SCOPE | Ratings

Pick Szeged Zrt.

Hungary, Consumer Products

Issuer
BB

Outlook
Stable

Senior unsecured debt
BB

Lead Analyst

Vivianne Anna Kápolnai
+49 696677-38988
v.kapolnai@scoperatings.com

Related methodologies

General Corporate Rating Methodology, Feb 2025

Consumer Products Rating Methodology, Oct 2025

Table of content

Rating composition[1]

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

Key metrics[2]

			Scope estimates	
Scope credit ratios*	**2023**	**2024**	**2025E**	**2026E**
Scope-adjusted EBITDA interest cover	net interest income	net interest income	8.0x	7.4x
Scope-adjusted debt/EBITDA	1.2x	2.3x	3.8x	3.3x
Scope-adjusted funds from operations/debt	89%	43%	23%	26%
Scope-adjusted free operating cash flow/debt	-48%	-38%	-99%	-38%
Liquidity	>200%	167%	32%	93%

Rating sensitivities

The upside scenario for the ratings and Outlook:

- Remote in light of the upward leverage trajectory, but may be considered if FOCF becomes breakeven on a sustained basis

The downside scenario for the ratings and Outlook:

- Debt/EBITDA deteriorating to above 4.0x on a sustained basis

*All credit metrics refer to Scope-adjusted figures.

[1] The issuer rating on Pick Szeged continues to be based on the credit metrics of its parent, Bonafarm, which is the parent company of the Bonafarm Group. The rating is based on Bonafarm's implicit guarantee given full ownership, consolidation and operational integration, as well as Bonafarm's unconditional and irrevocable guarantee for group debt.

[2] The key metrics provide an overview of Bonafarm group's financial status.

1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Market leader in Hungary in processed meat, enabling pricing power. • Future prospects for higher profitability driven by the ongoing investment project for a new moulded salami production facility, together with other smaller investments in automatisation of Pick's production processes. • Strong interest cover due to a large portion of debt having favorable fix interest rates. • Access to group cash pool for working capital and investments. • Strong parent support from Bonafarm Zrt. and from the ultimate beneficial owner.	• Significantly negative free operating cash flow/debt from 2024 due to heavy investment phase. • EBITDA vulnerable to market changes – the fluctuating ZMP index (German slaughter pigs index) and labour – and external shocks (such as drought and disease). • Higher production-related headcount than peers' due to delayed investments to modernise plants, low automation at Pick Szeged and production sites being situated at multiple locations.

2. Rating Outlook

The **Stable Outlook** is aligned with the rating Outlook of the parent company, Bonafarm, due to consolidation, ownership and guarantee. The Outlook reflects credit metrics that are consistent with the current rating, despite an increase in leverage (exemplified by a temporary deterioration in debt/EBITDA towards 4.0x), due to the group's capital-intensive investment programme and depressed profitability.

A rating action of the parent's rating could result in the same rating action for Pick Szeged.

3. Corporate profile

Hungarian processed meat manufacturer, owner of Pick and Herz brands

Pick Szeged Zrt. (Pick Szeged) is a leading manufacturer of processed meat for wholesale distribution in Hungary. Founded in 1869, the company celebrated its 150th anniversary in 2019. Pick Szeged is 99.99% owned by Bonafarm Zrt. (Bonafarm), which is indirectly owned by Dr Sándor Csányi and his family via the holding company Bonitás 2002 Zrt. Pick Szeged was acquired by Bonafarm in the 2000s and has been consolidated in Bonafarm Group since 2009. Bonafarm Group, which consists of Bonafarm and its fully consolidated subsidiaries, is Hungary's largest fresh food producer, with a broad and diverse product portfolio.

Pick Szeged is one of the largest employers in Hungary, with more than 2,000 employees. Pick Szeged owns three subsidiaries in Hungary (local handball team PICK Kézilabda Zrt. and some smaller subsidiaries), one in Germany (PICK Deutschland GmbH) and one in Slovakia (PICK SLOVAKIA s.r.o.) for distribution and sales purposes. Pick Szeged owns two major brands, PICK and Herz. The company's (and one of Bonafarm's) flagship product is PICK winter salami, which also enjoys 'Hungaricum' status as a commodity representing Hungarian heritage. There are four production sites, all in southern Hungary: two in Szeged, one in Baja and one in Alsómocsolád.

In June 2023, Bonitás 2002 Zrt. transferred its shares to a Csányi family trust named Unity Asset Management Foundation for generational change purposes. Ownership interests in Bonafarm Group can only be inherited within the Csányi family. Therefore, we view the family's involvement in the business as supportive to the rating.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
14 Aug 2025	Affirmation	BB/Stable
15 Aug 2024	Affirmation	BB/Stable
17 Aug 2023	Upgrade	BB/Stable

5. 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

The ESG profile of Pick Szeged must be viewed together with parent Bonafarm to capture its high vertical integration as well as common management and ownership.

