Stavmat Építőanyag Kereskedelmi Zrt.

Hungary, Retail and Wholesale

Issuer
B

Outlook
Negative

Senior unsecured debt
B+

Rating composition

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

Key metrics

			Scope estimates	
Scope credit ratios*	**2023**	**2024**	**2025E**	**2026E**
Scope-adjusted EBITDA interest cover	7.6x	5.0x	4.5x	5.4x
Scope-adjusted debt/EBITDA	4.1x	5.5x	6.1x	4.9x
Scope-adjusted funds from operations/debt	21%	15%	13%	17%
Scope-adjusted free operating cash flow/debt	-27%	-1%	-17%	2%
Liquidity	97%	>200%	68%	69%

Rating sensitivities

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

- Debt/EBITDA improving to below 6x on a sustained basis
- Maintenance of adequate liquidity

The downside scenarios for the ratings and Outlook (individually):

- Debt/EBITDA remaining at or above 6x
- Inability to secure financing for the first tranche of bond amortisation, leading to inadequate liquidity

*All credit metrics refer to Scope-adjusted figures.

Lead Analyst

Vivianne Anna Kápolnai
+49 69 6677389-88
v.kapolnai@scoperatings.com

Related methodologies

General Corporate Rating Methodology, Feb 2025

Retail and Wholesale Rating Methodology, Jun 2025

Table of content

1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Leading wholesaler of construction materials for professional customers in Hungary • Strong interest coverage due to fixed interest rate on the (HUF 5bn) MNB bond issued in 2021 (issued before high-interest rate environment) paired with the low fixed interest rate on the new HUF 840m loan • Parent support as evidenced by equity injection in H2 2025 and letter of comfort granted for the Baross Gabor loan	• Highly leveraged company caused by the deterioration of profitability • Liquidity under pressure as the senior unsecured bond is scheduled to begin amortisation in 2026 paired with moderate refinancing risk • Margins highly dependent on the construction industry cycle and cost of materials (well over 90% of sales) • New investment plans putting pressure on the cash flow cover for 2025 • Flagged financial policy related to the company's ambitious expansionary investment plans and shareholder-friendly measures

2. Rating Outlook

The **Negative Outlook** reflects the increased risk that Stavmat's credit metrics will remain under pressure, with debt/EBITDA staying at around 6x for a prolonged period due to limited visibility of a sustained market recovery. The Outlook also captures refinancing risk, which we still consider to be manageable, relating to the first bond instalment due in July 2026. Furthermore, we anticipate the prudent execution of Stavmat's investment plans, ensuring financing is secured prior to the commencement of investments.

3. Corporate profile

Market leader in niche construction material wholesale market

Stavmat Építőanyag Kereskedelmi Zrt. (Stavmat) is primarily a wholesaler of construction materials for professional use, with an approximate 10% leading position in the small Hungarian market and leadership in the industrial segment. Around 30% of sales are generated by retail consumers (private professionals). Stavmat owns 35 stores across Hungary and employs around 400 people. The company provides the full range of high-quality building materials and solutions for both outdoor and interior design work, renovation and house construction. In December 2016, Stavmat became part of IN Group, a Slovakian diversified construction group that trades building materials in Slovakia, the Czech Republic and Hungary.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
2 Dec 2025	Outlook change	B/Negative
5 Dec 2024	Downgrade	B/Stable
7 Dec 2023	Outlook change	B+/Negative

