other Services as of July 2020

Appendix 3: Definition of financial ratios

Earnings power

EBITDA margin

EBITDA margin
Numerator
EBITDA
Denominator
Total revenues

Returns

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

Return on total assets
Numerator
Adjusted operating and financial result + interest expense
Denominator
Adjusted total assets

Cash flow return on investment

Cash flow return on investment (Cash flow ROI)
Numerator
EBITDA
Denominator
Adjusted total assets

Capital structure

Indebtedness

Equity-to-total assets ratio
Numerator
Adjusted equity (= economic capital)
Denominator
Adjusted total assets

Leverage
Numerator
Net debt
Denominator
Net debt + economic equity (= capital employed)

Loan to value
Numerator
Net Debt
Denominator
Real Estate Market Value

Net debt

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

Deleveraging potential

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

Net debt / EBITDA
Numerator
Net debt
Denominator
EBITDA

Interest coverage

EBIT interest coverage
Numerator
Adjusted operating result (= EBIT)
Denominator
Interest expenses

EBITDA interest coverage
Numerator
EBITDA
Denominator
Interest expenses

Disclaimer

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

The Rating Committee of Scope Hamburg GmbH reviewed the rating process, issued the rating notation and approved the rating report in its current form on 27 April 2021. This rating report was given to the client on 30 April 2021, thereby concluding the rating process.

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

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

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Scope Hamburg GmbH

Hamburg, 30 April 2021