Circular economy in focus

Bonafarm is Hungary's largest vertically integrated consumer products and agricultural group. It has substantial investments in farming and livestock production. Production is from crops to processed food, which contributes to the circular economy. Group entities have started developing and implementing ESG principles, which is visible in the group's environmental footprint. The agricultural and livestock leg is rather modern while the processed food plants are rather old and need significant investment, which has been under planning for several years.

Family ownership drives decision-making

The Csányi family keeps a hands-on approach on strategic decisions.

Overall, ESG factors have no impact on the rating.

[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.

6. Business risk profile: BB+

Pick Szeged's moderate business risk profile is based on Bonafarm's assessment but it also reflects the company's strong presence both in the Hungarian market through its 150-year-old brand as well as in key export markets for its famous winter salami (Pick). Majority of sales are concentrated in the salami category, although the company has adequate diversification in terms of customers and suppliers. Pick Szeged's profitability is generally higher than that of its local competitors due to its strong pricing power. Nevertheless, its EBITDA margin has fallen is the past years, dropping below 6% in 2024 (compared to an average of 10% between 2021 and 2023) due to high raw material costs and salary increases.

Industry risk profile: A-

We categorise Pick Szeged within the non-discretionary consumer products industry, which is characterised by low cyclicality. Despite the generally moderate capital investment needed, barriers to entry are medium in view of the efforts necessary to attain the required economies of scale and establish customer bases. At the same time, substitution risk is low, reflecting the generally non-discretionary nature of these products.

Pick Szeged's revenues increased by 2.6% in 2024 to HUF 85.2bn due to a slight increase in sales volume and higher prices. Both domestic and export sales saw a modest increase in revenues. Revenues in H1 2025 is expected to be lower compared to the same period in 2024 due to the negative impact of animal diseases and lower commodity pricing for pigs on sales performance.

Market leader as meat processor in Hungary

In terms of market position, Pick Szeged continues to dominate its market, although its capacity development plans are rather moderate compared to its competitors. Pick Szeged's held around 13% of the Hungarian meat processing market in terms of revenue in 2024 (similar to 2023 levels), around three times more than the second-largest competitor. In terms of volumes sold, Pick's share was lower at around 8% in 2024, which is still almost double that of its nearest competitor. The marked difference between revenue and volume shares indicates the company's competitive advantage in setting significantly higher prices than the rest of the market thanks to PICK's recognition as a premium brand. As food product related inflation returned to the mid-single-digit range by 2024 and the efficiency-increasing investment plans were initiated in H2 2024, we expect Pick Szeged's market shares to slowly but gradually increase in the medium to long term.

Limited geographical and product diversification

Geographical diversification remains a constraint for Pick Szeged, as over 70% of its revenues in 2024 were generated in Hungary. Export sales were moderate, accounting for more than a quarter of revenues and primarily focused on salami sales to Germany. Another factor limiting Pick Szeged's diversification assessment is the company's limited product range, consisting mainly of processed pork products, with over 50% of its revenues derived from salami. This is somewhat offset by a relatively strong international standing and regional distribution agreements with retailers.

Higher share of branded products compared to peers

In Hungary, Pick Szeged has one of the highest proportions of branded products in its portfolio (private-label sales generate less than 50% of revenues), which boosts profitability. Certain product categories, such as salami, Parisian and pâté, have well over 60% of branded sales, largely due to their strong export focus. In contrast other product categories, such as ham and cold cuts, are largely exposed to the private-label market as they target domestic consumption and lack a large-volume premium product offering compared to regional competitors.