5. Financial overview (financial data in HUF m)

			Scope estimates		
Scope credit ratios	**2023**	**2024**	**2025E**	**2026E**	**2027E**
EBITDA interest cover	7.6x	5.0x	4.5x	5.4x	5.9x
Debt/EBITDA	4.1x	5.5x	6.1x	4.9x	4.2x
Funds from operations/debt	21%	15%	13%	17%	20%
Free operating cash flow/debt	-27%	-1%	-17%	2%	5%
Liquidity	97%	>200%	68%	69%	98%
EBITDA					
Reported EBITDA	965	362	182	577	865
add: operating lease payments	632	590	590	515	490
Other items (incl. one-offs)[1]	301	377	375	300	225
EBITDA	**1,898**	**1,329**	**1,147**	**1,391**	**1,580**
Funds from operations (FFO)					
EBITDA	1,898	1,329	1,147	1,391	1,580
less: interest	(250)	(265)	(254)	(259)	(266)
less: cash tax paid	(15)	-	-	(3)	(14)
Funds from operations	**1,632**	**1,064**	**893**	**1,129**	**1,300**
Free operating cash flow (FOCF)					
Funds from operations	1,632	1,064	893	1,129	1,300
Change in working capital	(563)	(290)	(64)	(121)	(128)
less: capital expenditures (net)	(2,645)	(312)	(1,500)	(400)	(400)
less: lease amortisation	(534)	(515)	(518)	(447)	(423)
Free operating cash flow	**(2,111)**	**(53)**	**(1,189)**	**161**	**349**
Interest					
Net cash interest per cash flow statement	152	190	183	191	199
add: interest component, operating leases	98	75	71	68	67
Interest	**250**	**265**	**254**	**259**	**266**
Debt					
Reported financial (senior) debt	5,840	5,700	5,542	5,385	5,227
less: cash and cash equivalents	-1,665	-1,510	-891	-895	-1,086
add: non-accessible cash	1,665	1,510	891	895	1,086
add: operating lease obligations	1,952	1,495	1,427	1,355	1,331
add: other debt-like items[2]	67	67	67	67	67
Debt	**7,858**	**7,261**	**7,036**	**6,807**	**6,625**

[1] Other items include cash discounts.

[2] Other items include bank guarantees.

6. 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) – credit-neutral
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) – credit-negative
Product innovation (e.g. transition costs, substitution of products and services, green buildings, clean technology, renewables) – credit-neutral	Clients and supply chain (geographical/product diversification)	Corporate structure (complexity) – credit-neutral
Physical risks (e.g. business/asset vulnerability, diversification)	Regulatory and reputational risks	Stakeholder management (shareholder payouts and respect for creditor interests) – credit-negative

ESG factors: credit-positive credit-negative credit-neutral

Credit-neutral ESG strategy, despite structural weaknesses flagged in the company's financial policy

As a wholesaler, Stavmat is exposed to indirect reputational risk. For example, product or labour management that has a negative social impact may prompt buyer renegotiations due to consumer boycotts, affecting sales, margins and inventory value. Also, Stavmat's wide network of brick-and-mortar shops comes with an environmental footprint and will remain fundamental to its development. Like other wholesalers, Stavmat has to strike a balance between improving the energy efficiency of its large shops (comparable to hypermarkets) and increasing the flexibility of its space to incorporate additional distribution channels (e.g. click and collect).

With the paving production plant Stavmat is also exposed to the construction materials industry and its significant environmental footprint. Aside from the issues regarding the sustainability of raw materials, the production of construction materials regularly requires large amounts of energy and fuel, which often generate pollution and large amounts of waste (some of which is hazardous). These companies also face the risk that customers opt for more environment-friendly solutions and products.

In 2021, Stavmat issued a green bond as part of the Hungarian Central Bank's Bond Funding for Growth Scheme to finance its paving production plant and established a green committee to monitor the company's progress in its ESG initiatives. The green bond commitments are primarily linked to the paving factory. With the completion of the factory, Stavmat has met the requirements outlined in the green bond. The company has also defined several medium-term goals aligned with the UN Sustainable Development Goals as part of their ESG strategy, which it plans to accomplish by 2030, as well as the long-term goal to be carbon-neutral by 2050.

We view Stavmat's historically shareholder-friendly measures and frequent changes to financial plans in order to incorporate the company's ambitious expansion strategy and investment plans as structural weaknesses. However, these do not pose additional credit risk beyond that already reflected in the negative one-notch adjustment for the company's financial policy.

[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.

