

Scope affirms BB- issuer rating on Hungarian real estate company Futureal; Outlook revised to Stable

The rating action reflects Futureal's solid pipeline execution, improved earnings stability, and adequate liquidity.

The latest information on the rating, including rating reports and related methodologies, [is available on this LINK](#).

Rating action

Scope Ratings GmbH (Scope) has today affirmed the BB- issuer rating of Futureal Development Holding Kft. (Futureal) and revised the Outlook to Stable from Negative. The issuer rating of Futureal Holding B.V., the holding company and guarantor of outstanding senior unsecured bonds, has also been affirmed at BB- and the Outlook has been revised to Stable from Negative. Scope has also affirmed the senior unsecured debt rating of BB- for both entities.

The Outlook revision to Stable from Negative reflects the issuer's consistent ability to maintain interest coverage above the negative rating trigger over an extended period. While interest payments continue to weigh on cash flow and capex coverage remains weak, the increasing share of stabilised assets in the portfolio helps to limit downside risks. The anticipated slowdown in development activity should reduce earnings volatility and support the Stable Outlook. However, continued appetite for development limits further upside.

The full list of rating actions and rated entities is at the end of this rating action release.

Key rating drivers

Business risk profile: BB (unchanged). Futureal's business risk profile remains supported by its solid position in the Hungarian commercial real estate market and a gradually expanding income-generating portfolio.

The company's development activities are primarily concentrated in Hungary and are focused on industrial assets, which benefit from sound market fundamentals. The HelloParks platform continues to serve as the company's core growth engine, underpinned by a sizeable development potential. While development activities are a key pillar of the company's business model, Scope considers the associated risks be mitigated by Futureal's solid execution track record and operational flexibility in phasing and commercialising projects.

Futureal's portfolio benefits from balanced segment diversification across office (35% of portfolio value as of end-2024), industrial (33%) and retail (32%). However, geographic concentration remains high, particularly around Budapest, which presents a degree of cluster risk.

Profitability is gradually normalising with project completions and converging toward levels typical of buy-and-hold real estate companies, with less pronounced swings. Futureal's Scope-adjusted EBITDA margin* reached 42% in 2024 (up 1.7 pp YoY), while it stood at 62% for rental activities alone¹ (up 6.3 pp YoY).

Financial risk profile: B+ (unchanged). Futureal's financial risk profile remains constrained by moderate leverage and limited debt protection, although signs of stabilisation are becoming more evident with the build-up of recurring rental income.

Debt protection, as measured by EBITDA interest cover, stood at 1.9x in 2024, supported by recurring rental income, a predominantly fixed-rate debt structure, and steady interest income from financial investments. Scope expects interest cover to remain subject to some earnings volatility, although this is diminishing with the pace of rental income growth and the timing of project completions. Futureal continues to benefit from strong interest rate protection, having approximately 95% of the loan portfolio fixed or hedged as of end-December 2024.

Leverage, as measured by the loan/value ratio, improved to 51% at YE 2024 (YE 2023: 55%), driven by asset growth and strengthened liquidity. Scope sees potential for deleveraging, with limited pressure on property valuations and liquidity further supported by disposal proceeds. Leverage on cash flow basis also improved, with debt/EBITDA falling to 15.4x at year-end 2024 (YE 2023: 22.1x), still reflecting Futureal's development-led profile and the lag between capital expenditures and rental income generation.

Reliance on external financing remains high but this is partially offset by discretionary capex flexibility and recent capital recycling initiatives.

Liquidity: adequate (unchanged). Liquidity remains adequate, supported by substantial cash reserves, and the lack of significant near-term maturities until 2028. As of YE 2024, Futureal held unrestricted cash of EUR 196m, fully covering the EUR 52m of debt maturing in the 12 months to end-December 2025.

Funding for ongoing developments is largely secured, with EUR 74m of unused credit lines available as of year-end 2024. This reduces the need to raise additional funding in the short term and provides headroom to absorb potential cost overruns or delays in project execution.

To address upcoming bond redemptions, the issuer maintains a dedicated liquidity reserve strategy, under which a portion of cash was reallocated to longer-dated financial investments. These investments, totalling EUR 114m at year-end 2024, are intended to deliver risk-adjusted returns while preserving capital earmarked for future debt repayment.

Supplementary rating drivers: credit-neutral (unchanged). Supplementary rating drivers have no impact on the issuer rating.

Outlook and rating sensitivities

The **Stable Outlook** reflects Scope's 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 cover maintained at above 1.5x and a loan/value ratio of around 50%. The Outlook also indicates that the issuer will continue to

demonstrate adequate liquidity coverage.

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

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

The **downside scenario** for the ratings and Outlook is:

1. EBITDA interest cover below 1.5x

Debt rating

Scope has affirmed the BB- senior unsecured debt rating. Scope expects an 'above average' recovery for outstanding senior unsecured debt in a hypothetical default scenario in 2026 based on Futureal's estimated liquidation value. The distressed enterprise value incorporates a discount of approximately 30% on investment properties, consistent with a 'BB' category stress scenario. However, Scope caps the debt rating 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.

Environmental, social and governance (ESG) factors

Overall, ESG factors have no impact on this credit rating action.

All rating actions and rated entities

Futureal Development Holding Kft.

Issuer rating: BB-/Stable, affirmation, Outlook change

Senior unsecured debt rating: BB-, affirmation

Futureal Holding B.V.

Issuer rating: BB-/Stable, affirmation, Outlook change

Senior unsecured debt rating: BB-, affirmation

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

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

Stress testing & cash flow analysis

No stress testing was performed. Scope Ratings performed its standard cash flow forecasting for the company.

Methodology

The methodologies used for these Credit Ratings and Outlook, (General Corporate Rating Methodology, 14 February 2025; European Real Estate Rating Methodology, 2 June 2025), are available on <https://scoperatings.com/governance-and-policies/rating-governance/methodologies>.

Information on the meaning of each Credit Rating category, including definitions of default, recoveries, Outlooks and Under Review, can be viewed in 'Rating Definitions – Credit Ratings, Ancillary and Other Services', published on <https://www.scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales>. Historical default rates of the entities rated by Scope Ratings can be viewed in the Credit Rating performance report at <https://scoperatings.com/governance-and-policies/regulatory/eu-regulation>. Also refer to the central platform (CEREP) of the European Securities and Markets Authority (ESMA): <http://cerp.esma.europa.eu/cerp-web/statistics/defaults.xhtml>. A comprehensive clarification of Scope Ratings' definitions of default and Credit Rating notations can be found at <https://www.scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales>. Guidance and information on how environmental, social or governance factors (ESG factors) are incorporated into the Credit Rating can be found in the respective sections of the methodologies or guidance documents provided on <https://scoperatings.com/governance-and-policies/rating-governance/methodologies>.

The Outlook indicates the most likely direction of the Credit Ratings if the Credit Ratings were to change within the next 12 to 18 months.

Solicitation, key sources and quality of information

The Rated Entity and/or its Related Third Parties participated in the Credit Rating process.

The following substantially material sources of information were used to prepare the Credit Ratings: public domain, the Rated Entity and Scope Ratings' internal sources.

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The Credit Ratings/Outlook were first released by Scope Ratings on 16 February 2021. The Credit Ratings/Outlook were last updated on 8 December 2023.

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