

22 Jun 2021 - Scope Ratings GmbH

## **No impact on BB/Stable rating of Cordia International Zrt. from 2020 annual results**

**Scope has conducted a monitoring review of Cordia International Zrt. after the release of the audited 2020 annual report and sees no impact on the BB/Stable issuer rating or the BB instrument rating on all senior unsecured debt.**

Scope Ratings reviews its ratings either yearly, or every six months in the case of sovereigns, sub-sovereigns and supranational organisations. Monitoring reviews are unrelated to the calendar that outlines public finance rating actions.

Scope performs monitoring reviews to determine whether outstanding ratings remains proportionate. Monitoring reviews are conducted either by performing a portfolio review in terms of the applicable methodology/ies, latest developments, and the rated entity's financial and operational aspects relative to similarly rated peers; or through targeted reviews on an individual credit. Scope publicly announces the completion of each monitoring review on its website.

Scope completed the monitoring review for Cordia International Zrt. (BB/Stable) on 17 June 2021. This monitoring note does not constitute a rating action nor does it indicate the likelihood of a credit rating action in the short term. The latest information on the credit ratings in this monitoring note along with the associated rating history can be found on [www.scoperatings.com](http://www.scoperatings.com).

### **Key rating factors**

The current rating base case still reflects the impact of Cordia's business expansion on its business and financial risk as well the higher uncertainty in the overall market environment. The recent expansion includes the acquisitions of projects in Hungary and Poland, the acquisition of a 93% majority stake in Poland-based real estate developer Polnord as well as a stake of around 20% in Argo Properties N.V., a company exposed to the German residential real estate market. These transactions were closed in 2020 and weakened credit metrics, as expected in Scope's existing base case. However, Scope believes the increased size and geographical diversification afforded by the recent expansion will mitigate the negative financial impacts on credit quality.

Cordia has Scope-adjusted EBITDA interest coverage of 1.9x and a Scope-adjusted loan/value ratio of 33% as of year-end 2020. This is commensurate with Scope's existing base case of a temporary drop to around 2.0x interest coverage and a loan/value ratio of around 30%.

### **Outlook and rating-change drivers**

The Outlook for Cordia is Stable and incorporates the following assumptions: i) the company will continue to successfully execute its growth plans and integrate acquired entities; ii) the loan/value ratio will be below 50% based on Scope-adjusted debt/Scope-adjusted total assets; and iii) EBITDA interest coverage will recover to above 2.2x after the temporary slump in operating margins induced by Covid-19.

A positive rating action is remote at this point and would require a significant improvement in Cordia's business risk profile through a much higher share of recurring cash flows independent of continued asset sales. This could, for instance, be achieved via significant recurring rental income.

A negative rating action might be warranted upon an extended slump in sales in Cordia's core markets beyond 2022E, which could be caused by a sustained deterioration in market conditions. Scope-adjusted EBITDA interest coverage below 2.2x beyond 2022E could also trigger a negative rating action.

The methodologies applicable for the reviewed ratings and/or rating Outlooks (Corporate Rating Methodology, 26 February 2020; Rating Methodology: European Real Estate Corporates, 15 January 2021) are available on <https://www.scooperatings.com/#!methodology/list>. This monitoring note is issued by Scope Ratings GmbH, Lennéstraße 5, D-10785 Berlin, Tel +49 30 27891-0. Lead analyst: Denis Kuhn, Associate Director

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Analyst Contact: **Denis Kuhn:** [d.kuhn@scooperatings.com](mailto:d.kuhn@scooperatings.com)

Team Leader: **Olaf Tölke:** [o.toelke@scooperatings.com](mailto:o.toelke@scooperatings.com)