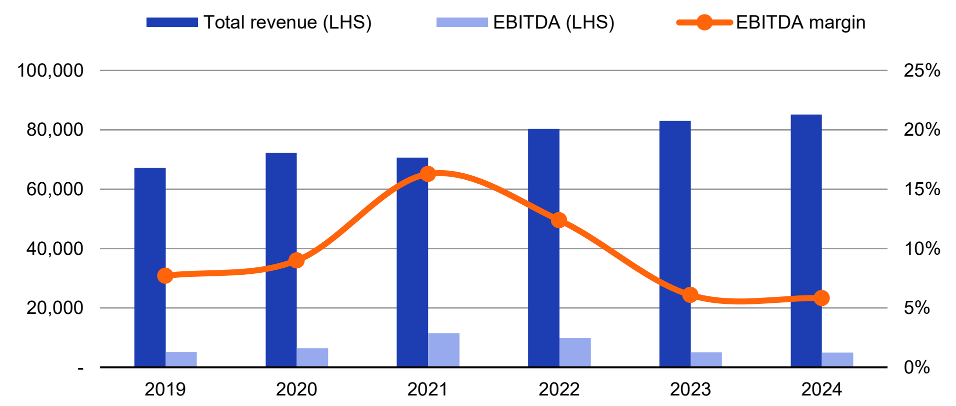
Diversified customer and supplier base

Conversely, Pick Szeged's customer base is highly diverse and includes all major retail chains in Hungary. Sales are balanced among retailers, as demand for the PICK brand is in high in Hungary. In terms of suppliers, Pick Szeged relies on several partners for key raw materials. The company also benefits from intra-group links through its sister companies, MSC Slaughterhouse (consolidated in 2025, supplies meat) and Sole-Mizo (supplying additives).

Improving profitability in line with other non-discretionary consumer product companies

EBITDA is moderately volatile, primarily reflecting non-controllable costs such as labour and input costs, which are offset by significant price increases. EBITDA margins were moderate at 5%-6% during the period from 2015 to 2018, improving to 9% in 2020 and 16% in 2021. In 2022, the margin reached 12.4% (adjusted upwards due to a non-cash, extraordinary write-off of HUF 2.6bn). Although profitability is generally higher than that of local peers due to strong domestic pricing power, the EBITDA margin came under pressure in 2023, reaching around 6% and remained at such level in 2024 (compared to an average of 10% between 2021 and 2023) due to high raw material and salary costs. During the first half of 2025, Pick Szeged's profitability was affected by lower sales volumes, lower commodity prices and weak exchange rates. We expect the EBITDA margin recovery will be postponed until 2026 due to the timeliness of containment and efficient management of animal diseases and the recovery of market prices which will lead to an improvement in the margin towards 9% in the medium term. Further margin improvement will be supported in the long term by the completion of Pick Szeged's efficiency-increasing investment project, which is planned for completion in 2027. (It is worth noting that a large proportion of the sow meat is purchased at arm's length from MCS Slaughterhouse, which has a significantly lower margin than Pick. We estimate that the combined margin of the slaughtering and meat processing business would reduce overall profitability, though it would still exceed the average for local peers.)

Figure 1: Revenue and EBITDA development (in HUF m)



Source: Pick Szeged, Scope

Slow execution of investments allowing competition to gain market share

Operational efficiency remains a drag on profitability with the revenue-to-headcount ration being half that of main competitors. The seemingly low efficiency is primarily due to outdated production technology, delayed modernisation, facilities situated in multiple locations and manual production processes. The large production workforce will not be reduced in the medium term as new government subsidies come with headcount requirements. In the medium term, Pick Szeged aims to increase output capacity by a quarter. Meanwhile, some competitors in the processed pork and poultry sector in Hungary are set to double their capacity.

Strong brands enable pricing power in Hungary

Pick Szeged is the market leader in Hungary, renowned for its high-quality products and strong brand awareness both locally and in select European export markets. PICK winter salami has been granted 'Hungaricum' status, representing the local heritage. The brand strength, along with the company's leading market position, enables premium pricing, particularly for Pick's moulded salami, which the group utilises efficiently in negotiations with retailers.

7. Financial risk profile: BB-

Pick Szeged's rating is based on the unconditional and irrevocable guarantee by its parent, Bonafarm and its full consolidation within the group. Therefore the financial risk profile assessment is equalised with that of Bonafarm.

Bonafarm's moderate financial risk assessment is constrained by a very weak cash flow cover as the group's capital-intensive investment programme puts heightened pressure on free operating cash flow (FOCF). Additional loans have been taken out to fund Bonafarm's capex plans. This has resulted in a deterioration in leverage and interest cover, as interest rates remained high in Hungary. The deterioration is further exacerbated by the group's continued distressed operating profitability expected for 2025. We forecast that leverage measured as debt/EBITDA will increase towards 4.0x in 2025 from 2.3x in 2024 before gradually recovering to below 3.0x in the medium term. Similarly, funds from operations/debt are expected to fall to a moderate level of below 25% in 2025 before gradually returning to above 30% over the medium term. The new debt has also negatively impacted the group's historically very strong interest cover, as the average cost of debt will increase significantly and interest income is expected to dissipate, leading to an EBITDA interest cover of 7.0-8.0x. Nevertheless, this remains the main factor supporting the group's financial risk profile.

For more information on Bonafarm's financial risk profile please view the Rating Report of Bonafarm.

