Bonafarm Zrt.

Hungary, Agribusiness and Consumer Products

Rating composition

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

			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.

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

1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Strong market position in Hungary in consumer products (processed meat and milk) and agriculture, enabling pricing power. • Vertically integrated group covering full process chain: agriculture including animal feed and livestock, pork meat, milk processing and winery. • Ownership of two of the most valuable Hungarian consumer products brands (Pick and Sole-Mizo). • Strong interest cover due to a large portion of debt having favorable fix interest rates. • Strong parent support exemplified by equity increases and loans exceeding HUF 60bn in past 3 years (2022-2024); further equity injections planned in the next three years.	• Deteriorating credit metrics, e.g. leverage and cash flow cover, due to large capex contracted and M&A activity. • EBITDA vulnerable to market prices – especially for animal feed, the fluctuating ZMP index (German slaughter pigs index), milk, energy and labour – and external shocks such as drought and disease. • Slow execution of investments to replace old technologies in meat processing while construction prices soar in Hungary, mitigated by subsidies won and owner's equity contribution and possibility to postpone strategic capex in other operating areas. • Higher production-related headcount than peers' in both milk and meat processing due to delayed investments, low automation and production being situated at multiple locations.

2. Rating Outlook

The **Stable 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.

3. Corporate profile

Largest fresh food producer in Hungary

Bonafarm Zrt. (Bonafarm) is the parent company of the Bonafarm Group and the consolidating entity of its ten subsidiaries. The group is Hungary's largest fresh food producer, with a broad and diversified product portfolio. The group is vertically integrated, with activities ranging from crop production and large-scale animal husbandry to the production of wholesale food products under both its own brands and private labels.

Bonafarm Zrt. is the parent company of ten separate and fully consolidated business units (five in agriculture and five in the food industry). Its three main operating groups are called Agriculture, Food Industry, and HQ & Administration (BonOffice Ltd, Bonitás IT Ltd). Agriculture includes Bóly Group (crop and seed production, pig and dairy cattle breeding), Dalmand Co. (crop and seed production, pig breeding), Fiorács Ltd. (crop production, pig breeding), Agroprodukt Group (crop and seed production, pig and dairy cattle breeding), and Bábolna Takarmány Ltd (fodder production). Food Industry includes Pick Szeged Co. (processed meat production), Sole-Mizo Co. (milk processing), Csányi Pincészet Co. (wine), Hungerit (poultry products) – consolidated starting 2024 - and MCS Vágóhíd (pig slaughterhouse) - consolidated starting 2025.

The group is fully controlled by renowned businessman and banker Dr Sándor Csányi and his family through the holding company Bonitás 2002 Zrt. (In June 2023, the shares of Bonitás 2002 Zrt. were transferred to Unity Asset Management Foundation, a family trust, for generational change purposes.) Ownership interests of the group can be only inherited within the Csányi family; therefore, the family's support and the business' family-run nature remain 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. Financial overview (financial data in HUF m)

			Scope estimates		
Scope credit ratios	**2023**	**2024**	**2025E**	**2026E**	**2027E**
EBITDA interest cover	net interest income	net interest income	8.0x	7.4x	7.4x
Debt/EBITDA	1.2x	2.3x	3.8x	3.3x	2.7x
Funds from operations/debt	89%	43%	23%	26%	31%
Free operating cash flow/debt	-48%	-38%	-99%	-38%	11%
Liquidity	>200%	167%	32%	93%	>200%
EBITDA					
Reported EBITDA	27,771	19,071	22,929	32,419	33,398
add: recurring dividends from associates	373	360	-	-	-
less: capitalised expenses	-	-	-	-	-
Other items (incl. one-offs)	-310	828	-	-	-
EBITDA	**27,834**	**20,259**	**22,929**	**32,419**	**33,398**
Funds from operations (FFO)					
EBITDA	27,834	20,259	22,929	32,419	33,398
less: interest	3,428	440	-2,870	-4,375	-4,543
less: cash tax paid	-660	-497	-26	-468	-396
Other non-operating charges before FFO	-	-	-	-	-
Funds from operations	**30,602**	**20,202**	**20,034**	**27,575**	**28,458**
Free operating cash flow (FOCF)					
Funds from operations	30,602	20,202	20,034	27,575	28,458
Change in working capital	-17,174	-3,677	-6,250	-8,333	-3,789
Non-operating cash flow	-	-	-	-	-
less: capital expenditures (net)	-30,006	-34,228	-99,500	-59,000	-15,000
Other items	-	-	-	-	-
Free operating cash flow	**-16,578**	**-17,703**	**-85,716**	**-39,758**	**9,670**
Interest					
Net cash interest per cash flow statement	-3,428	-440	2,870	4,375	4,543
add: 50% of interest paid on hybrid debt	-	-	-	-	-
add: other items	-	-	-	-	-
Interest	**-3,428**	**-440**	**2,870**	**4,375**	**4,543**
Debt					
Reported financial (senior) debt	45,143	57,562	86,996	107,465	94,460
add: subordinated (hybrid) debt (net of equity credit)	-	-	-	-	-
add: shareholder loans (net of equity credit)	-	-	-	-	-
less: cash and cash equivalents	-10,766	-10,959	-750	-1,535	-3,272
add: non-accessible cash	-	-	-	-	-
add: pension adjustment	-	-	-	-	-
add: asset retirement obligations	-	-	-	-	-
add: other debt-like items	-	-	-	-	-
Debt	**34,377**	**46,603**	**86,246**	**105,930**	**91,188**