7. Business risk profile: B

Industry risk profile: BB

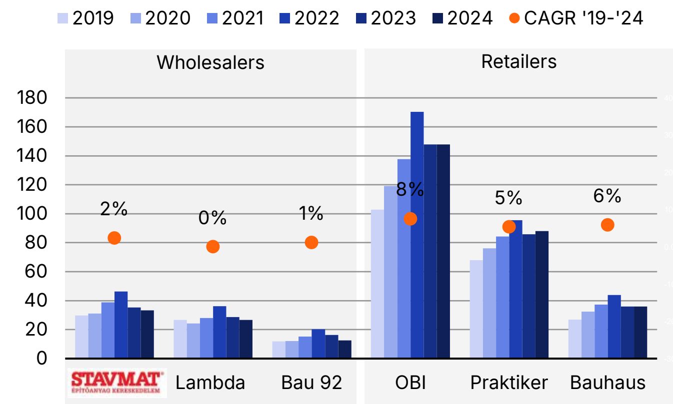
Stavmat operates in a discretionary retail market, which is characterised by medium cyclicality, low entry barriers and low substitution risk resulting in an industry risk profile of BB. The company's business risk profile remains constrained by its limited size with EUR 85m in sales (2024) and low diversification in terms of geography and distribution channels, despite it being one of the leading wholesalers of construction materials for professional customers in Hungary. Furthermore, the company's high dependency on its underlying market, the construction industry and its cycles, also impacts its operating profitability as its wide range of products all belong to this cyclical goods category.

The construction industry in Hungary had one of the fastest growth rates in Europe between 2016 and 2022. This growth was mainly due to government-driven orders, rising household disposable incomes, and low interest rates. The Covid-19 pandemic slowed construction activity during 2020, but the industry promptly recovered by the end of the year. In 2022, the Hungarian government extended many of its subsidy schemes (e.g. the baby loan and 'CSOK' family subsidy scheme), continuing construction-friendly policies aimed at improving demographic trends within the country. However, by the end of 2022 the industry again started to slow in the wake of macroeconomic conditions prompted by the Russia-Ukraine war, high inflation and the energy crisis. Since 2023 the slowdown in the construction industry has put continued pressure on market players such as Stavmat.

Leading market share as a wholesaler despite small size

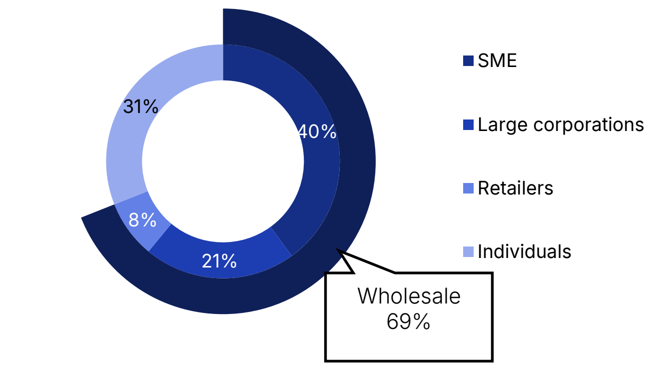
Stavmat holds a leading 6% market share in the wholesaling of construction materials for professional use. The second largest competitor (Lambda) is close in terms of revenues but has almost 50% fewer stores. Stavmat also produces construction materials, which indicates that the real gap in terms of wholesale-only market shares is even wider. Nevertheless, macroeconomic headwinds in recent years have highlighted the fact that Stavmat's absolute size and market positioning are not substantial enough to capitalise on its market-leading position and set prices. This is because the construction material wholesale market is a highly fragmented niche market, which is closely linked to the underlying construction market.

Figure 1: Revenue development of market players (HUF bn)