Negative cash flow cover due to capital intensive investment programme

Pick Szeged has several large production sites in need of modernisation. Bonafarm's investment plans therefore include a new moulded salami brownfield factory for Pick Szeged as well as smaller projects aimed at increasing automation at several production sites. These investments aim to modernise the production process and reduce the efficiency gap compared to competitors who have increased their market share in recent years (e.g. Mecom Group). Thus, these projects are expected to help the company to protect its market share, particularly in product categories where its brand strength is weaker. Nevertheless, we expect Pick Szeged's flagship moulded salami product will maintain its leadership position.

Initiating the capital-intensive investment project in H2 2024 has resulted in a very negative FOCF/debt cash flow cover which is forecast to remain negative for the next two years. Once this investment phase ends in 2027 (based on current information no time overrun is expected), we expect to see a robust return to positive cash flow on top of improved operational efficiency. However, it will take time for the full effect of the new investments to be realised.

Adequate liquidity

Pick Szeged can access a cash pool provided by its parent company for investment purposes. We note that historically the company has been a contributor to the group cash pool, which may lower its liquidity moderately though not significantly. Due to the cash pooling agreements between Bonafarm and its subsidiaries as well as full consolidation and interlinkage, we assess Pick Szeged's liquidity to be equivalent to that of its parent, Bonafarm and to be at an adequate level.

Pick Szeged's strong cash flow and low-cost, fixed-rate debt can be used by Bonafarm Group and its strategic partners, up to a limited amount.

We note that Pick Szeged's senior unsecured bond issued under the Bond Funding for Growth Scheme has a covenant requiring the accelerated repayment of the outstanding nominal debt amount (HUF 27bn) if the debt rating of the bond stays below B+ for more than two years (grace period) or drops below B- (immediate repayment). Such a development could adversely affect the company's liquidity profile. The rating headroom to entering the grace period is three notches. We therefore see no significant risk of the rating-related covenant being triggered.

8. Supplementary rating drivers: +1 notch

Positive reflection of parent support

We maintain the positive one-notch rating adjustment for parent support from the standalone credit assessment of BB-, demonstrated by recurring capital injections in the past, and the expectation of further capital increases (and/or a subordinated owner's loan with the intention to convert it into equity), which we assume will be over 15% of the resources required for the ongoing large investment projects. Moreover, we expect a continuation of the zero-dividend policy.

Bonafarm is fully controlled by renowned businessman and banker Dr. Sándor Csányi through his holding company Bonitás 2002 Zrt. In June 2023, the shares of Bonitás 2002 Zrt. were transferred to a family trust named Unity Asset Manager Foundation for generation change purposes. Ownership interests can only be inherited within the Csányi family. We therefore see the transaction as credit neutral, since the family's support and the family-run nature of the group will continue to benefit the rating.

9. Debt rating

Senior unsecured debt rating: BB

Pick Szeged's senior unsecured debt rating stands at BB, in line with the issuer rating.

Our recovery analysis is based on a hypothetical default scenario in 2026 and assumes outstanding senior secured debt of HUF 80bn. The analysis assumes a liquidation scenario given the significant asset balance, including fixed assets with moderate recoverable values, as we have applied a significant discount to recovery rates for the aging processed meat product plants. This scenario indicates an 'excellent' recovery for holders of senior unsecured debt. Nevertheless, we have remained conservative due to Bonafarm's capital-intensive capex programme, which may require additional external financing in case of cost overruns.

In December 2019, Pick Szeged issued a HUF 27bn senior unsecured bond unconditionally and irrevocably guaranteed by the parent company, Bonafarm (ISIN: HU0000359336), through the Hungarian Central Bank's Bond Funding for Growth Scheme. The bond proceeds were earmarked for investment capex and the general financing of operations. The bond has a tenor of 10 years and a fixed coupon rate of 2.0%. The bond has a bullet repayment schedule with 100% of the face value payable at maturity. In addition to the rating deterioration covenant, the bond covenants include non-payment, insolvency proceedings, cross-default (with the senior secured club facilities agreement, which has a net debt/EBITDA financial covenant of 4.0x), and change of control (initially limited to Dr. Sándor Csányi as final beneficial owner; in 2023 bondholders agreed to a change of control to a Csányi family trust) covenants. The only bond issuance within Bonafarm Group was made at the Pick Szeged level. Bonafarm Group has other senior unsecured debt ranking pari passu in the form of payables.

Scope Ratings GmbH

Lennéstraße 5, D-10785 Berlin
Phone: +49 30 27891-0
Fax: +49 30 27891-100
info@scoperatings.com

Scope Ratings UK Limited

52 Grosvenor Gardens
London SW1W 0AU
Phone: +44 20 7824 5180
info@scoperatings.com

Bloomberg: RESP SCOP
Scope contacts
scoperatings.com

Disclaimer