6. Environmental, social and governance (ESG) profile[1]

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

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.

[1] 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: BB+

The moderate business risk profile assessment reflects the group's market leadership in Hungary, vertical integration, good product diversification, moderate profitability and brand strength, despite high geographical concentration on the local market.

Industry risk profile: A-

As a vertically integrated agribusiness and commodity food manufacturer, Bonafarm Group primarily generates revenues from the sourcing and distribution of crops, food, animals and their products as well as their inputs, and the processing, distribution and marketing of commodity food products. We use a blended approach to assess the industry risk profile, with more than half of total EBITDA relating to non-discretionary (processed meat and milk products) consumer products (industry risk of A) and the remainder to agribusiness (industry risk of BBB). The overall industry risk profile is therefore A-.

Bonafarm's main market is Hungary. Our sovereign rating for Hungary is BBB/Stable. While the country's medium-term economic growth prospects are considered solid, it continues to face challenges in the form of relatively high inflation rates, a weak local currency, delays in receiving certain EU funds, disputes regarding the rule of law, and labour shortages due to an ageing workforce and wage pressures. These issues are affecting the government's ability to provide investment grants and develop infrastructure in the country. Bonafarm has historically benefited greatly from the agricultural and investment subsidies and tax reliefs and is expected to do so in the future. For the existing investment cycle subsidies have been secured and tax reliefs applied during this investment phase. Therefore, the dispute with the EU regarding funds does not affect our base case.

Inflation on food products returned to mid-single digits by 2024

By 2024 inflation on food products had returned to the mid-single digit range (compared to the particularly high inflation rates of above 30% experienced in 2022 and 2023), where it remains for the time being. In 2022 Hungary imposed price caps on several food items which remained in place until 2023. This put pressure on retailers' profitability and impacted customer behaviour indirectly affecting food industry players. In March 2025 Hungary introduced profit margin restrictions on 30 food items, capping retailers' margins at 10%. We do not expect this to have a significant impact on the food industry market players. Meanwhile, the continued weakness of the local currency continues to benefit local market players serving the domestic market as imported products remain more expensive.

Bonafarm's good diversification is hindered by high concentration of domestic sales

High geographical concentration remains a constraint, with over 75% of sales generated on the Hungarian market in 2024. This makes the business largely dependent on local market conditions, although the vertically integrated business model reduces risks within the value chain and allows for fairly stable profitability over time. Export sales are limited and mainly directed to neighbouring countries, such as Romania and Croatia, and Germany.