Sources: Stavmat, Scope

Figure 2: Revenue split by customer segment

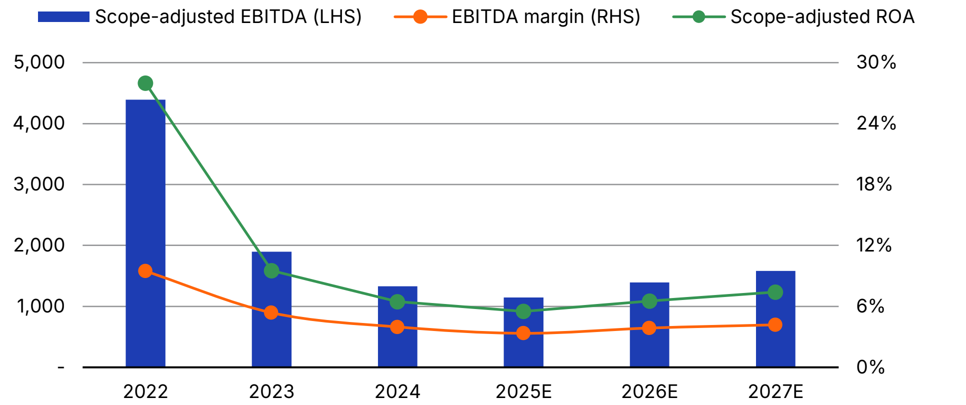


Sources: Stavmat, Scope

The slowdown in the Hungarian construction market has continued to put pressure on Stavmat's weak operating profitability since 2023. In 2024 Stavmat's revenue and reported EBITDA decreased by 5% and 30% YoY respectively and the EBITDA margin decreased to 4.0% from the previous year's 5.4% as a result of price competition and a high inflation, which led to a significant increase in overhead costs. Although we expect EBITDA margin to deteriorate further to below 3.5% for 2025, there have been early signs of recovery in H2 2025, as evidenced by Stavmat's unaudited interim profitability (reported EBITDA margin up from -0.4% in H1 2025 to 0.5% by YTD October 2025). This is primarily driven by the continued strengthening of household demand, which generates the highest margins. Greater demand is also fuelled by the state initiatives and subsidies implemented in 2025 (e.g. the Otthon Start Program initiated in September 2025). We forecast a slow market recovery and gradual rise in Stavmat's operating profitability to slightly above 4% by 2027 and after the deterioration of the EBITDA return on assets to below 6%, it is also forecasted to steadily increase towards 8%.

Although the Dabas paving stone plant has started its operations in Q3 2023, it will take at least two years for the plant to ramp up its production and contribute materially to Stavmat's performance.

Figure 3: Development of operating profitability metrics; EBITDA in HUF m



Sources: Stavmat, Scope estimates

Cost of materials is a key profitability driver

Overall, Stavmat's profitability is dependent on the cost of materials, at more than 90% of its revenues. Additionally, Stavmat benefits from larger supplier bonuses than those of smaller peers as these are linked to order sizes, although the impact on overall profitability is moderate.

8. Financial risk profile: B+

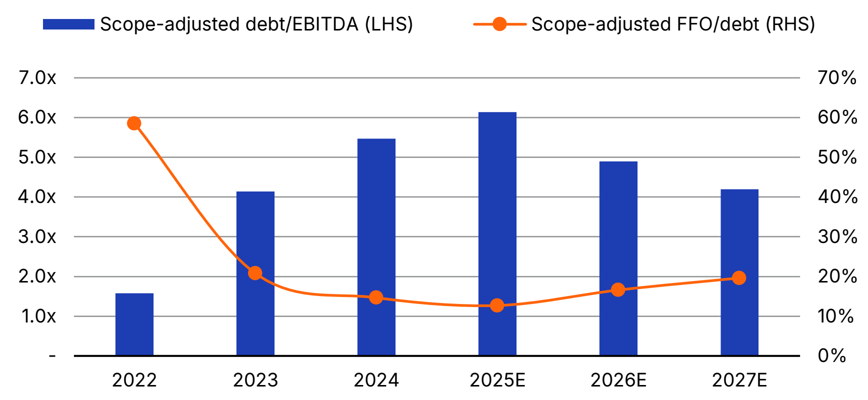
Stavmat's gross debt in 2024 includes the HUF 5bn senior unsecured green bond, issued in 2021, the HUF 682.5m Baross Gabor loan contracted in 2023 to finance a site acquisition (original amount of HUF 840m, linear amortisation), approximately HUF 1.5bn in operating lease liabilities, mainly containing site rental agreements and around HUF 70m other obligations (bank guarantee). Additionally, the company has an annually renewed unutilized (as at November 2025) working capital loan of HUF 500m which is used occasionally to finance its inventory build-up. No new debt has been contracted in 2025.