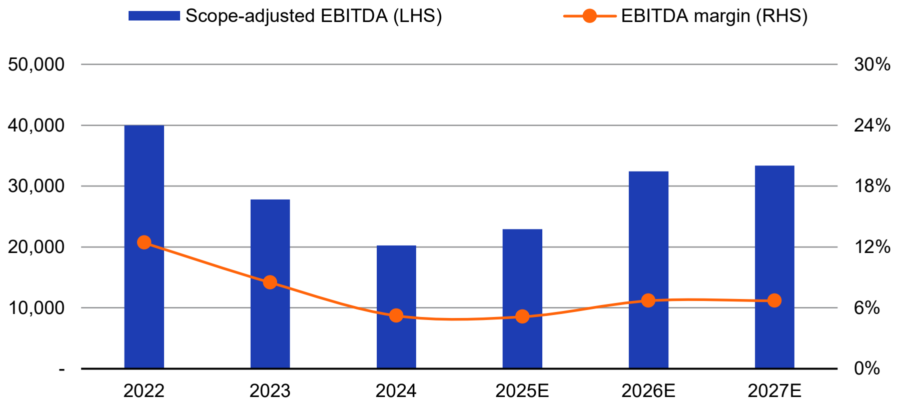
Bonafarm's customer base is highly diversified, encompassing all relevant retail chains in Hungary, thanks to high domestic demand for its brands. This benefits the group's diversification. Bonafarm Group plans to expand distribution channels for future growth, especially for dairy products. Export markets are increasing in importance, and Bonafarm Group is concentrating on key growth markets in neighbouring countries, as exemplified by the agreement reached in July 2025: Bonafarm will acquire a majority stake in FrieslandCampina's Romanian subsidiary by YE 2025.

Moderate operating profitability with EBITDA margin typically falling within the 5% to 10% range

Following Bonafarm's exceptional operating profitability in 2022 (EBITDA of HUF 36.1bn, EBITDA margin of 12.4%), lower sales volume in 2023 due to heightened inflation in Hungary resulted in a margin compression of 8.5% (HUF 27.8bn). In 2024, the EBITDA margin fell further still to 5.2% (HUF 20.3bn). This was primarily driven by the significantly lower performance of the consumer products segment amid the collapse of duck commodity prices (which impacted all European market players) and, to a lesser extent, the avian flu, which halted chicken operations at several locations (following the consolidation of Hungerit in 2024).

A significant operational recovery is not expected before 2026, mainly due to several animal diseases negatively impacting Bonafarm's consumer goods segment, but also because of adverse weather conditions putting pressure on the agribusiness segment. While each animal sector (dairy cows, pigs and poultry) has been exposed to diseases to some extent, causing a loss of business, Bonafarm expects operations to return to normal in H2 2025. Nevertheless, an EBITDA margin of 5.1% is forecasted for 2025. Based on expectations of a recovery in commodity prices and the continued management of animal diseases and operations, we project that profitability will increase to above 6.5% in the medium term.

Figure 1: EBITDA development (in HUF m)



Source: Bonafarm, Scope (estimates)

With a headcount of more than 6,600 in 2024, Bonafarm is one of the largest employers in Hungary. However, its ratio of revenue-to-headcount is roughly half that of main competitors in processed meat and milk industries. The low efficiency is primarily due to its outdated production technology, delayed modernisation, facilities being situated in multiple locations, and manual production processes in certain areas (e.g. salami). In agriculture, however the group uses highly efficient, state-of-the-art technologies, particularly for crop production and livestock breeding.

Slow execution of investments have allowed competitors to gain market share

Bonafarm's investment plans which include two major projects – Pick's moulded salami brownfield factory and Hungerit's greenfield poultry slaughterhouse – were initiated in H2 2024. These investments are intended to modernise production processes and reduce the efficiency gap compared to competitors who have increased their market shares in recent years (e.g. Alföldi Tej in milk products, or Mecom Group in meat products). Thus, these projects are expected to help the group protect its market share, particularly in product categories where its brand strength is weaker. However, we expect Pick Szeged's flagship moulded salami product will maintain its leadership position.

Strong brands enable pricing power in Hungary

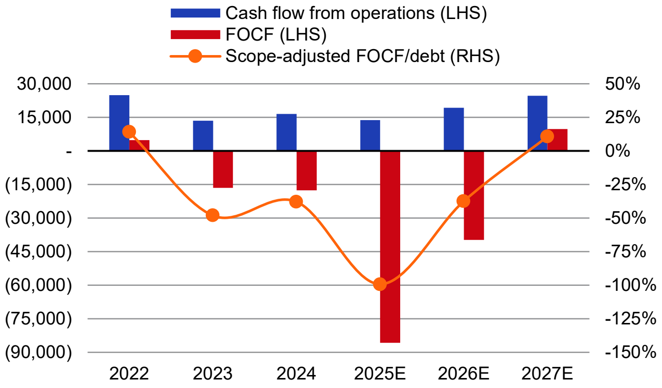
In Hungary, the Pick and Sole-Mizo brands are both well-known and highly regarded for their quality, leading to a moderate brand strength. This (along with the group's leading market position) enables the group to negotiate premium prices for salami – particularly Pick's moulded salami – and certain milk products.

In 2024 BONITÁS 2002 (the ultimate parent of Bonafarm) contributed Hungerit (a poultry slaughterhouse and processor; the main chicken supplier for KFC in Hungary) and in 2025, BONITÁS 2002 contributed MCS Slaughterhouse (pig slaughterhouse) to Bonafarm. While we do not expect the consolidation of these companies to result in significant changes to the group's business risk profile, we note the EBITDA margin dilutive effects due to adverse market conditions. Once market conditions normalise and the investment plans have been executed, we expect that the group's operating profitability will improve.

8. Financial risk profile: BB-

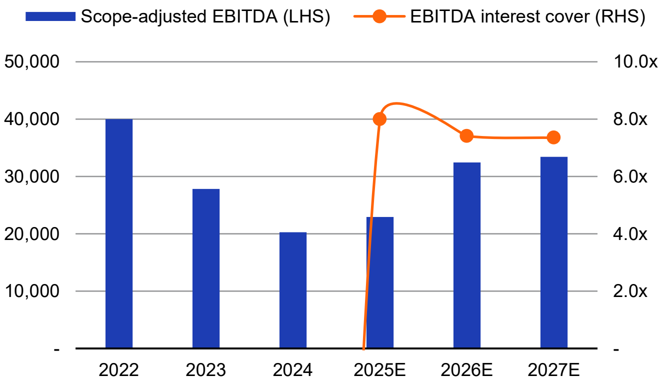
The financial risk profile is constrained by a very weak cash flow cover and deteriorating leverage due to Bonafarm's deployment of a capital-intensive investment plan (which started in 2024). However, as the financial risk profile has already taken these factors into account, the assessment remains unchanged at BB-.

Figure 2: Cash flow cover development (in HUF m)



Source: Bonafarm, Scope (estimates)

Figure 3: EBITDA interest cover development (in HUF m)*



* The EBITDA interest cover was net interest income between 2022 and 2024.

Source: Bonafarm, Scope (estimates)

Pressured FOCF generation due to high capex requirements

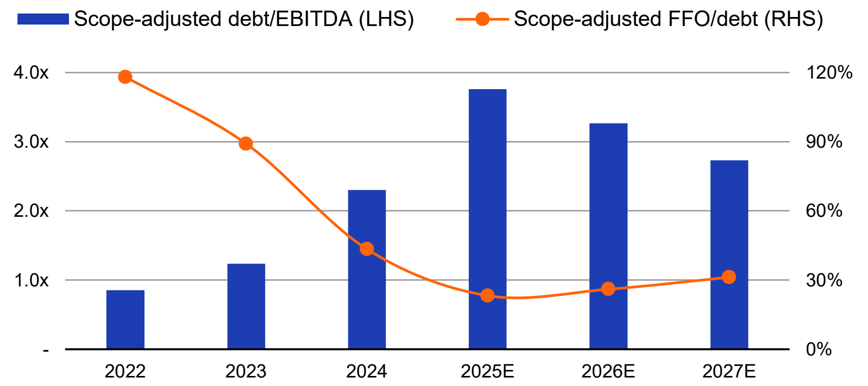
The main rating constraint is free operating cash flow (FOCF)/debt. We expect very negative FOCF values for the next two years driven by the accelerating capex. We anticipate total net capex of HUF 173.5bn between 2025 and 2027. Bonafarm's investment plans include two major projects: a new moulded salami brownfield factory for Pick Szeged and a poultry slaughterhouse greenfield project for Hungerit. Other investments will be primarily directed towards the development of poultry farming technologies. To finance its capital-intensive investment plans, Bonafarm contracted additional debt, which increased its gross debt from HUF 58bn at YE 2024 to HUF 79bn by H1 2025. It also had unused credit facilities totalling HUF 65bn, which will be utilised for its investment programme in the upcoming years. This has resulted in a deterioration in leverage and interest cover, as interest rates remained high in Hungary.