Medium term recovery to be driven by increase in EBITDA margin and decreasing debt amount

The deterioration in profitability has put continued pressure on Stavmat's credit metrics since 2023 and we forecast that the pressure will peak in 2025. However, in the medium term, the recovery in operating profitability together with a decreasing amount of debt will drive an improvement in credit metrics. The decrease in the debt amount is due to: i) the linear amortisation of the Baross Gabor loan, which we expect to be repaid; and ii) the cancellation of the lease contract after the successful execution of Stavmat's new investment to construct a site in Budaors, leading to lower operating lease liabilities as the rental agreement is terminated starting Q2 2026. Although the senior unsecured bond is scheduled to start amortisation in 2026 by HUF 500m per annum, we assume these tranches will be refinanced and thus not impacting the gross debt amount.

In 2024 credit metrics further deteriorated from their 2023 levels due to lower operating profitability and as we expect the decrease of Stavmat's EBITDA margin to continue in 2025, debt/EBITDA is forecast to peak at around 6x and funds from operations/debt below 15% before a slow recovery towards 4.0x and 20% respectively by 2027.

Figure 4: Development of leverage metrics



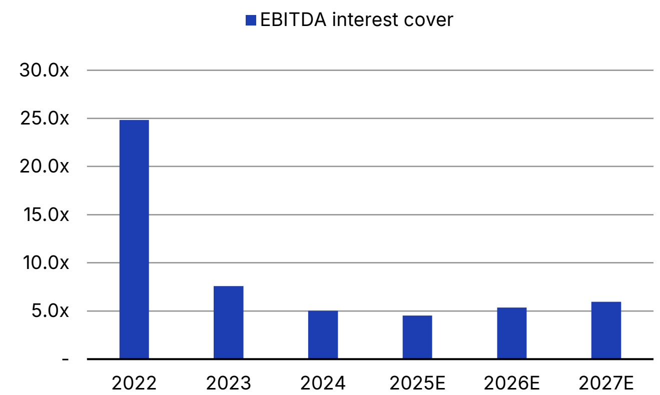
Sources: Stavmat, Scope estimates

Good interest cover backed by fixed interest rates

The financial risk profile continues to benefit from Stavmat's good interest coverage, as the majority of the debt portfolio has fixed, subsidised interest rates. Nevertheless, as loans are refinanced, the high-interest rate environment will increase the effective interest rate in the medium term. Interest cover is forecasted to remain between 4.5x and 6.0x for the following years.

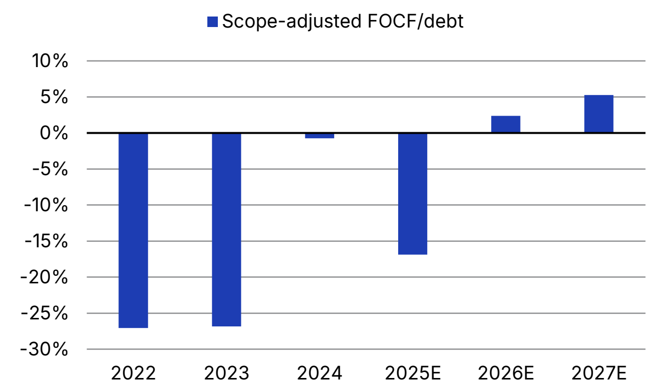
Following the completion of the paving stone production plant in 2023 the cash flow cover improved significantly reaching close to breakeven in 2024 due to the company's moderate cash flow generation and reserved investment plans which only involved maintenance capex. However, in 2025, the company decided to construct a new site in Budaors (estimated to cost HUF 1.5bn, partly financed through HUF 728m equity injection), which put pressure on cash flow cover turning it significantly negative again. We forecast a free operating cash flow/debt ratio of -17% for 2025 and we expect the metric to turn positive starting 2026 once the project is completed. At the same time we also expect Stavmat to continue its expansion strategy, which will put further pressure on cash flow cover although Stavmat has communicated that it intends to exercise a prudent financial policy regarding future investment plans.

Figure 5: Interest cover development



Sources: Stavmat, Scope estimates

Figure 6: Cash flow cover development



Sources: Stavmat, Scope estimates

Adequate liquidity

Liquidity is considered as adequate despite internal and external liquidity ratios of below 100% over the forecast period. Sources of liquidity include HUF 910m of unrestricted cash as at YE 2024. This is seemingly insufficient to cover the debt amortisation of HUF 158m scheduled for 2025, given that the estimated free operating cash flow for 2025 is significantly negative. However, as the debt has already been repaid in 2025 and funding has been secured for Stavmat's investment capex (partly through equity injection from parent company, IN Group a.s), this maturity does not pose refinancing risk.