Leverage (debt/EBITDA) deteriorating towards 4.0x in 2025

Leverage as exemplified by the debt/EBITDA ratio has been deteriorating since 2022 when the metric was 0.9x due to the record high operating performance and large cash reserves. In 2024 the metric increased to 2.3x due to lower EBITDA and higher capex, requiring additional debt (compared to 1.2x in 2023). With additional loans that have been taken out to fund Bonafarm's capex plans, we forecast that Bonafarm's leverage will further increase to around 4.0x in 2025 partly due to the continued distressed operating profitability expected for 2025 before gradually improving to below 3.0x in the medium term. Uncertainties remain regarding the potential impact of further M&A activity and capex cost overruns. However, these are mitigated by the possibility of postponing smaller capex projects, as management is committed to keeping net debt/EBITDA below 3.5x. This would also provide a good safety buffer against the bank financing covenant of leverage below 4.0x.

Similarly, funds from operations/debt reached a strong level over the past couple of years (43% in 2023) but is expected to decrease to a more moderate level of around 25% in 2025 and 2026 before returning to around 30% in the medium term.

Figure 4: Leverage development



Source: Bonafarm, Scope (estimates)

Strong EBITDA interest cover

Although the new debt has also negatively impacted the group's historically very strong EBITDA interest cover, the metric continues to support the group's financial risk profile. Previously, the Bonafarm's financing structure featured fixed rates between 0% and 2%, however the average cost of debt will increase significantly as interest rates remain high in Hungary. While historically Bonafarm generated significant interest income on excess cash, this is also expected to dissipate as excess cash is expected to be spent in on the group's investment plans. EBITDA interest cover of 7.0-8.0x is expected between 2025 and 2027.

Adequate liquidity

Liquidity is considered as adequate despite forecasted internal and external liquidity ratios of below 100% for the next two years due to the capital-intensive investment programme. This is because the investments are expected to be fully pre-financed. The liquidity assessment also reflects the assumption that the group has the flexibility to postpone smaller capex when needed, although we still expect further shareholder support to cover the negative FOCF. Sources of liquidity are HUF 27bn of available cash and equivalents as at YE 2024 (thereof HUF 12.5bn was invested in Austrian treasury bills, however this is assumed to be liquidated in order to finance the investment programme), and HUF 65bn of undrawn credit lines as at June 2025.

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 group'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.

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

	2024	2025E	2026E
Unrestricted cash (t-1)	10,766	10,959	750
Open committed credit lines (t-1)	6,000	6,000	38,295
Other liquidity sources (t-1)[2]	20,000	16,000	-
FOCF (t)	-17,703	-85,716	-39,758
Short-term debt (t-1)	4,290	16,316	2,031
Liquidity	**167%**	**32%**	**93%**

Source: Scope estimates

[2] Other liquidity sources include cash restricted for investment purposes.

9. 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.

10. Debt rating

Senior unsecured debt rating: BB

Bonafarm'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.

Appendix 1. Peer comparison (as at last reporting date)

	Bonafarm Zrt.	Kometa 99 Zrt.	Baromfi-Coop Kft.	Tranzit-Food Kft.	HELL Energy Magyarorszag Kft.
Issuer rating/Outlook	BB/Stable	B+/Stable	BB/Stable	BB-/Negative	B+/Stable
Last reporting date	31 December 2024	31 December 2023	31 December 2023	31 December 2024 (preliminary)	31 December 2023
Business risk profile	**BB+**	**BB-**	**BB**	**BB-**	**BB+**
Financial risk profile	**BB-**	**B+**	**BB**	**BB+**	**B**
EBITDA interest cover	net interest income	net interest income	>20.0x	net interest income	9.4x
Debt/EBITDA	2.3x	4.5x	2.3x	2.3x	4.1x
FFO/debt	43%	28%	42%	57%	22%
FOCF/debt	-38%	5%	13%	-119%	-9%
Standalone credit assessment	BB-	B+	BB	BB-	B+
Supplementary rating drivers	+1 notch	-	-	-	-

Sources: Public information, Scope

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

in
Bloomberg: RESP SCOP
Scope contacts
scoperatings.com

Disclaimer