Regarding the senior unsecured bond, which is scheduled to start amortisation in July 2026, we assume that the amortising tranches will be fully refinanced. Furthermore, if needed, liquidity sources can be supplemented by the annually rolled over credit line of HUF 500m (as is customary in Hungary) and the sale of inventory at a discounted price. Our view also incorporates the parent company's willingness to support the issuer in the event of financial stress, as evidenced by the comfort letter granted for the Baross Gabor loan in addition to the equity injection. However, we note that there is moderate refinancing risk and that liquidity could come under pressure if Stavmat does not address this issue in a timely manner.

We highlight the fact that Stavmat's senior unsecured bond issued under the Hungarian National Bank's Bond Funding for Growth Scheme has a covenant requiring the accelerated repayment of the outstanding nominal debt amount (HUF 5bn) if the debt rating of the bonds stays below B+ for more than two years (grace period) or drops below B- (accelerated repayment within 30 days). Such a development could adversely affect the company's liquidity profile. The rating headroom to entering the grace period is zero notches. Given the tightening rating headroom, the company must address its credit weaknesses to avoid entering the grace period or the more severe event of the debt rating being downgraded below B-. In addition to the rating deterioration covenant, bond covenants include non-payment, insolvency proceedings, cross-default, pari passu, negative pledge, change of control and additional indebtedness covenants.

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

	2024	2025E	2026E
Unrestricted cash (t-1)[4]	1,065	910	291
Open committed credit lines (t-1)	-	-	-
FOCF (t)	(53)	(1,189)	161
Short-term debt (t-1)	158	158	658
Liquidity	**>200%**	**68%**	**69%**

Sources: Stavmat, Scope estimates

9. Supplementary rating drivers: -1 notch

Credit-negative financial policy

We continue to apply a negative one-notch adjustment for supplementary rating drivers to flag Stavmat's ambitious financial policies regarding its expansionary investment plans and its shareholder friendly measures. This is evidenced, for example, by the transfer of shares in City Stone Design Kft. (previously Stavmat's subsidiary) to Stavmat's parent company. While this transaction does not cause Stavmat to lose access to the paving plant production facility, as the asset remains in its ownership, it does reduce the return on the investment due to the transfer pricing agreement between the sister companies.

Credit-neutral parent support

Stavmat Zrt. continues to operate independently from the group and we have therefore assessed it on a standalone basis. We expect the parent to have significant willingness to support Stavmat in case of need since Hungary is becoming an increasingly important market for the group, as evidenced by the equity injection they made in July 2025 and the letter of comfort for Stavmat's Baross Gabor loan. However, we assess parent support as neutral since we have limited visibility on the financial strength of IN Group a.s.

In our view, the company compares negatively (with a standalone credit assessment of B+) against peers regarding its size, but the associated risk (i.e. volatile cash flow, weaker competitive power) does not exceed the risk expressed by the issuer rating.

[4] Restricted cash of HUF 600m is assumed for daily operations for years 2024-2026.

10. Debt rating

Senior unsecured debt rating: B+

Stavmat's senior unsecured debt rating has been affirmed at B+, one notch above the issuer rating. The recovery analysis is based on a hypothetical default scenario in 2027 and assumes outstanding senior secured debt of HUF 1.2bn and senior unsecured debt of HUF 4.0bn. Our analysis assumes a liquidation scenario given the significant asset balance, including fixed assets with high recoverable values. Although the recovery analysis indicates an 'excellent' recovery for senior unsecured debt, the uplift is limited to one notch due to the company's small scale and the risk that it raises higher-ranking debt which dilutes the recovery for senior unsecured debt holders.

In July 2021, Stavmat issued a HUF 5bn senior unsecured green bond through the Hungarian Central Bank's Bond Funding for Growth Scheme. The bond proceeds were used for the paving stone plant capex and for working capital financing. The bond has a tenor of 10 years and a fixed coupon of 3%. Bond repayment is in six tranches starting from 2026, with 10% of the face value payable yearly, and a 50% balloon payment at maturity.

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